

# **Business Result for Fiscal Year to March 31, 2013**

(consolidated on the basis of Japanese accounting standards)

Released on April 30, 2013

(English translation for reference purposes only)

Name of Company: **Ichiyoshi Securities Co., Ltd.**

Listed on: First Sections of Tokyo Stock Exchange and Osaka Securities Exchange

(Stock code number: 8624)

Corporate representative: Mr. Yasuaki Yamasaki, President & Representative Executive Officer

Date of annual shareholders' meeting: June 22, 2013 (scheduled)

Payment date for final dividends: May 27, 2013 (scheduled)

Filing date of annual securities report: June 25, 2013 (scheduled)

Supplemental information on business result: Provided.

Business result-reporting meeting: Planned for institutional investors and analysts.

Inquiry to: Mr. Kiyotaka Mochida, Operating Officer in charge of Finance & Planning

Tel: (03) 3555-9589 (URL <http://www.ichiyoshi.co.jp/>)

## **1. Consolidated Business Result for Fiscal Year Ended March 31, 2013**

(1) **Highlights of consolidated business result** (in millions of yen with fractions less than a million yen discarded, except for per-share figures)

	--- Fiscal year ended --- March 31, 2013	March 31, 2012
	(% year-to-year)	
Operating revenue	18,283 (+ 26.9)	14,407 (+ 10.0)
Net operating revenue	18,228 (+ 27.1)	14,340 (+ 9.9)
Operating income	3,631 ( -- )	- 116 ( -- )
Current income	3,743 ( -- )	- 136 ( -- )
Net income	3,392 ( -- )	- 222 ( -- )
Earnings per share	78.26yen	- 5.08yen
Earnings per share on a diluted basis (adjusted for shares potentially issuable)	78.15yen	--
Net return on equity	13.4%	- 0.9%
Current income as % of total assets	9.6%	- 0.4%
Operating income as % of operating revenue	19.9%	- 0.8%

Notes: Comprehensive income for each fiscal year:

4,528 million yen for fiscal year ended March 31, 2013

- 203 million yen for fiscal year ended March 31, 2012

Investment gains or loss by an equity method:

- 35 million yen for fiscal year ended March 31, 2013

- 34 million yen for fiscal year ended March 31, 2012

## (2) Consolidated financial condition

	--- As of March 31 ---	
	2013	2012
Total assets (in millions of yen)	43,751	34,091
Net worth (in millions of yen)	27,431	23,486
Equity ratio	62.5%	68.7%
Net worth per share	626.39yen	533.78yen

Note: Shareholders' equity at the end of each fiscal year:

27,357 million yen at March 31, 2013

23,409 million yen at March 31, 2012

## (3) Consolidated cash flow (in millions of yen)

	--- Fiscal year ended ---	
	March 31, 2013	March 31, 2012
Cash flow from operating activities	514	- 1,563
Cash flow from investing activities	- 333	10
Cash flow from financing activities	- 1,184	- 1,536
Cash and cash equivalents at end of the term	9,238	10,046

## 2. Dividend

	--- Fiscal year ended ---		---
	March 31, 2013	March 31, 2012	March 31, 2014 (Forecast*)
Per-share dividend:			
Interim dividend	10.00yen	10.00 yen	--
Final dividend	22.00yen	10.00 yen	--
Annual total	32.00yen	20.00 yen	--
Total dividend payout	1,390 million yen	877 million yen	--
Payout ratio (consolidated)	40.9%	--	--
Total dividend payout as % of net worth	5.5%	3.7%	--

Notes: \*= Forecast is not provided because it is not Ichiyoshi's practice to give earnings or dividend forecast.

## 3. Outlook for Consolidated Business Result for Fiscal Year ending March 31, 2014(from April 1, 2013 to March 31, 2014)

Since the forecast of earnings in financial-instruments trading, the main-line business of Ichiyoshi Securities Co., Ltd. (the "Company") and its group companies is hard to make due to changes in securities market conditions, the Company does not provide such forecast prior to the end of each quarterly and annual business term. Instead, the Company intends to release preliminary earnings figures after the end of each business term as and when such figures become available.

### Points to note:

#### (1) Changes in material subsidiaries (resulting in a change in scope of consolidation):

None.

**(2) Changes in accounting policies and estimates and re-presentation of modifications:**

- (i) Changes in accounting policies resulting from revisions to accounting standards: Yes.
- (ii) Changes other than those in (i): None.
- (iii) Changes in accounting estimates: Yes.
- (iv) Re-presentations of modifications: None.

(Effective from the first quarter of fiscal 2012, the Company has made a change in depreciation method on tangible assets. That change belongs to “Cases where it is difficult to distinguish between changes in accounting policies and changes in accounting estimates.” For further information, please refer to “(5) Notes to Consolidated Financial Statements” under “IV. Consolidated Financial Statements” contained elsewhere hereunder.)

**(3) Number of issued shares (common stock)**

- (a) Number of issued shares at the end of each fiscal year (including treasury shares):
  - 44,431,386 shares at March 31, 2013
  - 44,431,386 shares at March 31, 2012
- (b) Number of treasury shares at the end of each fiscal year:
  - 756,676 shares at March 31, 2013
  - 575,144 shares at March 31, 2012
- (c) Average number of shares outstanding during the term:
  - 43,347,895 shares for fiscal year ended March 31, 2013
  - 43,877,315 shares for fiscal year ended March 31, 2012

**[Referential information]**

**1. Outline of Non-consolidated Business Result (parent company basis)**

**(1) Business result for fiscal year ended March 31, 2013** (in millions of yen with fractions less than a million yen discarded, except for per-share figures)

	--- Fiscal year ended ---	
	March 31, 2013	March 31, 2012
	(% year-to-year)	
Operating revenue	17,008 ( + 27.9)	13,294 ( + 9.0)
Net operating revenue	16,966 ( + 28.0)	13,251 ( + 9.0)
Operating income	3,530 ( -- )	- 140 ( -- )
Current income	3,674 ( -- )	- 130 ( -- )
Net income	3,386 ( -- )	- 239 ( -- )
Earnings per share	78.10yen	- 5.46yen
Earnings per share on a diluted basis (adjusted for shares potentially issuable)	78.00yen	--
Net return on equity	13.4%	- 1.0%

## (2) Financial condition

	--- As of March 31 ---	
	2013	2012
Total assets (in millions of yen)	42,816	33,184
Net worth (in millions of yen)	27,228	23,298
Equity ratio	63.5%	70.1%
Net worth per share	622.56yen	530.10yen
Capital adequacy ratio	514.5%	448.7%

Shareholders' equity at the end of each fiscal year:  
27,190 million yen as of March 31, 2013  
23,255 million yen as of March 31, 2012

## 2. Outlook for non-consolidated business result for fiscal year ending March 31, 2014 (from April 1, 2013 to March 31, 2014)

Since the forecast of earnings in financial-instruments trading is hard to make due to changes in securities market conditions, the Company does not provide such forecast prior to the end of each quarterly and annual business term. Instead, the Company intends to release preliminary earnings figures after the end of each business term as and when such figures become available.

### Additional points to note:

1. The financial figures contained herein are released without being audited by certified public accountants as required by the Financial Instruments and Exchange Law. Those figures are being audited by certified public accountants at the time of this release.
2. For the same reason that the Company does not provide earnings forecast prior to the end of each quarterly and annual business term as stated in “3. Outlook for Consolidated Business Result for Fiscal Year ending March 31, 2014 (from April 1, 2013 to March 31, 2014)” on page 2, the Company does not provide a dividend forecast.

## I. Analysis on Business Result and Financial Condition

### 1. Analysis on Consolidated Business Result

During the fiscal year ended March 31, 2013, global stock markets underwent substantial corrections towards June amid the resurgence of debt crisis in south European nations and concerns over the outlook for the Chinese economy. Thereafter, as crisis-dealing measures by the European policy-makers took effect, global stock markets started to stabilize gradually. In September, the European Central Bank decided to purchase outstanding government bonds issued by south European nations without limitation (through the so-called “Outright Monetary Transactions”) and the US Federal

Reserve Boards resolved on QE3. Further coupled with the higher expectations for the US economic recovery and the from-year-end prospect for the Japanese stepped-up monetary easing, major stock markets in Japan, the US and Europe got back on the rising trend.

In Japan, as the yen strengthened on haven-currency buying, the stock market weakened with the Nikkei Stock Average recording 8,295yen, a year-low, in June. As the November 14 became regarded as the de-facto declaration date for the dissolution of the Diet, however, the market mood started to change thereafter. The new government of Mr. Shinzo Abe, formed after the winning of the election, put up audacious monetary easing, flexible fiscal policy and growth strategies as pillars of its economic policy, heightening expectations for the exit from the long-continuing deflation. Further helped by hopes for extra-dimensional monetary easing by the new Bank of Japan regime, the yen quickened its pace of weakening and stock prices moved upward towards the end of the fiscal year. The Nikkei Stock Average recorded 12,635yen on March 21, 2013, the highest since the beginning of 2012, and ended the fiscal year at 12,397yen, up by more than 20% from the end of the previous fiscal year (March 31, 2012).

With respect to emerging-stock markets in Japan, the Nikkei JASDAQ Average favorably reacted to expected positive measures by the new government of Mr. Abe, registering 1,795yen on March 26, 2013, the highest since the beginning of 2012, and ended the fiscal year at 1,777yen. TSE Mothers Index also moved higher towards the end of the fiscal year and ended the fiscal year at 644.05, the highest since the beginning of 2012.

The average daily turnover on the Tokyo Stock Exchange during the fiscal year was 1,499.8 billion yen, up 14.9% from the previous fiscal year. The average daily turnover on the OSE JASDAQ Market increased 49.0% to 29.4billion yen.

Against such background, the Company attained the stock brokerage volume of 1,349.5 billion yen for the fiscal year ended March 31, 2013, up 34.7% from the previous fiscal year, thanks to its continuing efforts for stock promotion along the equity-friendly climate. With respect to investment trust funds, the Company continued to designate 9 funds, including “BAM World Bond and Currency Fund” (which invests in high-rated sovereign bonds), as basic assets of customers and placed them at the center of its promotional activities. The Company also actively engaged in distribution of “Pictet Global Income Stock Fund” (which mainly invests in public utilities stocks across the world), “LM Australia High-Dividend (Monthly-Payout) Fund” (which mainly invests in Australian stocks) and “Mitsui Sumitomo Global REIT Open” (which mainly invests in REITs across the world). Through the Company’s distribution efforts, the amount of its funds sales recovered from their slower pace in an earlier period to healthier pace through the third and fourth quarters of the fiscal year. As a result, the Company registered the highest-ever monthly record sales of funds for two months consecutively in the latter half of the fiscal year.

Resultantly, net operating revenue for the fiscal year ended March 31, 2013, amounted to 18,228 million yen, up 27.1% from the previous fiscal year. Operating cost and expenses recorded 14,597 million yen, up 1.0%. Hence, current income registered 3,743 million yen, a strong reversal from a loss of 136 million yen for the previous fiscal year. Customers' assets in the Company's custody as at March 31, 2013 stood at 1,477.7 billion yen, up 16.0% from March 31, 2012.

Set forth below are details of revenue sources, cost and expenses, cash flow and financial condition.

### **(1) Commissions**

Total commissions for the fiscal year ended March 31, 2013 amounted to 16,806 million yen, up 29.8% from the previous fiscal year ended March 31, 2012.

#### **(i) Brokerage commissions**

Total brokerage commissions on stocks rose 35.6% to 5,284 million yen. Of these commissions, those on small- and mid-cap stocks (consisting of stocks listed on Second Sections of the Tokyo Stock Exchange (TSE) and the Osaka Stock Exchange (OSE), OSE JASDAQ Market and TSE Mothers) accounted for 15.2%.

#### **(ii) Commissions from underwriting and solicitation to specified investors**

In the primary market, the Company participated in the management and underwriting of 21 initial public offerings (IPO's), as against 11 IPO's in the previous fiscal year. In the secondary market (for follow-on financing), the Company participated in 8 deals on a management and underwriting basis, as against 10 deals (two of which were lead-managed by the Company) in the previous fiscal year. As a result, total commissions from underwriting of stocks and bonds and solicitation to specified investors recorded 239 million yen, down 42.2% from the previous fiscal year.

The cumulative number of companies whose offerings were lead- or co-managed by the Company stood at 869 (of which 29 were lead-managed by the Company) as of March 31, 2013.

#### **(iii) Commissions from distribution and solicitation to specified investors**

Commissions from distribution and solicitation to specified investors rose 62.1% to 7,088 million yen as commissions from distribution of investment funds increased 62.3 % to 7,070 million yen.

#### **(iv) Commissions from other sources**

The trailer fees on investment funds decreased 3.6% to 3,693 million yen as the average outstanding balances of investment funds during the fiscal period declined while the outstanding balance at the end of the fiscal year increased 13.9% to 700.3 billion yen. With the addition of investment management fees from Ichiyoshi Asset Management Co. Ltd., commissions from insurance policy salesm fees from

research unbundling and fees from IPO assistance, total commissions from other sources amounted to 4,155 million yen, down 2.1%.

## **(2) Gains or Loss on Trading**

Trading on stocks, etc. recorded gains of 54 million yen, down 76.0%, as the Company discontinued its stock trading unit in June 2012, and trading on bonds, foreign exchange, etc. registered gains of 209 million yen, up 9.5%. Consequently, total gains on trading amounted to 263 million yen, down 36.8%.

## **(3) Interest and Dividend Income**

Interest and dividend income rose 1.8% to 149 million yen, reflecting a increase in outstanding balances of advances for margin transactions, and interest expenses dropped 17.9% to 54 million yen. As a result, net interest and dividend income amounted to 94 million yen, up 18.4%.

## **(4) Operating Cost and Expenses**

Operating cost and expenses increased 1.0% to 14,597 million yen as the Company incurred expenses for moving its branches and as personnel expenses rose in parallel with increased brokerage revenue.

Resultantly, operating income for the fiscal year ended March 31, 2013 amounted to 3,631 million yen.

## **(5) Non-operating Income and Expenses and Extraordinary Income and Loss**

The Company registered non-operating income of 192 million yen (an increase of 137.3% from the previous fiscal year) and non-operating expenses of 80 million yen (a decrease of 20.4%). The Company recorded an extraordinary income of 79 million yen (an increase of 88.0% from the previous fiscal year), including gains of 63 million yen on sales of investment securities and differential gains of 15 million yen on step acquisition in relation to merger, and extraordinary loss of 73 million yen (a decrease of 16.5%), including an impairment loss of 33 million yen, a loss of 21 million yen on sales of investment securities and a loss of 10 million yen on disposal of fixed assets. As a result, the Company registered a net extraordinary income of 6 million yen.

Consequently, income before income taxes for the fiscal year ended March 31, 2013 recorded 3,749 million yen, and net income (after deduction of corporate income taxes, resident's taxes and enterprise taxes, totaling 376 million yen, and after allowing for corporate tax adjustments of 22 million yen, and after deduction of minority interests of 2 million yen) registered 3,392million yen, a strong reversal from a loss of 222 million yen

for the previous fiscal year.

## **2. Analysis on Consolidated Financial Condition**

### **(1) Condition of Assets, Liabilities and Net Worth**

#### **(i) Current assets**

Current assets amounted to 34,538 million yen as of March 31, 2013, an increase of 8,068 million yen (up 30.5%) from March 31, 2012, as margin transaction assets rose by 3,807 million yen, cash and deposits swelled by 2,227 million yen and advance payments for subscription increased by 2,089 million yen.

#### **(ii) Fixed assets**

Fixed assets stood at 9,212 million yen as of March 31, 2013, a rise of 1,590 million yen (up 20.9%), as the market value of investment securities increased.

As a result, total assets registered 43,751 million yen as of March 31, 2013, an increase of 9,659 million yen (up 28.3%) from March 31, 2012.

#### **(iii) Liabilities**

Current liabilities stood at 14,757 million yen as of March 31, 2013, a rise of 5,026 million yen (up 51.7%) from March 31, 2012. The rise resulted from a growth of 3,243 million yen in margin transaction liabilities and an addition of 677 million yen in cash payable to customers.

#### **(iv) Long-term liabilities**

Long-term liabilities recorded 1,453 million yen as of March 31, 2013 a gain of 682 million yen (up 88.6%) from March 31, 2012, as deferred tax liabilities grew by 668 million yen.

#### **(v) Statutory reserves**

Statutory reserves registered 108 million yen as of March 31, 2013, a rise of 5 million yen (up 5.0%) from March 31, 2012.

#### **(vi) Net worth**

Net worth amounted to 27,431 million yen as of March 31, 2013, a gain of 3,945 million yen (up 16.8%) from March 31, 2012. The increase resulted from net income of 3,392 million yen for the fiscal year, net valuation gains of 1,133 million yen on other securities (securities other than investment securities) and net realized gains of 357 million yen on treasury shares while the Company paid dividends in the amount of 868 million yen and acquired treasury shares in the amount of 66 million yen.

As a result, equity ratio as of March 31, 2013 recorded 62.5%, and capital adequacy ratio as of the same date, as defined by the securities regulator, registered 514.5%.

### **(2) Cash Flow**

Cash flow from operating activities for the fiscal year ended March 31, 2013 recorded a positive figure of 514 million yen, an increase of 2,078 million yen from the previous



fiscal year. Cash flow from investing activities registered a negative figure of 333 million yen, a decrease of 344 million yen. It decreased as the Company acquired tangible fixed assets. Cash flow from financing activities recorded a negative figure of 1,184 million yen, an increase of 352 million yen, as a result of dividend payments and acquisition of treasury shares.

Consequently, the amount of cash and cash equivalents as of March 31, 2013, stood at 9,238 million yen, a decline of 808 million yen from the end of the previous fiscal year (March 31, 2012).

### **3 Basic Policy on Earnings Distribution and Dividends**

One of the Company's core management policies is to make an appropriate earnings distribution to its shareholders.

With respect to dividends, the Company places its stress on a continuous stream of dividend payments. Thus, under the Company's current dividend policy, an annual total of dividend per share will be equal to either approximately 40% of annual earnings per share (namely, payout ratio of approximately 40%) or approximately 4% of equity per share (namely, DOE of approximately 4%), whichever is larger. The DOE of approximately 4% is subject to review every six months at the time of dividend declaration.

Under this policy, an interim dividend per share of 10.00yen was paid to the shareholders of record as of September 30, 2012, and a final dividend per share of 22.00yen is to be paid to the shareholders of record as of March 31, 2013. The interim dividend was equal to DOE of approximately 4%, and the sum of the interim dividend and the final dividend, namely 32.00yen, is to be equal to payout ratio of approximately 40%.

### **4. Risks relating to business**

We consider that the following risks exist with respect to the business result and financial condition of the Company and its group companies (the "Ichiyoshi group") that may affect investors' judgment materially.

Being aware of these risks, the Ichiyoshi group is determined to prevent them from occurring and to be prepared against the occurrence of any such risk.

Any statement about future herein is being made on the basis of the Company's judgment as of the end of the fiscal year (March 31, 2013).

#### **(1) Revenue volatility risk of financial-instruments trading business**

There is a possibility that the Company's brokerage commissions will decrease as transactions shrink when prices of stocks and bonds decline in domestic or foreign markets. The Company's activities in the primary market may also be similarly affected in such conditions.

(2) Market risk

There is a possibility that the Company will incur a loss due to price fluctuations of securities owned caused by changes in stock prices, interest rates and forward exchange rates as the Company is engaged in trading for its own account.

(3) Credit risk (counterparty risk)

There is a possibility that the Ichiyoshi group will incur a loss when default (or decline in creditworthiness) occurs on its counterparty.

(4) Liquidity risk

There is a possibility that the Ichiyoshi group will incur a loss when it faces a liquidity problem due to a change in the financial condition or when it is forced to borrow funds at rates much higher than normal under such circumstances.

(5) Clerical risk

There is a possibility that the Ichiyoshi group will incur a loss due to a mistake in clerical work or as a result of a human error, accident or wrongful behavior although the Ichiyoshi group is exerting its efforts to put in place extensive working manuals and improve on its compliance system.

(6) System risk

There is a possibility that the Ichiyoshi group will incur a loss as a result of breakdown or malfunction of, or a fire breakout or electric power failure on, or an improper access to, its computer system.

(7) Legal risk

There is a possibility that the Ichiyoshi group will incur a loss or face a liquidation or administrative disciplinary action as a result of its violation of rules, regulations or laws.

(8) Information-related risk

There is a possibility that the Ichiyoshi group will incur a loss or face a deterioration of its reputation in connection with insider trading, leakage of internal information or improper information disclosure.

(9) Competition risk

The securities industry is faced with serious competition which is expected to heighten further hereafter. Hence, there is a possibility that the Ichiyoshi group's business result and financial condition will be affected when the Ichiyoshi group cannot get an upper hand in such competition.

(10) Risk from amendments to legal system

There is a possibility that the Ichiyoshi group's business result and financial condition will be affected by potential amendments to the current legal system surrounding the securities industry.

(11) Risk from disasters

There is a possibility that the Ichiyoshi group's business result and its financial

condition may suffer when disasters, such as an earthquake and fire, break out, obstructing the Ichiyoshi group's business activities or doing damages to the Ichiyoshi group's officers and employees.

## **II. State of Ichiyoshi Group**

The Ichiyoshi group, consisting of Ichiyoshi Securities Co., Ltd. ("Ichiyoshi" or the "Company"), its three consolidated subsidiaries and one non-consolidated subsidiary, is principally engaged in investment and financial services chiefly associated with financial-instruments.

Ichiyoshi is directly engaged in buying and selling of, and dealing in, securities (such buying and selling of, and dealing in, securities are called hereinafter as "securities transactions"), acting as agent or broker for securities transactions, underwriting and distributing publicly-offered or privately-placed securities and carrying out other securities-related businesses. Thus, Ichiyoshi provides wide-ranging services matching varying needs of its customers relating to securities and investments.

In conjunction with the above-mentioned activities by the Company, the three consolidated subsidiaries perform their respective functions: Ichiyoshi Research Institute Inc. undertakes research and data/information collection relating to small- and mid-cap growth companies; Ichiyoshi Asset Management Co., Ltd. provides asset-management services through investment administration and advisories; and Ichiyoshi Business Service Co., Ltd. undertakes peripheral services for the Ichiyoshi group, provides real estate renting/broking/management services, deals in office supplies and goods and acts as agent for financial-instruments trading.

On January 30, 2013, the Company invested 172 million yen in Nomura Real Estate Master Fund Investment Co. after considering various factors, including opportunities for participation in REIT deals and related business creation.

On March 4, 2013, the Company merged with Daihoku Securities Co., Ltd. which had been an associated company accounted for by the Company on an equity method basis. (The Company is a surviving company and Daihoku Securities Co., Ltd. was liquidated.)

### **List of 5 Companies in the Ichiyoshi Group**

Parent company: **Ichiyoshi Securities Co., Ltd.** - financial-instruments trading business

Consolidated subsidiaries:

**Ichiyoshi Research Institute Inc.** – information services  
(85.0% owned, of which 12.5% is indirectly owned)

**Ichiyoshi Asset Management Co., Ltd.** – investment

management and advisories

(97.0% owned, of which 2.0% is indirectly owned)

**Ichiyoshi Business Service Co., Ltd.** – property renting/  
broking/management, sales of office supplies and financial-  
instruments trading agency.

(100.0% owned)

Non-consolidated subsidiary:

**Nomura Real Estate Master Fund Investment Co.** real  
estate investment company

(86.0% owned)

### **III. Management Policy**

#### **1. Basic Policy**

The Company's motto is to "Be a Securities Company Like No Other in Japan." To realize this motto, the Company makes it a management objective to build a "Name-brand boutique house" in the finance and securities industry. In its efforts for realization, the Company intends to heighten the fairness and transparency of management along its credo (corporate philosophy) and to promote flexible and relevant decision-making, thereby maximizing earnings and corporate value while bolstering its corporate governance. Taking advantage of its committees-based company system and its executive officer system, the Company aims to raise the promptitude and effectiveness of business executions and toughen its surveillance over business executions.

The Company's credo (corporate philosophy):

Management philosophy: To remain a company of customers' trust and choice

Management objective: Name-brand boutique house in finance and securities industry

Action guidelines: Gratitude, Integrity, Courage, Responsiveness, Continuity and Good Long-Term Relation.

#### **2. Triangular Pyramid Management**

The Company is promoting "Triangular Pyramid Management" --- with the research division forming the base of the pyramid, and the retail, wholesale and support/products divisions forming their respective facets of the pyramid, and the pyramid itself is firmly supported by the back-office division. This management style is intended to maximize the capability of each division/subsidiary and enhance the co-working synergy of all the divisions/subsidiaries. This synergistic process will also raise the quality of the Company's

products, information and customer services, thereby further satisfying the Company's retail and corporate customers' needs for asset-building and fund-raising.

### 3. Medium-term Management Plan

Under the new management staff in April 2012, the Company drew up a New Medium-Term Management Plan, subtitled "Challenge for Recovery," covering the 2-year period from April 2012 to March 31, 2014. The plan is intended to reinforce the foundation for the building of a "Name-brand Boutique House" in the finance and securities industry while promptly achieving 8 basic strategies, mentioned further below, and re-challenging targets contained in the Company's preceding medium-term management plan.

The following table shows some of the numerical targets contained in the New Medium-Term Management Plan. In the fiscal year ended March 31, 2013, the Company recorded the ROE of 13.4%, clearing the target contained in the plan. Thus, the Company will strive to maintain the ROE target and achieve customers' assets target and lead-management target in the fiscal year ending March 31, 2014.

Item	Target	Figures as of March 31, 2013
Target date	March 31, 2014	---
Customers' assets in custody	2 trillion	1.4777 trillion yen
No. of companies whose equity offerings lead-managed by Ichiyoshi	35 companies	29 companies
Return on equity	Approx 10%	13.4%

The following are 8 basic strategies to achieve the targets:

- (i) Thorough execution of "Ichiyoshi's Credo"--- Corporate philosophy as a base for everlasting growth.
- (ii) Expansion of business base --- Increase in customers' assets in custody.
- (iii) Continuous improvement on revenue-cost structure --- Promotion of revenue structure not susceptible to stock market fluctuations.
- (iv) Boosting of earnings on existing business lines ---Boosting of earnings on specialized small- and mid-cap stock business.
- (v) Integrated power of the Ichiyoshi group --- Strengthening of the "Triangular Pyramid Management."
- (vi) Practical observance of legal compliance --- Legal compliance is a source of competitiveness.
- (vii) Diversification of business channels --- Tie-up with local securities firms.
- (viii) Nurturing and training of human talent --- Source of growth.

#### **4. Challenges to Be Tackled**

The Company's officers and employees share the importance of "Credo" as the "criteria of value" for the everlasting growth of the Company and match their behavior with the Credo, thereby enhancing the brand value of Ichiyoshi and expanding customers' assets in custody as a source of the Company's growth.

Regarding its long-term relationship with retail customers as a cornerstone of its business policy, the Company will provide customers with carefully-selected financial products and asset-management services accurately tied to market changes. Specifically, the Company will present customers with comprehensive portfolios matching customers' investment purposes and risk tolerance. During the course of management of customers' assets, the Company will keep customers provided with follow-up services on a regular and periodical basis.

As regards its wholesale customers, the Company will exert its efforts for the furtherance of investment banking activities, such as management of initial public offerings, securities underwriting and provision of M&A advisories, and try to expand business opportunities through management of business owners' assets.

With respect to institutional investors at home and abroad, the Company will try to expand transactions with them on the strength of the Company's research capability on growth stocks and reinforce its trading capability through the enhancement of block matching.

As part of its growth strategies, the Company merged with Daihoku Securities Co. Ltd. (previously an associated company accounted for by the Company on an equity method basis) on March 4, 2013. Following the merger, the Company opened three branches: Daihoku Morioka Branch in Morioka City, Iwate Prefecture; Daihoku Mizusawa Branch in Oshu City, Iwate Prefecture; and Daihoku Ichinoseki Branch in Ichinoseki City, Iwate Prefecture. All these branches were converted from the old branches of Daihoku Securities Co., Ltd. It is the Company's policy to diversify channels of relationship with customers by mobilizing the Company's assets locally, expanding sales network and enhancing the Ichiyoshi brand locally. In addition, the Company will reinforce its call center function and expand insurance policy sales, thereby diversifying its customer channels further.

With respect to nurturing and training of human talent, the Company will formulate a system to foster the type of personnel to create free and open-minded corporate atmosphere. Specifically, the Company will provide every young adviser with a veteran adviser as instructor to beef up a young adviser's on-the-job capability, raise a young adviser's compliance-awareness by means of compliance sessions and e-learning training courses at each branch level, and help employees, young and old, to acquire required licenses and qualifications for further professionalism.

# . Consolidated Financial Statements

## 1. Consolidated Balance Sheets

(in millions of yen)

	As of March 31 2013	As of March 31 2012
Current assets		
Cash and bank deposits	9,644	10,060
Segregated cash and statutory deposits	5,571	3,344
Trading assets	343	377
Securities	341	376
Derivatives	2	1
Contracted trades	94	12
Margin transaction assets	11,557	7,749
Advances for margin purchases	11,232	7,163
Cash deposits as collateral for securities borrowed	325	586
Advance payments for customers on trades	18	8
Advance payments for subscription	6,117	4,027
Short-term loans	19	8
Accrued income	997	727
Deferred tax assets	42	19
Other current assets	138	136
Allowances for doubtful accounts	-6	-3
	34,538	26,469
Fixed assets		
Tangible fixed assets	4,115	4,224
Buildings	1,444	1,543
Fixtures and equipment	670	728
Land	1,987	1,941
Lease assets, net	13	11
Intangible fixed assets	403	409
Goodwill	128	112
Computer software	273	295
Telephone subscription rights, etc.	1	1
Investments, etc.	4,693	2,987
Investment securities	3,507	1,653
Long-term loans	65	54
Cash deposits as guarantee for long-term credits	1,109	1,266
Deferred tax assets	5	6
Other investments	15	12
Allowances for doubtful accounts	-10	-6
	9,212	7,622
Total assets	43,751	34,091

	As of March 31 2013	As of March 31 2012
Current liabilities		
Margin transaction liabilities	7,627	4,384
Borrowings for margin transactions	6,991	3,420
Cash received for loaned securities	636	963
Cash payable to customers	4,110	3,432
Deposits from customers (for committed trades)	760	503
Short-term borrowings	210	210
Lease obligations	4	3
Income taxes payable	414	81
Accrued bonuses to employees	559	332
Reserve for Point-Service Campaign	-	172
Other current liabilities	1,069	611
	14,757	9,731
Long-term liabilities		
Long-term borrowings	420	459
Lease obligations	9	8
Deferred tax liabilities	669	1
Revaluation-related deferred tax liabilities	35	35
Accrued retirement benefits for employees	290	232
Other long-term liabilities	28	33
	1,453	770
Statutory reserves		
Reserve for financial instruments transaction liabilities	108	103
	108	103
Total liabilities	16,320	10,605
Net worth		
Shareholders' equity	28,065	25,250
Common stock	14,577	14,577
Capital surplus	8,676	8,319
Retained earnings	5,157	2,634
Treasury stock	-346	-280
Accumulated other comprehensive income	-708	-1,841
Other securities valuation difference	1,147	14
Land revaluation difference	-1,855	-1,855
Subscription rights to shares	38	43
Minority interests	35	32
Total net worth	27,431	23,486
Total of liabilities and net worth	43,751	34,091



## 2. Consolidated Income Statements and Consolidated Comprehensive Income Statements

### Consolidated Income Statements

(in millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012
Operating revenue	18,283	14,407
Commissions	16,806	12,948
Commission to consignees	5,323	3,917
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	239	414
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	7,088	4,372
Other fees received	4,155	4,243
Gains or loss on trading	263	417
Interest and dividend income	149	146
Other operating income	1,063	895
Interest expenses	54	66
Net operating revenue	18,228	14,340
Operating cost and expenses	14,597	14,457
Transaction-related expenses	1,265	1,399
Personnel expenses	7,992	7,780
Property-related expenses	1,758	1,672
Clerical expenses	2,399	2,252
Depreciation	446	594
Public charges	162	149
Transfer to allowances for doubtful accounts	2	0
Others	569	606
Operating income	3,631	-116
Non-operating income	192	81
Gain on investments in partnership	19	11
Dividends from investment securities	141	30
Insurance and dividends income	12	10
Others	19	29
Non-operating expenses	80	101
Loss on investments in partnership	38	50
Equity in losses of affiliates	35	34
Others	6	16
Current income	3,743	-136

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012
Extraordinary income	79	42
Gains on sales of investment securities	63	31
Gains on sales of golf membership	-	0
Gain on reversal of subscription rights to shares	0	0
Reversal of allowances for doubtful accounts	-	1
Reversal of reserve for financial instruments transaction liabilities	-	8
Gain on step acquisitions	15	-
Extraordinary expenses	73	87
Loss on write-off of fixed assets	10	5
Loss on sales of investment securities	21	1
Valuation loss on investment securities	-	1
Loss on liquidation of golf memberships	4	-
Loss on cancellation of system contracts	-	25
Settlement expenses	-	12
Impairment loss	33	40
Transfer to reserve for securities transaction liabilities	4	-
Income before income taxes	3,749	-181
Income, inhabitant and enterprise taxes	376	54
Income taxes adjustments	-22	-14
Income before minority interests	3,395	-222
Minority interests	2	0
Net income	3,392	-222

## Consolidated Comprehensive Income Statements

(in millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012
Income before minority interests	3,395	-222
Other comprehensive income		
Other securities valuation difference	1,134	8
Land revaluation difference	-	4
Share of other comprehensive income of associates accounted for using equity method	-1	4
Total other comprehensive income	1,133	18
Comprehensive income	4,528	-203
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,525	-204
Comprehensive income attributable to minority interests	2	0

### 3 . Consolidated Statements of Shareholders' Equity

#### Consolidated Statement of Shareholders' Equity for the fiscal year ended March 31, 2013 (in millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at 4/1/2012	14,577	8,319	2,634	-280	25,250
Changes in the fiscal year:					
Cash dividends			-868		-868
Net income			3,392		3,392
Purchase of treasury stock				-389	-389
Disposal of treasury stock		357		322	680
Changes in items other than those in shareholders' equity (net)					
Total changes in the fiscal year	-	357	2,523	-66	2,814
Balance at 3/31/2013	14,577	8,676	5,157	-346	28,065

	Accumulated other comprehensive income			Subscription rights to shares	Minority interests	Total net worth
	Other securities valuation difference	Land revaluation difference	Total of accumulated other comprehensive income			
Balance at 4/1/2012	14	-1,855	-1,841	43	32	23,486
Changes in the fiscal year:						
Cash dividends						-868
Net income						3,392
Purchase of treasury stock						-389
Disposal of treasury stock						680
Changes in items other than those in shareholders' equity (net)	1,133	-	1,133	-5	2	1,130
Total changes in the fiscal year	1,133	-	1,133	-5	2	3,945
Balance at 3/31/2013	1,147	-1,855	-708	38	35	27,431

#### Consolidated Statements of Shareholders' Equity for the fiscal year ended March 31, 2012 (in millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at 4/1/2011	14,577	8,322	3,822	-256	26,467
Changes in the fiscal year:					
Cash dividends			-965		-965
Net income			-222		-222
Purchase of treasury stock				-62	-62
Disposal of treasury stock		-3		38	35
Changes in items other than those in shareholders' equity (net)					
Total changes in the fiscal year	-	-3	-1,188	-24	-1,216
Balance at 3/31/2012	14,577	8,319	2,634	-280	25,250

	Accumulated other comprehensive income			Subscription rights to shares	Minority interests	Total net worth
	Other securities valuation difference	Land revaluation difference	Total of accumulated other comprehensive income			
Balance at 4/1/2011	1	-1,860	-1,859	33	31	24,672
Changes in the fiscal year:						
Cash dividends						-965
Net income						-222
Purchase of treasury stock						-62
Disposal of treasury stock						35
Changes in items other than those in shareholders' equity (net)	13	4	18	10	0	29
Total changes in the fiscal year	13	4	18	10	0	-1,186
Balance at 3/31/2012	14	-1,855	-1,841	43	32	23,486

## 4. Consolidated Cash Flow Statements

(in millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012
<b>I. Cash flow from operating activities</b>		
Income before income taxes	3,749	-181
Depreciation	446	594
Amortization of Goodwill	31	30
Increase or decrease in accrued bonuses for employees	226	-66
Increase or decrease in accrued retirement benefits for employees	58	-21
Increase or decrease in allowances for doubtful accounts	7	-17
Increase or decrease in reserve for Point-Service Campaign	-172	-31
Increase or decrease in accrued retirement benefits for officers	-	-39
Interest and dividend income	-157	-52
Interest expenses	17	22
Equity in earnings or losses of affiliates	35	34
Impairment loss	33	40
Gains or loss on sales of investment securities	-42	-30
Valuation loss on investment securities	-	1
Loss on write-off of fixed assets	10	5
Loss on liquidation of golf memberships	4	-
Loss on cancellation of system contracts	-	25
Settlement expenses	-	12
Gains on reversal of subscription rights to shares	-0	-0
Increase or decrease in reserve for financial instruments transaction liabilities	4	-8
Increase or decrease in segregated cash in trust for customers	-2,090	-20
Increase or decrease in deposits and guarantee deposits received	812	-1,062
Increase or decrease in short-term loans	-10	2
Increase or decrease in trading assets	34	-6
Net increase or decrease in margin transaction assets and liabilities	-563	1,026
Increase or decrease in subscription moneys	-2,089	-1,971
Others	91	205
Sub-total	436	-1,507
Interest and dividend income	158	53
Interest expenses	-17	-22
Taxes paid	-63	-87
Cash flow from operating activities	514	-1,563
<b>II. Cash flow from investing activities</b>		
Payments into time deposits	-	-6
Proceeds from withdrawal of time deposits	-	30
Acquisition of tangible fixed assets	-154	-165
Acquisition of intangible fixed assets	-125	-91
Acquisition of investment securities	-327	-53
Sales of investment securities	189	106
Long-term loans	-44	-8
Collection of long-term loans	33	24
Proceeds from purchase of investments in subsidiaries	-	165
Others	95	8
Cash flow from investing activities	-333	10
<b>III. Cash flow from financing activities</b>		
Increase or decrease in short-term borrowings	-	-400
Repayment of long-term loans payable	-39	-109
Repayments of lease obligations	-3	-2
Proceeds from exercise of stock option	55	-
Sales of Company's Common shares held in treasury	-	0
Acquisition of Company's Common shares	-330	-62
Payment of dividends	-866	-962
Cash flow from financing activities	-1,184	-1,536
<b>IV. Conversion differences related to cash and cash equivalents</b>		
	36	-10
<b>V. Increase or decrease in cash and cash equivalents</b>		
	-965	-3,100
<b>VI. Balance of cash and cash equivalents at beginning of the term</b>		
	10,046	13,146
<b>. Increase in cash and cash equivalents resulting from merger</b>		
	157	-
<b>. Balance of cash and cash equivalents at end of the term</b>		
	9,238	10,046

## **5. Notes to Consolidated Financial Statements**

### **(Notes to premises for Continuing Business)**

None applicable.

### **(Material Matters Essential for Preparation of Consolidated Financial Statements)**

#### **1. Matters concerning scope of consolidation**

##### **(1) Consolidated subsidiaries: 3 companies**

Namely:

- (i) Ichiyoshi Research Institute Inc.
- (ii) Ichiyoshi Asset Management Co., Ltd.
- (iii) Ichiyoshi Business Service Co., Ltd.

##### **(2) Non-consolidated subsidiary: One.**

Namely: Nomura Real Estate Master Fund Co. Ltd.

(Reason for exclusion from consolidation: The Company's controlling interest is temporary)

#### **2. Matters concerning application of an equity method**

##### **(1) Company to which an equity-method accounting is applied: One.**

Namely: Daihoku Securities Co., Ltd.

(Daihoku Securities Co., Ltd. was merged into the Company on March 4, 2013. The Company is a surviving company.)

##### **(2) Non-consolidated subsidiary to which an equity method accounting is not applied: One.**

Namely: Nomura Real Estate Master Fund Co., Ltd.

This company is excluded from consolidation because the Company's controlling interest is temporary and also because the exclusion has no material effect on the Company's consolidated financial statements in view of the amount of the Company's net income and retained earnings as compared to those of this company.

#### **3. Matters concerning fiscal-year account-settlement days of consolidated subsidiaries**

The fiscal-year account-settlement days of all consolidated subsidiaries coincide with the consolidated fiscal-year account-settlement day (March 31).

### **(Changes in Accounting Policy, changes in Accounting Estimate and Re-presentation of Modifications)**

Following amendments to the Corporate Tax Law, the Company and its consolidated subsidiaries changed their depreciation method on tangible fixed assets acquired on and after April 1, 2012 in accordance with the amended Corporate Tax Law effective from the fiscal year ended March 31, 2013.

**(Additional Information)**

Consolidated tax return system is adopted effective from the fiscal year ended March 31, 2013.

**(Segment Information)**

1. Segment information

(For the fiscal year ended March 31, 2013)

Since the Company and its group companies are engaged in one single segment of business defined as “investment and financial services”, the description of segment information is omitted.

2. Related information

(For the fiscal year ended March 31, 2013)

(1) Information by product and service:

Since investment and financial services defined as one single segment accounted for more than 90% of operating revenue on the consolidated income statement, the description of information by product and service is omitted.

(2) Information by area:

(a) Operating revenue:

Since operating revenue derived from domestic customers accounted for more than 90% of operating revenue on the consolidated income statement, the description of operating revenue by area is omitted.

(b) Tangible fixed assets:

Since there is no tangible fixed asset outside Japan, the description of tangible fixed assets by area is omitted.

(c) Information by major customer:

Since there is no one customer accounting for more than 10% of operating revenue on the consolidated income statement, the description of information by major customer is omitted.

3. Impairment loss information on fixed assets by described segment

(For the fiscal year ended March 31, 2013)

Since the Company and its group companies are engaged in one single segment of business defined as “investment and financial services”, the description of impairment loss information on fixed assets by described segment is omitted.

4. Information on depreciated amount and non-depreciated balance of goodwill by described segment

(For the fiscal year ended March 31, 2013)

Since the Company and its group companies are engaged in one single segment of business defined as “investment and financial services”, the description information on depreciated amount and non-depreciated balance of goodwill by described segment is omitted.

5. Information on negative goodwill by described segment

(For the fiscal year ended March 31, 2013)

Since the Company and its group companies are engaged in one single segment of business defined as “investment and financial services”, the description information on negative goodwill by described segment is omitted.

**(Per-share Data on a consolidated basis)**

	--- Fiscal year ended ---	
	March 31, 2013	March 31, 2012
Per-share net worth	626.39yen	533.78yen
Per-share net income	78.26yen	- 5.08yen
Per-share net income on a diluted basis (adjusted for shares potentially issuable)	78.15yen	--

Notes: (1) Per-share net income on a diluted basis for the fiscal year ended March 31, 2012 is not calculated since net income was negative and there were no potentially-issuable shares having any diluting effect on the per-share net income.

(2) Basis for computation of per-share net income on non-diluted and diluted basis:

	--- Fiscal year ended ---	
	March 31, 2013	March 31, 2012
Per-share net income:		
Net income	3,392 million yen	- 222 million yen
Amount not attributable to shareholders	--	--
Net income related to common shares	3,392 million yen	- 222 million yen
Average no. of outstanding common shares during the fiscal year	43,347 thousand	43,877 thousand

Per-share net income on a diluted basis

(adjusted for potentially issuable shares):		
Adjusted net income (in millions of yen)	--	--
No. of common shares increased		
during the fiscal year	57 thousand	--
(of which shares issued upon exercise of stock options)	(57 thousand)	( -- )
Contents of potentially-issuable shares		
having no diluting effect and not included		
in computation of per-share income on a diluted basis	--	--

---

(3) Basis for computation of per-share net worth:

---

	Fiscal year ended	
	March 31, 2013	March 31, 2012
Net worth	27,431 million yen	23,486 million yen
Deductable amount from net worth	73 million yen	76 million yen
(of which amount due to stock options)	38 million yen	43 million yen
(of which amount due to minority interest)	35 million yen	32 million yen
Net worth related to common shares as of the end of fiscal year	27,357 million yen	23,409 million yen
No. of common shares as of the end of fiscal year used for computation of per-share net worth	43,674 thousand	43,856 thousand

---

**(Subsequent Events after March 31, 2013)**

None applicable.



## V. Supplemental Information

Supplemental information on consolidated business result for the fiscal year ended March 31, 2013:

### 1. Commissions

#### (1) Commissions by sources (in millions of yen)

	--- Fiscal year ended ---		(A) over (B)
	March 31, 2013	March 31, 2012	
	(A)	(B)	(%)
Brokerage commissions	5,323	3,917	35.9
(Stocks)	(5,284)	(3,898)	( + 35.6)
(Bonds)	( 4)	( 0)	( + 414.7)
Commissions from underwriting and solicitation to specified investors	239	414	- 42.2
(Stocks)	( 239)	( 414)	( - 42.3)
(Bonds)	( 0)	( - )	( -- )
Commissions from distribution and solicitation to specified investors	7,088	4,372	+ 62.1
(Beneficiary certificates)	(7,070)	(4,356)	( + 62.3)
Commissions from other sources	4,155	4,243	- 2.1
(Beneficiary certificates)	(3,693)	(3,831)	( - 3.6)
Total	16,808	12,948	+ 29.8

#### (2) Commissions by products (in millions of yen)

	--- Fiscal year ended ---		(A) over (B)
	March 31, 2013	March 31, 2012	
	(A)	(B)	(%)
Stocks	5,554	4,341	+ 27.9
Bonds	22	20	+ 11.1
Beneficiary certificates	10,798	8,206	+ 31.6
Others	431	379	+ 13.6
Total	16,808	12,948	+ 29.8

(3) Gains or loss on trading (in millions of yen)

	--- Fiscal year ended ---		(A) over (B)
	March 31, 2013	March 31, 2012	
	(A)	(B)	(%)
<hr/>			
Stocks, etc.	54	226	- 76.0
Bonds, foreign exchange, etc.	209	191	+ 9.5
(Bonds, etc.)	(172)	( 205)	( -16.1)
(Foreign exchange, etc.)	( 36)	( - 14)	( -- )
<hr/>			
Total	263	417	- 36.8
<hr/>			

### 3 . Quarterly Consolidated Income Statements for Recent Eight Quarters (in millions of yen)

	1st Q (4-6/'11)	2nd Q (7-9/'11)	3rd Q (10-12/'11)	4th Q (1-3/'12)	1st Q (4-6/'12)	2nd Q (7-9/'12)	3rd Q (10-12/'12)	4th Q (1-3/'13)
Operating revenue	3,575	3,680	3,059	4,092	3,251	3,867	4,334	6,830
Commissions	3,233	3,374	2,740	3,600	2,919	3,559	3,949	6,378
Gains or loss on trading	73	70	75	197	29	28	81	124
Interest and dividend income	39	39	32	34	36	39	31	41
Other operating revenue	229	196	210	259	265	240	271	286
Interest expenses	14	18	17	16	11	14	14	14
Net operating revenue	3,560	3,662	3,042	4,075	3,239	3,853	4,320	6,815
Operating cost and expenses	3,693	3,511	3,544	3,708	3,593	3,420	3,643	3,939
Transaction-related expenses	364	298	342	394	362	274	311	315
Personnel expenses	1,966	1,936	1,909	1,967	1,924	1,889	1,961	2,217
Property-related expenses	431	409	421	410	409	407	454	488
Clerical expenses	572	535	543	601	586	560	616	635
Depreciation	147	149	151	147	114	110	118	104
Public charges	35	39	36	37	32	37	40	51
Reversal of allowances for doubtful accounts	0	-0	0	0	0	-0	-	2
Others	175	142	140	148	163	141	141	122
Operating income	-132	150	-502	367	-354	432	677	2,875
Non-operating income	24	14	17	23	34	4	20	132
Non-operating expenses	6	38	20	36	5	27	1	46
Current income	-113	126	-504	354	-324	409	696	2,961
Extraordinary income	1	31	-	9	8	-	0	71
Extraordinary expenses	6	11	3	66	2	6	30	34
Income before income taxes	-118	146	-507	298	-319	403	666	2,998
Income, inhabitant and enterprise taxes	9	11	14	18	11	20	56	287
Income taxes adjustments	3	-1	1	-17	6	-3	0	-25
Income before minority interests	-131	136	-524	296	-337	386	609	2,736
Minority interests	0	0	-0	-0	0	1	0	0
Net income	-131	135	-523	297	-337	385	609	2,735

( END )