

# Consolidated Financial Summary under Japanese GAAP For the year ended March 31, 2023

April 28, 2023

Company Name	AIZAWA SECURITIES GROUP CO., LTD.
Listed Stock Exchange	Tokyo Stock Exchange
Securities Code	8708
URL	<a href="https://www.aizawa-group.jp/">https://www.aizawa-group.jp/</a>
Representative	Takuya Aizawa, President & CEO
Contact Person	Yuichi Baba, Executive Officer

Scheduled date of annual meeting of shareholders	June 22, 2023
Scheduled date of filing financial report	June 26, 2023
Scheduled date of dividend payment	June 02, 2023
Supporting explanatory documents on financial results	YES
Briefing on financial results (for institutional investors & analysts)	YES

(All figures are rounded off to the nearest million)

## 1. Consolidated financial summary (From April 1, 2022 to March 31, 2023)

### (1) Consolidated business results

(% represents year-on-year change)

	Operating revenue		Net operating revenue		Operating profit (loss)		Ordinary profit (loss)		Profit (loss) attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
Year ended March 31, 2023	12,751	△20.6	12,208	△21.8	△2,782	—	△1,911	—	△2,375	—
Year ended March 31, 2022	16,050	△2.3	15,619	△4.3	△533	—	1,429	△7.4	2,901	△36.1

Note: Comprehensive income Year ended, March 31, 2023: △2,677 million yen (-% vs same term previous year)  
Year ended, March 31, 2022: 761 million yen (△92.7% vs same term previous year)

	Earnings per share	Diluted earnings per share	Return on equity	Return on assets	Gross profit (loss) margin
	yen	yen	%	%	%
Year ended March 31, 2023	△62.03	—	△4.5	△1.9	△21.8
Year ended, March 31, 2022	73.85	—	5.1	1.3	△3.3

Note:

1. Equity gain (loss) of affiliated companies As of March 31, 2023: -- million yen As of March 31, 2022: -- 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, 2023	98,835	54,030	51.6	1,350.08
As of March 31, 2022	104,723	58,029	53.2	1,440.62

Note: Shareholders' equity As of March 31, 2023: 50,997 million yen As of March 31, 2022: 55,712 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
FY ended March 31, 2023	△9,487	474	3,824	13,734
FY ended March 31, 2022	△3,930	4,749	959	18,666

## 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	%	%
FY ended March 31, 2022	—	13.00	—	15.00	28.00	1,104	37.9	1.9
FY ended March 31, 2023	—	13.00	—	13.00	26.00	1,015	—	1.9
FY ending March 31, 2024 (Forecast)	—	—	—	—	—		—	

## 3. Earning forecast for the fiscal year ending March 31, 2024 (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 III 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 YES
  - 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, 2023: 47,525,649 shares As of March 31, 2022: 47,525,649 shares
  - 2) Number of treasury shares at the end of the term  
As of March 31, 2023: 9,751,971 shares As of March 31, 2022: 8,853,110 shares
  - 3) Average number of shares outstanding (Cumulative)  
As of March 31, 2023: 38,291,055 shares As of March 31, 2022: 39,291,333 shares

(Reference)

## 1. Financial summary (From April 1, 2022 to March 31, 2023)

### (1) Business results

(% represents year-on-year change)

	Operating revenue		Net operating revenue		Operating profit (loss)		Ordinary profit (loss)		Profit (loss) attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
Year ended, March 31, 2023	844	△89.5	844	△89.4	△50	—	91	△91.9	1	△99.9
Year ended, March 31, 2022	8,018	△50.4	7,974	△50.4	△400	—	1,129	△28.3	2,293	△49.4

	Earnings per share	Diluted earnings per share
	yen	yen
Year ended, March 31, 2023	0.04	—
Year ended, March 31, 2022	58.37	—

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
	million yen	million yen	%	yen
As of March 31, 2023	49,044	46,938	95.7	1242.63
As of March 31, 2022	52,184	48,488	92.9	1,253.81

Note: Shareholders' equity

As of March 31, 2023: 46,938 million yen

As of March 31, 2022: 48,488 million yen

※ This consolidated 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. Financial results for the year ended March 31, 2023

### (1) Explanation of the business results

For the reporting period, operating revenue declined by 20.6% to 12,751 million yen; operating loss was 2,782 million yen; ordinary loss was 1,911 million yen; and net loss attributable to owners of parent was 2,375 million yen.

For the year ended March 31, 2023, 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 2023, Total commissions received declined by 11.8% to 8,971 million yen. Details are as follow:

- 1) Brokerage commission  
Declined by 17.3% to 4,608 million yen due to decline in the trade value of equities.
- 2) Commission from underwriting, secondary distribution and solicitation towards professional investors  
Increased by 59.2% to 40 million yen due to increase in underwriting of domestic equities.
- 3) Fee from offering, secondary distribution and solicitation towards professional investors  
Increased by 11.1% to 1,895 million yen due to increase in the sales of mutual funds.
- 4) Other fees received  
Declined by 15.6% to 2,426 million yen due to decline in the investment advisory fees of Fund Wrap.

(Net trading income)

For the financial year ended March 2023, Net trading income declined by 51.2% to 2,318 million yen. Details are as follow:

- 1) Equities  
Declined by 59.2% to 1,646 million yen due decline in the trading value of foreign equities OTC trades.
- 2) Bonds  
Increased by 18.7% to 120 million yen due increased handling of foreign bonds.
- 3) Others  
Declined by 10.9% to 550 million yen due to decline in income from forex trades.

(Net financial income)

Net financial income increased by 14.2% to 383 million yen. Under this category, income increased by 9.9% to 463 million yen due to increase in interest income, while expenses declined by 7.1% to 80 million yen due to decline in interest expenses.

(Other operating revenue and expenses)

Other operating revenues increased by 42.4% to 999 million yen due to an increase in sales of operational investment securities and real estate rental income. Other operating expenses increased by 34.2% to 463 million yen, mainly due to an increase in cost of sales of operating investment securities and cost of sales of real estate.

(Selling, general and administrative expenses)

Selling, general and administrative expenses declined by 7.2% to 14,991 million yen due to decline in personnel expense, office expense and real estate related expense.

(Non-operating profit and losses)

Non-operating profit was 871 million yen. Under this category, income were 960 million yen including the dividend income of 449 million yen and profit distributions of 416 million yen. While expenses under this category were 89 million yen including the interest expenses of 23 million yen and 38 million yen loss from exchange rates.

(Extraordinary profit and losses)

Total extraordinary profit was 3 million yen. Under this category, income were 999 million yen including the 863 million yen of gain from sale on investment securities. While losses were 996 million yen including the 279 million yen loss on valuation of investment securities and 683 million yen of impairment loss.

## **(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 98,835 million yen, a decline of 5,887 million yen. This was due to decline of 4,984 million yen in cash and deposits; decline of 2,510 million yen in cash segregated deposit for customers; and increase of 1,986 million yen in rental real estate.

(Liabilities)

As of at the end of the period under review, total liabilities was 44,804 million yen, a decline of 1,889 million yen. This was due to decline of 3,753 million yen in deposits received and an increase of 2,650 million yen in long-term borrowings.

(Net assets)

As for the period under review, total net assets was 54,030 million yen, a decline of 3,998 million yen. This was due to decline of 3,474 million yen in retained earnings and decline of 811 million yen in valuation difference on available-for-sale securities.

## **(3) Explanation of the cash flows**

For the financial year ended March 2023, Cash and cash equivalents decreased by 4,932 million yen to 13,734 million yen. Details are as follow:

(Cash flow from operating activities)

Net cash used in operating activities was 9,487 million yen. This was mainly due to decline in cash and deposits.

(Cash flow from investing activities)

Net cash provided by investing activities was 474 million yen. This was mainly due to purchase of non-current assets; purchase and sale of investment securities.

(Cash flow from financing activities)

Net cash provided by investing activities was 3,824 million yen. This was mainly due to new issue and repayments of long-term borrowings.

## **(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. Any forecast based on uncertain situations can mislead the investors.

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, 2022	As of March 31, 2023
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposit	19,126	14,142
Cash segregated as deposits	23,419	20,908
Cash segregated as deposits for customers	23,418	20,908
Other deposits	0	0
Operational investment securities	8,601	10,521
Trading products	361	207
Trading securities and other	361	207
Trade date accrual	776	615
Margin transaction assets	15,810	15,692
Loans on margin transactions	15,528	15,314
Cash collateral pledged for securities borrowing on margin transactions	281	378
Advances paid	176	56
Advances paid to customers	174	54
Other advance payments	2	2
Short-term loan to affiliated companies	—	40
Other current assets	1,215	1,349
<b>Total current assets</b>	<b>69,488</b>	<b>63,533</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings (net value)	759	645
Furniture & fixtures (net value)	335	286
Land	806	759
Rental real estate (net value)	6,258	8,245
<b>Total Property, plant and equipment</b>	<b>8,160</b>	<b>9,936</b>
<b>Intangible assets</b>		
Goodwill	182	69
Software	31	6
Others	27	25
<b>Total intangible assets</b>	<b>241</b>	<b>100</b>
<b>Investments and other assets</b>		
Investment securities	24,791	23,439
Net defined benefit asset	1,067	1,075
Others	959	742
Allowance for doubtful accounts	△3	△3
<b>Total investments and other assets</b>	<b>26,815</b>	<b>25,253</b>
<b>Total non-current assets</b>	<b>35,217</b>	<b>35,291</b>
<b>Deferred assets</b>		
Organization expenses	1	0
Business commencement expenses	16	9
<b>Total deferred assets</b>	<b>17</b>	<b>10</b>
<b>Total assets</b>	<b>104,723</b>	<b>98,835</b>

(million yen)

	As of March 31, 2022	As of March 31, 2023
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trading products	117	90
Trading securities and other	117	90
Derivatives trading	0	—
Margin transaction liabilities	1,791	1,516
Borrowings on margin transactions	1,115	726
Cash received for securities lending on margin transactions	675	790
Loans payable secured by securities	4,800	2,927
Cash received on debt credit transaction of securities	4,800	2,927
Deposits received	20,514	16,760
Deposits from customers	18,088	14,359
Other deposits	2,425	2,400
Guarantee deposits received	4,937	5,099
Short-term loans payable	3,795	6,445
Income taxes payable	1,212	145
Provision for bonuses	423	311
Provision for director bonuses	27	—
Other current liabilities	819	1,069
<b>Total current liabilities</b>	<b>38,440</b>	<b>34,365</b>
<b>Non-current liabilities</b>		
Long-term borrowings	3,036	5,588
Deferred tax liabilities	4,553	4,318
Provision for share based remuneration	226	279
Other non-current liabilities	290	105
<b>Total non-current liabilities</b>	<b>8,107</b>	<b>10,293</b>
<b>Reserves under special laws</b>		
Reserve for financial instruments transaction liabilities	146	146
<b>Total reserves under special laws</b>	<b>146</b>	<b>146</b>
<b>Total liabilities</b>	<b>46,693</b>	<b>44,804</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	8,000	8,000
Capital surplus	8,122	8,186
Retained earnings	36,922	33,447
Treasury shares	△4,790	△5,471
<b>Total shareholders' equity</b>	<b>48,254</b>	<b>44,162</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	7,391	6,579
Foreign currency translation adjustment	85	329
Remeasurements of defined benefit plans	△19	△74
<b>Total accumulated other comprehensive income</b>	<b>7,457</b>	<b>6,834</b>
<b>Non-controlling interests</b>	<b>2,317</b>	<b>3,033</b>
<b>Total net assets</b>	<b>58,029</b>	<b>54,030</b>
<b>Total liabilities and net assets</b>	<b>104,723</b>	<b>98,835</b>

**(2) Consolidated statements of income and comprehensive income statement**  
**Consolidated statements of income** (For the year ended March 31, 2023)

(million yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Operating revenue		
Commission received	10,176	8,971
Net trading income	4,751	2,318
Financial revenue	421	463
Others	701	999
Total operating revenue	16,050	12,751
Financial expenses	86	80
Other operating expenses	345	463
Net operating revenue	15,619	12,208
Selling, general and administrative expenses		
Trading related expenses	2,690	2,599
Personnel expenses	7,990	7,550
Real estate expenses	1,635	1,478
Office expenses	2,395	2,130
Depreciation	454	361
Taxes and dues	476	349
Provision of allowance for doubtful accounts	△0	—
Others	510	520
Total selling, general and administrative expenses	16,153	14,991
Operating profit (loss)	△533	△2,782
Non-operating income		
Interest income	33	28
Dividend income	1,490	449
Profit distributions	463	416
Profit on investments in partnership	—	0
Others	69	65
Total non-operating income	2,058	960
Non-operating expenses		
Interest expense	0	23
Loss on foreign exchange rate	0	38
Loss on investments in partnership	69	—
Cancellation penalty	10	11
Settlement expenses	2	10
Others	13	5
Total non-operating expenses	95	89
Ordinary profit (loss)	1,429	△1,911
Extraordinary income		
Gain on sales of non-current assets	1	0
Gain on sales of investment securities	3,366	863
Gain on redemption of investment securities	—	12
Reversal of reserve for financial instruments transaction liabilities	0	0
Gain on reversal of asset obligations	—	34
Compensation income from expropriation	—	88
Total extraordinary income	3,367	999
Extraordinary losses		
Loss on sales of non-current assets	69	2
Loss on retirement of non-current assets	—	13
Loss on sales of investment securities	53	15
Loss on settlement of investment securities	1	—
Loss on valuation of investment securities	—	279
Impairment loss	—	683
Total extraordinary losses	123	996
Profit (loss) before income taxes	4,672	△1,907
Income taxes – current	1,768	388
Income taxes – deferred	37	107
Total income taxes	1,806	495
Profit (loss)	2,865	△2,403
Profit (loss) attributable to non-controlling owners	△35	△28
Profit (loss) attributable to owners of parent	2,901	△2,375

**Consolidated comprehensive income statement** (For the year ended March 31, 2023)

(million yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Profit (loss)	2,865	△2,403
Other comprehensive income		
Valuation difference on available-for-sale securities	△2,216	△811
Foreign currency translation adjustment	206	592
Remeasurements of defined benefit plans	△95	△54
Total accumulated other comprehensive income	△2,104	△273
Comprehensive income	761	△2,677
(Description)		
Comprehensive income attributable to owners of parent	675	△2,997
Comprehensive income attributable to non-controlling owners	85	320

**(3) Consolidated statements of change in net assets**

(From April 1, 2021 to March 31, 2022)

(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	Foreign currency translation adjustment	Remeasurements of defined benefits plan	Total accumulated other comprehensive income		
Balance at the beginning of current period	8,000	8,087	35,388	△3,348	48,128	9,607	—	75	9,683	534	58,346
Changes of items during current period											
Dividends of surplus			△1,367		△1,367						△1,367
Net profit (loss) attributable to owners of parent			2,901		2,901						2,901
Purchase of treasury shares				△1,482	△1,482						△1,482
Restricted shares remuneration		35		28	63						63
Purchase of treasury shares for ESOP				—	—						—
Disposal of treasury shares		—		—	—						—
Disposal of treasury shares for ESOP				11	11						11
Net change in items other than shareholder's equity						△2,216	85	△95	△2,226	1,782	△443
Total changes of items during period	—	35	1,533	△1,442	126	△2,216	85	△95	△2,226	1,782	△316
Balance at end of current period	8,000	8,122	36,922	△4,790	48,254	7,391	85	△19	7,457	2,317	58,029

(From April 1, 2022 to March 31, 2023)

(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	Foreign currency translation adjustment	Remeasurements of defined benefits plan	Total accumulated other comprehensive income		
Balance at the beginning of current period	8,000	8,122	36,922	△4,790	48,254	7,391	85	△19	7,457	2,317	58,029
Changes of items during current period											
Dividends of surplus			△1,099		△1,099						△1,099
Net profit (loss) attributable to owners of parent			△2,375		△2,375						△2,375
Purchase of treasury shares				△684	△684						△684
Restricted shares remuneration		6		37	44						44
Purchase of treasury shares for ESOP				△325	△325						△325
Disposal of treasury shares		57		268	325						325
Disposal of treasury shares for ESOP				22	22						22
Net change in items other than shareholder's equity						△811	244	△54	△622	716	93
Total changes of items during period	—	63	△3,474	△681	△4,092	△811	244	△54	△622	716	△3,998
Balance at end of current period	8,000	8,186	33,447	△5,471	44,162	6,579	329	△74	6,834	3,033	54,030

**(4) Consolidated statements of cash flows**

	(million yen)	
	Year ended March 31, 2022	Year ended March 31, 2023
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	4,672	△1,907
Depreciation	454	361
Amortization of goodwill	112	112
Impairment loss	—	683
Gain on reversal of asset retirement obligations	—	△34
Increase (decrease) in allowance for doubtful accounts	△0	—
Increase (decrease) in provision for bonuses	△228	△111
Increase(decrease) in provision for director's bonuses	△3	△27
Increase (decrease) in provision share based remuneration	74	53
Increase (decrease) in net defined benefit assets	△95	△92
Interest and dividend income	△2,445	△946
Interest expenses	86	103
Loss (gain) on sales of investment securities	△3,313	△847
Loss (gain) on settlement of investment securities	1	—
Loss (gain) on redemption of investment securities	—	△12
Loss (gain) on valuation of investment securities	—	279
Loss (gain) on sales of non-current assets	68	2
Loss (gain) on investment in partnership	69	△0
Income (loss) from expropriation	—	△88
Decrease (increase) in cash segregated as deposits for customers	4,320	2,510
Increase (decrease) in advance paid	△12	120
Increase (decrease) in trading products-assets	△116	153
Increase (decrease) in trade date accrual	40	161
Increase (decrease) in operational investment securities	△3,429	△1,536
Increase(decrease) in margin transaction assets	486	117
Increase (decrease) in real-estate rent	△1,534	△1,986
Increase (decrease) in the reserve for financial products transaction liabilities	△0	△0
Increase (decrease) in deposits received	△4,467	△3,753
Increase (decrease) in trading products-liabilities	23	△27
Increase (decrease) in margin transaction liabilities	△70	△274
Increase(decrease) in loans secured by securities	1,869	△1,873
Increase(decrease) in guarantee deposits received	△544	161
Others	△639	△427
Subtotal	△4,622	△9,124
Interest and dividend income received	2,433	948
Interest expenses paid	△85	△103
Income received from expropriation	—	88
Income taxes paid	△1,665	△1,314
Income taxes (paid) refund	8	19
Net cash provided by (used in) operating activities	△3,930	△9,487

(million yen)

	Year ended March 31, 2022	Year ended March 31, 2023
<b>Cash flow from investing activities</b>		
Payments into time deposits	△409	△409
Proceeds from withdrawal of time deposits	426	460
Purchase of sales of property, plant and equipment	△322	△241
Proceeds from sale of property, plant and equipment	46	38
Purchase of intangible assets	△15	△0
Proceeds from sale of intangible assets	—	△6
Purchase of investment securities	△2,009	△1,822
Proceeds from sale of investment securities	6,915	2,003
Proceeds from redemption of investment securities	30	734
Proceeds from dividends of investment in partnerships	209	0
Payment for guarantee deposits	△21	△16
Proceeds from collection of guarantee deposits	120	72
Proceeds from collection of loans	—	0
Acquisition of long-term prepaid expenses	△213	△263
Asset retirement obligations	△23	△76
Others	15	1
Net cash provided by (used in) investing activities	4,749	474
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	—	2,650
Proceeds from long-term loans payable	2,230	5,719
Repayments on long-term loans payable	△127	△3,166
Repayments of lease obligations	△1	△1
Purchase of treasury shares	△1,482	△684
Proceeds from sales of treasury shares	11	22
Proceeds from non-controlling interests	1,696	1,021
Dividend to no-controlling interests	—	△626
Cash dividends paid	△1,367	△1,108
Net cash provided by (used in) financing activities	959	3,824
Difference in cash and cash equivalents	656	255
Increase (decrease) in cash and cash equivalents	2,434	△4,932
Cash and cash equivalents at start of period	16,231	18,666
Cash and cash equivalents at end of period	18,666	13,734

**(5) Notes on consolidated financial statements**

**(Notes on going concern assumption)**

Not applicable.

**(Change in accounting policy)**

Application of “Accounting standard for fair value measurement”

From the beginning of the consolidated 1<sup>st</sup> quarter of current accounting period, company has applied the “Accounting standard for fair value measurement” under ASBJ statement no. 31 as of June 17, 2021.

The transitional treatment will be applied in accordance with the paragraph 27-2 of “Accounting standard for fair value measurement”. New accounting policy will be applied in the future.

There is no impact on the quarterly consolidated financial statements due to change in accounting policy.

**(Additional information)**

**Introduction of ESOP**

The company has introduced an Employee Stock Ownership Plan Trust (“ESOP Trust”) from July 22, 2019 with the motive to increase the enterprise value over mid to long term. The Company's stock held by the ESOP Trust is included in treasury shares under net assets with a book value of 615 million yen for 935 thousand shares as of March 31, 2023.

## (Segment information)

Under the holding company structure, group has segregated the business into 3 reportable segments of; “Financial instrument securities business”, “Asset management business” and “Investment business”.

The Group's reportable segments of business are subject to periodic review by the Board of Directors in order to determine the allocation of management resources and evaluate their performance.

### Segment-wise operating revenue/profit (loss)/loss

The accounting methods used for the reported business segments are same as those used in the preparation of the consolidated financial statements. Profit (loss) of reportable segments are based on operating profit (loss). Inter-segment revenues and transfers are based on prevailing market prices.

(From April 1, 2021 to March 31, 2022)

	Segments				Adjusted amount *1	Amount as on Consolidated statements of income *2
	Financial instrument securities business	Asset management business	Investment business	Total		
Operating revenue						
Revenues from external clients	14,778	631	641	16,050	—	16,050
Inter segment revenues	31	3	39	75	△75	—
Total	14,810	635	681	16,126	△75	16,050
Profit (loss)	△470	21	137	△311	△221	△533
Assets	63,728	4,313	31,962	100,004	4,718	104,723
Liabilities	42,839	58	6,233	49,131	△2,437	46,693
Others						
Depreciation & amortization	433	4	5	442	12	454
Financial revenue	421	—	—	421	0	421
Financial expense	91	—	—	91	△5	86

Notes:

\*1

1. The segment profit (loss) adjustment of △221 million yen includes; 394 million yen in inter-segment eliminations and △616 million yen in corporate expenses that are not allocated to any segment. Corporate expenses are expenses held and incurred by the company as a holding company.

2. The segment assets adjustment of 4,718 million yen includes; △3,737 million yen of offsetting elimination of inter-segment accounts receivables and payables and 8,456 million yen of total assets that are not allocated to any segment. Total assets are held by the company as a holding company.

3. The segment liabilities adjustment of △2,437 million yen includes; △6,059 million yen of offsetting elimination of inter-segment accounts receivables and payables and 3,621 million yen of total liabilities that are not allocated to any segment. Total liabilities are held by the company as a holding company.

\*2

Segment profit (loss) is adjusted with operating loss in the consolidated statements of income.

(From April 1, 2022 to March 31, 2023)

(million yen)

	Segments				Adjusted amount *1	Amount as on Consolidated statements of income *2
	Financial instrument securities business	Asset management business	Investment business	Total		
Operating revenue						
Revenues from external clients	11,511	292	947	12,751	—	12,751
Inter segment revenues	10	5	32	48	△48	—
Total	11,522	298	979	12,800	△48	12,751
Profit (loss)	△2,733	△130	206	△2,657	△125	△2,782
Assets	52,457	6,117	34,879	93,454	5,381	98,835
Liabilities	34,942	47	8,865	43,856	948	44,804
Others						
Depreciation & amortization	309	3	5	318	42	361
Financial revenue	463	—	—	463	0	463
Financial expense	84	—	—	84	△4	80

Notes:

\*1

1. The segment profit (loss) adjustment of △125 million yen includes; 36 million yen in inter-segment eliminations and △162 million yen in corporate expenses that are not allocated to any segment. Corporate expenses are expenses held and incurred by the company as a holding company.
2. The segment assets adjustment of 5,381 million yen includes; △43,621 million yen of offsetting elimination of inter-segment accounts receivables and payables and 49,002 million yen of total assets that are not allocated to any segment. Total assets are held by the company as a holding company.
3. The segment liabilities adjustment of 948 million yen includes; △1,156 million yen of offsetting elimination of inter-segment accounts receivables and payables and 2,104 million yen of total liabilities that are not allocated to any segment. Total liabilities are held by the company as a holding company.

\*2

Segment profit (loss) is adjusted with operating loss in the consolidated statements of income.

**(Per share information)**

	Year ended March 31, 2022	Year ended March 31, 2023
Net assets per share	1,440.62 yen	1,350.08 yen
Net income per share	73.85 yen	△62.03 yen

Notes:

- 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 8,234,316 shares in the previous consolidated fiscal year and 9,234,594 shares in the current consolidated fiscal year.

	Year ended March 31, 2022	Year ended March 31, 2023
Net income per share		
Profit (loss) attributable to owners of parent (million yen)	2,901	△2,375
Profit (loss) not attributable to common shareholders (million yen)	—	—
Profit (loss) related to common shareholders attributable to owners of parent (million yen)	2,901	△2,375
Average number of common stock outstanding during this year (thousands of shares)	39,291	38,291

## **(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 January 27, 2023. 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 400,000 shares (Within 1.1% of outstanding shares excluding the treasury shares)
    - 3) Value of treasury share: Maximum of 400 million yen
    - 4) Term for purchase: From February 1, 2023 to June 30, 2023
    - 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: 57,800 shares
  - 3) Value of shares: 40 million yen
  - 4) Buyback term: From April 1, 2023 to April 25, 2023
  - 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 25, 2023 is as follow:

- 1) Number of treasury shares purchase completed: 224,400 shares
- 2) Value of treasury shares purchase completed: 157 million yen

#### 4. Supplementary information

##### Consolidated business results for the year ended March 31, 2023

##### (1) Commission received

##### A) Breakdown of commission received

(million yen)

	Year ended March 31, 2022 (A)	Year ended March 31, 2023 (B)	Change (B/A)
Brokerage commission	5,571	4,608	82.7%
Equities	5,471	4,489	82.0%
Bonds	—	—	—
Beneficiary securities	99	119	120.1%
Commission from underwriting, secondary distribution and solicitation towards professional investors	25	40	159.2%
Equities	24	38	160.1%
Bonds	1	2	144.4%
Fee from offering, secondary distribution and solicitation towards professional investors	1,705	1,895	111.1%
Other fees received	2,873	2,426	84.4%
<b>Total</b>	<b>10,176</b>	<b>8,971</b>	<b>88.2%</b>

##### B) Product wise breakdown

(million yen)

	Year ended March 31, 2022 (A)	Year ended March 31, 2023 (B)	Change (B/A)
Equities	5,556	4,567	82.2%
Bonds	1	2	148.5%
Beneficiary securities	2,820	3,169	112.4%
Others	1,798	1,232	68.5%
<b>Total</b>	<b>10,176</b>	<b>8,971</b>	<b>88.2%</b>

##### (2) Net trading income

(million yen)

	Year ended March 31, 2022 (A)	Year ended March 31, 2023 (B)	Change (B/A)
Equities etc.	4,031	1,646	40.8%
Bonds, forex etc.	719	671	93.3%
Bonds etc.	101	120	118.7%
Forex etc.	617	550	89.1%
<b>Total</b>	<b>4,751</b>	<b>2,318</b>	<b>48.8%</b>

**(3) Comparative quarterly consolidated statements of income**

(million yen)

	FY 2022				FY 2023			
	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	2,395	2,887	2,711	2,181	2,010	2,142	2,492	2,326
Brokerage commission	1,378	1,502	1,503	1,186	1,060	1,080	1,226	1,240
Commission from underwriting, secondary distribution and solicitation towards professional investors	3	3	18	0	1	31	2	5
Fee from offering, secondary distribution and solicitation towards professional investors	425	491	463	326	363	416	672	443
Other fees received	589	890	726	668	584	613	590	637
Net trading income	1,115	1,410	1,516	708	560	745	441	570
Financial revenue	103	108	105	105	93	116	114	137
Others	43	51	65	540	81	195	352	369
Total operating revenue	3,657	4,457	4,399	3,535	2,746	3,199	3,401	3,404
Financial expenses	16	19	27	23	17	16	18	26
Other operating expenses	15	20	31	278	51	283	△29	158
Net operating revenue	3,625	4,417	4,341	3,234	2,676	2,899	3,412	3,219
Selling, general and administrative expenses								
Trading related expenses	579	721	761	627	605	619	625	749
Personnel expenses	1,930	2,173	2,127	1,758	1,958	1,930	1,884	1,776
Real estate expenses	421	473	347	392	350	414	359	353
Office expenses	528	781	549	535	517	496	539	576
Depreciation	141	143	88	81	75	107	86	93
Taxes and dues	88	92	234	60	82	77	87	101
Provision of allowance for doubtful accounts	0	△0	△0	△0	—	—	—	—
Others	131	149	123	106	114	128	133	145
Total selling, general and administrative expenses	3,821	4,535	4,232	3,563	3,705	3,773	3,716	3,795
Operating profit (loss)	△195	△117	108	△328	△1,028	△874	△303	△576
Non-operating income	1,355	76	205	420	281	46	199	433
Non-operating expenses	4	80	2	8	6	18	5	58
Ordinary profit (loss)	1,155	△122	311	83	△753	△846	△110	△201
Extraordinary income	89	1,934	1,069	274	259	326	156	257
Extraordinary losses	278	△277	112	9	283	18	△265	959
Profit (loss) before income taxes	966	2,089	1,268	348	△778	△539	312	△902
Income tax expenses	46	764	333	661	131	26	63	274
Profit (loss)	919	1,325	934	△312	△909	△566	249	△1,177
Profit (loss) attributable to non- controlling interests	△30	△9	△6	9	△12	△8	1	△9
Profit (loss) attributable to owners of parent	949	1,334	940	△322	△897	△558	247	△1,168

## 5. Separate financial statements and major notes

### (1) Balance sheet

(million yen)

	As of March 31, 2022	As of March 31, 2023
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposit	723	1,635
Short-term loans to affiliated companies	—	1,040
Advance payments	97	96
Prepaid expenses	53	40
Accounts receivables	16	151
Other current assets	27	11
<b>Total current assets</b>	<b>917</b>	<b>2,975</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Building (net amount)	128	127
Equipment (net amount)	98	77
Land	50	50
<b>Total property, plant and equipment</b>	<b>277</b>	<b>255</b>
<b>Intangible assets</b>		
Leasehold right	14	14
Software	3	2
<b>Total intangible assets</b>	<b>17</b>	<b>16</b>
<b>Investments and other assets</b>		
Investment securities	4,988	4,239
Shares of affiliated companies	41,043	41,141
Long-term loans receivable from affiliated companies	4,500	—
Long-term guarantee deposits	417	393
Others	26	26
Allowance for doubtful accounts	△3	△3
<b>Total investments and other assets</b>	<b>50,971</b>	<b>45,796</b>
<b>Total non-current assets</b>	<b>51,266</b>	<b>46,068</b>
<b>Total assets</b>	<b>52,184</b>	<b>49,044</b>

(million yen)

	As of March 31, 2022	As of March 31, 2023
<b>Liabilities</b>		
<b>Current liabilities</b>		
Deposits received	28	46
Short-term loans payable	—	1,000
Accounts payable	72	49
Accrued expenses	7	10
Income taxes payable	128	33
Provision for director bonuses	23	—
Other current liabilities	23	21
<b>Total current liabilities</b>	<b>283</b>	<b>1,161</b>
<b>Non-current liabilities</b>		
Long-term borrowings	3,036	500
Deferred tax liabilities	370	439
Long-term deposits received	5	5
<b>Total non-current liabilities</b>	<b>3,412</b>	<b>944</b>
<b>Total liabilities</b>	<b>3,696</b>	<b>2,105</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	8,000	8,000
Capital surplus		
Legal capital reserve	7,863	7,863
Other capital surplus	294	357
<b>Total capital surplus</b>	<b>8,157</b>	<b>8,220</b>
Retained earnings		
Legal reserve for retained earnings	3,202	3,202
Other retained earnings		
General reserve	26,000	26,000
Retained earnings brought forward	6,826	5,727
<b>Total retained earnings</b>	<b>36,028</b>	<b>34,930</b>
Treasury shares	△4,790	△5,471
<b>Total shareholders' equity</b>	<b>47,395</b>	<b>45,679</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale-securities	1,092	1,258
<b>Total valuation and translation adjustments</b>	<b>1,092</b>	<b>1,258</b>
<b>Total net assets</b>	<b>48,488</b>	<b>46,938</b>
<b>Total liabilities and net assets</b>	<b>52,184</b>	<b>49,044</b>

## (2) Statements of income

(million yen)

	Year ended March 31, 2022	Year ended March 31, 2023
<b>Operating revenue</b>		
Management advisory fee	350	811
Interest from lending to affiliated companies	40	31
Commission received	4,886	—
Brokerage commission	2,880	—
Commission from underwriting, secondary distribution and solicitation towards professional investors	6	—
Fee from offering, secondary distribution and solicitation towards professional investors	916	—
Other fees received	1,083	—
Net trading income	2,525	—
Financial revenue	214	1
<b>Total operating revenue</b>	<b>8,018</b>	<b>844</b>
<b>Financial expenses</b>	<b>44</b>	<b>—</b>
<b>Net operating revenue</b>	<b>7,974</b>	<b>844</b>
<b>Selling, general and administrative expenses</b>		
Trading related expenses	1,294	9
Personnel expenses	4,216	462
Real estate expenses	978	180
Office expenses	1,100	94
Depreciation	317	44
Taxes and dues	218	74
Provision of allowance for doubtful accounts	0	—
Others	248	29
<b>Total selling, general and administrative expenses</b>	<b>8,374</b>	<b>894</b>
<b>Operating profit (loss)</b>	<b>△400</b>	<b>△50</b>
<b>Non-operating income</b>		
Real estate rental income	55	13
Dividend income	1,459	54
Profit distributions	94	—
Dividend income from share lending of affiliated companies	4	76
Relief grants	0	—
Others	50	12
<b>Total non-operating income</b>	<b>1,665</b>	<b>156</b>
<b>Non-operating expenses</b>		
Interest paid	5	12
Loss on investments in partnership	113	—
Cancellation penalty	10	—
Settlement expenses	1	—
Commission for purchase of treasury shares	4	2
Others	0	—
<b>Total non-operating expenses</b>	<b>135</b>	<b>14</b>
<b>Ordinary profit (loss)</b>	<b>1,129</b>	<b>91</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	1	—
Gain on sales of investment securities	2,023	199
Reversal of reserve for financial instruments transaction liabilities	0	—
Gain on reversal of asset retirement obligations	—	34
<b>Total extraordinary income</b>	<b>2,024</b>	<b>234</b>
<b>Extraordinary losses</b>		
Loss on sales of non-current assets	69	—
Loss on settlement of investment securities	1	—
Loss on valuation of investment securities	—	279
Impairment loss	—	0
<b>Total extraordinary losses</b>	<b>70</b>	<b>280</b>
<b>Profit (loss) before income taxes</b>	<b>3,084</b>	<b>45</b>
<b>Income taxes – current</b>	<b>767</b>	<b>60</b>
<b>Income taxes – deferred</b>	<b>22</b>	<b>△16</b>
<b>Total income taxes</b>	<b>790</b>	<b>44</b>
<b>Profit (loss)</b>	<b>2,293</b>	<b>1</b>