

Annual Securities Report  
Including Financial Statements  
Under Japanese GAAP  
For the Year  
Ended March 31, 2017

**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 19, 2017

# 1 Company information

## Part 1 Overview of company

### 1 Summary of business results

#### (1) Business results of reporting company

	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2015	Year Ended March 31, 2016	Year Ended March 31, 2017
Operating revenue (Millions of Yen)	20,799	39,883	34,306	34,435	27,727
Net operating revenue (Millions of Yen)	19,915	38,738	32,893	33,003	26,499
Ordinary income (Millions of Yen)	10,245	27,175	22,202	21,833	15,044
Net income (Millions of Yen)	6,427	16,300	15,571	14,763	10,697
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	259,264,702	259,264,702
Net assets (Millions of Yen)	80,841	85,365	90,029	92,718	94,820
Total assets (Millions of Yen)	610,804	688,353	817,183	663,425	770,716
Net assets per share (Yen)	314.89	332.51	350.63	361.01	369.02
Dividend paid per share [Interim dividend paid per share] (Yen)	20.00 [—]	50.00 [30.00]	40.00 [20.00]	45.00 [25.00]	33.00 [13.00]
Basic earnings per share (Yen)	25.03	63.49	60.65	57.50	41.67
Diluted earnings per share (Yen)	—	—	60.64	57.49	41.65
Equity-to-asset ratio (%)	13.2	12.4	11.0	14.0	12.3
Rate of return on equity (%)	8.2	19.6	17.8	16.2	11.4
Price-earnings ratio (Times)	39.55	16.51	18.00	16.68	20.90
Payout ratio (%)	79.9	78.8	66.0	78.3	79.2
Net cash provided by (used in) operating activities (Millions of Yen)	(74,775)	(18,060)	21,871	43,431	11,510
Net cash provided by (used in) investing activities (Millions of Yen)	(791)	(1,142)	2,068	(824)	(2,014)
Net cash provided by (used in) financing activities (Millions of Yen)	77,102	25,910	(21,867)	(48,147)	(10,269)
Cash and cash equivalents (Millions of Yen)	26,624	33,333	35,406	29,865	29,093
Number of employees [Average number of temporary workers]	121 [155]	124 [151]	120 [156]	121 [195]	123 [197]

Note:

1. The Company does not report diluted earnings per share from the year ended March 31, 2013 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, 2017 (33 yen per share) are pending until the payment is approved by the shareholder's meeting to be held on June 25, 2017.

## **2 Overview of affiliated entities**

No relevant items.

## **3 Information about employees**

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

The Company employs 123 employees (This number includes 4 employees on leave) and 197 temporary workers. The average age is 39.1, the average length of service of employees is 12.7 years and the average of their annual compensation is 7,832 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, 2017 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.  
The Company will change the policy of covering customers' positions in foreign exchange margin trading. In new scheme the Company will not necessarily cover all the customers' positions, which will cause market risks to the Company. The Company will trade counterparties other than Central Tanshi FX Co., Ltd, which will lower credit risk from the counterparties. The Company will try to control market risk through covering and matching customers' trade by following the corporate rules although unexpected events in the foreign exchange market may bring financial damage to the Company.
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, 2017.

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

No relevant Items.

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

No relevant Items.

## **Part 3 Information about facilities**

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

The Company has invested 2,407 million yen during the year ended March 31, 2017 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.	28	340	4,118	4,487	118 (20)
Sapporo Call Center	Chuo-ku, Sapporo, Hokkaido	Call center equipment	8	5	—	13	5 (177)

Note:

1. The headquarters and the Sapporo Call Center are rented from other companies.
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 2,300 million yen mainly in online securities trading systems using its own capital from April 2017 through March 2018. 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, 2017 (End of the fiscal year ended March 31, 2017)	As of June 19, 2017 (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, 2017 (End of the fiscal year ended March 31, 2017)	As of May 31, 2017 (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, 2017 (End of the fiscal year ended March 31, 2017)	As of May 31, 2017 (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:

- 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.
- 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.
- 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.
- 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.
  - Persons allotted subscription rights to shares are eligible to exercise their rights as follows.
    - From August 12, 2018 to August 11, 2019: Within one third of the number of rights originally allotted.
    - From August 12, 2019 to August 11, 2020: Within two thirds of the number of rights originally allotted.
    - From August 12, 2020 to August 11, 2021: All rights can be exercised.
  - Each one right cannot be partially exercised.
  - Other conditions of exercise are specified in the contracts between the Company and the persons to be allotted subscription rights to shares.
- 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 26, 2016 are as follows.

	As of March 31, 2017 (End of the fiscal year ended March 31, 2017)	As of May 31, 2017 (End of the last month before the date of the filing of this Report)
Number of Subscription rights to shares (Units)	948	948
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 94,800	1 94,800
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 11, 2019 to August 10, 2022 2	From August 11, 2019 to August 10, 2022 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:**

- 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.
- 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.
- Issuance price of the subscription rights to shares to be exercised from August 11, 2019 is 738 yen per share. Issuance price of the subscription rights to shares to be exercised from August 11, 2020 is 721 yen per share. Issuance price of the subscription rights to shares to be exercised from August 11, 2021 is 704 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.
- 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.
  - Persons allotted subscription rights to shares are eligible to exercise their rights as follows.
    - From August 11, 2019 to August 10, 2020: Within one third of the number of rights originally allotted.
    - From August 11, 2020 to August 10, 2021: Within two thirds of the number of rights originally allotted.

- 3) From August 11, 2021 to August 10, 2022: 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, 2017)

	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	
					Share- holders other than individuals	Individuals			
Number of shareholders	—	31	37	154	221	34	37,406	37,883	—
Number of shares in possession (unit)	—	469,426	63,700	893,543	164,261	402	1,001,160	2,592,492	15,502
Percentage of shares in possession (%)	—	18.11	2.46	34.47	6.34	0.02	38.62	100.00	—

Note:

- 25,333 units out of 2,533,366 treasury shares are included in the “Individuals and others” and 66 shares out of 2,533,366 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, 2017)

Name	Address	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Maruroku Ltd.	2-4-2, Nishikata, Bunkyo-ku, Tokyo, Japan	51,312	19.79
Shokosha Ltd.	2-4-2, Nishikata, Bunkyo-ku, Tokyo, Japan	35,722	13.78
Chizuko Matsui	Bunkyo-ku, Tokyo, Japan	30,821	11.89
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo, Japan	20,086	7.75
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	10,053	3.88
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	4,014	1.55
Total	—	182,169	70.26

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, 2017 )

	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 256,715,900	2,566,035
Odd lot shares (1 lot = 100 shares)	Common stock 15,502	—
Total number of issued shares	259,264,702	—
Total number of voting rights	—	2,566,035

Note:

- 400 shares under the title of Japan Securities Depository Center Inc. and 112,400 shares of securities bought by customers using money loaned from the Company's own fund are included in "Shares with full voting rights (Other than treasury 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)." 1,124 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)".
- 66 treasury shares are included in odd-lot shares.

### (ii) Treasury shares, etc.

( As of March 31, 2017 )

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, 2017	52	0
Acquisition of treasury shares from April 1, 2017 to June 19, 2017	—	—

Note: Acquisition of treasury shares from April 1, 2017 to June 19, 2017 does not include the purchase of odd-lot shares from June 1, 2017 to June 19, 2017.

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

Item	Year ended March 31, 2017		From April 1, 2017 to June 19, 2017	
	Number of shares	Total disposal price (Millions of Yen)	Number of shares	Total disposal price (Millions of Yen)
Treasury shares subscribed	—	—	—	—
Treasury shares retired	—	—	—	—
Treasury shares transferred by merger, stock exchanges or corporate separation	—	—	—	—
Others ( - )	—	—	—	—
Number of treasury shares	2,533,366	—	2,533, 366	—

Note: The number of treasury shares from April 1, 2017 to June 19, 2017 does not include the purchase of odd-lot shares from June 1, 2017 to June 19, 2017.

### 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, 2017 will be 33 yen per share including 13 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 25, 2017). 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, 2017 is as follows:

Date of resolution	Amount of dividend payment	Dividends per share
Board of directors' meeting held on October 27, 2016	3,338 million yen	13 yen
Ordinary General Meeting of Shareholders to be held on June 25, 2017	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, 2013	Year Ended March 31, 2014	Year Ended March 31, 2015	Year Ended March 31, 2016	Year Ended March 31, 2017
	Highest (Yen)	1,085	1,355	1,200	1,170	1,040
	Lowest (Yen)	372	793	898	876	775

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 2016	November 2016	December 2016	January 2017	February 2017	March 2017
	Highest (Yen)	846	894	1,040	1,038	972	968
	Lowest (Yen)	804	775	891	966	919	870

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:12 Female:0

(As of June 19, 2017)

	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 (Managing Director of Compliance Dept. and System Dept.)	41
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 Saiga	Director (General Manager of Compliance Dept.)	1
Motoo Igawa	Outside director	10
Junji Annen	Outside director	—
Hiroyuki Yajima	Standing Corporate Auditor	17
Yasuo Mochizuki	Corporate Auditor	—
Mikitoshi Kai	Corporate Auditor	2
Total	—	7,020

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 9 directors and the appointment of 1 director are the agenda of the shareholders' meeting to be held on June 25, 2017 and will be voted-on at that time (Male:13 Female:0). The following table shows the director who is being presented for appointment:

	Title	Number of shares in possession (Thousands of shares)
Masashi Shibata	Director (General Manager of Business Development Dept.)	3

The following officer changes the position after the shareholders' meeting to be held on June 25, 2017.

	New title	Former title
Akira Warita	Managing Director (Director in charge of Marketing Dept. and Customer Support Dept., Managing Director of Business Development Dept.)	Managing Director (Director in charge of Marketing Dept., Business Development Dept. and Customer Support Dept.)



## **Part 5 Financial information**

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

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

The financial statements for the fiscal year ended March 31, 2017 were audited by PricewaterhouseCoopers Aarata LLC based on the Article 193-2-1 of Financial Instruments and Exchange Act.

### **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 financial statements have been prepared in accordance with the provision set forth in the Corporation Law of Japan and the Financial Instruments and Exchange Act, 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 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, 2016	March 31, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	26,569	25,743
Cash segregated as deposits	375,812	467,212
Money held in trust	4,596	5,950
Trading products:	1,817	1,408
Trading securities and other	0	0
Derivatives	1,817	1,408
Trade date accrual	17	15
Margin transaction assets:	232,043	245,202
Loans on margin transactions	228,152	237,047
Cash collateral pledged for securities borrowing on margin transactions	3,890	8,154
Loans secured by securities:	7,869	9,536
Cash collateral pledged for securities borrowed	7,869	9,536
Advances paid:	23	26
Advance payments for customers on trades	23	26
Advance payments for others	0	0
Cash paid for offering	—	28
Short-term guarantee deposits	2,166	1,648
Advance payments	1	2
Prepaid expenses	189	213
Accounts receivable	1	10
Accrued income	3,807	4,174
Deferred tax assets	314	203
Other	—	256
Allowance for doubtful accounts	(7)	(116)
Total current assets	655,217	761,510
Non-current assets		
Property, plant and equipment:	953	958
Buildings	1 197	1 177
Equipment	1 321	1 347
Land	434	434
Intangible assets:	2,999	4,118
Software	2,999	4,118
Other	0	0
Investments and other assets:	4,256	4,129
Investment securities	3,119	2,893
Investments in capital	8	8
Long-term loans receivable	507	499
Long-term guarantee deposits	261	314
Long-term prepaid expenses	7	17
Deferred tax assets	587	675
Long-term receivables	1,021	1,179
Other	95	93
Allowance for doubtful accounts	(1,348)	(1,549)
Total non-current assets	8,208	9,205
Total assets	663,425	770,716

(Millions of Yen)

	March 31, 2016	March 31, 2017
<b>Liabilities</b>		
Current liabilities		
Trading products:	458	281
Derivatives	458	281
Margin transaction liabilities:	35,793	51,228
Borrowings on margin transactions	2 5,452	2 5,932
Cash received for securities lending on margin transactions	30,341	45,297
Loans payable secured by securities:	14,838	13,262
Cash received on debt credit transaction of securities	14,838	13,262
Deposits received:	200,271	272,048
Deposits from customers	197,048	266,444
Deposits for others	3,222	5,604
Guarantee deposits received	182,641	205,409
Accounts for non-received securities and others	44	—
Short-term loans payable	128,050	126,100
Advances received	0	—
Unearned revenue	35	33
Accounts payable	379	672
Accrued expenses	844	903
Income taxes payable	3,551	2,417
Provision for bonuses	248	174
Total current liabilities	567,151	672,527
Non-current liabilities		
Long-term loans payable	—	150
Reserve for retirement bonuses for directors and auditors	204	204
Other	3	3
Total non-current liabilities	208	358
Reserves under special laws		
Reserve for financial products transaction liabilities	4 3,349	4 3,012
Total reserves under special laws	3,349	3,012
Total liabilities	570,707	675,896

(Millions of Yen)

	March 31, 2016	March 31, 2017
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	—
Retained earnings brought forward	66,384	72,859
Total retained earnings	70,793	73,018
Treasury shares	(1,915)	(1,915)
Total shareholders' equity	90,616	92,840
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,066	1,898
Total valuation and translation adjustments	2,066	1,898
Subscription rights to shares	37	81
Total net assets	92,718	94,820
Total liabilities and net assets	663,425	770,716

## (2) Statement of Income

(Millions of Yen)

	Year ended March 31, 2016		Year ended March 31, 2017	
Operating revenue				
Commission received		21,742		17,253
Commission to consignees		20,414		16,260
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors		50		13
Fee for offering, secondary distribution and solicitation for selling and others for professional investors		0		1
Other fees received		1,278		979
Net trading income		6		3
Financial revenue	1	12,682	1	10,467
Other operating revenue		5		4
Total operating revenue		34,435		27,727
Financial expenses	2	1,431	2	1,228
Net operating revenue		33,003		26,499
Selling, general and administrative expenses				
Trading related expenses	3	4,674	3	4,345
Personnel expenses	4	2,178	4	2,227
Real estate expenses	5	890	5	891
Office cost	6	1,713	6	1,841
Depreciation		1,175		1,267
Taxes and dues	7	288	7	362
Provision of allowance for doubtful accounts		216		311
Other		123		317
Total selling, general and administrative expenses		11,258		11,560
Operating income		21,745		14,939
Non-operating income				
Dividend income		76		91
Other		14		18
Total non-operating income		90		109
Non-operating expenses				
Other		2		4
Total non-operating expenses		2		4
Ordinary income		21,833		15,044
Extraordinary income				
Gain on sales of investment securities		1,012		—
Reversal of reserve for financial products transaction liabilities		—		337
Gain on sales of non-current assets		—	8	1
Total extraordinary income		1,012		338
Extraordinary losses				
Provision of reserve for financial products transaction liabilities		689		—
Loss on sales and retirement of non-current assets	9	6	9	15
Total extraordinary losses		695		15
Profit before income taxes		22,151		15,367
Income taxes – current		7,455		4,573
Income taxes - deferred		(67)		97
Total income taxes		7,388		4,670
Profit		14,763		10,697

### (3) Statement of changes in equity

(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

(Year ended March 31, 2017)

(Millions of Yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings			
		Legal capital surplus	Total Capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward	
Balance at beginning of current period	11,945	9,793	9,793	159	4,250	66,384	70,793
Changes of items during period							
Dividends of surplus						(8,472)	(8,472)
Profit						10,697	10,697
Reversal of General reserve					(4,250)	4,250	—
Purchase of treasury shares							
Net changes of items other than shareholders' equity							
Total changes of items during period	—	—	—	—	(4,250)	6,475	2,225
Balance at end of current period	11,945	9,793	9,793	159	—	72,859	73,018

	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	(1,915)	90,616	2,066	2,066	37	92,718
Changes of items during period						
Dividends of surplus		(8,472)				(8,472)
Profit		10,697				10,697
Reversal of General reserve		—				—
Purchase of treasury shares	(0)	(0)				(0)
Net changes of items other than shareholders' equity			(167)	(167)	44	(123)
Total changes of items during period	(0)	2,225	(167)	(167)	44	2,101
Balance at end of current period	(1,915)	92,840	1,898	1,898	81	94,820

#### (4) Statement of cash flows

(Millions of Yen)

	Year ended march 31, 2016	Year ended march 31, 2017
Cash flows from operating activities		
Profit (loss) before income taxes	22,151	15,367
Depreciation	1,175	1,267
Increase (decrease) in allowance for doubtful accounts	179	310
Increase (decrease) in provision for bonuses	(29)	(74)
Increase (decrease) in reserve for financial products transaction liabilities	689	(337)
Interest and dividend income	(12,269)	(10,164)
Interest expenses	997	883
Loss (gain) on sales and retirement of non-current assets	6	13
Loss (gain) on sales of investment securities	(1,012)	—
Decrease (increase) in cash segregated as deposits	87,100	(91,400)
Net change in cash in trust	(100)	(1,300)
Decrease (increase) in trading products - assets (liabilities)	(1,200)	231
Decrease (increase) in trade date accrual	167	2
Decrease/increase in assets/liabilities for margin transaction	31,560	2,277
Decrease (increase) in loans secured by securities	4,211	(1,667)
Decrease/increase in advance paid/deposits received	(61,241)	71,774
Increase (decrease) in borrowings secured by securities	(10,721)	(1,576)
Increase (decrease) in guarantee deposits received	(24,457)	22,768
Decrease (increase) in short-term guarantee deposits	3,570	518
Other, net	247	(625)
Subtotal	41,022	8,268
Interest and dividend income received	12,846	9,832
Interest expenses paid	(1,030)	(874)
Income taxes paid	(9,407)	(5,716)
Net cash provided by (used in) operating activities	43,431	11,510
Cash flows from investing activities		
Purchase of property, plant and equipment	(169)	(118)
Proceeds from sales of property, plant and equipment	—	1
Purchase of intangible assets	(1,635)	(1,827)
Purchase of investment securities	(40)	(20)
Proceeds from sales of investment securities	1,016	—
Other, net	4	(50)
Net cash provided by (used in) investing activities	(824)	(2,014)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(36,500)	(2,000)
Proceeds from long-term loans payable	—	300
Repayments of long-term loans payable	(100)	(100)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(11,547)	(8,469)
Net cash provided by (used in) financing activities	(48,147)	(10,269)
Effect of exchange rate change on cash and cash equivalents	(0)	0
Net increase (decrease) in cash and cash equivalents	(5,540)	(772)
Cash and cash equivalents at beginning of period	35,406	29,865
Cash and cash equivalents at end of period	1 29,865	1 29,093



## **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 Act.

### 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.

Additional information

“The Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26 of March 28, 2016) was applied from this fiscal year.

## **Notes - Balance sheet**

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

(Millions of Yen)

	As of March 31, 2016	As of March 31, 2017
Buildings	455	476
Equipment	794	843
Total	1,249	1,320

### 2 Notes regarding pledged assets

(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.

(As of March 31, 2017)

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 652 million yen are collateralized for the borrowings on margin transactions. 11,051 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, 2016	As of March 31, 2017
1)Securities lent for customers' short positions in margin transaction	31,594	48,542
2)Collateralized securities for borrowing on margin transactions	5,420	5,928
3)Securities loaned out in securities loaned vs. cash transactions	18,293	22,420
4)Long-term guarantee securities deposited	10,622	7,437
5)Securities pledged as collateral for short-term guarantee	34,792	40,215

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

(Millions of Yen)

	As of March 31, 2016	As of March 31, 2017
1)Securities received for customers' long positions in margin transaction	207,823	227,238
2)Securities borrowing on margin transactions	3,750	8,110
3)Securities received in securities borrowed vs. cash transactions	7,332	8,875
4)Guarantee securities received from customers	362,833	396,801
5)Securities received from customers as collateral for short-term guarantee	2,967	3,039

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 Act.

## **Notes - Statement of income**

### 1 Breakdown of financial revenue

	(Millions of Yen)	
	Year ended March 31, 2016	Year ended March 31, 2017
Interest on margin transactions	11,562	9,531
Interest received for the securities lending	470	451
Other	651	485
Total	12,682	10,467

### 2 Breakdown of financial expenses

	(Millions of Yen)	
	Year ended March 31, 2016	Year ended March 31, 2017
Interest expense on margin transactions	664	780
Interest paid for the borrowings from finance companies on margin transactions	24	10
Interest expenses	254	28
Other	489	410
Total	1,431	1,228

### 3 Notes regarding trading related expenses

	(Millions of Yen)	
	Year ended March 31, 2016	Year ended March 31, 2017
Commission fee	742	709
Membership fees for stock exchanges and securities associations	1,738	1,409
Communications expenses	1,692	1,672
Travel and transportation expenses	13	15
Advertisements	475	531
Entertainment expenses	15	11
Total	4,674	4,345

### 4 Breakdown of personnel expenses

	(Millions of Yen)	
	Year ended March 31, 2016	Year ended March 31, 2017
Directors' compensations	247	280
Employees' salaries	705	750
Other compensations	787	810
Welfare expenses	165	168
Provision for bonuses	248	174
Share-based compensation expenses	27	44
Total	2,178	2,227

## 5 Notes regarding real estate expenses

	(Millions of Yen)	
	Year ended March 31, 2016	Year ended March 31, 2017
Occupancy and rental fee	325	327
Equipment expenses	564	563
Total	890	891

## 6 Notes regarding office cost

	(Millions of Yen)	
	Year ended March 31, 2016	Year ended March 31, 2017
Data processing and outsourcing cost of operations	1,708	1,835
Office supplies	5	5
Total	1,713	1,841

## 7 Notes regarding taxes and dues

	(Millions of Yen)	
	Year ended March 31, 2016	Year ended March 31, 2017
Enterprise tax (reduction on VAT and capital levy)	237	312
Other	51	50
Total	288	362

## 8 Notes regarding gain on sales of non-current assets

	(Millions of Yen)	
	Year ended March 31, 2016	Year ended March 31, 2017
Equipment	—	1
Total	—	1

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

### Loss on retirement

	(Millions of Yen)	
	Year ended March 31, 2016	Year ended March 31, 2017
Software	5	13
Other	0	1
Total	6	15

## Notes - Statement of changes in equity

(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

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

(Year ended March 31, 2017)

1. Notes regarding issued shares and treasury shares

(Number of shares)

	Number of shares as of April 1, 2016	Number of shares increased in the year ended March 31, 2017	Number of shares decreased in the year ended March 31, 2017	Number of shares as of March 31, 2017
Issued shares				
Common stock	259,264,702	—	—	259,264,702
Total	259,264,702	—	—	259,264,702
Treasury shares				
Common stock	2,533,314	52	—	2,533,366
Total	2,533,314	52	—	2,533,366

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, 2017
New share subscription rights (2014)	41
New share subscription rights (2015)	28
New share subscription rights (2016)	12
Total	81

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. Exercise period of the new share subscription rights (2016) does not start before August 11, 2019.

3. Notes regarding dividend

(1) Dividend payment

Date of resolution	Ordinary General Meeting of Shareholders held on June 26, 2016	Board of directors' meeting held on October 27, 2016
Type of shares	Common stock	Common stock
Amount of dividend payment	5,135 million yen	3,338 million yen
Dividends per share	20 yen	13 yen
Date of record for dividends	March 31, 2016	September 30, 2016
Effective date	June 27, 2016	November 24, 2016

(2) Dividends for which effective date is in the year ending March 31, 2017 (Plan)

Date of resolution	Ordinary General Meeting of Shareholders to be held on June 25, 2017
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, 2017
Effective date	June 26, 2017



## **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, 2016	Year ended March 31, 2017
Cash and deposits	26,569	25,743
Money held in trust	4,596	5,950
Money held in trust whose purpose is to segregate guarantee deposits received	(1,300)	(2,600)
Cash and cash equivalents	29,865	29,093

## **Notes - Financial instruments**

(Year ended March 31, 2017)

### 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 Act. 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.

The Company will do proprietary trading in foreign exchange margin trading to gain trading income in the limited scale from the next fiscal year.

#### (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 Act. 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.

The Company will do proprietary trading in foreign exchange margin trading to gain trading income in the limited scale from the next fiscal year. The finance division will monitor the risk arising from proprietary trading.

### (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

(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	—
Total assets	651,697	651,697	—
(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	—
Total liabilities	562,050	562,050	—

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.

(Year ended March 31, 2017)

Book value, fair value of financial instruments, and the differences between these values as of March 31, 2017 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	25,743	25,743	—
(2) Cash segregated as deposits	467,212	467,212	—
(3) Money held in trust	5,950	5,950	—
(4) Trading products and Investment securities	4,158	4,158	—
1) Trading securities and other	0	0	—
2) Derivatives	1,408	1,408	—
3) Other securities	2,749	2,749	—
(5) Loans on margin transactions	245,202	245,202	—
(6) Cash collateral pledged for securities borrowed	9,536	9,536	—
<b>Total assets</b>	<b>757,800</b>	<b>757,800</b>	<b>—</b>
(1) Trading products	281	281	—
Derivatives	281	281	—
(2) Cash received for securities lending on margin transactions	51,228	51,228	—
(3) Cash received on debt credit transaction of securities	13,262	13,262	—
(4) Deposits received	272,048	272,048	—
(5) Guarantee deposits received	205,409	205,409	—
(6) Short-term loans payable	126,100	126,100	—
<b>Total liabilities</b>	<b>668,328</b>	<b>668,328</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	143

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, 2017

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, 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".

(Year ended March 31, 2017)

	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	48,552	1,408	8,468	281

Note:

1. Fair value of the foreign exchange margin trading is calculated with spot rate at the end of the year ended March 31, 2017.
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, 2016)

No relevant items.

(Year ended March 31, 2017)

No relevant items.

**ii )“Other securities” whose market price is available**

(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

(Year ended March 31, 2017)

	Type	Year ended March 31, 2017		
		Book value (Millions of Yen)	Acquisition cost (Millions of Yen)	Differences (Millions of Yen)
Those whose book value exceeds acquisition cost	(1) Stocks	2,749	13	2,736
	(2) Bonds	—	—	—
	(3) Others	—	—	—
	Sub total	2,749	13	2,736
Those whose book value does not exceed acquisition cost	(1) Stocks	—	—	—
	(2) Bonds	—	—	—
	(3) Others	—	—	—
	Sub total	—	—	—
Total		2,749	13	2,736

**iii )“Other securities” sold during the current period**

(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	—

(Year ended March 31, 2017)

No relevant items.

## **Notes - Share options, etc.**

### 1. Cost of share options

	As of March 31, 2016 (Millions of Yen)	As of March 31, 2017 (Millions of Yen)
Share-based compensation expenses	27	44

### 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

### ③ Share options series 3

#### 1) Subscription rights to shares to be exercised from August 11, 2019

	Share options series 3
Date of resolution	July 26, 2016
Persons eligible for the allotment and their number	7 Directors of the Company (excluding outside directors)
Class and number of shares to be issued	Common stock 31,400 shares
Allotment date	August 10, 2016
Conditions for exercising	1
Vesting period	From August 10, 2016 to August 10, 2019
Exercise period	From August 11, 2019 to August 10, 2022

#### 2) Subscription rights to shares to be exercised from August 11, 2020

	Share options series 3
Date of resolution	July 26, 2016
Persons eligible for the allotment and their number	7 Directors of the Company (excluding outside directors)
Class and number of shares to be issued	Common stock 31,400 shares
Allotment date	August 10, 2016
Conditions for exercising	1
Vesting period	From August 10, 2016 to August 10, 2020
Exercise period	From August 11, 2020 to August 10, 2022

#### 3) Subscription rights to shares to be exercised from August 11, 2021

	Share options series 3
Date of resolution	July 26, 2016
Persons eligible for the allotment and their number	7 Directors of the Company (excluding outside directors)
Class and number of shares to be issued	Common stock 32,000 shares
Allotment date	August 10, 2016
Conditions for exercising	1
Vesting period	From August 10, 2016 to August 10, 2021
Exercise period	From August 11, 2021 to August 10, 2022

※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, 2017 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	Share options series 3
Before the end of vesting period			
As of March 31, 2016	83,900	68,000	—
Granted	—	—	94,800
Forfeited	—	—	—
Vested	—	—	—
Unvested	83,900	68,000	94,800
After the end of vesting period			
As of March 31, 2016	—	—	—
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.

	Share options series 3 (Note 1)	Share options series 3 (Note 2)	Share options series 3 (Note 3)
Date of resolution	July 26, 2016	July 26, 2016	July 26, 2016
Exercise price(Yen)	1	1	1
Average stock price at the exercise of rights(Yen)	—	—	—
Fair value at the grant date(Yen)	737	720	703

Note:

1. Share options whose exercise period starts on August 11, 2019.
2. Share options whose exercise period starts on August 11, 2020.
3. Share options whose exercise period starts on August 11, 2021.

(3) Evaluation method of fair value of share options allotted during the year ended March 31, 2017

1) Evaluation method

Black-Scholes model

2) Main basic parameters and the method of their estimation

	Share options series 3 (Note 1)	Share options series 3 (Note 2)	Share options series 3 (Note 3)
Volatility	32.768% (Note 4)	32.480% (Note 5)	33.543% (Note 6)
Time to maturity	4.5 year	5.0 year	5.5 year
Dividend	45 yen / share	45 yen / share	45 yen / share
Risk free rate	(0.180%)	(0.180%)	(0.184%)

Note:

1. Share options whose exercise period starts on August 11, 2019.
2. Share options whose exercise period starts on August 11, 2020.
3. Share options whose exercise period starts on August 11, 2021.
4. Four year and a half historical volatility from February 11, 2012 to August 10, 2016 is used.
5. Five year historical volatility from August 11, 2011 to August 10 2016 is used.
6. Five year and a half historical volatility from February 11, 2011 to August 10, 2016 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, 2016.
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, 2016	As of March 31, 2017
Deferred tax assets		
Accrued enterprise tax	215	131
Excess of allowance for doubtful Accounts	388	493
Reserve for retirement bonuses for directors and auditors	63	63
Reserve for financial products transaction liabilities	1,025	922
Provision for bonuses	77	54
Other	46	54
Total deferred tax assets	1,813	1,716
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(912)	(838)
Other	(0)	(0)
Total deferred tax liabilities	(912)	(838)
Net balance of deferred tax assets	901	878

### 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.

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

(Segment information)

(Year ended March 31, 2016 and Year ended March 31, 2017)

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, 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 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, 2017)

(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, 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.

(Year ended March 31, 2017)

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 and rental of real estate	Shokosha Ltd. holds 13.92% of voting rights of the Company directory.	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, 2016	Year ended March 31, 2017
Net assets per share	361.01 Yen	369.02 Yen
Basic earnings per share	57.50 Yen	41.67 Yen
Diluted earnings per share	57.49 Yen	41.65 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, 2016	Year ended March 31, 2017
Basic earnings per share		
Net income (Millions of yen)	14,763	10,697
Net income not attributed to common stock (Millions of yen)	—	—
Net income attributed to common stock (Millions of Yen)	14,763	10,697
Average number of shares of common stock outstanding (Shares)	256,731,423	256,731,362
Diluted earnings per share		
Increase of common stock (Shares)	64,922	115,714
[Of the above, subscription rights to shares (Shares)]	[64,922]	[115,714]
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, 2017 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, 2016	Increase in the current period	Decrease in the current period	As of March 31, 2017	Accumulated Depreciation and Amortization	Depreciation expensed in the current period	Net Value of assets
Property, plant and equipment	Buildings	653	1	—	653	476	21	177
	Equipment	1,115	117	42	1,190	843	90	347
	Land	434	—	—	434	—	—	434
	Total	2,202	118	42	2,278	1,320	111	958
Intangible assets	Software	16,323	2,289	1,094	17,518	13,400	1,156	4,118
	Other	20	—	0	20	20	0	0
	Total	16,344	2,289	1,094	17,538	13,420	1,156	4,118
Long-term prepaid expenses		11	13	1	23	6	3	17

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, 2016 (Millions of Yen)	As of March 31, 2017 (Millions of Yen)	Average Interest Rate (%)	Maturity
Short-term loans payable	128,000	126,000	0.11	—
Long-term loans payable to be repaid within 1 year	50	100	0.60	—
Long-term lease liabilities to be repaid within 1 year	—	—	—	—
Long-term loans payable excluding those to be repaid within 1 year	—	150	0.60	July 31,2019
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	5,452	5,932	0.60	—
Total	133,502	132,182	—	—

Note:

1. "Average Interest Rate" is the weighted average interest rate as of March 31, 2017.
2. Long-term borrowing within 5 years after March 31, 2017 is planned as follows:

(Millions of Yen)

Item	Over 1 year and Within 2 years	Over 2 year and Within 3 years	Over 3 year and Within 4 years	Over 4 year and Within 5 years
Long-term borrowings	100	50	—	—

**v )Annexed detailed schedule of provisions**

(Millions of Yen)

Item	Balance as of April 1, 2016	Increase	Decrease		Balance as of March 31, 2017
			Appropriation	Others	
Allowance for doubtful accounts	1,355	347	1	36	1,665
Provision for bonuses	248	174	248	—	174
Reserve for financial products transaction liabilities	3,349	—	—	337	3,012

Note:

1. 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.
2. The decrease of reserve for financial products transaction liabilities is a reversal of the amount exceeding the regulatory requirement.

**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, 2016, and as of March 31,2017.

## Components of major assets and liabilities

### [1] Assets

#### i )Cash and deposits

	Book value (Millions of Yen)
Cash in hand	0
Cash at banks	25,743
Demand deposits	21,442
Ordinary deposits	4,272
Segregated deposits	29
Total	25,743

#### ii )Cash segregated as deposits

	Book value (Millions of Yen)
Trusted money segregated for customers as fiduciary assets	455,000
Trusted money segregated for customers' foreign exchange margin tradings	12,200
Other	12
Total	467,212

#### iii )Margin transaction assets

	Book value (Millions of Yen)
Loans on margin transactions	237,047
Cash collateral pledged for securities borrowing on margin transactions	8,154
Total	245,202

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

	Book value (Millions of Yen)
Borrowings on margin transactions	5,932
Japan Securities Finance Co., Ltd.	5,073
Chubu Securities Financing Co., Ltd.	859
Cash received for securities lending on margin transactions	45,297
Total	51,228

**ii )Deposits received**

	Book value (Millions of Yen)
Deposits from customers	266,444
Deposits for others	5,604
Total	272,048

**iii )Guarantee deposits received**

	Book value (Millions of Yen)
Guarantee deposits received concerning margin transaction	161,958
Guarantee deposits received concerning futures transaction	21,393
Other	22,058
Total	205,409

**iv )Short-term loans payable**

	Book value (Millions of Yen)
Sumitomo Mitsui Trust Bank, Limited	25,000
Sumitomo Mitsui Banking Corporation	20,000
Mizuho Bank, Ltd.	10,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	10,000
The Hachijuni Bank, Ltd.	6,000
Resona Bank, Limited.	5,000
Others	19,000
Call money	31,000
Long-term loans payable due within one year	100
Total	126,100

## Other information

### Quarterly operating revenue and others for the fiscal year ended March 31, 2017

	Three months Ended June 30, 2016	Six months Ended September 30, 2016	Nine months Ended December 31, 2016	Year Ended March 31, 2017
Operating revenue (Millions of Yen)	7,463	13,747	20,728	27,727
Net operating revenue (Millions of Yen)	7,212	13,241	19,837	26,499
Profit before income taxes (Millions of Yen)	4,084	7,376	11,236	15,367
Net income (Millions of Yen)	2,828	5,105	7,778	10,697
Basic earnings per share (Yen)	11.02	19.89	30.30	41.67

	Three months ended June 30, 2016	Three months ended September 30, 2016	Three months ended December 31, 2016	Three months ended March 31, 2017
Basic earnings per share (Yen)	11.02	8.87	10.41	11.37

## **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 LLC for the financial statements for the year ended March 31, 2017.**