

[Translation]

## Financial Report for the 17th Business Year

5-1, Marunouchi 1-Chome, Chiyoda-ku, Tokyo

**Citigroup Global Markets Japan Inc.**

Luke Randell, Representative Director, President and CEO

### Balance Sheet

(for the fiscal year ended December 31, 2016)

		(Millions of Yen)
<b>( Assets )</b>		
<b>Current assets</b>	1,907,445	<b>( Liabilities )</b>
Cash and deposits	164,424	<b>Current liabilities</b>
Cash segregated as deposits	38,268	Trading products
Trading products	519,697	Trading securities and other
Trading securities and other	309,634	Derivatives
Derivatives	210,063	Trade date accrual
Loans secured by securities	936,912	Loans payable secured by securities
Cash collateral pledged for securities borrowed	465,368	Cash received on debt credit transaction of securities
Loans on Gensaki transactions	471,544	Borrowings on Gensaki transactions
Advance paid	142	Deposits received
Short-term guarantee deposits	240,532	Guarantee deposits received
Accounts receivable	266	Variation margin received
Accrued income	3,879	Short-term loans payable
Deferred tax assets	3,175	Income taxes payable
Others	148	Accounts payable
Allowance for doubtful accounts	(1)	Accrued expenses
		Reserve for bonuses
		Others
		<b>Noncurrent liabilities</b>
		Bonds payable
<b>Noncurrent assets</b>	3,073	Long-term loans payable
Property, plant and equipment	0	Reserve for retirement benefits
Furniture and fixtures	0	Others
Intangible assets	41	
Software	0	<b>Reserves under the special laws</b>
Others	41	Reserve for financial products transaction liabilities
Investments and other assets	3,031	
Investment securities	742	<b>Total Liabilities</b>
Long-term loans receivable	808	1,743,346
Long-term guarantee deposits	1,111	<b>( Net assets )</b>
Deferred tax assets	369	<b>Shareholders' equity</b>
		Capital stock
		Capital surplus
		Legal capital surplus
		Retained earnings
		Other retained earnings
		Retained earnings brought forward
		<b>Valuation and translation adjustments</b>
		Deferred net gain/ (loss) on hedges
		<b>Total Net Assets</b>
		167,172
<b>Total Assets</b>	1,910,518	<b>Total Liabilities and Net Assets</b>
		1,910,518

[Translation]

**Statement of Income**  
(from April 1, 2016 to December 31, 2016)

(Millions of Yen)

Account		Amount	
Ordinary income	Operating revenue and expenses	Operating revenue	36,818
		Commission received	30,539
		Net trading income	4,327
		Financial revenue	1,951
		Financial expenses	1,834
		Operating revenue, net of interest expense	34,984
		Selling, general and administrative expenses	29,972
	<b>Operating income</b>	<b>5,012</b>	
	Non-operating income and expenses	Non-operating income	40
		Non-operating expenses	0
<b>Ordinary income</b>		<b>5,052</b>	
	Extraordinary income		6,170
	Gain on forgiveness of debts on consolidated tax payable	6,168	
	Reversal of reserve for financial products transaction liabilities	1	
	Extraordinary loss		295
	Restructuring loss	295	
<b>Net income before income taxes</b>			<b>10,928</b>
Income taxes - current			2,455
Income taxes - deferred			(3,618)
<b>Net income</b>			<b>12,092</b>

[Translation]

**Statement of Changes in Equity**  
**(from April 1, 2016 to December 31, 2016)**

(Millions of Yen)

	Shareholders' equity				Valuation and translation adjustments	Total net assets
	Capital stock	Capital surplus	Retained earnings		Deferred net gain / (loss) on hedges	
		Legal capital surplus	Other retained earnings	Total shareholder's equity		
			Retained earnings brought forward			
Beginning balance	96,307	55,660	8,309	160,277	(5,463)	154,813
Changes of items during the fiscal year						
Net income	-	-	12,092	12,092	-	12,092
Net changes of net assets other than shareholders' equity	-	-	-	-	266	266
Total changes of items during the fiscal year	-	-	12,092	12,092	266	12,358
Closing balance	96,307	55,660	20,401	172,369	(5,197)	167,172

[Translation]

## **Notes to Financial Statements**

The financial statements of Citigroup Global Markets Japan Inc. (hereafter referred to as “the Company”) have been prepared in accordance with “Ordinance on Company Accounting” (Ministry of Justice Ordinance No. 13, February 7, 2006), “Cabinet Office Ordinance Concerning Financial Instruments Dealers” (Cabinet Office Ordinance No. 52, August 6, 2007) and “Rule Concerning Uniform Accounting Standards for Securities Dealers” (Self-regulatory Rule of Japan Securities Dealers Association, November 14, 1974).

The amounts are presented in millions of Japanese yen and are rounded down to the nearest million yen.

### **[Major Accounting Policies]**

#### **1. Valuation of financial instruments**

##### (1) Basis and methods of valuation of financial instruments

###### ① Trading assets and liabilities

Securities held for trading purposes and classified as trading assets and liabilities are carried at fair value.

###### ② Non-trading assets and liabilities (Available-for-sale securities)

Securities without fair value are carried at cost using the moving average method.

##### (2) Basis and methods of valuation of derivatives

Carried at fair value.

#### **2. Depreciation and amortization**

##### Intangible assets

Intangible assets are amortized using the straight-line method. The useful life is determined by the Company based on management's best estimate.

### **3. Allowance**

(1) Allowance for doubtful accounts

To provide for possible loss on loans, the Company makes an allowance for the expected amount of irrecoverable loans. Allowance for ordinary bad debts are calculated based on the historical rate of default, while for specific debts whose recovery is doubtful, the Company considers the likelihood of recovery on a case by case basis.

(2) Reserve for bonuses

To provide for the bonus payments to officers and employees, the Company makes a provision for the estimated amount of bonus payable as derived by the calculation method.

(3) Reserve for retirement benefits

To provide for the payment of employees' retirement benefits per the retirement plan, the Company makes a provision for retirement benefits based on projected benefit obligations and projected plan assets at the end of this fiscal year. In addition, to provide for employees' lump sum severance indemnity, the Company also makes a provision for vested benefit obligation at this fiscal year end per the supplemental retirement plan.

(4) Reserve for officers' retirement

To provide for retirement benefit to officers on the amount needed at the current fiscal year end based on the supplemental retirement plan. A reserve for officers' retirement of 54 million yen is included in others in noncurrent liabilities.

### **4. Statutory reserve**

Reserve for financial products transaction liabilities is recorded as reserve under the special laws to provide for losses associated with financial transactions of the entrusted securities transactions and derivatives transactions per the amount calculated as prescribed in article 175 of the "Cabinet Office Ordinance Concerning Financial Instruments Transaction Business" and pursuant to the provisions in Article 46-5, Section 1 of the Financial Instruments and Exchange Law.

### **5. Other material matters that constitute basis for preparing the financial statements**

(1) Accounting for hedging activities

① Hedge accounting method

The Company applies the deferred hedge accounting.

② Hedging instruments and hedged items

The Company manages interest rate risk implied in its investment and funding through the use of derivatives such as interest rate swaps as hedging instruments based on the Company's risk management policy.

③ The assessment of hedge effectiveness

The Company assesses hedge effectiveness by comparing the changes in fair value between hedged item and hedging instrument from the inception of the hedge relationship to the point of

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the assessment.

(2) Accounting for consumption taxes

Consumption taxes are accounted for based on tax exclusion method.

[Translation]

[Notes to Balance Sheet]

**1. Assets pledged as collateral and collateralized liabilities**

(1) Assets pledged as collateral

- Trading products 46,192 million yen

In addition to the above, at December 31, 2016, Securities borrowed of 20,661 million yen were used as collateral for short-term loans payable. Trading products of 150 million yen were used as collateral for short-term borrowed securities. Trading products of 1,996 million yen were pledged as collateral in lieu of guarantee deposits for listed futures transactions. Trading products of 7,856 million yen and securities borrowed of 529 million yen were pledged as collateral with Japan Securities Clearing Corporation, Tokyo Financial Exchange, etc.

(2) Collateralized liabilities

- Short-term loans payable 65,000 million yen

**2. Fair value of collateralized securities**

(1) Securities pledged out

- Securities loaned as collateral under financing agreements 98,461 million yen
- Securities pledged related to securities sold under Gensaki transactions 702,196 million yen
- Securities pledged as margin 4,190 million yen
- Securities pledged as collateral for other transactions 73,196 million yen

(2) Securities received in

- Securities borrowed under financing agreements 555,797 million yen
- Securities received related to securities purchased under Gensaki transactions 471,371 million yen

**3. Accumulated depreciation of property, plant and equipment** 1 million yen

**4. Monetary claims from the affiliates and monetary debts to the affiliates**

- Short-term monetary claims 105 million yen
- Short-term monetary debts 11,052 million yen
- Long-term monetary debts 20,541 million yen

[Notes to Statement of Income]

**1. Volume of transactions with the affiliates**

- Operating revenues 339 million yen
- Operating expenses 357 million yen
- Other than Operating transactions 6,168 million yen

[Translation]

**2. Extraordinary income**

6,168 million yen is recorded in Extraordinary income, as the individually attributed amount of consolidated corporation tax payable and consolidated local corporate tax payable of the Company were forgiven by the parent company of consolidated tax group.

**[Notes to Statement of Changes in Equity]**

**Outstanding shares**

(Unit: shares)

Types of shares	Number at the beginning of the fiscal year	Number increased	Number decreased	Number at the end of the fiscal year
Common stock	3,842,000	-	-	3,842,000

**[Notes to accounting for income taxes]**

**1. Key components of deferred tax assets and deferred tax liabilities**

Key components of deferred tax assets are loss carry-forward and reserve for retirement.

Key components of deferred tax liabilities are dividend receivable.

**2. Valuation allowance deducted from deferred tax assets**

21,516 million yen



**[Notes to Financial Instruments]**

1. Matters Related to Financial Instruments

(1) Transaction Policy

The Company operates securities-related businesses including intermediary, agency or broker activities for the purchase and sale of securities, underwriting and secondary offering of securities, primary and secondary offerings of securities, dealing of private placement of securities, securities lending transactions, Gensaki transactions, and trading of securities and other financial instruments (hereinafter “Trading”). As part of Trading, the Company also trades derivative products with clients in order to meet their various risk needs. Furthermore, the Company trades derivatives to hedge or control the risks occurred through Trading activities.

To meet the funding needs of those operations, the Company optimizes its finance through the use of unsecured and secured financing transactions in consideration of the nature of assets held. The Company conducts liquidity stress test and other liquidity monitoring based on the internal policy, and, monitors financing activities to ensure the Company meet the target set in the policy.

(2) Description of Financial Instruments and associated risks

The cash trades of financial instruments by the Company consist of listed stocks, government bonds, government guaranteed bonds, fiscal investment and loan program agency bonds, municipal bonds, corporate bonds, foreign bonds and beneficiary certificates. The risk associated with such financial instruments is mainly market risk.

The Company trades listed derivatives and OTC derivatives. Listed derivatives consist of equity index futures, JGB futures, interest rate futures, listed options on futures and options on listed stocks, etc. OTC derivatives consist of interest rate swap, currency swaps, bond options, currency options, equity options, credit default swaps, commodity swaps, forward rate agreements, FX forward contracts, etc. The risks associated with such financial instruments are mainly market risk and credit risk.

The Company's sources of funding include borrowing, collateralized financing transactions, issuance of debt, etc. The risk associated with such financial instruments is mainly liquidity risk.

In order to hedge interest rate risk from cash collateral received from long-term collateral financing transactions, the Company applies hedge accounting by identifying cash collateral as a hedged item and interest rate swap as a hedging instrument. The Company assesses hedge effectiveness by comparing the changes in fair value between hedged item and hedging instrument from the inception of the hedge relationship to the point of the assessment.

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(3) Risk Management Framework of Financial Instruments

① Market risk and credit risk management

(i) Risk management framework

Market risk and credit risk management is performed by Risk Management Division, independently from Trading division. Market risks are managed by setting market risk limit in consideration of its financial standing and setting the operational standards corresponding to trading practice and trading strategy. To elaborate, market risk limits are set based on sensitivity for market risk factors and Value-at-Risk calculated by a model examined by a dedicated model validation group and monitored. Any violation of the market risk limit is required to be resolved immediately. Risk Management Division evaluates counterparties' credit risks by applying the internal credit rating standard and sets the credit limit for each counterparty and then manages the transactions in accordance with the credit risk limits.

Risk Management Division monitors market risk limit usage, compliance with internal rules, and credit risk limit usage based on the trading positions and trading income and loss. Finance division manages trading income and losses and capital adequacy ratio according to the Financial Instruments and Exchange Law.

(ii) Quantitative information on Market Risks

a) Financial instruments for trading purpose

The company adopted Value-at-Risk (VaR) (holding period of one day, with the confidence level of 99%) to compute estimated fair market value of loss amounts associated with trading purpose securities and derivative products. The VaR computation uses the Monte-Carlo Method taking risk factors such as stock prices, interest rates and foreign exchange rates as risk factors under consideration of nonlinear option pricing and unique risk of equities and bonds.

The Company's market risk amount for trading activities (probable loss amount) as of December 31, 2016 was 418 million yen.

The Company also conducts a comparative analysis of the VaR result against the actual profit and loss (P&L). Per the result for the period of April 2016 through December 2016, there was no business day where actual profit and loss exceeded VaR, and the Company continues to work on the improvement of the calculation including periodical update of correlation. VaR depends on many statistical assumptions and historical movement of market factors, thus, there can be some cases where actual losses would exceed VaR estimation depending on the market conditions. VaR covers financial instruments related to transactions of cash collateral for securities and Gensaki transactions, although these are not trading securities.

b) Financial instruments for non-trading purpose

Major financial instruments which may be impacted from the interest rate risk are "Long-term loans payable" and "Bonds payable". However, quantitative analysis is not used to measure market

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risk for the purpose of the risk management of these instruments. As of December 31, 2016 assuming all risk factors other than interest rate are same and if the interest rate decrease by 10 basis point (0.10%), the market value of these instruments is estimated to decrease by 10 million yen. Contrarily, if the interest rate increases by 10 basis point (0.10%), it is estimated the value will increase by 10 million yen.

② Management of liquidity risk associated with financing activities

Treasury department is in charge of managing liquidity risk associated with financing activities. In practice, the department maintains a certain level of cash and JGB positions which are used as collateral of borrowings, in compliance with internal policy. Furthermore, the department manages tenors and diversifies the means of funding in order to minimize the liquidity risk in consideration of market environment and asset held.

(4) Supplementary explanations about matters concerning fair value of financial instruments

Fair values of financial instruments are based on their market prices or on the reasonably calculated prices, in cases where market prices are not available. Such prices have been calculated using certain assumptions and may differ if calculated based on different assumptions.

[Translation]

2. Fair Value of Financial Instruments

The following table represents book values, fair values as well as differences as of December 31, 2016.

(Millions of Yen)

	Book Value	Fair Value	Difference
(1) Cash and deposits	164,424	164,424	—
(2) Cash segregated as deposits	38,268	38,268	—
(3) Trading products			
Trading securities and others	309,634	309,634	—
(4) Loans secured by securities			
Cash collateral pledged for securities borrowed	465,368	470,180	4,811
Loans on Gensaki transactions	471,544	471,544	—
(5) Short-term guarantee deposits	240,532	240,532	—
Total Assets	1,689,773	1,694,585	4,811
(1) Trading products			
Trading securities and others	424,014	424,014	—
(2) Trade date accrual	22,513	22,513	—
(3) Loans payable secured by securities			
Cash received on debt credit transaction of securities	41,104	41,104	—
Borrowings on Gensaki transactions	691,377	691,377	—
(4) Guarantee deposits received	159,034	159,034	—
(5) Short-term loans payable	80,000	80,000	—
(6) Bonds payable	3,600	3,132	(467)
(7) Long-term loans payable	81,500	81,008	(491)
Total Liabilities	1,503,143	1,502,184	(959)
Derivative transactions (*)			
Hedge accounting not applied	(3,400)	(3,400)	—
Hedge accounting applied	(5,276)	(5,276)	—
Total Derivative Transactions	(8,676)	(8,676)	—

(\*) The amounts represent the derivative transactions which are recorded as “Trading products” and “Others” in noncurrent liabilities. Derivative assets and liabilities are presented in net amounts. Negative amount represents net liability.

## [Translation]

(Footnote 1) Fair value measurement for financial instruments

### Assets

(1) Cash and deposits

Fair value of cash and deposits is considered to approximate the book value due to the short term of settlement period.

(2) Cash segregated as deposits

Fair value of cash segregated as deposits is considered to approximate the book value due to the short term of settlement period.

(3) Trading products (Trading securities and other)

Fair value of stocks is defined to be market closing price (including dealers' market quotation). Fair value of bonds is market closing price or calculated price based on JGB with same outstanding tenors and swap rates, taking into account of elements such as issuers' credit rating, rate of redemption before maturity, liquidity, etc. Fair value of beneficiary certificates is defined to be market closing price or the published standard price.

(4) Loans secured by securities

Cash collateral pledged for securities borrowed

In the case of cash collateral with relatively long contract tenor, fair value is calculated as discounted cash flow for the redemption period using appropriate rate as a discount factor.

In the case of cash collateral with short contract tenor, fair value is considered to approximate the book value due to the short term of settlement period.

Loans on Gensaki transactions

Fair value of loans on Gensaki transactions is considered to approximate the book value due to the short term of settlement period.

(5) Short-term guarantee deposits

Fair value of short-term guarantee deposits is considered to approximate the book value due to the short term of contract.

## [Translation]

### Liabilities

(1) Trading products (Trading securities and other)

Fair value of stocks is defined to be market closing price (including dealers' market quotation). Fair value of bonds is market closing price or calculated price based on JGB with same outstanding tenors and swap rates, taking into account of elements such as issuers' credit rating, rate of redemption before maturity, liquidity, etc.

(2) Trade date accrual

Fair value of trade date accrual is considered to approximate the book value due to the short term of settlement period.

(3) Loans payable secured by securities

Cash received on debt credit transaction of securities

Fair value of Cash received on debt credit transaction of securities is considered to approximate the book value due to the short term of settlement period.

Borrowings on Gensaki transactions

Fair value of borrowings on Gensaki transactions is considered to approximate the book value due to the short term of settlement period.

(4) Guarantee deposits received

Fair value of guarantee deposits received is considered to approximate the book value due to the short term of settlement period.

(5) Short-term loans payable

Fair value of short-term loans payable is considered to approximate the book value due to the short term of settlement period.

(6) Bonds payable

Fair value of bonds payable is the present value calculated by pricing model based on interest rates, transaction term, credit spread, etc.

(7) Long-term loans payable

Fair value of long-term loans payable is the present value calculated by pricing model based on interest rates, transaction term, credit spread, etc.

## [Translation]

### Derivative instruments

#### (Foreign exchange contracts)

Fair values are calculated using pricing model which factors in swap rate, volatilities etc.

#### (Interest rate contracts)

Fair values of listed derivatives are defined as settlement quotations or base price for margin calculation determined by market exchange or calculated using pricing model which factors in the fair value of underlying assets, volatilities, interest rate, etc. Fair values of OTC derivatives are calculated using pricing model which factors in swap rate, volatilities etc.

#### (Equity contracts)

Fair values of listed derivatives are defined as settlement quotations or base price for margin calculation determined by market exchange or calculated using pricing model which factors in the fair value of underlying assets, dividend yield, volatilities, interest rate, etc. Fair values of OTC derivatives are calculated using pricing model which factors in the fair value of underlying assets, dividend yield, volatilities, interest rate, etc.

#### (Other derivatives)

Fair values of credit default swaps are calculated using pricing model which factors in interest rates, credit rating, credit spread, default probabilities, transaction terms, etc.

Fair values of forward contracts are calculated using pricing model which factors in interest rates, the fair value of underlying assets, transaction terms, etc.

Fair values of embedded derivatives on structured notes/loans are calculated using pricing model which factors in swap rate, volatilities, stock index prices, etc.

Fair values of commodity derivatives are calculated using pricing model which factors in interest rates, listed future market prices, transaction term, etc.

The Company incorporates the effects of counterparty credit risk and own credit risk when determining fair value of OTC derivatives. The Company also implements Funding Valuation Adjustment (hereafter referred to as “FVA”) based on a market funding risk premium. FVA reflects a market funding risk premium inherent in the uncollateralized portion of derivative portfolios and in collateralized derivatives where the terms of the agreement do not permit the reuse of the collateral received.

[Translation]

(Footnote 2) Repayment schedule of monetary claims

(Millions of Yen)

	Within 1 Year	Between 1 Year and 2 Years	Between 2 Years and 3 Years	Between 3 Years and 4 Years	Between 4 Years and 5 Years	More than 5 Years
Cash collateral pledged for securities borrowed	422,368	23,000	—	—	—	20,000
Total	422,368	23,000	—	—	—	20,000

Monetary claims other than above are expected to be repaid within 1 year.

(Footnote 3) Repayment schedule of bonds, borrowings and other interest-bearing debts

(Millions of Yen)

	Within 1 Year	Between 1 Year and 2 Years	Between 2 Years and 3 Years	Between 3 Years and 4 Years	Between 4 Years and 5 Years	More than 5 Years
Short-term loans payable	80,000	—	—	—	—	—
Bonds payable	—	—	—	—	—	3,600
Long-term loans payable	—	9,000	8,000	8,000	—	56,500
Total	80,000	9,000	8,000	8,000	—	60,100

Interest-bearing debts other than above are expected to be repaid within 1 year.



[Translation]

[Notes to transactions with related parties]

1. Parent Company and Major Shareholder

(Millions of Yen)

Category	Company name	Percentage of voting right	Relationship with the related parties	Description of transaction	Transaction amount (Note 1)	Account	Balance at the fiscal year end (Note 1)
Parent company	Citigroup Japan Holdings G.K.	100%	Borrowing Consolidated Tax group	Borrowing(Note 4)	30,000	Short-term loans payable	10,000
						Long-term loans payable	20,000
				Interest expense on loans payable (Note 4)	99	Accrued interest expense	0
				Forgiveness of debts on consolidated tax payable	6,168	—	—

2. Subsidiaries of the Parent Company

(Millions of Yen)

Category	Company name	Percentage of voting right	Relationship with the related parties	Description of transaction	Transaction amount (Note 1)	Account	Balance at the fiscal year end (Note 1)
Subsidiary of the parent company	Citigroup Global Markets Limited	n/a	Broker/dealer in the U.K.	Gensaki transactions (Note 2)(Note 3)	—	Loans on Gensaki transactions	1,974
						Borrowings on Gensaki transaction	409,758
				Gensaki transactions revenue	148	Accrued income	28
				Gensaki transactions expense (Note 6)	(11)	Accrued expenses	172
				Derivatives (Note 2)(Note 3)	—	Derivatives (liability)	5,836
				Trading revenues	4,609	Short-term guarantee deposits	7,891
				Interest revenue on cash collateral deposited (Note 2)	18	Accrued interest income	9
				Interest expense on cash collateral received (Note 2)	26	Accrued interest expense	—
				Purchase and sale of securities (Note 2)(Note 3)	—	Trade date accrual (asset)	20,261
				Equity sales and Future commission (Note 2)	4,360	Accrued commission income	55
Subsidiary of the parent company	Citigroup Global Markets Inc.	n/a	Broker/dealer in the U.S.	Gensaki transactions (Note 2)(Note 3)	—	Borrowings on Gensaki transaction	160,828
				Gensaki transactions revenue	0	Accrued income	—
				Gensaki transactions expense	560	Accrued expenses	114
				Other commissions (Note 5)	5,998	Accrued commission income	396

[Translation]

(Millions of Yen)

Category	Company name	Percentage of voting right	Relationship with the related parties	Description of transaction	Transaction amount (Note 1)	Account	Balance at the fiscal year end (Note 1)
Subsidiary of the parent company	Citibank N.A.	n/a	Derivative counterparty	Derivatives (Note 2)(Note 3)	—	Derivatives (liability)	142,905
				Trading losses	133,410	Short-term guarantee deposits	152,068
				Interest revenue on cash collateral deposited (Note 2)	140	Accrued interest income	64
				Interest expense on cash collateral received (Note 2)	3	Accrued interest expense	—
				Other commissions (Note 5)	7,980	Accrued commission income	831
Subsidiary of the parent company	Citigroup Financial Products Inc.	n/a	Derivative counterparty	Derivatives (Note 2)(Note 3)	—	Derivatives (asset)	30,992
				Trading revenues	2,656	Short-term guarantee deposits	28,539
				Interest expense on cash collateral received (Note 2)	102	Accrued interest expense	12
			Borrowing	Borrowing(Note 4)	59,000	Long-term loans payable	59,000
				Interest expense on loans payable (Note 4)	342	Accrued interest expense	43
Subsidiary of the parent company	Citigroup Global Markets HK Limited	n/a	Derivative counterparty	Derivatives (Note 2)(Note 3)	—	Derivatives (liability)	14,044
				Trading revenues	4,888	Short-term guarantee deposits	13,086
				Interest revenue on cash collateral deposited (Note 2)	54	Accrued interest income	6

The terms of transaction and the policy for determining the trade terms

(Note 1) Consumption taxes are not included in transaction amount and balance at the fiscal year end.

(Note 2) Market price based on transactions at arm's-length. The terms of transaction is reviewed as necessary.

(Note 3) Transaction amounts are omitted due to recurring nature of transaction.

(Note 4) Amount of transaction (borrowing) is the average balance during the current fiscal year after the starting date of transaction. Also, no collateral is pledged in the borrowing. Borrowing decisions are made in consideration primarily of market interest rate.

(Note 5) The amount is transfer priced among the related parties based on the transfer pricing model, etc.

(Note 6) The credit balance is due to negative interest rates.

[Translation]

**[Note to per-share information]**

( 1 ) Net assets per share	43,511.75 yen
( 2 ) Net income per share for the year	3,147.36 yen

**[Notes to others]**

**1. Subordinated debts**

Bonds payable and loans payable include the subordinated debt (subordinated bond payable) of 24,000 million yen stipulated by Article 176 of the Cabinet Office Ordinance Concerning Financial Instruments Dealers (Cabinet Office Ordinance No. 52 of 2007).

**2. Change in fiscal year**

Based on the resolution of the general meeting of shareholders on June 27, 2016, the Company changed the fiscal year-end from March 31 to December 31. As a transitional period, the accounting period of the current fiscal year is the 9 months from April 1, 2016 to December 31, 2016.