



MONEX GROUP

MONEX GROUP, INC.

Third Quarter Financial Results Briefing for Fiscal Year Ending March 2020

January 31, 2020

Event Summary

[Company Name]	Monex Group, Inc.		
[Event Type]	Earnings Announcement		
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[Participants]	50		
[Number of Speakers]	2		
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Presentation

Matsumoto: Now we will start. This is Monex Group's financial results briefing for the Q3 of the fiscal year ending March 31, 2020.

After I talk about the direction of the Company in the beginning, and the CFO, Katsuya, will talk about the quarterly results, I would like to talk about the business situation and the future.

In general, the quarter from October to December did not have a major or extremely large event compared to the previous quarter. However, in general, the results were better than expected by the Japan segment. There was not much of a difference in the overall connection regarding the results.

On the other hand, regarding structural changes within the Group companies, as we have talked about this at our briefing three months ago. We are going to shift from a broker model to an asset management model in the Japanese segment. Regarding shifting to our business model for the entire Group like this one, I think this quarter looks like we have seen a solid direction, have action plans, and have taken action.

I will briefly explain.

Business transformation 1/2



Each segment is striving to create new business models to adapt to the changing business environment

Japan

Japan Segment plans to transform from a brokerage-model to an asset-management model that aims to increase client assets after deducting commissions and management fees. Japan Catalyst, Inc. will drive the development of asset-management and asset-creation businesses

US

New business initiatives, including the introduction of an education platform, intend to offset commission decline resulting from customers' shift to TS Go/Select and to further increase and diversify its revenue stream in the medium-term

Crypto Asset

Coincheck has drastically reduced costs to cope with possible low market trading volume, with the aim to secure an increase in profits during a market recovery

3

This is on page three.

First of all, in Japan, we are promoting the transition from this broker model to an asset management model. What this means is that in the US the elimination of online brokerage commissions has been accelerating since October. In Japan, even if commissions have fallen to zero, it would not be worthwhile for customers to trade

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2

them and not increase their assets. There is no point in eliminating commissions if assets decrease, and it is our customers' desire to see that their assets are increasing steadily, even after paying commissions and management fees. We also believe that we should firmly commit to our corporate objectives.

Our goal is to expand our business with the aim of increasing our client assets after deducting fees and management fees, which is the transition from a broker model to an asset management model.

In this context, I would like to focus on strengthening the provision of management, services, and management advice, as well as strengthening the provision of various assets under management and other services. In this context, Catalyst Investment Advisors were appointed as a leading runner, which we announced about two weeks ago.

Within our group, we have begun to create a management team that promotes an engagement fund that encompasses Catalyst Investment Advisors and activism. I am strongly and deeply involved in this, and we will engage with Japanese companies from a long-term perspective using the money of Japanese individual customers.

We are taking those measures, and we are explaining about the enlightenment activities that focus on the engagement of individual companies to individual investors. The meaning of engagement corporate governance reform to issuing entities, as well as the financial world, government, and the media. By doing this, we are making efforts to promote the shift from the broker model to the asset management model by being a leading runner.

In the US, there is a trend toward zero commissions. At the same time, the conventional TradeStation is working on investment education. In Japan, investment education has an impression of writing books and selling them. However, in the US, the impression of investment education is similar to going to a driving school, open colleges, or community college. In the US, a model has been established of teaching clients about trading and investment on a deeper level and receiving monthly tuition fees like driving schools and community colleges. This is well established within our group.

We will further reinforce this system, add something that creates a community of investors and shares ideas, and strengthen our traditional investment education. By doing so, we will be able to receive the fees associated with our education. At the same time, we will be able to keep our customers for a long time, and we will be able to achieve better trading management and positive results in this way, so that we will be able to maintain a long-term relationship with our customers. It's a model in which we can receive commissions and other fees firmly in our core business as well.

We have been doing this for some time, but we are strengthening it even further as commissions are being reduced to zero. Specific actions are also taken in this quarter. We have released services such as YouCanTrade, which I will explain later.

The crypto assets business. Regarding Coincheck, we decided to break even by steadily lowering costs in a very quiet virtual currency market. By making it almost break even, if the wind starts picking up, and the virtual currency market becomes active, we will be able to make a large profit. In other words, if we think about it on a longer term, we will be able to make a profit in that area either by providing various services related to a database that uses blockchain, or by steadily creating a variety of settlement services using blockchain.

As I will discuss later, we are not only trading virtual currencies in the short term, but also shifting our business to an asset management model rather than just staking services, in which customers can earn income simply by owning virtual currencies. In any event, we have already transformed our business structure into a form in which we can make profits by steadily reducing costs in the short term, and as the business environment changes in the long term.

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Japan Segment will strengthen its customer asset services and promote its transition to an asset-management model

- Japan Catalyst will enlighten individual investors and promote an engagement investment with the aim to increase customers' assets in custody as well as management fee income. This will be a key engine to our business transformation to an asset-management model
- Trust business, IFA and the trading community service "ferci" will serve as asset-management and asset-creation services in line with the various financial needs of our customer base
- US equity services will continue to be enhanced to drive further growth in trading fees



4

Page four shows the image of the Japanese segment in the future. As shown in the graph below, the idea of the Japanese segment after three years from the current situation shows that a major change in the share of the Japanese flow and revenue decrease, while the trust fee and the US flow and revenue increase.

To reduce fees, this is not going to happen at the same speed and scale of the US. However, as I mentioned earlier, we are committed to increasing our customers' assets on the Internet after deducting commissions and fees. However, it would be better that commissions are lower if the services are the same. This is because it is easier for customers to increase their assets on the Internet. If other companies lower their fees in the future under such circumstances, we are thinking of carefully following them within that range so that we can maintain our competitiveness, and we believe the share of the flow and revenue of Japanese stocks will decline.

Meanwhile, while US stocks continue to pay high dividends, which are continuing to rise firmly, they are an important business to increase and build up our assets. We have a subsidiary in the US, which is very strong, and we expect US stocks to grow steadily.

We also expect an increase in trust fees within our group as we steadily launch Catalyst Investment Advisors. In addition, by steadily increasing the balance of investment trusts with Monex Inc., the stock of investment trusts has risen further, and this has led to a kickback in trust fees associated with investment trusts. As a result, the number of security companies has increased, mainly increasing trust fees and bolstering the US stock business, shifting to the right. Another reason why the charts have the same share as the charts become larger is to increase the amount outstanding of financial transactions and margin transactions. However, we would like to increase profits in a well-balanced manner. These business plans have already been written and are in the process of implementing them.

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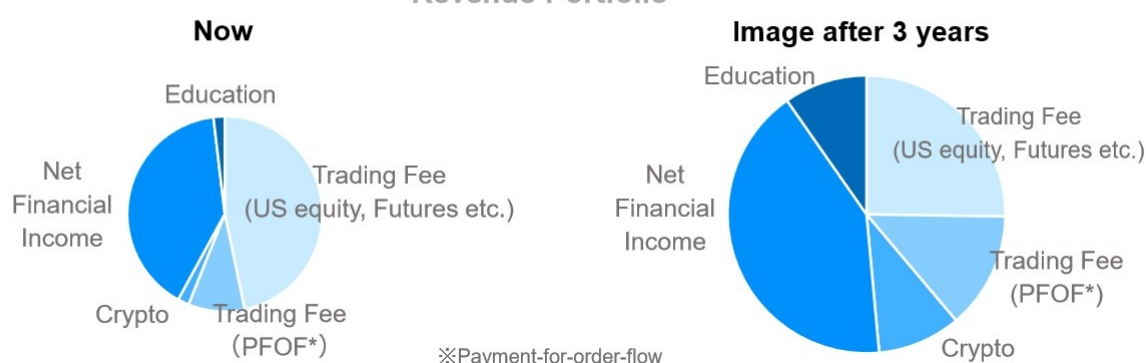
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US Segment will use its new trading experience as leverage to expand and diversify its revenue streams

- “YouCanTrade” will offer educational content and gaming experiences for trading as part of its social networking service. It will not only cultivate new revenue streams, but will also strengthen the existing brokerage business
- New commission-free trading plans will expand our customer base to casual traders, and increase customer assets and net interest income
- New cryptocurrency offering enables to diversity revenue streams

Revenue Portfolio



5

The image of the US is shown on page five. Within three years from the current situation, the pie chart itself will be large, but the portion of the flow and revenue from US stocks will decrease slightly, and the crypto-business and education revenues will increase accordingly. The idea is that Payment-for-order-flow and other flow and revenues will increase. This business plan has been written and put into practice.

For YouCanTrade, as I will explain later, in Q4 of this fiscal year, revenues have increased due to factors such as an increase in tool-use fees for non-active accounts and changes in Payment-for-order-flow fee rates, rather than a giving up on revenues associated with the elimination of commissions, as explained in the second paragraph. This is the kind of reduction in our flow. Revenues on hand are already on the offset. In the future, we will see a decline in our flow revenues as we shift to zero commissions. I believe that we can cover this by expanding our educational community.

Regarding the business of crypto assets. We launched this in November last year, and we have formulated a plan to increase profits through such measures. I will provide you with further details about this later.

Now, let's talk about the actual results from the CFO, Katsuya.

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Japan	Trading volume in Monex Securities increased more than market growth, and segment profit* increased to ¥0.9B.
US	With lower interest rate environment and offering commission-free trading, segment profit dropped to ¥0.3B
Crypto Asset	Despite continuously reducing fixed cost, Coincheck recorded segment loss* due to prolonged lower market trading volume
Asia Pacific	Due to Monex Boom Securities' bad debt reserve of ¥0.11B for its margin loan, segment loss was ¥0.1B (The loan loss provision ratio is 100% with bad debt reserve in 2Q)
Investment	MV I Investment Limited Partnership was expanded its portfolio to 26 companies as of Dec 2019. Recorded valuation loss of shares owned

* Segment profit (loss) = Pre-tax profit (loss). The same hereinafter

6

Katsuya: I am Katsuya, the CFO. I would like to explain the Company's consolidated results.

This page presents a highlight of the results for the three months in Q3. First, we will compare the cumulative results for the nine months of the fiscal year under review with the results for the previous fiscal year, and then I would like to explain the results for the three months.

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(JPY million)	FYE Mar. 2019 3Q (Apr. 2018– Dec. 2018)	FYE Mar. 2020 3Q (Apr. 2019– Dec. 2019)	Variance	Rate of change	Reference
Total operating revenue after deducting financial expenses	36,400	34,434	-1,966	-5%	P13: Analysis of Japan segment P15: Analysis of US segment (USD) P17: Analysis of Crypto Asset segment
SG&A	33,400	31,383	-2,017	-6%	P14: Analysis of Japan segment P16: Analysis of US segment (USD) P18: Analysis of Crypto Asset segment
The amount equivalent to operating income	3,000	3,051	51	2%	
Other income / expenses (net)	222	13	-209	-94%	Breakdown in DATA BOOK P20: Quarterly consolidated financial results (Other income and other expenses)
Quarterly profit before income taxes	3,223	3,064	-158	-5%	
Quarterly profit attributable to owners of the Company	2,696	2,252	-444	-16%	
EBITDA*	9,243	9,098	-145	-2%	

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

11

Page 11 shows our financial results for the nine months. As you can see from the cumulative Q3 in the March 2020 period, the overall result was a decrease in income and profit. Operating revenues after deducting financial expenses decreased by 5% YoY to JPY34.434 billion. Profit for the period attributable to owners of the parent company was JPY2.252 billion, a decrease of 16% YoY.

EBITDA, which measures earning capacity decreased by 2% YoY to JPY9.098 billion. The reason for the large decrease in quarterly income compared with the same period of the previous fiscal year is the loss recorded in the previous fiscal year was included in tax deductibility and the amount of corporate income tax was small, so the decrease in this fiscal year is larger than that in the same period of the previous fiscal year.

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YoY Comparison (9 months) Segment Performance

(JPY million)	Japan		US		Asia Pacific		Crypto Asset		Investment	
	2019/3 3Q	2020/3 3Q	2019/3 3Q	2020/3 3Q	2019/3 3Q	2020/3 3Q	2019/3 3Q	2020/3 3Q	2019/3 3Q	2020/3 3Q
Total operating revenue after deducting financial expenses and cost of sales	20,092	17,521	14,353	14,435	599	357	1,775	2,556	325	119
SG&A	17,315	15,808	13,019	12,926	654	645	3,393	2,515	7	40
The amount equivalent to operating income	2,777	1,713	1,334	1,509	-55	-288	-1,618	41	318	79
Other income / expenses (net)	157	75	-106	-29	11	17	446	-17	-10	-0
Quarterly profit before income taxes	2,934	1,788	1,229	1,480	-44	-272	-1,172	24	308	79
Quarterly profit attributable to owners of the Company	2,423	1,247	911	1,251	-54	-240	-837	-18	279	47
EBITDA	7,348	5,404	3,358	3,870	-2	-199	-1,561	438	318	79
Note	See P13 "total operating revenue after deducting financial expenses and cost of sales" for more details See P14 "SG&A" for more details		See P15 "total operating revenue after deducting financial expenses and cost of sales" for more details See P16 "SG&A" for more details				See P17 "total operating revenue after deducting financial expenses and cost of sales" for more details See P18 "SG&A" for more details			

12

Page 12 shows details according to segment. Looking at the YoY changes, both income and profit increased in the US and in the crypto asset business. The remaining segments recorded declines in both income and profits. Looking at the degree of contribution to profits, the results for both Japan and the US segments are roughly the same.

In the Japan segment, while sales declined due to sluggish individual trading value in the stock market, selling, general and administrative expenses declined mainly due to a decrease in depreciation expenses.

Furthermore, in the US segment, net financial income increased from the same period of the previous fiscal year. This was the main factor behind the increase in both income and profit.

In January of last year, we obtained registration for the virtual exchange business in the crypto asset business. As a result, all of our services contributed to full performance during the year under review, and we were able to reduce costs significantly, resulting in higher income and profit.

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(JPY million)	2Q FYE Mar. 2020 (Jul. 2019-Sep. 2019)	3Q FYE Mar. 2020 (Oct. 2019- Dec. 2019)	Variance	Rate of change	Reference
Total operating revenue after deducting financial expenses	11,397	11,157	-240	-2%	P21: Analysis of Japan segment P23: Analysis of US segment (USD) P25: Analysis of Crypto Asset segment
SG&A	10,446	10,270	-176	-2%	P22: Analysis of Japan segment P24: Analysis of US segment (USD) P26: Analysis of Crypto Asset segment
The amount equivalent to operating income	950	886	-64	-7%	
Other income / expenses (net)	50	-17	-67		Breakdown in DATA BOOK P20: - Quarterly consolidated financial results (Other income and other expenses)
Quarterly profit before income taxes	1,000	869	-131	-13%	
Quarterly profit attributable to owners of the Company	830	573	-257	-31%	
EBITDA	3,035	2,886	-149	-5%	

19

Now for the three months, we'll jump to page 19. In the three months of Q3, operating revenue after deducting financial expenses was JPY11.157 billion, down 2% from the previous quarter. Profit for the period attributable to owners of the parent company was JPY573 million, a decrease of 31%.

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QoQ Comparison (3 months) Segment Performance

	Japan		US		Asia Pacific		Crypto Asset		Investment	
(JPY million)	2020/3 2Q	2020/3 3Q	2020/3 2Q	2020/3 3Q	2020/3 2Q	2020/3 3Q	2020/3 2Q	2020/3 3Q	2020/3 2Q	2020/3 3Q
Total operating revenue after deducting financial expenses and cost of sales	5,629	6,293	4,925	4,514	96	65	801	481	142	-34
SG&A	5,248	5,366	4,336	4,227	225	208	805	583	11	15
The amount equivalent to operating income	381	927	589	287	-129	-143	-4	-102	131	-50
Other income / expenses (net)	48	-26	-15	-2	9	4	13	-25	-0	-0
Quarterly profit before income taxes	429	901	574	286	-119	-139	9	-127	131	-50
Quarterly profit attributable to owners of the Company	311	623	544	243	-103	-121	21	-138	83	-32
EBITDA	1,660	2,168	1,380	1,077	-99	-113	149	-10	131	-50
Note	See P21 "total operating revenue after deducting financial expenses and cost of sales" for more details. See P22 "SG&A" for more details.		See P23 "total operating revenue after deducting financial expenses and cost of sales" for more details. See P24 "SG&A" for more details.				See P25 "total operating revenue after deducting financial expenses and cost of sales" for more details. See P26 "SG&A" for more details.			

20

The breakdown by segment is listed on page 20 as before. Compared to the previous quarter, the Japanese segment posted an increase in income and profit, while the remaining segments posted a decrease in income and profit. Looking at the contribution to profits, the Japanese segment posted the most profit of JPY623 million.

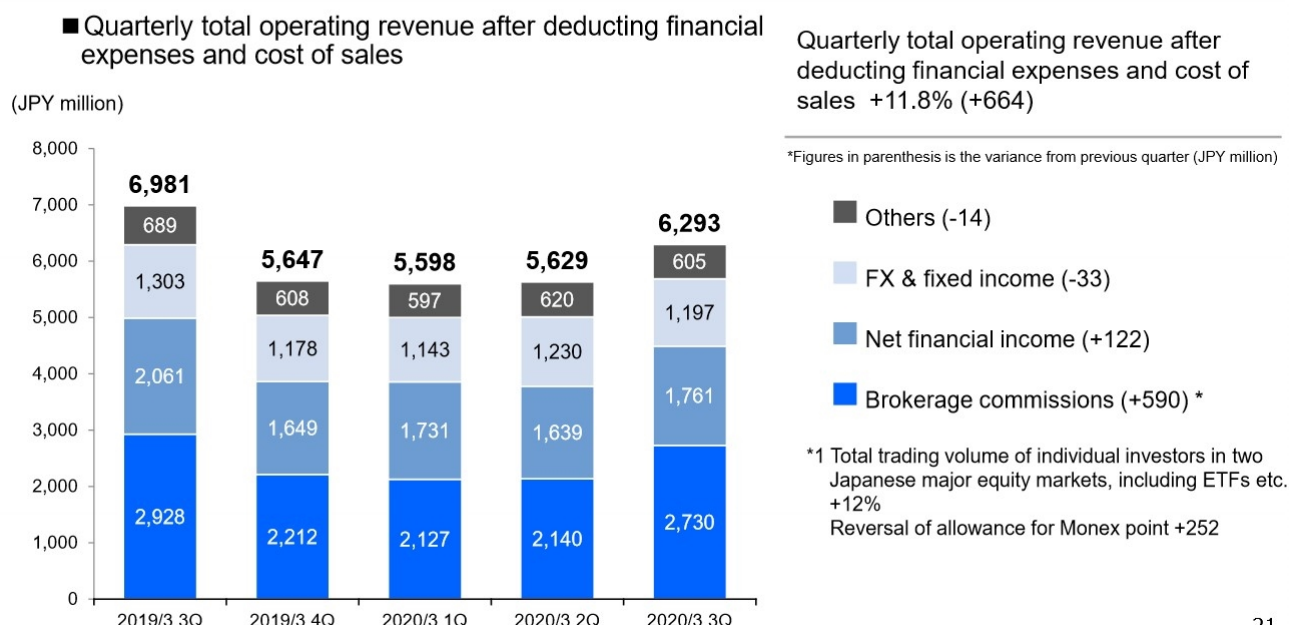
On the other hand, crypto assets and investment business are displayed in red text. For crypto assets, the volume of transactions in the market has decreased since the second quota. In the investment business, several companies we are investing in made fair value adjustments, which resulted in a deficit balance.

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Japan : Trading volume increased more than market growth, and so did brokerage commissions



21

Next, we will explain the major segments from page 21 onward.

Profits in Japan. Net sales increased JPY664 million, or 11.8%, to JPY6.293 billion. The increase was primarily attributable to a 12% increase in individual trading value in the stock market YoY, which was an extremely favorable environment. In addition, when we reviewed our allowance for Monex Points, we experienced a reversal of JPY252million, which increased our brokerage commissions to JPY590 million. Furthermore, net financial revenue increased by JPY122 million due to an increase in dividend income.

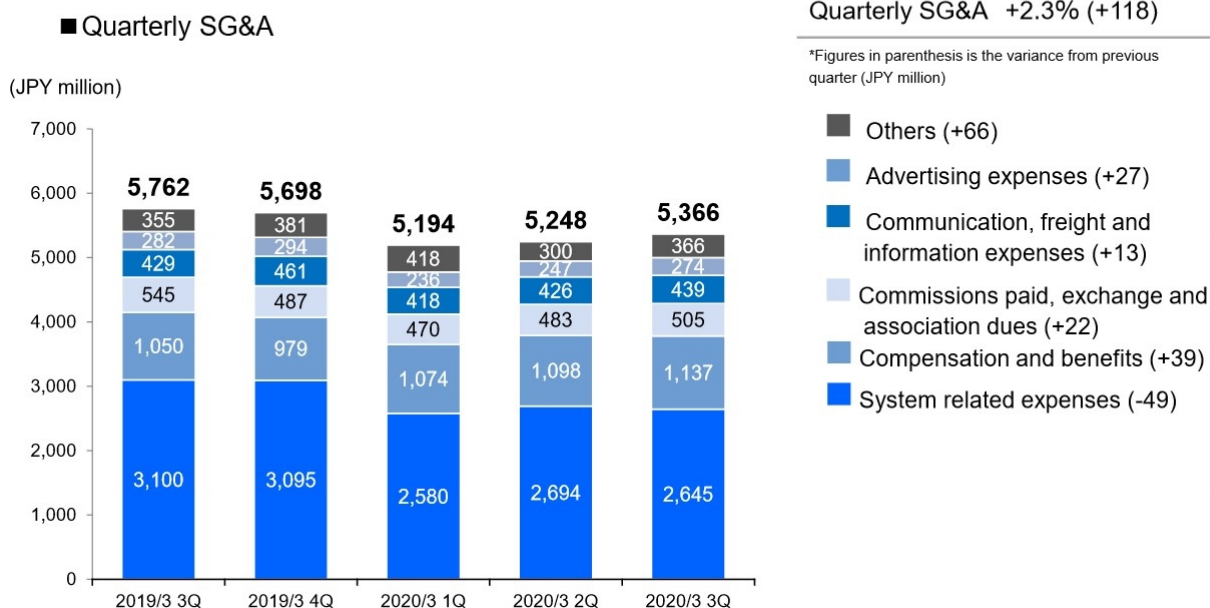
Since December of last year, we have been effectively free of sales commissions for investment trusts and margin trading commissions for ETFs and REIT. However, the impact of the decline in sales has been around JPY20 million in the third quarter, and we expect it to be around JPY100 million for the full year.

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Japan : Total SG&A is well under control despite an increase in variable expenses due to higher trading volume



22

Next, regarding expenses in Japan on page 22, there was an increase of JPY118 million, or 2.3%, from the previous quarter to JPY5.366 billion. This was due to a slight increase in variable costs in line with the increase in revenue.

As you can see from the graph, system-related expenses declined compared to the third quarter of the previous fiscal year. This is the result of the booking for impairment loss for certain assets in the Q3 of the previous fiscal year, and the review of the amortization period from the current fiscal year. For example, compared to Q3 of the previous fiscal year, this will be a decline of about JPY450 million.

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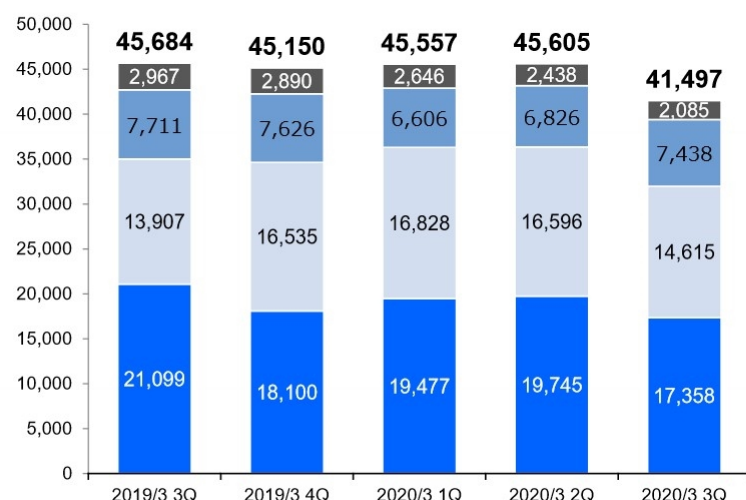
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US : Net financial income declined due to lower interest rate. Brokerage commissions decreased due to lower VIX and an introduction of commission-free trading plans, TS Go/Select

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

(USD thousand)



Quarterly total operating revenue after deducting financial expenses and cost of sales -9.0% (-4,108)

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

- Others (-353)
- Other commission (+613)
- Net financial income (-1,981)
- Brokerage commissions (-2,387)*1, 2

*1 VIX Daily Average: 15.9→13.9

*2 DARTS QoQ: Equities -1%
Options +1%
Futures -14%

23

This is about US revenues on page 23. There was a QoQ decrease of 9%, or USD4.1 million, to USD41.49 million on page 23. The main reason for the decline in revenue was a decline in volatility in the markets, and the introduction of a zero-commission plan, such as TS Go and TS Select. This resulted in a decrease in brokerage commissions. In addition, the overall decline in market interest rates led to a decline in net financial revenue.

On the other hand, other commissions have increased by USD610 billion due to changes in platform commissions for non-active accounts and increases in commissions such as for Payment-for-order-flow.

As for the impact of the aforementioned decline in TS Go and TS Select revenues, we expect it to be around USD0.9 million in Q3, and between USD3 million and USD4 million for the full year.

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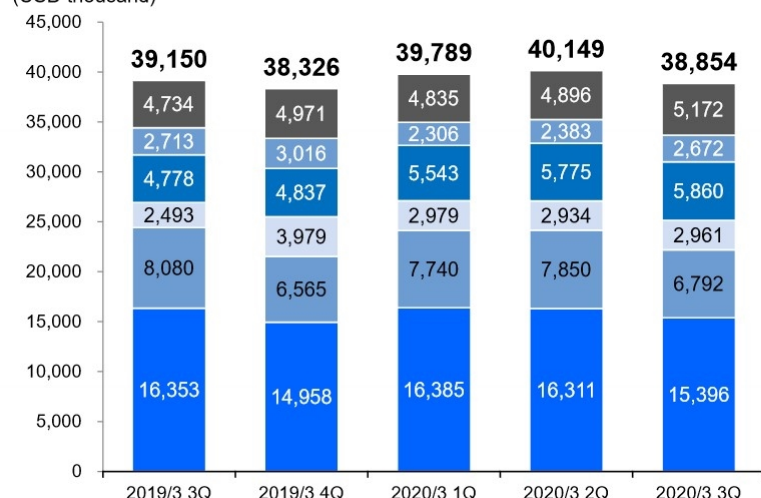
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US : Commissions paid and association dues decreased by lower trading volume, and so did compensation and benefits

■ Quarterly SG&A

(USD thousand)



Quarterly SG&A -3.2% (-1,295)

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

- Others (+276)
- Advertising expenses (+290)
- Amortization and depreciation (+85)
- Communication, freight and information expenses (+27)
- Commissions paid and association dues (-1,058)
- Compensation and benefits (-915)

24

Next, on page 24, our US expenses decreased by 3.2% QoQ of USD12.29 million, to USD38.85 million. The transaction volume has decreased, so the payment commissions have also decreased. In addition, while personnel expenses are decreasing, advertising expenses are increasing. This has been increasing with the launch of new businesses, like YouCanTrade mentioned earlier, or virtual currencies in the US.

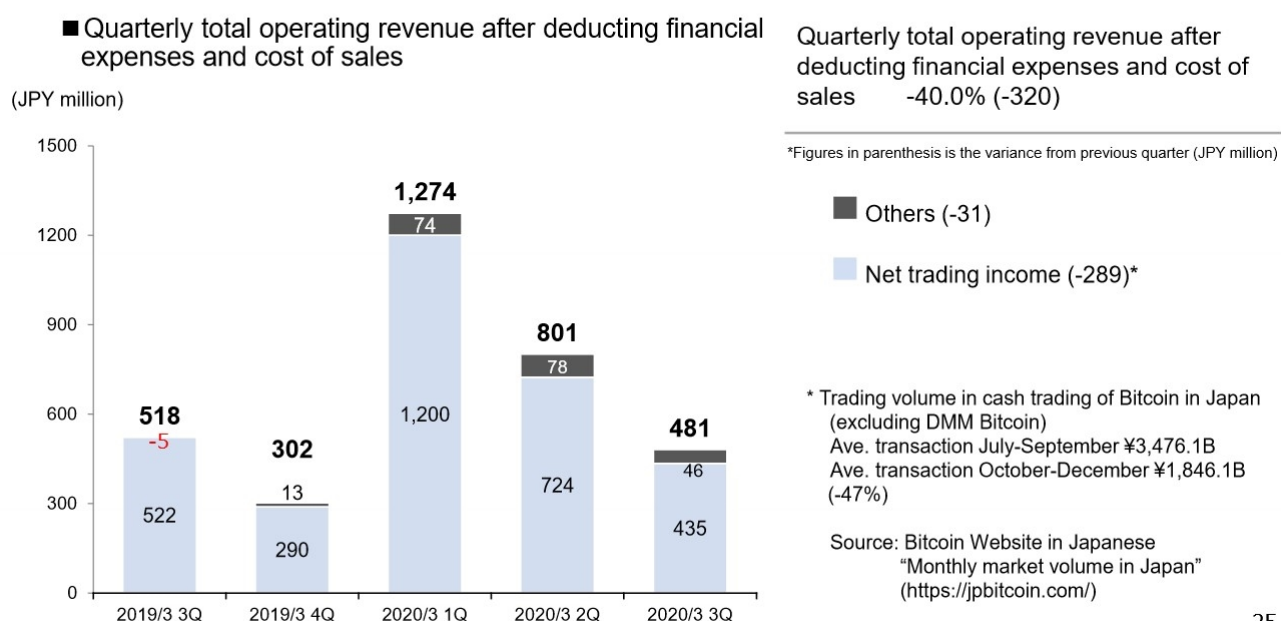
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Crypto : Net trading income significantly decreased against a backdrop of lower market volume since the previous quarter



25

Lastly, on page 25, revenue from the crypto asset business was JPY481 million, a decrease of JPY320 million, or 40% from the previous quarter.

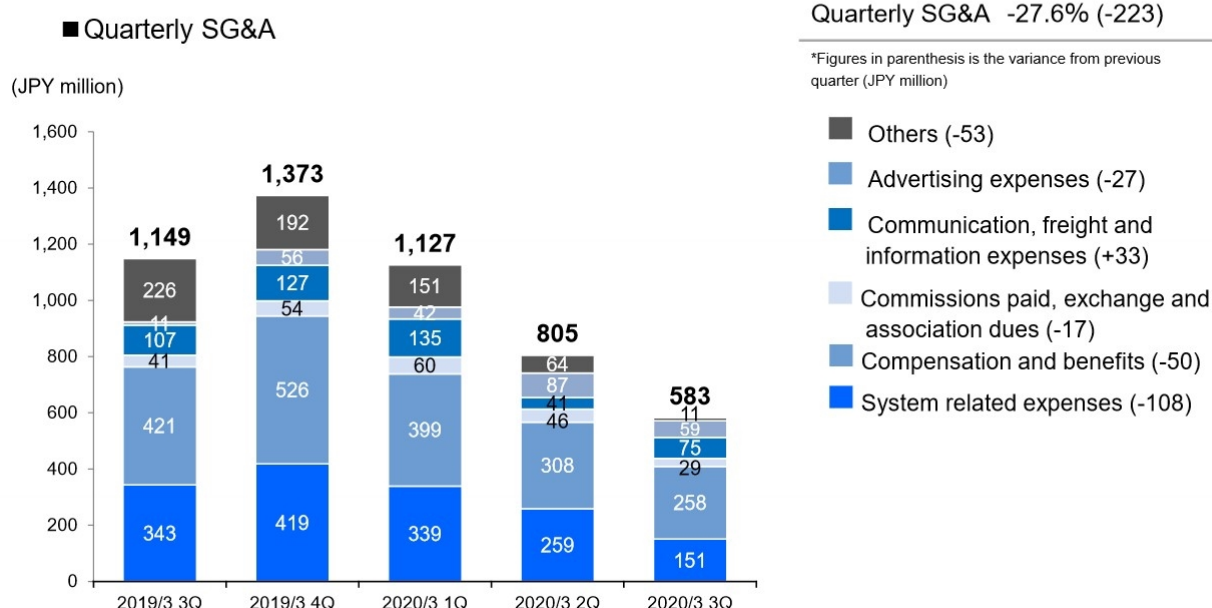
Market volumes of virtual currencies have picked up significantly in 2020 and early this year, but in Q3, they have fallen by 47% compared to the previous quarter. Amid these unfavorable conditions, Coincheck was able to increase the number of new currencies handled, thereby limiting the decline in revenues compared to the slump in the market.

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Crypto : Under prolonged lower trading volume, Coincheck has drastically reduced expenses by 28% QoQ and 58% compared to 4Q FY2018



26

Regarding the costs of crypto assets, please refer to page 26. Since the registering virtual currency exchange business in January 2019, we have lowered costs for a consecutive quarter. Compared with the previous quarter, sales were down 27.6%, or JPY223 million, to JPY583 million. The main reasons are system-related expenses and personnel expenses, as shown here. This segment information is highlighted on page six, which we discussed earlier.

This concludes a description of the consolidated results.

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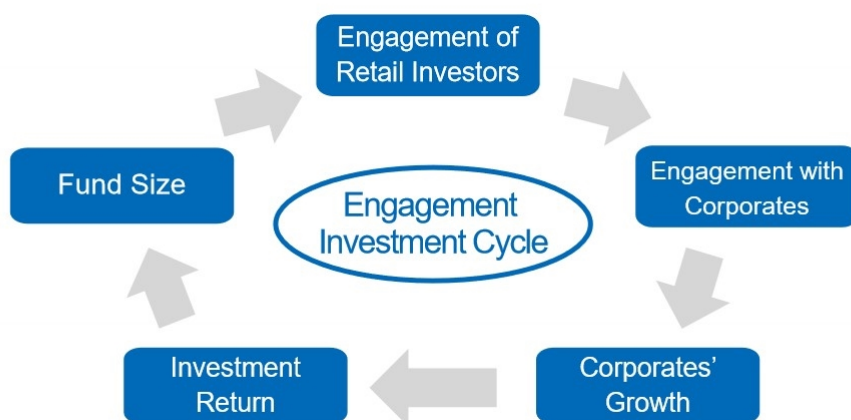
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Japan Catalyst, Inc. was established to create an engagement fund for retail investors

Engagement Investment Fund for Retail Investors

Monex Group is establishing an engagement investment fund for Monex Securities customers. The fund will seek for investment returns for retail investors as well as corporates' growth through long-term engagement with the perspective of retail investors, who are the ultimate beneficiary owners of companies



30

Matsumoto: Next, I would like to talk about the business conditions of each segment by jumping to page 30.

First, information on engagement investment and Catalyst Investment Advisors are shown on pages 30 and 31. As we have announced before about two weeks ago, in light of the situation of Japanese stocks, individual investors are beginning to focus only on movement in price, and are increasingly reluctant to look closely at companies. This trend will affect the businesses of companies like ours, and in turn will weaken the power of Japan's capital market itself.

It is correct to say that there is a system of checks on companies, that there is a price discovery function, and that indexes are born. If everyone becomes passive or are only looking at the movement in price, the stock market will not function properly. We would like to make steady efforts to change this approach, including these trends.

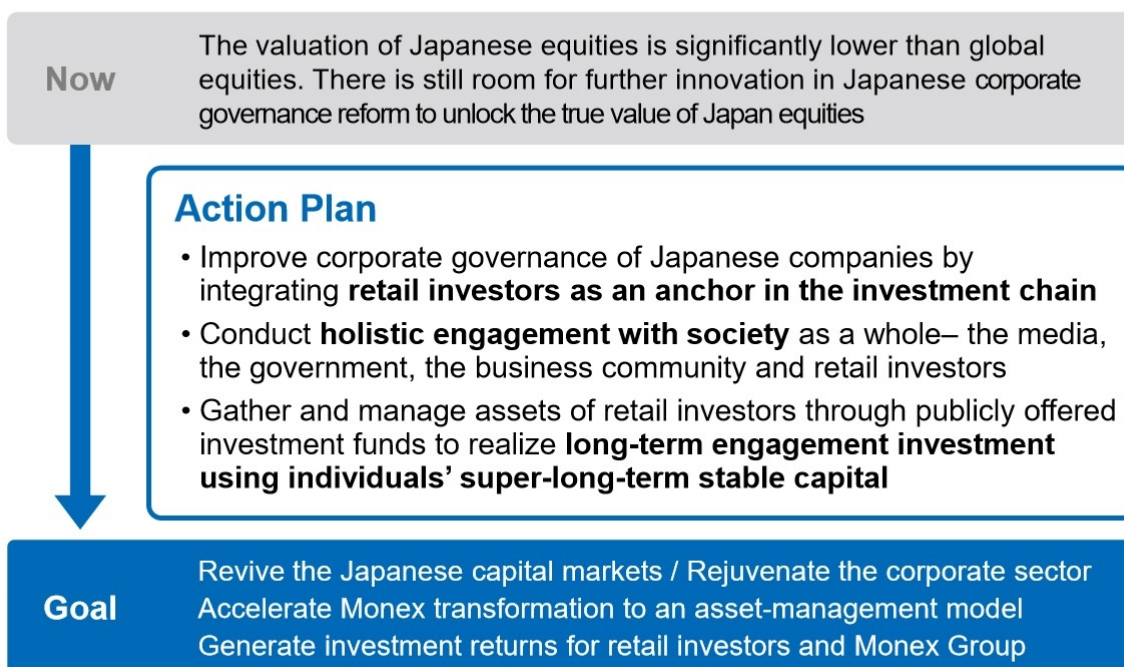
As you can see on page 30, by working on this engagement, we will engage with individual investors and engage with companies while considering the opinions of individual investors. As a result, companies will grow and return on investment will be generated, and the size of the fund will expand. This will also involve individuals, which will lead to a progressive turnover.

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Goals and action plans of the engagement investment fund



31

As you can see on page 31, Japanese stocks currently have a very low valuation. Japan's corporate governance reforms have progressed considerably, but they are still a step short. Under such circumstances, individual investors are the most important anchor in the investment chain as an action plan.

In other words, the stockholders of corporations are either individuals, corporations, or funds, and corporations have stockholders, funds have beneficiaries, and when we drill them down, ultimately the real stockholders go down to the foundation or natural person.

This ultimate substantial shareholder, an individual, is not interested in the management or performance of the Company at all, and even when only institutional investors, as intermediaries, engage in such activities with care, it is left out by only the intermediaries in the investment chain exercising the so-called "stewardship" for corporate governance reforms.

It is only when the most important edge is omitted, and individual investors, who are the anchors of the investment chain, are firmly aware of this, that we will be able to engage and take stewardship with institutional investors and other investors as intermediaries, and the Company's foundation is to engage these individual investors firmly. We believe doing so will further advance Japan's corporate governance reforms.

In this way, we engage individual investors and not only with companies, but also with the financial community, the media, and governments through such movements. Of course, we will talk to the individual investors, who are the most important players.

Since the beginning of last year, we have hosted the Monex Activist Forum, in which individual investors are all activists. The extension of this is the Catalyst Investment Advisors, which was originally thought to be an individual investor and an online brokerage firm, in which the online brokerage firm does the job of connecting

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individual investors with the market. In addition, there is a strong belief that individual investors must be closely linked to issuing entities, and we established the Catalyst Investment Advisors not only to facilitate them but also to invest in them.

There is also one financial innovation here. Usually, an engagement fund or an activist fund manages the money of institutional investors, which usually has a maturity. We're considering open-ended mutual funds with individuals, and by doing so, it's very unlikely that it's characterized in part by face-to-face securities, as seen in the sales of mutual funds by online brokerages. The sales and balance of investment trusts by online securities companies are extremely stable. By collecting such funds, they can attract individuals for a very long-term, stable funding, and thus engage with them over the long term.

Also, the low volatility of funds from an investment perspective is naturally very positive for investment performance, and we are perhaps the first in the world to pursue this. I think it's the first time in the world to invest in engaging with the money of an individual investor, long-term money, and stable money, but we will continue to do so. By doing so, we will promote the transition of the Japanese capital market and the Company sector into the asset management model in the Japanese segment and will naturally lead to the return of individual investors, and to the Monex Group.

Schedule-wise, we have made steady progress in preparing for the launch of this fund in the quarter from April to June, and we are currently preparing to launch it in the form of publicly offered investment trusts.

Establish asset-management and asset-creation services to solve social issues in Japan

Service for asset-management model



Monex-Saison-Vanguard Investment Partners, Inc.

- As a central part of the asset-management model transformation, usability reform of the discretionary investment service will be executed in 1Q of FY20
- Two financial institutions are scheduled to introduce "MSV COMPASS+" in 1Q of FY20

Monex SP Trust, Inc.

- Monex SP Trust prepares for an inheritance management service in collaboration with Monex Securities

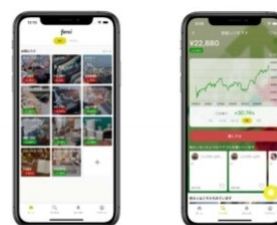
IFA Services (Independent Financial Advisor)

- Monex Securities plans to launch an IFA service in 1Q of FY20 and delivers portfolio advices to its customers

Asset-creation service for beginner traders

Launched a smartphone app "ferci" of asset-creation for beginner traders

- Investment community app "ferci" with an SNS functionality enables users to trade Japanese equities with a simple UI/UX
- The app name derives from Japanese words for "more choices". "ferci" is designed to provide with a new choice for asset creation for those of unfamiliar to the existing financial services



32

Page 32 shows some other initiatives in the group while we are pursuing the asset management model. Monex-Saison-Vanguard Investment Partners Inc. is the core company in promoting the asset management modeling. This is a hybrid-type company that does both online and face-to-face called MSV COMPASS+. As we have explained before, Monex-Saison-Vanguard Investment Partners, Inc. does not directly handle clients.

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Instead, we will work with local financial institutions in B to B to C to discuss with local financial institutions and other customers, and the backdrop of this is that Monex-Saison-Vanguard Investment Partners, Inc. will solidify this business.

Regarding trust services and IFA services, they are scheduled to begin in the next few months. We are now working to strengthen our structure to respond to the various needs of our customers in this way.

At the same time, smartphone securities for young people. The service on the right called “ferci” was also released at the end of last year, and we are steadily acquiring accounts. While incorporating young people in this way, we are making significant progress in shifting from a model in which we provided information using the conventional brokerage model, handed over tools, and where investors freely bought and sold stocks, to a model that uses trusts like the one on the left and IFA, or other service to respond to various needs.

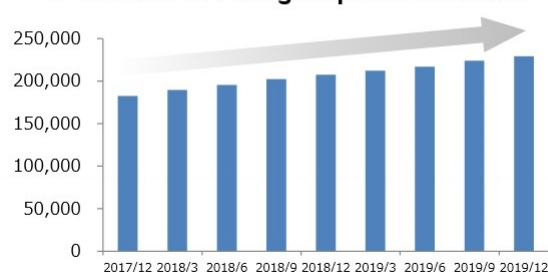
Further expand US equity services and margin trading services for Japan equity

US Equity



- Introduced free-commission programs; free minimum transaction fee since Jul. 2019 and free purchasing commission for trading partial ETFs since Jan. 2020
- Number of transactions and number of active accounts increased by 31%, 28% YoY
- Plan to launch a new smartphone app “Monex US Equity Scouter” in Feb. 2020 (planned)

◆ Number of Foreign equities accounts



Margin Trading of Japan Equity

- Promote expansion of margin trading services, aiming to acquire elephant customers and increase net financial income
- TradeStation for Japanese equities trading gradually increase its transaction volume due to successful acquisition of large customers. The platform occasionally covers 10% of total transaction volume per day at Monex Securities, which contribute to an acquisition of margin traders

Timeline for Margin Trading Service

Feb. 2020 (planned)	Start offering short-term and one-day margin trading
Apr. 2020 (planned)	Launch PTS margin trading services
Summer-Fall 2020 (planned)	Start stock lending for margin trading

33

On page 33, in the Japanese segment, US stocks are surpassing all-time highs, dividends are high, and risk returns are very good. While we have a full-licensed brokerage for retail in the US in our group, we are at a great advantage. We are steadily expanding this business, but we are strengthening it even further.

We have been providing our own smartphone app for some time, but additionally, the launch of the US version of the highly popular Japanese stock scooter is now in sight, and we will further strengthen our efforts in this way.

On the right-hand side, we are expanding various services and selling general credit to increase the amount outstanding of margin transactions for Japanese stocks, and we are currently introducing various products. However, while we have lagged behind other companies in this way, we are also strengthening margin transactions for Japanese stocks strongly.

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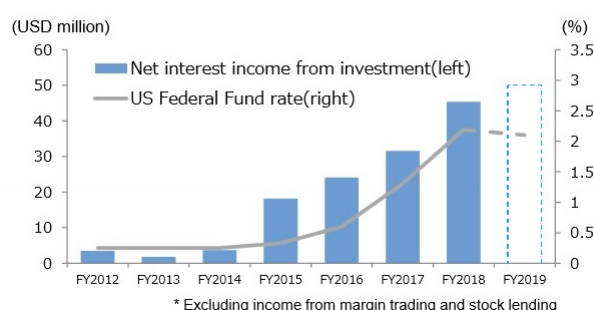
New business initiatives to offset commission decline resulting from customers' shift to TS Go/Select and increase its revenue

- Commission decline resulting from the new commission-free plans, TS Go/Select, is expected to be \$3-4M in FY19
- Pricing changes of inactivity fee etc. on legacy products will mitigate the losses in the short-run and new business initiatives (P.35) will drive its mid-term growth
- Net interest income in 3Q was \$12M. Net interest income in FY19 is expected to be between \$49M and \$51M (Net interest income in FY18: approximately \$45M)

New business expands to offset the comm. losses



Net interest income & US Federal Fund rate



* Excluding income from margin trading and stock lending

34

From page 34, we will discuss the status of US stocks. As I mentioned at the beginning, there is a portion where zero-commission plans of TS Go and TS Select lower revenue, but as shown in the graph at the bottom left, the middle neutral blue portion of this is brokerage commission income. The color below is the net financial revenue or Payment-for-order-flow.

In the US, when orders are placed in an exchange, they receive fees from the exchange. There is no Payment-for-order-flow in Japan as there is no competition between exchanges. In the US there is competition between exchanges, so when a broker sends an order, the exchange pays a fee for it. Clients are saying that they receive revenue from this or change the rate a little. For TradeStation, customers are saying that the analytic tools are very good, so they use that even though they don't use TradeStation to buy or sell. This is how valuable this tool is.

Therefore, we have raised the tool usage fee for those who do not trade but use the tool. This is used by people who really want to use it, so they will use it even if we raise the price. By doing so, we were able to increase our revenues firmly, and, including these, we are seeing a steady increase in the light blue color below this item. Currently, this situation has taken place, with the most recent impact of the decline in TS Go and TS Select sales and the impact of these measures being canceled out. However, the impact of the decline in sales will become large and accelerate in the future, and the Company will increase its revenue by following up on this impact.

In addition, the dark blue portion at the top will be increased by the education platform and other new measures. In this way, we believe that we can achieve a well-balanced increase in revenues even when commission revenue declines.

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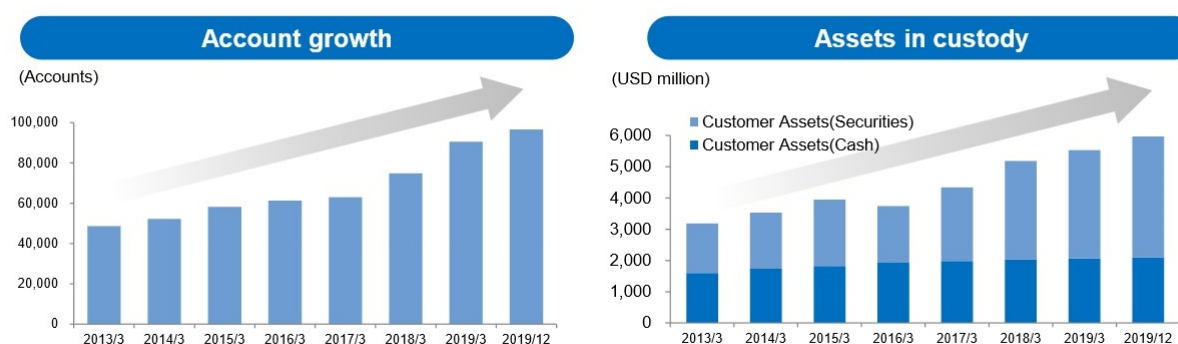
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New business initiatives provide an access to new customer base

- With the API integration to outside trading communities, including “TradingView”, TradeStation will expand its customer base not only to existing advanced traders but also to intermediate and beginner traders
- TradeStation Crypto, Inc. launched cryptocurrency offerings of five major cryptocurrencies in November
- “YouCanTrade”, a social networking service with educational and gaming experiences for trading, will create a unique educational platform and a trading community to generate an education revenue stream



35

Page 35 shows Trading View, the world's largest trader community, for which TradeStation has access to the API, which is bringing in a solid new revenue and new clients.

The crypto service for TradeStation was launched last November, and YouCanTrade, an investor community that was originally focused on TradeStation, has been further strengthened by acquiring and adding YouCanTrade.

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"YouCanTrade" will help to vitalize trading in addition to acquiring its new customer base



* Planned in FY2020

36

This is explained on the next page. As mentioned at the beginning of this briefing, the content of the education courses is similar to that of a driving school or community college. We have a number of courses, and we are already receiving revenue from fairly high tuition fees. As a result, we are able to build a customer community, and they are able to trade and make investments. This will allow customers to use our services more, and they are paying commissions, so we are building a relationship with customers through horizontal collaboration in the community, and we can share ideas while doing so.

In addition, we have gamification. In the next few months, we have already been working on plots, such as offering services that combine trading with games, and communicating a variety of opinions, but these are already coming to market.

This model is already working in the US, and we believe it will become stronger and we will be able to increase our revenues.

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Coincheck lowered its break-even point by cost reduction and strives for the initiatives of further revenue increase

Initiatives

- Started new cryptocurrency offering of Stellar Lumens in Nov. 2019. First in Japan to offer Stellar Lumens
- Launched “Coincheck Installment Investment” in Nov. 2019, the only auto-installment service for cryptocurrency in Japan that helps customers’ asset creation over the long-term
- The Lisk staking service started since Jan. 2020 to provide customers with income gain opportunities
- Expanded OTC services to acquire more large customers

Revenue base / competitiveness

- Operate market places for 10 altocoins
- Easy-to-use UI/UX for beginners, reaching young people with little investment experience
- Establish and maintain an organizational structure to comprehensively research and select new cryptocurrencies and an in-house development system that allows immediate and flexible development
- Conduct thorough cold wallet management for all cryptocurrencies to minimize risks

37

Page 37 is on the crypto business. As explained above, the breakeven point is falling, and we have been making various efforts. We have begun staking services, and we have encountered a series of problems involving new currencies. After the Financial Services Agency's regulations have become extremely strict, we have obtained permission to handle new currencies in Japan for the first time, and we have broadened the scope of our efforts in this way.

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Aims to increase revenue with the market place service through easy-to-use smartphone app which usability and profitability are higher

Coincheck Services

Exchange		Market place
Available currencies	BTC only	BTC, 10 Altcoins
Customer segment	Advanced	Beginner
Platform	Web (Chart trading)	Smartphone App/Web
Revenue source*1	No commission, no spread	Spread income
Profitability	low	high
Covered trading*2	No (Bilateral trading)	Yes
Leveraged trading	Service will end in March 2020*3	No
Proprietary trading, hedge trading	No	No

*1 Transactions may incur additional swap fees, borrowing fees, deposit and withdrawal fee, and remittance fees

*2 Position risk is well controlled in the way that all customer orders are mostly offset by cover transactions with counterparties

*3 Coincheck has suspended new leveraged trading from January 2018

38

Then, on page 38, we have summarized frequently asked questions, but we have two services in Coincheck: exchanges and sales stores. The model is primarily based on the spread of altcoin trades at sales stores as the main source of revenue.

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Coincheck smartphone app ranked as No.1 downloads*

Registered and ID-confirmed Users

Number of app downloads

2.74M

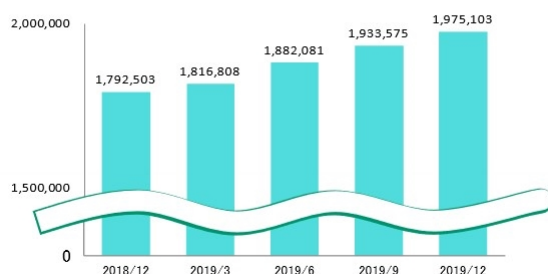
Registered users

1.98M

Users with
ID confirmed

0.94M

◆ Accumulated Number of Registered Users



User Acquisitions

In-house digital marketing system

Coincheck keeps track of customer trend as a part of its data-driven marketing strategy to create a high-quality customer base

Monex Group Shareholders' Benefits

Grant ¥500 worth of Bitcoin to Monex Group shareholders who opened a Coincheck account by end of March 2020

Monex Points Exchangable with Cryptocurrencies

Monex Points can be exchanged with cryptocurrencies and users can receive them in Coincheck account

* Bitcoin App downloads No.1
Term: January 2019 to December 2019
Source: App Annie

39

Page 39 talks about features of Coincheck, which is the largest in Japan in terms of the number of registered users, etc. and continues to grow further, as shown in the graph at the bottom left. Also, as shown in the upper right, in Coincheck, all marketing, such as online marketing, is done in-house, and engineers check and analyze all things, and respond accordingly. Today, online marketing is often all conducted by outside companies. In Coincheck, engineers in the Company analyze these things seriously, and respond to them in detail, and marketing is proceeding very efficiently. In addition, as shown below, we are promoting cooperation among Group companies.

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Provide market insight of crypto-assets and blockchain to investors as well as offer related services to society

Crypto-assets



A web-based media "Block Insight" delivers latest trends and news regarding blockchain and crypto-assets. In-house professional writers provide higher-quality and competitive information



A smartphone app "Cheese" gives users Bitcoin every day just by reading news feed on the app. From Jan. 31, users can receive Bitcoin for their online shopping as well

Crypto-assets and blockchain



Offers holistic database services, delivering information on companies and products involved in cryptoassets and blockchain, aiming to expand its institutional users and planning to shift from free-use to subscription model

Healthcare information management business utilizing blockchain, IoT and AI

Preparing a platform to manage genomic information, healthcare information such as EHR (Electronic Health Record) and PHR (Personal Health Record) using blockchain, IoT and AI

40

Page 40 shows other initiatives related to block chain within the Group. I think that we have introduced Block Insight and Cheese already. LOOK BLOCK is a database service for block chains in this case. Using block chains of such countries, some of which are aviation, are developing services for customers. We are evaluating various worldwide projects that use these types of block chains.

By visiting LOOK BLOCK, you will be able to learn about various blockchain projects that are not just global blockchain and virtual currencies, and their evaluation. We have constructed such a comprehensive database, and we have released a version that has been upgraded this week and are currently proceeding with turning this into a paid service.

In addition, as shown in the lower right, the current state of affairs is still somewhat in stealth mode, but the Ministry of Economy, Trade and Industry is using blockchain to promote personal health records. From the viewpoint of safety, we will strictly manage personal health information, including full genome health records, using blockchain. This is a business with great potential, and we are currently working to build such a service within the Group.

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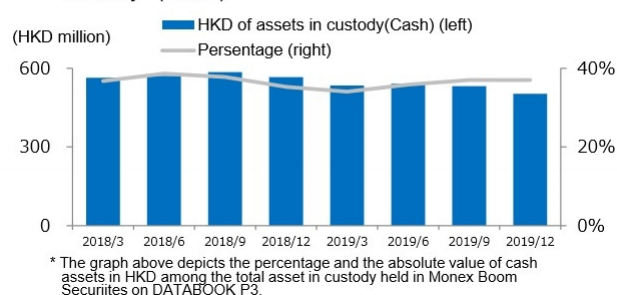
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The revenue impact on Monex Boom Securities from the prolonged political instability in Hong Kong is limited

Monex Boom Securities (HK)

- Recorded additional provision of ¥0.11B for unallocated margin loans (The loan loss provision ratio is 100% with bad debt reserve in 2Q). Monex Boom remains profitable excluding the provision
- Limited impact is expected from the prolonged political instability in Hong Kong

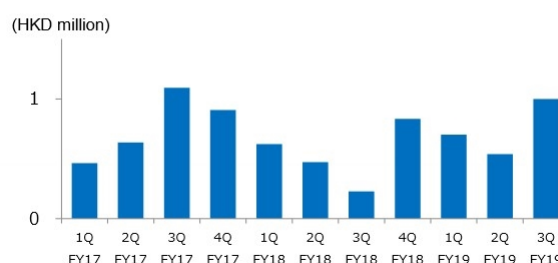
◆ HKD as a percentage of Customers' assets in custody (Cash)*



Cherry Technology Co., Ltd (China)

- Providing technology and knowledge of online brokerage business through a joint venture in PRC
- Recorded profit of equity method investments for the last eleven consecutive quarters

◆ Profit/loss of equity method investments



41








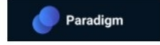






Page 41 shows the situation in Hong Kong. Currently, the political instability in Hong Kong has not had much impact on business, but there are also some positive aspects. Since it is an online brokerage business, which users are only trading from home, there is not much effect regarding Boom Securities because it has a large number of US and Hong Kong stocks. This is the current situation.

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MV1 attracts promising investment opportunities by leveraging its unique network

Details of MV1 Fund		R&D purpose investment*		
Features	Active support for startups in product development and growth stages	IoT	Blockchain	Cryptocurrency
Investment Size	2.65 billion yen (Founded in Jan 2019)	 Keychain	 Curvegrid	 CURV
Investment Record	Invested in 26 startups having advanced and innovative services (As of Dec 31)	Blockchain	Cryptocurrency	Cryptocurrency
		 loyyal	 Terra	 ErisX
		Blockchain	Cryptocurrency	Cryptocurrency
		 globaliD	 Paradigm	 CoolBitX
		STO		
		 SECURENCY		
Recent Investment Record of MV1				
B2B SaaS	B2B SaaS	B2B SaaS		
 JLSI	 ChatBook	 REHASAKU		
IoT/AI				
 toletta®				

* Including the investments aside from Investment Segment

42

On page 42, in the Investment Business Segment, there were funds managed by MV1, an external fund, which had increased to JPY2.650 billion, and investment has been steady. On the right-hand side of this table are the block chain related investments for R&D purposes. This is not a fund, but an on-balance investment by Monex Group or Monex Ventures.

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Contribute to the sound development of the capital market and promote initiatives that lead to sustainable growth of Monex Group

Materiality Matrix

Disclosing Materiality Matrix

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



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

ESG Initiatives

Corporate Governance

- Established a corporate governance system by global standards (P 51)

Risk Management

- Monex Group comprehensively covers each subsidiary's risks and organize the monitoring system in accordance with the risk map

Cyber Security

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

Other ESG Initiatives

- Financial education program to "democratize" capital market in Japan, US, Hong Kong
- Disclosed "Code of Conduct" & "Human Rights Policy" *
- Return rate after the maternity leave in Japan segment is 100%. Monex also promotes male childcare leave

43

See page 43 for information on ESG, materiality matrix, corporate governance, and more.











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◆ Monex Ventures, Inc.

P2P lending  (Registered as Type 2 Financial Instruments Business)	EC 	Settlement 	DLT* 	Prop Tech 	Online lending  (Registered as Type 1 Small Amount Electronic Public Offering Service Provider)
AI/Big Data 	Thematic Investment  (Registered as Type 1 Financial Instruments Business)	B2B Robo-advisor 	AI/Big Data 	Vacation Rental 	SNS 
B2B SaaS 	E-market place 	IoT 	Security 	EC 	Settlement 
Health Care 	Health Care 	Drone 			















* DLT= Distributed Ledger Technology

56

◆ MONEX EDISON Investment Limited Partnership

Web media 	EC 	AI/Big Data 	Insure Tech 	EC 	Ad Tech 
--	---	--	--	---	--

◆ MV I Investment Limited Partnership

B2B SaaS 	E-market place 	B2B SaaS 	Logistics 	B2B SaaS 	EC 
Asset Management 	EC 	E-market place 	Ad Tech 	B2B SaaS 	B2B SaaS 
B2B SaaS 	IoT/AI 				

57

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In the latter half of this material, on pages 56 and 57, there is a diagram for companies that have invested in the on-balance sheet of Monex Ventures, the Monex Edison fund, MV1 fund, and other investment business segments. Please refer to this diagram.

This concludes the explanation, but as I mentioned at the beginning of this briefing, we feel that the quarterly results are neither good nor bad. However, although it has been a short period of three months, we believe that we have made substantial progress as a compass in strengthening our businesses and reorganizing them as necessary, by transforming the entire group, shifting from a broker model to an asset management model, and the core direction by increasing value of our Company for individual customers.

In 2020, we intend to steadily bring about changes that are apparent when seen from both outside and inside the Company.

This concludes our explanation.

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Question & Answer

Matsumoto: Please raise your hand if you have any questions.

Hara: I am Hara of SMBC Nikko Securities Inc. I have three questions, so please answer each question one at a time.

My first question is about the impact of the revision of commissions. I heard that in Japan, it was JPY100 million for the full year, and from USD3 million to USD4 million for TradeStation. How much are you thinking about the impact in the next fiscal year, on an annual basis?

Matsumoto: With regard to the Japanese segment, although the reduction of the current commissions did stand out in terms of public relations, in reality, the complete no-load conversion of investment trusts, since most of the investment trusts sold in Monex Securities were no-load, I feel the revenue that would have been lost was not so much, even if it had been completely no-load.

As I have explained, although there are changes in other companies' trends and other factors, we do not expect commission income to decline in the Japanese segment in the near future. However, we will respond to changes in the business environment in a solid manner, and I feel that there are possibilities for changes to be made accordingly.

In the US, we have already lowered fees, so we expect that in the next fiscal year, we will see a significant impact. However, in terms of the forecasts for the next fiscal year, we can say roughly about USD10 million for the next fiscal year in terms of the decrease in commission revenue. We think it may be a little more.

On the other hand, the increase of the Payment-for-order-flow, and we have already raised inactivity fees for customers do not buy or sell but are using our tools. Since the rebates on these two projects are slightly less than USD10 million, the relationship with existing customers will decline, and 80% of the commissions, which are decreasing due to eliminating them, while putting new businesses aside, we can recover from education and churning seen in front of us, so it is almost possible to achieve a balance.

On the other hand, regarding commissions from newly acquired customers, we cannot forecast, or rather we believe that new customers will choose zero commissions without doubt. Thinking about these people, we would end up with nothing because they would have brought more revenue but haven't. However, in terms of the original plan, we would see a decrease for that portion.

However, in response to this, the Company is considering strengthening its educational business and partnering with Trading View and taking other steps to make up for this by developing new businesses. This can be summarized, as shown in the graph on the left side of page 34.

Although there is some J-curve effect in the US, I think it will be almost offset.

Hara: My second question is about crypto, but this time the cost has dropped. Why has it dropped? What will it be like in the future? I think that market prices have risen slightly, but do you think the impact of the price hike will continue to be severe, and if there are any expectations for it in the future?

Matsumoto: Katsuya will answer the cost portion.

Katsuya: Regarding cost, as shown on page 26 here, we have seen a decrease mainly in system-related and labor costs. This means that the number of new systems developed in January last year has declined, as the number of additional systems developed has declined after registration.

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After that, there were a considerable number of temporary employees who received telephone calls at the time of registration, but the number of such staff members has been reduced and the labor costs have been decreasing in the form of the consolidation of offices.

In terms of whether or not we will see a further decrease in the future, we estimate that costs will remain within this range.

Then, as for the current situation, the price for not only Bitcoins, but also altcoins are rising from this month, and volatility is also rising. So, we think we have become a profitable environment compared to Q3.

Matsumoto: When you look at the image, December is the bottom. The cost for Crypto and revenue is also bottom. Costs are not at bottom in the sense that they will rise in the future, but there are some areas that might have reemployment as they become busy in the future. In that sense, December is probably the bottom. But control is generally around that. We think the revenue will be a little better, as Katsuya has said today.

Hara: My third question is about engagement. I am interested in how you will scale it. Your Company's asset management service, for example, was formerly tied up with ASTMAX, but it was not so large, and MSV is not yet sufficiently large. How will this increase as a result of your Company's efforts, and are there needs from customers in the first place? Please explain.

Matsumoto: Monex Inc. currently has nearly 2 million customers and has assets in custody of around JPY4.3 trillion. Originally, we were established 20 years ago with zero customers, no assets under custody, and the main makeup of customers was around 35 years old in our first year. I was also 35 years old. After 20 years, the number of customers has reached just under 2 million, with more than JPY4 trillion. I am 56 years old now, and the main makeup of customers is 55-to-56 years old. The point is that I feel as if we have been walking down the same path together. It's a lot bigger now.

20 years ago, customers, being 35-year-old were not worried about their retirement money. At the same time, there was a great deal of intellectual curiosity about what could be done using the new technology called the Internet. This is when online brokerage appeared, and it was possible to open an account, buy or sell anytime from your home. Without any experience of using Internet-based services, the ability to buy and sell stocks from 3,000 brands, which grabbed customers' interests, and resulted in a movement. The event of 20 years ago saw a sudden increase in interest and needs.

Today, they are 55-to-56 years old, and worry about their retirement money. In addition, the bubble peaked or ended when we were in college, and the bubble burst when they started working. We remembered somewhere that there was a time when Japan was livelier, and they have an agonizing feeling that Japan will not be in a good condition in this present state. They are thinking that they must do something, not only because the stock price and multiples are low, but also because they think it's going to stay at this level.

I would like to speak to these people properly. For people who have already been investing, by engaging properly, stock multiples will change, the Japanese stock market will be stimulated and improve, and the original investments and trading will also improve.

On a wider perspective, to those who have never made investments but are thinking about how the current state is not good, we have to talk to them to stimulate movement in money.

It is our purpose not only to make the money in these JPY4 trillion move, but also to make such a change by engaging the Japanese market and the Japanese corporate sector.

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That's what we've been doing in the past two decades for other ordinary mutual funds: sales of such services and expanding. It's going to change as the Company transforms from a broker model to an asset management model as a group. We are saying that the Company and the market will also change steadily.

We don't know, of course, if we can do this in that way, but we think we can, and we have a plan for it. We are not simply raising our voices, but we have a marketing plan, and while we are working to reduce costs, we are working to create and expand a market for this movement as an entire Group. We can and want to develop funds managed by this Catalyst Investment Advisor that is quite different from before.

Do you have any other questions?

This concludes our briefing, but if you have any additional questions, please contact our IR. Thank you for your attendance today.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked as follows: [Inaudible].*
2. *This document has been translated by SCRIPTS Asia.*

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