

Monex Group, Inc. Press Release dated October 4, 2023

“Notice of the Conclusion of a Capital and Business Alliance Agreement with NTT DOCOMO, INC., the Establishment of an Intermediate Holding Company through a Sole Share-Transfer, the Transfer of Subsidiaries (Partial Sale of Subsidiaries' Shares, etc.) and an Expected Booking of Gain”

Frequently Asked Questions from the Conference Call

Q. Monex Group and NTT DOCOMO have been operating independently, but why did you decide to change course and form an alliance at this time? In addition, when did you start discussing this alliance?

A. We do not disclose when we started our discussion. However, in recent years, the government's new NISA initiative has boosted individual investment in Japan, and the evolution of new technologies such as AI has created an environment conducive to the creation of new financial services. The two companies were able to form this alliance because they firmly share the same vision of responding to this social need.

Q. Why will Monex Securities become a consolidated subsidiary of NTT DOCOMO even though Monex Group will retain a 51% ownership interest?

A. Because NTT DOCOMO has the right to appoint a majority of the board members of the intermediate holding company, etc., Monex Securities becomes a consolidated subsidiary of NTT DOCOMO based on the effective control standard.

Q. NTT DOCOMO is considering many investments in web3. Is there any collaboration that has already been decided in this area?

A. Currently, no decisions have been made, but we have Coincheck, one of the leading crypto asset exchanges in Japan, which has a deep understanding of blockchain and other technologies. If the opportunity arises, we would like to make a decision on a case-by-case basis.

Q. Is there a possibility that Monex Securities will shift to a policy of eliminating brokerage commissions on Japanese stocks in the course of its collaboration with NTT DOCOMO?

A. NTT DOCOMO and Monex Group both agreed that Monex Securities' commission policy would remain unchanged after the alliance.

Q. When and how will the accounting effect of this Sale of Shares, etc. be reflected in your financial results?

A. As of January 4, 2024, we expect to record income of 21.1 billion yen (before considering tax and tax effects, the same applies below) in our stand-alone statements of income (J-GAAP) and income of 18.2 billion yen in the consolidated statements of income (IFRS), as gain on the Sale of Shares. However, those numbers are predicted based on the financial results as of June 30, 2023 and may be different from final reports. Monex Securities will become an equity-method affiliate of Monex Group, Inc., and 51% of the profit will be recorded as equity in earnings of affiliates.

Q. With the Sale of Shares of Monex Securities, we understand that in the short term, the earnings contribution from Monex Securities to your profit will be lower due to the decrease in equity, but in the medium term, the plan is to double earnings through the alliance with NTT DOCOMO. What is the specific time frame for the increase in profit contribution based on the alliance effect, and how will it be achieved?

A. In the presentation materials used today, we indicated that one target is 5 million accounts in the fiscal year ending March 2027. We see the increase in profit contribution from the alliance as a medium term strategy over several years, and we would like to first accelerate the account openings through sending customers from NTT DOCOMO to Monex Securities under the new NISA situation.

Q. In working with NTT DOCOMO, are there any plans for a significant increase in the SG&A expenses of Monex Securities and the Monex Group, particularly in advertising and promotional expenses?

A. It will be possible to send customers with lower acquisition costs than Monex Securities' original listing advertisements, etc.

Q. What will be the shareholder distribution policy of the intermediate holding company to Monex Group?

A. Since the dividend payout ratio of Monex Securities and the intermediate holding company is 100%, the policy is to take 51% as economic benefits.

Q. When and in what areas do you plan to make aggressive growth investments? Do you have

any ideas about hurdle rates?

A. Our investment focus is on asset management business, and we will consider both organic and inorganic growth. However, the organic growth rate of the asset management business is not very fast, and we believe it is important to have the ability to operate in the global financial market in the future, so the use of gains from this transaction will be more for M&A.

Q. Can crypto area also be a target for growth investment?

A. We believe that the asset management business, which generates stable earnings, is the main target for growth investment. However, there are few companies with as stable a business foundation as ours on the M&A buyer side in the crypto M&A industry, so we will continue to consider crypto-related acquisitions in the future.