

Annual Securities Report for the 103rd Fiscal Year (From April 1, 2018 to March 31, 2019)

Matsui Securities Co., Ltd.

1-4, Kojimachi, Chiyoda-ku, Tokyo

Representative: Michio MATSUI, President & CEO

Original Japanese Report was filed with the Director of the Kanto Local Finance Bureau on June 17, 2019 pursuant to Article 24, Paragraph 1 of the Financial Instrument and Exchange Act.

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Notice to Readers 3: The original Annual Securities Report is attached with an audit report by PricewaterhouseCoopers Aarata LLC for the financial statements for the fiscal year ended March 31, 2019.

Part 1. Company Information

1. Overview of Company

1) Summary of Business Results

Fiscal year	99 th	100 th	101 st	102 nd	103 rd
End of fiscal year	March 2015	March 2016	March 2017	March 2018	March 2019
Operating revenue (millions of yen)	34,306	34,435	27,727	32,210	27,313
Net operating revenue (millions of yen)	32,893	33,003	26,499	30,480	25,999
Ordinary profit (millions of yen)	22,202	21,833	15,044	18,632	13,592
Profit (millions of yen)	15,571	14,763	10,697	12,908	9,562
Equity in earnings of affiliates if equity method is applied (millions of yen)	-	-	-	-	-
Capital stock (millions of yen)	11,945	11,945	11,945	11,945	11,945
Total number of issued shares (shares)	269,264,702	259,264,702	259,264,702	259,264,702	259,264,702
Net assets (millions of yen)	90,029	92,718	94,820	98,751	96,579
Total assets (millions of yen)	817,183	663,425	770,716	836,318	695,993
Net assets per share (yen)	350.63	361.01	369.02	384.12	375.45
Dividend paid per share [Interim dividend paid per share] (yen)	40.00 [20.00]	45.00 [25.00]	33.00 [13.00]	44.00 [17.00]	84.00 [19.00]
Basic earnings per share (yen)	60.65	57.50	41.67	50.28	37.24
Diluted earnings per share (yen)	60.64	57.49	41.65	50.24	37.20
Equity-to-asset ratio (%)	11.0	14.0	12.3	11.8	13.9
Rate of return on equity (%)	17.8	16.2	11.4	13.4	9.8
Price-earnings ratio (times)	18.00	16.68	20.90	19.17	27.98
Payout ratio (%)	66.0	78.3	79.2	87.5	225.6
Net cash provided by (used in) operating activities (millions of yen)	21,871	43,431	11,510	(39,665)	103,499
Net cash provided by (used in) investing activities (millions of yen)	2,068	(824)	(2,014)	(2,067)	(2,011)
Net cash provided by (used in) financing activities (millions of yen)	(21,867)	(48,147)	(10,269)	51,908	(101,650)
Cash and cash equivalents (millions of yen)	35,406	29,865	29,093	39,269	39,108
Number of employees [Average number of temporary workers]	120 [156]	121 [195]	123 [197]	130 [191]	142 [195]
Total shareholder return [Comparison: Dividend-included TOPIX] (%)	108.0 [130.7]	99.6 [116.5]	94.4 [133.7]	107.4 [154.9]	122.9 [147.1]
Highest share price (yen)	1,200	1,170	1,040	1,087	1,318
Lowest share price (yen)	898	876	775	820	945

Note 1: Operating revenue does not include consumption tax, etc.

Note 2: Equity in earnings of affiliates if equity method is applied is not shown above because the Company does not have affiliates.

Note 3: 84 yen dividend paid per share for the 103rd fiscal year includes year-end dividend of 65 yen which is to be resolved at the ordinary general meeting of shareholders scheduled to be held on June 23, 2019.

The year-end dividend of 65 yen includes 39 yen of commemorative dividend for the 100th anniversary of the Company.

Note 4: The highest and lowest share prices are quoted from the 1st section of the Tokyo Stock Exchange.

2) Company History

The Company's history starts from Matsui Fusakichi Shoten which was established at Nihombashi, Tokyo in May 1918. It was reorganized as a legal person, Matsui Shoten Co., Ltd. in March 1931 which evolves to the present Company.

Month and year	Event
March 1931	Matsui Shoten Co., Ltd. was incorporated.
December 1947	Trade name of the Company was changed to Matsui Securities Co., Ltd.
August 1948	The Company was registered as a securities firm.
April 1949	Takeshi MATSUI became the second President & CEO. The Company became a regular member, which is now called a participant of general trading, of the reopened Tokyo Stock Exchange.
April 1968	The Company was granted a license under the former Securities and Exchange Law.
January 1979	The head office was relocated to 1-20-7 Nihombashi, Chuo-ku, Tokyo.
December 1987	Masatoshi MATSUI became the third President & CEO.
June 1995	Michio MATSUI became the fourth President & CEO.
April 1996	The Company eliminated stock custodian fees.
February 1997	The Company reduced trading commissions for shares traded on the OTC market, cutting them by one-half.
May 1998	The Company started "Netstock", first full-fledged on-line brokerage service in Japan. The Company started first on-line margin trading service in Japan. The Company started on-line Nikkei average futures option (long position) services.
December 1998	The Company was registered as a securities firm under article 28 of former Securities and Exchange Act.
October 1999	The Company introduced new brokerage fee structure ("Box Rate") following the total deregulation of brokerage fee.
June 2000	Trade name of the Company was changed to Matsui Securities Co., Ltd. (The change is in the Chinese characters pronounced as the same.).
September 2000	The Company revised its brokerage fee structure ("Box Rate") to charge tabled fixed commissions according to the tabled range of total value of trades in one day.
March 2001	The Company became a specified regular member, which is now called a participant of general trading, of Nagoya Stock Exchange.
April 2001	The Company introduced NetFx, an on-line foreign exchange margin trading service.
August 2001	The Company listed its shares on the first section of the Tokyo Stock Exchange (Securities Code: 8628). The Company deregulated its own internal rules with respect to the minimum guarantee amount for the margin trades.
December 2001	The Company won the 1 st Porter Prize promoted by the Graduate School of International Corporate Strategy, Hitotsubashi University.
May 2002	The Company overhauled its "Netstock" service. The Company entered into underwriting business.
September 2002	The Company introduced stock lending service ("Yokabu") which offers its customers lending fees for their securities deposited at the Company.
October 2002	The Company started offering MMF in foreign currencies. The Company started to accept underage minors' accounts.
November 2002	The Company started supporting donation between its customers' accounts.
April 2003	The Company revised its brokerage commission structure "Box Rate" which merged all brokerage commissions including stock and option trading commissions into "1 box" structure.
July 2003	The Company started services for unlimited margin trading.
November 2003	The Company started a service which enables customers to mail their securities to the Company using Japan Post's Yu-Pack service.
June 2004	The head office was relocated to and registered at 1-4 Kojimachi, Chiyoda-ku, Tokyo.
July 2004	The Company started services for selling in its unlimited margin trading.
April 2005	The Company started services for Nikkei average futures trading and services for selling in Nikkei average options trading.
July 2005	The Company opened Sapporo Call Center.
April 2006	The Company revised its commission structure for stocks, futures and options trading to fit for broader types of investors.

Month and year	Event
July 2006	The Company started services for “Nikkei 225 mini” trading.
September 2006	The Company introduced real time trading tool “Netstock High Speed”.
November 2007	The Company started services for Nikkei average futures and options trading in the evening session. The Company started a service for real-time withdrawal of money fund, which enables customers to have their money deposited at the Company wired to their bank account at the time of request by them.
February 2008	The Company won “6 th Prize for the Enhancement of Individual Shareholder Base” by the Tokyo Stock Exchange’s “Listing Company Prizing Initiative”.
March 2009	The Company introduced real time information application “KABU touch” for smartphones.
January 2011	The Company abolished charging fees for small amount investments.
November 2011	The Company reduced its fees for Nikkei average futures trading to the lowest level among major on-line securities brokers.
January 2013	The Company introduced “Margin Trading Service for Day-trades” taking advantage of the newly relaxed deposit rules for margin trading.
March 2014	The Company introduced “Premium Short-Selling Services” for “Margin Trading Service for Day-trades”.
February 2015	The Company introduced “Futures Trading Service for Day-trades” limited to day-trades.
May 2015	The Company introduced new website for customers “Netstock Smart.”
October 2016	The Company totally overhauled its website.
November 2016	The Company started investment trust business and offering the portfolio offering service “Toshin Kobo”.
March 2018	The Company started “Night Trade” services for stock trading.
May 2018	The Company started services called “Best Match” to provide price improvement opportunities for customers in their stock trades.

3) Description of Business

The Company’s main business is stock brokerage services for individual investors and the Company provides an on-line securities trading service “Netstock”. Specifically, the Company provides brokerage services of stocks, futures and options, provides services for underwriting, offering and secondary distribution and solicitation for selling, sells mutual funds, and provides FX (foreign exchange margin trading) services. Since the Company is a provider of on-line securities trading service comprising a single segment, segment information is omitted.

4) Overview of Affiliated Company

Not applicable.

5) Information about Employees

(1) About the Company

(As of March 31, 2019)			
Number of employees	Average age (years old)	Average length of service (years)	Average annual compensation (thousands of yen)
142 (195)	39.8	12.3	8,777

Note 1: Number of employees is number of workers including employees dispatched from other companies to the Company. Number of employees includes 4 employees on leave of absence.

Note 2: Average annual compensation includes bonus and extra wages.

Note 3: Number of temporary workers are shown in parenthesis and not included in the number of employees. Number of temporary workers are average number of workers at work for the recent 1 year.

Note 4: Information by each segment is omitted since the Company is a provider of on-line securities trading service comprising a single segment.

(2) About employees' union

Concerning the Company, Matsui Securities Co., Ltd. Employees' Union is organized which consists of employees of the Company and whose headquarters is located at the headquarters of the Company. The total number of union members as of March 31, 2019 is 103.

Labor-management relations are good and there are no matters worthy of special mention like a dispute between labor and management.

2. Status of Business

1) Management Policy, Business Environment, and Issues to be Addressed, etc.

Commencing from the securities report for the current fiscal year ended March 31, 2019, the Company has applied the provisions in footnote (30) in Form 2 of the "Cabinet Office Order on Disclosure of Corporate Affairs" as amended pursuant to the "Cabinet Office Order Amending a Part of the Cabinet Office Order on Disclosure of Corporate Affairs" (Cabinet Office Order No. 3 of January 31, 2019).

(1) Basic management policy

The Company has adopted the corporate philosophy of "customer-centric approach" which aims to "provide the best trading environment for individual investors". In order to put the "customer-centric approach" in practice, the Company will constantly search for possibilities without fearing change and without adhering to the past or common sense in the industry, and will endeavor to provide innovative products and services based on its own unique ideas ahead of others, in order to respond to customers' expectations.

(2) Target management indicators

The Company upholds the management objective to maximize profits as well as shareholder value by effectively utilizing its limited management resources. The Company is of the view that ROE (Return on Equity ratio) which indicates the efficiency of capital (i.e. degree of effective use of management resources) is the most appropriate targeted management indicator. Furthermore, the Company has positioned ROE as an important indicator related to the continuous creation of shareholder value, and has adopted the mid-term to long-term management objective to achieve ROE which exceeds the cost of shareholders' equity (currently 8%).

The ROE for the current fiscal year ended March 31, 2019 was 9.8%, which decreased from 13.4% in the preceding fiscal year against the background of decrease in stock brokerage trading value etc. However, the above-mentioned target has been achieved, and the Company will continue to make efforts to improve capital efficiency going forward in the mid- to long-term.

(3) The management environment

By concentrating management resources to the on-line brokerage business and proceeding with taking a "selection and concentration" approach, the Company has maintained low-cost and efficient operations. As a result, the Company has maintained its ordinary profit ratio at a level which is higher than those of competitors in the same industry. Furthermore, the Company believes that the

reason why it has been receiving stable support from customers is due to 1) its strong brand and name recognition as the pioneer on-line brokerage firm and its credibility based on it, 2) the easy-to-understand commission structure which is price competitive, 3) simple and easy-to-use trading tools, and 4) a full support system which has been developed taking into account special features of conducting operations without having shops.

In 1998, the Company was the first firm in Japan to start providing on-line stock brokerage services. Since then, the proportion of on-line brokerage firms' customers within the total stock brokerage trading value by individual investors has continued to increase year-on-year, and currently makes up for around 90%. On the other hand, the ratio of shareholdings of on-line brokerage firms' customers to total shareholding amounts held by individuals still remains at around 20%, even though such ratio is increasing year-to-year. The inflow of share assets from face-to-face brokerage firms to on-line brokerage firms is continuing, and we believe that there is still room going forward for increase of stock trading value by individuals through on-line brokerage firms.

In the on-line brokerage industry, with respect to stock trading value by individuals, an oligopoly situation by the 7 main brokerage firms is continuing, including the Company (i.e. Matsui Securities, SBI Securities, Rakuten Securities, kabu.com Securities, MONEX Inc., GMO CLICK Securities, Okasan Online Securities). Currently, trading commissions in the industry have been decreasing to lowest levels compared to various foreign countries, and as a result, the commission fee reduction battle to gain customers has settled down in recent years. Furthermore, with respect to each firm's share of stock trading value by individuals, such shares are becoming fixed according to the trading commission level at each firm. However, even under such conditions, the difference in business among each firm is becoming apparent. Since the Company is continuing to focus on the stock brokerage business as its core business, a large part of the Company's revenues are related to such business; however, some competitors have focused on expanding their businesses to business areas other than stocks, such as FX (foreign exchange margin trading) and investment trusts, and are proceeding with the diversification of revenue sources.

As a new trend in the industry, in recent years, there are many new entrants coming in from other industrial sectors and FinTech ventures. The current business model of on-line brokerage firms, even though they may seem to have a wide customer base in terms of number of accounts, are in a situation where most of the income is dependent on only a portion of the customers who have a high frequency of trading. The trend among new entrants is to aim for a long-tail business model and earn income by approaching a large number of customers, even though the size of assets held by each customer may be small. This challenging factor towards a new business model is a common issue facing the entire industry, including existing brokerage firms like the Company as well as new entrants.

(4) Medium- to long-term management strategies

[1] Strengthening of the stock brokerage business

The Company focuses on the on-line based stock brokerage business as its core business. In order to maintain and expand its share of stock trading value by individuals within the on-line securities industry, the Company intends to continue to develop and provide high value-added products and services which

will contribute to customer satisfaction and strengthen its customer base going forward.

Most recently, as an effort to expand after-hours trading opportunities, the Company has commenced brokerage service for orders to the PTS (Proprietary Trading System). Furthermore, the Company has commenced providing the “Best Match” pricing improvement service which provides opportunities to trade at prices which are more advantageous compared to auction trading sessions on the TSE. Also, in efforts to improve transaction convenience, the Company has commenced providing the “stock lending” service, made improvements of application procedures for IPO (Initial Public Offering) and PO (Public Offering), and expanded and improved the money deposit service.

Furthermore, beginning from the current fiscal year, by entering into a business and capital partnership with Smart Trade Inc., the Company has commenced service linkage with the stocks investment algorithm platform “QuantX”, and has promoted activation of trading by customers using such service. The Company’s policy is to actively seek partnerships with outside firms such as FinTech ventures regarding businesses which require technologies and know-how which it currently does not have.

[2] Expansion and improvement of products and services

The stock brokerage business which is the Company’s main revenue source is currently highly dependent on a portion of the customer base which has high frequency of trading, and as a result, the current situation is that there is a high correlation between stock market conditions and the Company’s business performance. In order to respond to long-term changes to the business environment, expansion of the Company’s business operations is indispensable, and the Company’s policy is to actively expand and improve on-line products and services while maintaining efficient operations at low costs.

In particular, the Company has commenced providing investment trust services from November 2016, and is making continuous efforts to expand and improve the service. In the current fiscal year ended March 31, 2019, the Company has introduced new robot advisors “Toshin Teian (= investment trust proposal) Robot” and “Toshin Minaoshi (= investment trust review) Robot” which support selection of investment trusts and review of held investment trusts, respectively. The Company has also commenced providing the life plan simulation tool “Matsui FP” which was jointly developed with MILIZE Inc. aiming to promote asset formation among the younger generation. Furthermore, the Company has commenced the point service “Matsui Point” unique to the Company aiming to have people who do not have investment experience to feel closer to investments, and to promote their asset formation going into the future. The Company believes that efforts to enhance the investment trusts business will contribute to future expansion of asset services.

Regarding the Company’s FX business, the Company has conducted a full review of its business model in May 2017, and has switched from a brokerage model where all customer orders are covered, to a trading model where the Company, while holding proprietary positions, conducts cover trades by directly accessing the interbank market. By doing so, the Company has been able to reduce cover costs and significantly improve profitability. Also, in April 2019, the Company conducted a full renewal of its services to customers and renewed the trading channels over PCs and smartphones, and also expanded currency pairs for trading and lowered the monetary units for trading. Going into the

future, the Company intends to continue to strengthen its business by seeking expansion of trading volume.

(5) Issues to be addressed

[1] Expansion of customer base

On-line brokerage firms including the Company may seem to have a wide customer base in terms of the number of accounts, however, the ratio of active accounts to the entire number of accounts is low, and a large part of income is dependent on only a portion of the customers who have a high frequency of trading. Therefore, one issue which needs to be addressed going forward is to continue to expand its customer base. In the current fiscal year ended March 31, 2019, the Company has continued to make efforts to expand its customer base by conducting large-scale promotions and events to solicit customers to trade shares triggered by shareholders' benefits, and by strengthening digital marketing to acquire new customers through the Company's website and to improve paths to lead to transactions with potential customers.

On the other hand, financial assets of individual investors deposited with face-to-face brokerage firms have continued to flow into the on-line securities industry, and the ratio of shareholding amounts of customers of on-line brokerage firms to total shareholding amounts of individual investors has been increasing year-on-year. Therefore, the Company has continued efforts to strengthen its trading services towards those customers who have high frequency of trading, such as stocks, futures, and FX, as well as focusing on investment trusts which is an asset service for customers who are seeking asset formation for the future, although they may have low trading frequency. Furthermore, within the area of investment trusts, as with share trading, the Company will promote the flow of customers and assets from face-to-face brokerage firms to on-line brokerage firms in order to obtain new customers.

[2] Improvement of name recognition

The Company's core customer base are individual investors of 50 years of age or older, who make up for half of the number of accounts, and approximately 70% of total assets deposited by customers. This state is believed to be a common trend of the entire financial services industry for individual customers, and not only for the on-line securities industry. However, in order to maintain and expand the Company's customer base in the long-term, improvement of name recognition among the current younger generation in particular is an important issue, and the Company will continue to make efforts to improve its brand and name recognition.

In the current fiscal year ended March 31, 2019, the Company has implemented promotions targeting customers who experienced life events such as employment, changing jobs, marriage, childbirth, and child-raising, and executed campaigns by distributing advertisement videos and utilizing SNS. Furthermore, as an effort to approach a new customer base, the Company tied up with the health information service application targeting women called "Luna Luna", and commenced distributing articles targeting women.

[3] Securing stability of trading systems and expansion and improvement of trading tools

Securing safety of the trading system is the lifeline of on-line brokerage firms. In order to make customers comfortable to trade, the Company will seek to take measures to counter conceivable risks such as system failures, cyber-attacks, and natural disasters, as well as secure capacity to prepare for increase in trading volume and ensure stable operations of the trading system. Furthermore, it is the Company's management philosophy to provide the best trading environment for individual investors, and also regarding trading tools for customers, the Company plans to enhance such tools taking into consideration the progress and proliferation etc. of IT technologies and provide a trading environment which matches the changes of the trading styles of individual investors.

In the current fiscal year ended March 31, 2019, the Company commenced providing the "Full-board Information Service" where all of the pricing indications can be browsed when trading shares. Also, regarding investment funds, the Company commenced providing new robot advisors "Toshin Teian (=investment trust proposal) Robot" and "Toshin Minaoshi (=investment trust review) Robot" to support the selection of investment trusts upon purchase and the review of held investment trusts. Furthermore, the Company made efforts to expand and improve new information tools and trading channels, by opening an official LINE account for FX to send notices of market changes and handle order placements, as well as starting to provide skills for voice information service "Amazon Alexa".

[4] Strengthening of the compliance system and enhancement of the customer support system

The Company will make further efforts to strengthen its compliance system in order to maintain and improve its credibility as a financial institution. Furthermore, in order to deal with the expansion and improvement of business along with the expansion and improvement of products and services, taking into account the unique features of operating without shops on ground, the Company will further enhance its customer support system through call centers.

In the current fiscal year, in order to strengthen support responding to the needs of customer, efforts have been made to improve the quality of customer support by distributing personalized videos which provide investment information in accordance with the interests of the customer, as well as introducing call center support services which utilizes artificial intelligence (AI). Furthermore, "Money Plan Support" has been introduced at the call center, seeking to support long-term asset formulation provided by dedicated operators. The Company's call center has received the highest "3-star" evaluation for 8 consecutive years under the "2018 Support Center Assessments (securities industry)" sponsored by HDI-Japan (Help Desk Institute) which is an entity which evaluates third parties.

[5] Maintaining a low-cost structure

Since the performance of the securities industry is largely affected by the trends in stock markets, stock brokerage commission income and interest income which are the main revenue sources of the Company may fluctuate largely. Furthermore, various trading commissions in Japan's securities industry have decreased to minimum levels compared to those of other foreign countries. The

fee reduction battle related to competition for acquiring customers has settled down during the past few years. However, in the U.S. the fee reduction battle has been reheated within the on-line securities industry triggered by participations by FinTech venture firms, and also in Japan new entries by firms into the market are continuing, so there is still the possibility that the pricing war may heat up again. In order to continue to make profits under such environment, maintaining a low-cost structure is indispensable, and the Company will continue to strictly control costs.

2) Business Risks

Beginning from the securities report for the current fiscal year ended March 31, 2019, the Company has applied the provision in footnote (31) in Form 2 of the “Cabinet Office Order on Disclosure of Corporate Affairs” as amended pursuant to the “Cabinet Office Order Amending a Part of the Cabinet Office Order on Disclosure of Corporate Affairs” (Cabinet Office Order No. 3 of January 31, 2019).

Of matters related to status of business and status of accounting etc. as described in the securities report, the main risks recognized by management as possibly having a significant impact on the financial condition, results of operations, and status of cash flow are as follows.

Matters related to the future described below have been determined by the Company as of the end of the current fiscal year ended March 31, 2019.

(1) High degree of dependence on the stock brokerage business

The Company has taken the strategy to concentrate its management resources to the on-line based brokerage business, and the stock brokerage business towards individual investors which is its core business, makes up for a large portion of the Company’s income. The Company’s main sources of revenues are stock brokerage commission income and interest income earned from lending funds to margin transaction customers, which make up for approximately 90% of the total operating income for the current fiscal year ended March 31, 2019. In the future, if stock brokerage sales proceeds of individual investors or the balance of loans on margin transactions should decrease due to sluggish market conditions, or if the stock brokerage sales proceeds or lending amounts to margin trading customers should decline due to changes in the competitive environment, there may be an adverse effect on the business performance of the Company.

Furthermore, although the Company’s policy is to actively proceed with strengthening its core stock brokerage business as well as expanding and improving on-line products and services such as the investment trust business and FX business, there is no assurance that such expansion of businesses may necessarily proceed as anticipated due to changes in market trends of the subject areas or changes to the environment of competition with other firms.

(2) Competition with other financial institutions

The Company’s core business is the stock brokerage business towards individual investors. However, the Company is facing a severe business environment, as there are competing companies engaged in the same business who are in a stronger position than the Company in terms of financial resources, technological capabilities, marketing capacity, service-related aspects, name recognition, and customer base, etc. In particular, there are many on-line

brokerage firms who are offering lower brokerage commissions in order to acquire customers. Furthermore, in recent years, new entries into the market from other industry sectors and FinTech ventures have continued, and it is foreseen that the competitive environment will become more severe. Going into the future, if competition with other financial institutions escalates, there may be an adverse effect on the business performance of the Company, due to loss of existing customers to other firms, decrease in acquisition of new customers, or increase in advertisement and promotion costs required for acquiring customers.

(3) Risk related to margin transactions etc.

[1] The effect of margin transactions towards the capital-to-risk ratio

Financial instruments business operators are required to maintain a certain level of capital-to-risk ratio, based on the Financial Instruments and Exchange Act, the Cabinet Office Order on Financial Instruments Business etc., and the Financial Services Agency Public Notice on Establishment of Standards for Calculation of Financial Instruments Business Operators' Amount Equivalent to Market Risk, Amount Equivalent to Counterparty Risk, and Amount Equivalent to Basic Risk (hereinafter referred to as the "FSA Public Notice"). The capital-to-risk ratio means the ratio of the non-fixed assets portion of the capital amount to the total sum of the amount for covering possible risks which may accrue due to the fluctuation of prices of the securities held or other reasons (Article 46-6 of the Financial Instruments and Exchange Act).

Financial instruments business operators are required to maintain a capital-to-risk ratio of no less than 120% (Article 46-6, Paragraph 2 of the same Act), and as of the end of March 2019, the Company has maintained a sufficient level of capital-to-risk ratio.

Under the FSA Public Notice, the amount equivalent to counterparty risk is defined as 2% of margin transaction assets, and since increase in the balance of margin transactions will increase counterparty risk for the Company, it is a factor which will lower the capital-to-risk ratio. Going forward, if the balance of margin transactions of the Company continues to increase, it will become necessary to procure capital in order to maintain the capital-to-risk ratio. At such time, if the Company is not able to procure sufficient capital, the Company will be forced to restrict provision of credit to customers. In such case, there is a possibility that the Company will lose the opportunity to earn stock brokerage commission income and interest income. Furthermore, if regulations are amended and the method of calculation of counterparty risk etc. is changed, it could possibly be a factor which decreases the capital-to-risk ratio.

[2] Credit risk towards customers

In margin transactions which is a prime revenue source for the Company, because such transactions require granting of credit to customers, there is a possibility that the Company may be exposed to credit risk of customers depending on changes to market conditions. In other words, when the customer incurs a loss from margin transactions and the value of the collateralized substitute securities falls, the value of the collateral deposited by the customer may become insufficient, and there is a possibility that loans on margin transactions made to customers cannot be fully recovered. In such case, there may be an adverse effect on the business performance of the Company.

Furthermore, there are similar risks in stock index future trading, Nikkei stock index option trading (short positions), and FX (foreign exchange margin trading).

[3] Risk related to funds procurement

With respect to source of funding for loans on margin transactions regarding standardized margin transactions, the Company borrows money from securities finance companies in addition to using self-procured funds. However, depending on the fluctuations in market conditions, the value of the securities etc. provided as collateral to securities finance companies may decrease, and additional collateral may be required, in which case borrowings etc. will need to be made by the Company on its own. Furthermore, regarding negotiable margin transactions, as normally there are more restrictions on borrowing funds compared to standardized margin transactions, currently such transactions are funded by bank borrowings etc. However, depending on movements in financial markets, the Company's business conditions, or downgrade of its credit ratings, there is a possibility that appropriate funding may not be achieved. Going into the future, depending on the level of cost of funding, there is a possibility that the Company's net financial income may deteriorate or it may become difficult to obtain required funding, in which case there is a possibility that use of negotiable margin transactions may be restricted. In such case, there may be an adverse effect on the business performance of the Company, or opportunities for earning for fee income or interest income may be lost.

Furthermore, upon repayment etc. of borrowings from financial institutions, depending on movements in financial markets, the Company's business conditions, or downgrade of its credit ratings, there is a possibility that refinancing of loans, or borrowing of new loans, or issue of bonds etc. may not be possible under proper conditions. In such case, there may be an adverse effect on the business performance of the Company.

(4) Risk related to systems

Stable systems operations is an important factor for an on-line stock brokerage business which processes information related to customer transactions in high volumes at once, and if any system failure occurs and it fails to function, it may have material effect on the Company's business.

Such system failures may arise due to problems of hardware or software, or due to human error, or otherwise due to sudden increase in the number of accesses, communication line failure, computer viruses, computer crimes, or disasters etc. The systems used by the Company have been designed anticipating increase in the number of accesses, and measures such as system duplication have been taken in order to counter various conceivable risks. However, if a large volume of orders exceeding expectations is received, or if for some reason the system is damaged or ceases to operate, there is a possibility that orders from customers may not be properly processed. In such case, there may be an adverse effect on the business performance of the Company.

Furthermore, if system failure occurs, or if the Company is not able to appropriately respond to system failures, there is a possibility that the Company may be subject to punishment from the supervisory agencies or be held liable including being claimed for damages, and also there is the possibility that the Company's systems and the support system may lose credibility leading to

reduction of customers. In such case, there may be an adverse effect on the business performance of the Company.

Also, if unexpected system processing or administrative processes caused by human factors such as erroneous operations or erroneous processing arise, or if such circumstances cannot be appropriately controlled, the system may fail to function or losses may be incurred associated with handling such function failure, and there is a possibility that it may have significant effect on the Company's business.

(5) Underwriting business

The Company is engaged in underwriting services for initial public offerings of shares etc. Upon underwriting securities, underwriting risk arises as the Company incurs underwriting responsibility. The Company determines underwriting amounts carefully so that shares are not left over in public offerings and secondary offerings; however, if the Company is not able to sell the securities which it underwrites, depending on the movements in the price of the remaining public offering or secondary offering shares, there is a possibility that losses may be incurred. Furthermore, if a scandal event arises with respect to a company for which the Company has conducted underwriting, there is a possibility that the Company's credibility may deteriorate or customers may be lost, or the Company may be held responsible and be claimed for damages by customers. In such case, there may be an adverse effect on the business performance of the Company.

(6) Handling of personal information

It is important for the Company in conducting business to prevent damages from improper acquisition or tampering of personal information or individual numbers of customers. The Company has taken adequate security measures to prevent the improper use of personal information etc. and has conducted internal administration and supervision of outsourcing contractors. However, in the case where personal information is leaked etc. in the future, there is a possibility that the Company may be claimed for compensation of damages or receive administrative punishment by the supervising agency, or the Company's credibility may significantly fall. In such case, it may have an adverse effect on the business performance of the Company.

Furthermore, there is a possibility that the decline in credibility towards security or information management at other brokerage firms, or firms which are engaged in e-commerce, may lead to the decline in credibility of the internet and also the Company's systems. In such case, it may have an adverse effect on the business performance of the Company.

(7) Contracts with external business operators

The Company has entered into business outsourcing contracts with many external business operators in relation to various business affairs. In particular, SCSK Corporation is an important outsourcing contractor of the Company, since the Company has entrusted operations and development of the stock trading system, as well as related back-office operations such as preparation of statutory books and processing of data etc. The Company has also entrusted the operation and development of automatic-updating type trading tools provided to customers to several external business operators. With respect to the handling of inquiries from customers at the Sapporo Center, it is being operated by workers dispatched from Transcosmos Inc. Furthermore, corporate information, market

information, and stock information provided to customers are received from information service providers such as QUICK Corp.

In the case where an event occurs which requires such external business operators to interrupt or cease providing its services to the Company, and the Company is not able to promptly take alternative measures, there is a possibility that it may interfere with the Company's business. In particular, in the case where it becomes difficult to maintain a contractual relationship with SCSK Corporation, or if a problem occurs with the Company's systems due to a deterioration of the software development capacity of SCSK Corporation, or if such capacity becomes obsolete and it becomes difficult to maintain the confidence of customers, it will become necessary for the Company or a third party to newly build an alternative system. In such case, if appropriate alternative measures are not taken immediately, there is a possibility that the Company may need to cease providing services to customers, which may have an adverse effect on the business performance of the Company. Furthermore, the Company may be asked to increase expense payments to the external business operators due to revisions etc. of contracts with such operators, in which case, it may likewise have an adverse effect on the business performance of the Company.

(8) Business operations being highly dependent on top management and certain senior employees

The operation of the Company's business is highly dependent on top management and certain senior employees. In particular, Michio MATSUI who is President & CEO is not only the leader of management of the Company, but the Company also believes that his strong name recognition is linked to the improvement of social recognition of the Company and maximizes the Company's corporate value. Therefore, in the case where it becomes difficult for top management including Michio MATSUI and certain top senior employees to continue to execute business operations, there may be an adverse effect on the business performance of the Company.

(9) FX (Foreign exchange margin trading)

For the purpose of offering FX (foreign exchange margin trading) service to customers and to make profits from such service, the Company engages in foreign exchange margin trading with customers, and at the same time, the Company also engages in foreign exchange margin trading with financial institution counterparties in order to control foreign currency risks. With respect to positions arising from transactions with customers, the Company is exposed to foreign exchange risks for positions held which are not covered by cover transactions; however, in principle, all positions are covered at the end of trading on each business day.

Furthermore, apart from transactions where FX service is provided to customers, the Company also in some cases enter into foreign exchange margin trading with financial institution counterparties for the purpose of making profits, and positions arising from such transactions are exposed to foreign exchange risks; however, in principle, the Company covers all positions at the end of trading on each business day.

The Company has prescribed risk limit amounts for foreign exchange margin trading within its internal rules, and in principle, the Company seeks to manage

foreign exchange risks by entering into cover transactions, marry transactions and other dealings based on preset algorithms.

However, despite having such a company policy, in cases where FX losses arise which exceed the assumptions made in the algorithms due to unexpected fluctuations in foreign exchange rates, there is a possibility that there may be an adverse effect on the financial condition of the Company.

Also, as the Company uses its own funds to deposit guarantee money to the cover counterparties, the Company is exposed to the credit risk of its cover counterparties (margin money from customers are completely segregated from the Company's own funds and deposited with a trust bank). Depending on future changes to economic conditions etc., if the credit risk of cover counterparties deteriorate, there is a possibility that it may have an adverse effect on the financial condition of the Company.

(10) Introduction of new regulations due to revisions in laws, regulations, and rules etc.

If new regulations are introduced with respect to business conducted by the Company, and revisions etc. are made to the Financial Instruments and Exchange Act, Act on Sales, etc. of Financial Instruments, Act on Prevention of Transfer of Criminal Proceeds, Act against Unjustifiable Premiums and Misleading Representations, Act on the Protection of Personal Information, Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures, or other laws, regulations, or rules etc., there is a possibility that the profitability of relevant businesses may decline. In such case, there may be an adverse effect on the business performance of the Company.

(11) Compliance with laws regulations, and rules etc.

The Company is regulated by the Financial Instruments and Exchange Act, Act on Sales, etc. of Financial Instruments, and other laws, regulations, and rules etc., and the Company has made efforts to strengthen its compliance system. However, if a breach of laws, regulations, and rules etc. occurs in the future, there is a possibility that the Company may receive punishment from the supervisory agencies, and also there is a possibility that the Company's social credibility may significantly decline. In such case, there may be an adverse effect on the business performance of the Company.

Furthermore, although the Company has taken measures to educate its officers and employees regarding compliance so that they comply with laws, regulations, and rules, if such measures do not function effectively and there is a breach by an officer or employee of the Financial Instruments and Exchange Act or other laws, regulations, and rules, etc. such as insider trading, there is a possibility that such acts may lead to a decline in the credibility of the Company. In such case, there may be an adverse effect on the business performance of the Company.

(12) Natural disasters etc.

In order to prepare for cases where it becomes difficult to conduct normal business operations due to natural disasters, fires, epidemics, etc., the Company has prepared a business continuity plan, organized related manuals, and conducts periodic drills. However, if a natural disaster such as earthquakes etc., fires, long-term blackouts, epidemics, international disputes, or terrorist attacks

occur, there may be an adverse effect on the business performance of the Company. In particular, as the Company's headquarters and main offices are located in the Tokyo metropolitan area, if a natural disaster occurs in the Tokyo metropolitan area, there is a possibility that the Company may be affected such as having to cease providing services. In such case, there may be an adverse effect on the business performance of the Company.

(13) Others

As of the end of the current fiscal year ended March 31, 2019, no material law suits etc. have arisen.

3) Management's Discussion and Analysis of the Financial Condition,
Results of Operations, and Cash Flow Conditions

Commencing from the securities report for the current fiscal year ended March 31, 2019, the Company has applied the provisions in footnote (32) in Form 2 of the "Cabinet Office Order on Disclosure of Corporate Affairs" as amended pursuant to the "Cabinet Office Order Amending a Part of the Cabinet Office Order on Disclosure of Corporate Affairs" (Cabinet Office Order No. 3 of January 31, 2019).

Our management discussion and analysis of the status of results of operation, etc. is stated below. Since the Company is a provider of on-line securities trading service comprising a single segment, descriptions by segment are omitted.

(1) Status and analysis of results of operations

In the domestic stock market for the fiscal year ended March 31, 2019, the Nikkei Average fell sharply following the announcement by the U.S. Government in March 2018 of a significant increase in tariffs towards China, and then it recovered to start the fiscal year at slightly above 21,400 yen. Thereafter, stock prices continued a gradual increase given the strong dollar against the yen due to rising U.S. long-term interest rates as well as strong financial results of major Japanese domestic companies, and the Nikkei Average recovered to 23,000 yen for the first time in three months towards the end of May. In July, the Nikkei Average declined to above 21,500 yen against the background of additional tariffs being imposed by the U.S. towards China, and then rebounded given the strong U.S. stock market and strengthening of the dollar against the yen, and continued to rise given the retreat of excessive caution towards U.S.-China trade frictions. In September, the Nikkei Average recovered to 24,000 yen for the first time in eight months. However, going into October, stock prices declined throughout the world due to heightened tensions between the U.S. and China as well as caution towards economic slowdown due to increase in U.S. long-term interest rates, and then the Nikkei Average declined to above 21,000 yen given the background of concern over economic slowdown in China. In November, the Nikkei Average recovered to above 22,000 yen. However, towards the end of December the Nikkei Average fell sharply to slightly above 19,100 yen following the decline etc. in U.S. stock prices and oil prices against the background of interest rate hikes by the FRB. Going into 2019, stock prices gradually rose, due to heightened expectations towards the progress of U.S.-China trade negotiations, retreat of concerns towards economic recession due to U.S. monetary tightening, and anticipation towards China's economic stimulus package, and the Nikkei Average recovered to 21,000 yen in the middle of February. Thereafter, the stock market entered

into a wait-and-see mood, given the concern over economic slowdown in Europe and the developments around Brexit, and the Nikkei Average as at the end of March ended at 21,205 yen.

Under this market environment, total trading value of stocks etc. in the two markets (Tokyo and Nagoya stock exchanges) decreased by 4% compared to the end of the preceding fiscal year. Furthermore, individual investors who are the main customer base of the Company refrained from active trading due the uncertainty towards the future mainly due to U.S.-China trade friction, as well as the impact of the plunge in stock prices towards the end of December 2018, and stock etc. brokerage trading value by individual investors in the two markets decreased by 14% compared to the preceding fiscal year. As a result, the percentage of the stock etc. brokerage trading value by individual investors in the two stock exchange markets declined from 19% in the preceding fiscal year to 17% in the same period this year. Also, the aggregate stock etc. brokerage trading value of the Company was slow, and declined by 20% compared to the preceding year.

As new initiatives by the Company in the fiscal year ended March 31, 2019, in addition to commencing the price improvement service “Best Match” and the “stock lending service” for stocks trading, the Company has also made efforts to improve convenience of transactions by providing the “Full-board Information Service” where all of pricing indications can be browsed on the same board, introducing improved procedures for making applications for IPOs (initial public offerings) and POs (public offerings), and providing enhanced cash credit services. With respect to investment trusts, new robot advisors “Toshin Teian (=investment trust proposal) Robot” and “Toshin Minaoshi (=investment trust review) Robot” commenced services to support the selection of investment trusts upon purchase and the review of held investment trusts, as well as commencing provision of the life plan simulation tool “Matsui FP” which was jointly developed with MILIZE Inc. aiming to promote asset formation among the younger generation. Furthermore, the Company has commenced its unique point service “Matsui Point” aiming to have people without investment experience feel closer to investments, and to promote asset formation going into the future. In addition, the Company has focused on enhancement of new information tools and transaction channels, for example by establishing an official LINE account which accommodates giving notices of market fluctuations and placing orders for FX transactions, and also by commencing providing skills to be used by the voice information service “Amazon Alexa”.

Under the above background, during the fiscal year ended March 31, 2019, due to the decrease in the stocks etc. brokerage trading value, commissions received was 14,986 million yen (21.0% decrease compared to the preceding fiscal year). Also, net financial income decreased by 5.0% compared to the preceding fiscal year at 9,798 million yen.

As a result, operating revenue was 27,313 million yen (15.2% decrease from the preceding fiscal year), and net operating revenue was 25,999 million yen (14.7% decrease from the preceding fiscal year). Also, operating profit was 13,451 million yen (27.4% decrease from the preceding fiscal year), ordinary profit was 13,592 million yen (27.1% decrease from the preceding fiscal year), and net profit was 9,562 million yen (25.9% decrease from preceding fiscal year).

Revenue and expense items are as described below.

(Commissions received)

Commissions received was 14,986 million yen (21.0% decrease from the preceding fiscal year). Of this figure, commission to consignees was 14,285 million yen (21.7% decrease from the preceding fiscal year), mainly due to a 20% decrease (compared to the preceding fiscal year) in the stocks etc. brokerage trading amount.

(Net trading income)

Net trading income was recorded a profit of 1,214 million yen, mainly due to FX trading profits.

(Net financial revenue)

Net financial revenue derived from subtracting financial expenses from financial revenues was 9,798 million yen (5.0% decrease from the preceding fiscal year). This was mainly due to a decrease in revenues deriving from customers' short positions of margin trading including margin trading service for day-trades.

(Selling, general and administrative expenses)

Selling, general and administrative expenses increased by 5.0% compared to the preceding fiscal year to 12,547 million yen. This was mainly due to an increase in personnel expenses (12.5% increase compared to the preceding fiscal year) due to payment of special bonuses commemorating the 100th anniversary since foundation and an increase in expenses for temporary workers, etc., an increase in office cost (13.3% increase compared to the same period of the preceding year) due to an increase in administration commissioning costs, and an increase in depreciation expense (9.2% increase compared to the preceding fiscal year). Also, given the decrease in exchange related costs mainly due to a decrease in stocks etc. brokerage trading amount, trading related expenses have decreased (4.0% decrease compared to the preceding fiscal year).

(Non-operating income and expenses)

Net non-operating income totaled 140 million yen. This was mainly due to dividend income of 126 million yen.

(Extraordinary income and losses)

Net extraordinary income totaled 132 million yen. This was mainly due to reversal of reserve for financial products transaction liabilities of 144 million yen.

The Company has adopted the mid-term to long-term management objective to achieve ROE which exceeds the cost of shareholders' equity (currently 8%). The ROE for the current fiscal year ended March 31, 2019 was 9.8%, which decreased from 13.4% in the preceding fiscal year against the background of decrease in stock brokerage trading value etc. However, the above-mentioned target has been achieved, and the Company will continue to make efforts to improve capital efficiency going forward in the mid- to long-term.

(2) Factors which have a material impact on results of operations

The main business of our company is stocks etc. brokerage trading business targeting individual investors, and of the revenue items, commissions received

and in particular commission to consignees relating to the trading of stocks etc. have a material impact on the business performance of our company. Furthermore, financial revenue arising mainly from margin transactions is a factor having a material impact on the business performance of our company. However, the level of such revenues is largely affected by the stock market environment.

(3) Status and analysis of financial conditions

As of the end of the current fiscal year, total assets was 695,993 million yen, a 16.8% decrease from the end of the preceding fiscal year. This was mainly due to a 37.0% decrease in loans on margin transactions compared to the end of the preceding fiscal year to 194,027 million yen.

Total liabilities was 599,414 million yen, an 18.7% decrease from the end of the preceding fiscal year. This was mainly due to a 47.9% decrease in short-term loans payable compared to the end of the preceding fiscal year to 97.8 billion yen.

Total net assets was 96,579 million yen, a 2.2% decrease from the end of the preceding fiscal year. In the current fiscal year, the total amount of year-end dividends for the end of the fiscal year ending March 2018 and interim dividends for the fiscal year ending March 2019, which is 11,811 million yen, was recorded, and at the same time a profit of 9,562 million yen was recorded.

The main assets of our company are cash segregated as deposits for customers (included in cash segregated as deposits) where deposits received and guarantee deposits received etc. from customers are entrusted to trust banks, and margin transaction assets mainly comprised of loans on margin transactions. On the other hand, funds are being procured through short-term loans payable etc. for the purpose of allocating to loans on margin transactions. The main liabilities of our company are deposits received, guarantee deposits received and short-term loans payable.

As of the end of the current fiscal year, deposits received was 238,794 million yen, a 5.6% decrease from the end of the preceding fiscal year, and guarantee deposits received was 202,329 yen, a 2.7% decrease from the end of the preceding fiscal year. Accordingly, cash segregated as deposits decreased by 6.8% from the end of the preceding fiscal year to 424,512 million yen. Furthermore, given a decrease in loans on margin transactions by 37.0% from the end of the preceding fiscal year to 194,027 million yen, short-term loans payable also decreased by 47.9% from the end of the preceding fiscal year to 97.8 billion yen, and borrowings on margin transactions decreased by 89.2% from the end of the preceding fiscal year to 4,016 million yen.

(4) Analysis of status of cash flows

The status of various cash flows for the current fiscal year, and their underlying factors are described below.

(Cash flows from operating activities)

Cash flows from operating activities was plus 103,499 million yen (minus 39,665 million yen for the preceding fiscal year). The main factors behind this were an increase/decrease in assets/liabilities for margin transactions, and decrease in cash segregated as deposits.

(Cash flows from investing activities)

Cash flows from investing activities was minus 2,011 million yen (minus 2,067 million yen for the preceding fiscal year). The main factor behind this was the purchase of intangible fixed assets.

(Cash flows from financing activities)

Cash flows from financing activities was minus 101,650 million yen (plus 51,908 million yen for the preceding fiscal year). The main factor behind this was a net decrease in short-term loans payable.

As a result of the above, cash and cash equivalents balance as at the end of the current fiscal year was 39,108 million yen (39,269 million yen at the end of the preceding fiscal year).

(5) Analyses of sources of capital and liquidity of funds

The Company has positioned as its management strategy the strengthening of the stock brokerage business and expansion and improvement of its products and services. In each fiscal year, the Company makes necessary investments in its IT systems in order to continue to provide on-line securities trading services. In the current fiscal year ended March 31, 2019, capital investments were made centered on investments in systems necessary for introduction of various new services and enhancing of capacity and improvement of the Netstock system. Funds for growth is required in order to continuously make such investments, and on the other hand, cash on hand is also necessary for day-to-day business operations. However, as of the end of the current fiscal year, both of these are fully covered within the scope of internal reserves.

The Company has secured sufficient levels of cash on hand to handle settlements of cash payments to customers in relation to stock brokerage transactions and debt credit transaction of securities etc. However the level is not necessarily stable depending on the status of day-to-day settlements etc.

The Company's fund procurements are conducted mainly to respond to increase in loans on margin transactions, however recurring loans on margin transactions are funded mainly by increase and decrease in short-term loans payable procured from financial institutions such as banks etc. In order to prepare for situations where loans on margin transactions increase significantly, the Company has made shelf registration so that it may flexibly procure funds through bond issues. However, as of the end of the current fiscal year ended March 31, 2019, taking into account the levels of loans on margin transactions and internal reserves, a major portion of funds procurement was conducted by short-term loans payable including call money.

The Company has adopted the mid- to long-term management objective to achieve an ROE exceeding its cost of shareholders' equity, and regarding return to shareholders, the Company's policy is to payout dividends for amounts equivalent to the excess over cost of shareholders' equity. The Company's cost of shareholders' equity as of the end of the current fiscal year ended March 31, 2019 has been assumed to be 8% by making reference to a capital asset pricing model. In addition to achieving ROE exceeding 8% as the mid- to long-term management objective, as a dividend policy, the Company also seeks to realize a dividend-on-equity (DOE) ratio of 8% or more for each fiscal period. Furthermore, the Company is targeting a dividend payout ratio for each fiscal period of 60% or higher.

The Company has maintained its capital-to-risk ratio at a sufficient level as of the end of the current fiscal year ended March 31, 2019, and if internal reserves increase even after making returns to shareholders, it will use such funds effectively as sources for loans on margin transactions and for making capital investments.

(6) Important accounting estimates and assumptions used for such estimates

The main account item in the Company's financial statements which is booked based on estimates is the allowance for doubtful accounts on the balance sheet. With respect to allowance for doubtful accounts, the estimated uncollectible amount is booked by taking into consideration the historical credit loss ratio with respect to general accounts receivables, and the possibility of recovery for individual receivables with respect to doubtful accounts. The historical credit loss ratio of general accounts receivables is in principle calculated based on historical performance from the past three years. The amount of allowance for doubtful accounts for each fiscal year going forward may increase or decrease due to changes to historical credit loss ratios or judgements regarding the collectability of individual receivables depending on the changes in the balance of advances paid for margin transactions and the status of collections of individual receivables.

4) Critical Contracts for Operation

Not applicable.

5) Research and Development Activities

Not applicable.

3. Information about Facilities

1) Overview of Capital Expenditures, etc.

In each fiscal year, the Company makes necessary investments in its IT systems in order to continue to provide on-line securities trading services. In the current fiscal year, capital investment of 1,988 million yen were made centered on investments in systems necessary for introduction of various new services and enhancing of capacity and improvement of the Netstock system. Since the Company is a provider of on-line securities trading service comprising a single segment, descriptions by segment are omitted. Descriptions by segment are also omitted in "2) Major Facilities" and "3) Planned Additions, Retirements, etc. of Facilities" by the same reason.

2) Major Facilities

The major facilities and the allocation of employees of the Company as of March 31, 2019 are as follows.

Name of office	Location	Content of facilities	Book value (millions of yen)				Number of employees
			Buildings	Equipment	Software	Total	
Head office	Chiyoda-ku, Tokyo	On-line securities systems, etc.	39	475	4,514	5,028	133 [28]
Sapporo call center	Chuo-ku, Sapporo-shi, Hokkaido	Call center equipment	6	5	1	12	8 [167]

Note 1: Head office and Sapporo call center are rented from other companies.

Note 2: Data center facilities managed by head office are included in head office.

Note 3: Number in [] of number of employees is number of average temporary employees at work.

3) Planned Additions, Retirements, etc. of Facilities

The Company invests on systems in each fiscal year to add new services, to enhance capability of its on-line securities systems and to upgrade them while keeping capability of on-line securities systems stable. As of March 31, 2019 the Company plans to invest 3,000 million yen on systems for the fiscal year ends March 2020. The Company plans no significant addition nor retirements, etc. of facilities.

4. Information about Reporting Company

1) Information about Shares, etc.

(1) Total number of shares, etc.

[1] Total number of shares

Class	Total shares authorized (number of shares)
Common stock	1,050,000,000
Total	1,050,000,000

[2] Issued shares

Class	Total number of issued shares at end of current fiscal year (March 31, 2019)	Number of shares at the date of filing of this Report (June 17, 2019)	Name of stock exchange where shares are listed at or certified securities dealers association by which shares are registered	Contents
Common stock	259,264,702	259,264,702	Tokyo stock exchange (1 st section)	1 unit consists of 100 shares
Total	259,264,702	259,264,702	-	-

Note: Total number of issued shares at the date of filing of this Report does not include shares issued upon exercise of share acquisition rights from June 1, 2019 to the date of filing of this Report.

(2) Share acquisition rights

[1] Details of share option program

i. First series of Matsui Securities Co., Ltd. share acquisition rights

Date of resolution	July 24, 2014
Persons eligible for the allotment and number of them	6 directors of the Company (excluding outside directors)
Number of the share acquisition rights	283
Class and number of shares subject to the share acquisition rights (shares)	Common stocks: 28,300 (Note 1)
Amount to be paid per share upon the exercise of each share acquisition rights (yen)	1
Exercise period for the share acquisition rights	From August 9, 2017 to August 8, 2020 (Note 2)
Issuance price and amount credited to equity capital in the event of share issuance upon the exercise of share acquisition rights (yen)	Note 3
Conditions for the exercise of the share acquisition rights	Note 4
Matters concerning the transfer of the share acquisition rights	The acquisition of the share acquisition rights through assignment shall require the approval of the board of directors of the Company.

Matters concerning the issuance of the share acquisition rights in connection with acts of reorganization	Note 5
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Note: The table above shows the contents at end of current fiscal year. There are no changes in these contents at the end of previous month (May 31, 2019) of the month when this Report is filed.

Note 1: The number of shares that are the subject of each stock acquisition right shall be 100 (the “number of shares granted”). In the case where the Company conducts a share split, an allotment of shares without contribution or a reverse share split, the number of shares granted shall be adjusted according to the formula below. However, this adjustment will only apply to the number of shares that are the subject of the stock acquisition rights that have not yet been exercised up to that time. Fractional shares resulting from this adjustment shall be rounded down.

Number of shares acquired after adjustment = “Number of shares acquired before adjustment” multiplied by “ratio of share split or reverse share split”

The number of shares after adjustment shall become effective, in the case of a share split, on and after the day immediately following the record date of the relevant share split or, in the case of an allotment of shares without contribution or a reverse share split, on and after its effective date. In addition to the foregoing, in the case where the Company carries out a merger, company split or share exchange, or other equivalent cases requiring adjustment of the number of shares, the Company

Note 2: If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.

Note 3: Issuance price of the share acquisition rights which can be exercised from August 9, 2017 is 722 yen per share. Issuance price of the share acquisition rights which can be exercised from August 9, 2018 is 703 yen per share. Issuance price of the share acquisition rights which can be exercised from August 9, 2019 is 685 yen per share. The amount of capital to be increased due to the issuance of shares upon exercise of the share acquisition rights shall be a half of the maximum amount of capital increase, etc. which is calculated in accordance with Article 17, Paragraph 1 of the Corporation Accounting Regulations, and any fraction less than 1 yen arising from there shall be rounded up to the nearest 1 yen.

Note 4: 1) Persons allotted share acquisition rights are eligible to exercise only when they are active directors at the time of the exercise. However the Company may treat the rights of those who are out of the service of directors still effective when it finds reasonable grounds. 2) Persons allotted share acquisition rights are eligible to exercise their rights as follows: [1] From August 9, 2017 to August 8, 2018: Within one third of the number of rights originally allotted. [2] From August 9, 2018 to August 8, 2019: Within two thirds of the number of rights originally allotted. [3] From August 9, 2019 to August 8, 2020: All rights can be exercised. 3) Each one right cannot be partially exercised. 4) Other conditions of exercise are specified in the contracts between the Company and the persons to be allotted share acquisition rights.

Note 5: In the event of a merger (only in cases where the Company is dissolved as a result of the merger), an absorption-type company split or incorporation-type company split, a share exchange or share transfer (Hereinafter, the foregoing shall be referred to collectively as “reorganization measures”), the Company shall issue stock acquisition rights as per a corporation described in Article 236, Paragraph 1, Items 8.1 through 8.5 of the Companies Act (the “reorganizing company”) to each stock acquisition right holder of stock acquisition rights remaining unexercised immediately before the effective date of reorganization measures (hereinafter, the “remaining stock acquisition rights”). However, the foregoing is conditional upon providing for the issuance of stock acquisition rights of the reorganizing company in the absorption-type merger agreement, the incorporation-type merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan in accordance with the following items: 1) Number of the stock acquisition rights of the reorganizing company to be issued shall be the same number of the stock acquisition rights as the remaining stock acquisition rights held by each stock acquisition right holder. 2) Type of shares of the reorganizing company to be issued upon the exercise of the stock acquisition rights shall be the common stock of the reorganizing company 3) Number of shares of the reorganizing company to be issued upon the exercise of the stock acquisition rights to be determined according to the content of the stock acquisition rights of the current stock acquisition rights taking into account the conditions, etc. of the reorganization measures. 4) Amount to be invested when exercising the stock acquisition rights shall be calculated by multiplying the post-reorganization exercise price (one (1) yen per share with respect to the shares issued upon exercise of each stock acquisition right which shall be issued upon reorganization measures) by the number of shares of the reorganizing company to be issued upon exercise of each stock acquisition right, which will be determined in accordance with the above item 3). 5) Exercise period for the stock acquisition rights to be issued upon reorganization measures shall be from either the commencement date for the exercise period of the stock acquisition rights set forth in “Exercise period for the share acquisition rights” in the above table, or the effective date of the reorganization measures, whichever is later, to the last day of the exercise period of the stock acquisition rights set forth in “Exercise period for the share acquisition rights” in the above table. During the Exercise period for the stock acquisition rights which shall be issued upon reorganization measures each stock acquisition right holder can exercise on conditions by “Conditions for the exercise of the share acquisition rights” in the above table. 6) Transfer of the stock acquisition rights

which shall be issued upon reorganization measures must be approved by the board of directors of the reorganizing company. 7) Matters regarding the amount of capital and capital reserve to be increased as a result of issuance of shares upon the exercise of the stock acquisition rights, conditions for exercising the stock acquisition rights and conditions of acquisition of the stock acquisition rights shall be determined in accordance with the contents of the current share acquisition rights.

ii. Second series of Matsui Securities Co., Ltd. share acquisition rights

Date of resolution	July 27, 2015
Persons eligible for the allotment and number of them	6 directors of the Company (excluding outside directors)
Number of the share acquisition rights	455
Class and number of shares subject to the share acquisition rights (shares)	Common stocks: 45,500 (Note 1)
Amount to be paid per share upon the exercise of each share acquisition rights (yen)	1
Exercise period for the share acquisition rights	From August 12, 2018 to August 11, 2021 (Note 2)
Issuance price and amount credited to equity capital in the event of share issuance upon the exercise of share acquisition rights (yen)	Note 3
Conditions for the exercise of the share acquisition rights	Note 4
Matters concerning the transfer of the share acquisition rights	The acquisition of the share acquisition rights through assignment shall require the approval of the board of directors of the Company.
Matters concerning the issuance of the share acquisition rights in connection with acts of reorganization	Note 5

Note: The table above shows the contents at end of current fiscal year. There are no changes in these contents at the end of previous month (May 31, 2019) of the month when this Report is filed.

Note 1 and Note 2: These notes are the same as Note 1 and Note 2 of “First series of Matsui Securities Co., Ltd. share acquisition rights,” respectively.

Note 3: Issuance price of the share acquisition rights which can be exercised from August 12, 2018 is 953 yen per share. Issuance price of the share acquisition rights which can be exercised from August 12, 2019 is 937 yen per share. Issuance price of the share acquisition rights which can be exercised from August 12, 2020 is 920 yen per share. The amount of capital to be increased due to the issuance of shares upon exercise of the share acquisition rights shall be a half of the maximum amount of capital increase, etc. which is calculated in accordance with Article 17, Paragraph 1 of the Corporation Accounting Regulations, and any fraction less than 1 yen arising from there shall be rounded up to the nearest 1 yen.

Note 4: 1) Persons allotted share acquisition rights are eligible to exercise only when they are active directors at the time of the exercise. However the Company may treat the rights of those who are out of the service of directors still effective when it finds reasonable grounds. 2) Persons allotted share acquisition rights are eligible to exercise their rights as follows: [1] From August 12, 2018 to August 11, 2019: Within one third of the number of rights originally allotted. [2] From August 12, 2019 to August 11, 2020: Within two thirds of the number of rights originally allotted. [3] From August 12, 2020 to August 11, 2021: All rights can be exercised. 3) Each one right cannot be partially exercised. 4) Other conditions of exercise are specified in the contracts between the Company and the persons to be allotted share acquisition rights.

Note 5: This note is the same as Note 5 of “First series of Matsui Securities Co., Ltd. share acquisition rights” with the “above table” appears in the Note 5 of “First series of Matsui Securities Co., Ltd. share acquisition rights” to be understood as the above table here.

iii. Third series of Matsui Securities Co., Ltd. share acquisition rights

Date of resolution	July 26, 2016
Persons eligible for the allotment and number of them	7 directors of the Company (excluding outside directors)
Number of the share acquisition rights	948
Class and number of shares subject to the share acquisition rights (shares)	Common stocks: 94,800 (Note 1)
Amount to be paid per share upon the exercise of each share acquisition rights (yen)	1
Exercise period for the share acquisition rights	From August 11, 2019 to August 10, 2022 (Note 2)
Issuance price and amount credited to equity capital in the event of share issuance upon the exercise of share acquisition rights (yen)	Note 3

Conditions for the exercise of the share acquisition rights	Note 4
Matters concerning the transfer of the share acquisition rights	The acquisition of the share acquisition rights through assignment shall require the approval of the board of directors of the Company.
Matters concerning the issuance of the share acquisition rights in connection with acts of reorganization	Note 5

Note: The table above shows the contents at end of current fiscal year. There are no changes in these contents at the end of previous month (May 31, 2019) of the month when this Report is filed.

Note 1 and Note 2: These notes are the same as Note 1 and Note 2 of “First series of Matsui Securities Co., Ltd. share acquisition rights”, respectively.

Note 3: Issuance price of the share acquisition rights which can be exercised from August 11, 2019 is 738 yen per share. Issuance price of the share acquisition rights which can be exercised from August 11, 2020 is 721 yen per share. Issuance price of the share acquisition rights which can be exercised from August 11, 2021 is 704 yen per share. The amount of capital to be increased due to the issuance of shares upon exercise of the share acquisition rights shall be a half of the maximum amount of capital increase, etc. which is calculated in accordance with Article 17, Paragraph 1 of the Corporation Accounting Regulations, and any fraction less than 1 yen arising from there shall be rounded up to the nearest 1 yen.

Note 4: 1) Persons allotted share acquisition rights are eligible to exercise only when they are active directors at the time of the exercise. However the Company may treat the rights of those who are out of the service of directors still effective when it finds reasonable grounds. 2) Persons allotted share acquisition rights are eligible to exercise their rights as follows: [1] From August 11, 2019 to August 10, 2020: Within one third of the number of rights originally allotted. [2] From August 11, 2020 to August 10, 2021: Within two thirds of the number of rights originally allotted. [3] From August 11, 2021 to August 10, 2022: All rights can be exercised. 3) Each one right cannot be partially exercised. 4) Other conditions of exercise are specified in the contracts between the Company and the persons to be allotted share acquisition rights.

Note 5: This note is the same as Note 5 of “First series of Matsui Securities Co., Ltd. share acquisition rights” with the “above table” appears in the Note 5 of “First series of Matsui Securities Co., Ltd. share acquisition rights” to be understood as the above table here.

iv. Fourth series of Matsui Securities Co., Ltd. share acquisition rights

Date of resolution	July 27, 2017
Persons eligible for the allotment and number of them	8 directors of the Company (excluding outside directors)
Number of the share acquisition rights	1,291
Class and number of shares subject to the share acquisition rights (shares)	Common stocks: 129,100 (Note 1)
Amount to be paid per share upon the exercise of each share acquisition rights (yen)	1
Exercise period for the share acquisition rights	From August 18, 2020 to August 17, 2023 (Note 2)
Issuance price and amount credited to equity capital in the event of share issuance upon the exercise of share acquisition rights (yen)	Note 3
Conditions for the exercise of the share acquisition rights	Note 4
Matters concerning the transfer of the share acquisition rights	The acquisition of the share acquisition rights through assignment shall require the approval of the board of directors of the Company.
Matters concerning the issuance of the share acquisition rights in connection with acts of reorganization	Note 5

Note: The table above shows the contents at end of current fiscal year. There are no changes in these contents at the end of previous month (May 31, 2019) of the month when this Report is filed.

Note 1 and Note 2: These notes are the same as Note 1 and Note 2 of “First series of Matsui Securities Co., Ltd. share acquisition rights”, respectively.

Note 3: Issuance price of the share acquisition rights which can be exercised from August 18, 2020 is 731 yen per share. Issuance price of the share acquisition rights which can be exercised from August 19, 2021 is 717 yen per share. Issuance price of the share acquisition rights which can be exercised from August 19, 2022 is 704 yen per share. The amount of capital to be increased due to the issuance of shares upon exercise of the share acquisition rights shall be a half of the maximum amount of capital increase, etc. which is calculated in accordance with Article 17, Paragraph 1 of the Corporation Accounting Regulations, and any fraction less than 1 yen arising from there shall be rounded up to the nearest 1 yen.

Note 4: 1) Persons allotted share acquisition rights are eligible to exercise only when they are active directors at the time of the exercise. However the Company may treat the rights of those who are out of the service of directors still effective when it finds reasonable grounds. 2) Persons allotted share acquisition rights are eligible to exercise their rights as follows: [1] From August 18, 2020 to August 18, 2021: Within one third of the number of rights originally allotted. [2] From August 19, 2021 to August 18, 2022: Within two thirds of the number of rights originally allotted. [3] From August 19, 2022 to August 17, 2023: All rights can be exercised. 3) Each one right cannot be partially exercised. 4) Other conditions of exercise are specified in the contracts between the Company and the persons to be allotted share acquisition rights.

Note 5: This note is the same as Note 5 of “First series of Matsui Securities Co., Ltd. share acquisition rights” with the “above table” appears in the Note 5 of “First series of Matsui Securities Co., Ltd. share acquisition rights” to be understood as the above table here.

v. Fifth series of Matsui Securities Co., Ltd. share acquisition rights

Date of resolution	July 5, 2018
Persons eligible for the allotment and number of them	8 directors of the Company (excluding outside directors)
Number of the share acquisition rights	1,129
Class and number of shares subject to the share acquisition rights (shares)	Common stocks: 112,900 (Note 1)
Amount to be paid per share upon the exercise of each share acquisition rights (yen)	1
Exercise period for the share acquisition rights	From July 21, 2021 to July 20, 2024 (Note 2)
Issuance price and amount credited to equity capital in the event of share issuance upon the exercise of share acquisition rights (yen)	Note 3
Conditions for the exercise of the share acquisition rights	Note 4
Matters concerning the transfer of the share acquisition rights	The acquisition of the share acquisition rights through assignment shall require the approval of the board of directors of the Company.
Matters concerning the issuance of the share acquisition rights in connection with acts of reorganization	Note 5

Note: The table above shows the contents at end of current fiscal year. There are no changes in these contents at the end of previous month (May 31, 2019) of the month when this Report is filed.

Note 1 and Note 2: These notes are the same as Note 1 and Note 2 of “First series of Matsui Securities Co., Ltd. share acquisition rights”, respectively.

Note 3: Issuance price of the share acquisition rights which can be exercised from July 21, 2021 is 862 yen per share. Issuance price of the share acquisition rights which can be exercised from July 22, 2022 is 844 yen per share. Issuance price of the share acquisition rights which can be exercised from July 22, 2023 is 827 yen per share. The amount of capital to be increased due to the issuance of shares upon exercise of the share acquisition rights shall be a half of the maximum amount of capital increase, etc. which is calculated in accordance with Article 17, Paragraph 1 of the Corporation Accounting Regulations, and any fraction less than 1 yen arising from there shall be rounded up to the nearest 1 yen.

Note 4: 1) Persons allotted share acquisition rights are eligible to exercise only when they are active directors at the time of the exercise. However the Company may treat the rights of those who are out of the service of directors still effective when it finds reasonable grounds. 2) Persons allotted share acquisition rights are eligible to exercise their rights as follows: [1] From July 21, 2021 to July 21, 2022: Within one third of the number of rights originally allotted. [2] From July 22, 2022 to July 21, 2023: Within two thirds of the number of rights originally allotted. [3] From July 22, 2023 to July 20, 2024: All rights can be exercised. 3) Each one right cannot be partially exercised. 4) Other conditions of exercise are specified in the contracts between the Company and the persons to be allotted share acquisition rights.

Note 5: This note is the same as Note 5 of “First series of Matsui Securities Co., Ltd. share acquisition rights” with the “above table” appears in the Note 5 of “First series of Matsui Securities Co., Ltd. share acquisition rights” to be understood as the above table here.

[2] Description of rights plan

Not applicable.

[3] Other information about share acquisition rights

Not applicable.

(3) Exercises, etc. of moving strike convertible bonds, etc.

Not applicable.

(4) Changes in number of issued shares, stated capital, etc.

Date	Change in number of outstanding shares	Total number of issued shares	Change in amount of capital stock (millions of yen)	Balance of capital stock (millions of yen)	Change in amount of capital surplus (millions of yen)	Balance of legal capital surplus (millions of yen)
February 3, 2016 (Note)	(10,000,000)	259, 264, 702	-	11,945	-	9,793

Note: Change in number of outstanding shares is a decrease by cancellation of treasury shares.

(5) Shareholding by shareholder category

(As of March 31, 2019)

Classification	Status of shares (1 unit of shares consists of 100 shares)			
	National and municipal governments	Financial institutions	Securities companies	Other institutions
Number of shareholders	-	31	29	236
Number of shares held (units)	-	436,013	65,503	1,252,001
Ratio of number of shares held (%)	-	16.82	2.53	48.29

Classification	Status of shares (1 unit of shares consists of 100 shares)				Status of shares less than 1 unit
	Foreign corporations, etc.		Individuals, etc.	Total	
	Shareholders other than individuals	Individuals			
Number of shareholders	206	44	48,149	48,695	-
Number of shares held (units)	93,772	272	744,888	2,592,449	19,802
Ratio of number of shares held (%)	3.62	0.01	28.73	100.00	-

Note 1: Out of 2,455,463 treasury shares, 24,554 units are included in the “Individuals and others” and 63 shares are included in “Status of shares less than 1 unit”. Also, the number of 2,455,463 treasury shares are the same as that of shares substantially held by the Company.

Note 2: 4 units under the title of Japan Securities Depository Center Inc. are included in “other institutions”.

(6) Major shareholders

(As of March 31, 2019)

Name	Address	Number of shares held (thousands of shares)	Ratio of number of shares held to the total number of issued shares (excluding treasury shares) (%)
Maruroku Ltd.	2-4-2, Nishikata, Bunkyo-ku, Tokyo	86,812	33.80
Shokosha Ltd.	2-4-2, Nishikata, Bunkyo-ku, Tokyo	35,722	13.91
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	20,897	8.14
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11, Harumi, Chuo-ku, Tokyo	7,651	2.98

Name	Address	Number of shares held (thousands of shares)	Ratio of number of shares held to the total number of issued shares (excluding treasury shares) (%)
Chizuko MATSUI	Bunkyo-ku, Tokyo	5,321	2.07
Michitaro MATSUI	Bunkyo-ku, Tokyo	5,262	2.05
Chiaki MATSUI	Bunkyo-ku, Tokyo	5,262	2.05
Yuma MATSUI	Bunkyo-ku, Tokyo	5,262	2.05
Michio MATSUI	Bunkyo-ku, Tokyo	4,396	1.71
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	Tower Z, Harumi Triton Square, 1-8-12, Harumi, Chuo-ku, Tokyo	3,373	1.31
Total	-	179,957	70.07

Note: 1 The Number of shares held by The Master Trust Bank of Japan, Ltd. (Trust account), Japan Trustee Services Bank, Ltd. (Trust account) and Trust & Custody Services Bank, Ltd. (Securities investment trust account) for their trustee businesses are not described because the Company is not able to grasp them.

Note: 2 On “Change Report Pertaining to Report of Possession of Large Volume” put on public inspection dated April 4, 2019 describes Nomura Securities Co., Ltd. and its co-holder hold shares shown below as of March 29, 2019. However, the Company cannot confirm the number of shares effectively held by them as of March 31, 2019. By this reason these shareholdings are not included in the status of major shareholders shown above. The content of the Change Report is as shown below.

Name	Address	Total number of shares, etc. held (thousands of shares or units)	Ratio of shares, etc. held (%)
Nomura Securities Co., Ltd.	1-9-1, Nihombashi, Chuo- ku, Tokyo	1,116	0.43
Nomura International plc	1 Angel Lane, London EC4R 3AB, United Kingdom	444	0.17
Nomura Asset Management Co., Ltd.	1-12-1, Nihombashi, Chuo-ku, Tokyo	13,792	5.32
Total	-	15,352	5.92

(7) Voting rights

[1] Issued shares

(As of March 31, 2019)

Classification	Number of shares	Number of voting rights	Content
Shares without voting rights	-	-	-
Shares with limited voting rights (Treasury shares)	-	-	-
Shares with limited voting rights (Other)	-	-	-
Shares with full voting rights (Treasury shares)	(Shares held by the Company) Common stock: 2,455,400	-	-
Shares with full voting rights (Other)	Common stock: 256,789,500	2,566,940	-
Shares less than 1 unit of shares	Common stock: 19,802	-	-
Total number of issued shares	Common stock: 259,264,702	-	-
Voting rights of all shareholders	-	2,566,940	-

Note 1 : 400 shares under the title of Japan Securities Depository Center Inc. and 95,500 shares of securities bought by customers using money loaned from the Company’s own fund are included in common stock of “Shares with full voting rights (Other).” The 4 voting rights under the title of Japan Securities Depository Center Inc. are included in “Number of voting rights.” The 955 voting rights of securities bought by customers using money loaned from the Company’s own fund are not included in “Number of voting rights.”

Note 2: 63 treasury shares held by the Company are included in “Shares less than 1 unit of shares”.

[2] Treasury shares, etc.

(As of March 31, 2019)

Name of shareholders	Address of shareholders	Treasury shares held by the Company's own name	Treasury shares held by other person's name	Total number of shares held	Ratio of number of shares held to total number of outstanding shares (%)
(Treasury shares held by the Company) Matsui Securities Co., Ltd.	1-4, Kojimachi, Chiyoda-ku, Tokyo	2,455,400	-	2,455,400	0.95
Total	-	2,455,400	-	2,455,400	0.95

2) Acquisitions, etc. of Treasury Shares

Acquisitions of common stock pursuant to Article 155, Item 7 of the Companies Act

(1) Acquisitions by resolution of shareholders' meeting

Not applicable.

(2) Acquisitions by resolution of board of directors' meeting

Not applicable.

(3) Acquisitions not based on resolution of shareholders' meeting or board of directors' meeting

Item	Number of shares	Total amount of value (millions of yen)
Acquisition of treasury shares during the current fiscal year	130	0
Acquisition of treasury shares during the following fiscal year	83	0

Note: "Acquisition of treasury shares during the following fiscal year" does not include the number of shares acquired concerning purchase of shares less than 1 unit of shares from June 1, 2019 to the date when the Company files this Report.

(4) Disposals or holding of acquired treasury shares

classification	Current fiscal year		Following fiscal year	
	Number of shares	Total amount disposed (millions of yen)	Number of shares	Total amount disposed (millions of yen)
Acquired treasury shares offered for subscriber	-	-	-	-
Acquired treasury shares cancelled	-	-	-	-
Acquired treasury shares transferred concerning merger, stock exchange or corporate split	-	-	-	-
Other (exercise of share acquisition rights)	53,300	40	-	-
Number of treasury shares held	2,455,463	-	2,455,546	-

Note: “Number of treasury shares held” does not include the number of shares acquired concerning purchase of shares less than 1 unit of shares nor that of disposal of shares by the exercise of share acquisition rights from June 1, 2019 to the date when the Company files this Report.

3) Dividend Policy

The Company recognizes returning profit to shareholders is one of important management themes. The basic policy of the Company is to pay out dividends based on the business results. The Company seeks to meet shareholders’ expectation through the pursuit to the expansion of the corporate value by strategic investments which contribute to the new growth. As the dividend policy, the Company pays dividend every year based upon the followings comprehensively considering business performance and optimum level of equity to support margin transaction services and strategic investment opportunities: 1) Dividend Payout Ratio is to be 60% or above and also 2) Dividend on Equity (DOE) is to be 8% or above.

The Company distributes the year-end dividend based on the resolution of the general meeting of shareholders and the interim dividend based on the resolution of the board of directors’ meeting. Interim dividend based on September 30 every year, depending on the resolution of the board of directors meeting, is permitted by the company's articles of incorporation. Annual dividends per share for the current fiscal year will be 84 yen including 19 yen interim dividends and 65 yen year-end dividends (as planned). The 65 yen year-end dividend includes 26 yen ordinary dividend and 39 yen commemorative dividend for the 100th anniversary of the Company. As a result, the dividend payout ratio for the current fiscal year ended March 31, 2019 based on the ordinary dividend is 120.8% and DOE is 11.8%, which are in accordance with the basic policy. The Company determined the dividend level considering that the equity level is sufficiently high to support to deal with the case of sudden and rapid expansion of the margin trading services.

Dividends for the current fiscal year exceed profit for the current fiscal year. In case internal residue increases even after the Company returns profit to shareholders, the Company utilizes effectively the capital with retained earnings brought forward from the previous fiscal years, by investing them on on-line securities trading system and by allocating them as working capital required to enhance margin trading services (loans to customers for their margin trading by the Company’s own fund, etc.).

Dividends of surplus whose record date falls in the current fiscal year (the 103rd fiscal year) is as follows.

Date of resolution	Total amount of dividends (millions of yen)	Dividend per share (yen)
Board of directors meeting held on October 26, 2018	4,879	19
Ordinary general meeting of shareholders scheduled to be held on June 23, 2019 (Note)	16,693	65

Note: This dividend is year-end dividend whose record date is March 31, 2019 and this is one of agenda of ordinary general meeting of shareholders scheduled to be held on June 23, 2019.

4) Status of Corporate Governance, etc.

(1) Overview of Corporate Governance

[1] The Company's basic approach towards corporate governance

The Company has adopted a basic management policy for achieving sustainable growth and mid- to long-term improvement of corporate values, by developing and operating a highly efficient management system which can quickly, flexibly, and accurately respond to changes in the business environment, by maintaining soundness of management and transparency of business conditions, and by maintaining a relationship of trust with shareholders and other stakeholders. The Company intends to enhance corporate governance in order to realize the basic management policy.

[2] Overview of the corporate governance system and the reason for adopting the system

i. Overview of the Company's corporate governance system

The Company has established a Board of Directors as the decision-making and supervising organization for management, and the Management Committee as the organization to control overall business execution based on decisions made by the Board of Directors. A regular meeting of the Board of Directors is held once a month, and extraordinary meetings of the Board of Directors are held as necessary. In addition to making decisions on important matters related to management, the Board of Directors receives reports on the status of execution of business from each Director as well as detailed reports on the status of progress of business plans etc., and monitors business conditions. The Board of Directors consists of 10 directors, namely President & CEO Michio MATSUI, Senior Managing Director Akira WARITA, and directors Kunihiro SATO, Shinichi UZAWA, Motoo SAIGA, Masashi SHIBATA, Hirohito IMADA, Takashi MORIBE, Motoo IGAWA, Junji ANNEN (at the ordinary general meeting of shareholders scheduled to be held on June 23, 2019, a proposal (matters for resolution) for "election of 9 directors" has been submitted, and if it is approved, of the 10 directors, 8 directors other than Hirohito IMADA and Takashi MORIBE will be reelected, and Manako HAGA shall be newly elected as a director, resulting in 9 directors being appointed), of which two directors, Motoo IGAWA and Junji ANNEN, are outside directors. Outside directors give advice and recommendations based on their knowledge and experience regarding managerial decisions in general, ranging from the direction of the Company's management strategy to preparation of individual business plans, as well as oversee business execution by inside directors from an independent standpoint. Furthermore, outside directors are consulted directly by the President & CEO regarding particularly important matters such as appointment and dismissal, evaluations, and compensations, etc. of directors.

With respect to inside directors, the Company has appointed persons who not only have a high degree of expertise in their respective fields, but who are also suitable for promoting a highly efficient management system which can respond quickly, flexibly, and accurately to changes in the management environment. With respect to outside directors, the Company has appointed persons that can objectively oversee management from an independent standpoint without being biased by the interests of top management or specific interested parties, and who also have extensive knowledge and insight. The Company has appointed Motoo IGAWA as the leading independent outside director, established a

system for such director to take the lead in communications and adjustments with top management.

The Management Committee is composed of two persons who have the position of Senior Managing Director or above, namely President & CEO Michio MATSUI and Senior Managing Director Akira WARITA. Based on the basic management policy decided by the Board of Directors, the Management Committee discusses important matters related to management in order to establish general execution policies, and also manages business execution in general.

With respect to decision-making and business execution other than by the Board of Directors, the “Document Approval Rules” clearly stipulates the authorities related to decisions and approvals for decision-making bodies and decision-making persons, which are the Management Committee, the President & CEO, the supervising director, the director-in-charge, and the heads of each division.

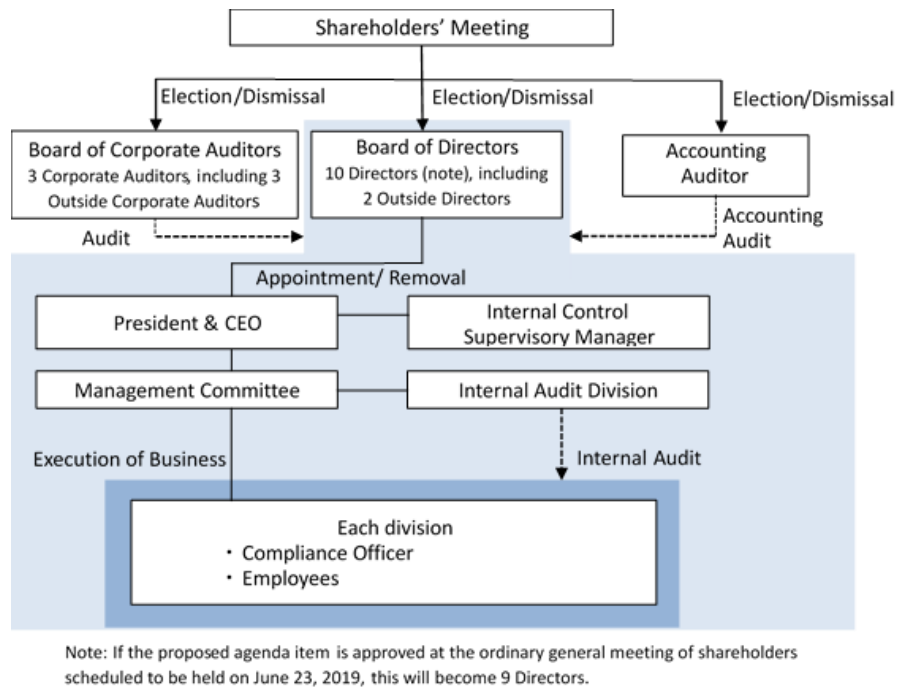
The Company has chosen the form of a company with a Board of Corporate Auditors, and the corporate auditors and the audit system have the function to monitor management. In order to secure viability of such monitoring function, the corporate auditors grasp the status of Company activities by mainly focusing on internal audits and compliance, and confirm the status of individual business executions in cooperation with the relevant division in charge as necessary, and conduct audits of execution of duties by directors based on objective evaluations from an independent standpoint.

With respect to corporate auditors, the Company has appointed persons that recognize the roles and responsibilities of the Company within society, without being biased by the interests of top management or specific interested parties, and who have extensive knowledge and insight. The Board of Corporate Auditors consists a total of 3 outside corporate auditors, consisting of 1 standing corporate auditor Hiroyuki YAJIMA, and 2 corporate auditors Yasuo MOCHIZUKI, and Mikitoshi KAI. The Board of Corporate Auditors enhances the effectiveness of audits and monitoring by exchanging opinions with inside and outside directors and cooperating in internal audits.

The Company has established an internal audit division which seeks to maintain soundness of proper execution of business. The persons in charge of internal audits maintain independence under the oversight of a full-time dedicated manager, and also closely cooperates with the director-in-charge and the standing corporate auditor, and makes correction instructions and improvement requests etc. under their supervision. The results of internal audits are promptly reported to the directors and corporate auditors.

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has signed agreements with outside directors and outside corporate auditors limiting liabilities for damages as set forth under Article 423, Paragraph 1 of the same Act. The limit amount for liability for damages under such agreements is the amount prescribed under laws and regulations.

(Diagram of Business Execution, Monitoring, and Internal Control at the Company)



ii. Reason for adopting the above organization

The Company is of the view that in order to deal with a rapidly changing business environment in a timely and appropriate manner, it is desirable to operate the Company by integrating both management judgement and business execution, and has adopted a management organization composed mainly by inside directors who have high levels of expertise. Furthermore, on the issue of monitoring of management, multiple outside directors and outside corporate auditors have been appointed, and the Company believes that corporate governance is sufficiently functioning through supervision by such outside directors and the audits conducted by outside corporate auditors.

[3] Other matters related to corporate governance

i. Status of development of an internal control system and risk management system

The Company has prepared a compliance manual so that directors and employees may be sure to comply with laws, regulations, and rules etc., and the Company has also organized internal rules in order to ensure proper and efficient business operations as a financial instruments business operator. Furthermore, in each business unit, a sales manager and internal control manager is appointed to ensure legal and regulatory compliance at the respective business unit.

The Company has prescribed that one director shall be appointed as the internal control supervisory manager, and a compliance division has been established under the internal control supervisory manager. The compliance division seeks to secure the legality and appropriateness of day-to-day business, and cooperate with the compliance officer appointed at each division, and endeavors to raise the compliance consciousness in each division.

Regarding the appropriateness of business, a system has been established whereby after-the-fact verifications are implemented by conducting periodic audits, and when a problem is found, appropriate improvement measures are taken. Also, internal audits are conducted under mutual cooperation with the corporate auditor's audits and accounting auditor's audits.

The Company has introduced an internal whistle-blowing system where the reporting destination is a third-party entity commissioned by the Japan Securities Dealers Association. If a whistle-blowing report is received by the third-party entity, a report is received by the outside corporate auditor and the internal officer in charge. Furthermore, a contact desk has been established within relevant internal divisions to receive direct reports regarding illegal acts etc. within the Company. These systems have been clearly established within internal rules and posted on the intranet etc. in order to promote dissemination among employees. Also, disadvantageous treatment of whistleblowers is prohibited within the internal rules.

The compliance division oversees risk control operations for all risks assumed by the Company, and is efficiently controlling risks in cooperation with each division. Credit control of individual transactions is handled by the credit control division. With respect to market risks and credit risks related to financial instruments, the finance division is quantitatively managing such risks by calculating risk amounts and the capital-to-risk ratio based on the "Financial Instruments and Exchange Act". With respect to the Company's trading businesses, the compliance division which is independent from the trading division is quantitatively managing such risks, and providing necessary reports to the internal control supervisory manager.

With respect to internal control related to financial reporting, the effectiveness of the business process centered on the finance division is maintained and improved by conducting practices of effectiveness evaluation mainly through the internal audit division, as well as through the evaluation processes and internal audits etc.

ii. Basic approach towards the elimination of anti-social forces and status of implementation

The company fully recognizes the importance of the stabilization and maintenance of social order, and believes that dealing with anti-social forces in accordance with laws, regulations and other norms and without listening to the undue requests by anti-social forces is the meaning of compliance itself. The Company will eliminate all relationships with anti-social forces including any transaction relationships, and deal with them taking a firm attitude.

The company has formulated a code of ethics so that directors and employees may comply with laws, regulations, and other norms and deal with anti-social forces taking a firm attitude, and has also developed internal rules, a compliance manual, and other handling manuals so that the Company may deal with anti-social forces as an entire organization. Furthermore, the Company conducts

training regarding the code of ethics and compliance aiming to develop compliance consciousness among its directors and employees, as well as training related to how to deal with anti-social forces and how to manage information related to anti-social forces, in order to enlighten the directors and employees of such matters.

The Company has appointed a person in charge regarding prevention of unreasonable demands, and has mandated the general affairs division as the division responsible for dealing with anti-social forces, while cases where a customer is an anti-social forces (including cases where there is such doubt) are to be handled by the compliance division. The Company has also prescribed that both divisions should cooperate in handling such matters. The person in charge regarding prevention of unreasonable demands shall cooperate with the general affairs division and compliance division depending on the nature of the anti-social force and contents of the unreasonable demand. The general affairs division and compliance division makes efforts to gather information regarding anti-social forces on a day-to-day basis and mutually shares such information, and also constructs a database which compiles such information, and is excluding all relationships with anti-social forces at all times. Furthermore, the Company has built a close cooperative relationship with external specialized organizations, including the police department, the National Center for Removal of Criminal Organizations, the Security Policy Center of Japan Securities Dealers Association, and the Securities and Exchange Surveillance Commission etc. Also, the Company has signed agreements with multiple corporate legal advisors who have a high degree of expertise, and has developed a system where it can obtain advice and support from multiple perspectives.

In the case where there is doubt that a customer or other transaction counterparty may be an anti-social force, the Company will attempt to promptly dissolve such relationship based on instructions from the general affairs division and the compliance division. Furthermore, in the case where unreasonable demands are received from an anti-social force, the situation shall be handled in accordance with established internal rules and manuals etc., and external organizations and corporate legal advisors shall be consulted to seek advice and support. At the same time, all available civil legal measures will be taken against any anti-social force which has made unreasonable demands, and if any damages are incurred, the Company will handle the matter appropriately without hesitating to take criminal actions.

iii. Fixed number of directors

The Articles of Incorporation has stipulated that the Company shall have up to 15 directors.

iv. Resolution requirements for appointment of directors

The Articles of Incorporation has stipulated that a resolution for appointment of directors of the Company shall require attendance of at least one-thirds (1/3) of the shareholders who have voting rights, and that approval of such resolution shall require a majority vote, and also that it shall not be based on cumulative voting.

v. Acquisition of treasury shares

With respect to the acquisition of treasury shares, in order to allow for flexible execution of various management measures such as financial policies in response to changes to economic conditions, based on the provisions in Article

165, Paragraph 2 of the Companies Act, the Company has stipulated in its Articles of Incorporation that it may acquire treasury shares through open market transactions based on a resolution of the Board of Directors.

vi. Interim dividends

With respect to interim dividends, in order to allow for flexible return of profits to shareholders, based on Article 454, Paragraph 5 of the Companies Act, the Company has stipulated in its Articles of Incorporation to allow for payment of interim dividends by a resolution of the Board of Directors.

vii. Exemption of liability of directors and corporate auditors

In order to allow for the directors and corporate auditors to fully fulfill their roles which are expected of them upon execution of duties, pursuant to provisions of Article 426, Paragraph 1 of the Companies Act, the Company has stipulated in its Articles of Incorporation that it may, to the extent permitted under laws and regulations, exempt the liabilities of directors and corporate auditors (including those persons who had been directors or corporate auditors in the past) as provided for in Article 423, Paragraph 1 of the Companies Act, by a resolution of the Board of Directors.

(2) Status of officers

[1] List of officers

i. List of officers

List of officers as of June 17, 2019 (the date of filing of this Report) is as below.

13 males and 0 females (Ratio of female officers: 0%)

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
President & CEO	Michio MATSUI	March 22, 1953	March 1976	Graduated Faculty of Economics, Hitotsubashi University.	Note 3	4,396
			April 1976	Joined Nippon Yusen Co., Ltd.		
			April 1987	Joined the Company.		
			December 1988	Elected as Director of the Company.		
			October 1990	Managing Director, General Manager of Marketing Division of the Company.		
			June 1995	President & CEO of the Company (current).		
Senior Managing Director, Director in charge of Marketing Department and Director in charge of	Akira WARITA	June 16, 1971	March 1994	Graduated Faculty of Commerce and Management, Hitotsubashi University.	Note 3	10
			April 1994	Joined Procter & Gamble Far East Inc.		
			January 1998	Joined Lehman Brothers Securities LLC.		
			September 1999	Joined UBS Securities Japan LLC.		

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
Customer Department			April 2006	Joined the Company.		
			May 2006	General Manager of IR Office of the Company.		
			June 2006	Elected as Director, General Manager of IR Office, Director in charge of Corporate Business Department, of the Company.		
			May 2011	Managing Director, General Manager of CEO Office and General Manager of Marketing Department, Supervising Director of Business Development Department, RTGS Business Department and Customer Support Department, of the Company.		
			June 2017	Managing Director, Director in charge of Marketing Department and Director in charge of Customer Support Department, Supervising Director of Business Development Department, of the Company.		
			April 2019	Senior Managing Director, Director in charge of Marketing Department and Director in charge of Customer Department, of the Company (current).		
Director, Director in charge of System Department	Kunihiko SATO	February 5, 1971	March 1989	Graduated Kanagawa Shoko High School.	Note 3	26
			April 1989	Joined Yamaichi Securities Co., Ltd.		
			September 1998	Joined the Company.		
			September 2004	General Manager of System Department of the Company.		
			June 2006	Elected as Director, General Manager of System Development Department and General Manager of System Quality Management Department, of the Company.		
			May 2011	Director, Director in charge of System Department, of the Company (current).		

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
Director, General Manager of Finance Department	Shinichi UZAWA	July 19, 1973	March 1996	Graduated Faculty of Agriculture, The University of Tokyo.	Note 3	38
			April 1996	Joined New Oji Paper Co., Ltd.		
			March 2000	Finished master course of Graduate School of Agricultural and Life Sciences, The University of Tokyo.		
			August 2001	Joined the Company.		
			May 2004	General Manager of Finance Department of the Company.		
			June 2006	Elected as Director, General Manager of Finance Department and General Manager of Credit Control Department, of the Company.		
			March 2007	Finished professional degree course of Graduate School of International Corporate Strategy, Hitotsubashi University.		
			April 2012	Director, General Manager of Finance Department, of the Company (current).		
Director, General Manager of Compliance Department, Director in charge of Internal Audit Office	Motoo SAIGA	August 11, 1970	March 1993	Graduated Faculty of Law, Osaka City University.	Note 3	3
			April 1993	Joined Osaka Securities Exchange.		
			March 2000	Finished master course of Graduate School of Law, Kobe University.		
			February 2002	Joined the Company.		
			March 2007	General Manager of Compliance Department of the Company.		
			June 2016	Elected as Director, General Manager of Compliance Department, of the Company.		
			April 2019	Director, General Manager of Compliance Department, Director in charge of Internal Audit Office, of the Company (current).		
Director, Director in charge of	Masashi SHIBATA	June 8, 1978	March 2001	Graduated School of Commerce, Waseda University.	Note 3	4

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
Business Development Department and Director in charge of Corporate Administration & Human Resources Department			April 2001	Joined the Company.		
			April 2012	General Manager of Business Development Department and General Manager of RTGS Business Department of the Company.		
			December 2012	General Manager of Business Development Department of the Company.		
			June 2017	Elected as Director, General Manager of Business Development Department, of the Company.		
			April 2019	Director, Director in charge of Business Development Department and Director in charge of Corporate Administration & Human Resources Department, of the Company (current).		
Director	Hirohito IMADA	February 4, 1965	March 1987	Graduated Faculty of Commerce and Management, Hitotsubashi University.	Note 3	-
			April 1987	Joined ITOCHU Corporation.		
			August 2000	Joined Waseda Academy Co., Ltd.		
			July 2001	Joined the Company.		
			September 2001	General Manager of Finance Department of the Company.		
			June 2003	Elected as Director of the Company.		
			February 2004	Managing Director of the Company.		
			June 2004	Senior Managing Director of the Company.		
			November 2005	Joined MAGASseek Corporation.		
			January 2006	Deputy President of the above company.		
			June 2010	Elected as Director, Director in charge of Corporate Administration Department and Director in charge of Human Resources Department, of the Company.		
			May 2011	Managing Director, General Manager of Corporate		

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
				Administration & Human Resources Department, Supervising Director of Finance Department and Supervising Director of Credit Control Department, of the Company.		
			April 2012	Managing Director, General Manager of Corporate Administration & Human Resources Department, Supervising Director of Finance Department, of the Company.		
			January 2019	Managing Director, Director in charge of Corporate Administration & Human resources Department, Supervising Director of Finance Department, of the Company.		
			April 2019	Director of the Company (current).		
Director	Takashi MORIBE	September 2, 1967	March 1991	Graduated School of Political Science and Economics, Waseda University.	Note 3	53
			April 1991	Joined NTT DATA Corporation.		
			October 1996	Joined Tochigi Judicial Scrivener Office.		
			April 2000	Joined Aplix Corporation.		
			April 2001	Joined the Company.		
			February 2005	General Manager of Marketing Department of the Company.		
			June 2006	Elected as Director, General Manager of Corporate Administration Planning Department and General Manager of Business Development Department, of the Company.		
			April 2008	Director, General Manager of RTGS Business Department, Director in charge of Business Development Department, of the Company.		

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
			May 2011	Managing Director, Director in Charge of Compliance Department, Supervising Director of System Department, of the Company.		
			June 2016	Managing Director, Supervising Director of Compliance Department and Supervising Director of System Department, of the Company.		
			October 2018	Director of the Company (current).		
Director	Motoo IGAWA	January 3, 1950	March 1973	Graduated Faculty of Economics, Kyoto University.	Note 3	15
			April 1973	Joined Nippon Yusen Co., Ltd.		
			April 2003	Corporate Officer of the above company		
			June 2005	Elected as Managing Director of the above company.		
			April 2006	Director, Managing Corporate Officer of the above company.		
			June 2007	Elected as President & CEO of NYK Trading Corporation.		
			June 2013	Director, Advisor, of the above company.		
			June 2014	Advisor of the above company.		
			June 2014	Elected as Outside Director of the Company (current).		
Director	Junji ANNEN	August 12, 1955	March 1979	Graduated Faculty of Law, The University of Tokyo.	Note 3	-
			August 1982	Appointed as Assistant Professor, School of Law, Hokkaido University.		
			April 1985	Appointed as Assistant Professor, Faculty of Law, Seikei University.		
			February 1992	Registered as lawyer. Joined Akira WATANABE Law Office (current).		
			April 1993	Appointed as Professor, Faculty of Law, Seikei University.		
			April 2004	Appointed as Professor, Graduate School of Legal Apprenticeship, Seikei University.		

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
			December 2007	Appointed as Professor, Chuo Law School, Chuo University (current).		
			June 2014	Elected as Outside Director of the Company (current).		
			June 2017	Elected as Outside Director of Tokyo Electric Power Company Holdings, Inc. (current).		
Standing Corporate Auditor	Hiroyuki YAJIMA	December 30, 1953	March 1976	Graduated Faculty of Law, Hitotsubashi University.	Note 4	21
			April 1976	Joined Kirin Brewery Co., Ltd.		
			March 2000	General Manager of 1 st Sales Promotion Department, Nagoya Branch Office of the above company.		
			September 2002	General Manager of Distribution Department, Tokai Regional Headquarters of the above company.		
			March 2007	Principal of Management Auditing Department of the above company.		
			March 2008	Elected as Corporate Auditor of Kirin Techno-System Co., Ltd.		
			June 2010	Elected as Corporate Auditor of the Company (current).		
Corporate Auditor	Yasuo MOCHIZUKI	May 28, 1956	March 1980	Graduated Faculty of Commerce and Management, Hitotsubashi University.	Note 5	-
			April 1980	Joined the Bank of Mitsubishi Ltd.		
			February 1991	Manager of Planning Management Section, New York Branch of the above bank.		
			April 2003	Deputy Manager of Global Service Center and Manager of General Affairs Section of the bank.		
			April 2004	Joined Mochizuki CPA Office (current).		
			June 2008	Elected as Corporate Auditor of the Company (current).		
Corporate Auditor	Mikitoshi KAI	July 7, 1951	March 1976	Graduated Faculty of Law, The University of Tokyo.	Note 5	7
			April 1976	Joined Nippon Yusen Co., Ltd.		

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
			August 2000	Manager of New Frontier Group of the above company.		
			April 2003	Manager of Management Planning Group of the above company.		
			April 2007	Appointed as Corporate Officer of the above company.		
			June 2011	Elected as Corporate Auditor of the above company.		
			June 2015	Appointed as Advisor of the above company.		
			April 2016	Appointed as Adviser of Japanese Foundation for Cancer Research (current).		
			June 2016	Elected as Corporate Auditor of the Company (current).		
Total						4,573

Note 1: Directors Motoo IGAWA and Junji ANNEN are outside auditors.

Note 2: Standing Corporate Auditor Hiroyuki YAJIMA, Corporate Auditors Yasuo MOCHIZUKI and Mikitoshi KAI are outside corporate auditors.

Note 3: The term of office for the directors starts at the conclusion of the ordinary general meeting of shareholders for the year ended March 2018 and ends at the conclusion of the ordinary general Meeting of shareholders for the year ended March 2019.

Note 4: The term of office for the corporate auditor starts at the conclusion of the ordinary general meeting of shareholders for the year ended March 2018 and ends at the conclusion of the ordinary general meeting of shareholders for the year ends March 2022.

Note 5: The term of office for the corporate auditors starts at the conclusion of the ordinary general meeting of shareholders for the year ended March 2016 and ends at the conclusion of the ordinary general meeting of shareholders for the year ends March 2020.

Note 6: Shares held by the officers include shares held by the shareholding association for officers which are equal to or more than 1 unit of shares.

Note 7: As a provision for the event of contingency falling below the number of corporate auditors required by laws and regulations, the Company is appointing one substitute corporate auditor. This substitute corporate auditor is a substitute outside auditor whose personal history is as shown below.

Name	Date of birth	Personal history		Number of shares held (thousands of shares)
Yoshio YOSHIDA	July 24, 1958	April 1998	Registered as lawyer. Joined Yamada Tsukasa Law Office.	-
		April 1999	Joined Torikai Law Office.	
		January 2005	Partner of the above law office.	
		March 2006	Elected as Director, Foundation of Supporting Employment, a public interest incorporated foundation (current).	
		October 2006	Elected as Outside Corporate Auditor of Svenson Company.	
		December 2011	Elected as Outside Corporate Auditor of MAGASseek Corporation.	

Name	Date of birth	Personal history		Number of shares held (thousands of shares)
		March 2018	Elected as Outside Corporate Auditor of Svenson Holdings (current).	
		May 2018	Representative Lawyer of Yoshida Law Office (current).	

ii. Supplementary Information

The Company is proposing agenda “Election of 9 directors” and “Election of 1 substitute corporate auditor” to the ordinary general meeting of shareholders scheduled to be held on June 23, 2019. On the resolution of these agenda, 8 directors excluding Hirohito IMADA and Takashi MORIBE on the list above will be reelected and 1 director shown below will be newly elected. Also the substitute corporate auditor on the date of filing of this Report will be reelected continuously. Hirohito IMADA and Takashi MORIBE who are directors at the date of filing of this Report will retire on the conclusion of the above-mentioned ordinary general meeting of shareholders. As a result, the officers of the Company will see an increase of 1 female resulting in the number of male and female officers to be 11 males and 1 female, and the ratio of female officers to the total number of officers to be 8%. The term of office of officers to be reelected will be from the conclusion of the ordinary general meeting of shareholders for the fiscal year ended on March 2019 to the conclusion of the ordinary general meeting of shareholders for the fiscal year ends March 2020.

Title	Name	Date of birth	Personal history		Office term	Number of shares held (thousands of shares)
Director	Manako HAGA (Note 1)	September 2, 1963	March 1986	Graduated Faculty of Social Sciences, Hitotsubashi University.	Note 2	-
			April 1986	Joined JP Morgan, Morgan Trust Bank Ltd.		
			September 1989	Joined James Capel Pacific Ltd.		
			April 1992	Joined S.G. Warburg Securities (Japan) Inc.		
			May 1995	Joined Klienwort Benson Investment Management KK.		
			July 1998	Joined Merrill Lynch Investment Managers Co., Ltd.		
			May 2002	Joined Fidelity Investments Japan Ltd.		
			March 2006	General Manager of Finance department, Fidelity Investments Japan Ltd. and Fidelity Securities KK.		
			June 2016	Elected as Director, General Manager of Finance Department and Business Manager of CEO Office, Fidelity Investments Japan Ltd. and Fidelity Securities KK.		

Title	Name	Date of birth	Personal history		Office term	Number of shares held (thousands of shares)
			June 2017	Advisor of the Company (current).		
			November 2017	Joined British School in Tokyo (current).		

Note 1: The name of Manako HAGA in the family register is Manako NAGANAWA.

Note 2: Term of office for the director will be from the conclusion of the ordinary general meeting of shareholders for the year ended March 2019 to the conclusion of the ordinary general meeting of shareholders for the year ends March 2020.

[2] Status of outside officers

The Company's outside directors are expected to give advice and recommendations based on their knowledge and expertise regarding management decisions in general, spanning from decisions of the direction of the Company's management strategy to preparation of individual business plans. The outside directors are also expected to oversee business execution of inside directors from an independent standpoint. The Company has two outside directors who have been appointed as persons capable of contributing to management with their abundant experience and wide knowledge and expertise, and without being biased by the interests of top management or specific interested parties.

The Company's outside corporate auditors are expected to perform audits of business execution by directors from an independent standpoint. The Company has three outside corporate auditors who have been appointed as outside corporate auditors who fairly recognize the roles and responsibilities of companies within society and who are capable of giving consideration to the interests of general shareholders, without being biased by the interests of top management or specific interested parties. All of the corporate auditors of the Company are outside corporate auditors.

The Company's outside corporate auditor Mikitoshi KAI is an advisor to the Japanese Foundation for Cancer Research (the "Foundation"), and the Company has made donations to the Foundation in the past. Furthermore, the Company and the Foundation have entered into an agreement regarding health examinations for the Company's officers and employees; however, the contract amount is not large, and there is no risk that such amount may affect judgments by shareholders and investors. Other than stated above, there are no personnel, funding, technological or transactional relationships between the Company and outside directors or outside corporate auditors, or with their close relatives, or with other legal entities where such persons have business execution positions or have a role as an outside officer. Also, outside director Motoo IGAWA, outside corporate auditors Hiroyuki YAJIMA and Mikitoshi KAI have shareholdings in the Company. For details of the number of shares held, please refer to "[1] List of officers".

Although the Company has not adopted any independence-related criteria or policies for appointing outside directors or outside corporate auditors, upon making such appointments, the Company makes reference to the judgment criteria of the Tokyo Stock Exchange related to independence of independent officers.

[3] Mutual cooperation for supervision and audits between outside directors or outside corporate auditors and the internal audits, corporate auditor's audits and accounting audits, and relationship with the internal control division

Outside directors and outside corporate auditors receive reports regarding internal audit plans and the status of implementation of such plans, and cooperates with the internal audit division. Outside corporate auditors share information and exchange opinions regarding accounting audits and compliance as needed, and cooperates with the accounting auditor and the compliance division.

With respect to mutual cooperation among internal audits, corporate auditor's audits and accounting audits, and the relationship between such audits and the internal control division, please refer to section "(3) Status of audits [2] ii".

(3) Status of audits

Beginning from the securities report for the current fiscal year ended March 31, 2019, the Company has applied the provisions in footnote (56) a (b) in Form 2 of the "Cabinet Office Order on Disclosure of Corporate Affairs" as amended pursuant to the "Cabinet Office Order Amending a Part of the Cabinet Office Order on Disclosure of Corporate Affairs" (Cabinet Office Order No. 3 of January 31, 2019).

[1] Status of audits by corporate auditors

Audits by corporate auditors of the Company are conducted from an independent position by three outside corporate auditors including one corporate auditor who has sufficient knowledge of finance and accounting matters. The Board of Corporate Auditors actively and positively express opinions to ensure effectiveness of audits.

In principle, all of the corporate auditors attend meetings of the Board of Directors, and also grasps the status of Company activities centered on internal audits and compliance, and cooperates with relevant divisions in charge as necessary in order to confirm the status of individual business execution, and strictly audits the execution of duties of by directors.

In the current fiscal year, the Company held 6 meetings of the Board of Corporate Auditors, and the status of attendance of each corporate auditor was as follows.

Name	Number of times held	Number of times attended
Hiroyuki YAJIMA	6 times	6 times
Yasuo MOCHIZUKI	6 times	6 times
Mikitoshi KAI	6 times	6 times

The Board of Corporate Auditors has deliberated matters related to the formation of audit policies and the audit plan, preparation of the audit report, appointment of the accounting auditor, compensation of the accounting auditor, auditing of contents proposed for resolution at the general meeting of shareholders, appointment of a standing corporate auditor, closing of financial accounts, and dividends etc.

Furthermore, the standing corporate auditor attended important meetings such as meetings of the Board of Directors and the compliance officers' meetings,

and inspected meeting minutes and the financial statements, and grasped the status of the Company centered on compliance. To note, in the current fiscal year ended March 31, 2019, meetings with the internal audit division were conducted 16 times, and meetings with the accounting auditor were conducted 11 times.

[2] Status of internal audits

i. Organization, staffing, and procedures of internal audits

The internal audit organization is composed of the head of internal audit division as the internal audit manager, and auditors appointed by the internal audit manager are deployed under such manager. In order to ensure the appropriateness of internal audits, in principle, multiple suitable auditors are appointed from within the internal audit division depending on the contents of the audit. Also, in order to facilitate the homogeneity of the quality of audits, the Company has adopted a system of appointing at least two full-time auditors. The audit plans are reported in advance to the Board of Directors, and internal audit reports are prepared immediately after completion of internal audits and are submitted to the directors and corporate auditors, and any issues which are pointed out are promptly corrected. In the current fiscal year ended March 31, 2019, internal audits were conducted 10 times.

ii. Mutual cooperation among internal audits, corporate auditor's audits and accounting audits, and the relationship between these audits and the internal control division

The internal audit division gathers information necessary for conducting internal audits by sharing information with the compliance division, and highly effective internal audits are conducted by making reference to the status of implementation of supervision and instructions by the compliance division to each division. Furthermore, the internal audit division holds discussions with the corporate auditors upon formulating the annual audit plan, and also cooperates closely with the corporate auditors in relation to the status of individual internal audits through reporting and communications. The internal audit division also cooperates closely with the accounting auditor, and exchanges opinions with them as needed.

Corporate auditors hear reports from the accounting auditor regarding the general outline of the auditing plan, items to be focused on in the audits, and audit results etc., and also keeps close cooperation with the accounting auditor by making opportunities to periodically exchange opinions. Furthermore, as necessary, corporate auditors also attend the accounting auditor to audits in distant places or on occasions when audit comments are given. The corporate auditor also asks the accounting auditor for reports regarding the audit implementation process to be used for the corporate auditors' own audits as necessary. Also, the corporate auditors discuss the contents of the annual audit plan regarding internal audits with the internal audit division, and also maintains close cooperation with the internal audit division and compliance division, by sharing information with such divisions, and by constantly being informed of the status of individual internal audits as well as the status of implementation of supervision and instructions conducted by the compliance division to secure the legality and appropriateness of business duties conducted by each division.

The accounting auditor maintains close cooperation with the internal audit division and corporate auditors through exchange of opinions, and also conducts effective audits by requesting each division to disclose or submit necessary documents.

[3] Status of accounting audits

i. Name of the audit corporation

PricewaterhouseCoopers Aarata LLC

ii. Certified public accountants who executed services

Naoaki KOBAYASHI: Designated Limited Liability Partner, Engagement Partner

Ryutaro OHTSUJI: Designated Limited Liability Partner, Engagement Partner

iii. Composition of assistants in audit services

The assistants engaged in the accounting audit of the Company are 4 certified public accountants, and 14 other persons.

iv. Policy and reason for selection of the audit corporation

The Company believes that its accounting auditor must have sufficient knowledge, expertise, and capacity to conduct audits appropriate for a listed company, and a system which can fully maintain the independence and high quality of audits. From this perspective, the Company has determined that PricewaterhouseCoopers Aarata LLC is an audit corporation which can appropriately implement the Company's audit and has appointed the firm as the accounting auditor.

The Board of Corporate Auditors evaluates the appropriateness and validity of auditing activities conducted by the accounting auditor by hearing and receiving reports on the status of implementation of audits, and also confirms the independence and professionalism of the accounting auditor by exchange of opinions etc. Upon reappointing the accounting auditor, a verification is made on whether such reappointment is adequate by comparison with the policies for determining dismissal and non-reappointment of the accounting auditor.

The Company's policy for determining dismissal or non-reappointment of the accounting auditor may depend on the Company's own circumstances, or in the case where there is a breach of laws, regulations, or rules, or if actions are taken which are against public order or morality by the accounting auditor, and it is determined appropriate to dismiss or not reappoint the accounting auditor, such a decision will be made.

v. Evaluation of the audit corporation by the corporate auditors and the

Board of Corporate Auditors

The Company's corporate auditors and the Board of Corporate Auditors conduct evaluations of the audit corporation. Taking into consideration the audit activities of the audit corporation, results of inspections conducted by external organizations, and the status of response to the governance code of the audit corporation in the current fiscal year, the appropriateness of reappointing the audit corporation was evaluated, and it was decided to reappoint the audit corporation.

[4] Details of auditors' compensation

i. Compensation towards auditing certified public accountants etc.

Preceding fiscal year (millions of yen)		Current fiscal year (millions of yen)	
Compensation based on audit certification work	Compensation based on non-audit work	Compensation based on audit certification work	Compensation based on non-audit work
34	2	33	2

Note: The contents of non-audit work at the Company are the assurance engagements related to the segregated management of customer assets.

ii. Compensation towards the same network as the auditing certified public accountants etc. (excluding i)

Not applicable.

iii. Details of compensation based on other significant audit certification work

Not applicable.

iv. Policy for deciding on auditors' compensations

Not applicable, however, the decision is made taking into account the size and features of the business of the Company.

v. The reason for approval of compensation of the accounting auditor by the Board of Corporate Auditors

Regarding compensation of the accounting auditor proposed by the Board of Directors, the Company's Board of Corporate Auditors has provided its consent under Article 399, Paragraph 1 of the Companies Act, because it has determined that the compensation amount was adequate, as a result of having discussed the accounting auditor's audit plan, the status of execution of duties of accounting audits, and the basis of calculation of the compensation estimate, taking into account the Company's business contents and size, and information regarding companies within the same industry of the same size etc.

(4) Officers' Compensation Etc.

[1] Matters related to officers' compensations etc. and policy regarding determination of the calculation method of officers' compensations

With respect to the amounts of officers' compensation and the policy regarding determination of the calculation method of officers' compensations, the basic policy is that compensation for insider directors (consisting of the basic compensation and stock options) is determined based on each director's roles and performance, and compensation for outside directors is composed of only the basic compensation and no stock options are issued from the standpoint of ensuring independence. Based on such policy, regarding the directors' compensation for each fiscal year, the Board of Directors resolves to entrust such determination to the President & CEO Michio MATSUI, and such compensations are determined by the President & CEO within the scope of the aggregate amount prescribed by resolution of the general meeting of shareholders, and by taking into consideration the opinions of outside directors. With respect to the compensation for corporate auditors, taking into consideration independence required for auditing the performance of duties by directors, corporate auditors are paid only the basic compensation in accordance with whether such person is full-time or part-time corporate auditor, and within

the scope of the aggregate amount prescribed by resolution of the general meeting of shareholders.

The person having authority to determine the amounts of officers' compensation and the calculation method therefor is President & CEO Michio MATSUI, and individual compensation amounts for each director is decided under his discretion, within the limit of the aggregate amounts resolved at the general meeting of shareholders. Individual compensation for each corporate auditor is decided by consultation among the corporate auditors, within the limit of the aggregate amount resolved at the general meeting of shareholders.

With respect to the aggregate amounts of compensations of directors, for basic compensations, it has been decided to be no more than 500 million yen per year (however, this does not include the portion paid as salaries for employees, regarding directors who are also employees) by a resolution at the ordinary general meeting of shareholders held on June 27, 2004. For stock-option type compensation, the aggregate amount has been decided to be no more than 300 million yen per year (excluding outside directors) by a resolution of the ordinary general meeting of shareholders held on June 25, 2017, as a separate limit from the basic compensations. The maximum number of directors subject to payment of such basic compensation and stock-option type compensation is 15 persons as prescribed in the Articles of Incorporation, and the number of directors of the Company is 10 persons as of the date of submission of the securities report. In the proposed agenda items (matters for resolution) for the ordinary general meeting of shareholders scheduled to be held on June 23, 2019, a proposal has been submitted for "Appointment of 9 persons to the Board of Directors", and if such proposal is approved, the number of directors will become 9 directors.

The aggregate amount of compensations of corporate auditors has been decided to be no more than 50 million yen per year based on a resolution at the ordinary general meeting of shareholders held on June 1, 2001. The maximum number of corporate auditors subject to payment of basic compensation is 4 persons as prescribed in the Articles of Incorporation, and the number of corporate auditors is 3 persons as of the date of submission of the securities report.

Officers' compensation of the Company does not include any performance-linked compensation; however, for the purpose of raising motivation and morale towards improving business performance, inside directors are granted stock options. Upon calculating the fair value of such stock options, the stock price as of the time when the stock options are granted are taken into account, and the number of units granted to each individual director is decided also by taking into account the performance of each director, the same as for determining basic compensations. However, regarding the number of units to be granted, there is no prescribed specific calculation formula based on indices indicating the Company's performance, and the conditions for exercising such rights also do not include any calculation formula based on indices indicating the Company's performance.

The activity of the Board of Directors within the process of determining the compensation amount for officers of the Company for the current fiscal year was to decide based on resolution, before the beginning of the current fiscal year, to delegate determination of the compensation for individual officers to the President & CEO Michio MATSUI. The officers' compensations were determined based on discussions between the President & CEO and outside directors. Furthermore, during the current fiscal year and before the beginning

of the next following fiscal year, officers' compensations were determined for the next following business year in the same manner.

[2] Total compensation and subtotal of compensation for each type of compensation for each class of officers and number of each class of officers subject to payment

Type	Total amount of compensation (millions of yen)	Total amount of compensation by types (millions of yen)			Total number of officers subject to payment
		Fixed remuneration	Performance-based compensation	Stock options	
Director (excluding outside directors)	361	283	-	78	8
Corporate auditors (excluding outside directors)	-	-	-	-	-
Outside officers	42	42	-	-	5

[3] Total compensation for individual officers

Name	Total amount of compensation (millions of yen)	Class of officers	Company classification	Subtotal of compensation for each types of compensation (millions of yen)		
				Fixed compensation	Performance-based compensation	Stock options
Michio MATSUI	124	Director	The Company	96	-	28

Note: Only those whose total compensation is 100 million yen or higher are shown.

(5) Status of Shareholding

[1] The criteria and concept for classification of investment shares

The Company classifies investment shares held from the perspective of investment yield etc. and not for strategic reasons as investment shares held for pure investment purposes. The Company classifies Investment shares held for strategic purposes regardless of their direct investment yield etc. for business alliances or based on other rational management objectives as investment shares held for purposes other than pure investment purposes.

The investment shares held by the Company for pure investment purposes as of the end of the current fiscal year ended March 31, 2019 were shares of Japan Exchange Group Inc. (JPX) which are listed shares. The Company has held shares of JPX from prior to its listing in relation to its securities business, and continues to hold such shares even after JPX listed from the perspective of being able to obtain a certain level of dividend yield, and a part of such holdings have been sold in the market taking into account the stock price levels etc. Furthermore, the Company in principle does not hold listed shares for strategic-holding purposes, however, the Company in some cases holds shares for strategic purposes such as for business alliances or for other rational management objectives. Shares held by the Company for strategic purposes are comprised of shares which the Company came to hold in relation to its brokerage business such as shares of the stock exchanges, and shares of venture capital firms etc. which are strong in FinTech and which may potentially

contribute to the expansion of the Company's services. As of the end of the current fiscal year, such shares were all unlisted shares.

[2] Investment shares held for purposes other than pure investment purposes

- i. Holding policy and method of verifying the reasonableness of holdings, and the contents of verification by the Board of Directors regarding the appropriateness for holding individual stock names

Descriptions are omitted because the shares held for purposes other than pure investment purposes are unlisted shares.

- ii. Number of shares and recorded value on the balance sheet

	Number of names	Recorded value on the balance sheet (millions of yen)
Unlisted shares	4	109
Shares other than unlisted shares	-	-

- i) Investment shares whose number of shares increased in current fiscal year

	Number of names	Total amount of acquisition cost concerning increase of number of shares (millions of yen)	Reason for the increase of number of shares
Unlisted shares	1	20	Investment on a Fintech venture company.
Shares other than unlisted shares	-	-	-

- ii) Investment shares whose number of shares decreased in current fiscal year

Not applicable.

- iii. Information concerning number and recorded value on balance sheet, etc. of specific investment shares and shares regarded as investment shares in possession

Not applicable.

[3] Investment shares held for pure investment purposes

Classification	Current fiscal year		Preceding fiscal year	
	Number of names	Total recorded value on the balance sheet (millions of yen)	Number of names	Total recorded value on the balance sheet (millions of yen)
Unlisted shares	-	-	-	-
Shares other than unlisted shares	1	3,422	1	3,417

	Current fiscal year		
	Total amount of dividends received (millions of yen)	Total amount of profit and/or loss from sales (millions of yen)	Total amount of evaluation gain and/or loss (millions of yen)
Unlisted shares	-	-	-

	Current fiscal year		
	Total amount of dividends received (millions of yen)	Total amount of profit and/or loss from sales (millions of yen)	Total amount of evaluation gain and/or loss (millions of yen)
Shares other than unlisted shares	121	-	3,409

[4] Investment shares whose purposes for holding were changed from pure investment purposes to purposes other than pure investment purposes
Not applicable.

[5] Investment shares whose purposes for holding were changed from purposes other than pure investment purposes to pure investment purposes
Not applicable.

5. Financial information

1) Prefaces

(1) About preparation method of financial statements

Financial statements of the Company are prepared in accordance with the “Regulations of Financial Statements” (Ministry of Finance Ordinance No. 59, 1963) and, pursuant to the Article 2 of the “Regulations of Financial Statements”, also in accordance with the “Cabinet Office Order Concerning Financial Instruments Business” (Cabinet Office Order No.52, 2007) and the “Uniform Accounting Standards of Securities Business” (set by the board of directors of the Japan Securities Dealers Association, November 14, 1974).

(2) About certification by accounting auditors

Financial statements for the fiscal year from April 1, 2018 to March 31, 2019 were audited by PricewaterhouseCoopers Aarata LLC based on the Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

(3) About consolidated financial statements

Consolidated financial statements of the Company are not prepared because the Company has no subsidiaries.

(4) Special efforts to ensure fair presentation of financial statements, etc.

The Company has undertaken special efforts to ensure appropriateness of its financial statements, etc. Specifically, the Company has joined the Financial Accounting Standards Foundation, a public interest incorporated foundation, and its staff participates in trainings, etc. provided by its audit firm and/or other organizations to develop a system to properly grasp the contents of financial standards, etc.

2) Financial Statements, etc.

(1) Financial statements

[1] Balance sheet

	(Millions of Yen)	
	Preceding fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)
Assets		
Current assets		
Cash and deposits	36,256	36,120
Cash segregated as deposits	455,512	424,512
Money held in trust	5,813	2,988
Trading products	2,258	1,260
Trading securities and other	0	0
Derivatives	2,258	1,260
Trade date accrual	-	5
Margin transaction assets	310,574	202,490
Loans on margin transactions	308,037	194,027
Cash collateral pledged for securities borrowing on margin transactions	2,537	8,463
Loans secured by securities	7,331	9,507
Cash collateral pledged for securities borrowed	7,331	9,507
Advances paid	177	44
Advance payments for customers on trades	177	44
Advance payments for others	0	0
Cash paid for offering	93	84
Short-term guarantee deposits	3,352	3,329
Advance payments	15	2
Prepaid expenses	175	201
Account receivables – other	8	21
Accrued income	4,689	4,609
Other	-	232
Allowance for doubtful account	(156)	(129)
Total current assets	826,096	685,275
Non-current assets		
Property, plant and equipment	845	1,255
Buildings	(Note 1) 159	(Note 1) 311
Equipment	(Note 1) 251	(Note 1) 510
Land	434	434
Intangible assets	4,465	4,514
Software	4,465	4,514
Other	0	0
Investments and other assets	4,912	4,948
Investment securities	3,572	3,710
Investments in capital	8	8
Long-term loans receivable	440	433
Long-term guarantee deposits	324	345
Long-term prepaid expenses	14	12
Deferred tax assets	681	564
Long-term receivables	1,165	1,166
Other	92	91
Allowance for doubtful accounts	(1,384)	(1,381)
Total non-current assets	10,222	10,718
Total assets	836,318	695,993

	(Millions of yen)	
	Preceding fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)
Liabilities		
Current liabilities		
Trading products	143	164
Derivatives	143	164
Trade date accrual	2	-
Margin transaction liabilities	66,423	45,488
Borrowings on margin transactions	(Note 2) 37,158	(Note 2) 4,016
Cash received for securities lending on margin transactions	29,266	41,473
Loans payable secured by securities	13,499	7,878
Cash received on debt credit transaction of securities	13,499	7,878
Deposits received	253,016	238,794
Deposits from customers	245,810	235,374
Deposits for others	7,206	3,420
Guarantee deposits received	207,875	202,329
Accounts for non-received securities	8	0
Short-term loans payable	187,600	97,800
Unearned revenue	31	18
Accounts payable – other	732	583
Accrued expenses	1,107	1,121
Income taxes payable	3,659	1,832
Provision for bonuses	227	178
Total current liabilities	734,322	596,188
Non-current liabilities		
Long-term loans payable	50	-
Reserve for retirement bonuses for directors	204	204
Other	3	179
Total non-current liabilities	258	383
Reserves under special laws		
Reserve for financial products transaction liabilities	(Note 4) 2,987	(Note 4) 2,843
Total reserves under special laws	2,987	2,843
Total liabilities	737,567	599,414

	(Millions of yen)	
	Preceding fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)
Net assets		
Shareholders' equity		
Capital stock	11,945	11,945
Capital surplus		
Legal capital surplus	9,793	9,793
Other capital surplus	-	3
Total capital surpluses	9,793	9,796
Retained earnings		
Legal retained earnings	159	159
Other retained earnings		
Retained earnings brought forward	76,268	74,019
Total retained earnings	76,426	74,177
Treasury shares	(1,896)	(1,856)
Total shareholders' equity	96,268	94,061
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,359	2,358
Total valuation and translation adjustments	2,359	2,358
Share acquisition rights	125	160
Total net assets	98,751	96,579
Total liabilities and net assets	836,318	695,993

[2] Statement of income

	(Millions of yen)	
	Preceding fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Operating revenue		
Commission received	18,968	14,986
Commission to consignees	18,250	14,285
Commission for underwriting, secondary distribution and solicitation for selling and others for professional	14	21
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	5	27
Other fees received	698	652
Net trading income	1,201	1,214
Financial revenue	(Note 1) 12,040	(Note 1) 11,112
Other operating revenue	2	2
Total operating revenue	32,210	27,313
Financial expenses	(Note 2) 1,729	(Note 2) 1,314
Net operating revenue	30,480	25,999
Selling, general and administrative expenses		
Trading related expenses	(Note 3) 4,592	(Note 3) 4,408
Personnel expenses	(Note 4) 2,364	(Note 4) 2,661
Real estate expenses	(Note 5) 845	(Note 5) 870
Office cost	(Note 6) 2,104	(Note 6) 2,385
Depreciation	1,549	1,691
Taxes and dues	(Note 7) 406	(Note 7) 340
Provision of allowance for doubtful accounts	(29)	56
Other	117	136
Total selling, general and administrative expenses	11,949	12,547
Operating profit	18,532	13,451
Non-operating income		
Dividend income	91	126
Other	14	19
Total non-operating income	105	145
Non-operating expenses		
Other	5	4
Total non-operating expenses	5	4
Ordinary profit	18,632	13,592
Extraordinary income		
Reversal of reserve for financial products transaction liabilities	25	144
Gain on sales of non-current assets	-	(Note 8) 0
Total extraordinary income	25	144
Extraordinary losses		
Loss on sales and retirement of non-current assets	(Note 9) 1	(Note 9) 12
Total extraordinary losses	1	12
Profit before income taxes	18,656	13,724
Income taxes – current	5,753	4,046
Income taxes – deferred	(6)	116
Total income taxes	5,747	4,162
Profit	12,908	9,562

[3] Statement of changes in equity

i. Preceding fiscal year (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	11,945	9,793	-	9,793	159	72,859	73,018
Changes of items during period							
Dividends of surplus						(9,499)	(9,499)
Profit						12,908	12,908
Purchase of treasury shares							
Disposal of treasury shares			(1)	(1)			
Transfer of loss on disposal of treasury shares			1	1		(1)	(1)
Net changes of items other than shareholders' equity							
Total changes of items during period	-	-	-	-	-	3,409	3,409
Balance at end of current period	11,945	9,793	-	9,793	159	76,268	76,426

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	(1,915)	92,840	1,898	1,898	81	94,820
Changes of items during period						
Dividends of surplus		(9,499)				(9,499)
Profit		12,908				12,908
Purchase of treasury shares	(0)	(0)				(0)
Disposal of treasury shares	19	18				18
Transfer of loss on disposal of treasury shares		-				-
Net changes of items other than shareholders' equity			460	460	44	504
Total changes of items during period	19	3,427	460	460	44	3,931
Balance at end of current period	(1,896)	96,268	2,359	2,359	125	98,751

ii. Current fiscal year (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	11,945	9,793	-	9,793	159	76,268	76,426
Changes of items during period							
Dividends of surplus						(11,811)	(11,811)
Profit						9,562	9,562
Purchase of treasury shares							
Disposal of treasury shares			3	3			
Net changes of items other than shareholders' equity							
Total changes of items during period	-	-	3	3	-	(2,249)	(2,249)
Balance at end of current period	11,945	9,793	3	9,796	159	74,019	74,177

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	(1,896)	96,268	2,359	2,359	125	98,751
Changes of items during period						
Dividends of surplus		(11,811)				(11,811)
Profit		9,562				9,562
Purchase of treasury shares	(0)	(0)				(0)
Disposal of treasury shares	40	43				43
Net changes of items other than shareholders' equity			(0)	(0)	35	35
Total changes of items during period	40	(2,206)	(0)	(0)	35	(2,172)
Balance at end of current period	(1,856)	94,061	2,358	2,358	160	96,579

[4] Statement of cash flows

	(Millions of yen)	
	Preceding fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Profit (loss) before income taxes	18,656	13,724
Depreciation	1,549	1,691
Increase (decrease) in allowance for doubtful accounts	(125)	(30)
Increase (decrease) in provision for bonuses	53	(49)
Increase (decrease) in reserve for financial products transaction liabilities	(25)	(144)
Interest and dividend income	(12,069)	(11,177)
Interest expenses	1,677	1,272
Loss (gain) on sales and retirement of non-current assets	1	12
Decrease (increase) in cash segregated as deposits	11,700	31,000
Net change in cash in trust	(200)	2,800
Decrease (increase) in trading products - assets (liabilities)	(987)	1,019
Decrease (increase) in trade date accrual	17	(7)
Decrease/increase in assets/liabilities for margin transaction	(50,177)	87,149
Decrease (increase) in loans secured by securities	2,205	(2,176)
Decrease/increase in advance paid/deposits received	(19,183)	(14,089)
Increase (decrease) in borrowings secured by securities	237	(5,621)
Increase (decrease) in guarantee deposits received	2,466	(5,546)
Decrease (increase) in short-term guarantee deposits	(1,704)	22
Other, net	695	(384)
Subtotal	(45,215)	99,466
Interest and dividend income received	11,590	11,113
Interest expenses paid	(1,485)	(1,275)
Income taxes paid	(4,556)	(5,805)
Net cash provided by (used in) operating activities	(39,665)	103,499
Cash flows from investing activities		
Purchase of property, plant and equipment	(9)	(327)
Proceeds from sales of property, plant and equipment	-	0
Purchase of intangible assets	(2,020)	(1,531)
Purchase of investment securities	(20)	(140)
Other, net	(17)	(13)
Net cash provided by (used in) investing activities	(2,067)	(2,011)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	61,500	(89,750)
Repayments of long-term loans payable	(100)	(100)
Purchase of treasury shares	(0)	(0)
Proceeds from exercise of share options	0	0
Cash dividends paid	(9,492)	(11,800)
Net cash provided by (used in) financing activities	51,908	(101,650)
Effect of exchange rate change on cash and cash equivalents	(0)	0
Net increase (decrease) in cash and cash equivalents	10,176	(162)
Cash and cash equivalents at beginning of period	29,093	39,269
Cash and cash equivalents at end of period	(Note 1) 39,269	(Note 1) 39,108

[5] Notes

i. Notes - Significant accounting policies

i) Valuation basis and valuation method of securities and derivatives

(i) Securities and derivatives classified as trading products

Securities and derivatives classified as trading products are carried at market value.

(ii) Securities not classified as trading products

[i] Available-for-sale securities whose market value is available

Available-for sale securities whose market value is available are stated by the price quoted in the markets, etc. with unrealized gains or losses included as a component of net assets, net of applicable income taxes. The acquisition cost of sale is calculated by the moving-average method.

[ii] Available-for-sale securities whose market value is not available

Available-for-sale securities whose market value is not available are stated at cost determined by the moving-average method. Investments in investment business limited partnership are stated at the proportional net value of the Company's interest to the total fund interest.

ii) Accounting policy for depreciation (including amortization) of assets

(i) Property, plant and equipment (excluding leased assets)

The Company applies the straight-line method. The useful life for depreciation is 15 to 40 years for buildings and 5 years for equipment.

(ii) Intangible assets (excluding leased assets)

The straight-line method is primarily applied. Software for in-house use is depreciated under the straight-line method based on an internal estimated useful life (within 5 years).

(iii) Leased assets

[i] Finance lease transactions that do not transfer the ownership to lessee

Leased assets arising from transactions under finance lease contracts which do not transfer ownership to lessee are depreciated to residual value of zero by the straight-line method using the term of the contract as useful life.

iii) Accounting policy for provisions and reserves

(i) Allowance for doubtful accounts

An allowance for doubtful accounts is provided for estimated uncollectible doubtful accounts at the amount specifically assessed and for general receivables at the amount computed based on historical loss experience.

(ii) Provision for bonuses

Estimated amount of employees' bonuses is accrued.

(iii) Reserve for financial products transaction liabilities

The Company accounts for a reserve for financial products transaction liabilities for possible customer losses by default of the securities company on securities transactions with an amount in accordance with Article 46-5 of the Financial Instruments and Exchange Act.

iv) Scope of cash and cash equivalents in statement of cash flows

“Cash and cash equivalents” in the statement of cash flow is defined as liquid funds including cash in hand, current account deposits and short-term investments which are subject to an insignificant risk of changes in values.

v) Other important information for preparation of financial statements

(i) Consumption taxes

National and local consumption taxes are separately recorded.

ii. Notes – New accounting policies not yet applied

Accounting Standard for Revenue Recognition, etc. (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, March 30, 2018)

Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018)

i) Outline

These are comprehensive accounting standards for revenue recognition. Revenues are recognized based on the following five-step model.

Step 1. Identify the contract(s) with a customer

Step 2. Identify the performance obligations in the contract

Step 3. Determine the transaction price

Step 4. Allocate the transaction price to the performance obligations in the contract

Step 5. Recognize revenue when (or as) the entity satisfies the performance obligations

ii) Scheduled date of application

The Company plans to apply these standards from the beginning of the period which ends in March 2022.

iii) Effects of application of these policies

The effects of the application of these policies on the financial statements are currently being assessed.

iii. Notes - Changes in presentation

(i) Changes resulting from application of "Partial Revision of 'Accounting Standards for Tax Effect Accounting'"

"Partial Revision of 'Accounting Standards for Tax Effect Accounting'" (Corporate Accounting Standard No. 28, February 16, 2018) has been applied from the beginning of this fiscal year, and deferred tax assets are displayed in the categories of investments and other assets.

As a result, in the balance sheet for the preceding fiscal year, 272 million yen "Deferred tax assets" in "Current assets" is reclassified to be included and presented in 681 million yen of "Deferred tax assets" in "Investments and other assets"

iv. Notes - Balance sheet

i) Note 1: Notes regarding accumulated depreciation of property, plant and equipment

	(Millions of Yen)	
	Preceding fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)
Buildings	494	512
Equipment	597	669
Total	1,091	1,180

ii) Note 2: Notes regarding pledged assets

(i) Preceding fiscal year

None of the assets are collateralized. The securities bought by customers using money loaned from the Company's own fund, of which market value amounted to 1,278 million yen are collateralized for the borrowings on margin transactions. 20,193 million yen of the guarantee securities received from customers are collateralized for borrowings on margin transactions.

(ii) Current fiscal year

None of the assets are collateralized. The securities bought by customers using money loaned from the Company's own fund, of which market value amounted to 740 million yen are collateralized for the borrowings on margin transactions. 9,558 million yen of the guarantee securities received from customers are collateralized for borrowings on margin transactions.

iii) Market value of securities received and deposited are as follows.

(i) Notes regarding market value of securities pledged to counterparties

	(Millions of yen)	
	Preceding fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)
[1] Securities lent for customers' short positions in margin transactions	32,656	44,368
[2] Collateralized securities for borrowings on margin transactions	37,670	3,941
[3] Securities loaned out in debt credit transaction of securities	15,823	19,393

	Preceding fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)
[4] Long-term guarantee securities deposited	11,322	5,399
[5] Securities pledged as collateral for short-term guarantee	40,430	38,028

(ii) Notes regarding market value of securities received as collateral from counterparties

	(Millions of yen)	
	Preceding fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)
[1] Securities received on customers' long positions in margin transaction	285,470	175,005
[2] Securities borrowed on margin transactions	2,582	8,385
[3] Securities received in debt credit transaction of securities	7,068	13,505
[4] Guarantee securities received from customers	467,665	416,258
[5] Securities received from customers as collateral for short-term guarantee	3,428	2,717

iv) Note 4: Notes regarding reserves under special laws

Accounting of reserve for financial products transaction liabilities is based on Article 46-5 of the Financial Instruments and Exchange Act.

v. Notes - Statement of income

(i) Note 1: Breakdown of financial revenue

	(Millions of yen)	
	Preceding fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Interest on margin transactions	10,804	10,018
Revenue from debt credit transaction of securities	893	666
Other	343	428
Total	12,040	11,112

(ii) Note 2: Breakdown of financial expenses

	(Millions of yen)	
	Preceding fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Interest expense on margin transactions	888	520
Expenses on debt credit transaction of securities	23	43
Interest expenses	54	22
Other	765	729
Total	1,729	1,314

(iii) Note 3: Breakdown of trading related expenses

	(Millions of yen)	
	Preceding fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Commission fee	799	710
Membership fees for stock exchanges and securities associations	1,527	1,237

	Preceding fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Communications expenses	1,699	1,725
Travel and transportation expenses	16	14
Advertisements	536	655
Entertainment expenses	15	68
Total	4,592	4,408

(iv) Note 4: Breakdown of personnel expenses

(Millions of yen)

	Preceding fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Officer's compensations	304	325
Employees' salaries	789	982
Other compensations	803	871
Welfare expenses	180	212
Provision for bonuses	227	178
Share-based compensation expenses	62	78
Retirement benefit expenses	-	14
Total	2,364	2,661

(v) Note 5: Breakdown of real estate expenses

(Millions of yen)

	Preceding fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Occupancy and rental fee	342	349
Equipment expenses	503	522
Total	845	870

(vi) Note 6: Breakdown of office cost

(Millions of yen)

	Preceding fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Data processing and outsourcing cost of operations	2,098	2,378
Office supplies	6	7
Total	2,104	2,385

(vii) Note 7: Breakdown of taxes and dues

(Millions of yen)

	Preceding fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Enterprise tax (portion on value added levy and capital levy)	356	291
Other	50	49
Total	406	340

(viii) Note 8: Breakdown of gain on sales of non-current assets

(Millions of yen)

	Preceding fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Equipment	-	0
Total	-	0

(ix) Note 9: Breakdown of loss on sales and retirement of non-current assets

[i] Loss on retirement

(Millions of yen)

	Preceding fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Software	0	11
Other	1	1

	Preceding fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Total	1	12

vi. Notes - Statement of changes in equity

i) Preceding fiscal year (From April 1, 2017 to March 31, 2018)

(i) Notes regarding issued shares and treasury shares

	Beginning of current fiscal year	Increase	Decrease	End of current fiscal year
Issued shares				
Common stock (number of shares)	259,264,702	-	-	259,264,702
Treasury shares				
Common stock (number of shares)	2,533,366	67	24,800	2,508,633

Note 1: Increase of treasury shares is result of the purchase of shares less than 1 unit of shares.

Note 2: Decrease of treasury shares is result of exercise of the share acquisition rights.

(ii) Notes regarding share acquisition rights, etc.

(Millions of yen)

Item	Balance at the end of current fiscal year
Share acquisition rights as stock options (2014)	34
Share acquisition rights as stock options (2015)	44
Share acquisition rights as stock options (2016)	30
Share acquisition rights as stock options (2017)	16
Total	125

Note 1: Concerning balance of 32 million yen out of total 34 million yen of share acquisition rights as stock options (2014), the first day of exercise period has not come.

Note 2: Concerning the share acquisition rights as stock options (2015), (2016) and (2017), the first day of exercise period has not come.

(iii) Notes regarding dividend

[i] Dividend payment

Resolution	Class of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary general meeting of shareholder held on June 25, 2017	Common stock	5,135	20	March 31, 2017	June 26, 2017
Board of directors' meeting held on October 26, 2017	Common stock	4,364	17	September 30, 2017	November 24, 2017

[ii] Dividends whose record date is in the current fiscal year and whose
effective date is in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary general meeting of	Common stock	Retained earnings	6,932	27	March 31, 2018	June 25, 2018

Resolution	Class of shares	Source of dividends	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
shareholders held on June 24, 2018						

ii) Current fiscal year (From April 1, 2018 to March 31, 2019)

(i) Notes regarding issued shares and treasury shares

	Beginning of current fiscal year	Increase	Decrease	End of current fiscal year
Issued shares				
Common stock (number of shares)	259,264,702	-	-	259,264,702
Treasury shares				
Common stock (number of shares)	2,508,633	130	53,300	2,455,463

Note 1: Increase of treasury shares is result of the purchase of shares less than 1 unit of shares.

Note 2: Decrease of treasury shares is result of exercise of the share acquisition rights.

(ii) Notes regarding share acquisition rights, etc.

(Millions of yen)

Item	Balance at the end of current fiscal year
Share acquisition rights as stock options (2014)	18
Share acquisition rights as stock options (2015)	35
Share acquisition rights as stock options (2016)	48
Share acquisition rights as stock options (2017)	40
Share acquisition rights as stock options (2018)	19
Total	160

Note 1: Concerning balance of 18 million yen of share acquisition rights as stock options (2014) and balance of 35 million yen of share acquisition rights as stock options (2015), the first day of exercise period has not come.

Note 2: Concerning the share acquisition rights as stock options (2016), (2017) and (2018), the first day of exercise period has not come.

(iii) Notes regarding dividend

[i] Dividend payment

Resolution	Class of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 24, 2018	Common stock	6,932	27	March 31, 2018	June 25, 2018
Board of directors' meeting held on October 26, 2018	Common stock	4,879	19	September 30, 2018	November 22, 2018

[ii] Dividends whose record date is in the current fiscal year and whose effective date is in the following fiscal year

A proposal (matters for resolution) for dividend for common stock as shown below has been submitted at the ordinary general meeting of shareholders scheduled to be held June 23, 2019.

Resolution	Class of shares	Source of dividends	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 23, 2019	Common stock	Retained earnings	16,693	65	March 31, 2019	June 24, 2019

Note: Dividend per share includes 39 yen of commemorative dividend for the 100th anniversary of the Company.

vii. Notes – Statement of cash flow

i) Note1: Reconciliation of ending balance of cash and cash equivalents with account balances on the balance sheet

	(Millions of yen)	
	Preceding fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Cash and deposits	36,256	36,120
Money held in trust	5,813	2,988
Money held in trust whose purpose is to segregate guarantee deposits received	(2,800)	-
Cash and cash equivalents	39,269	39,108

viii. Notes – Financial instruments

(i) Matters related to the status of financial instruments

[i] The Company's policy of approach towards financial instruments

The Company's main business is the stock brokerage business towards individual investors, and in order to provide margin transaction services as a part of such business, with respect to recurring funds procurement to respond to increase and decrease in loans, the Company mainly depends on borrowings from financial institutions, and also issue bonds etc. as necessary.

On the other hand, with respect to deposits and guarantee deposits received from customers, such funds are managed in customer-segregated fund trusts pursuant to the "the Financial Instruments and Exchange Act". Furthermore, regarding funds management, importance is placed on safety of funds, and funds are managed in bank deposits and highly liquid financial assets.

Furthermore, as a part of the trading business, the Company is engaged in dealing operations of foreign exchange margin trading within a certain scope with the aim to making profits. Other trading business services are offered to customers within the scope necessary, and in principle, the Company does not conduct trading merely for the purpose of making profits.

Otherwise, the Company borrows securities from other financial institutions for stock lending etc. associated with selling positions of margin transactions by customers. Also, the Company lends to other financial institutions securities received in return for own lending associated with margin transaction lending as well as securities etc. borrowed as a part of services from customers.

[ii] Financial instruments and related risks

The main financial assets held by the Company are customer-segregated fund trusts (included in cash segregated as deposits) under which deposits from customers and guarantee deposits received etc. are deposited with trust banks, and margin transaction assets which are mainly loans on margin transactions. Customer-segregated fund trusts are managed focusing on safety by investing mainly in call loans and banking book loans to trust bank, however, such investments are exposed to credit risk of the investment destination. Furthermore, in the case of investing in securities such as government bonds, there is exposure to market value fluctuation risk. For loans on margin transactions, collateral is received from customers, so there is exposure to the customers' credit risk. The Company procures funds by short-term loans payables etc., mainly to be used for loans on margin transactions. Regarding the procured funds, there is liquidity risk if such funds are not prepaid on the payment due date due to cash position issues.

Margin transaction liabilities are borrowings on margin transactions borrowed from securities finance companies in order to be used for loans on margin transactions, and cash received for securities lending on margin transactions which is the amount equivalent of sales proceeds for short positions on margin transactions by customers.

Loans secured by securities are cash collateral pledged for securities borrowed from financial institutions etc. (cash collateral pledged for securities borrowed), and loans payable secured by securities are similarly cash collateral received for loaned securities (cash received on debt credit transaction of securities).

Other securities are mainly listed shares held for pure investment purposes, and the Company is exposed to credit risk of the issuer and market value fluctuation risk.

Derivatives transactions for financial assets and financial liabilities are mainly the amounts equivalent to unrealized gains and losses in foreign exchange margin trading. The Company conducts foreign exchange margin trading with customers, for the purpose of providing foreign exchange margin trading service to its customers and to make profits from such service. At the same time, in order to control related FX fluctuation risk, the Company also engages in foreign exchange margin trading with financial institution counterparties. For uncovered portions of positions arising from transactions with customers, the Company is exposed to FX fluctuation risk for such uncovered positions; however, in principle, all positions with customers are fully covered as at the end of trading on each business day.

Furthermore, separately from transactions related to provision of foreign exchange margin trading services to customers, in some cases the Company conducts foreign exchange margin trading with financial institution counterparties for the purpose of making profits, and as a result the Company is exposed to FX fluctuation risk for such positions; however, in principle all such positions are covered as at the end of trading on each business day.

[iii] Risk management system related to financial instruments

The risk management systems related to various risks of the Company are defined in internal rules, and also the finance division is quantitatively managing market risks and credit risks by calculating risk amounts and the capital-to-risk ratio based on the "Financial Instruments and Exchange Act",

and such status is periodically being reported to the Board of Directors. Furthermore, risk limit amounts for dealing operations etc. are prescribed in internal rules.

With respect to risks related to margin transactions, the credit control division manages the status of margin transaction positions of the entire Company, and monitors the liquidity status of individual stock names, in addition to monitoring the credit condition of individual customers.

Regarding transactions for foreign exchange margin trading, based on internal rules etc., in principle, efforts are made to control FX fluctuation risks by entering into cover transactions, marry transactions and other dealings based on preset algorithms.

Regarding liquidity risk for repayment of procured funds, the finance division manages cash flows together with the management of customer-segregated fund trusts, taking into account the levels of loans on margin transactions and the receipt and payment of funds in relation to the stock brokerage business.

[iv] Supplementary explanation regarding matters related to the market value of financial instruments

The market value of financial instruments include market value based on market prices, and where there is no market price, reasonably calculated values. Upon calculating such values, since certain assumptions are adopted, if differing assumptions are used, such value may differ. Furthermore, with respect to contract amounts etc. related to derivative transactions referred to in the notes to “Notes – Overview of securities and derivatives”, the amounts themselves are not indicators of market risks related to derivative transactions.

(ii) Matters related to market value of financial instruments

[i] Preceding fiscal year (March 31, 2018)

Recorded value on the balance sheet, market value, and differences between them are as shown below. Also, financial instruments whose market value is very difficult to obtain are not included in the table below (Refer to Note 2 under the table below.).

Item	Recorded value on the balance sheet (millions of yen)	Market value (millions of yen)	Difference (millions of yen)
[1] Cash and deposits	36,256	36,256	-
[2] Cash segregated as deposits	455,512	455,512	-
[3] Money held in trust	5,813	5,813	-
[4] Trading products and investment securities	5,676	5,676	-
[i] Trading securities and other	0	0	-
[ii] Derivatives	2,258	2,258	-
[iii] Available for sale securities	3,417	3,417	-
[5] Margin transaction assets	310,574	310,574	-
[6] Loans secured by securities	7,331	7,331	-
Total assets	821,162	821,162	-
[1] Trading products	143	143	-

Item	Recorded value on the balance sheet (millions of yen)	Market value (millions of yen)	Difference (millions of yen)
[i] Derivatives	143	143	-
[2] Margin transaction liabilities	66,423	66,423	-
[3] Loans payable secured by securities	13,499	13,499	-
[4] Deposits received	253,016	253,016	-
[5] Guarantee deposits received	207,875	207,875	-
[6] Short-term loans payable	187,600	187,600	-
Total liabilities	728,557	728,557	-

Note 1: Calculation method of market value of financial instruments and matters concerning securities and derivatives: (A) Notes concerning assets: [1] Cash and deposits, [5] Margin transaction assets and [6] Loans secured by securities are usually settled in short term and their market value is close to recorded value on the balance sheet. By this reason, market value is represented by its record value on the balance sheet. [2] Cash segregated as deposits and [3] Money held in trust are evaluated and recorded on the balance sheet by mainly the market value of trusted assets and their market value is close to recorded value on the balance sheet. By this reason, market value is represented by its record value on the balance sheet. Among [4] Trading products and investment securities, market price of securities are based on the price quoted on markets, etc. Market price of foreign exchange margin trading is calculated based on the spot exchange rate at the end of current fiscal year. For notes concerning securities and derivatives by purpose of holding, reference is made to the "Notes – Overview of securities and derivatives." (B) Notes concerning liabilities: Among [1] Trading products, foreign exchange margin trading is calculated based on the spot exchange rate at the end of current fiscal year. For notes concerning securities and derivatives by purpose of holding, reference is made to the "Notes – Overview of securities and derivatives." [2] Margin transaction liabilities, [3] Loans payable secured by securities, [4] Deposits received, [5] Guarantee deposits received and [6] Short-term loans payable are usually settled in short term and their market value is close to recorded value on the balance sheet. By this reason, market value is shown by their recorded value on the balance sheet.

Note 2: Financial instruments whose market value is quite difficult to obtain.

Item	Recorded value on the balance sheet (millions of yen)
Available-for-sale securities	
Unlisted shares	89
Investment on investment business limited partnership	66

Note: These financial instruments do not have market price, which makes it quite difficult to obtain their market value. By this reason these are not included in "[4] Trading products and investment securities" among assets.

Note 3: Note on scheduled amount of redemptions after the record date of financial statements for monetary claims and securities which have maturity dates: All of monetary claims are expected to be redeemed within 1 year.

Note 4: All monetary debts are scheduled due within one year.

[ii] Current fiscal year (March 31, 2019)

Recorded value on the balance sheet, market value, and differences between them are as shown below. Also, financial instruments whose market value is very difficult to obtain are not included in the table below (Refer to Note 2.).

Item	Recorded value on the balance sheet (millions of yen)	Market value (millions of yen)	Difference (millions of yen)
[1] Cash and deposits	36,120	36,120	-
[2] Cash segregated as deposits	424,512	424,512	-
[3] Money held in trust	2,988	2,988	-
[4] Trading products and investment securities	4,683	4,683	-
[i] Trading securities and other	0	0	-
[ii] Derivatives	1,260	1,260	-

Item	Recorded value on the balance sheet (millions of yen)	Market value (millions of yen)	Difference (millions of yen)
[iii] Available for sale securities	3,422	3,422	-
[5] Margin transaction assets	202,490	202,490	-
[6] Loans secured by securities	9,507	9,507	-
Total assets	680,300	680,300	-
[1] Trading products	164	164	-
[i] Derivatives	164	164	-
[2] Margin transaction liabilities	45,488	45,488	-
[3] Loans payable secured by securities	7,878	7,878	-
[4] Deposits received	238,794	238,794	-
[5] Guarantee deposits received	202,329	202,329	-
[6] Short-term loans payable	97,800	97,800	-
Total liabilities	592,454	592,454	-

Note 1: Calculation method of market value of financial instruments and matters concerning securities and derivatives: (A) Notes concerning assets: [1] Cash and deposits, [5] Margin transaction assets and [6] Loans secured by securities are usually settled in short term and their market value is close to recorded value on the balance sheet. By this reason, market value is represented by its record value on the balance sheet. [2] Cash segregated as deposits and [3] Money held in trust are evaluated and recorded on the balance sheet by mainly the market value of trusted assets and their market value is close to recorded value on the balance sheet. By this reason, market value is represented by its record value on the balance sheet. Among [4] Trading products and investment securities, market price of securities are based on the price quoted on markets, etc. Market price of foreign exchange margin trading is calculated based on the spot exchange rate at the end of current fiscal year. For notes concerning securities and derivatives by purpose of holding, reference is made to the “Notes – Overview of securities and derivatives.” (B) Notes concerning liabilities: Among [1] Trading products, foreign exchange margin trading is calculated based on the spot exchange rate at the end of current fiscal year. For notes concerning securities and derivatives by purpose of holding, reference is made to the “Notes – Overview of securities and derivatives.” [2] Margin transaction liabilities, [3] Loans payable secured by securities, [4] Deposits received, [5] Guarantee deposits received and [6] Short-term loans payable are usually settled in short term and their market value is close to recorded value on the balance sheet. By this reason, market value is shown by their recorded value on the balance sheet.

Note 2: Financial instruments whose market value is quite difficult to obtain.

Item	Recorded value on the balance sheet (millions of yen)
Available-for-sale securities	
Unlisted shares	109
Investment on investment business limited partnership	179

Note: These financial instruments do not have market price, which makes it quite difficult to obtain their market value. By this reason these are not included in “[4] Trading products and investment securities” among assets.

Note 3: Note on scheduled amount of redemptions after the record date of financial statements for monetary claims and securities which have maturity dates: All of monetary claims are expected to be redeemed within 1 year.

Note 4: All monetary debts are scheduled due within one year.

ix. Notes – Overview of securities and derivatives

i) Trading related securities and derivatives

(i) Derivative trading

[i] Derivative trading for which hedge accounting is not applied

(Preceding fiscal year)

Type	Assets		Liabilities	
	Amount of contract, etc. (millions of yen)	Market value (millions of yen)	Amount of contract, etc. (millions of yen)	Market value (millions of yen)
Foreign exchange margin trading	77,125	2,258	4,302	143

Note 1: Market value of foreign exchange margin trading is calculated based spot rate of exchange at the end of current fiscal year.

Note 2: Amount of contract whose market value falls in zero is represented as assets.

(Current fiscal year)

Type	Assets		Liabilities	
	Amount of contract, etc. (millions of yen)	Market value (millions of yen)	Amount of contract, etc. (millions of yen)	Market value (millions of yen)
Foreign exchange margin trading	40,135	1,260	5,056	164

Note 1: Market value of foreign exchange margin trading is calculated based spot rate of exchange at the end of current fiscal year.

Note 2: Amount of contract whose market value falls in zero is represented as assets.

[ii] Derivative trading for which hedge accounting is applied
Not applicable.

ii) Other than trading related securities and derivatives

(i) Shares of subsidiaries and affiliates

[i] Preceding fiscal year (From April 1, 2017 to March 31, 2018)
The Company does not have shares of subsidiaries nor affiliates.

[ii] Current fiscal year (From April 1, 2018 to March 31, 2019)
The Company does not have shares of subsidiaries nor affiliates.

(ii) Available-for-sale securities

[i] Preceding fiscal year

Classification		Recorded value on balance sheet (millions of yen)	Acquisition cost (millions of yen)	Difference (millions of yen)
Securities whose recorded value on the balance sheet exceeds acquisition cost	[1] Stock	3,417	13	3,404
	[2] Bond	-	-	-
	[3] Other	-	-	-
	Subtotal	3,417	13	3,404
Securities whose recorded value on the balance sheet does not exceed acquisition cost	[1] Stock	-	-	-
	[2] Bond	-	-	-
	[3] Other	-	-	-
	Subtotal	-	-	-
Total		3,417	13	3,404

[ii] Current fiscal year

Classification		Recorded value on balance sheet (millions of yen)	Acquisition cost (millions of yen)	Difference (millions of yen)
Securities whose recorded value on the balance sheet exceeds acquisition cost	[1] Stock	3,422	13	3,409
	[2] Bond	-	-	-
	[3] Other	-	-	-
	Subtotal	3,422	13	3,409

Classification		Recorded value on balance sheet (millions of yen)	Acquisition cost (millions of yen)	Difference (millions of yen)
Securities whose recorded value on the balance sheet does not exceed acquisition cost	[1] Stock	-	-	-
	[2] Bond	-	-	-
	[3] Other	-	-	-
	Subtotal	-	-	-
Total		3,422	13	3,409

(iii) Available-for-sale securities sold during current fiscal year

[i] Preceding fiscal year

Not applicable.

[ii] Current fiscal year

Not applicable.

x. Notes – Retirement benefits

i) Overview of retirement benefit system adapted

The Company adapted defined contribution pension plan from the current fiscal year.

ii) Defined contribution plan

Required amount of contribution by the Company to the plan is 14 million yen.

xi. Notes – Share options, etc.

i) Amount of cost of share options and item for which it is accounted

	Preceding fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Share-based compensation expenses in selling, general and administrative expenses	62 million yen	78 million yen

ii) Contents, scale and status of movement of share options

(i) Contents of share options

[i] First series of share acquisition rights

	Share acquisition rights which can be exercised from August 9, 2017	Share acquisition rights which can be exercised from August 9, 2018	Share acquisition rights which can be exercised from August 9, 2019
Date of resolution	July 24, 2014		
Persons eligible for the allotment and their number	6 directors of the Company (excluding outside directors)		
Number of share acquisition rights (Note)	Common stock: 27,800 shares	Common stock: 27,800 shares	Common stock: 28,300 shares
Allotment date	August 8, 2014		
Conditions for exercising	Persons allotted share acquisition rights are eligible to exercise only when they are active directors at the time of the exercise. However, the Company may treat the rights of those who are out of the service of directors still effective when it finds reasonable grounds.		
Vesting period	From August 8, 2014 to August 8, 2017	From August 8, 2014 to August 8, 2018	From August 8, 2014 to August 8, 2019
Exercise period	From August 9, 2017 to August 8, 2020	From August 9, 2018 to August 8, 2020	From August 9, 2019 to August 8, 2020

Note: Number of share acquisition rights are represented by the number of shares.

[ii] Second series of share acquisition rights

	Share acquisition rights which can be exercised from August 12, 2018	Share acquisition rights which can be exercised from August 12, 2019	Share acquisition rights which can be exercised from August 12, 2020
Date of resolution	July 27, 2015		
Persons eligible for the allotment and their number	6 directors of the Company (excluding outside directors)		
Number of share acquisition rights (Note)	Common stock: 22,500 shares	Common stock: 22,500 shares	Common stock: 23,000 shares
Allotment date	August 11, 2015		
Conditions for exercising	Persons allotted share acquisition rights are eligible to exercise only when they are active directors at the time of the exercise. However, the Company may treat the rights of those who are out of the service of directors still effective when it finds reasonable grounds.		
Vesting period	From August 11, 2015 to August 11, 2018	From August 11, 2015 to August 11, 2019	From August 11, 2015 to August 11, 2020
Exercise period	From August 12, 2018 to August 11, 2021	From August 12, 2019 to August 11, 2021	From August 12, 2020 to August 11, 2021

Note: Number of share acquisition rights are represented by the number of shares.

[iii] Third series of share acquisition rights

	Share acquisition rights which can be exercised from August 11, 2019	Share acquisition rights which can be exercised from August 11, 2020	Share acquisition rights which can be exercised from August 11, 2021
Date of resolution	July 26, 2016		
Persons eligible for the allotment and their number	7 directors of the Company (excluding outside directors)		
Number of share acquisition rights (Note)	Common stock: 31,400 shares	Common stock: 31,400 shares	Common stock: 32,000 shares
Allotment date	August 10, 2016		
Conditions for exercising	Persons allotted share acquisition rights are eligible to exercise only when they are active directors at the time of the exercise. However, the Company may treat the rights of those who are out of the service of directors still effective when it finds reasonable grounds.		
Vesting period	From August 10, 2016 to August 10, 2019	From August 10, 2016 to August 10, 2020	From August 10, 2016 to August 10, 2021
Exercise period	From August 11, 2019 to August 10, 2022	From August 11, 2020 to August 10, 2022	From August 11, 2021 to August 10, 2022

Note: Number of share acquisition rights are represented by the number of shares.

[iv] Fourth series of share acquisition rights

	Share acquisition rights which can be exercised from August 18, 2020	Share acquisition rights which can be exercised from August 19, 2021	Share acquisition rights which can be exercised from August 19, 2022
Date of resolution	July 27, 2017		
Persons eligible for the allotment and their number	8 directors of the Company (excluding outside directors)		
Number of share acquisition rights (Note)	Common stock: 42,800 shares	Common stock: 42,800 shares	Common stock: 43,500 shares
Allotment date	August 17, 2017		
Conditions for exercising	Persons allotted share acquisition rights are eligible to exercise only when they are active directors at the time of the exercise. However, the Company may treat the rights of those who are out of the service of directors still effective when it finds reasonable grounds.		
Vesting period	From August 17, 2017 to August 17, 2020	From August 17, 2017 to August 18, 2021	From August 17, 2018 to August 18, 2022
Exercise period	From August 18, 2020 to August 17, 2023	From August 19, 2021 to August 17, 2023	From August 19, 2022 to August 17, 2023

Note: Number of share acquisition rights are represented by the number of shares.

[v] Fifth series of share acquisition rights

	Share acquisition rights which can be exercised from July 21, 2021	Share acquisition rights which can be exercised from July 22, 2022	Share acquisition rights which can be exercised from July 22, 2023
Date of resolution	July 5, 2018		
Persons eligible for the allotment and their number	8 directors of the Company (excluding outside directors)		
Number of share acquisition rights (Note)	Common stock: 37,400 shares	Common stock: 37,400 shares	Common stock: 38,100 shares
Allotment date	July 20, 2018		
Conditions for exercising	Persons allotted share acquisition rights are eligible to exercise only when they are active directors at the time of the exercise. However, the Company may treat the rights of those who are out of the service of directors still effective when it finds reasonable grounds.		
Vesting period	From July 20, 2018 to July 20, 2021	From July 20, 2018 to July 21, 2022	From July 20, 2018 to July 21, 2023
Exercise period	From July 21, 2021 to July 20, 2024	From July 22, 2022 to July 20, 2024	From July 22, 2023 to July 20, 2024

Note: Number of share acquisition rights are represented by the number of shares.

(ii) Scale of share acquisition rights and their status of movement

Share acquisition rights which existed during the current fiscal year (year ended March, 2019) are shown in the tables below and number of these rights is translated into the equivalent number of shares.

[i] Number of share acquisition rights

	First series of share acquisition rights	Second series of share acquisition rights	Third series of share acquisition rights	Fourth series of share acquisition rights	Fifth series of share acquisition rights
Before vesting					
At end of preceding fiscal year (number of share)	56,100	68,000	94,800	129,100	-
Granted	-	-	-	-	112,900
Forfeited	-	-	-	-	-
Vested	27,800	22,500	-	-	-
Unvested amount	28,300	45,500	94,800	129,100	112,900
After vesting					
At end of preceding fiscal year (number of shares)	3,000	-	-	-	-
Vested	27,800	22,500	-	-	-
Exercise of rights	30,800	22,500	-	-	-
Forfeited	-	-	-	-	-
Unexercised amount	-	-	-	-	-

[ii] Price information

	First series of share acquisition rights (Note 1)	First series of share acquisition rights (Note 2)	First series of share acquisition rights (Note 3)
Date of resolution	July 24, 2014	July 24, 2014	July 24, 2014
Exercise price (yen)	1	1	1

	First series of share acquisition rights (Note 1)	First series of share acquisition rights (Note 2)	First series of share acquisition rights (Note 3)
Average market price of shares at time of exercise of share acquisition rights (yen)	1,019	1,164	-
Fair value at grant date (yen)	721	702	684

Note 1: First series of share acquisition rights which can be exercised from August 9, 2017.

Note 2: First series of share acquisition rights which can be exercised from August 9, 2018.

Note 3: First series of share acquisition rights which can be exercised from August 9, 2019.

	Second series of share acquisition rights (Note 1)	Second series of share acquisition rights (Note 2)	Second series of share acquisition rights (Note 3)
Date of resolution	July 27, 2015	July 27, 2015	July 27, 2015
Exercise price (yen)	1	1	1
Average market price of shares at time of exercise of share acquisition rights (yen)	1,164	-	-
Fair value at grant date (yen)	952	936	919

Note 1: Second series of share acquisition rights which can be exercised from August 12, 2018.

Note 2: Second series of share acquisition rights which can be exercised from August 12, 2019.

Note 3: Second series of share acquisition rights which can be exercised from August 12, 2020.

	Third series of share acquisition rights (Note 1)	Third series of share acquisition rights (Note 2)	Third series of share acquisition rights (Note 3)
Date of resolution	July 26, 2016	July 26, 2016	July 26, 2016
Exercise price (yen)	1	1	1
Average market price of shares at time of exercise of share acquisition rights (yen)	-	-	-
Fair value at grant date (yen)	737	720	703

Note 1: Third series of share acquisition rights which can be exercised from August 11, 2019.

Note 2: Third series of share acquisition rights which can be exercised from August 11, 2020.

Note 3: Third series of share acquisition rights which can be exercised from August 11, 2021.

	Fourth series of share acquisition rights (Note 1)	Fourth series of share acquisition rights (Note 2)	Fourth series of share acquisition rights (Note 3)
Date of resolution	July 27, 2017	July 27, 2017	July 27, 2017
Exercise price (yen)	1	1	1
Average market price of shares at time of exercise of share acquisition rights (yen)	-	-	-
Fair value at grant date (yen)	730	716	703

Note 1: Fourth series of share acquisition rights which can be exercised from August 18, 2020.

Note 2: Fourth series of share acquisition rights which can be exercised from August 19, 2021.

Note 3: Fourth series of share acquisition rights which can be exercised from August 19, 2022.

	Fifth series of share acquisition rights (Note 1)	Fifth series of share acquisition rights (Note 2)	Fifth series of share acquisition rights (Note 3)
Date of resolution	July 5, 2018	July 5, 2018	July 5, 2018
Exercise price (yen)	1	1	1
Average market price of shares at time of exercise	-	-	-

	Fifth series of share acquisition rights (Note 1)	Fifth series of share acquisition rights (Note 2)	Fifth series of share acquisition rights (Note 3)
of share acquisition rights (yen)			
Fair value at grant date (yen)	861	843	826

Note 1: Fifth series of share acquisition rights which can be exercised from July 21, 2021.

Note 2: Fifth series of share acquisition rights which can be exercised from July 22, 2022.

Note 3: Fifth series of share acquisition rights which can be exercised from July 22, 2023.

iii) Procedure of estimating fair value of share acquisition rights allotted during current fiscal year

(i) Evaluation method applied
Black-Scholes model

(ii) Main basic parameters and the procedure of their estimations

	Fifth series of share acquisition rights (Note 1)	Fifth series of share acquisition rights (Note 2)	Fifth series of share acquisition rights (Note 3)
Volatility of shares	(Note 4) 24.456%	(Note 5) 26.460%	(Note 6) 28.343%
Estimated time to maturity	4.5 years	5.0 years	5.5 years
Estimated dividend	44 yen per share	44 yen per share	44 yen per share
Risk free rate (Note 9)	Minus 0.114%	Minus 0.101%	Minus 0.093%

Note 1: Fifth series of share acquisition rights which can be exercised from July 21, 2021.

Note 2: Fifth series of share acquisition rights which can be exercised from July 22, 2022.

Note 3: Fifth series of share acquisition rights which can be exercised from July 22, 2023.

Note 4: Volatility of shares are calculated based on the historical record for the 4 years and a half (From January 21, 2014 to July 20, 2018).

Note 5: Volatility of shares are calculated based on the historical record for the 5 years (From July 21, 2013 to July 20, 2018).

Note 6: Volatility of shares are calculated based on the historical record for the 5 years and a half (From January 21, 2013 to July 20, 2018).

Note 7: Due to the lack of adequate data for the reasonable estimation, the Company regards share acquisition rights to be exercised upon the middle point of the exercise period.

Note 8: Considering the status of past record of dividend payments, the value as same as the dividend for the fiscal year ended March 2018 is used.

Note 9: Average compound return of long term government bonds whose redemption time falls on the period within 3 months before or 3 months after the date when the estimated time to maturity passes from the grant date of share acquisition rights.

iv) Procedure of estimating number of share acquisition rights which will be vested

Due to the difficulty of reasonable estimation of future forfeiture, the Company basically reflects actual forfeiture occurred only.

xii. Notes – Tax effect accounting

i) Details of major components of deferred tax assets and deferred tax liabilities by their origins

	(Millions of yen)	
	Preceding fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)
Deferred tax assets		
Accrued enterprise tax	183	103
Excess of allowance for doubtful accounts	424	438
Reserve for retirement bonuses for directors	63	63

	Preceding fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)
Reserve for financial products transaction liabilities	915	871
Provision for bonuses	70	55
Other	70	131
Total deferred tax assets	1,723	1,661
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(1,042)	(1,044)
Other	(0)	(53)
Total deferred tax liabilities	(1,043)	(1,097)
Net deferred tax assets	681	564

- ii) Details of major components which caused discrepancy between the nominal statutory income tax rate and the effective income tax rate reported in the statement of income

This note has been omitted since the difference between the nominal statutory income tax rate and the effective income tax rate is less than 5/100 of the nominal statutory income tax rate.

xiii. Notes – Segment information, etc.

- i) Segment information

- (i) Preceding fiscal year (From April 1, 2017 to March 31, 2018)

Disclosures on segment information have been omitted since the Company is a provider of on-line securities trading service comprising a single segment.

- (ii) Current fiscal year (From April 1, 2018 to March 31, 2019)

Disclosures on segment information have been omitted since the Company is a provider of on-line securities trading service comprising a single segment.

- ii) Notes - Information associated with reportable segments

- (i) Preceding fiscal year (From April 1, 2017 to March 31, 2018)

- [i] Information for each product or service

Information for each product or service has been omitted as over 90% of operating revenue from outside customers on the non-consolidated statement of income is related to only a single segment.

- [ii] Information for each region

(Revenues from external customers)

Information is not applicable as the Company does not earn revenue from external customers located overseas.

(Property, plant and equipment)

Information is not applicable as the Company does not have any overseas property, plant and equipment.

[iii] Information for each of main customers

Information for each of main customers has been omitted as no outside customer individually provides over 10% of the operating revenue in the non-consolidated statement of income.

(ii) Current fiscal year (From April 1, 2018 to March 31, 2019)

[i] Information for each product or service

Information for each product or service has been omitted as over 90% of operating revenue from outside customers on the non-consolidated statement of income is related to only a single segment.

[ii] Information for each region

(Revenues from external customers)

Information is not applicable as the Company does not earn revenue from external customers located overseas.

(Property, plant and equipment)

Information is not applicable as the Company does not have any overseas property, plant and equipment.

[iii] Information for each of main customers

Information for each of main customers has been omitted as no outside customer individually provides over 10% of the operating revenue in the non-consolidated statement of income.

iii) Disclosure of impairment loss on non-current assets for each reportable segment

Disclosure of impairment loss on non-current assets for each reportable segment has been omitted, since the Company is a provider of on-line securities trading service comprising a single segment.

iv) Amortization and unamortized balance of goodwill for each reportable segment

Not applicable.

v) Information about gain on bargain purchase for each reportable segment

Not applicable.

xiv. Notes – Equity in earnings (losses) of affiliates if equity method is applied

Not applicable.

xv. Notes – Related parties

i) Preceding fiscal year (From April 1, 2017 to March 31, 2018)

(i) Trades with related parties

[i] Officers and major shareholders of the Company (in case of individual only), etc.

Type	Name	Location	Capital stock	Business involved	Holding of the Company's voting rights
Companies half or more of whose voting rights are held by the officers of the Company and their relatives	Shokosha Ltd.	Bunkyo-ku, Tokyo	50	Sales, rental and management of real estate	Shokosha Ltd. directly holds 13.92% of voting rights of the Company.

Company's relationship with related party	Trade details	Trading volume	Balance sheet account	Balance at end of fiscal year
Rental of real estate	Rental contract of real estate	14	-	-

Note 1: Trading volume does not include consumption tax, etc.

Note 2: Shokosha Ltd. is also a principal institutional shareholder.

Note 3: Conditions of contract and the policy of determining conditions of contract: Trade described above is rental of real estate owned by Shokosha Ltd. as the Company's dormitory for employees. The rental fee the Company pays to Shokosha Ltd. is determined based on current leasing rates in the neighboring area.

(ii) Notes on parent company and important related companies

Not applicable.

ii) Current fiscal year (From April 1, 2018 to March 31, 2019)

(i) Trades with related parties

[i] Officers and major shareholders of the Company (in case of individual only), etc.

Type	Name	Location	Capital stock	Business involved	Holding of the Company's voting rights
Companies half or more of whose voting rights are held by the officers of the Company and their relatives	Shokosha Ltd.	Bunkyo-ku, Tokyo	50	Sales, rental and management of real estate	Shokosha Ltd. directly holds 13.92% of voting rights of the Company.

Company's relationship with related party	Trade details	Trading volume	Balance sheet account	Balance at end of fiscal year
Rental of real estate	Rental contract of real estate	14	-	-

Note 1: Trading volume does not include consumption tax, etc.

Note 2: Shokosha Ltd. is also a principal institutional shareholder.

Note 3: Conditions of contract and the policy of determining conditions of contract: Trade described above is rental of real estate owned by Shokosha Ltd. as the Company's dormitory for employees. The rental fee the Company pays to Shokosha Ltd. is determined based on current leasing rates in the neighboring area.

(ii) Notes on parent company and important related companies

Not applicable.

xvi. Notes – Per share information

	Preceding fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Net assets per share	384.12 yen	375.45 yen
Basic earnings per share	50.28 yen	37.24 yen
Diluted earnings per share	50.24 yen	37.20 yen

Note: Respective bases of calculation for basic earnings per share and diluted earnings are as follows.

Item	Preceding fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Basic earnings per share		
Net profit (millions of yen)	12,908	9,562
Net profit not attributed to common stock (millions of yen)	-	-
Net profit attributed to common stock (millions of yen)	12,908	9,562
Average number of shares of common stock outstanding (number of shares)	256,741,264	256,785,336
Diluted earnings per share		
Increase of common stock (number of shares)	199,670	285,307
[Of the above, share acquisition rights (number of shares)]	[199,670]	[285,307]
Outline of diluted securities which are not considered in the calculation of diluted earnings per share due to the lack of diluting effect	-	

xvii. Notes - Significant events after reporting period

Not applicable.

[6] Annexed detailed schedules

i. Annexed detailed schedule of securities

i) Investment securities

Pursuant to Article 124 of Regulations on Financial Statements, a detailed list of investment securities is omitted because their total value recorded on the balance sheet at the end of current fiscal year is equal to or less than 1/100 of total value of assets.

ii. Annexed detailed schedule of property, plant and equipment, etc.

(Millions of yen)

	Balance at beginning of current period	Increase in current period	Decrease in current period	Balance at end of current period	Accumulated depreciation and amortization	Depreciation expensed at current period	Net balance at end of current period
Property, plant and equipment							
Buildings	653	169	-	823	512	17	311
Equipment	848	356	26	1,178	669	96	510
Land	434	-	-	434	-	-	434
Total property, plant and equipment	1,936	526	26	2,435	1,180	113	1,255
Intangible assets							
Software	18,696	1,638	1,195	19,138	14,623	1,578	4,514
Other	20	-	0	20	20	-	0
Total intangible assets	18,716	1,638	1,195	19,158	14,644	1,578	4,514
Long term prepaid expenses	25	6	12	19	7	6	12

Note: The increase of equipment and software is mainly due to the investment on facilities necessary for introduction of various new services and enhancing of capacity and improvement of the Netstock system.

iii. Annexed detailed schedule of corporate bonds

Not applicable.

iv. Annexed detailed schedule of borrowings

Item	Balance at beginning of current period (millions of yen)	Balance at end of current period (millions of yen)	Average interest rate (%)	Date of maturity
Short-term loans payable	187,500	97,750	0.06	-
Long-term loans payable due within 1 year	100	50	0.60	-
Long-term lease liabilities due within 1 year	-	-	-	-
Long-term loans payable excluding those due within 1 year	50	-	-	-
Long-term lease liabilities excluding those due within 1 year	-	-	-	-

Item	Balance at beginning of current period (millions of yen)	Balance at end of current period (millions of yen)	Average interest rate (%)	Date of maturity
Other interest-bearing liabilities: Borrowings on margin transactions due within 1 year	37,158	4,016	0.60	-
Total	224,808	101,816	-	-

Note: Average interest rate is weighted average interest rate at the end of period.

v. Annexed detailed schedule of provisions

	Balance at beginning of current period	Increase	Decrease		Balance at end of current period
			Appropriation	Other	
Allowance for doubtful accounts	1,540	263	86	207	1,510
Provision for bonuses	227	178	227	-	178
Reserve for financial products transaction liabilities	2,987	-	-	144	2,843

Note 1: The decrease (other) of allowance for doubtful account is mainly due to reversal from revaluation of the allowance.

Note 2: The decrease of reserve for financial products transaction liabilities is a reversal of the amount exceeding the regulatory requirement.

vi. Annexed detailed schedule of asset retirement obligations

The annexed detailed schedule of asset retirement obligations has been omitted as value of them is equal to or less than 1/100 of the total of liabilities and net assets on the balance sheet at the beginning and end of the current fiscal year.

3) Components of Major Assets and Liabilities

(1) Assets

[1] Cash and deposits

Item	Amount of value (millions of yen)
Cash in hand	0
Cash at banks	36,120
Demand deposits	32,423
Ordinary deposits	3,666
Segregated deposits	30
Total	36,120

[2] Cash segregated as deposits

Item	Amount of value (millions of yen)
Trusted money segregated for customers as fiduciary assets	413,000
Trusted money segregated for customers' foreign exchange margin trading	11,500
Other	12
Total	424,512

[3] Margin transaction assets

Item	Amount of value (millions of yen)
Loans on margin transactions	194,027
Cash collateral pledged for securities borrowing on margin	8,463
Total	202,490

(2) Liabilities

[1] Margin transaction liabilities

Item	Amount of value (millions of yen)
Borrowings on margin transactions	4,016
Japan Securities Finance Co., Ltd.	4,016
Cash received for securities lending on margin transactions	41,473
Total	45,488

[2] Deposits received

Item	Amount of value (millions of yen)
Deposits from customers	235,374
Deposits for others	3,420
Total	238,794

[3] Guarantee deposits received

Item	Amount of value (millions of yen)
Guarantee deposits received concerning margin transaction	159,359
Guarantee deposits received concerning futures transaction	19,367
Other	23,603
Total	202,329

[4] Short-term loans payable

Item	Amount of value (millions of yen)
Sumitomo Mitsui Trust Bank, Ltd.	18,000
Mizuho Bank, Ltd.	6,000
Sumitomo Mitsui Banking Corporation	6,000
MUFJ Bank, Ltd.	6,000
Other	11,750
Call money	50,000
Long-term loans payable due within one year	50
Total	97,800

4) Other Information

(1) Quarterly information for the current fiscal year, etc.

Cumulative period	1 st quarter	2 nd quarter	3 rd quarter	Current fiscal year
Operating revenue (millions of yen)	7,462	14,389	21,505	27,313
Net operating revenue (millions of yen)	7,143	13,777	20,523	25,999
Profit before income taxes (millions of yen)	4,216	7,868	11,370	13,724
Quarterly (annual) profit (millions of yen)	2,930	5,465	7,882	9,562
Basic quarterly (annual) earnings per share (yen)	11.41	21.28	30.70	37.24

Accounting period	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter
Basic earnings per share (yen)	11.41	9.87	9.41	6.54

6. Overview of Operational Procedures for Shares

Fiscal year	From April 1 to March 31
Ordinary general meeting of shareholders	Within 3 months from the next day to the end of each fiscal year
Record date of dividend from surplus	September 30 and March 31
Number of shares of 1 unit of shares	100 shares
Purchase of shares less than 1 unit of shares	
Venue of purchase	(Special Account) Marunouchi 1-4-1, Chiyoda-ku, Tokyo Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited
Shareholder registry administrator	(Special Account) Marunouchi 1-4-1, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank Limited
Agency	-
Fee for purchase	Amount specified separately as the equivalent of fee concerning stock brokerage
Public notification measures	The Company does public notification electrically. In case any accidents or other inevitable incidents prevent the electric notification by the Company, the Company publishes the notification on Nikkei Shimbun Newspaper. Electric Notifications are on the Company's website whose address is as below: https://www.matsui.co.jp
Shareholders' benefit	Not applicable

Note: Shareholders of shares less than 1 unit of shares cannot exercise rights other than followings for the shares in their possession: [1] Rights listed in each item in Article 189, paragraph 2 of the Companies Act [2] The right for the request based on the rule of Article 166, paragraph 1 of the Companies Act [3] The right for the allocation of offering of stocks or share acquisition rights in proportion to number of shares in possession of shareholders.

7. Reference Information of Reporting Company

1) Information about Parent Company, etc. of Reporting Company

The Company does not have a parent company, etc. as defined in Article 24-7, Paragraph 1 of the Financial Instrument and Exchange Act.

2) Other Reference Information

The Company has filed documents below from the start date of the current fiscal year to the date of filing of this Report.

(1) Annual Securities Report and its attachments, Confirmation Letter for Annual Securities Report

For the 102nd fiscal year from April 1, 2017 to March 31, 2018 (Filed with the director of Kanto Local Finance Bureau on June 18, 2018.)

(2) Internal Control Report

For the 102nd fiscal year from April 1, 2017 to March 31, 2018 (Filed with the director of Kanto Local Finance Bureau on June 18, 2018.)

(3) Quarterly Securities Report and Confirmation Letter for Quarterly Securities Report

For the 1st quarter of the 103rd fiscal year from April 1, 2018 to June 30, 2018 (Filed with the director of Kanto Local Finance Bureau on August 13, 2018.)

For the 2nd quarter of the 103rd fiscal year from July 1, 2018 to September 30, 2018 (Filed with the director of Kanto Local Finance Bureau on November 13, 2018.)

For the 3rd quarter of the 103rd fiscal year from October 1, 2018 to December 31, 2018 (Filed with director of Kanto Local Finance Bureau on February 13, 2019.)

(4) Extraordinary Securities Report

Extraordinary Securities Report in pursuant to the rule set in Article 19, Paragraph 2, item 9-2 of the Cabinet Office Order on Disclosure of Corporate Affairs (Results of the exercise of voting rights in the shareholders' meeting) (Filed with the director of Kanto Local Finance Bureau on June 25, 2018.)

Extraordinary Securities Report in pursuant to the rule set in Article 19, Paragraph 2, item 2-2 of the Cabinet Office Order on Disclosure of Corporate Affairs (Issuance of share acquisition rights as stock options) (Filed with the director of Kanto Local Finance Bureau on July 9, 2018.)

(5) Amended Extraordinary Securities Report

Amended Extraordinary Securities Report for the Extraordinary Securities Report filed on July 9, 2018 described in (4) above (Filed with the director of Kanto Local Finance Bureau on July 23, 2018.)

(6) Amended Shelf Registration Statement (Bonds)

Amended Shelf Registration Statement for the Shelf Registration Statement (Bonds) filed with the director of Kanto Local Finance Bureau on November

21, 2017 (Filed with the director of Kanto Local Finance Bureau on June 25, 2018, July 9 2018 and July 23, 2018.)

Part 2. Information about Company which Provides

Guarantee to Reporting Company

Not Applicable.