



INTEGRATED REPORT 2019



MONEX GROUP
Monex Group, Inc.

For Creative Minds

The Future of Money –

the most crucial element in the Future of Money is creativity.

While some may say knowledge,

data or information are important, these are not enough.

With clear vision and careful thinking,

they must be utilized and transformed into strengths.

In the finance industry, blockchain,

AI and other new technologies are opening up new possibilities.

In such times of change, people need to think out of the box

and have the flexibility to look at things from different perspectives.

Of course, this applies not only to people like you

but is also something we demand of each and every employee at Monex.

With creativity, we at Monex are moving forward to lead the times.

By always anticipating the demands of the creative individuals we serve,

by effectively utilizing various types of technology and knowledge,

we provide services that are always one step ahead.

Monex is embarking on a New Beginning

as we push forward stronger and faster than ever before.

Forging a dynamic partnership with our customers,

the Monex Group is dedicated to the Future of Money.

Business Principles

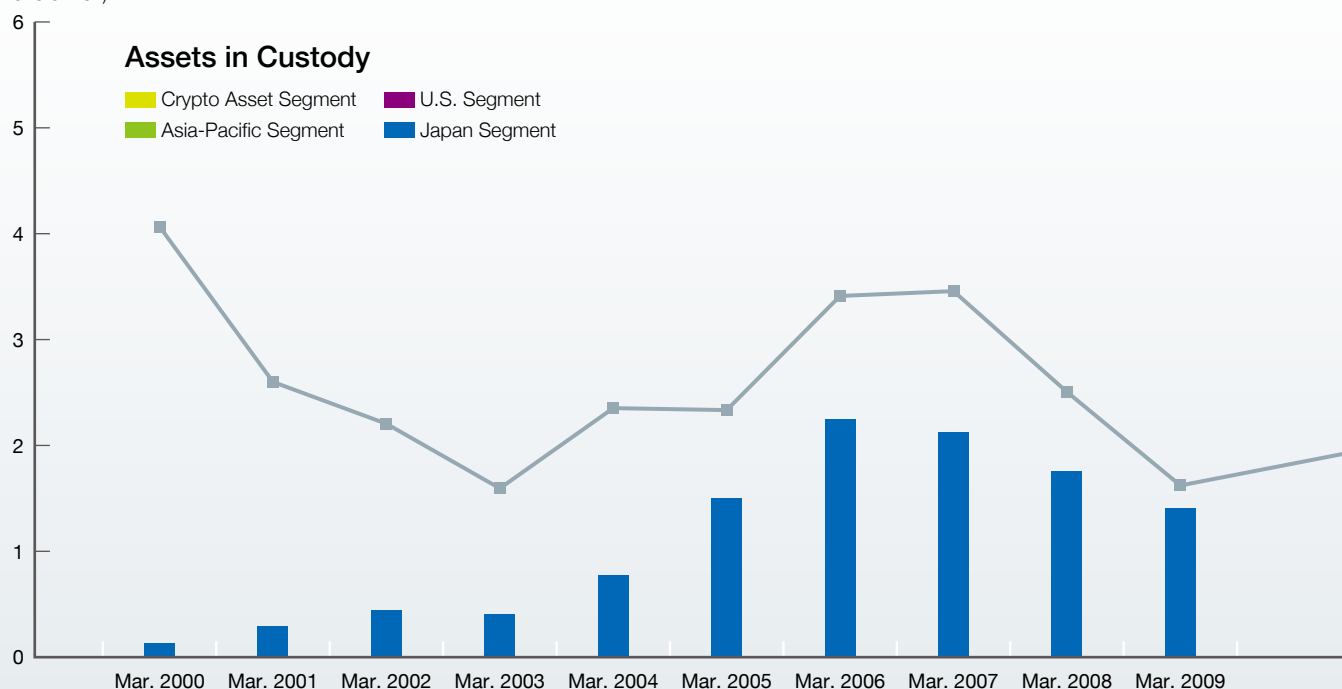
Always a step ahead of the “Y” in “MONEY,” our name MONEX symbolizes our position as a forerunner in finance.

In the face of an ever-changing future, the Monex Group utilizes state-of-the-art IT technologies and world-class financial expertise to design innovative ways of managing money and to redefine finance for a new era. We will strive to support everyone’s investment and economic needs.

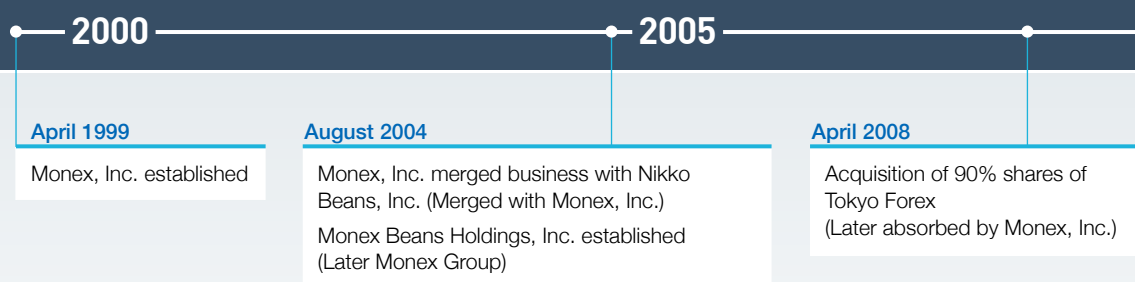


Monex Continues its Quest to Create the Future of Finance

(Trillions of Yen)



Expanded operations in Japan through M&A

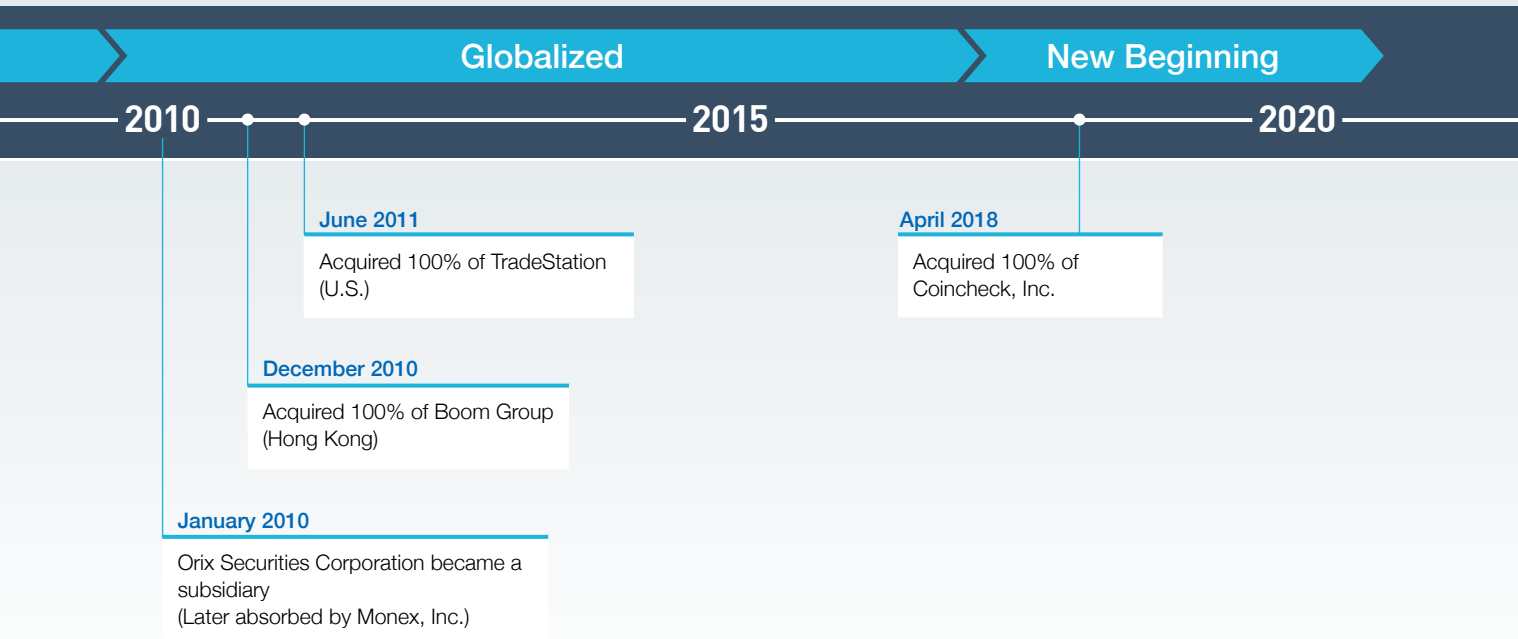
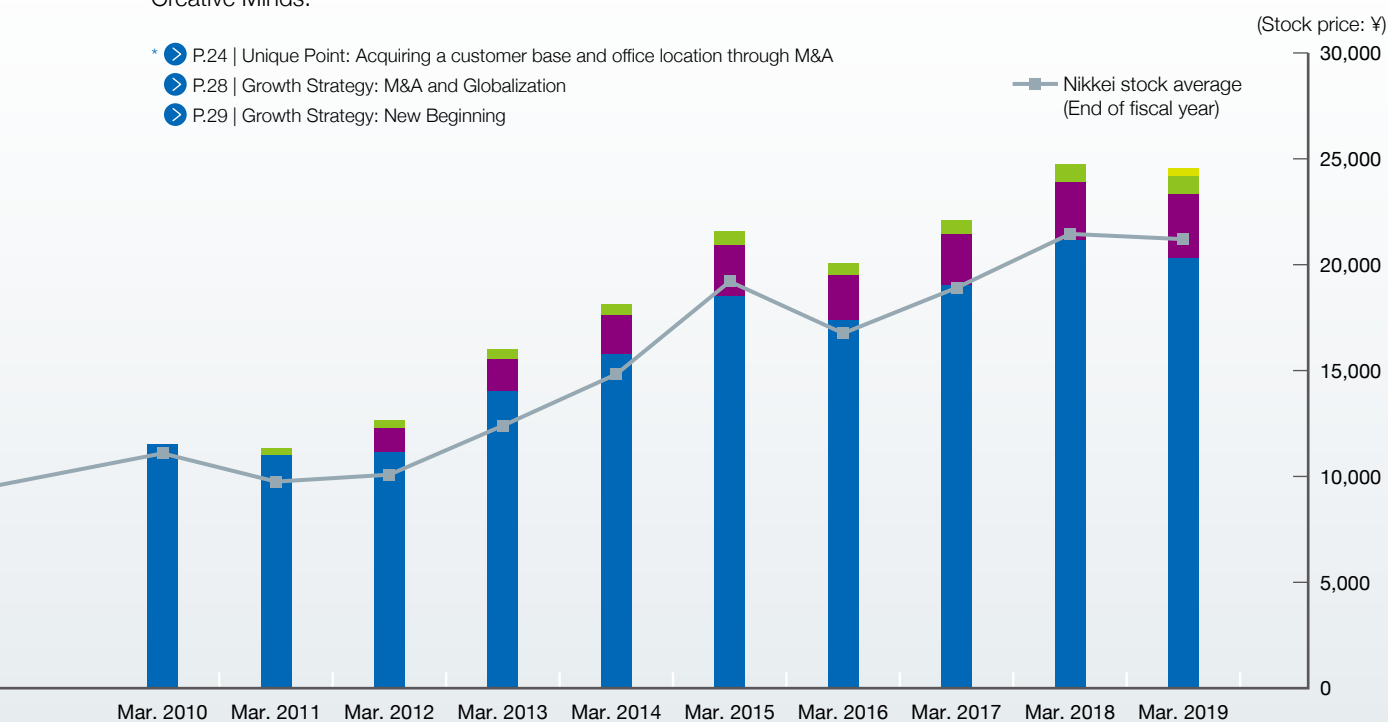


Segments in Group

Reporting segment	Japan	U.S.	Asia-Pacific	Crypto Asset	Investment
Main business	Financial instruments business in Japan	Financial instruments business in the U.S.	Financial instruments business in Hong Kong and Australia	Cryptocurrency exchange business	Investment business for securities
Main company	 MONEX Monex, Inc.	 TradeStation Securities, Inc.	 Monex Boom Securities (H.K.) Limited  Monex Securities Australia Pty Ltd	 Coincheck, Inc.	 Monex Ventures, Inc.

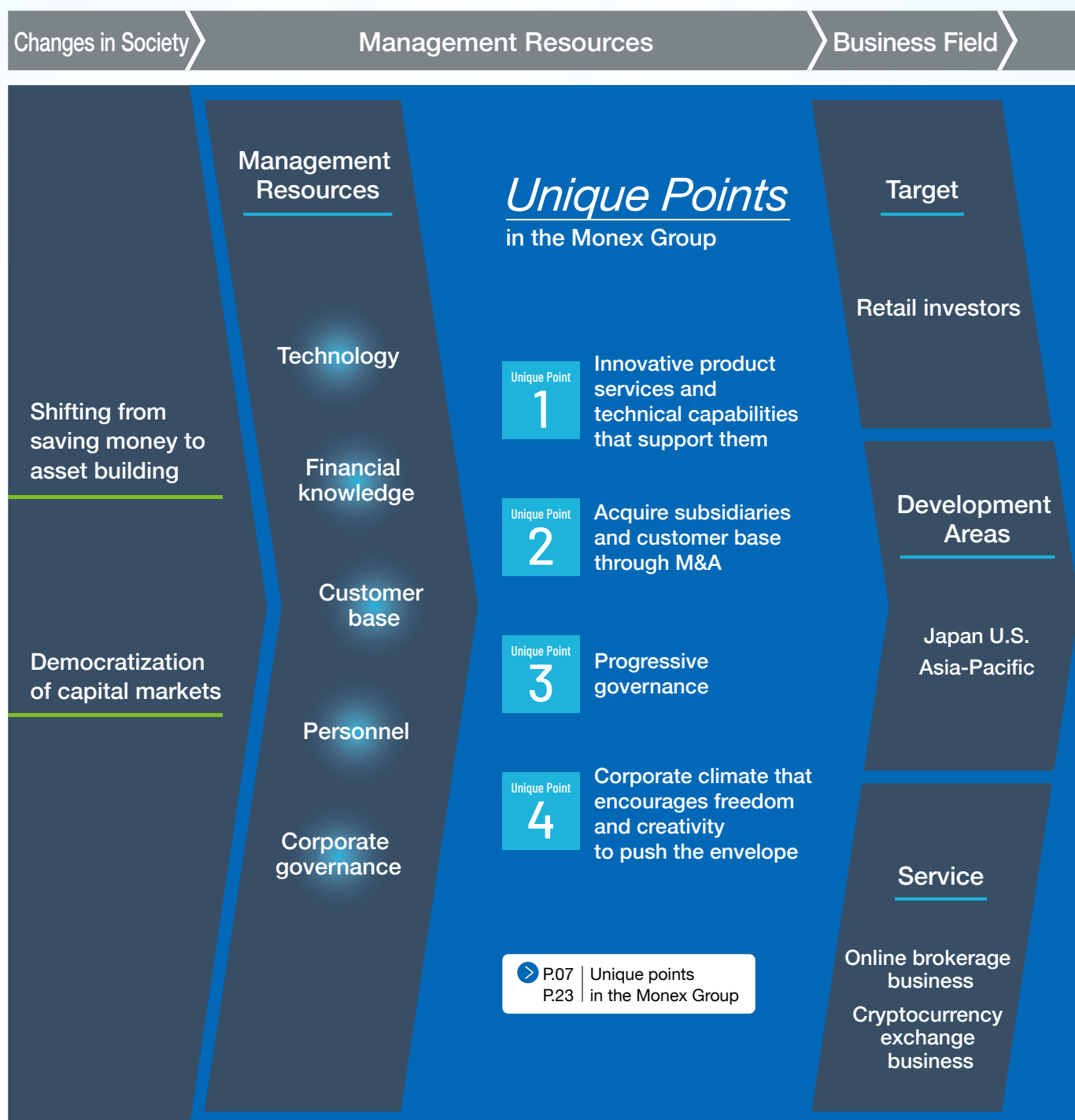
In April 2019, the Monex Group celebrated its 20 year anniversary since its founding. During this time, the Monex Group has made bold moves with significant mergers and acquisitions, expanding the group's domestic business to a global level. The customers' assets in custody for the entire group have reached ¥5 trillion. Through organic growth and different mergers and acquisitions, our strategy (*) to scale up our business has borne fruit and has become a testimony to the social value of the Monex Group. By increasing this value even more, we are evolving into a company that is poised to create the "Future of finance." This evolution has brought about innovative services and to ensure our many customers can continue to enjoy them, we shall continue to challenge ourselves in the spirit of our brand slogan "For Creative Minds."

- * > P.24 | Unique Point: Acquiring a customer base and office location through M&A
- > P.28 | Growth Strategy: M&A and Globalization
- > P.29 | Growth Strategy: New Beginning



Process of Creating Value for the Monex Group

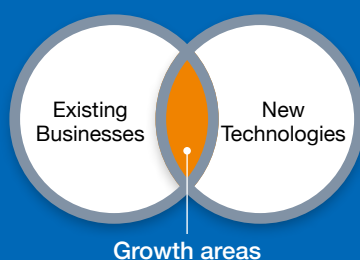
Bringing innovation to capital markets and to microeconomic activities using abundant operational resources and prominent and unique points



Growth Strategy

OUTCOME

Growth Strategy of the Monex Group



Create innovation (finance for the future)
using “Existing businesses × New technologies”

Growth Strategy

1

1999– Start of business

Founding of Monex, Inc.

Growth Strategy

2

2004– M&A and globalization

Created a global online securities business group

Growth Strategy

3

2017– New Beginning

Providing online securities business and
cryptocurrency (cryptoassets) (*) services

Growth Strategy

4

2018– Global Vision III

Finance for the future



P.09 | Growth strategy
P.27 | of the Monex Group

Social Value

Active accounts/
Accounts with balances/
Identity verified accounts

Total: **2** million
accounts
(March 2019)

Economic Value

Assets in custody

¥**4.9** trillion
(March 2019)

Total return ratio

75%
(Cumulative total since founding)

ROE (5 year average)

3.7%

* Hereafter referred to as “Cryptocurrency.”

Unique Points

of the Monex Group

> Refer to p.23–26 for further details.

Unique Point

1

Innovative product services and supporting technical resources

Distinct Features



First stock lending service in the industry
Specially designed, award-winning investment trusts
and corporate bonds



Various awards thanks to the support from active traders
and evaluating organizations



Six currencies available
Equities trading in 12 markets (multimarket and multicurrency)



Excellent UI/UX design
with 10 different cryptocurrencies available

Unique Point

2

Acquiring a customer base and office location through M&A

Distinct Features

Japan

Saison Securities, Nikko Beans, Inc., Tokyo Forex,
Orix Securities Corporation, Sony Bank Securities Inc

U.S.

TradeStation

Asian-Pacific

Boom Group

Crypto Asset Business

Coincheck, Inc.

Four advantages that enable the Monex Group to achieve sustainable growth

Unique Point

3

Progressive governance

Distinct Features

Adopted "Company with Three Committees."
Chairman of all three committees are outside directors

Two thirds of our directors are outside directors

Board of directors have diverse backgrounds

Dialogue-focused governance with sound shareholder returns
(cumulative return ratio since founding: 75%)

Unique Point

4

Corporate climate that promotes creativity and offers the freedom to constantly push the envelope

Distinct Features

Founded to support the democratization of capital markets

Shattering outdated conventions in the financial industry and
as a listed company

Investing in areas with expected sustainable growth

Growth Strategy

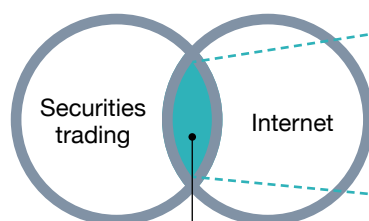
of the Monex Group

> Refer to p.27-30 for further details.

Using our existing businesses and new technology to generate innovation (future of finance)

Since the beginnings of the Monex Group, we have built up the corporate value by continuing to apply our existing business model in new areas. We develop strategies tailored upon its business environment changes for solving management issues, such as using technology or entering into foreign markets, in order to generate innovation in society. This approach is our growth strategy.

Growth Strategy 1 1999- Founding period



Monex, Inc. founded

Growth Strategy 2 2004- M&A and globalization



Create a global online brokerage group

Background

- Rise of the Internet provides a new infrastructure for society
- The financial system reform, "Japan's Big Bang" completely liberalizes the stock brokerage commission fees

- Slow growth in the Japanese stock market
- Focus on markets that are financially developed and those with potential like the U.S. and Hong Kong/Chinese markets, respectively

Features

- Vision to achieve the "democratization of capital markets" that are fair for retail investors

- Expand our customer base globally, and acquire and share the latest technology

Current state

Strong and progressive governance system that we have continued to pursue since our founding

U.S. Segment grew into the biggest earner, complemented by offering business operations with a global portfolio

Details

> P.27

> P.28

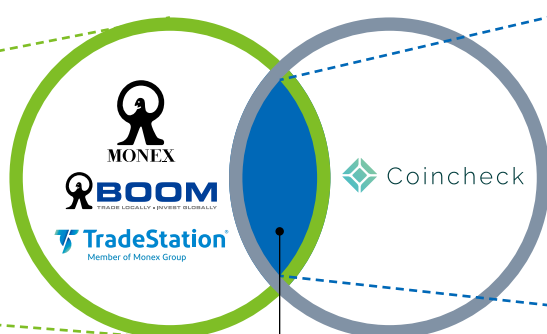
Future

Growth Strategy

3

2017-

New Beginning



Providing online brokerage
and cryptocurrency services

- Build new trading markets with cryptocurrencies

- Acquire a new customer base and technical capabilities with Coincheck joining the Group
- Combine the online securities and crypto asset businesses

Set up and promote a system to share
and redirect customers
between segments

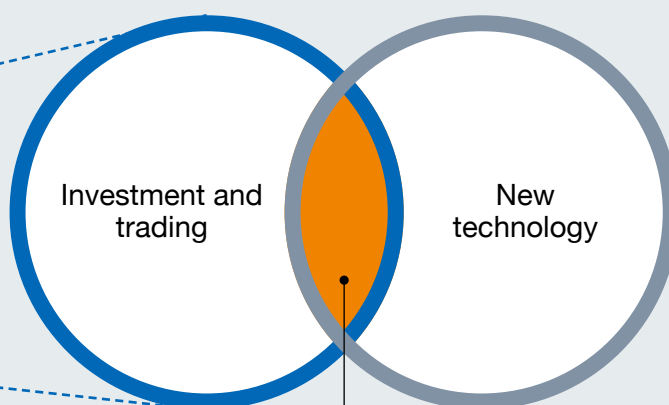
➤ P.29

Growth Strategy

4

2018-

Global Vision III



Future of finance

- Strengthen legislation concerning cryptocurrency
- Expectation of cryptocurrency as a replacement for traditional assets with the concept of "Money" changing

- Integrate AI in the U.S. and expand its utilization to each segment
- Use blockchain technology to develop new business
- Acquire millennials in Japan and the U.S.

Create a new service, outside of
online brokerage services,
to support individual economic activities

➤ P.30

ART IN THE OFFICE



Cover Artwork

first "I.U" zone.2 / Momoko Yoshida

2019/acrylic on polyester fabric

Ms. Yoshida held a workshop with Monex employees over a two day period, creating facial images together based on different themes. Thereafter, Ms. Yoshida remained at the Monex office for approximately 1 week. During that time, she amplified the facial images made with the employees and created giant paintings of facial expressions with soft colors. On the wall of the press conference room, there are images painted on a wide canvas screen that resembles a digital display. The paintings, themselves impressive, project facial close-ups featuring a sense of elation in a background that goes back and forth flirting with virtual spaces and realistic locales.



Workshop



MOMOKO YOSHIDA

PROFILE

Born in Hyogo Prefecture in 1989. Completed the Master's Course at Kyoto City University of Arts' Graduate School of Arts in 2016. Creates paintings that capture the sense of elation and the images that pop into her mind while listening to music to share that sense of elation with viewers. Was awarded Art Award Tokyo Marunouchi 2016's Mitsubishi Estate Award and the 2016 Kyoto City University of Arts' Graduate School of Arts Kyoto Mayor Award. Solo exhibitions include "scene UKH ver.3.1" at ART ZONE/Kyoto (2017) and "scene UKH ver.3" at Mitsubishi Ichigokan Museum, Tokyo Archive Room/Tokyo (2017). Also participated in group exhibitions, such as Kyoto Art for Tomorrow 2019 - "Kyoto Newcomer Exhibit"/The Museum of Kyoto (2019), "Kyoto Art Transmit Program 2018"/Kyoto City University of Arts Gallery @KCUA/Kyoto (2018), among others.

ART IN THE OFFICE

The Art in the Office program offers a chance and space for artists and business to come together, providing not only employee enrichment and refinement but social and cultural opportunities. It targets up-and-coming artists and is open to public entries that are presented on the wall of Monex Group's press room. We hope that new value can be created from this synergy produced from art and the office.

CONTENTS

Who we are?

01 VISION | For Creative Minds

02 Business Principles | Always a step ahead of the “Y” in “MONEY,” our name MONEX symbolizes our position as a forerunner in finance.

03 Growth Trajectory | Monex Continues its Quest to Create the Future of Finance

05 Process of Creating Value for the Monex Group | Bringing innovation to capital markets and to microeconomic activities using abundant operational resources and prominent and unique points

07 Unique Points of the Monex Group | Four advantages that enable the Monex Group to achieve sustainable growth

09 Growth Strategy of the Monex Group | Using our existing businesses and new technology to generate innovation (future of finance)

11 ART IN THE OFFICE/Cover Artwork

Increase Corporate Value

13 CEO Message

Representative Executive Officer,
Chairman & Chief Executive Officer, Monex Group, Inc.
Oki Matsumoto

19 CFO Message

Executive Officer, Chief Financial Officer, Monex Group, Inc.
Satoshi Hasuo

23 Unique Point [Details]

27 Growth Strategy [Details]

31 Building a Platform for Growth

33 MONEX ACTIVIST FORUM

Corporate Value Resources

35 Overview of Segments 54 Risk Management

43 ESG Management 57 Personnel

45 Corporate Governance 59 Society

Financial Section

61 Past 12 Years 73 Stock Information

63 Business KPIs 74 Overview of Group Companies

65 Financial Information

Monex Group Integrated Report 2019 Editing Policy

This report was created based on the Company's policies with due consideration of the IR Framework, released by the International Integrated Reporting Council and the Guidance for Collaborative Value Creation issued by Ministry of Economy, Trade and Industry. The report was made to show the Group's unique business model and management strategies and to enable the reader to gain an overall perspective of the Group.

Reporting Period

Fiscal year under review: April 1, 2018 to March 31, 2019
(including some activities that started from April 2019)

Organization under review

Monex Group, Inc. and Group Companies

Detailed Information on Financial Results

Refer to the Annual Financial Statements for details on the Annual Financial Statements in March 2019.
https://www.monexgroup.jp/en/investor/ir_library/annual_report.html

CEO Message

With the concept of money transforming,
our goal is to create a service that satisfies fundamental needs
and goes beyond the framework of finance,
in order to support the economic activities of every person.



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

Oki Matsumoto

Collaboration between segments will help increase the corporate value of the Monex Group as a whole.

Based on the results from fiscal year ended March 2019, the U.S. segment increased its profitability and has grown into the biggest earner. However, the revenue generated from the Japan segment was lower year on year due to less trading by retail investors and other factors. A loss was recorded for the Crypto Asset Segment. After combining the figures from the segments, the Monex Group posted decreased revenue and profit.

After undergoing structural reforms over several years, the U.S. segment posted a huge jump in revenue thanks to the success of those reforms, which includes re-branding and management team changes. There is still plenty of room for growth, and we expect the income to improve even more in the future.

The crypto asset business segment has been a tough climate for us, because this fiscal term we had to cover costs to strengthen the internal management system and the cryptocurrency market itself also experienced a downturn. However, the market is now normalizing after market prices rebounded from April 2019, sparking activity from the institutional investors. In the crypto asset business segment, I believe that blockchain technology will be extremely important for individual

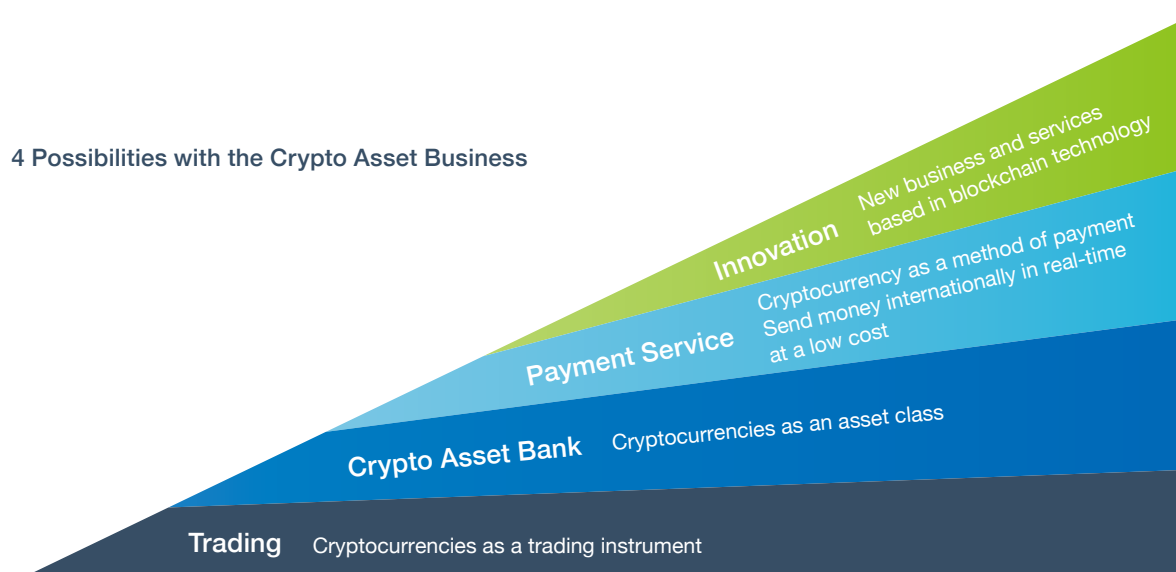
economic activities in the future, and I expect that it will grow into a major business unit for the Group going forward.

On the flip side, the brokerage business in the Japan segment has been stagnate, and we have accepted the disappointing performance and results and intend to restructure the business. That being said, we are not just made up of a Japan segment but are now developing into a financial group that features a global business portfolio, as noted in our strategy Global Vision III ^(*). Through the collaboration between our segments, we are constructing a system and organization that can improve profitability and growth across the entire Monex Group. This collaboration is already having an effect. For example, Monex, Inc., which is the core of the Japan segment, and Coincheck, which props up the crypto asset business segment, redirect customers to each other. Another example is the TradeStation Group in the U.S. segment entering into the cryptocurrency market. Cases like these where customers or businesses cross over into other segments will increase the corporate value of the overall Group.

* > P.30 | Growth Strategy: Global Vision III

* https://www.monexgroup.jp/en/company/global_vision.html

4 Possibilities with the Crypto Asset Business



CEO Message

Furthering operations with a global portfolio in the online securities business and cryptocurrency exchange business.

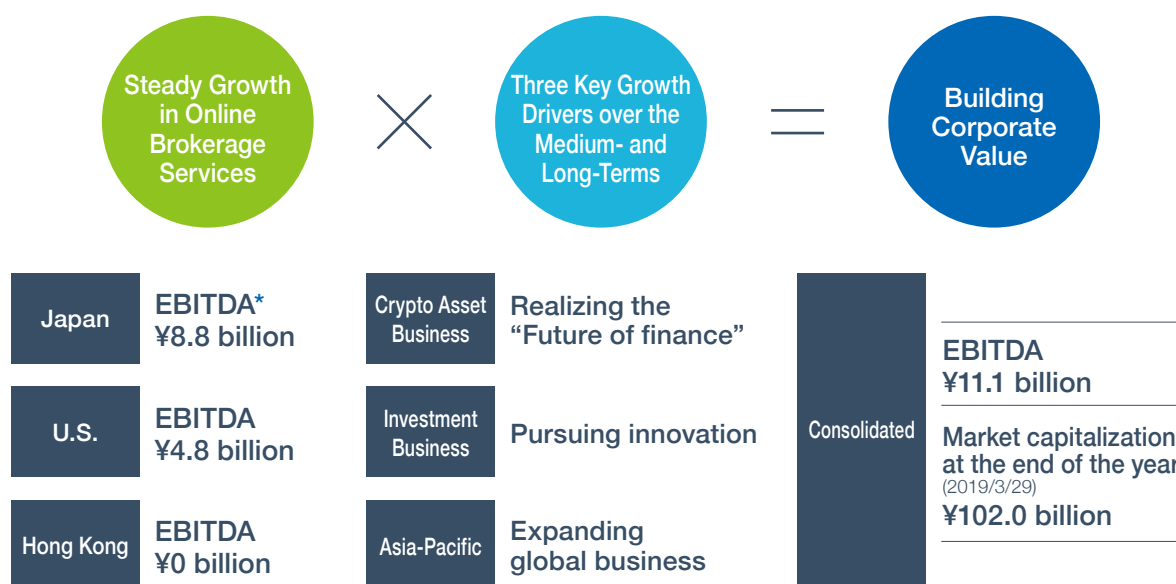
In our capitalization strategy going forward, generally speaking the online securities business that is the core of the Monex Group does not need major capital injections, such as plant equipment. Therefore, we can earmark and return profits back to the shareholders.

In the fiscal year ended in March 2019, the depreciation of the software investment for Monex, Inc. squeezed profits. Even though EBITDA has been healthy and good, this pressure created a gap between the cash flow and the posted profits. At the present moment, we recognize that it is important to show our EBITDA has yielding potential, and at the

same time, increase posted profits to fill in that gap in the future.

We are no longer just a Japanese online securities business. We offer a global business portfolio. And, if one looks at the landscape of listed companies throughout the world, there are only a few companies involved in the crypto asset business at a certain level, putting us in an extremely rare and unique position. We will share the different know-how and engineering among our segments, and are looking to accelerate growth by taking full advantage of this portfolio and their operations.

Looking to build up our corporate value from steady growth in the online brokerage services and from the key growth drivers over the medium- and long-terms.



* EBITDA: Operating profit equivalent + Depreciation expenses + Interest paid for the fiscal year ended March 2019 (Monex Group figures excluding the U.S. segment do not include interest paid)

Entering the crypto asset business for us was an inevitable decision.

Entering the crypto asset business was a swift decision thanks to our own investigations and stoked interests at the Monex Group. Coincheck joined the Group in April 2018, but we actually have carried some BTC for several years. This enabled us to investigate and research the cryptocurrency and blockchain technology by managing the wallet function and corroborating the technology, among other things. I also have a strong personal interest in this, as I have been volunteering internally and conducting workshops. We built a mining rig (computer machine) to conduct testing verification. Furthermore, I personally have learned about the computer language Python that makes up the blockchain and also about Ethereum's smart contract that is the foundation of the service. This is the point where I realized how much value blockchain and cryptocurrency could offer society and where I really started to look into entering this business.

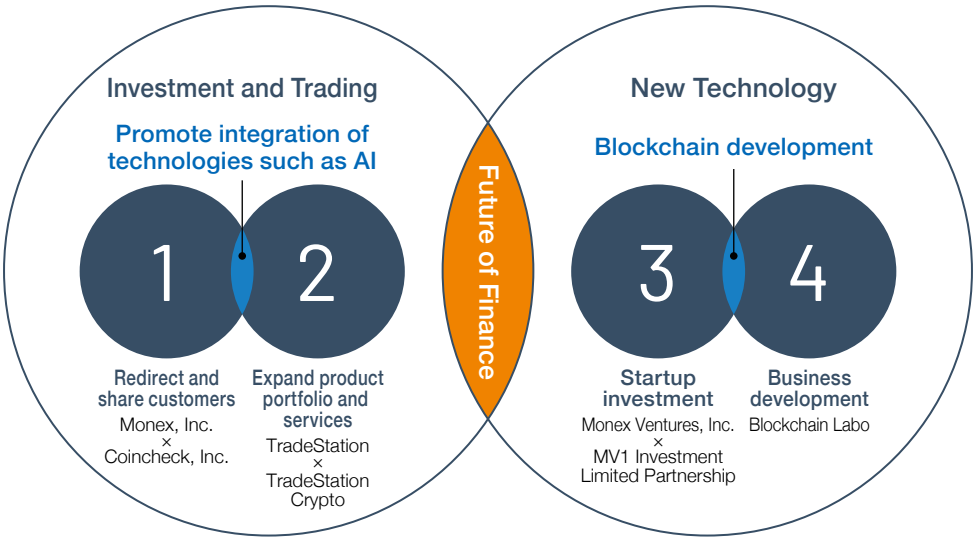
I shared information with reports to the Board of Directors from time to time, about the research we conducted on crypto assets. We had an offer from Coincheck to join the Group, and at that point, the

Board members were already learning and developing an understanding about crypto assets. Thanks to that, we were able to reach an important decision in just several weeks in spite of the extreme urgency and complexity of this decision. Entering the crypto asset business brought an opportunity for new growth at the Monex Group. I also participate in the blockchain seminars held internally at the Monex Group and help gather information to study which direction finance is heading in. The Monex Group has previously merged with and acquired a number of companies, including a domestic business merger with Nikko Beans, Inc. and the ORIX Securities Corporation, and the overseas acquisitions of the Boom Group in Hong Kong and the U.S.-based TradeStation Group. (*) We have been focusing specifically on "Diversity," and we are confident that these mergers will go smoothly despite any cultural differences between these organizations. While there is no future growth strategy that involves M&A, our track record shows we have experience and expertise in this area, which we will use again should the opportunity arise.

* > P.24 | Unique Point: Acquiring a Customer Base and Office Location Through M&A

System for creating the future of finance

- > P.30 | Growth Strategy: Global Vision III
- > P.37 | Overview of Segments: Group Synergy



Our strengths include diversity, technology and governance.

At the Monex Group, we believe that “Diversity” is vital in staying competitive and having a diverse staff will help ensure sustainable operations. We continue to actively appoint talented personnel to positions regardless of their age, for example, Yuko Seimei at 41 years of age (at the time) became the president of Monex, Inc. in April 2019. Our goal is to manage a business based on meritocracy where the employees can enjoy mutual respect and also have company rules and regulations that are LGBT-friendly (*1).

Our core competence also includes “Technology.” The Monex Group has three different technologies. Japan’s Monex, Inc. offers expertise in developing a sound securities system that follows a waterfall model. In addition, the U.S.-based TradeStation Group works at developing highly flexible systems using an agile model and embracing open innovation. And at Coincheck, young staff take the lead in developing blockchain technology. The corresponding computer languages and development ideas are completely different. However, through mutual understanding and collaboration, I believe that we have a tremendous advantage here by being able

*1  P.58 | Personnel: Promoting Diversity

to use all three technologies and resources together.

Since our founding, our approach toward “Governance” has been to create a transparent company that is almost like a laboratory or a testing ground. We have been in pursuit of the model corporate governance that demarcates itself from conventional governance used by listed companies (*2). Right after going public 19 years ago, we began to hold the General Meeting of Shareholders on Saturdays to make it easier for retail investors to participate. Since the General Meeting of Shareholders in June 2019, we stopped the practice of notifying the shareholder’s name and attendance number during the Q&A session, in an attempt to make communication with shareholders run more smoothly. There was no playbook for this push, and we came up with this approach entirely on our own. To establish the next successor as well, we have already established a succession plan (*3) with a process that is carefully monitored by the outside directors, which has been thoroughly discussed and deliberated by the Nominating Committee (that is chaired by an outside, independent director).

*2  P.25 | Unique Point: Progressive Governance

*3  P.49 | Corporate Governance: Succession Plan

Unprecedented initiatives to educate retail investors in order to enhance the value of Japanese equities.

Using these management platforms, we will continue to roll out initiatives unique to the Monex Group. The “Monex Activist Forum” (*4) is one of those initiatives. In order to correct the current Japanese market prices that are far under the standard market value, this activity is used to deepen understanding about the shareholder’s rights of retail investors or about Japanese companies and to promote the appropriate execution of their rights as activists (or as partial owners). There was a large-scale seminar held in

*4  P.33 | Monex Activist Forum

May, which we were able to use to align ourselves toward the same goal with all the retail investors. Among all the events that I have participated in, that was one of the most uplifting in recent memory. We believe that this type of initiative, never before seen on a global scale, which is designed to help investors assess Japanese equities better, will lead to more growth not only in the capital markets in Japan but also in Monex, Inc.

Imagining the future of money and redefining its form, unrestricted by conventional finance.

What does the Monex Group imagine the future of finance will look like? Since our founding, we have always presented a business model that puts the retail investors in the driver's seat. What the retail investors and customers really expect is for the Monex Group to never be complacent and to continue to pursue something, and the Monex Activist Forum also represents a platform to help achieve that. Customers make profits through trading or increase assets through investment, but their true goals lie beyond that, and can also include the emotional boost or self-fulfillment from their activities. Of course, our primary mission is to provide an environment where investment and trading can be executed easily. But, unless we speculate further on what the customers really want to achieve, we believe that the financial business going forward does not have a leg to stand on. The branding slogan "For Creative Minds" recently set by the Monex Group reflects exactly that idea and approach. The Monex Group must be creative and provide services that satisfy the needs that will be essential to go beyond finance.

Since the beginning, we have not changed our philosophy. The word "money" is normally spelled

with the letter "y" but Monex replaced the "y" with the preceding letter "x," which represents our commitment to stay positioned "one step ahead of MONEY." However, the concept of money that forms the underlying foundation has changed a lot in the last 20 years. In the past, having "money" had been a symbol of trust and credibility, but now we have arrived at an age where individuals can achieve what they want by establishing credibility, without money per se, but via internet communication. The concept of money will continue to change going forward. As a result, we must constantly imagine what the future of money will be from the present moment and redefine its form, unrestricted by conventional finance. To achieve that, we already have enough resources in place. By using past experiences in overcoming challenges and by taking advantage of new technologies, the Monex Group will be able to become a leader and create a new industry that supports personal and family economic activities.





**Making more improvements
in Japan, U.S. and
Crypto Asset Segments
to achieve sustainable growth
and raise corporate value.**

Executive Officer
Chief Financial Officer
Monex Group, Inc.

Satoshi Hasuo

Generating an ROE that exceeds capital costs.

The Monex Group's ROE for the fiscal year ended March 2019 was 1.5%, leaving us short of the 10% ROE target that we set against our capital costs. In the midst of tough market conditions, we recognize the urgency to cut fixed costs in order to lower the break-even point and to secure new revenue.

In the Japan segment, TradeStation is a Japanese equities trading tool software for Monex, Inc. After reassessing the profitability of the tool, we recorded an impairment loss of ¥1.8 billion (continuing to provide the tool) for the fiscal year ended March 2019. Among other corrections, the depreciation schedule of said software was amended for the fiscal year ended March 2020, with an expected decrease of approximately ¥1.6 billion in depreciation expenses year on year. We are continuing to work on improving the efficiency of our system investment.

In the U.S. segment, due to a rise in U.S. short-term interest rates and market volatility, we had record high segment profits for the fiscal year ended March 2019. Going forward, a drop in volatility may lead to less trading, and with lower interest rates,

revenue may also decrease. We are looking to not just increase our core base of active traders but expand the customer base by targeting casual and millennial traders too. In addition, our move to add cryptocurrency trading in the U.S. during the fiscal year ended March 2020 is expected to boost revenue and profits. For cost cutting as well, we shall continue to improve our cost management as previously done.

Before Coincheck entered the Group, there was the 2018 cryptocurrency crash involving hacking and stolen funds on the NEM platform. As a countermeasure in the Crypto Asset Segment, we have improved the governance control of our company and internal control to strengthen security. In January 2019, we registered as a Cryptocurrency Exchange Service Provider with the Financial Services Agency, and we were able to set up a platform and complete the preparations necessary for retail investors to trade safely and in a secure environment. While our fixed costs grew due to increased control and governance, we also have plans to cut fixed costs to ensure we can secure profits even when market conditions become difficult.

Using Group assets effectively to grow revenue.

In order to generate a ROE of 10%, we believe that the following items are imperative: Rolling out initiatives in each segment (*1) and effectively using the operational resources in the global online brokerage services established by the Group and in the Japanese cryptocurrency exchange business (*2).

The customer base for Japan's Monex, Inc. is mainly made up of customers in their forties and fifties, whereas Coincheck has a high percentage of customers in their twenties and thirties. Both have different customer demographics and assets in custody. These differences provide a complimentary relationship and generate corporate synergy in the Group. By redirecting and sharing customers within the Group, we can offer online brokerage services to millennials who trade cryptocurrencies, and also do the reverse, and offer cryptocurrency trade services to customers who normally use our online brokerage services. This can be described as an effective measure to ensure that the Group continues to grow over the medium term and long term.

In addition, the equities trading platform for the TradeStation Group in the U.S. is popular among active traders. For many years now, it continues to receive awards (*3) in categories such as technology and service among the U.S. based online brokerage services. Monex, Inc. applied the same technology

resources to create "TradeStation" and is one example of a successful joint development between our U.S. and Japanese group companies. The TradeStation tool has helped us acquire active traders in Japan, and we are looking to use it to expand our customer base further and increase revenue.

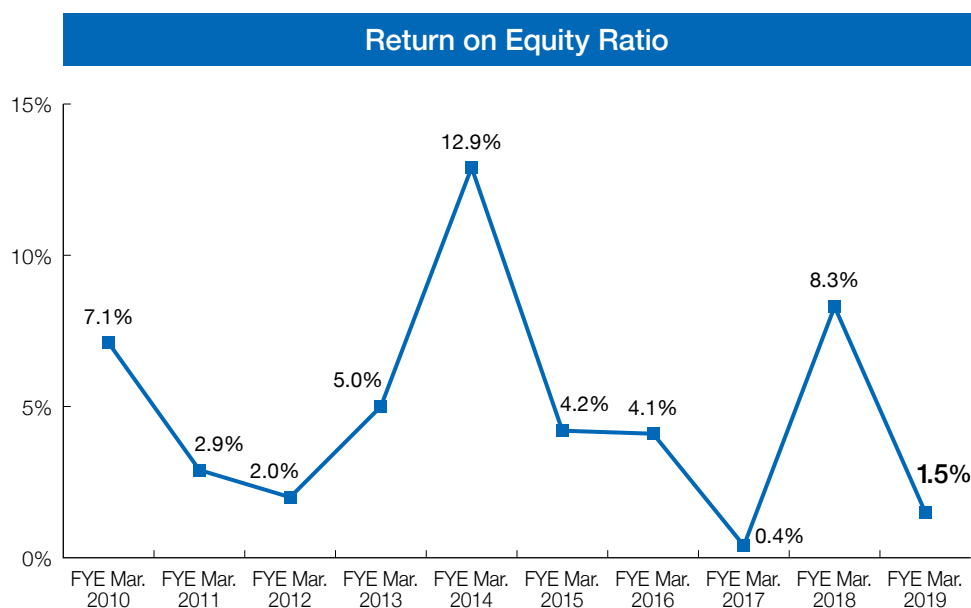
In addition to this kind of coordination between segments, we are also working to secure new revenue streams in each segment. In the U.S. segment, the cryptocurrency business already mentioned is expected to expand our customer base. In the Asia/Pacific segment, we extended the range of futures that can be traded, which includes futures in all markets in addition to Hong Kong, in order to create more opportunities for revenue. In the crypto asset business segment, we started offering the cryptocurrency Monacoin from June 2019 to help boost revenue. Our plan is to keep expanding the cryptocurrencies available to boost revenues and profits.

The Japan segment accounts for more than half of the total revenue generated by all segments. Therefore, in order to lift the ROE and achieve sustainable growth, we will strengthen our system development and restructure the segment, including cutting fixed costs by streamlining tasks and processing.

*1 ➤ P.31 | Building a Platform for Growth

*2 ➤ P.37 | Overview of Segments: Group Synergy

*3 ➤ P.23 | Unique Points: Summary of Main Awards from 2015 to 2019



Continuing growth with full support of all the stakeholders.

The Monex Group runs its business with the full support and backing of various stakeholders, which includes approximately 50 thousand shareholders, more than 3 million retail investors throughout the world as well as 1 thousand Group employees and business partners. It is essential for the Group to carry out active measures to ensure the support of these stakeholders in order for the Group to grow sustainably.

The Monex Group established the ESG Promotion Secretariat in October 2018 and began conducting ESG activities in full swing. As part of our ESG approach, we created a matrix of materiality issues that shows how important a specific issue impacts the Group's business and society (*1). By gauging the issues and recognizing the level of importance, we will strengthen the business foundation even more.

Shareholder returns are profits that are returned back to the shareholders. Income is earmarked from various fees that customers pay for services provided by the Group. After deducting expenses that incur from business partners, employees and services, we use the profits that remain after paying taxes at each

location and payout the returns. The Group's basic policy is to hold onto investment capital needed for growing the business, and at the same time, payout shareholder returns linked to each year's performance. Our payout target is a total return ratio (*2) of 75% that spans several fiscal years. The lower limit of the dividend is an annual 2% DOE (dividend on equity ratio (*3)). The shareholder return is allotted through a dividend payout or through a more flexible method of acquiring treasury stock, which is based on the management's discretion.

The biggest shareholder of the company is The Shizuoka Bank, Ltd., which holds a 27.1% stake in voting power as of the end of March 2019. When a bank holds onto more than a 5% stake in a company, there is a restriction that it cannot hold more than 50% of the voting power for a company that is not listed as an eligible subsidiary company as per Article 16-2 (1) of the Banking Act. Due to this restriction, The Shizuoka Bank, Ltd. may not be able to always provide the appropriate support if there is a change in the operating environment or other scenarios, leaving open the possibility that the Group's performance may be affected. However, we plan on maintaining a

*1 > P.44 | ESG Management: Matrix of Materiality Issues

*2 Total return ratio = (dividend paid + amount of share buyback) / profit attributable to owners of the company

*3 Shareholders' equity = capital + additional paid-in capital + treasury stock + retained earnings



Raising the corporate value by increasing the level of satisfaction of the shareholders, retail investors and employees.

close partnership with The Shizuoka Bank, Ltd. and ensure that the Group continues to grow.

We shall also raise the level of satisfaction of our customers and employees. To do this, we must raise the awareness and level of interest relative to the company's performance and indices, tie that into getting results and strengthen management.

The Group has a disclosure policy ^(*4) that basically discloses information actively to all shareholders and investors. For our IR activities, we actively provide opportunities to engage in dialogue with institutional investors and retail investors. We offer institutional investors more than 100 interviews and meetings with the CEO, CFO and IR manager in a one year span, post videos of briefings for institutional investors and hold online Q&A sessions with retail investors. These IR activities are also used to help improve our management and operations by fielding the requests and opinions of our shareholders, traders and investors, and providing regular feedback to management.

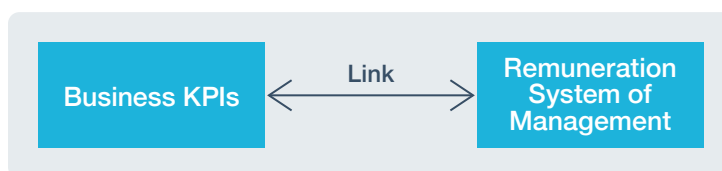
The Group has developed the securities business and other areas globally, and as a result, it is difficult to predict our performance and results because the

economic climate and market conditions have such a big impact. Up until now, we have not disclosed forecasts or formulated medium-term business plans using KPIs or other indices because of the impact and uncertainty of those external conditions. However, we also believe that we should strengthen the relationship with our stakeholders and improve the quality of our management. Therefore, we will start disclosing indices related to management policies and strategies and strengthen our PDCA management method.

In addition, the remuneration system of officers is designed to help improve corporate value and includes "Basic remuneration" plus a "Short-term incentive remuneration" (decided and based on a single fiscal year's performance) and a "Medium-and-long term incentive remuneration" (allocation of restricted stock). We believe that incorporating the aforementioned management indices into our incentive system will encourage the officers to hit their management targets. We will also continue to make improvements to this remuneration system for management in the future.

^{*4} https://www.monexgroup.jp/en/investor/disclosure_policy/

Future Direction of Medium-term Business Plan



We announced a KPI-based medium-term business plan including the remuneration system of management and set up a management system with external checks that targets sustainable growth.

Innovative Product Services and Supporting Technical Resources

Providing product services to support investment activities from the customer's point of view. This is our fundamental approach to business at the Monex Group.

Above all, the Monex Group embraces a fundamental approach that always considers the customer's point of view in order to provide the best financial instruments and services to retail investors. This approach is important for our sustainable growth but also is essential for establishing a future customer base.

Since the beginning, Monex, Inc. has worked hard to create product services of a certain caliber that must pass the benchmark question "Would we recommend this product to our parents?" We do not just consider whether our product will sell or not. Using our technical expertise, we develop and provide products to support the investment activities of the retail investors to ensure the continuity of our business. For example, we were the first in the brokerage business to offer retail investors a "stock lending service." Investment trusts and corporate bonds are also examples of unique services that the Monex Group developed. They have been recognized as innovative services and received numerous awards. In addition, the TradeStation Group, Inc. has enjoyed the full support of active traders for many years and has earned a great reputation for its technology. Coincheck has had an in-house cryptocurrency trading system since its founding, and offers retail traders UI and UX designs that are superior to other companies in the same industry.

When providing these products services, it is key for us to have the financial knowledge to design products with a creative and open-minded approach, as well as recruit personnel to ensure the technical capabilities are in place to support those products. (*) The Monex Group shall take full advantage of those technical resources in order to offer a lineup of financial instruments that appeals to a broad range of traders and investors.

* > P.57 | Human Resources Strategies and Personnel Training



Internationally recognized technical resources for an excellent user experience (UX)



R&I Fund Award 2019

Name: The Fund @ Monex
(Monex Nihon Growth Stock Fund)

Awarded Second Prize in the Investment Trusts/10-year and the Investment Trusts categories for the "R&I Fund Award 2019" conferred by the Rating and Investment Information, Inc. (R&I).

8th Asia-Pacific Showcase & Awards

"Weather-Linked Notes due 2020"

Awarded Deal of the Year at the 8th Asia-Pacific Showcase & Awards held by mtn-i.



Recognized as the "Best Multi-Asset-Class Trading Platform"



Best Professional Platform for the seventeenth year in a row



Ranked in top 5 for "Online Brokers Overall" in two categories



"Best in Class" for Active Trading for ninth consecutive year



Highest rating (4½ stars) for "Best for Frequent Traders"



Ranked "Best Online Broker" for Equity Trading Tools and in top 5 for Overall Customer Experience

Acquiring a Customer Base and Office Location through M&A

The Monex Group has amassed valuable assets by pushing the envelope and expanding the group through a number of international and domestic mergers and acquisitions.

The Monex Group has expanded its area of business through various mergers and acquisitions.* After multiple mergers, we have expanded the customer base in the online brokerage business in Japan. In addition, the financial professionals that have continued on in the merging company Monex, Inc. have helped cement our competitive edge in the business area.

In order to lead in IT and maintain financial expertise at a world class level, we have added Hong Kong and U.S. online brokerage services to the Monex Group. Furthermore, we decided to enter into the cryptocurrency business and incorporate a crypto asset business unit within the Monex Group.

In Japan, these mergers and acquisitions have increased the existing customers in Monex, Inc. They will also help us combine resources in each segment to improve services in U.S. equities trading and help us expand our repertoire of services, such as offering the Japanese equities trading platform “TradeStation” or redirecting and sharing customers with Coincheck.

For personnel during a merger in Japan, we combine human resources from both sides and assign several management positions in the various group companies to those joining the Monex Group (12 management personnel have been assigned after mergers with the Monex, Inc. – as of July 1, 2019). In both the U.S. and Asia-Pacific segments, we have maintained the same management style and employee hiring for each region after joining the Monex Group. As a result of these M&As, we gain financial professionals with extensive experience.

* > P.28 | Growth Strategy: M&A and Globalization

* > P.29 | Growth Strategy: New Beginning

Monex Group and main subsidiaries



Pursuing governance that is one step ahead as a public company trusted by society.

Since the beginnings of the Monex Group, we have strengthened the corporate governance following the basic idea that we must “Run an online brokerage business that handles the money of customers as a public company.” (*1) Per this approach, Monex, Inc. decided to go public only a little after one year since its founding.

After being established in 2004, the Group assigned multiple outside and independent directors. Since June 2014, the outside and independent directors have held a majority on the Board, and the committees in the company (currently a committee structure with a Nominating Committee, etc.) are all headed by outside directors. Furthermore, we have increased the diversity among our outside directors. These points show our commitment to introducing a progressive governance system, as a listed or public company in the capital market. Our unique approach with governance can be seen in the General Meeting of Shareholders as well. (*2)

We believe that strengthening the corporate governance translates into “increasing the trust from the market.” To ensure we have that trust, we have been actively disclosing our financial results since our founding to eliminate any disparity in information between retail investors and institutional investors, or between traders and investors who are in Japan and overseas. Also, we have established a disclosure policy where all documentation is disclosed at the same time in English and Japanese. In addition, when we announce the financial results each quarter, we hold several briefings on the same day for institutional investors and retail investors in Japan as well as institutional investors who are abroad.

We will use our progressive governance to maintain the trust from our stakeholders, preserving our corporate value and making sure our reputation stays intact.

*1 ➤ P.27 | Growth Strategy: Founding Period

*2 ➤ P.26 | Unique Point: Corporate Climate that Promotes Creativity and Offers the Freedom to Constantly Push the Envelope

Outside and independent directors have held a majority on the board since June 2014



Corporate Climate that Promotes Creativity and Offers the Freedom to Constantly Push the Envelope

Shattering conventions for the democratization of capital markets.
Monex Group's value is born from that challenging spirit.

The Monex Group has boldly shattered the conventions of the listed companies and the financial industry and has provided beneficial services for retail investors in order to realize our original mission: the “democratization of capital markets.” For example, we started holding the General Meeting of Shareholders (from June 2001) on Saturdays in order to hold an open General Meeting of Shareholders, which was an unusual practice at that time. Since we started holding general meetings, we have posted the Q&A session with shareholders on our website. At the General Meeting of Shareholders held in June 2019, we established a new rule stopping the practice of asking the shareholder's name and attendance number during the Q&A session, which was an unprecedented move for these meetings in Japan. The “Stock lending service” noted on page 23 was also a service traditionally only available for institutional investors. However, we started making that service available to retail investors as well, overturning the conventions of the financial industry with it.

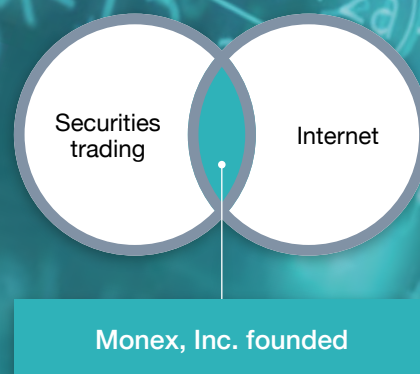
In order to promote communication between retail investors and Japanese companies, Monex, Inc. started a new initiative in January 2019: the “Monex Activist Forum.” (*) This forum is for retail investors and will help foster their understanding about shareholder's rights and promote the appropriate execution of their rights as activists. The goal is to ultimately use this momentum to improve the valuation of Japanese equities.

The Monex Group has rolled out initiatives one after another. They represent the fruit of our labor for retail investors and embody our challenging spirit in order to achieve the democratization of capital markets. Going forward, we will continue to shatter conventions and build a foundation that will provide innovative services for the investment and economic activities by individual traders.

* > P.33 | Monex Activist Forum

Commemorative picture of all the presenters after an event held in May 2019 at the Monex Activist Forum





Background

Founded during a pivotal period, capitalizing on two revolutionizing changes

Monex, Inc. came onto the scene in 1999. At that time, Japan's Big Bang or the fundamental restructuring of Japan's financial system was on the verge of completely liberalizing stock brokerage commission fees in the securities industry. Together with this liberalization, the Internet rose up, providing a new infrastructure and platform in society and revolutionizing the flow of information. These two revolutionizing changes were a pivotal period that presented us with the opportunity to launch an online securities business from scratch.

Features

Striving toward the true democratization of capital markets

One of our original goals was to “democratize capital markets” and use the Internet to help eliminate the differences in the market between retail investors and institutional investors. Since we presented this goal, we have poured resources into making capital markets fair for retail investors. We were the first online securities business to act as a lead underwriter for an IPO, and we were also the first in the securities industry to provide a stock lending service available to retail investors. We have also engaged in different activities aimed at basically eradicating the par value of stock that was stipulated in the Commercial Code at that time. This move was meant to lower the amount of the trading unit in order to make it even easier for retail investors to invest in securities.

Current State

Pursuing progressive governance since our founding to build a foundation for growth

We will continue pursuing our original quest to democratize capital markets by combining securities trading with the Internet, and embrace that spirit to drive the Monex Group. Since our founding, we have been in pursuit of the model corporate governance that demarcates itself from conventional governance used by listed companies, in order to gain trust from the market. We have built a robust governance system that provides the foundation to ensure sustainable growth in the Monex Group.

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

(^{*1})	2000	2013	2014	2015	2016	2017	2018	2019
Institutional design	Structure with board of company auditors	Committee structure		Committee structure with nominating committee, etc.				
Total board members	6	10	11	11	11	11	9	9
Outside directors	3	5	6	6	7	6	6	6
Percent of outside directors on board	50%	50%	55%	55%	64%	55%	67%	67%
Advisory committees, etc.	Advisory	Board (^{*2})		Adopted Corporate Governance Code				
		Global Management Committee						
		Appointed lead independent director						
Number of foreign nationals and women on the Board	1	1	3	3	2	2	2	2
Percent of foreign nationals and women	17%	10%	27%	27%	18%	18%	22%	22%
Total executives	—	6	6	6	11	12	11	10

^{*1} Shows annual data from the end of June after the General Meeting of Shareholders.

^{*2} 1999 to 2013; discontinued after shifting to committee structure

Growth Strategy

2

2004-
M&A and Globalization

Creating a global
online brokerage Group

Background

Expanding from a single market in Japan to global markets in pursuit of new growth areas

After entering the 2000s, online securities became more accessible and widespread in Japan. However, the conditions in the industry became extremely competitive, and online securities growth in Japan had been blunted. To break through these conditions, we decided to globalize more and merge with a number of rival companies in Japan. In our efforts to globalize, we expanded into the U.S. market and the Hong Kong/China markets. This move into a financially developed country and into markets with tremendous potential was aimed at developing online financial services globally by using a platform without borders thanks to the Internet.

Features

Using the characteristics of different users in Japan and U.S. to expand the customer base of the whole Group

Based on the concepts in the Global Vision, we developed the Monex Group by acquiring the Boom Group in Hong Kong in 2010 and the TradeStation Group in the U.S. in 2011. Customers in Japan primarily consisted of investors involved in medium- to long-term asset management. However, the TradeStation Group had been offering a trading platform for active traders in the U.S. to use for short-term profits. As a result, the acquisition of the TradeStation Group not only helped expand the customer base of the overall Group but helped create a system where TradeStation's tremendous technology could be shared throughout the Monex Group.

Current State

U.S. grew into the biggest earner, complemented by the Monex Group offering business operations with a global portfolio

Following a strategic globalization plan, the Monex Group established 3 segments: Japan, U.S. and Asia-Pacific, and is offering operations with a portfolio range that covers the whole world. The U.S. segment, in particular, was restructured a number of times and was able to regain more profitability. Based on revenue from the fiscal year ended March 2019, this segment grew into the biggest earner. In addition, we have integrated a cutting edge trading tool that features technology from the TradeStation Group and are currently building active traders for Monex, Inc.

Office Locations



Growth Strategy 3

2017- New Beginning



Background

“Cryptocurrency” ushering new possibilities in finance

Since BTC (bitcoin) was first traded in 2010, cryptocurrencies have gained a lot of attention throughout the world. Cryptocurrency uses blockchain technology, making it easier to transfer value on the Internet. This currency has produced a new trading market, and continues to catch the eyes of retail investors. We believed that this cryptocurrency has the potential to make revolutionary changes in the financial framework and therefore announced our “New Beginning” plan in October 2017. In the following year, Coincheck, a registered Cryptocurrency Exchange Service Provider, joined the Group, which enabled us to enter the crypto asset business.

Features

Acquired a new customer base and technology with Coincheck joining the Monex Group

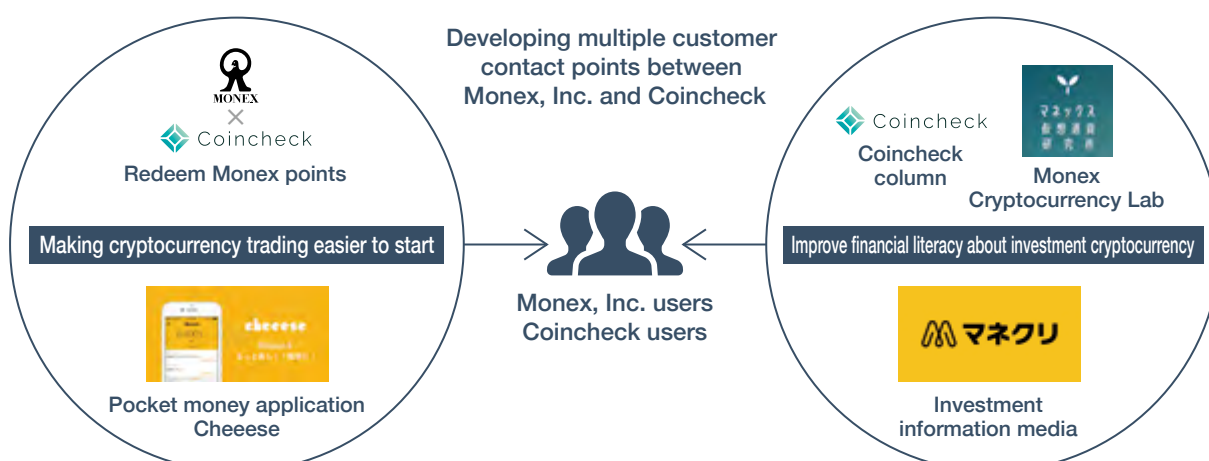
Coincheck is a major domestic cryptocurrency trading service provider that has earned a reputation for its excellent UI and UX designs. Coincheck offers 10 different types of cryptocurrencies and possesses highly advanced technical capabilities including blockchain technology. The number of verified customer accounts has already exceeded 900,000, which mainly consists of millennials who could potentially increase the assets over the medium to long terms. When Coincheck joined the Group, it enabled Coincheck and Monex to share and redirect customers to each other and help both secure a new customer base. After entering the Monex Group, Coincheck underwent a major restructuring, and not only strengthened its management system but registered as a Cryptocurrency Exchange Service Provider in January 2019.

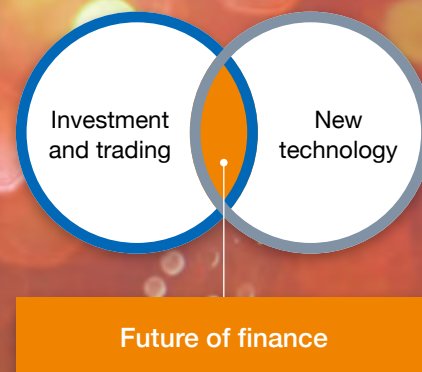
Current State

Increasing collaboration between segments and raising profitability by sharing and redirecting customers

With the crypto asset business added as a new segment, we have combined resources with the Japan segment to carve out a market. Monex, Inc. has more than 1.8 million accounts and Coincheck has reached 900,000 accounts (as of June 30, 2019), but their customer demographics are different. Monex, Inc. and Coincheck are implementing several initiatives, including new web-based information media for cryptocurrency trading and a mobile phone application that distributes certain amount of cryptocurrencies to the novice cryptocurrency traders. Monex Group and its global subsidiaries share and redirect* customers to both sides in order to improve profitability for the Group overall.

* > P.37 | Overview of Segments: Group Synergy





Background

Facing an age when the concept of “Money” is undergoing major changes

With more cryptocurrency trading activity, legislation such as for protecting traders and investors more as well as increasing market transparency continues to develop quickly. As new global firms or regions enter into the cryptocurrency industry, there have been increasing expectations toward cryptocurrency as a new investment and asset management tool to replace traditional financial assets. We are facing an age right now when the concept of “Money” is undergoing major changes thanks to the blockchain technology and when people do not necessarily need or use conventional currency to live a rich life.

Features

Developing and providing services using new technology such as AI or blockchain technology






New technology is poised to transform the economy itself. In this transformation, we at the Monex Group have come up with a vision and are in a unique position to achieve that vision by utilizing different resources, such as our wide range of customers, our robust management system and our security. To list some examples, we are actively adopting new technologies such as AI, mainly in the U.S. segment. We are rolling out and sharing services created with these technologies across the Group. We are also using blockchain technology to acquire new economic agents such as millennials in countries throughout the world. And, we are developing and providing services to appeal to the customers in the coming super ageing society of centenarians.

Current State

Redefining finance and creating a new model industry to support individual economic activities

We are redefining a new age of finance based on the keywords “global,” “individual” and “new technology.” We are tapping our creative spirits and striving to create a new industry for supporting individual economic activities that goes beyond the framework of online brokerage services. We will not just restrict ourselves to existing business areas but will always pursue and integrate areas of new growth. With the Group’s business history of producing innovative value, we will create the future of finance.

Image of New Financial Institutions

Conventional financial institutions	Financial institutions in a new era	Monex Group
Bank	Crypto asset bank	Coincheck
Securities broker	Global online brokerage services	   
Payment card company	Payment service using block-chain technology	Coincheck Blockchain Labo Other
Other	Investment business Other	 Ventures Other

Building a Platform for Growth

Observe trends, weighing risk and opportunity effectively to plot a path of growth

Segment	External Factors and Environment	Risk
Japan	Challenges with shifting the people's mindset from saving money to forming assets	Low customer base of retail investors/ Fail to win over an asset building and younger demographic
	Stagnate stock market	Low trading volume due to softening demand in Japanese stocks
	Age of centenarians and super aging society	Insufficient post-retirement reserves Less investing funds available due to more day-to-day spending money required
U.S.	Concern of a drop in interest rates	Drop in net financial income
	Rise in business models offering zero equity commission fees for other companies in the same industry	Loss of Brokerage Commission Revenue
Crypto Asset Business	Expectation of cryptocurrency as a replacement for traditional assets	Market volatility is high and trading volume does not stabilize Refusal to trade cryptocurrencies due to funds being siphoned, leading to low trading volume
Investment Business	Expectation of startup businesses that use technology to advance society	Investment into prospective startups (seed money or in their early stages) not possible Types of industries to invest in and business conditions are too limited, and opportunities for revenue and profit do not stabilize

In order to ensure short term as well as medium to long term growth, the Monex Group must have a good understanding of the external factors and environment that help address social issues. This includes effectively weighing the risk and opportunity and then establishing strategies that use the Group's assets and formulating initiatives that are in line with the Group's future direction. With a clear vision in place, the Group has an ROE target of 10% and is looking for more growth in different business areas and in the customers for each segment. We will keep building a solid foundation to create finance for the future.

Opportunities	Specific Initiatives	Goals
Create a new customer base	<p>Less fixed costs in a severe market economy</p> <p>Draw in new customers by using better UI and UX, such as on smartphones</p> <p>> P.37 Overview of segments: Group synergy</p>	<p>Achieve ROE of 10% through Group support</p>
Create an appeal and draw toward Japanese stocks	<p>Hold activist shareholder forum</p> <p>> P.33 Monex activist shareholder forum</p> <p>Hold online and offline seminars</p> <p>> P.60 Society: Initiatives to improve financial literacy</p> <p>Provide trading information service such as our Monex stock scouter</p>	
<p>Increased demand for asset building and asset management during post-retirement period</p> <p>Increased demand to manage inheritance from super-aging generation</p>	<p>Offer an easy-to-understand trading screen for the super-aging generation</p> <p>Provide a variety of information in the Monex centenarian design in order to extend the life of assets</p> <p>Offer asset management and inheritance (asset takeover) services</p>	
Innovate on product, service and education	Create new asset class offering with TradeStation Crypto	
	Differentiate with Education and Gamification	
<p>Used by retail investors who have more trading opportunities</p> <p>Strengthen cybersecurity and provide a safer and more secure trading system</p>	<p>Diversify revenue streams, such as by offering more type of cryptocurrencies, and reduce fixed costs by optimizing operations</p> <p>Constantly strengthen the security level</p>	
Secure revenue and profit by investing into startups that develop and provide innovative services	Establish and run the MV1 Investment Limited Partnership	

MONEX ACTIVIST FORUM

in 2019.5.19

Using the combined strength of retail investors for the democratization of capital markets at the Monex Activist Forum

At Monex, Inc., we started the Monex Activist Forum (All investors in Japan, do your part as “activists” !) with the goal of enabling retail investors to exercise their rights as shareholders or activists, effectively enhancing communication with listed companies and improving the valuation of Japanese equities. In May 2019, we held an event for retail investors in Akihabara, Tokyo, with approximately 1,000 participants including those who watched the video feed. The audience was briefed about capital markets as seen by institutional investors, about the role of activists and about what steps the retail investors in Japan should take in relation to the capital markets.



Promoting better cooperation between the Monex Group, retail investors and institutional investors to make Japan stronger and better using capital markets.

The day's event began with the keynote speaker Mr. Hideto Fujino, the CIO of Rheos Capital Works. Later, there was a panel discussion between academics, institutional investors, the Chairman of the Board for Monex, Inc. - Oki Matsumoto, the Chief Strategist - Takashi Hiroki and the Chief Analyst - Nana Otsuki. In addition, there were also many other activities that included presentations by representatives from the 5 asset management companies in Japan and by representatives from several activist funds. These discussions and presentations offered those in attendance a wide range of opinions on "How retail investors should exercise their voting rights and be active to make Japan stronger and better."

We received positive feedback from participating retail investors that the forum was great for taking the lead in making improvements and reforms in capital markets and it increased their confidence in Monex as a partnering brokerage firm in stock investment. However, there was also feedback about the stock price of the Monex Group. After becoming more informed from today's activities, there were also participants who hoped Monex would follow up with a sense of urgency and implement these measures for shareholders quickly in order to address the low share price of Monex.



We shall continue our efforts outside the framework of a brokerage and implement measures, like this forum. We hope to promote better cooperation between the Monex Group (listed company), retail investors and institutional investors in order to stimulate capital markets in Japan and to make society stronger and better.



Overview of Segments

Segments

The Monex Group has online brokerage services in Japan, the U.S. and Asia-Pacific and also a cryptocurrency exchange business in Japan. The revenue for the group (operating revenue after deducting financial expenses) exceeded ¥47 billion, holding close to ¥5 trillion of assets in custody with 2 million active accounts. Technical capabilities, such as our in-house systems, are important for sustainable growth in our online securities business and cryptocurrency exchange business, and the engineers at each of the group companies represent the foundation for that growth. In addition, the Monex Group is also in an advantageous position because each segment features different customer bases and is involved in various markets.




Segment		Japan	U.S.
Main business companies			 Member of Monex Group
FYE Mar. 2019	Total operating revenue after deducting financial expenses (Millions of Yen)	25,739	19,338
	Selling, general and administrative expenses (Millions of Yen)	23,013	17,250
	Operating income (Millions of Yen)	2,726	2,088
	Segment profits (Millions of Yen)	1,247	1,978
Mar. 2019	Assets in custody (Billions of Yen)	4,058.5	613.3
	Number of active accounts	1,058,725 ^{*1}	90,578 ^{*2}
	Software balance (Balance sheet) (Billions of Yen)	12.8	4.3
	Number of employees / Percentage of engineers	368persons/24%	513persons/67%
Main customer demographics (strengths)		Investors ^{*5}	Active traders ^{*6}
Target customer base		Active traders ^{*6} Millennials ^{*7}	Casual traders ^{*8} Millennials ^{*7}

^{*1} Accounts that have assets in custody at the end of the month, or accounts with transactions that include withdrawal within the last year.

^{*2} Accounts used for equities or futures, etc., that either have: a minimum balance of \$200 at the end of the month, or transaction activity within the last 6 months.

^{*3} Accounts with balances

^{*4} Number of verified customer accounts

Asia-Pacific	Crypto Asset Business	Investment Business
		
808	2,077	414
883	4,766	23
-75	-2,689	391
-48	-1,732	382
167.9	66.5	—
13,060 ^{*3}	872,111 ^{*4}	—
0	0.1	—
44persons/20%	168persons/43%	* This is included in the Japan Segment
Investors ^{*5}	Millennials ^{*7}	—
Active traders ^{*6} Millennials ^{*7}	Investors ^{*5} Active traders ^{*6}	—

^{*5} Investors who invest to build assets over the medium and long terms

^{*6} Active traders who trade with high frequency

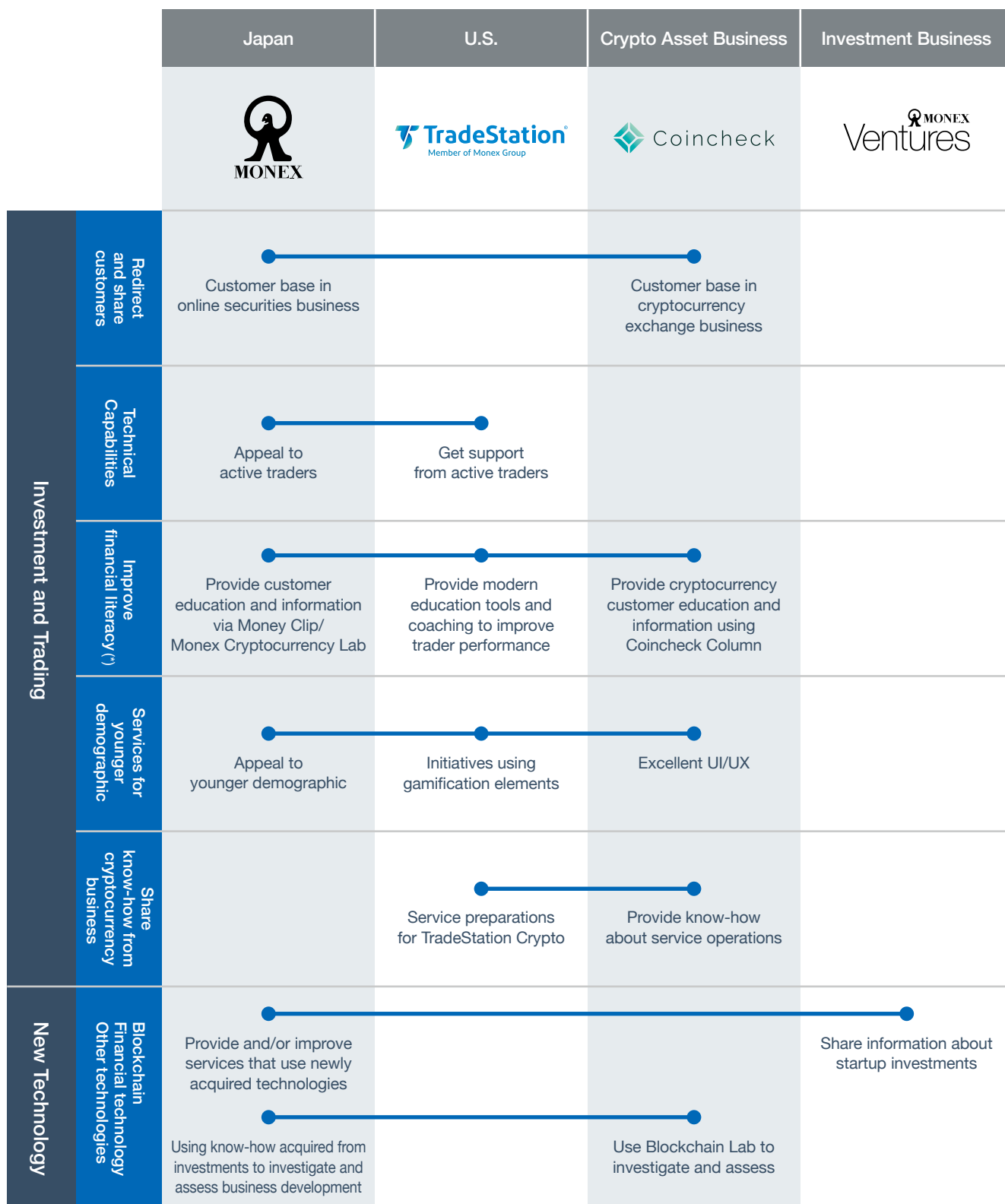
^{*7} Millennials mainly between their 20s and 30s who invest

^{*8} Casual traders who trade with less frequency than active traders

Overview of Segments

Group Synergy

In order for the Monex Group to create finance for the future, the Group must pool its resources to build a corporate synergy. The investment and trading areas are more likely to benefit from this synergistic effect. Having the online securities business interacting with the cryptocurrency exchange business will enable us to expand our customer base. For new technology as well, we will use cutting edge technology, such as blockchain technology, to create a new support industry for individual economics. We will fold that into the conventional business areas to produce innovative services that will ultimately be required for finance in the future.



* P.60 | Society: Initiatives to improve financial literacy



Restructuring to acquire not only investors but active traders as well in order to regain more profitability and growth

STRENGTHS

Currently have 1.8 million accounts (*) with 4 trillion yen in assets in custody, offering unique products and services (i.e., trading tool TradeStation for U.S. and Japanese equities provided through a collaboration between the TradeStation Group and Coincheck, or a point service allowing customers to redeem Monex points for cryptocurrency) that use cutting edge technology and combine resources using corporate synergy within the Monex Group

WEAKNESSES /ISSUES

Small share in trading volume, few active traders, few millennials, low percentage of smartphone users and high fixed costs

STRATEGY

Offer a more competitive commission fee system (margin, U.S. stocks, futures trading, etc.), acquire active traders by strengthening the margin trading service, provide appealing UI/UX designs for a younger demographic, and reduce fixed costs by strengthening system development (infrastructure) and streamlining work tasks

CREATING VALUE

Encourage more trading using the corporate synergy and strengths of the Monex Group companies

* Total accounts

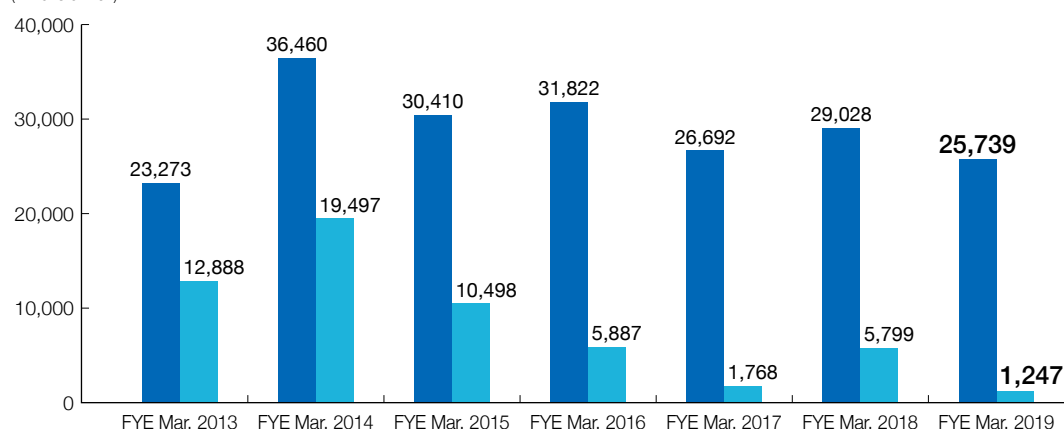
Growth Strategy

At Monex, Inc., we are trying to mitigate our dependence on the market and continue to offer services that help retail investors build and manage asset portfolios. We are looking build beyond just Japanese equities and expand our services and products, including margin trading (particularly general margin trading) and eliminating our minimum commission fees for trading U.S. equities.

In addition, our support has become more flexible and agile after switching to in-house systems. This move was meant to target new customer demographics, and has enabled us to support trading on smartphones to appeal to younger demographics as well as provide asset management service to appeal to older demographics.

Business Performance

(Millions of Yen)



Overview of Segments

U.S. Segment



A steady increase in active accounts and improved operational efficiency has provided a stable and growing level of profitability for the Segment.

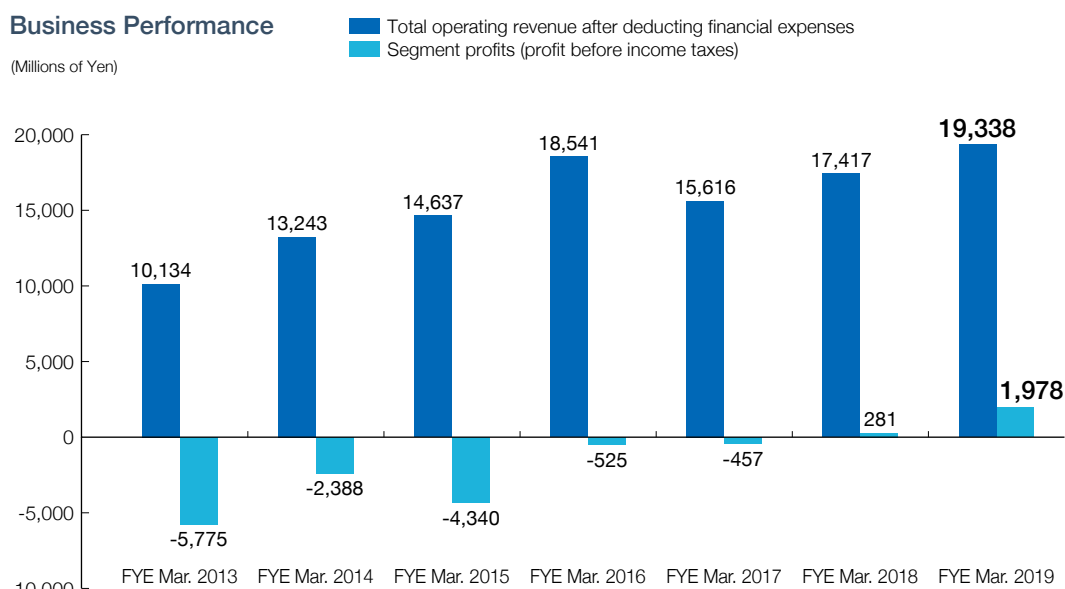
STRENGTHS	Multi-asset, award-winning trading platform that provides a financial edge to self-directed, active traders
WEAKNESSES /ISSUES	Trading-focused products result in high concentration of brokerage commission and interest income revenues
STRATEGY	Broaden customer base to millennials and casual traders and expand offering in high-growth financial markets that provide more opportunities to customers
CREATING VALUE	Diversify revenue streams by adding TradeStation Crypto as a new asset class offering; Improve profitability by enhancing derivatives offering to increase both equity options and futures options market share; Expand customer base to grow assets under custody as a source of interest income

Growth Strategy

The U.S. segment is shifting toward a revenue structure that is less dependent on market volatility and brokerage commissions. The segment's strategy to broaden their customer base and expand their offering has provided strong, sustained account growth for that past several quarters. That growth, combined with a focus on continuing to improve operational efficiency, has resulted in increased profits and the ability to continue to invest in future growth. As we look forward, lower interest rates and pressure on commission rates will provide short-term headwinds to profitability growth. However, the segment continues to invest heavily in reinventing its trading platform to modernize it for today's community of traders in order to secure sustained future growth. This envisions a global, state-of-the-art trading and educational platform with gamification features that will leverage the power and expertise of a large trading community. Preparations are also underway to add cryptocurrency trading to the platform in order to further drive new growth.

Business Performance

(Millions of Yen)



Asia-Pacific Segment



Secure revenue with a three-pronged approach using our online brokerage services in Hong Kong and Australia and our joint venture with a securities company in mainland China

STRENGTHS

Segment with the highest assets in custody per person
Oldest online brokerage service in Asia-Pacific region, featuring 12 markets and 6 currencies

WEAKNESSES /ISSUES

Few customers, few millennials,
and Monex Securities Australia has low visibility and brand recognition in the Australian securities market

STRATEGY

Improve our visibility and name recognition in Australia and expand our customer base
Build revenue streams by using a BtoB approach in China and other regions and going after large accounts

CREATING VALUE

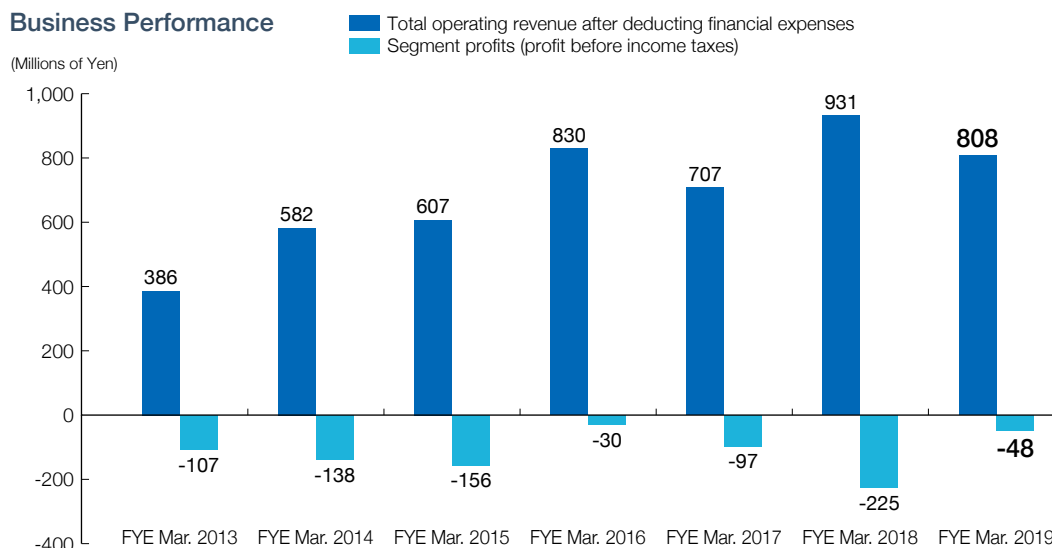
Using the momentum of economic growth in Asia to build up the Asia-Pacific segment and improve the Monex Group's performance

Growth Strategy

In addition to Hong Kong's multimarket and multicurrency (12 markets, 6 currencies) platform for securities trading, we also started providing futures trading (51 types) globally to make it possible for customers to build an even more profitable portfolio. We applied the same system from the Monex Boom Securities Group to the online brokerage business that started in Australia in 2018. In this way, we are able to offer services using a lighter infrastructure. Finally, we entered into a joint venture with a local brokerage firm in China and continue to make preparations to enter into the online brokerage industry in mainland China.

Business Performance

(Millions of Yen)



Overview of Segments

Crypto Asset Segment



After registering as a Cryptocurrency Exchange Service Provider, we are looking to construct a financial structure less susceptible to market volatility, and build the future of finance using new technology

STRENGTHS

Excellent UI and UX designs, security that prevents the improper leakage of information, and internal control

WEAKNESSES /ISSUES

Small share in trading volume, few customers with large scale assets, and high fixed cost ratio

STRATEGY

Grow trading volume by adding available cryptocurrencies, acquire customers with large scale assets using leads from Monex, Inc., and execute cost management that is appropriate for the scale of our revenue

CREATING VALUE

Use corporate synergy with Monex, Inc. to share and redirect customers, thereby creating a diversified customer base, and prepare for the booming activity of the cryptocurrency market

Growth Strategy

From March 2018, we resumed the services that were suspended, and also registered as a Cryptocurrency Exchange Service Provider in January 2019. We also started handling new cryptocurrencies in June, expanding the range of available products for our customers. Going forward, we shall increase the number of cryptocurrencies that are available, and continue to provide our highly reputed UI and UX. Also, by aligning with Monex, Inc., we are able to offer services such as the point service where Monex points can be redeemed. Through these measures, we shall work to provide more trading opportunities for the customer.

Current status of Coincheck (after March 2018)

Mar. 2018	Coincheck received Business Improvement Order from the Financial Services Agency (Cancellation of Business Improvement Order in January 2019)) Resumed withdrawal and sale of cryptocurrencies that were suspended (all the cryptocurrencies became available for withdrawal and sales from June 2018)
Apr. 2018	Joined the Monex Group
Oct. 2018	Resumed deposits and purchase of cryptocurrencies that were suspended (all the cryptocurrencies became available for deposits and purchase from November 2018)
Jan. 2019	Registered as Cryptocurrency Exchange Service Provider
Apr. 2019	Started service with Monex, Inc. to redeem points
Jun. 2019	Started offering Monacoin

Investment Segment



Using our track record and IPO experience and IPO experience as a seed money and early stage investor, we will diversify revenue streams by launching and managing flagship funds in order to strengthen our system

STRENGTHS

Establish a unique position by actively supporting business in project development and growth stages through to the series A financing

WEAKNESSES /ISSUES

Still in the early stages of establishing the business, and strengthening the fund management system as well as acquiring more investment opportunities are issues

STRATEGY

Using our unique position, we will pursue investment opportunities for promising startups, use brand power to hire talented personnel and accelerate good fund management


























CREATING VALUE

Use our experience to find promising investment opportunities via our unique network and support growth to increase value in order to sell equity share and record profits

Growth Strategy

In January 2019, we established an “MV1 Investment Limited Partnership” with ¥2.5 billion. We are investing in a software and system development business geared for a new financial infrastructure as well as other technology businesses that create their business with cutting edge technology. Furthermore, Monex Ventures has used its own funds to invest primarily in the area of financial technology. And, it also invests in the “Monex Edison Investment Limited Partnership” fund that is for startups with growth potential. These investments are creating a revenue base for the Monex Group’s investment segment.

Main investments to date

Monex-invested companies that are listed/sold		Investments made from 2018				
Online life insurance	Information platform /Curation	Vertical EC	AI/Big Data	Insurance Robo-advisor	Crypto assets related	EC platform for photographers
						
Invested in 2006 Listed on Mar. 2012 on TSE Mothers	Invested in 2009 Listed on Oct. 2016 on TSE Mothers	AI/Big Data	VR	Rooms for rent	Interactive advertising	Online salon reservations
						
PFM*	Online reservation app for upper-end	Operations management tool for Africa	Service for buying already reserved rooms	IoT related business	IoT related business	Gift EC
						
Invested in 2012 Listed on Sep. 2017 on TSE Mothers	Invested in 2016 Sold entire stake in December 2018	Mental health care	Sleep improvement service	Digital money platform	Vehicle sale/purchase platform	Drone related
						
SaaS	Logistics	SaaS				
						

* PFM: Personal Financial Management

* PFM: Personal Financial Management

ESG Management

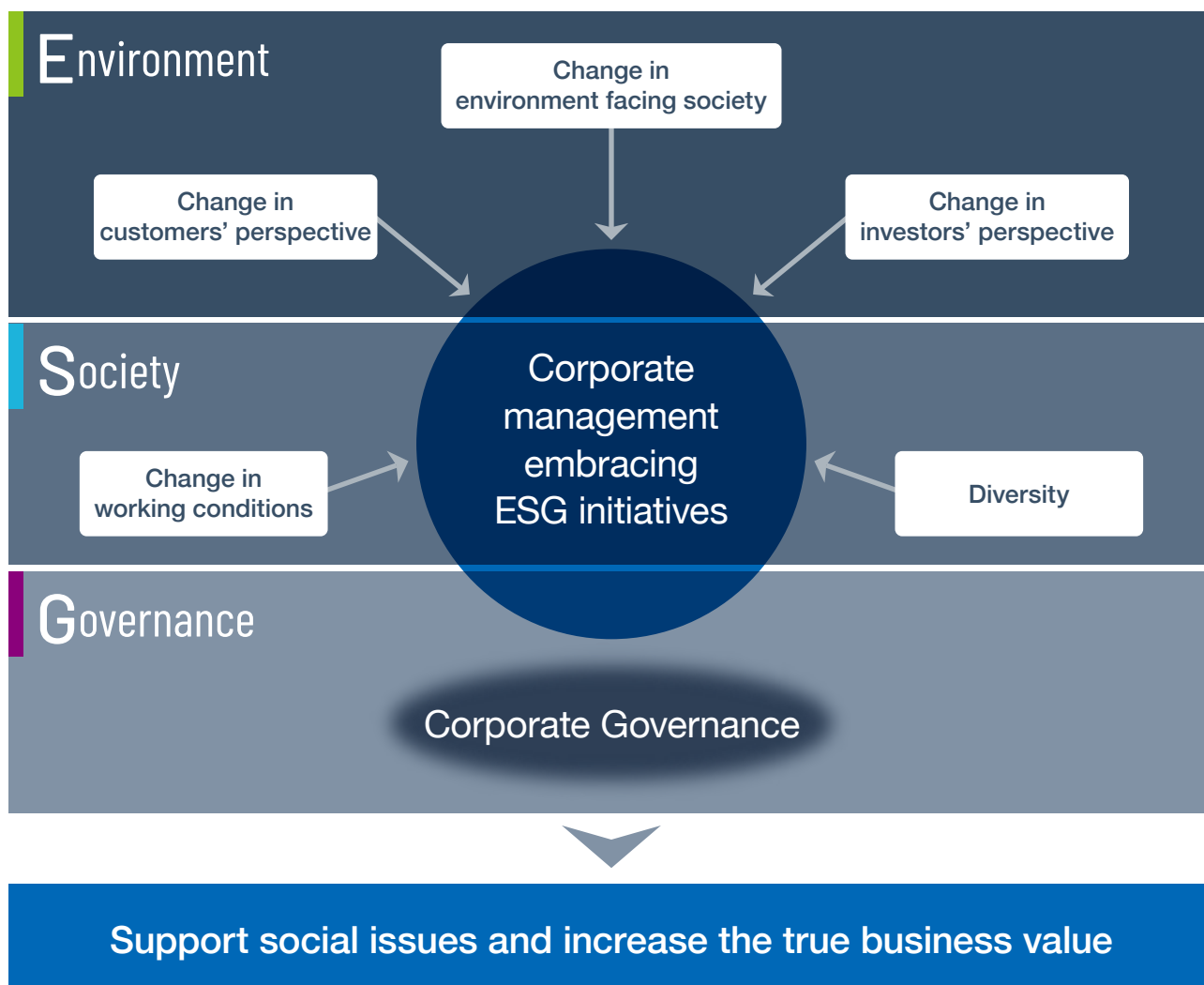
Monex Group seeks to fulfill our responsibilities as a corporate group by contributing to society through our business operations, based on the business principle and code of conduct of the Monex Group.

We believe that, as a member of society, it is an important challenge and responsibility for our group to establish a trustworthy financial infrastructure for individuals, and to provide the best possible financial services currently being demanded, thereby contributing to the healthy development of the capital market. Monex Group will continue to focus on our operations as a financial group, through which we seek to contribute to the sustainable development of society as a whole.

The Monex Group is also working to improve our business value and launched the ESG Promotion Secretariat (*) to support and address social issues.

* > P.44 | ESG Management: ESG Promotion Secretariat

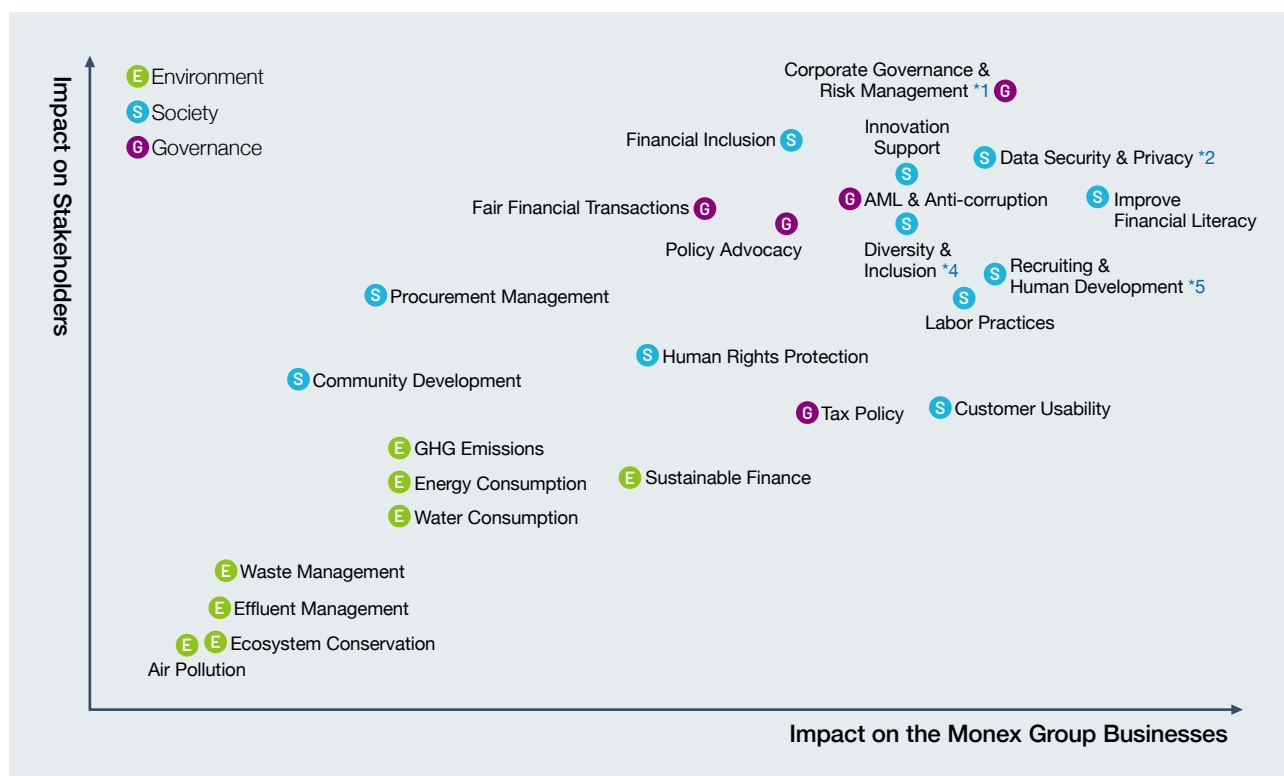
Integrating support for addressing social issues into our corporate management to raise our true business value.



Materiality Matrix

In order to address social issues and our unique management issues at the same time, we have summarized the feedback and needs from our stakeholders. We set up a “Materiality Matrix of the Monex Group” (hereafter referred to as the “matrix”), indicating the level of importance for the stakeholders on the vertical axis and displaying the level of impact on the Monex's operations and performance along the horizontal axis.

We first received suggestions and requests from the stakeholders (Monex Group shareholders, employees, customers, partners/suppliers, NGOs, industry groups and government agencies) and identified each topic. Then, taking into consideration their impact on our financial statement, we held discussions in the Board to map out and set up this matrix.



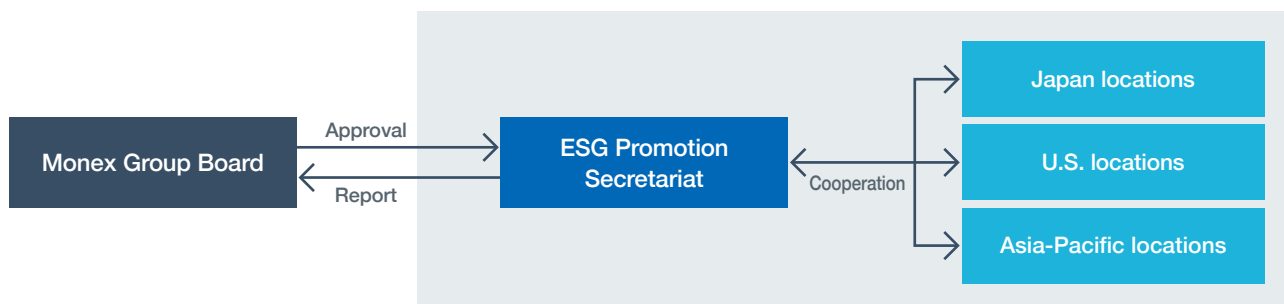
*1 > P.45-P.53 | Corporate Governance / P.54-P.56 | Risk Management *2 > P.59 | Cyber Security

*3 > P.60 | Society: Initiatives to Improve Financial Literacy *4 > P.58 | Personnel: Promoting Diversity

*5 > P.57 | Human Resources Strategies and Personnel Training

ESG Promotion Secretariat

As part of Monex's full commitment to ESG activities, the ESG Promotion Secretariat (Director: Chief Financial Officer) was established. The Secretariat provides regular reports to keep the Board up to date, gain approval and help tackle a variety of issues.



Corporate Governance

Management Team



Oki Matsumoto

Managing Director, Chairman of the Board,
Member of the Nominating Committee,
Member of the Compensation Committee
Representative Executive Officer,
President and Chief Executive Officer

Term of office: 14 years

Number of shares owned 7,512,900 shares

Important concurrent positions at other organizations

Representative Director & Chairman,
Monex, Inc. (the Company's wholly owned subsidiary)

Chairman of the Board of Directors,
TradeStation Group, Inc.
(the Company's wholly owned subsidiary)

Chairman, Coincheck, Inc.
(the Company's wholly owned subsidiary)

Outside Director, MasterCard Incorporated
Outside Director, UZABASE, Inc.



Shoji Kuwashima

Managing Director,
Vice Chairman of the Board
Executive Officer and Chief Quality Officer

Term of office: 10 years

Number of shares owned 223,300 shares

Important concurrent positions at other organizations

Executive Director, Coincheck, Inc.
(the Company's wholly owned subsidiary)



Takashi Oyagi

Managing Director
Executive Officer
and Chief Strategic Officer

Term of office: 8 years

Number of shares owned 510,600 shares

Important concurrent positions at other organizations

Director and Chief Strategic Officer,
TradeStation Group, Inc.
(the Company's wholly owned subsidiary)



Jun Makihara

Outside Director, Member (Chair) of
the Compensation Committee,
Member of the Nominating Committee,
Lead Independent Director

Term of office: 13 years

Number of shares owned 20,000 shares

Independent outside director

Important concurrent positions at other organizations

Director, TradeStation Group, Inc.
(the Company's wholly owned subsidiary)

(Outside Director in substance)

Outside Director, Shinsei Bank, Limited

Outside Director,
Philip Morris International Inc.



Nobuyuki Idei

Outside Director, Member (Chair) of
the Nominating Committee,
Member of the Compensation Committee

Term of office: 6 years

Number of shares owned 90,000 shares

Independent outside director

Important concurrent positions at other organizations

Founder and CEO,
Quantum Leaps Corporation

Outside Director, FreeBit Co., Ltd.

Outside Director, Lenovo Group Limited



Fujiyo Ishiguro

Outside Director,
Member of the Nominating Committee

Term of office: 5 years

Number of shares owned 10,000 shares

Independent outside director

Important concurrent positions at other organizations

President & CEO,
Netyear Group Corporation

Outside Director, Hottolink, Inc.

Outside Director,
Sompo Japan Nipponkoa Insurance Inc.



Nobuo Domae

Outside Director,
Member of the Nominating Committee,
Member of the Audit Committee

Term of office: 3 years

Number of shares owned 30,000 shares

Independent outside director

Important concurrent positions at other organizations

Outside Director, DeNA Co., Ltd.

Senior Managing Director
(in concurrent service as Executive Officer),
Ryohin Keikaku Co., Ltd.



Masaaki Koizumi

Outside Director,
Member (Chair) of the Audit Committee

Term of office: 1 year

Number of shares owned 0 shares

Independent outside director

Important concurrent positions at other organizations

Certified Public Accountant,
KOIZUMI C.P.A. OFFICE

Outside Statutory Auditor,
K.R.S. Corporation

Outside Director, TSUKUI CORPORATION



Shiho Konno

Outside Director,
Member of the Audit Committee

Term of office: 1 year

Number of shares owned 0 shares

Independent outside director

Important concurrent positions at other organizations

Attorney-at-law,
Shiho Konno Habataki Law Office

Outside Director,
Alfresa Holdings Corporation

Outside Audit & Supervisory Board Member,
Shinsei Bank, Limited.

Three Committees

Nominating Committee	Chairman	Nobuyuki Idei (Outside & Independent Director)
	Member	Fujiyo Ishiguro (Outside & Independent Director)
	Member	Nobuo Domae (Outside & Independent Director)
	Member	Jun Makihara (Outside & Independent Director)
	Member	Oki Matsumoto
Audit Committee	Chairman	Masaaki Koizumi (Outside & Independent Director)
	Member	Shiho Konno (Outside & Independent Director)
	Member	Nobuo Domae (Outside & Independent Director)
Compensation Committee	Chairman	Jun Makihara (Outside & Independent Director)
	Member	Nobuyuki Idei (Outside & Independent Director)
	Member	Oki Matsumoto

Executive Officers

Position	Name	Assignment	No. of shares held (shares)
Representative Executive Officer, Chairman & Chief Executive Officer	Oki Matsumoto	Director of organization Monex Zero	7,512,900
Senior Executive Officer	Yuko Seimei	Planning Japan segment Investment Business	70,000
Senior Executive Officer	Toshihiko Katsuya	Crypto Asset Business	113,700
Executive Officer, Chief Financial Officer	Satoshi Hasuo	Financial controls Asia-Pacific Segment Risk Control Manager	40,800
Executive Officer	Kiminori Kaneko	Quality control Information security	39,200
Executive Officer, Chief Strategic Officer	Takashi Oyagi	US segment	510,600
Executive Officer	John Bartleman	US segment	0
Executive Officer, Chief Quality Officer	Shoji Kuwashima	Human resources Quality control Corporate communications Information security Risk control	223,300
Executive Officer, Chief Administrative Officer	Hisashi Tanaami	Internal controls	41,600
Executive Officer	Masaki Ueda	Crypto Asset Business	281,400

Corporate Governance

Reasons for Appointing Directors & Executive Officers

Name	Reason for Appointment
Oki Matsumoto Managing Director, Chairman of the Board	Since Mr. Matsumoto founded the former Monex, Inc. in 1999, he has been dedicated to creating and establishing a new financial business model in Japan, i.e., an online brokerage business for retail investors, and has demonstrated strong leadership in expanding the businesses of Monex Group, Inc. and the group companies. With his in-depth understanding of the financial services industry, Mr. Matsumoto has actively supported substantive and productive discussion of the Board. As Chief Executive Officer of the Company, he deploys his exceptional leadership and management skills to drive the "New Beginning" phase, in which the Company aims to achieve new growth in the group's business.
Shoji Kuwashima Managing Director, Vice Chairman of the Board	Mr. Kuwashima has long experience in the Japanese brokerage business and has in-depth knowledge in information technology. He proactively participates in Board discussions with well-balanced perspectives derived from his vast experience in management. Mr. Kuwashima also serves as an Executive Officer of the Company and is responsible for taking information securities measures, etc. where his knowledge and experience in IT security can be fully utilized.
Takashi Oyagi Managing Director	Mr. Oyagi is a founding member of Monex, Inc., which was established in April 1999. With his long experience in financial services in Japan and the U.S., Mr. Oyagi has, while fulfilling his responsibilities as Director, assumed the role of planning strategies as well as the role of managing the business of the Company's U.S. segment as its Executive Officer. Mr. Oyagi actively participates in Board discussions, providing his views reflecting changes in the U.S. financial industry and new business opportunities.
Jun Makihara Lead Independent Director ^{*1}	Mr. Makihara's years of experience in investment banking and in the incubation of Internet business start-ups in Japan and the U.S. provides him with strong expertise in financial services and profound understanding of the financial services industry as well as Internet-related businesses. Mr. Makihara has contributed to the Board since he was elected as Director of the Company in June 2006, expressing perspectives that take the financial services environment within Japan and overseas into consideration. Since being appointed as the Lead Independent Director in April 2015, Mr. Makihara has not only actively participated in Board discussions, but also contributed to facilitating communication between the Outside Directors and management, by such means as holding meetings attended only by the Outside Directors and the CEO.
Nobuyuki Idei Outside Director	Mr. Idei has extensive management experience in global companies and is aggressively engaged in nurturing next-generation businesses and leaders, drawing on his extensive connections around the world as well as his in-depth knowledge of online businesses. Since his appointment as Director of the Company in June 2013, Mr. Idei has contributed to the Board by actively expressing his perspectives derived from broad knowledge and experience of new business within Japan and overseas.
Fujiyo Ishiguro Outside Director	Ms. Ishiguro has profound knowledge of digital marketing and long experience in management as an active CEO of a listed company. Since June 2014, when she was elected as Director of the Company, Ms. Ishiguro has actively participated in Board discussions by leveraging her knowledge to express far-sighted views of such matters as approaches to customer service in an increasingly digitized environment.
Nobuo Domae Outside Director	Mr. Domae has experience of both online and physical consumer retail business development and growth within Japan and overseas. Furthermore, he has long and in-depth extensive experience in establishing globally applicable organizational frameworks and business management systems and internal control systems. Since he was elected as Director of the Company in June 2016, Mr. Domae has aggressively participated in Board discussions and provided his insights from the perspectives of both risk management and the pursuit of opportunities for business growth.
Masaaki Koizumi Outside Director	Mr. Koizumi is a certified public accountant in Japan who has an ample knowledge as an expert in finance and accounting, along with extensive experience in conducting external accounting audits of companies, including financial institutions, and the same in engaging in the process of companies going public. Since he was elected as Director of the Company in June 2018, Mr. Koizumi has aggressively participated in Board discussions, enhancing the board governance of the Company.
Shiho Konno Outside Director	Ms. Konno is an attorney-at-law licensed in Japan who has expertise in law and although she has never assumed executive positions at companies, she has served as an outside director and outside statutory auditor at listed companies and has in-depth knowledge of corporate governance which she acquired through her experience as an attorney-at-law. Since she was elected as Director of the Company in June 2018, Ms. Konno has aggressively participated in Board discussions, enhancing the transparency of the Company's management and strengthening its supervisory functions.
Yuko Seimei Executive Officer	Being involved with planning, she oversaw and implemented the incorporation of Coincheck into the group. As the current President & CEO of Monex, Inc., she has worked hard to improve the revenue of Monex, Inc., the backbone of the group. Her fulfilling that role and responsibilities is considered vital to our group.
Toshihiko Katsuya Executive Officer	He accumulated business achievements as a President of Monex, Inc. Currently, as a President of Coincheck, he undertakes the task of registration and resume of the cryptocurrency exchange business. Because he plays an important role in putting the crypt asset business on a track, it was judged to be desirable that he continues working on the task.
Satoshi Hasuo Executive Officer, Chief Financial Officer	He is responsible for business management and risk management of the entire group as a CFO by utilizing the knowledge obtained from wide varieties of business experience such as long financial backgrounds including foreign affiliated companies, product development division, sales department including call center, and accounting finance department at Monex, Inc. As our group business environments are significantly changing, it was judged to be preferable that he continuously fulfills his responsibilities.
Kiminori Kaneko Executive Officer	He is familiar with securities-related systems and playing a central role in the development and operation of our core trading system as a Vice President of Monex, Inc. Under the difficult conditions that a wave of entry into securities business from different industries is occurring, it was judged to be appropriate that he continues working on expanding profits of Monex, Inc., by making use of his long career in the securities business.
John Bartleman Executive Officer	Serving as a president in the TradeStation group, he exercised strong leadership and contributed to turning around the business, and achieved a turnaround into profit trends, while addressing the difficulty of reduction of personnel. In order to make the TradeStation business as a major revenue source, it was judged to be appropriate that he continues serving the job.
Hisashi Tanaami Executive Officer, Chief Administrative Officer	Under the circumstances where proper arrangements and steady operations of the internal controlling system within the group are becoming increasingly important due to the full deployment of the crypto asset business, it was judged to be suitable that he continues to serve as a CAO by making full use of his extensive knowledge of legal and compliance and of his long experience in the finance business.
Masaki Ueda Executive Officer	He has expertise in various knowledge related to securities business such as securities system, accounting/finance, and account management works, which acquired during the course of longtime involvement in the securities business. Being in charge of MONEX ZERO, he has abundant knowledge of crypto asset business, which acquired through the preparation for entering into cryptocurrency exchange business. Therefore, it was judged to be appropriate that he continues playing a role in the arrangement/operation of the whole operation related to the virtual currency exchange business.

^{*1} The Company's outside directors and independent directors voted to appoint Makihara as the Lead Independent Director effective from April 2015.

^{*2} Diversity: Gender, age, region, etc.

^{*3} Attendance at meetings of the Audit Committee shows the number of meetings held after Mr. Koizumi's and Ms. Konno's appointments as a member of the Audit Committee (Date of appointment as a member of the Audit Committee: June 23, 2018)

	Experience and Expertise							Attendance Record for FYE March 2019	
	Financial industry	Marketing	Technology	Strategic thinking	Management	Accounting and internal controls	Diversity ^{*2}	Board of Directors	Committee
	●	●		●	●			9/9	Meetings of the Nominating Committee: 4/4 Meetings of the Compensation Committee: 7/7
	●		●	●	●			9/9	—
	●			●	●		●	9/9	—
	●			●	●		●	9/9	Meetings of the Nominating Committee: 4/4 Meetings of the Compensation Committee: 7/7
		●	●	●	●			9/9	Meetings of the Nominating Committee: 4/4 Meetings of the Compensation Committee: 7/7
		●		●	●		●	9/9	Meetings of the Nominating Committee: 4/4
		●	●	●	●			9/9	Meetings of the Nominating Committee: 4/4 Meetings of the Audit Committee: 10/10
						●		6/6 ^{*3}	Meetings of the Audit Committee: 7/7 ^{*3}
						●	●	6/6 ^{*3}	Meetings of the Audit Committee: 7/7 ^{*3}

Nomination policy for director candidates

The candidate must possess a high ethical standard.

The candidate must have knowledge, experience, aptitude or expertise in one or more of the following areas.

1. Financial industry 2. Marketing 3. Technology 4. Strategic thinking 5. Management 6. Accounting and internal controls 7. Diversity

The candidate must have a good understanding of his/her duties.

The candidate must be fully aware of and able to make the necessary time commitment to contribute actively to the Board of Directors and affiliated committees.

Board members

Ratio of outside and independent directors	The outside directors should make up at least one third of the Board.
Diversity	Nominations to the Board should consider the overall balance of experience, knowledge, and ability of the members.
Size	The size of the Board should be approximately 10 members.

Basic Thoughts on 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. The Monex Group is striving to make the corporate governance system more robust. For example, we adopted a structure called "company with committees" (presently, "company with three committees") in June

2013, we continue to push for even more separation between operation and monitoring, and from June 2014, we have insisted on keeping a constant majority of outside directors on the Board. In addition, the outside directors have also elected and appointed their own lead independent director since April 2015.

Analyzing and Evaluating the Effectiveness of Corporate Governance

The Board of Directors and the Nominating Committee analyze and evaluate the effectiveness of the entire Board based on the results of an evaluation questionnaire that is given to each director. Before presenting a list of director candidates to the General Meeting of Shareholders held in June 2019, a questionnaire was given to each director between the end of December 2018 and the beginning of January 2019 in order to evaluate the Board of Directors. Based on the questionnaire's results, the Nominating Committee and the Board held a meeting in January 2019 to analyze and evaluate the effectiveness of the entire Board.

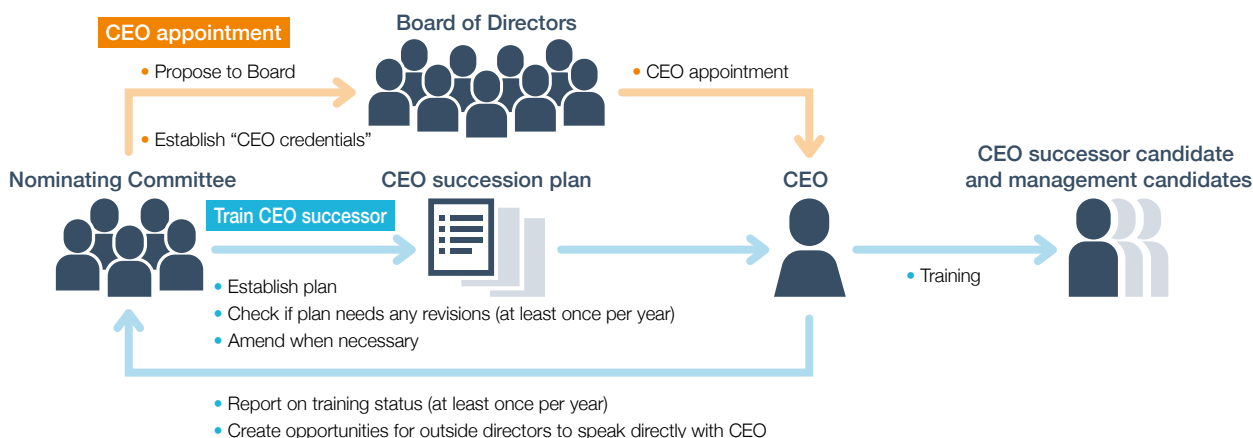
A summary of said results is shown below.

Analysis and evaluation results

No issues concerning the size or balance of the Board of Directors (9 directors including 6 outside directors) were identified. No issues were found with respect to the makeup or effectiveness of each committee. Regarding the Board members' area of expertise, the results showed that changes or additions to the Board members should be considered including potential candidates who are familiar with younger demographics or tech specialists.

Succession Plan

It is important to have a succession plan in place in order to continue to increase the Monex Group's corporate value. At the Monex Group, the Nominating Committee reviews any potential candidates to nominate to the Board or to management (i.e. representative executives and executive officers) and also reviews the succession planning. (Details are available in <Rule 4-11. Prerequisites for ensuring the effectiveness of the Board of Directors> in the report on the Monex Group's corporate governance.)

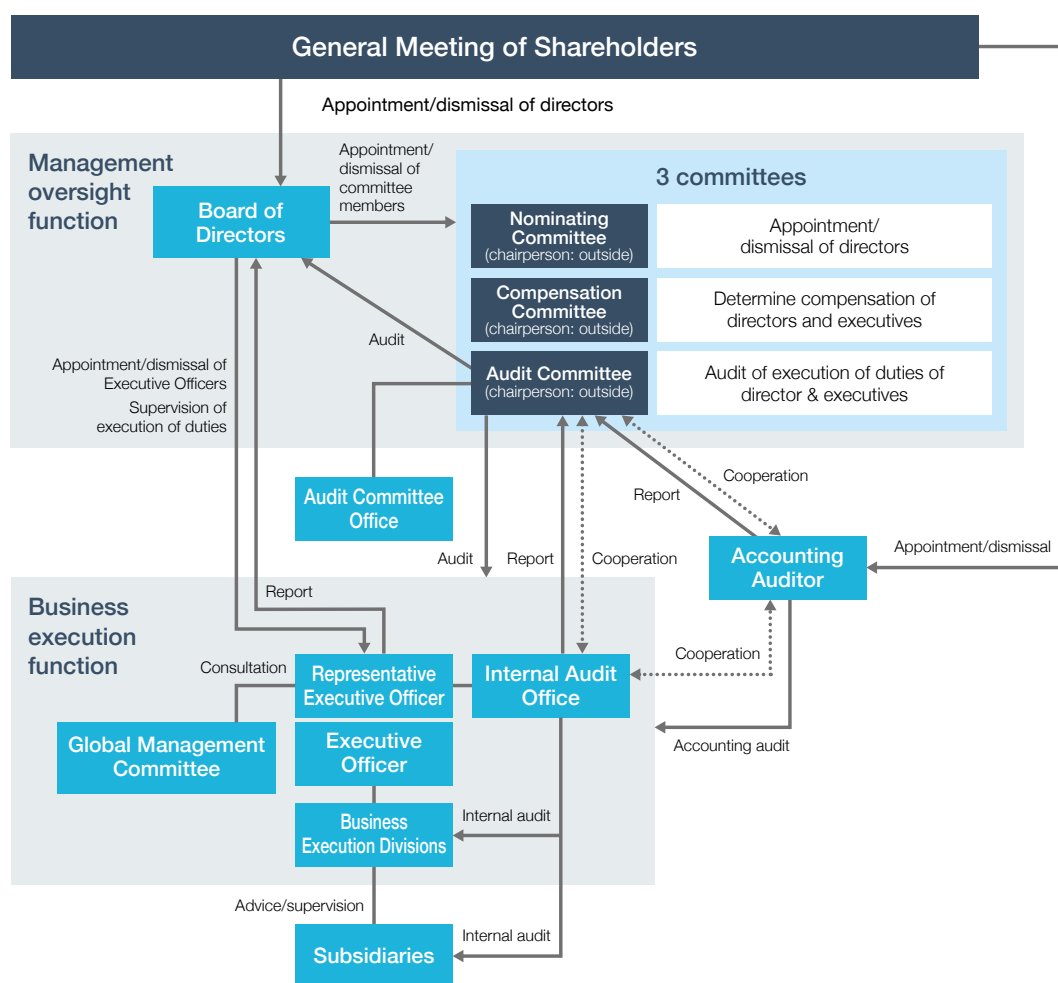


Achieving Highly Effective Corporate Governance

The Monex Group is constantly working to improve the corporate value by carrying out our mission to “utilize state-of-the-art IT technologies and world-class financial expertise to design innovative ways of managing money, to redefine finance for a new era and to support everyone’s investment and economic needs.” To that end, we have constructed the Board and the executive committees to focus on a global approach with specialized expertise required to carry out our medium- and long-term management strategy Global Vision III. In addition, we are actively pushing for disclosure practices that are fair with higher transparency in order to field and incorporate a broad range of opinions and views. We are using these systems to build and maintain a corporate

governance that embraces a balanced and multi-perspective approach. In our committee structure with the Nominating Committee, etc., it is possible to speed up the decision-making process since a lot of the authority can be transferred from the Board of Directors to the executive officers. However, it also obligates us to set up three committees (“Nominating,” “Audit” and “Compensation”), each of which has a majority of outside directors. Through them, we are able take full advantage of the independence and specific expertise of the outside directors, and at the same time, enhance the supervisory function of the Board and executive committees. This setup helps ensure that the corporate governance can operate more effectively.

Company with Committees



Remuneration System of Directors and Executive Officers

The Monex Group has opted for a governance system called "company with three committees" that offers a high degree of separation between the management oversight and the executives. Per this setup and as prescribed in the Companies Act, the Compensation Committee decides on the Monex Group's policy related to compensation and also on the specific compensation for each director and executive officer.

Breakdown of Remuneration for Executive Officers

		Basic remuneration	Short-Term Incentive Remuneration	Medium-and-Long remuneration Term Incentive Remuneration	Other remuneration
Compensation breakdown (excluding outside directors)		70%	30%		
Summary		The salary range (¥1.5 to ¥3 million monthly salary) is pre-established and the exact amount is decided on an individual basis by the Compensation Committee. This amount is determined depending on whether an executive also fulfills a dual role as a director in the Monex Group, on his/her position within the Monex Group and on whether an executive also fulfills a dual role as a Board member or officer in a Monex Group subsidiary.	The profits for the Monex Group from a single fiscal year are reflected in this compensation. The payout is decided by the Compensation Committee, who generally use 2% of the year's profit attributable to owners of the Monex Group (¥1.181 billion for the fiscal year ended March 2019) as a guide.	The Compensation Committee uses at least 10% of the basic remuneration as a guide to decide on an amount. This incentive system reinforces an executive's ongoing commitment toward improving the corporate value over the medium to long term by using remuneration based on stock that is restricted on transfer during a certain time period (or "restricted stock").	This remuneration linked to the stock price was previously allocated. The amount is posted as an expense for the fiscal year under review. Note that the expense cited as remuneration linked to the stock price no longer applies after the fiscal year ended March 2019.
Policy		This amount is a fixed amount plus an amount commensurate to his/her post.	This is an incentive for improving performance during a single fiscal year. The total amount of the incentive shall be determined by the company's performance and then shall be allocated based on merit for the duties and performance of each Board member or officer.	This is an incentive for improving the corporate value over the medium to long terms, and shall be allocated to each Board member or officer in shares restricted on transfer (*).	—
Amount	Executive officer holding a dual position as a director	¥107 million	¥2 million	¥6 million	¥5 million
	Executive officer not holding a dual position as a director	¥122 million	¥5 million	¥34 million	¥13 million
	Outside & Independent Director	¥74 million	—	—	—

* Note, in lieu of allocating shares restricted on transfer to directors who reside outside of Japan, phantom stock shall also be allocated in accordance with the laws of the country of residence and distributed proportionally over multiple fiscal years in order to have an equivalent effect to shares restricted on transfer. The amount paid shall be calculated from the standard stock price of the Company.

Monex Group personnel who are eligible to receive short-term incentive remuneration as well as medium- and long-term incentive remuneration shall include Monex Group executive officers, subsidiary directors and subsidiary executive officers. In addition, the individual payout amount or number of allocated shares is decided by the Compensation Committee based on the performance of each director/officer and the collective and mutual evaluations of the directors. The Monex Group's

performance can be swayed drastically by factors such as the economic climate and market volatility. And, the breakdown of compensation (both remuneration linked to performance and remuneration that is not) may sometimes deviate from our basic approach to remuneration, because the personnel who are eligible to receive short-term as well as medium- and long-term incentive remuneration includes a mix of Monex Group executive officers, subsidiary directors and subsidiary executive officers.

Dialogue with Stakeholders

Monex believes that active disclosure and dialogue with stakeholders not only helps to build relationships with those stakeholders and the market, but also performs a brake function in practical management and business execution as part of our internal and external corporate governance.

Dialogue with Shareholders and Investors

The Company always holds its General Meeting of Shareholders on a Saturday to make the meeting 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. Shareholders also are able to vote via the Internet or by mail. The Company has disclosed the results of exercised voting rights since 2009.



The 15th Annual General Meeting of Shareholders
(held on June 22, 2019)

Individual shareholders
as of the end of March 2019

45,574 persons

Participants at General
Meeting of Shareholders

529 persons

Dialogue with Institutional Investors

On earnings announcement day each quarter, the Monex Group holds a results briefing in Japanese and English. In each case the Representative Executive Officer & CEO explains our earnings directly and participates in a Q&A session. About twice annually, a group of Monex's managers take a European and U.S. tour to visit investors and give individual meetings, and managers and our head of investor relations section give interviews to institutional investors at almost any time.

Dialogue with Retail Investors

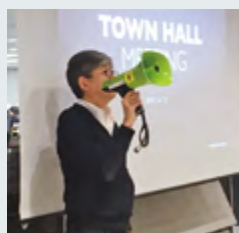
On earnings announcement day or the next business day each quarter, the Monex Group holds an online results briefing for retail investors. This is an opportunity for our Representative Executive Officer & CEO to engage in a direct dialogue with retail investors.

Dialogue with Customers

Ever since Monex, Inc. was founded, it has held an Orientation Committee meeting once every three months to ask clients their opinion face to face. As of June 2019, the company had held 76 such meetings. Representative Director and Chairman of Monex, Inc. has contributed his thoughts and perceptions to every issue of Monex Mail, the Company's e-magazine, which has been distributed every business day since August 1999.

Dialogue with Employees

The Monex Group holds meetings for employees at each location to ensure that management's current understanding and thinking are aligned. In the Japan Segment, "town hall meetings" are held once a year and "general meetings" (zentaikai) are held once a month. In the U.S. Segment, all the offices participate in "town hall meetings" held every quarter through an online web conferencing call. In addition, we invited employees from the group companies in Japan and held a "Monex Group Future Festival" in 2019 to celebrate 20 years since the original founding of Monex and to welcome the bright future that lies ahead.



(Both left and right pictures) Town hall meeting in the Japan Segment

Corporate Governance

Message from Outside Director



Even as management faces a complex and challenging climate, we take on flexible and future-oriented approach to help focus on the future of Japan, the U.S. and crypto assets

Lead Independent Director
Member (Chair) of the Compensation Committee

Jun Makihara

It has been another year of significant change and growth at Monex, which had its 20th birthday last month.

Although there are many subjects we tackle at the board, we do not run the company day to day. Focus is important. This year, three things have been at the top of our list: the acquisition of Coincheck, the return to profitability of TradeStation, and increasing margin pressure on Monex Securities.

The acquisition of the cryptocurrency exchange, Coincheck, had the biggest impact on our stock price this year. Coincheck had faced very significant and well publicized operational issues, but what we saw was a strong group of young and talented people in a business that could be strategic to our future. Through the very hard work and cooperation of Monex and Coincheck employees, we were able to receive registration as a cryptocurrency exchange agent this January. The business faces additional challenges as cryptocurrency values and trading volumes are substantially lower than a year ago, so there is much more work to be done.

The profitability of TradeStation, which we acquired in 2011 has been a subject of intense focus by the board ever since, and we are very pleased that, through substantial cost restructuring, revamped marketing and operations, and new partnerships, we are now achieving the profit levels we hoped for.

At the same time, our base Japanese brokerage business has come under increased margin pressure due to strong competition and lackluster market conditions.

We will continue to focus on the above three companies this coming year.

As Chair of the Compensation Committee, another area of focus for me is the compensation of senior executives. For Monex, this is a particular challenge as almost half of our employees are in the United States. Between Japan and the US, there are different cultural expectations as to compensation; currency rates affect pay; and perhaps the biggest issue is our desire to have all employees incentivized by being paid according to how Monex Group does, but at the same time compensating for individual, group, and regional performance. This has been a real challenge for us and we continue to refine our compensation structure.

As we look to the future, the board always asks itself whether we have the right board and the right senior leadership for the company. I believe we do. But as Monex' business evolves and diversifies from its original business of online stock investing to a broader set of online financial businesses, we must constantly reassess ourselves. Speaking for the board, we must be flexible, curious, and not afraid of risk, like a 20 year old.

Basic Thoughts on Risk Management

For all risks that the Monex Group, Inc. and its subsidiaries identify, the Monex Group follows all laws and regulations and also manages the risks according to its own “Rules of integrated risk control.” We mitigate risks that impact operations and keep them within a certain permissible range to help achieve our business goals. Using this approach, we identify, analyze and evaluate any risk and then devise control systems that are appropriate for each kind of risk. For risk control, the risk control manager is responsible for providing and managing the risk control

system and reporting periodically to the Board of Directors.

Items recognized as risks are classified systematically as shown below, and the location and the departments related to each risk are clearly identified. The risk control manager then measures the risk comprehensively, and estimates the degree of its impact and the probability that it will occur. Thereafter, said manager reports to the Board of Directors how much risk the Monex Group as a whole is facing.

Risk Management System



10 risks that are covered under the rules of integrated risk control

1. Market-related risk
2. Credit risk
3. Liquidity risk
4. Information security risk
5. System risk
6. Administrative risk
7. Legal risk
8. Reputation risk
9. Disaster risk
10. Other risk

Risk Management

Risks and countermeasures

The Monex Group categorizes risks identified in the “Rules of integrated risk control” as business, financial or operational risks, and then mitigates those risks using the aforementioned risk management system.

The following tables provide an overview of risks, their impact on business and operations as well as countermeasures in place at the Monex Group.

Business Risks

Risks	Impact (Example)	Countermeasure (Example)
Mitigating external factors	The Monex Group may lose invested capital, or future revenue and profits may decline due to engaging in a business or starting a new product/service that proves unsuccessful in a competitive market.	The Monex Group shall actively adopt new technology such as AI (mainly in the U.S. Segment) and roll it out at each location throughout the world. The Monex Group shall also create a service that uses crypto assets, beyond the cryptocurrency exchange business, and develop it globally.
Mitigating internal factors	Not having successors for top level or management level personnel, talented personnel leaving the Monex Group or any resistance to change may prevent the Monex Group from being able to make changes to the business model or any other necessary adaptations. The separation of work tasks being unclear may make the workload unbalanced and impose too much work on specific employees, making it difficult to achieve business targets.	In the Japan Segment, our competitive edge in business is based on our human resources approach, and the Monex Group has designed an HR system that focuses on self-improvement, employee development and better productivity. Also, in order to clarify the importance of personnel development, the Monex Group changed the evaluation of management level personnel to a more performance-based evaluation, emphasizing training and development more.
Risks related to engaging in new business and projects	When starting new business or projects, the Monex Group may encounter start delays, things may not run smoothly even when a new project is launched, the Monex Group may be unable to turn a profit or may be unable to meet the customers' expectations.	The Monex Group is taking steps to identify the project risks, and then establish standards or rules related to evaluating those risks.

Financial Risks

Risks	Impact (Example)	Countermeasure (Example)
Market-related risk	There are various risk factors in the market that fluctuate, such as the value, the interest rate or the exchange rate of securities. As a result, if the value of the group assets (off balance sheet assets) fluctuates, then the Monex Group may suffer losses.	The Monex Group has taken steps to create a system that monitors fluctuations in the interest rates. Therefore, when there are drastic changes in interest rates, this system uses derivative trading, such as interest rate swaps, to stay nimble and be able to hedge against changes in net profits or losses. By establishing rules related to cover transactions, a foreign exchange position can be controlled appropriately for FX trading. For assets and liabilities in a foreign currency, such as a stock of financial instruments in a foreign currency, the Monex Group can use forward exchange transactions, for example, to hedge the risk against a net position.
Credit risk (Business partner/supplier)	When the Monex Group holds receivables for a business partner including customers, the Monex Group may suffer a loss when a business partner does not fulfill their obligation.	The Monex Group covers the risk by receiving an advance payment, a security deposit or a pledge of collateral, or understands the risk like an imbalance of positions by regularly monitoring the trading direction.
Liquidity risk	If business deteriorates in a sluggish market, the Monex Group may not be able to secure necessary funds, and as a result, suffer losses due to funding difficulties, or may be forced to obtain funds at a significantly higher interest rate than normal circumstances.	The Monex Group shall diversify ways to obtain funds to make cash flow less susceptible to the volatility of financial markets. The Monex Group shall use a combination of direct and indirect financing to ensure long-term borrowing.

Operational Risks

Risks	Impact (Example)	Countermeasure (Example)
Information security risk	The Monex Group may suffer losses if the confidentiality, completeness or availability of information assets is compromised due to reasons such as the leaking or damage of information assets. The Monex Group may also lose the trust and confidence of its customers if information assets, such as personal or other information, is compromised due to insufficient or poor information security.	The Monex Group shall constantly provide security training for the employees and regularly monitor the system to ensure a defense in depth or Castle Approach is in place.
Cybersecurity risk	The Monex Group confronts the risk of a breach where cyber security is threatened in what is referred to as a "cyber attack." This attack is usually perpetrated by taking advantage of weaknesses in the information communication network or information system in order to hack (unauthorized access) via cyberspace, steal, falsify or destroy information, halt an information system or cause it to malfunction, run malware or engage in a DDoS attack. Due to this type of risk, information assets such as personal information may become compromised, system functions may stop working, and/or the organization's operations and customer assets may be lost, and ultimately the Monex Group may also lose the trust and confidence of the customers.	The Monex Group periodically performs vulnerability assessments externally and if a new vulnerability is discovered, the Monex Group shall immediately take steps to remedy or secure that weakness. The Monex Group has set up an organization dedicated to integrating appropriate cyber security measures. This also includes activities such as daily monitoring, focusing on the latest security trends and planning the required countermeasures. Coincheck also provides cyber security that mitigates the risk of illegal access to online or digital wallets by an unauthorized third party (hacking). In addition, Coincheck offers cold storage or an offline wallet for all available cryptocurrencies where most cryptocurrencies held by the customer are stored.
System risk	The Monex Group may suffer losses if the system is unavailable due to it being down or not working properly, and/or if a computer is accessed and used illegally.	The Monex Group periodically performs vulnerability assessments externally and if a new vulnerability is discovered, the Monex Group shall immediately take steps to remedy or secure that weakness.
Administrative risk	The Monex Group may suffer losses if a mistake in processing is made by an inexperienced worker, or if a mistake in processing is made because a worker deliberately performs a wrong operation, because the verifying party does not carefully verify or check the content, because the processing procedure have not been formatted (explicit knowledge) or any other similar situation.	The Monex Group shall review any risks for the main work tasks related to new projects and product services, and then shall ensure relevant knowledge is made explicit and can be transferred and/or accessed.
Legal compliance risk	The Monex Group may fall victim and be used in money laundering schemes and/or in the financing of terrorism.	The Monex Group takes steps to verify the identity of a person who opens an account, and keeps records on that person and the transactions that he/she engages in. In addition, the Monex Group has established management rules to counteract money laundering and the financing of terrorism, and each location organizes and operates a system according to the applicable laws and regulations of that region. The system controls are checked and confirmed in regular meetings to ensure that it is effective as an anti-money laundering control system across the entire Monex Group.
Reputation risk	The credibility and brand reputation of the Monex Group may become damaged and the Monex Group may suffer tangible or intangible losses as a result of news or coverage that propagates, for example, a risk event related to business activities that actually occurred, or that propagates false rumors or malicious slander.	The Monex Group actively discloses information to communicate the business principles and corporate activities. There is also an internal hotline system in place so that employees can consult with or have access to outside legal counsel.
Disaster risk	The Monex Group may suffer losses if preventive measures in place are insufficient for large scale disasters or infectious diseases, or if the quick response system in place is insufficient for handling such event.	The Monex Group is currently promoting business continuity plans and reviewing emergency plans at the main locations of the Monex Group in the event of a natural disaster like an earthquake or tsunami, or in the event of a fire, blackout or terrorist attack.

Human Resources Strategies and Personnel Training

In order to use cutting edge IT to design the future of money, the Monex Group has shifted to an in-house backbone system in the online brokerage business, cryptocurrency exchange business and investment business. Switching to an in-house system will help us make business at the Monex Group more sustainable and it also offers advantages like reducing costs and increasing our independence and level of freedom to develop services. However, the risks associated with this system must be addressed and mitigated.* As a result, we recognize that we will need to improve the technical ability of our engineers, who account for approximately half of the employees in the Monex Group. Therefore, the Monex Group will also need to formulate a personnel strategy in

order to create the future of finance. The Monex Group is searching for personnel who can understand the operational issues and the essence of the business, can think logically and can work independently. In an online business environment with sudden and drastic changes, the Monex Group needs a corporate environment to develop human resources and a structure that are sympathetic to our business model and mindful of the competitors, but they also need to always provide good value that customers desire. We believe that the source for improving the corporate value is flexibility and a wider perspective, in order to be open to different values and be able to adapt to the changes of environment in years to come.

* > P.59 | Society: Cybersecurity

Securing technical resources for creating the future of finance

As part of our switch to an in-house system, having personnel in the right positions for developing, managing and servicing the backbone system, not only makes Systems Department stronger but helps reduce costs. This means that we need to recruit top engineers and also train personnel to increase the individual skills and abilities in order to cover a wide range of system related work tasks.

In Japan, Monex, Inc. held an *ideathon* (brainstorming event) to foster new technology innovation for the backbone system. We had many participants, who were not just employees from the Systems Department but from a number of departments, and the event has helped raise the level of skills and abilities related to the securities business. At Coincheck, the systems related departments share the workload to deepen understanding and become familiar with other departments. This collaborative work approach is designed to help avoid making mistakes for work that crosses over into other departments. In addition, Monex, Coincheck and the Monex Group have banded together to promote blockchain seminars. We have held regular training sessions focused on the future of blockchain technology with the goal of improving our technical capabilities.

The TradeStation Group in the U.S. has set up an "Architecture Office." This group supervises the quality and the maintainability of TradeStation's services and applications. TradeStation carefully manages the development resources that include not just internal engineers that work on in-house projects but also subcontractors, in order to ensure service quality and stability. TradeStation regularly holds idea labs to look at the latest IT trends and also hackathons to recruit highly skilled and creative engineers. These activities improve

our technical capabilities further and also promote the company's visibility.

Hong Kong-based Monex Boom Securities has accumulated a lot of know-how and experience on making in-house systems and participates in external seminars and other similar events to maintain good technical capabilities.

In August 2019, we held a conference in Costa Rica for all the leaders in the Systems Departments with the goal of improving the technical capabilities of the entire group. This conference provided an opportunity for the top engineers in Monex, Coincheck and TradeStation to meet up. Here, the participants shared information on current issues related to both business and technology as well as success stories where technology was effective. They also discussed topics related to the future vision and direction of the group and areas where the group companies can collaborate. This forum has helped us come up with IT strategies on information, security and other issues, and has provided a good support network for system development and operations across the entire group.



Poster advertising the 2nd Ideathon for Monex, Inc.

Promoting diversity

The Monex Group focuses on diversity in personnel as a resource to remain competitive and to achieve sustainable management.

Diversity at each location in the Monex Group

The Monex Group is a diverse organization with 50% of our employees in the U.S. and 40% in Japan.

The staff in the Japan Segment features a diverse range of experiences, ages and nationalities, with employees who are Japanese, Chinese, American, Dutch, Canadian, Indian, Ukrainian, Korean, British and French. The employees at Monex come from various walks of life with distinct experiences and have entered Monex at different stages: for example, right after graduating from school, in the middle of their career and also after a merger or acquisition. With regard to gender, we revised the company regulations in April 2016 and expanded on the concept of “spouse.” The system was changed to include common-law marriages so they were eligible to take vacation for their honeymoon or receive a wedding gift bonus. We also are helping realize more diversity in society through our business, for example, by developing services in Monex, Inc., for customers who are LGBT couples and by offering childcare leave to our male employees as well (since April 2015, 14 employees have taken this leave to date – end of August 2019).

In the U.S. Segment, our HR system and policy is designed to provide equal opportunities in our hiring practices. For example, we offer equal opportunities to candidates being recruited and employees seeking transfers, promotions, retirement and/or training regardless of their ethnicity, religious beliefs, sex, birthplace, age, pregnancy, handicaps, military service or spousal status.

In the Asia/Pacific Segment, we also have a diverse staff and have hired employees locally at each location: Hong Kong, mainland China and Australia. In China and Hong Kong, this of course includes Chinese and Hong Kong citizens, and in Australia, this includes employees from Australia but of European and Asian descent.

In the Crypto Asset Segment, while the age range of the Engineering Department is young, the Compliance Department has a lot of veteran staff who are very experienced. In addition to this broad range of ages, this segment also features staff with various nationalities, including American, French, Chinese and Korean citizens.

Interaction and communication between personnel from different segments

Personnel from different segments in the Monex Group interact and communicate because there are services that cross over into other segments, requiring personnel to conduct internal transactions throughout the Monex Group. This exchange helps further mutual understanding between segments and among employees, which bolsters the globalization of the Monex Group.

Systems that were co-developed by Japan and the U.S. include the investment information service Monex Insight, the Japanese equities trading tool TradeStation as well as the TradeStation tool for US stock trading. With systems that can cross through the barriers of languages and time zones, when we process orders for foreign equities, such as ordering US or Chinese stocks from Japan, or ordering Japanese or US stocks from Hong Kong, our services are channeled through our group companies, reducing the cost to the customer. In addition, we will continue to make trading easier and more convenient for our customers by offering a combination of both securities and cryptocurrency trading, thereby sharing and redirecting customers (*) between the Japan and Crypto Asset Segments. Creating business within the group and between segments means fostering more interaction between personnel on both sides. This exchange encourages more mutual understanding and familiarity with both businesses, enabling the group to address and resolve issues and ultimately using this cooperation to contribute to a more diverse staff.

In the Monex Group, the “GMC” or Global Management Committee is made up of management teams from each group company and holds monthly meetings. The management teams from all locations hold the “GMC + Meeting” annually, where they discuss medium and long term growth strategies. We also hold a number of group-wide events. For example, the employees from each company in Japan (Japan and Crypto Asset Segments) periodically hold “Blockchain seminars” to study about the future of blockchain technology. In 2019, to celebrate the 20 year anniversary of Monex, we invited employees from the group companies in Japan and held a “Monex Group Future Festival” to celebrate and welcome the bright future that lies ahead. These events help promote understanding about our different businesses and also help foster interaction and communication between personnel from different segments.



“Future Festival” gives employees from different group companies in Japan a chance to get together and promotes interaction and communication between them

* P.29 | Growth Strategy: New Beginning

Cybersecurity

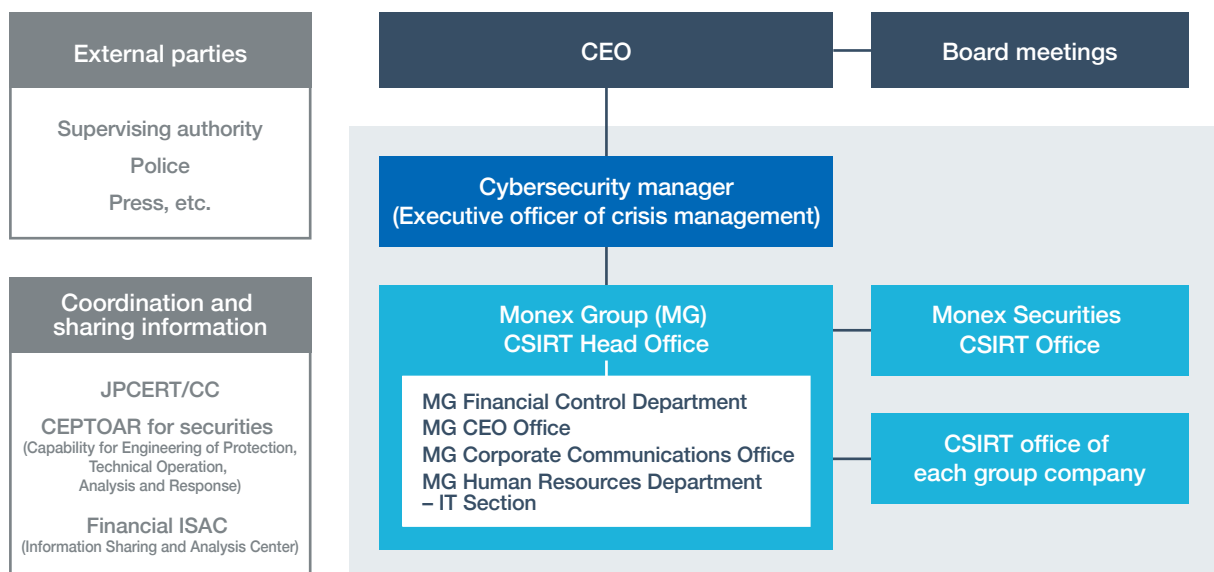
Cybersecurity measures

Given the diversifying business portfolio of the Monex Group, we recognize that we need to take further measures than what is in place to fight against the cyber threats that are becoming more and more severe every day.

The Monex Group has rolled out its businesses on a global level, and as a result, we are striving to make our approach to cybersecurity more comprehensive and stronger. We have used the supervision guidelines for financial instruments business operators specified by the Financial Services Agency and also referred to the 800 series provided by NIST (National Institute of Standards and Technology) in the U.S to provide secure and safe trading and to protect customer information and assets from serious cyber threats.

Cybersecurity system

We have constructed a global system across the entire Monex Group to provide support against cyber attacks and mitigate damages or losses. Following the lead of the “Monex Group CSIRT (Computer Security Incident Response Team)” that was set up in the Monex Group, CSIRTs were also set up in Monex, Inc. and in each group company. The Monex Group CSIRT works in conjunction with the CSIRT of each group company to strengthen governance. The CSIRT set up in each company functions to protect work, information assets and the systems of each company. We are promoting cybersecurity measures in 4 different areas, in the organization's operations, in the system support, in personnel support and in external partnerships.



Initiatives to improve financial literacy

Providing customer education

Since our founding, the Monex Group has focused on investment education. Our approach seeks to improve the financial literacy of retail investors. In turn, this helps revitalize the capital markets and promote economic development, with the ultimate goal of achieving the “democratization of capital markets.” Monex, Inc. has taken on a central role here and actively tries to make the latest investment information available through online seminars*. In addition to online seminars set up exclusively for Monex customers, we have also set up sessions available to general retail investors, providing a wide range of investment information to all investors. We have also held at least 5 offline investment seminars nation-wide, with up to 500 participants at a time. These seminars have featured the CEO, chief strategist and outside specialists as well, offering Monex customers an educational platform to have face-to-face communication about investments.

Monex University has also continued to develop educational content primarily for first-time investors. They also provide a life planning and investment simulation tool called Monex Life Plan Simulator, which can help in better asset building. And, the university has also contributed to Money Clip, an investment information media platform for Monex, Inc. With regard to our activities for educational institutions, we offer trial lessons on investment at elementary schools, provide investment classes for high schools students and also hold financial seminars for university students. Since 2014, we have sponsored courses at Aoyama Business School (university graduate school in Tokyo), and we also started to hold financial seminars for student investment clubs in 2018. In addition, in Money Clip, we have provided asset management information in our column Monex Centenarian Design in order to extend the life of assets.

Apart from securities trading, we provide information on our news website Block Insight to encourage more understanding about cryptocurrency and their markets among retail investors. In our efforts and involvement in educational activities, Nana Otsuki – Chief Analyst for Monex, Inc. who also holds positions as the Director of the Monex Cryptocurrency Laboratory and the Head of Monex University

– is active in a wide range of investment education activities, teaching classes to students regularly while working as a professor at the Graduate School of Management, Nagoya University of Commerce & Business and as visiting professor at Faculty of International Politics and Economics, Nishogakusha University. Furthermore, she has submitted joint papers to the academic journal *Applied Economics* on the performance of bitcoin. This is emblematic of our efforts to increase understanding and knowledge on assets that are based on new technologies as well as being engaged in other activities that provide this type of information.

In the U.S., the 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. Also, TradeStation University provides an investment information platform to educate retail investors on investment theory and principles, including the significance behind investment, formulating strategies and order management techniques.

Hong Kong-based Monex Boom Securities also offers educational opportunities to customers mainly through online seminars.



Nana Otsuki (pictured in the center) – Opening bell ceremony at the London Stock Exchange at gender equality event for female professionals in England and Japan

* > P.61–62 | Past 12 Years:
Number of participants and sessions held for online seminars

Past 12 Years

Category	Accounting item, sub-item and title display (IFRS/JGAAP)	Unit	FYE Mar. 2008	FYE Mar. 2009
			JGAAP	JGAAP
Consolidated	Total operating revenue	Millions of Yen	30,497	24,812
	Commission received	Millions of Yen	21,544	14,900
	Net trading income	Millions of Yen	143	1,100
	Financial income	Millions of Yen	8,576	8,611
	Other operating income	Millions of Yen	232	199
	Financial expenses	Millions of Yen	3,509	3,758
	Total operating revenue after deducting financial expenses/ Net operating revenue	Millions of Yen	26,988	21,053
	Selling, general and administrative expenses	Millions of Yen	13,971	15,784
	Transaction-related expenses	Millions of Yen	4,923	4,639
	Compensation and benefits	Millions of Yen	2,649	2,907
	System related expenses (*1)	Millions of Yen	5,542	6,642
	Other	Millions of Yen	856	1,593
	The amount equivalent to operating income/Operating income	Millions of Yen	13,016	5,269
	Other income/Expenses (net)	Millions of Yen	(483)	(5,233)
	Profit before income taxes/ Income before income taxes and minority interests	Millions of Yen	12,620	48
	Profit/Income before minority interests	Millions of Yen	7,218	(2,187)
	Profit attributable to owners of the company/Net income	Millions of Yen	7,206	(2,144)
	Total assets	Millions of Yen	335,016	235,694
	Total equity	Millions of Yen	45,554	40,066
	Operating income margin	%	48.2	25.0
	The difference between "Total equity" and "Fixed-type assets" (*2)	Millions of Yen	34,397	32,502
	Return on equity (ROE)	%	15.5	-5.0
	Earnings per share attributable to owners of the company/ Earnings per share (EPS) (*3)	Yen	3,080.54	(928.55)
	Equity per share attributable to owners of the company/ Book-value per share (BPS) (*3)	Yen	19,664.53	17,235.10
	Dividend per share (*3, 4)	Yen	1,550.00	400.00
	Total return ratio	%	78	—
Monex, Inc.	Capital adequacy ratio (*5)	%	429.9	400.9
TradeStation Securities, Inc.	Excess net capital (*6)	Thousands of U.S. Dollars	—	—
Consolidated	Number of employees	Persons	163	252
Monex Group, Inc. (*7)	Number of directors	Persons	9	9
	Independent director	Persons	3	3
Monex, Inc.	Total online seminar participants	Persons	—	—
	Total online seminars held	Times	—	—
Japan (*8)	Percentage of women	%	36	38
	Percentage of women in management positions	%	16	18
U.S.	Percentage of women	%	—	—
	Percentage of women in management positions	%	—	—
Asia-Pacific (*9)	Percentage of women	%	—	—
	Percentage of women in management positions	%	—	—
Crypt Asset	Percentage of women	%	—	—
	Percentage of women in management positions	%	—	—
Nikkei 225	Nikkei stock average		12,525.54	8,109.53
TSE, NSE, (OSE) (*10)	Trading value for retail investors on two (three) stock exchanges	Billions of Yen	1,000.9	625.1
Exchange rate	USD-JPY exchange rate (CR)		—	—

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

*2 Earmarked to fund the regulatory compliance of each group company, business investments and shareholder returns

*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.

*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.

FYE Mar. 2010	FYE Mar. 2011	FYE Mar. 2012	FYE Mar. 2013	FYE Mar. 2014	FYE Mar. 2015	FYE Mar. 2016	FYE Mar. 2017	FYE Mar. 2018	FYE Mar. 2019
JGAAP	JGAAP	JGAAP	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
22,499	25,227	32,292	36,090	54,722	50,975	54,271	45,831	53,635	52,175
13,021	13,158	17,107	20,367	33,542	30,079	32,152	26,349	29,196	25,741
3,414	4,724	6,199	6,974	8,011	6,242	6,671	4,498	3,865	6,461
6,007	7,155	8,382	8,195	12,583	13,987	14,610	14,313	19,349	19,242
55	189	602	554	587	667	839	671	1,225	731
2,577	2,638	3,238	2,320	4,672	5,766	4,629	3,979	4,480	4,758
19,921	22,589	29,054	33,769	50,051	45,209	49,642	41,852	49,155	47,417
15,460	17,848	26,605	30,359	34,981	37,143	41,395	40,578	39,853	44,690
4,219	5,008	8,865	10,223	12,235	13,236	13,862	11,281	11,963	12,051
3,268	3,386	6,051	8,503	9,613	9,538	10,651	10,393	10,854	13,111
6,907	7,998	9,074	9,701	10,779	11,659	13,343	15,685	14,742	16,437
1,064	1,455	2,614	1,933	2,355	2,710	3,539	3,218	2,294	3,091
4,461	4,741	2,448	3,410	15,069	8,066	8,247	1,274	9,302	2,727
(601)	(1,466)	204	3,588	1,825	(1,951)	(3,146)	(203)	(671)	(937)
3,996	3,268	2,585	6,998	16,895	6,115	5,100	1,071	8,631	1,790
3,764	1,995	1,485	3,907	10,356	3,494	3,516	161	6,579	1,029
3,776	1,992	1,422	3,901	10,354	3,494	3,554	298	6,730	1,181
374,688	365,730	535,663	682,193	939,270	1,055,242	888,116	936,776	973,520	1,027,849
66,310	71,025	72,459	79,667	80,701	86,932	86,022	81,687	80,493	80,142
22.4	21.0	8.4	10.1	30.1	17.8	16.6	3.0	18.9	5.8
50,300	55,387	33,246	38,847	35,656	32,734	26,660	22,819	26,022	26,262
7.1	2.9	2.0	5.0	12.9	4.2	4.1	0.4	8.3	1.5
1,527.41	647.82	467.45	1,301.73	35.76	12.15	12.46	1.06	24.33	4.42
22,139.55	22,154.32	24,093.09	26,583.96	280.52	302.18	302.03	290.00	298.50	297.28
700.00	500.00	200.00	410.00	18.00	8.20	9.60	5.20	10.00	5.40
48	77	260	31	103	68	109	827	100	291
386.0	483.6	396.5	459.3	394.9	422.7	335.3	297.8	310.4	340.6
—	—	45,729	44,721	52,163	49,074	62,441	71,782	84,379	115,554
390	321	845	917	992	951	971	830	853	1,093
10	10	9	10	11	11	11	11	9	9
4	4	5	5	6	6	7	6	6	6
—	—	48,035	70,767	120,712	187,133	253,891	173,409	112,627	129,885
—	—	105	98	136	187	213	191	224	193
42	39	45	50	49	47	45	44	40	39
17	18	23	23	23	22	19	19	20	21
—	—	—	30	29	31	25	24	22	22
—	—	—	16	19	24	21	18	27	21
—	—	42	44	41	50	46	44	42	45
—	—	11	15	15	14	14	14	14	15
—	—	—	—	—	—	—	—	—	19
—	—	—	—	—	—	—	—	—	0
11,089.94	9,755.10	10,083.56	12,397.91	14,827.83	19,206.99	16,758.67	17,518.52	20,960.70	21,995.69
619.5	526.8	449.4	621.9	1,501.4	1,156.7	1,123.4	954.3	1,163.0	977.5
—	—	81.93	94.09	102.88	120.12	112.6	111.394	106.281	110.822

*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).

*7 Total number of persons after the General Meeting of Shareholders, based on the year-end reference

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

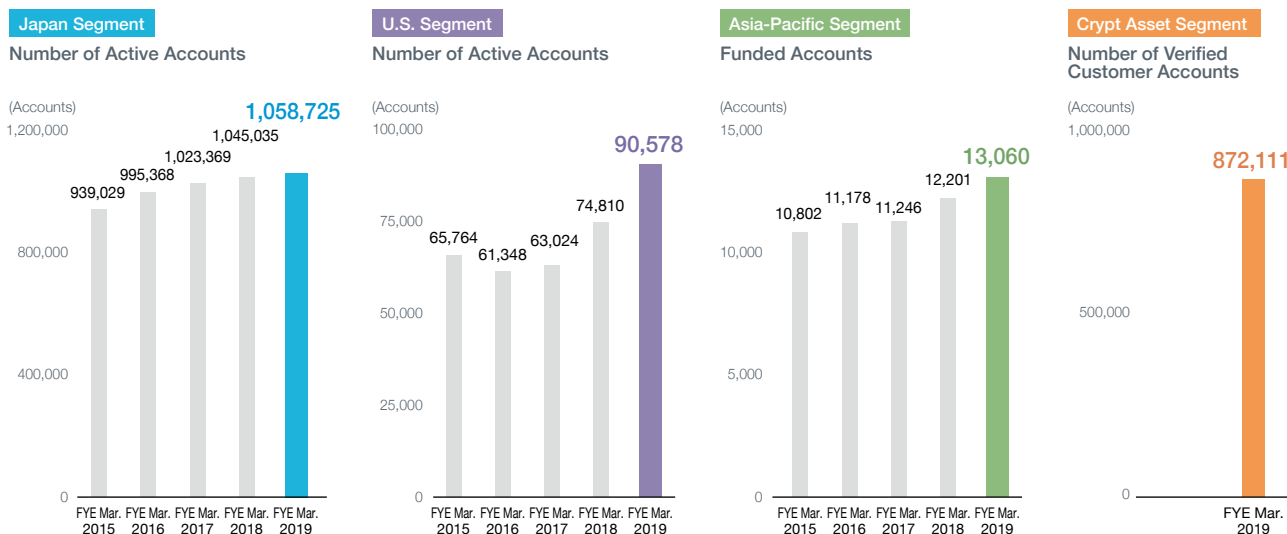
*9 Applies to Monex Boom Securities Group

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

Business KPIs

Number of Active Accounts/ Funded Accounts / Number of Verified Customer Accounts

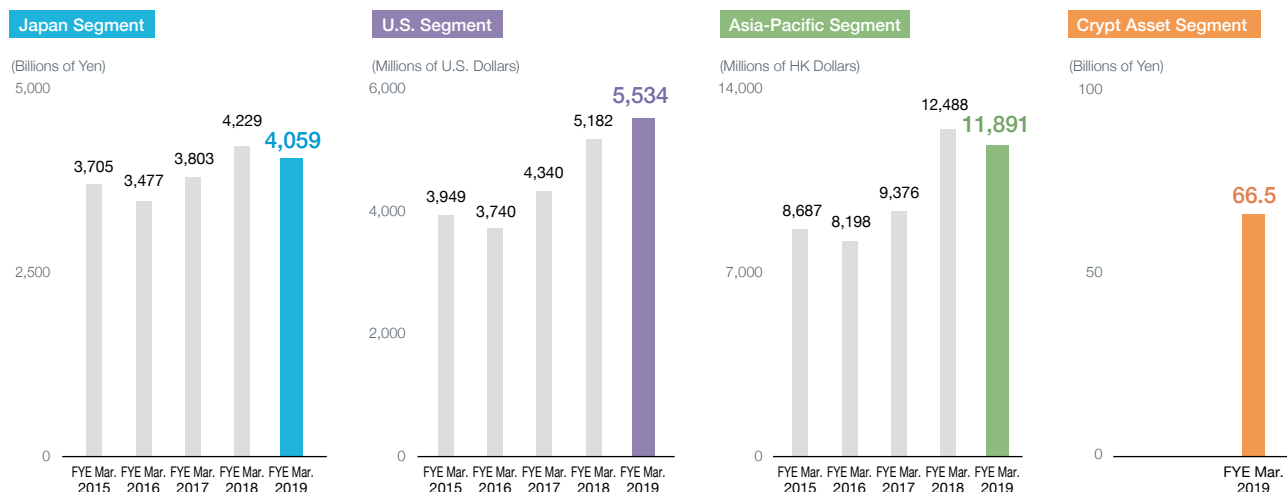
The number of active accounts (Japan and U.S.), funded accounts (Asia-Pacific) and verified customer accounts (Crypto Asset) represents the number of our customers who trade (or can trade) or have assets in custody. This is one key indicator of our customer base that drives growth in our securities and cryptocurrency business.



There was a number of initiatives that boosted the upward trend at the end of March 2019 in the U.S. Segment. They include: making the commission fee system competitive, refurbishing the brand, improving the usability of the website, strengthening marketing for millennials and streamlining the process for new accounts and withdrawals/deposits. In the Japan Segment, a more efficient marketing approach cut the advertising expenses by 30%, while still being just as effective and maintaining the same number of new accounts as the previous year. The Crypto Asset Segment was added to the group in April 2018 and the figures for the end of the fiscal year have been posted.

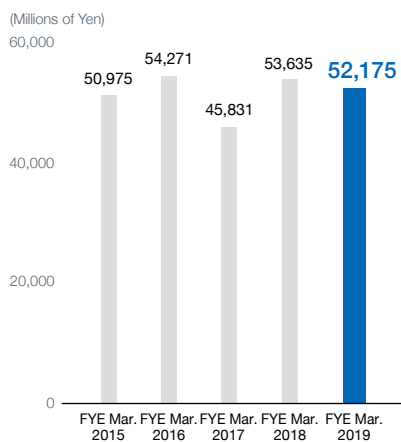
Assets in Custody

The assets in custody are one key indicator of our customer base that drives growth in the securities and cryptocurrency business.

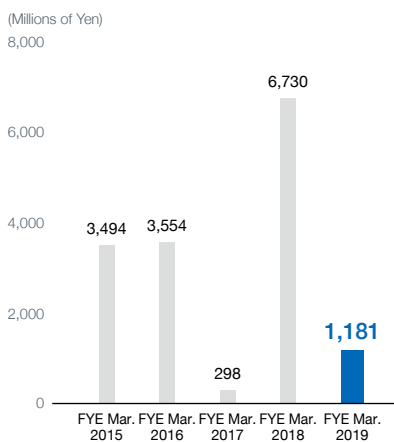


The support from the market and an increase in new accounts were big factors to boost the upward trend at the end of March 2019 in the U.S. Segment. On the other hand, the Japan Segment was affected by a dip in the trading activity of retail investors, causing the assets in custody to decline. The Crypto Asset Segment was added to the group in April 2018 and the figures for the end of the fiscal year have been posted.

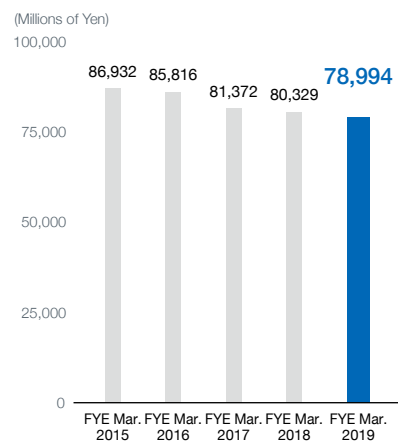
Total Operating Revenue



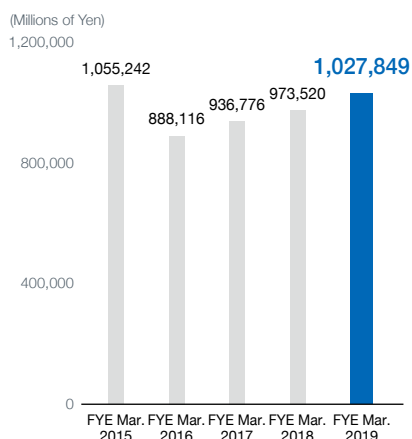
Profit Attributable to Owners of the Company



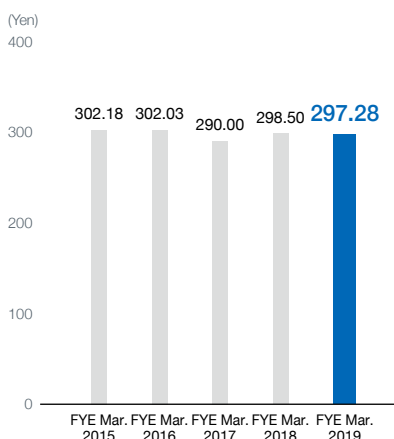
Equity Attributable to Owners of the Company



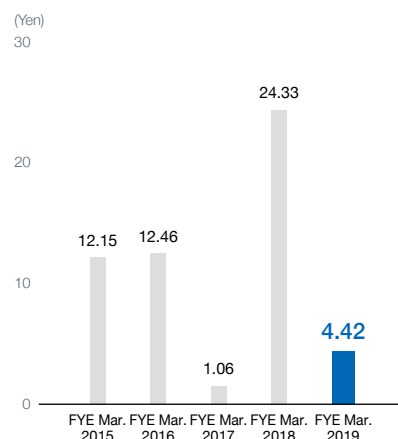
Total Assets



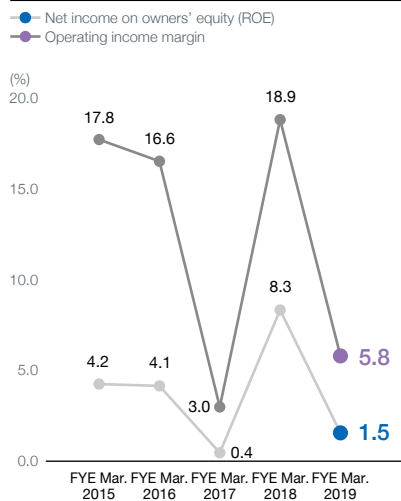
Equity per Share Attributable to Owners of the Company (BPS) (*)



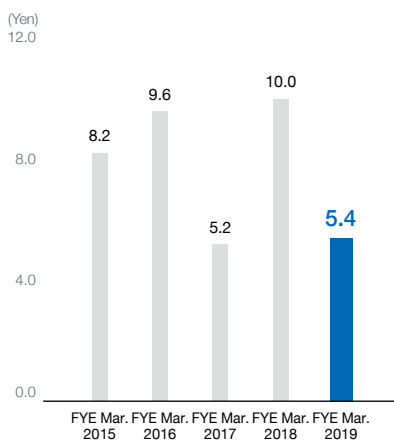
Earnings per Share Attributable to Owners of the Company (EPS) (*)



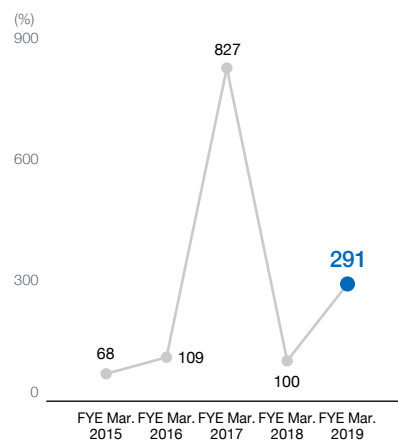
Return on Equity (ROE) / Operating Income Margin



Dividends per Share (*)



Total Return Ratio



Financial Information

Financial Analysis

Performance & Analysis for Fiscal Year Ended March 2019

Business Environment

In the Japanese stock market for the fiscal year ended March 2019, the Nikkei Stock Average performed strongly reaching ¥24,000 in the beginning of October 2018, its highest level since Japan's bubble burst. However, thereafter, the average dropped to around ¥19,000, due to different factors and fears of a global economic downturn, and then it rebounded to ¥21,205 at the conclusion of our fiscal year (March 2019). In the consolidated fiscal year, the average daily trading volume for the 2 stock exchanges in Tokyo and Nagoya (equities, ETF and REIT) reached ¥1.1241 trillion, dropping 13.2% year on year due to reduced trading by retail investors.

During the fiscal year ended March 2019, the stock market in the U.S. recorded its highest level in October 2018 for the Dow Jones Industrial Average and the NASDAQ Composite Index, but a pessimistic outlook on the American and global economies gained strength, leading to a sudden drop in stock prices. Thereafter, policy changes in FRB caused momentum to build,

the stock prices slowly rose again and the Dow reached \$25,928 at the end of the fiscal year (March 2019). In addition, after October 2018 due to a sharp decline in stock prices, there was a big jump in the VIX, an index that is calculated based on the volatility of the market. This was a 31.7% rise compared to the previous consolidated fiscal year.

Coincheck, Inc. makes up the Crypto Asset Segment. Newly opened accounts and some services at Coincheck were suspended, but they were re-opened and trading of some cryptocurrencies was resumed again in October 2018. Then, one month later, the trading of all available cryptocurrencies was restored. Coincheck completed its registration as a Cryptocurrency Exchange Service Provider on January 11, 2019. Note that the no comparison was made with the previous consolidated fiscal year because Coincheck, Inc. was only included in the range of consolidated results since April 2018.

Business Results

During the fiscal year ended March 2019, there were structural changes after Coincheck, Inc. joined the group in April 2018. There were 3 segments originally: the Japan Segment, U.S. Segment and Asia/Pacific Segment. Then, the Crypto Asset Segment was added and the Investment Segment was formed independently from the Japan Segment, making 5 segments for the group. The revenue from the Japan Segment dropped after the previous fiscal year due to a lull in trading from retail investors. However, the U.S. Segment increased its profitability and has grown into the biggest earner. In contrast, a loss was recorded for the Crypto Asset Segment, and after combining the figures from the segments, the Monex Group posted decreased revenue and profit.

FX trading in Monex, Inc. for the Japan Segment rose drastically after the spread in the FX PLUS service narrowed in November 2018. While FX related revenue increased, the overall revenue from the segment decreased due to a sluggish market. Apart from revenue, the advertising expenses were cut by 30% thanks to better marketing efficiency, which also led to an overall decrease in the selling, general and administrative expenses. In addition, after our assets were re-assessed based on the revenue, an impairment loss was posted for the Japanese equities trading tool TradeStation (service using the tool will continue). As a result, the segment revenue came to ¥1.2 billion (down 78% year on year).

In the U.S. Segment, after the commission fee system was simplified and the brand was refurbished, the customer base expanded and the active accounts grew steadily. With an increase in assets in custody and higher interest rates, the net financial income rose. As the trading volume grew thanks to more

volatility, the brokerage commissions also increased. These two factors lead to more revenue in the U.S. Segment. The selling, general and administrative expenses increased from more commission paid (due to a higher trading volume) and from an increase in performance-based bonus (due to more active accounts, etc.). Yet, the segment income absorbed those expenses, resulting in an increase in revenue and profit, and giving a profit of ¥2 billion (up 603% year on year) for the segment. The profitability of U.S. Segment improved and grew into the biggest earner, and is essentially driving the profits and growth of the Monex Group.

In the Asia/Pacific Segment, the online brokerage business based in Hong Kong posted a stable operating profit, but the expenses for the online brokerage business in Australia took precedent, resulting in a loss of ¥48 million for the segment.

In the Crypto Asset Segment, we have made efforts with Coincheck, Inc. to create a trading atmosphere where customers feel safe and secure, and also completed the registration as a Cryptocurrency Exchange Service Provider in January 2019. However, revenue was poor due to low activity in cryptocurrency trading, and when compounded by more costs spent on internal control systems and cybersecurity investment, this led to the segment posting a loss of ¥1.7 billion.

The Investment Segment had a profit accrued from equity valuation and gains from sales, giving the segment a profit of ¥400 million.

These results combined for a consolidated profit attributable to the owners of the Company of ¥1.2 billion for the fiscal year ended March 2019.

Consolidated financial results (figures from the Consolidated Statement of Income have been reclassified)

(Millions of Yen)

	FYE Mar. 2018	FYE Mar. 2019	YoY rate	Comment
Commission received	29,196	25,741	-11.8%	Less brokerage commissions due to a decrease in the Japanese trading value of shares
Net trading income	3,865	6,461	67.2%	Increase in income thanks to a rise in FX trading in Japan and Coincheck joining the group
Net financial income	14,869	14,484	-2.6%	Posted one-time gains on securities sold for the fiscal year ended March 2018 (investment business). Higher net interest income mitigates lower income from investment business in FYE Mar. 2019
Other operating income	1,225	731	-40.4%	Licensing (Japan) for the new backbone system during the fiscal year ended March 2018 posted ¥610 million
Total operating revenue after deducting financial expenses	49,155	47,417	-3.5%	—
Selling, general and administrative expenses	39,853	44,690	12.1%	Expenses increased with Coincheck joining the group
The amount equivalent to operating income	9,302	2,727	-70.7%	—
Other income and expenses (net amount)	(671)	(937)	—	Impairment loss was posted on fixed assets for the Japanese equities trading tool TradeStation
Profit before income taxes	8,631	1,790	-79.3%	—
Income tax expense	2,052	761	-62.9%	Decrease in the income tax expense was posted due to a tax decrease from the U.S. "Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018"
Profit	6,579	1,029	-84.4%	—
Profit Attributable to Owners of the Company	6,730	1,181	-82.4%	—

Financial Information

Consolidated Financial Statements

Consolidated Statement of Income

For the fiscal years ended March 31, 2018 and 2019

		Millions of Yen		Thousands of U.S. Dollars
		2018	2019	2019
Revenue	Operating income	¥ 53,635	¥ 52,175	\$ 470,799
	Other financial income	298	1,152	10,391
	Other income	121	59	530
	Equity in profits of equity method investments	169	95	858
	Total revenue	54,223	53,480	482,578
Expenses	Financial expenses	4,480	4,758	42,932
	Selling, general and administrative expenses	39,853	44,690	403,255
	Other financial expenses	987	174	1,572
	Other expenses	271	2,069	18,666
	Total expenses	45,592	51,690	466,426
	Profit before income taxes	8,631	1,790	16,152
	Income tax expense	2,052	761	6,871
	Profit	6,579	1,029	9,281
Profit attributable to	Owners of the Company	6,730	1,181	10,661
	Non-controlling interests	(151)	(153)	(1,379)
	Profit	¥ 6,579	¥ 1,029	\$ 9,281

		Yen		U.S. Dollars
		2018	2019	2019
Earnings per share attributable to owners of the Company	Basic earnings per share	¥ 24.33	¥ 4.42	\$ 0.04
	Diluted earnings per share	24.33	—	—

Consolidated Statement of Comprehensive Income

For the fiscal years ended March 31, 2018 and 2019

		Millions of Yen		Thousands of U.S. Dollars
		2018	2019	2019
Profit		¥ 6,579	¥ 1,029	\$ 9,281
Other comprehensive income	Items that will not be reclassified to profit or loss			
	Changes in fair value of equity instruments measured at fair value through other comprehensive income	—	135	1,221
	Items that may be reclassified subsequently to profit or loss			
	Changes in fair value of debt instruments measured at fair value through other comprehensive income	—	101	913
	Changes in fair value of available-for-sale financial assets	(636)	—	—
	Changes in fair value of hedging instrument	(165)	584	5,267
	Foreign currency translation adjustments in foreign operations	(1,240)	1,057	9,540
	Share of other comprehensive income of equity method investments	29	(67)	(608)
	Other comprehensive income after income taxes	(2,012)	1,810	16,334
	Total comprehensive income	4,567	2,839	25,615
Total comprehensive income attributable to	Owners of the Company	4,718	2,992	26,994
	Non-controlling interests	(151)	(153)	(1,379)
	Total comprehensive income	¥ 4,567	¥ 2,839	\$ 25,615

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, 2018 and 2019

		Millions of Yen		Thousands of U.S. Dollars
		2018	2019	2019
Assets				
	Cash and cash equivalents	¥ 83,884	¥ 154,146	\$ 1,390,936
	Cash segregated as deposits	543,438	566,220	5,109,270
	Trading securities and other	1,618	2,543	22,943
	Derivative assets	15,424	10,895	98,308
	Inventories	—	3,056	27,576
	Investments in securities	3,123	3,914	35,317
	Margin transaction assets	192,224	138,836	1,252,786
	Loans secured by securities	21,389	42,064	379,564
	Other financial assets	58,837	54,202	489,094
	Property and equipment	2,122	2,456	22,159
	Intangible assets	49,851	47,698	430,399
	Equity method investments	295	306	2,759
	Deferred tax assets	13	289	2,605
	Other assets	1,301	1,226	11,061
	Total assets	¥ 973,520	¥ 1,027,849	\$ 9,274,778
Liabilities and Equity				
Liabilities				
	Derivative liabilities	¥ 5,340	¥ 4,311	\$ 38,903
	Margin transaction liabilities	29,683	32,793	295,909
	Loans payable secured by securities	78,203	101,028	911,624
	Deposits received	324,256	358,176	3,231,992
	Guarantee deposits received	254,647	249,544	2,251,752
	Bonds and loans payable	191,010	190,641	1,720,243
	Other financial liabilities	4,545	4,284	38,657
	Provisions	148	262	2,361
	Income taxes payable	2,386	266	2,404
	Deferred tax liabilities	1,524	1,862	16,803
	Other liabilities	1,284	4,540	40,968
	Total liabilities	893,027	947,707	8,551,616
Equity				
	Common stock	10,394	10,394	93,786
	Additional paid-in capital	40,510	40,510	365,544
	Treasury stock	(206)	(313)	(2,828)
	Retained earnings	21,492	18,980	171,263
	Other components of equity	8,139	9,424	85,034
	Equity attributable to owners of the Company	80,329	78,994	712,799
	Non-controlling interests	164	1,148	10,363
	Total equity	80,493	80,142	723,162
	Total liabilities and equity	¥ 973,520	¥ 1,027,849	\$ 9,274,778

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.

Financial Information

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

For the fiscal years ended March 31, 2018 and 2019

Millions of Yen

	Equity attributable to owners of the Company															Non-controlling interests	Total equity
	Other components of equity																
	Common stock	Additional paid-in capital	Treasury stock	Retained earnings	Changes in fair value of equity instruments measured at fair value through other comprehensive income	Changes in fair value of debt instruments measured at fair value through other comprehensive income	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-based payments	Share of other comprehensive income of equity method investments	Sub-total	Total				
Balance as of April 1, 2017	¥ 10,394	¥ 40,547	¥ —	¥ 20,209	—	—	¥ 2,389	¥ (419)	¥ 8,180	¥ —	¥ 72	¥ 10,222	¥ 81,372	¥ 315	¥ 81,687		
Profit	—	—	—	6,730	—	—	—	—	—	—	—	—	6,730	(151)	6,579		
Other comprehensive income	—	—	—	—	—	—	(636)	(165)	(1,240)	—	29	(2,012)	(2,012)	—	(2,012)		
Total comprehensive income	—	—	—	6,730	—	—	(636)	(165)	(1,240)	—	29	(2,012)	4,718	(151)	4,567		
Transactions with owners																	
Dividends paid	—	—	—	(1,755)	—	—	—	—	—	—	—	—	(1,755)	—	(1,755)		
Acquisition of treasury stock	—	—	(4,030)	—	—	—	—	—	—	—	—	—	(4,030)	—	(4,030)		
Disposition of treasury stock	—	8	88	—	—	—	—	—	—	(96)	—	(96)	—	—	—		
Cancellation of treasury stock	—	(3,736)	3,736	—	—	—	—	—	—	—	—	—	—	—	—		
Transfer to Additional paid-in capital from Retained earnings	—	3,727	—	(3,727)	—	—	—	—	—	—	—	—	—	—	—		
Recognition of share-based payments	—	—	—	(1)	—	—	—	—	—	25	—	25	24	—	24		
Lapse of subscription rights to shares	—	(37)	—	37	—	—	—	—	—	—	—	—	—	—	—		
Total of transactions with owners	—	(37)	(206)	(5,447)	—	—	—	—	—	(71)	—	(71)	(5,761)	—	(5,761)		
Balance as of March 31, 2018	¥ 10,394	¥ 40,510	¥ (206)	¥ 21,492	¥ —	¥ —	¥ 1,753	¥ (584)	¥ 6,939	¥ (71)	¥ 101	¥ 8,139	¥ 80,329	¥ 164	¥ 80,493		
Cumulative effects of changes in accounting policies	—	—	—	395	261	1,098	(1,753)	—	—	—	—	(395)	—	—	—		
Adjusted balance as of March 31, 2019	10,394	40,510	(206)	21,887	261	1,098	—	(584)	6,939	(71)	101	7,744	80,329	164	80,493		
Profit	—	—	—	1,181	—	—	—	—	—	—	—	—	1,181	(153)	1,029		
Other comprehensive income	—	—	—	—	135	101	—	584	1,057	—	(67)	1,810	1,810	—	1,810		
Total comprehensive income	—	—	—	1,181	135	101	—	584	1,057	—	(67)	1,810	2,992	(153)	2,839		
Transactions with owners																	
Dividends paid	—	—	—	(2,413)	—	—	—	—	—	—	—	—	(2,413)	—	(2,413)		
Acquisition of treasury stock	—	—	(2,000)	—	—	—	—	—	—	—	—	—	(2,000)	—	(2,000)		
Disposition of treasury stock	—	103	125	—	—	—	—	—	—	(228)	—	(228)	—	—	—		
Cancellation of treasury stock	—	(1,767)	1,767	—	—	—	—	—	—	—	—	—	—	—	—		
Transfer to Additional paid-in capital from Retained earnings	—	1,664	—	(1,664)	—	—	—	—	—	—	—	—	—	—	—		
Recognition of share-based payments	—	—	—	(11)	—	—	—	—	—	98	—	98	86	—	86		
Recognition of share acquisition rights	—	—	—	—	—	—	—	—	—	—	—	—	—	376	376		
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	369	369		
Changes of interests in subsidiaries without losing control	—	—	—	—	—	—	—	—	—	—	—	—	—	392	392		
Total of transactions with owners	—	—	(107)	(4,089)	—	—	—	—	—	(130)	—	(130)	(4,326)	1,137	(3,189)		
Balance as of March 31, 2019	¥ 10,394	¥ 40,510	¥ (313)	¥ 18,980	¥ 396	¥ 1,199	¥ —	¥ —	¥ 7,997	¥ (201)	¥ 33	¥ 9,424	¥ 78,994	¥ 1,148	¥ 80,142		

Thousands of U.S. Dollars

	Equity attributable to owners of the Company														
	Other components of equity														Total equity
	Common stock	Additional paid-in capital	Treasury stock	Retained earnings	Changes in fair value of equity instruments measured at fair value through other comprehensive income	Changes in fair value of debt instruments measured at fair value through other comprehensive income	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-based payments	Share of other comprehensive income of equity method investments	Sub-total	Total	Non-controlling interests	
Balance as of March 31, 2018	\$ 93,786	\$ 365,544	\$ (1,858)	\$ 193,934	\$ —	\$ —	\$ 15,821	\$ (5,267)	\$ 62,617	\$ (641)	\$ 913	\$ 73,442	\$ 724,848	\$ 1,482	\$ 726,330
Cumulative effects of changes in accounting policies	—	—	—	3,561	2,351	9,909	(15,821)	—	—	—	(4)	(3,565)	—	—	—
Adjusted balance as of March 31, 2019	93,786	365,544	(1,858)	197,495	2,351	9,909	—	(5,267)	62,617	(641)	908	69,877	724,844	1,482	726,325
Profit	—	—	—	10,661	—	—	—	—	—	—	—	—	10,661	(1,379)	9,281
Other comprehensive income	—	—	—	—	1,221	913	—	5,267	9,540	—	(608)	16,334	16,334	—	16,334
Total comprehensive income	—	—	—	10,661	1,221	913	—	5,267	9,540	—	(608)	16,334	26,994	(1,379)	25,615
Transactions with owners															
Dividends paid	—	—	—	(21,773)	—	—	—	—	—	—	—	—	(21,773)	—	(21,773)
Acquisition of treasury stock	—	—	(18,047)	—	—	—	—	—	—	—	—	—	(18,047)	—	(18,047)
Disposition of treasury stock	—	928	1,130	—	—	—	—	—	—	(2,058)	—	(2,058)	—	—	—
Cancellation of treasury stock	—	(15,947)	15,947	—	—	—	—	—	—	—	—	—	—	—	—
Transfer to Additional paid-in capital from Retained earnings	—	15,019	—	(15,019)	—	—	—	—	—	—	—	—	—	—	—
Recognition of share-based payments	—	—	—	(101)	—	—	—	—	—	882	—	882	780	—	780
Recognition of share acquisition rights	—	—	—	—	—	—	—	—	—	—	—	—	—	3,394	3,394
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	3,330	3,330
Changes of interests in subsidiaries without losing control	—	—	—	—	—	—	—	—	—	—	—	—	—	3,536	3,536
Total of transactions with owners	—	—	(970)	(36,893)	—	—	—	—	—	(1,176)	—	(1,176)	(39,039)	10,260	(28,778)
Balance as of March 31, 2019	\$ 93,786	\$ 365,544	\$ (2,828)	\$ 171,263	\$ 3,572	\$ 10,822	\$ —	\$ —	\$ 72,157	\$ (1,817)	\$ 300	\$ 85,034	\$ 712,799	\$ 10,363	\$ 723,162

Who we are?

Increase Corporate Value

Corporate Value Resources

Financial Section

Financial Information

Consolidated Financial Statements

Consolidated Statement of Cash Flows

For the fiscal years ended March 31, 2018 and 2019

		Millions of Yen		Thousands of U.S. Dollars
		2018	2019	2019
Cash flows from operating activities	Profit before income taxes	¥ 8,631	¥ 1,790	\$ 16,152
	Depreciation and amortization	8,117	8,392	75,729
	Impairment loss on non-financial assets	—	1,788	16,131
	Financial income and financial expenses	(14,179)	(15,462)	(139,517)
	Decrease/increase in derivative assets/liabilities	(2,483)	4,274	38,570
	Decrease/increase in assets/liabilities for margin transaction	(55,552)	56,498	509,809
	Decrease/increase in loans/loans payable secured by securities	13,342	2,334	21,058
	Decrease/increase in cash segregated as deposits	(1,797)	(13,459)	(121,448)
	Decrease/increase in deposits received and guarantee deposits received	7,861	(8,699)	(78,498)
	Decrease/increase in short-term loans receivable	(2,514)	467	4,212
	Other, net	(11,867)	7,260	65,512
	Sub-total	(50,441)	45,183	407,709
	Interest and dividend income received	15,969	18,686	168,608
	Interest expenses paid	(5,014)	(4,683)	(42,255)
	Income taxes refunded/paid	785	(5,352)	(48,289)
Net cash provided by (used in) operating activities		(38,701)	53,834	485,773
Cash flows from investing activities	Purchase of investments in securities	(491)	(419)	(3,777)
	Proceeds from sales and redemption of securities	362	237	2,141
	Purchase of property and equipment	(884)	(1,230)	(11,098)
	Purchase of intangible assets	(4,969)	(6,265)	(56,533)
	Proceeds from purchase of subsidiaries	—	30,695	276,974
	Proceeds from sales of subsidiaries	—	4	34
	Purchase of investments in joint ventures	(10)	(1)	(11)
	Proceeds from sales of investments in joint ventures	4	—	—
	Other, net	116	(258)	(2,326)
Net cash provided by (used in) investing activities		(5,872)	22,763	205,404
Cash flows from financing activities	Net increase/decrease in short-term loans payable	47,800	(40,816)	(368,300)
	Proceeds from issuance of bonds payable	14,483	28,016	252,798
	Redemption of bonds payable	(6,000)	(26,557)	(239,633)
	Proceeds from long-term loans payable	9,970	58,924	531,697
	Repayment of long-term loans payable	(10,600)	(22,005)	(198,560)
	Purchase of treasury stock	(4,030)	(2,000)	(18,047)
	Cash dividends paid	(1,754)	(2,408)	(21,732)
	Proceeds from stock issuance to non-controlling interests	—	747	6,741
	Other, net	—	190	1,714
Net cash provided by (used in) financing activities		49,870	(5,909)	(53,322)
Net increase/decrease in cash and cash equivalents		5,297	70,688	637,855
Cash and cash equivalents at the beginning of year		76,557	81,456	735,016
Effect of exchange rate change on cash and cash equivalents		(398)	(1,218)	(10,994)
Cash and cash equivalents at the end of year		¥ 81,456	¥ 150,926	\$ 1,361,877

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 > Integrated Report / Annual Report
https://www.monexgroup.jp/en/investor/ir_library/annual_report.html

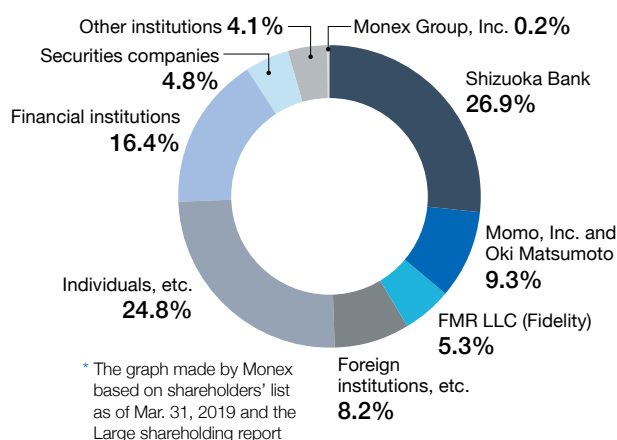
Stock Information

As of March 31, 2019

Investor Information

Stock listing	First section of the Tokyo Stock Exchange
Security code	8698
Name of company	Monex Group, Inc.
Outstanding stock	266,322,300 shares
Trading unit	100
No. of shareholders	46,810
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.	71,536,100	26.92
Japan Trustee Services Bank, Ltd (trust account)	17,992,500	6.77
MOMO & Co. (Formerly known as Oki Matsumoto, Inc.)	17,243,200	6.48
The Master Trust Bank of Japan, Ltd.	8,759,500	3.29
Oki Matsumoto	7,512,900	2.82
Mizuho Securities Co., Ltd.	6,112,100	2.30
Recruit Holdings Co. Ltd.	5,720,000	2.15
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	3,827,649	1.44
Credit Saison Co., Ltd.	3,712,200	1.39
Japan Trustee Services Bank, Ltd (trust account 5)	3,620,300	1.36

*1 Number of shares held and the percentage of shares held (per total shares issued) is rounded off and displayed.

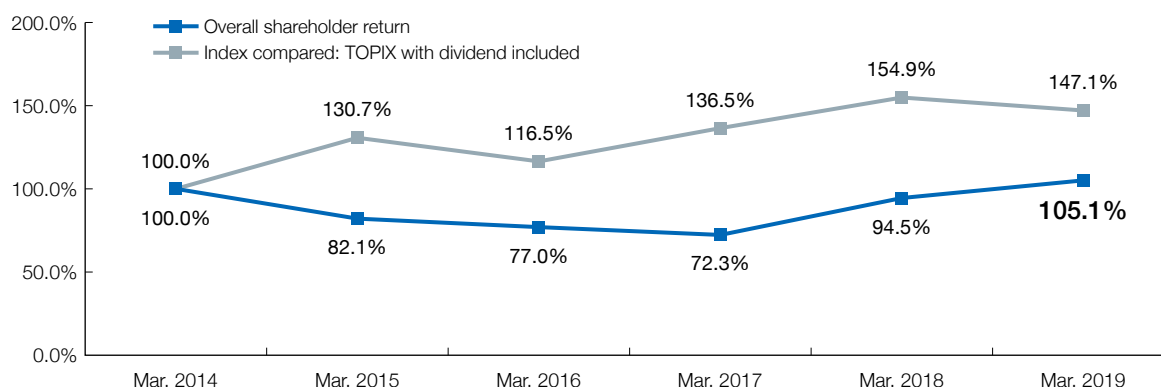
*2 The percentage of shares held is calculated after deducting the number of treasury stock owned (600,022 shares).

*3 JP Morgan Securities Japan Co., Ltd. reported in the Change Report Pertaining to Report of Possession of Large Volume it submitted on April 4, 2019 that, as of March 29, 2019, JPMorgan Asset Management (Japan) Limited, JPMorgan Chase Bank, N.A., JP Morgan Securities Japan Co., Ltd., J.P. Morgan Securities plc and J.P. Morgan Securities LLC owned 19,892 thousand shares (7.47% as of March 29, 2019) of Monex Group, Inc. However, we did not include their names in the list above as we could not confirm the reported ownership as of March 31, 2019.

*4 FMR LLC reported in the Change Report Pertaining to Report of Possession of Large Volume it submitted on March 7, 2019 that, as of February 28, 2019, it owned 14,065 thousand shares of Monex Group, Inc. (5.22% of shares of Monex Group, Inc. as of February 28, 2019). However, we did not include the firm's name in the list above as we could not confirm the reported ownership as of March 31, 2019.

*5 Mitsubishi UFJ Financial Group, Inc. reported in the Change Report Pertaining to Report of Possession of Large Volume it submitted on May 6, 2016 that, as of April 25, 2016, Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., kabu.com Securities Co., Ltd. and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. owned 7,191 thousand shares (2.53% as of April 25, 2016) of Monex Group, Inc. However, we did not include their names in the list above as we could not confirm the reported ownership as of March 31, 2019.

Overall shareholder return



Overview of Group Companies

As of August 31, 2019

Monex Group, Inc.

Established	August 2004	Business Description	Holding Company
Representative	Oki Matsumoto	Headquarters	ARK Mori Building 25F 1-12-32 Akasaka, Minato-ku, Tokyo 107-6025, Japan

Monex, Inc.

Established	May 1999
Representative	Yuko Seimei
Business Description	Securities business and accompanying businesses
Location	Minato-ku, Tokyo, Japan

Monex-Saison-Vanguard Investment Partners, Inc.

Established	August 2015
Representative	Tomoshige Nakamura
Business Description	Small-lot and low-cost discretionary investment management (wrap account) service
Location	Minato-ku, Tokyo, Japan

Coincheck, Inc.

Established	August 2012
Representative	Toshihiko Katsuya
Business Description	Cryptocurrency exchange and R&D on New Financial Services
Location	Shibuya-ku, Tokyo, Japan

Monex Ventures, Inc.

Established	November 2005
Representative	Seiichiro Wada
Business Description	Venture capital investment business
Location	Minato-ku, Tokyo, Japan

Monex SP Trust, Inc.

Established	August 2017
Representative	Yuki Yada
Business Description	Custodial trust 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 Securities, Inc.

Established	September 1995
Representative	Peter Korotkiy
Business Description	Financial instruments business
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

Monex International Limited

Established	August 2010
Representative	Keiji Okamoto
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	Ivan Law
Business Description	Financial instruments business
Location	Hong Kong Special Administrative Region of the People's Republic of China

Monex Securities Australia Pty Ltd

Established	February 2010
Representative	Alex Douglas
Business Description	Financial instruments business
Location	Sydney, Commonwealth of Australia

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 October, 2019)

Who we are?

Increase Corporate Value

Corporate Value Resources

Financial Section



Monex Group, Inc.

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