Member of the Financial Accounting Standards Foundation

Consolidated Financial Summary (for the year ended March 31, 2016)

April 28, 2016

Company Name: Tokai Tokyo Financial Holdings, Inc.
Stock Listings: First sections of the Tokyo Stock Exchange and Nagoya Stock Exchange
Stock Code: 8616 URL http://www.tokaitokyo-fh.jp/
Representative: Tateaki Ishida, President & CEO
Contact: Tetsuji Oono
General Manager - Finance Planning Department
Telephone: (03) 3517-8391
Scheduled date for general meeting of shareholders: June 29, 2016
Scheduled date for filing securities report: June 29, 2016
Scheduled day of commencing dividend payment: June 30, 2016
Earnings supplementary explanatory documents: Available
Earnings presentation for the fiscal year: Available (for financial analysts and institutional investors)

(Figures are rounded down to the nearest one million yen and those in parentheses are negative figures.)

1. Consolidated Financial Results for the Year Ended March 31, 2016(from April 1, 2015 to March 31, 2016)

(1) Consolidated Results of Operation (Figures in percentages denote the year-on-year change.)

	Operating revenue		Net operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
Year ended	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
March 31,2016	67,584	(18.3)	66,277	(18.6)	12,643	(49.6)	15,297	(46.4)	12,423	(32.8)
March 31,2015	82,700	(8.7)	81,374	(8.2)	25,071	(17.1)	28,524	(14.6)	18,499	(20.4)

(Note) Comprehensive income: March 31, 2016: 10,295 million yen [(53.6)%]
March 31, 2015: 22,178 million yen [(11.0)%]

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating income/ Operating revenue
Year ended	yen	yen	%	%	%
March 31,2016	46.92	46.87	8.1	3.0	18.7
March 31,2015	69.51	69.33	12.6	5.3	30.3

(Reference) Equity in earnings of affiliates March 31, 2016: 948 million yen March 31, 2015: 1,669 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
As of	million yen	million yen	%	yen
March 31,2016	568,548	155,204	26.9	580.16
March 31,2015	458,106	157,351	33.8	579.91

(Reference) Shareholders' equity March 31, 2016: 153,089 million yen March 31, 2015: 154,633 million yen

(3) Consolidated Cash Flows Position

	Cash flows from operation	Cash flows from investment	Cash flows from financing	Cash and cash equivalents
Year ended	million yen	million yen	million yen	million yen
March 31,2016	12,302	(775)	(21,829)	44,615
March 31,2015	37,746	(2,214)	(18,937)	56,039

2. Dividends

(Base date)	Dividend per share					Total cash dividends (annual)	Dividends payout ratio (consolidated)	Net assets dividend ratio (consolidated)
	End of first quarter	End of second quarter	End of third quarter	End of year	Annual			
	yen	yen	yen	yen	yen	million yen	%	%
Ended March 31, 2015	—	14.00	—	20.00	34.00	9,056	48.9	6.1
Ended March 31, 2016	—	14.00	—	14.00	28.00	7,387	59.7	4.8
Ending March 31, 2017 (Forecast)	—	—	—	—	—		—	

(Note) Dividend of 20.00 yen per share for the year ended March 31, 2015 includes commemorative dividend of 4.00 yen.

3. Forecast of Consolidated Operating Results for Fiscal 2016 (from April 1, 2016 to March 31, 2017)

The Group operates principally in the financial instruments business, and its operating results are likely to be affected by market fluctuations. Due to such nature of its business and consequential difficulty in predicting its performance, the Group does not disclose the forecast of operating results.

4. Others

(1) Important Changes in Subsidiaries during the Term (Changes Pursuant to the Subsidiaries that Lead to a Change in the Scope of Consolidation): None

New : None

Exclusion : None

(2) Changes in Accounting Policies or Estimates and Retrospective Restatements

1) Changes in accounting policies in accordance with revision of accounting standards: Yes

2) Changes in accounting policies other than item 1) above: None

3) Change in accounting estimates: None

4) Retrospective restatements: None

(3) Number of Shares Issued (Common Stock)

1) Number of shares issued at the end of the term including treasury stock (shares)

As of March 31, 2016: 280,582,115 As of March 31, 2015: 280,582,115

2) Number of treasury stock at the end of the term (shares)

As of March 31, 2016: 16,706,568 As of March 31, 2015: 13,929,529

3) Average number of shares outstanding

Year ended March 31, 2016: 264,796,756 Year ended March 31, 2015: 266,140,944

(Reference)

Non-consolidated Financial Results for the Year Ended March 31, 2016(from April 1, 2015 to March 31, 2016)

(1) Non-consolidated Results of Operations (Figures in percentages denote the year-on-year change.)

	Operating revenue		Operating income		Ordinary income		Net income	
Year ended	million yen	%	million yen	%	million yen	%	million yen	%
March 31,2016	15,425	(20.3)	10,203	(25.2)	11,335	(22.3)	12,640	(8.3)
March 31,2015	19,353	104.7	13,645	116.2	14,594	109.8	13,777	88.8

	Net income per share	Diluted net income per share
Year ended	yen	yen
March 31,2016	47.74	47.69
March 31,2015	51.77	51.64

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	million yen	million yen	%	yen
March 31,2016	161,343	110,912	68.5	419.08
March 31,2015	169,478	111,833	65.9	418.66

(Reference) Shareholders' equity March 31, 2016: 110,585 million yen March 31, 2015: 111,637 million yen

* Audit procedure implementation progress status

This earnings report is exempt from audit procedure of the financial statements that is required under the Financial Instruments and Exchanges Act. At the time of the disclosure of this Consolidated Financial Summary, we have not finished audit procedure process.

* Note to proper use of forecast of operating results and other special remarks

Dividends payments for the fiscal year ending March 31, 2017 have not been determined because it is difficult to forecast operating results, similarly as described in "3.Forecast of Consolidated Operating Results for Fiscal 2016."

Accompanying Materials – Contents

1. Qualitative Information for the Consolidated Fiscal Year Ended March 31, 2016

(1) Review of Operating Results

Japanese Economy During the consolidated fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016), after following a moderate recovery trend, the economy gradually lost steam on the back of the economic slowdown in China and other emerging countries, declines in stock markets and rising yen after the summer season. Consumer spending made a modest recovery on the back of the improvement in employment and the salary increases realized at large companies, but ended up short of a real recovery as a result of increased share of non-regular employment and the modest salary increases at small- and medium-sized companies. Furthermore, Japanese companies became more cautious in their capital expenditure responding to the economic slowdown in emerging countries as well as rising yen. In the wake of decelerated price hikes under the higher yen and the lower crude oil price on top of the waned real economy as mentioned above, the Bank of Japan introduced a negative interest rate policy in February 2016.

Looking Abroad

Although the recovery trend in general was mildly positive, slower growth was observed in China and other emerging countries. In the United States, while consumer spending was positive as a whole, corporate performance turned negative, albeit slightly, under the pressure of a stronger dollar and lower crude oil prices. In Europe, the continued monetary easing favored the region's economy, but the weak performance of the banking sector and strong shock of the refugee issue and terrorist attacks resulted in a sluggish economy after all. The Chinese economy saw a continuous slowdown due to its structural adjustment of reducing excessive capital stock.

Japanese Stock Market The Nikkei Stock Average started at just above ¥19,100 in April 2015 and observed upward movement temporarily reaching a level close to ¥21,000 in June 2015. However, it plunged sharply in August 2015 and thereafter, triggered by devaluation of the Chinese yuan and discouraged by decelerated emerging economies, lower crude oil prices and the appreciation of the yen. In December, the FRB (Federal Reserve Board) raised interest rates for the first time in nine and a half years, which triggered accelerated risk aversion movement of investors. As a result, the Nikkei Stock Average fell temporarily to below ¥15,000 in February 2016 and closed March transactions at ¥16,758. The average daily transaction volume in the First Section of the Tokyo Stock Exchange from April 2015 to March 2016 was ¥2,883.4 billion, exceeding the ¥2,407.1 billion recorded during the same period in previous year.

Japanese Bond Market Starting at above 0.4% in April 2015, the yield on the 10-year JGB, the benchmark for long-term interest rates, rose temporarily to 0.545% in June 2015 as U.S. long-term interest rates rose on the back of the predicted interest rate hike by the FRB. Subsequently, however, the yield turned downward on the back of sluggish stock prices and lower crude oil price, finally reaching the below-zero level after the Bank of Japan introduced a negative interest rate policy in February 2016. The yield then fell further, briefly reaching negative 0.135% in March 2016, and closed at negative 0.05% at the end of March 2016.

Foreign Exchange Market The quantitative easing by the Bank of Japan, concurrently with the prospect of the interest rate hike by the FRB, caused the dollar to appreciate against the yen until June 2015, temporarily reaching the ¥125 level. Subsequently, although there were several factors for the appreciation of the dollar against the yen such as the U.S. interest rate hike and the introduction of negative interest rate policy by the Bank of Japan, buying pressure on the yen for risk aversion purposes prevailed on the back of sluggish stock prices and lower crude oil price. After temporarily reaching above ¥110 in March 2016, the dollar closed March transactions at the ¥112 level.

Ambitious 5: Since April 2012, the Group has been promoting strategies alongside the business plan, "Ambitious 5," under which it positions the fiscal year ended March 31, 2015 and thereafter as the second stage of the plan, in order to implement further advanced measures.

At the second stage of the plan, the Group aims to become the "Leading Player in Asia" as a unique and comprehensive financial group by way of reinforcing new service capabilities and expanding global network for better customer convenience to be offered while upholding its fundamental philosophy intact.

Business Focus: Tokai Tokyo Securities Co., Ltd. (hereinafter, "Tokai Tokyo Securities"), the core operating company of the Group, has been promoting "Stable Revenue Generating Business Activity" and "Per Customer Profit-focused Business Activity" based on "Specifically Designed Marketing Activities Catering to Each Customer Segment" in retail business operations.

Segmented Approaches: For "The Class" (affluent) customers, the Group introduced the new brand service, "Orque d'or" and new membership system, "Orque d'or Members." The Group will provide members and their families with all services associated with their asset management needs as their true partner, thus helping the members with their process of "wealth transfer" between generations of respective families.

Mostly for "The Mature" customers (those with a certain level and above of financial assets and with appetite for asset management), the Group established Toyota FS Retail Client Department "Premier Salon Toyota" in January 2016 in an effort to increase our presence and improve the services in the focused geographic area of *Nishimikawa*. Furthermore, the Group has been promoting solution sales activities to provide financial products and services that fit each customer by utilizing "Asset Analysis Service" to diagnose the assets held by customers

Mainly for "Asset Formation" customers (those willing to build up assets toward future), the Group has focused on the expansion of online functions and the improvement of call center operation services under the “Simple Direct Services.”

On the other hand, amid choppy financial market conditions, the Market Division contributed to business performance particularly with revenue earned from bond trading by seizing the downward trend of interest rates. Furthermore, enhanced information-gathering capability by frequent use of the resource provide by overseas business partners helped both JV securities firms operating jointly with the Tokai Tokyo Securities and the Platform Alliance partners (meaning the securities firms to which we provide the infrastructure and functions necessary for broking foreign stock and bond) maintain decent transaction volume of foreign stocks, albeit actually a decrease on year-on-year basis due to deteriorated markets.

The Corporate Finance Division made steady achievements such as securing its position just behind the five major rival firms in the area of bond underwriting and winning the lead manager’s position in seven stock

underwriting transactions including, foremost, those in which we assumed the role of domestic specified lead manager for the secondary distribution associated with the shares of the three companies under the Japan Post Group.

The Corporate Sales Division kept on strengthening its revenue generation capacity by expanding their customer base centering on non-financial entities and institutional investors.

Alliance Move: On the domestic alliance strategy, Tokai Tokyo Financial Holdings, Inc. (“the Company”) reached a basic agreement with Hokuhoku Financial Group, Inc. to establish a securities firm in the form of a joint investment with the aim of further expanding and developing joint businesses with major regional banks, and started preparation for opening. The existing four JV securities firms (YM Securities Co., Ltd., Hamagin Tokai Tokyo Securities Co., Ltd., Nishi-Nippon City Tokai Tokyo Securities Co., Ltd. and Senshu Ikeda Tokai Tokyo Securities Co., Ltd.) have steadily expanded business, now operating at as many as 51 outlets.

With respect to three branches of Tokai Tokyo Securities (Kumamoto, Miyazaki and Kagoshima Branches) located in southern Kyushu, we decided to transfer their financial instruments businesses to Nishi-Nippon City Tokai Tokyo Securities Co., Ltd. by way of corporate split with the aim of providing more community-focused services to customers.

Meanwhile, under the overseas alliance strategy, the Company entered into a business cooperation agreement in April with K & N Kenanga Holdings Berhad, which is the largest independent investment bank in Malaysia, and subsequently made a capital contribution in May, aiming at strengthening information-gathering capability as well as expanding product offering competence to improve our services.

Streamlined Information Providing Function: Additionally, the Company has established a system to meet diverse and sophisticated customer needs by putting all the dispersed information-providing functions into Tokai Tokyo Wealth Consulting Co., Ltd. that provides advice to customers. This change was aimed to enhance the capability to help customers solve their questions about inheritance, business succession, Tax and other peripheral matters by showing ideas.

CSR Activities: As part of activities that contribute to society and local communities in Japan, the Company opened “Salon de Orque d’or” in March 2016 on the 33rd floor, the highest floor of the Dai Nagoya Building. The Salon is intended for use by the Orque d’or members, business associations and academic societies, and it serves as the base of open innovation activities.

All Nippon Asset Management Co., Ltd.: The Company established All Nippon Asset Management Preparation Co., Ltd. in August 2015 for the purpose of providing an operational platform to regional banks. In December 2015, the new company was renamed as All Nippon Asset Management Co., Ltd., and received capital contributions from several regional banks in March 2016. We expect that the company will be widely utilized as a common operational platform based on which regional banks will enhance their capabilities to manage their own funds, thus contributing to sound development of each regional bank and promotion of the local economy.

Meanwhile, the Group entered into an official partner agreement with Nagoya Grampus Eight, a Japanese professional J1 League football club in the Chubu region that engages in promoting local sports and activating the local community besides playing good football. In October 2015, for the purpose of proactively promoting the local contribution activities mainly in the Chubu region, Tokai Tokyo Securities established the “CSR Activity Department.” In Asia, the Group donated a new classroom building for an elementary school in Leyte Island in the Philippines in June 2015.

15th Anniversary: In October 2015, the Group marked the 15th anniversary of the establishment of the Tokai Tokyo Financial Group. Taking this memorable opportunity, the Group decided to establish “The Tokai Tokyo Foundation” aiming to contribute to the local community and society as a whole toward the future through financial service-related support.

Better Workplace for Female Colleague: With respect to the Company-wide project of “Providing Female Colleagues with Better Opportunities for the Better Result,” we are proactively putting various ideas into action to make it easier for child rearing employees to work, as well as giving female workers career development support, while setting numerical targets and action plans to raise the percentage of female managers. These efforts have been highly recognized by the city of Nagoya and other organizations that honored us with several awards.

The Company's consolidated operating results for the period were as follows:

(Commissions received)

During the consolidated fiscal year under review, total Commissions received decreased 22.3%, to ¥34,267 million (Percentage indicates a year-on-year change. The same shall apply hereinafter in this section (1).):

(i)Commission to consignees:

Total Commissions to consignees earned by the Group decreased 13.0%, to ¥16,538 million, out of which Commissions to consignees on stock were ¥15,149 million, a 17.3% decrease, due to a decline in transactions by individual investors, although the value of stock brokered by Tokai Tokyo Securities, a subsidiary of the Company, expanded 0.2%, to ¥3,820.6 billion while the volume of stock brokered decreased 7.1%, to 4,549 million shares.

(ii) Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors:

Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors totaled ¥883 million, a 13.3% increase, out of which Commission on stocks increased 27.0%, to ¥550 million owing to an increase in lead manager fees associated with IPOs, whereas Commission on bonds fell 3.8%, to ¥333 million.

(iii) Fee for offering, secondary distribution and solicitation for selling and others for professional investors:

Fees for offering, secondary distribution and solicitation for selling and others for professional investors totaled ¥10,481 million, a decrease of 42.1%. Fees from beneficiary certificates under this category decreased 42.2%, to ¥10,437 million due to a decrease in sales of investment trusts.

(iv) Other fees received:

Other fees earned under this category increased 3.0%, to ¥6,363 million due to strong sales of fund wraps, whereas agency commissions from investment trusts fell slightly to ¥4,520 million, a decrease of 2.9%.

(Net trading income)

In the consolidated fiscal year under review, trading of stocks posted a profit of ¥11,691 million, a decrease of 30.1%, which was mainly attributable to the decrease of trading of foreign stock (centering on U.S. stocks). On the other hand, trading of bonds and forex including mainly trading of foreign currency-denominated bonds and structured bonds recorded a profit of ¥18,638 million, a decrease of 0.3%. As a result, Net trading income totaled ¥30,329 million, a decrease of 14.4%.

(Net financial revenue)

In the consolidated fiscal year under review, Financial revenue was ¥2,987 million, down 6.3%. Financial expenses decreased 1.4%, to ¥1,306 million, resulting in Net financial revenue of ¥1,681 million, down 9.9%.

(Selling, general and administrative expenses)

Under selling, general and administrative expenses for the consolidated fiscal year under review, Trading related expenses decreased 3.3%, to ¥11,793 million, due to a decrease in broker commissions paid to JV securities firms in line with decreases in sales volume of foreign bonds; Personnel expenses decreased 11.1%, to ¥24,888 million reflecting a decrease in performance-linked compensation paid; and Depreciation fell 0.5%, to ¥1,849 million. On the other hand, Office costs increased 9.8%, to ¥6,681 million reflecting an increase in subcontracting costs of accounting systems, etc.; and Real estate expenses rose 1.4%, to ¥6,039 million due to establishment of new branches, etc. As a result, Selling, general and administrative expenses were ¥53,634 million, down 4.7%.

(Non-operating income and expenses)

Non-operating income for the consolidated fiscal year under review totaled ¥2,765 million, down 21.5%. The primary contributory factors included a 42.5% increase in Gain on investments in partnership, to ¥299 million. In contrast, the primary negative factors included a 43.2% decrease in Equity in earnings of affiliates, to ¥948 million, and a 3.2% decrease in Dividends income, to ¥736 million. Meanwhile, Non-operating expenses totaled ¥111 million, up 59.8%

(Extraordinary income and loss)

Regarding Extraordinary income for the consolidated fiscal year under review, the primary positive contributing factor was ¥2,602 million in Gain on sales of investment securities.

As a result, Operating revenue for the consolidated fiscal year under review decreased 18.3%, to ¥67,584 million;

Net operating revenue fell 18.6%, to ¥66,277 million; Operating income shrank 49.6%, to ¥12,643 million; Ordinary income declined 46.4%, to ¥15,297 million; and Profit attributable to owners of parent after deducting Income taxes dropped 32.8%, to ¥12,423 million.

(2) Review of the Financial Statements

(Assets)

Total assets as of the end of the consolidated fiscal year under review increased ¥110,441 million (from the end of the previous consolidated fiscal year; the same shall apply in this section (2)) , to ¥568,548 million, out of which Current assets increased ¥109,930 million, to ¥525,258 million. This was primarily attributable on the one hand to increases of ¥61,181 million in Trading products (assets) to ¥259,234 million and ¥54,574 million in Loans secured by securities to ¥134,042 million. On the other hand to a decrease of ¥11,324 million in Cash and deposits to ¥45,204 million. Noncurrent assets increased ¥511 million, to ¥43,290 million.

(Liabilities)

Total liabilities as of the end of the consolidated fiscal year under review increased ¥112,589 million, to ¥413,344 million, out of which Current liabilities increased ¥105,671 million, to ¥388,658 million. This was mainly attributable on the one hand to increases of ¥66,986 million in Trading products (liabilities), to ¥137,111 million and ¥63,732 million in Loans payable secured by securities, to ¥68,538 million. On the other hand to a decrease of ¥17,176 million in Short-term loans payable, to ¥81,052 million. Noncurrent liabilities increased ¥6,866 million, to ¥24,245 million reflecting an increase of ¥11,900 million in Long-term loans payable, to ¥19,700 million.

(Net assets)

Total net assets as of the end of the consolidated fiscal year under review decreased ¥2,147 million, to ¥155,204 million. This was mainly attributable on the one hand to an increase of ¥3,396 million in Retained earnings, to ¥85,537 million. On the other hand to an increase of ¥2,750 million in Treasury stock (resulting in a decrease in net assets) to negative ¥6,390 million following the purchase of treasury stock according to the resolution made by the Board of Directors, and a decrease of ¥1,952 million in Valuation difference on available-for-sale securities, to ¥2,026 million.

(Cash flows)

Net cash provided by operating activities was ¥12,302 million. This was primarily the net result of the following factors: inflow of ¥17,925 million from income before Income taxes, and increases of ¥63,732 million in Loans payable secured by securities, and ¥66,986 million in Trading products –liabilities, against outflows of ¥54,574 million from an increase in Loans secured by securities, and ¥61,181 million from an increase in Trading products - assets.

Net cash flow resulted from investment activities was the outflow of ¥775 million. This was primarily attributable to an inflow of ¥3,971 million from Proceeds from sales of investment securities, outflows of ¥2,561 million for the Purchase of noncurrent assets and ¥1,204 million for the Purchase of investment securities.

Net cash flow resulted from financing activities was the outflow in the amount of ¥21,829 million, principally attributable to the outflow of ¥17,176 million caused by the net decrease in Short-term loans payable, and the net decrease of ¥5,998 million from the net decrease in Bonds payable.

As a result, the balance of Cash and cash equivalents decreased ¥10,377 million from the previous year, to ¥44,615 million at the end of the consolidated fiscal year under review.

(3) Basic Policy Concerning Profit Distribution and Dividend Payment for the Current and Next Fiscal Years

Revenues from the operation of the financial instruments business, in which the Group is primarily engaged, tend to be significantly affected by market trend. So, the Group’s basic policy in determining dividend payment is to return profits to shareholders in a steady and appropriate amount while at the same time trying to increase retained earnings.

The Company’s basic policy on the frequency of dividend payments is to make the payment twice in each fiscal year, the one as an interim dividend and the other as a year-end one. The interim dividend payment is decided by the Board of Directors and the year-end one is decided at a general meeting of shareholders.

The Company’s Articles of Incorporation stipulate that the Company may pay interim dividend in accordance with the provisions of Article 454, Paragraph 5, of the Companies Act.

The year-end dividend per share for the fiscal year under review will be ¥14 of ordinary dividends, which will make an annual total dividend of ¥28 combined with the interim dividend of ¥14 that was already paid. As a result, the payout ratio will be 59.7% on a consolidated basis.

2. Information on Group Companies

Tokai Tokyo Financial Group consists of Tokai Tokyo Financial Holdings, Inc., nineteen consolidated subsidiaries and six affiliates.

The Group primarily engages in the trading and brokerage of securities, the underwriting and sales of securities, the subscription and distribution of securities, the offering of private placements and other financial instruments businesses together with those related thereof. The Group provides a broad array of services to meet customer needs for fund-raising and investment purposes through its global networks linking financial and capital markets in Asia, Europe, and the United States.

The Group's structure is summarized in the chart below:

(Investment and financial services business)

Tokai Tokyo Financial Holdings, Inc.

Japan

(Subsidiaries)
Tokai Tokyo Securities Co., Ltd.
Utsunomiya Securities Co., Ltd.
Tokai Tokyo Asset Management Co., Ltd.
Tokai Tokyo Wealth Consulting Co., Ltd.
Tokai Tokyo Investment Co., Ltd.
(Affiliates)
YM Securities Co., Ltd.
Hamagin Tokai Tokyo Securities Co., Ltd.
Nishi-Nippon City Tokai Tokyo Securities Co., Ltd.
Senshu Ikeda Tokai Tokyo Securities Co., Ltd.
All Nippon Asset Management Co., Ltd.

Asia

(Subsidiaries)
Tokai Tokyo Securities (Asia) Ltd.- Hong Kong
Tokai Tokyo Investment Management Singapore Pte. Ltd.
(Affiliate)
PHILLIP TOKAI TOKYO INVESTMENT MANAGEMENT PTE. LTD.

Europe

(Subsidiary)
Tokai Tokyo Securities Europe Limited

(Other related businesses)

(Subsidiaries)
Tokai Tokyo Research Center Co., Ltd.
Tokai Tokyo Academy Co., Ltd.
Tokai Tokyo Services Co., Ltd.
Tokai Tokyo Business Service Co., Ltd.
Tokai Tokyo Securities (USA), Inc.
and 6 other companies

3. Management Policy

(1) Principal Management Policy

In April 2012, the Group launched a new business plan, “Ambitious 5,” and has been actively implementing all the measures as its second stage since April 2014.

(2) Current Tasks

The business environment surrounding the Company has been changing incessantly, casting such tests as intensifying competition and aging society.

To address these challenges, the Group launched the business plan “Ambitious 5” in April 2012, as stated in “3. Management Policy (1) Principal Management Policy” above. In the initial stage of the plan “Ambitious 5,” with the aim of becoming the “Leading Player in ASIA,” the Group exerted the utmost efforts on strengthening business foundation in the Chubu region as its core geographical business area, while establishing a business model for a new stage by further innovating and utilizing operating infrastructures and functions that we have developed for running securities business.

At the second stage of the plan, while firmly adhering to its basic philosophy, the Group has been working to introduce new functions to improve customer convenience and expanding its global network since April 2014.

i. Community & “The Middle” (Specializing in strategic regions and customers):

The Group will formulate sales strategies that fit to the characteristics of each targeted geographic area for expanding business base and eventually establishing a commanding presence and brand in the Chubu region, our home market. The Group will promote sales activity segmenting customers into the groups “The Class,” “The Mature” and “The Asset Formation.”

The Group understands that advanced functions such as Internet Banking must be introduced for the improvement of customer convenience as well as for the development of new customer bases.

ii. Alliance & Platform (Aggressive expansion of business base):

Under the alliance strategy, the Group will continue to expand its business base by establishing the 5th JV securities firm jointly with regional bank, next to the 4th one established with Hokuhoku Financial Group, Inc. Furthermore, the Group, as a unique and comprehensive financial group, will focus on expanding its business base and increasing revenues of the entire Group by providing diverse new functions and products to those JV securities firms and platform alliance partners.

The Group understands that it is necessary to build wider overseas networks centering on rapidly growing Asia and improve the functions of asset management and private banking through capital and business alliances.

iii. Expertise (Know-how): The Group will raise its ability to propose customer solutions for such matters of concern as inheritance of personal wealth and succession of business and to enhance the skills of its sales staff. The Group will further enhance its differentiating strength in underwriting and selling of bonds. Further, the Group will upgrade its information and services both in quality and scope and expand the global network in order to cultivate overseas investor base.

The Group understands that it is necessary to further strengthen product competitiveness by having its own asset management functions. It is also necessary to improve customer convenience with more advanced Internet capabilities.

iv. Humanity (A company with a human touch):

The Group introduced a new personnel system emphasizing teamwork, and will nurture corporate culture with human touch fostering respect for diverse values and lifestyles by promoting individual diversity (appointment of female workers and utilizing personnel of diverse backgrounds). In addition, responding to diversified operation, the Group will develop and assign human resources with high expertise in each business field while improving the learning environment and training programs, and strongly support and make utmost use of the upgraded skill of individuals who wish to sharpen their own capabilities.

v. Risk management (Enhancing capability to address risks):

The Group will become better prepared to address various risks by further reinforcing its risk management, crisis management, compliance, governance system and financial base. Furthermore, as a Group company engaging mainly in financial instruments business, the Company will focus on executing its fiduciary duty.

The business plan “Ambitious 5” will enter its final year in FY 2016. Towards the achievement of the goals set in “Ambitious 5”, the Group will concentrate its capabilities on exerting unified efforts for realizing the improvement of corporate value.

4. Basic Concept regarding the Selection of Accounting Standards

The Group engages in the financial instruments business mainly for domestic customers, and its shareholders principally consist of domestic shareholders. Under these circumstances, the Company consistently applies Japanese generally accepted accounting principles.

Regarding IFRS (International Financial Reporting Standards), the Company will consider the application based on the progress of the Group’s business at home and abroad as well as the shareholding ratio in addition to the increased possibility of international comparison of financial information in the capital market.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: million yen)

	As of March 31, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	56,528	45,204
Cash segregated as deposits	26,267	28,711
Cash segregated as deposits for customers	25,105	27,905
Cash segregated as deposits for others	1,161	806
Trading products	198,053	259,234
Trading securities and other	195,803	255,620
Derivatives	2,250	3,613
Margin transaction assets	38,758	41,375
Loans on margin transactions	35,985	31,714
Cash collateral pledged for securities borrowing on margin transactions	2,773	9,660
Loans secured by securities	79,468	134,042
Cash collateral pledged for securities borrowed	79,468	134,042
Advances paid	95	76
Short-term guarantee deposits	9,675	11,696
Short-term loans receivable	98	115
Short-term investment securities	10	―
Accrued income	1,744	1,944
Deferred tax assets	1,283	208
Other	3,378	2,680
Allowance for doubtful accounts	(35)	(31)
Total current assets	415,327	525,258
Noncurrent assets		
Property, plant and equipment	8,841	10,203
Buildings	2,034	3,031
Equipment	1,859	2,246
Land	4,947	4,925
Intangible assets	2,130	2,426
Software	1,991	2,283
Telephone subscription right	139	142
Investments and other assets	31,806	30,660
Investment securities	26,786	25,071
Long-term guarantee deposits	1,969	2,089
Net defined benefit asset	2,411	2,697
Other	1,988	2,138
Allowance for doubtful accounts	(1,349)	(1,335)
Total noncurrent assets	42,778	43,290
Total assets	458,106	568,548

(Unit: million yen)

	As of March 31, 2015	As of March 31, 2016
Liabilities		
Current liabilities		
Trading products	70,125	137,111
Trading securities and other	63,271	129,790
Derivatives	6,854	7,321
Trade date accrual	10,901	15,261
Margin transaction liabilities	10,674	5,708
Borrowings on margin transactions	7,810	3,733
Cash received for securities lending on margin transactions	2,864	1,975
Loans payable secured by securities	4,805	68,538
Cash received on debt credit transaction of securities	3,805	68,538
Borrowings on Gensaki transaction	999	―
Deposits received	24,468	18,852
Guarantee deposits received	7,230	10,605
Short-term loans payable	98,228	81,052
Short-term bonds payable	8,300	9,800
Current portion of bonds	37,701	35,855
Income taxes payable	2,558	533
Provision for bonuses	3,807	1,721
Provision for directors' bonuses	101	41
Other	4,082	3,575
Total current liabilities	282,986	388,658
Noncurrent liabilities		
Bonds payable	6,103	1,950
Long-term loans payable	7,800	19,700
Deferred tax liabilities	1,792	470
Provision for directors' retirement benefits	104	83
Net defined benefit liability	547	465
Other	1,031	1,576
Total noncurrent liabilities	17,379	24,245
Reserves under special laws		
Reserve for financial products transaction liabilities	388	440
Total reserves under special laws	388	440
Total liabilities	300,755	413,344
Net assets		
Shareholders' equity		
Capital stock	36,000	36,000
Capital surplus	33,469	33,473
Retained earnings	82,140	85,537
Treasury stock	(3,639)	(6,390)
Total shareholders' equity	147,970	148,619
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,978	2,026
Foreign currency translation adjustment	69	(10)
Remeasurements of defined benefit plans	2,614	2,454
Total accumulated other comprehensive income	6,663	4,469
Subscription rights to shares	196	327
Non-controlling interests	2,522	1,787
Total net assets	157,351	155,204
Total liabilities and net assets	458,106	568,548

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Unit: million yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Operating revenue		
Commission received	44,082	34,267
Commission to consignees	19,016	16,538
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	779	883
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	18,105	10,481
Other fees received	6,180	6,363
Net trading income	35,427	30,329
Financial revenue	3,190	2,987
Total operating revenue	82,700	67,584
Financial expenses	1,325	1,306
Net operating revenue	81,374	66,277
Selling, general and administrative expenses		
Trading related expenses	12,194	11,793
Personal expenses	28,002	24,888
Real estate expenses	5,957	6,039
Office cost	6,086	6,681
Depreciation	1,858	1,849
Taxes and dues	685	890
Provision of allowance for doubtful accounts	26	—
Other	1,492	1,491
Total selling, general and administrative expenses	56,303	53,634
Operating income	25,071	12,643
Non-operating income		
Dividend income	760	736
Rent income	596	637
Equity in earnings of affiliates	1,669	948
Gain on investments in partnership	210	299
Other	286	143
Total non-operating income	3,522	2,765
Non-operating expenses		
Loss on investments in partnership	38	69
Loss on abandonment of noncurrent assets	17	—
Foreign exchange losses	—	26
Other	14	16
Total non-operating expenses	69	111
Ordinary income	28,524	15,297

(Unit: million yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Extraordinary income		
Gain on sales of noncurrent assets	—	0
Gain on sales of investment securities	708	2,602
Gain on changes in equity	—	80
Gain on reversal of subscription rights to shares	1	1
Total extraordinary income	710	2,684
Extraordinary loss		
Loss on sales of noncurrent assets	84	—
Impairment loss	28	—
Loss on sales of investment securities	8	4
Loss on valuation of securities	51	1
Loss on valuation of golf club membership	0	—
Loss on cancellation of contracts	63	—
Provision of reserve for financial products transaction liabilities	100	51
Total extraordinary loss	338	56
Income before income taxes	28,896	17,925
Income taxes-current	9,328	4,526
Income taxes-deferred	813	908
Total income taxes	10,141	5,434
Profit	18,754	12,490
Profit attributable to non-controlling interests	254	67
Profit attributable to owners of parent	18,499	12,423

Consolidated Statements of Comprehensive Income

(Unit: million yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Profit	18,754	12,490
Other comprehensive income		
Valuation difference on available-for-sale securities	1,706	(1,954)
Foreign currency translation adjustment	288	(80)
Remeasurements of defined benefit plans	1,429	(160)
Total other comprehensive income	3,424	(2,195)
Comprehensive income	22,178	10,295
(Comprehensive income attributable to)		
Owners of the parent	21,921	10,229
Non-controlling interests	256	65

(3) Consolidated Statements of Changes in Net Assets

Year ended March 31, 2015 (Fiscal 2014)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	36,000	33,412	71,644	(3,835)	137,221
Cumulative effects of changes in accounting policies			(557)		(557)
Restated balance	36,000	33,412	71,086	(3,835)	136,664
Changes of items during the period					
Dividends from surplus			(7,445)		(7,445)
Profit attributable to owners of parent			18,499		18,499
Purchase of treasury stock				(2)	(2)
Disposal of treasury stock		56		198	255
Net changes of items other than shareholders' equity					
Total changes of items during period	—	56	11,053	195	11,306
Balance at the end of current period	36,000	33,469	82,140	(3,639)	147,970

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for sale	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	2,274	(218)	1,185	3,240	104	2,362	142,929
Cumulative effects of changes in accounting policies							(557)
Restated balance	2,274	(218)	1,185	3,240	104	2,362	142,371
Changes of items during the period							
Dividends from surplus							(7,445)
Profit attributable to owners of parent							18,499
Purchase of treasury stock							(2)
Disposal of treasury stock							255
Net changes of items other than shareholders' equity	1,704	288	1,429	3,422	91	159	3,673
Total changes of items during period	1,704	288	1,429	3,422	91	159	14,980
Balance at the end of current period	3,978	69	2,614	6,663	196	2,522	157,351

Year ended March 31, 2016（Fiscal 2015）

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	36,000	33,469	82,140	(3,639)	147,970
Cumulative effects of changes in accounting policies					—
Restated balance	36,000	33,469	82,140	(3,639)	147,970
Changes of items during the period					
Dividends from surplus			(9,026)		(9,026)
Profit attributable to owners of parent			12,423		12,423
Purchase of treasury stock				(2,824)	(2,824)
Disposal of treasury stock		3		73	77
Net changes of items other than shareholders' equity					
Total changes of items during period	—	3	3,396	(2,750)	649
Balance at the end of current period	36,000	33,473	85,537	(6,390)	148,619

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for sale	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	3,978	69	2,614	6,663	196	2,522	157,351
Cumulative effects of changes in accounting policies							—
Restated balance	3,978	69	2,614	6,663	196	2,522	157,351
Changes of items during the period							
Dividends from surplus							(9,026)
Profit attributable to owners of parent							12,423
Purchase of treasury stock							(2,824)
Disposal of treasury stock							77
Net changes of items other than shareholders' equity	(1,952)	(80)	(160)	(2,193)	131	(734)	(2,797)
Total changes of items during period	(1,952)	(80)	(160)	(2,193)	131	(734)	(2,147)
Balance at the end of current period	2,026	(10)	2,454	4,469	327	1,787	155,204

(4) Consolidated Statements of Cash Flows

(Unit: million yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Cash flows from operating activities		
Income before income taxes	28,896	17,925
Depreciation	1,858	1,849
Equity in (earnings) losses of affiliates	(1,669)	(948)
Increase (decrease) in net defined benefit liability	(25)	(695)
Increase (decrease) in provision for directors' retirement benefits	22	(20)
Increase (decrease) in allowance for doubtful accounts	26	(17)
Interest and dividend income	(3,951)	(3,724)
Interest expenses	1,325	1,306
Loss (gain) on valuation of investment securities	51	1
Loss (gain) on sale of investment securities	(700)	(2,598)
Loss (gain) on sales of noncurrent assets	84	(0)
Loss on valuation of golf club memberships	0	－
Loss (gain) on change in equity	－	(80)
Impairment loss	28	－
Gain on reversal of subscription rights to shares	(1)	(1)
Decrease (increase) in cash segregated as deposits for customers	899	(2,800)
Decrease (increase) in trading products -assets	26,105	(61,181)
Increase (decrease) in trading products -liabilities	(6,467)	66,986
Decrease (increase) in margin transaction assets	10,553	(2,616)
Increase (decrease) in margin transaction liabilities	(6,071)	(4,966)
Decrease (increase) in loans secured by securities	139,007	(54,574)
Increase (decrease) in borrowings secured by securities	(115,121)	63,732
Increase (decrease) in deposits received	5,986	(5,613)
Increase (decrease) in guarantee deposits received	(6,756)	3,375
Decrease (increase) in other assets	4,700	(308)
Increase (decrease) in other liabilities	(31,674)	1,955
Subtotal	47,108	16,984
Interest and dividend income received	4,320	3,189
Interest expenses paid	(1,381)	(1,190)
Income taxes paid	(12,301)	(6,680)
Net cash provided by (used in) operating activities	37,746	12,302

(Unit: million yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Cash flows from investing activities		
Purchase of property, plant and equipment	(632)	(1,137)
Proceeds from sales of property, plant and equipment	293	23
Purchase of intangible assets	(665)	(1,423)
Purchase of investment securities	(2,089)	(1,204)
Proceeds from sales of investment securities	1,229	3,971
Purchase of shares of subsidiaries and associates	(168)	—
Payments for guarantee deposits	(126)	(380)
Proceeds from collection of guarantee deposits	101	80
Other, net	(157)	(704)
Net cash provided by (used in) investing activities	(2,214)	(775)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(34,281)	(17,176)
Proceeds from long-term loans payable	7,800	14,200
Repayments of long-term loans payable	—	(2,300)
Proceeds from issuance of short-term bonds	45,700	49,200
Redemption of short-term bonds	(45,200)	(47,700)
Proceeds from issuance of bonds	41,535	33,829
Redemption of bonds	(26,987)	(39,827)
Proceeds from exercise of stock option	212	64
Purchase of treasury stock	—	(2,822)
Net decrease (increase) in treasury stock	(2)	(2)
Cash dividends paid	(7,445)	(9,026)
Proceeds from share issuance to non-controlling shareholders	—	800
Repayments to non-controlling shareholders	(28)	(782)
Dividends paid to non-controlling interests	(11)	(17)
Other, net	(228)	(268)
Net cash provided by (used in) financing activities	(18,937)	(21,829)
Effect of exchange rate changes on cash and cash equivalents	304	(75)
Net increase (decrease) in cash and cash equivalents	16,898	(10,377)
Cash and cash equivalents at beginning of period	39,141	56,039
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	(1,046)
Cash and cash equivalents at end of period	56,039	44,615

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Significant Basis of Presenting Consolidated Financial Statements)

1) Scope of consolidation

Number of consolidated subsidiaries: 19 companies (As at the end of the consolidated fiscal year under review)

Principal consolidated subsidiaries:

Tokai Tokyo Securities Co., Ltd.
Utsunomiya Securities Co., Ltd.
Tokai Tokyo Asset Management Co., Ltd.
Tokai Tokyo Wealth Consulting Co., Ltd.
Tokai Tokyo Investment Co., Ltd.
Tokai Tokyo Research Center Co., Ltd.
Tokai Tokyo Academy Co., Ltd. Tokai Tokyo Services Co., Ltd.
Tokai Tokyo Service Co., Ltd
Tokai Tokyo Business Service Co., Ltd.
Tokai Tokyo Securities (Asia) LTD.
Tokai Tokyo Securities Europe Limited
Tokai Tokyo Securities (USA), Inc.
Tokai Tokyo Investment Management Singapore Pte., Ltd.
TTI Chubu Venture No. 1 Investment Business Limited Partnership
Value-Up Investment Limited Partnership
Tokai Tokyo Japan Phoenix Fund Limited
Tokai Tokyo Japan Phoenix Master Fund Limited
Asia-Pacific Rising Fund Limited
Asia-Pacific Rising Master Fund Limited

In the consolidated fiscal year under review, All Nippon Asset Management Co., Ltd. (it was called All Nippon Asset Management Preparation Co., Ltd. when established, and renamed to the present name in December 2015), which was established in August 2015 as a consolidated subsidiary of the Company was excluded from the scope of consolidation in March 2016 due to decreased percentage of voting rights held by the Company following the third party allocation of its new shares, and became an affiliate under so called "equity method" as per the accounting treatment and subsequent disclosure requirement,

In the consolidated fiscal year under review, Tokai Tokyo-Sumishin Wealth Partners & Consulting Co., Ltd. has changed its name to Tokai Tokyo Wealth Consulting Co., Ltd. in May 2015.

2) Application of equity method

Major affiliates to which the equity method is applied: six companies

Name of the subject companies:

YM Securities Co., Ltd.
Hamagin Tokai Tokyo Securities Co., Ltd.
Nishi-Nippon City Tokai Tokyo Securities Co., Ltd.
Senshu Ikeda Tokai Tokyo Securities Co., Ltd.
All Nippon Asset Management Co., Ltd.
PHILLIP TOKAI TOKYO INVESTMENT MANAGEMENT PTE. LTD.

In the consolidated fiscal year under review, All Nippon Asset Management Co., Ltd. was excluded from the scope of consolidation in March 2016 due to decreased percentage of voting rights held by the Company following the third party allocation of its new shares, and became an affiliate under so called "equity method" as per the accounting treatment and subsequent disclosure requirement,.

3) Fiscal period of consolidated subsidiaries

The closing date is December 31 for the 10 consolidated subsidiaries that include Tokai Tokyo Securities (Asia) LTD., Tokai Tokyo Securities Europe Limited, Tokai Tokyo Securities (USA), Inc., Tokai Tokyo Investment Management Singapore pte., Ltd., TTI Chubu Venture No. 1 Investment Business Limited Partnership, Value-Up Investment Limited Partnership, Tokai Tokyo Japan Phoenix Fund Limited, Tokai Tokyo Japan Phoenix Master Fund Limited, Asia-Pacific Rising Fund Limited and Asia-Pacific Rising Master Fund Limited. The closing date for the other nine consolidated subsidiaries is March 31. With respect to the subsidiaries with a fiscal year ended other than March 31, their financial statement closings were made as of each respective closing date for the consolidation after making the necessary consolidation adjustments regarding the significant matters that had taken place between such respective closing dates and the consolidated closing date.

4) Accounting policies

(i) Objectives and scope of trading

The objectives of trading are to generate profits in the exchanges of securities by taking advantage of the short-term fluctuation or arbitrage of market prices, interest rates, currency value and other indexes, and to minimize losses that may be caused by the above transactions. The scope of these transactions includes trading of securities, exchange-traded derivatives transactions, foreign-exchange-traded derivatives transactions, and over-the-counter derivatives transactions.

(ii) Valuation of trading assets and liabilities

Trading assets and liabilities, including securities and financial derivatives for trading purposes are recorded at current market value.

(iii) Valuation of non-trading assets and liabilities

The valuation of non-trading assets and liabilities is recorded by the policies and the methods described below.

Other securities:

a) Other securities with market values

Other securities with market values are recorded on the consolidated balance sheets at market value, based on quoted market prices on the consolidated closing date. The valuation difference between the cost, using the moving average method, and market value is recorded directly as net increase or decrease in net assets on the balance sheets.

b) Other securities with no market value

Other securities with no market value are recorded at cost using the moving average method.

(iv) Depreciation of significant depreciable assets

a) Tangible fixed assets (excluding lease assets):

Tangible fixed assets are primarily amortized under the declining-balance method. However, the Company and its domestic consolidated subsidiaries use the straight-line method for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998.

b) Intangible fixed assets (excluding lease assets):

Intangible fixed assets are primarily amortized under the straight-line method. However, software for in-house use is amortized under the straight-line method based on internal estimations of useful lives.

(v) Accounting policies for significant provisions

Allowance for doubtful accounts:

The Company provides an allowance for possible losses on credit. For performing credit, an allowance is calculated based on the historical default rate. For loans with default possibility, it is based on the individual assessment of the recoverability of each receivable, and the amount expected to be irrecoverable is provided for.

Accrued bonuses:

Accrued bonuses are appropriated for bonus payments to employees based on the estimated future payments computed by methods set out by the Company and its domestic consolidated subsidiaries.

Accrued bonuses for directors and executive officers:

An allowance is appropriated for bonus payments to directors and executive officers based on the estimated future payments.

Retirement benefits for directors and executive officers:

Some of the Company’s domestic consolidated subsidiaries record an allowance for retirement benefits for directors and executive officers based on estimated future retirement benefits at the end of the consolidated fiscal year under review in accordance with their internal regulations.

(vi) Accounting policies for net defined benefit assets and net defined benefit liabilities

The Company and its domestic consolidated subsidiaries record an allowance for retirement benefits for employees, which is recognized as having been incurred at the end of the consolidated fiscal year under review, based on an estimated amount of the liability for retirement benefits and plan assets at the end of the consolidated fiscal year under review.

a) Allocation of estimated amount of retirement benefits for the period

In calculating net defined benefit liabilities, the estimated amount of retirement benefits for the period up to the end of the consolidated fiscal year under review is calculated by the straight-line method.

b) Accounting method for actuarial differences and prior service costs

Prior service costs are expensed using the straight-line method over the specific number of years (10 years) and the average remaining period of service of the employees when incurred.

Actuarial differences are to be expensed from the following consolidated fiscal year, respectively, using the straight-line method over the specific number of years (10 years) proportionately within the average remaining period of service of the employees when incurred.

(vii) Accounting policies for statutory reserves

Financial product transaction liabilities reserve:

Financial product transaction liabilities reserve is appropriated for losses caused by transactions involving securities, derivatives, or other instruments. The amount recorded was calculated based on the provisions of Article 175 of the Cabinet Office Ordinance Concerning the Financial Instruments Business, etc. pursuant to the provisions of Article 46-5 of the Financial Instruments and Exchange Act.

(viii) Policies for the conversion of significant assets or liabilities in foreign currencies into yen

The Company and its domestic consolidated subsidiaries primarily convert assets or liabilities in foreign currencies into yen at the spot exchange rate on the consolidated closing date and record the exchange difference as profits or losses. Assets, liabilities, revenues and expenses of overseas subsidiaries are converted into yen at the spot exchange rate on the consolidated closing date. The exchange difference is included in the translation adjustments of net assets.

(ix) Accounting for consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(x) Adoption of consolidated tax return system

The Company and its domestic subsidiaries have adopted the consolidated tax return system.

(xi) Scope of “Cash and cash equivalents” in consolidated cash flow statements

Cash and cash equivalents included in the consolidated statements of cash flows consist of cash on hand, current deposits, ordinary deposits and other which can be withdrawn on demand.

(Changes in Accounting Policies)

The “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013; hereinafter, the “Accounting Standard for Business Combinations”), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; hereinafter, the “Accounting Standard for Consolidated Financial Statements”), and “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013; hereinafter, the “Accounting Standard for Business Divestitures”) have been applied from the consolidated fiscal year ended March 31, 2016. Under these accounting standards, the method of recording the amount of difference caused by changes in the Company’s equity shares in subsidiaries, which the Company continues to control, was changed to one in which it is recorded as Capital surplus. The method of recording acquisition-related costs was also changed to one in which they are recognized as expenses in the fiscal year in which they are incurred. In addition, for business combinations carried out on or after the beginning of the consolidated fiscal year under review, the accounting method was changed to one in which the allocation of acquisition costs arising from the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the fiscal year in which the business combination took place. Furthermore, the presentation method for Net income was changed to Profit and the presentation of Minority interests was changed to Non-controlling interests. To reflect the relevant changes, the consolidated financial statements for the previous fiscal year were restated.

The Company adopted the Accounting Standards for Business Combinations, etc., from the beginning of the consolidated fiscal year under review following transitional treatment as stipulated in Article 58-2 (4) of Accounting Standard for Business Combinations, Article 44-5 (4) of Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of Accounting Standard for Business Divestitures.

The impact of the adoption of these accounting standards on financial statements for the consolidated fiscal year under review, is immaterial.

(Consolidated Statements of Changes in Net Assets)

FY 2015 (April 1, 2015 to March 31, 2016)

1) Outstanding shares

Type of Shares	As of March 31, 2015	Increase	Decrease	As of March 31, 2016
Common stock (Shares)	280,582,115	—	—	280,582,115

2) Treasury stocks

Type of Shares	As of March 31, 2015	Increase	Decrease	As of March 31, 2016
Common stock (Shares)	13,929,529	3,003,090	226,051	16,706,568

Notes: 1. The increase in treasury stock (common stock) is attributable to the purchase of 3,000,000 treasury stocks based on a resolution of the Board of Directors in accordance with the Articles of Incorporation, and the purchase of 3,090 fractional shares.

2. The decrease in treasury stock (common stocks) is attributable to the transfer of 226,000 shares in lieu of issuing new shares, following the exercise of stock options and to the sale of 51 shares of fractional shares.

3) Information regarding subscription rights to shares

Company Name	Item	Balance as of March 31, 2016 (million yen)
The Company	Stock options	327
Total		327

4) Dividends

(i) Dividend payment

Resolution	Type of Shares	Total cash dividends (million yen)	Dividend per share (yen)	Record date	Effective date
June 26, 2015 Ordinary General Meeting of Shareholders	Common stock	5,333	20.00 (Including commemorative dividend of 4.00 [illegible])	March 31, 2015	June 29, 2015
October 30, 2015 Meeting of the Board of Director	Common stock	3,693	14.00	September 30, 2015	November 27, 2015

(ii) Dividends, the record date of which falls in the consolidated fiscal year under review with the effective date falling in the following fiscal year

Resolution	Type of Shares	Resource of Dividends	Total cash dividends (million yen)	Dividend per share (yen)	Record date	Effective date
June 29, 2016 Ordinary General Meeting of Shareholders	Common stock	Retained earnings	3,694	14.00	March 31, 2016	June 30, 2016

(Consolidated Statements of Cash Flows)

Reconciliation for “Cash and cash equivalents” and “Cash and deposits” on the consolidated balance sheets

(Unit: million yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Cash and deposits Time deposits to be matured in 3 months or longer	56,528 (488)	45,204 (588)
Cash and cash equivalents	56,039	44,615

(Segment Information)

For the consolidated fiscal year ended March 31, 2015

As the Group operates within a single segment of the “Investment and financial services business,” we do not state segment information.

For the consolidated fiscal year ended March 31, 2016

As the Group operates within a single segment of the “Investment and financial services business,” we do not state segment information.

(Per Share Information)

Year ended March 31, 2015		Year ended March 31, 2016	
Net assets per share	579.91 yen	Net assets per share	580.16 yen
Net income per share	69.51 yen	Net income per share	46.92 yen
Diluted net income per share	69.33 yen	Diluted net income per share	46.87 yen

Notes: 1. Net Assets per share are calculated on the following bases.

	Year ended March 31, 2015	Year ended March 31, 2016
Total net assets (million yen)	157,351	155,204
Amount to be deducted from total net assets (million yen)	2,718	2,115
(Subscription rights to shares (million yen))	(196)	(327)
(Non-controlling interests (million yen))	(2,522)	(1,787)
Net assets associated with common stock at the end of the year (million yen)	154,633	153,089
Number of shares of common stock at the end of the year, which was used for the calculation of net assets per share (thousand shares)	266,652	263,875

2. Net income per share and diluted net income per share are calculated on the following bases.

	Year ended March 31, 2015	Year ended March 31, 2016
Net income per share		
Profit attributable to owners of parent (million yen)	18,499	12,423
Amount not belonging to common stock (million yen)	—	—
Profit attributable to owners of parent belonging to common stock (million yen)	18,499	12,423
Average number of shares of common stock outstanding during the year (thousand shares)	266,140	264,796
Diluted net income per share		
Adjusted profit attributable to owners of parent (million yen)	—	—
Increase in common stock (thousand shares)	687	236
(Subscription rights to shares (thousand shares))	(687)	(236)
The description of dilutive stocks that were not included in calculation of diluted net income per share due to its lack of dilution effect	Category of dilutive stocks; Number of dilutive stocks to be caused by stock subscription rights, if exercised Series 5 stock subscription rights 971,000 shares Series 6 stock subscription rights 1,092,000 shares	Category of dilutive stocks; Number of dilutive stocks to be caused by stock subscription rights, if exercised Series 6 stock subscription rights 1,072,000 shares Series 7 stock subscription rights 1,076,000 shares

Note: The number of stock option is described in terms of number of shares.

(Material Subsequent Events)
None

6. Supplementary Information

(1) Breakdown of Commissions and Trading profit and loss

① Commission received

(i) By item (Unit: million yen)

	Year ended March 31, 2015	Year ended March 31, 2016	Yr/Yr	
			Increase (Decrease)	% change
Commission to consignees	19,016	16,538	(2,477)	(13.0) %
Stocks	18,318	15,149	(3,168)	(17.3)
Bonds	20	28	8	38.5
Beneficiary certificates	676	1,357	681	100.8
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	779	883	103	13.3
Stocks	433	550	117	27.0
Bonds	346	333	(13)	(3.8)
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	18,105	10,481	(7,624)	(42.1)
Beneficiary certificates	18,049	10,437	(7,611)	(42.2)
Other fees received	6,180	6,363	182	3.0
Beneficiary certificates	4,656	4,520	(135)	(2.9)
Total	44,082	34,267	(9,815)	(22.3)

(ii) By product (Unit: million yen)

	Year ended March 31, 2015	Year ended March 31, 2016	Yr/Yr	
			Increase (Decrease)	% change
Stocks	18,900	15,784	(3,116)	(16.5) %
Bonds	440	419	(21)	(4.8)
Beneficiary certificates	23,381	16,315	(7,066)	(30.2)
Others	1,359	1,748	388	28.6
Total	44,082	34,267	(9,815)	(22.3)

② Net trading income (Unit: million yen)

	Year ended March 31, 2015	Year ended March 31, 2016	Yr/Yr	
			Increase (Decrease)	% change
Stocks	16,732	11,691	(5,040)	(30.1) %
Bonds and Forex	18,695	18,638	(57)	(0.3)
Total	35,427	30,329	(5,098)	(14.4)

(2) Comparative Quarterly Consolidated Statements of Income

(Unit: million yen)

	Fiscal 2015				
	1st quarter Apr. 1, 2015 - Jun. 30, 2015	2nd quarter Jul. 1, 2015 - Sep. 30, 2015	3rd quarter Oct. 1, 2015 - Dec. 31, 2015	4th quarter Jan. 1, 2016 - Mar. 31, 2016	Total of FY 2015 Apr. 1, 2015 - Mar. 31, 2016
Operating revenues					
Commissions received	11,046	7,962	8,125	7,133	34,267
Commission to consignees	5,078	4,047	4,162	3,250	16,538
(Stocks)	4,848	3,694	3,757	2,849	15,149
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	116	116	323	327	883
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	4,270	2,190	2,026	1,994	10,481
(Beneficiary certificates)	4,258	2,181	2,013	1,983	10,437
Other fees received	1,581	1,607	1,613	1,560	6,363
(Beneficiary certificates)	1,201	1,184	1,124	1,009	4,520
Net trading income	8,719	7,300	7,576	6,732	30,329
(Stocks)	4,828	2,678	3,143	1,040	11,691
(Bonds and Forex)	3,890	4,621	4,433	5,692	18,638
Financial revenues	936	655	764	631	2,987
Total operating revenue	20,702	15,918	16,467	14,496	67,584
Financial expenses	306	276	406	317	1,306
Net operating revenue	20,395	15,642	16,060	14,179	66,277
Selling, general and administrative expenses					
Trading related expenses	3,419	2,903	2,794	2,675	11,793
Personnel expenses	6,983	5,817	6,162	5,925	24,888
Real estate expenses	1,485	1,487	1,471	1,593	6,039
Office cost	1,578	1,709	1,650	1,743	6,681
Depreciation	448	470	466	462	1,849
Taxes and dues	233	217	216	223	890
Provision of allowance for doubtful accounts	0	8	(8)	—	—
Other	448	377	307	357	1,491
Total selling, general and administrative expenses	14,597	12,991	13,062	12,982	53,634
Operating income	5,797	2,650	2,997	1,196	12,643
Non-operating income	851	829	503	581	2,765
Equity in earnings of affiliates	465	248	242	(8)	948
Other	385	581	260	589	1,816
Non-operating expenses	23	43	7	36	111
Other	23	43	7	36	111
Ordinary income	6,625	3,436	3,493	1,742	15,297
Extraordinary income	794	677	761	450	2,684
Extraordinary loss	31	21	2	1	56
Income before income taxes	7,388	4,092	4,252	2,191	17,925
Income taxes-current	890	1,655	559	1,421	4,526
Income taxes-deferred	1,211	(254)	837	(885)	908
Profit	5,287	2,691	2,856	1,655	12,490
Profit attributable to non-controlling interests	131	(8)	62	(118)	67
Profit attributable to owners of parent	5,155	2,700	2,793	1,773	12,423