



**OKASAN**  
SECURITIES GROUP

## ***ANNUAL REPORT***

**For Fiscal Year Ended March 31, 2023**

OKASAN SECURITIES GROUP INC.

## *Corporate Profile*

Okasan Securities Group Inc. provides investment and financial services with its roots back to 1923, and now consists of a holding company, nine domestic and one overseas group companies. With a focus on securities business, we provide the investment products, services and solutions that meet the needs of our clients. Each group company develops highly professional strategies while collaborating with one another to maximize the synergies and contribute to customers' asset growth.

Starting with Okasan Securities, our core securities business arm, we offer the comprehensive strengths unique to a financial group developed in response to the needs of each era.

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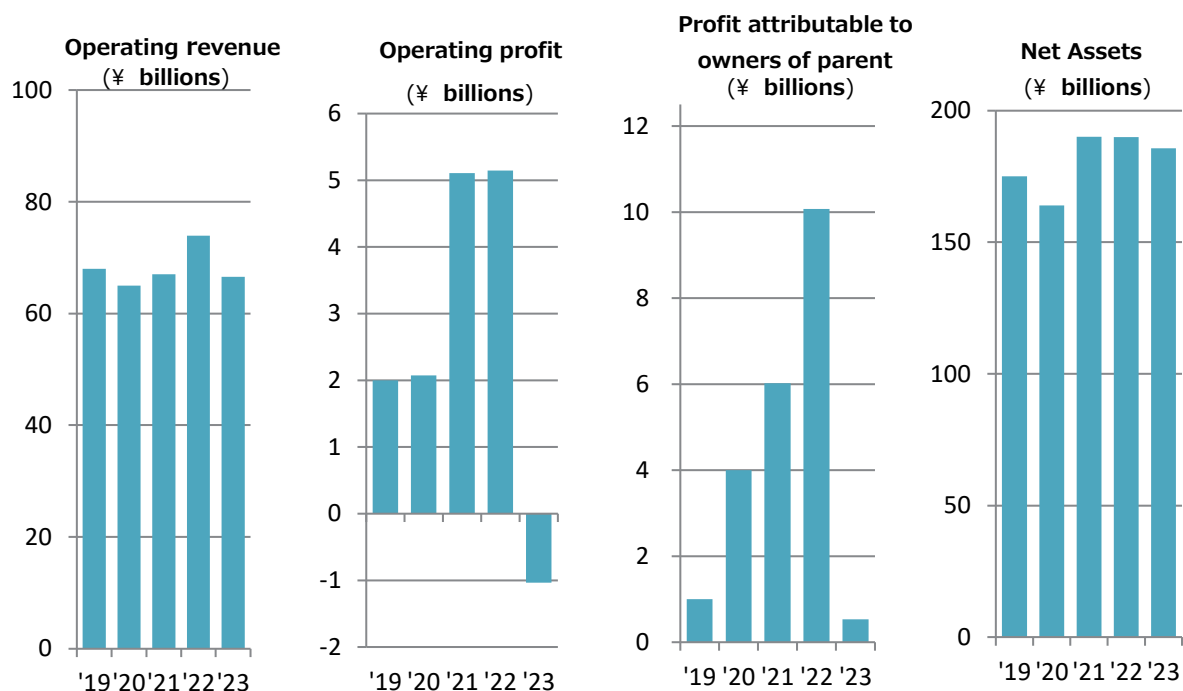
## Consolidated Financial Highlights

### Okasan Securities Group Inc. and Consolidated Subsidiaries Years ended March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars (note)
	2023 (4/1/22~3/31/23)	2022 (4/1/21~3/31/22)	2023 (4/1/22~3/31/23)
Operating revenue .....	¥66,551	¥73,949	\$498,397
Operating profit .....	(1,034)	5,148	(7,744)
Profit attributable to owners of parent .....	529	10,073	3,962
Total assets .....	876,057	816,567	6,560,750
Net assets .....	185,638	189,860	1,390,234
Per share of common stock	Yen		U.S. dollars (note)
Basic net income .....	¥ 2.59	¥ 50.89	\$ 0.02
Cash dividends applicable to the year.....	20.00	15.00	0.15

Note: The translation of the yen amount into U.S. dollars is included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2023, which was ¥133.53 to U.S.\$1.

\* Effective from the year ended March 31, 2023, the Okasan Securities Group Inc. and its subsidiaries (the “Group”) has changed its method of presentation, and figures in the “consolidated operating results” for the year ended March 31, 2022 have been restated to reflect this change.



## Management Policy

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### Okasan Securities Group Inc. and Consolidated Subsidiaries

#### 1. Basic management policy for the Company

Okasan Securities Group Inc. manages a corporate group composed of a holding company and its Japanese and overseas consolidated subsidiaries. The Group strives to strengthen its enterprise value in a sustained manner through the provision of investment services centered on the securities business and asset management.

#### 2. Basic policy on the distribution of profits and dividends

The Group sees shareholder returns as an important gauge of management success and intend to distribute payouts in consideration of the earnings trends in tandem with the sustainability of stable dividends. Our policies call for harnessing internal reserves to enhance management structures and future business development. In its meeting held March 24, 2023, the Board of Directors determined a new policy on shareholder returns. To implement this policy while balancing growth and shareholder returns as well as improving capital efficiency, we have set the target for shareholder returns of a total payout ratio of 50% or higher. We will also pursue the continuous purchase of at least 1 billion yen per year in treasury shares during the period covered by the new Medium-Term Management Plan (the five-year period from April 2023 to March 2028) until the PBR exceeds 1.0.

#### 3. Important management indicator

The Group strives to achieve sustained growth and enhancement of corporate value over the medium to long term. As a particularly important management indicator, we state consolidated return on equity (ROE) of 8%.

#### 4. Management strategies, etc.

With the aim of realizing reforms to establish structures for continuing to earn the trust of customers and achieve sustained growth after the 100th anniversary of our founding in April 2023, we strived to enhance corporate value through the basic policies of “Providing customer-first services,” “Creating shared value,” and “Working on digitalization” under our Medium-Term Management Plan for the three-year period from April 2020 to March 2023.

During this consolidated fiscal year, the final fiscal year of the Medium-Term Management Plan, we continued efforts to improve customer experience (CX) value at each Group securities company, while the core subsidiary Okasan Securities Co., Ltd. implemented office strategies intended to increase points of contact with customers. We carried out Group strategies that included making six subsidiaries wholly owned subsidiaries to achieve more efficient and dynamic Group management as well as making Okasan Asset Management Co., Ltd. a joint venture company with the SBI Group to grow the foundations of the asset management business. Furthermore, we migrated our core securities system from in-house operation to use of an industry-standard system as a service and built structures for focusing the allocation of management resources on strategic domains and promoting digitalization under the growth strategy extending above and beyond the Group framework.

In addition, to establish management foundations for sustained growth in the next 100 years, we formulated the new Medium-Term Management Plan for the five-year period from April 2023 to March 2028. Based on the “Customer-First” management philosophy we have maintained since our founding, we will aim for further growth to become a securities group that aims to “contribute to the lives of our customers” as finance professionals.

## **Okasan Securities Group Medium-Term Management Plan**

### **<Purpose (reason for existence)>**

To contribute to “the lives of our customers” as finance professionals

### **<Vision>**

To be the best partner for our customers by continuing to meet their individual needs through heartfelt services

### **● Basic policies**

#### **Goal:**

Reforming the business model to establish management foundations for sustained growth in the next 100 years

#### **Growth strategy:**

- Enhancement of one-to-one marketing
- Advancement of platforms
- Evolution of corporate branding

Promoting digitalization across all domains to support realization of the growth strategy.

### **● Targets for key management indicators**

- Assets under custody: 10 trillion yen
- ROE: 8%
- Total payout ratio: 50%

(Purchasing at least 1 billion yen per year in treasury shares during the period covered by the Medium-Term Management Plan until the PBR exceeds 1.0)

## **5. Business conditions and challenges the Company should address**

Today, the world is in the grip of disruption characterized by very high levels of uncertainty resulting from structural changes on a historic scale. The environment of gradual economic expansion and low inflation rates that had continued until recent years premised on globalization has been shaken to its core, and financial markets are growing increasingly volatile. The business environment in which the Group operates is also experiencing waves of structural changes, including depopulation, low birth rates, and aging of the population in Japan as well as revisions to financial regulations and systems, competition driving down commissions, and progress in digitalization. At a time like this, it is vital to respond to changes appropriately.

At the same time, from a long-term perspective, the rise of inflationary conditions and policy backing can be expected to lead to an increasing flow of funds into risk assets. We expect growth opportunities for the securities industry to grow, along with expansion of the role the industry should play. While there is a trend in the securities industry toward achieving a higher efficiency through contracted equilibrium, our policy is to chart a course different from that of the competitors to carry out our own unique growth strategy through concentrating investment of management resources in strategic domains, with the aim of establishing a solid position for the Group to respond to growing asset management demand.

In April 2023, the Group marked the 100th anniversary of its founding. We have formulated the new Medium-Term Management Plan for the five-year period through FY2027 to establish management foundations for sustained growth in the next 100 years. The aim of the Plan is to establish a business model of serving as our customers' main financial institution through comprehensive consulting on all aspects of assets. Valuing people above all else, the Plan establishes the basic policies of the growth strategy: "Enhancement of one-to-one marketing," "Advancement of platforms," and "Evolution of corporate branding." The Plan also calls for promoting digitalization across all domains to support realization of the growth strategy. We will provide customers with high-value-added services by accelerating reforms through enhancing collaboration with business partners, instead of insisting on doing everything on our own.

By advancing consulting services as finance professionals based on the "Customer-First" management philosophy we have maintained since our founding in 1923, we will aim for further growth to become a securities group that aims to "contribute to the lives of our customers." In addition, seeing sustainability as the essence of management itself, we will further enhance our efforts to contribute to sustained growth of society through our core businesses, as we strive to be an enterprise that progresses together with society.

## **6. Outline of corporate governance structure**

### **(1) Basic concepts regarding corporate governance**

To remain a company that retains society's trust, we have positioned corporate governance as a key management issue. By securing the rights and equality of shareholders, making the right decisions in a timely manner, and putting together the structures for business execution and appropriate management supervision and monitoring, we will fulfill our fiduciary duties and accountability to shareholders and forge cordial relationships with stakeholders.

### **(2) Structure of business execution**

Regarding the structure of business execution, the Board of Directors as the supreme decision-making organ on management makes decisions on items provided in laws and regulations and the articles of incorporation and maps out plans for the management strategy of the Group and supervises them. The President - CEO executes decisions of the Board of Directors and supervises overall management. The Board of Directors consists of six directors (including four directors who are Audit & Supervisory Committee members), which enables it to make quick decisions.

We also have set up the Management Conference. To strengthen the business management of the Group by clarifying the roles of both bodies, the Board of Directors makes management decisions and supervises management while the Management Conference is in charge of business execution. The Management Conference, according to the basic management policies adopted by the Board of Directors, deliberates on the laying out of specific policies, business execution plans, and other important managerial subjects.

### **(3) Management monitoring structure**

The Group has adopted the structure of a company with an Audit & Supervisory committee to enhance the transparency of decision-making and strengthen audit and supervisory functions through the involvement of outside directors in its management affairs. The total number of Audit & Supervisory Committee is four (one is a full-time director), and three are outside directors. The Committee is comprised of Audit & Supervisory Committee members, determines audit policies in accordance with laws and regulations and the Company's articles of incorporation, based on the rules for the Committee. The Committee also works to formulate audit opinions for Audit & Supervisory Committee members. Other member obligations include attendance at meetings of the Board of Directors and other important meetings; interviews with directors (excluding directors who serve concurrently as Audit & Supervisory Committee members); and the duty to review important approval documents to oversee decision-making by the Board of Directors and the state of business execution by directors. Audit & Supervisory Committee members also work with independent auditors and the divisions in charge of internal audits to help ensure effective and appropriate audits. Okasan Securities Group Inc. has entered into agreements with the four Audit & Supervisory Committee members to curtail their liabilities under Article 423, Paragraph 1 of the Companies Act, in accordance with Article 427, Paragraph 1 of the Act, to the minimum level specified by laws and regulations.

(4) Internal auditing structure

As part of efforts to contribute to securing appropriate business operations such as reducing management risks and preventing wrongdoings, we have set up the Group Internal Audit Dept. and assigned eight staffs to this department. The Group Internal Audit Dept. makes up an audit plan in each fiscal year, periodically implements on-the-spot audits based on these plans and inspects documents when necessary. The results of the audits are presented regularly to the Board of Directors in the form of an audit report.

## Operating and Financial Review

### Okasan Securities Group Inc. and Consolidated Subsidiaries Years ended March 31, 2023

#### I. Financial conditions and operating results

During this consolidated fiscal year, Japan's economy exhibited a trend toward recovery, with economic activity returning to normal from COVID-19 pandemic conditions, despite rising resource prices and supply limitations. Meanwhile, overseas economies appeared to slow against a backdrop that included monetary tightening and the Ukrainian situation. Amid these conditions, despite the effects of declining overseas demand, exports and industrial production gradually recovered prompted by the relaxation of supply limitations. In addition to steady capital investment backed by factors such as solid corporate earnings, personal consumption continued to recover, as consumers adjusted to life with COVID-19. In January, inflation across a wide range of product categories, spurred by high resource prices, drove up the national consumer price index (composite index excluding fresh food) by 4.2% year-on-year, the highest such figure since 1981.

In stock markets, U.S. monetary policy had significant effects on the Nikkei Stock Average (Nikkei 225), prompting its fluctuations. After starting April at the 27,600-yen level, the Nikkei 225 was bearish for a time in response to uncertainty about the future due to urban COVID-19 lockdowns in China and aggressive monetary tightening by the U.S. Federal Reserve Board (FRB), before fluctuating within the 25,000–28,000-yen range by the end of July. Buoyed by various factors, including a temporary easing of U.S. inflation concerns, the Nikkei 225 recovered to the 29,000-yen level in August for the first time in seven and one-half months. Subsequently, it fell to the 25,000-yen level for a period through early October, based on long-term monetary tightening by the FRB and concerns over an economic downturn in Europe driven by skyrocketing resource prices. Following fluctuations through the end of December, it then showed a strengthening trend from January amid favorable conditions, including the apparent cessation of the FRB's interest rate hikes and substantial improvements in China's manufacturing outlook. However, growing uncertainty about financial systems, starting in the United States and Europe, led the Nikkei 225 to close the fiscal year at 28,041.48 yen.

In foreign exchange markets, yen-dollar exchange rates resulted in a weaker yen and a stronger dollar, reaching the level of 150 yen to the dollar in October for the first time since 1990, as the Bank of Japan's continuing policy of monetary easing spurred a widening gap between domestic and overseas interest rates that added pressure to sell yen. The yen then later rebounded against the dollar amid signs of the U.S. inflation rate peaking and the FRB's apparent willingness to slow the pace of interest rate hikes. The yen-dollar exchange rates reached the level of nearly 121 yen as the gap between domestic and overseas interest rates contracted after a Bank of Japan's decision in December to review its yield-curve controls. Spurred by a succession of economic indicators suggesting a robust U.S. economy, the yen fell once again and the dollar rose in response to rising U.S. long-term interest rates. Nevertheless, amid growing risk aversion toward the end of the fiscal year prompted by financial instability in the United States and Europe, currency trading ended the fiscal year at the level of 133 yen to the dollar.

Under these conditions, the Okasan Securities Group implemented various measures consistent with the basic policies of its Medium-Term Management Plan. In addition to making six subsidiaries wholly owned subsidiaries to make Group management more efficient and dynamic, we made Okasan Asset Management Co., Ltd. a joint venture company with the SBI Group. This move is intended to grow the foundations of the asset management business as a growth strategy extending above and beyond the Group framework. We also migrated our core securities system to an industry-standard sharing system and made progress on building structures for focusing the allocation of management resources on strategic domains. Okasan Securities Co., Ltd., a core subsidiary, continued efforts to improve customer experience (CX) value, implementing office strategies intended to increase points of contact with customers. Okasan Online Securities Co., Ltd. acquired the Marusan Trade online trading account business from Marusan Securities Co., Ltd. to enhance its business foundations.

We also enhanced our initiatives intended to help realize a sustainable society through the securities business. These included efforts to address climate change through analyses and disclosures based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), promotion of diversity, contributions to solving social issues through finance, and promotion of financial education.



## **II. Financial standing**

Total assets at the end of the consolidated fiscal year under review stood at ¥876,057 million, up ¥59,490 million from the end of the previous consolidated fiscal year. Total liabilities at the end of the consolidated fiscal year under review stood at ¥690,418 million, up ¥63,712 million from the end of the previous consolidated fiscal year. Net assets at the end of the consolidated fiscal year under review stood at ¥185,638 million, down ¥4,221 million from the end of the previous consolidated fiscal year.

### **1. Total assets**

Total assets at the end of the consolidated fiscal year under review stood at ¥876,057 million, up ¥59,490 million from the end of the previous consolidated fiscal year. This was due mainly to increases of ¥27,335 million in margin transaction assets, ¥12,677 million in trading products, ¥6,337 million in investment securities, and ¥5,539 million in software, while trade date accrual decreased by ¥8,665 million.

### **2. Total liabilities**

Total liabilities at the end of the consolidated fiscal year under review stood at ¥690,418 million, up ¥63,712 million from the end of the previous consolidated fiscal year. This was due mainly to increases of ¥24,314 million in trade date accrual, ¥14,384 million in short-term borrowings, ¥13,398 million in trading products, and ¥11,192 million in borrowings secured by securities.

### **3. Net assets**

Net assets at the end of the consolidated fiscal year under review stood at ¥185,638 million, down ¥4,221 million from the end of the previous consolidated fiscal year. This was due mainly to increases of ¥13,424 million in capital surplus, while non-controlling interests decreased by ¥9,329 million.

## **III. Business results**

Group operating revenue in the consolidated fiscal year under review was ¥66,551 million (decreased by 10.0% compared to the figure for the previous year); net operating revenue was ¥64,902 million (decreased by 10.8% compared to the previous year). SG&A expenses were ¥65,936 million (decreased by 2.5% compared to the previous year); ordinary profit was ¥421 million (decreased by 93.9% compared to the previous year); and profit attributable to owners of parent was ¥529 million (decreased by 94.7% compared to the previous year).

From the third quarter of the fiscal year ended March 31, 2023, Okasan Asset Management Co., Ltd., previously a consolidated subsidiary, was excluded from the scope of consolidation and included in the scope of application of the equity method.

### **1. Fees and commissions received**

Fees and commissions received totaled ¥41,119 million (decreased by 11.8% compared to the previous year). The main components were as follows:

#### **(1) Brokerage commission**

During this consolidated fiscal year, the daily average trading volume (for domestic common stock) was 1,720 million shares (increased by 1.6% compared to the level in the previous fiscal year) and the trading value was ¥3,499.8 billion (increased by 2.5% compared to the figure for the previous fiscal year) on the Tokyo Stock Exchange. Compared to the previous consolidated fiscal year, trading volume of individual customers decreased, in response to unstable market environment both domestic and overseas.

Consequently, equity brokerage commission was ¥15,533 million (decreased by 15.5% compared to the previous year). Bond brokerage commission was ¥0 million (decreased by 48.4% compared to the previous year). Other brokerage commission amounted to ¥629 million (increased by 8.0% compared to the previous year). Total brokerage commission was ¥16,163 million (decreased by 14.8% compared to the previous year).

## (2) Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors

A look at stock underwriting during this consolidated fiscal year shows that the value of underwriting declined, mainly for initial public offerings (IPOs), in response to a rebound from a concentration of IPOs in the previous fiscal year on which we served as lead underwriter. In the area of bond underwriting, while we served as lead underwriter for bonds including local government bonds, industrial bonds, and FILP agency bonds, the value of underwriting declined due to the decrease in the amounts issued resulting from an increasingly harsh bond issuance environment.

The resulting commissions on equity were ¥302 million (decreased by 56.9% compared to the previous year). Commissions on bonds totaled ¥312 million (decreased by 22.7% compared to the previous year). Total Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors, related to both equity and bond transactions, amounted to ¥615 million (decreased by 44.4% compared to the previous year).

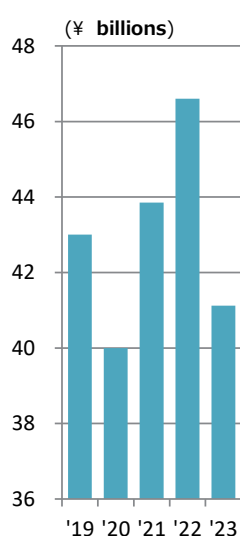
## (3) Fees for offering, secondary distribution and solicitation for selling and others for professional investors

Income related to investment trusts accounted for the bulk of our income from fees for offering, secondary distribution and solicitation for selling and others for professional investors, and other fees and commissions received.

The sale of publicly offered investment trusts during this consolidated fiscal year was down year on year. While these sales were driven by growing sales of funds investing in medical stocks and bond funds during the first half of the fiscal year and by funds investing in stocks promising high dividend yields and emerging market stocks in the second half, various factors, including concerns for an economic downturn accompanying rising interest rates worldwide, constrained sales growth.

As a result, fees for offering, secondary distribution and solicitation for selling and others for professional investors totaled ¥10,709 million (decreased by 2.7% compared to the previous year). Other fees and commissions received, related mainly to investment trusts, amounted to ¥13,631 million (decreased by 12.2% compared to the previous year).

### Fees and commissions received



### Fees and commissions received

#### Breakdown by category

	(Millions of yen except percentage)		
	2023 (4/1/22~3/31/23)	2022 (4/1/21~3/31/22)	Percent change
Brokerage commission	¥16,163	¥18,966	(14.8)
Equities	15,533	18,383	(15.5)
Bonds	0	0	(48.4)
Others	629	582	8.0
Underwriting fees and selling concessions	615	1,106	(44.4)
Equities	302	702	(56.9)
Bonds	312	403	(22.7)
Placement commissions	10,709	11,005	(2.7)
Other commissions	13,631	15,520	(12.2)
Total	41,119	46,598	(11.8)

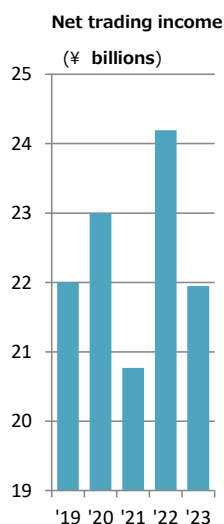
## 2. Net trading income

Income on equity trading is earned mainly from domestic over-the-counter trading of foreign equities, particularly US stocks.

Income on bond trading arises mainly in conjunction with income from the handling of foreign bonds for customers.

In the consolidated fiscal year under review, individual clients' domestic over-the-counter trading of foreign equities declined from the previous fiscal year, on the back of unstable US stock market. At the same time, value of sales of foreign bonds for corporate clients increased, while net income from domestic bonds decreased due to the impact of fluctuating interest rate.

Consequently, total income on equity trading was ¥13,186 million (decreased by 10.0% compared to the previous year). Total bond trading income was ¥8,461 million (decreased by 11.5% compared to the previous year). Net trading income, including gain from other trading of ¥299 million (loss of ¥26 million in the previous year), was ¥21,947 million (decreased by 9.3% compared to the previous year).



Net trading income	(Millions of yen except percentage)		
	2023 (4/1/22~3/31/23)	2022 (4/1/21~3/31/22)	Percent change
Equities, etc.	¥13,186	¥14,658	(10.0)
Bonds, etc.	8,461	9,561	(11.5)
Others	299	(26)	-
Total	21,947	24,193	(9.3)

### **3. Net Financial revenue**

Financial revenue amounted to ¥2,453 million (increased by 12.6% compared to the previous year). Financial expenses stood at ¥1,649 million (increased by 39.7% compared to the previous year). Net financial revenue—i.e., the difference between financial revenue and financial expenses—was ¥804 million (decreased by 19.5% compared to the previous year).

### **4. Other operating revenue**

Other operating revenue—i.e., operating income other than that related to the financial products transaction business and incidental operations—stood at ¥1,030 million (increased by 5.3% compared to the previous year).

### **5. Selling, general, and administrative expenses**

Due to lower expenses, including trading related expenses and personnel expenses, selling, general, and administrative expenses were ¥65,936 million (decreased by 2.5% compared to the previous year).

### **6. Non-operating income / loss and extraordinary income / loss**

Non-operating income amounted for ¥1,687 million due to the factors such as record of dividend income, while non-operating expenses amounted for ¥231 million. Extraordinary income amounted for ¥3,089 million due to factors including record of gain on change in equity, while extraordinary loss amounted for ¥476 million.

### **7. Dividends**

The Company sees shareholder returns as a critical management issue. Its basic policy is to maintain a stable dividend while distributing profits in line with earnings.

Based on the policies above, the Company has determined to pay dividends in this fiscal year of 10 yen per share of ordinary dividends, plus 10 yen per share of commemorative dividends to mark the 100th anniversary of our founding, for a total of 20 yen per share.

#### **IV. Cash flows**

Cash and cash equivalents (“cash” hereafter) at the end of the consolidated fiscal year was up ¥4,248 million from the end of the previous fiscal year to ¥84,037 million.

Presented below is information on each type of cash flow during the consolidated fiscal year under review and the underlying factors:

##### **<Cash flows from operating activities>**

Cash used in operating activities were ¥1,359 million, attributable mainly to the difference between cash inflows from ¥33,701 million on decrease (increase) in trading products - assets(liabilities), ¥5,781 million on increase (decrease) in guarantee deposits received, ¥4,902 million on decrease/increase in loans/borrowings secured by securities, as well as ¥3,034 million on profit before income taxes, and cash outflows of ¥24,214 million on decrease/increase in margin transaction assets/liabilities, as well as ¥9,554 million on increase (decrease) in deposits received.

##### **<Cash flows from investing activities>**

Cash provided by investing activities amounted to ¥1,667 million, due mainly to the difference between the cash inflows of ¥5,084 million on proceed for acquisition of businesses, as well as ¥2,500 million on proceeds from sale of securities, and cash outflows of ¥7,490 million on purchase of intangible assets.

##### **<Cash flows from financing activities>**

Cash provided by financing activities amounted to ¥16,584 million, due mainly to the difference between cash inflows from a net increase(decrease) in short-term borrowings of ¥11,743 million, as well as income from capital increase of consolidated subsidiaries of ¥9,965 million, and cash outflows of ¥2,966 million on dividends paid, as well as of ¥2,500 million on purchase of treasury shares.

## V. Financial information

### 1. Method of preparation of consolidated financial statements and non-consolidated financial statements

(1) The consolidated financial statements of the Company have been prepared in accordance with the provisions set forth in the “Cabinet Office Ordinance Concerning Financial Instruments Business” (Cabinet Office Ordinance No. 52 of 2007) and the “Uniform Accounting Standards for Securities Companies” (set by the board of directors of the Japan Securities Dealers Association dated November 14, 1974), based on the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Ordinance No. 28 of 1976) as well as the provisions of Articles 46 and 68 of the said Ordinance.

(2) The non-consolidated financial statements of the Company have been prepared based on the “Regulation on Terminology, Forms, and Preparation Methods of Financial Statements” (Ministry of Finance Ordinance No. 59 of 1963; hereinafter, the “Financial Statements Regulation”).

Further, the Company is deemed a special company submitting financial statements and prepares non-consolidated financial statements based on the provisions of Article 127 of the Financial Statements Regulation.

### 2. Audit attestation

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements for the fiscal year from April 1, 2022 to March 31, 2023 and the non-consolidated financial statements for the fiscal year from April 1, 2022 to March 31, 2023 of the Company have been audited by Crowe Toyo & Co.

### 3. Particular efforts to ensure the appropriateness of consolidated financial statements, etc.

The Company makes particular efforts to ensure the appropriateness of its consolidated financial statements. Specifically, in order to establish a system to properly understand the details of accounting standards, etc. and ensure the reliability of corporate information, the Company has joined the Financial Accounting Standards Foundation to collect information concerning accounting standards, implementation guidance, Practical Issues Task Force, and others.

In addition, the Company participates in open seminars sponsored by the Accounting Standards Board of Japan and the Financial Accounting Standards Foundation as well as seminars, etc. on the preparation of annual securities reports.

# 1. Consolidated financial statements and other information

## (1) Consolidated financial statements

### (i) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	*3 86,946	*3 88,460
Segregated deposits	90,874	95,397
Segregated deposits for customers	87,760	92,150
Other segregated deposits	3,114	3,247
Trading products	227,666	240,344
Trading securities and other	*3 227,583	*3 239,927
Derivatives	83	417
Trade date accrual	8,665	—
Margin transaction assets	63,432	90,768
Margin loans	54,278	83,514
Cash collateral provided for securities borrowed in margin transactions	9,154	7,253
Loans secured by securities	228,480	234,769
Cash collateral provided for securities borrowed	—	4
Securities purchased under resale agreements	228,480	234,764
Advances paid	1,263	247
Short-term guarantee deposits	18,596	21,618
Accounts for non-delivered securities and others	85	16
Short-term loans receivable	107	110
Accrued revenue	4,060	3,482
Securities	2,500	1,189
Other current assets	2,421	8,854
Allowance for doubtful accounts	(16)	(30)
<b>Total current assets</b>	<b>735,086</b>	<b>785,227</b>
Non-current assets		
Property, plant and equipment	*1 18,071	*1 16,991
Buildings, net	5,189	4,781
Equipment	1,186	1,075
Land	*6 10,772	*6 10,623
Leased assets, net	785	511
Construction in progress	137	—
Intangible assets	4,098	9,224
Software	3,076	8,616
Other	1,022	608
Investments and other assets	59,310	64,613
Investment securities	*2, *3 51,326	*2, *3 57,663
Long-term guarantee deposits	4,110	3,610
Long-term loans receivable	13	11
Retirement benefit asset	2,534	2,542
Deferred tax assets	657	204
Other	1,562	1,468
Allowance for doubtful accounts	(893)	(887)
<b>Total non-current assets</b>	<b>81,480</b>	<b>90,829</b>
<b>Total assets</b>	<b>816,567</b>	<b>876,057</b>

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
<b>Liabilities</b>		
Current liabilities		
Trading products	225,410	238,809
Trading securities and other	225,361	238,786
Derivatives	48	22
Trade date accrual	—	24,314
Margin transaction liabilities	25,421	24,612
Margin borrowings	*3 14,098	*3 13,482
Cash received for securities sold in margin transactions	11,323	11,129
Borrowings secured by securities	97,518	108,711
Cash collateral received for securities lent	1,518	7,711
Securities sold under repurchase agreements	96,000	101,000
Deposits received	61,423	60,174
Guarantee deposits received	37,002	43,669
Payables for securities to receive over due for delivery	17	32
Short-term borrowings	*3 138,513	*3, *8 152,897
Income taxes payable	2,781	457
Provision for bonuses	2,020	1,819
Other current liabilities	5,500	4,519
Total current liabilities	595,610	660,017
Non-current liabilities		
Long-term borrowings	*3, *8 11,802	*3, *8 10,000
Lease liabilities	639	306
Deferred tax liabilities for land revaluation	*6 1,457	*6 1,527
Deferred tax liabilities	7,274	8,855
Provision for retirement benefits for directors (and other officers)	208	209
Retirement benefit liability	6,407	5,798
Other non-current liabilities	2,067	2,455
Total non-current liabilities	29,855	29,153
Reserves under special laws		
Reserve for financial instruments transaction liabilities	*7 1,241	*7 1,247
Total reserves under special laws	1,241	1,247
Total liabilities	626,706	690,418
<b>Net assets</b>		
Shareholders' equity		
Share capital	18,589	18,589
Capital surplus	23,848	37,273
Retained earnings	120,984	118,548
Treasury shares	(3,733)	(11,470)
Total shareholders' equity	159,689	162,940
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,466	8,039
Revaluation reserve for land	*6 401	*6 330
Foreign currency translation adjustment	477	816
Remeasurements of defined benefit plans	834	890
Total accumulated other comprehensive income	8,179	10,076
Stock acquisition rights	463	421
Non-controlling interests	21,528	12,199
Total net assets	189,860	185,638
Total liabilities and net assets	816,567	876,057

## (ii) Consolidated statement of income and consolidated statement of comprehensive income

## Consolidated statement of income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Operating revenue		
Commission received	46,598	41,119
Brokerage commission	18,966	16,163
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	1,106	615
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	11,005	10,709
Other commission received	15,520	13,631
Net trading income	24,193	21,947
Financial revenue	2,180	2,453
Other operating revenue	978	1,030
Total operating revenue	*1 73,949	*1 66,551
Financial expenses	1,180	1,649
Net operating revenue	72,769	64,902
Selling, general and administrative expenses	67,621	65,936
Trading related expenses	11,606	10,979
Personnel expenses	*2 32,978	*2 32,465
Real estate expenses	8,195	7,920
Office expenses	7,039	8,014
Depreciation	2,949	2,694
Taxes and dues	1,323	1,096
Provision of allowance for doubtful accounts	40	13
Other	3,487	2,751
Operating profit (loss)	5,148	(1,034)
Non-operating income	1,946	1,687
Dividend income	1,570	1,481
Share of profit of entities accounted for using equity method	32	67
Other	343	138
Non-operating expenses	195	231
Interest expenses	38	28
Loss on valuation of investment securities	20	56
Loss on sale and retirement of non-current assets	54	35
Loss on sale of receivables	33	—
Share issuance costs	—	35
Settlement payments	4	23
Other	44	52
Ordinary profit	6,898	421



(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Extraordinary income		
Gain on change in equity	—	2,771
Gain on sale of investment securities	9,585	317
Gain on sales of investments in capital of subsidiaries and associates	93	—
Total extraordinary income	9,679	3,089
Extraordinary losses		
Impairment losses	*3 1,092	*3 82
Loss on sale of investment securities	8	28
Loss on valuation of investment securities	114	359
Loss on valuation of golf club membership	4	—
Provision of reserve for financial instruments transaction liabilities	3	6
Total extraordinary losses	1,223	476
Profit before income taxes	15,354	3,034
Income taxes - current	4,134	326
Income taxes - deferred	119	2,120
Total income taxes	4,254	2,446
Profit	11,100	587
Profit attributable to non-controlling interests	1,027	57
Profit attributable to owners of parent	10,073	529

## Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	11,100	587
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,515)	257
Revaluation reserve for land	—	(70)
Foreign currency translation adjustment	363	338
Remeasurements of defined benefit plans, net of tax	(334)	44
Share of other comprehensive income of entities accounted for using equity method	(110)	(66)
Total other comprehensive income (loss)	*1 (8,596)	*1 503
Comprehensive income	2,504	1,091
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,832	2,427
Comprehensive income attributable to non- controlling interests	(328)	(1,336)

## (iii) Consolidated statement of changes in equity

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	18,589	23,841	113,877	(3,796)	152,512
Changes during period					
Dividends of surplus			(2,963)		(2,963)
Profit attributable to owners of parent			10,073		10,073
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		7	(2)	63	68
Change in ownership interest of parent due to transactions with non-controlling interests					—
Changes by share exchanges					—
Net changes in items other than shareholders' equity					
Total changes during period	—	7	7,106	62	7,176
Balance at end of period	18,589	23,848	120,984	(3,733)	159,689

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	13,739	401	114	1,165	15,420	422	21,948	190,304
Changes during period								
Dividends of surplus								(2,963)
Profit attributable to owners of parent								10,073
Purchase of treasury shares								(1)
Disposal of treasury shares								68
Change in ownership interest of parent due to transactions with non-controlling interests								—
Changes by share exchanges								—
Net changes in items other than shareholders' equity	(7,273)	—	363	(331)	(7,240)	41	(420)	(7,620)
Total changes during period	(7,273)	—	363	(331)	(7,240)	41	(420)	(443)
Balance at end of period	6,466	401	477	834	8,179	463	21,528	189,860

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	18,589	23,848	120,984	(3,733)	159,689
Changes during period					
Dividends of surplus			(2,966)		(2,966)
Profit attributable to owners of parent			529		529
Purchase of treasury shares				(9,775)	(9,775)
Disposal of treasury shares		(308)		390	82
Change in ownership interest of parent due to transactions with non-controlling interests		3,728		(64)	3,663
Changes by share exchanges		10,003		1,713	11,717
Net changes in items other than shareholders' equity					
Total changes during period	—	13,424	(2,436)	(7,736)	3,251
Balance at end of period	18,589	37,273	118,548	(11,470)	162,940

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	6,466	401	477	834	8,179	463	21,528	189,860
Changes during period								
Dividends of surplus								(2,966)
Profit attributable to owners of parent								529
Purchase of treasury shares								(9,775)
Disposal of treasury shares								82
Change in ownership interest of parent due to transactions with non-controlling interests								3,663
Changes by share exchanges								11,717
Net changes in items other than shareholders' equity	1,573	(70)	338	55	1,897	(42)	(9,329)	(7,473)
Total changes during period	1,573	(70)	338	55	1,897	(42)	(9,329)	(4,221)
Balance at end of period	8,039	330	816	890	10,076	421	12,199	185,638

## (iv) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	15,354	3,034
Depreciation	2,949	2,697
Impairment losses	1,092	82
Increase (decrease) in allowance for doubtful accounts	(601)	22
Increase (decrease) in provision for bonuses	(40)	(189)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(13)	6
Increase (decrease) in retirement benefit liability	(40)	(404)
Decrease (increase) in retirement benefit asset	74	(7)
Increase (decrease) in reserve for financial instruments transaction liabilities	3	6
Interest and dividend income	(3,752)	(3,945)
Interest expenses	1,219	1,677
Loss (gain) on sale and retirement of property, plant and equipment	25	5
Loss (gain) on sale and retirement of intangible assets	24	17
Loss (gain) on sale of investment securities	(9,581)	(298)
Loss (gain) on valuation of investment securities	114	89
Loss (gain) on sales of investments in capital of subsidiaries and associates	(93)	—
Loss on valuation of golf club membership	4	—
Decrease (increase) in cash segregated as deposits for customers	6,870	(4,390)
Decrease (increase) in trading products - assets (liabilities)	(48,874)	33,701
Decrease/increase in margin transaction assets/liabilities	10,361	(24,214)
Decrease/increase in loans/borrowings secured by securities	42,397	4,902
Decrease (increase) in advances paid	(175)	1,016
Increase (decrease) in deposits received	(6,111)	(9,554)
Decrease (increase) in short-term guarantee deposits	(7,787)	(3,021)
Increase (decrease) in guarantee deposits received	(5,196)	5,781
Decrease (increase) in short-term loans receivable	34	(2)
Other, net	(2,434)	(2,240)
Subtotal	(4,179)	4,774
Interest and dividends received	3,566	3,946
Interest paid	(1,210)	(1,654)
Income taxes refund (paid)	(2,378)	(8,425)
Net cash provided by (used in) operating activities	(4,200)	(1,359)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from investing activities		
Purchase of securities	—	(1,000)
Proceeds from sale of securities	—	2,500
Purchase of property, plant and equipment	(674)	(295)
Proceeds from sale of property, plant and equipment	18	304
Purchase of intangible assets	(1,535)	(7,490)
Purchase of investment securities	(1,354)	(1,292)
Proceeds from sale of investment securities	10,838	857
Proceeds from sales of investments in capital of subsidiaries and associates	140	—
Proceed from acquisition of businesses	—	*2 5,084
Other, net	(391)	2,999
Net cash provided by (used in) investing activities	7,041	1,667
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	16,902	11,743
Proceeds from long-term borrowings	700	2,000
Repayments of long-term borrowings	(783)	(1,188)
Income from capital increase of consolidated subsidiaries	—	9,965
Purchase of treasury shares	(1)	(2,500)
Proceeds from sales of shares of parent held by subsidiaries	—	40
Dividends paid	(2,963)	(2,966)
Dividends paid to non-controlling interests	(91)	(91)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(1)
Other, net	(498)	(416)
Net cash provided by (used in) financing activities	13,264	16,584
Effect of exchange rate change on cash and cash equivalents	1,166	(8)
Net increase (decrease) in cash and cash equivalents	17,271	16,883
Cash and cash equivalents at beginning of period	62,517	79,789
Increase (decrease) in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(12,635)
Cash and cash equivalents at end of period	*1 79,789	*1 84,037

[Notes]

(Significant accounting policies for preparation of consolidated financial statements)

1. Matters relating to the scope of consolidation

(1) Number of consolidated subsidiaries: 12

(Change in the scope of consolidation)

Okasan Asset Management Co., Ltd., previously a consolidated subsidiary, was excluded from the scope of consolidation from the third quarter of the fiscal year ended March 31, 2023 as it has been included in the scope of application of the equity method.

(2) Names, etc. of unconsolidated subsidiaries

The unconsolidated subsidiaries (Mitsui Securities Co., Ltd. and others) are all small in scale, and the influence of their combined total assets, operating revenue and profit (amounts proportional to equity) and retained earnings (amount proportional to equity) on the consolidated financial statements is minor. Accordingly, they are excluded from the scope of consolidation.

2. Matters relating to the application of the equity method

(1) Number of affiliates accounted for by the equity method

Number of affiliates accounted for by the equity method: 2

Company name

Marukuni Securities Co., Ltd. and Okasan Asset Management Co., Ltd.

(Change in the scope of affiliates accounted for by the equity method)

Okasan Asset Management Co., Ltd., previously a consolidated subsidiary, was excluded from the scope of consolidation and included in the scope of application of the equity method from the third quarter of the fiscal year ended March 31, 2023.

(2) The influence on the consolidated financial statements of the unconsolidated subsidiaries that are not accounted for by the equity method (Mitsui Securities Co., Ltd. and others) is minor even if they are excluded from the scope of application of the equity method, judging from their profit (amount proportional to equity) and retained earnings (amount proportional to equity), and they are not material even on a combined basis. Accordingly, they are excluded from the scope of application of the equity method.

3. Matters relating to the fiscal years, etc. of the consolidated subsidiaries

All the consolidated subsidiaries close accounts on March 31, except for No. 1 OCP Investment Limited Partnership and No. 2 OCP Investment Limited Partnership, which close accounts at the end of February.

For No. 1 OCP Investment Limited Partnership and No. 2 OCP Investment Limited Partnership, financial statements as of the end of February are used, and, for purposes of the consolidated financial results, necessary adjustments have been made for material transactions that occurred during the period up to the consolidated balance sheet date.

4. Matters concerning accounting policies

(1) Standards and methods for valuation of securities, etc. for trading purposes

The fair value method is adopted for securities and derivatives, etc. for trading purposes.

(2) Standards and methods for valuation of securities, etc. for non-trading purposes

Held-to-maturity debt securities

They are stated at amortized cost (straight-line method).

Available-for-sale securities

(i) Securities other than equity securities, etc. without market value

They are recorded at fair value (net unrealized gains (losses) are booked directly under net assets, and the cost of securities sold is mainly calculated based on the moving-average method).

(ii) Equity securities, etc. without market value

They are mainly stated at cost determined by the moving-average cost method or amortized cost method (straight-line method). Investments in investment limited partnerships and similar partnerships (which are deemed as securities pursuant to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are stated at the net value of equity based on the most recent financial statements available according to the financial reporting dates specified in the respective partnership agreements.

Derivatives

They are recorded at fair value.

(3) Method of depreciation for significant depreciable assets

(i) Property, plant and equipment (excluding leased assets)

The Company and its consolidated subsidiaries in Japan adopt the declining-balance method, and its consolidated subsidiaries outside Japan adopt the straight-line method.

However, the Company and its consolidated subsidiaries in Japan use the straight-line method for buildings (excluding building fixtures) acquired on and after April 1, 1998 and building fixtures and structures acquired on and after April 1, 2016.

The estimated useful lives for major asset classes are as follows:

Buildings, net	3 to 50 years
Equipment	3 to 15 years

(ii) Intangible assets (excluding leased assets)

The Company and its consolidated subsidiaries adopt the straight-line method. Software is amortized over an estimated internal useful life of 5 years.

(iii) Leased assets

The straight-line method is adopted by treating the lease period as the useful life and assuming a residual value of zero.

(4) Recognition standard for significant allowances

(i) Allowance for doubtful accounts

To prepare for credit losses from loans, etc., the Company and its consolidated subsidiaries in Japan provide for the amount of uncollectible receivables based on the estimated historical default rate for normal accounts, and based on specifically assessed amounts for doubtful accounts. The consolidated subsidiaries outside Japan provide for the amount of uncollectible receivables based on specifically assessed amounts for individual accounts.

(ii) Provision for bonuses

The Company and its consolidated subsidiaries recognize the amount to be borne for the fiscal year under review for the estimated amount of payment, as calculated based on the designated calculation method for each company, to provide for bonus payments to the employees.

(iii) Provision for retirement benefits for directors (and other officers)

To provide for the payment of lump-sum retirement benefits to their officers, some consolidated subsidiaries in Japan recognize the amount to be paid at the end of the period based on their respective internal rules.

(iv) Reserve for financial instruments transaction liabilities

Reserve for financial instruments transaction liabilities is recognized based on the provisions of the Financial Instruments and Exchange Act to cover possible losses incurred due to accidents in relation to transactions of securities and others or derivative transactions.

(5) Accounting treatment for retirement benefits

(i) Attribution method for estimated amounts of retirement benefits

In determining retirement benefit obligations, the benefit formula basis is used to attribute estimated amounts of retirement benefits to the period up to the end of the fiscal year under review.

(ii) Method of amortization of actuarial gains or losses

Actuarial gains or losses are amortized using the straight-line method over a fixed period (five years) within the average remaining service period of employees as of the time the cost is incurred during each fiscal year, with each amount recognized as an expense starting from the following fiscal year.



(6) Recognition standard for significant revenues

Brokerage commissions are primarily commissions received for the brokerage of equity transactions. Since the obligation to pass a buy or sell order to a secondary market is satisfied on the trade date, etc., revenue is recognized at such point in time.

Commissions for underwriting, secondary distribution and solicitation for selling and others for professional investors are those received from issuing companies, etc. for underwriting or secondary distribution of securities (limited to where a subscription period for the purchase or sale of securities is specified) or solicitation for selling and others for professional investors. Generally, by deeming that the obligation to underwrite, etc. is satisfied on the pricing date, revenue is recognized at such point in time.

Fees for offering, secondary distribution and solicitation for selling and others for professional investors are those received from underwriters, etc. for handling offerings or secondary distributions of securities, or private placement or solicitation for selling, etc. to professional investors. Generally, by deeming that the obligation to sell, etc. is satisfied on the subscription date for offering, etc., revenue is recognized at such point in time. In the case of beneficiary certificates traded in the buy/sell format, revenue is recognized in a manner similar to brokerage commissions.

With respect to compensation and administrative charges received for the management and administration of investment trusts, which are included in other commissions received, a certain percentage of the daily net asset value of an investment trust is recognized as daily revenue, in accordance with the trust agreement.

(7) Standard for translation of significant foreign currency-denominated assets or liabilities into Japanese yen

Receivables and payables denominated in foreign currencies are translated into yen at the spot foreign exchange rates on the consolidated balance sheet date, and gains or losses resulting from the translation are credited or charged to income. Assets and liabilities, and revenues and expenses of an overseas consolidated subsidiary are translated into yen at the spot foreign exchange rate on the consolidated balance sheet date, and gains or losses resulting from the translation are included in the 'Foreign currency translation adjustment' account under net assets.

(8) Significant hedge accounting methods

(i) Hedge accounting methods

The Company and some consolidated subsidiaries primarily apply the deferred hedge accounting method. Exceptional accounting treatment is applied for interest rate swaps that satisfy the requirements for such treatment.

(ii) Hedging instruments and hedged items

Hedging instruments: Interest rate swaps

Hedged items: Borrowings

(iii) Hedging policy

The Company and certain consolidated subsidiaries have entered into interest rate swap agreements for hedging interest rate risks associated with certain borrowings, and hedged items are identified for each agreement.

(iv) Method of assessing hedge effectiveness

Given that the interest rate swaps satisfy the requirements for exceptional accounting treatment, the assessment of effectiveness is omitted.

(9) Scope of cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents consist of cash on hand and deposits that can be withdrawn anytime, including those in checking accounts and savings accounts, as well as highly liquid investments with an insignificant risk of changes in value, which have maturities of three months or less when purchased (excluding trading products).

(10) Other significant matters for the preparation of consolidated financial statements

(i) Accounting treatment of consumption taxes

Consumption tax that is not tax-deductible and local consumption tax were expensed in the fiscal year under review.

(ii) Application of Group Tax Sharing System

The Group applies Group Tax Sharing System.

(iii) Application of tax effect accounting for the transition from the consolidated taxation system to the Group Tax Sharing System

The Company and some of its consolidated subsidiaries in Japan have transitioned from the consolidated taxation system to the Group Tax Sharing System in the fiscal year ended March 31, 2023. Accordingly, the Group has applied the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021; hereinafter, “PITF No. 42”) for matters regarding accounting treatment and disclosure of corporation and local corporation taxes and tax effect accounting. Based on Paragraph 32(1) of PITF No. 42, the Company has determined that there is no impact from the change in accounting policy resulting from the adoption of PITF No. 42.

(Significant accounting estimates)

1. Deferred tax assets (liabilities)

(1) Amounts recorded in the consolidated financial statements

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets	657	204
Deferred tax liabilities	7,274	8,855

(Note) The above amounts represent the amount after offsetting deferred tax assets and deferred tax liabilities for each taxable entity, and the amounts of deferred tax assets before offsetting against deferred tax liabilities were ¥3,181 million for the previous fiscal year, and ¥1,359 million for the fiscal year under review.

Of those amounts, the amounts of deferred tax assets (before offsetting against deferred tax liabilities) within the group subject to Group Tax Sharing System were ¥2,598 million for the previous fiscal year and ¥1,143 million for the fiscal year under review.

(2) Methods of calculation

Deferred tax assets are recognized for future deductible temporary differences and tax-loss carryforwards to the extent it has become probable that future taxable income will allow them to be recovered. Deferred tax liabilities are recognized for future taxable temporary differences. The Company and certain consolidated subsidiaries in Japan adopt the Group Tax Sharing System and recoverability is determined by considering the estimated taxable income based on the future profitability of the group subject to the tax sharing system.

(3) Major assumptions

Estimates of future taxable income are calculated based on future business plans, with judgment and assumptions made by management by considering the external environments. Major assumptions in the business plans of the group subject to tax sharing system are the balance of assets under custody in the future and profitability relative to such assets, which are used in the projection of the operating revenue of Okasan Securities Co., Ltd., our core subsidiary. They are determined in light of past performance and medium-term management plans as well as the current market environment.

(4) Impact on the consolidated financial statements for the fiscal year ending March 31, 2024

The recognition of deferred tax assets is judged based on the estimated amount of taxable income, which may be impacted by changes in uncertain future economic conditions and other factors. If the actual amount differs from the projection, it may have a material impact on the amount of deferred tax assets in the consolidated financial statements for the fiscal year ending March 31, 2024.

(Changes in accounting policies)

1. Application of Implementation Guidance on Accounting Standard, etc. for Fair Value Measurement

The Group has applied “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter, the “Fair Value Measurement Accounting Standard Implementation Guidance”) from the beginning of the fiscal year under review, and pursuant to transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance, will apply the new accounting policy set forth under the Fair Value Measurement Accounting Standard Implementation Guidance prospectively. This has no impact on the consolidated financial statements.

With regard to notes to “Financial instruments” that require the breakdown, etc. of financial instruments by hierarchical level, relevant notes for investment trusts for the fiscal year ended March 31, 2022 are not stated pursuant to Paragraph 27-3 of the Fair Value Measurement Accounting Standard Implementation Guidance.

2. Change in valuation method of investment securities

The Company and some of its consolidated subsidiaries have changed their valuation method for investment securities from gross-average cost method (straight-line method) to moving-average cost method (straight-line method) from the fiscal year under review.

The purpose of this change is to enable more speedy and accurate earnings calculation, leveraging the migration of securities core system. This has no impact on the consolidated financial statements.

(Accounting standards, etc. issued but not yet applied)

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022)
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022)
- “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022)

(1) Outline

The standards set forth which line to recognize corporate income tax, etc., in the cases where items of other comprehensive income are taxed, and the tax effect accounting for the sale of subsidiaries’ shares under Group Tax Sharing System.

(2) Scheduled date of application

It is to be applied from the beginning of the fiscal year ending March 2025.

(3) Impact of the application of the relevant accounting standard, etc.

The Group is currently evaluating the impact of the application of the “Accounting Standard for Current Income Taxes” on the consolidated financial statements.

(Changes in the method of presentation)

(Consolidated statement of income)

- Change in the method of presentation due to the migration of securities core system

Foreign exchange gains and losses relating to consolidated subsidiaries under Securities Business segment were previously presented as “Foreign exchange gains” under non-operating income and “Foreign exchange losses” under non-operating expenses. Accompanying the changes in treatment due to securities core system migration, they are included in “Net trading income” from the fiscal year under review.

To reflect this change in presentation method, the Group has restated the consolidated statement of income for the fiscal year ended March 31, 2022. As a result, in the consolidated statement of income for the fiscal year ended March 31, 2022, ¥171 million included in the ¥195 million of “Foreign exchange gains” under non-operating income is reclassified into “Net trading income,” while ¥23 million is reclassified into “Other” under non-operating income.

(Consolidated statement of cash flows)

- Change in the method of presentation due to the migration of securities core system

Foreign exchange gains and losses relating to consolidated subsidiaries under Securities Business segment were previously presented as “Foreign exchange losses (gains)” under cash flows from operating activities in the consolidated statement of cash flows. Accompanying the changes in treatment due to securities core system migration, they are included in “Other, net” under cash flows from operating activities from the fiscal year under review.

To reflect this change in presentation method, the Group has restated the consolidated statement of cash flows for the fiscal year ended March 31, 2022. As a result, in the consolidated statement of cash flows for the fiscal year ended March 31, 2022, ¥(800) million shown in “Foreign exchange losses (gains)” under cash flows from operating activities is reclassified into “Other, net” under cash flows from operating activities.

(Consolidated balance sheet)

\*1 The amounts of accumulated depreciation of property, plant and equipment are as follows.

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Accumulated depreciation of property, plant and equipment	18,085	18,725

\*2 The following is information on unconsolidated subsidiaries and affiliates.

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Investments and other assets, Investment securities	3,024	10,006

\*3 Assets pledged as collateral and collateralized liabilities are as follows.

As of March 31, 2022

(Millions of yen)

Collateralized liabilities		Assets pledged as collateral				
Type	Balance at the end of the period	Deposits	Trading securities and other	Property, plant and equipment	Investment securities	Total
Short-term borrowings	32,118	2,122	31,622	—	6,463	40,208
Margin borrowings	2,583	—	—	—	336	336
Long-term borrowings	70	—	—	—	196	196
Total	34,772	2,122	31,622	—	6,996	40,741

(Note) 1. Amounts in the table above are based on the carrying values on the consolidated balance sheet.

2. In addition to the above, trading securities and other of ¥54,953 million and investment securities of ¥2,993 million are pledged as collateral for real-time gross settlement transactions, etc.

As of March 31, 2023

(Millions of yen)

Collateralized liabilities		Assets pledged as collateral				
Type	Balance at the end of the period	Deposits	Trading securities and other	Property, plant and equipment	Investment securities	Total
Short-term borrowings	22,010	2,824	21,491	—	5,654	29,970
Margin borrowings	2,222	—	—	—	218	218
Long-term borrowings	—	—	—	—	—	—
Total	24,233	2,824	21,491	—	5,872	30,189

(Note) 1. Amounts in the table above are based on the carrying values on the consolidated balance sheet.

2. In addition to the above, trading securities and other of ¥36,903 million and investment securities of ¥1,159 million are pledged as collateral for real-time gross settlement transactions, etc.

- 4 The fair value of securities pledged as collateral, etc. is as follows. (Excluding \*3 above)

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Securities sold in margin transactions	11,761	11,572
Securities pledged for margin borrowings	13,886	13,171
Securities lent under loan agreements	1,527	7,996
Securities sold under repurchase agreements	97,127	100,647
Substituted securities for guaranteed deposits payable (except those directly deposited by customers)	511	622
Other securities pledged as collateral	23,984	23,769

- 5 The fair value of securities received as collateral, etc. is as follows.

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Securities deposited for margin loans	51,467	80,917
Securities borrowed in margin transactions	8,972	7,220
Securities borrowed under loan agreements	276	641
Securities bought under repurchase agreements	230,532	233,392
Substituted securities for guaranteed deposits receivable (limited to those for which consent for re-hypothecation has been obtained)	83,160	117,358
Other securities deposited as collateral with the right to dispose freely	1,003	1,340

- \*6 Pursuant to the Act on Revaluation of Land (Act No. 34 promulgated on March 31, 1998), some consolidated subsidiaries have revaluated business-use land and record 'land revaluation gain/loss' under net assets.

- Method of revaluation: Revaluated based on a method provided in Article 2, Items 1, 3 and 5 of the Enforcement Ordinance Concerning Revaluation of Land (Cabinet Order No. 119 promulgated on March 31, 1998).
- Date of revaluation: March 31, 2002
- No difference is provided, as the fair value of land for which revaluation was performed exceeded the carrying value after revaluation as of the end of the fiscal year ended March 31, 2021 and the fiscal year ended March 31, 2022.

- \*7 The provision that provides for the reserve under the special law is as follows.

Reserve for financial instruments transaction liabilities: Article 46-5, Paragraph 1 of the Financial Instruments and Exchange Act

- \*8 Long-term borrowings include subordinated borrowings provided in Article 176 of the "Cabinet Office Ordinance Concerning Financial Instruments Business" (Cabinet Office Ordinance No. 52 of 2007), as follows:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Current portion of long-term borrowings	—	2,000
Long-term borrowings	6,000	4,000

- 9 A consolidated subsidiary (Okasan Securities Co., Ltd.) has loan commitment agreements in place with six financial institutions (including participants through syndication) with the aim of developing a stable and flexible financing system and further strengthening financial management. Unused lines of credit under the relevant agreements are as follows:

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Total amount of loan commitments	21,000	21,000
Borrowings outstanding	—	—
Balance	21,000	21,000

(Consolidated statement of income)

\*1 Revenue from contracts with customers

Operating revenues are not shown with revenue from contracts with customers separated from other revenues. The amount of revenue from contracts with customers is included in “Notes, (Revenue recognition), 1. Information on breakdown of revenue from contracts with customers” in the consolidated financial statements.

\*2 Personnel expenses include the following amounts.

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Provision for bonuses	2,020	1,832
Retirement benefit expenses	508	594
Provision for retirement benefits for directors (and other officers)	45	34

\*3 Impairment losses

Fiscal year ended March 31, 2022

The Group recognized impairment loss mainly for the following asset group.

(1) Major assets for which impairment loss is recognized

Location	Use	Type
Taito-ku, Tokyo	Business-use asset	Software, etc.

(2) Background to recognition of impairment loss

As a result of the decision by OKASAN SECURITIES GROUP INC. to replace the current online trading system (ODIN-NT) and others with a new system, targeting January 2023, the carrying value of the relevant assets was reduced to the recoverable value and the amount of such reduction was recognized as impairment loss.

(3) Amounts of impairment loss

(Millions of yen)

Assets	Amount
Software	922
Leased assets	29
Intangible assets, Other	10
Total	963

(4) Method of grouping assets

Within the Group, assets are primarily grouped according to the classification for management reporting on the basis of each company.

(5) Method of determining recoverable value

The recoverable value for the assets of the Group is determined by their value in use, which is calculated by discounting future cash flows at a rate of 3.58%.

Fiscal year ended March 31, 2023

Notes are omitted due to immateriality.

(Consolidated statement of comprehensive income)

\*1 Reclassification adjustment and income tax relating to other comprehensive income (loss)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Valuation difference on available-for-sale securities:		
Arising during the year	(2,652)	561
Reclassification adjustment	(9,583)	(297)
Before tax amount	(12,235)	264
Tax benefit (expense)	3,720	(6)
Valuation difference on available-for-sale securities	(8,515)	257
Revaluation reserve for land:		
Arising during the year	—	(70)
Foreign currency translation adjustment:		
Arising during the year	363	338
Remeasurements of defined benefit plans, net of tax:		
Arising during the year	(28)	300
Reclassification adjustment	(453)	(340)
Before tax amount	(481)	(40)
Tax benefit (expense)	147	84
Remeasurements of defined benefit plans, net of tax	(334)	44
Share of other comprehensive income of entities accounted for using equity method:		
Arising during the year	(73)	(45)
Reclassification adjustment	(36)	(21)
Share of other comprehensive income of entities accounted for using equity method	(110)	(66)
Total other comprehensive income (loss)	(8,596)	503



(Consolidated statement of changes in equity)

Fiscal year ended March 31, 2022

1. Matters concerning the type and total number of shares issued as well as the type and number of treasury shares

(Thousand shares)

	Number of shares at the beginning of the fiscal year ended March 31, 2022	Increase in the number of shares during the fiscal year ended March 31, 2022	Decrease in the number of shares during the fiscal year ended March 31, 2022	Number of shares at the end of the fiscal year ended March 31, 2022
Shares issued				
Common stock	208,214	—	—	208,214
Total	208,214	—	—	208,214
Treasury shares				
Common stock (Notes) 1, 2	10,382	2	164	10,221
Total	10,382	2	164	10,221

(Notes) 1. The increase in the number of treasury shares of common stock by 2 thousand shares is due to the purchase of shares less than one unit.

2. The decrease in the number of treasury shares of common stock by 164 thousand shares consists of a decrease of 164 thousand shares due to the exercise of stock acquisition rights and a decrease of 0 thousand shares due to the sale of shares less than one unit.

2. Matters concerning stock acquisition rights and treasury stock acquisition rights

Classification	Breakdown of stock acquisition rights	Type of shares subject to stock acquisition rights	Number of shares subject to stock acquisition rights (shares)				Balance at the end of the fiscal year ended March 31, 2022 (Millions of yen)
			Beginning of the fiscal year ended March 31, 2022	Increase during the fiscal year ended March 31, 2022	Decrease during the fiscal year ended March 31, 2022	End of the fiscal year ended March 31, 2022	
Submitting company (Parent)	Stock acquisition rights as stock options	—	—	—	—	—	463
Total		—	—	—	—	—	463

3. Matters concerning dividends

(1) Amount of dividends paid

(Resolved)	Type of shares	Total amount of dividends (Millions of yen)	Amount of dividend per share (yen)	Record date	Effective date
Board of Directors' meeting held on May 19, 2021	Common stock	2,963	15	March 31, 2021	June 9, 2021

(Note) The amount is presented after deducting the amount of dividends on treasury shares held by the consolidated subsidiaries of ¥35 million.

(2) Of the dividends whose record date fell in the fiscal year ended March 31, 2022, the following are those whose effective date falls in the fiscal year ended March 31, 2023

(Resolved)	Type of shares	Total amount of dividends (Millions of yen)	Source of dividends	Amount of dividend per share (yen)	Record date	Effective date
Board of Directors' meeting held on May 19, 2022	Common stock	3,002	Retained earnings	15	March 31, 2022	June 8, 2022

(Note) The amount of dividends on treasury shares held by the consolidated subsidiaries is not deducted.

Fiscal year ended March 31, 2023

1. Matters concerning the type and total number of shares issued as well as the type and number of treasury shares

(Thousand shares)

	Number of shares at the beginning of the fiscal year ended March 31, 2023	Increase in the number of shares during the fiscal year ended March 31, 2023	Decrease in the number of shares during the fiscal year ended March 31, 2023	Number of shares at the end of the fiscal year ended March 31, 2023
Shares issued				
Common stock	208,214	23,002	—	231,217
Total	208,214	23,002	—	231,217
Treasury shares				
Common stock (Notes) 1, 2	10,221	21,197	5,332	26,086
Total	10,221	21,197	5,332	26,086

(Notes) 1. The increase in the number of common stock issued by 23,002 thousand shares is due to the issuance of new shares in relation to share exchange.

2. The increase in the number of treasury shares of common stock by 21,197 thousand shares consists of an increase of 14,739 thousand shares due to dividend in kind, an increase of 6,218 thousand shares due to purchase in accordance with resolution passed at the Board of Directors' meeting, an increase of 237 thousand shares due to change in ownership interest of consolidated subsidiaries, and an increase of 1 thousand shares due to purchase of shares less than one unit.

3. The decrease in the number of treasury shares of common stock by 5,332 thousand shares consists of a decrease of 4,627 thousand shares due to share exchange, a decrease of 589 thousand shares due to granting restricted shares as compensation, and a decrease of 115 thousand shares due to the exercise of stock acquisition rights.

2. Matters concerning stock acquisition rights and treasury stock acquisition rights

Classification	Breakdown of stock acquisition rights	Type of shares subject to stock acquisition rights	Number of shares subject to stock acquisition rights (shares)				Balance at the end of the fiscal year ended March 31, 2023 (Millions of yen)
			Beginning of the fiscal year ended March 31, 2023	Increase during the fiscal year ended March 31, 2023	Decrease during the fiscal year ended March 31, 2023	End of the fiscal year ended March 31, 2023	
Submitting company (Parent)	Stock acquisition rights as stock options	—	—	—	—	—	421
Total		—	—	—	—	—	421

3. Matters concerning dividends

(1) Amount of dividends paid

(Resolved)	Type of shares	Total amount of dividends (Millions of yen)	Amount of dividend per share (yen)	Record date	Effective date
Board of Directors' meeting held on May 19, 2022	Common stock	2,966	15	March 31, 2022	June 8, 2022

(Note) The amount is presented after deducting the amount of dividends on treasury shares held by the consolidated subsidiaries of ¥35 million.

(2) Of the dividends whose record date fell in the fiscal year ended March 31, 2023, the following are those whose effective date falls in the fiscal year ending March 31, 2024

(Resolved)	Type of shares	Total amount of dividends (Millions of yen)	Source of dividends	Amount of dividend per share (yen)	Record date	Effective date
Board of Directors' meeting held on May 18, 2023	Common stock	4,102	Retained earnings	20	March 31, 2023	June 8, 2023

(Notes) 1. The amount of dividends on treasury shares held by the consolidated subsidiaries is not deducted.

2. Dividends per share include ¥10 of commemorative dividend in celebration of the Company's 100th anniversary.

(Consolidated statement of cash flows)

\*1 Relationship between the ending balance of cash and cash equivalents and the amount of the items listed on the consolidated balance sheet

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash and deposits account	86,946	88,460
Time deposits with maturities of longer than three months, etc.	(7,157)	(4,422)
Cash and cash equivalents	79,789	84,037

\*2 Major components of assets and liabilities relating to business purchases that use cash and cash equivalents as consideration.

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Assets and liabilities relating to the purchase of online trade business from Marusan Securities Co., Ltd., the purchase price of the business and the proceed from the acquisition is as follows.

	(Millions of yen)
Current assets	9,639
Current liabilities	(14,724)
Business purchase price	—
Cash and cash equivalents	5,084
Proceed from acquisition of businesses	5,084

(Lease transactions)

1. Finance lease transactions

Finance lease transactions without title transfer

(i) Details of leased assets

Property, plant and equipment

Mainly, computer terminals and communication equipment (“equipment”).

Intangible assets

Software.

(ii) Method of depreciation for leased assets

As described in “4. Matters concerning accounting policies, (3) Method of depreciation for significant depreciable assets” under (Significant accounting policies for preparation of consolidated financial statements).

2. Operating lease transactions

Future lease payments required under non-cancellable operating leases

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
One year or less	2,061	1,820
Over one year	5,243	2,566
Total	7,305	4,386

(Financial instruments)

1. Matters concerning financial instruments

(1) Management policy for financial instruments

The Group primarily engages in financial instruments business, which includes trading in securities, brokerage for trading in securities, underwriting and distribution of securities, public offering and secondary distribution of securities and private offering of securities. For the above-mentioned business, the Group uses its own financial resources and obtains financing through bank loans and call money, etc., as needed.

The Group makes short-term deposits and loans to customers for margin transactions for fund management purposes, and engages in securities trading for the Group's own accounts and others.

Regarding the trading business, the Group's primary aims are, with respect to transactions on the exchanges, to ensure the smooth execution of brokered transactions and contribute to the sound functioning of markets and, with respect to non-exchange traded transactions, to facilitate fair price formation and smooth distribution, as well as strive to reduce losses arising from transactions, etc.

Regarding derivative transactions, the Group uses interest rate swaps to hedge future fluctuations in interest rates and does not enter into interest rate swaps for trading or speculative purposes.

(2) Financial instruments and risks

Major financial assets held by the Group include cash and deposits, segregated deposits, trading products, margin transaction assets, loans secured by securities, and investment securities.

Deposits are subject to the credit risk of depositary financial institutions. Segregated deposits are mostly cash segregated as deposits for customers, which are segregated from the Group's own assets and entrusted to trust banks in accordance with the Financial Instruments and Exchange Act. Such entrusted funds are protected in accordance with the Trust Act.

Trading positions held in the trading business are made for meeting customers' various needs, complementing the market functions, and hedging the positions. The main risks that arise from such trading and possibly impact the financial position of the Group are market and counterparty risks. Market risk is the risk arising from future changes in the market value of stocks, interest rates and foreign currency exchange rates, and counterparty risk is the risk arising from default by the counterparty.

Margin transaction assets consist of margin loans to customers and cash deposits as collateral for securities borrowed from securities finance companies, and are exposed to the credit risk of counterparties. Loans secured by securities consist of transaction collateral pledged to counterparties for securities borrowed, and are exposed to counterparty risk. Meanwhile, investment securities are exposed to the issuer's credit risk and market risk, among other risks.

Major components of financial liabilities include trading products, margin transaction liabilities, borrowings secured by securities, deposits received, guarantee deposits received, and borrowings.

Margin transaction liabilities include proceeds from securities sold in margin transactions by customers and borrowings from securities finance companies. Borrowings secured by securities consist of transaction collateral received from counterparties for securities loaned and are received as collateral for a loan of bonds such as government bonds. Further, deposits received represent temporary unsettled amounts arising from transactions with customers, and guarantee deposits received include guarantee deposits for margin transactions received from customers. Certain financial liabilities, such as borrowings, are exposed to liquidity risk, which is the risk that the Group will become unable to make a payment on the due date. Additionally, certain liabilities are exposed to interest rate fluctuation risk associated with borrowings with variable interest rates.

The Group engages in derivative transactions as part of comprehensive asset and liability management. Derivative transactions for trading purposes are broadly categorized into (i) derivatives listed on exchanges such as stock index futures and bond futures and their options, and (ii) over-the-counter derivatives such as forward foreign exchange transactions. For non-trading purposes, the Group uses interest rate swaps. Interest rate swaps are used to hedge future fluctuations in the interest rates on borrowings arising from higher interest rates in the market, and exceptional accounting treatment is applied where the requirements for such treatment are met. Interest rate swaps are exposed to interest rate fluctuation risk; however, the counterparties are limited to the lenders of the relevant loans that are being hedged.

(3) Risk management system for financial instruments

The Group strives to enhance its risk management system in the financial instruments business and take appropriate risk control measures, in order to maintain its management soundness and effectively use management resources.

The Company controls its purchase, sales and market risks associated with investment securities in accordance with investment securities management rules and others.

Okasan Securities Co., Ltd., the Group's core firm, controls market risk principally through position limits for each financial instrument, and counterparty risk principally through credit limits for each financial instrument. Primarily, departments that engage in trading on a daily basis check the position and gains or losses. Secondly, risk control department ascertains the position and the risks calculated by risk assessment departments and checks the status of compliance with the limits to ensure appropriate risk control. Margin transaction assets are controlled by daily credit management through the establishment of inception criteria for margin transactions and limits for open interest, as well as the receipt of collateral during times of market fluctuations, in accordance with customer management rules and others, in order to reduce the risks. Liquidity risk is controlled based on fund management plans in accordance with liquidity risk management rules and others. In addition, the Group has developed a system that enables us to act promptly as an organization in the event of a fund liquidity crisis, such as formulating a contingency plan on funding options.

Further, securities subsidiaries other than Okasan Securities Co., Ltd. also strive for appropriate risk control.

(4) Supplemental explanation on matters concerning fair value of financial instruments

The contract amounts, etc. of derivative transactions under matters concerning the fair value, etc. of derivatives are merely their notional contract amounts or notional amounts for the purpose of calculation, and do not represent the risk associated with the derivative transactions.

2. Matters concerning the fair value of financial instruments

The carrying values on the consolidated balance sheet, fair values, and differences between them are as follows. The fair value for cash and deposits, segregated deposits, receivables arising from unsettled trades, margin transaction assets, loans secured by securities, short-term guarantee deposits, margin transaction liabilities, borrowings secured by securities, deposits received, guarantee deposits received, and short-term borrowings approximates their book value as they are settled within a short period of time. Accordingly, notes are omitted.

As of March 31, 2022

(Millions of yen)

	Carrying value on the consolidated balance sheet	Fair value	Difference
(1) Trading securities and other, Securities and Investment securities	271,896	271,896	—
Trading securities	227,583	227,583	—
Held-to-maturity debt securities	—	—	—
Available-for-sale securities	44,312	44,312	—
Total assets	271,896	271,896	—
(2) Trading securities and other	225,361	225,361	—
Trading securities	225,361	225,361	—
(3) Long-term borrowings (including those to be repaid within one year)	12,990	12,999	9
Total liabilities	238,351	238,361	9
Derivatives (*)	34	34	—

(\*) Derivative receivables and payables are presented on a net basis. Items that are net payables are shown in parentheses.

(Note) Equity securities, etc. without market value

(Millions of yen)

Classification	As of March 31, 2022
Unlisted equity securities (*1)	8,392
Investments in investment limited partnerships, etc. (*2)	1,120
Total	9,513

- (\*1) Unlisted equity securities are not included in the scope of fair value disclosure pursuant to Paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020).
- (\*2) Investments in investment limited partnerships are not included in the scope of fair value disclosure pursuant to Article 27 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019).

As of March 31, 2023

(Millions of yen)

	Carrying value on the consolidated balance sheet	Fair value	Difference
(1) Trading securities and other, Securities and Investment securities	281,751	281,751	—
Trading securities	239,927	239,927	—
Held-to-maturity debt securities	—	—	—
Available-for-sale securities	41,824	41,824	—
Total assets	281,751	281,751	—
(2) Trading securities and other	238,786	238,786	—
Trading securities	238,786	238,786	—
(3) Long-term borrowings (including those to be repaid within one year)	13,802	13,760	(41)
Total liabilities	252,588	252,546	(41)
Derivatives (*)	394	394	—

- (\*) Derivative receivables and payables are presented on a net basis. Items that are net payables are shown in parentheses.

(Note) Equity securities, etc. without market value

(Millions of yen)

Classification	As of March 31, 2023
Unlisted equity securities (*1)	15,839
Investments in investment limited partnerships, etc. (*2)	1,189
Total	17,029

- (\*1) Unlisted equity securities are not included in the scope of fair value disclosure pursuant to Paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020).
- (\*2) Investments in investment limited partnerships are not included in the scope of fair value disclosure pursuant to Article 24-16 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021).

(Note) 1. Scheduled redemption amounts of monetary claims and securities with maturity dates after the consolidated balance sheet date  
As of March 31, 2022

(Millions of yen)

	Due within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	86,946	—	—	—
Segregated deposits	90,874	—	—	—
Trading securities and other, Securities and Investment securities				
Held-to-maturity debt securities				
Government bonds, local government bonds, etc.	—	—	—	—
Available-for-sale securities with maturities				
1. Debt securities				
Government bonds, local government bonds, etc.	—	—	—	—
2. Other	2,500	637	95	—
Margin transaction assets	63,432	—	—	—
Loans secured by securities	228,480	—	—	—
Short-term guarantee deposits	18,596	—	—	—
<b>Total</b>	<b>490,831</b>	<b>637</b>	<b>95</b>	<b>—</b>

As of March 31, 2023

(Millions of yen)

	Due within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	88,460	—	—	—
Segregated deposits	95,397	—	—	—
Trading securities and other, Securities and Investment securities				
Held-to-maturity debt securities				
Government bonds, local government bonds, etc.	—	—	—	—
Available-for-sale securities with maturities				
1. Debt securities				
Government bonds, local government bonds, etc.	—	—	—	—
2. Other	1,189	39	18	—
Margin transaction assets	90,768	—	—	—
Loans secured by securities	234,769	—	—	—
Short-term guarantee deposits	21,618	—	—	—
<b>Total</b>	<b>532,202</b>	<b>39</b>	<b>18</b>	<b>—</b>

(Note)2. Scheduled repayment amounts of long-term borrowings and other interest-bearing debt after the consolidated balance sheet date

As of March 31, 2022

(Millions of yen)

	Due within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	137,325	—	—	—	—	—
Long-term borrowings	1,188	3,402	4,772	2,412	1,216	—
Margin borrowings (Note)	14,098	—	—	—	—	—
Total	152,611	3,402	4,772	2,412	1,216	—

(Note) Margin borrowings are deemed to be settled within one year.

As of March 31, 2023

(Millions of yen)

	Due within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	149,095	—	—	—	—	—
Long-term borrowings	3,802	5,172	2,812	1,616	400	—
Margin borrowings (Note)	13,482	—	—	—	—	—
Total	166,380	5,172	2,812	1,616	400	—

(Note) Margin borrowings are deemed to be settled within one year.

### 3. Matters concerning the breakdown, etc. of the fair value of financial instruments by hierarchical level

The fair value of financial instruments is categorized into the below three levels based on the observability and materiality of the inputs used in measuring their fair value.

Level 1 fair value: Fair value measured based on (unadjusted) quoted prices for identical assets or liabilities traded in active markets

Level 2 fair value: Fair value measured using directly or indirectly observable inputs other than inputs used for Level 1

Level 3 fair value: Fair value measured using significant unobservable inputs

Where there are multiple inputs that have a significant impact on the measurement of fair value, the relevant fair value is classified in the lowest level of the fair value hierarchy among the levels that those inputs belong to.

#### (1) Financial instruments that are recorded on the consolidated balance sheet at fair value

As of March 31, 2022

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Trading securities	222,932	4,650	—	227,583
Securities and Investment securities	40,588	2,500	—	43,088
Total assets	263,521	7,150	—	270,672
Trading securities and other	225,273	—	—	225,273
Total liabilities	225,273	—	—	225,273
Derivative where hedge accounting is not applied	42	(7)	—	34
Total derivatives	42	(7)	—	34



(Note) Investment trusts, etc. to which the transitional measures stipulated in Paragraph 26 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019) are applied are not included in the above table. The carrying values of such investment trusts, etc. on the consolidated balance sheet are financial assets of ¥1,224 million and financial liabilities of ¥88 million.

As of March 31, 2023

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Trading securities	234,338	5,588	—	239,927
Securities and Investment securities	40,824	1,000	—	41,824
Total assets	275,162	6,588	—	281,751
Trading securities and other	238,786	—	—	238,786
Total liabilities	238,786	—	—	238,786
Derivative where hedge accounting is not applied	343	51	—	395
Total derivatives	343	51	—	395

(2) Financial instruments other than those that are recorded on the consolidated balance sheet at fair value

As of March 31, 2022

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings (including those to be repaid within one year)	—	12,999	—	12,999
Total liabilities	—	12,999	—	12,999

As of March 31, 2023

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings (including those to be repaid within one year)	—	13,760	—	13,760
Total liabilities	—	13,760	—	13,760

(Note) Explanation of the valuation techniques used in the measurement of fair value and the inputs for measuring fair value

Trading securities and other

Trading securities and other for which unadjusted market prices in actively-traded markets are available are categorized into Level 1 fair value. They include listed equity securities and government bonds, among other things.

Those for which published market prices are used but which are not traded in active markets are categorized into Level 2 fair value. They primarily include foreign bonds.

Where market prices are not available, fair value is measured by using valuation techniques, including the discounted present value method and option valuation models. Observable inputs are used in the valuation to the maximum extent possible, and inputs include indications among interbank dealers, current prices of related indices and volatilities. Cases where significant unobservable inputs are used in the measurement are categorized into Level 3 fair value, which primarily includes structured notes among foreign bonds.

Securities and Investment securities

With respect to securities and investment securities, those for which unadjusted market prices in actively-traded markets are available are categorized into Level 1 fair value, while those that are not traded in active markets are categorized into Level 2 fair value.

### Derivatives

As for derivatives, those for which unadjusted market prices in actively-traded markets are available are categorized into Level 1 fair value, which primarily includes bond futures and stock index futures.

For over-the-counter derivatives, which comprise the majority of derivative transactions, fair value is measured by using valuation techniques such as the Black-Scholes model. The main inputs used in such valuation techniques include interest rates and volatilities. Those valuation techniques are generally accepted by the market, and their main inputs are generally easy to observe in actively-traded markets. Derivative transactions that are valued using such valuation techniques and inputs are categorized into Level 2 fair value. They include over-the-counter equity options.

### Long-term borrowings (including those to be repaid within one year)

The total amount of interest and principal payments for the relevant borrowings for a maturity bucket is discounted to the present value at an interest rate that reflects the remaining tenor of those borrowings and credit risk, and such borrowings are categorized into Level 2 fair value.

The fair value of long-term borrowings with a variable interest rate for which the exceptional accounting method for interest rate swaps is applied is measured by discounting the total amount of interest and principal payments taken together with the relevant interest rate swaps at a current borrowing rate reasonably assumed for similar borrowings.

(Securities)

1. Those for trading purposes

Trading securities and other (Trading securities)

Valuation differences included in profit and loss are as follows.

(i) Assets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Equity securities and warrants	135	97
Debt securities	(3,787)	1,007
CP and CD	(0)	—
Other	—	(0)
Total	(3,652)	1,104

(ii) Liabilities

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Equity securities and warrants	(21)	52
Debt securities	4,461	(3,062)
CP and CD	—	—
Other	(5)	(0)
Total	4,434	(3,010)

2. Those for non-trading purposes

Held-to-maturity debt securities

As of March 31, 2022

Not applicable.

As of March 31, 2023

Not applicable.

## Available-for-sale securities

As of March 31, 2022

(Millions of yen)

Classification		Type	Carrying value on the consolidated balance sheet	Acquisition cost	Difference
Those that belong to current assets	Where the carrying values on the consolidated balance sheet exceed their acquisition costs	(1) Debt securities	—	—	—
		(i) Government bonds, local government bonds, etc.	—	—	—
		(ii) Corporate bonds	—	—	—
		(iii) Other	—	—	—
		(2) Other	—	—	—
		Subtotal	—	—	—
	Where the carrying values on the consolidated balance sheet do not exceed their acquisition costs	(1) Debt securities	—	—	—
		(i) Government bonds, local government bonds, etc.	—	—	—
		(ii) Corporate bonds	—	—	—
		(iii) Other	—	—	—
		(2) Other	2,500	2,500	(0)
		Subtotal	2,500	2,500	(0)
	Total		2,500	2,500	(0)
Those that belong to non-current assets	Where the carrying values on the consolidated balance sheet exceed their acquisition costs	(1) Equity securities	22,577	7,221	15,356
		(2) Debt securities	—	—	—
		(i) Government bonds, local government bonds, etc.	—	—	—
		(ii) Corporate bonds	—	—	—
		(iii) Other	—	—	—
		(3) Other	548	406	142
		Subtotal	23,126	7,627	15,499
	Where the carrying values on the consolidated balance sheet do not exceed their acquisition costs	(1) Equity securities	18,010	20,192	(2,181)
		(2) Debt securities	—	—	—
		(i) Government bonds, local government bonds, etc.	—	—	—
		(ii) Corporate bonds	—	—	—
		(iii) Other	—	—	—
		(3) Other	675	730	(54)
		Subtotal	18,686	20,922	(2,236)
	Total		41,812	28,549	13,262

As of March 31, 2023

(Millions of yen)

Classification		Type	Carrying value on the consolidated balance sheet	Acquisition cost	Difference
Those that belong to current assets	Where the carrying values on the consolidated balance sheet exceed their acquisition costs	(1) Debt securities	—	—	—
		(i) Government bonds, local government bonds, etc.	—	—	—
		(ii) Corporate bonds	—	—	—
		(iii) Other	—	—	—
		(2) Other	189	72	117
		Subtotal	189	72	117
	Where the carrying values on the consolidated balance sheet do not exceed their acquisition costs	(1) Debt securities	—	—	—
		(i) Government bonds, local government bonds, etc.	—	—	—
		(ii) Corporate bonds	—	—	—
		(iii) Other	—	—	—
		(2) Other	1,000	1,000	—
		Subtotal	1,000	1,000	—
	Total		1,189	1,072	117
Those that belong to non-current assets	Where the carrying values on the consolidated balance sheet exceed their acquisition costs	(1) Equity securities	29,360	13,143	16,217
		(2) Debt securities	—	—	—
		(i) Government bonds, local government bonds, etc.	—	—	—
		(ii) Corporate bonds	—	—	—
		(iii) Other	—	—	—
		(3) Other	—	—	—
		Subtotal	29,360	13,143	16,217
	Where the carrying values on the consolidated balance sheet do not exceed their acquisition costs	(1) Equity securities	10,859	13,897	(3,037)
		(2) Debt securities	—	—	—
		(i) Government bonds, local government bonds, etc.	—	—	—
		(ii) Corporate bonds	—	—	—
		(iii) Other	—	—	—
		(3) Other	414	440	(25)
		Subtotal	11,274	14,338	(3,063)
	Total		40,634	27,481	13,153

### 3. Available-for-sale securities sold

Fiscal year ended March 31, 2022

(Millions of yen)

Type	Proceeds from sale	Total gain on sale	Total loss on sale
(1) Equity securities	10,629	9,578	3
(2) Debt securities	—	—	—
(i) Government bonds, local government bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Other	—	—	—
(3) Other	209	11	5
Total	10,838	9,590	8

Fiscal year ended March 31, 2023

(Millions of yen)

Type	Proceeds from sale	Total gain on sale	Total loss on sale
(1) Equity securities	720	306	10
(2) Debt securities	—	—	—
(i) Government bonds, local government bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Other	—	—	—
(3) Other	2,636	18	16
Total	3,357	325	26

### 4. Securities for which impairment loss has been recorded

Fiscal year ended March 31, 2022

Impairment loss of ¥114 million was recognized for securities (¥114 million for equity securities in available-for-sale securities).

Fiscal year ended March 31, 2023

Impairment loss of ¥359 million was recognized for securities (¥89 million for equity securities in available-for-sale securities and ¥269 million for shares of subsidiaries and associates).

With regard to securities other than equity securities, etc. without market value, where the fair value as of the consolidated balance sheet date represents a decline by 50% or more from their acquisition cost, impairment loss is recorded, in principle. Where it represents a decline by 30% or more but less than 50%, impairment loss is recorded, except where recoverability is recognized. Further, as for equity securities, etc. without market value, any deviation from the business plans and financial conditions, etc. of each investee is considered comprehensively, and impairment loss is recorded where it is judged that it is not recoverable.

(Derivative transactions)

1. Derivative transactions to which hedge accounting is not applied

(1) Those for trading purposes

(i) Equity securities

As of March 31, 2022

(Millions of yen)

Classification	Type	Contract or notional amounts	Out of contract or notional amounts: Over one year	Fair value	Valuation gain (loss)
Market transactions	Stock index futures:				
	Sold	1,205	—	(58)	(58)
	Purchased	208	—	24	24
	Stock index options:				
	Sold	—	—	—	—
	Purchased	4	—	1	(2)
Over-the-counter transactions	Stock options traded over-the-counter:				
	Sold	0	—	1	(0)
	Purchased	2	—	6	4
Total		—	—	—	(33)

As of March 31, 2023

(Millions of yen)

Classification	Type	Contract or notional amounts	Out of contract or notional amounts: Over one year	Fair value	Valuation gain (loss)
Market transactions	Stock index futures:				
	Sold	789	—	(15)	(15)
	Purchased	—	—	—	—
	Stock index options:				
	Sold	—	—	—	—
	Purchased	19	—	38	18
Over-the-counter transactions	Stock options traded over-the-counter:				
	Sold	4	—	5	(1)
	Purchased	8	—	40	32
Total		—	—	—	34

## (ii) Debt securities

As of March 31, 2022

(Millions of yen)

Classification	Type	Contract or notional amounts	Out of contract or notional amounts: Over one year	Fair value	Valuation gain (loss)
Market transactions	Bond futures:				
	Sold	—	—	—	—
	Purchased	27,170	—	74	74
	Bond futures options				
	Sold	—	—	—	—
	Purchased	—	—	—	—
Total		—	—	—	74

As of March 31, 2023

(Millions of yen)

Classification	Type	Contract or notional amounts	Out of contract or notional amounts: Over one year	Fair value	Valuation gain (loss)
Market transactions	Bond futures:				
	Sold	8,590	—	(0)	(0)
	Purchased	23,044	—	358	358
	Bond futures options				
	Sold	—	—	—	—
	Purchased	—	—	—	—
Total		—	—	—	357



## (iii) Foreign currency-related

As of March 31, 2022

(Millions of yen)

Classification	Type	Contract or notional amounts	Out of contract or notional amounts: Over one year	Fair value	Valuation gain (loss)
Over-the-counter transactions	Foreign exchange forwards:				
	Sold				
	Mexican peso	427	—	(3)	(3)
	U. S. dollars	401	—	(2)	(2)
	South African rand	184	—	(0)	(0)
	Indian rupee	141	—	(4)	(4)
	Chinese yuan	38	—	(0)	(0)
	Brazil real	36	—	(1)	(1)
	Other	60	—	(0)	(0)
Total		—	—	—	(13)

As of March 31, 2023

(Millions of yen)

Classification	Type	Contract or notional amounts	Out of contract or notional amounts: Over one year	Fair value	Valuation gain (loss)
Over-the-counter transactions	Foreign exchange forwards:				
	Sold				
	U. S. dollars	540	—	(5)	(5)
	Indian rupee	316	—	(8)	(8)
	Mexican peso	288	—	(5)	(5)
	Australian dollars	70	—	(1)	(1)
	New Zealand dollars	24	—	(0)	(0)
	Brazil real	12	—	(0)	(0)
Total		—	—	—	(21)

## (iv) Crypto-asset related

As of March 31, 2022

(Millions of yen)

Classification	Type	Contract or notional amounts	Out of contract or notional amounts: Over one year	Fair value	Valuation gain (loss)
Over-the-counter transactions	Crypto-asset CFD transactions				
	Sold	1	—	0	0
	Purchased	51	—	(0)	(0)
Total		—	—	—	(0)

As of March 31, 2023

(Millions of yen)

Classification	Type	Contract or notional amounts	Out of contract or notional amounts: Over one year	Fair value	Valuation gain (loss)
Over-the-counter transactions	Crypto-asset CFD transactions				
	Sold	17	—	(1)	(1)
	Purchased	18	—	0	0
Total		—	—	—	(0)

## (2) Those for non-trading purposes

Not applicable.

## 2. Derivative transactions to which hedge accounting is applied

Interest rate-related

As of March 31, 2022

(Millions of yen)

Hedge accounting method	Type of transactions	Major hedged items	Contract or notional amounts	Out of contract or notional amounts: Over one year	Fair value
Exceptional accounting treatment of interest rate swaps	Interest rate swaps				
	Fixed payment rate vs. receiving floating rate	Long-term borrowings	2,000	1,742	(Note)

As of March 31, 2023

(Millions of yen)

Hedge accounting method	Type of transactions	Major hedged items	Contract or notional amounts	Out of contract or notional amounts: Over one year	Fair value
Exceptional accounting treatment of interest rate swaps	Interest rate swaps				
	Fixed payment rate vs. receiving floating rate	Long-term borrowings	2,000	1,570	(Note)

(Note) The instruments accounted for using the exceptional accounting treatment for interest rate swaps are treated together with long-term borrowings that are being hedged. Therefore, their fair value is presented together with that of the relevant long-term borrowings.

(Retirement benefits)

1. Outline of retirement benefit plans

The Group's main retirement benefit plans include a defined contribution retirement and pension plan (Securities Omnibus DC Okasan Plan), a corporate defined benefit pension plan and a retirement and severance plan that provides for lump-sum payment of benefits.

2. Defined benefit pension plan

(1) Reconciliation table of beginning balance and ending balance of retirement benefit obligations

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Retirement benefit obligations at the beginning of the period	13,969	14,258
Service cost	766	735
Interest cost	12	27
Amount of actuarial gains or losses incurred	406	(389)
Amount of retirement benefits paid	(897)	(1,053)
Decrease due to exclusion from consolidation	—	(579)
Retirement benefit obligations at the end of the period	14,258	12,998

(Note) 1. Certain consolidated subsidiaries adopt the simplified method for the calculation of retirement benefit obligations.  
2. The retirement benefit expenses of the consolidated subsidiaries that adopt the simplified method are included in the above "service cost."

(2) Reconciliation table of beginning balance and ending balance of pension assets

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Pension assets at the beginning of the period	10,130	10,385
Expected return on plan assets	48	49
Amount of actuarial gains or losses incurred	378	(88)
Employer contributions	262	250
Amount of retirement benefits paid	(434)	(478)
Decrease due to exclusion from consolidation	—	(375)
Pension assets at the end of the year	10,385	9,743

(3) Reconciliation table of the ending balances of retirement benefit obligations and pension assets with retirement benefit liability and retirement benefit asset recognized on the consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Retirement benefit obligations for the funded plan	8,249	7,598
Pension assets	(10,385)	(9,743)
	(2,136)	(2,144)
Retirement benefit obligations for the unfunded plan	6,009	5,400
Net of liabilities and assets for retirement benefits recorded on the consolidated balance sheet	3,873	3,255
Retirement benefit liability	6,407	5,798
Retirement benefit asset	2,534	2,542
Net of liabilities and assets for retirement benefits recorded on the consolidated balance sheet	3,873	3,255

(4) Amounts of retirement benefit expenses and their components

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Service cost	766	735
Interest cost	12	27
Expected return on plan assets	(48)	(49)
Amortization of actuarial gains or losses	(453)	(340)
Retirement benefit expenses in connection with the defined benefit pension plan	277	372

(5) Adjustment for retirement benefit

The items recognized in the adjustment for retirement benefits (before related tax effects) are as follows.

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Actuarial gains or losses	(481)	(40)

(6) Accumulated adjustments for retirement benefits

The items recognized in the accumulated adjustment for retirement benefits (before related tax effects) are as follows.

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Unrecognized actuarial gains or losses	1,207	1,129

(7) Matters concerning pension assets

(i) Major components of pension assets

The percentage of each major category to the total pension assets is as below.

	As of March 31, 2022	As of March 31, 2023
Equity securities	39%	39%
General account	28%	27%
Debt securities	19%	20%
Other	14%	14%
Total	100%	100%

(ii) Determination procedure of long-term expected rate of return

In determining the long-term expected rate of return on plan assets, the Company considers the current portfolio of plan assets, actual performance results, investment policy and market trend.

(8) Matters concerning the basis for the calculation of actuarial assumptions

Basis for the calculation of major actuarial assumptions

	As of March 31, 2022	As of March 31, 2023
Discount rate	0.21%	0.40%
Long-term expected rate of return	0.50%	0.50%

3. Defined contribution plan

The amount to be contributed by the Group to the defined contribution plan was ¥231 million and ¥221 million for the fiscal years ended March 31, 2022 and 2023, respectively.

(Stock options)

1. Expenses and account titles

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Personnel expenses in Selling, general and administrative expenses	103	27

2. Amount recognized as profit arising from forfeiting rights due to non-exercise of the rights

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Other in Non-operating income	0	—

3. Description, size and changes of stock options

(1) Description of stock options

Date of resolution	1st: June 26, 2015	2nd: June 29, 2016	3rd: June 29, 2017
Classification and number of grantees	6 Directors of the Company (excluding those who are members of the Audit and Supervisory Committee) 23 Directors of the Company's subsidiary (Okasan Securities Co., Ltd.)	5 Directors of the Company (excluding those who are members of the Audit and Supervisory Committee) 22 Directors of the Company's subsidiary (Okasan Securities Co., Ltd.)	5 Directors of the Company (excluding those who are members of the Audit and Supervisory Committee) 4 Directors of the Company's subsidiary (Okasan Securities Co., Ltd.) 17 Executive Officers of the Company's subsidiary (Okasan Securities Co., Ltd.)
Class and number of shares granted (Note)	129,400 shares of common stock	216,000 shares of common stock	144,700 shares of common stock
Grant date	July 13, 2015	July 14, 2016	July 14, 2017
Vesting conditions	No vesting conditions are attached.	No vesting conditions are attached.	No vesting conditions are attached.
Service period	Service period is not provided.	Service period is not provided.	Service period is not provided.
Exercise period	From July 14, 2015 to July 13, 2045	From July 15, 2016 to July 14, 2046	From July 15, 2017 to July 14, 2047

Date of resolution	4th: June 28, 2018	5th: June 27, 2019	6th: June 26, 2020
Classification and number of grantees	3 Directors of the Company (excluding those who are members of the Audit and Supervisory Committee) 7 Directors of the Company's subsidiary (Okasan Securities Co., Ltd.) 19 Executive Officers of the Company's subsidiary (Okasan Securities Co., Ltd.)	3 Directors of the Company (excluding Corporate Auditors who are members of the Audit and Supervisory Committee) 5 Directors of the Company's subsidiary (Okasan Securities Co., Ltd.) 20 Executive Officers of the Company's subsidiary (Okasan Securities Co., Ltd.)	4 Directors of the Company (excluding Corporate Auditors who are members of the Audit and Supervisory Committee) 5 Directors of the Company's subsidiary (Okasan Securities Co., Ltd.) 20 Executive Officers of the Company's subsidiary (Okasan Securities Co., Ltd.)
Class and number of shares granted (Note)	202,900 shares of common stock	261,300 shares of common stock	304,800 shares of common stock
Grant date	July 13, 2018	July 12, 2019	July 13, 2020
Vesting conditions	No vesting conditions are attached.	No vesting conditions are attached.	No vesting conditions are attached.
Service period	Service period is not provided.	Service period is not provided.	Service period is not provided.
Exercise period	From July 14, 2018 to July 13, 2048	From July 13, 2019 to July 12, 2049	From July 14, 2020 to July 13, 2050

Date of resolution	7th: June 29, 2021
Classification and number of grantees	3 Directors of the Company (excluding those who are members of the Audit and Supervisory Committee) 6 Directors of the Company's subsidiary (Okasan Securities Co., Ltd.) 28 Executive Officers of the Company's subsidiary (Okasan Securities Co., Ltd.)
Class and number of shares granted (Note)	307,500 shares of common stock
Grant date	July 14, 2021
Vesting conditions	No vesting conditions are attached.
Service period	Service period is not provided.
Exercise period	From July 15, 2021 to July 14, 2051

(Note) The figures represent the number of shares.

(2) Size and changes in stock options

Stock options that existed during the fiscal year ended March 31, 2023 are included, and the number of stock options presented represents the number of shares.

(i) Number of stock options

(Shares)

	1st	2nd	3rd	4th	5th	6th	7th
Non-vested:							
Outstanding as of March 31, 2022	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—
Outstanding non-vested as of March 31, 2023	—	—	—	—	—	—	—
Vested:							
Outstanding as of March 31, 2022	63,200	123,800	97,700	143,100	205,600	270,300	307,500
Vested	—	—	—	—	—	—	—
Exercised	3,800	7,400	8,500	10,800	14,800	38,100	31,800
Forfeited	—	—	—	—	—	—	—
Outstanding non-exercised as of March 31, 2023	59,400	116,400	89,200	132,300	190,800	232,200	275,700

(ii) Price information

(Yen)

	1st	2nd	3rd	4th	5th	6th	7th
Exercise price	1	1	1	1	1	1	1
Average share price at exercise	344	344	344	344	344	345	345
Fair value price on grant date	715	383	614	403	331	280	356



4. Valuation method of the fair value of stock options

Not applicable for the period under review as the Group has changed from stock compensation-type stock option to compensation for granting restricted shares in June 2022.

5. Estimation method of the number of stock options vested

Since it is difficult to reasonably estimate the number of options that will be forfeited in the future, only the number of options actually forfeited is factored in.

(Tax effect accounting)

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets		
Tax loss carryforwards (Note 2)	1,088	1,756
Retirement benefit liability	1,620	1,729
Depreciation (Including impairment losses)	1,206	905
Provision for bonuses	589	554
Asset retirement obligations	493	482
Reserve for financial instruments transaction liabilities	378	380
Allowance for doubtful accounts	277	280
Loss on valuation of investment securities	184	265
Impairment losses (non-depreciable assets)	247	259
Share-based payment expenses	141	174
Social insurance expenses for provision for bonuses	83	79
Loss on valuation of golf club membership	49	48
Retirement benefits payable for directors (and other officers)	114	38
Other	565	341
Subtotal of deferred tax assets	7,041	7,297
Valuation allowance for tax loss carryforwards (Note 2)	(771)	(1,711)
Valuation allowance for deductible temporary differences	(3,088)	(4,227)
Subtotal valuation allowance (Note 1)	(3,860)	(5,938)
Total deferred tax assets	3,181	1,359
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(8,920)	(8,806)
Retirement benefit asset	(437)	(753)
Dividend receivable	(220)	(224)
Asset retirement obligations (retirement cost)	(171)	(152)
Other	(49)	(73)
Total deferred tax liabilities	(9,798)	(10,010)
Net deferred tax assets (liabilities)	(6,617)	(8,651)

(Note) 1. Valuation allowance increased by ¥2,078 million. The main components of the increase are ¥1,505 million increase in valuation allowance for retirement benefit liability at consolidated subsidiaries and ¥939 million increase in valuation allowance for tax loss carryforwards of the Company and consolidated subsidiaries.

(Note) 2. The amount of tax loss carryforwards and the amounts of deferred tax assets thereof by the carry forward period  
As of March 31, 2022

(Millions of yen)

	Due within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years	Total
Tax loss carryforwards (*1)	85	36	30	36	338	560	1,088
Valuation allowance	(85)	(33)	(27)	(36)	(275)	(312)	(771)
Deferred tax assets	—	2	2	—	63	248	(*2) 316

(\*1) Tax loss carryforwards is an amount multiplied by the statutory tax rate.

- (\*2) Deferred tax assets of ¥316 million were recorded for tax loss carryforwards of ¥1,088 million (the amount multiplied by the statutory tax rate). The main component of the deferred tax assets of ¥316 million is ¥311 million in deferred tax assets related to tax loss carryforwards of one of the companies that is a member of the consolidated tax group for which the Company is the consolidated parent company. The tax loss carryforward was primarily the result of net loss before tax for the fiscal years ended March 31, 2018, through March 31, 2021. The deferred tax assets related to said tax loss carryforwards have been judged as recoverable in light of the taxable income forecast based on the future profitability of the entire consolidated tax group.

As of March 31, 2023

(Millions of yen)							
	Due within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years	Total
Tax loss carryforwards (*1)	36	22	51	388	–	1,257	1,756
Valuation allowance	(32)	(20)	(51)	(388)	–	(1,218)	(1,711)
Deferred tax assets	4	2	–	–	–	39	(*2) 45

(\*1) Tax loss carryforwards is an amount multiplied by the statutory tax rate.

- (\*2) Deferred tax assets of ¥45 million were recorded for tax loss carryforwards of ¥1,756 million (the amount multiplied by the statutory tax rate). The main component of the deferred tax assets of ¥45 million is ¥45 million in deferred tax assets related to tax loss carryforwards of the Company. The tax loss carryforward was primarily the result of net loss before tax for the fiscal year ended March 31, 2019. The deferred tax assets related to said tax loss carryforwards have been judged as recoverable in light of the taxable income forecast based on the future profitability of the entire tax sharing group.

## 2. The reconciliation between the statutory tax rate and the effective income tax rate after applying tax effect accounting

	As of March 31, 2022	As of March 31, 2023
Statutory tax rate	30.5%	30.5%
(Adjustments)		
Expenses not deductible permanently, such as entertainment expenses	7.6	7.7
Income not taxable permanently, such as dividend income	(6.6)	(6.0)
Inhabitant tax levied per capita	0.6	3.3
Share of loss (profit) of entities accounted for using equity method	(0.0)	(0.5)
Change in valuation allowance	(5.3)	63.6
Difference in tax rates between consolidated subsidiaries	0.8	8.8
Loss (gain) on change in equity	–	(27.9)
Other	0.2	1.2
Effective income tax rate after applying tax effect accounting	27.7	80.6

## 3. Accounting treatment of corporation and local corporation taxes or tax effect accounting thereof

The Company applies Group Tax Sharing System from the fiscal year under review. Accounting treatment and disclosure of corporation and local corporation taxes or tax effect accounting thereof are carried out in accordance with “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (Practical Solution No. 42, August 12, 2021).

(Asset retirement obligations)

Asset retirement obligations recorded on the consolidated balance sheet

(1) Outline of asset retirement obligations

Asset retirement obligations are obligations to restore properties to their original state in connection with real estate lease contracts for stores, etc.

(2) Calculation of the amount of asset retirement obligations

The amount of asset retirement obligations is calculated using a discount rate of 0.00% to 2.33% based on an estimated useful life of mainly 25 years from the acquisition of the assets.

(3) Change in the total amount of asset retirement obligations

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Balance at the beginning of the period	1,210	1,246
Increase due to acquisition of property, plant and equipment	61	18
Adjustments due to passage of time	10	10
Decrease due to fulfillment of asset retirement obligations	(58)	(13)
Other Increase	23	(55)
Balance at the end of the period	1,246	1,207

(Business combination)

(Transactions under common control)

The Company and five of its consolidated subsidiaries, Okasan Kogyo Co., Ltd. (hereinafter, “Okasan Kogyo”), Okasan Niigata Securities Co., Ltd. (hereinafter, “Okasan Niigata Securities”), Sanko Securities Co., Ltd. (hereinafter, “Sanko Securities”), Sanen Securities Co., Ltd. (hereinafter, “Sanen Securities”), and Okasan Business Service Co., Ltd. (hereinafter, “Okasan Business Service”) (hereinafter collectively referred to as the “five target subsidiaries”), carried out share exchanges (hereinafter, the “Share Exchange”) whereby the Company became the wholly-owning parent company and the five target subsidiaries became the wholly-owned subsidiaries.

1. Outline of the transaction

(1) Name and business of the parties to the business combination

Name	Description of business
Okasan Kogyo Co., Ltd.	Real estate business and insurance agency business
Okasan Niigata Securities Co., Ltd.	Financial instruments business
Sanko Securities Co., Ltd.	Financial instruments business
Sanen Securities Co., Ltd.	Financial instruments business
Okasan Business Service Co., Ltd.	Office work agency services, human resources dispatching, etc.

(2) Date of business combination

Okasan Kogyo

Effective date: July 25, 2022

Deemed acquisition date: September 30, 2022

Okasan Niigata Securities, Sanko Securities, Sanen Securities, and Okasan Business Service

Effective date: October 14, 2022

Deemed acquisition date: December 31, 2022

(3) Legal form of business combination

Share exchange making the Company the wholly-owning parent company and the five target subsidiaries the wholly-owned subsidiaries.

(4) Company name following business combination

Companies' names will remain the same.

(5) Other matters regarding the outline of the transaction

In order to consolidate the group's management resources more robustly and conduct efficient and flexible group management, the Company is pursuing the conversion of group companies into wholly-owned subsidiaries. As part of this effort, during the fiscal year under review, the Company executed the Share Exchange and also acquired the shares of the Company's subsidiaries, all of the shares of the Company, and part of investment securities held by the seven subsidiaries, namely, the five target subsidiaries, Okasan Securities Co., Ltd., and Okasan Asset Management Co., Ltd., through dividends in kind. The Group will continue to strive for the sustainable enhancement of corporate value by establishing a structure that allows us to continue to grow and earn the trust of our customers beyond the 100th anniversary of our founding.

2. Outline of accounting treatment applied

This transaction was treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

3. Matters regarding additional purchase of subsidiaries' shares

Breakdown of acquisition costs of the acquiree and the type of consideration

Consideration of the acquisition (the Company's common stock)	¥4,628 million
Acquisition cost	¥4,628 million

4. Matters regarding change in ownership interest of parent for transactions with non-controlling interests

(1) Major reason for change in capital surplus

Additional purchase of subsidiaries

(2) Amount of capital surplus increased from the transaction with non-controlling interests

¥3,728 million

5. Exchange ratio by type of share and the calculation method and number of shares exchanged

(1) Exchange ratio by type of share

Okasan Kogyo

	The Company (wholly-owning parent company)	Okasan Kogyo (wholly-owned subsidiary)
Share exchange ratio	1	231.38

Okasan Niigata Securities

	The Company (wholly-owning parent company)	Okasan Niigata Securities (wholly-owned subsidiary)
Share exchange ratio	1	6.36

Sanko Securities

	The Company (wholly-owning parent company)	Sanko Securities (wholly-owned subsidiary)
Share exchange ratio	1	32.50

Sanen Securities

	The Company (wholly-owning parent company)	Sanen Securities (wholly-owned subsidiary)
Share exchange ratio	1	7.65

#### Okasan Business Service

	The Company (wholly-owning parent company)	Okasan Business Service (wholly-owned subsidiary)
Share exchange ratio	1	4,363.20

#### (2) Calculation method of the share exchange ratio

In order to ensure the fairness and appropriateness of the share exchange ratio for the Share Exchange, the Company and the five target subsidiaries decided to request a third-party appraiser independent from the Company and the five target subsidiaries to calculate the share exchange ratio and selected TY Consulting Co., Ltd. (“TYC”)

Apart from this, Okasan Niigata Securities decided to request a third-party appraiser independent from the Company and Okasan Niigata Securities to calculate the share exchange ratio and selected Gunji CPA Office.

As for the Company’s ratio, since the Company is listed in the Prime Market of Tokyo Stock Exchange and the Premier Market of Nagoya Stock Exchange and the market price of the Company’s shares is available, TYC applied the market share price method to calculate the share exchange ratio (the ratio is the volume-weighted average of the closing prices of June 28, 2022 (the valuation record date for share exchange with Okasan Kogyo), August 24, 2022 (the valuation record date for share exchange with the other four target companies) and those of one week from the valuation record dates and one month from the valuation record dates, with other conditions factored in.)

As for the ratio of the five target subsidiaries, taking into consideration that there are no market share prices available as they are unlisted companies and the fact that they are consolidated subsidiaries of the Company, the following calculation method was applied to ensure objectivity.

#### Okasan Kogyo

As for the ratio of Okasan Kogyo, considering the fact that Okasan Kogyo is an unlisted company and its market share price is unavailable, as well as the fact that Okasan Kogyo is a consolidated subsidiary of the Company, the adjusted book value net asset method was applied to the calculation of the ratio in order to ensure objectivity, as well as a method to compare similar companies where such comparable public companies exist.

The following table shows the valuation range of Okasan Kogyo’s common stock when the per-share value of the Company’s common stock is set at 1.

Applied method		Share exchange ratio
The Company	Okasan Kogyo	
Market share price method	Adjusted book value net asset method	234.14 - 247.61
	Method of comparing with comparable companies	201.99 - 241.78

#### Okasan Niigata Securities

As for Okasan Niigata Securities, since there are comparable public companies, comparable company analysis was applied. EV/EBIT multiple, EV/EBITDA multiple, and book value net asset ratio method was used in applying the method. The following table shows the valuation range of Okasan Niigata Securities’ common stock when the per-share value of the Company’s common stock is set at 1.

Applied method			Share exchange ratio
The Company	Okasan Niigata Securities		
Market share price method	Method of comparing with comparable companies	EV/EBIT multiple, EV/EBITDA multiple methods	6.72 - 7.76
		Book value net asset ratio method	5.10 - 5.86

Meanwhile, Okasan Niigata Securities gave careful consideration based on share exchange ratio calculation report received from its independent third-party appraiser, Gunji CPA Office, and concluded that the ratio of the Share Exchange is at a reasonable level as it is within the range of the result of the calculation, and thus using the said ratio for the Share Exchange is appropriate.

### Sanko Securities

As for Sanko Securities, since there are comparable public companies, comparable company analysis was applied. Book value net asset ratio method was applied in the calculation since the company had recorded operating loss in its most recent fiscal year and had a negative EBITDA (calculated by adding depreciation and amortization expenses to operating profit or loss).

The following table shows the valuation range of Sanko Securities' common stock when the per-share value of the Company's common stock is set at 1.

Applied method			Share exchange ratio
The Company	Sanko Securities		
Market share price method	Method of comparing with comparable companies	Book value net asset ratio method	30.24 - 34.76

### Sanen Securities

As for Sanen Securities, since there are comparable public companies, comparable company analysis was applied. EV/EBIT multiple, EV/EBITDA multiple, and book value net asset ratio method was used in applying the method.

The following table shows the valuation range of Sanen Securities' common stock when the per-share value of the Company's common stock is set at 1.

Applied method			Share exchange ratio
The Company	Sanen Securities		
Market share price method	Method of comparing with comparable companies	EV/EBIT multiple, EV/EBITDA multiple methods	8.60 - 9.92
		Book value net asset ratio method	5.62 - 6.47

### Okasan Business Service

As for Okasan Business Service, adjusted book value net asset method was applied in the calculation since there are no comparable public companies.

The following table shows the valuation range of Okasan Business Service's common stock when the per-share value of the Company's common stock is set at 1.

Applied method		Share exchange ratio
The Company	Okasan Business Service	
Market share price method	Adjusted book value net asset method	3,969.46 - 4,756.93

### (3) Number of shares exchanged

Number of shares exchanged to non-controlling interests: 12,773,643 shares

### (Business Divestitures)

On November 30, 2022, Okasan Asset Management Co., Ltd. (hereinafter, "Okasan Asset Management"), previously the Company's consolidated subsidiary, issued common stock to SBI FINANCIAL SERVICES Co., Ltd. (hereinafter, "SBI Financial Services"), a wholly owned subsidiary of SBI Holdings, Inc., through third-party allotment. As a result of this third-party allotment, Okasan Asset Management was excluded from the scope of consolidation of the Company and included in the scope of equity method accounting, due to the change in the Company's ownership ratio.

#### 1. Outline of business divestiture

##### (1) Details of divested business

Investment management business, investment advisory and agency business, and type II financial instruments business

##### (2) Main reason for business divestiture

Looking to the future after marking its 100th anniversary in April 2023, the Group believes that it will be effective to develop

products suitable for face-to-face consulting, in addition to strengthening sales through online channels. Furthermore, for further growth, the Group intends to shift away from a self-focused approach to pursue a highly agile and scalable growth strategy. In addition, the Group will openly collaborate with influential partners in the business development of each area. From this perspective, in the Asset Management Business as well, while the Group has been actively expanding sales outside the Group to date, the Group has positioned collaboration with financial institutions with strong sales channels as a measure that should be promoted and thus has recognized the importance of deepening collaboration with stronger business partners. Based on such a policy, the Group has entered into an agreement with the SBI Group, a comprehensive financial group, to convert Okasan Asset Management to a joint venture company.

(3) Date of business divestiture

Payment date: November 30, 2022

Deemed sales date: December 31, 2022

(4) Legal form and other matters regarding the transaction

Issuance of common stock by Okasan Asset Management to an allottee, SBI Financial Services, through third-party allotment.

2. Outline of accounting treatment applied

Since the Company's ownership ratio in Okasan Asset Management changed from 100.0% to 49.0%, Okasan Asset Management was excluded from the scope of consolidation and included in the scope of equity method accounting. Accordingly, ¥2,771 million in gain on change in equity was recorded under extraordinary income, balance sheet of Okasan Asset Management was excluded from the Company's consolidated balance sheet, and the evaluation of Okasan Asset Management shares held by the Company was changed to equity method.

3. Name of the reportable segment where the divested business was reported

Asset Management Business

4. Estimated profit or loss of the divested business recorded in the consolidated statement of income for the fiscal year ended March 31, 2023

Operating revenue ¥6,949 million

Operating profit ¥170 million

5. Outline of continued involvement

One of the Directors of the Company concurrently serves as a Director of Okasan Asset Management, and one of the Corporate Auditors of Okasan Securities Co., Ltd., a consolidated subsidiary of the Company, concurrently serves as a Corporate Auditor of Okasan Asset Management. In addition, the Group engages in the sales of investment trusts organized by Okasan Asset Management.



(Real estate for lease)

The Company and some of its consolidated subsidiaries have buildings, etc. (including land) for lease in Tokyo and other areas. Rental income from such rental properties in the fiscal year ended March 31, 2022 was ¥105 million (major rental income was recorded under operating revenue, and major rental expenses were recorded under selling, general and administrative expenses), and impairment losses were ¥34 million (recorded under extraordinary losses). Rental income from such rental properties in the fiscal year ended March 31, 2023 was ¥93 million (major rental income was recorded under operating revenue and major rental expenses were recorded under selling, general and administrative expenses).

The consolidated balance sheet amount, changes during the period, and fair value of such rental properties are as follows.

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Carrying value on the consolidated balance sheet		
Balance at the beginning of the period	5,670	5,576
Changes during the period	(93)	(322)
Balance at the end of the period	5,576	5,253
Fair value at the end of the period	9,146	8,748

(Note) 1. The consolidated balance sheet amount is the acquisition cost less accumulated depreciation.

2. The fair value at the end of the fiscal year is the amount calculated by the Company mainly based on the “Real Estate Appraisal Standards” (including those adjusted using indices, etc.)

(Revenue recognition)

1. Information on breakdown of revenue from contracts with customers

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segments				Other	Total
	Securities Business	Asset Management Business	Support Business	Total		
Principal goods or services						
Stock certificates	19,451	—	—	19,451	—	19,451
Debt securities	838	—	—	838	—	838
Investment Trusts	15,538	9,416	—	24,954	—	24,954
Other	1,220	47	876	2,144	0	2,145
Revenue from contracts with customers	37,048	9,463	876	47,388	0	47,389
Other revenue (Note)	26,378	0	181	26,559	0	26,560
Revenue from external customers	63,427	9,463	1,058	73,948	1	73,949

(Note) “Other revenue” includes trading gains (losses) and financial income based on the accounting standards for financial instruments and rental income, etc., based on the accounting standards for lease transactions.

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segments				Other	Total
	Securities Business	Asset Management Business	Support Business	Total		
Principal goods or services						
Stock certificates	16,148	—	—	16,148	—	16,148
Debt securities	501	—	—	501	—	501
Investment Trusts	15,931	6,914	—	22,846	—	22,846
Other	1,507	34	924	2,466	1	2,467
Revenue from contracts with customers	34,088	6,949	924	41,962	1	41,963
Other revenue (Note)	24,406	0	176	24,583	5	24,588
Revenue from external customers	58,495	6,949	1,100	66,545	6	66,551

(Note) “Other revenue” includes trading gains (losses) and financial income based on the accounting standards for financial instruments and rental income, etc., based on the accounting standards for lease transactions.

(Changes in the method of presentation)

From the fiscal year under review, presentation of foreign exchange gains and losses relating to consolidated subsidiaries reported under Securities Business segment are changed from “Foreign exchange gains” under non-operating income and “Foreign exchange losses” under non-operating expenses to “Net trading income.” To reflect this change in presentation method, the Group has restated the presentation for the fiscal year ended March 31, 2022. As a result, other revenue and revenue from external customers for Securities Business segment each have increased by ¥171 million.

## 2. Information that provides a basis for understanding revenue from contracts with customers

The basis for understanding revenues from contracts with customers is described in “V. Financial information, 1. Consolidated financial statements - Notes (Significant accounting policies for preparation of consolidated financial statements), 4. Matters concerning accounting policies, (6) Recognition standard for significant revenues.”

## 3. Information for understanding revenue for the current and subsequent fiscal years

### (1) Balances, etc., of contract assets and contract liabilities

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Receivables arising from contracts with customers (beginning balance)	2,562	3,053
Receivables arising from contracts with customers (ending balance)	3,053	2,345

### (2) Transaction prices allocated to remaining performance obligations

The Group has no material transactions for which an individual contract’s expected contract term exceeds one year. There are no material amounts of consideration arising from contracts with customers that are not included in the transaction price.

(Segment information)

[Segment information]

#### 1. Outline of reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available and which are subject to periodic review by the Board of Directors to determine the allocation of management resources and evaluate performance.

Within the Group, under the Company, which is the holding company, the subsidiaries and associates of the Company are engaged in related business activities centered on the securities business. Their business activities are classified into three reportable segments: the Securities Business, the Asset Management Business, and the Support Business.

The "Securities Business" includes the trading of securities, etc., and brokerage of trading, etc., underwriting and secondary offering of securities, initial public offering and secondary offering of securities, and handling of the private placement of securities, among others. The "Asset Management Business" includes investment management, investment advisory and agency services, and management and administration, etc., of the assets of investment partnerships, and the "Support Business" deals with information processing services, office work agency services, and real estate management, etc., for the Group and external customers.

As of November 30, 2022, Okasan Asset Management Co., Ltd., who engages in investment management business and investment advisory and agency businesses, changed from consolidated subsidiary to affiliates accounted for by the equity method.

#### 2. Calculation method of operating revenue, profit or loss, assets, liabilities and other items by reportable segment

The accounting treatment for reported business segments is generally the same as that described in "Significant accounting policies for preparation of consolidated financial statements."

Profit by reportable segment is based on operating profit.

Inter-segment operating revenue and transfers are based on prevailing market prices.

In addition, as stated in "(Changes in the method of presentation)," from the fiscal year under review, presentation of foreign exchange gains and losses relating to consolidated subsidiaries reported under Securities Business segment are changed from "Foreign exchange gains" under non-operating income and "Foreign exchange losses" under non-operating expenses to "Net trading income." To reflect this change in presentation method, the Group has restated the segment information for the fiscal year ended March 31, 2022. As a result, operating revenue from external customers and segment profit for Securities Business segment each have increased by ¥171 million.

## 3. Information on operating revenue, profit or loss, assets, liabilities and other items by reportable segment

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segments				Adjustments (Note 1)	Amounts recorded in the consolidated financial statements (Note 2)
	Securities Business	Asset Management Business	Support Business	Total		
Operating revenue						
Operating revenue from external customers	63,427	9,463	1,058	73,948	1	73,949
Inter-segment operating revenue and transfers	3,501	101	12,471	16,074	(16,074)	–
Total	66,928	9,564	13,529	90,023	(16,073)	73,949
Segment profit	5,510	362	449	6,322	(1,174)	5,148
Segment assets	759,735	17,447	29,295	806,478	10,088	816,567
Segment liabilities	617,065	1,592	13,106	631,763	(5,057)	626,706
Others						
Depreciation	671	37	2,028	2,737	211	2,949
Financial revenue	2,301	0	–	2,301	(121)	2,180
Financial expenses	1,195	–	–	1,195	(14)	1,180
Share of profit of entities accounted for using equity method	32	–	–	32	–	32
Impairment losses	153	–	997	1,151	(58)	1,092
Investment amount in entities accounted for using equity method	1,450	–	–	1,450	–	1,450
Increase in property, plant and equipment and intangible assets	1,090	52	2,075	3,219	38	3,257

(Notes) 1. (1) Adjustment of segment profit of ¥(1,174) million includes the elimination of inter-segment transactions, etc., of ¥2,806 million, and company overhead expenses of ¥(3,981) million that are not allocated to each reportable segment. Company overhead expenses are expenses incurred by the Company as a holding company.

(2) Adjustment of segment assets of ¥10,088 million includes ¥(27,631) million for offsetting and elimination of inter-segment receivables and payables, etc., and ¥37,720 million of corporate assets not allocated to each reportable segment. The corporate assets are assets of the Company as a holding company.

(3) Adjustment of segment liabilities of ¥(5,057) million includes ¥(26,285) million for offsetting and elimination of inter-segment receivables and payables, etc., and ¥21,228 million of corporate liabilities not allocated to each reportable segment. The corporate liabilities are liabilities of the Company as a holding company.

2. Segment profit is adjusted for operating profit in the consolidated financial statements.

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segments				Adjustments (Note 1)	Amounts recorded in the consolidated financial statements (Note 2)
	Securities Business	Asset Management Business	Support Business	Total		
Operating revenue						
Operating revenue from external customers	58,495	6,949	1,100	66,545	6	66,551
Inter-segment operating revenue and transfers	2,678	140	13,192	16,010	(16,010)	—
Total	61,173	7,089	14,293	82,556	(16,004)	66,551
Segment profit (loss)	(869)	72	1,128	331	(1,365)	(1,034)
Segment assets	794,572	8,897	25,714	829,184	46,872	876,057
Segment liabilities	672,395	171	15,514	688,081	2,336	690,418
Others						
Depreciation	673	30	1,829	2,534	159	2,694
Financial revenue	2,473	0	—	2,473	(19)	2,453
Financial expenses	1,546	—	—	1,546	102	1,649
Share of profit of entities accounted for using equity method	20	46	—	67	—	67
Impairment losses	79	—	3	82	—	82
Investment amount in entities accounted for using equity method	1,382	6,997	—	8,380	—	8,380
Increase in property, plant and equipment and intangible assets	723	1	6,632	7,357	7	7,364

(Notes) 1. (1) Adjustment of segment profit (loss) of ¥(1,365) million includes the elimination of inter-segment transactions, etc., of ¥2,792 million, and company overhead expenses of ¥(4,157) million that are not allocated to each reportable segment. Company overhead expenses are expenses incurred by the Company as a holding company.

(2) Adjustment of segment assets of ¥46,872 million includes ¥(13,857) million for offsetting and elimination of inter-segment receivables and payables, etc., and ¥60,730 million of corporate assets not allocated to each reportable segment. The corporate assets are assets of the Company as a holding company.

(3) Adjustment of segment liabilities of ¥2,336 million includes ¥(16,953) million for offsetting and elimination of inter-segment receivables and payables, etc., and ¥19,290 million of corporate liabilities not allocated to each reportable segment. The corporate liabilities are liabilities of the Company as a holding company.

2. Segment profit (loss) is adjusted for operating profit (loss) in the consolidated financial statements.

[Related information]

Fiscal year ended March 31, 2022

1. Information by product and service

This information is omitted because the same information is disclosed in “[Segment information].”

2. Information by region

(1) Operating revenue

This information is omitted because operating revenue from external customers in Japan exceeds 90% of the operating revenue in the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheet.

3. Information by major customer

This information is omitted because, in operating revenue from external customers, there are no specific customers that account for 10% or more of the operating revenues in the consolidated statement of income.

Fiscal year ended March 31, 2023

1. Information by product and service

This information is omitted because the same information is disclosed in “[Segment information].”

2. Information by region

(1) Operating revenue

This information is omitted because operating revenue from external customers in Japan exceeds 90% of the operating revenue in the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheet.

3. Information by major customer

This information is omitted because, in operating revenue from external customers, there are no specific customers that account for 10% or more of the operating revenues in the consolidated statement of income.

[Information on impairment loss on non-current assets by reportable segment]

Fiscal year ended March 31, 2022

This information is omitted because the same information is disclosed in “[Segment information].”

Fiscal year ended March 31, 2023

This information is omitted because the same information is disclosed in “[Segment information].”

[Information on amortization and unamortized balance of goodwill by reportable segment]

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

[Information on gain on bargain purchase by reportable segment]

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

[Related parties]

Transactions with related parties

(1) Transactions between the company submitting consolidated financial statements and related parties

(a) Unconsolidated subsidiaries and associates of the company submitting consolidated financial statements

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

(b) Officers and major shareholders (limited to individuals) of the company submitting consolidated financial statements, etc.

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Type	Name of company, etc.	Location	Capital or investment (Millions of yen)	Business or occupation	Voting rights holding (held) ratio (%)	Relationship with interested parties	Transaction description	Transaction amount (Millions of yen)	Item	Balance at the end of the period (Millions of yen)
(Note) 1	SANTO., CO. LTD.	Chuo-ku, Tokyo	143	Services	(Held) Direct 2.54	Share exchange	Share exchange (Note) 2	1,530	—	—

Terms and conditions of transactions and policy for determining the terms and conditions of transactions, etc.

(Note) 1 A company in which director or a close relative thereof holds a majority of the voting rights.

(Note) 2 A share exchange whereby the Company becomes the wholly-owning parent company and the Company's subsidiary becomes the wholly-owned subsidiary. Share exchange ratio is determined through discussion between the parties by referring to share value calculation prepared by a third-party. The transaction amount was calculated in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

(2) Transactions between the consolidated subsidiaries of the company submitting consolidated financial statements and related parties

(a) Unconsolidated subsidiaries and associates of the company submitting consolidated financial statements

Fiscal year ended March 31, 2022

Notes are omitted due to immateriality.

Fiscal year ended March 31, 2023

Notes are omitted due to immateriality.



(b) Officers and major shareholders (limited to individuals) of the company submitting consolidated financial statements, etc.

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Type	Name of company, etc.	Location	Capital or investment (Millions of yen)	Business or occupation	Voting rights holding (held) ratio (%)	Relationship with interested parties	Transaction description	Transaction amount (Millions of yen)	Item	Balance at the end of the period (Millions of yen)
Close relatives of officers	Yasuko Kato	—	—	—	(Held) Direct 0.02	Transfer of building and land	Transfer of building and land (Note)	291	—	—

(Note) Terms and conditions of transactions and policy for determining the terms and conditions of transactions, etc.

The transaction amount was determined based on the appraisal value calculated by an independent real estate appraiser.

(Per share information)

(Yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets per share	847.85	843.45
Earnings per share	50.89	2.59
Diluted earnings per share	50.60	2.58

(Note) 1 The basis for calculating earnings per share and diluted earnings per share is as follows.

(Millions of yen unless otherwise stated)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Earnings per share		
Profit attributable to owners of parent	10,073	529
Amounts not attributable to shareholders of common stock	—	—
Profit attributable to owners of the parent related to common stock	10,073	529
Average number of shares of common stock outstanding during the period (thousand shares)	197,948	204,269
Diluted earnings per share		
Adjustment to profit attributable to owners of parent	—	—
Increase in number of common shares (thousand shares)	1,138	1,093
(Of which, stock acquisition rights (thousand shares))	(1,138)	(1,093)
Outline of potential shares excluded from the calculation of diluted earnings per share due to the absence of dilutive effects	—	—

2. The basis for the calculation of net assets per share is as follows.

(Millions of yen unless otherwise stated)

	As of March 31, 2022	As of March 31, 2023
Total net assets	189,860	185,638
Amount deducted from total net assets	21,991	12,620
(Of which, stock acquisition rights)	(463)	(421)
(Of which, non-controlling interests)	(21,528)	(12,199)
Net assets related to common stock at the end of the period	167,868	173,017
Number of common stock at the end of the period used in the calculation of net assets per share (thousand shares)	197,993	205,130

(v) [Annexed consolidated detailed schedules]

[Schedule of bonds]

Not applicable.

[Schedule of borrowings, etc.]

(Millions of yen unless otherwise stated)

Classification	Balance at the beginning of the period	Balance at end of period	Average interest rate (%)	Repayment due
Short-term borrowings	137,325	149,095	0.34	—
Current portion of long-term borrowings	1,188	3,802	2.17	—
Current portion of lease liabilities	399	369	3.36	—
Long-term borrowings (excluding current portion)	11,802	10,000	1.90	From 2024 to 2027
Lease liabilities (excluding current portion)	639	306	3.11	From 2024 to 2029
Other interest-bearing liabilities				
Accounts payable - other	132	564	1.94	—
Long-term accounts payable - other (excluding current portion)	163	942	1.87	From 2024 to 2027
Margin borrowings	14,098	13,482	0.60	—
Total	165,748	178,564	—	—

(Notes) 1. The average interest rate is the weighted average interest rate on the balance at the end of the period.

2. Margin borrowings are deemed to be settled within one year.

3. The scheduled repayment amounts of long-term borrowings, lease liabilities (excluding current portion), and long-term accounts payable - other (excluding current portion) for the five years following the consolidated balance sheet date are as follows.

(Millions of yen)

	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Long-term borrowings	5,172	2,812	1,616	400	—
Lease liabilities	174	73	45	6	7
Long-term accounts payable - other	508	395	38	—	—

[Schedule of asset retirement obligations]

Since the amount of asset retirement obligations at the beginning and end of the fiscal year under review was not more than one percent of the total liabilities and net assets at the beginning and end of the fiscal year under review, this information is omitted pursuant to the provisions of Article 92-2 of the Consolidated Financial Statements Regulation.

## (2) [Other]

Quarterly information, etc., for the fiscal year ended March 31, 2023

(Millions of yen unless otherwise stated)

(Cumulative period)	1st Quarter	2nd Quarter	3rd Quarter	Fiscal year ended March 31, 2023
Operating revenue	15,779	33,561	49,997	66,551
Profit (loss) before income tax	(1,490)	(18)	2,277	3,034
Profit (loss) attributable to owners of parent	(772)	31	2,498	529
Net profit (loss) per share (yen)	(3.90)	0.16	12.26	2.59

(Accounting periods)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net profit (loss) per share (yen)	(3.90)	3.95	11.75	(9.56)

(Note) Foreign exchange gains and losses relating to consolidated subsidiaries under Securities Business segment were previously presented as “Foreign exchange gains” under non-operating income and “Foreign exchange losses” under non-operating expenses. Accompanying the changes in treatment due to securities core system migration, they are included in “Net trading income” from the fiscal year under review. Change in presentation method are reflected in figures for the 1st to 3rd quarters.

## 2. Non-consolidated financial statements and other information

### (1) Non-consolidated financial statements

#### (i) Non-consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	9,041	12,971
Short-term loans receivable	*2 4,800	*2 7,800
Accounts receivable - other	*2 458	*2 5,355
Accrued revenue	*2 463	*2 658
Other	133	141
Total current assets	14,896	26,927
Non-current assets		
Property, plant and equipment	3,438	3,344
Buildings, net	1,386	1,303
Equipment	27	20
Land	2,024	2,020
Intangible assets	8	9
Investments and other assets	78,647	101,404
Investment securities	*1 17,612	*1 28,712
Shares of subsidiaries and associates	58,165	69,269
Investments in other securities of subsidiaries and associates	1,104	1,685
Long-term guarantee deposits	*2 1,532	*2 1,532
Other	384	343
Allowance for doubtful accounts	(152)	(138)
Total non-current assets	82,093	104,758
Total assets	96,990	131,685

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
<b>Liabilities</b>		
Current liabilities		
Short-term borrowings	*2 10,972	6,172
Accrued expenses	*2 169	*2 119
Income taxes payable	878	1
Provision for bonuses	22	19
Other	471	160
Total current liabilities	12,514	6,472
Non-current liabilities		
Long-term borrowings	5,172	6,000
Guarantee deposits received	*2 1,570	*2 1,570
Deferred tax liabilities	1,647	5,154
Asset retirement obligations	45	46
Other non-current liabilities	278	46
Total non-current liabilities	8,714	12,817
Total liabilities	21,228	19,290
<b>Net assets</b>		
Shareholders' equity		
Share capital	18,589	18,589
Capital surplus		
Legal capital surplus	12,766	12,766
Other capital surplus	155	9,794
Total capital surplus	12,922	22,560
Retained earnings		
Legal retained earnings	3,224	3,224
Other retained earnings		
General reserve	30,000	30,000
Retained earnings brought forward	9,611	30,788
Total retained earnings	42,835	64,012
Treasury shares	(2,983)	(3,930)
Total shareholders' equity	71,364	101,233
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,934	10,740
Total valuation and translation adjustments	3,934	10,740
Stock acquisition rights	463	421
Total net assets	75,761	112,395
Total liabilities and net assets	96,990	131,685

## (ii) Non-consolidated statement of income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Operating revenue		
Trademark fee income	1,089	1,035
Real estate lease revenue	1,542	1,556
Other sales	55	58
Financial revenue	5,189	24,197
Total operating revenue	*1 7,877	*1 26,848
Operating expenses		
Selling, general and administrative expenses	3,826	4,000
Trading related expenses	838	717
Personnel expenses	717	707
Real estate expenses	1,456	1,475
Office expenses	396	826
Depreciation	96	90
Taxes and dues	192	109
Other	128	73
Financial expenses	154	156
Total operating expenses	*1 3,981	*1 4,157
Operating profit	3,895	22,691
Non-operating income	*1 680	*1 933
Dividend income	644	900
Other	35	33
Non-operating expenses	*1 245	*1 274
Loss on investments in investment partnerships	223	258
Other	22	16
Ordinary profit	4,331	23,350
Extraordinary income		
Gain on exchange from dividends in kind	—	*3 1,397
Gain on sale of investment securities	6,185	252
Total extraordinary income	6,185	1,650
Extraordinary losses		
Loss on exchange from property dividend	—	*3 11
Loss on sale of investment securities	0	—
Loss on valuation of shares of subsidiaries and associates	—	*2 269
Loss on support to subsidiaries and associates	*1 2,633	—
Total extraordinary losses	2,634	281
Profit before income taxes	7,882	24,719
Income taxes - current	1,772	(6)
Income taxes - deferred	(28)	546
Total income taxes	1,744	539
Profit	6,137	24,179

## (iii) Non-consolidated statement of changes in equity

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of period	18,589	12,766	148	12,915	3,224	30,000	6,473	39,697
Changes during period								
Dividends of surplus							(2,999)	(2,999)
Profit							6,137	6,137
Purchase of treasury shares								
Disposal of treasury shares			7	7				
Changes by share exchanges								
Net changes in items other than shareholders' equity								
Total changes during period	—	—	7	7	—	—	3,138	3,138
Balance at end of period	18,589	12,766	155	12,922	3,224	30,000	9,611	42,835

	Shareholders' equity		Valuation and translation adjustments	Stock acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities		
Balance at beginning of period	(3,043)	68,159	7,942	422	76,524
Changes during period					
Dividends of surplus		(2,999)			(2,999)
Profit		6,137			6,137
Purchase of treasury shares	(1)	(1)			(1)
Disposal of treasury shares	60	68			68
Changes by share exchanges		—			—
Net changes in items other than shareholders' equity			(4,008)	41	(3,967)
Total changes during period	59	3,205	(4,008)	41	(762)
Balance at end of period	(2,983)	71,364	3,934	463	75,761



Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Legal retained earnings	Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of period	18,589	12,766	155	12,922	3,224	30,000	9,611	42,835
Changes during period								
Dividends of surplus							(3,002)	(3,002)
Profit							24,179	24,179
Purchase of treasury shares								
Disposal of treasury shares			(15)	(15)				
Changes by share exchanges			9,654	9,654				
Net changes in items other than shareholders' equity								
Total changes during period	—	—	9,638	9,638	—	—	21,177	21,177
Balance at end of period	18,589	12,766	9,794	22,560	3,224	30,000	30,788	64,012

	Shareholders' equity		Valuation and translation adjustments	Stock acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities		
Balance at beginning of period	(2,983)	71,364	3,934	463	75,761
Changes during period					
Dividends of surplus		(3,002)			(3,002)
Profit		24,179			24,179
Purchase of treasury shares	(4,218)	(4,218)			(4,218)
Disposal of treasury shares	260	244			244
Changes by share exchanges	3,010	12,664			12,664
Net changes in items other than shareholders' equity			6,806	(42)	6,764
Total changes during period	(946)	29,868	6,806	(42)	36,633
Balance at end of period	(3,930)	101,233	10,740	421	112,395

[Notes]

(Significant accounting policies)

1. Valuation standards and methods for securities

(1) Shares of subsidiaries and affiliates

Stated at cost, as determined by the moving-average method.

(2) Securities of other subsidiaries and associates

Investments in investment limited partnerships (which are deemed as securities pursuant to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are stated at the net value of equity based on the most recent financial statements available according to the financial reporting dates specified in the respective partnership agreements.

(3) Available-for-sale securities

(i) Securities other than equity securities, etc. without market value

They are recorded at fair value (net unrealized gains (losses) are booked directly under net assets, and the cost of securities sold is calculated based on the moving-average method).

(ii) Equity securities, etc. without market value

Stated at cost, as determined by the moving-average method.

Investments in investment limited partnerships and similar partnerships (which are deemed as securities pursuant to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are stated at the net value of equity based on the most recent financial statements available according to the financial reporting dates specified in the respective partnership agreements.

2. Method of depreciation for non-current assets

(1) Property, plant and equipment

The declining-balance method is used.

However, buildings (excluding building fixtures) acquired on or after April 1, 1998 and building fixtures and structures acquired on or after April 1, 2016 are depreciated by the straight-line method.

The estimated useful lives for major asset classes are as follows:

Buildings, net	3 to 50 years
Equipment	3 to 8 years

(2) Intangible assets

The straight-line method is used.

Software is amortized over an estimated internal useful life of 5 years.

3. Recognition standard for allowances

(1) Allowance for doubtful accounts

The allowance for doubtful accounts is provided for losses on receivables estimated based on the historical bad debt ratio for general receivables and the estimated uncollectible receivable amount by considering the collectability for specific receivables such as doubtful receivables on the basis of each account receivable.

(2) Provision for bonuses

Provision for bonuses is provided for the payment of bonuses to employees and recorded at the estimated amount of bonuses to be provided for the fiscal year under review based on the Company's designated calculation method.

4. Recognition standard for significant revenues

The Company considers the granting of trademark rights as a performance obligation and recognizes revenue when the customer recognizes revenue.

5. Other significant matters that form the basis for the preparation of non-consolidated financial statements

(1) Hedge accounting methods

(i) Hedge accounting methods

In principle, deferred hedge accounting is used. Exceptional accounting treatment is applied for interest rate swaps that satisfy the requirements for such treatment.

(ii) Hedging instruments and hedged items

Hedging instruments: Interest rate swaps

Hedged items: Borrowings

(iii) Hedging policy

Interest rate swap transactions are carried out to hedge interest rate risks associated with certain borrowings, and hedged items are identified for each contract.

(iv) Method of assessing hedge effectiveness

Given that the interest rate swaps satisfy the requirements for exceptional accounting treatment, the assessment of effectiveness is omitted.

(2) Group Tax Sharing System

(i) Application of Group Tax Sharing System

The Group applies Group Tax Sharing System.

(ii) Application of tax effect accounting for the transition from the consolidated taxation system to the Group Tax Sharing System

The Company has transitioned from the consolidated taxation system to the Group Tax Sharing System from the beginning of the fiscal year under review. Accordingly, the Company has applied the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021; hereinafter, “PITF No. 42”) for matters regarding accounting treatment and disclosure of corporation and local corporation taxes and tax effect accounting. Furthermore, based on Paragraph 32(1) of PITF No 42, the Company has determined that there is no impact from the change in accounting policy resulting from the adoption of PITF No. 42.

(Significant accounting estimates)

Deferred tax assets (liabilities)

(1) Amount recorded in the non-consolidated financial statements

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Deferred tax liabilities	1,647	5,154

The above deferred tax liabilities of ¥1,647 million for the previous fiscal year is the amount after offsetting deferred tax assets of ¥155 million and deferred tax liabilities of ¥1,803 million, and the deferred tax liabilities of ¥5,154 million for the fiscal year under review is the amount after offsetting deferred tax assets of ¥104 million and deferred tax liabilities of ¥5,258 million.

(2) Information on the details of significant accounting estimates for identified items

The method of calculating the amount in (1) is the same as that described in “Notes (Significant accounting estimates), 1. Deferred tax assets (liabilities)” in the consolidated financial statements.

(Changes in accounting policies)

1. Application of Implementation Guidance on Accounting Standard, etc. for Fair Value Measurement

The Company has applied “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter, the “Fair Value Measurement Accounting Standard Implementation Guidance”) from the beginning of the fiscal year under review, and pursuant to transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance, will apply the new accounting policy set forth under the Fair Value Measurement Accounting Standard Implementation Guidance prospectively. This has no impact on the non-consolidated financial statements.

2. Change in valuation method of investment securities

The Company has changed its valuation method for investment securities from gross-average cost method to moving-average cost

method from the fiscal year under review. The purpose of this change is to enable more speedy and accurate earnings calculation, leveraging the migration of securities core system at Okasan Securities Co., Ltd., an associated company who keeps custody of our investment securities. This has no impact on the non-consolidated financial statements.

(Changes in the method of presentation)

“Accrued revenue,” which was included in “Other” under current assets in the previous fiscal year, is presented separately from the fiscal year under review due to increase in its significance. To reflect this change in presentation method, the Company has restated the non-consolidated balance sheet for the fiscal year ended March 31, 2022. As a result, the ¥597 million of “Other” under current assets of the non-consolidated balance sheet for the fiscal year ended March 31, 2022 has been reclassified to ¥463 million of “Accrued revenue” and ¥133 million of “Other.”

(Non-consolidated balance sheet)

\*1 Assets pledged as collateral

Investment securities pledged to financial institutions as collateral for the borrowings of subsidiaries and associates amounted to ¥456 million in the previous fiscal year and ¥363 million in the fiscal year under review.

\*2 Balance with subsidiaries and associates

Assets and liabilities relating to subsidiaries and associates include the following, in addition to those presented separately.

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Short-term monetary receivables	5,420	7,983
Long-term monetary receivables	183	183
Short-term monetary payables	5,413	147
Long-term monetary payables	1,570	1,570

(Non-consolidated statement of income)

\*1 Transactions with subsidiaries and associates were as follows.

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Transaction amount from business transactions		
Operating revenue	7,861	26,827
Operating expenses	806	860
Transaction amount from non-business transactions	2,635	1

\*2 Loss on valuation of shares of subsidiaries and associates

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Loss on valuation of shares of subsidiaries and associates constitutes an impairment loss on the shares of subsidiaries.

\*3 Gain on exchange from dividends in kind and loss on exchange from property dividend

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

As a result of acquiring the subsidiaries' shares, all of the Company's shares, and part of listed company shares held by Okasan Securities Co., Ltd., Okasan Kogyo Co., Ltd., Sanko Securities Co., Ltd., Sanen Securities Co., Ltd., Okasan Niigata Securities Co., Ltd., Okasan Business Service Co., Ltd., and Okasan Asset Management Co., Ltd. through dividends in kind, the difference between the carrying amount of the shares the Company received and the amount deemed to have been exchanged from the portion booked as subsidiaries' shares is recognized as follows: ¥1,397 million gain on exchange from dividends in kind was recognized in extraordinary income and ¥11 million loss on exchange from property dividend was recognized in extraordinary losses.

(Securities)

Shares of subsidiaries and associates

As of March 31, 2022

Carrying amount on the balance sheet of shares, etc., without market value

(Millions of yen)

Classification	As of March 31, 2022
Shares of subsidiaries	57,455
Shares of associates	709
Investments in other securities of subsidiaries and associates	1,104

As of March 31, 2023

Carrying amount on the balance sheet of shares, etc., without market value

(Millions of yen)

Classification	As of March 31, 2023
Shares of subsidiaries	66,144
Shares of associates	3,125
Investments in other securities of subsidiaries and associates	1,685

(Tax effect accounting)

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets		
Loss on valuation of shares of subsidiaries and associates	3,340	3,422
Loss on valuation of investment securities	188	215
Share-based payment expenses	141	133
Tax loss carryforwards	45	90
Depreciation (Including impairment losses)	61	58
Allowance for doubtful accounts	46	42
Loss on valuation of golf club membership	41	41
Other	190	62
Subtotal of deferred tax assets	4,056	4,065
Valuation allowance for tax loss carryforwards	(42)	(44)
Valuation allowance for deductible temporary differences	(3,858)	(3,916)
Subtotal valuation allowance	(3,901)	(3,961)
Total deferred tax assets	155	104
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(1,680)	(4,640)
Other	(122)	(618)
Total deferred tax liabilities	(1,803)	(5,258)
Net deferred tax assets (liabilities)	(1,647)	(5,154)

2. The reconciliation between the statutory tax rate and the effective income tax rate after applying tax effect accounting

	As of March 31, 2022	As of March 31, 2023
Statutory tax rate	30.5%	30.5%
(Adjustments)		
Expenses not deductible permanently, such as entertainment expenses	12.5	0.5
Income not taxable permanently, such as dividend income	(20.1)	(29.0)
Inhabitant tax levied per capita	0.0	0.0
Change in valuation allowance	(1.3)	0.2
Other	0.4	(0.0)
Effective income tax rate after applying tax effect accounting	22.1	2.2

(Business combination)

1. Transactions under common control

Notes are omitted since the same information is presented in “Notes (Business combination)” in the consolidated financial statements.

2. Business Divestitures

Notes are omitted since the same information is presented in “Notes (Business combination)” in the consolidated financial statements.

(Revenue recognition)

Information that provides a basis for understanding revenue from contracts with customers has been omitted from the notes because the same information is presented in “Notes (Significant accounting policies), 4. Recognition standard for significant revenues” in the non-consolidated financial statements.



(iv) [Annexed detailed schedules]

[Detailed schedule of property, plant and equipment, etc.]

(Millions of yen)

	Type of assets	Balance at the beginning of the period	Increase during the period	Decrease during the period	Depreciation for the period	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings, net	1,386	1	4	80	1,303	4,026
	Equipment	27	2	0	8	20	450
	Land	2,024	—	4	—	2,020	—
	Total	3,438	3	9	88	3,344	4,476
Intangible assets	Software	8	3	—	1	9	1,746
	Other	0	—	—	0	0	15
	Total	8	3	—	1	9	1,761

[Annexed detailed schedule of provisions]

(Millions of yen)

Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at end of period
Allowance for doubtful accounts	152	0	13	138
Provision for bonuses	22	19	22	19

(2) [Components of major assets and liabilities]

This information is omitted because the consolidated financial statements are prepared.

(3) [Other]

Not applicable.

## VI. Summary of the share administration of the submitting company

Fiscal year	April 1 through March 31
Ordinary General Meeting of Shareholders	During June
Record date	March 31
Record date for dividends of surplus	March 31 and September 30
Number of shares per unit	100 shares
Purchase and sale of fractional shares	
Handling office	(Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business Planning Department
Shareholder register administrator	(Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Handling office	_____
Purchase and sales commissions	Amount separately determined as the amount equivalent to the commission fee for the entrustment of stock transactions
Method of public notice	The Company gives public notices in a digital format. However, if digital format is not possible due to accidents or other unavoidable circumstances, public notices will be published in The Nihon Keizai Shimbun. URL for public notice (the Company's website) <a href="https://www.okasan.jp">https://www.okasan.jp</a>
Special benefits for shareholders	For those who have opened a general securities account with Okasan Securities Co. Ltd. and deposited at least 100 shares of the Company's shares into such account, foreign securities trading account management fee will not be charged.

(Note) In connection with such fractional shares, shareholders of the Company shall not be entitled to exercise any rights other than those rights listed below:

- (1) Rights set forth in the items of Article 189, paragraph 2 of the Companies Act
- (2) Right to make requests pursuant to the provisions of Article 166, paragraph 1 of the Companies Act
- (3) Right to receive an allotment of shares for subscription or an allotment of stock acquisition rights for subscription in accordance with the number of shares held by the shareholder
- (4) Right to request the sale of the number of shares that, together with the number of shares less than one unit held by the shareholder, would constitute one unit of shares

## VII. Reference information of the submitting company

### 1 [Information on parent company, etc. of the submitting company]

The Company has no parent company, etc. as provided in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

### 2 [Other reference information]

The following documents were submitted between the beginning of the fiscal year under review and the date of submission of the Annual Securities Report.

#### (1) Annual Securities Report and its attachments and confirmation letter

Fiscal year (84th Fiscal Term) (From April 1, 2021 to March 31, 2022); Submitted to the Director-General of the Kanto Local Finance Bureau on June 30, 2022

#### (2) Internal Control Report and its attachments

Submitted to the Director-General of the Kanto Local Finance Bureau on June 30, 2022

#### (3) Amendment Report for Annual Securities Report and confirmation letter

Submitted to the Director-General of the Kanto Local Finance Bureau on August 26, 2022

This is an Amendment Report and confirmation letter thereof, pertaining to Annual Securities Report for the Fiscal Year (84th Fiscal Term) (From April 1, 2021 to March 31, 2022).

#### (4) Quarterly Report and confirmation letter

(First Quarter of the 85th Fiscal Term) (From April 1, 2022 to June 30, 2022); Submitted to the Director-General of the Kanto Local Finance Bureau on August 10, 2022

(Second Quarter of the 85th Fiscal Term) (From July 1, 2022 to September 30, 2022); Submitted to the Director-General of the Kanto Local Finance Bureau on November 11, 2022

(Third Quarter of the 85th Fiscal Term) (From October 1, 2022 to December 31, 2022); Submitted to the Director-General of the Kanto Local Finance Bureau on February 13, 2023

#### (5) Extraordinary Report

Submitted to the Director-General of the Kanto Local Finance Bureau on June 30, 2022

This is an Extraordinary Report pursuant to Article 19, Paragraph 2, Item 6-2 of the Cabinet Office Order on Disclosure of Corporate Affairs (Share Exchange).

Submitted to the Director-General of the Kanto Local Finance Bureau on July 1, 2022

This is an Extraordinary Report pursuant to Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Order on Disclosure of Corporate Affairs (Result of Exercise of Voting Rights at the General Meeting of Shareholders).

Submitted to the Director-General of the Kanto Local Finance Bureau on August 26, 2022

This is an Extraordinary Report pursuant to Article 19, Paragraph 2, Item 6-2 of the Cabinet Office Order on Disclosure of Corporate Affairs (Share Exchange).

Submitted to the Director-General of the Kanto Local Finance Bureau on October 18, 2022

This is an Extraordinary Report pursuant to Article 19, Paragraph 2, Item 12 of the Cabinet Office Order on Disclosure of Corporate Affairs (Receipt of Dividends of Surplus from Consolidated Subsidiaries).

#### (6) Amendment Report of Extraordinary Report

Submitted to the Director-General of the Kanto Local Finance Bureau on June 30, 2022

This is an Amendment Report pertaining to the Extraordinary Report (Share Exchange) submitted on June 30, 2022.

Submitted to the Director-General of the Kanto Local Finance Bureau on September 8, 2022

This is an Amendment Report pertaining to the Extraordinary Report (Share Exchange) submitted on August 26, 2022.

(7) Securities Registration Statement and its attachments

Submitted to the Director-General of the Kanto Local Finance Bureau on June 29, 2022

Submitted to the Director-General of the Kanto Local Finance Bureau on June 29, 2023

(8) Amendment Report of Securities Registration Statement

Submitted to the Director-General of the Kanto Local Finance Bureau on June 30, 2022

This is an Amendment Report pertaining to the Securities Registration Statement submitted on June 29, 2022.

Submitted to the Director-General of the Kanto Local Finance Bureau on July 1, 2022

This is an Amendment Report pertaining to the Securities Registration Statement submitted on June 29, 2022 and Amendment Report of Securities Registration Statement submitted on June 30, 2022.

(9) Share Buyback Report

Submitted to the Director-General of the Kanto Local Finance Bureau on November 11, 2022, December 9, 2022, January 12, 2023, February 10, 2023, March 10, 2023, and April 7, 2023

**[Information on Guarantee Companies, etc. of the Submitting Company]**

Not applicable.

(English Translation)  
Independent Auditor's Report and Internal Control Audit Report

June 30, 2023

To the Board of Directors of  
Okasan Securities Group Inc.

Crowe Toyo & Co.  
Tokyo office

Akio Enokura, CPA  
Designated Partner,  
Engagement Partner

Naoya Matsumoto, CPA  
Designated Partner,  
Engagement Partner

Mutsumi Ohashi, CPA  
Designated Partner,  
Engagement Partner

**<Financial Statements Audit>****Opinion**

Pursuant to Article 193-2, Section 1 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying consolidated financial statements of Okasan Securities Group Inc. and its consolidated subsidiaries (the "Group") included in "Financial Information" for the fiscal year from April 1, 2022 to March 31, 2023, which comprise the consolidated balance sheet, the consolidated statements of income, comprehensive income, changes in equity, and cash flows, significant accounting policies for preparation of consolidated financial statements, other related notes, and the annexed consolidated detailed schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in

the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Consideration of recoverability of deferred tax assets	
Key audit matter	How the scope of our audit addressed the key audit matter
<p>In the consolidated balance sheet, deferred tax assets of ¥204 million were recognized for the current fiscal year.</p> <p>As stated in the notes to the consolidated financial statements, "Significant Accounting Estimates 1. Deferred tax assets (liabilities)", the amount of gross deferred tax assets before being offset by deferred tax liabilities amounted to ¥1,359 million, which is a net amount of gross deferred tax assets of ¥7,297 million recognized for deductible temporary differences including tax-loss carryforwards and valuation allowance of ¥5,938 million, was recorded. The companies that were adopted the Group Tax Sharing System in Japan (the "group subject to Group Tax Sharing System"), which include Okasan Securities Group Inc. and its certain domestic subsidiaries, for example, Okasan securities Co., Ltd. recorded deferred tax assets of ¥1,143 million before offsetting deferred tax liabilities.</p> <p>The Company estimated future taxable income of the group subject to Group Tax Sharing System and recognized deferred tax assets to the extent that reversal of deductible temporary differences and offset using tax-loss carryforwards are expected to reduce future tax burden. The estimated future taxable income is based on the future business plan.</p> <p>Important assumptions of management's estimates in future business plan, which is used in forecasting the operating revenues of Okasan Securities Co., Ltd., a core subsidiary, are the balance of customers' assets in the future and the return rate on the customers' assets.</p> <p>Since these important assumptions are formulated based on the past performance and the current market environment, uncertainty in estimates and management's judgment may have a</p>	<p>We performed the following audit procedures to verify the recoverability of deferred tax assets of the group subject to Group Tax Sharing System after evaluating the design and effectiveness of related internal controls that the Company has established.</p> <ul style="list-style-type: none"> <li>● In order to evaluate the judgment of the classification of companies based on the "Implementation Guidelines on the Recoverability of Deferred Tax Assets", we examined the rationality of the judgment by checking the past taxable income of the group subject to Group Tax Sharing System and by taking account of the level of future taxable income and the balance of tax-loss carryforwards.</li> <li>● Regarding deductible temporary differences etc., we verified them by reviewing related documents and examined the rationality of the estimated year in which those differences are expected to be recovered or settled.</li> <li>● In order to assess the estimation of future taxable income, we have performed the following audit procedures. <ul style="list-style-type: none"> <li>• We reviewed the minutes of the Board of Directors to ensure that the business plan on which the estimation of future taxable income is based has been approved by the Board of Directors.</li> <li>• In order to evaluate the rationality of important assumptions in the business plan, we verified the degree of achievement of the balance of assets under custody in the future and profitability relative to such assets, which are used in the projection of the operating revenues in previous years.</li> </ul> </li> </ul>

<p>significant impact on the amount of deferred tax assets recorded. Also, the recoverability of deferred tax assets is required to be carefully verified in particular when material tax-loss carryforwards are incurred. We, therefore, determined that the recoverability of deferred tax assets of the group subject to Group Tax Sharing System as a key audit matter.</p>	<ul style="list-style-type: none"> <li>• In order to evaluate the balance of assets under custody which is used in the projection of the operating revenue of Okasan Securities Co., Ltd., the return rate on such assets and rationality of stress based on the results of previous years, we examined the rationality of the important assumptions by asking questions to the management and the planning department, and by comparing them with past trends.</li> <li>• We evaluated the rationality by inquiring of the planning department about the current market environment, which is the assumption of the business plan, and by comparing the current market environment with the economic environment forecast report released by an external organization.</li> </ul>
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Consideration of the migration to the new securities core system	
Key audit matter	How the scope of our audit addressed the key audit matter
<p>As stated in the notes to the consolidated financial statements, “Changes in accounting policies 2. Changes in valuation method of investment securities”, Okasan Securities Co., Ltd., consolidated subsidiary of Okasan Securities Group Inc., and each consolidated subsidiary included in Securities Business segment have migrated securities core system which is used previously (“the previous system”) to new securities core system (“the new system”) in the fiscal year under review.</p> <p>As stated in the notes to the consolidated financial statements, “Segment information”, operating revenue in Securities Business segment amounts ¥58,495 million, which accounts for 87.9% of consolidated operating revenue, in particular, Okasan Securities Co., Ltd. accounts for a substantial proportion. Transactions with customers and brokers in Securities Business segment are processed through the core system, and for the majority of such transactions, the</p>	<p>We performed the following audit procedures involved with IT specialist.</p> <ul style="list-style-type: none"> <li>● In order to assess the effectiveness of IT general controls, related to core system migration, we consider whether planning for implementation of the new system, test for migration and a series of processes to production migration are properly carried out and procedures for approval by appropriate organization in each process by reviewing project plans and test plans related to the migration of the new system.</li> <li>● In order to confirm whether trial balance of Okasan Securities Co., Ltd. in the previous system of the day before the migration was correctly migrated to the new system for the purpose of evaluating accuracy of the accounting data migration process, we compared each account in the trial balance of the day before the migration and relevant accounts in the trial</li> </ul>

core system calculates automatically commission received and trading income and generates data of journal entries automatically.

If the operation of the new system and the migration from the previous system to the new system are not properly conducted, and if the internal controls related to the business process after the migration to the new system is not properly designed and operated, relevant accounts in the consolidated financial statements and disclosures may not be made appropriately.

We, therefore, determined that the consideration of internal controls related to the migration to the new system and internal controls after the migration to the new system as a key audit matter since they are particularly important in the consolidated financial statements of Okasan Securities Group Inc.

balance generated from the new system.

- In order to assess the effectiveness of internal controls for the new system, we performed the following audit procedures.

- We performed inquiries of persons in relevant departments and reviewing relevant evidences to assess the effectiveness of design and operation of IT general controls for the new system (i.e., internal controls related to managing access rights and managing trustee company etc.) etc. Also, we obtained assurance report from auditor of trustee company and assess design and operation of internal controls for the purpose of assessment of effectiveness of internal controls as to development, operation and maintenance of the new system at the trustee company.
- We inquired of persons in relevant departments and reviewed relevant evidences and so on to assess the effectiveness of design for each process after the migration.

- In order to assess the operating effectiveness of internal controls related to each process after the migration, we reviewed relevant evidence of samples that we selected. Also, to assess the effectiveness of IT application controls for automatic calculation of commission received and trading income etc. and automatic generation of journal entries, we performed recalculation and verification of consistency with data of journal entries.

### Other Information

The other information comprises the information included in Yukashoken-Houkokusho but does not include the consolidated financial statements, the non-consolidated financial statements and our audit report thereon.

Management is responsible for preparation and disclosure of the other information. The Audit Committee is responsible for overseeing the duties of executive officers and directors in designing and operating the Group's reporting process of the other information.



Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Management's and the Audit Committee's Responsibilities for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit Committee is responsible for overseeing the duties of executive officers and directors in designing and operating the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion from an independent standpoint. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### <Internal control audit>

#### Opinion

Pursuant to Article 193-2, Section 2 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as at March 31, 2023 of Okasan Securities Group Inc. ("Management's Report").

In our opinion, Management's Report referred to above, which represents that the internal control over financial reporting as at March 31, 2023 of Okasan Securities Group Inc. is effective, presents fairly, in all material respects, the result of management's assessment of internal control over financial reporting in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

#### Basis for Opinion

We conducted our internal control audit in accordance with auditing standards on internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Management's and the Audit Committee's Responsibilities for Management's Report**

Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of Management's Report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

The Audit Committee is responsible for monitoring and verifying the design and operation of internal control over financial reporting.

Internal control over financial reporting may not prevent or detect misstatements.

**Auditor's Responsibilities for the Audit of Internal Control**

Our objectives are to obtain reasonable assurance about whether Management's Report is free from material misstatement, and to issue an auditor's report that includes our opinion from an independent standpoint.

As part of an audit in accordance with auditing standards on internal control generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence relating to the result of management's assessment of internal control over financial reporting in Management's Report. The design and performance of audit procedures for internal control audits is based on our judgement in consideration of the materiality of the effect on the reliability of financial reporting.
- Consider the overall presentation of Management's Report with regards to the scope, procedures, and result of the assessment of internal control over financial reporting including descriptions by management.
- Obtain sufficient appropriate audit evidence regarding the result of management's assessment of internal control over financial reporting in Management's Report. We are responsible for the direction, supervision, and performance of the audit of Management's Report. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the internal control audit, the results of the internal control audit, any significant deficiencies in internal control that we identify, and the results of corrective measures for such significant deficiencies. We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of internal control in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Notes to the Readers of Independent Auditor's Report**

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

(English Translation)  
Independent Auditor's Report

June 30, 2023

To the Board of Directors of  
Okasan Securities Group Inc.

Crowe Toyo & Co.  
Tokyo office

Akio Enokura, CPA  
Designated Partner,  
Engagement Partner

Naoya Matsumoto, CPA  
Designated Partner,  
Engagement Partner

Mutsumi Ohashi, CPA  
Designated Partner,  
Engagement Partner

### Opinion

Pursuant to Article 193-2, Section 1 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying non-consolidated financial statements of Okasan Securities Group Inc. (the "Company") included in "Financial Information" for the 84th fiscal year from April 1, 2022 to March 31, 2023, which comprise the non-consolidated balance sheet, the non-consolidated statements of income and changes in equity, significant accounting policies, other related notes, and the annexed detailed schedules.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as at March 31, 2023, and its non-consolidated financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of the audit of the non-consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

### Recoverability of deferred tax assets

This information is omitted because the content is the same as that of the key audit matters (consideration of recoverability of deferred tax assets) described in the audit report of the consolidated financial statements.

**Other Information**

The other information comprises the information included in Yukashoken-Houkokusho but does not include the consolidated financial statements, the non-consolidated financial statements and our audit report thereon. Management is responsible for preparation and disclosure of the other information. The Audit Committee is responsible for overseeing the duties of executive officers and directors in designing and operating the entity's reporting process of the other information.

Our opinion on the non-consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Management's and the Audit Committee's Responsibilities for the Non-Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit Committee is responsible for overseeing the duties of executive officers and directors in designing and operating the financial reporting process.

**Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion from an independent standpoint. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the non-consolidated financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the non-consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Crowe Toyo & Co.**

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**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

# REFERENCE DATA

Okasan Securities Co., Ltd.

Non-consolidated financial statements

(1) Balance sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	34,687	51,005
Segregated deposits	71,113	76,449
Segregated deposits for customers	68,000	73,200
Other segregated deposits	3,113	3,249
Trading products	226,008	239,325
Trading securities and other	225,924	238,908
Derivatives	83	417
Trade date accrual	8,521	—
Margin transaction assets	42,514	69,849
Margin loans	35,102	63,951
Cash collateral provided for securities borrowed in margin transactions	7,412	5,898
Loans secured by securities	228,480	234,769
Cash collateral provided for securities borrowed	—	4
Securities purchased under resale agreements	228,480	234,764
Advances paid	1,147	44
Short-term guarantee deposits	18,202	20,621
Accounts for non-delivered securities and others	85	—
Short-term loans receivable	107	110
Accrued revenue	2,055	2,204
Other current assets	1,561	1,722
Allowance for doubtful accounts	(16)	(30)
Total current assets	634,472	696,072
Non-current assets		
Property, plant and equipment	2,325	2,159
Buildings, net	1,339	1,273
Equipment	702	703
Lease assets, net	283	182
Intangible assets	412	527
Software	285	399
Other	127	127
Investments and other assets	9,988	7,820
Investment securities	1,220	965
Long-term guarantee deposits	5,109	4,904
Deferred tax assets	2,055	118
Other	2,324	2,576
Allowance for doubtful accounts	(721)	(744)
Total non-current assets	12,727	10,507
Total assets	647,199	706,579



(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
<b>Liabilities</b>		
Current liabilities		
Trading products	223,980	237,889
Trading securities and other	223,931	237,868
Derivatives	48	21
Trade date accrual	–	24,450
Margin transaction liabilities	21,770	20,822
Margin borrowings	11,514	10,957
Cash received for securities sold in margin transactions	10,255	9,864
Borrowings secured by securities	96,968	108,214
Cash collateral received for securities lent	968	7,214
Securities sold under repurchase agreements	96,000	101,000
Deposits received	45,137	45,206
Guarantee deposits received	32,419	39,503
Payables for securities to receive over due for delivery	17	32
Short-term borrowings	126,015	140,515
Accounts payable – other	834	386
Income taxes payable	390	276
Provision for bonuses	1,520	1,410
Other current liabilities	2,666	2,854
Total current liabilities	551,721	621,561
Non-current liabilities		
Long-term borrowings	6,500	4,000
Provision for retirement benefits	5,161	5,012
Asset retirement obligations	1,224	1,217
Other non-current liabilities	405	263
Total non-current liabilities	13,291	10,493
Reserves under special laws		
Reserve for financial instruments transaction liabilities	1,130	1,136
Total reserves under special laws	1,130	1,136
Total liabilities	566,142	633,191
<b>Net assets</b>		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	32,553	32,553
Retained earnings	43,492	35,818
Total shareholders' equity	81,046	73,371
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	10	16
Total Valuation and translation adjustments	10	16
Total net assets	81,056	73,388
Total liabilities and net assets	647,199	706,579

## (2) Statement of income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Operating revenue		
Commission received	30,577	29,486
Brokerage commission	12,425	11,443
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	1,095	614
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	9,788	9,542
Other commission received	7,268	7,885
Net trading income	22,781	20,895
Financial revenue	1,305	1,996
Financial expenses	865	1,371
Net operating revenue	53,799	51,006
Selling, general and administrative expenses	48,620	51,822
Trading related expenses	7,448	7,856
Personnel expenses	23,055	23,781
Real estate expenses	7,572	7,463
Office expenses	8,503	10,514
Depreciation	490	475
Taxes and dues	734	661
Other	815	1,068
Operating profit (loss)	5,178	(815)
Non-operating income	360	218
Non-operating expenses	72	90
Ordinary profit (loss)	5,467	(687)
Extraordinary income		
Gain on sale of investment securities	44	—
Total extraordinary income	44	—
Extraordinary losses		
Provision of reserve for financial instruments transaction liabilities	—	6
Impairment losses	51	79
Total extraordinary losses	51	85
Profit (Loss) before income taxes	5,460	(772)
Income taxes - current	586	(243)
Income taxes - deferred	169	1,934
Total income taxes	755	1,690
Profit (Loss)	4,705	(2,463)

## CORPORATE DATA

(At August, 2023)

Company Name

OKASAN SECURITIES GROUP INC.

### Date of Establishment

August 25, 1944

Head Office

1-17-6 Nihonbashi, Chuo-ku,  
Tokyo 103-8268, Japan

**Muromachi Head Office**

2-2-1 Nihonbashi Muromachi, Chuo-ku,  
Tokyo 103-0022, Japan

## Phone Number

+81-3-3272-2222

## Paid-in Capital

18,589 Million Yen

## Subsidiaries

10 companies  
2 investment limited partnerships

## Listed Stock Exchanges

Tokyo Stock Exchange  
Nagoya Stock Exchange

## BOARD OF DIRECTORS

(At August, 2023)

**Group CEO**

SHINSHIBA Hiroyuki

## Director

IKEDA Yoshihiro

## Audit & Supervisory Committee Members

**Director**

IMAMURA Kaoru

## Outside Director

HIGO Seishi

## Outside Director

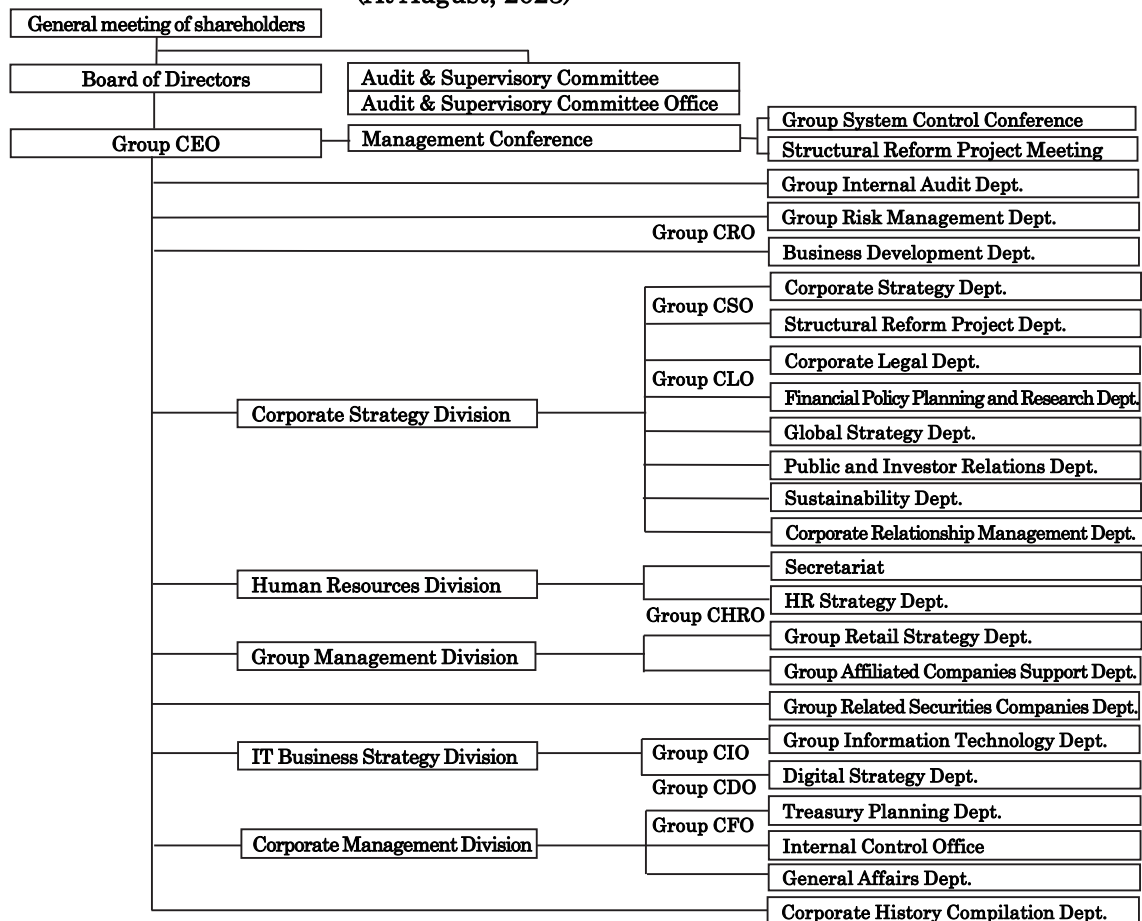
NAGAI Mikito

## Outside Director

UJIHARA Kiyoshi

## ORGANIZATIONAL CHART

(At August, 2023)



OKASAN SECURITIES GROUP INC.

[www.okasan.jp](http://www.okasan.jp)