

Consolidated Financial Summary under Japanese GAAP For the Nine months ended December 31, 2021

January 28, 2022

Company Name AIZAWA SECURITIES GROUP CO., LTD.
Listed Stock Exchange Tokyo Stock Exchange Section 1
Securities Code 8708
URL <https://www.aizawa-group.co.jp/>
Representative Takuya Aizawa, President & CEO
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Scheduled date of filing quarterly report February 9, 2022
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, 2021 to December 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	%
Nine months ended December 31, 2021	12,515	2.7	12,385	2.3	△204	—	1,345	△14.1	3,224	△23.5
Nine months ended December 31, 2020	12,191	16.7	12,103	16.9	801	—	1,566	52.0	4,213	391.6

Note: Comprehensive income

Nine months ended December 31, 2021: 2,006 million yen (△76.8% vs previous year same period)
Nine months ended December 31, 2020: 8,660 million yen (+436.5% vs previous year same period)

	Earnings per share	Diluted earnings per share
	yen	yen
Nine months ended December 31, 2021	81.72	—
Nine months ended December 31, 2020	102.66	—

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 December 31, 2021	107,467	59,476	53.2	1,471.82
Fiscal year ended March 31, 2021	107,127	58,346	54.0	1,444.30

Note: Shareholders' equity

As of December 31, 2021: 57,212 million yen

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

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual Total
	yen	yen	yen	yen	yen
Fiscal year ended 2021	—	11.00	—	21.00	32.00
Fiscal year ending 2022	—	13.00	—		
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. 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 (Company name: AIZAWA SECURITIES CO., LTD.)
 Exclusion: None
 Corporate name of AIZAWA SECURITIES DIVISION PREPARATION CO., LTD. has been changed to AIZAWA SECURITIES CO., LTD. w.e.f. October 1, 2021.
- (2) Accounting treatments specific to quarterly financial statements NO
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatements
- 1) Changes in accounting policies based on revisions of accounting standard YES
 - 2) Changes in accounting policies other than item 1)above NO
 - 3) Change in accounting estimates NO
 - 4) Retrospective restatements NO
- (4) Number of issued shares (Common stock)
- 1) Number of shares issued at the end of the term including treasury shares
 As of December 31, 2021: 47,525,649 shares As of March 31, 2021: 47,525,649 shares
 - 2) Number of treasury shares at the end of the term
 As of December 31, 2021: 8,653,810 shares As of March 31, 2021: 7,498,290 shares
 - 3) Average number of shares outstanding (Cumulative)
 As of December 31, 2021: 39,457,167 shares As of December 31, 2020: 41,047,477 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. Corporate name of AIZAWA SECURITIES CO., LTD. has been changed to AIZAWA SECURITIES GROUP CO., LTD. w.e.f. October 1, 2021.

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1. Qualitative information for the Nine months ended December 31, 2021

(1) Explanation of Management results

For the period under review (April 1, 2021 to December 31, 2021), concerns arising from COVID-19 subsided and there were signs that economic activities were normalizing. On the other hand, signs of inflation globally are weighed on the recovery of corporate earnings.

In 2021, Japan was marked by a number of events like; sharp increase of COVID-19 cases in summer; hosting Tokyo 2020 Olympic and Paralympic Games in August; change of the Prime Minister in November, all of them adding uncertainty in the economy and stock market. The economic situation, while still unstable, showed signs that economic activities are normalizing. Recovery trend is clearer in particular industries. For the period under review Nikkei 225 average index retreated 1.3%, after reaching a 30,670 yen, the highest level in 31 years since August 1990.

The U.S. economy from the COVID-19 perspective was in same situation as of 2020, no major lockdown was introduced due to progress in inoculation of vaccination and also avoided the minus growth. FOMC meeting held in November announced the plans for accelerated tapering and early hike in interest rate. Since, U.S. has been providing capital to itself and other countries, there are concerns about the impact of such policies on the rest of the world.

In China, despite the noticeable slowdown in economic indicators due to; tighter regulations by government authorities on IT, real estate, and education-related companies; local lockdowns due to the "Zero COVID-19" policy; and other natural disasters; it was the first country to normalize its economy ahead of the U.S. and Europe. Series of tighter regulations on IT companies and the default problem of China's Hengda Group, a major real estate company, weighed on the stock markets and the Hong Kong Hang Seng Index fell sharply by -17.6% for the period under review. In 2022, we expect China's economy to develop on an upward trajectory due to the policy of placing top priority on economic stability in preparation for important events such as the Winter Olympics to be held in Beijing in February and the Communist Party National Congress in autumn. On the other hand, economy of ASEAN countries started recovering from October after experiencing the economic stagnation led by decline in consumption due to sharp increase in the Delta variant COVID-19 cases from July to September. Vietnam's economic growth was led by monetary easing and expansion of exports, and the Vietnam VN Index rose sharply by +25.8% during the period under review, reaching an all-time high. In addition, Indonesia, Thailand, and the Philippines rose by 10.0%, 4.4%, and 10.5%, respectively.

Japan saw a recovery in the consumption of food and beverages and travel services since October, after it lifted the emergency declarations and quasi measures to prevent the spread of COVID-19. At the end of November, new variant was reported worldwide and due to the global spread of the virus, Japan has taken measures to restrict activities and is considered to be in sixth wave.

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.

Our mission is to free the clients from the worries of life and to help them create a future for this country.

In October 2021, the company changed its structure to holding company and corporate name to "AIZAWA SECURITIES GROUP CO., LTD.". With the change in holding company, group focuses on its four business pillars of financial instrument securities business, investment business, asset management business and financial instrument intermediary business through its subsidiaries. The financial instrument securities business led by AIZAWA SECURITIES CO., LTD. (established for succeeding the financial instrument securities business in line with shift to holding company structure October 1, 2021) will be the core business of the group. The financial instrument intermediary business (IFA) will be led by LIFE DESIGN PARTNERS CO., LTD. (established in April 2021); the asset management business by AIZAWA ASSET MANAGEMENT Co., Ltd. The investment business has been consolidated to AIZAWA Investments Co., Ltd. These four businesses complement each other, and by further diversifying and stabilizing our profit structure, we aim to establish ourselves as a comprehensive financial group.

On July 9, 2021, Tokyo Stock Exchange, confirmed that the group complied with the listing criteria for the "Prime Market" in the new market segments. Group will proceed with the prescribed procedures for the application for the selection of the new market segment in accordance with the schedule set by Tokyo Stock Exchange.

For the Nine months ended December 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)

Total commissions received increased by 6.3% to 7,994 million yen, due to increase in the turnover of mutual funds.

(Net trading income)

Net trading income declined by 6.3% to 4,042 million yen, due to decline in handling of OTC foreign stocks.

(Net financial income)

Net financial income increased by 6.4% to 253 million yen. Under this category, income increased by 2.7% to 316 million yen and expenses declined by 9.7% to 63 million yen.

(Selling, general and administrative expenses)

Selling, general and administrative expenses increased by 11.4% to 12,589 million yen due to increase in office expenses and real estate expenses.

(Non-operating profit and losses)

Non-operating profit increased by 102.5% to 1,549 million yen. Under this category, income were 1,637 million yen including the dividend income of 1,471 million yen and profit distributions of 109 million yen. While expenses under this category were 87 million yen including the 69 million loss from investment in partnerships.

(Extraordinary profit and losses)

Total extraordinary profit was 2,978 million yen. Under this category, income were 3,092 million yen including the gain of 3,091 million yen from sale on investment securities. While losses were 114 million due to the 69 million yen loss from sale in non-current assets and loss of 43 million yen from the valuation of investment securities.

With above factors, for the reporting period, operating revenue increased by 2.7% to 12,515 million yen; operating losses was 204 million yen; ordinary profit declined by 14.1% to 1,345 million yen; and profit attributable to owners of parent declined by 23.5% to 3,224 million yen.

(2) Explanation of the financial results

(All comparisons in this section (2) are with the previous fiscal year ended March 2021)

(Assets)

As of at the end of the period under review, total assets was 107,467 million yen, an increase of 339 million yen. This was mainly due to increase of 4,188 million yen in cash & deposits and a decline of 3,652 million yen in cash segregated as deposits.

(Liabilities)

As of at the end of the period under review, total liabilities was 47,990 million yen, a decline of 791 million yen. This was mainly due to increase of 3,343 million yen in margin transaction liabilities and a decline of 3,876 million yen in deposits received.

(Net assets)

As for the period under review, total net assets was 59,476 million yen, an increase of 1,130 million yen. This was mainly due to increase of 1,856 million yen in the retained earnings.

(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, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposit	16,707	20,896
Cash segregated as deposits	27,740	24,087
Cash segregated as deposits for customers	27,739	24,085
Other deposits	0	1
Operational investment securities	1,117	6,859
Trading products	244	255
Trading securities and other	244	255
Trade date accrual	817	881
Margin transaction assets	16,297	17,525
Loans on margin transactions	15,638	17,378
Cash collateral pledged for securities borrowing on margin transactions	658	147
Advances paid	163	160
Advances paid to customers	160	155
Other advance payments	3	4
Other current assets	1,351	1,024
Allowance for doubtful accounts	△0	△0
Total current assets	64,440	71,690
Non-current assets		
Property, plant and equipment	6,701	7,345
Intangible assets	372	267
Goodwill	295	210
Others	77	56
Investments and other assets	35,612	28,143
Investment securities	33,530	26,054
Net defined benefit asset	1,069	1,141
Others	1,017	951
Allowance for doubtful accounts	△5	△3
Total non-current assets	42,686	35,756
Deferred assets		
Deferred organization expenses	—	1
Business commencement expenses	—	17
Total deferred assets	—	19
Total assets	107,127	107,467

(million yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Trading products	94	2
Trading securities and other	85	—
Derivatives trading	9	2
Margin transaction liabilities	1,861	5,205
Borrowings on margin transactions	585	4,558
Cash received for securities lending on margin transactions	1,276	647
Loans payable secured by securities	2,930	2,701
Cash received on debt credit transaction of securities	2,930	2,701
Deposits received	24,982	21,105
Deposits from customers	21,024	19,452
Other deposits	3,957	1,653
Guarantee deposits received	5,482	5,008
Short-term loans payable	3,795	3,795
Income taxes payable	994	685
Provision for bonuses	652	371
Provision for director bonuses	31	3
Other current liabilities	1,204	862
Total current liabilities	42,029	39,741
Non-current liabilities		
Long-term borrowings	934	3,079
Deferred tax liabilities	5,150	4,510
Provision for share based remuneration	151	207
Other non-current liabilities	369	305
Total non-current liabilities	6,605	8,102
Reserves under special laws		
Reserve for financial instruments transaction liabilities	146	146
Total reserves under special laws	146	146
Total liabilities	48,781	47,990
Net assets		
Shareholders' equity		
Capital stock	8,000	8,000
Capital surplus	8,087	8,122
Retained earnings	35,388	37,245
Treasury shares	△3,348	△4,607
Total shareholders' equity	48,128	48,760
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,607	8,354
Foreign currency translation reserve	—	41
Remeasurements of defined benefit plans	75	55
Total accumulated other comprehensive income	9,683	8,451
Non-controlling interests	534	2,264
Total net assets	58,346	59,476
Total liabilities and net assets	107,127	107,467

(2) Consolidated statements of income and comprehensive income statement
Consolidated statements of income (For the Nine months ended December 31, 2021)

(million yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Operating revenue		
Commission received	7,519	7,994
Net trading income	4,313	4,042
Financial revenue	308	316
Others	50	161
Total operating revenue	12,191	12,515
Financial expenses	69	63
Other operating expenses	17	66
Net operating revenue	12,103	12,385
Selling, general and administrative expenses		
Trading related expenses	1,776	2,063
Personnel expenses	6,281	6,231
Real estate expenses	899	1,243
Office expenses	1,548	1,859
Depreciation	270	372
Taxes and dues	256	415
Provision of allowance for doubtful accounts	△0	0
Others	271	403
Total selling, general and administrative expenses	11,302	12,589
Operating profit/loss(△)	801	△204
Non-operating income		
Dividend income	480	1,471
Profit distributions	107	109
Reversal of allowance for doubtful accounts	68	—
Gain on investments in partnership	0	—
Relief grants	111	0
Others	28	56
Total non-operating income	796	1,637
Non-operating expenses		
Loss on investments in partnership	—	69
Cancellation penalty	3	10
Settlement expenses	21	1
Commission for purchase of treasury shares	6	3
Others	0	2
Total non-operating expenses	30	87
Ordinary profit	1,566	1,345
Extraordinary income		
Gain on sales of non-current assets	4,246	1
Gain on sales of investment securities	611	3,091
Gain on step acquisitions	36	—
Reversal of reserve for financial instruments transaction liabilities	31	0
Total extraordinary income	4,925	3,092
Extraordinary losses		
Loss on sales of non-current assets	21	69
Loss on sales of investment securities	806	43
Loss on valuation of investment securities	—	1
Total extraordinary losses	827	114
Profit before income taxes	5,664	4,324
Income taxes – current	1,431	1,115
Income taxes – deferred	18	△10
Total income taxes	1,450	1,145
Profit	4,213	3,178
Profit/loss attributable to non-controlling owners	—	△45
Profit attributable to owners of parent	4,213	3,224

Consolidated comprehensive income statement (For the Nine months ended December 31, 2021)

(million yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit	4,213	3,178
Other comprehensive income		
Valuation difference on available-for-sale securities	4,459	△ 1,253
Foreign currency translation reserve	—	101
Remeasurements of defined benefit plans	△ 12	△ 20
Total accumulated other comprehensive income	4,446	△ 1,172
Comprehensive income	8,660	2,006
(Description)		
Comprehensive income attributable to owners of parent	8,660	1,992
Comprehensive income attributable to non-controlling owners	—	13

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

Not applicable.

(Notes on material changes in shareholders' equity)

Not applicable

(Change in accounting policy)

1. Application of "Accounting standard for revenue recognition"
From the beginning of the consolidated 1st quarter of current accounting period, company has applied the "Accounting standard for revenue recognition" under ASBJ statement no. 29 as of March 31, 2020. Company will recognize the revenue to be received in exchange for the good or service when control of the promised good or service is transferred to the customer. There is no impact on the quarterly consolidated financial statements due to change in accounting policy.
2. Application of "Accounting standard for fair value measurement"
From the beginning of the consolidated 1st quarter of current accounting period, company has applied the "Accounting standard for fair value measurement" under ASBJ statement no. 30 as of July 4, 2019. The new accounting policy will be applied in future and the transitional treatment will be applied in accordance with the paragraph 19 of "Implementation guidance on disclosures about fair value of financial instruments under ASBJ statement no. 19" and Paragraph 44-2 of "Accounting Standard for Financial Instruments under ASBJ Statement No. 10". There is no impact on the quarterly consolidated financial statements due to change in accounting policy.

(Additional information)**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 314 million yen for 473 thousand shares as of December 31, 2021.

(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: 31,700 shares
 - (3) Value of shares: 33 million yen
 - (4) Buyback term: From January 6, 2022 to January 18, 2022
 - (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 January 18, 2022 is as follow:

- (1) Number of treasury shares purchase completed: 1,500,000 shares
- (2) Value of treasury shares purchase completed: 1,567 million yen

3. Supplementary information**Consolidated business results for the Nine months ended December 31, 2021****(1) Commission received**

A) Breakdown of commission received

(million yen)

	Nine months ended December 31, 2020 (A)	Nine months ended December 31, 2021 (B)	Change (B/A)	Consolidated fiscal year ended March 31, 2021
Brokerage commission	5,903	4,384	74.3%	7,868
Equities	5,808	4,315	74.3%	7,753
Bonds	—	—	—	—
Beneficiary securities	94	69	72.8%	114
Commission from underwriting, secondary distribution and solicitation towards professional investors	3	24	627.0%	4
Equities	2	23	781.2%	3
Bonds	0	1	148.3%	1
Fee from offering, secondary distribution and solicitation towards professional investors	498	1,379	276.6%	825
Other fees received	1,113	2,205	198.1%	1,701
Total	7,519	7,994	106.3%	10,401

B) Product wise breakdown

(million yen)

	Nine months ended December 31, 2020 (A)	Nine months ended December 31, 2021 (B)	Change (B/A)	Consolidated fiscal year ended March 31, 2021
Equities	5,849	4,375	74.8%	7,819
Bonds	1	1	123.1%	1
Beneficiary securities	1,079	2,196	203.5%	1,608
Others	590	1,421	240.9%	971
Total	7,519	7,994	106.3%	10,401

(2) Net trading income

(million yen)

	Nine months ended December 31, 2020 (A)	Nine months ended December 31, 2021 (B)	Change (B/A)	Consolidated fiscal year ended March 31, 2021
Equities etc.	3,641	3,490	95.9%	4,644
Bonds, forex etc.	672	552	82.1%	906
Bonds etc.	212	89	42.2%	260
forex etc.	459	462	100.6%	645
Total	4,313	4,042	93.7%	5,550

(3) Comparative quarterly consolidated income statement

(million yen)

	FY 2021		FY 2022		
	Third quarter ended December 31	Fourth quarter ended March 31	First quarter ended June 30	Second quarter ended September 30	Third quarter ended December 31
Operating revenue					
Commission received	2,564	2,881	2,395	2,887	2,771
Brokerage commission	1,925	1,964	1,378	1,502	1,503
Commission from underwriting, secondary distribution and solicitation towards professional investors	1	1	3	3	18
Fee from offering, secondary distribution and solicitation towards professional investors	209	326	425	491	463
Other fees received	428	588	589	890	726
Net trading income	1,567	1,237	1,115	1,410	1,516
Financial revenue	100	99	103	108	105
Others	22	23	43	51	65
Total operating revenue	4,255	4,241	3,657	4,457	4,399
Financial expenses	20	20	16	19	27
Other operating expenses	6	8	15	20	31
Net operating revenue	4,228	4,212	3,625	4,417	4,341
Selling, general and administrative expenses					
Trading related expenses	603	655	579	721	761
Personnel expenses	2,133	2,084	1,930	2,173	2,127
Real estate expenses	302	363	421	473	347
Office expenses	550	587	528	781	549
Depreciation	97	144	141	143	88
Taxes and dues	107	122	88	92	234
Provision of allowance for doubtful accounts	△0	△0	0	△0	△0
Others	95	124	131	149	123
Total selling, general and administrative expenses	3,889	4,083	3,821	4,535	4,232
Operating profit/loss(△)	338	128	△195	△117	108
Non-operating income	308	65	1,355	76	205
Non-operating expenses	21	218	4	80	2
Ordinary profit/loss(△)	626	△24	1,155	△122	311
Extraordinary income	4,300	728	89	1,934	1,069
Extraordinary losses	691	25	278	△277	112
Profit before income taxes	4,234	678	966	2,089	1,268
Income tax expenses	1,088	355	46	764	333
Profit	3,146	322	919	1,325	934
Profit (loss) attributable to non-controlling interests	—	△1	△30	△9	△6
Profit attributable to owners of parent	3,146	324	949	1,334	940