

MONEX GROUP

Announcement of Subsidiary's Release

TOKYO, October 30, 2018 – Coincheck, Inc., a fully owned subsidiary of Monex Group, Inc., issued the following press release today.

Attachment: Coincheck, Inc. press release

Notice to resume "new account openings" and "customers' depositing and purchasing some cryptocurrencies" services

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

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October 30, 2018

Coincheck, Inc.

Notice to resume "new account openings" and "customers' depositing and purchasing some cryptocurrencies" services

Coincheck, Inc. (Head office: Shibuya-ku, Tokyo, President: Toshihiko Katsuya, hereinafter referred to as "Coincheck") had suspended some services in order to protect customers' assets and to investigate the cause of hacking to its system on January 26, 2018 which caused the illegal remittance of the cryptocurrency NEM. Since then, Coincheck had been making efforts to improve its governance and internal control by carrying out business improvement plans. Up to date, Coincheck has decided to restart its services step by step for which technical safety was confirmed with supports from external experts. In particular, we resumed JPY withdrawal in February 2018 and remitting and selling of cryptocurrencies gradually during the period from March to June 2018. And now, here we announce that Coincheck has resumed "new account openings" and "customers' depositing and purchasing some cryptocurrencies" services today.

The services that has resumed today (October 30, 2018):

- **New account openings**
- **Depositing some cryptocurrencies**
The cryptocurrencies available for deposit: BTC, ETC, LTC and BCH
- **Purchasing some cryptocurrencies**
The cryptocurrencies available for purchase: ETC, LTC and BCH (Purchasing and selling of BTC have not been suspended due to the incident.)

* Remittance and selling have been available for all of the cryptocurrencies that we offer.

About the resumption of new account openings:

- The resumption of the service to open new accounts is available for customers who

live in Japan.

- After a customer applies for new account opening, we will send an email to notify the receipt of the application as soon as we complete checking of registration details, the submission of identification documents, and the selfie, etc. In case there is some incompleteness, etc. in the information submitted, the applicant may be asked to correct the registration information and/or to resubmit required documents, etc.
- After we finished the KYC (know your customer) process for the new account opening, we will send a postcard-sized letter notifying that the account opening procedure has been completed, by Japan Post's recorded delivery (no forwarding permitted), so please be aware to receive it. (Note that if the customer failed to receive the letter, our service will be not available.)
- After the customer received the letter, we will send an e-mail notifying of service activation. By checking the e-mail and logging in to the Coincheck account, the customer will be able to use all of the functions and services except for the ones which are yet to be resumed.
- It may take several days from the application date until registered information is confirmed at Coincheck, or until the letter notifying the completion of account opening is sent.
- In case Coincheck receives unexpected number of applications at once, the process may take longer days than usual.

About depositing and purchasing cryptocurrencies:

- Accompanied with the resumption of the services today, we are requesting each existing customer to once again generate a depositing address when reusing the depositing service. Please generate a new deposit address by clicking the "Create Address" button at the "Deposit Coins" screen.
- **Please be reminded that if the remittance has been directed to the old deposit address or to the deposit address of other cryptocurrencies, we will not be able to reflect on the balance or to return back that particular cryptocurrency.**

Precautions related to the service resumption:

- There is a possibility that access to the services and/or connection to the customer service center will temporarily become difficult, due to increased access.
- If we experience or monitor a significant increase in the volume of transactions, or sudden price fluctuations, or encounter problems that have not been known to us at the present stage, we may temporarily suspend trading at our discretion without a prior notice.
- When unforeseen issues are detected, we may suspend the services planned for resumption without a prior notice.
- All of the dates and times described in this notice are in Japan Standard Time (JST).

The services currently available (as of October 30, 2018):

The following functions are available as "Coincheck" services as of now:

- New account openings
- Depositing and buying cryptocurrencies (but only for BTC, ETC, LTC and BCH)
- Remitting and selling cryptocurrencies (for all tradable cryptocurrencies at Coincheck)
- Depositing and withdrawing JPY
- Making settlements and margin deposits in existing leveraged transactions
(Customers who already hold leveraged positions remain qualified for exercising settlement transactions and transferring margin deposits. Note that new leveraged transactions are still under suspension.)
- Coincheck cryptocurrency lending service (for all tradable cryptocurrencies at Coincheck)

The services preparing for resumption (as of October 30, 2018):

We will, from time to time, resume the following services that are currently suspended if the services are confirmed safe and become ready to be offered.

- Depositing and buying ETH, XEM, LSK, XRP and FCT.
- Leveraged transactions for new positions

- Affiliate service
- JPY depositing through convenience stores
- JPY quick depositing (Pay-easy)
- Coincheck Payment
- Coincheck DENKI (electricity)

■About Coincheck

Name of Company: Coincheck, Inc.

Name and title of the representative: Toshihiko Katsuya

Establishment: August 28, 2012

Main business: Cryptocurrency exchange service and Bitcoin payment service provider

URL : <https://coincheck.com>

Reference Materials:

The efforts to strengthen its governance and internal control of our company

Coincheck has made considerable efforts to establish and execute the following systems in order to recover the customers' trust.

1. Strengthened the risk management system under a new management team

Coincheck has become a subsidiary of Monex Group, Inc. on April 16, 2018. Toshihiko Katsuya, who became President of Coincheck on the same day (concurrently serves as Senior Executive Officer of Monex Group, Inc.), together with other management directors, has steadily proceeded the measures to separate supervision and execution functions, and has started operations under a new management team. At the same time, the organization and human resources were strengthened in order to establish sufficient customer protection systems. New business units and departments were established and the number of employees increased to about 250 (as of the end of September 2018), which is about twice the number of employees in January 2018.

2. Efforts taken by the Business Division

- **Revised the criteria for selecting tradable cryptocurrencies**

We reviewed the criteria for selecting tradable cryptocurrencies from a viewpoint of customer protection and AML/CFT (*), and delisted 4 cryptocurrencies (REP, DASH, ZEC and XMR) that deemed inappropriate for trading in June 2018.

Considering the importance of the criteria for selecting tradable cryptocurrencies, Coincheck has newly established a dedicated department that conducts research on technical characteristics and related matters, risk evaluation, and selection of tradable cryptocurrencies. Our selection of new tradable cryptocurrencies will be made based on the

criteria set by the department to offer customers to trade with a feeling of security.

*AML/CFT: Anti-money laundering and combating the financing of terrorism

- **Fortified the system security settings**

We conducted system restructuring such as network isolation and completed conversions of storage for all the tradable cryptocurrencies into cold wallets to avoid unexpected influence from the targeted attack through the Internet, with a support from external experts who have knowledge of financial system security and cyber security, including countermeasures against cyber-attacks and information leakage. Also, in addition to establishing the Cyber Security Promotion Department that oversees the overall system security settings, we established and operate CSIRT (Computer Security Incident Response Team) for the purpose of enhancing response to incidents. All of our executive directors, department managers and employees are continuously making efforts to execute BCP (Business Continuity Plan), in order to minimize the impact on our stakeholders, including our customers, at the time when an incident occurs.

3. Efforts in the Risk Management and Compliance Division

- **Establishment of the Risk Committee**

We have newly established the Risk Committee that grasps company-wide risks and formulates and monitors action plans for each department. The committee, in cooperation with the Board of Directors, works to strengthen the risk management systems.

- **Strengthening the AML/CFT and suspicious transaction monitoring**

We have established the systems to continuously monitor and report suspicious transactions and the systems to provide sufficient customer support, by expanding the Customer Support Department both by the number of personnel and hub, by setting stricter KYC (know your customer) process at the time of new account opening, and by setting criteria for customers who require intensive monitoring.

- **Development of internal rules regarding cryptocurrency insider trading**

We have determined the internal rules on cryptocurrency insider trading so as to strengthen our compliance system. The rules stipulate that our management and employees, as those who engage in the cryptocurrency exchange business, shall refrain from utilizing cryptocurrency insider information (information that is not publicly available and may have a significant influence on the price of cryptocurrency) to avoid unfair trading, shall make efforts to realize fairness and transparency in the cryptocurrency market, and shall maintain and improve trust from our customers.

4. Efforts in the Internal Administration and Internal Audit

We have made efforts to strengthen the personnel structure and the authority, etc. of internal administrative and internal audit departments, in order to ensure legal compliance and proper business operation without being affected by business performance such as business promotion and profit expansion.

Measures to respond to the business improvement orders:

- Measures to respond to the business improvement order (received on January 29, 2018)

Business improvement order	Improvements and corresponding actions
Investigation of the fact and cause	<ul style="list-style-type: none"> - Conducted forensic investigations - Identified the invading route with a support of external experts' knowledge - Provided information to police in order to investigate the cause
Proper customer care	<ul style="list-style-type: none"> - Compensated the NEM holders - Resumed remittance of cryptocurrencies and JPY withdrawal
Strengthen the business administration and clarify where the responsibility lies	<ul style="list-style-type: none"> - Fortified the Board of Directors functions - Executed the management system reform

Establishment of the effective system risk management scheme and formulation of the measures to prevent recurrence, etc.	<ul style="list-style-type: none"> - Established the effective system risk management settings, by newly creating the System Risk Committee and Cyber Security Promotion Department - Restructured all the systems (replaced all of the employees' PC, introduced surveillance tools, developed improved security environments, etc.) - Active utilization of external advisory services
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- Measures to respond to the business improvement order (received on March 8, 2018)

	Business improvement order	Improvements and corresponding actions
Governance	Drastically reform management system	<ul style="list-style-type: none"> - Redefined the Board of Directors functions to focus mainly on supervising executives - Fortified supervision functions by having outside directors as the Board members
	Review business strategy in terms of thorough customer protection	<ul style="list-style-type: none"> - Prioritized resource allocation to enhance internal control and system risk control - Introduced cold wallet custody for all cryptocurrencies offered
	Enhance various controls by Board	<ul style="list-style-type: none"> - Developed various rules for enhancing governance and invited outside experts to committees for compliance and system risk
Internal Administration Internal Audit	Assess various risks of each cryptocurrency offering	<ul style="list-style-type: none"> - Changed criteria for offering cryptocurrency - Stopped offering 4 anonymous cryptocurrencies, etc.
	Enhance AML/CFT measures	<ul style="list-style-type: none"> - Made ID confirmation process stricter. Implemented various measures for

		identifying, evaluating and lowering risks based on FSA guidelines
	Ensure various controls and effectiveness before reopening suspended services and AOP	<ul style="list-style-type: none"> - Reinforced controls for system risk and AML/CFT risk, and upgraded risk control across the company - Increased staff for internal audit

The services that we resumed so far:

October 30, 2018	New account openings, and depositing and buying some cryptocurrencies (BTC, ETC, LTC and BCH)
June 7, 2018	Remitting and selling XEM
May 7, 2018	Remitting and selling XMR
April 6, 2018	Remitting and selling REP, DASH and ZEC
March 22, 2018	Remitting and selling LSK and FCT
March 12, 2018	Remitting and selling ETH, ETC, XRP, LTC, BCH and BTC
February 13, 2018	JPY Withdrawal