

Annual Securities Report
Including Financial Statements
Under Japanese GAAP
For the Year
Ended March 31, 2014

Matsui Securities Co., Ltd.

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

Filed with the Director of the Kanto Local Finance Bureau

On June 16, 2014

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, 2010	Year Ended March 31, 2011	Year Ended March 31, 2012	Year Ended March 31, 2013	Year Ended March 31, 2014
Operating revenues	(Millions of Yen)	24,346	22,091	17,703	—	—
Net operating revenues	(Millions of Yen)	23,276	21,320	16,728	—	—
Ordinary income	(Millions of Yen)	11,545	8,479	7,426	—	—
Net income	(Millions of Yen)	7,661	5,410	4,263	—	—
Comprehensive income	(Millions of Yen)	—	5,398	4,260	—	—
Net assets	(Millions of Yen)	74,203	75,752	76,161	—	—
Total assets	(Millions of Yen)	466,089	431,729	421,063	—	—
Net assets per share	(Yen)	289.03	295.06	296.66	—	—
Earnings per share	(Yen)	29.84	21.07	16.60	—	—
Fully diluted earnings per share	(Yen)	26.97	19.86	—	—	—
Equity ratio	(%)	15.9	17.5	18.1	—	—
Return on equity	(%)	10.7	7.2	5.6	—	—
Price earnings ratio	(Times)	22.39	21.45	32.11	—	—
Cash flows from operating Activities	(Millions of Yen)	(44,912)	8,639	10,388	—	—
Cash flows from investing Activities	(Millions of Yen)	(3,272)	(1,272)	(1,439)	—	—
Cash flows from financing Activities	(Millions of Yen)	(3,265)	(5,310)	(9,310)	—	—
Cash and cash equivalents at end of period	(Millions of Yen)	23,391	25,448	25,087	—	—
Number of employees		108	117	119	—	—
[Average temporary staff]		[178]	[169]	[155]	—	—

Note:

1. The Company does not report fully diluted earnings per share for the year ended March 31, 2012, as there are no residual securities.
2. The consolidated financial statements of the company are not prepared since the year ending March 31, 2013 due to the merger of its sole subsidiary on April 1, 2012.

(2) Non-Consolidated Business Indices

		Year Ended March 31, 2010	Year Ended March 31, 2011	Year Ended March 31, 2012	Year Ended March 31, 2013	Year Ended March 31, 2014
Operating revenues [Commissions]	(Millions of Yen)	24,346 [17,282]	22,091 [15,037]	17,703 [11,547]	20,799 [14,165]	39,883 [27,349]
Net operating revenues	(Millions of Yen)	23,276	21,320	16,728	19,915	38,738
Ordinary income	(Millions of Yen)	11,532	8,467	7,417	10,245	27,175
Net income	(Millions of Yen)	7,653	5,403	4,257	6,427	16,300
investment gain on equity method	(Millions of Yen)	—	—	—	—	—
Capital stock	(Millions of Yen)	11,944	11,945	11,945	11,945	11,945
Total shares outstanding	(share)	269,260,202	269,264,702	269,264,702	269,264,702	269,264,702
Net assets	(Millions of Yen)	74,118	75,660	76,063	80,841	85,365
Total assets	(Millions of Yen)	465,999	431,632	420,961	610,804	688,353
Net assets per share	(Yen)	288.70	294.70	296.27	314.89	332.51
Annual dividends per share [Interim dividends per share]	(Yen)	15.00 [—]	15.00 [—]	15.00 [—]	20.00 [—]	50.00 [30.00]
Earnings per share	(Yen)	29.81	21.05	16.58	25.03	63.49
Fully diluted earnings per share	(Yen)	26.94	19.83	—	—	—
Equity ratio	(%)	15.9	17.5	18.1	13.2	12.4
Return on equity	(%)	10.7	7.2	5.6	8.2	19.6
Price earnings ratio	(Times)	22.41	21.47	32.15	39.55	16.51
Dividend payout ratio	(%)	50.3	71.3	90.5	79.9	78.8
Cash flows from operating Activities	(Millions of Yen)	—	—	10,379	(74,775)	(18,060)
Cash flows from investing Activities	(Millions of Yen)	—	—	(1,432)	(791)	(1,142)
Cash flows from financing Activities	(Millions of Yen)	—	—	(9,310)	77,102	25,910
Cash and cash equivalents at end of period	(Millions of Yen)	—	—	24,812	26,624	33,333
Number of employees [Average temporary staff]		108 [174]	117 [165]	119 [151]	121 [155]	124 [151]

Note:

1. The Company does not report fully diluted earnings per share for the year ended March 31, 2014, as there are no residual securities.
2. The term-end dividends (20 yen per share) which are included in the annual dividends for the fiscal year ended March 31, 2014 (50 yen per share) are pending until the payment is approved by the shareholder's meeting to be held on June 22, 2014.

2 Affiliated Companies

No relevant items.

3 Employees

(1) Non-Consolidated Company

The Company employs 124 employees (This number includes six employees on leave) and 151 temporary employees. The average age is 37.6, the average length of service of employees is 11.1 years and the average of their annual compensation is 8,462 thousand yen.

(2) 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 96.

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, 2014 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 Central Tanshi FX Co., Ltd. to cover positions held through foreign exchange margin trades with its customers. As a result, the Company takes credit risk from Central Tanshi FX Co., Ltd.
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. Disasters and others: If disasters occur such as; fire, long term power failure, pandemic disease, international dispute, or terrorist attack occurs, the Company may face difficulty in continuing to provide services.
14. Others: There are no significant law suits in dispute that may have a material effect on the financial results as of March 31, 2014.

2. Important Contracts for the Company's Business

Contract term	Title	Counterparty	Content
From June 2009 to May 2014	Contract on the Information Processing	SCSK Co., Ltd.	Information processing services on brokerage services

Note:

The Company has renewed the contract shown in the table above in the fiscal year ends in March 31, 2015, with the new contract term expiring in May 2015.

3. Research and Development

No relevant Items.

Part 3 Equipment

1 Investment in Equipment

The Company has invested 1,164 million yen during the year ended March 31, 2014 mainly to acquire software to enhance capability of the system and introduce new services.

2 Major Equipment

(1) The Company

Offices	Location	Category	Book value (Millions of Yen)				Number of employees
			Buildings	Equipment	Software	Total	
Headquarters	Chiyoda-ku, Tokyo	Online trading systems, etc.	48	327	2,725	3,100	118 (21)
Sapporo Call Center	Chuo-ku, Sapporo, Hokkaido	Call center equipment	4	3	0	8	6 (130)

Note:

1. The headquarters are rented from Sumitomo Realty & Development Co., Ltd., the Sapporo Call Center is rented from Nippon Life Insurance Company.
2. 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 1,500 million yen mainly in online securities trading systems using its own capital from April 2014 through March 2015. 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, 2014 (End of the fiscal year ended March 31, 2014)	As of June 16, 2014 (Date of the filing of this Report)		
Common Stock	269,264,702 shares	269,264,702 shares	Tokyo Stock Exchange (First Section)	1 unit consists of 100shares
Total	269,264,702 shares	269,264,702 shares	—	—

(2) New-Share Purchase Rights

No relevant items.

(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 (share)		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, 2010 To March 31, 2011	4,500	269,264,702	1	11,945	1	9,793	Exercise of New-share purchase rights

Note:

- There were no changes in the total number of shares outstanding or capital stock from April 1, 2009 to March 31, 2010.
- There were no changes in the total number of shares outstanding or capital stock from April 1, 2011 to March 31, 2014.

(6) Distribution of Shares

(As of March 31, 2014)

	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	
					Shareholders other than individuals	Individuals			
Number of shareholders	—	33	54	165	207	33	36,829	37,321	—
Number of shares in possession (unit)	—	309,968	90,122	618,455	320,646	360	1,352,955	2,692,506	14,102
Percentage of shares in possession (%)	—	11.51	3.35	22.97	11.91	0.01	50.25	100.00	—

Note:

- 125,330 units out of 12,533,093 treasury stock are included in the “Individuals and others” and 93 shares out of 12,533,093 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, 2014)

Name	Address	Shares in possession (Thousands of shares)	Percentage of shares in possession to the total shares outstanding (%)
Chizuko Matsui	Bunkyo-ku, Tokyo, Japan	57,142	21.22
Maruroku Ltd.	2-4-2, Nishikata, Bunkyo-ku, Tokyo, Japan	33,866	12.58
Shokosha Ltd.	2-4-2, Nishikata, Bunkyo-ku, Tokyo, Japan	27,522	10.22
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo, Japan	11,744	4.36
TAIYO FUND, L.P. (Standing proxy: Citibank Japan Ltd.)	40 RAGSDALE DRIVE, SUITE 200 MONTEREY, CA 93940 US (2-3-14, Higashi-shinagawa, Shinagawa-ku, Tokyo, Japan,)	10,367	3.85
Michio Matsui	Bunkyo-ku, Tokyo, Japan	8,001	2.97
Michitaro Matsui	Bunkyo-ku, Tokyo, Japan	7,762	2.88
Chiaki Matsui	Bunkyo-ku, Tokyo, Japan	7,762	2.88
Yuma Matsui	Bunkyo-ku, Tokyo, Japan	7,762	2.88
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	7,455	2.77
Total	—	179,382	66.62

Note:

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

(8) Voting Rights

(i) Outstanding shares

(As of March 31, 2014)

	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 12,533,000	—
Shares with full voting rights (Other than treasury stock)	Common stock 256,717,600	2,564,492
Odd lot shares (1 lot = 100 shares)	Common stock 14,102	—
Total number of shares outstanding	269,264,702	—
Total number of voting rights	—	2,564,492

Note:

- 400 shares under the title of Japan Securities Depository Center Inc. and 268,400 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)." 2,684 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)".
- 93 treasury shares are included in odd-lot shares.

(ii) Treasury Stock

(As of March 31, 2014)

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	12,533,000	—	12,533,000	4.65
Total	—	12,533,000	—	12,533,000	4.65

(9) Details of Stock Options

No relevant items.

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, 2014	146	0
Acquisition of treasury stock from April 1, 2014 to June 16, 2014	—	—

Note: Acquisition of treasury stock from April 1, 2014 to June 16, 2014 does not include the purchase of odd-lot shares from June 1, 2014 to June 16, 2014.

(4) Retirement and holdings of treasury stocks

Item	Year ended March 31, 2014		From April 1, 2014 to June 16, 2014	
	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	12,533,093	—	12,533,093	—

Note: The number of treasury stock from April 1, 2014 to June 16, 2014 does not include the purchase of odd-lot shares from June 1, 2014 to June 16, 2014.

3 Dividend Policy

The dividend policy of the Company is to distribute 30% or above of non-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 distributes the term-end dividend based on the resolution of the shareholder's meeting, and the interim dividend based on the resolution of the Board of Directors' meeting. Also, Interim dividend based on September 30 every year, depending on the resolution of the Board of Directors meeting, is permitted by the company's articles of incorporation.

Annual dividends per share for the fiscal year ended March 31, 2014, will be 50 yen per share including 30 yen interim dividends and 20 yen term-end dividends. 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.

Distribution of retained earnings for the fiscal year ended March 31, 2014 is as follows:

Date of resolution	Amount of dividend payment	Dividends per share
Board of directors' meeting held on October 24, 2013	7,702 million yen	30 yen
Ordinary General Meeting of Shareholders to be held on June 22, 2014	5,135 million yen	20 yen

4 Price of Shares

Yearly highest and lowest prices for the last five fiscal years		Year Ended March 31, 2010	Year Ended March 31, 2011	Year Ended March 31, 2012	Year Ended March 31, 2013	Year Ended March 31, 2014
	Highest (Yen)	931	748	565	1,085	1,355
	Lowest (Yen)	558	405	311	372	793

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, 2014		October 2013	November 2013	December 2013	January 2014	February 2014	March 2014
	Highest (Yen)	1,113	1,188	1,355	1,339	1,167	1,138
	Lowest (Yen)	978	1,016	1,112	1,166	1,063	999

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

5 Executives

(As of June 16, 2014)

	Title	Number of shares in possession (Thousands of shares)
Michio Matsui	President and Chief Executive Officer	8,001
Hirohito Imada	Managing Director (General Manager of Corporate Administration and Human Resources Dept., Managing Director of Finance Dept.)	9
Takashi Moribe	Managing Director (Director in charge of Compliance Dept. and Managing Director of System Dept.)	37
Akira Warita	Managing Director (Director in charge of Marketing Dept., Business Development Dept. and Customer Support Dept.)	10
Kunihiko Sato	Director (Director in charge of System Dept.)	26
Shinichi Uzawa	Director (General Manager of Finance Dept.)	29
Akihiro Ichimura	Director	0
Hiroyuki Yajima	Standing Corporate Auditor	11
Norio Igarashi	Corporate Auditor	—
Yasuo Mochizuki	Corporate Auditor	—
Total	—	8,123

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

The re-appointment of the above-mentioned directors excluding Mr. Akihiro Ichimura, the re-appointment of Mr. Hiroyuki Yajima, the standing corporate auditor, and the appointment of 2 outside directors shown below are the agenda of the shareholders' meeting to be held on June 22, 2014. Mr. Ichimura's term as director will end at the close of this meeting.

	Title	Number of shares in possession (Thousands of shares)
Motoo Igawa	Outside director	4
Junji Annen	Outside director	—
Total	—	4

Part 5 Financial Status

1 Presentation of Financial Statements

(1) 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”.

(2) 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 non-consolidated financial statements for the fiscal year ended March 31, 2014 were audited by PricewaterhouseCoopers Aarata based on the Article 193-2-1 of Financial Instruments and Exchange Law.

3 Consolidated Financial Statements

The consolidated financial statements of the company are not prepared because there is not a subsidiary.

4 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 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 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. Non-Consolidated financial statements

(1) Non-Consolidated balance sheets

(Millions of Yen)

	March 31, 2013	March 31, 2014
Assets		
Current Assets		
Cash and bank deposits	8,857	12,166
Cash segregated as deposits	300,116	341,812
Cash in trust	19,067	21,867
Trading assets:	1,402	1,307
Trading securities and others	0	0
Derivatives	1,402	1,307
Net receivables arising from pre-settlement date trades	—	139
Margin account assets:	252,751	282,225
Loans receivable from customers	248,476	279,353
Cash deposited as collateral for securities borrowed from securities finance companies	4,275	2,872
Receivables on collateralized securities transactions:	12,225	9,636
Cash deposits collateral for securities borrowed	12,225	9,636
Receivables	20	86
Receivables from customers	20	86
Receivables from others	0	0
Short-term guarantee deposits	3,749	4,122
Advances paid	2	1
Prepaid expenses	208	209
Accounts receivable	—	4
Accrued income	3,762	4,142
Deferred income taxes	267	733
Others	41	307
Allowance for doubtful accounts	(20)	(14)
Total current assets	602,447	678,743
Fixed assets		
Tangible fixed assets	927	998
Buildings	253	232
Equipment and instruments	240	331
Land	434	434
Intangible assets	3,271	2,726
Software	3,266	2,726
Others	5	1
Investments and others	4,158	5,886
Investment securities	3,562	5,201
Investment in partnership	8	8
Long-term loans receivable	425	438
Long-term guarantee deposits	256	257
Long-term prepaid expenses	3	6
Long-term receivables	1,767	1,251
Others	97	97
Allowance for doubtful accounts	(1,959)	(1,372)
Total fixed assets	8,357	9,610
Total assets	610,804	688,353

(Millions of Yen)

	March 31, 2013	March 31, 2014
Liabilities		
Current liabilities		
Trading liabilities:	611	699
Trading securities and others	0	0
Derivatives	611	699
Net receivables arising from pre-settlement date trades	71	—
Margin account liabilities:	47,790	32,025
Loans from securities finance companies	3,360	2,798
Proceeds of securities sold on customers' account	44,431	29,228
Payables on collateralized securities transactions:	36,598	25,498
Cash deposits as collateral for securities loaned	36,598	25,498
Deposits received	151,654	178,071
Deposits received from customers	146,087	173,874
Others	5,567	4,197
Guarantee money received	149,923	176,619
Suspense account for undelivered securities	7	11
Short-term borrowings	137,525	176,100
Advances received	0	0
Deferred revenue	33	16
Accounts payable	308	785
Accrued expenses	821	892
Accrued income taxes	2,976	9,037
Accrued bonuses	112	305
Total current liabilities	528,430	600,058
Long-term liabilities		
Long-term borrowings	—	150
Deferred tax liability	226	651
Reserve for retirement bonuses for directors and auditors	204	204
Others	3	3
Total long-term liabilities	433	1,009
Statutory reserves		
Reserve for financial products transaction liabilities	1,100	1,922
Total statutory reserves	1,100	1,922
Total liabilities	529,963	602,988

(Millions of Yen)

	March 31, 2013	March 31, 2014
Net assets		
Shareholders' equity		
Common stock	11,945	11,945
Capital surplus		
Additional paid-in capital	9,793	9,793
Total Capital surplus	9,793	9,793
Earned surplus		
Earned surplus reserves	159	159
Other earned surplus		
Special purpose reserves	4,250	4,250
Earned surplus carried forward	61,970	65,433
Total earned surplus	66,378	69,841
Treasury stock	(9,475)	(9,475)
Total shareholders' equity	78,641	82,104
Valuation and translation adjustments		
Net unrealized gain (loss) on investment securities, net of taxes	2,200	3,260
Total valuation and translation adjustments	2,200	3,260
Total net assets	80,841	85,365
Total liabilities and net assets	610,804	688,353

(2) Non-Consolidated Statements of Income

(Millions of Yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Operating revenues		
Commissions	14,165	27,349
Brokerage commissions	13,072	26,180
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	6	5
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	0	0
Others	1,088	1,164
Net gain (loss) on trading	(26)	11
Interest and dividend income	6,654	12,519
Other operating revenues	5	5
Total operating revenues	20,799	39,883
Interest expenses	884	1,145
Net operating revenues	19,915	38,738
Selling, general and administrative expenses		
Transaction related expenses	3,356	4,957
Employees' compensation and benefits	1,832	2,075
Occupancy and rental	925	905
Data processing and office supplies	1,625	1,745
Depreciation	1,788	1,635
Duties and taxes other than income taxes	116	226
Provision of allowance for doubtful accounts	(36)	(68)
Others	114	173
Total selling, general and administrative expenses	9,719	11,648
Operating income	10,195	27,090
Non-operating income		
Dividend income	26	68
Others	24	19
Total non-operating income	50	87
Non-operating expenses		
Others	0	3
Total non-operating expenses	0	3
Ordinary income	10,245	27,175
Special profits		
Gain on sales of investment securities	20	0
Gain on extinguishment of tie-in shares	98	—
Total special profits	118	0
Special losses		
Loss on sales and disposals of property and equipment	5	5
Provision for statutory reserves	33	822
Loss on sales of investment securities	43	—
Total special losses	81	827
Income before income taxes	10,282	26,348
Income taxes - current	3,753	10,676
Income taxes - deferred	102	(628)
Income taxes	3,855	10,048
Net income	6,427	16,300

(3) Non-Consolidated Statements of Changes in Net Assets

(Year ended March 31, 2013)

(Millions of Yen)

	Shareholders' equity						
	Common stock	Capital surplus		Earned surplus reserves	Earned surplus		Total earned surplus
		Additional paid-in capital	Total Capital surplus		Special purpose reserves	Earned surplus carried forward	
Balance at the beginning of current period	11,945	9,793	9,793	159	4,250	59,394	63,802
Changes in the current term							
Dividends from capital and earned surplus						(3,851)	(3,851)
Net income						6,427	6,427
Purchase of treasury stock							
Net change of items other than shareholders' equity							
Total changes of items in the current term	—	—	—	—	—	2,576	2,576
Balance at the end of current period	11,945	9,793	9,793	159	4,250	61,970	66,378

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized gain (loss) on investment securities, net of taxes	Total valuation and translation adjustments	
Balance at the beginning of current period	(9,475)	76,065	(2)	(2)	76,063
Changes in the current term					
Dividends from capital and earned surplus		(3,851)			(3,851)
Net income		6,427			6,427
Purchase of treasury stock	(0)	(0)			(0)
Net change of items other than shareholders' equity			2,202	2,202	2,202
Total changes of items in the current term	(0)	2,576	2,202	2,202	4,778
Balance at the end of current period	(9,475)	78,641	2,200	2,200	80,841

(Year ended March 31, 2014)

(Millions of Yen)

	Shareholders' equity						
	Common stock	Capital surplus		Earned surplus reserves	Earned surplus		Total earned surplus
		Additional paid-in capital	Total Capital surplus		Special purpose reserves	Earned surplus carried forward	
Balance at the beginning of current period	11,945	9,793	9,793	159	4,250	61,970	66,378
Changes in the current term							
Dividends from capital and earned surplus						(12,837)	(12,837)
Net income						16,300	16,300
Purchase of treasury stock							
Net change of items other than shareholders' equity							
Total changes of items in the current term	—	—	—	—	—	3,463	3,463
Balance at the end of current period	11,945	9,793	9,793	159	4,250	65,433	69,841

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized gain (loss) on investment securities, net of taxes	Total valuation and translation adjustments	
Balance at the beginning of current period	(9,475)	78,641	2,200	2,200	80,841
Changes in the current term					
Dividends from capital and earned surplus		(12,837)			(12,837)
Net income		16,300			16,300
Purchase of treasury stock	(0)	(0)			(0)
Net change of items other than shareholders' equity			1,061	1,061	1,061
Total changes of items in the current term	(0)	3,463	1,061	1,061	4,524
Balance at the end of current period	(9,475)	82,104	3,260	3,260	85,365

(4) Non-Consolidated Statements of Cash Flows

(Millions of Yen)

	Year ended march 31, 2013	Year ended march 31, 2014
Cash flows from operating activities		
Income before income taxes	10,282	26,348
Depreciation and amortization	1,788	1,635
Net change in allowance for doubtful accounts	(326)	(593)
Net change in accrued bonuses	19	192
Net change in reserve for financial products transaction liabilities	33	822
Interest and dividend income	(6,281)	(12,228)
Interest expenses	568	837
Loss (gain) on extinguishment of tie-in shares	(98)	—
Gain or loss on sales and disposals of fixed assets	5	5
Gain or loss on sales of investment securities	23	(0)
Net change in cash segregated as deposits	(72,199)	(41,700)
Net change in cash in trust	(300)	600
Net change in trading assets and liabilities	610	182
Net change in net receivables and payables arising from pre-settlement date trades	72	(211)
Net change in margin assets and liabilities	(117,375)	(45,239)
Net change in receivables on collateralized securities transactions	2,463	2,590
Net change in deposits received and receivables from customers and others	33,840	26,352
Net change in payables on collateralized securities transactions	30,863	(11,100)
Net change in guarantee money received	36,278	26,695
Net change in short-term guarantee deposits	(411)	(373)
Others	1,519	907
Sub total	(78,629)	(24,281)
Interest and dividend received	6,343	11,734
Interest paid	(558)	(826)
Income taxes paid	(1,930)	(4,687)
Net cash flows from operating activities	(74,775)	(18,060)
Cash flows from investing activities		
Payments for purchases of property and equipment	(8)	(221)
Payments for purchases of intangible assets	(852)	(940)
Proceeds from sales of investment securities	43	2
Others	26	18
Net cash flows from investing activities	(791)	(1,142)
Cash flows from financing activities		
Net change in short-term borrowings	81,000	38,500
Proceeds from long-term borrowings	—	300
Repayments of long-term borrowings	(50)	(75)
Payments for purchase of treasury stock	(0)	(0)
Dividends paid	(3,848)	(12,815)
Net cash flows from financing activities	77,102	25,910
Translation difference of cash and cash equivalent	0	(0)
Net change in cash and cash equivalent	1,537	6,709
Cash and cash equivalents at beginning of period	24,812	26,624
Increase in cash and cash equivalents resulting from merger	275	—
Cash and cash equivalents at end of period	26,624	33,333

Significant Accounting Policies for the Non-Consolidated Financial Statements

Significant Accounting Policies for the Non-Consolidated Financial Statements

1. Valuation of Significant Assets

(1) Securities and derivatives classified as trading assets:

Securities and derivatives classified as trading assets are carried at fair value.

(2) Securities not classified as trading assets:

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.

2. Depreciation of Fixed Assets

(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.

(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).

(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.

3. Accounting Policies for Significant Provisions

(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.

(2) Accrued bonuses

Estimated amount of employees' bonuses is accrued.

(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.

4. Hedge accounting

(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.

(2) 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.

5. Scope of “Cash and cash equivalents” in non-consolidated statements of cash flows

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

6. Other material items

Consumption taxes

National and local consumption taxes are separately recorded.

Notes to Non-Consolidated Financial Statements

Notes to Non-Consolidated Balance Sheet

※1 Accumulated depreciation deducted from tangible fixed assets is as follows.

(Millions of Yen)

	As of March 31, 2013	As of March 31, 2014
Buildings	392	414
Equipment and instruments	773	892
Total	1,164	1,306

※2

(As of March 31, 2013)

Note: None of the assets are collateralized. The securities bought by customers using money loaned from the Company's own fund, of which fair value amounted to 1,962 million yen are collateralized for the loans from securities finance companies. 10,171 million yen of the guarantee securities received from customers are collateralized for loans from securities finance companies.

(As of March 31, 2014)

Note: None of the assets are collateralized. The securities bought by customers using money loaned from the Company's own fund, of which fair value amounted to 855 million yen are collateralized for the loans from securities finance companies. 8,763 million yen of the guarantee securities received from customers are collateralized for loans from securities finance companies.

3 Fair value of securities received and deposited are as follows.

(Excluding those listed in the previous note):

(1) Securities deposited

(Millions of Yen)

	As of March 31, 2013	As of March 31, 2014
1)Securities lent for customers' short positions in margin trading	50,476	31,218
2)Collateralized securities for loans from securities finance companies	3,375	2,819
3)Securities loaned out in securities loaned vs. cash transactions	38,048	28,371
4)Long-term guarantee securities deposited	7,167	10,085
5)Securities pledged as collateral for short-term guarantee	30,914	33,529

(2) Securities received (Millions of Yen)

(Millions of Yen)

	As of March 31, 2013	As of March 31, 2014
1) Securities received for customers' long positions in margin trading	245,891	247,729
2) Securities borrowed from securities finance companies	4,245	2,900
3) Securities received in securities borrowed vs. cash transactions	11,321	9,350
4) Guarantee securities received from customers	279,314	346,889
5) Securities received from customers as collateral for short-term guarantee	2,130	2,758

※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.

Notes to Non-Consolidated Statement of Income

※1 Breakdown of net gain on trading

	(Millions of Yen)	
	Year ended March 31, 2013	Year ended March 31, 2014
Stocks	(31)	0
Bonds	6	10
Total	(26)	11

※2 Breakdown of interest and dividend income

	(Millions of Yen)	
	Year ended March 31, 2013	Year ended March 31, 2014
Interest on margin trading	5,979	11,074
Interest received for the securities lending	171	815
Others	504	630
Total	6,654	12,519

※3 Breakdown of interest expense

	(Millions of Yen)	
	Year ended March 31, 2013	Year ended March 31, 2014
Interest expense on margin trading	385	367
Interest paid for the borrowings from finance companies on margin trading	26	105
Interest paid	116	330
Others	357	344
Total	884	1,145

※4 Breakdown of transaction related expenses

(Millions of Yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Commissions paid	438	762
Membership fees for stock exchanges and securities associations	886	1,912
Communications expenses	1,477	1,665
Travel and transportation expenses	11	12
Advertisements	538	594
Entertainment and social Expenses	6	14
Total	3,356	4,957

※5 Breakdown of employees' compensation and benefits

(Millions of Yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Directors' and auditors' compensation	304	302
Employees' compensation	694	709
Other compensation	578	597
Welfare expenses	143	162
Provision of allowance for employees' bonuses	112	305
Total	1,832	2,075

※6 Breakdown of occupancy and rental

(Millions of Yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Occupancy and rental fee	319	318
Equipment and instruments expenses	605	586
Total	925	905

※7 Breakdown of data processing and office supplies

(Millions of Yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Data processing and outsourcing cost of operations	1,621	1,740
Office supplies	5	5
Total	1,625	1,745

※8 Breakdown of duties and taxes other than income taxes

(Millions of Yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Property taxes and automobile taxes	12	11
Official fees	7	9
Consumption tax	14	15
Enterprise tax (reduction on VAT and capital levy)	78	162
Others	6	30
Total	116	226

※9 Breakdown of Others

(Millions of Yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Printing cost	1	1
Water, lighting and heating	19	20
Library expenses	3	3
Training	3	3
Employee recruitment costs	3	3
Sales Promotions	12	11
Others	72	133
Total	114	173

※10 Breakdown of loss on sales and disposals of property and equipment

Loss on disposals

(Millions of Yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Buildings	5	—
Equipment and instruments	0	—
Software	—	1
Others	—	3
Total	5	5

Notes to Non-Consolidated Statements of Changes in Net Assets

(Year ended March 31, 2013)

1. Types and number of outstanding shares and treasury stock

(Number of shares)

	Number of shares as of April 1, 2012	Number of shares increased in the year ended March 31, 2013	Number of shares decreased in the year ended March 31, 2013	Number of shares as of March 31, 2013
Outstanding shares				
Common stock	269,264,702	—	—	269,264,702
Total	269,264,702	—	—	269,264,702
Treasury stock				
Common stock	12,532,887	60	—	12,532,947
Total	12,532,887	60	—	12,532,947

Note: Increase of treasury stock is a result of the purchase of odd-lot 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 24, 2012
Type of shares	Common stock
Amount of dividend payment	3,851 million yen
Dividends per share	15 yen
Date of record for dividends	March 31, 2012
Effective date	June 25, 2012

(2) Dividends for which effective date is in the year ending March 31, 2013

Date of resolution	Ordinary General Meeting of Shareholders to be held on June 23, 2013
Type of shares	Common stock
Source of dividends	Earned surplus
Amount of dividend payment	5,135 million yen
Dividends per share	20 yen
Date of record for dividends	March 31, 2013
Effective date	June 24, 2013

(Year ended March 31, 2014)

1. Types and number of outstanding shares and treasury stock

(Number of shares)

	Number of shares as of April 1, 2013	Number of shares increased in the year ended March 31, 2014	Number of shares decreased in the year ended March 31, 2014	Number of shares as of March 31, 2014
Outstanding shares				
Common stock	269,264,702	—	—	269,264,702
Total	269,264,702	—	—	269,264,702
Treasury stock				
Common stock	12,532,947	146	—	12,533,093
Total	12,532,947	146	—	12,533,093

Note: 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 23, 2013	Board of directors' meeting held on October 24, 2013
Type of shares	Common stock	Common stock
Amount of dividend payment	5,135 million yen	7,702 million yen
Dividends per share	20 yen	30 yen
Date of record for dividends	March 31, 2013	September 30, 2013
Effective date	June 24, 2013	November 25, 2013

(4) Dividends for which effective date is in the year ending March 31, 2014 (Plan)

Date of resolution	Ordinary General Meeting of Shareholders to be held on June 22, 2014
Type of shares	Common stock
Source of dividends	Earned surplus
Amount of dividend payment	5,135 million yen
Dividends per share	20 yen
Date of record for dividends	March 31, 2014
Effective date	June 23, 2014

Notes to Non-Consolidated Statements of Cash Flow

※1 The reconciliation between cash and cash equivalents and the balance of cash in hand and at banks presented in the non-consolidated balance sheet is as follows.

	(Millions of Yen)	
	Year ended March 31, 2013	Year ended March 31, 2014
Cash and bank deposits	8,857	12,166
Cash in trust	19,067	21,867
Cash in trust whose purpose is to segregate guarantee money	(1,300)	(700)
Cash and bank deposits	26,624	33,333

Notes to Financial Instruments

(Year ended March 31, 2014)

1. General information

(1) Policies to handle Financial Instruments

The Company focuses on the stock trading of individual investors. The Non-Consolidated Company borrows operating capital from financial institutions to support margin trading. When needed, the Non-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 Non-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 Non-Consolidated Company has the minimum range of trading operations in order to provide various services for online trading customers. The Non-Consolidated Company generally does not trade its own investments for earnings.

(2) Details of and risks arising from financial instruments

Financial assets of the Non-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 Non-Consolidated Company procures cash through short-term borrowings and convertible bonds, which are exposed to liquidity risk at the time of redemption.

The Non-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 Non-Consolidated Company offers to its customers.

(3) Risk management

Risk management is based on the corporate rules. The finance division of the Non-Consolidated Company monitors credit risk and market risk quantitatively according to the Financial Instruments and Exchange Law. The compliance Division of the Non-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 trading.

2. Fair value of financial instruments

Book value, fair value of financial instruments, and the differences between these values as of March 31, 2013 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	8,857	8,857	—
(2) Cash segregated as deposits	300,116	300,116	—
(3) Cash in trust	19,067	19,067	—
(4) Trading assets and Investment securities	4,846	4,846	—
1) Trading securities and others	0	0	—
2) Derivatives	1,402	1,402	—
3) Other securities	3,444	3,444	—
(5) Loans receivable from customers	248,476	248,476	—
(6) Cash deposited as collateral for securities borrowed from securities finance companies	12,225	12,225	—
Total assets	593,588	593,588	—
(1) Trading liabilities	611	611	—
1) Trading securities and others	0	0	—
2) Derivatives	611	611	—
(2) Proceeds of securities sold on customers' account	44,431	44,431	—
(3) Cash deposits as collateral for securities loaned	36,598	36,598	—
(4) Deposits received	151,654	151,654	—
(5) Guarantee money received	149,923	149,923	—
(6) Short-term borrowings	137,525	137,525	—
Total liabilities	520,742	520,742	—

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.

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 mostly trust asset and marked to market. 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.

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	117

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", 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, 2013

All monetary claims are scheduled due within one year.

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

(Year ended March 31, 2014)

Book value, fair value of financial instruments, and the differences between these values as of March 31, 2014, 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	12,166	12,166	—
(2) Cash segregated as deposits	341,812	341,812	—
(3) Cash in trust	21,867	21,867	—
(4) Trading assets and Investment securities	6,391	6,391	—
1) Trading securities and others	0	0	—
2) Derivatives	1,307	1,307	—
3) Other securities	5,084	5,084	—
(5) Loans receivable from customers	279,353	279,353	—
(6) Cash deposits collateral for securities borrowed	9,636	9,636	—
Total assets	671,225	671,225	—
(1) Trading liabilities	699	699	—
1) Trading securities and others	0	0	—
2) Derivatives	699	699	—
(2) Loans from securities finance companies	29,228	29,228	—
(3) Proceeds of securities sold on customers' account	25,498	25,498	—
(4) Deposits received	178,071	178,071	—
(5) Guarantee money received	176,619	176,619	—
(6) Short-term borrowings	176,100	176,100	—
Total liabilities	586,215	586,215	—

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 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 mostly trust asset and marked to market. 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) Loans from securities finance companies (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.

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	117

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” 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, 2014

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

Securities and Derivatives

[1] Trading assets and liabilities

i) Securities held for trading

(Millions of Yen)

	As of March 31, 2013	As of March 31, 2014
Net unrealized gain on those securities	(0)	0

ii) Derivative trading

1. Derivative trading which have not applied hedge accounting

(Year ended March 31, 2013)

	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	58	0	—	—
Foreign exchange margin trading	71,490	1,402	8,131	611

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, 2013.
3. The contract value of contracts or trading whose fair value is zero are included in "Assets".

(Year ended March 31, 2014)

	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	—	—	5	0
Foreign exchange margin trading	54,981	1,307	11,281	699

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, 2014.
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)The shares of the Company's subsidiary, and investments in subsidiaries and affiliates**

(Year ended March 31, 2013)

No relevant items

(Year ended March 31, 2014)

No relevant items

ii) “Other securities” whose market price is available

(Year ended March 31, 2013)

	Type	Year ended March 31, 2013		
		Acquisition cost (Millions of Yen)	Book value (Millions of Yen)	Differences (Millions of Yen)
Those whose book value exceeds acquisition cost	(1) Stocks	3,444	30	3,414
	(2) Bonds	—	—	—
	(3) Others	—	—	—
	Sub total	3,444	30	3,414
Those whose book value does not exceed acquisition cost	(1) Stocks	—	—	—
	(2) Bonds	—	—	—
	(3) Others	—	—	—
	Sub total	—	—	—
Total		3,444	30	3,414

(Year ended March 31, 2014)

	Type	Year ended March 31, 2014		
		Acquisition cost (Millions of Yen)	Book value (Millions of Yen)	Differences (Millions of Yen)
Those whose book value exceeds acquisition cost	(1) Stocks	5,084	30	5,054
	(2) Bonds	—	—	—
	(3) Others	—	—	—
	Sub total	5,084	30	5,054
Those whose book value does not exceed acquisition cost	(1) Stocks	—	—	—
	(2) Bonds	—	—	—
	(3) Others	—	—	—
	Sub total	—	—	—
Total		5,084	30	5,054

iii)“Other securities” sold during the current period

(Year ended March 31, 2013)

Item	Price (Millions of Yen)	Total gain on sales of other securities (Millions of Yen)	Total gain on sales of other securities (Millions of Yen)
Stocks	43	20	43

(Year ended March 31, 2014)

Item	Price (Millions of Yen)	Total gain on sales of other securities (Millions of Yen)	Total gain on sales of other securities (Millions of Yen)
Stocks	2	0	—

iv) Impaired Marketable Securities

No relevant Items.

Notes to Stock Options

No relevant Items.

Notes to Tax Effect Accounting

1. Significant components of deferred income tax assets and deferred income tax liability

(Millions of Yen)

	As of March 31, 2013	As of March 31, 2014
Deferred income tax assets		
Accrued enterprise tax	217	613
Excess of allowance for doubtful accounts	503	371
Reserve for retirement bonuses for directors and auditors	73	73
Excess of reserve for financial products transaction liabilities	392	685
Accrued bonuses	43	109
Others	33	39
Total deferred income tax assets	1,260	1,889
Deferred income tax liabilities		
Net unrealized gain on investment securities, net of taxes	(1,218)	(1,806)
Others	(0)	(0)
Total deferred income tax liabilities	(1,219)	(1,806)
Net balance of deferred income tax assets	41	82

2. The reconciliation between the nominal statutory income tax rate and the effective income tax rate reported in the consolidated statements of income

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

3. Due to the promulgation of the "Act to partially revise the Income Tax and Other Taxes" (Act No.10 of 2014), the Special Reconstruction Corporate Tax was abolished. As a result, effective statutory tax rate applied for the temporary differences which were expected to be settled in the fiscal years end after April 1, 2014, was lowered from 38.01% to 35.64%. Due to this change, deferred income tax assets were decreased by 51 million yen and the income taxes-deferred were increased by 51 million yen.

Segment Information

(Year ended March 31, 2013 and Year ended March 31, 2014)

Disclosures on segment information have been omitted, as the business of the Company consists of only a single segment of online brokerage services.

(Related Information)

(Year ended March 31, 2013)

(1) Information relating to product and service

Information relating to product and service has been omitted as over 90% of operating revenues from outside customers on the non-consolidated statement of income are related to only a single segment.

(2) Information relating to geographic area

1) Operating revenues

There is no relevant item as the Company does not earn any overseas revenues.

2) Fixed assets

There is no relevant item as the Company does not hold any overseas fixed assets.

(3) Information relating to principal customers

Information relating to principal customers has been omitted as no outside customer individually provides over 10% of the operating revenues from outside customers on the non-consolidated statement of income.

(Year ended March 31, 2014)

(1) Information relating to product and service

Information relating to product and service has been omitted as over 90% of operating revenues from outside customers on the consolidated statement of income are related to only a single segment.

(2) Information relating to geographic area

1) Operating revenues

There is no relevant item as the Company does not earn any overseas revenues.

2) Fixed assets

There is no relevant item as the Company does not hold any overseas fixed assets.

(3) Information relating to principal customers

Information relating to principal customers has been omitted as no outside customer individually provides over 10% of the operating revenues from outside customers on the non-consolidated statement of income.

(Information of impairment loss of fixed assets related to the segment)

Information of impairment loss from fixed assets related to the segment has been omitted, as the business of the Company consists of only a single segment of online brokerage service.

(Information of amortization of goodwill related to the segment)

No relevant items.

(Information of gain on negative goodwill related to the segment)

No relevant items.

(Equity in net income of affiliates)

Equity method is not applied as there is not an affiliated company.

Related Parties information

(Year ended March 31, 2013)

1. 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 10.73% 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.	14	—

Note: 1. Shokosha Ltd. is also a principal institutional shareholder.

2. 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.

2. Information on controlling company and important affiliate company

No relevant items.

(Year ended March 31, 2014)

1. 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 10.73% 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	14	—

Note: 1. Shokosha Ltd. is also a principal institutional shareholder.

2. 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.

2. Information on controlling company and important affiliate company

No relevant items.

Per Share Information

	Year ended March 31, 2013	Year ended March 31, 2014
Net assets per share	314.89 Yen	332.51 Yen
Net income per share	25.03 Yen	63.49 Yen

Note:

1. The Company does not report fully diluted earnings per share, as there are no residual securities.

2. Net income earnings per share as follows

Items	Year ended March 31, 2013	Year ended March 31, 2014
Net income on the statements of income (Millions of Yen)	6,427	16,300
Net income not attributed to common stock (Millions of Yen)	—	—
Net income attributed to common stock (Millions of Yen)	6,427	16,300
Average number of common stock outstanding (share)	256,731,770	256,731,680

3. Net assets per share as follows

Items	As of March 31, 2013	As of March 31, 2014
Total net assets on the balance sheets (Millions of Yen)	80,841	85,365
Amount deductible from total net assets on the balance sheets (Millions of Yen)	—	—
Net assets attributed to common stock (Millions of Yen)	80,841	85,365
Number of common stock outstanding (share)	256,731,755	256,731,609

Subsequent Events

No relevant items

[1] 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, 2014 totals less than 1/100 of the total assets is omitted.

ii) Fixed Assets

(Millions of Yen)

		As of April 1, 2013	Increase in the current period	Decrease in the current period	As of March 31, 2014	Accumulated Depreciation and Amortization	Depreciation expensed in the current period	Net Value of assets
Tangible	Buildings	644	2	—	647	414	23	232
	Equipment and instruments	1,013	212	1	1,223	892	121	331
	Land	434	—	0	434	—	—	434
	Total	2,092	214	1	2,304	1,306	143	998
Intangible	Software	14,602	951	315	15,237	12,512	1,490	2,726
	Others	58	—	16	41	41	1	1
	Total	14,659	951	332	15,278	12,552	1,491	2,726
Long-term prepaid expenses		7	4	1	10	5	2	6

Note:

The increase in equipment and instruments and 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.

iii) Bonds

No relevant items

iv)Borrowings

Item	As of April 1, 2013	As of March 31, 2014	Average Interest Rate (%)	Maturity
Short-term borrowings	137,500	176,000	0.26	—
Long-term borrowings to be repaid within 1 year	25	100	0.77	—
Long-term lease liabilities to be repaid within 1 year	—	—	—	—
Long-term borrowings excluding those to be repaid within 1 year	—	150	0.77	July 29,2016
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	3,360	2,798	0.77	—
Total	140,885	179,048	—	—

Note: 1. "Average Interest Rate" is the weighted average interest rate as of March 31, 2014.

2. Long-term borrowing within 5 years after March 31, 2014, is planned 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	100	50	—	—

v)Schedule for Provisions

(Millions of Yen)

Item	Balance as of April 1, 2013	Increase	Decrease		Balance as of March 31, 2014
			Appropriation	Other	
Allowance for doubtful account	1,979	154	526	222	1,386
Accrued bonuses	112	305	112	—	305
Reserve for financial products transaction liabilities	1,100	822	—	—	1,922

Note: The decrease of allowance for doubtful account is a reversal from revaluation of the allowance and the collection of the doubtful accounts.

vi)Assets retirement obligations

The breakdown of asset retirement obligations has been omitted as asset retirement obligations are less than 1/100 of total liabilities and net assets on consolidated balance sheet both as of April 1, 2013, and as of March 31,2014.

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	12,165
Demand deposits	9,930
Ordinary deposits	2,202
Segregated deposits	33
Total	12,166

ii) Cash segregated as deposits

	Book value (Millions of Yen)
Trusted money segregated for customers as fiduciary assets	329,000
Trusted money segregated for customers' foreign exchange margin transactions	12,700
Others	112
Total	341,812

iii) Margin account assets

	Book value (Millions of Yen)
Loans receivable from customers	279,353
Cash deposits as collateral for securities borrowed from securities finance companies	2,872
Total	282,225

[2] Liabilities**i)Deposits received**

	Book value (Millions of Yen)
From customers	173,874
Others	4,197
Total	178,071

ii) Guarantee money received

	Book value (Millions of Yen)
Guarantee money received concerning margin trading	140,940
Guarantee money received concerning futures trading	18,656
Others	17,023
Total	176,619

iii)Short-term borrowings

	Book value (Millions of Yen)
Sumitomo Mitsui Banking Corporation	24,000
Sumitomo Mitsui Trust Bank, Limited	24,000
Mizuho Bank, Ltd	17,000
The Hachijuni Bank, Ltd	5,000
The Bank of Tokyo-Mitsubishi UFJ, Limited	5,000
Resona Bank, Limited	5,000
Others	21,000
Call money	75,000
Long-term borrowings due within one year	100
Total	176,100

[2] Others

Quarterly operating revenues and others for the fiscal year ended March 31, 2014

	Three months Ended June 30, 2013	Six months Ended September 30, 2013	Nine months Ended December 31, 2013	Year Ended March 31, 2014
Operating revenues (Millions of Yen)	13,152	22,190	31,363	39,883
Income before income taxes (Millions of Yen)	9,347	15,212	21,136	26,348
Net income (Millions of Yen)	5,802	9,435	13,117	16,300
Net income per share (Yen)	22.60	36.75	51.09	63.49

	Three months ended June 30, 2013	Three months ended September 30, 2013	Three months ended December 31, 2013	Three months ended March 31, 2014
Net income per share (Yen)	22.60	14.15	14.34	12.40

2 Information on the Surety of the Company

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, 2014.