

Annual Securities Report
Including Financial Statements
Under Japanese GAAP
For the Year
Ended March 31, 2010

Matsui Securities Co., Ltd.

1-4, Kojimachi, Chiyoda-ku, Tokyo, Japan

Filed with the Director of the Kanto Local Finance Bureau

On June 21, 2010

1 Information on the Company

Part 1 Outlook for the Company's Status

1 Major Business Indices

(1) Consolidated Business Indices

		Year Ended March 31, 2006	Year Ended March 31, 2007	Year Ended March 31, 2008	Year Ended March 31, 2009	Year Ended March 31, 2010
Operating revenues	(Millions of Yen)	57,072	43,691	39,915	26,724	24,346
Net operating revenues	(Millions of Yen)	54,150	40,708	36,689	24,464	23,276
Ordinary income	(Millions of Yen)	37,062	22,720	20,744	9,998	11,545
Net income	(Millions of Yen)	20,650	13,444	12,781	6,921	7,661
Net assets	(Millions of Yen)	67,645	75,281	81,044	69,090	74,203
Total assets	(Millions of Yen)	1,067,210	839,475	513,369	472,145	466,089
Net assets per share	(Yen)	252.17	279.70	301.03	269.12	289.03
Earnings per share	(Yen)	77.11	50.02	47.48	26.44	29.84
Fully diluted earnings per share	(Yen)	68.78	44.73	42.43	23.45	26.97
Equity ratio	(%)	6.3	9.0	15.8	14.6	15.9
Return on equity	(%)	35.2	18.8	16.4	9.2	10.7
Price earnings ratio	(Times)	21.17	20.65	11.88	24.28	22.39
Cash flows from operating Activities	(Millions of Yen)	(30,650)	(30,991)	127,957	102,118	(44,912)
Cash flows from investing Activities	(Millions of Yen)	(949)	(1,074)	(77)	(1,431)	(3,272)
Cash flows from financing Activities	(Millions of Yen)	72,750	5,499	(154,736)	(74,828)	(3,265)
Cash and cash equivalents at end of period	(Millions of Yen)	102,403	75,837	48,981	74,840	23,391
Number of employees		126	109	109	108	108
[Average temporary staff]		[84]	[200]	[214]	[203]	[178]

Note:

1. The Company split its stock three-for-one on May 17, 2005 for the shareholders as of March 31, 2005.
2. The Company has adopted "Accounting Standard for the Presentation of Net Assets in the Balance Sheet" (Accounting Standard Board of Japan, Statement No. 5) and "Guideline for the application of Accounting Standard for the Presentation of Net Assets in the Balance Sheet" (Accounting Standard Board of Japan, Statement No. 8) for the year ended March 31, 2007 and the following fiscal periods.

(2) Non-Consolidated Business Indices

	Year Ended March 31, 2006	Year Ended March 31, 2007	Year Ended March 31, 2008	Year Ended March 31, 2009	Year Ended March 31, 2010
Operating revenues [Commissions] (Millions of Yen)	57,072 [42,477]	43,691 [26,936]	39,915 [24,521]	26,724 [18,263]	24,346 [17,282]
Net operating revenues (Millions of Yen)	54,150	40,708	36,689	24,464	23,276
Ordinary income (Millions of Yen)	37,052	22,709	20,732	9,986	11,532
Net income (Millions of Yen)	20,644	13,449	12,771	6,913	7,653
Capital stock (Millions of Yen)	11,750	11,922	11,942	11,944	11,944
Total shares outstanding (1,000 shares)	268,281	269,183	269,254	269,260	269,260
Net assets (Millions of Yen)	67,581	75,222	80,975	69,014	74,118
Total assets (Millions of Yen)	1,067,143	839,414	513,296	472,063	465,999
Net assets per share (Yen)	251.93	279.48	300.78	268.82	288.70
Annual dividends per share [Interim dividends per share] (Yen)	23.09 [—]	23.00 [—]	35.00 [—]	10.00 [—]	15.00 [—]
Earnings per share (Yen)	77.08	50.04	47.44	26.41	29.81
Fully diluted earnings per share (Yen)	68.76	44.75	42.40	23.42	26.94
Equity ratio (%)	6.3	9.0	15.8	14.6	15.9
Return on equity (%)	35.2	18.8	16.4	9.2	10.7
Price earnings ratio (Times)	21.17	20.64	11.89	24.31	22.41
Dividend payout ratio (%)	30.00	46.0	73.8	37.9	50.3
Capital adequacy ratio (%)	346.0	432.9	707.1	865.4	993.9
Number of employees [Average temporary staff]	125 [83]	108 [199]	108 [211]	108 [199]	108 [174]

Note:

1. Capital adequacy ratio is calculated with appropriated retained earnings being deduced from Tier I capital.
2. Dividend of 35 yen per share for the year ended March 31, 2008 includes commemorative dividend of 15 yen.
3. The Company split its stock three-for-one on May 17, 2005 for the shareholders as of March 31, 2005.
4. The Company has adopted "Accounting Standard for the Presentation of Net Assets in the Balance Sheet" (Accounting Standard Board of Japan, Statement No. 5) and "Guideline for the application of Accounting Standard for the Presentation of Net Assets in the Balance Sheet" (Accounting Standard Board of Japan, Statement No. 8) for the year ended March 31, 2007 and the following fiscal periods.
5. The annual dividend for the year ended March 31, 2010 of 15 yen per share is pending approval at the shareholders' meeting to be held on June 27, 2010.

2 Affiliated Companies

(As of March 31, 2010)

Name	Address	Common stock	Business involved	Company's Holding of the voting right	Relationship details
(Consolidated subsidiary) Matsui Real Estate Co., Ltd.	Chuo-ku, Tokyo, Japan	100 million yen	Holding, administration and rental of real estate	100%	4 executive officers (directors and an auditor) are appointed as directors and an auditor of Matsui Real Estate Co., Ltd. Matsui Real Estate Co., Ltd. rents its real estates to the Company and partly maintains the Company's facilities.

3 Employees

(1) Consolidated Company

The Company and its consolidated subsidiaries employ 108 employees (This number includes two employees on maternity leave and other types of leave) and 178 temporary employees.

(2) Non-Consolidated Company

The Company employs 108 employees (This number includes two employees on maternity leave and other types of leave) and 174 temporary employees. The average age is 36.8, the average length of service of employees is 9.3 years and the average of their annual compensation is 6,878 thousand yen.

(3) Employees' Union

The Company has been maintaining a good relationship with the Matsui Securities Co., Ltd. Employees' Union. The total number of Union members is 78.

Part 2 Outlook for the Company's Business

1. Risk of the Company's Business

The material business risks that the Company recognizes as of March 31, 2010 are as follows:

1. Fluctuation of operating results: The operating result of the Company may fluctuate reflecting the nature of the Company's business.
2. Severe competition in securities brokerage business: The Company faces severe competition with various types of present and potential competitors.
3. Concentration of securities brokerage business: The Company concentrates its resources on its securities brokerage business, which may risk the Company's operating results when circumstances become unfavorable.
4. Risk related to margin trading
 - 1)Dependence on margin trading: Revenue of the Company considerably relies on margin trading.
 - 2)Effect on the Capital Adequacy Ratio: The growth of the balance of margin trading lowers the Company's capital adequacy ratio.
 - 3)Credit risk: The Company takes credit risks of its customers by providing margin trading service.
 - 4)Liquidity risk: The Company requires operating cash to provide margin trading service to its customers. The Company might face liquidity problems in fund procurement when the market situation becomes unfavorable.
5. Reliability of system: The stability of the online brokerage system is crucial to the Company's business.
6. Market risk in underwriting business: The Company faces market risk in its underwriting business.
7. Protection of personal data: Personal Information Protection Law strictly requires the Company to protect personal data of customers and others.
8. Dependence on business partners: The operation of The Company's business significantly relies on outside business partners, mostly in the operation of its online trading system and the provision of trade information to its customers.

9. Dependence on specific executives: As the organization of the Company is relatively small, an unexpected absence or accident of specific executives, especially Mr. Michio MATSUI, CEO, may destabilize or damage the management of the business.
10. Risk related to foreign exchange margin trading: The Company trades foreign exchange transactions with Macquarie Bank Limited to cover positions held through foreign exchange margin trades with its customers. As a result, the Company takes credit risk from Macquarie Bank Limited.
11. Future regulations: New regulations may be introduced which negatively impact the Company's business.
12. Compliance: Violation of laws or regulations by the Company or its employees may cause legal punishment or deterioration of its reputation.
13. Others: There are no significant law suits in dispute that may have a material effect on the financial results as of March 31, 2010.

2. Important Contracts for the Company's Business

Contract term	Title	Counterparty	Content
From February 2007 to May 2009	Contract on the Information Processing	CSK Securities Service Co., Ltd.	Information services on brokerage services
From June 2009 to May 2011	Contract on the Information Processing	CSK Securities Service Co., Ltd.	Information processing services on brokerage services

Note: The company contracted "Contract on the Information Processing" shown in the lower line of the table above in November 2008, to succeed "Contract on the Information Processing" which had ended in May 2009, shown in the upper line of the table.

3. Research and Development

No relevant Items.

Part 3 Equipment

1 Investment in Equipment

The company has invested 3,362 million yen during the year ended March 31, 2010 mainly to acquire software to enhance capability of the system and introduce new services. Costs incurred for the software acquisition related to the revision of the system outsourcing contract are included in the investment described above.

2 Major Equipment

(1) The Company

Offices	Location	Category	Book value (Millions of Yen)				Number of employees
			Buildings	Equipment	Land (Area m ²)	Total	
Headquarters	Chiyoda-ku, Tokyo	Headquarter function	77	82	— (—)	159	104 (38)
Sapporo Call Center	Chuo-ku, Sapporo, Hokkaido	Call Center equipment	—	5	— (—)	5	4 (136)
Nihombashi Branch	Chuo-ku, Tokyo	Other equipment	10	3	— (—)	13	— (—)

Note:

1. The headquarters are rented from Sumitomo Realty & Development Co., Ltd., the Sapporo Call Center is rented from Nippon Life Insurance Company and the Nihombashi Branch is rented from Matsui Real Estate Co., Ltd., the Company's subsidiary.
2. Costs incurred in relation to investments in the online securities trading system are mainly accounted for as "Software" in the balance sheet of the Company. The book value of Software totaled 5,237 million yen as of March 31, 2010.
3. The number in parentheses under the number of employees shows the average number of temporary employees.

(2) Domestic Subsidiary

Name	Location	Category	Book value (Millions of yen)				Number of employees
			Buildings	Equipment	Land (Area m ²)	Total	
Matsui Real Estate Co., Ltd.	Chuo-ku, Tokyo	Other equipment	32	0	244 (2,562)	276	— (1)

Note: The number in parentheses under the number of employees shows the average number of temporary employees.

3 Plans to Purchase or Dispose Equipment

The Company plans to invest 3,000 million yen mainly in online securities trading systems using its own capital from April 2010 through March 2011. The Company has no plans to dispose of any major equipment.

Part 4 Corporate Profiles

1 Number of Shares

(1) Total Number of Shares

Total Shares Authorized	
Common Stock	1,050,000,000 shares
Total	1,050,000,000 shares

	Number of Shares Outstanding		Stock Exchange(s) Listed at	Details
	As of March 31, 2010 (End of the fiscal year ended March 31, 2010)	As of June 21, 2010 (Date of the filing of this Report)		
Common Stock	269,260,202 shares	269,260,202 shares	Tokyo Stock Exchange (First Section)	1 unit consists of 100shares
Total	269,260,202 shares	269,260,202 shares	—	—

Note: The number of shares outstanding as of June 21, 2010 does not include those shares issued as a result of the exercise of new-share purchase rights in the period from June 1, 2010 to June 21, 2010.

(2) New-Share Purchase Rights

Zero Coupon Convertible Bonds due 2011 (Issued on November 17, 2003)		
	As of March 31, 2010	As of May 31, 2010
Number of new-share purchase rights	13,253	Same as the left column.
Number of new-share purchase rights held by the Company	—	Same as the left column.
Stock on which the new-share purchase rights will be executed	Common Stock 1unit: 100shares	Same as the left column.
Number of shares to be issued by the new-share purchase rights	22,466,519	Same as the left column.
Total value of payment	2 million yen per one new-share purchase rights 1,179.8Yen per share	Same as the left column.
Period of exercise of rights	From December 1, 2003 to March 17, 2011	
Price of issuance and amount to be capitalized as common stock	Price of Issuance: 1,179.8 Yen Value to be capitalized as common stocks: 590 Yen	Same as the left column.
Conditions of execution	New-share purchase rights of each bond cannot be exercised partially.	
Restrictions on assignment of rights	The new-share purchase rights can not be assigned separately from the bonds.	
Alternative payment on the exercise of the rights	The amount equivalent to the bonds issued is to be treated as the fulfillment of the payment on the exercise of the rights.	
Grant of rights due to corporate reorganization	—	—
Outstanding balance of bonds with new-share purchase rights (Millions of yen)	26,506	Same as the left column.

Note:

1. The annual dividend for the year ended March 31, 2010 of 15 yen per share is pending approval at the shareholders' meeting to be held on June 27, 2010. Upon approval of this dividend, the conversion price will be retroactively adjusted (effective April 1, 2010), according to the terms and conditions of the Bonds.

The following amounts will be adjusted accordingly:

Number of shares to be issued by the new-share purchase rights 22,806,745

Total value of payment 1,162.2 Yen per share

Price of issuance and amount to be capitalized as common stock

Price of Issuance 1,162.2 Yen

Value to be capitalized as common stock 582 Yen

2. The new-share purchase rights issued as stock options: See (9) Details of Stock Options.

(3) Exercise of Moving Strike Convertible Bonds

No relevant items.

(4) Rights Plan

No relevant items.

(5) Total Number of Shares Outstanding and Capital Stock

	Shares Outstanding (Thousands of shares)		Capital Stock (Millions of Yen)		Additional Paid-in Capital (Millions of Yen)		Note
	Change	Outstanding amount	Change	Outstanding amount	Change	Outstanding amount	
From April 1, 2005 To March 31, 2006	179,226	268,281	281	11,750	281	9,598	Note: 1, 2, 3
From April 1, 2006 To March 31, 2007	901	269,183	172	11,922	172	9,770	Exercise of New-share purchase rights
From April 1, 2007 To March 31, 2008	71	269,254	20	11,942	20	9,790	Exercise of New-share purchase rights
From April 1, 2008 To March 31, 2009	6	269,260	2	11,944	2	9,792	Exercise of New-share purchase rights

Note:

- As a result of the stock split three-for-one on May 17, 2005, the number of shares increased by 178,111 thousand shares compared to the total shares outstanding as of March 31, 2005.
- As a result of the exercise of new-share purchase rights of the Convertible Bonds, the shares outstanding increased by 156 thousand shares, Capital stock increased by 100 million yen and Additional paid-in Capital increased by 100 million yen.
- As a result of the exercise of new-share purchase rights, the shares outstanding increased by 960 thousand shares, Capital stock increased by 181 million yen and Additional paid-in Capital increased by 181 million yen.
- There were no changes in the total number of shares outstanding or capital stock from April 1, 2009 to March 31, 2010.

(6) Distribution of Shares

(As of March 31, 2010)

	Distribution of shares (1 unit = 100 shares)								Odd-lot Shares (Shares)
	National and municipal governments	Financial institutions	Securities companies	Other institutions	Foreign institutions and others		Individuals and others	Total	
					Share- holders other than individuals	Individuals			
Number of shareholders	—	34	39	153	260	11	42,856	43,353	—
Number of shares in possession (unit)	—	272,086	85,631	356,772	299,298	161	1,678,523	2,692,471	13,102
Percentage of shares in possession (%)	—	10.11	3.18	13.25	11.12	0.01	62.34	100.00	—

Note:

- 125,327 units out of 12,532,777 treasury stock are included in the "Individuals and others" and 77 shares out of 12,532,777 treasury stock are included in "odd-lot shares".
- 4 units under the title of Japan Securities Depository Center Inc. are included in "other institutions".

(7) Principal Shareholders

(As of March 31, 2010)

Name	Address	Shares in possession (Thousands of shares)	Percentage of shares in possession to the total shares outstanding (%)
Chizuko Matsui	Bunkyo-ku, Tokyo, Japan	69,700	25.89
Michio Matsui	Bunkyo-ku, Tokyo, Japan	31,864	11.83
Shokosha Ltd.	2-4-2, Nishikata, Bunkyo-ku, Tokyo, Japan	24,391	9.06
Maruroku Ltd.	2-4-2, Nishikata, Bunkyo-ku, Tokyo, Japan	10,692	3.97
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo, Japan	8,005	2.97
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	7,115	2.64
Michitaro Matsui	Bunkyo-ku, Tokyo, Japan	4,390	1.63
Chiaki Matsui	Bunkyo-ku, Tokyo, Japan	4,390	1.63
Yuma Matsui	Bunkyo-ku, Tokyo, Japan	4,390	1.63
JPMorgan Securities Japan Co., Ltd.	Tokyo Building. 2-7-3, Marunouchi, Chiyoda-ku, Tokyo, Japan	3,265	1.21
Total	—	168,201	62.47

Note:

- 12,533 thousands of treasury stock (4.65% of total shares outstanding) are not included in the table.
- Because the Company was not able to verify the number of shares held by The Master Trust Bank of Japan, Ltd. (Trust account) and Japan Trustee Services Bank, Ltd. (Trust account) for their trustee businesses, the Company does not show these numbers.

(8) Voting Rights

(i) Outstanding shares

(As of March 31, 2010)

	Number of shares	Number of voting rights
Shares without voting rights	—	—
Shares with limited voting rights (Treasury stock)	—	—
Shares with limited voting rights (Other than treasury stock)	—	—
Shares with full voting rights (Treasury stock)	(Treasury stock) Common stock 12,532,700	—
Shares with full voting rights (Other than treasury stock)	Common stock 256,714,400	2,564,833
Odd lot shares (1 lot = 100 shares)	Common stock 13,102	—
Total number of shares outstanding	269,260,202	—
Total number of voting rights	—	2,564,833

Note:

- 400 shares under the title of Japan Securities Depository Center Inc. and 231,100 shares of securities bought by customers using money loaned from the Company's own fund are included in "Shares with full voting rights (Other than treasury stock)." 4 voting rights under the title of Japan Securities Depository Center Inc. are included in "Shares with full voting rights (Other than treasury stock)." 2,311 voting rights of securities bought by customers using money loaned from the Company's own fund are not included in "Shares with full voting rights (Other than treasury stock)".
- 77 treasury shares are included in odd-lot shares.

(ii) Treasury Stock

(As of March 31, 2010)

Name of shareholders	Address	Treasury stock held by the Company's own name	Treasury stock held by other person's name	Total Number of shares held	Percentage of shares to the total number of outstanding shares (%)
(Treasury stock held by the Company) Matsui Securities Co., Ltd.	1-4, Kojimachi, Chiyoda-ku, Tokyo, Japan	12,532,700	—	12,532,700	4.65
Total	—	12,532,700	—	12,532,700	4.65

(9) Details of Stock Options

The number of shares to be issued as of June 21, 2010 does not reflect the reduction of shares to be issued by the execution of new-share purchase rights for the period from June 1, 2010 to June 21, 2010.

(As of June 21, 2010)

Special resolution of general shareholders' meeting (June 16, 2002)	
Number of shares to be issued	4,500 Common stock
Eligible holder of rights	Employees: 1 (4,500 Shares)
Value of payment	559 Yen per share
Period of exercise of rights	From July 15, 2005 to July 14, 2010
Price of issuance and amount to be capitalized as common stock	Price of issuance: 559 Yen Capitalized as common stock: 280 Yen
Restrictions on assignment of rights	Assignments of rights require the approval of board of directors.
Alternative payment on the exercise of the rights	—
Grant of rights due to corporate reorganization	—

2 Acquisition of treasury stock

(1) Acquisition based on the resolution of shareholders' meeting

No relevant items.

(2) Acquisition based on the resolution of board of directors

No relevant items.

(3) Acquisition not based on the resolution of shareholders' meeting nor board of directors

Item	Number of shares	Total value (Millions of Yen)
Acquisition of treasury stock during the year ended March 31, 2010	34	0
Acquisition of treasury stock from April 1, 2010 to June 21, 2010	—	—

Note: Acquisition of treasury stock from April 1, 2010 to June 21, 2010 does not include the purchase of odd-lot shares from June 1, 2010 to June 21, 2010.

(4) Retirement and holdings of treasury stocks

Item	Year ended March 31, 2010		From April 1, 2010 to June 21, 2010	
	Number of shares	Total value of retirement (Millions of Yen)	Number of shares	Total value of retirement (Millions of Yen)
Treasury stock subscribed	—	—	—	—
Treasury stock retired	—	—	—	—
Treasury stock transferred by merger, stock exchanges or corporate separation	—	—	—	—
Others (—)	—	—	—	—
Number of treasury stock	12,532,777	—	12,532,777	—

Note: The number of treasury stock from April 1, 2010 to June 21, 2010 does not include the purchase of odd-lot shares from June 1, 2010 to June 21, 2010.

3 Dividend Policy

The dividend policy of the Company is to distribute 30% or above of consolidated net income to its shareholders, considering various factors, such as the level of equity to provide margin-trading services to its customers and the circumstances to make strategic investments.

The Company basically distributes dividends once a year based on the resolution of the shareholders' meetings.

The annual dividend for the year ended March 31, 2010 of 15 yen per share is pending approval at the shareholders' meeting to be held on June 27, 2010. The Company considers the equity level sufficiently high to support customers' margin trading even in the case of sudden and rapid expansion of the trading volume, which enables the Company to offer the proposed amount of dividends.

Retained earnings are to be used to invest in online securities trading systems and to increase working capital for margin-trading services to its customers.

The articles of incorporation of the Company allow interim dividends.

Distribution of retained earnings for the year ended March 31, 2010 is planned as follows:

Date of resolution	Amount of dividend payment	Dividends per share
Ordinary General Meeting of Shareholders to be held on June 27, 2010	3,851 million yen	15 yen

4 Price of Shares

Yearly highest and lowest prices for the last five fiscal years		Year Ended March 31, 2006	Year Ended March 31, 2007	Year Ended March 31, 2008	Year Ended March 31, 2009	Year Ended March 31, 2010
	Highest (Yen)	1,861	1,716	1,161	883	931
	Lowest (Yen)	1,000	770	561	476	558

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

Monthly highest and lowest prices for the second half of fiscal year Ended March 31, 2010		October 2009	November 2009	December 2009	January 2010	February 2010	March 2010
	Highest (Yen)	712	642	690	706	623	678
	Lowest (Yen)	638	558	577	613	573	585

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

5 Executives

(As of June 21, 2010)

	Title	Number of shares in possession
Michio Matsui	President and Chief Executive Officer	31,864
Toshimasa Sekine	Director (Director in charge of Corporate Administration Dept. and Compliance Dept.)	22
Ayumi Sato	Director (General Manager of Customer Support Center)	46
Takashi Moribe	Director (General Manager of RTGS Operation Dept.)	29
Akihiro Ichimura	Director (General Manager of Marketing Dept. In charge of Customer Service Planning Unit and Corporate Services Unit)	3
Kunihiko Sato	Director (Director in charge of System Dept.)	26
Akira Warita	Director (General Manager of CEO Office, Director in charge of Marketing Dept. and Human Resources Dept.)	10
Shinichi Uzawa	Director (General Manager of Finance Dept.)	22
Masashi Watanabe	Director (General Manager of Marketing Dept. In charge of Business Development Unit)	4
Yukihiro Yabuki	Standing Corporate Auditor	12
Norio Igarashi	Corporate Auditor	—
Toshihiro Takagi	Corporate Auditor	8
Yasuo Mochizuki	Corporate Auditor	—
Total	—	32,047

The Company appointed Mr. Yoshio Yoshida, a lawyer, as a substitute auditor in preparation for the vacancy of the incumbent auditors.

The reelection of above-mentioned 9 directors and the elections of 1 director and 1 auditor are pending approval at the shareholders' meeting to be held on June 27, 2010.

The following table shows the director and the auditor who are being presented for election:

	Title	Number of shares in possession
Hirohito Imada	Director	—
Hiroyuki Yajima	Corporate Auditor	4
Total	—	4

Note: The number of shares in the table above was in possession as of June 21, 2010.

Mr. Toshihiro Takagi, the current Corporate Auditor, will retire effective at the end of the upcoming shareholders' meeting.

The Company has determined not to appoint a substitute auditor to succeed Mr. Yoshio Yoshida, whose term as a substitute auditor will end at the end of the upcoming shareholders' meeting.

6 Operations of Business

(1) Commissions

(Millions of Yen)

	Item	Stocks	Bonds	Beneficiary Certificates	Others	Total
Year ended March 31, 2009	Brokerage commissions	15,672	—	146	70	15,888
	Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	1	—	—	—	1
	Fee for offering, secondary distribution and solicitation for selling and others for professional investors	1	—	—	—	1
	Others	460	—	10	1,904	2,374
	Total	16,134	—	156	1,973	18,263
Year ended March 31, 2010	Brokerage commissions	15,246	—	144	34	15,424
	Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	11	—	—	—	11
	Fee for offering, secondary distribution and solicitation for selling and others for professional investors	0	—	—	—	0
	Others	478	—	5	1,364	1,846
	Total	15,735	—	149	1,398	17,282

(2) Net Gain on Trading

(Millions of Yen)

	Year ended March 31, 2009			Year ended March 31, 2010		
	Realized gain and loss	Evaluation gain and loss	Total	Realized gain and loss	Evaluation gain and loss	Total
Net gain on trading of stocks	(2)	—	(2)	0	(0)	0
Net gain on trading of bonds and others	6	(0)	6	4	(0)	4
Bonds	—	—	—	—	—	—
Others	6	(0)	6	4	(0)	4
Total	4	(0)	4	4	(0)	4

(3) Operations of Securities Trading**[1] Trading of securities excluding futures trading****i)Stocks**

(Millions of Yen)

	Brokerage	Proprietary trading	Total
Year ended March 31, 2009	12,645,037	8,420	12,653,457
Year ended March 31, 2010	12,311,376	3,647	12,315,023

(Margin Trading)

(Millions of Yen)

	Brokerage	Proprietary trading	Total
Year ended March 31, 2009	8,004,150	—	8,004,150
Year ended March 31, 2010	7,664,786	34	7,664,820

ii)Bonds

(Millions of Yen)

	Brokerage	Proprietary trading	Total
Year ended March 31, 2009	—	—	—
Year ended March 31, 2010	—	—	—

iii)Beneficiary Certificates

(Millions of Yen)

	Brokerage	Proprietary trading	Total
Year ended March 31, 2009	138,288	80	138,368
Year ended March 31, 2010	139,982	63	140,045

iv)Others

(Millions of Yen)

	New-share purchase rights	Commercial paper	Others	Total
Year ended March 31, 2009	—	—	9,653	9,653
Year ended March 31, 2010	—	—	3,533	3,533

※"Others" are covered warrants

(Brokerage trading)

(Millions of Yen)

	New-share purchase rights	Commercial paper	Others	Total
Year ended March 31, 2009	—	—	9,653	9,653
Year ended March 31, 2010	—	—	3,533	3,533

※"Others" are covered warrants

[2] Futures Trading

i)Stock-based

(Millions of Yen)

	Futures trading		Option trading		Total
	Brokerage	Proprietary trading	Brokerage	Proprietary trading	
Year ended March 31, 2009	24,588,527	—	34,854,068	—	59,442,594
Year ended March 31, 2010	19,361,505	—	39,607,317	—	58,968,822

ii)Bond-based

(Millions of Yen)

	Futures trading		Option trading		Total
	Brokerage	Proprietary trading	Brokerage	Proprietary trading	
Year ended March 31, 2009	—	—	—	—	—
Year ended March 31, 2010	—	—	—	—	—

[3] Underwriting and selling, Underwriting and selling for professional investors, Subscription and distribution, Private offering, and Subscription and distribution for professional investors

i)Stocks

(Millions of Yen)

	Underwriting	Selling	Underwriting and selling for professional investors	Subscription	Distribution	Private offerings	Subscription and distribution for professional investors
Year ended March 31, 2009	134	12	—	16	—	—	—
Year ended March 31, 2010	174	174	—	10	—	—	—

ii)Bonds

(Millions of Yen)

	Item	Underwriting	Selling	Underwriting and selling for professional investors	Subscription	Distribution	Private offerings	Subscription and distribution for professional investors
Year ended March 31, 2009	Government Bonds	—	—	—	—	—	—	—
	Municipal Bonds	—	—	—	—	—	—	—
	Special Bonds	—	—	—	—	—	—	—
	Corporate Bonds	—	—	—	—	—	—	—
	Foreign Bonds	—	—	—	—	—	—	—
	Total	—	—	—	—	—	—	—
Year ended March 31, 2010	Government Bonds	—	—	—	—	—	—	—
	Municipal Bonds	—	—	—	—	—	—	—
	Special Bonds	—	—	—	—	—	—	—
	Corporate Bonds	—	—	—	—	—	—	—
	Foreign Bonds	—	—	—	—	—	—	—
	Total	—	—	—	—	—	—	—

iii)Beneficiary certificates

(Millions of Yen)

	Underwriting	Selling	Underwriting and selling for professional investors	Subscription	Distribution	Private offerings	Subscription and distribution for professional investors
Year ended March 31, 2009	—	—	—	1,518	—	—	—
Year ended March 31, 2010	—	—	—	1,237	—	—	—

iv)Others

(Millions of Yen)

	Products	Underwriting	Selling	Underwriting and selling for professional investors	Subscription	Distribution	Private offerings	Subscription and distribution for professional investors
Year ended March 31, 2009	Commercial Paper	—	—	—	—	—	—	—
	Foreign certificates	—	—	—	—	—	—	—
	Others	—	—	—	—	—	—	—
Year ended March 31, 2010	Commercial Paper	—	—	—	—	—	—	—
	Foreign certificates	—	—	—	—	—	—	—
	Others	—	—	—	—	—	—	—

(4) Other Operations
[1] Custody of Securities

	item			Domestic Securities	Foreign Securities
As of March 31, 2009	Stocks (thousand shares)			1,792,739	575,483
	Bonds (million yen)			—	—
	Beneficiary certificates	Unit type		—	—
		Open type	Stocks (million units)	5	1
			Bonds (million units)	—	3,586
	Subscription warrant (million yen)			—	—
	Commercial paper (million yen)			—	—
	Other foreign securities (million yen)			—	—
	Others (million warrants)			—	119
As of March 31, 2010	Stocks (thousand shares)			1,947,108	581,621
	Bonds (million yen)			—	—
	Beneficiary certificates	Unit type		—	—
		Open type	Stocks (million units)	7	1
			Bonds (million units)	—	3,908
	Subscription warrant (million yen)			—	—
	Commercial paper (million yen)			—	—
	Other foreign securities (million yen)			—	—
	Others (million warrants)			—	23

[2] Margin trading

(Thousands of shares, millions of Yen)				
	Loans to customers for their margin trading and the number of shares customers bought with the loan		Number of shares the Company lends to customers and the value of these securities sold by customers	
	Value	Number of shares	Number of shares	Value
As of March 31, 2009	98,639	196,846	63,067	39,980
As of March 31, 2010	146,634	290,091	64,688	41,665

(5) Capital Adequacy Ratio

(Millions of Yen)

		As of March 31, 2009	As of March 31, 2010
Tier I Capital ①		66,446	70,253
Tier II Capital	Net unrealized gain on investment	—	13
	Reserve for financial products transaction liabilities	2,283	1,665
	General allowance for doubtful accounts	127	249
	Long-term Subordinated debts	—	—
	Short-term Subordinated debts	—	—
	Total ②	2,410	1,927
Assets to be deducted from equity capital ③		7,418	8,680
Equity capital after deduction ① + ② - ③ (A)		61,437	63,500
Risk	Market risk	3	3
	Counterparty risk	3,409	3,671
	Basic risk	3,686	2,713
	Total (B)	7,099	6,388
Capital adequacy ratio (A) / (B)×100		865.4%	993.9%

Note: Capital adequacy ratio is calculated with appropriated retained earnings being deducted from Tier I Capital. Values are rounded down to the nearest million yen.

Part 5 Financial Status

1 Presentation of Financial Statements

(1) Consolidated Financial Statements

Pursuant to the “Regulations of Consolidated Financial Statements” (Ministry of Finance Ordinance No. 28, 1976) and its Article 46 and 68, the consolidated financial statements of the Company are prepared in accordance with the “Cabinet Office Ordinance concerning Financial Instruments Business” (Cabinet Office Ordinance No. 52, 2007) and the “Uniform Accounting Standards of Securities Business” (set by the board of directors of the Japan Securities Dealers’ Association, November 14, 1974). along with the “Regulations of Consolidated Financial Statements”.

The consolidated financial statements for the year ended March 31, 2009 have been prepared according to the former Regulations of Consolidated Financial Statements, and the consolidated financial statements for the year ended March 31, 2010 have been prepared according to the current Regulations of Consolidated Financial Statements.

(2) Non-Consolidated Financial Statements

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

The non-consolidated financial statements for the year ended March 31, 2009 have been prepared according to the former Regulations of Financial Statements and the non-consolidated financial statements for the year ended March 31, 2010 have been prepared according to the current Regulations of Financial Statements.

(3) Presentation of Amounts

The amounts presented in the consolidated and non-consolidated financial statements are rounded to the nearest million yen.

2 Audit Report

The consolidated and non-consolidated financial statements for the fiscal year ended March 31, 2009 and the consolidated and non-consolidated financial statements for the fiscal year ended March 31, 2010 were audited by PricewaterhouseCoopers Aarata based on the Article 193-2-1 of Financial Instruments and Exchange Law.

3 Specific Measures to Enhance the Reliability of Financial Reporting

The Company has undertaken specific measures to enhance the reliability of its Financial Reporting. The Company has joined the Financial Accounting Standards Foundation. Additionally, its officers participate in lectures and trainings provided by audit firms and/or other organizations in order to keep the knowledge and capability of the financial accounting team at sufficient levels to meet the requirements of rules and regulations.

Notice to readers:

The accompanying consolidated financial statements and non-consolidated financial statements have been prepared in accordance with the provision set forth in the Corporation Law of Japan and the Financial Instruments and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

The consolidated financial statements and non-consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan..

1 Consolidated Financial Statements

(1) Consolidated Financial Statements

[1] Consolidated Balance Sheets

(Millions of Yen)

	March 31, 2009	March 31, 2010
Assets		
Current Assets		
Cash and bank deposits	15,839	15,191
Cash segregated as deposits	237,989	246,018
Cash in trust	75,751	22,450
Trading assets:	1,980	1,823
Trading securities and others	0	32
Derivatives	1,980	1,791
Repurchased convertible bonds	7,717	—
Net receivables arising from pre-settlement date trades	49	24
Margin account assets:	115,246	156,429
Loans receivable from customers	98,639	146,634
Cash deposited as collateral for securities borrowed from securities finance companies	16,608	9,795
Receivables on collateralized securities transactions:	3,109	5,143
Cash deposits collateral for securities borrowed	3,109	5,143
Receivables from customers and others	22	35
Receivables from customers	22	35
Others	0	0
Advances paid for subscription	2	—
Short-term guarantee deposits	2,139	4,148
Advances paid	1	1
Prepaid expenses	157	231
Accrued income	2,977	3,494
Deferred income taxes	192	355
Others	2,024	2,721
Allowance for doubtful accounts	(127)	(249)
Total current assets	465,067	457,814
Fixed assets		
Tangible fixed assets	1,125	1,115
Buildings	※1 330	※1 309
Equipment and instruments	※1 360	※1 313
Land	435	435
Others	—	※1 60
Intangible assets	3,653	5,247
Software	3,642	5,237
Telephone subscription rights	7	6
Others	4	3
Investments and others	2,300	1,912
Investment securities	320	302
Investment in partnership	2	2
Long-term loans receivable	204	217
Long-term guarantee deposits	293	268
Long-term prepaid expenses	3	5
Deferred income taxes	1,443	1,154
Others	909	796
Allowance for doubtful accounts	(875)	(831)
Total fixed assets	7,078	8,275
Total assets	472,145	466,089

(Millions of Yen)

	March 31, 2009	March 31, 2010
Liabilities		
Current liabilities		
Trading liabilities:	192	294
Trading securities and others	—	32
Derivatives	192	262
Margin account liabilities:	57,052	45,819
Loans from securities finance companies	※2 17,073	※2 4,154
Proceeds of securities sold on customers' account	39,980	41,665
Payables on collateralized securities transactions:	7,547	9,393
Cash deposits as collateral for securities loaned	7,547	9,393
Deposits received	124,623	132,559
Deposits received from customers	123,952	131,584
Others	671	975
Guarantee money received	135,112	133,458
Suspense account for undelivered securities	2	—
Short-term borrowings	5,032	37,032
Bonds due within one year	20,000	—
Convertible bonds due within one year	8,298	26,506
Advances received	0	0
Deferred revenue	50	43
Accounts payable	8,338	692
Accrued expenses	1,347	821
Accrued income taxes	1,334	3,236
Accrued bonuses	86	104
Others	—	39
Total current liabilities	369,013	389,997
Long-term liabilities		
Convertible bonds	31,502	—
Long-term borrowings	52	20
Reserve for retirement bonuses for directors and auditors	204	204
Others	0	0
Total long-term liabilities	31,759	225
Statutory reserves		
Reserve for financial products transaction liabilities	※4 2,283	※4 1,665
Total statutory reserves	2,283	1,665
Total liabilities	403,054	391,886

(Millions of Yen)

	March 31, 2009	March 31, 2010
Net assets		
Shareholders' equity		
Common stock	11,944	11,944
Capital surplus	9,792	9,792
Earned surplus	56,835	61,929
Treasury stock	(9,474)	(9,474)
Total shareholders' equity	69,096	74,190
Valuation and translation adjustments		
Net unrealized gain (loss) on investment securities, net of taxes	(6)	13
Total valuation and translation adjustments	(6)	13
Total net assets	69,090	74,203
Total liabilities and net assets	472,145	466,089

[2] Consolidated Statements of Income

(Millions of Yen)

	Year ended March 31, 2009	Year ended March 31, 2010
Operating revenues		
Commissions	18,263	17,282
Brokerage commissions	15,888	15,424
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	1	11
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	1	0
Others	2,374	1,846
Net gain (loss) on trading	4	4
Interest and dividend income	8,456	7,060
Total operating revenues	26,724	24,346
Interest expenses	2,260	1,069
Net operating revenues	24,464	23,276
Selling, general and administrative expenses		
Transaction related expenses	4,096	3,630
Employees' compensation and benefits	※1 2,024	※1 1,930
Occupancy and rental	501	1,040
Data processing and office supplies	6,353	3,139
Depreciation	1,261	1,775
Duties and taxes other than income taxes	160	143
Provision of allowance for doubtful accounts	—	124
Others	125	109
Total selling, general and administrative expenses	14,521	11,891
Operating income	9,943	11,385
Non-operating income		
Compensation income for damages	8	13
Dividend income	51	9
Insurance premiums refunded cancellation	—	140
Others	24	27
Total non-operating income	83	190
Non-operating expenses		
Commissions on syndicated loans	1	—
Others	26	30
Total non-operating expenses	28	30
Ordinary income	9,998	11,545
Special profits		
Gain on sales of investment securities	13	—
Gain on cancellation of convertible bonds	—	641
Reversal of reserve for financial products transaction liabilities	1,463	618
Reversal of allowance for doubtful accounts	124	—
Others	0	—
Total special profits	1,600	1,259
Special losses		
Loss on sales and disposals of property and equipment	※2 8	※2 2
Devaluation loss on investment securities	9	20
Total special losses	17	22
Income before income taxes	11,582	12,782
Income taxes – current	3,670	5,008
Income taxes – deferred	991	113
Income taxes	4,661	5,121
Net income	6,921	7,661

[3] Consolidated Statements of Changes in Net Assets

(Millions of Yen)

	Year ended march 31, 2009	Year ended march 31, 2010
Shareholders' equity		
Common stock		
Balance at the end of previous period	11,942	11,944
Changes in the current term		
Issuance of new shares	2	—
Total changes of items in the current term	2	—
Balance at the end of current period	11,944	11,944
Capital surplus		
Balance at the end of previous period	9,790	9,792
Changes in the current term		
Issuance of new shares	2	—
Total changes of items in the current term	2	—
Balance at the end of current period	9,792	9,792
Earned surplus		
Balance at the end of previous period	59,337	56,835
Changes in the current term		
Dividends from capital and earned surplus	(9,423)	(2,567)
Net income	6,921	7,661
Total changes of items in the current term	(2,502)	5,094
Balance at the end of the current term	56,835	61,929
Treasury stock		
Balance at the end of previous period	(22)	(9,474)
Changes in the current term		
Purchase of treasury stock	(9,452)	(0)
Total changes of items in the current term	(9,452)	(0)
Balance at the end of current period	(9,474)	(9,474)
Total shareholders' equity		
Balance at the end of previous period	81,046	69,096
Changes in the current term		
Issuance of new shares	3	—
Dividends from capital and earned surplus	(9,423)	(2,567)
Net income	6,921	7,661
Purchase of treasury stock	(9,452)	(0)
Total changes of items in the current term	(11,950)	5,094
Balance at the end of current period	69,096	74,190
Valuation and translation adjustments		
Net unrealized gain (loss) on investment securities, net of taxes		
Balance at the end of previous period	(2)	(6)
Changes in the current term		
Net change of items other than shareholders' equity	(4)	19
Total changes of items in the current term	(4)	19
Balance at the end of current period	(6)	13
Total valuation and translation adjustments		
Balance at the end of previous period	(2)	(6)
Changes in the current term		
Net change of items other than shareholders' equity	(4)	19
Total changes of items in the current term	(4)	19
Balance at the end of current period	(6)	13

	(Millions of Yen)	
	Year ended march 31, 2009	Year ended march 31, 2010
Total net assets		
Balance at the end of previous period	81,044	69,090
Changes in the current term		
Issuance of new shares	3	—
Dividends from capital and earned surplus	(9,423)	(2,567)
Net income	6,921	7,661
Purchase of treasury stock	(9,452)	(0)
Net change of items other than shareholders' equity	(4)	19
Total changes of items in the current term	(11,954)	5,113
Balance at the end of current period	69,090	74,203

[4] Consolidated Statements of Cash Flows

(Millions of Yen)

	Year ended March 31, 2009	Year ended March 31, 2010
Cash flows from operating activities		
Income before income taxes	11,582	12,782
Depreciation and amortization	1,261	1,775
Net change in allowance for doubtful accounts	(481)	79
Net change in accrued bonuses	(50)	18
Net change in reserve for financial products transaction liabilities	(1,463)	(618)
Interest and dividend income	(8,702)	(7,821)
Interest expenses	2,198	1,021
Gain or loss on sales and disposals of property and equipment	8	2
Gain or loss on sales of investment securities	(13)	—
Devaluation loss on investment securities	9	20
Gain on cancellation of convertible bonds	—	(641)
Net change in cash segregated as deposits	(29,985)	(8,013)
Net change in cash in trust	(1,250)	2,500
Net change in trading assets and liabilities	1,096	260
Net change in net receivables and payables arising from pre-settlement date trades	(48)	25
Net change in margin assets and liabilities	119,317	(52,416)
Net change in receivables on collateralized securities transactions	(2,401)	(2,034)
Net change in deposits received and receivables from customers and others	4,701	7,923
Net change in payables on collateralized securities transactions	(14,731)	1,846
Net change in guarantee money received	7,076	(1,654)
Net change in short-term guarantee deposits	13,210	(2,006)
Others	373	(971)
Sub total	101,708	(47,923)
Interest and dividend received	9,826	7,349
Interest paid	(2,368)	(1,190)
Income taxes paid	(7,047)	(3,148)
Net cash flows from operating activities	102,118	(44,912)

(Millions of Yen)

	Year ended march 31, 2009	Year ended march 31, 2010
Cash flows from investing activities		
Payments for purchases of property and equipment	(249)	(58)
Payments for purchases of intangible assets	(1,194)	(3,239)
Proceeds from sales of investment securities	14	—
Others	(2)	25
Net cash flows from investing activities	(1,431)	(3,272)
Cash flows from financing activities		
Net change in short-term borrowings	(5,500)	37,000
Proceeds from long-term borrowings	100	—
Repayments of long-term borrowings	(30,566)	(5,032)
Repayment for corporate bonds	(20,000)	(20,000)
Payments for purchase of convertible bonds	—	(12,653)
Proceeds from issuance of shares on the exercise of new-share purchase rights	3	—
Payments for purchase of treasury stock	(0)	(0)
Dividends paid	(9,408)	(2,579)
Payments made to trust account for purchase of treasury stock	(10,018)	—
Proceeds transferred from trust account for purchase of treasury stock	561	—
Net cash flows from financing activities	(74,828)	(3,265)
Translation difference of cash and cash equivalent	(0)	(0)
Net change in cash and cash equivalent	25,859	(51,449)
Cash and cash equivalents at beginning of period	48,981	74,840
Cash and cash equivalents at end of period	※1 74,840	※1 23,391

Significant Accounting Policies for the Consolidated Financial Statements

	Year ended March 31, 2009	Year ended March 31, 2010
1. Scope of Consolidation	Number of Consolidated subsidiaries: 1 (Matsui Real Estate Co., Ltd.)	Same as the left column.
2. Application of equity method	The Company has neither unconsolidated subsidiaries nor affiliates for which an equity method is to be applied.	Same as the left column.
3. Accounting period	The fiscal year of the consolidated subsidiary ends March 31, the same fiscal year-end as the parent company.	Same as the left column.
4. Accounting policies	<p>(1) Valuation of securities and derivatives</p> <p>(i) Securities and derivatives classified as trading assets: Securities and derivatives classified as trading assets are carried at fair value.</p> <p>(ii) Securities not classified as trading assets: Other securities, such as available-for-sale securities, whose fair values are readily determinable: Other securities, such as available-for-sale securities, whose fair values are readily determinable are carried at fair value with unrealized gains or losses included as a component of net assets, net of applicable income taxes. Other securities not publicly quoted: Other securities not publicly quoted are stated at cost determined on the moving average method. Investments in investment funds are stated at the proportional net value of the Company's interest to the total fund interest.</p>	<p>(1) Valuation of securities and derivatives</p> <p>(i) Securities and derivatives classified as trading assets: Same as the left column.</p> <p>(ii) Securities not classified as trading assets: Other securities, such as available-for-sale securities, whose fair values are readily determinable: Same as the left column.</p> <p>Other securities not publicly quoted: Same as the left column.</p>

	Year ended March 31, 2009	Year ended March 31, 2010
	<p>(2) Depreciation of depreciable assets</p> <p>(i) Tangible fixed assets(excluding leased assets)</p> <p>The Company applies the straight-line method while the consolidated subsidiary applies the declining-balance method. The useful life for depreciation is 15 to 40 years for buildings and 4 to 10 years for equipment and instruments.</p> <p>(ii) Intangible assets (excluding leased assets)</p> <p>The straight-line method is primarily applied. Software for in-house use is depreciated under the straight-line method based on an internal estimated useful life (within 5 years).</p> <p>(iii) Leased assets</p> <p>Finance lease transactions that do not transfer the ownership to lessee.</p> <p>Leased assets arising from transactions under finance lease contracts which do not transfer ownership to lessee are depreciated to residual value of zero by the straight-line method using the term of the contract as useful life.</p> <p>In addition, finance lease transactions that do not transfer ownership to lessees which started on and before March 31, 2008 are treated in the same manner as operating leases ("non-capitalized finance leases").</p> <p>(3) Accounting policies for significant provisions</p> <p>(i) Allowance for doubtful accounts</p> <p>An allowance for doubtful accounts is provided for estimated uncollectible doubtful accounts at an amount specifically assessed plus an amount computed based on historical loss experience.</p> <p>(ii) Accrued bonuses</p> <p>Estimated amount of employees' bonuses is accrued.</p>	<p>(2) Depreciation of depreciable assets</p> <p>(i) Tangible fixed assets (excluding leased assets)</p> <p>Same as the left column.</p> <p>(ii) Intangible assets (excluding leased assets)</p> <p>Same as the left column.</p> <p>(iii) Leased assets</p> <p>Same as the left column.</p> <p>(3) Accounting policies for significant provisions</p> <p>(i) Allowance for doubtful accounts</p> <p>Same as the left column.</p> <p>(ii) Accrued bonuses</p> <p>Same as the left column.</p>

	Year ended March 31, 2009	Year ended March 31, 2010
	<p>(4) Hedge accounting</p> <p>(i) Hedge accounting method The Company is eligible for the application of the allowed alternative method for interest rate swaps. The Company accounts for interest rate swap trading pursuant to the allowed alternative method.</p> <p>(ii) Means for hedging and objective of hedging (Hedging instruments) Interest rate swap (Hedging items) Borrowings and others</p> <p>(iii) Hedging policy The Company and its subsidiary use interest rate swap trading to limit exposures to fluctuations in interest rates. The objective of hedging is identified for each individual contract.</p> <p>(iv) Judgment for effectiveness of hedging The Company omits judgment for hedging due to the allowed alternative method.</p> <p>(5) Other material items National and local consumption taxes are separately recorded.</p>	<p>(4) Hedge accounting</p> <p>(i) Hedge accounting method Same as the left column.</p> <p>(ii) Means for hedging and objective of hedging Same as the left column.</p> <p>(iii) Hedging policy Same as the left column.</p> <p>(iv) Judgment for effectiveness of hedging Same as the left column.</p> <p>(5) Other material items Same as the left column.</p>
5. Scope of "Cash and cash equivalents" in consolidated statements of cash flows	"Cash and cash equivalents" in the consolidated statements of cash flow is defined as liquid funds including cash in hand, current account deposits and short-term investments which are exposed to negligible risk.	Same as the left column.

Significant Accounting Policies for the Consolidated Financial Statements

Year ended March 31, 2009	Year ended March 31, 2010
<p>Financing lease transactions other than those where title of the property is transferred to lessee have been accounted for as ordinary lease transactions for the year ended March 31, 2008 and previous years. From this fiscal year, the Company accounts for these transactions as purchasing transactions according to "Accounting Standard on Lease Transactions (Accounting Standard No.13, revised on March 30, 2007. Originally implemented on June 17, 1993 by the Meeting No.1 of Accounting Standard Board)" and "Guideline for the Application of Accounting Standard on Lease Transactions (Guideline for the Application of Accounting Standard No.16, revised on March 30, 2007, Originally implemented on January 18, 1994 by the Accounting System Committee, the Japanese Institute of Certified Public Accountants)".</p> <p>The impact of the change above on operating income, ordinary income and net income is immaterial.</p> <p>Those transactions which started on and before March 31, 2008 are accounted for according to the previous rules.</p>	<hr/>

Reclassification

Year ended March 31, 2009	Year ended March 31, 2010
<p>With the introduction of XBRL to EDINET (disclosure system maintained by the Financial Services Agency of Japan) accounts have been reclassified for the convenience of investors as follows:</p> <ul style="list-style-type: none"> • “Interest income on margin transactions”, “Interest expenses on margin transactions”, “Interest on margin transactions received” and “Interest on margin transactions paid” in the Cash flows from operating activities, are merged into “Interest and dividend income”, “Interest expenses”, “Interest and dividend received” and “Interest paid”, respectively. • “Net change in deposits received” in the Cash flows from operating activities has been combined with “Net change in receivables from customers and other”, which has been included in “Others”, as “Net change in deposits received and receivables from customers and others”. 	

Additional Information

Year ended March 31, 2009	Year ended March 31, 2010
<p>Reserve for Securities Transactions which was accounted for as of March 31, 2008 according to the Article 51 of the former Securities Exchange Law based on the Article 40 of the supplementary provision of the Financial Instruments and Exchange Law has been changed into Reserve for Financial Products Transaction Liabilities according to the Article 46-5 of the Financial Instruments and Exchange Law.</p>	

Notes to Consolidated Financial Statements

Notes to Consolidated Balance Sheet

Year ended March 31, 2009	Year ended March 31, 2010																																																										
<p>※1 Accumulated depreciation deducted from tangible fixed assets is as follows.</p> <table> <tr> <th colspan="2">(Millions of Yen)</th></tr> <tr> <td>Buildings</td><td>301</td></tr> <tr> <td>Equipment and instruments</td><td>395</td></tr> <tr> <td>Total</td><td>696</td></tr> </table> <p>※2 Assets collateralized: None of the assets are collateralized.</p> <p>Note: The securities bought by customers using money loaned from the Company's own fund, of which fair value amounted to 690 million yen are collateralized for the loans from securities finance companies. 13,547 million yen of the guarantee securities received from customers are collateralized for loans from securities finance companies.</p> <p>3 Fair value of securities received and deposited are as follows. (Excluding those listed in the previous note):</p> <p>(1) Securities deposited (Millions of Yen)</p> <table> <tr> <td>1)Securities lent for customers' short positions in margin trading</td><td>41,830</td></tr> <tr> <td>2)Collateralized securities for loans from securities finance companies</td><td>16,094</td></tr> <tr> <td>3)Securities loaned out in securities loaned vs. cash transactions</td><td>8,150</td></tr> <tr> <td>4)Long-term guarantee securities deposited</td><td>5,233</td></tr> <tr> <td>5)Securities pledged as collateral for short-term guarantee</td><td>9,202</td></tr> </table> <p>(2) Securities received (Millions of Yen)</p> <table> <tr> <td>1)Securities received for customers' long positions in margin trading</td><td>77,988</td></tr> <tr> <td>2)Securities borrowed from securities finance companies</td><td>15,689</td></tr> <tr> <td>3)Securities received in securities borrowed vs. cash transactions</td><td>2,778</td></tr> <tr> <td>4)Guarantee securities received from customers</td><td>193,892</td></tr> <tr> <td>5)Securities received from customers as collateral for short-term guarantee</td><td>1,941</td></tr> </table> <p>※4 The Company accounts for a Reserve for Securities Transactions for possible customer losses by default of the securities company on securities transactions according to Article 46-5 of the Financial Instruments and Exchange Law.</p>	(Millions of Yen)		Buildings	301	Equipment and instruments	395	Total	696	1)Securities lent for customers' short positions in margin trading	41,830	2)Collateralized securities for loans from securities finance companies	16,094	3)Securities loaned out in securities loaned vs. cash transactions	8,150	4)Long-term guarantee securities deposited	5,233	5)Securities pledged as collateral for short-term guarantee	9,202	1)Securities received for customers' long positions in margin trading	77,988	2)Securities borrowed from securities finance companies	15,689	3)Securities received in securities borrowed vs. cash transactions	2,778	4)Guarantee securities received from customers	193,892	5)Securities received from customers as collateral for short-term guarantee	1,941	<p>※1 Accumulated depreciation deducted from tangible fixed assets is as follows.</p> <table> <tr> <th colspan="2">(Millions of Yen)</th></tr> <tr> <td>Buildings</td><td>324</td></tr> <tr> <td>Equipment and instruments</td><td>490</td></tr> <tr> <td>Others</td><td>48</td></tr> <tr> <td>Total</td><td>862</td></tr> </table> <p>※2 Assets collateralized: None of the assets are collateralized.</p> <p>Note: The securities bought by customers using money loaned from the Company's own fund, of which fair value amounted to 1,218 million yen are collateralized for the loans from securities finance companies. 9,501 million yen of the guarantee securities received from customers are collateralized for loans from securities finance companies.</p> <p>3 Fair value of securities received and deposited are as follows. (Excluding those listed in the previous note):</p> <p>(1) Securities deposited (Millions of Yen)</p> <table> <tr> <td>1)Securities lent for customers' short positions in margin trading</td><td>46,301</td></tr> <tr> <td>2)Collateralized securities for loans from securities finance companies</td><td>4,167</td></tr> <tr> <td>3)Securities loaned out in securities loaned vs. cash transactions</td><td>11,948</td></tr> <tr> <td>4)Long-term guarantee securities deposited</td><td>6,059</td></tr> <tr> <td>5)Securities pledged as collateral for short-term guarantee</td><td>7,708</td></tr> </table> <p>(2) Securities received (Millions of Yen)</p> <table> <tr> <td>1)Securities received for customers' long positions in margin trading</td><td>140,144</td></tr> <tr> <td>2)Securities borrowed from securities finance companies</td><td>9,971</td></tr> <tr> <td>3)Securities received in securities borrowed vs. cash transactions</td><td>4,991</td></tr> <tr> <td>4)Guarantee securities received from customers</td><td>234,481</td></tr> <tr> <td>5)Securities received from customers as collateral for short-term guarantee</td><td>2,499</td></tr> </table> <p>※4 The Company accounts for a Reserve for Securities Transactions for possible customer losses by default of the securities company on securities transactions according to Article 46-5 of the Financial Instruments and Exchange Law.</p>	(Millions of Yen)		Buildings	324	Equipment and instruments	490	Others	48	Total	862	1)Securities lent for customers' short positions in margin trading	46,301	2)Collateralized securities for loans from securities finance companies	4,167	3)Securities loaned out in securities loaned vs. cash transactions	11,948	4)Long-term guarantee securities deposited	6,059	5)Securities pledged as collateral for short-term guarantee	7,708	1)Securities received for customers' long positions in margin trading	140,144	2)Securities borrowed from securities finance companies	9,971	3)Securities received in securities borrowed vs. cash transactions	4,991	4)Guarantee securities received from customers	234,481	5)Securities received from customers as collateral for short-term guarantee	2,499
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Notes to Consolidated Statements of Income

Year ended March 31, 2009	Year ended March 31, 2010														
<p>※1 Employees' compensation and benefits reported in the consolidated statements of income include 86 million yen of accrued bonuses.</p> <p>※2 Breakdown of loss on sales and disposals of property and equipment is as follows:</p> <p style="text-align: right;">(Millions of Yen)</p> <p>Loss on disposal:</p> <table> <tr> <td>Equipment and instruments</td><td>5</td></tr> <tr> <td><u>Software</u></td><td><u>3</u></td></tr> <tr> <td>Total</td><td>8</td></tr> </table> <p>Loss on sales: _____</p>	Equipment and instruments	5	<u>Software</u>	<u>3</u>	Total	8	<p>※1 Employees' compensation and benefits reported in the consolidated statements of income include 104 million yen of accrued bonuses.</p> <p>※2 Breakdown of loss on sales and disposals of property and equipment is as follows:</p> <p style="text-align: right;">(Millions of Yen)</p> <p>Loss on disposal:</p> <table> <tr> <td>Buildings</td><td>0</td></tr> <tr> <td>Equipment and instruments</td><td>0</td></tr> <tr> <td><u>Software</u></td><td><u>2</u></td></tr> <tr> <td>Total</td><td>2</td></tr> </table> <p>Loss on sales: _____</p>	Buildings	0	Equipment and instruments	0	<u>Software</u>	<u>2</u>	Total	2
Equipment and instruments	5														
<u>Software</u>	<u>3</u>														
Total	8														
Buildings	0														
Equipment and instruments	0														
<u>Software</u>	<u>2</u>														
Total	2														

Notes to Consolidated Statements of Changes in Net Assets

(Year ended March 31, 2009)

1. Types and number of outstanding shares and treasury stock

(Number of shares)

	Number of shares as of March 31, 2008	Number of shares increased in the year ended March 31, 2009	Number of shares decreased in the year ended March 31, 2009	Number of shares as of March 31, 2009
Outstanding shares				
Common stock	269,253,902	6,300	—	269,260,202
Total	269,253,902	6,300	—	269,260,202
Treasury stock				
Common stock	32,138	12,500,605	—	12,532,743
Total	32,138	12,500,605	—	12,532,743

Note 1. Increase of common stock outstanding is a result of the execution of new-share purchase rights as stock options.

2. Breakdown of the Increase of treasury stocks are as follows:

Acquisition of its own shares resolved by the board of directors meeting 12,500,000 shares
Purchase of odd-lot shares 605 shares

2. New-share purchase rights

No relevant items.

3. Dividends

(1) Dividend payment

Date of resolution	Ordinary General Meeting of Shareholders held on June 22, 2008
Type of shares	Common stock
Amount of dividend payment	9,423 million yen
Dividends per share	35 yen
Date of record for dividends	March 31, 2008
Effective date	June 23, 2008

(2) Dividends for which effective date is in the year ended March 31, 2010

Date of resolution	Ordinary General Meeting of Shareholders held on June 28, 2009
Type of shares	Common stock
Source of dividends	Earned surplus
Amount of dividend payment	2,567 million yen
Dividends per share	10 yen
Date of record for dividends	March 31, 2009
Effective date	June 29, 2009

(Year ended March 31, 2010)

1. Types and number of outstanding shares and treasury stock

(Number of shares)

	Number of shares as of March 31, 2009	Number of shares increased in the year ended March 31, 2010	Number of shares decreased in the year ended March 31, 2010	Number of shares as of March 31, 2010
Outstanding shares				
Common stock	269,260,202	—	—	269,260,202
Total	269,260,202	—	—	269,260,202
Treasury stock				
Common stock	12,532,743	34	—	12,532,777
Total	12,532,743	34	—	12,532,777

Note 1. Increase of treasury stock is a result of the purchase of odd-lot shares.

2. New-share purchase rights

No relevant items.

3. Dividends

(3) Dividend payment

Date of resolution	Ordinary General Meeting of Shareholders held on June 28, 2009
Type of shares	Common stock
Amount of dividend payment	2,567 million yen
Dividends per share	10 yen
Date of record for dividends	March 31, 2009
Effective date	June 29, 2009

(4) Dividends for which effective date is in the year ending March 31, 2011 (Plan)

Date of resolution	Ordinary General Meeting of Shareholders to be held on June 27, 2010
Type of shares	Common stock
Source of dividends	Earned surplus
Amount of dividend payment	3,851 million yen
Dividends per share	15 yen
Date of record for dividends	March 31, 2010
Effective date	June 28, 2010

Notes to Consolidated Statements of Cash Flow

Year ended March 31, 2009	Year ended March 31, 2010																
<p>※1 The reconciliation between cash and cash equivalents and the balance of cash in hand and at banks presented in the consolidated balance sheet is as follows.</p>	<p>※1 The reconciliation between cash and cash equivalents and the balance of cash in hand and at banks presented in the consolidated balance sheet is as follows.</p>																
<p style="text-align: right;">(Millions of Yen)</p> <table> <tr> <td>Cash and bank deposits</td><td style="text-align: right;">15,839</td></tr> <tr> <td>Cash in trust</td><td style="text-align: right;">75,751</td></tr> <tr> <td>Cash in trust whose purpose is to segregate guarantee money</td><td style="text-align: right;">(16,750)</td></tr> <tr> <td>Cash and cash equivalents</td><td style="text-align: right;">74,840</td></tr> </table>	Cash and bank deposits	15,839	Cash in trust	75,751	Cash in trust whose purpose is to segregate guarantee money	(16,750)	Cash and cash equivalents	74,840	<p style="text-align: right;">(Millions of Yen)</p> <table> <tr> <td>Cash and bank deposits</td><td style="text-align: right;">15,191</td></tr> <tr> <td>Cash in trust</td><td style="text-align: right;">22,450</td></tr> <tr> <td>Cash in trust whose purpose is to segregate guarantee money</td><td style="text-align: right;">(14,250)</td></tr> <tr> <td>Cash and cash equivalents</td><td style="text-align: right;">23,391</td></tr> </table>	Cash and bank deposits	15,191	Cash in trust	22,450	Cash in trust whose purpose is to segregate guarantee money	(14,250)	Cash and cash equivalents	23,391
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Cash and cash equivalents	23,391																

Notes to Lease Transactions

Year ended March 31, 2009	Year ended March 31, 2010
Financing lease transactions other than those where title of the property is transferred to lessee, which started on and before March 31, 2008	Financing lease transactions other than those where title of the property is transferred to lessee, which started on and before March 31, 2008
1. Acquisition costs equivalent, accumulated depreciation equivalent and equivalent of balance at the end of period	2. Acquisition costs equivalent, accumulated depreciation equivalent and equivalent of balance at the end of period
(Millions of Yen)	(Millions of Yen)
Acquisition price equivalent:	Acquisition price equivalent:
Equipment and instruments 10	Equipment and instruments 10
Total 10	Total 10
Accumulated depreciation equivalent	Accumulated depreciation equivalent
Equipment and instruments 5	Equipment and instruments 7
Total 5	Total 7
Equivalent of balance at end of period	Equivalent of balance at end of period
Equipment and instruments 5	Equipment and instruments 3
Total 5	Total 3
2. Present value of future lease payments	3. Present value of future lease payments
(Millions of Yen)	(Millions of Yen)
Within 1 year 2	Within 1 year 2
Over 1 year 3	Over 1 year 1
Total 5	Total 3
4. Lease charge paid, depreciation equivalent and interest equivalent	3. Lease charge paid, depreciation equivalent and interest equivalent
(Millions of Yen)	(Millions of Yen)
Lease charge paid 2	Lease charge paid 2
Depreciation equivalent 2	Depreciation equivalent 2
Interest equivalent 0	Interest equivalent 0
4. Calculation method for depreciation equivalent	4. Calculation method for depreciation equivalent
The lease term is regarded as a durable period and the residual value is regarded as zero.	Same as the left column.
5. Calculation method for interest equivalent	5. Calculation method for interest equivalent
The difference between the total amount of future lease payments and the acquisition cost equivalent is regarded as the interest equivalent, which is allocated to each of the fiscal periods by using the interest method.	Same as the left column.

Notes to Financial Instruments

(Year ended March 31, 2010)

Additional Information

The Company has applied the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, revised March 20, 2008) and the “Implementation Guidance on Disclosures of the Fair Value of Financial Instruments” (ASBJ Guidance No.19, March 20, 2008) to the current year financial statements.

1. General information

(1) Policies to handle Financial Instruments

The Company and its subsidiaries (“The Consolidated Company”) focus on the stock trading of individual investors. The Consolidated Company borrows operating capital from financial institutions to support margin trading. When needed, the Consolidated Company may procure operating capital by issuing straight bonds, convertible bonds, and/or other appropriate measures.

Deposits received from customers and guarantee money received are managed by trust funds in accordance with the requirements of the Financial Instruments and Exchange Law. The Consolidated Company prioritizes safety in the management of its cash on hand. The cash is deposited in bank accounts or held as highly liquid investments.

The Consolidated Company has the minimum range of trading operations in order to provide various services for online trading customers. The Consolidated Company generally does not trade its own investments for earnings.

(2) Details of and risks arising from financial instruments

Financial assets of the Consolidated Company mainly consist of Cash in Trust, which consists of deposits received from customers, guarantee money received, and margin trading loans receivable from customers. Cash in trust is mainly invested in government bonds and call money receivables, which are exposed to the credit risk of borrowers and interest rate risk. Margin trading loans receivable from customers are exposed to the credit risk of customers, despite the fact that they are secured by collateral. The Consolidated Company procures cash through short-term borrowings and convertible bonds, which are exposed to liquidity risk at the time of redemption.

The Consolidated Company engages in foreign exchange margin trading with other financial institutions to avoid market risk related to the foreign exchange margin trading that the Consolidated Company offers to its customers.

(3) Risk management

Risk management is based on the corporate rules. The finance division of the Consolidated Company monitors credit risk and market risk quantitatively according to the Financial Instruments and Exchange Law. The compliance Division of the Consolidated Company monitors credit risk on margin trading. It monitors margin positions at the individual security level and as a whole.

Trading operations are monitored by the finance division which is independent of the trading division.

(4) Supplementary explanation on the fair value of financial instruments

Fair value of financial instruments is measured by the market price. If a market price is unattainable, a reasonably

calculated value is used. Because this calculation requires the use of estimates, the value may vary according to the differences in these assumptions. Contract value of derivative trading shown in “Notes to Securities and Derivatives Transactions” does not take into account the market risk of the derivative tradings.

2. Fair value of financial instruments

Book value, fair value of financial instruments, and the differences between these values as of March 31, 2010 are given in the table below. Financial instruments whose fair values are extremely difficult to obtain are not included in the table. (See Note 2)

	Book value (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
(1) Cash and Bank deposits	15,191	15,191	—
(2) Cash segregated as deposits	246,018	246,018	—
(3) Cash in trust	22,450	22,450	—
(4) Trading assets and Investment securities	1,848	1,848	—
1) Trading securities and others	32	32	—
2) Derivatives	1,791	1,791	—
3) Other securities	25	25	—
(5) Loans receivable from customers	146,634	146,634	—
(6) Cash deposited as collateral for securities borrowed from securities finance companies	9,795	9,795	—
(7) Cash deposits collateral for securities borrowed	5,143	5,143	—
Total assets	447,079	447,079	—
(1) Trading liabilities	294	294	—
1) Trading securities and others	32	32	—
2) Derivatives	262	262	—
(2) Proceeds of securities sold on customers' account	41,665	41,665	—
(3) Cash deposits as collateral for securities loaned	9,393	9,393	—
(4) Deposits received	132,559	132,559	—
(5) Guarantee money received	133,458	133,458	—
(6) Short-term borrowings	37,032	37,032	—
(7) Convertible bonds due within one year	26,506	26,203	(303)
Total liabilities	380,907	380,604	(303)

Note 1: Calculation methods for fair value of financial instruments and details of Securities and Derivative Transactions

Assets

(1) Cash and Bank deposits, (5) Loans receivable from customers, (6) Cash deposited as collateral for securities borrowed from securities finance companies, (7) Cash deposits collateral for securities borrowed

These are items whose positions are usually settled in short term. The book value is regarded as fair value.

(2) Cash segregated as deposits, (3) Cash in trust

These are items whose positions are usually settled in short term. The book value is regarded as fair value.

(4) Trading assets and Investment securities

Fair value of the stock is based on the price in the securities exchanges. Fair value of foreign exchange margin trades are based on the spot rate of the currency at the end of the fiscal period.

Liabilities

(1) Trading liabilities

Fair value of the stock is based on the price in the securities exchanges. Fair value of foreign exchange margin trades are based on the spot rate of the currency at the end of the fiscal period.

(2) Proceeds of securities sold on customers' account, (3) Cash deposits as collateral for securities loaned, (4) Deposits received, (5) Guarantee money received, (6) Short-term borrowings

These are items whose positions are usually settled in short term. The book value is regarded as fair value.

(7) Convertible bonds due within one year

Fair value of the Convertible bonds due within one year is based on the indication given by the securities broker.

Note 2: Financial instruments whose fair value is extremely difficult to obtain are as follows.

Items	Book value (millions of yen)
"Other securities" which are not listed on securities exchanges	278

The fair value of ""Other securities" which are not listed on securities exchanges" and others are not included in "Assets (4) Trading assets and Investment securities, 3) Other securities" because they are not priced in markets which makes it difficult to measure their fair value. Investments in investment funds are included in ""Other securities" which are not listed on securities exchanges".

Note3: Estimated redemptions for monetary claims and securities with maturity dates after March 31, 2010

All monetary claims are scheduled due within one year.

Note4: All monetary debts shown in the table above are scheduled due within one year.

Notes to Securities and Derivatives Transactions

(1) General Information

Year ended March 31, 2009

1. Details and purpose of transactions

The trading position of transactions classified as trading of the Company arises from dealings in its own account. The Company deals with spot trading of stocks, bonds and other marketable securities, margin trading of stocks, futures trading of stocks and option trading. The purpose of the trading is not to earn profits for its own account, but to provide various services for online trading customers. The Company also uses foreign exchange forward contracts to limit losses affected by changes in foreign currency exchange rates on its foreign currency settlement transactions.

The Company also uses foreign exchange margin trading with other financial institution to avoid market risk of the foreign exchange margin trading the Company offers to its customers.

As for transactions not classified as trading, the Company uses interest rate swap trading to hedge the risk of the fluctuation of interest rates on borrowings and others.

2. Policies of transactions

To manage risk of the futures trading of stocks and option trading, the Company allocates fund and position limits along with investment criteria to the dealings section.

The Company basically does not trade directly to earn profits on its own account for the present. The criteria require the dealing section to keep outstanding position as little as possible.

The Company uses foreign exchange forward contracts to hedge the trades based on actual demand.

The Company enters into offsetting foreign margin trades with its counterparty basically for all the foreign margin trades with its customers to avoid market risk.

As for transactions not classified as trading, the Company uses interest rate swap trading to hedge the trades based on actual demand.

Year ended March 31, 2009

3. Risk arising from transactions

Risk arising from transactions is classified mainly as market risk and credit risk. Market risk is the risk arising from the increase and decrease in positions resulting from trades due to fluctuations in the value of stocks, interest rates and currencies. Credit risk is the risk that is realized when the trading counterparty becomes incapable of executing the contract.

As for foreign exchange forward contracts the Company does not anticipate significant market risk arising from dealings because of the limited amount and duration. The Company does not anticipate significant credit risk because the Company selects limited financial institutions with high credibility as its business partners.

As for foreign exchange margin trading, the Company receives guarantee money from customers and the Company sets the loss-cut rule to keep the customers' losses basically within the guarantee money, which makes the Company consider that the risk is quite small. To avoid market risk, the Company enters into offsetting trades with its counterparty basically for all the foreign margin trades with its customers to cancel out the outstanding position in substance. The Company does not anticipate significant credit risk because the Company selects limited financial institutions with high credibility as its business partners.

As for transactions not classified as trading, risk is classified as same as that of transactions classified as trading.

4. Risk Management

The finance department, which is independent of the dealing section, monitors the limit of risk and positions in compliance with the risk management rules. Monitoring results are reported to the head of internal control periodically.

(2) Securities and Derivatives

[1] Trading assets and liabilities

i) Securities held for trading

	Year ended March 31, 2009		
	Book value (fair value)		Net unrealized gain on those securities (Millions of Yen)
	Assets (Millions of Yen)	Liabilities (Millions of Yen)	
(1) Stocks	0	—	—
(2) Bonds	—	—	—
(3) Others	—	—	—
Total	0	—	—

ii) Derivative trading

(Year ended March 31, 2009)

	Assets		Liabilities	
	Contract value (Millions of Yen)	Fair value (Millions of Yen)	Contract value (Millions of Yen)	Fair value (Millions of Yen)
Foreign exchange forward contracts	—	—	1	0
Foreign exchange margin trading	31,819	1,980	6,175	192

Note:

1. Fair value of the foreign exchange forward contracts is estimated based on the discounted amounts of net future cash flows.
2. Fair value of the foreign exchange margin trading is calculated with spot rate at the end of the year ended March 31, 2009.
3. The contract value of contracts or trading whose fair value is zero are included in "Assets".

[2] Non-trading assets and liabilities

i) "Other securities" whose market price is available

	Type	Year ended March 31, 2009		
		Acquisition cost (Millions of Yen)	Book value (Millions of Yen)	Differences (Millions of Yen)
Those whose book value exceeds acquisition cost	(1) Stocks	0	1	1
	(2) Bonds	—	—	—
	(3) Others	—	—	—
	Sub total	0	1	1
Those whose book value does not exceed acquisition cost	(1) Stocks	27	24	(2)
	(2) Bonds	—	—	—
	(3) Others	—	—	—
	Sub total	27	24	(2)
Total		27	26	(1)

ii) "Other securities" sold during the current period

Year ended March 31, 2009		
Proceeds from sales (Millions of Yen)	Total gain on sales (Millions of Yen)	Total loss on sales (Millions of Yen)
14	13	—

iii) Major securities which are not evaluated by market value

	As of March 31, 2009
	Book value (Millions of Yen)
"Other securities" which are not listed on securities exchanges	294

Note: "Other securities" which are not listed on securities exchanges include investment in investment funds.

(Year ended March 31, 2010)

Securities and Derivatives

[1] Trading assets and liabilities

i) Securities held for trading

Net unrealized gain on those securities (0) Millions of Yen

ii)Derivative trading

1. Derivative trading which have not applied hedge accounting

(Year ended March 31, 2010)

	Assets		Liabilities	
	Contract value (Millions of Yen)	Fair value (Millions of Yen)	Contract value (Millions of Yen)	Fair value (Millions of Yen)
Foreign exchange forward contracts	—	—	9	0
Foreign exchange margin trading	48,499	1,791	7,681	262

Note:

1. Fair value of the foreign exchange forward contracts is calculated based on the discounted net future cash flows.
2. Fair value of the foreign exchange margin trading is calculated with spot rate at the end of the year ended March 31, 2010.
3. The contract value of contracts or trading whose fair value is zero are included in "Assets".

2. Derivative trading which have applied hedge accounting

No relevant Items.

[2] Non-trading assets and liabilities

i) “Other securities” whose market price is available

	Type	Year ended March 31, 2010		
		Acquisition cost (Millions of Yen)	Book value (Millions of Yen)	Differences (Millions of Yen)
Those whose book value exceeds acquisition cost	(1) Stocks	25	11	14
	(2) Bonds	—	—	—
	(3) Others	—	—	—
	Sub total	25	11	14
Those whose book value does not exceed acquisition cost	(1) Stocks	—	—	—
	(2) Bonds	—	—	—
	(3) Others	—	—	—
	Sub total	—	—	—
Total		25	11	14

ii) “Other securities” sold during the current period

No relevant Items.

iii) Impaired Marketable Securities

The Company posted devaluation loss on investment securities of 20 million yen due to impairment.

Notes to Stock Options

(Year ended March 31, 2009)

(1) Details of stock options

Date of resolution	June 16, 2002	June 22, 2003	June 27, 2004
Holders of rights	Directors: 10 Employees: 28	Directors: 10 Employees: 69	Directors: 9 Employees: 82
Types and number of shares to be issued ※	Common stock 1,203,000 shares	Common stock 1,209,000 shares	Common stock 1,048,500 shares
Grant date	July 1, 2002	July 9, 2003	June 28, 2004
Conditions of acquisition of rights	It is required to be a director, an auditor or an employee of the Company or its subsidiary for holders to exercise rights.	It is required to be a director, an auditor or an employee of the Company or its subsidiary for holders to exercise rights.	It is required to be a director, an auditor or an employee of the Company or its subsidiary for holders to exercise rights.
Vesting period	—	—	—
Exercise period	From July 15, 2005 to July 14, 2010	From July 15, 2005 to July 14, 2008	From July 15, 2006 to July 14, 2009

Note: The number of options is translated into the equivalent number of shares. The number of shares reflects the changes including stock split on the original number of shares.

(2) Number of stock options and price information

Stock options which existed during the year ended March 31, 2009 are included in the tables below. The number of them is translated into the equivalent number of shares.

① Number of stock options

(Shares)

Date of resolution	June 16, 2002	June 22, 2003	June 27, 2004
Before vesting time			
As of March 31, 2008	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Unvested	—	—	—
After vesting time			
As of March 31, 2008	4,500	10,800	477,000
Vested	—	—	—
Exercise of rights	—	6,300	—
Forfeited	—	4,500	3,000
Unvested	4,500	—	474,000

② Price information

(Yen)

Date of resolution	June 16, 2002	June 22, 2003	June 27, 2004
Exercise price	559	554	1,217
Average stock price at the exercise of rights	—	700	—
Fair value at the grant date	—	—	—

(Year ended March 31, 2010)

(1) Details of stock options

Date of resolution	June 16, 2002	June 27, 2004
Holders of rights	Directors: 10 Employees: 28	Directors: 9 Employees: 82
Types and number of shares to be issued ※	Common stock 1,203,000 shares	Common stock 1,048,500 shares
Grant date	July 1, 2002	June 28, 2004
Conditions of acquisition of rights	It is required to be a director, an auditor or an employee of the Company or its subsidiary for holders to exercise rights.	It is required to be a director, an auditor or an employee of the Company or its subsidiary for holders to exercise rights.
Vesting period	—	—
Exercise period	From July 15, 2005 to July 14, 2010	From July 15, 2006 to July 14, 2009

Note: The number of options is translated into the equivalent number of shares. The number of shares reflects the changes including stock split on the original number of shares.

(2) Number of stock options and price information

Stock options which existed during the year ended March 31, 2010 are included in the tables below. The number of them is translated into the equivalent number of shares.

① Number of stock options

(Shares)

Date of resolution	June 16, 2002	June 27, 2004
Before vesting time		
As of March 31, 2009	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Unvested	—	—
After vesting time		
As of March 31, 2009	4,500	474,000
Vested	—	—
Exercise of rights	—	—
Forfeited	—	474,000
Unvested	4,500	—

② Price information

(Yen)

Date of resolution	June 16, 2002	June 27, 2004
Exercise price	559	1,217
Average stock price at the exercise of rights	—	—
Fair value at the grant date	—	—

Notes to Tax Effect Accounting

As of March 31, 2009	As of March 31, 2010																																												
<p>1 Significant components of deferred income tax assets</p> <p style="text-align: right;">(Millions of Yen)</p> <table> <tr> <td>Deferred tax assets</td><td></td></tr> <tr> <td>Accrued enterprise tax</td><td>103</td></tr> <tr> <td>Excess of allowance for doubtful accounts</td><td>398</td></tr> <tr> <td>Reserve for retirement bonuses for directors and auditors</td><td>83</td></tr> <tr> <td>Excess of reserve for financial products transaction liabilities</td><td>929</td></tr> <tr> <td>Accrued bonuses</td><td>35</td></tr> <tr> <td>Devaluation loss on investment securities</td><td>47</td></tr> <tr> <td>Others</td><td>40</td></tr> <tr> <td><u>Total deferred tax assets</u></td><td><u>1,635</u></td></tr> </table>	Deferred tax assets		Accrued enterprise tax	103	Excess of allowance for doubtful accounts	398	Reserve for retirement bonuses for directors and auditors	83	Excess of reserve for financial products transaction liabilities	929	Accrued bonuses	35	Devaluation loss on investment securities	47	Others	40	<u>Total deferred tax assets</u>	<u>1,635</u>	<p>1 Significant components of deferred income tax assets and deferred income tax liability</p> <p style="text-align: right;">(Millions of Yen)</p> <table> <tr> <td>Deferred tax assets</td><td></td></tr> <tr> <td>Accrued enterprise tax</td><td>244</td></tr> <tr> <td>Excess of allowance for doubtful accounts</td><td>403</td></tr> <tr> <td>Reserve for retirement bonuses for directors and auditors</td><td>83</td></tr> <tr> <td>Excess of reserve for financial products transaction liabilities</td><td>678</td></tr> <tr> <td>Accrued bonuses</td><td>42</td></tr> <tr> <td>Devaluation loss on investment securities</td><td>27</td></tr> <tr> <td>Others</td><td>42</td></tr> <tr> <td><u>Total deferred tax assets</u></td><td><u>1,519</u></td></tr> <tr> <td>Deferred tax liability</td><td></td></tr> <tr> <td>Net unrealized gain (loss) on investment securities, net of taxes</td><td>(9)</td></tr> <tr> <td><u>Total deferred tax liability</u></td><td><u>(9)</u></td></tr> <tr> <td><u>Net deferred tax assets</u></td><td><u>1,510</u></td></tr> </table>	Deferred tax assets		Accrued enterprise tax	244	Excess of allowance for doubtful accounts	403	Reserve for retirement bonuses for directors and auditors	83	Excess of reserve for financial products transaction liabilities	678	Accrued bonuses	42	Devaluation loss on investment securities	27	Others	42	<u>Total deferred tax assets</u>	<u>1,519</u>	Deferred tax liability		Net unrealized gain (loss) on investment securities, net of taxes	(9)	<u>Total deferred tax liability</u>	<u>(9)</u>	<u>Net deferred tax assets</u>	<u>1,510</u>
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<p>2 A reconciliation between the nominal statutory income tax rate to the effective income tax rate reported in the consolidated statements of income</p> <p>Notes are omitted since the difference between the nominal statutory income tax rate to the effective income tax rate is less than 5/100 of the nominal statutory income tax rate.</p>	<p>2 A reconciliation between the nominal statutory income tax rate to the effective income tax rate reported in the consolidated statements of income</p> <p>Same as the left column.</p>																																												

Segment Information

Information relating to operations in different industries has been omitted as the Company and its consolidated subsidiary operate predominately in the investment and financing service industry. The Company's primary business activities include brokerage, underwriting and distribution and trading of securities, and over 90% of the revenue, operating income or assets of the Company and its consolidated subsidiary are related to the investment and financing services industry.

Information relating to geographic area and export sales has been omitted, as the Company and its consolidated subsidiary do not hold overseas revenues nor overseas branches.

Related Parties information

< Year ended March 31, 2009 >

(Additional Information)

From this fiscal year the Company applies "Accounting Standard on Disclosure of Trades with Related Parties (Accounting Standard No.11, implemented on October 17, 2006 by the Accounting Standards Board of Japan)" and "Guideline for the Application of Accounting Standard on Disclosure of Trades with Related Parties (Guideline for the Application of Accounting Standard No.13, implemented on October 17, 2006 by the Accounting Standards Board of Japan). There are no changes in the scope of disclosure by the application above.

Trades with related parties

Directors and major individual shareholders of the company

(Millions of Yen)

Type	Name	Address	Equity invested	Business Involved	Holding of the Company's voting right	Relationship details	Trade details	Trading volume	Balances to the related party
Companies whose voting rights are held by the directors of the Company and their relatives	Shokosha Ltd.	Bunkyo-ku, Tokyo, Japan	130	Sales, exchanges and rental of real estate	Shokosha Ltd. holds 9.51% of voting rights of the Company directory.	Director of the Company also appoints as a director of Shokosha Ltd. Rental of real estate	Rental of real estate through Heiwa Real Estate Co., Ltd.	13	—

Note: The rental of real estates described above based on the rental contract between the Company and Heiwa Real Estate Co., Ltd. on the estates the latter took on lease from Shokosha Ltd. to be used as the Company's dormitory for female employees. The rental fee the Company pays to Heiwa Service Co., Ltd. is determined based on prices exercised around the neighborhood.

< Year ended March 31, 2010>

Trades with related parties

Directors and major individual shareholders of the company

(Millions of Yen)

Type	Name	Address	Equity invested	Business Involved	Holding of the Company's voting right	Relationship details	Trade details	Trading volume	Balances to the related party
Companies whose voting rights are held by the directors of the Company and their relatives	Shokosha Ltd.	Bunkyo-ku, Tokyo, Japan	50	Sales, exchanges and rental of real estate	Shokosha Ltd. holds 9.51% of voting rights of the Company directory.	Director of the Company also appoints as a director of Shokosha Ltd. Rental of real estate	Rental of real estate	15	—

Note: The rental of real estate described above is rental from Shokosha Ltd. to be used as the Company's dormitory for employees. The rental fee the Company pays to Shokosha Ltd. is determined based on current leasing rates in the area.

Per Share Information

Year ended March 31, 2009		Year ended March 31, 2010	
Net assets per share	269.12 Yen	Net assets per share	289.03 Yen
Net income per share	26.44 Yen	Net income per share	29.84 Yen
Fully diluted earnings per share	23.45 Yen	Fully diluted earnings per share	26.97 Yen

Note: Calculation basis of per share information is as follows:

1. Net assets per share

Items	Year ended March 31, 2009	Year ended March 31, 2010
Total net assets on the balance sheets (Millions of Yen)	69,090	74,203
Net assets attributed to common stock (Millions of Yen)	69,090	74,203
Breakdown of difference (Millions of Yen)	—	—
Number of common stock outstanding (Thousands of shares)	269,260	269,260
Number of common stock held in treasury (Thousands of shares)	12,533	12,533
Number of common stock included in the calculation of net assets per share (Thousands of shares)	256,727	256,727

2. Net income and fully diluted earnings per share

Items	Year ended March 31, 2009	Year ended March 31, 2010
Net income on the statements of income (Millions of Yen)	6,921	7,661
Net income attributed to common stock (Millions of Yen)	6,921	7,661
Net income not attributed to common stock (Millions of Yen)	—	—
Average number of common stock outstanding (Thousands of shares)	261,725	256,727
Breakdown of increase of common stock considered in the calculation of fully diluted earnings per share (Thousands of shares)		
New share purchase rights (Thousands of shares)	33,461	27,288
Increase of common stock (Thousands of shares)	33,461	27,288
Number of new-share purchase rights or others without dilution effects which are not considered in the calculation of fully diluted earnings per share	New-share purchase rights of the resolution of general shareholders' meeting held on June 27, 2004 (Number of new-share purchase rights: 1,580, Number of shares to be issued by the new-share purchase rights: 474,000)	New-share purchase rights of the resolution of general shareholders' meeting held on June 27, 2004 (Number of new-share purchase rights: 1,580, Number of shares to be issued by the new-share purchase rights: 474,000)

Subsequent Events

Year ended March 31, 2009	Year ended March 31, 2010
<p>The Company has purchased and cancelled a part of its Convertible Bonds due 2011 on April 7, 2009 as set out below.</p> <p>(1) Purpose of the Purchase and Cancellation Partial redemption, due to the decrease in the loans receivable from customers</p> <p>(2) Issue of the Purchase and Cancellation Matsui securities Zero Coupon Convertible Bond due 2011</p> <p>(3) Date of Cancellation April 7, 2009</p> <p>(4) Amount purchased and to be cancelled 8,298 million yen in total principal amount of the Bonds</p> <p>(5) Principal outstanding amount after cancellation 31,502 million yen</p> <p>(6) Funding for the Purchase and Cancellation Operating cash</p> <p>(7) Interests to be decreased by the reduction in the bonds There are no interests to be decreased since the bond has a zero coupon.</p> <p>(8) Impact on financial results of the Company 581 million yen of gains on cancellation of the Bonds will be recorded in the fiscal year ends March 2010.</p>	<p>The Company has purchased and cancelled a part of its Convertible Bonds due 2011 on June 17, 2010 as set out below.</p> <p>(1) Purpose of the Purchase and Cancellation Partial redemption, due to the trend of margin trading</p> <p>(2) Issue of the Purchase and Cancellation Matsui securities Zero Coupon Convertible Bond due 2011</p> <p>(3) Date of Cancellation June 17, 2010</p> <p>(4) Amount purchased and to be cancelled 10,930 million yen in total principal amount of the Bonds</p> <p>(5) Principal outstanding amount after cancellation 15,576 million yen</p> <p>(6) Funding for the Purchase and Cancellation Operating cash</p> <p>(7) Interests to be decreased by the reduction in the bonds There are no interests to be decreased since the bond has a zero coupon.</p> <p>(8) Impact on financial results of the Company 82 million yen of gains on cancellation of the Bonds will be recorded in the fiscal year ends March 2011.</p>

[5] Supporting Schedule to the Consolidated Financial Statements

iv) Bonds

(Millions of Yen)

Issuer Company	Name	Date of Issuance	As of March 31, 2009	As of March 31, 2010	Interest rate	Collateral	Date of Maturity
Matsui Securities Co., Ltd.	Unsecured Straight Bonds #3	May 18, 2004	20,000	—	1.40%	None	May 18, 2009
Matsui Securities Co., Ltd.	Convertible Bonds	November 17, 2003	39,800	26,506 (26,506)	—	None	March 31, 2011
Total		—	59,800	26,506 (26,506)	—	—	—

Note:

1. The number in parentheses of As of March 31, 2010 shows the redemption schedule of bonds within 1 year.

2. The status of convertible bonds with new share purchase rights

	Value of issuance of rights	Price of issuance of stock	Total value of issuance	Total value of issuance of stocks by exercise of rights	Grant ratio of rights	Period of exercise of rights	Note on substitutional payment
Matsui Securities Co., Ltd. Common stocks	Gratis	1,179.8 Yen	40,000 Million Yen	200 Million Yen	100%	From December 1, 2003 to March 17, 2011	Note

Note: The amount equivalent to the bonds issued is to be treated as the fulfillment of the payment on the exercise of the rights.

3. The redemption schedule of bonds within 5 years from March 31, 2010 is as follows.

(Millions of Yen)

Within 1 year	Over 1 year and Within 2 years	Over 2 year and Within 3 years	Over 3 year and Within 4 years	Over 4 year and Within 5 years
26,506	—	—	—	—

v)Borrowings

(Millions of Yen)

Item	As of March 31, 2009	As of March 31, 2010	Average Interest Rate (%)	Maturity
Short-term borrowings	—	37,000	0.29	—
Long-term borrowings to be repaid within 1 year	5,032	32	1.53	—
Long-term lease liabilities to be repaid within 1 year	—	39	—	—
Long-term borrowings excluding those to be repaid within 1 year	52	20	1.53	July 29, 2011
Long-term lease liabilities excluding those to be repaid within 1 year	—	—	—	—
Other interest-bearing liabilities: Loans from securities finance companies to be repaid within 1 year	17,073	4,154	0.97	—
Total	22,157	41,245	—	—

Note:

1 The repayment schedule of long-term borrowings and other interest-bearing debts are as follows.

(Millions of Yen)

Item	Over 1 year and Within 2 years	Over 2 year and Within 3 years	Over 3 year and Within 4 years	Over 4 year and Within 5 years
Long-term borrowings	20	—	—	—

2 "Average Interest Rate" is the weighted average interest rate as of March 31, 2010.

[2] Others

Quarterly operating revenues and others for the fiscal year ended March 31, 2010

	First quarter ended June 30, 2009	Second quarter ended September 30, 2009	Third quarter ended December 31, 2009	Forth quarter ended March 31, 2010
Operating revenues (Millions of Yen)	6,837	6,548	5,483	5,477
Income before income taxes (Millions of Yen)	3,541	3,409	2,582	3,250
Net income (Millions of Yen)	2,117	1,969	1,630	1,945
Net income per share (Yen)	8.25	7.67	6.35	7.58

2 Non-Consolidated Financial Statements and Others

(1) Non-Consolidated Financial Statements

[1] Non-Consolidated Balance Sheets

	(Millions of Yen)	
	March 31, 2009	March 31, 2010
Assets		
Current Assets		
Cash and bank deposits	15,587	14,929
Cash segregated as deposits	237,989	246,018
Cash in trust	75,751	22,450
Trading assets:	1,980	1,823
Trading securities and others	0	32
Derivatives	1,980	1,791
Repurchased convertible bonds	7,717	—
Net receivables arising from pre-settlement date trades	49	24
Margin account assets:	115,246	156,429
Loans receivable from customers	98,639	146,634
Cash deposited as collateral for securities borrowed from securities finance companies	16,608	9,795
Receivables on collateralized securities transactions:	3,109	5,143
Cash deposits collateral for securities borrowed	3,109	5,143
Receivables from customers and others	22	35
Receivables from customers	22	35
Others	0	0
Advances paid for subscription	2	—
Short-term guarantee deposits	2,139	4,148
Advances paid	1	1
Prepaid expenses	156	231
Accrued income	2,977	3,494
Deferred income taxes	192	355
Others	2,024	2,721
Allowance for doubtful accounts	(127)	(249)
Total current assets	464,814	457,551
Fixed assets		
Tangible fixed assets	847	839
Buildings	※1 297	※1 277
Equipment and instruments	※1 360	※1 313
Land	190	190
Others	—	※1 60
Intangible assets	3,653	5,247
Software	3,642	5,237
Telephone subscription rights	7	6
Others	4	3
Investments and others	2,749	2,362
Investment securities	320	302
Shares of affiliated companies	450	450
Investment in partnership	2	2
Long-term loans receivable	204	217
Long-term guarantee deposits	293	268
Long-term prepaid expenses	3	5
Deferred income taxes	1,442	1,154
Others	909	796
Allowance for doubtful accounts	(875)	(831)
Total fixed assets	7,249	8,448
Total assets	472,063	465,999

(Millions of Yen)

	March 31, 2009	March 31, 2010
Liabilities		
Current liabilities		
Trading liabilities:	192	294
Trading securities and others	—	32
Derivatives	192	262
Margin account liabilities:	57,052	45,819
Loans from securities finance companies	※2 17,073	※2 4,154
Proceeds of securities sold on customers' account	39,980	41,665
Payables on collateralized securities transactions:	7,547	9,393
Cash deposits as collateral for securities loaned	7,547	9,393
Deposits received	124,623	132,559
Deposits received from customers	123,952	131,584
Others	671	975
Guarantee money received	135,112	133,458
Suspense account for undelivered securities	2	—
Short-term borrowings	5,032	37,032
Bonds due within one year	20,000	—
Convertible bonds due within one year	8,298	26,506
Deferred revenue	50	43
Accounts payable	8,338	691
Accrued expenses	1,346	821
Accrued income taxes	1,331	3,234
Accrued bonuses	86	104
Others	—	39
Total current liabilities	369,009	389,993
Long-term liabilities		
Convertible bonds	31,502	—
Long-term borrowings	52	20
Reserve for retirement bonuses for directors and auditors	204	204
Total long-term liabilities	31,758	224
Statutory reserves		
Reserve for financial products transaction liabilities	※4 2,283	※4 1,665
Total statutory reserves	2,283	1,665
Total liabilities	403,050	391,882

(Millions of Yen)

	March 31, 2009	March 31, 2010
Net assets		
Shareholders' equity		
Common stock	11,944	11,944
Capital surplus		
Additional paid-in capital	9,792	9,792
Total Capital surplus	9,792	9,792
Earned surplus		
Earned surplus reserves	159	159
Other earned surplus		
Special purpose reserves	4,250	4,250
Earned surplus carried forward	52,350	57,435
Total earned surplus	56,759	61,844
Treasury stock	(9,474)	(9,474)
Total shareholders' equity	69,019	74,104
Valuation and translation adjustments		
Net unrealized gain (loss) on investment securities, net of taxes	(6)	13
Total valuation and translation adjustments	(6)	13
Total net assets	69,014	74,118
Total liabilities and net assets	472,063	465,999

[2] Non-Consolidated Statements of Income

(Millions of Yen)

	Year ended March 31, 2009	Year ended March 31, 2010
Operating revenues		
Commissions	18,263	17,282
Brokerage commissions	15,888	15,424
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	1	11
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	1	0
Others	2,374	1,846
Net gain (loss) on trading	※1 4	※1 4
Interest and dividend income	※2 8,456	※2 7,060
Total operating revenues	26,724	24,346
Interest expenses	※3 2,260	※3 1,069
Net operating revenues	24,464	23,276
Selling, general and administrative expenses		
Transaction related expenses	※4 4,096	※4 3,630
Employees' compensation and benefits	※5 2,021	※5 1,927
Occupancy and rental	※6 522	※6 1,060
Data processing and office supplies	※7 6,353	※7 3,139
Depreciation	1,258	1,772
Duties and taxes other than income taxes	※8 156	※8 139
Provision of allowance for doubtful accounts	—	124
Others	※9 124	※9 108
Total selling, general and administrative expenses	14,529	11,900
Operating income	9,935	11,376
Non-operating income		
Compensation income for damages	8	13
Dividend income	51	9
Insurance premiums refunded cancellation	—	140
Others	19	23
Total non-operating income	79	186
Non-operating expenses		
Commissions on syndicated loans	1	—
Others	26	30
Total non-operating expenses	28	30
Ordinary income	9,986	11,532
Special profits		
Gain on sales of investment securities	13	—
Gain on cancellation of convertible bonds	—	641
Reversal of reserve for financial products transaction liabilities	1,463	618
Reversal of allowance for doubtful accounts	124	—
Others	0	—
Total special profits	1,600	1,259
Special losses		
Loss on sales and disposals of property and equipment	※10 8	※10 2
Devaluation loss on investment securities	9	20
Total special losses	17	22
Income before income taxes	11,569	12,769
Income taxes - current	3,666	5,004
Income taxes - deferred	991	113
Income taxes	4,656	5,117
Net income	6,913	7,653

[3] Non-Consolidated Statements of Changes in Net Assets

(Millions of Yen)

	Year ended march 31, 2009	Year ended march 31, 2010
Shareholders' equity		
Common stock		
Balance at the end of previous period	11,942	11,944
Changes in the current term		
Issuance of new shares	2	—
Total changes of items in the current term	2	—
Balance at the end of current period	11,944	11,944
Capital surplus		
Additional paid-in capital		
Balance at the end of previous period	9,790	9,792
Changes in the current term		
Issuance of new shares	2	—
Total changes of items in the current term	2	—
Balance at the end of current period	9,792	9,792
Total Capital surplus		
Balance at the end of previous period	9,790	9,792
Changes in the current term		
Issuance of new shares	2	—
Total changes of items in the current term	2	—
Balance at the end of current period	9,792	9,792
Earned surplus		
Earned surplus reserves		
Balance at the end of previous period	159	159
Changes in the current term		
Total changes of items in the current term	—	—
Balance at the end of current period	159	159
Other earned surplus		
Special purpose reserves		
Balance at the end of previous period	4,250	4,250
Changes in the current term		
Total changes of items in the current term	—	—
Balance at the end of current period	4,250	4,250
Earned surplus carried forward		
Balance at the end of previous period	54,860	52,350
Changes in the current term		
Dividends from capital and earned surplus	(9,423)	(2,567)
Net income	6,913	7,653
Total changes of items in the current term	(2,510)	5,085
Balance at the end of current period	52,350	57,435
Total earned surplus		
Balance at the end of previous period	59,268	56,759
Changes in the current term		
Dividends from capital and earned surplus	(9,423)	(2,567)
Net income	6,913	7,653
Total changes of items in the current term	(2,510)	5,085
Balance at the end of current period	56,759	61,844
Treasury stock		
Balance at the end of previous period	(22)	(9,474)
Changes in the current term		
Purchase of treasury stock	(9,452)	(0)
Total changes of items in the current term	(9,452)	(0)
Balance at the end of current period	(9,474)	(9,474)

	Year ended march 31, 2009	Year ended march 31, 2010
Total shareholders' equity		
Balance at the end of previous period	80,977	69,019
Changes in the current term		
Issuance of new shares	3	—
Dividends from earned surplus	(9,423)	(2,567)
Net income	6,913	7,653
Purchase of treasury stock	(9,452)	(0)
Total changes of items in the current term	(11,958)	5,085
Balance at the end of current period	69,019	74,104
Valuation and translation adjustments		
Net unrealized gain (loss) on investment securities, net of taxes		
Balance at the end of previous period	(2)	(6)
Changes in the current term		
Net change of items other than shareholders' equity	(4)	19
Total changes of items in the current term	(4)	19
Balance at the end of current period	(6)	13
Total valuation and translation adjustments		
Balance at the end of previous period	(2)	(6)
Changes in the current term		
Net change of items other than shareholders' equity	(4)	19
Total changes of items in the current term	(4)	19
Balance at the end of current period	(6)	13
Total net assets		
Balance at the end of previous period	80,975	69,014
Changes in the current term		
Issuance of new shares	3	—
Dividends from earned surplus	(9,423)	(2,567)
Net income	6,913	7,653
Purchase of treasury stock	(9,452)	(0)
Net change of items other than shareholders' equity	(4)	19
Total changes of items in the current term	(11,962)	5,104
Balance at the end of current period	69,014	74,118

Significant Accounting Policies for the Non-Consolidated Financial Statements

	Year ended March 31, 2009	Year ended March 31, 2010
1. Valuation of Significant Assets	<p>(1) Securities and derivatives classified as trading assets: Securities and derivatives classified as trading assets are carried at fair value.</p> <p>(2) Securities not classified as trading assets: Shares of affiliate companies: Shares of affiliate companies are stated at cost determined on a moving average method. Other securities, such as available-for-sale securities, whose fair values: Other securities, such as available-for-sale securities, whose fair values are readily determinable, are readily determinable, are carried at fair value with unrealized gains or losses included as a component of net assets, net of applicable income taxes. Other securities not publicly quoted: Other securities not publicly quoted are stated at cost determined on the moving average method. Investments in investment funds are stated at the proportional net value of the Company's interest to the total fund interest.</p>	<p>(1) Securities and derivatives classified as trading assets: Same as the left column.</p> <p>(2) Securities not classified as trading assets: Shares of affiliate companies: Same as the left column.</p> <p>Other securities, such as available-for-sale securities, whose fair values Same as the left column.</p> <p>Other securities not publicly quoted: Same as the left column.</p>

	Year ended March 31, 2009	Year ended March 31, 2010
2. Depreciation of Fixed Assets	<p>(1) Tangible fixed assets(excluding leased assets) The Company applies the straight-line method. The useful life for depreciation is 15 to 40 years for buildings and 4 to 10 years for equipment and instruments.</p> <p>(2) Intangible assets(excluding leased assets) The straight-line method is primarily applied. Software for in-house use is depreciated under the straight-line method based on an internal estimated useful life (within 5 years).</p> <p>(3) Leased assets Finance lease transactions that do not transfer the ownership to lessee. Leased assets arising from transactions under finance lease contracts which do not transfer ownership to lessee are depreciated to residual value of zero by the straight-line method using the term of the contract as useful life. In addition, finance lease transactions that do not transfer ownership to lessees which started on and before March 31, 2008 are treated in the same manner as operating leases ("non-capitalized finance leases").</p>	<p>(1) Tangible fixed assets (excluding leased assets) Same as the left column.</p> <p>(2) Intangible assets (excluding leased assets) Same as the left column.</p> <p>(3) Leased assets Same as the left column.</p>

	Year ended March 31, 2009	Year ended March 31, 2010
3. Accounting Policies for Significant Provisions	<p>(1) Allowance for doubtful accounts An allowance for doubtful accounts is provided for estimated uncollectible doubtful accounts at an amount specifically assessed plus an amount computed based on historical loss experience.</p> <p>(2) Accrued bonuses Estimated amount of employees' bonuses is accrued.</p> <p>(3) Reserve for Financial Products Transactions Liabilities The Company accounts for a Reserve for Financial Products Transactions Liabilities for possible customer losses by default of the securities company on securities transactions according to Article 46-5 of the Financial Instruments and Exchange Law.</p>	<p>(1) Allowance for doubtful accounts Same as the left column.</p> <p>(2) Accrued bonuses Same as the left column.</p> <p>(3) Reserve for Financial Products Transactions Liabilities Same as the left column.</p>
4. Hedge accounting	<p>(1) Hedge accounting method The Company is eligible for the application of the allowed alternative method for interest rate swaps. The Company accounts for interest rate swap trading pursuant to the allowed alternative method.</p> <p>(2) Means for hedging and objective of hedging (Hedging instruments) Interest rate swap (Hedging items) Borrowings and others</p> <p>(3) Hedging policy The Company and its subsidiary use interest rate swap trading to limit exposures to fluctuations in interest rates. The objective of hedging is identified for each individual contract.</p> <p>(4) Judgment for effectiveness of hedging The Company omits judgment for hedging due to the allowed alternative method.</p>	<p>(1) Hedge accounting method Same as the left column.</p> <p>(2) Means for hedging and objective of hedging Same as the left column.</p> <p>(3) Hedging policy Same as the left column.</p> <p>(4) Judgment for effectiveness of hedging Same as the left column.</p>
5. Other material items	Consumption taxes National and local consumption taxes are separately recorded.	Consumption taxes Same as the left column.

Significant Accounting Policies for the Financial Statements

Year ended March 31, 2009	Year ended March 31, 2010
<p>Financing lease transactions other than those where title of the property is transferred to lessee have been accounted for as ordinary lease transactions for the year ended March 31, 2008 and previous years. From this fiscal year, the Company accounts for these transactions as purchasing transactions according to "Accounting Standard on Lease Transactions (Accounting Standard No.13, revised on March 30, 2007. Originally implemented on June 17, 1993 by the Meeting No.1 of Accounting Standard Board)" and "Guideline for the Application of Accounting Standard on Lease Transactions (Guideline for the Application of Accounting Standard No.16, revised on March 30, 2007, Originally implemented on January 18, 1994 by the Accounting System Committee, the Japanese Institute of Certified Public Accountants)".</p> <p>The impact of the change above on operating income, ordinary income and net income is immaterial.</p> <p>Those transactions which started on and before March 31, 2008 are accounted for according to the previous rules.</p>	

Additional information

Year ended March 31, 2009	Year ended March 31, 2010
<p>Reserve for Securities Transactions which was accounted for as of March 31, 2008 according to the Article 51 of the former Securities Exchange Law based on the Article 40 of the supplementary provision of the Financial Instruments and Exchange Law has been changed into Reserve for Financial Products Transaction Liabilities according to the Article 46-5 of the Financial Instruments and Exchange Law.</p>	

Notes to Non-Consolidated Financial Statements

Notes to Non-Consolidated Balance Sheet

As of March 31, 2009	As of March 31, 2010																																																										
<p>※1 Accumulated depreciation deducted from tangible fixed assets is as follows.</p> <table> <tr> <td></td><td>(Millions of Yen)</td></tr> <tr> <td>Buildings</td><td>164</td></tr> <tr> <td>Equipment and instruments</td><td>394</td></tr> <tr> <td>Total</td><td>558</td></tr> </table> <p>※2 Assets collateralized: None of the assets are collateralized. Note: The securities bought by customers using money loaned from the Company's own fund, of which fair value amounted to 690 million yen are collateralized for the loans from securities finance companies. 13,547 million yen of the guarantee securities received from customers are collateralized for loans from securities finance companies.</p> <p>3 Fair value of securities received and deposited are as follows. (Excluding those listed in the previous note):</p> <p>(1) Securities deposited (Millions of Yen)</p> <table> <tr> <td>1) Securities lent for customers' short positions in margin trading</td><td>41,830</td></tr> <tr> <td>2) Collateralized securities for loans from securities finance companies</td><td>16,094</td></tr> <tr> <td>3) Securities loaned out in securities loaned vs. cash transactions</td><td>8,150</td></tr> <tr> <td>4) Long-term guarantee securities deposited</td><td>5,233</td></tr> <tr> <td>5) Securities pledged as collateral for short-term guarantee</td><td>9,202</td></tr> </table> <p>(2) Securities received (Millions of Yen)</p> <table> <tr> <td>1) Securities received for customers' long positions in margin trading</td><td>77,988</td></tr> <tr> <td>2) Securities borrowed from securities finance companies</td><td>15,689</td></tr> <tr> <td>3) Securities received in securities borrowed vs. cash transactions</td><td>2,778</td></tr> <tr> <td>4) Guarantee securities received from customers</td><td>193,892</td></tr> <tr> <td>5) Securities received from customers as collateral for short-term guarantee</td><td>1,941</td></tr> </table> <p>※4 The Company accounts for a Reserve for Securities Transactions for possible customer losses by default of the securities company on securities transactions according to Article 46-5 of the Financial Instruments and Exchange Law.</p>		(Millions of Yen)	Buildings	164	Equipment and instruments	394	Total	558	1) Securities lent for customers' short positions in margin trading	41,830	2) Collateralized securities for loans from securities finance companies	16,094	3) Securities loaned out in securities loaned vs. cash transactions	8,150	4) Long-term guarantee securities deposited	5,233	5) Securities pledged as collateral for short-term guarantee	9,202	1) Securities received for customers' long positions in margin trading	77,988	2) Securities borrowed from securities finance companies	15,689	3) Securities received in securities borrowed vs. cash transactions	2,778	4) Guarantee securities received from customers	193,892	5) Securities received from customers as collateral for short-term guarantee	1,941	<p>※1 Accumulated depreciation deducted from tangible fixed assets is as follows.</p> <table> <tr> <td></td><td>(Millions of Yen)</td></tr> <tr> <td>Buildings</td><td>184</td></tr> <tr> <td>Equipment and instruments</td><td>489</td></tr> <tr> <td>Others</td><td>48</td></tr> <tr> <td>Total</td><td>721</td></tr> </table> <p>※2 Assets collateralized: None of the assets are collateralized. Note: The securities bought by customers using money loaned from the Company's own fund, of which fair value amounted to 1,218 million yen are collateralized for the loans from securities finance companies. 9,501 million yen of the guarantee securities received from customers are collateralized for loans from securities finance companies.</p> <p>3 Fair value of securities received and deposited are as follows. (Excluding those listed in the previous note):</p> <p>(1) Securities deposited (Millions of Yen)</p> <table> <tr> <td>1) Securities lent for customers' short positions in margin trading</td><td>46,301</td></tr> <tr> <td>2) Collateralized securities for loans from securities finance companies</td><td>4,167</td></tr> <tr> <td>3) Securities loaned out in securities loaned vs. cash transactions</td><td>11,948</td></tr> <tr> <td>4) Long-term guarantee securities deposited</td><td>6,059</td></tr> <tr> <td>5) Securities pledged as collateral for short-term guarantee</td><td>7,708</td></tr> </table> <p>(2) Securities received (Millions of Yen)</p> <table> <tr> <td>1) Securities received for customers' long positions in margin trading</td><td>140,144</td></tr> <tr> <td>2) Securities borrowed from securities finance companies</td><td>9,971</td></tr> <tr> <td>3) Securities received in securities borrowed vs. cash transactions</td><td>4,991</td></tr> <tr> <td>4) Guarantee securities received from customers</td><td>234,481</td></tr> <tr> <td>5) Securities received from customers as collateral for short-term guarantee</td><td>2,499</td></tr> </table> <p>※4 The Company accounts for a Reserve for Securities Transactions for possible customer losses by default of the securities company on securities transactions according to Article 46-5 of the Financial Instruments and Exchange Law.</p>		(Millions of Yen)	Buildings	184	Equipment and instruments	489	Others	48	Total	721	1) Securities lent for customers' short positions in margin trading	46,301	2) Collateralized securities for loans from securities finance companies	4,167	3) Securities loaned out in securities loaned vs. cash transactions	11,948	4) Long-term guarantee securities deposited	6,059	5) Securities pledged as collateral for short-term guarantee	7,708	1) Securities received for customers' long positions in margin trading	140,144	2) Securities borrowed from securities finance companies	9,971	3) Securities received in securities borrowed vs. cash transactions	4,991	4) Guarantee securities received from customers	234,481	5) Securities received from customers as collateral for short-term guarantee	2,499
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Notes to Non-Consolidated Statement of Income

Year ended March 31, 2009		Year ended March 31, 2010	
※1	Breakdown of net gain on trading (Millions of Yen) Stocks (2) Bonds 6 Total 4	※1	Breakdown of net gain on trading (Millions of Yen) Stocks 0 Bonds 4 Total 4
※2	Breakdown of interest and dividend income (Millions of Yen) Interest on margin trading 6,940 Interest received for the securities lending 287 Others 1,229 Total 8,456	※2	Breakdown of interest and dividend income (Millions of Yen) Interest on margin trading 6,463 Interest received for the securities lending 170 Others 426 Total 7,060
※3	Breakdown of interest expense (Millions of Yen) Interest expense on margin trading 1,142 Interest paid for the borrowings from finance companies on margin trading 78 Interest paid 887 Others 152 Total 2,260	※3	Breakdown of interest expense (Millions of Yen) Interest expense on margin trading 804 Interest paid for the borrowings from finance companies on margin trading 24 Interest paid 146 Others 95 Total 1,069
※4	Breakdown of transaction related expenses (Millions of Yen) Commissions paid 619 Membership fees for stock exchanges and securities associations 745 Communications expenses 2,115 Travel and transportation expenses 11 Advertisements 599 Entertainment and social Expenses 7 Total 4,096	※4	Breakdown of transaction related expenses (Millions of Yen) Commissions paid 597 Membership fees for stock exchanges and securities associations 747 Communications expenses 1,880 Travel and transportation expenses 7 Advertisements 391 Entertainment and social Expenses 7 Total 3,630
※5	Breakdown of employees' compensation and benefits (Millions of Yen) Directors' and auditors' compensation 354 Employees' compensation 637 Other compensation 786 Welfare expenses 158 Provision of allowance for employees' bonuses 86 Total 2,021	※5	Breakdown of employees' compensation and benefits (Millions of Yen) Directors' and auditors' compensation 337 Employees' compensation 621 Other compensation 709 Welfare expenses 156 Provision of allowance for employees' bonuses 104 Total 1,927
※6	Breakdown of occupancy and rental (Millions of Yen) Occupancy and rental fee 386 Equipment and instruments expenses 135 Total 522	※6	Breakdown of occupancy and rental (Millions of Yen) Occupancy and rental fee 392 Equipment and instruments expenses 668 Total 1,060

Year ended March 31, 2009	Year ended March 31, 2010																																
<p>※7 Breakdown of data processing and office supplies (Millions of Yen)</p> <table> <tr> <td>Data processing and outsourcing cost of operations</td><td>6,347</td></tr> <tr> <td>Office supplies</td><td>6</td></tr> <tr> <td><u>Total</u></td><td><u>6,353</u></td></tr> </table>	Data processing and outsourcing cost of operations	6,347	Office supplies	6	<u>Total</u>	<u>6,353</u>	<p>※7 Breakdown of data processing and office supplies (Millions of Yen)</p> <table> <tr> <td>Data processing and outsourcing cost of operations</td><td>3,134</td></tr> <tr> <td>Office supplies</td><td>5</td></tr> <tr> <td><u>Total</u></td><td><u>3,139</u></td></tr> </table>	Data processing and outsourcing cost of operations	3,134	Office supplies	5	<u>Total</u>	<u>3,139</u>																				
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<p>※8 Breakdown of duties and taxes other than income taxes (Millions of Yen)</p> <table> <tr> <td>Property taxes and automobile taxes</td><td>7</td></tr> <tr> <td>Official fees</td><td>50</td></tr> <tr> <td>Consumption tax</td><td>17</td></tr> <tr> <td>Enterprise tax (reduction on VAT and capital levy)</td><td>75</td></tr> <tr> <td>Others</td><td>6</td></tr> <tr> <td><u>Total</u></td><td><u>156</u></td></tr> </table>	Property taxes and automobile taxes	7	Official fees	50	Consumption tax	17	Enterprise tax (reduction on VAT and capital levy)	75	Others	6	<u>Total</u>	<u>156</u>	<p>※8 Breakdown of duties and taxes other than income taxes (Millions of Yen)</p> <table> <tr> <td>Property taxes and automobile taxes</td><td>9</td></tr> <tr> <td>Official fees</td><td>15</td></tr> <tr> <td>Consumption tax</td><td>20</td></tr> <tr> <td>Enterprise tax (reduction on VAT and capital levy)</td><td>90</td></tr> <tr> <td>Others</td><td>5</td></tr> <tr> <td><u>Total</u></td><td><u>139</u></td></tr> </table>	Property taxes and automobile taxes	9	Official fees	15	Consumption tax	20	Enterprise tax (reduction on VAT and capital levy)	90	Others	5	<u>Total</u>	<u>139</u>								
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<p>※9 Breakdown of Others (Millions of Yen)</p> <table> <tr> <td>Printing cost</td><td>4</td></tr> <tr> <td>Water, lighting and heating</td><td>33</td></tr> <tr> <td>Library expenses</td><td>4</td></tr> <tr> <td>Training</td><td>3</td></tr> <tr> <td>Employee recruitment costs</td><td>9</td></tr> <tr> <td>Sales Promotions</td><td>4</td></tr> <tr> <td>Miscellaneous</td><td>66</td></tr> <tr> <td><u>Total</u></td><td><u>124</u></td></tr> </table>	Printing cost	4	Water, lighting and heating	33	Library expenses	4	Training	3	Employee recruitment costs	9	Sales Promotions	4	Miscellaneous	66	<u>Total</u>	<u>124</u>	<p>※9 Breakdown of Others (Millions of Yen)</p> <table> <tr> <td>Printing cost</td><td>4</td></tr> <tr> <td>Water, lighting and heating</td><td>30</td></tr> <tr> <td>Library expenses</td><td>5</td></tr> <tr> <td>Training</td><td>2</td></tr> <tr> <td>Employee recruitment costs</td><td>5</td></tr> <tr> <td>Sales Promotions</td><td>3</td></tr> <tr> <td>Miscellaneous</td><td>59</td></tr> <tr> <td><u>Total</u></td><td><u>108</u></td></tr> </table>	Printing cost	4	Water, lighting and heating	30	Library expenses	5	Training	2	Employee recruitment costs	5	Sales Promotions	3	Miscellaneous	59	<u>Total</u>	<u>108</u>
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<p>※10 Breakdown of loss on sales and disposals of property and equipment (Millions of Yen)</p> <table> <tr> <td>Loss on disposals</td><td></td></tr> <tr> <td>Equipment and instruments</td><td>5</td></tr> <tr> <td>Software</td><td>3</td></tr> <tr> <td><u>Total</u></td><td><u>8</u></td></tr> </table> <p>Loss on sales: _____</p>	Loss on disposals		Equipment and instruments	5	Software	3	<u>Total</u>	<u>8</u>	<p>※10 Breakdown of loss on sales and disposals of property and equipment (Millions of Yen)</p> <table> <tr> <td>Loss on disposals</td><td></td></tr> <tr> <td>Equipment and instruments</td><td>0</td></tr> <tr> <td>Software</td><td>2</td></tr> <tr> <td><u>Total</u></td><td><u>2</u></td></tr> </table> <p>Loss on sales: _____</p>	Loss on disposals		Equipment and instruments	0	Software	2	<u>Total</u>	<u>2</u>																
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Notes to Non-Consolidated Statements of Changes in Net Assets

(Year ended March 31, 2009)

Types and number of outstanding shares and treasury stock

(Number of shares)

	Number of shares as of March 31, 2008	Number of shares increased in the year ended March 31, 2009	Number of shares decreased in the year ended March 31, 2009	Number of shares as of March 31, 2009
Treasury stock				
Common stock	32,138	12,500,605	—	12,532,743
Total	32,138	12,500,605	—	12,532,743

Note: Breakdown of the Increase of treasury stocks are as follows:

Acquisition of its own shares resolved by the board of directors meeting 12,500,000 shares
Purchase of odd-lot shares 605 shares

(Year ended March 31, 2010)

Types and number of outstanding shares and treasury stock

(Number of shares)

	Number of shares as of March 31, 2009	Number of shares increased in the year ended March 31, 2010	Number of shares decreased in the year ended March 31, 2010	Number of shares as of March 31, 2010
Treasury stock				
Common stock	12,532,743	34	—	12,532,777
Total	12,532,743	34	—	12,532,777

Note: Increase of treasury stock is a result of the purchase of odd-lot shares.

Notes to Lease Transactions

(Millions of Yen)

Year ended March 31, 2009	Year ended March 31, 2010
Financing lease transactions other than those where title of the property is transferred to lessee, which started on and before March 31, 2008	Financing lease transactions other than those where title of the property is transferred to lessee, which started on and before March 31, 2008
1. Acquisition costs equivalent, accumulated depreciation equivalent and equivalent of balance at the end of period	1. Acquisition costs equivalent, accumulated depreciation equivalent and equivalent of balance at the end of period
(Millions of Yen)	(Millions of Yen)
Acquisition price equivalent:	Acquisition price equivalent:
Equipment and instruments 10	Equipment and instruments 10
Total 10	Total 10
Accumulated depreciation equivalent:	Accumulated depreciation equivalent:
Equipment and instruments 5	Equipment and instruments 7
Total 5	Total 7
Equivalent of balance at end of period:	Equivalent of balance at end of period:
Equipment and instruments 5	Equipment and instruments 3
Total 5	Total 3
2. Present value of future lease payments	2. Present value of future lease payments
Within 1 year 2	Within 1 year 2
Over 1 year 3	Over 1 year 1
Total 5	Total 3
3. Lease charge paid, depreciation equivalent and interest equivalent	3. Lease charge paid, depreciation equivalent and interest equivalent
(Millions of Yen)	(Millions of Yen)
Lease charge paid 2	Lease charge paid 2
Depreciation equivalent 2	Depreciation equivalent 2
Interest equivalent 0	Interest equivalent 0
4. Calculation method for depreciation equivalent	4. Calculation method for depreciation equivalent
The lease term is regarded as a durable period and the residual value is regarded as zero.	Same as the left column.
5. Calculation method for interest equivalent	5. Calculation method for interest equivalent
The difference between the total amount of future lease payments and the acquisition cost equivalent is regarded as the interest equivalent, which is allocated to each of the fiscal periods using the interest method.	Same as the left column.

Notes to Securities held

The shares of the Company's subsidiary do not have a market price for the years ended March 31, 2009 and 2010.

Note: The subsidiary and affiliated companies shares, whose fair value is extremely difficult to obtain, are as follows.

Items	Book value (millions of yen)
Subsidiary company shares	450
Total	450

Shares described above are not included in disclosure of fair value as they are not priced in markets which makes it difficult to measure their fair value.

Notes to Tax Effect Accounting

As of March 31, 2009	As of March 31, 2010																																												
<p>1 Significant components of deferred income tax assets</p> <p style="text-align: right;">(Millions of Yen)</p> <table> <tr> <td>Deferred income tax assets</td><td></td></tr> <tr> <td>Accrued enterprise tax</td><td>103</td></tr> <tr> <td>Excess of allowance for doubtful accounts</td><td>398</td></tr> <tr> <td>Reserve for retirement bonuses for directors and auditors</td><td>83</td></tr> <tr> <td>Excess of reserve for securities transactions</td><td>929</td></tr> <tr> <td>Accrued bonuses</td><td>35</td></tr> <tr> <td>Devaluation loss on investment securities</td><td>47</td></tr> <tr> <td>Others</td><td>39</td></tr> <tr> <td>Total deferred income tax assets</td><td>1,634</td></tr> </table>	Deferred income tax assets		Accrued enterprise tax	103	Excess of allowance for doubtful accounts	398	Reserve for retirement bonuses for directors and auditors	83	Excess of reserve for securities transactions	929	Accrued bonuses	35	Devaluation loss on investment securities	47	Others	39	Total deferred income tax assets	1,634	<p>1 Significant components of deferred income tax assets and deferred income liabilities</p> <p style="text-align: right;">(Millions of Yen)</p> <table> <tr> <td>Deferred tax assets</td><td></td></tr> <tr> <td>Accrued enterprise tax</td><td>244</td></tr> <tr> <td>Excess of allowance for doubtful Accounts</td><td>403</td></tr> <tr> <td>Reserve for retirement bonuses for directors and auditors</td><td>83</td></tr> <tr> <td>Excess of reserve for financial products transaction liabilities</td><td>678</td></tr> <tr> <td>Accrued bonuses</td><td>42</td></tr> <tr> <td>Devaluation loss on investment Securities</td><td>27</td></tr> <tr> <td>Others</td><td>41</td></tr> <tr> <td>Total deferred income tax assets</td><td>1,518</td></tr> <tr> <td>Deferred income tax liabilities</td><td></td></tr> <tr> <td>Net unrealized gain on investment securities, net of taxes</td><td>(9)</td></tr> <tr> <td>Total deferred income tax liabilities</td><td>(9)</td></tr> <tr> <td>Net balance of deferred income tax assets</td><td>1,509</td></tr> </table>	Deferred tax assets		Accrued enterprise tax	244	Excess of allowance for doubtful Accounts	403	Reserve for retirement bonuses for directors and auditors	83	Excess of reserve for financial products transaction liabilities	678	Accrued bonuses	42	Devaluation loss on investment Securities	27	Others	41	Total deferred income tax assets	1,518	Deferred income tax liabilities		Net unrealized gain on investment securities, net of taxes	(9)	Total deferred income tax liabilities	(9)	Net balance of deferred income tax assets	1,509
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<p>2 A reconciliation between the nominal statutory income tax rate to the effective income tax rate reported in the consolidated statements of income</p> <p>Notes are omitted since the difference between the nominal statutory income tax rate to the effective income tax rate is less than 5/100 of the nominal statutory income tax rate.</p>	<p>2 A reconciliation between the nominal statutory income tax rate to the effective income tax rate reported in the consolidated statements of income</p> <p>Same as the left column.</p>																																												

Per Share Information

Year ended March 31, 2009		Year ended March 31, 2010	
Net assets per share	268.82 Yen	Net assets per share	288.70 Yen
Net income per share	26.41 Yen	Net income per share	29.81 Yen
Fully diluted earnings per share	23.42 Yen	Fully diluted earnings per share	26.94 Yen

Note: Calculation basis of per share information is as follows.

1. Net assets per share

Items	Year ended March 31, 2009	Year ended March 31, 2010
Total net assets on the balance sheets (Millions of Yen)	69,014	74,118
Net assets attributed to common stock (Millions of Yen)	69,014	74,118
Breakdown of difference (Millions of Yen)	—	—
Number of common stock outstanding (Thousands of shares)	269,260	269,260
Number of common stock held in treasury (Thousands of shares)	12,533	12,533
Number of common stock included in the calculation of net assets per share (Thousands of shares)	256,727	256,727

2. Net income and fully diluted earnings per share

Items	Year ended March 31, 2009	Year ended March 31, 2010
Net income on the statements of income (Millions of Yen)	6,913	7,653
Net income attributed to common stock (Millions of Yen)	6,913	7,653
Net income not attributed to common stock (Millions of Yen)	—	—
Average number of common stock outstanding (Thousands of shares)	261,725	256,727
Breakdown of increase of common stock considered in the calculation of fully diluted earnings per share (Thousands of shares)		
New share purchase rights (Thousands of shares)	33,461	27,288
Increase of common stock (Thousands of shares)	33,461	27,288
Number of new-share purchase rights or others without dilution effects which are not considered in the calculation of fully diluted earnings per share	New-share purchase rights of the resolution of general shareholders' meeting held on June 27, 2004 (Number of new-share purchase rights: 1,580, Number of shares to be issued by the new-share purchase rights: 474,000)	New-share purchase rights of the resolution of general shareholders' meeting held on June 27, 2004 (Number of new-share purchase rights: 1,580, Number of shares to be issued by the new-share purchase rights: 474,000)

Subsequent Events

Year ended March 31, 2009	Year ended March 31, 2010
<p>The Company has purchased and cancelled a part of its Convertible Bonds due 2011 on April 7, 2009 as set out below.</p> <p>(1) Purpose of the Purchase and Cancellation Partial redemption, due to the decrease in the loans receivable from customers</p> <p>(2) Issue of the Purchase and Cancellation Matsui securities Zero Coupon Convertible Bond due 2011</p> <p>(3) Date of Cancellation April 7, 2009</p> <p>(4) Amount purchased and to be cancelled 8,298 million yen in total principal amount of the Bonds</p> <p>(5) Principal outstanding amount after cancellation 31,502 million yen</p> <p>(6) Funding for the Purchase and Cancellation Operating cash</p> <p>(7) Interests to be decreased by the reduction in the bonds There are no interests to be decreased since the bond has a zero coupon.</p> <p>(8) Impact on financial results of the Company 581 million yen of gains on cancellation of the Bonds will be recorded in the fiscal year ends March 2010.</p>	<p>The Company has purchased and cancelled a part of its Convertible Bonds due 2011 on June 17, 2010 as set out below.</p> <p>(1) Purpose of the Purchase and Cancellation Partial redemption, due to the trend of margin trading</p> <p>(2) Issue of the Purchase and Cancellation Matsui securities Zero Coupon Convertible Bond due 2011</p> <p>(3) Date of Cancellation June 17, 2010</p> <p>(4) Amount purchased and to be cancelled 10,930 million yen in total principal amount of the Bonds</p> <p>(5) Principal outstanding amount after cancellation 15,576 million yen</p> <p>(6) Funding for the Purchase and Cancellation Operating cash</p> <p>(7) Interests to be decreased by the reduction in the bonds There are no interests to be decreased since the bond has a zero coupon.</p> <p>(8) Impact on financial results of the Company 82 million yen of gains on cancellation of the Bonds will be recorded in the fiscal year ends March 2011.</p>

[4] Supporting Schedules

i) List of investment securities

According to the Article 124 of Regulations on Financial Statements, a detailed list of investment securities whose book value as of March 31, 2010 totals less than 1/100 of the total assets is omitted.

ii) Fixed Assets

(Millions of Yen)

		As of March 31, 2009	Increase in the current period	Decrease in the current period	As of March 31, 2010	Accumulated Depreciation and Amortization	Depreciation expensed in the current period	Net Value of assets
Tangible	Buildings	460	0	—	461	184	20	277
	Equipment And instruments	754	49	1	802	489	96	313
	Land	190	—	0	190	—	—	190
	Others	—	108	—	108	48	48	60
	Total	1,405	157	1	1,561	721	164	839
Intangible	Software	9,543	3,203	132	12,614	7,377	1,606	5,237
	Telephone subscription rights	17	—	—	17	10	1	6
	Others	41	—	—	41	38	1	3
	Total	9,601	3,203	132	12,672	7,425	1,608	5,247
Long-term prepaid expenses		7	4	2	8	3	2	5

Note: The increase in software is due to the capitalization of upgrade costs for the online securities trading system "Netstock" or due to acquisitions in response to the introduction of new services during the current year. Costs incurred for the software acquisition related to the revision of the system outsourcing contract are included in the increase in software.

iii) Schedule for Provisions

(Millions of Yen)

Item	Balance as of March 31, 2009	Increase	Decrease		Balance as of March 31, 2010
			Appropriation	Other	
Allowance for doubtful account	1,002	285	45	161	1,081
Accrued bonuses	86	104	86	—	104
Reserve for financial products transaction liabilities	2,283	—	—	618	1,665

Note:

1. The decrease of allowance for doubtful account is a reversal from revaluation of the allowance and the collection of the doubtful accounts.
2. The decrease of reserve for financial products transaction liabilities is a reversal of the amount exceeding the regulatory requirement.

(2) Breakdown of Major Assets and Liabilities

[1] Assets

i) Cash in hand and at banks

	Book value (Millions of Yen)
Cash in hand	1
Cash at banks	14,928
Demand deposits	9,476
Ordinary deposits	5,406
Segregated deposits	46
Total	14,929

ii) Cash segregated as deposits

	Book value (Millions of Yen)
Trusted money segregated for customers as fiduciary assets	246,006
Others	12
Total	246,018

iii) Margin account assets

	Book value (Millions of Yen)
Loans receivable from customers	146,634
Cash deposits as collateral for securities borrowed from securities finance companies	9,795
Total	156,429

[2] Liabilities**i) Margin account liabilities**

	Book value (Millions of Yen)
Loans from securities finance companies	4,154
Japan Securities Finance Co., Ltd	3,102
Osaka Securities Finance Co., Ltd.	938
Chubu Securities Financing Co., Ltd.	114
Proceeds of securities sold on customers' accounts	41,665
Total	45,819

ii)Deposits received

	Book value (Millions of Yen)
From customers	131,584
Others	975
Total	132,559

iii) Guarantee money received

	Book value (Millions of Yen)
Guarantee money received concerning margin trading	97,262
Guarantee money received concerning futures trading	20,011
Others	16,185
Total	133,458

iv)Short-term borrowings

	Book value (Millions of Yen)
The Bank of Tokyo-Mitsubishi UFJ, Limited	5,000
Resona Bank, Limited	5,000
The Hachijuni Bank, Limited	3,000
Others	4,000
Call money	20,000
Long-term borrowings due within one year	32
Total	37,032

v)Convertible Bonds due within one year

	Book value (Millions of Yen)
Zero Coupon Convertible Bonds due 2011	26,506
Total	26,506

[3] Others

No relevant items

Note: The Original Annual Securities Report includes the audit reports by PricewaterhouseCoopers Aarata for the consolidated and non-consolidated financial statements for the year ended March 31, 2009 and year ended March 31, 2010.