



MONEX GROUP
Monex Group, Inc.

Integrated Report **2016**

The World Prospers Thanks to Capital Markets

Capital markets play a vital role in society. When they work effectively, capital is supplied to businesses and industries develop. They can be hard to grasp due to their size and complexity, and any market player directly involved in areas such as in equity investments faces many challenges that must be addressed. Our mission and business in the Monex Group begins with overcoming these challenges.

Being active in the stock market means actively shaping the future

The capital market is not perfect, but can be described as one of the great systems that man has created. In particular, the stock market is a system where many investors (market players) invest into what are called joint-stock companies. While their investment period varies depending on circumstances, they essentially become shareholders in those companies, and just as a baton changes hands and continues in a relay race, they also change over time so that the company can continue on. Individual traders and investors make investments in small units called “shares,” and these shares can be bought and sold at different times due to liquidity and marketability in the market. The capital market is the sum of an unlimited number of transactions that each market player decides to make, ultimately determining where their invested money goes. In addition, enterprise value is judged by many different market players due to the liquidity and fluidity of the stock market. This creates “multiples,” share valuations that are greater than simply earnings or net assets per share. When the market expects a company to do well and demand rises, the multiples for that company increase and more funding becomes available. This type of capital market system causes the amount of capital provided to a business, or the number and scale of businesses supported by shareholders, to skyrocket. This is one of the major functions of the capital market.

In addition, when a company is listed, it must disclose information about the company. In this way, traders and investors can learn more about companies, thereby increasing transparency. The company can also create a system to ensure its longevity by adopting a governance system which makes the company subject to oversight by external shareholders. This can be viewed as one of the indirect functions of the capital market. The capital market



can be thought of as a system formed by the collection of money from various individuals. For example, when a corporation invests in a company, there are shareholders of that corporation. If an investment fund invests in a company, there are recipients of that fund, and the ultimate shareholders are individual people or groups. Where the invested money goes and how it is used is decided through monetary transactions. Equity investment can be viewed as participation in a system that shapes the future through capital markets. As a result, investors are able to gain a financial return on their investment.

The Monex Group is looking for potential investors and traders, even if it is just one more, who are interested in the capital market. We want them to independently decide where their money goes, providing support by helping individual market players overcome obstacles and by ensuring transparency and fairness in the capital market. Our mission and business at Monex begins with overcoming these challenges.



I want to feel more involved in the world market by investing.

I want to support businesses that are shaping the future.

I want to try out stock and FX trading.

I want to check on my investment and how it is used.

I want to decide where my money goes by myself.

I want to know about potential risks.

I want to learn about economics and finance.

I need reliable information for money management.

I want to better manage money for me and my family.

What is equity investment?
Can I do it by myself?

Capital markets are supported by different retail investors with various motivations, from potential investors waiting for their chance to equity investment professionals. We at the Monex Group strive to offer premium products and services that can meet the needs of these retail investors.

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Cover Artwork



"Painting on the Kimono" (2016) - Takanori Suga

Every year the cover of this Annual Report features the winning piece selected for ART IN THE OFFICE, a CSR program in the Monex Group. See page 27 for details on this year's award winning artist and his work (9th year of program).

Editing Policy

This report was created based on the Company's policies with due consideration of The International Integrated Reporting Framework, released by the International Integrated Reporting Council. The report was made to show the Monex Group's unique business model and management strategies and to enable the reader to gain an overall perspective of the Group.

Detailed Information on Financial Results

Refer to the Annual Financial Statements for details on the Annual Financial Statements in March 2016.
http://www.monexgroup.jp/en/ir_library/annual_report/index

Reporting Period

Fiscal year under review:

April 1, 2015 to March 31, 2016 (including some activities that started from April 2016)

Organization under review

Monex Group, Inc. and Group Companies

We are
INVESTOR'S
DOOR
to the World



Message from the CEO

Financial Services for People to Play the Lead

Empowering traders and investors with access to the top financial markets worldwide

I can attest to the utility of capital markets from my management experience at the Monex Group, and I strongly believe that favorable results arise when the markets work effectively. Capital markets are sometimes portrayed in an extremely negative light in movies and novels, but that is a skewed interpretation which does not represent the whole picture. I believe that markets play an essential role in our lifestyles and in the formation of society ^①.

The Group is committed to our corporate mission of empowering traders and investors worldwide with the

highest standard of technology, education, service, and financial professionalism to provide access to top financial markets and products globally. When Monex, Inc. was founded in 1999, online equity trading among retail investors was expected to grow thanks to the Internet's popularity combined with the deregulation in stock brokerage commissions ^②.

Monex made a clear departure from established financial institutions by providing products and services completely tailored for the user, that is, from the perspective of the retail investor. Prior to the Internet, the trading environment and market information was not as easily accessible for retail investors as compared to institutional investors. In order to change this market situation, we started our business to encourage retail investors to trade by providing the same trading environment and access to market information that institutional investors have.

Oki Matsumoto

Representative Executive Officer
President & Chief Executive Officer
Monex Group, Inc.




MONEX GROUP
Monex Group, Inc.

^① "Giant Step," the brand symbol of the Group, was designed by the graphic designer Shin Matsunaga as an "image that unwaveringly illustrates the obvious principle that money originally exists for the happiness of man." The idea of striving for a capital market led by people is also reflected in the brand symbol.

^② See pages 32 to 33 for details on our corporate mission, code of conduct and operating revenue data since our founding.

Message from the CEO

Our role is to bridge the current gap with what the market should be

As of 2016, approximately 30 percent of stock brokerage transactions for the entire Japanese stock market are made by individuals, and the vast majority of individual market players trade online. The number of online accounts for retail investors has ballooned to over 20 million, and online transactions make up about 90 percent of individual trades ^①. Even in the current conditions, where individual investors have easier access to markets, institutional investors still have an advantage in terms of regulations, available tools and systems, and so on. There is still room for improvement.

I believe that once traders and investors worldwide have access to the best financial products, retail investors will be able to secure both a financial return, that is, capital and income gains, and an emotional return, in other words, a sense of satisfaction. While it is a given that traders and investors seek a financial return on their investment, we want retail investors to have a positive investment experience, enjoy the process and be satisfied with how they are able to manage their own

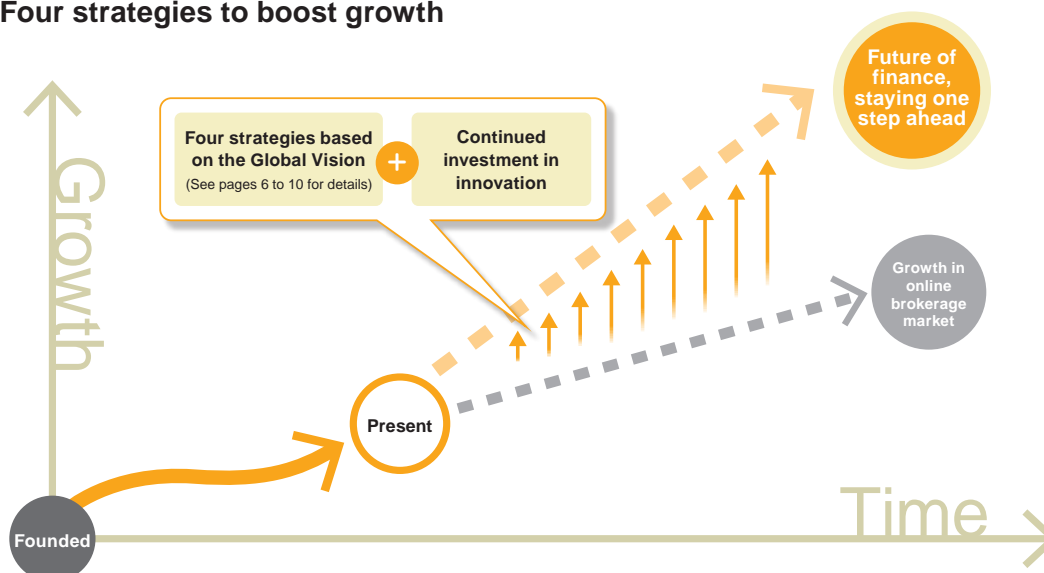
assets properly. If people can get this emotional return, I believe that even more retail investors and traders will be active and stimulate the market. We must create a market environment that is stress-free with better access. In addition, we must lobby on behalf of retail investors in order to create a fair capital market. Our role is to bridge the current gap with what the market should be.

We view the online securities business for retail investors as a growing industry, and we shall continue to execute strategies as well as invest in innovation in order to boost growth even further.

Creating a fair investment environment helps increase our corporate value

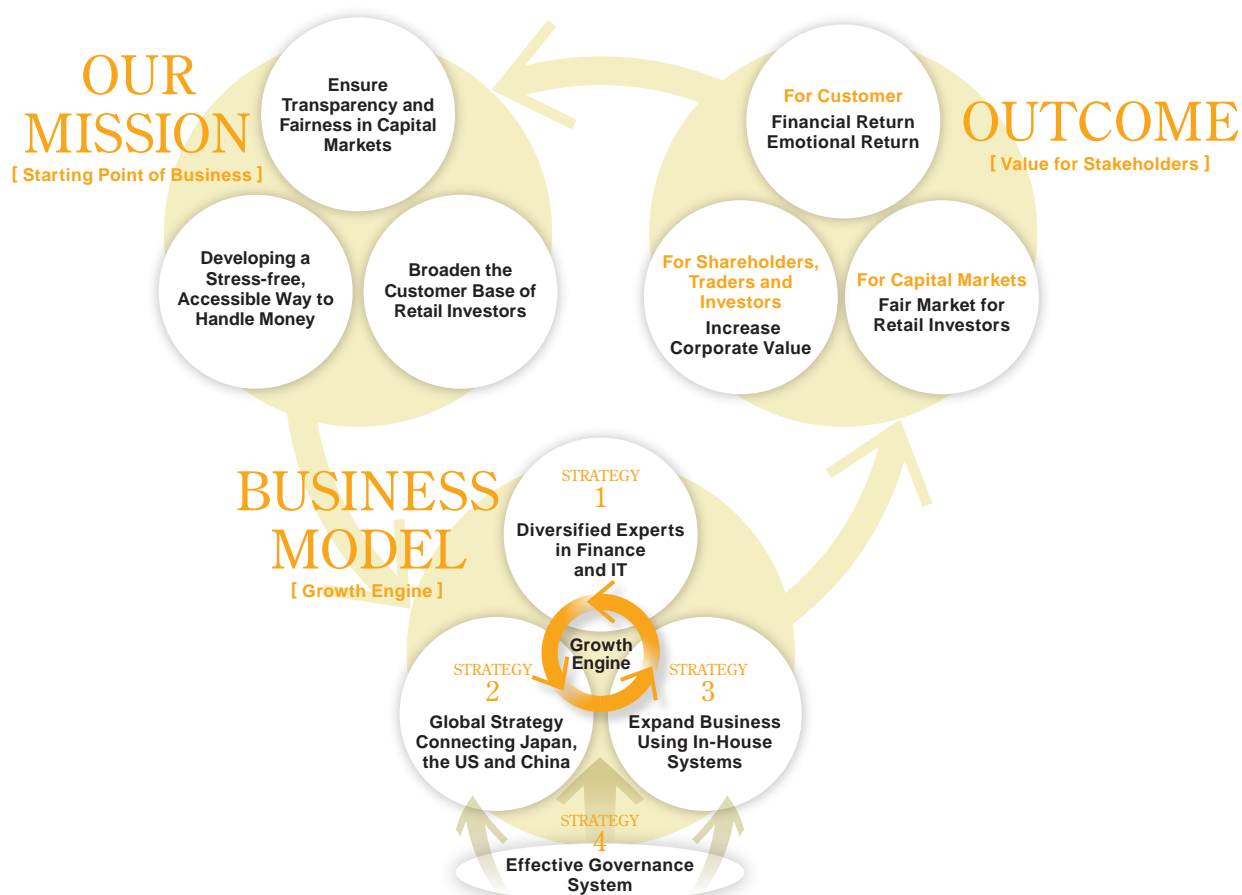
Our company name Monex comes from the word “money,” with the letter “y” replaced by the letter “x.” This represents our commitment to stay positioned one step ahead when creating the future of finance. Since the company was established, we have constantly strived toward innovation. This is because we believe that innovation helps boost growth. We try to move beyond ideas of “preposterous” or “impossible,” and continue our

Four strategies to boost growth



^① Based on figures released by the Tokyo Stock Exchange, Japan Securities Dealers Association and all major online brokerage firms in Japan.

Value Creation Cycle of the Monex Group



pursuit of creating a better capital market and building assets for retail investors. Our strategies and measures are entirely focused on improving the relationship between retail investors and the capital market, and we build them from this starting point. We are currently in the final phase of our Global Vision, which began in 2011. We designed this strategy around two ideas: globalizing toward diversity and switching to in-house systems using our technical expertise ^①.

In the long run, I recognize that when financial return

increases for retail investors—our customers—then our revenue and profits for the Group, as well as the corporate value of Monex, will also increase. In other words, chances to secure a financial return can be maximized by providing retail investors with fair investment opportunities via the Internet. This ultimately encourages retail investors to be more active in the market, which not only stimulates the market but also helps increase the corporate value of the company. Creation of corporate value in the Group is based on globalizing this cycle and expanding its breadth.

^① See pages 12 to 15 for details on U.S.-Japan co-development of in-house systems: "Special Feature: Development history of Japanese equities trading tool TradeStation."

Strategies Based on the Global Vision

4 Strategies

To embody the management principles of the Group, we have formulated strategies focusing on four areas: “Personnel,” “Globalization,” “IT,” and “Governance.” These strategies have been established and implemented in policies and initiatives under the leadership of 11 executive officers.



(From left to right)

- **Satoshi Hasuo**
Executive Officer & Co-CFO - Director of management control and investor relations
- **Oki Matsumoto**
Representative Executive Officer, President & CEO
- **Koichi Tateno**
Executive Officer & COO - Director of overall management and Asia Pacific region
- **Masaki Ueda**
Executive Officer & Co-CFO - Director of finance, accounting and risk control



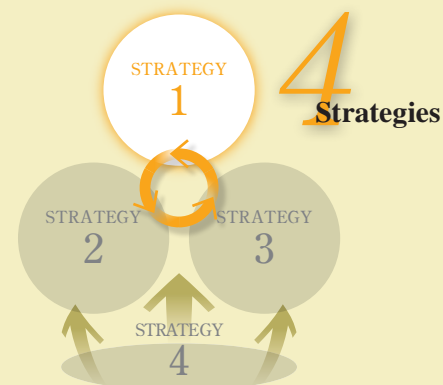
① From the start, our entire organization has strived to create exceptional services good enough even for our own families, with a focus on retail investors and users, and unrestricted by the doctrines of typical financial services providers.

② With online brokerage firms in the United States and Hong Kong acquired from M&A activities, Monex has adopted a policy of respecting the management principles, character, and originality of each firm, allowing them to be run locally by top management.

STRATEGY 1

Diversified Experts in Finance and IT

Combining different perspectives, ideas and technologies to provide retail investors with advanced and unique services



Capital markets are made of market players with different views on investment. As a result, in our role to help customers access the market, we believe it is crucial to have a global perspective, a flexible approach that adapts to environmental changes, a free- and forward-thinking mindset that integrates new technology and “diversity” with the ability to understand and envision the various needs of our customers. That “diversity” in the Monex Group has been developed throughout our history. Under an ambitious management team with no specific connection to the retail financial business, Monex, Inc.—which started the Group—was formed in 1999 with a vision of creating the very best in essential basic services ①. Since the very beginning, we at Monex have espoused a “diversity” that breaks free from conventional thinking in the retail financial business.

In addition to growing organically, the Group has expanded the scale and breadth of its business through M&A activities ②. The experience of integrating organizations through these mergers and acquisitions has formed a foundation for a corporate culture that values diversity and mutual understanding between all members of Monex worldwide ③. Currently, about half of all Monex employees are involved with IT tasks. Thus, we go beyond offering solely financial expertise and also retain a number of internal IT engineers globally, which is a tremendous and unique advantage for the Group ④. Our competitive edge is based on a corporate culture fueled by “diversity” and “hidden assets,” with experts in both finance and IT. We continue to make improvements, such as to our HR

system, because we understand how valuable it is to have an environment that maintains this type of personnel and helps them reach their potential.



(From left to right)

- **Toshihiko Katsuya**
Executive Officer & CPO*
- Director of Japan segment

- **Yuko Seimei**
Executive Officer
- Director of planning

* CPO: Chief Project Officer

③ After studying violin at the Julliard School, brothers William and Rafael Cruz developed algorithms that gave rise to the U.S. firm TradeStation Group, Inc., which later joined the Monex family in 2011. With these algorithms, the TradeStation Group has been able to develop and offer an analysis and trading platform that is user-friendly even for retail investors without programming knowledge. The founders' experience as retail investors became their starting point for providing service with the idea of “putting retail investors at the forefront” that is shared by the Monex Group too.

④ The Monex Group has set up system development centers not only in the United States but also in Costa Rica (Central America). Maintaining a center in Costa Rica helps us retain engineers with high technical skills while also controlling our payroll, thereby creating another competitive edge.

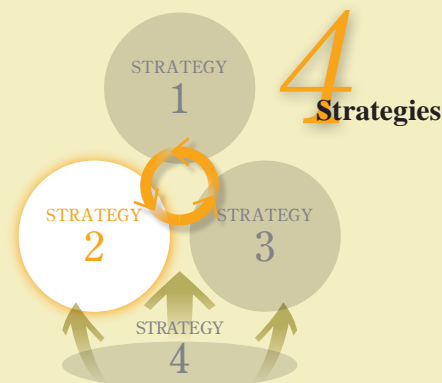
STRATEGY 2

Global Strategy Connecting Japan, the United States and China

The Monex Group is globalizing in three areas: “Customers,” “Products and services,” and “Personnel”

Since 2011, the Monex Group has been pushing ahead with our medium- to long-term business strategy—Global Vision ①—and the most critical challenge facing management is globalization.

To start from the client’s perspective, the Group absorbed two online brokerage firms in 2010 and 2011: the Boom Group (Hong Kong; currently Monex Boom Securities Group) and TradeStation Group, Inc. (United States), respectively. These M&A activities extended our customer base of retail investors into three countries: Japan, the United States and China. We have made a management decision to have a direct customer base in these countries, taking into account the number of retail investors, business scale, local language support,



and costs related to regulatory authorities. There are few financial institutions that hold a base of retail investors in these three countries, and more specifically, there are few competitors with business bases in mainland China. In addition to leveraging routes afforded by Monex Boom Securities in Hong Kong and our office in mainland China, we are continuing with preparations to expand our business through joint ventures with partners in mainland China.

The breadth of our products and services has expanded significantly due to our presence in these three countries. To give an example, the Japanese version of the equities trading tool TradeStation was released in 2016 for retail investors in Japan. This tool distinguishes our services from our competitors and is tailored for active traders in Japan thanks to the expertise of TradeStation Group, Inc. (United States) ②. In addition, we are able to offer U.S. equities to our retail investors in Japan at low commission fees because the Group has a brokerage subsidiary in the United States. As mentioned previously, the Group currently has 12 office locations with a focus on North America and Asia, which means that the directors and employees who work to develop and provide our products and services come from various backgrounds around the world.



(From left to right)

- **Takashi Oyagi**
Executive Officer & CSO*
- Director of U.S. segment

- **John Bartleman**
Executive Officer
- Director of U.S. segment

* CSO: Chief Strategic Officer

Process flow in-group for trade orders and settlements



① In a today's borderless world with the Internet, the fundamental idea of “Global Vision” is to find growth in our online financial business, not in a single country or area but across multiple countries. While this global growth requires cooperation among our bases in each country, the goal is to expand the scale of the business and increase profits, and at the same time improve efficiency.

② See pages 12 to 15 for details on the Japanese equities trading tool TradeStation: “Special Feature: Development history of Japanese equities trading tool TradeStation.”

STRATEGY 3

Expand Business Using In-House Systems

We hope to gain an edge in online securities by developing in-house brokerage systems

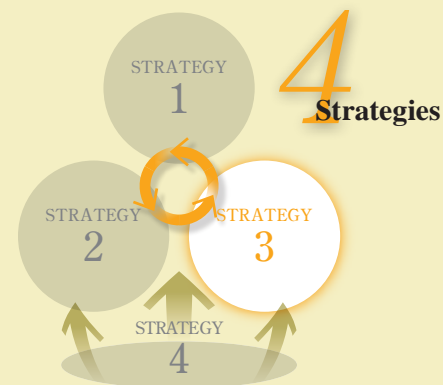
Brokerage systems are the foundation of business for online brokerage firms ^①. In our Global Vision, the Monex Group decided to plot a different course and switch from outsourcing to in-house development for the systems at Monex, Inc., the Group's core member. There are three major goals we hope to achieve by using in-house brokerage systems. The first is being able to respond promptly to requests from customers and being quick to introduce new competitive services. The second is to cut costs. If we shift to in-house system development, investigation, planning, and development processes can become more flexible and streamlined. In-house development costs are also cheaper than outsourcing to vendors affiliated with major financial institutions. The third goal is to sell these systems externally. After shifting to in-house development, our assets and know-how can be used to sell these brokerage systems to other financial institutions and launch a new business-to-business service.



(From left to right)

- **Shoji Kuwashima**
Executive Officer & CQO*
- Director of HR and quality
- **Kiminori Kaneko**
Executive Officer
- Director of Japan segment

* CQO: Chief Quality Officer



In terms of specific initiatives, we have used TradeStation's technology to develop systems internally since the TradeStation Group, Inc. joined the Monex Group in 2011. This includes the trading information service MONEX INSIGHT for Monex, Inc. and a U.S. equities trading service. The equities trading tool TradeStation has been tailored for the Japanese market and was launched in Japan in 2016. The tool has garnered a good reputation for many years in the ranking surveys of U.S. financial magazines ^②.

This type of trading tool was co-developed in the United States and Japan. Similarly, a backbone brokerage system is also being developed in-house at Monex, Inc., and is entering its final phase. The backbone system has been running for a long time since merging with Nikko Beans, Inc. However, we have plans to overhaul this system internally in order to create a competitive edge for the Group and accelerate future growth.

^① Most brokerage firms in Japan outsource their system development. The development of brokerage systems is an oligopoly of vendors affiliated with major financial institutions.

^② The Japanese version of the equities trading tool TradeStation uses past data to verify the investment strategies plotted by users, and then supports the user's trades by analyzing the timing of a buy as well as whether to liquidate at a loss or take the profit. It also features a function that automatically detects a certain issue that the user wants to buy or sell. There was another service in Japan that used a similar method, but TradeStation is the first to be able to extract and monitor thousands of issues at a time.

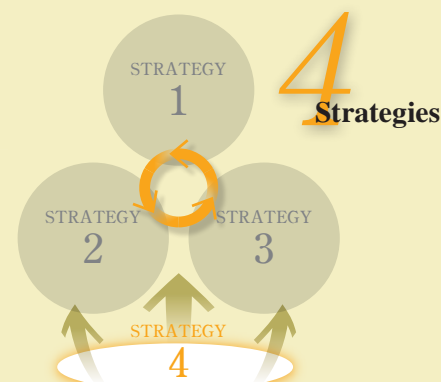
STRATEGY 4

Effective Governance System

Clarify the board's role to strengthen oversight of management

The Group has an effective corporate governance system to support its management. Our governance is characterized by strong oversight of management. It was created this way because the founder and president firmly believed that his central role in management makes it more necessary for governance in order to prevent unilateral management. The direction of board meetings and the structure of the institution were designed with outside directors specifically appointed for issues in management and to ensure they could legitimately carry out their duties.

Since our founding, we have been mindful of management oversight because we handle people's money. The reason we were listed quickly in our second year was to ensure limits and oversight were in place using external shareholder ^①. Multiple outside directors were appointed from the beginning and we now have a committee structure (including nominating committee) that comprises 11 managing directors, of which seven are



• **Hisashi Tanaami**
Executive Officer & CAO*
- Director of internal control
* CAO: Chief Administrative Officer

outside independent directors. In adopting this format, oversight and execution are not completely separated, with several people holding dual roles as executive officers and managing directors. This setup has always produced extremely lively discussions about management in board meetings and is the reason we have been able

to improve the quality of our business management. Our governance must continue to progress as we grow, and system changes are being enacted in order to gradually transfer discussions about management to executive officers and make management oversight a priority in board meetings ^②.

Changes in Corporate Governance (since the company's founding)

	1999	2012	2013	2014	2015	2016
Institutional design	Structure with board of company auditors		Committee structure		Committee structure with nominating committee, etc.	
Total board members	10	9	10	11	11	11
Outside directors	6	5	4	6	6	7
Percent of outside directors on board	60%	56%	40%	55%	55%	64%
Advisory committees, etc.	Advisory Board	(1999 to 2013; discontinued after shifting to committee structure)			Adopted Corporate Governance Code	
		Global Management Committee				Appointed lead independent director ^③
Board diversity (foreign nationals, women)	1	2	1	3	3	2
Percent of foreign nationals and women	10%	22%	10%	27%	27%	18%
Total executives	-	-	6	6	6	11

Note: Shows annual data from the end of June after the General Meeting of Shareholders.

^① The advantages of being listed on the stock exchange are not limited to funding, but include ensuring that limits and oversight are in place due to external shareholders. Management sustainability can continue to improve through an internal control system, a succession plan, and constant stakeholder oversight.

^② The number of managing directors increased from six to 11 in 2016 to strengthen business execution. The role of the board is slowly transitioning from "management and oversight" to "oversight," while continuing to ensure effective governance.

^③ See page 20 for details on the message from the lead independent director Jun Makihara.

Increase corporate value in the mid to long term to realize the future of finance

Investments made based on the medium- to long-term business strategy “Global Vision” will be nearly finished in March 2017. Our goal moving forward is to increase revenue and profits using the resources that have been developed through these.

In the short term, we must expand our market share in Japan among active traders seeking profits with quicker trades, as well as with investors seeking to build asset portfolios over the medium to long terms. In the United States, the proposition is to improve sustainable revenue.

Over the medium to long term, Japan’s economic climate is characterized by a period with a vast number of inheritors, the end of deflation, and negative interest rates, and there are customers who are currently unsure of where to invest their money. As a result, we believe that it is crucial to actively take in those customers by using our wrap service to increase assets in custody in Japan ^①, and in the United States, to further expand our customer base from active traders to investors.

One of the biggest achievements of the Group from our “Global Vision” is the shift to in-house systems, thereby increasing the level of freedom in the corporate structure. When outsourcing system development to IT

vendors, we need to realign our organization’s structure and rearrange personnel in order to orient ourselves to vendors as a partner. On the other hand, when shifting to in-house development, there is more freedom to design the corporate structure and assign staff to fit our needs. Another advantage is that upstream and downstream processes related to development and operations become easier to understand.

We hope to use our findings and knowledge gained from Global Vision and continue to push forward with the four strategies—“Personnel,” “Globalization,” “IT,” and “Governance”—in order to collect from investments and secure our growth path in revenue. To achieve this, structural systems expanded through M&A activities and in-house system development must be reformed to be more robust by strengthening execution and oversight further ^②. The latest reforms to the systems are the first step. In the future, to implement management principles that support the ideals of capital markets, we must help people rediscover the importance of these markets, particularly in Japan, in order to achieve greater corporate value and sustainable growth for the Group.



^① In 2015, Monex Group, Inc. teamed with Credit Saison Co., Ltd. and The Vanguard Group, Inc. to form “Monex-Saison-Vanguard Investment Partners, Inc.” Fusing cutting edge IT with our knowledge of global financial standards, now even retail investors have access to the best professional asset management service, which up until now has only been available to institutional investors or certain elite groups.

^② The company believes that deciding on and defining a specific succession plan is essential to make corporate governance work effectively. If there is a clear and objective plan in place, the next generation of managers will be able to take the reins and be successful without feeling overwhelmed.

Development history of Japanese equities trading tool “TradeStation”

US-Japan Co-Development: Pushing Toward Innovative Service

The Japanese equities trading tool “TradeStation” was introduced in March 2016. Monex, Inc. and the U.S.-based TradeStation Group, Inc. spent 3 years co-developing this innovative trading tool for active traders in Japan.

Since the TradeStation Group joined the Monex Group, the Monex Group has been able to continuously roll out services featuring their leading edge technology, but the tool “TradeStation” has been the culmination of our efforts.

This article details the path of development with the US and Japan forming a tag team to tackle tough challenges.



Start of US-Japan Project, Bringing World Leading Technology Across the Ocean to Japan

The powerful US-based online brokerage firm TradeStation Group, Inc. (hereafter “TradeStation Group”) joined the Monex Group in 2011. The year before, the Boom Group in Hong Kong joined the Monex Group after which our group began business development overseas. At that time, Oki Matsumoto (CEO) had imagined creating a platform where retail investors could go beyond the confines of Japan and have free access to various markets throughout the world. To achieve this, a “jump in growth” was required. While a merger with TradeStation Group appeared to be quite a bold move for the Monex Group at that time, the Monex Group needed it to jump start growth.

The TradeStation Group joining our Group was akin to becoming armed with a major weapon. That weapon is the advanced technology that they hold. With the Group merger, a system development project for trading was launched that brought the US and Japan together across

the ocean, and its goal was to develop a new service in Japan driven by the latest technology - a leading force in the US – and at the same time, to gain a more competitive advantage through in-house development. The Group sent staff from Japan to the headquarters of TradeStation Group in Florida (US). Eri Hosaka (currently System Development Department II), who initially took the lead onsite, reflects on her experience.

“I spent 1 year in Florida and was in charge of bridging communication between Japan and the US, which translated into communicating the system specification requirements from Japan to the development team at TradeStation Group as well as holding meetings to support the feedback provided to Japan from the US. Various gaps in culture, language and time difference emerged between companies based in Japan and the US, and solving issues was also often not an easy task. In these tasks, we worked hard every day to solve each challenge one at a time and to build consensus among the related parties while looking at the big picture.”

Despite the struggles that faced the US and Japanese staff, TradeStation Group’s trading system was released in 2012 as a U.S. equities trading service that was tailored for retail investors in Japan. Thereafter, the Group worked

with the TradeStation Group to start from scratch on a joint development project for the investment information service that had been outsourced to external vendors up until then. The result was the launch of MONEX INSIGHT, a trading information service used by all customers at Monex, Inc. The next development target was TradeStation Group's trading tool, which has a tremendous following of support from active traders in the US. This tool was customized to the Japanese market and ultimately became TradeStation – our Japanese equities trading tool offered to active traders in Japan.

Agile development. Multinational team. Overcoming constant barriers.

The Japanese equities trading tool TradeStation plays a key role for the future of the Monex Group, which set out to acquire new customers of active traders, in addition to our main customer base of investors who seek to build assets over the medium to long terms. Atsushi Yasuhara, an executive officer directing a series of system development projects, offered the following:

“This was an extremely challenging development project. We worked with US engineers to create a complex system based on TradeStation's technology but customized to the market in Japan. For example, integrating the logic for Japanese margin trading into a platform takes an extraordinary amount of time. We also developed an in-house middle system, which connects the front-end trading screen, where customers buy and sell shares and execute trades, with the back system, which handles settlement related tasks and account processing, so that orders can be executed at a high speed.”

In addition, we adopted an approach at the TradeStation Group called agile development, which meant at the outset of the project, no specific development schedule or goal was set but rather the development content was decided with milestones to be reached every few weeks, and then we continued to build upon that. While agile development is gaining attention as an advanced development approach, there is virtually no precedent in Japan using this approach to develop financial systems, which made it quite challenging for the Japanese team. Akio Sanechika, a member of the Systems



Equipped with various functions to meet the advanced requirements of active traders, such as a radar screen (stock exchange board) that can register up to 2,000 companies as well as chart analysis and matrices (board screen), etc.

Development Department II, reflects on this joint project:

“I was constantly discovering new things while working with the TradeStation Group. Even in agile development, once a set of rules or parameters are created, Japanese engineers tend to proceed with a job and ensure that they follow them. However, the engineers that we worked with at the TradeStation Group asked, ‘Why is there this rule? Wouldn't it be more efficient to do it this way?’ I often heard this type of direct comment or question. Their questions like these made us realize that there was something innovative also in what we were doing daily without knowing it.”

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Tadashi Fukushima

Assistant General Manager,
Sales Division
Monex, Inc.

The Japanese equities trading tool TradeStation was introduced in March 2016. As I imagined it would, the tool was particularly well received by customers engaged in day trading. In addition to the mobile application that we launched in August, we will also be upgrading the version with functions that will be based on feedback from active traders in Japan. Furthermore, we will continue to increase our contact with customers through advertising campaigns such as commercials (*) as well as through seminars and other events. I would like to increase our TradeStation users and raise our visibility among active traders in Japan.

* Commercial for equities trading tool TradeStation
<https://www.youtube.com/watch?v=kXMJws4yY1w>



TradeStation Group's trading platform received outstanding evaluations with numerous awards in the U.S.

BARRON'S

Highest rating (4½ stars) for “Best for Frequent Traders”

TECHNICAL ANALYSIS OF
STOCKS & COMMODITIES

Best Professional Platform for the fourteenth year in a row

StockBrokers.com

“Best in Class” for Active Trading for sixth consecutive year

INVESTOR'S BUSINESS DAILY

#1 for Equity Trading Tools. Top 5 for Overall Customer Experience.

Development history of Japanese equities trading tool “TradeStation”

The engineering team from the TradeStation Group was sent to Japan, where a multinational team got together to continue development. One of the staff that volunteered to come to Japan, Jonathan Keith gave the following comment: “I had a wonderful experience in Japan. All of the Monex staff had tremendous skills, the attention to detail of the Japanese staff is absolutely vital in systems development. We were also able to learn from them.”

This service embodies the Monex Group principles.

Telephone conferences between engineers from the US and Japan became a daily affair and the traffic of staff also increased for the development project. The Japanese team felt some cultural differences in the beginning, such as having to explain the reasoning to get the American team to act on something, even though the Japanese team proceeded in sync with each other without hesitation. Through constant communication, we gradually came together with the engineers from the TradeStation Group and eventually became a unified team, which accelerated the development process.

Now, TradeStation is awaiting its debut with our customers. Monex, Inc., which planned out the strategic importance of this service, took bold steps in marketing

as well. Shinichiro Yamada, General Manager of the TradeStation Promotion Office, offers the following:

“The commission fee system, promotion and services are different from Monex, Inc., and are developed to target active traders. In addition, a special sales team as well as a support team were formed, and a system was created to build a close relationship with the users. This is an unconventional initiative in an online brokerage firm and shows our commitment toward TradeStation.

TradeStation is equipped with a number of innovative functions for active traders. For example, the tool makes it possible to monitor companies and analyze charts that were unavailable on existing trading tools in Japan - browsing through a summary of analysis results numbering in the thousands - and also makes it possible to execute advanced and high-speed back testing. It is no exaggeration that the tool creates an environment that enables retail investors to make investment decisions on the same level as institutional investors. This also matches the principles of Monex: Aspiring to empower traders and investors worldwide with the best of breed technology, education, service, and financial professionalism to provide access to top financial markets globally. With the momentum from TradeStation, the Monex Group will now charge into a new stage of Global Vision.



Review of the Japanese equities trading tool “TradeStation” by industry professional

Offering massive potential with big shoes to fill.

In Japan, after the stock brokerage commissions were deregulated in 1999 and “online securities” services were launched to allow trading on the Internet, equities trading among retail investors exploded. Of course the conditions made it easier to trade, however before the deregulation, retail investors tended to sell and buy shares of individual companies. There are more than 3,500* companies that are listed in Japan, and their prices fluctuate significantly when they become popular. The high liquidity shares attract many retail investors for a high return rate. Taking advantage of this situation involves technical analysis. A number of traders and investors are thought to use trend analysis and timing analysis for buying and selling, which are helpful in making decisions to buy and sell. My opinion on actually using the Japanese equities trading tool TradeStation is that there is enormous potential for it to spread. There is a line that separates TradeStation from other trading tools already available in Japan. This tool integrates new ideas of trading and is equipped with functions that can automatically trade for the retail investor as well. However, in order to ensure wide spread use at a faster pace, there are still big shoes to fill, including increasing its visibility and offering more appeal through original and beneficial functions for the retail investor.

* Based on the Tokyo Stock Exchange as of July 15, 2016



Hiroyuki Fukunaga
President of Investrust Inc.

Fukunaga entered DLJdirect-SFG Securities (currently Rakuten Securities) via Nippon Kangyo Kakumaru Securities (currently Mizuho Securities). He held positions as a marketing manager, director of the investment information office and chief strategist of the economic research center for the same company. Fukunaga is currently involved in various jobs, working as the general supervising editor of “itrust,” a site for education services for investment-related information; he also gives seminars and does lectures and training sessions related to securities.

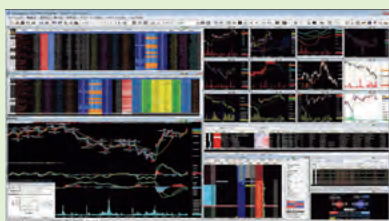
U.S.-based TradeStation Group

TradeStation Group is an online securities firm with its headquarters based in Florida (US) and development centers in Dallas, Texas and Costa Rica. They have been involved with market analysis techniques and technology for more than 20 years and developed the trading tool "TradeStation," which focuses on cutting edge financial technology and has gained an overwhelming following among active traders in the US. In 2008 and 2011, the US-based financial magazine Barron's ranked TradeStation the "Best Online Broker Overall." In addition, TradeStation continues as the front runner in the online securities industry in the US, garnering the highest rating (4½ stars) for "Best for Frequent Traders" by Barron's for the sixth consecutive year.



What is the Japanese equities trading tool "TradeStation"?

Monex, Inc. and the TradeStation Group used this trading tool - with the best ratings in innovation and functionality in the US - to co-develop a version to support Japanese equities. The amount of information and the order execution speed is beyond comparison, and it also offers an overwhelming number of analysis indices. Advanced algorithm trading, akin to professional institutional investors, is also available. In addition, it also features an advanced back test function (investment strategy verification), and if the special programming language EasyLanguage is used, investment strategies customized by the trader or investor can be programmed for back testing and automatic trading, etc. This system is in a completely different dimension from conventional trading tools because it can easily realize the investment ideas of active traders.



TradeStation Technology



John Bartleman

TradeStation Group, Inc. President

Serious traders demand professional-grade tools to elevate their trading. We developed TradeStation to achieve just that. With our long and extensive experience in the U.S. brokerage industry, the development team integrates advanced technology into our software applications in order to ensure that active traders can execute transactions immediately and maximize potential profit. TradeStation's dynamic market-scanning and chart-pattern-recognition tools help traders find new trading opportunities. The platform offers unsurpassed analysis tools, including fully customizable charting and back-testing against one of the industry's most extensive historical databases.

Using professional-grade tools, traders can execute strategies that can be fully automated with a single click. TradeStation is also equipped with features that enable traders to view and manage their orders and positions in real time. In addition, the mobile application allows traders to use their mobile devices, synchronized with their desktop platform, and analyze markets, place trades and manage orders in real time. The Japanese equities trading tool TradeStation offers to traders in Japan is based on the same concept and design that has been used by active traders in the U.S. for many years. It features several features that provide users with a competitive advantage. The Japan-U.S. development team provides unique features not found in the tools of our competitors by leveraging cutting-edge technology from the U.S. and customizing it to the localized needs and preferences of the Japanese equities market and trader, respectively.

Directors & Management

Board of Directors

As of June 30, 2016.
Number of shares
held is current as of
March 31, 2016.



Oki Matsumoto
Managing Director & Chairman
7,492,000 shares

Apr 1987 Joined Salomon Brothers Asia Limited
Apr 1990 Joined Goldman Sachs Japan Co., Ltd.
Nov 1994 General Partner, Goldman Sachs Group, L.P.
Apr 1999 President & CEO, (the former) Monex, Inc.
Aug 2004 President & CEO, Monex Group, Inc.
May 2005 President & CEO, Monex Beans Holdings, Inc. (currently Monex, Inc.)
Jun 2008 Director, Tokyo Stock Exchange, Inc.
Jun 2008 Director, Shinsei Bank, Limited
Jun 2010 to present Director, Kakaku.com, Inc.
Jun 2011 to present Managing Director & Chairman, TradeStation Group, Inc.
Jun 2013 to present Managing Director & Chairman, Representative Executive Officer, President & Chief Executive Officer of Monex Group, Inc.
Nov 2013 to present Director, JIN Co., Ltd.
Nov 2015 to present Representative Director, Chairman & CEO, Monex, Inc.
Jun 2016 to present Director, MasterCard Incorporated.



Shoji Kuwashima
Managing Director & Vice Chairman
154,700 shares

Apr 1977 Joined Nikko Securities Co., Ltd.
Oct 2001 Director, Nikko Cordial Corporation
Jan 2006 Managing Director & Chairman, Nikko systems Solution, Ltd.
Jun 2006 Director, Monex Group, Inc.
Dec 2006 Representative Director, President & CEO, Nikko Cordial Corporation
Jan 2008 Co-Chairman, Nikko Cordial Corporation
Apr 2009 to present Director, Monex, Inc.
Jun 2009 Director, Monex Group, Inc.
Feb 2011 Managing Director & Vice Chairman, Monex Group, Inc.
Oct 2012 Director, ASTMAX Co., Ltd.
Jun 2013 to present Managing Director, Vice Chairman & Executive Officer, Monex Group, Inc.



Masakazu Sasaki
Director
64,000 shares

Oct 1989 Joined Asahi Shinwa & Co. (currently KPMG AZSA LLC)
Aug 1997 Established Sasaki C.P.A. Office
Apr 1999 Member of the Board of Auditors of (the former) Monex, Inc.
Jun 2003 Director, (the former) Monex, Inc.
Aug 2004 Director, Monex Group, Inc.
Jun 2005 Member of the Board of Auditors of Monex Group, Inc.
Jun 2007 Director, Monex Group, Inc.
Jun 2009 to present Member of the Board of Auditors of Monex, Inc.
Jun 2009 Member of the Board of Auditors of Monex Group, Inc.
Jun 2013 to present Director, Monex Group, Inc.
Jun 2015 to present Inspector (extraordinary), Johoku Shinkin Bank



Takashi Oyagi
Managing Director
510,600 shares

Apr 1991 Joined Bank of Japan
Jan 1998 Joined Goldman Sachs (Japan) Ltd.
Apr 1999 Joined (the former) Monex, Inc.
May 2004 Joined Deutsche Bank Securities, Inc.
Aug 2007 CEO & President, MBH America, Inc.
Jul 2009 Executive Officer, Monex Group, Inc.
Jun 2011 to present Director, TradeStation Group, Inc.
Jun 2011 Managing Director, Monex Group, Inc.
Jun 2013 to present Managing Director & Executive Officer, Monex Group, Inc.



Jun Makiyara
Outside Director
20,000 shares

Sep 1981 Joined Goldman Sachs Co.
Dec 1992 General Partner, Goldman, Sachs & Co.
Jul 2000 Chairman, Neoteny Co., Ltd.
Mar 2005 Director, RHJ International
Jun 2006 to present Director, Monex Group, Inc.
Jun 2011 to present Director, TradeStation Group, Inc.
Jun 2011 to present Director, Shinsei Bank, Limited
Sep 2014 to present Director, Philip Morris International Inc.

Three Committees

Nominating Committee

Chairman	Member
Nobuyuki Idei	Jun Makiyara
Member	Member
Kaoru Hayashi	Fujiyo Ishiguro
Member	Member
Nobuo Domae	Oki Matsumoto

Audit Committee

Chairman
Koji Kotaka
Member
Billy Wade Wilder
Member
Masakazu Sasaki

Compensation Committee

Chairman
Jun Makiyara
Member
Nobuyuki Idei
Member
Oki Matsumoto



Kaoru Hayashi

Outside Director
20,000 shares

Aug 1995 Representative Director & President, Digital Garage, Inc.
Jul 2002 Representative Director & Chairman, Kakaku.com, Inc.
Jun 2003 to present Chairman of the Board, Kakaku.com, Inc.
Nov 2004 to present Representative Director, President & Group CEO, Digital Garage, Inc.
Aug 2006 to present Representative Director & President, CGM Marketing, Inc.
Jun 2009 to present Representative Director & Chairman, DG Incubation, Inc.
May 2011 Director, MEDIA DO Co., Ltd.
Jun 2012 to present Director, Monex Group, Inc.
Apr 2013 to present Representative Director & Chairman, Open Network Lab, Inc.
Jun 2016 to present Director, CREDIT SAISON Co., Ltd.



Koji Kotaka

Outside Director
10,000 shares

Apr 1987 Registered as a lawyer
Apr 1987 Joined Sato and Tsuda Law Office
Aug 1990 Joined Goldman Sachs Japan Co., Ltd.
Nov 1998 Managing Director, Goldman Sachs Japan Co., Ltd.
Nov 2009 Joined Nishimura & Asahi Law Office
Jan 2011 Established Koji Kotaka Law Office
Feb 2011 to present Representative Director, R&K Company
Jun 2013 to present Director, Monex Group, Inc.
May 2015 to present Supervisory Director, Japan Senior Living Investment Corporation
Feb 2016 to present Director, LINE Corporation



Billy Wade Wilder

Outside Director
10,000 shares

Apr 1986 Head of Japan Equity Research Department, Schroder Securities Japan Limited
Dec 1992 Joined Fidelity Investments Japan
Sep 1995 President & Representative Director, Fidelity Investments Japan
Jul 2004 President & Representative Director, Nikko Asset Management Co., Ltd.
Jan 2014 to present Director, GI Capital Management Ltd.
Jun 2014 to present Director, Monex Group, Inc.



Nobuyuki Idei

Outside Director
90,000 shares

Apr 1960 Joined Sony Corporation
Apr 1995 President and Representative Director, Sony Corporation
Jun 2000 Chairman & Representative Director, Sony Corporation
Jun 2003 Chairman & Representative Executive Officer, Sony Corporation
Feb 2006 Director, Accenture plc
Apr 2006 to present Representative Director, Quantum Leaps Corporation
Jun 2006 Chairman of the Advisory Board, Monex Group, Inc.
Jun 2007 to present Director, Baidu, Inc.
Jul 2007 to present Director, FreeBit Co., Ltd.
Sep 2011 to present Director, Lenovo Group Limited
Jun 2013 to present Director, Monex Group, Inc.



Fujiyo Ishiguro

Outside Director
10,000 shares

Jan 1981 Joined Brother Industries, Ltd.
Jan 1988 Joined Swarovski Japan LTD.
Sep 1994 President, Alphametrics, Inc.
Jan 1999 Director, Netyear Group, Inc.
Jul 1999 Director, Netyear Group Corporation
May 2000 to present Representative Director & President, Netyear Group Corporation
Jun 2013 Corporate Auditor, Sampo Japan Insurance Inc.
Mar 2014 to present Director, Hottolink, Inc.
Jun 2014 to present Director, Monex Group, Inc.
Jun 2015 to present Director, Sampo Japan Nipponkoa Insurance Inc.



Nobuo Domae

Outside Director
30,000 shares

Apr 1993 Joined McKinsey & Co., Inc. Japan
Sep 1998 Joined FAST RETAILING CO., LTD.
Nov 1998 Director, FAST RETAILING CO., LTD.
Jul 1999 Executive Director, FAST RETAILING CO., LTD.
Nov 2004 Director and Executive Vice President, FAST RETAILING CO., LTD.
Nov 2005 Director, FAST RETAILING CO., LTD.
Nov 2008 Executive Vice President, FAST RETAILING CO., LTD.
Dec 2008 President, FAST RETAILING Inc. FRANCE S.A.S.
Aug 2010 CEO, FAST RETAILING USA, Inc.
Jun 2016 to present Director, DeNA Co., Ltd.
Jun 2016 to present Director, Monex Group, Inc.

Executive Officers

As of August 1, 2016.
Number of shares held is current as of March 31, 2016.

Position	Name	Assignment	No. of shares held (shares)
Representative Executive Officer, President & Chief Executive Officer	Okii Matsumoto	Director of organization	7,492,000
Executive Officer, Chief Operating Officer	Koichi Tateno	Overall management & Asia-Pacific	-
Executive Officer, Co-Chief Financial Officer	Masaki Ueda	Finance, accounting & risk control	256,000
Executive Officer, Co-Chief Financial Officer	Satoshi Hasuo	Management control & investor relations	5,500
Executive Officer, Chief Project Officer	Toshihiko Katsuya	Japan segment	11,400
Executive Officer	Kiminori Kaneko	Japan segment	11,800
Executive Officer	John Bartleman	US segment	-

Position	Name	Assignment	No. of shares held (shares)
Executive Officer, Chief Strategic Officer	Takashi Oyagi	US segment	510,600
Executive Officer, Chief Quality Officer	Shoji Kuwashima	HR & quality	154,700
Executive Officer, Chief Administrative Officer	Hisashi Tanaami	Internal control	21,800
Executive Officer	Yuko Seimei	Planning	-

Corporate Governance

Dialogue

Outside and independent directors play an important and extremely effective role in corporate governance at Monex Group.

One of those directors, Billy Wade Wilder, and CEO Oki Matsumoto talk about what corporate governance should be.



The board meetings at Monex Group are always extremely interesting because of the forward thinking members and their diverse backgrounds.

Billy Wade Wilder

Director
(Outside Director / Independent Director)

Sharing the succession plan with the outside directors is vital to good corporate governance

Matsumoto / Mr. Wilder, how do you view your role as an outside and independent director?

Wilder / In short, shareholders, clients, business partners, and of course, employees are all the stakeholders in Monex. Outside directors must ensure that the interests and assets of these stakeholders are protected. If we think the company is about to make a wrong decision, we always make sure that our opinion on the decision is heard.

Matsumoto / As an outside and independent director, what do you think Monex needs to work on?

Wilder / Good corporate governance and succession planning are high priorities for any business, particularly for the founder and CEO. The first succession event is extremely important. I feel that the current succession plan is well-thought-out and is being executed properly.

Matsumoto / For this reason, I believe that making the plan to develop future leaders should be clear and sharing it with outside directors is vital to corporate governance. If the board is included in the process, the candidates


who potentially will serve as future top executives will be known to the outside directors. As a result, the candidates will feel more comfortable raising their hands and sharing their opinions on various issues during the board meetings, encouraging even more open discussions. Succession planning is not just for a contingency. It is also important for day-to-day management.

Wilder / I am in complete agreement. I think that the Monex Group's board has an excellent succession plan in place. Just as you mentioned, it is also very important for the candidates to be aware that they are being considered as part of the succession plan. If they are aware of this, they will start to think and act differently. They will be more engaged and take on a higher sense of responsibility.

A Board of Directors made up of members who have diverse backgrounds can be an immense resource for the firm's management to tap into

Matsumoto / What do you think is needed for Monex Group to establish an effective corporate governance system?





We can experience even more growth and development specifically because of quality of our outside directors and their ability to engage in lively discussion.

Oki Matsumoto

President & Chief Executive Officer
Monex Group, Inc.

Wilder / Corporate governance needs to be a comprehensive objective of the whole firm, from management down to each individual employee. Everyone needs to know and understand what is expected of them for the company to have a high level of corporate governance. As a financial institution, we should always keep in mind that we are dealing with “Other people’s money.” They have entrusted us to take care of their assets. Even the smallest mistake affects the client. This mindset needs to be ingrained at every level of the firm, top executives to the newest employee. Clear and fully disseminated corporate governance policy helps achieve this mindset.

Matsumoto / How do the diverse backgrounds of the directors influence the board meetings?

Wilder / Actually, the Monex board is quite diverse and includes one female director Ms. Fujiyo Ishiguro, who has had a great deal of success in the retail and digital business fields. Mr. Kaoru Hayashi, too, has been a successful entrepreneur and is an expert in digital businesses. This

“internet of things” knowledge is essential for successful development of Monex’s various technology platforms. Mr. Nobuyuki Idei has an enormous amount of experience in company management, and his success in launching Sony’s global business brings Monex and the board invaluable insights on how to manage a global business. Mr. Jun Makihara is a former partner of Goldman Sachs and brings Monex a wealth of experience in the financial world. There is even a foreigner, me, and as a group we are able to share our expert knowledge. This diversity is still lacking at many other companies. Many companies continue to appoint academics to their boards and avoid members who have real world experience. Similarly, for directors that ascended internally from within a company, there can be a tendency to not actively speak out in the board meetings, which is not the case at Monex Group.

Setting up opportunities for outside directors to get together separately from the board meetings allows everyone to speak more openly

Matsumoto / I am currently on the board for other companies, and the way outside and independent directors interact at the board meetings differs from company to company. However, everyone here really engages in lively discussion. Why do you think that is?

Wilder / All of our directors have a clear interest in what the company is doing now and want to be involved. For example, the part of our business that deals with asset management and targets retirees is extremely interesting to the directors. The experience and knowledge that each person brings to the table contributes to the discussion. We all share our ideas. I feel our board meetings are always good and free of negativity.

Matsumoto / What is unique about the Monex Group board is that there is an opportunity to exchange ideas outside the board meetings. How does that contribute to dialogue between directors?

Wilder / It gives us the chance as directors to speak more openly than is possible in the formal board meetings, which are recorded and minuted. The board meetings often tend to review what has occurred in the past, but we need to look at the future. This type of informal meeting is really useful in that regard.

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Dialogue on Corporate Governance

The presence of a lead independent director raises the relationship between the company and directors to a higher dimension

Matsumoto / Monex Group set up the position of a lead independent director. Does the role or value of the Board of Directors change with this lead independent director?

Wilder / I believe that appointing a lead independent director is a good idea. The position does not have any special power per se, and it is more of a coordinator and plays an important role in communicating what the directors are thinking to the CEO. As the lead independent director, Jun Makihara also actively encourages discussion outside of the circle of the Board of Directors and gives this feedback to the CEO.

Matsumoto / I also think that the role of the lead independent director is very important and effective. Even if the lead independent director did not exist, each outside

director would build their own relationship with the company. However, the lead independent director helps the outside directors to function as a team, creating more independence from the company.

How does the company need to improve in terms of corporate governance?

Wilder / Improvement is always needed! We should always reflect on ourselves and then continue to challenge ourselves constantly. We should keep an open mind and look for examples of best practices at other companies and incorporate those that complement our existing approach to corporate governance.



Message from Lead Independent Director



Jun Makihara
Lead Independent Director

It has been one year since I was named lead independent director. During that time, there has been significant volatility in stock markets worldwide and a great deal of uncertainty amongst investors as to the direction of the global economy. It has been a challenging year for the Monex group.

As outside directors, our role is not to micro-manage the business but to help management set strategy and to monitor its execution. The most important role of the lead independent director in this regard is to be a facilitator of communication between outside directors and management.

Communication between management and the board at Monex Group which is very open, has been even more so this year. In this challenging environment, we

have had many open discussions about the company's major initiatives – implementing a significant upgrade in our Japanese trading platform, turning around the US business, and grooming the next generation of management.

To this last point, outside directors have significantly increased contact with middle and upper level management and have become more involved in reviewing the progress of developing these future leaders of the company. This is regarded as one of the most important roles of a board in the US and Europe.

Like all successful companies that are run by their founder, we face the challenge of how to broaden our management base and evolve from a “venture” into a “major company”. I believe this is an area where the outside directors can play an important role, as they have both significant insight into the company and key players as well as an outsider's impartial perspective. We are fortunate to have a number of directors who have relevant experience in this area.

In closing, I am grateful to you, the shareholders, for entrusting this board with the responsibility of overseeing Monex Group.

Reasons for Appointing Directors

Reasons for Appointing Internal Directors

Name	Position	Reason for Appointment
Oki Matsumoto	Representative Executive Officer, Nominating Committee member, Compensation Committee member, President & Chief Executive Officer	Since Monex Inc. (at that time) was founded in 1999, Matsumoto has focused on establishing an online brokerage business for retail investors and has driven the Monex Group business. Being extremely well versed in financial affairs, he supports productive and practical discussions in the boardroom for the Monex Group. And as the President and CEO, he uses his strong leadership and management skills to ensure the group continues to achieve sustainable growth.
Shoji Kuwashima	Managing Director & Vice Chairman, Executive Officer & Chief Quality Officer	Kuwashima has had a long tenure in management within Japanese brokerage business and also offers in-depth knowledge of IT systems related to brokerage services. In boardroom discussions, he actively offers valuable remarks from a well-balanced perspective based on his wealth of experience as a manager. He also uses his expertise in IT technology, and as an executive officer, is involved in the internal development of brokerage systems central to medium and long term business strategies.
Takashi Oyagi	Managing Director, Executive Officer & Chief Strategic Officer	Oyagi is one of the founding members of Monex Inc., established in April 1999 and has numerous years of experience in the financial industry in both Japan and the US. He not only carries out his duties as a managing director, but at the same time, he also forms and promotes strategies to help build new corporate value as an executive officer. He stays abreast of the latest trends in the financial industry and actively submits proposals in the board meetings.
Masakazu Sasaki *1	Director, Audit Committee member	As a CPA, Sasaki has external auditing experience in financial institutions. He has used that expertise mainly as a corporate auditor and audit committee member in the Monex Group and has continued management oversight for many years. Since being appointed a director for the Monex Group in June 2013, he has not only been on the audit committee, meetings charged with auditing the management system, but also actively submits proposals in the board meetings.

*1 : Sasaki does not execute actual work tasks.

Reasons for Appointing Outside Directors & Attendance Record

Name	Current Positions	Independent Director	Reason for Appointment	Attendance Record for FYE March 2016
Jun Makiyara *2	Outside & Independent Director Director, Lead Independent Director, Compensation Committee Chairman, Nominating Committee member	○	Makiyara has been involved for a long time with investment banking and developing Internet-related businesses in both Japan and the US, and possesses a deep understanding of Internet and financial businesses. Since his appointment to the board in June 2006, he has put forward numerous proposals in board meetings. Since April 2015, he has helped manage the governance of board as a Lead Independent Director.	board meeting 11/11 times
Kaoru Hayashi	Outside & Independent Director Director, Nominating Committee member	○	Since the dawn of Internet services for individuals in Japan, Hayashi has focused on this medium's potential. He started his own business in 1995 and has been involved in Internet businesses ever since. Since being appointed to the board in June 2012, he has made many useful suggestions at board meetings thanks to his deep understanding of IT trends and the Internet business environment.	board meeting 11/11 times
Nobuyuki Idei	Outside & Independent Director Director, Nominating Committee Chairman, Compensation Committee member	○	Idei has been a global company manager for many years, and tapping into his extensive network of domestic and overseas contacts and his knowledge of Internet businesses, he is actively engaged in forging the next generation of businesses and leaders. Based on his wide knowledge and experience, he has been a prolific source of proposals since being appointed to the board in June 2013.	board meeting 11/11 times
Koji Kotaka	Outside & Independent Director Director, Audit Committee Chairman	○	Kotaka is an attorney and in addition to his legal expertise, he possesses a wealth of knowledge in the financial field and has been involved in many M&A projects in investment banking. Since being appointed to the board in June 2013, he has contributed a lot to discussions from a legal and financial business perspective. On the Audit Committee, he helps improve the corporate governance system through verification of the internal control system.	board meeting 11/11 times Audit Committee 11/11 times
Fujiyo Ishiguro	Outside & Independent Director Director, Nominating Committee member	○	Ishiguro is especially well versed in the digital marketing field, and she has lengthy experience as the manager of a listed company. Since being appointed to the board in June 2014, she has actively contributed to the Company's management with proposals based on her view of changes in what clients seek from Internet services.	board meeting 11/11 times
Billy Wade Wilder	Outside & Independent Director Director, Audit Committee member	○	Wilder has worked in the investment management business for many years, and also has numerous years of experience in corporate management in Japan. Since being appointed to the board in June 2014, he has made many proposals in board meetings, drawing on ideas he has refined as an institutional investor for assessing and supervising corporate management. Based on this expertise, he also monitors the status of the Monex Group's internal controls as a member of the Audit Committee.	board meeting 11/11 times Audit Committee 11/11 times
Nobuo Domae *3	Outside & Independent Director Director, Nominating Committee member	○	Domae has experience as an overall strategy leader in transforming a clothing retail company into a major global business. The Nominating Committee believed that he will be able to help improve corporate value in the Monex Group based on his experience, which extends from e-commerce and marketing strategies that target general consumers, to business development overseas and creating a global organization and work systems.	—

*2 : The Company's outside directors and independent directors voted to appoint Makiyara as the Lead Independent Director effective from April 2015.

*3 : Domae was appointed as a new outside director at the General Meeting of Shareholders held on June 25, 2016.

Corporate Governance

Approach to Corporate Governance

In order to continuously enhance the corporate value of Monex Group, it is important for Monex Group, Inc. and its group companies to realize a viable corporate governance system. In accordance with this view, in order to check execution by management, and to establish a structure that enables balanced management judgments, Monex Group has made efforts so that it can

hear various objective opinions, such as having multiple outside directors and actively promoting disclosure of corporate information. Monex Group adopted a structure called "company with committees (presently, "company with three committees") in June 2013 and reinforces the corporate governance structure by going further on separation of operation and monitoring.

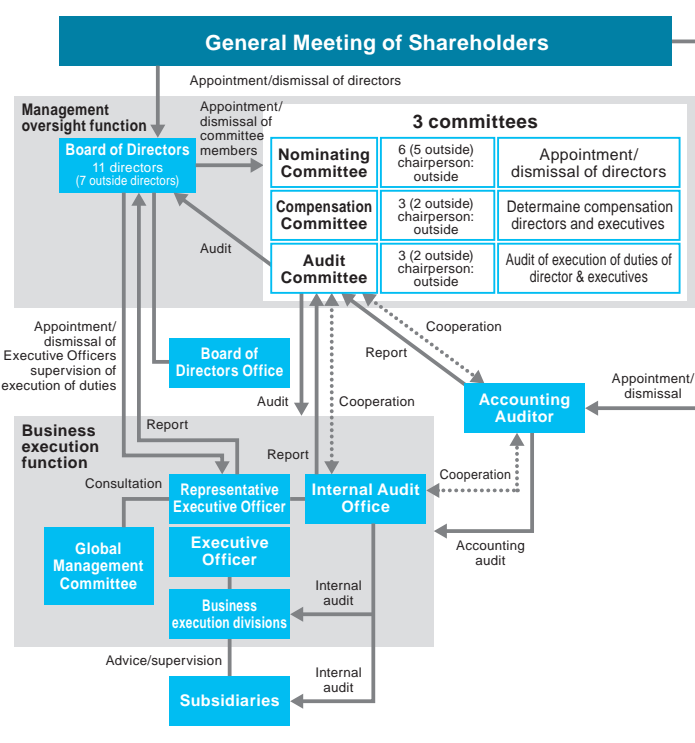
Initiatives to Strengthen Corporate Governance

Since its founding, Monex, Inc. has employed multiple outside directors and built a management system that makes good use of outside eyes and voices. As our business expanded through M&A and we began to face new issues and risks, we appointed outside directors with the knowledge, experience, and specialization to rein in management decisions and supervise business execution. Monex has also been a leader in institutional design, shortening the term of directorships to one year in 2009

and shifting to a company with committees in 2013. Currently more than half of Monex's Board of Directors is composed of outside and independent directors, who also head the Nominating, Audit, and Compensation committees. In addition, we continue to implement initiatives to improve the effectiveness of governance, such as appointing a lead independent director in 2015 who makes sure that the opinions of the outside directors are brought to the attention of management.

Transition to a Company with Committees

On June 22, 2013, the Company transitioned to a "company with committees." Through this transition, not only will the separation of executive and supervisory functions become clearer, but by establishing the three Nominating, Audit and Compensation committees, each of which must be comprised of a majority of outside directors, we aim to ensure the transparency and fairness of management and to further enhance the effectiveness of corporate governance. Furthermore, under the provisions of the Companies Act, given that a considerable transfer of authority from the Board of Directors to executive officers is permitted in a company with committees, it should now be possible to respond quickly to any changes in the business environment.



Helping Ensure More Effective Board Meetings

The Nominating Committee drafts the list of director candidates that is presented to the General Meeting of Shareholders by the Company. The Nominating Committee decides on its appointment policy for directors in the following way.

Among the qualities that are sought in a director, the following 4 points should be given the most consideration: (1) high ethical standards, (2) adequate understanding of one's duties, (3) awareness of the need to contribute proactively to the Board of Directors and affiliated committees, and to make the necessary time commitment, and (4) one or more of the following six requirements:

(a) business experience in a securities company or other financial institution, (b) business experience in an Internet company or other company serving individuals, (c) knowledge of IT and marketing, (d) management experience in a listed or global company, (e) specialization in law or accounting, and (f) other experience or specializations deemed necessary by the Nominating Committee in light of the business environment.

In addition, when considering the overall make-up of the Board of Directors, the Nominating Committee focuses on 3 elements: the presence of outside and independent directors, ensuring diversity and the size

of the board. To ensure management oversight of the directors, more than one third of the board must be outside and independent directors; and only candidates are considered who will give the board a good overall balance of experience, knowledge, and ability in order to facilitate discussion to maintain and/or improve corporate value. Furthermore, we consider the ideal size of the board to be about 10, a number that fosters lively discussion.

Nominating Committee Procedure for Director Candidates

- (1) Candidates are individually evaluated by each currently appointed director.
- (2) Candidates evaluated by all board members at once.
- (3) Board composition is considered, the need for changes is decided on.
- (4) Candidates are evaluated based on their character and how their presence will impact the balance of the board's composition. Candidates serving on other boards in listed companies are assessed to ensure they can fulfill all their duties at the Monex Group as well.
- (5) Candidates' attendance record and committee participation taken into account if being considered for reappointment.

Remuneration of Officers

The Company, with its Nominating Committee, also has a Compensation Committee that, as prescribed in the Companies Act, decides on policy regarding the content of remuneration for directors and executives. This committee also decides on the specifics of remuneration in individual cases. Remuneration for executives, including those who fulfill dual roles as directors, is composed of basic remuneration plus incentives (vested interest to bolster shareholder value). Basic remuneration consists of a fixed amount plus an amount concomitant to the post. Incentives refer to part of the financial remuneration

package. Their value is determined by conditions, such as the business performance for the fiscal year and is based on a general performance evaluation of the employee's contributions in terms of his or her duties. Incentives are paid out in portions annually or over multiple fiscal years and provided to employees, as a vested interest and motivation to help bolster the shareholder value over the short, medium and long terms. Directors who do not also fill executive posts receive basic remuneration only. This unified and fixed pay scale is the product of our oversight function that is independent from business execution.

Remuneration of Officers

Total remuneration per officer category, total remuneration by type and number of applicable officers (April 2015 to March 2016)

Officer category	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)			Number of applicable officers
		Basic remuneration	Share based payment	Other	
Directors (excluding outside directors)	149	113	35	—	4
Executive officers	60	45	15	—	2
Outside directors	72	72	—	—	6

(Note) 1. Executive officers who dually hold the position of director are displayed as directors.

2. Share based payment is noted in the total that is posted as an expense for the fiscal year under review. Payment for that total may not necessarily be settled.

Corporate Governance

Dialogue with Stakeholders: One Function of Corporate Governance

The Monex Group enters into dialogue with stakeholders as a means to limit the actions of management and business execution. By engaging with stakeholders, management can have discussions and exchange ideas, to foster awareness and point at issues in order to manage appropriately.

Dialogue with Shareholders and Investors

The Monex Group currently has 48,880 individual shareholders as of March 2016. The Group holds its General Meeting of Shareholders on the weekend to make it easier for individual shareholders to attend. To promote the exercise of voting rights, we dispatch notices of convocation three weeks before the meeting day and post the information on the Group's website before dispatching the notice. We also encourage electronic voting from the Internet or mobile phones, and use a platform operated by ICJ, Inc. for institutional investors to exercise electronic voting rights. The results of exercised voting rights from 2009 are also disclosed and available.

Dialogue with retail investors is also arranged, providing them with the same and fair opportunities to ensure there is no difference in the quality and time spent with institutional investors. We present the same material to all parties, dispatch the information at the same time and try to provide equal opportunities to have dialogue. More specifically, on the earnings announcement day or the next business day each quarter, the Monex Group holds an online results briefing for retail investors. This gives our CEO a chance to engage in a direct dialogue with retail investors.

We also ensure that our dialogue with institutional investors is fair. We strive to time the disclosure of information so traders and investors both in Japan and abroad can have access at the same time in both English and Japanese. On the day of the earnings announcement for each quarter, the Monex Group holds a results briefing or teleconference in Japanese and English, and the CEO presents and holds a Q&A session on everything.



Results briefing is shown online with chatting available to provide access for everyone and field questions.

Dialogue with Customers

Ever since Japan's Monex, Inc. was founded, it has held an Orientation Committee meeting once every three months to ask customers their opinion face to face. As of June 2016, the Company had held 64 such meetings. The CEO of Monex, Inc. communicates his thoughts and perceptions on issues he sees using his own words via his dedicated column in Monex Mail, the Company's e-magazine, which has been distributed every business day since August 1999.



Monex, Inc. customers participating in the 64th Orientation Committee.



The CEO column distributed via Monex Mail is also available on Ameba Blog.

Dialogue with Employees

The Monex Group holds group-wide meetings in each area for all employees to ensure that management's current understanding and thinking are shared. Management and employees have opportunities to engage in dialogue. In the Japanese segment, these meetings include general meetings (zentaikai) and CEO Q&A sessions, and in the U.S. segment, they have been named town hall meetings.



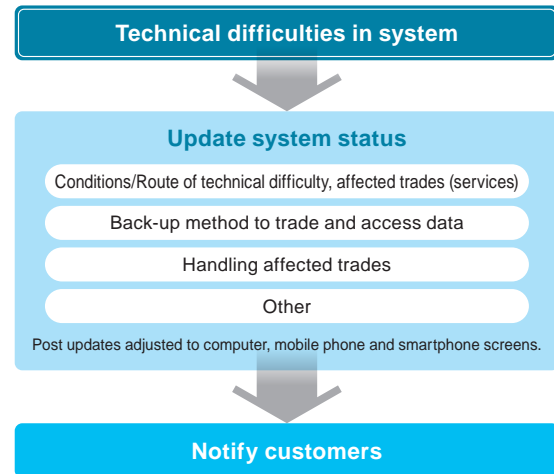
The CEO using a loudspeaker to communicate with all the employees at once has been commonplace since our founding.

Risk Control

The Monex Group follows all legal stipulations and also set up its own “rules of integrated risk control,” in order to discern, analyze, and evaluate risk that affects management and also devise appropriate control systems for each kind of risk.

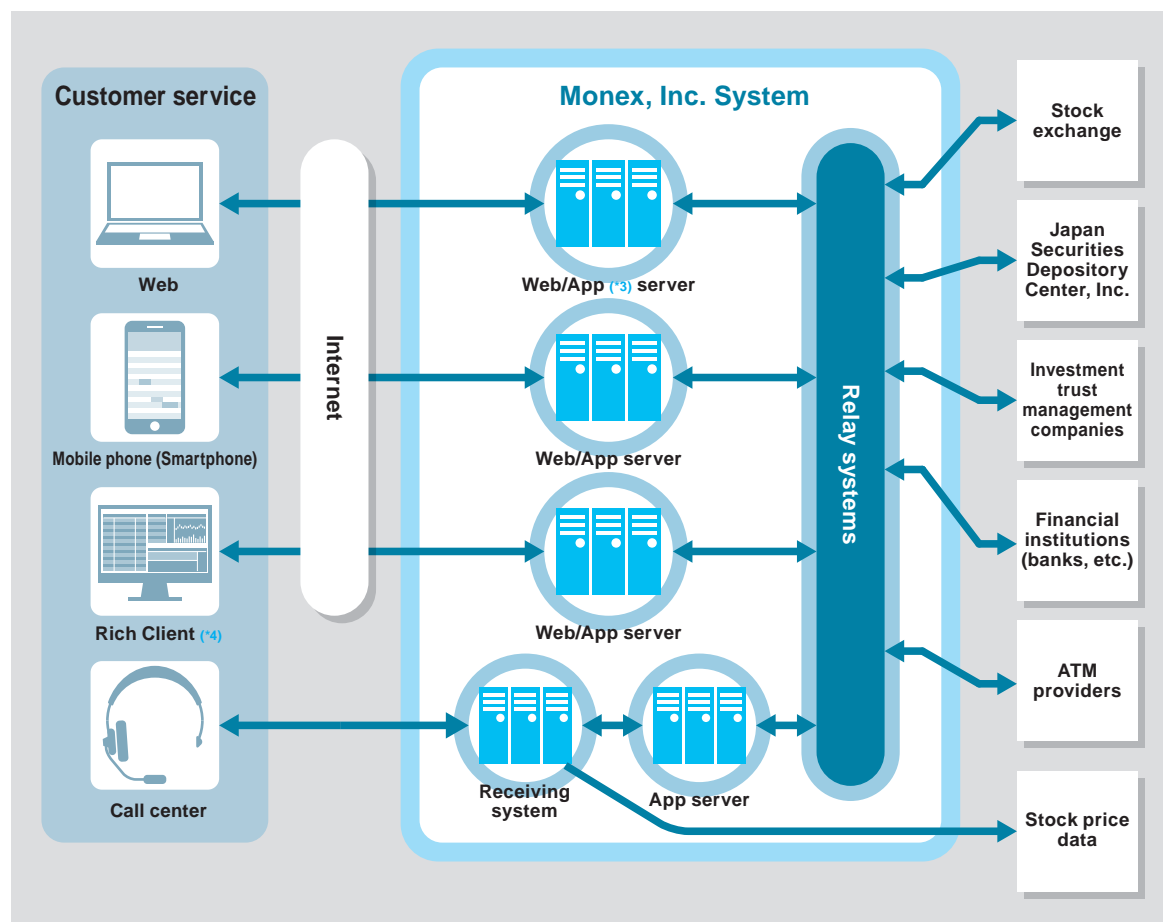
Among the management related risks in our online securities services - the Group’s main business - one risk that could potentially have a large impact is a technical difficulty in our system. For example, in our Japan segment, our subsidiary Monex, Inc. notifies the customer on the website ^{(*)1} of how it responds against technical difficulties in the system. The flowcharts offer a specific description of how we notify customers and also how orders are processed when we experience technical difficulties in our system. By explaining the risks related to technical difficulties in our system, we hope to mitigate those risks when customers execute trades.

Response Flowchart to System Difficulties in Monex, Inc.



^{(*)1} http://www.monex.co.jp/AboutUs/00000000/guest/G800/company/system_failure.htm

Monex, Inc. System Structure & Back-up Method for Core Products During Technical Difficulties ^{(*)2}



^{(*)2} Post back-up method to use in the event of technical difficulties for logging in, trade orders, for depositing or withdrawing monies in our system for products such as Monex, Inc. Japanese equities, U.S. equities, futures and options, OTC FX and Click365.

^{(*)3} App: Abbreviation for application

^{(*)4} Rich Client: Specific application for Market Station, etc.

CSR

The Group engages in CSR activities consistent with Monex's brand concept:

"A step ahead in the future of finance."

We continue to stay focused on activities that create opportunities without restrictions for individuals to consider "money" which supports our lives.

Customer Education

We focus on customer education designed to tailor information about investment theory and financial instruments to the needs of each customer, from beginners to experienced investors.

The Monex Group believes providing retail investors with the same level of investment opportunities and financial instruments and services as institutional investors is a precondition for retail investors to participate in capital markets, which in turn can help ensure the fairness of those markets. While offering high-quality, leading-edge products and services, the Group also recognizes that providing retail investors with a broad range of highly useful information is essential in order to make better trades and create investment portfolios. With this strong conviction, the Group is continuously working to improve its customer education and investment information services.

The importance that the Group places on providing retail investors with customer education and information is at the heart of our corporate social responsibility (CSR).

As an example of a CSR initiative, TradeStation Group offers its TradeStation Academic Program to 27 universities, including Carnegie Mellon University, the University of Pennsylvania and New York University, as well as other educational institutions. Under the program, students are given free access to the TradeStation trading platform, providing a secure environment to learn about trading strategies and risk management by making trades using virtual accounts.

In another initiative, Monex, Inc. sponsors courses at Aoyama Business School (university graduate school in Tokyo). As part of the course program, fund managers and other experts active at the forefront of financial markets are invited to teach graduate students about practical market analysis and market prediction techniques.

Activities with Our Global Customer Base

Since 2011, we have carried out the MONEX Global Retail Investor Survey with our retail investors in Japan, the U.S. and China (Hong Kong) in order to gather their feedback on the market environment. The purpose of this survey is to provide helpful information for asset management by uncovering the latest trends of retail investors situated in 3 different financial hubs in the world.

Helping Communities

The TradeStation Group employees are involved in "TradeStation Cares," a program that gives back to residents of the local community. The Group sponsors community service activities every year in Plantation, Florida, such as "The School Supply Drive," the "Thanksgiving Food Drive" and the "Beach Clean-up Excursion."

Monex, Inc. has a call center in Hachinohe, Aomori prefecture. Since operations began in 2008, approximately 30% of the employees at Monex, Inc. currently work at Hachinohe. While developing partnerships with universities in Aomori prefecture and with local prefectural and municipal agencies, Monex continues to create employment opportunities for the community.

Ensuring Comfortable Working Conditions

The Japan segment promotes the success of women in the workplace. As of March 2016, the percentage of female employees in management positions was 16% in the Japan segment overall, while the percentage of women serving as directors or executive officers in the Group within Japan was 15%. Group companies in Japan have been maintaining systems and facilitating conditions for supporting the return to work by women who have taken maternity leave. To date, 100% of female directors (managers and executive officers) and employees have returned to their jobs after taking such leave.

Social and Cultural Activities

We have been conducting the ART IN THE OFFICE program every year since 2008 by putting modern art pieces on display in the meeting room at the HQ office. The modern art pieces create an atmosphere that inspires us to produce services targeting the future, and provide stimulation for office visitors and employees. This program helps provide that atmosphere where art and people can connect, offering support to the activities of present-day artists.

ART IN THE OFFICE 2016 Artist & His Work



Takanori Suga

Painting on the Kimono

2016 - oil paint, lacquer spray, kimono, canvas - 230 x 500 centimeters

Working under the themes “Modern drive and their actions” and “Breaking and creating form,” Suga spent approximately 3 weeks creating his work for the program in the Monex, Inc. press room.

Inspired by an image through interaction with employees and workshops, Suga followed the motif in his collection and used a unique technique that features applying multiple layers of paint to 8 kimono sets. The piece undergoes multiple revisions and additions over and over again, changing the appearance of the final product. Suga described how painting and masking on his grandmother’s favorite kimonos as a canvas was like deconstructing his own roots.

The artist brings out new patterns from the kimono-based canvas which can inspire a variety of emotions and memories in its viewers. This process of creating something new, regardless of the existing frame, resonates with Monex, Inc.’s corporate mission of always creating the “A step ahead in the future of finance.”



The work was created for the entire wall surface in Monex, Inc.’s press room.



Takanori Suga

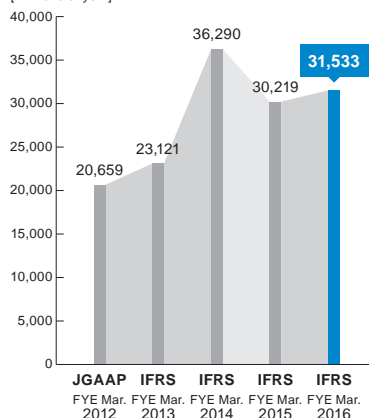
Takanori Suga was born in Nagasaki prefecture in 1985. He graduated from Aichi University of the Arts in 2009. Working under the theme of actions and cravings that lie at the root of people, this work is expressed using a painting-based technique. In 2014, Suga was inspired by the aboriginal culture while wandering around Australia and produced a piece while staying at an old home of an elderly he met. Suga has exhibited his work at the KOSHIKI ART EXHIBITION 2012 (Kagoshima), at the Dripping Project (2013 - Kyoto Prefectural Office old wing, Musee Acta) and at Komagome SOKO (2015 – Commission Work).

Business KPIs

Total operating revenue after deducting financial expenses and cost of sales / Net operating revenue

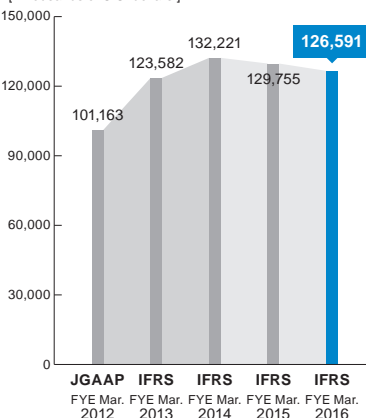
Japan Segment

[Millions of yen]



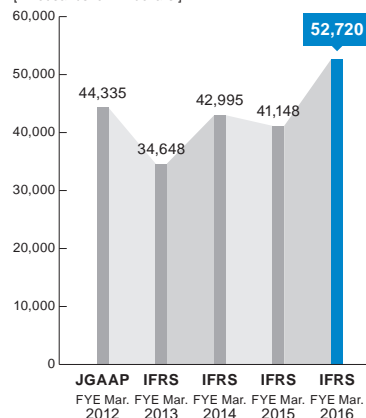
U.S. Segment

[Thousands of U.S. dollars]



China Segment

[Thousands of HK dollars]

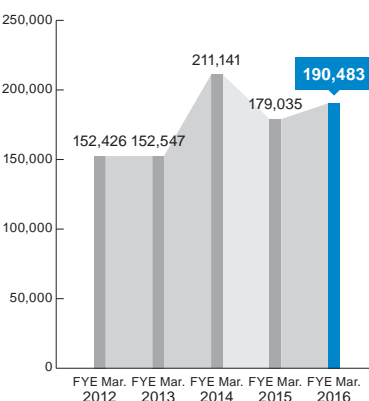


* The figures for Japan, the U.S. and China are after inside trading was eliminated.

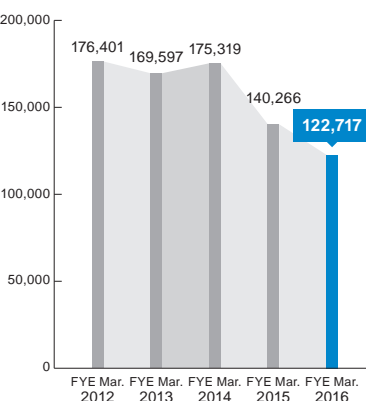
DARTs (*1)

Strong correlation with brokerage commissions

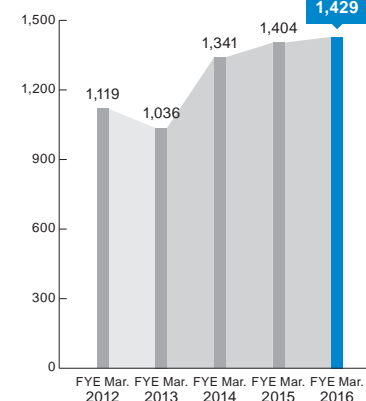
Japan Segment



U.S. Segment (*2)



China Segment



*1 DARTs: Daily Average Revenue Trades (Definitions to apply throughout this material)

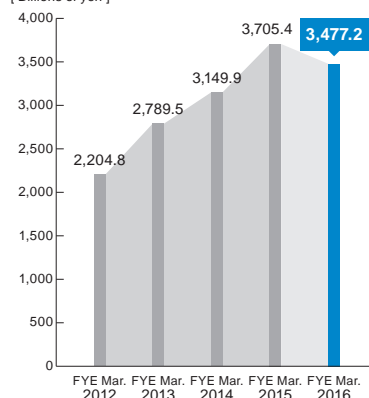
*2 DARTs decreased due to a transfer of some accounts in the foreign exchange business in September 2014.

Assets in custody

The growth of assets in custody can be attributed to one important factor that helps increase revenue in the securities business over the medium to long terms.

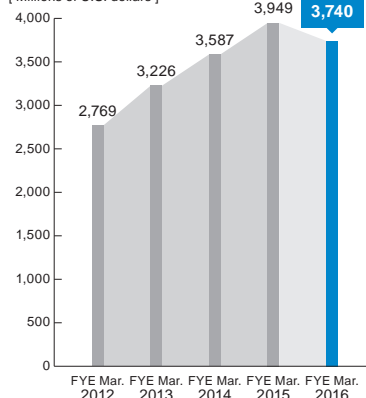
Japan Segment

[Billions of yen]



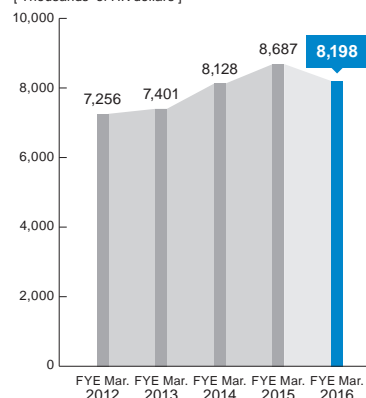
U.S. Segment

[Millions of U.S. dollars]

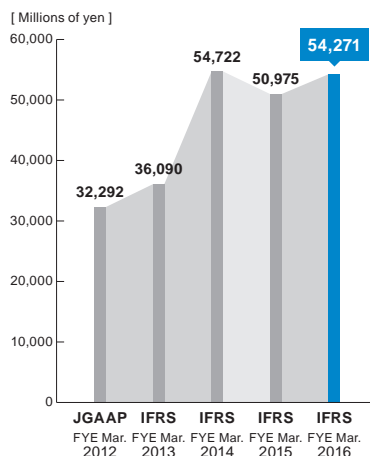


China Segment

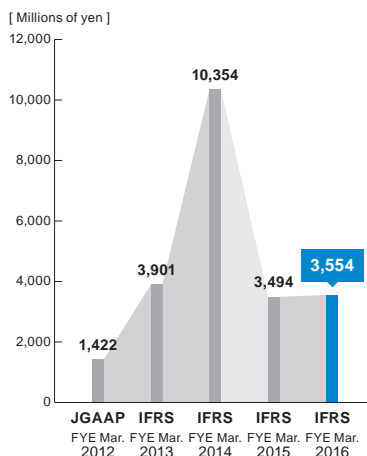
[Thousands of HK dollars]



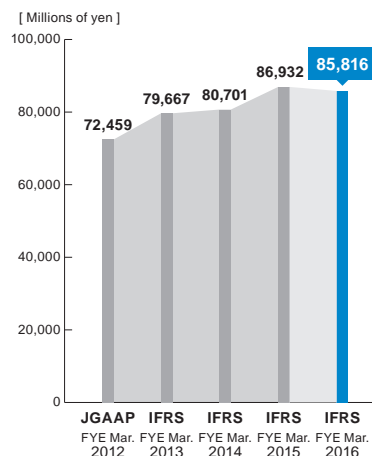
Total operating revenue



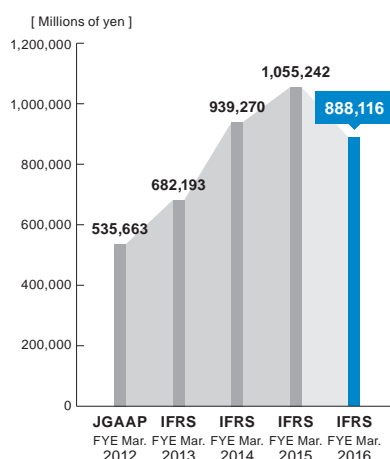
Profit attributable to owners of the company/ Net income



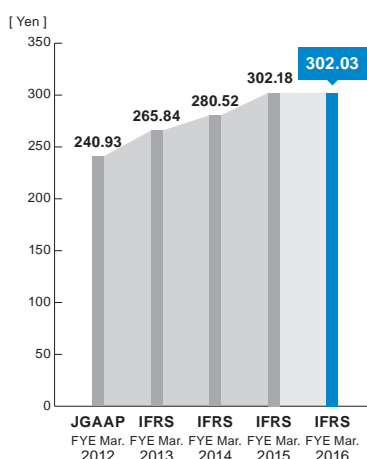
Equity attributable to owners of the company/ Net assets



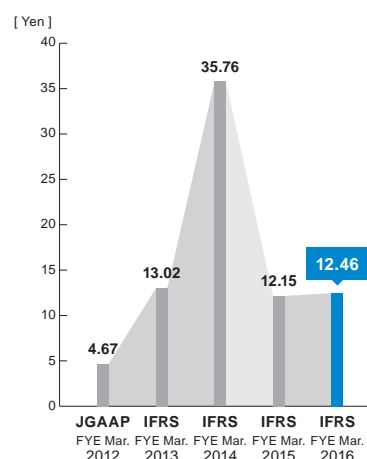
Total assets



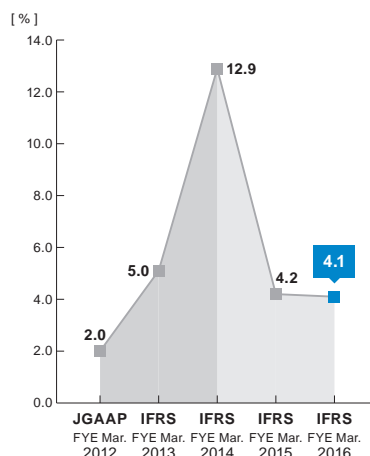
Equity per share attributable to owners of the company/ Net assets per share (BPS) (*)



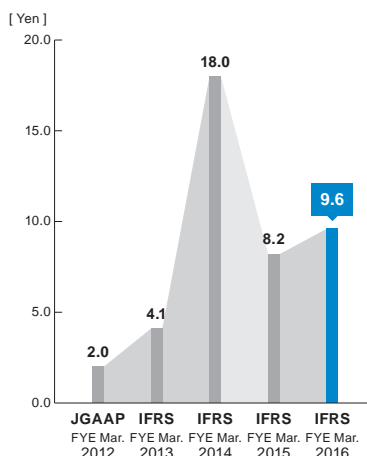
Earnings per share attributable to owners of the company (EPS) (*)



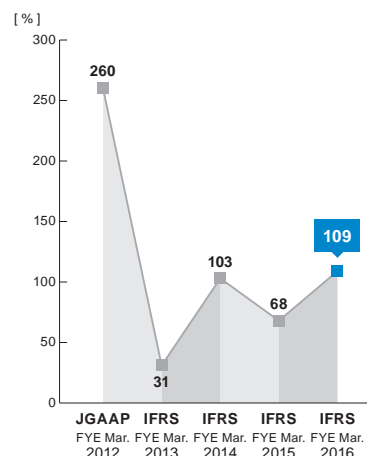
Return on equity/ Net income on owners' equity (ROE)



Dividends per share (*)



Total return ratio



* Stock split was carried out. 100 shares are defined as 1 share unit on Oct. 1, 2013 and the above figures were adjusted retroactively for the beginning of FYE Mar. 2012.

10 Years Highlight

Category	Accounting item, sub-item and title display (IFRS/JGAAP)	Unit	FYE Mar. 2007	FYE Mar. 2008
			JGAAP	JGAAP
Consolidated	Total operating revenue	Millions of yen	33,244	30,497
	Commission received	Millions of yen	25,376	21,544
	Net trading income	Millions of yen	121	143
	Financial income	Millions of yen	7,439	8,576
	Other operating income	Millions of yen	307	232
	Financial expenses	Millions of yen	2,145	3,509
	Total operating revenue after deducting financial expenses/ Net operating revenue	Millions of yen	31,099	26,988
	Selling, general and administrative expenses	Millions of yen	14,540	13,971
	Transaction-related expenses	Millions of yen	6,227	4,923
	Compensation and benefits	Millions of yen	2,467	2,649
	System related expenses (*1)	Millions of yen	4,777	5,542
	Other	Millions of yen	1,067	856
	The amount equivalent to operating income/ Operating income	Millions of yen	16,559	13,016
	Other income/ Expenses (net)	Millions of yen	(208)	(483)
	Profit before income taxes/ Income before income taxes and minority interests	Millions of yen	16,350	12,620
	Profit/ Income before minority interests	Millions of yen	9,529	7,218
	Profit attributable to owners of the company/ Net income	Millions of yen	9,534	7,206
	Total assets	Millions of yen	379,988	335,016
	Total equity	Millions of yen	47,562	45,554
	Equity minus fixed assets (*2)	Millions of yen	44,130	34,397
	Return on equity (ROE)	%	21.4	15.5
	Earnings per share attributable to owners of the company/ Earnings per share (EPS) (*3)	Yen	4,066.46	3,080.54
	Equity per share attributable to owners of the company/ Book-value per share (BPS) (*3)	Yen	20,253.41	19,664.53
	Dividend per share (*3, 4)	Yen	2,900.00	1,550.00
	Total return ratio	%	71	78
Monex, Inc.	Capital adequacy ratio (*5)	%	402.5	429.9
TradeStation Securities, Inc.	Excess net capital (*6)	Thousands of U.S. Dollars	-	-
Consolidated	Number of employees	Persons	145	163
Monex Group, Inc.	Number of directors	Persons	12	13
	Independent director	Persons	5	5
Monex, Inc.	Total online seminar participants	Persons	-	-
	Total online seminars held	times	-	-
Japan (*7)	Percentage of women	%	37	36
	Percentage of women in management positions	%	9	16
U.S.	Percentage of women	%	-	-
	Percentage of women in management positions	%	-	-
China (*8)	Percentage of women	%	-	-
	Percentage of women in management positions	%	-	-
Nikkei 225	Nikkei stock average		17,287.65	12,525.54
TSE, (OSE), NSE (*9)	Trading value for retail investors on two (three) stock exchanges	Billions of yen	1,182.6	1,000.9
Exchange rate	Year-end USD-JPY exchange rate		-	-

*1 System related expenses: Rental and maintenance+Data processing and office supplies+Amortization and depreciation

*2 For details, refer to "Shareholder Return and Investment" and "Equity Minus Fixed-type Assets" on page 38 in the section Message from the CFO.

*3 Stock split was carried out. 100 shares are defined as 1 share unit on Oct. 1, 2013.

*4 Stock split was carried out. 100 shares are defined as 1 share unit and the above figures were adjusted retroactively for the beginning of FYE Mar. 2014.

FYE Mar. 2009	FYE Mar. 2010	FYE Mar. 2011	FYE Mar. 2012	FYE Mar. 2013	FYE Mar. 2014	FYE Mar. 2015	FYE Mar. 2016
JGAAP	JGAAP	JGAAP	JGAAP	IFRS	IFRS	IFRS	IFRS
24,812	22,499	25,227	32,292	36,090	54,722	50,975	54,271
14,900	13,021	13,158	17,107	20,367	33,542	30,079	32,152
1,100	3,414	4,724	6,199	6,974	8,011	6,242	6,671
8,611	6,007	7,155	8,382	8,195	12,583	13,987	14,610
199	55	189	602	554	587	667	839
3,758	2,577	2,638	3,238	2,320	4,672	5,766	4,629
21,053	19,921	22,589	29,054	33,769	50,051	45,209	49,642
15,784	15,460	17,848	26,605	30,359	34,981	37,143	41,395
4,639	4,219	5,008	8,865	10,223	12,235	13,236	13,862
2,907	3,268	3,386	6,051	8,503	9,613	9,538	10,651
6,642	6,907	7,998	9,074	9,701	10,779	11,659	13,343
1,593	1,064	1,455	2,614	1,933	2,355	2,710	3,539
5,269	4,461	4,741	2,448	3,410	15,069	8,066	8,247
(5,233)	(601)	(1,466)	204	3,588	1,825	(1,951)	(3,146)
48	3,996	3,268	2,585	6,998	16,895	6,115	5,100
(2,187)	3,764	1,995	1,485	3,907	10,356	3,494	3,516
(2,144)	3,776	1,992	1,422	3,901	10,354	3,494	3,554
235,694	374,688	365,730	535,663	682,193	939,270	1,055,242	888,116
40,066	66,310	71,025	72,459	79,667	80,701	86,932	86,022
32,502	50,300	55,387	33,246	38,847	35,656	32,734	26,660
-5.0	7.1	2.9	2.0	5.0	12.9	4.2	4.1
(928.55)	1,527.41	647.82	467.45	1,301.73	35.76	12.15	12.46
17,235.10	22,139.55	22,154.32	24,093.09	26,583.96	280.52	302.18	302.03
400.00	700.00	500.00	200.00	410.00	18.00	8.20	9.60
-	48	77	260	31	103	68	109
400.9	386.0	483.6	396.5	459.3	394.9	422.7	335.3
-	-	-	45,729	44,721	52,163	49,074	62,441
252	390	321	845	917	992	951	971
13	13	14	14	13	10	11	11
5	5	6	6	7	4	6	6
-	-	-	48,035	70,767	120,712	187,133	253,891
-	-	-	105	98	136	187	213
38	42	39	45	50	49	47	45
18	17	18	23	23	23	22	19
-	-	-	-	30	29	31	25
-	-	-	-	16	19	24	21
-	-	-	42	44	41	50	46
-	-	-	11	15	15	14	14
8,109.53	11,089.94	9,755.10	10,083.56	12,397.91	14,827.83	19,206.99	16,758.67
625.1	619.5	526.8	449.4	621.9	1,501.4	1,156.7	1,123.4
-	-	-	81.93	94.09	102.88	120.12	112.6

*5 This index measures the stability of securities companies in Japan, and it is based on the Financial Instruments and Exchange Act and the Cabinet Office Ordinance on Financial Instruments businesses.

*6 Based on the laws and regulations established by the U.S. Securities and Exchange Commission (SEC) and self-regulating organizations, U.S. financial companies are required to maintain a minimum net capital (equity capital calculated based on SEC regulations).
Net capital - Minimum equity capital required = Excess net capital.

*7 Applies to Monex Group, Inc. & Monex, Inc.

*8 Applies to Monex Boom Securities Group

*9 Three markets became two markets since the Osaka Securities Exchange (spot market) merged with the Tokyo Stock Exchange on Jul.2013.

About the Monex Group

Business Principles

“MONEX” stands for the future of finance, one step advanced from “MONEY.”

The Monex Group is aspiring to empower traders and investors worldwide with the best of breed technology, education, service, and financial professionalism to provide access to top financial markets globally.

Code of Conduct

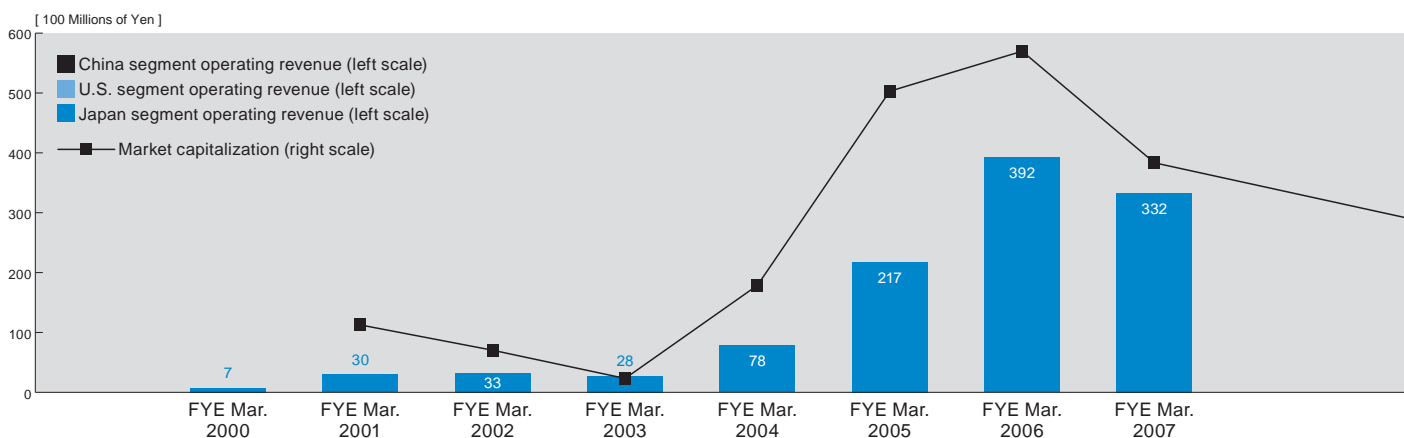
- Celebrating the diversity of each and every one of our customers and employees
- Driving the future of technology and first class financial professionalism that empowers traders and investors
- Creating new value to contribute to all stakeholders

Office Locations

The Monex Group provides retail investors with financial instruments online throughout the world and has 12 office locations in Japan, the U.S., China (Hong Kong) and other countries.



Consolidated Operating Revenue (●) and Market Capitalization



Since its establishment, the Monex Group's operations have grown in scope through a series of mergers and acquisitions, and management is continuing to undertake business investments aimed at achieving sustainable growth.

Expansion of operations in Japan through M&A

Jun. 2001

Acquisition of Saison Securities Co., Ltd.

Aug. 2004

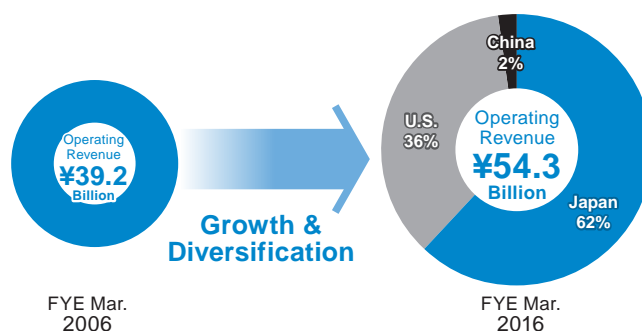
Merger with Nikko Beans, Inc.

* The figures for Japan, the U.S. and China are after inside trading was eliminated.

10 Years of Progress in the Monex Group

Changes in Revenue Structure

As customers, products, services and personnel have globalized, our revenue stream has expanded and diversified.



Investment in Technology

We have focused on technology to separate us from our competitors.

Personnel

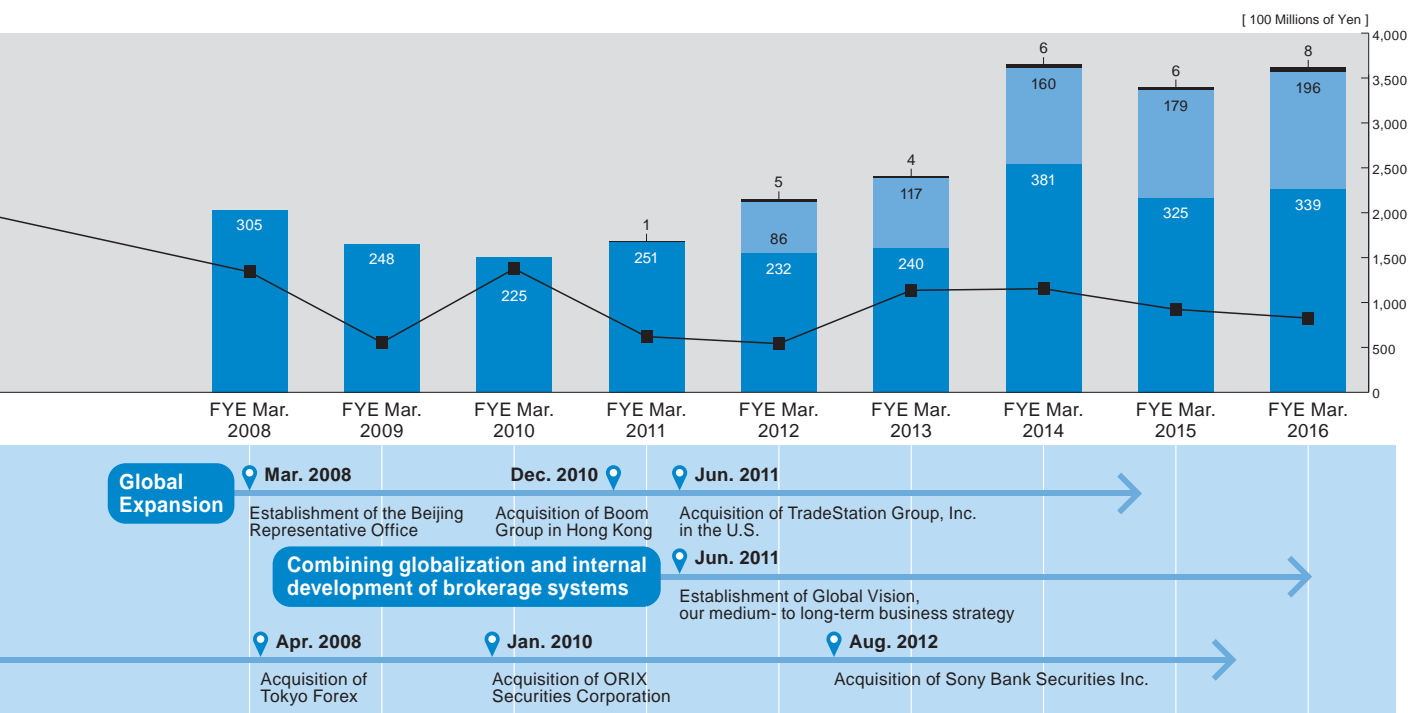
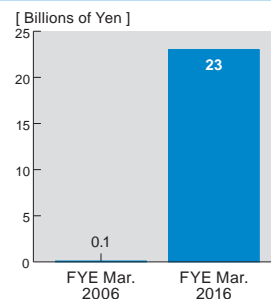
Approximately 50% of personnel hold IT-related positions

	FYE Mar. 2006	FYE Mar. 2016
Information technology	11	458
Total number of employees	118	971

Assets

System related (*) assets increased over 10 years

* Software + software in progress + Equipment (Consolidated)



Business Performance by Segment

Summary of Monex Group

When the revenue is broken down by region, 60% is generated in Japan and 40% comes from the U.S. 60% of Monex Group's employees are located in the U.S. and China and 40% are in Japan. Approximately 50% of personnel in the entire Group hold IT-related positions. The shift to globalizing operations and in-house systems that characterizes the Monex Group is clearly expressed in the breakdown of revenue and employees (See pie chart on page 39 for details).

Japan

Overview of Business

Since its founding in 1999, Monex, Inc. has been a primary source of revenue. Approximately 90% of the trading volume in the Japanese stock market is traded by individuals passing through 5 main online securities businesses, and one of those firms is Monex. It has a total of one million active accounts, amounting to ¥3.5 trillion for assets in custody. We provide a broad range of leading investment products and services as well as customer education in order to deliver retail investors with the same level of products and services as institutional investors. Compared to our competitors, many of our customers, relatively speaking, seek to build their asset portfolios over the medium and long terms. We also have a track record of introducing many products and services in Japan for the first time (such as, after-hours trading of Japanese equities, stock lending service, first lead manager for an IPO from online securities brokers).

Main Topics for Fiscal Year Ended March 2016

As per our medium- to long-term business strategy Global Vision, two systems were developed during the fiscal year under review: a new backbone brokerage system and the Japanese equities trading tool TradeStation.

Our new backbone brokerage system is already up and running, supporting NISA accounts, bonds, futures and options trading, and we hope to be ready for full operation in early 2017. After the switchover to this backbone system, we expect a reduction in the annual fixed-type costs of approximately ¥1 billion for the fiscal year ended in March 2018. In addition, we introduced the Japanese equities trading tool TradeStation for active traders in March 2016. We hope to acquire customers who trade more frequently, which differs from our existing customer base, in order to recover our market share in buying and selling.

Initiatives Targeting Medium- and Long-Term Growth

In the Japan segment, broadening our customer base and the number of retail investors is a medium and long term issue. Monex, Inc. specifically acquire active traders (trade frequently), and in the fall of 2016, Monex-Saison-Vanguard Investment Partners is scheduled to begin our wrap service, seeking to expand the number of traders to attract individuals who are not used to investing in other financial instruments besides deposits. Going forward, our goal is to build more assets in custody from our customers over the medium and long terms, by taking advantage of good opportunities to increase revenue when there are changes in the financial climate, such as an intergenerational transfer of assets due to an increase in inheritors, a transition from deflation to inflation and negative interest rates. We will continue to create a high-quality customer base by providing a wealth of investment information and customer education – the strengths of Monex, Inc.

SWOT analysis

Strengths

- High-quality customer base focusing on medium and long term traders and investors
- Rate of account utilization and assets in custody per account rank in the top class of online security brokers
- Unique products and services using technology from U.S.-based TradeStation Group

Weaknesses

- Low turnover rate for assets in custody due to few active traders engaged in large trade volumes
- High fixed-type costs due to running the new and old backbone brokerage systems simultaneously (complete migration to new system in fiscal year ended in March 2017)

Opportunities

- Policies that promote the flow from savings to investments
- Intergenerational transfer of assets due to an increase in inheritors and a new generation of retail investors
- Creating new markets by developing financial technology

Threats

- Less profitability due to increased competition in commission fees, etc.
- Restrictions that lower the risk tolerance of retail investors and market liquidity
- New competitors from different industries

U.S.

Overview of Business

Originally founded as a systems development company in 1982, TradeStation Group, Inc. changed its focus to the online securities business and has earned an excellent reputation for its technical expertise. Its in-house-developed trading and analysis platforms have been endorsed by active traders for many years. They joined the Monex Group in June 2011 and now have a high-quality customer base with 60,000 active accounts and \$3.7 billion for assets in custody (as of March 31, 2016).

Main Topics for Fiscal Year Ended March 2016

In the U.S. segment, systems development projects for Monex, Inc. continue to make progress and post sales. There was an upturn in the market environment for the U.S., and we were able to improve the financial revenue by revising management methods for assets in custody from customers. These successes translated into recording profits for the second and third quarters for the fiscal year.

Initiatives Targeting Medium- and Long-Term Growth

Changing to a profitable business structure is our highest priority. As development activity for Monex Inc. settled, and to adapt to sluggish market trading, the TradeStation Group carried out downsizing measures in March 2017. Measures to boost earnings will continue to be implemented while also making cuts a priority in fixed costs.

SWOT analysis

Strengths

- High-quality customer base focusing on active traders
- Long history of many award-winning, in-house trading tools
- Technology development system that produces competitive products and services

Weaknesses

- Targeted customer base is limited and the number of accounts and assets in custody are low compared to competitors
- Fixed-type costs are high such as personnel expenses and depreciation expenses

Opportunities

- Higher interest rates
- Global development of Business-to-Business-to-Consumer model

Threats

- Conditions with little market volatility continue
- Stricter regulations for retail financial business and capital regulations for financial organizations

China

Overview of Business

The Monex Boom Securities Group is an online securities firm for retail investors based in Hong Kong. The company was founded in 1997 and became a subsidiary of the Monex Group in 2010. They have a strategic role to develop business in Hong Kong for the Group and create future business opportunities in mainland China. In the China segment, we entered into a joint venture with a securities firm in mainland China and are involved in supporting the integration of technology necessary for the online securities business.

Main Topics for Fiscal Year Ended March 2016

Monex Boom Securities alone reported profits but investment losses were recorded due to the equity method used for our joint venture in mainland China and thus the China segment reported a loss. The scale of the China segment business is limiting and the impact on the consolidated results of the Group is minimal.

Initiatives Targeting Medium- and Long-Term Growth

We are also executing measures to expand the business for the Hong Kong-based Monex Boom Securities while continuing our strategy to create opportunities for our online securities business in mainland China. Our future plan in the China segment is to also continue to invest while controlling the risk.

SWOT analysis

Strengths

- Executing multiple policies to create business opportunities (Hong Kong-based online securities firm, mainland China Representative Office and technology consulting firm)
- Amount of investment is limited to a pre-established scale
- Beneficial partnership with local securities firm

Weaknesses

- Small business scale

Opportunities

- Expanding securities trading for retail investors and online trading
- Easing regulations for the entry of foreign companies in the mainland China brokerage industry

Threats

- Regulations and policies that are difficult to predict

Message from the CFO

Transitioning from investment stage to boosting earnings. Reaching a 15% ROE.



Monex Group's finances reached a major turning point in our medium- to long-term business strategy Global Vision.

Aiming to improve capital efficiency and profit levels while controlling costs to maximize the shareholder return.

Monex Group, Inc.
Executive officer & Co- CFO
Director of management control
& investor relations

Satoshi Hasuo

Overview of Business Performance for Fiscal Year Ended March 2016

(See page 40 for details.)

The operating revenue for the fiscal year ended March 2016 increased 7% year on year to ¥54.271 billion. Selling, general and administrative (SG&A) expenses increased 11% year on year, totaling ¥41.395 billion. In addition, loss on the termination of an outsourcing contract related to the backbone brokerage system was ¥2.451 billion, and there was a ¥132 million loss on business restructuring of the foreign exchange business in the U.S., both of which were recorded as temporary costs. This resulted in a profit attributable to the owners of the Company of ¥3.554 billion, an increase of ¥60 million compared to the previous fiscal year.

Logic Tree for Increasing Corporate Value in Online Securities

(Refer to logic tree for medium and long term ROE targets on page 37)

In order to increase the corporate value from a financial side, there are two points that must be addressed: increase profitability and invest in projects while maintaining a sufficient level of equity capital as a securities business. In order to improve profitability in the online securities business, in which the trading volume is heavily influenced by the boom-and-bust cycle, it is essential to increase the customer base that generates revenue – that is, the number of accounts and assets in custody – and to keep costs at a controlled level.

Revenue can be divided and generated under two general categories: revenue flow and stocks. The Monex Group has a strategy in place to boost growth in both revenue flow and stocks. We are aiming to boost revenue flow by using the Japanese equities trading tool TradeStation – launched in March 2016 – to acquire more active traders. We are targeting customers who trade more frequently, which differs from our existing customer base,

in order to boost revenue in the medium term. On the other hand, part of our strategy to achieve revenue growth in stocks involves our wrap service, which is scheduled to be launched in the fall of 2016 by our subsidiary Monex-Saison-Vanguard Investment Partners. In the long term, we will pool the capital generated from the small-scale accounts from our many traders and investors, increasing our assets in custody and thereby boosting the revenue in stocks.

A major topic related to expenses is cutting fixed costs. System related expenses account for most of the fixed costs in the online securities business, and controlling this cost is key to boosting revenue. Cutting fixed costs has been a constant topic of discussion, and our cost structure is now undergoing major reforms in Global Vision. The breakdown of system-related expenses has significantly changed since we began transitioning to in-house systems and held those systems as assets. Instead of paying outsourcing costs to external system vendors, our depreciation expense has become the main component of our cost structure. By switching to in-house systems, we have increased our ability to control expenses, because now we can distribute the expenses more swiftly to areas that are directly linked to achieving revenue.

The Monex Group is using ROE as an important financial index and has set a financial target to achieve a 15% ROE over the medium to long terms. We can increase

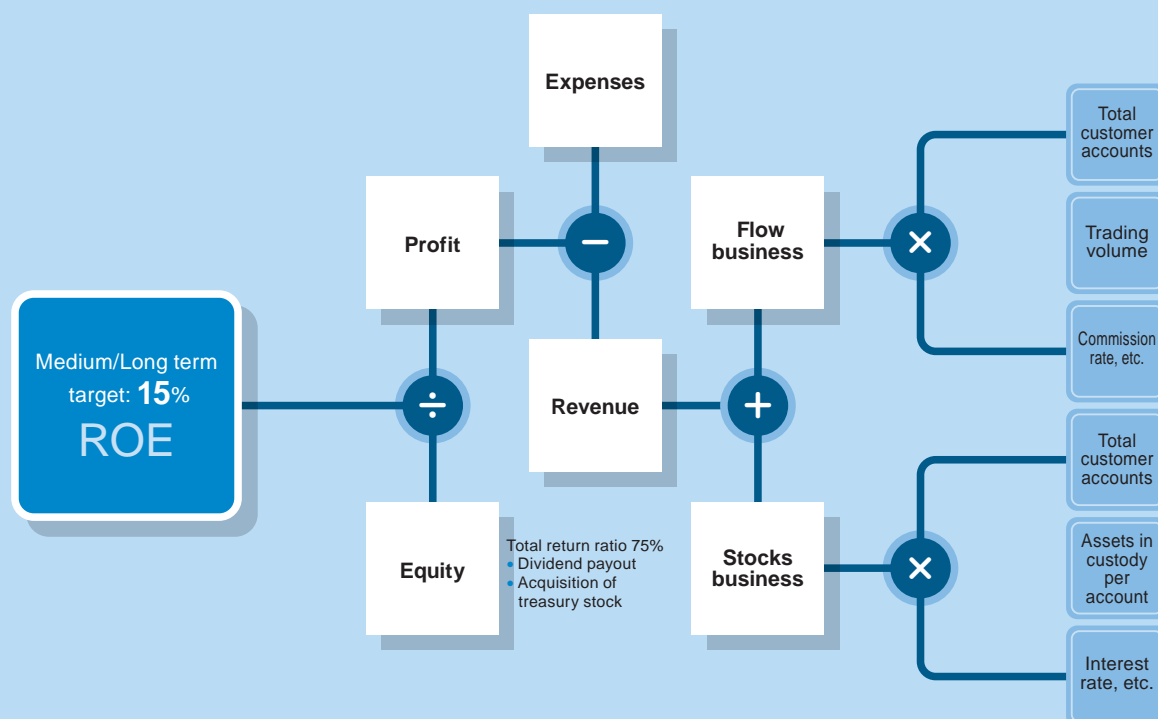
ROE by maintaining a good balance between controlling expenses and controlling the amount of equity capital required for our securities business.

Stage of Boosting Revenue & Profit, Stock Options with Charge

The investment for our large scale system based on the medium- to long-term business strategy Global Vision is scheduled to be completed by March 2017. Using the outcome of this investment, we will boost revenue by launching an active trader business in Japan. We will also be transitioning from the investment stage (past 5 years) to a stage of increased profit and revenue, which will lower our fixed costs after switching over to a new backbone brokerage system. To improve our chances of success in raising revenue and profits, we issued stocks options (with charge) in March 2016 as an incentive for directors and employees of the Monex Group Inc. and its subsidiaries. This issuance included vesting conditions in which said stock options can be exercised only if business targets are met over multiple years. If the issued stocks options are all exercised, the dilution rate is 4.12%. But this design helps

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Logic Tree for Medium and Long Term ROE Targets



Message from the CFO

increase the stock value thanks to the vesting conditions because the business targets must be met over multiple years.

Shareholder Return and Investment

For several fiscal years, we will aim for a total shareholder return ratio of 75%, with 50% used for a dividend payout and 25% used either for additional dividends or the acquisition of treasury stock. Furthermore, the payment of dividend DOE ratio will be limited to 2% (annual ratio) of the DOE ratio.

Equity - minus the fixed-type assets recorded in the balance sheet - is earmarked to fund business investments (including internal reserves for future business investments) and shareholder return for the Group. The equity at the end of the fiscal year totaled ¥86 billion while fixed-type assets came to ¥59.3 billion. The total amount of fixed-type assets deducted from total equity was ¥26.7 billion, which has been allotted to shareholder return, business investments and internal reserves for future business investments. Above all, our main priority is to maintain a level of equity capital that is legally required

when operating a securities business. The dividend payout for the fiscal year is established in our basic policy for shareholder return. The total payout was ¥9.6 (total dividend payout: ¥2.73 billion), with ¥7.0 for interim dividends and ¥2.6 for year-end dividends. In addition to our dividend payout, we also acquired treasury stock between July and August of 2015 totaling ¥1.16 billion, which gave us a total return ratio of 109% for the fiscal year.

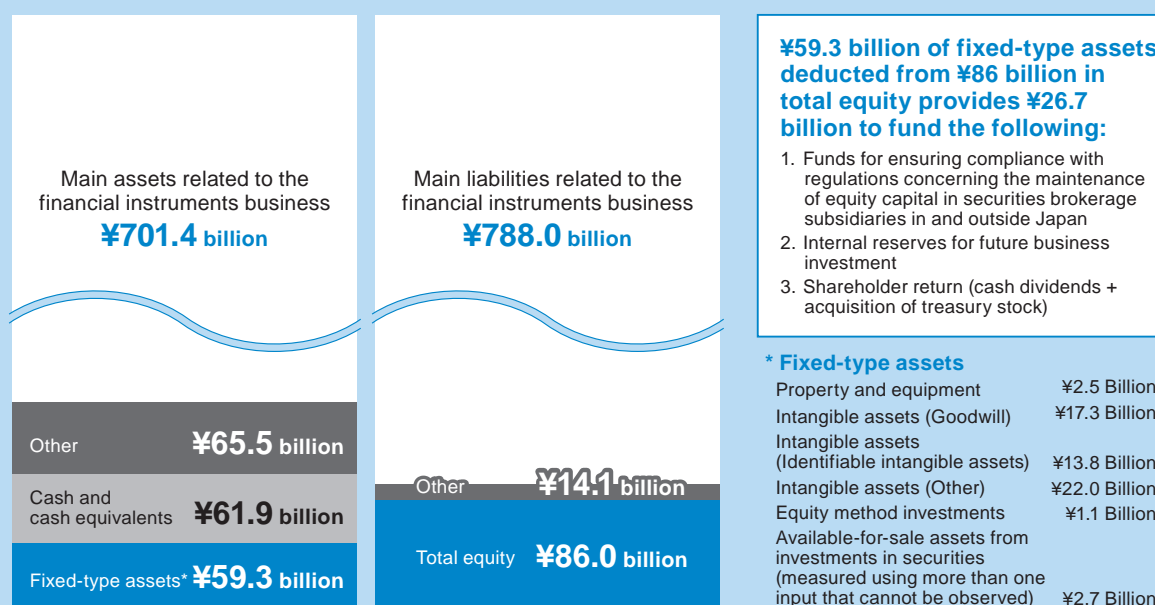
The progression of total equity minus fixed-type assets is shown in the ten-years highlight on pages 30 to 31. After an increase of total equity recorded in March 2011, that amount has been built up to ¥55.4 billion. Thereafter, the acquisition of overseas subsidiaries in conjunction with system investments based on our medium- to long-term business strategy resulted in an increase in fixed-type assets, which slightly decreased the total equity to ¥26.7 billion in March 2016. After the completion of Global Vision, we will enter a stage of potential profit and revenue growth, and we expect to be able to reinvest again in shareholder returns and future projects. For the short term, we will continue to invest into operations and projects using the assets gained from the Global Vision strategy and tie them into ways to generate and boost revenue and profits.

Total Equity Minus Fixed-type Assets

The Company earmarks the amount of fixed-type assets deducted from total equity to fund business investments and shareholder return.

Summary of the consolidated statement of financial position (As of March 31, 2016)

Total assets **¥888.1 billion** Total liabilities **¥802.1 billion**



Dialogue with Traders and Investors

The Monex Group makes fair disclosure the highest priority when engaged in discussion with shareholders, traders and investors. The Group ensures that the disclosure policy (*) is followed when engaging in dialogue with traders and investors. We set up a number of IR activities and actively provide opportunities to engage in dialogue with institutional investors and retail investors, by offering traders and investors more than 200 interviews and meetings in a one year span with the CEO, CFO and IR manager as well as webcasts using online video feeds for retail investors. We use these IR activities to field the requests and opinions of our shareholders, traders, and investors, and to provide regular feedback to management and as a form of checks and balances.

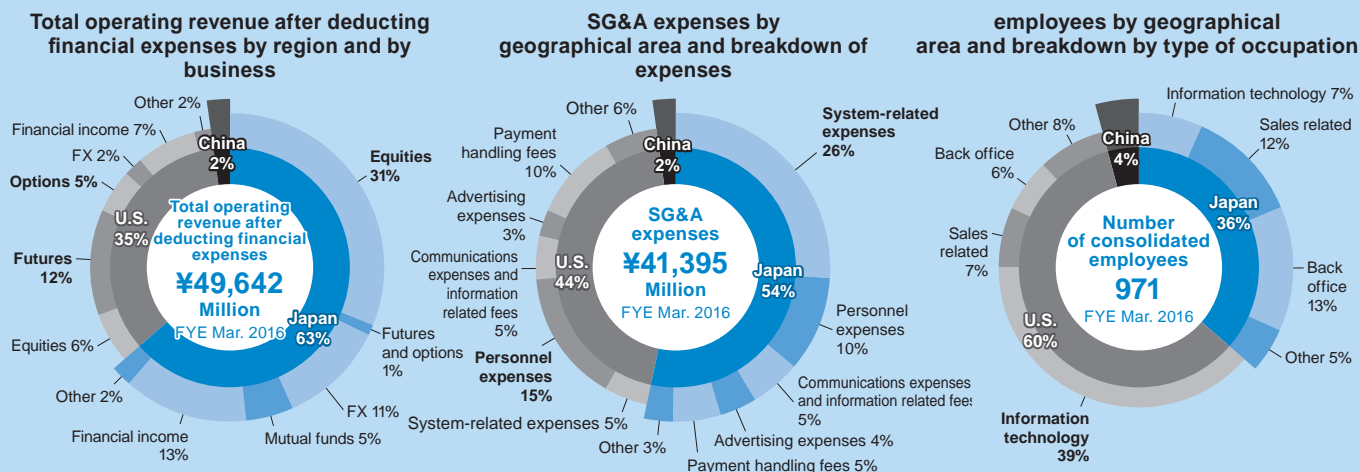
(*) http://www.monexgroup.jp/en/investor/disclosure_policy/index

Future Challenges

After the completion of Global Vision, the in-house system for the Group will be managed as an asset, and future system development and management costs must be controlled. We will invest management resources in measures that boost revenue and profits while also maintaining sufficient equity capital to manage a global securities business.

As we take on challenges such as controlling fixed-type costs in the Japan segment and creating profitability in the U.S. segment, we continue to invest in the “a step ahead in the Future of finance” – Monex, Inc.’s mission since its founding – in order to cement our foothold as an online financial provider chosen by customers for the future.

Group Revenue & Expenses and Employee Breakdown



Approximately half of the revenue generated from the Japan segment is from equities trading, however for the U.S. segment, roughly half is brought in from futures and options trading. This is because Japanese customers tend to be investors who make investments over the medium and long terms, which is different from U.S. customers, who are active traders who primarily take advantage of day trading.

While we continue to transition to the new in-house backbone brokerage system in Japan, almost half of the expenses in the Japanese segment are system related expenses, because we have to run the old system (developed by external vendors) simultaneously. The US segment has always employed system developers to develop their in-house system, causing the personnel expenses to make a large portion of the expenses.

Two thirds of the Group's employees are from areas outside of Japan. The Group has an internal system development structure and the majority of the personnel are involved in IT related work. This personnel structure is unique for a Japanese financial institution.

Financial Analysis

Revenue Analysis

The Monex Group has been applying IFRS (International Financial Reporting Standards) since March 2013. When disclosing the Consolidated Statement of Income to show the performance of our securities business – the primary business of the Group, we disclose the “Total operating revenue after deducting financial expenses and cost of sales” as an accounting item (which is equivalent to the “Net operating revenue” in the Japanese accounting standards) for the analysis of our performance, giving due consideration to showing the actual condition of our securities business and compatibility with our competitors.

Total operating revenue after deducting financial expenses for the fiscal year ended March 2016 increased 9.8% year on year (¥4.433 billion) to ¥49.642 billion, and the consolidated profit attributable to the owners increased 1.7% year on year (¥60 million) to ¥3.554 billion.

The factor analysis for the performance by geographical segment is as follows.

Japan Segment

Total operating revenue after deducting financial expenses and cost of sales increased 4.6% year on year (¥1.412 billion) to ¥31.822 billion. The main factors for the increase in the operating revenue include: an increase in foreign exchange trading and profitability due to more market volatility, our net trading income rising by 17.5% year on year (¥844 million), as well as our commission received increasing by 2.1% year on year (¥397 million) - thanks to a jump of 31% year on year in DARTs (*1) for futures trading.

Selling, general and administrative (SG&A) expenses came to ¥23.320 billion, up 16.6 % (¥3.317 billion) year on year. Due to running the new and old backbone brokerage systems simultaneously, system-related expenses (real estate-related expenses, office expenses and depreciation expenses) rose by 23.3% (¥2.181 billion) year on year. In addition, the number of employees increased by 10% year on year due to making preparations for in-house systems, the active traders business as well as the wrap service, contributing to a jump in personnel expenses by 14.8% (¥521 million). The rise in system-related expenses and in personnel expenses were the main factors that contributed to a rise in SG&A expenses.

Other income and expenses (net amount) (*2) came to -¥2.615 billion.

Loss on the termination of an outsourcing related to the backbone brokerage system was recorded as ¥2.451 billion in the main breakdown. With the switchover to the new backbone brokerage system - in the medium- to long-term business strategy Global Vision announced in 2011- finally settling down, the Company recorded contract as a temporary expense in the fiscal year under review.

(*1) DARTs (Daily Average Revenue Trades) is calculated as the average number of revenue generating trades or transactions per business day.

(*2) Other income and expenses (net amount): Other financial income + Other income + Equity in profits of equity method investments - Other financial expenses - Other expenses - Equity in losses of equity method investments

U.S. Segment

Total operating revenue after deducting financial expenses and cost of sales increased 26.7% year on year (¥3.904 billion) to ¥18.541 billion. The main factors behind this increase include: Net financial income increase by 87.8% (¥1.621 billion, year on year) after an interest rate swap contract was concluded to boost revenue utilizing assets in custody for TradeStation Group customers and investment targets and products for assets in custody were revised; and a brokerage commissions increase by 15.1% (¥1.179 billion, year on year) after DARTs for futures trading rose by 16% (year on year) thanks to more market volatility.

Selling, general and administrative (SG&A) expenses came to ¥18.392 billion, up 10.1% (¥1.690 billion) compared to the previous fiscal year. A retroactive adjustment became necessary to make changes to previously reported trading related expenses and personnel expenses, thus reporting them as temporary expenses in the fiscal year. This restatement accounted for increases of 7.9% (¥553 million, year on year) in trading related expenses and of 11.7% (¥658 million, year on year) in personnel expenses, which represent the main factors that caused a rise in SG&A.

However, when converting to yen, these figures are affected by the depreciation of the yen (yearly average) falling 9.1% year on year to the U.S. dollar.

China Segment

Total operating revenue after deducting financial expenses and cost of sales rose by 36.8% (¥223 million) year on year, totaling ¥830 million, caused by an increase of 22% year on year in DARTs for Hong Kong-based Monex Boom Securities.

Selling, general and administrative (SG&A) expenses came to ¥759 million, down 3.4% (¥26 million) compared to the previous fiscal year. This was caused by lower expenses for the fiscal year thanks to transferring the business company seeking to acquire more customers in mainland China the previous year.

However, when converting to yen, these figures are affected by the depreciation of the yen (yearly average) falling 9.1% year on year to the Hong Kong dollar.

This resulted in a consolidated profit attributable to the owners of the Company of ¥3.554 billion, up ¥60 million compared to the previous fiscal year.

The profit attributable to the owners of the Company in the Japan segment came to ¥3.893 billion, down 42.4% compared to the previous fiscal year. The profit attributable to the owners of the Company in the U.S. segment came to -¥152 million, up ¥3.021 billion compared to the previous fiscal year. In addition, the profit attributable to the owners of the Company in the China segment came to -¥27 million, up ¥128 million compared to the previous fiscal year.

Securities Business-Specific Explanation of Consolidated Balance Sheet and Cash Flow Statement

The Consolidated Balance Sheet and Cash Flow Statement that cover the Group's entire securities business may not accurately show the figures that are subject to specific standards for fiscal year end, because there are many accounting items, when compared to general business companies, that show the ups and downs affected by market conditions such as margin trading and assets in custody or the trading conditions of customers. The Consolidated Balance Sheet may make the Company's figures appear more inflated. However, a major component of the Consolidated Cash Flow Statement is the up and down figures posted at the beginning and end of the fiscal year for the Consolidated Balance Sheet, which tends to have inflated figures, thereby creating a potential gap from the actual conditions. For this reason, the figures that reflect the business performance in the Consolidated Balance Sheet and Cash Flow Statement are not analyzed.

Consolidated Business Performance & By Segment: Display Figures Reclassified

Main performance results (Millions of yen)	FYE Mar. 2015				FYE Mar. 2016				YoY rate Consolidated
	Consolidated	JPN	U.S.	CHN	Consolidated	JPN	U.S.	CHN	
Commission received	30,079	19,033	10,790	353	32,152	19,430	12,405	452	6.9%
Net trading income	6,242	4,831	1,411	0	6,671	5,675	996	0	6.9%
Net financial income	8,222	6,402	1,847	114	9,981	6,504	3,468	227	21.4%
Net sales	-	-	11	-	-	-	291	-	-
Other operating income	667	144	577	140	839	213	1,381	151	25.8%
Total operating revenue after deducting financial expenses and cost of sales (*)	45,209	30,410	14,637	607	49,642	31,822	18,541	830	9.8%
Selling, general and administrative expenses	37,143	20,004	16,702	785	41,395	23,320	18,392	759	11.4%
The amount equivalent to operating income	8,066	10,406	(2,065)	(179)	8,247	8,502	150	71	2.2%
Other income and expenses (net amount)	(1,951)	91	(2,275)	23	(3,146)	(2,615)	(675)	(101)	-
Profit before income taxes	6,115	10,498	(4,340)	(156)	5,100	5,887	(525)	(30)	-16.6%
Profit Attributable to Owners of the Company	3,494	6,756	(3,173)	(155)	3,554	3,893	(152)	(27)	1.7%

Note 1: The disclosed figures for the Japan, U.S. and China segments are before inside trading was eliminated, and the total figures for Japan, the U.S. and China do not match the consolidated figures.

Note 2: The figures from the Consolidated Statement of Income on page 42 have been reclassified.

(*) The operating revenue minus financial expenses and cost of sales is the operating revenue (Commission received + Net trading income + Financial income + Sales + Other operating income) after deducting the financial expenses and the cost of sales. Please note that sales and costs of sales does not impact the consolidated financial results for trading between segments.

Consolidated Financial Statements

Consolidated Statement of Income

For the consolidated fiscal years ended March 31, 2015 and 2016

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Revenue:			
Commission received	¥30,079	¥32,152	\$285,540
Net trading income	6,242	6,671	59,242
Financial income	13,987	14,610	129,751
Other operating income	667	839	7,449
Total operating revenue	50,975	54,271	481,983
Other financial income	82	639	5,673
Other income	210	32	282
Total revenue	51,267	54,942	487,937
Expenses:			
Financial expenses	5,766	4,629	41,112
Selling, general and administrative expenses	37,143	41,395	367,633
Other financial expenses	272	843	7,491
Other expenses	1,970	2,906	25,809
Equity in losses of equity method investments	2	67	598
Total expenses	45,152	49,842	442,643
Profit before income taxes	6,115	5,100	45,294
Income tax expense	2,621	1,584	14,069
Profit	3,494	3,516	31,225
Profit attributable to:			
Owners of the Company	3,494	3,554	31,565
Non-controlling interests	—	(38)	(340)
Profit	¥ 3,494	¥ 3,516	\$ 31,225
	Yen		U.S. Dollars
Earnings per share attributable to owners of the Company:			
Basic earnings per share	¥ 12.15	¥ 12.46	\$ 0.11
Diluted earnings per share	—	12.45	0.11

Consolidated Statement of Comprehensive Income

For the consolidated fiscal years ended March 31, 2015 and 2016

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Profit	¥3,494	¥3,516	\$31,225
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of available-for-sale financial assets	740	1,757	15,606
Changes in fair value of hedging instrument	245	499	4,428
Foreign currency translation adjustments in foreign operations	4,117	(1,779)	(15,801)
Share of other comprehensive income of equity method investments	(5)	18	156
Other comprehensive income after income taxes	5,097	494	4,389
Total comprehensive income	8,591	4,010	35,613
Total comprehensive income attributable to:			
Owners of the Company	8,591	4,048	35,954
Non-controlling interests	—	(38)	(340)
Total comprehensive income	¥8,591	¥4,010	\$35,613

Glossary

■ Commission received

This refers to the brokerage commissions received from the customers primarily for securities trading. It also includes underwriting and distribution commission fees and flotation and distribution fee, agency fees related to customer traded mutual funds as well as administrative fees related to margin trading.

■ Net trading income

This refers primarily to the changes in the fair value for derivative assets and liabilities related to foreign exchange trading, as well as the gain and loss on sale of and/or changes in the fair value of trading securities, etc.

■ Financial income and financial expenses

Financial income refers to margin trading based income, securities lending based income, interest earned, dividend earned as well as gains from sales and/or changes in the fair value of security investments. Financial expenses refer to margin trading expenses, securities lending expenses, interest paid, as well as loss from sales and/or changes in the fair value of security investments.

■ Other operating income

This refers primarily to trading tool usage fees and information service fees for customers.

Consolidated Statement of Financial Position

As of March 31, 2015 and 2016

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Assets:			
Cash and cash equivalents	¥ 68,540	¥ 61,902	\$ 549,755
Cash segregated as deposits	525,567	497,442	4,417,778
Trading securities and other	4,148	2,945	26,157
Derivative assets	13,432	19,153	170,101
Investments in securities	8,176	3,707	32,925
Margin transaction assets	175,637	149,236	1,325,363
Loans secured by securities	159,969	31,628	280,885
Other financial assets	46,003	64,272	570,800
Property and equipment	2,408	2,457	21,822
Intangible assets	48,807	53,053	471,159
Equity method investments	1,136	1,125	9,994
Deferred tax assets	20	8	75
Other assets	1,398	1,187	10,542
Total assets	¥1,055,242	¥888,116	\$7,887,356
Liabilities and Equity:			
Liabilities:			
Derivative liabilities	¥ 12,159	¥ 7,178	\$ 63,751
Margin transaction liabilities	46,125	33,006	293,127
Loans payable secured by securities	195,521	71,974	639,201
Deposits received	368,656	350,904	3,116,373
Guarantee deposits received	184,850	170,666	1,515,686
Bonds and loans payable	150,418	154,261	1,369,995
Other financial liabilities	4,958	5,868	52,114
Provisions	158	2,556	22,704
Income taxes payable	230	1,505	13,364
Deferred tax liabilities	3,732	3,161	28,073
Other liabilities	1,504	1,014	9,004
Total liabilities	968,310	802,094	7,123,392
Equity:			
Common stock	10,394	10,394	92,305
Additional paid-in capital	40,510	40,510	359,772
Retained earnings	23,991	22,380	198,756
Other components of equity	12,038	12,532	111,296
Equity attributable to owners of the Company	86,932	85,816	762,129
Non-controlling interests	—	207	1,835
Total equity	86,932	86,022	763,964
Total liabilities and equity	¥1,055,242	¥888,116	\$7,887,356

■ Cash segregated as deposits

This refers to the account of trusts consisting of the deposits received and guarantee deposits received from customers. According to the legal stipulations of each country, each securities company and financial company in the Monex Group separately controls and manages the trusts in order to preserve them. Management instruments refer to securities such as Japanese government bonds or U.S. Treasury medium-term securities, bank deposits and call loans.

■ Trading securities and other

This refers to securities held by the Monex Group for the purpose of providing financial instruments for the customer.

■ Derivative assets and liabilities

This refers to interest rate swaps traded for the purpose to mitigate the risk of fluctuation in future cash flow for foreign exchange related funds, loans, deposits and monies provided by the Monex Group.

■ Investments in securities

This refers to investments in securities held by the Monex Group excluding trading securities and other.

■ Margin transaction assets and liabilities

This refers to the customer's purchase fund equivalent and sales proceeds equivalent, as well as a securities finance company's cash collateral and loans, which occur in margin trading provided by Monex, Inc.

■ Loans payables and loans secured by securities

This refers to receivables and payables to correspondent financial institutions that occur from the transactions for loans secured by securities and loans payables secured by securities provided by the Monex Group.

■ Other financial assets

This refers to guarantee money paid on contract or receivables to the customer that occurs from margin transactions in the U.S. and China.

■ Intangible assets

This refers to goodwill that occurs from subsidiary acquisitions, items with high-potential profitability that arise from software related development costs and other assets acquired by the Monex Groups that have a finite service life.

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

For the consolidated fiscal years ended March 31, 2015 and 2016

(Millions of yen)

	Equity attributable to owners of the Company										Non-controlling interests	Total equity
	Common stock	Additional paid-in capital	Treasury stock	Retained earnings	Changes in fair value of available-for-sale financial assets	Changes in fair value of hedging instrument	Foreign currency translation adjustments in foreign operations	Share of other comprehensive income of equity method investments	Sub-total	Total		
Balance as of March 31, 2014	¥10,394	¥40,510	¥—	¥22,856	¥ 872	¥(143)	¥ 6,138	¥74	¥ 6,941	¥80,701	¥ —	¥80,701
Profit	—	—	—	3,494	—	—	—	—	—	3,494	—	3,494
Other comprehensive income	—	—	—	—	740	245	4,117	(5)	5,097	5,097	—	5,097
Total comprehensive income	—	—	—	3,494	740	245	4,117	(5)	5,097	8,591	—	8,591
Transactions with owners:												
Dividends paid	—	—	—	(2,359)	—	—	—	—	—	(2,359)	—	(2,359)
Total of transactions with owners	—	—	—	(2,359)	—	—	—	—	—	(2,359)	—	(2,359)
Balance as of March 31, 2015	¥10,394	¥40,510	¥—	¥23,991	¥1,612	¥ 102	¥10,255	¥69	¥12,038	¥86,932	¥ —	¥86,932
Profit	—	—	—	3,554	—	—	—	—	—	3,554	(38)	3,516
Other comprehensive income	—	—	—	—	1,757	499	(1,779)	18	494	494	—	494
Total comprehensive income	—	—	—	3,554	1,757	499	(1,779)	18	494	4,048	(38)	4,010
Transactions with owners:												
Dividends paid	—	—	—	(4,003)	—	—	—	—	—	(4,003)	—	(4,003)
Acquisition of treasury stock	—	—	(1,162)	—	—	—	—	—	—	(1,162)	—	(1,162)
Cancellation of treasury stock	—	(1,162)	1,162	—	—	—	—	—	—	—	—	—
Transfer to Additional paid-in capital from Retained earnings	—	1,162	—	(1,162)	—	—	—	—	—	—	—	—
Changes in ownership interests in subsidiaries that do not result in loss of control	—	—	—	—	—	—	—	—	—	—	245	245
Total of transactions with owners	—	—	—	(5,165)	—	—	—	—	—	(5,165)	245	(4,920)
Balance as of March 31, 2016	¥10,394	¥40,510	¥—	¥22,380	¥3,369	¥ 600	¥ 8,476	¥86	¥12,532	¥85,816	¥207	¥86,022

(Thousands of U.S. Dollars)

	Equity attributable to owners of the Company										Non-controlling interests	Total equity
	Common stock	Additional paid-in capital	Treasury stock	Retained earnings	Changes in fair value of available-for-sale financial assets	Changes in fair value of hedging instrument	Foreign currency translation adjustments in foreign operations	Share of other comprehensive income of equity method investments	Sub-total	Total		
Balance as of March 31, 2015	\$92,305	\$359,772	\$—	\$213,061	\$14,316	\$ 904	\$ 91,076	\$611	\$106,907	\$772,046	\$ —	\$772,046
Profit	—	—	—	31,565	—	—	—	—	—	31,565	(340)	31,225
Other comprehensive income	—	—	—	—	15,606	4,428	(15,801)	156	4,389	4,389	—	4,389
Total comprehensive income	—	—	—	31,565	15,606	4,428	(15,801)	156	4,389	35,954	(340)	35,613
Transactions with owners:												
Dividends paid	—	—	—	(35,548)	—	—	—	—	—	(35,548)	—	(35,548)
Acquisition of treasury stock	—	—	(10,323)	—	—	—	—	—	—	(10,323)	—	(10,323)
Cancellation of treasury stock	—	(10,323)	10,323	—	—	—	—	—	—	—	—	—
Transfer to Additional paid-in capital from Retained earnings	—	10,323	—	(10,323)	—	—	—	—	—	—	—	—
Changes in ownership interests in subsidiaries that do not result in loss of control	—	—	—	—	—	—	—	—	—	—	2,175	2,175
Total of transactions with owners	—	—	—	(45,870)	—	—	—	—	—	(45,870)	2,175	(43,695)
Balance as of March 31, 2016	\$92,305	\$359,772	\$—	\$198,756	\$29,922	\$5,332	\$ 75,275	\$768	\$111,296	\$762,129	\$1,835	\$763,964

Consolidated Statement of Cash Flows

For the consolidated fiscal years ended March 31, 2015 and 2016

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Cash flows from operating activities:			
Profit before income taxes	¥ 6,115	¥ 5,100	\$ 45,294
Depreciation and amortization	3,942	4,911	43,617
Provision of allowance for loss on cancellation of outsourcing contract	—	2,400	21,314
Loss on business restructuring	1,702	132	1,171
Gain on sales of investments in subsidiaries	(100)	—	—
Financial income and financial expenses	(8,031)	(9,776)	(86,820)
Decrease/increase in derivative assets/liabilities	1,311	(10,039)	(89,156)
Decrease/increase in assets/liabilities for margin transaction	12,410	13,283	117,963
Decrease/increase in loans/loans payable secured by securities	4,987	4,412	39,183
Decrease/increase in cash segregated as deposits	(68,275)	13,099	116,335
Decrease/increase in deposits received and guarantee deposits received	66,080	(14,521)	(128,960)
Decrease/increase in short-term loans receivable	(2,720)	(17,148)	(152,288)
Other, net	(16,945)	1,155	10,259
Sub-total	475	(6,991)	(62,088)
Interest and dividend income received	13,864	14,490	128,687
Interest expenses paid	(5,459)	(4,863)	(43,191)
Income taxes paid	(9,129)	(1,869)	(16,601)
Net cash provided by (used in) operating activities	(249)	766	6,807
Cash flows from investing activities:			
Purchase of investments in securities	(6,235)	(80)	(710)
Proceeds from sales and redemption of securities	7,159	5,386	47,832
Purchase of property and equipment	(1,233)	(706)	(6,272)
Purchase of intangible assets	(8,301)	(10,051)	(89,266)
Purchase of investments in joint ventures	—	(288)	(2,561)
Purchase of investments in associates	—	(70)	(622)
Proceeds from sales of subsidiaries	249	—	—
Other, net	(241)	(124)	(1,099)
Net cash provided by (used in) investing activities	(8,602)	(5,934)	(52,696)
Cash flows from financing activities:			
Net increase/decrease in short-term loans payable	(39,331)	11,741	104,274
Proceeds from long-term loans payable	32,221	—	—
Repayment and redemption of long-term loans payable	(2,500)	(7,500)	(66,607)
Purchase of treasury stock	—	(1,162)	(10,323)
Cash dividends paid	(2,358)	(3,997)	(35,494)
Proceeds from stock issuance to non-controlling interests	—	147	1,305
Proceeds from sales of investments in subsidiaries to non-controlling interests	—	98	870
Net cash provided by (used in) financing activities	(11,968)	(673)	(5,974)
Net increase/decrease in cash and cash equivalents	(20,819)	(5,840)	(51,863)
Cash and cash equivalents at the beginning of year	84,855	66,337	589,135
Effect of exchange rate change on cash and cash equivalents	2,300	(741)	(6,579)
Cash and cash equivalents at the end of year	¥66,337	¥59,756	\$ 530,692

This report does not include notes on the Consolidated Financial Statements.

To view the notes on the Consolidated Financial Statements, refer to the Annual Financial Statements that are disclosed and available on our website.

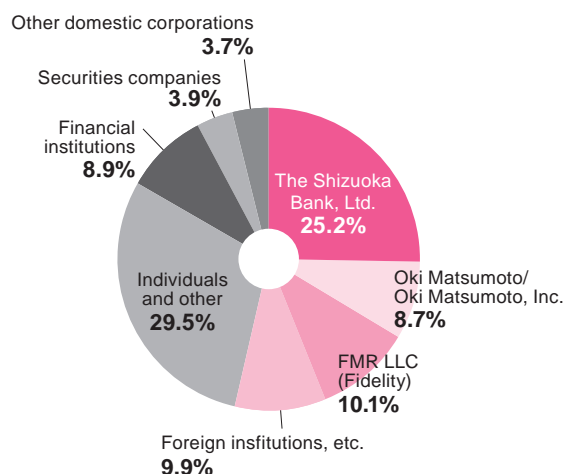
Our website > IR Library > Annual Report
http://www.monexgroup.jp/en/ir_library/annual_report/index

Stock Information (As of March 31, 2016)

Investor Information

Stock listing	First section of the Tokyo Stock Exchange
Security code	8698
Name of company	Monex Group, Inc.
Outstanding stock	284,134,300 shares
Trading unit	100
No. of shareholders	49,312
Administrator for shareholders' register	Mizuho Trust & Banking, Co., Ltd.
Fiscal year	From April 1 of each year to March 31 of the following year
Record date for year-end dividends	March 31
Record date for interim dividends	September 30
General Meeting of Shareholders	June each year

Major shareholders and shareholder breakdown

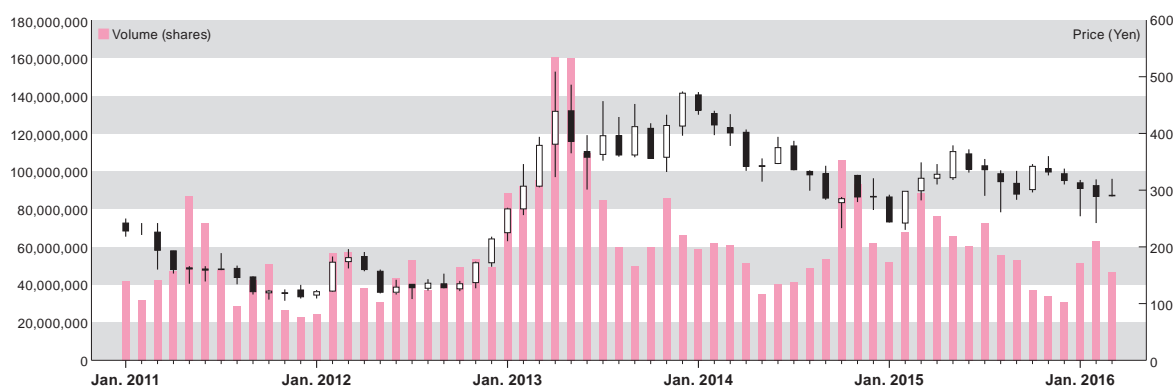


Major Shareholders

Name	No. of shares held (shares)	Percentage of shares held (%)
The Shizuoka Bank, Ltd.	57,536,100	20.25
Oki Matsumoto, Inc.	17,243,200	6.07
The Master Trust Bank of Japan, Ltd. (trust account)	13,428,500	4.73
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	12,279,749	4.32
State Street Bank and Trust Company	8,195,300	2.88
Oki Matsumoto	7,492,000	2.64
Mizuho Securities Co., Ltd.	6,045,300	2.13
Recruit Holdings Co. Ltd.	5,720,000	2.01
Japan Trustee Services Bank, Ltd. (trust account)	4,687,600	1.65
BBH For Fidelity Small Cap Stock Fund	4,353,000	1.53

- (Notes) 1. The Report of Possession of Large Volume (Change Report) submitted on April 7, 2016 indicates that The Shizuoka Bank, Ltd. holds 71,536,100 shares of the Company's stock (shareholding ratio of 25.18%) as of March 31, 2016.
2. The Report of Possession of Large Volume submitted on April 4, 2016 indicates that the Mitsubishi UFJ Financial Group, Inc. together with 4 companies (Mitsubishi UFJ Trust and Banking, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., kabu. com Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.) hold 15,610,600 shares (shareholding ratio of 5.43%) as of March 28, 2016.
3. The Report of Possession of Large Volume (Change Report) submitted on June 5, 2015 indicates that FMR LLC holds 28,719,813 shares (shareholding ratio of 9.98%) as of May 29, 2015.

Share Price and Volume



Stock split was carried out. 100 shares are defined as 1 share unit on Oct. 1, 2013 and the above figures were adjusted retroactively for Jan. 1, 2011.

Overview of Group Companies (As of June 30, 2016)

Monex Group, Inc.

Established	August 2004	Business Description	Holding Company
Representative	Oki Matsumoto	Headquarters	Kojimachi-odori Building 13F 2-4-1Kojimachi, Chiyoda-ku, Tokyo 102-0083, Japan
Capital	10,393 million yen	URL	www.monexgroup.jp/en/

Monex, Inc.

Established	May 1999
Representative	Oki Matsumoto
Capital	12,200 million yen
Business Description	Financial instruments business
Location	Chiyoda-ku, Tokyo, Japan

Monex Hambrecht, Inc.

Established	September 2005
Representative	Yuko Seimei
Capital	113 million yen
Business Description	M&A advisory service; research on OpenIPO®
Location	Minato-ku, Tokyo, Japan

Monex Ventures, Inc.

Established	November 2005
Representative	Satoshi Hasuo
Capital	100 million yen
Business Description	Venture capital investment business
Location	Chiyoda-ku, Tokyo, Japan

Trade Science Corporation

Established	April 2006
Representative	Kazuhiro Kunisada
Capital	91 million yen
Business Description	Investment advisory service and agency business
Location	Chiyoda-ku, Tokyo, Japan

Monex-Saison-Vanguard Investment Partners, Inc.

Established	August 2015
Representative	Keiichi Ohara
Capital	500 million yen
Business Description	Investment management and investment advisory service and agency business
Location	Minato-ku, Tokyo, Japan

TradeStation Group, Inc.

Established	January 2000
Representative	John Bartleman
Business Description	Immediate holding company in the U.S.
Location	Florida, United States of America

TradeStation Technologies, Inc.

Established	September 1982
Representative	Michael Fisch
Business Description	Technology development
Location	Florida, United States of America

TradeStation Securities, Inc.

Established	September 1995
Representative	John Bartleman
Business Description	Financial instruments business
Location	Florida, United States of America

Monex International Limited

Established	August 2010
Representative	Katsuki Mandai
Business Description	Immediate holding company in Hong Kong
Location	Hong Kong Special Administrative Region of the People's Republic of China

Monex Boom Securities (H.K.) Limited

Established	March 1997
Representative	Nick Tang
Business Description	Financial instruments business
Location	Hong Kong Special Administrative Region of the People's Republic of China

This is the Annual Report issued by Monex Group, Inc. ("the Company"). The descriptions for products, services, etc., that are handled by the Monex Group companies, are made only for disclosure purposes and are required for providing specific explanations about the Company. This presentation material contains forward-looking statements based on current expectations, assumptions, estimates and projections about our industry and the Company. Please note that these statements are based on current information but the actual performance results are subject to various risks and uncertainties, and therefore may be different than the material presented.

(published in September, 2016)



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