# Consolidated Financial Statements

Tokai Tokyo Financial Holdings, Inc.
and Subsidiaries

Year ended March 31, 2024
with Independent Auditor's Report

## Consolidated Balance Sheet

Tokai Tokyo Financial Holdings, Inc. and Subsidiaries

As of March 31, 2024

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2024** | 2023 | **2024** |
| ASSETS | | | |
| Cash on hand and in banks (Notes 4, 5 and 9): | | | |
| Cash and deposits | **¥ 97,674** | ¥ 131,607 | **$ 644,967** |
| Cash segregated as deposits | **95,426** | 74,058 | **630,125** |
| | **193,100** | 205,665 | **1,275,092** |
| Collateralized short-term financing agreements (Note 5): | | | |
| Cash collateral pledged for securities borrowed | **93,985** | 81,054 | **620,610** |
| Loans under resale agreements | **412,721** | 223,055 | **2,725,310** |
| | **506,706** | 304,109 | **3,345,920** |
| Trading assets (Note 5): | | | |
| Trading securities (Notes 6 and 9) | **319,328** | 260,859 | **2,108,607** |
| Derivatives (Note 7) | **8,889** | 12,058 | **58,698** |
| | **328,217** | 272,917 | **2,167,305** |
| Receivables: | | | |
| Receivables from brokers, dealers, and clearing organizations (Note 5) | **78,926** | 47,306 | **521,171** |
| Receivables from customers (Note 5) | **90,595** | 52,192 | **598,224** |
| Receivables related to margin transactions (Note 5) | **87,177** | 79,498 | **575,654** |
| Other | **26,475** | 11,928 | **174,820** |
| | **283,173** | 190,924 | **1,869,869** |
| Allowance for doubtful accounts (Current) | **(132)** | (81) | **(872)** |
| | **283,041** | 190,843 | **1,868,997** |
| Investment securities (Notes 5 and 6) | **26,665** | 21,912 | **176,079** |
| Investments in associated companies (Notes 3 and 5) | **25,117** | 24,012 | **165,851** |
| Deferred tax assets (Notes 2(u) and 14) | **74** | 52 | **491** |
| Other assets: | | | |
| Property and equipment (Note 10) | **23,125** | 20,880 | **152,701** |
| Accumulated depreciation | **(12,017)** | (11,197) | **(79,355)** |
| | **11,108** | 9,683 | **73,346** |
| Goodwill | **664** | 976 | **4,387** |
| Lease deposits | **4,846** | 4,769 | **31,999** |
| Asset for retirement benefits (Note 11) | **11,298** | 6,886 | **74,603** |
| Other | **9,853** | 14,528 | **65,063** |
| | **37,769** | 36,842 | **249,398** |
| Allowance for doubtful accounts (Non-current) | **(329)** | (332) | **(2,169)** |
| | **37,440** | 36,510 | **247,229** |
| Total assets | **¥ 1,400,360** | ¥ 1,056,020 | **$ 9,246,964** |

See notes to consolidated financial statements.

## Consolidated Balance Sheet

Tokai Tokyo Financial Holdings, Inc. and Subsidiaries

As of March 31, 2024

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2024** | 2023 | **2024** |
| LIABILITIES AND EQUITY | | | |
| Borrowings (Notes 5, 8 and 9): | | | |
| Short-term borrowings | ¥ **201,043** | ¥ 208,603 | $ **1,327,542** |
| Commercial paper | **12,500** | 11,500 | **82,541** |
| Current portion of long-term debt | **9,071** | 26,778 | **59,896** |
| Long-term debt | **140,731** | 115,479 | **929,288** |
| | **363,345** | 362,360 | **2,399,267** |
| Collateralized short-term financing agreements (Note 5 ): | | | |
| Cash received on securities loaned | **92,980** | 49,000 | **613,973** |
| Borrowings under repurchase agreements | **171,374** | 97,125 | **1,131,631** |
| | **264,354** | 146,125 | **1,745,604** |
| Trading liabilities (Note 5): | | | |
| Trading securities (Note 6) | **397,368** | 212,558 | **2,623,932** |
| Derivatives (Note 7) | **25,606** | 23,368 | **169,083** |
| | **422,974** | 235,926 | **2,793,015** |
| Payables (Note 5): | | | |
| Payables to brokers, dealers, and clearing organizations | **833** | 8,927 | **5,504** |
| Payables to customers | **85,160** | 62,820 | **562,333** |
| Payables related to margin transactions | **19,701** | 29,857 | **130,091** |
| Other | **27,903** | 16,531 | **184,248** |
| | **133,597** | 118,135 | **882,176** |
| Deferred tax liabilities (Notes 2(u) and 14) | **3,568** | 1,804 | **23,558** |
| Accrued and other liabilities: | | | |
| Income taxes payable | **6,359** | 1,274 | **41,988** |
| Provision for bonuses | **3,268** | 1,797 | **21,578** |
| Liability for retirement benefits (Note 11) | **246** | 297 | **1,629** |
| Other | **8,929** | 6,264 | **58,962** |
| | **18,802** | 9,632 | **124,157** |
| Statutory reserves | | | |
| Reserve for financial instruments transaction liabilities | **785** | 690 | **5,183** |
| Total liabilities | **1,207,425** | 874,672 | **7,972,960** |
| Equity (Notes 12, 13 and 23) | | | |
| Common stock: | | | |
| Authorized: 972,730,000 shares | | | |
| Issued: 260,582,115 shares in 2024 and 260,582,115 shares in 2023 | **36,000** | 36,000 | **237,718** |
| Capital surplus | **24,440** | 24,534 | **161,385** |
| Stock acquisition rights | **431** | 548 | **2,843** |
| Retained earnings | **116,271** | 111,065 | **767,769** |
| Treasury stock, at cost: 10,178,451 shares in 2024 and 11,626,798 shares in 2023 | **(4,409)** | (5,037) | **(29,114)** |
| Accumulated other comprehensive income: | | | |
| Unrealized gain on available-for-sale securities | **2,736** | 934 | **18,069** |
| Foreign currency translation adjustments | **753** | 413 | **4,974** |
| Defined retirement benefit plans | **4,050** | 1,377 | **26,742** |
| Total | **180,272** | 169,834 | **1,190,386** |
| Noncontrolling interests | **12,663** | 11,514 | **83,618** |
| Total equity | **192,935** | 181,348 | **1,274,004** |
| Total liabilities and equity | ¥ **1,400,360** | ¥ 1,056,020 | $ **9,246,964** |

See notes to consolidated financial statements.

## Consolidated Statements of Income

Tokai Tokyo Financial Holdings, Inc. and Subsidiaries

For the year ended March 31, 2024

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2024** | 2023 | **2024** |
| Revenues: | | | |
| Commissions | **¥ 42,239** | ¥ 32,930 | **$ 278,917** |
| Net gain on trading | **40,439** | 31,287 | **267,031** |
| Interest and dividend income | **6,523** | 9,166 | **43,074** |
| Total revenues (Note 16) | **89,201** | 73,383 | **589,022** |
| Interest expense | **2,509** | 3,785 | **16,571** |
| Net revenues | **86,692** | 69,598 | **572,451** |
| Selling, general and administrative expenses (Note 17) | **71,387** | 66,438 | **471,392** |
| Operating income | **15,305** | 3,160 | **101,059** |
| Other income, net (Note 18) | **3,026** | 2,939 | **19,983** |
| Income before income taxes | **18,331** | 6,099 | **121,042** |
| Income taxes (Note 14): | | | |
| Current | **5,986** | 2,824 | **39,525** |
| Prior years | **677** | - | **4,473** |
| Deferred | **(143)** | 566 | **(944)** |
| Total income taxes | **6,520** | 3,390 | **43,054** |
| Net income | **11,811** | 2,709 | **77,988** |
| Net income attributable to noncontrolling interests | **1,621** | 756 | **10,702** |
| Net income attributable to owners of the parent | **¥ 10,190** | ¥ 1,953 | **$ 67,286** |

| Per share of common stock (Notes 2(y) and 21): | Yen | | U.S. dollars |
|---|---|---|---|
| Basic net income | **¥ 40.86** | ¥ 7.85 | **$ 0.27** |
| Diluted net income | **40.69** | 7.84 | **0.27** |
| Cash dividends applicable to the year | **28.00** | 16.00 | **0.18** |

See notes to consolidated financial statements.

**Consolidated Statements of Comprehensive Income**

Tokai Tokyo Financial Holdings, Inc. and Subsidiaries

For the year ended March 31, 2024

| | Millions of yen | | | | Thousands of U.S. dollars (Note 1) | |
|---|---|---|---|---|---|---|
| | | **2024** | | 2023 | | **2024** |
| Net income | **¥** | **11,811** | ¥ | 2,709 | **$** | **77,988** |
| Other comprehensive income (Note 19): | | | | | | |
| Unrealized loss on available-for-sale securities | | **1,847** | | (153) | | **12,196** |
| Foreign currency translation adjustments | | **334** | | 321 | | **2,211** |
| Defined retirement benefit plans | | **2,673** | | (231) | | **17,652** |
| Share of other comprehensive income in associates | | **5** | | 3 | | **32** |
| Comprehensive income | **¥** | **16,670** | ¥ | 2,649 | **$** | **110,079** |
| Total comprehensive income attributable to (Note 19): | | | | | | |
| Owners of the parent | **¥** | **15,005** | ¥ | 1,899 | **$** | **99,081** |
| Noncontrolling interests | | **1,665** | | 750 | | **10,998** |

See notes to consolidated financial statements.

## Consolidated Statements of Changes in Equity

Tokai Tokyo Financial Holdings, Inc. and Subsidiaries

For the year ended March 31, 2024

| | Thousands of shares | | Millions of yen | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Accumulated other comprehensive income | | | | | |
| | *Common stock* | *Treasury stock* | Common stock | Capital surplus | Stock acquisition rights | Retained earnings | Treasury stock | Unrealized gain on available-for-sale securities | Foreign currency translation adjustments | Defined retirement benefit plans | Total | Noncontrolling interests | Total equity |
| Balance as of March 31, 2022 | *260,582* | *11,999* | ¥ 36,000 | ¥ 24,570 | ¥ 497 | ¥ 114,581 | ¥ (5,198) | ¥ 1,083 | ¥ 87 | ¥ 1,608 | ¥ 173,228 | ¥ 12,341 | ¥ 185,569 |
| Net income attributable to owners of the parent | — | — | — | — | — | 1,953 | — | — | — | — | 1,953 | — | 1,953 |
| Cash dividends, ¥22.00 per share | — | — | — | — | — | (5,469) | — | — | — | — | (5,469) | — | (5,469) |
| Purchase of treasury stock | — | *2* | — | — | — | — | (1) | — | — | — | (1) | — | (1) |
| Disposal of treasury stock | — | (374) | — | (36) | — | — | 162 | — | — | — | 126 | — | 126 |
| Change in the parent's ownership interest due to transactions with noncontrolling interests | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Net change in the year | — | — | — | — | 51 | — | — | (149) | 326 | (231) | (3) | (827) | (830) |
| **Balance as of March 31, 2023** | ***260,582*** | ***11,627*** | **¥ 36,000** | **¥ 24,534** | **¥ 548** | **¥ 111,065** | **¥ (5,037)** | **¥ 934** | **¥ 413** | **¥ 1,377** | **¥ 169,834** | **¥ 11,514** | **¥ 181,348** |
| **Net income attributable to owners of the parent** | — | — | — | — | — | **10,190** | — | — | — | — | **10,190** | — | **10,190** |
| **Cash dividends, ¥20.00 per share** | — | — | — | — | — | **(4,984)** | — | — | — | — | **(4,984)** | — | **(4,984)** |
| **Purchase of treasury stock** | — | ***2*** | — | — | — | — | **(0)** | — | — | — | **(0)** | — | **(0)** |
| **Disposal of treasury stock** | — | ***(1,450)*** | — | **(57)** | — | — | **628** | — | — | — | **571** | — | **571** |
| **Change in the parent's ownership interest due to transactions with noncontrolling interests** | — | — | — | **(37)** | — | — | — | — | — | — | **(37)** | — | **(37)** |
| **Net change in the year** | — | — | — | — | **(117)** | — | — | **1,802** | **340** | **2,673** | **4,698** | **1,149** | **5,847** |
| **Balance as of March 31, 2024** | ***260,582*** | ***10,179*** | **¥ 36,000** | **¥ 24,440** | **¥ 431** | **¥ 116,271** | **¥ (4,409)** | **¥ 2,736** | **¥ 753** | **¥ 4,050** | **¥ 180,272** | **¥ 12,663** | **¥ 192,935** |

| | Thousands of U.S. dollars (Note 1) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Accumulated other comprehensive income | | | | | |
| | Common stock | Capital Surplus | Stock acquisition rights | Retained earnings | Treasury stock | Unrealized gain on available-for-sale securities | Foreign currency translation adjustments | Defined retirement benefit plans | Total | Noncontrolling interests | Total equity |
| **Balance as of March 31, 2023** | **$ 237,718** | **$ 162,004** | **$ 3,616** | **$ 733,392** | **$ (33,256)** | **$ 6,169** | **$ 2,731** | **$ 9,091** | **$ 1,121,465** | **$ 76,027** | **$ 1,197,492** |
| **Net income attributable to owners of the parent** | — | — | — | **67,286** | — | — | — | — | **67,286** | — | **67,286** |
| **Cash dividends, $0.13 per share** | — | — | — | **(32,909)** | — | — | — | — | **(32,909)** | — | **(32,909)** |
| **Purchase of treasury stock** | — | — | — | — | **(6)** | — | — | — | **(6)** | — | **(6)** |
| **Disposal of treasury stock** | — | **(375)** | — | — | **4,148** | — | — | — | **3,773** | — | **3,773** |
| **Change in the parent's ownership interest due to transactions with noncontrolling interests** | — | **(244)** | — | — | — | — | — | — | **(244)** | — | **(244)** |
| **Net change in the year** | — | — | **(773)** | — | — | **11,900** | **2,243** | **17,651** | **31,021** | **7,591** | **38,612** |
| **Balance as of March 31, 2024** | **$ 237,718** | **$ 161,385** | **$ 2,843** | **$ 767,769** | **$ (29,114)** | **$ 18,069** | **$ 4,974** | **$ 26,742** | **$ 1,190,386** | **$ 83,618** | **$ 1,274,004** |

See notes to consolidated financial statements.

## Consolidated Statement of Cash Flows

Tokai Tokyo Financial Holdings, Inc. and Subsidiaries

For the year ended March 31, 2024

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2024** | 2023 | **2024** |
| Cash flows from operating activities: | | | |
| Income before income taxes | ¥ **18,331** | ¥ 6,099 | $ **121,042** |
| Adjustments for: | | | |
| Income taxes - paid | **(1,590)** | (4,135) | **(10,499)** |
| Depreciation and amortization | **3,436** | 3,281 | **22,687** |
| Amortization of goodwill | **284** | 283 | **1,874** |
| Increase (decrease) in allowance for doubtful accounts | **47** | (19) | **311** |
| Decrease in liability for retirement benefits | **(595)** | (675) | **(3,929)** |
| Increase (decrease) in provision for statutory reserves | **95** | (13) | **629** |
| Equity in earning of associated company | **(507)** | 749 | **(3,346)** |
| Impairment loss | **158** | ― | **1,043** |
| Loss on retirement of fixed assets | **178** | ― | **1,177** |
| Gain on sales of fixed assets | **(2)** | ― | **(15)** |
| Gain on sales of stocks of associated companies | **(203)** | ― | **(1,338)** |
| Loss (Gain) on sales of investment securities | **37** | (127) | **241** |
| Gain on change in equity | **(421)** | ― | **(2,781)** |
| Impairment gain on investment securities | **(902)** | (1,931) | **(5,956)** |
| Gain on reversal of stock acquisition rights | **(117)** | ― | **(774)** |
| Gain on extinguishment of tie-in shares | ― | (21) | ― |
| (Increase) decrease in receivables | **(29,247)** | 74,197 | **(193,123)** |
| Decrease in payables | **(9,021)** | (78,159) | **(59,568)** |
| Changes in Trading assets and liabilities | **131,749** | 47,837 | **869,972** |
| Changes in Collateralized short-term financing agreements | **(84,368)** | 66,874 | **(557,106)** |
| Other, net | **(14,527)** | (6,933) | **(95,924)** |
| Total adjustments | **(5,516)** | 101,208 | **(36,425)** |
| Net cash provided by operating activities | **12,815** | 107,307 | **84,617** |
| Cash flows from investing activities: | | | |
| Payments to receivables from customers | **(51,158)** | (24,848) | **(337,810)** |
| Proceeds from receivables from customers | **12,890** | 9,440 | **85,116** |
| Purchases of property and equipment | **(4,454)** | (3,119) | **(29,412)** |
| Proceeds from sales of property and equipment | **2** | ― | **15** |
| Purchases of investment securities | **(2,991)** | (2,491) | **(19,748)** |
| Proceeds from sales of investment securities | **2,849** | 1,931 | **18,814** |
| Purchases of a share of associates | **(100)** | (100) | **(660)** |
| Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation | **173** | ― | **1,144** |
| Other, net | **217** | 567 | **1,430** |
| Net cash used in investing activities | **(42,572)** | (18,620) | **(281,111)** |
| Cash flows from financing activities: | | | |
| Increase (decrease) in short-term borrowings - net | **7,416** | (43,833) | **48,966** |
| Proceeds from long-term debt | **50,036** | 37,649 | **330,400** |
| Repayment of long-term debt | **(57,492)** | (40,871) | **(379,633)** |
| Proceeds from commercial paper | **88,100** | 79,200 | **581,748** |
| Redemption of commercial paper | **(87,100)** | (82,200) | **(575,145)** |
| Proceeds from exercise of stock options | **492** | 107 | **3,252** |
| Net increase in treasury stock | **(1)** | (1) | **(5)** |
| Cash dividends paid | **(4,977)** | (5,455) | **(32,864)** |
| Subscription money received from the noncontrolling interests | **300** | 73 | **1,981** |
| Repayments to noncontrolling interests | **(635)** | (1,560) | **(4,196)** |
| Payments of cash dividends to noncontrolling interests | **(83)** | (90) | **(551)** |
| Other, net | **(586)** | (612) | **(3,869)** |
| Net cash used in financing activities | **(4,530)** | (57,593) | **(29,916)** |
| Effect of exchange rate change on cash and cash equivalents | **515** | 839 | **3,403** |
| Net (decrease) increase in cash and cash equivalents | **(33,772)** | 31,933 | **(223,007)** |
| Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiary | ― | 49 | ― |
| Cash and cash equivalents at the beginning of year | **130,424** | 98,442 | **861,224** |
| Cash and cash equivalents at the end of year (Note 4) | ¥ **96,652** | ¥ 130,424 | $ **638,217** |

See notes to consolidated financial statements.

## 1. Basis of presentation of consolidated financial statements

The accompanying consolidated financial statements have been prepared by Tokai Tokyo Financial Holdings, Inc. (the "Company") and its subsidiaries (collectively, the "Group") in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (IFRS).

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued in Japan in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2023 consolidated financial statements to conform to the classifications used in 2024.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 29, 2024, which was ¥151.44 to USD1. The amounts in Japanese yen are directly converted into U.S. dollar amounts even for the amounts presented only in millions of Japanese yen in the consolidated financial statements. As such, there are cases in which the conversion of the amounts in millions of Japanese yen using the prevailing exchange rate are different from those in U.S. dollars shown in the consolidated financial statements. The translation should not be construed as a representation that the Japanese yen amounts have been, could have been or could be converted into U.S. dollars at that or any other rate.

## 2. Summary of significant accounting policies

### a. Principles of consolidation

The consolidated financial statements as of March 31, 2024, include the accounts of the Company and its 24 (27 in 2023) subsidiaries.

Following the investment in kind of all shares of Tokai Tokyo Asset Management Co., Ltd held by the Company to Money Design Co., Ltd., in December 2023, Tokai Tokyo Asset Management Co., Ltd. was excluded from the scope of consolidation.

Following the merger of two consolidated subsidiaries, Tokai Tokyo Research Institute Co., Ltd. as a surviving company and Tokai Tokyo Academy Co., Ltd. in March 2024, Tokai Tokyo Academy Co., Ltd. was excluded from the scope of consolidation. Tokai Tokyo Research Institute Co., Ltd. changed its name to Tokai Tokyo Intelligence Laboratory Co., Ltd.

Following the sales of all shares of Pinnacle Inc. in March 2024, Pinnacle Inc. was excluded from the scope of consolidation. Pinnacle TT Solution Inc. changed its name to TT Solution Inc. in April 2024.

Investments in 16 (15 in 2023) associated companies are accounted for by the equity method.

Following the investment in kind of all shares of Tokai Tokyo Asset Management Co., Ltd held by the Company to Money Design Co., Ltd., in December 2023, Tokai Tokyo Asset Management Co., Ltd. was included in the associated companies accounted for using the equity method.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

**b. Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements**

Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or generally accepted accounting principles in the United States of America (FASB Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gains or losses of pensions that have been directly recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

**c. Unification of accounting policies applied to foreign associated companies for the equity method**

ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments" requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine the necessary adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRS or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity through other comprehensive income; (c) expensing capitalized development costs of research and development (R&D); (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign associate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

**d. Business combinations**

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes the bargain purchase gain in profit immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interests is adjusted to reflect a change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

**e. Cash and cash equivalents**

Cash and cash equivalents disclosed in the consolidated statements of cash flows comprise cash on hand, demand deposits and ordinary deposits which can be easily liquidated on demand with original maturities of three months or less.

**f. Financial instruments**

The purpose of trading activities is to make profits or reduce losses from short-term volatility and arbitrage between markets in stock prices, interest rates, foreign exchange rates and other market indices. The scope of trading activities mainly consists of the following:

1) Buying and selling of securities
2) Derivative market transactions
3) Over-the-counter (OTC) derivative transactions

Securities, derivative contracts and other financial instruments classified as trading assets and liabilities are stated at fair value based on the mark-to-market method.

Other securities, including short-term investment securities and investment securities, are held for non-trading purposes and are classified as available-for-sale. Available-for-sale securities that have a market price are stated at the market price prevailing at the end of the fiscal year. Differences between the cost of securities held determined by the moving-average method and the fair value less associated deferred taxes are recorded in "Unrealized gain (loss) on available-for-sale securities" in equity in the consolidated balance sheet. Available-for-sale securities without a market price are stated at cost as determined by the moving average. Investments in limited partnerships and other similar partnerships (which are deemed to be marketable securities pursuant to Article 2, paragraph (2) of the Financial Instruments and Exchange Act) are stated at the net amount equal to the Company's net asset value based on the most recent statements of accounts available according to the settlement report dates as stipulated in contracts for such partnerships. Where available-for-sale securities have declined significantly and such impairment of value is deemed not temporary, such securities are written down to their fair value and the resulting losses are charged to loss for the period.

**g. Property and equipment (except for lease assets)**

Property and equipment are stated at cost. Depreciation of tangible fixed assets is calculated by the declining-balance method based on the estimated useful lives of the assets. However, buildings (excluding leasehold improvements) acquired by the Company and its domestic consolidated subsidiaries on or after April 1, 1998, and leasehold improvements and structures acquired on or after April 1, 2016 are depreciated by the straight-line method. The estimated useful lives of tangible fixed assets are mainly as follows:

| | |
|---|---|
| Buildings | 2-50 years |
| Fixtures and furniture | 2-20 years |

**h. Intangible assets (except for lease assets)**

Amortization of intangible assets is calculated by the straight-line method. Software for internal use is amortized by the straight-line method over its economic useful life (five years).

Intangible assets recognized in the acquisition of subsidiaries are amortized over the estimated useful life, reflecting the pattern of the consumption of the assets' future economic benefits.

**i. Goodwill**

Cost in excess of the net assets of subsidiaries acquired is recorded in "Goodwill" in assets in the consolidated balance sheet and amortized on a straight-line basis within a period of 20 years by judging each respective case in accordance with Japanese GAAP.

**j. Leases**

Depreciation of lease assets is calculated by the straight-line method. Depreciation of finance leases without ownership transfer is calculated by the straight-line method over the lease terms with zero residual value.

**k. Impairment of property and equipment**

The Group reviews its property and equipment for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

**l. Allowance for doubtful receivables**

For the future loss from doubtful accounts, an allowance for doubtful accounts is recognized using the historical rate of actual losses for normal receivables and the estimated non-recoverable amount for specific doubtful receivables after considering the recoverability of each account.

**m. Retirement and pension plan**

The Company and its domestic subsidiaries have defined benefit corporate pension plans and defined contribution retirement plan. There are some cases in which extra retirement benefits are paid to employees when they retire. Tokai Tokyo Securities, a wholly owned major subsidiary of the Company, contributed to the retirement benefit trust for its pension plan.

Certain domestic consolidated subsidiaries apply the simplified method to state the liability based on the amount that would be paid if employees retired at the consolidated balance sheet date.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 years, no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

Certain subsidiaries record retirement benefits for directors and Audit & Supervisory Board members at the amount that would be required if all directors and Audit & Supervisory Board members retired at each consolidated balance sheet date.

**n. Asset retirement obligations**

An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

**o. Statutory reserves**

The Financial Instruments and Exchange Act in Japan and its related regulations require a securities company to set aside a reserve in proportion to its securities transactions and other related trading to cover future eventual operational losses caused by the securities company for customer transactions. The Group recognizes the statutory reserves in line with such requirements.

**p. Stock options**

The cost of stock options is measured based on the fair value at the date of grant and recognized as compensation expense over the vesting period as consideration for receiving goods or services. In the consolidated balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

**q. Revenue recognition**

Brokerage commissions are commissions from the customers or other financial instruments business operators by trading securities or providing intermediary, brokerage, or agency services for the derivative transactions. Revenues from brokerage commissions are recognized on the dates of the contracts or the equivalent dates. Brokerage commissions are collected within a few business days from dates the performance obligations are satisfied.

Underwriting commissions are commissions from the issuer companies by underwriting securities, secondary distributions of securities, or solicitations for selling, etc. for professional investors. Revenues from underwriting commissions are mainly recognized on the condition determination dates. Underwriting commissions are collected between the dates the performance obligations are satisfied and the payment dates to the issuer companies or the settlement dates.

Distribution commissions are commissions from customers or underwriters by dealing in a public offering or secondary distribution of securities, dealing in the private placement of securities, or dealing in a solicitation for selling, etc. for professional investors. Distribution commissions are recognized on the dates of application for the offerings. Distribution commissions are collected between the dates the performance obligations are satisfied and the payment dates or the settlement dates.

Other commissions mainly consist of investment trust agency commissions and insurance agency commissions. Investment trust agency commissions are commissions by the account management and are recognized daily in line with the asset balance of the investment trust. Investment trust agency commissions are mainly collected within a few business days from the closing dates of the investment trust. Insurance agency commissions are commissions from insurance companies by the brokerage of insurance transactions and are mainly recognized at the amount expected on the dates insurance contracts become effective. Insurance agency commissions are mainly collected within a year from the dates the performance obligations are satisfied.

**r. Provision for bonuses to employees**

Bonuses to employees are accrued in the Company and its domestic consolidated subsidiaries at the end of the year to which such bonuses are attributable.

**s. Provision for bonuses to directors and Audit & Supervisory Committee members**

Bonuses to directors and Audit & Supervisory Committee members are accrued at the end of the year to which such bonuses are attributable.

**t. Provision for retirement benefits to directors and Audit & Supervisory Committee members**

Retirement benefits to directors and Audit & Supervisory Committee members are accrued in the Company and its certain domestic consolidated subsidiaries at the end of the year to which such bonuses are attributable based on the internal rules.

**u. Income taxes**

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Company and certain consolidated subsidiaries in Japan have applied the Group Tax Sharing System starting from the annual periods beginning on or after April 1, 2022, which allows companies to file corporate tax returns on an individual entity basis and totalize certain tax profits and losses within the company group.

**v. Receivables and Payables to brokers, dealers, and clearing organizations**

"Receivables to brokers, dealers, and clearing organizations" and "Payables to brokers, dealers, and clearing organizations", which is the equivalent amount of the contract price of the sales and purchases of trading securities, recorded during from contracts to settlements, represents the net amount of the debt and credit balances in the consolidated balance sheet. “Receivables to brokers, dealers, and clearing organizations” also consists of the short-term security deposits.

**w. Foreign currency transactions**

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

**x. Foreign currency financial statements**

The balance sheet and statement of income accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as “Foreign currency translation adjustments” under accumulated other comprehensive income in a separate component of equity.

**y. Per share information**

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

**z. Accounting changes and error corrections**

Under Statement No. 24, “Accounting Standard for Accounting Changes and Error Corrections,” and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections,” accounting treatments are required as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following a revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

**aa. Accounting standards and guidance not yet adopted**

Following accounting standards and guidance are those issued but not yet adopted.

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

(1) Overview

Transfer of JICPA’s practical guidelines on tax effect accounting to ASBJ was completed with the issuance of standards and guidance including ASBJ Statement No.28, Partial Amendments to Accounting Standard for Tax Effect Accounting (hereinafter collectively referred to as “ASBJ Statement No.28, etc.”) in February 2018. During their deliberations, it had been determined that the following two issues would be further discussed subsequent to the issuance of ASBJ Statement No. 28, etc. The above standards and guidance were issued as a result of the discussions on the two issues below:

- Categories in which income tax expense should be recorded (taxes on other comprehensive income)
- Tax effects associated with sales of shares of subsidiaries, etc. (i.e., shares of subsidiaries or affiliates) when the group taxation regime is applied

(2) Effective date

The standards and guidance will be effective from the beginning of the fiscal year ending March 31, 2025.

(3) Effects of application of the standards and guidance
The effects of application of Accounting Standard for Current Income Taxes, Accounting Standard for Presentation of Comprehensive Income and Guidance on Accounting Standard for Tax Effect Accounting on the consolidated financial statements is immaterial.

## 3. Significant Accounting Estimates

**Valuation of equity method goodwill within investments in associated companies**

(1) Carrying amount in the consolidated balance sheet as of March 31, 2024 and 2023, were as follows:

| | (Millions of yen) | | | | (Thousands of U.S. dollars) | |
|---|---|---|---|---|---|---|
| | | **2024** | | 2023 | | **2024** |
| Equity method goodwill | **¥** | **2,667** | ¥ | 2,633 | **$** | **17,612** |
| (Money Design Co., Ltd.) | | **2,534** | | 2,407 | | **16,734** |

The investment in Money Design Co., Ltd. included in Investments in associated companies in the consolidated balance sheet is ¥2,729millions ($18,021 thousands) for the year ended March 31, 2024, and ¥2,785millions for the year ended March 31, 2023 respectively.

(2) Information on the identified significant accounting estimate

**(Calculation of the estimate)**

The Group recognizes equity method goodwill as part of investments in associated companies resulting from the differences between the fair values of the investee's assets and liabilities, and the acquisition costs. If necessary, impairment is recognized for equity method goodwill and the loss is recognized through equity in (loss) gain of associated companies. The need for its impairment is examined by monitoring if the profitability decreases lower than the initial expectation at the investment and if, as a result, the invested amount is no longer recoverable. As a result of such examination of the need for its impairment, the Company concluded no impairment is required for the fiscal year ended March 31, 2024.

**(Assumptions used in the estimate calculation)**

Examination above is future cash flow basis. The total amount of the future cash flow is calculated based on the business plan of the associated companies reflecting the assumptions on the future business environment such as the expected balance of outstanding assets under management including the number of accounts opened and the amounts of the cash inflow and outflow. In the fiscal year ended March 31, 2024, the future business plan of Money Design Co., Ltd. was revised.

**(Impact on the consolidated financial statements for the following fiscal year)**

Future cash flow estimates based on the business plan of the associated companies include future forecasts reflecting the qualitative information such as changes in the external environment and regulations. Due to a high uncertainty in the estimation and a high reliance on management judgments, there is a possibility to identify impairment loss in the following fiscal year.

## 4. Cash and cash equivalents

Reconciliations between cash and cash equivalents in the consolidated statement of cash flows and cash and deposits in the consolidated balance sheet as of March 31, 2024 and 2023, were presented as follows:

| | (Millions of yen) | | | | (Thousands of U.S. dollars) | |
|---|---|---|---|---|---|---|
| | | **2024** | | 2023 | | **2024** |
| Cash and deposits | **¥** | **97,674** | ¥ | 131,607 | **$** | **644,967** |
| Time deposits with maturity of over three months | | **(1,022)** | | (1,183) | | **(6,750)** |
| Cash and cash equivalents | **¥** | **96,652** | ¥ | 130,424 | **$** | **638,217** |

## 5. Financial instruments and related disclosures

(1) Group policy for financial instruments
The Group is involved in the financial instruments trading business, including trading securities, acting as an intermediary of securities trading, underwriting and offering securities, soliciting and offering

securities, offering private placement securities and other financial instruments treating of trading business, and services related or incidental to financial instruments trading business. Due to the Group's involvement in the financial instruments trading business, the Group holds financial instruments.

In conducting its financial instruments trading business, the Group sets its basic policy as providing accurate information to meet its various customers' needs and products through transactions inside or outside of the stock exchange market. The Group intends to realize sound market functions and smooth execution of agency trades in the exchange market and fair price formation and smooth distribution of financial instruments for trading outside the exchange market.

To raise funds to operate the financial instruments trading business, in addition to using indirect financing such as bank loans, the Group issues commercial paper and bonds taking into account market conditions and the balance of maturities of loans.

(2) Nature and extent of risks arising from financial instruments

The financial assets and liabilities held by the Group are composed of the following:

(a) Securities, such as stocks and bonds, held for trading with customers or for proprietary trading; derivatives publicly traded on exchanges, such as futures and options, based on stock price indices and bond futures and bond options; derivatives not traded on exchanges, such as bonds with options, OTC securities options, foreign exchange forward contracts, currency rate swaps, and interest rate swaps; and securities, such as stock held for investment;

(b) Loan receivables from customers related to margin transactions, short-term loans secured by securities deposited from customers and borrowings from securities finance companies incidental to the loan receivables; and

(c) Cash collateral pledged for securities borrowed/cash received on securities loaned based on collateralized financing agreements with institutional investors and loan receivables as consideration for purchases of bonds under resale agreements/borrowings as proceeds from sales of bonds securities under repurchase agreements.

The securities held and transaction balances of derivatives are exposed to market risks triggered by changes in market values of stock, and interest rate and foreign exchange rate fluctuations. Receivables related to margin transactions, cash collateral pledged for securities borrowed, loan receivables for purchases of bonds under resale agreements and OTC derivative transactions are exposed to credit risks that occur when transaction counterparties' default. In addition, due to a lack of liquidity, some of these financial instruments are exposed to market liquidity risks that trigger losses due to market turmoil, which may result in the Group's inability to transact in the market or cause the Group to conduct transactions at significantly unfavorable prices.

Also, with regard to the funding side, the Group owns financial liabilities, such as commercial paper, bonds and borrowings from financial institutions. As a result of a downturn in the Group's business or other reasons, these financial instruments are exposed to funding liquidity risk, resulting in obstacles to raising funds or being forced to borrow at significantly higher interest rates than usual, leading to losses.

Besides these assets and liabilities, the Group owes financial liabilities, such as temporary deposits received from customers for their securities transactions and guarantee deposits received from customers as transaction deposits for margin transactions and derivative transactions. The financial assets attributable to customers in these transactions are segregated from our own financial assets and entrusted as segregated customer's money trust to the trust bank in accordance with the rules of Financial Instruments and Exchange Act.

(3) Risk management for financial instruments

(a) Comprehensive risk management

Due to the complexity and diversification of product lines, such as rapid advances of derivative transactions, the Company regards market, credit, and liquidity risk management as being extremely important in conducting the Group's financial instruments trading operations, the main business line of the Group. The Company puts risk management for the entire group and each group company as one of the first priorities for the business. The Company and each group company established a risk management basic policy in order to control risks appropriately by identifying, analyzing, and managing risks as the responsibility of each group company and to maintain the soundness of business for a long period of time.

In addition, Tokai Tokyo Securities, a Class I financial instruments operator in the Group, established a Market and Credit Risk Committee and a Management and Finance Committee and established the related rules to facilitate the risk management system to prepare for market risk, credit risk, and liquidity risk. From the perspective of securing business and financial soundness, Tokai Tokyo Securities set the “target of controlled equity ratio” at the Board of Directors meeting after deliberation by the Market and Credit Risk Committee that should be maintained at a minimum and established a basic policy for the purpose of risk management operations to keep the “target.” Regarding risk management relating to the financial instruments trading business, which is our principal business, the risk controlling department, which is organizationally and physically independent from the trading execution department (the “Risk Controlling Department”), performs risk control by calculating risk, positions, and profit or loss on a daily basis and reports it along with the status of the capital adequacy ratio of Tokai Tokyo Securities to management and related departments every day. In addition, a discussion and report on risk management is made at the Market and Credit Risk Committee meeting and at the Management and Finance Committee meeting basically once a month.

In accordance with this risk management basic policy, the Company established the Comprehensive Risk Management Committee to provide the framework for securing financial soundness and profits by gathering information and operating appropriate controls on various risks inherent in the Company and each group company. The committee discusses matters related to the management of various risks. The committee meets monthly in principle to ascertain the status of risk management, and reports or proposes necessary matters to the Board of Directors.

An appropriate risk control has been in place at the securities trading subsidiaries other than Tokai Tokyo Securities as well.

(b) Management for market risk

Tokai Tokyo Securities sets basic policies relating to market risk management based on the Group’s risk management rules and manages the proprietary trading operations.

At Tokai Tokyo Securities, the Director in charge of the Risk Controlling Department manages risks by setting the upper risk limit within the amount equivalent to the risk of loss provided in article 8 of the Cabinet Office Ordinance concerning to the Financial Instruments and Exchange Act, which is led by the “target of controlled equity ratio” that should be maintained at minimum. Besides, as the market risk measurement methods which are further in line with the substantive risks, the management method of market risk for the positions held by the trading department includes the management based on VaR (Value at Risk) (10-day holding period with confidence interval of 99% and observation period 750 days) computed using historical simulation method; measurement of stress value (expected maximum loss values for one day and 10-day holding periods and observation period 750 days), aimed to verify the validity of the aforementioned measurement model; and back testing of the relationship between the VaR (holding period of one day) data and daily profit/loss data, periodically. In addition, for the departments holding proprietary trading positions, the Market and Credit Risk Committee restricts market risk by setting VaR-based position limit taking into account the budget and profit performance of each department and setting annual and monthly loss limits and warning lines for these limits in order to prevent losses from increasing. Also, stress tests under the various scenarios by products or by ratings have been periodically conducted.

The department that owns positions exposed to market liquidity risk, which is difficult to capture with the VaR measurement, and triggered when it becomes impossible to execute transactions in the market because of market turmoil, etc., caused by low liquidity or which arises when the Group is forced to enter into the transactions at significantly unfavorable prices, sets an upper limit on the exposure of the market liquidity risk position. In addition, in order to structure a management system that checks excessive risk-taking actions, Tokai Tokyo Securities enhances the functions of overall risk management by such as maintaining the Group’s internal rules.

The risk limits in related departments, use of loss limits, profits and losses, stress value, and status of market liquidity risk positions are analyzed, managed on a daily basis, and reported to top management by the Risk Controlling Department. Also, analysis of market risk management and overall reports are made to the Market and Credit Risk Committee. In addition, the status of market risk management is reported monthly to the Management Meeting.

The estimated amount of market risk (estimated amount of loss) of Tokai Tokyo Securities as of March 31, 2024 and 2023, were as follows:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| | **2024** | 2023 | **2024** |
| Amount of Market Risk (VaR) | **¥ 1,199** | ¥ 287 | **$ 7,919** |

(Note) VaR measures the amount of market risk with a certain probability that is statistically calculated based on historical market fluctuations. Therefore, the risk may not be fully captured under a market environment that changes drastically.

(c) Credit risk management

Based on our risk management rules, Tokai Tokyo Securities controls the risk of incurring damages arising from the default of counterparties of transactions or other reasons within predetermined limits. At Tokai Tokyo Securities, the Director in charge of the Risk Controlling Department manages risks by setting the upper risk limit within the amount equivalent to the risk of loss provided in article 8 of the Cabinet Office Ordinance concerning to the Financial Instruments and Exchange Act, which is led by the “target of controlled equity ratio” that should be maintained at minimum.

Upon setting the credit risk limits for each counterparty of a transaction, the Risk Controlling Department evaluates financial conditions, etc., of each counterparty of the transaction and sets the upper limit of the credit and determines the acceptability of the transaction in accordance with the authority of granting the credit limit, taking into account the net worth, the business condition and the financial condition of the counterparty. It also reviews the credit limit periodically.
Also, in order to control the credit balance after the transaction contract, with the cooperation of the related department, the office related to each counterparty periodically collects financial information of the counterparty and observes changes in the credit condition of the counterparty during the course of daily business operations. When the credit condition of the counterparty deteriorates, the Risk Controlling Department consults with the related department and takes risk control measures to secure the credit, such as suspension of a new transaction, reduction of the credit limit, change of the terms of the transaction, or requiring collateral, to the extent of the approved credit limits.

Depending upon the nature of the products, the current exposure method or potential exposure method is adopted in calculating credit risks. The credit risk is analyzed and managed on a daily basis and reported to top management by the Risk Controlling Department. Also, the analysis of credit risk management status and overall reports are made to the Market and Credit Risk Committee. In addition, the status of credit risk management is reported monthly to the Management Meeting.

(d) Liquidity risk management

Based on our liquidity risk management rules, the Company and Tokai Tokyo Securities set and operate basic policies for the risk management framework for appropriate funding.

The Company develops a strategy for the liquidity risk of funding by gathering and analyzing information, such as stock prices and reputation, to identify and assess liquidity risks for funding that may affect the Company’s funding. To manage funding risk, the Company implements necessary measures, taking into account the situation in managing the funding risk, depending upon the possibility of cash flow problems of consolidated subsidiaries affecting the Company’s funding based on the subsidiaries’ performance.

Also, in order to secure the adequacy of funding management, the funding control department of Tokai Tokyo Securities determines the accurate funding situation based on the daily management status of various daily funding relating to funds raised and fund management and plans and controls the prospects of monthly and quarterly funding. The status and forecast of funding are reported monthly to the Board of Directors.

The funding control department conducts as-needed management relating to funding in response to movements in the market environment. Information relating to the activities is reported to the Board of Directors after promptly assessing the impact on funding.

In relation to the securing of assets for payment reserves and the fund-raising method, the funding control department secures the financing method depending upon the degree of funding ability (normal, concerned, crisis, etc.) and payment reserve assets for settlements. In addition, it secures funding methods, assuming a period of crisis by holding assets available for sale or collateral in Japan and overseas and setting borrowing facilities in order to obtain funds from commercial banks.

(4) Supplementary explanations of matters related to the fair value of financial instruments

Except for the case that the fair value is measured at the quoted market price of one market without any adjustment, certain preconditions are used for the fair value calculation of the financial instruments. The fair value may fluctuate if the different preconditions are adopted. The derivative contract amounts in Note 7 do not indicate the market risk of the derivative transactions.

(5) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead.

(a) Fair values of financial instruments

The carrying amounts, aggregate fair values, and net unrealized gain and loss of financial instruments at March 31, 2024 and 2023, were as follows:

**(Millions of yen)**

| **March 31, 2024** | | **Carrying amount** | | **Fair value** | | **Unrealized gain/(loss)** |
|---|---|---|---|---|---|---|
| **Trading securities** | ¥ | **319,328** | ¥ | **319,328** | | **-** |
| **Short-term investment securities and Investment securities** | | **15,077** | | **15,077** | | **-** |
| **Assets total** | ¥ | **334,405** | ¥ | **334,405** | | **-** |
| **Long-term debt** | ¥ | **140,731** | ¥ | **137,324** | ¥ | **3,407** |
| **Short-term borrowings** | | **201,043** | | **201,062** | | **(19)** |
| **Commercial paper** | | **12,500** | | **12,497** | | **3** |
| **Current portion of long-term debt** | | **9,071** | | **9,073** | | **(2)** |
| **Trading securities** | | **397,368** | | **397,368** | | **-** |
| **Liabilities total** | ¥ | **760,713** | ¥ | **757,324** | ¥ | **3,389** |
| **Derivative transactions:** | | | | | | |
| **Hedge accounting not applied** | | **(16,723)** | | **(16,723)** | | **-** |
| **Hedge accounting applied** | | **-** | | **-** | | **-** |

(Millions of yen)

| March 31, 2023 | | Carrying amount | | Fair value | | Unrealized gain/(loss) |
|---|---|---|---|---|---|---|
| Trading securities | ¥ | 260,859 | ¥ | 260,859 | | - |
| Short-term investment securities and Investment securities | | 11,701 | | 11,701 | | - |
| Assets total | ¥ | 272,560 | ¥ | 272,560 | | - |
| Long-term debt | ¥ | 115,479 | ¥ | 100,171 | ¥ | 15,308 |
| Short-term borrowings | | 208,603 | | 208,499 | | 104 |
| Commercial paper | | 11,500 | | 11,490 | | 10 |
| Current portion of long-term debt | | 26,778 | | 26,708 | | 70 |
| Trading securities | | 212,558 | | 212,558 | | - |
| Liabilities total | ¥ | 574,918 | ¥ | 559,426 | ¥ | 15,492 |
| Derivative transactions: | | | | | | |
| Hedge accounting not applied | | (11,325) | | (11,325) | | - |

| | | | |
|---|---|---|---|
| Hedge accounting applied | - | - | - |

| March 31, 2024 | (Thousands of U.S. dollars) Carrying amount | Fair value | Unrealized gain/(loss) |
|---|---|---|---|
| **Trading securities** | **$ 2,108,607** | **$ 2,108,607** | **-** |
| **Short-term investment securities and Investment securities** | **99,563** | **99,563** | **-** |
| **Assets total** | **$ 2,208,170** | **$ 2,208,170** | **-** |
| **Long-term debt** | **$ 929,288** | **$ 906,785** | **$ 22,503** |
| **Short-term borrowings** | **1,327,542** | **1,327,669** | **(127)** |
| **Commercial paper** | **82,541** | **82,524** | **17** |
| **Current portion of long-term debt** | **59,896** | **59,912** | **(16)** |
| **Trading securities** | **2,623,932** | **2,623,932** | **-** |
| **Liabilities total** | **$ 5,023,200** | **$ 5,000,823** | **$ 22,377** |
| **Derivative transactions:** | | | |
| **Hedge accounting not applied** | **(110,428)** | **(110,428)** | **-** |
| **Hedge accounting applied** | **-** | **-** | **-** |

For the fiscal year ended March 31, 2024, the fair values of the following items are not disclosed because their maturities are short and the carrying values approximate fair value:

Cash and deposits, Cash segregated as deposits, Receivables related to margin transactions, Loans under resale agreements, Cash collateral pledged for securities borrowed, Receivables from brokers, dealers, and clearing organizations, Receivable from customers, Payables to brokers, dealers, and clearing organizations, Payables related to margin transactions, Cash received on securities loaned, Borrowings under repurchase agreements

For the fiscal year ended March 31, 2023, the fair values of the following items are not disclosed because their maturities are short and the carrying values approximate fair value:

Cash and deposits, Cash segregated as deposits, Receivables related to margin transactions, Loans under resale agreements, Cash collateral pledged for securities borrowed, Receivables from brokers, dealers, and clearing organizations, Receivable from customers, Payables to brokers, dealers, and clearing organizations, Payables related to margin transactions, Cash received on securities loaned, Borrowings under repurchase agreements

Net payables from derivative transactions are shown in negative figures.

(b) Carrying amount of investments in equity instruments that do not have a quoted market price in an active market

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| | **2024** | 2023 | **2024** |
| Investment in associated companies | **¥ 25,117** | ¥ 24,012 | **$ 165,851** |
| Available-for-sale securities: | | | |
| Stocks (non-listed) | **4,545** | 4,111 | **30,015** |
| Investment Limited Partnerships | **7,042** | 6,100 | **46,501** |
| Total | **¥ 36,704** | ¥ 34,223 | **$ 242,367** |

Non-listed stocks held in foreign subsidiaries are included in “Investment securities” in the table (a). On the other hand, investments in equity instruments that do not have a quoted market price in an active market are not included in “Investment securities” in the table (a).

(6) Maturity analysis for financial assets and securities with contractual maturities

| **March 31, 2024** | **(Millions of yen)**<br>**Due in one year or less** | **Due after one year through five years** | **Due after five years through 10 years** | **Due after 10 Years** |
|---|---|---|---|---|
| **Cash and deposits** | **¥ 97,674** | **-** | **-** | **-** |
| **Cash segregated as deposits** | **95,426** | **-** | **-** | **-** |
| **Cash collateral pledged for securities borrowed** | **93,985** | **-** | **-** | **-** |
| **Loans under resale agreements** | **412,721** | **-** | **-** | **-** |
| **Receivables from brokers, dealers, and clearing organizations** | **78,926** | **-** | **-** | **-** |
| **Receivables from customers** | **90,595** | **-** | **-** | **-** |
| **Receivables related to margin transactions** | **87,177** | **-** | **-** | **-** |
| **Total** | **¥ 956,504** | **-** | **-** | **-** |

| March 31, 2023 | (Millions of yen)<br>Due in one year or less | Due after one year through five years | Due after five years through 10 years | Due after 10 Years |
|---|---|---|---|---|
| Cash and deposits | ¥ 131,607 | - | - | - |
| Cash segregated as deposits | 74,058 | - | - | - |
| Cash collateral pledged for securities borrowed | 81,054 | - | - | - |
| Loans under resale agreements | 223,055 | - | - | - |
| Receivables from brokers, dealers, and clearing organizations | 47,306 | - | - | - |
| Receivables from customers | 52,192 | - | - | - |
| Receivables related to margin transactions | 79,498 | - | - | - |
| Total | ¥ 688,770 | - | - | - |

| **March 31, 2024** | **(Thousands of U.S. dollars)**<br>**Due in one year or less** | **Due after one year through five years** | **Due after five years through 10 years** | **Due after 10 Years** |
|---|---|---|---|---|
| **Cash and deposits** | **$ 644,967** | **-** | **-** | **-** |
| **Cash segregated as deposits** | **630,125** | **-** | **-** | **-** |
| **Cash collateral pledged for securities borrowed** | **620,610** | **-** | **-** | **-** |
| **Loans under resale agreements** | **2,725,310** | **-** | **-** | **-** |
| **Receivables from brokers, dealers, and clearing organizations** | **521,171** | **-** | **-** | **-** |
| **Receivables from customers** | **598,224** | **-** | **-** | **-** |
| **Receivables related to margin transactions** | **575,654** | **-** | **-** | **-** |
| **Total** | **$ 6,316,061** | **-** | **-** | **-** |

Please see Note 8 for annual maturities of long-term debt.

(7) Financial instruments categorized by fair value hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using important unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(a) The financial assets and liabilities measured at the fair values in the consolidated balance sheet

| | (Millions of Yen) | | | |
|---|---|---|---|---|
| **March 31, 2024** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Trading securities:** | | | | |
| **Equity and warrants** | ¥ 22,838 | ¥ 289 | ¥ 7 | ¥ 23,134 |
| **Bonds** | 197,979 | 55,509 | - | 253,488 |
| **Beneficiary certificates of investments trusts (*)** | 204 | 6,822 | - | 7,026 |
| **Investment securities** | | | | |
| **Equity and warrants** | 7,128 | 410 | 6,386 | 13,924 |
| **Beneficiary certificates of investments trusts** | 540 | 614 | - | 1,154 |
| **Derivative transactions:** | | | | |
| **Stock-related transactions** | 1,354 | 542 | 384 | 2,280 |
| **Currency-related transactions** | 176 | 9,975 | - | 10,151 |
| **Interest rate-related transactions** | - | 19,050 | - | 19,050 |
| **Total assets** | ¥ 230,219 | ¥ 93,211 | ¥ 6,777 | ¥ 330,207 |
| | | | | |
| **Trading securities:** | | | | |
| **Equity and warrants** | ¥ 9,721 | ¥ 7 | - | ¥ 9,728 |
| **Bonds** | 387,569 | - | - | 387,569 |
| **Beneficiary certificates of investments trusts** | 72 | - | - | 72 |
| **Derivative transactions:** | | | | |
| **Stock-related transactions** | 1,218 | 961 | ¥ 11 | 2,190 |
| **Currency-related transactions** | 118 | 13,726 | - | 13,844 |
| **Interest rate-related transactions** | - | 32,171 | - | 32,171 |
| **Total liabilities** | ¥ 398,698 | ¥ 46,865 | ¥ 11 | ¥ 445,574 |

| March 31, 2023 | (Millions of Yen) Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Trading securities: | | | | |
| Equity and warrants | ¥ 18,646 | ¥ 3 | ¥ 2 | ¥ 18,651 |
| Bonds | 145,643 | 55,073 | - | 200,716 |
| Beneficiary certificates of investments trusts (*) | 264 | 5,706 | - | 5,970 |
| Investment securities | | | | |
| Equity and warrants | 5,991 | 217 | 4,638 | 10,846 |
| Beneficiary certificates of investments trusts | 855 | 1 | - | 856 |
| Derivative transactions: | | | | |
| Stock-related transactions | 475 | 1,682 | 841 | 2,998 |
| Currency-related transactions | 49 | 8,073 | - | 8,122 |
| Interest rate-related transactions | - | 16,329 | - | 16,329 |
| Total assets | ¥ 171,923 | ¥ 87,084 | ¥ 5,481 | ¥ 264,488 |
| | | | | |
| Trading securities: | | | | |
| Equity and warrants | ¥ 9,879 | ¥ 0 | - | ¥ 9,879 |
| Bonds | 202,668 | - | - | 202,668 |
| Beneficiary certificates of investments trusts | 12 | - | - | 12 |
| Derivative transactions: | | | | |
| Stock-related transactions | 873 | 1,998 | ¥ 65 | 2,936 |
| Currency-related transactions | 111 | 10,657 | - | 10,768 |
| Interest rate-related transactions | - | 25,070 | - | 25,070 |
| Total liabilities | ¥ 213,543 | ¥ 37,725 | ¥ 65 | ¥ 251,333 |

| **March 31, 2024** | **(Thousands of U.S. Dollars) Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Trading securities:** | | | | |
| **Equity and warrants** | **$ 150,803** | **$ 1,909** | **$ 47** | **$ 152,759** |
| **Bonds** | **1,307,311** | **366,540** | **-** | **1,673,851** |
| **Beneficiary certificates of investments trusts (*)** | **1,348** | **45,044** | **-** | **46,392** |
| **Investment securities** | | | | |
| **Equity and warrants** | **47,069** | **2,706** | **42,171** | **91,946** |
| **Beneficiary certificates of investments trusts** | **3,560** | **4,057** | **-** | **7,617** |
| **Derivative transactions:** | | | | |
| **Stock-related transactions** | **8,943** | **3,578** | **2,533** | **15,054** |
| **Currency-related transactions** | **1,165** | **65,871** | **-** | **67,036** |
| **Interest rate-related transactions** | **-** | **125,794** | **-** | **125,794** |
| **Total assets** | **$ 1,520,199** | **$ 615,499** | **$ 44,751** | **$ 2,180,449** |
| | | | | |
| **Trading securities:** | | | | |
| **Equity and warrants** | **$ 64,191** | **$ 42** | **-** | **$ 64,233** |
| **Bonds** | **2,559,226** | **-** | **-** | **2,559,226** |
| **Beneficiary certificates of investments trusts** | **473** | **-** | **-** | **473** |
| **Derivative transactions:** | | | | |
| **Stock-related transactions** | **8,043** | **6,348** | **$ 70** | **14,461** |
| **Currency-related transactions** | **779** | **90,638** | **-** | **91,417** |
| **Interest rate-related transactions** | **-** | **212,434** | **-** | **212,434** |
| **Total liabilities** | **$ 2,632,712** | **$ 309,462** | **$ 70** | **$ 2,942,244** |

(*) The NAV of investment trusts with cancelation limit, which is deemed as their fair value, amounting ¥35,680 million ($235,606 thousand) and ¥35,522 million in the consolidated balance sheet as of March 31, 2024 and 2023, is not included in the above.

The reconciliation of the balance from April 1, 2023 to March 31, 2024 was as follows:

| March 31, 2024 | (Millions of yen) 2024 | 2023 | (Thousands of U.S. Dollars) 2024 |
|---|---|---|---|
| **April 1, 2023** | **¥ 35,522** | ¥ 44,815 | **$ 234,561** |
| **Net income, or other comprehensive income** | | | |
| **Net income (*)** | **2,213** | 1,238 | **14,614** |
| **Other comprehensive income** | **-** | - | **-** |
| **Purchase, sale or settlement** | | | |
| **Purchase** | **5,300** | 2,073 | **34,997** |
| **Sale** | **(350)** | - | **(2,311)** |
| **Redemption** | **(7,005)** | (12,604) | **(46,255)** |
| **NAV deemed as investment trust fair value** | **35,680** | 35,522 | **235,606** |
| **NAV not deemed as investment trust fair value** | **-** | - | **-** |
| **Total** | **¥ 35,680** | ¥ 35,522 | **$ 235,606** |

(*) The amount in the above is included in the "Net gain on trading" or "Interest and dividend income" in the consolidated statement of income. Among this, the net income from the investment trusts held as of March 31, 2024 and 2023 is ¥2,206 million ($14,568 thousand) and ¥1,251 million.

The limitation on the cancelation or the repurchase claim is as follows:
Investment trusts with the limitation on the immediate cancel based on the investment agreements, ¥35,680 million ($235,606 thousand) and 35,522 million at March 31, 2024 and 2023.

(b) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

| **March 31, 2024** | **(Millions of Yen) Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Short-term borrowings** | **-** | **¥ 201,062** | **-** | **¥ 201,062** |
| **Commercial paper** | **-** | **12,498** | **-** | **12,498** |
| **Current portion of long-term debt** | **-** | **9,073** | **-** | **9,073** |
| **Long-term debt** | **-** | **137,323** | **-** | **137,323** |
| **Total liabilities** | **-** | **¥ 359,956** | **-** | **¥ 359,956** |

| March 31, 2023 | (Millions of Yen) Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Short-term borrowings | - | ¥ 208,498 | - | ¥ 208,498 |
| Commercial paper | - | 11,490 | - | 11,490 |
| Current portion of long-term debt | - | 26,708 | - | 26,708 |
| Long-term debt | - | 100,171 | - | 100,171 |
| Total liabilities | - | ¥ 346,867 | - | ¥ 346,867 |

| **March 31, 2024** | **(Thousands of U.S. Dollars) Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Short-term borrowings** | **-** | **$ 1,327,670** | **-** | **$ 1,327,670** |
| **Commercial paper** | **-** | **82,524** | **-** | **82,524** |
| **Current portion of long-term debt** | **-** | **59,912** | **-** | **59,912** |
| **Long-term debt** | **-** | **906,785** | **-** | **906,785** |
| **Total liabilities** | **-** | **$ 2,376,891** | **-** | **$ 2,376,891** |

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Marketable and Investment Securities
The fair values of securities traded in active markets, such as government bonds issued by G7 countries and listed equity securities, are measured at the quoted market prices without any adjustments and classified as Level 1. On the other hand, as the quoted market prices of other government bonds (including inflation-indexed government bonds and floating-rate government bonds issued by Japan), certain listed equity securities, municipal bonds and corporate bonds are not considered to be in active markets due to low market transactions, their fair values are classified as Level 2. In addition, if the quoted market prices are not available and their fair values are calculated using the quoted market prices of securities with similar characteristics, their fair values are also classified as Level 2. However, for non-listed stocks held in foreign subsidiaries and warrants held in subsidiaries in Japan, since material inputs cannot be observed in the markets, their fair values are classified as Level 3.

Derivatives
The fair values of listed derivatives, such as bond futures and stock index futures, are measured at the quoted market prices in active markets without any adjustments and classified as Level 1. The fair value of OTC derivative transactions is measured based on the valuation methods such as the discounted present value techniques and the Black-Scholes model. Valuation methods differ depending on the types of derivative transactions and contract conditions, and stock prices, interest rates, exchange rates, volatility, etc. are used as inputs. Since most of the inputs can be observed in the markets, their fair values are classified as Level 2. However, for certain stock index options, since the stock volatility as one of the material inputs cannot be observed in the markets, their fair values are classified as Level 3.

Debt Including Bonds Payable
The fair values of debt including bonds payable are measured by using discounted present value techniques. Since the interest data and the credit spread as the inputs can be observed in the markets, the fair value is classified as Level 2.

(8) The financial assets and liabilities measured at the fair values in the consolidated balance sheet whose fair values are classified as Level 3.

(a) Quantitative information on material unobservable inputs

| | Method | Material unobservable inputs | Scope of inputs 2024 | 2023 |
|---|---|---|---|---|
| **Derivatives** | | | | |
| **Stock-related transactions** | | | | |
| **Stock-related options** | **Option model** | **Volatility of equity securities** | **21.4% - 72.3%** | 19.9% - 48.9% |
| **Investment securities** | | | | |
| **Non-listed stocks held in foreign subsidiaries** | **Dividend discount model** | **Cost of equity** | **11.0%** | 10.9% |
| | | **Expected dividend amount in future** | **-** | - |
| | **Discounted cash flow method** | **Weighted Average Cost of Capital** | **45.0%** | - |
| | | **Expected free cash flow** | **-** | |

The warrants are not included in the above since their amounts are not material and their impacts on the consolidated financial statements as of March 31, 2024 due to the uncertainty of the fair value are not significant.

The fair value of the non-listed stocks held in foreign subsidiaries is calculated based on the dividend discount model. Financial statements of the applicable foreign subsidiaries are prepared in accordance with IFRS.

(b) Reconciliations and recognized gains and losses on valuations

| March 31, 2024 | Investment securities<br>Non-listed stocks held in foreign subsidiaries | Derivatives<br>Stock-related options |
|---|---|---|
| | (Millions of yen) | |
| **April 1, 2023** | **¥ 4,638** | **¥ 777** |
| **Net income, or other comprehensive income** | | |
| **Net income （*1）** | **1,748** | **629** |
| **Other comprehensive income** | **-** | **-** |
| **Purchase, sale, issue or settlement** | | |
| **Purchase** | **-** | **143** |
| **Sale** | **-** | **(46)** |
| **Settlement** | **-** | **(1,130)** |
| **Transfer to Level 3** | **-** | **-** |
| **Transfer from Level 3** | **-** | **-** |
| **March 31, 2024** | **6,386** | **373** |
| **Gain on valuation of financial assets or liabilities held on March 31, 2024** | **1,748** | **330** |

| March 31, 2023 | Investment securities<br>Non-listed stocks held in foreign subsidiaries | Derivatives<br>Stock-related options |
|---|---|---|
| | (Millions of yen) | |
| April 1, 2022 | - | ¥ 730 |
| Net income (loss), or other comprehensive income | | |
| Net income (loss) （*1） | - | 45 |
| Other comprehensive income | - | - |
| Purchase, sale, issue or settlement | | |
| Purchase | - | 176 |
| Sale | - | (106) |
| Settlement | - | (68) |
| Transfer to Level 3 (*2) | ¥ 4,638 | - |
| Transfer from Level 3 | - | - |
| March 31, 2023 | 4,638 | 777 |
| Gain on valuation of financial assets or liabilities held on March 31, 2023 | - | 508 |

| March 31, 2024 | (Thousands of U.S. dollars) Investment securities Non-listed stocks held in foreign subsidiaries | | Derivatives Stock-related options | |
|---|---|---|---|---|
| **April 1, 2023** | $ | **34,896** | $ | **5,128** |
| **Net income, or other comprehensive income** | | | | |
| **Net income（*1）** | | **7,275** | | **4,154** |
| **Other comprehensive income** | | - | | - |
| **Purchase, sale, issue or settlement** | | | | |
| **Purchase** | | - | | **941** |
| **Sale** | | - | | **(300)** |
| **Settlement** | | - | | **(7,461)** |
| **Transfer to Level 3** | | - | | - |
| **Transfer from Level 3** | | - | | - |
| **March 31, 2024** | | **42,171** | | **2,462** |
| **Gain on valuation of financial assets or liabilities held on March 31, 2024** | | **7,275** | | **2,182** |

*1 The amount in net income (loss) in the above is included in the "Net gain on trading" in the consolidated statement of income.

*2 The transfer to Level 3 was recognized due to the non-listed stocks, which were transferred from the Company to the foreign subsidiaries which prepare financial statements in accordance with IFRS, stated at fair value on the consolidated balance sheet.

*3 The warrants are not included in the above since their amounts are not material and their impacts on the consolidated financial statements as of March 31, 2024 due to the uncertainty of the fair value are not significant.

(c) Process of fair value valuation

At Tokai Tokyo Securities, which owns most of the financial instruments of the Group, the Corporate Planning Headquarter establishes the policies and procedures for calculating the fair value, and the fair value is calculated in accordance with these policies and procedures. For the financial instruments for which the quoted market prices can be obtained, the quoted market prices are used as their fair values. For the financial instruments for which the quoted market prices cannot be obtained, their fair values are calculated using the valuation technique which reflects the characteristics and risks of individual assets appropriately. Upon selection of the valuation technique, the consistency with the market is confirmed by the comparison between the fair value calculated by the Market Department and the offer price from the customers. In addition, the correct implementation of the valuation technique is verified by the comparison with the fair value independently calculated by the external consulting firm based on the same valuation technique. The Risk Controlling Department verifies the validity of the inputs used for the fair value calculation. The verification results are reported to the Corporate Planning Headquarter, and the appropriateness of the fair value calculation policy and the procedure is ensured. In the case that the price obtained from the third party is used as the fair value, the validity of the price is verified by the appropriate methods such as confirming the valuation technique and the inputs used and comparing it with the fair value of similar financial instruments.

(d) Impact on the fair value in the case of change of material unobservable inputs

Equity volatility is the important unobservable input in the fair value calculation of the stock-related options (stock lending transactions with equity options, OTC equity options, equity swaps). If the equity volatility is unobservable in the market, it is estimated based on the historical stock price fluctuations and used for the fair value calculation. Equity volatility is an indicator of the speed and width of the underlying stock price changes. A significant increase (decrease) in volatility individually causes a significant increase (decrease) in option prices, and a significant increase (decrease) in the fair value if the option is in the buying position.

Expected return amount to investors in future (expected free cashflow amount, expected dividend amount) and discount rate (weighted average cost of capital, cost of equity) are the important unobservable input in the fair value calculation of the non-listed stocks held in foreign subsidiaries. A significant increase (decrease) in expected return amount or a significant decrease (increase) in discount rate causes a significant increase (decrease) in the fair value of the stocks.

## 6. Securities

(1) Fair value of the trading securities as of March 31, 2024 and 2023, consisted of the following:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| | **2024** | 2023 | **2024** |
| Trading assets: | | | |
| Equity and warrants | ¥ **23,134** | ¥ 18,651 | $ **152,759** |
| Bonds | **253,488** | 200,716 | **1,673,850** |
| Beneficiary certificates of investment trusts | **42,706** | 41,492 | **281,998** |
| Total | ¥ **319,328** | ¥ 260,859 | $ **2,108,607** |
| Trading liabilities: | | | |
| Equity and warrants | ¥ **9,727** | ¥ 9,879 | $ **64,233** |
| Bonds | **387,569** | 202,668 | **2,559,226** |
| Beneficiary certificates of investment trusts | **72** | 11 | **473** |
| Total | ¥ **397,368** | ¥ 212,558 | $ **2,623,932** |

(2) Investment securities with market value as of March 31, 2024 and 2023, consisted of the following:

| | (Millions of yen) | | | | | |
|---|---|---|---|---|---|---|
| | **2024** | | | 2023 | | |
| | **Balance Sheet** | **Cost/ Amortized Cost** | **Difference** | Balance Sheet | Cost/ Amortized Cost | Difference |
| **Available-for-sale securities** | | | | | | |
| Securities with market values that exceed acquisition cost: | ¥ **14,317** | ¥ **6,351** | ¥ **7,966** | ¥ 9,226 | ¥ 4,983 | ¥ 4,243 |
| Stocks | **13,461** | **5,585** | **7,876** | 8,894 | 4,664 | 4,230 |
| Others | **856** | **766** | **90** | 332 | 319 | 13 |
| Securities with market values that do not exceed acquisition cost: | **761** | **839** | **(78)** | 2,475 | 2,949 | (474) |
| Stocks | **463** | **523** | **(60)** | 1,952 | 2,402 | (450) |
| Others | **298** | **316** | **(18)** | 523 | 547 | (24) |
| Total | ¥ **15,078** | ¥ **7,190** | ¥ **7,888** | ¥ 11,701 | ¥ 7,932 | ¥ 3,769 |

| | (Thousands of U.S. dollars) | | |
|---|---|---|---|
| | **2024** | | |
| | **Balance Sheet** | **Cost/ Amortized Cost** | **Difference** |
| **Available-for-sale securities:** | | | |
| Securities with market values that exceed acquisition cost: | $ **94,538** | $ **41,936** | $ **52,602** |
| Stocks | **88,887** | **36,881** | **52,006** |
| Others | **5,651** | **5,055** | **596** |
| Securities with market values that do not exceed acquisition cost: | **5,025** | **5,538** | **(513)** |
| Stocks | **3,059** | **3,454** | **(395)** |
| Others | **1,966** | **2,084** | **(118)** |
| Totall | $ **99,563** | $ **47,474** | $ **52,089** |

(3) The proceeds from sales of Investment securities and gross realized gain and loss on Investment securities for the years ended March 31, 2024 and 2023, were summarized as follows:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| | **2024** | 2023 | **2024** |
| Proceed from sales | ¥ **2,849** | ¥ 1,931 | $ **18,814** |
| Stocks | **1,223** | 320 | **8,078** |
| Other | **1,626** | 1,611 | **10,736** |
| Gross realized gain | **247** | 142 | **1,630** |
| Gross realized loss | **(283)** | (15) | **(1,872)** |

(4) The impairment loss on Investment securities for the years ended March 31, 2024 and 2023 were ¥279 million ($1,841 thousand) and ¥235 million, respectively.

## 7. Derivatives

The Group enters into derivative financial instruments, including foreign currency forward contracts, currency swaps, and currency options to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also makes use of derivative transactions such as bond futures, interest rate futures, interest rate swaps, caps and floors, and swaptions to manage its interest rate exposures on certain liabilities. In addition, the Group entered into stock-related derivative transactions to manage the fluctuation of stock prices.

### *Derivative transactions to which hedge accounting is not applied*

(1) Currency-related transactions

| | **(Millions of yen)** | | | |
|---|---|---|---|---|
| **At March 31, 2024** | **Contract amount** | **Contract amount due after one year** | **Fair value** | **Unrealized gain (loss)** |
| **OTC:** | | | | |
| **Foreign currency forward contracts:** | | | | |
| **Selling** | ¥ **57,223** | ¥ **2,470** | ¥ **(2,484)** | ¥ **(2,484)** |
| **Buying** | **86,395** | **10,851** | **4,069** | **4,069** |
| **Currency options contracts:** | | | | |
| **Selling** | **320,555** | **150,708** | **(24,872)** | **(10,070)** |
| **Buying** | **231,345** | **111,680** | **9,212** | **2,834** |
| **Currency swaps contracts** | **338,936** | **305,847** | **954** | **954** |

| | (Millions of yen) | | | |
|---|---|---|---|---|
| At March 31, 2023 | Contract amount | Contract amount due after one year | Fair value | Unrealized gain (loss) |
| **OTC:** | | | | |
| Foreign currency forward contracts: | | | | |
| Selling | ¥ 44,810 | ¥ 4,581 | ¥ (640) | ¥ (640) |
| Buying | 61,802 | 5,247 | 857 | 857 |
| Currency options contracts: | | | | |
| Selling | 325,364 | 166,385 | (19,321) | (3,636) |
| Buying | 231,683 | 124,179 | 7,329 | 723 |
| Currency swaps contracts | 337,767 | 308,686 | 3,033 | 3,033 |

| At March 31, 2024 | (Thousands of U.S. dollars) Contract amount | Contract amount due after one year | Fair value | Unrealized gain (loss) |
|---|---|---|---|---|
| **OTC:** | | | | |
| **Foreign currency forward contracts:** | | | | |
| **Selling** | $ 377,858 | $ 16,312 | $ (16,400) | $ (16,400) |
| **Buying** | 570,488 | 71,652 | 26,870 | 26,870 |
| **Currency options contracts:** | | | | |
| **Selling** | 2,116,711 | 995,165 | (164,238) | (66,497) |
| **Buying** | 1,527,636 | 737,455 | 60,827 | 18,715 |
| **Currency swaps contracts** | 2,238,091 | 2,019,594 | 6,301 | 6,301 |

(2) Interest rate-related transactions

| At March 31, 2024 | (Millions of yen) Contract amount | Contract amount due after one year | Fair value | Unrealized gain (loss) |
|---|---|---|---|---|
| **Listed:** | | | | |
| **Interest rate futures:** | | | | |
| **Selling** | ¥ 56,840 | ¥ 6,409 | ¥ (2) | ¥ (2) |
| **Buying** | 63,104 | 5,261 | 8 | 8 |
| **Bond futures:** | | | | |
| **Selling** | 10,812 | - | (22) | (22) |
| **Buying** | 111,037 | - | 48 | 48 |
| **Bond futures option:** | | | | |
| **Selling** | - | - | - | - |
| **Buying** | 4,348 | - | 27 | 0 |
| **OTC:** | | | | |
| **Interest rate swaps:** | | | | |
| **Fixed rate receipt, floating rate payment** | 321,816 | 264,378 | (9,908) | (9,908) |
| **Fixed rate payment, floating rate receipt** | 303,327 | 258,681 | 7,370 | 7,370 |
| **Yen/Yen basis swap** | 17,400 | 13,400 | 677 | 677 |
| **Fixed rate receipt, Fixed rate payment** | 13,500 | 13,500 | 225 | 225 |
| **Caps and Floors:** | | | | |
| **Selling** | 11,000 | 8,000 | (299) | 63 |
| **Buying** | 10,000 | 7,000 | 314 | 144 |
| **Interest rate swap options:** | | | | |
| **Selling** | 96,900 | 86,900 | (2,521) | (581) |
| **Buying** | 26,400 | 23,400 | 390 | 5 |

| At March 31, 2023 | (Millions of yen) Contract amount | Contract amount due after one year | Fair value | Unrealized gain (loss) |
|---|---|---|---|---|
| **Listed:** | | | | |
| Interest rate futures: | | | | |
| Selling | ¥ 4,724 | ¥ 2,277 | ¥ (5) | ¥ (5) |
| Buying | 2,066 | 801 | (1) | (1) |
| Bond futures: | | | | |
| Selling | 6,954 | - | (30) | (30) |
| Buying | 16,741 | - | (30) | (30) |
| Bond futures option: | | | | |
| Selling | 7,589 | - | (37) | 7 |
| Buying | 8,745 | - | 41 | (11) |
| **OTC:** | | | | |
| Interest rate swaps: | | | | |
| Fixed rate receipt, floating rate payment | 261,885 | 235,810 | (6,111) | (6,111) |
| Fixed rate payment, floating rate receipt | 261,590 | 231,717 | 4,577 | 4,577 |
| Yen/Yen basis swap | 29,400 | 17,400 | 543 | 543 |
| Fixed rate receipt, Fixed rate payment | 13,500 | 13,500 | 196 | 196 |
| Caps and Floors: | | | | |
| Selling | 11,000 | 11,000 | (337) | 25 |
| Buying | 10,000 | 10,000 | 328 | 159 |
| Interest rate swap options: | | | | |
| Selling | 89,500 | 82,500 | (2,259) | (490) |
| Buying | 30,000 | 25,000 | 479 | 26 |

| **At March 31, 2024** | **(Thousands of U.S. dollars) Contract amount** | **Contract amount due after one year** | **Fair value** | **Unrealized gain (loss)** |
|---|---|---|---|---|
| **Listed:** | | | | |
| **Interest rate futures:** | | | | |
| **Selling** | **$ 375,329** | **$ 42,319** | **$ (16)** | **$ (16)** |
| **Buying** | **416,696** | **34,738** | **50** | **50** |
| **Bond futures:** | | | | |
| **Selling** | **71,392** | **-** | **(146)** | **(146)** |
| **Buying** | **733,209** | **-** | **320** | **320** |
| **Bond futures option:** | | | | |
| **Selling** | **-** | **-** | **-** | **-** |
| **Buying** | **28,710** | **-** | **179** | **3** |
| **OTC:** | | | | |
| **Interest rate swaps:** | | | | |
| **Fixed rate receipt, floating rate payment** | **2,125,041** | **1,745,763** | **(65,424)** | **(65,424)** |
| **Fixed rate payment, floating rate receipt** | **2,002,952** | **1,708,139** | **48,669** | **48,669** |
| **Yen/Yen basis swap** | **114,897** | **88,484** | **4,473** | **4,473** |
| **Fixed rate receipt, Fixed rate payment** | **89,144** | **89,144** | **1,483** | **1,483** |
| **Caps and Floors:** | | | | |
| **Selling** | **72,636** | **52,826** | **(1,972)** | **417** |
| **Buying** | **66,033** | **46,223** | **2,072** | **953** |
| **Interest rate swap options:** | | | | |
| **Selling** | **639,857** | **573,825** | **(16,646)** | **(3,833)** |
| **Buying** | **174,326** | **154,517** | **2,577** | **35** |

(3) Stock-related transactions

| At March 31, 2024 | Contract amount | Contract amount due after one year | Fair value | Unrealized gain (loss) |
|---|---|---|---|---|
| | (Millions of yen) | | | |
| **Listed:** | | | | |
| **Stock index futures:** | | | | |
| **Selling** | **¥ 68,137** | **-** | **¥ (1,066)** | **¥ (1,066)** |
| **Buying** | **64,044** | **-** | **1,160** | **1,160** |
| **Stock index options:** | | | | |
| **Selling** | **24,810** | **-** | **(84)** | **160** |
| **Buying** | **19,949** | **-** | **126** | **(110)** |
| **OTC:** | | | | |
| **Stock lending transactions with equity options:** | | | | |
| **Selling** | **-** | **-** | **-** | **-** |
| **Buying** | **5,383** | **-** | **525** | **475** |
| **OTC equity options:** | | | | |
| **Selling** | **2,931** | **-** | **(955)** | **(609)** |
| **Buying** | **1,652** | **-** | **15** | **(58)** |
| **Equity swaps** | **3,146** | **¥ 2,716** | **369** | **369** |

| At March 31, 2023 | Contract Amount | Contract amount due after one year | Fair value | Unrealized gain (loss) |
|---|---|---|---|---|
| | (Millions of yen) | | | |
| **Listed:** | | | | |
| Stock index futures: | | | | |
| Selling | ¥ 2,263 | - | ¥ (29) | ¥ (29) |
| Buying | 5,038 | - | 107 | 107 |
| Stock index options: | | | | |
| Selling | 58,877 | ¥ 3,350 | (832) | 78 |
| Buying | 58,680 | 1,150 | 356 | (72) |
| **OTC:** | | | | |
| Stock lending transactions with equity options: | | | | |
| Selling | - | - | - | - |
| Buying | 7,516 | - | 399 | 346 |
| OTC equity options: | | | | |
| Selling | 17,367 | 1,405 | (2,036) | 105 |
| Buying | 765 | - | 21 | (23) |
| Equity swaps | 21,837 | 10,129 | 2,076 | 2,076 |

| At March 31, 2024 | (Thousands of U.S. dollars) Contract Amount | Contract amount due after one year | Fair value | Unrealized gain (loss) |
|---|---|---|---|---|
| **Listed:** | | | | |
| **Stock index futures:** | | | | |
| **Selling** | **$ 449,928** | **-** | **$ (7,041)** | **$ (7,041)** |
| **Buying** | **422,899** | **-** | **7,663** | **7,663** |
| **Stock index options:** | | | | |
| **Selling** | **163,827** | **-** | **(555)** | **1,054** |
| **Buying** | **131,729** | **-** | **834** | **(729)** |
| **OTC:** | | | | |
| **Stock lending transactions with equity options:** | | | | |
| **Selling** | **-** | **-** | **-** | **-** |
| **Buying** | **35,546** | **-** | **3,469** | **3,137** |
| **OTC equity options:** | | | | |
| **Selling** | **19,353** | **-** | **(6,306)** | **(4,022)** |
| **Buying** | **10,907** | **-** | **97** | **(383)** |
| **Equity swaps** | **20,774** | **$ 17,934** | **2,433** | **2,433** |

***Derivative transactions to which hedge accounting is applied***

There are no derivative transactions to which hedge accounting is applied.

## 8. Borrowings

Borrowings as of March 31, 2024 and 2023, were as follows:

| | (Millions of yen) 2024 | (Millions of yen) 2023 | (Thousands of U.S. dollars) 2024 | (Weighted-average interest rate or interest rate range) 2024 |
|---|---|---|---|---|
| Short-term borrowings: | | | | |
| Borrowings from financial institutions | **¥ 197,643** | ¥ 190,203 | **$ 1,305,092** | |
| Borrowings from securities finance companies | **400** | 400 | **2,641** | |
| Total | **¥ 198,043** | ¥ 190,603 | **$ 1,307,733** | **0.16%** |
| Commercial paper: | | | | |
| Short-term bonds | **¥ 12,500** | ¥ 11,500 | **$ 82,541** | **0.08-0.20 %** |
| Total | **¥ 12,500** | ¥ 11,500 | **$ 82,541** | |
| Long-term debt: | | | | |
| Borrowings from financial institutions | **¥ 130,000** | ¥ 111,500 | **$ 858,426** | **0.52-0.64%** |
| Straight bonds | **16,751** | 24,328 | **110,611** | **0.10-5.05%** |
| Exchangeable bonds | **3,146** | 21,519 | **20,774** | **2.30-17.50%** |
| Step-up callable bonds | **200** | 200 | **1,321** | **0.40%** |
| Callable bonds | **2,300** | 2,300 | **15,187** | **0.70-1.03%** |
| Dual currency bonds | **5** | 10 | **33** | **0.15%** |
| Floating rate bonds | **400** | 400 | **2,641** | **0.55%** |
| Total | **¥ 152,802** | ¥ 160,257 | **$ 1,008,993** | |
| Less current portion | **(12,071)** | (44,778) | **(79,705)** | |
| Long-term debt, less current portion | **¥ 140,731** | ¥ 115,479 | **$ 929,288** | |
| Total borrowings | **¥ 363,345** | ¥ 362,360 | **$ 2,399,267** | |

(*) The Group has entered into commitment line agreements that provide the Group with credit facilities amounting ¥43,000 million ($283,941 thousand) and ¥43,000 million as of March 31, 2024 and 2023, respectively, and all the credit facilities remain unused.

The aggregate annual maturities of long-term debt as of March 31, 2024, was as follows:

| Year ending March 31 | (Millions of yen) | | (Thousands of U.S. dollars) | |
|---|---|---|---|---|
| | 2024 | | 2024 | |
| 2025 | ¥ | 12,071 | $ | 79,706 |
| 2026 | | 12,076 | | 79,741 |
| 2027 | | 29,055 | | 191,860 |
| 2028 | | 6,000 | | 39,620 |
| 2029 | | 22,000 | | 145,272 |
| 2030 and thereafter | | 71,600 | | 472,795 |
| Total | ¥ | 152,802 | $ | 1,008,994 |

## 9. Assets pledged as collateral

(1) Assets pledged as collateral for borrowings as of March 31, 2024 and 2023, were summarized as follows:

| | (Millions of yen) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Obligations secured by pledged assets | | Pledged assets | | | | | | | |
| 2024 | | | Cash and Deposits | | Trading Securities | | Receivables from brokers, dealers, and clearing organizations | | Total | |
| Short-term borrowings | ¥ | 50,400 | ¥ | 3,697 | ¥ | 86,082 | - | ¥ | 89,779 | |
| Total | ¥ | 50,400 | ¥ | 3,697 | ¥ | 86,082 | - | ¥ | 89,779 | |

| | (Millions of yen) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Obligations secured by pledged assets | | Pledged assets | | | | | | |
| 2023 | | | Cash and Deposits | | Trading Securities | | Receivables from brokers, dealers, and clearing organizations | | Total |
| Short-term borrowings | ¥ | 50,400 | ¥ | 2,629 | ¥ | 85,340 | - | ¥ | 87,969 |
| Total | ¥ | 50,400 | ¥ | 2,629 | ¥ | 85,340 | - | ¥ | 87,869 |

| | (Thousands of U.S. dollar) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Obligations secured by pledged assets | | Pledged assets | | | | | | |
| 2024 | | | Cash and Deposits | | Trading Securities | | Receivables from brokers, dealers, and clearing organizations | | Total |
| Short-term borrowings | $ | 332,805 | $ | 24,411 | $ | 568,424 | - | $ | 592,835 |
| Total | $ | 332,805 | $ | 24,411 | $ | 568,424 | - | $ | 592,835 |

(*1) In addition to the above, the following were pledged as collateral for the above obligations:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| | **2024** | 2023 | **2024** |
| Securities borrowed for collateralized short-term financing agreements | **¥ 30,603** | ¥ 36,345 | **$ 202,077** |

(*2) The following assets were pledged as collateral for forward exchange contracts:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| | **2024** | 2023 | **2024** |
| Cash and deposits | **¥ 30** | ¥ 30 | **$ 198** |

(2) Notes regarding fair value of securities pledged to counterparties:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| | **2024** | 2023 | **2024** |
| **Pledged securities:** | | | |
| Securities loaned to customers for margin transactions | **¥ 3,536** | ¥ 16,241 | **$ 23,350** |
| Securities pledged as collateral to securities finance companies or securities exchange brokers for borrowings under margin transactions | **16,413** | 13,404 | **108,382** |
| Securities loaned for collateralized short-term financing agreements | **97,137** | 51,724 | **641,421** |
| Securities sold under repurchase agreements | **170,887** | 96,417 | **1,128,416** |
| Securities pledged as collateral for short-term guarantees | **4,267** | 2,444 | **28,175** |
| **Received securities:** | | | |
| Securities borrowed from finance companies or securities exchange brokers for margin transactions | **¥ 26,706** | ¥ 37,466 | **$ 176,346** |
| Securities received as collateral from customers for loans under margin transactions | **61,285** | 38,796 | **404,678** |
| Securities borrowed for collateralized short-term financing agreements | **154,565** | 114,282 | **1,020,635** |
| Securities purchased under resale agreements | **412,596** | 223,123 | **2,724,488** |
| Securities received as collateral for guarantees | **100,490** | 71,466 | **663,565** |
| Other | **426** | 583 | **2,815** |

## 10. Property and equipment

Property and equipment as of March 31, 2024 and 2023, consisted of the following:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| | **2024** | 2023 | **2024** |
| Land | **¥ 3,300** | ¥ 3,300 | **$ 21,794** |
| Buildings | **9,615** | 7,721 | **63,488** |
| Fixtures and furniture | **10,210** | 9,859 | **67,419** |
| Total | **23,125** | 20,880 | **152,701** |
| Accumulated depreciation | **(12,017)** | (11,197) | **(79,355)** |
| Net property and equipment | **¥ 11,108** | ¥ 9,683 | **$ 73,346** |

## 11. Retirement benefits

The Company and its domestic subsidiaries have a defined benefit corporate pension plan as a main defined benefit plan and have a defined contribution retirement plan. There are some cases in which extra retirement benefits are paid to employees when they retire. Tokai Tokyo Securities contributed to the retirement benefit trust for its pension plan. Certain domestic consolidated companies apply the simplified method to state the liability based on the amount that would be paid if employees retired at the consolidated balance sheet date.

In addition, retirement benefits to directors and Audit & Supervisory Board members of ¥105million ($694 thousand) and ¥128 million at March 31, 2024 and 2023, respectively, were included in "Liability for retirement benefits" in the consolidated balance sheet.

1. Defined benefit plans, excluding the plans to which the simplified method is applied

(1) The changes in defined benefit obligation for the years ended March 31, 2024 and 2023, were as follows:

| | (Millions of yen) | | | | (Thousands of U.S. dollars) | |
|---|---|---|---|---|---|---|
| | | 2024 | | 2023 | | 2024 |
| **Balance at beginning of year** | ¥ | **11,942** | ¥ | 13,601 | $ | **78,853** |
| **Service cost** | | **585** | | 744 | | **3,864** |
| **Interest cost** | | **111** | | 114 | | **733** |
| **Actuarial gains or losses** | | **91** | | (523) | | **601** |
| **Benefits paid** | | **(1,650)** | | (1,994) | | **(10,894)** |
| **Balance at end of year** | ¥ | **11,079** | ¥ | 11,942 | $ | **73,157** |

(2) The changes in plan assets for the years ended March 31, 2024 and 2023, were as follows:

| | (Millions of yen) | | | | (Thousands of U.S. dollars) | |
|---|---|---|---|---|---|---|
| | | 2024 | | 2023 | | 2024 |
| **Balance at beginning of year** | ¥ | **18,828** | ¥ | 20,219 | $ | **124,326** |
| **Expected return on plan assets** | | **347** | | 394 | | **2,290** |
| **Actuarial gains or losses** | | **4,407** | | (237) | | **29,101** |
| **Contributions from the employer** | | **445** | | 446 | | **2,937** |
| **Benefits paid** | | **(1,650)** | | (1,994) | | **(10,894)** |
| **Balance at end of year** | ¥ | **22,377** | ¥ | 18,828 | $ | **147,760** |

(3) Reconciliation between the liability and asset recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets were as follows:

| | (Millions of yen) | | | | (Thousands of U.S. dollars) | |
|---|---|---|---|---|---|---|
| | | 2024 | | 2023 | | 2024 |
| **Funded defined benefit obligation** | ¥ | **11,079** | ¥ | 11,942 | $ | **73,157** |
| **Plan assets** | | **(22,377)** | | (18,828) | | **(147,760)** |
| **Total** | ¥ | **(11,298)** | ¥ | (6,886) | $ | **(74,603)** |
| **Unfunded defined benefit obligation** | | **-** | | - | | **-** |
| **Net asset arising from defined benefit obligation** | ¥ | **(11,298)** | ¥ | (6,886) | $ | **(74,603)** |

| | (Millions of yen) | | | | (Thousands of U.S. dollars) | |
|---|---|---|---|---|---|---|
| | | 2024 | | 2023 | | 2024 |
| **Liability for retirement benefits** | | **-** | | - | | **-** |
| **Asset for retirement benefits** | ¥ | **11,298** | ¥ | 6,886 | $ | **74,603** |
| **Net asset arising from defined benefit obligation** | ¥ | **(11,298)** | ¥ | (6,886) | $ | **(74,603)** |

(4) The components of net periodic benefit costs for the years ended March 31, 2024 and 2023, were as follows:

| | (Millions of yen) | | | | (Thousands of U.S. dollars) | |
|---|---|---|---|---|---|---|
| | | 2024 | | 2023 | | 2024 |
| **Service cost** | ¥ | **585** | ¥ | 744 | $ | **3,864** |
| **Interest cost** | | **111** | | 114 | | **733** |
| **Expected return on plan assets** | | **(347)** | | (394) | | **(2,290)** |
| **Recognized actuarial losses** | | **(462)** | | (619) | | **(3,054)** |
| **Net periodic benefit costs** | ¥ | **(113)** | ¥ | (155) | $ | **(747)** |

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2024 and 2023, were as follows:

| | (Millions of yen) | | | | (Thousands of U.S. dollars) | |
|---|---|---|---|---|---|---|
| | | 2024 | | 2023 | | 2024 |
| **Actuarial losses** | ¥ | **3,854** | ¥ | (333) | $ | **25,446** |
| **Total** | ¥ | **3,854** | ¥ | (333) | $ | **25,446** |

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2024 and 2023, were as follows:

| | (Millions of yen) | | | | (Thousands of U.S. dollars) | |
|---|---|---|---|---|---|---|
| | | 2024 | | 2023 | | 2024 |
| **Unrecognized actuarial gains or losses** | ¥ | **(5,838)** | ¥ | (1,985) | $ | **(38,551)** |
| **Total** | ¥ | **(5,838)** | ¥ | (1,985) | $ | **(38,551)** |

(7) Plan assets

(a) Components of plan assets

Plan assets as of March 31, 2024 and 2023, consisted of the following:

| | 2024 | 2023 |
|---|---|---|
| **Equity investments** | **60.47%** | 51.61% |
| **Debt investments** | **26.34** | 30.70 |
| **General account** | **6.67** | 9.36 |
| **Others** | **6.52** | 8.33 |
| **Total** | **100.00%** | 100.00% |

(*1) The retirement benefit trust contributed to the pension plan is included in the plan assets and constitutes 40.88% and 31.45% of the total plan assets at March 31, 2024 and 2023, respectively.

(b) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the current and future asset portfolio and the long-term rates of return which are expected currently and in the future from the variety of asset portfolios in plan assets.

(8) Assumptions used for the years ended March 31, 2024 and 2023, were set forth as follows:

| | 2024 | 2023 |
|---|---|---|
| **Discount rate** | **0.93%** | 0.93% |
| **Expected rate of return on plan assets** | **2.12** | 2.01 |
| **Expected rate of future salary increases** | **5.00** | 5.00 |

(*1) These percentages are based on a weighted average.

2. Defined benefit plans to which the simplified method is applied

(1) The changes in liability for retirement benefits for the years ended March 31, 2024 and 2023, were as follows:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| **Balance at beginning of year** | ¥ **170** | ¥ 257 | $ **1,120** |
| **Net periodic benefit costs** | **8** | 24 | **51** |
| **Benefits paid** | **(36)** | (111) | **(236)** |
| **Balance at end of year** | ¥ **142** | ¥ 170 | $ **935** |

(2) Reconciliation between the liability and asset recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| **Unfunded defined benefit obligation** | ¥ **142** | ¥ 170 | $ **935** |
| **Net liability arising from defined benefit obligation** | ¥ **142** | ¥ 170 | $ **935** |

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| **Liability for retirement benefits** | ¥ **142** | ¥ 170 | $ **935** |
| **Net liability arising from defined benefit obligation** | ¥ **142** | ¥ 170 | $ **935** |

Net periodic benefit costs based on the simplified method for the years ended March 31, 2024 and 2023, were ¥8 million ($51 thousand) and ¥24 million, respectively.

3. Defined contribution retirement plan

The Group's contributions to the defined contribution pension plan for the years ended March 31, 2024 and 2023, were ¥588 million ($3,880 thousand) and ¥592 million, respectively.

## 12. Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. With respect to the third condition above, the Board of Directors of companies with an audit and supervisory committee may also declare dividends at any time during the fiscal year. Because such companies by nature, meet the criteria under the Companies Act. However, the Company has not described so in its articles of incorporation.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to certain limitations and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

## 13. Stock options

The stock options outstanding for the year ended March 31, 2024, were as follows:

| Stock Option | Persons Granted | Number of options granted | Date of Grant | Exercise price | Exercise period |
|---|---|---|---|---|---|
| 2017-1 Stock Option | 2 directors<br>43 officers, senior councilors and councilors<br>190 employees<br>2 directors of subsidiaries | 1,156,000 Shares | September 6 2016 | ¥542 ($3.58) | From October 1, 2018 to September 30, 2023 |
| 2018-1 Stock Option | 2 directors<br>47 officers, senior councilors and councilors<br>197 employees<br>2 directors of subsidiaries | 1,216,000 Shares | September 6, 2017 | ¥673 ($4.44) | From October 1, 2019 to September 30, 2024 |
| 2019-1 Stock Option | 2 directors<br>53 officers, senior councilors and councilors<br>201 employees<br>20 directors of subsidiaries<br>7 officers, senior councilors and councilors of subsidiaries | 1,412,000 Shares | September 28, 2018 | ¥687 ($4.54) | From October 1, 2020 to September 30, 2025 |
| 2020-1 Stock Option | 2 directors<br>50 officers, senior councilors and councilors<br>202 employees<br>22 directors and 1 employee of subsidiaries | 1,359,000 Shares | September 6, 2019 | ¥305 ($2.01) | From October 1, 2021 to September 30, 2026 |
| 2021-1 Stock Option | 3 directors<br>42 officers, senior councilors and councilors<br>204 employees<br>23 directors of wholly owned subsidiaries<br>4 directors of subsidiaries | 1,355,000 Shares | September 7, 2020 | ¥277 ($1.83) | From October 1, 2022 to September 30, 2027 |
| 2022-1 Stock Option | 3 directors<br>46 officers, senior councilors and councilors<br>215 employees<br>26 directors of wholly owned subsidiaries<br>2 directors of subsidiaries | 1,440,000 Shares | September 9, 2021 | ¥443 ($2.93) | From October 1, 2023 to September 30, 2028 |
| 2023-1 Stock Option | 3 directors<br>52 officers, senior councilors and councilors<br>235 employees<br>21 directors of wholly owned subsidiaries<br>2 directors of subsidiaries | 1,548,000 Shares | September 8, 2022 | ¥396 ($2.61) | From October 1, 2024 to September 30, 2029 |
| 2024-1 Stock Option | 3 directors<br>54 officers, senior councilors and councilors<br>241 employees<br>18 directors of wholly owned subsidiaries<br>3 directors of subsidiaries | 1,574,000 Shares | September 14 2023 | ¥504 ($3.33) | From October 1, 2025 to September 30, 2030 |

The stock option activity was as follows:

| | 2017-1 stock option (Shares) | 2018-1 stock option (Shares) | 2019-1 stock option (Shares) | 2020-1 stock option (Shares) | 2021-1 stock option (Shares) | 2022-1 stock option (Shares) | 2023-1 stock option (Shares) | 2024-1 stock option (Shares) |
|---|---|---|---|---|---|---|---|---|
| For the year ended March 31, 2023 | | | | | | | | |
| Non-vested | | | | | | | | |
| April 1, 2022 – Outstanding | - | - | - | - | 1,321,000 | 1,432,000 | - | - |
| Granted | - | - | - | - | - | - | 1,548,000 | - |
| Canceled | - | - | - | - | 22,000 | 24,000 | - | - |
| Vested | - | - | - | - | - | - | - | - |
| March 31, 2023 – Outstanding | - | - | - | - | 1,299,000 | 1,408,000 | 1,548,000 | - |
| Vested | | | | | | | | |
| April 1, 2022 Outstanding | 1,046,000 | 1,090,000 | 1,298,000 | 1,074,000 | - | - | - | - |
| Vested | - | - | - | - | 1,299,000 | - | - | - |
| Exercised | - | - | - | 110,000 | 264,000 | - | - | - |
| Canceled | 14,000 | 22,000 | 22,000 | 14,000 | - | - | - | - |
| March 31, 2023 – Outstanding | 1,032,000 | 1,068,000 | 1,276,000 | 950,000 | 1,035,000 | - | - | - |
| For the year ended March 31, 2024 | | | | | | | | |
| Non-vested | | | | | | | | |
| March 31, 2023 – Outstanding | - | - | - | - | - | 1,408,000 | 1,548,000 | - |
| Granted | - | - | - | - | - | - | - | 1,574,000 |
| Canceled | - | - | - | - | - | 8,000 | 20,000 | - |
| Vested | - | - | - | - | - | 1,400,000 | - | - |
| March 31, 2024 - Outstanding | - | - | - | - | - | - | 1,528,000 | 1,574,000 |
| Vested | | | | | | | | |
| March 31, 2023 – Outstanding | 1,032,000 | 1,068,000 | 1,276,000 | 950,000 | 1,035,000 | - | - | - |
| Vested | - | - | - | - | - | 1,400,000 | - | - |
| Exercised | - | - | - | 438,000 | 539,000 | 473,000 | - | - |
| Canceled | 1,032,000 | 4,000 | 4,000 | 8,000 | 8,000 | 8,000 | - | - |
| March 31, 2024 - Outstanding | - | 1,064,000 | 1,272,000 | 504,000 | 488,000 | 919,000 | - | - |
| Exercise price | ¥542 | ¥673 | ¥687 | ¥305 | ¥277 | ¥443 | ¥396 | ¥504 |
| | ($3.58) | ($4.44) | ($4.54) | ($2.01) | ($1.83) | ($2.93) | ($2.61) | ($3.33) |
| Average stock price at exercise | - | - | - | ¥353 | ¥331 | ¥504 | - | - |
| | - | - | - | ($2.33) | ($2.19) | ($3.33) | - | - |
| Fair value price at grant date | ¥113.52 | ¥110.13 | ¥96.48 | ¥47.56 | ¥54.10 | ¥61.21 | ¥45.11 | ¥64.00 |
| | ($0.75) | ($0.73) | ($0.64) | ($0.31) | ($0.36) | ($0.40) | ($0.30) | ($0.42) |

The assumptions used to measure the fair value of the 2024-1 stock options

| | |
|---|---|
| Estimate method: | Black-Scholes option-pricing model |
| Volatility of stock price (*1): | 30.90% |
| Estimated remaining outstanding period (*2): | 4.55 years |
| Estimated dividend (*3): | ¥20 per share |
| Risk-free interest rate (*4): | (0.240)% |

1. The amount is calculated based on the stock price from February 26, 2019 to September 14, 2023.
2. Due to the insufficiency of the accumulated data and the difficulty of the reasonable estimate, the estimate is based on the assumption that the options are exercised at the midpoint of the exercise period.
3. The amount is based on the average dividend from the year ended March 31, 2022 to the year ended March 31, 2023.
4. The amount is calculated based on the government bond yield for the expected remaining term.

## 14. Income taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.63% for the years ended March 31, 2024 and 2023.

The significant components of deferred tax assets and liabilities as of March 31, 2024 and 2023, were as follows:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| | **2024** | 2023 | **2024** |
| Deferred tax assets: | | | |
| Allowance for doubtful accounts | ¥ **169** | ¥ 126 | $ **1,112** |
| Enterprise tax payable | **385** | 196 | **2,544** |
| Provision for bonuses | **1,002** | 551 | **6,615** |
| Retirement benefits to directors and Audit & Supervisory Board members | **51** | 63 | **338** |
| Statutory reserves | **239** | 210 | **1,580** |
| Impairment loss on investment securities | **248** | 250 | **1,636** |
| Impairment loss on fixed assets | **43** | 10 | **286** |
| Depreciation | **12** | 15 | **82** |
| Accrued expenses | **346** | 318 | **2,287** |
| Asset retirement obligations | **705** | 376 | **4,658** |
| Foreign tax credit | **193** | - | **1,271** |
| Tax loss carryforwards | **708** | 543 | **4,672** |
| Other | **603** | 470 | **3,983** |
| Total deferred tax assets | **4,704** | 3,128 | **31,064** |
| Less valuation allowance for tax loss carryforwards (*2) | **(674)** | (543) | **(4,449)** |
| Less valuation allowance for temporary differences | **(1,825)** | (1,293) | **(12,052)** |
| Total valuation allowance | **(2,499)** | (1,836) | **(16,501)** |
| Deferred tax assets(*1) | ¥ **2,205** | ¥ 1,292 | $ **14,563** |
| Deferred tax liabilities: | | | |
| Unrealized gain on available-for-sale securities | ¥ **1,109** | ¥ 314 | **$ 7,322** |
| Accrued revenues | **273** | 123 | **1,804** |
| Asset for retirement benefits | **2,169** | 858 | **14,324** |
| Other | **2,147** | 1,749 | **14,179** |
| Deferred tax liabilities | **5,698** | 3,044 | **37,629** |
| Net deferred liabilities | ¥ **(3,493)** | ¥ (1,752) | **$ (23,066)** |

Prior to the fiscal year ended March 31, 2023, "Asset retirement obligations" was included in "Other" in "Deferred tax assets". Since the amount increased significantly during this fiscal year ended March 31, 2024, the amount is disclosed separately from this fiscal year.

(*1) Valuation allowance increased by ¥663 million ($4,377 thousand), which mainly resulted from tax loss carry forwards ¥131 million ($865 thousand) and asset retirement obligations ¥320 million ($2,117 thousand).

(*2) The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2024 and 2023, were as follows:

| March 31, 2024 | (Millions of Yen) one Year(s) or Less | After 1 Year(s) through 2 Years | After 2 Years through 3 Years | After 3 Years through 4 Years | After 4 Years through 5 Years | After 5 Years | Total |
|---|---|---|---|---|---|---|---|
| **Deferred tax assets relating to tax loss carryforwards** | **¥ 25** | **-** | **-** | **¥ 1** | **¥ 3** | **¥ 678** | **¥ 707** |
| **Less valuation allowances for tax loss carryforwards** | **(25)** | **-** | **-** | **(1)** | **(3)** | **(644)** | **(673)** |
| **Net deferred tax assets relating to tax loss carryforwards** | **-** | **-** | **-** | **-** | **-** | **34** | **34** |

| March 31, 2023 | (Millions of Yen) one Year(s) or Less | After 1 Year(s) through 2 Years | After 2 Years through 3 Years | After 3 Years through 4 Years | After 4 Years through 5 Years | After 5 Years | Total |
|---|---|---|---|---|---|---|---|
| Deferred tax assets relating to tax loss carryforwards | - | ¥ 48 | - | - | ¥ 1 | ¥ 494 | ¥ 543 |
| Less valuation allowances for tax loss carryforwards | - | (48) | - | - | (1) | (494) | (543) |
| Net deferred tax assets relating to tax loss carryforwards | - | - | - | - | - | - | - |

| March 31, 2024 | (Thousands of U.S. dollars) one Year(s) or Less | After 1 Year(s) through 2 Years | After 2 Years through 3 Years | After 3 Years through 4 Years | After 4 Years through 5 Years | After 5 Years | Total |
|---|---|---|---|---|---|---|---|
| **Deferred tax assets relating to tax loss carryforwards** | **$ 167** | **-** | **-** | **$ 7** | **$ 20** | **$ 4,478** | **$ 4,672** |
| **Less valuation allowances for tax loss carryforwards** | **(167)** | **-** | **-** | **(7)** | **(20)** | **(4,255)** | **(4,449)** |
| **Net deferred tax assets relating to tax loss carryforwards** | **-** | **-** | **-** | **-** | **-** | **223** | **223** |

(a) Tax loss carried forward is the amount multiplied by the statutory income tax rate.
(b) For the fiscal year ended March 31, 2024, out of the deferred tax assets relating to tax loss carryforward amounting ¥707 million ($4,672 thousand), ¥34 million ($223 thousand) were concluded recoverable and recognized as deferred tax assets.

A reconciliation between the actual statutory income tax rate reflected in the accompanying consolidated statement of income and the normal statutory income tax rate for the years ended March 31 2024 and 2023, were as follows:

| | **2024** | 2023 |
|---|---|---|
| Statutory income tax rate | **30.63%** | 30.63% |
| Increase due to: | | |
| Permanent differences, such as entertainment expenses | **0.97** | 2.80 |
| Permanently nontaxable items, such as dividend income | **(0.23)** | (1.25) |
| Inhabitants tax per capital levy | **0.50** | 1.50 |
| Loss on change in equity | **(0.70)** | - |
| Equity in gain (loss) of associated companies | **(0.85)** | 3.77 |
| Amortization of goodwill | **0.47** | 1.42 |
| Tax rate difference of foreign subsidiaries | **(3.04)** | (2.20) |
| Valuation allowance | **3.62** | 6.49 |
| Adjustment for unrealized profits resulting from transactions within the Group and other – net | **0.02** | 0.06 |
| Taxable retained income of foreign subsidiaries | **0.97** | 11.36 |
| Income taxes for prior years | **4.19** | - |
| Other | **(1.00)** | 1.01 |
| Effective income tax rate | **35.57%** | 55.58% |

The Company and some of its domestic consolidated subsidiaries adopt the group tax sharing system. In addition, corporation tax and local corporation tax, as well as their tax effects, are accounted for and disclosed under Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System (PITF No.42, August 12, 2021).

**15. Lease**

Future minimum lease payments under noncancelable operating leases were as follows:

| | (Millions of Yen) | | (Thousands of U.S. Dollars) |
|---|---|---|---|
| | **2024** | 2023 | **2024** |
| | **Operating Leases** | Operating Leases | **Operating Leases** |
| Due within one year | **¥ 1,967** | ¥ 1,963 | **$ 12,986** |
| Due after one year | **9,796** | 11,763 | **64,688** |
| Total | **¥ 11,763** | ¥ 13,726 | **$ 77,674** |

## 16. Revenue

(1) Disaggregation of revenue

Revenues from contracts with customers on a disaggregated basis for the year ended March 31, 2024 and 2023, were as follows:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| | **2024** | 2023 | **2024** |
| Commissions | | | |
| Brokerage | ¥ **17,783** | ¥ 11,759 | $ **117,427** |
| Underwriting | **1,146** | 1,113 | **7,570** |
| Distribution | **8,183** | 6,900 | **54,033** |
| Other | **15,127** | 13,158 | **99,887** |
| (Investment trust agency) | **5,984** | 5,331 | **39,514** |
| (Insurance agency) | **5,381** | 4,551 | **35,535** |
| Revenues from contracts with customers | **42,239** | 32,930 | **278,917** |
| Other revenue | **46,962** | 40,453 | **310,105** |
| Total | ¥ **89,201** | ¥ 73,383 | $ **589,022** |

(2) Basic information to understand revenues from contracts with customers

Please see Note 2 (p) for the basic information to understand revenues from contracts with customers.

(3) Contract balances

Receivables from contract with customers at the beginning and end of the years ended March 31, 2024 and 2023, were as follows:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| | **2024** | 2023 | **2024** |
| Receivables from contract with customers： | | | |
| Balance at beginning of year | ¥ **2,830** | ¥ 3,239 | $ **18,685** |
| Balance at end of year | **3,400** | 2,830 | **22,454** |

(4) Transaction prices allocated to remaining performance obligations

The Group has no material transaction whose remaining performance obligation exceeds 1 year. Within the consideration for the contracts with the customers, there is no material amount not included in the transaction prices.

## 17. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended March 31, 2024 and 2023, consisted of the following:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| | **2024** | 2023 | **2024** |
| Employees' compensation and benefits | ¥ **33,929** | ¥ 30,836 | $ **224,041** |
| Brokerage and other commissions | **6,505** | 5,924 | **42,957** |
| Communication and transportation | **3,972** | 3,801 | **26,230** |
| Real estate expenses | **7,777** | 7,585 | **51,356** |
| Data processing and office supplies | **8,885** | 8,635 | **58,673** |
| Advertising | **1,811** | 1,696 | **11,955** |
| Taxes other than income taxes | **1,768** | 1,677 | **11,677** |
| Depreciation | **1,553** | 1,627 | **10,254** |
| Amortization | **1,883** | 1,653 | **12,432** |
| Amortization of goodwill | **284** | 283 | **1,874** |
| Other | **3,020** | 2,721 | **19,943** |
| Total | ¥ **71,387** | ¥ 66,438 | $ **471,392** |

## 18. Other income and expenses

The components of "Other income, net" in the consolidated statements of income for the years ended March 31, 2024 and 2023, were as follows:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| | **2024** | 2023 | **2024** |
| Dividend income | ¥ **1,280** | ¥ 1,153 | $ **8,454** |
| Net (loss) gain on investment in partnership | **(59)** | 361 | **(391)** |
| Equity in gain (loss) of associated companies | **506** | (750) | **3,346** |
| Net loss on sales and impairment loss on investment securities | **(315)** | (93) | **(2,083)** |
| Gain on reversal of share acquisition rights | **117** | - | **774** |
| Gain on extinguishment of tie-in shares | **-** | 21 | **-** |
| Gain on valuation of investment securities | **1,181** | 2,166 | **7,798** |
| Gain on sales of shares of subsidiaries | **203** | - | **1,338** |
| Loss on change in equity | **421** | - | **2,781** |
| Net gain on sales of fixed assets | **2** | - | **15** |
| Loss on disposal of fixed assets | **(178)** | - | **(1,177)** |
| Loss on valuation of fixed assets | **(158)** | - | **(1,043)** |
| Provision for statutory reserves | **(95)** | 13 | **(629)** |
| Payment of settlement | **-** | (188) | **-** |
| Other | **121** | 256 | **800** |
| Total | ¥ **3,026** | ¥ 2,939 | $ **19,983** |

## 19. Other comprehensive income (loss)

The components of other comprehensive income (loss) for the years ended March 31, 2024 and 2023, were as follows:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| | **2024** | 2023 | **2024** |
| Unrealized gain (loss) on available-for-sale securities: | | | |
| Gains arising during the year | **¥ 2,705** | ¥ 581 | **$ 17,862** |
| Reclassification adjustments to profit or loss | **(63)** | (847) | **(417)** |
| Amount before income tax effect | **2,642** | (266) | **17,445** |
| Income tax effect | **795** | (113) | **5,249** |
| Total | **¥ 1,847** | ¥ (153) | **$ 12,196** |
| Foreign currency translation adjustments: | | | |
| Gains arising during the year | **¥ 334** | ¥ 321 | **$ 2,211** |
| Reclassification adjustments to profit or loss | **-** | - | **-** |
| Amount before income tax effect | **334** | 321 | **2,211** |
| Income tax effect | **-** | - | **-** |
| Total | **¥ 334** | ¥ 321 | **$ 2,211** |
| Defined retirement benefit plans: | | | |
| Gains arising during the year | **¥ 4,316** | ¥ 286 | **$ 28,500** |
| Reclassification adjustments to profit or loss | **(463)** | (619) | **(3,054)** |
| Amount before income tax effect | **3,853** | (333) | **25,446** |
| Income tax effect | **1,180** | (102) | **7,794** |
| Total | **¥ 2,673** | ¥ (231) | **$ 17,652** |
| Share of other comprehensive income in associates: | | | |
| Gains arising during the year | **¥ 5** | ¥ 3 | **$ 32** |
| Total | **¥ 5** | ¥ 3 | **$ 32** |
| Total other comprehensive income (loss) | **¥ 4,859** | ¥ (60) | **$ 32,091** |

## 20. Related-Party Transactions

The material related-party transactions as of March 31, 2024, were as follows:

| Type | Name | Description of business or occupation | Ownership ratio of voting rights | Description of transaction | Transaction volume |
|---|---|---|---|---|---|
| Director of the major consolidated subsidiary | Masataka Sato | Director, Tokai Tokyo Securities | Direct 0.05% | Exercise of stock options | ¥ 14 million ($ 95 thousand) |

## 21. Net income per share

Details of basic net income per share ("EPS") for the years ended March 31, 2024 and 2023, were as follows:

| | (Millions of yen) | (Thousands of shares) | (Yen) | (U.S. dollars) |
|---|---|---|---|---|
| | Net income attributable to owners of the parent | Weighted-average shares | EPS | |
| **For the year ended March 31, 2024:** | | | | |
| **Basic EPS—Net income available to common shareholders** | **¥ 10,190** | **249,411** | **¥ 40.86** | **$ 0.27** |
| **Effect of dilutive securities warrants:** | | | | |
| **Dilutive EPS—Net income for consumption** | **¥ 10,190** | **250,414** | **¥ 40.69** | **$ 0.27** |
| For the year ended March 31, 2023: | | | | |
| Basic EPS—Net income available to common shareholders | ¥ 1,953 | 248,680 | ¥ 7.85 | $ 0.06 |
| Effect of dilutive securities warrants: | | | | |
| Dilutive EPS—Net income for consumption | ¥ 1,953 | 249,168 | ¥ 7.84 | $ 0.06 |

## 22. Segment information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Information about sales, profit, assets, liabilities, and other items by reportable segments

This information is not presented as the Group operates as a single reportable segment in the investment and financial service business.

(2) Information about products and services of the reportable segment

This information is not presented because operating revenues from third parties of a single product and service are over 90% of operating revenues in the consolidated statement of income.

(3) Geographical information

(a) Operating revenues

This information is not presented because the Group's revenues in Japan account for more than 90% of revenues in the consolidated statement of income.

(b) Property and equipment

This information is not presented because the Group's property and equipment in Japan account for more than 90% of property and equipment in the consolidated balance sheet.

(4) Information by major customers

This information is not presented because there are no customers for which sales account for more than 10% of revenues in the consolidated statement of income.

(5) Information about impairment loss on fixed assets, goodwill, and negative goodwill by reportable segment

This information is not presented as the Group operates as a single reportable segment in the investment and financial service business.

(6) Information about related party

This information is not presented as there are no items to be disclosed.

## 23. Subsequent event

### Appropriation of Retained Earnings

On June 26, 2024, the shareholders approved the appropriation of retained earnings as follows:

| | (Millions of yen) | (Thousands of U.S. dollars) |
|---|---|---|
| Cash dividends, ¥16.00 ($0.11) per share | **¥ 4,006** | **$ 26,456** |

# Independent auditor's report

**To the Board of Directors of Tokai Tokyo Financial Holdings, Inc.:**

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the accompanying consolidated financial statements of Tokai Tokyo Financial Holdings, Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at March 31, 2024, the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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, 2024, 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 matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

| Assessment of the valuation of equity-method goodwill within investments in associated companies | |
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| **The key audit matter** | **How the matter was addressed in our audit** |
| The Group reported investments in associated companies of ¥ 51,781 million in the consolidated balance sheet as of March 31, 2024, including the investment in Money Design Co., Ltd. ("MD") amounting to ¥ 2,729 million. As described in Notes 3. "Significant Accounting Estimates" to the consolidated financial statements, the investments in associated companies included ¥ 2,667 million | The primary procedures we performed to assess the appropriateness of the valuation of equity-method goodwill as part of the investment in MD included the following:<br>**(1) Internal control testing**<br>We tested the design and operating effectiveness of certain of the Group's internal controls relevant to |

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| representing equity-method goodwill including an amount attributable to MD.<br><br>As also described in Note 3. “Significant Accounting Estimates,” the Group recognizes equity-method goodwill, as part of its investments in associated companies, which was calculated as the excess of the acquisition consideration over the amount allocated to the investee’s assets and liabilities based on their acquisition-date fair values. When it is necessary to recognize an impairment loss for equity-method goodwill, the loss is recognized through equity in gain (loss) of associated companies.<br><br>The future cash flows used in the impairment test for equity-method goodwill as part of the investment in MD included in investments in associated companies were estimated based on key assumptions, such as the balances of assets under management (the “AUM”), which included the estimates of the number of new customer accounts and the amount of cash-in/out-flows to the customers’ accounts in the future. In addition, due to changes in the business environment, MD updated its future business plan during the current fiscal year. Accordingly, there was a high degree of uncertainty in the estimation of the future cash flows.<br><br>We, therefore, determined that our assessment of the appropriateness of the valuation of equity-method goodwill as part of the investment in MD included in investments in associated companies was of most significance in our audit of the Group’s consolidated financial statements for the current fiscal year, and accordingly, a key audit matter. | the valuation of equity-method goodwill. In this assessment, we particularly focused on the Group’s controls over the decisions made by the Group’s Board of Directors to exercise significant influence over MD, and the analysis of the business plans used in the valuation of equity-method goodwill.<br><br>**(2) Assessment of valuation of equity-method goodwill**<br><br>In order to evaluate the appropriateness of the valuation of equity-method goodwill, we assessed the reasonableness of the estimation of the future cash-flows, including asset management fees arising from the AUM, adopted in the business plan, by performing the following procedures, among others:<br><br>● evaluated the feasibility of MD’s business plan, which relied upon the Group’s plan with respect to investments, human resources, fundings, transactions and other relationships with MD, by making inquiries of the Group’s management about matters discussed at the Group’s Board of Directors’ meetings and by inspecting relevant materials; and<br><br>● evaluated whether uncertainties in the estimation of future cash flows were appropriately incorporated into the updated business plan, by analyzing retrospectively the forecast of future cash flows in the initial business plan compared with the actual results, and by assessing whether the updated business plan reflected any discrepancies related to key assumptions, such as the AUM. |

## Other Information

The other information comprises the information included in the Group’s disclosure documents accompanying audited consolidated financial statements, but does not include the consolidated financial statements and our auditor’s report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

## Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for 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, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of 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. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. 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 our 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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express 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 whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, 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.

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

We also provide The Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with The Audit and Supervisory 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.

## Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 139 million yen and 9 million yen, respectively.

## Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

## Interest required to be disclosed by the Certified Public Accountants Act of Japan

We 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.

Atsushi Fukui

Designated Limited Liability Partner

Engagement Partner

Certified Public Accountant

Yoshihiro Matsuda

Designated Limited Liability Partner

Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

July 24, 2024

**Notes to the Reader of Independent Auditor’s Report:**

This is a copy of the Independent Auditor’s Report and the original copies are kept separately by the Company and KPMG AZSA LLC.