

2002



MONEX

MONEX, Inc.

Supporting our clients' asset planning, we are building the financial infrastructure for individuals to achieve structural reforms on their own.

The addition of our Money Series — a comprehensive asset management and settlement support Consolidated Accounts. Now more than ever, asset management can be an everyday part of life.

Japanese Corporations: Underestimated Because of Lack of Transparency

Highly skilled personnel, funding, technology: the fundamentals of the Japanese economy are hard to fault, even in global comparisons. The picture is sadly different when we look at prospects for economic recovery, however. The outlook is not rosy, since the structural reforms the government has been promising are considerably delayed. Nonetheless, we view share prices as underestimating the strength of Japanese corporations. One way to gauge whether they are at a proper level is by considering the ratio of the total market capitalization of listed corporations to GDP. In the United States, if GDP is 100, total market capitalization is 120. In Japan, the market capitalization to GDP ratio is only 70:100. Assuming that GDP does reflect the strength and capabilities of corporations, then, even bearing in mind Japan's current economic stagnation, Japanese corporations' shares are somewhat under priced. One reason may be that the management of Japanese corporations is lacking in transparency, compared with U.S. corporations. They are not doing as much as they should to provide sound corporate governance and information disclosure with shareholder value in mind. Recently, the general public in Japan has adopted a less lenient view of corporations, particularly in the wake of conspicuous examples of corporate malfeasance (false labelling of food products, for example). In response, corporations are

moving towards putting in place better systems of governance, such as strengthening the role of external auditors. They are also showing a more mature awareness of the importance of investor relations activities, including the timely release of information on corporate Web sites. In today's global investment environment, increased transparency will encourage re-evaluation of Japanese corporations so that share prices may rise even if the economic situation stays as it is now.

The parameters for individual investors are undergoing a radical change in Japan. Individuals are now taking responsibility for their own asset planning, through the introduction of Japanese versions of 401k retirement accounts and the termination of full deposit guarantees on bank deposits. The reduction in the trading units for equities is the critical third change that makes the stock market more accessible to individual investors. These changes add up to a paradigm shift that will attract individual investors to the stock market.

We are sensing the first steps towards a democratization of capital markets, with customers—notably customers of manufacturers of consumer products and companies in the distribution and service sectors—becoming shareholders.

New Functionality in Our Financial Infrastructure, Towards the Age of Individual Asset Management

Monex has significantly upgraded our Consolidated Accounts. First, we have built Real Network. On this network of some 26,000 ATMs nationwide—including post office ATMs—clients can use credit card and cash card services and even settle their Credit Saison affiliated card bills from their Monex Consolidated Account. Second, our new Money Series integrates asset and credit management on the Internet. Money Station, our account aggregation service, lets clients see the state of their assets at a glance. Money Express enables clients transfer funds from their accounts in partner financial institutions into their Monex accounts in a flash. Money Planner is a cyber financial planner to support individuals' asset planning. These three modules give clients access to management, investment, and settlement functions. Third, we have launched new services to match the diverse needs of our broad customer base, including cumulative investment trust accounts, Internet-based support for tax return preparation, and our Monex Nighter service for trading at night. We have also upgraded our Monex Speed service, which automatically updates share prices in real time, and Alert Mail, which automatically sends an e-mail message to

2001

- April 1** Made Saison Securities Co., Ltd. a wholly owned subsidiary of Monex, Inc.
- May 21** Launched "mini stock" investment service.
- June 6** Released the Monex Saison Card, a credit card format cash card.
- June 23** Held our second regular general meeting of shareholders in Hibiya Hall.
- June 26** Won the third consecutive gold in rankings of online brokerages in terms of ease of use by beginners (*Diamond Zai*, August).
For the third time, ranked first in the total rankings on cost, ease of use, information services, and mini stock service.
- June 30** Merged with Saison Securities Co., Ltd., bringing our total number of client accounts to about 170,000.
- June 30** Launched "Card de JIDO Tsumitate" Automatic Cumulative Accounts by Card, for regular transfers from the account with which a Saison Card is registered.
- August 28** The first Monex ATM went on line in Osaka's Sony Tower. Clients became able to deposit and withdraw funds from ATMs with the Monex Saison Card.
- September 25** Launched Money Station, Japan's first account aggregation service.
- October 1** Began reciprocal arrangement for use of post office ATMs with Monex Saison Cards; clients became able to deposit and withdraw funds from post office ATMs.

service — marks a major step in the evolution of Monex

the client when conditions the client has preregistered are met. The result is bigger, better, more flexible systems for better client service.

With these innovations, we have nearly completed the necessary investments to build the financial infrastructure that can support investment planning by individuals (direct investment).

A Flexible Response to Management Issues with Their Roots in Laggardly Structural Reform

Monex is enjoying a steady increase in the number of client accounts, and our clients are not only numerous but also represent a broad range of market segments. At the core of this growth is the unique business model Monex has developed, structured to provide a client-centered, client-tailored service system efficiently through comprehensive use of information technologies. With this model, the expansion of individual investment connects directly to an expansion of expected return far greater than for other companies in our field.

Nonetheless, the world seems to be changing somewhat more slowly than we had anticipated. That is why the stock markets are still in the doldrums and why, compared with the increase in the number of client accounts with Monex, the number of transactions is growing somewhat slowly. We thus perceive the need to adjust our policies to suit the current environment. One change will be offering margin trading, a type of transaction our clients have voiced a strong desire to be able to carry out with Monex. We are preparing to introduce margin trading, using a method suited to our customer segments. Furthermore, we will also give constructive consideration to mergers, acquisitions, and alliances, which will be tools for realizing our goal of building the financial infrastructure to serve individual investors of all levels of experience and resources.

No matter how splendid our business model, it could not work at all if managing our company does not increase shareholder value, satisfy our customers, stoke our employees' appetite for achievement, and contribute to the commonweal. We will continue to keep those four management concepts prominently displayed and implemented, as we work to achieve corporate governance to make them a reality. At the same time, we will continue, through our comprehensive disclosure policies, to build bonds of trust with our shareholders and, indeed, with all the stakeholders in Monex. Your feedback, as well as your continued confidence, are earnestly sought as we work to democratize our management.



Oki Matsumoto, President CEO

A handwritten signature in black ink, appearing to read 'Oki Matsumoto', written in a cursive style.

- April, 1999 President CEO, Monex, Inc.
- November, 1998 Consultant, Goldman Sachs (Japan) Ltd.
- November, 1998 Limited Partner, The Goldman Sachs Group, L.P.
- November, 1994 General Partner, The Goldman Sachs Group, L.P.
- May 1992 Vice President, Goldman Sachs (Japan) Ltd.
- April, 1990 Joined Goldman Sachs (Japan) Ltd.
- April, 1987 Joined Salomon Brothers Asia, Ltd.
- March, 1987 Graduated from Faculty of Law, University of Tokyo

Company name: Monex, Inc.
Date registered: July 30, 1999 (Kanto Regional Financial Bureau Cert. No. 152)

A member of the
Japan Investor Protection Fund
Japan Securities Dealers Association
Tokyo Stock Exchange

Democratization of Financial Markets: The Monex Vision

The concepts that guide Monex's management are shareholder value, client satisfaction, employees' appetite for achievement, and contributing to the commonweal. The key to achieving all four will be expanding direct investment by individuals. We are, therefore, building on a business model that is uniquely ours: providing financial infrastructure that is easy for each of our very diverse group of clients to use.

Business Model

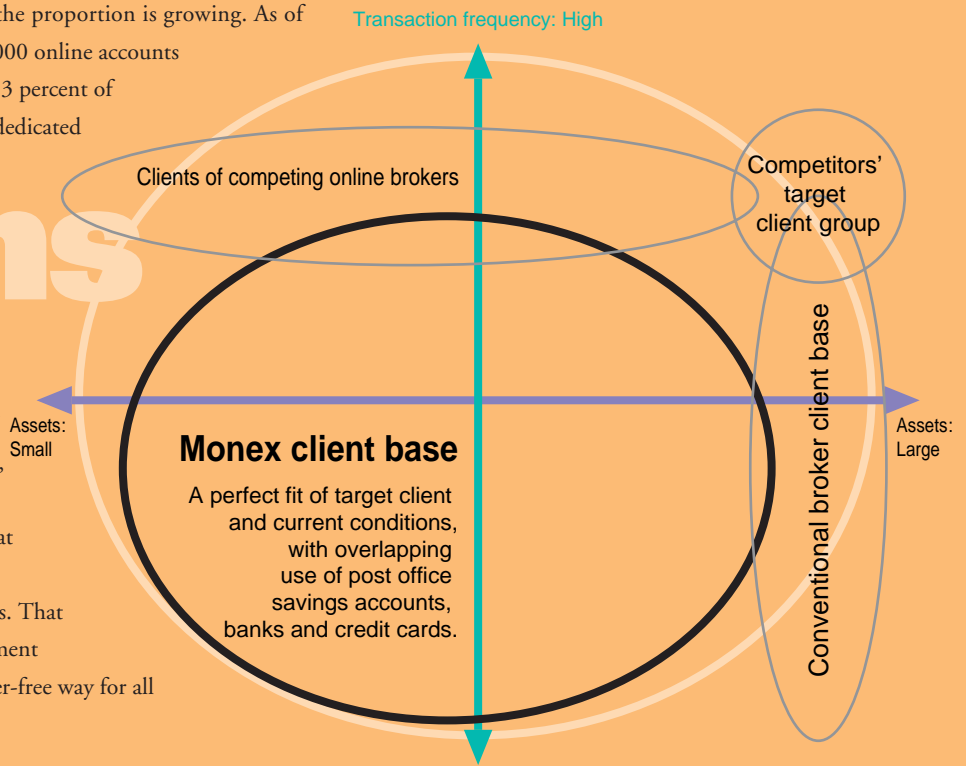
An Online Broker

Monex is a securities company supporting trading in the stock market via the Internet or telephone. Today, when over 50 million Japanese have Internet access, low fees and convenience are attracting more and more individual investors to online brokers. In fact, in March, 2002, over 50 percent of trades by individual investors were made online—and the proportion is growing. As of the end of March 2002, approximately 3,110,000 online accounts were in existence (source: Bloomberg). With 6.3 percent of those accounts, Monex ranked second among dedicated online brokers.

Visions

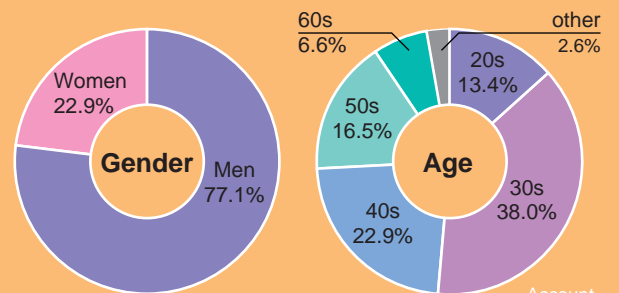
Our Target Client

Monex's target client population is simple to define: all individuals, regardless of the scale of their assets or how frequently they make trades, including those now just thinking they might want to start investing in the stock market. That definition means that the effects grow as the democratization of the stock markets progresses. That is why we have emphasized making our investment accounts simple to use: we are building a barrier-free way for all individuals to invest.

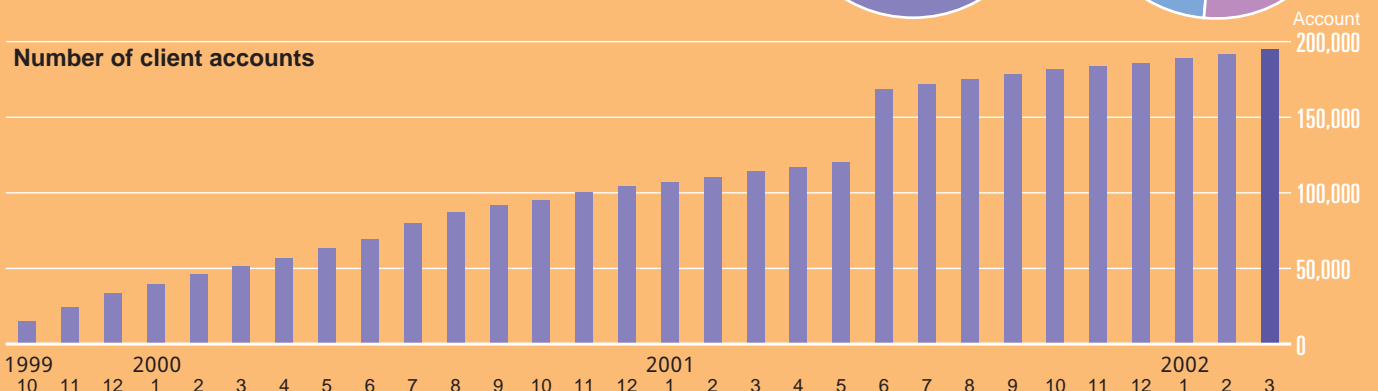


Our Current Client Mix

Monex has 194,557 client accounts (as of the end of March, 2002). Of those clients, about three-fourths are under fifty: we have relatively young client demographics—in fact, similar to those of Internet users. That is hardly surprising for a pioneer online broker. Our expanded information services will contribute to building an even more balanced client mix, so that we achieve our goal of attracting clients from all segments, including those actively trading their equity portfolios.



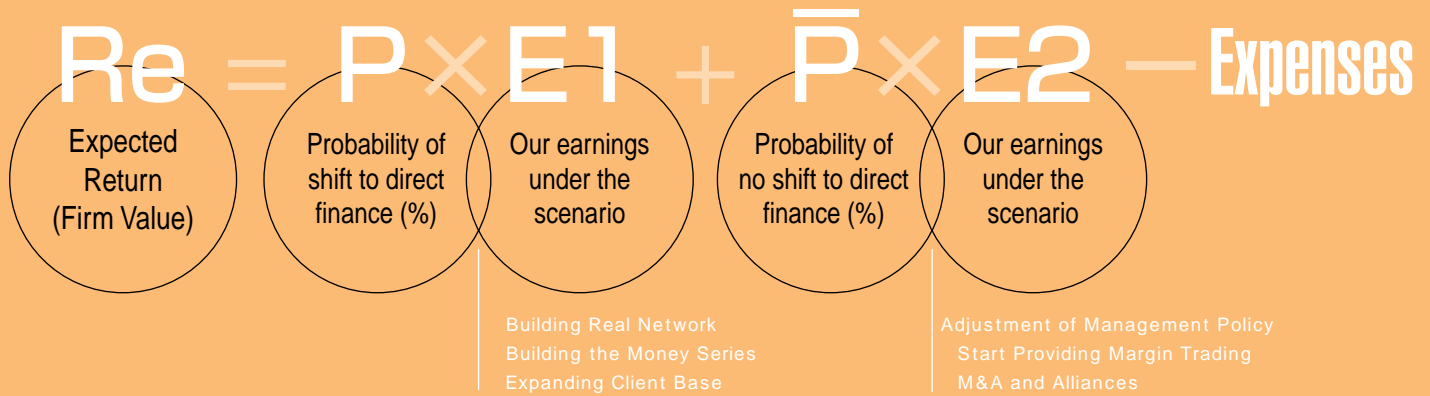
Number of client accounts



The Monex Business Model

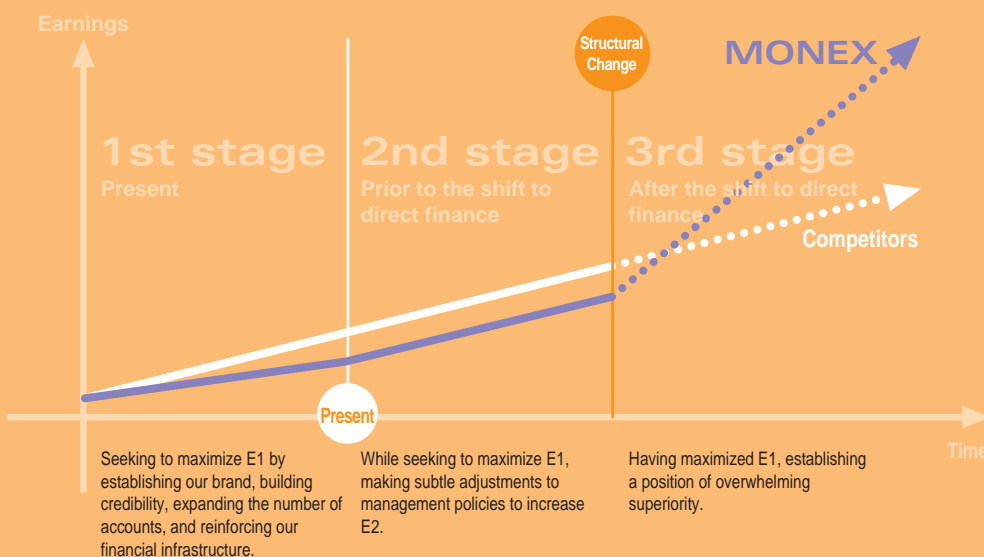
Our business model assumes that democratization of capital markets will occur in the Internet environment, as individual investors shift from keeping their assets in bank accounts—thereby providing indirect financing to corporations—to making equity investments in the stock market. Democratization implies a higher ratio of individual to institutional investors in the market and, as part of the ongoing shift towards taking individual responsibility for managing one's own assets, more investments in stocks and investment trusts.

Investments in stocks and mutual funds account for about 46% of individuals' assets in the United States but only 9% in Japan. The environment is changing here, however, toward one in which individuals take responsibility for their own asset management, with the end of full deposit guarantees and the introduction of Japanese versions of 401k retirement accounts. Thus, at Monex, we have advanced our financial infrastructure for building advice tools for asset management from the stage of “an account that's an everyday part of life” to “support for individual asset management.”



The Monex Earnings Structure

Monex is dependent on stock broker fees for 85% or more of its operating revenues. If individuals' investments in stocks and investment trusts grow, then the earnings of our company, with a broader customer base than other companies, can be expected to rise. Structural reform, however, has yet to make significant progress in the capital markets. Thus, having recognized that the shift away from bank deposits to investing in equities and investment trusts is occurring more slowly than we had anticipated, we are adjusting our policies to aim at higher expected returns.



Monex Consolidated Accounts: New Support for Individual Asset Management as an Everyday Part of Life

Monex provides the financial infrastructure to meet individual's needs in this new age, with our Money Series to support individual financial planning. Our goal is for a consolidated account with Monex to be as an everyday part of life as a bank or post office account.

Support Media

Real Network

The Monex Saison Card can be used as a cash card to make deposits and withdrawals at some 26,000 ATMs nationwide—including post office ATMs. Through our alliance with Credit Saison, the Monex Saison Card functions as an international credit card—and clients can even settle their card bills from their Monex Consolidated Account.

The Money Series

Money Station: Our account aggregation service

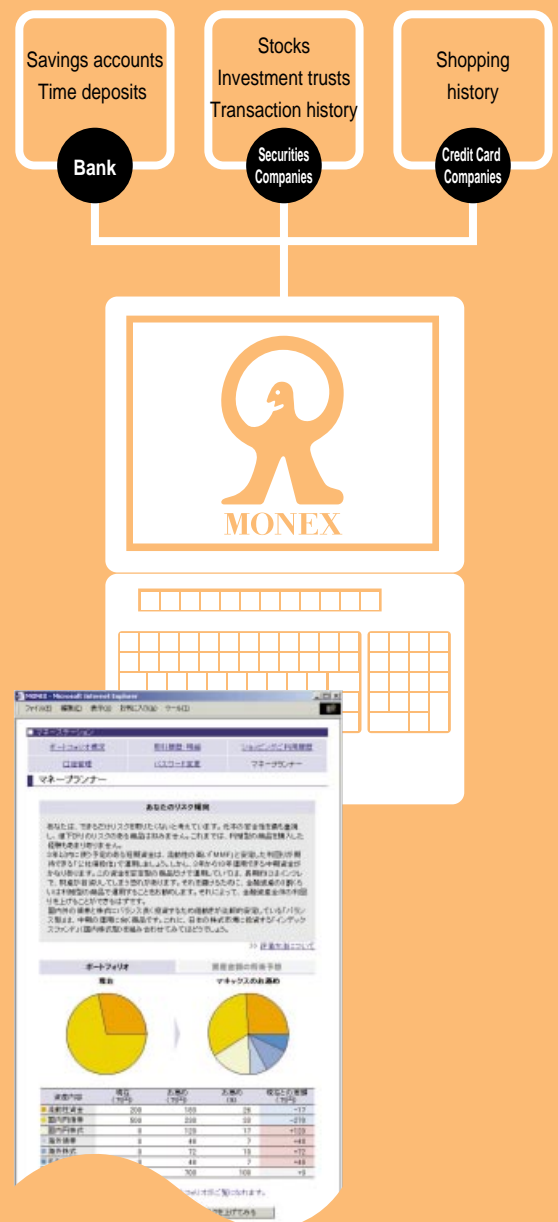
This new service enables clients to monitor the state of their assets in our keeping, including stocks and investment trusts, their account balances at other financial institutions, and their credit card usage from our Website, in real time. For full security, customer IDs and passwords are all encrypted. Data taken from other companies' Websites is temporarily held in volatile memory for display purposes only and not written into our database. Money Station thus gives an aggregate view of accounts without compromising control of confidential information.

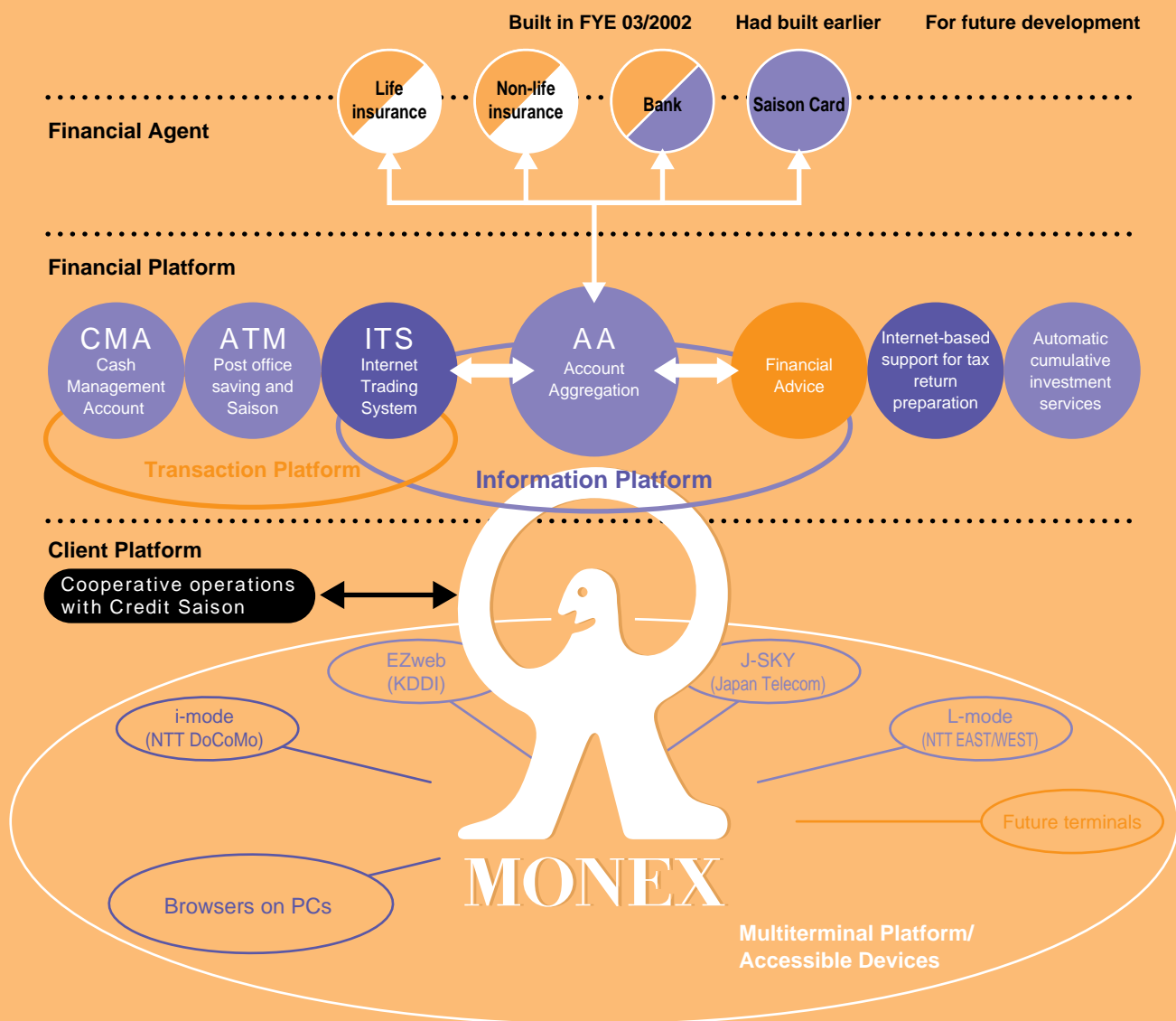
Money Planner: Our financial advice tool

Based on the data presented in Money Station and the client's preferences, this cyber financial planner calculates the optimal portfolio and the deviation of the current portfolio from it, displays the results on screen, and also provides financial planning advice. It can also simulate investment outcomes for up to 40 years ahead.

Money Express: A linked settlement function

Money Express enables clients transfer funds from their accounts in partner financial institutions to their Monex accounts in a flash, by inputting a transfer order on the Monex Website. This function supports clients with barrier-free financial planning.





The Monex Comprehensive Financial Infrastructure

Monex has built the comprehensive financial infrastructure for integrated asset management, with Real Network and the Money Series added to our existing online trading system and system for sales of investment trusts and other financial products. Monex Consolidated Accounts are now more convenient than ever, and the additional modules permit offering individual asset management and settlement services, a vast leap forward in implementing our business model. Erecting this comprehensive financial infrastructure on the Internet enables Monex to provide retail services comparable to those offered by the largest conventional securities companies with branches nationwide. Monex also plans to expand its information network to include life and non-life insurance, to bring even more fully developed financial services to individual investors.

Our Focus is on Building the Optimal System for Individual Financial Planning and Expanding our Line of Financial Products

Monex is dedicated to providing a competitive fee structure for online stock trading and marketing of financial products through comprehensive cost control and stronger alliances with partners and to enhancing customer satisfaction further with a full range of information services, including Monex Speed and Alert Mail.

Service & Plann

Securities Brokerage

Monex executes clients' buy and sell orders for domestic equities listed on Japan's stock exchanges and the over-the-counter market. To meet the needs of the individual investor, we have upgraded our mini stock line to a choice of 200 and expanded our Monex Nighter nighttime trading service by connecting to other brokers. To encourage active trading, we have launched Monex Speed, our automatic real-time share price update service, and Alert Mail, which informs clients by e-mail when a share price reaches a pre-registered level.

Investment Trust Sales

Our Select Shop offers some 30 carefully screened investment trusts. In response to the changing investment market in Japan resulting from, for example, the introduction of a Japanese version of 401K retirement plans, we have developed new services to support investment trust sales, including Money Express, with which clients can transfer funds from a bank or post office account in a flash, and Automatic Cumulative Accounts by Card ("Accounts by Credit Saison Card"), for a making a fixed monthly investment from a credit card settlement account. We have also begun to handle new financial products such as real estate investment trusts (REITs) and exchange traded funds (ETFs). We are also converting some of existing funds into no-load funds, with lowering customers' investment costs.

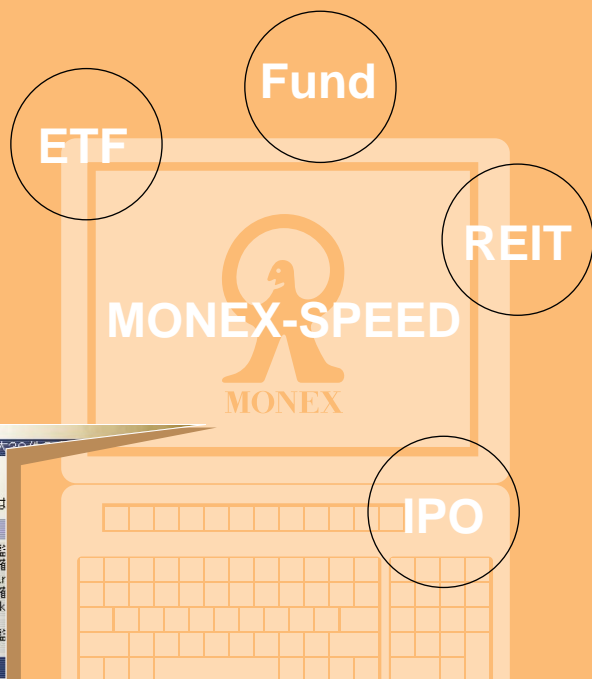
Underwriting

Monex provides underwriting for initial public offerings, advice to companies in advance of listing on the stock exchange, and investor relations support after listing.

In the past fiscal year, we underwrote 36 issues. While individual investors typically find it difficult to acquire shares in IPOs, we are working to provide our customers with a larger opportunity to access attractive IPO stocks by seeking higher status and larger shares in underwriting at each IPO.

Other Services

Monex offers advertisers opportunities to reach our 200,000 clients on our Website and through Monex Mail. In addition, we provide corporate share price information through IR Gate.



Alert-mail

コード	市場	銘柄名	アラート条件
7974	大証	任天堂	現値が18000以下
8626	東証	マネックス証券	現値が10000以下または50000以上



ing

Partnership

Credit Saison



It issues the Monex Saison Card, which functions as both a Monex cash card and a Credit Saison credit card. Clients can use their Monex Saison Cards at 26,000 post office and Credit Saison ATMs throughout Japan. They can also use them for purchases at shops, overseas as well as in Japan, that accept Visa and Credit Saison cards, then settle their bills through their Monex Consolidated Accounts, thus utilizing cash management account features as well. Marketing cooperation with Credit Saison ensures, for example, that advertisements for Monex are carried in every issue of Saison Card News, a magazine sent to the millions of Saison cardholders each month. It also holds asset management and online trading seminars for Saison cardholders in major cities in Japan. Saison cardholders have exclusive access to a Monex cumulative investment trust service, receive Monex Points on a preferential basis, and can exchange them for Saison Card points.

The Vanguard Group



Monex has broken new ground in Japan by offering three types of investment trusts from the Vanguard Group, one of the world's largest organization in terms of assets under management. Vanguard has earned the respect of investors worldwide for offering high quality products, particularly index funds, at low cost.

Financial Summary

	Thousands of Yen		Thousands of U.S. dollars
	2002	2001	2002
Operating Results:			
Operating Revenues	¥ 3,281,496	¥ 2,983,108	\$ 24,627
Operating Expenses	4,517,761	3,693,633	33,905
Operating Loss	(1,236,265)	(710,525)	(9,278)
Other Income	40,918	28,375	307
Other Expenses	209,338	156,669	1,571
Loss Before Income Taxes	(1,404,685)	(838,819)	(10,542)
Income Tax	1,620	1,620	12
Net loss	¥ (1,406,305)	¥ (840,439)	\$ (10,554)
Financial Position:			
Total assets	¥ 13,124,740	¥ 11,176,280	\$ 98,497
Shareholders' equity	10,323,827	9,857,951	77,477
Per Share Amounts:			
Net loss	¥ (930.11)	¥ (610.46)	\$ (6.98)
Shareholders' equity	6,766.85	6,872.45	50.78
Other Data:			
Number of employees	45	33	

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, 2002, which was ¥133.25=US\$1.00.
2. Net loss per share is computed by dividing net 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, 2001 to March 31, 2002)

As to the domestic stock market of this fiscal year, the Nikkei average index moved upwards from ¥12,000 to ¥14,000 from April to the beginning of May, but since mid-May until the end of September has continued to fall. Since the terrorist attacks in the United States in mid-September in particular, it plunged below ¥10,000 mark in some situations. The market continued to be tight from October to February, but once into March showed signs of a recovery, such as the return of the Nikkei average index to the ¥11,000 mark. Trading by individuals on the Tokyo Stock Exchange dropped dramatically from June but recovered slightly in the latter half of the year.

In these conditions, the Company has persevered in its plan for expansion of its services such as construction of general financial infrastructures for individuals in a new era and provision of information services etc., including ATM connection and account aggregation “Money Station,” to begin with. The number of customer accounts was 194,557 at the end of this fiscal year (an 80,612 increase from the end of the previous term), including the increase of 44,270 accounts from the merger with Saison Securities Co., Ltd. at the end of June 2001. At the time of the merger, the Company was in the first place in terms of customer accounts for an online specialized securities company. Client assets in custody amounted to ¥447.0 billion including ¥91.4 billion from the merger with Saison Securities Co., Ltd. an increase of ¥155.1 billion compared with the end of the previous year.

1. Commission Revenues

Brokerage Business – As to the stock transactions for this fiscal year, though orders and contracts grew steadily continuing from the previous year, it could not record a dramatic expansion due to the weak market since June 2001.

From September to December 2001, in line with the recovery of trading volume on the Tokyo Stock Exchange, the volume of orders and contracts improved slightly although it dropped again at the beginning of 2002.

In such a severe environment, commissions for share brokerage accounted for ¥2,833 million (US\$21,264 thousand), and brokerage commissions totaled ¥2,848 million (\$21,371 thousand) including commissions for brokerage of ETFs etc., a 16.3% increase compared to the previous fiscal year (¥2,448 million).

Investment Trusts – After the start of the fixed amount purchase plan in April 2001, as a part of the merger with Saison Securities, the Company took over the investment trust purchase plan service “Card de Jido Tsumitate (Automatic Reserve)” with direct debit from bank accounts, and orders have progressed steadily since.

Client’s assets excluding MRFs and ETFs were ¥31.4 billion (US\$235,804 thousand) at the end of this fiscal year, while MRF assets were ¥76.2 billion (US\$571,511 thousand). It is also the Company’s policy to make sales free from commission (no-loading) to the greatest extent possible. With this in mind, although the number of orders increased in this period, commission was tending to decrease because the ratio of no-load investment trusts increased.

Agency commissions received in proportion to sales tended towards an increase, along with a rise in client assets. Commissions for investment trusts for current year totaled ¥181 million, an 8.9% decrease compared to the previous fiscal year (¥198 million).

Investment Banking, such as Underwriting Business – In this fiscal year, the amount of capital raised through IPOs in the market decreased by approximately 42% compared to last fiscal year, and the number of new companies listed on the stock exchange decreased by 10%, which was attributable to a bearish stock market. In this environment, the Company underwrote 36 issues of new public stocks, and among these, the Company took 10% of the underwriting share with three issues.

Consequently, commissions related to underwriting business totaled ¥141million (US\$1,060 thousand), a 15.9% decrease compared to previous year (¥168 million) (commissions from only selling involved had been excluded).

Additionally, commissions from consultancy contracts in the investment banking sector totaled ¥33 million (US\$249 thousand).

Besides the above, ¥20 million (US\$151 thousand) of other commissions received is recorded: as a result, commissions received totaled in this year ¥3,223 million (US\$24,188 thousand), a 9.4% increase compared to the previous fiscal year (¥2,947 million).

2. Other Service Revenues

The Company provided advertising spaces on its website for 23 contracts, and for 26 contracts in “Monex Mail”, the electronic mail magazine distributed by the Company. As a result, an income of ¥33 million (US\$250 thousand) was posted for advertising revenue. Additionally, an income of ¥13 million (US\$98 thousand) from IR support services for listed companies was posted, totaling other service fees for this fiscal year ¥46 million (US\$348 thousand), a 45.5% increase compared with the previous fiscal year (¥32 million).

3. Net Gain on Trading Assets

Trading profit for this year totaled ¥8 million (US\$58 thousand). Since the Company’s trading account mainly consists of profit and loss from foreign exchange transactions related to the sale of foreign currency investment trusts and marketable securities that supplement brokerage securities, trading profit /loss was minimal. In addition, balance of proprietary accounts arose from time to time, in association with the mini-stock transactions which was started in this year; however, an effective hedging minimized profit/loss.

4. Financial Income

In this fiscal year, interest income amounted to ¥4 million (US\$ 27 thousand).

As a result, operating revenue totaled ¥3,281 million (US\$ 24,627 thousand), a 10.0% increase compared with the previous fiscal year (¥2,983 million).

5. Selling, General and Administrative Expenses

As a result of increased leasing payment for increased leasing contracts due to the introduction of new services such as ATMs, mini-stocks, investment trust fixed amount reserve services and account aggregation “Money Station,” equipment rental and maintenance totaled ¥1,170 million (US\$ 8,781 thousand), a 39.3% increase compared with the previous fiscal year (¥840 million). Additionally, outsourcing expenses for administration related to accounting systems, the maintenance and operation of systems and outsourcing of back office operations were ¥1,396 million (US\$ 10,477 thousand), a 35.0% increase compared to previous year (¥1,034 million). In this year, customer information services were also expanded and information expenses increased to ¥402 million (US\$ 3,013 thousand). Information costs were included in communication and freight in the previous year.

In June 2001, the Company merged with Saison Securities Co., Ltd. The merger resulted in an increase in number of employees, and employee salaries accounted for ¥518 million, a 24.5% increase compared to the previous fiscal year (¥416 million).

Because a direct-linking system to the Tokyo Stock Exchange was set up in the previous year, commissions paid to intermediary securities companies were decreased in this fiscal year and commissions paid were greatly decreased to ¥138 million (US\$ 1,038 thousand), a 57.9% decrease compared with the previous fiscal year (¥329 million). Advertising expenses also remained in low level at ¥57 million (US\$

428 thousand), a 40.6% decrease compared with the previous fiscal year (¥96 million).

As a result, selling, general and administrative expenses of ¥4,517 million (US\$33,896 thousand) were recorded, a 22.3% increase compared to the previous fiscal year (¥3,694 million).

As a result, operating loss was ¥1,236 million (US\$ 9,278 thousand) (¥711 million in previous year).

6. Others

Other income totaled ¥41 million (US\$ 307 thousand). Included in this was ¥30 million (US\$ 225 thousand) of consulting fee from Saison Securities Co., Ltd. by way of preparation for the merger.

Other Expenses accounted for ¥209 million (US\$1,571 thousand), the main items being costs related to the merger amounted to ¥23 million (US\$ 174 thousand), and losses of ¥115 million (US\$ 860 thousand) for cancellation of lease contracts as a result of review of lease assets not expected to be utilized in the future.

7. Profit and Loss

Overall the Company recorded total operating revenues of ¥3,281 million (US\$ 24,627 thousand), an increase of 10.0% from the previous period, an operating loss of ¥1,236 million (US\$ 9,278 thousand), an increase of 74.0% from the previous period, and a net loss of ¥1,406 million (US\$ 10,554 thousand), an increase of 67.3% from the previous period for the year ended March 31, 2001.

Cash Flows

In this fiscal year, the Company used ¥1,011 million (US\$ 7,587 thousand) in operating activities and ¥267 million (US\$ 2,002 thousand) in investing activities. However, being partially offset by the cash generated from financing activities of ¥107 million (US\$ 802 thousand), and receiving cash of ¥1,530 million (US\$ 11,482 thousand) at the merger of Saison Securities Co., Ltd, the cash and cash equivalents at the end of the year increased by ¥359 million to ¥8,334 million (US\$ 62,542 thousand).

1. Net Cash Used in Operating Activities

Net cash used in operating activities totaled to ¥1,011million (US\$ 7,587 thousand), a decrease of 46.1% from the previous period. Net loss before income taxes for the year was ¥1,405 million (US\$ 10,542 thousand) but was partially offset with a decrease of ¥364 million (US\$ 2,732 thousand) in account receivable. Cash and cash equivalents increased by a total of ¥125 million (US\$ 945 thousand) due to additional provision for the “securities trading liability reserve”, depreciation costs and amortization of goodwill as non-capital costs.

2. Net Cash Used in Investing Activities

Net cash used in investing activities in this fiscal year, totaled to ¥267 million (US\$ 2,002 thousand), an increase of 732.0% from the last fiscal year. ¥42 million (US\$ 314 thousand) was spent on acquisition of tangible fixed assets when the head office moved premises and a further ¥66 million (US\$ 498 thousand) on the payment of long-term guarantee caused investment to increase greatly compared to the previous year.

3. Net Cash Provided by Financing Activities

Net cash provided by financing activities in this fiscal year totaled ¥107 million (US\$ 802 thousand), a decrease of 98.3% from the last fiscal year. The previous year saw a large influx of funds from stock issues when the Company went public, but funds in this fiscal year were mainly funds from stock issues from exercise of stock options.

Balance Sheets

As of March 31, 2002 and 2001

Assets	Thousands of Yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Current assets:			
Cash and deposits	¥ 7,334,003	¥ 6,975,170	\$ 55,039
Cash required to be segregated (Note 4)	3,000,000	2,000,000	22,514
Money deposited	119,496	212,091	897
Securities (Note 6)	999,727	999,437	7,503
Receivable from customers	16,266	13,770	122
Payments on securities subscribed	16,449	167,550	123
Prepaid expenses	139,747	92,133	1,049
Accrued revenues	89,292	89,872	670
Trading assets (Notes 5 and 8)	173,023	61,200	1,298
Receivable related to margin transactions	70,362	—	528
Short-term guarantee money deposited	277,149	—	2,080
Others	65,317	39,941	491
	12,300,831	10,651,164	92,314
Property & Equipment, at cost:			
Building	30,931	—	232
Furniture and fixtures	37,729	5,448	283
Accumulated depreciation	(16,799)	(1,389)	(126)
	51,861	4,059	389
Intangible assets, net of amortization:			
Goodwill	121,794	162,392	914
Software	45,296	11,206	340
Others	4,639	1,491	35
	171,729	175,089	1,289
Investments and others:			
Investment securities (Note 6)	477,905	9,650	3,587
Membership deposits (Note 7)	—	314,810	—
Long-term guarantee money deposited	74,697	9,300	561
Long-term advance payments	36,300	—	272
Others	48,837	12,208	366
Allowance for doubtful receivables	(37,420)	—	(281)
	600,319	345,968	4,505
	¥ 13,124,740	¥ 11,176,280	\$ 98,497

See accompanying notes.

Liabilities and Shareholders' Equity	Thousands of Yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Current Liabilities:			
Deposits received (Note 9)	¥ 2,187,065	¥ 998,335	\$ 16,413
Net payable arising from recognizing trading on trade date	47,400	58,085	356
Accrued liabilities	123,247	—	925
Accrued expenses	231,837	200,263	1,740
Trading liabilities (Notes 5, 8)	82,067	—	616
Income tax payable (Note 12)	1,620	1,620	12
Others	379	1,155	3
	2,673,615	1,259,458	20,065
Statutory Reserve:			
Reserve for securities transactions (Note 13)	127,298	58,871	955
	127,298	58,871	955
Commitment and Contingent liabilities (Note 10)			
Shareholders' Equity (Notes 14, 15):			
Common stock			
Authorized – 5,137,664 shares			
Issued – 1,525,647 shares in 2002 and 1,434,416 shares in 2001	6,155,062	6,101,264	46,192
Additional paid-in capital	7,222,562	5,404,150	54,203
Accumulated deficit	(3,053,768)	(1,647,463)	(22,918)
Treasury stock	(29)	—	(0)
	10,323,827	9,857,951	77,477
Total	¥ 13,124,740	¥ 11,176,280	\$ 98,497

Statements of Operations

For the years ended March 31, 2002 and 2001

	Thousands of Yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Operating Revenues:			
Commission revenues (Note 17)	¥ 3,222,986	¥ 2,946,845	\$ 24,188
Other service revenues (Note 18)	46,366	31,872	348
Net gain (loss) on trading assets	7,682	1,220	58
Financial income	3,553	3,171	27
Other sales	909	-	6
	3,281,496	2,983,108	24,627
Operating Expenses:			
Financial expense	368	1	3
Cost of sales	764	—	6
Selling, general and administrative expenses (Note 19)	4,516,629	3,693,632	33,896
	4,517,761	3,693,633	33,905
Operating Loss	(1,236,265)	(710,525)	(9,278)
Other Income:			
Consulting fee	30,000	—	225
Interest income	3,511	16,269	26
Interest on securities	109	78	1
Dividend received	75	—	1
Miscellaneous income	7,223	12,028	54
	40,918	28,375	307
Other Expenses:			
Public offering expenses	—	88,270	—
Stock issuance costs	661	20,208	5
Unrealized loss on investment securities	5,511	—	41
Loss on sale of investment securities	1,606	—	12
Loss on lease cancellation	114,574	—	860
Merger expenses	23,223	—	174
Provision for statutory reserve, net (Note 13)	59,052	48,118	443
Miscellaneous expenses	4,711	73	36
	209,338	156,669	1,571
Loss Before Income Taxes	(1,404,685)	(838,819)	(10,542)
Income Tax (Note 12)	1,620	1,620	12
Net Loss	¥ (1,406,305)	¥ (840,439)	\$ (10,554)

See accompanying notes.

Statements of Shareholders' Equity

For the years ended March 31, 2002 and 2001

	Number of Shares of Common Stock	Thousands of Yen			
		Common Stock	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock
Balance at March 31, 2000	20,069	¥ 3,550,000	¥ 1,676,650	¥ (807,024)	¥ —
Shares issued in initial public offering	150,000	2,550,000	3,627,500	—	—
Shares issued at ¥1 per share	1,264,347	1,264	—	—	—
Net Loss	—	—	—	(840,439)	—
Balance at March 31, 2001	1,434,416	6,101,264	5,404,150	(1,647,463)	—
Shares issued in stock exchange (Note 3)	71,561	—	1,764,475	—	—
Capital increase at the merger (Note 3)	—	—	159	—	—
Stock option exercised	19,670	53,798	53,778	—	—
Net Loss	—	—	—	(1,406,305)	—
Increase of treasury stock, net	(0)	—	—	—	(29)
Balance at March 31, 2002	1,525,647	¥ 6,155,062	¥ 7,222,562	¥ (3,053,768)	¥ (29)

	Thousands of U.S.dollars (Note 1)			
	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock
Balance at March 31, 2001	\$ 45,788	\$ 40,556	\$ (12,364)	\$ —
Shares issued in stock exchange (Note 3)	—	13,242	—	—
Capital increase at the merger (Note 3)	—	1	—	—
Stock option exercised	404	404	—	—
Net Loss	—	—	(10,554)	—
Increase of treasury stock, net	—	—	—	(0)
Balance at March 31, 2002	\$ 46,192	\$ 54,203	\$ (22,918)	\$ (0)

See accompanying notes.

Statements of Cash Flows

For the years ended March 31, 2002 and 2001

	Thousands of Yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Cash flows from operating activities:			
Net loss before income taxes	¥ (1,404,685)	¥ (838,819)	\$ (10,542)
Provision for statutory reserve, net (Note 12)	59,052	48,118	443
Depreciation	26,217	4,078	197
Amortization of goodwill	40,598	40,598	305
Stock issuance costs	661	20,208	5
Interest income	(7,249)	(19,518)	(54)
Interest expense	368	1	3
Unrealized loss on investment securities	5,511	—	41
Loss on sale of investment securities	1,606	—	12
Decrease (increase) in cash required to be segregated (Note 3)	190,000	(735,000)	1,426
Decrease (increase) in money deposited	99,905	(82,648)	750
Decrease (increase) in payments on securities subscribed	152,832	(120,799)	1,147
Decrease in account receivable	364,053	—	2,732
Increases in prepaid expenses	(47,614)	(54,437)	(357)
Decrease (increase) in accrued revenues	20,513	(76,344)	154
Decrease (increase) in trading assets (Notes 4 and 7)	5,928	(3,070)	44
Decrease in short-term guarantee	(221,149)	—	(1,660)
Increase (decrease) in deposits received (Note 8)	4,054	(15,380)	30
Decrease in accrued expenses	(347,765)	(48,011)	(2,610)
Increase in accrued liabilities	123,247	—	925
Other operating activities	(86,518)	(6,869)	(650)
Sub total	(1,020,435)	(1,887,892)	(7,659)
Interest received	11,865	15,135	89
Interest paid	(368)	(1)	(3)
Income taxes	(2,002)	(4,004)	(14)
Net cash used in operating activities	(1,010,940)	(1,876,762)	(7,587)
Cash flows from investing activities:			
Purchases of property & equipment	(41,793)	(3,514)	(314)
Purchases of goodwill	(36,171)	—	(271)
Purchases of investment securities (Note 5)	(59,406)	(9,572)	(446)
Proceeds from sale of investment securities	5,834	—	44
Payment for long-term guarantee	(66,397)	—	(498)
Payments for membership deposits (Note 6)	—	(1,000)	—
Other investing activities	(68,903)	(17,985)	(517)
Net cash used in investing activities	(266,836)	(32,071)	(2,002)
Cash flows from financing activities:			
Proceeds from sale of treasury stocks	189	—	1
Purchases of treasury stocks	(234)	—	(2)
Proceeds from common stock issuance	106,914	6,258,557	803
Net cash provided by financing activities	106,869	6,258,557	802
Net increase in cash and cash equivalents	(1,170,907)	4,349,724	(8,787)
Cash and cash equivalents at beginning of year	7,974,607	3,624,883	59,847
Gain on cash and cash equivalents by merger (Note 3)	1,530,030	—	11,482
Cash and cash equivalents at end of year (Note 16)	¥ 8,333,730	¥ 7,974,607	\$ 62,542

See accompanying notes.

Notes to Financial Statements

1. Basis of Presenting Financial Statements

Monex, Inc. (the “Company”) maintains its accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law in conformity with accounting principles and practices generally accepted in Japan (“Japanese GAAP”). Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying financial statements are a translation of the audited financial statements of the Company which were prepared in accordance with Japanese GAAP and were filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law.

In preparing these financial statements, certain reclassifications and rearrangements have been made in the financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. Such reclassifications and rearrangements had no effect on the Company’s net loss. The financial statements of the Company for the year ended March 31, 2002 are prepared in accordance with the amended “Uniform Accounting Standards of Securities Companies” (set by the board of directors of the Japan Securities Dealers Association, September 28, 2001). In order to conform to the presentation for 2002 required under the amended Uniform Accounting Standards of Securities Companies, “Trading assets” as of March 31, 2001 amounted to ¥997,437 was reclassified to “Securities” in the balance sheets, and cash and cash equivalent in the statements of cash flows increased by the same amount. Certain other items in the financial statements for the year ended March 31, 2001 are also reclassified to conform to the presentation for 2002.

In addition, notes to the financial statements include certain information which is not required under Japanese GAAP but is presented herein as additional information. Statements of shareholders’ equity for 2002 and 2001 have been prepared for the purpose of inclusion in the accompanying financial statements, although such statements were not required for domestic purposes and were not filed with the regulatory authorities.

The translation of the Japanese yen to U.S. dollars is included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2002 which was ¥133.25 to U.S. \$1. Such 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) Advertising revenues

The Company enters into certain contracts with customers where it receives an advertising fee for placing the 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.

(2) Depreciation and amortization of non-current assets

(a) Property & Equipment

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

(b) Intangible assets

Goodwill related to acquisition of the membership for the Tokyo Stock Exchange (“TSE”) 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.

(3) Stock issuance costs

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

(4) 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.

(5) 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.

(6) 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.

(7) 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.

(8) Per share amounts

The computation of net loss per share is based on the weighted average number of shares of common stock outstanding during each period. Although the subscription rights related to stock options are granted, they had no diluting effect on the calculation of net income per share during the periods because net loss is recorded.

71,561 new shares were issued for the share exchange with Saison Securities Co., Ltd in April 2001. In addition, 19,670 shares were issued due to the exercise of stock option in December 2001 and January 2002.

(9) Trading Account

With approval by Financial Services Agency, based on Article 53, Section 1 of the Securities and Exchange Law, the Company has established a trading account as a securities company. 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 such as 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.

(d) 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.

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

Effective April 1, 2000, the Company adopted the new Japanese accounting standard for financial instruments (“Opinions Concerning Establishment of Accounting Standard for Financial Instruments” issued by the Business Accounting Deliberation Council on January 22, 1999). However, the financial impact of adopting this new accounting standard is considered immaterial. Based on the examination of the intent of holding each security a discounted government bond purchased in the year ended March 31, 2001 was classified as “held-to-maturity debt securities” and stated as investment securities at amortized cost.

Valuation of securities held for other than trading purposes is as follows :

(a) Bonds held to maturity: Based on the amortized cost method

(b) Other securities without readily available market values: Based on the cost method on moving average method.

The Company had no securities with readily available market values held for other than trading purpose as of March 31, 2002 and 2001.

3. Merger with Saison Securities Co., Ltd.

(1) Exchange of stock with Saison Securities Co., Ltd

Additional paid-in capital increased by ¥1,764,475 thousand (US\$13,242 thousand) due to the share exchange with Saison Securities Co., Ltd on April 1, 2001.

(2) Merger with Saison Securities Co., Ltd

On June 30, 2001 the Company merged with Saison Securities Ltd. Summary of assets and liabilities taken over by the Company by the merger is as follows:

	Thousands of Yen		Thousands of U.S. dollars	
Current assets	¥	3,588,395	\$	26,930
Fixed assets		128,965		968
Total assets	¥	3,717,360	\$	27,898
Current Liability	¥	1,920,840	\$	14,415
Statutory reserves		9,376		71
Total liabilities	¥	1,930,216	\$	14,486

By the merger, additional paid-in capital have increased by ¥159 thousand (US\$ 1 thousand).

4. Cash required to be segregated

Cash amounted to ¥3,000,000 thousand (US\$22,514 thousand) and ¥2,000,000 thousand as of March 31, 2002 and 2001 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").

5. Trading Assets and Trading Liabilities

Trading assets as of March 31, 2002 and 2001 consisted of the following:

	Thousands of Yen		Thousands of U.S. dollars	
	2002	2001	2002	
Corporate shares	¥ 117,489	¥ 56,000	\$	882
Bonds	50,135	—		376
Investment trust	5,130	5,110		38
Forward exchange contracts	269	90		2
	¥ 173,023	¥ 61,200	\$	1,298

Trading Liabilities as of March 31, 2002 and 2001 consisted of the following:

	Thousands of Yen		Thousands of U.S. dollars	
	2002	2001	2002	
Corporate shares	¥ 81,881	¥ —	\$	615
Forward exchange contracts	186	—		1
	¥ 82,067	¥ —	\$	616

6. Securities for Non-Trading Purpose

The Company holds discounted government bonds for non-trading purpose which were purchased in the years ended March 31, 2002 and 2001 to be pledged as collateral for postage payable in arrears. These bonds are classified as held-to-maturity debt securities and stated at amortized cost. Their face values at March 31, 2002 are ¥19,000 thousand (US\$ 143 thousand) in total and redemption is within 5 years. Also, the Company holds commercial paper for non-trading purpose that matures within three months. It was purchased for investing excess cash for a short term, is classified as held-to-maturity debt securities and stated at amortized cost; the face value is ¥1,000,000 thousand (US\$ 7,505 thousand). In addition, the Company holds non-listed companies stocks for non-trading purpose, whose market values are not readily available.

The fair value of held-to-maturity debt securities with available fair market values as of March 31, 2002 and 2001 are as follows:

Thousands of Yen			
2002			
	Book value	Market value	Unrealized gain
Discounted government bonds	¥ 18,714	¥ 18,958	¥ 244
Total	¥ 18,714	¥ 18,958	¥ 244

Thousands of Yen			
2001			
	Book value	Market value	Unrealized gain
Discounted government bonds	¥ 9,650	¥ 9,825	¥ 175
Total	¥ 9,650	¥ 9,825	¥ 175

Thousands of U.S. Dollars			
2002			
	Book value	Market value	Unrealized gain
Discounted government bonds	\$ 141	\$ 142	\$ 1
Total	\$ 141	\$ 142	\$ 1

Book values of securities with no available fair values as of March 31, 2002 and 2001 are as follows:

Thousands of Yen	
2002	
Book value	
Commercial paper	¥ 999,727
Non-listed companies stocks (investment securities)	459,191
Total	¥ 1,458,918

Thousands of Yen	
2001	
Book value	
Commercial paper	¥ 999,437
Total	¥ 999,437

Thousands of U.S. Dollars	
2002	
Book value	
Commercial paper	\$ 7,503
Non-listed companies stocks (investment securities)	3,446
Total	\$ 10,949

7. Membership Deposits

In November 2001, Tokyo Stock Exchange, Inc. was established after demutualization of Tokyo Stock Exchange. Therefore, the membership deposit of ¥314,810 thousand at March 31, 2001 was reclassified as investment securities of ¥313,810 thousand (US\$ 2,355 thousand) and other assets of ¥1,000 thousand (US\$ 8 thousand).

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 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 investment trusts 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, 2002 and 2001 are as follows:

	Thousands of Yen					
	2002					
	Assets			Liabilities		
	Contract amount	Fair value		Contract amount	Fair value	
Forward currency contracts	¥ 41,272	¥ 269	¥ 49,374	¥ 186		

	Thousands of US dollars					
	2001					
	Assets			Liabilities		
	Contract amount	Fair value		Contract amount	Fair value	
Forward currency contracts	\$ 310	\$ 2	\$ 371	\$ 1		

	Thousands of Yen			
	2001			
	Assets		Liabilities	
	Contract amount	Fair value	Contract amount	Fair value
Forward currency contracts	¥ 34,515	¥ 90	¥ —	¥ —

There are no derivative contracts for non-trading purpose as of March 31, 2002 and 2001.

9. Deposits Received

Details of deposits received at March 31, 2002 and 2001 are as follows:

	Thousands of Yen		Thousands of U.S. dollars
	2002	2001	2002
Cash received for customers' accounts on trading	¥ 1,836,318	¥ 710,110	\$ 13,781
Others	350,747	288,225	2,632
	¥ 2,187,065	¥ 998,335	\$ 16,413

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, 2002 and 2001 is as follows:

Acquisition costs and accumulated depreciation:

	Thousands of Yen		
	2002		
	Equipment	Software	Total
Acquisition costs	¥ 3,491,600	¥ 1,145,376	¥ 4,636,976
Accumulated depreciation	(1,284,552)	(229,529)	(1,514,081)
Net balance at year end	¥ 2,207,048	¥ 915,847	¥ 3,122,895

	Thousands of Yen		
	2001		
	Equipment	Software	Total
Acquisition costs	¥ 3,021,965	¥ 527,058	¥ 3,549,023
Accumulated depreciation	(671,201)	(54,898)	(726,099)
Net balance at year end	¥ 2,350,764	¥ 472,160	¥ 2,822,924

	Thousands of U.S. Dollars		
	2002		
	Equipment	Software	Total
Acquisition costs	\$ 26,203	\$ 8,596	\$ 34,799
Accumulated depreciation	(9,640)	(1,723)	(11,363)
Net balance at year end	\$ 16,563	\$ 6,873	\$ 23,436

Obligation under finance leases:

	Thousands of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Due within one year	¥ 917,143	¥ 682,065	\$ 6,883
Due after one year	2,292,624	2,195,063	17,205
	¥ 3,209,767	¥ 2,877,128	\$ 24,088

Lease payments, depreciation and interest expense:

	Thousands of Yen		Thousands of
	2002	2001	U.S. Dollars
Lease payments	¥ 930,797	¥ 638,352	\$ 6,985
Depreciation	817,806	578,309	6,137
Interest expense	¥ 119,437	¥ 100,390	\$ 896

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. Retirement Benefits

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

12. Income Taxes

The normal effective statutory income tax rate in Japan arising out of the aggregation of corporate, enterprise and inhabitants taxes was approximately 42% for 2002 and 2001.

The tax effects of significant temporary differences and tax losses carry forward which result in deferred tax assets and liabilities at March 31, 2002 and 2001 are as follows:

	Thousands of Yen		Thousands of
	2002	2001	U.S. Dollars
Deferred tax assets:			
Tax losses carry forward	¥ 1,269,206	¥ 658,334	\$ 9,525
Reserve for securities transaction	53,529	24,755	402
Allowance for doubtful receivables	15,735	—	118
Others	10,401	3,829	78
	1,348,871	686,918	10,123
Valuation allowance	(1,348,871)	(686,918)	(10,123)
Deferred tax assets total	¥ —	¥ —	\$ —

13. Statutory Reserve

Statutory reserve at March 31, 2002 and 2001 is as follows:

	Thousands of Yen		Thousands of
	2002	2001	U.S. Dollars
Reserve for securities transactions	¥ 127,298	¥ 58,871	\$ 955

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.

14. Shareholders' Equity

The Japanese Commercial Code requires at least 50% of the issue price of new shares be included in common stock. Proceeds in excess of amounts designated as common stock are credited to additional paid-in capital.

The Japanese Commercial Code also requires to appropriate retained earnings for legal reserve at an amount equivalent to at least 10% of all cash payments which are made as an appropriation of retained earnings until the total amount of legal reserve and additional paid-in capital equals to 25% of common stock. The legal 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 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 reserve is included in retained earnings in the accompanying financial statements. As of March 31, 2002 and 2001, there were no retained earnings available for payment of dividends.

Per share amounts:

	Thousands of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Net loss	¥ (930.11)	¥ (610.46)	\$ (6.98)

15. 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"), formerly named as Financial Supervisory Agency. 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 860.5% (unaudited) and 1,041.3% (unaudited) as of March 31, 2002 and 2001, respectively.

16. 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, 2001 and 2002 are reconciled as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Cash and deposits	¥ 7,334,003	¥ 6,975,170	\$ 55,039
Securities	999,727	999,437	7,503
Cash and cash equivalents	¥ 8,333,730	¥ 7,974,607	\$ 62,542

17. Commission Revenues

Details of commission revenues for the years ended March 31, 2002 and 2001 are as follows:

	Thousands of Yen		Thousands of
	2002	2001	U.S. dollars
Brokerage:			
Equity	¥ 2,847,621	¥ 2,448,479	\$ 21,371
Underwriting and distribution:			
Equity	141,192	167,862	1,060
Subscription and distribution:			
Equity	—	111,852	—
Investment trust	68,992	140,423	518
Other commissions:			
Equity	8,284	9,515	62
Investment trust	111,951	58,132	840
Others	44,946	10,582	337
	¥ 3,222,986	¥ 2,946,845	\$ 24,188

18. Other Service Revenues

Details of other service revenues for the years ended March 31, 2002 and 2001 are as follows:

	Thousands of Yen		Thousands of
	2002	2001	U.S. dollars
Advertising revenues	¥ 33,247	¥ 26,574	\$ 250
Others	13,119	5,298	98
	¥ 46,366	¥ 31,872	\$ 348

19. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2002 and 2001 are as follows:

	Thousands of Yen		Thousands of
	2002	2001	U.S. dollars
Commissions paid	¥ 138,334	¥ 328,553	\$ 1,038
Exchange and association dues	89,897	71,736	674
Communication and freight	309,431	272,260	2,322
Information expenses	401,541	279,066	3,013
Traveling and transportation	14,800	7,715	111
Advertising expenses	57,015	96,020	428
Entertainment expenses	3,144	6,292	24
Directors' compensation	29,750	25,146	223
Employees salaries	517,517	415,526	3,883
Welfare expenses	56,730	36,658	426
Office rent and maintenance	40,771	38,100	306
Equipment rental and maintenance	1,170,057	840,143	8,781
Outsourcing expenses	1,396,069	1,033,765	10,477
Office supply expenses	64,967	47,703	488
Depreciation expenses	26,217	4,078	197
Taxes and dues	3,751	10,410	28
Amortization of goodwill	40,598	40,598	305
Other operating expenses	156,040	139,863	1,172
	¥ 4,516,629	¥ 3,693,632	\$ 33,896

Report of Independent Public Accountants

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, 2002 and 2001, and the related statements of operations, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Monex, Inc. as of March 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Japan (Note 1) applied on a consistent basis during the periods, except as noted in the following paragraph.

Monex, Inc. prospectively adopted the new Japanese accounting standard for financial instruments in the year ended March 31, 2001 as explained in Note 2, and also prospectively adapted the amended Uniform Accounting Standards of Securities Companies in the year ended March 31, 2002 as explained in Note 1.

Also, in our opinion, the U.S. dollar amounts in the accompanying financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Asahi & Co.

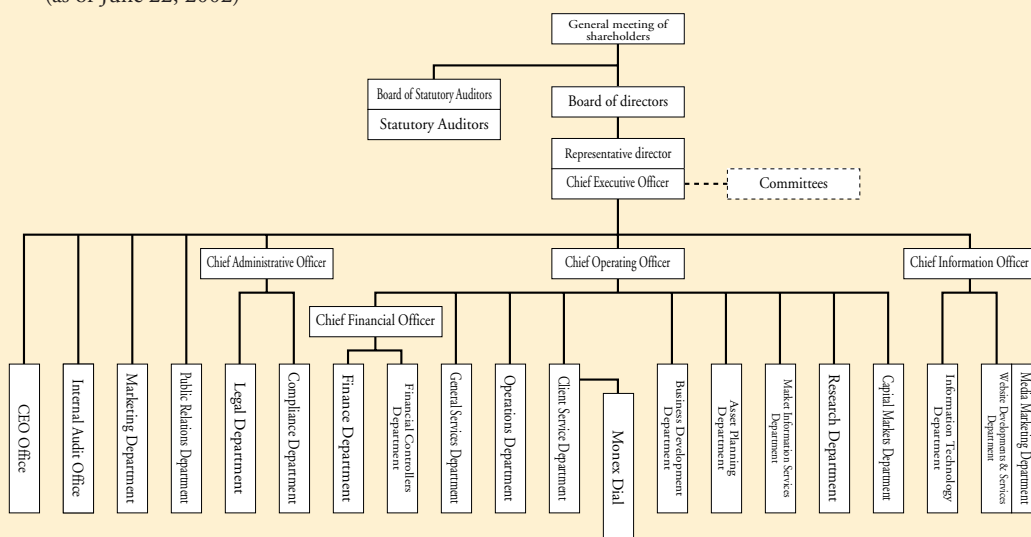
Tokyo, Japan
June 22, 2002

Company History

Years	Subjects
April 1999	Monex, Inc. ("Kabushiki Kaisha Monex") (Capital 50 million yen) was founded at 13, Nishiki-cho 3-chome, Chiyoda-ku, Tokyo, to engage in the business of acquiring and managing negotiable securities.
June 1999	Increased capital to 200 million yen by issuing new shares to third parties.
July 1999	The company's objective was changed to securities trading, and the Japanese business name was changed to "Monex Shoken Kabushiki Kaisha". English name was unchanged.
July 1999	Became a registered stock broker in accordance with the Securities Exchange Law.
August 1999	The company was registered as an investment consulting business in accordance with laws and regulations governing securities-related investment consulting businesses and 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.
October 1999	Became a member of the Japan Securities Business Association and started operations as a securities brokerage.
October 1999	The Monex Dial (a call center) was established in Bunkyo-ku, Tokyo.
November 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 thousand.
April 2000	Became a member of the Tokyo Stock Exchange.
April 2000	Became securities underwriter in accordance with the requirements of the Securities Exchange Law.
May 2000	Upgraded website and servers to support continuing growth.
June 2000	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.
June 2000	Increased capital to 3,551.26 million yen by a 1:3 allotment of new shares to existing shareholders.
August 2000	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.
November 2000	Shares are listed on the Tokyo Stock Exchange Mothers Market.
December 2000	Number of customer accounts topped 100,000.
December 2000	Enters tie-up with Credit Saison Co., Ltd.
January 2001	Launched Monex Nighter, Japan's first private trading system for individual investors
April 2001	Exchange of shares results in Saison Securities Co., Ltd.'s becoming a wholly owned subsidiary.
June 2001	Total shares issued reached 1,505,977.
June 2001	Began issuing the Monex Saison Card.
August 2001	Absorbed and merged Saison Securities Co., Ltd.
August 2001	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	Number of customer accounts topped 200,000.

Organization

(as of June 22, 2002)



Note) The CEO chairs four in-house committees (the Steering Committee, which discusses management issues; the Operating Committee, which addresses day-to-day operations; the Investment Committee, which screens proposed investments; and the Commitment Committee, which screens proposed underwriting opportunities and reports to the Operating Committee) and the Advisory Board, composed of external advisors, and the Orientation Committee, which elicits the views of customer representatives.

Major Shareholders (as of March 31, 2002)

(Top 10)

	Number of shares	Percentage of Shareholdings
Sony Corporation	470,400	30.83
Oki Matsumoto	260,480	17.07
Koichi Suzuki	107,520	7.05
Internet Initiative Japan Inc.	71,680	4.70
Recruit Inc.	68,544	4.49
J.P. Morgan Malaysia Ltd.	67,122	4.40
Credit Saison Co.,Ltd.	39,674	2.60
GS Capital Partners III, L.P.	26,624	1.75
Kyoko Kudo	26,148	1.71
Takashi Oyagi	18,320	1.20

Directors and Auditors (as of June 22, 2002)

President CEO	Oki Matsumoto	Director	Hiroshi Rinno
Director	Kyoko Kudo	Standing Statutory Auditor	Masakazu Sasaki
Director	Kenichi Oyama	Statutory Auditor	Takemi Nagasaka
Director	Yoshinori Hashitani	Statutory Auditor	Seigoro Ohta
Director	Akihisa Watai	Statutory Auditor	Toru Ishiguro

Statutory Auditors (Masakazu Sasaki), (Takemi Nagasaka), (Seigoro Ohta), and (Toru Ishiguro) 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.

Our Businesses

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 private 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 incident 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

Headquarters: 11-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6219
Phone: +81-3-6212-3802

Monex Dial: (Bunkyo-ku, Tokyo)
Phone: +81-3-5800-4047



Advertisement displayed on the Sony Building

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