MONEX GROUP
Monex Group, Inc.

Monex Group, Inc.

Annual Financial Statements 2017

For the year ended March 31, 2017

Contents

Consolidated Financial Statements

Consolidated Statement of Income

For the consolidated fiscal years ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	**2017**	**2017**
Revenue:			
Commission received *(Note 7)*	¥ 32,152	¥ **26,349**	$ **236,537**
Net trading income *(Note 8)*	6,671	**4,498**	**40,377**
Financial income *(Note 9)*	14,610	**14,313**	**128,493**
Other operating income *(Note 10)*	839	**671**	**6,025**
Total operating revenue	54,271	**45,831**	**411,432**
Other financial income *(Note 9)*	639	**1,667**	**14,965**
Other income *(Note 12)*	32	**1,606**	**14,413**
Total revenue	54,942	**49,104**	**440,810**
Expenses:			
Financial expenses *(Note 9)*	4,629	**3,979**	**35,720**
Selling, general and administrative expenses *(Note 11, 26, 27, 29)*	41,395	**40,578**	**364,274**
Other financial expenses *(Note 9)*	843	**1,655**	**14,859**
Other expenses *(Note 13)*	2,906	**1,722**	**15,460**
Equity in losses of equity method investments *(Note 23)*	67	**99**	**885**
Total expenses	49,842	**48,033**	**431,197**
Profit before income taxes	5,100	**1,071**	**9,613**
Income tax expense *(Note 24)*	1,584	**910**	**8,168**
Profit	3,516	**161**	**1,445**
Profit attributable to:			
Owners of the Company	3,554	**298**	**2,671**
Non-controlling interests	(38)	**(137)**	**(1,226)**
Profit	¥ 3,516	¥ **161**	$ **1,445**

	Yen		U.S. Dollars
Earnings per share attributable to owners of the Company: ***(Note 33)***			
Basic earnings per share	¥ 12.46	¥ **1.06**	$ **0.01**
Diluted earnings per share	12.45	**1.05**	**0.01**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the consolidated fiscal years ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	**2017**	**2017**
Profit	¥ 3,516	¥ **161**	$ **1,445**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of available-for-sale financial assets *(Note 32)*	1,757	**(980)**	**(8,795)**
Changes in fair value of hedging instrument *(Note 14, 32)*	499	**(1,019)**	**(9,151)**
Foreign currency translation adjustments in foreign operations *(Note 32)*	(1,779)	**(296)**	**(2,659)**
Share of other comprehensive income of equity method investments *(Note 23, 32)*	18	**(15)**	**(131)**
Other comprehensive income after income taxes	494	**(2,310)**	**(20,736)**
Total comprehensive income	4,010	**(2,149)**	**(19,291)**
Total comprehensive income attributable to:			
Owners of the Company	4,048	**(2,012)**	**(18,065)**
Non-controlling interests	(38)	**(137)**	**(1,226)**
Total comprehensive income	¥ 4,010	¥ **(2,149)**	$ **(19,291)**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Financial Position

As of March 31, 2016 and 2017

		Millions of Yen			Thousands of U.S. Dollars	
		2016		2017		2017
Assets:						
Cash and cash equivalents *(Note 14, 15, 16, 18)*	¥	61,902	¥	**77,900**	$	**699,323**
Cash segregated as deposits *(Note 14, 15, 17)*		497,442		**552,028**		**4,955,631**
Trading securities and other *(Note 14, 15)*		2,945		**1,697**		**15,231**
Derivative assets *(Note 14, 15)*		19,153		**13,443**		**120,682**
Investments in securities *(Note 14, 15, 18)*		3,707		**3,611**		**32,417**
Margin transaction assets *(Note 14, 15)*		149,236		**147,653**		**1,325,506**
Loans secured by securities *(Note 14, 15)*		31,628		**34,250**		**307,470**
Other financial assets *(Note 14, 15, 18)*		64,272		**49,049**		**440,321**
Property and equipment *(Note 20)*		2,457		**2,062**		**18,510**
Intangible assets *(Note 21)*		53,053		**53,751**		**482,530**
Equity method investments *(Note 15, 23)*		1,125		**363**		**3,257**
Deferred tax assets *(Note 24)*		8		**2**		**22**
Other assets		1,187		**967**		**8,677**
Total assets	¥	888,116	¥	**936,776**	$	**8,409,577**
Liabilities and Equity:						
Liabilities:						
Derivative liabilities *(Note 14, 15)*	¥	7,178	¥	**5,828**	$	**52,314**
Margin transaction liabilities *(Note 14, 15, 19)*		33,006		**40,664**		**365,048**
Loans payable secured by securities *(Note 14, 15)*		71,974		**77,504**		**695,762**
Deposits received *(Note 14, 15)*		350,904		**324,672**		**2,914,623**
Guarantee deposits received *(Note 14, 15)*		170,666		**257,753**		**2,313,887**
Bonds and loans payable *(Note 14, 15 ,19)*		154,261		**138,133**		**1,240,040**
Other financial liabilities *(Note 14, 15)*		5,868		**6,622**		**59,450**
Provisions *(Note 28)*		2,556		**166**		**1,486**
Income taxes payable		1,505		**389**		**3,495**
Deferred tax liabilities *(Note 24)*		3,161		**2,401**		**21,556**
Other liabilities *(Note 25, 29)*		1,014		**958**		**8,603**
Total liabilities		802,094		**855,090**		**7,676,264**
Equity:						
Common stock *(Note 30)*		10,394		**10,394**		**93,304**
Additional paid-in capital *(Note 30)*		40,510		**40,547**		**363,995**
Retained earnings *(Note 30, 31)*		22,380		**20,209**		**181,421**
Other components of equity *(Note 32)*		12,532		**10,222**		**91,765**
Equity attributable to owners of the Company		85,816		**81,372**		**730,485**
Non-controlling interests		207		**315**		**2,828**
Total equity		86,022		**81,687**		**733,313**
Total liabilities and equity	¥	888,116	¥	**936,776**	$	**8,409,577**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the consolidated fiscal years ended March 31, 2016 and 2017

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 March 31, 2015	¥ 10,394	¥ 40,510	¥ —	¥ 23,991	¥ 1,612	¥ 102	¥ 10,255	¥ 69	¥ 12,038	¥ 86,932	¥ —	¥ 86,932
Profit	—	—	—	3,554	—	—	—	—	—	3,554	(38)	3,516
Other comprehensive income	—	—	—	—	1,757	499	(1,779)	18	494	494	—	494
Total comprehensive income	—	—	—	3,554	1,757	499	(1,779)	18	494	4,048	(38)	4,010
Transactions with owners:												
Dividends paid *(Note 31)*	—	—	—	(4,003)	—	—	—	—	—	(4,003)	—	(4,003)
Acquisition of treasury stock *(Note 30)*	—	—	(1,162)	—	—	—	—	—	—	(1,162)	—	(1,162)
Cancellation of treasury stock *(Note 30)*	—	(1,162)	1,162	—	—	—	—	—	—	—	—	—
Transfer to Additional paid-in capital from Retained earnings *(Note 30)*	—	1,162	—	(1,162)	—	—	—	—	—	—	—	—
Changes in ownership interests in subsidiaries that do not result in loss of control	—	—	—	—	—	—	—	—	—	—	245	245
Total of transactions with owners	—	—	—	(5,165)	—	—	—	—	—	(5,165)	245	(4,920)
Balance as of March 31, 2016	¥ 10,394	¥ 40,510	¥ —	¥ 22,380	¥ 3,369	¥ 600	¥ 8,476	¥ 86	¥ 12,532	¥ 85,816	¥ 207	¥ 86,022
Profit	**—**	**—**	**—**	**298**	**—**	**—**	**—**	**—**	**—**	**298**	**(137)**	**161**
Other comprehensive income	**—**	**—**	**—**	**—**	**(980)**	**(1,019)**	**(296)**	**(15)**	**(2,310)**	**(2,310)**	**—**	**(2,310)**
Total comprehensive income	**—**	**—**	**—**	**298**	**(980)**	**(1,019)**	**(296)**	**(15)**	**(2,310)**	**(2,012)**	**(137)**	**(2,149)**
Transactions with owners:												
Dividends paid *(Note 31)*	**—**	**—**	**—**	**(1,468)**	**—**	**—**	**—**	**—**	**—**	**(1,468)**	**—**	**(1,468)**
Acquisition of treasury stock *(Note 30)*	**—**	**—**	**(1,000)**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,000)**	**—**	**(1,000)**
Cancellation of treasury stock *(Note 30)*	**—**	**(1,000)**	**1,000**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Transfer to Additional paid-in capital from Retained earnings *(Note 30)*	**—**	**1,000**	**—**	**(1,000)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Issuance of stock acquisition rights	**—**	**37**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**37**	**—**	**37**
Changes in ownership interests in subsidiaries that do not result in loss of control	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**245**	**245**
Total of transactions with owners	**—**	**37**	**—**	**(2,468)**	**—**	**—**	**—**	**—**	**—**	**(2,432)**	**245**	**(2,187)**
Balance as of March 31, 2017	**¥ 10,394**	**¥ 40,547**	**¥ —**	**¥ 20,209**	**¥ 2,389**	**¥ (419)**	**¥ 8,180**	**¥ 72**	**¥ 10,222**	**¥ 81,372**	**¥ 315**	**¥ 81,687**

See accompanying notes to the consolidated financial statements.

For the consolidated fiscal year ended March 31, 2017

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, 2016	$ 93,304	$ 363,667	$ —	$ 200,908	$ 30,246	$ 5,390	$ 76,090	$ 776	$ 112,501	$ 770,380	$ 1,855	$ 772,235
Profit	—	—	—	2,671	—	—	—	—	—	2,671	(1,226)	1,445
Other comprehensive income	—	—	—	—	(8,795)	(9,151)	(2,659)	(131)	(20,736)	(20,736)	—	(20,736)
Total comprehensive income	—	—	—	2,671	(8,795)	(9,151)	(2,659)	(131)	(20,736)	(18,065)	(1,226)	(19,291)
Transactions with owners:												
Dividends paid *(Note 31)*	—	—	—	(13,181)	—	—	—	—	—	(13,181)	—	(13,181)
Acquisition of treasury stock *(Note 30)*	—	—	(8,977)	—	—	—	—	—	—	(8,977)	—	(8,977)
Cancellation of treasury stock *(Note 30)*	—	(8,977)	8,977	—	—	—	—	—	—	—	—	—
Transfer to Additional paid-in capital from Retained earnings *(Note 30)*	—	8,977	—	(8,977)	—	—	—	—	—	—	—	—
Issuance of stock acquisition rights	—	328	—	—	—	—	—	—	—	328	—	328
Changes in ownership interests in subsidiaries that do not result in loss of control	—	—	—	—	—	—	—	—	—	—	2,199	2,199
Total of transactions with owners	—	328	—	(22,158)	—	—	—	—	—	(21,830)	2,199	(19,631)
Balance as of March 31, 2017	$ 93,304	$ 363,995	—	$ 181,421	$ 21,451	$ (3,762)	$ 73,430	$ 645	$ 91,765	$ 730,485	$ 2,828	$ 733,313

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the consolidated fiscal years ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	**2017**	**2017**
Cash flows from operating activities:			
Profit before income taxes	¥ 5,100	**¥ 1,071**	**$ 9,613**
Depreciation and amortization	4,911	**7,094**	**63,683**
Loss on business restructuring	132	**145**	**1,300**
Provision of allowance for loss on cancellation of outsourcing contract	2,400	**—**	**—**
Reversal of allowance for loss on cancellation of outsourcing contract	—	**(508)**	**(4,560)**
Gain on sales of investments in associates	—	**(247)**	**(2,222)**
Financial income and financial expenses	(9,776)	**(10,346)**	**(92,879)**
Decrease/increase in derivative assets/liabilities	(10,039)	**2,792**	**25,061**
Decrease/increase in assets/liabilities for margin transaction	13,283	**9,241**	**82,954**
Decrease/increase in loans/loans payable secured by securities	4,412	**2,873**	**25,794**
Decrease/increase in cash segregated as deposits	13,099	**(57,921)**	**(519,963)**
Decrease/increase in deposits received and guarantee deposits received	(14,521)	**63,160**	**566,995**
Decrease/increase in short-term loans receivable	(17,148)	**20,141**	**180,809**
Other, net	1,155	**(118)**	**(1,057)**
Sub-total	(6,991)	**37,376**	**335,528**
Interest and dividend income received	14,490	**13,365**	**119,979**
Interest expenses paid	(4,863)	**(4,499)**	**(40,388)**
Income taxes paid	(1,869)	**(2,527)**	**(22,685)**
Net cash provided by (used in) operating activities	766	**43,715**	**392,433**
Cash flows from investing activities:			
Purchase of investments in securities	(80)	**(282)**	**(2,530)**
Proceeds from sales and redemption of securities	5,386	**1,215**	**10,910**
Purchase of property and equipment	(706)	**(673)**	**(6,044)**
Purchase of intangible assets	(10,051)	**(8,603)**	**(77,226)**
Purchase of investments in joint ventures	(288)	**(13)**	**(121)**
Purchase of investments in associates	(70)	**—**	**—**
Proceeds from sales of investments in associates	—	**295**	**2,644**
Other, net	(124)	**(240)**	**(2,154)**
Net cash provided by (used in) investing activities	(5,934)	**(8,301)**	**(74,520)**
Cash flows from financing activities:			
Net increase/decrease in short-term loans payable	11,741	**(1,372)**	**(12,315)**
Proceeds from issuance of bonds payable	—	**2,996**	**26,891**
Redemption of bonds payable	—	**(2,000)**	**(17,954)**
Proceeds from long-term loans payable	—	**27,902**	**250,477**
Repayment of long-term loans payable	(7,500)	**(43,800)**	**(393,199)**
Purchase of treasury stock	(1,162)	**(1,000)**	**(8,977)**
Cash dividends paid	(3,997)	**(1,468)**	**(13,182)**
Proceeds from stock issuance to non-controlling interests	147	**245**	**2,199**
Proceeds from sales of investments in subsidiaries to non-controlling interests	98	**—**	**—**
Other, net	—	**37**	**328**
Net cash provided by (used in) financing activities	(673)	**(18,462)**	**(165,732)**
Net increase/decrease in cash and cash equivalents	(5,840)	**16,952**	**152,180**
Cash and cash equivalents at the beginning of year	66,337	**59,756**	**536,438**
Effect of exchange rate change on cash and cash equivalents	(741)	**(151)**	**(1,352)**
Cash and cash equivalents at the end of year *(Note 16)*	¥ 59,756	**¥ 76,557**	**$ 687,266**

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 located in Japan. The registered address of the head office and principal business office is 1-12-32, Akasaka, Minato-ku, Tokyo. The consolidated financial statements as of and for the year ended March 31, 2017 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 transactions 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 that is allowed to prepare financial statements in accordance with designated IFRS" 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 on March 31, 2017, which was ¥111.39 to U.S. $1. For translation purposes, 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 when divided by ¥111.39. 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 when preparing financial statements in accordance with IFRSs. Actual results could differ from these estimates.

Accounting estimates and their 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 the subsequent period.

The information on significant judgments when 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 14. Financial Instruments"
- "Note 15. Fair Value Measurement"

The information on 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 21. Intangible Assets"
- "Note 24. 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 benefit 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 an 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 the measurement period are not re-measured when the contingent consideration is classified as equity, and subsequent settlements are accounted for within equity. When the 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. 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) Associates and joint arrangements

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 arrangements are the contractually agreed sharing of control of arrangements, which exist only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The classification of joint arrangements as either joint operations or joint ventures depends upon the rights and obligations of the parties to the arrangements. Joint operations are the joint arrangements whereby the parties that have joint control of the arrangements have rights to the assets, and obligations for the liabilities, relating to the arrangements, and joint ventures are the joint arrangements whereby the parties that have joint control of the arrangements have rights to the net assets of the arrangements.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Investments in associates and joint ventures are reported using the equity method and are measured at acquisition cost on 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 in companies subject to the equity method exceeds the interest in the same companies, the carrying amount of that investment is reduced to zero and no further losses are recognized, except in cases where the Group assumes liabilities or makes payment on behalf of the investee.

(g) Transactions eliminated in consolidation

Receivables, payables and transactions within the Group and unrealized income or losses arising from transactions within the Group are eliminated when preparing the consolidated financial statements. Unrealized income 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 the 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 the 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 for 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 the initial recognition, held-to-maturity investments are measured at an 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 the initial recognition, loans and receivables are measured at an 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 in any other category, 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 the 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 an 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 on 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 a negative effect on the future cash flows of the assets which can be reliably estimated, impairment losses are recognized. The Group considers whether there is objective evidence of impairment on each quarter.

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 with the passage of time.

If an event that reduces the amount of the impairment losses occurs after the recognition of impairment losses with respect to the financial assets measured at an 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 with an insignificant risk of change in value.

(i) Cash segregated as deposits

Some of the trust accounts for 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 applied to hedge accounting

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 for 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 a 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 the hedging instrument expires or is sold, terminated or exercised, or when the Group revokes the designation.

(ii) Derivatives not applied to hedge accounting

The Group's derivative assets and derivative liabilities that are not applied to 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 transactions.

(4) Property and equipment
(a) Recognition and measurement
Property and equipment are reported at the acquisition cost less accumulated depreciation and accumulated impairment losses.

Acquisition costs include the costs directly related to acquisition of the asset and the costs for dismantling and removing. The Group elects to measure costs for dismantling and removing included in the cost of property and equipment on 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 an asset less its residual value.

Property and equipment are depreciated over the estimated useful life of each part of a property item, 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 time period of either 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, 2016 (the “previous consolidated fiscal year”) and the consolidated fiscal year ended March 31, 2017 (the “the current consolidated fiscal year”) are as follows.
Buildings: 8–18 years
Equipment and fixtures: 2–15 years

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

(5) Intangible assets
(a) Goodwill
Goodwill arising through the 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 the carrying amount according to JGAAP on the date of transition to the IFRSs.

Subsequent to the initial recognition, goodwill is measured at the acquisition cost less 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 the initial recognition, internally generated intangible assets are measured at the acquisition cost 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 the 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 an assest less its 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: 5–7years
Customer relationships: 18 years
Technology assets: 18 years
Other assets: 7–18 years

Amortization methods, useful lives, and residual values are reviewed at each reporting date, and adjustments 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 Group 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 on 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 value of either the value in use or the fair value less cost of disposal. The value in use is calculated as the discounted present value of the 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 of other assets or groups of assets used continuously.

The Group determines CGUs in accordance with the units used to monitor goodwill for internal reporting purposes, 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 on each reporting date whether there is an indication of reduction or elimination of the 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 less 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 the 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 issuance being deducted from the "Additional paid-in capital."

(b) Treasury stock

Treasury stock is measured at the 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 the 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 FX margin transactions is recognized in profit or loss for the change in fair value of the related derivative asset and liabilities.

(c) Financial income and financial expenses

Financial income includes income from margin transactions, 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 transactions, 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 the shareholders' rights relating to the 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 the items recognized in business combinations and recognized directly in equity or other comprehensive income are recognized in profit or loss.

Current income tax expense is the estimated taxes to be paid or refunded relating to taxable income or losses for the current consolidated fiscal year by applying the enacted tax rate or the 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 the accounting profit nor the 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 when 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 is 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 after adjusting the effect of treasury stock during the reporting period. Diluted earnings per share (earnings per share after adjustment for potential shares) are calculated after adjustment for the dilutive effects of all potential common stock.

(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 decisions about resources to be allocated to each segment and assess business performance.

Segment operating results reported to the Chief Executive Officer include 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, 2017 are as follows. These accounting standards and interpretations were not applied when preparing the Group's consolidated financial statements. The Company is currently assessing the potential impact that these standards and interpretations will have on the Group's consolidated financial statements.

Standards		Mandatory adoption (Annual period beginning on or after)	The Group's adoption period (For the fiscal year)	New/revised requirements
IAS 7	Statement of Cash Flows	January 1, 2017	March 31, 2018	Changes in disclosure of liabilities arising from financing activities
IAS 12	Imcome Taxes	January 1, 2017	March 31, 2018	Clarification of recognition of Deferred Tax Assets for Unrealised Losses
IFRS 2	Share-based Payment	January 1, 2018	March 31, 2019	Clarification of accounting for share-based payment transactions
IFRS 9	Financial Instruments	January 1, 2018	March 31, 2019	Revised classification and measurement of financial assets Revised requirements for changes in fair value of financial liabilities Revised hedge accounting Revised impairment
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	March 31, 2019	Establishment of comprehensive framework for recognition, measurement and disclosure of revenue
IFRS 16	Leases	January 1, 2019	Not determined	Revised leases accounting

(16) Changes in accounting policies

The Group applied the accounting standards set forth below from the consolidated fiscal year ended March 31, 2017.

Standard		New/revised requirements
IAS 1	Presentation of Financial Statements	Clarification of requirements for presentation and disclosure

There is no significant impact from the changes in the accounting policies on the Group's financial statements for the current consolidated fiscal year.

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 policies on the identification, analysis and assessment of risk, and the equity management on the Group.

(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 the design and the 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 the nonperformance of a counterparty to an agreement or for other reasons. Credit risk arises principally from the counterparty risks of the Group's customers and the 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 18. Collateral."

(Risks relating to customer transactions)

The Group has a globally diversified customer base and sets a limit for the 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 transactions, (iii) future option transactions, and (iv) FX margin transactions. 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 the ongoing monitoring of trading conditions concerning margin transactions, and has introduced systems to control the occurrence of overdue claims by setting appropriate 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, 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 a 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 inventory 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, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Within three months	¥ 40	¥ 42	$ 375
From three months to one year	32	3	24
More than one year	15	23	204
Total	¥ 88	¥ 67	$ 603

These are primarily advances to customers that are included in the "Other financial assets," and considered to be recoverable at the end of the consolidated fiscal year. Consequently, the Company determined that recognition of impairment is not necessary.

When the Group recognizes the impairment of financial assets other than securities, impairment is accounted for using the allowance for doubtful receivables account, and 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 ¥118 million and ¥113 million ($1,014 thousand), respectively, and the related allowances for doubtful receivables on those dates were ¥118 million and ¥113 million ($1,014 thousand), respectively.

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

For the consolidated fiscal years ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Beginning balance	¥ 206	¥ 118	$ 1,055
Increase	122	127	1,144
Decrease (reversal)	(184)	(118)	(1,055)
Decrease (usage)	(26)	(14)	(130)
Ending balance	¥ 118	¥ 113	$ 1,014

(b) Liquidity risk

Liquidity risk is the risk of an entity being unable to settle obligations using cash, 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 funds into 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 using 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 that are established based on relevant laws and regulations, and 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, 2016

Millions of Yen

	Carrying amount	Contractual cash flows	Within one year	From one year to two years	From two years to three years	From three years to four years	From four years to five years	More than five years
Short-term loans payable and other	¥ 86,321	¥ 86,338	¥ 86,338	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds payable	16,726	17,000	2,000	—	15,000	—	—	—
Long-term loans payable	51,214	51,300	—	13,600	19,000	18,700	—	—
Total	¥ 154,261	¥ 154,638	¥ 88,338	¥ 13,600	¥ 34,000	¥ 18,700	¥ —	¥ —
(Margin transaction liabilities)								
Borrowings on margin transactions	¥ 15,178	¥ 15,178	¥ 15,178	¥ —	¥ —	¥ —	¥ —	¥ —

As of March 31, 2017

Millions of Yen

	Carrying amount	Contractual cash flows	Within one year	From one year to two years	From two years to three years	From three years to four years	From four years to five years	More than five years
Short-term loans payable and other	**¥ 54,607**	**54,613**	**¥ 54,613**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Bonds payable	**17,942**	**18,000**	**3,000**	**15,000**	**—**	**—**	**—**	**—**
Long-term loans payable	**65,584**	**65,700**	**—**	**19,000**	**46,700**	**—**	**—**	**—**
Total	**¥ 138,133**	**¥ 138,313**	**¥ 57,613**	**¥ 34,000**	**¥ 46,700**	**¥ —**	**¥ —**	**¥ —**
(Margin transaction liabilities)								
Borrowings on margin transactions	**¥ 13,113**	**¥ 13,113**	**¥ 13,113**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**

Thousands of U.S. Dollars

	Carrying amount	Contractual cash flows	Within one year	From one year to two years	From two years to three years	From three years to four years	From four years to five years	More than five years
Short-term loans payable and other	**$ 490,219**	**$ 490,266**	**$ 490,266**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Bonds payable	**161,068**	**161,589**	**26,931**	**134,657**	**—**	**—**	**—**	**—**
Long-term loans payable	**588,753**	**589,798**	**—**	**170,566**	**419,233**	**—**	**—**	**—**
Total	**$1,240,040**	**$1,241,653**	**$ 517,198**	**$ 305,223**	**$ 419,233**	**$ —**	**$ —**	**$ —**
(Margin transaction liabilities)								
Borrowings on margin transactions	**$ 117,721**	**$ 117,721**	**$ 117,721**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

(ii) Derivative liabilities

Derivative liabilities designated as hedging instruments by maturity

As of March 31, 2016

Millions of Yen

	Carrying amount	Contractual cash flows	Within one year	From one year to two years	From two years to three years	From three years to four years	From four years to five years	More than five years
Derivative liabilities designated as hedging instruments	¥ 220	¥ 220	¥ 58	¥ 108	¥ 55	¥ —	¥ —	¥ —
Total	¥ 220	¥ 220	¥ 58	¥ 108	¥ 55	¥ —	¥ —	¥ —

As of March 31, 2017

Millions of Yen

	Carrying amount	Contractual cash flows	Within one year	From one year to two years	From two years to three years	From three years to four years	From four years to five years	More than five years
Derivative liabilities designated as hedging instruments	**¥ 758**	**¥ 766**	**¥ 345**	**¥ 422**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Total	**¥ 758**	**¥ 766**	**¥ 345**	**¥ 422**	**¥ —**	**¥ —**	**¥ —**	**¥ —**

Thousands of U.S. Dollars

	Carrying amount	Contractual cash flows	Within one year	From one year to two years	From two years to three years	From three years to four years	From four years to five years	More than five years
Derivative liabilities designated as hedging instruments	**$ 6,808**	**$ 6,880**	**$ 3,093**	**$ 3,786**	**$ —**	**$ —**	**$ —**	**$ —**
Total	**$ 6,808**	**$ 6,880**	**$ 3,093**	**$ 3,786**	**$ —**	**$ —**	**$ —**	**$ —**

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

(c) Market risk

Market risk is the risk of fluctuations in the fair value of securities and other investments 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 its 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 a net position with 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 trusts and separate customer money trusts 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 notes, 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, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	**2017**	**2017**
Japanese government bonds	¥ (258)	**¥ (156)**	**$ (1,400)**
U.S. treasury notes and other	(56)	**(38)**	**(345)**
Interest rate swaps designated as hedging instruments	(161)	**(98)**	**(880)**
Effect on equity	¥ (476)	**¥ (292)**	**$ (2,625)**

The above includes the effects from changes in fair value of available-for-sale financial assets, but there is no impact on profit or loss unless the decrease in fair value results 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 and without taking into consideration: future changes in balances, the effects of changes in exchange rates, the dispersion effects of the timing of refinancing variable interest rate loans or the timing of interest rate changes.

For variable interest financial instruments with interests that 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, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	**2017**	**2017**
Effect on profit before income taxes	¥ (39)	**¥ (27)**	**$ (238)**
Effect on equity	(27)	**(18)**	**(165)**

(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 the status of these risks by monitoring the changes in value for 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 security investments 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, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	**2017**	**2017**
Effect on equity	¥ (53)	**¥ (63)**	**$ (568)**

The above includes the effects from changes in fair value of available-for-sale financial assets, but there is no impact on profit or loss unless the decrease in fair value results 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, 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 the design and the 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 maintaining appropriate levels of capital as well as a liability and capital structure commensurate with the 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 for 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 level of capital for each subsidiary satisfies the requirements under the laws of each country and territory.

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

Based on the information available at the end of May 2017, summaries of the capital requirements applicable to Monex, Inc., and TradeStation Securities, Inc., which are the main Group subsidiaries, and figures relating to capital requirements as of March 31, 2017 are set forth below.

(a) Monex, Inc.

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

i) Market risk (risk arising from a 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, 2016 and 2017

	2016	**2017**
Capital-to-risk ratio	335.3%	**297.8%**

(b) TradeStation Securities, Inc.

TradeStation Securities, Inc., a broker-dealer subsidiary in the U.S., is required to maintain net capital minimum (SEC Rule 15c3-1) calculated under the 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,” for which a net capital minimum must be maintained, as defined by the rules, and equal to the highest of:

i) U.S. $1.5 million;

ii) 8% of U.S. domestic and foreign based customers’ and non-customers’ (creditors whose claims against TradeStation Securities, Inc., are subordinate to 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 a naked and long position; or

iii) 2% of aggregate customer debit items.

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

As of March 31, 2016 and 2017

Thousands of U.S. Dollars

	2016	**2017**
Net capital	$ 66,809	**$ 75,921**
Minimum net capital required	4,368	**4,139**
Excess net capital	$ 62,441	**$ 71,782**

5 Acquisition of Subsidiaries and Non-controlling Interests

For the consolidated fiscal year ended March 31, 2016
There are no acquisitions of subsidiaries or non-controlling interests.

For the consolidated fiscal year ended March 31, 2017
There are no acquisitions of subsidiaries or non-controlling interests.

6 Segment Information

(1) Operating segment

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

Accordingly, the Group is comprised of different geographic segments based on the financial instruments business and financial business, and has three segments of Japan, the United States and Asia-Pacific as reporting segments.

The Group changed the name of the reporting segment from “China” to “Asia-Pacific” starting from this current consolidated fiscal year, and is scheduled to start the online securities business in Australia. The name of the reporting segment for the previous fiscal year is also indicated by the name after the change.

The Group’s operating results by reporting segment

For the consolidated fiscal year ended March 31, 2016

Millions of Yen

	Reporting segment				Adjustment	Consolidated
	Japan	U.S.	Asia-Pacific	Total		
Operating revenue from external customers	¥ 33,889	¥ 19,577	¥ 805	¥ 54,271	¥ —	¥ 54,271
Internal operating revenue or transferred amount between segments	290	3,335	29	3,654	(3,654)	—
Total	34,178	22,912	835	57,925	(3,654)	54,271
Financial expenses	(2,356)	(2,268)	(5)	(4,629)	—	(4,629)
Cost of sales	—	(2,102)	—	(2,102)	2,102	—
Depreciation and amortization	(3,032)	(1,791)	(89)	(4,911)	—	(4,911)
Other selling, general and administrative expenses	(20,289)	(16,601)	(670)	(37,560)	1,076	(36,484)
Other income and expenses (net amount)	(2,644)	(675)	(4)	(3,323)	244	(3,079)
Equity in profits or losses of equity method investments	30	—	(97)	(67)	—	(67)
Segment profit or loss (profit before income taxes)	¥ 5,887	¥ (525)	¥ (30)	¥ 5,332	¥ (232)	¥ 5,100

The following financial income and sales revenue are included in the operating revenue.

Millions of Yen

	Reporting segment				Adjustment	Consolidated
	Japan	U.S.	Asia-Pacific	Total		
Financial income	¥ 8,860	¥ 5,737	¥ 231	¥ 14,827	¥ (218)	¥ 14,610
Sales revenue	—	2,393	—	2,393	(2,393)	—

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, 2017

Millions of Yen

	Reporting segment				Adjustment	Consolidated
	Japan	U.S.	Asia-Pacific	Total		
Operating revenue from external customers	¥ 28,521	¥ 16,605	¥ 705	¥ 45,831	¥ —	¥ 45,831
Internal operating revenue or transferred amount between segments	254	2,079	9	2,341	(2,341)	—
Total	28,775	18,684	714	48,172	(2,341)	45,831
Financial expenses	(2,083)	(2,115)	(6)	(4,204)	225	(3,979)
Cost of sales	—	(953)	—	(953)	953	—
Depreciation and amortization	(5,077)	(1,939)	(78)	(7,094)	—	(7,094)
Other selling, general and administrative expenses	(19,973)	(13,919)	(653)	(34,545)	1,061	(33,484)
Other income and expenses (net amount)	178	(215)	(27)	(64)	(40)	(105)
Equity in profits or losses of equity method investments	(52)	—	(46)	(99)	—	(99)
Segment profit or loss (profit before income taxes)	¥ 1,768	¥ (457)	¥ (97)	¥ 1,213	¥ (143)	¥ 1,071

Thousands of U.S. Dollars

	Reporting segment				Adjustment	Consolidated
	Japan	U.S.	Asia-Pacific	Total		
Operating revenue from external customers	$ 256,040	$ 149,064	$ 6,328	$ 411,432	$ —	$ 411,432
Internal operating revenue or transferred amount between segments	2,279	18,662	77	21,018	(21,018)	—
Total	258,319	167,725	6,405	432,450	(21,018)	411,432
Financial expenses	(18,700)	(18,987)	(56)	(37,743)	2,022	(35,720)
Cost of sales	—	(8,553)	—	(8,553)	8,553	—
Depreciation and amortization	(45,575)	(17,407)	(701)	(63,683)	—	(63,683)
Other selling, general and administrative expenses	(179,303)	(124,950)	(5,862)	(310,116)	9,525	(300,591)
Other income and expenses (net amount)	1,599	(1,932)	(244)	(578)	(362)	(940)
Equity in profits or losses of equity method investments	(468)	—	(417)	(885)	—	(885)
Segment profit or loss (profit before income taxes)	$ 15,872	$ (4,103)	$ (875)	$ 10,893	$ (1,281)	$ 9,613

The following financial income and sales revenue are included in the operating revenue.

Millions of Yen

	Reporting segment				Adjustment	Consolidated
	Japan	U.S.	Asia-Pacific	Total		
Financial income	¥ 8,803	¥ 5,493	¥ 236	¥ 14,532	¥ (218)	¥ 14,313
Sales revenue	—	1,091	—	1,091	(1,091)	—

Thousands of U.S. Dollars

	Reporting segment				Adjustment	Consolidated
	Japan	U.S.	Asia-Pacific	Total		
Financial income	$ 79,021	$ 49,309	$ 2,123	$ 130,453	$ (1,961)	$ 128,493
Sales revenue	—	9,793	—	9,793	(9,793)	—

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, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Japan	¥ 26,328	¥ 28,604	$ 256,783
U.S.	28,203	26,163	234,870
Asia-Pacific	1,208	1,134	10,179
Total	¥ 55,739	¥ 55,901	$ 501,832

7 Commission Received

For the consolidated fiscal years ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Brokerage	¥ 25,317	¥ 20,141	$ 180,809
Underwriting and distribution	153	136	1,223
Subscription and distribution	792	442	3,970
Other commission	5,890	5,629	50,536
Total	¥ 32,152	¥ 26,349	$ 236,537

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

8 Net trading income

Net trading income by classification for the consolidated fiscal year ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Financial assets and financial liabilities at fair value through profit or loss			
Held for trading	¥ 6,671	¥ 4,498	$ 40,377

Net trading income by nature for the consolidated fiscal year ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Foreign exchange (primarily FX margin transactions)	¥ 6,444	¥ 4,364	$ 39,176
Other	227	134	1,201
Total	¥ 6,671	¥ 4,498	$ 40,377

9 Financial income and expenses

(1) Financial income and expenses

Financial income and expenses by classification for the consolidated fiscal year ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Financial income:			
Financial assets and financial liabilities at fair value through profit or loss			
Held for trading	¥ 54	¥ 20	$ 184
Held-to-maturity investments	0	—	—
Loans and receivables	13,546	12,332	110,704
Available-for-sale financial assets	1,009	1,961	17,605
Total	¥ 14,610	¥ 14,313	$ 128,493
Financial expenses:			
Financial assets and financial liabilities at fair value through profit or loss			
Held for trading	¥ 158	¥ 51	$ 461
Loans and receivables	4	8	72
Available-for-sale financial assets	1	1	13
Financial liabilities measured at amortized cost	4,465	3,918	35,175
Total	¥ 4,629	¥ 3,979	$ 35,720

Financial income and expenses by nature for the consolidated fiscal year ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Financial income:			
Income from margin transactions	¥ 5,973	¥ 4,837	$ 43,426
Income from securities lending transactions	4,610	4,392	39,430
Interest income (*1)	3,542	3,832	34,403
Gains on the sale of investments in securities	301	1,084	9,727
Dividend income	109	162	1,458
Other	74	6	50
Total	¥ 14,610	¥ 14,313	$ 128,493
Financial expenses:			
Expenses from securities lending transactions	¥ 2,630	¥ 2,113	$ 18,966
Interest paid (*2)	1,360	1,270	11,398
Expenses from margin transactions	474	527	4,730
Losses on the sale of investments in securities	7	1	13
Other	158	68	613
Total	¥ 4,629	¥ 3,979	$ 35,720

Notes: (*1) Interest income for financial assets and financial liabilities other than the financial assets and financial liabilities at fair value through profit or loss were ¥3,503 million and ¥3,811 million ($34,211 thousand) for the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

(*2) Interest paid is related to financial assets and financial liabilities other than the financial assets and financial liabilities at fair value through profit or loss.

(*3) No interest income is recognized for impaired financial assets.

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

For the consolidated fiscal years ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Investments in securities	¥ 5	¥ —	$ —
Other financial assets	(63)	8	72
Total	¥ (58)	¥ 8	$ 72

(2) Other financial income and expenses

Other financial income and expenses by classification for the consolidated fiscal year ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Other financial income:			
Financial assets and financial liabilities at fair value through profit or loss			
Held for trading	¥ 595	¥ 1,386	$ 12,447
Loans and receivables	13	30	270
Available-for-sale financial assets	31	250	2,249
Total	¥ 639	¥ 1,667	$ 14,965
Other financial expenses:			
Financial assets and financial liabilities at fair value through profit or loss			
Held for trading	¥ 588	¥ 1,386	$ 12,443
Fair value option	88	80	715
Available-for-sale financial assets	41	189	1,700
Financial liabilities measured at amortized cost	126	—	—
Total	¥ 843	¥ 1,655	$ 14,859

Other financial income and expenses by nature for the consolidated fiscal year ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Other financial income:			
Gain on valuation of interest rate swaps	¥ 172	¥ 873	$ 7,841
Interest income (*1)	434	543	4,875
Gains on the sale of investments in securities	—	156	1,401
Gain on redemption of investments in securities	—	72	650
Dividend income	31	22	197
Other	2	—	—
Total	¥ 639	¥ 1,667	$ 14,965
Other financial expenses:			
Loss on valuation of interest rate swaps	¥ 172	¥ 873	$ 7,841
Interest paid (*2)	542	513	4,602
Loss on financial instruments held for risk hedge	88	80	715
Other	41	189	1,700
Total	¥ 843	¥ 1,655	$ 14,859

Notes: (*1) Interest income for financial assets and financial liabilities other than financial assets and financial liabilities at fair value through profit or loss were ¥13 million and ¥30 million ($270 thousand) for the previous consolidated fiscal year and the current consolidated fiscal year, respectively. ¥421 million and ¥513 million ($4,605 thousand) of realized gains related to interest rate swaps is included in interest income for the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

(*2) Interest paid for financial assets and financial liabilities other than financial assets and financial liabilities at fair value through profit or loss was ¥126 million for the previous consolidated fiscal year and no amount for the current consolidated fiscal year. ¥417 million and ¥513 million ($4,602 thousand) of realized gains related to interest rate swaps is included in interest paid for the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

(*3) No interest income is recognized for impaired financial assets.

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

For the consolidated fiscal years ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Investments in securities	¥ 41	¥ 189	$ 1,700
Total	¥ 41	¥ 189	$ 1,700

10 Other Operating Income

For the consolidated fiscal years ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Trading tool usage fee and information service fee	¥ 714	¥ 533	$ 4,788
Other	125	138	1,237
Total	¥ 839	¥ 671	$ 6,025

11 Selling, General and Administrative Expenses

For the consolidated fiscal years ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Transaction related costs	¥ 13,862	¥ 11,281	$ 101,270
Personnel expenses	10,651	10,393	93,304
Data processing and office supplies	5,935	5,737	51,498
Depreciation and amortization	4,911	7,094	63,683
Rental and maintenance	2,497	2,855	25,627
Other	3,539	3,218	28,892
Total	¥ 41,395	¥ 40,578	$ 364,274

12 Other Income

For the consolidated fiscal years ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Compensation income (*1)	¥ —	¥ 810	7,271
Reversal of allowance for loss on cancellation of outsourcing contract (*2)	—	508	4,560
Gain on sales of investments in associates (*3)	—	247	2,222
Other	32	40	360
Total	¥ 32	¥ 1,606	$ 14,413

Notes: (*1) The Group recognized ¥810 million ($7,271 thousand) of compensation income due to the change of the migration schedule towards the final launch of the new backbone brokerage system in the Japan segment for the current consolidated fiscal year.

(*2) In the current consolidated fiscal year, the cancellation deadline of outsourcing contract has been postponed due to the change of the migration schedule towards the final launch of the new backbone brokerage system. As a result, the lump sum payment at the time of cancellation of the contract to the subcontractor decreased, ¥508 million ($4,560 thousand) of "Reversal of allowance for loss on cancellation of outsourcing contract" was recognized and the same amount for the reversal of reserve for the cancellation of office consignment contracts was subtracted from the "Provisions" that was recognized in the Japan segment for the previous consolidated fiscal year.

(*3) The Group sold a portion of the shares of ASTMAX, Co., Ltd. held in the Japan segment, and discontinued the use of the equity method for the current consolidated fiscal year. Accordingly, ¥247 million ($2,222 thousand) of "Gain on sales of investments in associates" was recognized and includes the difference arising from measuring the remaining interests of the company's shares at the fair value.

13 Other Expenses

For the consolidated fiscal years ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
System migration expenses (*1)	¥ —	¥ 1,148	$ 10,305
Exchange loss	54	193	1,729
Loss on business restructuring (*2)	132	145	1,300
Loss on disposal of fixed assets	109	102	912
Loss on cancellation of outsourcing contract	51	70	631
Provision of allowance for loss on cancellation of outsourcing contract (*3)	2,400	—	—
Other	160	65	583
Total	¥ 2,906	¥ 1,722	$ 15,460

Notes: (*1) ¥1,148 million ($10,305 thousand) of "System migration expenses" were recognized as new backbone brokerage system migration expenses in the Japan segment for the current consolidated fiscal year.

(*2) ¥132 million loss on the business restructuring for the sale of retail accounts of the FX business in the U.S. segment was recognized for the previous consolidated fiscal year. ¥169 million for goodwill allocated to the sale of retail accounts is included in "Loss on business restructuring."

(*3) The Group decided to cancel an outsourcing contract of data operating systems for financial instruments trading for the previous consolidated fiscal year. Accordingly, ¥2,400 million for provision of allowance for loss on cancellation of outsourcing contract was recognized as expenses for cancellation and the same amount of expenses was recognized as "Provisions" in the Japan segment for the previous consolidated fiscal year.

14 Financial Instruments

(1) Fair value measurement

The fair values of financial assets and liabilities are determined as follows. Information about the fair value hierarchy is described in "Note 15. Fair Value Measurement."

(a) Cash and cash equivalents

Since these instruments have 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 into 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. Their fair value measurement is categorized into Level 2 or 3 according to its valuation method.

(d) Derivative assets and liabilities

FX margin transactions are measured at fair value using a method based on the spot exchange rate on the reporting date, and foreign exchange forwards are measured at fair value using a method based on the forward exchange rate on the reporting date. Interest rate swaps are measured at fair value using the future cash flow discounted by the discount rate over the maturity data.
Derivative assets and liabilities are categorized into 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 a discount rate reflecting the counterparty or the Group's credibility. The fair value hierarchy of financial assets and liabilities measured at fair value on a recurring basis is categorized into 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 into Level 2.

(2) Carrying amount and fair value

As of March 31, 2016

Millions of Yen

	Financial assets and liabilities at fair value through profit or loss						
	Trading	Fair value option (*1)	Loans and receivables	Available-for-sale financial assets	Other	Total carrying amount	Fair value
Cash and cash equivalents	¥ —	¥ —	¥ 61,902	¥ —	¥ —	¥ 61,902	¥ 61,902
Cash segregated as deposits	—	—	302,850	194,592	—	497,442	497,442
Trading securities and other	2,945	—	—	—	—	2,945	2,945
Derivative assets	18,221	—	—	—	933	19,153	19,153
Investments in securities	—	—	—	3,707	—	3,707	3,707
Margin transaction assets	—	—	149,236	—	—	149,236	149,236
Loans secured by securities	—	—	31,628	—	—	31,628	31,628
Other financial assets	—	1,081	63,192	—	—	64,272	64,272
Total	¥ 21,166	¥ 1,081	¥ 608,807	¥ 198,299	¥ 933	¥ 830,286	¥ 830,286
Derivative liabilities	¥ 6,959	¥ —	¥ —	¥ —	¥ 220	¥ 7,178	¥ 7,178
Margin transaction liabilities	—	—	—	—	33,006	33,006	33,006
Loans payable secured by securities	—	—	—	—	71,974	71,974	71,974
Deposits received	—	—	—	—	350,904	350,904	350,904
Guarantee deposits received	—	—	—	—	170,666	170,666	170,666
Bonds and loans payable	—	—	—	—	154,261	154,261	154,794
Other financial liabilities	—	—	—	—	5,868	5,868	5,868
Total	¥ 6,959	¥ —	¥ —	¥ —	¥ 786,899	¥ 793,858	¥ 794,390

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

As of March 31, 2017

Millions of Yen

	Financial assets and liabilities at fair value through profit or loss						
	Trading	Fair value option (*1)	Loans and receivables	Available-for-sale financial assets	Other	Total carrying amount	Fair value
Cash and cash equivalents	¥ —	¥ —	¥ 77,900	¥ —	¥ —	¥ 77,900	¥ 77,900
Cash segregated as deposits	—	—	338,930	213,098	—	552,028	552,028
Trading securities and other	1,697	—	—	—	—	1,697	1,697
Derivative assets	13,443	—	—	—	—	13,443	13,443
Investments in securities	—	—	—	3,611	—	3,611	3,611
Margin transaction assets	—	—	147,653	—	—	147,653	147,653
Loans secured by securities	—	—	34,250	—	—	34,250	34,250
Other financial assets	—	992	48,057	—	—	49,049	49,049
Total	¥ 15,140	¥ 992	¥ 646,791	¥ 216,709	¥ —	¥ 879,632	¥ 879,632
Derivative liabilities	¥ 5,069	—	—	—	¥ 758	¥ 5,828	¥ 5,828
Margin transaction liabilities	—	—	—	—	40,664	40,664	40,664
Loans payable secured by securities	—	—	—	—	77,504	77,504	77,504
Deposits received	—	—	—	—	324,672	324,672	324,672
Guarantee deposits received	—	—	—	—	257,753	257,753	257,753
Bonds and loans payable	—	—	—	—	138,133	138,133	138,257
Other financial liabilities	—	—	—	—	6,622	6,622	6,622
Total	¥ 5,069	¥ —	¥ —	¥ —	¥ 846,106	¥ 851,175	¥ 851,300

Thousands of U.S. Dollars

	Financial assets and liabilities at fair value through profit or loss						
	Trading	Fair value option (*1)	Loans and receivables	Available-for-sale financial assets	Other	Total carrying amount	Fair value
Cash and cash equivalents	$ —	$ —	$ 699,323	$ —	$ —	$ 699,323	$ 699,323
Cash segregated as deposits	—	—	3,042,620	1,913,010	—	4,955,631	4,955,631
Trading securities and other	15,231	—	—	—	—	15,231	15,231
Derivative assets	120,682	—	—	—	—	120,682	120,682
Investments in securities	—	—	—	32,417	—	32,417	32,417
Margin transaction assets	—	—	1,325,506	—	—	1,325,506	1,325,506
Loans secured by securities	—	—	307,470	—	—	307,470	307,470
Other financial assets	—	8,905	431,416	—	—	440,321	440,321
Total	$ 135,913	$ 8,905	$ 5,806,336	$ 1,945,428	$ —	$ 7,896,581	$ 7,896,581
Derivative liabilities	$ 45,507	$ —	$ —	$ —	$ 6,808	$ 52,314	$ 52,314
Margin transaction liabilities	—	—	—	—	365,048	365,048	365,048
Loans payable secured by securities	—	—	—	—	695,762	695,762	695,762
Deposits received	—	—	—	—	2,914,623	2,914,623	2,914,623
Guarantee deposits received	—	—	—	—	2,313,887	2,313,887	2,313,887
Bonds and loans payable	—	—	—	—	1,240,040	1,240,040	1,241,157
Other financial liabilities	—	—	—	—	59,450	59,450	59,450
Total	$ 45,507	$ —	$ —	$ —	$ 7,595,617	$ 7,641,124	$ 7,642,241

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

(3) Derivatives and hedge accounting

(a) Cash flow hedges

The Group designated interest rate swaps as hedging instruments, and the future cash flows of "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 a variable interest rate on loans payable into a fixed interest rate and applies hedge accounting to it.

The notional amount of hedging instruments is ¥15,000 million ($134,657 thousand) in the previous consolidated fiscal year and the current consolidated fiscal year.

Fair value of derivatives designated as hedging instruments

For the consolidated fiscal years ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	**2017**	**2017**
Derivative liabilities	¥ 220	**¥ 109**	**$ 979**

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

For the consolidated fiscal years ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Beginning balance	¥ (132)	¥ (152)	$ (1,368)
Other comprehensive income before reclassification	(64)	20	179
Reclassification to profit or loss (*1)	44	57	510
Ending balance	¥ (152)	¥ (76)	$ (679)

Note: (*1) Loss of ¥65 million and ¥82 million ($735 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 series of interest rate swap transactions to hedge the risk of variability in future cash flows by substantively converting a variable interest rate on cash segregated as deposits into a fixed interest rate and applies hedge accounting to it. The notional amount of hedging instruments is $1,000 million, for the previous consolidated fiscal year and current consolidated fiscal year.

Fair value of derivatives designated as hedging instruments

For the consolidated fiscal years ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Derivative assets	¥ 933	¥ —	$ —
Derivative liabilities	¥ —	¥ 649	$ 5,829

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

For the consolidated fiscal years ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Beginning balance	¥ 234	¥ 753	$ 6,758
Other comprehensive income before reclassification	1,120	(644)	(5,779)
Reclassification to profit or loss (*1)	(601)	(452)	(4,062)
Ending balance	¥ 753	¥ (343)	$ (3,083)
(Breakdown)			
Continued hedges	590	(406)	(3,642)
Discontinued hedges (*2)	163	62	560

Notes: (*1) Profit of ¥952 million and ¥716 million ($6,426 thousand) (before related tax effects) is included in "Financial income" in the previous consolidated fiscal year and current consolidated fiscal year, respectively. And profit of ¥55 million and ¥147 million ($1,315 thousand) (before related tax effects) for discontinued hedges is included in the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

(*2) Cumulative gain or loss recognized in other comprehensive income of discontinued hedges are recognized in profit or loss over the period through April 2018 during which the future cash flow from the originally hedged cash segregated as deposits affects the profit or loss over the period to April 2018.

(b) Derivatives not designated for hedge accounting

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

For the consolidated fiscal years ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	**2017**	**2017**
Derivative assets	¥ 18,221	**¥ 13,443**	**$ 120,682**
Derivative liabilities	6,959	**5,069**	**45,507**

(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, 2016

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						Financial instruments not subject to an enforceable master netting arrangement or similar agreement	Carrying amounts 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	Related amounts not set off in the statement of financial position: Financial instruments	Cash collateral received	Net amount		
Cash and cash equivalents	¥ 2,356	¥ 2	¥ 2,354	¥ —	¥ —	¥ 2,354	¥ 59,549	¥ 61,902
Derivative assets	19,463	406	19,057	3,076	14,428	1,553	96	19,153
Margin transaction assets	149,236	—	149,236	134,986	14,250	—	—	149,236
Loans secured by securities	31,628	—	31,628	30,008	—	1,619	—	31,628
Other financial assets	40,960	—	40,960	10,195	2,770	27,994	23,312	64,272
Total	¥ 243,642	¥ 408	¥ 243,234	¥ 178,265	¥ 31,449	¥ 33,520	¥ 82,957	¥ 326,191

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						Financial instruments not subject to an enforceable master netting arrangement or similar agreement	Carrying amounts 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	Related amounts not set off in the statement of financial position: Financial instruments	Cash collateral pledged	Net amount		
Derivative liabilities	¥ 7,586	¥ 408	¥ 7,178	¥ 3,076	¥ 242	¥ 3,861	¥ —	¥ 7,178
Margin transaction liabilities	33,006	—	33,006	31,963	—	1,043	—	33,006
Loans payable secured by securities	71,974	—	71,974	64,943	—	7,031	—	71,974
Deposit received	345,971	—	345,971	2,691	—	343,280	4,932	350,904
Guarantee deposit received	170,666	—	170,666	29,689	—	140,977	—	170,666
Total	¥ 629,204	¥ 408	¥ 628,796	¥ 132,362	¥ 242	¥ 496,193	¥ 4,932	¥ 633,728

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 a default or other certain situation that is not expected in the 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 into customer trust accounts.

Financial assets

As of March 31, 2017

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						Financial instruments not subject to an enforceable master netting arrangement or similar agreement	Carrying amounts in the statement of financial position
				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		
Cash and cash equivalents	¥ 1,378	¥ 35	¥ 1,343	¥ —	¥ —	¥ 1,343	¥ 76,557	¥ 77,900
Derivative assets	13,781	338	13,443	1,803	10,892	748	—	13,443
Margin transaction assets	147,653	—	147,653	138,372	9,282	—	—	147,653
Loans secured by securities	34,250	—	34,250	32,298	—	1,953	—	34,250
Other financial assets	36,214	—	36,214	10,468	3,069	22,677	12,835	49,049
Total	¥ 233,277	¥ 373	¥ 232,904	¥ 182,940	¥ 23,243	¥ 26,721	¥ 89,393	¥ 322,297

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						Financial instruments not subject to an enforceable master netting arrangement or similar agreement	Carrying amounts in the statement of financial position
				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		
Cash and cash equivalents	$ 12,370	$ 313	$ 12,057	$ —	$ —	$ 12,057	$ 687,266	$ 699,323
Derivative assets	123,718	3,037	120,682	16,183	97,783	6,716	—	120,682
Margin transaction assets	1,325,506	—	1,325,506	1,242,182	83,324	—	—	1,325,506
Loans secured by securities	307,470	—	307,470	289,940	—	17,531	—	307,470
Other financial assets	325,096	—	325,096	93,973	27,548	203,575	115,225	440,321
Total	$ 2,094,161	$ 3,350	$ 2,090,812	$ 1,642,278	$ 208,655	$ 239,879	$ 802,491	$ 2,893,302

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						Financial instruments not subject to an enforceable master netting arrangement or similar agreement	Carrying amounts 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	Related amounts not set off in the statement of financial position		Net amount		
				Financial instruments	Cash collateral pledged			
Derivative liabilities	¥ 6,201	¥ 373	¥ 5,828	¥ 1,803	¥ 779	¥ 3,246	¥ —	¥ 5,828
Margin transaction liabilities	40,664	—	40,664	40,492	—	172	—	40,664
Loans payable secured by securities	77,504	—	77,504	73,386	—	4,118	—	77,504
Deposit received	316,119	—	316,119	3,014	—	313,105	8,552	324,672
Guarantee deposit received	257,753	—	257,753	27,328	—	230,425	—	257,753
Total	¥ 698,241	¥ 373	¥ 697,868	¥ 146,024	¥ 779	¥ 551,065	¥ 8,552	¥ 706,420

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						Financial instruments not subject to an enforceable master netting arrangement or similar agreement	Carrying amounts 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	Related amounts not set off in the statement of financial position		Net amount		
				Financial instruments	Cash collateral pledged			
Derivative liabilities	$ 55,664	$ 3,350	$ 52,314	$ 16,183	$ 6,991	$ 29,140	$ —	$ 52,314
Margin transaction liabilities	365,048	—	365,048	363,506	—	1,542	—	365,048
Loans payable secured by securities	695,762	—	695,762	658,796	—	36,966	—	695,762
Deposit received	2,837,847	—	2,837,847	27,061	—	2,810,787	76,776	2,914,623
Guarantee deposit received	2,313,887	—	2,313,887	245,332	—	2,068,555	—	2,313,887
Total	$ 6,268,208	$ 3,350	$ 6,264,859	$ 1,310,877	$ 6,991	$ 4,946,990	$ 76,776	$ 6,341,634

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 a default or other certain situation that is not expected in the 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 into customer trust accounts.

15 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 the 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 in 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 14. Financial Instruments.”

(3) Valuation process

For fair value measurements categorized within Level 3, external valuation specialists or appropriate persons 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 inputs for the assets measured by fair value on a recurring basis using significant unobservable inputs and categorized in Level 3 at the end of the previous consolidated fiscal year and at the end of the current consolidated fiscal year are as follows.

For some investments in securities measured by fair value using an income approach for the previous consolidated fiscal year, the Group changed the valuation techniques from an income approach to a market approach and transferred to level 1 for the current consolidated fiscal year because the market approach was considered to be the more appropriate method as new information became available.

As of March 31, 2016

	Valuation techniques	Unobservable inputs	Rates
Investments in securities	Income approach	Earnings growth rate Discount rate	0%–0.7% 8.3%–10.4%
Derivative assets	Binomial model	Volatility rate	60.0%

As of March 31, 2017

	Valuation techniques	Unobservable inputs	Rates
Investments in securities	Income approach	Earnings growth rate Discount rate	0% 8.2%

(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 the discount rate decreases or the earning growth rate increases, and decreases when the discount rate increases or the earning growth rate decreases. The fair value of investments in securities measured using binomial model increases when the volatility rate increases and decreases when the 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 in the consolidated statement of financial position

As of March 31, 2016

Millions of Yen

	Level 1	Level 2	Level 3	Total
Cash segregated as deposits	¥ 194,592	¥ —	¥ —	¥ 194,592
Trading securities and other	850	2,095	—	2,945
Derivative assets	—	19,057	96	19,153
Investments in securities	980	—	2,727	3,707
Other financial assets	—	1,081	—	1,081
Total	¥ 196,422	¥ 22,233	¥ 2,823	¥ 221,478
Derivative liabilities	¥ —	¥ 7,178	¥ —	¥ 7,178
Total	¥ —	¥ 7,178	¥ —	¥ 7,178

As of March 31, 2017

Millions of Yen

	Level 1	Level 2	Level 3	Total
Cash segregated as deposits	**¥ 213,098**	**¥ —**	**¥ —**	**¥ 213,098**
Trading securities and other	**895**	**802**	**—**	**1,697**
Derivative assets	**—**	**13,443**	**—**	**13,443**
Investments in securities	**922**	**—**	**2,689**	**3,611**
Other financial assets	**—**	**992**	**—**	**992**
Total	**¥ 214,915**	**¥ 15,237**	**¥ 2,689**	**¥ 232,841**
Derivative liabilities	**¥ —**	**¥ 5,828**	**¥ —**	**¥ 5,828**
Total	**¥ —**	**¥ 5,828**	**¥ —**	**¥ 5,828**

Thousands of U.S. Dollars

	Level 1	Level 2	Level 3	Total
Cash segregated as deposits	**$ 1,913,010**	**$ —**	**$ —**	**$ 1,913,010**
Trading securities and other	**8,036**	**7,196**	**—**	**15,231**
Derivative assets	**—**	**120,682**	**—**	**120,682**
Investments in securities	**8,277**	**—**	**24,140**	**32,417**
Other financial assets	**—**	**8,905**	**—**	**8,905**
Total	**$ 1,929,323**	**$ 136,783**	**$ 24,140**	**$ 2,090,246**
Derivative liabilities	**$ —**	**$ 52,314**	**$ —**	**$ 52,314**
Total	**$ —**	**$ 52,314**	**$ —**	**$ 52,314**

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, 2016 and 2017

	Millions of Yen				Thousands of U.S. Dollars	
	2016		**2017**		**2017**	
	Investments in securities	Derivative assets	Investments in securities	Derivative assets	Investments in securities	Derivative assets
Beginning balance	¥ 1,847	¥ 247	**¥ 2,727**	**¥ 96**	**$ 24,482**	**$ 864**
Total gains or losses	1,067	(151)	**693**	**(50)**	**6,223**	**(447)**
Profit or loss	271	(151)	**516**	**(50)**	**4,630**	**(447)**
Other comprehensive income	795	—	**177**	**—**	**1,593**	**—**
Purchases	156	—	**354**	**—**	**3,176**	**—**
Sales and collections	(342)	—	**(797)**	**(46)**	**(7,153)**	**(417)**
Transfer from level 3 to level 1 (*1)	—	—	**(288)**	**—**	**(2,588)**	**—**
Ending balance	¥ 2,727	¥ 96	**¥ 2,689**	**¥ —**	**$ 24,140**	**$ —**
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)	¥ (151)	**¥ (18)**	**¥ —**	**$ (163)**	**$ —**

Notes: (*1) This is due to the listing of the holding stocks.

The amounts recognized in profit or loss for investments in securities are included in “Other financial income” or “Other financial expenses.” The amounts recognized in profit or loss for derivative assets are included in “Financial income” in the consolidated statement of income. The amounts recognized in other comprehensive income are included in “Changes in fair value of available-for-sale financial assets” in the 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 in the consolidated statement of financial position, but are within the scope of fair value disclosure

As of March 31, 2016

Millions of Yen

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	¥ 61,902	¥ —	¥ —	¥ 61,902
Cash segregated as deposits	302,155	695	—	302,850
Margin transaction assets	—	149,236	—	149,236
Loans secured by securities	—	31,628	—	31,628
Other financial assets	—	63,192	—	63,192
Equity method investments	546	—	—	546
Total	¥ 364,603	¥ 244,750	¥ —	¥ 609,353
Margin transaction liabilities	¥ —	¥ 33,006	¥ —	¥ 33,006
Loans payable secured by securities	—	71,974	—	71,974
Deposits received	—	350,904	—	350,904
Guarantee deposits received	—	170,666	—	170,666
Bonds and loans payable	—	154,794	—	154,794
Other financial liabilities	—	5,868	—	5,868
Total	¥ —	¥ 787,212	¥ —	¥ 787,212

As of March 31, 2017

Millions of Yen

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	¥ 77,900	¥ —	¥ —	¥ 77,900
Cash segregated as deposits	338,913	16	—	338,930
Margin transaction assets	—	147,653	—	147,653
Loans secured by securities	—	34,250	—	34,250
Other financial assets	—	48,057	—	48,057
Total	¥ 416,814	¥ 229,977	¥ —	¥ 646,791
Margin transaction liabilities	—	40,664	—	40,664
Loans payable secured by securities	—	77,504	—	77,504
Deposits received	—	324,672	—	324,672
Guarantee deposits received	—	257,753	—	257,753
Bonds and loans payable	—	138,257	—	138,257
Other financial liabilities	—	6,622	—	6,622
Total	¥ —	¥ 845,472	¥ —	¥ 845,472

Thousands of U.S. Dollars

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 699,323	$ —	$ —	$ 699,323
Cash segregated as deposits	3,042,474	146	—	3,042,620
Margin transaction assets	—	1,325,506	—	1,325,506
Loans secured by securities	—	307,470	—	307,470
Other financial assets	—	431,416	—	431,416
Total	$ 3,741,797	$ 2,064,539	$ —	$ 5,806,336
Margin transaction liabilities	—	365,048	—	365,048
Loans payable secured by securities	—	695,762	—	695,762
Deposits received	—	2,914,623	—	2,914,623
Guarantee deposits received	—	2,313,887	—	2,313,887
Bonds and loans payable	—	1,241,157	—	1,241,157
Other financial liabilities	—	59,450	—	59,450
Total	$ —	$ 7,589,927	$ —	$ 7,589,927

(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.

16 Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position

As of March 31, 2016 and 2017

	Millions of Yen				Thousands of U.S. Dollars	
		2016		2017		2017
Cash and cash equivalents in consolidated statement of financial position	¥	61,902	¥	77,900	$	699,323
Secured deposits		(2,354)		(1,343)		(12,057)
Instruments included in investments in securities such as MMF		207		—		—
Cash and cash equivalents in consolidated statement of cash flows	¥	59,756	¥	76,557	$	687,266

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

17 Cash Segregated as Deposits

Assets included in cash segregated as deposits

As of March 31, 2016 and 2017

	Millions of Yen				Thousands of U.S. Dollars	
		2016		2017		2017
Cash and cash equivalents	¥	302,155	¥	338,913	$	3,042,474
Call loans		641		3		27
Government and corporate bonds		115,092		81,598		732,516
Joint investment trust		79,500		131,500		1,180,494
Others		54		13		119
Total	¥	497,442	¥	552,028	$	4,955,631

18 Collateral

(1) Collateral provided by the Group

As of March 31, 2016 and 2017

	Millions of Yen				Thousands of U.S. Dollars	
		2016		2017		2017
Cash and cash equivalents (*1)	¥	2,354	¥	1,343	$	12,057
Other financial assets (*2)		27,721		30,404		272,939
Total	¥	30,074	¥	31,747	$	284,996

Notes: (*1) Restricted deposits placed to a counterparty financial institution for FX margin transactions.
(*2) Collateral pledged to a counterparty financial institution for FX margin transactions, collateral pledged to a securities finance company for lending of margin transactions and collateral pledged to clearing houses for settlement of financial instrument trading, collateral and deposit pledged to a counterparty financial institution, exchange, and collateral for financial instrument trading.

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

For securities accepted which are permitted to be sold or to be repledged as collateral, contractual terms generally requires that the equivalent securities be returned when transactions are settled.

As of March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Collateral securities for loans on margin transactions (*3)	¥ 131,200	¥ 130,342	$ 1,170,102
Securities borrowing on margin transactions (*4)	3,507	9,122	81,893
Securities borrowing on loan contracts	285,410	174,724	1,568,523
Substitute securities for guarantee deposits received	304,044	330,499	2,966,933
Total	¥ 724,160	¥ 644,687	$ 5,787,451

(3) Fair value of securities pledged to customers or other counterparties to sell or repledge the collateral included in (2)

As of March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Securities lending on margin transactions (*4)	¥ 18,406	¥ 29,329	$ 263,288
Collateral securities for borrowings on margin transactions (*3)	15,096	13,034	117,008
Securities lending on loan contracts	69,891	73,386	658,796
Substitute securities for guarantee deposits received that are pledged for lending transactions	8,791	—	—
Securities pledged as other collateral (*5)	246	5,684	51,023
Total	¥ 112,429	¥ 121,432	$ 1,090,114

Notes: (*3) Securities company lends money for the purchase of securities to the customer 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.

(*4) Securities company lends securities for the sale of securities to the customer 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.

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

19 Bonds and Loans Payable

As of March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars	%	
	2016	2017	2017	Average interest rate (*1)	Due date
Short-term loans payable and other	¥ 86,321	¥ 54,607	$ 490,219	0.47	
Bonds payable	16,726	17,942	161,068	—	
Long-term loans payable	51,214	65,584	588,753	0.62	From June 2018 to March 2020
Total	¥ 154,261	¥ 138,133	$ 1,240,040		
(Margin transaction liabilities) Borrowings on margin transactions	¥ 15,178	¥ 13,113	$ 117,721	0.60	

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 loans at the end of the previous consolidated fiscal year and at the end of the current consolidated fiscal year, amounting to ¥74,998 million and ¥54,213 million ($486,677 thousand), respectively.

Summary of the terms of bonds payable

As of March 31, 2016 and 2017

Company	Description	Issue date	Millions of Yen 2016	Millions of Yen 2017	Thousands of U.S. Dollars 2017	% Rate	Redemption date
Monex Group, Inc.	Yen-denominated bond with interest coupon of 1.30% due on July 19, 2016	July 19, 2013	¥ 2,000	¥ —	$ —	1.30	July 19, 2016
Monex Group, Inc.	Yen-denominated bond with interest coupon of 1.50% due on October 17, 2018	October 17, 2013	5,000	**5,000**	**44,886**	1.50	October 17, 2018
Monex Group, Inc.	Yen-denominated bond with interest coupon of 1.50% due on November 12, 2018	November 11, 2013	5,000	**5,000**	**44,886**	1.50	November 12, 2018
Monex Group, Inc.	Yen-denominated bond due on December 17, 2018	December 17, 2013	5,000	**5,000**	**44,886**	1.50	December 17, 2018
Monex Group, Inc.	Yen-denominated bond due on May 19, 2017	May 19, 2016	—	**3,000**	**26,931**	0.60	May 19, 2017

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

20 Property and Equipment

Millions of Yen

	Buildings	Equipment and fixtures	Total
Acquisition cost			
As of April 1, 2015	¥ 969	¥ 4,162	¥ 5,131
Increase for the consolidated fiscal year (Purchase)	104	762	866
Disposal	(1)	(105)	(106)
Foreign currency translation adjustments in foreign operations	(30)	(209)	(239)
As of March 31, 2016	¥ 1,042	¥ 4,610	¥ 5,652
Increase for the consolidated fiscal year (Purchase)	**200**	**475**	**675**
Disposal	**(96)**	**(1,782)**	**(1,878)**
Foreign currency translation adjustments in foreign operations	**(5)**	**(73)**	**(78)**
As of March 31, 2017	**¥ 1,140**	**¥ 3,231**	**¥ 4,371**

Millions of Yen

	Buildings	Equipment and fixtures	Total
Accumulated depreciation and accumulated impairment loss			
As of April 1, 2015	¥ 298	¥ 2,426	¥ 2,723
Depreciation	140	486	626
Disposal	(1)	(101)	(101)
Foreign currency translation adjustments in foreign operations	(12)	(152)	(164)
Other	—	110	110
As of March 31, 2016	¥ 425	¥ 2,769	¥ 3,194
Depreciation	**282**	**693**	**975**
Disposal	**(21)**	**(1,779)**	**(1,801)**
Foreign currency translation adjustments in foreign operations	**(1)**	**(58)**	**(59)**
As of March 31, 2017	**¥ 685**	**¥ 1,625**	**¥ 2,309**

Millions of Yen

	Buildings	Equipment and fixtures	Total
Carrying amount			
As of April 1, 2015	¥ 671	¥ 1,737	¥ 2,408
As of March 31, 2016	616	1,841	2,457
As of March 31, 2017	**¥ 456**	**¥ 1,606**	**¥ 2,062**

Thousands of U.S. Dollars

	Buildings	Equipment and fixtures	Total
Acquisition cost			
As of March 31, 2016	$ 9,351	$ 41,384	$ 50,735
Increase for the consolidated fiscal year (Purchase)	**1,791**	**4,268**	**6,060**
Disposal	**(859)**	**(15,996)**	**(16,855)**
Foreign currency translation adjustments in foreign operations	**(45)**	**(654)**	**(699)**
As of March 31, 2017	**$ 10,238**	**$ 29,003**	**$ 39,241**

Thousands of U.S. Dollars

	Buildings	Equipment and fixtures	Total
Accumulated depreciation and accumulated impairment loss			
As of March 31, 2016	$ 3,819	$ 24,858	$ 28,677
Depreciation	**2,530**	**6,220**	**8,750**
Disposal	**(193)**	**(15,971)**	**(16,164)**
Foreign currency translation adjustments in foreign operations	**(11)**	**(521)**	**(532)**
As of March 31, 2017	**$ 6,145**	**$ 14,586**	**$ 20,731**

Thousands of U.S. Dollars

	Buildings	Equipment and fixtures	Total
Carrying amount			
As of March 31, 2016	$ 5,532	$ 16,526	$ 22,058
As of March 31, 2017	**$ 4,093**	**$ 14,417**	**$ 18,510**

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.

21 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, 2015	¥ 21,240	¥ 14,933	¥ 27,893	¥ 64,066
Increase (not by business combination)	—	11,326	688	12,015
Disposal	(222)	(291)	(2,432)	(2,946)
Foreign currency translation adjustments in foreign operations	(839)	(341)	(1,379)	(2,558)
As of March 31, 2016	¥ 20,179	¥ 25,627	¥ 24,770	¥ 70,576
Increase (not by business combination)	**—**	**6,674**	**1,183**	**7,857**
Disposal	**(191)**	**(923)**	**(767)**	**(1,880)**
Foreign currency translation adjustments in foreign operations	**(140)**	**(65)**	**(221)**	**(426)**
As of March 31, 2017	**¥ 19,849**	**¥ 31,313**	**¥ 24,966**	**¥ 76,127**

Millions of Yen

	Goodwill	Internally generated intangible assets	Others	Total
Accumulated amortization and accumulated impairment loss				
As of April 1, 2015	¥ 3,128	¥ 2,780	¥ 9,351	¥ 15,259
Amortization	—	2,677	1,921	4,598
Disposal	(53)	(51)	(1,555)	(1,659)
Foreign currency translation adjustments in foreign operations	(193)	(68)	(414)	(675)
As of March 31, 2016	¥ 2,883	¥ 5,338	¥ 9,303	¥ 17,524
Amortization	**—**	**4,235**	**1,885**	**6,119**
Disposal	**(45)**	**(385)**	**(767)**	**(1,197)**
Foreign currency translation adjustments in foreign operations	**(32)**	**(0)**	**(38)**	**(70)**
As of March 31, 2017	**¥ 2,806**	**¥ 9,188**	**¥ 10,382**	**¥ 22,376**

Millions of Yen

	Goodwill	Internally generated intangible assets	Others	Total
Carrying amount				
As of April 1, 2015	¥ 18,112	¥ 12,153	¥ 18,542	¥ 48,807
As of March 31, 2016	17,296	20,289	15,468	53,053
As of March 31, 2017	**17,043**	**22,124**	**14,584**	**53,751**

Thousands of U.S. Dollars

	Goodwill	Internally generated intangible assets	Others	Total
Acquisition cost				
As of March 31, 2016	$ 181,154	$ 230,054	$ 222,365	$ 633,573
Increase (not by business combination)	**—**	**59,915**	**10,622**	**70,537**
Disposal	**(1,713)**	**(8,284)**	**(6,883)**	**(16,881)**
Foreign currency translation adjustments in foreign operations	**(1,256)**	**(588)**	**(1,981)**	**(3,825)**
As of March 31, 2017	**$ 178,184**	**$ 281,097**	**$ 224,123**	**$ 683,405**

Thousands of U.S. Dollars

	Goodwill	Internally generated intangible assets	Others	Total
Accumulated amortization and accumulated impairment loss				
As of March 31, 2016	$ 25,881	$ 47,921	$ 83,511	$ 157,313
Amortization	**—**	**38,016**	**16,918**	**54,933**
Disposal	**(408)**	**(3,452)**	**(6,883)**	**(10,743)**
Foreign currency translation adjustments in foreign operations	**(287)**	**(1)**	**(341)**	**(629)**
As of March 31, 2017	**$ 25,186**	**$ 82,484**	**$ 93,205**	**$ 200,875**

Thousands of U.S. Dollars

	Goodwill	Internally generated intangible assets	Others	Total
Carrying amount				
As of March 31, 2016	$ 155,272	$ 182,133	$ 138,854	$ 476,260
As of March 31, 2017	**$ 152,998**	**$ 198,613**	**$ 130,919**	**$ 482,530**

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

Carrying amount and remaining amortization periods

As of March 31, 2016

Class	Carrying amount (Millions of Yen)	Remaining amortization periods
Customer relationships	¥ 2,984	13 years
Technologies assets	8,703	13 years

As of March 31, 2017

Class	Carrying amount (Millions of Yen)	Carrying amount (Thousands of U.S. Dollars)	Remaining amortization periods
Customer relationships	**¥ 2,729**	**$ 24,500**	**12 years**
Technologies assets	**7,960**	**71,458**	**12 years**

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

Carrying amount of intangible assets other than goodwill with indefinite useful lives

As of March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Exchange membership and others	¥ 737	¥ 732	$ 6,568

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

There are no intangible assets with restricted ownership or that are 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 the value in use. “Goodwill” arising from business combination is allocated to the relevant group of cash-generating units (CGUs) that are 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, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
Groups of CGUs	2016	2017	2017
(Goodwill)			
Japan	¥ 7,627	¥ 7,627	$ 68,469
U.S.	9,231	8,983	80,644
China	438	433	3,885
Total	¥ 17,296	¥ 17,043	$ 152,998
(Intangible assets with indefinite useful lives)			
Japan	¥ 283	¥ 283	$ 2,542
U.S.	454	449	4,026
Total	¥ 737	¥ 732	$ 6,568

The asset’s value in use is calculated by discounting the 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 the first five years and assuming 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 the weighted average cost of capital for each group of CGUs and the appropriate risk premium.

Discount rates before tax used for calculating the value in use for each group of CGUs

For the consolidated fiscal years ended March 31, 2016 and 2017

Groups of CGUs	2016	2017
Japan	8.9%	**8.6%**
U.S.	18.3%	**19.3%**
China	15.9%	**18.1%**

Growth rate used for calculating the operating future cash flows for the years subsequent to the first five years

As of March 31, 2016 and 2017

Groups of CGUs	2016	2017
Japan	0.7%	**0.7%**
U.S.	2.2%	**2.2%**
China	3.0%	**3.0%**

In Japan and China, the recoverable amounts for each group of CGUs sufficiently exceed their carrying amounts, therefore the Group consider that impairment loss is unlikely to occur for these groups of CGUs, even if the key assumptions used in impairment testing were to change within a reasonably possible range. In the U.S., since the amount by which the recoverable amounts for the group of CGUs exceed its carrying amounts is low, if the discount rate were to increase or the estimated future cash flows were to decrease, there is a possibility that impairment loss would occur for this group of CGUs.

22 Impairment of Non-financial Assets

For the consolidated fiscal year ended March 31, 2016
There is no impairment for the non-financial assets.

For the consolidated fiscal year ended March 31, 2017
There is no impairment for the non-financial assets.

23 Companies Subject to Equity Method

(1) Summary of associates

As of March 31, 2016 and 2017

Company name	Business description	Segment	Ownership interest %	
			2016	2017
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	**5.5**

The Group sold a portion of the shares of ASTMAX, Co., Ltd. held in the Japan segment, and discontinued the use of the equity method for the current consolidated fiscal year.

Please refer to “12.Other income” for details.

Carrying amount of associates that are not individually material

As of March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Carrying amount	¥ 1,050	¥ 333	$ 2,989

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

For the consolidated fiscal year ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Equity in profits or losses of equity method investments	¥ 30	¥ (50)	$ (445)
Share of other comprehensive income of equity method investments	31	(8)	(70)
Total	¥ 60	¥ (57)	$ (515)

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

As of March 31,2016 and 2017

Company name	Business description	Segment	Ownership interest %	
			2016	2017
Japan Growth Investments Alliance, Inc. (J-GIA)	Composition and operation of funds by investment limited partnership	Japan	—	38.1
Cherry Technology Co., Ltd.	Technical supports	Asia-Pacific	49.0	49.0

Carrying amount of joint ventures that is not individually material

As of March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Carrying amount	¥ 75	¥ 30	$ 268

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

For the consolidated fiscal year ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Equity in profits or losses of equity method investments	¥ (97)	¥ (49)	$ (440)
Share of other comprehensive income of equity method investments	(13)	(7)	(61)
Total	¥ (110)	¥ (56)	$ (500)

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.

24 Deferred Tax and Income Tax Expense

(1) Deferred tax

Major components of deferred tax assets and deferred tax liabilities

Millions of Yen

	As of March 31, 2015	Recognized through profit or loss	Recognized through other comprehensive income	As of March 31, 2016
Deferred tax assets:				
Tax loss carried forward	¥ 2,505	¥ 530	¥ —	¥ 3,036
Property and equipment and intangible assets	1,134	297	—	1,430
Allowance for loss on cancellation of outsourcing contract	—	741	—	741
Accounts payable and accrued expenses	745	(229)	—	516
Accrued enterprise tax	34	102	—	136
Deferred income	45	(3)	—	42
Investments in securities	51	13	(22)	42
Allowance for doubtful receivables	68	(31)	—	37
Others	750	137	4	891
Total deferred tax assets	¥ 5,332	¥ 1,558	¥ (18)	¥ 6,871
Deferred tax liabilities:				
Property and equipment and intangible assets	¥ 7,501	¥ 56	¥ —	¥ 7,558
Investments in securities	890	(70)	793	1,613
Goodwill	328	(17)	—	310
Others	325	(84)	302	543
Total deferred tax liabilities	¥ 9,044	¥ (115)	¥ 1,095	¥ 10,024

Millions of Yen

	As of March 31, 2016	Recognized through profit or loss	Recognized through other comprehensive income	As of March 31, 2017
Deferred tax assets:				
Tax loss carried forward	¥ 3,036	**¥ 36**	**¥ —**	**¥ 3,072**
Property and equipment and intangible assets	1,430	**(746)**	**—**	**684**
Allowance for loss on cancellation of outsourcing contract	741	**(741)**	**—**	**—**
Accounts payable and accrued expenses	516	**85**	**—**	**601**
Accrued enterprise tax	136	**(124)**	**—**	**12**
Deferred income	42	**(3)**	**—**	**39**
Investments in securities	42	**(28)**	**58**	**72**
Allowance for doubtful receivables	37	**(7)**	**—**	**30**
Others	891	**(78)**	**205**	**1,019**
Total deferred tax assets	¥ 6,871	**¥ (1,606)**	**¥ 263**	**¥ 5,529**
Deferred tax liabilities:				
Property and equipment and intangible assets	¥ 7,558	**¥ (1,253)**	**¥ —**	**¥ 6,305**
Investments in securities	1,613	**(60)**	**(390)**	**1,163**
Goodwill	310	**—**	**—**	**310**
Others	543	**6**	**(399)**	**149**
Total deferred tax liabilities	¥ 10,024	**¥ (1,307)**	**¥ (789)**	**¥ 7,927**

				Thousands of U.S. Dollars
	As of March 31, 2016	Recognized through profit or loss	Recognized through other comprehensive income	As of March 31, 2017
Deferred tax assets:				
Tax loss carried forward	$ 27,254	**$ 325**	**$ —**	**$ 27,578**
Property and equipment and intangible assets	12,842	**(6,701)**	**—**	**6,140**
Allowance for loss on cancellation of outsourcing contract	6,649	**(6,649)**	**—**	**—**
Accounts payable and accrued expenses	4,633	**764**	**—**	**5,397**
Accrued enterprise tax	1,218	**(1,110)**	**—**	**109**
Deferred income	380	**(29)**	**—**	**351**
Investments in securities	374	**(255)**	**523**	**642**
Allowance for doubtful receivables	332	**(62)**	**—**	**269**
Others	8,001	**(698)**	**1,841**	**9,144**
Total deferred tax assets	$ 61,683	**$ (14,416)**	**$ 2,363**	**$ 49,630**
Deferred tax liabilities:				
Property and equipment and intangible assets	$ 67,846	**$ (11,249)**	**$ —**	**$ 56,598**
Investments in securities	14,478	**(537)**	**(3,501)**	**10,440**
Goodwill	2,785	**—**	**—**	**2,785**
Others	4,874	**53**	**(3,586)**	**1,342**
Total deferred tax liabilities	$ 89,984	**$ (11,732)**	**$ (7,087)**	**$ 71,165**

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

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

As of March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	**2017**	**2017**
Deferred tax assets	¥ 8	**¥ 2**	**$ 22**
Deferred tax liabilities	(3,161)	**(2,401)**	**(21,556)**
Net amount	¥ (3,153)	**¥ (2,399)**	**$ (21,534)**

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

As of March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	**2017**	**2017**
Tax loss carried forward	¥ 343	**¥ 676**	**$ 6,072**
Deductible temporary differences	271	**358**	**3,218**
Total	¥ 614	**¥ 1,035**	**$ 9,290**

Amount and Expiration date for tax loss carried forward for which no deferred tax asset is recognized

As of March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	**2017**	**2017**
Year 1	¥ —	**¥ 41**	**$ 367**
Year 2	36	**20**	**181**
Year 3	17	**122**	**1,099**
Year 4	116	**79**	**708**
Over year 5	¥ 174	**¥ 414**	**$ 3,718**

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 a deferred tax asset, 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 basically not 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 ¥3,544 million and ¥5,598 million ($50,253 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 ¥11,168 million and ¥7,568 million ($67,943 thousand), respectively.

(2) Income tax expense

Current income tax expense and deferred tax expense

For the consolidated fiscal years ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	**2017**	**2017**
Current income tax expense:			
For the consolidated fiscal year	¥ 3,130	**¥ 583**	**$ 5,234**
Total current income tax expense	3,130	**583**	**5,234**
Deferred tax expense:			
Increase and decrease in temporary differences	(1,628)	**215**	**1,931**
Changes in applicable tax rate	82	**112**	**1,003**
Total deferred income tax expense	(1,546)	**327**	**2,934**
Total income tax expense	¥ 1,584	**¥ 910**	**$ 8,168**

The current tax expense includes the amount of benefit arising from a previously unrecognized tax loss carried forward or the temporary difference of a past period that is used to reduce the current tax expense, and the related current income tax expense for the previous consolidated fiscal year and the current consolidated fiscal year decreased by ¥16 million and ¥32 million ($288 thousand), respectively.

The deferred tax expense includes the write-down or reversal of the previous write-down for the deferred tax assets, and the related deferred tax expense for the previous consolidated fiscal year and the current consolidated fiscal year increased by ¥41 million and ¥192 million ($1,722 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 33.1% and 30.9%, respectively, in Japan. Corporate tax and other taxes for foreign subsidiaries are levied under the relevant jurisdiction.

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, 2016 and 2017

%

	2016	2017
Statutory effective tax rate	33.1	**30.9**
Unrecognized deferred tax assets	0.5	**14.5**
Equity in losses of equity method investments	0.6	**10.7**
Loss on business restructuring	1.2	**10.5**
Adjustment of deferred tax assets by changes in applicable tax rate	1.6	**10.4**
Permanent differences in proift or loss	1.3	**10.1**
Tax credit for foreign subsidiairies	(3.0)	**(2.2)**
Difference in applicable tax rate of foreign subsidiaries	(0.2)	**(1.6)**
Others	(4.0)	**1.7**
Average effective tax rate	31.1	**85.0**

25 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 ¥137 million and ¥127 million ($1,137 thousand), respectively.

26 Operating Leases

The Group rents office buildings and others under cancellable or non-cancellable operating leases. The minimum lease payments for operating lease recognized as an expense for the previous consolidated fiscal year and for the current consolidated fiscal year are ¥1,125 million and ¥928 million ($8,328 thousand), respectively.

Future minimum lease payment under non-cancellable operating leases

As of March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Within one year	¥ 622	**¥ 922**	**$ 8,280**
From one year to five years	1,411	**3,378**	**30,323**
More than five years	777	**488**	**4,377**
Total	¥ 2,810	**¥ 4,788**	**$ 42,980**

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

27 Post-employment Benefits

The Group has a defined contribution plan 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, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Contribution to defined contribution plan	¥ 174	**¥ 180**	**$ 1,612**

28 Provisions

Provisions consist of asset retirement obligations and allowance for loss on cancellation of an outsourcing contract.

Changes in provisions

For the consolidated fiscal years ended March 31, 2017

Millions of Yen

	Asset retirement obligation	Allowance for loss on cancellation of outsourcing contract	Total
As of April 1, 2016	¥ 156	¥ 2,400	¥ 2,556
Increases	**73**	**—**	**73**
Decreases (usage)	**—**	**(1,892)**	**(1,892)**
Decreases (reversal)	**(74)**	**(508)**	**(582)**
Reversal of discounted amounts by the passage of time	**10**	**—**	**10**
As of March 31, 2017	**¥ 166**	**¥ —**	**¥ 166**

Thousands of U.S. Dollars

	Asset retirement obligation	Allowance for loss on cancellation of outsourcing contract	Total
As of April 1, 2016	$ 1,405	$ 21,545	$ 22,950
Increases	**654**	**—**	**654**
Decreases (usage)	**—**	**(16,984)**	**(16,984)**
Decreases (reversal)	**(667)**	**(4,560)**	**(5,228)**
Reversal of discounted amounts by the passage of time	**94**	**—**	**94**
As of March 31, 2017	**$ 1,486**	**$ —**	**$ 1,486**

Allowance for loss on cancellation of outsourcing contract is the allowance for the expenses incurred due to the decision to terminate the outsourcing contract regarding the data system operation for financial instruments trading.

29 Share-based Payment

Cash-settled share-based bonus plan

The Group provides a bonus plan linked to the Company's share price for 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 for 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 the 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 the current consolidated fiscal year.

The Company and domestic group companies

As of March 31, 2016 and 2017

	Millions of Yen			Thousands of U.S. Dollars
	Original estimated payment amount on grant date	Estimated payment amount		
		2016	**2017**	**2017**
Granted on June 28, 2013 (For 3 years)	¥ 48	¥ 33	**¥ —**	**$ —**
Granted on June 30, 2014 (For 2 years)	42	34	**—**	**—**
Granted on June 30, 2014 (For 3 years)	42	34	**34**	**301**
Granted on June 30, 2015 (For 1 year)	54	46	**—**	**—**
Granted on June 30, 2015 (For 2 years)	40	34	**34**	**305**
Granted on June 30, 2015 (For 3 years)	40	34	**34**	**305**
Total	¥ 265	¥ 216	**¥ 102**	**$ 911**

Foreign group companies

As of March 31, 2016 and 2017

	Millions of Yen			Thousands of U.S. Dollars
	Original estimated payment amount on grant date	Estimated payment amount		
		2016	**2017**	**2017**
Granted on June 17, 2011 (For 5 years)	¥ 70	¥ 99	**¥ —**	**$ —**
Granted on June 17, 2011 (For 6 years)	130	99	**63**	**568**
Granted on June 29, 2012 (For 4 years)	47	87	**—**	**—**
Granted on March 29, 2013 (For 4 years)	4	5	**—**	**—**
Granted on June 28, 2013 (For 3 years)	90	35	**—**	**—**
Granted on June 28, 2013 (For 4 years)	60	35	**27**	**241**
Granted on February 27, 2014 (For 3 years)	2	2	**—**	**—**
Granted on June 30, 2014 (For 2 years)	69	56	**—**	**—**
Granted on June 30, 2014 (For 3 years)	118	70	**60**	**540**
Granted on June 30, 2014 (For 4 years)	88	70	**60**	**540**
Granted on June 30, 2014 (For 5 years)	19	15	**11**	**101**
Granted on June 30, 2014 (For 6 years)	49	15	**11**	**101**
Granted on June 22, 2015 (For 2 years)	2	1	**—**	**—**
Granted on June 22, 2015 (For 3 years)	2	1	**1**	**12**
Granted on June 30, 2015 (For 1 year)	19	14	**—**	**—**
Granted on June 30, 2015 (For 2 years)	19	14	**13**	**113**
Granted on June 30, 2015 (For 3 years)	35	28	**24**	**217**
Granted on June 30, 2015 (For 4 years)	35	28	**24**	**217**
Granted on June 30, 2015 (For 5 years)	17	13	**12**	**104**
Granted on June 30, 2015 (For 6 years)	17	13	**12**	**104**
Granted on August 31, 2015 (For 1 year)	2	1	**—**	**—**
Granted on August 31, 2015 (For 2 years)	2	1	**1**	**12**
Granted on August 31, 2015 (For 3 years)	2	1	**1**	**12**
Granted on August 31, 2015 (For 4 years)	2	1	**1**	**12**
Total	¥ 897	¥ 706	**¥ 322**	**$ 2,894**

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

As of March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	**2017**	**2017**
Liabilities arising from share-based payment	¥ 587	**¥ 322**	**$ 2,886**

The total expenses recognized for the previous consolidated fiscal year and the current consolidated fiscal year are ¥430 million and ¥228 million ($2,048 thousand), respectively. These expenses are included in selling, general and administrative expenses in the consolidated statement of income.

30 Paid-in Capital and Other Equity

The numbers of shares authorized and issued

For the consolidated fiscal years ended March 31, 2016 and 2017

	Number of shares	
	2016	**2017**
Number of shares authorized		
Common stock	880,000,000	**880,000,000**
Number of shares issued		
Beginning balance	287,680,500	**284,134,300**
Cancellation of treasury stock (*1)	(3,546,200)	**(3,542,600)**
Ending balance	284,134,300	**280,591,700**
Number of treasury stock		
Beginning balance	—	**—**
Acquisition of treasury stock (*1)	3,546,200	**3,542,600**
Cancellation of treasury stock (*1)	(3,546,200)	**(3,542,600)**
Ending balance	—	**—**

Note: (*1) 3,546,200 shares of treasury stock were acquired from the securities market and 3,546,200 shares of treasury stock were cancelled on March 31, 2016.
3,542,600 shares of treasury stock were acquired from the securities market and 3,542,600 shares of treasury stock were cancelled on March 31, 2017.

Common stock
All shares are no-par value shares and all shares issued are paid in. Shareholders of common stock have the right to receive declared dividends and one voting right per 100 shares at shareholders' meetings. 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' meetings. 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 in legal capital surplus and legal earnings to be reserved to the extent that the aggregate amount of legal capital surplus and legal earnings reserved become one-fourth of the amount of common stock.

31 Dividends

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

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 20, 2015	Common stock	¥ 2,014	¥ 7.00	March 31, 2015	June 22, 2015
October 29, 2015	Common stock	1,989	7.00	September 30, 2015	December 1, 2015
June 25, 2016	Common stock	739	2.60	March 31, 2016	June 27, 2016
October 28, 2016	Common stock	730	2.60	September 30, 2016	December 1, 2016

		Thousands of U.S. Dollars	U.S. Dollars		
Resolution date	Class of shares	Paid amount	Dividends per share	Record date	Effective date
June 25, 2016	Common stock	$ 6,632	$ 0.02	March 31, 2016	June 27, 2016
October 28, 2016	Common stock	6,549	0.02	September 30, 2016	December 1, 2016

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
May 24, 2017	Common stock	**¥ 730**	**¥ 2.60**	March 31, 2017	June 5, 2017

		Thousands of U.S. Dollars	U.S. Dollars		
Resolution date	Class of shares	Paid amount	Dividends per share	Record date	Effective date
May 24, 2017	Common stock	**$ 6,549**	**$ 0.02**	March 31, 2017	June 5, 2017

32 Other Components of Equity and Other Comprehensive Income

Changes in other components of equity

For the consolidated fiscal years ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	**2017**	**2017**
Changes in fair value of available-for-sale financial assets			
Beginning balance	¥ 1,612	**¥ 3,369**	**$ 30,246**
Other comprehensive income before reclassification	1,897	**(131)**	**(1,174)**
Reclassification to profit or loss	(139)	**(849)**	**(7,621)**
Ending balance	¥ 3,369	**¥ 2,389**	**$ 21,451**
Changes in fair value of hedging instrument			
Beginning balance	¥ 102	**¥ 600**	**$ 5,390**
Other comprehensive income before reclassification	1,056	**(624)**	**(5,600)**
Reclassification to profit or loss	(557)	**(396)**	**(3,552)**
Ending balance	¥ 600	**¥ (419)**	**$ (3,762)**
Foreign currency translation adjustments in foreign operations			
Beginning balance	¥ 10,255	**¥ 8,476**	**$ 76,090**
Other comprehensive income before reclassification	(1,779)	**(296)**	**(2,659)**
Reclassification to profit or loss	—	**—**	**—**
Ending balance	¥ 8,476	**¥ 8,180**	**$ 73,430**
Share of other comprehensive income of equity method investments			
Beginning balance	¥ 69	**¥ 86**	**$ 776**
Other comprehensive income before reclassification	18	**(15)**	**(131)**
Reclassification to profit or loss	—	**—**	**—**
Ending balance	¥ 86	**¥ 72**	**$ 645**
Other components of equity			
Beginning balance	¥ 12,038	**¥ 12,532**	**$ 112,501**
Other comprehensive income before reclassification	1,191	**(1,065)**	**(9,563)**
Reclassification to profit or loss	(696)	**(1,245)**	**(11,173)**
Ending balance	¥ 12,532	**¥ 10,222**	**$ 91,765**

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, 2016 and 2017

Millions of Yen

	2016			2017		
	Before related tax effects	Tax effect	Net of related tax effects	Before related tax effects	Tax effect	Net of related tax effects
Changes in fair value of available-for-sale financial assets						
Other comprehensive income before reclassification	¥ 2,778	¥ (882)	¥ 1,897	¥ (200)	¥ 69	¥ (131)
Reclassification to profit or loss	(206)	67	(139)	(1,228)	379	(849)
Changes for the reporting period	¥ 2,572	¥ (815)	¥ 1,757	¥ (1,428)	¥ 448	¥ (980)
Changes in fair value of hedging instruments						
Other comprehensive income before reclassification	¥ 1,683	¥ (628)	¥ 1,056	¥ (990)	¥ 366	¥ (624)
Reclassification to profit or loss	(887)	330	(557)	(634)	238	(396)
Changes for the reporting period	¥ 796	¥ (297)	¥ 499	¥ (1,624)	¥ 604	¥ (1,019)
Foreign currency translation adjustments in foreign operations						
Other comprehensive income before reclassification	¥ (1,779)	¥ —	¥ (1,779)	¥ (296)	¥ —	¥ (296)
Reclassification to profit or loss	—	—	—	—	—	—
Changes for the reporting period	¥ (1,779)	¥ —	¥ (1,779)	¥ (296)	¥ —	¥ (296)
Share of other comprehensive income of equity method investments						
Other comprehensive income before reclassification	¥ 28	¥ (11)	¥ 18	¥ (25)	¥ 10	¥ (15)
Reclassification to profit or loss	—	—	—	—	—	—
Changes for the reporting period	¥ 28	¥ (11)	¥ 18	¥ (25)	¥ 10	¥ (15)
Total other comprehensive income	¥ 1,617	¥ (1,123)	¥ 494	¥ (3,372)	¥ 1,062	¥ (2,310)

Thousands of U.S. Dollars

	2017		
	Before related tax effects	Tax effect	Net of related tax effects
Changes in fair value of available-for-sale financial assets			
Other comprehensive income before reclassification	$ (1,796)	$ 622	$ (1,174)
Reclassification to profit or loss	(11,023)	3,402	(7,621)
Changes for the reporting period	$ (12,819)	$ 4,024	$ (8,795)
Changes in fair values of hedging instruments			
Other comprehensive income before reclassification	$ (8,884)	$ 3,284	$ (5,600)
Reclassification to profit or loss	(5,690)	2,139	(3,552)
Changes for the reporting period	$ (14,575)	$ 5,423	$ (9,151)
Foreign currency translation adjustments in foreign operations			
Other comprehensive income before reclassification	$ (2,659)	$ —	$ (2,659)
Reclassification to profit or loss	—	—	—
Changes for the reporting period	$ (2,659)	$ —	$ (2,659)
Share of other comprehensive income of equity method investments			
Other comprehensive income before reclassification	$ (221)	$ 90	$ (131)
Reclassification to profit or loss	—	—	—
Changes for the reporting period	$ (221)	$ 90	$ (131)
Total other comprehensive income	$ (30,274)	$ 9,538	$ (20,736)

33 Earnings per Share

The basis for calculating basic earnings per share and diluted earnings per share for the current consolidated fiscal year is as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Earnings per share attributable to owners of the Company			
Basic	¥ 3,554	¥ 298	$ 2,671
Adjustment (*1)	(1)	(1)	(12)
Diluted	¥ 3,553	¥ 296	$ 2,659

	Thousands of Share	
	2016	2017
Weighted average number of shares		
Basic	285,346	281,160
Adjustment (*1)	—	—
Diluted	285,346	281,160

Note: (*1) Financial instrument with a dilutive effect is for the purchase of stock options issued by a subsidiary.

There were financial instruments with no dilutive effects which included series 1 stock acquisition rights (subject to Performance-based Conditions for a 3-Year Period) and series 1 stock acquisition rights (subject to Performance-based Conditions for a 5-Year Period) issued by the Group and stock acquisition rights issued by the associates of the Group for the current fiscal year.

34 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) acquisition of subsidiaries

There are no net proceeds from (payments for) the acquisition of subsidiaries for the previous consolidated fiscal year and the current consolidated fiscal year.

(3) Net proceeds from (payments for) the sale of subsidiaries

There are no net proceeds from (payments for) the sale of subsidiaries for the previous consolidated fiscal year and the current consolidated fiscal year.

35 Contingencies

TradeStation Group, Inc. and its subsidiaries have lawsuits claiming that some of TradeStation's software applications infringe the plaintiffs' software patents. The Group does not recognize its provision since the recognition criteria of the provision are not met.

36 Related Parties

(1) Transactions with related parties

For the consolidated fiscal year ended March 31, 2016

Millions of Yen

Type of related party	Name of related party	Detail of transaction	Transaction amount	Outstanding balance
Company that has significant influence on the Group	The Shizuoka Bank, Ltd.	Deposit (*1)	¥ **2,812**	¥ **2,829**
		Sale of investments in securities (*2)	**306**	**—**

Notes: (*1) The terms and conditions are equivalent to those that prevail in arm's length transactions.
(*2) Sale price of securities is determined based on the stock valuation report by an independent third party.

For the consolidated fiscal year ended March 31, 2017

Millions of Yen

Type of related party	Name of related party	Detail of transaction	Transaction amount	Outstanding balance
Key management	The managing directors and the executive officers of the Company	Grant of stock acquisition rights (*1)	¥ **24**	¥ **—**
Company that has significant influence on the Group	The Shizuoka Bank, Ltd.	Deposit (*2)	**(1,653)**	**1,176**

Thousands of U.S. Dollars

Type of related party	Name of related party	Detail of transaction	Transaction amount	Outstanding balance
Key management	The managing directors and the executive officers of the Company	Grant of stock acquisition rights (*1)	**$ 219**	**$ —**
Company that has significant influence on the Group	The Shizuoka Bank, Ltd.	Deposit (*2)	**$ (14,838)**	**$ 10,560**

Notes: (*1) The Group determined the amount with reference to the calculated result by Plutus Consulting, a third-party appraiser, by using a Monte Carlo simulation, a common price assessment model, based on the Company's stock price and other factors.
(*2) The terms and conditions are equivalent to those that prevail in arm's length transactions.

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

For the consolidated fiscal years ended March 31, 2016 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016	**2017**	**2017**
Short-term benefits	¥ 309	¥ **475**	$ **4,265**
Post-employment benefits	1	**1**	**12**
Share-based payments	129	**29**	**262**
Total	¥ 439	¥ **506**	$ **4,540**

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

37 Group Entities

The Company's significant subsidiaries as of March 31, 2017

Name of subsidiary	Location	Proportion of voting power %
Monex, Inc.	Japan	**100.0**
Monex-Saison-Vanguard Investment Partners, Inc.	Japan	**51.0**
Monex Ventures, 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**
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)		

38 Events after the Reporting Period

Acquisition of treasury stock

The Company's Board of Directors made a resolution on April 28, 2017 for the Company to repurchase its shares pursuant to Article 156 of the Companies Act of Japan ("the Act"), as applied mutatis mutandis pursuant to the provisions of Paragraph 3, Article 165 of the Act. The acquisition of treasury stock was conducted as follows.

(1) Reason for the acquisition of treasury stock

The Company decided on the acquisition of treasury stock for the purposes to allow for flexible capital policies corresponding to changes in the business environment, and to enhance shareholder returns through the improvement of capital efficiency.

(2) Outline for the acquisition of treasury stock

(a) Class of purchased shares

Common stock of the Company

(b) Total number of shares acquired

Up to 4,000,000 shares

(c) Acquisition date

May 1, 2017

(d) Total acquisition costs

Up to ¥1,116 million ($10,018 thousand)

(e) Method of acquisition

Market purchases of treasury stock using Tokyo Stock Exchange (ToSTNeT-3)

(3) Subsequent acquisition of treasury stock

As the result of the market purchases mentioned above, the Group has acquired 3,690,000 shares of treasury stock (¥1,030 million ($9,242 thousand) of acquisition cost) on May 1, 2017.

Issuance of bonds

The Company issued unsecured corporate bonds on June 20, 2017 based on the terms and conditions of the issuance resolved at a meeting of the Board of Directors held on May 24, 2017. Details are as follows.

(a) Description
Monex Group, Inc., Yen-denominated bond due on December 21, 2017

(b) Issue price
¥100 ($0.90) per face value of ¥100 ($0.90)

(c) Total issue amount
¥3,000 million ($26,931 thousand)

(d) Interest rate
0.3%

(e) Method of redemption
Redemption at maturity or retirement by purchase

(f) Maturity
December 21, 2017

(g) Issue date
June 20, 2017

(h) Usage of funds
Capital investment, working capital and investment fund

Disposition of Treasury Stock as Restricted Stock Remuneration

The Company has resolved at its board of directors meeting held on July 10, 2017 to dispose of its treasury shares as stock remuneration (the "Disposition of Treasury Stock") for the managing directors, executive officers and executive directors of the Company, and the managing directors and executive directors of the Company's subsidiaries (excluding outside directors; collectively referred to as "Eligible Officers").

(1) Outline of disposition

(a)	Date of disposition	July 28, 2017
(b)	Class and number of shares to be disposed of	314,000 shares of the common stock of the Company
(c)	Disposal value	¥306 ($2.75) per share
(d)	Total disposal value	¥96,084,000 ($863 thousand)
(e)	Method of offering or disposition	Allocation of specified restricted stock
(f)	Method of contribution	Contribution in kind of monetary compensation claims
(g)	Eligible allottees and the number of such allottees, and the number of shares to be allocated	Managing directors of the Company (excluding outside directors) 4 persons, 77,200 shares Executive officers of the Company (*) 6 persons, 88,400 shares Executive directors of the Company, managing directors and executive directors of the Company's subsidiaries 15 persons, 148,400 shares (*) Executive officers concurrently serving as managing directors are included in managing directors.
(h)	Others	The Disposition of Treasury Stock is subject to the entry into force of the Securities Notification under the Financial Instruments and Exchange Act.

(2) Purposes and reasons for disposition

The Company resolved at the Remuneration Committee's meeting held on April 28, 2017 to introduce the Restricted Stock Remuneration Program (the "Program") as a new remuneration program for the Eligible Officers, which aims to incentivize the Eligible Officers to contribute to the continuous enhancement of the Company's corporate value by linking their remuneration to the value of the Company's stock and thus having them share with our shareholders not only the benefits of enhanced corporate values due to rising stock prices but also the risks of declining stock prices.

Due to the introduction of this Program, the remuneration to the Company's Eligible Officers, which previously consisted of a fixed remuneration and a stock-price-linked remuneration, will be restructured to implement more incentives aiming to enhance the corporate value. The remuneration consists of three components; a fixed remuneration as a "Base Remuneration", a performance-linked remuneration, which will be determined in accordance with each year's performance as a "Short-Term Incentive Remuneration", and a restricted stock remuneration as a "Medium-and-Long Term Incentive Remuneration." On average among Eligible Officers, the base remuneration will be about 70% and the two incentive remuneration will be about 30% of the total remuneration.

39 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 President) and Satoshi Hasuo (the Company's Executive Officer and Co-CFO) on June 24, 2017. The consolidated financial statements presented herein in English, which include updated subsequent events information under the Note 38 above to the original consolidated financial statements, were approved by them on July 18, 2017.

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, 2016 to March 31, 2017.

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, 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 present fairly, in all material respects, the financial position of Monex Group, Inc. and its consolidated subsidiaries as at March 31, 2017, 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 the following:

1. As described in the disclosure of the events after the reporting period, Monex Group, Inc. conducted the acquisition of treasury stock.
2. As described in the disclosure of the events after the reporting period, Monex Group, Inc. decided on the disposition of treasury stock as the restricted stock remuneration.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 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 18, 2017
Tokyo, Japan

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