

Disclaimer

This document is an English-language translation of the non-consolidated financial summary of the financial results for the third quarter of the fiscal year ending March 31, 2018(from April 2017 to March 2018). This summary was prepared originally in Japanese in accordance with generally accepted accounting principles in Japan (Japanese GAAP). If there are discrepancies between the English translation and the original document in Japanese, the Japanese version will take precedence.

kabu.com Securities Co., Ltd.

Non-Consolidated Financial Summary under Japanese GAAP
For the Nine Months from April 2017 to December 2017 of the Fiscal Year Ending March 31, 2018

Company name: kabu.com Securities Co., Ltd. URL: <https://kabu.com/>
Listing: 1st section of the Tokyo Stock Exchange
Code number: 8703
Representative: Masakatsu Saito, CEO
Contact: Naoyuki Mese, Manager of Business Administration E-mail: ir@kabu.com

1. Financial summary (April 1, 2017 to December 31, 2017)(1) Operating results (% : change year-on-year)

	Operating revenues		Net operating revenues		Operating income		Ordinary income		Net income	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Nine months of fiscal year ending March 31, 2018	18,068	14.4	15,133	9.6	5,526	6.7	5,600	5.0	4,617	(0.9)
Nine months of fiscal year ended March 31, 2017	15,800	(17.6)	13,808	(19.1)	5,180	(38.7)	5,331	(37.8)	4,657	(29.5)

	Earnings per share	Fully diluted earnings per share	ROE
	yen	yen	%
Nine months of fiscal year ending March 31, 2018	13.85	13.85	14.3
Nine months of fiscal year ended March 31, 2017	13.77	13.77	14.2

(2) Financial position

	Total assets	Net assets	Equity ratio	Capital adequacy ratio
	millions of yen	millions of yen	%	%
December 31, 2017	1,017,641	43,247	4.2	420.9
March 31, 2017	946,120	42,902	4.5	402.1

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	4Q	Total
				yen	yen
Fiscal year ended March 2017	-	6.00	-	6.00	12.00
Fiscal year ending March 2018	-	6.00	-		
Fiscal year ending March 2018 (Forecasts)				-	-

3. Forecast for the Business Results of Full Fiscal Year (April 1, 2017 to March 31, 2018)

The Company's principal business is acting as a broker in transactions in financial instruments, mainly securities. Since this business is strongly influenced by conditions in equity and other financial markets, forecasting future performance is extremely difficult. Accordingly the Company does not disclose forecasts of its performance. In place of such forecasts, the Company discloses its quarterly financial results as quickly as possible. The Company also provides monthly information of operating revenues, the number of customer accounts, equity trading value, and other operating statistics that have a major impact on the Company's performance.

(1)Non-Consolidated Balance Sheets

(Unit : Millions of Yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Current Assets		
Cash and bank deposits	56,581	89,735
Cash held in trust	513,339	592,619
Margin account assets	281,112	252,135
Loans receivable from customers	161,689	179,104
Cash deposited as collateral for securities borrowed from securities finance companies	119,423	73,031
Advances paid	197	237
Cash paid for offering	425	856
Short term guarantee deposits	78,072	65,896
Prepaid expenses	287	307
Accrued income	2,300	2,237
Other	5,591	5,271
Total current assets	<u>937,908</u>	<u>1,009,297</u>
Fixed Assets		
Tangible fixed assets	1,011	1,039
Intangible fixed assets	3,554	3,862
Investment and others	3,646	3,441
Investment securities	2,598	2,668
Long term guarantee deposits	502	430
Long-term advances paid	698	369
Deferred income tax assets	348	136
Other	170	173
Allowance for doubtful accounts	(671)	(336)
Total fixed assets	<u>8,211</u>	<u>8,344</u>
Total Assets	<u>946,120</u>	<u>1,017,641</u>

(Unit : Millions of Yen)

	As of March 31, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Margin account liabilities	178,949	115,373
Loans from securities finance companies	44,885	22,703
Proceeds of securities lent on customers' account	134,063	92,670
Payables on collateralized securities transactions	82,952	90,441
Deposits received	288,952	374,058
Guarantee money received	248,395	290,747
Short-term borrowings	81,000	80,000
Accounts payable	718	471
Accrued expenses	793	770
Accrued income taxes	694	739
Deferred tax liabilities	110	17
Reserve for bonuses	—	42
Other	992	2,128
Total current liabilities	883,558	954,793
Long-term liabilities		
Long-term borrowings	17,500	17,500
Total long-term liabilities	17,500	17,500
Statutory reserves		
Reserve for financial product transaction liabilities	2,159	2,100
Total statutory reserves	2,159	2,100
Total liabilities	903,218	974,393
Net assets		
Shareholders' equity		
Common stock	7,196	7,196
Additional paid in capital	11,913	11,913
Retained earnings	23,401	24,012
Treasury stock	(1,781)	(2,093)
Total shareholders' equity	40,730	41,029
Valuation and translation adjustments		
Net unrealized gain on investment securities	2,156	2,198
Total valuation and translation adjustments	2,156	2,198
Subscription rights to shares	16	19
Total net assets	42,902	43,247
Total liabilities and net assets	946,120	1,017,641

(2)Non-Consolidated Statements of Income

(Unit : Millions of Yen)

	Nine months of fiscal year ended March 2017 (April 1 to December 31, 2016)	Nine months of fiscal year ending March 2018 (April 1 to December 31, 2017)
Operating revenues		
Commissions	7,327	7,789
Brokerage commissions	5,959	6,470
Fees for offering, secondary distribution and solicitation for selling and other services for professional investors	149	114
Other	1,218	1,204
Net gain on trading	865	716
Financial revenues	7,607	9,054
Other sales	-	507
Total operating revenues	15,800	18,068
Financial expenses	1,991	2,491
Cost of sales	-	442
Net operating revenues	13,808	15,133
Selling, general and administrative expenses		
Transaction related expenses	3,743	4,085
Employment cost	1,050	1,131
Facilities and rentals	1,461	1,689
Outsourcing and office supplies	758	735
Depreciation and amortization	1,039	1,485
Duties and taxes other than income taxes	278	282
Other	296	196
Total selling, general and administrative expenses	8,627	9,606
Operating income	5,180	5,526
Non-operating income	186	94
Non-operating expenses	35	21
Ordinary income	5,331	5,600
Special profits		
Reversal of reserve for financial products transaction liabilities	194	59
Gain on sales of investment securities	1,216	1,049
Total special profits	1,411	1,108
Income before income taxes	6,742	6,708
Income taxes - current	1,836	1,991
Income taxes - deferred	248	99
Income taxes	2,084	2,091
Net income	4,657	4,617

(3)Non-Consolidated Statement of Income by Quarter (Quarterly transition)

(Unit : Millions of Yen)

	1Q of FY 2017	2Q of FY 2017	3Q of FY 2017	4Q of FY 2017	1Q of FY 2018	2Q of FY 2018	3Q of FY 2018
Operating revenues							
Commissions	2,584	2,186	2,556	2,515	2,496	2,377	2,915
Brokerage commissions	2,115	1,779	2,064	2,073	2,047	1,976	2,446
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	44	39	65	75	33	26	54
Other	423	367	427	367	415	375	414
Net gain on trading	342	257	264	243	224	249	241
Financial revenues	2,683	2,283	2,640	2,568	2,898	2,719	3,436
Other sales	-	-	-	2,700	346	73	87
Total operating revenues	5,610	4,727	5,462	8,028	5,965	5,421	6,681
Financial expenses	714	503	773	650	891	594	1,005
Cost of sales	-	-	-	2,145	335	47	59
Net operating revenues	4,896	4,224	4,688	5,232	4,738	4,778	5,616
Selling, general and administrative expenses							
Transaction related expenses	1,262	1,319	1,162	1,266	1,407	1,445	1,232
Employment cost	332	338	379	377	369	360	401
Facilities and rentals	494	495	471	490	600	575	513
Outsourcing and office supplies	256	262	239	240	252	235	247
Depreciation and amortization	336	346	356	367	738	367	380
Duties and taxes other than income taxes	105	82	90	92	112	70	99
Other	106	100	88	72	68	57	70
Total selling, general and administrative expenses	2,893	2,946	2,788	2,907	3,548	3,111	2,947
Operating income	2,002	1,277	1,900	2,325	1,189	1,667	2,669
Non-operating income	64	71	49	39	37	31	25
Non-operating expenses	35	(1)	0	378	19	1	0
Ordinary income	2,031	1,350	1,949	1,986	1,208	1,697	2,694
Special profits							
Reversal of reserve for financial products transaction liabilities	194	-	-	-	59	-	-
Gain on sales of investment securities	468	410	337	109	797	11	239
Total special profits	662	410	337	109	857	11	239
Special losses							
Impairment loss	-	-	-	138	-	-	-
Total special losses	-	-	-	138	-	-	-
Income before income taxes	2,693	1,761	2,287	1,958	2,065	1,708	2,934
Income taxes - current	655	577	602	787	611	476	903
Income taxes - deferred	175	(31)	104	(177)	29	65	4
Net income	1,862	1,215	1,580	1,348	1,423	1,166	2,026

(4)Monthly Business Data

	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Number of customer accounts *1 (at month-end)	1,061,348	1,065,226	1,067,996	1,071,087	1,074,553	1,078,176
Number of new customer accounts (monthly)	3,886	4,419	3,669	3,625	3,930	4,162
Number of customer accounts from Bank of Tokyo-Mitsubishi UFJ and other partners (at month-end)	73,559	73,871	74,193	74,412	74,632	74,889
Number of active accounts *2	535,595	537,120	537,105	538,598	540,397	538,017
Number of margin customer accounts *1 (at month-end)	141,032	141,781	142,481	143,121	143,705	144,437
Number of future and option customer accounts *1 (at month-end)	53,925	54,190	54,342	54,499	54,600	54,693
Number of OTC FX customer accounts *1 (at month-end)	90,493	90,993	91,336	91,619	91,964	92,384
Average daily number of executed equity trades *3	116,238	103,417	112,578	119,488	130,306	121,346
Average value of equity trading (thousands of yen)	867	850	936	1,003	1,074	993
Monthly trading value of OTC FX (100 millions of yen)	29,559	25,652	32,281	26,694	26,714	21,538
Amount of customer assets *4 (at month-end) (millions of yen)	2,269,336	2,259,329	2,277,265	2,375,427	2,399,404	2,413,114
Margin trading balance *5 (at month-end) (millions of yen)	218,692	245,893	303,881	222,807	244,680	271,774
Number of automatic debit accounts *1 (at month-end)	447,562	448,341	448,814	449,219	449,782	450,151

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
Number of customer accounts *1 (at month-end)	1,040,041	1,044,357	1,048,720	1,051,595	1,054,614	1,057,996
Number of new customer accounts (monthly)	4,779	4,713	5,042	3,356	3,480	3,931
Number of customer accounts from Bank of Tokyo-Mitsubishi UFJ and other partners (at month-end)	71,654	72,003	72,538	72,825	73,043	73,283
Number of active accounts *2	526,871	529,060	532,735	533,108	533,440	538,865
Number of margin customer accounts *1 (at month-end)	136,008	136,982	138,146	138,866	139,506	140,321
Number of future and option customer accounts *1 (at month-end)	53,162	53,321	53,432	53,596	53,702	53,801
Number of OTC FX customer accounts *1 (at month-end)	88,044	88,499	88,968	89,344	89,669	90,057
Average daily number of executed equity trades *3	107,722	111,959	112,283	94,899	107,293	118,969
Average value of equity trading (thousands of yen)	938	883	889	919	940	912
Monthly trading value of OTC FX (100 millions of yen)	49,605	34,076	39,958	37,336	36,238	32,978
Amount of customer assets *4 (at month-end) (millions of yen)	2,138,796	2,151,764	2,120,425	2,148,733	2,203,361	2,241,247
Margin trading balance *5 (at month-end) (millions of yen)	200,330	244,369	295,752	195,277	218,892	239,631
Number of automatic debit accounts *1 (at month-end)	443,226	444,031	445,047	445,760	446,280	446,952

*1 : The number of accounts includes corporate accounts.

*2 : The number of accounts which hold more than 0 yen.

*3 : The number of trades includes partially executed trades.

*4 : Amount of customer assets is the value on a market price basis at month-end.

*5 : Margin trading balance is the value on a handover basis at month-end.