

Translation

The Okasan Securities Group Inc. and its subsidiaries (the “Group”) Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Year Ended March 31, 2023 (Based on Japanese GAAP)

April 27, 2023

Company name: OKASAN SECURITIES GROUP INC.
Stock exchange listing: Tokyo, Nagoya
Stock code: 8609
URL: <https://www.okasan.jp/>
Representative: SHINSHIBA Hiroyuki, President
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Scheduled date of ordinary general meeting of shareholders: June 29, 2023
Scheduled date to file Securities Report: June 30, 2023
Scheduled date to commence dividend payments: June 8, 2023
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

Year ended	Operating revenue		Net operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	66,551	(10.0)	64,902	(10.8)	(1,034)	–	421	(93.9)	529	(94.7)
March 31, 2022	73,949	–	72,769	–	5,148	–	6,898	(7.1)	10,073	67.4

(Note) Comprehensive income: Year ended March 31, 2023: ¥1,091 million [(56.4)%]
Year ended March 31, 2022: ¥2,504 million [(83.1)%]

Year ended	Earnings per share		Diluted earnings per share		Profit attributable to owners of parent/equity		Ordinary profit/total assets		Operating profit/Operating revenue	
	Yen	%	Yen	%	Yen	%	Yen	%	Yen	%
March 31, 2023	2.59	–	2.58	–	0.3	–	0.0	–	–	–
March 31, 2022	50.89	–	50.60	–	6.0	–	0.9	–	7.0	–

(Reference) Share of profit or loss of entities accounted for using equity method: Year ended March 31, 2023: ¥67 million
Year ended March 31, 2022: ¥32 million

(Note) 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. The year-on-year changes for the year ended March 31, 2022 in “operating revenue,” “net operating revenue,” and “operating profit” are not shown due to this change.

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Millions of yen	%	Millions of yen	%	Yen	%	Yen	%
As of March 31, 2023	876,057	–	185,638	–	19.7	–	843.45	–
As of March 31, 2022	816,567	–	189,860	–	20.6	–	847.85	–

(Reference) Equity: As of March 31, 2023: ¥173,017 million
As of March 31, 2022: ¥167,868 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	(1,359)	1,667	16,584	84,037
March 31, 2022	(4,200)	7,041	13,264	79,789

2. Cash dividends

	Annual dividends per share					Total cash dividends	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
Year ended March 31, 2022	Yen –	Yen 0.00	Yen –	Yen 15.00	Yen 15.00	Millions of yen 3,002	% 29.5	% 1.8
Year ended March 31, 2023	–	0.00	–	20.00	20.00	4,102	772.2	2.4
Year ending March 31, 2024 (Forecast)	–	–	–	–	–		–	

(Note) The dividend forecast for the fiscal year ending March 31, 2024 is undecided.

3. Consolidated financial results forecasts for the fiscal year ending March 31, 2024 (April 1, 2023 - March 31, 2024)

The Group operates principally in the financial instruments business, and its financial results are likely to be affected by market fluctuations. Because of the nature of its business and the consequential difficulty in predicting its future performance, the Group does not disclose forecasts of financial results.

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2023

(changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: Yes

Changes in accounting estimates: None

Restatement of prior period financial statements: None

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2023	231,217,073 shares	As of March 31, 2022	208,214,969 shares
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Number of treasury shares at the end of the period

As of March 31, 2023	26,086,296 shares	As of March 31, 2022	10,221,299 shares
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Average number of shares outstanding during the period

Year ended March 31, 2023	204,269,184 shares	Year ended March 31, 2022	197,948,096 shares
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(Reference) Summary of non-consolidated financial results

Non-consolidated financial results for the year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes)

Year ended	Operating revenue		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	26,848	240.8	22,691	482.5	23,350	439.1	24,179	293.9
March 31, 2022	7,877	40.1	3,895	102.0	4,331	84.4	6,137	–

Year ended	Earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2023	117.63	117.01
March 31, 2022	30.67	30.50

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	131,685	112,395	85.0	545.87
As of March 31, 2022	96,990	75,761	77.6	376.20

(Reference) Equity: As of March 31, 2023: ¥111,973 million
As of March 31, 2022: ¥75,298 million

* These consolidated financial results are outside the scope of audit procedures by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecasts and other notes

As stated in “3. Consolidated financial results forecasts for the fiscal year ending March 31, 2024,” because of the difficulty in predicting future performance, the dividend forecast for the fiscal year ending March 31, 2024 is undecided.

Consolidated financial statements
Consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	86,946	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	227,583	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)
Total current assets	735,086	785,227
Non-current assets		
Property, plant and equipment	18,071	16,991
Buildings, net	5,189	4,781
Equipment	1,186	1,075
Land	10,772	10,623
Lease 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	51,326	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)
Total non-current assets	81,480	90,829
Total assets	816,567	876,057

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
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	14,098	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	138,513	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	11,802	10,000
Lease liabilities	639	306
Deferred tax liabilities for land revaluation	1,457	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 noncurrent liabilities	2,067	2,455
Total non-current liabilities	29,855	29,153
Reserves under special laws		
Reserve for financial instruments transaction liabilities	1,241	1,247
Total reserves under special laws	1,241	1,247
Total liabilities	626,706	690,418
Net assets		
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	401	330
Foreign currency translation adjustment	477	816
Remeasurements of defined benefit plans	834	890
Total accumulated other comprehensive income	8,179	10,076
Share 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

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	73,949	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	32,978	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	1,092	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	(8,596)	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)

Consolidated statement of changes in equity

For the 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					Share 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

For the 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					Share 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

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 for acquisition of businesses	–	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	79,789	84,037