

# **EARNINGS REPORT FOR FIRST TWO QUARTERS OF FISCAL 2016**

**( April 1 to September 30, 2016 )**

(consolidated on the basis of Japanese accounting standards)

Released on October 28, 2016

(English translation for reference purposes only)

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

Listed on: Tokyo Stock Exchange (1<sup>st</sup> Section) (Stock code: 8624)

Corporate representative: Mr. Minoru Kobayashi, President & Representative Executive Officer

Inquiry to: Mr. Shoichi Yamazaki, Operating Officer in charge of Finance and Planning

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

Date of filing First Two Quarters Report: November 11, 2016 (scheduled)

Preparation of supplementary documents for quarterly earnings: Provided.

Quarterly earnings-reporting meeting: Planned for institutional investors and analysts.

## **1. Outline of Consolidated Business Result for First Two Quarters of Fiscal 2016 (from April 1 to September 30, 2016)**

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

--- First Two quarters ended ---  
September 30, 2016      September 30, 2015

	(% year-to-year change in brackets)	
Operating revenue	10,046 (- 10.5)	11,225 (+ 14.0)
Net operating revenue	9,384 (- 10.6)	10,495 (+ 13.9)
Operating income	1,281 (- 39.5)	2,116 (+ 30.6)
Current income	1,312 (- 40.8)	2,215 (+ 31.2)
Net income attributable to		
owners of parent	1,018 (-31.8)	1,492 (- 18.3)
Earnings per share	23.60yen	33.89yen
Diluted earnings per share (adjusted		
for shares potentially issuable)	23.57yen	33.83yen

Note: (1)Comprehensive income for the first two quarters of fiscal 2016: 1,556 million yen ( + 7.8%)

(2)Comprehensive income for the first two quarters of fiscal 2015: 1,443 million yen.( + 17.3 %)

### **(2) Consolidated financial condition**

	As of September 30 2016	As of March 31 2016
Total assets (in millions of yen)	47,977	46,593
Net worth (in millions of yen)	32,654	33,560
Equity ratio	67.5%	71.5%

Note:Shareholders' equity as of September 30, 2016: 32,389 million yen.

Shareholders' equity as of March 31, 2016: 33,313 million yen.

## 2. Dividend

--- Fiscal year ended ---  
March 31, 2017      March 31, 2016

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Per-share dividend: (Please see notes below)

1 <sup>st</sup> quarter	---	---
2 <sup>nd</sup> quarter	15.00yen	27.00yen
3 <sup>rd</sup> quarter	---	---
Final	---	26.00yen
Annual total	---	53.00yen

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Notes: (i) Ichiyoshi Securities Co., Ltd. (the “Company”) declares dividends payable to shareholders of record as of September 30 (interim dividends) and March 31 (final dividends) of each fiscal year, but not to shareholders as of June 30 and December 31 of each fiscal year.

(ii) It is not Ichiyoshi’s practice to give an earnings or dividend forecast well before a business term ends.

## 3. Outlook for Consolidated Business Result for Fiscal 2016 (from April 1, 2016 to March 31, 2017)

Since the forecast of earnings in financial-instruments trading, the main-line business of the Company and its group companies, is hard to make due to volatile factors in the market, the Company does not provide such forecast prior to the end of each quarter. Instead, the Company intends to release preliminary earnings figures after the end of each quarter as and when such figures become available.

### \* Points to note:

(1) Changes in material subsidiaries (including a change in scope of consolidation): None.

(2) Application of an accounting treatment unique to the preparation of quarterly financial statements: None.

(3) 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: None.

(iv) Re-presentation of revisions: None.

(For further details, please refer to “(3) Changes in accounting policies and estimates and representation of modifications” in “II. Matters Concerning Summary Information (Points to Note)” elsewhere hereinafter.)

(4) Number of shares issued (common stock):

(i) Number of shares issued as of September 30, 2016: 44,431,386 shares (including treasury shares)

Number of shares issued as of March 31, 2016: 44,431,386 shares (including treasury shares)

(ii) Number of treasury shares as of September 30, 2016: 1,552,868 shares.

Number of treasury shares as of March 31, 2016: 807,868 shares.

(iii) Average number of shares outstanding during the first two quarters of fiscal 2016:

43,149,662 shares.

Average number of shares outstanding during the first two quarters of fiscal 2015:

44,027,389 shares.

**Additional points to note:**

1. Quarterly earnings figures included in this report are released without being reviewed by certified public accountants as required by the Financial Instruments and Exchange Law. Those figures are being so reviewed at the time of this release.
2. For the same reason that the Company does not provide an earnings forecast prior to the end of each quarter as stated in “3. Outlook for Consolidated Business Result for Fiscal 2016 (from April 1, 2016 to March 31, 2017)” on page 2, the Company does not provide a dividend forecast.

## **I. Qualitative Information on Business Result for First Two Quarters of Fiscal 2016**

### **(1) Information on Business Result**

During the first two quarters of fiscal 2016, the Japanese economy was beset with the sense of business stagnation due to the bearish trends of prices under sluggish consumer spending, the effect of the stronger yen on corporate earnings and weaker export demands related to slowdown in emerging economies. Amid such conditions, the Government announced on June 1 the postponement of a consumption tax hike initially scheduled to take effect from April 1, 2017, and in August drew up a large-scale economic measures, raising expectations for economic revival.

The Japanese stock market underwent turbulent fluctuations for a lengthy period as the Bank of Japan's Monetary Policy Meeting in April shelved an additional monetary easing and the Federal Reserve Board of the U.S. in June postponed an interest rate hike with a ripple effect of a stronger yen. Consequently, the Nikkei Stock Average on the Tokyo Stock Exchange (the “TSE”) recorded a year-low of 14,864yen on June 24, further battered by the Brexit voting in the UK. Thereafter, however, the Nikkei Stock Average turned upward as the Bank of Japan on July 29 decided to increase its holding of ETF's by about 6 trillion yen annually and on September 21 decided to adopt a new framework of quantitative and qualitative easing measures coupled with short- and long- term interest rate adjustment to further solidify its current monetary easing policy. The Nikkei Stock Average thus ended the first two quarter period at 16,449yen.

On the foreign currency market, the yen continued its strong trend. At one point on June 24, it registered 99yen per 1 U.S. dollar-level on a strong buying after the Brexit voting. It was 2 years and seven months since November 2013 that the yen went below the 100yen level. Continuing to stay in a relatively narrow band thereafter, the yen finished the period at 101yen per 1 U.S. dollar level.

The Japanese emerging-stock markets initially moved briskly on the back of good demand-supply relationship, with the Nikkei JASDAQ Stock Average and the TSE Mothers Index recording a year-high on June 9 respectively. Thereafter, however the emerging-stock markets underwent correctional stages. And towards the end of the period, the Nikkei JASDAQ Stock Average came back on recovery path, ending the term at 2,511yen. However, the TSE Mothers Index remained unrecovered, finishing the period at 948.

The average daily turnover on the TSE for the first two quarters of fiscal 2016 was 2,640 billion yen, down 17.0% from the comparable period of fiscal 2015, and that on the JASDAQ Stock

Market was 43.3 billion yen, down 45.9%.

In such circumstances, the Company placed in its core proposal to customers asset-backed stocks with stress on stability and dividends under negative-interest environments, taking advantage of the Company's strength in research on small-and medium-cap growth stocks. Striving to meet with customers' needs, the Company took various measures focused on the expansion of customers' assets in custody. The stock brokerage volume of the Company for the first two quarters of fiscal 2016 fell to 1,048.1 billion yen, down 12.2% from the year-earlier period.

With regard to investment trust funds, "Dream Collection," a fund wrap account vehicle, showed a favorable performance as a core asset in customers' medium- to long-term asset management. Its outstanding balance as of September 30 registered more than 40 billion yen. The Company launched in June "Ichiyoshi Small- and Medium-Cap Growth Stock Fund," fully taking advantage of synergy between Ichiyoshi Research Institute Inc. and Ichiyoshi Asset Management Co. Ltd. The fund got off to a good start and recorded an outstanding balance of more than 20 billion yen as at September 30, 2016.

With respect to customers' assets in custody, they stood at 1,653.2 billion yen as at September 30, 2016, down 6.9% from March 31, 2016. While the Company canvassed for customers' fresh-fund purchases of investment trust funds and initial public offerings, fluctuations in stock prices and currency markets and changes in net asset values of investment trust funds targeted for emerging countries in particular were negative factors.

As a result of these activities, net operating revenue for the first two quarters of fiscal 2016 amounted to 9,384 million yen, down 10.6% from the first two quarters of fiscal 2015. Operating cost and expenses amounted to 8,103 million yen, down 3.3%. Hence, operating income registered 1,281 million yen, 39.5% from the first two quarters of fiscal 2015.

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

#### **i. Commissions**

Total commissions for the first two quarters of fiscal 2016 amounted to 9,162 million yen, down 10.2 % from the year-earlier period.

##### **(a) Brokerage commissions**

Total brokerage commissions on stocks fell 17.2% to 3,118 million yen. Brokerage commissions on small- and medium-sized stocks (stocks listed on Second Section of the TSE, TSE Mothers and JASDAQ) registered 917 million yen and accounted for 29.5% of total brokerage commissions on stocks, up from 19.0% for the comparable period of fiscal 2015.

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

In the primary market, the Company participated in 11 initial public offerings on a management and underwriting basis as against 15 participations in the year-earlier period (of which two were lead-managed by the Company). In the secondary market, the Company participated in 4 deals on a management and underwriting basis (of which one was lead-managed by the Company) as against 7 deals in the year-earlier period (of which 4 were lead-managed by the Company).

As a result, commissions from underwriting and solicitation to specified investors amounted to 246 million yen, down 34.3% from the comparable period of fiscal 2015.

The cumulative number of companies whose offerings were lead- or co-managed by the Company stood at 993 (of which 44 were lead-managed) as of September 30, 2016.

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

As commissions from distribution of investment trust funds recorded 2,846 million yen, up 8.3% from the year-earlier period, total commissions from distribution and solicitation to

specified investors registered 2,875 million yen, up 8.2%.

**(d) Commissions from other sources**

The trailer fees rose to 2,503 million yen, down 10.7% from the year-earlier period. With the addition of investment advisory fees from Ichiyoshi Asset Management Co., Ltd., fees from research unbundling and commissions from insurance policy sales, total commissions from other sources amounted to 2,783 million yen, down 12.6%.

**ii. Gains or loss on trading**

Trading in stocks, etc. recorded net gains of 24 million yen, down 66.4% from the year-earlier period. Trading in bonds and foreign exchange, etc. registered net gains of 61 million yen, up 51.1%. As a result, total net gains on trading amounted to 86 million yen, down 23.9%.

**iii. Interest and dividend income**

Interest and dividend income slid to 109 million yen, 32.9%, chiefly due to a decrease in advances for margin purchases. Interest expenses declined 35.7% to 24 million yen. As a result, net interest and dividend income recorded 84 million yen, down 32.0%.

Resultantly, net operating revenue for the first two quarters of fiscal 2016 stood at 9,384 million yen, down 10.6% from the year-earlier period.

**iv. Operating cost and expenses**

Operating cost and expenses fell 3.3% to 8,103 million yen chiefly due to a decrease in personnel-related expenses.

**v. Non-operating income and expenses**

The Company recorded non-operating income of 35 million yen, mostly consisting of dividends on investment securities. As a result, net non-operating income amounted to 30 million yen, down 69.2% from the year-earlier period.

Resultantly, current income for the first two quarters of fiscal 2016 amounted to 1,312 million yen, down 40.8% from the year-earlier period.

**vi Extraordinary income and loss**

The Company registered extraordinary income of 43 million yen, mainly in the form of gains on sales of fixed assets, and extraordinary loss of 77 million yen, mainly consisting of loss of 63 million yen on sales of fixed assets and loss of 13 million yen on valuation of golf memberships. Thus, net extraordinary loss amounted to 33 million yen.

Resultantly, income before taxes and tax adjustments for the first two quarters of fiscal 2016 registered 1,278 million yen, down 45.3% from the year-earlier period, and net income attributable to owners of parent (after deduction of corporate income taxes, resident's taxes and enterprise taxes in the aggregate amount of 237 million yen and after deduction of corporate tax adjustments in the amount of 19 million yen) recorded 1,018 million yen, down 31.8% from the year-earlier period.

The Company has been exerting its efforts to build a "Name-brand Boutique House in the Finance and Securities Industry." In order to further strengthen the foundation of the boutique house so far built through the preceding management plans, the Company has drawn up the New Medium-Term Management Plan with its target date set for the end of March 2020.

In formulating the New Medium-Term Management Plan and its numerical targets, the Company has taken into consideration the following events and changes in circumstances affecting the global economy and markets: The Chinese market shock in August 2015, the sharp fall of crude oil prices, the strengthening of the yen from the beginning of the year, the introduction of the negative interest rate policy by the Bank of Japan, the Brexit-supporting vote in June and the postponement of changes in policy interest rates in the U.S., among others.

Set forth below are the numerical targets in the New Medium-Term Management Plan:

Numerical targets in the New Medium-Term Management Plan:

Customers' assets in custody: 3.5 trillion yen.

ROE: 15% or over.

Number of lead-managed companies: 70.

## **(2) Information on Financial Condition**

### **i. Condition of Assets, Liabilities and Net Worth**

#### **(a) Current assets**

Current assets amounted to 42,058 million yen as of September 30, 2016, a rise of 2,166 million yen (up 5.4%) from March 31, 2016, as advance payments for subscriptions rose by 2,098 million yen, cash and deposits swelled by 1,483 million yen and segregated cash and statutory deposits increased by 470 million yen while margin transaction assets declined by 1,801 million yen.

#### **(b) Fixed assets**

Fixed assets stood at 5,919 million yen as of September 30, 2016, a decline of 782 million yen (down 11.7%) from March 31, 2016, mainly as land, buildings and investment securities decreased 384 million yen, 171 million yen and 201 million yen, respectively.

As a result, total assets registered 47,977 million yen as of September 30, 2016, a rise of 1,384 million yen (up 3.0%) from March 31, 2016.

#### **(c) Current liabilities**

Current liabilities stood at 14,802 million yen as of September 30, 2016, a rise of 2,358 million yen (up 19.0%) from March 31, 2016. The rise resulted as cash payable to customers increased by 1,940 million yen and margin transaction liabilities grew by 760 million yen while income taxes payable fell by 246 million yen.

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

Long-term liabilities recorded 339 million yen as of September 30, 2016, a decline of 66 million yen (down 16.4%) from March 31, 2016. The decline resulted mainly from a decrease of 22 million yen in deferred tax liabilities for land revaluation and a reduction of 20 million yen in deferred tax liabilities.

#### **(e) Statutory reserves**

Statutory reserves registered 180 million yen as of September 30, 2016.

#### **(f) Net worth**

Net worth amounted to 32,654 million yen as of September 30, 2016, a decline of 905 million yen (down 2.7%) from March 31, 2016. The decline resulted from recording of net income

(attributable to owners of parent) of 1,018 million yen for the first two quarters while the Company paid dividends in the amount of 1,134 million yen and acquired treasury shares in the amount of 681 million yen.

## **ii. Cash Flow**

Cash flow from operating activities for the first two quarters of fiscal 2016 recorded a positive figure of 2,773 million yen, a decrease of 2,023 million yen from the comparable period of fiscal 2015, as income before taxes and tax adjustments and cash payable to customers rose. Cash flow from investing activities registered a positive figure of 377 million yen, an increase of 205 million yen, due to proceeds from sales of tangible fixed assets. Cash flow from financing activities recorded a negative figure of 1,832 million yen, a fall of 473 million yen, chiefly as a result of dividend payments and acquisition of treasury shares.

Consequently, the amount of cash and cash equivalents as of September 30, 2016, stood at 16,972 million yen, a growth of 1,296 million yen from the end of the previous fiscal year (March 31, 2016).

## **(3) Information on Outlook of Consolidated Business Result**

Since the forecast of earnings in financial-instruments trading, the main-line business of the Company and its group companies, is hard to make due to volatile factors in the market, the Company does not provide such forecast prior to the end of each quarter. Instead, the Company intends to release preliminary earnings figures around the middle of the month immediately following the end of each quarter.

## **II. Matters Concerning Summary Information (Points to Note)**

(1) Changes in material subsidiaries: None.

(2) Application of an accounting treatment unique to the preparation of quarterly financial statements: None.

(3) Changes in accounting policies and estimates and re-presentation of modifications.

(Changes in accounting policies)

The Company started to apply “Practical Handling of Changes to Depreciation Methods under Tax System Amendment of Year 2016” (Practical Application Report No. 32, dated June 17, 2016) effective from the first quarter of fiscal 2016. Thus, the Company changed depreciation method from declining-balance method to straight-line method on facilities and structures attached to buildings acquired on and after April 1, 2016.

This change had an immaterial effect on operating income, current income and income before taxes and tax adjustments for the first two quarters of fiscal 2016.

(4) Additional information

The Company started to apply “Application Guidelines on Collectability of Deferred Tax Assets” (Corporate Accounting Standard Application Guidelines No. 26, dated March 28, 2016) effective from the first quarter of fiscal 2016.

# . Quarterly Consolidated Financial Statements

## (1) Quarterly Consolidated Balance Sheets

(in millions of yen)

	As of September 30 2016	As of March 31 2016
<b>Assets</b>		
Current assets		
Cash and bank deposits	17,795	16,311
Segregated cash and statutory deposits	5,433	4,962
Trading assets	471	464
Securities	470	464
Derivatives	0	—
Margin transaction assets	11,606	13,408
Advances for margin purchases	11,235	13,171
Cash deposits as collateral for securities borrowed	371	236
Advance payments for customers on trades	22	15
Advance payments for subscription	5,118	3,020
Short-term loans receivable	18	22
Accrued income	1,203	1,264
Deferred tax assets	306	330
Other current assets	86	95
Allowances for doubtful accounts	-2	-2
<b>Total Current assets</b>	<b>42,058</b>	<b>39,892</b>
Fixed assets		
Tangible fixed assets	3,347	3,938
Buildings	1,065	1,236
Fixtures and equipment	631	666
Land	1,646	2,030
Lease assets, net	3	5
Intangible fixed assets	545	563
Goodwill	13	18
Computer software	530	543
Telephone subscription rights, etc.	0	0
Investments, etc.	2,026	2,199
Investment securities	995	1,197
Long-term loans	22	28
Cash deposits as guarantee for long-term credits	916	916
Net defined benefit asset	64	38
Deferred tax assets	11	3
Other investments	25	26
Allowances for doubtful accounts	-10	-10
<b>Total Fixed assets</b>	<b>5,919</b>	<b>6,701</b>
<b>Total assets</b>	<b>47,977</b>	<b>46,593</b>



	As of September 30	As of March 31
	2016	2016
<b>Liabilities</b>		
Current liabilities		
Trading liabilities	-	0
Derivatives	-	0
Contracted trades	13	37
Margin transaction liabilities	3,767	3,006
Borrowings for margin transactions	2,962	2,445
Cash received for loaned securities	804	561
Cash payable to customers	7,735	5,794
Deposits from customers (for committed trades)	1,173	1,103
Accounts for non-received securities and others	-	0
Short-term borrowings	210	210
Lease obligations	1	2
Income taxes payable	324	570
Accrued bonuses to employees	687	707
Other current liabilities	889	1,010
<b>Total Current liabilities</b>	<b>14,802</b>	<b>12,444</b>
Long-term liabilities		
Long-term borrowings	282	302
Lease obligations	1	2
Deferred tax liabilities	20	41
Revaluation-related deferred tax liabilities	7	30
Other long-term liabilities	27	30
<b>Total Long-term liabilities</b>	<b>339</b>	<b>406</b>
Statutory reserves		
Reserve for financial instruments transaction liabilities	180	182
<b>Total Statutory reserves</b>	<b>180</b>	<b>182</b>
<b>Total liabilities</b>	<b>15,323</b>	<b>13,033</b>
<b>Net worth</b>		
Shareholders' equity		
Capital stock	14,577	14,577
Capital surplus	8,695	8,696
Retained earnings	11,613	12,391
Treasury stock	-1,427	-747
<b>Total Shareholders' equity</b>	<b>33,459</b>	<b>34,917</b>
Accumulated other comprehensive income		
Other securities valuation difference	-63	54
Land revaluation difference	-1,187	-1,849
Remeasurements of defined benefit plans	181	191
<b>Total Accumulated other comprehensive income</b>	<b>-1,069</b>	<b>-1,604</b>
Subscription rights to shares	213	198
Non-controlling interests	51	47
<b>Total net worth</b>	<b>32,654</b>	<b>33,560</b>
<b>Total of liabilities and net worth</b>	<b>47,977</b>	<b>46,593</b>

## (2) Quarterly Consolidated Income Statements and Quarterly Consolidated Comprehensive Income Statements

### Quarterly Consolidated Income Statements

(in millions of yen)

	Six months ended	
	September 30, 2016	September 30, 2015
Operating revenue		
Commissions	9,162	10,200
Gains or loss on trading	86	113
Interest and dividend income	109	163
Other operating income	688	748
Total Operating revenue	10,046	11,225
Interest expenses	24	38
Other operating expenses	636	692
Net operating revenue	9,384	10,495
Operating cost and expenses		
Transaction-related expenses	800	894
Personnel expenses	4,609	4,865
Property-related expenses	915	933
Clerical expenses	1,137	1,041
Depreciation	197	207
Public charges	142	118
Transfer to allowances for doubtful accounts	-	0
Others	300	316
Total Operating cost and expenses	8,103	8,378
Operating income	1,281	2,116
Non-operating income		
Dividends from investment securities	16	17
Gain on investments in partnership	8	78
Others	11	13
Total Non-operating income	35	108
Non-operating expenses		
Loss on investments in partnership	5	9
Others	0	0
Total Non-operating expenses	5	9
Current income	1,312	2,215
Extraordinary income		
Gains on sales of investment securities	1	138
Gain on sales of non-current assets	38	-
Gain on reversal of subscription rights to shares	1	-
Reversal of reserve for financial instruments transaction liabilities	1	0
Total Extraordinary income	43	138
Extraordinary expenses		
Loss on write-off of fixed assets	0	18
Loss on sales of non-current assets	63	-
Loss on sales of investment securities	0	-
Loss on valuation of golf club membership	13	-
Total Extraordinary expenses	77	18
Income before income taxes	1,278	2,335
Income, inhabitant and enterprise taxes	237	854
Income taxes adjustments	19	-16
Total Income Taxes	256	838
Profit	1,021	1,497
Profit attributable to non-controlling interests	3	4
Profit attributable to owners of parent	1,018	1,492

## Quarterly Consolidated Comprehensive Income Statements

(in millions of yen)

	Six months ended	
	September 30, 2016	September 30, 2015
Profit	1,021	1,497
Other Comprehensive income		
Valuation difference on available-for-sale securities	-117	-49
Land revaluation difference	662	0
Remeasurements of defined benefit plans, net of tax	-10	-3
Total Other comprehensive income	534	-53
Comprehensive income	1,556	1,443
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	1,552	1,438
Comprehensive income attributable to non-controlling interests	3	4

### (3) Quarterly Consolidated Cash Flow Statements

(in millions of yen)

	Six months ended	
	September 30, 2016	September 30, 2015
<b>I. Cash flow from operating activities</b>		
Income before income taxes	1,278	2,335
Depreciation	197	207
Amortization of goodwill	5	17
Increase or decrease in accrued bonuses for employees	-19	117
Increase(decrease) in retirement benefit assets	-26	-26
Increase or decrease in allowances for doubtful accounts	-0	0
Interest and dividend income	-21	-23
Interest expenses	4	6
Gains or loss on sales of investment securities	-1	-138
Loss on sales of fixed assets	24	-
Loss on write-off of fixed assets	0	18
Loss on valuation of golf club membership	13	-
Gains on reversal of subscription rights to shares	-1	-
Increase or decrease in reserve for financial instruments transaction liabilities	-1	-0
Increase or decrease in segregated cash in trust for customers	-470	-2,080
Increase or decrease in deposits and guarantee deposits received	2,010	9,290
Increase or decrease in short-term loans	4	-20
Net increase or decrease in trading assets	-196	-117
Net increase or decrease in margin transaction assets and liabilities	2,562	-683
Increase or decrease in subscription moneys	-2,098	-3,487
Others	5	-82
<b>Sub-total</b>	<b>3,268</b>	<b>5,332</b>
Interest and dividend income	21	23
Interest expenses	-4	-6
Taxes paid	-513	-553
<b>Cash flow from operating activities</b>	<b>2,773</b>	<b>4,796</b>
<b>II. Cash flow from investing activities</b>		
Acquisition of tangible fixed assets	-39	-15
Sales of tangible fixed assets	465	-
Acquisition of intangible fixed assets	-81	-165
Acquisition of investment securities	-10	-
Sales of investment securities	42	359
Payments of Long-term loans	-1	-6
Collection of long-term loans	7	7
Others	-6	-6
<b>Cash flow from investing activities</b>	<b>377</b>	<b>172</b>
<b>III. Cash flow from financing activities</b>		
Repayment of long-term loans payable	-19	-19
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	-12
Repayments of lease obligations	-1	-1
Proceeds from exercise of stock option	0	9
Acquisition of Company's Common shares	-681	-499
Payment of dividends	-1,130	-835
<b>Cash flow from financing activities</b>	<b>-1,832</b>	<b>-1,359</b>
<b>IV. Conversion differences related to cash and cash equivalents</b>	<b>-21</b>	<b>-31</b>
<b>V. Increase or decrease in cash and cash equivalents</b>	<b>1,296</b>	<b>3,578</b>
<b>VI. Balance of cash and cash equivalents at beginning of the term</b>	<b>15,675</b>	<b>13,963</b>
<b>. Balance of cash and cash equivalents at end of the term</b>	<b>16,972</b>	<b>17,541</b>

#### (4) Points to Note on Quarterly Consolidated Financial Statements

(Points to Note on Premises for Continuing Business Enterprise)

None for the first two quarters of fiscal 2016.

(Points to Note in the Event of Material Changes in Shareholders' Capital)

None for the first two quarters of fiscal 2016.

## IV. Supplementary Information

### Breakdown of Consolidated Business Result for First Two Quarters of Fiscal 2016

#### 1. Commissions

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

Source	-- First two quarters of -- Fiscal 2016(a)      fiscal 2015(b)		Change (%) (a) over (b)	Fiscal 2015
Brokerage commissions	3,256	3,984	-18.3	7,633
(Stocks)	(3,118)	(3,767)	(-17.2)	(7,254)
(Beneficiary certificates)	(138)	(216)	(-36.1)	(378)
Commissions from underwriting and solicitation to specified investors	246	374	-34.3	1,284
(Stocks)	(246)	(373)	(-34.1)	(1,283)
Commissions from distribution and solicitation to specified investors	2,875	2,658	8.2	4,558
(Beneficiary certificates)	(2,846)	(2,628)	(8.3)	(4,505)
Commissions from other Sources	2,783	3,183	-12.6	6,205
(Beneficiary certificates*)	(2,503)	(2,803)	(-10.7)	(5,425)
Total	9,162	10,200	-10.2	19,682

(\* ) Breakdown of (Beneficiary certificates) (in millions of yen):

	-- First two quarters of -- fiscal 2016(a)      fiscal 2015 (b)		Change (%) (a) over (b)	Fiscal 2015
Trailer fees relating to distribution	2,118	2,602	-18.6	4,920
Trustee fees for fund Management	204	177	15.1	374
Fees from wrap-accounts	181	23	665.0	130
Total	2,503	2,803	-10.7	5,425

(2) Commissions by instruments: (in millions of yen)

	-- First two quarters of --		Change (%)	Fiscal 2015
	Fiscal 2016(a)	Fiscal 2015(b)	(a) over (b)	
Stocks	3,379	4,161	-18.8	8,575
Bonds	29	31	-6.8	54
Beneficiary certificates	5,488	5,648	-2.8	10,309
Others	265	359	-26.0	743
Total	9,162	10,200	-10.2	19,682

2. Gains or loss on trading (in millions of yen)

	-- First two quarters of --		Change (%)	Fiscal 2015
	Fiscal 2016(a)	Fiscal 2015(b)	(a) over (b)	
Stocks, etc.	24	72	-66.4	33
Bonds, foreign exchange, etc.	61	40	51.1	291
(Bonds, etc.)	(51)	(32)	(57.8)	(267)
(Foreign exchange, etc.)	(10)	(8)	(24.5)	(24)
Total	86	113	-23.9	325

### 3 . Quarterly Consolidated Income Statements for Recent Six Quarters

(in millions of yen)

	1st Q (4-6/'15)	2nd Q (7-9/'15)	3 r d Q (10-12/'15)	4th Q (1-3/'16)	1st Q (4-6/'16)	2nd Q (7-9/'16)
Operating revenue	5,811	5,414	5,707	4,913	5,273	4,772
Commissions	5,276	4,923	5,112	4,369	4,808	4,354
Gains or loss on trading	58	54	140	71	34	51
Interest and dividend income	79	84	84	67	56	52
Other operating income	396	352	370	405	374	313
Interest expenses	20	17	17	14	10	13
Other operating expenses	362	329	355	381	345	290
Net operating revenue	5,428	5,067	5,333	4,518	4,917	4,467
Operating cost and expenses	4,267	4,110	4,178	4,094	4,118	3,985
Transaction-related expenses	416	478	530	497	433	366
Personnel expenses	2,506	2,359	2,349	2,278	2,292	2,317
Property-related expenses	469	463	454	475	464	451
Clerical expenses	542	499	549	559	584	552
Depreciation	101	106	107	107	98	99
Public charges	58	60	56	44	75	67
Transfer to allowances for doubtful accounts	0	0	-0	0	—	—
Others	173	143	131	130	169	131
Operating income	1,160	956	1,154	423	798	482
Non-operating income	48	60	15	15	22	13
Non-operating expenses	0	9	0	12	0	5
Current income	1,208	1,007	1,170	427	821	490
Extraordinary income	49	88	4	18	40	2
Extraordinary expenses	—	18	13	4	11	66
Income before income taxes	1,257	1,077	1,162	441	850	427
Income, inhabitant and enterprise taxes	309	545	193	219	137	99
Income taxes adjustments	128	-144	234	-136	158	-139
Profit	820	677	733	358	554	467
Profit attributable to non-controlling interests	2	2	2	2	1	1
Profit attributable to owners of parent	817	674	731	356	552	465

( END )