

# FINANCIAL INFORMATION

For Fiscal Year Ended March 31, 2013  
(Consolidated)

*KYOKUTO SECURITIES CO., LTD.*

This English version is referential translation of the substantial part of the original Japanese text of the Summary Report on the Business Results for the Fiscal Year Ended March 31, 2013, and is not legally accurate translation. The original Japanese text will prevail in any difference regarding their meanings. The Kyokuto Securities Co., Ltd. does not guarantee the accuracy and/or the completeness of the translation and shall have no liability for any errors or omissions therein.

**BUSINESS RESULTS FOR FISCAL YEAR ENDED MARCH 31, 2013**Name of listed company: **Kyokuto Securities Co., Ltd.** (URL: <http://www.kyokuto-sec.co.jp>)

Listed stock exchange: First Section, Tokyo Stock Exchange Stock code number: 8706

Company's representative: Kazuhiro KIKUCHI, President and Chief Executive Officer

Contact person: Masato SHIRAI, Director, Department of Accounting and Finance

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Scheduled date of annual meeting of shareholders: June 26, 2013

Scheduled date of commencement of payment of dividends: June 5, 2013

Scheduled date of filing of securities report: June 27, 2013

**1. Consolidated Results for Fiscal Year Ended March 31, 2013 (Year from April 1, 2012 to March 31, 2013)****(1) Consolidated business results** (Millions of yen with fractions less than a million yen discarded)

(The figures in the parenthesis are percentage increase/decrease from the previous fiscal year)

	<b>FY ended Mar. 31, 2012</b>	<b>FY ended Mar. 31, 2013</b>
Operating income	9,896 ( 24.4)	12,207 ( 23.4)
Net operating income	9,768 ( 25.0)	12,081 ( 23.7)
Operating profit	4,567 ( 70.4)	7,008 ( 53.5)
Ordinary profit	4,743 ( 70.7)	7,236 ( 52.6)
Net profit	2,502 ( 52.3)	5,170 ( 106.6)
Earnings per share	78.43 yen	162.06 yen
Earnings per share (diluted)	—	—
Return on equity	7.8%	14.1%
Return on assets	8.1%	10.5%
Gross profit margin	46.2%	57.4%

Notes: 1. Comprehensive income: FY ended Mar. 31, 2012: 2,556 million yen (62.1%)

FY ended Mar. 31, 2013: 8,601 million yen (236.5%)

2. Investment profit or loss on equity method: FY ended March 2012: None.

FY ended March 2013: None.

**(2) Consolidated financial condition**

	<b>FY ended March 31, 2012</b>	<b>FY ended March 31, 2013</b>
Total assets (Millions of Yen)	60,741	77,754
Net assets (Millions of Yen)	32,968	40,293
Shareholders' equity ratio	54.3%	51.8%
Net assets per share	1,033.33 yen	1,263.01 yen

(Notes) Shareholders' equity: FY ended March 2012: 32,965 million yen

FY ended March 2013: 40,292 million yen

**(3) Consolidated cash flows**

(Millions of yen)

	<b>FY ended March 31, 2012</b>	<b>FY ended March 31, 2013</b>
Cash flow from operating activities	5,943	—5,795
Cash flow from investing activities	—2,372	—90
Cash flow from financing activities	—2,825	3,252
Cash & Cash equivalents balance	13,109	10,707

## 2. Matters Concerning Dividends

Record date	Dividends per share					Total amount of annual dividends	Dividends payout ratio (consolidated)	Dividends on net assets (consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of Period	Annual Total			
FY 2011	—	¥10.00	—	¥30.00	¥40.00	¥1,276 million	51.0%	4.0%
FY 2012	—	¥10.00	—	¥72.00	¥82.00	¥2,615 million	50.6%	7.1%

## 3. Forecast of Consolidated Business Results for Fiscal Year Ending March 31, 2014

(Year from April 1, 2013 to March 31, 2014)

The Kyokuto group's operating income consists mainly of commission revenue and gain/loss on principal trading, and substantial part of its income comes from business activities in the equity and fixed income securities markets. The amount of income we earned from our business in the equity market accounted for 9.1% (6.3% as commissions and 2.8% as gains on trading) and 8.4% (4.7% as commissions and 3.7% as gains on trading) of consolidated net operating income in the fiscal years ended March 2013 and 2012, respectively. Similarly, 73.5% and 74.0% of consolidated net operating income in the two fiscal years, respectively were derived from our business activity in the bond market. While we have endeavored to make our revenue structure resilient to market changes by diversifying revenue sources such as those from investment banking business, our operating income is still susceptible to trends of the securities markets, and thus may fluctuate unexpectedly, depending on the market situation. In addition, we have, while adhering to a business model of face-to-face consultation, offered varied financial products in response to the evolving needs of customers. In this course of business, we at times take relatively heavy positions of foreign currency-denominated fixed-income securities, exposing ourselves to risk of recording large amount of unrealized gains or loss that may be caused by unexpected, sudden changes in foreign exchange markets.

Movement of securities markets and foreign exchange markets is influenced by various factors, including, among others, overseas and/or domestic political or economic developments, corporate performance, interest rates, fiscal policy changes and so forth. Accordingly, in order to predict the group's future business results, we need to grasp future movements of the markets by properly foreseeing these factors—that can hardly be done. In addition, as for investment banking business, it is almost impossible for us to predict every future business opportunity. We believe that disclosing earnings forecast in such circumstance where there is a high probability that the forecast sharply deviates from the actual outcome due to many uncertain factors may well result in sending a wrong message to the market, thereby causing adverse influence on investment judgment of investors and shareholders to the ultimate detriment of fair price discovery.

For the reasons mentioned in the above, we refrain from disclosing earnings forecast and instead, we will endeavor to disclose actual business results as early as possible. We will disclose preliminary consolidated results by around tenth business day following the end of each fiscal year or quarter, by which business result figures are expected to be available.

## 4. Other

### (1) Changes in important subsidiary companies (i.e., changes in scope of consolidation)

In the period, no company was added to or removed from the scope of full consolidation or partial consolidation under the equity method.

### (2) Changes in accounting policies, changes in accounting estimates, or retrospective restatements

(a) Any changes caused by amendments to accounting standards: Yes. (Please see Page 18)

(b) Any changes other than (a): None.

(c) Any changes in accounting estimates: Yes (Please see Page 18)

(d) Retrospective restatements: None

**(3) Number of shares outstanding** (common stock)

(a) Number of shares outstanding (including treasury shares)

March 31, 2013: 32,779,000                      March 31, 2012: 32,779,000

(b) Number of treasury shares

March 31, 2013: 876,861                      March 31, 2012: 876,749

(c) Average number of shares outstanding

FY ended March 31, 2013: 31,902,204      FY ended March 31, 2012: 31,902,305

[Please see Page 23 "Per share data" for the number of shares used for computation of earnings per share (consolidated basis).]

**(Referential Information)****1. Non-Consolidated Results for Fiscal Year Ended March 31, 2013 (Year from April 1, 2012 to March 31, 2013)****(1) Non-consolidated business results** (Millions of yen with fractions less than a million yen discarded)

(The figures in the parenthesis are percentage increase/decrease from the previous fiscal year)

	FY ended March 31, 2012		FY ended March 31, 2013	
Operating income	10,082	(27.7)	12,387	(22.9)
Net operating income	9,953	(28.4)	12,262	(23.2)
Operating profit	4,739	(81.6)	7,150	(50.9)
Ordinary profit	5,004	(80.2)	7,559	(51.1)
Net profit	2,083	(12.7)	5,490	(163.5)
Earnings per share	65.32 yen		172.12 yen	
Earnings per share (diluted)	—		—	

**(2) Non-consolidated financial condition**

	FY ended March 31, 2012	FY ended March 31, 2013
Total assets (Millions of Yen)	58,250 million yen	74,949 million yen
Net assets (Millions of Yen)	31,207 million yen	38,852 million yen
Shareholders' equity ratio	53.3%	51.8%
Net assets per share	978.22 yen	1,217.86 yen
Net capital regulation ratio	359.3%	422.1%

(Notes) Shareholders' equity: FY ended March 2012: 31,207 million yen  
FY ended March 2013: 38,852 million yen

## I. BUSINESS RESULTS

### 1. Business Results

During the fiscal year ended March 31, 2013 (Hereinafter called the “period”), the Japanese economy was surrounded by a number of uncertainties—weak European economy, slowing-down of Asian economy, the conflict between Japan and China, and so forth. Toward the end of the period, however, the expectation for economic recovery increased, reflecting the new government’s firm attitudes toward fighting deflation and resultant weakening of Japanese yen.

The stock market kept bearish to hit its bottom of 8,238 in terms of Nikkei 225 in June, and continued moving up and down in narrow range for several months. Toward the end of 2012, however, the stock market turned into bullish trend, due mainly to expectation for positive economic effect of the “Abenomix” and declining yen against other major currencies. Nikkei 225 went up to 12,397 at the end of the period, being as high as the level immediately before the Lehman shock. The Japanese yen declined from 77 yen in September 2012 to 96 yen in March 2013.

In this environment, we kept endeavoring to offer “in-season financial products” based on our “Face to Face” business model, in response to customers’ varied needs. Our efforts resulted in very good performance for the fiscal year: The group’s consolidated earnings for the period sharply grew from the previous period, with operating income increasing 23.4% to 12,207 million yen, net operating income expanding 23.7% to 12,081 million yen, ordinary profit surging 52.6% to 7,236 million yen, and net profit jumping 106.6% to 5,170 million yen.

Details of the period’s results are as follows:

#### (1) Commission Revenue

The total commission revenue for the period jumped 41.2% to 2,046million yen from the previous period, as shown in below:

##### (a) Brokerage commissions

We earned 716 million yen (up 60.9%) as brokerage commissions on equity securities. As a result, total amount of brokerage commissions including those on fixed-income securities amounted to 731 million yen (up 62.5%).

##### (b) Fees for underwriting, selling and sales solicitation to professional investors

We earned 29 million yen (up 276.7%) for underwriting, selling and sales solicitation to professional investors.

##### (c) Fees for handling of offering, selling and sales solicitation to professional investors

Fees for handling of offering, selling and sales solicitation to professional investors rose 22.6% to 828 million yen, due to an increase in sales volume of investment trusts which covered a decline in fees relating to our investment banking business.

##### (d) Other fees

Other fees consisting mainly of trailer fees and those derived from investment banking business increased 44.7% to 457 million yen.

#### (2) Gains/Loss on Trading

Gains on trading in equity-related securities edged down 4.9% to 343 million yen. An increase in unrealized gains on investment trusts held for our own account almost covered a decline in revenue resulting from slow sales of foreign convertible bonds. Strong sales of foreign fixed income securities and an increase in unrealized gain on our proprietary bond holdings, on the other hand, pushed up gains on bond trading by 22.7% to 8,867 million yen. Adding gains of 135 million yen (up 420.6%) on other trading, the total gains increased 22.7% to 9,347 million yen.

#### (3) Gains/Loss on Private Equity and Other Securities

Our consolidated subsidiary company, the FE Invest, Co., Ltd. recorded loss of 428 million yen (loss of 297 million yen for the period) on private equity and other securities.

#### (4) Interest and Dividend Income

The period’s net interest and dividend income slipped 1.6% to 868 million yen.

**(5) Other Operating Income**

Other operating income consisting mostly of rent on real estate and fees earned by our two consolidated subsidiaries totaled 248 million yen (up 110.2%).

**(6) Operating Expenses**

Operating expenses for the period decreased 2.5% to 5,072 million yen, reflecting our cost-cutting effort.

**(7) Non-operating Income/Expenses**

Non-operating income for the period consisting mainly of dividends on investment securities totaled 314 million yen (up 49.3%), while non-operating expenses amounted to 87 million yen (up 148.3%), due mainly to unrealized loss on investments in *Tokumei Kumiai* (TK). As a result, we recorded net non-operating gains of 227 million yen (up 29.5%).

**(8) Extraordinary Profits/Loss**

We realized extraordinary profit of 1,481 million yen (profit of 26 million yen for the previous period) which mostly came from gains on sales of investment securities. The amount of extraordinary loss, on the other hand, amounted to 475 million yen (up 69.1%) due mainly to loss on sales of investment securities. Consequently, we recorded net extraordinary gains of 1,005 million yen (a net loss of 254 million yen for the previous period).

**2. Financial Condition****(1) Assets**

The total assets as of March 31, 2013 increased 17,012 million yen to 77,754 million yen from 60,741 million yen as of March 31, 2012. Current assets grew 9,365 million yen to 56,494 million yen from 47,128 million yen, reflecting an increase in trading assets which swelled 7,919 million yen to 24,163 million yen from 16,243 million yen and in segregated cash and statutory deposits which increased 2,448 million yen to 9,604 million yen from 7,156 million yen. Cash and bank deposits, on the other hand, shrank 3,402 million yen to 10,707 million yen from 14,109 million yen. Fixed assets increased 7,647 million yen to 21,259 million yen from 13,612 million yen, due mainly to an increase in investment securities which climbed 6,599 million yen to 14,343 million yen from 7,744 million yen.

**(2) Liabilities**

The total liabilities as of March 31, 2013 grew 9,687 million yen to 37,460 million yen from 27,772 million yen as of March 31, 2012. Current liabilities increased 7,326 million yen to 33,863 million yen from 26,537 million yen, due mainly to an increase in short-term borrowings which increased 4,030 million yen to 19,180 million yen from 15,150 million yen and in payables to customers and others which grew 2,998 million yen to 9,766 million yen from 6,767 million yen. Fixed liabilities increased 2,363 million yen to 3,583 million yen from 1,219 million yen, reflecting an increase in deferred tax assets which grew 1,926 million yen to 1,993 million yen from 66 million yen.

**(3) Net Assets**

Net assets as of March 31, 2013 increased 7,324 million yen to 40,293 million yen from 32,968 million yen as of March 31, 2012, due to an increase in retained earnings which rose 3,894 million yen to 27,533 million yen from 23,639 million yen, and in unrealized gains on other investment securities which swelled 3,433 million yen to 3,595 million yen from 162 million yen.

**(4) Cash Flow**

During the period, net cash used in operating activities amounted to 5,795 million yen, due mainly to an increase in trading assets. Net cash used in investing activities amounted to 90 million yen, reflecting acquisition of investment securities. Net cash provided by financing activities amounted to 3,252 million yen, due mainly to an increase in short-term borrowings. As a result, the amount of cash and cash equivalents decreased 2,402 million yen from the previous period to 10,707 million yen as of the end of the period.

### **3. Dividend Payout Policy and Amount of Dividends for the Period**

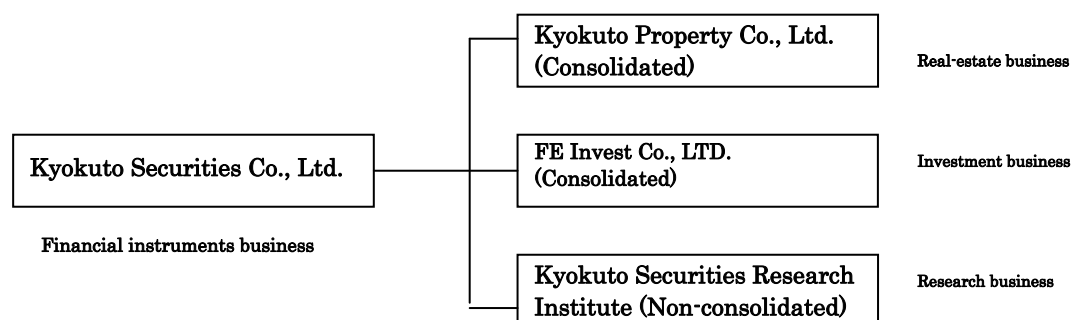
We have maintained as one of our important policies that we will achieve higher distribution of returns to shareholders in order to help attain higher shareholder value. Toward this end, we have adopted a performance-linked dividend policy with the consolidated dividend payout ratio being at 50% or more. At the same time, in response to expectations of shareholders who may well wish to enjoy stable dividends, we have maintained a target DOE (dividends on equity) ratio of 2% or more. It has been our policy to pay such amount of dividends computed by the two methods whichever is higher.

Pursuant to the payout policy, we have decided to pay to shareholders year-end dividends of 72 yen per share (or total annual dividends of 82 yen).

## II. STATE OF KYOKUTO SECURITIES GROUP

The Kyokuto Securities Group (“Group”) consists of the Kyokuto Securities Co., Ltd. (“Company”) and its two consolidated and one non-consolidated subsidiaries. The Group’s income comes mainly from securities business including, among other things, agency/principal trading in securities, underwriting, offering and selling of securities and provision of other securities-related services, through which the company offers a wide range of financial and other related services. Accordingly, the Group’s business activities come under the single business segment—the “investment/financial services business”.

### Kyokuto Securities Group



## III. BUSINESS POLICY

### 1. Basic Business Policy

Since its foundation, the Group has kept it as its basic business policy to attain stable growth by adhering to a sound financial base and restoring confidence of customers through face to face business model under its guiding principle—“Credibility forms the base of all business.” We are certain that our business model best suits to the changing environment of “shift from saving to investment” that has been pushed forward under a concerted effort by the government and the private sector. Under our brand slogan--“Let us help you grow your important assets!”--we provide customers with unique products and information and services of high quality and solicits investments by taking due care with respect to suitability and compliance, by which to command higher customer satisfaction and credibility of customers. We will keep endeavoring to respond to the rapidly changing environments and seek better business opportunities toward a sounder business base and higher shareholder value.

### 2. Benchmark for Performance Assessment

The Group’s basic business policy is to attain stable growth by diversifying revenue sources and expanding into new lines of business in response to the changing environments. We will endeavor to further improve business performance to achieve higher ROE (return on equity) on a consolidated basis.

### 3. Medium/Long Term Business Strategies

It is expected that from the medium/long term view varied investment needs based on the risk/return considerations will increase, and thus that the role of securities companies will become vitally important. By taking advantage of the environmental changes, we will strive to attain further growth through contribution to fostering individual investors who are willing to participate in the securities market. For this purpose we will pursue the following business strategies:

#### (1) Pursuit of “Face to Face” business model

To differentiate ourselves from online firms and other medium-sized firms, we need to contribute fully to higher returns on customers’ investments by, based on diversified product lines being abreast of the markets, giving them timely and appropriate investment advice in accordance with market changes.

We will continue to make an effort to strengthen customers’ credibility by improving our thorough, friendly consulting/advisory services and enhancing our ability to offer diverse financial



products, which will lead to enlargement of a base of “Kyokuto fans”. Also as a part of our effort to enhance our communication with customers, we intend to enrich the contents of our internet home pages for the convenience of our customers seeking investment information.

**(2) Enhancement of revenue structure**

To enlarge our customer base and to expand customers’ assets in our custody—these are our retail sector’s major challenging issues for maintaining our sound revenue structure and resiliency. We are certain that we can attain these challenges by offering customer-friendly services and “in-season financial products” to command customers’ confidence, as evidenced by the fact that around 50% of our new customers have been acquired on referrals from our existing customers.

**(3) Efficient use of capital to increase shareholder value under proper risk control**

In view of efficient use of shareholders’ equity, we have sought to attain effective financial management under proper risk control. We are certain that our positive financial management is essential for one of our important objectives—higher shareholder value. We will keep pursuing efficient use of our capital under more adequate risk control than before toward higher shareholder value, while responding quickly to changing environments and seeking new profit opportunities that will contribute to our resiliency.

**(4) Improvement of employee capabilities and skills**

To help assure higher revenue under the face to face business model and by expanding into new lines of business, it is critically important to improve varied capabilities and skills of employees and also to hire capable persons.

Toward this end we will continue bettering the employee performance evaluation system, supporting employees’ acquisition of publicly-authorized qualification, and increasing the quality of our education and training programs for employees in such thought that deeper employee satisfaction leads to higher customer satisfaction. Also, we will flexibly employ/allocate capable persons for profit-generating sectors, by which to maintain the Company’s vitality.

**(5) Cost cuts**

We have kept adhering to cost cuts to build further efficient operational base, with even more drastic cost cut efforts. We will continue seeking every cost-cutting measure toward higher return.

**(6) Enhancement of compliance and internal controls**

We will keep endeavoring to enhance the existing compliance program and internal control systems.

## IV. CONSOLIDATED FINANCIAL STATEMENTS

## 1. Consolidated Balance Sheets

(Millions of yen)

	FY ended Mar. 31, 2012	FY ended Mar. 31, 2013
<b>Assets</b>		
Current assets:		
Cash and bank deposits	14,109	10,707
Segregated cash and statutory deposits	7,156	9,604
Trading assets	16,243	24,163
Securities inventory	16,243	24,156
Derivatives contracts	—	7
Net receivables pertaining to contracts to be settled	249	1,531
Private equity and other securities	4,126	2,724
Assets pertaining to margin transactions	4,059	5,646
Loans to customers on margin transactions	2,088	4,814
Cash collateral to finance companies for securities borrowed	1,970	831
Receivables from other firms and customers	88	4
Short-term guarantee deposits	79	485
Accrued income	285	491
Deferred tax assets	289	486
Other current assets	480	703
Provision for doubtful debts	—38	—53
<b>Total current assets</b>	<b>47,128</b>	<b>56,494</b>
Fixed assets:		
Tangible fixed assets	4,903	4,861
Buildings	550	511
Vehicles	—	9
Fixtures and equipment	318	334
Land	4,034	4,006
Intangible fixed assets	118	106
Computer software	93	82
Telephone line subscription rights	24	24
Investments and other assets	8,590	16,291
Investment securities	7,744	14,343
Long-term loans	29	970
Long-term guarantee deposits	629	609
Deferred tax assets	5	20
Other investments	240	394
Provision for doubtful debts	—58	—46
<b>Total fixed assets</b>	<b>13,612</b>	<b>21,259</b>
<b>Total assets</b>	<b>60,741</b>	<b>77,754</b>

(Kyokuto Securities)  
(Millions of yen)

	FY ended Mar. 31 2012	FY ended Mar. 31, 2013
<b>Liabilities</b>		
Current liabilities:		
Trading liabilities	1	60
Short positions of securities	—	54
Derivative contracts	1	6
Liabilities pertaining to margin transactions	2,070	831
Borrowings for margin transactions	92	277
Cash collateral for borrowed securities sold short	1,977	554
Payables to customers and others	6,767	9,766
Customers' margin deposits	164	326
Accounts for non-received securities	—	156
Short-term borrowings	15,150	19,180
Accrued income taxes	1,796	2,190
Accrued bonuses to employees	310	355
Other current liabilities	275	995
<b>Total current liabilities</b>	<b>26,537</b>	<b>33,863</b>
Fixed liabilities		
Long-term borrowings	500	1,000
Long-term payables	616	546
Deferred tax liabilities	66	1,993
Provision for retirement/severance benefits to employees	30	41
Other fixed liabilities	5	1
<b>Total fixed liabilities</b>	<b>1,219</b>	<b>3,583</b>
Statutory reserve		
Financial instruments trading liability reserve	15	13
<b>Total statutory reserve</b>	<b>15</b>	<b>13</b>
<b>Total liabilities</b>	<b>27,772</b>	<b>37,460</b>
<b>Net Assets</b>		
Shareholders' equity		
Capital stock	5,251	5,251
Capital surplus	4,774	4,774
Retained earnings	23,639	27,533
Treasury stock	—862	—862
<b>Total shareholders' equity</b>	<b>32,803</b>	<b>36,697</b>
<b>Unrealized gains on other securities</b>	<b>162</b>	<b>3,595</b>
Minority interests	3	0
<b>Total net assets</b>	<b>32,968</b>	<b>40,293</b>
<b>Total liabilities and net assets</b>	<b>60,741</b>	<b>77,754</b>

## 2. Consolidated Income Statement

(Millions of yen)

	FY ended Mar. 31, 2012	FY ended Mar. 31, 2013
Operating income		
Commissions and fees	1,449	2,046
Brokerage commissions	450	731
Fees for underwriting, selling and sales solicitation to professional investors	7	29
Fees for handling of offering, selling and sales solicitation to professional investors	675	828
Other fees	315	457
Net gains or loss on trading	7,614	9,347
Net gains or loss on private equity and other securities	-297	-428
Interest and dividend income	1,010	994
Other operating income	118	248
<b>Total operating income</b>	<b>9,896</b>	<b>12,207</b>
Financial expenses	128	125
<b>Net operating income</b>	<b>9,768</b>	<b>12,081</b>
Operating expenses		
Transaction-related expenses	640	660
Personnel expenses	3,191	2,981
Real estate-related expenses	520	494
Data processing and office supplies	503	515
Depreciation and amortization	95	95
Miscellaneous taxes and dues	109	124
Provision for doubtful debts	-	25
Other	139	175
<b>Total operating expenses</b>	<b>5,200</b>	<b>5,072</b>
<b>Operating profit or loss</b>	<b>4,567</b>	<b>7,008</b>
Non-operating income		
Dividends received	128	140
Gains on investments in limited partnerships	-	103
Gains on investments in <i>Tokumei Kumiai</i> (TK)	6	-
Reversal of provision for retirement/severance benefits to employees	34	-
Other	41	71
<b>Total non-operating income</b>	<b>211</b>	<b>314</b>
Non-operating expenses		
Interest paid	5	7
Loss on investments in limited partnerships	28	-
Loss on investments in <i>Tokumei Kumiai</i> (TK)	-	59
Provision for doubtful debts	-	12
Penalty fees on cancellation of lease contracts	0	3
Other	1	5
<b>Total non-operating expenses</b>	<b>35</b>	<b>87</b>
<b>Ordinary profit or loss</b>	<b>4,743</b>	<b>7,236</b>
Extraordinary profit		
Gains on sale of investment securities	10	1,479
Reversal of provision for retirement/severance benefits to employees	8	-
Liquidation of financial instruments trading liability reserve	5	2
Other	0	-
<b>Total extraordinary profit</b>	<b>26</b>	<b>1,481</b>
Extraordinary loss		
Loss on sales of investment securities	13	175
Loss on valuation of investment securities	23	25
Loss on valuation of shares of affiliated company	-	42
Loss on liquidation of affiliated company	-	169
Loss on sale of fixed assets	0	-
Loss on disposal of fixed assets	0	9
Loss on valuation of assets	207	44
Loss on sales of golf course membership	30	7
Other	5	0
<b>Total extraordinary loss</b>	<b>281</b>	<b>475</b>
<b>Net profit or loss before taxes</b>	<b>4,488</b>	<b>8,242</b>
Corporate tax, residential tax and business tax	2,141	3,291
Adjustments for corporate tax, etc.	-152	-217
<b>Total corporate tax, etc.</b>	<b>1,989</b>	<b>3,074</b>
Net profit before minority interests	2,499	5,168
Minority interests	-2	-2
<b>Net profit</b>	<b>2,502</b>	<b>5,170</b>

**(Consolidated Comprehensive Income Statement)**

	<b>FY ended Mar. 31 2012</b>	<b>FY ended Mar. 31, 2013</b>
Net profit before minority interests	2,499	5,168
Other comprehensive income		
Unrealized gains/loss on other securities	57	3,433
Total other comprehensive income	57	3,433
Comprehensive income	2,556	8,601
Consisting of:		
Comprehensive income pertaining to shareholders of parent company	2,559	8,603
Comprehensive income pertaining to minority shareholders	—2	—2

## 3. Changes in Consolidated Shareholders' Equity

(Millions of yen)

	FY ended March 31, 2012	FY ended March 31, 2013
<b>Shareholders' equity</b>		
<b>Capital stock</b>		
Balance as of the end of previous fiscal year	5,251	5,251
<b>Balance as of the end of the fiscal year</b>	<b>5,251</b>	<b>5,251</b>
<b>Capital surplus</b>		
Balance as of the end of previous fiscal year	4,774	4,774
Disposal of treasury shares	—	—
<b>Total increase/decrease during the fiscal year</b>	<b>—</b>	<b>—</b>
<b>Balance as of the end of the fiscal year</b>	<b>4,774</b>	<b>4,774</b>
<b>Retained earnings</b>		
Balance as of the end of previous fiscal year	22,094	23,639
Increase/decrease occurred during the fiscal year		
Dividends paid	—957	—1,276
Net profit/loss for the fiscal year	2,502	5,170
<b>Total increase/decrease during the fiscal year</b>	<b>1,545</b>	<b>3,894</b>
<b>Balance as of the end of the fiscal year</b>	<b>23,639</b>	<b>27,533</b>
<b>Treasury stock</b>		
Balance as of the end of previous fiscal year	—862	—862
Increase/decrease occurred during the fiscal year		
Acquisition of treasury shares	—0	—0
<b>Total increase/decrease during the fiscal year</b>	<b>—0</b>	<b>—0</b>
<b>Balance as of the end of the fiscal year</b>	<b>—862</b>	<b>—862</b>
<b>Total shareholders' equity</b>		
Balance as of the end of the previous fiscal year	31,258	32,803
Increase/decrease occurred during the fiscal year		
Dividends paid	—957	—1,276
Net profit/loss for the fiscal year	2,502	5,170
Acquisition of treasury shares	—0	—0
<b>Total increase/decrease during the fiscal year</b>	<b>1,545</b>	<b>3,894</b>
<b>Balance as of the end of the fiscal year</b>	<b>32,803</b>	<b>36,697</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gains/loss on other securities		
Balance as of the end of previous fiscal year	105	162
Increase/decrease occurred during the fiscal year		
Net change in the items other than shareholders' equity	57	3,433
<b>Total increase/decrease during the fiscal year</b>	<b>57</b>	<b>3,433</b>
<b>Balance as of the end of the fiscal year</b>	<b>162</b>	<b>3,595</b>
Total accumulated other comprehensive income		
Balance as of the end of the previous period	105	162
Increase/decrease occurred during the fiscal year		
Net change in the items other than shareholders' equity	57	3,433
<b>Total increase/decrease during the fiscal year</b>	<b>57</b>	<b>3,433</b>
<b>Balance as of the end of the fiscal year</b>	<b>162</b>	<b>3,595</b>
<b>Minority interests</b>		
Balance as of the end of previous fiscal year	6	3
Increase/decrease occurred during the fiscal year		
Net change in the items other than shareholders' equity	—2	—2
<b>Total increase/decrease occurred during the fiscal year</b>	<b>—2</b>	<b>—2</b>
<b>Balance as of the end of the fiscal year</b>	<b>3</b>	<b>0</b>
<b>Total net assets</b>		
Balance as of the end of previous fiscal year	31,369	32,968
Increase/decrease occurred during the fiscal year		
Dividends paid	—957	—1,276
Net profit/loss for the fiscal year	2,502	5,170
Acquisition of treasury shares	—0	—0
Net change in the items other than shareholders' equity	54	3,430
<b>Total increase/decrease during the fiscal year</b>	<b>1,599</b>	<b>7,324</b>
<b>Balance as of the end of the fiscal year</b>	<b>32,968</b>	<b>40,293</b>

## 4. Consolidated Cash Flow Statement

(Millions of yen)

	FY ended March 31, 2012	FY ended March 31, 2013
<b>Cash Flows from Operating Activities:</b>		
Net profit or loss before taxes	4,488	8,242
Depreciation	95	95
Increase/decrease in provision for retirement/severance benefit to employees	-215	10
Provision for/reversal of provision for doubtful debts	-34	27
Decrease in accrued bonuses to employees	71	44
Interest received/receivable and dividends received	-921	-1,112
Interest paid/payable	133	132
Gains on sale of investment securities	-10	-1,479
Loss on sale of investment securities	13	175
Gains/loss on valuation of investment securities	23	25
Gains/loss on liquidation of affiliated company	-	169
Gains/loss on valuation of shares of affiliated company	-	42
Loss on disposal of fixed assets	0	9
Loss on valuation of assets	207	44
Increase/decrease in provision for financial instruments trading liability reserve	-5	-2
Increase/decrease of statutory deposits	-1,366	-2,448
Increase/decrease of receivables from other firms and customers	-73	84
Increase/decrease of trading assets	-1,882	-7,919
Net receivables/payables pertaining to contracts to be settled	170	-1,281
Increase/decrease of private equity and other securities	709	1,472
Increase/decrease of assets/liabilities pertaining to margin transactions	1,935	-2,825
Short-term guarantee deposits	-18	-406
Payables to customers and others	1,449	2,998
Increase/decrease of trading liabilities	-74	59
Customers' margin deposits	-298	161
Other assets	93	-660
Other liabilities	209	708
Other	320	-266
<b>Subtotal</b>	<b>5,022</b>	<b>-3,967</b>
Interest and dividends received	917	1,107
Interest paid	-132	-132
Payment of corporate tax, et c.	134	-2,803
<b>Net Positive (Negative) Cash Flows from Operating Activities</b>	<b>5,943</b>	<b>-5,795</b>
<b>Cash Flows from Investing Activities</b>		
Payment for acquisition of fixed assets	-63	-94
Proceeds from sale of fixed assets	0	-
Payment for acquisition of investment securities	-1,686	-3,793
Proceeds from sale of investment securities	365	3,533
Proceeds from redemption of investment securities	0	154
Loans to customers and others	-4	-946
Income from collection of loans lent	6	6
Proceeds from sale of golf course membership	10	4
Deposit in time deposit	-1,000	-
Withdrawal of time deposit	-	1,000
Other	-2	44
<b>Net Positive (Negative) Cash Flows from Investing Activities</b>	<b>-2,372</b>	<b>-90</b>
<b>Cash Flows from Financing Activities</b>		
Acquisition of long-term loan	-	1,500
Repayment of long-term borrowings	-500	-1,000
Increase/decrease in short-term borrowings	-1,370	4,030
Acquisition of treasury shares	-0	-0
Payment of dividends	-954	-1,277
<b>Net Positive (Negative) Cash Flows from Financing Activities</b>	<b>-2,825</b>	<b>3,252</b>
<b>Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>-264</b>	<b>231</b>
<b>Increase/Decrease in Cash and Cash Equivalents</b>	<b>481</b>	<b>-2,402</b>
<b>Balance of Cash and Cash Equivalents at Beginning of Fiscal Year</b>	<b>12,628</b>	<b>13,109</b>
<b>Balance of Cash and Cash Equivalents at End of Fiscal Year</b>	<b>13,109</b>	<b>10,707</b>

## 5. Notes on Consolidated Financial Statements

### (Matters Related to Going Concern Assumption)

Not applicable.

### (Important Policies for Preparation of Consolidated Financial Statements)

#### 1. Matters Concerning Scope of Consolidation

##### (1) Number of consolidated subsidiaries: 2 companies

Name of consolidated subsidiaries:

Kyokuto Properties Co., Ltd.; and  
FE invest. Co., Ltd.

##### (2) Name of major non-consolidated subsidiaries:

Kyokuto Securities Research Institute, Inc;

FEVC17 Investment Business, LLC, etc.

(Reason for exclusion from consolidation)

These subsidiaries are small in size, and thus do not have significant influence on the consolidated financial statements in terms of total assets, amount of sales, net profit, retained earnings, etc.

##### (3) Name of companies being excluded from scope of subsidiaries despite proprietary ownership of majority of voting rights:

FEVC24 Investment Business, LLC, etc.

(Reason for exclusion from scope of subsidiaries)

The Group is considered not having controlling power over these entities, as it is clear that the executives of these entities are in a position to simply execute daily operations and are not entitled to make decisions on their financial, business, and other important policies..

##### (4) Special Purpose Entities Subject to Disclosure

The outline of special purpose entities subject to disclosure, outline of transactions effected by using special purpose entities subject to disclosure, and amount of transactions with special purpose entities subject to disclosure are omitted, as disclosure thereof in this report is not considered important.

#### 2. Matters Concerning Application of Equity Method

Non-consolidated subsidiaries being excluded from application of equity method are Kyokuto Securities Research Institute, Inc., FEVC 17 Investment Business, LLC and others, and affiliates being excluded from application of equity method are FEVC1 Investment Business, LLC and others. These non-consolidated subsidiaries and affiliates have been out of the scope of application of equity method as their (pro rata) net profit and retained earnings for the year have little influence on the consolidated financial statements, and also as their importance are limited.

#### 3. Matters Concerning the Day of Close of Accounting Period of Consolidated Subsidiaries

The day of close of accounting period of the consolidated subsidiaries is March 31, the same as that of the Company.

#### 4. Significant Accounting Policies

##### (1) Valuation standards and methods for important assets

###### (a) Valuation of securities for principal trading

Securities and derivative contracts classified as those in the principal trading account are recorded at present market value. For securities sold, their acquisition costs are computed by the moving average method.



(b) Valuation of securities other than those for principal trading (including private equity and other securities)

(i) Securities for which market value is readily available

The present market value is recorded on the consolidated balance sheet. The difference between the present market value and acquisition cost is recorded directly in a separate component of stockholders' equity. For securities sold, their acquisition costs are computed by the moving average method.

(ii) Securities for which market value is not readily available

Valuation is effected by the moving-average cost method.

## **(2) Methods of depreciation of major depreciable assets**

(a) Tangible fixed assets (except leased assets)

Depreciation of tangible fixed assets acquired on and before March 31, 2007 is effected by the former declining-balance method. As of the end of the period, no building (except for equipment attached thereto) had been acquired on and after April 1, 1998.

Depreciation of tangible fixed assets acquired on and after April 1, 2007 is effected by the current declining-balance method. Depreciation of buildings (except for equipment attached thereto) owned by the consolidated subsidiaries is effected by the straight-line method.

Useful lives are as follows:

Buildings: 8–47 years

Fixtures/equipment: 3–20 years

(b) Intangible fixed assets (except leased assets)

Intangible fixed assets are amortized by the straight-line method, provided that computer software for the Company's own use is amortized by the straight-line method over the estimated useful lives (5 years).

(c) Leased assets

Depreciation of leased assets are effected by the straight-line method with useful lives thereof being fixed at leasing period and final value being zero.

For financial lease transactions other than those guaranteeing the transfer of ownership of the leased property to the lessee which commenced before March 31, 2008, the method for typical lease transactions is mainly used for accounting

## **(3) Policies for recording major provisions**

(a) Provision for doubtful debts

To provide for loss from debtors' failure to pay back loans, etc., a provision has been made based on: (i) in case of ordinary loans, experience that proportion of debtors will never pay; and (ii) in case of doubtful and failed loans, the Company's estimation of uncollectible amount derived from its analysis of collectibility of individual loans concerned.

(b) Accrued bonuses to employees

To provide for payment of bonuses to employees, estimated amount of bonuses for the period has been computed and accrued in accordance with the certain formula adopted by the Company and its consolidated subsidiaries.

(c) Accrued liability for retirement and severance benefits to employees

To provide for payment of retirement and severance benefits to employees, such an amount has been accrued as needed at the end of the year for filling any deficiency in the estimated required amount of pension and retirement benefits to employees as at the end of the period. Also, to provide for payment of retirement and severance benefits to executive officers, such an amount has accrued as required under the internal rules on retirement and severance benefits to executive officers.

## **(4) Conversion of major foreign-currency denominated assets and liabilities into Japanese yen**

Foreign-currency denominated claims and obligations are converted into Japanese yen at the spot rate prevailing on the day of close of the period. Any gains or loss resulting from conversion are reflected in the income statement.

**(5) Methods and schedule of good-will amortization**

Good will amortization is effected by the straight line method over the period of 5 years.

**(6) Scope of cash and cash equivalent included in consolidated cash flow statement**

Movements of funds (cash and cash equivalents) recorded in the consolidated cash flow statement consist of cash on hand, such deposits that can readily be drawn and such short-term investments that entails limited market risk with maturity of three months or less following the day of acquisition.

**(7) Other important policies for preparation of consolidated financial statements**

National and local consumption taxes are recorded separately.

**(Changes in Accounting Policy)**

(Changes in method of depreciation)

Since the beginning of this period, the Company and its consolidated subsidiaries have changed the method of depreciation for tangible fixed assets acquired on and after April 1, 2012, in accordance with the amendments to the Corporate Tax Law. The change caused the period's amount of depreciation to decrease by 1 million yen as compared with the former depreciation method, and thus had the effect of pushing up the consolidated operating profit, ordinary profit and net profit before taxes for the period by 1 million yen.

**(Changes in Itemization)**

Not applicable.

**(Additional Information)**

Not applicable.

**(Notes to consolidated balance sheets)**

Fiscal year ended on March 31, 2012	Fiscal year ended on March 31, 2013
1. Cumulative amount of depreciation of tangible fixed assets Buildings                      832 million yen Vehicles                         — Fixtures/equipment            145 <hr style="width: 20%; margin-left: 0;"/> Total                                977	1. Cumulative amount of depreciation of tangible fixed assets Buildings                      677 million yen Vehicles                         3 Fixtures/equipment            134 <hr style="width: 20%; margin-left: 0;"/> Total                                815
2. Liabilities for guarantee Those for employee's housing loans: 77 million yen	2. Liabilities for guarantee Those for employee's housing loans: 66 million yen
3. Contingent liability On March 25, 2009 the company entered into a trust beneficiary right transfer reservation agreement pertaining to real estate with a juridical person, in which the company and its consolidated subsidiaries have made <i>tokumei-kumiai</i> capital contribution. Under the agreement, the juridical person has the reservation exercise right that entitles the juridical person to demand that the Company purchase at 4 billion yen the trust beneficiary right that the juridical person holds, when the due date of March 31, 2014 comes; when any event(s) occurs that triggers acceleration prescribed in the loan agreement the juridical person has entered into with a bank with respect to its borrowing therefrom of 2 billion yen; or when any event(s) occurs that causes cancellation of the trust agreement in part or in its entirety.	<hr style="width: 20%; margin: 0 auto;"/>

**(Notes to consolidated income statement)**

<b>Fiscal year ended March 31, 2012</b>	<b>Fiscal year ended March 31, 2013</b>
<p>1. Of personnel expenses, 534 million yen is provision for accrued bonuses to employees.</p> <p>2. Loss on valuation of assets We have recorded 140 million yen as loss on valuation of assets for this fiscal year. The valuation loss had to be recorded at one of our consolidated subsidiary for its business assets (land in Chiyoda-ku and Minato-ku in Tokyo), because of subsidiary's poor business results. The valuation was based on the appraisal of real estate. For the same reason, goodwill to be amortized pertaining to the same subsidiary has been valued as zero, resulting in loss on valuation of 67 million yen.</p>	<p>1. Of personnel expenses, 595 million yen is provision for accrued bonuses to employees.</p> <p>2. Loss on valuation of assets We have recorded 44 million yen as loss on valuation of assets for this fiscal year. The valuation loss had to be recorded at one of our consolidated subsidiary for its business assets (land in Shinjuku-ku in Tokyo), because of subsidiary's poor business results. The valuation was based on the appraisal of real estate.</p>

**(Notes to statement of changes in consolidated shareholders' equity)****(For the year ended March 31, 2012)****(1) Matters concerning class and total number of shares outstanding and treasury shares**

(Thousands of shares)

	Number of shares as of Mar. 31, 2011	Increase in number of shares	Decrease in number of shares	Number of shares as of Mar. 31, 2012
Shares outstanding: Common stock	32,779	—	—	32,779
Treasury stock: Common stock	876	0	—	876

Notes: An increase in treasury stock (less than a thousand shares) was due to purchase of less-than-unit shares in response to request from shareholders owning such shares.

**(2) Matters concerning dividends****(a) Amount of dividends paid**

Resolution	Class of stock	Total amount of dividends paid	Dividends per share	Record date	Effective date
Meeting of Board of Directors held on May 16, 2011	Common stock	638 million yen	20.00 yen	Mar. 31, 2011	June 7, 2011
Meeting of Board of Directors held on Oct. 18, 2011	Common stock	319 million yen	10.00 yen	Sept. 30, 2011	Nov. 25, 2011

**(b) Dividends with record date belonging to this fiscal year, for which effective date comes in the next fiscal year**

Resolution	Class of Stock	Total amount of dividends	Source of dividends	Dividends per share	Record date	Effective date
Meeting of Board of Directors to be held on May 14, 2012	Common stock	957 million yen	Retained earnings	30.00 yen	Mar. 31, 2012	June 6, 2012

**(For the year ended March 31, 2013)****(1) Matters concerning class and total number of shares outstanding and treasury shares**

(Thousands of shares)

	Number of shares as of Mar. 31, 2012	Increase in number of shares	Decrease in number of shares	Number of shares as of Mar. 31, 2013
Shares outstanding: Common stock	32,779	—	—	32,779
Treasury stock: Common stock	876	0	—	876

Notes: An increase in treasury stock (less than a thousand shares) was due to purchase of less-than-unit shares in response to request from shareholders owning such shares.

**(2) Matters concerning dividends****(a) Amount of dividends paid**

Resolution	Class of stock	Total amount of dividends paid	Dividends per share	Record date	Effective date
Meeting of Board of Directors held on May 14, 2012	Common stock	957 million yen	30.00 yen	Mar. 31, 2012	June 6, 2012
Meeting of Board of Directors held on Oct. 16, 2012	Common stock	319 million yen	10.00 yen	Sept. 30, 2012	Nov. 27, 2012

**(b) Dividends with record date belonging to this fiscal year, for which effective date comes in the next fiscal year**

Resolution	Class of Stock	Total amount of dividends	Source of dividends	Dividends per share	Record date	Effective date
Meeting of Board of Directors to be held on May 15, 2013	Common stock	2,296 million yen	Retained earnings	72.00 yen	Mar. 31, 2013	June 15, 2013

**(Notes to consolidated cash flow statement)**

**Relationship between the balance of cash and cash equivalents and the amount of cash and bank deposits recorded on the consolidated balance sheets at the end of the latest two fiscal years:**

	<u>Fiscal year ended Mar. 31, 2012</u>	<u>Fiscal year ended Mar. 31, 2013</u>
		(Millions of yen)
Cash and bank deposits	14,109	10,707
Term deposits for periods more than 3 months	—1,000	—
Cash and cash equivalents	13,109	10,707

**(Segment Information)**

For Fiscal Year ended March 31, 2012 (Year from April 1, 2011 to March 31, 2012) and Fiscal Year ended March 31, 2013 (Year from April 1, 2012 to March 31, 2013)

As this corporate group's business activities come under the single business segment—the "investment/financial services business", statement on this subject matter is omitted.

**(Tax Assets and Liabilities)****1. Principal Sources of Deferred Tax Assets and Liabilities**

	<u>Fiscal year ended Mar. 31, 2012</u>	<u>Fiscal year ended Mar. 31, 2013</u>
<b>(1) Current assets</b>		(Millions of yen)
Deferred tax assets		
Accrued bonuses to employees	118	135
Accrued business tax	132	179
Provision for doubtful debts	10	20
Other	28	151
Total	289	486
 <b>(2) Fixed assets</b>		
Deferred tax assets		
Provision for doubtful debts	0	4
Provision for retirement/severance benefits to employees	9	13
Long-term payables	207	205
Other	975	941
Amount of appraisal-related provisions	-1,160	-1,115
	31	49
Deferred tax liabilities		
Appraisal difference of other securities	-92	-2,022
 Net deferred tax assets/liabilities	228	-1,485

**2. Main Causes of Difference between Statutory Effective Tax Rate and the Company's Effective Tax Rate after Applying Tax Effect Accounting**

	<u>Fiscal year ended Mar. 31, 2012</u>	<u>Fiscal year ended Mar. 31, 2013</u>
Statutory effective tax rate	41.0%	
(Adjustments		
Non-deductible expenses	1.0	
Non-creditable income	-0.5	
Parity residential tax	0.3	
Amount of appraisal-related provisions	6.2	
Reduction of year-end deferred tax assets due to change in tax rate	0.6	
Other	-4.3	
 <b>Company's effective tax rate after applying tax effect accounting</b>	 <b>44.3</b>	Notes omitted as the difference between the statutory effective tax rate and the Company's effective tax rate is 5% or less.

**(Market/Fair Value of Securities)****1. Securities Pertaining to Principal Trading****Securities inventory (held for purchase and sale)**

(Millions of yen)

Types of Securities	FY ended March 31, 2012		FY ended March 31, 2013	
	Assets	Liabilities	Assets	Liabilities
	Difference from market value	Difference from market value	Difference from market value	Difference from market value
Equities	—0	—0	—0	—0
Bonds	62	—	1,088	—
Beneficiary	—84	—	47	—
Other	—19	—	72	—
Total	—42	—0	1,207	—0

**2. Securities Not Pertaining to Principal Trading****(1) Market value etc. of securities not pertaining to principal trading**

(Millions of yen)

Types of Securities	FY ended March 31, 2012			FY ended March 31, 2013		
	Value on consolidated balance sheets	Acquisition cost	Difference from market value	Value on consolidated balance sheets	Acquisition cost	Difference from market value
<b>Securities recorded as current assets:</b>						
Those whose market value exceeded value on consolidated balance sheet:						
Equity securities		Not	Applicable		Not	Applicable
Those whose market value did not exceed value on consolidated balance sheets:						
Equity securities						
Subtotal		Not	Applicable		Not	Applicable
<b>Securities recorded as fixed assets:</b>						
Those whose market value exceeded value on consolidated balance sheets:						
Equity securities	1,002	818	183	7,023	1,699	5,323
Other	544	418	125	715	418	296
Subtotal	1,546	1,237	308	7,738	2,117	5,620
Those whose market value did not exceed value on consolidated balance sheets:						
Equity securities	168	219	—51	34	37	—2
Other	36	40	—4	—	—	—
Subtotal	205	260	—55	34	37	—2
Total	1,751	1,498	253	7,772	2,155	5,617

**(2) Securities not pertaining to principal trading sold in the fiscal year**

(Millions of yen)

	FY ended March 31, 2012			FY ended March 31, 2013		
	Amount sold	Total gains	Total loss	Amount sold	Total gains	Total loss
Equity securities	107	17	16	1,757	1,468	175
Other	50	—	—	48	10	—
Total	157	17	16	1,805	1,479	175

**(3) Securities impaired**

For the fiscal year ended March 31, 2012, the corporate group recognized as impairment loss of ¥310 million for its private equity and other securities (current assets; ¥19 million for equity securities and ¥290 million for other securities) and ¥23 million for investment securities (all for equity securities).

For the fiscal year ended March 31, 2013, the corporate group recognized as impairment loss of ¥436 million for its private equity and other securities (current assets; ¥5 million for equity securities and ¥431 million for other securities) and ¥25 million for investment securities (less than ¥1 million for equity securities and ¥24 million for other securities).

The corporate group maintains such standards for recognition of impairment loss that loss shall be recognized for such securities (a) whose value is impaired by 50% or more, and (b) whose value is impaired by 30% or more but less than 50% with little chance of recovery.

**(Per Share Data)**

	FY ended March 31, 2012	FY ended March 31, 2013
Net assets per share	1,033.33 yen	1,263.01 yen
Earnings/loss per share	78.43 yen	162.06 yen

Note: Diluted earnings per share are not applicable because of non-existence of potential shares outstanding having dilution effect.

**Data used for computation of the earnings per share in the above table:**

	FY ended Mar. 31, 2012	FY ended Mar. 31, 2013
For earnings per share:		
Net profit (millions of yen)	2,502	5,170
Of which those not belong to shareholders	—	—
Net profit /loss pertaining to common stock	2,502	5,170
Average number of shares outstanding	31,902,305	31,902,204

**(Material Subsequent Events)**

Not applicable.

**(Omission of Disclosure)**

Notes on lease transactions, transactions with affiliated persons, matters related to financial instruments, derivative transactions, retirement/severance benefits, asset retirement obligations, real estate for rent and special purpose entities being subject to disclosure are omitted, as disclosure thereof in this report is not considered materially important.

**[Referential Data]****Referential Data on Consolidated Business Results for FY Ended March 31, 2013****(1) Commissions and fees earned****(a) Commissions and fees by sources**

(Millions of yen)

	FY ended Mar. 31, 2012	FY ended Mar. 31, 2013	Change	
				%
Brokerage commissions	450	731	281	62.5
(Equities)	(445)	(716)	(271)	(60.9)
(Bonds)	(0)	(5)	(4)	(700.1)
Fees for underwriting, selling and sales solicitation to professional investors	7	29	21	276.7
(Equities)	(7)	(28)	(21)	(272.8)
(Bonds)	(—)	(0)	(0)	(—)
Fees for handling of offering, selling and sales solicitation to professional investors	675	828	152	22.6
Other fees	315	457	141	44.7
Total	1,449	2,046	596	41.2

**(b) Commissions and fees by instruments**

(Millions of yen)

	FY ended Mar. 31, 2012	FY ended Mar. 31, 2013	Change	
				%
Equities	462	755	292	63.3
Bonds	1	6	4	266.0
Beneficiary certificates	863	1,097	234	27.1
Other	121	186	64	53.0
Total	1,449	2,046	596	41.2

**(2) Gains/loss on trading**

(Millions of yen)

	FY ended Mar. 31, 2012	FY ended Mar. 31, 2013	Change	
				%
Equities, etc.	361	343	—17	—4.9
Bonds, etc.	7,227	8,867	1,640	22.7
Other	26	135	109	420.6
Total	7,614	9,347	1,732	22.7



## (Referential Data)

## Consolidated Income Statement for Latest Five Quarters

(Millions of yen)

	Qr. ended Mar. 31, 2012	Qr. ended June 30, 2012	Qr. ended Sept. 30, 2012	Qr. ended Dec. 31, 2012	Qr. ended Mar. 31, 2013
I. Operating income	3,747	1,636	2,688	3,570	4,311
1. Commissions and fees	351	306	399	454	886
2. Gains or loss on trading	3,327	1,118	1,996	2,837	3,394
3. Gains on private equity and other securities	-116	-14	9	-8	-415
4. Interest and dividend income	145	196	270	237	289
5. Other operating income	38	29	12	49	157
II. Financial expenses	33	26	33	29	36
Net operating income	3,714	1,610	2,655	3,541	4,275
III. Operating Expenses	1,262	1,191	1,224	1,247	1,409
1. Transaction-related expenses	138	143	160	135	220
2. Personnel expenses	764	727	752	774	726
3. Real estate-related expenses	123	114	114	127	137
4. Data processing and office supplies	118	121	125	127	140
5. Depreciation and amortization	24	22	24	24	23
6. Miscellaneous taxes and dues	45	23	30	28	41
7. Provision for doubtful debts	-	12	-10	-0	23
8. Other	47	25	26	28	95
Operating Profit	2,451	418	1,430	2,293	2,865
IV. Non-operating income	9	120	11	56	126
V. Non-operating expenses	-47	72	-26	23	18
Ordinary profit	2,507	467	1,468	2,326	2,974
VI. Extraordinary profit	9	5	-	21	1,454
VII. Extraordinary loss	224	-	8	170	297
Net profit before taxes	2,292	472	1,460	2,176	4,132
Corporate tax, residential tax and business tax	1,190	8	578	706	1,998
Adjustments for corporate tax, etc.	-161	158	-34	61	-402
Net profit before minority interests	1,264	306	917	1,408	2,535
Minority interests	-1	-0	-0	0	-1
Net profit	1,265	307	917	1,408	2,537

## V. Non-consolidated Financial Statements

### 1. Non-consolidated Balance Sheets

(Millions of yen)

	FY ended Mar. 31, 2012	FY ended Mar. 31, 2013
<b>Assets</b>		
<b>Current assets:</b>		
Cash and bank deposits	13,760	10,183
Segregated cash and statutory deposits	7,156	9,604
Trading assets	16,243	24,163
Securities inventory	16,243	24,156
Derivatives contracts	—	7
Net receivables pertaining to contracts to be settled	249	1,531
Assets pertaining to margin transactions	4,059	5,646
Loans to customers on margin transactions	2,088	4,814
Cash collateral to finance companies for securities borrowed	1,970	831
Receivables from other firms and customers	85	1
Receivables from customers	84	—
Receivables from others	1	1
Short-term guarantee deposits	79	485
Short-term loans	6,654	719
Prepaid expenses	13	16
Other receivables	46	35
Accrued income	297	503
Deferred tax assets	316	486
Other current assets	1	0
Provision for doubtful debts	—684	—125
<b>Total current assets</b>	<b>48,278</b>	<b>53,252</b>
<b>Fixed assets:</b>		
Tangible fixed assets	640	645
Buildings	180	159
Vehicles	—	9
Fixtures and equipment	301	317
Land	159	159
Intangible fixed assets	117	106
Computer software	93	82
Telephone line subscription rights	23	23
Investments and other assets	9,512	20,945
Investment securities	6,113	10,852
Stocks of affiliated companies	1,447	3,018
Capital contribution	1	1
Long-term loans	4	944
Long-term loans to affiliated companies	1,140	5,650
Long-term loans to employees	25	25
Long-term guarantee deposits	622	601
Long-term prepaid expenses	4	2
Other investments	227	389
Provision for doubtful debts	—74	—541
<b>Total fixed assets</b>	<b>10,270</b>	<b>21,697</b>
<b>Total assets</b>	<b>58,549</b>	<b>74,949</b>

	FY ended Mar. 31, 2012	FY ended Mar. 31, 2013
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Trading liabilities	1	60
Short positions of securities	—	54
Derivative contracts	1	6
Liabilities pertaining to margin transactions	2,070	831
Borrowings for margin transactions	92	277
Cash collateral for borrowed securities sold short	1,977	554
Payables to customers and others	6,764	9,763
Payables to customers	6,509	9,225
Payables to others	254	537
Customers' margin deposits	164	326
Accounts for non-received securities	—	156
Short-term borrowings	14,800	18,150
Accrued payments	74	89
Accrued expenses	146	204
Accrued income taxes	1,755	2,166
Accrued bonuses to employees	306	350
Other current liabilities	49	443
<b>Total current liabilities</b>	<b>26,134</b>	<b>32,544</b>
<b>Fixed liabilities</b>		
Long-term borrowings	500	1,000
Long-term payables	605	535
Deferred tax liabilities	60	1,967
Provision for retirement/severance benefits to employees	25	35
Other fixed liabilities	0	0
<b>Total fixed liabilities</b>	<b>1,191</b>	<b>3,539</b>
<b>Statutory reserve</b>		
Financial instruments trading liability reserve	15	13
<b>Total statutory reserve</b>	<b>15</b>	<b>13</b>
<b>Total liabilities</b>	<b>27,341</b>	<b>36,097</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	5,251	5,251
Capital surplus	4,774	4,774
Retained earnings	21,878	26,093
Treasury stock	—862	—862
<b>Total shareholders' equity</b>	<b>31,042</b>	<b>35,257</b>
Unrealized gains on securities	164	3,595
<b>Total net assets</b>	<b>31,207</b>	<b>38,852</b>
<b>Total liabilities and net assets</b>	<b>58,549</b>	<b>74,949</b>

## 2. Non-consolidated Income Statement

(Millions of yen)

	FY ended Mar. 31, 2012	FY ended Mar. 31, 2013
Operating income		
Commissions and fees	1,456	2,046
Brokerage commissions	450	731
Fees for underwriting, selling and sales solicitation to professional investors	7	29
Fees for handling of offering selling and sales solicitation to professional investors	681	828
Other fees	316	457
Net gains or loss on trading	7,614	9,347
Interest and dividend income	1,010	994
<b>Total operating income</b>	<b>10,082</b>	<b>12,387</b>
Financial expenses	128	125
<b>Net operating income</b>	<b>9,953</b>	<b>12,262</b>
Operating expenses		
Transaction-related expenses	643	663
Personnel expenses	3,058	2,852
Real estate-related expenses	710	686
Data processing and office supplies	541	554
Depreciation and amortization	74	75
Miscellaneous taxes and dues	90	104
Provision for doubtful debts	—	25
Other	96	150
<b>Total operating expenses</b>	<b>5,214</b>	<b>5,111</b>
<b>Operating profit or loss</b>	<b>4,739</b>	<b>7,150</b>
Non-operating income		
Dividends received	128	139
Gains on investment in limited partnerships	—	103
Interest received from affiliated companies	79	79
Provision for doubtful debts	63	82
Other	46	74
<b>Total non-operating income</b>	<b>318</b>	<b>480</b>
Non-operating expenses		
Loss on investments in limited partnerships	28	—
Loss on investments in <i>Tokumei Kumiai</i> (TK)	24	63
Penalty fees on cancellation of lease contracts	0	3
Other	1	5
<b>Total non-operating expenses</b>	<b>54</b>	<b>71</b>
<b>Ordinary profit or loss</b>	<b>5,004</b>	<b>7,559</b>
Extraordinary profit		
Gains on sale of investment securities	10	1,468
Reversal of provision for retirement/severance benefits to employees	8	—
Liquidation of financial instruments trading liability reserve	5	2
Other	0	—
<b>Total extraordinary profit</b>	<b>26</b>	<b>1,470</b>
Extraordinary loss		
Loss on sale of investment securities	13	175
Loss on valuation of investment securities	23	25
Loss on liquidation of affiliated company	—	169
Loss on valuation of securities of affiliated company	940	102
Loss on disposal of fixed assets	0	9
Other	36	8
<b>Total extraordinary loss</b>	<b>1,014</b>	<b>490</b>
<b>Net profit or loss before taxes</b>	<b>4,016</b>	<b>8,539</b>
Corporate tax, residential tax and business tax	2,079	3,241
Adjustments for corporate tax, etc.	—146	—192
<b>Total corporate tax, etc.</b>	<b>1,932</b>	<b>3,048</b>
<b>Net profit</b>	<b>2,083</b>	<b>5,490</b>

## 3. Changes in Non-consolidated Shareholders' Equity

(Millions of yen)

	FY ended March 31, 2012	FY ended March 31, 2013
<b>Shareholders' equity</b>		
<b>Capital stock</b>		
Balance as of the end of previous fiscal year	5,251	5,251
<b>Balance as of the end of the fiscal year</b>	<b>5,251</b>	<b>5,251</b>
<b>Capital surplus</b>		
Balance as of the end of previous fiscal year	4,774	4,774
<b>Balance as of the end of the fiscal year</b>	<b>4,774</b>	<b>4,774</b>
<b>Retained earnings</b>		
Balance as of the end of previous fiscal year	20,751	21,878
Increase/decrease occurred during the fiscal year		
Dividends paid	-957	-1,276
Net profit/loss for the fiscal year	2,083	5,490
Disposal of treasury securities	-	-
<b>Total increase/decrease during the fiscal year</b>	<b>1,126</b>	<b>4,214</b>
<b>Balance as of the end of the fiscal year</b>	<b>21,878</b>	<b>26,093</b>
<b>Treasury shares</b>		
Balance as of the end of previous fiscal year	-862	-862
Increase/decrease occurred during the fiscal year		
Acquisition of treasury shares	-0	-0
<b>Total increase/decrease during the fiscal year</b>	<b>-0</b>	<b>-0</b>
<b>Balance as of the end of the fiscal year</b>	<b>-862</b>	<b>-862</b>
<b>Total shareholders' equity</b>		
Balance as of the end of the previous fiscal year	29,915	31,042
Increase/decrease occurred during the fiscal year		
Dividends paid	-957	-1,276
Net profit/loss for the fiscal year	2,083	5,490
Acquisition of treasury shares	-0	-0
<b>Total increase/decrease during the fiscal year</b>	<b>1,126</b>	<b>4,214</b>
<b>Balance as of the end of the fiscal year</b>	<b>31,042</b>	<b>35,257</b>
<b>Valuation and translation adjustments.</b>		
Unrealized gains/loss on other securities		
Balance as of the end of previous fiscal year	106	164
Increase/decrease occurred during the fiscal year		
Net change in the items other than shareholders' equity	58	3,430
<b>Total increase/decrease during the fiscal year</b>	<b>58</b>	<b>3,430</b>
<b>Balance as of the end of the fiscal year</b>	<b>164</b>	<b>3,595</b>
<b>Total valuation and translation adjustments</b>		
Balance as of the end of the previous period	106	164
Increase/decrease occurred during the fiscal year		
Net change in the items other than shareholders' equity	58	3,430
<b>Total increase/decrease during the fiscal year</b>	<b>58</b>	<b>3,430</b>
<b>Balance as of the end of the fiscal year</b>	<b>164</b>	<b>3,595</b>
<b>Total net assets</b>		
Balance as of the end of previous fiscal year	30,022	31,207
Increase/decrease occurred during the fiscal year		
Dividends paid	-957	-1,276
Net profit/loss for the fiscal year	2,083	5,490
Acquisition of treasury shares	-0	-0
Net change in the items other than shareholders' equity	58	3,430
<b>Total increase/decrease during the fiscal year</b>	<b>1,185</b>	<b>7,644</b>
<b>Balance as of the end of the fiscal year</b>	<b>31,207</b>	<b>38,852</b>

**[Referential Data]****1. Volume/Value of Equity Trading** (except trading in derivatives)

(Million shares/Millions of yen)

	FY ended Mar. 31, 2012 (A)		FY ended Mar. 31, 2013 (B)		(B)/(A) %	
	Number of shares	Trade value	Number of shares	Trade value	No. of shares	Trade value
Total	2,840	756,267	2,741	773,890	-3.5	2.3
(Agency)	( 314)	( 88,415)	( 406)	(155,418)	(29.4)	(75.8)
(Principal)	(2,525)	(667,851)	(2,334)	(618,472)	(-7.6)	(-7.4)
(Agency)/Total (%)	11.1%	11.7%	14.8%	20.1%	/	
Total/TSE volume (%)	0.26%	0.12%	0.22%	0.10%		
Brokerage comm. per share	1.38 yen		1.72 yen			

**2. Volume of Underwriting, Offering and Selling**

(Million shares/Millions of yen)

		FY ended Mar. 31, 2012 (A)	FY ended Mar. 31, 2013 (B)	(B)/(A) %
Underwriti	Equities (Number of shares)	0	0	35.1
	Equities (Yen volume)	172	2,739	—
	Bonds (Face value)	—	100	—
	CPs, foreign instruments, etc.	—	—	—
Offering/selling	Equities (Number of shares)	0	1	45.3
	Equities (Yen volume)	4,055	15,826	290.2
	Bonds (Yen volume at face value)	3,255	8,632	165.2
	Beneficiary securities	58,112	74,220	27.7
	CPs, foreign instruments, etc.	2,294	4,050	76.5

**3. Net Capital Regulation Ratio**

(Millions of yen)

		FY ended Mar. 31, 2012	FY ended Mar. 31, 2013
Basic items	Total Capital (A)	30,340	33,024
Complementary items	Appraisal difference (appraisal profit) of other securities, etc.	164	3,595
	Financial instruments trading liability reserve	15	13
	Provision for doubtful debts	684	125
	Total (B)	865	3,734
Deductible assets	(C)	9,278	15,175
Unfixed net capital	(A) + (B) - (C) (D)	21,927	21,582
Amount of risk correspondents	Market risk correspondence	1,558	3,324
	Trade party risk correspondence	3,199	508
	Basic risk correspondence	1,343	1,278
	Total (E)	6,101	5,111
Net capital regulation ratio	(D)/(E) × 100%	359.3%	422.1%

**4. Number of Board Members/Standing Statutory Auditors and Employees**

	FY ended Mar. 31, 2012	FY ended Mar. 31, 2013
Number of Board members and statutory standing auditors	9	9
Number of employees	243	233