

## Consolidated Financial Summary under Japanese GAAP For the six months ended September 30, 2020

October 28, 2020

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

Scheduled date of filing quarterly report	November 05, 2020
Scheduled date of dividend payment	December 01, 2020
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, 2020 to September 30, 2020)

#### (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	%
Six months ended, September 30, 2020	7,935	14.9	7,874	15.0	462	—	940	24.7	1,067	70.4
Six months ended, September 30, 2019	6,909	0.1	6,849	0.3	36	—	754	—	626	—

Note: Comprehensive income

Six months ended, September 30, 2020: 3,476 million yen

Six months ended, September 30, 2019: △100 million yen

	Earnings per share	Diluted earnings per share
	yen	yen
Six months ended, September 30, 2020	25.85	—
Six months ended, September 30, 2019	14.67	—

Note:

- Due to increase of more than 1,000% in operating profit as compared to same term previous year, % column is represented by (-)
- 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 September 30, 2020	96,613	51,914	53.7	1,277.96
Fiscal year ended March 31, 2020	85,134	50,141	58.9	1,182.85

Note: Shareholders' equity

As of September 30, 2020: 51,914 million yen

As of March 31, 2020: 50,141 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	—	11.00	22.00
Fiscal year ending 2021	—	11.00			
Fiscal year ending 2021 (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 (Changes pursuant to the subsidiaries that lead to a change in the scope of consolidation)  
New: None                      Exclusion: None NO
- (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 NO
  - 2) Changes in accounting policies other than item 1)above NO
  - 3) Change in accounting estimates NO
  - 4) Retrospective restatements NO
- (4) Number of issued shares (Common stock)
- 1) Number of shares issued at the end of the term including treasury shares  
As of September 30, 2020: 47,525,649 shares                      As of March 31, 2020: 47,525,649 shares
  - 2) Number of treasury shares at the end of the term  
As of September 30, 2020: 6,902,855 shares                      As of March 31, 2020: 5,135,135 shares
  - 3) Average number of shares outstanding (Cumulative)  
As of September 30, 2020: 41,311,338 shares                      As of September 30, 2019: 42,726,545 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 six months ended September 30, 2020

### (1) Explanation of the business results

For the six months ended September 30, 2020, 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 increased by 50.5% to 4,955 million yen. This was due to increase in the brokerage commission from foreign stocks.

(Net trading income)

Net trading income declined by 18.0% to 2,746 million yen, due to reduced handling of foreign bonds.

(Net financial income)

Net financial income declined by 19.1% to 157 million yen. Under this category, income declined by 18.6% to 207 million yen and expenses declined by 16.9% to 49 million yen.

(Selling, general and administrative expenses)

Selling, general and administrative expenses increased by 8.8% to 7,412 million yen due to increase in personnel expenses.

(Non-operating profit and losses)

Non-operating profit decreased by 33.3% to 478 million yen. Under this category, income were 487 million yen including the dividend income of 304 million yen and expenses were 9 million yen including the 5 million of commission paid for purchase of treasury shares.

(Extraordinary profit and losses)

Total extraordinary profit was 490 million yen. Under this category, income were 625 million yen including the 601 million yen gain from sale on investment securities. While losses were 135 million yen including the 114 million yen loss on valuation of investment securities.

With above factors, for the reporting period, operating revenue increased by 14.9% to 7,935 million yen; operating profit was 462 million yen; ordinary profit increased by 24.7%, to 940 million yen; and profit attributable to owners of parent increased by 70.4%, to 1,067 million yen.

### (2) Explanation of the financial results

(All comparisons in this section (2) are with the end of previous consolidated fiscal year)

(Assets)

As of at the end of the period under review, total assets was 96,613 million yen, an increase of 11,478 million yen. This was due to increase of 1,920 million yen in cash and deposits, 3,212 million yen in cash segregated as deposits and 4,055 million yen in operational investment securities respectively.

(Liabilities)

As of at the end of the period under review, total liabilities was 44,698 million yen, an increase of 9,706 million yen. This was due to increase of 1,188 million yen in margin transaction liabilities, 6,211 million yen in deposits received and 1,049 million yen in deferred tax liabilities respectively.

(Net assets)

As for the period under review, total net assets was 51,914 million yen, an increase of 1,772 million yen. Under this category, net assets declined by 1,255 million yen led by increase in treasury shares, and valuation difference on available-for-sale securities increased by 2,416 million yen.

**(3) 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, 2020	As of September 30, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposit	15,635	17,556
Cash segregated as deposits	22,089	25,301
Cash segregated as deposits for customers	22,089	25,301
Other deposits	0	0
Operational investment securities	495	504
Trading products	996	1,307
Trading securities and other	996	1,303
Derivatives trading	—	3
Trade date accrual	357	269
Margin transaction assets	13,834	15,014
Loans on margin transactions	13,418	14,028
Cash collateral pledged for securities borrowing on margin transactions	415	986
Advances paid	238	510
Advances paid to customers	236	502
Other advance payments	2	7
Other current assets	1,184	1,130
Allowance for doubtful accounts	△0	△0
<b>Total current assets</b>	<b>54,831</b>	<b>61,594</b>
<b>Non-current assets</b>		
Property, plant and equipment	4,492	5,086
Intangible assets	58	134
Goodwill	—	70
Others	58	64
Investments and other assets	25,751	29,797
Investment securities	24,451	28,506
Net defined benefit asset	616	660
Deferred tax assets	1	—
Others	768	715
Allowance for doubtful accounts	△85	△85
<b>Total non-current assets</b>	<b>30,303</b>	<b>35,018</b>
<b>Total assets</b>	<b>85,134</b>	<b>96,613</b>

(million yen)

	As of March 31, 2020	As of September 30, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trading products	91	211
Trading securities and other	90	197
Derivatives trading	1	13
Margin transaction liabilities	1,365	2,554
Borrowings on margin transactions	391	874
Cash received for securities lending on margin transactions	974	1,679
Loans payable secured by securities	1,218	2,244
Cash received on debt credit transaction of securities	1,218	2,244
Deposits received	18,395	24,607
Deposits from customers	16,297	18,954
Deposits for subscription	—	1
Other deposits	2,098	5,650
Guarantee deposits received	5,770	5,680
Short-term loans payable	3,795	3,795
Income taxes payable	216	396
Provision for bonuses	443	645
Provision for director bonuses	21	15
Other current liabilities	1,054	848
<b>Total current liabilities</b>	<b>32,373</b>	<b>40,999</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	1,988	3,037
Provision for share based remuneration	68	112
Other non-current liabilities	380	392
<b>Total non-current liabilities</b>	<b>2,437</b>	<b>3,542</b>
<b>Reserves under special laws</b>		
Reserve for financial instruments transaction liabilities	181	157
<b>Total reserves under special laws</b>	<b>181</b>	<b>157</b>
<b>Total liabilities</b>	<b>34,992</b>	<b>44,698</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	8,000	8,000
Capital surplus	8,097	8,121
Retained earnings	31,774	32,370
Treasury shares	△1,580	△2,836
<b>Total shareholders' equity</b>	<b>46,291</b>	<b>45,655</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,011	6,428
Remeasurements of defined benefit plans	△161	△169
<b>Total accumulated other comprehensive income</b>	<b>3,850</b>	<b>6,258</b>
<b>Total net assets</b>	<b>50,141</b>	<b>51,914</b>
<b>Total liabilities and net assets</b>	<b>85,134</b>	<b>96,613</b>

(2) Consolidated statements of income and comprehensive income statement  
 Consolidated statements of income (For the six months ended September 30, 2020)

(million yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Operating revenue		
Commission received	3,292	4,955
Net trading income	3,349	2,746
Financial revenue	254	207
Others	12	27
Total operating revenue	6,909	7,935
Financial expenses	60	49
Other operating expenses	—	10
Net operating revenue	6,849	7,874
Selling, general and administrative expenses		
Trading related expenses	1,095	1,172
Personnel expenses	3,769	4,147
Real estate expenses	595	597
Office expenses	910	998
Depreciation	156	172
Taxes and dues	123	148
Provision of allowance for doubtful accounts	△0	0
Others	161	175
Total selling, general and administrative expenses	6,812	7,412
Operating profit	36	462
Non-operating income		
Dividend income	335	304
Profit distributions	105	79
Gain on investments in partnership	261	85
Reversal of allowance for doubtful accounts	0	0
Others	16	17
Total non-operating income	719	487
Non-operating expenses		
Cancellation penalty	1	3
Commission for purchase of treasury shares	0	5
Others	0	0
Total non-operating expenses	2	9
Ordinary profit	754	940
Extraordinary income		
Gain on sales of non-current assets	1	—
Gain on sales of investment securities	21	601
Reversal of reserve for financial instruments transaction liabilities	0	24
Total extraordinary income	22	625
Extraordinary losses		
Loss on sales of non-current assets	6	21
Loss on valuation of investment securities	—	114
Total extraordinary losses	6	135
Profit before income taxes	769	1,430
Income taxes – current	116	345
Income taxes – deferred	25	16
Total income taxes	142	362
Profit	626	1,067
Profit attributable to owners of parent	626	1,067



**Consolidated comprehensive income statement** (For the six months ended September 30, 2020)

(million yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	626	1,067
Other comprehensive income		
Valuation difference on available-for-sale securities	△ 706	2,416
Remeasurements of defined benefit plans	△ 20	△ 8
Total accumulated other comprehensive income	△ 727	2,408
Comprehensive income	△ 100	3,476
(Description)		
Comprehensive income attributable to owners of parent	△ 100	3,476
Comprehensive income attributable to non-controlling owners	—	—

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

Not applicable.

**(Notes on material changes in shareholders' equity)**

Not applicable

**(Additional information)**

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 328 million yen for 495 thousand shares as of September 30, 2020.

**(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 28, 2020. 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 2,500,000 shares (Within 5.9% of outstanding shares excluding the treasury shares) |
| 3) Value of treasury share:   | Maximum of 2,500 million yen  |
| 4) Term for purchase:         | From March 2, 2020 to February 26, 2021   |
| 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: | 46,100 shares                             |
| 3) Value of shares:  | 32 million yen                            |
| 4) Buyback term:     | From October 1, 2020 to October 23, 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 23, October 2020 is as follow:

- |  |                   |
|--|-------------------|
| 1) Number of treasury shares purchase completed: | 2,179,000 shares  |
| 2) Value of treasury shares purchase completed:  | 1,502 million yen |

**3. Supplementary information****Consolidated business results for the six months ended September 30, 2020****(1) Commission received**

## A) Breakdown of commission received

(million yen)

	Six months ended September 30, 2019 (A)	Six months ended September 30, 2020 (B)	Change (B/A)	Consolidated fiscal year ended March 31, 2020
Brokerage commission	2,317	3,978	171.7%	5,406
Equities	2,260	3,904	172.7%	5,271
Bonds	—	—	—	—
Beneficiary securities	56	74	131.0%	134
Commission from underwriting, secondary distribution and solicitation towards professional investors	12	2	16.3%	15
Equities	10	1	11.3%	11
Bonds	2	0	37.5%	3
Fee from offering, secondary distribution and solicitation towards professional investors	321	289	89.8%	672
Other fees received	640	685	107.1%	1,248
<b>Total</b>	<b>3,292</b>	<b>4,955</b>	<b>150.5%</b>	<b>7,342</b>

## B) Product wise breakdown

(million yen)

	Six months ended September 30, 2019 (A)	Six months ended September 30, 2020 (B)	Change (B/A)	Consolidated fiscal year ended March 31, 2020
Equities	2,308	3,933	170.4%	5,344
Bonds	2	1	40.0%	4
Beneficiary securities	726	675	93.0%	1,492
Others	254	345	135.7%	500
<b>Total</b>	<b>3,292</b>	<b>4,955</b>	<b>150.5%</b>	<b>7,342</b>

**(2) Net trading income**

(million yen)

	Six months ended September 30, 2019 (A)	Six months ended September 30, 2020 (B)	Change (B/A)	Consolidated fiscal year ended March 31, 2020
Equities etc.	2,058	2,263	110.0%	4,197
Bonds, forex etc.	1,291	482	37.4%	2,122
Bonds etc.	1,018	132	13.0%	1,559
forex etc.	272	350	128.4%	563
<b>Total</b>	<b>3,349</b>	<b>2,746</b>	<b>82.0%</b>	<b>6,320</b>

## (3) Comparative quarterly consolidated income statement

(million yen)

	FY 2020			FY 2021	
	Second quarter ended September 30	Third quarter ended December 31	Fourth quarter ended March 31	First quarter ended June 30	Second quarter ended September 30
Operating revenue					
Commission received	1,508	2,106	1,943	2,463	2,491
Brokerage commission	1,086	1,585	1,503	2,052	1,926
Commission from underwriting, secondary distribution and solicitation towards professional investors	1	0	1	1	1
Fee from offering, secondary distribution and solicitation towards professional investors	125	219	130	116	172
Other fees received	295	300	308	293	391
Net trading income	1,738	1,312	1,658	1,003	1,742
Financial revenue	140	113	140	96	110
Others	6	6	△ 1	7	19
Total operating revenue	3,394	3,538	3,741	3,571	4,364
Financial expenses	34	32	26	24	25
Other operating expenses	—	—	—	2	8
Net operating revenue	3,360	3,505	3,715	3,543	4,331
Selling, general and administrative expenses					
Trading related expenses	501	591	579	547	625
Personnel expenses	1,871	1,915	1,946	1,908	2,239
Real estate expenses	299	304	296	290	306
Office expenses	437	466	480	495	502
Depreciation	78	72	78	74	98
Taxes and dues	65	59	67	55	92
Provision of allowance for doubtful accounts	△ 0	△ 0	△ 0	0	0
Others	78	69	77	73	101
Total selling, general and administrative expenses	3,331	3,478	3,526	3,446	3,966
Operating profit	28	27	188	97	364
Non-operating income	390	250	331	278	208
Non-operating expenses	△ 2	0	29	23	△ 13
Ordinary profit	421	276	491	353	587
Extraordinary income	21	55	321	490	134
Extraordinary losses	0	55	551	118	16
Profit before income taxes	441	276	261	724	705
Income tax expenses	108	46	178	17	344
Profit attributable to owners of parent	333	230	83	707	360

## Reference data on business results for the six months ended September 30, 2020

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

(million shares, million yen)

	Six months ended September 30, 2019 (A)		Six months ended September 30, 2020 (B)		Change (B/A)		FY 2020	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total	591	615,169	718	836,157	121.4%	135.9%	1,695	1,432,984
Proprietary transaction	20	141,054	27	159,501	129.1%	113.1%	53	305,102
Client transaction	570	474,115	691	676,655	121.1%	142.7%	1,641	1,127,881
Client transaction share	96.5%	77.1%	96.2%	80.9%			96.8%	78.7%
Exchange participation share	0.11%	0.07%	0.12%	0.08%			0.12%	0.08%
Brokerage commission per stock on client transaction	3.93 yen		5.62 yen				3.19 yen	

## (2) Underwriting &amp; distribution activities

(million shares, million yen)

		Six months ended September 30, 2019 (A)	Six months ended September 30, 2020 (B)	Change (B/A)	FY 2020	
Underwriting	Equities	Number of shares	0	0	4.2%	0
	Equities	Amount	130	17	13.3%	154
	Bonds	Face value	664	239	36.1%	999
	Commercial Paper & overseas securities	Face value	—	—	—	—
Distribution ※	Equities	Number of shares	0	0	1.8%	0
	Equities	Amount	895	19	2.2%	921
	Bonds	Face value	9,070	826	9.1%	12,622
	Beneficiary securities	Face value	177,455	220,825	124.4%	448,263
	Commercial Paper & overseas securities	Face value	—	—	—	—

※ Includes secondary offering and private placements

**(3) Capital adequacy ratio**

(million yen)

		Six months ended September 30, 2019	Six months ended September 30,2020	As of at the end of FY 2020
Basic items (A)		45,850	44,920	45,537
Complementary items	Valuation difference on available-for-sale securities	5,779	6,158	3,816
	Reserve for financial products transaction liabilities	181	157	181
	Allowance for doubtful accounts	0	0	0
	Total (B)	5,960	6,316	3,997
Deductible assets (C)		11,432	14,908	13,446
Unfixed equity capital (A)+(B)-(C) (D)		40,379	36,328	36,089
Risk items	Market risk	4,072	4,258	3,566
	Counterparty risk	645	828	731
	Basic risk	3,448	3,366	3,344
	Total (E)	8,165	8,452	7,643
Capital adequacy ratio (D)/(E)×100		494.5%	429.7%	472.1%