

Financial results of Subsidiary (Monex, Inc.)

TOKYO, April 26, 2018 – Monex Group, Inc. (TSE 8698, Oki Matsumoto, Representative Executive Officer and CEO) reported today the following financial results of its wholly-owned subsidiary, Monex, Inc., for the fiscal year ending March 31, 2018 prepared in accordance with the generally accepted accounting principles in Japan.

Financial results for the fiscal year ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

(1) Results of operations

(Unit: million yen)

	Operating revenue	Net operating revenue	Operating income	Ordinary income	Profit
For the fiscal year ending March 31, 2018	32,454	29,394	5,369	5,449	3,742
For the fiscal year ending March 31, 2017	29,630	26,532	794	809	1,064
Change (%)	9.5	10.8	576.2	573.4	251.5

(2) Financial condition

(Unit: million yen)

	Total assets	Net assets
As of March 31, 2018	660,998	50,536
As of March 31, 2017	606,589	50,074

(Please refer to Appendix for more details)

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Appendix

1. Financial Statements

(1) Balance Sheets

(Unit: million yen)

	As of March 31, 2017	As of March 31, 2018
Current assets		
Cash and deposits	62,823	63,282
Cash segregated for customers and others	273,417	272,752
Money held in trust	54,114	54,060
Trading assets	14,723	19,233
Trading securities and other	1,226	3,575
Derivatives	13,496	15,657
Margin transaction assets	147,653	192,224
Loans on margin transaction	138,499	188,840
Cash collateral pledged for securities borrowing on margin transaction	9,153	3,384
Loans secured by securities	-	22
Cash paid for offering	877	1,196
Short-term guarantee deposits	21,609	25,968
Accrued revenue	3,347	3,516
Short-term loans receivable	480	6,409
Deferred tax assets	33	-
Other current assets	6,021	3,244
Allowance for doubtful receivables	-0	-2
Total current assets	585,103	641,906
Non-current assets		
Property, plant and equipment	798	759
Intangible assets	19,370	17,227
Investment and others	1,317	1,105
Investment securities	484	487
Long-term guarantee deposits	483	459
Deferred tax assets	250	93
Other	212	139
Allowance for doubtful receivables	-112	-75
Total non-current assets	21,486	19,091
Total assets	606,589	660,998

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(Unit: million yen)

	As of March 31, 2017	As of March 31, 2018
Current liabilities		
Trading liabilities	5,424	4,897
Derivatives	5,424	4,897
Trade date accrual	402	285
Margin transaction liabilities	40,664	29,683
Borrowings on margin transaction	13,113	13,241
Cash received as collateral for securities lending on margin transaction	27,550	16,441
Loans payable secured by securities	50,060	61,100
Deposits received	145,322	148,125
Guarantee deposits received	199,318	197,653
Short-term loans payable	32,900	87,400
Current portion of long-term loans payable	10,600	19,000
Allowance for point services	126	220
Deferred tax liabilities	-	209
Other current liabilities	4,619	3,814
Total current liabilities	489,440	552,389
Non-current liabilities		
Long-term loans payable	65,700	56,700
Other non-current liabilities	7	-
Total non-current liabilities	65,707	56,700
Statutory reserve		
Financial instruments transactions reserve	1,367	1,372
Total statutory reserve	1,367	1,372
Total liabilities	556,515	610,461
Net assets		
Common stock	12,200	12,200
Capital surplus	32,359	32,569
Retained earnings	4,272	4,579
Owners' equity	48,832	49,348
Net unrealized holding gains (losses) on securities	1,242	1,188
Accumulated other comprehensive income	1,242	1,188
Total net assets	50,074	50,536
Total liabilities and net assets	606,589	660,998

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(2)Statement of income

(Unit: million yen)

	For the fiscal year ending March 31, 2017 (From April 1, 2016 to March 31, 2017)	For the fiscal year ending March 31, 2018 (From April 1, 2017 to March 31, 2018)
Operating revenue		
Commission revenue	15,379	17,087
Brokerage commission	12,683	14,238
Underwriting and distribution	136	171
Subscription and distribution	442	458
Other commissions	2,117	2,218
Net gain on trading account	4,499	3,862
Financial income	9,558	10,780
Other operating revenue	192	723
Total operating revenue	29,630	32,454
Financial expenses	3,097	3,060
Net operating revenue	26,532	29,394
Selling, general and administrative expenses	25,738	24,024
Operating income	794	5,369
Non-operating income	38	90
Non-operating expenses	23	10
Ordinary income	809	5,449
Extraordinary income		
Compensation income	810	61
Reversal of financial instruments transactions reserve	519	-
Reversal of allowance for loss on cancellation of outsourcing contract	508	-
Gain on redemption of investment securities	72	-
Total extraordinary income	1,909	61
Extraordinary loss		
Loss on disposal of Property, plant and equipment	21	44
Head office transfer cost	-	32
Provision of financial instruments transactions reserve	-	4
System migration expenses	1,147	-
Loss on cancellation of outsourcing contracts	70	-
Total extraordinary loss	1,240	81
Income before income taxes	1,478	5,429
Income taxes - current	85	1,265
Income taxes - deferred	328	422
Total income taxes	414	1,687
Profit	1,064	3,742

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2. Supplementary information

(1) Brokerage commissions

(Unit: million yen)

	For the fiscal year ending March 31, 2017 (From April 1, 2016 to March 31, 2017)	For the fiscal year ending March 31, 2018 (From April 1, 2017 to March 31, 2018)
Stocks and ETFs	12,261	13,889
Options and Futures	422	348
Total brokerage commissions	12,683	14,238

(2) Brokerage trading value of stocks and ETFs

(Unit: million yen)

	For the fiscal year ending March 31, 2017 (From April 1, 2016 to March 31, 2017)	For the fiscal year ending March 31, 2018 (From April 1, 2017 to March 31, 2018)
Cash	6,877,062	8,975,986
Margin	6,438,794	7,792,693
Total	13,315,856	16,768,680

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(3) Statement of income for each quarter

(Unit: million yen)

	1Q of FYE Mar. 2017	2Q of FYE Mar. 2017	3Q of FYE Mar. 2017	4Q of FYE Mar. 2017	1Q of FYE Mar. 2018	2Q of FYE Mar. 2018	3Q of FYE Mar. 2018	4Q of FYE Mar. 2018
Operating revenue								
Commission revenue	3,969	3,564	4,037	3,808	3,916	4,084	4,688	4,399
Brokerage commission	3,294	2,911	3,382	3,094	3,290	3,322	3,999	3,625
Underwriting and distribution	26	30	44	35	5	120	30	15
Subscription and distribution	130	90	94	126	88	77	119	173
Other commissions	517	532	516	551	531	563	538	585
Net gain on trading account	1,308	1,077	1,061	1,051	882	921	1,035	1,022
Financial income	2,573	1,870	2,442	2,672	2,888	2,392	2,979	2,519
Other operating revenue	85	47	32	27	28	26	643	24
Total operating revenue	<u>7,937</u>	<u>6,559</u>	<u>7,573</u>	<u>7,559</u>	<u>7,715</u>	<u>7,424</u>	<u>9,347</u>	<u>7,966</u>
Financial expenses	<u>1,025</u>	<u>553</u>	<u>972</u>	<u>547</u>	<u>1,024</u>	<u>568</u>	<u>976</u>	<u>491</u>
Net operating revenue	<u>6,912</u>	<u>6,006</u>	<u>6,601</u>	<u>7,012</u>	<u>6,691</u>	<u>6,856</u>	<u>8,370</u>	<u>7,475</u>
Selling, general and administrative expenses	<u>6,255</u>	<u>6,182</u>	<u>6,495</u>	<u>6,804</u>	<u>5,789</u>	<u>5,769</u>	<u>6,184</u>	<u>6,281</u>
Operating income or loss	<u>656</u>	<u>-176</u>	<u>105</u>	<u>208</u>	<u>902</u>	<u>1,086</u>	<u>2,186</u>	<u>1,194</u>
Non-operating income	<u>16</u>	<u>6</u>	<u>8</u>	<u>7</u>	<u>10</u>	<u>28</u>	<u>7</u>	<u>44</u>
Non-operating expenses	<u>2</u>	<u>1</u>	<u>2</u>	<u>17</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>4</u>
Ordinary income or loss	<u>670</u>	<u>-171</u>	<u>112</u>	<u>198</u>	<u>911</u>	<u>1,112</u>	<u>2,190</u>	<u>1,234</u>
Extraordinary income								
Compensation income	-	-	-	810	61	-	-	-
Reversal of financial instruments transactions reserve	519	-	-	-	44	-	-	-44
Reversal of allowance for loss on cancellation of outsourcing contract	508	-80	80	-	-	-	-	-
Gain on redemption of investment securities	-	-	72	-	-	-	-	-
Total extraordinary income	<u>1,027</u>	<u>-80</u>	<u>152</u>	<u>810</u>	<u>105</u>	<u>-</u>	<u>-</u>	<u>-44</u>
Extraordinary loss								
Loss on disposal of Property, plant and equipment	21	-	-	-	-	-	19	24
Head office transfer cost	-	-	-	-	32	-	-	-
Provision of financial instruments transactions reserve	-	-	-	-	-	-	-	4
System migration expenses	-	-	130	1,017	-	-	-	-
Loss on cancellation of outsourcing contracts	-	70	-	-	-	-	-	-
Total extraordinary loss	<u>21</u>	<u>70</u>	<u>130</u>	<u>1,017</u>	<u>32</u>	<u>-</u>	<u>19</u>	<u>29</u>
Income or loss before income taxes	<u>1,675</u>	<u>-322</u>	<u>134</u>	<u>-8</u>	<u>984</u>	<u>1,112</u>	<u>2,171</u>	<u>1,161</u>
Income taxes - current	<u>146</u>	<u>-126</u>	<u>70</u>	<u>-3</u>	<u>2</u>	<u>292</u>	<u>517</u>	<u>453</u>
Income taxes - deferred	<u>207</u>	<u>38</u>	<u>8</u>	<u>74</u>	<u>288</u>	<u>68</u>	<u>154</u>	<u>-88</u>
Total income taxes	<u>353</u>	<u>-88</u>	<u>78</u>	<u>70</u>	<u>290</u>	<u>361</u>	<u>671</u>	<u>364</u>
Profit or loss	<u><u>1,322</u></u>	<u><u>-234</u></u>	<u><u>55</u></u>	<u><u>-79</u></u>	<u><u>693</u></u>	<u><u>751</u></u>	<u><u>1,499</u></u>	<u><u>796</u></u>

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