



**MONEX GROUP**

**Monex Group, Inc.**

Q2 Financial Results Briefing for the Fiscal Year Ending March 2021

October 27, 2020

## Event Summary

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[Company Name]	Monex Group, Inc.	
[Company ID]	8698-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending March 2021	
[Fiscal Period]	FY2020 Q2	
[Date]	October 27, 2020	
[Number of Pages]	38	
[Time]	15:00 – 15:49 (Total: 49 minutes, Presentation: 37 minutes, Q&A: 12 minutes)	
[Venue]	Ote-machi Sankei Plaza 3F, 1-7-2 Ote-machi, Chiyoda-ku, Tokyo 100-0004	
[Venue Size]		
Participants]	100	
[Number of Speakers]	2	
	Oki Matsumoto Toshihiko Katsuya	Representative Director and CEO Senior Executive Officer, Chief Financial Officer
[Analyst Names]*	Takayuki Hara	SMBC Nikko Securities Inc.

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

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## Presentation

**Matsumoto:** Now, we will explain the Financial Results of Monex Group, Inc. for the Second Quarter of the Fiscal Year Ending March 2021.

Today, we hold the meeting in this place and online.

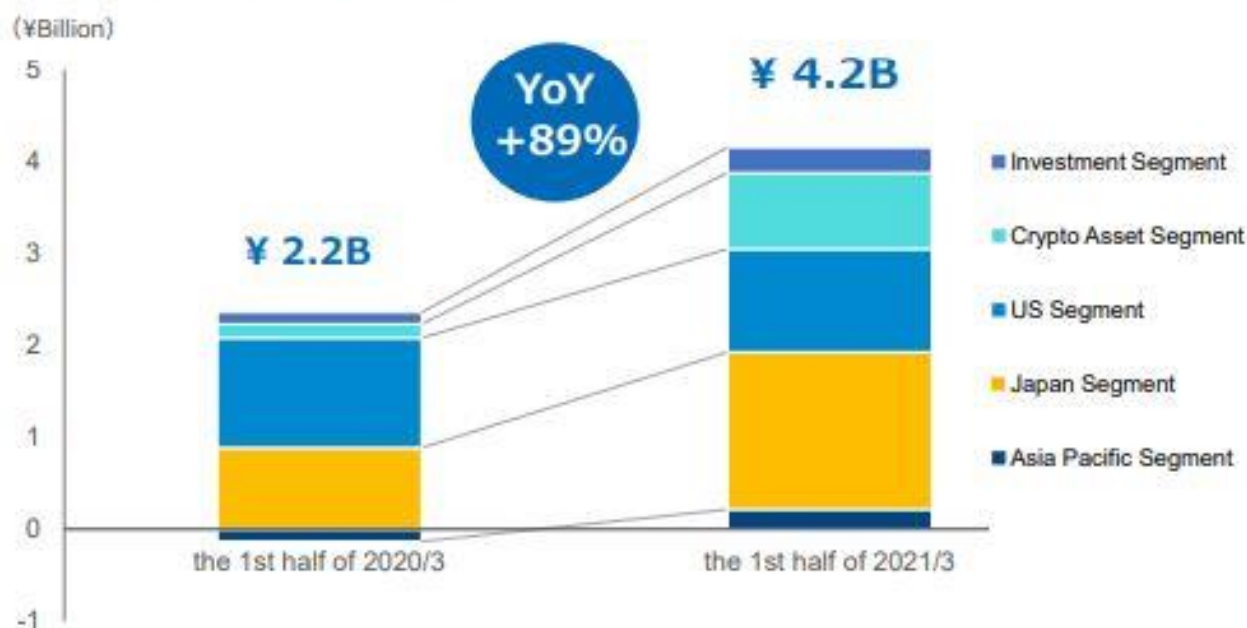
First, I will show the outline of the financial results and CFO Katsuya will explain the figures in detail. Finally, I will talk about the business situation.

Overall, I think that the Group's businesses were considerably well diversified in the reporting quarter so that everyone has come to be aware of the diversification.

Business Overview 1/3



**Consolidated pre-tax profit significantly increased YoY in all five segments**  
Japan Segment doubled, US Segment performed solid despite low interest rate,  
Crypto Asset Segment became a profit pillar



As you will see on page four, consolidated pre-tax profit was up 89% from the first half of the previous fiscal year. In detail, the Japan Segment, US Segment, and Coincheck, that is the Crypto Asset Segment; all these three major segments enjoyed large profits and functioned as the triple profit pillars.

We are often mentioned or analyzed as an online brokerage company in Japan. As you can see, the online brokerage business in Japan is only part of our businesses, and we are actually a hybrid of the Japan, US, and Crypto Asset Segments, though we have also the Asia Pacific and Investment Segments.

About 10 years ago, we advanced overseas with a global vision. Although we had previously operated in Hong Kong, we acquired TradeStation, which was listed on the US stock market at the time, through a tender offer.

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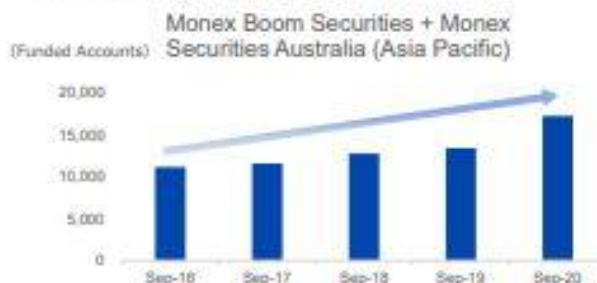
Three years ago, we announced our second foundation. Specifically, we disclosed the plan to incorporate blockchain and crypto currency businesses in the Group.

As a result, I am happy that these two have become pillars of profits in Japan.

Pre-tax profit in the Japan Segment roughly doubled YoY. The US Segment also enjoyed a firm profit even though we were moving ahead with scrapping brokerage commissions around this time last year and interest rates have become zero.

In addition, Coincheck has grown to become a pillar of earnings, overcoming various obstacles.

### Customer accounts in each segment keep growing



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Page five. Looking at the customer accounts, which serve as the quickest and easiest indicator of the Group's growth, the number of customer accounts grew steadily in all segments of Japan, US, Asia Pacific, and Coincheck.

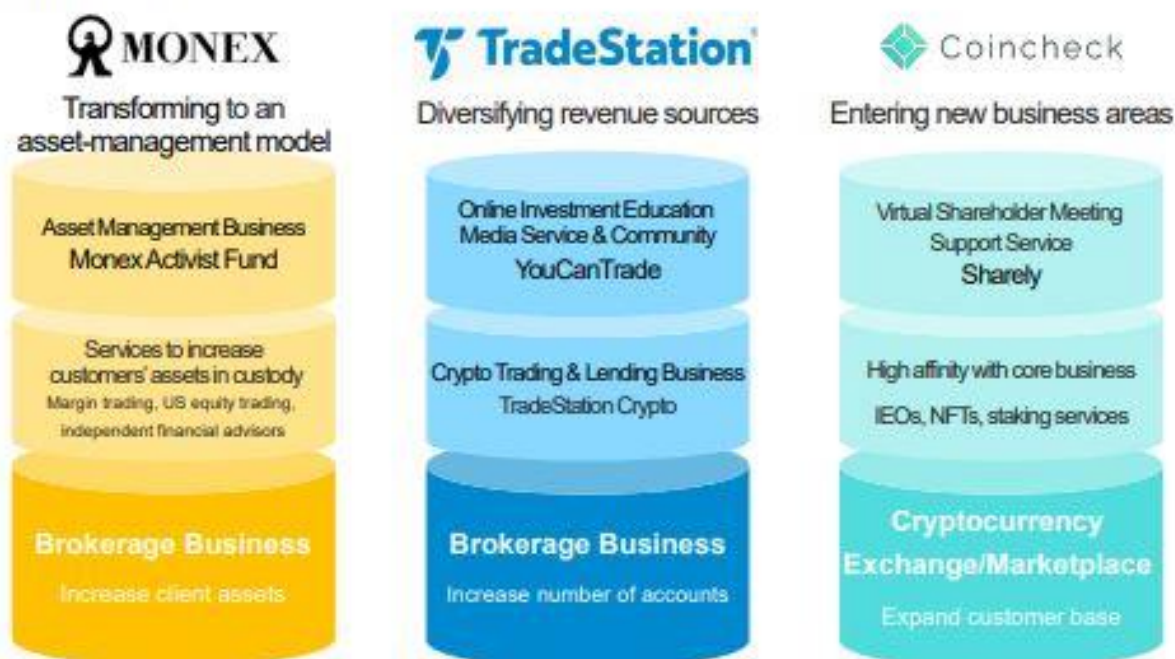
Only the Japan Segment shows slightly weaker growth due to its large scale and geographical feature, but the growth was firm.

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## Transforming our business model while leveraging our existing core businesses



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Page six shows how the business content of each of the three major segments proceeds with transformation or diversification. We are making progress.

Therefore, we were originally an online securities company in Japan, but we, Monex Group, as a listed company, expanded our business portfolio from the online brokerage in Japan to the overseas brokerage and crypto currency businesses. In addition, each of those expanded segments is trying to conduct transformation or diversify its revenue sources.

Monex Securities, the brokerage subsidiary in Japan, is currently establishing an asset-management model.

As I mentioned earlier, TradeStation has firmly transformed its business model so that it is able to enjoy profits as interest rates and commissions are coming to naught.

At Coincheck, moving away from the sole revenue source of trading virtual currencies, it has started Sharely, which is a supporting service for virtual shareholder meetings, and launched a non-fungible token, or NFT, marketplace, which is very close to the world of games.

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**¥ 2.2B** consolidated pre-tax profit with the three major segments reporting almost the same level of profits

<b>Japan</b>	<b>¥ 0.6B</b> of segment profit, derived from higher online trading volumes by retail investors and better performance of our competitive US equities services
<b>US</b>	<b>¥ 0.6B</b> of segment profit due to a significant increase in new accounts and other commissions, led by the introduction of commission-free plans, far exceeding a decline in net financial income because of lower interest rates
<b>Crypto Asset</b>	<b>¥ 0.7B</b> of segment profit, which is 7 times QoQ and a record high since Coincheck becoming a part of Monex Group, due to active crypto asset market triggered by monetary easing and higher altcoin trading volume
<b>Asia Pacific</b>	<b>¥ 0.15B</b> of segment profit, the record high, due to an increase in trading volume of Boom Securities based in Hong Kong against a backdrop of the rapid recovery of the Chinese economy
<b>Investment</b>	<b>¥ 0.1B</b> of segment profit due to valuation gains in several investments in innovative firms utilizing digital technologies with a favorable wind of demand for remote working and online services

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Please see page seven.

In the three months of the second quarter, consolidated pre-tax profit totaled JPY2.2 billion, including JPY600 million in Japan and the US, respectively, and JPY700 million in Crypto Asset. Profit in Asia Pacific was JPY150 million and that in Investment was JPY100 million. Katsuya will explain the details later.

Now, Katsuya is going to talk about the details of each segment.

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(JPY million)	FYE Mar. 2020 2Q (Apr. 2019– Sep. 2019)	FYE Mar. 2021 2Q (Apr. 2020– Sep. 2020)	Variance	Rate of change	Reference
Total operating revenue after deducting financial expenses	23,277	27,106	+3,829	+16%	P14: Analysis of Japan segment P16: Analysis of US segment (USD) P18: Analysis of Crypto Asset segment
SG&A	21,112	22,851	+1,739	+8%	P15: Analysis of Japan segment P17: Analysis of US segment (USD) P19: Analysis of Crypto Asset segment
The amount equivalent to operating income	2,165	4,255	+2,090	+97%	
Other income / expenses (net)	30	-103	-133		Breakdown in DATA BOOK P18: - Consolidated financial results (Other income and other expenses)
Quarterly profit before income Taxes	2,195	4,152	+1,957	+89%	
Quarterly profit attributable to owners of the Company	1,679	2,919	+1,240	+74%	
EBITDA *	6,212	8,346	+2,134	+34%	

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

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**Katsuya:** Hello everyone, this is CFO Katsuya. I would like to explain the figures of our business performance.

I will explain the YoY results for the first half, then the three-month QoQ results in detail.

First, total operating revenue after deducting financial expenses for the second quarter was JPY27.106 billion, a YoY increase of 16%. This was due to the very brisk stock markets in the three segments of Japan, the US and Asia Pacific, which boosted commissions received.

The Crypto Asset Segment, the virtual currency business, also saw a rise in trading revenue as the market was very active.

SG&A expenses increased 8% overall as variable costs increased in both the US and Japan Segments.

As a result, quarterly profit before income taxes increased 89% YoY to JPY4.152 billion. Quarterly profit attributable to owners of the Company increased 74% YoY to JPY2.919 billion.

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## YoY Comparison (6 months) Segment Performance



(JPY million)	Japan		US		Asia Pacific		Crypto Asset		Investment	
	2020/3 2Q	2021/3 2Q	2020/3 2Q	2021/3 2Q	2020/3 2Q	2021/3 2Q	2020/3 2Q	2021/3 2Q	2020/3 2Q	2021/3 2Q
Total operating revenue after deducting financial expenses and cost of sales	11,227	13,324	9,921	10,672	292	718	2,075	2,592	154	313
SG&A	10,442	11,644	8,699	9,539	437	535	1,932	1,775	25	37
The amount equivalent to operating income	785	1,680	1,221	1,133	-145	182	143	817	129	276
Other income / expenses (net)	101	32	-28	-11	12	34	9	11	-0	-0
Quarterly profit before income taxes	886	1,712	1,194	1,122	-133	216	152	828	129	276
Quarterly profit attributable to owners of the Company	624	1,082	1,008	836	-119	176	120	689	80	137
EBITDA	3,236	4,324	2,794	2,525	-86	240	448	1,003	129	276
Note	See P14 "total operating revenue after deducting financial expenses and cost of sales" for more details. See P15 "SG&A" for more details		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			

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Page 13 shows YoY comparison by segment for the six months.

Compared with the same period of the previous fiscal year, all segments saw rises in revenue.

With regard to profits, although pre-tax profit decreased slightly in the US Segment, all other segments enjoyed profit growth.

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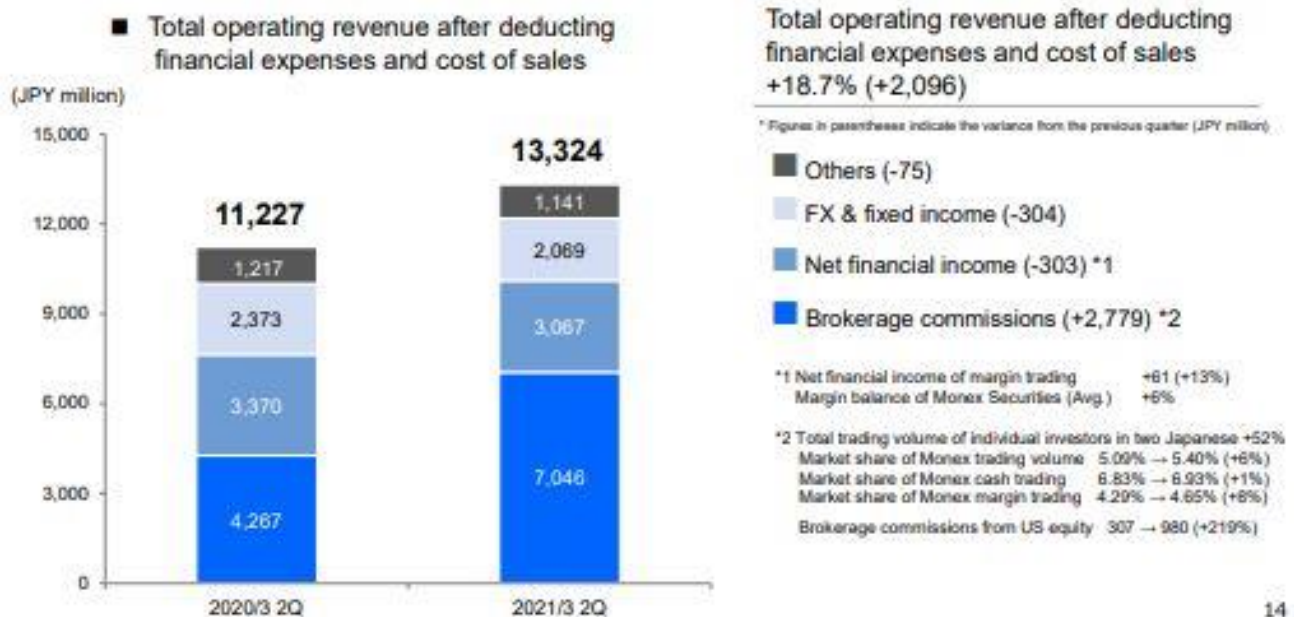
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**Japan : Increased market transactions and multiple measurements drove Monex's market share for Japan equities higher, especially in margin trading, leading to a 65% increase in brokerage commissions YoY**



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I would like to give brief accounts of each segment.

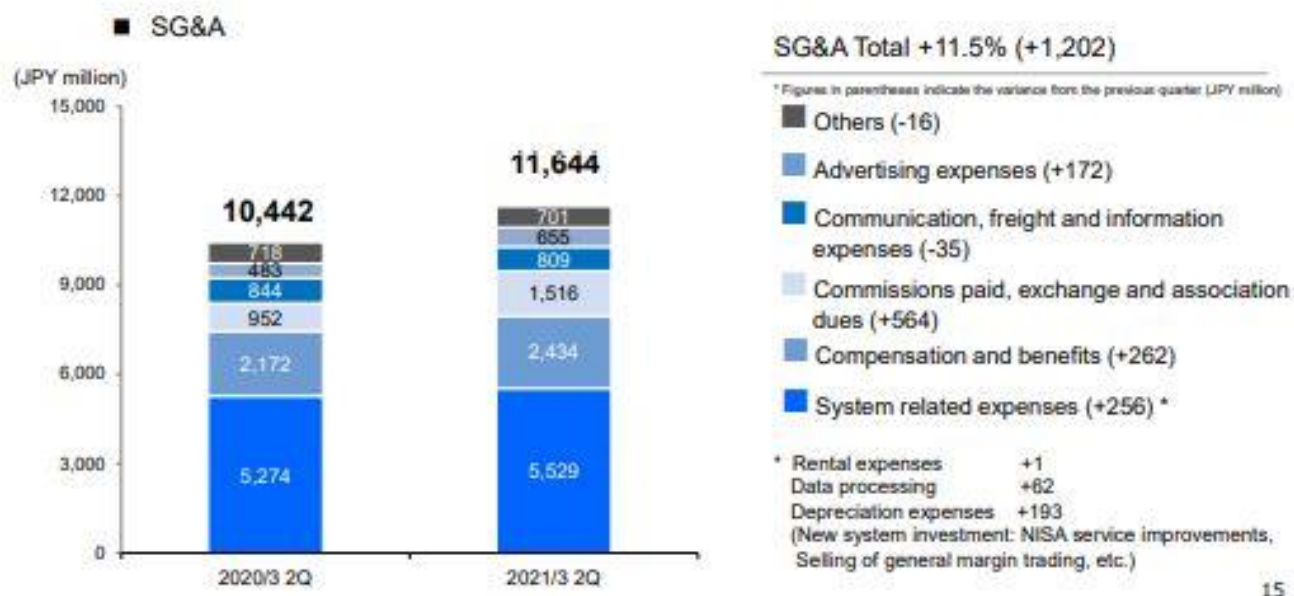
First of all, in the Japan Segment, the trading value in the stock market increased 1.5-fold YoY. Brokerage commissions increased even further.

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**Japan :** Larger trading volume drove higher variable costs. Depreciation expenses increased due to a new system investment in margin trading services and in NISA services for better usability



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Although net financial income and FX and fixed income declined, total operating revenue rose 18.7%. SG&A expenses also rose 11.5%, mainly due to variable costs and depreciation.

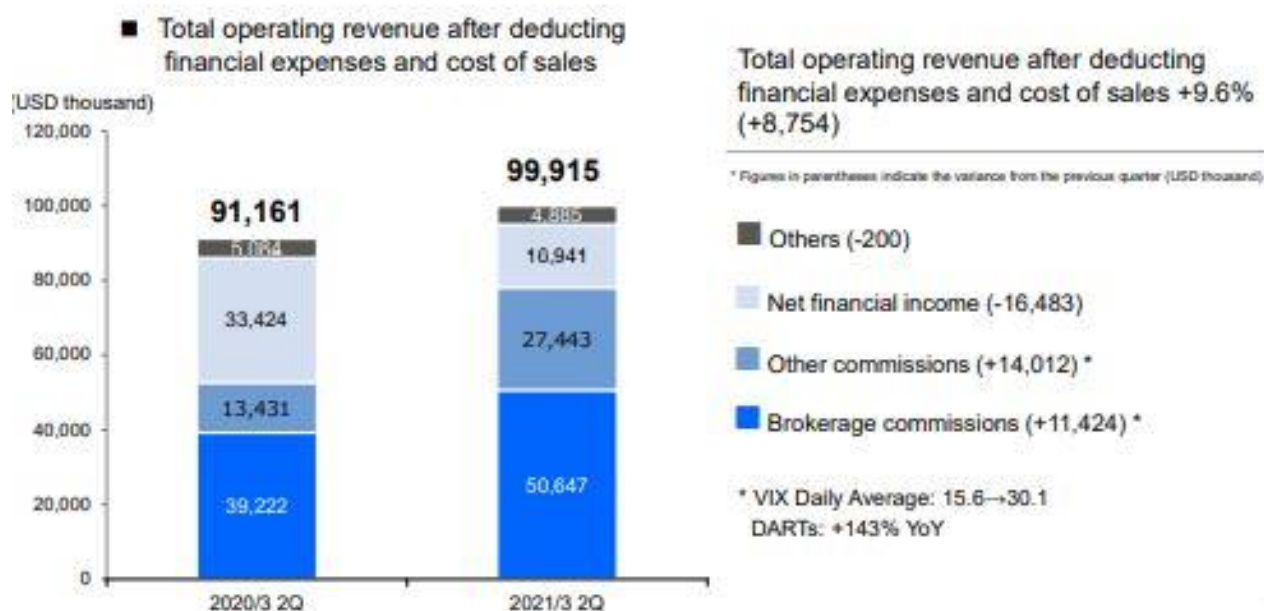
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**US :** Brokerage commissions and other commissions increased significantly due to larger trading volume driven by growth in commission-free plans and higher volatility (VIX). This drove an increase in total revenue despite a decline in net financial income due to lower interest rates



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In the US Segment, YoY comparison showed that brokerage commissions and other commissions grew significantly due to the very brisk market.

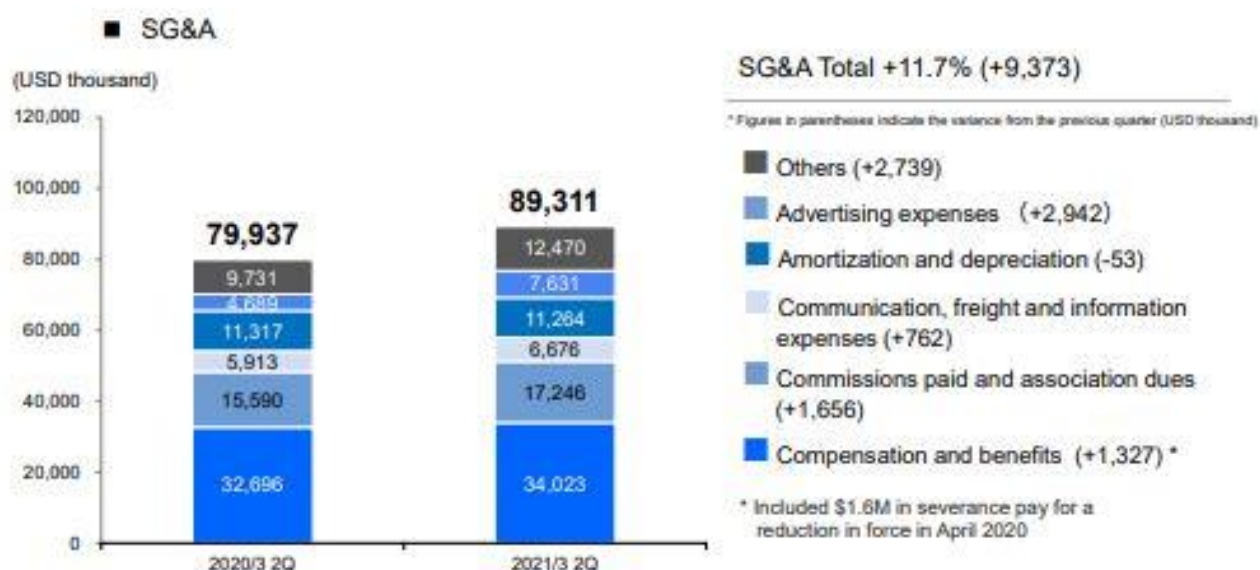
On the other hand, net financial income decreased by half as market interest rates declined. However, total operating revenue increased 9.6% due to the large increase in commissions as mentioned above. As a result, SG&A expenses also increased 11.7%, mainly in variable costs and depreciation.

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**US : Higher advertising expenses for TradeStation Crypto and YouCanTrade.  
Larger trading volume drove higher commissions paid and association dues**



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In the Asia Pacific Segment, trading in the Hong Kong market was very active. Total operating revenue jumped 2.4-fold YoY. SG&A expenses also rose 22.6%, mainly in variable costs.

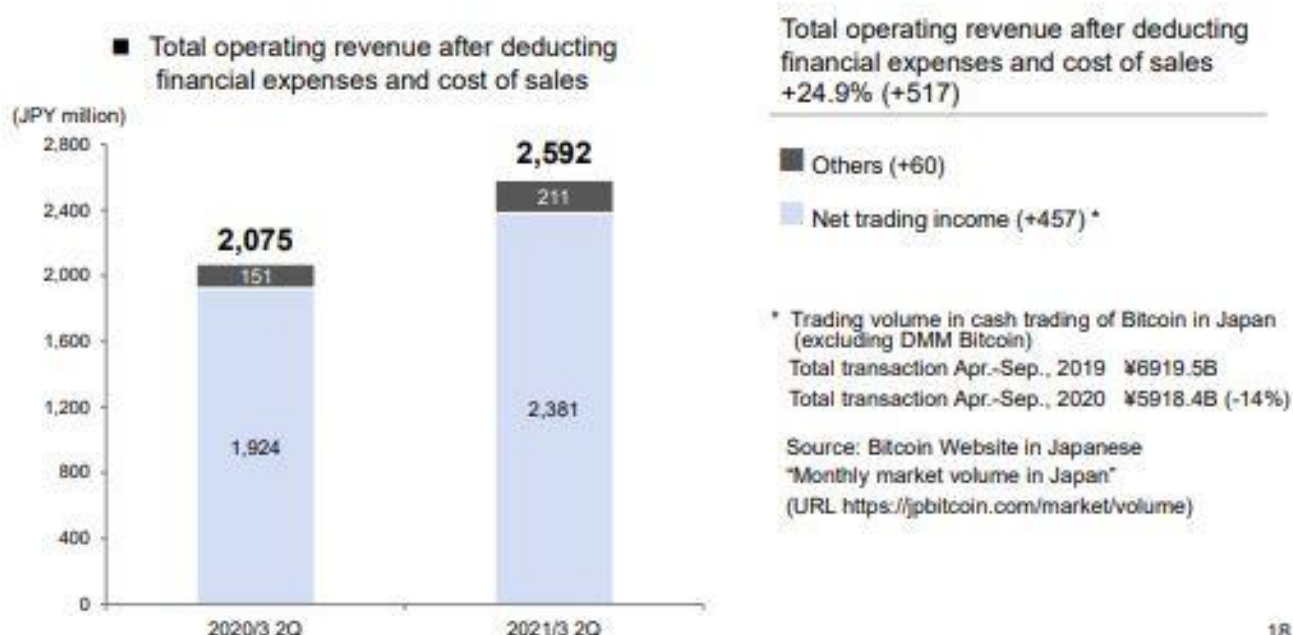
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**Crypto : Despite lower market trading volume(\*) of BTC, customer trading volume at Coincheck remains almost flat YoY. Favorable transaction volume of Altcoins led to a 24% increase in net trading income**



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In the Crypto Asset Segment, operating revenue increased 24.9% YoY as the virtual currency market was very active. SG&A expenses declined 8.1%. Though personnel expenses increased slightly as a result of an increase in the allowance for performance-linked bonuses, mainly clerical work outsourcing expenses decreased.

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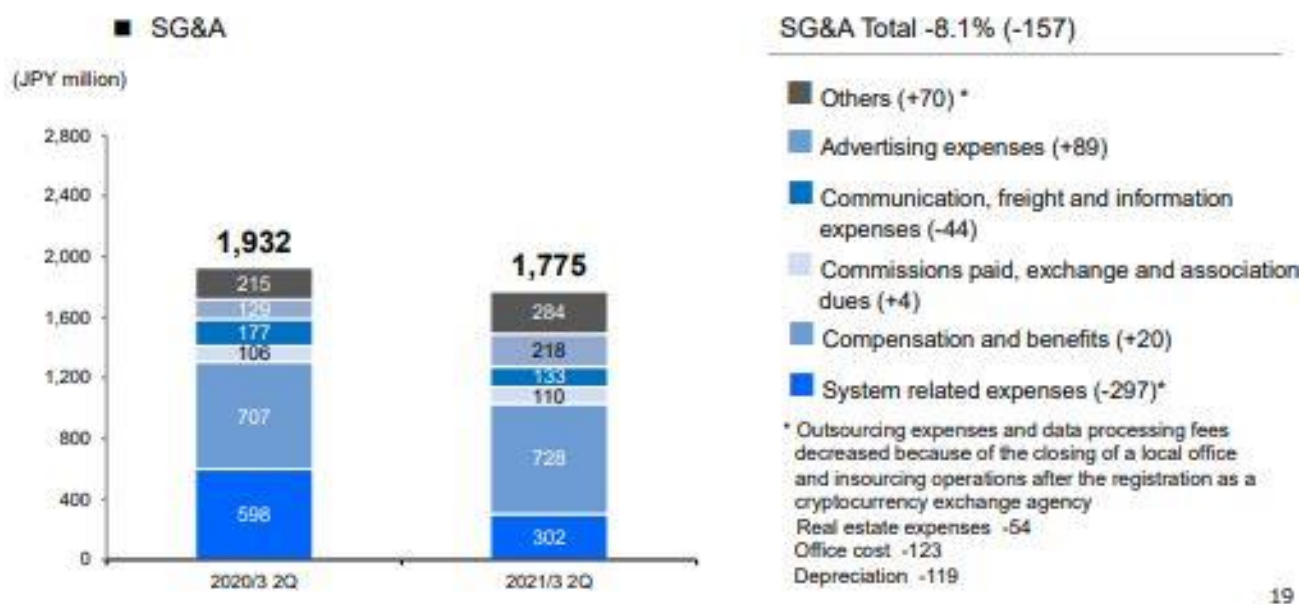
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**Crypto** : Effect of restructuring of fixed costs, such as system related expenses, in the first half of last fiscal year kept contributing to a reduction in expenses



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In the Investment Segment, total operating revenue increased JPY159 million as there were unrealized gains on securities holdings. SG&A expenses rose only JPY12 million.

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(JPY million)

	1Q FYE Mar. 2021 (Apr. 2020- Jun. 2020)	2Q FYE Mar. 2021 (Jul. 2020- Sep. 2020)	Variance	Rate of change	Reference
Total operating revenue after deducting financial expenses	13,208	13,898	+689	+5%	P22: Analysis of Japan segment P24: Analysis of US segment (USD) P26: Analysis of Crypto Asset segment
SG&A	11,264	11,587	+322	+3%	P23: Analysis of Japan segment P25: Analysis of US segment (USD) P27: Analysis of Crypto Asset segment
The amount equivalent to operating income	1,944	2,311	+367	+19%	
Other income / expenses (net)	47	-150	-197		Breakdown in DATA BOOK P18. = Quarterly consolidated financial results (Other income and other expenses)
Quarterly profit before income taxes	1,991	2,161	+170	+9%	
Quarterly profit attributable to owners of the Company	1,425	1,494	+69	+5%	
EBITDA	3,969	4,377	+408	+10%	

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Please jump to page 20, which shows QoQ comparison of the July-September and April-June results.

Total operating revenue after deducting financial expenses increased 5% QoQ to JPY13.898 billion. Quarterly profit attributable to owners of the Company also increased 5% to JPY1.494 billion.

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## QoQ Comparison (3 months) Segment Performance

	Japan		US		Asia Pacific		Crypto Asset		Investment	
(JPY million)	2021/3 1Q	2021/3 2Q	2021/3 1Q	2021/3 2Q	2021/3 1Q	2021/3 2Q	2021/3 1Q	2021/3 2Q	2021/3 1Q	2021/3 2Q
Total operating revenue after deducting financial expenses and cost of sales	6,811	6,513	5,326	5,346	324	394	820	1,773	169	144
SG&A	5,777	5,867	4,790	4,749	264	272	717	1,059	19	18
The amount equivalent to operating income	1,034	646	536	597	60	122	103	714	151	126
Other income / expenses (net)	113	-81	-11	0	6	27	-1	12	-0	-0
Quarterly profit before income taxes	1,147	565	525	597	66	149	102	725	150	126
Quarterly profit attributable to owners of the Company	747	335	428	408	51	125	111	578	88	49
EBITDA	2,327	1,997	1,250	1,275	90	151	195	807	151	126
Note	See P22 "total operating revenue after deducting financial expenses and cost of sales" for more details. See P23 "SG&A" for more details.		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.			

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The breakdown by segment is shown on page 21.

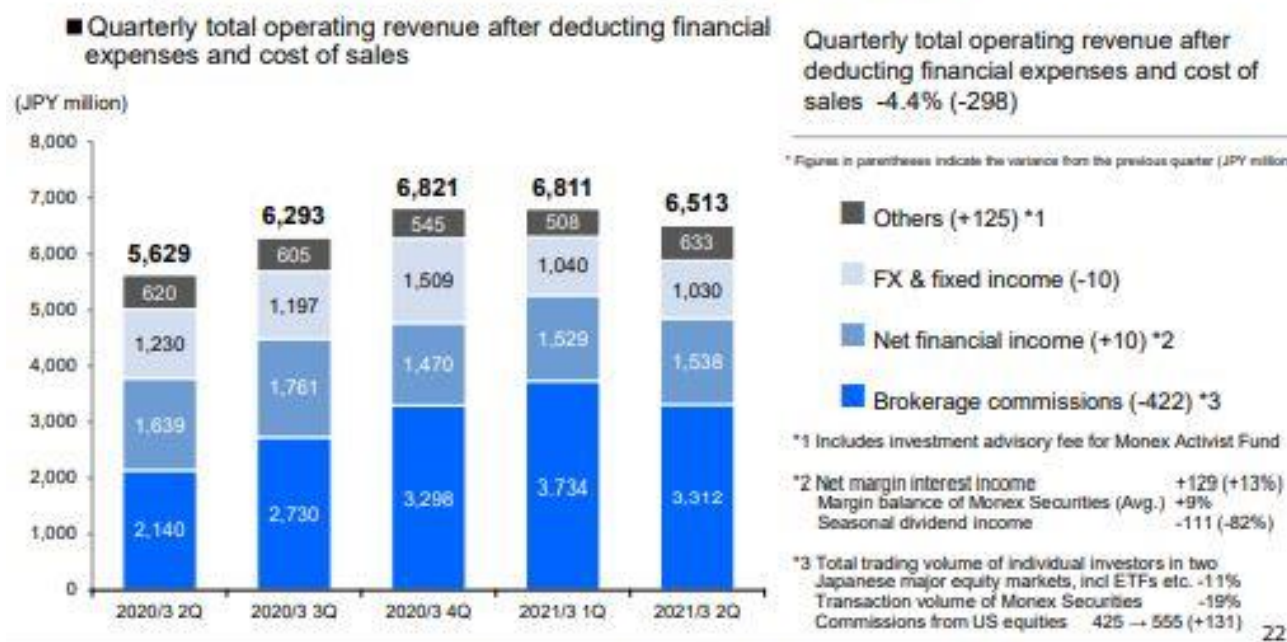
On a pre-tax profit basis, the US, Asia Pacific, and Crypto Asset Segments saw QoQ rises in both revenue and profit. The Japan and Investment Segments incurred QoQ falls in revenue and profit. However, all segments achieved profits for three consecutive quarters.

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**Japan :** Although Japanese equities commissions decreased because of the slow market, total revenue is continuously strong due to an increase in net financial income driven by higher margin balances under higher stock prices and better performance of US equities business



I am going to explain revenue and expenses of each major segment in more detail.

First of all, I will explain the results of the Japan Segment. Quarterly total operating revenue decreased 4.4%, or JPY298 million, QoQ to JPY6.513 billion. The main reason for the decrease was an 11% fall in the trading value of individual investors in the market.

Brokerage commissions decreased JPY422 million. Income related to US equities increased significantly.

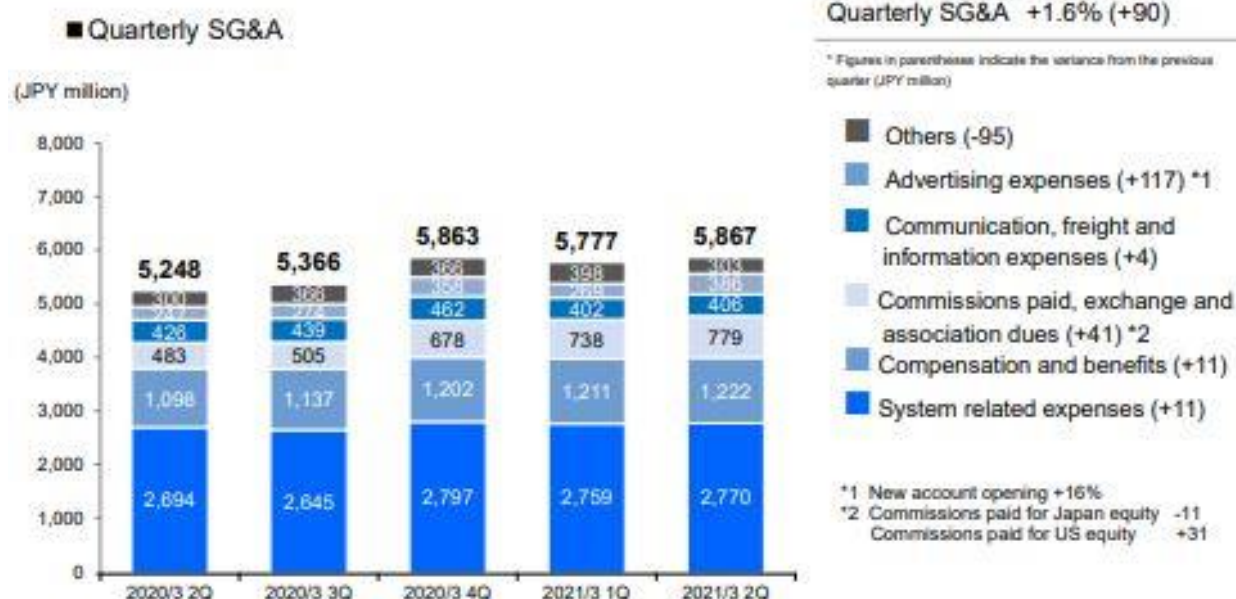
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## Japan : Advertising expenses increased with an increase in the number of application for brokerage accounts at Monex



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Expenses increased 1.6%, or JPY90 million, QoQ to JPY5.867 billion.

In particular, advertising expenses increased in line with a rise in openings of new brokerage accounts. But expenses showed a slight QoQ increase.

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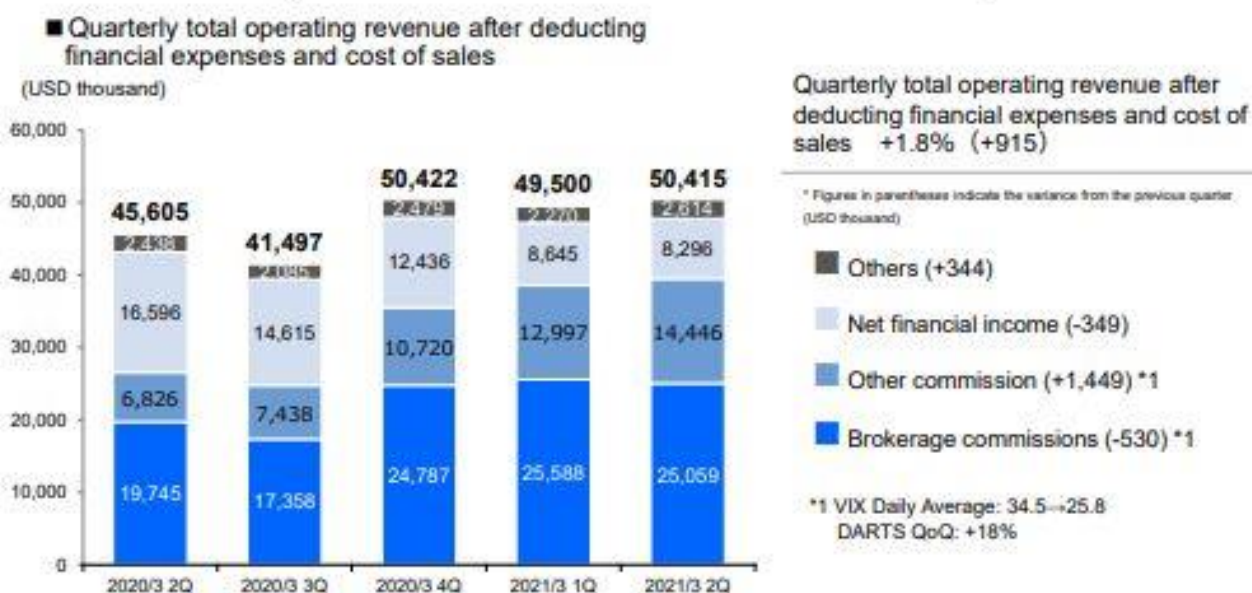
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**US :** Other Commission increased as commission-free plans drove increased trading volumes in equities and options despite lower volatility. Brokerage commissions were lower, though, due to the additional impact of lower futures trading volumes and commissions from lower volatility



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In the US Segment, quarterly total operating revenue rose 1.8%, or USD920,000, QoQ to USD50.41 million.

As shown by the VIX index and others, volatility in the market declined, and brokerage commissions decreased USD530,000. In addition, net financial income decreased USD350,000 due to lower interest rates.

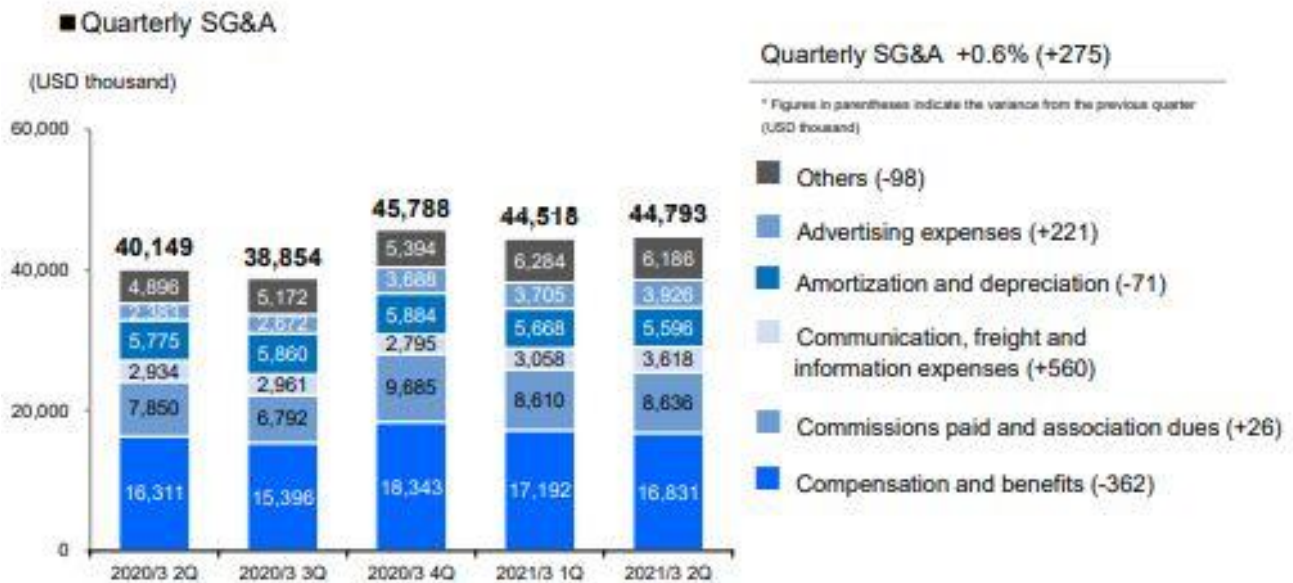
On the other hand, commission-free plans succeeded in boosting the number of transactions, or DARTs. There was also a rise in the so-called payment-for-order-flow, leading to an increase of USD1.45 million in other commission revenue, more than offsetting the negative factors and leading to the overall QoQ rise in operating revenue.

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**US : Total expenses remained flat QoQ although marketing of new businesses increased to diversify future earnings**



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Expenses in the US Segment rose 0.6%, or USD280,000, QoQ to USD44.79 million. This was mainly due to an increase in advertising expenses, mainly for new businesses.

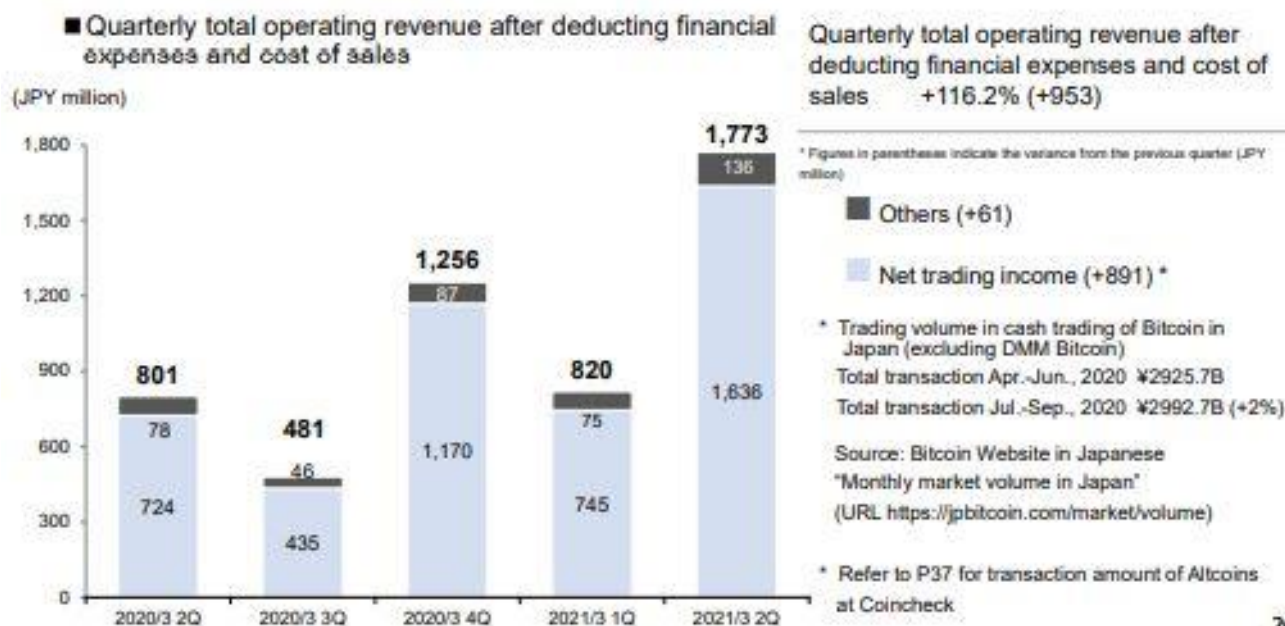
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## Crypto : Highest quarterly revenue since Coincheck joining Monex Group. Net trading income largely increased driven by higher trading volume of altcoins at the marketplace



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Finally, the Crypto Asset Segment, or virtual currency business.

Total operating revenue more than doubled the first quarter result, rising 116.2%, or JPY953 million, to JPY1.773 billion.

Trading volume of bitcoins increased only 2% QoQ. However, trading in another virtual currency called altcoins increased sharply, leading to a rise of JPY891 million in net trading revenue.

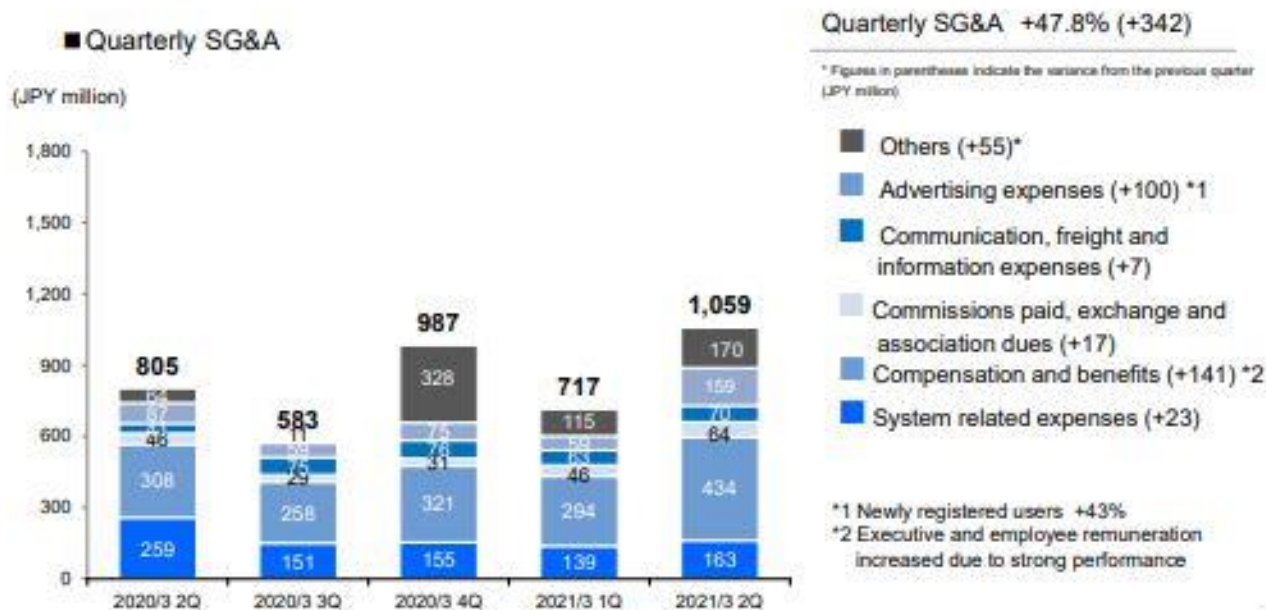
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## Crypto : Higher advertising expenses for the spike in new account openings and higher compensation and benefits



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Expenses increased 47.8%, or JPY342 million, QoQ to JPY1.059 billion.

As in equities, a surge in new account openings led to a rise in advertising expenses. The good business performance also boosted provision for bonuses and personnel expenses.

However, as operating revenue grew significantly as a whole, profits grew very sharply in the second quarter.

The explanation of the consolidated financial results is over.

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## Cooperation with TradeStation leveraged growth in customer base of US equities

### Japanese equity

- Lowered commissions on Japanese stock trades; one-day flat rate for cash/margin trading and per-trade commissions for margin trading. Competitive commission is one important part for our asset-management model transformation
- Various measures, such as system enhancement of general margin trading, drove Monex's margin balance share higher

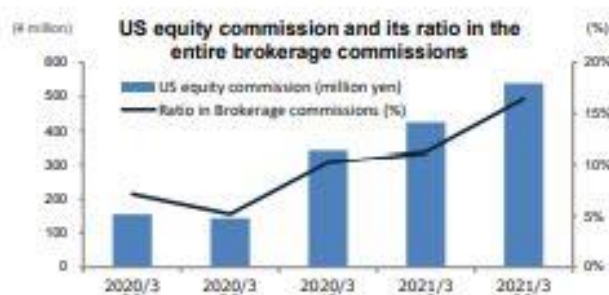
Margin Balance	2020/3 1Q-2Q	2021/3 1Q-2Q	Changes
Monthly share average	5.19%	5.71%	+52bpt

### Securities lending

- In response to customer requests and regulation changes, Monex Securities will start allowing margin account holders to use their collateral stocks to receive stock-lending interest starting November. This will accelerate the growth of the revenue from our stock-lending service

### US equity trading

- Cooperating with TradeStation, Monex Securities can offer outstanding US equity services to Japanese retail investors such as the largest number of US equities, speedy symbol additions, commissions table of the lowest standard in the industry, off-hour trading, and multiple way of orders including stop-price orders
- US equity revenue ratio in total brokerage commissions is increasing and reached 17% for this quarter. Number of transactions and active accounts has more than tripled YoY



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**Matsumoto:** Now, I will explain a little bit about the business situation.

First, please see page 31. This is about the situation in Japan.

The upper left part describes that the share of margin trading increased 0.5 percentage point to 5.7% from 5.2%. It may not seem to be a big change, but this is a very important change from our point of view. We managed to strengthen our relatively weak point of margin trading.

Looking at the right side, the ratio of US equity revenue rose to 17% of total brokerage commissions. In short, US equities account for around one-fifth of the brokerage business. As we have TradeStation within the Group, there are various advantages: We can buy and sell in pre-market and post-market sessions, we can place various conditional orders, or we can add new issues quickly.

Against the backdrop of increased interest in the US stock market, this business is growing steadily. Going forward, we hope to continue to expand this business, which has an overwhelmingly competitive edge against other companies in terms of the product lineup or the levels of commissions as an essential source of competitiveness, since we have the full-line online brokerage within the Group.

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## Transforming business into asset-management model, and expanding new initiatives

### Mutual Funds

- Daily installment service was launched in January, which drove growth in the number of installment accounts by 7% QoQ (about **60k in total**)



### Enhancement of NISA Service

- System renewal for NISA service enables users to seamlessly transfer money between general brokerage accounts and NISA accounts. Also the periodic installment service of mutual funds is now available for NISA account

### ON COMPASS+

- Shizugin TM Securities, a subsidiary of Shizuoka Bank, will start offering ON COMPASS+, a face-to-face type of incremental investment trust service. Added to the offering of ON COMPASS (online offering), this cooperation will further strengthen the synergy effect with Shizuoka Bank

### IFA - Independent Financial Advisor

- Under the concept "**Premium IFA**," Monex entered into contracts with six IFAs carefully selected from a large number of applicants. With an advantage in bond business, revenues from bond sales in Sep via IFAs was almost the same as that from online offering

### ferci – Trading community app

- Designed for people of frequent smartphone users, ferici steadily increased its peer-to-peer communication. 65% of people who open accounts via ferici is under 39 and have never had a brokerage account, creating a new customer base for Monex Securities

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Page 32 shows transformation into an asset-management model.

The number of investment trust accounts for the daily installment service has been steadily increasing. During the consecutive holidays in September, we improved and upgraded various systems related to NISA services.

Regarding the wrap account service, yesterday we issued a joint press release with The Shizuoka Bank. Monex Asset Management has begun offering a wrap service called ON COMPASS+ at Shizugin TM Securities, a subsidiary of Shizuoka Bank.

Though we are a latecomer in the independent financial advisor, or IFA service, we are now steadily expanding the service under the concept of a premium IFA.

There is a smartphone brokerage app called ferici. As most customers who begin investments via this app are inexperienced in investing, this becomes a channel for attracting new younger customers.

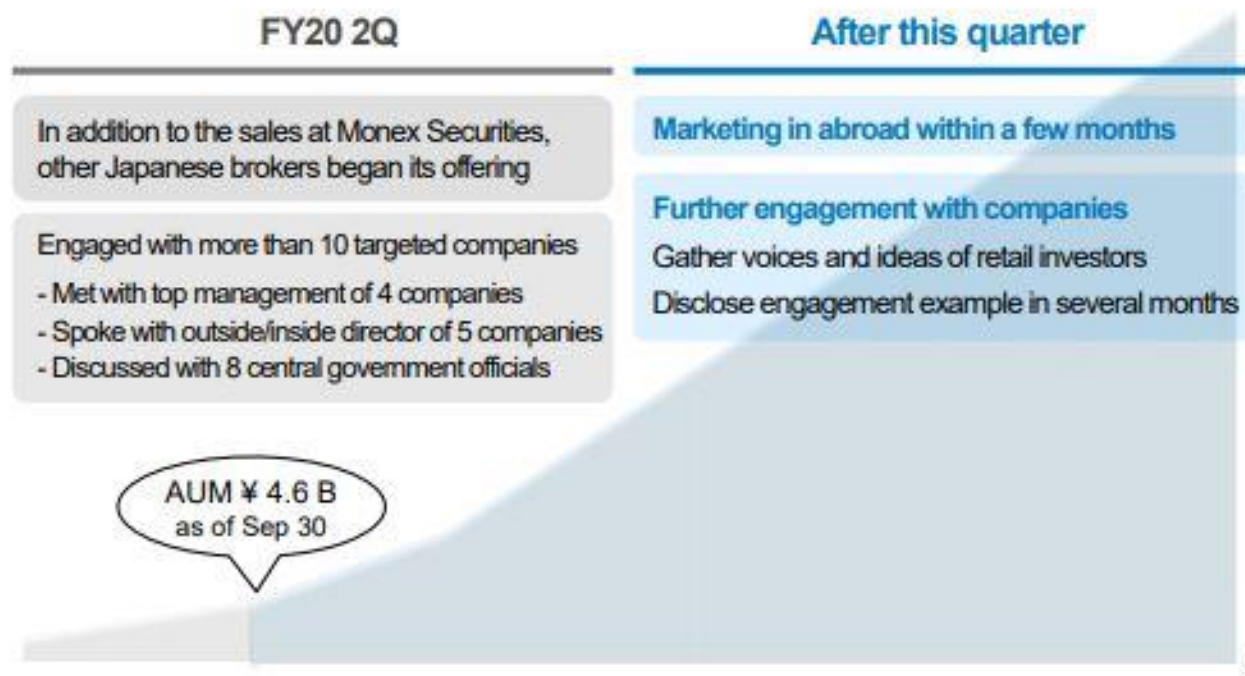
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## Monex Activist Fund implements holistic engagement to several listed companies and plans to expand its sales marketing region to overseas



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Page 33 is about Monex Activist Fund.

The fund has nearly JPY5 billion in AUM. It started the operation in around May or June this year, and we have not changed our target of holding JPY60 billion in AUM on a mother fund basis at the end of June next year.

Of course, the current figure of JPY4.6 billion is far below the JPY60 billion target if you look at the year from May or June 2020 to June 2021 on a straight line basis, but its investment has been performing well as described here.

More than anything else, we have had a good track record of engagements as written here. I have met and talked with the top management of some targeted companies or held meetings with board members of other companies and concluded various engagements.

In Japan, some companies tend to follow instructions from government agencies rather than shareholders. When we consider an engagement related to the reorganization of some listed companies, it is important to know what kind of roadmap is planned by the relevant government agencies, or when we consider an engagement related to the implementation of new technology, the key to the arrangement is to grasp what the relevant authorities consider about deregulation and what kind of schedule they have. Talks with such government agencies are very important for high-quality engagement activity, and we have met with such government officials.

Although I am not able to tell you the specifics of what is written here, I consider that our engagements are rather superior to overseas prominent engagement funds or activist funds than we are equivalent to them, in terms of the grades, number, breadth and depth of the engagements.

From the current quarter, we will begin marketing to institutional investors, mainly overseas ones.

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In addition, against the backdrop of the engagements we have just mentioned, I believe that we will be able to disclose several target companies in a few months, that is: What shareholder proposals we will make and how the companies and their share prices will respond to our proposals.

Earlier, I said that we have a target of JPY60 billion by the end of June next year, and the actual results are far behind on a straight line basis. Unlike face-to-face brokerage firms that accumulate sales with numerical targets, we adopt a pull-type promotional strategy, which attracts customers' attention and encourages them to come to us for purchases. It is very important to create positive events, and in order to do so, it is important to conduct engagement activities and operations with sufficient content, and we are proud that we are well established to do so.

Although the current situation is lagging behind the straight-line target, I believe that there will be positive events or surprises, the fund will draw attention as we give accounts of it in detail, and AUM will firmly grow toward the target. Our final goal is not JPY60 billion, but it is a target for the first year, and we believe that we will be able to increase the amount.

Incidentally, the asset-management modeling of the overall Japan Segment means accumulating various operational capabilities around Monex Activist Fund or Japan Catalyst, Inc., a subsidiary that gives advice to the fund. Under the traditional brokerage model, securities companies provide information and tools to customers and receive brokerage commissions from them when they have concluded transactions. Under an ideal type of the asset-management model, we give concrete advice to increase customer assets or manage their assets on behalf of them and receive fees from them when the assets have increased.

In order to move forward in this direction, it is very important to foster strong investment capabilities in a broad sense within the Group, for both providing advice and managing assets. I believe that we are making steady progress in this direction.

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## Revenue related to trading remains strong even after introducing commission-free plans

### Account Additions & Client Assets

Commission-free plans, API integrations such as TradingView, and market activity drove a strong increase in active accounts and total client assets

2019/9 vs 2020/9

#### Active Accounts

**125K +31%**

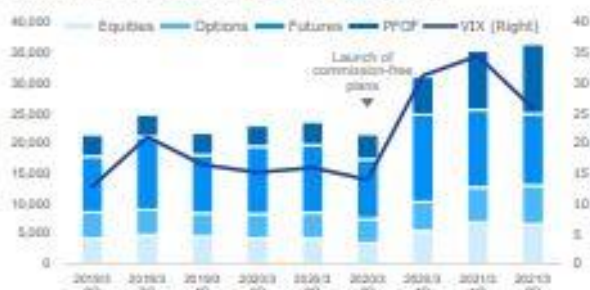
#### Total Client Assets

**\$7,826M +39%**



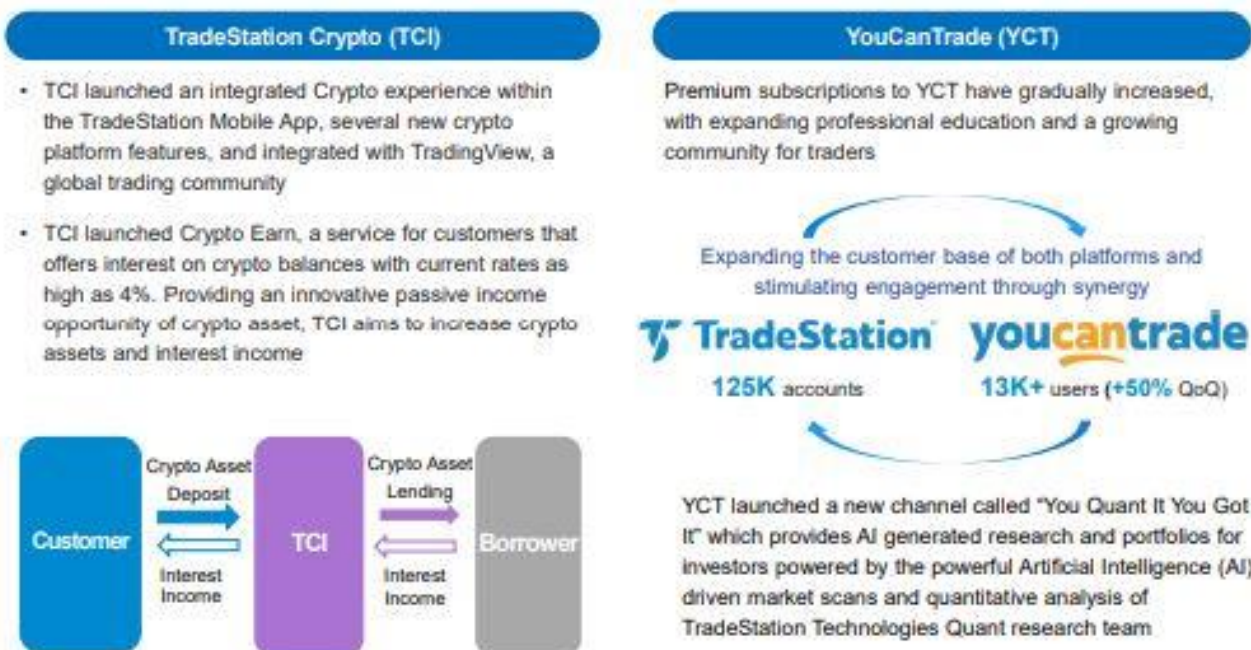
### Brokerage Commissions & Fees

Even though VIX peaked in 1Q, trading volume and revenue continue to be strong driven by account growth





## New business initiatives for revenue diversification



35

Page 35 is about new business initiatives. What I mentioned on the previous page is about the mainstay securities brokerage business.

In the US, we have TradeStation Crypto, Inc. TCI has established an API integration with TradingView, the world's largest trading community of crypto assets, in the area of securities. Since the API connection for crypto assets has also been made, there will be a lot of customers (the "C" of B to C). While the development of that B to C connection was somewhat delayed, another B to B lending business of crypto assets has become a key player in the US

In the US, the business has already obtained licenses in most states except New York and is at a final stage to obtain a license in New York.

In addition, there is also a YouCanTrade business for educating traders by grouping them in a community. It is growing firmly. We have also begun offering a You Quant It You Got It service to generate more trading opportunities using AI.

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Coincheck's core business has been ranked as No.1 for its App DL in Japan. Launched various new businesses for further intermittent growth

### Core Business

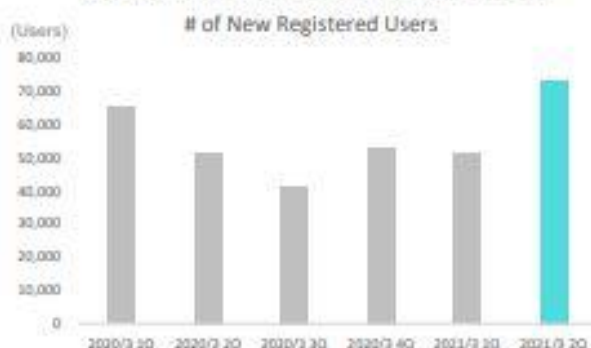
**No.1\***

app DLs in the cryptocurrency exchanges

# of app DL **3.08M**

# of registered users **2.15M**

# of users with ID confirmed **0.99M**



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

### New Business

#### • Sharely - virtual shareholder meeting

In response to digital transformation trends, the team quickly developed a service called Sharely. Already introduced to several listed companies, Coincheck will keep marketing to accelerate its adoption

#### • Initial Exchange Offering (IEO)

Launched a joint project with a joint venture company established by Link-U Corporation. Official release of IEO is scheduled by the end of this fiscal year

#### • NFT Market Place

Began working with several major blockchain game companies to offer its virtual items on the NFT marketplace of Coincheck. Preparations are steadily underway for the launch of the service by the end of this fiscal year

36

Page 36 and some following pages cover the Coincheck business.

First, as shown here, the Company has a firm customer base, and maintains the top position in Japan in terms of the number of app downloads and that of active users.

As shown on the right side, Coincheck does not stand on a single-footing basis of crypto currency trading. It also operates Sharely, a supporting service for virtual shareholder meetings, an NFT marketplace, which is closely related to on-line games, and Initial Exchange Offering, or IEO. Coincheck is firmly expanding businesses other than crypto currency trading through the use of blockchains.

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## Coincheck will continue to focus on adding new cryptocurrencies to revitalize trading and further expand its revenue base

### Revenue Structure

Net trading income is correlated with the trading amount of all cryptocurrencies at Coincheck.  
Altcoin transaction volume drives Coincheck's revenue stream



### Adding New Cryptocurrency

Captures revenue opportunities of the market by having a wide range of cryptocurrency offerings

**No.1 in the number of cryptocurrencies available in Japan exchanges: 14 coins**

Newly added coins in 2Q: BAT, IOST

Two coins among three newly added in 2020 have never been offered at Japanese cryptocurrency exchanges (QTUM, IOST)

Coincheck will keep adding new cryptocurrencies to their exchange/marketplace

37

Please turn to page 37. In the mainstay crypto currency trading, as shown in the graphs on the left, the increase or decrease in the total trading value of bitcoins and Altcoins is highly correlated with trading income at the company.

In other words, not only bitcoins, but also Altcoins are very important in Coincheck's business model. Coincheck is ranked first in Japan in Altcoin transaction volume. It is very important to establish a steady self-regulatory organization and to ensure that the Financial Services Agency and other relevant authorities approve new currencies.

This requires considerable technological and other capabilities at the company. The business has made good progress, adding two currencies in the quarter.

There were ups and downs at the Coincheck business, but at present it has full licenses. In addition, it has the strength, technological expertise, and structure to be able to add new currencies and generate solid profits. Moreover, it has begun new businesses such as virtual shareholder meetings.

Most other companies have difficulty in monetization or in going forward in their relations with the government, but Coincheck is in a situation to be able to go ahead by adding new businesses while making profits.

Recently, various companies, such as PayPal, bought bitcoins. This morning's news says Grayscale Investments purchased a huge amount of BTC. The reason why Grayscale has bought a lot of BTC is because various companies and pension funds, including endowment funds, are buying BTC funds.

Moreover, the Bank of Japan is serious about introducing a CBDC, or central bank digital currency since the BOJ has announced to launch demonstration tests for it next year. Clearly, the environment surrounding crypto currencies is moving forward worldwide, including in Japan, and we have Coincheck, a company that

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can firmly benefit from this environment. Thus I believe that Coincheck will become a more important pillar of profits for the Group as a whole, although it has already become a pillar of profits.

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

### LOOKBLOCK

#### • BLOCK INSIGHT



A web-based media delivering the latest trends in the blockchain and crypto asset industry written by in-house researchers with expertise in the field

Several industry report, such as "Blockchain Databook 2020" utilizing database of LOOKBLOCK, is now available for sale

#### • 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

#### • Cheeese



An app that allows users to earn bitcoins by reading the news and answering surveys. Added a number of partner stores to the "shopping" feature that allows users to earn bitcoins by going through Cheeese before shopping online. Promoting the expansion of the base of crypto assets

#### • GENEX



GENEX has begun developing a platform service for storing and managing whole genome, medical and healthcare information. With the aim to expand into the areas of drug discovery, medical and healthcare field, GENEX has partnered with an industrial company and began discussions with research institutions. Blockchain to be utilized in the platform

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Page 38 shows other examples of blockchain use, such as research. GENEX is a startup that uses blockchains to manage all genomic information and tries to encourage drug makers to use it.

There are various groups that pursue R&D and trials in new areas using blockchains.

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## Customer base continues to expand in each company in Asia Pacific segment

### Monex Boom Securities & Monex Securities Australia

Economic recovery appreciated in the Hong Kong market, an active IPO market and the popularity of US equities resulted in a rapid increase in trading volume

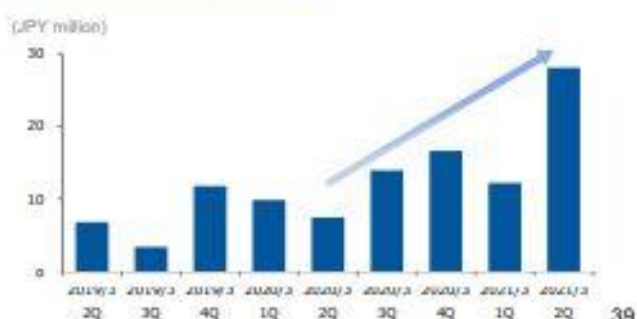


### Cherry Technology Co., Ltd (China)

Providing technology and knowledge of the online brokerage business through a joint venture in PRC. The number of transactions and account openings were both strong due to active trading in the A-share market. Profit in equity method investments was ¥28M.

2020/3 2Q vs 2021/3 2Q

Profit of equity method investments **¥28M +279%**



Page 39 describes the Asia Pacific Segment.

It is not a very big segment, but Hong Kong, Australia, and the joint venture in China showed significant growth, as you can see from these graphs.

With regard to Hong Kong, I read a news article that SBI will basically close its business in Hong Kong and shift to a certain financial architecture plan in Osaka.

We hear that large US listed Chinese companies like Alibaba will be listed in Hong Kong. It is also clear that the Chinese government will very carefully nurture the Hong Kong market. Including the fact that sales activities from Hong Kong to mainland China are becoming easier to operate, we plan to hold exposures to business growth in China, including Hong Kong, through our subsidiary Monex Boom Securities, even though they will, of course, properly control risks.

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## ¥0.13B of segment profit due to valuation gains on investments. Second flagship fund, MV2, is under preparation

Details of MV1 Fund		Investment Portfolio
Features	Active support for startups in product development and growth stages	Growing interest in new consumption styles due to rapid changes in lifestyles and the prevalence of remote work led to significant progress in invested digital businesses such as legal tech, fintech, and logistics-tech, which resulted in ¥ 227 M in valuation gains
Investment Size	2.65 billion yen (Founded in Jan. 2019)	
Investment Record	Invested in 55 start-ups who have advanced and innovative services (As of Sep. 30, 2020)	
Recent Investment Record of MV1		<ul style="list-style-type: none"> <li>Legal-tech: cloud service provider for document editing of contracts and regulations</li> <li>Fintech: providing asset management advice, analysis and proposal</li> <li>Logistics-tech: robotic solutions for plants and infrastructure facilities by utilizing drones</li> </ul>
HR-Tech	B2B SaaS	
Compass	mazrica	
Insure-Tech	Game	Platform
IB	B2B SaaS	ZAICO
EC	RECIPIO	AGU PLUS EASY HELP

\* Including the investments aside from Investment Segment

40

Page 40 covers the Investment Segment.

There were some concerns over the Investment Segment when the COVID-19 pandemic began. Actually, many of the companies in which our Monex Ventures invests are mainly in the digital technology field or they are startup firms in new values and lifestyles. The situation caused by the coronavirus, such as remote working, has supported the Company, and many of the target companies have experienced up round financing. As a result, the funds operated by Monex Ventures generated valuation gains.

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## Appoint an executive officer responsible for promoting each of the seven ESG materiality categories to integrate ESG activities into business management

### 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

#### Appoint officers for each ESG category

- Executive officers are responsible for promoting each ESG categories and periodically report updates to the Board of Directors

#### Other ESG Initiatives this quarter

- Introduced LGBT lectures in Japan to understand the employee's diversity. Introduced a "partnership certificate" issued by Famiee to the Company's benefit application process
- Started PR initiative called "#Tamekatsu" for early-stage investors as an introductory way of making investment in companies committed to creating positive social impact
- Introduced remote work and diversified working styles
- Revised and disclosed the Corporate Ethics and Compliance Guidelines\* and applied them to all Group companies, including those overseas.
- Recommendations to the government on the Corona Perpetual Bond for private investors

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Page 41 refers to ESG.

As written on the right, we engage in various initiatives. Although I cannot tell you today, we would like to conduct visible measures for ESG and disclose outcomes in the future, including the current quarter. The entire Company is working with the issue with strong intentions.

As I mentioned at the beginning, the Group set out a global vision 10 years ago and announced it will go overseas, not just operating in Japan alone. Three years ago, we announced the second foundation and a plan that we will incorporate blockchain and crypto currency technologies.

In line with this, the Group as a whole has firmly expanded beyond the online brokerage business in Japan to the online brokerage business in the US and Asia Pacific, or to the crypto currency business. Moreover, these businesses have actually become the three main pillars in terms of revenue and profits.

In addition, among the three major segments, there are changes like business transformation and diversification of earnings. Though Monex Group is easily included in the category of online brokerage in Japan, each Group Company is developing in each way. As you can clearly see, the online brokerage business in Japan is only part of Monex Group, which has a well-diversified business portfolio as a listed company.

That is all.

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## Question & Answer

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

Participants in this place, do you have any questions? Mr. Hara, please raise a question.

**Hara:** I am Hara from SMBC Nikko Securities. I have two questions.

The first question is about returns and investments. Rating & Investment Information, Inc. downgraded your credit rating to BBB- on October 21. R&I cited that the double leverage ratio is above 100%. It also seemed to view a high total return ratio as a problem. Based on this rating, would you tell us your return and investment policies in the future?

As an additional point, the dividend payout ratio for the first half will be around 40%. What should I think about the consistency with your total return policy of 75% for multiple fiscal years?

**Matsumoto:** We have conducted returns far exceeding the total return ratio of 75% and we plan to limit the result of multiple years to 75% as we committed. In addition, the problem of double leverage can be resolved in various technical ways. We can make the double leverage problem apart from our investment capacity. In this way, while we maintain investment capacity and conduct necessary investments, we will maintain a total return ratio of 75% and eliminate the double leverage issue through various technical improvement methods, as I mentioned earlier.

Regarding the second question, the dividend payout ratio is 40% for the first half. If profit is at a similar level in the second half, there will be an idea that as our total return ratio far exceeded 75% in the past few years, we will be able to limit the total return ratio for the current fiscal year below that level as our commitment is to maintain 75% for multiple years. However, at present, I have no such idea. Although we happened to pay more than planned in the past, I would like to pay at least 75% every year.

That means that either we will make larger dividend payment in the second half, or, if we will pay similar dividend for the second half, we will have considerable room for a share repurchase, and we will do it in a timely manner.

**Hara:** The second question is about Japanese equities. I am looking at page 22. This time the trading value of Monex Securities was down 19% QoQ, but it seems that the reduction is somewhat larger than those at other companies and then the reduction in the overall market. What is the factor behind that?

Moreover, please tell us what you see the impact of the introduction of a new commission on your profits and losses.

**Matsumoto:** Regarding the first point, if I am wrong, as Monex Securities CEO Seimei is behind me, she will correct my error. We have stopped using the TradeStation platform in Japan since the performance of our current core system, called GALAXY, has improved considerably. We discontinued the TradeStation service due to various issues, such as that we cannot participate in IPOs with the TradeStation platform.

TradeStation was the service for super-active traders, offered in packages of extremely low commissions and others, and there was a fairly large trading volume. But as the service was waived or abandoned, which resulted in the QoQ decline in the transaction volume.

So there was no large decline in revenue, but the trading value dropped sharply.

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Regarding the second point, we calculate that the new commission will have an impact of only a few percentage points. On the other hand, US equities are growing at a very high pace now. In margin transactions, as I mentioned earlier, the share was up 0.5 percentage points QoQ from 5.2% to 5.7%. By offering new services, other services will gain ground. Though there will be an impact of several percentage points, there will be rapid growth that will make up for the impact, so I do not expect a serious impact on the overall businesses and profits and losses.

**Hara:** Thank you very much.

**Matsumoto:** Mr. Tsujino asked an additional question. First of all, for the graphs on page 37, we have not disclosed detailed figures, and I have written the reasons on chat, so please understand the circumstances.

Though the number of cryptocurrency accounts is large, how many of them are active accounts?

I see. There are 990,000 accounts identified by the users on apps, and we have not disclosed the number of active accounts either. There are some accounts that are active but have not yet been verified by the users.

**Participant:** There are no such accounts.

**Matsumoto:** Of the verified accounts, I think that there is a mixture of old accounts recently identified by the users for transactions and new ones that need verifications. However, I do not think that the number of actual accounts is sharply lower than that of so-called nominal accounts, but we are sorry that we do not disclose specific figures.

In all of these, there are discussions in the self-regulatory organization about what should be disclosed according to what rules. However, the discussions have not proceeded well since we are probably the only listed Company among the participants.

The Coincheck business is already an important property for us. In providing information to investors, or shareholders in Monex Group, I think we must provide more details so that they will be able to grasp the business status more clearly. I understand your request, so we would like to work on it a little harder.

Do you have any other questions?

We are benefiting from the market and external environment to a large extent. Unlike the circumstances around some other industries, business categories, and companies, all of our Japan, US, and Crypto Asset Segments are largely divided into two cases.

First, equities and crypto currencies are rising indefinitely as a result of super-monetary easing and super-quantitative monetary easing. Second, people spend more time on online trading due to remote working and others. The multiplication of these two factors clearly supports the businesses of Monex Securities, TradeStation, Coincheck, Monex Ventures, and Asia Pacific.

While we have to leverage these supporting factors, Coincheck, for example, has well established such a formation, or the US subsidiary has nearly completed transformation to cope with the falls in interest rates and commissions.

Meanwhile, in Japan, there is a very important mission of promoting the asset-management model. Monex Activist Fund is taking the lead, accumulating human resources and expertise, and operating very favorably.

If you have no more questions, we will finish the session and please contact us later if you have any additional questions.

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Thank you for joining today.

[END]

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1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
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