

Ichiyoshi Securities Co., Ltd.
Notice of 76th Annual Meeting of Shareholders

[English translation for reference purposes only]

May 30, 2018

Notice is hereby given to the shareholders of Ichiyoshi Securities Co., Ltd. (“Ichiyoshi” or the “Company”) that the 76th annual meeting of shareholders of Ichiyoshi will be held at a place and date written below. Each of attending shareholders is requested to bring with him/her a voting card attached hereto [omitted in this English version].

In the event that you cannot attend the said meeting in person, please read “Referential Materials for Shareholders’ Meeting” [described on page 5 herein] carefully and send the voting card to be received by the Company by 5:00 p.m. on June 22, 2018 (Friday), or electronically via the Company’s Designated Website (<https://evote.tr.mufg.jp/>) (the “Designated Website”) by the same date and time. **[If you are a non-resident of Japan, however, you may exercise your voting rights by properly instructing your standing proxy in Japan.]**

- 1. Date and time:** June 23, 2018, Saturday, from 10:00 a.m.
(Doors open at 9:00 a.m.)
- 2. Place:** At Royal Hall, 3rd Floor of Royal Park Hotel
2-1-1, Nihonbashi Kakigara-cho, Chuo-ku, Tokyo, Japan
- 3. Agenda at the Meeting:**

Reports:

- (1) Reports on business result and contents of consolidated financial statements (for the fiscal year from April 1, 2017 to March 31, 2018), and Certified Public Accountants’ and Audit Committee’s reports on their respective audits of consolidated financial statements..
- (2) Reports on contents of non-consolidated financial statements of the Company (for the fiscal year from April 1, 2017 to March 31, 2018).

Resolutions proposed for approval and adoption:

- 1st resolution: Appointment of 7 directors.
- 2nd resolution: Authorization of the Board of Directors to decide terms and conditions for the issuance of share warrants as stock options to directors (excluding outside directors), executive officers, operating officers, executive advisers and employees

of the Company and its subsidiaries.

(After the shareholders' meeting, a social gathering is scheduled between the Company's directors/officers and attending shareholders.)

4. Matters concerning documents accompanying this notice and reference materials for shareholders' meeting:

(1) Disclosure on Internet:

The contents of the following documents (items (i), (ii), (iii), (iv) and (v)) are disclosed on Ichiyoshi's website (<https://www.ichiyoshi.co.jp/>) in accordance with laws and Article 15 of the Articles of Incorporation of the Company. Hence, they are not contained herein.

- (i) System to ensure the appropriateness of business operations and the outline of operational status of the system;
- (ii) Consolidated Statements of changes in equity;
- (iii) Notes to consolidated financial statements;
- (iv) Non-consolidated Statements of changes in equity; and
- (v) Notes to non-consolidated financial statements.

[For reference, the contents of the document in item (i) are also disclosed on page 23 of Corporate Governance Report dated April 2, 2018

(English version;

https://img.ichiyoshi.co.jp/ichiyoshi/pc/pdf/english/20180330_irsiryo_e.pdf),

and the contents of the document in item (ii) are also disclosed on page 20 of Business Result for Fiscal Year to March 31, 2018 released on April 27, 2018

(English version;

https://img.ichiyoshi.co.jp/ichiyoshi/pc/pdf/english/oshirase_20180427e_2.pdf).

The contents of the documents in items (iii), (iv) and (v) are only available in their Japanese originals.]

It is to be noted that the Company's certified public accountants have audited not only consolidated financial statements and non-consolidated financial statements attached hereto but also consolidated statement of changes in equity, notes to consolidated financial statements, non-consolidated statement of changes in equity and notes to non-consolidated financial statements disclosed on Ichiyoshi's website, and that the audit committee has audited not only reports on business

result, consolidated financial statements and non-consolidated financial statements attached hereto but also the system to ensure the appropriateness of business operations and the outline of operational status of the system, consolidated statement of changes in equity, notes to consolidated financial statements, non-consolidated statement of changes in equity, and notes to non-consolidated financial statements disclosed on Ichiyoshi's website.

(2) Method to notify corrections as to reference materials for shareholders' meeting, reports on business result and financial statements:

Any corrections occurring to reference materials for shareholders' meeting, reports on business result and financial statements will be notified on Ichiyoshi's website.

Ichiyoshi's website : <https://www.ichiyoshi.co.jp/stockholder>

5. Guidance for exercising voting rights:

(As stated on page 1, the shareholders' meeting is to be held on June 23, 2018, Saturday, from 10:00 a.m. The doors to the meeting room are to open at 9:00 a.m.)

(1) Exercising voting rights in person:

You are required to present your voting instruction card at the reception desk of the shareholders' meeting before the meeting starts at 10:00 a.m. on June 23, 2018 (Saturday). (No person other than an entitled shareholder shall be admitted to the meeting. Neither his/her agent nor his/her accompanying person shall be admitted.)

(2) Exercising voting rights through proxy:

In the event that you cannot attend the shareholders' meeting in person, you may exercise your voting rights by appointing another shareholder of Ichiyoshi attending the meeting as your proxy; provided, however, that he must produce a document certifying his proxy status.

(3) Exercising voting rights by mail:

You are required to mail your completed voting card (postage prepaid) to be received by the Company at or before 5:00 p.m. on June 22, 2018 (Friday).

(4) Exercising voting rights electronically (such as via Internet):

You are required to exercise your voting rights through the Company's Designated Website (<https://evote.tr.mufg.jp/>) by 5:00 p.m. on June 22, 2018 (Friday) (Please note that the Designated Website is not accessible between 2:00 a.m. and 5:00 a.m. every day, Japan time.)

Reminder: (i) In the event that you attend the shareholders' meeting in person, you need not follow instructions relating to voting by mail or via Internet.

(ii) In the event that you exercise your voting rights by mail, you should follow instructions in the voting card [the card being omitted in this English version].

6. Guidance for exercising voting rights electronically via the Designated Website:

(1) Procedures to exercise voting rights electronically:

(i) On the Designated Website, you should first apply your Log-in ID and Temporary Password provided in your voting card [omitted in this English version], and then fill in your approval or disapproval answers following instructions on the website.

(ii) To prevent an unlawful access by a non-shareholder ("spoofing") or tampering with voting instructions, you will be requested to change your Temporary Password on the website.

(iii) A new Log-in ID and Temporary Password will be provided each time shareholders' meeting is held.

(2) Access to the Designated Website:

(i) You can connect to the Designated Website via your personal computer, smart phone or cell phone (EZweb, i-mode or Yahoo!KEITAI). The Designated Website is open except between 2:00 a.m. and 5:00 a.m.

(ii) When a firewall against Internet connection or anti-virus software is installed on your personal computer or smart phone, or when a proxy server is employed, it may happen that you cannot exercise your voting rights electronically.

(iii) You are recommended to use EZweb, i-mode or Yahoo!KEITAI when using a cell phone. Cell phones incapable of SSL transmission (codified transmission) and telecommunication may not function for security reasons.

(iv) When using a cell phone equipped with QR code-readability, you can use the QR code attached hereto (omitted in this English version).

(v) You can exercise your voting rights electronically via the Designated Website any time before 5:00 p.m. on June 23, 2018 (except between 2:00 a.m. and 5:00 a.m.), but we hope that you will do so at your earliest opportunity. If you have any enquiry, please contact Securities Transfer Dept.(Help Desk), Mitsubishi UFJ Trust & Banking Corp. (Free call: 0120-173-027, open between 9:00 a.m. and 9:00 p.m.).

(3) Expenses arising from access to the Designated Website:

Shareholders are required to bear expenses arising from access to the Designated Website (such as Internet-access and telephone charges). When using your mobile phone, you may be charged with packet communication fees and other related expenses.

Reminder:

- (i) In the event of exercising voting rights doubly by sending back a voting card and electronically via the Designated Website:

Electronic exercise shall be adopted.

- (ii) In the event of exercising voting rights more than once electronically via the Designated Website or in the event of exercising your voting rights doubly or redundantly through your personal computer, smartphone or mobile phone:

The last-dispatched voting instruction shall be adopted.

[Electronically-Voting Platform for Institutional Investors

Nominee shareholders, such as trustee banks and standing proxies (for non-resident shareholders), may exercise their votes via the electronic-voting platform operated by ICJ Inc., provided that they have applied for the use of the platform in advance.]

Referential Materials for Shareholders' Meeting

I. 1st proposed resolution: Appointment of 7 directors

The terms of office of all currently-incumbent directors will expire at the close of the shareholders' meeting. The Nominating Committee of the Company has resolved to propose the below-mentioned 7 nominees for directors. The criteria for the selection of nominees for directors by the Nominating Committee are as follows:

The following are selection criteria for nominees as defined by the Nominating Committee:

For inside directors:

- Superb management sense
- Superb leadership, foresightedness and planning ability
- High law-abiding nature
- Personal magnetism in and out of the Company
- Healthiness physically and mentally

For outside directors:

- High personality and insight
- Plentiful experience and expertise in business operations
- High law-abiding nature
- Unwavering independency as outside director
- Healthiness physically and mentally

In addition, the nominees for outside directors are required to be qualified as the Outside Directors under the provisions of the Ordinance of the Company Law of Japan and to have no conflict of interest with shareholders as the Independent Directors under the regulations of the Tokyo Stock Exchange.

The following persons are 7 nominees for directors:

Nominee number	Name of nominees	Current positions at the Company
1	Masashi Takehi	Chairman of the Board of Directors Member of Nominating Committee (Chairman) Member of Remuneration Committee (Chairman)
2	Minoru Kobayashi	Director, President and Representative Executive Officer
3	Shiro Tateishi	Director, Managing Executive Officer
4	Akira Gokita	Outside Director and Independent Director Member of Nominating Committee Member of Remuneration Committee Member of Audit Committee
5	Kenro Kakeya	Outside Director and Independent Director Member of Nominating Committee Member of Remuneration Committee
6	Takashi Ishikawa	Outside Director and Independent Director Member of Audit Committee (Chairman, full-time)
7	Kota Sakurai	Outside Director and Independent Director Member of Audit Committee

For reference, the following members are planned for each of the Nominating Committee, the Remuneration Committee and the Audit Committee after the shareholders' approval of this resolution:

Nominating Committee:	Mr. Akira Gokita (Chairman) Mr. Masashi Takehi Mr. Kenro Kakeya
Remuneration Committee:	Mr. Kenro Kakeya (Chairman) Mr. Masashi Takehi Mr. Akira Gokita
Audit Committee:	Mr. Takashi Ishikawa (Chairman) Mr. Akira Gokita Mr. Kota Sakurai

No. & Name	Birth date	Reappointment or new appointment & frequency of attendance at various meetings	No. of the Company's shares owned
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1 Masashi Takehi	April 13, 1943	Nominee for reappointment	130,700 shares
		Frequency of attendance at	
		Board of Directors' meetings: 20 times (100%)	
		Frequency of attendance at Nominating Committee:	
		3 times (100%)	
		Frequency of attendance at Remuneration Committee:	
		7 times (100%)	
		[Positions/occupations prior to the current ones are omitted in this English version]	

● **Reason for his nomination as director:**

He formerly served as managing director of Nomura Securities Co. Ltd. and then served as representative director and chief executive president of the Company successively. Since becoming a director and executive chairman of the Company in April 2012 and chairman of the Board of Directors of the Company in April 2018, he has taken on management responsibility for the Company and its group companies. Considering his qualification for inside directorship selection criteria and his management achievement and experience so far, the Nominating Committee has judged that he can apply his deep insight on securities business and securities industry, and his superb managerial capability to the management of the Company.

- If he is reappointed as director at the shareholders' meeting, he is scheduled to become a member of the Nominating Committee and a member of the Remuneration Committee upon the conclusion of the shareholders' meeting.

2 Minoru Kobayashi	August 30, 1958	Nominee for reappointment	45,000 shares
		Frequency of attendance at	
		Board of Directors' meetings: 20 times (100%)	
		[Positions/occupations prior to the current ones are omitted in this English version]	

● **Reason for his nomination as director:**

He formerly served as managing director of Nomura Securities Co., Ltd. ("Nomura") and as president of Nomura's subsidiary successively. He became executive deputy president of the Company in 2015, supervising the Company's retail operations. Since becoming director, president and representative executive officer of the

Company in April 2016, he has taken on representative executive duty over the business operations of the Company. Considering his qualification for inside directorship selection criteria and his achievement, the Nominating Committee has judged that he can apply his deep knowledge and profound experience on securities business and his business execution ability to the management of the Company.

3 Shiro Tateishi August 12, 1963 Nominee for reappointment 26,200 shares

Frequency of attendance at
Board of Directors: 15 times since appointment
in June 2017 (100%)
[Positions/occupations prior to the
current ones are omitted in this
English version]

(Significant concurrent position)

He is currently director of Ichiyoshi Research Institute Inc.

● **Reason for his nomination as director:**

Since joining the Company in 1986, he has taken on responsibility for various divisions of the Company. In 2012, he was appointed as managing executive officer supervising the Advisor Division. From 2015 to 2016, he was in charge of the control and planning division. In 2017, he was appointed director and managing executive officer. Since April 2018, he has been supervising the retail division. Considering his qualification for inside directorship selection criteria, the Nominating Committee has judged that he can apply his superb insight, visions and leadership acquired through his work experience at various divisions to the management of the Company.

4 Akira Gokita September 20, 1947 Nominee for reappointment 0 share

Frequency of attendance at
Board of Directors' meetings: 20 times (100%)
Frequency of attendance at Nominating Committee:
3 times (100%)
Frequency of attendance at Remuneration Committee:
7 times (100%)
Frequency of attendance at Audit Committee:
18 times (100%)
[Positions/occupations prior to the
current ones are omitted in this
English version)]

(Significant concurrent position)

Currently he is an attorney at law with Gokita Miura Law Office,
and an outside director at Sanwa Holdings Ltd.

- **He is a nominee for outside director**, as defined under Article 2-3-7 of the Company Law Enforcement Regulations.
- **He is a nominee as independent director**, an outside director having no conflict of interest with the Company's shareholders, as defined by the Tokyo Stock Exchange.
- **Reason for his nomination as outside director:**
 He has provided the Company with his fair and objective views as outside director of the Company.
 Considering his qualification for outside directorship selection criteria, the Nominating Committee has judged that he can apply his deep and professional knowledge and profound experience as former public prosecutor and attorney-at-law to the management and governance of the Company. There is no conflict of interest between Mr. Gokita and the Company.
 He will have served the Company as outside director for 8 years by the conclusion of the shareholders' meeting.
- If he is reappointed as outside director at the shareholders' meeting, he is scheduled to be a member of the Nominating Committee (as chairman), a member of the Remuneration Committee and a member of the Audit Committee upon the conclusion of the shareholders' meeting.

5 Kenro Kakeya	September 13, 1951	Nominee for reappointment	11,800 shares
,		Frequency of attendance at	
		Board of Directors' meetings: 20 times (100%)	
		Frequency of attendance at Nominating Committee:	
		3 times (100%)	
		Frequency of attendance at Remuneration Committee:	
		7 times (100%)	
		[Positions/occupations prior to the	
		current ones are omitted in this	
		English version]	

(Significant concurrent position)

Currently, he is representative director and president of Kakeya Komuten Ltd.,
and non-full time director of Kita Osaka Shinkin Bank

- **He is a nominee for outside director**, as defined under Article 2-3-7 of the Company Law Enforcement Regulations.
- **He is a nominee as independent director**, an outside director having no conflict of interest with the Company's shareholders, as defined by the Tokyo Stock Exchange.
- **Reason for his nomination as outside director:**
 He has provided the Company with his fair and objective views as outside director of the Company.
 Considering his qualification for outside directorship selection criteria, the Nominating Committee has judged that he can apply his deep knowledge and profound experience as former Nippon Keizai Shimbun (the Japan Economic Journal) reporter and incumbent business executive to the management and governance of the Company. There is no conflict of interest between Mr. Kakeya and the Company.
 He will have served the Company as outside director for 8 years by the conclusion of the shareholders' meeting.

- If he is reappointed as outside director at the shareholders' meeting, he is scheduled to be a member of the Nominating Committee and a member of the Remuneration Committee (as chairman) upon the conclusion of the shareholders' meeting.

6 Takashi Ishikawa	December 8, 1959	Nominee for reappointment	900 shares
		Frequency of attendance at Board of Directors' meetings: 20 times (100%) Frequency of attendance at Audit Committee: 18 times (100%) [Positions/occupations prior to the current ones are omitted in this English version]	

(Significant concurrent position)

Currently, he is statutory auditor of the following 3 subsidiaries of the Company: Ichiyoshi Business Service Co. Ltd., Ichiyoshi Asset Management Co., Ltd. and Ichiyoshi Research Institute Inc., and president and representative director of SR Holdings Inc.

- **He is a nominee for outside director**, as defined under Article 2-3-7 of the Company Law Enforcement Regulations.
- **He is a nominee as independent director**, an outside director having no conflict of interest with the Company's shareholders, as defined by the Tokyo Stock Exchange.

● **Reason for his nomination as outside director:**

He has provided the Company with his fair and objective views as outside director of the Company.

Considering his qualification for outside directorship selection criteria, the Nominating Committee has judged that he can apply his deep knowledge and profound experience as former president of a securities firm to the management and governance of the Company. There is no conflict of interest between Mr. Ishikawa and the Company.

He will have served the Company as outside director for 6 years by the conclusion of the shareholders' meeting .

- If he is reappointed as outside director at the shareholders' meeting, he is scheduled to be a member of the Audit Committee (as chairman, full-time) upon the conclusion of the shareholders' meeting.

7 Kota Sakurai	August 20, 1959	Nominee for reappointment	15,100 shares
		Frequency of attendance at Board of Directors' meetings: 20 times (100%) Frequency of attendance at Audit Committee: 18 times (100%) [Positions/occupations prior to the current ones are omitted in this English version]	

(Significant concurrent position)

He is currently a certified public accountant with Sakurai Kota Accounting & Tax Accountant Firm LLP.

- **He is a nominee for outside director**, as defined under Article 2-3-7 of the Company Law Enforcement Regulations.
- **He is a nominee as independent director**, an outside director having no conflict of interest with the Company's shareholders, as defined by the Tokyo Stock Exchange.

● **Reason for his nomination as outside director:**

He has provided the Company with his fair and objective views as outside director of the Company.

Considering his superb personality and insight and his qualification for outside directorship election standards, the Nominating Committee has judged that he can apply his deep and professional knowledge and profound experience as certified public accountant and tax accountant to the management and governance of the Company.

There is no conflict of interest between Mr. Sakurai and the Company.

He will have served the Company as outside director for 7 years by the close of the shareholders' meeting.

- If he is reappointed as outside director at the shareholders' meeting, he is scheduled to be a member of the Audit Committee upon the conclusion of the shareholders' meeting

II. 2nd proposed resolution: Authorization of the Board of Directors to decide terms and conditions for the issuance of share warrants as stock options to directors (excluding outside directors), executive officers, operating officers, executive advisers and employees of the Company and its subsidiaries.

[Please refer to the Company's press release dated May 18, 2018, titled "**Authorization of the Board of Directors to Decide Terms and Conditions for the Placement of Share Warrants as Stock Options for "the Group"**" on Ichiyoshi's website (<https://www.ichiyoshi.co.jp/english>)]

(For reference, above-mentioned **executive advisers** are an executive class of officers appointed from inside or outside of the Company and equipped with a high level of expertise in specified areas of the Company's business and execute their duties on a full-time basis.)

Addressing SDGs (Sustainable Development Goals)

Efforts for sustainable growth

Following the adoption of “Sustainable Development Goals” at the United Nations, various nations in the world have started to move toward achieving 17 goals with the aim of building the world with less of poverty, inequality, disparity and climate change. In the meantime, the roles and influences of business corporations are growing and the interest of society is mounting as to whether business corporations are contributing to the creation of social value. Under these circumstances, efforts for sustainability and proactive disclosure of matters concerning ESG (Environmental, Social and Governance) are important responsibilities of business corporations as members of society and essential for the creation of corporate value.

The Ichiyoshi group has long accumulated its expertise and experience with respect to research on companies with growth potential around emerging-stock markets, which is a unrivaled strength of Ichiyoshi. We believe that it is the mission of the securities industry to unearth and nurture next-generation-oriented growth companies for our better future and that Ichiyoshi can contribute to such mission through its mainline business activities. Ichiyoshi Credo, formulated in 2006, is the source of sense of value commonly shared by Ichiyoshi directors, officers and employees alike. By embracing Ichiyoshi Credo, the Company has committed itself to working and serving for employees, shareholders, community and stakeholders. In the same spirit, Ichiyoshi has made various contributions to society under the theme of “For next generation,” including “Ichiyoshi Mangrove Forest Project.” From the global prospective, however, present levels of addressing environmental, social and governance matters still leave much to be desired. Thus, the Company has identified important management items for sustainability so that it will remain as entity more and more required by the society.

<Key Sustainability Issues >

The Company has identified important challenging items for the realization of its management philosophy “Ichiyoshi Credo”, and Key Sustainability Issues (Materiality) for the solution of problems relating to SDGs.

Environmental

Climate Change: ● Ichiyoshi Mangrove Project
● Community Assistance Project for communities affected by climate change

Goal 1: No Poverty, Goal 6: Clean Water and Sanitation,
Goal 13: Climate Action, Goal 14: Life below Water,
Goal 15: Life on Land

Environmental Protection:

- Use of paper recognized by FSC (Forest Stewardship Council)
 - Use of vegetable oil ink
 - Use of recycled paper for visiting cards
- Goal 14: Life below Water, Goal 15: Life on Land

Reduction of Greenhouse Gas Emission:

- Proper adjustment of airconditioners
 - Use of energy-saving goods and equipment
 - Switching of company-use cars to eco-friendly cars
- Goal 13: Climate Action

Social

Contribution to Healthy and Sustainable Capital Market:

- Offer of high-quality financial services
 - Offer of products and services matching environmental and social challenges
 - Customer protection and information security
 - Enhancement of financial literacy
- Goal 1: No Poverty, Goal 5: Gender Equality,
Goal 8: Decent Work and Economic Growth,
Goal 10: Reduced Inequalities

Cultivation of diversity-oriented personnel:

- Human resources cultivation
 - Diversity
 - Setting up of worker-friendly offices
 - Promotion of female activities
- Goal 5: Gender Equality,
Goal 8: Decent Work and Economic Growth,
Goal 10: Reduced Inequalities

Raising of Seeing-Eye Dogs:

- Ichiyoshi Seeing-Eye Dog Project
 - Goal 3: Good Health and Well-being,
 - Goal 10: Reduced Inequalities

Humanitarian Medical Assistance:

- Laos Pediatric Care Project
 - Goal 3: Good Health and Well-being,
 - Goal 6: Clean Water and Sanitation,
 - Goal 16: Peace, Justice and Institutions

Educational Assistance:

- Projects for building of school houses
 - Goal 4: Quality Education, Goal 5: Gender Equality,
 - Goal 6: Clean Water and Sanitation,
 - Goal 16: Peace, Justice and Institutions

Governance

Corporate Management:

- Advancement of corporate governance
 - Goal 16: Peace, Justice and Institutions

Risk Management:

- Setting and strengthening of risk management system
- Securing of financial strength and transparency
- Preparedness for environmental and social risk
 - Goal 13: Climate Action

Compliance:

- Strict compliance with laws and regulations and reporting of infringement
- Ensuring fair financial business practices
- Preventing bribery
- Preventing money laundering
 - Goal 10: Reduced Inequalities,
 - Goal 16: Peace, Justice and Institutions

17 Sustainable Development Goals Aiming at Changing the World

The 17 Sustainable Development Goals (SDGs) were adopted by world leaders in September 2015 at a historic UN Summit. Over the next fifteen years from 2016 through 2030, these new Goals universally apply for the 193 member nations to be achieved.

Goal 1: No Poverty

End poverty in all its forms everywhere.

Goal 2: Zero Hunger

End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

Goal 3: Good Health and Well-being

Ensure healthy lives and promote well-being for all at all ages.

Goal 4: Quality Education

Ensure inclusive and quality education for all and promote lifelong learning.

Goal 5: Gender Equality

Achieve gender equality and empower all women and girls.

Goal 6: Clean Water and Sanitation

Ensure access to water and sanitation for all.

Goal 7: Affordable and Clean Energy

Ensure access to affordable, reliable sustainable and modern energy for all.

Goal 8: Decent Work and Economic Growth

Promote inclusive and sustainable economic growth, employment and decent work for all.

Goal 9: Industry, Innovation and Infrastructure

Build resilient infrastructure, promote sustainable industrialization and foster innovation.

Goal 10: Reduced Inequalities

Reduce inequality within and among countries.

Goal 11: Sustainable Cities and Communities

Make cities inclusive, safe, resilient and sustainable.

Goal 12: Responsible Consumption and Production

Ensure sustainable consumption and production patterns.

Goal 13: Climate Action

Take urgent action to combat climate change and its impacts.

Goal 14: Life below Water

Conserve and sustainably use the oceans, seas and marine resources.

Goal 15: Life on Land

Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss.

Goal 16: Peace, Justice and Institutions

Promote just, peaceful and inclusive societies.

Goal 17: Partnerships for the Goals

Revitalize the global partnership for sustainable development.

<Addressing Corporate Governance>

1. Governance System

The Company moved from the statutory auditor system to the company-with three-committees system effective from June 2003. Hence, the Company has been equipped with a corporate governance system in which management decision-making, supervisory control and business execution each functions independently and effectively. Namely, decision-making and supervisory control are performed by the Board of Directors and each of the three committees, and business execution is carried out by executive officers with the assistance of operating officers. [The diagram of Governance System is omitted in this English version]

(1) Decision-making and Supervisory control

(i) Board of Directors

The Board of Directors resolves on matters required legally and stipulated under the Articles of Incorporation, decides or approves basic management policies and

material matters on business executions and supervise business executions by directors and executive officers.

(ii) Nominating Committee

The Nominating Committee deliberates and decides on the nominees for directors to be elected or dismissed at the shareholders' meeting.

(iii) Remuneration Committee

The Remuneration Committee reviews and decides on the individual remuneration of each director and executive officer.

(iv) Audit Committee

The Audit Committee audits the performance of duties by the directors and executive officers, prepares an audit report and a draft resolution to appoint or dismiss accountants to be submitted to the shareholders' meeting for approval. The Audit Committee audits the legality and appropriateness of decision-making by directors and executive officers and the status of development of the Internal Control System in accordance with the auditing policy and the role-division set by the Audit Committee. The Company has in place the Audit Committee Office as a body to assist the Audit Committee. The Audit Committee Office is staffed with full-time personnel.

(v) Management Committee

The Management Committee is an advisory body to the Board of Directors and, as such, reviews and reports on important and/or urgent matters for the smooth management of business.

(vi) Internal Control Committee

Aiming to build the unified internal control system for the Company and its subsidiaries, the Internal Control Committee formulates the internal control policy and reviews each individual important matter concerning internal control.

(vii) Committee of Outside Experts

The Committee of Outside Experts consists of members who have outstanding personality and insight and are independent of the Company. The Committee of Outside Experts deliberates on important management matters, as requested by the Board of Directors, independently, fairly and from the neutral standpoint, and provides the Board of Directors with their advice and recommendation based on such deliberation.

(2) Business execution

(i) Executive Officers

Executive Officers can make decisions on the execution of matters entrusted by the Board of Directors, contributing to the smooth decision-making and business executions.

(ii) Committee of Executive Officers

The Committee of Executive Officers resolves on matters entrusted by the Board of Directors and coordinates activities among them for their smooth executions.

(iii) Operating officers

Following the decision made by the Committee of Executive Officers, each Operating Officer performs business execution under the instruction of his supervising Executive Officer.

(iv) Other meetings

The Company has in place the Risk Management Meeting (to consult on and cope with company-wide risk management) and the Compliance Meeting (to identify, review and share risks relating to various departments), both as sub-bodies to the Internal Control Committee..

In addition, the Company has in place the Information Disclosure Meeting (to make proper, comprehensive and timely disclosure of any material event as it ever happens) and the IT Meeting (to review matters on IT investment and management and information security), both as decision-making organs of the Committee of Executive Officers.

2. Outline of Result of “Questionnaire on Assessment of Board of Directors”

Since the fiscal year of 2016, the Company has regularly conducted a “Questionnaire on the Assessment of Board of Directors” to examine whether the Board of Directors is functioning appropriately, to improve on any problem area and to heighten strong points, thereby further enhancing the function of the Board of Directors. The following is an outline of the result of fiscal 2017 questionnaire:

(1) Mechanism of assessment

(i) Subjects of assessment

Subjects of assessment were all directors (3 inside directors and 4 outside directors) who self-analyzed their performances in accordance with “2017 Questionnaire on Assessment of Board of Directors” prepared by the Audit Committee.

(ii) Conducting method

Name-registering method.

(iii) Assessment items

Composition of the Board of Directors –	6 questions
Running of the Board of Directors –	5 questions
Agenda on the Board of Directors’ meeting –	8 questions
System of the Board of Directors –	7 questions

(iv) Assessment process

The Audit Committee (which consists of 3 outside directors) reviews the assessment results and reports them to the Board of Directors.

(2) Outline of assessment results

It was confirmed that the Board of Directors of the Company functioned appropriately in terms of its composition, its running and agenda selection taking advantage of characteristics of the company-with-three-committees system.

Since the Company adopted the present form of the outside director system in 2012, the Audit Committee consisting of three outside directors have had intensive deliberations on the running of the Board of Directors with the Company's executive branch, resultantly creating the present form of Board of Directors on the basis of sufficient agreement between the outside directors and the executive branch.

Therefore, the Company has no need to set up an independent board of directors consisting of outside directors only. The Company's Board of Directors is a forum where free and active discussions take place with every director having his say.

But there still remains a challenging issue: a female director and officer missing. This issue is a continuing subject for the Company.

Referential Information

I. Information on Current Status of the Company and its Group

1. Basic Management Policy and Triangular Pyramid Management

(1) Basic Management Policy

The Company's motto is to "Be a Securities Company Like No Other in Japan." To realize this motto, the Company makes it a management objective to build a "Name-brand boutique house" in the finance and securities industry. In its efforts for realization, the Company intends to heighten the fairness and transparency of management along its Credo (corporate philosophy) and to promote flexible and relevant decision-making, thereby maximizing earnings and corporate value while bolstering its corporate governance. Taking advantage of its company-with-committees system and its executive officer system, the Company aims to raise the promptitude and effectiveness of business executions and toughen its surveillance over business executions.

(2) Triangular Pyramid Management

The Company is promoting “Triangular Pyramid Management” --- with the research division forming the base of the pyramid, and the retail, wholesale and support/products divisions forming their respective facets of the pyramid, and the pyramid itself is firmly supported by the back-office division. This management style is intended to maximize the capability of each division/subsidiary and enhance the co-working synergy of all the divisions/subsidiaries. This synergistic process will also raise the quality of the Company’s products, information and customer services, thereby further satisfying the Company’s retail and corporate customers’ needs for asset-building and fund-raising.[The illustration of the Triangular Pyramid Management is omitted in this English version]

2. Business Conditions and Performance

During the fiscal year ended March 31, 2018, the Japanese economy maintained its generally-mild pace of recovery on the continuous improvement of employment and income conditions while consumer spending was temporarily affected by the fickle weather. Corporate production activities were on the rising trend amid an increase in exports due to the gradual recovery of overseas economies in general. Overall, economic conditions were on a virtuous cycle with the excess of demand over supply widening against the background of favorable employment conditions and the recovery of external and internal economies.

In the meantime, the Japanese stock market started off nervously due to the heightened geopolitical risks surrounding North Korea and the stronger yen against the U.S. dollar with the Nikkei Stock Average on the Tokyo Stock Exchange (“TSE”) declining to 18,224yen on April 17, 2017, a year-low (and the lowest during the fiscal year). Thereafter, in anticipation of higher business earnings on the backdrop of the weaker yen versus the U.S. dollar resulting from the FOMC’s meeting in June, the Nikkei Stock Average regained its 20,000yen level for the first time in 1 year and half. As August started, domestic and foreign investors tended to hold back on buy and sell activities on the news of U.S. political turmoil and growing tensions between the U.S. and North Korea, causing the correction of the Nikkei Stock Average towards 19,239yen on September 8. Thereafter, as the yen started to weaken against the dollar and policy expectations relating to the Liberal Democratic Party’s surging chance in the snap general election of the House of Representatives rose, the Nikkei Stock Average began to rebound. Then, the stock market was further supported by improvements on Japanese domestic business earnings, inflows of funds from overseas investors and record-setting U.S. stock price indexes on the back of the booming U.S. domestic economy and business earnings. Thus, the Nikkei Stock Average recorded 16 consecutive trading days of gains in October, the longest-ever record. The Nikkei Stock Average closed the year 2017

at 22,764yen, marking its six consecutive year-end rises for the longest stretch since the collapse of the bubble economy in the 1980s. As the year turned, the Nikkei Stock Average gathered steam, registering 24,129yen on January 23, 2018, as investors got encouraged by U.S. stock price indexes renewing their highs and the Bank of Japan deciding on the maintenance of its current monetary policy at its January policy-setting meeting. The Nikkei Stock Average's recovery to the 24,000yen level came about for the first time in 26 years. Then, however, as the yen strengthened against the U.S. dollar and concern grew over global-scale risk asset reduction driven by a sudden increase in U.S. long-term interest rates due to U.S. inflationary fears, the Nikkei Stock Average registered its sharp fall of more than 1,000yen on February 6. Thereafter, while geopolitical risk somewhat subsided as the possibility of the U.S. - North Korea summit meeting surfaced, concern over U.S. - China trade conflict intensified in conjunction with the U.S.'s slapping of import restrictions on steel and aluminum products, causing the Nikkei Stock Average to fall down to 20,347yen on March 26, the lowest in 5 months, and close the fiscal year at 21,454yen.

On the foreign currency market, the yen fluctuated between the 108yen and 114yen per the U.S. dollar levels from the beginning of the fiscal year to the end of the year 2017, reflecting risk-averse currency transactions and interest rate gaps between Japan and the U.S. The yen ended the year 2017 around the middle of the 112yen per the U.S. dollar level. As the year turned, the yen accelerated its rise against the U.S. dollar driven by a U.S. high-ranking officer's remarks tolerating a weaker dollar, and recorded 104.63yen per the U.S. dollar on March 26, 2018. The yen closed the fiscal year at 106yen per the U.S. dollar.

The Japanese emerging-stock markets moved briskly on the back of good demand-supply relationship, with small-and medium-cap stocks with high growth potential in particular drawing attention. The Nikkei JASDAQ Stock Average recorded 4,317yen on January 29, 2018, the highest-ever, and the TSE Mothers Index registered 1,367 on January 24, the highest in 11 years and 5 months. Thereafter, however, as the risk-averse sell-off rose, the Nikkei JASDAQ Average and the TSE Mothers Index ended the fiscal year at 3,983yen and 1,206, respectively.

The average daily turnover on the TSE during the fiscal year was 2,957 billion yen, up 16.3% from the previous fiscal year. The average daily turnover on the NASDAQ market rose 84.4% to 87.1 billion yen and that on the TSE Mothers fell 7.8% to 111 billion yen.

In such circumstances, the Company carried out various measures to meet customers' needs, such as proposals of asset-backed stocks with stress on stability and dividends under low-interest rate environments and proposals of medium- to long-term investments in small-and medium-cap growth stocks unearthed by the Ichiyoshi group's strength in research. The volume of stock brokerage transactions for the fiscal year registered 2,637.5 billion yen, up 21.5% from the year-earlier period.

With regard to investment trust funds, “Dream Collection,” a fund wrap account vehicle, showed a favorable performance as a conservative investment vehicle for customers’ medium- to long-term asset management. Its outstanding balance as of March 31, 2018, registered more than 87 billion yen.

“Ichiyoshi Small- and Medium-Cap Growth Stock Fund,” launched in June 2016, fully taking advantage of synergy among the research ability of Ichiyoshi Research Institute Inc., the management ability of Ichiyoshi Asset Management Co. Ltd. and the sales ability of Ichiyoshi Securities Co., Ltd., also showed a favorable growth with its outstanding balance as of March 31, 2018 recording nearly 82 billion yen. Further, “Ichiyoshi Venture Fund”, launched in November 2017, recorded an outstanding balance of more than 26 billion yen as of March 31, 2018. All these favorable performance were a result of the Company’s proposals matching customers’ needs.

Comprehensive strength and synergy among Ichiyoshi group companies contributed to an increase in stock orders from overseas institutional investors and placement of privately-offered investment trust funds among regional financial institutions.

The outstanding amount of assets under the management of Ichiyoshi Asset Management Co., Ltd. continued to increase, reaching 369 billion yen as of March 31, 2018, up 106.0% from March 31, 2017.

Consequently, net operating revenue for the fiscal year ended March 31, 2018, amounted to 25,069 million yen, up 29.6% from the previous fiscal year. Operating cost and expenses recorded 17,928 million yen, up 9.7%. Hence, operating income registered 7,141 million yen, up 138.5%.

Cost-coverage ratio (ratio of trailer fees and fees from fund wrap accounts to operating cost and expenses) rose 5.5% to 37.2% from the previous fiscal year, thereby further solidifying earnings base. For reference, the cost-coverage ratio for the fourth quarter (January through April 2018) registered 40.0%, recording the 40% level for the first time.

Set forth below are details of revenue sources, cost and expenses, cash flow and financial condition.

3. Commissions and operating cost and expenses

(1) Commissions

Total commissions for the fiscal year ended March 31, 2018 amounted to 24,616million yen, up 30.5% from the previous fiscal year ended March 31, 2017.

[The pie-chart of the total commissions is omitted in this English version]

Brokerage commissions

Total brokerage commissions on stocks rose 41.4% to 9,630 million yen. Those on small- and mid-cap stocks (consisting of stocks listed on the Second Section of the Tokyo Stock Exchange, JASDAQ Market and TSE Mothers) amounted to 2,474 million yen, up 41.3%, accounting for 25.7% of total brokerage commissions.

Commissions from underwriting and solicitation to specified investors

In the primary market, the Company participated in the management and underwriting of 30 initial public offerings (IPOs) (of which the Company lead-managed 4), as against 31 IPOs in the previous fiscal year. In the secondary market (which deals with financing by already-listed stocks and offering of stocks resulting from the transfer of listed sections), the Company participated in 7 deals on a management and underwriting basis, as against 9 deals (of which the Company lead-managed 2) in the previous fiscal year. As a result, total commissions from underwriting of stocks and bonds and solicitation to specified investors recorded 570 million yen, up 57.7% from the previous fiscal year.

The cumulative number of companies whose offerings were lead- or co-managed by the Company stood at 1,044 (of which 50 were lead-managed) as of March 31, 2018.

Commissions from distribution and solicitation to specified investors

Commissions from distribution and solicitation to specified investors rose 20.1% to 6,777 million yen as commissions from distribution of investment trust funds swelled 20.6 % to 6,704 million yen.

Commissions from other sources

The trailer fees on investment trust funds grew 4.9% to 4,380 million yen while trustee fees for fund management by Ichiyoshi Asset Management Co., Ltd. rose 131.8% to 1,264 million yen. With the addition of fund-wrap accounts fees of 1,025 million yen (up 118.4%), fees from research unbundling, commissions from insurance policy sales and fees from IPO assistance, total commissions from other sources amounted to 7,444 million yen, up 28.7%.

(2) Gains or Loss on Trading

Trading on stocks, etc. recorded gains of 47 million yen, down 43.2%, and trading on bonds, foreign exchange, etc. registered gains of 76 million yen, down 39.5% amid a decrease in foreign bond offerings. Consequently, total gains on trading amounted to 123 million yen, down 41.0%.

(3) Interest and Dividend Income

Interest and dividend income rose 30.9% to 310 million yen as advances for margin transactions grew, and interest expenses swelled 39.4% to 92 million yen. Resultantly,

net interest and dividend income amounted to 218 million yen, 27.6%.

Hence, net operating revenue for the fiscal year ended March 31, 2018 recorded 25,069 million yen, up 29.6%.

(4) Operating Cost and Expenses

Operating cost and expenses increased 9.7% to 17,928 million yen as personnel-related expenses rose.

(5) Non-operating Income and Expenses

The Company registered non-operating income of 119 million yen, including gains of 58 million yen on investment partnerships and receipts of 25 million yen in the form of insurance proceeds and dividends. After offsetting a non-operating loss, net non-operating income for the fiscal year ended March 31, 2018 registered 88 million yen, up 5.9%.

Hence, current income for the fiscal year ended March 31, 2018 amounted to 7,229 million yen, up 134.9% from the previous fiscal year.

(6) Extraordinary Income and Loss

The Company recorded a total extraordinary income of 91 million yen, including gains of 58 million yen on sales of fixed assets and gains of 26 million yen sales of investment securities, and a total extraordinary loss of 147 million yen, including loss of 96 million yen on sales of fixed assets and transfer of 30 million yen to financial products transaction liabilities. As a result, net extraordinary loss amounted to 56 million yen.

Consequently, income before taxes and tax adjustments for the fiscal year ended March 31, 2018 recorded 7,173 million yen, up 134.9%, and net income attributable to owners of parent (after deduction of corporate income taxes, resident's taxes and enterprise taxes, totaling 2,363 million yen, and after addition of corporate tax adjustments of 206 million yen, and after deduction of non-controlling interests of 21 million yen) registered 4,994 million yen, up 128.8% from the previous fiscal year.

Customers' assets under custody as of March 31, 2018 stood at 1,940 billion yen, up 11.0% from the end of the previous fiscal year. Positive factors were fresh-fund purchases of stocks and investment trust funds, increases in wrap-account balances and rises in stock prices in domestic and foreign markets while negative factors were profit-taking sales of stocks and investment funds and contract-based redemptions of investment trust funds.

The following table shows the breakdown of commissions by products on a consolidated basis (in millions of yen):

	Stocks	Bonds	Beneficiary certificates	Others	Total
For the fiscal year ended March 31, 2017:					
Brokerage commissions	6,812	0	258	--	7,070
Commissions from underwriting and solicitation to specified investors	361	--	--	--	361
Commissions from distribution and solicitation to specified investors	--	85	5,556	--	5,642
Commissions from other sources	28	0	5,189	564	5,782
Total	7,202	85	11,004	564	18,857
For the fiscal year ended March 31, 2018:					
Brokerage commissions	9,630	0	192	--	9,823
Commissions from underwriting and solicitation to specified investors	570	--	--	--	570
Commissions from distribution and solicitation to specified investors	--	73	8,704	--	6,777
Commissions from other sources	34	0	6,670	739	7,444
Total	10,235	74	13,567	739	24,616

4. Financial Conditions

Condition of Assets, Liabilities and Net Worth

[The bar charts of these are omitted in this English version]

Current assets

Current assets amounted to 52,582 million yen as of March 31, 2018, an increase of 5,049 million yen (up 10.6%) from March 31, 2017, as margin transaction assets and cash paid for offering increased by 10,142 million yen and 2,794 million yen, respectively, while cash and deposits and cash segregated as deposits decreased by 4,454 million yen and 4,149 million yen, respectively.

Fixed assets

Fixed assets stood at 6,089 million yen as of March 31, 2018, a decline of 84 million yen (down 1.4%) from March 31, 2017, chiefly as investment securities and software rose by 138 million yen and 129 million yen, respectively while land and buildings

decreased by 219 million yen and 129 million yen, respectively.

As a result, total assets registered 58,671 million yen as of March 31, 2018, an increase of 4,965 million yen (up 9.2%) from March 31, 2017.

Current liabilities

Current liabilities stood at 21,462 million yen as of March 31, 2018, an increase of 1,380 million yen (up 6.9%) from March 31, 2017, chiefly as margin transaction liabilities, income taxes payable and guarantee deposits received grew by 2,541 million yen, 1,787 million yen and 657 million yen, respectively, while deposits received slid by 4,593 million yen.

Long-term liabilities

Long-term liabilities recorded 355 million yen as of March 31, 2018, an increase of 11million yen (up 3.2%) from March 31, 2017, as deferred tax liabilities and lease obligations swelled by 45 million yen and 3 million yen, respectively while long-term borrowings declined by 39 million yen.

Statutory reserves

Statutory reserves stood at 211 million yen as of March 31, 2018, as financial products transaction liabilities grew by 30 million yen. .

Net worth

Net worth amounted to 36,641 million yen as of March 31, 2018, a rise of 3,542 million yen (up 10.7%) from March 31, 2017. The rise resulted as the Company recorded net income (attributable to owners of parent) of 4,994 million yen for the fiscal year and valuation difference on available-for-sale securities swelled by 188 million yen while the Company paid dividends in the amount of 1,706 million yen.

As a result, equity ratio as of March 31, 2018 registered 61.9%, and capital adequacy ratio, as defined by the securities regulator, recorded 600.4% as of the same date.

5. Material funding activities

None.

6. Material investments in facilities

In the fiscal year ended March 31, 2018, the Ichiyoshi group made the equipment investments worth 472 million yen. The major items of investments were:

- Fund wrap integrated management system (April 2017, March 2018)
- Introduction of real-time account-transfer services (July through August 2017)
- Setting up of new portal system (April 2017)

7. Material Business Combinations, etc.

None.

8. Changes in assets and financial condition (on a consolidated basis)

(in millions of yen except for per-share earnings)

---For fiscal year ended March 31---				
	2018	2017	2016	2015
Operating revenue	26,502	20,714	21,846	20,413
(of which commissions)	(24,616)	(18,857)	(19,682)	(18,555)
Net operating revenue	25,069	19,338	20,346	19,073
Current income	7,229	3,077	3,813	3,711
Net income attributable to				
owners of parent	4,994	2,183	2,580	3,389
Earnings per share	117.00yen	50.89yen	58.88yen	77.52 yen
Total assets	58,671	53,706	46,593	48,242
Net worth	36,641	33,099	33,560	33,690

Note: Per-share earnings are calculated on the basis of average number of shares outstanding during each fiscal year. (treasury shares deducted in such calculation).

9. Challenges to Be Tackled

As the governmental promotion of capital flow “From Savings to Investments” and then that of “From Savings to Asset-building” are being advocated against the backdrop of continuing low-interest rates, securities companies in Japan are urged more than ever to develop customer-based businesses. The Company has long provided customers with products and services prioritizing the relationship of trust with customers and based on our view of “Compliance is a Source of Competiveness.” Thus, further stepping up its customer-first and –prioritized attitude, the Company will work on further business evolution.

The Company has continued to propose its fund wrap “Dream Collection” as a “Core Fund Assets” for customers’ medium-to long-term investment, while recommending “Ichiyoshi Small- and Medium-Cap Growth Stock Fund” as an “Active Fund Assets,” thereby meeting each customer’s needs for portfolio diversification based on the nature of his funds and enhancing customer satisfaction. With respect to stocks, the Company has also recommended investment diversifications between “Core Stock Assets” for medium-to

long-term stable holdings and “Active Stock Assets” for a medium-to long-term growth focused on growth-potential companies picked based on the Ichiyoshi group’s strength of research on small-and medium-cap stocks.

Driving forward with these proposals, the Company is also determined to expand customers’ assets in custody by actively approaching regional up-scale institutions with high investment needs..

The Company has for some time considered as one of important management tasks improvement on labor condition and working environment, personnel system and cultivation of human resources. Thus, the Company has adopted “Setting-up of worker-friendly and worthwhile office” as one of the “8 Basic Strategies.” The Company will take specific measures to materialize it.

Taking advantage of the Company’s three distinctive features, namely, (1) research capability of Ichiyoshi Research Institute, Inc., (2) corporate governance capability and (3) compliance capability (leading to customer satisfaction), the Company is determined to realize the New Medium-Term Management Plan on the basis of the 8 Basic Strategies, placing the expansion of customers’ assets in the center of its efforts.

Thinking that the enhancement of branch network is essential for the expansion of customers’ assets in custody, the Company opened in May 2017 the Hiroshima Branch and in November 2017 the Nishinomiya Branch. On May 14, 2018, the Company moved the Tokyo Branch to the Ginza area where it re-opened as a new branch under the new name of the Ginza Branch. The Company will continue to enhance its branch network based on potential flows of funds in Japan.

Investment funds, focused on small- and medium-cap stocks, managed by Ichiyoshi Asset Management Co., Ltd. on the back of the Ichiyoshi group’s research capability are being accepted by a widening network of regional financial institutions because of their favorable performance record. Thus, the Company will proceed further with tie-ups with regional financial institutions for wider distribution of funds to ever-expanding layers of customers. Furthermore, Ichiyoshi Business Service Co., Ltd. is reactivating its agency activities for financial-instrument transactions through its new “Sakura Life-Pension Support Office” in Narimasu (opened on April 3, 2017). The office is specialized in consulting on retired life of customers in occupationally-categorized markets.

The corporate division at the Company will endeavor to increase the number of lead-managements for IPOs and POs, and the administrative and planning division will make efforts for the building and streamlining of a strong back-up system to support the front office division.

Officers and employees at the Company and its subsidiaries, all united, will exert themselves to further enhance the synergistic effects within the Ichiyoshi group.

10. Status of Parent Company and Subsidiaries

(1) Relationship with parent company:

None (Ichiyoshi has no parent company).

(2) Status of material subsidiaries (all these are located in Chuo-ku Tokyo):

Name of Subsidiary	Paid-up capital (mil. yen)	Voting ratio by parent (%)	Contents of business
Ichiyoshi Research Institute Inc.	20	90.00% (12.50% owned indirectly)	Information services; investment advisory & agency
Ichiyoshi Asset Management Co. Ltd.	490	97.00% (2.00% owned indirectly)	Investment management including investment trust; Investment advisory & agency;
Ichiyoshi Business Service Co., Ltd.	240	100.00%	Property renting/ brokerage/management; sales of office supplies; investment agency

Note: There is no specified subsidiary as defined under the applicable law.

11. Principal business (as of March 31, 2018)

(i) Stock-related businesses

Stock-related businesses consist of buying and selling of stocks on a brokerage and principal basis in the secondary market, underwriting and distribution in the primary market, sales solicitation and offering to specified investors and handling of such solicitation and offering. The following are particulars of stock-related businesses:

(a) Buying and selling on a brokerage basis

Buying and selling of stocks on securities exchanges in accordance with customers' instructions.

(b) Buying and selling on a principal basis

Buying and selling of stocks on the Company's own account.

(c) Underwriting and solicitation to specified investors

Underwriting of primary and secondary offerings of stocks on a commitment basis in which Ichiyoshi commits itself to purchasing any unsold portion of offerings.

(d) Distribution and solicitation to specified investors

Distribution of stocks whose offerings Ichiyoshi undertakes to underwrite or

distribute.

(ii) Bond-related businesses

Bond-related businesses consist of buying and selling of bonds, issued by governments, municipalities, corporations, etc., on a brokerage and principal basis in the secondary market, underwriting and distribution of such bonds in the primary market and handling of private placements of such bonds.

(iii) Investment trust-related businesses

Investment trust-related businesses consist of distribution and buying and selling of beneficiary certificates of domestic investment trust funds and foreign investment trust funds and handling of sales solicitation to specified investors.

(iv) Securities futures-related businesses

Securities futures-related businesses consist of buying and selling of securities futures, securities index futures, securities options and foreign-market securities futures on a brokerage and principal basis.

(v) Other businesses

Securities lending and borrowing, investment banking, insurance handling, customer referral and introduction, financial instruments-trading agency, information service, investment management and advisory, investment-agency, real estate renting/broking and management, and sales of office supplies.

12. Status of offices and branches (as of March 31, 2018)

(1) Offices and branches of Ichiyoshi Securities Co., Ltd. (parent)

Head Office: 14-1, Hatchobori-2chome, Chuo-ku, Tokyo

Number of branches and offices: 49

The geographical breakdown of branches and offices:

[The Japanese map is omitted in this English version.]

Kanto District:	13	Tokyo, Planet Plaza Nakano, Planet Plaza Narimasu, Akasaka, Nakameguro, Kichijoji, Yokohama, Planet Plaza Odawara, Kamioka, Planet Plaza Mukogaoka, Urayasu, Chiba, Koshigaya (In addition, the Company has Call Center-Ichiyoshi Direct)
Chubu District	6	Nagoya, Okazaki, Iida, Ina, Ise, Planet Plaza Shima
Kinki District	19	Osaka, Nanba, Imazato, Harinakano, Ishibashi,

		Kishiwada, Hirakata, Yao, Fushimi, Nishinomiya, Kobe, Kakogawa, Nishiwaki, Kasai, Takada, Gakuenmae, Gobo, Tanabe, Tamak
Chugoku-Shikou District	5	Okayama, Planet Plaza Kojima, Kurashiki, Hiroshima, Shodoshima,
Kyushu District	4	Omuta, Sasebo, Isahaya, Karatsu
Tohoku District	2	Daihoku Morioka, Daihoku Mizusawa,

(2) Business offices of subsidiaries:

- **Ichiyoshi Research Institute Inc.;** Chuo-ku, Tokyo
- **Ichiyoshi Asset Management Co., Ltd.;** Chuo-ku, Tokyo
- **Ichiyoshi Business Services Co., Ltd.;** Chuo-ku, Tokyo
- Osaka Office; Chuo-ku, Osaka
- Sakura Life/Pension Support Office; Narimasu, Itabashi-ku, Tokyo

13. Employees (as of March 31, 2018)

(1) Employees on a consolidated basis

	Number	Change from March 31, 2017
Regular employees:		
Male	748	+ 37
Female	301	+ 5
Total	1,049	+ 42
Commission-based workers:		
	2	0

Note: (i) In addition to employees and workers mentioned above, there are 2 executive advisers, 3 advisers and 2 contract-based staff.

(ii) The above-mentioned employees include operating officers.

(2) Employees of Ichiyoshi Securities Co., Ltd. (parent)

	Number	Change from March 31, 2017	Average age	Average years of service

Regular employees:				
Male	687	+ 30	45 years and 3 months	14 years and 6 months
Female	280	+ 3	40 years and 0 month	10 years and 3 months
Total / average	967	+ 33	43 years and 9 months	13 years and 3 months
Commission-based workers:				
	2	0	72 years and 0 month	27 years and 3 months

Note: (i) In addition to employees and workers mentioned above, there are 2 executive advisers, 3 advisers and 2 contract-based staff.

(ii) The above-mentioned employees include operating officers.

14. Major Borrowing Sources (as of March 31, 2018)

Name of lender	Term	Outstanding amount (in millions of yen)

Kansai Urban Bank Ltd.	Long	196
Mitsui Sumitomo Bank Ltd.	Long	27
Mitsubishi Tokyo UFJ Bank Ltd.	Short	120
Resona Bank Ltd.	Short	20
Mizuho Bank Ltd.	Short	20
Mitsui Sumitomo Bank Ltd.	Short	20
Mitsubishi UFJ Trust & Banking Co., Ltd	Short	30

Nihon Securities Finance Co., Ltd.	For margin transactions	7,045

Note: The registered name of Mitsubishi Tokyo UFJ Bank Ltd. was changed to Mitsubishi UFJ bank Ltd. effective as from April 1, 2019.

II. Matters Concerning the Company's Stock (as of March 31, 2018)

1. Number of authorized shares: 168,159,000 shares
2. Number of issued shares: 44,431,386 shares
(which include 1,699,220 treasury shares)
3. Number of shareholders (as of March 31, 2018): 12,768
4. Major shareholders (top 10): (in thousands of shares) (as of March 31, 2018)

Name of shareholder	No. of shares held	% of total
Nomura Land & Building Co., Ltd.	5,298	12.39%
Japan Trustee Service Trust and Banking (Trust Account)	1,523	3.56%
State Street Bank and Trust Company	1,434	3.35%
Northern Trust Company (AVFC) Re HC00	1,382	3.23%
Nippon Master Trust and Banking Company (Trust Account)	1,273	2.98%
Northern Trust Company (AVFC) Re IEDU UCITS		
Clients Non Lending 15pct Treaty Account	1,142	2.67%
Nomura Research Institute, Inc.	879	2.05%
Japan Trustee Service Trust and Banking (Trust Account)	790	1.85%
RBC ISB S/A DUB Non Resident /Treaty Rate UCIT-Clients Account	725	1.69%
Government of Norway	673	1.57%

Note: As of March 31, 2018, the Company held 1,699,220 treasury shares, which are not included in the calculation of the above-mentioned % of total.

Breakdown of shareholders by number of shares held (as of March 31, 2018):

Retail investors	37.2%
Foreign institutions	29.17%
Other corporate entities	17.31%
Financial institutions	16.25%

5. Other material matters concerning the Company's stock: None

III. Matters Relating to the Company's Share Warrants (as of March 31, 2018)

1. Status of share warrants issued in the form of remuneration for directors and officers and held by them:

(1) Share Warrants No. 8:

Date of resolution by the Board of Directors: November 22, 2013

Payment for each share warrant: 0

Exercise price: 157,600yen per warrant

Conditions on exercise:

(i) Persons exercising their stock options are required to be directors, executive officers, operating officers, statutory auditors or employees of the Company or its subsidiaries at the time of the exercise; provided, however, that this condition shall not apply when they have retired upon the expiration of their term of office or at the Company-designated retirement age or upon other justifiable grounds.

(ii) Stock options shall not be pledged or disposed of in any way.

(iii) When a stock option holder passes away, his/her legal inheritor will have the right to exercise his/her stock options.

Exercise period: From December 11, 2015 to December 10, 2018

(2) Share Warrants No. 10:

Date of resolution by the Board of Directors: May 12, 2015

Payment for each share warrant: 0

Exercise price: 138,400yen per warrant

Conditions on exercise:

(i) Persons exercising their stock options are required to be directors, executive officers, operating officers, statutory auditors or employees of the Company or its subsidiaries at the time of the exercise; provided, however, that this condition shall not apply when they have retired upon the expiration of their term of office or at the Company-designated retirement age or upon other justifiable grounds.

(ii) Stock options shall not be pledged or disposed of in any way.

(iii) When a stock option holder passes away, his/her legal inheritor will have the right to exercise his/her stock options.

Exercise period: From May 29, 2017 to May 28, 2020

(3) Share Warrants No. 11:

Date of resolution by the Board of Directors: May 17, 2016

Payment for each share warrant: 0

Exercise price: 92,900yen per warrant

Conditions on exercise:

(i) Persons exercising their stock options are required to be directors, executive officers, operating officers, statutory auditors or employees of the Company or its subsidiaries at the time of the exercise; provided, however, that this condition shall not apply when they have retired upon the expiration of their term of office or at the Company-designated retirement age or upon other justifiable grounds.

(ii) Stock options shall not be pledged or disposed of in any way.

(iii) When a stock option holder passes away, his/her legal inheritor will have the right to exercise his/her stock options.

Exercise period: From June 2, 2018 to June 1, 2021

Status of share warrants held by Directors and Officers (excluding outside directors):

Name of warrants	No of warrants Held	No of common shares issuable upon exercise	No of holders
Share Warrants No. 8	200	20,000 shares	2
Share Warrants No. 10	100	10,000 shares	1
Share Warrants No. 11	410	41,000 shares	5

2. Status of share warrants granted to employees in the form of their remuneration during the fiscal year ended March 31, 2018: None

IV. Matters Relating to Directors and Officers of the Company

1. Directors and executive officers (as of March 31, 2018)

Title	Name	Charge/role/profession
Director, Executive Chairman	Masashi Takehi	Chairman of the Board of Directors; Chairman of Nominating Committee; Chairman of Remuneration Committee
Director, President and Representative Executive Officer	Minoru Kobayashi	
Director, Managing Executive Officer	Shiro Tateishi	Executive Supervisor for Administration & Planning Division Director of Ichiyoshi Asset Management Co. Director of Ichiyoshi Research Institute Inc.
Outside Director	Akira Gokita	Member of Nominating Committee; Member of Remuneration Committee; Member of Audit Committee; Attorney-at-law with Gokita-Miura Law Office Outside director of Sanwa Holdings, Ltd.
Outside Director	Kenro Kakeya	Member of Nominating Committee; Member of Remuneration Committee; Representative Director & President of Kakeya Komuten; Non-full time Director of Kita Osaka Shinkin Bank
Outside Director	Takashi Ishikawa	Chairman of Audit Committee (full-time); Statutory Auditor of Ichiyoshi Business Service Co., Ltd.; Statutory Auditor of Ichiyoshi Asset Management Co., Ltd.; Statutory Auditor of Ichiyoshi Research Institute, Inc.; President & Representative Director of SR Holdings Inc.
Outside Director	Kota Sakurai	Member of Audit Committee; Certified public accountant & tax accountant and partner with Sakurai Kota Accounting & Tax Accounting Firm LLP

Executive Officer	Tohru Koyama	Executive Supervisor for Retail Division; Executive Chief for Advisors Division; Supervisor for Customer Trust Enhancement; Supervisor for Etiquette Manner Promotion; Director of Ichiyoshi Research Institute, Inc.
Executive Officer	Ichiro Sakajiri	Executive supervisor for Corporate Division

Notes:

- (1) Messrs. Akira Gokita, Kenro Takeya, Takashi Ishikawa and Kota Sakurai are outside directors as defined by Article 2-15 of the Company Law.
- (2) Messrs. Akira Gokita, Kenro Takeya, Takashi Ishikawa and Kota Sakurai are independent director having no conflict of interest with the Company's shareholders as defined under the regulations of the Tokyo Stock Exchange.
- (3) Mr. Kota Sakurai is a certified public accountant and tax accountant, equipped with expert knowledge and experience on finance and accounting matters.
- (4) The Company has in place full-time audit staff to continuously and effectively carry out hearing survey on executive officers, receive input from internal audit sections, grasp information from research on subsidiaries and attend various meetings as needed.
- (5) The following is a list of operating officers as of March 31, 2018:

Title	Name	Charge/role
Head Operating Officer	Toshiyuki Mizunoue	Supervisor for Investment Strategy; Wrap-account & Investment Analysis
Senior Operating Officer	Masaki Yano	Executive Chief for Corporate Sales
Senior Operating Officer	Mikio Nio	Executive Chief for Financial & Public Corporations; General Manager of Financial and Public Corporation Dept.
Senior Operating Officer	Hiroshi Ryugen	Executive Chief for Shutoken/Tohoku/Kyushu Advisors Division
Senior Operating Officer	Hirofumi Tamada	Executive Chief for Kinki/Chu-Shikoku Advisors Division; Head of Osaka Branch
Operating Officer	Kiyotaka Mochida	Executive Chief for Control Division
Operating Officer	Masao Sugiura	Executive Chief for Operations & System Division; General Manager of System Dept.
Operating Officer	Kazuaki Sato	Supervisor for Personnel and Training; General Manager of Personnel Training Dept.

Operating Officer	Masayuki Takahashi	Executive Chief for Investment Banking Division
Operating Officer	Mitsuyoshi Morimura	Assistant to Executive Chief for Investment Banking Division
Operating Officer	Kenichi Asada	Head of Nagoya Branch
Operating Officer	Shoichi Yamazaki	Supervisor for Finance& Planning, Legal, PR, Secretariat and Underwriting Credit Evaluation
Operating Officer	Jiro Tsuboi	Executive Chief for Chubu/Kinki Advisers Division
Operating Officer	Masami Takeda	Executive Chief for Institutional Investors; General Manager of Trading Dept.

Note: Effective as of April 1, 2018, the following changes and appointments were made:

Name	New title	New charge/role

Masashi Takehi	Chairman of Board of Directors	Chairman of Board of Directors; Chairman of Nominating Committee; Chairman of Remuneration Committee
Shiro Tateishi	Director & Managing Executive Officer	Executive Supervisor for Retail Division; Supervisor for Customer Trust Enhancement; Supervisor for Etiquette Manner Promotion; Director of Ichiyoshi Research Institute Inc.
Toru Koyama	Executive Officer	Executive Supervisor for Corporate Division
Ichiro Sakajiri	Executive Officer	Executive Supervisor for Control & Planning Division
Hiroshi Ryugen	Senior Operating Officer	Supervisor for Advisors Support Division
Hirofumi Tamada	Senior Operating Officer	Supervisor for Advisors Division
Masayoshi Takahashi	Senior Operating Officer	Executive Chief for Investment Banking
Masaki Yano	Senior Operating Officer	Executive Chief for Corporate Clients
Kiyotaka Mochida	Operating Officer	Executive Chief for Operations & System
Masao Sugiura	Operating Officer	Executive Chief for Shutoken/Tohoku Advisors Division
Kenichi Asada	Operating Officer	Executive Chief for Chubu/Kinki Advisors Division
Jiro Tsuboi	Operating Officer	Executive Chief for Kinki/Chu-Shikoku Advisors Division; Head of Osaka Branch
Yoshihisa Rikitake	Operating Officer	Executive Chief for Advisors Division & General Manager of Ichiyoshi Direct
Hiroki Shimada	Operating Officer	Executive Chief for Control Division

2. Remunerations for directors and executive officers (remunerations in millions of yen)

Type	Number of directors	Annual total of remunerations	Number of exe. officers	Annual total of remunerations	Number of directors/officers	Grand total of remunerations
Inside	3	205	2	68	5	274
Outside	4	89	---	---	4	89
Total	7	294	2	68	9	363

3. Policy on determination of individual remunerations of directors and executive officers for the fiscal year ended March 31, 2018

The following is an outline of the policy of the Remuneration Committee for determining individual remunerations of directors and executive officers:

(i) Basic policy:

To lift the desire and will of directors and executive officers for company management and derive their utmost management capability, so that they will contribute to the achievement of desired business result.

(ii) Contents of remunerations:

Remunerations of directors and executive officers of the Company shall consist of “Monthly Basic Remuneration,” “Monthly Remuneration Linked to Business Result,” “Stock-related Remuneration” and “Non-monetary Remuneration” (such as housing allowance for persons living independently of their families for business reasons).

(iii) Policy for determining each of the above-mentioned remunerations:

- (a) Monthly Basic Remuneration shall be individually determined by the Remuneration Committee through interview and hearing with each of directors and executive officers on his degree of execution of management strategies, degree of management contribution and performance result while the basic standard remuneration of each director and executive officer is fixed based on the contents of role/charge of his position as director or executive officer.
- (b) Monthly Remuneration Linked to Business Result shall be individually determined by the Remuneration Committee through interview and hearing with each of directors and executive on his contribution to business result and degree of performance of role/duty while the aggregate amount of remunerations for directors and executive officers are fixed based on current income and net income.
- (c) Stock-related Remuneration shall be determined individually by taking account of potential effect of payment of this remuneration.

- (d) Non-monetary Remuneration, such as for rent allowance for persons living apart from his family, shall be provided appropriately as required by business activities of each director and executive officer in the light of social norms.

4. Matters relating to outside directors

- (1) Matters relating to whether or not the Company's outside directors are outside directors of another company or companies, and relationship between the Company and another company or companies when outside directors are as such:
- (i) **Outside Director Mr. Akira Gokita** is an attorney-at-law with Gokita-Miura Law Office and an outside director of Sanwa Holdings, Ltd. There is no matter to be noted between the Company and Gokita-Miura Law Office and Sanwa Holdings, Ltd..
 - (ii) **Outside Director Mr. Kenro Kaketani** is representative director and president of Kaketani Komuten Co., Ltd. and part-time director of Kita Osaka Shinkin Bank. There is no matter to be noted between the Company and Kaketani Komuten Co., Ltd. and Kita Osaka Shinkin Bank.
 - (iii) **Outside Director Mr. Takashi Ishikawa** is representative director and president of SR Holdings Inc. There is no matter to be noted between the Company and SR Holdings Inc.
 - (iv) **Outside Director Mr. Kota Sakurai** is a certified public accountant and tax accountant at Sakurai Kota Accounting and Tax Accounting Office. There is no matter to be noted between the Company and Sakurai Kota Accounting and Tax Accounting Office.

- (2) Attendances of the outside directors at the Company's various meetings:

Title	Name	Frequency of attendance and expression of views
Director	Akira Gokita	Attended 20 meetings of the Board of Directors (frequency ratio of 100%), 3 meetings of the Nominating Committee (frequency ratio of 100%), 7 meetings of the Remuneration Committee (frequency ratio of 100%) and 18 meetings of the Audit Committee (frequency ratio 100%).
Member of the Nominating, Remuneration and Audit Committee	.	At meetings, he provided expert advices and views as a former public prosecutor and attorney-at-law.
Director	Kenro Kakeya	Attended 20 meetings of the Board of Directors (frequency ratio of 100%), 3 meetings of the Nominating Committee (frequency ratio of 100%) and 7 meetings of the Remuneration Committee (frequency ratio of 100%).
Member of the Nominating and Remuneration		

Committees		At meetings, he provided expert advices and views as a former press reporter with Nippon Keizai Shinbun (Japan Economic Journal) and incumbent business executive.
Director	Takashi Ishikawa	Attended 20 meetings of the Board of Directors (frequency ratio of 100%) and 18 meetings of the Audit Committee (frequency ratio of 100%). At meetings, he provided expert advices and views as a former executive of a securities firm.
Member of the Audit Committee		
Director	Kota Sakurai	Attended 20 meetings of the Board of Directors (frequency ratio of 100%) and 18 meetings of the Audit Committee (frequency ratio of 100%). At meetings, he provided expert advices and views as a certified public accountant and tax accountant.
Member of the Audit Committee		

V Matters Relating to Accountants

(1) Name: Ernst & Young ShinNihon LLC

(2) Amount of fees:

- (a) Fees payable for accountants' services pursuant to Article 2-1 of the Certified Public Accountant Law: 35 million yen.
- (b) Fees payable for accountants' services other than those pursuant to Article 2-1 of the Certified Public Accountant Law: 1 million yen.
- (c) The total amount of payments made by the Company and its subsidiaries: 39 million yen.

Note: (i) The above-mentioned payments cover fees relating to auditing both under the Company Law and the Financial Instruments and Securities Exchange Law.

(ii) Following the "Practical Guidelines Concerning Relations with Accountants" published by Japan Auditors Association, the Audit Committee of the Company has certified the audit system of accountants, auditing procedures, status of auditing, quality control system of accounting firm and preliminary estimate of audit fees in accordance with Article 399-1 of the Company Law.

(3) Non-auditing services:

Non-auditing services are related to the legal-compliance inspection for the segregated custody of customers' assets.

(4) Auditing for subsidiaries:

Subsidiaries of the Company are audited by the same accounting firm as the parent.

(5) Policy on dismissal or non-reappointment of accountants:

The Company's Audit Committee shall dismiss accountants when it determines that the Company's accountants come under any sub-item of Paragraph 1 of Article 340 of the Company Law. Such determination shall be made by a unanimous voting by the members of the Audit Committee, and any member of the Audit Committee so authorized by the Audit Committee shall report such dismissal and a reason therefor at the next coming shareholders' meeting.

The Audit Committee may also determine whether to re-appoint or not the Company's accountants in the light of their audit quality, the effectiveness and efficiency of their auditing performance.

VI. The Company's System and Policy

1. Basic Policy on Control of the Company

(1) Contents of basic policy

The Company's management policy focuses on "Remaining a Firm of Customers' Trust and Choice." Under this policy, the Company aims to become a "Name-brand Boutique House" in the finance and securities industry with the motto of "Becoming a Securities Company Like No Other in Japan." The basic business policy of the Company is to provide products and services based on a "Good Long Term Relation with each of the Company's customers, and by strengthening this policy, the Company believes that it is able to enhance its corporate value and, in turn, the common interests of its shareholders on a medium- to long-term basis.

Therefore, the Company believes that the persons who control decisions on the Company's financial and business policies need to be persons who understand the Company's management philosophy and who will make it possible to ensure and enhance the Company's corporate value and the common interests of its shareholders.

Thus, the Company believes that the persons who would make a large-scale acquisition of the shares in the Company in a manner that does not contribute to the corporate value of the Company or the common interests of its shareholders would be inappropriate to become persons who control decisions on the Company's financial and business policies. The Company believes that it is necessary to ensure the corporate value of the Company and, in turn, the common interests of its shareholders by taking the necessary and reasonable countermeasures against such large-scale acquisitions.

(2) Measures to realize basic policies

- (i) Effective utilization of company assets, appropriate form of corporate group and other special measures to realize the basic policies:

● Enhancement of corporate value through the Medium-Term Management Plan;

In order to further strengthen the foundation of the boutique house in the finance and securities industry so far built through the preceding management plans, the Company formulated the New Medium-Term Management Plan with its target date set for the end of March 2020.

Specifically, the Plan aims to attain the customers' assets in custody of 3.5 trillion yen, the ROE of 15% or better and the number of lead-managed companies reaching 70 by the end of March 2020. To realize the target of customers' assets in custody, the Company will firstly expand (a) the assets of investment trusts with "Dream Collection" placed in the center and (b) the customers' core assets based on medium-to long-term investment in asset-backed stocks against the backdrop of the household financial assets of 960 trillion yen. As a next step, the Company will try to accumulate active assets on the above core assets by helping each customer build his/her portfolios with products suited for his/her needs.

● Measures regarding corporate governance and shareholder returns;

The Company consistently aims for mobility and transparency in management decision-making, prompt business execution and tightened control on execution of duty, and considers corporate governance as one of its priority issues in management.

The Company has in place the three-committees-based company system. The Company's Board of Directors, which comprises four independent outside directors, supervises the execution of duties by executive officers, and the Audit Committee, which comprises three independent members, supervises the execution of business by the Directors and Executive Officers. In addition, the Internal Control Committee aims to improve and solidify unified internal control system.

The Company is actively working for shareholder returns which it regards as a major task for management.

With respect to earning distribution, the Company has been quite active and adopted the following "2. Policy on Dividends out of Retained Earnings" and decide an amount of dividend to be paid semi-annually.

- (ii) Measures to prevent decisions on the company's financial and business policies from being controlled by persons deemed inappropriate under the basic policy:

When a party attempts a large-scale acquisition of shares in the Company, the management of the Company will strive for the collection and disclosure of information necessary for shareholders to judge such attempt properly and take

appropriate measures authorized under the Company Law, the Articles of Incorporation or any other applicable laws and regulations.

(3) Views and reason for the above-mentioned (i) and (ii) of (2)

The decision of the Company's management relating to (i) and (ii) of (2) above is in line with the basic policy regarding the control of the Company, corresponds with the corporate vale and the common interests of its shareholders and is not intended to maintain the status of the Company's directors and officers.

2. Policy on Dividends out of Retained Earnings

One of the Company's core management policies is to make an appropriate earnings distribution to its shareholders. The Company places its stress on a continuous stream of dividend payment linked to business result. In deciding on an amount of dividend payment, payout ratio is a basic measure. Additionally, DOE (namely, ratio of dividends to shareholders' equity) measure is taken into account for continuous stream of dividend payment.

Specifically, the Company has currently adopted the payout ratio of approximately 50% and the DOE of approximately 2%, the both measures being calculated semi-annually on a consolidated basis and the larger result of calculation between the two measures being chosen.

Under this dividend policy, an interim dividend per share paid out of retained earnings to shareholders of record September 30, 2017 was 24yen, based on the payout ratio, and a final dividend per share payable out of retained earnings to shareholders of record March 31, 2018 was 37yen, also based on the payout ratio. Thus, the annual total of dividend per share was 61yen.

[For information on the Consolidated Financial Statements, please refer to the Company's press release dated April 27, 2018, titled "Business Result for Fiscal Year to March 31, 2017" on the Company's website (https://img.ichiyoshi.co.jp/ichiyoshi/pc/pdf/english/oshirase_20180427e_2.pdf)].

[Those financial statements have already been audited by certified public accountants as of this date.]

(End)