

Annual Securities Report  
Including Financial Statements  
Under Japanese GAAP  
For the Year  
Ended March 31, 2015

**Matsui Securities Co., Ltd.**

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

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Filed with the Director of the Kanto Local Finance Bureau

On June 22, 2015

# 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, 2011	Year Ended March 31, 2012	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2015
Operating revenues	(Millions of Yen)	22,091	17,703	—	—	—
Net operating revenues	(Millions of Yen)	21,320	16,728	—	—	—
Ordinary income	(Millions of Yen)	8,479	7,426	—	—	—
Net income	(Millions of Yen)	5,410	4,263	—	—	—
Comprehensive income	(Millions of Yen)	5,398	4,260	—	—	—
Net assets	(Millions of Yen)	75,752	76,161	—	—	—
Total assets	(Millions of Yen)	431,729	421,063	—	—	—
Net assets per share	(Yen)	295.06	296.66	—	—	—
Earnings per share	(Yen)	21.07	16.60	—	—	—
Fully diluted earnings per share	(Yen)	19.86	—	—	—	—
Equity ratio	(%)	17.5	18.1	—	—	—
Return on equity	(%)	7.2	5.6	—	—	—
Price earnings ratio	(Times)	21.45	32.11	—	—	—
Cash flows from operating Activities	(Millions of Yen)	8,639	10,388	—	—	—
Cash flows from investing Activities	(Millions of Yen)	(1,272)	(1,439)	—	—	—
Cash flows from financing Activities	(Millions of Yen)	(5,310)	(9,310)	—	—	—
Cash and cash equivalents at end of period	(Millions of Yen)	25,448	25,087	—	—	—
Number of employees [Average temporary staff]		117 [169]	119 [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, 2011	Year Ended March 31, 2012	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2015
Operating revenues [Commissions]	(Millions of Yen)	22,091 [15,037]	17,703 [11,547]	20,799 [14,165]	39,883 [27,349]	34,306 [21,167]
Net operating revenues	(Millions of Yen)	21,320	16,728	19,915	38,738	32,893
Ordinary income	(Millions of Yen)	8,467	7,417	10,245	27,175	22,202
Net income	(Millions of Yen)	5,403	4,257	6,427	16,300	15,571
investment gain on equity method	(Millions of Yen)	—	—	—	—	—
Capital stock	(Millions of Yen)	11,945	11,945	11,945	11,945	11,945
Total shares outstanding	(shares)	269,264,702	269,264,702	269,264,702	269,264,702	269,264,702
Net assets	(Millions of Yen)	75,660	76,063	80,841	85,365	90,029
Total assets	(Millions of Yen)	431,632	420,961	610,804	688,353	817,183
Net assets per share	(Yen)	294.70	296.27	314.89	332.51	350.63
Annual dividends per share [Interim dividends per share]	(Yen)	15.00 [—]	15.00 [—]	20.00 [—]	50.00 [30.00]	40.00 [20.00]
Earnings per share	(Yen)	21.05	16.58	25.03	63.49	60.65
Fully diluted earnings per share	(Yen)	19.83	—	—	—	60.64
Equity ratio	(%)	17.5	18.1	13.2	12.4	11.0
Return on equity	(%)	7.2	5.6	8.2	19.6	17.8
Price earnings ratio	(Times)	21.47	32.15	39.55	16.51	18.00
Dividend payout ratio	(%)	71.3	90.5	79.9	78.8	66.0
Cash flows from operating Activities	(Millions of Yen)	—	10,379	(74,775)	(18,060)	21,871
Cash flows from investing Activities	(Millions of Yen)	—	(1,432)	(791)	(1,142)	2,068
Cash flows from financing Activities	(Millions of Yen)	—	(9,310)	77,102	25,910	(21,867)
Cash and cash equivalents at end of period	(Millions of Yen)	—	24,812	26,624	33,333	35,406
Number of employees [Average temporary staff]		117 [165]	119 [151]	121 [155]	124 [151]	120 [156]

Note:

1. The Company does not report fully diluted earnings per share from the year ended March 31, 2012 to 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, 2015 (40 yen per share) are pending until the payment is approved by the shareholder's meeting to be held on June 28, 2015.

## **2 Affiliated Companies**

No relevant items.

## **3 Employees**

### **(1) Non-Consolidated Company**

The Company employs 120 employees (This number includes 5 employees on leave) and 156 temporary employees. The average age is 38.0, the average length of service of employees is 11.7 years and the average of their annual compensation is 8,468 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 91.

## **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, 2015 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, 2015.

## **2. Important Contracts for the Company's Business**

Contract term	Title	Counterparty	Content
From June 2009 to May 2015	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, 2016, with the new contract term expiring in May 2016.

## **3. Research and Development**

No relevant Items.

## **Part 3 Equipment**

### **1 Investment in Equipment**

The Company has invested 1,460 million yen during the year ended March 31, 2015 mainly to acquire software to enhance capability of the system and introduce new services.

### **2 Major Equipment**

#### **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.	40	390	2,850	3,280	113 (20)
Sapporo Call Center	Chuo-ku, Sapporo, Hokkaido	Call center equipment	4	2	0	6	7 (136)

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 2,000 million yen mainly in online securities trading systems using its own capital from April 2015 through March 2016. 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, 2015 (End of the fiscal year ended March 31, 2015)	As of June 22, 2015 (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) Stock acquisition rights

Stock acquisition rights issued on the resolution of the Board of Directors meeting held at July 24, 2014 are as follows.

	As of March 31, 2015 (End of the fiscal year ended March 31, 2015)	As of May 31, 2015 (End of the last month before the date of the filing of this Report)
Number of stock acquisition rights (Units)	839	839
Number of treasury stock acquisition rights out of the total number of stock acquisition rights (Units)	—	—
Class of shares subject to stock acquisition rights	Common stock	Common stock
Number of shares subject to stock acquisition rights (Shares)	※1 83,900	※1 83,900
Amount to be paid per share upon the exercise of each stock acquisition rights (Yen)	1	1
Exercise period for stock acquisition rights	From August 9, 2017 to August 8, 2020	From August 9, 2017 to August 8, 2020
Issuance price and amount credited to equity capital in the event of share issuance upon the exercise of stock acquisition rights (Yen)	※2	※2
Conditions for the exercise of stock acquisition rights	※3	※3
Matters concerning the transfer of stock acquisition rights	※4	※4
Matters concerning substitute payment	—	—
Matters concerning the grant of stock acquisition rights in connection with acts of reorganization	※5	※5

Note:

1. The number of shares to be issued upon exercise of stock acquisition rights is 100. The Company will adjust the number of shares to be issued in case it splits its shares, allots its shares without contribution and merges its shares. The Company will adjust the number of shares in case it acquires other companies, divides the corporation, exchange its shares with other companies' shares.
2. Issuance price of the stock acquisition rights to be exercised from August 9, 2017 is 722 yen per share. Issuance price of the stock acquisition rights to be exercised from August 9, 2018 is 703 yen per share. Issuance price of the stock acquisition rights to be exercised from August 9, 2019 is 685 yen per share. The amount of capital to be increased due to the issuance of shares upon exercise of the stock acquisition rights shall be a half of the maximum amount of capital increase, etc. which is calculated in accordance with Article 17, Paragraph 1 of the Corporation Accounting Regulations, and any fraction less than 1 yen arising from there shall be rounded up to the nearest 1 yen.
3. (i) Persons allotted stock acquisition rights are eligible to exercise only when they are active directors at the time of the exercise. However the Company may treat the rights of those who are out of the service of directors still effective when it finds reasonable grounds.  
(ii) Persons allotted stock acquisition rights are eligible to exercise their rights as follows.
  - 1) From August 9, 2017 to August 8, 2018: Within one third of the number of rights originally allotted.
  - 2) From August 9, 2018 to August 8, 2019: Within two thirds of the number of rights originally allotted.
  - 3) From August 9, 2019 to August 8, 2020: All rights can be exercised.
 (iii) Each one right cannot be partially exercised.  
(iv) Other conditions of exercise are specified in the contracts between the Company and the persons to be allotted stock acquisition rights.
4. The acquisition of the stock acquisition rights through assignment shall require the approval of the Board of Directors of the Company.
5. In case of corporate reorganization including merger, corporate division and exchange of shares, the reorganized company will allot stock acquisition rights to the persons who hold remaining rights according to the reorganization contracts. The terms of new rights will be determined in accordance with the remaining rights.

### (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 (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, 2010 To March 31, 2011	4,500	269,264,702	1	11,945	1	9,793	Exercise of stock acquisition rights

Note: There were no changes in the total number of shares outstanding or capital stock from April 1, 2011 to March 31, 2015.

## (6) Distribution of Shares

(As of March 31, 2015)

	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	53	156	215	31	37,792	38,280	—
Number of shares in possession (unit)	—	328,442	75,802	632,822	306,920	370	1,348,152	2,692,508	13,902
Percentage of shares in possession (%)	—	12.20	2.82	23.50	11.40	0.01	50.07	100.00	—

Note:

- 125,332 units out of 12,533,245 treasury stock are included in the “Individuals and others” and 45 shares out of 12,533,245 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, 2015)

Name	Address	Shares in possession (Thousands of shares)	Percentage of shares in possession to the total shares outstanding (%)
Chizuko Matsui	Bunkyo-ku, Tokyo, Japan	55,696	20.68
Maruroku Ltd.	2-4-2, Nishikata, Bunkyo-ku, Tokyo, Japan	35,312	13.11
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	12,954	4.81
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	7,548	2.80
TAIYO FUND, L.P, (Standing proxy: Citibank Japan Ltd.)	5300 CARILLON POINT, KIRKLAND, WA 98033 USA (6-27-30, Shinjuku, Shinjuku-ku, Tokyo, Japan,)	7,329	2.72
Total	—	177,647	65.97

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, 2015)

	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 12,533,200	—
Shares with full voting rights (Other than treasury stock)	Common stock 256,717,600	2,565,068
Odd lot shares (1 lot = 100 shares)	Common stock 13,902	—
Total number of shares outstanding	269,264,702	—
Total number of voting rights	—	2,565,068

Note:

- 400 shares under the title of Japan Securities Depository Center Inc. and 210,800 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)." 2,108 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)".
- 45 treasury shares are included in odd-lot shares.

### (ii) Treasury Stock

(As of March 31, 2015)

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	12,533,200	—	12,533,200	4.65
Total	—	12,533,200	—	12,533,200	4.65

## **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, 2015	152	0
Acquisition of treasury stock from April 1, 2015 to June 22, 2015	—	—

Note: Acquisition of treasury stock from April 1, 2015 to June 22, 2015 does not include the purchase of odd-lot shares from June 1, 2015 to June 22, 2015.

### **(4) Retirement and holdings of treasury stocks**

Item	Year ended March 31, 2015		From April 1, 2015 to June 22, 2015	
	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	12,533,245	—	12,533,245	—

Note: The number of treasury stock from April 1, 2015 to June 22, 2015 does not include the purchase of odd-lot shares from June 1, 2015 to June 22, 2015.

### 3 Dividend Policy

The basic dividend policy of the Company is to pay out dividends based upon the followings subject to business performance and financial condition of the Company including the optimum level of capital to support the margin trading services and strategic investment opportunities:

- 1) Dividends Payout Ratio: Between 60% and 100% inclusive, and
- 2) Dividends on Equity (DOE): 7% and above

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, 2015 will be 40 yen per share including 20 yen interim dividends and 20 yen term-end dividends (payment of term-end dividends are subject to the resolution of the ordinary general meeting of shareholders to be held on June 28, 2015). 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 maintain working capital for margin-trading services to its customers.

Distribution of retained earnings for the fiscal year ended March 31, 2015 is as follows:

Date of resolution	Amount of dividend payment	Dividends per share
Board of directors' meeting held on October 28, 2014	5,135 million yen	20 yen
Ordinary General Meeting of Shareholders to be held on June 28, 2015	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, 2011	Year Ended March 31, 2012	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2015
	Highest (Yen)	748	565	1,085	1,355	1,200
	Lowest (Yen)	405	311	372	793	898

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

Monthly highest and lowest prices for the second half of fiscal year Ended March 31, 2015		October 2014	November 2014	December 2014	January 2015	February 2015	March 2015
	Highest (Yen)	1,046	1,147	1,173	1,062	1,123	1,200
	Lowest (Yen)	898	1,075	1,001	970	983	1,091

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

## 5 Executives

Male:11 Female:0

(As of June 22, 2015)

	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.)	39
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
Motoo Igawa	Outside director	5
Junji Annen	Outside director	—
Hiroyuki Yajima	Standing Corporate Auditor	13
Norio Igarashi	Corporate Auditor	—
Yasuo Mochizuki	Corporate Auditor	—
Total	—	8,131

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 and the re-appointment of Mr. Yoshio Yoshida, the substitute auditor are the agenda of the shareholders' meeting to be held on June 28, 2015 and will be voted-on at that time.

## **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, 2015 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.

## Non-Consolidated financial statements

### (1) Non-Consolidated balance sheets

(Millions of Yen)

	March 31, 2014	March 31, 2015
<b>Assets</b>		
Current Assets		
Cash and bank deposits	12,166	15,717
Cash segregated as deposits	341,812	462,912
Cash in trust	21,867	20,889
Trading assets:	1,307	1,538
Trading securities and others	0	0
Derivatives	1,307	1,538
Net receivables arising from pre-settlement date trades	139	185
Margin account assets:	282,225	284,207
Loans receivable from customers	279,353	277,246
Cash deposited as collateral for securities borrowed from securities finance companies	2,872	6,961
Receivables on collateralized securities transactions:	9,636	12,080
Cash deposits collateral for securities borrowed	9,636	12,080
Receivables	86	27
Receivables from customers	86	27
Receivables from others	0	0
Short-term guarantee deposits	4,122	5,736
Advances paid	1	2
Prepaid expenses	209	195
Accounts receivable	4	1
Accrued income	4,142	4,569
Deferred income taxes	733	481
Others	307	1
Allowance for doubtful accounts	(14)	(11)
<b>Total current assets</b>	<b>678,743</b>	<b>808,528</b>
Fixed assets		
Tangible fixed assets	998	1,039
Buildings	※1 232	※1 211
Equipment and instruments	※1 331	※1 394
Land	434	434
Intangible assets	2,726	2,850
Software	2,726	2,850
Others	1	0
Investments and others	5,886	4,765
Investment securities	5,201	3,975
Investment in partnership	8	8
Long-term loans receivable	438	534
Long-term guarantee deposits	257	258
Long-term prepaid expenses	6	7
Deferred income taxes	—	16
Long-term receivables	1,251	1,038
Others	97	95
Allowance for doubtful accounts	(1,372)	(1,165)
<b>Total fixed assets</b>	<b>9,610</b>	<b>8,655</b>
<b>Total assets</b>	<b>688,353</b>	<b>817,183</b>

(Millions of Yen)

	March 31, 2014	March 31, 2015
<b>Liabilities</b>		
Current liabilities		
Trading liabilities:	699	1,379
Trading securities and others	0	7
Derivatives	699	1,371
Margin account liabilities:	32,025	56,398
Loans from securities finance companies	※2 2,798	※2 3,774
Proceeds of securities sold on customers' account	29,228	52,624
Payables on collateralized securities transactions:	25,498	25,558
Cash deposits as collateral for securities loaned	25,498	25,558
Deposits received	178,071	261,516
Deposits received from customers	173,874	254,377
Others	4,197	7,138
Guarantee money received	176,619	207,098
Suspense account for undelivered securities	11	12
Short-term borrowings	176,100	164,600
Advances received	0	0
Deferred revenue	16	37
Accounts payable	785	973
Accrued expenses	892	947
Accrued income taxes	9,037	5,442
Accrued bonuses	305	277
Total current liabilities	600,058	724,237
Long-term liabilities		
Long-term borrowings	150	50
Deferred tax liability	651	—
Reserve for retirement bonuses for directors and auditors	204	204
Others	3	3
Total long-term liabilities	1,009	257
Statutory reserves		
Reserve for financial products transaction liabilities	※4 1,922	※4 2,660
Total statutory reserves	1,922	2,660
Total liabilities	602,988	727,155

(Millions of Yen)

	March 31, 2014	March 31, 2015
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	65,433	70,734
Total earned surplus	69,841	75,143
Treasury stock	(9,475)	(9,475)
Total shareholders' equity	82,104	87,406
Valuation and translation adjustments		
Net unrealized gain (loss) on investment securities, net of taxes	3,260	2,613
Total valuation and translation adjustments	3,260	2,613
Stock acquisition rights	—	10
Total net assets	85,365	90,029
Total liabilities and net assets	688,353	817,183

## (2) Non-Consolidated Statements of Income

(Millions of Yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Operating revenues		
Commissions	27,349	21,167
Brokerage commissions	26,180	20,025
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	5	—
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	0	3
Others	1,164	1,139
Net gain (loss) on trading	※1 11	※1 8
Interest and dividend income	※2 12,519	※2 13,126
Other operating revenues	5	5
Total operating revenues	39,883	34,306
Interest expenses	※3 1,145	※3 1,413
Net operating revenues	38,738	32,893
Selling, general and administrative expenses		
Transaction related expenses	※4 4,957	※4 4,719
Employees' compensation and benefits	※5 2,075	※5 2,030
Occupancy and rental	※6 905	※6 878
Data processing and office supplies	※7 1,745	※7 1,677
Depreciation	1,635	1,246
Duties and taxes other than income taxes	※8 226	※8 194
Provision of allowance for doubtful accounts	(68)	(77)
Others	※9 173	※9 138
Total selling, general and administrative expenses	11,648	10,806
Operating income	27,090	22,087
Non-operating income		
Dividend income	68	94
Others	19	24
Total non-operating income	87	118
Non-operating expenses		
Others	3	3
Total non-operating expenses	3	3
Ordinary income	27,175	22,202
Special profits		
Gain on sales of investment securities	0	2,912
Total special profits	0	2,912
Special losses		
Loss on sales and disposals of property and equipment	※10 5	※10 48
Provision for statutory reserves	822	738
Total special losses	827	786
Income before income taxes	26,348	24,327
Income taxes - current	10,676	8,615
Income taxes - deferred	(628)	142
Income taxes	10,048	8,757
Net income	16,300	15,571

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

(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		Other earned 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

(Year ended March 31, 2015)

(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	65,433	69,841
Changes in the current term							
Dividends from capital and earned surplus						(10,269)	(10,269)
Net income						15,571	15,571
Purchase of treasury stock							
Net change of items other than shareholders' equity							
Total changes of items in the current term	—	—	—	—	—	5,301	5,301
Balance at the end of current period	11,945	9,793	9,793	159	4,250	70,734	75,143

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	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)	82,104	3,260	3,260	—	85,365
Changes in the current term						
Dividends from capital and earned surplus		(10,269)				(10,269)
Net income		15,571				15,571
Purchase of treasury stock	(0)	(0)				(0)
Net change of items other than shareholders' equity			(648)	(648)	10	(637)
Total changes of items in the current term	(0)	5,301	(648)	(648)	10	4,664
Balance at the end of current period	(9,475)	87,406	2,613	2,613	10	90,029

#### (4) Non-Consolidated Statements of Cash Flows

(Millions of Yen)

	Year ended march 31, 2014	Year ended march 31, 2015
Cash flows from operating activities		
Income before income taxes	26,348	24,327
Depreciation and amortization	1,635	1,246
Net change in allowance for doubtful accounts	(593)	(209)
Net change in accrued bonuses	192	(27)
Net change in reserve for financial products transaction liabilities	822	738
Interest and dividend income	(12,228)	(12,797)
Interest expenses	837	992
Gain or loss on sales and disposals of fixed assets	5	48
Gain or loss on sales of investment securities	(0)	(2,912)
Net change in cash segregated as deposits	(41,700)	(121,100)
Net change in cash in trust	600	(500)
Net change in trading assets and liabilities	182	449
Net change in net receivables and payables arising from pre-settlement date trades	(211)	(46)
Net change in margin assets and liabilities	(45,239)	22,390
Net change in receivables on collateralized securities transactions	2,590	(2,444)
Net change in deposits received and receivables from customers and others	26,352	83,503
Net change in payables on collateralized securities transactions	(11,100)	61
Net change in guarantee money received	26,695	30,480
Net change in short-term guarantee deposits	(373)	(1,615)
Others	907	(105)
Sub total	(24,281)	22,480
Interest and dividend received	11,734	12,525
Interest paid	(826)	(961)
Income taxes paid	(4,687)	(12,173)
Net cash flows from operating activities	(18,060)	21,871
Cash flows from investing activities		
Payments for purchases of property and equipment	(221)	(9)
Payments for purchases of intangible assets	(940)	(865)
Proceeds from sales of investment securities	2	2,925
Others	18	17
Net cash flows from investing activities	(1,142)	2,068
Cash flows from financing activities		
Net change in short-term borrowings	38,500	(11,500)
Proceeds from long-term borrowings	300	—
Repayments of long-term borrowings	(75)	(100)
Payments for purchase of treasury stock	(0)	(0)
Dividends paid	(12,815)	(10,266)
Net cash flows from financing activities	25,910	(21,867)
Translation difference of cash and cash equivalent	(0)	0
Net change in cash and cash equivalent	6,709	2,073
Cash and cash equivalents at beginning of period	26,624	33,333
Cash and cash equivalents at end of period	※1 33,333	※1 35,406

## **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 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.

#### 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. 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.

#### 5. 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, 2014	As of March 31, 2015
Buildings	414	436
Equipment and instruments	892	791
Total	1,306	1,227

※2

(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.

(As of March 31, 2015)

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 739 million yen are collateralized for the loans from securities finance companies. 6,078 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, 2014	As of March 31, 2015
1)Securities lent for customers' short positions in margin trading	31,218	56,054
2)Collateralized securities for loans from securities finance companies	2,819	3,747
3)Securities loaned out in securities loaned vs. cash transactions	28,371	29,806
4)Long-term guarantee securities deposited	10,085	5,618
5)Securities pledged as collateral for short-term guarantee	33,529	36,876

(2) Securities received

(Millions of Yen)

	As of March 31, 2014	As of March 31, 2015
1)Securities received for customers' long positions in margin trading	247,729	262,579
2)Securities borrowed from securities finance companies	2,900	6,833
3)Securities received in securities borrowed vs. cash transactions	9,350	11,407
4)Guarantee securities received from customers	346,889	373,546
5)Securities received from customers as collateral for short-term guarantee	2,758	3,093

※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, 2014	Year ended March 31, 2015
Stocks	0	(1)
Bonds	10	8
Total	11	8

### ※2 Breakdown of interest and dividend income

(Millions of Yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Interest on margin trading	11,074	11,529
Interest received for the securities lending	815	991
Others	630	607
Total	12,519	13,126

### ※3 Breakdown of interest expense

(Millions of Yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Interest expense on margin trading	367	638
Interest paid for the borrowings from finance companies on margin trading	105	38
Interest paid	330	276
Others	344	461
Total	1,145	1,413

### ※4 Breakdown of transaction related expenses

(Millions of Yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Commissions paid	762	755
Membership fees for stock exchanges and securities associations	1,912	1,755
Communications expenses	1,665	1,638
Travel and transportation expenses	12	11
Advertisements	594	547
Entertainment and social Expenses	14	13
Total	4,957	4,719

### ※5 Breakdown of employees' compensation and benefits

(Millions of Yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Directors' and auditors' compensation	302	248
Employees' compensation	709	693
Other compensation	597	635
Welfare expenses	162	166
Provision of allowance for employees' bonuses	305	277
Share-based compensation expenses	—	10
Total	2,075	2,030

※6 Breakdown of occupancy and rental

(Millions of Yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Occupancy and rental fee	318	325
Equipment and instruments expenses	586	553
Total	905	878

※7 Breakdown of data processing and office supplies

(Millions of Yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Data processing and outsourcing cost of operations	1,740	1,673
Office supplies	5	5
Total	1,745	1,677

※8 Breakdown of duties and taxes other than income taxes

(Millions of Yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Property taxes and automobile taxes	11	12
Official fees	9	6
Consumption tax	15	25
Enterprise tax (reduction on VAT and capital levy)	162	145
Others	30	6
Total	226	194

※9 Breakdown of Others

(Millions of Yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Water, lighting and heating	20	20
Sales Promotions	11	16
Others	143	101
Total	173	138

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

(Millions of Yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Equipment and instruments	—	1
Software	1	47
Others	3	—
Total	5	48

## Notes to Non-Consolidated Statements of Changes in Net Assets

(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. Stock acquisition rights

No relevant items.

### 3. Dividends

#### (1) 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

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

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

(Year ended March 31, 2015)

1. Types and number of outstanding shares and treasury stock

(Number of shares)

	Number of shares as of April 1, 2014	Number of shares increased in the year ended March 31, 2015	Number of shares decreased in the year ended March 31, 2015	Number of shares as of March 31, 2015
Outstanding shares				
Common stock	269,264,702	—	—	269,264,702
Total	269,264,702	—	—	269,264,702
Treasury stock				
Common stock	12,533,093	152	—	12,533,245
Total	12,533,093	152	—	12,533,245

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

2. Stock acquisition rights

(Millions of Yen)

	As of March 31, 2015
Stock acquisition rights (2014)	10
Total	10

Note: Exercise period of the stock acquisition rights (2014) does not start before August 9, 2017.

3. Dividends

(1) Dividend payment

Date of resolution	Ordinary General Meeting of Shareholders held on June 22, 2014	Board of directors' meeting held on October 28, 2014
Type of shares	Common stock	Common stock
Amount of dividend payment	5,135 million yen	5,135 million yen
Dividends per share	20 yen	20 yen
Date of record for dividends	March 31, 2014	September 30, 2014
Effective date	June 23, 2014	November 25, 2014

(2) Dividends for which effective date is in the year ending March 31, 2015 (Plan)

Date of resolution	Ordinary General Meeting of Shareholders to be held on June 28, 2015
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, 2015
Effective date	June 29, 2015

## **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, 2014	Year ended March 31, 2015
Cash and bank deposits	12,166	15,717
Cash in trust	21,867	20,889
Cash in trust whose purpose is to segregate guarantee money	(700)	(1,200)
Cash and bank deposits	33,333	35,406

## **Notes to Financial Instruments**

(Year ended March 31, 2015)

### 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, 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	—
<b>Total assets</b>	<b>671,225</b>	<b>671,225</b>	<b>—</b>
(1) Trading liabilities	699	699	—
1) Trading securities and others	0	0	—
2) Derivatives	699	699	—
(2) Proceeds of securities sold on customers' account	29,228	29,228	—
(3) Cash deposits as collateral for securities loaned	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	—
<b>Total liabilities</b>	<b>586,215</b>	<b>586,215</b>	<b>—</b>

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) 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, 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.

(Year ended March 31, 2015)

Book value, fair value of financial instruments, and the differences between these values as of March 31, 2015, 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	15,717	15,717	—
(2) Cash segregated as deposits	462,912	462,912	—
(3) Cash in trust	20,889	20,889	—
(4) Trading assets and Investment securities	5,415	5,415	—
1) Trading securities and others	0	0	—
2) Derivatives	1,538	1,538	—
3) Other securities	3,877	3,877	—
(5) Loans receivable from customers	277,246	277,246	—
(6) Cash deposits collateral for securities borrowed	12,080	12,080	—
<b>Total assets</b>	<b>794,259</b>	<b>794,259</b>	<b>—</b>
(1) Trading liabilities	1,379	1,379	—
1) Trading securities and others	7	7	—
2) Derivatives	1,371	1,371	—
(2) Proceeds of securities sold on customers' account	52,624	52,624	—
(3) Cash deposits as collateral for securities loaned	25,558	25,558	—
(4) Deposits received	261,516	261,516	—
(5) Guarantee money received	207,098	207,098	—
(6) Short-term borrowings	164,600	164,600	—
<b>Total liabilities</b>	<b>712,775</b>	<b>712,775</b>	<b>—</b>

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) 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	97

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, 2015

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] Trading assets and liabilities**

#### **Derivative trading**

##### 1. Derivative trading which have not applied hedge accounting

(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 margin trading	54,981	1,307	11,281	699

Note:

1. Fair value of the foreign exchange margin trading is calculated with spot rate at the end of the year ended March 31, 2014.
2. The contract value of contracts or trading whose fair value is zero are included in "Assets".

(Year ended March 31, 2015)

	Assets		Liabilities	
	Contract value (Millions of Yen)	Fair value (Millions of Yen)	Contract value (Millions of Yen)	Fair value (Millions of Yen)
Foreign exchange margin trading	109,263	1,538	23,002	1,371

Note:

1. Fair value of the foreign exchange margin trading is calculated with spot rate at the end of the year ended March 31, 2015.
2. 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, 2014)

No relevant items.

(Year ended March 31, 2015)

No relevant items.

**ii) "Other securities" whose market price is available**

(Year ended March 31, 2014)

	Type	Year ended March 31, 2014		
		Book value (Millions of Yen)	Acquisition cost (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

(Year ended March 31, 2015)

	Type	Year ended March 31, 2015		
		Book value (Millions of Yen)	Acquisition cost (Millions of Yen)	Differences (Millions of Yen)
Those whose book value exceeds acquisition cost	(1) Stocks	3,877	17	3,861
	(2) Bonds	—	—	—
	(3) Others	—	—	—
	Sub total	3,877	17	3,861
Those whose book value does not exceed acquisition cost	(1) Stocks	—	—	—
	(2) Bonds	—	—	—
	(3) Others	—	—	—
	Sub total	—	—	—
Total		3,877	17	3,861

### iii) "Other securities" sold during the current period

(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	—

(Year ended March 31, 2015)

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	2,925	2,912	—

### Notes to Stock Options

#### 1. Cost of stock options

	As of March 31, 2014	As of March 31, 2015
Share-based compensation expenses	—	10

#### 2. Details, scale and status of stock options

##### (1) Details of stock options

##### 1) Stock acquisition rights to be exercised from August 9, 2017

	Stock options series 1
Date of resolution	July 24, 2014
Persons eligible for the allotment and their number	6 Directors of the Company (excluding outside directors)
Class and number of shares to be issued	Common stock 27,800 shares
Allotment date	August 8, 2014
Conditions for exercising	※1
Vesting period	From August 8, 2014 to August 8, 2017
Exercise period	From August 9, 2017 to August 8, 2020

##### 2) Stock acquisition rights to be exercised from August 9, 2018

	Stock options series 1
Date of resolution	July 24, 2014
Persons eligible for the allotment and their number	6 Directors of the Company (excluding outside directors)
Class and number of shares to be issued	Common stock 27,800 shares
Allotment date	August 8, 2014
Conditions for exercising	※1
Vesting period	From August 8, 2014 to August 8, 2018
Exercise period	From August 9, 2018 to August 8, 2020

3) Stock acquisition rights to be exercised from August 9, 2019

	Stock options series 1
Date of resolution	July 24, 2014
Persons eligible for the allotment and their number	6 Directors of the Company (excluding outside directors)
Class and number of shares to be issued	Common stock 28,300 shares
Allotment date	August 8, 2014
Conditions for exercising	※1
Vesting period	From August 8, 2014 to August 8, 2019
Exercise period	From August 9, 2019 to August 8, 2020

※1 Persons allotted stock acquisition rights are eligible to exercise only when they are active directors at the time of the exercise. However the Company may treat the rights of those who are out of the service of directors still effective when it finds reasonable grounds.

(2) Number of stock options and their changes

Stock options which existed during the year ended March 31, 2015 are shown in the tables below. The number of them is translated into the equivalent number of shares.

1) Number of stock options

	Stock options series 1
Before the end of vesting period	
As of March 31, 2014	—
Granted	83,900
Forfeited	—
Vested	—
Unvested	83,900
After the end of vesting period	
As of March 31, 2014	—
Vested	—
Exercise of rights	—
Forfeited	—
Unvested	—

2) Price information

(Yen)

	Stock options series 1 (Note 1)	Stock options series 1 (Note 2)	Stock options series 1 (Note 3)
Date of resolution	July 24, 2014	July 24, 2014	July 24, 2014
Exercise price	1	1	1
Average stock price at the exercise of rights	—	—	—
Fair value at the grant date	721	702	684

Note:

1. Stock options whose exercise period starts on August 9, 2017.
2. Stock options whose exercise period starts on August 9, 2018.
3. Stock options whose exercise period starts on August 9, 2019.

(3) Evaluation method of fair value of stock options allotted during the year ended March 31, 2015

1) Evaluation method

Black-Scholes model

2) Main basic parameters and the method of their estimation

	Stock options series 1 (Note 1)	Stock options series 1 (Note 2)	Stock options series 1 (Note 3)
Volatility	35.351% (Note 4)	36.104% (Note 5)	36.036% (Note 6)
Time to maturity	4.5 year	5.0 year	5.5 year
Dividend	50 yen / share	50 yen / share	50 yen / share
Risk free rate	0.136%	0.155%	0.172%

Note:

1. Stock options whose exercise period starts on August 9, 2017.
2. Stock options whose exercise period starts on August 9, 2018.
3. Stock options whose exercise period starts on August 9, 2019.
4. Four year and a half historical volatility from February 9, 2010 to August 8, 2014 is used.
5. Five year historical volatility from August 9, 2009 to August 8 2014 is used.
6. Five year and a half historical volatility from February 9, 2009 to August 8, 2014 is used.
7. Due to the lack of adequate data for the reasonable estimation, the Company regards stock options to be exercised upon the middle point of the exercise period.
8. Based on the dividend distributed during the year ended March 31, 2014.
9. Average compound return of long term government bonds whose redemption time comes within before or after 3 months from the date of the end of the estimated time of maturity.

(4) Estimation of the number of stock options to be effective at the time of exercise

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

## Notes to Tax Effect Accounting

### 1. Significant components of deferred income tax assets and deferred income tax liabilities

(Millions of Yen)

	As of March 31, 2014	As of March 31, 2015
Deferred income tax assets		
Accrued enterprise tax	613	374
Excess of allowance for doubtful accounts	371	323
Reserve for retirement bonuses for directors and auditors	73	66
Excess of reserve for financial products transaction liabilities	685	860
Accrued bonuses	109	92
Others	39	31
Total deferred income tax assets	1,889	1,746
Deferred income tax liabilities		
Net unrealized gain on investment securities, net of taxes	(1,806)	(1,249)
Others	(0)	(0)
Total deferred income tax liabilities	(1,806)	(1,249)
Net balance of deferred income tax assets	82	497

### 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. "The Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) and "Partial Amendment of the Local Tax Act, etc." (Act No. 2 of 2015), was promulgated on March 31, 2015. As a result, effective statutory tax rate applied for the temporary differences which were expected to be settled in the fiscal year starts on April 1, 2015 was changed from 35.64% to 33.10%, and in the fiscal years end after April 1, 2016 was changed from 35.64% to 32.34%.

Due to this change, deferred income tax assets were decreased by 38 million yen, the income taxes-deferred were increased by 165 million yen and net unrealized gain on investment securities, net of taxes were increased by 127 million yen.

## **Segment Information**

(Year ended March 31, 2014 and Year ended March 31, 2015)

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, 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 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, 2015)

(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, 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.

(Year ended March 31, 2015)

### 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, 2014	Year ended March 31, 2015
Net assets per share	332.51 Yen	350.63 Yen
Earnings per share	63.49 Yen	60.65 Yen
Fully diluted earnings per share	—	60.64 Yen

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 amounts of earnings per share and fully diluted earnings per share with their respective bases of calculation information are as follows:

Items	Year ended March 31, 2014	Year ended March 31, 2015
Earnings per share		
Net income (Millions of yen)	16,300	15,571
Net income not attributed to common stock (Millions of yen)	—	—
Net income attributed to common stock (Millions of Yen)	16,300	15,571
Average number of shares of common stock outstanding (Shares)	256,731,680	256,731,565
Fully diluted earnings per share		
Increase of common stock (Shares)	—	24,767
[Of the above, stock acquisition rights (Shares)]	—	[24,767]
Significant changes in the residual securities which are not considered in the calculation of fully diluted earnings per share		—

## **Subsequent Events**

No relevant items.

## (5) 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, 2015 totals less than 1/100 of the total assets is omitted.

### ii )Fixed Assets

(Millions of Yen)

		As of April 1, 2014	Increase in the current period	Decrease in the current period	As of March 31, 2015	Accumulated Depreciation and Amortization	Depreciation expensed in the current period	Net Value of assets
Tangible	Buildings	647	-	-	647	436	22	211
	Equipment and instruments	1,223	145	183	1,186	791	81	394
	Land	434	-	-	434	-	-	434
	Total	2,304	145	183	2,266	1,227	102	1,039
Intangible	Software	15,237	1,315	607	15,945	13,094	1,143	2,850
	Others	41	-	-	41	41	0	0
	Total	15,278	1,315	607	15,986	13,135	1,144	2,850
Long-term prepaid expenses		10	3	3	10	3	2	7

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, 2014	As of March 31, 2015	Average Interest Rate (%)	Maturity
Short-term borrowings	176,000	164,500	0.22	—
Long-term borrowings to be repaid within 1 year	100	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	50	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	2,798	3,774	0.64	—
Total	179,048	168,424	—	—

Note:

1. "Average Interest Rate" is the weighted average interest rate as of March 31, 2015.
2. Long-term borrowing within 5 years after March 31, 2015 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	50	—	—	—

#### v )Significant Provisions

(Millions of Yen)

Item	Balance as of April 1, 2014	Increase	Decrease		Balance as of March 31, 2015
			Appropriation	Others	
Allowance for doubtful accounts	1,386	27	132	104	1,176
Accrued bonuses	305	277	305	—	277
Reserve for financial products transaction liabilities	1,922	738	—	—	2,660

Note: The decrease (Others) is a reversal amount related to allowance for individual doubtful accounts mainly.

#### 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, 2014, and as of March 31,2015.

## Breakdown of Major Assets and Liabilities

### [1] Assets

#### i )Cash in hand and at banks

	Book value (Millions of Yen)
Cash in hand	0
Cash at banks	15,716
Demand deposits	13,402
Ordinary deposits	2,281
Segregated deposits	33
Total	15,717

#### ii )Cash segregated as deposits

	Book value (Millions of Yen)
Trusted money segregated for customers as fiduciary assets	446,500
Trusted money segregated for customers' foreign exchange margin transactions	16,300
Others	112
Total	462,912

#### iii )Margin account assets

	Book value (Millions of Yen)
Loans receivable from customers	277,246
Cash deposits as collateral for securities borrowed from securities finance companies	6,961
Total	284,207

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

	Book value (Millions of Yen)
Loans from securities finance companies	3,774
Japan Securities Finance Co., Ltd.	3,130
Chubu Securities Financing Co., Ltd.	644
Proceeds of securities sold on customers' accounts	52,624
<b>Total</b>	<b>56,398</b>

**ii )Deposits received**

	Book value (Millions of Yen)
From customers	254,377
Others	7,138
<b>Total</b>	<b>261,516</b>

**iii )Guarantee money received**

	Book value (Millions of Yen)
Guarantee money received concerning margin trading	165,473
Guarantee money received concerning futures trading	21,150
Others	20,475
<b>Total</b>	<b>207,098</b>

**iv )Short-term borrowings**

	Book value (Millions of Yen)
Sumitomo Mitsui Banking Corporation	19,000
Sumitomo Mitsui Trust Bank, Limited	19,000
Mizuho Bank, Ltd.	10,000
The Norinchukin Bank	5,000
The Hachijuni Bank, Ltd.	5,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,000
Resona Bank, Limited.	5,000
Others	16,500
Call money	80,000
Long-term borrowings due within one year	100
<b>Total</b>	<b>164,600</b>

**Others**

Quarterly operating revenues and others for the fiscal year ended March 31, 2015

	Three months Ended June 30, 2014	Six months Ended September 30, 2014	Nine months Ended December 31, 2014	Year Ended March 31, 2015
Operating revenues (Millions of Yen)	7,490	16,309	25,438	34,306
Income before income taxes (Millions of Yen)	4,531	10,021	16,799	24,327
Net income (Millions of Yen)	2,928	6,469	10,845	15,571
Earnings per share (Yen)	11.40	25.20	42.24	60.65

	Three months ended June 30, 2014	Three months ended September 30, 2014	Three months ended December 31, 2014	Three months ended March 31, 2015
Earnings per share (Yen)	11.40	13.79	17.05	18.41

**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 non-consolidated financial statements for the year ended March 31, 2015.**