

# Daiwa Securities Group Inc.

Code number: 8601

Stock Exchange Listings: Tokyo, Nagoya

URL: <http://www.daiwa-grp.jp/english/>

Scheduled date of the ordinary general shareholders' meeting: June 28, 2016

Scheduled date of dividend payment: June 6, 2016

Scheduled date of filing financial report: June 29, 2016

Supplemental information for financial results: yes

Earnings announcement for financial results: yes (for analysts)



April 28, 2016

## Financial Summary (Consolidated)

For the fiscal year ended March 31, 2016 &lt;Under Japanese GAAP&gt;

(Figures less than one million yen are rounded down)

### 1. Consolidated financial results (April 1, 2015 to March 31, 2016)

#### (1) Consolidated operating results

(Millions of yen, % of change from previous year)

	Operating revenue		Net operating revenue		Operating income		Ordinary income	
FY 2015	653,711	(0.9)%	514,815	(3.3)%	150,297	(12.0)%	165,148	(10.5)%
FY 2014	659,396	2.6 %	532,220	(1.8)%	170,839	(7.5)%	184,578	(6.3)%

(Note) Comprehensive income:

FY 2015: 57,266 million yen : (73.6)% ; FY 2014: 217,005 million yen : (1.9)%

	Profit attributable to owners of parent		Net income per share		Diluted net income per share		Return on equity	
FY 2015	116,848	(21.3)%	68.25	Yen	67.68	Yen	9.5	%
FY 2014	148,490	(12.4)%	87.07	Yen	86.28	Yen	12.8	%

(Reference) Share of profit of entities accounted for using equity method:

FY 2015: 6,959 million yen ; FY 2014: 2,071 million yen

#### (2) Consolidated financial conditions

(Millions of yen, except per share amounts and percentage)

	Total assets	Total net assets	Equity ratio		Net assets per share	
As of Mar. 31, 2016	20,420,818	1,313,005	6.0	%	720.86	Yen
As of Mar. 31, 2015	23,001,585	1,434,680	5.4	%	725.27	Yen

(Reference) Stockholders' equity (Total net assets - Subscription rights to shares - Non-controlling interests):

As of Mar. 31, 2016: 1,219,831 million yen ; As of Mar. 31, 2015: 1,238,657 million yen

#### (3) Consolidated cash flows

(Millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
FY 2015	221,746	415,647	(229,727)	3,273,640
FY 2014	725,966	(13,265)	343,385	2,920,509

### 2. Cash dividends

	Dividends per share (yen)					Total annual dividends (million yen)	Dividends payout ratio (consolidated)	Dividends on net assets (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
FY 2014	-	14.00	-	16.00	30.00	51,455	34.5%	4.4%
FY 2015	-	17.00	-	12.00	29.00	49,523	42.5%	4.0%

### 3. Earnings forecasts for the fiscal year ending March 31, 2017 (consolidated)

Daiwa Securities Group's (hereinafter the "Group") principal business is securities-related business, and the performance of the Group is significantly influenced by the economic and market environment in which it operates. Therefore, Daiwa Securities Group Inc. (hereinafter the "Company") does not disclose the forecasts of consolidated operating results, considering the difficulty to forecast the performance.

For the same reason, the Company does not disclose expected dividend amount.

Representative: Takashi Hibino, President

For inquiry: Hidenori Yamaguchi, Managing Director, Investor Relations Office

Phone +81-3-5555-1111

**4. Other notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries causing changes in the scope of consolidation) : Yes  
 New companies: None  
 Excluded companies: 1 company (name) Daiwa Office Investment Corporation  
 (Note) For details, please see " i) Scope of consolidation" under "(6) Changes in significant accounting policies for preparing consolidated financial statements" on page 15.
- (2) Changes in accounting policies, estimates, and restatements:  
 ( i ) Changes in accounting policies due to the revision of accounting standards: Yes  
 ( ii ) Changes in accounting policies other than ( i ): None  
 ( iii ) Changes in accounting estimates: None  
 ( iv ) Restatements: None  
 (Note) For details, please see "iii) Changes in accounting policies due to the revision of accounting standards" under "(6) Changes in significant accounting policies for preparing consolidated financial statements" on page 15.
- (3) Number of shares issued (common stock)  
 ( i ) Number of shares issued (including treasury shares):  
 As of Mar. 31, 2016 : 1,749,378,772 ; As of Mar. 31, 2015 : 1,749,378,772  
 ( ii ) Number of treasury shares:  
 As of Mar. 31, 2016 : 57,189,466 ; As of Mar. 31, 2015 : 41,531,718  
 ( iii ) Average number of shares issued and outstanding in each fiscal year:  
 FY 2015: 1,712,050,838 ; FY 2014: 1,705,419,231  
 (Note) Please see "Per share information" on page 18 regarding number of common stock included in calculation of net income per share.  
 The Company has ended "ESOP Trust Utilizing Employee Shareholding Association" in July 2015.  
 ESOP-owned stocks are excluded from average number of shares (2,327,583 stocks).

(Reference)

**Non-consolidated financial results (April 1, 2015 to March 31, 2016)**

(1) Non-consolidated operating results (Millions of yen, % of change from previous year)

	Operating revenues		Operating income		Ordinary income	
FY 2015	28,238	(83.0)%	4,404	(96.9)%	8,084	(94.5)%
FY 2014	165,915	785.8 %	143,352	-	146,620	-

  

	Net income		Net income per share		Diluted net income per share	
FY 2015	9,732	(93.5)%	5.68	Yen	5.64	Yen
FY 2014	149,071	-	87.41	Yen	86.61	Yen

(2) Non-consolidated financial conditions (Millions of yen, except per share amounts and percentage)

	Total assets	Total net assets	Equity ratio		Net assets per share	
FY 2015	2,336,810	923,969	39.2	%	540.68	Yen
FY 2014	2,338,100	994,703	42.2	%	577.62	Yen

(Reference) Stockholders' equity (Total net assets - Subscription rights to shares):

As of Mar. 31, 2016: 915,010 million yen ; As of Mar. 31, 2015: 986,498 million yen

**Implementation status of audit procedure:**

Financial Summary and Accompanying materials including the consolidated financial statements are not subject to the audit procedure by external auditors based on "Financial Instruments and Exchange Act". The procedure has not yet finished at the point of releasing this Financial Summary.

**Earnings forecasts and other information:**

Not applicable.

(Accompanying materials)

## Contents

1. Consolidated financial results .....	2
(1) Analysis of consolidated operating results .....	2
(2) Analysis of consolidated financial conditions .....	2
2. Management policy .....	3
3. Basic approach for selecting accounting standards .....	4
4. Consolidated financial statements .....	5
(1) Consolidated balance sheets .....	5
(2) Consolidated statements of income and Consolidated statements of comprehensive income .....	8
(3) Consolidated statements of changes in net assets .....	11
(4) Consolidated statements of cash flows .....	13
(5) Going concern assumption .....	15
(6) Changes in significant accounting policies for preparing consolidated financial statements .....	15
(7) Notes to consolidated financial statements .....	16
(8) Quarterly transition of consolidated statements of income .....	19

(Note) Presentation materials (PDF version) of "Earnings Announcement" are available at our website.  
URL: <http://www.daiwa-grp.jp/english/ir/presentation/index.html>

## 1. Consolidated financial results

### (1) Analysis of consolidated operating results

For FY 2015 (12 months from April 1, 2015 to March 31, 2016), the Group's operating revenue decreased 0.9% to 653,711 million yen, and net operating revenue decreased 3.3% to 514,815 million yen, compared with FY 2014. Selling, general and administrative expenses increased 0.9% to 364,517 million yen, and ordinary income decreased 10.5% to 165,148 million yen, compared with FY 2014. Adding and subtracting extraordinary income and losses, income taxes, and profit attributable to non-controlling interests to ordinary income, and then profit attributable to owners of parent decreased 21.3% to 116,848 million yen, compared with FY 2014.

The results of each segment are as follows;

#### Retail Business:

Net operating revenue decreased 6.1% to 217,922 million yen and ordinary income decreased 21.4% to 61,080 million yen compared to FY 2014, although the wrap accounts continued to expand steadily, the volume of transactions in stock market was lower because the global securities and financial markets were shaken due to the slowdown of the Chinese economy and plummeting oil prices.

#### Wholesale Business:

Net operating revenue decreased 1.4% to 178,014 million yen and ordinary income decreased 7.6% to 48,878 million yen compared with FY 2014, mainly because the revenues from investment banking business decreased, even though the bond sales was strong.

#### Asset Management Business:

Net operating revenue decreased 8.4% to 50,528 million yen and ordinary income decreased 6.7% to 29,990 million yen compared with FY 2014, mainly because Daiwa Office Investment Corporation has become affiliated entity from consolidated entity, and outstanding assets decreased by strong yen and low stock prices.

#### Investment Business:

Net operating revenue increased 136.2% to 19,730 million yen and ordinary income increased 167.4% to 17,397 million yen, mainly because of the exit of the large-scale investments.

### (2) Analysis of consolidated financial conditions

Total assets as of FY 2015 decreased 2,580,767 million yen to 20,420,818 million yen compared with FY 2014, mainly because securities decreased by 538,757 million yen, trading products by 803,125 million yen, and loans secured by securities by 1,478,065 million yen.

Total liabilities of FY 2015 decreased 2,459,091 million yen to 19,107,812 million yen compared with FY 2014, mainly because trading products decreased by 713,426 million yen, loans payable secured by securities by 1,651,396 million yen.

Total net assets of FY 2015 decreased 121,675 million yen to 1,313,005 million yen compared with FY 2014, mainly because Daiwa Office Investment Corporation has become the Company's affiliated entity, non-controlling interests decreased by 103,603 million yen. Consequently, net assets per share became 720.86 yen.

Cash flows from operating activities resulted in 221,746 million yen (cash-in), mainly due to decrease trading products and increase deposits for banking business. Cash flows from investing activities resulted in 415,647 million yen (cash-in), mainly because of proceeds from sales and redemption of securities. Cash flows from financing activities resulted in 229,727 million yen (cash-out), mainly because of net decrease in short-term loans payable. With the effect of fluctuation in foreign exchange rates and exclusion of subsidiaries from consolidation, cash and cash equivalents at end of FY 2015 increased to 3,273,640 million yen.

## 2. Management policy

(1) “Management policy” of the Group for fiscal 2016 is as follows:

During FY2015, the initial year of the Group’s Medium-Term Management Plan “Passion for the Best” 2017, we were faced with the most severe business environment since the start of Abenomics as global securities and financial markets were shaken due to the slowdown of the Chinese economy, plummeting oil prices and heightened geopolitical risks.

Under such circumstances, the Group has managed to achieve reasonable results in terms of ROE and fixed cost coverage ratio targets. Also, the Group made steady progress such as, expansion of the balance of wrap accounts and significant increase in the number of applications for comprehensive inheritance consulting services, focused as key products in the wealth management business.

As the global economy remains uncertain in FY2016, the second year of the Medium-Term Management Plan, we will further advance our efforts to establish a robust business structure immune to the external environment.

Specifically, we will accurately respond to the significant social needs that continue to exist regardless of the market environment – such as asset building and asset management matching customers’ life stages, as well as needs related to inheritance – and aim to stabilize flow revenue while also expanding into new businesses that provide stable revenues through the effective utilization of capital.

By leveraging industry’s top quality, the Daiwa Securities Group will strive to lead the shift from savings to investment and contribute to Japan’s growth strategy as the customer’s first choice securities group.

(2) Action Plan for Each Business Division of the Group for fiscal 2016 is as follows:

### Retail Business:

- i) Provide consulting services befitting of a "best partner"
- ii) Expand the stable revenue base by developing and spreading competitive wrap account services and investment trusts
- iii) Further develop the combined securities-banking business model
- iv) Strengthen responses to inheritance business
- v) Acquire new client base centered on inbound-type clients
- vi) Improve sales support functions through the use of AI and big data

### Wholesale Business:

- i) Improve capabilities to supply products that accurately respond to customer needs
- ii) Promote a global strategy focused on Asia
- iii) Identify and develop next-generation growth companies and help them to raise capital for growth
- iv) Provide solutions in response to corporate globalization and M&A needs
- v) Expansion of products and services required under the new environment of negative interest rates

### Asset Management Business:

- i) Strengthen and improve management ability, and pursue excellence in performance
- ii) Develop products suitable for expanding the investor base and long-term asset building
- iii) Enhance products that meet customers’ needs and strengthen support abilities
- iv) Further execute and enforce fiduciary duty
- v) Further strengthen the real estate asset management business

### Investment Business:

- i) Secure returns through strengthening of investment ability
- ii) Execute investment linked with Group business through the utilization of principal funds
- iii) Support sustained growth of companies and development of new industry through the provision of growth funds, etc.

### Other (Daiwa Institute of Research Group):

- i) Increase synergy through strengthening coordination with group company
- ii) Actively communicate information centered on economy, finance and environment
- iii) Strengthen consulting capabilities in Japan and Asia
- iv) Provide highly competitive IT that contributes to customers’ business

### Other (Daiwa Next Bank):

- i) Expand new customer segments
- ii) Promote customer transactions by strengthening securities-banking coordination (strengthen foreign currency-related business)
- iii) Strengthen ALM (pursuing appropriate ALM under negative interest rates)
- iv) Strengthen each management systems

### **3. Basic approach for selecting accounting standards**

The Group prepares consolidated financial statements under Generally Accepted Accounting Principles in Japan. Continuing the disclosure under Japanese GAAP, from the end of FY2014, the Group started presenting IFRS-based consolidated financial statements on the purpose of providing more useful information with shareholders and investors for their reference.

## 4. Consolidated financial statements

## (1) Consolidated balance sheets

Assets	Millions of yen			
	As of			
	March 31, 2015		March 31, 2016	
<b>Current assets:</b>				
Cash and deposits	¥	2,985,779	¥	3,334,784
Cash segregated as deposits		349,094		323,761
Notes and accounts receivable - trade		18,286		17,090
Securities		2,629,847		2,091,090
Trading products:		8,304,368		7,501,242
Trading securities and other		5,192,464		4,017,267
Derivatives		3,111,904		3,483,975
Operational investment securities		156,157		127,210
Allowance for investment loss		(36,633)		(11,053)
Operating loans		287,010		432,785
Work in process		1,226		503
Margin transaction assets:		240,971		203,376
Loans on margin transactions		221,524		183,654
Cash collateral pledged for securities borrowing on margin transactions		19,447		19,722
Loans secured by securities:		6,728,201		5,250,135
Cash collateral pledged for securities borrowed		6,727,866		5,184,274
Loans on Gensaki transactions		334		65,861
Advances paid		29,640		20,670
Short-term loans receivable		538		288
Accrued income		36,578		33,574
Deferred tax assets		11,944		9,401
Other		447,985		517,421
Allowance for doubtful accounts		(323)		(722)
<b>Total current assets</b>		<b>22,190,674</b>		<b>19,851,563</b>
<b>Non-current assets:</b>				
Property, plant and equipment		458,534		124,562
Buildings		114,234		49,362
Equipment		16,109		17,287
Land		328,190		57,911
Intangible assets:		77,082		84,879
Goodwill		4,820		7,972
Leasehold right		5,922		3,222
Software		43,087		51,899
Other		23,251		21,785
Investments and other assets:		275,294		359,812
Investment securities		241,642		324,456
Long-term loans receivable		4,971		4,954
Guarantee deposits		16,903		17,523
Deferred tax assets		1,899		5,679
Other		11,256		7,942
Allowance for doubtful accounts		(1,378)		(743)
<b>Total non-current assets</b>		<b>810,911</b>		<b>569,255</b>
<b>Total assets</b>	¥	<b>23,001,585</b>	¥	<b>20,420,818</b>

<i>Liabilities</i>	Millions of yen			
	As of			
	March 31, 2015		March 31, 2016	
<b>Current liabilities:</b>				
Notes and accounts payable – trade	¥	5,468	¥	6,413
Trading products:		6,014,287		5,300,861
Trading securities and other		3,374,209		2,315,450
Derivatives		2,640,078		2,985,410
Trade date accrual		288,309		427,257
Margin transaction liabilities:		55,051		54,387
Borrowings on margin transactions		9,326		3,789
Cash received for securities lending on margin transactions		45,725		50,597
Loans payable secured by securities:		7,553,191		5,901,794
Cash received on debt credit transaction of securities		7,550,001		5,893,795
Borrowings on Gensaki transaction		3,189		7,999
Deposits for banking business		2,745,681		2,928,630
Deposits received		249,183		214,498
Guarantee deposits received		503,974		512,426
Short-term loans payable		1,011,879		820,019
Commercial papers		388,380		137,720
Current portion of bonds		264,942		232,594
Income taxes payable		13,804		40,498
Deferred tax liabilities		25,931		2,293
Provision for bonuses		35,438		30,058
Other		198,359		218,411
<b>Total current liabilities</b>		<b>19,353,884</b>		<b>16,827,865</b>
<b>Non-current liabilities:</b>				
Bonds payable		1,179,092		1,204,711
Long-term loans payable		946,408		1,004,988
Deferred tax liabilities		25,983		19,151
Net defined benefit liabilities		36,237		38,417
Provision for loss on litigation		1,877		2,174
Other		19,494		6,532
<b>Total non-current liabilities</b>		<b>2,209,094</b>		<b>2,275,976</b>
<b>Reserves under special laws:</b>				
Reserve for financial products transaction liabilities		3,926		3,970
<b>Total reserves under special laws</b>		<b>3,926</b>		<b>3,970</b>
<b>Total liabilities</b>	¥	<b>21,566,904</b>	¥	<b>19,107,812</b>



	Millions of yen			
	As of			
	March 31, 2015		March 31, 2016	
<b>Net assets</b>				
<b>Shareholders' equity:</b>				
Capital stock	¥	247,397	¥	247,397
Capital surplus		231,283		231,889
Retained earnings		623,755		683,939
Treasury shares		(15,771)		(29,970)
Deposit for subscriptions to treasury shares		3		2
<b>Total shareholders' equity</b>		<b>1,086,668</b>		<b>1,133,257</b>
<b>Accumulated other comprehensive income:</b>				
Valuation difference on available-for-sale securities		135,687		98,483
Deferred gains or losses on hedges		(26,815)		(32,992)
Foreign currency translation adjustment		43,116		21,082
<b>Total accumulated other comprehensive income</b>		<b>151,988</b>		<b>86,574</b>
<b>Subscription rights to shares</b>		<b>8,205</b>		<b>8,958</b>
<b>Non-controlling interests</b>		<b>187,818</b>		<b>84,214</b>
<b>Total net assets</b>		<b>1,434,680</b>		<b>1,313,005</b>
<b>Total liabilities and net assets</b>	¥	<b>23,001,585</b>	¥	<b>20,420,818</b>

## (2) Consolidated statements of income and Consolidated statements of comprehensive income

Consolidated statements of income

	Millions of yen			
	Years ended			
	March 31, 2015		March 31, 2016	
<b>Operating revenue:</b>				
Commission received:	¥	291,115	¥	288,418
Commission to consignees		69,950		70,325
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors		37,553		28,553
Fee for offering, secondary distribution and solicitation for selling and others for professional investors		41,051		34,743
Other fees received		142,559		154,796
Net trading income:		157,220		131,324
Net trading income from securities		24,795		23,430
Net trading income from bond, forex and other		132,424		107,893
Net gain on private equity and other securities		7,415		18,502
Financial revenue		125,934		149,451
Other operating revenue		77,710		66,014
<b>Total operating revenue</b>		<b>659,396</b>		<b>653,711</b>
<b>Financial expenses</b>		<b>80,070</b>		<b>89,530</b>
<b>Other operating expenses</b>		<b>47,105</b>		<b>49,366</b>
<b>Net operating revenue</b>		<b>532,220</b>		<b>514,815</b>
<b>Selling, general and administrative expenses:</b>				
Trading related expenses		73,676		72,339
Personnel expenses		181,772		183,292
Real estate expenses		37,009		37,360
Office cost		25,444		26,771
Depreciation		24,084		23,833
Taxes and dues		6,987		8,887
Provision of allowance for doubtful accounts		108		673
Other		12,296		11,358
<b>Total selling, general and administrative expenses</b>		<b>361,380</b>		<b>364,517</b>
<b>Operating income</b>		<b>170,839</b>		<b>150,297</b>
<b>Non-operating income:</b>				
Dividend income		5,530		5,261
Amortization of negative goodwill		3,424		-
Share of profit of entities accounted for using equity method		2,071		6,959
Gain on investments in partnership		628		840
Foreign exchange gains		876		43
Other		3,863		3,051
<b>Total non-operating income</b>		<b>16,394</b>		<b>16,156</b>
<b>Non-operating expenses:</b>				
Interest expenses		1,460		392
Bond issuance cost		428		446
Other		767		466
<b>Total non-operating expenses</b>		<b>2,655</b>		<b>1,305</b>
<b>Ordinary income</b>	¥	<b>184,578</b>	¥	<b>165,148</b>

	Millions of yen	
	Years ended	
	March 31, 2015	March 31, 2016
<b>Extraordinary income:</b>		
Gain on sales of non-current assets	¥ 2,611	¥ -
Gain on sales of investment securities	557	3,284
Gain on sales of shares of subsidiaries and associates	-	1,116
Gain on change in equity	1,456	3,092
Recoveries of written-off claims	500	232
Reversal of allowance for doubtful accounts	-	633
Other	271	1,102
<b>Total extraordinary income</b>	<b>5,397</b>	<b>9,462</b>
<b>Extraordinary losses:</b>		
Impairment loss	3,736	1,728
Loss on valuation of investment securities	303	462
Provision of reserve for financial products transaction liabilities	454	43
Business restructuring cost	2,028	1,688
Other	1,536	774
<b>Total extraordinary losses</b>	<b>8,059</b>	<b>4,698</b>
<b>Income before income taxes</b>	<b>181,916</b>	<b>169,912</b>
Income taxes – current	21,716	57,739
Income taxes – deferred	5,727	(10,803)
<b>Total income taxes</b>	<b>27,444</b>	<b>46,935</b>
<b>Profit</b>	<b>154,471</b>	<b>122,977</b>
<b>Profit attributable to non-controlling interests</b>	<b>5,981</b>	<b>6,128</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 148,490</b>	<b>¥ 116,848</b>

Consolidated statements of comprehensive income

	Millions of yen			
	Years ended			
		March 31, 2015		March 31, 2016
<b>Profit</b>	¥	<b>154,471</b>	¥	<b>122,977</b>
<b>Other comprehensive income:</b>				
Valuation difference on available-for-sale securities		48,047		(37,462)
Deferred gains or losses on hedges		(13,982)		(5,820)
Foreign currency translation adjustment		28,914		(22,183)
Share of other comprehensive income of entities accounted for using equity method		(445)		(243)
<b>Total other comprehensive income</b>		<b>62,534</b>		<b>(65,710)</b>
<b>Comprehensive income</b>	¥	<b>217,005</b>	¥	<b>57,266</b>
<b>Comprehensive income attributable to:</b>				
Comprehensive income attributable to owners of parent	¥	<b>210,659</b>	¥	<b>51,434</b>
Comprehensive income attributable to non-controlling interests		<b>6,346</b>		<b>5,832</b>

(3) Consolidated statements of changes in net assets  
FY 2014(Apr. 1, 2014 – Mar. 31, 2015)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Deposit for subscriptions to treasury shares	Total shareholders' equity
Balance at beginning of current period	247,397	230,765	528,406	(17,817)	1	988,754
Changes of items during period						
Dividends of surplus	-	-	(53,141)	-	-	(53,141)
Profit attributable to owners of parent	-	-	148,490	-	-	148,490
Purchase of treasury shares	-	-	-	(48)	-	(48)
Disposal of treasury shares	-	518	-	2,094	-	2,612
Other	-	-	-	-	1	1
Net changes of items other than shareholders' equity	-	-	-	-	-	-
Total changes of items during period	-	518	95,348	2,046	1	97,914
Balance at end of current period	247,397	231,283	623,755	(15,771)	3	1,086,668

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests
	Valuation difference on available-for sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment		
Balance at beginning of current period	87,845	(12,935)	14,910	7,363	167,525
Changes of items during period					
Dividends of surplus	-	-	-	-	-
Profit attributable to owners of parent	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-
Disposal of treasury shares	-	-	-	-	-
Other	-	-	-	-	-
Net changes of items other than shareholders' equity	47,842	(13,880)	28,205	841	20,293
Total changes of items during period	47,842	(13,880)	28,205	841	20,293
Balance at end of current period	135,687	(26,815)	43,116	8,205	187,818

FY 2015(Apr. 1, 2015 – Mar. 31, 2016)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Deposit for subscriptions to treasury shares	Total shareholders' equity
Balance at beginning of current period	247,397	231,283	623,755	(15,771)	3	1,086,668
Changes of items during period						
Dividends of surplus	-	-	(56,664)	-	-	(56,664)
Profit attributable to owners of parent	-	-	116,848	-	-	116,848
Purchase of treasury shares	-	-	-	(18,633)	-	(18,633)
Disposal of treasury shares	-	498	-	4,433	-	4,932
Change in treasury shares of parent arising from transactions with non-controlling shareholders	-	106	-	-	-	106
Other	-	-	-	-	(0)	(0)
Net changes of items other than shareholders' equity	-	-	-	-	-	-
Total changes of items during period	-	605	60,183	(14,199)	(0)	46,588
Balance at end of current period	247,397	231,889	683,939	(29,970)	2	1,133,257

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests
	Valuation difference on available-for sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment		
Balance at beginning of current period	135,687	(26,815)	43,116	8,205	187,818
Changes of items during period					
Dividends of surplus	-	-	-	-	-
Profit attributable to owners of parent	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-
Disposal of treasury shares	-	-	-	-	-
Change in treasury shares of parent arising from transactions with non-controlling shareholders	-	-	-	-	-
Other	-	-	-	-	-
Net changes of items other than shareholders' equity	(37,203)	(6,177)	(22,033)	753	(103,603)
Total changes of items during period	(37,203)	(6,177)	(22,033)	753	(103,603)
Balance at end of current period	98,483	(32,992)	21,082	8,958	84,214

## (4) Consolidated statements of cash flows

	Millions of yen			
	Years ended			
	March 31, 2015		March 31, 2016	
<b>Cash Flows from operating activities:</b>				
Income before income taxes and non-controlling interests	¥	181,916	¥	169,912
Depreciation		30,749		29,891
Amortization of goodwill		1,464		1,048
Amortization of negative goodwill		(3,424)		-
Increase (decrease) in allowance for doubtful accounts		762		(202)
Increase (decrease) in reserve for financial products transaction liabilities		454		43
Interest and dividend income		(5,580)		(5,310)
Interest expenses		1,460		392
Share of (profit) loss of entities accounted for using equity method		(2,071)		(6,959)
Loss (gain) on sales and retirement of non-current assets		(2,611)		-
Loss (gain) on sales of investment securities		(557)		(3,284)
Loss (gain) on sales of shares of subsidiaries and associates		-		(1,116)
Loss (gain) on change in equity		(1,456)		(3,092)
Impairment loss		3,736		1,728
Loss (gain) on valuation of investment securities		303		462
Decrease (increase) in cash segregated as deposits for customers		(40,130)		13,873
Decrease (increase) in trading products - assets (liabilities)		(214,028)		150,712
Decrease (increase) in investment securities for sale		(12,199)		18,329
Decrease (increase) in operating loans receivable		(49,502)		(146,319)
Decrease (increase) in assets (liabilities) for margin transaction		26,370		36,930
Decrease (increase) in loans (borrowings) secured by securities		356,167		(147,485)
Decrease (increase) in short-term loans receivable		5		132
Increase (decrease) in deposits for banking business		547,961		182,949
Increase (decrease) in deposits received		65,839		(33,519)
Other, net		(107,243)		(50,047)
<b>Subtotal</b>		<b>778,386</b>		<b>209,071</b>
Interest and dividend income received		6,822		7,906
Interest expenses paid		(1,444)		(399)
Income taxes (paid) refund		(57,797)		5,167
<b>Net cash provided by (used in) operating activities</b>	¥	<b>725,966</b>	¥	<b>221,746</b>

	Millions of yen			
	Years ended			
	March 31, 2015		March 31, 2016	
<b>Cash flows from investing activities:</b>				
Payments into time deposits	¥	(11,660)	¥	(124,161)
Proceeds from withdrawal of time deposits		4,560		119,008
Purchase of securities		(802,354)		(813,080)
Proceeds from sales and redemption of securities		862,564		1,326,499
Purchase of property, plant and equipment		(60,967)		(46,761)
Proceeds from sales of property, plant and equipment		24,244		149
Purchase of intangible assets		(24,807)		(30,113)
Purchase of investment securities		(6,829)		(32,364)
Proceeds from sales and redemption of investment securities		7,318		17,338
Purchase of shares of subsidiaries and associates		(2,257)		(1,279)
Proceeds from sales of shares of subsidiaries and associates		-		3,228
Purchase of shares of subsidiaries resulting in change in scope of consolidation		-		(3,180)
Payments of loans receivable		(3,261)		(1,682)
Collection of loans receivable		649		1,687
Other, net		(464)		356
<b>Net cash provided by (used in) investing activities</b>		<b>(13,265)</b>		<b>415,647</b>
<b>Cash flows from financing activities:</b>				
Net increase (decrease) in short-term loans payable		296,388		(499,955)
Proceeds from long-term loans payable		377,966		468,258
Repayments of long-term loans payable		(254,596)		(161,402)
Proceeds from issuance of bonds		406,650		422,967
Redemption of bonds		(449,965)		(414,540)
Proceeds from sales of treasury shares		4,409		9,130
Purchase of treasury shares		(48)		(18,633)
Cash dividends paid		(53,141)		(56,664)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation		-		(1,464)
Proceeds from share issuance to non-controlling shareholders		20,994		24,909
Other, net		(5,270)		(2,331)
<b>Net cash provided by (used in) financing activities</b>		<b>343,385</b>		<b>(229,727)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>		<b>17,762</b>		<b>(7,495)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>1,073,849</b>		<b>400,170</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>1,846,617</b>		<b>2,920,509</b>
<b>Increase in cash and cash equivalents from newly consolidated subsidiary</b>		<b>43</b>		<b>-</b>
<b>Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation</b>		<b>-</b>		<b>(47,039)</b>
<b>Cash and cash equivalents at end of period</b>	¥	<b>2,920,509</b>	¥	<b>3,273,640</b>



**(5) Going concern assumption**

Not applicable.

**(6) Changes in significant accounting policies for preparing consolidated financial statements****i) Scope of consolidation**

(Changes of scope of consolidation)

During the current period, 3 companies were included into the scope of consolidation due to the following reasons; 2 companies (increase of significance), 1 company (additional purchase of shares).

3 companies were excluded due to the merger, the decrease of significance and the decrease in proportion of the Group.

Number of consolidated subsidiaries after the changes above: 50 companies

**ii) Application of equity method**

(Change of application of equity method)

During the current period, 3 companies were newly applied to equity method due to the following reasons; 2 companies (increase of significance), 1 company (decrease in proportion of the Group).

1 company was excluded because it was included into the scope of consolidation by the additional purchase of shares.

Number of affiliates applying equity method after the change above: 10 companies

**iii) Changes in accounting policies due to the revision of accounting standards**

(Changes in accounting policies)

Effective from April 1, 2015, the Group has applied "Accounting Standards for Business Combinations" (ASBJ Statement No.21; Sep.13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22; Sep.13, 2013), "Accounting Standard for Business Divestitures" (ASBJ Statement No.7; Sep.13, 2013), etc., and changes in the proportion held by non-controlling interests have been changed to recognize directly in equity in case of continuingly retaining control, and acquisition-related costs have been changed to be accounted for as expenses in the fiscal year in which they occurred. As to the business combinations conducted on or after April 1, 2015, the Group has changed the method to re-allocate the adjusted acquisition costs after defining provisional accounting treatment onto the consolidated financial statements of the period in which the business combinations were conducted. Moreover, the indications of Net income, etc., and Minority interests have been changed to Non-controlling interests. To reflect this change, the Group's comparative consolidated financial statements for the year ended March 31, 2015, has been reclassified.

In Consolidated statements of cash flows for the year ended March 31, 2016, the Group has changed definition of some cash flows as follows; cash flows from "Payments or proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation" are treated as "Cash Flows from financing activities", also "Related cost payments with purchase of shares of subsidiaries resulting in change in scope of consolidation and related cost payments with changes in ownership interests in subsidiaries that do not result in change in scope of consolidation" are treated as "Cash Flows from operating activities".

With regard to the application of Accounting Standards for Business Combinations, etc., the Group has applied its methods prospectively from the beginning of the fiscal year ended March 31, 2016, based on the transitional period treatments defined in Clause 58-2(4), Accounting Standards for Business Combinations, Clause 44-5(4), Accounting Standard for Consolidated Financial Statements, and Clause 57-4 (4), Accounting Standard for Business Divestitures.

The effect on the consolidated financial statements from this change is immaterial.

**(7) Notes to consolidated financial statements****Segment information****i) Outline of reportable segment**

The Group's reportable segment is consisted of operating units of which discrete financial information is available, and the segment is reviewed at regular intervals by the Company's chief operating decision maker in order to decide the distribution of management resources and assess the performances.

The Group sets securities-related business as its core business, and provides comprehensive investment and financial services in coordination with other Group's supporting businesses. The Group conducts its business activities through the Company's decisions about businesses of consolidated subsidiaries and affiliates applying equity method on comprehensive domestic and global strategies by each managerial organization corresponding to markets and business types of clients.

Therefore, the Group consists of segments corresponding to each market and business type of clients based on the business of consolidated subsidiaries and affiliates applying equity method, and the Group aggregate to four segments by similar economic characteristic as "Retail business", "Wholesale business", "Asset management business", and "Investment business".

"Retail business" is to provide broad types of products and services mainly to individual and unlisted-corporate customers. "Wholesale business" consists of "Global markets division" and "Global investment banking division". "Global markets division" is to sell and trade stock, bonds, foreign exchange and the other derivatives mainly to domestic and global institutional investors, industrial corporations, and financial and public-interest corporations. "Global investment banking division" is to provide domestic and global various investment banking services such as underwriting of securities and advisory of M&A, etc. "Asset management business" is to set up and manage investment trust fund for various assets, and also to provide investment advisory and management services of pension assets to domestic and global institutional investors. "Investment business" is to conduct investment business mainly launching investment funds, while maximizing return on existent investment.

**ii) Method of calculating amounts of net operating revenue, operating income (loss) and others by reportable segment**

Accounting method applied to the reportable business segment is nearly the same as described in "Basis of financial statements for the fiscal year ended March 31, 2016".

Internal net operating income (loss) between segments is based on third-party transaction price.

**iii) Information of net operating revenue, segment income (loss) and the others by reportable segment  
FY 2015 (Apr. 1, 2015 - Mar. 31, 2016)**

(Millions of yen)

	Reportable Segment					Others(*1)	Total
	Retail	Wholesale	Asset Management	Investment	Total		
Net operating revenue							
Net operating revenue for unaffiliated customers	190,179	177,681	77,806	20,404	466,072	22,287	488,360
Internal net operating income and elimination amount between segments	27,743	333	(27,277)	(674)	124	25,628	25,752
Total	217,922	178,014	50,528	19,730	466,197	47,915	514,113
Segment income (loss) (Ordinary income (loss))	61,080	48,878	29,990	17,397	157,347	9,864	167,211
Other item							
Depreciation	9,430	8,059	1,897	21	19,408	13,922	33,331
Amortization of goodwill	-	740	-	-	740	-	740
Interest income	-	-	26	143	169	5	175
Interest expenses	-	-	377	8	386	334	720
Share of profit (loss) of entities accounted for using equity method	-	38	5,235	-	5,274	-	5,274

- (Note) 1. "Others" are the business segments which are not included in the reportable segments, and contain the business of consolidation and management of subsidiaries, banking business, information service, back-office service, and real-estate rental, etc.
2. "Net operating revenue" consists of "Operating revenue", "Financial expenses", "Other operating expenses" and "Commission fee" (Selling, general and administrative expenses).
3. The Company does not disclose the segment information of assets because the management does not allocate it to each segment for managerial decision-making.

- iv) The amount of difference between total of reportable segment and that of consolidated financial statement, and the main details (FY 2015 (Apr. 1, 2015 - Mar. 31, 2016))

(Millions of yen)

Net operating revenue	Amount
Reportable segment total	466,197
Net operating revenue from "Others"	47,915
Elimination between segments	(25,752)
Commission fee deducted from net operating revenue	24,445
Other adjustments	2,009
Net operating revenue of financial statements	514,815

(Millions of yen)

Ordinary income (loss)	Amount
Reportable segment total	157,347
Income from "Others"	9,864
Elimination between segments	20
Amortization of goodwill	(308)
Unrealized profit adjustments	(2,916)
Other adjustments	1,142
Ordinary income of financial statements	165,148

(Millions of yen)

Other item	Reportable segment total	Other	Adjustment	Consolidated financial statement amount
Depreciation	19,408	13,922	(3,439)	29,891
Amortization of goodwill	740	-	308	1,048
Interest income	169	5	(126)	48
Interest expenses	386	334	(328)	392
Share of profit (loss) of entities accounted for using equity method	5,274	-	1,685	6,959

**Per share information**

FY 2015 (Apr. 1, 2015 - Mar. 31, 2016)

Net assets per share	720.86 yen
Net income per share	68.25 yen
Diluted net income per share	67.68 yen

(Note) The calculation bases are as follows:

i) Net assets per share

FY 2015 (As of Mar. 31, 2016)

Total net assets (million yen)	1,313,005
Deduction from total net assets (million yen)	93,175
Subscription rights to shares (million yen)	8,958
Non-controlling interests (million yen)	84,214
Deposit for subscriptions to treasury shares (million yen)	2
Net assets attributable to common stock (million yen)	1,219,829
Number of common stock included in calculation of net assets per share (thousands of shares)	1,692,189

ii) Net income per share and diluted net income per share

FY 2015 (Apr.1, 2015 - Mar.31, 2016)

FY 2015 (Apr.1, 2015 ~ Mar.31, 2016)		
<b>Net income per share</b>		
Profit attributable to owners of parent (million yen)		116,848
Profit not attributable to common stockholders (million yen)		-
Profit attributable to common stock (million yen)		116,848
Average number of common stock outstanding during the year (thousands of shares)		1,712,050
<b>Diluted net income per share</b>		
Adjustment of profit attributable to owners of parent (million yen)		-
Increase in common stock (thousands of shares)		14,500
Subscription rights to shares (thousands of shares)		14,500
Summary of potential shares that are not included in calculation of diluted net income per share due to a lack of dilution effect (thousands of shares)	Type of potential shares	
	Stock option by stock subscription rights	
	Series3	2,346
	Series4	2,348
	Series5	2,638
	Series10	3,964
	Series11	5,418
	Series12	4,484

- (Note) 1. The stock option is reported in number of shares equivalent.
2. ESOP-owned stocks are excluded from average number of common stock, because the stocks are reported as "Treasury shares" on consolidated balance sheet. The Company has ended "ESOP Trust Utilizing Employee Shareholding Association" in July 2015.

**Subsequent events**

Not applicable.

## (8) Quarterly transition of consolidated statements of income

Millions of yen

	Three Months Ended				
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016
<b>Operating revenue:</b>					
Commission received:	¥ 75,445	¥ 80,041	¥ 76,460	¥ 69,215	¥ 62,701
Commission to consignees	19,271	21,035	18,417	15,922	14,950
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	6,487	9,031	9,560	6,031	3,930
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	10,025	11,226	9,439	8,237	5,839
Other fees received	39,660	38,748	39,043	39,023	37,980
Net trading income:	41,817	49,043	23,681	29,910	28,688
Net trading income from securities	4,676	10,606	1,929	6,645	4,249
Net trading income from bond, forex and other	37,140	38,437	21,751	23,265	24,439
Net gain on private equity and other securities	570	3,704	1,490	12,327	979
Financial revenue	34,954	37,830	35,335	33,587	42,697
Other operating revenue	22,667	20,768	21,158	8,575	15,511
<b>Total operating revenue</b>	<b>175,454</b>	<b>191,389</b>	<b>158,126</b>	<b>153,616</b>	<b>150,579</b>
<b>Financial expenses</b>	<b>20,497</b>	<b>23,978</b>	<b>24,288</b>	<b>19,551</b>	<b>21,710</b>
<b>Other operating expenses</b>	<b>15,640</b>	<b>12,746</b>	<b>10,258</b>	<b>9,264</b>	<b>17,095</b>
<b>Net operating revenue</b>	<b>139,316</b>	<b>154,663</b>	<b>123,579</b>	<b>124,799</b>	<b>111,772</b>
<b>Selling, general and administrative expenses:</b>					
Trading related expenses	18,473	18,871	18,304	17,805	17,357
Personnel expenses	47,935	49,358	45,616	44,626	43,691
Real estate expenses	9,550	9,287	9,686	9,235	9,151
Office cost	6,521	6,501	6,578	7,002	6,689
Depreciation	5,772	5,953	5,921	6,038	5,920
Taxes and dues	1,556	2,895	2,148	2,078	1,765
Provision of allowance for doubtful accounts	33	26	174	(43)	515
Other	3,073	2,681	2,850	2,588	3,238
<b>Total selling, general and administrative expenses</b>	<b>92,918</b>	<b>95,574</b>	<b>91,281</b>	<b>89,331</b>	<b>88,329</b>
<b>Operating income</b>	<b>46,398</b>	<b>59,088</b>	<b>32,297</b>	<b>35,468</b>	<b>23,442</b>
Non-operating income	4,068	4,706	3,499	2,636	5,314
Non-operating expenses	889	681	340	154	128
<b>Ordinary income</b>	<b>49,578</b>	<b>63,113</b>	<b>35,456</b>	<b>37,950</b>	<b>28,628</b>
Extraordinary income	2,514	3,143	633	3,787	1,897
Extraordinary losses	2,250	330	290	86	3,991
<b>Income before income taxes</b>	<b>49,842</b>	<b>65,926</b>	<b>35,799</b>	<b>41,651</b>	<b>26,535</b>
Income taxes - current	3,608	26,246	12,905	6,069	12,517
Income taxes - deferred	5,328	(6,610)	(1,484)	4,582	(7,290)
<b>Total income taxes</b>	<b>8,937</b>	<b>19,636</b>	<b>11,421</b>	<b>10,651</b>	<b>5,226</b>
<b>Profit</b>	<b>40,904</b>	<b>46,290</b>	<b>24,378</b>	<b>31,000</b>	<b>21,308</b>
<b>Profit (loss) attributable to non-controlling interests</b>	<b>2,382</b>	<b>1,453</b>	<b>31</b>	<b>4,646</b>	<b>(2)</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 38,522</b>	<b>¥ 44,836</b>	<b>¥ 24,347</b>	<b>¥ 26,354</b>	<b>¥ 21,311</b>