

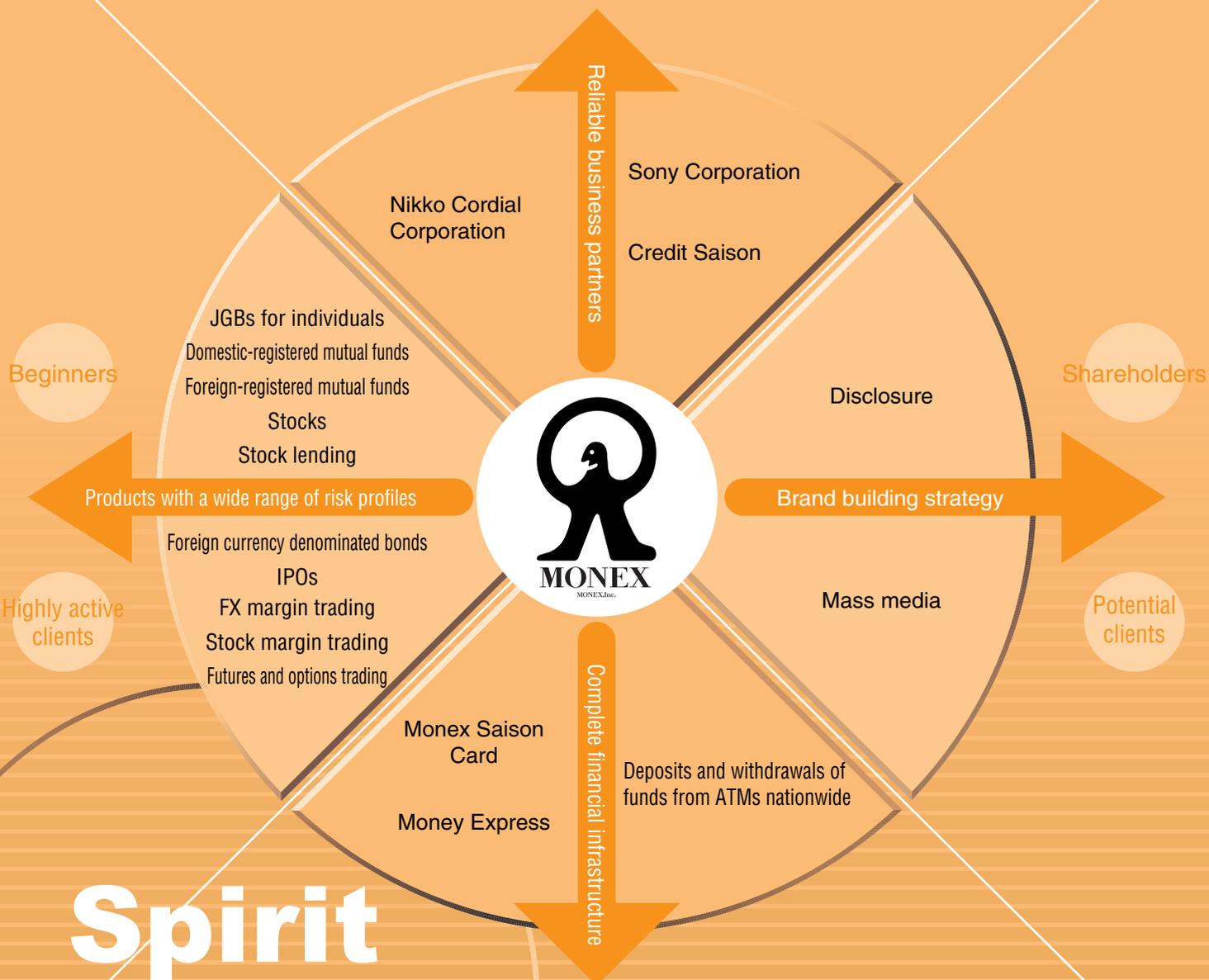


MONEX
MONEX, Inc.

ANNUAL REPORT
2004

The Concept Is Constant: Progress Towards Delivering the People's Financial Infrastructure to the Next Generation

In the fiscal year ended March 2004, Internet-based stock trading accounted for over 70% of all trading by individuals. Monex, founded as an online securities company in 1999, is the pioneer in this field in which its role is to promote the democratization of investing in the stock market. The Monex concept does not, however, stop there. Declaring 2004 as the year of our second launch, we will continue to progress towards becoming a comprehensive financial services company supporting asset formation by individual investors. Moreover, we will build an operating structure which is solidly grounded and would not be buffeted by fluctuations in the economy.



Spirit

The Monex Concept

Based on our commitment to our clients delivering high quality services at low cost, we will win new client segments in our continued democratization of the capital markets.

Company name as a securities company: Monex, Inc.
Date registered: July 30, 1999 (Kanto Regional Financial Bureau Cert. No. 152)
A member of :
Japan Investor Protection Fund
Japan Securities Dealers Association
Tokyo Stock Exchange
Osaka Securities Exchange

Towards a New Growth Stage as Monex Beans

In the fiscal year ended March 2004, Monex moved into the black, for the first time in the five years since we launched our business. The achievement attests to the soundness of the business model we have built for serving individual investors, and we could not have done it without the many clients and shareholders who have supported us throughout the years. I am profoundly grateful to you all.

We are proud to announce our second launch this year, as we start building an operating structure that will achieve stable revenues; we have strived for an even better implementation of our client-oriented principles and work to enhance shareholder value. As we seek to implement a totally new paradigm for a comprehensive online brokerage that supports individual investors in asset management and asset formation, we will meet the high expectations of all our stakeholders.

In March 2004, our company announced its planned merger with Nikko Beans, Inc. Through our collaboration with the Nikko Cordial Corporation, the resulting new company will be able to create added value that is more than the sum of its parts, greater than the combined shareholder value of Nikko Beans and Monex. We are committed to grow Monex Beans into the premier brand in comprehensive financial services for individuals, acting on the philosophy that has guided our operations from the start.

Oki Matsumoto Chief Executive Officer



April 1999 to Present Chief Executive Officer, Monex, Inc.

November 1994 General Partner, The Goldman Sachs Group,
L.P. in charge of Tokyo Fixed Income Business

April 1990 Joined Goldman Sachs (Japan) Ltd.

April 1987 Joined Salomon Brothers Asia, Ltd.

Others

Regular member Director, Japan Securities Dealers Association

Governor, Association of Tokyo Stock Exchange Regular members

Member of Advisory Committee on Market Operation, Tokyo Stock
Exchange (TSE)

INTERVIEW with the CEO



Creating a New Growth Model

Based on Monex's performance in the fiscal year ended March 2004, how do you see the economic outlook? What new business strategies are you planning to adopt?

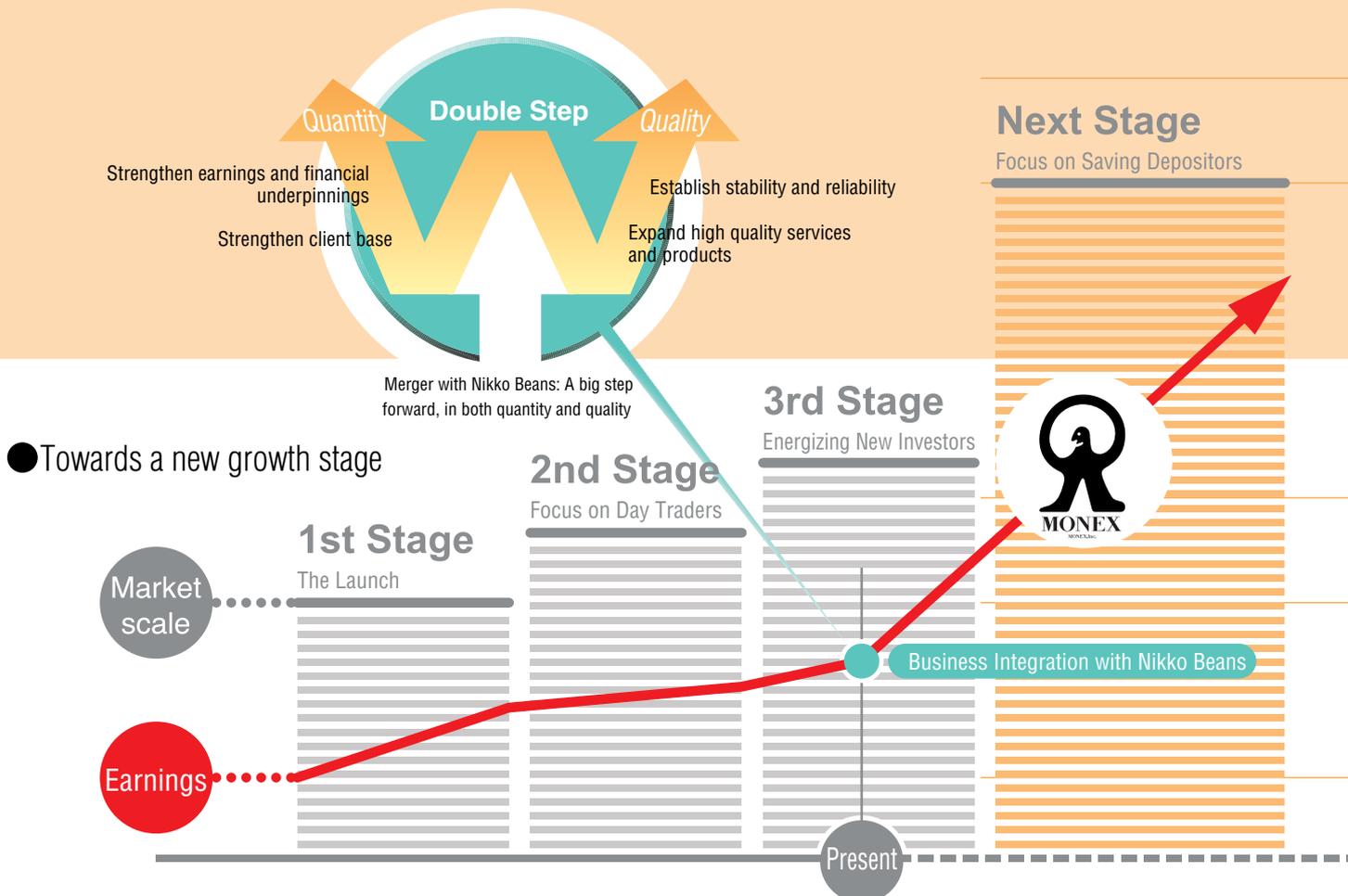
A. Our performance in the past year, which ended in March 2004, was the result of our offering a full line of products, including margin trading, foreign exchange margin trading (Monex FX), our stock lending service, and funds for investing in Chinese equities, plus our efforts to create client-oriented products and information services, including seminars and other educational events for clients. Eventually, it bore fruit when stock markets rose and individual investors became more active.

The economic outlook is moving toward a brighter course, with Japanese corporations reporting improved earnings and demand expanding throughout Asia, spurred by economic growth in China. Moreover, the government's policies to encourage a shift from indirect to direct financing will mean that the business environment will continue to be favorable for the securities industry in the near future.

We are positioning 2004 as the year of our second launch, when we will create a new model for growing our operations for a new age.

What is the background behind the new growth model?

A. Japan has experienced more over a decade of asset deflation. When that process comes to a halt, the way ordinary people see and act on asset formation will change. Up until now, half or more of individual assets have been held in cash and bank deposits, but that will change, and the result, in my view, will be an expansion in the asset management market.



When the time comes, new businesses that can provide a diverse asset portfolio, with products such as real estate investment trusts (REITs), overseas stock funds, or foreign exchange products like our Monex FX, will grow.

Our focus will be on putting the systems in place so that we can propose the solutions that will support the optimal strategies for asset formation to meet our clients' quite varied needs. Specifically, we will be developing a highly varied line of investment products and services and creating a new Net-centric (Internet-based) sales structure.

Multi-stratum revenue sources and total low-cost structure, for stable earnings

What measures are you taking to achieve an earnings structure that is not vulnerable to economic fluctuations?

A. When we founded Monex in 1999, at least 90% of our income was from brokerage commissions. Since then, we have moved to diversify our products and services to match our clients' needs; in the fourth quarter of the year ended March 2004, sources other than brokerage commissions accounted for about 30% of our income. We have also done well on controlling costs. Compared with the previous fiscal year, operating income rose by 82% but we kept the increase in fixed costs within 10%. Thus, our expanded income from sources other than brokerage commissions was able to cover about 70% of our fixed costs.

If we can make further strides in expanding our products and services, income from sources other than brokerage commissions will

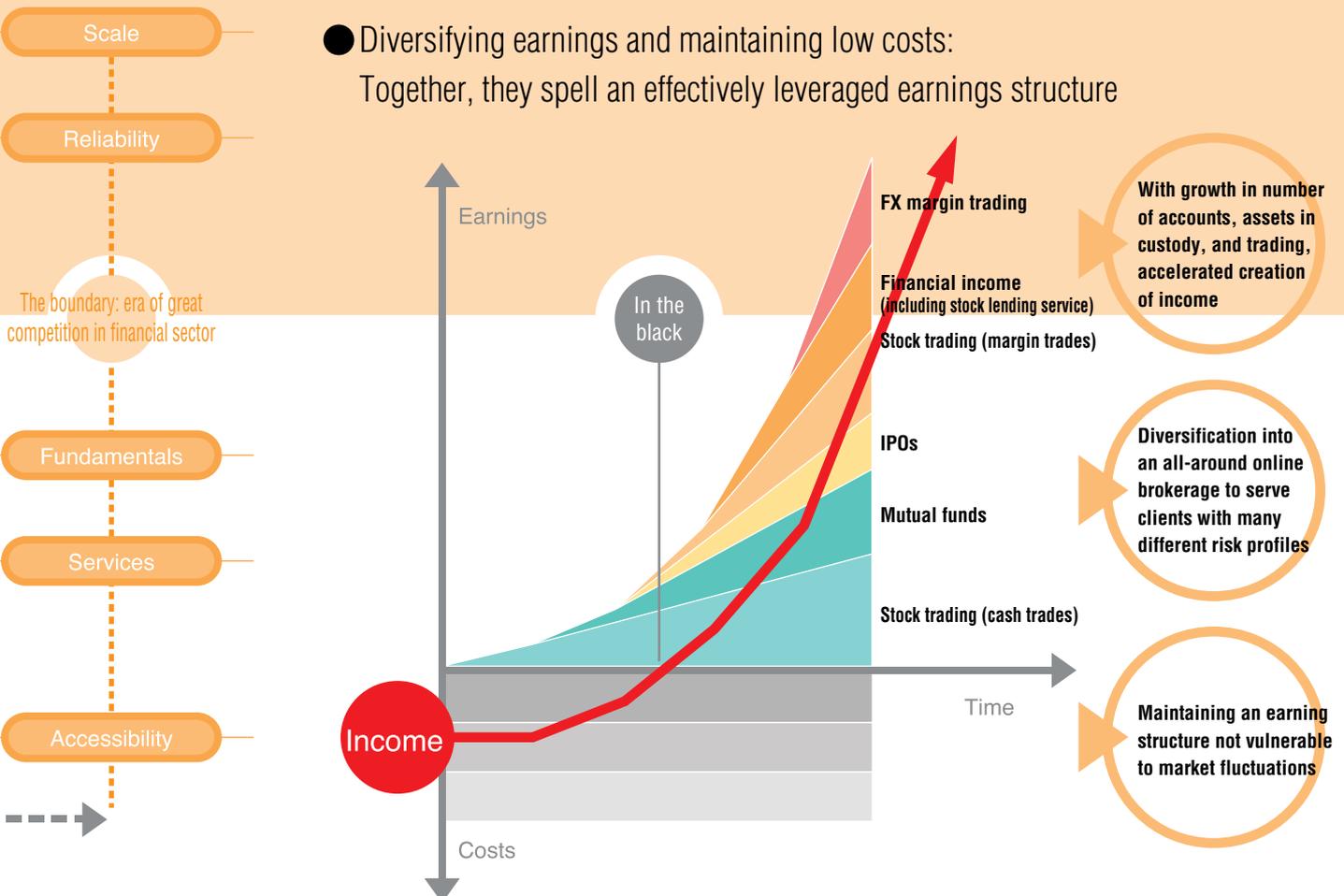


be able to cover our fixed costs in their entirety. That will mean we will be assured of stable revenues even when the stock markets are stagnating and also be poised to expand our income significantly when the markets are strong. That is the revenue structure we want; getting there will require that we continue to adopt a client-oriented point of view in our quest for new services to offer and that we achieve a low cost structure in every aspect of our operations.

Can you give a more detailed view of your growth model?

A. While the business climate is assisting us, diversifying our products and services to keep moving forward, step by step, will be the basic point. In addition, we will be able to achieve a 6:4 ratio between income from brokerage commissions and other income, giving a ballpark figure for our objective for the immediate future. That in turn will drive forward our efforts to expand the scope of our operations and keep the company in the black.

● Diversifying earnings and maintaining low costs: Together, they spell an effectively leveraged earnings structure



The Merger with Nikko Beans Accelerates Achieving a Model for Growth

Does the merger with Nikko Beans you announced in March 2004, contribute to new growth strategy of Monex?

A. Yes. Today, online brokerages dominate, and the competition to reduce commissions and improve other services is likely to grow even more intense. The first consideration behind the merger is that it will enable us to make use of economies of scale to cut operating costs. But we have an even bigger objective behind joining forces with Nikko Beans. Just as our merger and absorption of Saison Securities in 2001 strengthened our alliance with Credit Saison, we know that taking full advantage of our new relationship with the Nikko Cordial Corporation will be a source of the strength to get our new growth model up and running.

How will the merger proceed?

A. We plan to set up Monex Beans Holdings, Inc., a holding company, in August 2004, with its simultaneous listing on the Mothers market on the Tokyo Stock Exchange. The Nikko Cordial Corporation will, along with Sony Corporation, be the main shareholders in the new company. In 2005, Monex and Nikko Beans will unite in name and in fact and will set its sights on becoming the industry's largest all-around online brokerage. At the same time, we expect the holding company to apply for listing on the First Section of the Tokyo Stock Exchange as we establish our brand as a publicly held company.



Matsumoto, CEO of Monex and Ogasawara, President of Nikko Beans giving a smile when the merger was agreed.

● Merger Schedule

2004

4
April 21, 2004
Monex Board of Directors voted to approve share transfer

5
April 22, 2004
Nikko Beans Board of Directors voted to approve share transfer

6
June 26, 2004
Monex General Meeting of Shareholders voted to approve share transfer

6
June 23, 2004
Nikko Beans General Meeting of Shareholders voted to approve share transfer

7
July 27, 2004
Monex delisted from stock exchange

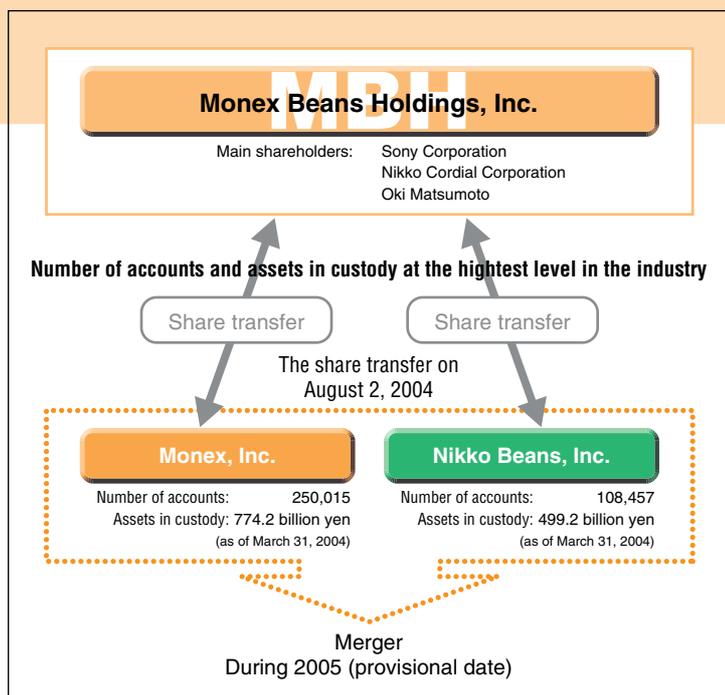
8
August 2, 2004
Share transfers carried out
Monex Beans Holdings, Inc., founded and listed on the TSE Mothers market

2005

2005 (provisional date)
Merger between Monex, Inc., and Nikko Beans, Inc.

2005 (provisional date)
Monex Beans Holdings, Inc., application for listing on first section of Tokyo Stock Exchange

● The Merger



Added Value: The Goal Behind the Merger

What qualitative advantages do you expect the merger to bring?

A. IT companies and banks, seeing the growth potential, are trying to move into the field of asset management for individuals. The field of financial services for individuals in general is heading into a period of great competition in which the decisive edge will consist of providing services with high added value, more intelligent services that coach individual clients in how to invest or advise them on trading in securities.

In today's favorable operating climate, we are investing now in the infrastructure that will underlie the high-value-added financial services that will differentiate us from our competitors. The key goal of our new growth model is to ensure that we can remain the leader, despite increased competition, even if the economy starts cooling off. Our collaboration with the Nikko Cordial Corporation will give us the opportunity to make effective use of intellectual assets such as the capacity to develop not only products but also financial services. The result will be an acceleration of the qualitative upgrading of our operations. That is one of the huge advantages of the merger.

How much time do you think building the new growth model will take?

A. Given that our goal, rooted in our client-oriented philosophy, is building the people's financial infrastructure, I think we will need two or three years to create the all-around sophisticated online brokerage, which would be a midpoint towards reaching that goal. I

am confident that the merger with Nikko Beans will play a major role in building that model and getting it working quickly.

Recently, IT companies have been entering the securities industry. How do you see those moves?

A. I think their objective is to establish synergies between online sales and financial system building, their main business. New entrants from other industries are a good source of stimulation for us. I should note, though, that our basic policy is specializing in financial services for individuals, and we are not thinking of diversifying into other fields.

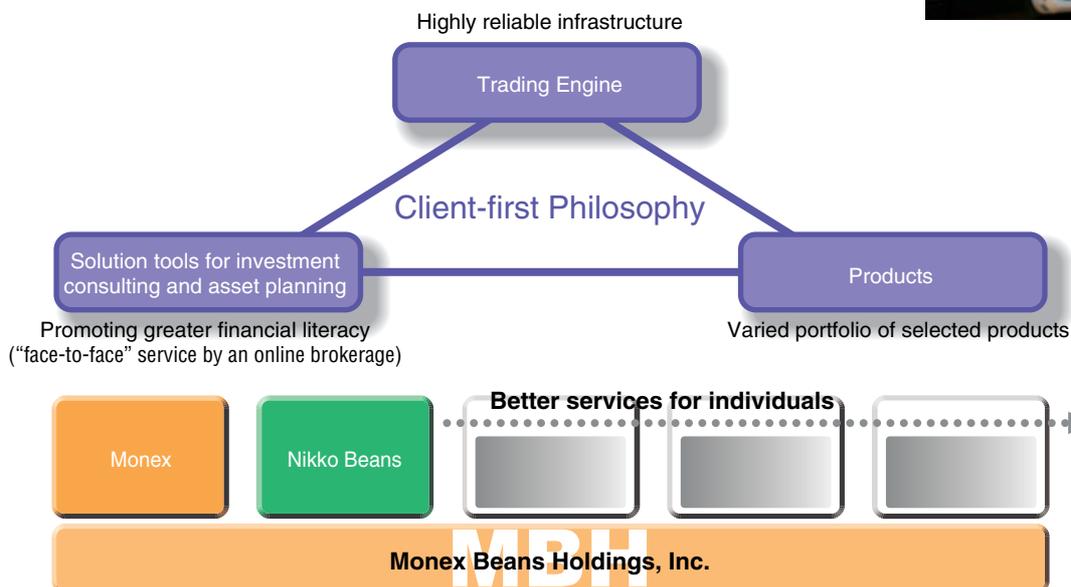
Finally, we have seen a problem with leakage of personal information over the Internet recently. What are you doing about that?

A. To a financial institution, any leakage of information on individuals is fatal. Thus, we place the highest priority on data security and do not spare the costs in addressing it. Of course, we use the most advanced security technologies in building our system, also on personal information. Thus, data security is further ensured by our strong systems for corporate governance, including our internal control systems, and by inculcating a vigorous sense of ethics as a vital part of our corporate culture.



● What the Merger Means: Integration for Greater Added Value

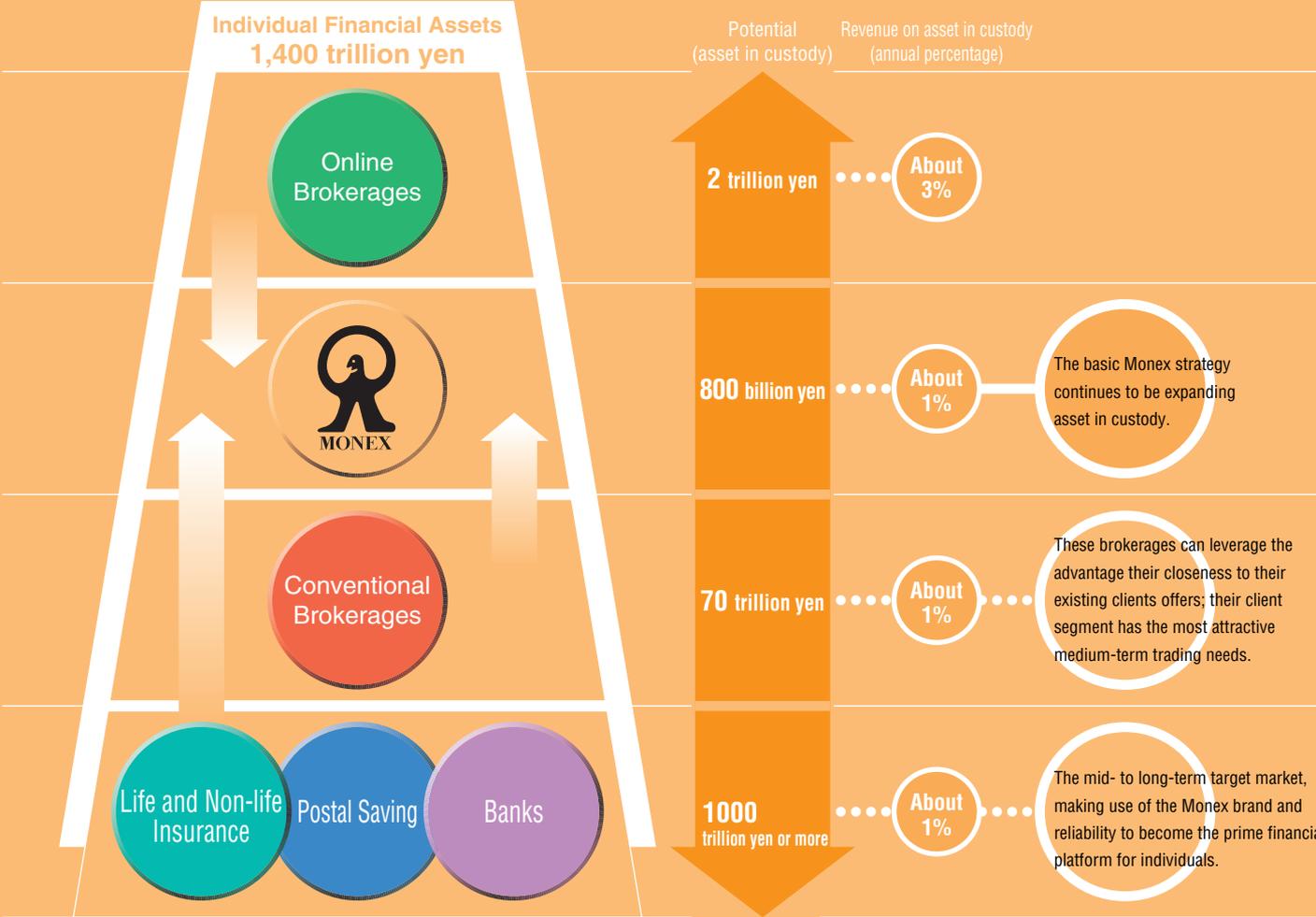
System Infrastructure + Intellectual Infrastructure + A Major Brokerage Platform



Focusing on the Expanding Individual Asset Management Field — Expanding Operations and Establishing the Brand

Japan’s financial system is in the process of changing from a focus on indirect finance to direct finance, a transition that spells a growth opportunity for the individual asset management industry. Monex is preparing to capitalize on that new opportunity by building a total financial infrastructure customized for individual investors. Its plans include developing total services related to a broad variety of direct finance products and expanding the scale and range of its operations.

Growth Potential Expansion to a full range of individual financial assets for current brokerage clients and general depositors means growth potential

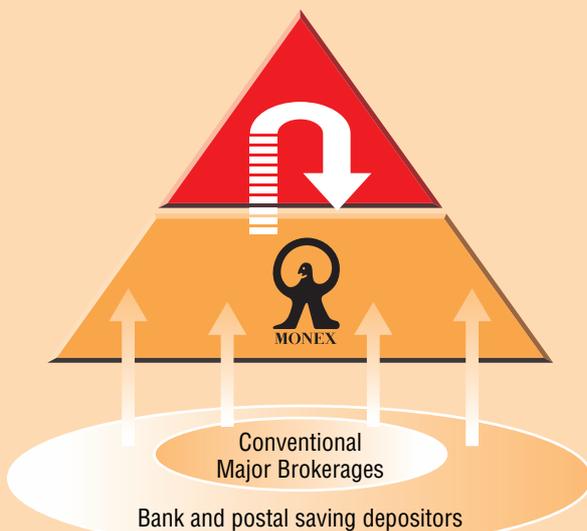


● An All-Around Online Brokerage

Monex's core is online brokerage services. Building out from them to structure a financial services system closely tied to individuals' lifestyles, it has established, for example, cash management account settlement services with access from Postal Savings and Credit Saison ATMs throughout the country and account aggregation, to offer clients centralized asset management.

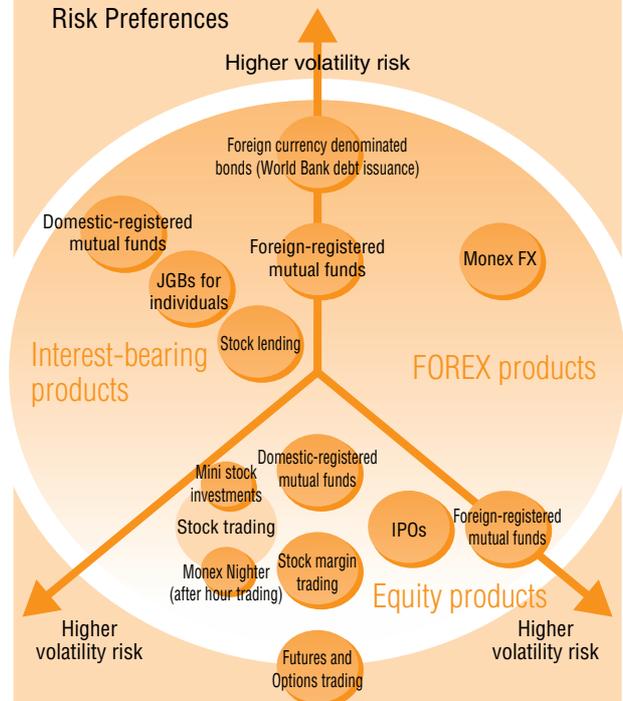
Ongoing Initiatives Measures to make Monex the all-around online brokerage

Locking in highly active clients, our core revenue source



- Fixed fee schedule
- Stock margin trading by mobile phone
- Expanded information services (Monex Speed Plus, Monex Trader, Monex Market Viewer Expert, Monex FX Voice, etc.)
- Investment methods using the long-short and other trading models

Supplying Products Matching Clients' Diverse Risk Preferences



The Monex Beans Holdings Potential: A stronger corporate platform for an all-around online brokerage

- Number of accounts at the highest level in the industry, covering a wide age range, with investors from novices to moderately and highly active traders
(As of March 31, 2004, Monex has 250,015 accounts, Nikko Beans 108,457)
- Most assets in custody of any online brokerage
(As of March 31, 2004, Monex has 774.2 billion yen, Nikko Beans 499.2 billion yen, for a total of 1,273.4 billion yen under custody)
- Investment trust operations predicted to expand further
(As of March 31, 2004, the largest transaction volume in investment trust among online brokerages)
- IPO business predicted to expand further
(During the fiscal year ended March 2004, the first ranked among online brokerages in the value of issues underwritten)
- Foreign exchange and stock lending services predicted to expand

The Monex Client-First Philosophy Drives Offering the Right Products and Services for Every Client Segment

Developing new products and services, plus differentiation by offering valuable information

To become the all-around online brokerage at the forefront of the new generation, Monex is strategically developing the new products and services clients need in these changing times and is increasing shareholder value by diversifying its revenue sources.

Stock Brokerage

A stable platform as trading volumes by individual investors rise

Monex's easy-to-use trading system, with its competitive fee structure, serves a wide range of client segments. Monex deploys a highly stable service that earns its clients' satisfaction even when the number of orders rises, as it did during the stock market upswing in the fiscal year ended March 2004.

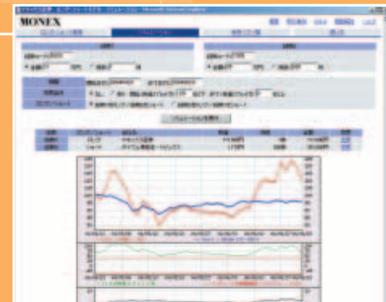


Margin Trading

Contracts and trading balances rising steadily

In response to requests from many of its clients, Monex launched its margin trading service in December 2002, with features designed to serve beginners such as stop-loss orders and accepting client investment trusts to cover margin requirements. For highly active clients, it provides sophisticated information tools, including introducing the long-short model professional traders use.

(7,225 margin accounts as of March 31, 2004)



Monex FX, Foreign Exchange Trading

Over 10,000 accounts in just the first year; the objective is 50,000 accounts

Monex FX, launched in April, 2003, offers FOREX transaction services in eight currencies--Yen, US Dollar, Euro, Australian Dollar, Pound Sterling, Swiss Franc, Canadian Dollar, and New Zealand Dollar--and eight currency pairs, 24 hours a day, with only a 50,000 yen minimum to begin trading.

With its low fees and its commitment to providing easy-to-understand information about FOREX trading in seminars and other settings, Monex is experiencing steady growth both in the number of Monex FX accounts and in trading volumes.

通貨ペア	買値	売値	取引量	取引量
USD/JPY	110.25	110.00	100	100
EUR/JPY	132.00	132.00	100	100
GBP/JPY	150.00	150.00	100	100
AUD/JPY	75.00	75.00	100	100
CHF/JPY	200.00	200.00	100	100
NZD/JPY	60.00	60.00	100	100
USD/CHF	75.00	75.00	100	100
EUR/CHF	132.00	132.00	100	100
GBP/CHF	150.00	150.00	100	100
AUD/CHF	75.00	75.00	100	100
CHF/NZD	60.00	60.00	100	100

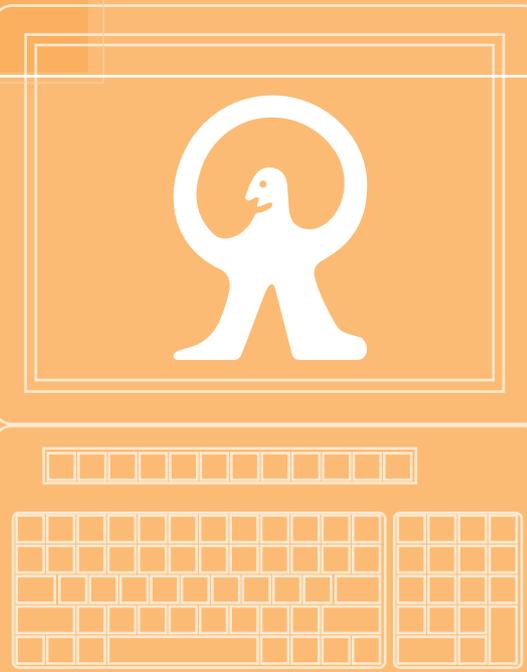
Stock Lending

An innovative added-value service

Clients who lend their shares to Monex receive variable-rate interest, just as on bank deposits. This unique service is attracting a growing number of accounts and balances.

The average interest paid since the service began was a 0.14% annual rate (for April 2003, through March 2004). As of April 2004, clients had established over 6,000 stock lending accounts with Monex.

銘柄	貸付額	貸付利率
2004/7/1	2,200,000	0.30%
2004/7/2	2,200,000	0.30%
2004/7/3	2,200,000	0.30%
2004/7/4	2,200,000	0.30%
2004/7/5	2,200,000	0.30%
2004/7/6	2,200,000	0.30%
2004/7/7	2,200,000	0.30%
2004/7/8	2,200,000	0.30%
2004/7/9	2,200,000	0.30%
2004/7/10	2,200,000	0.30%

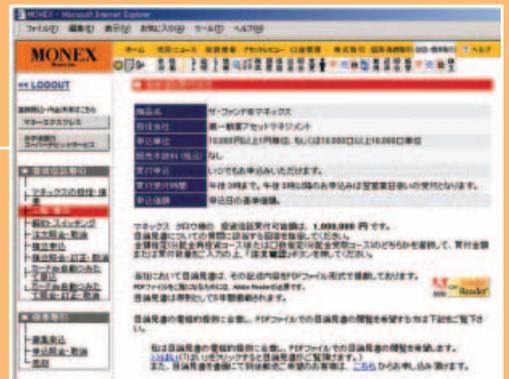


Mutual Funds

Growing results with products and services to match individual investors' needs

Monex offers mutual fund services with a wide range of products to fit clients' investment objectives: products to support a long-range distributed investment plan, products to meet short-term needs, and budget-friendly cumulative purchase products. As a result, it has achieved the largest online transaction volume in mutual funds (1,000 transactions per business day, in the fiscal year ended March 2004).

With funds under management also increasing by about 10 billion yen in the past year, this service is growing steadily.



Underwriting IPOs

Now the top IPO underwriter among online brokerages, Monex aims to raise its underwriting ratio

Monex positions underwriting initial public offerings as one of its core services. In the fiscal year ended March 2004, it ranked first among online brokerages in the value of issues underwritten, and with the stock markets looking up, more companies are planning initial public offerings. That trend is an opportunity for Monex to reinforce and develop its underwriting operations further, for an even higher underwriting ratio.



Information Services: User Friendly, High Quality

Professional-quality investment information services

Analyst reports, charts, and other resources from J.P. Morgan

Proprietary asset management tools

Money Station and Money Planner enable clients to centralize managing their assets

Monex Speed Plus

A virtual trading room ambience, with share prices, current charts, and market news

Robust support for trading from mobile phones

Full facilities for trading by mobile phone

E-mail service

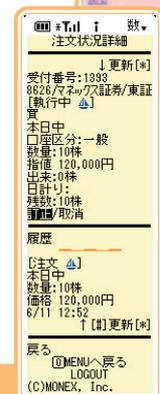
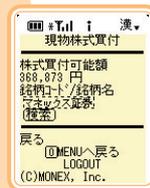
Monex Mail transmits to over 200,000 clients. "Monex Asa Ichiban" goes out to the mobile phones of registered members every morning.

Information off-line

In the fiscal year ended March 2004, Monex carried out fifty seminars and other educational events for clients in three cities; about 4,000 persons participated.

Multimedia content

Monex also offers its educational resources in video and DVD format.



	Thousands of Yen		Thousands of U.S. dollars
	2004	2003	2004
Operating Results:			
Operating Revenues	7,800,395	2,766,382	73,846
Net Operating Revenues	7,519,568	2,712,742	71,188
Selling, general and administrative expenses	4,921,643	4,477,987	46,593
Operating Income (Loss)	2,597,925	(1,765,245)	24,595
Other Income	11,410	7,148	108
Other Expenses	386,318	286,604	3,658
Income (Loss) Before Income Taxes	2,223,017	(2,044,701)	21,045
Income Taxes	4,210	1,620	40
Net Income (Loss)	2,218,807	(2,046,321)	21,005
Financial Position:			
Total assets	61,767,167	23,919,046	584,750
Shareholders' equity	10,779,951	8,363,564	102,054
Per Share Amounts:			
Net income (Loss)	1,431.76	(1,336.25)	13.55
Diluted net income	1,429.73	—	13.54
Shareholders' equity	6,870.88	5,426.01	65.05
Other Data:			
Number of employees	51	45	

Notes

1. The translation of Japanese yen amounts into U.S. dollar amounts is presented solely for the convenience of readers outside Japan. The exchange rate used for the translation was the prevailing exchange rate on March 31, 2004, which was 105.63 yen=1.00 US dollar
2. Net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period and shareholders' equity per share is calculated by dividing shareholders' equity by the number of common shares outstanding at the year end.

Results of Operation (from April 1, 2003 to March 31, 2004)

At the beginning of the fiscal year, the Nikkei Average was moving in the relatively weak 7,000 – 8,000 yen range. By July, the average had reached 10,000 yen, and by the end of the fiscal year, it had reached 11,000. Further, on one day in March 2004, the Tokyo Stock Exchange recorded trading volume of over 2 billion shares.

In these conditions, the Company has persevered in its plan for expansion of its services such as the construction of general financial infrastructures for individuals in a new era and provision of information services etc.

We began Margin Forex Trades in April 2003 and launched a Chinese equity fund in May. Further, in June we started handling foreign currency-denominated bonds, and in September launched expanded cell phone product services such as margin trading.

The number of client accounts broke through the 250,000 mark, reaching 250,015 (a year-on-year increase of 34,616). Customers' assets in custody grew by 369.7 billion yen year-on-year to 774.2 billion yen.

1. Commission Revenues

We achieved Commission Revenues of 7,027,266 thousand yen (an increase of 166.7% year-on-year).

(i) Brokerage Commissions

We achieved Brokerage Commissions of 5,664,684 thousand yen (an increase of 140.6% year-on-year).

The favorable market conditions propelled the trading volume per business day on average to become over 25,000 trades during March 2004, while the average figure for April 2003 was less than 10,000 trades.

(ii) Underwriting and Distribution Commissions

There were 35 underwritings for initial public offerings this fiscal year. Shinsei Bank's IPO was an especially large offering, and commissions from its distribution helped push our Underwriting and Distribution Commissions to 261,872 thousand yen (an increase of 325.4% year-on-year).

(iii) Subscription and Distribution Commissions

Due to strong subscription sales of the Bull-Bear Fund and this year's new Chinese Equity Fund (HSBC China Fund Open), Subscription and Distribution Commissions reached 183,374 thousand yen (an increase of 193.0% year-on-year).

(iv) Other Commission Revenues

We also generated 917,338 thousand yen in Other Commission Revenues; of this, 654,804 thousand yen was the result of the Margin Forex Trades launched in April 2003. Investment Trust Revenues totaled 104,671 thousand yen, and Consulting Business Revenues generated 25,230 thousand yen.

2. Trading Profit and Loss

We marked a Trading Profit of 40,880 thousand yen this fiscal period. Of that, we had 12,666 thousand yen in trading profit from sales of six different foreign-denominated bonds.

3. Financial Income

Financial income was 685,424 thousand yen (an increase of 660.4% year-on-year) due to an increased margin trading balance.

4. Other Service Revenues

We earned 46,824 thousand yen (an increase of 35.4% year-on-year) in IR information services for listed companies etc.

As a result, operating revenue was 7,800,395 thousand yen, a 182.0% increase compared to the previous fiscal year and net operating revenue when financial expenses are deducted from operating revenue was 7,519,568 thousand yen, a 177.2% increase compared to the previous fiscal year.

5. Selling, General and Administrative Expenses

We have been working to cut costs due to the difficult business environment last year, and so have been able to hold cost increases to about 10% from the previous fiscal year. The energized stock market and introduction of Margin Forex Trading resulted in expenses of 335,512 thousand yen (an increase of 136.9% year-on-year); employees salaries rose to 553,505 thousand yen (an increase of 15.8% year-on-year) due to increased hiring; Outsourcing expenses were roughly on par with last fiscal year's, rising by 1.9% year-on-year to 1,204,437 thousand yen.

Also as a result of the above, Selling, General and Administrative Expenses increased by 9.9% over the previous fiscal year to 4,921,643 thousand yen.

As a result of the above, the Company reported an operating income of 2,597,925 thousand yen against last fiscal year's figure of 1,765,245 thousand yen (loss) and an ordinary income of 2,604,511 thousand yen against last fiscal year's figure of 1,758,889 thousand yen (loss).

In anticipation of our business integration with Nikko Beans planned for August 2004, we have allocated 202,952 thousand yen for business integration preparation costs. With a further 153,141 thousand yen reserve for security transactions, extraordinary losses totaled 381,494 thousand yen.

As a result of the above factors, we achieved 2,223,017 thousand yen in pre-tax net income (the previous fiscal year saw a 2,044,701 thousand yen net loss), and this fiscal year's net income was 2,218,107 thousand yen (vis-à-vis a net loss of 2,046,321 thousand yen the previous fiscal year). This marked the first profitable fiscal year for our company since its founding in April 1999.

Cash Flows

While posting net cash used in operating activities of 715,130 thousand yen, net cash provided by investing activities of 1,403,864 thousand yen, and provided by financing activities of 196,900 thousand yen, cash and cash equivalents (cash and deposit accounts and securities accounts) at the end of this fiscal year were 6,777,307 thousand yen, an increase of 885,634 thousand yen compared with the end of the last fiscal year.

Each cash flow in this fiscal year is outlined below:

1. Net Cash Used in Operating Activities

Cash flow used in operating activities totaled 715,130 thousand yen. In addition to 2,223,017 thousand yen in Net Income before Taxes, margin trading liabilities increased to 13,875,715 thousand yen, and received margins increased to 13,268,974 thousand yen. We used cash from increased margin trading assets of 23,152,057 thousand yen, increased money on received margins of 10,400,000 thousand yen, and other sources.

2. Net Cash Provided by Investing Activities

Cash flow related to investing activities this fiscal year totaled 1,403,864 thousand yen. Though we had 1,500,000 thousand yen cash flow due to fixed-term deposit refunds, we also disbursed 100,000 thousand yen due to increased investments.

3. Net Cash Provided by Financing Activities

Net cash provided by financing activities this fiscal year was 196,900 thousand yen. This is a cash flow mainly from stock issuances related to the exercise of stock options.

Balance Sheets

As of March 31, 2004 and 2003

Assets	Thousands of Yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Current assets:			
Cash and deposits (Note 15)	6,777,307	7,391,673	64,161
Cash required to be segregated (Note 3)	15,600,000	5,200,000	147,685
Money deposited	69,060	69,060	654
Securities (Note 7)	9,924	8,994	94
Receivable from customers	27,403	4,620	259
Payments on securities subscribed	217,966	19,996	2,063
Prepaid expenses	147,627	145,717	1,398
Account receivable	1,874,659	114,994	17,747
Accrued revenues	368,828	111,411	3,492
Trading assets (Notes 5, 6 and 8)	237,973	107,260	2,253
Margin transaction assets (Note 4)	32,709,274	9,557,217	309,659
Short-term guarantee money deposited	2,767,000	357,000	26,195
Others	142,340	18,297	1,348
	60,949,361	23,106,239	577,008
Property and equipment, at cost:			
Building	30,931	30,931	293
Furniture and fixtures	37,435	38,053	354
Accumulated depreciation	(33,981)	(25,932)	(322)
	34,385	43,052	325
Intangible assets, net of amortization:			
Goodwill	76,431	127,029	724
Software	32,892	41,936	311
Others	4,520	4,580	43
	113,843	173,545	1,078
Investments and others:			
Investment securities (Notes 5 and 7)	479,191	489,022	4,537
Long-term guarantee money deposited	80,324	80,324	760
Long-term advance payments	35,000	35,635	331
Others	111,063	27,864	1,052
Allowance for doubtful receivables	(36,000)	(36,635)	(341)
	669,578	596,210	6,339
	61,767,167	23,919,046	584,750

See accompanying notes.

Liabilities and Shareholders' Equity	Thousands of Yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Current Liabilities:			
Deposits received (Note 9)	3,989,913	1,546,944	37,773
Received margins	17,319,732	4,050,758	163,966
Net payable arising from recognizing trading on trade date	19,916	1,046	189
Margin transaction liabilities (Note 4)	22,722,495	8,846,780	215,114
Loans payable secured by securities	5,242,233	419,587	49,628
Accrued liabilities	807,657	229,097	7,646
Accrued expenses	348,701	204,610	3,301
Trading liabilities (Notes 6 and 8)	94,243	70,376	892
Income tax payable (Note 11)	4,210	1,620	40
Consumption tax payable	100,309	—	949
Others	1,184	1,182	11
	50,650,593	15,372,000	479,509
Statutory Reserve:			
Reserve for securities transactions (Note 12)	336,623	183,482	3,187
	336,623	183,482	3,187
Shareholders' Equity (Note 13):			
Common stock:			
Authorized – 5,137,664 shares			
Issued – 1,568,939 shares in 2004 and 1,541,385 shares in 2003	6,296,991	6,198,105	59,614
Capital surplus	7,364,450	7,265,590	69,719
Accumulated deficit	(2,881,282)	(5,100,089)	(27,277)
Treasury stock	(208)	(42)	(2)
	10,779,951	8,363,564	102,054
	61,767,167	23,919,046	584,750

Statements of Operations

For the years ended March 31, 2004 and 2003

	Thousands of Yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Operating Revenues:			
Commission revenues (Note 16)	7,027,266	2,634,451	66,527
Net gain on trading assets	40,880	6,848	387
Financial income (Note 17)	685,425	90,139	6,489
Other service revenues	46,824	34,575	443
Other sales	—	369	—
	7,800,395	2,766,382	73,846
Financial expenses (Note 17)	280,827	53,332	2,658
Cost of sales	—	308	—
Net Operating Revenue	7,519,568	2,712,742	71,188
Selling, general and administrative expenses (Note 18)	4,921,643	4,477,987	46,593
Operating Income (Loss)	2,597,925	(1,765,245)	24,595
Other Income:			
Interest income	128	3,222	1
Interest on securities	142	1,196	1
Dividend received	1,961	470	19
Miscellaneous income	9,179	2,260	87
	11,410	7,148	108
Other Expenses:			
Stock issuance costs	681	522	7
Loss from sales of fixed assets	—	12,111	—
Loss on lease cancellation	25,401	217,518	241
Business integration preparation costs (Note 19)	202,952	—	1,921
Provision for statutory reserve, net (Note 12)	153,141	56,184	1,450
Miscellaneous expenses	4,143	269	39
	386,318	286,604	3,658
Income (Loss) Before Income Taxes	2,223,017	(2,044,701)	21,045
Income Taxes	4,210	1,620	40
Net Income (Loss)	2,218,807	(2,046,321)	21,005
Per share amounts (Note 13)			
	Yen		U.S. dollars (Note 1)
	2004	2003	2004
Net Income (Loss)	1,431.76	(1,336.25)	13.55
Diluted Net Income	1,429.73	—	13.54

See accompanying notes.

Statements of Shareholders' Equity

For the years ended March 31, 2004 and 2003

	Number of Shares of Common Stock	Thousands of Yen			
		Common Stock	Capital Surplus	Accumulated Deficit	Treasury Stock
Balance at March 31, 2002	1,525,647	6,155,062	7,222,562	(3,053,768)	(29)
Stock option exercised	15,738	43,043	43,028	—	—
Net Loss	—	—	—	(2,046,321)	—
Increase of treasury stock, net	—	—	—	—	(13)
Balance at March 31, 2003	1,541,385	6,198,105	7,265,590	(5,100,089)	(42)
Stock option exercised	27,554	98,886	98,860	—	—
Net Income	—	—	—	2,218,807	—
Increase of treasury stock, net	—	—	—	—	(166)
Balance at March 31, 2004	1,568,939	6,296,991	7,364,450	(2,881,282)	(208)

	Thousands of U.S.dollars (Note 1)			
	Common Stock	Capital Surplus	Accumulated Deficit	Treasury Stock
Balance at March 31, 2003	58,678	68,783	(48,282)	(0)
Stock option exercised	936	936	—	—
Net Income	—	—	21,005	—
Increase of treasury stock, net	—	—	—	(2)
Balance at March 31, 2004	59,614	69,719	(27,277)	(2)

See accompanying notes.

Statements of Cash Flows

For the years ended March 31, 2004 and 2003

	Thousands of Yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Cash flows from operating activities:			
Income (Loss) before income taxes	2,223,017	(2,044,701)	21,045
Provision for statutory reserve, net (Note 12)	153,141	56,184	1,450
Depreciation	40,067	41,918	379
Amortization of goodwill	50,598	44,765	479
Stock issuance costs	681	522	6
Loss from sales of fixed assets	—	12,111	—
Interest income	(687,755)	(95,027)	(6,511)
Interest expense	280,827	53,332	2,658
Increase in cash required to be segregated (Note 3)	(10,400,000)	(2,200,000)	(98,457)
Decrease in money deposited	—	50,436	—
Decrease (increase) in trading assets (Notes 6 and 8)	(87,976)	7,717	(833)
Increase in margin transaction assets (Note 4)	(23,152,057)	(9,486,855)	(219,181)
Increase in loans receivable secured by securities	(104,616)	(12,686)	(990)
Increase in payments on securities subscribed	(197,970)	(3,546)	(1,874)
Increase in prepaid expenses	(1,909)	(5,971)	(18)
Increase in accounts receivable	(1,829,309)	(35,965)	(17,318)
Decrease (increase) in accrued revenues	(211,085)	7,698	(1,998)
Increase in short-term guarantee	(2,410,000)	(79,851)	(22,814)
Increase in margin transaction liabilities (Note 4)	13,875,715	8,846,780	131,361
Increase in loans payable secured by securities	4,822,646	419,587	45,656
Increase (decrease) in deposits received (Note 9)	2,442,969	(640,121)	23,128
Increase in received margins	13,268,974	4,050,758	125,617
Increase (decrease) in accrued expenses	139,667	(36,339)	1,322
Increase in accrued liabilities	578,560	105,850	5,477
Other operating activities	135,626	(8,716)	1,285
Sub total	(1,070,189)	(952,120)	(10,131)
Interest received	641,324	65,099	6,071
Interest paid	(276,403)	(44,220)	(2,617)
Income taxes paid	(9,862)	(562)	(93)
Net cash used in operating activities	(715,130)	(931,803)	(6,770)
Cash flows from investing activities:			
Withdrawal of time deposit	1,500,000	—	14,201
Purchase of time deposit	—	(1,500,000)	—
Purchases of property and equipment	(525)	(3,989)	(5)
Purchases of intangible assets	(2,946)	(68,966)	(28)
Purchases of investment securities (Note 7)	—	(20,000)	—
Redemption of investment securities	9,000	—	85
Payment for investment on equity	(100,000)	—	(947)
Payment for long-term guarantee	—	(5,627)	—
Other investing activities	(1,665)	2,793	(16)
Net cash provided by (used in) investing activities	1,403,864	(1,595,789)	13,290
Cash flows from financing activities:			
Purchases of treasury stocks	(165)	(13)	(2)
Proceeds from common stock issuance	197,065	85,548	1,866
Net cash provided by financing activities	196,900	85,535	1,864
Net increase (decrease) in cash and cash equivalents	885,634	(2,442,057)	8,384
Cash and cash equivalents at beginning of year	5,891,673	8,333,730	55,777
Cash and cash equivalents at end of year (Note 15)	6,777,307	5,891,673	64,161

See accompanying notes.

Notes to Financial Statements

1. Basis of Presenting Financial Statements

MONEX, Inc. (the "Company") maintains its official accounting records in Japanese yen. The accompanying financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of statements of shareholders' equity) from the 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 Securities and Exchange Law. Some supplementary information included in the statutory Japanese language financial statements, but not required for fair presentation, is not presented in the accompanying financial statements.

The translation 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, 2004, which was 105.63 yen to U.S. 1 dollar. The convenient 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.

Certain reclassifications have been made in the 2003 financial statements to conform to the presentation for 2004.

2. Summary of Significant Accounting Policies

(1) Trading Account

The Company prescribes "trading" to be the act of making 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, such as using securities exercised in one's own account, products which are treated as securities, derivatives trading, money claims, currency trading and other transactions. It excludes those for capital operation purposes.

(a) Securities and other assets in the trading account

Securities and other assets 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 (trading assets) 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 assets". Deemed settlement gains and losses on these transactions are recorded in "trading assets" and "net gain on trading assets".

(c) Net payable or receivable arising from recognizing trading on trade date

To recognize trading assets on a trade date basis, the balances of trade settlement amounts and gains or losses on settlement accrued on a trade basis are offset and recorded in "net payable or receivable arising from recognizing trading on trade date" in either of the assets or liabilities until settlement date.

(2) Accounting for securities not classified in the trading account

The Company examined the intent of holding each security and classified those securities as (a) debt securities intended to be held to maturity ("held-to-maturity debt securities") and (b) other securities.

(a) Held-to-maturity debt securities

Based on the amortized cost method.

(b) Other securities

i) Securities with readily available market values

Based on market value on moving average method.

The Company had no securities with readily available market values held for other than trading purpose as of March 31, 2004 and 2003.

ii) Securities without readily available market values

Based on the cost method on moving average method.

(3) Depreciation and amortization of non-current assets**(a) Property and equipment**

Depreciation of buildings, furniture and fixtures is computed by the declining-balance method over their estimated useful lives.

(b) Intangible assets

Goodwill related to the acquisition of membership for the Tokyo Stock Exchange (“TSE”) and Osaka Stock Exchange (“OSE”) is recorded at cost and amortized on the straight-line method over the period (five years).

(c) Software

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

(d) Long-term prepaid expenses

Long-term prepaid expenses are amortized on the straight-line method.

(4) Stock issuance costs

Stock issuance costs are expensed in one lump sum when incurred.

(5) Basis of computation of allowance**(a) Allowance for doubtful receivables**

Allowance for doubtful receivables is provided for the amount considered to be sufficient to cover possible 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. Accrued employees' bonuses are included in accrued liabilities on the Company's balance sheets.

(c) Retirement Benefits

The Company does not have retirement benefit plans and is not a member of any pension plan.

(6) Revenue recognition**(a) Commissions**

“Brokerage commissions” are recorded on a trade date basis. “Commissions from subscription and distribution” are recognized and accounted for based on the date of application of subscription.

(b) Advertising revenues

The Company enters into certain contracts with customers where it receives an advertising fee for placing banner-ads on its web site and its e-mail magazine “Monex mail.” Advertising revenues from these transactions are substantially recognized on an accrual basis over the term of the contract with its customers.

(7) Lease transactions

Finance lease transactions, other than those wherein ownership of the lease property is regarded as being transferred to the lessee, are accounted for in the same manner as operating leases.

(8) Cash and cash equivalents

Cash and cash equivalents in the statements 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.

(9) Income taxes

Deferred income taxes are recorded to reflect the impact of temporary differences between 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.

(10) Per share amounts

The computation of net income (loss) per share is based on the weighted average number of shares of common stock outstanding during each period.

Diluted net income per shares reflects the effect of potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Although the subscription rights related to stock options are granted, they had no diluting effect on the calculation of net income per share for the year ended March 31, 2003 because net loss was recorded.

27,554 shares were issued due to the exercise of stock option during the year ended March 31, 2004.

(11) Consumption taxes

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

(12) Impairment of Fixed Assets

In the year ended March 31, 2004, the Company did not choose early adoption of the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003).

3. Cash Required to be Segregated

Cash amounted to 15,600,000 thousand yen (US 147,685 thousand dollars) and 5,200,000 thousand yen as of March 31, 2004 and 2003, respectively, were segregated in an account for the exclusive benefit of customers in accordance with the relevant Cabinet Orders, Prime Minister's Office Orders and Ministerial Ordinances promulgated pursuant to the Securities and Exchange Law of Japan (together the "Customer Segregation Rules").

4. Margin transactions

Margin transactions as of March 31, 2004 and 2003 consisted of the following:

	Thousands of Yen		Thousands of U.S. dollars
	2004	2003	2004
Assets:			
Loan receivables from customers	31,016,271	8,732,006	293,631
Cash deposits as collateral for securities borrowed from securities finance companies	1,693,003	825,211	16,028
	32,709,274	9,557,217	309,659
Liabilities:			
Loans from securities finance companies	17,302,933	7,059,373	163,807
Proceeds of securities sold for customers' accounts	5,419,562	1,787,407	51,307
	22,722,495	8,846,780	215,114

5. Pledged Assets

Collateral for a loan transaction with securities finance companies as of March 31, 2004 and 2003 consisted of the following:

	Thousands of Yen		Thousands of U.S. dollars
	2004	2003	2004
Securities in custody for loans receivables from customers	1,923,000	—	18,205
Trading securities	—	28,632	—
Securities deposited by customers as collateral for margin transactions	5,676,570	2,906,679	53,740
	7,599,570	2,935,311	71,945

Collateral for borrowings from securities finance companies as of March 31, 2004 and 2003 consisted of the following:

	Thousands of Yen		Thousands of U.S. dollars
	2004	2003	2004
Investment securities	313,810	313,810	2,971

But there was no outstanding debt as of March 31, 2004 and 2003.

Total fair value of the securities deposited as collateral as of March 31, 2004 and 2003 consisted of the following (excluding securities mentioned above):

	Thousands of Yen		Thousands of U.S. dollars
	2004	2003	2004
Securities lending for margin transactions	6,085,712	1,822,175	57,613
Securities pledged for borrowings from securities financial companies or securities exchange brokers	17,662,296	6,805,477	167,209
Securities loaned	5,968,902	484,784	56,508
	29,716,910	9,112,436	281,330

Total fair value of the securities received as collateral as of March 31, 2004 and 2003 consisted of the following:

	Thousands of Yen		Thousands of U.S. dollars
	2004	2003	2004
Securities in custody for loans receivable from customers	32,862,533	7,875,442	311,110
Securities borrowed from securities finance companies	1,683,467	736,222	15,937
Securities borrowed	22,131,211	8,981,459	209,516
Securities pledged by customers for when-issue transaction	38,379,587	13,773,605	363,340
	95,056,798	31,366,728	899,903

6. Trading Assets and Trading Liabilities

Trading assets as of March 31, 2004 and 2003 consisted of the following:

	Thousands of Yen		Thousands of U.S. dollars
	2004	2003	2004
Corporate shares	109,060	70,096	1,032
Bonds	119,679	31,216	1,133
Mutual funds	8,539	5,875	81
Forward exchange contracts	695	73	7
	237,973	107,260	2,253

Trading Liabilities as of March 31, 2004 and 2003 consisted of the following:

	Thousands of Yen		Thousands of U.S. dollars
	2004	2003	2004
Corporate shares	93,851	70,370	888
Forward exchange contracts	392	6	4
Total	94,243	70,376	892

7. Securities for Non-Trading Purpose

The fair value of held-to-maturity debt securities with available fair market values as of March 31, 2004 and 2003 are as follows:

	Thousands of Yen		
	2004		
	Book value	Market value	Unrealized gain
Discounted government bonds	9,924	9,998	74
Total	9,924	9,998	74

	Thousands of Yen		
	2003		
	Book value	Market value	Unrealized gain
Discounted government bonds	18,825	18,985	160
Total	18,825	18,985	160

	Thousands of U.S. dollars		
	2004		
	Book value	Market value	Unrealized gain
Discounted government bonds	94	95	1
Total	94	95	1

Book values of securities with no available fair values as of March 31, 2004 and 2003 are as follows:

	Thousands of Yen		Thousands of U.S. dollars
	2004	2003	2004
Non-listed companies stocks (investment securities)	479,191	479,191	4,537
Total	479,191	479,191	4,537

The maturities of held-to-maturity debt securities as of March 31, 2004 and 2003 are as follows:

	Thousands of Yen			
	2004			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Discounted government bonds	10,000	—	—	—
Total	10,000	—	—	—

	Thousands of Yen			
	2003			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Discounted government bonds	9,000	10,000	—	—
Total	9,000	10,000	—	—

	Thousands of U.S. dollars			
	2004			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Discounted government bonds	95	—	—	—
Total	95	—	—	—

8. Derivatives

(1) Type of derivative transactions used

The Company only uses forward foreign exchange contracts.

(2) Basic policy for derivatives transactions

The Company enters into forward foreign exchange contracts only when it sells/buys underlying foreign currency denominated investment trusts.

(3) Purpose of derivatives transactions

The Company uses forward foreign exchange contracts to minimize currency fluctuation risks caused by the time lag, which is normally only a few days, between the time of fixing the exchange rate for the Company's customers to buy/sell foreign currency denominated investment trusts and the time of actual remittance of foreign currencies to overseas.

(4) Risks involved in derivatives transactions

Since the Company's customers can buy the foreign currency denominated bonds only when they have cash, MRF or MMF sufficient to cover trade amounts at their accounts with the Company, the clients' default risks are considered minimal. The Company has contracts forward foreign exchange only with banks, which are considered good credit standing in Japan. The counterparty risks associated with foreign exchange contracts are considered minimal.

(5) Internal control for derivative transactions

The Operations Department aggregates the amount of necessary forward foreign currency contracts and the Accounting Department confirms if such transactions are based on actual demands. In accordance with the Company's internal Risk Management Guidelines, as a mean of risk management by numerical indicators, Accounting Department calculates the amount of risk by multiplying the notional amount prescribed in the Cabinet Office Ordinance Regarding Securities Companies' Capital Adequacy Requirements (1% of the principal in case of forward foreign currency contracts with maturities of not more than 1 year) and the risk weight determined as to respective counter-parties (0% to 25%), and reports it to the Board of Directors monthly.

Derivative contracts for trading purpose as of March 31, 2004 and 2003 are as follows:

	Thousands of Yen			
	2004			
	Assets		Liabilities	
	Contract amount	Fair value	Contract amount	Fair value
Forward currency contracts	113,740	695	90,689	392

	Thousands of Yen			
	2003			
	Assets		Liabilities	
	Contract amount	Fair value	Contract amount	Fair value
Forward currency contracts	24,479	73	21,950	6

	Thousands of U.S. dollars			
	2004			
	Assets		Liabilities	
	Contract amount	Fair value	Contract amount	Fair value
Forward currency contracts	1,077	7	859	4

There are no derivative contracts for non-trading purpose as of March 31, 2004 and 2003.

9. Deposits Received

Details of deposits received at March 31, 2004 and 2003 are as follows:

	Thousands of Yen		Thousands of U.S. dollars
	2004	2003	2004
Cash received for customers' accounts on trading	3,099,088	1,472,131	29,339
Deposit received from offering	—	46,050	—
Others	890,825	28,763	8,434
	3,989,913	1,546,944	37,773

10. Leases

Information of leased property such as acquisition costs, accumulated depreciation, obligation under finance leases, depreciation expense and imputed interest expense of finance leases that do not transfer ownership of leased property for the years ended March 31, 2004 and 2003 is as follows:

Acquisition costs and accumulated depreciation:

	Thousands of Yen		
	2004		
	Furniture and Fixtures	Software	Total
Acquisition costs	3,034,853	1,736,021	4,770,874
Accumulated depreciation	(2,163,863)	(773,546)	(2,937,409)
Net balance at year end	870,990	962,475	1,833,465

	Thousands of Yen		
	2003		
	Furniture and Fixtures	Software	Total
Acquisition costs	2,951,445	1,482,300	4,433,745
Accumulated depreciation	(1,597,980)	(461,599)	(2,059,579)
Net balance at year end	1,353,465	1,020,701	2,374,166

	Thousands of U.S. dollars		
	2004		
	Furniture and Fixtures	Software	Total
Acquisition costs	28,731	16,435	45,166
Accumulated depreciation	(20,485)	(7,323)	(27,808)
Net balance at year end	8,246	9,112	17,358

Obligation under finance leases as of March 31, 2004 was 1,907,158 thousand yen (18,055 thousand dollars), including 893,485 thousand yen (8,459 thousand dollars) due within one year.

Lease payments, depreciation and interest expense:

	Thousands of Yen		Thousands of U.S. dollars
	2004	2003	2004
Lease payments	1,011,083	1,033,735	9,572
Depreciation	908,661	941,697	8,602
Interest expense	72,883	101,500	690

Depreciation for the leased property is calculated using the straight-line method over the estimated useful lives of the respective leased assets with zero residual value. The difference between total lease payments and acquisition costs of leased assets is recognized as interest expense, which is allocated to relevant accounting periods based on the interest method.

11. Income Taxes

The normal statutory income tax rate in Japan arising out of the aggregation of corporate, enterprise and inhabitants taxes was approximately 42% for 2004 and 2003.

The tax effects of significant temporary differences and tax losses carry forward which result in deferred tax assets and liabilities at March 31, 2004 and 2003 are as follows:

	Thousands of Yen		Thousands of U.S. dollars
	2004	2003	2004
Deferred tax assets:			
Tax losses carry forward	1,048,769	2,024,489	9,929
Reserve for securities transaction	136,871	74,292	1,296
Allowance for doubtful receivables	14,638	14,834	139
Others	29,086	14,155	275
	1,229,364	2,127,770	11,639
Valuation allowance	(1,229,364)	(2,127,770)	(11,639)
Deferred tax assets total	—	—	—

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2004.

	2004
Statutory tax rate	42.05%
Adjustment	
Realization of Tax loss carry forward	(42.04%)
Others	0.18%
Company's effective tax rate	0.19%

Significant differences between the statutory tax rate and the Company's effective tax rate for the year ended March 31, 2003 is not presented, since the net loss are reported in the statement of operations.

12. Statutory Reserve

Statutory reserve at March 31, 2004 and 2003 is as follows:

	Thousands of Yen		Thousands of U.S. dollars
	2004	2003	2004
Reserve for securities transactions	336,623	183,482	3,187

Reserve for securities transactions is recorded in accordance with Article 51 of the Securities and Exchange Law, which requires a securities company to set aside a reserve in proportion to its securities transactions and other related trading to cover possible customer losses incurred by default of the securities company on securities transactions.

13. Shareholders' Equity

Under the Commercial Code of Japan, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Commercial Code requires that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. However the total amount of legal earnings reserve and additional paid-in capital of the Company has been reached to 25% of common stock, and therefore the Company is not required to provide legal earnings reserve any more. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distribution by the resolution of shareholders' meeting. Legal earnings reserve is included in accumulated deficit in the accompanying financial statements.

The Company has a stock option plan to directors and employees.

Details of this stock option are summarized below.

Entitled to	Date of approval at the shareholders' meeting	Number of shares	Exercise Price	Exercisable Period
Directors and employees	November 26, 1999	2,588	5,469 yen	December 1, 2001 – November 25, 2009
	May 2, 2000	7,342	39,064 yen	May 4, 2002 – May 1, 2010
	May 2, 2000	570	39,064 yen	May 4, 2002 – May 3, 2005
	June 23, 2001	10,975	56,700 yen	July 1, 2003 – June 30, 2008

The stock option rights entitled to directors and employees should be forfeited for any reason if they no longer belong to the Company. The stock option rights are nontransferable to a third party.

14. 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"), the Company 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. The Company's capital adequacy ratios were 500.4% (unaudited) and 565.3% (unaudited) as of March 31, 2004 and 2003, respectively.

15. Cash and Cash Equivalents

"Cash and cash equivalents" in the statements of cash flows and "Cash and deposits" in the balance sheets as of March 31, 2004 and 2003 are reconciled as follows:

	Thousands of Yen		Thousands of U.S. dollars
	2004	2003	2004
Cash and deposits	6,777,307	7,391,673	64,161
Time deposit with maturities of exceeding three months from the date of acquisition	—	(1,500,000)	—
Cash and cash equivalents	6,777,307	5,891,673	64,161

16. Commission Revenues

Details of commission revenues for the years ended March 31, 2004 and 2003 are as follows:

	Thousands of Yen		Thousands of U.S. dollars
	2004	2003	2004
Brokerage:			
Equity	5,649,344	2,336,629	53,483
Bonds	150	308	1
Mutual funds	15,190	17,445	144
Underwriting and distribution:			
Equity	261,872	61,556	2,479
Subscription and distribution:			
Equity	1,305	5,334	12
Bonds	5,840	5,341	55
Mutual funds	176,227	51,920	1,668
Other commissions:			
Equity	97,471	11,413	923
Bonds	59	108	1
Mutual funds	120,424	118,967	1,140
Others	699,384	25,430	6,621
	7,027,266	2,634,451	66,527

17. Financial Income and Financial expenses

Details of financial income for the years ended March 31, 2004 and 2003 are as follows:

	Thousands of Yen		Thousands of U.S. dollars
	2004	2003	2004
Income from margin transactions	489,398	83,095	4,633
Income from securities lending	61,136	4,494	579
Received dividends	129,605	751	1,227
Received interest on bonds	3,124	965	30
Interest income	2,162	834	20
	685,425	90,139	6,489

Details of financial expenses for the years ended March 31, 2004 and 2003 are as follows:

	Thousands of Yen		Thousands of U.S. dollars
	2004	2003	2004
Expenses for margin transactions	119,079	44,694	1,127
Expenses for securities lending	161,746	8,638	1,531
Interests paid	2	—	0
	280,827	53,332	2,658

18. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2004 and 2003 are as follows:

	Thousands of Yen		Thousands of U.S. dollars
	2004	2003	2004
Commissions paid	335,512	141,630	3,176
Exchange and association dues	168,990	95,106	1,600
Communication and freight	258,010	223,703	2,443
Information expenses	536,777	501,712	5,082
Traveling and transportation	6,726	5,659	64
Advertising expenses	133,151	63,969	1,261
Entertainment expenses	3,064	3,616	29
Directors' compensation	31,778	25,625	301
Employees salaries	553,505	478,116	5,240
Welfare expenses	57,429	55,478	543
Office rent and maintenance	103,843	97,476	983
Equipment rental and maintenance	1,241,996	1,280,821	11,758
Outsourcing expenses	1,204,437	1,182,184	11,402
Office supply expenses	41,523	40,719	393
Depreciation expenses	40,067	41,918	379
Taxes and dues	7,173	12,247	68
Amortization of goodwill	50,598	44,765	479
Other operating expenses	147,064	183,243	1,392
	4,921,643	4,477,987	46,593

19. Subsequent Event

The Company and Nikko Beans, Inc. (hereinafter Nikko Beans) have been focusing on providing the best and advanced financial services to individual investors as an online brokerage since its foundation. The agreement in our business integration is to establish a holding company "Monex Beans Holdings, Inc." (hereinafter the holding company) by means of share transfer provided in the Commercial Code of Japan and for the Company to be a 100%-owned subsidiary of the holding Company was approved at a meeting of the Company's Board of Directors held on April 22, 2004. The company and Nikko Beans signed a business integration agreement on April 23, 2004. Further, the resolution to enter into this agreement was

approved at the annual shareholders' meeting held on June 26, 2004. Through this business collaboration, the Company accelerates the realization of our aim.

Outline of the share transfer

- (1) The number of the holding company's common stock to be issued in the share transfer for both companies shareholders (including substantial shareholders)
 - The Company's shareholders
 - 1 share of the Company is to be exchanged for 1 share of the holding company.
 - Nikko Beans' shareholders
 - 1 share of Nikko Beans is to be exchanged for 3.4 share of the holding company.
- (2) Capital and additional paid-in capital of the holding company
 - Capital: 8,800 million yen (83,310 thousand dollars)
 - Additional paid-in capital: The sum of shareholders' equity of the Company and Nikko Beans on the date of share transfer, net of the capital above
- (3) No cash will be distributed as part of the share transfer.
- (4) Scheduled date of share transfer: August 2, 2004
- (5) Establishment of the holding company
The Company and Nikko Beans establish the holding company "Monex Beans Holdings, Inc."

Outline of Nikko Beans, Inc. (as of March 31, 2004)

- Head Office: 28-38 Shinkawa 1-chome, Chuo-ku Tokyo
- Date of Incorporation: May 20, 1999
- Capital: 7,400 million yen (70,056 thousand dollars)
- Business: Securities Operations, Operations Related to Securities, and Others
- Representative: Noriyuki Ogasawara
- Number of Employees: 42



To the Shareholders and the Board of Directors of Monex, Inc.:

We have audited the accompanying balance sheets of Monex, Inc. (a Japanese corporation) as of March 31, 2004 and 2003, and the related statements of operations, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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.

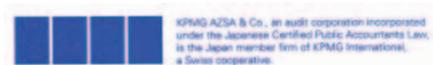
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Monex, Inc. as of March 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following. As discussed in Note 20 to the financial statements as a subsequent event, the agreement on business integration to establish a holding company with Nikko Beans, Inc. by means of share transfer and for the company and Nikko Beans, Inc. to be a 100%-owned subsidiary of the holding Company was approved at a meeting of the Company's Board of Directors held on April 22, 2004 and the Company and Nikko Beans, Inc. signed a business integration agreement on April 23, 2004. Further, the resolution to enter into this agreement was approved at the annual shareholders' meeting held on June 26, 2004.

The U.S. dollar amounts in the accompanying financial statements with respect to the year ended March 31, 2004 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 financial statements.

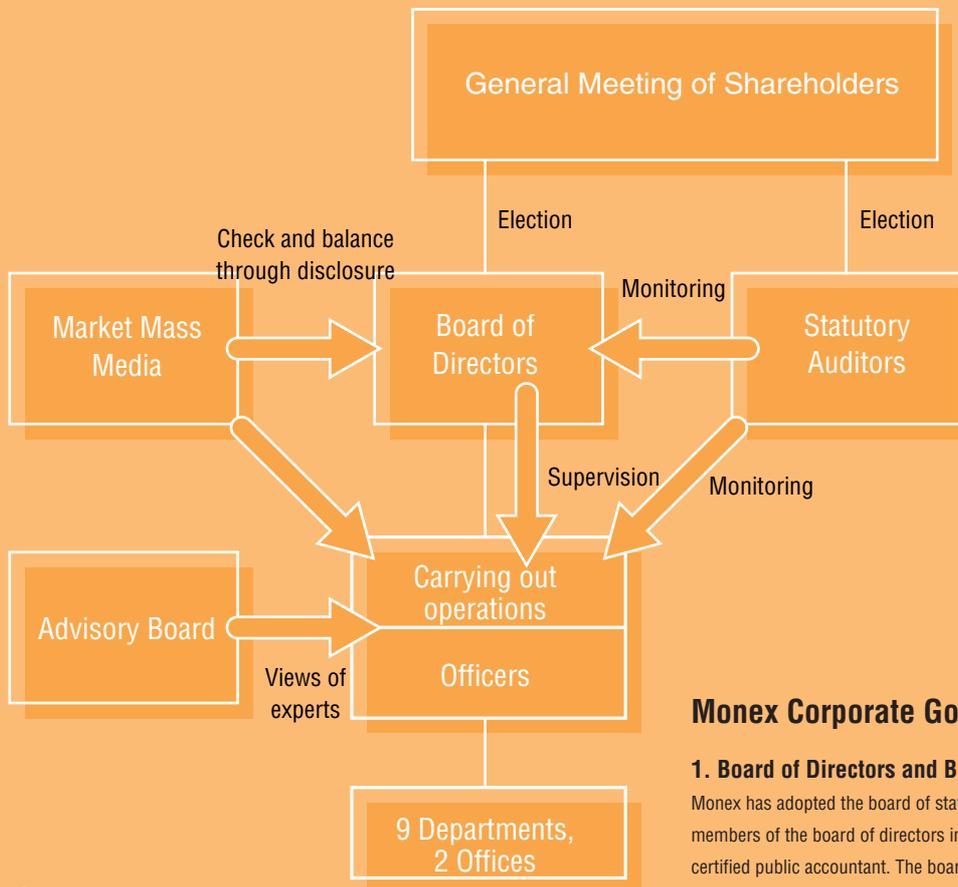
KPMG AZSA & Co.

Tokyo, Japan
June 26, 2004

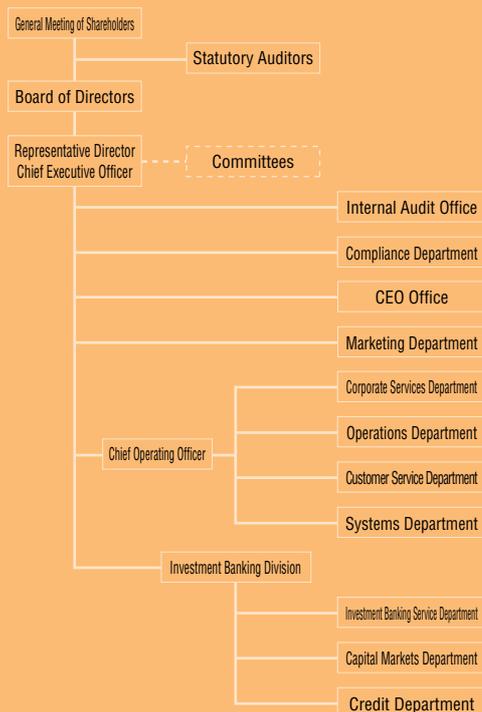


Corporate Governance Based on Disclosure

At Monex, transparency is the bedrock of sound corporate governance. To act to the principle, the Company discloses its disclosure policy widely, including placement on its website, and acts on its commitment to disclosing information in a timely and appropriate manner. It also is implementing the corporate governance policies described below to reflect suggestions and advice from outside sources as well and further strengthen its governance.



Organization
(As of July 1, 2004)



Monex Corporate Governance Policies

1. Board of Directors and Board of Statutory Auditors

Monex has adopted the board of statutory auditors system. As of March 31, 2004, the six members of the board of directors include three external directors; one of the directors is a certified public accountant. The board of directors meets at least once a month for effective monitoring of operations. The four members of the board of statutory auditors include three external auditors, plus the standing statutory auditor. One of the statutory auditors is an attorney at law.

2. Advisory Board

Monex has established this board, whose members are knowledgeable, learned persons from Japan and abroad, to secure balanced, neutral, multifaceted views and advice from a broad perspective. The board meets quarterly and provides valuable advice.

3. Disclosing the Disclosure Policy

Monex puts such emphasis on disclosure that it publishes not only financial information but also information about its systems. To eliminate any arbitrariness in what is disclosed, it has drawn up a disclosure policy, which is available on its website (www.monex.co.jp), and is committed to timely disclosure in an appropriate manner in accord with that policy.

4. Disclosing Compliance Policies

Monex believes that managing its operations with a high ethical standard of compliance is vitally important. It discloses its Ethical Compliance Policy and is committed to reinforcing the systems for implementing it. It also publishes the Ethical Compliance Policy on its website.

Years	Subjects
April 1999	Monex, Inc. (“Kabushiki Kaisha Monex”) (Capital 50 million yen) was founded at 13, Nishiki-cho 3-chome, Chiyoda-ku, Tokyo. The objective on the Articles of Incorporation included the business of acquiring and managing negotiable securities.
June 1999	Increased capital to 200 million yen by issuing new shares to third parties. The Company’s objective on the Articles of Incorporation was changed to securities trading, etc., and the Japanese business name was changed to “Monex Shoken Kabushiki Kaisha”. English name was unchanged.
July 1999	Became a registered securities company in accordance with the Securities Exchange Law. The Company was registered as an investment consulting business in accordance with laws and regulations governing securities-related investment consulting businesses. Became a member of the Japan Investor Protection Fund.
August 1999	Increased capital to 1,165 million yen through a new share issue to third parties. Became a member of the Japan Securities Dealers Association and started operations as a securities company. The Monex Dial (a call center) was established in Bunkyo-ku, Tokyo.
October 1999	Entered an online brokerage and agency business, offering securities transactions via the Internet and telephone.
November 1999	Participation in the advertising business was approved in accordance with the requirements of the Securities Exchange Law.
February 2000	Increased capital to 3,550 million yen through a new share issue to third parties.
March 2000	Customer accounts topped 50,000.
April 2000	Became a member of the Tokyo Stock Exchange. Became securities underwriter in accordance with the requirements of the Securities Exchange Law.
May 2000	Upgraded website and servers to support continuing growth. Increased capital to 3,550.06 million yen by a 1:3 allotment of new shares to existing shareholders.
June 2000	Increased capital to 3,550.30 million yen by a 1:3 allotment of new shares to existing shareholders. Increased capital to 3,551.26 million yen by a 1:3 allotment of new shares to existing shareholders. Total shares issued reached 1,284,416.
August 2000	Public offering increased capital to 6,101.26 million yen. Total shares issued reached 1,434,416. Shares are listed on the Tokyo Stock Exchange “Mothers” Market.
November 2000	Customer accounts topped 100,000.
December 2000	Entered tie-up with Credit Saison Co., Ltd.
January 2001	Launched “Monex Niter”, Japan’s first proprietary trading system for individual investors.
April 2001	Exchange of shares results in Saison Securities Co., Ltd.’s becoming a wholly owned subsidiary. Total shares issued reached 1,505,977.
June 2001	Absorbed and merged Saison Securities Co., Ltd.
August 2001	Began issuing the Monex Saison Card. Installed Monex ATM in Osaka Sony Tower.
October 2001	Reciprocal use of post office ATMs with Monex Saison Cards began.
January 2002	Moved headquarters to 11-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo.
March 2002	Launched operations as non-life insurance agency.
June 2002	Customer accounts topped 200,000.
November 2002	Became a member of the Osaka Securities Exchange.
December 2002	Launched a margin trading service.
January 2003	Launched a stock lending service.
April 2003	Launched a foreign exchange margin trading service.
June 2003	Launched trading in foreign currency denominated bonds.
March 2004	Reached agreement to merge with Nikko Beans, Inc.
July 2004	Launched Futures and Options Stock Index trading.

(Top 10)

Name of Shareholder	Number of Shares	Percentage of Shareholdings
Sony Corporation	470,400	29.98
Oki Matsumoto	300,000	19.12
Internet Initiative Japan Inc.	71,680	4.57
Recruit Inc.	57,200	3.65
Credit Saison Co.,Ltd.	39,675	2.53
Kyoko Kudo	34,558	2.20
Koichi Suzuki	34,450	2.20
GS Capital Partners III, L.P.	26,624	1.70
J.P. Morgan Malaysia Ltd.	24,441	1.56
Takashi Oyagi	20,596	1.31

Chief Executive Officer	Oki Matsumoto	Standing Statutory Auditor	Hiroshi Nagashima
Director	Kyoko Kudo	Statutory Auditor	Takemi Nagasaka
Director	Kenichi Oyama	Statutory Auditor	Seigoro Ohta
Director	Yoshinori Hashitani	Statutory Auditor	Tetsuo Ozawa
Director	Shinji Hojo		
Director	Masakazu Sasaki		

1. Directors Kenichi Oyama, Yoshinori Hashitani and Shinji Hojo are all external directors as specified in Article 188, Para. 2, 7-2 of the Commercial Code.
2. Statutory Auditors Takemi Nagasaka, Seigoro Ohta, and Tetsuo Ozawa are external auditors as defined in the Law for Special Exceptions to the Commercial Code Concerning Audit of Joint-Stock Companies, Art.18, Para.1.

- Securities Business (the Securities and Exchange Law, Art. 2, Para. 8)
 - 1) Securities brokerage
Acting as a broker or a finder for our customers for buying and selling securities.
 - 2) Securities trading
Trading in securities on our own account.
 - 3) Securities underwriting
Acquiring newly issued or outstanding securities for the purpose of soliciting an unspecified large number of investors for the purchase of the securities, and taking over any securities remaining unsold.
 - 4) Handling of public offerings and private placements
Soliciting an unspecified large number of investors for the purchase of newly issued or outstanding securities, and soliciting a small number of investors for the purchase of newly issued securities.
 - 5) Operating a proprietary trading system
Using electronic data processing systems, acting as a broker or a finder for customers for buying and selling securities.
- Incidental Business (the Securities and Exchange Law, Art. 34, Para.1)
 - 1) Safekeeping of securities
 - 2) Acting as an agent for customers relating to securities
 - 3) Acting as an agent for the payment of income, redemption money, and cancellation money of investment trusts
 - 4) Concluding cumulative investment contracts
 - 5) Providing information concerning, and advice on, securities
 - 6) Other incidental business
- Other Services (the Securities and Exchange Law, Art. 34, Para. 2&4)
 - 1) Investment advisory service
 - 2) Concluding a partnership agreement etc.
 - 3) Handling of advertisement
 - 4) Management consultancy
 - 5) Sales of computers, their peripherals, computer software, and books.
 - 6) Insurance sales
 - 7) Currency trading

Headquarters: 11-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6219
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Advertisement displayed on the Sony Building

MONEX,Inc.
<http://www.monex.co.jp/>