

Quarterly Securities Report for the Second Quarter of the 105th Fiscal Year (From July 1, 2020 to September 30, 2020)

Matsui Securities Co., Ltd.

1-4, Kojimachi, Chiyoda-ku, Tokyo

Representative: Akira WARITA, President & CEO

Original Japanese Report was filed with the Director of the Kanto Local Finance Bureau on November 13, 2020 pursuant to Article 24-4-7, Paragraph 1 of the Financial Instrument and Exchange Act.

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Notice to Readers 3: The original Report is attached with a quarterly review report by PricewaterhouseCoopers Aarata LLC for the quarterly financial statements for the second quarter accounting period of the current fiscal year (From July 1, 2020 to September 30, 2020) and the cumulative second quarter period of the current fiscal year (From April 1, 2020 to September 30, 2020) in the original Report.

Part 1. Company Information

1. Overview of Company

1) Summary of Business Results

| Fiscal period | Cumulative second quarter period of 104 th fiscal year | Cumulative second quarter period of 105 th fiscal year | 104 th fiscal year |
|--|---|---|--------------------------------------|
| Accounting Period | From April 1, 2019 to September 30, 2019 | From April 1, 2020 to September 30, 2020 | From April 1, 2019 to March 31, 2020 |
| Operating revenue (millions of yen) | 11,269 | 14,188 | 24,150 |
| Net operating revenue (millions of yen) | 10,384 | 13,440 | 22,345 |
| Ordinary profit (millions of yen) | 4,065 | 5,912 | 9,016 |
| Profit (millions of yen) | 2,806 | 5,488 | 6,136 |
| Equity in earnings of affiliates if equity method is applied (millions of yen) | - | - | - |
| Share capital (millions of yen) | 11,945 | 11,945 | 11,945 |
| Total number of issued shares (number of shares) | 259,264,702 | 259,264,702 | 259,264,702 |
| Net assets (millions of yen) | 82,435 | 79,720 | 80,285 |
| Total assets (millions of yen) | 692,217 | 841,752 | 708,314 |
| Basic earnings per share (yen) | 10.93 | 21.36 | 23.89 |
| Diluted earnings per share (yen) | 10.91 | 21.33 | 23.86 |
| Dividend paid per share(yen) | 22.50 | 20.00 | 45.00 |
| Equity-to-asset ratio (%) | 11.9 | 9.4 | 11.3 |
| Net cash provided by (used in) operating activities (millions of yen) | 22,914 | (59,959) | 60,195 |
| Net cash provided by (used in) investing activities (millions of yen) | (1,913) | (33) | (2,749) |
| Net cash provided by (used in) financing activities (millions of yen) | (21,373) | 68,172 | (41,209) |
| Cash and cash equivalents (millions of yen) | 38,735 | 63,524 | 55,345 |

| Fiscal period | Second quarter accounting period of 104 th fiscal year | Second quarter accounting period of 105 th fiscal year |
|--------------------------------|---|---|
| Accounting Period | From July 1, 2019 to September 30, 2019 | From July 1, 2020 to September 30, 2020 |
| Basic earnings per share (Yen) | 5.58 | 13.16 |

Note 1: Operating revenue does not include consumption tax etc.

Note 2: Equity in earnings of affiliates if equity method is applied is not shown above because the Company does not have affiliates.

2) Description of Business

There were no significant changes in the description of business of the Company in the cumulative second quarter period of the current fiscal year.

2. Status of Business

1) Business Risks

In the cumulative second quarter period of the current fiscal year, of the matters related to status of business and status of accounting etc. as described in this quarterly securities report, there were no major risks which had arisen recognized by management as possibly having a material effect on the financial condition, results of operations, or cash flow conditions of the Company, and there are no material changes to the “Business Risks” described in the securities report for the preceding fiscal year ended March 31, 2020.

2) Management’s Discussion and Analysis of Financial Condition, Results of Operations, and Cash Flow Conditions

Management’s discussion and analysis of financial condition, results of operation and cash flow conditions of the Company is provided below. Since the Company has only one segment which is its online securities brokerage service, description by segment has been omitted.

(1) Status and analysis of results of operations

In the domestic stock market in this cumulative second quarter period, the Nikkei Average declined sharply from the end of February given caution towards global economic deterioration due to the spreading of infection of COVID-19, and thereafter it slightly recovered and the Nikkei Average for the cumulative second quarter period began from just above 18,600 yen. Going into April, stock prices rose due to the prevailing view that the number of COVID-19 infections peaked out in Europe and the U.S., and also given decisions made on large-scale economic stimulus measures in countries around the world. Stock prices began to rise towards late May due to increasing expectations towards resuming of economic activities in Europe and the U.S., the lifting of the declaration of emergency in Japan, as well as hopes towards progress in vaccine development etc., and in early June the Nikkei Average recovered to 23,000 yen for the first time in approximately 3 and a half months. Thereafter, stock prices failed to go higher given caution towards higher prices given the high pace in increase in stock prices as well as concerns towards the second wave of infection of COVID-19; however, going into August stock prices remained strong backed by U.S. economic stimulus measures and expectations towards vaccine development. Thereafter, stock prices failed to go higher due to the increased uncertainty towards further economic stimulus measures in the U.S., and September trading ended with the Nikkei Average at slightly over 23,100 yen.

Under this market environment, total trading value of stocks etc. in the two markets (Tokyo and Nagoya stock exchanges) increased by 22% compared to the cumulative second quarter period of the preceding year. Also, with respect to individual investors who are our main customer base, trading volume increased due to increase in buying capacity given the rise in stock prices and the highly volatile stock market environment, and stock etc. brokerage trading value by individual investors in the two markets significantly increased by 57% compared to the same period in the preceding year. As a result, the percentage of the stock etc. brokerage trading value by individual investors in the two markets was 22%, a large increase compared to 17% in the cumulative second quarter period in the preceding year. Furthermore, the aggregate stock etc. brokerage trading value of the Company increased by 51% compared to the same period in the preceding year, as customers increased trading activities.

With respect to new initiatives by the Company in the cumulative second quarter period, as a new investment information tool, we started providing the “Activist Tracing Tool” which can be used in combination with stock price charts and grasp the trading trends of large investors including activists. Also, for investment trusts, we commenced the “investment trust (toshin) monthly cash refund service” which was the first service of its kind in Japan that refunds to customers in cash a portion of the trust fees. In October, provision of products for Individual-type defined contribution pension plan “iDeCo” was significantly increased to 40 products, the highest level in the industry. Also, with respect to FX, spreads on all currency pairs were reduced in an effort to increase services.

Under the above background, during the cumulative second quarter period, commissions received was 8,789 million yen (46.1% increase from the cumulative second quarter period of the preceding year) due to an increase in the stocks etc. brokerage trading value. Furthermore, although the average balance of long positions of margin transactions remained flat, given the increase in other net financial revenues, net financial revenues increased by 12.5% to 4,236 million yen compared to that of the cumulative second quarter period of the preceding year.

As a result, operating revenue was 14,188 million yen (25.9% increase from the same period of the preceding year), and net operating revenue was 13,440 million yen (29.4% increase from the same period of the preceding year). Also, operating profit was 5,869 million yen (47.2 % increase from the same period of the preceding year), and ordinary profit was 5,912 million yen (45.4% increase from the same period of the preceding year). Also due to the gain on sale of investment securities recorded of 1,994 million yen, net profit was 5,488 million yen (95.6% increase from the same period of the preceding year). Operating revenue, net operating revenue, operating profit, ordinary profit, and net profit all sharply increased compared to the cumulative second quarter period of the preceding year. Although spreading of infection of COVID-19 has impacted the stock markets, apart from the impact on actual market trends, given the characteristic of the Company as an on-line securities company, it had no material effect on the Company’s business results.

Revenue and expense items are as described below.

(Commissions received)

Commissions received was 8,789 million yen (46.1% increase from the same period of the preceding fiscal year). Of this figure, brokerage commission was 8,425 million yen (48.3% increase from the same period of the preceding fiscal year), mainly due to a 51% increase (compared to the same period of the preceding fiscal year) in the stocks etc. brokerage trading value.

(Net trading income)

Net trading income was recorded a profit of 414 million yen, mainly due to FX trading profits.

(Net financial revenue)

Net financial revenue derived from subtracting financial expenses from financial revenue was 4,236 million yen (12.5% increase from the same period of the preceding fiscal year). This was mainly due to an increase in other net financial revenue although the average balance of customers’ long positions of margin transactions remained flat.

(Selling, general and administrative expenses)

Selling, general and administrative expenses increased by 18.3% compared to the same period of the preceding fiscal year to 7,570 million yen. This was mainly due to an increase in trading related expenses (30.8% increase compared to the same period of the preceding fiscal year) resulting from an increase in advertising costs and trading fees for stock exchanges.

(Non-operating income and expenses)

Net non-operating income totaled 42 million yen. This was mainly due to dividend income of 56 million yen.

(Extraordinary income and expenses)

Net Extraordinary income totaled 1,994 million yen. This was mainly due to gain on sales of investment securities of 1,994 million yen.

(2) Factors which have a material impact on results of operations

The main business of the Company is stocks etc. brokerage trading business targeting individual investors, and of the revenue items, commissions received and in particular brokerage commission relating to the trading of stocks etc. have a material impact on the business performance of the Company. Furthermore, financial revenue arising mainly from margin transactions is a factor having a material impact on the business performance of the Company. However, the level of such revenues is largely affected by the stock market environment.

(3) Status and analysis of financial conditions

As of the end of the second quarter accounting period, total assets was 841,752 million yen, an 18.8% increase from the end of the preceding fiscal year. This was mainly due to a 41.1% increase of loans on margin transactions to 217,697 million yen, and an 11.6% increase of cash segregated as deposits to 501,612 million yen resulting from an increase in deposits received and guarantee deposits received.

Total liabilities was 762,032 million yen, a 21.3% increase from the end of the preceding fiscal year. This was mainly due to a 93.8% increase in short-term borrowings to 152,900 million yen resulting from an increase of loans on margin transactions, an 8.7% increase in deposits received to 293,538 million yen and a 10.3% increase in guarantee deposits received to 234,417 million yen.

Total net assets was 79,720 million yen, a 0.7% decrease from the end of the preceding fiscal year. In the cumulative second quarter period of the current fiscal year, the year-end dividends for the end of the fiscal year ended March 2020 which is 5,780 million yen, was recorded, and at the same time a quarterly profit of 5,488 million yen was recorded.

The main assets of the Company are cash segregated as deposits for customers (included in cash segregated as deposits) where deposits received and guarantee deposits received etc. from customers are entrusted to trust banks, and margin transaction assets mainly comprised of loans on margin transactions. On the other hand, funds are being procured through short-term borrowings etc. for the purpose of allocating to loans on margin transactions. The main liabilities of the Company are deposits received, guarantee deposits received and short-term borrowings.

As of the end of the second quarter accounting period, deposits received was 293,538 million yen, an 8.7% increase from the end of the preceding fiscal year, and guarantee deposits received was 234,417 million yen, a 10.3% increase from the end of the preceding fiscal year. Accordingly, cash segregated as deposits increased by 11.6% from the end of the preceding fiscal year to 501,612 million yen. Furthermore, given an increase in loans on margin transactions by 41.1% from the end of the preceding fiscal year to 217,697 million yen, short-term borrowings also increased by 93.8% from the end of the preceding fiscal year to 152,900 million yen.

(4) Status and analysis of cash flows

The status of various cash flows for the cumulative second quarter period of the current fiscal year, and their underlying factors are described below.

(Cash flows from operating activities)

Cash flows from operating activities was minus 59,959 million yen (plus 22,914 million yen for the cumulative second quarter period of the preceding fiscal year). The main factors behind this were a decrease/increase in margin transaction assets and margin transaction liabilities and an increase in cash segregated as deposits.

(Cash flows from investing activities)

Cash flows from investing activities was minus 33 million yen (minus 1,913 million yen for the cumulative second quarter period of the preceding fiscal year). In the cumulative second quarter period of the current fiscal year, the purchase of intangible fixed assets which is 1,812 million yen, was recorded, and at the same time proceeds from sales of investment securities of 2,000 million yen was recorded.

(Cash flows from financing activities)

Cash flows from financing activities was plus 68,172 million yen (minus 21,373 million yen for the cumulative second quarter period of the preceding fiscal year). The main factor behind this was a net increase in short-term borrowings.

As a result of the above, cash and cash equivalents balance as at the end of the second quarter accounting period of the current fiscal year was 63,524 million yen (38,735 million yen at the end of the cumulative second quarter period of the preceding fiscal year).

(5) Analyses of sources of capital and liquidity of funds

The Company's fund procurements are conducted mainly to respond to increase in loans on margin transactions, recurring loans on margin transactions are funded mainly by increase and decrease in short-term borrowings procured from financial institutions such as banks etc. In order to prepare for situations where loans on margin transactions increase significantly, the Company has made shelf registration so that it may flexibly procure funds through bond issues. However, as of the end of the second quarter accounting period of the current fiscal year, taking into account the levels of loans on margin transactions and internal reserves, a major portion of funds procurement was conducted by short-term borrowings including call money.

Furthermore, the Company secures safety of procurement of funds by making overdraft agreement and/or commitment line agreement with multiple financial institutions.

There was no significant effect on procurement of funds due to the spreading of infection of COVID-19.

(6) Important accounting estimates and assumptions used for such estimates

In the cumulative second quarter period of the current fiscal year, there were no material changes to our important accounting estimates and assumptions used for such estimates.

(7) Management policy and management strategy etc.

In the cumulative second quarter period of the current fiscal year, there were no material changes to our management policy and management strategy.

(8) Operational and financial issues to be addressed in priority

In the cumulative second quarter period of the current fiscal year, there were no material changes to the Company's operational and financial issues to be addressed in priority, and no new operational or financial issues have arisen.

(9) Research and Development (R&D) activities

Not applicable.

3) Critical Contracts for Operation

Not applicable.

3. Information about Reporting Company

1) Information about Shares etc.

(1) Total number of shares etc.

[1] Total number of shares

| Class | Total shares authorized (number of shares) |
|--------------|--|
| Common stock | 1,050,000,000 |
| Total | 1,050,000,000 |

[2] Issued shares

| Class | Total number of issued shares at the end of second quarter accounting period of the current fiscal year (September 30, 2020) | Number of shares at the date of filing of this Quarterly securities report (November 13, 2020) | Name of stock exchange where shares are listed at or certified securities dealers association by which shares are registered | Contents |
|--------------|--|--|--|-------------------------------|
| Common stock | 259,264,702 | 259,264,702 | Tokyo stock exchange (1 st section) | 1 unit consists of 100 shares |
| Total | 259,264,702 | 259,264,702 | - | - |

Note: Total number of issued shares at the date of filing of this quarterly securities report does not include shares issued upon exercise of share acquisition rights from November 1, 2020 to the date of filing of this quarterly securities report.

(2) Share acquisition rights

[1] Details of share option program

i. Seventh series of Matsui Securities Co., Ltd. share acquisition rights

| | |
|--|---|
| Date of resolution | July 27, 2020 |
| Persons eligible for the allotment and number of them | 8 directors of the Company (excluding outside directors) |
| Number of the share acquisition rights (Note *) | 1,348 |
| Class and number of shares subject to the share acquisition rights (shares) (Note *) | Common stocks: 134,800 (Note 1) |
| Amount to be paid per share upon the exercise of each share acquisition rights (yen) (Note *) | 1 |
| Exercise period for the share acquisition rights (Note *) | From August 18, 2023 to August 17, 2026 (Note 2) |
| Issuance price and amount credited to equity capital in the event of share issuance upon the exercise of share acquisition rights (yen) (Note *) | Note 3 |
| Conditions for the exercise of the share acquisition rights (Note *) | Note 4 |
| Matters concerning the transfer of the share acquisition rights (Note *) | The acquisition of the share acquisition rights through assignment shall require the approval of the board of directors of the Company. |
| Matters concerning the issuance of the share acquisition rights in connection with acts of reorganization (Note *) | Note 5 |

Note *: The table above shows the contents as of August 17, 2020, the date of issuance of the share acquisition rights.

Note 1: The number of shares that are the subject of each stock acquisition right shall be 100 (the “number of shares granted”). In the case where the Company conducts a share split, an allotment of shares without contribution or a reverse share split, the number of shares granted shall be adjusted according to the formula below. However, this adjustment will only apply to the number of shares that are the subject of the stock acquisition rights that have not yet been exercised up to that time. Fractional shares resulting from this adjustment shall be rounded down.

Number of shares acquired after adjustment = “Number of shares acquired before adjustment” multiplied by “ratio of share split or reverse share split”

The number of shares after adjustment shall become effective, in the case of a share split, on and after the day immediately following the record date of the relevant share split or, in the case of an allotment of shares without contribution or a reverse share split, on and after its effective date. In addition to the foregoing, in the case where the Company carries out a merger, company split or share exchange, or other equivalent cases requiring adjustment of the number of shares, the Company shall be able to adjust the number of shares granted by the board of directors.

Note 2: If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.

Note 3: Issuance price of the share acquisition rights which can be exercised from August 18, 2023 is 743 yen per share. Issuance price of the share acquisition rights which can be exercised from August 19, 2024 is 726 yen per share. Issuance price of the share acquisition rights which can be exercised from August 19, 2025 is 708 yen per share. The amount of capital to be increased due to the issuance of shares upon exercise of the share acquisition rights shall be a half of the maximum amount of capital increase, etc. which is calculated in accordance with Article 17, Paragraph 1 of the Corporation Accounting Regulations, and any fraction less than 1 yen arising from there shall be rounded up to the nearest 1 yen.

Note 4: 1) Persons allotted share acquisition rights are eligible to exercise only when they are active directors at the time of the exercise. However the Company may treat the rights of those who are out of the service of directors still effective when it finds reasonable grounds. 2) Persons allotted share acquisition rights are eligible to exercise their rights as follows: [1] From August 18, 2023 to August 18, 2024: Within one third of the number of rights originally allotted (Fraction of less than 1 share acquisition rights shall be rounded down.). [2] From August 19, 2024 to August 18, 2025: Within two thirds of the number of rights originally allotted (including share acquisition rights which can already be exercised by [1]) (Fraction of less than 1 share acquisition rights shall be rounded down.). [3] From August 19, 2025 to August 17, 2026: All rights can be exercised. 3) Each one right cannot be partially exercised. 4) Other conditions of exercise are specified in the contracts between the Company and the persons to be allotted share acquisition rights.

Note 5: In the event of a merger (only in cases where the Company is dissolved as a result of the merger), an absorption-type company split or incorporation-type company split (only in respective cases where the Company becomes the splitting company), a share exchange or share transfer (only in respective cases

where the Company becomes a wholly owned subsidiary) (Hereinafter, the foregoing shall be referred to collectively as “reorganization measures”), the Company shall issue stock acquisition rights as per a corporation described in Article 236, Paragraph 1, Items 8.1 through 8.5 of the Companies Act (the “reorganizing company”) to each stock acquisition right holder of stock acquisition rights remaining unexercised immediately before the effective date of reorganization measures (hereinafter, the “remaining stock acquisition rights”) (Hereinafter, the “effective date” shall refer to the effective date of an absorption-type merger for such mergers, the date of incorporation of a new company for incorporation-type mergers, the effective date of an absorption-type company split for such company splits, the effective date of incorporation of a new company for incorporation-type company splits, the effective share exchange date for share exchanges, and the date of incorporation of a wholly owning parent company through a stock transfer, for stock transfers. Same shall apply hereinafter.). However, the foregoing is conditional upon providing for the issuance of stock acquisition rights of the reorganizing company in the absorption-type merger agreement, the incorporation-type merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan in accordance with the following items: 1) Number of the stock acquisition rights of the reorganizing company to be issued shall be the same number of the stock acquisition rights as the remaining stock acquisition rights held by each stock acquisition right holder. 2) Type of shares of the reorganizing company to be issued upon the exercise of the stock acquisition rights shall be the common stock of the reorganizing company. 3) Number of shares of the reorganizing company to be issued upon the exercise of the stock acquisition rights shall be determined according to the content of the stock acquisition rights of the current stock acquisition rights taking into account the conditions, etc. of the reorganization measures. 4) Amount to be invested when exercising the stock acquisition rights shall be calculated by multiplying the post-reorganization exercise price (one (1) yen per share with respect to the shares issued upon exercise of each stock acquisition right which shall be issued upon reorganization measures) by the number of shares of the reorganizing company to be issued upon exercise of each stock acquisition right, which will be determined in accordance with the above item 3). 5) Exercise period for the stock acquisition rights to be issued upon reorganization measures shall be from either the commencement date for the exercise period of the stock acquisition rights set forth in “Exercise period for the share acquisition rights” in the above table, or the effective date of the reorganization measures, whichever is later, to the last day of the exercise period of the stock acquisition rights set forth in “Exercise period for the share acquisition rights” in the above table. During the Exercise period for the stock acquisition rights which shall be issued upon reorganization measures each stock acquisition right holder can exercise on conditions by “Conditions for the exercise of the share acquisition rights” in the above table. 6) Transfer of the stock acquisition rights which shall be issued upon reorganization measures must be approved by the board of directors of the reorganizing company. 7) Matters regarding the amount of capital and capital reserve to be increased as a result of issuance of shares upon the exercise of the stock acquisition rights, conditions for exercising the stock acquisition rights and conditions of acquisition of the stock acquisition rights shall be determined in accordance with the contents of the current share acquisition rights.

[2] Other information about share acquisition rights

Not applicable.

(3) Exercises etc. of moving strike convertible bonds etc.

Not applicable.

(4) Changes in number of issued shares, stated capital etc.

| Date | Change in number of outstanding shares | Total number of issued shares | Change in amount of Share capital (millions of yen) | Balance of Share capital (millions of yen) | Change in amount of legal capital surplus (millions of yen) | Balance of legal capital surplus (millions of yen) |
|---|--|-------------------------------|---|--|---|--|
| From July 1, 2020 to September 30, 2020 | - | 259,264,702 | - | 11,945 | - | 9,793 |

(5) Major shareholders

(As of September 30, 2020)

| Name | Address | Number of shares held (thousands of shares) | Ratio of number of shares held to the total number of issued shares (excluding treasury shares) (%) |
|---|--|---|---|
| Maruroku Ltd. | 2-4-2, Nishikata, Bunkyo-ku, Tokyo | 86,812 | 33.79 |
| Shokosha Ltd. | 2-4-2, Nishikata, Bunkyo-ku, Tokyo | 35,722 | 13.90 |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 2-11-3, Hamamatsucho, Minato-ku, Tokyo | 26,991 | 10.50 |
| Custody Bank of Japan, Ltd. (Trust account) | 1-8-12, Harumi, Chuo-ku, Tokyo | 8,072 | 3.14 |
| Chizuko MATSUI | Bunkyo-ku, Tokyo | 5,321 | 2.07 |
| Michitaro MATSUI | Bunkyo-ku, Tokyo | 5,262 | 2.05 |
| Chiaki MIKI | Keppel Bay View, Singapore | 5,262 | 2.05 |
| Yuma MATSUI | Bunkyo-ku, Tokyo | 5,262 | 2.05 |
| Michio MATSUI | Bunkyo-ku, Tokyo | 4,464 | 1.74 |
| Custody Bank of Japan, Ltd. (Securities investment trust account) | 1-8-12, Harumi, Chuo-ku, Tokyo | 2,936 | 1.14 |
| Total | - | 186,104 | 72.43 |

Note: 1 The Number of shares held by The Master Trust Bank of Japan, Ltd. (Trust account), Custody Bank of Japan, Ltd. (Trust account) and Custody Bank of Japan, Ltd. (Securities investment trust account) for their trustee businesses are not described because the Company is not able to grasp them.

Note: 2 On “Change Report Pertaining to Report of Possession of Large Volume” put on public inspection dated July 21, 2020 describes Nomura Securities Co., Ltd. and its co-holders, Nomura International plc and Nomura Asset Management Co., Ltd., hold shares shown below as of July 15, 2020. However, the Company cannot confirm the number of shares effectively held by them as of September 30, 2019. By this reason these shareholdings are not included in the status of major shareholders shown above. The content of the Change Report is as shown below.

| Name | Address | Total number of shares, etc. held (thousands of shares or units) | Ratio of shares, etc. held (%) |
|-----------------------------------|---|--|--------------------------------|
| Nomura Securities Co., Ltd. | 1-9-1, Nihombashi, Chuo-ku, Tokyo | 200 | 0.08 |
| Nomura International plc | 1 Angel Lane, London EC4R 3AB, United Kingdom | 301 | 0.12 |
| Nomura Asset Management Co., Ltd. | 2-2-1, Toyosu, Koto-ku, Tokyo | 14,741 | 5.69 |
| Total | - | 15,242 | 5.88 |

(6) Voting rights

[1] Issued shares

(As of September 30, 2020)

| Classification | Number of shares | Number of voting rights | Content |
|--|--|-------------------------|---------|
| Shares without voting rights | - | - | - |
| Shares with limited voting rights (Treasury shares etc.) | - | - | - |
| Shares with limited voting rights (Other) | - | - | - |
| Shares with full voting rights (Treasury shares etc.) | (Shares held by the Company) Common stock: 2,316,700 | - | - |
| Shares with full voting rights (Other) | Common stock: 256,921,200 | 2,568,554 | - |
| Shares less than 1 unit of shares | Common stock: 26,802 | - | - |
| Total number of issued shares | 259,264,702 | - | - |
| Voting rights of all shareholders | - | 2,568,554 | - |

Note 1: 400 shares under the title of Japan Securities Depository Center Inc. and 65,800 shares of securities bought by customers using money loaned from the Company's own fund are included in common stock of "Shares with full voting rights (Other)." The 4 voting rights under the title of Japan Securities Depository Center Inc. are included in "Number of voting rights." The 658 voting rights of securities bought by customers using money loaned from the Company's own fund are not included in "Number of voting rights."

Note 2: 46 treasury shares held by the Company are included in "Shares less than 1 unit of shares".

[2] Treasury shares etc.

(As of September 30, 2020)

| Name of shareholders | Address of shareholders | Treasury shares held by the Company's own name | Treasury shares held by other person's name | Total number of shares held | Ratio of number of shares held to total number of outstanding shares (%) |
|--|---|--|---|-----------------------------|--|
| (Treasury shares held by the Company) Matsui Securities Co., Ltd. | 1-4, Kojimachi, Chiyoda-ku, Tokyo | 2,316,700 | - | 2,316,700 | 0.89 |
| Total | - | 2,316,700 | - | 2,316,700 | 0.89 |

2) Information about officers

Followings are the changes in officers' titles from June 26, 2020 when the Company filed its annual securities report for the preceding fiscal year ended March 31, 2020 to the end of the cumulative second quarterly period excluding those described in the annual securities report.

| New title | Former title | Name | Date of change |
|---|---|------------------|----------------|
| Managing Director, General Manager of Finance Department | Director, General Manager of Finance Department | Shinichi UZAWA | June 28, 2020 |
| Director, Director in charge of Business Development Department | Director, Director in charge of Business Development Department and Director in charge of Corporate Administration & Human Resources Department | Masashi SHIBATA | June 28, 2020 |
| Director, Director in charge of Corporate Administration & Human Resources Department | Director | Manako HAGA | June 28, 2020 |
| Director, Director in charge of Customer Support Department and General Manager of Marketing Department | General Manager of Marketing Department | Takeshi TANAKA | June 28, 2020 |
| Managing Director, Director in charge of Corporate Division | Managing Director, General Manager of Finance Department | Shinichi UZAWA | August 1, 2020 |
| Director in charge of IT Division, General Manager of DX Department | Director, Director in charge of System Department | Kunihiko SATO | August 1, 2020 |
| Director in charge of Legal and Compliance Division | Director, General Manager of Compliance Department, Director in charge of Internal Audit Office | Motoo SAIGA | August 1, 2020 |
| Director in charge of Business Development Division, Director in charge of IT Division (IT Strategy) | Director, Director in charge of Business Development Department | Masashi SHIBATA | August 1, 2020 |
| Director in charge of Human Resources and General Affairs Division | Director, Director in charge of Corporate Administration & Human Resources Department | Manako HAGA | August 1, 2020 |
| Director in charge of Sales and Marketing Division | Director, Director in charge of Customer Support Department and General Manager of Marketing Department | Takeshi TANAKA | August 1, 2020 |
| Director in charge of Strategic Planning Division | Director | Michitaro MATSUI | August 1, 2020 |

Note 1: On June 28, 2020, members of the Management Committee were changed from directors whose position is Senior Managing Director or above to directors whose position is Managing Director or above. Accordingly, Shinichi UZAWA became a member of the Management Committee in addition to above mentioned change in title.

Note 2: Takeshi TANAKA was elected as a director on June 28, 2020 as planned, which is described in the annual securities report for the preceding fiscal year ended March 31, 2020. After this, his title was changed as described above.

4. Financial information

1) Prefaces

(1) About preparation method of quarterly financial statements

Quarterly financial statements of the Company are prepared in accordance with the “Regulations of Quarterly Financial Statements” (Cabinet Office Ordinance No. 63, 2007) and, pursuant to the Article 54 and 73 of the “Regulations of Quarterly Financial Statements”, also in accordance with the “Cabinet Office Order Concerning Financial Instruments Business” (Cabinet Office Order No.52, 2007) and the “Uniform Accounting Standards of Securities Business” (set by the board of directors of the Japan Securities Dealers Association, November 14, 1974).

(2) About certification by accounting auditors

Quarterly financial statements for the second quarter accounting period (From July 1, 2020 to September 30, 2020) and the cumulative second quarter period of the current fiscal year (from April 1, 2020 to September 30, 2020) were reviewed by PricewaterhouseCoopers Aarata LLC based on the Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

(3) About consolidated quarterly financial statements

Consolidated quarterly financial statements of the Company are not prepared because the Company has no subsidiaries.

2) Quarterly Financial Statements etc.

(1) Quarterly financial statements

[1] Quarterly balance sheet

| | (Millions of Yen) | |
|--|---|---|
| | Preceding fiscal year (March 31, 2020) | Second quarter accounting period (September 30, 2020) |
| Assets | | |
| Current assets | | |
| Cash and deposits | 52,501 | 60,678 |
| Cash segregated as deposits | 449,312 | 501,612 |
| Money held in trust | 2,844 | 2,846 |
| Trading products | 1,877 | 2,374 |
| Trading securities and other | 0 | 511 |
| Derivatives | 1,877 | 1,863 |
| Trade date accrual | 3 | - |
| Margin transaction assets | 161,594 | 227,707 |
| Loans on margin transactions | 154,302 | 217,697 |
| Cash collateral pledged for securities borrowing on margin transactions | 7,292 | 10,011 |
| Loans secured by securities | 21,188 | 26,363 |
| Cash collateral pledged for securities borrowed | 21,188 | 26,363 |
| Advances paid | 148 | 55 |
| Cash paid for offering | 354 | 394 |
| Short-term guarantee deposits | 3,378 | 3,092 |
| Other | 4,121 | 5,160 |
| Allowance for doubtful accounts | (49) | (69) |
| Total current assets | 697,272 | 830,213 |
| Non-current assets | | |
| Property, plant and equipment | 1,410 | 1,451 |
| Intangible assets | 4,410 | 5,220 |
| Software | 4,410 | 5,220 |
| Other | 0 | 0 |
| Investments and other assets | 5,222 | 4,867 |
| Investment securities | 3,874 | 3,363 |
| Other | 2,753 | 2,927 |
| Allowance for doubtful accounts | (1,405) | (1,423) |
| Total non-current assets | 11,042 | 11,539 |
| Total assets | 708,314 | 841,752 |

| | (Millions of yen) | |
|---|--|---|
| | Preceding fiscal year (March 31, 2020) | Second quarter accounting period (September 30, 2020) |
| Liabilities | | |
| Current liabilities | | |
| Trading products | 120 | 113 |
| Derivatives | 120 | 113 |
| Trade date accrual | - | 480 |
| Margin transaction liabilities | 44,846 | 50,875 |
| Borrowings on margin transactions | 6,369 | 3,259 |
| Cash received for securities lending on margin transactions | 38,477 | 47,616 |
| Borrowings secured by securities | 14,782 | 22,387 |
| Cash received on debt credit transaction of securities | 14,782 | 22,387 |
| Deposits received | 270,003 | 293,538 |
| Guarantee deposits received | 212,539 | 234,417 |
| Accounts for non-received securities and others | 27 | - |
| Short-term borrowings | 78,900 | 152,900 |
| Income taxes payable | 1,707 | 2,554 |
| Provision for bonuses | 125 | 84 |
| Other | 1,580 | 1,538 |
| Total current liabilities | 624,628 | 758,885 |
| Non-current liabilities | | |
| Long-term borrowings | 150 | 100 |
| Reserve for retirement bonuses for directors | 204 | - |
| Other | 202 | 201 |
| Total non-current liabilities | 556 | 301 |
| Reserves under special laws | | |
| Reserve for financial instruments transaction liabilities | 2,845 | 2,845 |
| Total reserves under special laws | 2,845 | 2,845 |
| Total liabilities | 628,029 | 762,032 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 11,945 | 11,945 |
| Capital surplus | 9,797 | 9,798 |
| Retained earnings | 57,841 | 57,549 |
| Treasury shares | (1,794) | (1,752) |
| Total shareholders' equity | 77,789 | 77,541 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 2,290 | 1,933 |
| Total valuation and translation adjustments | 2,290 | 1,933 |
| Share acquisition rights | 206 | 246 |
| Total net assets | 80,285 | 79,720 |
| Total liabilities and net assets | 708,314 | 841,752 |

[2] Quarterly statement of income

i. Cumulative second quarter period

| | (Millions of yen) | |
|--|---|---|
| | Cumulative second quarter period of the preceding fiscal year (From April 1, 2019 to September 30, 2019) | Cumulative second quarter period of the current fiscal year (From April 1, 2020 to September 30, 2020) |
| Operating revenue | | |
| Commission received | 6,015 | 8,789 |
| Brokerage commission | 5,681 | 8,425 |
| Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors | 6 | 26 |
| Fees for offering, secondary distribution and solicitation for selling and others for professional investors | 28 | - |
| Other fees received | 301 | 338 |
| Net trading income | 602 | 414 |
| Financial revenue | 4,651 | 4,984 |
| Other operating revenue | 1 | 1 |
| Total operating revenue | <u>11,269</u> | <u>14,188</u> |
| Financial expenses | <u>885</u> | <u>749</u> |
| Net operating revenue | <u>10,384</u> | <u>13,440</u> |
| Selling, general and administrative expenses | | |
| Trading related expenses | 2,052 | 2,684 |
| Personnel expenses | 1,333 | 1,356 |
| Real estate expenses | 564 | 513 |
| Office expenses | 1,316 | 1,566 |
| Depreciation | 992 | 1,042 |
| Taxes and dues | 145 | 261 |
| Provision of allowance for doubtful accounts | (83) | 59 |
| Other | 78 | 90 |
| Total selling, general and administrative expenses | <u>6,397</u> | <u>7,570</u> |
| Operating profit | <u>3,987</u> | <u>5,869</u> |
| Non-operating income | | |
| Dividend income | 79 | 56 |
| Other | 11 | 7 |
| Total non-operating income | <u>90</u> | <u>63</u> |
| Non-operating expenses | | |
| Other | 13 | 21 |
| Total non-operating expenses | <u>13</u> | <u>21</u> |
| Ordinary profit | <u>4,065</u> | <u>5,912</u> |
| Extraordinary income | | |
| Gain on sales of investment securities | - | 1,994 |
| Total extraordinary income | <u>-</u> | <u>1,994</u> |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 2 | 0 |
| Loss on valuation of investment securities | 20 | - |
| Total extraordinary losses | <u>22</u> | <u>0</u> |
| Profit before income taxes | <u>4,043</u> | <u>7,906</u> |
| Income taxes – current | 1,151 | 2,399 |
| Income taxes – deferred | 85 | 19 |
| Total income taxes | <u>1,236</u> | <u>2,417</u> |
| Profit | <u>2,806</u> | <u>5,488</u> |

[3] Quarterly statement of cash flows

| | (Millions of yen) | |
|--|---|---|
| | Cumulative second quarter period of the preceding fiscal year (From April 1, 2019 to September 30, 2019) | Cumulative second quarter period of the current fiscal year (From April 1, 2020 to September 30, 2020) |
| Cash flows from operating activities | | |
| Profit (loss) before income taxes | 4,043 | 7,906 |
| Depreciation | 992 | 1,042 |
| Increase (decrease) in allowance for doubtful accounts | (83) | 38 |
| Increase (decrease) in provision for bonuses | (123) | (41) |
| Interest and dividend income | (4,697) | (4,997) |
| Interest expenses | 856 | 702 |
| Loss (gain) on sales and retirement of non-current assets | 2 | 0 |
| Loss (gain) on sales of investment securities | - | (1,994) |
| Loss (gain) on valuation of investment securities | 20 | - |
| Decrease (increase) in cash segregated as deposits | 3,800 | (52,300) |
| Decrease (increase) in trading products - assets (liabilities) | (472) | (504) |
| Decrease (increase) in trade date accrual | (1) | 484 |
| Decrease/increase in assets/liabilities for margin transaction | 8,518 | (60,084) |
| Decrease (increase) in loans secured by securities | (2,025) | (5,175) |
| Decrease/increase in advance paid/deposits received | 20,398 | 23,628 |
| Increase (decrease) in borrowings secured by securities | 2,096 | 7,605 |
| Increase (decrease) in guarantee deposits received | (11,888) | 21,878 |
| Decrease (increase) in short-term guarantee deposits | (32) | 287 |
| Other, net | (398) | (368) |
| Subtotal | 21,004 | (61,895) |
| Interest and dividend income received | 4,402 | 4,230 |
| Interest expenses paid | (781) | (708) |
| Income taxes paid | (1,712) | (1,587) |
| Net cash provided by (used in) operating activities | 22,914 | (59,959) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (232) | (164) |
| Purchase of intangible assets | (1,437) | (1,812) |
| Purchase of investment securities | (252) | (32) |
| Proceeds from sales of investment securities | - | 2,000 |
| Other, net | 9 | (25) |
| Net cash provided by (used in) investing activities | (1,913) | (33) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | (4,950) | 74,000 |
| Proceeds from long-term borrowings | 300 | - |
| Repayments of long-term borrowings | (50) | (50) |
| Purchase of treasury shares | (0) | - |
| Proceeds from exercise of share options | 0 | 0 |
| Dividends paid | (16,673) | (5,778) |
| Net cash provided by (used in) financing activities | (21,373) | 68,172 |
| Effect of exchange rate change on cash and cash equivalents | (0) | (0) |
| Net increase (decrease) in cash and cash equivalents | (373) | 8,180 |
| Cash and cash equivalents at beginning of period | 39,108 | 55,345 |
| Cash and cash equivalents at end of period | (Note 1) 38,735 | (Note 1) 63,524 |

[4] Notes

i. Notes – Quarterly statement of cash flows

i) Note1: Reconciliation of ending balance of cash and cash equivalents with account balances on the balance sheet

| | Cumulative second quarter period of the preceding fiscal year (From April 1, 2019 to September 30, 2019) | Cumulative second quarter period of the current fiscal year (From April 1, 2020 to September 30, 2020) |
|---------------------------|--|--|
| Cash and deposits | 35,891 | 60,678 |
| Money held in trust | 2,844 | 2,846 |
| Cash and cash equivalents | 38,735 | 63,524 |

(Millions of yen)

ii. Notes – Equity

i) Cumulative second quarter period of the preceding fiscal year (From April 1, 2019 to September 30, 2019)

(i) Dividend payment

| Resolution | Class of shares | Total amount of dividends (millions of yen) | Dividend per share (yen) | Record date | Effective date | Source of dividends |
|--|-----------------|---|--------------------------|----------------|----------------|---------------------|
| Ordinary general meeting of shareholders held on June 23, 2019 | Common stock | 16,693 | 65.00 | March 31, 2019 | June 24, 2019 | Retained earnings |

Note: Dividend per share includes 39 yen of commemorative dividend for the 100th anniversary of the Company.

(ii) Dividends whose date of record is in the cumulative second quarter period of the current fiscal year and whose effective date is after the end of the second quarter accounting period of the current fiscal year

| Resolution | Class of shares | Total amount of dividends (millions of yen) | Dividend per share (yen) | Record date | Effective date | Source of dividends |
|--|-----------------|---|--------------------------|--------------------|-------------------|---------------------|
| Board of directors' meeting held on October 28, 2019 | Common stock | 5,779 | 22.50 | September 30, 2019 | November 22, 2019 | Retained earnings |

- ii) Cumulative second quarter period of the current fiscal year (From April 1, 2020 to September 30, 2020)

(i) Dividend payment

| Resolution | Class of shares | Total amount of dividends (millions of yen) | Dividend per share (yen) | Record date | Effective date | Source of dividends |
|--|-----------------|---|--------------------------|----------------|----------------|---------------------|
| Ordinary general meeting of shareholders held on June 28, 2020 | Common stock | 5,780 | 22.50 | March 31, 2020 | June 29, 2020 | Retained earnings |

- (ii) Dividends whose date of record is in the cumulative second quarter period of the current fiscal year and whose effective date is after the end of the second quarter accounting period of the current fiscal year

| Resolution | Class of shares | Total amount of dividends (millions of yen) | Dividend per share (yen) | Record date | Effective date | Source of dividends |
|--|-----------------|---|--------------------------|--------------------|-------------------|---------------------|
| Board of directors' meeting held on October 27, 2020 | Common stock | 5,139 | 20.00 | September 30, 2020 | November 24, 2020 | Retained earnings |

iii. Notes – Segment information etc.

i) Segment information

Disclosures on segment information are omitted since the Company is a provider of on-line securities trading service comprising a single segment.

iv. Notes – Financial instruments

Short-term borrowings is important in Company's business operation and there was a significant change in the book value as of September 30, 2020 compared to the book value as of March 31, 2020. However, disclosure on financial instruments is omitted, as the difference between the book value and the market value of short-term borrowings at the end of the first quarter accounting period of the current fiscal year and the difference between them at the end of preceding fiscal year are immaterial.

v. Notes – Securities

Not applicable.

vi. Notes – Derivatives

Not applicable.

vii. Notes – Per share information

Basic earnings per share and diluted earnings per share with their respective bases of calculation are as follows.

| Item | Cumulative second quarter period of the preceding fiscal year (From April 1, 2019 to September 30, 2019) | Cumulative second quarter period of the current fiscal year (From April 1, 2020 to September 30, 2020) |
|--|--|--|
| (1)Basic earnings per share (yen) | 10.93 | 21.36 |
| (Calculation basis) | | |
| Net profit (millions of yen) | 2,806 | 5,488 |
| Net profit not attributed to common stock(millions of yen) | - | - |
| Net profit attributed to common stock (millions of yen) | 2,806 | 5,488 |
| Average number of common stock outstanding (number of shares) | 256,823,689 | 256,910,223 |
| (2)Diluted earnings per share (yen) | 10.91 | 21.33 |
| (Calculation basis) | | |
| Adjustment to the net profit (millions of yen) | - | - |
| Increase in common stock (number of shares) | 313,277 | 365,196 |
| Overview of significant changes from the end of the preceding fiscal year in the share acquisition rights or others without dilution effects which are not considered in the calculation of diluted earnings per share | - | - |

3) Notes - Other

At the meeting held on October 27, 2020, the board of directors of the Company resolved to distribute interim dividends for shareholders recorded on September 30, 2020. The details are as follows.

| | |
|----------------------------|-------------------|
| Amount of dividend payment | 5,139 million yen |
| Dividend paid per share | 20.00 yen |
| Effective date | November 24, 2020 |

Part 2. Information about Company which Provides
Guarantee to Reporting Company

Not applicable.