

# MONEX GROUP

## **Announcement of Japan Catalyst, Inc. – building the platform for engagement investment services**

TOKYO, January 16, 2020 - Monex Group, Inc. (“Monex”) is pleased to announce the establishment of Japan Catalyst, Inc. (“JCI”), an investment advisory firm that will pursue investment returns through proposals to and engagement with listed Japanese companies, ultimately in the hope to stimulate Japanese capital markets and to revitalize Japanese corporate sectors.

In 2019, the total ordinary profit of Tokyo Stock Exchange (“TSE”) Section 1 companies reached approximately three times that of 1989 and net income approximately quadrupled, while total market capitalization grew only 1.1 times from JPY606 trillion to JPY657 trillion (source: TSE). Over the same period, the Dow Jones Industrial Average rose nearly tenfold while the Nikkei Index fell to just 60 percent of its initial value, unveiling a substantial lag in the Japanese stock market. Monex will proactively and aggressively tackle this issue with the strong belief that reviving the Japanese capital markets will rejuvenate the corporate sector, societies and economies, and lead to better investment returns for all investors.

In today’s environment of technological innovation and a rapidly changing competitive landscape, companies are realizing the increasing importance to adapt to and accommodate these changes. This requires incorporating an outside perspective, which is exactly what the Japanese government has been promoting since 2014 through its Corporate Governance initiatives \*. The most critical catalyst to enhance corporate governance is shareholder engagement with companies. Despite positive changes in Japanese corporate governance over the past several years, there is still room for improvement, for which engagement investment has its role.

\*Initiatives such as Japan Stewardship Code [2014-] and Corporate Governance Code [2015-]

Another factor that is highlighting the importance of engagement investment is AI (artificial intelligence), which is rapidly advancing. As AI has the ability to analyze at a similar level as humans but tens of thousands of times faster, it is difficult for investment companies to maintain their competitive advantage merely by quickly analyzing disclosed corporate information in the pursuit of investment returns. Therefore, engagement investment, which involves not only an investment in the company but also proposing strategies and changes, has increased in importance in this AI era.

In this environment, Monex will start an engagement investment advisory service, subject to regulatory registration of JCI as Investment Advisory and Agency Business in accordance with the Financial Instruments and Exchange Act.

JCI has several unique qualities as described below.

1. JCI aims to be funded by Japanese individual investors. Since the beginning of 2019, Monex has promoted individual investor engagement with listed corporates and provided information on activism through the Monex Activist Forum, held by Monex Inc. We believe that it would be an impactful and constructive stimulus for corporates if individual investors that consume and benefit from their products and services have an interest in management and actively propose and engage with them. We will serve as the catalyst for this.
2. The advisory is conducted by professional investment managers based in Japan. With a deep understanding of Japan’s corporates, regulatory environment and social structures, they will meet directly with corporate management for active engagement.
3. Open and holistic engagement. Engagement will be conducted holistically with a whole society – not only through proposals to and discussions with targeted corporates, but also through enlightenment initiatives for retail investors that promote a greater commitment and voice in invested companies, as well as by communicating and making proposals to the government, stock exchanges, the business community and the media.

JCI’s goal is to provide long-term investment returns for retail customers in Japan, thus it would not be involved in actions that would only improve short-term returns but could damage corporates’ long-term growth potential. We will advocate strategies and engage in a way that would benefit both investors and corporates continuously and over the long term with a perspective that would promote corporates’ long-term growth.

# MONEX GROUP

There is a Zen saying “啐啄同時” (Sottaku Douji) or “the chick and hen are pecking simultaneously from inside and outside”. 啐(Sotsu) is the sound made by the baby bird trying to break the eggshell from the inside to hatch, while 啄(Taku) is the sound made by the mother bird trying to break the eggshell from the outside, implying that the baby bird can hatch if pecking from both sides works out well simultaneously. It would be in vain if the hen pecks before the chick is ready, and as well as for the chick to peck without the hen’s help. The same holds true for corporate management. The ideal engagement is to support management and corporates when they are prepared to change.

Monex and JCI aim to make this happen not as our own standalone effort, but rather as a widespread movement in society. The ultimate beneficiary owner of companies is either an individual or a foundation. That is, fundamentally speaking, the ultimate shareholders of companies are individuals. Monex has been working to bring together individuals and the market since its establishment. In addition, we consider it our mission to bridge individuals and listed companies. By positioning individuals as the ultimate shareholders and an integral part of the investment chain, we would like to contribute to the improvement of the investment chain.

Oki Matsumoto, Monex CEO, will play a focal role in JCI activities. Previous to Monex, Matsumoto was a general partner of Goldman Sachs where he was the head of trading and risk management in Japan. He also founded the Special Situation Group from scratch, which gained prominence for generating an outstanding profit among Goldman Sachs businesses worldwide. He also has 20 years of experience managing listed companies (Monex Inc. and Monex Group, Inc.), as well as five years serving as an outside board member of the Tokyo Stock Exchange. He has participated in governmental councils where corporate governance was discussed, has been actively involved in various improvements and changes in Japanese capital markets, and has made many public statements continuously over the past 20 years. The establishment of JCI and its activities are part of the core of Monex’s and Matsumoto’s mission.

Monex announced its plan to transform itself from a “broker model” to an “asset management model” at the FYE March 2020 2Q result briefing in October 2019. The establishment of JCI is one of the main pillars of this business model transformation.

We hope you will share our excitement in and expectations of JCI’s upcoming activities and Monex’s transformation.

---

Contact: Akiko Kato  
Corporate Communications Office  
Monex Group, Inc.  
+81-3-4323-8698

Atsushi Demoto, Yuki Nakano  
Investor Relations, Financial Control Department  
Monex Group, Inc.  
+81-3-4323-8698

This material is an English translation of a Japanese announcement made on the date above. Although the Company intended to faithfully translate the Japanese document into English, the accuracy and correctness of this English translation is not guaranteed and thus you are encouraged to refer to the original Japanese document. This translation was made as a matter of record only and does not constitute an offer to sell or to solicit an offer to buy securities in the U.S.