

# CONSOLIDATED FINANCIAL INFORMATION

For Nine Months (Apr. 1 – Dec. 31, 2013)  
of Fiscal Year Ending March 31, 2014

*KYOKUTO SECURITIES CO., LTD.*

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January 30, 2014

**CONSOLIDATED RESULTS FOR NINE MONTHS (APR-DEC 2013)  
OF THE FISCAL YEAR ENDING MARCH 31, 2014(SUMMARY)**

Name of company: **Kyokuto Securities Co., Ltd.**

Listed Stock Exchange: Tokyo Stock Exchange

Stock code number: 8706

URL: <http://www.kyokuto-sec.co.jp>

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

Contact person: Masato SHIRAI, Director, Accounting and Finance TEL: (03) 3666-5130

Scheduled date of filing of quarterly securities report: February 13, 2014

**1. Consolidated Results for Nine Months (Apr. 1 – Dec. 31, 2013) of Fiscal Year 2013****(1) Consolidated Business Results**

(Millions of yen with fractions less than a million yen discarded)

	Nine months ended Dec. 31, 2012	Nine months ended Dec. 31, 2013
Operating income	7,895 (28.4)	10,302 (30.5)
Net operating income	7,806 (28.9)	9,663 (23.8)
Operating profit	4,143 (95.8)	4,835 (16.7)
Ordinary profit	4,262 (90.7)	5,397 (26.6)
Net profit	2,632 (112.9)	6,484 (146.3)
Earnings per share	82.53 yen	203.27 yen
Earnings per share (diluted)	—	—

Note: 1. The figures in the parenthesis are percentage increase/decrease from the corresponding period of the previous fiscal year.

2. Comprehensive income: Quarter ended Dec. 31, 2012: 2,693 million yen (129.3%)

Quarter ended Dec. 31, 2013: 4,724 million yen (75.4%)

**(2) Consolidated Financial Condition**

	Dec. 31, 2013	Mar. 31, 2013
Total assets (Millions of yen)	85,983	77,754
Net assets (Millions of yen)	42,412	40,293
Shareholders' equity ratio	48.0%	51.8%
Net assets per share	1,293.10 yen	1,263.01 yen

Note: Shareholders' equity:

December 31, 2013: 41,251 million yen. March 31, 2013: 40,292 million yen.

**2. Matters Concerning Dividends**

(Record date)	Dividends per share				
	End of 1 <sup>st</sup> Qr.	End of 2 <sup>nd</sup> Qr.	End of 3 <sup>rd</sup> Qr.	End of FY	Annual Total
FY2012	—	10.00 yen	—	72.00 yen	82.00 yen
FY2013	—	70.00 yen	—		

**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 does not disclose forecast of business results. Please see pages 5–6 for further information.

**(Notes)**

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

The following 5 companies have been added to the scope of full/partial consolidation:

- (a) Godogaisha Alkaios
- (b) Godogaisha Feeeal Asahikawa Kaihatsu;
- (c) Tozai Select 7 Godogaisha
- (d) Kamiyacho Investment Godogaisha; and
- (e) Godogaisha Walkure

The following company has been removed from the scope of full/partial consolidation:

- (a) Tozai Select 7 Godogaisha

(Please see page 6 for further information.)

**(2) Application of any accounting treatments peculiar to preparation of quarterly consolidated financial statements**

The Company has not applied any accounting treatments peculiar to preparation of quarterly consolidated financial statements.

**(3) Changes in accounting policies, changes in accounting estimates, or retrospective restatements**

- (a) Any changes caused by amendments to accounting standards: Yes
- (b) Any changes other than (a): None.
- (c) Any changes in accounting estimates: None.
- (d) Retrospective restatements: None.

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

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

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

(b) Number of treasury shares

December 31, 2013: 877,386                      March 31, 2013: 876,861

(c) Average number of shares outstanding

April 1—December 31, 2013: 31,901,827      April 1—December 31, 2012: 31,902,226

**\*Explanation concerning forecast of business results:**

As stated in 3. above, the Kyokuto group does not disclose forecast of business results. Instead, the Kyokuto group will disclose preliminary business results by around tenth business day following the end of each fiscal year or quarter.

## **BUSINESS RESULTS**

### **1. Business Results**

During the nine months (i.e., the period of nine months from April 1 to December 31, 2013. Hereinafter called the “period”), the Japanese economy sustained a modest recovery. In overseas, the economic recovery continued in the United States, while economies in Europe and Asia including China began showing a sign of recovery.

The stock market soared during the early part of the period, supported by positive economic outlook due to “Abenomics”, which was followed by a sharp decline in mid June to the period’s starting level with concern over the Fed’s possible tapering off its quantitative easing. The market then started to rebound toward the end of the year, with Nikkei Average closing at 16,291 yen (31% up from the end of 2012). Negative factors during the period were, among others, a decision of consumption tax hike and Fed’s decision to begin tapering off its stimulus in January 2014. On the other hand, positive factors were, such as Japanese government’s additional stimulus measures, selection of Tokyo for the 2020 Olympic Games, and strong movements in New York stock market. In the currency market, Japanese yen kept weaker, reaching more than 105 yen against the US dollar, which also supported stock prices rebound.

In this environment, we kept endeavoring to offer unique “in-season financial products” based on our “Face to Face” business model, in response to customers’ varied needs. As a result, the Kyokuto group’s consolidated earnings for the period increased from the corresponding previous period, with both operating income and net operating income growing to 10,302 million yen (up 30.5%) and to 9,663 million yen (up 23.8%) respectively, ordinary profit also rising to 5,397 million yen (up 26.6%), and net profit more than doubling to 6,484 million yen (up 146.3%).

Details of the period’s results are as follows:

#### **(1) Commission Revenue**

The total commission revenue for the period almost doubled to 2,304 million yen (up 98.7%) from the previous corresponding period, as shown in below:

##### **(a) Brokerage commissions**

We earned 1,293 million yen (up 250.8%) as brokerage commissions on equity securities. As a result, total amount of brokerage commissions including those on fixed-income securities reached 1,319 million yen (up 250.7%).

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

We earned 41 million yen (up 77.5%) 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 climbed 19.7% to 649 million yen, thanks to an increase in sales volume of investment trusts.

##### **(d) Other fees**

Other fees consisting mainly of trailer fees went up 35.0% to 293 million yen.

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

Trading in equity-related securities resulted in gains of 372 million yen (up 81.9%), while gains on bond trading decreased 8.9% to 5,182 million yen, with continued strong sales of foreign currency-denominated foreign fixed income securities, but relatively big amount of valuation losses of bond holdings. Adding gains on other trading of 10 million yen (down 82.5%), the total gains decreased 6.5% to 5,565 million yen.

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

Our consolidated subsidiary company, the FE Invest, Co., Ltd. recorded a gain of 120 million yen (a loss of 12 million yen for the corresponding previous period) on private equity and other securities.

#### **(4) Interest and Dividend Income**

The period's net interest and dividend income decreased 42.5% to 353 million yen.  
(Interest and dividend income of 993 million yen and financial expenses of 639 million yen)

**(5) Other Operating Income**

Other operating income consisting of rent on real estate and fees earned by our consolidated subsidiaries totaled 1,318 million yen (91 million yen for the corresponding previous period).

**(6) Operating Expenses**

Operating expenses for the period increased 31.8% to 4,827 million yen.

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

Non-operating income for the period consisting mainly of dividends on investment securities totaled 689 million yen (up 266.5%), while non-operating expenses amounted to 128 million yen (up 85.9%), due to interests paid. As a result, we recorded net non-operating profit of 561 million yen (up 371.0%).

**(8) Extraordinary Profit/Loss**

We realized extraordinary profit of 4,558 million yen (26 million yen for the corresponding previous period), which came mostly from gains on sales of investment securities. With the amount of extraordinary loss being 689 million yen (up 286.2%), which came chiefly from impairment loss, we recorded a net extraordinary gains of 3,869 million yen (a loss of 151 million yen for the corresponding previous period).

**2. Financial Condition**

**(1) Assets**

The total assets as of December 31, 2013 increased 8,229 million yen to 85,983 million yen from 77,754 million yen as of March 31, 2013. Current assets grew 2,066 million yen to 58,561 million yen from 56,494 million yen as of March 31, 2013, reflecting an increase in trading assets which swelled 6,093 million yen to 30,257 million yen from 24,163 million yen and in assets pertaining to margin transactions which increased 1,589 million yen to 7,236 million yen from 5,646 million yen. Cash and bank deposits, on the other hand, shrank 3,779 million yen to 6,927 million yen from 10,707 million yen. Fixed assets increased 6,041 million yen to 27,301 million yen from 21,259 million yen. An increase in the number of consolidated subsidiaries pushed up the amount of tangible fixed assets by 11,763 million yen to 16,625 million yen from 4,861 million yen, while investment securities shrank 5,792 million yen to 8,551 million yen from 14,343 million yen.

**(2) Liabilities**

The total liabilities as of December 31, 2013 grew 6,110 million yen to 43,571 million yen from 37,460 million yen as of March 31, 2013. Current liabilities increased 2,246 million yen to 36,110 million yen from 33,863 million yen as of March 31, 2013, due mainly to an increase in payables to customers and others which grew 2,357 million yen to 12,123 million yen from 9,766 million yen. Fixed liabilities increased 3,858 million yen to 7,441 million yen from 3,583 million yen as of March 31, 2013, reflecting a net increase resulting from an increase in long-term borrowings which grew 4,155 million yen to 5,155 million yen from 1,000 million yen and a decrease in other fixed liabilities which diminished 306 million yen to 2,234 million yen from 2,541 million yen.

**(3) Net Assets**

Net assets as of December 31, 2013 increased 2,118 million yen to 42,412 million yen from 40,293 million yen as of March 31, 2013, due to an increase in retained earnings which increased 1,953 million yen to 29,486 million yen from 27,533 million yen in March 31, 2013.

**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. Matters concerning notes to summary information**

##### **(1) Changes in scope of consolidation**

Since the beginning of the first Quarter of this fiscal year, the Godogaisha Alkaios, the Godogaisha Feeeal Asahikawa Kaihatsu and the Tozai Select 7 Godogaisha have been added to the scope of full consolidation in accordance with the Revised Accounting Standard for Consolidated Financial Statements, etc. since the beginning of the second Quarter, the newly-established Kamiyacho Investment Godogaisha (since the beginning of the second Quarter) and Godogaisha Walkure (since the beginning of the third Quarter) have been added thereto.

On the other hand, the above Tozai Select 7 Godogaisha was removed from the scope of full consolidation during this third Quarter due to its liquidation.

##### **(2) Changes in accounting policies—application of accounting standards, etc concerning consolidated financial statement**

In and after the first Quarter of this fiscal year, we included the Godogaisha Alkaios, the Godogaisha Feeeal Asahikawa Kaihatsu and the Tozai Select 7 Godogaisha in the scope of consolidation in accordance with the Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22), the Revised Guidance on Disclosures about Certain Special Purpose Entities (ASBJ Guidance No. 15), the Revised Guidance on Determining a Subsidiary and an Affiliate (ASBJ Guidance No. 22), and the Revised Practical Solution on Application of the

Control Criteria and Influence Criteria to Investment Associations (ASBJ PITF No.20).

Application of accounting standards, etc to the three consolidated subsidiaries has been effected in accordance with the transitional treatment stipulated in 44-4(3) of the Accounting Standard for Consolidated financial Statements. Evaluation of assets, liabilities and minority interests of the three companies as at the beginning of the period are made on the basis of their appropriate book value derived from their consolidation.

The above-mentioned consolidation had little effect on the retained earnings as at the beginning of the period.

## 5. Quarterly Consolidated Financial Statements

## (1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY ended Mar. 31, 2013	As of December 31, 2013
<b>Assets</b>		
Current assets:		
Cash and bank deposits	10,707	6,927
Segregated cash and statutory deposits	9,604	10,641
Trading assets	24,163	30,257
Securities inventory	24,156	30,257
Derivatives contracts	7	—
Net receivables pertaining to contracts to be settled	1,531	397
Private equity and other securities	2,724	12
Assets pertaining to margin transactions	5,646	7,236
Loans to customers on margin transactions	4,814	6,043
Cash collateral to finance companies for securities borrowed	831	1,193
Other current assets	2,171	3,095
Provision for doubtful debts	—53	—6
<b>Total current assets</b>	<b>56,494</b>	<b>58,561</b>
Fixed assets:		
Tangible fixed assets	4,861	16,625
Land	4,006	11,518
Other	855	5,107
Intangible fixed assets	106	88
Investments and other assets	16,291	10,587
Investment securities	14,343	8,551
Other	1,994	2,079
Provision for doubtful debts	—46	—43
<b>Total fixed assets</b>	<b>21,259</b>	<b>27,301</b>
<b>Differed assets</b>	—	<b>121</b>
<b>Total assets</b>	<b>77,754</b>	<b>85,983</b>



	FY ended Mar. 31, 2013	As of December 31, 2013
<b>Liabilities</b>		
Current liabilities:		
Trading liabilities	60	11
Short positions of securities	54	—
Derivative contracts	6	11
Liabilities pertaining to margin transactions	831	1,145
Borrowings for margin transactions	277	81
Cash collateral for borrowed securities sold short	554	1,064
Payables to customers and others	9,766	12,123
Short-term borrowings	19,180	18,975
Accrued income taxes	2,190	1,693
Accrued bonuses to employees	355	150
Other current liabilities	1,479	2,010
<b>Total current liabilities</b>	<b>33,863</b>	<b>36,110</b>
Fixed liabilities		
Long-term borrowings	1,000	5,155
Provision for retirement/severance benefits to employees	41	52
Other fixed liabilities	2,541	2,234
<b>Total fixed liabilities</b>	<b>3,583</b>	<b>7,441</b>
Statutory reserve		
Financial instruments trading liability reserve	13	19
<b>Total statutory reserve</b>	<b>13</b>	<b>19</b>
<b>Total liabilities</b>	<b>37,460</b>	<b>43,571</b>
<b>Net Assets</b>		
Shareholders' equity		
Capital stock	5,251	5,251
Capital surplus	4,774	4,774
Retained earnings	27,533	29,486
Treasury stock	—862	—863
<b>Total shareholders' equity</b>	<b>36,697</b>	<b>38,649</b>
<b>Other Accumulated Comprehensive Income</b>	<b>3,595</b>	<b>2,602</b>
Minority interests	0	1,160
<b>Total net assets</b>	<b>40,293</b>	<b>42,412</b>
<b>Total liabilities and net assets</b>	<b>77,754</b>	<b>85,983</b>

## (2) Consolidated Income Statement (For Nine Months Ended December 31, 2013)

(Millions of yen)

	9 months ended Dec 31, 2012	9 months ended Dec 31, 2013
<b>Operating income</b>		
<b>Commissions and fees</b>	<b>1,160</b>	<b>2,304</b>
Brokerage commissions	376	1,319
Fees on underwriting, selling and sales solicitation to professional investors	23	41
Fees for handling of offering, selling and sales solicitation to professional investors	542	649
Other fees	217	293
<b>Gains or loss on trading</b>	<b>5,952</b>	<b>5,565</b>
<b>Net gains or loss on private equity and other securities</b>	<b>-12</b>	<b>120</b>
<b>Interest and dividend income</b>	<b>704</b>	<b>993</b>
<b>Other operating income</b>	<b>91</b>	<b>1,318</b>
<b>Total operating income</b>	<b>7,895</b>	<b>10,302</b>
<b>Financial expenses</b>	<b>89</b>	<b>639</b>
<b>Net operating income</b>	<b>7,806</b>	<b>9,663</b>
<b>Operating Expenses</b>		
Transaction-related expenses	440	517
Personnel expenses	2,255	2,697
Real estate-related expenses	356	484
Data processing and office supplies	374	455
Depreciation and amortization	71	157
Miscellaneous taxes and dues	82	185
Provision for doubtful debts	1	-
Other	80	329
<b>Total operating expenses</b>	<b>3,663</b>	<b>4,827</b>
<b>Operating Profit</b>	<b>4,143</b>	<b>4,835</b>
<b>Non-operating income</b>		
Dividends received	134	458
Reversal of provision for doubtful debts	0	45
Gains on investment in limited partnerships	21	59
Other	32	125
<b>Total non-operating income</b>	<b>188</b>	<b>689</b>
<b>Non-operating expenses</b>		
Loss on investments in TK ( <i>Tokumei Kumiai</i> )	55	50
Interest expense	1	53
Other	11	23
<b>Total non-operating expenses</b>	<b>69</b>	<b>128</b>
<b>Ordinary profit</b>	<b>4,262</b>	<b>5,397</b>
<b>Extraordinary profit</b>		
Gains on sales of investment securities	24	4,466
Liquidation of financial instruments trading liability reserve	2	-
Other	-	91
<b>Total extraordinary profit</b>	<b>26</b>	<b>4,558</b>
<b>Extraordinary loss</b>		
Impairment loss	-	655
Provision for securities trading liability reserve	-	5
Losses on sales of investment securities	0	-
Loss on liquidation of affiliated company	169	2
Loss on sale of golf course membership	7	-
Other	0	25
<b>Total extraordinary loss</b>	<b>178</b>	<b>689</b>
<b>Net profit before taxes</b>	<b>4,110</b>	<b>9,266</b>
<b>Corporate tax, inhabitant tax and business tax</b>	<b>1,292</b>	<b>3,252</b>
<b>Adjustments for corporate tax, etc.</b>	<b>185</b>	<b>296</b>
<b>Total corporate tax, etc.</b>	<b>1,477</b>	<b>3,548</b>
<b>Net profit before minority interests</b>	<b>2,632</b>	<b>5,717</b>
<b>Minority interests</b>	<b>-0</b>	<b>-767</b>
<b>Net profit</b>	<b>2,632</b>	<b>6,484</b>

**Consolidated comprehensive income**

	9 months ended Dec 31, 2012	9 months ended Dec 31, 2013
Net profit before minority interests	2,632	5,717
Other comprehensive income		
Unrealized gains/loss on other securities	60	-993
Total other comprehensive income	60	-993
<b>Comprehensive income</b>	<b>2,693</b>	<b>4,724</b>
Of which income pertinent to:		
shareholders of parent company	2,693	5,491
minority interest	-0	-767

**(3) Note on going concern**

Not applicable.

**(4) Note on substantial change in shareholders' equity, if any**

Not applicable.

## [Referential Data]

## Referential Date on Consolidated Business Results for First Nine Months Ended December 31, 2013

## (1) Commissions and fees earned

## (a) Commissions and fees by sources

(Millions of yen)

	9 months ended Dec. 31, 2012	9 months ended Dec. 31, 2013	Change		Year ended Mar. 31, 2013
				%	
Brokerage commissions	376	1,319	943	250.7	731
(Equities)	(368)	(1,293)	(924)	(250.8)	(716)
(Bonds)	(3)	(2)	(-0)	(-25.5)	(5)
Fees for underwriting, selling and sales solicitation to professional investors	23	41	18	77.5	29
(Equities)	(23)	(41)	(18)	(79.8)	(28)
(Bonds)	(0)	(-)	(-0)	(-)	(0)
Fees for handling of offering, selling and sales solicitation to professional investors	542	649	106	19.7	828
Other fees	217	293	76	35.0	457
Total	1,160	2,304	1,144	98.7	2,046

## (b) Commissions and fees by instruments

(Millions of yen)

	9 months ended Dec. 31, 2012	9 months ended Dec. 31, 2013	Change		Year ended Mar. 31, 2013
				%	
Equities	397	1,342	945	237.7	755
Bonds	4	4	-0	-13.7	6
Beneficiary securities	749	936	187	25.0	1,097
Other	8	20	12	157.6	186
Total	1,160	2,304	1,144	98.7	2,046

## (2) Gains/loss on trading

(Millions of yen)

	9 months ended Dec. 31, 2012	9 months ended Dec. 31, 2013	Change		Year ended Mar. 31, 2013
				%	
Equities, etc.	204	372	167	81.9	343
Bonds, etc.	5,687	5,182	-504	-8.9	8,867
Other	60	10	-49	-82.5	135
Total	5,952	5,565	-386	-6.5	9,347

## [Referential Data]

## Referential Date on Business Results for First Nine Months Ended December 31, 2013

## (1) Volume/value of equity trading (except trading in derivatives)

(Million shares/Millions of yen)

	9 months ended Dec. 31, 2012		9 months ended Dec. 31, 2013		Change %		Year ended Mar. 31, 2013	
	Number of shares	Trade value	Number of shares	Trade value	Number of shares	Trade value	Number of shares	Trade value
Total	1,572	436,703	2,425	1,086,395	54.3	148.8	2,741	773,890
(Agency)	(246)	(83,304)	(429)	(283,245)	(74.4)	(240.0)	(406)	(155,418)
(Principal)	(1,325)	(353,398)	(1,996)	(803,149)	(50.6)	(127.3)	(2,334)	(618,472)
(Agency)/Total (%)	15.7%	19.1%	17.7%	26.1%			14.8%	20.1%
Total/TSE volume (%)	0.20 %	0.09%	0.18%	0.10%			0.22%	0.10%
Brokerage commission per share	1.45 yen		2.99 yen				1.72 yen	

## (2) Volume of underwriting, offering and selling

(Million shares/Millions of yen)

		9 months ended Dec. 31, 2012	9 months ended Dec. 31, 2013	Change %	Year ended Mar. 31, 2013
Underwriting	Equities (Number of shares)	0	0	-3.9	0
	Equities (Yen volume)	1,189	792	-33.3	2,739
	Bonds (Face value)	100	—	—	100
	CPs, foreign instruments, etc.	—	—	—	—
Offering/selling	Equities (Number of shares)	0	0	-38.9	1
	Equities (Yen volume)	14,487	1,029	-92.9	15,826
	Bonds (Yen volume at face value)	7,925	905	-88.6	8,632
	Beneficiary securities	46,994	88,081	87.4	74,220
	CPs, foreign instruments, etc.	—	4,997	—	4,050

## (3) Net capital regulation ratio

(Millions of yen)

		Dec. 31, 2012	Dec. 31, 2013	Mar. 31, 2013
Basic items	(A)	32,349	36,589	33,024
Complementary items	Appraisal difference (appraisal profit) of other securities, etc.	221	2,601	3,595
	Financial instruments trading liability reserve	13	19	13
	Provision for doubtful debts	103	6	125
	Total	(B) 338	2,627	3,734
Deductible assets	(C)	14,334	16,846	15,175
Unfixed net capital	(A) + (B) – (C) (D)	18,353	22,371	21,582
Amount of risk correspondents	Market risk correspondence	2,170	3,483	3,324
	Trade party risk correspondence	935	403	508
	Basic risk correspondence	1,229	1,480	1,278
	Total	(E) 4,335	5,368	5,111
Net capital regulation ratio	(D)/(E) × 100%	423.3%	416.7%	422.1%

## (4) Number of directors/auditors and employees

	Dec. 31, 2012	Dec. 31, 2013	Mar. 31, 2013
Directors and auditors	9	9	9
Employees	235	243	233

[Referential Data]

## Consolidated Income Statement for Latest Five Quarters

(Millions of yen)

	Qr. ended Dec. 31, 2012	Qr. ended Mar. 31, 2013	Qr. ended June 30, 2013	Qr. ended Sept. 30, 2013	Qr. Ended Dec. 31, 2013
I. Operating income	3,570	4,311	3,572	3,456	3,273
1. Commissions and fees	454	886	953	652	698
2. Gains or loss on trading	2,837	3,394	1,997	1,809	1,758
3. Gains on private equity and other securities	-8	-415	-50	145	26
4. Interest and dividend income	237	289	343	321	328
5. Other operating income	49	157	328	528	461
II. Financial expenses	29	36	109	187	342
Net operating income	3,541	4,275	3,462	3,269	2,931
III. Operating Expenses	1,247	1,409	1,640	1,719	1,467
1. Transaction-related expenses	135	220	149	195	172
2. Personnel expenses	774	726	990	904	802
3. Real estate-related expenses	127	137	153	169	161
4. Data processing and office supplies	127	140	154	150	151
5. Depreciation and amortization	24	23	47	52	57
6. Miscellaneous taxes and dues	28	41	58	84	42
7. Provision for doubtful debts	-0	23	-	12	-12
8. Other	28	95	87	150	91
Operating Profit	2,293	2,865	1,822	1,549	1,463
IV. Non-operating income	56	126	215	325	148
V. Non-operating expenses	23	18	75	34	19
Ordinary profit	2,326	2,974	1,962	1,840	1,593
VI. Extraordinary profit	21	1,454	3,971	89	497
VII. Extraordinary loss	170	297	23	661	4
Net profits before taxes	2,176	4,132	5,909	1,269	2,087
Corporate tax, residential tax and business tax	706	1,998	2,134	628	488
Adjustments for corporate tax, etc.	61	-402	122	-20	193
Net profit before minority interest	1,408	2,535	3,652	661	1,404
Profit/loss belonging to minority interest	0	-1	-5	-759	-1
Net profit/loss	1,408	2,537	3,657	1,421	1,405