

Consolidated Financial Summary under Japanese GAAP For the Three months ended June 30, 2023

July 28, 2023

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

Scheduled date of filing quarterly report	August 10, 2023
Scheduled date of dividend payment	--
Supporting explanatory documents on financial results	YES
Briefing on financial results	NO

(All figures are rounded off to the nearest million yen)

1. Consolidated financial summary (From April 1, 2023 to June 30, 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	%
Three months ended June 30, 2023	4,588	67.1	4,522	69.0	564	—	830	—	734	—
Three months ended June 30, 2022	2,746	△24.9	2,676	△26.2	△1,028	—	△753	—	△897	—

Note: Comprehensive income
 Three months ended June 30, 2023: 2,465 million yen (----% vs previous year same period)
 Three months ended June 30, 2022: △761 million yen (----% vs previous year same period)

	Earnings per share	Diluted earnings per share
	yen	yen
Three months ended June 30, 2023	19.50	—
Three months ended June 30, 2022	△23.27	—

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

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
As of June 30, 2023	112,646	55,753	46.9	1,407.23
Fiscal year ended March 31, 2023	98,835	54,030	51.6	1,350.08

Note: Shareholders' equity
 As of June 30, 2023: 52,849 million yen
 As of March 31, 2023: 50,997 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual Total
	yen	yen	yen	yen	yen
Fiscal year ended 2023	—	13.00	—	13.00	26.00
Fiscal year ending 2024	—				
Fiscal year ending 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
(Changes pursuant to the subsidiaries that lead to a change in the scope of consolidation)
New: 1 (Company name: Japan Securities Co., Ltd.) | YES
Exclusion: None |
| (2) Accounting treatments specific to quarterly financial statements | NO |
| (3) Changes in accounting policies, changes in accounting estimates and retrospective restatements | |
| 1) Changes in accounting policies based on revisions of accounting standard | NO |
| 2) Changes in accounting policies other than item 1)above | NO |
| 3) Change in accounting estimates | NO |
| 4) Retrospective restatements | NO |
| (4) Number of issued shares (Common stock) | |
| 1) Number of shares issued at the end of the term including treasury shares | |
| As of June 30, 2023: 47,525,649 shares | As of March 31, 2023: 47,525,649 shares |
| 2) Number of treasury shares at the end of the term | |
| As of June 30, 2023: 9,970,134 shares | As of March 31, 2023: 9,751,971 shares |
| 3) Average number of shares outstanding (Cumulative) | |
| As of June 30, 2023: 37,652,758 shares | As of June 30, 2022: 38,550,387 shares |

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

※ Explanation on forecasts

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

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1. Qualitative information for the Three months ended June 30, 2023

(1) Explanation of Management results

For the period under review (April 1, 2023 to June 30, 2023), despite the issues including the Russia-Ukraine war, global stock markets have been firm. In the U.S. stock market, some major technology stocks rose significantly, leading the overall market surge.

In Japan, stock market continued the gaining momentum as foreign investors continued to buy due to the continuation of monetary easing policy; expectations for governance reforms in Japanese companies; the weakening of the yen; and as per news sources the shift of investment into Japanese equities by prominent U.S. investor. For the period under review, Nikkei 225 average index rose by 18% and broader index TOPIX rose 14%, surpassing the highs after the collapse of bubble economy. On other hand, the status of the COVID-19 was shifted to "Category 5 infectious disease" under the Infectious Diseases Law in May, leading to increase demand for inbound economy such as dining out and hotel accommodation. In addition, the consumer price index has risen by more than 3% for nine consecutive months compared to the same month of the previous year, indicating that inflation is progressing.

Asian stock markets continued to be weak due to currency depreciation and declining exports in various countries as the U.S. and European Central Banks continued to raise policy interest rates. Amidst this, China's major economic indicators have picked up in reaction to the zero COVID-19 policy implemented last year, but the economy continues to be weak as real estate market and domestic consumption remain weak. In ASEAN countries, inflation growth has slowed. Although a phase of reassessing the tightening of monetary policy has arrived, concerns of economic slowdown such as declining exports have begun to emerge. The stock markets of major countries such as Indonesia, Thailand, and Philippines remained weak. Vietnam, as compared to other countries was quick to cut the policy interest rate, and the VN index rose 5.2% for the period under review.

Under such conditions, group is working with the management philosophy of "Making life better through securities investment" to provide the asset building services in line with the best customer satisfaction. As the COVID-19 was shifted to "Category 5 infectious disease", company has restarted face to face communication as and when desired by clients. Group in cooperation with IFA's (Financial intermediary firms), is expanding the client base and pursuing proactive communication with clients.

In April 2023, group's subsidiary company AIZAWA SECURITIES CO., LTD. have signed an alliance agreement with Aomori Yamada High School (Aomori city, Aomori prefecture). Company aim is not only to educate about finance and mentor the entrepreneurs but also to develop the regional community.

In June 2023, AIZAWA SECURITIES CO., LTD. also commenced the Type II Financial Instrument Business. With this, company will be able to handle the placements of fund managed by AIZAWA ASSET MANAGEMENT CO., LTD. and can fulfill the diversified need of investors.

In April 2023 (planned to be effective from November 22, 2023), AIZAWA SECURITIES CO., LTD. entered into absorption-type split agreement with its business alliance partner THE SAIKYO BANK, LTD. With this, the company will acquire the rights and obligations of customer financial securities accounts for registered financial institution business from bank. Moreover, in May 2023, company in collaboration with the bank opened its sixth joint banking securities branch in "Iwakuni" (Yamaguchi prefecture). Company along with bank shall be continuing with the efforts of asset building from the clients' perspective.

In June 2023, group's two companies "LIFE DESIGN PARTNERS CO., LTD." and "AIZAWA SECURITIES CO., LTD." started a collaboration with MS&AD Insurance Group's two companies "Aioi Nissay Dowa Insurance Co., Ltd." & "Mitsui Sumitomo Aioi Life Insurance Company, Limited." to enhance the value for clients by providing one-stop financial service. With this, securities account holders of AIZAWA SECURITIES CO., LTD. will be offered with life & non-life insurance products. Group aims to do value addition to the clients by providing better asset building services through offering insurance products along with financial products.

The group will continue to strive to become a financial group by leveraging the strengths of each subsidiary and working collectively with each other.

For the three months ended June 30, 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)

Total commissions received increased by 48.4% to 2,983 million yen, due to an increase in the turnover of stocks.

(Net trading income)

Net trading income increased by 126.2% to 1,267 million yen, due to increase in handling of OTC foreign stocks.

(Net financial income)

Net financial income increased by 35.3% to 102 million yen. Under this category, income increased by 36.0% to 127 million yen and expenses increased by 39.0% to 24 million yen.

(Other operating revenue and expenses)

Other operating revenues increased by 158.0% to 209 million yen, due to increase in the sales of operational investment securities. Other operating expenses declined by 19.7% to 41 million yen, due to decline in the cost of operational investment securities.

(Selling, general and administrative expenses)

Selling, general and administrative expenses increased by 6.8% to 3,958 million yen due to increase in trading related expenses and personnel expenses.

(Non-operating profit and losses)

Non-operating profit declined by 3.2% to 265 million yen. Under this category, income were 279 million yen including the dividend income of 218 million yen. While expenses under this category were 13 million yen including the interest expenses of 9 million yen.

(Extraordinary profit and losses)

Total extraordinary profit was 140 million yen. Under this category, income were 156 million yen due to gain of 155 million yen from sale of investment securities. While losses were 15 million due to impairment loss of 14 million.

With above factors, for the reporting period, operating revenue increased by 67.1% to 4,588 million yen; operating profit was 564 million yen; ordinary profit was 830 million yen; and profit attributable to owners of parent was 734 million yen.

(2) Explanation of the financial results

(All comparisons in this section (2) are with the previous fiscal year ended March 2023)

(Assets)

As of at the end of the period under review, total assets was 112,646 million yen, an increase of 13,810 million yen. This was mainly due to; increase of 8,214 million yen in cash & deposits; increase of 4,252 million yen in cash segregated as deposits.

(Liabilities)

As of at the end of the period under review, total liabilities was 56,893 million yen, an increase of 12,088 million yen. This was mainly due to increase of 9,316 million yen in deposits received and; increase of 1,040 million yen in guarantee deposits received.

(Net assets)

As for the period under review, total net assets was 55,753 million yen, an increase of 1,722 million yen. This was mainly due to increase of 1,406 million yen in the valuation difference on available-for-sale securities.

(3) Explanation on the forecast of consolidated business results

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

2. Financial statements and major notes

(1) Consolidated balance sheets

(million yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposit	14,142	22,356
Cash segregated as deposits	20,908	25,161
Cash segregated as deposits for customers	20,908	25,160
Other deposits	0	0
Operational investment securities	10,521	10,552
Trading products	207	457
Trading securities and other	207	457
Trade date accrual	615	1,009
Margin transaction assets	15,692	14,803
Loans on margin transactions	15,314	14,291
Cash collateral pledged for securities borrowing on margin transactions	378	511
Advances paid	56	225
Advances paid to customers	54	144
Other advance payments	2	81
Other current assets	1,389	1,052
Total current assets	63,533	75,619
Non-current assets		
Property, plant and equipment	9,936	9,919
Intangible assets	100	71
Goodwill	69	43
Others	31	28
Investments and other assets	25,253	27,027
Investment securities	23,439	24,700
Net defined benefit asset	1,075	1,094
Others	742	1,243
Allowance for doubtful accounts	△3	△11
Total non-current assets	35,291	37,018
Deferred assets		
Deferred organization expenses	0	0
Business commencement expenses	9	8
Total deferred assets	10	9
Total assets	98,835	112,646

(million yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Trading products	90	164
Trading securities and other	90	164
Margin transaction liabilities	1,516	1,786
Borrowings on margin transactions	726	738
Cash received for securities lending on margin transactions	790	1,047
Loans payable secured by securities	2,927	3,767
Cash received on debt credit transaction of securities	2,927	3,767
Deposits received	16,760	26,077
Deposits from customers	14,359	19,444
Other deposits	2,400	6,633
Guarantee deposits received	5,099	6,140
Short-term loans payable	6,445	6,445
Income taxes payable	145	288
Provision for bonuses	311	254
Provision for director bonuses	—	8
Other current liabilities	1,069	930
Total current liabilities	34,365	45,863
Non-current liabilities		
Long-term borrowings	5,588	5,507
Deferred tax liabilities	4,318	4,983
Provision for share based remuneration	279	287
Other non-current liabilities	105	104
Total non-current liabilities	10,293	10,882
Reserves under special laws		
Reserve for financial instruments transaction liabilities	146	146
Total reserves under special laws	146	146
Total liabilities	44,804	56,893
Net assets		
Shareholders' equity		
Capital stock	8,000	8,000
Capital surplus	8,186	8,185
Retained earnings	33,447	33,755
Treasury shares	△5,471	△5,632
Total shareholders' equity	44,162	44,308
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,579	7,986
Foreign currency translation reserve	329	618
Remeasurements of defined benefit plans	△74	△64
Total accumulated other comprehensive income	6,834	8,540
Non-controlling interests	3,033	2,904
Total net assets	54,030	55,753
Total liabilities and net assets	98,835	112,646

(2) Consolidated statements of income and comprehensive income statement**Consolidated statements of income** (For the Three months ended June 30, 2023)

(million yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Operating revenue		
Commission received	2,010	2,983
Net trading income	560	1,267
Financial revenue	93	127
Others	81	209
Total operating revenue	2,746	4,588
Financial expenses	17	24
Other operating expenses	51	41
Net operating revenue	2,676	4,522
Selling, general and administrative expenses		
Trading related expenses	605	736
Personnel expenses	1,958	2,094
Real estate expenses	350	350
Office expenses	517	569
Depreciation	75	48
Taxes and dues	82	31
Others	114	126
Total selling, general and administrative expenses	3,705	3,958
Operating profit (loss)	△1,028	564
Non-operating income		
Interest income	9	35
Dividend income	240	218
Profit distributions	10	8
Others	20	16
Total non-operating income	281	279
Non-operating expenses		
Interest expense	4	9
Amortization of deferred assets	1	1
Loss on investments in partnership	0	—
Settlement expenses	—	1
Commission for purchase of treasury shares	0	0
Others	0	0
Total non-operating expenses	6	13
Ordinary profit (loss)	△753	830
Extraordinary income		
Gain on sales of non-current assets	—	0
Gain on sales of investment securities	259	155
Reversal of reserve for financial instruments transaction liabilities	0	—
Total extraordinary income	259	156
Extraordinary losses		
Loss on sales of non-current assets	1	—
Loss on sales of investment securities	0	0
Loss on valuation of investment securities	277	—
Impairment loss	4	14
Provision of reserve for financial instruments transaction liabilities	—	0
Total extraordinary losses	283	15
Profit (loss) before income taxes	△778	971
Income taxes – current	38	281
Income taxes – deferred	92	△21
Total income taxes	131	259
Profit (loss)	△909	711
Profit (loss) attributable to non-controlling owners	△12	△22
Profit (loss) attributable to owners of parent	△897	734

Consolidated comprehensive income statement (For the Three months ended June 30, 2023)

(million yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit (loss)	△909	711
Other comprehensive income		
Valuation difference on available-for-sale securities	△111	1,406
Foreign currency translation reserve	258	336
Remeasurements of defined benefit plans	0	9
Total accumulated other comprehensive income	147	1,753
Comprehensive income	△761	2,465
(Description)		
Comprehensive income attributable to owners of parent	△901	2,440
Comprehensive income attributable to non-controlling owners	139	24

(3) Notes on quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Notes on material changes in shareholders' equity)

Not applicable

(Additional information)

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 605 million yen for 920 thousand shares as of June 30, 2023.

3. Supplementary information**Consolidated business results for the Three months ended June 30, 2023****(1) Commission received**

A) Breakdown of commission received

(million yen)

	Three months ended June 30, 2022 (A)	Three months ended June 30, 2023 (B)	Change (B/A)	Consolidated fiscal year ended March 31, 2023
Brokerage commission	1,060	1,680	158.4%	4,608
Equities	1,033	1,654	160.1%	4,489
Bonds	—	—	—	—
Beneficiary securities	27	25	93.3%	119
Commission from underwriting, secondary distribution and solicitation towards professional investors	1	4	315.6%	40
Equities	0	4	580.1%	38
Bonds	0	0	23.1%	2
Fee from offering, secondary distribution and solicitation towards professional investors	363	507	139.8%	1,895
Other fees received	584	790	135.2%	2,426
Total	2,010	2,983	148.4%	8,971

B) Product wise breakdown

(million yen)

	Three months ended June 30, 2022 (A)	Three months ended June 30, 2023 (B)	Change (B/A)	Consolidated fiscal year ended March 31, 2023
Equities	1,042	1,668	160.1%	4,567
Bonds	0	0	27.6%	2
Beneficiary securities	669	860	128.6%	3,169
Others	298	453	152.3%	1,232
Total	2,010	2,983	148.4%	8,971

(2) Net trading income

(million yen)

	Three months ended June 30, 2022 (A)	Three months ended June 30, 2023 (B)	Change (B/A)	Consolidated fiscal year ended March 31, 2023
Equities etc.	325	1,088	334.3%	1,646
Bonds, forex etc.	234	178	76.2%	671
Bonds etc.	44	78	177.2%	120
forex etc.	190	100	52.8%	550
Total	560	1,267	226.2%	2,318

(3) Comparative quarterly consolidated income statement

(million yen)

	FY 2023				FY 2024
	First quarter ended June 30	Second quarter ended September 30	Third quarter ended December 31	Fourth quarter ended March 31	First quarter ended June 30
Operating revenue					
Commission received	2,010	2,142	2,492	2,326	2,983
Brokerage commission	1,060	1,080	1,226	1,240	1,680
Commission from underwriting, secondary distribution and solicitation towards professional investors	1	31	2	5	4
Fee from offering, secondary distribution and solicitation towards professional investors	363	416	672	443	507
Other fees received	584	613	590	637	790
Net trading income	560	745	441	570	1,267
Financial revenue	93	116	114	137	127
Others	81	195	352	369	209
Total operating revenue	2,746	3,199	3,401	3,404	4,588
Financial expenses	17	16	18	26	24
Other operating expenses	51	283	△29	158	41
Net operating revenue	2,676	2,899	3,412	3,219	4,522
Selling, general and administrative expenses					
Trading related expenses	605	619	625	749	736
Personnel expenses	1,958	1,930	1,884	1,776	2,094
Real estate expenses	350	414	359	353	350
Office expenses	517	496	539	576	569
Depreciation	75	107	86	93	48
Taxes and dues	82	77	87	101	31
Provision of allowance for doubtful accounts	—	—	—	—	—
Others	114	128	133	145	126
Total selling, general and administrative expenses	3,705	3,773	3,716	3,795	3,958
Operating profit (loss)	△1,028	△874	△303	△576	564
Non-operating income	281	46	199	433	279
Non-operating expenses	6	18	5	58	13
Ordinary profit (loss)	△753	△846	△110	△201	830
Extraordinary income	259	326	156	257	156
Extraordinary losses	283	18	△265	959	15
Profit (loss) before income taxes	△778	△539	312	△902	971
Income tax expenses	131	26	63	274	259
Profit (loss)	△909	△566	249	△1,177	711
Profit (loss) attributable to non-controlling interests	△12	△8	1	△9	△22
Profit (loss) attributable to owners of parent	△897	△558	247	△1,168	734