

MONEX GROUP

Quarterly financial results of Subsidiary (Monex, Inc.)

TOKYO, January 27, 2017 – Monex Group, Inc. (TSE 8698, Oki Matsumoto, Representative Executive Officer and CEO) reported today the following quarterly financial results of its wholly-owned subsidiary, Monex, Inc., for the 3rd quarter of the fiscal year ending March 31, 2017 prepared in accordance with the generally accepted accounting principles in Japan.

Financial results for the 3rd quarter of the fiscal year ending March 31, 2017 (From April 1, 2016 to December 31, 2016)

(1) Results of operations

(Unit: million yen)

	Operating revenue	Net operating revenue	Operating income	Ordinary income	Profit
For the 3 rd quarter ended December 31, 2016	22,070	19,520	585	610	1,144
For 3 rd quarter ended December 31, 2015	27,354	24,693	6,318	6,361	2,546
Change (%)	-19.3	-21.0	-90.7	-90.4	-55.1

(2) Financial condition

(Unit: million yen)

	Total assets	Net assets
As of December 31, 2016	654,743	51,789
As of March 31, 2016	558,983	53,429

(Please refer to Appendix for more details)

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Appendix

1. Quarterly Financial Statements

(1) Balance Sheets

(Unit: million yen)

	As of March 31, 2016	As of December 31, 2016
Current assets		
Cash and deposits	46,557	114,993
Cash segregated for customers and others	222,067	282,761
Money held in trust	53,761	54,186
Trading assets	19,113	13,664
Trading securities and other	2,442	1,036
Derivatives	16,671	12,627
Trade date accrual	-	70
Margin transaction assets	149,235	129,170
Loans on margin transaction	145,646	117,604
Cash collateral pledged for securities borrowing on margin transaction	3,588	11,566
Loans secured by securities	5	-
Cash paid for offering	849	1,625
Short-term guarantee deposited	19,525	22,666
Accrued revenue	3,029	3,134
Short-term loans receivable	22,277	875
Other current assets	3,008	9,796
Allowance for doubtful receivables	-1	-0
Total current assets	539,431	632,945
Non-current assets		
Property, plant and equipment	1,028	896
Intangible assets	16,891	19,784
Investment and others	1,631	1,116
Investment securities	1,017	508
Long-term guarantee deposits	328	197
Deferred tax assets	193	304
Other	209	221
Allowance for doubtful receivables	-117	-114
Total non-current assets	19,552	21,797
Total assets	558,983	654,743

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(Unit: million yen)

	As of March 31, 2016	As of December 31, 2016
Current liabilities		
Trading liabilities	6,510	6,205
Derivatives	6,510	6,205
Trade date accrual	129	-
Margin transaction liabilities	33,006	38,247
Borrowings on margin transaction	15,178	5,792
Cash received as collateral for securities lending on margin transaction	17,827	32,455
Loans payable secured by securities	46,076	65,312
Deposits received	178,914	252,211
Guarantee money received	110,386	120,634
Short-term borrowings	37,600	22,100
Current portion of long-term loans payable	31,800	29,100
Allowance for point services	137	139
Allowance for loss on cancellation of outsourcing contract	2,399	1,765
Deferred tax liabilities	22	165
Other current liabilities	5,367	2,999
Total current liabilities	452,350	538,880
Non-current liabilities		
Long-term debt	51,300	62,700
Other non-current liabilities	16	5
Total non-current liabilities	51,316	62,705
Statutory reserve		
Financial instruments transactions reserve	1,886	1,367
Total statutory reserve	1,886	1,367
Total liabilities	505,553	602,954
Net assets		
Common stock	12,200	12,200
Capital surplus	32,359	32,359
Retained earnings	6,627	5,492
Owners' equity	51,187	50,051
Net unrealized holding gains (losses) on securities	2,241	1,737
Accumulated other comprehensive income	2,241	1,737
Total net assets	53,429	51,789
Total liabilities and net assets	558,983	654,743

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(2)Statement of income

(Unit: million yen)

	Nine months ended December 31, 2015 (From April 1, 2015 to December 31, 2015)	Nine months ended December 31, 2016 (From April 1, 2016 to December 31, 2016)
Operating revenue		
Commission revenue	15,148	11,570
Brokerage commission	12,599	9,588
Underwriting and distribution	133	100
Subscription and distribution	600	315
Other commissions	1,816	1,566
Net gain on trading account	4,316	3,447
Financial income	7,755	6,886
Other operating revenue	134	165
Total operating revenue	<u>27,354</u>	<u>22,070</u>
Financial expenses	2,661	2,550
Net operating revenue	<u>24,693</u>	<u>19,520</u>
Selling, general and administrative expenses	18,374	18,934
Operating income	<u>6,318</u>	<u>585</u>
Non-operating income	53	31
Non-operating expenses	11	6
Ordinary income	<u>6,361</u>	<u>610</u>
Extraordinary income		
Reversal of allowance for loss on cancellation of outsourcing contract	-	508
Reversal of financial instruments transactions reserve	-	519
Gain on redemption of investment securities	-	72
Total extraordinary income	<u>-</u>	<u>1,099</u>
Extraordinary loss		
Provision of financial instruments transactions reserve	137	-
Loss on cancellation of outsourcing contracts	43	70
Provision of allowance for loss on cancellation of outsourcing contract	2,360	-
System migration expenses	-	130
Loss on disposal of Property, plant and equipment	-	21
Total extraordinary loss	<u>2,541</u>	<u>222</u>
Income before income taxes	<u>3,819</u>	<u>1,487</u>
Income taxes - current	2,094	89
Income taxes - deferred	-821	254
Total income taxes	<u>1,272</u>	<u>343</u>
Profit	<u>2,546</u>	<u>1,144</u>

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2. Supplementary information

(1) Brokerage commissions

(Unit: million yen)

	Nine months ended December 31, 2015 (From April 1, 2015 to December 31, 2015)	Nine months ended December 31, 2016 (From April 1, 2016 to December 31, 2016)
Stocks and ETFs	12,067	9,258
Options and Futures	532	330
Total brokerage commissions	12,599	9,588

(2) Brokerage trading value of stocks and ETFs

(Unit: million yen)

	Nine months ended December 31, 2015 (From April 1, 2015 to December 31, 2015)	Nine months ended December 31, 2016 (From April 1, 2016 to December 31, 2016)
Cash	6,818,453	5,065,591
Margin	6,598,005	4,922,681
Total	13,416,458	9,988,723

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(3) Statement of income for each quarter

(Unit: million yen)

	1Q of FYE	2Q of FYE	3Q of FYE	4Q of FYE	1Q of FYE	2Q of FYE	3Q of FYE
	Mar. 2016	Mar. 2016	Mar. 2016	Mar. 2016	Mar. 2017	Mar. 2017	Mar. 2017
Operating revenue							
Commission revenue	5,365	5,433	4,349	4,329	3,969	3,564	4,037
Brokerage commission	4,512	4,553	3,533	3,549	3,294	2,911	3,382
Underwriting and distribution	19	10	102	19	26	30	44
Subscription and distribution	224	236	139	191	130	90	94
Other commissions	609	632	573	568	517	532	516
Net gain on trading account	1,543	1,596	1,175	1,359	1,308	1,077	1,061
Financial income	2,824	2,270	2,660	1,978	2,573	1,870	2,442
Other operating revenue	40	42	51	55	85	47	32
Total operating revenue	<u>9,774</u>	<u>9,342</u>	<u>8,238</u>	<u>7,723</u>	<u>7,937</u>	<u>6,559</u>	<u>7,573</u>
Financial expenses	<u>1,128</u>	<u>568</u>	<u>963</u>	<u>530</u>	<u>1,025</u>	<u>553</u>	<u>972</u>
Net operating revenue	<u>8,645</u>	<u>8,773</u>	<u>7,274</u>	<u>7,192</u>	<u>6,912</u>	<u>6,006</u>	<u>6,601</u>
Selling, general and administrative expenses	<u>6,115</u>	<u>6,187</u>	<u>6,072</u>	<u>6,053</u>	<u>6,255</u>	<u>6,182</u>	<u>6,495</u>
Operating income	<u>2,530</u>	<u>2,586</u>	<u>1,202</u>	<u>1,138</u>	<u>656</u>	<u>-176</u>	<u>105</u>
Non-operating income	24	12	17	16	16	6	8
Non-operating expenses	<u>1</u>	<u>8</u>	<u>1</u>	<u>10</u>	<u>2</u>	<u>1</u>	<u>2</u>
Ordinary income	<u>2,552</u>	<u>2,590</u>	<u>1,217</u>	<u>1,144</u>	<u>670</u>	<u>-171</u>	<u>112</u>
Extraordinary income							
Reversal of allowance for loss on cancellation of outsourcing contract	-	-	-	-	508	-80	80
Reversal of financial instruments transactions reserve	-	-	-	-	519	-	-
Gain on redemption of investment securities	-	-	-	-	-	-	72
Total extraordinary income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,027</u>	<u>-80</u>	<u>152</u>
Extraordinary loss							
Provision of allowance for loss on cancellation of outsourcing contract	-	-	2,360	39	-	-	-
Loss on cancellation of outsourcing contract	-	43	-	8	-	70	-
Provision of financial instruments transactions reserve	98	39	-	10	-	-	-
System migration expenses	-	-	-	-	-	-	130
Loss on disposal of Property, plant and equipment	-	-	-	-	21	-	-
Total extraordinary loss	<u>98</u>	<u>82</u>	<u>2,360</u>	<u>58</u>	<u>21</u>	<u>70</u>	<u>130</u>
Income or loss before income taxes	<u>2,454</u>	<u>2,507</u>	<u>-1,142</u>	<u>1,086</u>	<u>1,675</u>	<u>-322</u>	<u>134</u>
Income taxes - current	901	902	291	440	146	-126	70
Income taxes - deferred	<u>-64</u>	<u>-66</u>	<u>-690</u>	<u>-14</u>	<u>207</u>	<u>38</u>	<u>8</u>
Total income taxes	<u>836</u>	<u>835</u>	<u>-399</u>	<u>425</u>	<u>353</u>	<u>-88</u>	<u>78</u>
Profit or loss	<u>1,617</u>	<u>1,672</u>	<u>-743</u>	<u>660</u>	<u>1,322</u>	<u>-234</u>	<u>55</u>

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