

MONEX GROUP

Quarterly financial results of Subsidiary (Monex, Inc.)

TOKYO, July 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 quarter of the fiscal year ending March 31, 2017 prepared in accordance with the generally accepted accounting principles in Japan.

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

(1) Results of operations

(Unit: million yen)

	Operating revenue	Net operating revenue	Operating income	Ordinary income	Profit
For the quarter ended June 30, 2016	7,937	6,912	656	670	1,322
For the quarter ended June 30, 2015	9,774	8,645	2,530	2,552	1,617
Fluctuation (%)	-18.8	-20.1	-74.1	-73.7	-18.2

(2) Financial condition

(Unit: million yen)

	Total assets	Net assets
As of June 30, 2016	547,399	52,948
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 June 30, 2016
Current assets		
Cash and deposits	46,557	65,587
Cash segregated for customers and others	222,067	225,716
Money held in trust	53,761	47,386
Trading assets	19,113	21,862
Trading securities and other	2,442	2,258
Derivatives	16,671	19,604
Margin transaction assets	149,235	136,239
Loans on margin transaction	145,646	132,957
Cash collateral pledged for securities borrowing on margin transaction	3,588	3,282
Loans secured by securities	5	-
Cash paid for offering	849	1,301
Short-term guarantee deposited	19,525	18,776
Accrued revenue	3,029	3,046
Short-term loans receivable	22,277	1,573
Other current assets	3,008	5,939
Allowance for doubtful receivables	-1	-0
Total current assets	539,431	527,430
Non-current assets		
Property, plant and equipment	1,028	974
Intangible assets	16,891	17,352
Investment and others	1,631	1,641
Investment securities	1,017	1,013
Long-term guarantee deposits	328	316
Deferred tax assets	193	236
Other	209	190
Allowance for doubtful receivables	-117	-113
Total non-current assets	19,552	19,969
Total assets	558,983	547,399

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(Unit: million yen)

	As of March 31, 2016	As of June 30, 2016
Current liabilities		
Trading liabilities	6,510	4,477
Trading securities and other	-	13
Derivatives	6,510	4,463
Trade date accrual	129	439
Margin transaction liabilities	33,006	24,700
Borrowings on margin transaction	15,178	13,437
Cash received as collateral for securities lending on margin transaction	17,827	11,263
Loans payable secured by securities	46,076	53,226
Deposits received	178,914	192,868
Guarantee money received	110,386	108,619
Short-term borrowings	37,600	32,600
Current portion of long-term loans payable	31,800	19,500
Allowance for point services	137	142
Allowance for loss on cancellation of outsourcing contract	2,399	1,891
Deferred tax liabilities	22	482
Other current liabilities	5,367	3,831
Total current liabilities	452,350	442,780
Non-current liabilities		
Long-term debt	51,300	50,300
Other non-current liabilities	16	3
Total non-current liabilities	51,316	50,303
Statutory reserve		
Financial instruments transactions reserve	1,886	1,367
Total statutory reserve	1,886	1,367
Total liabilities	505,553	494,451
Net assets		
Common stock	12,200	12,200
Capital surplus	32,359	32,359
Retained earnings	6,627	5,670
Owners' equity	51,187	50,230
Net unrealized holding gains (losses) on securities	2,241	2,717
Accumulated other comprehensive income	2,241	2,717
Total net assets	53,429	52,948
Total liabilities and net assets	558,983	547,399

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(2)Statement of income

(Unit: million yen)

	Three months ended June 30, 2015 (From April 1, 2015 to June 30, 2015)	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)
Operating revenue		
Commission revenue	5,365	3,969
Brokerage commission	4,512	3,294
Underwriting and distribution	19	26
Subscription and distribution	224	130
Other commissions	609	517
Net gain on trading account	1,543	1,308
Financial income	2,824	2,573
Other operating revenue	40	85
Total operating revenue	<u>9,774</u>	<u>7,937</u>
Financial expenses	<u>1,128</u>	<u>1,025</u>
Net operating revenue	<u>8,645</u>	<u>6,912</u>
Selling, general and administrative expenses	<u>6,115</u>	<u>6,255</u>
Operating income	<u>2,530</u>	<u>656</u>
Non-operating income	24	16
Non-operating expenses	<u>1</u>	<u>2</u>
Ordinary income	<u>2,552</u>	<u>670</u>
Extraordinary income		
Reversal of allowance for loss on cancellation of outsourcing contract	-	508
Reversal of financial instruments transactions reserve	-	519
Total extraordinary income	<u>-</u>	<u>1,027</u>
Extraordinary loss		
Provision of financial instruments transactions reserve	98	-
Loss on disposal of Property, plant and equipment	-	21
Total extraordinary loss	<u>98</u>	<u>21</u>
Income before income taxes	<u>2,454</u>	<u>1,675</u>
Income taxes - current	901	146
Income taxes - deferred	<u>-64</u>	<u>207</u>
Total income taxes	<u>836</u>	<u>353</u>
Profit	<u>1,617</u>	<u>1,322</u>

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2. Supplementary information

(1) Brokerage commissions

(Unit: million yen)

	Three months ended June 30, 2015 (From April 1, 2015 to June 30, 2015)	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)
Stocks and ETFs	4,341	3,158
Options and Futures	171	136
Total brokerage commissions	4,512	3,294

(2) Trading value of stocks and ETFs

(Unit: million yen)

	Three months ended June 30, 2015 (From April 1, 2015 to June 30, 2015)	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)
Cash	2,496,957	1,670,538
Margin	2,374,893	1,718,656
Total	4,871,850	3,389,194

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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
Operating revenue					
Commission revenue	5,365	5,433	4,349	4,329	3,969
Brokerage commission	4,512	4,553	3,533	3,549	3,294
Underwriting and distribution	19	10	102	19	26
Subscription and distribution	224	236	139	191	130
Other commissions	609	632	573	568	517
Net gain on trading account	1,543	1,596	1,175	1,359	1,308
Financial income	2,824	2,270	2,660	1,978	2,573
Other operating revenue	40	42	51	55	85
Total operating revenue	9,774	9,342	8,238	7,723	7,937
Financial expenses	1,128	568	963	530	1,025
Net operating revenue	8,645	8,773	7,274	7,192	6,912
Selling, general and administrative expenses	6,115	6,187	6,072	6,053	6,255
Operating income	2,530	2,586	1,202	1,138	656
Non-operating income	24	12	17	16	16
Non-operating expenses	1	8	1	10	2
Ordinary income	2,552	2,590	1,217	1,144	670
Extraordinary income					
Reversal of allowance for loss on cancellation of outsourcing contract	-	-	-	-	508
Reversal of financial instruments transactions reserve	-	-	-	-	519
Total extraordinary income	-	-	-	-	1,027
Extraordinary loss					
Provision of allowance for loss on cancellation of outsourcing contract	-	-	2,360	39	-
Loss on cancellation of outsourcing contract	-	43	-	8	-
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
Income or loss before income taxes	2,454	2,507	-1,142	1,086	1,675
Income taxes - current	901	902	291	440	146
Income taxes - deferred	-64	-66	-690	-14	207
Total income taxes	836	835	-399	425	353
Profit or loss	1,617	1,672	-743	660	1,322

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