

Annual Securities Report  
Including Financial Statements  
Under Japanese GAAP  
For the Year  
Ended March 31, 2016

**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 20, 2016

Note: The Company has renewed English translation of the names of the accounts and items which appear in the financial statements and supplementary documents referring to the ones used in the “Edinet” system and other common usages.

# 1 Company information

## Part 1 Overview of company

### 1 Summary of business results

#### (1) Business results of group

	Year Ended March 31, 2012	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2015	Year Ended March 31, 2016
Operating revenue (Millions of Yen)	17,703	—	—	—	—
Net operating revenue (Millions of Yen)	16,728	—	—	—	—
Ordinary income (Millions of Yen)	7,426	—	—	—	—
Profit attributable to owners of parent (Millions of Yen)	4,263	—	—	—	—
Comprehensive income (Millions of Yen)	4,260	—	—	—	—
Net assets (Millions of Yen)	76,161	—	—	—	—
Total assets (Millions of Yen)	421,063	—	—	—	—
Net assets per share (Yen)	296.66	—	—	—	—
Basic earnings per share (Yen)	16.60	—	—	—	—
Diluted earnings per share (Yen)	—	—	—	—	—
Equity-to-asset ratio (%)	18.1	—	—	—	—
Rate of return on equity (%)	5.6	—	—	—	—
Price-earnings ratio (Times)	32.11	—	—	—	—
Net cash provided by (used in) operating activities (Millions of Yen)	10,388	—	—	—	—
Net cash provided by (used in) investing activities (Millions of Yen)	(1,439)	—	—	—	—
Net cash provided by (used in) financing activities (Millions of Yen)	(9,310)	—	—	—	—
Cash and cash equivalents (Millions of Yen)	25,087	—	—	—	—
Number of employees [Average number of temporary workers]	119 [155]	— [—]	— [—]	— [—]	— [—]

Note:

1. 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. The Company does not report diluted earnings per share for the year ended March 31, 2012, as there are no residual securities.
3. The Company has adopted "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan Statement No.21, issued on September 13, 2013), and "Net income" was renamed to "Profit attributable to owners of parent" at the year ended March 31, 2012.

## (2) Business results of reporting company

	Year Ended March 31, 2012	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2015	Year Ended March 31, 2016
Operating revenue (Millions of Yen)	17,703	20,799	39,883	34,306	34,435
Net operating revenue (Millions of Yen)	16,728	19,915	38,738	32,893	33,003
Ordinary income (Millions of Yen)	7,417	10,245	27,175	22,202	21,833
Net income (Millions of Yen)	4,257	6,427	16,300	15,571	14,763
Equity in earnings of affiliates if equity method is applied (Millions of Yen)	—	—	—	—	—
Capital stock (Millions of Yen)	11,945	11,945	11,945	11,945	11,945
Total number of issued shares (shares)	269,264,702	269,264,702	269,264,702	269,264,702	259,264,702
Net assets (Millions of Yen)	76,063	80,841	85,365	90,029	92,718
Total assets (Millions of Yen)	420,961	610,804	688,353	817,183	663,425
Net assets per share (Yen)	296.27	314.89	332.51	350.63	361.01
Dividend paid per share [Interim dividend paid per share] (Yen)	15.00 [—]	20.00 [—]	50.00 [30.00]	40.00 [20.00]	45.00 [25.00]
Basic earnings per share (Yen)	16.58	25.03	63.49	60.65	57.50
Diluted earnings per share (Yen)	—	—	—	60.64	57.49
Equity-to-asset ratio (%)	18.1	13.2	12.4	11.0	14.0
Rate of return on equity (%)	5.6	8.2	19.6	17.8	16.2
Price-earnings ratio (Times)	32.15	39.55	16.51	18.00	16.68
Payout ratio (%)	90.5	79.9	78.8	66.0	78.3
Net cash provided by (used in) operating activities (Millions of Yen)	10,379	(74,775)	(18,060)	21,871	43,431
Net cash provided by (used in) investing activities (Millions of Yen)	(1,432)	(791)	(1,142)	2,068	(824)
Net cash provided by (used in) financing activities (Millions of Yen)	(9,310)	77,102	25,910	(21,867)	(48,147)
Cash and cash equivalents (Millions of Yen)	24,812	26,624	33,333	35,406	29,865
Number of employees [Average number of temporary workers]	119 [151]	121 [155]	124 [151]	120 [156]	121 [195]

Note:

1. The Company does not report 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, 2016 (45 yen per share) are pending until the payment is approved by the shareholder's meeting to be held on June 26, 2016.

## **2 Overview of affiliated entities**

No relevant items.

## **3 Information about employees**

### **(1) The Company**

The Company employs 121 employees (This number includes 6 employees on leave) and 195 temporary workers. The average age is 38.6, the average length of service of employees is 12.5 years and the average of their annual compensation is 8,400 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 92.

## **Part 2 Overview of business**

### **1. Business risks**

The material business risks that the Company recognizes as of March 31, 2016 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 transaction
  - 1) Dependence on margin transaction: Revenue of the Company considerably relies on margin transaction.
  - 2) Effect on the Capital Adequacy Ratio: The growth of the balance of margin transaction lowers the Company's capital adequacy ratio.
  - 3) Credit risk: The Company takes credit risks of its customers by providing margin transaction service.
  - 4) Liquidity risk: The Company requires operating cash to provide margin transaction 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 tradings 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, 2016.

## **2. Critical contracts for operation**

Contract term	Title	Counterparty	Content
From June 2009 to May 2016	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, 2017, with the new contract term expiring in May 2017.

## **3. Research and development activities**

No relevant Items.

## **Part 3 Information about facilities**

### **1 Overview of capital expenditures, etc.**

The Company has invested 1,243 million yen during the year ended March 31, 2016 mainly to acquire software to enhance capability of the system and introduce new services.

### **2 Major facilities**

Offices	Location	Category	Book value (Millions of Yen)				Number of employees
			Buildings	Equipment	Software	Total	
Headquarters	Chiyoda-ku, Tokyo	Online trading systems, etc.	36	313	2,999	3,347	116 (20)
Sapporo Call Center	Chuo-ku, Sapporo, Hokkaido	Call center equipment	8	6	0	14	5 (175)

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 workers.

### **3 Planned additions, retirements, etc. of facilities**

The Company plans to invest 2,400 million yen mainly in online securities trading systems using its own capital from April 2016 through March 2017. The Company has no plans to dispose of any major facilities.

## Part 4 Information about reporting company

### 1 Information about shares, etc.

#### (1) Total number of shares, etc.

##### [1] Total number of shares

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

##### [2] Issued shares

	Total number of issued shares		Stock Exchange(s) Listed at	Details
	As of March 31, 2016 (End of the fiscal year ended March 31, 2016)	As of June 20, 2016 (Date of the filing of this Report)		
Common Stock	259,264,702 shares	259,264,702 shares	Tokyo Stock Exchange (First Section)	1 unit consists of 100shares
Total	259,264,702 shares	259,264,702 shares	—	—

#### (2) Subscription rights to shares, etc.

Subscription rights to shares issued on the resolution of the Board of Directors meeting held at July 24, 2014 are as follows.

	As of March 31, 2016 (End of the fiscal year ended March 31, 2016)	As of May 31, 2016 (End of the last month before the date of the filing of this Report)
Number of subscription rights to shares (Units)	839	839
Number of treasury subscription rights to shares out of the total number of subscription rights to shares (Units)	—	—
Class of shares subject to subscription rights	Common stock	Common stock
Number of shares subject to subscription rights (Shares)	1 83,900	1 83,900
Amount to be paid per share upon the exercise of each subscription rights to shares (Yen)	1	1
Exercise period for subscription rights to shares	From August 9, 2017 to August 8, 2020 2	From August 9, 2017 to August 8, 2020 2
Issuance price and amount credited to equity capital in the event of share issuance upon the exercise of subscription rights to shares (Yen)	3	3
Conditions for the exercise of subscription rights to shares	4	4
Matters concerning the transfer of subscription rights to shares	5	5
Matters concerning substitute payment	—	—
Matters concerning the grant of subscription rights to shares in connection with acts of reorganization	6	6



Note:

1. The number of shares to be issued upon exercise of subscription rights to shares 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. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.
3. Issuance price of the subscription rights to shares to be exercised from August 9, 2017 is 722 yen per share. Issuance price of the subscription rights to shares to be exercised from August 9, 2018 is 703 yen per share. Issuance price of the subscription rights to shares 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 subscription rights to shares 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.
4. (i) Persons allotted subscription rights to shares 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 subscription rights to shares 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 subscription rights to shares.
5. The acquisition of the subscription rights to shares through assignment shall require the approval of the Board of Directors of the Company.
6. In case of corporate reorganization including merger, corporate division and exchange of shares, the reorganized company will allot subscription rights to shares 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.

Subscription rights to shares issued on the resolution of the Board of Directors meeting held at July 27, 2015 are as follows.

	As of March 31, 2016 (End of the fiscal year ended March 31, 2016)	As of May 31, 2016 (End of the last month before the date of the filing of this Report)
Number of Subscription rights to shares (Units)	680	680
Number of treasury subscription rights to shares out of the total number of stock acquisition rights (Units)	—	—
Class of shares subject to subscription rights	Common stock	Common stock
Number of shares subject to subscription rights (Shares)	1 68,000	1 68,000
Amount to be paid per share upon the exercise of each subscription rights to shares (Yen)	1	1
Exercise period for subscription rights to shares	From August 12, 2018 to August 11, 2021 2	From August 12, 2018 to August 11, 2021 2
Issuance price and amount credited to equity capital in the event of share issuance upon the exercise of subscription rights to shares (Yen)	3	3
Conditions for the exercise of subscription rights to shares	4	4
Matters concerning the transfer of subscription rights to shares	5	5
Matters concerning substitute payment	—	—
Matters concerning the grant of subscription rights to shares in connection with acts of reorganization	6	6

Note:

1. The number of shares to be issued upon exercise of subscription rights to shares 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. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.
3. Issuance price of the subscription rights to shares to be exercised from August 12, 2018 is 953 yen per share. Issuance price of the subscription rights to shares to be exercised from August 12, 2019 is 937 yen per share. Issuance price of the subscription rights to shares to be exercised from August 12, 2020 is 920 yen per share. The amount of capital to be increased due to the issuance of shares upon exercise of the subscription rights to shares 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.
4. (i) Persons allotted subscription rights to shares 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 subscription rights to shares are eligible to exercise their rights as follows.
  - 1) From August 12, 2018 to August 11, 2019: Within one third of the number of rights originally allotted.
  - 2) From August 12, 2019 to August 11, 2020: Within two thirds of the number of rights originally allotted.
  - 3) From August 12, 2020 to August 11, 2021: 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 subscription rights to shares.
5. The acquisition of the subscription rights to shares through assignment shall require the approval of the Board of Directors of the Company.

6. In case of corporate reorganization including merger, corporate division and exchange of shares, the reorganized company will allot subscription rights to shares 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) Exercises, etc. of moving strike convertible bonds, etc.**

No relevant items.

**(4) Description of rights plan**

No relevant items.

**(5) Changes in number of issued shares, stated capital, etc.**

	Issued shares (shares)		Capital Stock (Millions of Yen)		Legal capital surplus (Millions of Yen)		Note
	Change	Outstanding amount	Change	Outstanding amount	Change	Outstanding amount	
February 3,2016	(10, 000,000)	259,264,702	—	11,945	—	9,793	Retirement of treasury shares

## (6) Shareholding by shareholder category

(As of March 31, 2016)

	Shareholder category (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	—	31	35	139	213	35	37,518	37,971	—
Number of shares in possession (unit)	—	406,036	84,013	732,798	225,814	381	1,143,458	2,592,500	14,702
Percentage of shares in possession (%)	—	15.66	3.24	28.27	8.71	0.01	44.11	100.00	—

Note:

- 25,333 units out of 2,533,314 treasury shares are included in the “Individuals and others” and 14 shares out of 2,533,314 treasury shares are included in “odd-lot shares”.
- 4 units under the title of Japan Securities Depository Center Inc. are included in “other institutions”.

## (7) Major shareholders

(As of March 31, 2016)

Name	Address	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Chizuko Matsui	Bunkyo-ku, Tokyo, Japan	46,821	18.06
Shokosha Ltd.	2-4-2, Nishikata, Bunkyo-ku, Tokyo, Japan	37,522	14.47
Maruroku Ltd.	2-4-2, Nishikata, Bunkyo-ku, Tokyo, Japan	35,312	13.62
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo, Japan	16,886	6.51
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	10,214	3.94
Michitaro Matsui	Bunkyo-ku, Tokyo, Japan	7,762	2.99
Chiaki Matsui	Bunkyo-ku, Tokyo, Japan	7,762	2.99
Yuma Matsui	Bunkyo-ku, Tokyo, Japan	7,762	2.99
Michio Matsui	Bunkyo-ku, Tokyo, Japan	6,876	2.65
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	Tower Z, Harumi Triton Square, Harumi 1-8-12, Chuo-ku, Tokyo	3,254	1.25
Total	—	180,170	69.49

Note:

- Because the Company was not able to verify the number of shares held by The Master Trust Bank of Japan, Ltd. (Trust account), Japan Trustee Services Bank, Ltd. (Trust account) and Trust & Custody Services Bank, Ltd. (Securities investment trust account) for their trustee businesses, the Company does not show these numbers.

## (8) Voting Rights

### (i) Issued shares

( As of March 31, 2016 )

	Number of shares	Number of voting rights
Shares without voting rights	—	—
Shares with limited voting rights (Treasury shares)	—	—
Shares with limited voting rights (Other than treasury shares)	—	—
Shares with full voting rights (Treasury shares)	( Treasury shares ) Common stock 2,533,300	—
Shares with full voting rights (Other than treasury shares)	Common stock 256,716,700	2,566,054
Odd lot shares (1 lot = 100 shares)	Common stock 14,702	—
Total number of issued shares	259,264,702	—
Total number of voting rights	—	2,566,054

Note:

- 400 shares under the title of Japan Securities Depository Center Inc. and 111,300 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 shares)." 4 voting rights under the title of Japan Securities Depository Center Inc. are included in "Shares with full voting rights (Other than treasury shares)." 1,113 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 shares)".
- 14 treasury shares are included in odd-lot shares.

### (ii) Treasury shares, etc.

( As of March 31, 2016 )

Name of shareholders	Address	Treasury shares held by the Company's own name	Treasury shares held by other person's name	Total Number of shares held	Shareholding ratio (%)
(Treasury shares held by the Company ) Matsui Securities Co., Ltd.	1-4, Kojimachi, Chiyoda-ku, Tokyo, Japan	2,533,300	—	2,533,300	0.98
Total	—	2,533,300	—	2,533,300	0.98

## **2 Acquisitions, etc. of treasury shares**

### **(1) Acquisitions by resolution of shareholders' meeting**

No relevant items.

### **(2) Acquisitions by resolution of board of directors' meeting**

No relevant items.

### **(3) Acquisitions not based on resolution of shareholders' meeting or board of directors' meeting**

Item	Number of shares	Total value (Millions of Yen)
Acquisition of treasury shares during the year ended March 31, 2016	69	0
Acquisition of treasury shares from April 1, 2016 to June 20, 2016	—	—

Note: Acquisition of treasury shares from April 1, 2016 to June 20, 2016 does not include the purchase of odd-lot shares from June 1, 2016 to June 20, 2016.

### **(4) Disposals or holding of acquired treasury shares**

Item	Year ended March 31, 2016		From April 1, 2016 to June 20, 2016	
	Number of shares	Total disposal price (Millions of Yen)	Number of shares	Total disposal price (Millions of Yen)
Treasury shares subscribed	—	—	—	—
Treasury shares retired	10,000,000	7,560	—	—
Treasury shares transferred by merger, stock exchanges or corporate separation	—	—	—	—
Others ( - )	—	—	—	—
Number of treasury shares	2,533,314	—	2,533,314	—

Note: The number of treasury shares from April 1, 2016 to June 20, 2016 does not include the purchase of odd-lot shares from June 1, 2016 to June 20, 2016.

### **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 transaction 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, 2016 will be 45 yen per share including 25 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 26, 2016). The Company considers the equity level sufficiently high to support customers' margin transaction 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 transaction services to its customers.

Distribution of retained earnings for the fiscal year ended March 31, 2016 is as follows:

Date of resolution	Amount of dividend payment	Dividends per share
Board of directors' meeting held on October 26, 2015	6,418 million yen	25 yen
Ordinary General Meeting of Shareholders to be held on June 26, 2016	5,135 million yen	20 yen

### **4 Historical records of share price**

Highest and lowest share price of each fiscal year in last five years		Year Ended March 31, 2012	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2015	Year Ended March 31, 2016
	Highest (Yen)	565	1,085	1,355	1,200	1,170
	Lowest (Yen)	311	372	793	898	876

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

Highest and lowest share price of each month in last six months		October 2015	November 2015	December 2015	January 2016	February 2016	March 2016
	Highest (Yen)	1,096	1,162	1,165	1,109	1,070	1,042
	Lowest (Yen)	1,026	1,054	1,084	956	876	957

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

## 5 Information about officers

Male:11 Female:0

(As of June 20, 2016)

	Title	Number of shares in possession (Thousands of shares)
Michio Matsui	President and Chief Executive Officer	6,876
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.)	40
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	7
Junji Annen	Outside director	—
Hiroyuki Yajima	Standing Corporate Auditor	15
Norio Igarashi	Corporate Auditor	—
Yasuo Mochizuki	Corporate Auditor	—
Total	—	7,012

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 8 directors and Mr. Yasuo Mochizuki as the Corporate Auditor, and the appointment of 1 director and 1 auditor are the agenda of the shareholders' meeting to be held on June 26, 2016 and will be voted-on at that time. The following table shows the director and the auditor who are being presented for appointment:

	Title	Number of shares in possession (Thousands of shares)
Motoo Saiga	Director (General Manager of Compliance Dept.)	—
Mikitoshi Kai	Corporate Auditor	—
Total	—	—

Mr. Norio Igarashi, the current Corporate Auditor, will retire at the end of the shareholders' meeting to be held on June 26, 2016.



## **Part 5 Financial information**

### **1 Note on Financial Statements**

#### **(1) Description of fact that financial statements have been prepared in accordance with special ordinance or regulations for industry in appended list**

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 financial statement**

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

### **2 Note on independent audit**

The non-consolidated financial statements for the fiscal year ended March 31, 2016 were audited by PricewaterhouseCoopers Aarata based on the Article 193-2-1 of Financial Instruments and Exchange Law.

### **3 Note on consolidated financial statements**

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

### **4 Remarkable efforts to ensure fair presentation of financial statements, etc.**

The Company has undertaken remarkable efforts to ensure fair presentation of financial statements. The Company has joined the Financial Accounting Standards Foundation. Additionally, its staff 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.

## Financial statements

### (1) Balance sheet

(Millions of Yen)

	March 31, 2015	March 31, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	15,717	26,569
Cash segregated as deposits	462,912	375,812
Money held in trust	20,889	4,596
Trading products:	1,538	1,817
Trading securities and other	0	0
Derivatives	1,538	1,817
Trade date accrual	185	17
Margin transaction assets:	284,207	232,043
Loans on margin transactions	277,246	228,152
Cash collateral pledged for securities borrowing on margin transactions	6,961	3,890
Loans secured by securities:	12,080	7,869
Cash collateral pledged for securities borrowed	12,080	7,869
Advances paid:	27	23
Advance payments for customers on trades	27	23
Advance payments for others	0	0
Short-term guarantee deposits	5,736	2,166
Advance payments	2	1
Prepaid expenses	195	189
Accounts receivable	1	1
Accrued income	4,569	3,807
Deferred tax assets	481	314
Other	1	—
Allowance for doubtful accounts	(11)	(7)
<b>Total current assets</b>	<b>808,528</b>	<b>655,217</b>
Non-current assets		
Property, plant and equipment:	1,039	953
Buildings	1 211	1 197
Equipment	1 394	1 321
Land	434	434
Intangible assets:	2,850	2,999
Software	2,850	2,999
Other	0	0
Investments and other assets:	4,765	4,256
Investment securities	3,975	3,119
Investments in capital	8	8
Long-term loans receivable	534	507
Long-term guarantee deposits	258	261
Long-term prepaid expenses	7	7
Deferred tax assets	16	587
Long-term receivables	1,038	1,021
Other	95	95
Allowance for doubtful accounts	(1,165)	(1,348)
<b>Total non-current assets</b>	<b>8,655</b>	<b>8,208</b>
<b>Total assets</b>	<b>817,183</b>	<b>663,425</b>

(Millions of Yen)

	March 31, 2015	March 31, 2016
<b>Liabilities</b>		
Current liabilities		
Trading products:	1,379	458
Trading securities and other	7	—
Derivatives	1,371	458
Margin transaction liabilities:	56,398	35,793
Borrowings on margin transactions	<sup>2</sup> 3,774	<sup>2</sup> 5,452
Cash received for securities lending on margin transactions	52,624	30,341
Loans payable secured by securities:	25,558	14,838
Cash received on debt credit transaction of securities	25,558	14,838
Deposits received:	261,516	200,271
Deposits from customers	254,377	197,048
Deposits for others	7,138	3,222
Guarantee deposits received	207,098	182,641
Accounts for non-received securities and others	12	44
Short-term loans payable	164,600	128,050
Advances received	0	0
Unearned revenue	37	35
Accounts payable	973	379
Accrued expenses	947	844
Income taxes payable	5,442	3,551
Provision for bonuses	277	248
Total current liabilities	724,237	567,151
Non-current liabilities		
Long-term loans payable	50	—
Reserve for retirement bonuses for directors and auditors	204	204
Other	3	3
Total non-current liabilities	257	208
Reserves under special laws		
Reserve for financial products transaction liabilities	<sup>4</sup> 2,660	<sup>4</sup> 3,349
Total reserves under special laws	2,660	3,349
Total liabilities	727,155	570,707

(Millions of Yen)

	March 31, 2015	March 31, 2016
Net assets		
Shareholders' equity		
Capital stock	11,945	11,945
Capital surplus		
Legal capital surplus	9,793	9,793
Total capital surpluses	9,793	9,793
Retained earnings		
Legal retained earnings	159	159
Other retained earnings		
General reserve	4,250	4,250
Retained earnings brought forward	70,734	66,384
Total retained earnings	75,143	70,793
Treasury shares	(9,475)	(1,915)
Total shareholders' equity	87,406	90,616
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,613	2,066
Total valuation and translation adjustments	2,613	2,066
Subscription rights to shares	10	37
Total net assets	90,029	92,718
Total liabilities and net assets	817,183	663,425

## (2) Statement of Income

(Millions of Yen)

	Year ended March 31, 2015		Year ended March 31, 2016	
Operating revenue				
Commission received		21,167		21,742
Commission to consignees		20,025		20,414
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors		—		50
Fee for offering, secondary distribution and solicitation for selling and others for professional investors		3		0
Other fees received		1,139		1,278
Net trading income		8		6
Financial revenue	1	13,126	1	12,682
Other operating revenue		5		5
Total operating revenue		<u>34,306</u>		<u>34,435</u>
Financial expenses	2	1,413	2	1,431
Net operating revenue		<u>32,893</u>		<u>33,003</u>
Selling, general and administrative expenses				
Trading related expenses	3	4,719	3	4,674
Personnel expenses	4	2,030	4	2,178
Real estate expenses	5	878	5	890
Office cost	6	1,677	6	1,713
Depreciation		1,246		1,175
Taxes and dues	7	194	7	288
Provision of allowance for doubtful accounts		(77)		216
Other		138		123
Total selling, general and administrative expenses		<u>10,806</u>		<u>11,258</u>
Operating income		<u>22,087</u>		<u>21,745</u>
Non-operating income				
Dividend income		94		76
Other		24		14
Total non-operating income		<u>118</u>		<u>90</u>
Non-operating expenses				
Other		3		2
Total non-operating expenses		<u>3</u>		<u>2</u>
Ordinary income		<u>22,202</u>		<u>21,833</u>
Extraordinary income				
Gain on sales of investment securities		2,912		1,012
Total extraordinary income		<u>2,912</u>		<u>1,012</u>
Extraordinary losses				
Provision of reserve for financial products transaction liabilities		738		689
Loss on sales and retirement of non-current assets	8	48	8	6
Total extraordinary losses		<u>786</u>		<u>695</u>
Profit before income taxes		<u>24,327</u>		<u>22,151</u>
Income taxes – current		8,615		7,455
Income taxes - deferred		142		(67)
Total income taxes		<u>8,757</u>		<u>7,388</u>
Profit		<u>15,571</u>		<u>14,763</u>

### (3) Statement of changes in equity

(Year ended March 31, 2015)

(Millions of Yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Total Capital surplus		General reserve	Retained earnings brought forward	
Balance at beginning of current period	11,945	9,793	9,793	159	4,250	65,433	69,841
Changes of items during period							
Dividends of surplus						(10,269)	(10,269)
Profit						15,571	15,571
Purchase of treasury shares							
Net changes of items other than shareholders' equity							
Total changes of items during period	—	—	—	—	—	5,301	5,301
Balance at end of current period	11,945	9,793	9,793	159	4,250	70,734	75,143

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	(9,475)	82,104	3,260	3,260	—	85,365
Changes of items during period						
Dividends of surplus		(10,269)				(10,269)
Profit		15,571				15,571
Purchase of treasury shares	(0)	(0)				(0)
Net changes of items other than shareholders' equity			(648)	(648)	10	(637)
Total changes of items during period	(0)	5,301	(648)	(648)	10	4,664
Balance at end of current period	(9,475)	87,406	2,613	2,613	10	90,029

(Year ended March 31, 2016)

(Millions of Yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Total Capital surplus		General reserve	Retained earnings brought forward	
Balance at beginning of current period	11,945	9,793	9,793	159	4,250	70,734	75,143
Changes of items during period							
Dividends of surplus						(11,553)	(11,553)
Profit						14,763	14,763
Purchase of treasury shares							
Retirement of treasury shares						(7,560)	(7,560)
Net changes of items other than shareholders' equity							
Total changes of items during period	—	—	—	—	—	(4,350)	(4,350)
Balance at end of current period	11,945	9,793	9,793	159	4,250	66,384	70,793

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	(9,475)	87,406	2,613	2,613	10	90,029
Changes of items during period						
Dividends of surplus		(11,553)				(11,553)
Profit		14,763				14,763
Purchase of treasury shares	(0)	(0)				(0)
Retirement of treasury shares	7,560	—				—
Net changes of items other than shareholders' equity			(547)	(547)	27	(520)
Total changes of items during period	7,560	3,210	(547)	(547)	27	2,690
Balance at end of current period	(1,915)	90,616	2,066	2,066	37	92,718



#### (4) Statement of cash flows

(Millions of Yen)

	Year ended march 31, 2015	Year ended march 31, 2016
Cash flows from operating activities		
Profit (loss) before income taxes	24,327	22,151
Depreciation	1,246	1,175
Increase (decrease) in allowance for doubtful accounts	(209)	179
Increase (decrease) in provision for bonuses	(27)	(29)
Increase (decrease) in reserve for financial products transaction liabilities	738	689
Interest and dividend income	(12,797)	(12,269)
Interest expenses	992	997
Loss (gain) on sales and retirement of non-current assets	48	6
Loss (gain) on sales of investment securities	(2,912)	(1,012)
Decrease (increase) in cash segregated as deposits	(121,100)	87,100
Net change in cash in trust	(500)	(100)
Decrease (increase) in trading products - assets (liabilities)	449	(1,200)
Decrease (increase) in trade date accrual	(46)	167
Decrease/increase in assets/liabilities for margin transaction	22,390	31,560
Decrease (increase) in loans secured by securities	(2,444)	4,211
Decrease/increase in advance paid/deposits received	83,503	(61,241)
Increase (decrease) in borrowings secured by securities	61	(10,721)
Increase (decrease) in guarantee deposits received	30,480	(24,457)
Decrease (increase) in short-term guarantee deposits	(1,615)	3,570
Other, net	(105)	247
Subtotal	22,480	41,022
Interest and dividend income received	12,525	12,846
Interest expenses paid	(961)	(1,030)
Income taxes paid	(12,173)	(9,407)
Net cash provided by (used in) operating activities	21,871	43,431
Cash flows from investing activities		
Purchase of property, plant and equipment	(9)	(169)
Purchase of intangible assets	(865)	(1,635)
Purchase of investment securities	—	(40)
Proceeds from sales of investment securities	2,925	1,016
Other, net	17	4
Net cash provided by (used in) investing activities	2,068	(824)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(11,500)	(36,500)
Repayments of long-term loans payable	(100)	(100)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(10,266)	(11,547)
Net cash provided by (used in) financing activities	(21,867)	(48,147)
Effect of exchange rate change on cash and cash equivalents	0	(0)
Net increase (decrease) in cash and cash equivalents	2,073	(5,540)
Cash and cash equivalents at beginning of period	33,333	35,406
Cash and cash equivalents at end of period	1 35,406	1 29,865

## **Notes - Significant accounting policies**

### 1. Valuation basis and method of securities and derivatives

#### (1) Securities and derivatives classified as trading products:

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

#### (2) Securities not classified as trading products:

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. Accounting policy for depreciation of assets

#### (1) Property, plant and equipment (excluding leased assets)

The Company applies the straight-line method. The useful life for depreciation is 15 to 40 years for buildings and 5 years for equipment.

#### (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 policy for 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) Provision for bonuses

Estimated amount of employees' bonuses is accrued.

#### (3) Reserve for financial products transaction liabilities

The Company accounts for a reserve for financial products transaction 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 statement 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 significant information for preparation of financial statements

#### Consumption taxes

National and local consumption taxes are separately recorded.

## Notes - Balance sheet

※1 Notes regarding accumulated depreciation of property, plant and equipment

(Millions of Yen)

	As of March 31, 2015	As of March 31, 2016
Buildings	436	455
Equipment	791	794
Total	1,227	1,249

2 Notes regarding pledged assets

(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 borrowings on margin transactions. 6,078 million yen of the guarantee securities received from customers are collateralized for borrowings on margin transactions.

(As of March 31, 2016)

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 519 million yen are collateralized for the borrowings on margin transactions. 4,069 million yen of the guarantee securities received from customers are collateralized for borrowings on margin transactions.

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

(Excluding those listed in the previous note):

(1) Notes regarding market value of securities pledged to counterparties

(Millions of Yen)

	As of March 31, 2015	As of March 31, 2016
1)Securities lent for customers' short positions in margin transaction	56,054	31,594
2)Collateralized securities for borrowing on margin transactions	3,747	5,420
3)Securities loaned out in securities loaned vs. cash transactions	29,806	18,293
4)Long-term guarantee securities deposited	5,618	10,622
5)Securities pledged as collateral for short-term guarantee	36,876	34,792

(2) Notes regarding market value of securities received as collateral from counterparties

(Millions of Yen)

	As of March 31, 2015	As of March 31, 2016
1)Securities received for customers' long positions in margin transaction	262,579	207,823
2)Securities borrowing on margin transactions	6,833	3,750
3)Securities received in securities borrowed vs. cash transactions	11,407	7,332
4)Guarantee securities received from customers	373,546	362,833
5)Securities received from customers as collateral for short-term guarantee	3,093	2,967

4 Notes regarding reserves under special laws

Accounting of reserve for financial products transaction liabilities is based on Article 46-5 of the Financial Instruments and Exchange Law.

## Notes - Statement of income

### 1 Breakdown of financial revenue

	(Millions of Yen)	
	Year ended March 31, 2015	Year ended March 31, 2016
Interest on margin transactions	11,529	11,562
Interest received for the securities lending	991	470
Other	607	651
Total	13,126	12,682

### 2 Breakdown of financial expenses

	(Millions of Yen)	
	Year ended March 31, 2015	Year ended March 31, 2016
Interest expense on margin transactions	638	664
Interest paid for the borrowings from finance companies on margin transactions	38	24
Interest expenses	276	254
Other	461	489
Total	1,413	1,431

### 3 Notes regarding trading related expenses

	(Millions of Yen)	
	Year ended March 31, 2015	Year ended March 31, 2016
Commission fee	755	742
Membership fees for stock exchanges and securities associations	1,755	1,738
Communications expenses	1,638	1,692
Travel and transportation expenses	11	13
Advertisements	547	475
Entertainment expenses	13	15
Total	4,719	4,674

### 4 Breakdown of personnel expenses

	(Millions of Yen)	
	Year ended March 31, 2015	Year ended March 31, 2016
Directors' compensations	248	247
Employees' salaries	693	705
Other compensations	635	787
Welfare expenses	166	165
Provision for bonuses	277	248
Share-based compensation expenses	10	27
Total	2,030	2,178

## 5 Notes regarding real estate expenses

(Millions of Yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Occupancy and rental fee	325	325
Equipment expenses	553	564
Total	878	890

## 6 Notes regarding office cost

(Millions of Yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Data processing and outsourcing cost of operations	1,673	1,708
Office supplies	5	5
Total	1,677	1,713

## 7 Notes regarding taxes and dues

(Millions of Yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Enterprise tax (reduction on VAT and capital levy)	145	237
Other	49	51
Total	194	288

## 8 Notes regarding loss on sales and retirement of non-current assets

### Loss on retirement

(Millions of Yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Software	47	5
Other	1	0
Total	48	6

## Notes - Statement of changes in equity

(Year ended March 31, 2015)

### 1. Notes regarding issued shares and treasury shares

(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
Issued shares				
Common stock	269,264,702	—	—	269,264,702
Total	269,264,702	—	—	269,264,702
Treasury shares				
Common stock	12,533,093	152	—	12,533,245
Total	12,533,093	152	—	12,533,245

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

### 2. Notes regarding new share subscription rights, etc.

(Millions of Yen)

	As of March 31, 2015
New share subscription rights (2014)	10
Total	10

Note: Exercise period of the new share subscription rights (2014) does not start before August 9, 2017.

### 3. Notes regarding dividend

#### (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

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

(Year ended March 31, 2016)

1. Notes regarding issued shares and treasury shares

(Number of shares)

	Number of shares as of April 1, 2015	Number of shares increased in the year ended March 31, 2016	Number of shares decreased in the year ended March 31, 2016	Number of shares as of March 31, 2016
Issued shares				
Common stock	269,264,702	—	10,000,000	259,264,702
Total	269,264,702	—	10,000,000	259,264,702
Treasury shares				
Common stock	12,533,245	69	10,000,000	2,533,314
Total	12,533,245	69	10,000,000	2,533,314

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

2. The number of issued shares and the number of common stock held as treasury shares decreased by 10,000,000 shares due to retirement of treasury shares.

2. Notes regarding new share subscription rights, etc.

(Millions of Yen)

	As of March 31, 2016
New share subscription rights (2014)	26
New share subscription rights (2015)	11
Total	37

Note: 1. Exercise period of the new share subscription rights (2014) does not start before August 9, 2017.

2. Exercise period of the new share subscription rights (2015) does not start before August 12, 2018.

3. Notes regarding dividend

(1) Dividend payment

Date of resolution	Ordinary General Meeting of Shareholders held on June 28, 2015	Board of directors' meeting held on October 26, 2015
Type of shares	Common stock	Common stock
Amount of dividend payment	5,135 million yen	6,418 million yen
Dividends per share	20 yen	25 yen
Date of record for dividends	March 31, 2015	September 30, 2015
Effective date	June 29, 2015	November 24, 2015

(2) Dividends for which effective date is in the year ending March 31, 2016 (Plan)

Date of resolution	Ordinary General Meeting of Shareholders to be held on June 26, 2016
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, 2016
Effective date	June 27, 2016



## **Notes - Statement of cash flows**

※1 Reconciliation of ending balance of cash and cash equivalents with account balances per balance sheet  
(Millions of Yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Cash and deposits	15,717	26,569
Money held in trust	20,889	4,596
Money held in trust whose purpose is to segregate guarantee deposits received	(1,200)	(1,300)
Cash and cash equivalents	35,406	29,865

## **Notes - Financial instruments**

(Year ended March 31, 2016)

### 1. General information

#### (1) Policies to handle Financial Instruments

The Company focuses on the stock trading of individual investors. The Company borrows operating capital from financial institutions to support margin transaction. When needed, the Company may procure operating capital by issuing straight bonds, and/or other appropriate measures.

Deposits from customers and guarantee deposits received are managed by trust funds in accordance with the requirements of the Financial Instruments and Exchange Law. The 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 Company has the minimum range of trading operations in order to provide various services for online trading customers. The Company generally does not trade its own investments for earnings.

#### (2) Details of and risks arising from financial instruments

Financial assets of the Company mainly consist of Cash segregated as deposits which consist of deposits from customers and Guarantee deposits received, and Margin transaction assets which consist of loans on margin transactions. Cash segregated as deposits is mainly invested in call money and loan to bank account which are exposed to the credit risk of borrowers and interest rate risk. In addition, when invested in securities such as government bonds, it is also exposed to the risk of fluctuations in market value. Loans on margin transactions are exposed to the credit risk of customers, despite the fact that they are secured by collateral. The Company procures cash through short-term loans payable, which is exposed to liquidity risk at the time of redemption.

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

#### (3) Risk management

Risk management is based on the corporate rules. The finance division of the Company monitors credit risk and market risk quantitatively according to the Financial Instruments and Exchange Law. The compliance division of the Company monitors credit risk on margin transaction. 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, 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 deposits	15,717	15,717	—
(2) Cash segregated as deposits	462,912	462,912	—
(3) Money held in trust	20,889	20,889	—
(4) Trading products and Investment securities	5,415	5,415	—
1) Trading securities and other	0	0	—
2) Derivatives	1,538	1,538	—
3) Other securities	3,877	3,877	—
(5) Loans on margin transactions	277,246	277,246	—
(6) Cash collateral pledged for securities borrowed	12,080	12,080	—
<b>Total assets</b>	<b>794,259</b>	<b>794,259</b>	<b>—</b>
(1) Trading products	1,379	1,379	—
1) Trading securities and other	7	7	—
2) Derivatives	1,371	1,371	—
(2) Cash received for securities lending on margin transactions	52,624	52,624	—
(3) Cash received on debt credit transaction of securities	25,558	25,558	—
(4) Deposits received	261,516	261,516	—
(5) Guarantee deposits received	207,098	207,098	—
(6) Short-term loans payable	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 deposits, (5) Loans on margin transactions, (6) Cash collateral pledged 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) Money held in trust

These are mostly trust asset and marked to market. The book value is regarded as fair value.

(4) Trading products 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 products

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) Cash received for securities lending on margin transactions, (3) Cash received on debt credit transaction of securities, (4) Deposits received, (5) Guarantee deposits received, (6) Short-term loans payable

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 products 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.

(Year ended March 31, 2016)

Book value, fair value of financial instruments, and the differences between these values as of March 31, 2016, 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 deposits	26,569	26,569	—
(2) Cash segregated as deposits	375,812	375,812	—
(3) Money held in trust	4,596	4,596	—
(4) Trading products and Investment securities	4,808	4,808	—
1) Trading securities and other	0	0	—
2) Derivatives	1,817	1,817	—
3) Other securities	2,990	2,990	—
(5) Margin transaction assets	232,043	232,043	—
(6) Loans secured by securities	7,869	7,869	—
<b>Total assets</b>	<b>651,697</b>	<b>651,697</b>	<b>—</b>
(1) Trading products	458	458	—
Derivatives	458	458	—
(2) Margin transaction liabilities	35,793	35,793	—
(3) Loans payable secured by securities	14,838	14,838	—
(4) Deposits received	200,271	200,271	—
(5) Guarantee deposits received	182,641	182,641	—
(6) Short-term loans payable	128,050	128,050	—
<b>Total liabilities</b>	<b>562,050</b>	<b>562,050</b>	<b>—</b>

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

#### Assets

(1) Cash and deposits, (5) Margin transaction assets, (6) Loans secured by securities

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) Money held in trust

These are mostly trust asset and marked to market. The book value is regarded as fair value.

(4) Trading products 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 products

Fair value of foreign exchange margin trades are based on the spot rate of the currency at the end of the fiscal period.

(2) Margin transaction liabilities, (3) Loans payable secured by securities, (4) Deposits received, (5) Guarantee deposits received, (6) Short-term loans payable

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	128

The fair value of ““Other securities” which are not listed on securities exchanges” and others are not included in “Assets (4) Trading products 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, 2016

All monetary claims are scheduled due within one year.

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

## **Overview of securities and derivatives**

### **[1] Trading products**

#### **Derivatives**

##### 1. Derivatives which have not applied hedge accounting

(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".

(Year ended March 31, 2016)

	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	61,757	1,817	9,973	458

Note:

1. Fair value of the foreign exchange margin trading is calculated with spot rate at the end of the year ended March 31, 2016.
2. The contract value of contracts or trading whose fair value is zero are included in "Assets".

##### 2. Derivatives which have applied hedge accounting

No relevant items.

### **[2] Non-trading products**

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

(Year ended March 31, 2015)

No relevant items.

(Year ended March 31, 2016)

No relevant items.

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

(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

(Year ended March 31, 2016)

	Type	Year ended March 31, 2016		
		Book value (Millions of Yen)	Acquisition cost (Millions of Yen)	Differences (Millions of Yen)
Those whose book value exceeds acquisition cost	(1) Stocks	2,990	13	2,978
	(2) Bonds	—	—	—
	(3) Others	—	—	—
	Sub total	2,990	13	2,978
Those whose book value does not exceed acquisition cost	(1) Stocks	—	—	—
	(2) Bonds	—	—	—
	(3) Others	—	—	—
	Sub total	—	—	—
Total		2,990	13	2,978

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

(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	—

(Year ended March 31, 2016)

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	1,016	1,012	—

### Notes - Share options, etc.

#### 1. Cost of share options

	As of March 31, 2015 (Millions of Yen)	As of March 31, 2016 (Millions of Yen)
Share-based compensation expenses	10	27

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

##### (1) Details of share options

###### ① Share options series 1

###### 1) Subscription rights to shares to be exercised from August 9, 2017

	Share 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) Subscription rights to shares to be exercised from August 9, 2018

	Share 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) Subscription rights to shares to be exercised from August 9, 2019

	Share 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

② Share options series 2

1) Subscription rights to shares to be exercised from August 12, 2018

	Share options series 2
Date of resolution	July 27, 2015
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 22,500 shares
Allotment date	August 11, 2015
Conditions for exercising	1
Vesting period	From August 11, 2015 to August 11, 2018
Exercise period	From August 12, 2018 to August 11, 2021

2) Subscription rights to shares to be exercised from August 12, 2019

	Share options series 2
Date of resolution	July 27, 2015
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 22,500 shares
Allotment date	August 11, 2015
Conditions for exercising	1
Vesting period	From August 11, 2015 to August 11, 2019
Exercise period	From August 12, 2019 to August 11, 2021

3) Subscription rights to shares to be exercised from August 12, 2020

	Share options series 2
Date of resolution	July 27, 2015
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 23,000 shares
Allotment date	August 11, 2015
Conditions for exercising	1
Vesting period	From August 11, 2015 to August 11, 2020
Exercise period	From August 12, 2020 to August 11, 2021

※1 Persons allotted subscription rights to shares 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 share options and their changes

Share options which existed during the year ended March 31, 2016 are shown in the tables below. The number of them is translated into the equivalent number of shares.

1) Number of share options

	Share options series 1	Share options series 2
Before the end of vesting period		
As of March 31, 2015	83,900	—
Granted	—	68,000
Forfeited	—	—
Vested	—	—
Unvested	83,900	68,000
After the end of vesting period		
As of March 31, 2015	—	—
Vested	—	—
Exercise of rights	—	—
Forfeited	—	—
Unvested	—	—

2) Price information

(Yen)

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

Note:

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

	Share options series 2 (Note 1)	Share options series 2 (Note 2)	Share options series 2 (Note 3)
Date of resolution	July 27, 2015	July 27, 2015	July 27, 2015
Exercise price(Yen)	1	1	1
Average stock price at the exercise of rights(Yen)	—	—	—
Fair value at the grant date(Yen)	952	936	919

Note:

1. Share options whose exercise period starts on August 12, 2018.
2. Share options whose exercise period starts on August 12, 2019.
3. Share options whose exercise period starts on August 12, 2020.

(3) Evaluation method of fair value of share options allotted during the year ended March 31, 2016

1) Evaluation method

Black-Scholes model

2) Main basic parameters and the method of their estimation

	Share options series 2 (Note 1)	Share options series 2 (Note 2)	Share options series 2 (Note 3)
Volatility	34.455% (Note 4)	33.943% (Note 5)	33.680% (Note 6)
Time to maturity	4.5 year	5.0 year	5.5 year
Dividend	40 yen / share	40 yen / share	40 yen / share
Risk free rate	0.080%	0.095%	0.112%

Note:

1. Share options whose exercise period starts on August 12, 2018.
2. Share options whose exercise period starts on August 12, 2019.
3. Share options whose exercise period starts on August 12, 2020.
4. Four year and a half historical volatility from February 12, 2011 to August 11, 2015 is used.
5. Five year historical volatility from August 12, 2010 to August 11 2015 is used.
6. Five year and a half historical volatility from February 12, 2010 to August 11, 2015 is used.
7. Due to the lack of adequate data for the reasonable estimation, the Company regards share options to be exercised upon the middle point of the exercise period.
8. Based on the dividend distributed during the year ended March 31, 2015.
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 share 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 - Tax effect accounting

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

(Millions of Yen)

	As of March 31, 2015	As of March 31, 2016
Deferred tax assets		
Accrued enterprise tax	374	215
Excess of allowance for doubtful Accounts	323	388
Reserve for retirement bonuses for directors and auditors	66	63
Reserve for financial products transaction liabilities	860	1,025
Provision for bonuses	92	77
Other	31	46
Total deferred tax assets	1,746	1,813
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(1,249)	(912)
Other	(0)	(0)
Total deferred tax liabilities	(1,249)	(912)
Net balance of deferred tax assets	497	901

### 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." and "Partial Amendment of the Local Tax Act, etc." was satisfied in the Diet on March 29, 2016. 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, 2016 and on April 1, 2017 were changed from 32.34% to 30.86%, and in the fiscal years end after April 1, 2018 was changed from 32.34% to 30.62%.

Due to this change, deferred income tax assets were decreased by 47 million yen, the income taxes-deferred were increased by 99 million yen and net unrealized gain on investment securities, net of taxes were increased by 51 million yen.

## **Notes - Segment information, etc.**

(Segment information)

(Year ended March 31, 2015 and Year ended March 31, 2016)

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

(Notes - Information associated with reportable segments)

(Year ended March 31, 2015)

(1) Description of fact and reason why information for each product or service is not presented

Information for each product or service has been omitted as over 90% of operating revenue from outside customers on the non-consolidated statement of income is related to only a single segment.

(2) Information for each region

1) Revenues from external customers

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

2) Property, plant and equipment

There is no relevant item as the Company does not hold any overseas property, plant and equipment.

(3) Description of fact and reason why information for each of main customers is not presented

Information for each of main customers has been omitted as no outside customer individually provides over 10% of the operating revenue from outside customers on the non-consolidated statement of income.

(Year ended March 31, 2016)

(1) Description of fact and reason why information for each product or service is not presented

Information for each product or service has been omitted as over 90% of operating revenue from outside customers on the consolidated statement of income is related to only a single segment.

(2) Information for each region

1) Revenues from external customers

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

2) Property, plant and equipment

There is no relevant item as the Company does not hold any overseas property, plant and equipment.

(3) Description of fact and reason why information for each of main customers is not presented

Information for each of main customers has been omitted as no outside customer individually provides over 10% of the operating revenue from outside customers on the non-consolidated statement of income.

(Disclosure of impairment loss on non-current assets for each reportable segment)

Disclosure of impairment loss on non-current assets for each reportable segment has been omitted, as the business of the Company consists of only a single segment of online brokerage service.

(Amortization and unamortized balance of goodwill for each reportable segment)

No relevant items.

(Information about gain on bargain purchase for each reportable segment)

No relevant items.

**Notes - Equity in earnings (losses) of affiliates if equity method is applied**

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

(Notes - Related parties)

(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.

(Year ended March 31, 2016)

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 14.62% 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.

## **Notes - Per share information**

	Year ended March 31, 2015	Year ended March 31, 2016
Net assets per share	350.63 Yen	361.01 Yen
Basic earnings per share	60.65 Yen	57.50 Yen
Diluted earnings per share	60.64 Yen	57.49 Yen

Note:

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

Items	Year ended March 31, 2015	Year ended March 31, 2016
Basic earnings per share		
Net income (Millions of yen)	15,571	14,763
Net income not attributed to common stock (Millions of yen)	—	—
Net income attributed to common stock (Millions of Yen)	15,571	14,763
Average number of shares of common stock outstanding (Shares)	256,731,565	256,731,423
Diluted earnings per share		
Increase of common stock (Shares)	24,767	64,922
[Of the above, subscription rights to shares (Shares)]	[24,767]	[64,922]
Significant changes in the residual securities which are not considered in the calculation of diluted earnings per share		—

## **Notes - Significant events after reporting period**

No relevant items.



**(5) Annexed detailed schedules**

**i ) Annexed detailed schedule of securities**

According to the Article 124 of Regulations on Financial Statements, a detailed list of investment securities whose book value as of March 31, 2016 totals less than 1/100 of the total assets is omitted.

**ii ) Annexed detailed schedule of property, plant and equipment, etc.**

(Millions of Yen)

		As of April 1, 2015	Increase in the current period	Decrease in the current period	As of March 31, 2016	Accumulated Depreciation and Amortization	Depreciation expensed in the current period	Net Value of assets
Property, plant and equipment	Buildings	647	8	2	653	455	21	197
	Equipment	1,186	25	96	1,115	794	98	321
	Land	434	—	—	434	—	—	434
	Total	2,266	34	98	2,202	1,249	120	953
Intangible assets	Software	15,945	1,209	831	16,323	13,325	1,055	2,999
	Other	41	—	21	20	20	0	0
	Total	15,986	1,209	851	16,344	13,345	1,056	2,999
Long-term prepaid expenses		10	2	0	11	4	2	7

Note: The increase in equipment 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 ) Annexed detailed schedule of corporate bonds**

No relevant items

**iv )Annexed detailed schedule of borrowings**

Item	As of April 1, 2015 (Millions of Yen)	As of March 31, 2016 (Millions of Yen)	Average Interest Rate (%)	Maturity
Short-term loans payable	164,500	128,000	0.14	—
Long-term loans payable to be repaid within 1 year	100	50	0.77	—
Long-term lease liabilities to be repaid within 1 year	—	—	—	—
Long-term loans payable excluding those to be repaid within 1 year	50	—	—	—
Long-term lease liabilities excluding those to be repaid within 1 year	—	—	—	—
Other interest-bearing liabilities: Borrowings on margin transactions to be repaid within 1 year	3,774	5,452	0.60	—
Total	168,424	133,502	—	—

Note: "Average Interest Rate" is the weighted average interest rate as of March 31, 2016.

**v )Annexed detailed schedule of provisions**

(Millions of Yen)

Item	Balance as of April 1, 2015	Increase	Decrease		Balance as of March 31, 2016
			Appropriation	Others	
Allowance for doubtful accounts	1,176	251	38	35	1,355
Provision for bonuses	277	248	277	—	248
Reserve for financial products transaction liabilities	2,660	689	—	—	3,349

Note: The decrease (others) of allowance for doubtful account is mainly due to reversal from revaluation of the allowance and the collection of the doubtful accounts.

**vi )Annexed detailed schedule of asset retirement obligations**

The annexed detailed schedule 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, 2015, and as of March 31, 2016.

## Components of major assets and liabilities

### [1] Assets

#### i )Cash and deposits

	Book value (Millions of Yen)
Cash in hand	0
Cash at banks	26,569
Demand deposits	23,358
Ordinary deposits	3,176
Segregated deposits	35
Total	26,569

#### ii )Cash segregated as deposits

	Book value (Millions of Yen)
Trusted money segregated for customers as fiduciary assets	363,000
Trusted money segregated for customers' foreign exchange margin tradings	12,800
Other	12
Total	375,812

#### iii )Margin transaction assets

	Book value (Millions of Yen)
Loans on margin transactions	228,152
Cash collateral pledged for securities borrowing on margin transactions	3,890
Total	232,043

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

	Book value (Millions of Yen)
Borrowings on margin transactions	5,452
Japan Securities Finance Co., Ltd.	5,193
Chubu Securities Financing Co., Ltd.	259
Cash received for securities lending on margin transactions	30,341
<b>Total</b>	<b>35,793</b>

**ii )Deposits received**

	Book value (Millions of Yen)
Deposits from customers	197,048
Deposits for others	3,222
<b>Total</b>	<b>200,271</b>

**iii )Guarantee deposits received**

	Book value (Millions of Yen)
Guarantee deposits received concerning margin transaction	144,726
Guarantee deposits received concerning futures transaction	20,460
Other	17,454
<b>Total</b>	<b>182,641</b>

**iv )Short-term loans payable**

	Book value (Millions of Yen)
Sumitomo Mitsui Trust Bank, Limited	14,000
Sumitomo Mitsui Banking Corporation	13,000
Mizuho Bank, Ltd.	10,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	10,000
Resona Bank, Limited.	5,000
Others	6,000
Call money	70,000
Long-term loans payable due within one year	50
Total	128,050

**Other information**

Quarterly operating revenue and others for the fiscal year ended March 31, 2016

	Three months Ended June 30, 2015	Six months Ended September 30, 2015	Nine months Ended December 31, 2015	Year Ended March 31, 2016
Operating revenue (Millions of Yen)	9,236	18,540	26,611	34,435
Net operating revenue (Millions of Yen)	8,788	17,747	25,496	33,003
Profit before income taxes (Millions of Yen)	6,069	12,872	17,755	22,151
Net income (Millions of Yen)	4,066	8,625	11,898	14,763
Basic earnings per share (Yen)	15.84	33.59	46.34	57.50

	Three months ended June 30, 2015	Three months ended September 30, 2015	Three months ended December 31, 2015	Three months ended March 31, 2016
Basic earnings per share (Yen)	15.84	17.76	12.75	11.16

## **2 Information about company which provides guarantee to reporting 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, 2016.**