

Consolidated Financial Summary (for the year ended March 31, 2017)

April 28, 2017

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/>
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Scheduled date for general meeting of shareholders: June 29, 2017
 Scheduled date for filing securities report: June 29, 2017
 Scheduled day of commencing dividend payment: June 30, 2017
 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, 2017 (from April 1, 2016 to March 31, 2017)**(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	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
Year ended										
March 31, 2017	65,412	(3.2)	63,728	(3.8)	9,497	(24.9)	13,269	(13.3)	11,990	(3.5)
March 31, 2016	67,584	(18.3)	66,277	(18.6)	12,643	(49.6)	15,297	(46.4)	12,423	(32.8)

(Note) Comprehensive income: March 31, 2017: 10,709 million yen [4.0%]
 March 31, 2016: 10,295 million yen [(53.6)%]

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating income/ Operating revenue
	yen	yen	%	%	%
Year ended					
March 31, 2017	45.73	45.72	7.8	2.0	14.5
March 31, 2016	46.92	46.87	8.1	3.0	18.7

(Reference) Equity in earnings of affiliates March 31, 2017: 2,058 million yen March 31, 2016: 948 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	million yen	million yen	%	yen
As of				
March 31, 2017	741,935	157,229	20.9	593.47
March 31, 2016	568,548	155,204	26.9	580.16

(Reference) Shareholders' equity March 31, 2017: 155,312 million yen March 31, 2016: 153,089 million yen

(3) Consolidated Cash Flows Position

	Cash flows from operation	Cash flows from investment	Cash flows from financing	Cash and cash equivalents
	million yen	million yen	million yen	million yen
Year ended				
March 31, 2017	2,944	(8,507)	35,864	72,043
March 31, 2016	12,302	(775)	(21,829)	44,615

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, 2016	—	14.00	—	14.00	28.00	7,387	59.7	4.8
Ended March 31, 2017	—	12.00	—	14.00	26.00	6,803	56.9	4.4
Ending March 31, 2018 (Forecast)	—	—	—	—	—		—	

3. Forecast of Consolidated Operating Results for Fiscal 2017 (from April 1, 2017 to March 31, 2018)

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, 2017: 280,582,115 As of March 31, 2016: 280,582,115

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

As of March 31, 2017: 18,877,456 As of March 31, 2016: 16,706,568

3) Average number of shares outstanding

Year ended March 31, 2017: 262,181,966 Year ended March 31, 2016: 264,796,756

(Reference)

Non-consolidated Financial Results for the Year Ended March 31, 2017(from April 1, 2016 to March 31, 2017)

(1) Non-consolidated Results of Operations

(Figures in percentages denote the year-on-year change.)

Year ended	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
March 31,2017	13,520	(12.4)	6,554	(35.8)	7,927	(30.1)	8,231	(34.9)
March 31,2016	15,425	(20.3)	10,203	(25.2)	11,335	(22.3)	12,640	(8.3)

Year ended	Net income per share	Diluted net income per share
	yen	yen
March 31,2017	31.39	31.38
March 31,2016	47.74	47.69

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
March 31,2017	185,931	110,087	59.0	418.96
March 31,2016	161,343	110,912	68.5	419.08

(Reference) Shareholders' equity March 31, 2017: 109,643 million yen March 31, 2016: 110,585 million yen

* This consolidated financial summary is exempt from audit procedure

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

Dividends payments for the fiscal year ending March 31, 2018 have not been determined because it is difficult to forecast operating results, similarly as described in "3.Forecast of Consolidated Operating Results for Fiscal 2017."

Accompanying Materials – Contents

1. Qualitative Information for the Consolidated Fiscal Year Ended March 31, 2017	2
(1) Review of Operating Results	2
(2) Review of Financial Statements	4
(3) Basic Policy Concerning Profit Distribution and Dividend Payment for the Current and Next Fiscal Years	5
2. Information on Group Companies	6
3. Basic Concept regarding the Selection of Accounting Standards	7
4. Consolidated Financial Statements	8
(1) Consolidated Balance Sheets	8
(2) Consolidated Statements of Income and Comprehensive Income	10
(3) Consolidated Statements of Changes in Net Assets	13
(4) Consolidated Statements of Cash Flows	15
(5) Notes on Consolidated Financial Statements	17
(Notes on Going Concern Assumption)	17
(Significant Basis of Presenting Consolidated Financial Statements)	17
(Changes in Accounting Policies)	19
(Additional Information)	19
(Consolidated Statements of Changes in Net Assets)	20
(Consolidated Statements of Cash Flows)	21
(Segment Information)	21
(Per Share Information)	21
(Material Subsequent Events)	22
5. Supplementary Information	24
(1) Breakdown of Commissions and Trading Profit and Loss	24
(2) Comparative Quarterly Consolidated Statements of Income	25

1. Qualitative Information for the Consolidated Fiscal Year Ended March 31, 2017

(1) Review of Operating Results

Japanese Economy The consolidated fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017) started generally on a dull note as the risk aversion sentiment had kept Yen appreciating until June when the United Kingdom opted to exit the European Union. Under these circumstances, the Japanese government announced further postponing consumption tax hike that had been due to take effect in April 2017, with the additional announcement of government-led economic programs amounting to ¥28 trillion. The Bank of Japan also announced Quantitative and Qualitative Monetary Easing with Yield Curve Control, aimed at pumping up the economy. In November, Donald Trump won the U.S. Presidential election. Subsequently, both robust stock market and depreciated yen contributed to the recovery of Japanese economy, driven by the expectations for the execution of economic policy including tax cut, infrastructure investment and deregulation to which Mr. Trump had committed publicly. With respect to corporate earnings, businesses generally remained profitable with stronger resisting power against the yen higher than in the previous fiscal year.

Looking Abroad While the first half of the consolidated fiscal year under review faced a sluggish economy, the second half met the one that turned around. In the United States, the economy maintained a robust tone despite interest rate hikes in December 2016 and March 2017, with the market expectation that the economic policy of President Trump might more than offset the impact of interest rate hikes. The deceleration of Chinese economy was somewhat alleviated in anticipation of the benefit from “One Belt, One Road” initiative, which visualizes the economic bloc on unprecedentedly huge global scale, and the economy in emerging countries in general also bottomed out. The European economy maintained stable growth in real terms without suffering widened fluctuations despite the disturbance brought about by the UK’s decision to leave EU.

Japanese Stock Market The Nikkei Stock Average started at the ¥16,700 level in April, but then plunged temporarily to the ¥14,800 level in June disliking appreciation of the yen brought by the U.S.’s postponement of interest rate hikes and the UK’s decision to leave EU. However, the Nikkei Stock Average then made a turnaround, responding positively to the announced economic measures and the Bank of Japan’s decision to double the purchase of ETF (Exchange Traded Fund). In November, the Nikkei Stock Average rose significantly soon after Mr. Trump won the Presidential election, climbing temporarily to the ¥19,600 level in January 2017. Subsequently, however, President Trump’s remark to restrict declining yen suspended foreign investors’ buying, thus leading the market to hovering status. In the end, the Nikkei Stock Average closed March at the ¥18,900 level. The average daily transaction volume on the First Section of the Tokyo Stock Exchange from April 2016 to March 2017 was ¥2,542.4 billion, falling below the ¥2,883.4 billion average recorded during the same period last year.

Japanese Bond Market Starting at negative 0.04% in April 2016, the yield on the 10-year JGB, the benchmark for long-term interest rates, fell temporarily to negative 0.30% in July 2016, reflecting strengthened yen, sluggish stock markets and lower yield on the U.S. Treasury. The yield, then, turned upward slightly as the Bank of Japan shelved further lowering of interest rates of the below-zero level and set the target at around 0% in the 10-year JGB yield in September. In November and thereafter, in line with the soaring yields on the U.S. Treasury triggered by Mr. Trump’s victory and the prevailing prospect that the Bank of Japan would let interest rate rise to around 0.1%, the yield briefly rose briefly to 0.15% in February. It then fell slightly due to the decline in yields on the U.S. Treasury and the purchase of the Japanese JGB by the Bank of Japan, and closed in the end at 0.065% on March 31, 2017.

Foreign Exchange Market The yen continued its rising against the U.S. dollar, starting at the ¥112 level in April, temporarily reached near ¥99 level in June due mainly to the shelving of the additional interest rate hike in the U.S. and the decision of the UK to exit EU. Subsequently, Mr. Trump’s victory in election triggered a sharp rise in the yields of the U.S. Treasury while yields on the 10-year JGBs being fixed at around 0%. Therefore, the yen declined acutely against the U.S. and it temporarily reached the ¥118 level in December. But, earlier in 2017, the new President Trump made a critical remark on depreciating yen, and the yields on the U.S Treasury fell despite interest raises in December 2016 and March 2017. As a consequence, the yen against the U.S. dollar rose once again and closed March transactions at the ¥111 level.

Ambitious 5 and MONEQUE Since April 2012, the Group has been promoting strategies alongside the business plan “Ambitious 5,” under which it implemented the following measures in the fiscal year under review by positioning the fiscal year ended March 31, 2017, as the concluding year of the plan, in order to achieve the targets. Tokai Tokyo Securities Co., Ltd. (hereinafter, “Tokai Tokyo Securities”), the core operating company of the Group, has been focusing on the “Stable Revenue Generating Business Activity” and the “Customer’s Investment Return-focused Business Activity” based on “Specifically Designed Marketing Activities Catering to Each Customer Segment” in retail business operations.

In March 2017, the Company created a new brand for the next generation of customers, titled “MONEQUE.” In April 2017, we opened a branch that embodies a new brand concept, MONEQUE Tokai Branch, intending to capture the interest from the people nearby about our new brand and then for business generation.

Alliance and M&A Moves In fulfilling domestic alliance strategies, Tokai Tokyo Financial Holdings, Inc. (“the Company”) made several advances and expanded its business foundation, including the following: Hokuhoku Tokai Tokyo Securities Co., Ltd. (capital contribution ratios: 60% by Hokuhoku Financial Group, Inc. and 40% by the Company), which the Company had been preparing to start business, finally started operation in January 2017

by taking over the financial instruments businesses—by way of a corporate split—of Tokai Tokyo Securities' Toyama, Kanazawa and Sapporo Branches, as well as of Sapporo Corporate Sales Section and its other corporate customer accounts originating from the Hokuriku region.

Also, the Company had been working jointly with The Tochigi Bank, Ltd. ("Tochigi Bank"), on the conversion of Utsunomiya Securities Co., Ltd. ("Utsunomiya Securities"), the Company's consolidated subsidiary, into a joint corporation to be owned by the Company and Tochigi Bank. In April 2017, the Company transferred a part of stock of Utsunomiya Securities to Tochigi Bank, and then Utsunomiya Securities started operations as a jointly held corporation (capital contribution ratios: 60% by Tochigi Bank and 40% by the Company).

Furthermore, the Company added Ace Securities Co., Ltd. as an affiliate in September 2016, and ETERNAL Co., Ltd., a national operator of insurance agent business, as a subsidiary in March 2017.

Additionally, the Company bolstered its main stream business by converting Takagi Securities Co., Ltd. into its subsidiary in April 2017 by means of share purchase under a tender offer.

Meanwhile, the Company has achieved overseas development, most notably, the establishment of TOKAI TOKYO GLOBAL INVESTMENTS PTE. LTD., an operator of fund investment business and research business in Singapore, in May 2016.

For years, the Company has proactively taken various measures to help female employees engage actively in their duties of higher responsibilities, for instance, by promoting more female managers and by making it easier for child rearing mothers to continue working, with a view to giving female workers better career development support. The Ministry of Economy, Trade and Industry selected the Company as an outstanding company under their initiative of "New Diversity Management Selection 100 Project in the FY 2016."

The Group's consolidated operating results for the period were as follows:
(Commissions received)

During the consolidated fiscal year under review, total Commissions received decreased 21.4%, to ¥26,934 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 21.8%, to ¥12,930 million, out of which Commissions to consignees on stock were ¥12,194 million, a 19.5% decrease, due to a decline in face-to-face transactions by individual investors. The value of stock brokered by Tokai Tokyo Securities, a subsidiary of the Company, increased 4.6%, to ¥3,995.6 billion, and the volume of stock brokered increased 11.2%, to 5,061 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 ¥738 million, an 16.4% decrease, out of which Commission on stocks fell 34.5%, to ¥360 million, whereas Commission on bonds increased 13.4%, to ¥378 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 ¥6,916 million, a decrease of 34.0%. Fees from beneficiary certificates under this category decreased 34.8%, to ¥6,804 million due to a decrease in sales of investment trusts.

(iv) Other fees received:

Other fees earned under this category decreased 0.2%, to ¥6,349 million, out of which agency commissions from investment trusts fell to ¥3,812 million, a decrease of 15.6%, partly offset by an increase in the handling commission of fund wrap accounts, etc.

(Net trading income)

In the consolidated fiscal year under review, trading of stocks posted a profit of ¥13,779 million, an increase of 17.9%, which was mainly attributable to an increase in foreign stock trading. Trading of bonds and forex recorded a profit of ¥21,957 million, an increase of 17.8%, reflecting the robust trading performance of foreign bonds, mainly structured bonds, as well as domestic bonds such as JGBs. As a result, Net trading income totaled ¥35,737 million, an increase of 17.8%.

(Net financial revenue)

In the consolidated fiscal year under review, Financial revenue was ¥2,741 million, down 8.3%. Financial expenses increased 28.9%, to ¥1,684 million, resulting in Net financial revenue of ¥1,056 million, down 37.2%.

(Selling, general and administrative expenses)

Under Selling, general and administrative expenses for the consolidated fiscal year under review, Trading-related expenses decreased 5.1%, to ¥11,187 million, due to a decrease in broker commissions paid to JV securities firms in line with decreases in sales volume of foreign bonds, and Depreciation decreased by 4.2%, to ¥1,770 million. On the other hand, Office cost increased 8.0%, to ¥7,215 million reflecting a temporary increase in subcontracting costs of accounting systems, etc.; Personnel expenses increased 1.8%, to ¥25,336 million; and Real estate expenses

rose 0.5%, to ¥6,071 million. As a result, Selling, general and administrative expenses were ¥54,230 million, up 1.1%.

(Non-operating income and expenses)

Non-operating income for the consolidated fiscal year under review totaled ¥3,935 million, up 42.3%. The primary positive contributing factors were a 116.9% increase in Equity in earnings of affiliates, to ¥2,058 million, and a 13.2% increase in Dividends income, to ¥833 million. Meanwhile, Non-operating expenses totaled ¥163 million, up 46.5%.

(Extraordinary income and loss)

Regarding Extraordinary income for the consolidated fiscal year under review, the primary positive contributing factors were ¥1,189 million in Gain on sales of investment securities, ¥851 million in Gain on changes in equity and ¥850 million in Gain on transfer of business.

As a result, Operating revenue for the consolidated fiscal year under review decreased 3.2%, to ¥65,412 million; Net operating revenue fell 3.8%, to ¥63,728 million; Operating income shrank 24.9%, to ¥9,497 million; Ordinary income declined 13.3%, to ¥13,269 million; and Profit attributable to owners of parent after deducting Income taxes dropped 3.5%, to ¥11,990 million.

(2) Review of the Financial Statements

(Assets)

Total assets as of the end of the consolidated fiscal year under review increased ¥173,386 million (from the end of the previous consolidated fiscal year; the same shall apply in this section (2)), to ¥741,935 million, out of which Current assets increased ¥163,292 million, to ¥688,551 million. This was primarily attributable to increases of ¥27,479 million in Cash and deposits, to ¥72,683 million; ¥33,260 million in Trading products (assets), to ¥292,495 million; and ¥80,949 million in Loans secured by securities, to ¥214,992 million. Noncurrent assets increased ¥10,094 million, to ¥53,384 million due mainly to an increase of ¥8,983 million in Investment securities, to ¥34,054 million.

(Liabilities)

Total liabilities as of the end of the consolidated fiscal year under review increased ¥171,361 million, to ¥584,706 million, out of which Current liabilities increased ¥121,740 million, to ¥510,399 million. This was mainly attributable to increases of ¥55,342 million in Trading products (liabilities), to ¥192,454 million and ¥62,625 million in Loans payable secured by securities, to ¥131,164 million. Noncurrent liabilities increased ¥49,611 million, to ¥73,857 million reflecting an increase of ¥42,031 million in Long-term loans payable, to ¥61,731 million.

(Net assets)

Total net assets as of the end of the consolidated fiscal year under review increased ¥2,025 million, to ¥157,229 million. This was mainly the result of an increase of ¥5,155 million in Retained earnings, to ¥90,693 million, partly offset by an increase of ¥1,181 million in Treasury stock (resulting in a decrease in net assets), to negative ¥7,572 million following the purchase of treasury stock according to the resolution made by the Board of Directors, and a decrease of ¥586 million in Valuation difference on available-for-sale securities, to ¥1,439 million.

(3) Cash Flows

Net cash provided by operating activities was ¥2,944 million. This was primarily the net result of the following factors: inflow of ¥16,195 million from Income before income taxes, and increases of ¥62,625 million in Loans payable secured by securities, and ¥55,342 million in Trading products –liabilities, against outflows of ¥80,949 million from an increase in Loans secured by securities, and ¥33,260 million from an increase in Trading products –assets.

Net cash flow resulted from investment activities was the outflow of ¥857 million. This was primarily attributable to an inflow of ¥4,536 million from Proceeds from sales of investment securities, outflows of ¥1,354 million for the Purchase of noncurrent assets, ¥3,710 million for the Purchase of investment securities, ¥3,118 million for the acquisition of shares in a subsidiary resulting in a change in the scope of consolidation, and ¥4,947 million for the acquisition of shares in an affiliated company.

Net cash flow resulted from financing activities was the inflow in the amount of ¥35,864 million, principally attributable to the inflow of ¥42.9 billion in Long-term loans payable, and an outflow of ¥6,834 million for the payment of dividends.

As a result, the balance of Cash and cash equivalents increased ¥29,903 million from the previous year, to ¥72,043 million at the end of the consolidated fiscal year under review.

(4) 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.

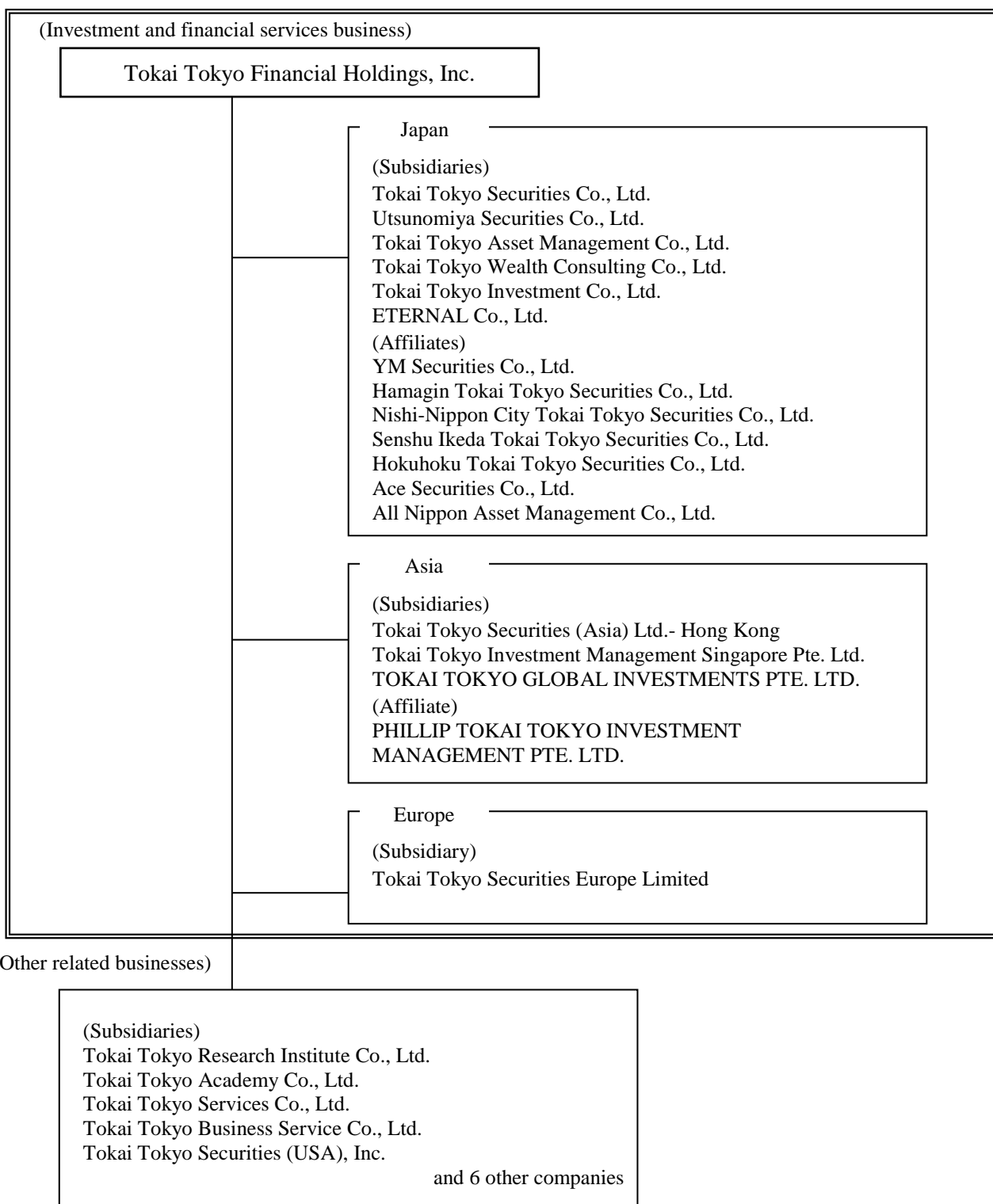
The year-end dividend per share for the fiscal year under review will be ¥14 of ordinary dividends, which will make an annual total dividend of ¥26 combined with the interim dividend of ¥12 that was already paid. As a result, the payout ratio will be 56.9% on a consolidated basis.

2. Information on Group Companies

Tokai Tokyo Financial Group consists of Tokai Tokyo Financial Holdings, Inc., twenty one consolidated subsidiaries and eight 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, in addition to the insurance agent business. The Group provides a broad array of services to meet customer needs for fundraising and investment purposes through its global networks, which link financial and capital markets in Asia, Europe, and the U.S.

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



Please note that effective from April 2017, Utsunomiya Securities Co., Ltd., was changed from a subsidiary to an affiliate while Takagi Securities Co., Ltd., was added as a subsidiary.

3. 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.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: million yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	45,204	72,683
Cash segregated as deposits	28,711	37,506
Cash segregated as deposits for customers	27,905	36,900
Cash segregated as deposits for others	806	606
Trading products	259,234	292,495
Trading securities and other	255,620	289,264
Derivatives	3,613	3,230
Margin transaction assets	41,375	44,610
Loans on margin transactions	31,714	31,880
Cash collateral pledged for securities borrowing on margin transactions	9,660	12,730
Loans secured by securities	134,042	214,992
Cash collateral pledged for securities borrowed	134,042	214,992
Advances paid	76	1,252
Short-term guarantee deposits	11,696	18,995
Short-term loans receivable	115	156
Short-term investment securities	—	0
Accrued income	1,944	1,725
Deferred tax assets	208	1,254
Other	2,680	2,912
Allowance for doubtful accounts	(31)	(32)
Total current assets	525,258	688,551
Noncurrent assets		
Property, plant and equipment	10,203	8,561
Buildings	3,031	2,887
Equipment	2,246	2,011
Land	4,925	3,663
Intangible assets	2,426	5,196
Goodwill	—	2,804
Software	2,283	2,262
Telephone subscription right	142	129
Investments and other assets	30,660	39,627
Investment securities	25,071	34,054
Long-term guarantee deposits	2,089	2,416
Net defined benefit asset	2,697	2,317
Other	2,138	1,244
Allowance for doubtful accounts	(1,335)	(405)
Total noncurrent assets	43,290	53,384
Total assets	568,548	741,935

(Unit: million yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Trading products	137,111	192,454
Trading securities and other	129,790	185,261
Derivatives	7,321	7,192
Trade date accrual	15,261	7,540
Margin transaction liabilities	5,708	9,132
Borrowings on margin transactions	3,733	6,182
Cash received for securities lending on margin transactions	1,975	2,950
Loans payable secured by securities	68,538	131,164
Cash received on debt credit transaction of securities	68,538	131,164
Deposits received	18,852	32,925
Guarantee deposits received	10,605	8,360
Short-term loans payable	81,052	80,488
Short-term bonds payable	9,800	9,300
Current portion of bonds	35,855	31,044
Income taxes payable	533	1,860
Provision for bonuses	1,721	2,244
Provision for directors' bonuses	41	46
Other	3,575	3,836
Total current liabilities	388,658	510,399
Noncurrent liabilities		
Bonds payable	1,950	8,983
Long-term loans payable	19,700	61,731
Deferred tax liabilities	470	1,241
Provision for directors' retirement benefits	83	103
Net defined benefit liability	465	458
Other	1,576	1,338
Total noncurrent liabilities	24,245	73,857
Reserves under special laws		
Reserve for financial products transaction liabilities	440	449
Total reserves under special laws	440	449
Total liabilities	413,344	584,706
Net assets		
Shareholders' equity		
Capital stock	36,000	36,000
Capital surplus	33,473	33,016
Retained earnings	85,537	90,693
Treasury stock	(6,390)	(7,572)
Total shareholders' equity	148,619	152,137
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,026	1,439
Foreign currency translation adjustment	(10)	(251)
Remeasurements of defined benefit plans	2,454	1,986
Total accumulated other comprehensive income	4,469	3,175
Subscription rights to shares	327	443
Non-controlling interests	1,787	1,472
Total net assets	155,204	157,229
Total liabilities and net assets	568,548	741,935

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

	(Unit: million yen)	
	Year ended March 31, 2016	Year ended March 31, 2017
Operating revenue		
Commission received	34,267	26,934
Commission to consignees	16,538	12,930
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	883	738
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,481	6,916
Other fees received	6,363	6,349
Net trading income	30,329	35,737
Financial revenue	2,987	2,741
Total operating revenue	67,584	65,412
Financial expenses	1,306	1,684
Net operating revenue	66,277	63,728
Selling, general and administrative expenses		
Trading related expenses	11,793	11,187
Personal expenses	24,888	25,336
Real estate expenses	6,039	6,071
Office cost	6,681	7,215
Depreciation	1,849	1,770
Taxes and dues	890	1,258
Other	1,491	1,389
Total selling, general and administrative expenses	53,634	54,230
Operating income	12,643	9,497
Non-operating income		
Dividend income	736	833
Rent income	637	526
Equity in earnings of affiliates	948	2,058
Gain on investments in partnership	299	298
Other	143	218
Total non-operating income	2,765	3,935
Non-operating expenses		
Loss on investments in partnership	69	103
Foreign exchange losses	26	36
Other	16	23
Total non-operating expenses	111	163
Ordinary income	15,297	13,269

(Unit: million yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Extraordinary income		
Gain on sales of noncurrent assets	0	43
Gain on sales of investment securities	2,602	1,189
Gain on changes in equity	80	851
Gain on transfer of business	—	850
Gain on reversal of subscription rights to shares	1	1
Total extraordinary income	2,684	2,935
Extraordinary loss		
Loss on sales of investment securities	4	0
Loss on valuation of securities	1	—
Loss on valuation of golf club membership	—	0
Provision of reserve for financial products transaction liabilities	51	9
Total extraordinary loss	56	9
Income before income taxes	17,925	16,195
Income taxes-current	4,526	3,989
Income taxes-deferred	908	204
Total income taxes	5,434	4,193
Profit	12,490	12,002
Profit attributable to non-controlling interests	67	11
Profit attributable to owners of parent	12,423	11,990

Consolidated Statements of Comprehensive Income

(Unit: million yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Profit	12,490	12,002
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,954)	(604)
Foreign currency translation adjustment	(80)	(237)
Remeasurements of defined benefit plans	(160)	(509)
Share of other comprehensive income of entities accounted for using equity method	—	58
Total other comprehensive income	(2,195)	(1,292)
Comprehensive income	10,295	10,709
(Comprehensive income attributable to)		
Owners of the parent	10,229	10,696
Non-controlling interests	65	13

(3) Consolidated Statements of Changes in Net Assets
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
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
Change in treasury shares of parent arising from transactions with non-controlling shareholders					—
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
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
Change in treasury shares of parent arising from transactions with non-controlling shareholders							—
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

Year ended March 31, 2017 (Fiscal 2016)

(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	33,473	85,537	(6,390)	148,619
Changes of items during the period					
Dividends from surplus			(6,834)		(6,834)
Profit attributable to owners of parent			11,990		11,990
Purchase of treasury stock				(1,693)	(1,693)
Disposal of treasury stock		(477)		512	34
Change in treasury shares of parent arising from transactions with non-controlling shareholders		20			20
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(456)	5,155	(1,181)	3,517
Balance at the end of current period	36,000	33,016	90,693	(7,572)	152,137

	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	2,026	(10)	2,454	4,469	327	1,787	155,204
Changes of items during the period							
Dividends from surplus							(6,834)
Profit attributable to owners of parent							11,990
Purchase of treasury stock							(1,693)
Disposal of treasury stock							34
Change in treasury shares of parent arising from transactions with non-controlling shareholders							20
Net changes of items other than shareholders' equity	(586)	(240)	(467)	(1,293)	116	(314)	(1,492)
Total changes of items during period	(586)	(240)	(467)	(1,293)	116	(314)	2,025
Balance at the end of current period	1,439	(251)	1,986	3,175	443	1,472	157,229

(4) Consolidated Statements of Cash Flows

(Unit: million yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Cash flows from operating activities		
Income before income taxes	17,925	16,195
Depreciation	1,849	1,770
Equity in (earnings) losses of affiliates	(948)	(2,058)
Increase (decrease) in net defined benefit liability	(695)	(318)
Increase (decrease) in provision for directors' retirement benefits	(20)	20
Increase (decrease) in allowance for doubtful accounts	(17)	(929)
Interest and dividend income	(3,724)	(3,575)
Interest expenses	1,306	1,684
Loss (gain) on valuation of investment securities	1	—
Loss (gain) on sale of investment securities	(2,598)	(1,188)
Loss (gain) on transfer of business	—	(850)
Loss (gain) on sales of noncurrent assets	(0)	(43)
Loss on valuation of golf club memberships	—	0
Loss (gain) on change in equity	(80)	(851)
Gain on reversal of subscription rights to shares	(1)	(1)
Decrease (increase) in cash segregated as deposits for customers	(2,800)	(9,635)
Decrease (increase) in trading products -assets	(61,181)	(33,260)
Increase (decrease) in trading products -liabilities	66,986	55,342
Decrease (increase) in margin transaction assets	(2,616)	(4,065)
Increase (decrease) in margin transaction liabilities	(4,966)	4,254
Decrease (increase) in loans secured by securities	(54,574)	(80,949)
Increase (decrease) in borrowings secured by securities	63,732	62,625
Increase (decrease) in deposits received	(5,613)	14,647
Increase (decrease) in guarantee deposits received	3,375	(2,170)
Decrease (increase) in other assets	(308)	(6,211)
Increase (decrease) in other liabilities	1,955	(6,820)
Subtotal	16,984	3,613
Interest and dividend income received	3,189	3,682
Interest expenses paid	(1,190)	(1,566)
Income taxes paid	(6,680)	(2,785)
Net cash provided by (used in) operating activities	12,302	2,944

(Unit: million yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,137)	(761)
Proceeds from sales of property, plant and equipment	23	1,497
Purchase of intangible assets	(1,423)	(592)
Purchase of investment securities	(1,204)	(3,710)
Proceeds from sales of investment securities	3,971	4,536
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(3,118)
Purchase of shares of subsidiaries and associates	—	(4,947)
Payments for guarantee deposits	(380)	(446)
Proceeds from collection of guarantee deposits	80	97
Other, net	(704)	(1,060)
Net cash provided by (used in) investing activities	(775)	(8,507)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(17,176)	(760)
Proceeds from long-term loans payable	14,200	42,900
Repayments of long-term loans payable	(2,300)	(1,200)
Proceeds from issuance of short-term bonds	49,200	48,200
Redemption of short-term bonds	(47,700)	(48,700)
Proceeds from issuance of bonds	33,829	43,995
Redemption of bonds	(39,827)	(41,861)
Proceeds from exercise of stock option	64	29
Purchase of treasury stock	(2,822)	(1,692)
Net decrease (increase) in treasury stock	(2)	(1)
Cash dividends paid	(9,026)	(6,834)
Proceeds from share issuance to non-controlling shareholders	800	2,400
Repayments to non-controlling shareholders	(782)	(106)
Dividends paid to non-controlling interests	(17)	(32)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(166)
Other, net	(268)	(305)
Net cash provided by (used in) financing activities	(21,829)	35,864
Effect of exchange rate changes on cash and cash equivalents	(75)	(396)
Net increase (decrease) in cash and cash equivalents	(10,377)	29,903
Cash and cash equivalents at beginning of period	56,039	44,615
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(1,046)	(2,475)
Cash and cash equivalents at end of period	44,615	72,043

- (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: 21 companies (As at the end of the consolidated fiscal year under review)

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 Institute Co., Ltd.
Tokai Tokyo Academy Co., Ltd.
Tokai Tokyo Services Co., Ltd.
Tokai Tokyo Business Service Co., Ltd.
ETERNAL Co., Ltd.
Tokai Tokyo Securities (Asia) LTD.
Tokai Tokyo Securities Europe Limited
Tokai Tokyo Securities (USA), Inc.
Tokai Tokyo Investment Management Singapore Pte., Ltd.
TOKAI TOKYO GLOBAL INVESTMENTS 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, Hokuhoku Tokai Tokyo Securities Co., Ltd., a consolidated subsidiary established in April 2016 (the name at the time of establishment was Hokuhoku Tokai Tokyo Securities Preparation Co., Ltd.) was excluded from the scope of consolidation due to decreased percentage of voting rights held by the Company following the third party allocation of its new shares in January 2017, and became an equity method affiliate.

In May 2016, the Company established TOKAI TOKYO GLOBAL INVESTMENTS PTE. LTD., and included it in the scope of consolidation.

In March 2017, ETERNAL Co., Ltd., was included in the scope of consolidation as a result of the acquisition of its shares by the Company.

2) Application of equity method

Major affiliates to which the equity method is applied: eight 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.
Hokuhoku Tokai Tokyo Securities Co., Ltd.
Ace Securities Co., Ltd.
All Nippon Asset Management Co., Ltd.
PHILLIP TOKAI TOKYO INVESTMENT MANAGEMENT PTE. LTD.

In the consolidated fiscal year under review, Ace Securities Co., Ltd., was converted into an equity method affiliate in September 2016 as a result of the partial acquisition of its shares by the Company.

In January 2017, Hokuhoku Tokai Tokyo Securities Co., Ltd., was excluded from the scope of consolidation due to decreased percentage of voting rights held by the Company following the third party allocation of its new shares, and became an equity method affiliate.

3) Fiscal period of consolidated subsidiaries

The closing date is December 31 for the 11 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., TOKAI TOKYO GLOBAL INVESTMENTS 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 ten 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 depreciated under the declining-balance method. However, the Company and its domestic consolidated subsidiaries apply the straight line method to buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and the facilities attached to buildings and structures acquired on or after April 1, 2016.

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:

The Company and its domestic consolidated subsidiaries appropriate estimated amount to be paid as bonus to employees as computed by the prescribed methods.

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 method for retirement benefits

The Company and its domestic consolidated subsidiaries record an allowance for retirement benefits for employees 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

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.

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.

(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)

Pursuant to an amendment to the Corporation Tax Act, the Company and its domestic consolidated subsidiaries have applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Practical Issues Task Force (PITF) No. 32, June 17, 2016) to the consolidated fiscal year under review, thereby changing the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016, from the declining-balance method to the straight-line method.

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

(Additional Information)

The “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Implementation Guidance No. 26, March 28, 2016) has been applied from the beginning of the consolidated fiscal year under review.

(Consolidated Statements of Changes in Net Assets)

FY 2016 (April 1, 2016 to March 31, 2017)

1) Outstanding shares

Type of Shares	As of March 31, 2016	Increase	Decrease	As of March 31, 2017
Common stock (Shares)	280,582,115	—	—	280,582,115

2) Treasury stocks

Type of Shares	As of March 31, 2016	Increase	Decrease	As of March 31, 2017
Common stock (Shares)	16,706,568	3,477,888	1,307,000	18,877,456

Notes: 1. The increase in treasury stock (common stock) is attributable to the purchase of 3,476,000 treasury stocks based on a resolution of the Board of Directors in accordance with the Articles of Incorporation, and the purchase of 1,888 fractional shares.

2. The decrease in treasury stock (common stock) is attributable to the disposal of 1,200,000 shares of treasury stock (transfer value: ¥1 million) through a third party allocation, and the transfer of 107,000 shares in lieu of issuing new shares, following the exercise of stock options.

3) Information regarding subscription rights to shares

Company Name	Item	Balance as of March 31, 2017 (million yen)
The Company	Stock options	443
Total		443

4) Dividends

(i) Dividend payment

Resolution	Type of Shares	Total cash dividends (million yen)	Dividend per share (yen)	Record date	Effective date
June 29, 2016 Ordinary General Meeting of Shareholders	Common stock	3,694	14.00	March 31, 2016	June 30, 2016
October 28, 2016 Meeting of the Board of Director	Common stock	3,140	12.00	September 30, 2016	November 25, 2016

(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, 2017 Ordinary General Meeting of Shareholders	Common stock	Retained earnings	3,663	14.00	March 31, 2017	June 30, 2017

(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, 2016	Year ended March 31, 2017
Cash and deposits		
Time deposits to be matured in 3 months or longer	45,204 (588)	72,683 (640)
Cash and cash equivalents	44,615	72,043

(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.

For the consolidated fiscal year ended March 31, 2017

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, 2016		Year ended March 31, 2017
Net assets per share	580.16 yen	Net assets per share	593.47 yen
Net income per share	46.92 yen	Net income per share	45.73 yen
Diluted net income per share	46.87 yen	Diluted net income per share	45.72 yen

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

	Year ended March 31, 2016	Year ended March 31, 2017
Total net assets (million yen)	155,204	157,229
Amount to be deducted from total net assets (million yen)	2,115	1,916
(Subscription rights to shares (million yen))	(327)	(443)
(Non-controlling interests (million yen))	(1,787)	(1,472)
Net assets associated with common stock at the end of the year (million yen)	153,089	155,312
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)	263,875	261,704

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

	Year ended March 31, 2016	Year ended March 31, 2017
Net income per share		
Profit attributable to owners of parent (million yen)	12,423	11,990
Amount not belonging to common stock (million yen)	—	—
Profit attributable to owners of parent belonging to common stock (million yen)	12,423	11,990
Average number of shares of common stock outstanding during the year (thousand shares)	264,796	262,181
Diluted net income per share		
Adjusted profit attributable to owners of parent (million yen)	—	—
Increase in common stock (thousand shares)	236	99
(Subscription rights to shares (thousand shares))	(236)	(99)
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 6 stock subscription rights 1,072,000 shares Series 7 stock subscription rights 1,076,000 shares	Category of dilutive stocks; Number of dilutive stocks to be caused by stock subscription rights, if exercised Series 7 stock subscription rights 1,060,000 shares Series 8 stock subscription rights 1,136,000 shares

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

(Material Subsequent Events)

(Acquisition of shares of Takagi Securities Co., Ltd.)

On April 11, 2017, the Company acquired 53,066,317 shares of common stock, and New-share Subscription Rights which qualifies to receive 212,000 shares of Takagi Securities Co., Ltd. (hereinafter, “Takagi Securities”), by means of the Tender Offer. As a result, Takagi Securities became a consolidated subsidiary of the Company effective April 11, 2017, due to the increase in the percentage of voting rights held by the Company to 90.54%.

Consequently, the Company has become a special controlling shareholder of Takagi Securities. As part of the transaction to be conducted for the purpose of converting Takagi Securities into a wholly owned subsidiary, the Company informed Takagi Securities on April 13, 2017, of its intention to make a demand to all non-controlling shareholders except for Takagi Securities for the cash out of all shares in Takagi Securities held by such non-controlling shareholders, in accordance with Article 179 of the Companies Act, and the Board of Directors of Takagi Securities approved this demand.

The Company will acquire an additional 5,542,434 shares in Takagi Securities on May 8, 2017, and Takagi Securities will become a wholly owned subsidiary of the Company.

1. Outline of Business Combination

(1) Name and business of the acquired firm

Name: Takagi Securities Co., Ltd.

Business: Financial instruments business operator

(2) Principal reasons for business combination

Since approximately 2013, the Group has been in a business partnership with Takagi Securities for transactions of supply of foreign stock and domestic and foreign bonds as part of the promotion of the Alliance & Platform strategy (aggressive expansion of business foundations). While the Group has strengths in the Chubu region, Takagi Securities has the advantage in the Kansai region, which means that both parties have strengths in common regarding having business foundations in large cities, but the business areas are different. It would be certainly possible to generate synergies not only in the Company but also in Takagi Securities by jointly using management resources held by the Group and Takagi Securities, respectively, or through collaborations. It was decided, however, that the establishment of robust capital ties between the Company and Takagi Securities would be essential in view of further enhancing the synergistic effects, and

the Company acquired shares in Takagi Securities to convert it into a consolidated subsidiary.

- (3) Date of business combination
April 11, 2017
- (4) Legal form of business combination
Acquisition of shares
- (5) Name of the company after business combination
The name of the company will not be changed.
- (6) Percentage of voting rights obtained

Percentage of voting rights obtained on the date of business combination: 90.54%

(Note) In accordance with Article 179 of the Companies Act, the Company made a demand to non-controlling shareholders except for Takagi Securities following the date of business combination, to sell all the shares in Takagi Securities held by them to the Company, which was approved by the Board of Directors of Takagi Securities. Consequently, on May 8, 2017, the Company will acquire additional 9.46% of voting rights to convert Takagi Securities into a wholly owned subsidiary of the Company.

- (7) Principal grounds for deciding on the acquiring company
The Company was regarded as an acquiring company as it acquired 90.54% of the voting rights of Takagi Securities through the acquisition of shares in exchange for cash.

2. Acquisition cost of the acquired company and breakdown thereof

(1) Acquisition price

Acquisition price: Shares of common stock of Takagi Securities: ¥14,327 million

Subscription rights to shares of Takagi Securities: ¥57 million

Acquisition Cost: ¥14,384 million

(2) Details and amount of the principal acquisition-related expenses

Due diligence expenses, etc.: ¥45 million

3. Amount of goodwill recognized, factors that generate goodwill, and the method and period for amortization of goodwill

To be determined

4. Amount of assets received and liabilities assumed on the date of business combination, and principal breakdown thereof

To be determined

5. Supplementary Information

(1) Breakdown of Commissions and Trading profit and loss

① Commission received

(i) By item

(Unit: million yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Yr/Yr	
			Increase (Decrease)	% change
Commission to consignees	16,538	12,930	(3,608)	(21.8) %
Stocks	15,149	12,194	(2,955)	(19.5)
Bonds	28	26	(2)	(7.8)
Beneficiary certificates	1,357	708	(649)	(47.8)
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	883	738	(145)	(16.4)
Stocks	550	360	(190)	(34.5)
Bonds	333	378	44	13.4
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,481	6,916	(3,565)	(34.0)
Beneficiary certificates	10,437	6,804	(3,632)	(34.8)
Other fees received	6,363	6,349	(13)	(0.2)
Beneficiary certificates	4,520	3,812	(707)	(15.6)
Total	34,267	26,934	(7,332)	(21.4)

(ii) By product

(Unit: million yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Yr/Yr	
			Increase (Decrease)	% change
Stocks	15,784	12,635	(3,148)	(19.9) %
Bonds	419	529	110	26.4
Beneficiary certificates	16,315	11,326	(4,989)	(30.6)
Others	1,748	2,442	694	39.7
Total	34,267	26,934	(7,332)	(21.4)

② Net trading income

(Unit: million yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Yr/Yr	
			Increase (Decrease)	% change
Stocks	11,691	13,779	2,088	17.9 %
Bonds and Forex	18,638	21,957	3,319	17.8
Total	30,329	35,737	5,407	17.8

(2) Comparative Quarterly Consolidated Statements of Income

(Unit: million yen)

	Fiscal 2016				
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total of FY 2016
	Apr. 1, 2016 - Jun. 30, 2016	Jul. 1, 2016 - Sep. 30, 2016	Oct. 1, 2016 - Dec. 31, 2016	Jan. 1, 2017 - Mar. 31, 2017	Apr. 1, 2016 - Mar. 31, 2017
Operating revenues					
Commissions received	7,271	5,421	7,189	7,052	26,934
Commission to consignees	3,748	2,402	3,624	3,154	12,930
(Stocks)	3,454	2,237	3,444	3,058	12,194
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	112	111	284	230	738
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	1,848	1,336	1,720	2,010	6,916
(Beneficiary certificates)	1,810	1,307	1,709	1,978	6,804
Other fees received	1,561	1,570	1,559	1,657	6,349
(Beneficiary certificates)	986	940	948	938	3,812
Net trading income	6,671	7,972	9,723	11,369	35,737
(Stocks)	1,246	2,644	5,319	4,567	13,779
(Bonds and Forex)	5,424	5,327	4,403	6,801	21,957
Financial revenues	699	518	877	645	2,741
Total operating revenue	14,642	13,912	17,790	19,067	65,412
Financial expenses	352	314	488	528	1,684
Net operating revenue	14,289	13,598	17,301	18,538	63,728
Selling, general and administrative expenses					
Trading related expenses	2,654	2,466	2,747	3,318	11,187
Personnel expenses	6,046	5,984	6,538	6,766	25,336
Real estate expenses	1,626	1,503	1,461	1,480	6,071
Office cost	1,675	1,912	1,710	1,917	7,215
Depreciation	454	430	446	440	1,770
Taxes and dues	266	305	322	363	1,258
Other	467	318	293	309	1,389
Total selling, general and administrative expenses	13,190	12,921	13,521	14,596	54,230
Operating income	1,099	676	3,779	3,942	9,497
Non-operating income	421	1,899	570	1,043	3,935
Equity in earnings of affiliates	78	1,296	337	346	2,058
Other	343	602	233	697	1,877
Non-operating expenses	8	79	(4)	79	163
Other	8	79	(4)	79	163
Ordinary income	1,512	2,496	4,354	4,906	13,269
Extraordinary income	576	1,335	88	935	2,935
Extraordinary loss	0	(0)	(0)	9	9
Income before income taxes	2,088	3,831	4,442	5,832	16,195
Income taxes-current	4	562	1,310	2,111	3,989
Income taxes-deferred	717	309	(256)	(566)	204
Profit	1,365	2,959	3,388	4,287	12,002
Profit attributable to non-controlling interests	(89)	(13)	126	(11)	11
Profit attributable to owners of parent	1,455	2,973	3,262	4,299	11,990