
***The Tachibana Securities Co., Ltd.
and Its Subsidiary***

*Consolidated Financial Statements
for the Year Ended March 31, 2018,
and Independent Auditor's Report*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Tachibana Securities Co., Ltd.:

We have audited the accompanying consolidated balance sheet of The Tachibana Securities Co., Ltd. and its subsidiary as of March 31, 2018, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

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 accounting principles generally accepted in Japan, 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 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 the auditor's judgment, 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, the auditor considers 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, but 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 consolidated financial position of The Tachibana Securities Co., Ltd. and its subsidiary as of March 31, 2018, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

May 9, 2018

The Tachibana Securities Co., Ltd. and Its Subsidiary

Consolidated Balance Sheet
March 31, 2018

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018		2018	2017	2018
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash deposits:				Loans (Notes 5 and 11):			
Cash and cash equivalents (Note 11)	¥ 17,921	¥ 15,160	\$ 169,066	Short-term borrowings	¥ 24,616	¥ 19,500	\$ 232,226
Time deposits (Note 11)	15	15	142	From security finance companies for margin transactions	46,273	24,989	436,538
Cash segregated for customers (Note 11)	55,416	52,057	522,793	Payables (Note 11):			
Receivables (Note 11):				Customers (Note 6)	67,197	66,688	633,934
Customers (Note 3)	97,611	74,440	920,859	Net payables arising from differences between trade and settlement dates	15	7	142
From security finance companies related to margin transactions	7,405	10,989	69,858	Other	2,066	1,590	19,491
Accrued income	731	633	6,896	Trading liabilities (Notes 4 and 11)	106	218	1,000
Other	1,004	180	9,472	Cash received on debt credit transaction of securities (Note 11)	16,852	16,569	158,981
Trading assets (Notes 4, 5 and 11)	9,299	7,960	87,726	Accrued liabilities and expenses:			
Cash collateral pledged for securities borrowed (Note 11)	18,161	16,820	171,330	Income taxes payable	660	103	6,226
Other current assets (Note 11)	4,672	3,802	44,076	Other accrued liabilities and expenses	853	710	8,047
Total current assets	<u>212,235</u>	<u>182,056</u>	<u>2,002,218</u>	Total current liabilities	<u>158,638</u>	<u>130,374</u>	<u>1,496,585</u>
PROPERTY AND EQUIPMENT—Office property and equipment—net of accumulated depreciation of ¥955 million (\$9,009 thousand) in 2018 and ¥1,013 million in 2017	371	436	3,500	LONG-TERM LIABILITIES:			
INVESTMENTS AND OTHER ASSETS:				Liability for retirement benefits (Note 8)	62	92	585
Investment securities (Notes 4, 5 and 11)	13,395	11,201	126,368	Retirement allowance for directors and Audit & Supervisory Board members	260	252	2,453
Deposits (Note 11):				Statutory reserves	207	239	1,953
Lease deposits	463	537	4,368	Asset retirement obligations (Note 9)	86	95	811
Other	667	667	6,292	Deferred tax liabilities (Note 7)	3,597	2,929	33,934
Other assets	314	361	2,962	Other long-term liabilities	170	158	1,604
Total investments and other assets	<u>14,839</u>	<u>12,766</u>	<u>139,990</u>	Total long-term liabilities	<u>4,382</u>	<u>3,765</u>	<u>41,340</u>
TOTAL	<u>¥227,445</u>	<u>¥195,258</u>	<u>\$2,145,708</u>	EQUITY (Notes 13 and 16):			
				Common stock—no par value, authorized, 100,000,000 shares; issued, 33,918,624 shares	6,696	6,696	63,170
				Capital surplus	247	247	2,330
				Retained earnings	49,059	47,270	462,820
				Treasury stock—at cost, 12,280 shares in 2018	(8)		(75)
				Accumulated other comprehensive income:			
				Unrealized gain on available-for-sale securities	8,339	6,812	78,670
				Defined retirement benefit plans	92	94	868
				Total equity	<u>64,425</u>	<u>61,119</u>	<u>607,783</u>
TOTAL	<u>¥227,445</u>	<u>¥195,258</u>	<u>\$2,145,708</u>	TOTAL	<u>¥227,445</u>	<u>¥195,258</u>	<u>\$2,145,708</u>

See notes to consolidated financial statements.

The Tachibana Securities Co., Ltd. and Its Subsidiary

Consolidated Statement of Income Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
REVENUE:			
Commissions	¥6,524	¥5,008	\$61,547
Underwriting and distribution	15	20	142
Net gain on trading	1,404	289	13,245
Interest and dividends	<u>2,193</u>	<u>2,006</u>	<u>20,689</u>
Total revenue	10,136	7,323	95,623
INTEREST EXPENSE	<u>825</u>	<u>834</u>	<u>7,783</u>
Net revenue	9,311	6,489	87,840
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	<u>6,929</u>	<u>6,690</u>	<u>65,368</u>
Operating income (loss)	<u>2,382</u>	<u>(201)</u>	<u>22,472</u>
OTHER INCOME (EXPENSES):			
Dividends income	348	344	3,283
Gain on sales of investment securities		8	
Loss on sales of investment securities		(78)	
Reversal of provision for statutory reserves	32	30	302
Other—net	<u>14</u>	<u>26</u>	<u>132</u>
Other income—net	<u>394</u>	<u>330</u>	<u>3,717</u>
INCOME BEFORE INCOME TAXES	<u>2,776</u>	<u>129</u>	<u>26,189</u>
INCOME TAXES (Note 7):			
Current	647	32	6,104
Deferred	<u>1</u>	<u>(1)</u>	<u>10</u>
Total income taxes	<u>648</u>	<u>31</u>	<u>6,114</u>
NET INCOME	<u>2,128</u>	<u>98</u>	<u>20,075</u>
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>¥2,128</u>	<u>¥ 98</u>	<u>\$20,075</u>

The Tachibana Securities Co., Ltd. and Its Subsidiary

Consolidated Statement of Income Year Ended March 31, 2018

	Yen		U.S. Dollars
	<u>2018</u>	<u>2017</u>	<u>2018</u>
PER SHARE OF COMMON STOCK (Note 2.t):			
Net income	¥62.78	¥ 2.88	\$0.59
Cash dividends applicable to the year	10.00	10.00	0.09

See notes to consolidated financial statements.

The Tachibana Securities Co., Ltd. and Its Subsidiary

Consolidated Statement of Comprehensive Income Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2018</u>	<u>2017</u>	<u>2018</u>
NET INCOME	<u>¥2,128</u>	<u>¥ 98</u>	<u>\$20,075</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 16):			
Unrealized gain (loss) on available-for-sale securities	1,527	(211)	14,406
Defined retirement benefit plans	<u>(2)</u>	<u>1</u>	<u>(19)</u>
Total other comprehensive income (loss)	<u>1,525</u>	<u>(210)</u>	<u>14,387</u>
COMPREHENSIVE INCOME (LOSS)	<u>¥3,653</u>	<u>¥(112)</u>	<u>\$34,462</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥3,653	¥(112)	\$34,462
Noncontrolling interests	—	—	—

See notes to consolidated financial statements.

The Tachibana Securities Co., Ltd. and Its Subsidiary

Consolidated Statement of Changes in Equity
Year Ended March 31, 2018

	Thousands	Millions of Yen						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income Unrealized Gain on Available-for-Sale Securities	Defined Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 2016	34,024	¥6,696	¥320	¥47,512		¥7,023	¥93	¥61,644
Net income attributable to owners of the parent				98				98
Cash dividends, ¥10 per share				(340)				(340)
Net decrease in unrealized gain on available-for-sale securities						(211)		(211)
Net increase in defined retirement benefit plans							1	1
Repurchase of treasury stock	(105)				¥(73)			(73)
Retirement of treasury stock			(73)		73			
BALANCE, MARCH 31, 2017	33,919	6,696	247	47,270		6,812	94	61,119
Net income attributable to owners of the parent				2,128				2,128
Cash dividends, ¥10 per share				(339)				(339)
Net increase in unrealized gain on available-for-sale securities						1,527		1,527
Net decrease in defined retirement benefit plans							(2)	(2)
Repurchase of treasury stock	(13)				(8)			(8)
BALANCE, MARCH 31, 2018	<u>33,906</u>	<u>¥6,696</u>	<u>¥247</u>	<u>¥49,059</u>	<u>¥ (8)</u>	<u>¥8,339</u>	<u>¥92</u>	<u>¥64,425</u>

Thousands of U.S. Dollars (Note 1)

	Thousands of U.S. Dollars (Note 1)						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income Unrealized Gain on Available-for-Sale Securities	Defined Retirement Benefit Plans	Total Equity
BALANCE, MARCH 31, 2017	\$63,170	\$2,330	\$445,943		\$64,264	\$887	\$576,594
Net income attributable to owners of the parent			20,075				20,075
Cash dividends, \$0.09 per share			(3,198)				(3,198)
Net increase in unrealized gain on available-for-sale securities					14,406		14,406
Net decrease in defined retirement benefit plans						(19)	(19)
Repurchase of treasury stock				\$(75)			(75)
BALANCE, MARCH 31, 2018	<u>\$63,170</u>	<u>\$2,330</u>	<u>\$462,820</u>	<u>\$(75)</u>	<u>\$78,670</u>	<u>\$868</u>	<u>\$607,783</u>

See notes to consolidated financial statements.

The Tachibana Securities Co., Ltd. and Its Subsidiary

Consolidated Statement of Cash Flows Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2018</u>	<u>2017</u>	<u>2018</u>
OPERATING ACTIVITIES:			
Income before income taxes	¥ 2,776	¥ 129	\$ 26,189
Adjustments for:			
Income taxes—paid	(96)	(41)	(906)
Depreciation	194	217	1,830
Gain on sales of investment securities		(8)	
Loss on sales of investment securities		78	
Provision for allowance for doubtful receivables	(3)		(28)
Reversal of provision for statutory reserves	(32)	(30)	(302)
Increase in retirement allowance for directors and Audit & Supervisory Board members	8	15	75
Changes in assets and liabilities:			
Increase in cash segregated for customers	(3,360)	(8,358)	(31,698)
Decrease (increase) in receivables	(22,688)	3,575	(214,038)
Trading assets and liabilities—net	(1,443)	(183)	(13,613)
Increase in payables	1,180	9,514	11,132
Increase (decrease) in loans from security finance companies for margin transactions	21,285	(1,688)	200,802
Increase (decrease) in other accrued liabilities and expenses	58	(237)	547
Other—net	61	(114)	576
Total adjustments	<u>(4,836)</u>	<u>2,740</u>	<u>(45,623)</u>
Net cash provided by (used in) operating activities	<u>(2,060)</u>	<u>2,869</u>	<u>(19,434)</u>
INVESTING ACTIVITIES:			
Purchases of office property and equipment	(38)	(70)	(358)
Proceeds from sales of investment securities		31	
Payment for lease deposits	(12)	(22)	(114)
Increase in lease deposits	84		792
Other	52	(9)	491
Net cash provided by (used in) investing activities	<u>86</u>	<u>(70)</u>	<u>811</u>
FINANCING ACTIVITIES:			
Increase in bank and other loans—net	5,116	1,950	48,264
Payment of cash dividends	(339)	(340)	(3,198)
Repurchases of treasury stock	(8)	(73)	(75)
Net cash provided by financing activities	<u>4,769</u>	<u>1,537</u>	<u>44,991</u>
FORWARD	¥ 2,795	¥4,336	\$ 26,368

The Tachibana Securities Co., Ltd. and Its Subsidiary

Consolidated Statement of Cash Flows Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2018</u>	<u>2017</u>	<u>2018</u>
FORWARD	¥ 2,795	¥ 4,336	\$ 26,368
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	<u>(34)</u>	<u>(10)</u>	<u>(321)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,761	4,326	26,047
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>15,160</u>	<u>10,834</u>	<u>143,019</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥17,921</u>	<u>¥15,160</u>	<u>\$169,066</u>

See notes to consolidated financial statements.

The Tachibana Securities Co., Ltd. and Its Subsidiary

Notes to Consolidated Financial Statements Year Ended March 31, 2018

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the "Uniform Accounting Standard for Broker Dealers" approved by the Board of Directors of the Japan Securities Dealers Association, and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2017 consolidated financial statements to conform to the classifications used in 2018.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The Tachibana Securities Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106 to \$1, the approximate rate of exchange at March 31, 2018. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements include the accounts of the Company and its foreign subsidiary, Tachibana Securities (Hong Kong) Limited (together, the "Group").

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to an insignificant risk of changes in value. Cash equivalents include time deposits due within three months of the date of acquisition.

c. Record of Trading Assets/Liabilities, Investment Securities and Related Revenue Recognition of Income—Trading assets/liabilities, investment securities and the related commission income thereon are recorded on a trade-date basis.

d. Trading Assets and Liabilities—Trading assets/liabilities represent trading securities and derivative transactions, which are valued at market or fair value.

e. Net Receivables/Payables Arising from Differences between Trade and Settlement Dates—"Net receivables/payables arising from differences between trade and settlement dates" represent receivables/payables, net of payables/receivables, recognized related to sales and purchases of trading assets/liabilities recorded on a trade-date basis.

- f. Marketable and Investment Securities*—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings and (2) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

- g. Office Property and Equipment*—Office property and equipment are stated at cost. Significant renewals and additions are capitalized. Maintenance and repairs are charged to income as incurred.

Depreciation for the Company is computed by the declining-balance method while the straight-line method is applied to buildings acquired on or after April 1, 1998, and building improvements acquired on or after April 1, 2016. Depreciation for the foreign subsidiary is computed by the straight-line method at rates based on the estimated useful lives of the assets.

The range of useful lives is principally from 3 to 50 years for office property and equipment.

- h. Long-Lived Assets*—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

- i. Statutory Reserves*—The Company provides certain special reserves in accordance with the requirements under the Japanese Financial Instruments and Exchange Act. The reserves are provided for the purpose of reimbursing customers for losses that might be incurred as a result of the Company's default on securities transactions.

- j. Leases*—Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet.

- k. Consumption Taxes*—Consumption taxes are excluded from the amounts of revenues, costs and expenses.

- l. Bonuses to Directors and Audit & Supervisory Board Members*—Bonuses to directors and Audit & Supervisory Board members are accrued at the year-end to which such bonuses are attributable.

- m. Retirement and Pension Plans*—Employees are entitled to lump-sum severance pay or pension payments.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over eight years, no longer than the expected average remaining service period of the employees.

- n. Retirement Allowance for Directors and Audit & Supervisory Board Members**—Retirement allowance for directors and Audit & Supervisory Board members is recorded at the amount that would be required if all directors and Audit & Supervisory Board members retired at each balance sheet date.
- o. Asset Retirement Obligations**—An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.
- p. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.
- q. Appropriations of Retained Earnings**—Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.
- r. Foreign Currency Transactions**—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.
- s. Financial Statements of Foreign Subsidiary**—The foreign subsidiary maintains its books of account and prepares its financial statements in Japanese yen.

- t. Per Share Information**—Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period. The average number of common shares used in the computation was 33,910,122 shares and 33,955,301 shares for 2018 and 2017, respectively.

Diluted net income per share is not disclosed because no dilutive securities were issued.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

- u. New Accounting Pronouncements**—On March 30, 2018, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

3. RECEIVABLES—CUSTOMERS

Receivables—customers as of March 31, 2018 and 2017, consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. Dollars</u>
			<u>2018</u>
Loans to customers for securities purchases on margin transactions	¥97,611	¥74,438	\$920,859
Advance payments to customers	_____	_____2	_____
Total	<u>¥97,611</u>	<u>¥74,440</u>	<u>\$920,859</u>

The loans to customers were secured by the following collateral as of March 31, 2018 and 2017:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
Securities deposited by customers as collateral and futures transactions (at market value)	¥106,488	¥ 94,968	\$1,004,604
Cash deposits received from customers (see Note 6)	<u>24,194</u>	<u>22,440</u>	<u>228,246</u>
Total	<u>¥130,682</u>	<u>¥117,408</u>	<u>\$1,232,850</u>

4. MARKETABLE AND INVESTMENT SECURITIES

The costs and aggregate fair values of marketable and investment securities at March 31, 2018 and 2017, were as follows:

	<u>Millions of Yen</u>			<u>Fair Value</u>
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	
<u>March 31, 2018</u>				
Securities classified as:				
Trading assets:				
Stocks				¥ 6,475
Beneficiary certificates and others				2,825
Trading liabilities—stocks				106
Available-for-sale—equity securities	¥1,055	¥11,918	¥32	12,941
<u>March 31, 2017</u>				
Securities classified as:				
Trading assets:				
Stocks				¥ 5,188
Beneficiary certificates and others				2,772
Trading liabilities—stocks				218
Available-for-sale—equity securities	¥1,055	¥9,702	¥10	10,747
	<u>Thousands of U.S. Dollars</u>			<u>Fair Value</u>
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	
<u>March 31, 2018</u>				
Securities classified as:				
Trading assets:				
Stocks				\$ 61,085
Beneficiary certificates and others				26,651
Trading liabilities—stocks				1,000
Available-for-sale—equity securities	\$9,953	\$112,434	\$302	122,085

The information on the fair value of derivatives included in trading assets is included in Note 12.

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2018 and 2017, are disclosed in Note 11.

The information of available-for-sale securities which were sold during the year ended March 31, 2017, is as follows:

<u>March 31, 2017</u>	<u>Millions of Yen</u>		
	<u>Proceeds</u>	<u>Realized Gains</u>	<u>Realized Losses</u>
Available-for-sale—equity securities	¥31	¥8	¥78

There were no available-for-sale securities which were sold during the year ended March 31, 2018.

There were no impairment losses on available-for-sale—equity securities for the years ended March 31, 2018 and 2017.

5. LOANS

Short-Term Borrowings—Short-term borrowings as of March 31, 2018 and 2017, consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
Short-term bank loans	¥14,016	¥ 8,900	\$ 132,226
Short-term loans from security finance companies	2,600	2,600	24,528
Call money	<u>8,000</u>	<u>8,000</u>	<u>75,472</u>
Total	<u>¥24,616</u>	<u>¥19,500</u>	<u>\$ 232,226</u>

Short-term bank loans consisted primarily of promissory notes maturing within 12 months. Interest rates ranged from 0.410% to 1.725% at March 31, 2018, and from 0.380% to 1.725% at March 31, 2017.

Short-term loans from security finance companies consisted primarily of promissory notes payable which bear interest ranged from 0.450% to 0.950% at March 31, 2018 and 2017.

Call money consisted primarily of promissory notes payable which bear interest ranged from 0.470% to 0.500% at March 31, 2018 and 2017.

Loans from Security Finance Companies for Margin Transactions—The Company, as an authorized member of a stock exchange in Japan, is entitled to borrow cash or securities from security finance companies to be applied for the purpose of margin transactions on certain qualifying securities.

Loans from security finance companies are obtained by the Company to finance part of its loans to customers making purchases on margin. The Company is required to furnish security finance companies with guarantee deposits for margin transactions.

Assets Pledged as Collateral—Assets pledged as collateral for loans are summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	For Short-Term Bank Loans—Notes Payable of	For Short-Term Loans from Security Finance Companies of	For Loans from Security Finance Companies for Margin Transactions of	For Short-Term Bank Loans—Notes Payable of	For Short-Term Loans from Security Finance Companies of	For Loans from Security Finance Companies for Margin Transactions of
<u>As of March 31, 2018</u>	<u>¥4,480 Million</u>	<u>¥2,600 Million</u>	<u>¥46,273 Million</u>	<u>\$42,264 Thousand</u>	<u>\$24,528 Thousand</u>	<u>\$436,538 Thousand</u>
Company's assets— Investment securities	¥10,345		¥ 87	\$97,594		\$ 821
Securities borrowed and deposited—securities deposited by customers as collateral (at market value)	3,777	¥5,439	9,800	35,632	\$51,311	92,453
	Millions of Yen			Thousands of U.S. Dollars		
	For Short-Term Bank Loans—Notes Payable of	For Short-Term Loans from Security Finance Companies of	For Loans from Security Finance Companies for Margin Transactions of			
<u>As of March 31, 2017</u>	<u>¥3,980 Million</u>	<u>¥2,600 Million</u>	<u>¥24,989 Million</u>			
Company's assets:						
Trading assets			¥ 30			
Investment securities	¥7,970		78			
Securities borrowed and deposited—securities deposited by customers as collateral (at market value)	3,666	¥5,096	5,223			

As is customary in Japan, loan agreements with respective banks provide that additional collateral or guarantees must be provided under certain circumstances for present and future indebtedness immediately upon the banks' or other lenders' request. Basic agreements with banks also provide that the banks have the right to offset cash deposited with them against loans or any other indebtedness outstanding in the case of default or other similar events.

6. PAYABLES—CUSTOMERS

Payables—customers as of March 31, 2018 and 2017, consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. Dollars</u>
			<u>2018</u>
Cash received for customers' accounts on dealing transactions	¥34,333	¥31,692	\$ 323,896
Proceeds from securities sold for customers' accounts on margin transactions	8,670	12,556	81,792
Cash deposits received from customers for margin and future transactions (see Note 3)	<u>24,194</u>	<u>22,440</u>	<u>228,246</u>
Total	<u>¥67,197</u>	<u>¥66,688</u>	<u>\$ 633,934</u>

7. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.9% for the years ended March 31, 2018 and 2017.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2018 and 2017, are as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. Dollars</u>
			<u>2018</u>
Deferred tax assets:			
Tax loss carryforwards	¥ 779	¥1,252	\$ 7,349
Reserve for securities transaction liabilities	63	73	594
Devaluation of investment securities	357	357	3,368
Intangible assets	420	411	3,962
Other	387	404	3,652
Less valuation allowance	<u>(2,006)</u>	<u>(2,497)</u>	<u>(18,925)</u>
Total	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥3,547	¥2,879	\$ 33,462
Other	<u>50</u>	<u>50</u>	<u>472</u>
Net deferred tax liabilities	<u>¥3,597</u>	<u>¥2,929</u>	<u>\$ 33,934</u>

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2018, with the corresponding figures for 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Normal effective statutory tax rate	30.9%	30.9%
Expenses not deductible for income tax purposes	0.4	9.4
Non-taxable dividend income	(1.0)	(21.3)
Inhabitant tax—per capita	0.4	8.9
Change in valuation allowance		(15.9)
Use of tax loss carryforward	(17.2)	
Tax credit	2.8	58.9
Tax on undistributed profit of foreign subsidiary	7.0	
Taxation on deemed dividends		9.3
Tax refund	(2.2)	(50.6)
Other—net	<u>2.2</u>	<u>(5.1)</u>
Actual effective tax rate	<u>23.3%</u>	<u>24.5%</u>

At March 31, 2018, the Company has tax loss carryforwards aggregating approximately ¥2,543 million (\$23,991 thousand) which are available to be offset against taxable income of the Company in future years. These tax loss carryforwards, if not utilized, will expire as follows:

<u>Year Ending March 31</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2020 and thereafter	<u>¥2,543</u>	<u>\$23,991</u>
Total	<u>¥2,543</u>	<u>\$23,991</u>

8. RETIREMENT AND PENSION PLANS

The Company has defined benefit plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment or annuity payments from trustees.

In addition to the above plans, the Company has a defined contribution plan.

- (1) The changes in defined benefit obligation for the years ended March 31, 2018 and 2017, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. Dollars</u>
			<u>2018</u>
Balance at beginning of year	¥758	¥858	\$7,151
Current service cost	26	29	245
Interest cost	7	8	66
Actual gains	(14)	(14)	(132)
Benefits paid	<u>(90)</u>	<u>(123)</u>	<u>(849)</u>
Balance at end of year	<u>¥687</u>	<u>¥758</u>	<u>\$6,481</u>

- (2) The changes in plan assets for the years ended March 31, 2018 and 2017, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. Dollars</u>
			<u>2018</u>
Balance at beginning of year	¥666	¥734	\$6,283
Expected return on plan assets	6	7	56
Actual losses	7	4	66
Contributions from the employer	36	44	340
Benefits paid	<u>(90)</u>	<u>(123)</u>	<u>(849)</u>
Balance at end of year	<u>¥625</u>	<u>¥666</u>	<u>\$5,896</u>

- (3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. Dollars</u>
			<u>2018</u>
Funded defined benefit obligation	¥687	¥758	\$6,481
Plan assets	<u>(625)</u>	<u>(666)</u>	<u>(5,896)</u>
Total	62	92	585
Unfunded defined benefit obligation	—	—	—
Net liability arising from defined benefit obligation	<u>¥ 62</u>	<u>¥ 92</u>	<u>\$ 585</u>

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. Dollars</u>
			<u>2018</u>
Liability for retirement benefits	<u>¥62</u>	<u>¥92</u>	<u>\$585</u>
Net liability arising from defined benefit obligation	<u>¥62</u>	<u>¥92</u>	<u>\$585</u>

- (4) The components of net periodic benefit costs for the years ended March 31, 2018 and 2017, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
Service cost	¥26	¥29	\$245
Interest cost	7	8	66
Expected return on plan assets	(6)	(7)	(56)
Recognized actuarial losses (gains)	<u>(24)</u>	<u>18</u>	<u>(227)</u>
Net periodic benefit costs	<u>¥ 3</u>	<u>¥48</u>	<u>\$ 28</u>

- (5) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2018 and 2017, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
Unrecognized actuarial gains	<u>¥(133)</u>	<u>¥(136)</u>	<u>\$(1,255)</u>
Total	<u>¥(133)</u>	<u>¥(136)</u>	<u>\$(1,255)</u>

- (6) Plan assets

(a) *Components of plan assets*

Plan assets as of March 31, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Equity securities:		
Domestic	8.4%	7.7%
Overseas	7.8	7.8
Debt securities:		
Domestic	21.4	21.9
Overseas	6.4	5.7
Other assets:		
Life insurance company general accounts	54.5	54.7
Others	<u>1.5</u>	<u>2.2</u>
Total	<u>100.0%</u>	<u>100.0%</u>

(b) *Method of determining the expected rate of return on plan assets*

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(7) Assumptions used for the years ended March 31, 2018 and 2017, were set forth as follows:

	<u>2018</u>	<u>2017</u>
Discount rate	0.9%	0.9%
Expected rate of return on plan assets	0.9	0.9

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2018 and 2017, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
Balance at beginning of year	¥95	¥94	\$896
Additional provisions associated with the acquisition of office property and equipment	4		38
Reconciliation associated with passage of time	1	1	9
Reduction associated with settlement of asset retirement obligations	<u>(14)</u>	<u>—</u>	<u>(132)</u>
Balance at end of year	<u>¥86</u>	<u>¥95</u>	<u>\$811</u>

10. LEASES

The Group leases certain computer equipment, office space and other assets. Total rental expenses including lease payments under finance leases for the years ended March 31, 2018 and 2017, were ¥621 million (\$5,858 thousand) and ¥653 million, respectively.

Operating Leases—Minimum rental commitments of the foreign subsidiary under noncancelable operating leases for the years ended March 31, 2018 and 2017, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
Operating leases that expire:			
Due within one year	¥18	¥17	\$170
Due after one year	<u>6</u>	<u>20</u>	<u>56</u>
Total	<u>¥24</u>	<u>¥37</u>	<u>\$226</u>

11. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group engages in the investment and financial services business, mainly the securities business. To engage in this business, the Group raises funds primarily through loans from financial institutions. Trading assets and liabilities and investment securities consist mainly of stock. Listed shares are valued at fair market value daily. The Group holds trading assets for the purpose of responding to the varied needs of customers and hedging the risk of market price fluctuations. These risks are managed by position limits and loss limits. Loans from financial institutions are mainly used for the settlement of the investment and financial services business.

(2) *Financial Risk Analysis*

The Group does not use a quantitative analytical method, such as value at risk or basis point value for risk analysis. The following are the Group's own estimates.

Market risk

The Group is involved in the trading of marketable securities of trading assets, marketable investment securities, cash collateral pledged for securities borrowed and borrowings on margin transactions.

In cases where the stock market declines sharply, the Group's financial statements are affected by a decline in market value.

If the market value of the Group's financial position declined by 1%, the Group's financial statements would undergo a loss of ¥222 million.

Interest rate risk

The Group is involved with cash segregated for customers and other, cash and cash equivalents, time deposits, collateralized agreements and collateralized financing.

As these are short-term instruments, the Company is not exposed to significant interest rate risk.

Currency risk

As the Group is not involved in foreign exchange trading, currency risk is limited to foreign currency deposits and foreign security trading assets.

As these amounts are not significant, the Company is not exposed to significant currency risk.

(3) *Fair Values of Financial Instruments*

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used.

(a) Fair value of financial instruments

<u>March 31, 2018</u>	Millions of Yen		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>
Cash and cash equivalents	¥ 17,921	¥ 17,921	
Time deposits	15	15	
Cash segregated for customers	55,416	55,416	
Trading assets	9,299	9,299	
Cash collateral pledged for securities borrowed	18,161	18,161	
Receivables	106,018	106,018	
Other current assets	4,252	4,252	
Investment securities	12,941	12,941	
Deposits	<u>463</u>	<u>350</u>	<u>¥(113)</u>
Total	<u>¥224,486</u>	<u>¥224,373</u>	<u>¥(113)</u>
Loans	¥ 70,889	¥ 70,889	
Trading liabilities	106	106	
Cash received on debt credit transaction of securities	16,852	16,852	
Payables	<u>69,262</u>	<u>69,262</u>	
Total	<u>¥157,109</u>	<u>¥157,109</u>	
<u>March 31, 2017</u>			
Cash and cash equivalents	¥ 15,160	¥ 15,160	
Time deposits	15	15	
Cash segregated for customers	52,057	52,057	
Trading assets	7,960	7,960	
Cash collateral pledged for securities borrowed	16,820	16,820	
Receivables	85,532	85,532	
Other current assets	3,531	3,531	
Investment securities	10,747	10,747	
Deposits	<u>537</u>	<u>452</u>	<u>¥ (85)</u>
Total	<u>¥192,359</u>	<u>¥192,274</u>	<u>¥ (85)</u>
Loans	¥ 44,489	¥ 44,489	
Trading liabilities	218	218	
Cash received on debt credit transaction of securities	16,569	16,569	
Payables	<u>68,278</u>	<u>68,278</u>	
Total	<u>¥129,554</u>	<u>¥129,554</u>	

<u>March 31, 2018</u>	Thousands of U.S. Dollars		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>
Cash and cash equivalents	\$ 169,066	\$ 169,066	
Time deposits	142	142	
Cash segregated for customers	522,793	522,793	
Trading assets	87,726	87,726	
Cash collateral pledged for securities borrowed	171,330	171,330	
Receivables	1,000,169	1,000,169	
Other current assets	40,113	40,113	
Investment securities	122,085	122,085	
Deposits	<u>4,368</u>	<u>3,302</u>	<u>\$(1,066)</u>
Total	<u>\$2,117,792</u>	<u>\$2,116,726</u>	<u>\$(1,066)</u>
Loans	\$ 668,764	\$ 668,764	
Trading liabilities	1,000	1,000	
Cash received on debt credit transaction of securities	158,981	158,981	
Payables	<u>653,414</u>	<u>653,414</u>	
Total	<u>\$1,482,159</u>	<u>\$1,482,159</u>	

Assets

Cash and Cash Equivalents, Time Deposits, Cash Segregated for Customers, Cash Collateral Pledged for Securities Borrowed, Receivables and Other Current Assets

The carrying values of these accounts approximate fair value because of their short-term nature.

Trading Assets and Investment Securities

The fair values of trading assets and investment securities are measured at the quoted market prices of the stock exchange for equity instruments and at the quoted prices obtained from financial institutions for certain debt instruments. Information on the fair value of trading assets and investment securities by classification is included in Note 4.

Deposits

The fair value of lease deposits is measured at the amount to be received or paid at maturity discounted at the Japanese Government Bond rate. The carrying value of other deposits is regarded as the fair value because the fair value cannot be reliably determined and the timing of the return of the deposit cannot be estimated.

Liabilities

Loans, Payables and Cash Received on Debt Credit Transaction of Securities

The carrying values of these accounts approximate fair value because of their short-term nature.

Trading Liabilities

The fair values of trading liabilities are measured at the quoted market prices of the stock exchange for equity instruments.

(b) *Carrying amount of financial instruments whose fair value cannot be reliably determined*

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2018</u>	<u>2017</u>	<u>U.S. Dollars</u>
			<u>2018</u>
Investments in equity instruments that do not have a quoted market price in an active market and deposits	¥1,121	¥1,121	\$10,575

12. DERIVATIVES

There were no amount of derivative transactions for the year ended March 31, 2018.

13. EQUITY

(1) *The Companies Act of Japan*

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. *Dividends*

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if companies have prescribed so in its articles of incorporation. However, the Company does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. *Increases/decreases and transfer of common stock, reserve and surplus*

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. *Treasury stock and treasury stock acquisition rights*

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

(2) *Appropriations of Retained Earnings*

The following appropriation of retained earnings at March 31, 2018, is subject to approval at the Company's shareholders' meeting to be held on June 27, 2018:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>	<u>Record Date</u>	<u>Effective Date</u>
Year-end cash dividends, ¥10.00 (\$0.09) per share	¥339	\$3,198	March 31, 2018	June 28, 2018

14. **SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Selling, general and administrative expenses for the years ended March 31, 2018 and 2017, consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
Commissions and promotional expenses	¥ 913	¥ 873	\$ 8,613
Compensation and benefits	4,263	3,904	40,217
Real estate expenses	771	799	7,274
Office supplies	569	666	5,368
Depreciation expenses	193	216	1,821
Taxes, other than income taxes	105	114	991
Others	<u>115</u>	<u>118</u>	<u>1,084</u>
Total	<u>¥6,929</u>	<u>¥6,690</u>	<u>\$65,368</u>

15. RELATED PARTY DISCLOSURE

There were no significant related party transactions for the year ended March 31, 2018.

16. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of
	<u>2018</u>	<u>2017</u>	<u>U.S. Dollars</u> <u>2018</u>
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥2,194	¥(419)	\$ 20,698
Reclassification adjustments to profit or loss		70	
Amount before income tax effect	<u>2,194</u>	<u>(349)</u>	<u>20,698</u>
Income tax effect	<u>667</u>	<u>138</u>	<u>6,292</u>
Total	<u>¥1,527</u>	<u>¥(211)</u>	<u>\$14,406</u>
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 21	¥ 19	\$ 198
Reclassification adjustments to profit or loss	<u>(24)</u>	<u>(18)</u>	<u>(226)</u>
Amount before income tax effect	<u>(3)</u>	<u>1</u>	<u>(28)</u>
Income tax effect	<u>(1)</u>		<u>(9)</u>
Total	<u>¥ (2)</u>	<u>¥ 1</u>	<u>\$ (19)</u>
Total other comprehensive income (loss)	<u>¥1,525</u>	<u>¥(210)</u>	<u>\$14,387</u>

17. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Description of Reportable Segments

The Company and the foreign subsidiary were engaged predominantly in a single industry, the investment and financial services industry, which includes brokerage, underwriting and distribution and trading activities.

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