



April 27, 2018

Summary of Consolidated Financial Statements for the Fiscal Year Ended March 31, 2018 Under Japanese GAAP

Company's name: **Mizuho Securities Co., Ltd.**

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Preparation of supplemental explanatory documents: Yes

Holding of presentation meeting: No

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Amounts are rounded down to the nearest millions of yen)

(1) Consolidated operating results

(Percentage figures represent year-on-year changes)

	Operating revenues		Net operating revenues		Operating income		Ordinary income	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Year ended March 31, 2018	381,474	(10.4)	306,072	(16.4)	42,620	(43.2)	43,260	(42.9)
Year ended March 31, 2017	425,710	(9.8)	365,991	(11.9)	74,991	(12.4)	75,803	(11.3)

(Note) Comprehensive income: March 31, 2018: 41,186 million yen (-78.9%)
March 31, 2017: 195,119 million yen (281.4%)

	Net income attributable to owners of parent		Net income per share	Net income per share - fully diluted	Return on Equity
	millions of yen	%	yen	yen	%
Year ended March 31, 2018	35,751	(81.0)	17.74	—	4.0
Year ended March 31, 2017	188,597	208.3	93.59	—	23.5

Reference: Equity in net earnings of affiliated companies: Year ended March 31, 2018: 94 million yen
Year ended March 31, 2017: 40 million yen

(2) Consolidated financial positions

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	yen
March 31, 2018	15,158,567	910,839	6.0	448.52
March 31, 2017	13,403,230	898,611	6.6	441.08

Reference: Equity (i.e. "Shareholders' equity" and "Accumulated other comprehensive income"):

March 31, 2018: 903,811 million yen
March 31, 2017: 888,812 million yen

2. Notes

- (1) Changes in significant subsidiaries (changes in specified subsidiaries accompanying changes in the scope of consolidation) during the period: None
- (2) Changes in accounting policies, estimates, and restatements:
 - 1) Changes in accounting policies in accordance with revisions of accounting standards: None
 - 2) Changes other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Restatements: None

(3) Number of outstanding shares (common stock)

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

March 31, 2018:	2,015,102,652 shares
March 31, 2017:	2,015,102,652 shares

2) Number of treasury stock at end of the period:

March 31, 2018:	- shares
March 31, 2017:	- shares

3) Average number of outstanding shares for the period:

March 31, 2018	2,015,102,652 shares
March 31, 2017	2,015,102,652 shares

* Note on the status of audit procedures

This summary of financial statements is exempt from the audit procedures based on the "Financial Instruments and Exchange Act."

* Other important matters

Not applicable

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I. Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and bank deposits	378,334	465,193
Cash segregated as deposits for customers and others	240,279	331,160
Trading assets	5,751,602	6,133,034
Trading securities and others	3,204,715	3,275,192
Derivatives	2,546,887	2,857,841
Receivables – unsettled trades	74,011	–
Operating investment securities	43,021	49,592
Operating loans receivable	9,676	7,332
Receivables related to margin transactions	98,324	127,764
Loans receivable under margin transactions	37,276	49,424
Cash collateral for borrowed securities under margin transactions	61,048	78,339
Collateralized short-term financing agreements-receivable	5,967,330	7,260,658
Deposits paid for securities borrowed	3,506,714	4,572,426
Securities purchased under agreements to resell	2,460,615	2,688,232
Advances paid	809	938
Securities: fail to deliver	51,337	47,204
Short-term loans receivable	6,855	6,653
Securities	27	1,696
Deferred tax assets	15,653	14,554
Other current assets	524,051	471,316
Less: Allowance for doubtful accounts	(62)	(587)
Total current assets	13,161,255	14,916,512
Noncurrent assets		
Property and equipment	39,951	32,705
Buildings	14,277	13,328
Equipment	10,092	10,176
Land	15,317	9,080
Leased assets	263	119
Intangible assets	94,446	94,986
Software	61,812	66,716
Customer related assets	31,693	27,484
Other	941	785
Investments and other assets	107,577	114,362
Investment securities	67,750	72,742
Long-term loans receivable	75	66
Long-term guarantee deposits	12,917	12,436
Net defined benefit asset	20,772	24,030
Deferred tax assets	857	830
Other	8,786	7,740
Less: Allowance for doubtful accounts	(3,583)	(3,484)
Total noncurrent assets	241,974	242,055
Total assets	13,403,230	15,158,567

(Millions of yen)

As of March 31, 2017

As of March 31, 2018

Liabilities

Current liabilities

Trading liabilities	4,434,285	5,400,098
Trading securities and others	1,804,288	2,744,544
Derivatives	2,629,997	2,655,554
Payables - unsettled trades	—	64,631
Payables related to margin transactions	55,689	44,176
Borrowings on margin transactions	8,231	8,814
Cash collateral for loaned securities under margin transactions	47,457	35,361
Collateralized short-term financing agreements-payable	5,451,881	5,658,671
Deposits received for securities loaned	1,255,797	1,212,941
Securities sold under agreements to repurchase	4,196,083	4,445,730
Deposits received	268,646	297,058
Guarantee deposits received	202,072	219,771
Securities: fail to receive	31,682	21,048
Short-term borrowings	811,535	940,836
Commercial paper	111,300	334,200
Bonds and notes due within one year	142,932	157,942
Lease obligations	376	364
Income taxes payable	1,942	6,178
Accrued employees' bonuses	23,812	19,877
Provision for variable compensation	855	954
Provision for bonus point redemption	596	639
Other current liabilities	39,116	118,956
Total current liabilities	11,576,726	13,285,406

Noncurrent liabilities

Bonds and notes	661,575	652,800
Long-term borrowings	233,500	277,000
Lease obligations	587	216
Deferred tax liabilities	5,507	5,702
Provision for directors' retirement benefits	212	187
Provision for executive officers' retirement benefits	136	129
Net defined benefit liability	21,678	21,648
Other noncurrent liabilities	2,386	2,276
Total noncurrent liabilities	925,583	959,960

Statutory reserves

Reserve for financial instruments transaction liabilities	2,309	2,361
Total statutory reserves	2,309	2,361

Total liabilities

12,504,619	14,247,728
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(Millions of yen)

As of March 31, 2017 As of March 31, 2018

Net assets		
Shareholders' equity		
Common stock	125,167	125,167
Capital surplus	357,794	358,276
Retained earnings	442,677	452,233
Total shareholders' equity	<u>925,639</u>	<u>935,677</u>
Accumulated other comprehensive income (loss)		
Net unrealized gains on (operating) investment securities, net of tax	21,529	26,453
Foreign currency translation adjustments	(61,703)	(62,237)
Remeasurement of defined benefit plans	3,346	3,918
Total accumulated other comprehensive income (loss)	<u>(36,827)</u>	<u>(31,865)</u>
Non-controlling interests	<u>9,799</u>	<u>7,027</u>
Total net assets	<u>898,611</u>	<u>910,839</u>
Total liabilities and net assets	<u>13,403,230</u>	<u>15,158,567</u>

2. Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Operating revenues		
Commissions	197,569	168,429
Brokerage commissions	41,600	37,319
Underwriting and selling fees, and commissions from solicitation to qualifying investors	46,901	29,574
Offering, selling, and other commissions and fees, and commissions from solicitation to qualifying investors	34,795	41,704
Other commissions and fees	74,271	59,831
Net gain on trading	154,143	124,225
Net gain on operating investment securities	3,869	10,069
Interest and dividend income	70,128	78,750
Total operating revenues	425,710	381,474
Interest expenses	59,718	75,401
Net operating revenues	365,991	306,072
Selling, general and administrative expenses	290,999	263,451
Transaction-related expenses	56,779	46,302
Personnel expenses	128,374	117,111
Real estate expenses	32,611	31,956
Administrative expenses	33,092	30,395
Depreciation and amortization	25,698	26,722
Taxes and dues	3,455	5,385
Provision of allowance for doubtful accounts	(35)	464
Other	11,024	5,114
Operating income	74,991	42,620
Non-operating income	3,984	3,284
Non-operating expenses	3,172	2,644
Ordinary income	75,803	43,260
Extraordinary gain	100,876	4,572
Gain on sales of noncurrent assets	26	1,214
Gain on sales of investment securities	994	3,315
Gain on sales of shares of subsidiaries and affiliates	99,855	41
Extraordinary loss	3,152	5,319
Loss on sales of noncurrent assets	3	90
Loss on disposal of noncurrent assets	214	369
Loss on sales of investment securities	28	19
Loss on sales of shares of subsidiaries and affiliates	0	—
Loss on impairment of investment securities	58	—
Loss on impairment of golf club membership	6	0
Impairment losses	1,901	2,895
Loss on software development	—	1,789
Head office transfer cost	599	83
Cost incurred in opening of joint branches	54	—
Provision of reserve for financial instruments transaction liabilities	285	70
Income before income taxes and non-controlling interests	173,527	42,513
Income taxes – current	7,059	7,370
Income taxes – deferred	(24,517)	(1,182)
Total income taxes	(17,458)	6,187
Net income	190,985	36,325
Net income attributable to non-controlling interests	2,388	573
Net income attributable to owners of parent	188,597	35,751

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Net income	190,985	36,325
Other comprehensive income		
Net unrealized gains on (operating) investment securities, net of tax	342	4,881
Foreign currency translation adjustments	1,485	(610)
Remeasurement of defined benefit plans	2,307	589
Share in other comprehensive income of affiliates accounted for using equity method	(1)	1
Total other comprehensive income	4,134	4,861
Comprehensive income	195,119	41,186
(Breakdown)		
Attributable to:		
Owners of parent	193,745	40,713
Non-controlling interests	1,374	473

3. Consolidated Statements of Changes in Shareholders' Equity

Year ended March 31, 2017

(Millions of yen)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of period	125,167	358,874	272,310	756,352
Changes during the period				
Dividends of surplus			(18,135)	(18,135)
Net income attributable to owners of parent			188,597	188,597
Changes in scope of equity method			(94)	(94)
Changes in treasury shares of parent arising from transactions with non-controlling shareholders		(1,080)		(1,080)
Net changes of items other than shareholders' equity				
Total changes during the period	—	(1,080)	170,367	169,286
Balance at end of period	125,167	357,794	442,677	925,639

(Millions of yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains on (operating) investment securities, net of tax	Foreign currency translation adjustments	Remeasurement of defined benefit plans	Total accumulated other comprehensive income (loss)		
Balance at beginning of period	21,115	(64,240)	1,149	(41,974)	25,268	739,645
Changes during the period						
Dividends of surplus						(18,135)
Net income attributable to owners of parent						188,597
Changes in scope of equity method						(94)
Changes in treasury shares of parent arising from transactions with non-controlling shareholders						(1,080)
Net changes of items other than shareholders' equity	414	2,536	2,197	5,147	(15,469)	(10,321)
Total changes during the period	414	2,536	2,197	5,147	(15,469)	158,965
Balance at end of period	21,529	(61,703)	3,346	(36,827)	9,799	898,611

Year ended March 31, 2018

(Millions of yen)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of period	125,167	357,794	442,677	925,639
Changes during the period				
Dividends of surplus			(26,196)	(26,196)
Net income attributable to owners of parent			35,751	35,751
Changes in treasury shares of parent arising from transactions with non-controlling shareholders		482		482
Net changes of items other than shareholders' equity				
Total changes during the period	—	482	9,555	10,038
Balance at end of period	125,167	358,276	452,233	935,677

(Millions of yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains on (operating) investment securities, net of tax	Foreign currency translation adjustments	Remeasurement of defined benefit plans	Total accumulated other comprehensive income (loss)		
Balance at beginning of period	21,529	(61,703)	3,346	(36,827)	9,799	898,611
Changes during the period						
Dividends of surplus						(26,196)
Net income attributable to owners of parent						35,751
Changes in treasury shares of parent arising from transactions with non-controlling shareholders						482
Net changes of items other than shareholders' equity	4,923	(534)	572	4,961	(2,772)	2,189
Total changes during the period	4,923	(534)	572	4,961	(2,772)	12,227
Balance at end of period	26,453	(62,237)	3,918	(31,865)	7,027	910,839

4. Note on the going-concern assumption

Not applicable

5. Significant accounting policies in the preparation of consolidated financial statements

1. Scope of consolidation

Consolidated subsidiaries (13 subsidiaries)

Major subsidiaries

Mizuho International plc

Mizuho Bank (Switzerland) Ltd.

Mizuho Securities Asia Limited

Mizuho Securities (Singapore) Pte. Ltd.

Mizuho Securities India Private Limited

Mizuho Investment Consulting (Shanghai) Co., Ltd.

Mizuho Securities Principal Investment Co., Ltd.

Basic Capital Management Ltd.

Japan Investor Relations and Investor Support, Inc. (The former Mizuho Securities Research & Consulting Co., Ltd.) (*)

Nippon Securities Technology Co., Ltd.

Mizuho Securities Business Services Co., Ltd.

Mizuho Securities Property Management Co., Ltd.

Other 1 company

Excluded from the scope of consolidation:

Mitsui Securities Co., Ltd.

The former Japan Investor Relations and Investor Support, Inc. (*)

(*)

The former Japan Investor Relations and Investor Support, Inc. was excluded from the scope of consolidation in the period due to an absorption-type merger with the former Mizuho Securities Research & Consulting Co., Ltd. The former Mizuho Securities Research & Consulting Co., Ltd. has changed its trade name of company to Japan Investor Relations and Investor Support, Inc.

2. Matters concerning the application of equity method

Equity-method affiliates (5 affiliates)

Neostella Capital Co., Ltd.

Mobile Internet Capital, Inc.

Other 3 companies

Excluded from the scope of consolidation:

The Neostella Capital No.1 Investment Business Limited Partnership

3. Matters related to the period of consolidated subsidiaries

The closing dates of consolidated subsidiaries are as follows:

March 31, 2018 12 subsidiaries

December 31, 2017 1 subsidiary

For a consolidated subsidiary with different closing date to the consolidated closing date, financial statements as of the subsidiary's closing date are used. However, for important transactions that took place between the closing date of the company and the consolidated closing date, adjustments necessary for the consolidation are performed.

4. Matters related to the accounting policies

(1) Valuation method for significant assets

1) Valuation method for securities classed as trading products (securities held for trading purpose):

Securities and derivative contracts classed as trading products and held by the Mizuho Securities Co., Ltd (hereinafter, the "Company") and its subsidiaries are recorded at fair value.

2) Valuation method for securities not classed as trading products:

The following valuation methods are applied to securities that are not held for trading purposes:

Other securities

a) Other securities with fair value:

Those are recorded at fair value on the consolidated balance sheets. Differences between the cost, using the moving average method, and fair value are recorded as net unrealized gains (or losses) on investment securities.

b) Other securities those are difficult to calculate fair value:

Those are recorded at cost using moving average method.

Moreover, with regard to contributions to investment business limited partnerships and similar partnerships (according to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act, such contributions are regarded as negotiable securities), the Company mainly uses, as the book value, the value of its holdings of partnership assets as designated on the partnership's most recent statement of accounts that the Company is able to obtain as of the day - stipulated in the partnership agreement - on which the latest statement of accounts is reported. With regard to profit and loss obtained from the operations of the partnership, etc., the Company uses a method whereby the Company records the value of its holdings.

(2) Depreciation methods used for significant depreciable assets

1) Property and equipment (excluding the leased assets)

Buildings are mainly depreciated using the straight-line method and Equipment is mainly depreciated using declining-balance method.

2) Intangible assets and long-term prepaid expenses

The straight-line method is mainly used.

Moreover, software for own use is depreciated using a straight-line method determined by the duration of its potential internal use (up to 5 years).

3) Leased assets

Depreciation of assets under financing leases other than those for which the ownership of the leased property transfers to the lessee is calculated on declining-balance method over the period equal to lease period with the residual value of nil.

(3) Accounting standards for significant reserves and allowances

1) Allowance for doubtful accounts

In preparation for possible loss from bad debt in loans and receivables, etc., allowance for general receivables is provided based on the ratio of past loss experience and also specific receivables such as non-recoverable receivables is provided for the estimated uncollectible amounts after reviewing collectability of receivables individually.

2) Accrued employees' bonuses

To prepare for the payment of bonuses to employees, the Company calculates the estimated value of future payments and charges an appropriate portion of this obligation to the period.

3) Provision for variable compensation

To prepare for the payments of performance payments and stock compensation to be paid as variable compensation within compensation for directors and executive officers, the estimated payment based on the standard amount regarding variable compensation of this consolidated fiscal year has been recorded.

4) Provision for bonus point redemption

To prepare for the cost burden for use of the Mizuho Point Service in the future, the expected required amount is calculated for this period based on the usage rate.

5) Provision for directors' retirement benefits

To prepare for the payment of retirement benefits for directors, the necessary amount for the end of this period is recorded in accordance with the in-house regulations.

6) Provision for executive officers' retirement benefits

To prepare for the payment of retirement benefits for executive officers, the necessary amount for the end of this period is recorded in accordance with the in-house regulations.

7) Reserve for financial instruments transaction liabilities

Reserve for financial instruments transaction liabilities is provided for potential loss from accidents in security transactions in accordance with Article 46, Paragraph 5 of the Financial Instruments and Exchange Act, and Article 175 of "Cabinet Office Ordinance on the Financial Instruments and Exchange Business".

(4) Accounting for retirement benefits

1) Allocation of expected benefit payments

When calculating retirement benefits, the benefit formula method is used to allocate expected benefit payments to the period until this fiscal year end. Under the straight-line method for the retirement benefit payments calculation, the expected benefit divided by the total service years would be deemed as arising in each period.

2) Actuarial differences

Actuarial differences are also charged to expenses from the following fiscal year using the straight-line method based on determined years (10 years) within average remaining service year of the employees when incurred.

(5) Standards for translating significant assets or liabilities denominated in foreign currencies into Japanese yen

Foreign currency denominated claims and obligations are translated into Japanese yen at the spot rate prevailing on the closing day of this period. Currency translation losses or gains are recorded on the statements of operations as such.

The assets, liabilities, revenues, and expenses of foreign subsidiaries are also translated into Japanese yen at the spot rate prevailing on the closing day of this period. Any translation losses or gains are recorded in the net assets under the account "Foreign currency translation adjustments" and "Non-controlling interests".

(6) Method of significant hedge accounting

1) Gains or losses resulting from forward foreign exchange transactions entered to hedge the exchange-rate risk of

foreign-currency-dominated equity investments in subsidiaries, to the extent effective, are included in the foreign exchange translation adjustments in net assets.

2) The method of fair value hedge is applied for foreign borrowing exposures in order to minimize the risk of exchange-rate fluctuations for foreign-currency-denominated securities and others.

3) The method of fair value hedge is applied for forward foreign exchange transactions in order to minimize the risk of exchange-rate fluctuations for foreign-currency-denominated investment securities.

(7) Accounting for consumption tax

The tax exclusion method is applied.

6. Additional information

(Application of the consolidated corporate-tax system)

The Company applies the "Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 1)" (ASBJ Practical Issues Task Force No.5, January 16, 2015) and "Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 2)" (ASBJ Practical Issues Task Force No.7, January 16, 2015)" from this consolidated fiscal year on the premise that the Company file as a consolidated entity, since the Commissioner of the National Tax Agency has approved the application of the consolidated corporate-tax system by the Company and some consolidated subsidiaries from the fiscal year started on or after April 1, 2018.

7. Notes to Consolidated Financial Statements

(Consolidated Balance Sheets)

	Year ended March 31, 2017	Year ended March 31, 2018 (Millions of yen)
1. Accumulated depreciation deducted from property and equipment	45,431	40,644
2. Obligations under guarantees	120	781
(potential guarantee obligation)	(39)	(30)

In accordance with Report No. 61 of the Auditing Committee of the Japanese Institute of Certified Public Accountants, titled "Auditing Procedures Concerning the Accounting for Guarantee Obligations and Quasi-Guarantees," those obligations of the Company deemed to cause the Company to be held liable as a guarantor are to be treated as quasi-guarantees and stated in notes.

3. The balance for affiliate companies is as follows:

	March 31, 2017	March 31, 2018 (Millions of yen)
Investment Securities	302	373

(Consolidated Statements of Changes in Shareholders' Equity)

Fiscal Year Ended March 31, 2017 (April 1, 2016 - March 31, 2017)

1. Matters related to outstanding shares

(Thousands of shares)				
\	Shares at April 1, 2016	Shares increased in this year	Shares decreased in this year	Shares at March 31, 2017
Shares outstanding Common stock	2,015,102	—	—	2,015,102
Total	2,015,102	—	—	2,015,102

2. Matters related to treasury stock

Not applicable

Fiscal Year Ended March 31, 2018 (April 1, 2017 - March 31, 2018)

1. Matters related to outstanding shares

(Thousands of shares)				
\	Shares at April 1, 2017	Shares increased in this year	Shares decreased in this year	Shares at March 31, 2018
Shares outstanding Common stock	2,015,102	—	—	2,015,102
Total	2,015,102	—	—	2,015,102

2. Matters related to treasury stock

Not applicable

(Per share information)

(Yen)

Year ended March 31, 2017		Year ended March 31, 2018	
Net assets per share	441.08	Net assets per share	448.52
Net income per share	93.59	Net income per share	17.74

(Notes)

1. Net income per share (diluted) was not shown due to no potential securities.

2. Net income per share was calculated based on the following:

	Year ended March 31, 2017	Year ended March 31, 2018
Net income attributable to owners of parent (Millions of yen)	188,597	35,751
Amount not attributable to common stock shareholders (Millions of yen)	—	—
Net income attributable to common stock owners of parent (Millions of yen)	188,597	35,751
Average number of common shares outstanding (Thousands of shares)	2,015,102	2,015,102

II. Supplemental Information (Consolidated)

1. Commissions

1) Breakdown by items

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018	Increase/(Decrease)	
			Amount	Percentage (%)
Brokerage commissions	41,600	37,319	(4,281)	(10.3)
Equities	36,047	35,949	(97)	(0.3)
Bonds	4,914	856	(4,057)	(82.6)
Underwriting and selling fees, and commissions from solicitation to qualifying investors	46,901	29,574	(17,326)	(36.9)
Equities	17,297	14,460	(2,836)	(16.4)
Bonds	29,111	14,913	(14,197)	(48.8)
Offering, selling, and other commissions and fees, and commissions from solicitation to qualifying investors	34,795	41,704	6,908	19.9
Other commissions and fees	74,271	59,831	(14,440)	(19.4)
Total	197,569	168,429	(29,139)	(14.7)

2) Breakdown by instruments

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018	Increase/(Decrease)	
			Amount	Percentage (%)
Equities	56,915	54,709	(2,206)	(3.9)
Bonds	55,473	42,813	(12,660)	(22.8)
Beneficiary certificates	54,595	45,439	(9,156)	(16.8)
Other	30,584	25,467	(5,116)	(16.7)
Total	197,569	168,429	(29,139)	(14.7)

2. Net gain on trading

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018	Increase/(Decrease)	
			Amount	Percentage (%)
Equities, etc.	34,266	18,366	(15,900)	(46.4)
Bonds, etc. and others	119,876	105,859	(14,017)	(11.7)
Total	154,143	124,225	(29,917)	(19.4)

3. Consolidated Capital Adequacy Requirement Ratio

(Millions of yen)

		As of March 31, 2017	As of March 31, 2018
Basic items	Total capital (A)	847,516	867,860
Supplemental items	Net unrealized gains on (operating) investment securities, net of tax, etc.	24,876	30,372
	Reserve for financial instruments transaction liabilities, etc.	2,309	2,361
	Allowance for doubtful accounts	62	62
	Subordinated long-term borrowings	26,000	—
	Subordinated short-term borrowings	199,000	90,000
	Total (B)	252,248	122,795
Deducted assets	(C)	204,548	207,804
Equity after deduction	(A) + (B) - (C) (D)	895,216	782,851
Amount equivalent to risk	Amount equivalent to market risk	120,233	118,937
	Amount equivalent to counterparty risk	35,175	59,496
	Amount equivalent to fundamental risk	74,502	67,431
	Total (E)	229,911	245,865
Capital adequacy requirement ratio	(D)/(E) * 100	389.3%	318.4%

4. Quarterly Consolidated Statements of Income

(Millions of yen)

	Fourth quarter ended March 2017	First quarter ended June 2017	Second quarter ended September 2017	Third quarter ended December 2017	Fourth quarter ended March 2018
	Jan. 1, 2017 - Mar. 31, 2017	Apr. 1, 2017 - Jun. 30, 2017	Jul. 1, 2017 - Sep. 30, 2017	Oct. 1, 2017 - Dec. 31, 2017	Jan. 1, 2018 - Mar. 31, 2018
Operating revenues	99,663	82,272	103,189	93,751	102,260
Commissions	46,614	37,653	42,116	45,835	42,823
Brokerage commissions	8,846	8,828	8,428	10,684	9,377
Equities	8,646	8,508	8,076	10,375	8,989
Bonds	104	192	264	200	199
Underwriting and selling fees, and commissions from solicitation to qualifying investors	11,088	5,411	9,192	7,301	7,669
Equities	5,142	1,860	2,874	4,206	5,518
Bonds	5,619	3,499	6,268	3,012	2,133
Offering, selling, and other commissions and fees, and commissions from solicitation to qualifying investors	10,716	9,763	9,560	12,092	10,286
Other commissions and fees	15,963	13,649	14,934	15,757	15,489
Net gain on trading	29,327	27,201	29,829	28,629	38,565
Equities, etc.	5,952	5,485	5,714	7,612	(446)
Bonds, etc. and others	23,374	21,715	24,115	21,016	39,011
Net gain (loss) on operating investment securities	3,567	511	6,872	3,072	(387)
Interest and dividend income	20,153	16,906	24,372	16,213	21,258
Interest expenses	15,343	14,858	20,828	16,240	23,474
Net operating revenues	84,319	67,414	82,360	77,511	78,785
Selling, general and administrative expenses	69,252	61,532	66,543	67,777	67,597
Transaction-related expenses	11,511	10,493	11,345	12,581	11,882
Personnel expenses	30,396	27,163	30,046	30,420	29,481
Real estate expenses	8,470	7,530	7,941	7,957	8,527
Administrative expenses	9,464	7,003	8,155	7,687	7,548
Depreciation and amortization	6,678	6,519	6,600	6,785	6,816
Taxes and dues	820	1,401	1,136	1,283	1,564
Other	1,910	1,422	1,317	1,062	1,776
Operating income	15,067	5,881	15,817	9,733	11,188
Non-operating income	1,249	888	499	730	1,166
Non-operating expenses	1,305	470	431	1,020	721
Ordinary income	15,011	6,298	15,885	9,442	11,632
Extraordinary gain	799	1,907	86	323	2,254
Extraordinary loss	1,918	133	1,664	507	3,013
Income before income taxes and non-controlling interests	13,892	8,072	14,307	9,259	10,873
Income taxes - current	565	1,273	2,258	2,491	1,347
Income taxes - deferred	904	1,343	206	(183)	(2,549)
Net income	12,423	5,455	11,843	6,950	12,075
Net income attributable to non-controlling interests	262	185	(24)	29	382
Net income attributable to owners of parent	12,160	5,269	11,868	6,921	11,692

III. Non-consolidated Financial Statements

1. Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and bank deposits	249,691	294,441
Cash segregated as deposits for customers and others	230,214	323,923
Trading assets	5,019,291	4,923,373
Trading securities and others	2,638,609	2,493,898
Derivatives	2,380,682	2,429,474
Receivables – unsettled trades	169,960	—
Operating investment securities	21,762	25,362
Operating loans receivable	2,790	—
Receivables related to margin transactions	96,255	127,764
Loans receivable under margin transactions	35,251	49,424
Cash collateral for borrowed securities under margin transactions	61,003	78,339
Collateralized short-term financing agreements-receivable	3,821,571	4,998,221
Deposits paid for securities borrowed	3,506,714	4,572,426
Securities purchased under agreements to resell	314,856	425,795
Advances paid	191	431
Advance payments for customers	161	398
Advance payments for others	30	32
Short-term guarantee deposits	496,793	404,739
Securities: fail to deliver	28,695	29,956
Variation margin paid	—	1,548
Short-term loans receivable	22,459	55,741
Advance payments	690	535
Prepaid expenses	3,193	2,978
Accounts receivable-other	6,495	21,697
Accrued income	26,456	27,406
Deferred tax assets	15,302	13,547
Other current assets	4,009	6,538
Less: Allowance for doubtful accounts	(6)	(9)
Total current assets	10,215,819	11,258,198
Noncurrent assets		
Property and equipment	15,087	14,647
Buildings	5,957	5,704
Equipment	7,681	7,746
Land	1,186	1,076
Leased assets	262	119
Intangible assets	50,195	55,378
Software	49,295	54,632
House leasehold rights	64	57
Telephone subscription rights	487	486
Other intangible assets	347	201
Investments and other assets	297,330	295,186
Investment securities	47,008	52,626
Investments in subsidiaries and affiliates	199,259	199,441
Long-term loans receivable to subsidiaries and affiliates	14,717	7,985
Long-term guarantee deposits	11,759	11,202
Long-term prepaid expenses	3,406	2,468
Prepaid pension cost	15,761	16,716
Deferred tax assets	3,815	3,154
Other	5,181	5,074
Less: Allowance for doubtful accounts	(3,578)	(3,482)
Total noncurrent assets	362,614	365,213
Total assets	10,578,433	11,623,412

(Millions of yen)

As of March 31, 2017 As of March 31, 2018

Liabilities		
Current liabilities		
Trading liabilities	3,771,283	4,311,658
Trading securities and others	1,299,676	2,068,613
Derivatives	2,471,607	2,243,045
Payables - unsettled trades	—	62,243
Payables related to margin transactions	55,287	44,176
Borrowings on margin transactions	7,871	8,814
Cash collateral for loaned securities under margin transactions	47,415	35,361
Collateralized short-term financing agreements-payable	3,727,318	3,739,715
Deposits received for securities loaned	1,255,986	1,212,841
Securities sold under agreements to repurchase	2,471,331	2,526,874
Deposits received	234,622	267,579
Deposits from customers	203,251	237,044
Deposits for subscription	2,581	18
Deposits for others	28,789	30,517
Guarantee deposits received	184,821	198,003
Securities: fail to receive	12,844	2,930
Variation margin received	1,640	—
Short-term borrowings	716,603	833,668
Commercial paper	111,300	334,200
Bonds and notes due within one year	55,323	46,672
Lease obligations	375	364
Advances received	230	174
Accounts payable-other	840	961
Accrued expenses	25,243	33,127
Income taxes payable	—	3,984
Accrued employees' bonuses	13,432	9,563
Provision for variable compensation	855	954
Provision for bonus point redemption	596	639
Other current liabilities	559	187
	Total current liabilities	8,913,179
Noncurrent liabilities		
Bonds and notes	554,903	571,334
Long-term borrowings	233,500	277,000
Lease obligations	494	139
Provision for retirement benefits	19,536	19,744
Other noncurrent liabilities	1,647	1,540
	Total noncurrent liabilities	810,081
Statutory reserves		
Reserve for financial instruments transaction liabilities	2,291	2,361
	Total statutory reserves	2,291
Total liabilities	9,725,551	10,762,925

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Net assets		
Shareholders' equity		
Common stock	125,167	125,167
Capital surplus		
Additional paid - in capital	285,831	285,831
Other capital surplus	95,817	95,817
Total capital surpluses	381,649	381,649
Retained earnings		
Other retained earnings		
Retained earnings brought forward	332,177	338,142
Total retained earnings	332,177	338,142
Total shareholders' equity	838,993	844,958
Valuation and translation adjustments		
Net unrealized gains on (operating) investment securities, net of tax	22,719	27,497
Net deferred gains or losses on hedges, net of tax	(8,831)	(11,969)
Total valuation and translation adjustments	13,887	15,527
Total net assets	852,881	860,486
Total liabilities and net assets	10,578,433	11,623,412

2. Non-consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Operating revenues		
Commissions	149,114	142,534
Brokerage commissions	26,284	30,818
Underwriting and selling fees, and commissions from solicitation to qualifying investors	34,848	24,966
Offering, selling, and other commissions and fees, and commissions from solicitation to qualifying investors	25,539	31,378
Other commissions and fees	62,442	55,370
Net gain on trading	143,956	114,858
Net gain on operating investment securities	2,299	2,300
Interest and dividend income	45,756	67,061
Total operating revenues	<u>341,126</u>	<u>326,755</u>
Interest expenses	<u>37,915</u>	<u>57,147</u>
Net operating revenues	<u>303,211</u>	<u>269,607</u>
Selling, general and administrative expenses	239,455	236,574
Transaction-related expenses	51,513	49,676
Personnel expenses	87,966	85,562
Real estate expenses	27,237	26,630
Administrative expenses	49,355	49,272
Depreciation and amortization	17,143	17,346
Taxes and dues	2,801	4,854
Provision of allowance for doubtful accounts	(40)	(58)
Other	3,477	3,290
Operating income	<u>63,755</u>	<u>33,032</u>
Non-operating income	7,920	6,947
Non-operating expenses	1,487	1,400
Ordinary income	<u>70,189</u>	<u>38,580</u>
Extraordinary gain	119,276	4,286
Gain on sales of noncurrent assets	24	63
Gain on sales of investment securities	977	3,668
Gain on sales of shares of subsidiaries and affiliates	118,274	553
Extraordinary loss	2,554	5,015
Loss on disposal of noncurrent assets	194	314
Loss on sales of investment securities	40	6
Loss on impairment of investment securities	—	60
Loss on liquidation of subsidiaries and affiliates	1,129	—
Loss on impairment of golf club membership	6	0
Impairment losses	841	2,758
Loss on software development	—	1,805
Cost incurred in opening of joint branches	55	—
Provision of reserve for financial instruments transaction liabilities	285	70
Income before income taxes	<u>186,911</u>	<u>37,850</u>
Income taxes - current	161	4,092
Income taxes - deferred	(13,968)	1,596
Total income taxes	<u>(13,806)</u>	<u>5,689</u>
Net income	<u>200,718</u>	<u>32,161</u>

3. Non-consolidated Statements of Changes in Shareholders' Equity

Year ended March 31, 2017

(Millions of yen)

	Shareholders' equity					
	Common stock	Capital surplus			Retained earnings	Total Shareholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus	Other retained earnings	
Retained earnings brought forward						
Balance at beginning of period	125,167	285,831	95,817	381,649	149,594	656,411
Changes during the period						
Dividends of surplus					(18,135)	(18,135)
Net income					200,718	200,718
Net changes of items other than shareholders' equity						
Total changes during the period	—	—	—	—	182,582	182,582
Balance at end of period	125,167	285,831	95,817	381,649	332,177	838,993

(Millions of yen)

	Valuation and translation adjustments			Total net assets
	Net unrealized gains on (operating) investment securities, net of tax	Net deferred hedge gain (loss), net of tax	Total valuation and translation adjustments	
Balance at beginning of period	21,626	(18,982)	2,644	659,056
Changes during the period				
Dividends of surplus				(18,135)
Net income				200,718
Net changes of items other than shareholders' equity	1,092	10,150	11,243	11,243
Total changes during the period	1,092	10,150	11,243	193,825
Balance at end of period	22,719	(8,831)	13,887	852,881

Year ended March 31, 2018

(Millions of yen)

	Shareholders' equity					
	Common stock	Capital surplus			Retained earnings	Total Shareholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus	Other retained earnings	
Retained earnings brought forward						
Balance at beginning of period	125,167	285,831	95,817	381,649	332,177	838,993
Changes during the period						
Dividends of surplus					(26,196)	(26,196)
Net income					32,161	32,161
Net changes of items other than shareholders' equity						
Total changes during the period	—	—	—	—	5,965	5,965
Balance at end of period	125,167	285,831	95,817	381,649	338,142	844,958

(Millions of yen)

	Valuation and translation adjustments			Total net assets
	Net unrealized gains on (operating) investment securities, net of tax	Net deferred hedge gain (loss), net of tax	Total valuation and translation adjustments	
Balance at beginning of period	22,719	(8,831)	13,887	852,881
Changes during the period				
Dividends of surplus				(26,196)
Net income				32,161
Net changes of items other than shareholders' equity	4,777	(3,138)	1,639	1,639
Total changes during the period	4,777	(3,138)	1,639	7,604
Balance at end of period	27,497	(11,969)	15,527	860,486

4. Note on the going-concern assumption

Not applicable

IV. Supplemental Information (Non-consolidated)

Capital adequacy requirement ratio

(Millions of yen)

		As of March 31, 2017	As of March 31, 2018
Basic items	Total capital (A)	812,797	832,364
Supplemental items	Net unrealized gains on (operating) investment securities, net of tax, etc.	13,887	15,527
	Reserve for financial instruments transaction liabilities, etc.	2,291	2,361
	Allowance for doubtful accounts	6	9
	Subordinated long-term borrowings	26,000	—
	Subordinated short-term borrowings	199,000	90,000
	Total (B)	241,185	107,897
	Deducted assets (C)	330,260	334,296
	Equity after deduction (A) + (B) - (C) (D)	723,721	605,966
Amount equivalent to risk	Amount equivalent to market risk	95,380	93,750
	Amount equivalent to counterparty risk	25,080	48,354
	Amount equivalent to fundamental risk	60,753	61,801
	Total (E)	181,215	203,905
	Capital adequacy requirement ratio (D)/(E) * 100	399.3%	297.1%