Monex Group, Inc.

Annual Financial Statements 2019

For the year ended March 31, 2019

Contents

Consolidated Financial Statements

Consolidated Statement of Income

For the fiscal years ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Revenue:			
Operating income (*Note 7, 8, 9, 11*)	¥53,635	**¥52,175**	**$470,799**
Other financial income *(Note 10)*	298	**1,152**	**10,391**
Other income *(Note 13)*	121	**59**	**530**
Equity in profits of equity method investments *(Note 25)*	169	**95**	**858**
Total revenue	54,223	**53,480**	**482,578**
Expenses:			
Financial expenses *(Note 10)*	4,480	**4,758**	**42,932**
Selling, general and administrative expenses *(Note 12, 27, 28, 30)*	39,853	**44,690**	**403,255**
Other financial expenses *(Note 10)*	987	**174**	**1,572**
Other expenses *(Note 14)*	271	**2,069**	**18,666**
Total expenses	45,592	**51,690**	**466,426**
Profit before income taxes	8,631	**1,790**	**16,152**
Income tax expense *(Note 26)*	2,052	**761**	**6,871**
Profit	6,579	**1,029**	**9,281**
Profit attributable to:			
Owners of the Company	6,730	**1,181**	**10,661**
Non-controlling interests	(151)	**(153)**	**(1,379)**
Profit	6,579	**1,029**	**9,281**

	Yen		U.S. Dollars
Earnings per share attributable to owners of the Company: *(Note 34)*			
Basic earnings per share	¥24.33	**¥4.42**	**$0.04**
Diluted earnings per share	24.33	—	**—**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the fiscal years ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Profit	¥6,579	**¥1,029**	**$9,281**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Changes in fair value of equity instruments measured at fair value through other comprehensive Income (*Note 33*)	—	**135**	**1,221**
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of debt instruments measured at fair value through other comprehensive income (*Note 33*)	—	**101**	**913**
Changes in fair value of available-for-sale financial assets *(Note 33)*	(636)	**—**	**—**
Changes in fair value of hedging instrument *(Note 15, 33)*	(165)	**584**	**5,267**
Foreign currency translation adjustments in foreign operations *(Note 33)*	(1,240)	**1,057**	**9,540**
Share of other comprehensive income of equity method investments *(Note 25, 33)*	29	**(67)**	**(608)**
Other comprehensive income after income taxes	(2,012)	**1,810**	**16,334**
Total comprehensive income	4,567	**2,839**	**25,615**
Total comprehensive income attributable to:			
Owners of the Company	4,718	**2,992**	**26,994**
Non-controlling interests	(151)	**(153)**	**(1,379)**
Total comprehensive income	¥4,567	**¥2,839**	**$25,615**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Financial Position

As of March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Assets:			
Cash and cash equivalents *(Note 15, 16, 17, 20)*	¥83,884	**¥154,146**	**$1,390,936**
Cash segregated as deposits *(Note 15, 16, 18)*	543,438	**566,220**	**5,109,270**
Trading securities and other *(Note 15, 16)*	1,618	**2,543**	**22,943**
Derivative assets *(Note 15, 16)*	15,424	**10,895**	**98,308**
Inventories (Note 19)	—	**3,056**	**27,576**
Investments in securities *(Note 15, 16, 20)*	3,123	**3,914**	**35,317**
Margin transaction assets *(Note 15, 16)*	192,224	**138,836**	**1,252,786**
Loans secured by securities *(Note 15, 16)*	21,389	**42,064**	**379,564**
Other financial assets *(Note 15, 16, 20)*	58,837	**54,202**	**489,094**
Property and equipment *(Note 22)*	2,122	**2,456**	**22,159**
Intangible assets *(Note 23)*	49,851	**47,698**	**430,399**
Equity method investments *(Note 25)*	295	**306**	**2,759**
Deferred tax assets *(Note 26)*	13	**289**	**2,605**
Other assets	1,301	**1,226**	**11,061**
Total assets	¥973,520	**¥1,027,849**	**$9,274,778**
Liabilities and Equity:			
Liabilities:			
Derivative liabilities *(Note 15, 16)*	¥5,340	**¥4,311**	**$38,903**
Margin transaction liabilities *(Note 15, 16, 21)*	29,683	**32,793**	**295,909**
Loans payable secured by securities *(Note 15, 16)*	78,203	**101,028**	**911,624**
Deposits received *(Note 15, 16)*	324,256	**358,176**	**3,231,992**
Guarantee deposits received *(Note 15, 16)*	254,647	**249,544**	**2,251,752**
Bonds and loans payable *(Note 15, 16, 21)*	191,010	**190,641**	**1,720,243**
Other financial liabilities *(Note 15, 16)*	4,545	**4,284**	**38,657**
Provisions *(Note 29)*	148	**262**	**2,361**
Income taxes payable	2,386	**266**	**2,404**
Deferred tax liabilities *(Note 26)*	1,524	**1,862**	**16,803**
Other liabilities *(Note 30)*	1,284	**4,540**	**40,968**
Total liabilities	893,027	**947,707**	**8,551,616**
Equity:			
Common stock *(Note 31)*	10,394	**10,394**	**93,786**
Additional paid-in capital *(Note 31)*	40,510	**40,510**	**365,544**
Treasury stock *(Note 31)*	(206)	**(313)**	**(2,828)**
Retained earnings *(Note 31, 32)*	21,492	**18,980**	**171,263**
Other components of equity *(Note 33)*	8,139	**9,424**	**85,034**
Equity attributable to owners of the Company	80,329	**78,994**	**712,799**
Non-controlling interests	164	**1,148**	**10,363**
Total equity	80,493	**80,142**	**723,162**
Total liabilities and equity	¥973,520	**¥1,027,849**	**$9,274,778**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the fiscal years ended March 31, 2018 and 2019

Millions of Yen

	Equity attributable to owners of the Company										
					Other components of equity Total						
	Common stock	Additional paid-in capital	Treasury stock	Retained earnings	Changes in fair value of equity instruments measured at fair value through other comprehensive Income	Changes in fair value of debt instruments measured at fair value through other comprehensive income	Changes in fair value of available for-sale financial assets	Changes in fair value of hedging instrument	Foreign currency translation adjustments in foreign operations	Share-based payments	Share of other comprehensive income of equity method investments
Balance as of April 1, 2017	¥10,394	¥40,547	¥—	¥20,209	—	—	¥2,389	¥(419)	¥8,180	—	¥72
Profit	—	—	—	6,730	—	—		—	—	—	—
Other comprehensive income	—	—	—	—	—	—	(636)	(165)	(1,240)	—	29
Total comprehensive income	—	—	—	6,730	—	—	(636)	(165)	(1,240)	—	29
Transactions with owners:									—	—	
Dividends paid *(Note 32)*	—	—	—	(1,755)	—	—	—	—	—	—	—
Acquisition of treasury stock *(Note 31)*	—	—	(4,030)	—	—	—	—	—	—	—	—
Disposition of treasury stock *(Note 31)*	—	8	88	—	—	—	—	—	—	(96)	—
Cancellation of treasury stock *(Note 31)*	—	(3,736)	3,736	—	—	—	—	—	—	—	—
Transfer to Additional paid-in capital from Retained earnings *(Note 31)*	—	3,727	—	(3,727)	—	—	—	—	—	—	—
Recognition of share-based payments *(Note 30)*	—	—	—	(1)	—	—	—	—	—	25	—
Lapse of subscription rights to shares	—	(37)	—	37	—	—	—	—	—	—	—
Total of transactions with owners	—	(37)	(206)	(5,447)	—	—	—	—	—	(71)	—
Balance as of March 31, 2018	¥10,394	¥40,510	¥(206)	¥21,492	¥—	¥—	¥1,753	¥(584)	¥6,939	¥(71)	¥101
Cumulative effects of changes in accounting policies	**—**	**—**	**—**	**395**	**261**	**1,098**	**(1,753)**	**—**	**—**	**—**	
Adjusted balance as of March 31, 2019	**10,394**	**40,510**	**(206)**	**21,887**	**261**	**1,098**	**—**	**(584)**	**6,939**	**(71)**	**101**
Profit	**—**	**—**	**—**	**1,181**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Other comprehensive income	**—**	**—**	**—**	**—**	**135**	**101**	**—**	**584**	**1,057**	**—**	**(67)**
Total comprehensive income	**—**	**—**	**—**	**1,181**	**135**	**101**	**—**	**584**	**1,057**	**—**	**(67)**
Transactions with owners:											
Dividends paid *(Note 32)*	**—**	**—**	**—**	**(2,413)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Acquisition of treasury stock *(Note 31)*	**—**	**—**	**(2,000)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Disposition of treasury stock *(Note 31)*	**—**	**103**	**125**	**—**	**—**	**—**	**—**	**—**	**—**	**(228)**	**—**
Cancellation of treasury stock *(Note 31)*	**—**	**(1,767)**	**1,767**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Transfer to Additional paid-in capital from Retained earnings *(Note 31)*	**—**	**1,664**	**—**	**(1,664)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Recognition of share-based payments *(Note 30)*	**—**	**—**	**—**	**(11)**	**—**	**—**	**—**	**—**	**—**	**98**	**—**
Recognition of share acquisition rights	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Acquisition of subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Changes of interests in subsidiaries without losing control	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total of transactions with owners	**—**	**—**	**(107)**	**(4,089)**	**—**	**—**	**—**	**—**	**—**	**(130)**	**—**
Balance as of March 31, 2019	**¥10,394**	**¥40,510**	**¥(313)**	**¥18,980**	**¥396**	**¥1,199**	**¥—**	**¥—**	**¥7,997**	**¥(201)**	**¥33**

	Equity attributable to owners of the Company			
	Other components of equity		Non-controlling interests	Total equity
	Sub-total	Total		
Balance as of March 31, 2017	¥10,222	¥81,372	¥315	¥81,687
Profit	—	6,730	(151)	6,579
Other comprehensive income	(2,012)	(2,012)	—	(2,012)
Total comprehensive income	(2,012)	4,718	(151)	4,567
Transactions with owners:				
Dividends paid *(Note 32)*	—	(1,755)	—	(1,755)
Acquisition of treasury stock *(Note 31)*	—	(4,030)	—	(4,030)
Disposition of treasury stock *(Note 31)*	(96)	—	—	—
Cancellation of treasury stock *(Note 31)*	—	—	—	—
Transfer to Additional paid-in capital from Retained earnings *(Note 31)*	—	—	—	—
Recognition of share-based payments *(Note 30)*	25	24	—	24
Lapse of subscription rights to shares	—	—	—	—
Total of transactions with owners	(71)	(5,761)	—	(5,761)
Balance as of March 31, 2018	¥8,139	¥80,329	¥164	¥80,493
Cumulative effects of changes in accounting policies	**(395)**	**—**	**—**	**—**
Adjusted balance as of March 31, 2019	**7,744**	**80,329**	**164**	**80,493**
Profit	**—**	**1,181**	**(153)**	**1,029**
Other comprehensive income	**1,810**	**1,810**	**—**	**1,810**
Total comprehensive income	**1,810**	**2,992**	**(153)**	**2,839**
Transactions with owners:				
Dividends paid *(Note 32)*	**—**	**(2,413)**	**—**	**(2,413)**
Acquisition of treasury stock *(Note 31)*	**—**	**(2,000)**	**—**	**(2,000)**
Disposition of treasury stock *(Note 31)*	**(228)**	**—**	**—**	**—**
Cancellation of treasury stock *(Note 31)*	**—**	**—**	**—**	**—**
Transfer to Additional paid-in capital from Retained earnings *(Note 31)*	**—**	**—**	**—**	**—**
Recognition of share-based payments *(Note 30)*	**98**	**86**	**—**	**86**
Recognition of share acquisition rights	**—**	**—**	**376**	**376**
Acquisition of subsidiaries	**—**	**—**	**369**	**369**
Changes of interests in subsidiaries without losing control	**—**	**—**	**392**	**392**
Total of transactions with owners	**(130)**	**(4,326)**	**1,137**	**(3,189)**
Balance as of March 31, 2019	**¥9,424**	**¥78,994**	**¥1,148**	**¥80,142**

	Equity attributable to owners of the Company										
					Other components of equity Total						
	Common stock	Additional paid-in capital	Treasury stock	Retained earnings	Changes in fair value of equity instruments measured at fair value through other comprehensive Income	Changes in fair value of debt instruments measured at fair value through other comprehensive income	Changes in fair value of available for-sale financial assets	Changes in fair value of hedging instrument	Foreign currency translation adjustments in foreign operations	Share-based payments	Share of other comprehensive income of equity method investments
Balance as of April 1, 2018	$93,786	$365,544	$(1,858)	$193,934	$—	$—	$15,821	$(5,267)	$62,617	$(641)	$913
Cumulative effects of changes in accounting policies	—	—	—	3,561	2,351	9,909	(15,821)	—	—	—	(4)
Adjusted balance as of March 31, 2019	93,786	365,544	(1,858)	197,495	2,351	9,909	—	(5,267)	62,617	(641)	908
Profit	—	—	—	10,661	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	1,221	913	—	5,267	9,540	—	(608)
Total comprehensive income	—	—	—	10,661	1,221	913	—	5,267	9,540	—	(608)
Transactions with owners:											
Dividends paid *(Note 31)*	—	—	—	(21,773)	—	—	—	—	—	—	—
Acquisition of treasury stock *(Note 30)*	—	—	(18,047)	—	—	—	—	—	—	—	—
Disposition of treasury stock *(Note 30)*	—	928	1,130	—	—	—	—	—	—	(2,058)	—
Cancellation of treasury stock *(Note 30)*	—	(15,947)	15,947	—	—	—	—	—	—	—	—
Transfer to Additional paid-in capital from Retained earnings *(Note 30)*	—	15,019	—	(15,019)	—	—	—	—	—	—	—
Recognition of share-based payments *(Note 29)*	—	—	—	(101)	—	—	—	—	—	882	—
Recognition of share acquisition rights	—	—	—	—	—	—	—	—	—	—	—
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—
Changes of interests in subsidiaries without losing control	—	—	—	—	—	—	—	—	—	—	—
Total of transactions with owners	—	—	(970)	(36,893)	—	—	—	—	—	(1,176)	—
Balance as of March 31, 2019	$93,786	$365,544	$(2,828)	$171,263	$3,572	$10,822	$—	$—	$72,157	$(1,817)	$300

	Equity attributable to owners of the Company		Non-controlling interests	Total equity
	Other components of equity			
	Sub-total	Total		
Balance as of March 31, 2018	$73,442	$724,848	$1,482	$726,330
Cumulative effects of changes in accounting policies	**(3,565)**	**—**	**—**	**—**
Adjusted balance as of March 31, 2019	**69,877**	**724,844**	**1,482**	**726,325**
Profit	**—**	**10,661**	**(1,379)**	**9,281**
Other comprehensive income	**16,334**	**16,334**	**—**	**16,334**
Total comprehensive income	**16,334**	**26,994**	**(1,379)**	**25,615**
Transactions with owners:				
Dividends paid *(Note 31)*	**—**	**(21,773)**	**—**	**(21,773)**
Acquisition of treasury stock *(Note 30)*	**—**	**(18,047)**	**—**	**(18,047)**
Disposition of treasury stock *(Note 30)*	**(2,058)**	**—**	**—**	**—**
Cancellation of treasury stock *(Note 30)*	**—**	**—**	**—**	**—**
Transfer to Additional paid-in capital from Retained earnings *(Note 30)*	**—**	**—**	**—**	**—**
Recognition of share-based payments *(Note 29)*	**882**	**780**	**—**	**780**
Recognition of share acquisition rights	**—**	**—**	**3,394**	**3,394**
Acquisition of subsidiaries	**—**	**—**	**3,330**	**3,330**
Changes of interests in subsidiaries without losing control	**—**	**—**	**3,536**	**3,536**
Total of transactions with owners	**(1,176)**	**(39,039)**	**10,260**	**(28,778)**
Balance as of March 31, 2019	**$85,034**	**$712,799**	**$10,363**	**$723,162**

See accompanying notes to the consolidated financial statements

Consolidated Statement of Cash Flows

For the fiscal years ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Cash flows from operating activities:			
Profit before income taxes	¥8,631	**¥1,790**	**$16,152**
Depreciation and amortization	8,117	**8,392**	**75,729**
Impairment loss on non-financial assets	—	**1,788**	**16,131**
Financial income and financial expenses	(14,179)	**(15,462)**	**(139,517)**
Decrease/increase in derivative assets/liabilities	(2,483)	**4,274**	**38,570**
Decrease/increase in assets/liabilities for margin transaction	(55,552)	**56,498**	**509,809**
Decrease/increase in loans/loans payable secured by securities	13,342	**2,334**	**21,058**
Decrease/increase in cash segregated as deposits	(1,797)	**(13,459)**	**(121,448)**
Decrease/increase in deposits received and guarantee deposits received	7,861	**(8,699)**	**(78,498)**
Decrease/increase in short-term loans receivable	(2,514)	**467**	**4,212**
Other, net	(11,867)	**7,260**	**65,512**
Sub-total	(50,441)	**45,183**	**407,709**
Interest and dividend income received	15,969	**18,686**	**168,608**
Interest expenses paid	(5,014)	**(4,683)**	**(42,255)**
Income taxes refunded/paid	785	**(5,352)**	**(48,289)**
Net cash provided by (used in) operating activities	(38,701)	**53,834**	**485,773**
Cash flows from investing activities:			
Purchase of investments in securities	(491)	**(419)**	**(3,777)**
Proceeds from sales and redemption of securities	362	**237**	**2,141**
Purchase of property and equipment	(884)	**(1,230)**	**(11,098)**
Purchase of intangible assets	(4,969)	**(6,265)**	**(56,533)**
Proceeds from purchase of subsidiaries (Note 35)	—	**30,695**	**276,974**
Proceeds from sales of subsidiaries	—	**4**	**34**
Purchase of investments in joint ventures	(10)	**(1)**	**(11)**
Proceeds from sales of investments in joint ventures	4	**—**	**—**
Other, net	116	**(258)**	**(2,326)**
Net cash provided by (used in) investing activities	(5,872)	**22,763**	**205,404**
Cash flows from financing activities:			
Net increase/decrease in short-term loans payable *(Note 21)*	47,800	**(40,816)**	**(368,300)**
Proceeds from issuance of bonds payable *(Note 21)*	14,483	**28,016**	**252,798**
Redemption of bonds payable *(Note 21)*	(6,000)	**(26,557)**	**(239,633)**
Proceeds from long-term loans payable *(Note 21)*	9,970	**58,924**	**531,697**
Repayment of long-term loans payable *(Note 21)*	(10,600)	**(22,005)**	**(198,560)**
Purchase of treasury stock	(4,030)	**(2,000)**	**(18,047)**
Cash dividends paid	(1,754)	**(2,408)**	**(21,732)**
Proceeds from stock issuance to non-controlling interests	—	**747**	**6,741**
Other, net	—	**190**	**1,714**
Net cash provided by (used in) financing activities	49,870	**(5,909)**	**(53,322)**
Net increase/decrease in cash and cash equivalents	5,297	**70,688**	**637,855**
Cash and cash equivalents at the beginning of year	76,557	**81,456**	**735,016**
Effect of exchange rate change on cash and cash equivalents	(398)	**(1,218)**	**(10,994)**
Cash and cash equivalents at the end of year *(Note 17)*	¥81,456	**¥150,926**	**$1,361,877**

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

1 Reporting Entity

Monex Group, Inc. (the "Company") is a Company located in Japan. The registered address of the head office and principal business office is 1-12-32, Akasaka, Minato-ku, Tokyo. The consolidated financial statements as of and for the year ended March 31, 2019 comprise the financial statements of the Company and its subsidiaries (the "Group") and the interests in associates and joint ventures. The Group engages in the online securities brokerage business as its core business, and has its major subsidiaries in Japan, United States and Asia-Pacific.

2 Basis of Preparation of Financial Statements

(1) Statement of compliance with International Financial Reporting Standards (IFRSs)

The Company meets the criteria of a "Specified Company that is allowed to prepare financial statements in accordance with designated IFRS" defined in Article 1-2 of the "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976) and the Group's financial statements are prepared in accordance with IFRSs as stipulated in Article 93 of the ordinance.

(2) Basis of presentation

The accompanying consolidated financial statements have been translated into English from the consolidated financial statements of the Company prepared in accordance with IFRSs with certain additional disclosures as required by the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc., and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act of Japan.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate on March 31, 2019, which was ¥110.822 to U.S. $1. For translation purposes, amounts in Japanese yen before rounding to the millions are used and financial information presented in U.S. dollars is rounded to the nearest thousand. As a result, the amounts in U.S. dollars do not necessarily agree with the Japanese yen amounts in millions when divided by ¥110.822. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

(3) Basis of measurement

The consolidated financial statements are prepared based on the historical cost except for the following significant items.

- Derivatives are measured at fair value
- Financial assets/liabilities measured at fair value through profit or loss are measured at fair value
- Financial assets measured at fair value through other comprehensive income are measured at fair value
- Available-for-sale financial assets are measured at fair value
- Inventories for trading are measured at fair value less cost to sale
- Liabilities related to cash-settled share-based payments are measured at fair value

(4) Functional currency and reporting currency

The consolidated financial statements are presented in Japanese yen, which is the Company's functional currency. All financial information presented in Japanese yen is rounded to the nearest million.

(5) Use of estimates and judgments

The Group's management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses when preparing financial statements in accordance with IFRSs. Actual results could differ from these estimates.

Accounting estimates and their underlying assumptions are continually reviewed. The impact of revisions to accounting estimates is prospectively recognized in the period when the revision is made and in the subsequent period.

The information on significant judgments when applying significant accounting policies that have a significant impact on the amounts recognized in the consolidated financial statements is described in the following notes.

- "Note 15. Financial Instruments"
- "Note 16. Fair Value Measurement"

The information on uncertainties of assumptions and estimates with a significant risk that could result in significant modification in the next fiscal year is described in the following notes.

- “Note 23. Intangible Assets”
- “Note 26. Deferred Tax and Income Tax Expense”

(6)Changes in presentation

"Commission received," "Net trading income," "Financial income," and "Other operating income" within "Operating income," which were presented separately in the previous fiscal year are presented collectively as “Operating income” from the current fiscal year. The breakdown of operating income is described in “8. Commission received,” "9. Net trading income," "10. Financial income and expenses," and "11. Other operating income" for the previous fiscal year, and described in "7. Operating income" for the current fiscal year.

3 Significant Accounting Policies

Unless otherwise noted, the accounting policies set forth below are applied continuously to all periods indicated in the consolidated financial statements.

(1) Basis of consolidation

(a) Business combinations

Business combinations are accounted for by applying the acquisition method on the date that control is obtained (the acquisition date). An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Except for the following items, identifiable assets and liabilities of acquired companies are measured at fair value on the acquisition date.

- Deferred tax assets and liabilities measured in accordance with IAS 12 “Income Taxes.”
- Assets and liabilities relating to employee benefit agreements measured in accordance with IAS 19 “Employee Benefits.”
- Liabilities relating to stock compensation agreements of acquired companies measured in accordance with IFRS 2 “Share-based Payments.”
- Non-current assets or disposal groups classified as held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations.”

Goodwill is measured at the fair value of the consideration transferred including the amount of non-controlling interests in the acquired Company recognized on the acquisition date minus the net amount (ordinarily fair value) of identifiable acquired assets and assumed liabilities recognized on the acquisition date. If this amount is negative, it is immediately recognized in profit or loss.

Acquisition-related costs for business combinations other than costs relating to the issuance of debt or equity securities are recognized as an expense when the costs are incurred.

If the initial accounting of a business combination is not completed by the end of the fiscal year in which the business combination occurred, provisional amounts for those items that are not completed are reported. If facts or circumstances that existed on the acquisition date are obtained during a period (the “measurement period”) and, if known, would have had an impact on the recognized amounts that were initially determined on the acquisition date, that information is reflected and the provisional amounts recognized on the acquisition date are adjusted retrospectively. If the newly acquired information results in additional recognition of assets and liabilities, such assets and liabilities are recognized. The measurement period is within one year.

If consideration transferred in a business combination includes assets or liabilities arising from a contingent consideration arrangement, the contingent consideration is measured at fair value on the acquisition date as part of the consideration transferred. Changes in the fair value of contingent consideration for measurement period are adjusted retrospectively, and the corresponding amount of goodwill is adjusted. Changes in the fair value of contingent consideration beyond the measurement period are not re-measured when the contingent consideration is classified as equity, and subsequent settlements are accounted for within equity. When the contingent consideration is classified as an asset or liability, the consideration is appropriately remeasured in accordance with IFRS 9 “Financial Instruments” or IAS 37 “Provisions, Contingent Liabilities and Contingent Assets, and the gain or loss is recognized in profit or loss.”
The Group elected not to retroactively apply IFRS 3 “Business Combinations” (2008) to business combinations occurring before December 27, 2010. Carrying amount of goodwill in business combinations occurring before December 27, 2010 is recognized in accordance with generally accepted accounting principles in Japan (JGAAP).

(b) Changes in interests that do not result in loss of control

Changes in interests that do not result in loss of control occurring on or after December 27, 2010 are accounted for within equity. The carrying amount of the Group’s interests and non-controlling interests are adjusted to reflect changes in interests in subsidiaries and goodwill is not recognized.

(c) Loss of control

If control of a subsidiary is lost as a result of disposal of the Group's investment, a gain or loss on the disposal is calculated and recognized as the difference between the total of the fair value of the consideration received and remaining interests and the carrying amount of the assets including goodwill, liabilities, and non-controlling interests of the subsidiary. Amounts relating to subsidiaries previously recognized in other comprehensive income are reported in the same manner as direct disposal by the Group of related assets and liabilities.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control until the date control is lost. The accounting policies of subsidiaries are adjusted where necessary to ensure conformity with the accounting policies applied by the Group.

(e) Cash segregated as deposits

Trust accounts included in cash segregated as deposits are consolidated when it is concluded that the accounts are controlled by the Group.

(f) Associates and joint arrangements

Associates are entities over which the Group has significant influence concerning financial and operating policies but does not have control or joint control. If the Group owns between 20% and 50% of the voting power of another company, it is presumed that the Group has significant influence on that company.

Joint arrangements are the contractually agreed sharing of control of arrangements, which exist only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The classification of joint arrangements as either joint operations or joint ventures depends upon the rights and obligations of the parties to the arrangements. Joint operations are the joint arrangements whereby the parties that have joint control of the arrangements have rights to the assets, and obligations for the liabilities, relating to the arrangements, and joint ventures are the joint arrangements whereby the parties that have joint control of the arrangements have rights to the net assets of the arrangements.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Investments in associates and joint ventures are reported using the equity method and are measured at acquisition cost on the date of acquisition.

The consolidated financial statements include the Group's share of the profit or loss and the changes in interests of companies subject to the equity method from the date that the Group obtained significant influence or the date that joint control began until such influence or joint control terminates. The accounting policies of companies subject to the equity method are adjusted where necessary to ensure conformity with the accounting policies applied by the Group. If the Group's share of losses in companies subject to the equity method exceeds the interest in the same companies, the carrying amount of that investment is reduced to zero and no further losses are recognized, except in cases where the Group assumes liabilities or makes payment on behalf of the investee.

(g) Transactions eliminated in consolidation

Receivables, payables and transactions within the Group and unrealized income or losses arising from transactions within the Group are eliminated when preparing the consolidated financial statements. Unrealized income arising from transactions with companies subject to the equity method is deducted from investments up to the amount of the Group's interest in the investee. Unrealized losses are treated in the same manner as for unrealized income as long as there is no evidence of impairment.

(2) Foreign currency

(a) Transactions in foreign currencies

Transactions in foreign currencies are translated into the functional currency of the respective Group companies at the exchange rate on the date of the transaction. Assets and liabilities denominated in foreign currencies on the closing date of the fiscal year are re-translated to the functional currency using the exchange rate on the closing date of the fiscal year.

Assets and liabilities denominated in foreign currency measured at fair value are translated to a functional currency using the exchange rate on the date of the fair value measurement. Exchange differences arising from re-translation are recognized in profit or loss. Exchange differences arising from translation of financial instruments that are measured at fair value and whose changes are recognized in other comprehensive income are recognized in other comprehensive income. Non-monetary items measured using foreign currency acquisition costs are translated using the exchange rate on the date of the transaction.

(b) Foreign operations

The assets and liabilities of foreign operations (including goodwill arising from acquisition and adjustments to fair value) are translated to Japanese yen using the exchange rate on the closing date of the fiscal year and income and expenses are translated to Japanese yen using the average exchange rate.

Currency translation adjustments are recognized in “Foreign currency translation adjustments in foreign operations” of other comprehensive income. The Group elected to deem cumulative foreign currency translation adjustments from foreign operations at the date of transition to the IFRSs to be zero.

Currency translation adjustments after the date of transition to IFRSs have been included in other components of equity.

If foreign operations are disposed of, amounts relating to the foreign currency translation adjustments in foreign operations are reclassified to profit or loss as a portion of the disposal gain or loss.

(3) Financial instruments

Accounting policies applicable to the fiscal year ended March 2019

(a) Recognition of financial assets and financial liabilities

The Group recognizes financial assets measured at FVTPL (excluding investments in securities) that are traded in a regular way purchase or sale on the settlement date.

Transactions of other financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instruments.

(b)Classification and measurement of financial assets

Financial assets are classified into the following categories on initial recognition.

(i)Financial assets measured at amortized cost

Financial assets shall be measured at amortized cost if both of the following conditions are met

・The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

・the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially recognized at its fair value plus transaction costs directly attributable to the acquisition. Subsequent to the initial recognition, they are measured at an amortized cost using the effective interest method.

(ii)Equity instruments measured at Fair Value Through Other Comprehensive Income (FVTOCI)

For investments in equity instruments that are not held for trading, an irrevocable election can be made to present in other comprehensive income subsequent changes in the fair value of equity instruments measured at FVTOCI at initial recognition. And the Group makes the election on an instrument-by-instrument basis.

Equity instruments measured at FVTOCI are initially recognized at fair value plus transaction costs directly attributable to the acquisition.

Subsequently, they are measured at fair value, and gains and losses arising from changes in fair value are recognized in other comprehensive income and presented as “Gains (losses) on equity instruments measured at FVTOCI” in other components of equity.

At derecognition of equity instruments measured at FVTOCI or when the significant decline in fair value below the initial cost occurs, the recognized amount of changes in fair value accumulated in other comprehensive income is reclassified directly to retained earnings and not reclassified to profit or loss.
Dividends from equity instruments at FVTOCI are recognized in profit or loss as part of financial income.

(iii)Debt instruments measured at FVTOCI

Debt instruments shall be classified as debt instruments measured at FVTOCI if both of the following conditions are met

・the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

・the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments measured at FVTOCI are initially recognized at fair value plus directly attributable transaction costs. Subsequently, they are measured at fair value, and gains and losses arising from changes in fair value excluding Impairment gain/loss and Foreign exchange gain/loss are recognized in other comprehensive income and presented as "Gains (losses) on debt instruments measured at FVTOCI" in other components of equity until the derecognition or reclassification of debt instruments measured at FVTOCI is conducted. At derecognition of debt instruments measured at FVTOCI, the recognized amount of changes in fair value accumulated in other comprehensive income is reclassified directly to profit or loss.

(iv)Financial assets measured at Fair Value Through Profit or Loss (FVTPL)

Financial assets other than those above are classified as financial assets measured at FVTPL.
Financial assets measured at FVTPL are initially recognized at fair value and attributable transaction costs are recognized as profit/loss when incurred. Subsequently, they are measured at fair value, and gains and losses arising from changes in fair value are recognized as profit and loss.

(c) Impairment of financial assets

For financial assets measured at amortized cost and debt instruments measured at FVTOCI, an allowance for expected credit losses is recognized. At the end of each reporting period, the Group assesses whether the credit risk on each financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the Group recognizes the loss allowance at an amount equal to 12-month expected credit losses. Meanwhile, if the credit risk has increased significantly since initial recognition, the Group recognizes the loss allowance at an amount equal to the lifetime expected credit losses.
There is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Group assumes that the credit risk on the financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the end of the reporting period. Financial assets, all or part of which cannot be collected or are presumed difficult to be collected or financial assets that are more than 90 days past due are defined to be default.
Credit losses are measured as the present value of the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate, and expected credit loss is weighted average of the credit losses with the probability of the default occurring used as the weights.
The Group directly reduces the gross carrying amount of a financial asset when it has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof.
For Financial assets measured at amortized cost, expected credit loss is recognized as allowance for doubtful accounts. The provision and the reversal of a loss allowance are recognized in profit/loss as impairment gain/loss.

(d) Classification and measurement of financial liabilities

(i) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are initially recognized at fair value minus directly attributable transaction costs. Subsequent to the initial recognition, they are measured at an amortized cost using the effective interest method.

(ii) Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL are initially recognized at fair value and attributable transaction costs are recognized as profit/loss when incurred.
Subsequently, they are measured at fair value, and gains and losses arising from changes in fair value are recognized as profit and loss.

(e) Derecognition of financial assets and financial liabilities
When contractual rights to cash flows from financial assets are expired, or when contractual rights to receive cash flows from financial assets are transferred substantially in transactions that transfer all risks and rewards of ownership of the financial assets, the Group derecognizes the relevant financial assets. Also, when financial liabilities are extinguished, i.e., when contractual obligations are discharged, cancelled, or expired, the financial liabilities are derecognized.

(f) Offsetting
Financial assets and financial liabilities are set off and the net amount is presented in the consolidated statement of financial position only when the Group has the legal right to set off the recognized amount and the Group has the intent to settle on a net basis or to realize the asset and settle the liability simultaneously.

(g) Fair value measurement
The fair value of financial assets and financial liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.

(h) Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of cash flows comprise cash and highly liquid investments that are readily convertible to a known amount with an insignificant risk of change in value.

(i) Cash segregated as deposits
Some of the trust accounts for cash segregated as deposits held by the Group are within the scope of consolidation. Cash segregated as deposits is money that is segregated and invested in accordance with the laws and regulations of each jurisdiction to preserve deposits from customers, and accordingly, cash segregated as deposits is reported as such in the consolidated statement of financial position.

(j) Trading securities and other
Trading securities and other are securities held by the Group primarily for short-term trading purpose.

(k) Derivative assets and derivative liabilities

(i) Derivatives applied to hedge accounting
The Group applies hedge accounting to derivatives to hedge the risk of variability in cash flows if the hedge meets the criteria for hedge accounting.

At the inception of the hedge, the Group documents the hedging relationship and the risk management objective and strategy for undertaking the hedge including the hedging instrument, the hedged item, the nature of the risk being hedged and how to assess the hedge effectiveness. At the inception of the hedge and for an ongoing basis, the hedge is assessed and determined actually to have been highly effective in achieving offsetting changes in cash flows attributable to the hedged item with the hedging instruments.

Derivatives designated as hedging instruments are initially recognized at fair value, and the subsequent fair value changes are recognized as follows.

- Cash flow hedges

For changes in the fair value of derivatives that are designated as hedging instruments for a cash flow hedge and meet the criteria of cash flow hedges, the portion of the gain or loss on the hedging instruments that is determined to be an effective hedge is recognized in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss. The associated gains and losses that were recognized in other comprehensive income are reclassified to profit or loss as a reclassification adjustment in the same period or periods during which cash flows attributable to the hedged item affects profit or loss. The Group discontinues prospectively the hedge accounting when the hedge no longer meets the criteria for hedge accounting, when the hedging instrument expires or is sold, terminated or exercised, or when the Group revokes the designation.

(ii) Derivatives not applied to hedge accounting
The Group's derivative assets and derivative liabilities that are not applied to hedge accounting are initially recognized at fair value, and subsequent fair value changes are recognized in profit or loss.

(l) Investments in securities
Investments in securities are investments in securities held by the Group other than “trading securities and other.”

(m) Margin transaction assets and margin transaction liabilities
Margin transaction assets and margin transaction liabilities are claims and obligations arising against customers and securities finance companies in conjunction with domestic margin transaction.

(n) Loans secured by securities and loans payable secured by securities
Loans secured by securities and loans payable secured by securities are claims and obligations arising against customers, counterparty financial institutions, and clearing agencies in conjunction with the Group’s transactions of loans secured by securities or loans payable secured by securities other than domestic margin transactions.

Accounting policies applicable to the fiscal year ending March 2018
(a) Recognition
The Group recognizes financial assets held for trading that are traded in a regular way purchase or sale on the settlement date. Transactions of other financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

(b) Classification
Financial assets are classified into the following categories based on their characteristics and the purpose for holding them: (i) financial assets measured at FVTPL, (ii) held-to-maturity investments, (iii) loans and receivables, and (iv) available-for-sale financial assets.

(i) Financial assets measured **at FVTPL**
Financial assets held for trading or designated as measured at FVTPL at initial recognition are initially recognized at fair value, and subsequent fair value changes are recognized in profit or loss. Transaction costs at initial recognition are recognized in profit or loss when incurred. Also, interest and dividends from financial assets are recognized in profit or loss as financial income.

(ii) Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and a fixed maturity, which the Group has the positive intention and ability to hold to maturity other than loans and receivables, are classified as held-to-maturity investments. Held-to-maturity investments are initially recognized at fair value plus directly attributable transaction costs. Subsequent to the initial recognition, held-to-maturity investments are measured at an amortized cost using the effective interest method.

(iii) Loans and receivables
Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than financial assets measured at FVTPL and available-for-sale financial assets, are classified as loans and receivables. Loans and receivables are initially recognized at fair value plus directly attributable transaction costs.
Subsequent to the initial recognition, loans and receivables are measured at an amortized cost using the effective interest method.

(iv) Available-for-sale financial assets
Non-derivative financial assets that are designated as available-for-sale at initial recognition, or that are not classified in any other category, are classified as available-for-sale financial assets. Available-for-sale financial assets are initially recognized at fair value plus directly attributable transaction costs, and subsequent to the initial recognition, they are measured at fair value and fair value changes are recognized as changes in fair value of available-for-sale financial assets in other comprehensive income. Impairment losses are recognized in profit or loss when required. Dividends are recognized in profit or loss as financial income. If available-for-sale financial assets are derecognized, cumulative fair value changes recognized in other comprehensive income are reclassified to profit or loss.

(v) Non-derivative financial liabilities

The Group initially recognizes non-derivative financial liabilities at fair value (after deducting directly attributable transaction costs). Non-derivative financial liabilities held for trading are subsequently measured at fair value, and fair value changes are recognized in profit or loss. Non-derivative financial liabilities other than those held for trading are subsequently measured at an amortized cost using the effective interest method.

(c) Derecognition of financial assets and financial liabilities

When contractual rights to cash flows from financial assets are expired, or when contractual rights to receive cash flows from financial assets are transferred substantially in transactions that transfer all risks and rewards of ownership of the financial assets, the Group derecognizes the relevant financial assets. Also, when financial liabilities are extinguished, i.e., when contractual obligations are discharged, cancelled, or expired, the financial liabilities are derecognized.

(d) Offsetting

Financial assets and financial liabilities are set off and the net amount is presented in the consolidated statement of financial position only when the Group has the legal right to set off the recognized amount and the Group has the intent to settle on a net basis or to realize the asset and settle the liability simultaneously.

(e) Amortized costs

Amortized costs of financial assets and financial liabilities consist of the initially recognized amounts of the financial assets and liabilities less amounts previously repaid, adjusted by the cumulative amortization of the difference between the initially recognized amount and the maturity amount using the effective interest method, and less impairment losses.

(f) Fair value measurement

The fair value of financial assets and financial liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.

(g) Impairment of financial assets

When the Group recognizes impairment of financial assets other than securities, the impairment losses are accounted for using the allowance for doubtful account without directly reducing the carrying amount of the financial assets.
In the case of financial assets other than financial assets measured at FVTPL, if there is objective evidence of impairment as a result of a loss event occurring after initial recognition and the loss event has a negative effect on the future cash flows of the assets which can be reliably estimated, impairment losses are recognized. The Group considers whether there is objective evidence of impairment on each quarter.

Impairment losses of available-for-sale financial assets are calculated as the difference between the carrying amount and fair value and recognized in profit or loss. Impairment losses of financial assets measured at amortized cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted by the effective interest rate at initial recognition of the relevant financial assets, and is recognized in profit or loss. Income from assets for which impairment was recognized continues to be recognized through reversal of discounted amounts in conjunction with the passage of time.

If an event that reduces the amount of the impairment losses occurs after the recognition of impairment losses with respect to the financial assets measured at an amortized cost, the previously recognized impairment losses are reversed in profit or loss.

(h) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows comprise cash and highly liquid investments that are readily convertible to a known amount with an insignificant risk of change in value.

(i) Cash segregated as deposits
Some of the trust accounts for cash segregated as deposits held by the Group are within the scope of consolidation. Cash segregated as deposits is money that is segregated and invested in accordance with the laws and regulations of each jurisdiction to preserve deposits from customers, and accordingly, cash segregated as deposits is reported as such in the consolidated statement of financial position.

(j) Trading securities and other
Trading securities and other are securities held by the Group primarily for short-term trading purpose.

(k) Derivative assets and derivative liabilities

(i) Derivatives applied to hedge accounting

The Group applies hedge accounting to derivatives to hedge the risk of variability in cash flows if the hedge meets the criteria for hedge accounting.

At the inception of the hedge, the Group documents the hedging relationship and the risk management objective and strategy for undertaking the hedge including the hedging instrument, the hedged item, the nature of the risk being hedged and how to assess the hedge effectiveness. At the inception of the hedge and for an ongoing basis, the hedge is assessed and determined actually to have been highly effective in achieving offsetting changes in cash flows attributable to the hedged item with the hedging instruments.

Derivatives designated as hedging instruments are initially recognized at fair value, and the subsequent fair value changes are recognized as follows.

- Cash flow hedges

For changes in the fair value of derivatives that are designated as hedging instruments for a cash flow hedge and meet the criteria of cash flow hedges, the portion of the gain or loss on the hedging instruments that is determined to be an effective hedge is recognized in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss. The associated gains and losses that were recognized in other comprehensive income are reclassified to profit or loss as a reclassification adjustment in the same period or periods during which cash flows attributable to the hedged item affects profit or loss. The Group discontinues prospectively the hedge accounting when the hedge no longer meets the criteria for hedge accounting, when the hedging instrument expires or is sold, terminated or exercised, or when the Group revokes the designation.

(ii) Derivatives not applied to hedge accounting

The Group's derivative assets and derivative liabilities that are not applied to hedge accounting are initially recognized at fair value, and subsequent fair value changes are recognized in profit or loss.

(l) Investments in securities
Investments in securities are investments in securities held by the Group other than "trading securities and other."

(m) Margin transaction assets and margin transaction liabilities
Margin transaction assets and margin transaction liabilities are claims and obligations arising against customers and securities finance companies in conjunction with domestic margin transaction.

(n) Loans secured by securities and loans payable secured by securities
Loans secured by securities and loans payable secured by securities are claims and obligations arising against customers, counterparty financial institutions, and clearing agencies in conjunction with the Group's transactions of loans secured by securities or loans payable secured by securities other than domestic margin transactions.

(4)Inventories
Crypto assets that are held mainly as a mean of sales in the near future for the purpose of earning profits from price fluctuations or earning margins as a broker are recognized as inventories, measured at acquisition cost at initial recognition and measured at fair value less cost to sell after initial recognition. Changes in fair value are recognized in profit or loss in the period in which the change occurs.
Fair value of crypto assets that are held as inventories is measured at the transaction prices of main cryptocurrency exchanges.
Crypto assets deposited by customers are not recognized as assets in the consolidated statement of financial position.

(5) Property and equipment

(a) Recognition and measurement

Property and equipment are reported at the acquisition cost less accumulated depreciation and accumulated impairment losses.

Acquisition costs include the costs directly related to acquisition of the asset and the costs for dismantling and removing. The Group elects to measure costs for dismantling and removing included in the cost of property and equipment on the date of transition to the IFRSs.

(b) Depreciation

Depreciation and amortization are calculated on the basis of the depreciable amount. The depreciable amount is calculated as the acquisition cost of an asset less its residual value.

Property and equipment are depreciated over the estimated useful life of each part of a property item, and depreciation is recognized in profit or loss applying the straight-line method. The straight-line method is applied because this is considered to be the most similar to the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter time period of either the lease term or its useful life, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives of major property and equipment in the fiscal year ended March 31, 2017 (the “previous fiscal year”) and the fiscal year ended March 31, 2018 (the “the current fiscal year”) are as follows.
Buildings: 3–18 years
Equipment and fixtures: 3–15 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date, and adjustments are made when required.

(6) Intangible assets

(a) Goodwill

Goodwill arising through the acquisition of subsidiaries is reported as an intangible asset. The measurement method of goodwill at the initial recognition is described in “(1) Basis of consolidation (a) Business combinations.”

Goodwill relating to acquisitions prior to December 27, 2010 is calculated based on the carrying amount according to JGAAP on the date of transition to the IFRSs.

Subsequent to the initial recognition, goodwill is measured at the acquisition cost less accumulated impairment losses.

(b) Internally generated intangible assets

The Group recognizes as intangible assets those software development costs if the development costs can be reliably determined, implementation is technologically feasible, there is a high probability for generating future economic benefit, and there are adequate resources to develop and use them. Subsequent to the initial recognition, internally generated intangible assets are measured at the acquisition cost less accumulated depreciation and accumulated impairment losses.

(c) Other intangible assets

Other intangible assets acquired by the Group with finite useful lives are measured at the acquisition cost less accumulated depreciation and accumulated impairment losses.

(d) Subsequent expenditures

Subsequent expenditures are recognized as assets only if future economic benefit from a specific asset relating to the expenditure can be increased. Other subsequent expenditures including goodwill and brands internally generated by the Group are all recognized as expenses when incurred.

(e) Amortization

Amortization is based on the acquisition cost of an asset less its residual value.

Amortization of intangible assets other than goodwill is recognized in profit or loss applying the straight-line method over the estimated useful life from the time when the asset is available for use.

The estimated useful lives of major intangible assets in the previous fiscal year and the current fiscal year are as follows.
Internally generated intangible assets: 5–7years
Customer relationships: 18 years
Technology assets: 18 years
Other assets: 18 years

Amortization methods, useful lives, and residual values are reviewed at each reporting date, and adjustments are made when required.

The Group considers the useful life of intangible assets to be indefinite only if there is no foreseeable limit to the period over which the intangible assets are expected to generate net cash inflows for the Group based on analysis of all relevant factors. Intangible assets with indefinite useful lives are not amortized and are subject to impairment tests at the same time each year and when there are indications of impairment.

(7) Impairment of non-financial assets

With the exception of deferred tax assets, the Group assesses whether there is any indication of impairment of nonfinancial assets on each reporting date. If there is any indication of impairment, the recoverable amount of the relevant asset is estimated. The recoverable amount of goodwill and intangible assets with indefinite useful lives, or that are not yet available for use, is estimated at the same time each year.

The recoverable amount of an asset or cash-generating unit (CGU) is the higher value of either the value in use or the fair value less cost of disposal. The value in use is calculated as the discounted present value of the estimated future cash flows using a pre-tax discount rate that reflects the time value of money and the risks specific to the relevant asset.

A CGU is the smallest group of assets that generates cash inflows that are largely independent from the cash inflows of other assets or groups of assets used continuously.

The Group determines CGUs in accordance with the units used to monitor goodwill for internal reporting purposes, and such units do not exceed operating segments before aggregation.

Corporate assets do not generate independent cash inflows. Consequently, if there is an indication of impairment of corporate assets, the recoverable amount is determined for the CGU to which the corporate asset belongs.

If the carrying amount of an asset or CGU exceeds its recoverable amount, impairment losses are recognized in profit or loss. Impairment losses recognized in relation to CGU initially reduce the carrying amount of the goodwill allocated to the CGU, and then proportionally reduce the carrying amount of other assets within the CGU.
Impairment losses relating to goodwill are not reversed. If other assets for which impairment was previously recognized, the Group assesses on each reporting date whether there is an indication of reduction or elimination of the impairment loss. If there were changes in the estimates used to determine the recoverable amount, the impairment losses are reversed. Impairment losses are reversed to the extent of the carrying amount less depreciation and amortization, that would have been determined if no impairment loss had been recognized.

(8) Employee benefits

(a) Defined contribution pension plan

The Company and some of its subsidiaries adopt defined contribution pension plans. The defined contribution pension plans are post-retirement benefit plans where the employer contributes a fixed amount into a separate entity with no legal or constructive obligations to pay further contributions. Contributions made to defined contribution pension plans are recognized in profit or loss during the employee’s period of service.

(b) Short-term employee benefits

Discount calculations are not performed with respect to short-term employee benefits, and the benefits are recognized in profit or loss when the associated services were rendered.

(9) Share-based payments

(a) Equity-settled share-based payment plan

The Company provides equity-settled share-based payment plan that allocates restricted stock to the officers and certain employees. The amounts of equity-settled share-based payments are measured the fair value as of the grant date, and are recognized in profit or loss as well as in capital over the vesting period.

(b) Cash-settled share-based payment plan

The Company provides a cash-settled share-based payment plan that is linked to the Company's share price to the officers and certain employees. The amounts of cash-settled share-based payments are recognized as liabilities at fair value, and changes in the fair value of those liabilities are recognized in profit or loss over the vesting period until the unconditional right to receive the compensation is fixed.

(10) Provisions

Provisions are recognized when the Group has legal and constructive obligations as a result of past events, there is a high probability that an outflow of resources embodying economic benefits will be required to settle those obligations, and the amounts of those obligations can be reasonably estimated. Provisions are discounted to the present value of the estimated future cash flows using a pre-tax rate that reflects the time value of money and the risks specific to the relevant liabilities. Reversal of discounts to reflect the passage of time is recognized in profit or loss.

(11) Equity

(a) Common stock

The issue price of equity instruments issued by the Company is recorded as "Common stock" and "Additional paid-in capital," with expenses directly related to the issuance being deducted from the "Additional paid-in capital."

(b) Treasury stock

Treasury stock is measured at the acquisition cost and deducted from equity. No gains or losses arising from the purchase, sale, or cancellation of the treasury stock are recognized in profit or loss. The difference between the carrying amount and the consideration at the time of sale is recognized as "Additional paid-in capital."

(12) Income and expense

Accounting policies applicable to the fiscal year ended March 2019

The Group Companies recognize revenue, excluding interest and dividend income and other such income from financial instruments recognized in accordance with IFRS 9, upon transfer of promised goods or services to customers in amounts that reflect the consideration to which the Group Companies expect to be entitled in exchange for those goods or services based on the following five step approach:
Step 1: Identify the contracts with customers
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(a)Commission Received

Commission received including brokerage commission is recognized on the trade date or such other timing because the related performance obligation is satisfied at that timing.
Commission received at cryptocurrency exchanges is recognized and included in commission received.

(b) Net trading income

Net trading income relating to "trading securities and other" is recognized in profit or loss for the change in fair value of trading securities. Net trading income relating to FX margin transactions is recognized in profit or loss for the change in fair value of the related derivative asset and liabilities. Net trading income relating to trading crypto assets is recognized in "Net trading income"

(c) Financial income and financial expenses

Financial income includes income from margin transactions, income from securities lending transactions, interest income, dividend income, gains on the sale of investments in securities, and changes in the fair value of derivatives other than trading instruments. Financial expenses include expenses from margin transactions, expenses from securities lending transactions, interest paid, losses on the sale of investments in securities, and changes in the fair value of derivatives other than trading instruments.

For financial income, interest received, dividend income, and gain on sales of investments in securities are recognized when incurred or in the period to which the revenue belongs based on IFRS 9. Income from securities lending transactions is recognized in the period to which the revenue belongs based on IFRS 15.

(d) Offsetting of income and expense

Income and expense relating to transactions for which the Group is not regarded as a principal are set off and recognized on a net basis.

(e) Lease payments

Amounts paid in relation to operating leases are recognized in profit or loss using the straight-line method over the term of the lease. Lease incentives received that are inseparable from total lease expenses are recognized over the lease term.

Accounting policies applicable to the fiscal year ending March 2018

Income and expense are measured at the fair value of the consideration received or paid less consumption taxes and other taxes.

(a) Commission received

Commission received including brokerage commission is recognized when the related service is provided. In the case of transactions including customer loyalty programs, the fair value of the points is estimated and the amount less this value is recognized as revenue.

(b) Net trading income

Net trading income relating to the sale of “trading securities and other” is recognized on the trade date, and net trading income relating to FX margin transactions is recognized in profit or loss for the change in fair value of the related derivative asset and liabilities.

(c) Financial income and financial expenses

Financial income includes income from margin transactions, income from securities lending transactions, interest income, dividend income, gains on the sale of investments in securities, and changes in the fair value of derivatives other than trading instruments. Financial expenses include expenses from margin transactions, expenses from securities lending transactions, interest paid, losses on the sale of investments in securities, and changes in the fair value of derivatives other than trading instruments.

Interest received and interest paid is recognized as income or expense when incurred using the effective interest method. Dividend income is recognized when the shareholders’ rights relating to the dividend vest.

(d) Offsetting of income and expense

Income and expense relating to transactions which the Group is not determined as a principal are set off and recognized on a net basis.

(e) Lease payments

Amounts paid in relation to operating leases are recognized in profit or loss applying the straight-line method over the term of the lease. Lease incentives received that are inseparable from total lease expenses are recognized over the lease term.

(13) Income tax expense

Income tax expense includes current tax expense and deferred tax expense. These expenses other than the items recognized in business combinations and recognized directly in equity or other comprehensive income are recognized in profit or loss.

Current income tax expense is the estimated taxes to be paid or refunded relating to taxable income or losses for the current fiscal year by applying the enacted tax rate or the substantively enacted tax rate at the end of the reporting period, adjusted for estimated taxes to be paid or refunded for prior years.

Deferred tax assets and liabilities are recognized with respect to the temporary difference between the carrying amount and the tax bases of assets and liabilities. Deferred tax assets and liabilities are not recognized with respect to temporary differences arising from the initial recognition of assets and liabilities in transactions other than business combinations, and for transactions that affect neither the accounting profit nor the taxable profit (tax loss) and temporary differences arising from investments in subsidiaries and associates, if the Company can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax liabilities are not recognized with respect to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax assets and liabilities are calculated using the tax rate that is expected to be applied at the time when the temporary difference is reversed based on tax laws that are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible differences can be utilized. Deferred tax assets are reassessed at the end of each reporting period, and recognized to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are set off when the Group has a legally enforceable right to set off deferred tax assets against deferred tax liabilities, and the deferred tax assets and deferred tax liabilities relate to corporate income taxes levied by the same taxation authority on either the same taxable entity or different taxable entity, which intends to settle the deferred tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously.

(14) Earnings per share

Basic earnings per share are calculated as profit attributable to the Company’s ordinary shareholders, divided by the weighted average number of shares outstanding after adjusting the effect of treasury stock during the reporting period.

Diluted earnings per share (earnings per share after adjustment for potential shares) are calculated after adjustment for the dilutive effects of all potential common stock.

(15) Segment information

Operating segments are components of business activities from which income are earned and expenses incurred including income and expenses relating to transactions with other operating segments. Discrete financial information for operating results of all operating segments is available and is regularly reviewed by the Company’s Chief Executive Officer to make decisions about resources to be allocated to each segment and assess business performance.

Segment operating results reported to the Chief Executive Officer include items directly attributable to the segment and items allocated to the segment based on reasonable grounds.

(16) New accounting standards and interpretations

The new accounting standards and interpretations that have been issued but not applied to the fiscal year ended March 31, 2019 are as follows. The Company is currently assessing the impact of applying IFRS 16 to the Group but estimates that applying IFRS 16 will have no significant impact on the Group.

Standards		Mandatory adoption (Annual period beginning on or after)	The Group’s adoption period (For the fiscal year)	New/revised requirements
IFRS 16	Leases	January 1, 2019	March 31, 2020	Revised leases accounting

(Changes in accounting policies)

The Group applied the accounting standards set forth below from the current fiscal year.

Standard		New/revised requirements
IAS 2	Share-based Payments	Clarification of accounting for share-based payments transactions
IFRS 9	Financial Instruments	Revised classification and measurement of financial assets Revised requirements for changes in fair value of financial liabilities Revised hedge accounting Revised impairment
IFRS 15	Revenue from Contracts with Customers	Establishment of comprehensive framework for recognition, measurement and disclosure of revenue

(a)Application of IAS 2 "Share-based Payments"

There is no significant impact from the changes in the accounting policies on the Group's financial statements for the current fiscal year.

(b)Application of IFRS 9 "Financial Instruments"

In accordance with the transition method, the Group did not restate in the consolidated financial statements of previous fiscal year when applying IFRS9.

As a result of the application of IFRS9, the Group changed the classification and measurement of financial assets at the date of initial application as follows:

(i)Financial assets measured at amortized cost

Financial assets shall be measured at amortized cost if both of the following conditions are met

・The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

・the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially recognized at fair value plus directly attributable transaction costs. Subsequent to the initial recognition, they are measured at an amortized cost using the effective interest method.

(ii)Equity instruments measured at FVTOCI

For the investments in equity instruments that are not held for trading, an irrevocable election to measure equity investments at FVTOCI can be made on initial recognition, and the Group makes the election on an instrument-by-instrument basis.

Equity instruments at FVTOCI are initially recognized at fair value plus directly attributable transaction costs. Subsequently, they are measured at fair value, and gains and losses arising from changes in fair value are recognized in other comprehensive income and presented as "Gains (losses) on equity instruments measured at fair value through other comprehensive income" in other components of equity.

At derecognition of equity instruments measured at FVTOCI or when the significant decline in fair value below the initial cost occurs, the recognized amount of changes in fair value accumulated in other comprehensive income is reclassified directly to retained earnings and not reclassified to profit or loss.

Dividends from equity instruments measured at FVTOCI are recognized in profit or loss as part of financial income.

(iii) Debt instruments measured at FVTOCI
Debt instruments shall be classified as debt instruments measured at FVTOCI if both of the following conditions are met
・the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
・the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
Debt instruments measured at fair value through other comprehensive Income are initially recognized at fair value plus directly attributable transaction costs.
Subsequently, they are measured at fair value, and gains and losses arising from changes in fair value excluding impairment gain/loss and Foreign exchange gain/loss are recognized in other comprehensive income and presented as "Gains (losses) on debt instruments measured at fair value through other comprehensive income" in other components of equity until the derecognition or reclassification of debt instruments measured at FVTOCI is conducted. At derecognition of debt instruments measured at FVTOCI, the recognized amount of changes in fair value accumulated in other comprehensive income is reclassified directly to profit or loss.

(iv) Financial assets measured at FVTPL
Financial assets other than those above are classified as financial assets measured at FVTPL.

Financial assets at FVTPL are initially recognized at fair value and attributable transaction costs are recognized as profit/loss when incurred. Subsequently, they are measured at fair value, and gains and losses arising from changes in fair value are recognized as profit and loss.

As a result of the application of IFRS9, the Group changed the classification and measurement of financial liabilities as follows,
(i) Financial liabilities measured at amortized cost
Financial liabilities measured at amortized cost are measured at fair value at initial recognition minus directly attributable transaction costs. Subsequent to the initial recognition, they are measured at an amortized cost using the effective interest method.

(ii) Financial liabilities at FVTPL
Financial liabilities measured at FVTPL are measured at fair value at initial recognition and attributable transaction costs are recognized as profit/loss when incurred. Subsequently, they are measured at fair value, and gains and losses arising from changes in fair value are recognized as profit and loss.

Under IFRS 9, an allowance for expected credit losses is recognized for financial assets measured at amortized cost and debt instruments measured at FVTOCI. At the end of each reporting period, the Group assesses whether the credit risk on each financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the Group recognizes the loss allowance at an amount equal to 12 months of expected credit losses. Meanwhile, if the credit risk has increased significantly since initial recognition, the Group recognizes the loss allowance at an amount equal to the lifetime expected credit losses.

As a general rule, it is presumed that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Group assumes that the credit risk on the financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the end of the reporting period. Financial assets, all or part of which cannot be collected or are presumed difficult to be collected or financial assets that are more than 90 days past due are defined to be default.

Expected credit losses are the weighted average of credit losses with the probability of the default occurring used as the weights, where the credit losses are measured as the present value of the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group directly reduces the gross carrying amount of a financial asset when it has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof.
For financial assets measured at amortized cost, expected credit loss is recognized as allowance for doubtful accounts. The provision and the reversal of an allowance for doubtful accounts are recognized in profit/loss as impairment gain/loss.

As for hedge accounting, although hedge effectiveness requirements were revised in order to more appropriately reflect the entity's risk management activities in the financial statements, the Group continues to apply the hedge accounting requirements of IAS 39.

Adjustment to the classification based on IFRS 9 from IAS 39 on 2018/4/1

Change in carrying amount to financial assets measured at amortized cost

Millions of Yen

	IAS 39 Carrying amount 2018/4/1	Classification change	Re-measurement	IFRS 9 Carrying amount 2018/4/1
Loans and receivables				
Cash and cash equivalents	¥83,884	¥(83,884)	¥—	¥—
Cash segregated as deposits	327,487	(327,487)	—	—
Margin transaction assets	192,224	(192,224)	—	—
Loans secured by securities	21,389	(21,389)	—	—
Other financial assets	58,837	(58,837)	—	—
Total	683,822	(683,822)	—	—
Financial assets measured at amortized cost				
Cash and cash equivalents	—	83,884	—	83,884
Cash segregated as deposits	—	327,487	—	327,487
Margin transaction assets	—	192,224	—	192,224
Loans secured by securities	—	21,389	—	21,389
Other financial assets	—	58,837	—	58,837
Total	—	683,822	—	683,822
Total change to financial assets measured at amortized cost	¥683,822	¥—	¥—	¥683,822

Thousands of U.S. Dollars

	IAS 39 Carrying amount 2018/4/1	Classification change	Re-measurement	IFRS 9 Carrying amount 2018/4/1
Loans and receivables				
Cash and cash equivalents	$756,925	$(756,925)	$—	$—
Cash segregated as deposits	2,955,073	(2,955,073)	—	—
Margin transaction assets	1,734,531	(1,734,531)	—	—
Loans secured by securities	193,003	(193,003)	—	—
Other financial assets	530,918	(530,918)	—	—
Total	6,170,450	(6,170,450)	—	—
Financial assets measured at amortized cost				
Cash and cash equivalents	—	756,925	—	756,925
Cash segregated as deposits	—	2,955,073	—	2,955,073
Margin transaction assets	—	1,734,531	—	1,734,531
Loans secured by securities	—	193,003	—	193,003
Other financial assets	—	530,918	—	530,918
Total	—	6,170,450	—	6,170,450
Total change to financial assets measured at amortized cost	$6,170,450	$—	$—	$6,170,450

Change in carrying amount to financial assets measured at FVTOCI

Millions of Yen

	IAS 39 Carrying amount 2018/4/1	Classification change	Re-measurement	IFRS 9 Carrying amount 2018/4/1
Available-for-sale financial assets				
Cash segregated as deposits	¥215,951	¥(215,951)	¥—	¥—
Investments in securities	656	(656)	—	—
Total	216,607	(216,607)	—	—
Equity instruments measured at FVTOCI				
Investments in securities	—	656	—	656
Total	—	656	—	656
Debt instruments measured at FVTOCI				
Cash segregated as deposits	—	215,951	—	215,951
Total	—	215,951	—	215,951
Total change to financial assets measured at FVTOCI	¥216,607	¥—	¥—	¥216,607

Thousands of U.S. Dollars

	IAS 39 Carrying amount 2018/4/1	Classification change	Re-measurement	IFRS 9 Carrying amount 2018/4/1
Available-for-sale financial assets				
Cash segregated as deposits	$1,948,628	$(1,948,628)	$—	$—
Investments in securities	5,919	(5,919)	—	—
Total	1,954,547	(1,954,547)	—	—
Equity instruments measured at FVTOCI	—	—	—	—
Investments in securities	—	5,919	—	5,919
Total	—	5,919	—	5,919
Debt instruments measured at FVTOCI	—	—	—	—
Cash segregated as deposits	—	1,948,628	—	1,948,628
Total	—	1,948,628	—	1,948,628
Total change to financial assets measured at FVTOCI	$1,954,547	$—	$—	$1,954,547

Change in carrying amount to financial assets measured at FVTPL

Millions of Yen

	IAS 39 Carrying amount 2018/4/1	Classification change	Re-measurement	IFRS 9 Carrying amount 2018/4/1
Financial assets measured at FVTPL				
Trading securities and other	¥1,618	¥(1,618)	¥—	¥—
Derivative assets	15,424	(15,424)	—	—
Total	17,042	(17,042)	—	—
Available-for-sale financial assets				
Investments in securities	2,467	(2,467)	—	—
Total	2,467	(2,467)	—	—
Financial assets measured at FVTPL				
Trading securities and other	—	1,618	—	1,618
Derivative assets	—	15,424	—	15,424
Investments in securities	—	2,467	—	2,467
Total	—	19,509	—	19,509
Total change to financial assets measured at FVTPL	¥19,509	¥—	¥—	¥19,509

Thousands of U.S. Dollars

	IAS 39 Carrying amount 2018/4/1	Classification change	Re-measurement	IFRS 9 Carrying amount 2018/4/1
Financial assets measured at FVTPL				
Trading securities and other	$14,598	$(14,598)	$—	$—
Derivative assets	139,181	(139,181)	—	—
Total	153,779	(153,779)	—	—
Available-for-sale financial assets	—	—	—	—
Investments in securities	22,261	(22,261)	—	—
Total	22,261	(22,261)	—	—
Financial assets measured at FVTPL	—	—	—	—
Trading securities and other	—	14,598	—	14,598
Derivative assets	—	139,181	—	139,181
Investments in securities	—	22,261	—	22,261
Total	—	176,040	—	176,040
Total change to financial assets measured at FVTPL	$176,040	$—	$—	$176,040

Change in carrying amount to financial liabilities measured at amortized cost

Millions of Yen

	IAS 39 Carrying amount 2018/4/1	Classification change	Re-measurement	IFRS 9 Carrying amount 2018/4/1
Financial liabilities measured at amortized cost				
Margin transaction liabilities	¥29,683	¥(29,683)	¥—	¥—
Loans payables secured by securities	78,203	(78,203)	—	—
Deposits received	324,256	(324,256)	—	—
Guarantee deposits received	254,647	(254,647)	—	—
Bonds and loans payable	191,010	(191,010)	—	—
Other financial liabilities	4,545	(4,545)	—	—
Total	882,345	(882,345)	—	—
Financial liabilities measured at amortized cost				
Margin transaction liabilities	—	29,683	—	29,683
Loans payables secured by securities	—	78,203	—	78,203
Deposits received	—	324,256	—	324,256
Guarantee deposits received	—	254,647	—	254,647
Bonds and loans payable	—	191,010	—	191,010
Other financial liabilities	—	4,545	—	4,545
Total	—	882,345	—	882,345
Total change to financial liabilities measured at amortized cost	¥882,345	¥—	¥—	¥882,345

Thousands of U.S. Dollars

	IAS 39 Carrying amount 2018/4/1	Classification change	Re-measurement	IFRS 9 Carrying amount 2018/4/1
Financial liabilities measured at amortized cost				
Margin transaction liabilities	$267,845	$(267,845)	$—	$—
Loans payables secured by securities	705,665	(705,665)	—	—
Deposits received	2,925,921	(2,925,921)	—	—
Guarantee deposits received	2,297,799	(2,297,799)	—	—
Bonds and loans payable	1,723,579	(1,723,579)	—	—
Other financial liabilities	41,012	(41,012)	—	—
Total	7,961,820	(7,961,820)	—	—
Financial liabilities measured at amortized cost	—	—	—	—
Margin transaction liabilities	—	267,845	—	267,845
Loans payables secured by securities	—	705,665	—	705,665
Deposits received	—	2,925,921	—	2,925,921
Guarantee deposits received	—	2,297,799	—	2,297,799
Bonds and loans payable	—	1,723,579	—	1,723,579
Other financial liabilities	—	41,012	—	41,012
Total	—	7,961,820	—	7,961,820
Total change to financial liabilities measured at amortized cost	$7,961,820	$—	$—	$7,961,820

Change in carrying amount to financial liabilities measured at FVTPL

Millions of Yen

	IAS 39 Carrying amount 2018/4/1	Classification change	Re-measurement	IFRS 9 Carrying amount 2018/4/1
Financial liabilities measured at FVTPL				
Derivative liabilities	¥5,340	¥(5,340)	¥—	¥—
Total	5,340	(5,340)	—	—
Financial liabilities measured at FVTPL				
Derivative liabilities	—	5,340	—	5,340
Total	—	5,340	—	5,340
Total change to financial liabilities measured at FVTPL	¥5,340	¥—	¥—	¥5,340

Thousands of U.S. Dollars

	IAS 39 Carrying amount 2018/4/1	Classification change	Re-measurement	IFRS 9 Carrying amount 2018/4/1
Financial liabilities measured at FVTPL				
Derivative liabilities	$48,181	$(48,181)	$—	$—
Total	48,181	(48,181)	—	—
Financial liabilities measured at FVTPL	—	—	—	—
Derivative liabilities	—	48,181	—	48,181
Total	—	48,181	—	48,181
Total change to financial liabilities measured at FVTPL	$48,181	$—	$—	$48,181

Adjustment from allowance for doubtful accounts based on IAS 39 to allowance for doubtful accounts based on IFRS 9 on April 1, 2018. Allowance for doubtful accounts are related to financial assets measured at amortized cost.

Millions of Yen

	Loss allowance measured at an amount equal to lifetime expected credit losses Credit-impaired financial assets	Total
Balance on 2018/4/1 based on IAS 39	380	380
Adjustment based on IFRS 9	—	—
Balance on 2018/4/1 based on IFRS 9	380	380

Thousands of U.S. Dollars

	Loss allowance measured at an amount equal to lifetime expected credit losses Credit-impaired financial assets	Total
Balance on 2018/4/1 based on IAS 39	$3,428	$3,428
Adjustment based on IFRS 9	—	—
Balance on 2018/4/1 based on IFRS 9	$3,428	$3,428

(c)Application of IFRS 15 "Revenue from Contracts with Customers"

In accordance with the transition method, the Group retrospectively applied IFRS 15 and recognized the cumulative effect resulting from the initial application as an adjustment to the beginning balance of retained earnings for the fiscal year ended March 31, 2019.
Upon the adoption of IFRS 15, the Group Companies recognize revenue, excluding interest and dividend income and other such income from financial instruments recognized in accordance with IFRS 9, upon transfer of promised goods or services to customers in amounts that reflect the consideration to which the Group Companies expect to be entitled in exchange for those goods or services based on the following five-step approach:
Step 1: Identify the contracts with customers
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 a performance obligation
There is no significant impact from the changes in the accounting policies on the Group’s financial statements for the current fiscal year.

(i)Commission Received
Commission received including brokerage commission is recognized on the trade date or such other timing because the related performance obligation is satisfied at that timing. Commission received at cryptocurrency exchanges is recognized and included in commission received.

(ii) Net trading income
Net trading income relating to “trading securities and other” is recognized in profit or loss for the change in fair value of trading securities. Net trading income relating to FX margin transactions is recognized in profit or loss for the change in fair value of the related derivative asset and liabilities. Net trading income relating to trading crypto assets is recognized in "Net trading income"

(iii) Financial income and financial expenses
Financial income includes income from margin transactions, income from securities lending transactions, interest income, dividend income, gains on the sale of investments in securities, and changes in the fair value of derivatives other than trading instruments. Financial expenses include expenses from margin transactions, expenses from securities lending transactions, interest paid, losses on the sale of investments in securities, and changes in the fair value of derivatives other than trading instruments.

For financial income, interest received, dividend income and gain on sales of investments in securities are recognized when incurred or in the period to which the revenue belongs based on IFRS 9. Income from securities lending transactions is recognized in the period to which the revenue belongs based on IFRS 15.

(d) Inventories

Crypto assets that are held in order to sell in the near future or to earn profits from price fluctuations or margins as a broker, are recognized as inventories, measured at acquisition cost at initial recognition and measured at fair value less cost to sell after initial recognition. Changes in fair value are recognized in profit or loss in the period in which the change occurs.
Fair value of crypto assets that are held as inventories is measured at the transaction prices of main cryptocurrency exchanges.
Crypto assets deposited by customers are not recognized as assets in the consolidated statement of financial position.

(e) Intangible assets

Crypto assets and tokens that are not categorized as inventories are recognized as intangible assets. They are measured at acquisition cost at initial recognition and measured at acquisition cost less accumulated impairment losses after initial recognition. Crypto assets that are categorized as intangible assets are regarded as intangible assets whose useful life cannot be determined and accordingly are not amortized.

4 Financial Risk Management

The Group is exposed to the following risks arising from financial instruments in the course of its business activities:
- Credit risk;
- Liquidity risk;
- Market risk;
- Operational risk.

This note presents information about the impact of each of these risks on the Group, the policies on the identification, analysis and assessment of risk, and the equity management on the Group.

(1) Organizations for managing risks arising from financial instruments

To limit risks that have an impact on the Group's management within an acceptable range, risks are appropriately identified, analyzed and assessed, and appropriate management organizations are designed to respond to each risk.

The Company establishes rules for managing all risks that affect the Group's operations. Each risk including those arising from financial instruments are managed in accordance with specific management policies and management structures determined by the executive officer responsible for overseeing the division that manages the risk, and each subsidiary is instructed to adopt risk management policies and establish risk management systems. The Company appointed a risk manager, and the risk manager monitors the status of the design and the operation of risk management systems within the Company and at major subsidiaries, and periodically reports the status to the Company's Board of Directors.

(a) Credit risk

Credit risk is the risk of financial loss arising from the nonperformance of a counterparty to an agreement or for other reasons. Credit risk arises principally from the counterparty risks of the Group's customers and the counterparty financial institutions and issuer risks.

The carrying amounts of financial assets after impairment are presented in the consolidated financial statements and are the amounts of maximum exposure of the Group to financial asset credit risks before taking into consideration the value of associated collateral. Information concerning collateral is set forth in "Note 20. Collateral."

(Risks relating to customer transactions)

The Group has a globally diversified customer base and sets a limit for the transaction volume. As such, the Group does not have an excessive credit risk with any specific customers. Most of the claims against customers comprise (i) receivables pursuant to open contracts, (ii) loans secured by securities including loans for margin transactions, (iii) futures and option transactions, and (iv) FX margin transactions. The Group receives advances, guarantee deposits, and collateral. The Group also identifies risks relating to position imbalances through the ongoing monitoring of trading conditions, and has introduced systems to control the occurrence of overdue claims by setting appropriate margin requirements and establishing systems for compulsory settlement; hence credit risks relating to claims against customers are limited.

(Risks relating to counterparty financial institutions and cryptocurrency exchange brokers)

The Group's counterparty financial institutions and cryptocurrency exchange brokers are well-known, healthy domestic and overseas financial institutions, thus the credit risks concerning claims against these institutions are limited. If the Group obtains information that may lead to credit uncertainty, such as a downgrade of the credit rating of a counterparty financial institution or cryptocurrency exchange broker, necessary measures are taken in collaboration with all concerned divisions to avoid those risks.

(Risks relating to issuers)

The Group holds securities, such as Japanese government bonds and U.S. treasury bills, for investment purposes. The Group also holds securities as inventory of financial instruments offered to customers. The Group conducts ongoing monitoring of the credit risks relating to the issuers of these securities, and the credit risks relating to those issuers are limited.

The fiscal year ended March 31, 2018

For the fiscal year ended March 31, 2018, the Group applied IAS 39 as permitted by the exemption from the retrospective application of IFRS 9.

Aging analysis of financial assets which are overdue but not impaired

As of March 31, 2018

	Millions of Yen
	2018
Within three months	¥46
From three months to one year	4
More than one year	17
Total	¥67

These are primarily advances to customers that are included in the “Other financial assets,” and considered to be recoverable at the end of the fiscal year. Consequently, the Company determined that recognition of impairment is not necessary.

When the Group recognizes the impairment of financial assets other than securities, impairment is accounted for using the allowance for doubtful receivables account, and not directly reducing the carrying amount of the financial assets. Allowances for doubtful receivables are made taking into consideration the likelihood of recovery based on the recent status of the Group’s counterparties, payment conditions and receipt of collateral. The balances of financial assets (other than impaired securities) which are individually considered to be impaired at the end of the previous fiscal year were ¥380 million, respectively, and the related allowances for doubtful receivables on those dates were ¥380 million, respectively.

Changes in allowance for doubtful receivables which are individually considered to be impaired

For the fiscal years ended March 31, 2018 and 2019

	Millions of Yen
	2018
Beginning balance	¥113
Increase	395
Decrease (reversal)	(107)
Decrease (usage)	(6)
Foreign currency translation adjustments in foreign operations	(14)
Ending balance	¥380

For the fiscal years ended March 31, 2019

Carrying amount by credit risk of financial assets is as follows.

As of March 31, 2019

Millions of Yen

	Allowance for doubtful accounts measured at an amount equal to lifetime expected credit losses	Total
	Credit-impaired financial assets	
Financial assets measured at amortized cost		
Other financial assets	¥614	¥614

Notes: Mainly advance payment to customers

Thousands of U.S. Dollars

	Allowance for doubtful accounts measured at an amount equal to lifetime expected credit losses	Total
	Credit-impaired financial assets	
Financial assets measured at amortized cost		
Other financial assets	$5,540	$5,540

Changes in allowance for doubtful receivables for other financial assets

For the fiscal years ended March 31, 2019

Millions of Yen

	Allowance for doubtful accounts measured at an amount equal to lifetime expected credit losses	Total
	Credit-impaired financial assets	
Balance at beginning of period	¥380	¥380
Increase	40	40
Decrease (reversal)	(1)	(1)
Decrease (usage)	(0)	(0)
Foreign currency translation adjustment	13	13
Balance at end of period	¥432	¥432

Thousands of U.S. Dollars

	Allowance for doubtful accounts measured at an amount equal to lifetime expected credit losses	Total
	Credit-impaired financial assets	
Balance at beginning of period	$3,428	$3,428
Increase	357	357
Decrease (reversal)	(5)	(5)
Decrease (usage)	—	—
Foreign currency translation adjustment	118	118
Balance at end of period	$3,898	$3,898

(b) Liquidity risk
Liquidity risk is the risk of an entity being unable to settle obligations using cash, other financial assets or other means.

The Group finances the funds necessary for operations by obtaining loans from a number of financial institutions including major financial institutions and interbank markets and by issuing bonds in capital markets, and invests temporary surplus funds into highly liquid, short-term financial assets.

The Group regularly monitors the status and outlook of cash flows and reduces liquidity risks by entering into contracts such as overdraft arrangements and commitment line agreements with a number of financial institutions. In addition, the Group aims to further reduce liquidity risks using internal systems that allow timely financing among the companies within the Group.

"Deposits received" and "Guarantee deposits received" from customers are segregated in customer trust accounts that are established based on relevant laws and regulations, and which are composed of highly liquid assets such as government bonds and cash deposits to provide adequate liquidity.

(i) Bonds and loans payable

Bonds and loans payable by maturity

As of March 31, 2018

Millions of Yen

	Carrying amount	Contractual cash flows	Within one year	From one year to two years	From two years to three years	From three years to four years	From four years to five years	More than five years
Short-term loans payable and other	¥110,758	¥110,761	¥110,761	¥—	¥—	¥—	¥—	¥—
Bonds payable	23,630	26,500	26,500	—	—	—	—	—
Long-term loans payable	56,622	56,700	—	46,700	10,000	—	—	—
Total	¥191,010	¥193,961	¥137,261	¥46,700	¥10,000	¥—	¥—	¥—
(Margin transaction liabilities)								
Borrowings on margin transactions	¥13,242	¥13,242	¥13,242	¥—	¥—	¥—	¥—	¥—

As of March 31, 2019

Millions of Yen

	Carrying amount	Contractual cash flows	Within one year	From one year to two years	From two years to three years	From three years to four years	From four years to five years	More than five years
Short-term loans payable and other	**¥94,667**	**¥94,673**	**¥94,673**	**¥—**	**¥—**	**¥—**	**¥—**	**¥—**
Bonds payable	**27,018**	**28,000**	**11,200**	**—**	**11,800**	**—**	**5,000**	**—**
Long-term loans payable	**68,955**	**69,208**	**—**	**10,005**	**38,853**	**—**	**20,350**	**—**
Total	**¥190,641**	**¥191,880**	**¥105,873**	**¥10,005**	**¥50,653**	**¥—**	**¥25,350**	**¥—**
(Margin transaction liabilities)								
Borrowings on margin transactions	**¥3,573**	**¥3,573**	**¥3,573**	**¥—**	**¥—**	**¥—**	**¥—**	**¥—**

Thousands of U.S. Dollars

	Carrying amount	Contractual cash flows	Within one year	From one year to two years	From two years to three years	From three years to four years	From four years to five years	More than five years
Short-term loans payable and other	**$854,228**	**$854,276**	**$854,276**	**$—**	**$—**	**$—**	**$—**	**$—**
Bonds payable	**243,800**	**252,657**	**101,063**	**—**	**106,477**	**—**	**45,117**	**—**
Long-term loans payable	**622,215**	**624,493**	**—**	**90,277**	**350,588**	**—**	**183,628**	**—**
Total	**1,720,243**	**1,731,427**	**955,339**	**90,277**	**457,065**	**—**	**228,745**	**—**
(Margin transaction liabilities)								
Borrowings on margin transactions	**$32,240**	**$32,240**	**$32,240**	**$—**	**$—**	**$—**	**$—**	**$—**

(ii) Derivative liabilities

Derivative liabilities designated as hedging instruments by maturity

As of March 31, 2018

Millions of Yen

	Carrying amount	Contractual cash flows	Within one year	From one year to two years	From two years to three years	From three years to four years	From four years to five years	More than five years
Derivative liabilities designated as hedging instruments	¥772	¥777	¥777	¥—	¥—	¥—	¥—	¥—
Total	¥772	¥777	¥777	¥—	¥—	¥—	¥—	¥—

As of March 31, 2019
Not applicable

There are no significant financial liabilities (including derivatives) with maturity over one year other than bonds and loans payable and derivative liabilities designated as hedging instruments.

(c) Market risk
Market risk is the risk of fluctuations in the fair value of securities and other investments or future cash flows as a result of changes in market price. Market risk includes foreign exchange risk, interest rate risk and other risk.

(i) Foreign exchange risk
The Group is exposed to foreign exchange risk for over-the-counter FX margin transactions and foreign exchange risk relating to assets and liabilities denominated in foreign currencies, such as foreign currency financial instrument inventories of financial instruments business operators, as well as for the Group's net investments in foreign operations.
The Group controls its foreign exchange position appropriately by setting rules on cover transactions for over-the-counter FX margin transactions. The foreign exchange risk relating to assets and liabilities denominated in foreign currencies, such as foreign currency financial instrument inventories, is limited since the Group identifies the risks, such as position imbalances through ongoing monitoring, and hedges the risks on a net position with financial instruments, such as foreign exchange forwards.

(ii) Interest rate risk
The Group is exposed to the risk of changes in interest rates on long-term financing since it obtains necessary funding through loans from financial institutions and by issuing bonds in capital markets.

The main financial assets exposed to interest rate risks are cash segregated as deposits. To manage the risks, the results of quantitative analysis are reported to the Board of Directors.

Investments in segregated customer money trusts and separate customer money trusts are generally held to maturity with the aim of earning interest income for the investment period. Investment instruments currently include securities, such as Japanese government bonds and U.S. treasury notes, bank deposits and call loans.

The Group monitors the interest rate risks arising from these assets and liabilities, and if a drastic change in interest rates occurs, the Group has mechanism in place that allows for timely hedging of changes in profit and loss through use of interest rate swaps and other derivatives.

• Fixed interest rate financial instruments

The table below shows the impact on equity in the consolidated statement of financial position from changes in fair value in the event of a 10 basis point increase in interest rates with respect to Japanese government bonds, U.S. treasury bills and interest rate swaps designated as hedging instruments (cash flow hedges) in the previous fiscal year and the current fiscal year.

As of March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Japanese government bonds	¥(139)	**¥(119)**	**$(1,071)**
U.S. treasury notes and other	(17)	**(19)**	**(168)**
Interest rate swaps designated as hedging instruments	(53)	**—**	**—**
Effect on equity	¥(208)	**¥(137)**	**$(1,239)**

The above includes the effects from changes in fair value of available-for-sale financial assets in the previous fiscal year and financial assets measured at FVTOCI in the current fiscal year, but there is no impact on profit or loss unless the decrease in fair value results in recognition of impairment.

• Variable interest rate financial instruments

The following table shows the impact on pre-tax profit in the consolidated statement of income and equity in the consolidated statement of financial position from changes in fair value in the event of a 10 basis point increase in interest rates with respect to long-term loans payable in the previous fiscal year and the current fiscal year. This analysis is performed by multiplying the balance of variable interest rate financial instruments, held by the Group at the end of the previous fiscal year and the current fiscal year, by 10 basis points assuming that other variables are constant and without taking into consideration: future changes in balances, the effects of changes in exchange rates, the dispersion effects of the timing of refinancing variable interest rate loans or the timing of interest rate changes.

For variable interest financial instruments with interests that are substantively fixed by interest rate swap transactions, the impact on the financial instruments are adjusted.

Sensitivity analysis

For the fiscal years ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Effect on profit before income taxes	¥(29)	**¥(14)**	**$(124)**
Effect on equity	(20)	**(10)**	**(86)**

(iii) Other risks

The Group is exposed to risks from changes in the value of securities that were recognized on the consolidated statement of financial position, but manages the status of these risks by monitoring the changes in value for securities held by the Group.

The following table shows the impact on equity in the consolidated statement of financial position from changes in the value of security investments in the event of a 10% decrease in the fair value of marketable securities held by the Group. This analysis is performed by multiplying the balance of investments in securities held by the Group at the end of the previous fiscal year and the current fiscal year by 10%, assuming that other variables including the effects of future balance changes and exchange rate changes are constant.

Sensitivity analysis

As of March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Profit before income taxes	¥—	**¥(36)**	**$(324)**
Effect on equity	(65)	**(10)**	**(92)**

The above includes the effects from changes in fair value of available-for-sale financial assets, but there is no impact on profit or loss unless the decrease in fair value results in recognition of impairment.

(d) Operational risk

The Group is exposed to operational risk arising from a wide variety of factors associated with business processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as changes in legal and regulatory requirements.

To identify and manage operational risks, the Company's risk manager monitors the status of the design and the operation of risk management systems within the Company and at the major subsidiaries, and periodically reports the status to the Company's Board of Directors. Subsidiaries reduce operational risks by specifying segregation of duties, adopting document management rules and acting in compliance with laws and regulations. Furthermore, the Internal Audit Department identifies the presence of risks, requests improvements when necessary and reports the status to the Board of Directors to reduce operational risk.

(2) Capital management

To maintain management soundness and efficiency and achieve continuous growth, the Group focuses on maintaining appropriate levels of capital as well as a liability and capital structure commensurate with the business risks. There are subsidiaries within the Group that are required under the Japanese Financial Instruments and Exchange Act and other similar foreign laws to maintain their capital-to-risk ratios or net assets at or above certain levels.

The principal laws of specific countries and jurisdictions that are applicable to the Group's main subsidiaries for each operating segment are as follows.

Country/territory	Name of law
Japan	Financial Instruments and Exchange Act
United States	Securities Act of 1933 Securities Exchange Act of 1934 Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 Commodity Exchange Act of 1936
Hong Kong	Securities and Futures Ordinance (Cap. 571)

The level of capital for each subsidiary satisfies the requirements under the laws of each country and territory.

During the current fiscal year, there were no changes to the laws that could have a significant impact on the calculation of capital requirements.

Based on the information available at the end of May 2018, summaries of the capital requirements applicable to Monex, Inc., and TradeStation Securities, Inc., which are the main Group subsidiaries, and figures relating to capital requirements as of March 31, 2018 are set forth below.

(a) Monex, Inc.

Monex, Inc., is required by the Financial Instruments and Exchange Act and related laws and regulations in Japan to maintain a level of 120% or more that is equal to the amount of non-fixed capital (current assets) divided by the total amount for the three risks indicated below.

i) Market risk (risk arising from a decrease in the value of instruments held as a result of changes in market prices) amount;

ii) Counterparty risk (risk arising from counterparties to financial instrument transactions) amount; and

iii) Fundamental risk (risk arising from administrative processing errors or in the performance of other day-to-day operations) amount.

As of March 31, 2018 and 2019

	2018	**2019**
Capital-to-risk ratio	310.4%	**340.6%**

(b) TradeStation Securities, Inc.

TradeStation Securities, Inc., a broker-dealer subsidiary in the U.S., is required to maintain minimum net capital (SEC Rule 15c3-1) calculated under the rules of the United States Securities and Exchange Commission (SEC) and self-regulatory organizations.

Under these rules, TradeStation Securities, Inc., calculates its net capital requirements using the “alternative method,” for which a minimum net capital must be maintained, as defined by the rules, and equal to the highest of:

i) U.S. $1.5 million;

ii) 8% of U.S. domestic and foreign based customers’ and non-customers’ (creditors whose claims against TradeStation Securities, Inc., are subordinate to claims against other creditors; excluding proprietary portions) risk maintenance of margin/performance bond requirements for all U.S. domestic and foreign futures, futures options, and over-the-counter derivative positions, excluding risk margin associated with a naked and long position; or

iii) 2% of aggregate customer debit items.

Excess net capital is calculated by deducting the minimum net capital required from the net capital.

As of March 31, 2018 and 2019

Thousands of U.S. Dollars

	2018	**2019**
Net capital	$89,116	**$119,333**
Minimum net capital required	4,737	**3,780**
Excess net capital	$84,379	**$115,554**

5 Acquisition of Subsidiaries and Non-controlling Interests

For the fiscal year ended March 31, 2018
There were no acquisitions of subsidiaries or non-controlling interests.

For the fiscal year ended March 31, 2019
The Company entered into a share transfer agreement with the shareholders of Coincheck, Inc. on April 6, 2018 and acquired 100% of its shares on April 16, 2018.

(1) Outline of the business combination
(a) Name of the acquired company and business description
Name of the acquired company: Coincheck, Inc.
Business description: Cryptocurrency exchange service provider

(b) Acquisition date
April 16, 2018

(c) Percentage of voting rights acquired
100%

(d) Main reasons for business combination
The company has recognized blockchain technology and crypto assets as next-generation technologies and platforms which are likely to drastically change the way people approach money. Accordingly, since the Company announced "MONEX's new beginning" in October 2017, the Company has considered entering the cryptocurrency exchange business and set up the Monex Cryptocurrency Lab to grow the business based on these new technologies. In particular, the cryptocurrency exchange business plays a core part in the vision of "MONEX's new beginning." Therefore, the Company has resolved to acquire 100% of shares of Coincheck, Inc., which has been a pioneer among cryptocurrency exchanges.

(e) Method of acquisition
Share acquisition by transferring cash

(2) Acquisition cost
Fair value of cost at acquisition date are as follows.

	Millions of Yen	Thousands of U.S. Dollars
Cash	**¥3,600**	**$32,485**
Contingent Considerations(*)	**960**	**8,664**
Cost of acquisition	**¥4,560**	**$41,149**

Notes:The Company and the former shareholders of Coincheck, Inc. have agreed on a contingent consideration. The additional payment may be made up to half of the sum of net income over the three upcoming fiscal years, after adjusting a certain level of business risk. To account for this contingent consideration, fair value of ¥960 million ($8,664 thousand), which is calculated on the date of acquisition using the sum of net income over the three upcoming fiscal years and a certain level of business risk, is included in the cost of acquisition.

(3)Amount of acquired assets and liabilities assumed

Fair value of acquired assets and liabilities assumed on the acquisition date are as follows.

	Millions of Yen	Thousands ofU.S. Dollars
Assets		
Cash and cash equivalents	**¥34,295**	**$309,459**
Inventories	**4,402**	**39,723**
Other assets	**638**	**5,755**
Liabilities	**—**	
Deposits received	**(27,553)**	**(248,622)**
Income taxes payable	**(1,876)**	**(16,926)**
Other liabilities	**(4,977)**	**(44,911)**
Fair value of identifiable net assets	**¥4,929**	**$44,479**

Notes:(*1)Crypto assets of Coincheck, Inc. (including crypto assets borrowed based on the loan agreement with customers) are recognized as inventories. Liabilities to return crypto assets based on the loan agreement with customers amount to ¥4,389 million ($39,600 thousand) and are included in "Other liabilities" on the above table.

(*2) Balance of the assets and liabilities regarding crypto assets deposited by customers that are not recorded on the statement of financial position amounts to ¥131,502 million($1,186,609 thousand) on the acquisition date.

(4)Goodwill

As a result of the acquisition, neither goodwill nor gain on bargain purchase were not recognized.

	Millions of Yen	Thousands ofU.S. Dollars
Total acquisition cost	**¥4,560**	**$41,149**
Non-controlling interest(*)	**369**	**3,330**
Fair value of identifiable net assets	**(4,929)**	**(44,479)**
Goodwill (or Gain on bargain purchase)	**—**	**—**

Notes: Non-controlling interest was calculated by the market-based measurements of shareacquisition rights that Coincheck, Inc. issued.

(5)Total amount of goodwill expected to be deductible for tax purposes

There is no amount of goodwill expected to be deductible for tax purposes.

(6)Acquisition related costs

Acquisition related costs are ¥29 million and are included in “Selling, general and administrative expenses” of the consolidated statement of income.

(7)Impact on the performance of the Group

Profit and loss information after the acquisition date and the profit and loss information calculated if the business combination had occurred at the beginning of the current consolidated fiscal year are not disclosed because the impact on the consolidated financial statement is not significant.

6 Segment Information

(1) Operating segment

The main businesses of the Group are the financial instruments business, cryptocurrency exchange service provider and investment business of securities.

From the current consolidated fiscal year, Coincheck, Inc. is included in the Group and the investment business of securities, mainly conducted by Monex Ventures, Inc., is expanding. Therefore, the disclosed segments changed from the 3 segments of: "Japan," "the U.S.," and "Asia-Pacific" to the 5 segments of "Japan," "U.S.," "Asia-Pacific," "Crypto Asset," and "Investment."

Segment information of the previous consolidated fiscal year is disclosed based on the classification after the change.

Segment	Main business	Main company
Japan	Financial instruments business in Japan	Monex, Inc.
U.S.	Financial instruments business in U.S.	TradeStation Securities, Inc.
Asia-Pacific	Financial instruments business in Hong-Kong and Australia	Monex Boom Securities(H.K.) Limited Monex Securities Australia Pty Ltd
Crypto Asset	Crypto currency exchange service	Coincheck, Inc.
Investment	Investment business of securities	Monex Ventures, Inc. MV Ⅰ Investment Limited Partnership

Notes:Each entity is an independent management unit that establishes comprehensive strategies and conducts business activities.

The Group's operating results by reporting segment

For the fiscal year ended March 31, 2018

Millions of Yen

	Reporting segment								
	Japan	U.S.	Asia-Pacific	Crypto Asset	Investment	Total	Others	Adjustment	Consolidated
Operating revenue from external customers	¥30,911	¥19,024	¥928	¥—	¥2,772	¥53,635	¥—	¥—	¥53,635
Internal operating revenue or transferred amount between segments	293	978	10	—	—	1,282	—	(1,282)	—
Total	31,205	20,002	939	—	2,772	54,917	—	(1,282)	53,635
Financial expenses	(2,177)	(2,535)	(8)	—	—	(4,720)	—	240	(4,480)
Cost of sales	—	(49)	—	—	—	(49)	—	49	—
Depreciation and amortization	(6,033)	(2,004)	(80)	—	—	(8,117)	—	—	(8,117)
Other selling, general and administrative expenses	(17,387)	(14,483)	(842)	—	(15)	(32,727)	—	990	(31,737)
Other income and expenses (net amount)	91	(649)	(278)	—	1	(835)	—	(4)	(839)
Equity in profits or losses of equity method investments	100	—	44	—	25	169	—	—	169
Segment profit or loss (profit before income taxes)	¥5,799	¥281	¥(225)	¥—	¥2,782	¥8,638	¥—	¥(7)	¥8,631

The following financial income and sales revenue are included in the operating revenue.

Millions of Yen

	Reporting segment								
	Japan	U.S.	Asia-Pacific	Crypto Asset	Investment	Total	Others	Adjustment	Consolidated
Financial income	¥9,640	¥6,946	¥227	¥—	¥2,772	¥19,584	¥—	¥(236)	¥19,349
Sales revenue	—	56	—	—	—	56	—	(56)	—

Notes: (*1) Adjustment refers to elimination of transactions between segments.
(*2) Transactions between segments are made using arm's length price.
(*3) Segment profit or loss is profit or loss before income taxes.

For the fiscal year ended March 31, 2019

Millions of Yen

	Reporting segment								
	Japan	U.S.	Asia-Pacific	Crypto Asset	Investment	Total	Others	Adjustment	Consolidated
Operating revenue from external customers	¥27,220	¥21,602	¥823	¥2,116	¥414	¥52,175	¥—	¥—	¥52,175
Internal operating revenue or transferred amount between segments	510	1,196	6	—	—	1,712	1,800	(3,512)	—
Total	27,279	22,798	829	2,116	414	53,887	1,800	(3,512)	52,175
Financial expenses	(1,990)	(3,214)	(22)	(39)	—	(5,265)	—	507	(4,758)
Cost of sales	—	(245)	—	—	—	(245)	—	245	—
Depreciation and amortization	(6,094)	(2,095)	(72)	(132)	—	(8,392)	—	—	(8,392)
Other selling, general and administrative expenses	(16,919)	(15,155)	(811)	(4,634)	(23)	(37,543)	—	1,246	(36,297)
Other income and expenses (net amount)	(1,552)	(111)	(4)	957	(1)	(710)	—	(323)	(1,033)
Equity in profits or losses of equity method investments	73	—	30	—	(8)	95	—	—	95
Segment profit or loss (profit before income taxes)	¥1,247	¥1,978	¥(48)	¥(1,732)	¥382	¥1,826	¥1,800	¥(1,836)	¥1,790

Thousands of U.S. Dollars

	Reporting segment								
	Japan	U.S.	Asia-Pacific	Crypto Asset	Investment	Total	Others	Adjustment	Consolidated
Operating revenue from external customers	$245,616	$194,926	$7,429	$19,089	$3,739	$470,799	$—	$—	$470,799
Internal operating revenue or transferred amount between segments	4,598	10,795	56	—	—	15,449	16,242	(31,691)	—
Total	250,214	205,721	7,485	19,089	3,739	486,248	16,242	(31,691)	470,799
Financial expenses	(17,958)	(29,006)	(197)	(348)	—	(47,508)	—	4,576	(42,932)
Cost of sales	—	(2,215)	—	—	—	(2,215)	—	2,215	—
Depreciation and amortization	(54,988)	(18,903)	(646)	(1,192)	—	(75,729)	—	—	(75,729)
Other selling, general and administrative expenses	(152,671)	(136,752)	(7,317)	(41,816)	(212)	(338,768)	—	11,241	(327,527)
Other income and expenses (net amount)	(14,001)	(1,000)	(36)	8,637	(6)	(6,407)	—	(2,910)	(9,317)
Equity in profits or losses of equity method investments	656	—	275	—	(73)	858	—	—	858
Segment profit or loss (profit before income taxes)	11,253	17,845	(437)	(15,629)	3,447	16,480	16,242	(16,570)	16,152

The following financial income and sales revenue are included in the operating revenue.

Millions of Yen

	Reporting segment								
	Japan	U.S.	Asia-Pacific	Crypto Asset	Investment	Total	Others	Adjustment	Consolidated
Financial income	¥9,808	¥9,221	¥301	¥—	¥414	¥19,744	1,800	¥(2,302)	¥19,242
Sales revenue	—	282	—	—	—	282	—	(282)	—

Thousands of U.S. Dollars

	Reporting segment								
	Japan	U.S.	Asia-Pacific	Crypto Asset	Investment	Total	Others	Adjustment	Consolidated
Financial income	$88,503	$83,206	$2,716	$—	$3,739	$178,164	$16,242	$(4,533)	$173,630
Sales revenue		2,542	—	—	—	2,542	—	(2,542)	—

Notes: (*1) Others are dividends from reporting segment to the Company.
(*2) Adjustment refers to elimination between segments.
(*3) Transactions between segments are made by arm's length price.
(*4) Segment profit or loss is profit or loss before income taxes.

(2) Non-current assets (other than financial assets and deferred tax assets) by segment

As of March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Japan	¥26,777	¥24,615	$222,116
U.S.	24,347	24,575	221,754
Asia-Pacific	1,005	984	8,881
Total	¥52,129	¥50,175	$452,751

7 Operating income

(1)Revenue breakdown

Revenue breakdown by reporting segment for the fiscal year ended March 31, 2019 is as follows.

Millions of Yen

	Reporting segment							
	Japan	U.S.	Asia-Pacific	Crypto Asset	Investment	Total	Adjustment	Consolidated
Commission received	¥13,301	¥12,014	¥406	¥186	¥—	¥25,907	¥(166)	¥25,741
Net trading income	4,535	—	(3)	1,929	—	6,461	—	6,461
Financial income	9,808	9,221	301	—	414	19,744	(502)	19,242
Sales	—	282	—	—	—	282	(282)	—
Other operating income	86	1,282	126	—	—	1,493	(762)	731
Total operating revenue	¥27,729	¥22,798	¥829	¥2,116	¥414	¥53,887	¥(1,712)	¥52,175

Thousands of U.S. Dollars

	Reporting segment							
	Japan	U.S.	Asia-Pacific	Crypto Asset	Investment	Total	Adjustment	Consolidated
Commission received	$120,021	$108,408	$3,661	$1,679	$—	$233,770	$(1,499)	$232,271
Net trading income	40,918	—	(25)	17,410	—	58,303	—	58,303
Financial income	88,503	83,206	2,716	—	3,739	178,164	(4,533)	173,630
Sales	—	2,542	—	—	—	2,542	(2,542)	—
Other operating income	772	11,564	1,133	—	—	13,469	(6,875)	6,594
Total operating revenue	$250,214	$205,721	$7,485	$19,089	$3,739	$486,248	$(15,449)	$470,799

In operating income, income from contracts with customers and other sources is as follows.

Millions of Yen

	Reporting segment							
	Japan	U.S.	Asia-Pacific	Crypto Asset	Investment	Total	Adjustment	Consolidated
Revenue arising from contracts with customers	¥16,458	¥17,015	¥531	¥2,116	¥—	¥36,120	¥(1,210)	¥34,910
Other sources	11,271	5,784	298	—	414	17,767	(502)	17,265

Thousands of U.S. Dollars

	Reporting segment							
	Japan	U.S.	Asia-Pacific	Crypto Asset	Investment	Total	Adjustment	Consolidated
Revenue arising from contracts with customers	$148,510	$153,532	$4,794	$19,089	$—	$325,924	$(10,916)	$315,009
Other sources	101,705	52,189	2,691	—	3,739	160,323	(4,533)	155,790

Notes: (*1) Income of reporting segment refers to income before elimination of transactions between segments.

(*2)Revenue arising from other sources refers to interest and dividend in accordance with IFRS 9.

(2)Contract balance

Balance of contract liability is as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Contact liability	¥221	¥345	$3,112

Notes:Contract liability is related to Monex points.

In the previous and current fiscal years, there were no significant receivables from contracts with customers.
In the income recognized in the current fiscal year, there was no significant income included in the contract liability balance at the beginning of the period.
In the current fiscal year, there is no income recognized for performance obligations fulfilled (or partially fulfilled) in the past.

(3)Transaction price allocated to the remaining performance obligations

The Group does not have any important contracts in which the projected initial contract period was longer than one year.

(4) Assets recognized from the costs to obtain or fulfil contracts with customers

The Group does not have any significant costs to obtain or fulfill contracts with customers.

8 Commission Received

For the fiscal years ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Brokerage	¥22,540	¥19,463	$175,627
Underwriting and distribution	172	70	631
Subscription and distribution	459	355	3,205
Other commission	6,025	5,852	52,808
Total	¥29,196	¥25,741	$232,271

Other commission includes the agent fee for the customer’s investment trust trading and administrative fee for margin transactions.

9 Net trading income

Net trading income by classification for the fiscal year ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Financial assets and financial liabilities measured at FVTPL			
Held for trading	¥3,865	¥4,532	$40,893
Inventories	—	1,929	17,410
Total	¥3,865	¥6,461	$58,303

Net trading income by nature for the fiscal year ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Foreign exchange (primarily FX margin transactions)	¥3,764	¥4,285	$38,669
Crypto Asset	—	1,929	17,410
Other	101	246	2,224
Total	¥3,865	¥6,461	$58,303

10 Financial income and expenses

(1) Financial income and expenses

The breakdown of financial income and expenses by classification for the fiscal year ended March 31, 2018 is as follows.

	Millions of Yen
	2018
Financial income:	
Financial assets and financial liabilities measured at FVTPL Held for trading	¥33
Loans and receivables	15,632
Available-for-sale financial assets	3,684
Total	¥19,349
Financial expenses:	
Available-for-sale financial assets	1
Financial liabilities measured at amortized cost	4,479
Total	¥4,480

Financial income and expenses by classification for the fiscal year ended March 31, 2019

	Millions of Yen	Thousands of U.S. Dollars
	2019	**2019**
Financial income:		
Financial assets and financial liabilities measured at FVTPL	**¥449**	**$4,052**
Financial assets measured at FVTOCI	**1,329**	**11,993**
Financial assets measured at amortized cost	**17,464**	**157,586**
Total	**¥19,242**	**$173,630**
Financial expenses:		
Financial assets and financial liabilities measured at FVTPL	**¥36**	**$322**
Financial liabilities measured at amortized cost	**4,722**	**42,610**
Total	**¥4,758**	**$42,932**

Financial income and expenses by nature for the fiscal year ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Financial income:			
Interest income (*1)	¥4,797	**¥6,586**	**$59,426**
Income from securities lending transactions	6,136	**6,565**	**59,235**
Income from margin transactions	5,455	**5,619**	**50,699**
Gain on valuation of investments in securities	—	**249**	**2,248**
Gains on the sale of investments in securities	2,772	**156**	**1,409**
Dividend income	157	**49**	**442**
Other	32	**19**	**172**
Total	¥19,349	**¥19,242**	**173,630**
Financial expenses:			
Expenses from securities lending transactions	¥2,568	**¥3,086**	**$27,845**
Interest paid (*2)	1,163	**1,176**	**10,616**
Expenses from margin transactions	625	**422**	**3,804**
Impairment losses on financial assets	—	**38**	**346**
Other	125	**36**	**322**
Total	¥4,480	**¥4,758**	**42,932**

Notes: (*1) For the previous fiscal year, interest income from financial assets/liabilities not measured at FVTPL was ¥4,764 million. For the current fiscal year, interest income from financial assets measured at amortized cost was ¥5,222 million ($47,116 thousand), and interest income from debt instruments measured at FVTOCI was ¥1,329 million ($11,993 thousand).

(*2) Interest paid is related to financial liabilities not measured at FVTPL.

(2) Other financial income and expenses

The breakdown of other financial income and expenses by classification for the fiscal year ended March 31, 2018 is as follows.

	Millions of Yen
	2018
Other financial income:	
Financial assets and financial liabilities at FVTPL	
Held for trading	¥51
Fair value option	44
Loans and receivables	7
Available-for-sale financial assets	197
Total	¥298
Other financial expenses:	
Financial assets and financial liabilities at FVTPL	
Held for trading	¥51
Fair value option	—
Loans and receivables	934
Available-for-sale financial assets	2
Total	¥987

Other financial income and expenses by classification for the fiscal year ended March 31, 2019

	Millions of Yen	Thousands of U.S. Dollars
	2019	**2019**
Other financial income:		
Financial assets and financial liabilities measured at FVTPL	**¥1,145**	**$10,328**
Equity instruments measured at FVTOCI	**3**	**32**
Financial assets measured at amortized cost	**4**	**32**
Total	**¥1,152**	**$10,391**
Other financial expenses:		
Financial assets and financial liabilities measured at FVTPL	**¥174**	**$1,572**
Total	**¥174**	**$1,572**

Other financial income and expenses by nature for the fiscal year ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Other financial income:			
Change in Fair value of Contingent consideration	¥—	**¥960**	**$8,664**
Dividend income	60	**94**	**846**
Gain on valuation of investments in securities	—	**38**	**339**
Interest income (*1)	29	**14**	**127**
Gains on valuation of interest rate swaps	28	**11**	**100**
Gains on financial instruments held for risk hedge	44	**—**	**—**
Gains on the sale of investments in securities	98	**—**	**—**
Other	39	**35**	**314**
Total	¥298	**¥1,152**	**$10,391**
Other financial expenses:			
Loss on valuation of investments in securities	¥—	**¥133**	**$1,201**
Loss on sales of investments in securities	—	**16**	**146**
Loss on valuation of interest rate swaps	28	**11**	**100**
Interest paid (*2)	23	**14**	**125**
Impairment loss of financial assets	934	**—**	**—**
Loss on financial instruments held for risk hedge	2	**—**	**—**
Total	¥987	**¥174**	**$1,572**

Notes: (*1) Interest income for financial assets/liabilities not measured at FVTPL was ¥7 million ($61 thousand) for the previous fiscal year. For the current fiscal year, interest income from financial assets measured at amortized cost was ¥4 million ($32 thousand), and there was no interest income from equity instruments measured at FVTOCI. ¥22 million and ¥11 million of realized gains related to interest rate swaps are included in interest income for the previous fiscal year and the current fiscal year, respectively.

(*2) No interest was paid for financial assets/liabilities measured at fair value through all profit or loss, as well as for financial assets/liabilities not measured at FVTPL. ¥23 million and ¥14 million of realized losses related to interest rate swaps are included in interest paid for the previous fiscal year and the current fiscal year, respectively.

11 Other Operating Income

For the fiscal years ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Licensing fee	¥610	¥—	$—
Trading tool usage fee and information service fee	483	616	5,558
Other	132	115	1,036
Total	¥1,225	¥731	$6,594

Note: The Company provided a license for the new backbone brokerage system to another company and recognized ¥610 million for the previous fiscal year in the Japan segment.

12 Selling, General and Administrative Expenses

For the fiscal years ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Transaction related costs	¥11,963	¥12,051	$108,745
Personnel expenses	10,854	13,111	118,308
Data processing and office supplies	2,727	2,986	26,944
Depreciation and amortization	8,117	8,392	75,729
Rental and maintenance	3,898	5,058	45,644
Other	2,294	3,091	27,887
Total	¥39,853	¥44,690	$403,255

13 Other Income

For the fiscal years ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Compensation income	¥62	¥—	$—
Other	60	59	530
Total	¥121	¥59	$530

14 Other Expenses

For the fiscal years ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Impairment loss on non-financial assets	¥—	¥1,788	$16,131
Head office transfer cost	131	—	—
Loss on disposal of fixed assets	70	110	993
Loss on sale of investments in subsidiaries and associates	—	42	382
Exchange loss	13	40	363
Other	58	88	797
Total	¥271	¥2,069	$18,666

Notes: ¥1,788 million ($16,131 thousand) of "Impairment loss on non-financial assets" were recognized in the Japan segment for the current fiscal year. The details are described in "24. Impairment loss on non-financial assets."

15 Financial Instruments

(1) Fair value measurement

The fair values of financial assets and liabilities are determined as follows. Information about the fair value hierarchy is described in “Note 16. Fair Value Measurement.”

(a) Cash and cash equivalents

Since these instruments have short-term maturities, the carrying amount approximates its fair value, and its fair value measurement is categorized into Level 1.

(b) Cash segregated as deposits

The fair value of cash segregated as deposits is measured by each invested asset pursuant to its nature, and its fair value hierarchy is categorized into Level 1 or Level 2 according to its valuation method.

(c) Trading securities and other, Investments in securities

Marketable securities are measured at the quoted prices, and their fair value measurement is categorized into Level 1. Securities without quoted prices are measured using the most recent transaction price between independent third parties, comparable companies’ method, net asset value based on the most recent available information or present value of future cash flows. Their fair value measurement is categorized into Level 2 or 3 according to its valuation method.

(d) Derivative assets and liabilities

FX margin transactions are measured at fair value using a method based on the spot exchange rate on the reporting date, and foreign exchange forwards are measured at fair value using a method based on the forward exchange rate on the reporting date. Interest rate swaps are measured at fair value using the future cash flow discounted by the discount rate over the maturity date.
Derivative assets and liabilities are categorized into Level 2 or 3 according to its valuation method.

(e) Other financial liabilities (contingent considerations)

Contingent considerations are categorized into Level 3 because the fair value is calculated based on the amount to be paid in the future that is estimated by using Monte Carlo simulation.

(f) Margin transaction assets, Margin transaction liabilities, Loans secured by securities, Loans payable secured by securities, Other financial assets, Deposits received, Guarantee deposits received, Bonds and loans payable, and Other financial liabilities

The carrying amount of instruments with short-term maturity approximates its fair value. The fair value of instruments with long-term maturity is measured using discounted future cash flows by a discount rate reflecting the counterparty or the Group’s credibility. The fair value hierarchy of financial assets and liabilities measured at fair value on a recurring basis is categorized into Level 1 or Level 2 according to its valuation method. The fair value measurement of financial assets and liabilities measured at fair value on a non-recurring basis is categorized into Level 2.

(2) Carrying amount and fair value

As of March 31, 2018

Millions of Yen

	Financial assets and liabilities measured at FVTPL					
	Trading	Loans and receivables	Available-for-sale financial assets	Other	Total carrying amount	Fair value
Cash and cash equivalents	¥—	¥83,884	¥—	¥—	¥83,884	¥83,884
Cash segregated as deposits	—	327,487	215,951	—	543,438	543,438
Trading securities and other	1,618	—	—	—	1,618	1,618
Derivative assets	15,424	—	—	—	15,424	15,424
Investments in securities	—	—	3,123	—	3,123	3,123
Margin transaction assets	—	192,224	—	—	192,224	192,224
Loans secured by securities	—	21,389	—	—	21,389	21,389
Other financial assets	—	58,837	—	—	58,837	58,837
Total	¥17,042	¥683,822	¥219,074	¥—	¥919,938	¥919,938
Derivative liabilities	¥4,567	¥—	¥—	¥772	¥5,340	¥5,340
Margin transaction liabilities	—	—	—	29,683	29,683	29,683
Loans payable secured by securities	—	—	—	78,203	78,203	78,203
Deposits received	—	—	—	324,256	324,256	324,256
Guarantee deposits received	—	—	—	254,647	254,647	254,647
Bonds and loans payable	—	—	—	191,010	191,010	191,047
Other financial liabilities	—	—	—	4,545	4,545	4,545
Total	¥4,567	¥—	¥—	¥883,117	¥887,684	¥887,721

As of March 31, 2019

Millions of Yen

	Financial assets and liabilities measured at FVTPL	Equity instruments measured at FVTOCI	Debt instruments measured at FVTOCI	Financial assets and liabilities measured at amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	**¥—**	**¥—**	**¥—**	**¥154,146**	**¥154,146**	**¥154,146**
Cash segregated as deposits	**—**	**—**	**215,153**	**351,066**	**566,220**	**566,220**
Trading securities and other	**2,543**	**—**	**—**	**—**	**2,543**	**2,543**
Derivative assets	**10,895**	**—**	**—**	**—**	**10,895**	**10,895**
Investments in securities	**3,056**	**858**	**—**	**—**	**3,914**	**3,914**
Margin transaction assets	**—**	**—**	**—**	**138,836**	**138,836**	**138,836**
Loans secured by securities	**—**	**—**	**—**	**42,064**	**42,064**	**42,064**
Other financial assets	**—**	**—**	**—**	**54,202**	**54,202**	**54,202**
Total	**¥16,494**	**¥858**	**¥215,153**	**¥740,315**	**¥972,820**	**¥972,820**
Derivative liabilities	**¥4,311**	**¥—**	**¥—**	**¥—**	**¥4,311**	**¥4,311**
Margin transaction liabilities	**—**	**—**	**—**	**32,793**	**32,793**	**32,793**
Loans payable secured by securities	**—**	**—**	**—**	**101,028**	**101,028**	**101,028**
Deposits received	**—**	**—**	**—**	**358,176**	**358,176**	**358,176**
Guarantee deposits received	**—**	**—**	**—**	**249,544**	**249,544**	**249,544**
Bonds and loans payable	**—**	**—**	**—**	**190,641**	**190,641**	**190,762**
Other financial liabilities	**—**	**—**	**—**	**4,284**	**4,284**	**4,284**
Total	**¥4,311**	**¥—**	**¥—**	**¥936,466**	**¥940,777**	**¥940,898**

Thousands of U.S. Dollars

	Financial assets and liabilities measured at FVTPL	Equity instruments measured at FVTOCI	Debt instruments measured at FVTOCI	Financial assets and liabilities measured at amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	**$—**	**$—**	**$—**	**$1,390,936**	**$1,390,936**	**$1,390,936**
Cash segregated as deposits	**—**	**—**	**1,941,429**	**3,167,841**	**5,109,270**	**5,109,270**
Trading securities and other	**22,943**	**—**	**—**	**—**	**22,943**	**22,943**
Derivative assets	**98,308**	**—**	**—**	**—**	**98,308**	**98,308**
Investments in securities	**27,579**	**7,738**	**—**	**—**	**35,317**	**35,317**
Margin transaction assets	**—**	**—**	**—**	**1,252,786**	**1,252,786**	**1,252,786**
Loans secured by securities	**—**	**—**	**—**	**379,564**	**379,564**	**379,564**
Other financial assets	**—**	**—**	**—**	**489,094**	**489,094**	**489,094**
Total	**$14,830**	**$7,738**	**$1,941,429**	**$6,680,221**	**8,778,219**	**8,778,219**
Derivative liabilities	**$38,903**	**$—**	**$—**	**$—**	**$38,903**	**$38,903**
Margin transaction liabilities	**—**	**—**	**—**	**295,909**	**295,909**	**295,909**
Loans payable secured by securities	**—**	**—**	**—**	**911,624**	**911,624**	**911,624**
Deposits received	**—**	**—**	**—**	**3,231,992**	**3,231,992**	**3,231,992**
Guarantee deposits received	**—**	**—**	**—**	**2,251,752**	**2,251,752**	**2,251,752**
Bonds and loans payable	**—**	**—**	**—**	**1,720,243**	**1,720,243**	**1,721,341**
Other financial liabilities	**—**	**—**	**—**	**38,657**	**38,657**	**38,657**
Total	**$38,903**	**$—**	**$—**	**$8,450,177**	**$8,489,080**	**$8,490,178**

(3) Derivatives and hedge accounting

(a) Cash flow hedges

The Group designated interest rate swaps as hedging instruments, and the future cash flows of "Loans payable" and "Cash segregated as deposits" as hedged items to hedge the risk of variability in the future cash flows for variable interest rate financial instruments.

(i) Loans payable

The Group entered into an interest rate swap transaction which matures in June 2018 to hedge the risk of variability in future cash flows by substantively converting a variable interest rate on loans payable into a fixed interest rate and applies hedge accounting to it.

The notional amount of hedging instruments is ¥15,000 million in the previous fiscal year.

Fair value of derivatives designated as hedging instruments

For the fiscal years ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Derivative liabilities	¥21	**¥—**	**$—**

Changes in other components of equity (Changes in fair value of hedging instruments)

For the fiscal years ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Beginning balance	¥(76)	**¥(15)**	**$(134)**
Other comprehensive income before reclassification	(3)	**(1)**	**(13)**
Reclassification to profit or loss (*1)	64	**16**	**147**
Ending balance	¥(15)	**¥—**	**$—**

Note: (*1) Loss of ¥92 million and ¥23 million ($212 thousand) (before related tax effects) is included in "Financial expense" in the previous fiscal year and the current fiscal year, respectively.

(ii) Cash segregated as deposits

The Group entered into series of interest rate swap transactions to hedge the risk of variability in future cash flows by substantively converting a variable interest rate on cash segregated as deposits into a fixed interest rate and applies hedge accounting to it. The notional amount of hedging instruments is $1,000 million, for the previous fiscal year.

Fair value of derivatives designated as hedging instruments

For the fiscal years ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Derivative liabilities	¥751	**¥—**	**$—**

Changes in other components of equity (Changes in fair value of hedging instruments)

For the fiscal years ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Beginning balance	¥(343)	**¥(569)**	**$(5,133)**
Other comprehensive income before reclassification	(299)	**16**	**142**
Reclassification to profit or loss (*1)	73	**553**	**4,991**
Ending balance	¥(569)	**¥—**	**$—**
(Breakdown)			
Continued hedges	(569)	**—**	**—**
Discontinued hedges (*2)	—	**—**	**—**

Notes: (*1) Loss of ¥117 million and Profit of ¥(730) million ($(6,590) thousand) (before related tax effects) is included in "Financial income" in the previous fiscal year and current fiscal year, respectively. And profit of ¥106 million ($995 thousand) (before related tax effects) for discontinued hedges is included in the previous fiscal year.

(*2) Cumulative gain or loss recognized in other comprehensive income of discontinued hedges are recognized in profit or loss over the period through December 2017 during which the future cash flow from the originally hedged cash segregated as deposits affects the profit or loss over the period to December 2017.

(b) Derivatives not designated for hedge accounting

The Group's derivative assets and derivative liabilities not designated for hedge accounting are primarily for the FX margin trading business, and the fair value is as follows.

For the fiscal years ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Derivative assets	¥15,424	**¥10,895**	**$98,308**
Derivative liabilities	4,567	**4,311**	**38,903**

(4)Equity instruments measured at FVTOCI

Within investments in equity instruments, the Group designates investment in equity instruments held for the purpose of maintaining business relationship as equity instruments measured at FVTOCI.

Fair value of equity instruments measured at FVTOCI for major investees is as follows.

	Millions of Yen	Thousands of U.S. Dollars
	2019	2019
Japan Securities Depository Center, Incorporated	¥547	$4,936

Dividends income of equity instruments measured at FVTOCI is as follows.

	Millions of Yen	Thousands of U.S. Dollars
	2019	2019
Derecognized investment	-	$-
Investment held	¥3	32
Total	¥3	32

At derecognition of equity instruments measured at FVTOCI or when there is a significant decline in fair value, the cumulative amount of gains and losses of the equity instruments measured at FVTOCI are reclassified directly to retained earnings and not reclassified to profit or loss.
There are no cumulative gains or losses of other comprehensive income (after tax) reclassified to retained earnings for the current fiscal year.

The Group sells equity instruments measured at FVTOCI in order to utilize assets efficiently or as a result of the review of the operational relationship. However,, the Group did not sell equity instruments measured at FVTOCI in the current fiscal year.

(5) Offsetting financial assets and financial liabilities

Reconciliation of gross amounts and net amounts of financial instruments subject to an enforceable master netting arrangement or similar agreement is as follows.

As of March 31, 2018

Financial assets

Millions of Yen

	(a)	(b)	(c) = (a) – (b)	(d)		(e) = (c) – (d)	(f)	(g) = (c) + (f)
	Financial instruments subject to an enforceable master netting arrangement or similar agreement						Financial instruments not subject to an enforceable master netting arrangement or similar agreement	Carrying amounts in the statement of financial position
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position: Financial instruments	Related amounts not set off in the statement of financial position: Cash collateral received	Net amount		
Cash and cash equivalents	¥2,509	¥81	¥2,428	¥—	¥—	¥2,428	¥81,456	¥83,884
Derivative assets	15,669	245	15,424	1,424	13,869	132	—	15,424
Margin transaction assets	192,224	—	192,224	180,193	12,032	—	—	192,224
Loans secured by securities	21,389	—	21,389	18,880	—	2,509	—	21,389
Other financial assets	42,655	—	42,655	11,099	2,976	28,580	16,183	58,837
Total	¥274,446	¥326	¥274,120	¥211,595	¥28,876	¥33,649	¥97,639	¥371,759

Financial liabilities

Millions of Yen

	(a)	(b)	(c) = (a) – (b)	(d)		(e) = (c) – (d)	(f)	(g) = (c) + (f)
	Financial instruments subject to an enforceable master netting arrangement or similar agreement						Financial instruments not subject to an enforceable master netting arrangement or similar agreement	Carrying amounts in the statement of financial position
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position: Financial instruments	Related amounts not set off in the statement of financial position: Cash collateral pledged	Net amount		
Derivative liabilities	¥5,665	¥326	¥5,340	¥1,424	¥1,043	¥2,872	¥—	¥5,340
Margin transaction liabilities	29,683	—	29,683	29,570	—	113	—	29,683
Loans payable secured by securities	78,203	—	78,203	74,553	—	3,650	—	78,203
Deposit received	314,724	—	314,724	2,902	—	311,822	9,533	324,256
Guarantee deposit received	254,647	—	254,647	28,691	—	225,956	—	254,647
Total	¥682,922	¥326	¥682,596	¥137,140	¥1,043	¥544,413	¥9,533	¥692,129

The above (d) is not set off in the statement of financial position, because rights of set-off associated with the financial assets and liabilities subject to an enforceable master netting arrangement and similar agreement are enforceable only in the event of a default or other certain situation that is not expected in the ordinary course of business, and are not currently enforceable, or the Group has no intention to settle in net amounts.

Deposits received and guarantee deposits received from customers included in (e) are segregated into customer trust accounts.

As of March 31, 2019

Financial assets

Millions of Yen

	(a)	(b)	(c) = (a) – (b)	(d)		(e) = (c) – (d)	(f)	(g) = (c) + (f)
	Financial instruments subject to an enforceable master netting arrangement or similar agreement						Financial instruments not subject to an enforceable master netting arrangement or similar agreement	Carrying amounts in the statement of financial position
				Related amounts not set off in the statement of financial position				
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Cash collateral received	Net amount		
Cash and cash equivalents	¥3,220	¥—	¥3,220	¥—	¥—	¥3,220	¥150,926	¥154,146
Derivative assets	11,449	554	10,895	983	8,794	1,117	—	10,895
Margin transaction assets	138,836	—	138,836	120,757	10,559	7,520	—	138,836
Loans secured by securities	42,064	—	42,064	39,471	—	2,593	—	42,064
Other financial assets	35,499	—	35,499	9,557	2,993	22,949	18,703	54,202
Total	¥231,069	¥554	¥230,514	¥170,768	¥22,346	¥37,400	¥169,629	¥400,144

Thousands of U.S. Dollars

	(a)	(b)	(c) = (a) – (b)	(d)		(e) = (c) – (d)	(f)	(g) = (c) + (f)
	Financial instruments subject to an enforceable master netting arrangement or similar agreement						Financial instruments not subject to an enforceable master netting arrangement or similar agreement	Carrying amounts in the statement of financial position
				Related amounts not set off in the statement of financial position				
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Cash collateral received	Net amount		
Cash and cash equivalents	$29,058	$—	$29,058	$—	$—	$29,058	$1,361,877	$1,390,936
Derivative assets	103,310	5,002	98,308	8,869	79,356	10,084	—	98,308
Margin transaction assets	1,252,786	—	1,252,786	1,089,648	95,281	67,857	—	1,252,786
Loans secured by securities	379,564	—	379,564	356,165	—	23,400	—	379,564
Other financial assets	320,325	—	320,325	86,238	27,005	207,083	168,769	489,094
Total	$2,085,044	$5,002	$2,080,043	$1,540,920	$201,641	$337,481	$1,530,646	$3,610,689

Financial liabilities

Millions of Yen

	(a)	(b)	(c) = (a) – (b)	(d)		(e) = (c) – (d)	(f)	(g) = (c) + (f)
	Financial instruments subject to an enforceable master netting arrangement or similar agreement						Financial instruments not subject to an enforceable master netting arrangement or similar agreement	Carrying amounts in the statement of financial position
				Related amounts not set off in the statement of financial position				
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Cash collateral pledged	Net amount		
Derivative liabilities	**¥4,866**	**¥554**	**¥4,311**	**¥983**	**¥26**	**¥3,302**	**¥—**	**¥4,311**
Margin transaction liabilities	**32,793**	**—**	**32,793**	**32,574**	**—**	**219**	**—**	**32,793**
Loans payable secured by securities	**101,028**	**—**	**101,028**	**95,107**	**—**	**5,921**	**—**	**101,028**
Deposit received	**351,874**	**—**	**351,874**	**2,916**	**—**	**348,958**	**6,302**	**358,176**
Guarantee deposit received	**249,544**	**—**	**249,544**	**25,134**	**—**	**224,409**	**—**	**249,544**
Total	**¥740,104**	**¥554**	**¥739,550**	**¥156,714**	**¥26**	**¥582,810**	**¥6,302**	**¥745,852**

Thousands of U.S. Dollars

	(a)	(b)	(c) = (a) – (b)	(d)		(e) = (c) – (d)	(f)	(g) = (c) + (f)
	Financial instruments subject to an enforceable master netting arrangement or similar agreement						Financial instruments not subject to an enforceable master netting arrangement or similar agreement	Carrying amounts in the statement of financial position
				Related amounts not set off in the statement of financial position				
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Cash collateral pledged	Net amount		
Derivative liabilities	**$43,904**	**$5,002**	**$38,903**	**$8,869**	**$235**	**$29,799**	**$—**	**$38,903**
Margin transaction liabilities	**295,909**	**—**	**295,909**	**293,932**	**—**	**1,977**	**—**	**295,909**
Loans payable secured by securities	**911,624**	**—**	**911,624**	**858,195**	**—**	**53,429**	**—**	**911,624**
Deposit received	**3,175,127**	**—**	**3,175,127**	**26,312**	**—**	**3,148,816**	**56,865**	**3,231,992**
Guarantee deposit received	**2,251,752**	**—**	**2,251,752**	**226,798**	**—**	**2,024,954**	**—**	**2,251,752**
Total	**$6,678,316**	**$5,002**	**$6,673,315**	**$1,414,106**	**$235**	**$5,258,974**	**$56,865**	**$6,730,180**

The above (d) is not set off in the statement of financial position, because rights of set-off associated with the financial assets and liabilities subject to an enforceable master netting arrangement and similar agreement are enforceable only in the event of a default or other certain situation that is not expected in the ordinary course of business, and are not currently enforceable, or the Group has no intention to settle in net amounts.

Deposits received and guarantee deposits received from customers included in (e) are segregated into customer trust accounts.

16 Fair Value Measurement

(1) Fair value hierarchy

Fair value hierarchy used for fair value measurement is defined as follows.
Level 1: Quoted prices without adjustments in an active market for identical assets or liabilities
Level 2: Fair value measured by using inputs other than the quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly
Level 3: Fair value measured by using unobservable inputs for the assets or liabilities

The level of fair value hierarchy is determined by the lowest level input that is significant to the measurement of the fair value.

Transfers between levels in the fair value hierarchy of assets and liabilities are deemed to have occurred at the end of the reporting period.

(2) Valuation techniques

Valuation techniques for fair value measurement of financial instruments are described in “Note 15. Financial Instruments.”

(3) Valuation process

For fair value measurements categorized within Level 3, external valuation specialists or appropriate persons for the valuation perform fair value valuation and analyze the valuation results in accordance with the valuation policies and procedures approved by the head of the Financial Control Department. The valuation results are reviewed and approved by the head of the Financial Control Department.

(4) Quantitative information for assets categorized in Level 3

The valuation techniques and information about inputs for the assets measured by fair value on a recurring basis using significant unobservable inputs and categorized in Level 3 at the end of the previous fiscal year and at the end of the current fiscal year are as follows.

As of March 31, 2018

	Valuation techniques	Unobservable inputs	Rates
Investments in securities	Income approach	Earnings growth rate Discount rate	0% 7.7%

As of March 31, 2019

	Valuation techniques	Unobservable inputs	Rates
Investments in securities	Income approach	Earnings growth rate Discount rate	0% 7.1%
Other financial liabilities	Monte Carlo simulation	Historical volatility Discount rate	167.1% 30.0%

(5) Sensitivity analysis for volatility in significant unobservable inputs

For the fair value of assets measured by fair value on a recurring basis and categorized within Level 3, the fair value of investments in securities measured using income approach increases when the discount rate decreases, and decreases when the earning growth rate decreases. In addition, the fair value of other financial liabilities measured using Monte Carlo simulation increases when the discount rate decreases.

(6) Fair value hierarchy of assets and liabilities measured by fair value on a recurring basis

Fair value hierarchy of assets and liabilities measured by fair value on a recurring basis in the consolidated statement of financial position

As of March 31, 2018

Millions of Yen

	Level 1	Level 2	Level 3	Total
Cash segregated as deposits	¥215,951	¥—	¥—	¥215,951
Trading securities and other	1,221	396	—	1,618
Derivative assets	—	15,424	—	15,424
Investments in securities	920	—	2,203	3,123
Total	¥218,092	¥15,821	¥2,203	¥236,116
Derivative liabilities	¥—	¥5,340	¥—	¥5,340
Total	¥—	¥5,340	¥—	¥5,340

As of March 31, 2019

Millions of Yen

	Level 1	Level 2	Level 3	Total
Cash segregated as deposits	**¥215,153**	**¥—**	**¥—**	**¥215,153**
Trading securities and other	**1,067**	**1,476**	**—**	**2,543**
Derivative assets	**—**	**10,895**	**—**	**10,895**
Inventories	**3,056**	**—**	**—**	**3,056**
Investments in securities	**493**	**—**	**3,421**	**3,914**
Total	**¥219,768**	**¥12,371**	**¥3,421**	**¥235,560**
Derivative liabilities	**¥—**	**¥4,311**	**¥—**	**¥4,311**
Total	**¥—**	**¥4,311**	**¥—**	**¥4,311**

Thousands of U.S. Dollars

	Level 1	Level 2	Level 3	Total
Cash segregated as deposits	**$1,941,429**	**$—**	**$—**	**$1,941,429**
Trading securities and other	**9,624**	**13,318**	**—**	**22,943**
Derivative assets	**—**	**98,308**	**—**	**98,308**
Inventories	**27,576**	**—**	**—**	**27,576**
Investments in securities	**4,446**	**—**	**30,871**	**35,317**
Total	**$1,983,076**	**$111,627**	**$30,871**	**$2,125,574**
Derivative liabilities	**$—**	**38,903**	**—**	**38,903**
Total	**$—**	**38,903**	**—**	**38,903**

Reconciliation of assets and liabilities measured using significant unobservable inputs (Level 3) on a recurring basis from the beginning balances to the ending balances for the previous fiscal year and the current fiscal year

For the fiscal years ended March 31, 2018 and 2019

	Millions of Yen					Thousands of U.S. Dollars		
	2018		**2019**			**2019**		
	Investments in securities	Derivative assets	Investments in securities	Derivative assets	Other financial assets	Investments in securities	Derivative assets	
Beginning balance	¥2,689	¥—	**¥2,203**	**¥—**	**¥—**	**$19,879**	**$—**	**$—**
Total gains or losses	1,686	5	**478**	**—**	**(960)**	**4,313**	**—**	**(8,664)**
Profit or loss	2,571	5	**288**	**—**	**(960)**	**2,598**	**—**	**(8,664)**
Other comprehensive income	(885)	—	**190**	**—**	**—**	**1,715**	**—**	**—**
Acquisition	560	34	**838**	**39**	**960**	**7,565**	**355**	**8,664**
Sales and collections	(2,732)	(39)	**(98)**	**(39)**	**—**	**(886)**	**(355)**	**—**
Ending balance	¥2,203	¥—	**¥3,421**	**¥—**	**¥—**	**$30,871**	**$—**	**$8,664**
Net amount of unrealized gains and losses included in profit or loss relating to assets and liabilities held at the end of the fiscal year	¥—	¥—	**¥271**	**¥—**	**¥960**	**$2,443**	**$—**	**$8,664**

In the previous fiscal year, the amounts recognized in profit or loss of investments in securities are included in “Other financial income” or “Other financial expenses” in the consolidated statement of comprehensive income, and other comprehensive income of investments in securities is included in “Changes in fair value of available-for-sale financial assets” in the consolidated statement of income. The amounts recognized in profit or loss of derivative assets are included in “Other financial income” in the consolidated statement of comprehensive income.
In the current fiscal year, the amounts recognized in profit or loss of investments in securities are included in “Operating income (Financial income),” “Other financial income,” or “Other financial expenses” in the consolidated statement of income, and other comprehensive income is included in “Changes in fair value of equity instruments measured at FVTOCI” in the consolidated statement of comprehensive income. The amounts recognized in profit or loss of financial liabilities are included in “Other financial income” in the consolidated statement of income.

(7) Fair value hierarchy of assets and liabilities that are not measured at fair value but are in the scope of fair value disclosure

Fair value hierarchy of assets and liabilities that are not measured at fair value in the consolidated statement of financial position, but are within the scope of fair value disclosure

As of March 31, 2018

Millions of Yen

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	¥83,884	¥—	¥—	¥83,884
Cash segregated as deposits	327,469	18	—	327,487
Margin transaction assets	—	192,224	—	192,224
Loans secured by securities	—	21,389	—	21,389
Other financial assets	—	58,837	—	58,837
Total	¥411,353	¥272,469	¥—	¥683,822
Margin transaction liabilities	—	29,683	—	29,683
Loans payable secured by securities	—	78,203	—	78,203
Deposits received	—	324,256	—	324,256
Guarantee deposits received	—	254,647	—	254,647
Bonds and loans payable	—	191,047	—	191,047
Other financial liabilities	—	4,545	—	4,545
Total	¥—	¥882,381	¥—	¥882,381

As of March 31, 2019

Millions of Yen

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	**¥154,146**	**¥—**	**¥—**	**¥154,146**
Cash segregated as deposits	**351,049**	**17**	**—**	**351,066**
Margin transaction assets	**—**	**138,836**	**—**	**138,836**
Loans secured by securities	**—**	**42,064**	**—**	**42,064**
Other financial assets	**—**	**54,202**	**—**	**54,202**
Total	**¥505,196**	**¥235,120**	**¥—**	**¥740,315**
Margin transaction liabilities	**—**	**32,793**	**—**	**32,793**
Loans payable secured by securities	**—**	**101,028**	**—**	**101,028**
Deposits received	**—**	**358,176**	**—**	**358,176**
Guarantee deposits received	**—**	**249,544**	**—**	**249,544**
Bonds and loans payable	**—**	**190,762**	**—**	**19,076**
Other financial liabilities	**—**	**4,284**	**—**	**4,284**
Total	**¥—**	**¥936,587**	**¥—**	**¥936,587**

Thousands of U.S. Dollars

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	**$1,390,936**	**$—**	**$—**	**$1,390,936**
Cash segregated as deposits	**3,167,687**	**154**	**—**	**3,167,841**
Margin transaction assets	**—**	**1,252,786**	**—**	**1,252,786**
Loans secured by securities	**—**	**379,564**	**—**	**379,564**
Other financial assets	**—**	**489,094**	**—**	**489,094**
Total	**$4,558,623**	**$2,121,599**	**$—**	**$6,680,221**
Margin transaction liabilities	**—**	**295,909**	**—**	**295,909**
Loans payable secured by securities	**—**	**911,624**	**—**	**911,624**
Deposits received	**—**	**3,231,992**	**—**	**3,231,992**
Guarantee deposits received	**—**	**2,251,752**	**—**	**2,251,752**
Bonds and loans payable	**—**	**1,721,341**	**—**	**1,721,341**
Other financial liabilities	**—**	**38,657**	**—**	**38,657**
Total	**$—**	**$8,451,275**	**$—**	**$8,451,275**

(8) Fair value hierarchy of assets and liabilities measured by fair value on a non-recurring basis

There are no assets or liabilities measured by fair value on a non-recurring basis at the end of the previous fiscal year and at the end of the current fiscal year.

17 Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position

As of March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Cash and cash equivalents in consolidated statement of financial position	¥83,884	**¥154,146**	**$1,390,936**
Secured deposits	(2,428)	**(3,220)**	**(29,058)**
Cash and cash equivalents in consolidated statement of cash flows	¥81,456	**¥150,926**	**$1,361,877**

Cash and cash equivalents included in cash segregated as deposits are not presented as cash and cash equivalents in the consolidated statement of cash flows because those are segregated for customers in accordance with the laws and regulations.

18 Cash Segregated as Deposits

Assets included in cash segregated as deposits

As of March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Cash and cash equivalents	¥327,469	**¥351,049**	**$3,167,687**
Call loans	5	**4**	**36**
Government and corporate bonds	84,451	**78,653**	**709,724**
Joint investment trust	131,500	**136,500**	**1,231,705**
Others	13	**13**	**118**
Total	¥543,438	**¥566,220**	**$5,109,270**

19 Inventories

Under IFRS, there are no accounting standards related to the transactions of crypto assets. In order to determine the accounting treatment, the Group follows the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and refers to the "Conceptual Framework for Financial Reporting" and standards related to similar matters. In this context, the Group considers various factors to evaluate whether the Group has control over crypto assets, and accounts for these transactions accordingly.

Crypto assets deposited by customers are held in the electronic wallet managed by the Group, in the same way as the crypto assets of the Group. Although the Group has the secret key to manage crypto assets deposited by customers, the Group is required to purchase and sell the crypto assets at the instructions of the customers according to the contract with the customers, and the use of the secret key by the Group is restricted. In addition, based on the "Laws on the fund settlement" and "Cabinet Office Order on Cryptocurrency Exchange Service Providers", crypto assets deposited by customers are segregated from those of the Group, the balance of each customer is managed, and the wallets to hold crypto assets of the Group and the one to hold crypto assets deposited by customers are clearly distinguished and separately managed. Furthermore, the economic benefits related to crypto assets deposited by customers belong, in principle, to the customers and the Group is not exposed to risks of material change in the fair value of these crypto assets. On the other hand, there is a possibility that crypto assets deposited by customers may be dealt with in the same manner as crypto assets of the Group at the liquidation of Coincheck, Inc. In addition, legal rights of crypto assets in Japan are not entirely clear.

The Group considers the above factors and judges that there is no control by the Group over crypto assets deposited by customers, and accordingly recognize neither assets nor related liabilities in the consolidated statement of financial position.

The balance of crypto assets deposited by customers at the end of the consolidated fiscal year not recognized in the statement of financial position is ¥54,009 million ($487,347 thousand). The amount is calculated based on the transaction prices at the end of the reporting period of the main cryptocurrency exchanges.

The crypto assets of the Group (including those borrowed based on the loan agreement with customers) are held mainly as a mean of sales in the near future for the purpose of earning profits from price fluctuations or earning margins as a broker. As the Group has the ability to direct the use of these crypto assets and the economic benefits resulting from sales attribute to the Group, the Group's crypto assets are recognized as inventories in the statement of financial position based on IAS 2 “Inventories.” In addition, the corresponding liabilities under the loan agreement with customers totaling ¥2,987 million ($26,951 thousand) at the end of the fiscal year are included in “Other liabilities” in the consolidated statement of financial position.

Please refer to “16. Fair Value Measurement” for the fair value measurement method and fair value hierarchy.

20 Collateral

(1) Collateral provided by the Group

As of March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Cash and cash equivalents (*1)	¥2,428	**¥3,220**	**$29,058**
Other financial assets (*2)	40,137	**33,798**	**304,976**
Total	¥42,565	**¥37,018**	**$334,034**

Notes: (*1) Restricted deposits placed to a counterparty financial institution for FX margin transactions.

(*2) Collateral pledged to a counterparty financial institution for FX margin transactions, collateral pledged to a securities finance company for lending of margin transactions and collateral pledged to clearing houses for settlement of financial instrument trading, collateral and deposit pledged to a counterparty financial institution, exchange, and collateral for financial instrument trading.

(2) Fair value of securities accepted from customers or other counterparties for services provided by the Group which are permitted to be sold or repledged

For securities accepted which are permitted to be sold or to be repledged as collateral, contractual terms generally requires that the equivalent securities be returned when transactions are settled.

As of March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Collateral securities for loans on margin transactions (*3)	¥175,764	**¥114,764**	**$1,035,568**
Securities borrowing on margin transactions (*4)	3,408	**10,999**	**99,246**
Securities borrowing on loan contracts	195,324	**220,665**	**1,991,166**
Substitute securities for guarantee deposits received	383,197	**347,817**	**3,138,520**
Securities accepted as other collateral with right to sell or repledge	3	**—**	**—**
Total	¥757,696	**¥694,245**	**$6,264,499**

(3) Fair value of securities pledged to customers or other counterparties to sell or repledge the collateral included in (2)

As of March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Securities lending on margin transactions (*4)	¥17,265	**¥30,724**	**$277,237**
Collateral securities for borrowings on margin transactions (*3)	13,401	**3,613**	**32,601**
Securities lending on loan contracts	74,553	**95,107**	**858,195**
Securities pledged as other collateral (*5)	2,117	**4,486**	**40,483**
Total	¥107,337	**¥133,930**	**$1,208,516**

Notes: (*3) Securities company lends money for the purchase of securities to the customer and accepts the securities purchased by the customer as collateral. If the securities company borrows money from a securities finance company for the purchase, the securities company provides the securities to the securities finance company as collateral.

(*4) Securities company lends securities for the sale of securities to the customer and accepts money received by the customer as collateral. If the securities company borrows securities from a securities finance company for the sale, the securities company provides the accepted money to the securities finance company as collateral.

(*5) When a securities company bids for a lending transaction with a securities finance company, the securities company provides securities to the securities finance company and accepts money equivalent to the fair value of the securities.

21 Bonds and Loans Payable

As of March 31, 2018 and 2019

	Millions of Yen 2018	Millions of Yen 2019	Thousands of U.S. Dollars 2019	% Average interest rate (*1)	Due date
Short-term loans payable and other	¥110,758	**¥94,667**	**$854,228**	0.44	
Bonds payable	23,630	**27,018**	**243,800**	—	
Long-term loans payable	56,622	**68,955**	**622,215**	0.36	From July 2019 to November 2023
Total	¥191,010	**¥190,641**	**$1,720,243**		
(Margin transaction liabilities) Borrowings on margin transactions	¥13,242	**¥3,573**	**$32,240**	0.60	

Notes: (*1) Weighted average interest rate on borrowings at the end of the current fiscal year.
(*2) Short-term loans payable and other includes the current portion of long-term loans payable outstanding.
(*3) Short-term loans payable and other and long-term loans payable include syndicate loans at the end of the previous fiscal year and at the end of the current fiscal year, amounting to ¥54,639 million and ¥84,230 million ($760,052 thousand), respectively.

Summary of the terms of bonds payable

As of March 31, 2018 and 2019

Company	Description	Issue date	Millions of Yen 2018	Millions of Yen 2019	Thousands of U.S. Dollars 2019	% Rate	Redemption date
Monex Group, Inc.	Yen-denominated bond with interest coupon of 1.50% due on October 17, 2018	October 17, 2013	¥5,000	**¥—**	**$—**	1.50	October 17, 2018
Monex Group, Inc.	Yen-denominated bond with interest coupon of 1.50% due on November 12, 2018	November 11, 2013	5,000	**—**	**—**	1.50	November 12, 2018
Monex Group, Inc.	Yen-denominated bond due on December 17, 2018	December 17, 2013	5,000	**—**	**—**	1.50	December 17, 2018
Monex Group, Inc.	Yen-denominated bond with other variable linked Interest rate due on August 16, 2018	August 15, 2017	1,500	**—**	**—**	0.70	August 16, 2018
Monex Finance Corporation	Yen-denominated bond due on July 9, 2018	January 9, 2018	10,000	**—**	**—**	0.20	July 9, 2018
Monex Finance Corporation	Yen-denominated bond due on July 25, 2019	July 25, 2018	—	**5,000**	**45,117**	0.35	July 25, 2019
Monex Finance Corporation	Yen-denominated bond due on July 26, 2021	July 25, 2018	—	**5,000**	**45,117**	0.58	July 26, 2021
Monex Finance Corporation	Yen-denominated bond due on September 18, 2019	September 14, 2018	—	**2,000**	**18,047**	0.50	September 18, 2019
Monex Finance Corporation	Yen-denominated bond due on November 1, 2023	October 31, 2018	—	**5,000**	**45,117**	0.60	November 1, 2023
Monex Finance Corporation	Yen-denominated bond due on January 11, 2022	January 10, 2019	—	**3,000**	**27,070**	0.50	January 11, 2022
Monex Finance Corporation	Privately-placed bonds	From June 2018 to March 2019	—	**8,000**	**72,188**	0.15 ~ 0.45	From June 2019 to March 2022

The Group complies with the contract terms for all bonds and loans payable.

Changes in liabilities arising from financing activities are as follows.

Millions of Yen

	Loans payable	Bonds	Total
As of April 1, 2017	¥120,191	¥17,942	¥138,133
Changes from financing cash flow			
Net increase/decrease in short-term loans payable	47,800	—	47,800
Proceeds from issuance of bonds payable	—	14,483	14,483
Redemption of bonds payable	—	(6,000)	(6,000)
Proceeds from long-term loans payable	9,970	—	9,970
Repayment of long-term loans payable	(10,600)	—	(10,600)
Total changes from financing cash flow	41,170	8,483	55,653
Interest expense	71	29	99
Effect of changes in foreign exchange rates	(51)	—	(51)
Other	—	(2,824)	(2,824)
As of March 31, 2018	¥167,380	¥23,630	¥190,010

Millions of Yen

	Loans payable	Bonds	Total
As of April 1, 2018	¥167,380	¥23,630	¥191,010
Changes from financing cash flow			
Net increase/decrease in short-term loans payable	**(40,816)**	**—**	**(40,816)**
Proceeds from issuance of bonds payable	**—**	**28,016**	**28,016**
Redemption of bonds payable	**—**	**(26,557)**	**(26,557)**
Proceeds from long-term loans payable	**58,924**	**—**	**58,924**
Repayment of long-term loans payable	**(22,005)**	**—**	**(22,005)**
Total changes from financing cash flow	**(3,897)**	**1,459**	**(2,438)**
Interest expense	**100**	**26**	**126**
Effect of changes in foreign exchange rates	**39**	**—**	**39**
Other	**—**	**1,903**	**1,903**
As of March 31, 2019	**¥163,622**	**¥27,018**	**¥190,641**

Thousands of U.S. Dollars

	Loans payable	Bonds	Total
As of April 1, 2018	**$1,510,353**	**$213,227**	**$1,723,579**
Changes from financing cash flow	**—**	**—**	**—**
Net increase/decrease in short-term loans payable	**(368,300)**	**—**	**(368,300)**
Proceeds from issuance of bonds payable	**—**	**252,798**	**252,798**
Redemption of bonds payable	**—**	**(239,633)**	**(239,633)**
Proceeds from long-term loans payable	**531,697**	**—**	**531,697**
Repayment of long-term loans payable	**(198,560)**	**—**	**(198,560)**
Total changes from financing cash flow	**(35,164)**	**13,165**	**(21,998)**
Interest expense	**899**	**238**	**1,137**
Effect of changes in foreign exchange rates	**355**	**—**	**355**
Other	**—**	**17,170**	**17,170**
As of March 31, 2019	**$1,476,444**	**$243,800**	**$1,720,243**

22 Property and Equipment

Millions of Yen

	Buildings	Equipment and fixtures	Total
Acquisition cost			
As of April 1, 2017	¥1,140	¥3,231	¥4,371
Increase for the fiscal year (Purchase)	391	520	911
Disposal	(488)	(278)	(766)
Foreign currency translation adjustments in foreign operations	(22)	(77)	(99)
As of March 31, 2018	¥1,021	¥3,396	¥4,417
Increase by business combination	**36**	**64**	**100**
Increase for the fiscal year (Purchase)	**367**	**859**	**1,226**
Disposal	**—**	**(151)**	**(151)**
Foreign currency translation adjustments in foreign operations	**20**	**66**	**85**
As of March 31, 2019	**¥1,444**	**¥4,234**	**¥5,678**

Millions of Yen

	Buildings	Equipment and fixtures	Total
Accumulated depreciation and accumulated impairment loss			
As of April 1, 2017	¥685	¥1,625	¥2,309
Depreciation	122	668	790
Disposal	(488)	(249)	(737)
Foreign currency translation adjustments in foreign operations	(12)	(56)	(67)
As of March 31, 2018	¥307	¥1,988	¥2,294
Depreciation	**164**	**623**	**787**
Impairment loss	**—**	**112**	**112**
Disposal	**—**	**(32)**	**(32)**
Foreign currency translation adjustments in foreign operations	**10**	**49**	**60**
As of March 31, 2019	**¥481**	**¥2,741**	**¥3,222**

Millions of Yen

	Buildings	Equipment and fixtures	Total
Carrying amount			
As of April 1, 2017	¥456	¥1,606	¥2,062
As of March 31, 2018	714	1,408	2,122
As of March 31, 2019	**¥962**	**¥1,493**	**¥2,456**

Thousands of U.S. Dollars

	Buildings	Equipment and fixtures	Total
Acquisition cost			
As of March 31, 2018	$9,213	$30,640	$39,854
Increase by business combination	**322**	**582**	**903**
Increase for the fiscal year (Purchase)	**3,314**	**7,750**	**11,064**
Disposal	**—**	**(1,358)**	**(1,358)**
Foreign currency translation adjustments in foreign operations	**176**	**594**	**770**
As of March 31, 2019	**$13,026**	**$38,208**	**$51,234**

Thousands of U.S. Dollars

	Buildings	Equipment and fixtures	Total
Accumulated depreciation and accumulated impairment loss			
As of March 31, 2018	$2,768	$17,936	$20,704
Depreciation	**1,480**	**5,624**	**7,104**
Impairment loss	**—**	**1,014**	**1,014**
Disposal	**—**	**(285)**	**(285)**
Foreign currency translation adjustments in foreign operations	**94**	**444**	**538**
As of March 31, 2019	**$4,341**	**$24,733**	**$29,075**

Thousands of U.S. Dollars

	Buildings	Equipment and fixtures	Total
Carrying amount			
As of March 31, 2018	$6,446	$12,705	$19,150
As of March 31, 2019	**$8,684**	**$13,474**	**$22,159**

Notes: (*1) Depreciation on property and equipment is included in “Selling, general and administrative expenses” in the consolidated statement of income.

(*2) There are no property and equipment with restricted ownership or pledged as collateral at the end of the previous fiscal year and at the end of the current fiscal year.

23 Intangible Assets

(1) Acquisition cost and accumulated amortization and accumulated impairment loss of intangible assets

Acquisition cost and accumulated amortization and accumulated impairment loss of intangible assets are as follows.

Millions of Yen

	Goodwill	Internally generated intangible assets	Others	Total
Acquisition cost				
As of April 1, 2017	¥19,849	¥31,313	¥24,966	¥76,127
Increase (not by business combination)	—	3,839	932	4,772
Disposal	—	(245)	(92)	(337)
Foreign currency translation adjustments in foreign operations	(565)	(280)	(953)	(1,798)
As of March 31, 2018	¥19,284	¥34,627	¥24,853	¥78,764
Increase by business combination	**—**	**—**	**2**	**2**
Increase (not by business combination)	**—**	**5,396**	**792**	**6,188**
Disposal	**—**	**(685)**	**(123)**	**(808)**
Foreign currency translation adjustments in foreign operations	**498**	**264**	**836**	**1,598**
As of March 31, 2019	**¥19,782**	**¥39,601**	**¥26,360**	**¥85,743**

Millions of Yen

	Goodwill	Internally generated intangible assets	Others	Total
Accumulated amortization and accumulated impairment loss				
As of April 1, 2017	¥2,806	¥9,188	¥10,382	¥22,376
Amortization	—	5,527	1,803	7,331
Disposal	—	(122)	(69)	(191)
Foreign currency translation adjustments in foreign operations	(129)	(89)	(386)	(604)
As of March 31, 2018	¥2,677	¥14,505	¥11,731	¥28,912
Amortization	**—**	**5,769**	**1,837**	**7,605**
Impairment loss	**—**	**1,675**	**—**	**1,675**
Disposal	**—**	**(583)**	**(105)**	**(689)**
Foreign currency translation adjustments in foreign operations	**114**	**83**	**344**	**541**
As of March 31, 2019	**¥2,791**	**¥21,448**	**¥13,806**	**¥38,045**

Millions of Yen

	Goodwill	Internally generated intangible assets	Others	Total
Carrying amount				
As of April 1, 2017	¥17,043	¥22,124	¥14,584	¥53,751
As of March 31, 2018	16,607	20,122	13,122	49,851
As of March 31, 2019	**16,990**	**18,154**	**12,554**	**47,698**

Thousands of U.S. Dollars

	Goodwill	Internally generated intangible assets	Others	Total
Acquisition cost				
As of March 31, 2018	$174,005	$312,455	$224,264	$710,724
Increase by business combination	**—**	**—**	**17**	**17**
Increase (not by business combination)	**—**	**48,694**	**7,145**	**55,838**
Disposal	**—**	**(6,185)**	**(1,111)**	**(7,295)**
Foreign currency translation adjustments in foreign operations	**4,494**	**2,378**	**7,543**	**14,416**
As of March 31, 2019	**$178,499**	**$357,342**	**$237,858**	**$773,700**

Thousands of U.S. Dollars

	Goodwill	Internally generated intangible assets	Others	Total
Accumulated amortization and accumulated impairment loss				
As of March 31, 2018	$24,154	$130,882	$105,855	$260,891
Amortization	**—**	**52,053**	**16,572**	**68,625**
Impairment loss	**—**	**15,117**	**—**	**15,117**
Disposal	**—**	**(5,265)**	**(952)**	**(6,217)**
Foreign currency translation adjustments in foreign operations	**1,032**	**746**	**3,107**	**4,885**
As of March 31, 2019	**$25,186**	**$193,533**	**$124,582**	**$343,301**

Thousands of U.S. Dollars

	Goodwill	Internally generated intangible assets	Others	Total
Carrying amount				
As of March 31, 2018	$149,851	$189,331	$123,469	$469,053
As of March 31, 2019	**$153,313**	**$163,809**	**$113,277**	**$430,399**

The above “Others” includes customer relationships and technology assets held by TradeStation Group, Inc., acquired in June 2011.

Carrying amount and remaining amortization periods

As of March 31, 2018

Class	Carrying amount (Millions of Yen)	Remaining amortization periods
Customer relationships	¥2,391	11 years
Technologies assets	6,975	11 years

As of March 31, 2019

Class	Carrying amount (Millions of Yen)	Carrying amount (Thousands of U.S. Dollars)	Remaining amortization periods
Customer relationships	**¥2,272**	**$20,500**	**10 years**
Technologies assets	**6,626**	**59,792**	**10 years**

Intangible assets other than goodwill with definite useful lives are amortized over their useful lives. The amortization of intangible assets is included in “Selling, general and administrative expenses” in the consolidated statement of income.

Carrying amount of intangible assets other than goodwill with indefinite useful lives

As of March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Exchange membership and others	¥712	**¥786**	**$7,088**

Intangible assets with indefinite useful lives are mainly exchange memberships. These are essential for the financial service business that provides financial instruments and infrastructure through the Internet to customers. As long as the financial service business continues, these basically subsist, and are considered to have indefinite useful lives.

There are no intangible assets with restricted ownership or that are pledged as collateral at the end of the previous fiscal year and at the end of the current fiscal year.

(2) Impairment testing of goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is any indication of impairment. The recoverable amount of goodwill and such intangible assets is calculated based on the value in use. “Goodwill” arising from business combination is allocated to the relevant group of cash-generating units (CGUs) that are expected to benefit. The carrying amounts before impairment of the goodwill and intangible assets with indefinite useful lives are allocated to the following groups of CGUs.

As of March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
Groups of CGUs	2018	**2019**	**2019**
(Goodwill)			
Japan	¥7,627	**¥7,627**	**$68,823**
U.S.	8,571	**8,937**	**80,644**
China	409	**426**	**3,846**
Total	¥16,607	**¥16,990**	**$153,313**
(Intangible assets with indefinite useful lives)			
Japan	¥283	**¥336**	**$3,034**
U.S.	429	**449**	**4,054**
Total	¥712	**¥786**	**$7,088**

The asset’s value in use is calculated by discounting the estimated operating future cash flows by the following discount rate.

The operating future cash flows are estimated based on the Group’s financial plan approved by management for the first five years and assuming the following long-term average growth rate for the subsequent years. This growth rate does not exceed the long-term average growth rate of the market.

The discount rate is a pre-tax rate that reflects the weighted average cost of capital for each group of CGUs and the appropriate risk premium.

Discount rates before tax used for calculating the value in use for each group of CGUs
For the fiscal years ended March 31, 2018 and 2019

Groups of CGUs	2018	2019
Japan	8.0 %	**6.8 %**
U.S.	19.9 %	**15.1 %**
China	17.1 %	**12.1 %**

Growth rate used for calculating the operating future cash flows for the years subsequent to the first five years
As of March 31, 2018 and 2019

Groups of CGUs	2018	2019
Japan	1.0 %	**0.9 %**
U.S.	2.2 %	**2.2 %**
China	3.0 %	**3.0 %**

In Japan and China, the recoverable amounts for each group of CGUs sufficiently exceed their carrying amounts, therefore the Group considers that impairment loss is unlikely to occur for these groups of CGUs, even if the key assumptions used in impairment testing were to change within a reasonably possible range. In the U.S., though the recoverable amounts for the group of CGUs exceed its carrying amounts, if the discount rate were to increase or the estimated future cash flows were to decrease, there is a possibility that impairment loss would occur for this group of CGUs.

24 Impairment of Non-financial Assets

The breakdown of impairment loss by asset type for the fiscal year ended March 31, 2018 and 2019 is as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Property and equipment			
Equipment	¥—	**¥112**	**$1,058**
Intangible assets			
internally generated intangible assets	—	**1,675**	**15,763**
Total	¥—	**¥1,788**	**$16,820**

In the current fiscal year, ¥1,788 million ($16,820 thousand) of impairment loss on fixed assets related to the Japanese equities trading tool, “TradeStation,” was recorded in the Japan segment as a result of the revised evaluation that was made to reflect actual revenue performance. The recoverable amount is calculated by the value in use, but the value in use is zero because the future cash flow is negative.
Impairment loss is included in "Other expenses" in the consolidated statement of income.

25 Companies Subject to Equity Method

(1) Summary of associates

As of March 31, 2018 and 2019

Company name	Business description	Segment	Ownership interest %	
			2018	**2019**
Triangle Partners (silent partnership Triangle Partners)	Investment management	Japan	33.3	33.3

Carrying amount of associates that are not individually material

As of March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Carrying amount	¥187	**¥166**	**$1,500**

Profit or loss and other comprehensive income recognized for associates that are not individually material

For the fiscal year ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Equity in profits or losses of equity method investments	¥85	**¥73**	**$656**
Share of other comprehensive income of equity method investments	27	**(65)**	**(584)**
Total	¥111	**¥8**	**$72**

There are no associates that are material at the end of previous fiscal year and at the end of current fiscal year.

(2) Joint ventures

As of March 31,2018 and 2019

Company name	Business description	Segment	Ownership interest %	
			2018	**2019**
Japan Growth Investments Alliance, Inc. (J-GIA)	Composition and operation of funds by investment limited partnership	Japan	40.0	**40.0**
Cherry Technology Co., Ltd.	Technical supports	Asia-Pacific	49.0	**49.0**

Carrying amount of joint ventures that is not individually material

As of March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Carrying amount	¥108	**¥140**	**$1,259**

Profit or loss and other comprehensive income recognized for joint ventures that is not individually material

For the fiscal year ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Equity in profits or losses of equity method investments	¥84	**¥22**	**$202**
Share of other comprehensive income of equity method investments	3	**(3)**	**(24)**
Total	¥87	**¥20**	**$178**

There are no joint ventures that are material at the end of previous fiscal year and at the end of current fiscal year.

26 Deferred Tax and Income Tax Expense

(1) Deferred tax

Major components of deferred tax assets and deferred tax liabilities

Millions of Yen

	As of March 31, 2017	Recognized through profit or loss	Recognized through other comprehensive income	As of March 31, 2018
Deferred tax assets:				
Tax loss carried forward	¥3,072	¥(1,764)	¥—	¥1,308
Property and equipment and intangible assets	684	(349)	—	335
Accounts payable and accrued expenses	601	(101)	—	500
Accrued enterprise tax	12	134	—	146
Deferred income	39	29	—	68
Investments in securities	72	(12)	(20)	39
Allowance for doubtful receivables	30	(10)	—	20
Others	1,019	(19)	(76)	924
Total deferred tax assets	¥5,529	¥(2,092)	¥(96)	¥3,340
Deferred tax liabilities:				
Property and equipment and intangible assets	¥6,305	¥(2,733)	¥—	¥3,571
Investments in securities	1,163	150	(348)	965
Goodwill	310	—	—	310
Others	149	(106)	(39)	5
Total deferred tax liabilities	¥7,927	¥(2,689)	¥(387)	¥4,852

Millions of Yen

	As of March 31, 2018	Recognized through profit or loss	Recognized through other comprehensive income	As of March 31, 2019
Deferred tax assets:				
Tax loss carried forward	¥1,308	**¥(167)**	**¥—**	**¥1,141**
Property and equipment and intangible assets	335	**513**	**—**	**848**
Accounts payable and accrued expenses	500	**68**	**—**	**568**
Accrued enterprise tax	146	**(96)**	**—**	**50**
Deferred income	68	**37**	**—**	**106**
Investments in securities	39	**(20)**	**—**	**19**
Allowance for doubtful receivables	20	**1**	**—**	**22**
Others	924	**(66)**	**(195)**	**662**
Total deferred tax assets	¥3,340	**¥270**	**¥(195)**	**¥3,415**
Deferred tax liabilities:				
Property and equipment and intangible assets	¥3,571	**¥111**	**¥—**	**¥3,682**
Investments in securities	965	**(105)**	**61**	**922**
Goodwill	310	**—**	**—**	**310**
Others	5	**70**	**—**	**75**
Total deferred tax liabilities	¥4,852	**¥76**	**¥61**	**¥4,989**

Thousands ofU.S. Dollars

	As of March 31, 2018	Recognized through profit or loss	Recognized through other comprehensive income	As of March 31, 2019
Deferred tax assets:				
Tax loss carried forward	$11,803	**$(1,508)**	**—**	**$10,295**
Property and equipment and intangible assets	3,020	**4,627**	**—**	**7,648**
Accounts payable and accrued expenses	4,511	**617**	**—**	**5,128**
Accrued enterprise tax	1,318	**(868)**	**—**	**451**
Deferred income	615	**337**	**—**	**953**
Investments in securities	354	**(183)**	**—**	**171**
Allowance for doubtful receivables	184	**11**	**—**	**195**
Others	8,334	**(599)**	**(1,758)**	**5,978**
Total deferred tax assets	$30,140	**$2,436**	**$(1,758)**	**$30,818**
Deferred tax liabilities:				
Property and equipment and intangible assets	$(32,226)	**$(999)**	**$—**	**$(33,225)**
Investments in securities	(8,711)	**948**	**(554)**	**(8,317)**
Goodwill	(2,800)	**—**	**—**	**(2,800)**
Others	(42)	**(632)**	**—**	**(674)**
Total deferred tax liabilities	$(43,779)	**$(683)**	**$(554)**	**$(45,016)**

Note: The difference between the total amount recognized in profit or loss and the total income taxes expense is due to fluctuation of the foreign exchange rate.

Deferred tax assets and deferred tax liabilities in the consolidated statement of financial position

As of March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Deferred tax assets	¥13	**¥289**	**$2,605**
Deferred tax liabilities	(1,524)	**(1,862)**	**(16,803)**
Net amount	¥(1,511)	**¥(1,573)**	**$(14,198)**

Amount of deductible temporary differences and tax loss carried forward for which no deferred tax asset is recognized

As of March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Tax loss carried forward	¥964	**¥996**	**$8,986**
Deductible temporary differences	589	**333**	**3,008**
Total	¥1,553	**¥1,329**	**$11,994**

Amount and Expiration date for tax loss carried forward for which no deferred tax asset is recognized

As of March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Year 1	¥20	**¥—**	**$—**
Year 2	122	**—**	**—**
Year 3	79	**—**	**—**
Year 4	33	**—**	**—**
Over year 5	¥710	**¥996**	**$8,986**

The Company considers whether it is probable that taxable profit will be available against any or all of the deductible temporary differences or tax loss carried forward to recognize deferred tax assets. When the Company assesses the recoverability of a deferred tax asset, the Company considers the timing of the expected reversal of the taxable temporary differences.

For deductible and taxable temporary differences associated with investments in subsidiaries, deferred tax assets and liabilities are basically not recognized at the end of the previous fiscal year and at the end of the current fiscal year, because the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. The deductible temporary differences associated with investments in subsidiaries for which a deferred tax asset is not recognized at the end of the previous fiscal year and at the end of the current fiscal year are ¥5,952 million and ¥2,561 million ($23,113 thousand), respectively. The taxable temporary differences associated with investments in subsidiaries for which a deferred tax liability is not recognized at the end of the previous fiscal year and at the end of the current fiscal year are ¥8,537 million and ¥5,280 million ($47,643 thousand), respectively.

(2) Income tax expense

Current income tax expense and deferred tax expense

For the fiscal years ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Current income tax expense:			
For the fiscal year	¥2,609	**¥913**	**$8,236**
Total current income tax expense	2,609	**913**	**8,236**
Deferred tax expense:			
Increase and decrease in temporary differences	¥369	**¥(188)**	**$(1,700)**
Changes in applicable tax rate	(927)	**37**	**335**
Total deferred income tax expense	(558)	**(151)**	**(1,366)**
Total income tax expense	¥2,052	**¥761**	**$6,871**

Note: The Group recognized the reduction in deferred tax assets and deferred tax liabilities in the US segment, which results in a decrease of income taxes expense by ¥930 million, for the previous fiscal year.

The current tax expense includes the amount of benefit arising from a previously unrecognized tax loss carried forward or the temporary difference of a past period that is used to reduce the current tax expense, and the related current income tax expense for the previous fiscal year and the current fiscal year decreased by ¥51 million and ¥91 million ($820 thousand), respectively.

The deferred tax expense includes the write-down or reversal of the previous write-down for the deferred tax assets, and the related deferred tax expense for the previous fiscal year and the current fiscal year increased by ¥327 million and ¥657 million ($5,927 thousand), respectively.

Corporate tax, inhabitant tax and deductible enterprise tax are levied to the Company, and the statutory effective tax rates calculated based on the taxes for the previous fiscal year and the current fiscal year are 30.9% and 30.6%, respectively, in Japan. Corporate tax and other taxes for foreign subsidiaries are levied under the relevant jurisdiction.

Tax amount for other tax jurisdiction is calculated based on the general tax rate of the relevant jurisdiction.

Reconciliation between statutory effective tax rate and average effective rate in the consolidated statement of income
For the fiscal years ended March 31, 2018 and 2019

		%
	2018	2019
Statutory effective tax rate	30.9	**30.6**
Unrecognized deferred tax assets	3.2	**13.4**
Difference in applicable tax rate of foreign subsidiaries	1.5	**(4.7)**
Adjustment of the ending balance of deferred tax assets and liabilities due to the change of tax rate	(10.7)	**2.1**
Permanent difference in profit or loss	0.8	**1.4**
Tax deduction of overseas subsidiary	(0.6)	**(1.1)**
Others	(1.2)	**0.8**
Average effective tax rate	23.8	**42.5**

27 Operating Leases

The Group rents office buildings and others under cancellable or non-cancellable operating leases. The minimum lease payments for operating lease recognized as an expense for the previous fiscal year and for the current fiscal year are ¥1,195 million and ¥1,027 million ($9,270 thousand), respectively.

Future minimum lease payment under non-cancellable operating leases
As of March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Within one year	¥873	**¥1,006**	**$9,074**
From one year to five years	2,409	**2,006**	**18,102**
More than five years	278	**161**	**1,450**
Total	¥3,560	**¥3,172**	**$28,625**

Certain lease agreements include a provision to renew the agreements. There are no lease agreements with a contingent rate, escalation clause and restrictive clause which restrict dividends, additional leasing and additional borrowings and other.

28 Post-employment Benefits

The Group has a defined contribution plan to provide post-employment benefits to the employees under which the employees have right to receive benefits for the related service periods.
For the fiscal years ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Contribution to defined contribution plan	¥191	**¥207**	**$1,872**

29 Provisions

Provisions consist of asset retirement obligations.

Changes in provisions

For the fiscal years ended March 31, 2019

Millions of Yen

	Asset retirement obligation
As of April 1, 2018	¥148
Increases	**113**
Decreases (usage)	**—**
Reversal of discounted amounts by the passage of time	**—**
As of March 31, 2019	**¥262**

Thousands of U.S. Dollars

	Asset retirement obligation
As of April 1, 2018	$1,339
Increases	**1,022**
Decreases (usage)	**—**
Reversal of discounted amounts by the passage of time	**—**
As of March 31, 2019	**$2,361**

30 Share-based Payments

(1) Restricted Stock(Equity-settled)
The Company provides a remuneration system that allocates restricted stock to the officers and certain employees (collectively referred to as "Target Officers")

The Target Officers shall pay in all of the claims for monetary compensation entitled by the Company under the system as contributions in kind and receive the Company's common stocks issued or disposed.

Upon issuing or disposing the Company's common stocks based on this system, an allocation agreement for restricted stocks shall be executed between the Company and the Target Officer who will be allocated such restricted stocks.

Such agreement shall include provisions stipulating that: (a) the Target Officer shall not transfer, create any security interests in or otherwise dispose of the Company's common stocks allocated in accordance with the allocation agreement for restricted stocks for a certain period determined by the remuneration committee, and (b) the Company shall acquire such common stocks without cost upon the occurrence of certain events.

	Granted July 10, 2018	Granted July 10, 2019
Number of shares granted	314,000 share	366,700 share
Fair value	306 yen per share	622 yen per share
Method of calculating fair value	Closing price of common stock of the Company	Closing price of common stock of the Company
Period of restriction	From July 28, 2017 to August 1, 2020	From July 27, 2018 to August 1, 2021

Notes:(1) Restrictions on transfer will be released on the condition that the transfer restriction period has expired as well as the subject officers and others have continued to be either a director, executive officer, corporate auditor, executive officer or employee of the Company or its subsidiary.
(2) Expected dividends are not included in the measurement of fair value.

Expenses pertaining to share-based payment agreement are as follow

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Expenses pertaining to the share-based payment agreement	**¥25**	**¥98**	**$882**

Expenses pertaining to share-based payment agreement are included in "Selling, general and administrative expenses" on the Consolidated Statement of Income.

(2) Share-based bonus plan(Cash-settled)
The Group provides a bonus plan linked to the Company's share price for the board directors and certain employees. The plan requires the management and employees to stay in the Group until the payment date to receive the bonus, and if they leave the Group due to a specific reason, the right to receive the bonus would be lost. The period for the payment is one year to six years.

For the Company and some domestic subsidiaries, the payment amounts are determined by multiplying the granted notional number of shares by the base price that is calculated in a prescribed manner.

For some foreign subsidiaries, the payment amount is determined by multiplying the granted amounts by the fluctuation rate of the share price between the grant date and payment date.

The estimated payment amount for share-based bonus is calculated based on the Company's share price at the end in the current fiscal year.

The Company and domestic group companies

As of March 31, 2018 and 2019

	Millions of Yen			Thousands of U.S. Dollars
	Original estimated payment amount on grant date	Estimated payment amount		
		2018	2019	2019
Granted on June 30, 2015 (For 3 years)	¥40	¥39	**¥—**	**$—**

Foreign group companies

As of March 31, 2018 and 2019

	Millions of Yen			Thousands of U.S. Dollars
	Original estimated payment amount on grant date	Estimated payment amount		
		2018	2019	2019
Granted on June 30, 2014 (For 4 years)	¥88	¥58	**¥—**	**$—**
Granted on June 30, 2014 (For 5 years)	19	9	**12**	**112**
Granted on June 30, 2014 (For 6 years)	49	9	**12**	**112**
Granted on June 30, 2015 (For 3 years)	35	25	**—**	**—**
Granted on June 30, 2015 (For 4 years)	35	25	**27**	**240**
Granted on June 30, 2015 (For 5 years)	17	11	**12**	**108**
Granted on June 30, 2015 (For 6 years)	17	11	**12**	**108**
Granted on August 31, 2015 (For 3 years)	2	1	**—**	**—**
Granted on August 31, 2015 (For 4 years)	2	1	**2**	**15**
Total	¥263	¥149	**¥77**	**$695**

The carrying amount of liabilities arising from share-based payment agreement

As of March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Liabilities arising from share-based payment	¥158	**¥64**	**$579**

The expenses pertaining to the share-based payment agreement are as follow.

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Expenses pertaining to the share-based payment agreement	¥362	**¥85**	**$763**

The expenses pertaining to the share-based payment agreement are included in "Selling, general and administrative expenses" on the Consolidated Statement of Income.

31 Paid-in Capital and Other Equity

The numbers of shares authorized and issued

For the fiscal years ended March 31, 2018 and 2019

Number of shares

	2018	2019
Numbers of shares authorized		
Common stock	880,000,000	**880,000,000**
Numbers of shares issued		
Beginning balance	280,591,700	**269,706,000**
Cancellation of treasury stock (*1)	(10,885,700)	**(3,383,700)**
Ending balance	269,706,000	**266,322,300**
Numbers of treasury stock		
Beginning balance	—	**600,078**
Acquisition of treasury stock (*1)	11,799,778	**3,750,344**
Disposition of treasury stock (*2)	(314,000)	**(366,700)**
Cancellation of treasury stock (*3)	(10,885,700)	**(3,383,700)**
Ending balance	600,078	**600,022**

Note: (*1) 3,690,000 shares of treasury stock were acquired from the Tokyo Stock Exchange (ToSTNeT-3) and 8,105,600 shares of treasury stock were acquired through market purchase in the previous fiscal year. 3,726,900 shares of treasury stock were acquired through market purchase in the current fiscal year.

(*2) The Company disposed of 314,000 shares of treasury stock in the previous fiscal year and 366,700 shares of treasury stock in the current fiscal year as restricted stock remuneration to the directors, executive officers and corporate officers of the Company as well as directors and executive officers of the Company's subsidiaries.

(*3) In the previous fiscal year, 10,885,700 shares of treasury stock were cancelled on March 31, 2018. In the current fiscal year, 3,383,700 shares of treasury stock were cancelled on March 31, 2019.

Common stock

All shares are no-par value shares and all shares issued are paid in. Shareholders of common stock have the right to receive declared dividends and one voting right per 100 shares at shareholders' meetings. All rights for shares held by the Company (treasury stock) are suspended until reissuance.

Treasury stock

The Company held 600,078 shares of treasury stock at the end of the previous fiscal year and 600,022 at the end of current fiscal year.

Additional paid-in capital

Under the Japanese Companies Act (the Act), additional paid-in capital consists of legal capital surplus and other capital surplus. The Act requires the amounts that are not recorded as common stock at stock issuance to be included in legal capital surplus. Legal capital surplus can be transferred to common stock by resolution at shareholders' meetings. Other capital surplus includes surplus due to reversal of common stock and legal capital surplus and gain on disposal of treasury stock.

Retained earnings

Retained earnings include legal earnings reserved and other retained earnings. The Act requires one-tenth of dividends paid in legal capital surplus and legal earnings to be reserved to the extent that the aggregate amount of legal capital surplus and legal earnings reserved become one-fourth of the amount of common stock.

32 Dividends

The Company’s dividends policy is to pay out dividends twice a year as interim dividends and year-end dividends.

Latest actual performance for dividends paid

		Millions of Yen	Yen		
Resolution date	Class of shares	Paid amount	Dividends per share	Record date	Effective date
May 24, 2017	Common stock	¥730	¥2.60	March 31, 2017	June 5, 2017
October 27, 2017	Common stock	1,026	3.70	September 30, 2017	December 1, 2017
May 22, 2018	Common stock	1,695	6.30	March 31, 2018	June 4, 2018
October 29, 2018	Common stock	718	2.70	September 30, 2018	December 3, 2018

		Thousands of U.S. Dollars	U.S. Dollars		
Resolution date	Class of shares	Paid amount	Dividends per share	Record date	Effective date
June 24, 2017	Common stock	$6,583	$0.02	March 31, 2017	June 5, 2017
October 27, 2017	Common stock	**9,255**	**0.03**	September 30, 2017	December 1, 2017
May 22, 2018	Common stock	**15,298**	**0.06**	March 31, 2018	June 4, 2018
October 29, 2018	Common stock	**6,474**	**0.02**	September 30, 2018	December 3, 2018

Dividends whose record date is in the current fiscal year but whose effective date is in the following fiscal year

		Millions of Yen	Yen		
Resolution date	Class of shares	Paid amount	Dividends per share	Record date	Effective date
May 23, 2019	Common stock	**¥717**	**¥2.70**	March 31, 2019	June 3, 2019

		Thousands of U.S. Dollars	U.S. Dollars		
Resolution date	Class of shares	Paid amount	Dividends per share	Record date	Effective date
May 23, 2019	Common stock	**$6,474**	**$0.02**	March 31, 2019	June 3, 2019

33 Other Components of Equity and Other Comprehensive Income

Changes in other components of equity

For the fiscal years ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Changes in fair value of equity instruments measured at FVTOCI			
Beginning balance	¥—	¥—	$—
Changes in accounting policies	—	261	2,351
Beginning balance as adjusted for changes in accounting policies	—	261	2,351
Other comprehensive income before reclassification	—	135	1,221
Reclassification to profit or loss	—	—	—
Ending balance	—	¥396	$3,572
Changes in fair value of debt instruments measured at FVTOCI	—		
Beginning balance	¥—	¥—	$—
Changes in accounting policies	—	1,098	9,909
Beginning balance as adjusted for changes in accounting policies	—	1,098	9,909
Other comprehensive income before reclassification	—	101	913
Reclassification to profit or loss	—	—	—
Ending balance	¥—	¥1,199	$10,822
Changes in fair value of available-for-sale financial assets			
Beginning balance	¥2,389	¥1,753	$15,821
Changes in accounting policies	—	(1,753)	(15,821)
Beginning balance as adjusted for changes in accounting policies	¥2,389	¥—	$—
Other comprehensive income before reclassification	¥1,348	¥—	¥—
Reclassification to profit or loss	(1,984)	—	—
Ending balance	¥1,753	¥—	$—
Changes in fair value of hedging instrument			
Beginning balance	¥(419)	¥(584)	$(5,267)
Other comprehensive income before reclassification	(302)	14	129
Reclassification to profit or loss	137	569	5,138
Ending balance	¥(584)	¥—	$—
Foreign currency translation adjustments in foreign operations			
Beginning balance	¥8,180	¥6,939	$62,617
Other comprehensive income before reclassification	(1,240)	1,057	9,540
Reclassification to profit or loss	—	—	—
Ending balance	¥6,939	¥7,997	$72,157
Share of other comprehensive income of equity method investments			
Beginning balance	¥72	¥101	$908
Other comprehensive income before reclassification	29	(67)	(608)
Reclassification to profit or loss	—	—	—
Ending balance	¥101	¥33	$300
Other components of equity (Excluding share-based payments)			
Beginning balance	¥10,222	¥8,210	$74,083
Changes in accounting policies	—	(395)	(3,565)
Beginning balance as adjusted for changes in accounting policies	10,222	7,815	70,518
Other comprehensive income before reclassification	(165)	1,241	11,195
Reclassification to profit or loss	(1,847)	569	5,138
Ending balance	¥8,210	¥9,625	$86,851

Notes: (*1) In addition to the above, there are other components of equity pertaining to share-based payments.
(*2) There is no other comprehensive income attributable to non-controlling interests for the previous fiscal year and for the current fiscal year.

Other comprehensive income (including amounts attributable to non-controlling interests) and the related tax effects

For the fiscal years ended March 31, 2018 and 2019

Millions of Yen

	2018			2019		
	Before related tax effects	Tax effect	Net of related tax effects	Before related tax effects	Tax effect	Net of related tax effects
Changes in fair value of equity instruments measured at FVTOCI						
Other comprehensive income before reclassification	¥—	¥—	¥—	**¥195**	**¥(60)**	**¥135**
Reclassification to profit or loss	—	—	—	**—**	**—**	**—**
Changes for the reporting period	¥—	¥—	¥—	**¥195**	**¥(60)**	**¥135**
Changes in fair value of debt instruments measured at FVTOCI						
Other comprehensive income before reclassification	¥—	¥—	¥—	**¥146**	**¥(45)**	**¥101**
Reclassification to profit or loss	—	—	—	**—**	**—**	**—**
Changes for the reporting period	¥—	¥—	¥—	**¥146**	**¥(45)**	**¥101**
Changes in fair value of available-for-sale financial assets						
Other comprehensive income before reclassification	¥1,905	¥(558)	¥1,348	**¥—**	**¥—**	**¥—**
Reclassification to profit or loss	(2,870)	886	(1,984)	**—**	**—**	**—**
Changes for the reporting period	¥(964)	¥328	¥(636)	**¥—**	**¥—**	**¥—**
Changes in fair value of hedging instruments						
Other comprehensive income before reclassification	¥(329)	¥28	¥(302)	**¥19**	**¥(4)**	**¥14**
Reclassification to profit or loss	209	(72)	137	**754**	**(184)**	**569**
Changes for the reporting period	¥(120)	¥(44)	¥(165)	**¥772**	**¥(189)**	**¥584**
Foreign currency translation adjustments in foreign operations						
Other comprehensive income before reclassification	¥(1,240)	¥—	¥(1,240)	**¥1,057**	**¥—**	**¥1,057**
Reclassification to profit or loss	—	—	—	**—**	**—**	**—**
Changes for the reporting period	¥(1,240)	¥—	¥(1,240)	**¥1,057**	**¥—**	**¥1,057**
Share of other comprehensive income of equity method investments						
Other comprehensive income before reclassification	¥41	¥(12)	¥29	**¥(96)**	**¥29**	**¥(67)**
Reclassification to profit or loss	—	—	—	**—**	**—**	**—**
Changes for the reporting period	¥41	¥(12)	¥29	**¥(96)**	**¥29**	**¥(67)**
Total other comprehensive income	¥(2,284)	¥272	¥(2,012)	**¥2,075**	**¥(265)**	**¥1,810**

	Thousands of U.S. Dollars		
	2019		
	Before related tax effects	Tax effect	Net of related tax effects
Changes in fair value of equity instruments measured at FVTOCI			
Other comprehensive income before reclassification	**$1,760**	**$(539)**	**$1,221**
Reclassification to profit or loss	**—**	**—**	**—**
Changes for the reporting period	**$1,760**	**$(539)**	**$1,221**
Changes in fair value of debt instruments **measured at FVTOCI**			
Other comprehensive income before reclassification	**$1,316**	**$(403)**	**$913**
Reclassification to profit or loss	**—**	**—**	**—**
Changes for the reporting period	**$1,316**	**$(403)**	**$913**
Changes in fair value of available-for-sale financial assets			
Other comprehensive income before reclassification	**$—**	**$—**	**$—**
Reclassification to profit or loss	**—**	**—**	**—**
Changes for the reporting period	**$—**	**$—**	**$—**
Changes in fair value of hedging instruments			
Other comprehensive income before reclassification	**$169**	**$(40)**	**$129**
Reclassification to profit or loss	**6,802**	**(1,663)**	**5,138**
Changes for the reporting period	**$6,970**	**$(1,703)**	**$5,267**
Foreign currency translation adjustments in foreign operations			
Other comprehensive income before reclassification	**$9,540**	**$—**	**$9,540**
Reclassification to profit or loss	**—**	**—**	**—**
Changes for the reporting period	**$9,540**	**$—**	**$9,540**
Share of other comprehensive income of equity method investments			
Other comprehensive income before reclassification	**$(866)**	**$258**	**$(608)**
Reclassification to profit or loss	**—**	**—**	**—**
Changes for the reporting period	**$(866)**	**$258**	**$(608)**
Total other comprehensive income	**$18,721**	**$(2,387)**	**$16,334**

34 Earnings per Share

The basis for calculating basic earnings per share and diluted earnings per share for the current fiscal year is as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Earnings per share attributable to owners of the Company			
Basic	¥6,730	**¥1,181**	**$10,661**
Adjustment (*1)	(1)	**—**	**—**
Diluted	¥6,730	**¥—**	**$—**

	Thousands of Share	
	2018	**2019**
Weighted average number of shares		
Basic	276,600	**267,061**
Adjustment (*1)	—	**—**
Diluted	276,600	**—**

Note: (*1) Financial instrument with a dilutive effect is for the purchase of stock options issued by a subsidiary.

The financial instruments with no dilutive effects is stock acquisition rights issued by the associates of the Group for the previous fiscal year.
The financial instruments with no dilutive effects is stock acquisition rights that were issued by subsidiary and associate of the Group for the current fiscal year.

35 Cash Flow Information

(1) Non cash transactions

The Company has no significant non-cash transactions (investment and finance transactions without cash and cash equivalents) for the previous fiscal year and the current fiscal year.

(2) Net proceeds from (payments for) acquisition of subsidiaries

The Company entered into a share transfer agreement with the shareholders of Coincheck, Inc. on April 6, 2018 and acquired 100% of its shares on April 16, 2018.

Consideration paid in relation to the acquired subsidiary is as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Consideration paid in cash	¥—	**¥(3,600)**	**$(32,485)**
Cash and cash equivalents included in the assets acquired at the time the Group obtained control of the subsidiaries	—	**34,295**	**309,459**
Net proceeds from (payments for) purchase of subsidiaries	—	**¥30,695**	**$276,974**

Assets and liabilities excluding cash and cash equivalents at the acquisition date of the acquired subsidiary are as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Inventories	¥—	**¥4,402**	**$39,723**
Others	—	**638**	**5,755**
Total assets	—	**5,040**	**45,479**
Deposits received	—	**(27,553)**	**(248,622)**
Income taxes payable	—	**(1,876)**	**(16,926)**
Others	—	**(4,977)**	**(44,911)**
Total liabilities	¥—	**¥(34,406)**	**$(310,458)**

(3) Net proceeds from (payments for) the sale of subsidiaries

For the fiscal year ended March 31, 2018
There are no net proceeds from (payments for) the sale of subsidiaries.

For the fiscal year ended March 31, 2019
There are no significant net proceeds from (payments for) the sale of subsidiaries.

(4) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are described in “21. Bonds and Loans Payable.”

36 Contingencies

(1)Coincheck, Inc.

Coincheck, Inc. has been subject to lawsuits claiming that Coincheck, Inc. improperly remitted NEM in January 2018. As of the end of the current fiscal year, The Group does not recognize any provision since the recognition criteria for the provision have not been met. Coincheck, Inc. will properly handle these lawsuits.

(2) TradeStation

TradeStation Group, Inc. and its subsidiaries (hereinafter TradeStation) had lawsuits claiming that some of TradeStation’s software applications infringe on the plaintiffs’ software patents, but have signed the contract to settle the lawsuits in October 2018. There is no impact on the performance of the Group resulting from the signing of the contract.

37 Related Parties

(1) Transactions with related parties

For the fiscal year ended March 31, 2018

Millions of Yen

Type of related party	Name of related party	Detail of transaction	Transaction amount	Outstanding balance
Key management	The managing directors and the executive officers of the Company	Grant of Restricted Stock (*1)	¥51	¥—
Key management	Oki Matsumoto	Purchase of securities (*2)	83	—
Company that has significant influence on the Group	The Shizuoka Bank, Ltd.	Deposit (*3)	(55)	1,121
		Loans (*3)	2,300	3,000

Notes: (*1) The Company disposed of its treasury shares as Restricted Stock Remuneration to key management.
In order to eliminate arbitrariness in the disposal value, the disposal value is set up as the closing price of the common stock of the Company on the Tokyo Stock Exchange as of the previous business day of the board of directors' resolution
(*2) The purchase price of securities was determined with reference to the issue price of the latest third-party allotment of new shares by the issuer.
(*3) The terms and conditions are equivalent to those that prevail in arm's length transactions.

For the fiscal year ended March 31, 2019

Millions of Yen

Type of related party	Name of related party	Detail of transaction	Transaction amount	Outstanding balance
Key management	The managing directors and the executive officers of the Company	Grant of Restricted Stock (*1)	**¥114**	**¥—**
Company that has significant influence on the Group	The Shizuoka Bank, Ltd.	Deposit (*2)	**36**	**1,158**
		Loans (*2)	**—**	**3,000**

Thousands of U.S. Dollars

Type of related party	Name of related party	Detail of transaction	Transaction amount	Outstanding balance
Key management	The managing directors and the executive officers of the Company	Grant of Restricted Stock(*1)	**$1,024**	**$—**
Company that has significant influence on the Group	The Shizuoka Bank, Ltd.	Deposit (*2)	**329**	**10,446**
		Loans (*2)	**—**	**27,070**

Notes:(*1) The Company disposed of its treasury shares as Restricted Stock Remuneration to key management.
In order to eliminate arbitrariness in the disposal value, the disposal value is set up as the closing price of the common stock of the Company on the Tokyo Stock Exchange as of the previous business day of the board of directors' resolution
(*2) The terms and conditions are equivalent to those that prevail in arm's length transactions.

(2) Compensation to the Group's key management personnel

For the fiscal years ended March 31, 2018 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	**2019**	**2019**
Short-term benefits	¥498	**¥439**	**$3,958**
Post-employment benefits	1	**1**	**7**
Share-based payments	34	**77**	**694**
Total	¥533	**¥516**	**$4,659**

Note: The key management personnel are the managing directors and the executive officers of the Company for the fiscal year.

38 Group Entities

The Company's significant subsidiaries as of March 31, 2019

Name of subsidiary	Location	Proportion of voting power (%)
Monex, Inc.	Japan	**100.0**
Monex-Saison-Vanguard Investment Partners, Inc.	Japan	**51.0**
Monex Finance Inc.	Japan	**100.0**
Coincheck, Inc.	Japan	**100.0**
Monex Ventures, Inc.	Japan	**100.0**
MV I Investment Limited Partnership	Japan	**52.5**
TradeStation Group, Inc.	U.S.	**100.0**
TradeStation Securities, Inc.	U.S.	**100.0**
TradeStation Technologies, Inc.	U.S.	**100.0**
Monex International Limited	Hong Kong	**100.0**
Monex Boom Securities (H.K.) Limited	Hong Kong	**100.0**
Monex Securities Australia Pty Ltd	Australia	**100.0**
Others (11 companies)		

39 Events after the Reporting Period

Disposition of Treasury Stock as Restricted Stock payments

The Company has resolved at its board of directors meeting held on July 8, 2019 to dispose of its treasury shares as stock payments to the managing directors, executive officers and executive directors of the Company as well as managing directors and executive directors of the Company's subsidiaries (excluding outside directors; collectively referred to as "Eligible Officers").

(1) Outline of disposition

	Granted July 8, 2019
(a) Date of disposition	July 26, 2019
(b)Class and number of shares to be disposed of	291,800 shares of the common stock of the Company
(c) Disposal value	¥366 ($3.3) per share
(d) Total disposal value	¥106,798,800 ($964 thousand)
(e)Recipients of disposed shares	Managing directors of the Company (excluding outside directors) 2 persons, 24,400 shares Executive officers of the Company (*) 6 persons, 76,100 shares Executive directors of the Company, managing directors and executive directors of the Company's subsidiaries 21 persons, 191,300 shares (*) Executive officers concurrently serving as managing directors are included in managing directors

(2) Purpose and reasons for disposition

The Company introduced the restricted stock payments to incentivize the Eligible Officers to contribute to the continuous enhancement of the Company's corporate value by linking a part of their remuneration to the value of the Company's stock and thus having them share with our shareholders not only the rise of stock prices but also the risks of declining stock prices.

Due to the introduction of this system, the remuneration to the Company's Eligible Officers was restructured to add incentives to enhance the corporate value, and was converted to a remuneration consisting of three components; i.e. a fixed remuneration as a "Base Remuneration", a performance-linked remuneration, which is determined in accordance with each year's performance as a "Short-Term Incentive Remuneration", and a restricted stock remuneration as a "Medium-and-Long Term Incentive Remuneration." The size of the base remuneration to Eligible Officers in total is about 70% of the total amount of the remuneration to the Eligible Officers and the size of both incentives in total is about 30% of the same.

40 Approval of Consolidated Financial Statements

The original consolidated financial statements filed with the appropriate Local Finance Bureaus of the Ministry of Finance as required by the Financial Instruments and Exchange Act of Japan were approved by Oki Matsumoto (the Company's Representative Executive Officer and President) and Satoshi Hasuo (the Company's Executive Officer and CFO) on June 22, 2019.

KPMG

Independent Auditor's Report

To the Board of Directors of Monex Group, Inc.:

We have audited the accompanying consolidated financial statements of Monex Group, Inc. and its consolidated subsidiaries, which comprise the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, and a summary of significant accounting policies and other explanatory information for the consolidated fiscal year from April 1, 2018 to March 31, 2019.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Monex Group, Inc. and its consolidated subsidiaries as at March 31, 2019, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
As described in Note 3 "Significant Accounting Policies" and Note 19 "Inventories" to the consolidated financial statements, there are no accounting standards related to the transactions of crypto assets under International Financial Reporting Standards. In order to determine the accounting treatment, Monex Group, Inc. follows the requirements of International Accounting Standards 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and refers to the "Conceptual Framework for Financial Reporting" and standards related to similar matters. Monex Group, Inc. recognizes neither crypto assets deposited by customers nor related liabilities in the consolidated statement of financial position. Our opinion is not modified in respect of this matter.

Convenience Translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

KPMG AZSA LLC

July 17, 2019
Tokyo, Japan

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