

MONEX GROUP

Quarterly financial results of Subsidiary (Monex, Inc.)

TOKYO, October 26, 2016 – 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 1st half of the fiscal year ending March 31, 2017 prepared in accordance with the generally accepted accounting principles in Japan.

Financial results for the 1st half of the fiscal year ending March 31, 2017 (From April 1, 2016 to September 30, 2016)

(1) Results of operations

(Unit: million yen)

	Operating revenue	Net operating revenue	Operating income	Ordinary income	Profit
For the 1 st half ended September 30, 2016	14,497	12,918	479	498	1,088
For the 1 st half ended September 30, 2015	19,116	17,418	5,116	5,143	3,290
Fluctuation (%)	-24.2	-25.8	-90.6	-90.3	-66.9

(2) Financial condition

(Unit: million yen)

	Total assets	Net assets
As of September 30, 2016	548,021	52,247
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 September 30, 2016
Current assets		
Cash and deposits	46,557	66,507
Cash segregated for customers and others	222,067	235,233
Money held in trust	53,761	49,297
Trading assets	19,113	20,078
Trading securities and other	2,442	1,535
Derivatives	16,671	18,542
Margin transaction assets	149,235	128,144
Loans on margin transaction	145,646	123,124
Cash collateral pledged for securities borrowing on margin transaction	3,588	5,020
Loans secured by securities	5	-
Cash paid for offering	849	708
Short-term guarantee deposited	19,525	17,002
Accrued revenue	3,029	3,189
Short-term loans receivable	22,277	1,041
Other current assets	3,008	4,852
Allowance for doubtful receivables	-1	-0
Total current assets	539,431	526,057
Non-current assets		
Property, plant and equipment	1,028	969
Intangible assets	16,891	19,358
Investment and others	1,631	1,635
Investment securities	1,017	996
Long-term guarantee deposits	328	304
Deferred tax assets	193	208
Other	209	236
Allowance for doubtful receivables	-117	-110
Total non-current assets	19,552	21,964
Total assets	558,983	548,021

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(Unit: million yen)

	As of March 31, 2016	As of September 30, 2016
Current liabilities		
Trading liabilities	6,510	4,086
Trading securities and other	-	10
Derivatives	6,510	4,075
Trade date accrual	129	290
Margin transaction liabilities	33,006	31,120
Borrowings on margin transaction	15,178	11,252
Cash received as collateral for securities lending on margin transaction	17,827	19,868
Loans payable secured by securities	46,076	39,526
Deposits received	178,914	201,498
Guarantee money received	110,386	106,289
Short-term borrowings	37,600	10,100
Current portion of long-term loans payable	31,800	31,100
Allowance for point services	137	131
Allowance for loss on cancellation of outsourcing contract	2,399	1,846
Deferred tax liabilities	22	287
Other current liabilities	5,367	5,424
Total current liabilities	452,350	431,702
Non-current liabilities		
Long-term debt	51,300	62,700
Other non-current liabilities	16	4
Total non-current liabilities	51,316	62,704
Statutory reserve		
Financial instruments transactions reserve	1,886	1,367
Total statutory reserve	1,886	1,367
Total liabilities	505,553	495,774
Net assets		
Common stock	12,200	12,200
Capital surplus	32,359	32,359
Retained earnings	6,627	5,436
Owners' equity	51,187	49,996
Net unrealized holding gains (losses) on securities	2,241	2,251
Accumulated other comprehensive income	2,241	2,251
Total net assets	53,429	52,247
Total liabilities and net assets	558,983	548,021

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(2)Statement of income

(Unit: million yen)

	Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)
Operating revenue		
Commission revenue	10,798	7,533
Brokerage commission	9,066	6,206
Underwriting and distribution	30	56
Subscription and distribution	460	221
Other commissions	1,242	1,049
Net gain on trading account	3,140	2,386
Financial income	5,094	4,443
Other operating revenue	83	132
Total operating revenue	19,116	14,497
Financial expenses	1,697	1,578
Net operating revenue	17,418	12,918
Selling, general and administrative expenses	12,302	12,438
Operating income	5,116	479
Non-operating income	36	23
Non-operating expenses	9	4
Ordinary income	5,143	498
Extraordinary income		
Reversal of allowance for loss on cancellation of outsourcing contract	-	427
Reversal of financial instruments transactions reserve	-	519
Total extraordinary income	-	946
Extraordinary loss		
Provision of financial instruments transactions reserve	137	-
Loss on cancellation of outsourcing contracts	43	70
Loss on disposal of Property, plant and equipment	-	21
Total extraordinary loss	180	92
Income before income taxes	4,962	1,353
Income taxes - current	1,803	19
Income taxes - deferred	-131	245
Total income taxes	1,671	264
Profit	3,290	1,088

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2. Supplementary information

(1) Brokerage commissions

(Unit: million yen)

	Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)
Stocks and ETFs	8,668	5,967
Options and Futures	397	238
Total brokerage commissions	9,066	6,206

(2) Brokerage trading value of stocks and ETFs

(Unit: million yen)

	Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)
Cash	4,907,291	3,158,057
Margin	4,825,197	3,291,992
Total	9,732,489	6,450,050

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(3) Statement of income for each quarter

(Unit: million yen)

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

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