

Consolidated Financial Statements of the Group

(Amounts in millions of Japanese Yen, rounded down to the nearest million except for per share information, unless otherwise stated)

Consolidated Balance Sheets

	Notes	As at 31 March	
		2010 (millions of Yen)	2011 (millions of Yen)
Assets			
Current assets			
Cash and deposits	VI.4	¥ 143,726	¥ 150,268
Notes and accounts receivable—trade	VI.4	8,483	10,658
Leases receivable and lease investment assets		17,924	16,166
Short-term investment securities		240	292
Cash segregated as deposits	VI.9	318,865	347,865
Operational investment securities	VI.1 & 4	121,576	141,881
Allowance for investment losses		(8,424)	(9,108)
Operational investment securities—net		113,152	132,773
Operational loans receivable	VI.4	34,694	27,905
Real estate inventories	VI.2 & 4	28,767	16,812
Trading instruments	VI.8	3,514	2,701
Loans on margin transactions		221,107	229,301
Cash collateral pledged for securities borrowings on margin transactions		40,533	21,098
Margin transaction assets		261,641	250,399
Short-term guarantee deposits		5,944	5,235
Deferred tax assets		7,667	14,243
Others	VI.4	37,732	57,473
Allowance for doubtful accounts		(2,032)	(4,017)
Total current assets		980,323	1,028,779
Non-current assets			
Property and equipment			
Buildings		9,972	15,799
Accumulated depreciation		(2,405)	(3,130)
Buildings—net	VI.4	7,567	12,668
Furniture and fixtures		5,079	4,972
Accumulated depreciation		(3,585)	(3,546)
Furniture and fixtures, net		1,493	1,426
Land	VI.4	7,556	10,908
Others		4,503	4,825
Accumulated depreciation		(506)	(1,397)
Others—net		3,996	3,427
Total property and equipment		20,613	28,431
Intangible assets			
Software		11,670	13,378
Goodwill		133,008	126,297
Others		608	567
Total intangible assets		145,286	140,244
Investments and other assets			
Investment securities	VI.3, 4 & 14	41,204	53,378
Deferred tax assets		14,196	12,830
Others		34,860	36,108
Allowance for doubtful accounts		(9,767)	(12,066)
Total investments and other assets		80,494	90,250
Total non-current assets		246,395	258,926
Deferred charges			
Stock issuance costs		—	152
Bonds issuance costs		61	32
Deferred operating costs under Article 113 of the Insurance Business Act		3,159	5,715
Total deferred charges		3,220	5,900
Total assets		¥1,229,939	¥1,293,606

	Notes	As at 31 March	
		2010 (millions of Yen)	2011 (millions of Yen)
Liabilities			
Current liabilities			
Short-term loans payable	VI.4	¥ 55,614	¥ 97,164
Current portion of long-term loans payable	VI.4	13,368	12,147
Current portion of bonds payable	VI.4	112,600	70,060
Accrued income taxes		4,953	4,574
Advances received	VI.10	1,828	1,953
Borrowings on margin transactions	VI.4	48,813	70,386
Cash received for securities lending on margin transactions		101,223	73,370
Margin transaction liabilities		150,036	143,757
Loans payable secured by securities		63,780	61,797
Guarantee deposits received		282,373	309,134
Deposits from customers		31,176	37,819
Accrued expenses		2,835	3,202
Deferred tax liabilities		2,959	3,219
Provision for bonuses		53	79
Other provisions		155	448
Others		25,353	35,237
Total current liabilities		747,090	780,597
Non-current liabilities			
Bonds payable	VI.4	—	540
Long-term loans payable	VI.4	27,620	31,366
Deferred tax liabilities		540	424
Provision for retirement benefits		52	69
Other provisions		877	861
Others		17,924	17,567
Total non-current liabilities		47,014	50,828
Statutory reserves			
Reserve for financial products transaction liabilities		7,219	5,196
Reserve for price fluctuation		0	0
Total statutory reserves	VI.11	7,219	5,197
Total liabilities		801,324	836,623
Net assets			
Shareholders' equity			
Capital stock		55,284	73,236
Capital surplus		218,968	236,920
Retained earnings		87,276	88,073
Treasury stock		(246)	(246)
Total shareholders' equity		361,282	397,983
Accumulated other comprehensive income (loss)			
Unrealized losses on available-for-sale securities		(559)	(3,902)
Deferred gains (losses) on derivatives under hedge accounting		14	(239)
Foreign currency translation adjustments		(1,506)	(3,012)
Total accumulated other comprehensive income (loss)		(2,051)	(7,155)
Stock acquisition rights		11	11
Minority interests		69,372	66,142
Total net assets		428,615	456,982
Total liabilities and net assets		¥1,229,939	¥1,293,606

Consolidated Statements of Operations

	Notes	Year ended 31 March	
		2010 (millions of Yen)	2011 (millions of Yen)
Net sales	VII.1	¥124,541	¥141,081
Cost of sales	VII.2	59,138	67,535
Gross profit		65,403	73,546
Selling, general and administrative expenses	VII.3 & 4	61,971	64,613
Operating income		3,431	8,932
Non-operating income			
Interest income		365	402
Dividend income		155	191
Share of results of affiliates		—	163
Refunded consumption taxes		188	—
Others		476	429
Total non-operating income		1,185	1,186
Non-operating expense			
Interest expense		1,960	2,705
Amortization of stock issuance costs		4	50
Amortization of bond issuance costs		60	90
Amortization of deferred operating costs under Article 113 of the Insurance Business Act		746	952
Share of results of affiliates		98	—
Foreign exchange losses		64	1,349
Others		569	1,445
Total non-operating expense		3,504	6,593
Ordinary income		1,112	3,525
Extraordinary income			
Gains on sales of investment securities		3,153	7,584
Reversal of allowance for doubtful accounts		40	68
Reversal of statutory reserves		33	2,022
Gains on the changes in interests in consolidated subsidiaries and equity method investees		185	63
Others		55	279
Total extraordinary income		3,466	10,018
Extraordinary expense			
Losses on sales of non-current assets	VII.5	0	—
Losses on retirement of non-current assets	VII.6	103	193
Impairment loss	VII.7	—	861
Provision of allowance for doubtful accounts	VII.8	1,989	3,848
Provision of statutory reserves		0	0
Losses on sales of investment securities		237	66
Losses on valuation of investment securities		46	556
Goodwill amortization for equity method affiliates with significant losses		238	—
Losses on the changes in equity interest in consolidated subsidiaries and equity method investees		44	23
Losses on disposal of subsidiaries and affiliates		—	635
Impact from applying the Accounting Standard of Asset Retirement Obligation		—	501
Others		998	1,425
Total extraordinary expense		3,658	8,113
Income before income taxes		920	5,430
Income taxes—current		(9,095)	(10,120)
Income taxes—deferred		8,359	3,028
Total income taxes		(736)	(7,092)
Net income (loss) before minority interests		184	(1,661)
Minority interests in loss		(2,165)	(6,196)
Net income		¥ 2,350	¥ 4,534

Consolidated Statement of Comprehensive Income

		Year ended 31 March
		2011
	Notes	(millions of Yen)
Net loss before minority interests		¥(1,661)
Other comprehensive income (loss)		
Unrealized losses on available-for-sale securities		(3,042)
Deferred losses on derivatives under hedge accounting		(14)
Foreign currency translation adjustments		(1,219)
Share of other comprehensive income (loss) of equity method affiliates		(533)
Total other comprehensive income (loss) for the year	VIII.2	(4,809)
Total comprehensive income (loss) for the year	VIII.1	¥(6,471)
Total comprehensive income (loss)		
for the year attributable to:		
–Owners of the parent		¥ (364)
–Minority interests		¥(6,106)

Consolidated Statements of Changes in Net Assets

	Notes	Year ended 31 March	
		2010 (millions of Yen)	2011 (millions of Yen)
SHAREHOLDERS' EQUITY			
IX			
Capital stock			
Balance at the end of previous year		¥ 55,214	¥ 55,284
Changes during the year			
Issuance of new stock		69	17,952
Total changes during the year		69	17,952
Balance at the end of current year		55,284	73,236
Capital surplus			
Balance at the end of previous year		219,012	218,968
Changes during the year			
Issuance of new stock		69	17,952
Decrease through share exchanges		(112)	—
Disposal of treasury stock		(0)	(0)
Total changes during the year		(43)	17,951
Balance at the end of current year		218,968	236,920
Retained earnings			
Balance at the end of previous year		86,865	87,276
Changes during the year			
Dividends		(1,673)	(1,676)
Net income		2,350	4,534
Decrease through a merger		(194)	(224)
Adjustments due to change of scope of consolidation		217	(1,798)
Adjustments due to change of scope of equity method		(290)	(37)
Total changes during the year		410	797
Balance at the end of current year		87,276	88,073
Treasury stock			
Balance at the end of previous year		(636)	(246)
Changes during the year			
Disposal of treasury stock		389	—
Total changes during the year		389	—
Balance at the end of current year		(246)	(246)
Total shareholders' equity			
Balance at the end of previous year		360,456	361,282
Changes during the year			
Issuance of new stock		138	35,904
Decrease through share exchanges		(112)	—
Dividends	IX.3	(1,673)	(1,676)
Net income		2,350	4,534
Decrease through a merger		(194)	(224)
Adjustments due to change of scope of consolidation		217	(1,798)
Adjustments due to change of scope of equity method		(290)	(37)
Disposal of treasury stock		388	(0)
Total changes during the year		825	36,701
Balance at the end of current year		¥361,282	¥397,983

	Year ended 31 March	
	2010	2011
Notes	(millions of Yen)	(millions of Yen)
Accumulated other comprehensive (income) loss		
Unrealized losses on available-for-sale securities		
Balance at the end of previous year	¥ (5,946)	¥ (559)
Changes during the year		
Net changes other than shareholders' equity	5,387	(3,343)
Total changes during the year	5,387	(3,343)
Balance at the end of current year	(559)	(3,902)
Deferred gains (losses) on derivatives under hedge accounting		
Balance at the end of previous year	(25)	14
Changes during the year		
Net changes other than shareholders' equity	40	(254)
Total changes during the year	40	(254)
Balance at the end of current year	14	(239)
Foreign currency translation adjustments		
Balance at the end of previous year	(966)	(1,506)
Changes during the year		
Net changes other than shareholders' equity	(540)	(1,505)
Total changes during the year	(540)	(1,505)
Balance at the end of current year	(1,506)	(3,012)
Total accumulated other comprehensive (income) loss		
Balance at the end of previous year	(6,937)	(2,051)
Changes during the year		
Net changes other than shareholders' equity	4,886	(5,104)
Total changes during the year	4,886	(5,104)
Balance at the end of current year	(2,051)	(7,155)
Stock acquisition rights		
Balance at the end of previous year	11	11
Changes during the year		
Net changes other than shareholders' equity	(0)	(0)
Total changes during the year	(0)	(0)
Balance at the end of current year	11	11
Minority interests		
Balance at the end of previous year	65,808	69,372
Changes during the year		
Net changes other than shareholders' equity	3,564	(3,229)
Total changes during the year	3,564	(3,229)
Balance at the end of current year	69,372	66,142
Total net assets		
Balance at the end of previous year	419,338	428,615
Changes during the year		
Issuance of new stock	138	35,904
Decrease through share exchanges	(112)	—
Dividends	(1,673)	(1,676)
Net income	2,350	4,534
Decrease through a merger	(194)	(224)
Adjustments due to change of scope of consolidation	217	(1,798)
Adjustments due to change of scope of equity method	(290)	(37)
Disposal of treasury stock	388	0
Net changes other than shareholders' equity	8,450	(8,333)
Total changes during the year	9,276	28,367
Balance at the end of current year	¥428,615	¥456,982

Consolidated Statements of Cash Flows

	Year ended 31 March	
	2010	2011
Notes	(millions of Yen)	(millions of Yen)
Net cash from (used in) operating activities		
Income before income taxes	¥ 920	¥ 5,430
Adjustments for:		
Depreciation and amortization	5,550	6,588
Amortization of goodwill	7,764	8,563
Increase in provision	8,038	11,451
Share of results of affiliates	98	(163)
Write-down of operational investment securities	602	1,618
Equity in earnings of funds	(1,174)	(2,793)
Gains on sales of investment securities	(2,915)	(7,517)
Losses on valuation of investment securities	46	556
Foreign exchange losses	275	3,333
Interest and dividend income	(17,456)	(16,587)
Interest expense	5,962	6,730
Changes in assets and liabilities:		
Increase in operational investment securities	(8,961)	(35,988)
Decrease in operational loans receivable	6,188	5,755
Decrease (increase) in real estate inventories	(2,036)	2,617
(Increase) decrease in notes and accounts receivable—trade	(1,302)	823
Increase in notes and accounts payable—trade	263	102
Increase in cash segregated as deposits	(12,962)	(18,000)
Increase in trading instruments	(1,486)	(2,326)
Increase (decrease) in margin transaction assets/liabilities	(77,074)	4,962
Increase in deposits from customers	7,357	6,341
Increase in guarantee deposits received	4,173	26,760
(Decrease) increase in loans payable secured by securities	17,193	(1,997)
Increase (decrease) in advances received	1,464	(890)
Others, net	(1,614)	(4,127)
Subtotal	(61,085)	1,242
Interest and dividend income received	17,747	17,168
Interest expense paid	(5,629)	(6,885)
Income taxes paid	(4,167)	(12,267)
Net cash used in operating activities	¥(53,134)	¥ (742)

	Notes	Year ended 31 March	
		2010 (millions of Yen)	2011 (millions of Yen)
Net cash from (used in) investing activities			
Purchases of intangible assets		¥ (7,043)	¥ (4,767)
Purchases of investment securities		(7,653)	(13,621)
Proceeds from sales of investment securities		3,204	11,212
Proceeds from sales of investments in subsidiaries		28	249
Purchases of investments in subsidiaries resulting in change in scope of consolidation	X.2	(260)	(99)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	X.2	2,540	—
Purchases of investments in subsidiaries		(3,753)	(177)
Payments of loans receivable		(15,756)	(22,069)
Collection of loans receivable		16,226	15,496
Payments for lease and guarantee deposits		(1,491)	(1,172)
Proceeds from collection of lease and guarantee deposits		1,347	483
Others, net		(2,953)	(2,175)
Net cash used in investing activities		(15,563)	(16,642)
Net cash from (used in) financing activities			
Increase in short-term loans payable		940	39,259
Proceeds from long-term loans payable		28,360	9,000
Repayment of long-term loans payable		(22,208)	(15,849)
Proceeds from issuance of bonds payable		122,218	71,019
Redemption of bonds payable		(51,480)	(113,100)
Proceeds from stock issuance		141	35,698
Proceeds from stock issuance to minority interests		1,023	1,797
Contributions from minority shareholders in consolidated investment funds		11,931	4,083
Cash dividend paid		(1,681)	(1,673)
Cash dividend paid to minority shareholders		(218)	(225)
Distributions to minority shareholders in consolidated investment funds		(3,914)	(3,864)
Purchases of treasury stock		(13)	(4)
Others, net		(499)	(985)
Net cash from financing activities		84,599	25,154
Effect of changes in exchange rate on cash and cash equivalents		(490)	(2,893)
Net increase in cash and cash equivalents		15,410	4,876
Increase in cash and cash equivalents from newly consolidated subsidiaries		842	1,337
Decrease in cash and cash equivalents resulting from deconsolidation of subsidiaries		—	(28)
Increase in cash and cash equivalents resulting from merger		15	19
Cash and cash equivalents at beginning of year		126,312	142,581
Cash and cash equivalents at end of year	X.1	¥142,581	¥ 148,786