

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2023 (Based on Japanese GAAP)

July 28, 2023

Company name: OKASAN SECURITIES GROUP INC.

Stock exchange listing: Tokyo, Nagoya

Stock code: 8609

URL: <https://www.okasan.jp/>

Representative: SHINSHIBA Hiroyuki, President

Inquiries: MIYAZAKI Nobuyuki, Executive Officer, Senior General Manager, Treasury Planning Dept.

Phone: +81-3-3272-2222

Scheduled date to file Quarterly Securities Report: August 10, 2023

Scheduled date to commence dividend payments: –

Preparation of supplementary material on quarterly financial results: Yes

Holding of quarterly financial results meeting: None

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	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	%
Three months ended June 30, 2023	21,247	34.7	20,766	34.7	4,163	–	4,573	–	5,201	–
June 30, 2022	15,779	(10.5)	15,417	(11.1)	(1,539)	–	(1,440)	–	(772)	–

(Note) Comprehensive income: Three months ended June 30, 2023: ¥10,055 million [–%]

Three months ended June 30, 2022: ¥(2,303) million [–%]

	Earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2023	25.35	25.26
June 30, 2022	(3.90)	–

(Notes) 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 three months ended June 30, 2022 have been reclassified to reflect this change.

2. Diluted earnings per share for the three months ended June 30, 2022 is omitted due to the recording of net loss per share, although potential shares exist.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2023	910,400	191,506	19.6	867.44
As of March 31, 2023	876,057	185,638	19.7	843.45

(Reference) Equity: As of June 30, 2023: ¥178,089 million

As of March 31, 2023: ¥173,017 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2023	–	0.00	–	20.00	20.00
Year ending March 31, 2024	–				
Year ending March 31, 2024 (Forecast)		–	–	–	–

(Note) Revision to the forecast of cash dividends announced most recently: None

The dividend forecast for the fiscal year ending March 31, 2024 is still undecided.

3. Consolidated financial results forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to 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 three months ended June 30, 2023
(changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: None

(3) 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: None

Changes in accounting policies due to other reasons: None

Changes in accounting estimates: None

Restatement of prior period financial statements: None

(4) Number of issued shares (common shares)

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

As of June 30, 2023	231,217,073 shares	As of March 31, 2023	231,217,073 shares
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Number of treasury shares at the end of the period

As of June 30, 2023	25,912,927 shares	As of March 31, 2023	26,086,296 shares
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Average number of shares outstanding during the period

Three months ended June 30, 2023	205,188,487 shares	Three months ended June 30, 2022	198,018,384 shares
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* These quarterly consolidated financial results are outside the scope of quarterly review 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.

Quarterly consolidated financial statements
Consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	88,460	80,706
Segregated deposits	95,397	109,499
Segregated deposits for customers	92,150	106,370
Other segregated deposits	3,247	3,129
Trading products	240,344	210,867
Trading securities and other	239,927	210,460
Derivatives	417	407
Margin transaction assets	90,768	96,935
Margin loans	83,514	88,915
Cash collateral provided for securities borrowed in margin transactions	7,253	8,019
Loans secured by securities	234,769	282,177
Cash collateral provided for securities borrowed	4	-
Securities purchased under resale agreements	234,764	282,177
Advances paid	247	240
Short-term guarantee deposits	21,618	21,562
Accounts for non-delivered securities and others	16	239
Short-term loans receivable	110	131
Securities	1,189	204
Other current assets	12,336	11,825
Allowance for doubtful accounts	(30)	(35)
Total current assets	785,227	814,354
Non-current assets		
Property, plant and equipment	16,991	16,806
Intangible assets	9,224	9,025
Investments and other assets	64,613	70,214
Investment securities	57,663	63,360
Retirement benefit asset	2,542	2,534
Other	5,295	5,209
Allowance for doubtful accounts	(887)	(890)
Total non-current assets	90,829	96,045
Total assets	876,057	910,400

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Trading products	238,809	244,944
Trading securities and other	238,786	244,879
Derivatives	22	64
Trade date accrual	24,314	10,492
Margin transaction liabilities	24,612	26,971
Margin borrowings	13,482	14,282
Cash received for securities sold in margin transactions	11,129	12,688
Borrowings secured by securities	108,711	152,331
Cash collateral received for securities lent	7,711	10,331
Securities sold under repurchase agreements	101,000	142,000
Deposits received	60,174	83,757
Guarantee deposits received	43,669	48,286
Payables for securities to receive over due for delivery	32	–
Short-term borrowings	152,897	113,791
Income taxes payable	457	898
Provision for bonuses	1,819	880
Other current liabilities	4,519	5,322
Total current liabilities	660,017	687,675
Non-current liabilities		
Long-term borrowings	10,000	9,600
Deferred tax liabilities	8,855	10,834
Provision for retirement benefits for directors (and other officers)	209	124
Retirement benefit liability	5,798	5,725
Other noncurrent liabilities	4,289	4,059
Total non-current liabilities	29,153	30,345
Reserves under special laws		
Reserve for financial instruments transaction liabilities	1,247	873
Total reserves under special laws	1,247	873
Total liabilities	690,418	718,894
Net assets		
Shareholders' equity		
Share capital	18,589	18,589
Capital surplus	37,273	37,272
Retained earnings	118,548	119,647
Treasury shares	(11,470)	(11,401)
Total shareholders' equity	162,940	164,107
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,039	11,661
Revaluation reserve for land	330	330
Foreign currency translation adjustment	816	1,175
Remeasurements of defined benefit plans	890	814
Total accumulated other comprehensive income	10,076	13,981
Share acquisition rights	421	284
Non-controlling interests	12,199	13,132
Total net assets	185,638	191,506
Total liabilities and net assets	876,057	910,400

Consolidated statement of income (cumulative) and consolidated statement of comprehensive income (cumulative)

Consolidated statement of income (cumulative)

Three months ended June 30

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Operating revenue		
Commission received	10,807	12,363
Brokerage commission	3,830	6,053
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	37	560
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	3,159	3,491
Other commission received	3,780	2,258
Net trading income	4,235	7,711
Financial revenue	498	794
Other operating revenue	237	378
Total operating revenue	15,779	21,247
Financial expenses	362	480
Net operating revenue	15,417	20,766
Selling, general and administrative expenses	16,957	16,603
Trading related expenses	2,798	2,654
Personnel expenses	8,445	8,240
Real estate expenses	1,995	1,948
Office expenses	1,937	2,210
Depreciation	692	786
Taxes and dues	257	375
Provision of allowance for doubtful accounts	(5)	9
Other	835	379
Operating profit (loss)	(1,539)	4,163
Non-operating income	151	430
Dividend income	111	108
Share of profit of entities accounted for using equity method	6	80
Gain on investments in investment partnerships	–	215
Other	33	26
Non-operating expenses	52	20
Interest expenses	7	8
Settlement payments	18	1
Other	27	11
Ordinary profit (loss)	(1,440)	4,573

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Extraordinary income		
Gain on sale of investment securities	0	1,268
Reversal of reserve for financial instruments transaction liabilities	0	373
Gain on reversal of share acquisition rights	–	68
Total extraordinary income	0	1,711
Extraordinary losses		
Loss on sale of investment securities	21	14
Loss on valuation of investment securities	28	35
Total extraordinary losses	50	49
Profit (loss) before income taxes	(1,490)	6,235
Income taxes - current	(101)	838
Income taxes - deferred	(606)	148
Total income taxes	(707)	986
Profit (loss)	(782)	5,249
Profit (loss) attributable to non-controlling interests	(10)	47
Profit (loss) attributable to owners of parent	(772)	5,201

Consolidated statement of comprehensive income (cumulative)

Three months ended June 30

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit (loss)	(782)	5,249
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,815)	4,392
Foreign currency translation adjustment	438	358
Remeasurements of defined benefit plans, net of tax	(60)	(74)
Share of other comprehensive income of entities accounted for using equity method	(82)	129
Total other comprehensive income	(1,520)	4,806
Comprehensive income	(2,303)	10,055
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,605)	9,106
Comprehensive income attributable to non-controlling interests	(697)	949