



INTEGRATED REPORT 2020



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.

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Monex Group Integrated Report 2020 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 up to
show the Group’s unique business model and management
strategies and to enable the reader to gain an overall
perspective of the Monex Group.

Reporting Period

Fiscal year under review: April 1, 2019 to March 31, 2020
(including some activities that started from April 2020)

Organization under review

Monex Group, Inc. and Group Companies

Detailed Information on Financial Results

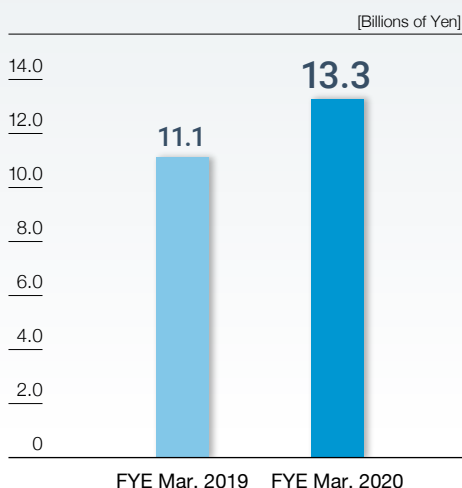
Refer to the Annual Financial Statements for details on the Annual
Financial Statements in March 2020.
https://www.monexgroup.jp/en/investor/ir_library/annual_report.html

At a Glance

The Monex Group has a global online securities business, a cryptocurrency exchange service and a VC investment business. In addition to our stable revenue base from our online securities business in Japan and the U.S., our Japanese cryptocurrency exchange service offers technology capabilities to create new value and is the principal segment in the group. The Asia-Pacific business and our investment business also add diversity to our portfolio, and that portfolio is a critical asset in our pursuit to “Create the future of finance.”

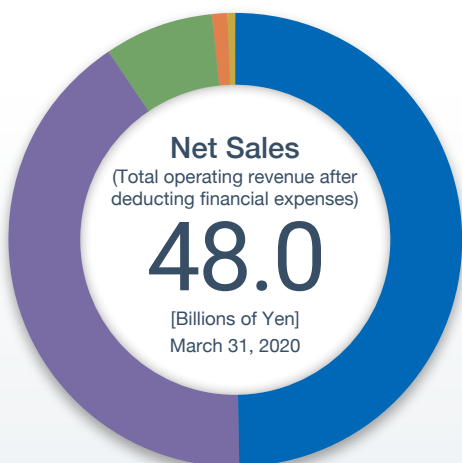
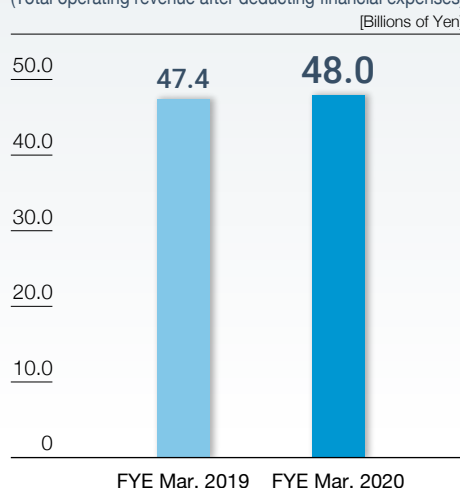
Main Financial and Non-financial Information

EBITDA



Net Sales

(Total operating revenue after deducting financial expenses)

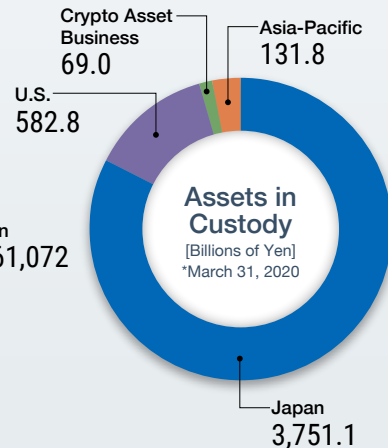
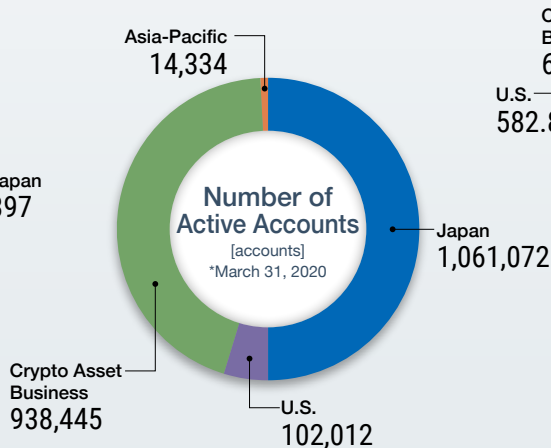
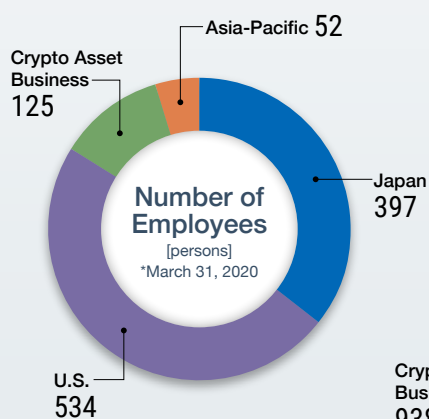


Net Sales by Segment

(Total operating revenue after deducting financial expenses)

[Billions of Yen]

Japan Segment	24.3
U.S. Segment	19.9
Crypto Asset Business Segment	3.8
Asia-Pacific Segment	0.6
Investment Business Segment	0.1



Segment Information

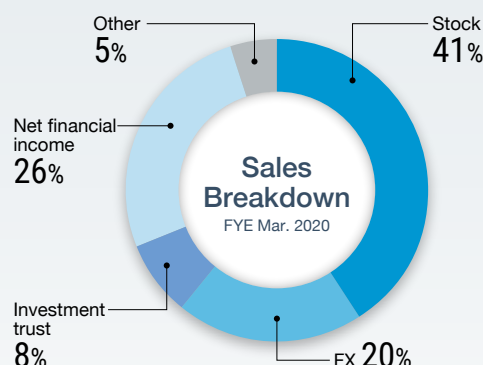
Japan Segment

Main Business Financial instruments business in Japan

Monex, Inc. established in 1999 is one of five major online securities businesses, which currently make up 90% of the value traded by Japanese retail investors. Going forward, we are looking to strengthen our core brokerage business and take the lead in transforming our model into an asset management model.



> P.29 | Overview of Segments: Japan Segment



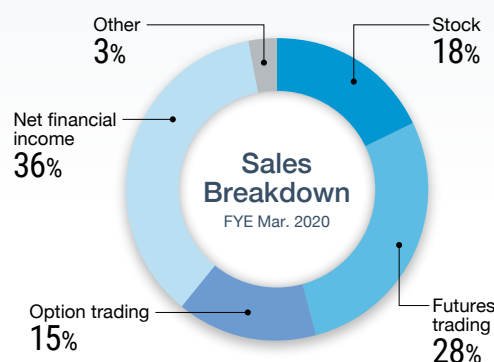
U.S. Segment

Main Business Financial instruments business in the U.S.

The TradeStation Group was first founded as a trading systems company in 1982. Later after transitioning to an online securities business, the TradeStation Group joined the Monex Group in 2011. The advanced trading systems developed by the TradeStation Group have garnered a lot of support from active traders.



> P.31 | Overview of Segments: U.S. Segment



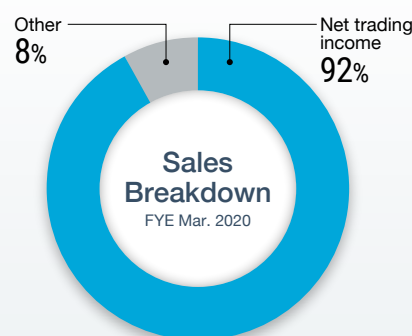
Crypto Asset Business Segment

Main Business Cryptocurrency exchange business in Japan

Coincheck joined the Monex Group in 2018 and offers services as a Cryptocurrency Exchange Agency to as many as one million customers in Japan that are primarily younger customers. Coincheck has a flexible development system and an intuitive UI and UX design, and has the most cryptocurrencies available to customers in Japan.



> P.35 | Overview of Segments: Crypto Asset Business Segment



Asia-Pacific Segment

Main Business Financial instruments business in Hong Kong and Australia

Hong Kong-based Monex Boom Securities merged with the Monex Group in 2010 and has developed an online securities business with access to stock from 12 different markets. Monex Securities Australia was formed in 2018 and uses the backbone system of Monex Boom Securities can provide services at a low running cost.



> P.34 | Overview of Segments: Asia-Pacific Segment

Investment Business Segment

Main Business Corporate venture capital business

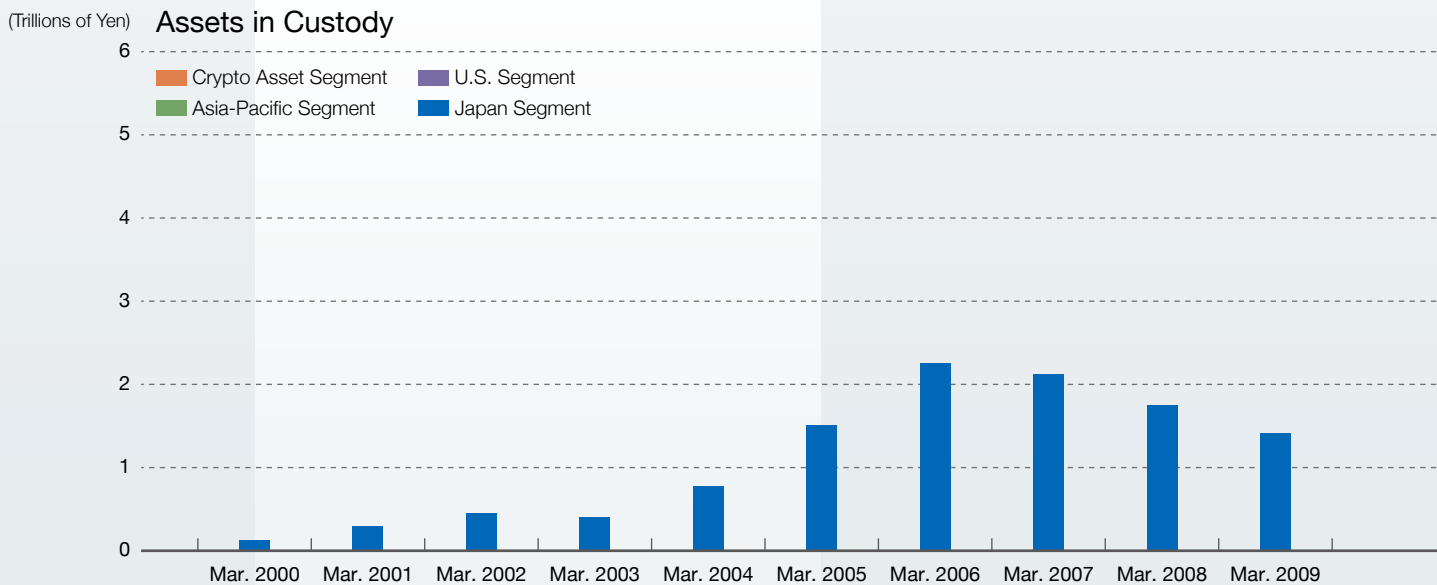
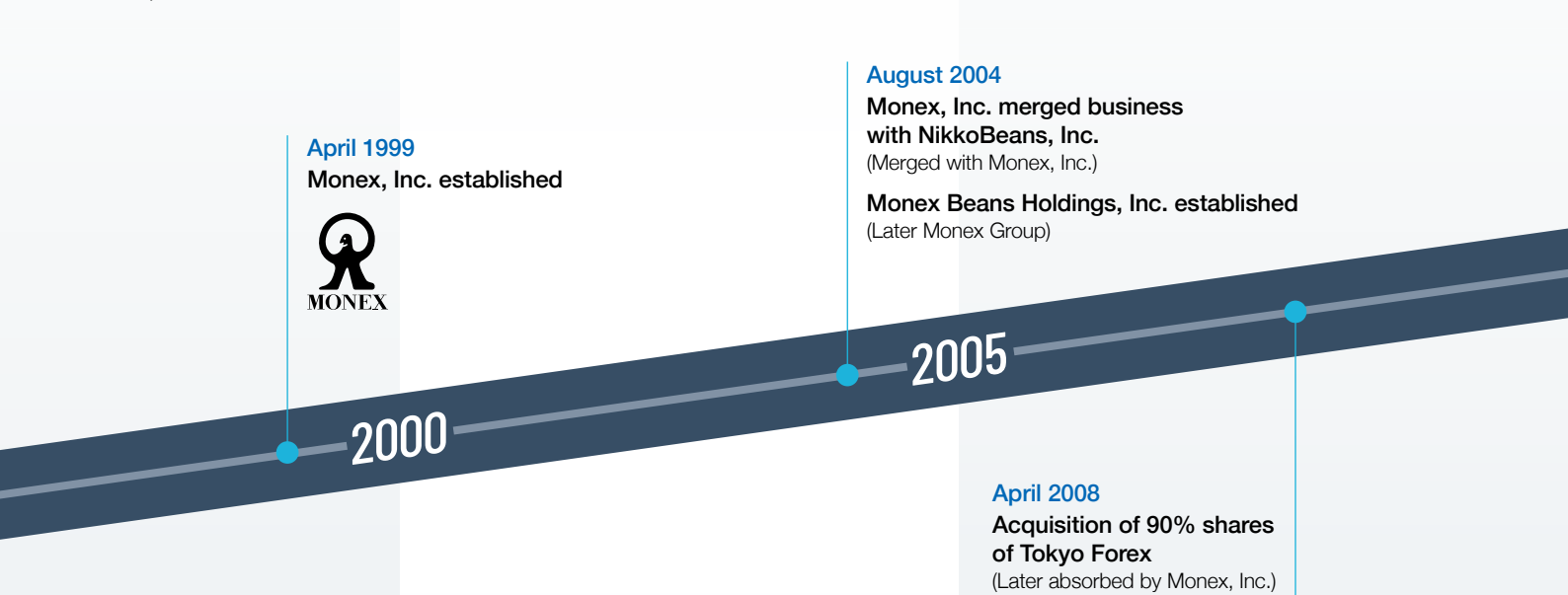
Our principal VC investment business is supported by three investment arms. In addition to the active investments and support for the companies we invest in through the MV1 Investment Limited Partnership, we are planning to set up a new second fund.



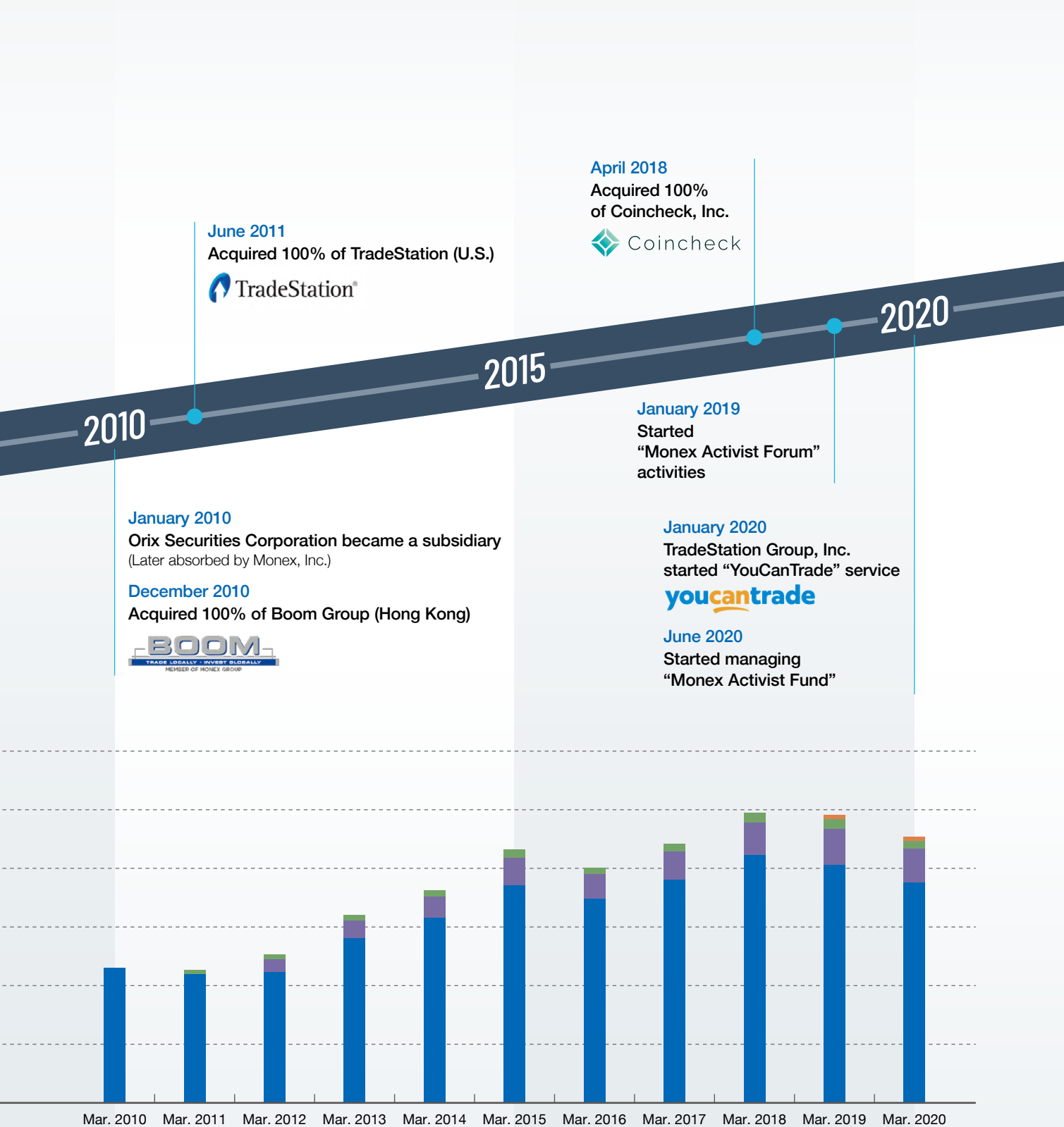
> P.38 | Overview of Segments: Investment Business Segment

Monex continuing to create the future of finance

Since our founding in April 1999, the Monex Group has actively pursued mergers and acquisitions with industry competitors who share the same corporate mission. We have expanded beyond our domestic borders into the U.S. and Asia and have developed a unique global business as a Japanese online company. Ultimately, this pursuit has brought our customer assets in custody (as a group) to close to ¥5 trillion. This is the result from our mergers and acquisitions and from organic growth, and it represents an invaluable and irreplaceable asset for us. As we set our sights on growing the assets of our global customers even more, we shall continue offering new products and services that transcend the conventional business model and framework. And going forward, we have embraced the slogan “For Creative Minds” as a symbol of our continued pursuit to create a “future of finance” that is even better.



Expanded operations in Japan through M&A



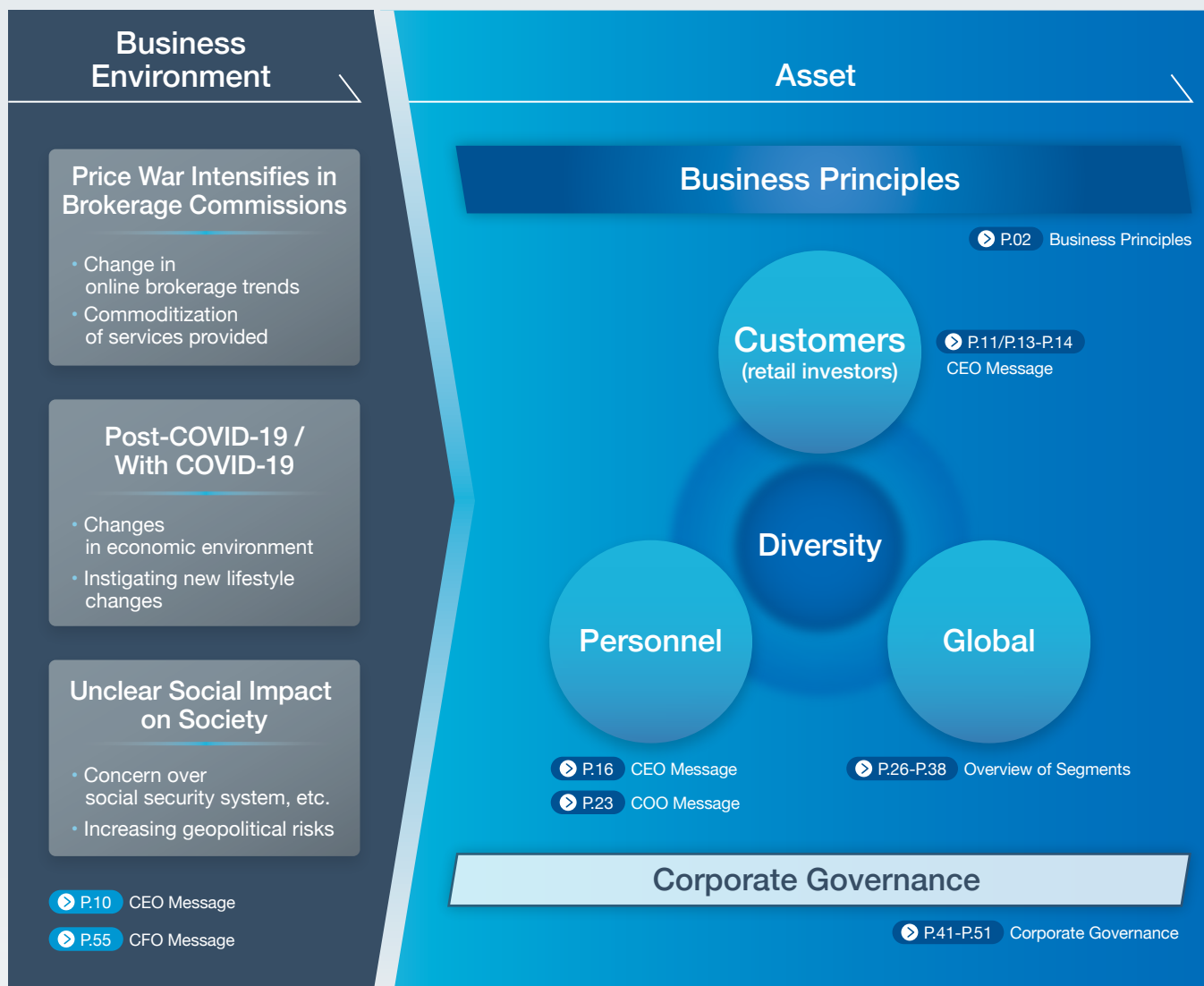
Globalized

New Beginning

Process of Creating Value for the Monex Group

Transforming the business to create new corporate value

In order to fulfill our mission to “Create the future of finance,” there are key factors and assets that we must take advantage of to differentiate ourselves. One is the customers who share our founding principles and have selected us as a trading partner. Another is the global business foundation we have built and organically grown from actively engaging in acquisitions and mergers. And the last is our diverse staff who appreciate our corporate culture that values diversity, freedom and creativity.



As we are confronted with a business climate that undergoes various changes, we shall utilize our assets and our unique Monex traits as management resources. We need to grasp the customers' evolving needs and provide flexible services. In addition, we need to uncover any potential needs and provide new value to customers. This in conjunction with a business model that offers transparent corporate governance based on global standards will help us increase corporate value.

The Monex business model cannot remain stagnate, and we are committed to transforming our model to adapt to the changes in society. By ensuring the business model captures Monex's uniqueness, we can help the individual customers around the world increase their assets, raise the market position of retail investors, and stimulate the capital markets. We believe that this push will provide value to society and also lead to improving our corporate value.

Business Model

Business Transformation

Transforming our group-wide business model in order to adapt to changes in the business environment and to evolving customer needs

Brokerage
Model

Asset
Management
Model

Japan segment takes the helm in our transition from a transaction-based revenue model to an asset-based one

▶ P.11-P.12/P.15/P.17-P.18 CEO Message

▶ P.21 COO Message

▶ P.26-P.38 Overview of Segments

OUTPUT

Total Global Accounts

4.08 million accounts
(As of June 2020,
including application downloads
by users)

Total Global Assets in Custody

¥5.2 trillion
(as of June 30, 2020)

Total Return Ratio

84%
(Cumulative total since founding)

ROE

3.9%
(FYE Mar. 2020)

OUTCOME

Expand customer assets
and stimulate
capital markets

**Increase
Customer Assets**

**Raise the Market
Position of
Retail Investors
Even More**

With an aim to revitalize capital markets by re-empowering retail investors, the Monex Group seeks to change

With the global spread of the COVID-19 infection, the future is unclear. Precisely because of times like these, we need to recognize the importance of capital markets, the lifeline of the economy. To revitalize capital markets and the corporate sector with a medium-to-long term perspective, we are seeking to bring together the powers of the retail investor, the rightful central player of the capital markets, to create a system where they can acquire value. To pursue this aim, we are changing our business model. This will provide value to society, which in turn, will raise the corporate value of the Monex Group, creating a positive cycle for success.

Oki Matsumoto

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



Drastic external changes disrupted the fiscal year ended March 2020

Reassessing our resilience as a business to adapt to lifestyle changes brought on by COVID-19

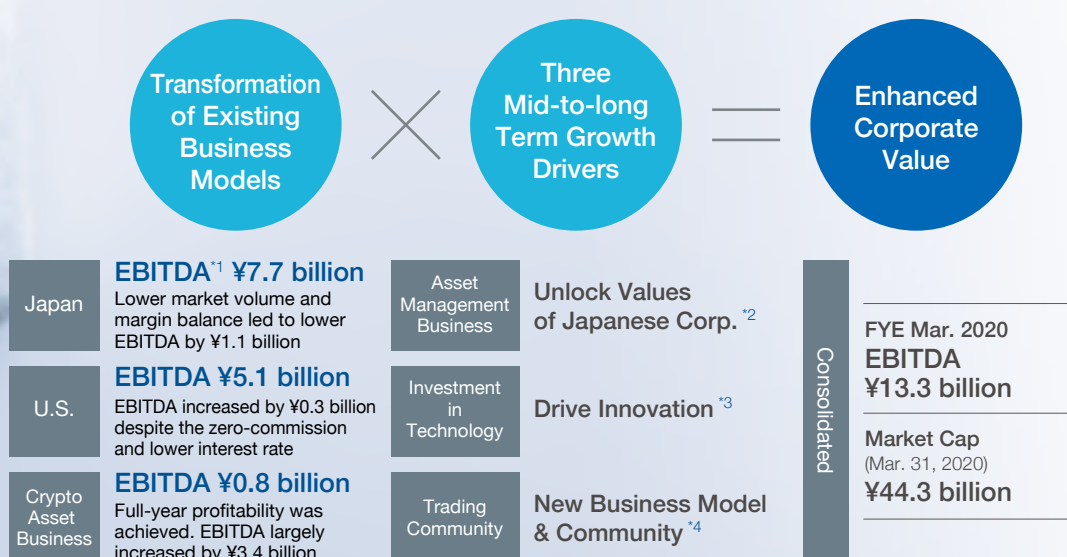
The fiscal year ended March 2020 was a turbulent one. The trend of offering zero commissions in the U.S. online securities industry began in September 2019. We then saw that shifting from a transaction-based revenue business model to a more asset-based revenue business model, was a more pressing issue. As our first step in this model change, we introduced commission-free plans at TradeStation in the U.S. segment and are working on strengthening our asset-based revenue in the Japan segment as well.

As 2020 began, COVID-19 started spreading globally. This upended the lifestyles of people throughout the world. Staying at home and working remotely caused increased volatility in the securities market. Our transaction-based revenue as a brokerage increased due to more business volume via online securities in Japan, the U.S. and Hong Kong. Cost reductions from restructuring our crypto asset business also contributed to a significant boost in the group's profits.

In our internal evaluation, we track our EBITDA closely because we are constantly looking to increase cash flow while taking into consideration depreciation. Cash flow is key since our investments are often made in advance. For example, our strategy to switch to in-house systems, actively develop new products and services for R&D and engage in mergers and acquisitions all depend on cash flow. In addition to our profits being up, EBITDA is also up 19% year on year.

Going forward, the world will probably change dynamically in a post-COVID-19 society, and the needs of our customers and society will change significantly as well. At the Monex Group, we consider these changes as opportunities for innovation. Rather than just sticking with our current business model, we are working on new businesses that fulfill the medium-to-long term needs of our customers, for example, in the way Coincheck started its online shareholder meeting service (*).

* > P.35 | Overview of Segments: Crypto Asset Segment



*1 EBITDA: The amount equivalent to operating income + depreciation and amortization cost + interest expense of the U.S. segment

*2 Monex Activist Fund to pursue financial returns for retail investors and corporate growth

*3 Startup investment in innovative technology including blockchain

*4 Develop social/educational trading community to improve customer retention and increase revenue per customer

Why are we restructuring our business model?

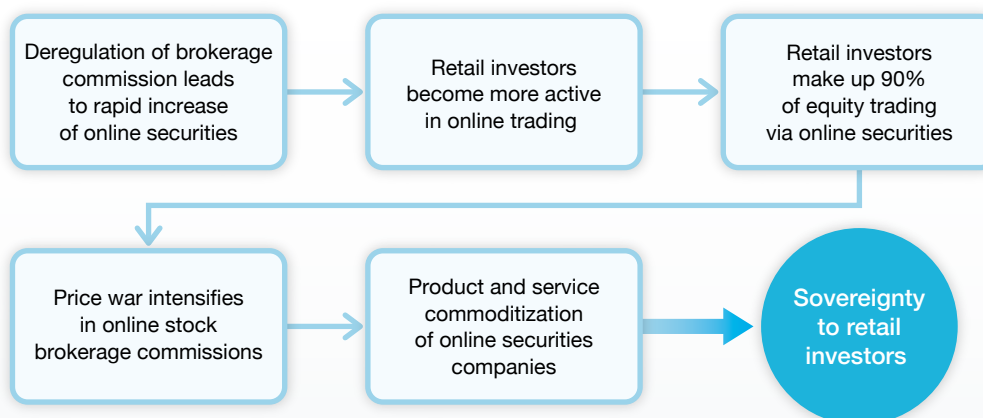
Customers expect financial services to increase their assets

Various factors led to our decision to restructure our business model. First, in an era when securities companies traditionally conducted business in person, Monex launched an online securities business, an innovative approach that enabled retail investors to access the securities market more easily. 20 years later, we now face competitors, the market continues expanding and we have reached the point where trading online is becoming common practice. This has resulted in online securities companies using the same approach when competing against one another, such as lowering fees, and commoditizing of the products and services being offered. On the other hand, customers in Japan have growing expectations that financial services will help increase their asset. This trend is not just due to economic unrest from COVID-19, but also due to other factors such as insufficient post-retirement savings in our super aging society and anxiety about public pensions.

Until now, online securities had been based on a brokerage model in which market information and trading tools are provided so that customers can trade freely, with revenue generated from stock brokerage commissions. However, this brokerage model alone cannot meet the expectations of customers who wish to increase their assets if the Japanese equities that retail investors invest in remain stagnant. It is essential to transform our business model and depart from our dependence on the brokerage model in order for us to grow and meet our customers' expectations.

Since our founding, we have always focused on how to increase retail investor trading. Yet, increasing this trading did not completely fulfill our original mission to achieve the democratization of capital markets. Therefore, our aim should be to understand what customers are looking for in a securities company when building up assets and to provide financial products and services to meet those needs. During this time, we are well aware of how important it is to carefully consider all options of what we can do to achieve this.

20 Year History of Online Brokerage and Retail Investors



What does promoting an asset management model mean?

Changing to a results-oriented business model in all segments

To respond to recent external changes and to win the support of many individual customers, the Japan segment (which includes Monex, Inc., Monex Asset Management, Inc. and Japan Catalyst, Inc.) has taken the lead in the group to transform our business model. Our poster child for this transformation is our asset management model for managing our customers' assets. We have set a clear business goal to increase the assets of our customers (minus commission and management fees), and we believe this pursuit will be a differentiating factor for our group and become our call sign in society.

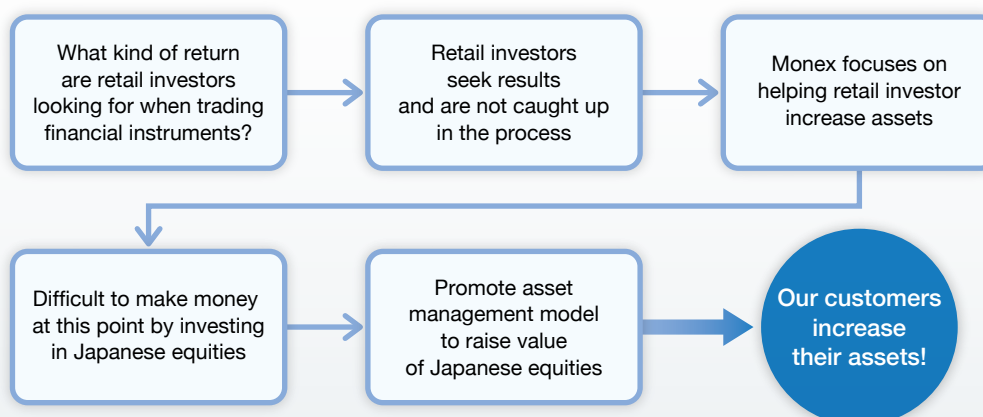
Generally, the asset management model refers to a business model where an asset management firm, such as a financial or investment advisor, makes a profit, but we are promoting an asset management model that is totally different from the traditional model. (*1)

We are working on transforming our business model by strengthening our core businesses and diversifying our revenue streams, not only in the Japan segment but in our entire group. In the U.S. segment, the revenue structure and industry map for online securities are undergoing major reforms, after commission-free plans were integrated during the fall of 2019 throughout the industry in addition to major securities companies merging. In light of the industry shifting dramatically, TradeStation is working on diversifying customer demographics and revenue streams by starting services like YouCanTrade (trading community service) and TradeStation Crypto (cryptocurrency-related services) to cover any revenue losses from lower fees and interest rates in the U.S. financial markets. Even in the Crypto Asset business segment, more cryptocurrencies are being made available to raise trading volume and more services with asset-based revenue (such as the staking service (*2) and cryptocurrency lending service (*2)) are added.

In all segments, we have always focused on the process of offering faster, easier trading as the main value we provide. While this has resulted in more convenience with equities trading, we had been unable to distinguish ourselves from our competitors due to the long-standing slump in the securities market and had not been able to fully meet our customers' expectations. In our new business model (which includes our asset management model), we are committed to a results-oriented approach, that is, making money for our customers. As a financial institution, we fully understand the difficulties in being results-oriented, but we will achieve this without fail by transforming our business model throughout our entire organization.

*1 > P.20 | COO Message *2 > P.35 | Overview of Segments: Crypto Asset Segment

Transforming to a New Business Model



Launched Monex Activist Fund, symbolic of our asset management model

Giving back the sovereignty to retail investors contributing to the revitalization of capital markets

It is difficult to reverse the long-running slump in the Japanese stock market simply by strengthening our core business. Up until now, we have not tried anything new or different in the securities market, but we need to in order to grow our customers' assets.

Therefore, to promote the asset management model, we launched a new public offering in June 2020: Monex Activist Fund, (nickname: The Future of Japan) (hereinafter, MAF), as a means to help investors and Japanese companies engage with one another to foster investment. In addition to advocating shareholder supremacy in capital markets, the term “Activist (shareholder)” brings to mind the image of using shareholder proposals or proxy fights (proxy battles for exercising shareholder voting rights) as an aggressive strategy, often while butting heads with the company (they invested in), and ultimately leading to missed money-making opportunities and growth potential. Our MAF offers an entirely different take on the term “Activist.” Our approach looks to support companies, creating a mutually beneficial ecosystem where the company and Japanese retail investors are in the same boat, in order to enhance corporate value and allow both parties to reap the rewards.

The core idea behind MAF is to restore sovereignty to retail investors in capital markets, a belief we have embraced since Monex was founded. While the players who have a significant impact on capital markets are professional institutional investors, the funds in question were originally from individuals, thus exposing them to real risk. At the same time, there was nothing substantial in place for individuals to obtain the necessary information, and the institutional investors acting as intermediaries played the leading role for making investments in the capital markets. However, the ability to trade online has reduced the vested interests of intermediaries. Now, individuals as the original shareholders who are in a position to take risks can obtain information directly and make investments on their own. For the last 20 years, we have strived to help retail investors mimic the same type of investment activity as institutional investors in our online securities business. We are confident that our services have made it easier for retail investors to access the capital markets. Nevertheless, one pending task is for us to build a platform giving retail investors a direct communication line to the issuing companies to help change those companies. To complete this task, we started the Monex Activist Forum in January 2019, and we were encouraged by the great response with so many seminar participants in May of that year. We took this one step further and decided to create a system that empowers and returns shareholders' rights to retail investors and ultimately change the capital markets for the better.



First Monex Activist Forum

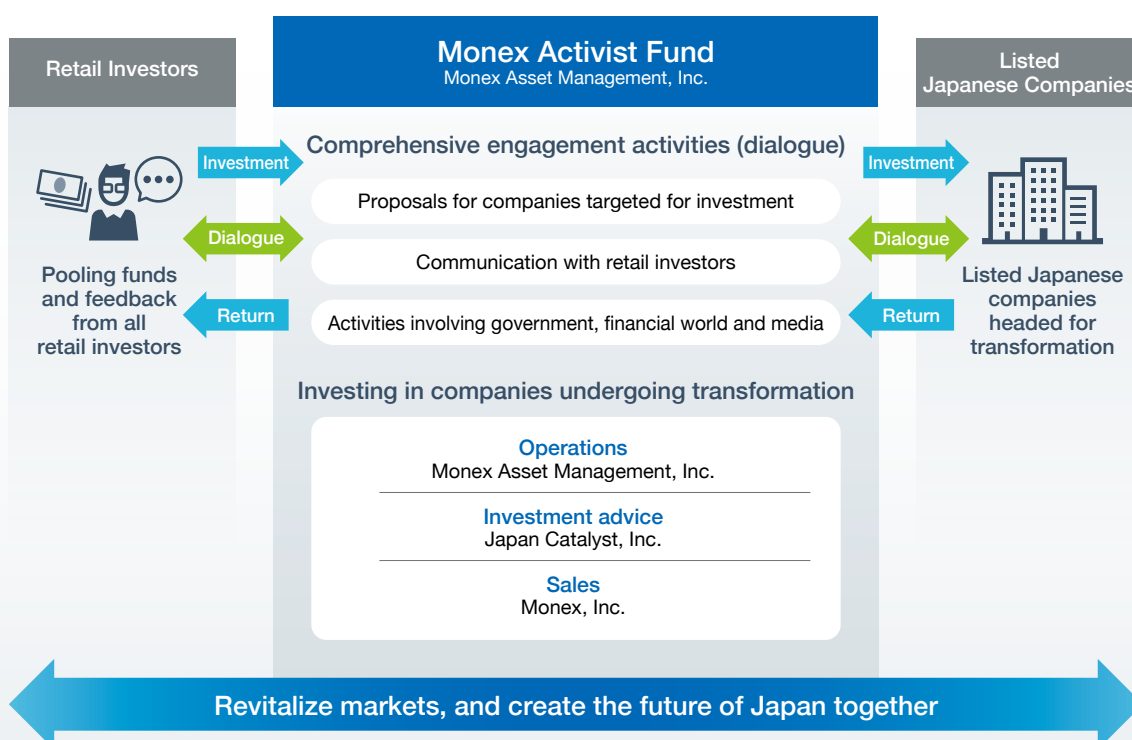
The First Monex Activist Forum was held in May 2019, bringing together the power of retail investors to help democratize the capital markets. There were approximately 1,000 participants (including those online) at the forum, which featured a lively discussion about how Japanese retail investors should participate in capital markets.

MAF began as a collaborative service between three companies: Monex, Inc., Monex Asset Management, Inc. and Japan Catalyst, Inc., a type of team effort that is typical of the group. In line with MAF's investment return goals, we believe that Japan should get more investment returns as the world's largest creditor, a benefit for both Japanese companies and its people. In addition, the application and advancement of AI (artificial intelligence) in capital markets also shares a connection to MAF's beginnings. Until now, the typical approach to actively managing investments was to assess the corporate value from information disclosed in the market, analyze stock prices and then invest. However, it is becoming more difficult to secure what is called "alpha" (additional return on particular stocks) through active management using traditional bottom-up research. This is because the playing field is leveled out by the development of fair disclosure, the advent of AI and remarkable improvements in computer specifications, which have enabled all users to identify fair price on the market as soon as information comes out. Therefore, activist-based investments are becoming more important because investors do not have to rely on disclosed information or its analysis. Rather, investors can secure bigger returns by engaging with companies, helping them improve the corporate value of the company where they invest and thereby improve their performance.

The investment advisory firm Japan Catalyst, Inc. plays a central role in MAF management. The firm has a diverse group of members who are not only veteran experts in global capital markets but approach their work with a pioneering spirit. I myself am committed to actively engaging companies where investments are made. Drawing from my 34 years of experience in capital markets (22 of which were spent managing a listed company), I will continue to actively engage with companies, sharing my thoughts with their managers on how to improve corporate value. And, I will continue to offer investment advice that fosters corporate growth from a long-term perspective, benefitting both the investor side and the company side.

Part of the uniqueness of Monex is our involvement with improving the position of retail investors. We are working on a platform that collects feedback from retail investors and connects them with issuing companies in order to accelerate and restore the status of retail investors in the capital markets to where they should be.

Monex Activist Fund for Transforming Japan's Capital Markets



How are we able transform our business model? (1)

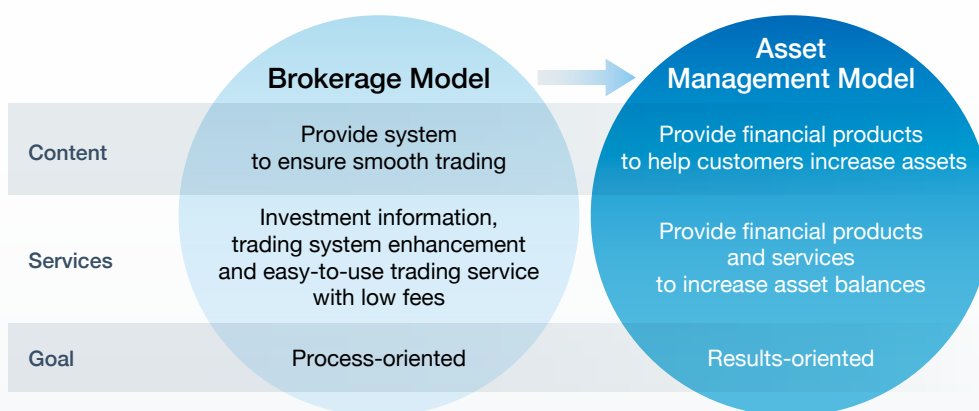
Using our strengths again in Monex Activist Fund

What are the chances MAF will succeed? And, what is the possibility for successfully transforming our business model, which includes MAF? We believe the answers can be found in our strengths. The customers of Monex, Inc. (an MAF sales company) is one of them. These customers have always been with us over the course of our twenty-plus year history, and we now have over ¥4 trillion in assets in custody. For example, the majority of retail investors who invested in MAF since its offering are people who have had accounts with Monex, Inc. for at least 17 years. We believe that the customers who originally chose Monex did so because they gravitated toward our founding principles and ideas. We suspect those customers are participating again in MAF for the same reason. Many of the group's customers have strong feelings about Japanese society and capital markets. We believe that this will be a major factor in the success of MAF and will provide us with strong supporters in our asset management model transformation.

Another factor is my desire and our employees' desire to carry on and stay true to our founding business principles. We have been involved in a number of improvements and reforms to Japan's capital markets, such as establishing a share unit system and eliminating selective disclosure. Government authorities and people affiliated with exchanges have also been supportive of our MAF, and we believe their support stems from acting on their behalf for over the past 20 years and coinciding with the idea that individuals should be the main players in the capital markets.

Nevertheless, we must secure more investments from everyone (including new customers) in order for MAF to succeed and for the change to our asset management model to succeed. More investment is needed because only large-scale investment will change Japan's capital markets. In order to truly reform Japan's capital markets, we would like to take proper action. Therefore, we will carefully go through our approach and explain what actual engagement activities are in a clear and easy-to-understand manner and share this philosophy with our customers.

Monex Group's Business Transformation



How are we able to transform our business model? (2)

Diverse personnel play an active role in the Monex Group under a solid executive team and strong board

In order to successfully transform our business model and achieve sustainable growth, it is essential to enhance our corporate governance system. While corporate governance continues its recent push to improve the Board's effectiveness, it is also critical in reinforcing our executive team, made of executive members including our CEO.

Our executive management structure and system has performed significantly better over the past two years, and a strong executive team that is not solely dependent on the CEO is being formed. A substantial transfer of authority to executives has enabled them to make quick business decisions while integrating different values, one of Monex's strengths.

The Board, which monitors the executive team, adopted a committee structure with the Nominating Committee, etc. in June 2013. Out of the nine directors on the Board, the majority (6) are outside directors, four of whom have experience in corporate management. We have appointed attorneys and accountants with special expertise as directors for better monitoring, and we intentionally included manager-level personnel on the Board. This has allowed us to create a Board with a well-balanced offense and defense that provides both risk control and a drive to find growth opportunities. (*1) In addition, we have appointed a lead outside director (a rarity in Japan) to ensure someone can speak frankly even with our CEO. This director's role also helps stimulate discussion among the outside directors, and all of those directors are then better able to serve as representatives of our minority shareholders.

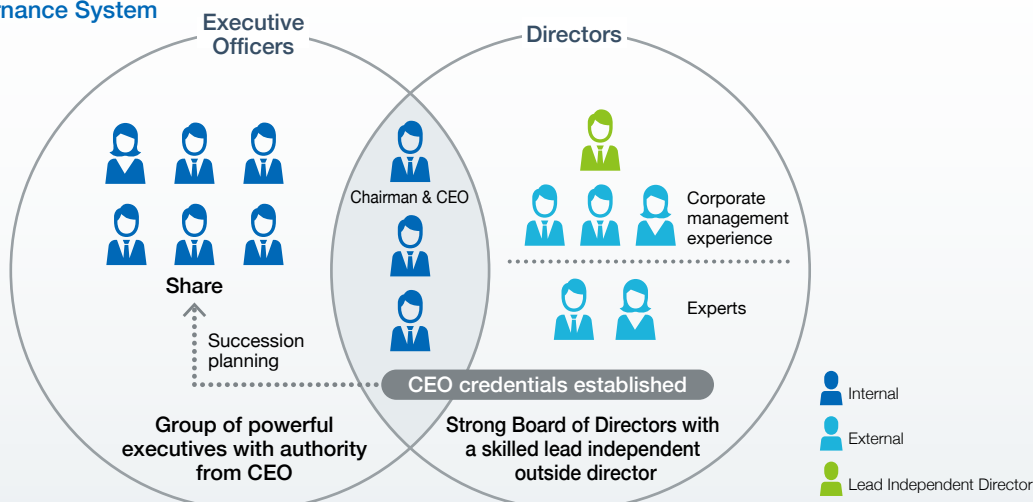
In corporate governance, making the succession plan visible is also important, and I think that executives need to know my thought process when I take action as the CEO. To ensure this thought process is transparent and clear, we have established CEO Credentials, in which the qualifications required for the CEO are specified in Japanese and English. These credentials are regularly discussed and updated by the Board, and a general concept of these qualifications required for next-generation management personnel is shared among the group's directors, executives, auditors, and executive officers.

Under the direction of this corporate governance system, a diverse staff who recognizes different values are continuing to play an active role. (*2) In this era of transformations, I am convinced that our employees have the right mindset that captures Monex's uniqueness and will pave the way for success.

*1 > P.47-P.48 | Reasons for Appointing Directors & Executive Officers

*2 > P.23 | COO Message

Governance System



Committed to increasing our corporate value further

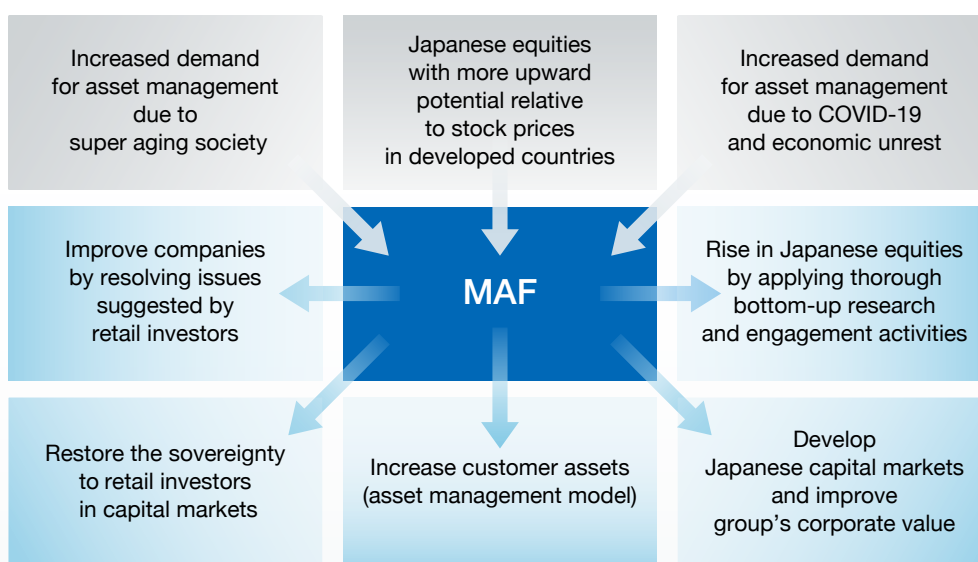
Improve corporate value in the Monex Group through the asset management model and MAF

There is a Zen saying “**啐啄同時**” (Sottaku Douji) or “the chick and hen are pecking simultaneously from the inside and outside”. **啐** (Sotsu) is the sound made by the chick trying to break the eggshell from the inside to hatch, while **啄** (Taku) is the sound made by the hen trying to break the eggshell from the outside, implying that the chick can hatch if both sides peck together at the same time. It would be in vain if the hen pecks before the chick is ready, or for the chick to peck without the hen’s help. The same holds true for corporate management. The ideal timing for engagement and investment activities is to support management and corporations when they are about to undergo change. At the Monex Group, we aim to make this happen not as a standalone effort, but rather as a widespread movement in society.

When all is said and done, the beneficiary owner of a company is either an individual or a foundation. Fundamentally speaking, the shareholders of companies are ultimately individuals. Since its establishment, Monex has been working to bring individuals and the market together. In addition, we consider it our mission to bridge individuals and listed companies.

In our vision, retail investors are interested in growth and increasing the corporate value in Japan, communicating their opinions to management and helping improve the performance of the company, thereby getting a return on their investment. Put differently, we would like to help improve the investment chain by positioning individuals as the ultimate shareholders and as an integral part of that chain.

External Factors and Ripple Effects on MAF



These activities will not only result in better profitability for MAF and lead to asset building for our customers, but will also lead to improved corporate value for the Monex Group. MAF planning, management and our sales process will determine how much the fund grows, which is directly linked to revenue. In addition to changing our approach to an asset management model, we must build up the management capabilities of the group using horizontal integration and sharing the know-how of these fund management operations and management experts. This will help strengthen both our human and intellectual capital (which is also non-financial information). Our consolidated human and intellectual capital will be useful for transforming Monex's business model, and from a medium-to-long term perspective, we are convinced it will induce positive growth by improving corporate performance, increasing our value to society and raising the corporate value of our company.

In order to restore sovereignty to retail investors and help reinvigorate the capital markets, we at Monex as a whole are transforming our business model to meet the changing needs of society and promoting our asset management model while using MAF as a symbol. We will provide value to society and improve our corporate value through sustainable growth by promoting these activities and launching them ahead of other companies, and by meeting the expectations of our customers.



Monex Activist Fund Targets

Our fund management team consists of a variety of experts to actively engage with companies we invest in

Activism 2.0

Typically, an activist has tended to pursue “short-term” profits for the “shareholder” through dividend payouts and share buybacks. Sometimes, activists get criticized for lobbying against a company that impacts its corporate value over the medium-to-long term. However, we are promoting engagement activities based on the concept of Activism 2.0, an approach that takes into account “all stakeholders” in the company to increase corporate value over the medium-to-long term.

Given the turbulent business environment, there are many companies in Japan that need to gain a competitive edge and transform their business. To help these companies, we are gathering feedback from retail investors and having discussions with our management team to bring together different perspectives, in order to offer comprehensive proposals and engage with those companies.

Monex Asset
Management, Inc.



This fund will stimulate retail investors and help accelerate the transformation of Japanese companies

I have closely looked at Japanese companies for the last 20 years, both as a global fund management investor and a management consultant. After Oki Matsumoto expressed his enthusiasm about “Activism 2.0,” his take on this concept brought together various members who shared the same passion to form the Monex Activist Fund. The team for this fund features various professionals, including hedge fund experts, management consultants and ESG specialists. After the recent corporate governance reforms, the Japanese market has entered a new phase and even made significant advancements in the last several years. However, there is still room to increase corporate value. As more and more activists from overseas see this as an opportunity and engage with Japanese companies, the Japanese companies must take advantage of this trend and instigate the transformation. As a result, we have set forth a mission to stimulate retail investors and accelerate the transformation of Japanese companies and will actively invest and promote dialogue in order to increase corporate value over the medium-to-long term. We are calling upon retail investors to join our Activism 2.0 movement to usher in a new era for the Japanese capital market.



Taro Hirano

President
Japan Catalyst, Inc.

Implementing a new business model that is in keeping with the times and transforming Monex to make retail investors the main player of the capital markets



The Monex Group is facing a period of major transformation. The Japan segment is helping to promote this change by strategizing the transition from a broker model to an asset management model. At Monex, Inc., which leads the Japan segment and is the driving force behind this transformation, we have formulated the concept of “A Monex created by us all” where each and every employee is playing a major role in developing services in a grassroots approach to provide the experience of success to retail investors, the main player of the capital markets.

Yuko Seimei

Representative Executive Officer
Chief Operating Officer
Monex Group, Inc.

The Japan segment has taken the lead to promote Monex's unique asset management approach

As the backbone of the Japan segment, we at Monex, Inc. have broadened our customer base since our founding by launching a number of services to make trading easier for our retail investors. This is based on our management philosophy to provide the future of finance and to always stay one step ahead. As of the end of March 2020, we were in charge of a total of 1.9 million accounts and 1.06 million active accounts, and our assets in custody had reached ¥4 trillion. We believe the support of our retail investors represents our group's assets and strengths.

On the other hand, there has also been a trend from the U.S. since last year of offering zero stock brokerage commissions, and there is growing concern over intensified commission fee competition in the Japanese online brokerage industry. There is a strong sense of urgency that growth will eventually stop unless we shift to a business model for earning revenue by providing services for customers' assets in custody, rather than using a model that relies on revenue from brokering as a medium for trading. Because of this, our group will formulate an asset management model which will be promoted from the Japan segment, through which we will continue to grow by increasing our customer assets to gain revenue. Using this asset management model does not mean throwing away the brokerage business that we have cultivated for over 20 years. Rather, it means thoroughly capturing the needs of our customers to provide them with services that will be useful for them in asset management and asset building to enable them to bring in their own profits.

At present, the weight of Monex, Inc.'s trading volume and assets in custody relies heavily on customers in their 50s and older. It is necessary to increase our percentage of younger customers in order for our company to grow sustainably. We will accumulate long-term revenue while appealing to these younger customers with financial products like investment trusts (automatic periodic purchases) which make it easier for them to begin investing. However, since we will also need to accumulate short-term revenue, we plan to continue building a stable revenue structure by enhancing our asset-based products like margin trading and stock lending services for our existing customers and by increasing the proportion of our revenue that is not overly dependent on market volatility.

Revenue Model Restructuring

	Present	Future	
	Brokerage Model	Asset Management Model	
Revenue Stream	Trading values of shares	Investment trust balance	Margin trading balance Stock lending balance
Revenue Category	Brokerage commissions	Trust fees	Financial income
Revenue Reporting	Short-term instability	Long-term stability	
Features	Trading increases due to market volatility, allowing revenue to increase	Revenue increases with a higher balance	

➤ Refer to the Japan segment revenue tree on P.30

Expanding our revenue by enhancing customer portfolios through our MAF, trust services or U.S. equities trading

We consider investment trusts or products using automatic periodic purchases to be the core of our asset-based products, and Monex Activist Fund (MAF), which had its initial public offering in June, is truly a game-changing product. We are looking to change the image of activist funds in Japan and show the strength of this philosophy by actively promoting a new approach, separate from our investment trust up until now and by approaching customers who are new to Monex.

In addition, we have started to provide a trust service which will be needed in our super aging society. Last year, we acquired a trust company and restarted it as Monex SP Trust, Inc. in order to provide online services tailored to our customers' needs. Until now, services intended for the wealthy demographic by major financial institutions have been the main areas of business for trust services, but we are working to make trust services available to a wide range of customer demographics through an online approach.

We also decided to end service for the Japanese equities trading tool TradeStation in August of 2020, which was a tool for active traders and a strategic service of our brokerage model. Though it was well received by all of our users, we ended the service because it was a very advanced tool for a limited pool of users and the cost of operating it outweighed the revenue it generated. Since we would like for our users to continue trading through Monex, Inc., we are working on keeping some of the features from TradeStation by expanding our backbone brokerage system and our in-house investment information system.

We will further expand U.S. equities trading as a strategic position to offer more options for customer investment portfolios. U.S. equities trading is classified as a transactional-based product, but we consider it to be a product for an asset management model given the ever-growing U.S. market. We feel that U.S. equities offer a significant advantage in terms of asset building if our customers incorporate them into their portfolios, and we lowered our minimum U.S. equities trading fee from \$5 to \$0 last year in order to facilitate this. The number of contracts increased significantly in the first quarter of the fiscal year ending March 2021 (up 367% compared to the same quarter of the previous fiscal year), and it has grown to be an important product.

Services Provided by Monex, Inc. for Engaging Various Customer Demographics

	Customer Demographics				
	Asset Building Customers	Traders	Younger Customers	Wealthy Customers	Older Customers
Main Services	MAF	U.S. equities	<i>ferci</i>	IFA	WEB inheritance
Service Means	Online	Online (smartphone)	Online (smartphone)	Face-to-face	Online
Service Details	Japanese equities with investor engagement	More than 3,600 stock names Competitive fees	Japanese equities trading linked to investment SNS	Asset management support from neutral independent financial advisors	Inheritance and heir applications
Measures for External Environment (Social Issues)	Investor communication system Show potential value of Japanese equities	Offering access to expanding U.S. stock market (providing options for asset building)	Services for beginning investors (improved financial access)	Offering offline financial transactions (while appealing to older demographics)	Supporting more inheritance applications in a super aging society

Uphold “A Monex created by us all” to bring together the power of our employees and embody our corporate philosophy

Ever since I became President of Monex, Inc. in April of 2019, I have upheld the message of “A Monex created by us all,” both within and outside of the company because I believe that sustainability is important for business. In the 20 years since its founding, Monex has grown from an organization started with just four people into an enterprise with around 1,000 employees globally. Moving forward, I think that the time has come to execute our business while placing further emphasis on the views of each individual employee, rather than taking the company in a direction dictated by any one individual. Our personnel are our organization’s greatest strength. They come from all over but share the same business principles, looking to provide our retail investors with services to get a step ahead in the future of finance and to enrich the lives of individuals. Our employees offer diversity and are all working towards the same goals. I think this makes for a very strong organization, and I believe each person has enough potential to consider what must be done to achieve this philosophy and to carry it out. But in order to take advantage of that power, I think that my role should be to skillfully draw out the potential of employees to foster business growth, that is, by promoting business not only from the top down, but also from the bottom up.

There are many services already spearheaded by our younger employees that have been launched and have produced results. For example, there is the smartphone app *ferci* (*1) which targets the younger demographic and addresses the issue of improving financial access (in other words, to give individuals more opportunities to access the financial market). Many of its users are in their 20s, and it has made significant contributions in lowering the psychological hurdles of investment for those new to investing. *ferci* is a service in which task force members (primarily younger employees) took the lead in system development, based on ideas from management, and its success has developed a good reputation. There are also many new initiatives headed by younger staff (such as a stock analysis tool called Monex Stock Scouter, partner accounts for LGBT people, an application for viewing stock price information through VR (*2), the development of a voice command function to order stocks, as well as other services born from the ideas of our young employees), and we expect that these will contribute to the increase in customers in younger demographics.

We are also starting an IFA service that was introduced thanks to the enthusiasm of a single employee in order to diversify our revenue streams. We are differentiating ourselves from our competitors through a service concept called Premium IFA using contracts with only high-quality IFA companies (which is a change from the brokerage operations service we have offered online in the past) in order to develop new customer demographics known as the wealthy and semi-wealthy demographics, a segment we have not had any contact with until now. We are expanding towards investors who differ from the core customer demographic of online securities, and will continue to provide services that contribute to asset building for our customers.

*1 ➡ P.25 | Column: A Monex Created by Us All

*2 ➡ P.25 | Column: A Monex Created by Us All



Young staff at the Hachinohe office for Monex, Inc.



Review of proposals in Ideathon presented participants from IT Department

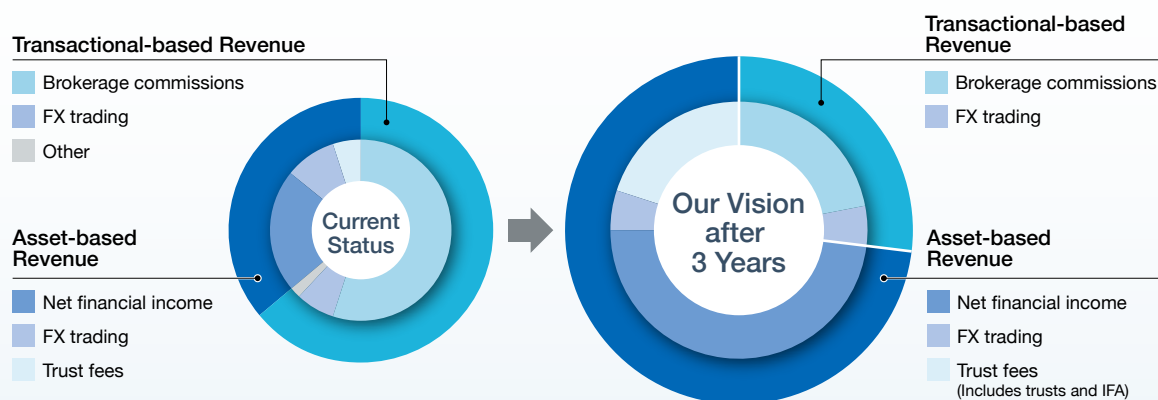
Providing value to society and improving our own organization's value through the successful experiences of our retail investors

Our goal for this term is to make people aware that Monex has changed. The customer base for the entire online securities industry is gradually aging. But, by promoting our asset management model, Monex will increase its demographic of customers in their 20s and 30s who are making investments using automatic periodic purchases, which will help establish a foundation for the future growth of our organization. For example, we hope that the balance and number of users of our investment trusts (automatic periodic purchases) that we are focusing on will increase because this would show what our future primary customer demographic will be.

In the medium-to-long term future, we will change the ratio of transaction-based revenue to asset-based revenue. This ratio is currently 60% to 40% respectively, but in three years, we want to increase our asset-based revenue in areas such as margin interest rates, stock lending rates and trust fees from mutual funds in order to bring the ratio of transaction-based revenue to asset-based revenue to 3:7. As the balances for margin trading and stock lending services continue to accrue, revenue will also increase. Therefore, we will pay close attention to the balances for the assets in custody for our customers during this term. We should be able to achieve a significant change in our revenue structure over the next 2-3 years by sticking to the numbers and improving our results.

I think it's important to provide successful experiences to all of our retail investors to promote our asset management model. Half of Japan's personal financial assets of about ¥1.9 trillion are still cash deposits, and a lack of successful experiences is why there is no progression from saving money to making investments. Unlike the U.S., Japan has no culture of investing and has had 20 years without any successful experiences. Under such circumstances, Monex is trying to provide successful experiences with MAF as a banner product. We will engage with investment companies from a retail investor standpoint to increase their corporate value; this in turn will lead to an increase in their share value, allowing all of the stockholders participating in MAF to enjoy these results. I think that it is critical for the retail investors themselves to work actively and succeed. As our assets in custody increase over the course of doing business, we will shift to a business model that allows customers to pay fees comfortably as well. If we achieve this virtuous cycle, Monex will provide value to society while enhancing our corporate value, achieving a win-win asset management model that will increase the assets of our customers.

Our Vision of the Revenue Ratio Using the Asset Management Model in the Japan Segment

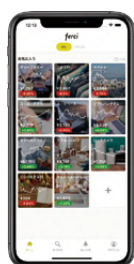


A Monex Created by Us All

Brand new type of investment app developed to attract younger customers

Our New Service Planning Office is a new department in Monex, Inc. and is in charge of planning and development of new financial services. One of our achievements is *ferci*, a new smartphone investment app that targets our younger customers. It was developed mainly by young members of the team in response to our business challenge of attracting and increasing younger customer base. We decided against using the classic UI and UX templates used by brokerage firms, and instead, created a brand new type of app that is user-friendly and tailored for younger customers.

I personally was quite taken by the business principles: “MONEX” stands for the future of finance, a step ahead of “MONEY,” and this is why I joined the company right after graduating. I will update the framework of conventional finance and strive to create new financial services to generate the social impact.



ferci offers a design tailored for smartphones and features intuitive operations that anyone can easily use. No more bothersome operations like selecting the order method or entering a price. Users can purchase stock starting with one share.



ferci app has SNS functionality. Look up stock names, review analysis, news, market price data and ways to learn new skills or information. Get information from other users' comments and exchange ideas.

Atsushi Mandai
New Service Planning Office
Monex, Inc.



ferci

The app offers an intuitive UI design that is easy to use for younger users. It is also equipped with SNS functions, allowing the user to reference online reviews. Stocks can be traded starting from one share.



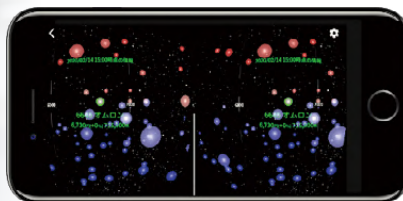
After winning first place in our ideathon, our first-ever VR app was launched

Last year, I presented a VR stock price data app, “*Marketarium*” at ideathon (brainstorming event to come up with ideas on system improvement or service development) held in the System Department. This app uses graphic in a VR space to show the dynamic activity and stock price movement and offers more intuitive way to look at and understand stock information beyond just letters and numbers. Ultimately, my submission was awarded first place praised for being able to apply new technology and link it with an existing service. Thereafter, I led the development and launched the app in March 2020.

I will continue to develop services that make investing fun for the younger people from my generation and offer the experience that enriches their lives by getting involved in society through investment starting with a small amount.



Taeka Tanaka
System Dept.
Monex, Inc.



By launching the app and looking through VR goggles, users can see red and blue star-like spheres that bounce around in space for 360-degrees. Each star represents a particular stock.

The star's position changes depending on the trading volume and the stock price movement from the previous day. For example, the user can see that if the stock price goes up, its position rises in the space, but if the price goes down, the position falls. In addition, as the trading volume increases, the sphere become bigger. When trading decreases, it becomes smaller.



Marketarium

iOS app uses VR to help users understand stock information more intuitively. Each stock is represented by a star in space, and the system allows users to quickly understand the fluctuation of stock prices and the trading volume by following the stars' movements.





Who we are?

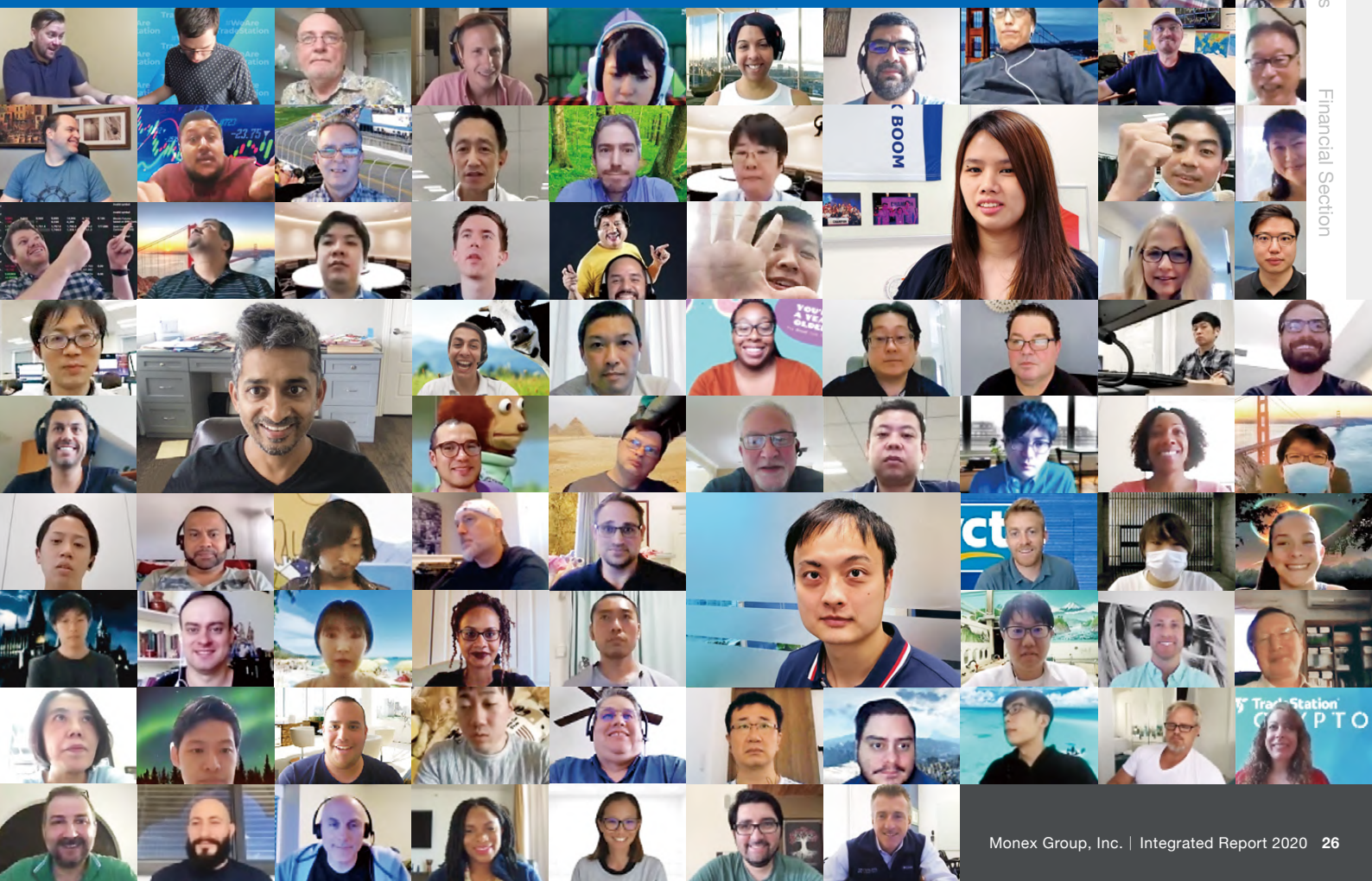
Increase Corporate Value

Corporate Value Resources

Financial Section



Overview of Segments

The Monex Group is a unique company featuring 5 different segments: Japan, the U.S., Asia-Pacific, Crypto Asset and Investment. We are bringing together our diverse wisdom and aiming for further growth following a clear vision in each segment.






Overview of Segments

Current status and targets for our 5 segments

Segment	Japan	U.S.
Main Business Companies		
STRENGTHS	<ul style="list-style-type: none"> • Assets in custody per account are higher than our competitors • Since our founding, working to democratize capital markets and focusing on making trading easier and more convenient for retail investors • Offering a broad range of services for both short-term trading and medium-to-long term investment • In-house systems enable flexible development in accordance with customer needs 	<ul style="list-style-type: none"> • Provide superior trading and investment technology with in-house multi-asset platforms that perform reliably during extreme market conditions • Offer a variety of services to improve the experience of both active traders (our core customer demographic) and casual traders • Deliver trading education and coaching that trains future active traders and investors
WEAKNESSES/ISSUES	<ul style="list-style-type: none"> • Revenue structure that is highly dependent on the stock brokerage commissions, which profitability has been declining due to the recent zero-commission trend • Low ratio of younger customers • Relatively stagnant performance of Japanese stocks compared to other global market, which might work as a burden for customers' asset management 	<ul style="list-style-type: none"> • Market conditions heavily impact revenue base, with a higher percentage of revenue from brokerage commissions (generated from trading linked to market fluctuation) and from net interest income dependent on interest • Need to acquire new revenue streams (diversify) to cover less revenue due to zero-commissions trend and lower interest rates
STRATEGY	<ul style="list-style-type: none"> • Improve profitability by transitioning from a conventional brokerage model to an asset management model • Attract younger customers by expanding our smartphone services using U.S. stock trading applications as a successful example • Increase customer assets using our "Monex Activist Fund" 	<ul style="list-style-type: none"> • Secure different types of diversified revenue: <ul style="list-style-type: none"> • Offer commission-free plans to increase active accounts and trading volume, thereby securing more revenue linked to trading • Launch a crypto asset business, a new asset class, to achieve more revenue through interest-based income • Secure asset-based revenue using YouCanTrade, Inc. (trading education and community)
CREATING VALUE	<ul style="list-style-type: none"> • Promote asset management model to increase the customer assets after deducting asset management fees and incentive fees 	<ul style="list-style-type: none"> • Offer commission-free plans, crypto assets as well as an investment education and trading community (YouCanTrade), to attract both beginner and casual traders, with the goal of encouraging more trading and increasing customer assets

The Monex Group features a global business platform that covers Japan, the U.S., Hong Kong and Australia, and develops diversified businesses that include online securities, asset management, venture capital investment and cryptocurrency trading. These are broken down into 5 business segments. The various products and services of each segment attract and have different types of customers who vary in age and trading experience. In addition, the business segments have different business climates and market characteristics. In the Monex Group, we recognize particular strengths, weaknesses and issues that each business segment has, and based on these features, we take specific steps to address those issues and set targets to create value for the customer.

Asia-Pacific	Crypto Asset Business	Investment Business
		
<ul style="list-style-type: none"> Offering a wealth of investment choices in multiple currencies and across multiple markets Providing low-cost services on the same platform in Hong Kong and Australia 	<ul style="list-style-type: none"> Offering the biggest selection of cryptocurrencies and most downloaded cryptocurrency trading app in the Japanese industry. Our simple UI/UX trading platform makes trading easy even for beginner traders and investors, making us ideal to be the first choice among users opening a cryptocurrency trading account Quick and flexible service offering thanks to the in-house development team and asset management functionality 	<ul style="list-style-type: none"> Since our founding, we have successfully found and increased value in a number of companies we invested in, by looking at their growth potential and offering unique management support (providing mentoring and business advice to those companies). Using our past investments as a springboard, we create a virtuous cycle of investment activities that lead to even more investment opportunities
<ul style="list-style-type: none"> Limited number of customers Revenue that is highly dependent on the stock brokerage commissions, leading to the volatility of revenue stream correlated with the market activity (because percentage of asset-based revenue is low) 	<ul style="list-style-type: none"> Revenue is susceptible to fluctuations in cryptocurrency trading volume and in prices Need to attract traders or customers with more assets 	<ul style="list-style-type: none"> Our unique management support, to increase value in companies we invest in, leans more toward tacit knowledge that is more individualized. There is an urgent need to strengthen a systematic approach
<ul style="list-style-type: none"> Share and combine the strengths of the marketing method used in Hong Kong targeting traders and investors of Chinese descent as well as the digital marketing method used in Australia 	<ul style="list-style-type: none"> Increase our new accounts even more by tying in Monex's "Cryptocurrency CFD" service and building up more asset-based revenue services Attract a new customer base by developing new types of services 	<ul style="list-style-type: none"> Develop a business management system with a systematic approach for the required tasks in the investment process: investment sourcing, decision-making criteria for investing, management of investments (companies) and collecting money
<ul style="list-style-type: none"> Share and combine the strengths from Hong Kong and Australia to develop new customers, and provide new trading opportunities with a fresh UX design for existing customers 	<ul style="list-style-type: none"> Use our engineering prowess and provide services with an excellent UI/UX design to share a new value exchange system with retail investors and society 	<ul style="list-style-type: none"> Launch and manage multiple flagship funds on a continuous basis to build a stable financial foundation. Secure continuous investment returns to gain more revenue and help increase shareholder return.

Overview of Segments

Japan Segment

Monex's growth strategy is to continue providing successful experiences for retail investors, the anchor of the Japanese capital market

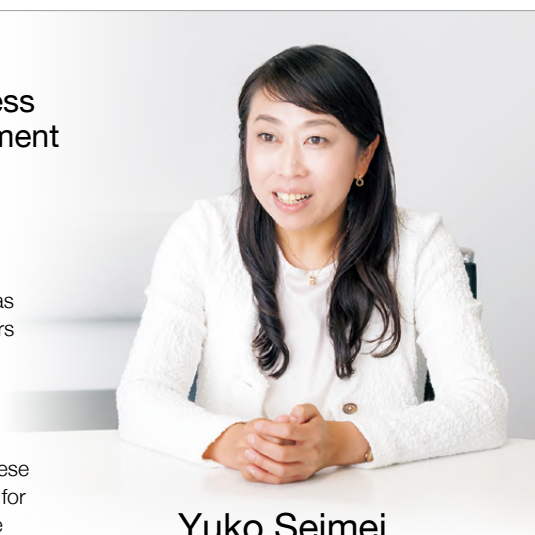


Overview

Pooling resources from online securities, asset management, and investment advisory business to form a corporate synergy* that brings new movement into the Japanese stock market

The Japan segment has laid down the foundation to achieve future growth. This foundation is spearheaded by 3 companies: Monex, Inc. for online securities, Monex Asset Management, Inc. for assets management service and Japan Catalyst, Inc. as our investment advisory arm. Since our founding, Monex, Inc. has provided services that make trading easier and more convenient for retail investors in order to help democratize capital markets. Monex Asset Management, on the other hand, offers the online asset management service ON COMPASS and ON COMPASS + (which features in-person support), and is involved with composing and running the Monex Activist Fund (MAF), the core product in our asset management model. Finally, Japan Catalyst seeks to improve the value of Japanese corporations through funding from retail investors and by providing opportunities for retail investors and Japanese companies to engage with one another. We believe that the corporate synergy achieved by combining the resources from these three companies will provide successful experiences for the retail investors – the anchor of the Japanese capital market – and in turn generate even more growth.

* > P.14 CEO Message



Yuko Seimei

Representative Director & President
Monex, Inc.

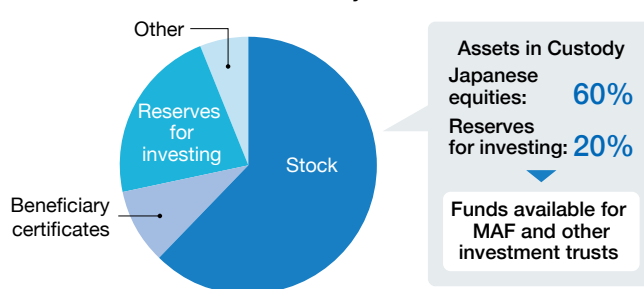
Advantages with Monex, Inc. Customers

Customer characteristics pointing to our asset management model

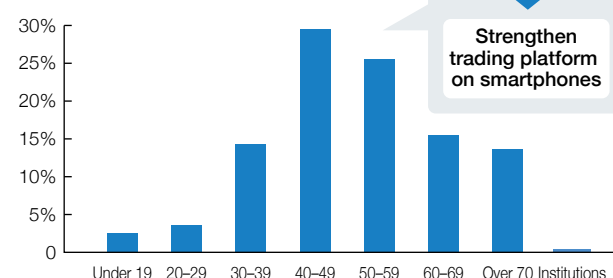
The middle-aged and elderly, who tend to have more funds at their disposal, make up the primary customer base of Monex, Inc. The assets in custody from our customers have a higher ratio of reserves for investing and those assets per person are greater than our competitors. Therefore, one advantage is that any assets that are earmarked for investment and management are effectively greater with our customers. These assets in custody can be broken down as follows: Japanese equities make up 60%, and cash reserves and MRF make up 20%. We estimate that these customers have enough to pull from individual equity investments and available cash to put into investment trusts like MAF going forward. And, even in our customer analysis, we believe our transition to an asset management model will offer plenty of potential growth.

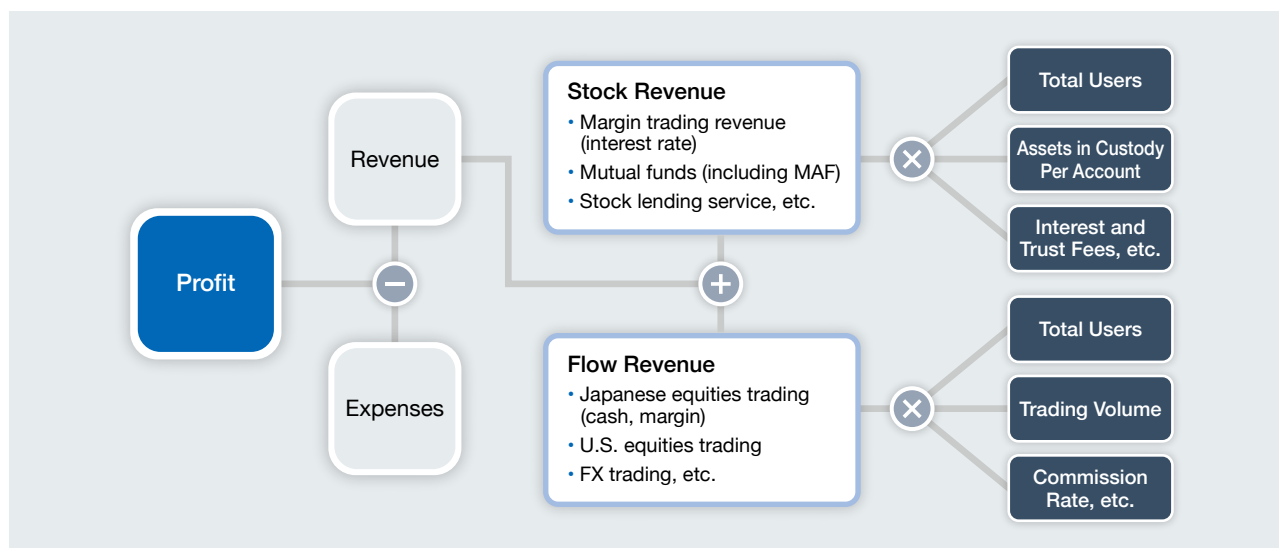
On the other hand, one of our challenges going forward is attracting more younger customers, a demographic where we have trailed behind our competitors. To overcome this, we will strengthen user-friendliness and enhance our smartphone screen capabilities in the brokerage system. The Monex Stock Scouter and access to investment information have been optimized for smartphones, and *ferci* as well as our Cryptocurrency CFD service are also available on trading screens customized for smartphones. These features in particular have been highly praised by younger users via SNS, and we will continue building our foundation for future growth by focusing on these services and enhancing smartphone capabilities for other products.

Breakdown of Assets in Custody



Breakdown of Accounts by Age





KPI management to increase asset-based revenue

In our asset management model, we are looking to increase asset-based revenue on top of the transaction-based revenue from our existing brokerage model. The balance from more mutual fund trading, margin trading and our stock lending service will boost our revenue, offering more potential upside than it ever has. As we manage the KPIs in our asset management model, we will track not only the aforementioned revenue but the projected amounts and actual balances in margin trading, stock lending, investment trusts (including MAF) and the IFA service. And at the same time, we will continue measures that increase the number of users in each service and that raise the balance per account.

Our share in margin trading continues to grow after expanding our general services to include free commissions for ETF and REIT

as well as for “One-day margins” and “Special short sales.” Going forward, we shall work toward using our increased market share to also gain a higher balance and thereby lift our interest income in margin trading.

In addition, our stock lending service allows customers to earn interest by lending out the equities that they own to us. It can be quite advantageous for those customers who do not engage in frequent trading but who still want to build their asset portfolios over the medium-to-long terms. Right now, there are some limitations on the service for customers who use margin trading. However, we are currently modifying the system to make trading possible and ultimately increase the number of future users and the corresponding balances.

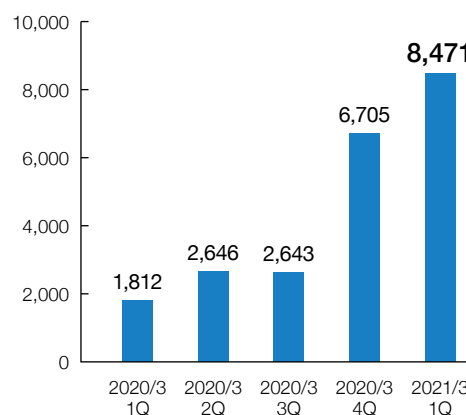
Using the Group’s network to build transaction-based revenue

Thanks to the Group’s network, Monex, Inc. is able to offer high quality overseas stocks via our U.S.-based group company TradeStation Securities and our Hong Kong-based group company Monex Boom Securities.

U.S. equities represent a strategic arsenal of products that serve as a power advantage. We have countless U.S. stocks available featuring a commission schedule that goes as low as a zero-dollar fee. The service also provides after-hour trading and a number of trading methods that can be accessed via smartphones. In addition, Heihachiro Okamoto, chief consultant of foreign equities, has garnered high praise from customers for providing excellent investment information in his U.S. equities marketing seminars. As customers have become more familiar and knowledgeable through the myriad of services we offer, coupled with the market conditions from COVID-19 and the impact from high stock prices in the U.S. market, we have seen a rise in contracted orders in U.S. equities. We logged a record high in these trades in the first quarter for the fiscal year ended March 2021 and it is growing into one of our core services for transaction-based revenue.

Furthermore, we started the Cryptocurrency CFD in July, which is a contract for difference service that covers cryptocurrencies. The service allows users to leverage up to twice as much, providing information for Coincheck users and creating a good complement to the Group’s members.

Contracted Orders in U.S. Equities (daily average)



Overview of Segments

U.S. Segment

Diversifying revenue streams to adapt to changes in the environment. Launching new businesses to ensure sustainable growth.



Overview

Leveraging new services in customer education and in crypto asset trading to make trading more accessible and familiar

Last year, the U.S. segment took on a number of challenging projects. For example, TradeStation Group launched TS GO/TS SELECT commission-free pricing plans for equities and options trading. Launching new businesses, the group also released TradeStation Crypto,^(*1) a crypto asset trading platform and YouCanTrade,^(*2) an investment education and trading community that provides self-improvement and training content. TradeStation Group currently holds more than 100,000 active accounts, accounting for approximately half of Monex Group's revenue. TS GO/TS SELECT, TradeStation Crypto and YouCanTrade will not only help attract new customers, including younger traders with less experience, but also lead to more diversified revenue streams. To ensure mid and long-term growth, the group needs to inspire the next generation of traders to jump into the markets, and continue working to make trading feel more familiar and accessible to customers. The group aims to offer them the knowledge, skills, and resources to help build multi-asset portfolios, through education and trader communities.



John Bartleman
President
TradeStation Group, Inc.

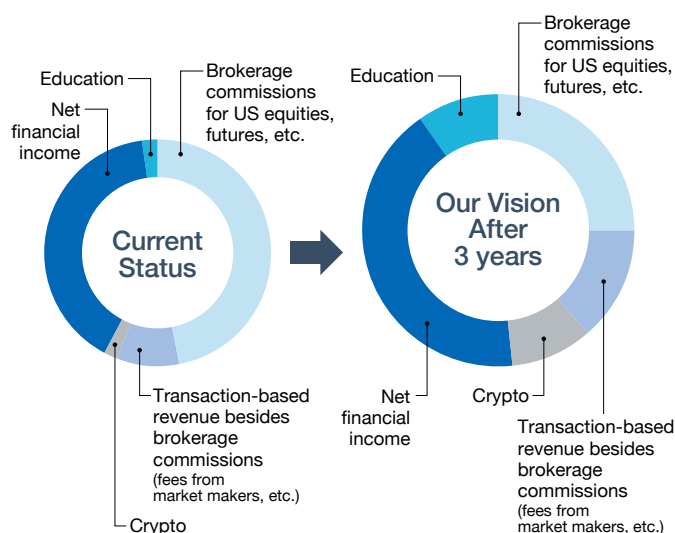
^{*1} > Refer to P.32 ^{*2} > Refer to P.33

Business Transformation

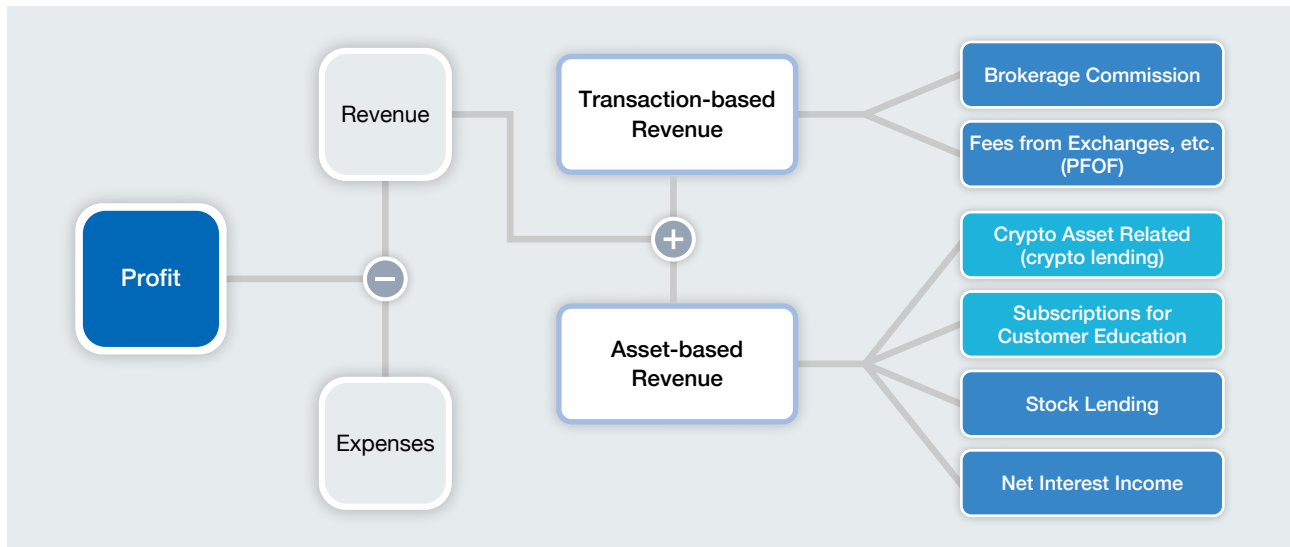
Departing from an over-dependence on commission fees and net financial income, and diversifying revenue streams

Up until now, TradeStation Group has had a revenue model that was highly dependent on brokerage commissions and net interest income. However, after commission-free plans became available in the fall of 2019 and interest rates fell in the U.S., this revenue model is undergoing a major transformation. TradeStation Group is expanding its customer base with initiatives such as acquiring customers through external API integrations which provides higher trading volumes that increase the revenue we collect from non-commission fees. Additionally, we have also been taking steps to diversify our revenue streams by launching new services such as TradeStation Crypto and YouCanTrade.

In addition to transforming the revenue model, we started to review costs in our expense model, and reduced our headcount by 10% at the end of April 2020. Going forward, we are looking to control costs, specifically fixed costs, and build a business foundation that earns stable profits.



P&L Logic Tree



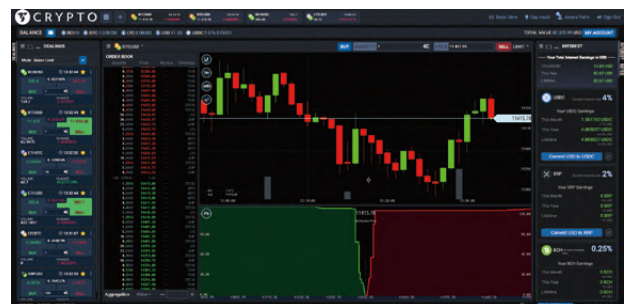
Increasing transaction-based revenue with more trading from commission-free plans, and raising asset-based revenue with new services and a subscription model

In regard to our transaction-based revenue, while the number of customers using commission-free plans is growing, trading via TS GO/TS SELECT has increased due to the market price volatility from COVID-19. This has resulted in more PFOF revenue and contract fee revenue (which is linked to increased trading). As a result, the negative impact on income from commission-free plans is also limited. The number of existing customers that switched to commission-free plans has dropped since March (six months after introducing the plans). In addition, commission-free plans pulled in new customers, which helps offset to a degree any negative impact from the plans.

In regard to our asset-based revenue, our revenue structure becomes less susceptible to market volatility when the percentage of revenue generated from investors' assets under management (AUM) increases, which stabilizes our performance. Nevertheless, in the net financial income that holds more asset-based revenue, our net interest income (earned by managing customer segregated funds) is expected to drop significantly compared to the previous fiscal year (which ended March 2020) due to lower interest rates in the U.S. To cover this drop in income, we are making plans to expand our net financial income. We are working to acquire new customers to build up more deposits and increase funds for our net interest income. We also launched TradeStation Crypto as well as Crypto Earn, a cryptocurrency lending service (C to B to B) that earns interest from customers lending their cryptocurrencies (via TradeStation) to investors. In addition, we are earning fee-based income from our investment education and trading community, YouCanTrade (where a customer pays fees for learning trading skills and live training, etc.), and as we continue pushing a subscription model, our asset-based revenue will increase.

Cryptocurrency Trading Service Launched in the U.S. "TradeStation Crypto"

Our cryptocurrency trading service is available in 40 U.S. states as of the end of July 2020. The mobile app integration was launched in the same month to offer a user-friendly experience for millennials, who are more familiar with cryptocurrency trading. By using Crypto Earn, a cryptocurrency lending service (C to B to B) that borrows cryptocurrencies owned by customers and lends them out to investors, customers can secure revenue that does not hinge on the price fluctuations in the cryptocurrency market. In this way, TradeStation Crypto offers an asset management service for a new asset class that stands in contrast to traditional assets.



TradeStation Crypto is the first cryptocurrency platform that uses an existing online intermediary model to offer cryptocurrency trading. Generally, cryptocurrency exchanges have a self-contained market structure. However, TradeStation Crypto is not limited to one exchange but is flexible and can access multiple sources of liquidity. The platform also features an automated order routing system that provides superior execution and high visibility for customers.

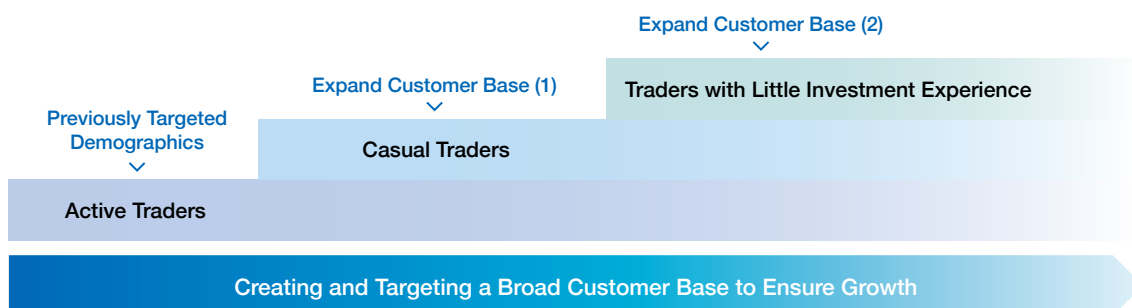
Overview of Segments

U.S. Segment

Strategy for Obtaining Accounts

Adapting to the business climate to create a customer base for steady growth

TradeStation Group, Inc. was able to capitalize on an excellent trading platform developed in-house to gain overwhelming support from active traders. In the summer of 2016, we rebranded ourselves from a stubbornly strait-laced image to a more casual, trendy one. That, coupled with aggressive marketing, enabled us to win steady support from casual traders among millennials and reach a new customer base. Then, after introducing commission-free plans in the fall of 2019, we were able to tap into the appeal of user-friendly, simplified trading to attract beginner level investors. Furthermore, offering more customer education services, increasing our trader base, and using an API to link externally with TradingView (a global trading community), led to a record high in new accounts for the quarter (April to June 2020). We will continue building a business foundation for steady growth by acquiring new customers.



Attracting new customers by offering an unprecedented user experience through investment communities and customer education services

Our customer education media services YouCanTrade, offers live trading seminar channels and courses as well as a platform for traders to interact and share trading approaches or techniques with each other. This environment fosters a positive mindset toward investing and trading. The live seminars and other self-improvement content cater to the traders' level, offering beneficial information to mitigate losses while increasing the chances of success. Professional coaches help break down any barriers that traders with little investment experience may have, and users learn to become more confident and familiar with trading. In addition, these trader communities enable users to connect with others for support especially in extreme market conditions. Until recently, the group has regarded education for active traders as an important strategy for gaining more customers. With YouCanTrade, we will build a foundation for attracting new customers that differ from the core demographic in order to ensure sustainable growth.

Offering Investment Education and Trading Community Services

YouCanTrade is an investment education media service and trading community. This asset-based self-improvement and education service, typical of the U.S., offers live trading seminar channels and courses as well as a platform for traders to interact and share trading approaches or techniques with each other. The group will continue to provide education that addresses the needs of customers with different content (on automated trading, cryptocurrency trading, and more) in order to build stronger trading communities in the future.



Asia-Pacific Segment

Offering online brokerage services in Hong Kong and Australia
Aiming for further growth to achieve segment profits



Overview

Record high in active accounts during COVID-19 crisis

After the COVID-19 crisis hit in January 2020, the market volatility led to consecutive record highs in the number of active accounts per month between April and June at our Hong Kong-based Monex Boom Securities. In the Asia-Pacific segment, we are also managing a joint venture with a securities firm in mainland China, which has posted consistent profits by providing technology support to Chinese brokerage firms. Monex Securities Australia, also a part of the Asia-Pacific segment, has not achieved profitability yet. However, recently the number of immigrants from China is rising in Australia, and this has specifically led to more new accounts opened by customers of Chinese descent in Monex Securities Australia.

Monex Boom Securities and Monex Securities Australia share the same backbone brokerage system, allowing us to provide premium quality service at both locations while keeping a lower overhead in our business management. We will share and combine the marketing methods at both companies, targeting traders and investors of Chinese descent living in Australia, in order to expand our customer base even more and reach our goal of profitability for the Asia-Pacific segment. Going forward, as we monitor the development of the Guangdong-Hong Kong-Macau Greater Bay Area plan(*), we are also looking to develop the securities business in this special economic zone or city cluster.

* Plan led by the Chinese government to develop an area covering Hong Kong, Shenzhen and other surrounding cities, to make it into an international finance, transportation and trade hub

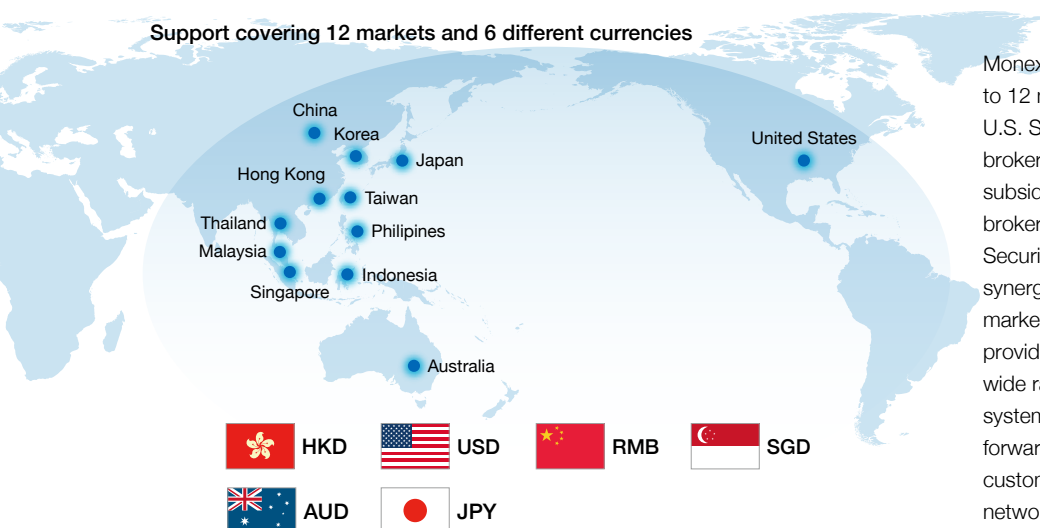


Ivan Law
Chief Operating Officer
Monex Boom Securities(H.K.) Limited

Strengths of Asia-Pacific segment

Offering trading services in 6 currencies covering 12 markets in both Hong Kong and Australia

Support covering 12 markets and 6 different currencies



Monex Boom Securities provides global access to 12 markets, including Asia, Japan and the U.S. Specifically, our subsidiary Monex, Inc. brokers Japanese equity trades and the subsidiary TradeStation Group in the U.S. brokers U.S. equity trades for Monex Boom Securities. These group ties form a corporate synergy that enables access to a wide range of markets. Even Monex Securities Australia provides retail investors in Australia access to a wide range of markets by using the backbone system of Monex Boom Securities, and going forward, this segment will continue to bring customers a wealth of services through the network of the group.

Overview of Segments

Crypto Asset Segment

Coincheck looks to lead the market, with the most app downloads in the industry and offering more cryptocurrencies than anywhere else in Japan



Overview

Achieving revenue stability through services including the world's first Lisk Staking Service as well as the Coincheck Periodic Purchases

As a crypto asset business, Coincheck leads the industry in Japan. Our main customers are millennials who have grown up in the digital age. The Coincheck app has a well-established reputation thanks to its sophisticated UI/UX, and leads Japan with the most ^{(*)1} app downloads (more than 2.96 million) of its kind (as of the end of June 2020). In addition, Coincheck offers flexible system development since our engineers account for approximately 40% of the staff, and as the top exchange in Japan, we offer 13 different types ^{(*)2} of cryptocurrencies.

Coincheck's main revenue stream is from our marketplace where 13 different types of cryptocurrencies can be traded, including BTC. However, the revenue stability is an issue since the trade volume in the marketplace fluctuates based on market volatility, which ultimately impacts how much revenue is earned. In light of this situation, we expanded revenue by adding new cryptocurrencies to give more investment options and promote the cryptocurrency trading for retail investors in the fiscal year ended March 2020. To secure more asset-based revenue, we also began offering the world's first "Lisk Staking Service" as well as the "Coincheck Periodic Purchases" service that enables customers to purchase cryptocurrencies on a monthly basis. On the other hand, for the current fiscal year (ended March 2020), we not only reduced our fixed costs for selling, general and administrative expenses (by ¥1.3 billion compared to fiscal year ended March 2019), but are also strengthening our organization to secure profits even during periods with lower trade volume.



Satoshi Hasuo

Representative Director & President
Coincheck, Inc.

^{*1} Term: First half of 2020 (Data cooperation: App annie) ^{*2} As of the end of July 2020 (based on Coincheck's internal data)

Cryptocurrency Trading Service

Increasing transaction-based revenue using a highly-profitable marketplace model coupled with a very trader-friendly app

Coincheck provides a cryptocurrency exchange and marketplace platform. Our main revenue stream is transaction-based from our marketplace with 13 types of cryptocurrencies available, including BTC. In addition, our intuitive and easy-to-use UI/UX design provides access to our marketplace service with an app that is supported by younger demographics with little investment experience and a browser-based version, which can be used for trading at our exchange.

In terms of security, Coincheck manages all cryptocurrencies received from customers offline with a highly-secure cold wallet, minimizing security risks so that customers can trade cryptocurrencies safely and securely.

Coincheck Service Details

	Exchange	Marketplace
Trading Cryptocurrencies	BTC and FCT	BTC and altcoin
Main Customers	Advanced	Beginner
Trading Screen	Web (chart trading)	App/Web
Revenue Stream ^{*1}	No commission, no spread	Spread income
Profitability	Low	High
Cover Transaction ^{*2}	No (Bilateral trading)	Yes
Leveraged Transactions	No ^{*3}	No
Self-trading/Hedging	No	No

^{*1} Swap fees, borrowing, deposit and withdrawal fees or remittance fees may be charged.

^{*2} Most orders are closing transactions between partnering businesses or organizations and position risk is controlled.

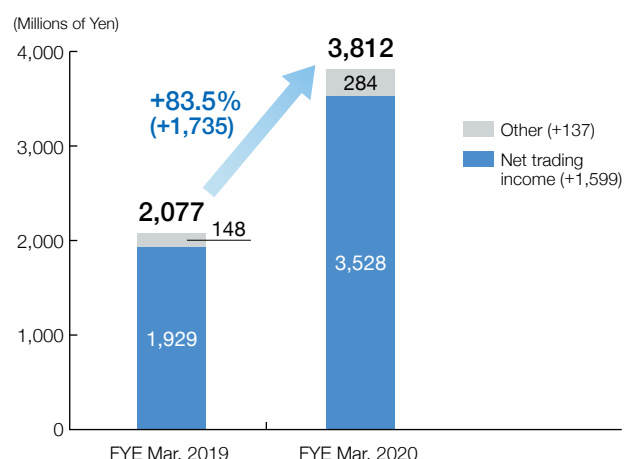
^{*3} Service provided through March 2020

Growth by Expanding the Service Area

Securing segment profits by boosting revenue and implementing major cuts primarily in fixed costs

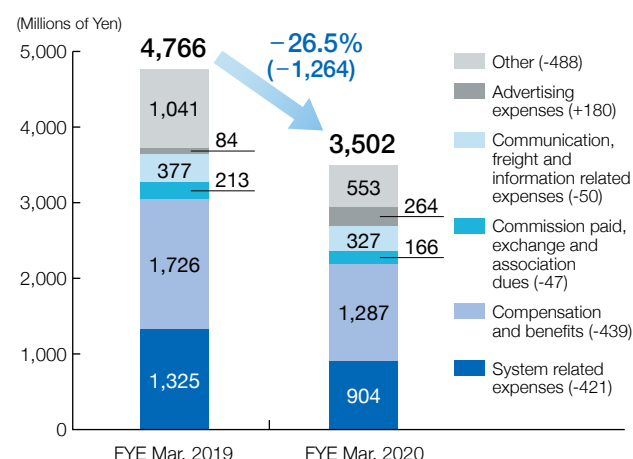
Coincheck resumed all its services that were suspended prior to its registration as a Cryptocurrencies Exchange Service Provider in January 2019. There was also a boom in trading with a rise in cryptocurrency prices. Furthermore, three new types of cryptocurrencies were added. These three factors led to increased trading for the fiscal year ended March 2020, and our total operating revenue after deducting financial expenses also rose 84% from the previous fiscal year. In addition, following our registration as a Cryptocurrencies Exchange Service Provider, we reduced our selling, general and administrative expenses by ¥1.3 billion over the previous fiscal year (primarily in fixed costs, i.e. compensation for experts, business and operations outsourcing expenses and property-related expenses), significantly lowering the level of our break-even point. Based on these results, we improved by ¥2 billion over the previous fiscal year, leading to the segment posting a profit of ¥300 million.

Total Operating Revenue After Deducting Financial Expenses and Cost of Sales Compared to the Previous Fiscal Year



Increased net trading income (transaction-based revenue) which accounts for 90% of revenue contributed significantly to segment profits

Selling, General and Administrative Expenses Compared to the Previous Fiscal Year



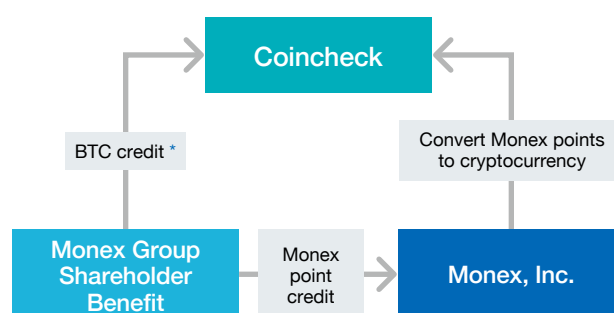
Creating an expense system capable of securing profits even in periods with low trading volume

Encouraging More Customer Activity through Group Collaboration

Between Coincheck and each group company in the Japan segment, we are building a system to make cryptocurrency trading more familiar to investors with stock trading experience in order to increase the number of cryptocurrency traders. This system includes a service where customers can convert "Monex Points" from Monex, Inc. into cryptocurrencies, and a shareholder benefit which credits BTC to Coincheck accounts.

In March 2020, the service which included leveraged transactions for cryptocurrencies ended due to revisions to the law. As an alternative, we began offering "Cryptocurrency CFD" trading through Monex, Inc., which allows customers to perform trading with up to double the leverage. By building a complementary relationship between Monex, Inc. and Coincheck, we will be able to meet the broad range of customer needs and shall continue to work towards further collaborations in the future.

Group Collaboration System with Monex Group Shareholder Benefits



* Shareholders credited at the end of September 2019 and the end of March 2020

Overview of Segments

Crypto Asset Segment

Increasing Asset-based Revenue

Focusing on growing asset-based revenue to ensure revenue stability

Compared to other financial assets, our revenue from the exchange and marketplace businesses is highly dependent on the volatility of the cryptocurrency market. As a result, making revenue stable and unaffected by market fluctuations presents Coincheck with a management issue. Therefore, we are working on expanding services which can generate asset-based revenue. So far, we have only offered asset-based revenue services that give customers the possibility to use cryptocurrencies. For example, customers who use “Coincheck Electric” and “Coincheck Gas” to pay their electric and gas bills can get BTC. Or, customers who use the “Coincheck Lending” to lend their cryptocurrencies to us can get a credit in certain cryptocurrencies based on the lending period.

In the fiscal year ended March 2020, we launched the world’s first Lisk staking service where customers could receive compensation by supporting blockchain operation while in possession of the cryptocurrency Lisk. We also began offering a

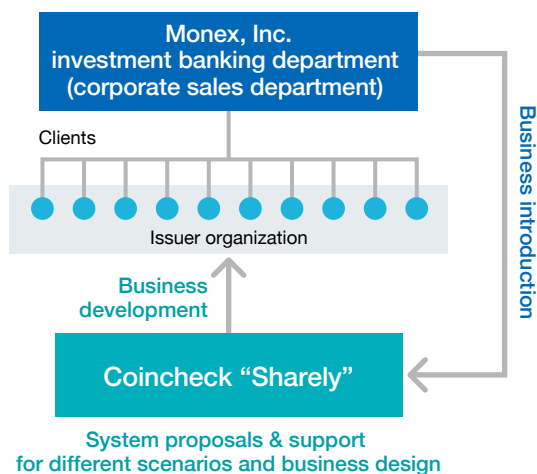
service called the “Coincheck Periodic Purchases” giving customers the option to automatically purchase cryptocurrencies on a monthly basis to support more stable asset building. From the fiscal year ended March 2021 onward, we will work on building a revenue structure less susceptible to market fluctuations by providing even more asset building services. For example, offering altcoin in our “Coincheck Periodic Purchases,” adding a daily purchase plan and developing our cryptocurrency lending service plan even further will help stabilize revenue by raising our asset-based proportion in the overall revenue. Coincheck is also making preparations for an Initial Exchange Offering business – a new business development that utilizes our exchange and marketplace businesses assets – and for “Sharely” – a business that supports virtual shareholder meetings, which should complement Coincheck’s businesses well. In addition to these preparations, we continue to forge new initiatives to expand revenue.

Launching Our Business to Support Virtual Shareholder Meetings

In the wake of COVID-19, a need arose to hold virtual shareholder meetings to help mitigate the spread. At Coincheck, we began looking into a new business from the perspective of how to adapt quickly to society’s needs. For example, we started investigating how to reduce the burden on businesses of holding general meetings and at the same time encourage retail investors located in remote areas to participate in the general meetings. This translated specifically into utilizing Coincheck’s core assets: our expertise in UI/UX design that is both intuitive and easy-to-use and our flexible and quick development system. With these resources, we are aiming to launch “Sharely” in the fall of 2020. This service will cater to general meetings for shareholders and provide a platform for “virtual attendance,” making it possible to not only attend in shareholder meetings online, but vote and participate in Q&A sessions. “Sharely” will feature a cloud system, and we are also planning to provide different scenarios or ways to hold these meetings along with management support. We expect there will be different benefits from this service, for example, the issuer or issuing organization will be able to reduce the cost and workload involved with holding meetings, and they can also make the general meetings more equal and fair for shareholders. Furthermore, by offering “Sharely” and encouraging retail investors to participate in shareholder meetings, the Monex Group can contribute to society, helping stimulate capital markets and improving financial access.

For this business, Coincheck will engage in sales and other activities in collaboration with the investment banking department (corporate sales department) of Monex, Inc., a group company which provides market listing support and consulting services for the issuers of listed companies.

Support System in Japan for “Sharely”



3 Features of “Sharely”

- **Support “hybrid remote attendance-type”**

With a hybrid remote attendance type, voting rights execution and questions-answers session can be conducted both on-site and online, enabling smooth aggregation of advanced and onsite voting results on the day of the meeting.

- **Scenario Development Support**

In addition to system proposals, provide support for scenario and business design. Support the creation of optimal scenarios in accordance with the Ministry of Economy, Trade & Industry’s practical guidelines, based on examples from other companies

- **Ability to work with existing partners**

Services can be utilized without a change in currently affiliated service providers, such as stockbrokers, meeting notice printers or other

Investment Segment

Our flagship fund, MVI, includes external capital under management to increase the corporate value of the invested companies



Overview

Investing in different areas to foster new technologies and business models

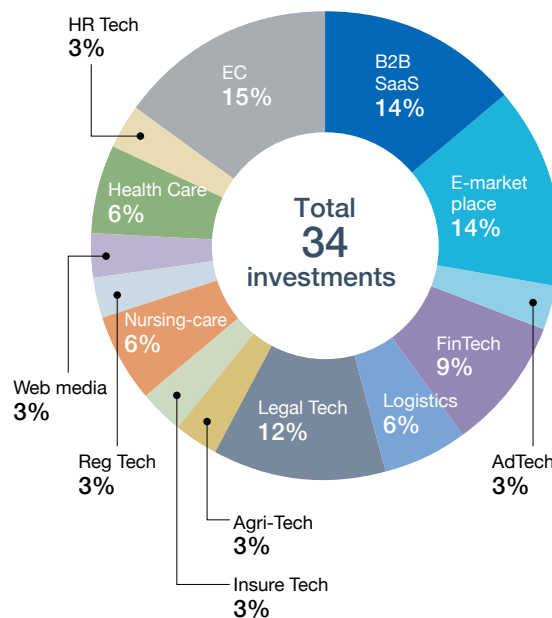
Set up in January 2019, the “MV1 Investment Limited Partnership” is our flagship fund of ¥2.65 billion. The fund is used to invest in software and system development businesses geared for new financial infrastructure as well as other technology businesses that create their business with cutting edge technology. The MV1 Investment Limited Partnership takes advantage of this segment’s unique network with a proven track record and has made a total of 34 investments as of the end of March 2020.

The fund has a diversified portfolio of investments, and the network that we have built serves as a segue to create investment opportunities across a wide range of industries. Our current business investments include different areas, for example: existing industries that undergo digital transformation using technologies like financial and legal technologies, nursing or healthcare where future demand is expected to grow, e-commerce and online marketplace businesses that are also expected to grow sustainably as all types of trading is now transitioning to online.

During the recent COVID-19 crisis, thanks to big advances in certain companies (we invested in) that took advantage of the new changes in lifestyle and the working environment, gains were recorded on multiple investments based on their valuations. However, for investments with inbound related business, our veteran and expert venture capitalists are providing individual support, such as helping revise fundamental strategy, helping cut costs and ensuring effective cash management, in order to revive business.

In this segment, in addition to the MV1 Fund, our subsidiary Monex Ventures uses its own funds to invest primarily in the area of financial technology, and the “Monex Edison Investment Limited Partnership” invests in startups. After increasing value through growth support, we have been able to sell equity shares and record profits.

Breakdown of MV1 Fund Investments and Business Areas



Close-up View at One of Our Startup Investments



Wind power generation is gaining attention as a promising renewable energy source that helps preserve our environment. Lebo Robotics is one of our startup investments in this segment. This startup develops maintenance robots used in wind power generation and uses AI to provide inspection and analysis services. Maintenance robots and AI used in inspection and analysis not only eliminate power loss, but will improve work safety and health when conducting inspection and/or repairs at facilities located at high altitudes. It also can help resolve man-power issues with maintenance personnel. Going forward, the inspection and repair market for wind power generation is expected to expand, offering major growth potential.



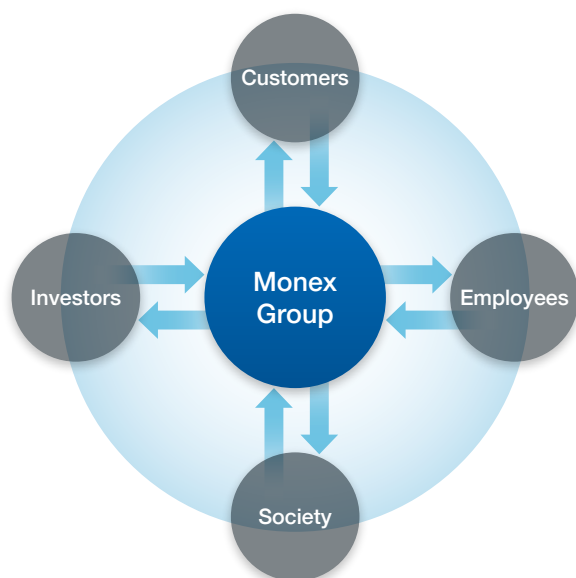
ESG Management

The Monex Group looks to improve corporate value by embodying our business principles and providing value to society through business activities that follow our code of conduct. We promote ESG not just as an internal framework for creating value through business but as a common language among different stakeholders. We believe that it is important for the group to carry out our social mission: to establish a financial infrastructure that is stress-free for individuals and to provide the best financial services that meet individual needs, thereby contributing to the healthy development of capital markets.

The Monex Group's ESG Approach

Embracing our business principles and working toward raising corporate value sustainably, by addressing ESG issues related to our medium-to-long term business areas

Overview of Monex Group's ESG



Up to Now

- Growing interest in ESG activities by Monex Group stakeholders
- Verifying business activities based on our business principles from an environmental, social and governance perspective
- Prioritizing materiality issues in a matrix
- Promoting ESG disclosures

Going Forward

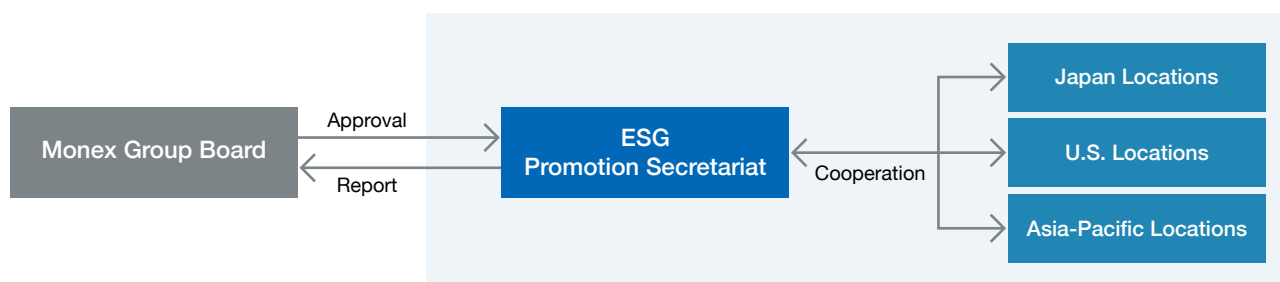
- Integrate ESG approach more into business activities
- Adopt a group wide ESG policy led by the executive team
- Reinforce more involvement (disclosure and dialogue) with stakeholders



Increase Corporate Value
(Define and measure corporate value)

ESG Promotion Secretariat

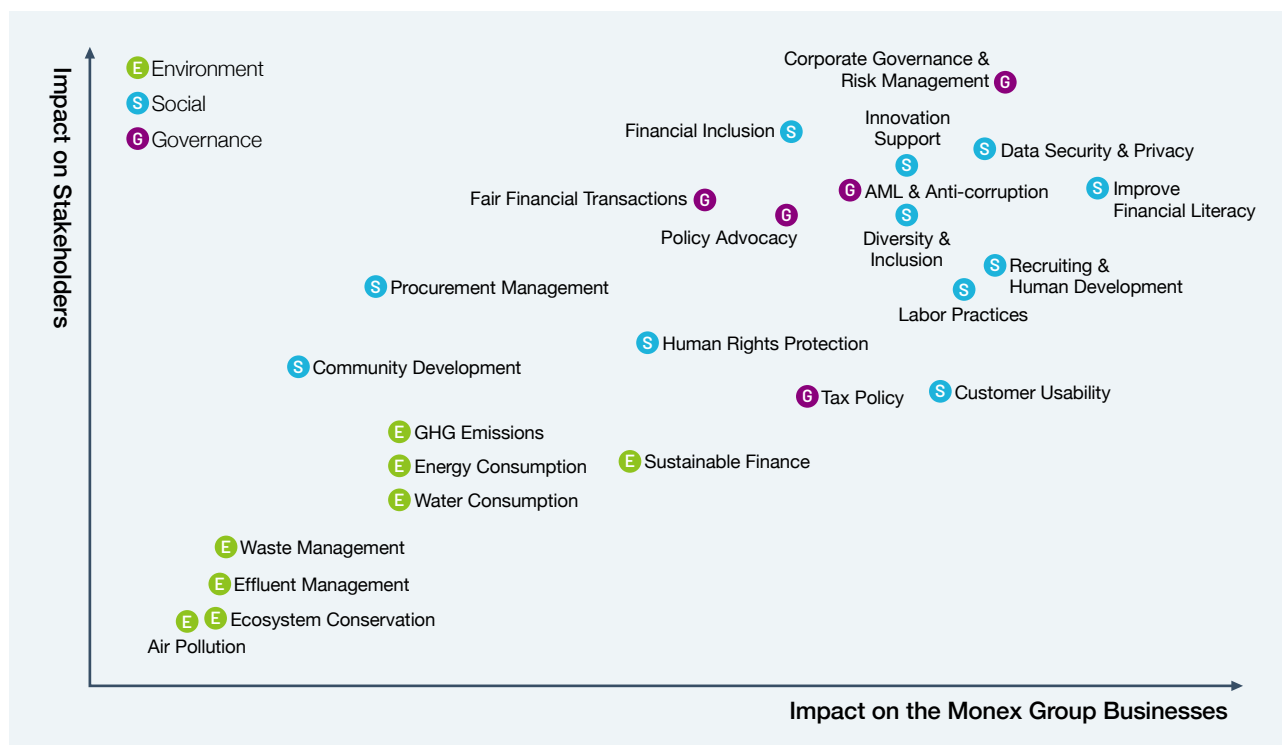
As part of Monex's full commitment to ESG activities, the ESG Promotion Secretariat (Secretariat Director: Executive Director & General Manager of CEO Office) was established in February 2019 to lead those activities. The Secretariat provides regular reports to keep the Board up to date, gain approval, tackle a variety of issues and disclose ESG information.



Materiality Matrix

We have summarized the feedback and needs from our stakeholders to help us address and come up with solutions for the social and management issues the Monex Group faces. 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.

Based on the needs of the stakeholders (Monex Group shareholders, employees, customers, partners/suppliers, NGOs, industry groups and government agencies), we identified each topic. Then, taking into consideration the topics’ impact on our business, the ESG Promotion Secretariat mapped out and submitted a preliminary matrix. The Board discussed the details and approved the final version shown below.



Addressing Important Issues in Our Business

In the Monex Group’s business, we have sifted through the important issues that we must resolve and have assigned a specific executive officer to be in charge. Each officer will be responsible for a particular category and help us address each issue by setting targets and monitoring progress.

Important Matrix Issues and Responsible Executive Officer

Critical Categories in Matrix	Responsible Executive
Corporate Governance	CEO
Risk Management	CFO/Risk Control Manager
Innovation Support	CEO
Improve Financial Literacy	CEO
Financial Inclusion	COO
Data Security & Privacy	Information security Executive Officer
Recruiting & Human Development, Labor Practices, and Diversity & Inclusion	COO
Compliance (AML & Anti-corruption)	CAO/General Counsel

Corporate Governance

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.

In accordance with this view, the Monex Group has always had multiple outside directors since being established in 2004 and has actively promoted the disclosure of corporate information. Those measures have reinforced the supervisory function and ensures transparency and fairness of the management decision-making. 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 2020, a questionnaire was given to each director between the end of December 2019 and the beginning of January 2020 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 2020 to analyze and evaluate the effectiveness of the entire Board. A summary of said results is shown below.

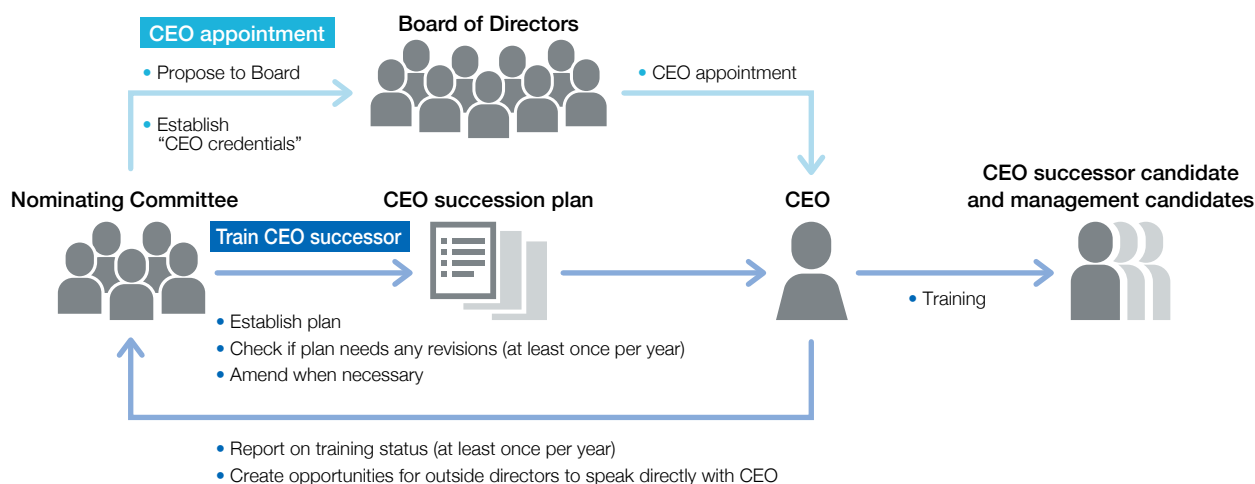
Analysis and Evaluation Results

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 based on “experience in asset management,” “expertise in Monex Group’s growth strategies,” “CEO candidacy,” “ability to provide risk assessment” and “knowledge on financial technology, cryptocurrency and AI.”

Succession Plan

It is important to have a succession plan in place in order to continue to increase the Monex Group’s corporate value. In the succession planning process at the Monex Group, the Nominating Committee reviews potential candidates to nominate to the Board or to management (i.e. representative executives and executive officers), and formulates “CEO Credentials” (requirements) and a CEO successor training plan, working in concert with the CEO’s briefing on successor training.

(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.)



Managing the Board During Our Business Model Transformation

The Monex Group is working to improve the corporate value that is sustainable over the medium-to-long term. We will carry 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 achieve this, since our founding, we have continued to strengthen a corporate governance system that falls in line with our corporate mission. As this relates to the Board of Directors, we make decisions on the total number of Board members, the ratio of outside directors and the Board’s makeup based on the changes in the business climate and our management vision going forward. We select each director candidate taking into account the candidate’s expertise and experience in business areas that are important in the Monex Group, such as knowledge in finance and technology and management experience or professional practical experience in a global company or in the retail industry. Members in the business execution team are selected through the discussion of the Nominating Committee given not only the practical experience, work results and expertise in the candidate’s resume, but also the candidate’s global perspective and potential including his or her managerial approach.

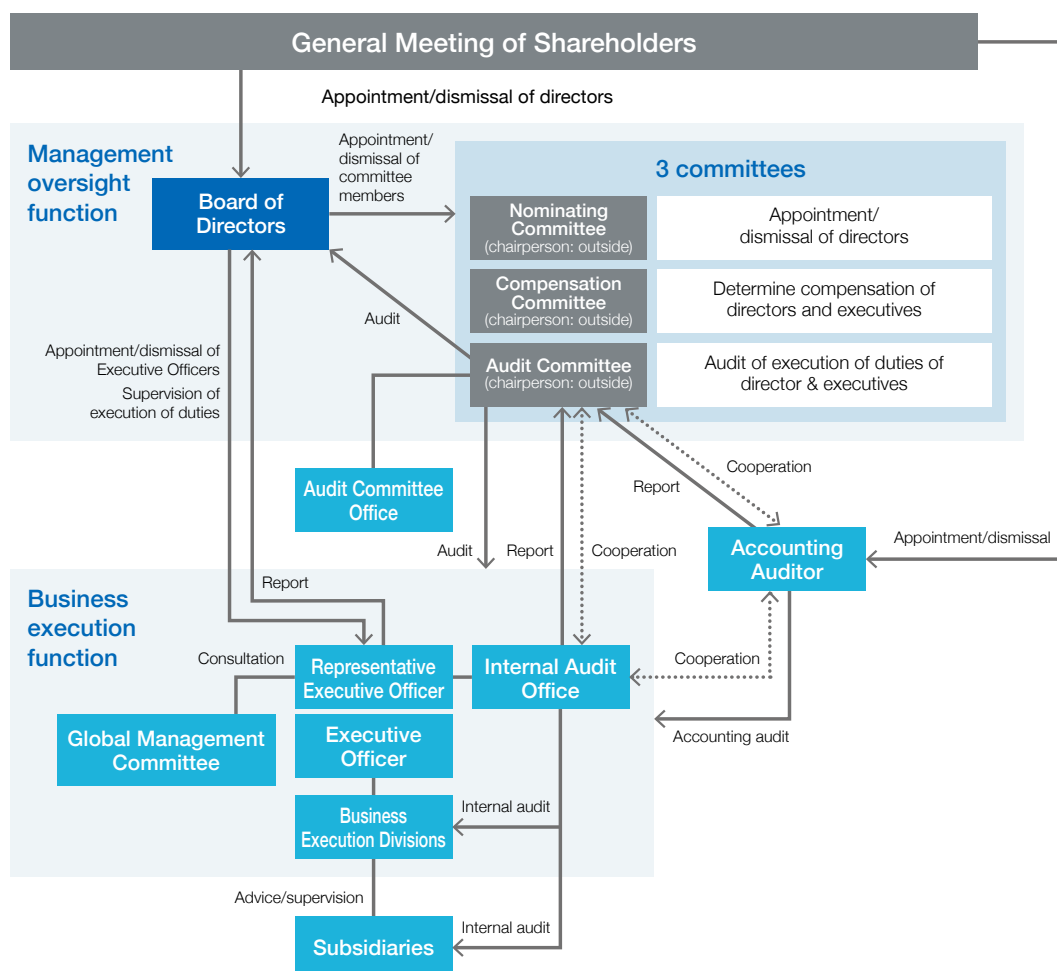
The group will keep pushing forward to improve our corporate value, with a focus on corporate governance and an ESG perspective.

Making an Ideal Board in the Eyes of Our CEO

Two-thirds of our Board of Directors is made up of outside directors, making the Board quite progressive in Japan. In addition, our Nominating and Compensation Committees consist entirely of outside directors (except the CEO) and partake not only in discussions over a variety of typical issues in Board meetings but are also heavily involved in important decision-making for improving the corporate value, such as succession planning and management compensation. When nominating our outside directors at the Monex Group, we attached importance to qualities, such as experience as a business manager, knowledge in the global capital markets, experience in the IT industry and other industries with business-to-consumer models as well as legal and accounting expertise. We believe that the different knowledge that each outside director brings to the table will help us make swift and good management decisions even in the business climate going forward.



Corporate Governance System



Corporate Governance

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. The Compensation Committee is made up of 3 directors (2 of which are outside directors) and is chaired by the outside director Jun Makihara. The Compensation Committee holds meetings when the need arises.

Breakdown of Remuneration for Executive Officers

		Basic Remuneration	Short-Term Incentive Remuneration	Medium-and-Long Term Incentive 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 (¥3.011 billion for the fiscal year ended March 2020) 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”).
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 (*1).
Amount	Executive Officer holding a dual position as a director	¥60 million	¥5 million	¥8 million
	Executive Officer not holding a dual position as a director	¥99 million	¥19 million	¥43 million
	Outside & Independent Director	¥74 million	—	—

*1 Note, in lieu of allocating shares restricted on transfer to directors who reside outside of Japan, phantom stock shall also be allocated, and 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.

Allocation of Restricted Stock

Allocated on	July 28, 2017		July 27, 2018		July 26, 2019		July 29, 2020	
Managing director at Monex Group (*2)	4 persons	77,200 shares	2 persons	16,400 shares	2 persons	24,400 shares	2 persons	43,700 shares
Executive officer at Monex Group (*3)	6 persons	88,400 shares	7 persons	166,100 shares	6 persons	76,100 shares	5 persons	85,100 shares
Group company executive officer, etc. (*4)	15 persons	148,400 shares	20 persons	184,200 shares	21 persons	191,300 shares	29 persons	1,576,400 shares

*2 Excluding outside directors *3 Executive officer also serving as a managing director is included as a Monex Group managing director

*4 Monex Group executive officers, as well as subsidiary managing directors and 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 (Retail and Institutional Investors)

General Meeting of Shareholders

The Company always holds its General Meeting of Shareholders on a Saturday to make the meeting easier for individual shareholders to attend. Due to COVID-19, we downsized the venue where the general meeting of shareholders was held for this year, providing live streaming of the site and had the managing directors participate online.

In addition, we held the meeting with new rules, such as not asking the shareholder's name and attendance number during the Q&A session. This gives individual shareholders more opportunity to ask questions, making the forum more open to them.

Participants in attendance and questions asked at the general meeting of shareholder over the last 5 years (Number in parentheses refers to live streaming participants)

Held in	June, 2016	June, 2017	June, 2018	June, 2019	June, 2020
Participants	830	685	468	529	94 (84)
Number of questions	14	16	17	15	9
Ratio of questions to participants	2%	2%	4%	3%	10%

Higher ratio of questions per participants in attendance this year

Dialogue with Retail Investors

Each quarter on the day of the earnings announcement, the Monex Group holds an online results briefing for retail investors. After our CEO makes some remarks, we provide an opportunity for the retail investors and CEO to engage in a direct dialogue, allowing time for the CEO to listen to their feedback and to personally field most of their questions.

Dialogue with Institutional Investors

Each quarter on the day of the earnings announcement, the Monex Group holds a results briefing in Japanese and English, and the CEO and CFO make some remarks and hold a Q&A session. In addition, they meet with institutional investors in the U.S., European and Asian almost biannually and engage in dialogue with traders and investors.

On top of their biannual visits, they also engage with multiple institutional investors who own Monex Group stock and discuss the effectiveness of the Board, including its makeup and problems with the length of an appointment (for an outside director). For example, during a meeting with one institutional investor, they explained that our lead independent director Jun Makihara and his experience as an outside director in a global company play a vital role in our Board and how that contributes to the effectiveness of the Board.

Dialogue with Customers

Monex, Inc. announced a "Policy for customer-oriented business operations." By disclosing the KPIs every quarter, which includes our compliance with this policy, the customer will be able to confirm if the business operations are being realized or not. This coupled with Monex implementing a PDCA (plan-do-check-act) management method, we hope to improve our customer-oriented business operations. Furthermore, on our special MAF portal website that promotes engagement investment activities, we have introduced an online form to obtain feedback from our retail investors on listed companies. With the help of Japan Catalyst, we will look closely at the data and analyze it, and then use it to implement measures that complement our engagement activities and help bridge the relationships between retail investors and listed companies.

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 town hall meeting this fiscal year, a "Monex Group Management Policy Briefing" was held online. A representative from a group company in Japan went over our strategy for the fiscal year ended March 2021, and there was a Q&A session with participants to deepen their understanding. We were able to share our strategy with more than 200 employees.

In the U.S. Segment, all the offices participate in "town hall meetings" held every quarter through an online web conferencing call.



Management policy briefing for employees was held online.

Corporate Governance

Management Team As of August 31, 2020 (number of shares held as of March 31, 2020)

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: 15 years Number of shares owned 7,529,200 shares

Important concurrent positions at other organizations

Managing Director and Chairman, Monex, Inc. (the Company's wholly owned subsidiary)
Director and Chairman, TradeStation Group, Inc. (the Company's wholly owned subsidiary)
Managing Director and Chairman, Coincheck, Inc. (the Company's subsidiary)
Outside Director, MasterCard Incorporated



Shoji Kuwashima

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

Term of office: 11 years Number of shares owned 239,700 shares

Important concurrent positions at other organizations

Managing Director and Executive Director, Coincheck, Inc.
(the Company's subsidiary)

Takashi Oyagi

Managing Director, Executive Officer and Chief Strategic Officer

Term of office: 9 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

Independent outside director

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

Term of office: 14 years Number of shares owned 20,000 shares

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

Independent outside director

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

Term of office: 7 years Number of shares owned 90,000 shares

Important concurrent positions at other organizations

Founder, Representative Director and Chairman, Quantum Leaps Corporation
Outside Director, FreeBit Co., Ltd.
Outside Director, Lenovo Group Limited



Fujiyo Ishiguro

Independent outside director

Outside Director, Member of the Nominating Committee

Term of office: 6 years Number of shares owned 10,000 shares

Important concurrent positions at other organizations

President & CEO, Netyear Group Corporation
Outside Director, Hottolink, Inc.
Outside Director, Sompo Japan Insurance Inc.

Nobuo Domae

Independent outside director

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

Term of office: 4 years Number of shares owned 30,000 shares

Important concurrent positions at other organizations

Senior Managing Director and Executive Officer, Ryohin Keikaku Co., Ltd.



Masaaki Koizumi

Independent outside director

Outside Director, Member (Chair) of the Audit Committee

Term of office: 2 years Number of shares owned 0 shares

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

Independent outside director

Outside Director, Member of the Audit Committee

Term of office: 2 years Number of shares owned 0 shares

Important concurrent positions at other organizations

Attorney-at-law, Shiho Konno Habataki Law Office

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



Three Committees

Nominating Committee	Chair	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	Chair	Masaaki Koizumi (Outside & Independent Director)
	Member	Shiho Konno (Outside & Independent Director)
	Member	Nobuo Domae (Outside & Independent Director)
Compensation Committee	Chair	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, President & Chief Executive Officer	Oki Matsumoto	Overall Management Monex Zero Japan Catalyst, Inc.	7,529,200
Representative Executive Officer, Chief Operating Officer	Yuko Seimei	Planning Japan segment Investment Business Human resources	97,300
Senior Executive Officer, Chief Financial Officer	Toshihiko Katsuya	Financial Controls Asia-Pacific Segment Risk Management	131,300
Executive Officer	Kiminori Kaneko	Information Security	47,200
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	Quality Controls Crypto Asset Business Corporate Communications Crisis Management	239,700
Executive Officer, Chief Administrative Officer, General Counsel	Masayuki Okamoto	General Counsel Internal Controls Legal	0
Executive Officer	Katsuki Mandai	Japan Segment	28,800

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 Representative Executive Officer Chief Operating Officer	Ms. Seimei is highly regarded both inside and outside the company for her strong leadership as President of Monex, Inc., our core business in the Japan segment that serves as a steady stream of revenue for the Monex Group. In addition, she is in charge of the strategic planning for the group, helping create and maintain important external relations. Given these attributes, she is acknowledged as having a natural disposition in her role as a representative executive of the group and her appointment was extended accordingly.
Toshihiko Katsuya Senior Executive Officer Chief Financial Officer	Mr. Katsuya accumulated business achievements as President of Monex, Inc. Currently, as President of Coincheck, he undertakes the task of registration and resume of the cryptocurrency exchange business. He has a long financial background and showcases extensive knowledge from the various roles he has held in the group, including chief operating officer and chief project officer. As the current CFO, he is in charge of business management and risk control for the entire group. Upon review, his service in this role and the related duties will continue to serve the group well as the business environment in the group undergoes a major shift and transition.
Kiminori Kaneko Executive Officer	Mr. Kaneko is familiar with securities-related systems and playing a central role in the development and operation of our core trading system as a Managing Director of Monex, Inc. With the addition of our crypto asset business and the crucial security measures needed for the group, his appointment to this role will continue to serve the group well.
John Bartleman Executive Officer	Serving as President of the TradeStation Group in the U.S. segment, Mr. Bartleman has demonstrated strong leadership and showcased his ability to help turn around the business that brought a profitability trend while addressing the difficulties involved with headcount reduction. His appointment will continue to serve the group well as we adapt to these monumental changes in the external climate and seek more profitability in the TradeStation business.
Masayuki Okamoto Executive Officer	Mr. Okamoto is an experienced attorney who has been involved with various financial transactions that cross over international boundaries and provided advice to foreign entities and corporations on domestic laws. As a holding company with a number of financial related subsidiaries, his appointment as general counsel to supervise international corporate law will continue to serve the group well.
Katsuki Mandai Executive Officer	Mr. Mandai was the Head of Products Division for many years at Monex, Inc., the backbone of the Monex Group. In this role, he has brought a number of new services and products to the market that have helped raise the revenue of the company. There will be a lot of opportunities to present new financial instruments that exceed the conventional framework and use up-and-coming technologies such as blockchain and AI. As we look to provide new innovative services and as we implement a strategically important transition to an asset management model, his role and appointment will continue to serve the group well.

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

	Experience and Expertise						Attendance Record for FYE March 2020	
	Financial industry	Marketing	Technology	Management	Accounting and internal controls	Diversity ²	Board of Directors	Committee
	●	●		●			11/11	Meetings of the Nominating Committee: 3/3 Meetings of the Compensation Committee: 10/10
	●		●	●			11/11	—
	●			●		●	11/11	—
	●			●		●	11/11	Meetings of the Nominating Committee: 3/3 Meetings of the Compensation Committee: 10/10
		●	●	●			11/11	Meetings of the Nominating Committee: 3/3 Meetings of the Compensation Committee: 10/10
		●		●		●	11/11	Meetings of the Nominating Committee: 3/3
		●	●	●			11/11	Meetings of the Nominating Committee: 3/3 Meetings of the Audit Committee: 11/11
					●		11/11	Meetings of the Audit Committee: 11/11
					●	●	11/11	Meetings of the Audit Committee: 11/11

² Diversity: Gender, age, region, etc.

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. Management 5. Accounting and internal controls 6. 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.

Corporate Governance

Dialogue between Outside Directors



Nobuo Domae
Outside Director (Independent)



Shiho Konno
Outside Director (Independent)

How can corporate governance help improve corporate value?

Since our founding, the Monex Group has strived to create and build up a corporate governance system of global standards in order to constantly raise our corporate value.

As the group continues to transform its business model, the Board must be made more effective as the foundation of corporate governance.

Here, outside directors Nobuo Domae and Shiho Konno discuss features and issues related to corporate governance with the Board acting as the central driving force.

Positive governance constantly seeking the best, not focused on negativity

Domae The Board at the Monex Group does not just perform a monitoring function. While typically when a proposal is submitted to a Board, outside directors take on a defensive stance to make sure there is really no problem, at Monex, outside directors give feedback on a proposal from various angles, including other options, in an attempt to find a better solution. Ours is a positive governance not focused on negativity. I believe that our discussion always hones in on the substance of the proposal, evaluating whether it will fundamentally change the company over the long term for the better or if it is just targeting immediate profits.

Konno Our Board has more outside directors than internal ones (with executive positions), and this makes me feel more comfortable. If there were more internal directors on the Board, I fear that they would just pass a proposal without demanding a more thorough explanation. However, at Monex, the outside directors do not agree to a proposal unless the explanation is rational and convincing. While we employ a committee structure (with the Nominating Committee, etc.) and a substantial amount of authority has been transferred to the executive officers to help decision-making on an operational level, outside directors constantly receive thorough explanations and can have a better understanding of the whole picture when deciding on a proposal.

Domae First of all, Monex does not have the same back and forth



seen in a typical company where a report is received from the executives and the outside directors just give it a rubber stamp.

Konno And, it would not be unusual for the Board to start a brainstorming session in the middle of a meeting. Or, there are often times when an outside director may throw out a proposal or ask Matsumoto (CEO) a question at a meeting without any forewarning like “What do you think about (this)?” Then, a lively discussion ensues from there.

Domae I believe that Jun Makiyama, the lead independent director, has played a big part in creating and developing this type of culture on the Board. He does not hold back when giving his opinions to the CEO, often making pointed or candid comments that make others shift in their seats. But Makiyama’s straightforward style creates an atmosphere where other Board members feel comfortable speaking their minds. Early on after my appointment, I quickly saw and felt this openness and was able to be proactive in expressing my ideas as well.

Konno Makiyama is good-natured and offers shrewd comments. He brings out the best in us and uses the appropriate level of communication with the CEO and others. I believe he is doing exactly what he should as the lead independent director.

Monex thrives by creating innovation for the financial industry

Domae I believe that this is a time when the Monex Group needs to innovate, just as Monex did at its founding. Even though Monex was the first to use the Internet and create a securities business tailored to retail investors, this business has now become monopolized by large companies and its services have undergone commoditization. It is quite possible that a fierce price war will lead to a zero-commission trend, and continuous growth under the conventional broker business model is proving to be more and more difficult. However, Monex has never adopted a model that seeks out size alone, generating revenue with large volume and low margins. I believe that Monex has always pursued the cutting edge and thrives by creating innovation for the financial industry, which is exactly what is needed now.

Konno This is why Monex is changing over to an asset management model and discussing it as an important issue for management strategy even in the Board meetings. And, it is absolutely critical this model be created with unique Monex characteristics, unrivaled by the competition.

Domae In the changeover to an asset management model, I believe that it is quite a challenge for Monex to create products and services with intrinsic value. As I recall my time in retail, I remember how retail businesses were at the mercy of a historical power structure, and Monex will most likely be in a similar position in the financial industry when presenting products and services to individuals. Traditional retail used to be like the typical broker (middleman) business. That is, retailers did not necessarily make the products themselves, but only stocked existing products supplied by producers or manufacturers. They provided the information to make it easier for the customer to select and buy a product. However, wherever a product is purchased, if the product is the same, this puts more pressure on the price of the product. Simple retailers who appealed to customers by only offering an assortment of products now face a very grueling situation. This is particularly true right now because the popularity of the Internet, the development of massive e-commerce businesses and delivery from logistics networks has improved the convenience of online shopping. Yet, there are retailers who saw the importance of creating their own value and constructed a hybrid manufacturing and retail model. These retailers plan and develop original products, and then produce and sell them. This has given them a large presence in the market. Going forward, the financial industry also looks like it is heading quickly in this direction. As a result, the Monex Group believes that original products and services, like the Monex Activist Fund, will help push the asset management model forward and set up the group to become pioneers in the next generation of the finance industry.

Diversity guarantees Monex’s uniqueness and drives innovation

Domae Since society is in chaos right now due to COVID-19, we should use this timing to present the asset management model to people. A large recession may be looming in a post-COVID-19 society. I really believe the uncertain future and the growing need for individual customers to secure and save financial assets is setting up a great chance. It is providing the perfect timing to show people the significance of Monex’s asset management model and its unique value.

Konno From an ESG perspective, changing over to an asset management model will lead to improved corporate value in the



Corporate Governance

Dialogue between Outside Directors

Monex Group. Our asset management model's primary objective is to increase the assets of customers. As a result, proceeding with this changeover will help enrich people's lives and therefore I believe it will help Monex fulfill its social responsibility. However, I suspect that the risk control items in corporate governance for the asset management model will also need to be adapted from the conventional broker business model.

Domae The risk control approach needs to be altered to fit the asset management model. I am also on the Nominating Committee, and there was a related comment made, which indicated that personnel being nominated to become directors also need to be able to provide a risk perspective. After all, diversity on the Board is extremely important. When there is homogenous personnel, the assumptions in a discussion are the same. The logical rationale becomes less sound, leading to the same conclusions without opposition and the risk of taking the wrong path increases.

Konno I also agree that diversity helps preserve corporate governance. The group has outside directors of different genders, ages and experiences, and I think the make-up is a conscious decision to ensure diversity. While my time spent with the internal directors may be limited, they seem earnest and excellent at what they do. On the other hand, there might be some drawbacks to having a Board populated with a lot of brilliant, capable people. And should Monex face an unforeseen situation (due to these drawbacks), I believe that we are still a group of people with the strength to overcome those adversities. I think that diversity is natural and something held in common at Monex. It is an expression of our uniqueness that will help lead to a successful business and improve corporate value.

Domae Within the concept of diversity, age diversity is extremely important. The younger generation in particular is a blessing that should be taken advantage of, and I think that it would be good to even have Board members who are in their thirties. One reason is because Monex's asset management model will also help the younger generation who face uncertainty about the future. I also believe that the innovation that leads to future growth comes from the diversity in age, experience and one's approach.

Passing on Monex's DNA to the next generation using the CEO Credentials

Domae Succession planning is also a major topic in corporate governance. Monex established what is called CEO Credentials, which passed through the Board and shows what qualifications and requirements the CEO should have. It identifies what type of person the CEO should be in order for the company to continue innovating. For example, it calls for someone who has the ability to run operations for a major corporation, someone with the mindset of a startup company who can motivate a team, and other requirements that present a high level of difficulty. But if that person cannot fulfill those requirements, it is possible that Monex may lose its identity and uniqueness.

Konno As part of succession planning, I had an opportunity the other day to interview the next generation of young leaders. Everybody seems to have a healthy ambition and I got the impression that there are a lot of promising personnel with spirit at Monex. The CEO Credentials will be the backbone for creating the future of Monex and will be vital in successfully passing on Monex's DNA, which Matsumoto (CEO) has ingrained into the company since its founding, onto the next generation.

Domae I do not believe that a change at the top is something that has a defined date nor something that typically goes as planned. It is imperative to develop someone for the post so that the company can handle whenever that succession of power is needed. This presumes that top management is serious about succession planning. As outside directors, we will follow up on whether the CEO has created or can create a system that will ensure the company continues to develop even after he steps down, and how the CEO Credentials will be used to achieve this.

Konno When addressing the idea of the company's continuous development, perhaps a long-term incentive plan should be incorporated. Having a more solid compensation system in place will also be an issue going forward.

Domae I plan on continuing to be active in expressing my opinion on the Board and helping build a foundation for the Monex Group to ensure continuous innovation as well as sustainable growth.



Risk Control

Principal Risks with Potentially Serious Exposure and Our Countermeasures

Based on the status of our business and accounting per the Annual Financial Statements, the following outlines the principal risks, which potentially could seriously impact the decisions of investors, and the countermeasures for mitigating those risks.

System Risks

The Monex Group internally developed our own backbone system that is the bedrock for trading in our main segments (Japan, U.S. and Crypto Asset). In the event of a system malfunction or failure, such as a system error, processing capacity problem or obstruction in the communication lines, we become exposed and our business operations could be severely hampered.

The 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. In addition, we have constructed a global system to provide support across the entire group against events caused by cyber attacks and to help mitigate any potential damage. Following the lead of Monex Group's Computer Security Incident Response Team (CSIRT), each group company has set up their own CSIRT. The Monex Group CSIRT is working in conjunction with those CSIRTs (at each group company) to strengthen governance.

Additionally, each group company's CSIRT functions to protect work, information assets as well as their systems. 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.

Disaster Risk and the Spread of COVID-19

Even with the spread of COVID-19 and the related spike in trading from more market volatility, the group has been able to maintain a robust system and operations. We have been adapting our system by specifying what work can be done through telecommuting and by ensuring we maintain our revenue without letting our service standards drop. As of the end of May 2020, 70% of our employees are telecommuting.

Other Risk

The Shizuoka Bank, Ltd. holds more than a 5% stake in voting power in the Monex Group. If the bank's stake stays at the current level, we are subject to different restrictions, such as Article 16-2 (1) of the Banking Act, which states that a bank cannot hold more than 50% of the voting power for a company (Monex Group) that is not listed as an eligible subsidiary company.

Status of Our Risk Control

Risk Control System

Keeping risk that affects our management within a permissible range helps us achieve our business goals. Based on this approach, we appropriately identify, analyze, and evaluate the risks established in the "Rules of integrated risk control" and have devised appropriate control systems for the different risks that confront the Monex Group and the group companies. As per the flow chart below, the CEO appoints a risk control manager, and this manager is responsible for ascertaining the development and operational status related to the risk control system and regularly reporting that status to the Board of Directors.



① The executive officer overseeing a segment decides on the specific control method and control system of the subsidiaries related to each risk.

② When a risk develops or the risk's probability is deemed high, the executive officer overseeing a segment reports this to the risk control manager and to the executive officer(s) responsible for that risk(s).

Risk Control

Risk Definitions and Main Measures

The Monex Group categorizes and regularly assesses the following types of risks noted in the table below. In addition, the main measures to address those risks are also shown.

Risk		Risk Definition	Main Measure
Category1	Category2 *		
Business Risks	Strategic Risk	Risk of losing a competitive edge in an existing business or in delaying the launch of a new business, etc.	Transition to asset management model in the Japan segment, diversify revenue streams in U.S. segment and continue to promote this new business model
	Business Management Risk	Risk of losing profitability across entire group due to poor performance and cost management by the Monex Group	Report performance and KPIs per segment to the Board, etc.
Market-related Risk	Market-related Risk	Risk of losses from fluctuation in assets held (including off-balance sheet assets) due to changes in market risk factors	Use rules related to cover transactions in FX trading to control foreign exchange position appropriately
Credit Risk	Credit Risk	Investment default risk and customer credit risk	Identify risk like an imbalance of positions by regularly monitoring the trading direction
Liquidity Risk	Liquidity Risk	Risk of having difficulty securing funds due to poor funding management	Diversify funding means including the use of direct and indirect financing
Information Security Risk	Information Security Risk	Risk of losses if the confidentiality or completeness of information is compromised due to leaking or damage of information assets	Regularly monitor information and constantly provide security training for employees
System Risk	Cybersecurity Risk	Risk of losses due to important information being leaked or unauthorized use of systems from cyber attacks, or due to service stoppage	Create global system and promote security measures in the organization's operations, system support, personnel support and external partnerships Refer to P.52 for details
	System Architecture Risk	Risk of losses to customers and Monex Group due to system being down, system malfunction and/or unauthorized system use	Use a third party to regularly monitor for vulnerabilities. Immediate response to vulnerability detection
Administrative Risk	Administrative Risk	Administrative risk of human error committed by an employee or from relying on a third party (clearing agency or system vendor, etc.)	Review risks in main work tasks related to new projects and product services, and create and use documents, procedures and other forms of explicit knowledge
Legal risk	Risk of Money Laundering and Funding Terrorism	Risk of being used for money laundering and funding terrorism	Ensure all group companies implement countermeasures, and use our global reporting system to identify issues related to AML measures and address accordingly
	Compliance Risk	Risk of penalties, litigation or other repercussions due to a lapse in compliance with internal or external laws and regulations, or risk of losses due to breach of contract	Ensure compliance manager provides regular updates about compliance with rules and regulations, and create check system for issues related to concluding contracts
Reputation Risk	Reputation Risk	Risk of losses due to mass media's influence or rumors that damage the company's reputation	Strengthen relationships with media representatives and PR companies, and work to minimize risk of reputational damage from bad rumors
Disaster Risk	Natural Disaster Risk	Risk of natural disaster stopping business operations	Establish business continuity plans and review emergency plans ahead of time at Monex Group's main locations in the event of a natural disaster or terrorist attack Refer to P.52 for details
Other Risks	Risk Related to Organization	Risk of low morale in organization hindering performance to reach business goals	Hold internal Q&A session with CEO, and set up internal hotline system for employees to consult with outside legal counsel
	Information Disclosure Risk	Risk of illegal accounting practices or unauthorized disclosure of IR information	Tap outside directors with accounting qualifications and/or work with accounting auditors to create system to prevent illegal accounting practices
	Other	Country, political and government risk	Share information about global operating conditions by holding meetings with management teams from different global locations

* Risk calculation for any remaining risks that correspond to category 2 risks above (Level of impact across group × Rate occurrence / Control measures)

ART IN THE OFFICE



Cover Artwork

Squid Ring / Yuka Miyauchi

2020 / Canvas, gesso, bigfin reef squid ink, cuttlefish shell, southern squid crystalline lens, gum arabic, oil paint, watercolor paint, eyelet / 6500x1350mm

Yuka Miyauchi uses actual squid parts, such as the ink, cuttlebone and the lens of the eye from a bigfin reef squid as medium to draw squids, giving viewers an unusual scale and perspective of life that are unique to her. The canvas painting shows both life-like squids juxtaposed with squid caught for consumption floating along in the sea. She expresses how both exist without borders, beyond the physical differences, showing a microcosm of our lives on Earth and conveying how all living organisms and things must live symbiotically together.



Workshop



YUKA MIYAUCHI

PROFILE

Born in 1985 in Kagoshima Prefecture, Ms. Miyauchi graduated from the Tara School of Design. Around 2004, she became drawn to the beauty and deliciousness of squids after seeing a neighbor's catch. Since then, she has been solely focused on creating paintings of squids. Her work was selected for the 22th Taro Okamoto Award for Contemporary Art and won second place in the Tokyo Midtown Award 2019 Art Competition. Her past exhibitions include the 50th Anniversary Ceremony for the National Squid Processing Cooperative Association held at Hotel Okura Tokyo (2015, Tokyo), the CIAC (Cephalopod International Advisory Council) Advisory Committee Hakodate Conference held at Hakodate Kokusai Hotel (2015, Hokkaido), and the Cephalopod Interface in Crete held at the Crete Aquarium (2017, Greece). Her solo exhibitions include "Ika Swim" held at the Retroft Museo (2018, Kagoshima), "Street Museum" held at Tokyo Midtown (2020, Tokyo) as well as other art shows.



Judging for "Art in the Office" 2020 was conducted online.

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.

CFO Message

Pursue raising corporate value with business management, financial strategies and ESG measures

Toshihiko Katsuya

Senior Executive Officer
Chief Financial Officer
Monex Group, Inc.



Overview of Business Performance for Fiscal Year Ended March 2020

Adapting to changes in the competitive environment of securities industry and switching over revenue streams for diversification

The first half and second half of fiscal year ended March 2020 were quite different for the Monex Group. While the U.S. and the Crypto Asset segments were booming in the first half, trading volume in the market of the Japan segment was down, causing a drop in its income and resulting in a slight decrease for the group overall. However, during the second half, the U.S. segment followed an appearing zero-commissions trend in the U.S. online securities industry, which lead to less revenue. In contrast, the Japan segment increased revenue thanks to market trading volume turning upwards. Furthermore, as we entered into 2020, the stock market volatility surged in the Japan, U.S. and Asia-Pacific segments against a backdrop of spreading of COVID-19, and after March in particular, online trading volume surged due to health recommendations to stay home, resulting in more annual revenue and profit for the group overall. The Crypto Asset segment turned into black for this fiscal year because it became able to provide all services after completing registration as a cryptocurrency exchange service

provider in January 2019 and reduced expenses significantly, specifically in fixed costs, which contributed to the group's profits overall.

We now recognize that the online securities industry is facing a turning point where its revenue structure depending on brokerage commissions so far has to be reconsidered. We believe it would be difficult to grow sustainably unless we transform revenue structure or diversify revenue streams. The Monex Group will work hard to achieve the company's target of 10% of ROE (return on equity) by transforming itself into an asset management model ^{(*)1} from a brokerage model in the Japan segment, and acquiring and cultivation new revenue sources other than brokerage commissions and trading revenues in the U.S. ^{(*)2} and the Crypto Asset segments ^{(*)3}.

^{(*)1} > P.12 | CEO Message

^{(*)2} > P.31 | Overview of Segments: U.S. Segment

^{(*)3} > P.35 | Overview of Segments: Crypto Asset Segment

CFO's approach to business management

Create corporate value through generating cash flow into the future

My role as the CFO is to contribute to an increase in corporate value above all else. I always watch whether our corporate resources are appropriately distributed and managed in order to improve ROE, which is essential for the purpose. However, just monitoring the KPIs (key performance indicators) for our goal and working hard to achieve our goal are not enough. This is because corporate value and particularly shareholder value are determined by stock valuation of investors as market participants, whose interest for the mid and long term is not only current performance but how future cash flows as well as profits grow steadily and sustainably. Therefore, it is also a critical role of CFO to communicate to investors how we generate profits and cash flows under a value-increasing story and grow sustainably, and where we focus and how we manage our resources under our group's strategy.

To raise our corporate value for the future, the Monex Group's business management still has room to upgrade. How to manage the ROI (return on investment) is one example. Practically speaking, securities firms tend to have a difficulty in measuring the return on system investment because system usually covers a number of different products and services. However, this is no excuse that we can give up. Trying to measure the ROI compels us to review performance or investments, which allows us to repeat or expand on our successes and learn from our failures for future growth. In addition, there is also room for improvement with our system for protective measures such as internal controls and risk control, which we will enhance further. Finally, it goes without saying that strengthening funding and financial strategies is a crucial mission of the CFO.

Measures to Create Corporate Value



CFO Message

Group's Financial Strategy, Capital Policy and Evaluation Index

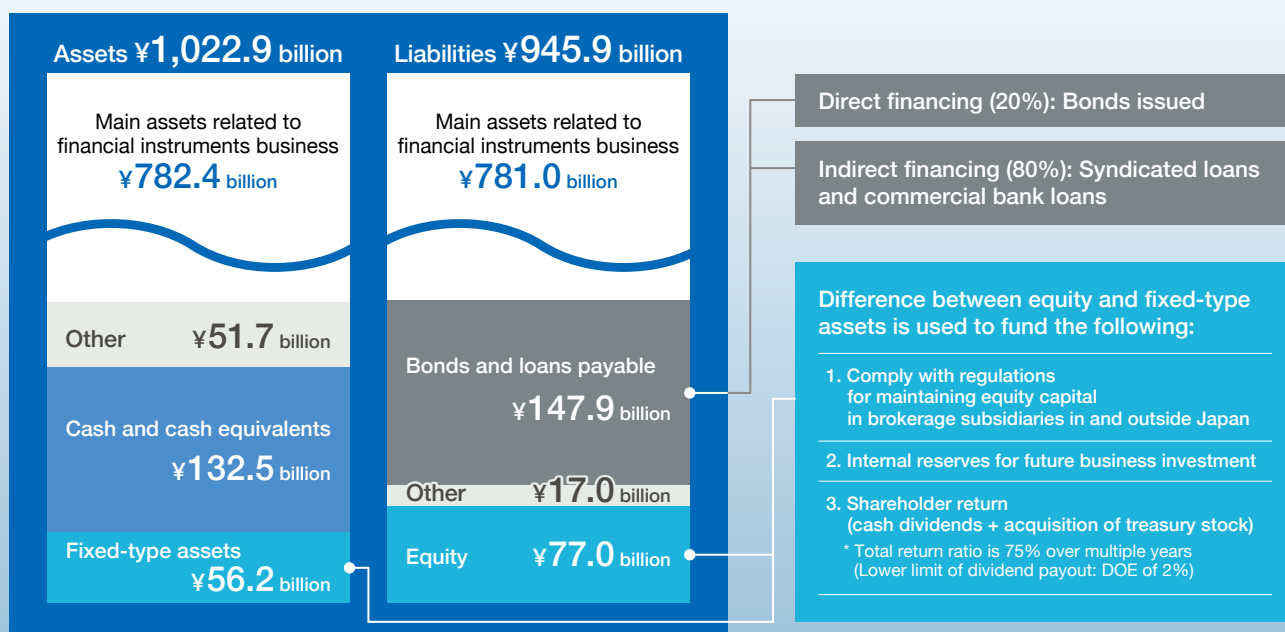
Adopting the best financial strategy to streamline funding and fund operations in the group

Monex Group has a consolidated balance sheet of ¥1 trillion as of the end of March 2020, with ¥77 billion in capital. It is easy to misconstrue these figures and assume our leverage ratio is 13:1. However, one must remember that 80% of our balance sheet is related to our securities business, posting 'deposits received' from customers and 'guarantee deposits' as liabilities and posting 'cash segregated for customers and others' and 'margin trading assets' as assets – without offsetting the two. Therefore, for all intents and purposes, our balance sheet is only 20% of this figure. Our fixed-type assets come to approximately ¥56 billion, which includes the property and equipment of each group company, the goodwill and identified intangible assets acquired from companies joining the group and intangible assets such as software. These assets are held or owned over a long period and thus require long-term funding, thus we are covering this with our own capital. Our borrowings right now total approximately ¥150 billion. 20% of this total is financed directly from corporate bonds issued by the Monex Finance Corporation, a subsidiary that handles the group's financing. The remaining 80% is financed indirectly by syndicated loans and commercial bank loans and is earmarked for financing M&A investments and the group companies. To ensure that our funding and fund operations are streamlined efficiently for the group overall, we will continue to monitor and revise the ratio of these direct and indirect financing options in the future.

One of the benefits in our group business setup is that there are no large fixed asset investments, such as factory equipment, which has enabled the group to have a high dividend payout ratio. It is our total shareholder return policy, in consideration of income gains and capital gains, that we have set a target of 75% over multiple years for the total return ratio (including the acquisition of treasury stock) with a DOE (dividend on equity) of 2% as the lower limit. We try to stay disciplined by striving to produce strong returns with a limited amount of capital.

In addition, the statement of income for the Monex Group tends to have a large amount of depreciation expenses. This can be attributed to constant investments into systems because the group's bread and butter is financial instruments online trading (including cryptocurrencies). In particular, after Monex, Inc. completed the shift to in-house systems, it booked software assets on its balance sheet related to personnel expenses required for system development, thereby making them depreciable thereafter. In terms of cash flow, this personnel expense was paid out. Therefore, the cash for the depreciation expense goes up, but it is reported as an expense on the statement of income. To ensure that our current cash flow is transparent and clear, we present our EBITDA (earnings before interest, taxes, depreciation, and amortization) as a corporate performance indicator in the materials prepared for our financial results briefing.

Financial Strategy and Capital Policy (Figures current as of end March 2020)



ESG Initiatives for Sustainable Growth

Strengthen ESG initiatives to help resolve social issues through our businesses and continue to increase corporate value

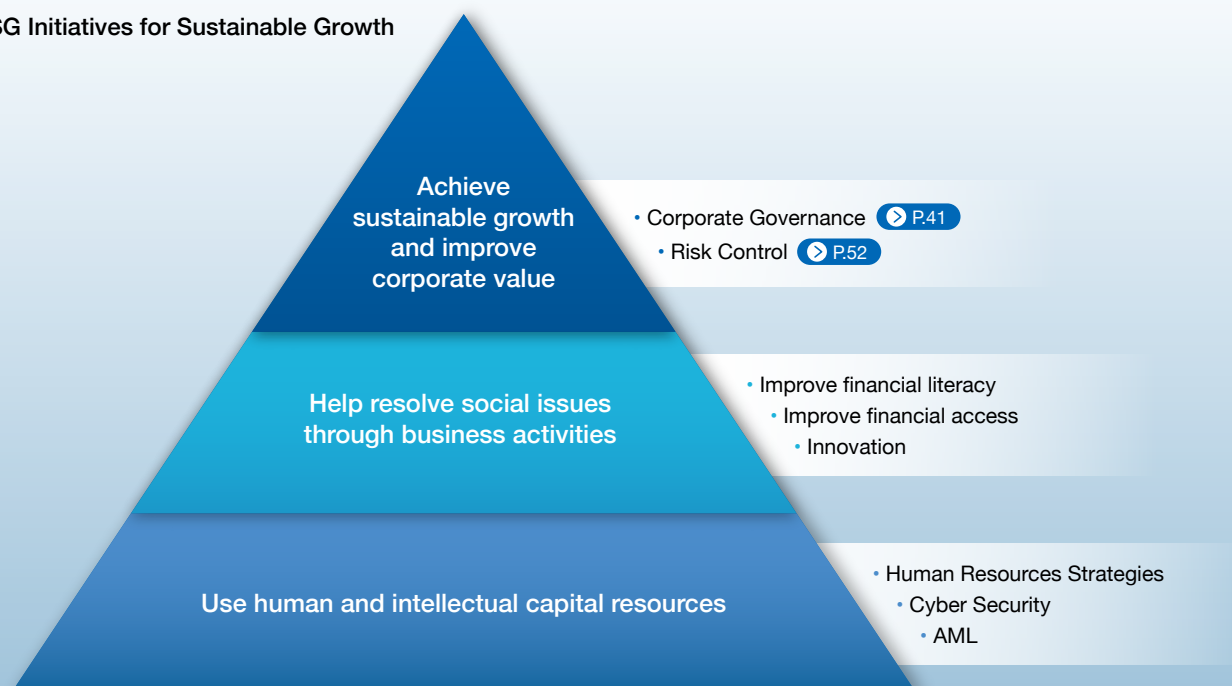
In order to continue to improve the corporate value of the Monex Group sustainably, we are allocating resources to our ESG initiatives and believe it is important to not just cover short-term financial information but also include non-financial information over the mid and long-term in our presentation to stakeholders. While we always present our ESG initiatives, going forward, we will tap our human, intellectual and other management resources to help resolve the social issues we face as a society in our business activities. We see this as our ESG's primary goal, which will enable us to foster sustainable growth and increase the corporate value of the group. To draw a comparison to driving a car, the rear-view mirror shows the background or refers to the numbers in our financial statements like the ROE that have already happened or passed by. What traders and investors are more focused on is the front windshield, where the road ahead indicates whether growth is sustainable or not. To shed light on that road ahead, the group has established a matrix of materiality issues, broken down as those that impact stakeholders and those that impact the group's businesses. This matrix narrows down the important topics that we must and are addressing.

To begin with, those topics include strengthening corporate governance and risk management, the framework of a company. Next, in term of expanding businesses, we are focused on improving financial literacy and financial access, as well as pushing the envelope to develop innovation. And finally, to support the foundation of our business, we shall concentrate

on our human resource strategy as well as reinforcing our cyber security and anti-money laundering (AML) measures. As the CFO, I believe that risk management in particular is an important area to address. In the role of risk control manager, I set up and manage the system which covers all the risk the group faces, monitors those risks using defined parameters and then puts actions into motion based on those observations. All group companies use the same framework to conduct this monitoring. This of course includes liquidity and market related risks, but also system and information security as well as legal and reputational risks. Furthermore, our system also uses defined parameters to make observations and monitor disaster related risks, like in the spread of COVID-19. In the board meetings, I provide ongoing reports using a risk control matrix, which enables us to address and make appropriate and timely operational decisions based on changes in risk. At the same time, I am also working hard to reduce capital costs.

In addition to the aforementioned system, we are also using our digital resources to advance and streamline our operational management. We have introduced technologies such as AI (artificial intelligence) and RPA (robotic process automation) to carry out enhanced internal controls and risk control using a hybrid approach that combines those technologies with human intelligence. This approach will help us reduce costs as well. With these bold initiatives, we will leverage the group to a better position to achieve sustainable growth.

ESG Initiatives for Sustainable Growth



Past 13 Years

Category	Accounting item, sub-item and title display (IFRS/JGAAP)	Unit	FYE Mar. 2008	FYE Mar. 2009	FYE Mar. 2010
			JGAAP	JGAAP	JGAAP
Consolidated	Total operating revenue	Millions of Yen	30,497	24,812	22,499
	Commission received	Millions of Yen	21,544	14,900	13,021
	Net trading income	Millions of Yen	143	1,100	3,414
	Financial income	Millions of Yen	8,576	8,611	6,007
	Other operating income	Millions of Yen	232	199	55
	Financial expenses	Millions of Yen	3,509	3,758	2,577
	Total operating revenue after deducting financial expenses/Net operating revenue	Millions of Yen	26,988	21,053	19,921
	Selling, general and administrative expenses	Millions of Yen	13,971	15,784	15,460
	Transaction-related expenses	Millions of Yen	4,923	4,639	4,219
	Compensation and benefits	Millions of Yen	2,649	2,907	3,268
	System related expenses (*1)	Millions of Yen	5,542	6,642	6,907
	Other	Millions of Yen	856	1,593	1,064
	The amount equivalent to operating income/Operating income	Millions of Yen	13,016	5,269	4,461
	Other income/Expenses (net)	Millions of Yen	(483)	(5,233)	(601)
	Profit before income taxes/Income before income taxes and minority interests	Millions of Yen	12,620	48	3,996
	Profit/Income before minority interests	Millions of Yen	7,218	(2,187)	3,764
	Profit attributable to owners of the company/Net income	Millions of Yen	7,206	(2,144)	3,776
	Total assets	Millions of Yen	335,016	235,694	374,688
	Total equity	Millions of Yen	45,554	40,066	66,310
	Operating income margin	%	48.2	25.0	22.4
	The difference between "Total equity" and "Fixed-type assets" (*2)	Millions of Yen	34,397	32,502	50,300
	Return on equity (ROE)	%	15.5	-5.0	7.1
	Earnings per share attributable to owners of the company/ Earnings per share (EPS) (*3)	Yen	3,080.54	(928.55)	1,527.41
	Equity per share attributable to owners of the company/ Book-value per share (BPS) (*3)	Yen	19,664.53	17,235.10	22,139.55
	Dividend per share (*3, 4)	Yen	1,550.00	400.00	700.00
	Total return ratio	%	78	—	48
Monex, Inc.	Capital adequacy ratio (*5)	%	429.9	400.9	386.0
TradeStation Securities, Inc.	Excess net capital (*6)	Thousands of U.S. Dollars	—	—	—
Consolidated	Number of employees	Persons	163	252	390
Monex Group, Inc. (*7)	Number of directors	Persons	9	9	10
	Independent director	Persons	3	3	4
Monex, Inc.	Total online seminar participants	Persons	—	—	—
	Total online seminars held	Times	—	—	—
Japan (*8)	Percentage of women	%	36	38	42
	Percentage of women in management positions	%	16	18	17
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	11,089.94

*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. 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	FYE Mar. 2020
JGAAP	JGAAP	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
25,227	32,292	36,090	54,722	50,975	54,271	45,831	53,635	52,175	53,226
13,158	17,107	20,367	33,542	30,079	32,152	26,349	29,196	25,741	25,375
4,724	6,199	6,974	8,011	6,242	6,671	4,498	3,865	6,461	8,550
7,155	8,382	8,195	12,583	13,987	14,610	14,313	19,349	19,242	18,579
189	602	554	587	667	839	671	1,225	731	722
2,638	3,238	2,320	4,672	5,766	4,629	3,979	4,480	4,758	5,236
22,589	29,054	33,769	50,051	45,209	49,642	41,852	49,155	47,417	47,990
17,848	26,605	30,359	34,981	37,143	41,395	40,578	39,853	44,690	42,835
5,008	8,865	10,223	12,235	13,236	13,862	11,281	11,963	12,051	11,975
3,386	6,051	8,503	9,613	9,538	10,651	10,393	10,854	13,111	13,413
7,998	9,074	9,701	10,779	11,659	13,343	15,685	14,742	16,437	14,794
1,455	2,614	1,933	2,355	2,710	3,539	3,218	2,294	3,091	2,653
4,741	2,448	3,410	15,069	8,066	8,247	1,274	9,302	2,727	5,155
(1,466)	204	3,588	1,825	(1,951)	(3,146)	(203)	(671)	(937)	(1,025)
3,268	2,585	6,998	16,895	6,115	5,100	1,071	8,631	1,790	4,131
1,995	1,485	3,907	10,356	3,494	3,516	161	6,579	1,029	2,820
1,992	1,422	3,901	10,354	3,494	3,554	298	6,730	1,181	3,011
365,730	535,663	682,193	939,270	1,055,242	888,116	936,776	973,520	1,027,849	1,022,934
71,025	72,459	79,667	80,701	86,932	86,022	81,687	80,493	80,142	77,024
21.0	8.4	10.1	30.1	17.8	16.6	3.0	18.9	5.8	10.7
55,387	33,246	38,847	35,656	32,734	26,660	22,819	26,022	26,262	20,779
2.9	2.0	5.0	12.9	4.2	4.1	0.4	8.3	1.5	3.9
647.82	467.45	1,301.73	35.76	12.15	12.46	1.06	24.33	4.42	11.59
22,154.32	24,093.09	26,583.96	280.52	302.18	302.03	290.00	298.50	297.28	297.70
500.00	200.00	410.00	18.00	8.20	9.60	5.20	10.00	5.40	5.90
77	260	31	103	68	109	827	100	291	163
483.6	396.5	459.3	394.9	422.7	335.3	297.8	310.4	340.6	384.8
—	45,729	44,721	52,163	49,074	62,441	71,782	84,379	115,554	129,057
321	845	917	992	951	971	830	853	1,093	1,108
10	9	10	11	11	11	11	9	9	9
4	5	5	6	6	7	6	6	6	6
—	48,035	70,767	120,712	187,133	253,891	173,409	112,627	129,885	155,960
—	105	98	136	187	213	191	224	193	219
39	45	50	49	47	45	44	40	39	37
18	23	23	23	22	19	19	20	21	20
—	—	30	29	31	25	24	22	22	22
—	—	16	19	24	21	18	27	21	20
—	42	44	41	50	46	44	42	45	44
—	11	15	15	14	14	14	14	15	11
—	—	—	—	—	—	—	—	19	19
—	—	—	—	—	—	—	—	0	0
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	21,890.25

*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

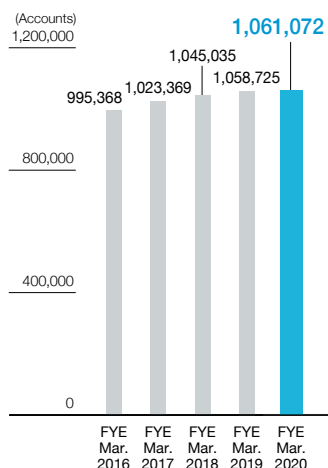
Business KPIs

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.

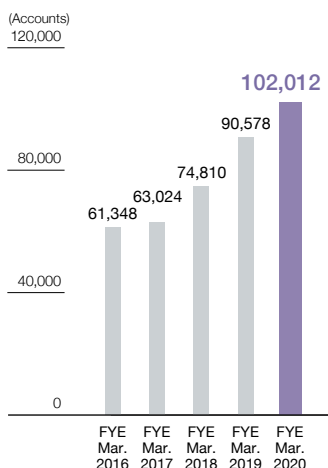
Japan Segment

Number of Active Accounts



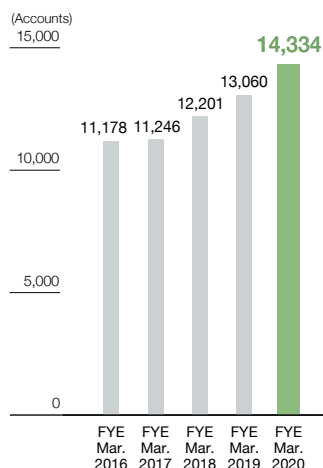
U.S. Segment

Number of Active Accounts



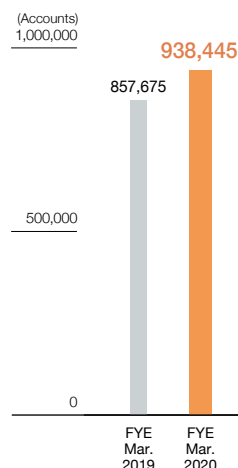
Asia-Pacific Segment

Funded Accounts



Crypt Asset Segment

Number of Verified Customer Accounts

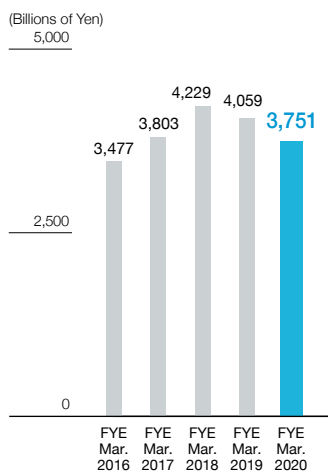


In the U.S. segment, the number of active accounts exceeded 100,000, following the launch of commission-free plans for equities and options trading in October 2019. In the Asia-Pacific segment as well, the number of funded accounts increased thanks to promotion campaigns. In the Crypt Asset segment, the definition of a verified customer account has changed.

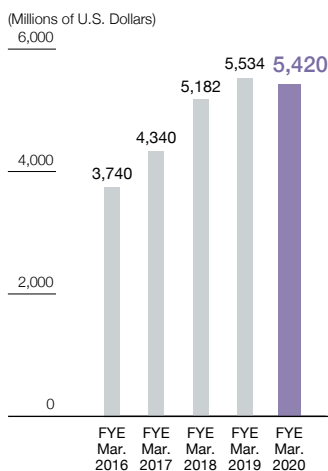
Assets in Custody

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

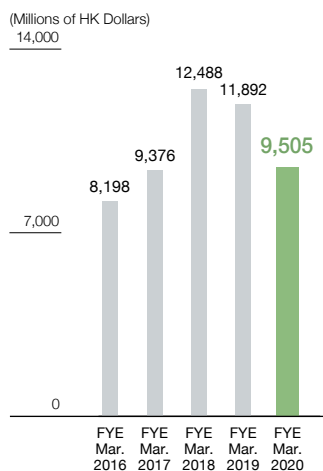
Japan Segment



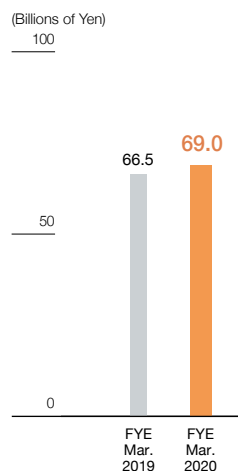
U.S. Segment



Asia-Pacific Segment

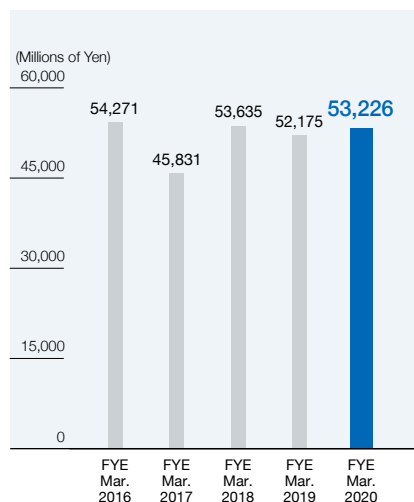


Crypt Asset Segment

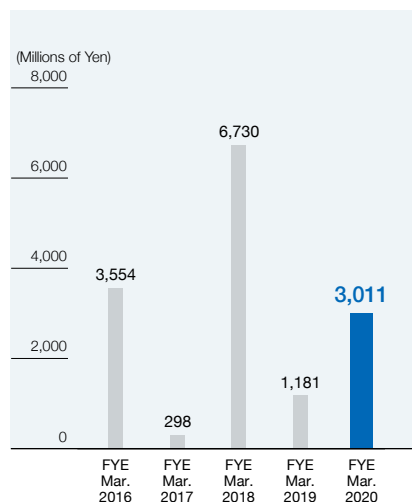


The assets in custody decreased for the Japan, U.S. and Asia-Pacific segments due to falling stock prices from the spread of COVID-19. On the other hand, the assets in custody increased in the Crypt Asset segment thanks to growth in the customer base and a spike in cryptocurrency prices.

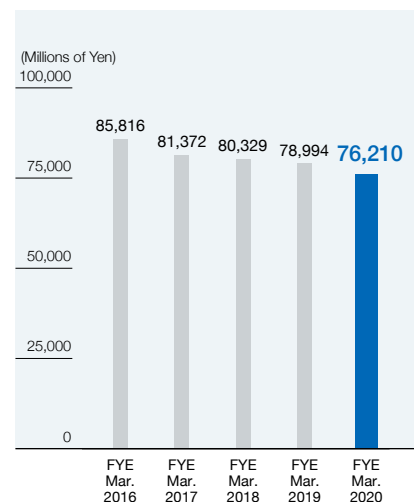
Total Operating Revenue



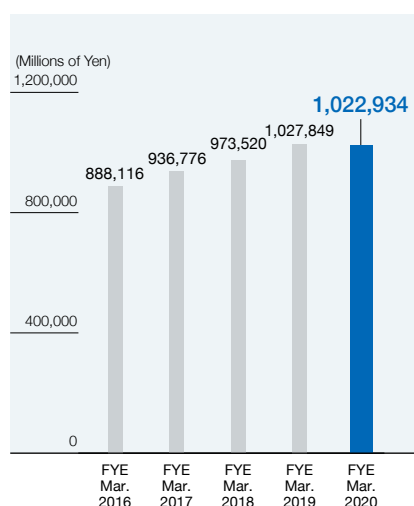
Profit Attributable to Owners of the Company



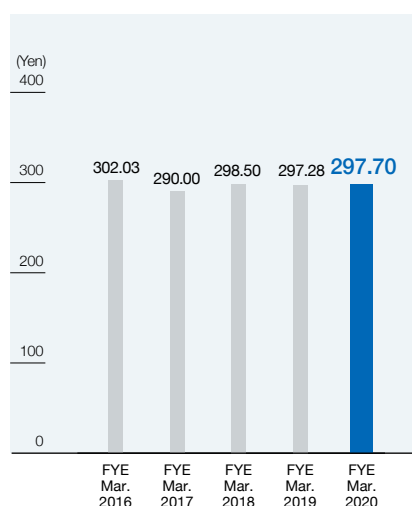
Equity Attributable to Owners of the Company



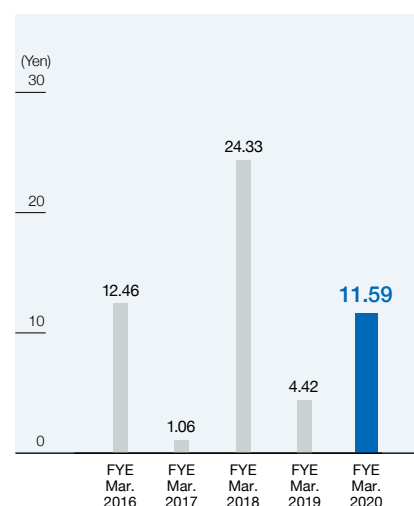
Total Assets



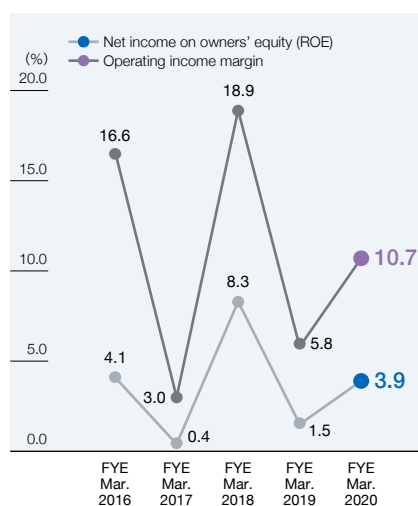
Equity per Share Attributable to Owners of the Company (BPS)



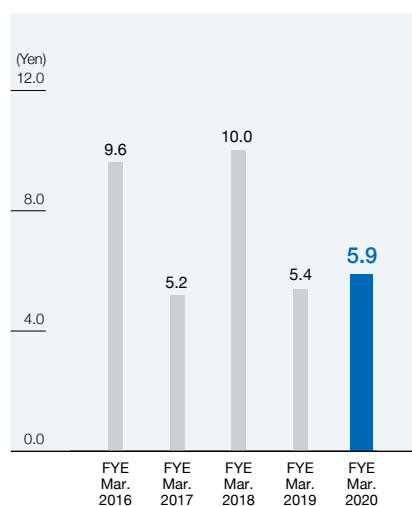
Earnings per Share Attributable to Owners of the Company (EPS)



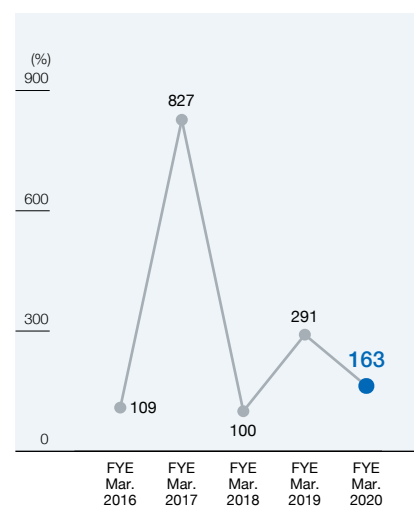
Return on Equity (ROE) / Operating Income Margin



Dividends per Share



Total Return Ratio



Financial Information

Performance & Analysis for Fiscal Year Ended March 2020

Market Conditions

In the Japan stock market for the fiscal year ended March 2020, stock prices that were slowed from April began to rise from October, hitting a high of ¥24,083 in January 2020. This was prompted by the progress made in U.S. and China trade talks, giving rise to global recovery expectations. However, the spread of COVID-19 caused the Nikkei Stock Average to hemorrhage and crash to ¥16,552 in March. As a result, in the consolidated fiscal year, the average daily trading volume for the 2 stock exchanges in Tokyo and Nagoya (equities, ETF and REIT) reached ¥1.0478 trillion, dropping 6.8% compared to the previous consolidated fiscal year.

The U.S. stock market slowly recuperated in the second half of the fiscal year thanks to progress made in China and U.S. trade talks, an easy money policy and other factors. The monetary easing from the Fed and a high demand for risk-free assets prompted interest rates to decline. As COVID-19 infections rose at the end of fiscal year, the U.S. economy shrunk, triggering a massive policy reaction to support the economy, which included the Fed pushing a zero-interest policy and resuming quantitative easing. After the Dow hit an all-time high of \$29,551 in February 2020, it crashed to \$18,591 in March. Yet, the market volatility index rose 15.7% compared to the previous consolidated fiscal year.

In the cryptocurrency market, the price of Bitcoin that once settled in ¥400,000 range peaked close to ¥1.5 million temporarily in June 2019, and cryptocurrency trading was also quite active. Thereafter, while trading flattened out, the price of Bitcoin after January 2020 jumped again to a level of ¥1.1 million, sparking increased cryptocurrency trading again.

When the commission-free plans were introduced in the U.S. online securities industry during October 2019, this also pushed a competitive trend in the Japanese online securities industry to lower commission fees. As a result, toward the year's end, margin trading fees related to ETFs and REITs were made free of charge and sales commissions on investment trusts were also discontinued at Monex, Inc.

Business Results

After the introduction of commission-free plans in the U.S. online securities industry in October 2019, TradeStation Group in the U.S. and Monex, Inc. in Japan as well launched a more competitive pricing strategy by lowering certain fees in the commission schedule to zero. Despite concerns over a dip in commission fees for the latter half of the fiscal year (ended March 2020), each online securities business in the group posted a strong performance due to significantly more volatility and trading volume instigated by the spread of COVID-19. In

addition, after the Crypto Asset segment reported more net trading income and after the depreciation expenses dropped in the Japan segment, thereby reducing the selling, general and administrative expenses, the group as a whole was able to gain more revenue and profit.

In the Japan segment, the average daily brokerage transaction value for equities, etc., decreased year on year, the sales commissions on investment trusts decreased and the margin trading balance slumped from stagnate stock prices, which together caused the commissions received and the net financial income to fall. However, the net trading income increased from more FX revenue, and the selling, general and administrative expenses decreased due to less depreciation expenses. Furthermore, other transitory factors that have an impact include a ¥300 million loss on revaluation of investment securities and a ¥200 million impairment loss on fixed assets. As a result, the segment profits (profit before income taxes) came to ¥2.3 billion (up 81% year on year).

Even though commission-free plans were introduced in the U.S. segment from October 2019, the rise in market volatility led to a 22.5% increase year on year in the DARTs (Daily Average Revenue Trades: average number of trades or contracted orders generating revenue per business day). Ultimately, more revenue from brokerage commissions not only covered a drop in income from lower interest rates and a loss from commission-free plans but post a surplus in revenue. However, launching new business services contributed to more personnel and depreciation expenses. That coupled with a ¥200 million impairment loss on fixed assets, as a transitory factor, resulted in ¥1.8 billion in segment revenue (down 11% year on year).

In the Asia-Pacific segment, the online brokerage business based in Hong Kong posted a stable operating profit, but the posted provisions for margin loans exceeded the revenue generated from more equity trading activity, resulting in a loss of ¥200 million (down ¥200 million year on year) for the segment.

In the Crypto Asset segment, Coincheck, Inc. started to resume services from October 2018, eventually reaching full swing again during the course of this fiscal year. Then, after making drastic cuts in expenses, particularly in fixed costs, and posting a revenue increase from more cryptocurrency trading activity, the segment profits totaled ¥300 million (up ¥2 billion year on year).

The Investment segment had a profit accrued from equity valuation and gains from sales, giving the segment a profit of ¥100 million.

These results combined for a consolidated profit attributable to the owners of the Company of ¥3 billion for the fiscal year ended March 2020.

Consolidated Financial Results
(figures from the Consolidated Statement of Income have been reclassified)

(Millions of Yen)

	FYE Mar. 2019	FYE Mar. 2020	YoY rate	Comment
Commission received	25,741	25,375	-1%	During the latter half of the fiscal year ended March 2020, while the race to provide competitive fees intensified, this was offset by more market activity along with other commissions that shot up in the U.S., ultimately leaving the commissions received roughly at the same level.
Net trading income	6,461	8,550	32%	After completing the registration as a Cryptocurrency Exchange Service Provider in January 2019, Coincheck began to offer all services during the fiscal year ended March 2020.
Net financial income	14,484	13,343	-8%	Drop in U.S. interest rates and a stagnant market resulted in smaller margin trading balance in Japan.
Other operating income	731	722	-1%	—
Total operating revenue after deducting financial xpenses	47,417	47,990	1%	—
Selling, general and administrative expenses	44,690	42,835	-4%	Coincheck drastically reduced expenses, lowering the level of the break-even point.
The amount equivalent to operating income	2,727	5,155	89%	—
Other income and expenses (net amount)	-937	-1,025	—	—
Profit before income taxes	1,790	4,131	131%	—
Income tax expense	761	1,310	72%	—
Profit	1,029	2,820	174%	—
Profit attributable to owners of the company	1,181	3,011	155%	—

Who we are?

Increase Corporate Value

Corporate Value Resources

Financial Section

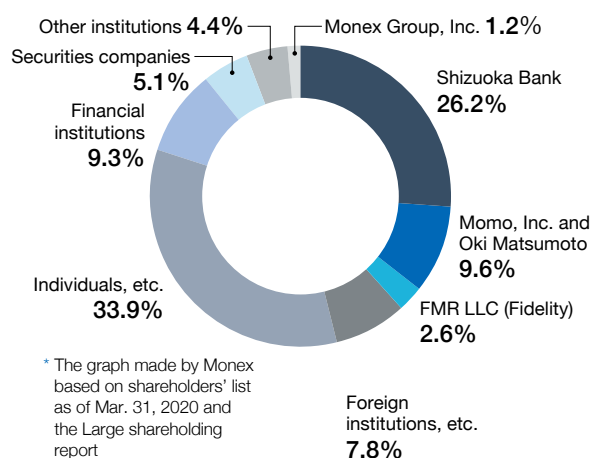
Stock Information

As of March 31, 2020

Investor Information

Stock listing	First section of the Tokyo Stock Exchange
Security code	8698
Name of company	Monex Group, Inc.
No. of outstanding shares	258,998,600 shares
Trading unit	100
No. of shareholders	51,925
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
Ordinary shareholders' meeting	Every June

Major Shareholders and Shareholder Breakdown



Major Shareholders

Name	No. of shares held (unit 1,000shares)	Percentage of shares held (%)
The Shizuoka Bank, Ltd.	67,797	26.48
MOMO & Co.	17,243	6.73
Oki Matsumoto	7,529	2.94
The Master Trust Bank of Japan, Ltd.(trust account)	7,215	2.81
Mizuho Securities Co., Ltd.	6,143	2.39
Recruit Holdings Co.,Ltd.	5,720	2.23
Credit Saison Co.,Ltd.	3,712	1.45
Kyoko Kudo	3,455	1.34
JP MORGAN CHASE BANK 385151	3,181	1.24
Japan Trustee Services Bank, Ltd.(trust account 5)	3,042	1.18

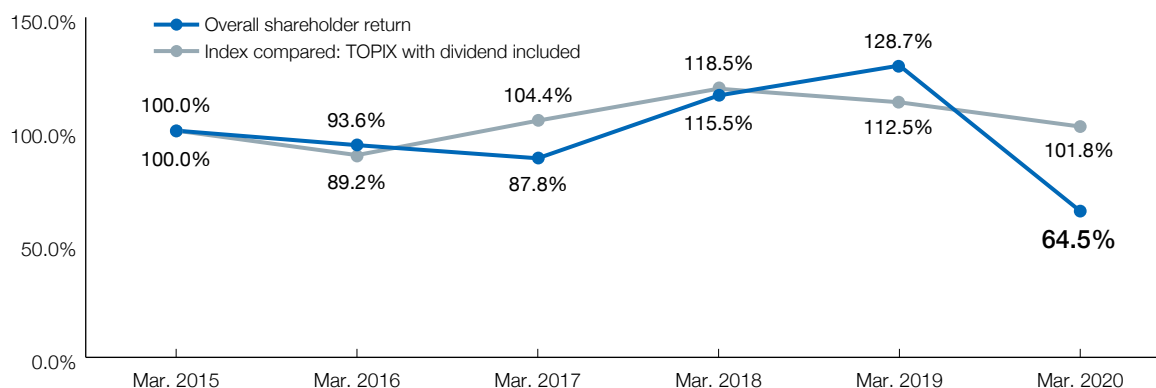
*1 Figures for the number of shares held are rounded down to the nearest one thousand and the figures for the percentage of shares held are rounded down to the nearest second decimal place.

*2 Treasury stock of 3,000,006 shares is excluded for calculating the percentage of the above list of major shareholders.

*3 JPMorgan Securities Japan Co., Ltd. reported in the Change Report Pertaining to Report of Possession of Large Volume it submitted on September 4, 2019 that, as of August 30, 2019, JPMorgan Asset Management (Japan) Limited, JPMorgan Securities Japan Co., Ltd., JP Morgan Securities plc, JP Morgan Securities LLC owned 11,558 thousand shares (4.34% as of August 30, 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, 2020.

*4 FMR LLC reported in the Change Report Pertaining to Report of Possession of Large Volume it submitted on October 23, 2019 that, as of October 15, 2019, FMR LLC, National Financial Services LLC owned 6,803 thousand shares (2.55% as of October 15, 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, 2020.

Overall Shareholder Return



Overview of Group Companies

As of August 31, 2020

Monex Group, Inc.

Established	August 2004	Business Description	Securities business and accompanying businesses
Representative	Okii Matsumoto	Location	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 Asset Management, Inc.

Established	August 2015
Representative	Tomoshige Nakamura
Business Description	Asset building and management services
Location	Minato-ku, Tokyo, Japan

Monex Finance Corporation

Established	March 2017
Representative	Akira Inoue
Business Description	Finance and supply the funding needs of Monex group businesses
Location	Minato-ku, Tokyo, Japan

Coincheck, Inc.

Established	August 2012
Representative	Satoshi Hasuo
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 business
Location	Minato-ku, Tokyo, Japan

Monex Crypto Bank, Inc.

Established	December 2017
Representative	Atsushi Mandai
Business Description	Researching, planning, studying, developing and consulting regarding cryptocurrency services
Location	Minato-ku, Tokyo, Japan

Monex SP Trust, Inc.

Established	Aug 2017
Representative	Yuki Yada
Business Description	Custodial trust business
Location	Minato-ku, Tokyo, Japan

Japan Catalyst, Inc.

Established	September 2019
Representative	Taro Hirano
Business Description	Investment Advisory and Agency Business
Location	Minato-ku, Tokyo, Japan

TradeStation Group, Inc.

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

TradeStation Securities, Inc.

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

TradeStation Crypto, Inc.

Established	June 2018
Representative	John Bartleman
Business Description	Cryptocurrency trading business
Location	Florida, United States of America

You Can Trade, Inc.

Established	May 2019
Representative	John Bartleman
Business Description	Investment education media service and trading community
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

Who we are?

Increase Corporate Value

Corporate Value Resources

Financial Section

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 August, 2020)



Monex Group, Inc.

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