

Consolidated Financial Summary under Japanese GAAP

For the year ended March 31, 2021

April 28, 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 annual meeting of shareholders | June 25, 2021 |
| Scheduled date of filing financial report | June 28, 2021 |
| Scheduled date of dividend payment | June 07, 2021 |
| 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 March 31, 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 | % |
| Year ended, March 31, 2021 | 16,433 | 15.8 | 16,316 | 16.0 | 929 | 267.8 | 1,542 | 1.4 | 4,538 | 382.6 |
| Year ended, March 31, 2020 | 14,188 | 11.7 | 14,070 | 11.8 | 252 | — | 1,521 | — | 940 | 281.0 |

Note: Comprehensive income

Year ended, March 31, 2021: 10,369 million yen (-% vs same term previous year)

Year ended, March 31, 2020: △2,007 million yen (-% vs same term previous year)

| | Earnings per share | Diluted earnings per share | Return on equity | Return on assets | Gross profit margin |
|----------------------------|--------------------|----------------------------|------------------|------------------|---------------------|
| | yen | yen | % | % | % |
| Year ended, March 31, 2021 | 111.09 | — | 8.4 | 1.6 | 5.7 |
| Year ended, March 31, 2020 | 22.03 | — | 1.8 | 1.8 | 1.8 |

Note:

1. Equity gain (loss) of affiliated companies As of March 31, 2021: -- million yen As of March 31, 2020: -- million yen
2. 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 March 31, 2021 | 107,127 | 58,346 | 54.0 | 1,444.30 |
| As of March 31, 2020 | 85,134 | 50,141 | 58.9 | 1,182.85 |

Note: Shareholders' equity

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

As of March 31, 2020: 50,141 million yen

(3) Consolidated cash flow

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash & cash equivalents at the end of period |
|------------------------|--------------------------------------|--------------------------------------|--------------------------------------|----------------------------------------------|
| | million yen | million yen | million yen | million yen |
| Fiscal year ended 2021 | △1,618 | 4,111 | △1,783 | 16,231 |
| Fiscal year ended 2020 | 8,818 | △3,334 | △1,521 | 15,162 |

2. Dividends

| | Dividend per share | | | | | Total annual dividends | Dividends payout ratio (Consolidated) | Net assets dividend ratio (Consolidated) |
|------------------------------------|--------------------|-----------|-----------|-----------|--------------|------------------------|---------------------------------------|------------------------------------------|
| | End of 1Q | End of 2Q | End of 3Q | End of 4Q | Annual Total | | | |
| | yen | yen | yen | yen | yen | million yen | % | % |
| Fiscal year ended 2020 | — | 11 | — | 11 | 22 | 946 | 99.9 | 1.8 |
| Fiscal year ending 2021 | — | 11 | — | 21 | 32 | 1,303 | 28.8 | 2.4 |
| Fiscal year ending 2022 (Forecast) | — | — | — | — | — | | — | |

3. Earning forecast for the fiscal year ending March 31, 2022 (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 YES
(Changes pursuant to the subsidiaries that lead to a change in the scope of consolidation)
New: 1 (Ariake Secondary Fund II LP) Exclusion: None

- (2) 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

- (3) Number of issued shares (Common stock)
 - 1) Number of shares issued at the end of the term including treasury shares
As of March 31, 2021: 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 March 31, 2021: 7,498,290 shares As of March 31, 2020: 5,135,135 shares
 - 3) Average number of shares outstanding (Cumulative)
As of March 31, 2021: 40,856,070 shares As of March 31, 2020: 42,690,618 shares

(Reference)

1. Financial summary (From April 1, 2020 to March 31, 2021)

(1) 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 | % |
| Year ended, March 31, 2021 | 16,152 | 14.0 | 16,062 | 14.3 | 976 | 295.1 | 1,576 | 6.9 | 4,534 | 391.7 |
| Year ended, March 31, 2020 | 14,171 | 23.4 | 14,052 | 23.6 | 247 | — | 1,474 | — | 922 | 116.9 |

| | Earnings per share | Diluted earnings per share |
|----------------------------|--------------------|----------------------------|
| | yen | yen |
| Year ended, March 31, 2021 | 111.00 | — |
| Year ended, March 31, 2020 | 21.60 | — |

Note:

1. 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 | Net capital regulation ratio |
|----------------------|--------------|-------------|----------------------------|----------------------|------------------------------|
| | million yen | million yen | % | yen | % |
| As of March 31, 2021 | 105,682 | 57,092 | 54.0 | 1,426.32 | 409.8 |
| As of March 31, 2020 | 84,870 | 49,825 | 58.7 | 1,175.40 | 472.1 |

Note: Shareholders' equity

As of March 31, 2021: 57,092 million yen

As of March 31, 2020: 49,825 million yen

※ 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.

Supporting Materials

Table of contents

| | |
|--------------------------------------------------------------------------|----|
| 1. Financial results for the year ended March 31, 2021 | |
| (1) Explanation of business results | 1 |
| (2) Explanation of the financial results | 2 |
| (3) Explanation of cash flows | 2 |
| (4) Explanation on the forecast of consolidated business results | 2 |
| 2. Basic approach of selecting accounting standards | 2 |
| 3. Consolidated financial statements and major notes | |
| (1) Consolidated balance sheet | 3 |
| (2) Consolidated statements of income and comprehensive income statement | 5 |
| (3) Consolidated statements of changes in net assets | 7 |
| (4) Consolidated statements of cash flows | 9 |
| (5) Notes on consolidated financial statements | 11 |
| (Notes on going concern assumption) | 11 |
| (Additional information) | 11 |
| (Segment information) | 17 |
| (Per share information) | 17 |
| (Important subsequent events) | 18 |
| 4. Supplementary information | |
| Consolidated business results for the year ended March 31, 2021 | |
| (1) Commission received | 20 |
| (2) Net trading income | 20 |
| (3) Comparative quarterly consolidated statements of income | 21 |
| 5. Financial statements and major notes | |
| (1) Balance sheet | 22 |
| (2) Statements of income | 24 |
| 6. Supplementary information | |
| (1) Commissions received | 25 |
| (2) Net trading income | 25 |
| (3) Equity trading volume (excluding futures etc.) | 26 |
| (4) Underwriting & distribution activities | 26 |
| (5) Capital adequacy ratio | 26 |
| (6) Comparative quarterly income statement | 27 |

1. Financial results for the year ended March 31, 2021

(1) Explanation of the business results

For the reporting period, operating revenue increased by 15.8% to 16,433 million yen; operating profit increased by 267.8% to 929 million yen; ordinary profit increased by 1.4% to 1,542 million yen; and profit attributable to owners of parent increased by 382.6% to 4,538 million yen.

For the year ended March 31, 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)

For the financial year ended March 2021, Total commissions received increased by 41.7% to 10,401 million yen. Details are as follow:

- 1) Brokerage commission
Increased by 45.5% to 7,868 million yen due to increase in the trade value of foreign equities.
- 2) Commission from underwriting, secondary distribution and solicitation towards professional investors
Declined by 67.7% to 4 million yen due to decline in underwriting of domestic equities.
- 3) Fee from offering, secondary distribution and solicitation towards professional investors
Increased by 22.9% to 825 million yen due to increase in the sales of mutual funds.
- 4) Other fees received
Increased by 36.3% to 1,701 million yen due to increase in the handling and incentive fees of Fund Wrap.

(Net trading income)

For the financial year ended March 2021, Net trading income declined by 12.2% to 5,550 million yen. Details are as follow:

- 1) Equities
Increased by 10.6% to 4,644 million yen due increase in the trading value of foreign equities OTC trades.
- 2) Bonds
Declined by 83.3% to 260 million yen due reduced handling of foreign bonds.
- 3) Others
Increased by 14.6% to 645 million yen due forex trades.

(Net financial income)

Net financial income declined by 18.8% to 316 million yen. Under this category, income declined by 19.9% to 407 million yen due decline in income from margin trades, and expenses declined by 23.4% to 90 million yen due to decline in expenses from margin trades.

(Selling, general and administrative expenses)

Selling, general and administrative expenses increased by 11.4% to 15,386 million yen due to increase in personnel expenses.

(Non-operating profit and losses)

Non-operating profit was 612 million yen. Under this category, income were 862 million yen including the dividend income of 498 million yen and profit distributions of 194 million yen. While expenses under this category were 249 million yen including the 212 million yen loss from investment in partnership.

(Extraordinary profit and losses)

Total extraordinary profit was 4,800 million yen. Under this category, income were 5,654 million yen including the 4,246 million yen gain from sales of non-current assets and 1,336 million yen gain from sale on investment securities. While losses were 853 million yen including the 806 million yen loss on sales of investment securities.

(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 107,127 million yen, an increase of 21,992 million yen. This was due to increase of 5,650 million yen in cash and deposits; 2,462 million yen in margin transaction assets; 3,865 million yen in rental real-estate and 9,078 million yen in operational investment securities respectively.

(Liabilities)

As of at the end of the period under review, total liabilities was 48,781 million yen, an increase of 13,788 million yen. This was due to increase of 1,712 million yen in margin transaction liabilities; 6,586 million yen in deposits received and 3,162 million yen in deferred tax liabilities respectively.

(Net assets)

As for the period under review, total net assets was 58,346 million yen, an increase of 8,204 million yen. Under this category, net assets declined by 1,767 million yen due to increase in treasury shares; valuation difference on available-for-sale securities increased by 5,596 million yen; retained earnings increased by 3,614 million yen.

(3) Explanation of the cash flows

For the financial year ended March 2021, Cash and cash equivalents increased by 1,069 million yen to 16,231 million yen. Details are as follow:

(Cash flow from operating activities)

Net cash used in operating activities was 1,618 million yen. This was mainly due to increase in cash deposits and Cash segregated as deposits for customers.

(Cash flow from investing activities)

Net cash provided by investing activities was 4,111 million yen. This was mainly due to sale of non-current assets and purchase in investment securities.

(Cash flow from financing activities)

Net cash provided by investing activities was 1,783 million yen. This was mainly due to purchase of treasury shares.

(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. Basic approach of selecting accounting standards

Company uses Japanese GAAP accounting standards to ensure the comparison with previous terms. In regard to applying the IFRS accounting standards in future, company will take appropriate measures in consideration of various domestic and international situations.

3. Consolidated financial statements and major notes

(1) Consolidated balance sheet

(million yen)

| | As of March 31, 2020 | As of March 31, 2021 |
|-------------------------------------------------------------------------|----------------------------|----------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposit | 15,635 | 16,707 |
| Cash segregated as deposits | 22,089 | 27,740 |
| Cash segregated as deposits for customers | 22,089 | 27,739 |
| Other deposits | 0 | 0 |
| Operational investment securities | 495 | 1,117 |
| Trading products | 996 | 244 |
| Trading securities and other | 996 | 244 |
| Trade date accrual | 357 | 817 |
| Margin transaction assets | 13,834 | 16,297 |
| Loans on margin transactions | 13,418 | 15,638 |
| Cash collateral pledged for securities borrowing on margin transactions | 415 | 658 |
| Advances paid | 238 | 163 |
| Advances paid to customers | 236 | 160 |
| Other advance payments | 2 | 3 |
| Other current assets | 1,184 | 1,351 |
| Allowance for doubtful accounts | △0 | △0 |
| Total current assets | 54,831 | 64,440 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Building (net amount) | 1,186 | 716 |
| Office equipment (net amount) | 267 | 346 |
| Land | 2,179 | 913 |
| Rental real-estate (net amount) | 858 | 4,724 |
| Others | 0 | — |
| Total property, plant and equipment | 4,492 | 6,701 |
| Intangible assets | | |
| Goodwill | — | 295 |
| Software | 8 | 27 |
| Others | 49 | 49 |
| Total intangible assets | 58 | 372 |
| Investments and other assets | | |
| Investment securities | 24,451 | 33,530 |
| Net defined benefit asset | 616 | 1,069 |
| Deferred tax assets | 1 | — |
| Others | 768 | 1,017 |
| Allowance for doubtful accounts | △85 | △5 |
| Total investments and other assets | 25,751 | 35,612 |
| Total non-current assets | 30,303 | 42,686 |
| Total assets | 85,134 | 107,127 |

(million yen)

| | As of March 31, 2020 | As of March 31, 2021 |
|-------------------------------------------------------------|----------------------------|----------------------------|
| Liabilities | | |
| Current liabilities | | |
| Trading products | 91 | 94 |
| Trading securities and other | 90 | 85 |
| Derivatives trading | 1 | 9 |
| Margin transaction liabilities | 1,365 | 1,861 |
| Borrowings on margin transactions | 391 | 585 |
| Cash received for securities lending on margin transactions | 974 | 1,276 |
| Loans payable secured by securities | 1,218 | 2,930 |
| Cash received on debt credit transaction of securities | 1,218 | 2,930 |
| Deposits received | 18,395 | 24,982 |
| Deposits from customers | 16,297 | 21,024 |
| Other deposits | 2,098 | 3,957 |
| Guarantee deposits received | 5,770 | 5,482 |
| Short-term loans payable | 3,795 | 3,795 |
| Income taxes payable | 216 | 994 |
| Provision for bonuses | 443 | 652 |
| Provision for director bonuses | 21 | 31 |
| Other current liabilities | 1,054 | 1,204 |
| Total current liabilities | 32,373 | 42,029 |
| Non-current liabilities | | |
| Long-term borrowings | — | 934 |
| Deferred tax liabilities | 1,988 | 5,150 |
| Provision for share based remuneration | 68 | 151 |
| Other non-current liabilities | 380 | 369 |
| Total non-current liabilities | 2,437 | 6,605 |
| Reserves under special laws | | |
| Reserve for financial instruments transaction liabilities | 181 | 146 |
| Total reserves under special laws | 181 | 146 |
| Total liabilities | 34,992 | 48,781 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 8,000 | 8,000 |
| Capital surplus | 8,097 | 8,087 |
| Retained earnings | 31,774 | 35,388 |
| Treasury shares | △1,580 | △3,348 |
| Total shareholders' equity | 46,291 | 48,128 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 4,011 | 9,607 |
| Remeasurements of defined benefit plans | △161 | 75 |
| Total accumulated other comprehensive income | 3,850 | 9,683 |
| Non-controlling interests | | |
| Total net assets | 50,141 | 58,346 |
| Total liabilities and net assets | 85,134 | 107,127 |

(2) Consolidated statements of income and comprehensive income statement**Consolidated statements of income** (For the year ended March 31, 2021)

(million yen)

| | Year ended March 31, 2020 | Year ended March 31, 2021 |
|-----------------------------------------------------------------------|------------------------------|------------------------------|
| Operating revenue | | |
| Commission received | 7,342 | 10,401 |
| Net trading income | 6,320 | 5,550 |
| Financial revenue | 508 | 407 |
| Others | 17 | 73 |
| Total operating revenue | 14,188 | 16,433 |
| Financial expenses | 118 | 90 |
| Other operating expenses | — | 26 |
| Net operating revenue | 14,070 | 16,316 |
| Selling, general and administrative expenses | | |
| Trading related expenses | 2,265 | 2,431 |
| Personnel expenses | 7,631 | 8,365 |
| Real estate expenses | 1,196 | 1,263 |
| Office expenses | 1,857 | 2,135 |
| Depreciation | 307 | 414 |
| Taxes and dues | 250 | 379 |
| Provision of allowance for doubtful accounts | △0 | △0 |
| Others | 308 | 395 |
| Total selling, general and administrative expenses | 13,817 | 15,386 |
| Operating profit | 252 | 929 |
| Non-operating income | | |
| Dividend income | 534 | 498 |
| Profit distributions | 451 | 194 |
| Gain on investments in partnership | 263 | — |
| Reversal of allowance for doubtful accounts | 0 | 0 |
| Relief grants | — | 112 |
| Others | 51 | 56 |
| Total non-operating income | 1,301 | 862 |
| Non-operating expenses | | |
| Loss on investment in partnership | — | 212 |
| Settlement expenses | 28 | 21 |
| Others | 3 | 15 |
| Total non-operating expenses | 32 | 249 |
| Ordinary profit | 1,521 | 1,542 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 1 | 4,246 |
| Gain on sales of investment securities | 398 | 1,336 |
| Gain on step acquisitions | — | 36 |
| Reversal of reserve for financial instruments transaction liabilities | 0 | 35 |
| Total extraordinary income | 399 | 5,654 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 3 | 21 |
| Loss on retirement of non-current assets | — | 19 |
| Loss on sales of investment securities | 6 | 806 |
| Loss on valuation of investment securities | 601 | — |
| Impairment loss | 2 | 5 |
| Total extraordinary losses | 613 | 853 |
| Profit before income taxes | 1,307 | 6,343 |
| Income taxes – current | 315 | 1,059 |
| Income taxes – deferred | 51 | 747 |
| Total income taxes | 367 | 1,806 |
| Profit | 940 | 4,536 |
| Profit (loss) attributable to non-controlling interests | — | △1 |
| Profit attributable to owners of parent | 940 | 4,538 |

Consolidated comprehensive income statement (For the year ended March 31, 2021)

(million yen)

| | Year ended March 31, 2020 | Year ended March 31, 2021 |
|-------------------------------------------------------------|------------------------------|------------------------------|
| Profit | 940 | 4,536 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | △ 2,725 | 5,596 |
| Remeasurements of defined benefit plans | △ 222 | 236 |
| Total accumulated other comprehensive income | △ 2,948 | 5,833 |
| Comprehensive income | △ 2,007 | 10,369 |
| (Description) | | |
| Comprehensive income attributable to owners of parent | △ 2,007 | 10,368 |
| Comprehensive income attributable to non-controlling owners | — | 1 |

(3) Consolidated statements of change in net assets

(From April 1, 2019 to March 31, 2020)

(million yen)

| | Shareholder's equity | | | | | Total accumulated other comprehensive income | | | Non-controlling interests | Total net assets |
|-------------------------------------------------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|-------------------------------------------------------|-----------------------------------------|----------------------------------------------|---------------------------|------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholder's equity | Valuation difference on available-for-sale securities | Remeasurements of defined benefits plan | Total accumulated other comprehensive income | | |
| Balance at the beginning of current period | 8,000 | 7,863 | 31,952 | △988 | 46,827 | 6,737 | 61 | 6,798 | — | 53,626 |
| Changes of items during current period | | | | | | | | | | |
| Dividends of surplus | | | △1,118 | | △1,118 | | | | | △1,118 |
| Profit attributable to owners of parent | | | 940 | | 940 | | | | | 940 |
| Purchase of treasury shares | | | | △397 | △397 | | | | | △397 |
| Restricted shares remuneration | | 24 | | 14 | 39 | | | | | 39 |
| Purchase of treasury shares for ESOP | | | | △332 | △332 | | | | | △332 |
| Disposal of treasury shares | | 210 | | 122 | 332 | | | | | 332 |
| Disposal of treasury shares for ESOP | | | | 0 | 0 | | | | | 0 |
| Change in the ownership interest of parent due to transaction with non-controlling shareholders | | — | | | — | | | | | — |
| Net change in items other than shareholder's equity | | | | | | △2,725 | △222 | △2,948 | — | △2,948 |
| Total changes of items during period | — | 234 | △178 | △592 | △536 | △2,725 | △222 | △2,948 | — | △3,484 |
| Balance at end of current period | 8,000 | 8,097 | 31,774 | △1,580 | 46,291 | 4,011 | △161 | 3,850 | — | 50,141 |

(From April 1, 2020 to March 31, 2021)

(million yen)

| | Shareholder's equity | | | | | Total accumulated other comprehensive income | | | Non-controlling interests | Total net assets |
|-------------------------------------------------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|-------------------------------------------------------|-----------------------------------------|----------------------------------------------|---------------------------|------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholder's equity | Valuation difference on available-for-sale securities | Remeasurements of defined benefits plan | Total accumulated other comprehensive income | | |
| Balance at the beginning of current period | 8,000 | 8,097 | 31,774 | △1,580 | 46,291 | 4,011 | △161 | 3,850 | — | 50,141 |
| Changes of items during current period | | | | | | | | | | |
| Dividends of surplus | | | △924 | | △924 | | | | | △924 |
| Profit attributable to owners of parent | | | 4,538 | | 4,538 | | | | | 4,538 |
| Purchase of treasury shares | | | | △1,797 | △1,797 | | | | | △1,797 |
| Restricted shares remuneration | | 23 | | 22 | 46 | | | | | 46 |
| Purchase of treasury shares for ESOP | | | | — | — | | | | | — |
| Disposal of treasury shares | | — | | — | — | | | | | — |
| Disposal of treasury shares for ESOP | | | | 7 | 7 | | | | | 7 |
| Change in the ownership interest of parent due to transaction with non-controlling shareholders | | △34 | | | △34 | | | | | △34 |
| Net change in items other than shareholder's equity | | | | | | 5,596 | 236 | 5,833 | 534 | 6,367 |
| Total changes of items during period | — | △10 | 3,614 | △1,767 | 1,836 | 5,596 | 236 | 5,833 | 534 | 8,204 |
| Balance at end of current period | 8,000 | 8,087 | 35,388 | △3,348 | 48,128 | 9,607 | 75 | 9,683 | 534 | 58,346 |

(4) Consolidated statements of cash flows

(million yen)

| | Year ended March 31, 2020 | Year ended March 31, 2021 |
|-----------------------------------------------------------------------------------|------------------------------|------------------------------|
| Cash flows from operating activities | | |
| Income before income taxes | 1,307 | 6,343 |
| Depreciation | 307 | 414 |
| Amortization of goodwill | — | 43 |
| Impairment loss | 2 | 5 |
| Increase (decrease) in allowance for doubtful accounts | △0 | △1 |
| Increase (decrease) in provision for bonuses | 127 | 208 |
| Increase(decrease) in provision for director's bonuses | 21 | 9 |
| Increase (decrease) in provision share based enumeration | 68 | 82 |
| Increase (decrease) in net defined benefit assets | △165 | △368 |
| Interest and dividend income | △1,047 | △923 |
| Interest expenses | 118 | 90 |
| Loss(gain) on sales of investment securities | △391 | △529 |
| Loss(gain) on valuation of investment securities | 601 | — |
| Loss(gain) on step acquisitions | — | △36 |
| Loss(gain) on sales of non-current assets | 2 | △4,224 |
| Loss (gain) on investment in partnership | △263 | 212 |
| Decrease(increase) in cash segregated as deposits for customers | △1,521 | △5,650 |
| Increase (decrease) in advance paid | 547 | 74 |
| Increase(decrease) in trading products-assets | △597 | 751 |
| Increase(decrease) in trade date accrual | 351 | △459 |
| Increase (decrease) in operational investment securities | △399 | 160 |
| Increase(decrease) in margin transaction assets | 5,918 | △2,462 |
| Increase (decrease) in real-estate rent | △858 | △3,878 |
| Increase (decrease) in the reserve for financial products transaction liabilities | △0 | △35 |
| Increase(decrease) in deposits received | 3,725 | 6,566 |
| Increase(decrease) in trading products-liabilities | △93 | 3 |
| Increase(decrease) in margin transaction liabilities | △259 | 496 |
| Increase(decrease) in loans secured by securities | 113 | 1,712 |
| Increase(decrease) in guarantee deposits received | 0 | △287 |
| Others | 371 | △148 |
| Subtotal | 7,986 | △2,150 |
| Interest and dividend income received | 1,085 | 922 |
| Interest expenses paid | △119 | △98 |
| Income taxes paid | △243 | △301 |
| Income taxes (paid) refund | 109 | 9 |
| Net cash provided by (used in) operating activities | 8,818 | △1,618 |

(million yen)

| | Year ended March 31, 2020 | Year ended March 31, 2021 |
|--------------------------------------------------------------------------------|------------------------------|------------------------------|
| Cash flow from investing activities | | |
| Payments into time deposits | △410 | △410 |
| Proceeds from withdrawal of time deposits | 409 | 408 |
| Purchase of sales of property, plant and equipment | △109 | △337 |
| Proceeds from sale of property, plant and equipment | 78 | 5,887 |
| Purchase of intangible assets | — | △25 |
| Purchase of investment securities | △4,189 | △6,558 |
| Proceeds from sale of investment securities | 441 | 5,592 |
| Proceeds from dividends of investment in partnerships | 593 | 327 |
| Purchase of shares of subsidiary resulting in change in scope of consolidation | — | △305 |
| Payment for guarantee deposits | △47 | △414 |
| Proceeds from collection of guarantee deposits | 107 | 64 |
| Acquisition of long-term prepaid expenses | △170 | △77 |
| Asset retirement obligations | △33 | △48 |
| Others | △3 | 8 |
| Net cash provided by (used in) investing activities | △3,334 | 4,111 |
| Cash flows from financing activities | | |
| Proceeds from long-term loans payable | — | 950 |
| Repayments on long-term loans payable | — | △15 |
| Repayments of lease obligations | △0 | △1 |
| Purchase of treasury shares | △729 | △1,797 |
| Proceeds from sales of treasury shares | 332 | 7 |
| Cash dividends paid | △1,123 | △926 |
| Net cash provided by (used in) financing activities | △1,521 | △1,783 |
| Difference in cash and cash equivalents | △270 | 360 |
| Increase (decrease) in cash and cash equivalents | 3,692 | 1,069 |
| Cash and cash equivalents at start of period | 11,469 | 15,162 |
| Cash and cash equivalents at end of period | 15,162 | 16,231 |

(5) Notes on consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Additional information)

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 323 million yen for 487 thousand shares as of March 31, 2021.

Sale of non-current assets

At the board of directors meeting held on October 30, 2020, the Company resolved to sell the non-current assets mentioned below. The share purchase agreement was concluded on November 6, 2020 and the transfer of assets was concluded on December 15, 2020.

- Reason for sale of non-current asset
In order to efficiently utilize the resources and strengthen the financial position of company.
- Details of transaction

| Detail of Assets | Current Occupancy |
|------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|
| 1-20-9, Nihonbashi, Chuo Ku, Tokyo Land area: 394.11 m ² Built up area: 2,228.52 m ² | Aizawa Building (Still in use as office) |
| 1-20-1, Nihonbashi, Chuo Ku, Tokyo 1-20-7, Nihonbashi, Chuo Ku, Tokyo Land area: 167.70 m ² Built up area: 979.83 m ² | Kabutocho Building (Still in use as office) |

- Description of transaction
Due to agreement with the transferee, the company cannot disclose the name of the transferee. There are no capital tie up relationships, personal relationships, business relationships between the Company and the transferee.
Company has entered into a rental agreement with the transferee with effect from the transfer date and is still using the above mentioned assets as office.
- Dates relating transaction
 - Date of board resolution October 30, 2020
 - Date of agreement November 6, 2020
 - Date of transfer December 15, 2020
- Impact on company's financial
Extra ordinary profit of 4,246 million yen from the sales of non-current assets have been booked in the financial result for FY2021.

(Notes on business combination etc.)

Business combination through acquisition

At the board of directors meeting held on May 20, 2020, the Company resolved to make Asuka Asset Management Co., Ltd., a subsidiary company. The agreement on transfer of holdings was concluded on same day and transfer of holding was completed on June 02, 2020.

1. Description

(1) Name of acquired company and details of its businesses

Name of acquired company Asuka Asset Management Co., Ltd.

Business details Type II financial business, Investment advisory, Investment management & Agency business

(2) Purpose of business combination

Aizawa Securities Co., Ltd. Group 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.

Asuka Asset Management Co., Ltd. is a pioneer in Japan's hedge fund industry, specializing in Alternative investments. As the group is focusing on asset building business, its addition to group with enhanced investment skills and techniques will lead synergies like; offering better products to clients, enhancement of services for financial institutions and better performance of proprietary investments. We plan to strengthen our asset building business and services towards financial institutions.

(3) Acquisition date

June 02, 2020

(4) Acquisition type

Acquired share holdings with cash transaction

(5) Name change after acquisition

Aizawa Asset Management Co., Ltd.

Asuka Asset Management Co., Ltd. merged with company's consolidated subsidiary Akebono Asset Management Ltd. in an absorption type merger on February 1, 2021 and changed its name to Aizawa Asset Management Co., Ltd.

(6) Acquired voting rights

100%

(7) Main grounds for deciding the acquired company

On the basis of acquisition of shares by the company' cash.

2. Period of performance of the acquired company included in the consolidated income statement for the current fiscal year

From June 1, 2021 to January 31, 2021

3. Details on the transaction cost

Due to the existence of non-disclosure agreement, we cannot disclose the transaction numbers. The acquiring cost is less than the 15% of the net assets of the consolidated results of the year ended in March 2020.

4. Details on goodwill, depreciation

(1) Occurrence of Goodwill amount

79 million yen

(2) Reason for occurrence

Acquisition cost exceeded the market value and net assets at the time of the business combination.

(3) Depreciation method & period

3 years straight line depreciation

5. Details of inherited Assets & Liabilities as on date of agreement

| | |
|--------------------------|------------------------|
| Current assets | 216 million yen |
| Non-current assets | 57 million yen |
| Total assets | 274 million yen |
| Current liabilities | 50 million yen |
| Non-current liabilities | 3 million yen |
| Total liabilities | 53 million yen |

6. Estimated impact on the consolidated income statement for the current consolidated fiscal year and its calculation method, assuming that the business combination was completed on the first day of current consolidated fiscal year.

Details are omitted due to no important impact.

This note has not been verified by auditor.

Business combination through acquisition

At the board of directors meeting held on November 13, 2020, the Company resolved to make Akebono Asset Management Ltd., a subsidiary company. The agreement on transfer of holdings was concluded on December 1, 2020, and transfer of holding was completed on December 8, 2020.

1. Description

- (1) Name of acquired company and details of its businesses

Name of acquired company Akebono Asset Management Ltd.

Business details Type II financial business, Investment advisory, Investment management & Agency business

- (2) Purpose of business combination

Aizawa Securities Co., Ltd. Group 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.

Akebono Asset Management Ltd. is an alternative investment management company specializing in private equity, venture capital and less liquid products. With the acquisition of Akebono Asset Management Ltd., the investment structure will become more diverse and stronger. This will help the group in catering the various needs of the investors including the domestic and foreign institutional investors.

- (3) Acquisition date

December 8, 2020

- (4) Acquisition type

Acquired share holdings with cash transaction

- (5) Name change after acquisition

Not applicable

- (6) Acquired voting rights

73.75%

- (7) Main grounds for deciding the acquired company

On the basis of acquisition of shares by the company' cash.

2. Period of performance of the acquired company included in the consolidated income statement for the current fiscal year

From January 1, 2021 to February 28, 2021

3. Details on the transaction cost
Due to the existence of non-disclosure agreement, we cannot disclose the transaction numbers. The acquiring cost is less than the 15% of the net assets of the consolidated results of the year ended in March 2021.
4. Details on goodwill, depreciation
 - (1) Occurrence of Goodwill amount
259 million yen
 - (2) Reason for occurrence
Acquisition cost exceeded the market value and net assets at the time of the business combination.
 - (3) Depreciation method & period
3 years straight line depreciation
5. Details of inherited Assets & Liabilities as on date of agreement

| | |
|--------------------------|-----------------------|
| Current assets | 43 million yen |
| Non-current assets | 11 million yen |
| Total assets | 55 million yen |
| Current liabilities | 7 million yen |
| Non-current liabilities | - million yen |
| Total liabilities | 7 million yen |

6. Estimated impact on the consolidated income statement for the current consolidated fiscal year and its calculation method, assuming that the business combination was completed on the first day of current consolidated fiscal year.

Details are omitted due to no important impact.
This note has not been verified by auditor.

Business combination through investment in fund interest

On February 16, 2021, company made an investment in Ariake Secondary Fund II LP, an investment manager to Aizawa Asset Management co., ltd. , a subsidiary of company.
Since the total investment amount of the Fund is equivalent to more than 10/100 of the capital of the Company, the Fund is a specified subsidiary of the Company.

1. Description
 - (1) Name and details of transaction

| | |
|------|-----------------------------|
| Name | Ariake Secondary Fund II LP |
| Type | Investment fund |
 - (2) Purpose of business combination
By investing in this fund managed by Aizawa Asset Management Co., Ltd., a consolidated subsidiary of the Company, it is expected that the efficiency of operations and cooperation among group companies will be strengthened. By investing in this fund, which acquires domestic and foreign fund interests and unlisted stocks in the secondary market, company can gain discounted investment know-how and diversification in assets under management.
 - (3) Transaction date
February 16, 2021
 - (4) Transaction type
Acquired fund interest in cash transaction
 - (5) Name change after transaction
Not applicable

- (6) Acquired fund interest
71.3%
- (7) Main grounds for deciding the investment
On the basis of acquisition of fund interest by the company' cash.
2. Period of performance of the transaction included in the consolidated income statement for the current fiscal year
The transaction has been consolidated only in the balance sheet of the company and not in the income statement.
3. Details of investment
Investment amount: 9 million USD
4. Details on goodwill, depreciation
Not applicable
5. Details of inherited Assets & Liabilities as on date of agreement
- | | |
|--------------------------|--------------------------|
| Current assets | 1,495 million yen |
| Non-current assets | - million yen |
| Total assets | 1,495 million yen |
| Current liabilities | - million yen |
| Non-current liabilities | - million yen |
| Total liabilities | - million yen |
6. Estimated impact on the consolidated income statement for the current consolidated fiscal year and its calculation method, assuming that the business combination was completed on the first day of current consolidated fiscal year.

Details are omitted due to no important impact.
This note has not been verified by auditor.

Transaction under common control
Absorption type merger of subsidiary companies and change in name

At the board of directors meeting held on November 13, 2020, it was resolved that company's subsidiary, Asuka Asset Management Co., Ltd., will merge with Akebono Asset Management Ltd. in absorption type merger. Merger was conducted on February 1, 2021.

1. Purpose of merger
After absorbing Akebono Asset Management Ltd., Asuka asset Management Co., Ltd. will change its name to Aizawa Asset Management Co., Ltd. The post-merger new company will strive to create an alternative asset management company that responds to the needs of the investors in Japan and also contribute to diversifying and enhancing the Aizawa Securities Group's asset building business.
2. Description
- (1) Names and details of acquired company
- (Surviving company)
- | | |
|-------------------------------------------|------------------------------------------------------------------------------------------|
| Names of companies involved in the merger | Asuka Asset Management Co., Ltd. |
| Business details | Type II financial business, Investment advisory, Investment management & Agency business |
- (Absorbed company)
- | | |
|-------------------------------------------|------------------------------------------------------------------------------------------|
| Names of companies involved in the merger | Akebono Asset Management Ltd. |
| Business details | Type II financial business, Investment advisory, Investment management & Agency business |

(2) Merger date February 1, 2021

(3) Merger Type

This is an absorption-type merger in which Asuka Asset Management Co., Ltd. is the surviving company and Akebono Asset Management Ltd. is dissolved.

(4) New shares issued and allotment

| | Asuka Asset Management Co., Ltd. (Surviving company) | Akebono Asset Management Ltd. (Absorbed company) |
|------------------------|------------------------------------------------------|--------------------------------------------------|
| Share allocation ratio | 1 | 13.453 |

(5) Inherited Assets/Liabilities

Inherited all the assets, liabilities, rights and obligations of Akebono Asset Management Ltd. with effect from the merger date (effective date).

(6) Description of surviving company post-merger

| | |
|------------------------|------------------------------------------------------------------------------------------|
| Name | Aizawa Asset Management Co., Ltd. |
| Head office | 1-3-3 Uchisaiwaicho, Uchisiwai Building 6F Chiyoda-ku, Tokyo |
| Representative | Shinichiro Shiraki, CEO |
| Capital | 95 million yen |
| Acquired voting rights | 85.0% |
| Business details | Type II financial business, Investment advisory, Investment management & Agency business |

3. Accounting practice in regard with this Merger

Scheduled to be processed as transaction of business combinations under common control in lieu with the [Accounting standard for business combinations] (ASBJ Statement No. 21 dated as on January 1, 2019) and [Accounting standard for business combinations and business separations] (ASBJ Statement No. 10 dated as on January 1, 2019).

(Segment information)

Group is operating and conducting financial services mainly in these 4 segments: 1) Trading of stocks 2) Trading and brokerage of stocks 3) Underwriting and sales of stocks 4) Underwriting and distribution of stocks. Group falls under the segment of 「Investment/Financial services」 as its revenues are generated from above mentioned operational activities and related other financial services.

(Per share information)

| | Year ended March 31, 2020 | Year ended March 31, 2021 |
|----------------------|---------------------------|---------------------------|
| Net assets per share | 1,182.85 yen | 1,444.30 yen |
| Net income per share | 22.03 yen | 111.09 yen |

(Note)

- 1) Diluted profit (loss) per share are not applicable due to non-existence of potential shares outstanding having dilution effect.
- 2) Computation of the net income per share is based on following
- 3) The shares of the company remaining in the trust recorded as treasury stock in shareholders' equity are included in the treasury stock to be deducted in the calculation of the average number of shares during the period in the calculation of net income per share. In calculating net income per share, the average number of treasury stock deducted was 4,835,031 shares in the previous consolidated fiscal year and 6,669,579 shares in the current consolidated fiscal year.

| | Year ended March 31, 2020 | Year ended March 31, 2021 |
|--------------------------------------------------------------------------------------|---------------------------|---------------------------|
| Net income per share | | |
| Profit attributable to owners of parent (million yen) | 940 | 4,538 |
| Profit not attributable to common shareholders (million yen) | — | — |
| Profit related to common shareholders attributable to owners of parent (million yen) | 940 | 4,538 |
| Average number of common stock outstanding during this year (thousands of shares) | 42,690 | 40,856 |

(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: 89,300 shares
 - 3) Value of shares: 89 million yen
 - 4) Buyback term: From April 1, 2021 to April 22, 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 April 22, 2021 is as follow:

- 1) Number of treasury shares purchase completed: 324,800 shares
- 2) Value of treasury shares purchase completed: 327 million yen

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. It was resolved that company will establish two 100% subsidiary preparatory 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 February 12, 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 agreement were also concluded on same day.

After the completion of absorption type company split, company plans to change its name to "AIZAWA SECURITIES GROUP CO., LTD." on October 1, 2021. Company also plans to become a company with audit and supervisory committee in parallel with change to holding company structure. The shift to the holding company structure is subject to approval at the shareholder's meeting to be held in June, 2021 and fulfillment of necessary registration and approval from the regulators to be done by newly established subsidiary companies.

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. 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 (planned) |
| Effective date of company split | October 01, 2021 (planned) |

(2) Structure

After conducting the 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. 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 01, 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 |

4. Supplementary information

Consolidated business results for the year ended March 31, 2021

(1) Commission received

A) Breakdown of commission received

(million yen)

| | Year ended March 31, 2020 (A) | Year ended March 31, 2021 (B) | Change (B/A) |
|------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|-----------------|
| Brokerage commission | 5,406 | 7,868 | 145.5% |
| Equities | 5,271 | 7,753 | 147.1% |
| Bonds | — | — | — |
| Beneficiary securities | 134 | 114 | 85.5% |
| Commission from underwriting, secondary distribution and solicitation towards professional investors | 15 | 4 | 32.3% |
| Equities | 11 | 3 | 30.1% |
| Bonds | 3 | 1 | 39.0% |
| Fee from offering, secondary distribution and solicitation towards professional investors | 672 | 825 | 122.9% |
| Other fees received | 1,248 | 1,701 | 136.3% |
| Total | 7,342 | 10,401 | 141.7% |

B) Product wise breakdown

(million yen)

| | Year ended March 31, 2020 (A) | Year ended March 31, 2021 (B) | Change (B/A) |
|------------------------|-------------------------------------|----------------------------------|-----------------|
| Equities | 5,344 | 7,819 | 146.3% |
| Bonds | 4 | 1 | 41.0% |
| Beneficiary securities | 1,492 | 1,608 | 107.8% |
| Others | 500 | 971 | 193.9% |
| Total | 7,342 | 10,401 | 141.7% |

(2) Net trading income

(million yen)

| | Year ended March 31, 2020 (A) | Year ended March 31, 2021 (B) | Change (B/A) |
|-------------------|-------------------------------------|----------------------------------|-----------------|
| Equities etc. | 4,197 | 4,644 | 110.6% |
| Bonds, forex etc. | 2,122 | 906 | 42.7% |
| Bonds etc. | 1,559 | 260 | 16.7% |
| Forex etc. | 563 | 645 | 114.6% |
| Total | 6,320 | 5,550 | 87.8% |

(3) Comparative quarterly consolidated statements of income

(million yen)

| | FY 2020 | | | | FY 2021 | | | |
|------------------------------------------------------------------------------------------------------------|------------------------|------------------------|-----------------------|-------------------------|------------------------|------------------------|-----------------------|-------------------------|
| | 1Q ended June 30 | 2Q ended Sept.30 | 3Q ended Dec.31 | 4Q ended March 31 | 1Q ended June 30 | 2Q ended Sept.30 | 3Q ended Dec.31 | 4Q ended March 31 |
| Operating revenue | | | | | | | | |
| Commission received | 1,783 | 1,508 | 2,106 | 1,943 | 2,463 | 2,491 | 2,564 | 2,881 |
| Brokerage commission | 1,230 | 1,086 | 1,585 | 1,503 | 2,052 | 1,926 | 1,925 | 1,964 |
| Commission from underwriting, secondary distribution and solicitation towards professional investors | 11 | 1 | 0 | 1 | 1 | 1 | 1 | 1 |
| Fee from offering, secondary distribution and solicitation towards professional investors | 196 | 125 | 219 | 130 | 116 | 172 | 209 | 326 |
| Other fees received | 344 | 295 | 300 | 308 | 293 | 391 | 428 | 588 |
| Net trading income | 1,611 | 1,738 | 1,312 | 1,658 | 1,003 | 1,742 | 1,567 | 1,237 |
| Financial revenue | 114 | 140 | 113 | 140 | 96 | 110 | 100 | 99 |
| Others | 6 | 6 | 6 | △1 | 7 | 19 | 22 | 23 |
| Total operating revenue | 3,514 | 3,394 | 3,538 | 3,741 | 3,571 | 4,364 | 4,255 | 4,241 |
| Financial expenses | 25 | 34 | 32 | 26 | 24 | 25 | 20 | 20 |
| Other operating expenses | — | — | — | — | 2 | 8 | 6 | 8 |
| Net operating revenue | 3,489 | 3,360 | 3,505 | 3,715 | 3,543 | 4,331 | 4,228 | 4,212 |
| Selling, general and administrative expenses | | | | | | | | |
| Trading related expenses | 594 | 501 | 591 | 579 | 547 | 625 | 603 | 655 |
| Personnel expenses | 1,898 | 1,871 | 1,915 | 1,946 | 1,908 | 2,239 | 2,133 | 2,084 |
| Real estate expenses | 296 | 299 | 304 | 296 | 290 | 306 | 302 | 363 |
| Office expenses | 472 | 437 | 466 | 480 | 495 | 502 | 550 | 587 |
| Depreciation | 78 | 78 | 72 | 78 | 74 | 98 | 97 | 144 |
| Taxes and dues | 57 | 65 | 59 | 67 | 55 | 92 | 107 | 122 |
| Provision of allowance for doubtful accounts | △0 | △0 | △0 | △0 | 0 | 0 | △0 | △0 |
| Others | 83 | 78 | 69 | 77 | 73 | 101 | 95 | 124 |
| Total selling, general and administrative expenses | 3,480 | 3,331 | 3,478 | 3,526 | 3,446 | 3,966 | 3,889 | 4,083 |
| Operating profit | 8 | 28 | 27 | 188 | 97 | 364 | 338 | 128 |
| Non-operating income | 328 | 390 | 250 | 331 | 278 | 208 | 308 | 65 |
| Non-operating expenses | 4 | △2 | 0 | 29 | 23 | △13 | 21 | 218 |
| Ordinary profit | 332 | 421 | 276 | 491 | 353 | 587 | 626 | △24 |
| Extraordinary income | 1 | 21 | 55 | 321 | 490 | 134 | 4,300 | 728 |
| Extraordinary losses | 5 | 0 | 55 | 551 | 118 | 16 | 691 | 25 |
| Profit before income taxes | 327 | 441 | 276 | 261 | 724 | 705 | 4,234 | 678 |
| Income tax expenses | 34 | 108 | 46 | 178 | 17 | 344 | 1,088 | 355 |
| Profit | 293 | 333 | 230 | 83 | 707 | 360 | 3,146 | 322 |
| Profit (loss) attributable to non- controlling interests | — | — | — | — | — | — | — | △1 |
| Profit attributable to owners of parent | 293 | 333 | 230 | 83 | 707 | 360 | 3,146 | 324 |

5. Financial statements and major notes

(1) Balance sheet

(million yen)

| | As of March 31, 2020 | As of March 31, 2021 |
|-------------------------------------------------------------------------|----------------------------|----------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposit | 15,349 | 15,067 |
| Cash segregated as deposits | 22,089 | 27,740 |
| Cash segregated as deposits for customers | 22,089 | 27,739 |
| Other deposits | 0 | 0 |
| Trading products | 996 | 244 |
| Trading securities and other | 996 | 244 |
| Trade date accrual | 357 | 817 |
| Margin transaction assets | 13,834 | 16,297 |
| Loans on margin transactions | 13,418 | 15,638 |
| Cash collateral pledged for securities borrowing on margin transactions | 415 | 658 |
| Advances paid | 238 | 163 |
| Advances paid to customers | 236 | 160 |
| Other advance payments | 2 | 3 |
| Short-term loans receivables | 1 | 1 |
| Advance payments | 314 | 277 |
| Prepaid expenses | 235 | 267 |
| Accounts receivables | 208 | 336 |
| Accrued income | 280 | 382 |
| Other current assets | 4 | 13 |
| Allowance for doubtful accounts | △0 | △0 |
| Total current assets | 53,911 | 61,608 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Building (net amount) | 1,121 | 1,425 |
| Equipment (net amount) | 267 | 346 |
| Land | 2,108 | 3,315 |
| Construction in progress | — | 100 |
| Others (net amount) | 0 | — |
| Total property, plant and equipment | 3,498 | 5,186 |
| Intangible assets | | |
| Leasehold right | 24 | 24 |
| Software | 8 | 22 |
| Telephone subscription right | 22 | 22 |
| Others | 0 | 0 |
| Total intangible assets | 55 | 69 |
| Investments and other assets | | |
| Investment securities | 23,124 | 31,138 |
| Shares of subsidiaries and associates | 1,276 | 2,581 |
| Other securities of subsidiaries and associates | 440 | 1,613 |
| Investments in capital | 13 | 13 |
| Long-term loans receivable from subsidiaries and associates | 1,000 | 1,500 |
| Long-term loans receivable from employees | 11 | 9 |
| Long-term guarantee deposits | 453 | 800 |
| Long-term prepaid expenses | 214 | 178 |
| Prepaid pension expenses | 848 | 960 |
| Others | 107 | 26 |
| Allowance for doubtful accounts | △85 | △5 |
| Total investments and other assets | 27,405 | 38,818 |
| Total non-current assets | 30,959 | 44,073 |
| Total assets | 84,870 | 105,682 |

(million yen)

| | As of March 31, 2020 | As of March 31, 2021 |
|-------------------------------------------------------------|----------------------------|----------------------------|
| Liabilities | | |
| Current liabilities | | |
| Trading products | 91 | 94 |
| Trading securities and other | 90 | 85 |
| Derivatives trading | 1 | 9 |
| Margin transaction liabilities | 1,365 | 1,861 |
| Borrowings on margin transactions | 391 | 585 |
| Cash received for securities lending on margin transactions | 974 | 1,276 |
| Loans payable secured by securities | 1,218 | 2,930 |
| Cash received on debt credit transaction of securities | 1,218 | 2,930 |
| Deposits received | 18,395 | 24,961 |
| Deposits from customers | 16,297 | 21,024 |
| Other deposits | 2,098 | 3,937 |
| Guarantee deposits received | 5,770 | 5,482 |
| Short-term loans payable | 3,795 | 3,795 |
| Accounts payable | 741 | 821 |
| Accrued expenses | 230 | 316 |
| Income taxes payable | 216 | 994 |
| Provision for bonuses | 443 | 650 |
| Provision for director bonuses | 21 | 31 |
| Other current liabilities | 69 | 29 |
| Total current liabilities | 32,359 | 41,968 |
| Non-current liabilities | | |
| Long-term borrowings | — | 934 |
| Deferred tax liabilities | 2,058 | 5,037 |
| Provision for share based remuneration | 68 | 151 |
| Long-term deposits received | 300 | 305 |
| Accrued income | 37 | 32 |
| Other non-current liabilities | 38 | 13 |
| Total non-current liabilities | 2,503 | 6,476 |
| Reserves under special laws | | |
| Reserve for financial instruments transaction liabilities | 181 | 146 |
| Total reserves under special laws | 181 | 146 |
| Total liabilities | 35,044 | 48,590 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 8,000 | 8,000 |
| Capital surplus | | |
| Legal capital reserve | 7,863 | 7,863 |
| Other capital surplus | 234 | 258 |
| Total capital surplus | 8,097 | 8,121 |
| Retained earnings | | |
| Legal reserve for retained earnings | 3,202 | 3,202 |
| Other retained earnings | | |
| Reserve for repair | 3,000 | 3,000 |
| Reserve for reduction entry of replaced non-current assets | — | 529 |
| Reserve for reduction entry of replaced land | 141 | 1,270 |
| General reserve | 23,000 | 23,000 |
| Retained earnings brought forward | 2,147 | 4,100 |
| Total retained earnings | 31,492 | 35,103 |
| Treasury shares | △1,580 | △3,348 |
| Total shareholders' equity | 46,009 | 47,876 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale-securities | 3,816 | 9,215 |
| Total valuation and translation adjustments | 3,816 | 9,215 |
| Total net assets | 49,825 | 57,092 |
| Total liabilities and net assets | 84,870 | 105,682 |

(2) Statements of income

(million yen)

| | Year ended March 31, 2020 | Year ended March 31, 2021 |
|---------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| Operating revenue | | |
| Commission received | 7,342 | 10,194 |
| Brokerage commission | 5,406 | 7,868 |
| Commission from underwriting, secondary distribution and solicitation towards professional investors | 15 | 4 |
| Fee from offering, secondary distribution and solicitation towards professional investors | 672 | 825 |
| Other fees received | 1,248 | 1,495 |
| Net trading income | 6,320 | 5,550 |
| Financial revenue | 508 | 407 |
| Total operating revenue | 14,171 | 16,152 |
| Financial expenses | 118 | 90 |
| Net operating revenue | 14,052 | 16,062 |
| Selling, general and administrative expenses | | |
| Trading related expenses | 2,264 | 2,426 |
| Personnel expenses | 7,618 | 8,224 |
| Real estate expenses | 1,216 | 1,261 |
| Office expenses | 1,851 | 2,100 |
| Depreciation | 304 | 412 |
| Taxes and dues | 243 | 347 |
| Provision of allowance for doubtful accounts | △0 | △0 |
| Others | 306 | 313 |
| Total selling, general and administrative expenses | 13,805 | 15,085 |
| Operating profit | 247 | 976 |
| Non-operating income | | |
| Real estate rental income | 16 | 14 |
| Dividend income | 523 | 485 |
| Profit distributions | 443 | 183 |
| Gain on investments in partnership | 230 | — |
| Reversal of allowance for doubtful accounts | 0 | 0 |
| Relief grants | — | 112 |
| Others | 45 | 64 |
| Total non-operating income | 1,259 | 861 |
| Non-operating expenses | | |
| Loss on investments in partnership | — | 223 |
| Settlement expenses | 28 | 21 |
| Others | 3 | 15 |
| Total non-operating expenses | 32 | 260 |
| Ordinary profit | 1,474 | 1,576 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 1 | 4,246 |
| Gain on sales of investment securities | 398 | 1,335 |
| Reversal of reserve for financial instruments transaction liabilities | 0 | 35 |
| Total extraordinary income | 399 | 5,617 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 3 | 21 |
| Loss on the retirement of non-current assets | — | 19 |
| Loss on sales of investment securities | 6 | 806 |
| Loss on valuation of investment securities | 588 | — |
| Impairment loss | 2 | 5 |
| Total extraordinary losses | 601 | 853 |
| Profit before income taxes | 1,273 | 6,341 |
| Income taxes – current | 300 | 1,059 |
| Income taxes – deferred | 50 | 747 |
| Total income taxes | 350 | 1,806 |
| Profit | 922 | 4,534 |

6. Supplementary information

(1) Commissions received

A) Breakdown of commission received

(million yen)

| | Year ended March 31, 2020 (A) | Year ended March 31, 2021 (B) | Change (B/A) |
|------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|-----------------|
| Brokerage commission | 5,406 | 7,868 | 145.5% |
| Equities | 5,271 | 7,753 | 147.1% |
| Bonds | — | — | — |
| Beneficiary securities | 134 | 114 | 85.5% |
| Commission from underwriting, secondary distribution and solicitation towards professional investors | 15 | 4 | 32.3% |
| Equities | 11 | 3 | 30.1% |
| Bonds | 3 | 1 | 39.0% |
| Fee from offering, secondary distribution and solicitation towards professional investors | 672 | 825 | 122.9% |
| Other fees received | 1,248 | 1,495 | 119.8% |
| Total | 7,342 | 10,194 | 138.8% |

B) Product wise breakdown

(million yen)

| | Year ended March 31, 2020 (A) | Year ended March 31, 2021 (B) | Change (B/A) |
|------------------------|-------------------------------------|-------------------------------------|-----------------|
| Equities | 5,344 | 7,819 | 146.3% |
| Bonds | 4 | 1 | 41.0% |
| Beneficiary securities | 1,492 | 1,608 | 107.8% |
| Others | 500 | 764 | 152.6% |
| Total | 7,342 | 10,194 | 138.8% |

(2) Net trading income

(million yen)

| | Year ended March 31, 2020 (A) | Year ended March 31, 2021 (B) | Change (B/A) |
|-------------------|-------------------------------------|-------------------------------------|-----------------|
| Equities etc. | 4,197 | 4,644 | 110.6% |
| Bonds, forex etc. | 2,122 | 906 | 42.7% |
| Bonds etc. | 1,559 | 260 | 16.7% |
| forex etc. | 563 | 645 | 114.6% |
| Total | 6,320 | 5,550 | 87.8% |

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

(million shares, million yen)

| | Year ended March 31, 2020 (A) | | Year ended March 31, 2021 (B) | | Change (B/A) | |
|------------------------------------------------------|----------------------------------|-----------|-------------------------------------|-----------|------------------|--------|
| | Number of shares | Amount | Number of shares | Amount | Number of shares | Amount |
| Total | 1,695 | 1,432,984 | 1,649 | 1,839,015 | 97.3% | 128.3% |
| Proprietary transaction | 53 | 305,102 | 80 | 350,132 | 149.0% | 114.8% |
| Client transaction | 1,641 | 1,127,881 | 1,569 | 1,488,883 | 95.6% | 132.0% |
| Client transaction share | 96.8% | 78.7% | 95.1% | 81.0% | | |
| Exchange participation share | 0.12% | 0.08% | 0.13% | 0.09% | | |
| Brokerage commission per stock on client transaction | 3.19 yen | | 4.91 yen | | | |

(4) Underwriting & distribution activities

(million shares, million yen)

| | | Year ended March 31, 2020 (A) | Year ended March 31, 2021 (B) | Change (B/A) | |
|-------------------|----------------------------------------|-------------------------------------|-------------------------------------|-----------------|--------|
| Underwriting | Equities | Number of shares | 0 | 0 | 19.6% |
| | Equities | Amount | 154 | 48 | 31.6% |
| | Bonds | Face value | 999 | 439 | 44.0% |
| | Commercial Paper & overseas securities | Face value | — | — | — |
| Distribution ※ | Equities | Number of shares | 0 | 0 | 48.7% |
| | Equities | Amount | 921 | 530 | 57.5% |
| | Bonds | Face value | 12,622 | 2,999 | 23.8% |
| | Beneficiary securities | Face value | 448,263 | 533,028 | 118.9% |
| | Commercial Paper & overseas securities | Face value | — | — | — |

※ Includes secondary offering and private placements

(5) Capital adequacy ratio

(million yen)

| | | Year ended March 31, 2020 | Year ended March 31,2021 | |
|---------------------------------------|--------------------------------------------------------|------------------------------|-----------------------------|--------|
| Basic items | | (A) | 45,537 | 47,026 |
| Complementary items | Valuation difference on available-for-sale securities | | 3,816 | 9,215 |
| | Reserve for financial products transaction liabilities | | 181 | 146 |
| | Allowance for doubtful accounts | | 0 | 0 |
| | Total | (B) | 3,997 | 9,361 |
| Deductible assets | | (C) | 13,446 | 22,269 |
| Unfixed equity capital (A)+(B)-(C) | | (D) | 36,089 | 34,118 |
| Risk items | Market risk | | 3,566 | 4,202 |
| | Counterparty risk | | 731 | 734 |
| | Basic risk | | 3,344 | 3,389 |
| | Total | (E) | 7,643 | 8,325 |
| Capital adequacy ratio (D)/(E)×100 | | | 472.1% | 409.8% |

(6) Comparative quarterly income statement

(million yen)

| | FY 2020 | | | | FY 2021 | | | |
|------------------------------------------------------------------------------------------------------------|------------------------|------------------------|-----------------------|-------------------------|------------------------|------------------------|-----------------------|-------------------------|
| | 1Q ended June 30 | 2Q ended Sept.30 | 3Q ended Dec.31 | 4Q ended March 31 | 1Q ended June 30 | 2Q ended Sept.30 | 3Q ended Dec.31 | 4Q ended March 31 |
| Operating revenue | | | | | | | | |
| Commission received | 1,783 | 1,508 | 2,106 | 1,943 | 2,463 | 2,425 | 2,504 | 2,800 |
| Brokerage commission | 1,230 | 1,086 | 1,585 | 1,503 | 2,052 | 1,926 | 1,925 | 1,964 |
| Commission from underwriting, secondary distribution and solicitation towards professional investors | 11 | 1 | 0 | 1 | 1 | 1 | 1 | 1 |
| Fee from offering, secondary distribution and solicitation towards professional investors | 196 | 125 | 219 | 130 | 116 | 172 | 209 | 326 |
| Other fees received | 344 | 295 | 300 | 308 | 293 | 325 | 367 | 508 |
| Net trading income | 1,611 | 1,738 | 1,312 | 1,658 | 1,003 | 1,742 | 1,567 | 1,237 |
| Financial revenue | 114 | 140 | 113 | 140 | 96 | 110 | 100 | 99 |
| Total operating revenue | 3,508 | 3,387 | 3,531 | 3,743 | 3,563 | 4,279 | 4,172 | 4,137 |
| Financial expenses | 25 | 34 | 32 | 26 | 24 | 25 | 20 | 20 |
| Net operating revenue | 3,482 | 3,353 | 3,498 | 3,717 | 3,538 | 4,254 | 4,152 | 4,116 |
| Selling, general and administrative expenses | | | | | | | | |
| Trading related expenses | 593 | 501 | 590 | 579 | 547 | 623 | 601 | 653 |
| Personnel expenses | 1,897 | 1,868 | 1,910 | 1,942 | 1,902 | 2,203 | 2,097 | 2,021 |
| Real estate expenses | 300 | 304 | 309 | 301 | 295 | 304 | 300 | 360 |
| Office expenses | 471 | 435 | 464 | 479 | 493 | 491 | 538 | 576 |
| Depreciation | 77 | 77 | 71 | 77 | 73 | 97 | 96 | 144 |
| Taxes and dues | 55 | 63 | 58 | 66 | 53 | 71 | 102 | 119 |
| Provision of allowance for doubtful accounts | △0 | △0 | △0 | △0 | 0 | 0 | △0 | △0 |
| Others | 82 | 77 | 69 | 77 | 70 | 81 | 74 | 85 |
| Total selling, general and administrative expenses | 3,478 | 3,328 | 3,474 | 3,523 | 3,437 | 3,874 | 3,811 | 3,961 |
| Operating profit | 3 | 24 | 24 | 193 | 100 | 379 | 340 | 155 |
| Non-operating income | 325 | 333 | 289 | 312 | 276 | 192 | 304 | 88 |
| Non-operating expenses | 4 | △2 | 0 | 29 | 26 | △17 | 21 | 229 |
| Ordinary profit | 324 | 360 | 313 | 476 | 349 | 590 | 623 | 13 |
| Extraordinary income | 1 | 21 | 55 | 321 | 490 | 134 | 4,264 | 728 |
| Extraordinary losses | 5 | 0 | 55 | 538 | 118 | 16 | 691 | 25 |
| Profit before income taxes | 319 | 380 | 313 | 259 | 721 | 708 | 4,195 | 715 |
| Income tax expenses | 31 | 92 | 38 | 187 | 17 | 344 | 1,076 | 366 |
| Profit | 287 | 288 | 275 | 72 | 703 | 363 | 3,118 | 348 |