MONEX GROUP
Monex Group, Inc.

Monex Group, Inc.

Annual Financial Statements 2015

For the year ended March 31, 2015

Contents

Consolidated Financial Statements

Consolidated Statement of Income

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Revenue:			
Commission received *(Note 7)*	¥33,542	**¥30,079**	**$250,407**
Net trading income *(Note 8)*	8,011	**6,242**	**51,963**
Financial income *(Note 8)*	12,583	**13,987**	**116,444**
Other operating income *(Note 9)*	587	**667**	**5,550**
Total operating revenue	54,722	**50,975**	**424,365**
Other financial income *(Note 8)*	2,305	**82**	**682**
Other income *(Note 11)*	59	**210**	**1,752**
Equity in profits of equity method investments *(Note 22)*	0	**—**	**—**
Total revenue	57,086	**51,267**	**426,799**
Expenses:			
Financial expenses *(Note 8)*	4,672	**5,766**	**47,998**
Selling, general and administrative expenses *(Notes 10, 25, 26, 28)*	34,981	**37,143**	**309,213**
Other financial expenses *(Note 8)*	99	**272**	**2,266**
Other expenses *(Note 12)*	439	**1,970**	**16,399**
Equity in losses of equity method investments *(Note 22)*	—	**2**	**14**
Total expenses	40,191	**45,152**	**375,890**
Profit before income taxes	16,895	**6,115**	**50,909**
Income tax expense *(Note 23)*	6,539	**2,621**	**21,822**
Profit	10,356	**3,494**	**29,087**
Profit attributable to:			
Owners of the Company	10,354	**3,494**	**29,087**
Non-controlling interests	2	**—**	**—**
Profit	¥10,356	**¥ 3,494**	**$ 29,087**
	Yen		U.S. Dollars
Earnings per share attributable to owners of the Company: *(Note 32)*			
Basic earnings per share	¥ 35.76	¥ 12.15	$ 0.10
Diluted earnings per share	—	—	—

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Profit	¥10,356	**¥3,494**	**$29,087**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments in foreign operations *(Note 31)*	2,349	**4,117**	**34,273**
Changes in fair value of available-for-sale financial assets *(Note 31)*	(1,960)	**740**	**6,157**
Changes in fair value of hedging instrument *(Notes 13, 31)*	(143)	**245**	**2,041**
Share of other comprehensive income of equity method investments *(Notes 22, 31)*	23	**(5)**	**(41)**
Other comprehensive income after income taxes	268	**5,097**	**42,431**
Total comprehensive income	10,624	**8,591**	**71,517**
Total comprehensive income attributable to:			
Owners of the Company	10,622	**8,591**	**71,517**
Non-controlling interests	2	**—**	**—**
Total comprehensive income	¥10,624	**¥8,591**	**$71,517**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Financial Position

As of March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Assets:			
Cash and cash equivalents *(Notes 13, 14, 15, 17)*	¥ 85,442	**¥ 68,540**	**$ 570,599**
Cash segregated as deposits *(Notes 13, 14, 16)*	426,719	**525,567**	**4,375,353**
Trading securities and other *(Notes 13, 14)*	2,458	**4,148**	**34,535**
Derivative assets *(Notes 13, 14)*	11,326	**13,432**	**111,818**
Investments in securities *(Notes 13, 14, 17)*	8,390	**8,176**	**68,066**
Margin transaction assets *(Notes 13, 14)*	178,230	**175,637**	**1,462,180**
Loans secured by securities *(Notes 13, 14)*	152,382	**159,969**	**1,331,747**
Other financial assets *(Notes 13, 14, 17)*	28,990	**46,003**	**382,975**
Property and equipment *(Note 19)*	1,579	**2,408**	**20,045**
Intangible assets *(Note 20)*	41,558	**48,807**	**406,320**
Equity method investments *(Notes 14, 22)*	861	**1,136**	**9,459**
Deferred tax assets *(Note 23)*	247	**20**	**163**
Other assets	1,089	**1,398**	**11,642**
Total assets	¥939,270	**¥1,055,242**	**$8,784,902**
Liabilities and Equity:			
Liabilities:			
Derivative liabilities *(Notes 13, 14)*	¥ 9,047	**¥ 12,159**	**$ 101,222**
Margin transaction liabilities *(Notes 13, 14, 18)*	36,308	**46,125**	**383,988**
Loans payable secured by securities *(Notes 13, 14)*	183,765	**195,521**	**1,627,718**
Deposits received *(Notes 13, 14)*	287,385	**368,656**	**3,069,063**
Guarantee deposits received *(Notes 13, 14)*	167,039	**184,850**	**1,538,875**
Bonds and loans payable *(Notes 13, 14, 18)*	159,125	**150,418**	**1,252,230**
Other financial liabilities *(Notes 13, 14)*	4,280	**4,958**	**41,273**
Provisions *(Note 27)*	156	**158**	**1,312**
Income taxes payable	5,629	**230**	**1,917**
Deferred tax liabilities *(Note 23)*	3,810	**3,732**	**31,068**
Other liabilities *(Notes 24, 28)*	2,026	**1,504**	**12,523**
Total liabilities	858,569	**968,310**	**8,061,189**
Equity:			
Common stock *(Note 29)*	10,394	**10,394**	**86,526**
Additional paid-in capital *(Note 29)*	40,510	**40,510**	**337,249**
Retained earnings *(Notes 29, 30)*	22,856	**23,991**	**199,723**
Other components of equity *(Note 31)*	6,941	**12,038**	**100,214**
Equity attributable to owners of the Company	80,701	**86,932**	**723,713**
Total equity	80,701	**86,932**	**723,713**
Total liabilities and equity	¥939,270	**¥1,055,242**	**$8,784,902**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the consolidated fiscal years ended March 31, 2014 and 2015

(Millions of Yen)

	Equity attributable to owners of the company											
					Other components of equity							
	Common stock	Additional paid-in capital	Treasury stock	Retained earnings	Changes in fair value of available-for-sale financial assets	Changes in fair value of hedging instrument	Foreign currency translation adjustments in foreign operations	Share of other comprehensive income of equity method investments	Sub-total	Total	Non-controlling interests	Total equity
Balance as of April 1, 2013	¥10,394	¥40,521	¥ —	¥22,079	¥ 2,833	¥ —	¥ 3,789	¥51	¥ 6,673	¥79,667	¥ 35	¥79,702
Profit	—	—	—	10,354	—	—	—	—	—	10,354	2	10,356
Other comprehensive income	—	—	—	—	(1,960)	(143)	2,349	23	268	268	—	268
Total comprehensive income	—	—	—	10,354	(1,960)	(143)	2,349	23	268	10,622	2	10,624
Transactions with owners:												
Acquisition of treasury stock *(Note 29)*	—	—	(5,514)	—	—	—	—	—	—	(5,514)	—	(5,514)
Cancellation of treasury stock *(Note 29)*	—	(5,514)	5,514	—	—	—	—	—	—	—	—	—
Dividends paid *(Note 30)*	—	—	—	(4,064)	—	—	—	—	—	(4,064)	—	(4,064)
Transfer to Additional paid-in capital from Retained earnings *(Note 29)*	—	5,514	—	(5,514)	—	—	—	—	—	—	—	—
Acquisition of non-controlling interests	—	(11)	—	—	—	—	—	—	—	(11)	(37)	(47)
Total of transactions with owners	—	(11)	—	(9,578)	—	—	—	—	—	(9,588)	(37)	(9,625)
Balance as of March 31, 2014	¥10,394	¥40,510	¥ —	¥22,856	¥ 872	¥(143)	¥ 6,138	¥74	¥ 6,941	¥80,701	¥ —	¥80,701
Profit	**—**	**—**	**—**	**3,494**	**—**	**—**	**—**	**—**	**—**	**3,494**	**—**	**3,494**
Other comprehensive income	**—**	**—**	**—**	**—**	**740**	**245**	**4,117**	**(5)**	**5,097**	**5,097**	**—**	**5,097**
Total comprehensive income	**—**	**—**	**—**	**3,494**	**740**	**245**	**4,117**	**(5)**	**5,097**	**8,591**	**—**	**8,591**
Transactions with owners:												
Dividends paid *(Note 30)*	**—**	**—**	**—**	**(2,359)**	**—**	**—**	**—**	**—**	**—**	**(2,359)**	**—**	**(2,359)**
Total of transactions with owners	**—**	**—**	**—**	**(2,359)**	**—**	**—**	**—**	**—**	**—**	**(2,359)**	**—**	**(2,359)**
Balance as of March 31, 2015	**¥10,394**	**¥40,510**	**¥ —**	**¥23,991**	**¥ 1,612**	**¥ 102**	**¥10,255**	**¥69**	**¥12,038**	**¥86,932**	**¥ —**	**¥86,932**

For the consolidated fiscal year ended March 31, 2015

(Thousands of U.S. Dollars)

	Equity attributable to owners of the company											
					Other components of equity							
	Common stock	Additional paid-in capital	Treasury stock	Retained earnings	Changes in fair value of available-for-sale financial assets	Changes in fair value of hedging instrument	Foreign currency translation adjustments in foreign operations	Share of other comprehensive income of equity method investments	Sub-total	Total	Non-controlling interests	Total equity
Balance as of March 31, 2014	$ 86,526	$ 337,249	$—	$ 190,275	$ 7,262	$ (1,194)	$ 51,101	$ 614	$ 57,784	$ 671,834	$—	$ 671,834
Profit	**—**	**—**	**—**	**29,087**	**—**	**—**	**—**	**—**	**—**	**29,087**	**—**	**29,087**
Other comprehensive income	**—**	**—**	**—**	**—**	**6,157**	**2,041**	**34,273**	**(41)**	**42,431**	**42,431**	**—**	**42,431**
Total comprehensive income	**—**	**—**	**—**	**29,087**	**6,157**	**2,041**	**34,273**	**(41)**	**42,431**	**71,517**	**—**	**71,517**
Transactions with owners												
Dividends paid *(Note 30)*	**—**	**—**	**—**	**(19,639)**	**—**	**—**	**—**	**—**	**—**	**(19,639)**	**—**	**(19,639)**
Total of transactions with owners	**—**	**—**	**—**	**(19,639)**	**—**	**—**	**—**	**—**	**—**	**(19,639)**	**—**	**(19,639)**
Balance as of March 31, 2015	**$86,526**	**$337,249**	**$—**	**$199,723**	**$13,420**	**$ 847**	**$85,374**	**$573**	**$100,214**	**$723,713**	**$—**	**$723,713**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Cash flows from operating activities:			
Profit before income taxes	¥ 16,895	**¥ 6,115**	**$ 50,909**
Depreciation and amortization	3,441	**3,942**	**32,815**
Loss on business restructuring	—	**1,702**	**14,167**
Gain on sales of investments in subsidiaries	—	**(100)**	**(831)**
Financial income and financial expenses	(10,117)	**(8,031)**	**(66,862)**
Decrease/increase in derivative assets/liabilities	(2,110)	**1,311**	**10,913**
Decrease/increase in assets/liabilities for margin transaction	(32,180)	**12,410**	**103,310**
Decrease/increase in loans/loans payable secured by securities	8,886	**4,987**	**41,516**
Decrease/increase in cash segregated as deposits	(62,900)	**(68,275)**	**(568,391)**
Decrease/increase in deposits received and guarantee deposits received	68,210	**66,080**	**550,115**
Decrease/increase in short-term loans receivable	(1,032)	**(2,720)**	**(22,641)**
Other, net	(1,119)	**(16,945)**	**(141,066)**
Sub-total	(12,026)	**475**	**3,953**
Interest and dividends income received	11,928	**13,864**	**115,417**
Interest expenses paid	(4,069)	**(5,459)**	**(45,446)**
Income taxes paid	(4,088)	**(9,129)**	**(75,996)**
Net cash provided by (used in) operating activities	(8,256)	**(249)**	**(2,072)**
Cash flows from investing activities:			
Proceeds from withdrawal of time deposits	100	**—**	**—**
Purchase of investments in securities	(12,771)	**(6,235)**	**(51,905)**
Proceeds from sales and redemption of securities	23,458	**7,159**	**59,598**
Purchase of property and equipment	(765)	**(1,233)**	**(10,262)**
Purchase of intangible assets	(4,026)	**(8,301)**	**(69,110)**
Proceeds from sales of subsidiaries *(Note 33)*	—	**249**	**2,070**
Other, net	(36)	**(241)**	**(2,003)**
Net cash provided by (used in) investing activities	5,960	**(8,602)**	**(71,612)**
Cash flows from financing activities:			
Net increase/decrease in short-term loans payable	(14,403)	**(39,331)**	**(327,428)**
Proceeds from long-term loans payable	87,516	**32,221**	**268,242**
Repayment and redemption of long-term loans payable	(27,500)	**(2,500)**	**(20,813)**
Acquisition of non-controlling interests	(47)	**—**	**—**
Purchase of treasury stock	(5,514)	**—**	**—**
Cash dividends paid	(4,053)	**(2,358)**	**(19,632)**
Net cash provided by (used in) financing activities	35,998	**(11,968)**	**(99,631)**
Net increase/decrease in cash and cash equivalents	33,703	**(20,819)**	**(173,314)**
Cash and cash equivalents at the beginning of year	50,140	**84,855**	**706,420**
Effect of exchange rate change on cash and cash equivalents	1,012	**2,300**	**19,147**
Cash and cash equivalents at the end of year *(Note 15)*	¥ 84,855	**¥ 66,337**	**$ 552,252**

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Reporting Entity

Monex Group, Inc. (the "Company") is a company domiciled in Japan. The registered address of head office and principal business office is 2-4-1, Kojimachi, Chiyoda-ku, Tokyo. The consolidated financial statements as of and for the year ended March 31, 2015 comprise the financial statements of the Company and its subsidiaries (the "Group") and the interests in associates and joint ventures. The Group engages in online securities brokerage business that is its core business, foreign exchange (FX) margin transaction and M&A advisory service.

2. Basis of Preparation of Financial Statements

(1) Statement of compliance with International Financial Reporting Standards (IFRSs)

The Company meets the criteria of a "Specified Company" defined in Article 1-2 of the *Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements* (Ordinance of the Ministry of Finance No. 28 of 1976) and the Group's financial statements are prepared in accordance with IFRSs as stipulated in Article 93 of the Ordinance.

(2) Basis of presentation

The accompanying consolidated financial statements have been translated into English from the consolidated financial statements of the Company prepared in accordance with IFRSs with certain additional disclosures as required by the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc., and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act of Japan.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2015, which was ¥120.12 to U.S. $1. For translation purpose, amounts in Japanese yen before rounding to the millions are used and financial information presented in U.S. dollars is rounded to the nearest thousand. As a result, the amounts in U.S. dollars do not necessarily agree with the Japanese yen amounts in millions divided by ¥120.12. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

(3) Basis of measurement

The consolidated financial statements are prepared based on the historical cost except for the following significant items.

- Derivatives are measured at fair value
- Financial instruments at fair value through profit or loss are measured at fair value
- Available-for-sale financial assets are measured at fair value
- Liabilities related to cash-settled share-based payment are measured at fair value

(4) Functional currency and reporting currency

The consolidated financial statements are presented in Japanese yen, which is also the Company's functional currency. All financial information presented in Japanese yen is rounded to the nearest million.

(5) Use of estimates and judgments

The Group's management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses in preparation of financial statements in accordance with IFRSs. Actual results could differ from these estimates.

Accounting estimates and its underlying assumptions are continually reviewed. The impact of revisions to accounting estimates is prospectively recognized in the period when the revision is made and in subsequent periods.

The information related to significant judgments in applying significant accounting policies that have a significant impact on the amounts recognized in the consolidated financial statements is described in the following notes.

- "Note 13. Financial Instruments"
- "Note 14. Fair Value Measurement"

The information related to uncertainties of assumptions and estimates with a significant risk that could result in significant modification in the next consolidated fiscal year is described in the following notes.

- "Note 20. Intangible Assets"
- "Note 23. Deferred Tax and Income Tax Expense"

3. Significant Accounting Policies

Unless otherwise noted, the accounting policies set forth below are applied continuously to all periods indicated in the consolidated financial statements.

(1) Basis of consolidation

(a) Business combinations

Business combinations are accounted for by applying the acquisition method on the date that control is obtained (the acquisition date). An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Except for the following items, identifiable assets and liabilities of acquired companies are measured at fair value on the acquisition date.

- Deferred tax assets and liabilities measured in accordance with IAS 12: *Income Taxes*.
- Assets and liabilities relating to employee benefits agreements measured in accordance with IAS 19: *Employee Benefits*.
- Liabilities relating to stock compensation agreements of acquired companies measured in accordance with IFRS 2: *Share-based Payment*.
- Non-current assets or disposal groups classified as held for sale in accordance with IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*.

Goodwill is measured at the fair value of the consideration transferred including the amount of non-controlling interests in the acquired company recognized on the acquisition date minus the net amount (ordinarily fair value) of identifiable acquired assets and assumed liabilities recognized on the acquisition date. If this amount is negative, it is immediately recognized in profit or loss.

Acquisition-related costs for business combinations other than costs relating to the issuance of debt or equity securities are recognized as expense when the costs are incurred.

If the initial accounting of a business combination is not completed by the end of the consolidated fiscal year in which the business combination occurred, provisional amounts for those items that are not completed are reported. If facts or circumstances that existed on the acquisition date are obtained during a period (the "measurement period") and, if known, would have had an impact on the recognized amounts that were initially determined on the acquisition date, that information is reflected and the provisional amounts recognized on the acquisition date are adjusted retroactively. If the newly acquired information results in additional recognition of assets and liabilities, such assets and liabilities are recognized. The measurement period is within one year.

If consideration transferred in a business combination includes assets or liabilities arising from a contingent consideration arrangement, the contingent consideration is measured at fair value on the acquisition date as part of the consideration transferred. Changes in the fair value of contingent consideration for measurement period are adjusted retroactively, and the corresponding amount of goodwill is adjusted. Changes in the fair value of contingent consideration beyond measurement period are not re-measured when the contingent consideration is classified as equity, and subsequent settlements are accounted for within equity. When contingent consideration is classified as an asset or liability, the consideration is appropriately remeasured in accordance with IAS 39: *Financial Instruments: Recognition and Measurement* or IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*, and the gain or loss is recognized in profit or loss.

The Group elected not to retroactively apply IFRS 3: *Business Combinations* (2008) to business combinations occurring before December 27, 2010. Carrying amount of goodwill in business combinations occurring before December 27, 2010 is recognized in accordance with generally accepted accounting principles in Japan (JGAAP).

(b) Changes in interests that do not result in loss of control

Changes in interests that do not result in loss of control occurring on or after December 27, 2010 are accounted for within equity. The carrying amount of the Group's interests and non-controlling interests are adjusted to reflect changes in interests in subsidiaries, and goodwill is not recognized.

(c) Loss of control

If control of a subsidiary is lost as a result of disposal of the Group's investment, the gain or loss on the disposal is calculated as the difference between the total of the fair value of the consideration received and remaining interests, and the carrying amount of the assets including goodwill, liabilities, and non-controlling interests of the subsidiary, and the gain or loss is recognized in profit or loss. Amounts relating to subsidiaries previously recognized in other comprehensive income are reported in the same manner as direct disposal by the Group of related assets and liabilities.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control until the date control is lost. The accounting policies of subsidiaries are adjusted where necessary to ensure conformity with the accounting policies applied by the Group.

(e) Cash segregated as deposits

Trust accounts included in cash segregated as deposits are consolidated when it is concluded that the accounts are controlled by the Group.

(f) Investment in associates and joint ventures

Associates are entities over which the Group has significant influence concerning financial and operating policies but does not have control or joint control. If the Group owns between 20% and 50% of the voting power of another company, it is presumed that the Group has significant influence on that company.

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are reported using the equity method and are measured at acquisition cost at the date of acquisition.

The consolidated financial statements include the Group's share of the profit or loss and the changes in interests of companies subject to the equity method from the date that the Group obtained significant influence or the date that joint control began until such influence or joint control terminates. The accounting policies of companies subject to the equity method are adjusted where necessary to ensure conformity with the accounting policies applied by the Group. If the Group's share of losses of companies subject to the equity method exceeds the interest in the companies subject to the equity method, the carrying amount of that investment is reduced to zero, and except in cases where the Group assumes liabilities or makes payment on behalf of the investee, no further losses are recognized.

(g) Transactions eliminated on consolidation

Receivables, payables and transactions within the Group and unrealized gains or losses arising from transactions within the Group are eliminated when preparing the consolidated financial statements. Unrealized gains arising from transactions with companies subject to the equity method is deducted from investments up to the amount of the Group's interest in the investee. Unrealized losses are treated in the same manner as for unrealized income as long as there is no evidence of impairment.

(2) Foreign currency

(a) Transactions in foreign currencies

Transactions in foreign currencies are translated into the functional currency of the respective Group companies at the exchange rate on the date of the transaction. Assets and liabilities denominated in foreign currencies on the closing date of the consolidated fiscal year are re-translated to the functional currency using the exchange rate on the closing date of the consolidated fiscal year.

Assets and liabilities denominated in foreign currency measured at fair value are translated to a functional currency using the exchange rate on the date of the fair value measurement. Exchange differences arising from re-translation are recognized in profit or loss. Exchange differences arising from translation of financial instruments that are measured at fair value and whose changes are recognized in other comprehensive income are recognized in other comprehensive income. Non-monetary items measured using foreign currency acquisition costs are translated using the exchange rate on the date of transaction.

(b) Foreign operations

The assets and liabilities of foreign operations (including goodwill arising from acquisition and adjustments to fair value) are translated to Japanese yen using the exchange rate on the closing date of the consolidated fiscal year and income and expenses are translated to Japanese yen using the average exchange rate.

Currency translation adjustments are recognized in foreign currency translation adjustments in foreign operations of other comprehensive income. The Group elected to deem cumulative foreign currency translation adjustments from foreign operations at the date of transition to the IFRSs to be zero.

Currency translation adjustments after the date of transition to IFRSs have been included in other components of equity.

If foreign operations are disposed of, amounts relating to foreign currency translation adjustments in foreign operations are reclassified to profit or loss as a portion of the disposal gain or loss.

(3) Financial instruments

(a) Recognition

The Group recognizes financial assets held for trading that are traded in a regular way purchase or sale on the settlement date.

Transactions of other financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

(b) Classification

Financial assets are classified into the following categories based on their characteristics and the purpose of holding them: (i) financial assets at fair value through profit or loss, (ii) held-to-maturity investments, (iii) loans and receivables, and (iv) available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets held for trading or designated as measured at fair value through profit or loss at initial recognition are initially recognized at fair value, and subsequent fair value changes are recognized in profit or loss. Transaction costs at initial recognition are recognized in profit or loss when incurred. Also, interest and dividends from financial assets are recognized in profit or loss as financial income.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and a fixed maturity which the Group has the positive intention and ability to hold to maturity other than loans and receivables are classified as held-to-maturity investments. Held-to-maturity investments are initially recognized at fair value plus directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method.

(iii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than financial assets at fair value through profit or loss and available-for-sale financial assets are classified as loans and receivables. Loans and receivables are initially recognized at fair value plus directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method.

(iv) Available-for-sale financial assets

Non-derivative financial assets that are designated as available for sale at initial recognition, or that are not classified as any of the other categories are classified as available-for-sale financial assets. Available-for-sale financial assets are initially recognized at fair value plus directly attributable transaction costs, and subsequent to initial recognition, they are measured at fair value and fair value changes are recognized as changes in fair value of available-for-sale financial assets in other comprehensive income.

Impairment losses are recognized in profit or loss when required. Dividends are recognized in profit or loss as financial income. If available-for-sale financial assets are derecognized, cumulative fair value changes recognized in other comprehensive income are reclassified to profit or loss.

(v) Non-derivative financial liabilities

The Group initially recognizes non-derivative financial liabilities at fair value (after deducting directly attributable transaction costs). Non-derivative financial liabilities held for trading are subsequently measured at fair value, and fair value changes are recognized in profit or loss. Non-derivative financial liabilities other than those held for trading are subsequently measured at amortized cost using the effective interest method.

(c) Derecognition of financial assets and financial liabilities

When contractual rights to cash flows from financial assets are expired or when contractual rights to receive cash flows from financial assets are transferred substantially in transactions that transfer all risks and rewards of ownership of the financial assets, the Group derecognizes the relevant financial assets. Also, when financial liabilities are extinguished, i.e., when contractual obligations are discharged, cancelled, or expired, the financial liabilities are derecognized.

(d) Offsetting

Financial assets and financial liabilities are set off and the net amount is presented in the consolidated statement of financial position only when the Group has the legal right to set off the recognized amount and the Group has the intent to settle on a net basis or to realize the asset and settle the liability simultaneously.

(e) Amortized costs

Amortized costs of financial assets and financial liabilities consist of the initially recognized amounts of the financial assets and liabilities less amounts previously repaid, adjusted by the cumulative amortization of the difference between the initially recognized amount and the maturity amount using the effective interest method, and less impairment losses.

(f) Fair value measurement

The fair value of financial assets and financial liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(g) Impairment of financial assets

When the Group recognizes impairment of financial assets other than securities, the impairment losses are accounted for using the allowance for doubtful receivables account without directly reducing the carrying amount of the financial assets.

In the case of financial assets other than financial assets at fair value through profit or loss, if there is objective evidence of impairment as a result of a loss event occurring after initial recognition and the loss event has negative effect on the future cash flows of the assets which can be reliably estimated, impairment losses are recognized. The Group considers each quarter whether there is objective evidence of impairment.

Impairment losses of available-for-sale financial assets are calculated as the difference between the carrying amount and fair value and recognized in profit or loss. Impairment losses of financial assets measured at amortized cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted by the effective interest rate at initial recognition of the relevant financial assets, and is recognized in profit or loss. Income from assets for which impairment was recognized continues to be recognized through reversal of discounted amounts in conjunction by passage of time.

If an event that reduces the amount of the impairment losses occurs after recognition of impairment losses with respect to financial assets measured at amortized cost, the previously recognized impairment losses are reversed in profit or loss.

(h) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows comprise cash and highly liquid investments that are readily convertible to a known amount and are subjected to an insignificant risk of changes in value.

(i) Cash segregated as deposits

Some of trust accounts of cash segregated as deposits held by the Group are within the scope of consolidation. Cash segregated as deposits is money that is segregated and invested in accordance with the laws and regulations of each jurisdiction to preserve deposits from customers, and accordingly, cash segregated as deposits is reported as such in the consolidated statement of financial position.

(j) Trading securities and other

Trading securities and other are securities held by the Group primarily for short-term trading purpose.

(k) Derivative assets and derivative liabilities

(i) Derivatives for which hedge accounting is applied

The Group applies hedge accounting to derivatives to hedge the risk of variability in cash flows if the hedge meets the criteria for hedge accounting.

At the inception of the hedge the Group documents the hedging relationship and the risk management objective and strategy for undertaking the hedge including the hedging instrument, the hedged item, the nature of the risk being hedged and how to assess the hedge effectiveness. At the inception of the hedge and on an ongoing basis, the hedge is assessed and determined actually to have been highly effective in achieving offsetting changes in cash flows attributable to the hedged item with the hedging instruments.

Derivatives designated as hedging instruments are initially recognized at fair value, and the subsequent fair value changes are recognized as follows.

- Cash flow hedges

For changes in the fair value of derivatives that are designated as hedging instruments for cash flow hedge and meet the criteria of cash flow hedges, the portion of the gain or loss on the hedging instruments that is determined to be an effective hedge is recognized in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss. The associated gains and losses that were recognized in other comprehensive income are reclassified to profit or loss as a reclassification adjustment in the same period or periods during which cash flows attributable to the hedged item affects profit or loss. The Group discontinues prospectively the hedge accounting when the hedge no longer meets the criteria for hedge accounting, when hedging instrument expires or is sold, terminated or exercised or when the Group revokes the designation.

(ii) Derivatives for which hedge accounting is not applied

The Group's derivative assets and derivative liabilities that not applied for hedge accounting are initially recognized at fair value, and subsequent fair value changes are recognized in profit or loss.

(l) Investments in securities

Investments in securities are investments in securities held by the Group other than "trading securities and other."

(m) Margin transaction assets and margin transaction liabilities

Margin transaction assets and margin transaction liabilities are claims and obligations arising against customers and securities finance companies in conjunction with domestic margin transaction.

(n) Loans secured by securities and loans payable secured by securities

Loans secured by securities and loans payable secured by securities are claims and obligations arising against customers, counterparty financial institutions, and clearing agencies in conjunction with the Group's transactions of loans secured by securities or loans payable secured by securities other than domestic margin transaction.

(4) Property and equipment

(a) Recognition and measurement

Property and equipment are reported at acquisition cost less accumulated depreciation and accumulated impairment losses.

Acquisition costs include costs directly related to acquisition of the asset and the costs of dismantling and removing. The Group elects to measure costs of dismantling and removing included in the cost of property and equipment at the date of transition to the IFRSs.

(b) Depreciation

Depreciation and amortization are calculated on the basis of the depreciable amount. The depreciable amount is calculated as the acquisition cost of the asset net of residual value.

Property and equipment are depreciated over the estimated useful life of each part of an item of property, and depreciation is recognized in profit or loss applying the straight-line method. The straight-line method is applied because this is considered to be the most similar to the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term or its useful life, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives of major property and equipment in the consolidated fiscal year ended March 31, 2014 (the "previous consolidated fiscal year") and the consolidated fiscal year ended March 31, 2015 (the "the current consolidated fiscal year") are as follows.

Buildings: 8–18 years

Equipment and fixtures: 4–15 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date, and changes are made when required.

(5) Intangible assets

(a) Goodwill

Goodwill arising through acquisition of subsidiaries is reported as an intangible asset. The measurement method of goodwill at the initial recognition is described in (1) Basis of consolidation (a) Business combinations.

Goodwill relating to acquisitions prior to December 27, 2010 is calculated based on carrying amount according to JGAAP at the date of transition to the IFRSs.

Subsequent to initial recognition, goodwill is measured at acquisition cost net of accumulated impairment losses.

(b) Internally generated intangible assets

The Group recognizes as intangible assets those software development costs if the development costs can be reliably determined, implementation is technologically feasible, there is a high probability for generating future economic benefit, and there are adequate resources to develop and use them. Subsequent to initial recognition, internally generated intangible assets are measured at acquisition costs less accumulated depreciation and accumulated impairment losses.

(c) Other intangible assets

Other intangible assets acquired by the Group with finite useful lives are measured at acquisition cost less accumulated depreciation and accumulated impairment losses.

(d) Subsequent expenditures

Subsequent expenditures are recognized as assets only if future economic benefit from a specific asset relating to the expenditure can be increased. Other subsequent expenditures including goodwill and brands internally generated by the Group are all recognized as expenses when incurred.

(e) Amortization

Amortization is based on the acquisition cost of the asset less residual value.

Amortization of intangible assets other than goodwill is recognized in profit or loss applying the straight-line method over the estimated useful life from the time when the asset is available for use.

The estimated useful lives of major intangible assets in the previous consolidated fiscal year and the current consolidated fiscal year are as follows.

Internally generated intangible assets: 3–5 years
Customer relationships: 18 years
Technology assets: 18 years
Other assets: 3–18 years

Amortization methods, useful lives, and residual values are reviewed at each reporting date, and changes are made when required.

The Group considers the useful life of intangible assets to be indefinite only if there is no foreseeable limit to the period over which the intangible assets are expected to generate net cash inflows for the Company based on analysis of all relevant factors. Intangible assets with indefinite useful lives are not amortized and are subject to impairment tests at the same time each year and when there are indications of impairment.

(6) Impairment of non-financial assets

With the exception of deferred tax assets, the Group assesses whether there is any indication of impairment of non-financial assets at each reporting date. If there is any indication of impairment, the recoverable amount of the relevant asset is estimated. The recoverable amount of goodwill and intangible assets with indefinite useful lives or that are not yet available for use is estimated at the same time each year.

The recoverable amount of an asset or cash-generating unit (CGU) is the higher of the value in use or the fair value less cost of disposal. Value in use is calculated as the discounted present value of estimated future cash flows using a pre-tax discount rate that reflects the time value of money and the risks specific to the relevant asset.

A CGU is the smallest group of assets that generates cash inflows that are largely independent from the cash inflows from other assets or groups of assets through continuing use.

The Group determines CGUs in accordance with the units used to monitor goodwill for internal reporting purpose, and such units do not exceed operating segments before aggregation.

Corporate assets do not generate independent cash inflows. Consequently, if there is an indication of impairment of corporate assets, the recoverable amount is determined for the CGU to which the corporate asset belongs.

If the carrying amount of an asset or CGU exceeds its recoverable amount, impairment losses are recognized in profit or loss. Impairment losses recognized in relation to CGU initially reduce the carrying amount of the goodwill allocated to the CGU, and then proportionally reduce the carrying amount of other assets within the CGU.

Impairment losses relating to goodwill are not reversed. If other assets for which impairment was previously recognized, the Group assesses at each reporting date whether there is an indication of reduction or elimination of impairment loss. If there were changes in the estimates used to determine the recoverable amount, the impairment losses are reversed. Impairment losses are reversed to the extent of the carrying amount, net of depreciation and amortization, that would have been determined if no impairment loss had been recognized.

(7) Employee benefits

(a) Defined contribution pension plan

The Company and some of its subsidiaries adopt defined contribution pension plans. The defined contribution pension plans are post-retirement benefit plans where the employer contributes a fixed amount into a separate entity with no legal or constructive obligations to pay further contributions. Contributions made to defined contribution pension plans are recognized in profit or loss during the employee's period of service.

(b) Short-term employee benefits

Discount calculations are not performed with respect to short-term employee benefits, and benefits are recognized in profit or loss when the associated services were rendered.

(8) Share-based compensation transactions

The Company and some of its subsidiaries have cash-settled compensation plans where the amounts of the payments are linked to the Company's share prices for managing directors and certain employees. The amounts of cash-settled share-based compensation are recognized as liabilities at fair value, and changes in the fair value of those liabilities are recognized in profit or loss over the vesting period until the unconditional right to receive the compensation is fixed.

(9) Provisions

Provisions are recognized when the Group has legal and constructive obligations as a result of past events, there is a high probability that an outflow of resources embodying economic benefits will be required to settle those obligations, and the amounts of those obligations can be reasonably estimated. Provisions are discounted to the present value of the estimated future cash flows using a pre-tax rate that reflects the time value of money and the risks specific to the relevant liabilities. Reversal of discounts to reflect the passage of time is recognized in profit or loss.

(10) Equity

(a) Common stock

The issue price of equity instruments issued by the Company is recorded as Common stock and Additional paid-in capital, with expenses directly related to the issue being deducted from Additional paid-in capital.

(b) Treasury stock

Treasury stock is measured at acquisition cost and deducted from equity. No gains or losses arising from the purchase, sale, or cancellation of the treasury stock are recognized in profit or loss. The difference between carrying amount and the consideration at the time of sale is recognized as Additional paid-in capital.

(11) Income and expense

Income and expense are measured at the fair value of the consideration received or paid less consumption taxes and other taxes.

(a) Commission received

Commission received including brokerage commission is recognized when the related service is provided. In the case of transactions including customer loyalty programs, the fair value of the points is estimated and the amount less this value is recognized as revenue.

(b) Net trading income

Net trading income relating to the sale of "trading securities and other" is recognized on the trade date, and net trading income relating to retail FX margin transactions is recognized at the time of change in fair value of the related derivative asset and liabilities.

(c) Financial income and financial expenses

Financial income includes income from margin transaction, income from securities lending transactions, interest income, dividend income, gains on the sale of investments in securities, and changes in the fair value of derivatives other than trading instruments. Financial expenses include expenses from margin transaction, expenses from securities lending transactions, interest paid, losses on the sale of investments in securities, and changes in the fair value of derivatives other than trading instruments.

Interest received and interest paid is recognized as income or expense when incurred using the effective interest method. Dividend income is recognized when shareholders' rights relating to dividend vest.

(d) Offsetting of income and expense

Income and expense relating to transactions which the Group is not determined as a principal are set off and recognized on a net basis.

(e) Lease payments

Amounts paid in relation to operating leases are recognized in profit or loss applying the straight-line method over the term of the lease. Lease incentives received that are inseparable from total lease expenses are recognized over the lease term.

(12) Income tax expense

Income tax expense includes current tax expense and deferred tax expense. These expenses other than items recognized in business combination and recognized directly in equity or other comprehensive income are recognized in profit or loss.

Current income tax expense is estimated taxes to be paid or refunded relating to taxable income or losses for the current consolidated fiscal year by applying enacted tax rate or substantively enacted tax rate at the end of the reporting period, adjusted for estimated taxes to be paid or refunded for prior years.

Deferred tax assets and liabilities are recognized with respect to the temporary difference between the carrying amount and the tax bases of assets and liabilities. Deferred tax assets and liabilities are not recognized with respect to temporary differences arising from the initial recognition of assets and liabilities in transactions other than business combinations, and for transactions that affect neither accounting profit nor taxable profit (tax loss) and temporary differences arising from investments in subsidiaries and associates if the Company can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax liabilities are not recognized with respect to taxable temporary differences arising from the initial recognition of goodwill. Deferred tax assets and liabilities are calculated using the tax rate that is expected to be applied at the time that the temporary difference is reversed based on tax laws that are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible differences can be utilized. Deferred tax assets are reassessed at the end of each reporting period, and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are set off when the Group has a legally enforceable right to set off deferred tax assets against deferred tax liabilities and the deferred tax assets and deferred tax liabilities relate to corporate income taxes levied by the same taxation authority on either the same taxable entity or different taxable entity which intends to settle the deferred tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously.

(13) Earnings per share

Basic earnings per share are calculated as profit attributable to the Company's ordinary shareholders divided by the weighted average number of shares outstanding during the reporting period adjusted for treasury stock. Diluted earnings per share (earnings per share after adjustment for potential shares) are not calculated, since there is no potential common stock that would have dilutive effect.

(14) Segment information

Operating segments are components of business activities from which income are earned and expenses incurred including income and expenses relating to transactions with other operating segments. Discrete financial information for operating results of all operating segments is available and is regularly reviewed by the Company's Chief Executive Officer to make decision about resources to be allocated to each segment and assess performance.

Segment operating results reported to the Chief Executive Officer includes items directly attributable to the segment and items allocated to the segment based on reasonable grounds.

(15) New accounting standards and interpretations

The new accounting standards and interpretations that have been issued but not applied to the consolidated fiscal year ended March 31, 2015 are as follows. These accounting standards and interpretations were not yet applied to the preparation of the Group's consolidated financial statements. The Company is currently assessing potential impacts that application of these standards and interpretations will have on the Group's consolidated financial statements.

Standard		Effective date (Annual periods beginning on or after)	The Group's application date (For the fiscal year)	New/revised requirements
IFRS 8	Operating Segments	July 1, 2014	March 31, 2016	Disclosures on the aggregation of operating segments
IAS 1	Presentation of Financial Statements	January 1, 2016	March 31, 2017	Disclosure Initiative Clarification of requirements for presentation and disclosure
IFRS 15	Revenue from Contracts with Customers	January 1, 2017	Not determined	Establishment of comprehensive framework of recognition, measurement and disclosure for revenue
IFRS 9	Financial Instruments	January 1, 2018	Not determined	Requirements for classification and measurement of financial assets Revised requirements for changes in fair value of financial liabilities Revised hedge accounting

(16) Changes in accounting policies

The Group applies the accounting standards set forth below from the consolidated fiscal year ended March 31, 2015.

Standard		New/revised requirements
IFRS 3	Business Combinations	Classification and measurement of contingent consideration
IAS 32	Financial Instruments: Presentation	Offsetting financial assets and financial liabilities
IFRIC 21	Levies	Recognition of liabilities for levies

The Group applies each of the above accounting standards.

According to the revised IAS 32, "Derivative assets," "Other financial assets," "Derivative liabilities" and "Guarantee deposits received" at the end of the previous consolidated fiscal year in the consolidated statement of financial position are increased by ¥9,713 million, ¥126 million, ¥1,669 million and ¥8,170 million, respectively.

"Decrease/increase in cash segregated as deposits" and "Other, net" of the cash flows from operating activities are increased by ¥628 million and ¥0 million, respectively, and "Decrease/increase in derivatives assets/liabilities" of the cash flows from operating activities is decreased by ¥628 million for the previous consolidated fiscal year in the consolidated statement of cash flows.

There is no significant impact of the changes in the accounting policies on the Group's financial statements other than the revised IAS32 for the consolidated fiscal year ended March 31, 2015.

4. Financial Risk Management

The Group is exposed to the following risks arising from financial instruments in the course of its business activities:

- Credit risk;
- Liquidity risk;
- Market risk;
- Operational risk.

This note presents information about the impact of each of these risks on the Group, the Group's policies on the identification, analysis, and assessment of risk, and equity management.

(1) Organizations for managing risks arising from financial instruments

To limit risks that have an impact on the Group's management within an acceptable range, risks are appropriately identified, analyzed and assessed, and appropriate management organizations are designed to respond to each risk.

The Company establishes rules for managing all risks that affect the Group's operations. Each risk including those arising from financial instruments are managed in accordance with specific management policies and management structures determined by the executive officer responsible for overseeing the division that manages the risk, and each subsidiary is instructed to adopt risk management policies and establish risk management systems. The Company appointed a risk manager, and the risk manager monitors the status of design and operation of risk management systems within the Company and at major subsidiaries, and periodically reports the status to the Company's Board of Directors.

(a) Credit risk

Credit risk is the risk of financial loss arising from nonperformance by counterparty to an agreement or for other reasons. Credit risk arises principally from counterparty risks of the Group's customers and counterparty financial institutions and issuer risks.

The carrying amounts of financial assets after impairment are presented in the consolidated financial statements and are the amounts of maximum exposure of the Group to financial asset credit risks before taking into consideration the value of associated collateral. Information concerning collateral is set forth in Note 17: Collateral.

(Risks relating to customer transactions)

The Group has a globally diversified customer base and sets a limit of transaction volume. As such, the Group does not have an excessive credit risk with any specific customers. Most of the claims against customers comprise (i) receivables pursuant to open contracts, (ii) loans secured by securities including loans for margin transaction, (iii) future option transaction, and (iv) FX margin transaction. The financial instruments business operators within the Group receive advances, guarantee deposits, and collateral with respect to the securities trading. The Group also identifies risks relating to position imbalances through ongoing monitoring of trading conditions concerning margin transaction and has introduced systems to control the occurrence of overdue claims by setting appropriate maintenance margin requirements and establishing systems for compulsory settlement, hence credit risks relating to claims against customers are limited.

(Risks relating to counterparty financial institutions and clearing houses)

The Group's counterparty financial institutions and clearing houses are all well-known and healthy domestic and overseas financial institutions, thus the credit risks concerning claims against these institutions are limited. If the Group obtains information that may lead to credit uncertainty such as a down grade of the credit rating of a counterparty financial institution or clearing house, necessary measures are taken in collaboration with all concerned divisions to avoid those risks.

(Risks relating to issuers)

The Group holds securities such as Japanese government bonds and U.S. treasury bills for investment purposes. The Group also holds securities as inventories of financial instruments offered to customers. The Group conducts ongoing monitoring of the credit risks relating to the issuers of these securities, and the credit risks relating to those issuers are limited.

Aging analysis of financial assets which are overdue but not impaired

As of March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Within three months	¥ 88	**¥42**	**$349**
Over three months but within one year	24	**15**	**128**
Over one year	11	**15**	**122**
Total	¥123	**¥72**	**$599**

These are primarily advances to customers, and considered to be recoverable as of the end of consolidated fiscal year. Consequently, the Company determined that recognition of impairment is not necessary.

When the Group recognizes impairment of financial assets other than securities, impairment is accounted for using the allowance for doubtful receivables account, not directly reducing the carrying amount of the financial assets. Allowances for doubtful receivables are made taking into consideration the likelihood of recovery based on the recent status of the Group's counterparties, payment conditions, and receipt of collateral. The balances of financial assets (other than impaired securities) which are individually considered to be impaired at the end of the previous consolidated fiscal year, and at the end of the current consolidated fiscal year were ¥297 million, and ¥206 million ($1,718 thousand), respectively, and the related allowances for doubtful receivables on those dates were ¥297 million, and ¥206 million ($1,718 thousand), respectively.

Changes in allowance for doubtful receivables which are individually considered to be impaired

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Beginning balance	¥ 304	**¥ 297**	**$ 2,469**
Increase	297	**206**	**1,718**
Decrease (reversal)	(242)	**(238)**	**(1,981)**
Decrease (usage)	(62)	**(59)**	**(489)**
Foreign currency translation adjustments in foreign operations	0	**0**	**1**
Ending balance	¥ 297	**¥ 206**	**$ 1,718**

(b) Liquidity risk

Liquidity risk is the risk of inability to settle obligations by an entity through the delivery of cash or other financial assets or other means.

The Group finances the funds necessary for operations by obtaining loans from a number of financial institutions including major financial institutions and interbank markets and by issuing bonds in capital markets, and invests temporary surplus fund in highly liquid, short-term financial assets.

The Group regularly monitors the status and outlook of cash flows and reduces liquidity risks by entering into contracts such as overdraft arrangements and commitment line agreements with a number of financial institutions. In addition, the Group aims to further reduce liquidity risks with internal systems that allow timely financing among the companies within the Group.

"Deposits received" and "Guarantee deposits received" from customers are segregated in customer trust accounts established based on laws and regulations, which are composed of highly liquid assets such as government bonds and cash deposits to provide adequate liquidity.

(i) Bonds and loans payable

Bonds and loans payable by maturity

As of March 31, 2014

	Millions of Yen							
	Carrying amount	Contractual cash flows	Not later than one year	Later than one year but not later than two years	Later than two years but not later than three years	Later than three years but not later than four years	Later than four years but not later than five years	Over five years
Short-term loans payable and other	¥ 75,200	¥ 75,215	¥ 75,215	¥ —	¥ —	¥ —	¥ —	¥—
Bonds payable	16,790	17,000	—	—	2,000	—	15,000	—
Long-term loans payable	67,135	67,300	—	2,500	45,800	—	19,000	—
Total	¥159,125	¥159,515	¥ 75,215	¥2,500	¥47,800	¥ —	¥34,000	¥—
(Margin transaction liabilities)								
Borrowings on margin transactions	¥ 22,607	¥ 22,607	¥ 22,607	¥ —	¥ —	¥ —	¥ —	¥—

As of March 31, 2015

	Millions of Yen							
	Carrying amount	Contractual cash flows	Not later than one year	Later than one year but not later than two years	Later than two years but not later than three years	Later than three years but not later than four years	Later than four years but not later than five years	Over five years
Short-term loans payable and other	**¥ 36,812**	**¥ 36,827**	**¥36,827**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥—**
Bonds payable	**16,676**	**17,000**	**—**	**2,000**	**—**	**15,000**	**—**	**—**
Long-term loans payable	**96,930**	**97,100**	**—**	**45,800**	**13,600**	**19,000**	**18,700**	**—**
Total	**¥150,418**	**¥150,927**	**¥36,827**	**¥47,800**	**¥13,600**	**¥34,000**	**¥18,700**	**¥—**
(Margin transaction liabilities)								
Borrowings on margin transactions	**¥ 13,861**	**¥ 13,861**	**¥13,861**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥—**

	Thousands of U.S. Dollars							
	Carrying amount	Contractual cash flows	Not later than one year	Later than one year but not later than two years	Later than two years but not later than three years	Later than three years but not later than four years	Later than four years but not later than five years	Over five years
Short-term loans payable and other	$ 306,464	$ 306,588	$306,588	$ —	$ —	$ —	$ —	$—
Bonds payable	138,824	141,525	—	16,650	—	124,875	—	—
Long-term loans payable	806,941	808,358	—	381,285	113,220	158,175	155,678	—
Total	$1,252,230	$1,256,472	$306,588	$397,935	$113,220	$283,050	$155,678	$—
(Margin transaction liabilities)								
Borrowings on margin transactions	$ 115,391	$ 115,391	$115,391	$ —	$ —	$ —	$ —	$—

(ii) Derivative liabilities

Derivative liabilities designated as hedging instruments by maturity

As of March 31, 2014

	Millions of Yen							
	Carrying amount	Contractual cash flows	Not later than one year	Later than one year but not later than two years	Later than two years but not later than three years	Later than three years but not later than four years	Later than four years but not later than five years	Over five years
Derivative liabilities designated as hedging instruments	¥223	¥224	¥54	¥64	¥58	¥39	¥9	¥—
Total	¥223	¥224	¥54	¥64	¥58	¥39	¥9	¥—

As of March 31, 2015

	Millions of Yen							
	Carrying amount	Contractual cash flows	Not later than one year	Later than one year but not later than two years	Later than two years but not later than three years	Later than three years but not later than four years	Later than four years but not later than five years	Over five years
Derivative liabilities designated as hedging instruments	¥195	¥198	¥43	¥68	¥61	¥26	¥—	¥—
Total	¥195	¥198	¥43	¥68	¥61	¥26	¥—	¥—

	Thousands of U.S. Dollars							
	Carrying amount	Contractual cash flows	Not later than one year	Later than one year but not later than two years	Later than two years but not later than three years	Later than three years but not later than four years	Later than four years but not later than five years	Over five years
Derivative liabilities designated as hedging instruments	$1,626	$1,647	$361	$567	$504	$215	$—	$—
Total	$1,626	$1,647	$361	$567	$504	$215	$—	$—

There are no material financial liabilities (including derivatives) other than bonds and loans payable and derivative liabilities designated as hedging instruments with maturity over one year.

(c) Market risk

Market risk is the risk of fluctuations in the fair value of securities and others or future cash flows as a result of changes in market price. Market risk includes foreign exchange risk, interest rate risk, and other risk.

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk for over-the-counter FX margin transactions and foreign exchange risk relating to assets and liabilities denominated in foreign currencies such as foreign currency financial instrument inventories of financial instruments business operators as well as for the Group's net investments in foreign operations. The Group controls foreign exchange position appropriately by setting rules on cover transactions for over-the-counter FX margin transactions. The foreign exchange risk relating to assets and liabilities denominated in foreign currencies such as foreign currency financial instrument inventories is limited since the Group identifies the risks such as position imbalances through ongoing monitoring, and hedges the risks on net position by financial instruments such as foreign exchange forwards.

(ii) Interest rate risk

The Group is exposed to the risk of changes in interest rates on long-term financing since it obtains necessary funding through loans from financial institutions and by issuing bonds in capital markets.

The main financial assets exposed to interest rate risks are cash segregated as deposits. To manage the risks, the results of quantitative analysis are reported to the Board of Directors.

Investments in segregated customer money trust and separate customer money trust are generally held to maturity with the aim of earning interest income for the investment period. Investment instruments currently include securities such as Japanese government bonds and U.S. treasury bills, bank deposits, and call loans.

The Group monitors the interest rate risks arising from these assets and liabilities, and if a drastic change in interest rates occurs, the Group has mechanism in place that allows for timely hedging of changes in profit and loss through use of interest rate swaps and other derivatives.

- Fixed interest rate financial instruments

The table below shows the impact on equity in the consolidated statement of financial position from changes in fair value in the event of a 10 basis point increase in interest rates with respect to Japanese government bonds, U.S. treasury bills and interest rate swaps designated as hedging instruments (cash flow hedges) in the previous consolidated fiscal year and the current consolidated fiscal year.

As of March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Japanese government bonds	¥(219)	**¥(248)**	**$(2,062)**
U.S. treasury bills and other	(24)	**(15)**	**(125)**
Interest rate swaps designated as hedging instruments	37	**(130)**	**(1,086)**
Effect on equity	¥(206)	**¥(393)**	**$(3,273)**

The above includes effects of changes in fair value of available-for-sale financial assets, but there is no impact on profit or loss unless the decreases in fair value result in recognition of impairment.

- Variable interest rate financial instruments

The following table shows the impact on pre-tax profit in the consolidated statement of income and equity in the consolidated statement of financial position from changes in fair value in the event of a 10 basis point increase in interest rates with respect to long-term loans payable in the previous consolidated fiscal year and the current consolidated fiscal year. This analysis is performed by multiplying the balance of variable interest rate financial instruments held by the Group at the end of the previous consolidated fiscal year and the current consolidated fiscal year by 10 basis points assuming that other variables are constant, without taking into consideration of future changes in balances, the effects of changes in exchange rates, or the dispersion effects of the timing of refinancing variable interest rate loans or the timing of interest rate changes.

For variable interest financial instruments that interests are substantively fixed by interest rate swap transactions, the impact on the financial instruments are adjusted.

Sensitivity analysis

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Effect on profit before tax	¥(30)	**¥(42)**	**$(349)**
Effect on equity	(19)	**(27)**	**(224)**

(iii) Other risks

The Group is exposed to risks from changes in the value of securities that were recognized on the consolidated statement of financial position, but manages status of these risks by monitoring the changes in value of securities held by the Group.

The following table shows the impact on pre-tax profit in the consolidated statement of income and equity in the consolidated statement of financial position from changes in the value of investments in securities in the event of a 10% decrease in the fair value of marketable securities held by the Group. This analysis is performed by multiplying the balance of investments in securities held by the Group at the end of the previous consolidated fiscal year and the current consolidated fiscal year by 10% assuming that other variables including the effects of future balance changes and exchange rate changes are constant.

Sensitivity analysis

As of March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Effect on equity	¥(77)	**¥(75)**	**$(625)**

The above includes effects of changes in fair value of available-for-sale financial assets, but there is no impact on profit or loss unless decreases in fair value result in recognition of impairment.

(d) Operational risk

The Group is exposed to operational risk arising from a wide variety of factors associated with business processes, personnel, and technology and infrastructure, and from external factors other than credit, market and liquidity risks such as changes in legal and regulatory requirements.

To identify and manage operational risks, the Company's risk manager monitors the status of design and operation of risk management systems within the Company and at major subsidiaries and periodically reports the status to the Company's Board of Directors. Subsidiaries reduce operational risks by specifying segregation of duties, adopting document management rules, and acting in compliance with laws and regulations. Furthermore, the Internal Audit Department identifies the presence of risks, requests improvements when necessary, and reports the status to the Board of Directors to reduce operational risk.

(2) Capital management

To maintain management soundness and efficiency and achieve continuous growth, the Group focuses on maintenance of appropriate capital levels and a liability and capital structure commensurate with business risks. There are subsidiaries within the Group that are required under the Japanese Financial Instruments and Exchange Act and other similar foreign laws to maintain their capital-to-risk ratios or net assets at or above certain levels.

The principal laws of specific countries and jurisdictions that are applicable to the Group's main subsidiaries of each operating segment are as follows.

Country/territory	Name of law
Japan	Financial Instruments and Exchange Act
United States	Securities Act of 1933 Securities Exchange Act of 1934 Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 Commodity Exchange Act of 1936
Hong Kong	Securities and Futures Ordinance (Cap. 571)

The capital levels of each subsidiary satisfy the requirements under the laws of each country and territory.

During the current consolidated fiscal year, there were no changes to laws that could have a significant impact on calculation of capital requirements.

Based on the information available as of end of May 2015, summaries of the capital requirements applicable to Monex, Inc. and TradeStation Securities, Inc., which are main Group subsidiaries, and the status relating to capital requirements as of March 31, 2015 are set forth below.

(a) Monex, Inc.

Monex, Inc. is required by the Financial Instruments and Exchange Act and related applicable laws and regulations in Japan to maintain the amount of non-fixed capital (current assets) divided by the total of the amounts corresponding to the three risks indicated below at 120% or more.

i) Market risk (risk arising from decrease in the value of instruments held as a result of changes in market prices) amount;
ii) Counterparty risk (risk arising from counterparties to financial instrument transactions) amount; and
iii) Fundamental risk (risk arising from administrative processing errors or in the performance of other day-to-day operations) amount.

As of March 31, 2014 and 2015

	2014	2015
Capital-to-risk ratio	394.9%	**423.9%**

(b) TradeStation Securities, Inc.

TradeStation Securities, Inc., a broker-dealer subsidiary in the U.S., is required to maintain minimum net capital (SEC Rule 15c3-1) calculated under rules of the United States Securities and Exchange Commission (SEC) and self-regulatory organizations.

Under these rules, TradeStation Securities, Inc. calculates its net capital requirements using the “alternative method,” which requires the maintenance of minimum net capital, as defined by the rules, equal to the highest of:

i) U.S. $1 million;
ii) 8% of U.S. domestic and foreign domiciled customers' and non-customers' (creditors whose claims against TradeStation Securities, Inc. are subordinated to the claims against other creditors; excluding proprietary portions) risk maintenance of margin/performance bond requirements for all U.S. domestic and foreign futures, futures options, and over-the-counter derivative positions, excluding risk margin associated with naked long position; or
iii) 2% of aggregate customer debit items.

Excess net capital is calculated by deducting minimum net capital required from net capital.

As of March 31, 2014 and 2015

	Thousands of U.S. Dollars	
	2014	**2015**
Net capital	$56,986	**$53,096**
Minimum net capital required	4,823	**4,022**
Excess net capital	$52,163	**$49,074**

5. Acquisition of Subsidiaries and Non-controlling Interests

For the consolidated fiscal year ended March 31, 2014

There are no material acquisitions of subsidiaries and non-controlling interests.

For the consolidated fiscal year ended March 31, 2015

There are no material acquisitions of subsidiaries and non-controlling interests.

6. Segment Information

(1) Operating segment

The Group engages in a single business consisting of financial instruments business in Japan and financial business in other countries. Monex, Inc. is the main entity in Japan, while TradeStation Securities, Inc. and IBFX, Inc. are the main entities in the Unites States, and Boom Securities (H.K.) Limited, a Hong Kong-based company, is the main entity in China. Each entity is an independent management unit that establishes comprehensive strategies and conducts business activity.

Accordingly, the Group comprises of different geographic segments based on the financial instruments business and financial business, and has three segments of Japan, the United States and China as reporting segments.

The Group's operating results by reporting segment

For the consolidated fiscal year ended March 31, 2014

	Millions of Yen					
	Reporting segment					
	Japan	U.S.	China	Total	Adjustment	Consolidated
Operating revenue from external customers	¥ 38,141	¥ 16,026	¥ 556	¥ 54,722	¥ —	¥ 54,722
Internal operating revenue or transferred amount between segments	170	36	28	235	(235)	—
Total	38,311	16,062	585	54,957	(235)	54,722
Financial expenses	(1,851)	(2,818)	(3)	(4,672)	—	(4,672)
Depreciation and amortization	(1,531)	(1,818)	(92)	(3,441)	—	(3,441)
Other selling, general and administrative expenses	(17,642)	(13,472)	(618)	(31,732)	192	(31,540)
Other income and expenses (net amount)	2,210	(342)	(10)	1,859	(33)	1,825
Equity in profits or losses of equity method investments	0	—	—	0	—	0
Segment profit or loss (Profit before income taxes)	¥ 19,497	¥ (2,388)	¥(138)	¥ 16,971	¥ (76)	¥ 16,895

The following financial income is included in operating revenue.

	Millions of Yen					
	Reporting segment					
	Japan	U.S.	China	Total	Adjustment	Consolidated
Financial income	¥8,485	¥4,169	¥86	¥12,741	¥(158)	¥12,583

Notes: (1) Adjustment refers to elimination between segments.

(2) Transactions between segments are made by arm's length price.

For the consolidated fiscal year ended March 31, 2015

	Millions of Yen					
	Reporting segment					
	Japan	U.S.	China	Total	Adjustment	Consolidated
Operating revenue from external customers	¥ 32,486	¥ 17,903	¥ 586	¥ 50,975	¥ —	¥ 50,975
Internal operating revenue or transferred amount between segments	192	41	23	256	(256)	—
Total	32,678	17,944	609	51,231	(256)	50,975
Financial expenses	(2,268)	(3,495)	(3)	(5,766)	—	(5,766)
Depreciation and amortization	(1,984)	(1,861)	(96)	(3,942)	—	(3,942)
Other selling, general and administrative expenses	(18,020)	(14,841)	(689)	(33,549)	349	(33,201)
Other income and expenses (net amount)	14	(2,086)	101	(1,971)	21	(1,950)
Equity in profits or losses of equity method investments	77	—	(79)	(2)	—	(2)
Segment profit or loss (Profit before income taxes)	¥ 10,498	¥ (4,340)	¥(156)	¥ 6,002	¥ 114	¥ 6,115

	Thousands of U.S. Dollars					
	Reporting segment					
	Japan	U.S.	China	Total	Adjustment	Consolidated
Operating revenue from external customers	$ 270,444	$ 149,038	$ 4,882	$ 424,365	$ —	$ 424,365
Internal operating revenue or transferred amount between segments	1,598	342	192	2,132	(2,132)	—
Total	272,042	149,381	5,074	426,497	(2,132)	424,365
Financial expenses	(18,878)	(29,099)	(22)	(47,998)	—	(47,998)
Depreciation and amortization	(16,520)	(15,492)	(803)	(32,815)	—	(32,815)
Other selling, general and administrative expenses	(150,013)	(123,551)	(5,736)	(279,299)	2,902	(276,398)
Other income and expenses (net amount)	119	(17,370)	843	(16,408)	177	(16,231)
Equity in profits or losses of equity method investments	641	—	(655)	(14)	—	(14)
Segment profit or loss (Profit before income taxes)	$ 87,392	$ (36,131)	$(1,298)	$ 49,963	$ 946	$ 50,909

The following financial income is included in operating revenue.

	Millions of Yen					
	Reporting segment					
	Japan	U.S.	China	Total	Adjustment	Consolidated
Financial income	¥8,670	¥5,342	¥117	¥14,129	¥(141)	¥13,987

	Thousands of U.S. Dollars					
	Reporting segment					
	Japan	U.S.	China	Total	Adjustment	Consolidated
Financial income	$72,176	$44,476	$970	$117,622	$(1,178)	$116,444

Notes: (1) Adjustment refers to elimination between segments.

(2) Transactions between segments are made by arm’s length price.

(2) Non-current assets (other than financial assets and deferred tax assets) by segment

As of March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Japan	¥14,590	**¥20,040**	**$166,833**
U.S.	27,352	**31,264**	**260,277**
China	1,258	**1,367**	**11,379**
Total	¥43,200	**¥52,671**	**$438,489**

7. Commission Received

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Brokerage	¥27,572	**¥23,822**	**$198,319**
Underwriting and distribution	121	**100**	**830**
Subscription and distribution	917	**708**	**5,893**
Other commission	4,932	**5,449**	**45,364**
Total	¥33,542	**¥30,079**	**$250,407**

Other commission includes agent fee for customer's investment trust trading and administrative fee for margin transaction.

8. Financial Income and Expenses

(1) Net trading income

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Financial assets and financial liabilities at fair value through profit or loss	¥8,011	**¥6,242**	**$51,963**

(2) Financial income and expenses

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Financial income:			
Financial assets and financial liabilities at fair value through profit or loss	¥ 661	**¥ 111**	**$ 921**
Held-to-maturity investments	4	**2**	**14**
Loans and receivables	11,213	**13,171**	**109,651**
Available-for-sale financial assets	705	**704**	**5,858**
Total	¥12,583	**¥13,987**	**$116,444**
Financial expenses:			
Financial assets and financial liabilities at fair value through profit or loss	¥ 175	**¥ 142**	**$ 1,185**
Loans and receivables	56	**109**	**903**
Available-for-sale financial assets	1	**1**	**11**
Financial liabilities measured at amortized cost	4,440	**5,513**	**45,899**
Total	¥ 4,672	**¥ 5,766**	**$ 47,998**

(3) Other financial income and expenses

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Other financial income:			
Loans and receivables	¥ 10	**¥ 14**	**$ 119**
Available-for-sale financial assets	2,295	**68**	**563**
Total	¥2,305	**¥ 82**	**$ 682**
Other financial expenses:			
Financial assets and financial liabilities at fair value through profit or loss	¥ 60	**¥ —**	**$ —**
Available-for-sale financial assets	3	**18**	**149**
Financial liabilities measured at amortized cost	36	**254**	**2,117**
Total	¥ 99	**¥272**	**$2,266**

Notes: (1) Interest income is not recognized for impaired financial assets.

(2) Other financial income for available-for-sale financial assets includes gain on sales of investments in securities. Gain on sales of investments in securities for the previous consolidated fiscal year and the current consolidated fiscal year is ¥2,288 million and ¥1 million ($12 thousand), respectively.

(3) Impairment loss (including reversal of impairment) by class of financial assets is as follows.

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Investments in securities	¥ 3	**¥ 18**	**$ 149**
Other financial assets	56	**109**	**903**
Total	¥59	**¥126**	**$1,052**

9. Other Operating Income

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Trading tool usage fee and information service fee	¥479	**¥567**	**$4,716**
Other	107	**100**	**834**
Total	¥587	**¥667**	**$5,550**

10. Selling, General and Administrative Expenses

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Transaction related costs	¥12,235	**¥13,236**	**$110,186**
Personnel expenses	9,613	**9,538**	**79,404**
Data processing and office supplies	5,404	**5,396**	**44,920**
Depreciation and amortization	3,441	**3,942**	**32,815**
Rental and maintenance	1,934	**2,321**	**19,324**
Other	2,355	**2,710**	**22,563**
Total	¥34,981	**¥37,143**	**$309,213**

11. Other Income

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Gain on sales of investments in subsidiaries	¥—	**¥100**	**$ 831**
Other	59	**111**	**921**
Total	¥59	**¥210**	**$1,752**

The Group sold all shares of some subsidiaries in China segment, and recognized ¥100 million ($831 thousand) as "Gain on sales of investments in subsidiaries" for the current consolidated fiscal year.

12. Other Expenses

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Loss on business restructuring	¥ —	**¥1,702**	**$14,167**
Loss on cancellation of outsourcing contract	—	**117**	**976**
Exchange loss	74	**28**	**231**
Settlement money in U.S. subsidiary	170	**—**	**—**
Other	196	**123**	**1,025**
Total	¥439	**¥1,970**	**$16,399**

The Group decided to dispose MetaTrader 4 (MT4) FX trading business, a part of the U.S. segment and recognized ¥1,702 million ($14,167 thousand) as the loss on business restructuring. Goodwill of ¥1,505 million ($12,532 thousand) allocated to MT4 business is included in "Loss on business restructuring" for the current consolidated fiscal year.

13. Financial Instruments

(1) Fair value measurement

The fair values of financial assets and liabilities are determined as follows. Information about fair value hierarchy is described in "Note 14. Fair Value Measurement."

(a) Cash and cash equivalents

As these instruments are with short-term maturities, the carrying amount approximates its fair value and its fair value measurement is categorized into Level 1.

(b) Cash segregated as deposits

The fair value of cash segregated as deposits is measured by each invested asset pursuant to its nature and its fair value hierarchy is categorized in Level 1 or Level 2 according to its valuation method.

(c) Trading securities and other, Investments in securities

Marketable securities are measured at the quoted prices and their fair value measurement is categorized into Level 1. Securities without quoted prices are measured using the most recent transaction price between independent third parties, comparable companies method, net asset value based on the most recent available information or present value of future cash flows, and their fair value measurement is categorized into Level 2 or 3 according to its valuation method.

(d) Derivative assets and liabilities

The fair value of derivative assets and liabilities are measured by reasonable valuation method based on observable foreign exchange rate, interest rate and other information, and the fair value measurement is categorized in Level 2 or 3 according to its valuation method.

(e) **Margin transaction assets, Margin transaction liabilities, Loans secured by securities, Loans payable secured by securities, Other financial assets, Deposits received, Guarantee deposits received, Bonds and loans payable, and Other financial liabilities**

The carrying amount of instruments with short-term maturity approximates its fair value. The fair value of instruments with long-term maturity is measured using discounted future cash flows by discount rate reflecting counterparty's or the Group's credibility. The fair value hierarchy of financial assets and liabilities measured at fair value on a recurring basis is categorized in Level 1 or Level 2 according to its valuation method. The fair value measurement of financial assets and liabilities measured at fair value on a non-recurring basis is categorized in Level 2.

(2) Carrying amount and fair value

As of March 31, 2014

	Millions of Yen							
	Financial assets and liabilities at fair value through profit or loss							
	Trading	Fair value option (*1)	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Other	Total carrying amount	Fair value
Cash and cash equivalents	¥ —	¥ —	¥ —	¥ 85,442	¥ —	¥ —	¥ 85,442	¥ 85,442
Cash segregated as deposits	—	—	—	173,868	252,851	—	426,719	426,719
Trading securities and other	2,458	—	—	—	—	—	2,458	2,458
Derivative assets	11,326	—	—	—	—	—	11,326	11,326
Investments in securities	579	—	5,099	—	2,712	—	8,390	8,390
Margin transaction assets	—	—	—	178,230	—	—	178,230	178,230
Loans secured by securities	—	—	—	152,382	—	—	152,382	152,382
Other financial assets	—	1,094	—	25,089	2,807	—	28,990	28,990
Total	¥14,363	¥1,094	¥5,099	¥615,011	¥258,370	¥ —	¥893,936	¥893,936
Derivative liabilities	¥ 8,824	—	—	—	—	¥ 223	9,047	9,047
Margin transaction liabilities	—	—	—	—	—	36,308	36,308	36,308
Loans payable secured by securities	—	—	—	—	—	183,765	183,765	183,765
Deposits received	—	—	—	—	—	287,385	287,385	287,385
Guarantee deposits received	—	—	—	—	—	167,039	167,039	167,039
Bonds and loans payable	—	—	—	—	—	159,125	159,125	159,402
Other financial liabilities	—	—	—	—	—	4,280	4,280	4,280
Total	¥ 8,824	¥ —	¥ —	¥ —	¥ —	¥838,124	¥846,949	¥847,225

Note: (*1) The Group designated some of the financial instruments as measured at fair value through profit or loss (fair value option) at initial recognition. The Group elects fair value option at initial recognition, because it is considered that doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains or losses on them on different bases.

As of March 31, 2015

	Millions of Yen							
	Financial assets and liabilities at fair value through profit or loss							
	Trading	Fair value option (*1)	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Other	Total carrying amount	Fair value
Cash and cash equivalents	¥ —	¥ —	¥ —	¥ 68,540	¥ —	¥ —	¥ 68,540	¥ 68,540
Cash segregated as deposits	—	—	—	231,555	294,013	—	525,567	525,567
Trading securities and other	4,148	—	—	—	—	—	4,148	4,148
Derivative assets	13,061	—	—	—	—	371	13,432	13,432
Investments in securities	393	—	4,000	—	3,783	—	8,176	8,176
Margin transaction assets	—	—	—	175,637	—	—	175,637	175,637
Loans secured by securities	—	—	—	159,969	—	—	159,969	159,969
Other financial assets	—	1,205	—	44,798	—	—	46,003	46,003
Total	¥17,602	¥1,205	¥4,000	¥680,499	¥297,795	¥ 371	¥1,001,473	¥1,001,473
Derivative liabilities	11,963	—	—	—	—	195	12,159	12,159
Margin transaction liabilities	—	—	—	—	—	46,125	46,125	46,125
Loans payable secured by securities	—	—	—	—	—	195,521	195,521	195,521
Deposits received	—	—	—	—	—	368,656	368,656	368,656
Guarantee deposits received	—	—	—	—	—	184,850	184,850	184,850
Bonds and loans payable	—	—	—	—	—	150,418	150,418	150,844
Other financial liabilities	—	—	—	—	—	4,958	4,958	4,958
Total	¥11,963	¥ —	¥ —	¥ —	¥ —	¥950,723	¥ 962,686	¥ 963,112

	Thousands of U.S. Dollars							
	Financial assets and liabilities at fair value through profit or loss							
	Trading	Fair value option (*1)	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Other	Total carrying amount	Fair value
Cash and cash equivalents	$ —	$ —	$ —	$ 570,599	$ —	$ —	$ 570,599	$ 570,599
Cash segregated as deposits	—	—	—	1,927,696	2,447,657	—	4,375,353	4,375,353
Trading securities and other	34,535	—	—	—	—	—	34,535	34,535
Derivative assets	108,732	—	—	—	—	3,087	111,818	111,818
Investments in securities	3,275	—	33,299	—	31,493	—	68,066	68,066
Margin transaction assets	—	—	—	1,462,180	—	—	1,462,180	1,462,180
Loans secured by securities	—	—	—	1,331,747	—	—	1,331,747	1,331,747
Other financial assets	—	10,033	—	372,942	—	—	382,975	382,975
Total	$146,541	$10,033	$33,299	$5,665,163	$2,479,150	$ 3,087	$8,337,273	$8,337,273
Derivative liabilities	99,595	—	—	—	—	1,626	101,222	101,222
Margin transaction liabilities	—	—	—	—	—	383,988	383,988	383,988
Loans payable secured by securities	—	—	—	—	—	1,627,718	1,627,718	1,627,718
Deposits received	—	—	—	—	—	3,069,063	3,069,063	3,069,063
Guarantee deposits received	—	—	—	—	—	1,538,875	1,538,875	1,538,875
Bonds and loans payable	—	—	—	—	—	1,252,230	1,252,230	1,255,780
Other financial liabilities	—	—	—	—	—	41,273	41,273	41,273
Total	$ 99,595	$ —	$ —	$ —	$ —	$7,914,773	$8,014,369	$8,017,919

Note: (*1) The Group designated some of the financial instruments as measured at fair value through profit or loss (fair value option) at initial recognition. The Group elects fair value option at initial recognition, because it is considered that doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains or losses on them on different bases.

(3) Derivatives and hedge accounting

(a) Cash flow hedges

The Group designated interest rate swap as hedging instruments, and "Loans payable" and "Cash segregated as deposits" as hedged items to hedge the risk of variability in the future cash flows for variable interest rate financial instruments.

(i) Loans payable

The Group entered into an interest rate swap transaction which matures in June 2018 to hedge the risk of variability in future cash flows by substantively converting variable interest rate on loans payable into fixed interest rate and applies hedge accounting to it.

Fair value of derivatives designated as hedging instruments

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Derivative liabilities	¥223	**¥195**	**$1,626**

Changes in other components of equity (Changes in fair value of hedging instruments)

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Beginning balance	¥ —	**¥(143)**	**$(1,194)**
Other comprehensive income before reclassification	(161)	**(36)**	**(299)**
Reclassification to profit or loss (*1)	17	**47**	**392**
Ending balance	¥(143)	**¥(132)**	**$(1,100)**

Note: (*1) Loss of ¥28 million and ¥73 million ($610 thousand) (before related tax effects) is included in "Financial expense" in the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

(ii) Cash segregated as deposits

The Group entered into a series of interest rate swap transactions which mature in December 2017 to hedge the risk of variability in future cash flows by substantively converting variable interest rate on cash segregated as deposits into fixed interest rate and applies hedge accounting to it.

Fair value of derivatives designated as hedging instruments

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Derivative assets	¥—	**¥371**	**$3,087**

Changes in other components of equity (Changes in fair value of hedging instruments)

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Beginning balance	¥—	**¥ —**	**$ —**
Other comprehensive income before reclassification	—	**401**	**3,337**
Reclassification to profit or loss (*1)	—	**(167)**	**(1,389)**
Ending balance	¥—	**¥ 234**	**$ 1,948**

Note: (*1) Profit of ¥264 million ($2,201 thousand) (before related tax effects) is included in "Financial income" in the current consolidated fiscal year.

(b) Derivatives for which hedge accounting is not applied

The Group's derivative assets and derivative liabilities other than derivatives for which hedge accounting is not applied are primarily for FX margin trading business, and the fair value is as follows.

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Derivative assets	¥11,326	**¥13,061**	**$108,732**
Derivative liabilities	8,824	**11,963**	**99,589**

(4) Offsetting financial assets and financial liabilities

Reconciliation of gross amounts and net amounts of recognized financial instruments subject to an enforceable master netting arrangement or similar agreement is as follows.

Financial assets

As of March 31, 2014

	Millions of Yen							
	(a)	(b)	(c)=(a)–(b)	(d)		(e)=(c)–(d)	(f)	(g)=(c)+(f)
	Financial instruments subject to an enforceable master netting arrangement or similar agreement							
				Related amounts not set off in the statement of financial position				
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Cash collateral received	Net amount	Financial instruments not subject to an enforceable master netting arrangement or similar agreement	Carrying amounts in the statement of financial position
Cash and cash equivalents	¥ 769	¥ 3	¥ 766	¥ —	¥ —	¥ 766	¥84,677	¥ 85,442
Derivative assets	12,212	1,205	11,007	1,681	8,044	1,282	319	11,326
Margin transaction assets	178,230	—	178,230	161,872	16,357	—	—	178,230
Loans secured by securities	152,382	—	152,382	147,750	—	4,632	—	152,382
Other financial assets	26,672	—	26,672	9,156	2,796	14,720	2,319	28,990
Total	¥370,264	¥1,208	¥369,056	¥320,459	¥27,198	¥21,400	¥87,314	¥456,370

Financial liabilities

	Millions of Yen							
	(a)	(b)	(c)=(a)–(b)	(d)		(e)=(c)–(d)	(f)	(g)=(c)+(f)
	Financial instruments subject to an enforceable master netting arrangement or similar agreement							
				Related amounts not set off in the statement of financial position				
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Cash collateral received	Net amount	Financial instruments not subject to an enforceable master netting arrangement or similar agreement	Carrying amounts in the statement of financial position
Derivative liabilities	¥ 10,255	¥1,208	¥ 9,047	¥ 1,681	¥220	¥ 7,146	¥ —	¥ 9,047
Margin transaction liabilities	36,308	—	36,308	36,194	—	114	—	36,308
Loans payable secured by securities	183,765	—	183,765	178,810	—	4,955	—	183,765
Deposit received	280,305	—	280,305	2,671	—	277,635	7,080	287,385
Guarantee deposit received	167,039	—	167,039	25,383	—	141,656	—	167,039
Total	¥677,672	¥1,208	¥676,464	¥244,739	¥220	¥431,505	¥7,080	¥683,544

The above (d) is not set off in the statement of financial position, because rights of set-off associated with the recognized financial assets and liabilities subject to an enforceable master netting arrangement and similar agreement are enforceable only in the event of default or other certain situation that is not expected in ordinary course of business and are not currently enforceable, or the Group has no intention to settle in net amounts.

Deposits received and guarantee deposits received from customers included in (e) are segregated in customer trust accounts.

Financial assets

As of March 31, 2015

	Millions of Yen							
	(a)	(b)	(c)=(a)–(b)	(d)		(e)=(c)–(d)	(f)	(g)=(c)+(f)
	Financial instruments subject to an enforceable master netting arrangement or similar agreement							
				Related amounts not set off in the statement of financial position				
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Cash collateral received	Net amount	Financial instruments not subject to an enforceable master netting arrangement or similar agreement	Carrying amounts in the statement of financial position
Cash and cash equivalents	¥ 2,419	¥ 15	¥ 2,403	¥ —	¥ —	¥ 2,403	¥66,137	¥ 68,540
Derivative assets	13,978	794	13,184	2,507	9,942	735	247	13,432
Margin transaction assets	175,637	—	175,637	165,445	10,192	—	—	175,637
Loans secured by securities	159,969	—	159,969	152,929	—	7,040	—	159,969
Other financial assets	42,646	—	42,646	13,624	3,210	25,812	3,357	46,003
Total	¥394,649	¥809	¥393,840	¥334,505	¥23,344	¥35,991	¥69,741	¥463,581

	Thousands of U.S. Dollars							
	(a)	(b)	(c)=(a)–(b)	(d)		(e)=(c)–(d)	(f)	(g)=(c)+(f)
	Financial instruments subject to an enforceable master netting arrangement or similar agreement							
				Related amounts not set off in the statement of financial position				
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Cash collateral received	Net amount	Financial instruments not subject to an enforceable master netting arrangement or similar agreement	Carrying amounts in the statement of financial position
Cash and cash equivalents	$ 20,135	$ 126	$ 20,009	$ —	$ —	$ 20,009	$550,590	$ 570,599
Derivative assets	116,369	6,610	109,760	20,874	82,768	6,117	2,059	111,818
Margin transaction assets	1,462,180	—	1,462,180	1,377,332	84,848	—	—	1,462,180
Loans secured by securities	1,331,747	—	1,331,747	1,273,134	—	58,612	—	1,331,747
Other financial assets	355,026	—	355,026	113,417	26,726	214,883	27,949	382,975
Total	$3,285,457	$6,735	$3,278,721	$2,784,757	$194,342	$299,622	$580,598	$3,859,319

Financial liabilities

	Millions of Yen							
	(a)	(b)	(c)=(a)–(b)	(d)		(e)=(c)–(d)	(f)	(g)=(c)+(f)
	Financial instruments subject to an enforceable master netting arrangement or similar agreement							
				Related amounts not set off in the statement of financial position				
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Cash collateral received	Net amount	Financial instruments not subject to an enforceable master netting arrangement or similar agreement	Carrying amounts in the statement of financial position
Derivative liabilities	¥ 12,968	¥809	¥ 12,159	¥ 2,516	¥208	¥ 9,435	¥ —	¥ 12,159
Margin transaction liabilities	46,125	—	46,125	45,879	—	246	—	46,125
Loans payable secured by securities	195,521	—	195,521	187,126	—	8,395	—	195,521
Deposit received	357,684	—	357,684	2,948	—	354,737	10,971	368,656
Guarantee deposit received	184,850	—	184,850	22,952	—	161,897	—	184,850
Total	¥797,148	¥809	¥796,339	¥261,421	¥208	¥534,710	¥10,971	¥807,310

	Thousands of U.S. Dollars								
	(a)	(b)	(c)=(a)–(b)	(d)		(e)=(c)–(d)	(f)	(g)=(c)+(f)
	Financial instruments subject to an enforceable master netting arrangement or similar agreement							
				Related amounts not set off in the statement of financial position				
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Cash collateral received	Net amount	Financial instruments not subject to an enforceable master netting arrangement or similar agreement	Carrying amounts in the statement of financial position
Derivative liabilities	$ 107,957	$6,735	$ 101,222	$ 20,948	$1,730	$ 78,544	$ —	$ 101,222
Margin transaction liabilities	383,988	—	383,988	381,966	—	2,049	—	383,988
Loans payable secured by securities	1,627,718	—	1,627,718	1,557,826	—	69,892	—	1,627,718
Deposit received	2,977,726	—	2,977,726	24,541	—	2,953,185	91,337	3,069,063
Guarantee deposit received	1,538,875	—	1,538,875	191,077	—	1,347,798	—	1,538,875
Total	$6,636,264	$6,735	$6,629,529	$2,176,331	$1,730	$4,451,467	$91,337	$6,720,866

The above (d) is not set off in the statement of financial position, because rights of set-off associated with the recognized financial assets and liabilities subject to an enforceable master netting arrangement and similar agreement are enforceable only in the event of default or other certain situation that is not expected in ordinary course of business and are not currently enforceable, or the Group has no intention to settle in net amounts.

Deposits received and guarantee deposits received from customers included in (e) are segregated in customer trust accounts.

14. Fair Value Measurement

(1) Fair value hierarchy

Fair value hierarchy used for fair value measurement is defined as follows.

Level 1: Quoted prices without adjustments in an active market for identical assets or liabilities

Level 2: Fair value measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3: Fair value measured by using unobservable inputs for the assets or liabilities

The level of value hierarchy is determined by the lowest level input that is significant to the measurement of the fair value.

Transfers between levels of the fair value hierarchy of assets and liabilities are deemed to have occurred at the end of the reporting period.

(2) Valuation techniques

Valuation techniques for fair value measurement of financial instruments are described in "Note 13. Financial Instruments."

(3) Valuation process

For fair value measurements categorized within Level 3, external valuation specialists or appropriate person for the valuation perform fair value valuation and analyze the valuation results in accordance with the valuation policies and procedures approved by the head of the Financial Control Department. The valuation results are reviewed and approved by the head of the Financial Control Department.

(4) Quantitative information for assets categorized in Level 3

The valuation techniques and information about significant unobservable inputs for the assets measured by fair value on a recurring basis and categorized within Level 3 at the end of the previous consolidated fiscal year and at the end of the current consolidated fiscal year are as follows.

As of March 31, 2014

	Valuation techniques	Unobservable inputs	Rates
Investments in securities	Income approach	Earnings growth rate Discount rate	0% 7.4%–7.7%
Derivative assets	Binomial model	Volatility rate	60.0%

As of March 31, 2015

	Valuation techniques	Unobservable inputs	Rates
Investments in securities	**Income approach**	**Earnings growth rate** **Discount rate**	**0%–10.0%** **8.8%–40.0%**
Derivative assets	**Binomial model**	**Volatility rate**	**60.0%**

(5) Sensitivity analysis for volatility in significant unobservable inputs

For the assets measured by fair value on a recurring basis and categorized within Level 3, the fair value of investments in securities measured using income approach increases when discount rate decreases or earning growth rate increases, and decreases when discount rate increases or earning growth rate decreases. The fair value of investments in securities measured using binominal model increases when volatility rate increases and decreases when volatility rate decreases.

(6) Fair value hierarchy of assets and liabilities measured by fair value on a recurring basis

Fair value hierarchy of assets and liabilities measured by fair value on a recurring basis on the consolidated statement of financial position

As of March 31, 2014

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Cash segregated as deposits	¥252,851	¥ —	¥ —	¥252,851
Trading securities and other	784	1,674	—	2,458
Derivative assets	—	11,007	319	11,326
Investments in securities	2,244	—	1,047	3,290
Other financial assets	2,807	1,094	—	3,901
Total	¥258,686	¥13,775	¥1,366	¥273,827
Derivative liabilities	¥ —	¥ 9,047	¥ —	¥ 9,047
Total	¥ —	¥ 9,047	¥ —	¥ 9,047

As of March 31, 2015

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Cash segregated as deposits	**¥294,013**	**¥ —**	**¥ —**	**¥294,013**
Trading securities and other	**2,580**	**1,568**	**—**	**4,148**
Derivative assets	**—**	**13,184**	**247**	**13,432**
Investments in securities	**2,329**	**—**	**1,847**	**4,176**
Other financial assets	**—**	**1,205**	**—**	**1,205**
Total	**¥298,921**	**¥15,958**	**¥2,095**	**¥316,974**
Derivative liabilities	**¥ —**	**¥12,159**	**¥ —**	**¥ 12,159**
Total	**¥ —**	**¥12,159**	**¥ —**	**¥ 12,159**

	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Cash segregated as deposits	**$2,447,657**	**$ —**	**$ —**	**$2,447,657**
Trading securities and other	**21,477**	**13,058**	**—**	**34,535**
Derivative assets	**—**	**109,760**	**2,059**	**111,818**
Investments in securities	**19,390**	**—**	**15,378**	**34,768**
Other financial assets	**—**	**10,033**	**—**	**10,033**
Total	**$2,488,523**	**$132,851**	**$17,437**	**$2,638,811**
Derivative liabilities	**$ —**	**$101,222**	**$ —**	**$ 101,222**
Total	**$ —**	**$101,222**	**$ —**	**$ 101,222**

Reconciliation of assets and liabilities measured using significant unobservable inputs (Level 3) on a recurring basis from the beginning balances to the ending balances for the previous consolidated fiscal year and the current consolidated fiscal year

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen				Thousands of U.S. Dollars	
	2014		2015		2015	
	Investments in securities	Derivative assets	Investments in securities	Derivative assets	Investments in securities	Derivative assets
Beginning balance	¥1,150	¥ 478	**¥1,047**	**¥319**	**$ 8,712**	**$2,656**
Total gains or losses	17	557	**501**	**(72)**	**4,161**	**(597)**
Profit or loss	33	557	**45**	**(72)**	**360**	**(597)**
Other comprehensive income	(17)	—	**457**	**—**	**3,801**	**—**
Purchases	183	—	**351**	**—**	**2,925**	**—**
Sales and collections	(303)	(716)	**(52)**	**—**	**(420)**	**—**
Ending balance	¥1,047	¥ 319	**¥1,847**	**¥247**	**$15,378**	**$2,059**
Net amount of unrealized gains and losses included in profit or loss relating to assets and liabilities held at the end of the consolidated fiscal year	¥ 30	¥ 128	**¥ 43**	**¥(72)**	**$ 360**	**$ (597)**

The amounts recognized in profit or loss for investments in securities are included in other financial income or other financial expenses and the amounts recognized in profit or loss for derivative assets are included in financial income in consolidated statement of income and the amounts recognized in other comprehensive income are included in changes in fair value of available-for-sale financial assets in consolidated statement of comprehensive income.

(7) Fair value hierarchy of assets and liabilities that are not measured at fair value but are in the scope of fair value disclosure

Fair value hierarchy of assets and liabilities that are not measured at fair value on consolidated statement of financial position, but are in the scope of fair value disclosure

As of March 31, 2014

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	¥ 85,442	¥ —	¥—	¥ 85,442
Cash segregated as deposits	119,787	54,081	—	173,868
Investments in securities	5,099	—	—	5,099
Margin transaction assets	—	178,230	—	178,230
Loans secured by securities	—	152,382	—	152,382
Other financial assets	—	25,089	—	25,089
Equity method investments	388	—	—	388
Total	¥210,716	¥409,782	¥—	¥620,498
Margin transaction liabilities	¥ —	¥ 36,308	¥—	¥ 36,308
Loans payable secured by securities	—	183,765	—	183,765
Deposits received	—	287,385	—	287,385
Guarantee deposits received	—	167,039	—	167,039
Bonds and loans payable	—	159,402	—	159,402
Other financial liabilities	—	4,280	—	4,280
Total	¥ —	¥838,178	¥—	¥838,178

As of March 31, 2015

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	¥ 68,540	¥ —	¥—	¥ 68,540
Cash segregated as deposits	182,079	49,475	—	231,555
Investments in securities	4,000	—	—	4,000
Margin transaction assets	—	175,637	—	175,637
Loans secured by securities	—	159,969	—	159,969
Other financial assets	—	44,798	—	44,798
Equity method investments	957	—	—	957
Total	¥255,577	¥429,880	¥—	¥685,457
Margin transaction liabilities	¥ —	¥ 46,125	¥—	¥ 46,125
Loans payable secured by securities	—	195,521	—	195,521
Deposits received	—	368,656	—	368,656
Guarantee deposits received	—	184,850	—	184,850
Bonds and loans payable	—	150,844	—	150,844
Other financial liabilities	—	4,958	—	4,958
Total	¥ —	¥950,954	¥—	¥950,954

	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 570,599	$ —	$—	$ 570,599
Cash segregated as deposits	1,515,813	411,883	—	1,927,696
Investments in securities	33,299	—	—	33,299
Margin transaction assets	—	1,462,180	—	1,462,180
Loans secured by securities	—	1,331,747	—	1,331,747
Other financial assets	—	372,942	—	372,942
Equity method investments	7,971	—	—	7,971
Total	$2,127,681	$3,578,751	$—	$5,706,432
Margin transaction liabilities	$ —	$ 383,988	$—	$ 383,988
Loans payable secured by securities	—	1,627,718	—	1,627,718
Deposits received	—	3,069,063	—	3,069,063
Guarantee deposits received	—	1,538,875	—	1,538,875
Bonds and loans payable	—	1,255,780	—	1,255,780
Other financial liabilities	—	41,273	—	41,273
Total	$ —	$7,916,697	$—	$7,916,697

(8) Fair value hierarchy of assets and liabilities measured by fair value on a non-recurring basis

There are no assets or liabilities measured by fair value on a non-recurring basis at the end of the previous consolidated fiscal year and at the end of the current consolidated fiscal year.

15. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position

As of March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Cash and cash equivalents in consolidated statement of financial position	¥85,442	¥68,540	$570,599
Secured deposits	(766)	(2,403)	(20,009)
Instruments included in investments in securities such as MMF	179	200	1,662
Cash and cash equivalents in consolidated statement of cash flows	¥84,855	¥66,337	$552,252

Cash and cash equivalents included in cash segregated as deposits are not presented as cash and cash equivalents in consolidated statement of cash flows because those are segregated for customers in accordance with the laws and regulations.

16. Cash Segregated as Deposits

Assets included in cash segregated as deposits

As of March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Cash and cash equivalents	¥119,787	**¥182,079**	**$1,515,813**
Call loans	54,003	**49,379**	**411,081**
Government and corporate bonds	200,851	**189,013**	**1,573,531**
Joint investment trust	52,000	**105,000**	**874,126**
Others	78	**96**	**802**
Total	¥426,719	**¥525,567**	**$4,375,353**

17. Collateral

(1) Collateral provided by the Group

As of March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Cash and cash equivalents (*1)	¥ 766	**¥ 2,403**	**$ 20,009**
Investments in securities (*2)	5,099	**4,000**	**33,299**
Other financial assets (*3)	14,137	**25,159**	**209,447**
Total	¥20,001	**¥31,562**	**$262,755**

Notes: (*1) Restricted deposits placed to a counterparty financial institution for FX margin transaction

(*2) Collateral pledged to counterparty financial institution for FX margin transaction, collateral pledged to securities finance company for lending transaction of margin transaction and collateral pledged to clearing houses for settlement of financial instruments trading

(*3) Collateral pledged to counterparty financial institutions and exchanges for financial instrument trading and security deposits

(2) Fair value of securities accepted from customers or other counterparties for services provided by the Group which are permitted to sell or repledge

For securities accepted which are permitted to sell or repledge, contractual terms generally requires that the equivalent securities be returned when transactions are settled.

As of March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Collateral securities for loans on margin transaction (*4)	¥158,149	**¥156,644**	**$1,304,061**
Securities borrowing on margin transaction (*5)	2,060	**9,885**	**82,290**
Securities borrowing on loan contract	266,949	**337,321**	**2,808,197**
Substitute securities for guarantee deposits received	292,872	**329,467**	**2,742,814**
Securities accepted as other collateral with right to sell or repledge	3	**—**	**—**
Total	¥720,033	**¥833,316**	**$6,937,362**

(3) Fair value of securities pledged to customers or other counterparties for sales or repledge included in (2)

As of March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Securities lending on margin transaction (*5)	¥ 14,447	**¥ 34,813**	**$ 289,815**
Collateral securities for borrowings on margin transactions (*4)	23,412	**13,843**	**115,245**
Securities lending on loan contract	179,109	**187,126**	**1,557,826**
Substitute securities for guarantee deposits received that are pledged for lending transaction	11,313	**13,276**	**110,520**
Securities pledged as other collateral (*6)	147	**255**	**2,123**
Total	¥228,429	**¥249,312**	**$2,075,528**

Notes: (*4) Securities company lends money to customer for purchase of securities and accepts the securities purchased by the customer as collateral. If the securities company borrows money from a securities finance company for the purchase, the securities company provides the securities to the securities finance company as collateral.

(*5) Securities company lends securities to customer for sale of securities and accepts money received by the customer as collateral. If the securities company borrows securities from a securities finance company for the sale, the securities company provides the accepted money to the securities finance company as collateral.

(*6) When securities company bids for lending transaction with securities finance company, the securities company provides securities to securities finance company and accepts money equivalent to fair value of the securities.

18. Bonds and Loans Payable

As of March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars	%	
	2014	2015	2015	Average interest rate (*1)	Due date
Short-term loans payable and other	¥ 75,200	**¥ 36,812**	**$ 306,464**	0.54	
Bonds payable	16,790	**16,676**	**138,824**	—	
Long-term loans payable	67,135	**96,930**	**806,941**	0.85	From June 2016 to September 2019
Total	¥159,125	**¥150,418**	**$1,252,230**		
(Margin transaction liabilities) Borrowings on margin transactions	¥ 22,607	**¥ 13,861**	**$ 115,391**	0.64	

Notes: (*1) Weighted average interest rate on borrowings at the end of the current consolidated fiscal year.

(2) Short-term loans payable and other and long-term loans payable include syndicate loan at the end of the previous consolidated fiscal year and at the end of the current consolidated fiscal year amounting to ¥57,141 million and ¥76,426 million ($636,245 thousand), respectively.

Summary of the terms of bonds payable

As of March 31, 2014 and 2015

Company	Description	Issue date	Millions of Yen 2014	Millions of Yen 2015	Thousands of U.S. Dollars 2015	% Rate	Redemption date
Monex Group, Inc.	Yen-dominated bond with interest coupon of 1.30% due on July 19, 2016	July 19, 2013	¥2,000	**¥2,000**	**$16,650**	1.30	July 19, 2016
Monex Group, Inc.	Yen-dominated bond with interest coupon of 1.50% due on October 17, 2018	October 17, 2013	5,000	**5,000**	**41,625**	1.50	October 17, 2018
Monex Group, Inc.	Yen-dominated bond with interest coupon of 1.50% due on November 12, 2018	November 11, 2013	5,000	**5,000**	**41,625**	1.50	November 12, 2018
Monex Group, Inc.	Yen-dominated bond due on December 17, 2018	December17, 2013	5,000	**5,000**	**41,625**	1.50	December 17, 2018

The Group complies with the contract terms for all bonds and loans payable.

19. Property and Equipment

	Millions of Yen		
	Buildings	Equipment and fixtures	Total
Acquisition cost			
As of April 1, 2013	¥463	¥2,931	¥3,394
Increase for the consolidated fiscal year (Purchase)	443	372	815
Disposal	(19)	(146)	(164)
Foreign currency translation adjustments in foreign operations	17	153	170
As of March 31, 2014	¥904	¥3,311	¥4,215
Increase for the consolidated fiscal year (Purchase)	**12**	**1,316**	**1,328**
Disposal	**(15)**	**(831)**	**(846)**
Foreign currency translation adjustments in foreign operations	**67**	**367**	**434**
As of March 31, 2015	**¥969**	**¥4,162**	**¥5,131**

	Millions of Yen		
	Buildings	Equipment and fixtures	Total
Accumulated depreciation and accumulated impairment loss			
As of April 1, 2013	¥142	¥1,768	¥1,909
Depreciation	75	695	769
Disposal	(17)	(132)	(149)
Foreign currency translation adjustments in foreign operations	5	103	107
As of March 31, 2014	¥203	¥2,433	¥2,636
Depreciation	**88**	**467**	**555**
Disposal	**(10)**	**(743)**	**(753)**
Foreign currency translation adjustments in foreign operations	**16**	**269**	**285**
As of March 31, 2015	**¥298**	**¥2,426**	**¥2,723**

	Millions of Yen		
	Buildings	Equipment and fixtures	Total
Carrying amount			
As of April 1, 2013	¥321	¥1,163	¥1,485
As of March 31, 2014	701	878	1,579
As of March 31, 2015	**671**	**1,737**	**2,408**

	Thousands of U.S. Dollars		
	Buildings	Equipment and fixtures	Total
Acquisition cost			
As of March 31, 2014	$7,529	$27,561	$35,090
Increase for the consolidated fiscal year (Purchase)	**103**	**10,952**	**11,055**
Disposal	**(124)**	**(6,920)**	**(7,044)**
Foreign currency translation adjustments in foreign operations	**558**	**3,058**	**3,616**
As of March 31, 2015	**$8,066**	**$34,651**	**$42,717**

	Thousands of U.S. Dollars		
	Buildings	Equipment and fixtures	Total
Accumulated depreciation and accumulated impairment loss			
As of March 31, 2014	$1,694	$20,254	$21,948
Depreciation	**732**	**3,887**	**4,619**
Disposal	**(83)**	**(6,184)**	**(6,267)**
Foreign currency translation adjustments in foreign operations	**135**	**2,236**	**2,371**
As of March 31, 2015	**$2,478**	**$20,193**	**$22,671**

	Thousands of U.S. Dollars		
	Buildings	Equipment and fixtures	Total
Carrying amount			
As of March 31, 2014	$5,835	$ 7,307	$13,142
As of March 31, 2015	**5,588**	**14,457**	**20,045**

Notes: (1) Depreciation on property and equipment is included in selling, general and administrative expenses in the consolidated statement of income.

(2) There are no property and equipment with restricted ownership or pledged as collateral at the end of the previous consolidated fiscal year and at the end of the current consolidated fiscal year.

20. Intangible Assets

(1) Acquisition cost and accumulated amortization and accumulated impairment loss of intangible assets

Acquisition cost and accumulated amortization and accumulated impairment loss of intangible assets are as follows.

	Millions of Yen			
	Goodwill	Internally generated intangible assets	Others	Total
Acquisition cost				
As of April 1, 2013	¥19,994	¥ 3,871	¥22,134	¥45,999
Increase (not by business combination)	—	4,051	491	4,542
Disposal	—	(79)	(25)	(104)
Foreign currency translation adjustments in foreign operations	1,156	138	1,640	2,933
As of March 31, 2014	21,150	7,981	24,239	53,370
Increase (not by business combination)	**—**	**6,515**	**1,815**	**8,331**
Disposal	**(1,975)**	**(159)**	**(1,337)**	**(3,472)**
Foreign currency translation adjustments in foreign operations	**2,066**	**596**	**3,176**	**5,838**
As of March 31, 2015	**¥21,240**	**¥14,933**	**¥27,893**	**¥64,066**

	Millions of Yen			
	Goodwill	Internally generated intangible assets	Others	Total
Accumulated amortization and accumulated impairment loss				
As of April 1, 2013	¥2,856	¥ 619	¥5,130	¥ 8,605
Amortization	—	796	1,877	2,673
Disposal	—	(14)	(1)	(14)
Foreign currency translation adjustments in foreign operations	267	34	247	548
As of March 31, 2014	¥3,123	¥1,435	¥7,253	¥11,811
Amortization	—	**1,262**	**2,125**	**3,387**
Disposal	**(470)**	**(10)**	**(747)**	**(1,227)**
Foreign currency translation adjustments in foreign operations	**476**	**93**	**719**	**1,288**
As of March 31, 2015	**¥3,128**	**¥2,780**	**¥9,351**	**¥15,259**

	Millions of Yen			
	Goodwill	Internally generated intangible assets	Others	Total
Carrying amount				
As of April 1, 2013	¥17,138	¥ 3,253	¥17,004	¥37,394
As of March 31, 2014	18,027	6,546	16,986	41,558
As of March 31, 2015	**18,112**	**12,153**	**18,542**	**48,807**

	Thousands of U.S. Dollars			
	Goodwill	Internally generated intangible assets	Others	Total
Acquisition cost				
As of March 31, 2014	$176,071	$ 66,444	$201,789	$444,303
Increase (not by business combination)	—	**54,238**	**15,114**	**69,352**
Disposal	**(16,446)**	**(1,322)**	**(11,133)**	**(28,901)**
Foreign currency translation adjustments in foreign operations	**17,201**	**4,958**	**26,439**	**48,598**
As of March 31, 2015	**$176,826**	**$124,318**	**$232,209**	**$533,353**

	Thousands of U.S. Dollars			
	Goodwill	Internally generated intangible assets	Others	Total
Accumulated amortization and accumulated impairment loss				
As of March 31, 2014	$25,998	$11,949	$60,382	$ 98,329
Amortization	—	**10,503**	**17,693**	**28,196**
Disposal	**(3,914)**	**(83)**	**(6,217)**	**(10,214)**
Foreign currency translation adjustments in foreign operations	**3,960**	**775**	**5,986**	**10,722**
As of March 31, 2015	**$26,044**	**$23,145**	**$77,844**	**$127,033**

	Thousands of U.S. Dollars			
	Goodwill	Internally generated intangible assets	Others	Total
Carrying amount				
As of March 31, 2014	$150,073	$ 54,495	$141,407	$345,974
As of March 31, 2015	**150,781**	**101,173**	**154,366**	**406,320**

The above "Others" includes customer relationships and technology assets held by TradeStation Group, Inc. acquired in June 2011.

The carrying amount and the remaining amortization periods

As of April 1, 2014

Class	Millions of Yen Carrying amount	Remaining amortization periods
Customer relationships	¥3,138	15 years
Technologies assets	9,152	15 years

As of March 31, 2015

Class	Millions of Yen	Thousands of U.S. Dollars	Remaining amortization periods
	Carrying amount		
Customer relationships	**¥3,423**	**$28,500**	**14 years**
Technologies assets	**9,985**	**83,125**	**14 years**

Intangible assets other than goodwill with definite useful lives are amortized over the useful lives. The amortization of intangible assets is included in selling, general and administrative expenses in the consolidated statement of income.

The carrying amount of intangible assets other than goodwill with indefinite useful lives

As of March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Exchange membership and others	¥210	**¥767**	**$6,382**

Intangible assets with indefinite useful lives are mainly exchange membership. These are essential for financial service business that provides financial instruments and infrastructure through internet to customers. As long as financial service business is continued, these basically subsist, and are considered to have indefinite useful lives.

There are no intangible assets with restricted ownership or pledged as collateral at the end of the previous consolidated fiscal year and at the end of the current consolidated fiscal year.

(2) Impairment testing of goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is any indication of impairment. The recoverable amount of goodwill and such intangible assets is calculated based on value in use. “Goodwill” arising in business combination is allocated to the relevant group of cash-generating units (CGUs) that is expected to benefit. The carrying amounts before impairment of the goodwill and intangible assets with indefinite useful lives are allocated to the following groups of CGUs.

As of March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
Groups of CGUs	2014	2015	2015
(Goodwill)			
Japan	¥ 7,627	**¥ 7,627**	**$ 63,496**
U.S.	9,999	**10,017**	**83,392**
China	400	**468**	**3,893**
Total	¥18,027	**¥18,112**	**$150,781**
(Intangible assets with indefinite useful lives)			
Japan	¥ 210	**¥ 283**	**$ 2,357**
U.S.	—	**483**	**4,025**
Total	¥ 210	**¥ 767**	**$ 6,382**

The asset’s value in use is calculated by discounting estimated operating future cash flows by the following discount rate.

The operating future cash flows are estimated based on the Group's financial plan approved by management for first five years and assumptions using the following long-term average growth rate for the subsequent years. This growth rate does not exceed the long-term average growth rate of the market.

The discount rate is a pre-tax rate that reflects weighted average cost of capital of each groups of CGUs and appropriate risk premium.

The discount rates before tax used for calculation of value in use for each groups of CGUs

For the consolidated fiscal years ended March 31, 2014 and 2015

Groups of CGUs	2014	2015
Japan	10.2%	**10.5%**
U.S.	17.4%	**17.1%**
China	12.8%	**13.2%**

The growth rate used for calculation of operating future cash flows for the years subsequent to the first five years

As of March 31, 2014 and 2015

Groups of CGUs	2014	2015
Japan	1.0%	**0.8%**
U.S.	2.0%	**2.0%**
China	3.0%	**3.0%**

21. Impairment of Non-financial Assets

For the consolidated fiscal year ended March 31, 2014
There is no material impairment of non-financial assets.

For the consolidated fiscal year ended March 31, 2015
There is no material impairment of non-financial assets.

22. Companies Subject to Equity Method

(1) Summary of associates

As of March 31, 2014 and 2015

Company name	Business description	Segment	Ownership interest % 2014	Ownership interest % 2015
Triangle Partners (silent partnership Triangle Partners)	Investment management	Japan	33.3	**33.3**
ASTMAX, Co., Ltd	Commodity futures transactions, investment management, investment advisory and agency business	Japan	15.0	**15.0**

The Company holds less than 20% of voting shares of ASTMAX Co., Ltd., but applies equity method to ASTMAX Co., Ltd. due to significant influence over ASTMAX Co., Ltd. through business alliance agreement.

The fair value of investment in ASTMAX Co., Ltd. at the end of the previous consolidated fiscal year and at the end of the current consolidated fiscal year are ¥388 million and ¥957 million ($7,971 thousand), respectively.

The carrying amount of associates that are not individually material

As of March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Carrying amount	¥861	**¥931**	**$7,746**

Profit or loss and other comprehensive income recognized for associates that are not individually material

For the consolidated fiscal year ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Equity in profits or losses of equity method investments	¥ 0	**¥77**	**$641**
Other comprehensive income for interests in equity method investments	23	**(5)**	**(41)**
Total	¥23	**¥72**	**$600**

There are no associates that are material at the end of previous consolidated fiscal year and at the end of current consolidated fiscal year.

(2) Joint ventures

			Ownership interest	
			%	
Company name	Business description	Segment	2014	2015
Cherry Technology Co., Ltd	Technical supports	China	—	**49.0**

The carrying amount of joint ventures that is not individually material

As of March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Carrying amount	¥—	**¥206**	**$1,713**

Profit or loss and other comprehensive income recognized for joint ventures that is not individually material

For the consolidated fiscal year ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Equity in profits or losses of equity method investments	¥—	**¥(79)**	**$(655)**
Total	¥—	**¥(79)**	**$(655)**

There are no joint ventures that are material at the end of previous consolidated fiscal year and at the end of current consolidated fiscal year.

23. Deferred Tax and Income Tax Expense

(1) Deferred tax

Major components of deferred tax assets and deferred tax liabilities

	Millions of Yen			
	As of April 1, 2013	Recognized through profit or loss	Recognized through other comprehensive income	As of March 31, 2014
Deferred tax assets:				
Tax loss carried forward	¥ 892	¥ 508	¥ —	¥1,399
Accounts payable and accrued expenses	525	370	—	895
Accrued enterprise tax	182	276	—	458
Deferred income	65	(18)	—	47
Property and equipment and intangible assets	409	238	—	647
Investments in securities	76	(47)	1	30
Allowance for doubtful receivables	94	8	—	103
Others	245	247	—	492
Total deferred tax assets	¥2,489	¥1,581	¥ 1	¥4,071
Deferred tax liabilities:				
Investments in securities	¥1,590	¥ 86	¥(1,074)	¥ 602
Property and equipment and intangible assets	5,656	802	—	6,459
Goodwill	322	58	—	380
Others	277	(85)	—	192
Total deferred tax liabilities	¥7,845	¥ 862	¥(1,074)	¥7,633

	Millions of Yen			
	As of March 31, 2014	Recognized through profit or loss	Recognized through other comprehensive income	As of March 31, 2015
Deferred tax assets:				
Tax loss carried forward	¥1,399	**¥1,106**	**¥ —**	**¥2,505**
Accounts payable and accrued expenses	895	**(150)**	**—**	**745**
Accrued enterprise tax	458	**(425)**	**—**	**34**
Deferred income	47	**(2)**	**—**	**45**
Property and equipment and intangible assets	647	**487**	**—**	**1,134**
Investments in securities	30	**2**	**19**	**51**
Allowance for doubtful receivables	103	**(34)**	**—**	**68**
Others	492	**274**	**(16)**	**750**
Total deferred tax assets	¥4,071	**¥1,258**	**¥ 2**	**¥5,332**
Deferred tax liabilities:				
Investments in securities	¥ 602	**¥ (16)**	**¥304**	**¥ 890**
Property and equipment and intangible assets	6,459	**1,043**	**—**	**7,501**
Goodwill	380	**(52)**	**—**	**328**
Others	192	**(4)**	**137**	**325**
Total deferred tax liabilities	¥7,633	**¥ 970**	**¥440**	**¥9,044**

	Thousands of U.S. Dollars			
	As of March 31, 2014	Recognized through profit or loss	Recognized through other comprehensive income	As of March 31, 2015
Deferred tax assets:				
Tax loss carried forward	$11,650	$ 9,208	$ —	**$20,858**
Accounts payable and accrued expenses	7,448	(1,247)	—	**6,201**
Accrued enterprise tax	3,817	(3,537)	—	**279**
Deferred income	389	(15)	—	**374**
Property and equipment and intangible assets	5,389	4,051	—	**9,440**
Investments in securities	247	19	156	**421**
Allowance for doubtful receivables	855	(286)	—	**569**
Others	4,094	2,285	(135)	**6,244**
Total deferred tax assets	$33,888	$10,477	$ 20	**$44,385**
Deferred tax liabilities:				
Investments in securities	$ 5,016	$ (136)	$2,528	**$ 7,407**
Property and equipment and intangible assets	53,770	8,679	—	**62,449**
Goodwill	3,160	(432)	—	**2,728**
Others	1,602	(36)	1,139	**2,705**
Total deferred tax liabilities	$63,548	$ 8,074	$3,667	**$75,289**

Note: The difference between the total amount recognized in profit or loss and total income taxes expense is due to fluctuation of foreign exchange rate.

Deferred tax assets and deferred tax liabilities in the consolidated statement of financial position

As of March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Deferred tax assets	¥ 247	**¥ 20**	**$ 163**
Deferred tax liabilities	(3,810)	**(3,732)**	**(31,068)**
Net amount	¥(3,563)	**¥(3,712)**	**$(30,904)**

The amount of deductible temporary differences and tax loss carried forward for which no deferred tax asset is recognized

As of March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Tax loss carried forward	¥380	**¥305**	**$2,540**
Deductible temporary differences	120	**120**	**1,002**
Total	¥500	**¥426**	**$3,543**

Expiry date for tax loss carried forward for which no deferred tax asset is recognized

As of March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Year 1	¥ —	**¥ —**	**$ —**
Year 2	—	**—**	**—**
Year 3	—	**—**	**—**
Year 4	—	**62**	**516**
Over year 5	380	**243**	**2,025**

The Company considers whether it is probable that taxable profit will be available against any or all of the deductible temporary differences or tax loss carried forward to recognize deferred tax assets. When the Company assesses the recoverability of deferred tax assets, the Company considers the timing of the expected reversal of the deductible temporary differences.

For deductible and taxable temporary differences associated with investments in subsidiaries, deferred tax assets and liabilities are not basically recognized at the end of the previous consolidated fiscal year and at the end of the current consolidated fiscal year, because the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. The deductible temporary differences associated with investments in subsidiaries for which a deferred tax asset is not recognized at the end of the previous consolidated fiscal year and at the end of the current consolidated fiscal year are ¥3,561 million and ¥2,893 million ($24,087 thousand), respectively. The taxable temporary differences associated with investments in subsidiaries for which a deferred tax liability is not recognized at the end of the previous consolidated fiscal year and at the end of the current consolidated fiscal year are ¥10,289 million and ¥12,719 million ($105,887 thousand), respectively.

(2) Income tax expense

Current income tax expense and deferred tax expense

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Current income tax expense:			
For the consolidated fiscal year	¥ 7,532	**¥3,366**	**$28,018**
Total current income tax expense	7,532	**3,366**	**28,018**
Deferred tax expense:			
Increase and decrease in temporary differences	(1,032)	**(775)**	**(6,451)**
Changes in applicable tax rate	39	**31**	**255**
Total deferred income tax expense	(993)	**(744)**	**(6,196)**
Total income tax expense	¥ 6,539	**¥2,621**	**$21,822**

The current tax expense includes the amount of the benefit arising from a previously unrecognized tax loss carried forward or temporary difference of a past period that is used to reduce current tax expense, and the related current income tax expense for the previous consolidated fiscal year and the current consolidated fiscal year decreased by ¥0 million and ¥12 million ($99 thousand), respectively.

The deferred tax expense includes the write-down or reversal of previous write-down of deferred tax assets, and the related deferred tax expense for the previous consolidated fiscal year and the current consolidated fiscal year increased by ¥19 million and ¥21 million ($172 thousand), respectively.

Corporate tax, inhabitant tax and deductible enterprise tax are levied to the Company, and the statutory effective tax rates calculated based on the taxes for the previous consolidated fiscal year and the current consolidated fiscal year are 38.0% and 35.6%, respectively, in Japan. Corporate tax and other taxes for foreign subsidiaries are levied under their relevant jurisdiction.

In Japan, the Act to Revise Income Taxes (Law No. 9 of 2015) and Local Taxes (Law No. 2 of 2015) was announced on March 31, 2015 and income taxes rate will be reduced in the consolidated fiscal year beginning on or after April 1, 2015. As a result, the statutory effective tax rate used for calculation of deferred tax assets and liabilities for temporary differences expected to be reversed in the fiscal year beginning on or after April 1, 2015 has changed from previous 35.6% to 33.1%, and the statutory effective tax rate used for calculation of deferred tax assets and liabilities for temporary differences expected to be reversed in the fiscal year beginning on or after April 1, 2016 has changed from previous 35.6% to 32.3%.

Tax amount for other tax jurisdiction is calculated based on the general tax rate of the relevant jurisdiction.

Reconciliation between statutory effective tax rate and average effective rate in the consolidated statement of income

For the consolidated fiscal years ended March 31, 2014 and 2015

	%	
	2014	2015
Statutory effective tax rate	38.0	**35.6**
Loss on business restructuring	—	**7.0**
Unrecognized deferred tax assets	0.4	**0.8**
Adjustment of deferred tax assets by changes in applicable tax rate	0.2	**0.5**
Others	0.0	**(1.2)**
Average effective tax rate	38.7	**42.9**

24. Deferred Income

Deferred income is recognized for customer loyalty programs that are granted but not used and presented as other liabilities in the consolidated statement of financial position. The carrying amounts at the end of the previous consolidated fiscal year and at the end of the current consolidated fiscal year are ¥131 million and ¥136 million ($1,129 thousand), respectively.

25. Operating Leases

The Group rents office building and others under cancellable or non-cancellable operating leases. The minimum lease payments for operating lease recognized as expense for the previous consolidated fiscal year and for the current consolidated fiscal year are ¥900 million and ¥1,098 million ($9,143 thousand), respectively.

Future minimum lease payment under non-cancellable operating leases

As of March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Within one year	¥ 738	**¥ 601**	**$ 5,001**
Over one year but within five years	1,299	**1,292**	**10,752**
Over five years	793	**668**	**5,559**
Total	¥2,831	**¥2,560**	**$21,312**

Certain lease agreements include a provision to renew the agreements. There are no lease agreements with contingent rate, escalation clause and restrictive clause which restrict dividends, additional leasing and additional borrowings and other.

26. Post-employment Benefits

The Group has a defined contribution plans to provide post-employment benefits to the employees under which the employees have right to receive benefits for the related service periods.

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Contribution to defined contribution plan	¥96	**¥104**	**$869**

27. Provisions

Provisions consist only of asset retirement obligations.

Changes in provisions

For the consolidated fiscal years ended March 31 2015

	Millions of Yen	Thousands of U.S. Dollars
	2015	2015
As of April 1, 2014	¥156	$1,301
Reversal of discounted amounts by passage of time	1	12
As of March 31, 2015	¥158	$1,312

28. Share-based Payment

Cash-settled share-based bonus plan

The Group provides a bonus plan linked to the Company's share price to the board directors and certain employees. The plan requires the management and employees to stay in the Group until the payment date to receive the bonus, and if they leave the Group due to a specific reason the right to receive the bonus would be lost. The period to the payment is one year to six years.

For the Company and some domestic companies, the payment amounts are determined by multiplying the granted notional number of shares by the base price that is calculated in a prescribed manner.

For some foreign subsidiaries, the payment amount is determined by multiplying granted amounts by the fluctuation rate of the share price between the grant date and payment date.

The estimated payment amount for share-based bonus is calculated based on the Company's share price at the end of each consolidated fiscal year.

As of March 31, 2014 and 2015

The Company and domestic group companies

	Millions of Yen	Millions of Yen		Thousands of U.S. Dollars
	Original estimated payment amount at grant date	2014	2015	2015
		Estimated payment amount		
Granted on June 27, 2011 (For 3 years)	¥ 16	¥ 33	¥ —	$ —
Granted on June 29, 2012 (For 2 years)	18	46	—	—
Granted on June 29, 2012 (For 3 years)	18	46	30	248
Granted on June 28, 2013 (For 1 year)	63	64	—	—
Granted on June 28, 2013 (For 2 years)	48	48	31	259
Granted on June 28, 2013 (For 3 years)	48	48	31	259
Granted on June 30, 2014 (For 1 year)	56	—	44	363
Granted on June 30, 2014 (For 2 years)	42	—	33	272
Granted on June 30, 2014 (For 3 years)	42	—	33	272
Total	¥350	¥284	¥201	$1,675

Foreign group companies

	Millions of Yen	Millions of Yen		Thousands of U.S. Dollars
		2014	2015	2015
	Original estimated payment amount at grant date	Estimated payment amount		
Granted on June 17, 2011 (For 3 years)	¥ 85	¥ 302	**¥ —**	**$ —**
Granted on June 17, 2011 (For 4 years)	100	355	**148**	**1,231**
Granted on June 17, 2011 (For 5 years)	100	355	**148**	**1,231**
Granted on June 17, 2011 (For 6 years)	100	355	**329**	**2,738**
Granted on March 30, 2012 (For 2 years)	9	15	**—**	**—**
Granted on March 30, 2012 (For 3 years)	9	15	**4**	**33**
Granted on March 30, 2012 (For 4 years)	9	15	**4**	**33**
Granted on June 29, 2012 (For 2 years)	47	167	**—**	**—**
Granted on June 29, 2012 (For 3 years)	47	167	**109**	**910**
Granted on June 29, 2012 (For 4 years)	47	167	**109**	**910**
Granted on March 29, 2013 (For 1 year)	4	7	**—**	**—**
Granted on March 29, 2013 (For 2 years)	4	7	**5**	**43**
Granted on March 29, 2013 (For 3 years)	4	7	**5**	**43**
Granted on March 29, 2013 (For 4 years)	4	7	**5**	**43**
Granted on June 28, 2013 (For 1 year)	60	63	**—**	**—**
Granted on June 28, 2013 (For 2 years)	60	63	**40**	**335**
Granted on June 28, 2013 (For 3 years)	90	95	**65**	**542**
Granted on June 28, 2013 (For 4 years)	60	63	**40**	**335**
Granted on June 28, 2013 (For 6 years)	30	32	**25**	**207**
Granted on July 31, 2013 (For 1 year)	0	0	**—**	**—**
Granted on July 31, 2013 (For 2 years)	0	0	**—**	**—**
Granted on July 31, 2013 (For 3 years)	0	0	**—**	**—**
Granted on July 31, 2013 (For 4 years)	0	0	**—**	**—**
Granted on February 27, 2014 (For 2 years)	2	—	**2**	**14**
Granted on February 27, 2014 (For 3 years)	2	—	**2**	**14**
Granted on June 30, 2014 (For 1 year)	69	—	**63**	**521**
Granted on June 30, 2014 (For 2 years)	69	—	**63**	**521**
Granted on June 30, 2014 (For 3 years)	118	—	**108**	**897**
Granted on June 30, 2014 (For 4 years)	88	—	**79**	**658**
Granted on June 30, 2014 (For 5 years)	19	—	**17**	**138**
Granted on June 30, 2014 (For 6 years)	49	—	**45**	**376**
Total	¥1,286	¥2,255	**¥1,414**	**$11,771**

The carrying amount of liabilities arising from share-based payment transactions

As of March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Liabilities arising from share-based payment	¥1,553	**¥996**	**$8,296**

The carrying amounts of the liabilities for rights vested by the end of the previous consolidated fiscal year and the current consolidated fiscal year are ¥21 million and ¥9 million ($76 thousand), respectively.

The total expenses recognized for the previous consolidated fiscal year and the current consolidated fiscal year are ¥1,119 million and ¥54 million ($451 thousand), respectively. These expenses are included in selling, general and administrative expenses in the consolidated statement of income.

29. Paid-in Capital and Other Equity

The numbers of shares authorized and issued

For the consolidated fiscal years ended March 31, 2014 and 2015

	Number of shares	
	2014	2015
The number of shares authorized		
Common stock	880,000,000	**880,000,000**
The number of shares issued		
Beginning balance	2,996,805	**287,680,500**
Cancellation of treasury stock (*1)	(120,000)	—
Stock splits (*2)	284,803,695	—
Ending balance	287,680,500	**287,680,500**
The number of treasury stock		
Beginning balance	—	—
Acquisition of treasury stock (*1)	120,000	—
Cancellation of treasury stock (*1)	(120,000)	—
Ending balance	—	—

Notes: (*1) 120,000 shares of treasury stock amounting to ¥5,514 million were acquired through an off auction treasury stock purchase trading at Tokyo Stock Exchange, Inc. (ToSTNeT 3) on May 15, 2013 and 120,000 shares of treasury stock were canceled.

(*2) A stock split (100 shares are defined as 1 share unit) was conducted on October 1, 2013.

Common stock

All shares are no-par value shares and all shares issued are paid in.

Shareholders of common stock have right to receive declared dividends and one voting right per 100 shares at shareholders' meeting. All rights for shares held by the Company (treasury stock) are suspended until reissuance.

Treasury stock

There is no treasury stock held by the Company, at the end of the previous consolidated fiscal year and at the end of the current consolidated fiscal year.

Additional paid-in capital

Under the Japanese Companies Act (the Act), additional paid-in capital consists of legal capital surplus and other capital surplus. The Act requires the amounts that are not recorded as common stock at stock issuance to be included in legal capital surplus. Legal capital surplus can be transferred to common stock by resolution at shareholders' meeting. Other capital surplus includes surplus due to reversal of common stock and legal capital surplus and gain on disposal of treasury stock.

Retained earnings

Retained earnings include legal earnings reserved and other retained earnings. The Act requires one-tenth of dividends paid be reserved as either legal capital surplus or legal earnings to the extent that the aggregate amount of legal capital surplus and legal earnings reserved become one-fourth of the amount of common stock.

30. Dividends

The Company's dividends policy is to pay out dividends twice a year as interim dividends and year-end dividends.

The latest actual performance for dividends paid

		Millions of Yen	Yen		
Resolution date	Class of shares	Paid amount	Dividends per share	Record date	Effective date
June 22, 2013	Common stock	¥ 899	¥ 300.00	March 31, 2013	June 24, 2013
October 31, 2013	Common stock	3,164	1,100.00	September 30, 2013	November 28, 2013
June 21, 2014	Common stock	2,014	7.00	March 31, 2014	June 23, 2014
October 30, 2014	Common stock	345	1.20	September 30, 2014	December 1, 2014

		Thousands of U.S. Dollars	U.S. Dollars		
Resolution date	Class of shares	Paid amount	Dividends per share	Record date	Effective date
June 21, 2014	Common stock	$16,765	$0.06	March 31, 2014	June 23, 2014
October 30, 2014	Common stock	2,874	0.01	September 30, 2014	December 1, 2014

Note: Stock split (100 shares are defined as 1 share unit) was conducted on October 1, 2013, while dividends per share is the amount before stock split if the record date is before September 30, 2013.

Dividends whose record date is in the current consolidated fiscal year but whose effective date is in the following consolidated fiscal year

		Millions of Yen	Yen		
Resolution date	Class of shares	Paid amount	Dividends per share	Record date	Effective date
June 20, 2015	Common stock	¥2,014	¥7.00	March 31, 2015	June 22, 2015

		Thousands of U.S. Dollars	U.S. Dollars		
Resolution date	Class of shares	Paid amount	Dividends per share	Record date	Effective date
June 20, 2015	Common stock	$16,765	$0.06	March 31, 2015	June 22, 2015

31. Other Components of Equity and Other Comprehensive Income

Changes in other components of equity

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Foreign currency translation adjustments in foreign operations			
Beginning balance	¥ 3,789	**¥ 6,138**	**$ 51,101**
Other comprehensive income before reclassification	2,349	**4,117**	**34,273**
Reclassification to profit or loss	—	**—**	**—**
Ending balance	¥ 6,138	**¥10,255**	**$ 85,374**
Changes in fair value of available-for-sale financial assets			
Beginning balance	¥ 2,833	**¥ 872**	**$ 7,262**
Other comprehensive income before reclassification	(479)	**749**	**6,236**
Reclassification to profit or loss	(1,482)	**(9)**	**(78)**
Ending balance	¥ 872	**¥ 1,612**	**$ 13,420**
Changes in fair value of hedging instrument			
Beginning balance	¥ —	**¥ (143)**	**$ (1,194)**
Other comprehensive income before reclassification	(161)	**365**	**3,038**
Reclassification to profit or loss	17	**(120)**	**(997)**
Ending balance	¥ (143)	**¥ 102**	**$ 847**
Share of other comprehensive income of equity method investments			
Beginning balance	¥ 51	**¥ 74**	**$ 614**
Other comprehensive income before reclassification	23	**(5)**	**(41)**
Reclassification to profit or loss	—	**—**	**—**
Ending balance	¥ 74	**¥ 69**	**$ 573**
Other components of equity			
Beginning balance	¥ 6,673	**¥ 6,941**	**$ 57,784**
Other comprehensive income before reclassification	1,733	**5,226**	**43,505**
Reclassification to profit or loss	(1,465)	**(129)**	**(1,075)**
Ending balance	¥ 6,941	**¥12,038**	**$100,214**

There is no other comprehensive income attributable to non-controlling interests for the previous consolidated fiscal year and for the current consolidated fiscal year.

Other comprehensive income (including amounts attributable to non-controlling interests) and the related tax effects

For the consolidated fiscal years ended March 31, 2014 and 2015

	(Millions of Yen)					
	2014			2015		
	Before related tax effects	Tax effect	Net of related tax effects	Before related tax effects	Tax effect	Net of related tax effects
Foreign currency translation adjustments in foreign operations						
Other comprehensive income before reclassification	¥ 2,349	¥ —	¥ 2,349	**¥4,117**	**¥ —**	**¥4,117**
Reclassification to profit or loss	—	—	—	**—**	**—**	**—**
Changes for the reporting period	¥ 2,349	¥ —	¥ 2,349	**¥4,117**	**¥ —**	**¥4,117**
Changes in fair value of available-for-sale financial assets						
Other comprehensive income before reclassification	¥ (744)	¥ 266	¥ (479)	**¥1,039**	**¥(290)**	**¥ 749**
Reclassification to profit or loss	(2,303)	821	(1,482)	**(15)**	**6**	**(9)**
Changes for the reporting period	¥(3,047)	¥1,087	¥(1,960)	**¥1,025**	**¥(285)**	**¥ 740**
Changes in fair value of hedging instruments						
Other comprehensive income before reclassification	¥ (251)	¥ 90	¥ (161)	**¥ 589**	**¥(225)**	**¥ 365**
Reclassification to profit or loss	28	(11)	17	**(191)**	**71**	**(120)**
Changes for the reporting period	¥ (223)	¥ 79	¥ (143)	**¥ 398**	**¥(153)**	**¥ 245**
Share of other comprehensive income of equity method investments						
Other comprehensive income before reclassification	¥ 35	¥ (12)	¥ 23	**¥ (6)**	**¥ 1**	**¥ (5)**
Reclassification to profit or loss	—	—	—	**—**	**—**	**—**
Changes for the reporting period	¥ 35	¥ (12)	¥ 23	**¥ (6)**	**¥ 1**	**¥ (5)**
Total other comprehensive income	¥ (886)	¥1,154	¥ 268	**¥5,534**	**¥(437)**	**¥5,097**

	Thousands of U.S. Dollars		
	2015		
	Before related tax effects	Tax effect	Net of related tax effects
Foreign currency translation adjustments in foreign operations			
Other comprehensive income before reclassification	**$34,273**	**$ —**	**$34,273**
Reclassification to profit or loss	**—**	**—**	**—**
Changes for the reporting period	**$34,273**	**$ —**	**$34,273**
Changes in fair value of available-for-sale financial assets			
Other comprehensive income before reclassification	**$ 8,654**	**$(2,418)**	**$ 6,236**
Reclassification to profit or loss	**(124)**	**46**	**(78)**
Changes for the reporting period	**$ 8,530**	**$(2,372)**	**$ 6,157**
Changes in fair values of hedging instruments			
Other comprehensive income before reclassification	**$ 4,907**	**$(1,869)**	**$ 3,038**
Reclassification to profit or loss	**(1,592)**	**595**	**(997)**
Changes for the reporting period	**$ 3,316**	**$(1,274)**	**$ 2,041**
Accumulated other comprehensive income for equity method investments			
Other comprehensive income before reclassification	**$ (51)**	**$ 10**	**$ (41)**
Reclassification to profit or loss	**—**	**—**	**—**
Changes for the reporting period	**$ (51)**	**$ 10**	**$ (41)**
Total other comprehensive income	**$46,067**	**$(3,637)**	**$42,431**

32. Earnings per Share

Basic earnings per share for the current consolidated fiscal year is calculated based on profit attributable to owners of the Company of ¥3,494 million ($29,087 thousand) (the previous consolidated fiscal year; ¥10,354 million) and weighted average number of common stock of 287,681 thousand shares (the previous consolidated fiscal year; 289,527 thousand shares).

Stock split (100 shares are defined as 1 share unit) was conducted on October 1, 2013, but the weighted average number of common shares and the basic earnings per share are calculated based on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

33. Cash Flow Information

(1) Non cash transactions

The Company has no significant non-cash transactions (investment and finance transactions without cash and cash equivalents) for the previous consolidated fiscal year and the current consolidated fiscal year.

(2) Net proceeds from (payments for) sale of subsidiaries

Consideration received from sale of the subsidiaries over which control is lost are as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Consideration received from sale	¥—	¥341	$2,837
Cash and cash equivalents of assets included, at the time the Group lost control of the subsidiaries	—	(92)	(767)
Net proceeds from (payments for) sale of subsidiaries	¥—	¥249	$2,070

The amount of assets and liabilities other than cash and cash equivalents in the subsidiaries over which control is lost are as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Cash segregated as deposits	¥—	¥540	$4,493
Trading securities and other	—	3	24
Other financial assets	—	108	900
Property and equipment	—	6	47
Intangible assets	—	28	233
Other assets	—	27	223
Total assets	¥—	¥711	$5,919
Deposits received	—	544	4,533
Bonds and loans payable	—	139	1,161
Other financial liabilities	—	17	141
Total liabilities	¥—	¥701	$5,834

34. Contingencies

There are no contingencies that have significant effect on the consolidated financial statements.

35. Related Parties

(1) Transactions with related partiess

For the consolidated fiscal year ended March 31, 2014

Type of related party	Name of related party	Detail of transaction	Millions of Yen	
			Transaction amount	Outstanding balance
Company that has significant influence on the Group	ORIX Corporation	Acquisition of treasury stock (*)	¥5,090	—

Note: The Company purchased through an off auction treasury stock purchase trading at Tokyo Stock Exchange, Inc. (ToSTNeT 3) on May 15, 2013 at the closing price (including the final special bid and asked price) of May 14, 2013.

For the consolidated fiscal year ended March 31, 2015

There are no related parties that have significant effect on the consolidated financial statements.

(2) Compensation to the Group's key management personnel

For the consolidated fiscal years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Short-term benefits	¥257	**¥295**	**$2,456**
Post-employment benefits	1	**1**	**6**
Share-based payments	252	**21**	**173**
Total	¥511	**¥317**	**$2,635**

Note: The key management personnel are the managing directors and the executive officers of the Company for the consolidated fiscal year.

36. Group Entities

The Company's significant subsidiaries as of March 31, 2015

Name of subsidiary	Location	%
		Proportion of voting power
Monex, Inc.	Japan	100.0
Monex Hambrecht, Inc.	Japan	100.0
Trade Science Corporation	Japan	100.0
TradeStation Group, Inc.	U.S.	100.0
TradeStation Securities, Inc.	U.S.	100.0
IBFX, Inc.	U.S.	100.0
TradeStation Technologies, Inc.	U.S.	100.0
Monex International Limited	Hong Kong	100.0
Monex Boom Securities (H.K.) Limited	Hong Kong	100.0
Others (10 companies)		

37. Events after the Reporting Period

The Company has resolved at the meeting of the Board of Directors on July 9, 2015 to acquire treasury stock pursuant to Article 156 of the Japanese Companies Act (the Act), as applied by replacing terms pursuant to Article 165, paragraph 3 of the Act.

(1) Reason for the acquisition of treasury stock

The Company sets a target of a 75% total return ratio (*1) on a multi-year basis as a shareholder return policy. In addition to dividends, share acquisition is flexibly implemented by a management decision considering share price and an investment plan for future growth. According to this shareholder return policy, the Company has decided on acquisition of own shares.

Note: (*1) Total return ratio = (total dividends paid + total amount of share buyback) /profit attributable to owners of the Company

(2) Outline for the acquisition of treasury stock

(a) Class of purchased shares

Common stock of the Company

(b) Total number of shares to be acquired

Up to 5,000,000 shares

(c) Period of acquisition

From July 10, 2015 to August 7, 2015

(d) Total acquisition costs

Up to 1,650 million ($13,736 thousand)

(e) Method of acquisition

Market purchases on the Tokyo Stock Exchange

38. Approval of Consolidated Financial Statements

The original consolidated financial statements filed with the appropriate Local Finance Bureaus of the Ministry of Finance as required by the Financial Instruments and Exchange Act of Japan were approved by Oki Matsumoto (the Company's Representative Executive Officer and CEO) and Masaki Ueda (the Company's Executive Officer and CFO) on June 20, 2015.

KPMG

Independent Auditor's Report

To the Board of Directors of Monex Group, Inc.:

We have audited the accompanying consolidated financial statements of Monex Group, Inc. and its consolidated subsidiaries, which comprise the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, and a summary of significant accounting policies and other explanatory information for the consolidated fiscal year from April 1, 2014 to March 31, 2015.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as stipulated in Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Monex Group, Inc. and its consolidated subsidiaries as at March 31, 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 37 to the consolidated financial statements which describes that Monex Group, Inc. has resolved at the meeting of the Board of Directors on July 9, 2015 to acquire treasury stock.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

KPMG AZSA LLC

July 17, 2015
Tokyo, Japan

Monex Group, Inc.

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