



**MONEX GROUP**

**Monex Group, Inc.**

Q1 Financial Results Briefing for the Fiscal Year Ending March 2021

July 29, 2020

## Event Summary

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[Company Name]	Monex Group, Inc.	
[Event Type]	Earnings Announcement	
[Event Name]	Q1 Financial Results Briefing for the Fiscal Year Ending March 2021	
[Fiscal Period]	FY2020 Q1	
[Date]	July 29, 2020	
[Number of Pages]	41	
[Time]	15:00 – 15:48 (Total: 48 minutes, Presentation: 36 minutes, Q&A: 12 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Ooki Matsumoto	Representative Director and CEO
	Toshihiko Katsuya	Senior Executive Officer, Chief Financial Officer
[Analyst Names]*	Takayuki Hara	SMBC Nikko Securities

\*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

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# Presentation

**Matsumoto:** We will explain the financial results of Monex Group, Inc. for the first quarter of the fiscal year ending March 31, 2021.

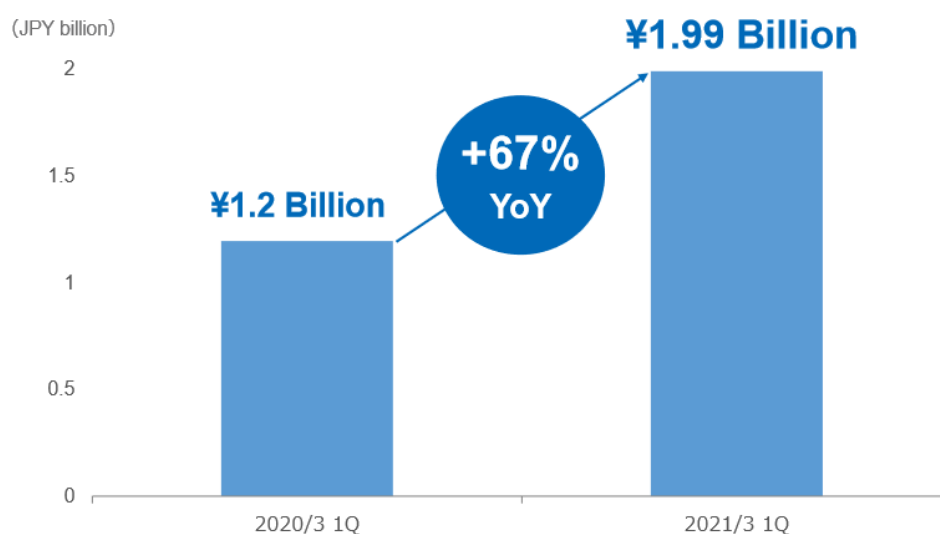
Overall, I think the results are very good. In addition to the favorable results, I believe that we are firmly implementing various measures for the future.

At the outset, I will deliver a brief explanation, and CFO Katsuya will give accounts of financial matters in detail. Finally, I would like to talk briefly about the outlook and other issues. After that, we will hold a question-and-answer session.

Business Overview 1/5



Consolidated pre-tax profit **significantly increased** fueled by the business transformation of Monex Group, added to active markets and an increase in demand for online services



- The financial performance of Monex Group has been strong despite the COVID-19 situation
- Systems and operations remain resilient while our global employees have adapted to working remotely

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First of all, please see page four. Quarterly profit before income taxes showed a very favorable figure, posting a 67% YoY increase on a consolidated basis. In the Japan Segment alone, the profit growth rate was roughly the same. Both the non-Japan and Japan Segments were similarly strong, and all segments were profitable.

In addition, the remote working system has been well established, and in general, lots of customers engaged in remote working. The market was moving actively, there was a tailwind, and we believe that the Group was firmly responding to the current COVID-19 pandemic from an operational standpoint.

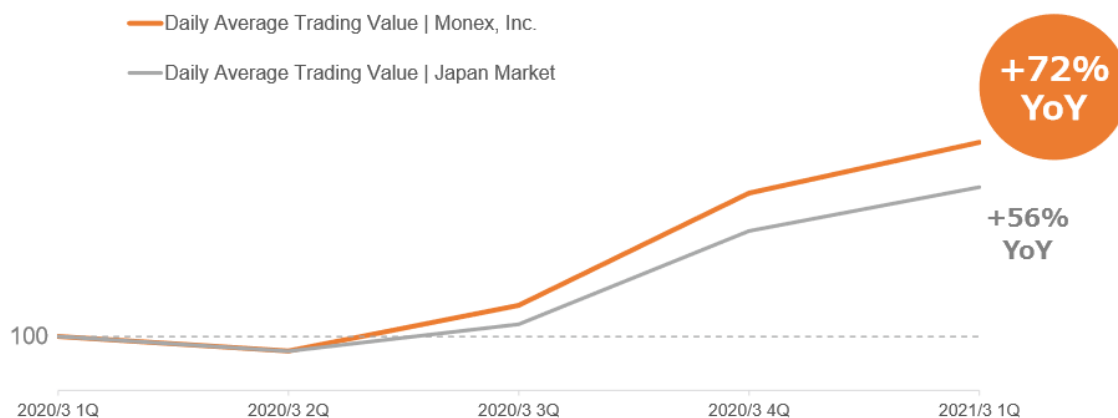
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## Daily average trading value at Monex, Inc. (Japan) increased by **72%**



- Trading volume increased more than market growth because COVID-19 led to higher market activity, as well as a growth in demand for online services with more people working from home
- New account acquisition has accelerated, with an **87%** increase in the number of new accounts YoY

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Looking at the Japan Segment, while the daily average trading value of the overall market grew 56% YoY, that of Monex Securities increased 72%, and the number of new accounts at the company jumped 87%, outperforming the market.

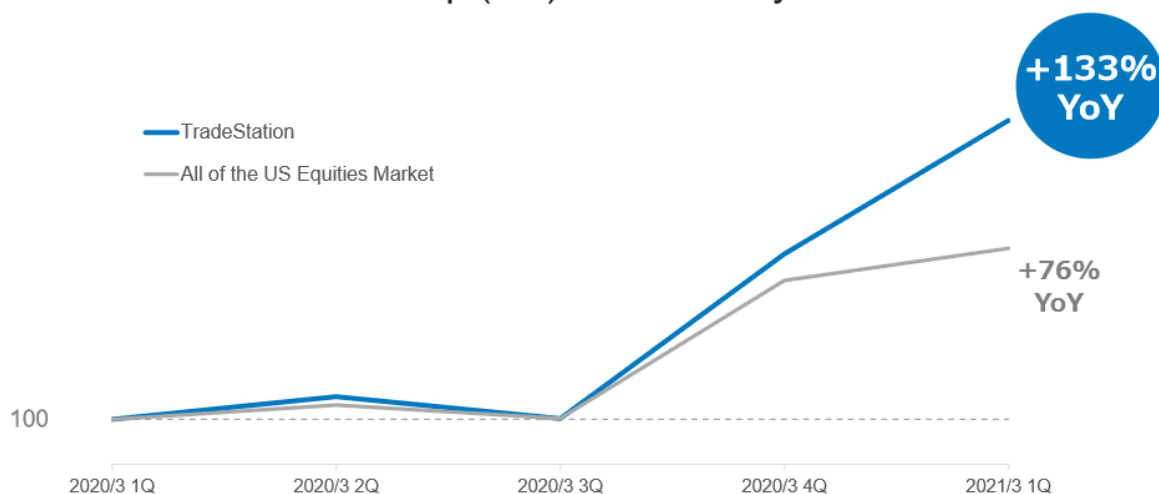
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## DARTs at TradeStation Group (US) increased by **133%**



- DARTs increased more than market growth because more people are now working from home, and commission-free plans have led to an increase in active accounts and trading volume per customer
- The number of new accounts in 1Q increased by **223%** YoY

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In the United States, while the trading volume of the US equity markets rose 76% YoY, the Daily Average Revenue Trades, or DARTs, at our TradeStation Group fared very well with a 133% YoY rise.

In addition, the number of new accounts in 1Q was up 223% YoY. Both the trading volume and new accounts grew positively in Japan and the US, benefiting from the fairly favorable situation and various effective measures we have taken.

As I will explain later, in the Japan Segment, the share of our trading value also increased against competitors, so our share rose against both the market and competitors.

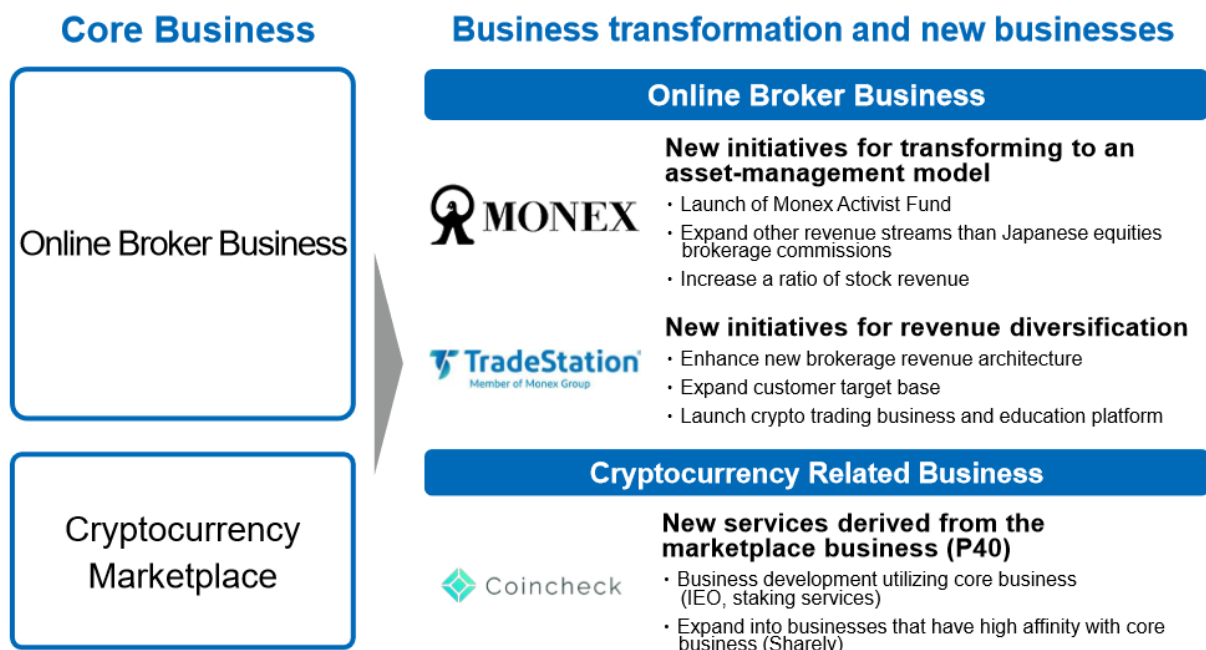
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## Promoting new business-model transformation leveraging our stable core businesses



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Please see page seven. While our core businesses are in the very strong position, we are focusing on new businesses, as shown on the right side.

In Japan, we are strongly promoting the transition to an asset management model, focusing on the operation of Monex Activist Fund.

At TradeStation, our educational platform business and cryptocurrency business have grown significantly, increasing revenues other than commissions from customers. In this way, we are diversifying our revenues.

At Coincheck, a cryptocurrency exchange operator, while the core business is firmly controlled in terms of cost and risk, staking services, IEO and Sharely, the supporting service for virtual shareholder meetings, are being launched, as we will explain later.

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With continued active market throughout 1Q,  
promoted business transformation of each business segment

#### Japan

Monex Activist Fund, a transformation driver to our new asset-management model, successfully gathered ¥4.2B in managed assets as of June 30. Total assets in custody gradually increased, as did customers' margin balance. Launched new cryptoasset CFD service

#### US

Record account growth coupled with an increase in trading driven from commission-free plans and sustained market volatility drove a significant increase in commission related fees. Efforts to diversify revenue streams with crypto trading, crypto lending and YouCanTrade continue

#### Crypto Asset

Steadily increased the number of users and the frequency of use despite lower market volatility. No. 1 in Japan in the number of app downloads and currencies offered. Proactively added new cryptocurrency offerings in its marketplace. Creating a virtual shareholder meetings business

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Please see page eight, which highlights the main segments. In Japan, we have been promoting the conversion into the asset management model. We have launched an activist fund. Other margin transactions have been steadily increasing. Moreover, we have begun a new crypto asset CFD service, the first of its kind for a securities company.

In the US, the number of new accounts hit a record high, and we are in the process of making brokerage commissions free. As a result, the transaction volume has been increasing dramatically. Though commission income from customers decreased, we saw a sharp rise in the so-called payment-for-order-flow, which accompanies orders sent to stock exchanges. In general, commission income increased, despite the reduction in commission fees.

The cryptocurrency business has also been growing steadily, and we are working to monetize our YouCanTrade educational platform.

The Coincheck and Crypto Asset businesses were ranked first in Japan in terms of the number of traded currencies and others. As I mentioned earlier, we are promoting other businesses, as well, while the core business has been stable.

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Achieved quarterly segment profit in all five segments in two consecutive quarters. Consolidated pre-tax profit was **¥ 2.0 B**

**Japan**

Segment profit significantly increased to **¥ 1.15B** driven by high trading volumes due to continued market activity since 4Q FY2019

**US**

Commission revenue increased fueled by sustained high market volatility from COVID-19, increased trading from commission-free plans, and record account growth. Segment profit was **¥0.53B**

**Crypto Asset**

Recorded segment profit of **¥ 0.10B** owing to heavy cost reduction in FY2019, even with the current lower market volatility

**Asia Pacific**

Segment profit increased to **¥ 66M** driven by high trading volumes due to account growth and active stock markets

**Investment**

MV I Investment Limited Partnership expanded its portfolio to 47 companies as of June 2020. Segment profit was **¥ 0.15B** due to valuation gains on investment

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Page nine highlights the figures for the first quarter. As CFO Katsuya will explain in detail, each segment was better. Japan enjoyed sharp profit growth, the US fared well, Crypto Asset secured the black ink, Asia Pacific also fared well, and the Investment Segment showed a strong profit. All the five segments were in the black with the fairly positive figures.

Then, CFO Katsuya will deliver detailed accounts.

**Katsuya:** I am Katsuya, CFO. I will explain our business performance.

Page nine shows the highlights, but I would like to explain the specific figures on page 14 and below.

I will explain the first quarter results in detail, in comparison with the same period of the previous year, then in comparison with the previous January-March quarter.

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(JPY million)	FYE Mar. 2020 1Q (Apr. 2019– Jun. 2019)	FYE Mar. 2021 1Q (Apr. 2020– Jun. 2020)	Variance	Rate of change	Reference
Total operating revenue after deducting financial expenses	11,881	13,208	+1,328	+11%	P16: Analysis of Japan segment P18: Analysis of US segment (USD) P20: Analysis of Crypto Asset segment
SG&A	10,666	11,264	+598	+6%	P17: Analysis of Japan segment P19: Analysis of US segment (USD) P21: Analysis of Crypto Asset segment
The amount equivalent to operating income	1,215	1,944	+729	+60%	
Other income / expenses (net)	-19	47	+66		Breakdown in DATA BOOK P19: - Consolidated financial results (Other income and other expenses)
Quarterly profit before income Taxes	1,196	1,991	+796	+67%	
Quarterly profit attributable to owners of the Company	849	1,425	+576	+68%	
EBITDA	3,177	3,969	+792	+25%	

\* EBITDA = The amount equivalent to operating income + depreciation and amortization cost + interest expense of US segment (the same hereinafter)

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Please see page 14. In the first quarter, operating revenue rose 11% YoY to JPY13.208 billion. This was primarily due to a significant increase in the volume of stock market transactions in the three segments of Japan, the US, and Asia Pacific.

On the other hand, revenue decreased in the Crypto Asset Segment due to a decrease in the transaction volume in the cryptocurrency market.

Selling, general, and administrative (SG&A) expenses increased 6% YoY to JPY11.264 billion. Though the expenses fell in the Crypto Asset Segment, variable cost increased in both the Japan and US Segments, along with the rise in revenue.

As a result, profit before taxes increased 67% YoY to JPY1.991 billion.

Profit attributable to owners of the Company increased 68% to JPY1.425 billion.

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# YoY Comparison (3 months) Segment Performance

	Japan		US		Asia Pacific		Crypto Asset		Investment	
(JPY million)	2020/3 1Q	2021/3 1Q	2020/3 1Q	2021/3 1Q	2020/3 1Q	2021/3 1Q	2020/3 1Q	2021/3 1Q	2020/3 1Q	2021/3 1Q
Total operating revenue after deducting financial expenses and cost of sales	5,598	6,811	4,996	5,326	195	324	1,274	820	12	169
SG&A	5,194	5,777	4,364	4,790	212	264	1,127	717	14	19
The amount equivalent to operating income	404	1,034	633	536	-16	60	147	103	-2	151
Other income / expenses (net)	53	113	-13	-11	3	6	-5	-1	-0	-0
Quarterly profit before income taxes	457	1,147	620	525	-13	66	142	102	-2	150
Quarterly profit attributable to owners of the Company	313	747	464	428	-16	51	99	111	-4	88
EBITDA	1,576	2,327	1,414	1,250	13	90	299	195	-2	151
Note	See P16 "total operating revenue after deducting financial expenses and cost of sales" for more details See P17 "SG&A" for more details		See P18 "total operating revenue after deducting financial expenses and cost of sales" for more details See P19 "SG&A" for more details				See P20 "total operating revenue after deducting financial expenses and cost of sales" for more details See P21 "SG&A" for more details			

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Page 15 shows these results by segment. Compared to the same period of the previous year, revenue increased in all segments, except for Crypto Asset, and profit increased in all segments, except for the US. All of the five segments posted the black ink for the first quarter.

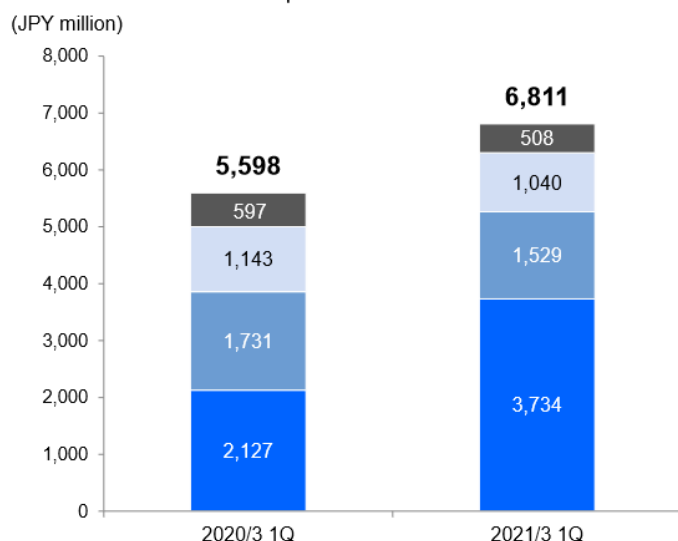
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Japan : Monex's market share of Japan equity has increased. Commissions from US equity also increased, taking 11% of entire brokerage commissions

■ Total operating revenue after deducting financial expenses and cost of sales



Total operating revenue after deducting financial expenses and cost of sales  
+21.7% (+1,213)

- Others (-89)
- FX & fixed income (-103)
- Net financial income (-203) \*1
- Brokerage commissions (+1,607) \*2, 3

\*1 Net financial income of margin trading -16 (-2%)  
 Monex Securites average margin balance +3%  
 As the ratio of margin selling balance (lower interest rate compared to that of buying balance) increased, the average interest rate has dropped YoY

\*2 Total trading volume of individual investors in two Japanese major equity markets, including ETFs etc. +56%  
 Brokerage commission from Japan equity +64%  
 Market share of Monex trading volume 5.09% → 5.63%

\*3 Brokerage commissions from US equity 152 → 425 (+179%)

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Briefly commenting on each segment, in Japan, the trading value rose YoY, but the amount of commissions increased even more.

On the other hand, net financial income and FX & fixed income decreased. As a result, total operating revenue increased 21.7%.

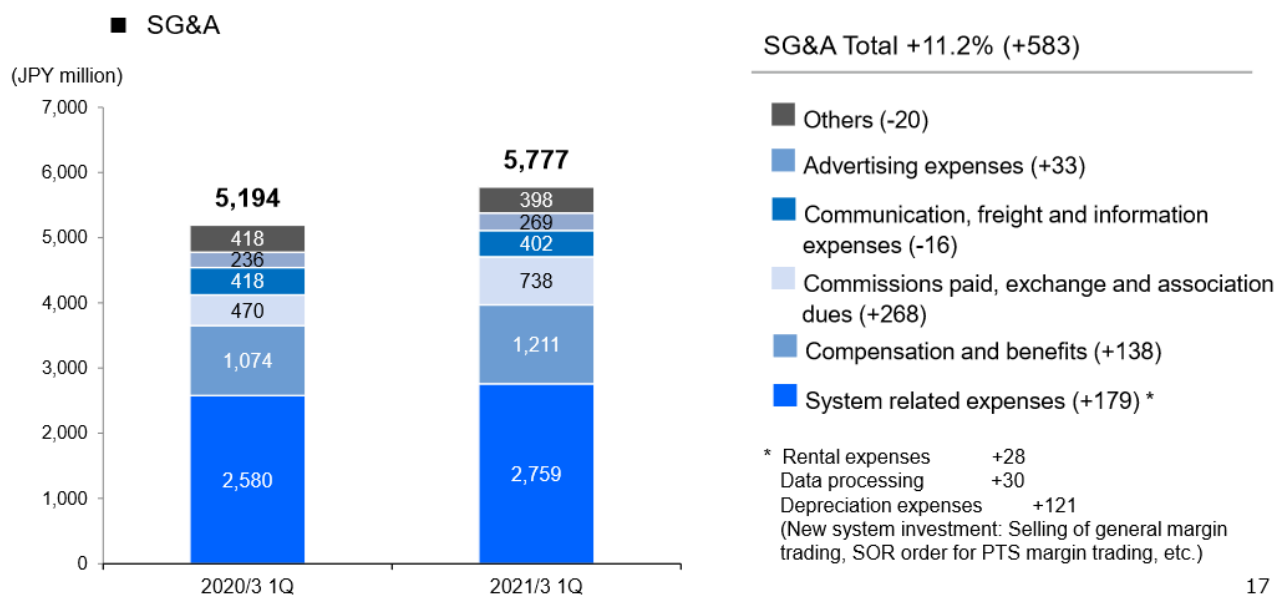
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Japan : Larger trading volume drove higher variable cost. Depreciation expenses increased due to new system investment in margin trading service



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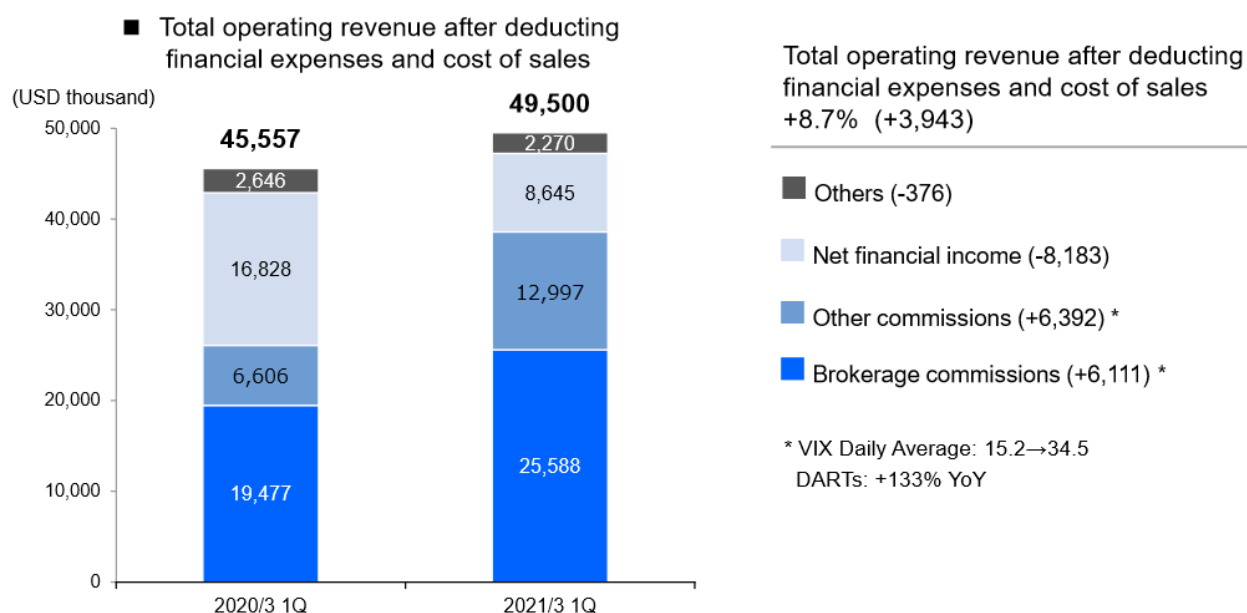
SG&A expenses increased 11.2%, mainly due to increases in variable cost and depreciation and amortization.

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**US :** Brokerage commissions and other commissions increased due to increased trading volume from sustained high market volatility and strong account growth from commission-free plans and new marketing website. They offset a decline in net financial income due to lower interest rates



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In the US, although net financial income decreased due to a decline in market interest rates, the equity markets remained buoyant. Consequently, brokerage commissions and other commissions, as Matsumoto mentioned earlier, increased significantly. As a result, total operating revenue increased 8.7%.

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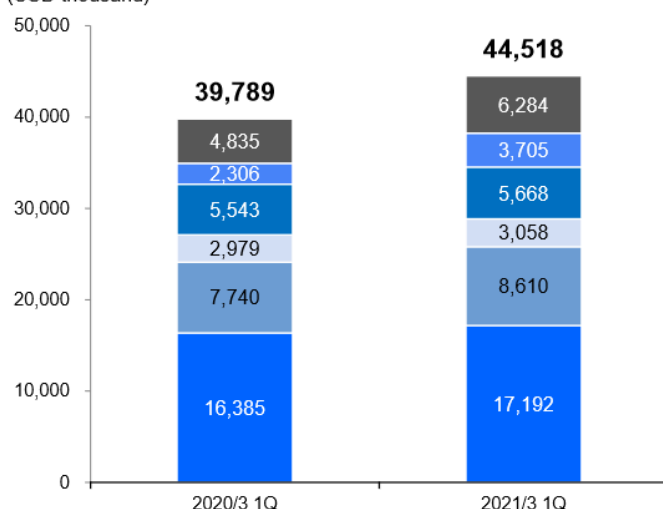
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**US :** Advertising expenses increased to support rollout of new marketing website and new businesses such as TradeStation Crypto and YouCanTrade. Commissions paid increased due to higher trading volume. Compensation and benefits increased temporarily because of severance pay for reduction in force

■ SG&A

(USD thousand)



SG&A Total +11.9% (+4,729)

- Others (+1,449)
- Advertising expenses (+1,399)
- Amortization and depreciation (+125)
- Communication, freight and information expenses (+79)
- Commissions paid and association dues (+870)
- Compensation and benefits (+808) \*

\* Included \$1.6M in severance pay for a reduction in force

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SG&A expenses also increased 11.9%, mainly in variable cost and depreciation and amortization.

Looking at the Asia Pacific Segment, the transaction volumes increased significantly YoY in Hong Kong and other markets, resulting in a 58.8% rise in operating revenue. SG&A expenses also increased 24.4%, mainly variable cost.

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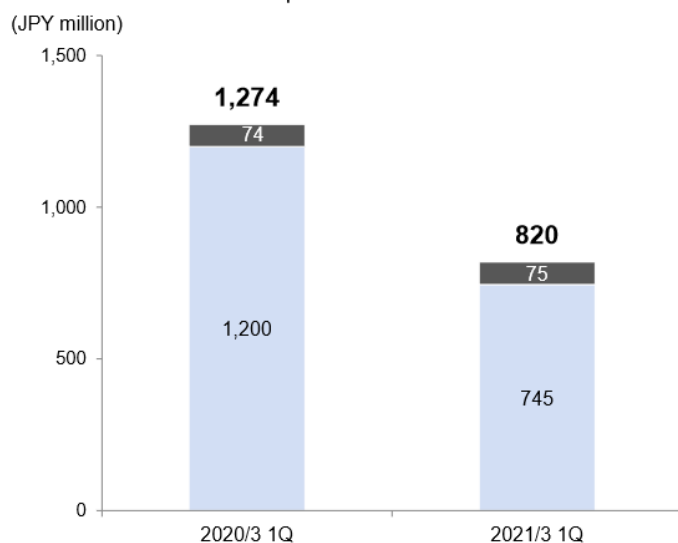
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## Crypto : Net trading income decreased with lower trading volumes and narrowed bid-ask spread of cryptocurrencies

■ Total operating revenue after deducting financial expenses and cost of sales



Total operating revenue after deducting financial expenses and cost of sales  
-35.6% (-454)

■ Others (+1)

■ Net trading income (-455) \*

\* Trading volume in cash trading of Bitcoin in Japan (excluding DMM Bitcoin)

Total transaction Apr.-Jun., 2019 ¥3439.4B

Total transaction Apr.-Jun., 2020 ¥2925.7B  
(-15%)

Source: Bitcoin Website in Japanese

"Monthly market volume in Japan"

(URL <https://jpbitcoin.com/market/volume>)

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On the other hand, operating revenue from the Crypto Asset business decreased 35.6%, due to a decline in the cryptocurrency trading volume in the market as a whole.

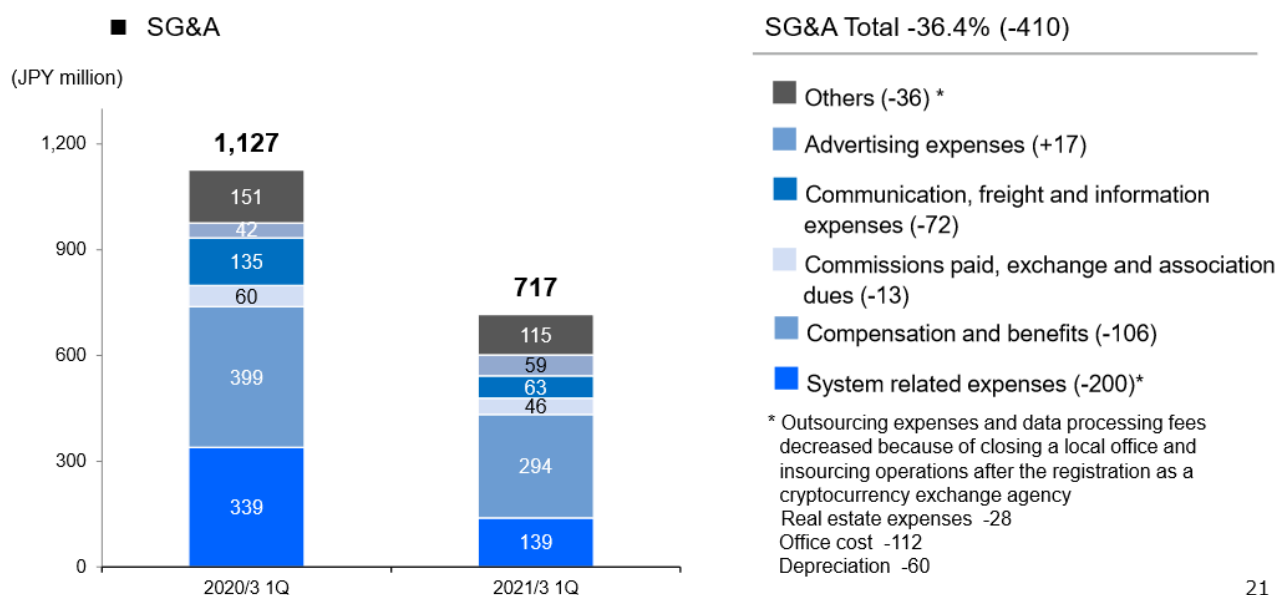
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**Crypto** : Cost restructuring implemented in the first half of last fiscal year contributed to a significant reduction in expenses, mainly fixed costs



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However, SG&A expenses also declined 36.4% YoY, mainly due to reductions in personnel expenses and outsourcing expenses.

Revenue in the Investment Segment increased JPY157 million in YoY, due to a rise in the evaluated market value of securities held by the Company.

Against a slight loss in the same period of the previous fiscal year, the segment achieved a profit of JPY88 million in the first quarter.

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(JPY million)

	4Q FYE Mar. 2020 (Jan. 2020 -Mar. 2020)	1Q FYE Mar. 2021 (Apr. 2020- Jun. 2020)	Variance	Rate of change	Reference
Total operating revenue after deducting financial expenses	13,556	13,208	-348	-3%	P24: Analysis of Japan segment P26: Analysis of US segment (USD) P28: Analysis of Crypto Asset segment
SG&A	11,452	11,264	-188	-2%	P25: Analysis of Japan segment P27: Analysis of US segment (USD) P29: Analysis of Crypto Asset segment
The amount equivalent to operating income	2,104	1,944	-160	-8%	
Other income / expenses (net)	-1,037	47	1,085		Breakdown in DATA BOOK P20: - Quarterly consolidated financial results (Other income and other expenses)
Quarterly profit before income taxes	1,066	1,991	925	87%	
Quarterly profit attributable to owners of the Company	758	1,425	667	88%	
EBITDA	4,179	3,969	-211	-5%	

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Now, please see page 22 for an explanation compared with the previous quarter, namely January-March.

First of all, operating revenue decreased 3% QoQ to JPY13.208 billion. Profit attributable to owners of the Company increased 88% to JPY1.425 billion.

This is a very sharp increase, because there was a low profit figure in January-March as a result of recording other expenses, such as impairment loss on fixed assets and loss on devaluation of securities for about JPY1 billion.

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## QoQ Comparison (3 months) Segment Performance



	Japan		US		Asia Pacific		Crypto Asset		Investment	
(JPY million)	2020/3 4Q	2021/3 1Q	2020/3 4Q	2021/3 1Q	2020/3 4Q	2021/3 1Q	2020/3 4Q	2021/3 1Q	2020/3 4Q	2021/3 1Q
Total operating revenue after deducting financial expenses and cost of sales	6,821	6,811	5,451	5,326	278	324	1,256	820	29	169
SG&A	5,863	5,777	4,951	4,790	253	264	987	717	14	19
The amount equivalent to operating income	958	1,034	501	536	25	60	269	103	15	151
Other income / expenses (net)	-495	113	-217	-11	16	6	-0	-1	0	-0
Quarterly profit before income taxes	463	1,147	284	525	41	66	269	102	15	150
Quarterly profit attributable to owners of the Company	322	747	167	428	32	51	242	111	-0	88
EBITDA	2,276	2,327	1,270	1,250	54	90	362	195	15	151
Note	See P24 "total operating revenue after deducting financial expenses and cost of sales" for more details. See P25 "SG&A" for more details.		See P26 "total operating revenue after deducting financial expenses and cost of sales" for more details. See P27 "SG&A" for more details.				See P28 "total operating revenue after deducting financial expenses and cost of sales" for more details. See P29 "SG&A" for more details.			

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The breakdown by segment is shown on page 23. On a QoQ basis, revenue declined in Japan, the US, and Crypto, but increased in Asia Pacific and Investment. Profit increased in all segments, except for Crypto Assets.

As in the previous quarter, all segments were in the black, being profitable for the second consecutive quarter.

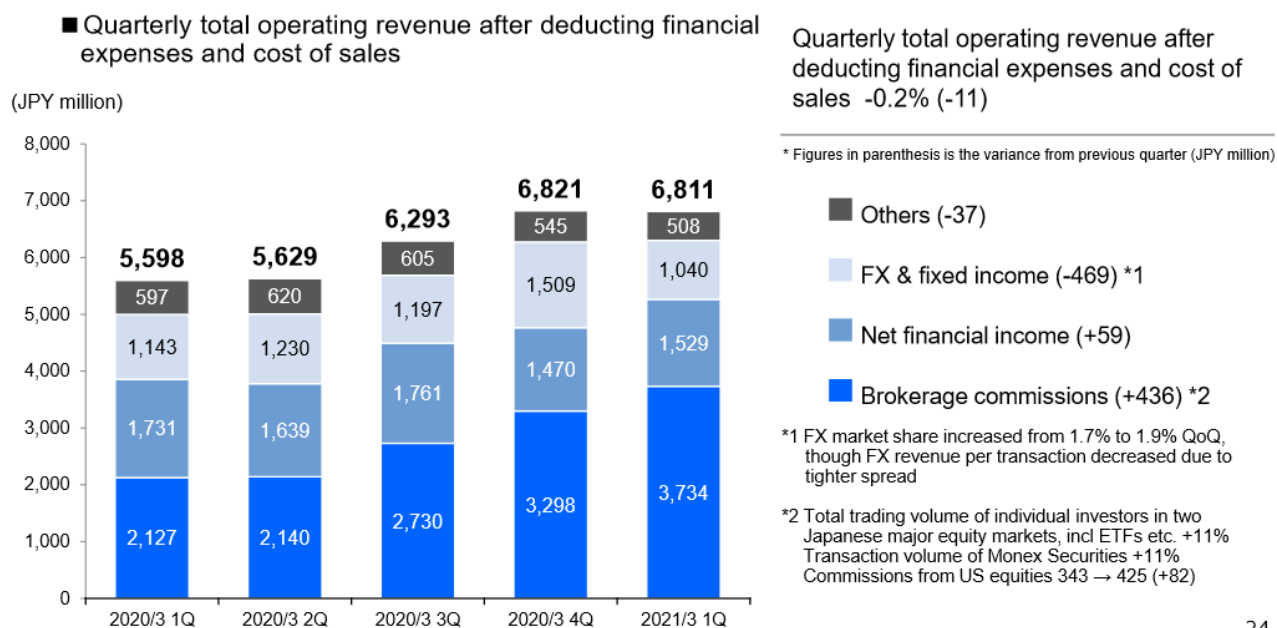
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## Japan : Continued active stock markets throughout 1st quarter drove higher brokerage commissions, so did US equities commissions



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Now, I would like to explain revenue and expenses of the main segments in detail.

First of all, revenue in Japan decreased 0.2% QoQ, or JPY11 million, to JPY6.811 billion.

The main factors are as follows: brokerage commissions increased JPY436 million, as a result of an 11% QoQ rise in the trading value of individuals in the market, and the net financial balance also increased JPY59 million, but FX & fixed income decreased JPY469 million due to tightened spreads, resulting in the slight fall in overall revenue.

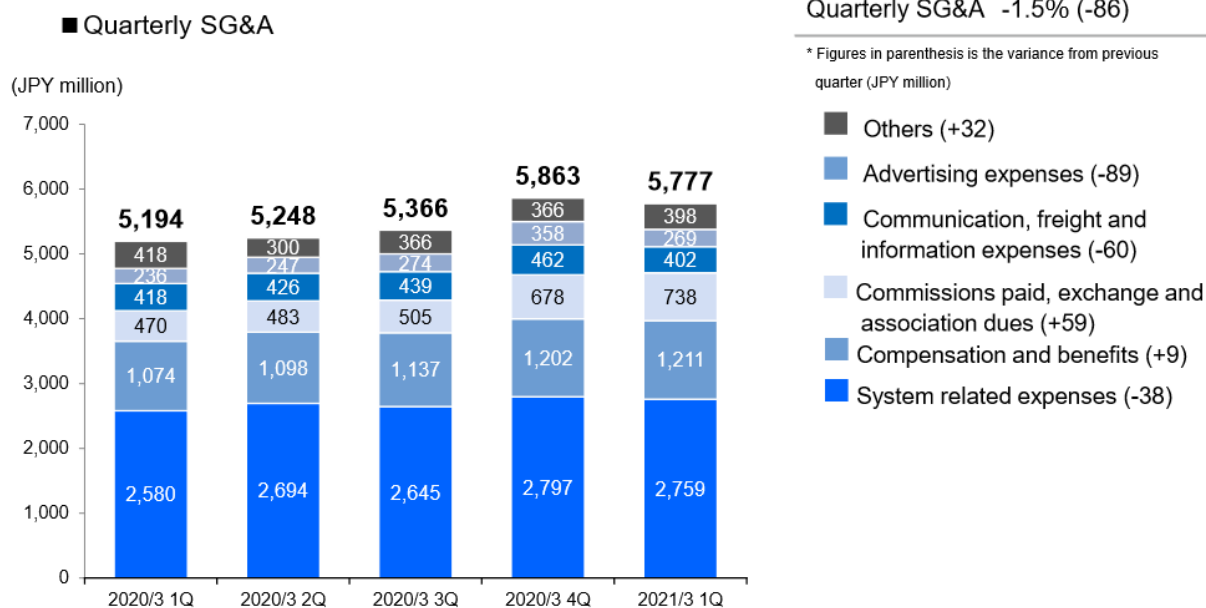
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Japan : Even with an increase in variable cost driven by higher trading volumes, total SG&A remained slightly decreased with an effort of cost control



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Expenses in Japan decreased JPY86 million QoQ, or 1.5%, to JPY5.777 billion.

The payment of commissions increased in line with the rise in trading volumes. Despite the increase in variable cost, the overall expenses were well controlled, resulting in the slight QoQ decline.

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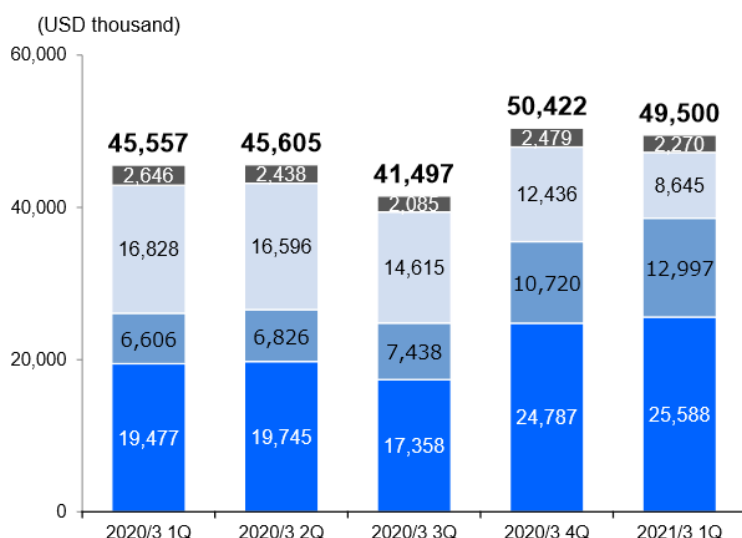
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**US :** Brokerage commissions remained strong while net financial income decreased due to lower interest rates. In particular, the trading volume of equities and options increased, and so did other commissions

■ Quarterly total operating revenue after deducting financial expenses and cost of sales



Quarterly total operating revenue after deducting financial expenses and cost of sales -1.8% (-922)

\* Figures in parenthesis is the variance from previous quarter (USD thousand)

- Others (-209)
- Net financial income (-3,791) \*1
- Other commission (+2,277) \*2
- Brokerage commissions (+801) \*2

\*1 Securities lending: \$0.6M

\*2 VIX Daily Average: 31.2→34.5  
DARTS QoQ: +33%

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Next is the US Segment. Revenue decreased 1.8% QoQ, or USD92,200, to USD49.5 million.

Brokerage commissions and other commissions grew significantly because of trading volume growth, amid a sharp rise in market volatility, resulting in an increase in other commissions received, such as payment-for-order-flow.

On the other hand, net financial income decreased USD3.791 million, due to the decline in market interest rates. As a result, overall revenue decreased slightly QoQ.

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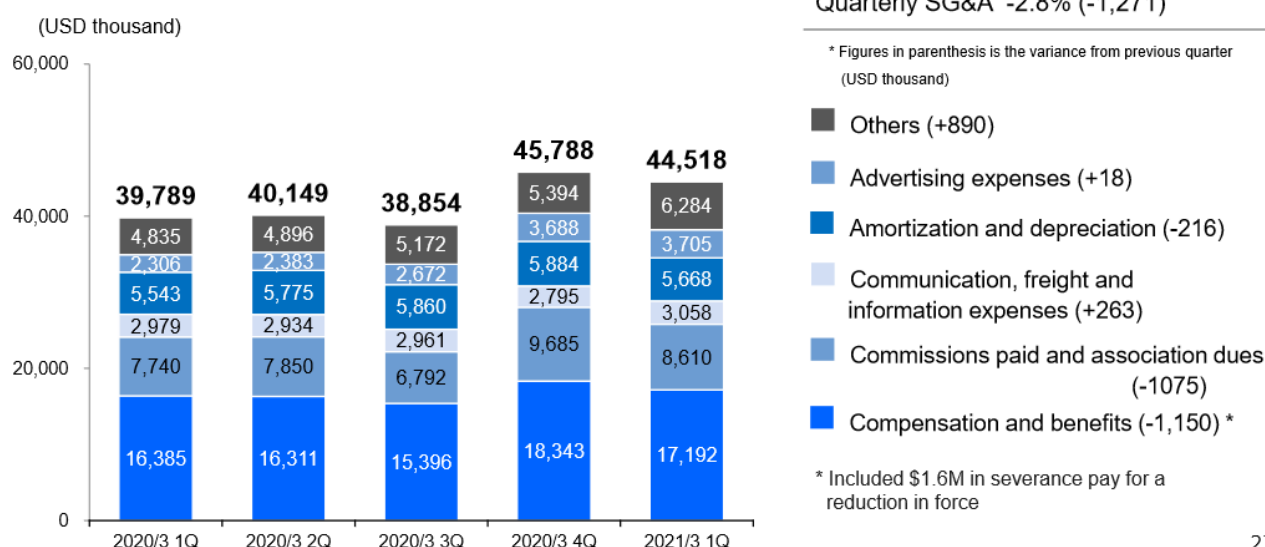
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**US :** Commissions paid decreased because of an increase in equity and options trading, generating lower commissions paid, as well as volume discounts on higher trading volumes. Compensation and benefits decreased due to reduction in force and lower incentive expenses.

■ Quarterly SG&A



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Next, expenses in the US were down 2.8% QoQ, or USD1.271 million, at USD44.518 million.

First, commissions paid decreased, despite the increase in transaction volumes, marking a fall of USD1.075 million. This was due to an increase in trading of equities and options with low commission rates. Moreover, there were volume discounts on higher trading volumes.

Compensation and benefits declined USD115 million QoQ. A personnel reduction in April led to USD1.6 million in severance pay, but salaries and provision for bonuses decreased. As a result, the said amount decreased, and overall expenses fell 2.8%.

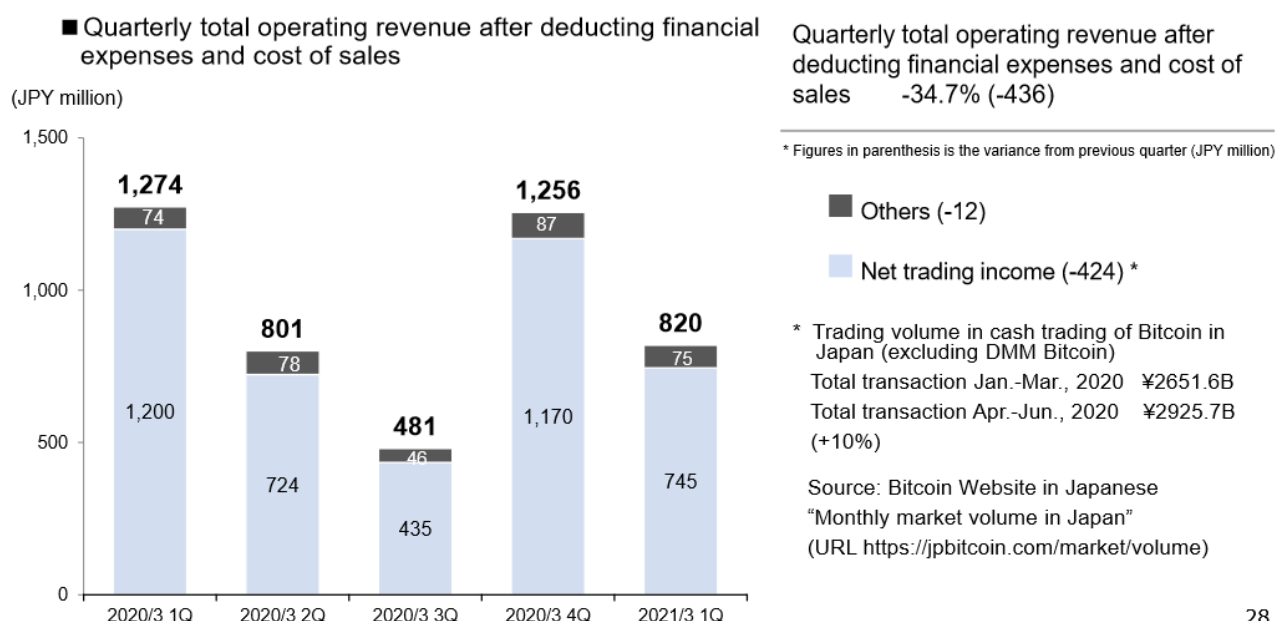
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## Crypto : Net trading income decreased because of lower trading volume at Coincheck under a sluggish cryptocurrency markets



28

Finally, I will give accounts of the Crypto Asset business and Coincheck.

Revenue decreased JPY436 million QoQ, or 34.7%, to JPY820 million.

In the market, bitcoin transactions remained active and increased. However, trading volumes decreased in other Altcoins. Net trading income at Coincheck decreased JPY424 million.

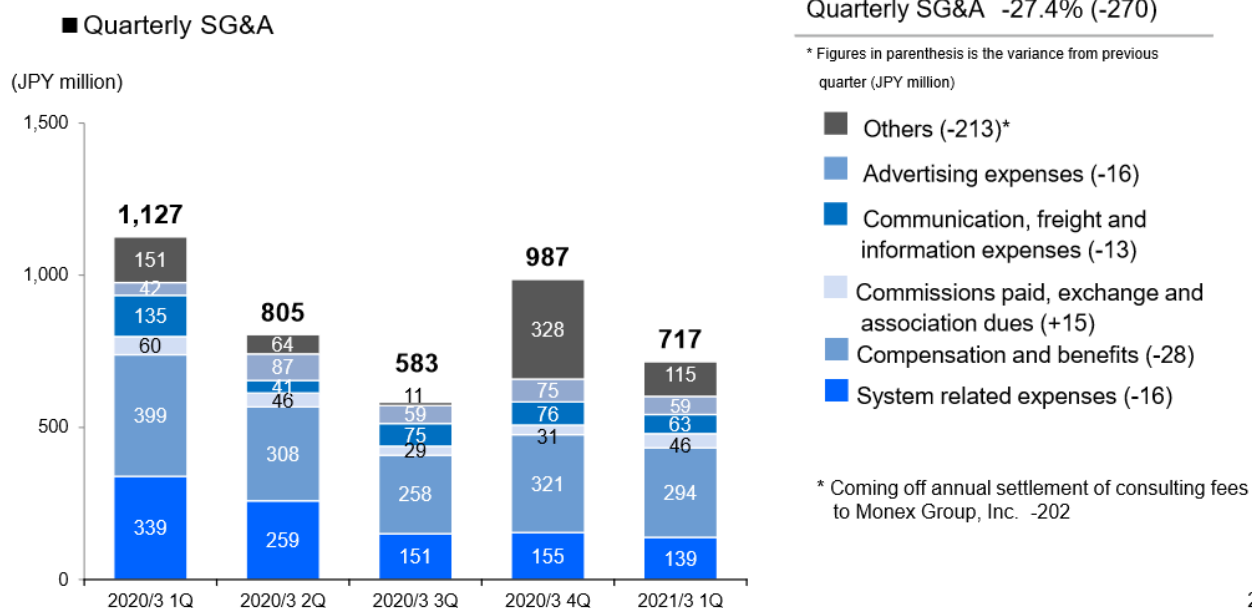
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**Crypto** : Continued expense control after the cost reduction in FY2019 remained effective and provided a normalized level of quarterly SG&A



29

Expenses also decreased JPY270 million QoQ, or 27.4%, to JPY717 million.

In the previous quarter, as shown in this graph, other expenses increased very much. As I explained at the previous meeting, management guidance fees paid to the Company as parent increased in January-March, the final quarter of the previous year, due to the annual book closings, and the result in the first quarter returned to a normal level, and this decrease represented about JPY200 million.

In addition, overall cost reductions resulted in the 27.4% cut in SG&A expenses.

That was my explanation of the first quarter consolidated results.

**Matsumoto:** I would like to talk about the second half of the material.

I will introduce the highlights of each segment briefly.

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In addition to favorable Japanese equity commission revenues, our US equity trading service set a record in quarterly revenues and the number of transactions

### Japanese equity trading

- Our trading value increased by **72%**, while market trading volume per day went up 56% YoY
- Monex's market share increased YoY

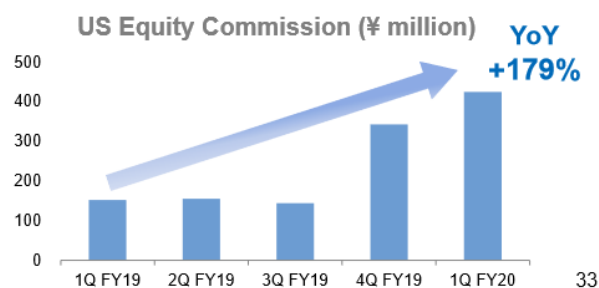
Trading Volume Share	FY2019 1Q	FY2020 1Q	Increase
Cash Trading	6.92%	7.12%	+20bpt
Margin Trading	4.26%	4.90%	+64bpt
Total	5.08%	5.64%	+56bpt

### Margin balance

- Due to successful measures, customer's margin balance increased by **15%** from March 2020. Monex aims to increase margin balance further by allowing customers to use margin trading collateral to earn interest from stock-lending and other services

### US equity trading

- Number of transactions and active accounts increased by **370%** and **240%** respectively YoY
- Number of tradable US stocks is 3,700, **the largest among the major online brokers in Japan**. New listings proactively added upon customer request
- Free exchange fee program (only when purchase) will continue to drive trading volume even further
- Earn interest income by managing customers' deposits in US dollars



33

First, please see page 33. In the Japan Segment, as shown in this table, the share of trading value increased in terms of both cash and margin transactions, mainly due to a significant increase in margin trading. You can see that our business has grown against our competitors, as well. Outstanding margin transactions also increased.

On the right hand, the number of transactions and active accounts in US equity trading skyrocketed 4.7-fold and 3.4-fold YoY, respectively. This is because Monex has TradeStation in the group, enjoying an overwhelming advantage in execution of US stock services. The growth in US equity trading is also supported by our members like "Hutch" Heihachiro Okamoto, who can provide extremely powerful investment information.

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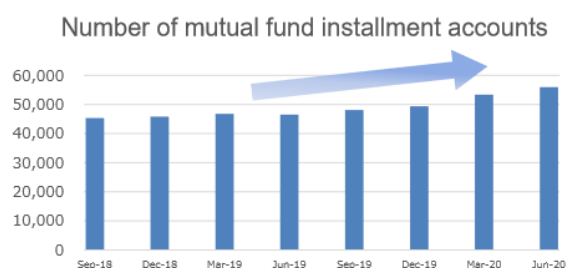
## Transform business into asset-management model, and expand new initiatives

### Monex Activist Fund

- A professional investment approach combining bottom-up research and market insights
- Successful public offering of the investment trust in Jun. **¥ 4.2 B assets under management** as of June 30, including private placement

### Mutual Funds

- Daily installment service was launched in January, which drove growth in the number of installment accounts by 5% QoQ (about **56k in total**)



### ferci - Trading community app

- Designed for people who frequently use smartphones, ferci helps beginner traders to start stock trading
- Enhanced community function by adding a Twitter posting feature. Growing **community activities** and interactions among users in the app

### IFA - Independent Financial Advisor

- Under the concept "**Premium IFA**," Monex entered into contracts with IFAs carefully selected from a large number of applications. As deposits are gradually accumulated, focus on building a firm operation structure

### Cryptoasset CFD service

- Launched cryptoasset CFD service in July **for the first time** for among major online brokerage firms. Expect more synergy effect with **Coincheck**

34

Please see page 34. We have been focusing on transforming into an asset-management model. As I will explain in detail later, Monex Activist Fund has made a smooth start. The number of mutual funds has been increasing, and the “ferci” smartphone brokerage business, which is becoming like consumer-generated marketing, is also underway. In addition, we have started operating our IFA business, though we are a latecomer.

As I mentioned earlier, we have started handling the Crypto Asset CFD service for the first time among major online brokerage firms.

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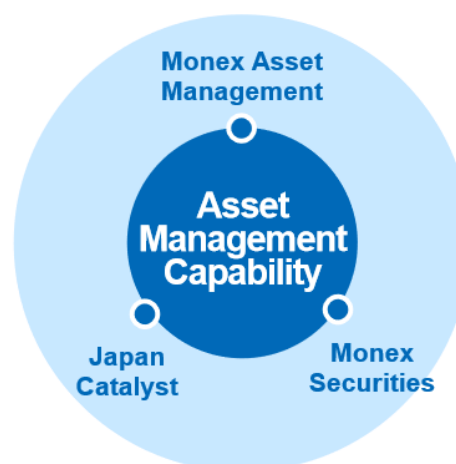
Monex Activist Fund provides individual investors with a new investment experience. **Monex Group's asset management capability** will drive our business transformation to an asset management model

### New investment experience for individual investors

Engage with companies by reflecting the voices of individual investors along with the opinions of professionals at Japan Catalyst

Pass on the benefits of feedback to individual investors and promote transformation of Japanese capital markets

### Accelerator of asset management model transformation



35

Let me explain Monex Activist Fund, while the entire group is trying to proceed with the asset management model. I do not think it is satisfactory for us to provide customers with products, information, and trading tools, wait for the customers to buy or sell, and receive commissions from them. Rather, I think that we should give advice on investment in accordance with the situation of each customer and receive fees for the results.

Monex Activist Fund is managed on a contract basis or in the form of deposits from customers. However, I believe that enhancing the Group's management capabilities, particularly at Japan Catalyst, which supervises Monex Activist Fund, will be an important engine to provide individual customers with specific advice on investment and management, and turn this activity into fees.

In managing the Fund, we take opinions of individual investors, or beneficiaries, convey their opinions to issuers when we make engagements with them, and make feedback of the outcomes to the individual investors. Namely, we will provide feedback on how corporate managers have responded to the investors' opinions.

For this reason, individual investors do not simply buy a mutual fund product, but instead, they have investment experience together with us. In this way, while involving individuals, not only overseas activist funds are engaged in claiming dividends, but we, together with individuals who live in this country's ecosystem, will convey opinions to issuer companies to improve the entire market and vitalize the investment chain in Japan. We will work to invigorate the capital market and the investment chain.

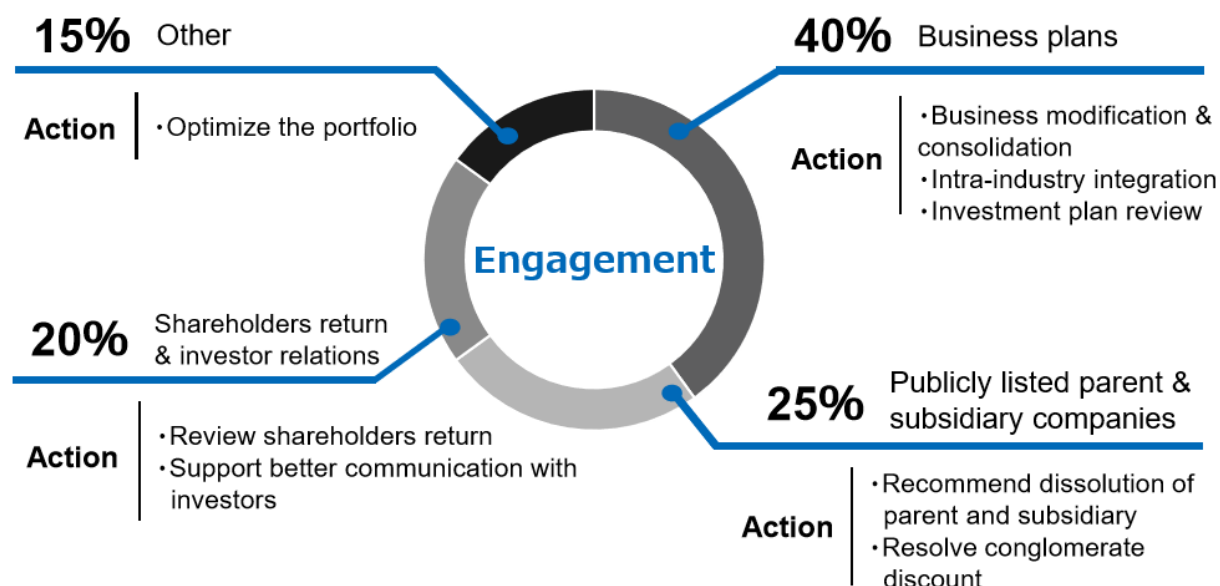
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Monex Activist Fund got off to a great start with AUM of ¥ 4.2 B, aiming for ¥ 60 B AUM in total after a year



The above diagram is based on information as of May 2020 to provide a deepening understanding of the Fund's investment strategy and will be frequently updated with substantive information on the Fund's holdings

36

The Fund made a public offering and procured more than JPY3 billion. Currently, it has AUM of around JPY4.2 billion in total. Only Monex Securities sells the product without any push-type promotion, and the Fund got off to very good start rarely seen in the history of our Company.

We plan to make an additional offering for the Fund in the second half of the fiscal year and raise money, not only from individual investors, but also from institutional investors in Japan and overseas. We aim at JPY60 billion in AUM a year ahead.

We will not aim for an engagement of selling a business and buying back treasury shares, as is often the case for a common foreign activist fund, but we will aim for more positive engagements, such as reviewing business plans, correcting distorted parent/subsidiary listings on the stock market, improving governance or the likes, in short, engagements on which investors and issuers can consider together. I have already been involved in such engagements with some issuer companies.

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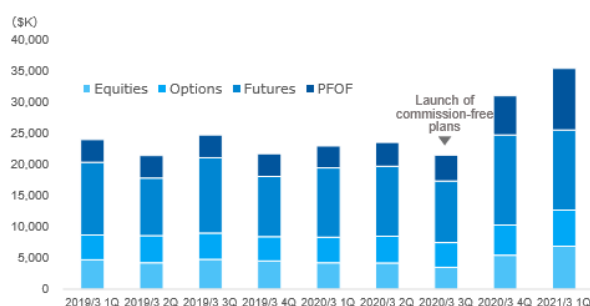
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## Revenues related to trading increase significantly even after commission-free plans

### Brokerage Commissions & Fees

- Trading volume (DARTs) increased **2.3** times YoY and **1.3** times QoQ from sustained market volatility
- Commission-free plans, which lower the barrier to trade, also contributed to higher transaction volume which in turn, drives **other commission related fees**



### Account Transition

- Number of active accounts exceeded **110K** with several factors contributing to record account growth:
  - TS Go and TS Select commission-free plans
  - New marketing website
  - Shift in marketing spend to SEO and SEM
  - Strong API growth, including the global trading community, **TradingView**
  - Several new products, including **crypto trading**, **crypto lending**, **YouCanTrade**, etc.



\* Beginning April 1, 2020, the Active Account definition has changed to include any account with a balance of more than \$0. Active Account data before April 1, 2020 has not been restated to reflect the definition change.

37

In the US Segment, DARTs increased substantially. As shown in this graph, the commission-free plans stimulated an increase in the number of trades, partly due to the effects of the buoyant market. The trading volume increased, and payment-for-order-flow, commission income from exchanges, grew significantly. We enjoyed a considerably better situation than we had initially anticipated, in which commission income sharply increased, as we proceeded with the free-commission plans.

Of course, we were affected by the decline in US interest rates. However, I believe that we were able to respond more successfully to the commission-free trend in the US than in our best scenario.

As shown on the right side, the number of accounts remains firm, aided by the effect of free fees. Other measures, such as considerable efforts to improve various Web systems, also proved successful.

The crypto currency business has also made progress, as I will discuss the issue later.

In addition, TradeStation became the first online brokerage to complete an API integration with TradingView, the world's largest trading community, proceeding with the connection from outside to accept a large inflow of external customers.

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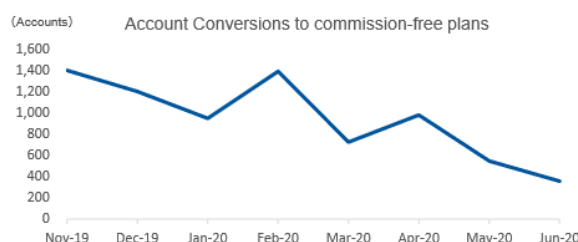
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## New business initiatives to diversify revenue sourced for offsetting revenue decline

### Impact of commission-free plans & lower interest rates

- Although Fed interest rates are nearly zero due to the Federal Reserve Board's interest rate policy, fund management methods linked to LIBOR and other factors have resulted in a net interest income(\*) of **\$5M** in 1Q.
- Converting to commission-free plans (TS Go/Select) from legacy plans has slowed down significantly. Further conversions will be limited.

\* Excluding income from margin trading and stock lending



### TradeStation Crypto

- Launch of crypto iOS and Android mobile apps and Web Trading integration in July
- Now can offer service in **40** states/district (as of July 29, 2020)
- Plans to launch **Crypto Earn**, a C2B2B crypto lending service in late July
- TradingView API integration launch in September

### YouCanTrade

- Launched **community iOS app** in July. The app drives community growth with usability
- Community member grew to nearly **9K** members
- Launched 2 new channels (total now of 7 channels)
- Launched 2 new live shows

38

Please see page 38. The graph on the left side shows account conversions to commission-free plans. I feel that the period of first shock is over. In addition, since the Federal Funds Rate has now fallen to zero, our net interest income will not decrease sharply further. As we invest our assets in various manners, we have secured fund management income.

I believe that the future will be brighter because our performance in the first quarter was in an environment where both the commission-free trend and interest rate fall have surpassed the worst phase.

As shown on the right side, TradeStation Crypto is now available for trading in 40 US states. We plan to launch a crypto lending service. In this situation, the cryptocurrency business at TradeStation has also made profits.

In addition, the cryptocurrency business is scheduled to establish an API integration with the TradingView community, which I mentioned earlier, in September.

The educational platform YouCanTrade is expanding steadily, with the number of subscribers totaling around 10,000, and we intend to promote the transition to paid subscriptions in the future.

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## The cost-effective marketing initiatives expand users steadily

### Core business as No.1

#### No.1\*

app DLs in the cryptocurrency exchanges

#### No.1

in the number of active users

# of app DL **2.96M**

# of registered users **2.08M**

# of users with ID confirmed **0.96M**

#### No.1\*\*

in the number of cryptocurrencies  
available in Japan exchanges

**13** types of crypto currencies available  
(including new cryptocurrency trading in 1Q)

\* Included: cryptocurrency exchanges app Term: Jan. 2020 to Jun. 2020 Source: App Annie

\*\* As of July 29, 2020

### Efforts in 1Q

#### • Coincheck Lending

Launch of a new plan “180 days (annual rate of 4.0%)”

Lowered the minimum loan amount to ¥10,000 worth of cryptocurrency

#### • Periodic Purchases

Begin 11 types of Altcoins offerings

#### • Bitcoin as Monex Group Shareholders Benefit

The number of new registrations through Monex Group shareholder benefits increased dramatically compared with the last time (Nov. 2019)

39

At Coincheck and in the Crypto Asset business, as shown on the left, Coincheck maintains the number one position in Japan in terms of the number of applications, that of users, and that of currencies handled. The right side shows the Company’s efforts, such as expanding Coincheck lending and periodic purchases and bitcoin allotment to Monex Group shareholders, to size up other businesses while maintaining the core business firmly.

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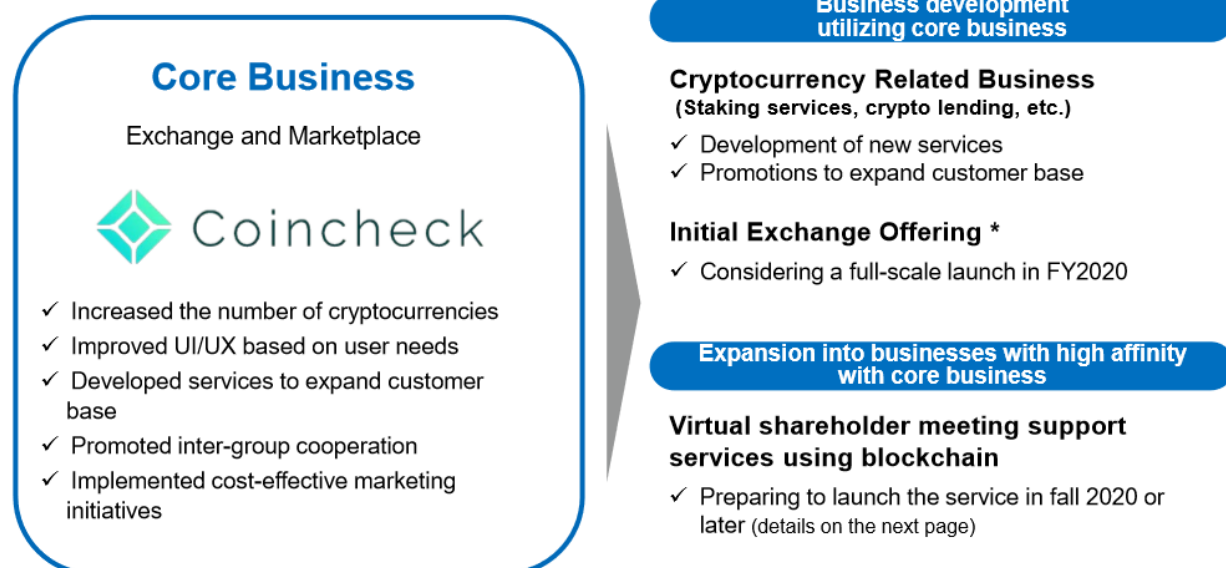
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30



## Accelerating growth by strengthening core business earnings and entering new business areas



\* Fundraising method using utility tokens

40

As shown on the next page, Coincheck is one of few companies that has established a sound internal control system for the core business and reduced both risks and costs. Moreover, it is a rare domestic company that has financial health and expertise to add new currencies and has good communication channels to the Financial Services Agency.

While we maintain our core business firmly, we are gradually strengthening peripheral areas around cryptocurrency trading, such as the crypto lending services, the staking services that can generate interest income unique to crypto currencies, and the IEO business.

In addition, when there are social issues that need solutions, the founder's team of Coincheck is very good at solving the issues by providing apps. Leveraging the team's skills, we are advancing a business called Sharely to support virtual shareholder meetings amid the COVID-19 pandemic.

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## Virtual shareholder meeting support service, “Sharely”

- “Sharely”, comprehensive virtual shareholder meeting service, will be offered in fall 2020 or later
- Considering the implementation of a blockchain system that eliminates vote tampering

### 3 features of Sharely

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

With a hybrid remote attendance type, voting and questions 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

Official site is now available from June 25, 2020 <https://sharely.app/>

41

This service, as shown on page 41, assists listed and unlisted companies in managing voting rights using a blockchain system. It is not limited to the participatory-type system in Japan, but can handle the remote attendance type. It also provides support for scenario development, which has been provided by various service providers. While coexisting with the current ecosystem, we believe that the service will be able to respond to various kinds of needs from all companies, from large-scale listed companies to unlisted venture firms. We are preparing to launch this Sharely service.

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## Gathering examples of blockchain use and aiming for synergistic effects with external and internal businesses

### LOOKBLOCK

- **LOOKBLOCK**



A database service specializing in blockchain and cryptocurrencies. Individual reports are available in addition to the database last April

- **Blockchain Data Book 2020**

Report covering the latest trends in the Japanese blockchain business in a structured way was released on Jun. 30, 2020

- **Research support and consulting**

Planning to offer services to outside parties utilizing knowledge accumulated through the development of LOOKBLOCK. Will focus on the area of connections between blockchain and existing industries



### Cryptocurrencies and Blockchain

- **BLOCK INSIGHT**



A web-based media delivering latest trends and news regarding blockchain and cryptoassets. In-house professional writers provide high-quality, competitive information

- **Cheeeese**



A smartphone app "Cheeeese" gives users Bitcoins by just reading news feeds or answering surveys on the app

- **GENEX**



Planning to begin the development of platform services that store and manage whole genome sequences and other medical and healthcare information. Aiming for expanding into drug discovery and medical/healthcare related services. Already started discussions with potential partner companies. GENEX will utilize blockchain for the platform

42

Page 42 shows blockchain-related initiatives within the Monex Group. As seen here, multiple projects are progressing. I think that there are many things that can be done by blockchain systems for various social issues during the COVID-19 pandemic, such as blockchain consulting, genome management using blockchain systems, or Japan's high-tech supercity legislation.

We are working to respond to these issues as a group, not by Coincheck alone.

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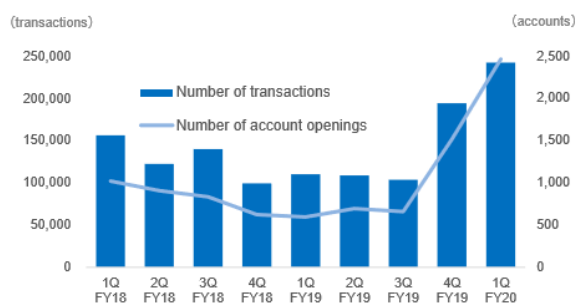
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## Revenue rose with higher trading volume. Number of active accounts increased significantly

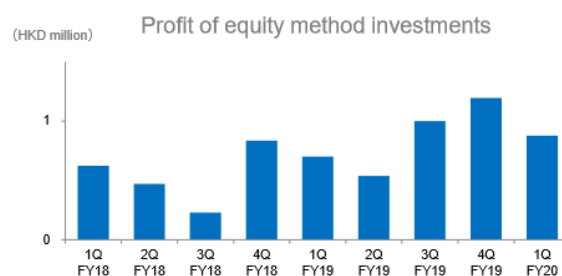
### Monex Boom Securities (HK)

- Number of transactions +25% QoQ
  - Number of account openings +62% QoQ
- Number of transactions and account openings increased significantly due to active stock markets and more people staying at home



### Cherry Technology Co., Ltd (China)

- The number of transactions and account openings were both strong due to active trading in the A-share market.
- Providing technology and knowledge of online brokerage business through a joint venture in PRC. Recorded profit in equity method investments for the last 13 consecutive quarters



43

The Asia Pacific Segment, as shown in the graph and chart at the bottom left, shows good performance, as both the number of transactions and that of new accounts increased significantly.

Although there are concerns about Hong Kong, there is a trend toward an integration into the Greater Bay Area, including Shenzhen and Shanghai. I would like to have our Monex Boom Securities ride on the waves and expand the current growth trend.

Cherry Technology, a Chinese joint venture, continues to be profitable, as shown on the right side.

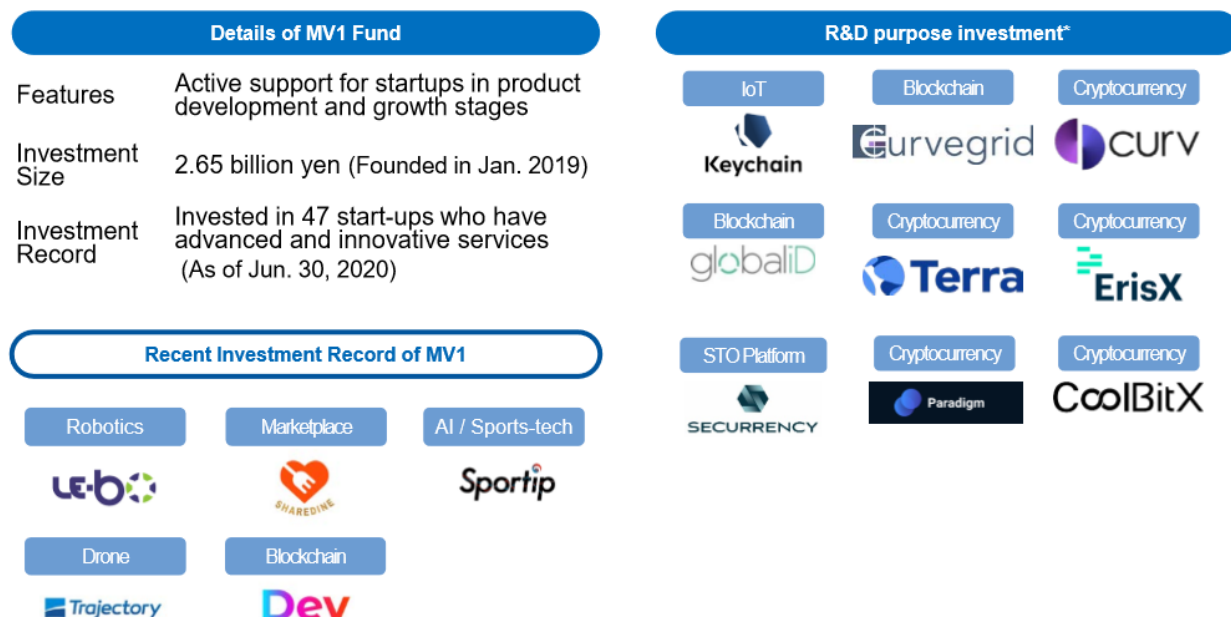
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Segment profit was ¥150M due to valuation gains on investments.  
 Second flag ship fund, MV2, is under preparation



\* Including the investments aside from Investment Segment

44

Page 44 shows investment projects by Monex Ventures. The left side shows an investment record by MV1 as an LP, and the right side shows R&D purpose investment by the Monex Group.

Both are performing very well. In response to this, we plan to raise funds for the next MV2, or Monex Venture No. 2 Fund as an LP, probably this summer or fall.

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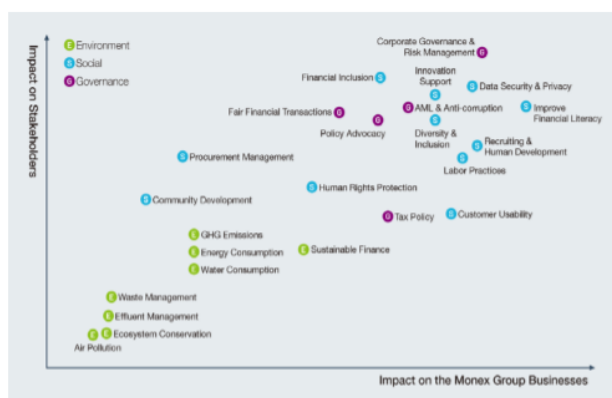
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Based on our corporate philosophy, we aim to sustainably increase corporate value by addressing ESG topics related to our medium- to long-term business areas within our core business

### Materiality Matrix

#### Disclosing Materiality Matrix

- Prioritized ESG topics based on our group challenges and the social issues. The chart below is disclosed on our website\*



\*<https://www.monexgroup.jp/en/esg.html>

### ESG Initiatives

#### Corporate Governance

- Established a corporate governance system by global standards (P.50)

#### Risk Management

- Monex Group organizes a monitoring system to covers each subsidiary's risks comprehensively

#### Cyber Security

- Risk-based approach helps with planning a countermeasures for identified risks and implement continuous improvement activities

#### Other ESG Initiatives

- Held ESG training/briefing sessions for the company's directors and employees in Japan with approximately 200 employees online audiences
- Established a group-wide code of conduct and human rights policy\*

45

Page 45 shows ESG initiatives. We disclose the materiality matrix clearly and are working on each theme. As shown on the bottom right, we provide ESG training courses to the Board of Directors and employees in a firm effort to achieve our goal.

The first quarter results were fairly favorable, as all segments were in the black. We had around JPY4 billion in EBITDA, namely JPY16 billion per year on a run rate basis. Quarterly profit before income taxes rose 67% YoY.

Meanwhile, we will be steadily tackling the ESG initiatives, coping with the non-financial part to better explain the company's performance and standing, and to continue to improve performance. We are working firmly to strengthen the in-house system so that we can maintain solid results for both the present and the future.

That's all for my explanation. Please refer to some more information in this presentation package.

As a whole, our recent performance is fairly good, and we are also taking firm steps toward the future. We are also making progress in ESG and other initiatives, and we have a good balance between them. We believe that we have overcome or are overcoming major issues at each of our business sites.

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## Question & Answer

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**Matsumoto:** We would like to answer your questions.

The first question is from Mr. Hara of SMBC Nikko Securities. What do you think of the time axis and scale that the new crypto services will contribute most?

There are several new services, such as staking and crypto lending, that are already underway. We do not assume that the Company's overall performance will grow sharply due to those new businesses. Rather, by expanding these staking and crypto lending services firmly, we will be able to establish a business base that can avoid a fall into the red ink amid poor market conditions and enjoy large profits when the market is bullish.

We are aiming for a full-fledged launch of IEO during the current fiscal year, but it is unclear how big it will become. This depends on the number and sizes of companies that use it, and it is unclear again, as there is a possibility that various new regulations will be imposed in the future. I believe that the business result will be added on an optional basis.

I anticipate considerable potential for the Sharely service for supporting virtual shareholder meetings. I assume that this service will get off to a similar start to that of staking and crypto lending. However, as potential customers are not limited to listed companies, there will be much potential.

In addition, as we build relations with various companies in this way, we may lead them to the investment banking services at Monex Securities, or to new services using blockchain systems by placing these customer companies on various platforms. In this sense, there is great potential in this Sharely business, though it is still uncertain.

Coincheck founder Wada sees this potential and we are supporting him.

The second question from Mr. Hara: In the US Segment, conversions into commission-free plans of existing customers have paused. Is there any change in the churn rate, operating rate, and contribution to profit from existing customers? Is the current profit level sustainable?

As the graph shows, the transition has run its course. It has paused, but I think there will be some subsequent conversions. Research on the churn rate of existing customers has quite advanced by way of AI and other means, finding that a customer in a certain situation will terminate the contract in the next few months, so the churn rate of existing customers is controlled to a considerable extent. In addition, the operating rate has not declined, and there is no change in contribution to profits at present.

However, from a long-term perspective, many customers are active traders at their middle ages or older, so they will eventually affect the performance in 10 years or 15 years. Their activity is expected to decline gradually. In response to this, we plan to invite new casual traders by providing commission-free plans, YouCanTrade, and new apps. I expect that these new traders will grow gradually.

As to whether the current earnings levels are sustainable, the first-quarter results may not represent the worst of the negative impact of the decline in interest rates. In short, we have operated at slightly higher rates than the FF rate, but I think there is a risk that the spread from the FF rate may narrow slightly further.

Therefore, whether the current profit levels are possible later in the current fiscal year while we are likely to maintain them in the next fiscal year, or whether we are able to maintain the current profit levels, or they may dip slightly due to the impact of interest rates—all depends on the market.

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The third question: Was there any intention for the change in executives in June, in which Coincheck's executives were excluded from Monex Group's Executive Officers?

Coincheck is a unique company. Since we bought Coincheck and incorporated it into the Group, I repeatedly explained that Coincheck is a young company, has a personality, and I want to develop the personality satisfactorily.

I once used an expression that I want to be a wild rose and foster a beautiful rose on the stem of the wild rose called Monex Group. When you grow beautiful roses, the thick stems of wild roses have to absorb nutrition from the ground and deliver it to the beautiful roses. Our intention is to develop Coincheck's individuality in a good way.

At first, since the acquisition, we strengthened the internal control system, solidly received a license from the Financial Services Agency, and we had to take FATF and various other measures. Against this backdrop, we strengthened our group-wide supervision. I think these were also expected to conduct by society.

Now that Coincheck has overcome various challenges and is in a phase to grow into a next stage, we hope that the company will clarify their individuality as much as possible. By removing the concurrent executive roles at Monex Group and Coincheck, they will hopefully become conscious of managing a virtually independent company, firmly establish income statements, and expand their own businesses.

I remain as Chairman of the Board of Directors, and Kuwashima, Vice Chairman of the Board of Monex Group, remains as Executive Officer in charge of Coincheck. Monex Group holds almost 100% of Coincheck shares and manages the subsidiary solidly, but we have changed the executive structure from the intention of growing their strong points.

I previously used the word GBA, Greater Bay Area, meaning that it includes Shenzhen and Shanghai, during my talk about Hong Kong, but Greater Bay Area does not include Shanghai. So, I correct my previous remarks.

I answered the question from Mr. Hara. Do you have any other questions? We are accepting questions via chat now. No question?

I think that the first-quarter figures were quite good. There was large YoY growth, and each segment generated well-balanced profits. EBITDA was at a pace of JPY16 billion annually, and so on.

Would you like to ask any other questions?

Today, after the announcement of the first quarter results, the stock price fell slightly, and I am very disappointed. With balances in mind, we are addressing current issues and have taken measures for the future. We are firmly addressing the current coronavirus problems, and we had good recent results. We have also strengthened our efforts to incorporate ESG into our corporate value and have taken firm steps to achieve growth in corporate value over the medium- to long-term. I believe that we had very good results in the first quarter.

If you have any additional questions, our IR or public relations officials will reply.

I regret that we had to have a remote meeting due to the coronavirus problems. I would appreciate your continued support. Thank you for joining the meeting.

[END]

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