

Consolidated Financial Summary under Japanese GAAP For the three months ended June 30, 2021

July 30, 2021

Company Name	Aizawa Securities Co., Ltd.
Listed Stock Exchange	Tokyo Stock Exchange Section 1
Securities Code	8708
URL	https://www.aizawa.co.jp
Representative	Takuya Aizawa, President & Representative Director
Contact Person	Kazuhiro Mashiba, Director & Managing Executive Officer

Scheduled date of filing quarterly report	August 5, 2021
Scheduled date of dividend payment	N.A
Supporting explanatory documents on financial results	YES
Briefing on financial results	NO

(All figures are rounded off to the nearest million)

1. Consolidated financial summary (From April 1, 2021 to June 30, 2021)

(1) Consolidated business results

(% represents year-on-year change)

	Operating revenue		Net operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended June 30, 2021	3,657	2.4	3,625	2.3	△195	—	1,155	227.4	949	34.2
Three months ended June 30, 2020	3,571	1.6	3,543	1.6	97	—	353	6.3	707	141.3

Note: Comprehensive income

Three months ended June 30, 2021: 1,375 million yen

Three months ended June 30, 2020: 2,467 million yen

	Earnings per share	Diluted earnings per share
	yen	yen
Three months ended June 30, 2021	23.83	—
Three months ended June 30, 2020	16.93	—

Note: We have introduced ESOP, and average number of company's share bought under this program for the period under review are being accounted under company's own treasury shares.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
As of June 30, 2021	109,731	59,179	52.8	1,462.16
Fiscal year ended March 31, 2021	107,127	58,346	54.0	1,444.30

Note: Shareholders' equity

As of June, 2021: 57,952 million yen

As of March 31, 2021: 57,811 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual Total
	yen	yen	yen	yen	yen
Fiscal year ended 2020	—	11.00	—	21.00	32.00
Fiscal year ending 2021	—				
Fiscal year ending 2022 (Forecast)		—	—	—	—

3. Earning forecast for the fiscal year ending March 31, 2021 (Consolidated)

The Group operates principally in the financial securities business, and its operating results are likely to be affected by economic and market fluctuations. Due to such nature of its business and consequential difficulty in predicting its performance, the group does not disclose the forecast of operating results. Such forecasts may mislead the investors. Instead of it, as we finalize the financial results, we release the preliminary numbers for the quarterly and yearly results.

※ Notes

- (1) Important changes in subsidiaries during the term NO
 (Changes pursuant to the subsidiaries that lead to a change in the scope of consolidation)
 New: None Exclusion: None
- (2) Accounting treatments specific to quarterly financial statements NO
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatements
- 1) Changes in accounting policies based on revisions of accounting standard YES
 - 2) Changes in accounting policies other than item 1)above NO
 - 3) Change in accounting estimates NO
 - 4) Retrospective restatements NO

Note: For details please refer to “(change in accounting policy)” under “Note on quarterly consolidated financial statements” on the page 9 of the supporting materials

- (4) Number of issued shares (Common stock)
- 1) Number of shares issued at the end of the term including treasury shares
 As of June 30, 2021: 47,525,649 shares As of March 31, 2021: 47,525,649 shares
 - 2) Number of treasury shares at the end of the term
 As of June 30, 2021: 7,891,090 shares As of March 31, 2021: 7,498,290 shares
 - 3) Average number of shares outstanding (Cumulative)
 As of June 30, 2021: 39,836,508 shares As of June 30, 2020: 41,804,439 shares

※ This quarterly financial summary is not subject to quarterly review procedures by certified public accountants or audit corporations.

※ Explanation on forecasts

The group operates principally in the financial securities business, and its operating results are likely to be affected by market fluctuations. Due to such nature of its business and difficulty in predicting its performance, group does not forecast on business results and dividends. At the end of the term, we release the preliminary numbers, as we finalize the financial results.

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1. Qualitative information for the three months ended June 30, 2021

(1) Explanation of Management results

For the reporting period, global stock markets performed well as the expectation of the economic stability increased due to the progress in vaccine inoculation.

U.S stock markets were strong and S&P Index rose 8% for the reporting period. Markets were supported by the buyers as the economy recovered with the progress in vaccine inoculation. Markets turned little volatile after the sharp rise in CPI announced in April, later the long term interest rates settled down considering the such increase will be temporary as majority of FOMC members in June meeting hinted on increase in interest rates in year 2023 and Mr. Powell, Chairman of FRB also hinted on starting debate over tapering.

With the rise in the number of cases in COVID-19, Japan again declared the state of emergency, leading negative effects on corporate business activities. For the reporting period, Nikkei 225 average index was down by 1.3% as the higher weight individual stocks experienced the selling pressure leading all together sluggish performance of Japanese equity market.

For the reporting period, Asian markets like China, Vietnam, Korea and Taiwan performed well as the world economy recovered. Shanghai composite index rose by +4.3%, Vietnam VN Index rose by +18.2%, KOSPI rose by +7.7%, TSEW index rose by +8.1%. On the other hand, Thailand and Indonesia stock markets were sluggish, performing almost unchanged for the period.

In Japan, though the vaccine inoculation is in progress, country has been in the state of emergency for number of times. Under such conditions, Aizawa Securities Co., Ltd. Group working with the management philosophy of "Making life better through securities investment" to provide the asset building services in lieu with the best customer satisfaction. With the COVID-19, company is taking several measures to protect the safety of clients and employees. While meeting and visiting the clients, company ensures to take measures like wearing the mask, take prior appointments etc. Company is also making efforts by promoting work from home and flexible working time.

Under such situation, company's new area of concentration in Asset building business is also gaining popularity due to the increased need for asset building among investors. Company is using its retail branch network to increase the client base of new investors. As part of this, company opened Tokuyama Consulting Plaza in April, the third banking securities branch with Saikyo Bank Ltd. In June company abolished and merged branches in western Japan to create a new branch namely Senri-Chuo.

From August 1, 2021, Company will shift its head office within Tokyo from Nihonbashi to Shiodome. All the group companies will work under holding company to promote the asset building business and become a financial group.

(2) Explanation of the business results

For the three months ended June 30, 2021, break-down of business results are as follow;

(Percentage indicates a year-on-year change. The same shall apply hereinafter in this section)

(Commission received)

Total commissions received declined by 2.7% to 2,395 million yen, due to decline in the turnover of foreign stocks.

(Net trading income)

Net trading income increased by 11.2% to 1,115 million yen, due to increase in handling of OTC domestic stocks.

(Net financial income)

Net financial income increased by 20.4% to 86 million yen. Under this category, income increased by 6.5% to 103 million yen and expenses declined by 33.8% to 16 million yen.

(Selling, general and administrative expenses)

Selling, general and administrative expenses increased by 10.9% to 3,821 million yen due to increase in real estate expenses.

(Non-operating profit and losses)

Non-operating profit increased by 428.3% to 1,351 million yen. Under this category, income were 1,355 million yen including the dividend income of 1,275 million yen and expenses were 4 million yen including the 1 million of commission paid for purchase of treasury shares.

(Extraordinary profit and losses)

Total extraordinary losses was 189 million yen. Under this category, income were 89 million yen including the gain from sale on investment securities. While losses were 278 million yen including the 277 million yen loss on valuation of investment securities.

With above factors, for the reporting period, operating revenue increased by 2.4% to 3,657 million yen; operating losses was 195 million yen; ordinary profit increased by 227.4% to 1,155 million yen; and profit attributable to owners of parent increased by 34.2% to 949 million yen.

(3) Explanation of the financial results

(All comparisons in this section (3) are with the end of previous consolidated fiscal year)

(Assets)

As of at the end of the period under review, total assets was 109,731 million yen, an increase of 2,603 million yen. This was mainly due to increase of 1,201 million yen in margin transaction assets and 1,203 million yen in operational investment securities.

(Liabilities)

As of at the end of the period under review, total liabilities was 50,551 million yen, an increase of 1,770 million yen. This was due to increase in 2,675 million yen in deposits received and 930 million yen in deferred tax liabilities.

(Net assets)

As for the period under review, total net assets was 59,179 million yen, an increase of 833 million yen. Under this category, net assets declined by 414 million yen led by increase in treasury shares; and valuation difference on available-for-sale securities increased by 435 million yen; non-controlling interests increased by 693 million yen.

(4) Explanation on the forecast of consolidated business results

The group operates principally in the financial securities and investments business. In this industry, there exist uncertainties due to, but not limited, economic and market conditions. Group tries to monitor and calculate such market risks and its effects on the business results. Due to such nature of its business and consequential difficulty in predicting its performance, the group does not disclose the forecast of business results. Instead of it, as we finalize the financial results, we release the preliminary numbers for the quarterly and yearly results.

2. Financial statements and major notes

(1) Consolidated balance sheets

(million yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposit	16,707	16,401
Cash segregated as deposits	27,740	26,349
Cash segregated as deposits for customers	27,739	26,349
Other deposits	0	0
Operational investment securities	1,117	1,950
Trading products	244	944
Trading securities and other	244	944
Trade date accrual	817	335
Margin transaction assets	16,297	17,498
Loans on margin transactions	15,638	17,235
Cash collateral pledged for securities borrowing on margin transactions	658	263
Advances paid	163	271
Advances paid to customers	160	268
Other advance payments	3	2
Other current assets	1,351	1,579
Allowance for doubtful accounts	△0	△0
Total current assets	64,440	65,332
Non-current assets		
Property, plant and equipment	6,701	7,257
Intangible assets	372	347
Goodwill	295	267
Others	77	80
Investments and other assets	35,612	36,791
Investment securities	33,530	34,733
Net defined benefit asset	1,069	1,093
Others	1,017	969
Allowance for doubtful accounts	△5	△5
Total non-current assets	42,686	44,395
Deferred assets		
Deferred organization expenses	—	2
Business commencement expenses	—	0
Total deferred assets	—	2
Total assets	107,127	109,731

(million yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Trading products	94	226
Trading securities and other	85	226
Derivatives trading	9	—
Margin transaction liabilities	1,861	1,800
Borrowings on margin transactions	585	1,018
Cash received for securities lending on margin transactions	1,276	781
Loans payable secured by securities	2,930	2,520
Cash received on debt credit transaction of securities	2,930	2,520
Deposits received	24,982	27,657
Deposits from customers	21,024	20,638
Other deposits	3,957	7,019
Guarantee deposits received	5,482	4,969
Short-term loans payable	3,795	3,795
Income taxes payable	994	63
Provision for bonuses	652	166
Provision for director bonuses	31	—
Other current liabilities	1,204	903
Total current liabilities	42,029	42,103
Non-current liabilities		
Long-term borrowings	934	2,444
Deferred tax liabilities	5,150	5,352
Provision for share based remuneration	151	170
Other non-current liabilities	369	333
Total non-current liabilities	6,605	8,301
Reserves under special laws		
Reserve for financial instruments transaction liabilities	146	146
Total reserves under special laws	146	146
Total liabilities	48,781	50,551
Net assets		
Shareholders' equity		
Capital stock	8,000	8,000
Capital surplus	8,087	8,087
Retained earnings	35,388	35,487
Treasury shares	△3,348	△3,762
Total shareholders' equity	48,128	47,811
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,607	10,043
Foreign currency translation reserve	—	28
Remeasurements of defined benefit plans	75	68
Total accumulated other comprehensive income	9,683	10,140
Non-controlling interests	534	1,227
Total net assets	58,346	59,179
Total liabilities and net assets	107,127	109,731

(2) Consolidated statements of income and comprehensive income statement**Consolidated statements of income** (For the three months ended June 30, 2021)

(million yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Operating revenue		
Commission received	2,463	2,395
Net trading income	1,003	1,115
Financial revenue	96	103
Others	7	43
Total operating revenue	3,571	3,657
Financial expenses	24	16
Other operating expenses	2	15
Net operating revenue	3,543	3,625
Selling, general and administrative expenses		
Trading related expenses	547	579
Personnel expenses	1,908	1,930
Real estate expenses	290	421
Office expenses	495	528
Depreciation	74	141
Taxes and dues	55	88
Provision of allowance for doubtful accounts	0	0
Others	73	131
Total selling, general and administrative expenses	3,446	3,821
Operating profit/loss(Δ)	97	Δ 195
Non-operating income		
Dividend income	254	1,275
Profit distributions	14	26
Reversal of allowance for doubtful accounts	0	—
Gain on investments in partnership	—	36
Others	9	17
Total non-operating income	278	1,355
Non-operating expenses		
Loss on investments in partnership	17	—
Cancellation penalty	0	1
Settlement expenses	—	1
Commission for purchase of treasury shares	5	1
Others	0	0
Total non-operating expenses	23	4
Ordinary profit	353	1,155
Extraordinary income		
Gain on sales of investment securities	478	89
Reversal of reserve for financial instruments transaction liabilities	12	0
Total extraordinary income	490	89
Extraordinary losses		
Loss on sales of investment securities	—	1
Loss on valuation of investment securities	118	277
Total extraordinary losses	118	278
Profit before income taxes	724	966
Income taxes – current	8	35
Income taxes – deferred	8	11
Total income taxes	17	46
Profit	707	919
Profit/loss attributable to non-controlling owners	—	Δ 30
Profit attributable to owners of parent	707	949

Consolidated comprehensive income statement (For the three months ended June 30, 2021)

(million yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Profit	707	919
Other comprehensive income		
Valuation difference on available-for-sale securities	1,944	435
Foreign currency translation reserve	—	68
Remeasurements of defined benefit plans	△ 4	△ 6
Total accumulated other comprehensive income	1,939	496
Comprehensive income	2,647	1,416
(Description)		
Comprehensive income attributable to owners of parent	2,647	1,405
Comprehensive income attributable to non-controlling owners	—	10

(3) Notes on quarterly consolidated financial statements**(Notes on going concern assumption)**

Not applicable.

(Notes on material changes in shareholders' equity)

Not applicable

(Change in accounting policy)

1. Application of "Accounting standard for revenue recognition"
From the beginning of the consolidated 1st quarter of current accounting period, company has applied the "Accounting standard for revenue recognition" under ASBJ statement no. 29 as of March 31, 2020. Company will recognize the revenue to be received in exchange for the good or service when control of the promised good or service is transferred to the customer. There is no impact on the quarterly consolidated financial statements due to change in accounting policy.
2. Application of "Accounting standard for fair value measurement"
From the beginning of the consolidated 1st quarter of current accounting period, company has applied the "Accounting standard for fair value measurement" under ASBJ statement no. 30 as of July 04, 2019. The new accounting policy will be applied in future and the transitional treatment will be applied in accordance with the paragraph 19 of "Implementation guidance on disclosures about fair value of financial instruments under ASBJ statement no. 19" and Paragraph 44-2 of "Accounting Standard for Financial Instruments under ASBJ Statement No. 10". There is no impact on the quarterly consolidated financial statements due to change in accounting policy.

(Additional information)

1. **Introduction of ESOP**
The company has introduced an Employee Stock Ownership Plan Trust ("ESOP Trust") from July 22, 2019 with the motive to increase the enterprise value over mid to long term. The Company's stock held by the ESOP Trust is included in treasury shares under net assets with a book value of 320 million yen for 483 thousand shares as of June30, 2021.
 2. **Shift to holding company structure through company split/establishment of subsidiary company**
At the board of directors meeting held on February 12, 2021, it was resolved to shift to the company to the holding company structure with effect from October 1, 2021. It was resolved that company will establish two 100% subsidiary companies "AIZAWA SECURITIES DIVISION PREPARATION CO., LTD." for the purpose of inheriting the securities brokerage business and "LIFE DESIGN PARTNERS CO., LTD." for initiating the IFA business. Both these companies were established on April 1, 2021.
At the board of directors meeting held on April 28, 2021, it was resolved that with effect from October 1, 2021; a) securities brokerage business will be inherited to its subsidiary company "AIZAWA SECURITIES DIVISION PREPARATION CO., LTD.", b) investment business will be inherited to "AIZAWA Investments Co., Ltd." Agreements in relation to this absorption-type company split are concluded.
At the General annual shareholder meeting conducted on June 25, 2021, it was resolved that company will shift to the holding company structure.
After the completion of absorption-type company split, company plans to change its name to "AIZAWA SECURITIES GROUP CO., LTD." on October 1, 2021. The shift to the holding company structure is subject to fulfillment of necessary registration and approval from the regulators to be done by "AIZAWA SECURITIES DIVISION PREPARATION CO., LTD.".
- (1) Purpose of change to holding company structure
Company works with management philosophy of "Making life better through securities investment" with the vision of "Hope courier" & "Beyond the securities company" to provide the asset building services in lieu with the best customer satisfaction.
The company conducts business in finance industry that has been going through lot of changes and facing fierce competition. With the COVID 19 pandemics, the traditional sales channels of visiting client's needs a change, there is a decline in brokerage commission led by online brokers, and lot of new entrants are increasing in the securities brokerage business. In such an environment, a stronger organizational structure that enables appropriate and prompt decision-making and agile business strategy execution is required.
With the change to a holding company structure, company can conduct the business under one umbrella, work on swift decision making, strengthening the financial position, allocating the management resources

and creating the new business opportunities,

Company (including subsidiary and affiliates) have divided the businesses within the group into four businesses: securities business, financial product brokerage business (IFA), asset management business, and investment business. With this new group organization structure, group aims to serve as a financial service provider catering high level service.

(2) Establishment of subsidiary companies toward the shift to holding company structure

①

Name	AIZAWA SECURITIES DIVISION PREPARATION CO., LTD. (Plan to change name to AIZAWA SECURITIES CO., LTD. from October 1, 2021)	
Head office	1-20-3, Nihonbashi, Chuo-ku	
Representative Name · Title	Takuya Aizawa, CEO	
Business details	Preparation work to inherit securities brokerage business through absorption type split	
Capital	300 million yen	
Establishment date	April 1, 2021	
Shares issued	30,000	
Fiscal year	End of March	
Shareholder(s)	AIZAWA SECURITIES CO., LTD.	
Relationship with the company	Capital relation	Established as 100% subsidiary company
	Personnel relation	Appointed directors from the company
	Business relation	As the business has not yet started, currently no business dealing relation exist with the company

②

Name	LIFE DESIGN PARTNERS CO., LTD.	
Head office	1-20-3, Nihonbashi, Chuo-ku	
Representative Name · Title	Yoshikazu Igarashi, CEO	
Business details	Preparation work to initiate the IFA business	
Capital	30 million yen	
Establishment date	April 1, 2021	
Shares issued	3,000	
Fiscal year	End of March	
Shareholder(s)	AIZAWA SECURITIES CO., LTD.	
Relationship with the company	Capital relation	Established as 100% subsidiary company
	Personnel relation	Appointed directors from the company
	Business relation	As the business has not yet started, currently no business dealing relation exist with the company

(3) Details of holding company structure

(1) Schedule

Resolution for change in structure at Board of director meeting	February 12, 2021
Approval of establishment of subsidiary companies at Board of director meeting	February 12, 2021
Establishment of subsidiary companies	April 1, 2021
Approval of company split agreement at Board of director meeting	April 28, 2021
Conclusion of company split agreement	April 28, 2021
Approval of company split agreement at Ordinary shareholders meeting	June 25, 2021
Effective date of company split	October 1, 2021 (planned)

(2) Structure

After conducting the absorption-type company split, company plans to inherit its securities brokerage business to its 100% subsidiary company “AIZAWA SECURITIES DIVISION PREPARATION CO., LTD” and inherit investment business to its 100% subsidiary company “AIZAWA Investments Co., Ltd.” Company will continue its listing at Tokyo Stock Exchange as a holding company.

(3) Contents

In the process, AIZAWA SECURITIES DIVISION PREPARATION CO., LTD will issue new 200,000 common shares which will be allocated to the company. AIZAWA Investments Co., Ltd. will also issue new 20,000 common shares which will be allocated to the company.

- (4) Handling of share acquisition rights and bonds with share acquisition rights associated with the absorption-type company split
Not applicable
- (5) Increase/Decrease in capital due to absorption-type company split
There is no change in capital due to absorption-type company split
- (6) Rights inherited towards succeeding companies
Each succeeding company will succeed all the contents from the company as mentioned in the absorption-type company split agreement from the effective date. While, the debt that the succeeding company will inherit from the Company shall be based on the method of overlapping debt underwriting.
- (7) Debt obligation fulfillment
After the absorption-type company split, Assets of the succeeding company are expected to be more than the amount of liabilities. At the current stage it is assumed that succeeding company will have no trouble in fulfilling its debt obligation. Therefore, it is considered that with the absorption-type company split, company and the succeeding company shall have no issues in the fulfillment of debt obligations.

(4) Post absorption-type company split (Planned as of October 1, 2021)

① Split company description

Name	AIZAWA SECURITIES GROUP CO., LTD. (Plan to change name from AIZAWA SECURITIES CO., LTD. on October 1, 2021)
Head office	1-9-1, Tokyo shiodome building, Higashi-Shinbashi, Minato-ku
Representative Name • Title	Takuya Aizawa, CEO
Business details	Management of group companies
Capital	8,000 million yen
Fiscal year	End of March

② Succeeding companies description

Name	AIZAWA SECURITIES CO., LTD.
Head office	1-9-1, Tokyo shiodome building, Higashi-Shinbashi, Minato-ku
Representative Name • Title	Takuya Aizawa, CEO
Business details	Financial instrument business
Capital	3,000 million yen
Fiscal year	End of March

Name	AIZAWA Investments CO., LTD.
Head office	1-9-1, Tokyo shiodome building, Higashi-Shinbashi, Minato-ku
Representative Name • Title	Kazuhiro Mashiba, CEO
Business details	Investment & Real estate business
Capital	300 million yen
Fiscal year	End of March

(5) Forecast

In this absorption type company split, no major effect on the consolidated business results are expected, as all the succeeding companies are 100% subsidiary companies;

(Important subsequent events)**Purchase of treasury shares**

Company decided to purchase the treasury shares in accordance with the paragraph 1 of article 459, company law. Decision was taken in the board meeting conducted on February 26, 2021. Company pursued the purchase of its treasury shares.

1. Minutes of board meeting on purchase of treasury shares
 - (1) Reason for pursuing purchase of treasury shares
To maintain flexible capital policy and increase the capital efficiency and return on equity
 - (2) Details on purchase of treasury shares
 - 1) Share type: Common share
 - 2) Number of treasury shares: Maximum of 1,500,000 shares (Within 3.7% of outstanding shares excluding the treasury shares)
 - 3) Value of treasury share: Maximum of 1,800 million yen
 - 4) Term for purchase: From March 1, 2021 to February 28, 2022
 - 5) Mode of purchase: Direct trade through Tokyo Stock Exchange
2. Details on completed purchase of treasury shares
 - 1) Share type: Common share
 - 2) Number of shares: 103,700 shares
 - 3) Value of shares: 105 million yen
 - 4) Buyback term: From July 1, 2021 to July 26, 2021
 - 5) Mode of purchase: Direct trade through Tokyo Stock Exchange

In line with above mentioned board decision, the status of purchase of treasury shares as of 26, July 2021 is as follow:

- 1) Number of treasury shares purchase completed: 736,600 shares
- 2) Value of treasury shares purchase completed: 761 million yen

Capital increase in AIZAWA SECURITIES DIVISION PREPARATION CO., LTD.

At the board of directors meeting held on June 25, 2021, it was resolved to increase the capital in company's subsidiary company "AIZAWA SECURITIES DIVISION PREPARATION CO., LTD.". The capital was injected on July 1, 2021 and details for same are mentioned below. Since the total amount of holding capital in this subsidiary company exceeds 10%, it will be considered as specified subsidiary company.

1. Purpose of capital increase
In the process of shift to the holding company structure, company will inherit the securities brokerage business to AIZAWA SECURITIES DIVISION PREPARATION CO., LTD. The purpose of increase in the capital is to create a stronger financial base for the inheriting company as it is in process of obtaining the Type I financial instrument business license.
2. Description of subsidiary company
 - 1) Name : AIZAWA SECURITIES DIVISION PREPARATION CO., LTD.
 - 2) Address: 1-20-3, Nihonbashi, chuo-ku, Tokyo
 - 3) Representative Name · Title: Takuya Aizawa, CEO
 - 4) Business details: Preparation work to inherit securities brokerage business through absorption type split
3. Description of capital increase
 - 1) Capital increase: 2,700 million yen
 - 2) Payment date: July 1, 2021
 - 3) Total capital after capital increase: 3,000 million yen
 - 4) Shareholding percentage after capital injection: 100% shareholder (same as prior capital injection)

3. Supplementary information**Consolidated business results for the three months ended June 30, 2021****(1) Commission received**

A) Breakdown of commission received

(million yen)

	Three months ended June 30, 2020 (A)	Three months ended June 30, 2021 (B)	Change (B/A)	Consolidated fiscal year ended March 31, 2021
Brokerage commission	2,052	1,378	67.2%	7,868
Equities	1,999	1,360	68.1%	7,753
Bonds	—	—	—	—
Beneficiary securities	53	17	33.7%	114
Commission from underwriting, secondary distribution and solicitation towards professional investors	1	3	295.6%	4
Equities	0	1	—	3
Bonds	0	1	131.2%	1
Fee from offering, secondary distribution and solicitation towards professional investors	116	425	365.4%	825
Other fees received	293	589	200.7%	1,701
Total	2,463	2,395	97.3%	10,401

Note: Due to increase of more than 1,000% in Commission from underwriting, secondary distribution and solicitation towards professional investors in equities as compared to same term previous year, % column is represented by (-)

B) Product wise breakdown

(million yen)

	Three months ended June 30, 2020 (A)	Three months ended June 30, 2021 (B)	Change (B/A)	Consolidated fiscal year ended March 31, 2021
Equities	2,010	1,372	68.3%	7,819
Bonds	1	1	97.7%	1
Beneficiary securities	319	666	208.5%	1,608
Others	132	356	269.3%	971
Total	2,463	2,395	97.3%	10,401

(2) Net trading income

(million yen)

	Three months ended June 30, 2020 (A)	Three months ended June 30, 2021 (B)	Change (B/A)	Consolidated fiscal year ended March 31, 2021
Equities etc.	772	916	118.7%	4,644
Bonds, forex etc.	230	198	86.1%	906
Bonds etc.	61	34	56.1%	260
forex etc.	168	163	97.1%	645
Total	1,003	1,115	111.2%	5,550

(3) Comparative quarterly consolidated income statement

(million yen)

	FY 2021				FY 2022
	First quarter ended June 30	Second quarter ended September 30	Third quarter ended December 31	Fourth quarter ended March 31	First quarter ended June 30
Operating revenue					
Commission received	2,463	2,491	2,564	2,881	2,395
Brokerage commission	2,052	1,926	1,925	1,964	1,378
Commission from underwriting, secondary distribution and solicitation towards professional investors	1	1	1	1	3
Fee from offering, secondary distribution and solicitation towards professional investors	116	172	209	326	425
Other fees received	293	391	428	588	589
Net trading income	1,003	1,742	1,567	1,237	1,115
Financial revenue	96	110	100	99	103
Others	7	19	22	23	43
Total operating revenue	3,571	4,364	4,255	4,241	3,657
Financial expenses	24	25	20	20	16
Other operating expenses	2	8	6	8	15
Net operating revenue	3,543	4,331	4,228	4,212	3,625
Selling, general and administrative expenses					
Trading related expenses	547	625	603	655	579
Personnel expenses	1,908	2,239	2,133	2,084	1,930
Real estate expenses	290	306	302	363	421
Office expenses	495	502	550	587	528
Depreciation	74	98	97	144	141
Taxes and dues	55	92	107	122	88
Provision of allowance for doubtful accounts	0	0	△0	△0	0
Others	73	101	95	124	131
Total selling, general and administrative expenses	3,446	3,966	3,889	4,083	3,821
Operating profit	97	364	338	128	△195
Non-operating income	278	208	308	65	1,355
Non-operating expenses	23	△13	21	218	4
Ordinary profit	353	587	626	△24	1,155
Extraordinary income	490	134	4,300	728	89
Extraordinary losses	118	16	691	25	278
Profit before income taxes	724	705	4,234	678	966
Income tax expenses	17	344	1,088	355	46
Profit	707	360	3,146	322	919
Profit (loss) attributable to non-controlling interests	—	—	—	△1	△30
Profit attributable to owners of parent	707	360	3,146	324	949

Reference data on business results for the three months ended June 30, 2021

(1) Equity trading volume (excluding futures etc.)

(million shares, million yen)

	Three months ended June 30, 2020 (A)		Three months ended June 30, 2021 (B)		Change (B/A)		FY 2021	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	394	416,598	317	392,451	80.6%	94.2%	1,649	1,839,015
Proprietary transaction	17	57,035	5	66,038	30.7%	115.8%	80	350,132
Client transaction	377	359,563	312	326,412	82.8%	90.8%	1,569	1,488,883
Client transaction share	95.7%	86.3%	98.4%	83.2%			95.1%	81.0%
Exchange participation share	0.12%	0.09%	0.10%	0.08%			0.13%	0.09%
Brokerage commission per stock on client transaction	5.26 yen		4.33 yen				4.91 yen	

(2) Underwriting & distribution activities

(million shares, million yen)

		Three months ended June 30, 2020 (A)	Three months ended June 30, 2021 (B)	Change (B/A)	FY 2021	
Underwriting	Equities	Number of shares	—	0	0	
	Equities	Amount	—	31	48	
	Bonds	Face value	211	230	108.9%	439
	Commercial Paper & overseas securities	Face value	—	—	—	—
Distribution※	Equities	Number of shares	—	0	0	
	Equities	Amount	—	31	530	
	Bonds	Face value	361	662	183.2%	2,999
	Beneficiary securities	Face value	114,816	136,333	118.7%	533,028
	Commercial Paper & overseas securities	Face value	—	—	—	—

※ Includes secondary offering and private placements

(3) Capital adequacy ratio

(million yen)

		Three months ended June 30, 2020	Three months ended June 30, 2021	As of at the end of FY 2021
Basic items (A)		45,316	47,565	47,026
Complementary items	Valuation difference on available-for-sale securities	5,698	9,653	9,215
	Reserve for financial products transaction liabilities	169	146	146
	Allowance for doubtful accounts	0	0	0
Total (B)		5,868	9,799	9,361
Deductible assets (C)		13,822	22,661	22,269
Unfixed equity capital (A)+(B)-(C) (D)		37,362	34,703	34,118
Risk items	Market risk	4,032	4,394	4,202
	Counterparty risk	912	820	734
	Basic risk	3,312	3,449	3,389
Total (E)		8,256	8,664	8,325
Capital adequacy ratio (D)/(E)×100		452.5%	400.5%	409.8%