MONEX GROUP
Monex Group, Inc.

Monex Group, Inc.

Annual Financial Statements 2014

For the year ended March 31, 2014

Contents

Consolidated Financial Statements

Consolidated Statement of Income

For the fiscal years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Revenue:			
Commission received *(Note 7)*	¥20,367	¥33,542	$326,027
Net trading income *(Note 8)*	6,974	8,011	77,866
Financial revenue *(Note 8)*	8,195	12,583	122,308
Other operating revenue *(Note 9)*	554	587	5,705
Total operating revenue	36,090	54,722	531,906
Other financial revenue *(Note 8)*	4,855	2,305	22,402
Other revenue *(Note 11)*	1,759	59	570
Equity in earnings of affiliates *(Note 22)*	36	0	2
Total revenue	42,740	57,086	554,879
Expenses:			
Financial expenses *(Note 8)*	2,320	4,672	45,411
Selling, general and administrative expenses *(Notes 10, 25, 26, 28)*	30,359	34,981	340,019
Other financial expenses *(Note 8)*	46	99	962
Other expenses *(Notes 12, 21)*	3,016	439	4,270
Total expenses	35,742	40,191	390,662
Income before income taxes	6,998	16,895	164,217
Income tax expense *(Note 23)*	3,091	6,539	63,557
Net income	3,907	10,356	100,660
Net income attributable to:			
Owners of Monex Group, Inc.	3,901	10,354	100,641
Non-controlling interests	6	2	19
Net income	¥ 3,907	¥10,356	$100,660
	Yen		U.S. Dollars
Earnings per share attributable to owners of Monex Group, Inc.: *(Note 32)*			
Basic earnings per share	¥ 13.02	¥ 35.76	$ 0.35
Diluted earnings per share	—	—	—

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the fiscal years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Net income	¥ 3,907	¥10,356	$100,660
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments in foreign operations *(Note 31)*	3,305	2,349	22,833
Valuation difference on available-for-sale financial assets *(Note 31)*	(2,519)	(1,960)	(19,055)
Changes in fair value of hedging instrument *(Note 31)*	—	(143)	(1,394)
Accumulated other comprehensive income for equity method investments *(Notes 22, 31)*	51	23	220
Other comprehensive income after income taxes	837	268	2,604
Total comprehensive income	4,744	10,624	103,264
Total comprehensive income attributable to:			
Owners of Monex Group, Inc.	4,738	10,622	103,245
Non-controlling interests	6	2	19
Total comprehensive income	¥ 4,744	¥10,624	$103,264

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Financial Position

As of March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Assets:			
Cash and cash equivalents *(Notes 13, 14, 15, 17)*	¥ 51,193	¥ 85,442	$ 830,504
Cash segregated as deposits *(Notes 13, 14, 16)*	349,837	426,719	4,147,735
Trading securities and other *(Notes 13, 14)*	4,078	2,458	23,888
Derivative assets *(Notes 13, 14)*	753	1,613	15,683
Investments in securities *(Notes 13, 14, 17)*	18,551	8,390	81,548
Margin transaction assets *(Notes 13, 14)*	149,487	178,230	1,732,403
Loans secured by securities *(Notes 13, 14)*	44,583	152,382	1,481,162
Other financial assets *(Notes 13, 14, 17)*	22,950	28,864	280,563
Property and equipment *(Notes 19)*	1,485	1,579	15,344
Intangible assets *(Notes 20)*	37,394	41,558	403,950
Equity method investments *(Notes 14, 22)*	826	861	8,370
Deferred tax assets *(Notes 23)*	61	247	2,400
Other assets	995	1,089	10,581
Total assets	¥682,193	¥929,431	$9,034,131
Liabilities and Equity:			
Liabilities:			
Derivative liabilities *(Notes 13, 14)*	¥ 7,604	¥ 7,378	$ 71,718
Margin transaction liabilities *(Notes 13, 14, 18)*	39,745	36,308	352,912
Loans payables secured by securities *(Notes 13, 14)*	67,661	183,765	1,786,205
Deposits received *(Notes 13, 14)*	231,164	287,385	2,793,404
Guarantee deposits received *(Notes 13, 14)*	131,535	158,869	1,544,216
Bonds and loans payables *(Notes 13, 14, 18)*	113,381	159,125	1,546,707
Other financial liabilities *(Notes 13, 14)*	2,099	4,280	41,598
Provisions *(Note 27)*	88	156	1,519
Income tax payables	2,072	5,629	54,717
Deferred tax liabilities *(Note 23)*	5,418	3,810	37,030
Other liabilities *(Notes 24, 28)*	1,726	2,026	19,689
Total liabilities	602,492	848,731	8,249,715
Equity:			
Common stock *(Note 29)*	10,394	10,394	101,026
Additional paid-in capital *(Note 29)*	40,521	40,510	393,763
Retained earnings *(Notes 29, 30)*	22,079	22,856	222,160
Other components of equity *(Note 31)*	6,673	6,941	67,467
Equity attributable to owners of Monex Group, Inc.	79,667	80,701	784,415
Non-controlling interests	35	—	—
Total equity	79,702	80,701	784,415
Total liabilities and equity	¥682,193	¥929,431	$9,034,131

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the fiscal years ended March 31, 2013 and 2014

(Millions of Yen)

	Equity attributable to owners of Monex Group, Inc.											
					Other components of equity							
	Common stock	Additional paid-in capital	Treasury stock	Retained earnings	Valuation difference on available-for-sale financial assets	Changes in fair value of hedging instrument	Foreign currency translation adjustments in foreign operations	Other components of equity for equity method investment	Sub total	Total	Non-controlling interests	Total equity
Balance as of April 1, 2012	¥10,394	¥40,521	¥ —	¥18,808	¥5,351	¥ —	¥ 485	¥ 0	¥5,836	¥75,558	¥248	¥75,806
Net income	—	—	—	3,901	—	—	—	—	—	3,901	6	3,907
Other comprehensive income	—	—	—	—	(2,519)	—	3,305	51	837	837	—	837
Total comprehensive income	—	—	—	3,901	(2,519)	—	3,305	51	837	4,738	6	4,744
Transactions with owners:												
Dividends paid *(Note 30)*	—	—	—	(629)	—	—	—	—	—	(629)	—	(629)
Changes in other non-controlling interests	—	—	—	—	—	—	—	—	—	—	(219)	(219)
Total of transactions with owners	—	—	—	(629)	—	—	—	—	—	(629)	(219)	(848)
Balance as of March 31, 2013	¥10,394	¥40,521	¥ —	¥22,079	¥2,833	¥ —	¥3,789	¥51	¥6,673	¥79,667	¥ 35	¥79,702
Net income	—	—	—	10,354	—	—	—	—	—	10,354	2	10,356
Other comprehensive income	—	—	—	—	(1,960)	(143)	2,349	23	268	268	—	268
Total comprehensive income	—	—	—	10,354	(1,960)	(143)	2,349	23	268	10,622	2	10,624
Transactions with owners:												
Acquisition of treasury stock *(Note 29)*	—	—	(5,514)	—	—	—	—	—	—	(5,514)	—	(5,514)
Cancellation of treasury stock *(Note 29)*	—	(5,514)	5,514	—	—	—	—	—	—	—	—	—
Dividends paid *(Note 30)*	—	—	—	(4,064)	—	—	—	—	—	(4,064)	—	(4,064)
Transfer to Additional paid-in capital from Retained earnings *(Note 29)*	—	5,514	—	(5,514)	—	—	—	—	—	—	—	—
Acquisition of non-controlling interests	—	(11)	—	—	—	—	—	—	—	(11)	(37)	(47)
Total of transactions with owners	—	(11)	—	(9,578)	—	—	—	—	—	(9,588)	(37)	(9,625)
Balance as of March 31, 2014	¥10,394	¥40,510	¥ —	¥22,856	¥ 872	¥ (143)	¥6,138	¥74	¥6,941	¥80,701	¥ —	¥80,701

For the fiscal year ended March 31, 2014

(Thousands of U.S. Dollars)

	Equity attributable to owners of Monex Group, Inc.											
					Other components of equity							
	Common stock	Additional paid-in capital	Treasury stock	Retained earnings	Valuation difference on available-for-sale financial assets	Changes in fair value of hedging instrument	Foreign currency translation adjustments in foreign operations	Other components of equity for equity method investment	Sub total	Total	Non-controlling interests	Total equity
Balance as of March 31, 2013	$101,026	$393,865	$ —	$214,613	$ 27,534	$ —	$36,831	$498	$64,863	$774,368	$339	$774,706
Net income	—	—	—	100,641	—	—	—	—	—	100,641	19	100,660
Other comprehensive income	—	—	—	—	(19,055)	(1,394)	22,833	220	2,604	2,604	—	2,604
Total comprehensive income	—	—	—	100,641	(19,055)	(1,394)	22,833	220	2,604	103,245	19	103,264
Transactions with owners:												
Acquisition of treasury stock *(Note 29)*	—	—	(53,596)	—	—	—	—	—	—	(53,596)	—	(53,596)
Cancellation of treasury stock *(Note 29)*	—	(53,596)	53,596	—	—	—	—	—	—	—	—	—
Dividends paid *(Note 30)*	—	—	—	(39,498)	—	—	—	—	—	(39,498)	—	(39,498)
Transfer to Additional paid-in capital from Retained earnings *(Note 29)*	—	53,596	—	(53,596)	—	—	—	—	—	—	—	—
Acquisition of non-controlling interests	—	(103)	—	—	—	—	—	—	—	(103)	(358)	(461)
Total of transactions with owners	—	(103)	—	(93,094)	—	—	—	—	—	(93,197)	(358)	(93,555)
Balance as of March 31, 2014	$101,026	$393,763	$ —	$222,160	$ 8,479	$(1,394)	$59,664	$717	$67,467	$784,415	$ —	$784,415

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the fiscal years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Cash flows from operating activities:			
Income before income taxes	¥ 6,998	¥ 16,895	$ 164,217
Depreciation and amortization	3,116	3,441	33,444
Impairment loss on non-financial assets	2,524	—	—
Gain on bargain purchase	(1,231)	—	—
Financial revenue and financial expenses	(10,683)	(10,117)	(98,337)
Decrease/increase in derivative assets/liabilities	5,688	(1,482)	(14,406)
Decrease/increase in assets/liabilities for margin transaction	(46,234)	(32,180)	(312,788)
Decrease/increase in loans/loans payables secured by securities	14,605	8,886	86,375
Increase in cash segregated as deposits	(36,934)	(62,900)	(611,395)
Increase in deposits received and guarantee deposits received	36,034	67,582	656,900
Decrease/increase in short-term loans receivable	354	(1,032)	(10,035)
Other, net	(640)	(1,119)	(10,872)
Sub total	(26,404)	(12,026)	(116,895)
Interest and dividends income received	8,174	11,928	115,941
Interest expenses paid	(2,231)	(4,069)	(39,553)
Income taxes paid	(50)	(4,088)	(39,740)
Net cash provided by (used in) operating activities	(20,510)	(8,256)	(80,248)
Cash flows from investing activities:			
Payments into time deposits	(100)	—	—
Proceeds from withdrawal of time deposits	400	100	972
Purchase of investments in securities	(20,342)	(12,771)	(124,131)
Proceeds from sales and redemption of securities	25,038	23,458	228,016
Purchase of property and equipment	(517)	(765)	(7,440)
Purchase of intangible assets	(2,958)	(4,026)	(39,134)
Payments for purchase of subsidiaries	(905)	—	—
Proceeds from sales of subsidiaries	46	—	—
Payments for purchase of affiliates	(259)	—	—
Other, net	(2)	(36)	(350)
Net cash provided by (used in) investing activities	401	5,960	57,934
Cash flows from financing activities:			
Net increase/decrease in short-term loans payables	23,834	(14,403)	(140,001)
Proceeds from long-term loans payables	9,986	87,516	850,660
Repayment and redemption of long-term loans payables	(2,772)	(27,500)	(267,302)
Proceeds from stock issuance to non-controlling interests	16	—	—
Acquisition of non-controlling interests	—	(47)	(461)
Purchase of treasury stock	—	(5,514)	(53,596)
Cash dividends paid	(629)	(4,053)	(39,395)
Cash dividends paid to non-controlling interests	(41)	—	—
Net cash provided by (used in) financing activities	30,395	35,998	349,905
Net increase in cash and cash equivalents	10,286	33,703	327,592
Cash and cash equivalents at the beginning of year	38,674	50,140	487,364
Effect of exchange rate change on cash and cash equivalents	1,181	1,012	9,841
Cash and cash equivalents at the end of year *(Note 15)*	¥ 50,140	¥ 84,855	$ 824,797

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Reporting Entity

Monex Group, Inc. (the "Company") is a company domiciled in Japan. The registered address of head office and principal business office is 2-4-1, Kojimachi, Chiyoda-ku, Tokyo. The consolidated financial statements as of and for the year ended March 31, 2014 comprise the financial statements of the Company and its subsidiaries (the "Group") and the interests in associates and joint ventures. The Group engages in online securities brokerage business that is its core business, foreign exchange (FX) margin transaction and M&A advisory service.

2. Basis of Preparation of Financial Statements

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

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

(2) Basis of presentation

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

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2014, which was ¥102.88 to U.S. $1. For translation purpose, amounts in Japanese yen before rounding to the millions are used and financial information presented in U.S. dollars is rounded to the nearest thousand. As a result, the amounts in U.S. dollars do not necessarily agree with the Japanese yen amounts in millions divided by ¥102.88. 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, revenue and expenses in preparation of financial statements in accordance with IFRSs. Actual results could differ from these estimates.

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

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

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

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

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

3. Significant Accounting Policies

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

(1) Basis of consolidation

(a) Business combinations

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

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

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

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

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

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

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

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

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

(c) Loss of control

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

(d) Subsidiaries

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

(e) Cash segregated as deposits

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

(f) Investment in associates and joint ventures

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

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

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

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

(g) Transactions eliminated on consolidation

Receivables, payables and transactions within the Group and unrealized 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 fiscal year are re-translated to the functional currency using the exchange rate on the closing date of the fiscal year.

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

(b) Foreign operations

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

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

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

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

(3) Financial instruments

(a) Recognition

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

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

(b) Classification

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

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

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

(iv) Available-for-sale financial assets

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

(v) Non-derivative financial liabilities

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

(c) Derecognition of financial assets and financial liabilities

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

(d) Offsetting

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

(e) Amortized costs

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

(f) Fair value measurement

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

(g) Impairment of financial assets

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

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

Impairment losses of available-for-sale financial assets are calculated as the difference between the carrying amount and fair value and recognized in profit or loss. Impairment losses of financial assets measured at amortized cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted by the effective interest rate at initial recognition of the relevant financial assets, and are recognized in profit or loss. Gain 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 recognition of impairment losses with respect to financial assets measured at amortized cost, the previously recognized impairment losses are reversed in profit or loss.

(h) Cash and cash equivalents

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

(i) Cash segregated as deposits

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

(j) Trading securities and other

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

(k) Derivative assets and derivative liabilities

(i) Derivatives designated as hedging instruments

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

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

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

- Cash flow hedges

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

(ii) Derivatives not designated as hedging instruments

The Group's derivative assets and derivative liabilities other than derivatives designated as hedging instruments are primarily assets and liabilities arising from FX margin trading business with customers or financial institutions. Changes in the fair value of derivatives not designated as hedging instruments 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 payables secured by securities

Loans secured by securities and loans payables 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 payables secured by securities other than domestic margin transaction.

(4) Property and equipment

(a) Recognition and measurement

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

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

(b) Depreciation

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

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

The estimated useful lives of major property and equipment in the fiscal year ended March 31, 2013 (the "previous consolidated fiscal year") and the fiscal year ended March 31, 2014 (the "the current consolidated fiscal year") are as follows.
Buildings: 3–18 years
Equipment and fixtures: 3–15 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 acquisition of subsidiaries is reported as an intangible asset. The measurement method of goodwill at the initial recognition is described in (1) Basis of Consolidation (a) Business combinations.

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

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

(b) Internally generated intangible assets

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

(c) Other intangible assets

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

(d) Subsequent expenditures

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

(e) Amortization

Amortization is based on the acquisition cost of the asset net of 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 years
Customer relationships: 18 years
Technology assets: 18 years
Other assets: 2–18 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 Company based on analysis of all relevant factors. Intangible assets with indefinite useful lives are not amortized and are subject to impairment tests at the same time each year and when there are indications of impairment.

(6) Impairment of non-financial assets

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

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

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

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

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

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

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

(7) Employee benefits

(a) Defined contribution pension plan

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

(b) Short-term employee benefits

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

(8) Share-based compensation transactions

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

(9) Provisions

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

(10) Equity

(a) Common stock

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

(b) Treasury stock

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

(11) Revenue and expense

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

(a) Commission received

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

(b) Net trading income

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

(c) Financial revenue and financial expenses

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

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

(d) Offsetting of revenue and expense

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

(e) Lease payments

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

(12) Income tax expense

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

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

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

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

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

(13) Earnings per share

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

(14) Segment information

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

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

(15) New accounting standards and interpretations

The new accounting standards and interpretations that have been issued but not applied to the consolidated fiscal year ended March 31, 2014 are as follows. These accounting standards and interpretations were not applied to the preparation of the Group's consolidated financial statements. The Company is currently assessing potential impacts that application of these standards and interpretations will have on the Group's consolidated financial statements.

Standard		Effective date (Annual periods beginning on or after)	The Group's application date (For the fiscal year)	New/revised requirements
IFRS 9	Financial Instruments	—	—	Requirements for classification and measurement of financial assets Revised requirements for changes in fair value of financial liabilities Revised hedge accounting
IFRS 3	Business Combinations	Business combinations for which the acquisition date is on or after July 1, 2014	March 31, 2015	Classification and measurement of contingent consideration
IAS 32	Financial Instruments: Presentation	January 1, 2014	March 31, 2015	Offsetting financial assets and financial liabilities
IFRIC 21	Levies	January 1, 2014	March 31, 2015	Recognition of liabilities for levies
IFRS 8	Operating Segments	July 1, 2014	March 31, 2016	Disclosures on the aggregation of operating segments
IFRS 15	Revenue from Contracts with Customers	January 1, 2017	March 31, 2018	Establishment of comprehensive framework of recognition, measurement and disclosure for revenue

(16) Changes in accounting policies

The Group applies the accounting standards set forth below from the consolidated fiscal year ended March 31, 2014.

Standard		New/revised requirements
IFRS 10	Consolidated Financial Statements	Clarification of definition of control and application of single control model not subject to nature of acquired entity (Replacement of IAS 27 and SIC 12)
IFRS 11	Joint Arrangements	Classification and accounting of joint arrangement based on agreed rights and obligations, not legal form (Replacement of IAS 31 and SIC 13)
IFRS 12	Disclosure of Interests in Other Entities	Disclosure requirement for interests in other entities including Subsidiaries, joint arrangements, associates and non-consolidated entity (Replacement of part of IAS 27 and 28)
IAS 1	Presentation of Financial Statements	Presentation of items of other comprehensive income
		Clarification of requirements for comparative information
IAS 16	Property, Plant and Equipment	Classification of servicing equipment
IAS 19	Employee Benefits	Recognition of actuarial gains and losses and past service costs and presentation and disclosures of employee benefit
IAS 32	Financial Instruments: Presentation	Accounting for income taxes for transaction costs of dividends to owners of equity instruments and equity transaction costs

The Group applies each of the above accounting standards and there is no significant impact of the changes in the accounting policies on the Group's financial statements for the consolidated fiscal year ended March 31, 2014.

4. Financial Risk Management

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

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

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

(1) Organizations for managing risks arising from financial instruments

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

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

(a) Credit risk

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

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

(Risks relating to customer transactions)

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

(Risks relating to counterparty financial institutions and clearing houses)

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

(Risks relating to issuers)

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

Aging analysis of financial assets which are overdue but not impaired

As of March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Within three months	¥44	¥ 88	$ 857
Over three months but within one year	0	24	231
Over one year	14	11	109
Total	¥58	¥123	$1,196

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

When the Group recognizes impairment of financial assets other than securities, impairment is accounted for using the allowance for doubtful receivables account, not directly reducing the carrying amount of the financial assets. Allowances for doubtful receivables are made taking into consideration the likelihood of recovery based on the recent status of the Group's counterparties, payment conditions, and receipt of collateral. The balances of financial assets (other than impaired securities) which are individually considered to be impaired at the end of the previous consolidated fiscal year, and at the end of the current consolidated fiscal year were ¥304 million, and ¥297 million ($2,883 thousand), respectively, and the related allowances for doubtful receivables on those dates were ¥304 million, and ¥297 million ($2,883 thousand), respectively.

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

For the fiscal years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Beginning balance	¥438	¥ 304	$ 2,951
Increase	2	297	2,883
Decrease (reversal)	(48)	(242)	(2,351)
Decrease (usage)	(88)	(62)	(600)
Foreign currency translation adjustments in foreign operations	0	0	1
Ending balance	¥304	¥ 297	$ 2,883

(b) Liquidity risk

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

The Group finances the funds necessary for operations by obtaining loans primarily from major financial institutions and securities finance companies and by issuing bonds in the capital market, and invests temporary surplus fund in highly liquid, short-term financial assets.

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

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

(i) Bonds and loans payables

Bonds and loans payables by maturity

As of March 31, 2013

	Millions of Yen							
	Carrying amount	Contractual cash flows	Not later than one year	Later than one year but not later than two years	Later than two years but not later than three years	Later than three years but not later than four years	Later than four years but not later than five years	Over five years
Short-term loans payables and other	¥ 89,426	¥ 89,441	¥89,441	¥ —	¥ —	¥ —	¥—	¥—
Bonds payables	9,986	10,000	10,000	—	—	—	—	—
Long-term loans payables	13,969	14,000	—	2,500	2,500	9,000	—	—
Total	¥113,381	¥113,441	¥99,441	¥2,500	¥2,500	¥9,000	¥—	¥—
(Margin transaction liabilities)								
Borrowings on margin transactions	¥ 14,847	¥ 14,847	¥14,847	¥ —	¥ —	¥ —	¥—	¥—

As of March 31, 2014

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

	Thousands of U.S. Dollars							
	Carrying amount	Contractual cash flows	Not later than one year	Later than one year but not later than two years	Later than two years but not later than three years	Later than three years but not later than four years	Later than four years but not later than five years	Over five years
Short-term loans payables and other	$ 730,952	$ 731,096	$731,096	$ —	$ —	$—	$ —	$—
Bonds payables	163,197	165,241	—	—	19,440	—	145,801	—
Long-term loans payables	652,559	654,160	—	24,300	445,179	—	184,681	—
Total	$1,546,707	$1,550,498	$731,096	$24,300	$464,619	$—	$330,482	$—
(Margin transaction liabilities)								
Borrowings on margin transactions	$ 219,746	$ 219,746	$219,746	$ —	$ —	$—	$ —	$—

(ii) Derivative liabilities

Derivative liabilities designated as hedging instruments by maturity

As of March 31, 2013

There are no derivative liabilities designated as hedging instruments.

As of March 31, 2014

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

	Thousands of U.S. Dollars							
	Carrying amount	Contractual cash flows	Not later than one year	Later than one year but not later than two years	Later than two years but not later than three years	Later than three years but not later than four years	Later than four years but not later than five years	Over five years
Derivative liabilities designated as hedging instruments	$2,166	$2,179	$529	$619	$568	$378	$84	$—
Total	$2,166	$2,179	$529	$619	$568	$378	$84	$—

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

(c) Market risk

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

(i) Foreign exchange risk

The Group is exposed to 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 net investments in foreign operations. The foreign exchange risk relating to assets and liabilities denominated in foreign currencies such as foreign currency financial instrument inventories is limited since the Group identifies the risks such as position imbalances through ongoing monitoring, and hedges the risks on net position with financial instruments such as foreign exchange forwards.

(ii) Interest rate risk

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

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

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

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

- Fixed interest rate financial instruments

The table below shows the impact on equity in the consolidated statement of financial position from changes in fair value in the event of a 10 basis point increase in interest rates with respect to Japanese government bonds and U.S. treasury bills in the previous consolidated fiscal year and the current consolidated fiscal year.

As of March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Japanese government bonds	¥(208)	¥(219)	$(2,131)
U.S. treasury bills and other	(33)	(24)	(234)
Effect on equity	¥(242)	¥(243)	$(2,365)

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

- Variable interest rate financial instruments

The following table shows the impact on pre-tax net income 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 payables in the previous consolidated fiscal year and the current consolidated fiscal year. This analysis is performed by multiplying the balance of variable interest rate financial instruments held by the Group at the end of the previous consolidated fiscal year and the current consolidated fiscal year by 10 basis points assuming that other variables are constant, without taking into consideration of future changes in balances, the effects of changes in exchange rates, or the dispersion effects of the timing of refinancing variable interest rate loans or the timing of interest rate changes.

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

Sensitivity analysis

For the fiscal years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Effect on income before tax	¥(14)	¥(30)	$(295)
Effect on equity	(9)	(19)	(183)

(iii) Other risks

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

The following table shows the impact on pre-tax net income in the consolidated statement of income and equity in the consolidated statement of financial position from changes in the value of investments in securities in the event of a 10% decrease in the fair value of marketable securities held by the Group. This analysis is performed by multiplying the balance of investments in securities held by the

Group at the end of the previous consolidated fiscal year and the current consolidated fiscal year by 10% assuming that other variables including the effects of future balance changes and exchange rate changes are constant.

Sensitivity analysis

As of March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Effect on equity	¥(329)	¥(77)	$(749)

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

(d) Operational risk

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

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

(2) Capital management

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

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

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

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

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

Based on the information available as of end of May 2014, summaries of the capital requirements applicable to Monex, Inc. and TradeStation Securities, Inc., which are main Group subsidiaries, and figures relating to capital requirements as of March 31, 2014 are set forth below.

(a) Monex Inc.

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

i) Market risk (risk arising from decrease in the value of instruments held as a result of changes in market prices) amount;

ii) Counterparty risk (risk arising from counterparties to financial instrument transactions) amount; and

iii) Fundamental risk (risk arising from administrative processing errors or in the performance of other day-to-day operations) amount.

As of March 31, 2013 and 2014

	2013	2014
Capital-to-risk ratio	459.3%	394.9%

(b) TradeStation Securities, Inc.

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

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

i) U.S. $1 million:

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

iii) 2% of aggregate customer debit items.

As of March 31, 2013 and 2014

	Thousands of U.S. Dollars	
	2013	2014
Net capital	$48,071	$56,986

5. Acquisition of Subsidiaries and Non-controlling Interests

(For the fiscal year ended March 31, 2013)

The Company acquired 100% of voting rights of Sony Bank Securities Inc. that was a subsidiary of Sony Bank Inc. ("Sony Bank") from Sony Bank Inc. to develop customer base, and to build up a closer connection with Sony Bank's online banking function and Monex, Inc. (the Company's subsidiary) on August 1, 2012. On January 12, 2013, Monex, Inc. as a surviving company absorbed Sony Bank Securities Inc.

Sony Bank Securities Inc. and Monex, Inc. agreed to strengthen the business alliance between both companies.

Fair value of consideration transferred, assets acquired and liabilities assumed

	Millions of Yen
Consideration transferred (Cash)	¥ 2,256
Total	2,256
Cash and cash equivalents	1,751
Financial assets other than cash and cash equivalents	2,153
Deferred tax assets	909
Other assets	37
Financial liabilities	(1,289)
Other liabilities	(73)
Net assets	3,487
Gain on bargain purchase	(1,231)
Total	¥ 2,256

The main reason for this bargain purchase is that deferred tax assets for tax loss carried forward are recognized at the acquisition date. Gain on bargain purchase is included in other revenue in consolidated statement of income. The estimated contingent consideration of ¥83 million was recognized at the acquisition date and the same amount of money was paid after the absorption.

Sony Bank Securities, Inc.'s total operating revenue and net loss since the acquisition date included in the consolidated statement of income for previous consolidated fiscal year is ¥174 million and ¥204 million, respectively. If the acquisition date for the business combinations had been as of April 1, 2012, the total operating revenue and net income on consolidation basis would have been ¥42,819 million and 3,853 million, respectively. These figures are calculated assuming that fair value adjustments made as of April 1, 2012 would have been the same as the acquisition date even if the acquisition had been as of April 1, 2012.

(For the fiscal year ended March 31, 2014)

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

6. Segment Information

(1) Operating segment

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

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

The Group's operating results by reporting segment

For the fiscal year ended March 31, 2013

	Millions of Yen					
	Reporting segment				Adjustment	Consolidated
	Japan	U.S.	China	Total		
Operating revenue from external customers	¥ 23,999	¥ 11,718	¥ 373	¥ 36,090	¥ —	¥ 36,090
Internal operating revenue or transferred amount between segments	152	9	14	175	(175)	—
Total	24,151	11,727	387	36,265	(175)	36,090
Financial expenses	(878)	(1,593)	(1)	(2,472)	152	(2,320)
Depreciation and amortization	(1,271)	(1,772)	(73)	(3,116)	—	(3,116)
Other selling, general and administrative expenses	(15,239)	(11,651)	(403)	(27,292)	49	(27,244)
Other revenue and expenses (net amount)	6,089	(2,485)	(18)	3,586	(33)	3,552
Equity in losses of affiliates	36	—	—	36	—	36
Segment profit or loss (Income before income taxes)	¥ 12,888	¥ (5,775)	¥ (107)	¥ 7,006	¥ (8)	¥ 6,998

Other revenue and expenses (net amount) in U.S. segment include impairment loss on goodwill arising from acquisition of TradeStation Group, Inc and the detailed information is described in "Note 21. Impairment of Non-financial assets."

The following financial revenue is included in operating revenue.

	Millions of Yen					
	Reporting segment				Adjustment	Consolidated
	Japan	U.S.	China	Total		
Financial revenue	¥5,878	¥2,410	¥59	¥8,347	¥(152)	¥8,195

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

(2) Transactions between segments are made by third-party price.

For the fiscal year ended March 31, 2014

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

	Thousands of U.S. Dollars					
	Reporting segment					
	Japan	U.S.	China	Total	Adjustment	Consolidated
Operating revenue from external customers	$ 370,728	$ 155,770	$ 5,407	$ 531,906	$ —	$ 531,906
Internal operating revenue or transferred amount between segments	1,656	350	274	2,280	(2,280)	—
Total	372,384	156,120	5,682	534,186	(2,280)	531,906
Financial expenses	(17,990)	(27,393)	(29)	(45,411)	—	(45,411)
Depreciation and amortization	(14,878)	(17,673)	(894)	(33,444)	—	(33,444)
Other selling, general and administrative expenses	(171,483)	(130,947)	(6,007)	(308,438)	1,863	(306,574)
Other revenue and expenses (net amount)	21,480	(3,322)	(93)	18,065	(325)	17,740
Equity in earnings of affiliates	2	—	—	2	—	2
Segment profit or loss (Income before income taxes)	$ 189,515	$ (23,216)	$ (1,340)	$ 164,959	$ (741)	$ 164,217

The following financial revenue is included in operating revenue.

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

	Thousands of U.S. Dollars					
	Reporting segment					
	Japan	U.S.	China	Total	Adjustment	Consolidated
Financial revenue	$82,478	$40,526	$837	$123,842	$(1,533)	$122,308

Notes: (1) Adjustment refers to elimination between segments.
(2) Transactions between segments are made by third-party price.

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

As of March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Japan	¥12,633	¥14,590	$141,816
U.S.	25,289	27,352	265,867
China	1,211	1,258	12,224
Total	¥39,134	¥43,200	$419,907

7. Commission Received

For the fiscal years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Brokerage	¥15,676	¥27,572	$268,002
Underwriting and distribution	47	121	1,175
Subscription and distribution	494	917	8,915
Other commission	4,149	4,932	47,935
Total	¥20,367	¥33,542	$326,027

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

8. Financial Revenue and Expenses

(1) Net trading income

For the fiscal years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Financial assets and liabilities at fair value through profit or loss	¥6,974	¥8,011	$77,866

(2) Financial revenue and expenses

For the fiscal years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Financial revenue :			
Financial assets at fair value through profit or loss	¥ 422	¥ 661	$ 6,426
Held-to-maturity investments	4	4	37
Loans and receivables	6,507	11,213	108,991
Available-for-sale financial assets	1,261	705	6,855
Total	¥8,195	¥12,583	$122,308
Financial expenses:			
Financial liabilities at fair value through profit or loss	¥ 0	¥ 175	$ 1,703
Loans and receivables	—	56	541
Available-for-sale financial assets	1	1	11
Financial liabilities measured at amortized cost	2,319	4,440	43,156
Total	¥2,320	¥ 4,672	$ 45,411

(3) Other financial revenue and expenses

For the fiscal years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Other financial revenue :			
Loans and receivables	¥ 32	¥ 10	$ 93
Available-for-sale financial assets	4,823	2,295	22,310
Total	4,855	2,305	22,402
Other financial expenses:			
Financial assets and liabilities at fair value through profit or loss	—	60	583
Available-for-sale financial assets	46	3	32
Financial liabilities measured at amortized cost	0	36	348
Total	¥ 46	¥ 99	$ 962

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

(2) Other financial revenue for available-for-sale financial assets includes gain on sales of investments in securities. Gain on sales of investments in securities for the previous consolidated fiscal year and the current consolidated fiscal year is ¥4,781 million and ¥2,288 million ($22,244 thousand), respectively.

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

For the fiscal years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Investments in securities	¥ 21	¥ 3	$ 32
Other financial assets	(47)	56	541
Total	¥ (25)	¥59	$573

9. Other Operating Revenue

For the fiscal years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Trading tool usage fee and information service fee	¥471	¥479	$4,660
Other	83	107	1,044
Total	¥554	¥587	$5,705

10. Selling, General and Administrative Expenses

For the fiscal years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Transaction related costs	¥10,223	¥12,235	$118,921
Personnel expenses	8,503	9,613	93,441
Depreciation and amortization	3,116	3,441	33,444
Other	8,517	9,693	94,212
Total	¥30,359	¥34,981	$340,019

11. Other Revenue

For the fiscal years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Gain on bargain purchase	¥1,231	¥—	$ —
Gain on sales on investments in subsidiaries	317	—	—
Other	211	59	570
Total	¥1,759	¥59	$570

Gain on bargain purchase of ¥1,231 million for the previous consolidated fiscal year is recognized for making Sony Bank Securities Inc. into a wholly-owned subsidiary by acquisition of 100% of its outstanding shares. Gain on sales on investments in subsidiaries of ¥317 million for the previous consolidated fiscal year is recognized for sales of the Company's entire shares of Monex Alternative Investments, Inc.

12. Other Expenses

For the fiscal years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Settlement money in U.S. subsidiary	¥ —	¥170	$1,651
Exchange loss	—	74	718
Impairment of non-financial assets	2,524	—	—
Business combination related costs	270	—	—
Special retirement payment	65	—	—
Cancellation loss of outsourcing contracts	15	—	—
Other	142	196	1,902
Total	¥3,016	¥439	$4,270

13. Financial Instruments

(1) Fair value measurement

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

(a) Cash and cash equivalents

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

(b) Cash segregated as deposits

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

(c) Trading securities and other, Investments in securities

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

(d) Derivative assets and liabilities

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

(e) Margin transaction assets, Margin transaction liabilities, Loans secured by securities, Loans payables secured by securities, Other financial assets, Deposits received, Guarantee deposits received, Bonds and loans payables, 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 flow by discount rate reflecting 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 in Level 1 or Level 2 according to its valuation method. The fair value measurement of financial assets and liabilities measured at fair value on a non-recurring basis is categorized in Level 2.

(2) Carrying amount and fair value

As of March 31, 2013

	Millions of Yen						
	Financial assets and liabilities at fair value through profit or loss	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Other	Total carrying amount	Fair value
Cash and cash equivalents	¥ —	¥ —	¥ 51,193	¥ —	¥ —	¥ 51,193	¥ 51,193
Cash segregated as deposits	—	—	93,211	256,626	—	349,837	349,837
Trading securities and other	4,078	—	—	—	—	4,078	4,078
Other derivative assets	753	—	—	—	—	753	753
Investments in securities	—	4,599	—	13,952	—	18,551	18,551
Margin transaction assets	—	—	149,487	—	—	149,487	149,487
Loans secured by securities	—	—	44,583	—	—	44,583	44,583
Other financial assets	—	—	20,317	2,633	—	22,950	22,950
Total	¥4,830	¥4,599	¥358,791	¥273,212	¥ —	¥641,432	¥641,432
Other derivative liabilities	¥7,604	¥ —	¥ —	¥ —	¥ —	¥ 7,604	¥ 7,604
Margin transaction liabilities	—	—	—	—	39,745	39,745	39,745
Loans payables secured by securities	—	—	—	—	67,661	67,661	67,661
Deposits received	—	—	—	—	231,164	231,164	231,164
Guarantee deposits received	—	—	—	—	131,535	131,535	131,535
Bonds and loans payables	—	—	—	—	113,381	113,381	113,381
Other financial liabilities	—	—	—	—	2,099	2,099	2,099
Total	¥7,604	¥ —	¥ —	¥ —	¥585,584	¥593,188	¥593,188

As of March 31, 2014

	Millions of Yen							
	Financial assets and liabilities at fair value through profit or loss		Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Other	Total carrying amount	Fair value
	Trading	Fair value option (*2)						
Cash and cash equivalents	¥ —	¥ —	¥ —	¥ 85,442	¥ —	¥ —	¥ 85,442	¥ 85,442
Cash segregated as deposits	—	—	—	173,868	252,851	—	426,719	426,719
Trading securities and other	2,458	—	—	—	—	—	2,458	2,458
Other derivative assets	1,613	—	—	—	—	—	1,613	1,613
Investments in securities	579	—	5,099	—	2,712	—	8,390	8,390
Margin transaction assets	—	—	—	178,230	—	—	178,230	178,230
Loans secured by securities	—	—	—	152,382	—	—	152,382	152,382
Other financial assets	—	1,094	—	24,963	2,807	—	28,864	28,864
Total	¥4,650	¥1,094	¥5,099	¥614,885	¥258,370	¥ —	¥884,098	¥884,098
Derivative liabilities designated as hedging instruments (*1)	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 223	¥ 223	¥ 223
Other derivative liabilities	7,155	—	—	—	—	—	7,155	7,155
Margin transaction liabilities	—	—	—	—	—	36,308	36,308	36,308
Loans payables secured by securities	—	—	—	—	—	183,765	183,765	183,765
Deposits received	—	—	—	—	—	287,385	287,385	287,385
Guarantee deposits received	—	—	—	—	—	158,869	158,869	158,869
Bonds and loans payables	—	—	—	—	—	159,125	159,125	159,402
Other financial liabilities	—	—	—	—	—	4,280	4,280	4,280
Total	¥7,155	¥ —	¥ —	¥ —	¥ —	¥829,954	¥837,110	¥837,386

	Thousands of U.S. Dollars							
	Financial assets and liabilities at fair value through profit or loss		Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Other	Total carrying amount	Fair value
	Trading	Fair value option (*2)						
Cash and cash equivalents	$ —	$ —	$ —	$ 830,504	$ —	$ —	$ 830,504	$ 830,504
Cash segregated as deposits	—	—	—	1,690,006	2,457,729	—	4,147,735	4,147,735
Trading securities and other	23,888	—	—	—	—	—	23,888	23,888
Derivative assets	15,683	—	—	—	—	—	15,683	15,683
Investments in securities	5,624	—	49,565	—	26,360	—	81,548	81,548
Margin transaction assets	—	—	—	1,732,403	—	—	1,732,403	1,732,403
Loans secured by securities	—	—	—	1,481,162	—	—	1,481,162	1,481,162
Other financial assets	—	10,629	—	242,645	27,288	—	280,563	280,563
Total	$45,194	$10,629	$49,565	$5,976,720	$2,511,377	$ —	$8,593,485	$8,593,485
Derivative liabilities designated as hedging instruments (*1)	$ —	$ —	$ —	$ —	$ —	$ 2,166	$ 2,166	$ 2,166
Other derivative liabilities	69,552	—	—	—	—	—	69,552	69,552
Margin transaction liabilities	—	—	—	—	—	352,912	352,912	352,912
Loans payables secured by securities	—	—	—	—	—	1,786,205	1,786,205	1,786,205
Deposits received	—	—	—	—	—	2,793,404	2,793,404	2,793,404
Guarantee deposits received	—	—	—	—	—	1,544,216	1,544,216	1,544,216
Bonds and loans payables	—	—	—	—	—	1,546,707	1,546,707	1,549,394
Other financial liabilities	—	—	—	—	—	41,598	41,598	41,598
Total	$69,552	$ —	$ —	$ —	$ —	$8,067,209	$8,136,760	$8,139,447

Notes: (1) The Group made an interest rate swap transaction which matures in June 2018 to hedge the risk of variability in future cash flows by substantively converting variable interest rate on loans payables into fixed interest rate and applies hedge accounting to it. Unrealized loss of ¥161 million ($1,561 thousand) (after tax effect) is recognized as other comprehensive income, and realized loss of ¥17 million ($167 thousand) is reclassified to profit or loss and the realized loss of ¥28 million ($269 thousand) (before tax effect) is included in financial expense in the consolidated statement of income.

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

(3) 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, 2013

	Millions of Yen							
	(a)	(b)	(c)=(a)-(b)	(d)		(e)=(c)-(d)	(f)	(g)=(c)+(f)
	Financial instruments subject to an enforceable master netting arrangement or similar agreement							
				Related amounts not set off in the statement of financial position				
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Cash collateral received	Net amount	Financial instruments not subject to an enforceable master netting arrangement or similar agreement	Carrying amounts in the statement of financial position
Cash and cash equivalents	¥ 1,153	¥ 46	¥ 1,107	¥ —	¥ —	¥ 1,107	¥50,086	¥ 51,193
Derivative assets	9,701	9,425	275	205	—	70	478	753
Margin transaction assets	149,487	—	149,487	143,528	5,960	—	—	149,487
Loans secured by securities	44,583	—	44,583	41,750	—	2,833	—	44,583
Other financial assets	21,421	125	21,296	7,505	2,615	11,176	1,654	22,950
Total	¥226,345	¥9,596	¥216,749	¥192,988	¥8,575	¥15,186	¥52,217	¥268,966

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
				Related amounts not set off in the statement of financial position				
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Cash collateral received	Net amount		
Derivative liabilities	¥ 9,709	¥2,105	¥ 7,604	¥ 204	¥265	¥ 7,135	¥ —	¥ 7,604
Margin transaction liabilities	39,745	—	39,745	39,679	—	66	—	39,745
Loans payables secured by securities	67,661	—	67,661	64,202	—	3,459	—	67,661
Deposit received	224,796	—	224,796	2,615	—	222,181	6,368	231,164
Guarantee deposit received	139,027	7,491	131,535	9,774	—	121,761	—	131,535
Total	¥480,937	¥9,596	¥471,341	¥116,474	¥265	¥354,602	¥6,368	¥477,709

Financial assets

As of March 31, 2014

	Millions of Yen							
	(a)	(b)	(c)=(a)-(b)	(d)		(e)=(c)-(d)	(f)	(g)=(c)+(f)
	Financial instruments subject to an enforceable master netting arrangement or similar agreement						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	¥ 769	¥ 3	¥ 766	¥ —	¥ —	¥ 766	¥84,677	¥ 85,442
Derivative assets	12,212	10,917	1,294	12	—	1,282	319	1,613
Margin transaction assets	178,230	—	178,230	161,872	16,357	—	—	178,230
Loans secured by securities	152,382	—	152,382	147,750	—	4,632	—	152,382
Other financial assets	26,672	126	26,546	9,156	2,671	14,720	2,319	28,864
Total	¥370,264	¥11,047	¥359,217	¥318,790	¥19,028	¥21,400	¥87,314	¥446,532

	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	$ 7,473	$ 32	$ 7,442	$ —	$ —	$ 7,442	$823,062	$ 830,504
Derivative assets	118,701	106,119	12,582	120	—	12,463	3,101	15,683
Margin transaction assets	1,732,403	—	1,732,403	1,573,408	158,995	—	—	1,732,403
Loans secured by securities	1,481,162	—	1,481,162	1,436,136	—	45,026	—	1,481,162
Other financial assets	259,249	1,223	258,027	88,992	25,958	143,076	22,536	280,563
Total	$3,598,988	$107,373	$3,491,615	$3,098,656	$184,953	$208,007	$848,699	$4,340,314

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 received			
Derivative liabilities	¥ 10,255	¥ 2,877	¥ 7,378	¥ 12	¥220	¥ 7,146	¥ —	¥ 7,378
Margin transaction liabilities	36,308	—	36,308	36,194	—	114	—	36,308
Loans payables secured by securities	183,765	—	183,765	178,810	—	4,955	—	183,765
Deposit received	280,305	—	280,305	2,671	—	277,635	7,080	287,385
Guarantee deposit received	167,039	8,170	158,869	17,213	—	141,656	—	158,869
Total	¥677,672	¥11,047	¥666,625	¥234,900	¥220	¥431,505	¥7,080	¥673,705

	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 assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount		
				Financial instruments	Cash collateral received			
Derivative liabilities	$ 99,680	$ 27,962	$ 71,718	$ 120	$2,138	$ 69,460	$ —	$ 71,718
Margin transaction liabilities	352,912	—	352,912	351,807	—	1,105	—	352,912
Loans payables secured by securities	1,786,205	—	1,786,205	1,738,045	—	48,160	—	1,786,205
Deposit received	2,724,586	—	2,724,586	25,958	—	2,698,628	68,818	2,793,404
Guarantee deposit received	1,623,626	79,411	1,544,216	167,315	—	1,376,901	—	1,544,216
Total	$6,587,010	$107,373	$6,479,637	$2,283,245	$2,138	$4,194,254	$68,818	$6,548,455

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

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

14. Fair Value Measurement

(1) Fair value hierarchy

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

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

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

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

The fair value measurement is categorized in the same level of the fair value hierarchy as the lowest level input that is significant to the measurement.

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

(2) Valuation techniques

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

(3) Valuation process

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

(4) Quantitative information for assets categorized in Level 3

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

As of March 31, 2013

	Millions of Yen			
	Fair value	Valuation techniques	Unobservable inputs	Rates
Investments in securities	¥1,150	Income approach	Earnings growth rate Discount rate	0% 5.8%–5.9%
Derivative assets	478	Binomial model	Volatility rate	45.0%

As of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars			
	Fair value		Valuation techniques	Unobservable inputs	Rates
Investments in securities	¥1,047	$10,172	Income approach	Earnings growth rate Discount rate	0% 7.4%–7.7%
Derivative assets	319	3,101	Binomial model	Volatility rate	60.0%

(5) Sensitivity analysis for volatility in significant unobservable inputs

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

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

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

As of March 31, 2013

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Cash segregated as deposits	¥256,626	¥ —	¥ —	¥256,626
Trading securities and other	4,078	—	—	4,078
Derivative assets	—	275	478	753
Investments in securities	12,802	—	1,150	13,952
Other financial assets	2,633	—	—	2,633
Total	¥276,140	¥ 275	¥1,628	¥278,042
Derivative liabilities	¥ —	¥7,604	¥ —	¥ 7,604
Total	¥ —	¥7,604	¥ —	¥ 7,604

As of March 31, 2014

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Cash segregated as deposits	¥252,851	¥ —	¥ —	¥252,851
Trading securities and other	784	1,674	—	2,458
Derivative assets	—	1,294	319	1,613
Investments in securities	2,244	—	1,047	3,290
Other financial assets	2,807	1,094	—	3,901
Total	¥258,686	¥4,062	¥1,366	¥264,114
Derivative liabilities	¥ —	¥7,378	¥ —	¥ 7,378
Total	¥ —	¥7,378	¥ —	¥ 7,378

	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Cash segregated as deposits	$2,457,729	$ —	$ —	$2,457,729
Trading securities and other	7,617	16,271	—	23,888
Derivative assets	—	12,582	3,101	15,683
Investments in securities	21,812	—	10,172	31,984
Other financial assets	27,288	10,629	—	37,917
Total	$2,514,445	$39,483	$13,273	$2,567,201
Derivative liabilities	$ —	$71,718	$ —	$ 71,718
Total	$ —	$71,718	$ —	$ 71,718

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 fiscal years ended March 31, 2013 and 2014

	Millions of Yen				Thousands of U.S. Dollars	
	2013		2014		2014	
	Investments in securities	Derivative assets	Investments in securities	Derivative assets	Investments in securities	Derivative assets
Beginning balance	¥ 951	¥160	¥1,150	¥478	$11,177	$ 4,643
Total gains or losses	296	317	17	557	162	5,413
Profit or loss	159	317	33	557	324	5,413
Other comprehensive income	138	—	(17)	—	(162)	—
Purchases	143	—	183	—	1,783	—
Decrease by loss of control of subsidiaries	(10)	—	—	—	—	—
Sales and collections	(231)	—	(239)	(716)	(2,325)	(6,955)
Cash distribution	—	—	(64)	—	(626)	—
Ending balance	¥1,150	¥478	¥1,047	¥319	$10,172	$ 3,101
Net amount of unrealized gains and losses included in profit or loss relating to assets and liabilities held at the end of the fiscal year	¥ 15	¥317	¥ 30	¥128	$ 289	$ 1,244

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

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

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

As of March 31, 2013

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	¥ 51,193	¥ —	¥—	¥ 51,193
Cash segregated as deposits	63,128	30,083	—	93,211
Investments in securities	4,599	—	—	4,599
Margin transaction assets	—	149,487	—	149,487
Loans secured by securities	—	44,583	—	44,583
Other financial assets	—	20,317	—	20,317
Equity method investments	528	—	—	528
Total	¥119,447	¥244,470	¥—	¥363,918
Margin transaction liabilities	¥ —	¥ 39,745	¥—	¥ 39,745
Loans payables secured by securities	—	67,661	—	67,661
Deposits received	—	231,164	—	231,164
Guarantee deposits received	—	131,535	—	131,535
Bonds and loans payables	—	113,381	—	113,381
Other financial liabilities	—	2,099	—	2,099
Total	¥ —	¥585,584	¥—	¥585,584

As of March 31, 2014

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	¥ 85,442	¥ —	¥—	¥ 85,442
Cash segregated as deposits	119,787	54,081	—	173,868
Investments in securities	5,099	—	—	5,099
Margin transaction assets	—	178,230	—	178,230
Loans secured by securities	—	152,382	—	152,382
Other financial assets	—	24,963	—	24,963
Equity method investments	388	—	—	388
Total	¥210,716	¥409,656	¥—	¥620,372
Margin transaction liabilities	¥ —	¥ 36,308	¥—	¥ 36,308
Loans payables secured by securities	—	183,765	—	183,765
Deposits received	—	287,385	—	287,385
Guarantee deposits received	—	158,869	—	158,869
Bonds and loans payables	—	159,402	—	159,402
Other financial liabilities	—	4,280	—	4,280
Total	¥ —	¥830,008	¥—	¥830,008

	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 830,504	$ —	$—	$ 830,504
Cash segregated as deposits	1,164,335	525,671	—	1,690,006
Investments in securities	49,565	—	—	49,565
Margin transaction assets	—	1,732,403	—	1,732,403
Loans secured by securities	—	1,481,162	—	1,481,162
Other financial assets	—	242,645	—	242,645
Equity method investments	3,772	—	—	3,772
Total	$2,048,176	$3,981,881	$—	$6,030,057
Margin transaction liabilities	$ —	$ 352,912	$—	$ 352,912
Loans payables secured by securities	—	1,786,205	—	1,786,205
Deposits received	—	2,793,404	—	2,793,404
Guarantee deposits received	—	1,544,216	—	1,544,216
Bonds and loans payables	—	1,549,394	—	1,549,394
Other financial liabilities	—	41,598	—	41,598
Total	$ —	$8,067,730	$—	$8,067,730

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

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

15. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position.

As of March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Cash and cash equivalents in consolidated statement of financial position	¥51,193	¥85,442	$830,504
Term deposit over 3 months	(100)	—	—
Secured deposits	(1,107)	(766)	(7,442)
Instruments included in investments in securities such as MMF	154	179	1,735
Cash and cash equivalents in consolidated statement of cash flow	¥50,140	¥84,855	$824,797

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

16. Cash Segregated as Deposits

Assets included in cash segregated as deposits

As of March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Cash and cash equivalents	¥ 63,128	¥119,787	$1,164,335
Call loans	29,977	54,003	524,913
Government and corporate bonds	206,126	200,851	1,952,286
Joint investment trust	50,500	52,000	505,443
Others	106	78	758
Total	¥349,837	¥426,719	$4,147,735

17. Collateral

(1) Collateral provided by the Group

As of March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Cash and cash equivalents (*1)	¥ 1,107	¥ 766	$ 7,442
Investments in securities (*2)	4,099	5,099	49,565
Other financial assets (*3)	11,734	14,137	137,409
Total	¥16,940	¥20,001	$194,415

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

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

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

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

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

As of March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Collateral securities for loans on margin transaction (*4)	¥144,611	¥158,149	$1,537,216
Securities borrowing on margin transaction (*5)	4,186	2,060	20,027
Securities borrowing on loan contract	145,872	266,949	2,594,765
Substitute securities for guarantee deposits received	265,424	292,872	2,846,733
Securities accepted as other collateral with right to sell or repledge	19	3	28
Total	¥560,112	¥720,033	$6,998,769

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

As of March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Securities lending on margin transaction (*5)	¥ 29,431	¥ 14,447	$ 140,427
Collateral securities for borrowings on margin transactions (*4)	14,700	23,412	227,569
Securities lending on loan contract	77,753	179,109	1,740,955
Substitute securities for guarantee deposits received that are pledged for lending transaction	11,684	11,313	109,959
Securities pledged as other collateral (*6)	449	147	1,429
Total	¥134,017	¥228,429	$2,220,339

Notes: (4) Securities company lends money for purchase of securities to 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.

(5) Securities company lends securities for sale of securities to 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.

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

18. Bonds and Loans Payables

As of March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars	%	
	2013	2014	2014	Average interest rate (*1)	Due date
Short-term loans payables and other	¥ 89,426	¥ 75,200	$ 730,952	0.50	
Bonds payables	9,986	16,790	163,197	—	
Long-term loans payables	13,969	67,135	652,559	0.87	From June 2016 to August 2018
Total	¥113,381	¥159,125	$1,546,707		
(Margin transaction liabilities) Borrowings on margin transactions	¥ 14,847	¥ 22,607	$ 219,746	0.77	

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

(2) Short-term loans payables and other and long-term loans payables include syndicate loan at the end of the previous consolidated fiscal year and at the end of the current consolidated fiscal year amounting to ¥12,485 million and ¥57,141 million ($555,416 thousand), respectively.

Summary of the terms of bonds payables

As of March 31, 2013 and 2014

			Millions of Yen		Thousands of U.S. Dollars	%	
Company	Description	Issue date	2013	2014	2014	Rate	Redemption date
Monex Group, Inc.	Yen-dominated bond with interest coupon of 1.00% due on March 26, 2014	March 26, 2013	3,000	—	—	1.00	March 26, 2014
Monex Group, Inc.	Yen-dominated bond with interest coupon of 1.00% due on March 26, 2014	March 26, 2013	7,000	—	—	1.00	March 26, 2014
Monex Group, Inc.	Yen-dominated bond with interest coupon of 1.30% due on July 19, 2016	July 19, 2013	—	2,000	19,440	1.30	July 19, 2016
Monex Group, Inc.	Yen-dominated bond with interest coupon of 1.50% due on October 17, 2018	October 17, 2013	—	5,000	48,600	1.50	October 17, 2018
Monex Group, Inc.	Yen-dominated bond with interest coupon of 1.50% due on November 12, 2018	November 11, 2013	—	5,000	48,600	1.50	November 12, 2018
Monex Group, Inc.	Yen-dominated bond due on December 17, 2018	December17, 2013	—	5,000	48,600	1.50	December 17, 2018

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

19. Property and Equipment

	Millions of Yen		
	Buildings	Equipment and fixtures	Total
Acquisition cost			
As of April 1, 2012	¥ 475	¥2,595	¥3,069
Increase for the fiscal year (Purchase)	227	346	572
Decrease by loss of control of a subsidiary	(15)	(12)	(26)
Disposal	(235)	(201)	(436)
Foreign currency translation adjustments in foreign operations	11	203	214
As of March 31, 2013	463	2,931	3,394
Increase for the fiscal year (Purchase)	443	372	815
Disposal	(19)	(146)	(164)
Foreign currency translation adjustments in foreign operations	17	153	170
As of March 31, 2014	¥ 904	¥3,311	¥4,215

	Millions of Yen		
	Buildings	Equipment and fixtures	Total
Accumulated depreciation and accumulated impairment loss			
As of April 1, 2012	¥ 235	¥1,076	¥1,310
Decrease by loss of control of a subsidiary	(5)	(10)	(15)
Depreciation	135	752	888
Disposal	(228)	(173)	(401)
Foreign currency translation adjustments in foreign operations	5	122	128
As of March 31, 2013	142	1,768	1,909
Depreciation	75	695	769
Disposal	(17)	(132)	(149)
Foreign currency translation adjustments in foreign operations	5	103	107
As of March 31, 2014	¥ 203	¥2,433	¥2,636

	Millions of Yen		
	Buildings	Equipment and fixtures	Total
Carrying amount			
As of April 1, 2012	¥240	¥1,519	¥1,759
As of March 31, 2013	321	1,163	1,485
As of March 31, 2014	701	878	1,579

	Thousands of U.S. Dollars		
	Buildings	Equipment and fixtures	Total
Acquisition cost			
As of March 31, 2013	$4,499	$28,490	$32,989
Increase for the fiscal year (Purchase)	4,303	3,620	7,923
Disposal	(182)	(1,416)	(1,597)
Foreign currency translation adjustments in foreign operations	170	1,485	1,655
As of March 31, 2014	$8,791	$32,180	$40,970

	Thousands of U.S. Dollars		
	Buildings	Equipment and fixtures	Total
Accumulated depreciation and accumulated impairment loss			
As of March 31, 2013	$1,377	$17,181	$18,559
Depreciation	725	6,751	7,476
Disposal	(169)	(1,284)	(1,453)
Foreign currency translation adjustments in foreign operations	44	1,000	1,044
As of March 31, 2014	$1,978	$23,649	$25,626

	Thousands of U.S. Dollars		
	Buildings	Equipment and fixtures	Total
Carrying amount			
As of March 31, 2013	$3,122	$11,308	$14,430
As of March 31, 2014	6,813	8,531	15,344

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

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

20. Intangible Assets

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

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

	Millions of Yen			
	Goodwill	Internally generated intangible assets	Others	Total
Acquisition cost				
As of April 1, 2012	¥18,453	¥1,608	¥19,280	¥39,341
Increase by business combination	—	—	26	26
Increase (not by business combination)	—	2,131	833	2,963
Decrease by loss of control of a subsidiary	(58)	—	(9)	(67)
Disposal	0	(2)	(257)	(259)
Foreign currency translation adjustments in foreign operations	1,598	134	2,261	3,993
As of March 31, 2013	19,994	3,871	22,134	45,999
Increase (not by business combination)	—	4,051	491	4,542
Disposal	—	(79)	(25)	(104)
Foreign currency translation adjustments in foreign operations	1,156	138	1,640	2,933
As of March 31, 2014	¥21,150	¥7,981	¥24,239	¥53,370

	Millions of Yen			
	Goodwill	Internally generated intangible assets	Others	Total
Accumulated amortization and accumulated impairment loss				
As of April 1, 2012	¥ —	¥ 203	¥3,222	¥3,425
Decrease by loss of control of a subsidiary	—	—	(5)	(5)
Amortization	—	391	1,836	2,228
Impairment loss	2,524	—	—	2,524
Disposal	—	—	(208)	(208)
Foreign currency translation adjustments in foreign operations	332	24	284	640
As of March 31, 2013	2,856	619	5,130	8,605
Amortization	—	796	1,877	2,673
Disposal	—	(14)	(1)	(14)
Foreign currency translation adjustments in foreign operations	267	34	247	548
As of March 31, 2014	¥3,123	¥1,435	¥7,253	¥11,811

	Millions of Yen			
	Goodwill	Internally generated intangible assets	Others	Total
Carrying amount				
As of April 1, 2012	¥18,453	¥1,405	¥16,058	¥35,916
As of March 31, 2013	17,138	3,253	17,004	37,394
As of March 31, 2014	18,027	6,546	16,986	41,558

	Thousands of U.S. Dollars			
	Goodwill	Internally generated intangible assets	Others	Total
Acquisition cost				
As of March 31, 2013	$194,344	$37,629	$215,140	$447,112
Increase (not by business combination)	—	39,379	4,773	44,152
Disposal	—	(767)	(246)	(1,013)
Foreign currency translation adjustments in foreign operations	11,232	1,337	15,937	28,506
As of March 31, 2014	$205,580	$77,578	$235,603	$518,761

	Thousands of U.S. Dollars			
	Goodwill	Internally generated intangible assets	Others	Total
Accumulated amortization and accumulated impairment loss				
As of March 31, 2013	$27,761	$ 6,012	$49,863	$ 83,637
Amortization	—	7,739	18,246	25,985
Disposal	—	(132)	(8)	(140)
Foreign currency translation adjustments in foreign operations	2,593	332	2,400	5,326
As of March 31, 2014	$30,355	$13,952	$70,500	$114,807

	Thousands of U.S. Dollars			
	Goodwill	Internally generated intangible assets	Others	Total
Carrying amount				
As of March 31, 2013	$166,582	$31,616	$165,277	$363,476
As of March 31, 2014	175,221	63,626	165,103	403,950

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

The carrying amount and the remaining amortization periods

As of April 1, 2013

Class	Millions of Yen Carrying amount	Remaining amortization periods
Customer relationships	¥3,058	16 years
Technologies assets	8,919	16 years

As of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars	
Class	Carrying amount		Remaining amortization periods
Customer relationships	¥3,138	$30,500	15 years
Technologies assets	9,152	88,958	15 years

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

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

As of March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Exchange membership and others	¥193	¥210	$2,043

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

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

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

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

As of March 31, 2013 and 2014

CGU (Segment)	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
(Goodwill)			
Japan	¥ 7,627	¥ 7,627	$ 74,136
U.S.	12,001	9,999	97,194
China	366	400	3,891
Total	¥19,994	¥18,027	$175,221
(Intangible assets with indefinite useful lives)			
Japan	¥ 193	¥ 210	$ 2,043

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

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

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

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

For the fiscal years ended March 31, 2013 and 2014

CGU (Segment)	2013	2014
Japan	12.8%	10.2%
U.S.	16.3%	17.4%
China	13.9%	12.8%

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

As of March 31, 2013 and 2014

CGU (Segment)	2013	2014
Japan	0.9%	1.0%
U.S.	2.0%	2.0%
China	3.0%	3.0%

21. Impairment of Non-financial Assets

For the previous consolidated fiscal year, as a result of impairment test based on the latest financial plan, impairment loss of ¥2,524 million was recognized for the goodwill arising from the acquisition of TradeStation Group, Inc. (U.S. segment) in June 2011 since the recoverable amount was ¥25,028 million and the value in use was less than the carrying amount. Impairment loss was not recognized for assets other than goodwill. The impairment loss recognized is included in other expenses in the consolidated statement of income.

22. Companies Subject to Equity Method

Summary of associates

As of March 31, 2013 and 2014

Company name	Business description	Segment	Ownership interest %	
			2013	2014
Triangle Partners (silent partnership Triangle Partners)	Investment management	Japan	33.3	33.3
ASTMAX, Co., Ltd	Commodity futures transactions, investment management, investment advisory and agency business	Japan	15.0	15.0

For the previous consolidated fiscal year, the Company transferred all shares of Monex Alternative Investments, Inc. held by the Company to ASTMAX Co., Ltd. (now Astmax Trading, Inc.) and acquired 15% shares of ASTMAX Co., Ltd. on August 1, 2012 aiming to combine asset management business of ASTMAX Co., Ltd. and Monex Alternative Investments, Inc.

The Company holds less than 20% of voting shares of ASTMAX Co., Ltd., but applied equity method to ASTMAX Co., Ltd. due to significant influence over ASTMAX Co., Ltd. through dispatching director and other means.

The fair value of investment in ASTMAX Co., Ltd. at the end of the previous consolidated fiscal year and at the end of the current consolidated fiscal year is ¥528 million and ¥388 million ($3,772 thousand), respectively.

The carrying amount of equity method investments that are not individually material

As of March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Carrying amount	¥826	¥861	$8,370

Profit or loss and other comprehensive income recognized for equity method investments that are not individually material

For the fiscal year ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Equity in earnings or losses of affiliates	¥36	¥ 0	$ 2
Other comprehensive income for interests in equity method investments	51	23	220
Total	¥87	¥23	$221

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

For the shares of losses on some equity method investments, the losses are not recognized for the previous consolidated fiscal year because the accumulated losses exceed the carrying amount of equity method investments. The share of losses not recognized for the previous consolidated fiscal year and the share of accumulated losses not recognized at the end of the previous year are both ¥15 million.

23. Deferred Tax and Income Tax Expense

(1) Deferred tax

Major components of deferred tax assets and deferred tax liabilities

	Millions of Yen				
	As of April 1, 2012	Recognized through profit or loss	Recognized through other comprehensive income	Acquisition of subsidiaries	As of March 31, 2013
Deferred tax assets:					
Tax loss carried forward	¥1,191	¥(1,125)	¥ —	¥826	¥ 892
Accounts payable and accrued expenses	304	207	—	14	525
Accrued enterprise tax	40	142	—	—	182
Deferred revenue	56	9	—	—	65
Property and equipment and intangible assets	113	227	—	69	409
Investments in securities	169	(49)	(44)	—	76
Allowance for doubtful receivables	143	(49)	—	—	94
Others	68	177	—	—	245
Total deferred tax assets	¥2,085	¥ (460)	¥ (44)	¥909	¥2,489
Deferred tax liabilities:					
Investments in securities	¥2,998	¥ (0)	¥(1,408)	¥ —	¥1,590
Property and equipment and intangible assets	4,966	691	—	—	5,656
Goodwill	244	78	—	—	322
Others	125	153	—	—	277
Total deferred tax liabilities	¥8,332	¥ 922	¥(1,408)	¥ —	¥7,845

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

	Thousands of U.S. Dollars			
	As of March 31, 2013	Recognized through profit or loss	Recognized through other comprehensive income	As of March 31, 2014
Deferred tax assets:				
Tax loss carried forward	$ 8,668	$ 4,934	$ —	$13,602
Accounts payable and accrued expenses	5,103	3,593	—	8,696
Accrued enterprise tax	1,770	2,686	—	4,456
Deferred revenue	633	(179)	—	454
Property and equipment and intangible assets	3,978	2,314	—	6,292
Investments in securities	742	(459)	5	288
Allowance for doubtful receivables	918	80	—	998
Others	2,382	2,398	—	4,780
Total deferred tax assets	$24,195	$15,367	$ 5	$39,567
Deferred tax liabilities:				
Investments in securities	$15,455	$ 837	$ (10,436)	$ 5,856
Property and equipment and intangible assets	54,981	7,799	—	62,781
Goodwill	3,126	564	—	3,690
Others	2,697	(826)	—	1,870
Total deferred tax liabilities	$76,259	$ 8,375	$ (10,436)	$74,197

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

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

As of March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Deferred tax assets	¥ 61	¥ 247	$ 2,400
Deferred tax liabilities	(5,418)	(3,810)	(37,030)
Net amount	¥(5,356)	¥(3,563)	$(34,630)

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

As of March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Tax loss carried forward	¥271	¥380	$3,692
Deductible temporary differences	0	120	1,170
Total	¥272	¥500	$4,862

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

As of March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Year 1	¥ —	¥ —	$ —
Year 2	—	—	—
Year 3	—	—	—
Year 4	—	—	—
Over year 5	271	380	3,692

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

For some subsidiaries that record net loss and the recoverability of deferred tax assets depends on the future taxable income, deferred tax assets recognized at the end of the previous consolidated fiscal year and at the end of the current consolidated fiscal year are ¥61 million and ¥42 million ($411 thousand), respectively. The Company's management considers whether sufficient taxable profit will be available for the deductible temporary differences or tax loss carried forward based on the past performance, the approved future business plan and the tax planning, and the deferred tax assets are recognized as the result of the assessment.

For deductible and taxable temporary differences associated with investments in subsidiaries, deferred tax assets and liabilities are not basically recognized at the end of the previous consolidated fiscal year and at the end of the current consolidated fiscal year, because the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. The deductible temporary differences associated with investments in subsidiaries for which a deferred tax asset is not recognized at the end of the previous consolidated fiscal year and at the end of the current consolidated fiscal year are ¥3,943 million and ¥3,561 million ($34,615 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 ¥8,612 million and ¥10,289 million ($100,013 thousand), respectively.

(2) Income tax expense

Current income tax expense and deferred tax expense

For the fiscal years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Current income tax expense:			
For the fiscal year	¥2,260	¥ 7,532	$ 73,212
Total current income tax expense	2,260	7,532	73,212
Deferred tax expense:			
Increase and decrease in temporary differences	831	(1,032)	(10,033)
Changes in applicable tax rate	—	39	378
Total deferred income tax expense	831	(993)	(9,655)
Total income tax expense	¥3,091	¥ 6,539	$ 63,557

The current tax expense includes the amount of the benefit arising from a previously unrecognized tax loss carried forward or temporary difference of a past period that is used to reduce current tax expense, and the related current income tax expense for the previous consolidated fiscal year and the current consolidated fiscal year decreased by ¥11 million and ¥0 million ($2 thousand), respectively.

The deferred tax expense includes the amount of the benefit arising from a previously unrecognized tax loss carried forward or temporary difference of a past period, and the related deferred tax expense for the previous consolidated fiscal year and the current consolidated fiscal year decreased by ¥11 million and ¥0 million ($2 thousand), respectively.

The deferred tax expense includes the write-down or reversal of previous write-down of deferred tax assets, and the related deferred tax expense for the previous consolidated fiscal year and the current consolidated fiscal year increased by ¥54 million and ¥19 million ($189 thousand), respectively.

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

In Japan, the Act to Revise Income Taxes, Etc. (Law No. 10 of 2014) was announced on March 31, 2014 and a special corporate tax for reconstruction proposes will be repealed in the fiscal year beginning on or after April 1, 2014. As a result, the statutory effective tax rate used for calculation of deferred tax assets and liabilities for temporary differences expected to be reversed in the fiscal year beginning on or after April 1, 2014 has changed from previous 38.0% to 35.6%. The statutory effective tax rate used for calculation of deferred tax assets and liabilities for temporary differences expected to be reversed from the fiscal year beginning on or after April 1, 2015 is 35.6% and there is no change in the rate from the previous fiscal year.

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 fiscal years ended March 31, 2013 and 2014

	%	
	2013	2014
Statutory effective tax rate	38.0	38.0
Unrecognized deferred tax assets	1.2	0.4
Adjustment of deferred tax assets by changes in applicable tax rate	—	0.2
Impairment loss on non-financial assets	13.3	—
Gain on bargain purchase	(6.7)	—
Gain on sales of investments in subsidiaries	(1.7)	—
Others	0.1	0.0
Average effective tax rate	44.2	38.7

24. Deferred Revenue

Deferred revenue 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 ¥171 million and ¥131 million ($1,273 thousand), respectively.

25. Operating Leases

The Group rents office building and others under cancellable or non-cancellable operating leases. The minimum lease payments for operating lease recognized as expense for the previous consolidated fiscal year and for the current consolidated fiscal year are ¥602 million and ¥900 million ($8,747 thousand), respectively.

Future minimum lease payment under non-cancellable operating leases

As of March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Within one year	¥ 615	¥ 738	$ 7,175
Over one year but within five years	1,354	1,299	12,630
Over five years	849	793	7,709
Total	¥2,818	¥2,831	$27,514

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

26. 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 fiscal years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Contribution to defined contribution plan	¥94	¥96	$930

27. Provisions

Provisions consist only of asset retirement obligations.

Changes in provisions

For the fiscal years ended March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
As of April 1, 2013	¥ 88	$ 855
Increase for the fiscal year	67	651
Reversal of discounted amounts by the passage of time	1	13
As of March 31, 2014	¥156	$1,519

28. Share-based Payment

Cash-settled share-based bonus plan

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

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

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

As of March 31, 2013 and 2014

	Millions of Yen	Millions of Yen		Thousands of U.S. Dollars
	Original estimated payment amount at grant date	2013	2014	2014
		Estimated payment amount		
The Company and domestic group companies				
Granted on June 27, 2011 (For 2 years)	¥ 16	¥ 29	¥ —	$ —
Granted on June 27, 2011 (For 3 years)	16	29	33	317
Granted on June 29, 2012 (For 1 year)	24	48	—	—
Granted on June 29, 2012 (For 2 years)	18	36	46	448
Granted on June 29, 2012 (For 3 years)	18	36	46	448
Granted on June 28, 2013 (For 1 year)	63	—	64	619
Granted on June 28, 2013 (For 2 years)	48	—	48	464
Granted on June 28, 2013 (For 3 years)	48	—	48	464
Foreign group companies				
Granted on June 17, 2011 (For 2 years)	46	104	—	—
Granted on June 17, 2011 (For 3 years)	85	203	302	2,940
Granted on June 17, 2011 (For 4 years)	100	238	355	3,450
Granted on June 17, 2011 (For 5 years)	100	238	355	3,450
Granted on June 17, 2011 (For 6 years)	100	238	355	3,450
Granted on March 30, 2012 (For 1 year)	9	14	—	—
Granted on March 30, 2012 (For 2 years)	9	14	15	142
Granted on March 30, 2012 (For 3 years)	9	14	15	142
Granted on March 30, 2012 (For 4 years)	9	14	15	142
Granted on June 29, 2012 (For 1 year)	47	126	—	—
Granted on June 29, 2012 (For 2 years)	47	126	167	1,622
Granted on June 29, 2012 (For 3 years)	47	126	167	1,622
Granted on June 29, 2012 (For 4 years)	47	126	167	1,622
Granted on March 29, 2013 (For 1 year)	4	4	7	64
Granted on March 29, 2013 (For 2 years)	4	4	7	64
Granted on March 29, 2013 (For 3 years)	4	4	7	64
Granted on March 29, 2013 (For 4 years)	4	4	7	64
Granted on June 28, 2013 (For 1 year)	60	—	63	612
Granted on June 28, 2013 (For 2 years)	60	—	63	612
Granted on June 28, 2013 (For 3 years)	90	—	95	924
Granted on June 28, 2013 (For 4 years)	60	—	63	612
Granted on June 28, 2013 (For 6 years)	30	—	32	312
Granted on July 31, 2013 (For 1 year)	0	—	0	3
Granted on July 31, 2013 (For 2 years)	0	—	0	3
Granted on July 31, 2013 (For 3 years)	0	—	0	3
Granted on July 31, 2013 (For 4 years)	0	—	0	3
Total	¥1,223	¥1,777	¥2,539	$24,681

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

As of March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Liabilities arising from share-based payment	¥783	¥1,553	$15,100

The carrying amounts of the liabilities for rights vested by the end of the previous consolidated fiscal year and the current consolidated fiscal year are ¥14 million and ¥21 million ($206 thousand) respectively.

The total expenses recognized for the previous consolidated fiscal year and the current consolidated fiscal year are ¥602 million and ¥1,119 million ($10,874 thousand), respectively. These expenses are included in selling, general and administrative expenses in the consolidated statement of income.

29. Paid-in Capital and Other Equity

The numbers of shares authorized and issued

For the fiscal years ended March 31, 2013 and 2014

	Number of shares	
	2013	2014
The number of shares authorized		
Common stock	8,800,000	880,000,000
The number of shares issued		
Beginning balance	2,996,805	2,996,805
Cancellation of treasury stock (*1)	—	(120,000)
Stock splits (*2)	—	284,803,695
Ending balance	2,996,805	287,680,500
The number of treasury stock		
Beginning balance	—	—
Acquisition of treasury stock (*1)	—	120,000
Cancellation of treasury stock (*1)	—	(120,000)
Ending balance	—	—

Notes: (1) 120,000 shares of treasury stock amounting to ¥5,514 million ($53,596 thousand) was acquired through an off auction treasury stock purchase trading at Tokyo Stock Exchange, Inc. (ToSTNET-3) on May 15, 2013 and 120,000 shares of treasury stock was canceled.

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

Common stock

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

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

Treasury stock

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

Additional paid-in capital

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

Retained earnings

Retained earnings include legal earnings reserved and other retained earnings. The Act requires one-tenth of dividends paid 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.

30. Dividends

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

The latest actual performance for dividends paid

Resolution date	Class of shares	Millions of Yen Paid amount	Yen Dividends per share	Record date	Effective date
June 23, 2012	Common stock	¥ 300	¥ 100.00	March 31, 2012	June 25, 2012
October 24, 2012	Common stock	330	110.00	September 30, 2012	November 29, 2012
June 22, 2013	Common stock	899	300.00	March 31, 2013	June 24, 2013
October 31, 2013	Common stock	3,164	1,100.00	September 30, 2013	November 28, 2013

Resolution date	Class of shares	Thousands of U.S. Dollars Paid amount	U.S. Dollars Dividends per share	Record date	Effective date
June 22, 2013	Common stock	$ 8,739	$ 2.92	March 31, 2013	June 24, 2013
October 31, 2013	Common stock	30,759	10.69	September 30, 2013	November 28, 2013

Note: Stock split (100 shares are defined as 1 share unit) was conducted on October 1, 2013, but the above mentioned dividends per share is the amount before stock split

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

Resolution date	Class of shares	Millions of Yen Paid amount	Yen Dividends per share	Record date	Effective date
June 21, 2014	Common stock	¥2,014	¥7.00	March 31, 2014	June 23, 2014

Resolution date	Class of shares	Thousands of U.S. Dollars Paid amount	U.S. Dollars Dividends per share	Record date	Effective date
June 21, 2014	Common stock	$19,574	$0.07	March 31, 2014	June 23, 2014

31. Other Components of Equity and Other Comprehensive Income

Changes in accumulated other comprehensive income

For the fiscal years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Foreign currency translation adjustments in foreign operations			
Beginning balance	¥ 485	¥ 3,789	$ 36,831
Other comprehensive income before reclassification	3,305	2,349	22,833
Reclassification to profit or loss	—	—	—
Ending balance	¥ 3,789	¥ 6,138	$ 59,664
Valuation difference on available-for-sale financial assets			
Beginning balance	¥ 5,351	¥ 2,833	$ 27,534
Other comprehensive income before reclassification	860	(479)	(4,651)
Reclassification to profit or loss	(3,379)	(1,482)	(14,403)
Ending balance	¥ 2,833	¥ 872	$ 8,479
Changes in fair value of hedging instrument			
Beginning balance	¥ —	¥ —	$ —
Other comprehensive income before reclassification	—	(161)	(1,561)
Reclassification to profit or loss	—	17	167
Ending balance	¥ —	¥ (143)	$ (1,394)
Accumulated other comprehensive income for equity method investments			
Beginning balance	¥ 0	¥ 51	$ 498
Other comprehensive income before reclassification	104	23	220
Reclassification to profit or loss	(53)	—	—
Ending balance	¥ 51	¥ 74	$ 717
Other components of equity			
Beginning balance	¥ 5,836	¥ 6,673	$ 64,863
Other comprehensive income before reclassification	4,269	1,733	16,840
Reclassification to profit or loss	(3,432)	(1,465)	(14,237)
Ending balance	¥ 6,673	¥ 6,941	$ 67,467

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 fiscal years ended March 31, 2013 and 2014

	(Millions of Yen)						Thousands of U.S. Dollars		
	2013			2014			2014		
	Before related tax effects	Tax effect	Net of related tax effects	Before related tax effects	Tax effect	Net of related tax effects	Before related tax effects	Tax effect	Net of related tax effects
Foreign currency translation adjustments in foreign operations									
Other comprehensive income before reclassification	¥ 3,305	¥ —	¥ 3,305	¥ 2,349	¥ —	¥ 2,349	$ 22,833	$ —	$ 22,833
Reclassification to profit or loss	—	—	—	—	—	—	—	—	—
Changes for the reporting period	¥ 3,305	¥ —	¥ 3,305	¥ 2,349	¥ —	¥ 2,349	$ 22,833	$ —	$ 22,833
Valuation difference on available-for-sale financial assets									
Other comprehensive income before reclassification	¥ 1,340	¥ (480)	¥ 860	¥ (744)	¥ 266	¥ (479)	$ (7,235)	$ 2,583	$ (4,651)
Reclassification to profit or loss	(5,251)	1,872	(3,379)	(2,303)	821	(1,482)	(22,383)	7,979	(14,403)
Changes for the reporting period	¥(3,911)	¥1,392	¥(2,519)	¥(3,047)	¥1,087	¥(1,960)	$(29,618)	$10,563	$(19,055)
Changes in fair value of hedging instruments									
Other comprehensive income before reclassification	¥ —	¥ —	¥ —	¥ (251)	¥ 90	¥ (161)	$ (2,435)	$ 874	$ (1,561)
Reclassification to profit or loss	—	—	—	28	(11)	17	269	(102)	167
Changes for the reporting period	¥ —	¥ —	¥ —	¥ (223)	¥ 79	¥ (143)	$ (2,166)	$ 772	$ (1,394)
Accumulated other comprehensive income for equity method investments									
Other comprehensive income before reclassification	¥ 162	¥ (58)	¥ 104	¥ 35	¥ (12)	¥ 23	$ 341	$ (121)	$ 220
Reclassification to profit or loss	(82)	29	(53)	—	—	—	—	—	—
Changes for the reporting period	¥ 80	¥ (28)	¥ 51	¥ 35	¥ (12)	¥ 23	$ 341	$ (121)	$ 220
Total other comprehensive income	¥ (526)	¥1,364	¥ 837	¥ (886)	¥1,154	¥ 268	$ (8,609)	$11,213	$ 2,604

32. Earnings per Share

Basic earnings per share for the current consolidated fiscal year is calculated based on net income attributable to owner of the Company of ¥10,354 million ($100,641 thousand) (the previous consolidated fiscal year: ¥3,901 million) and weighted average number of common stock of 289,527 thousand shares (the previous consolidated fiscal year: 299,681 thousand shares).

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

33. 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.

34. Contingencies

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

35. Related Parties

(1) Transactions with related parties

For the fiscal year ended March 31, 2013

There were no material transactions with related parties.

For the fiscal year ended March 31, 2014

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

Type of related party	Name of related party	Detail of transaction	Thousands of U.S. Dollars	
			Transaction amount	Outstanding balance
Company that has significant influence on the Group	ORIX Corporation	Acquisition of treasury stock (*)	$49,474	—

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

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

For the fiscal years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Short-term benefits	¥198	¥257	$2,503
Post-employment benefits	1	1	6
Share-based payments	92	252	2,454
Total	¥291	¥511	$4,963

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

36. Group Entities

The Company's significant subsidiaries as of March 31, 2014

Name of subsidiary	Location	% Proportion of voting power
Monex, Inc.	Japan	100.0
Monex FX, Inc.	Japan	100.0
Monex Hambrecht, Inc.	Japan	100.0
Trade Science Corporation	Japan	100.0
TradeStation Group, Inc.	U.S.	100.0
TradeStation Securities, Inc.	U.S.	100.0
IBFX, Inc.	U.S.	100.0
TradeStation Technologies, Inc.	U.S.	100.0
Monex International Limited	Hong Kong	100.0
Monex Boom Securities (H.K.) Limited	Hong Kong	100.0
Others (14 companies)		

37. Events after the Reporting Period

There have been no material subsequent events after the reporting period.

38. Approval of Consolidated Financial Statements

The original consolidated financial statements filed with the appropriate Local Finance Bureaus of the Ministry of Finance as required by the Financial Instruments and Exchange Act of Japan were approved by Oki Matsumoto (the Company's Representative Executive Officer and CEO) and Masaki Ueda (the Company's Executive Officer and CFO) on June 21, 2014.

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, 2013 to March 31, 2014.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Monex Group, Inc. and its consolidated subsidiaries as at March 31, 2014, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 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 16, 2014
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Monex Group, Inc.

Kojimachi Odori Bldg.
2-4-1, Kojimachi, Chiyoda-ku, Tokyo 102-0083, Japan
www.monexgroup.jp/en/

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