Quarterly Securities Report for the Second Quarter of the 107th Fiscal Year (From July 1, 2022 to September 30, 2022)

Matsui Securities Co., Ltd.

1-4, Kojimachi, Chiyoda-ku, Tokyo
Representative: WARITA Akira, President & CEO

Original Japanese Report was filed with the Director of the Kanto Local Finance Bureau on November 11, 2022 pursuant to Article 24-4-7, Paragraph 1 of the Financial Instrument and Exchange Act.

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Notice to Readers 2: The accompanying quarterly financial statements are prepared in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. The financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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, 2022 to September 30, 2022) and the cumulative second quarter period of the current fiscal year (From April 1, 2022 to September 30, 2022) in the original Report.

Part 1. Company Information

1. Overview of Company

1) Key Financial Data

Fiscal period	Cumulative second quarter period of 106th Fiscal Year	Cumulative second quarter period of 107th Fiscal Year	106th Fiscal Year
Accounting Period	From April 1, 2021 to September 30, 2021	From April 1, 2022 to September 30, 2022	From April 1, 2021 to March 31, 2022
Operating revenue (millions of yen)	15,316	14,920	30,616
Net operating revenue (millions of yen)	14,747	13,941	29,439
Ordinary profit (millions of yen)	6,647	5,596	12,791
Profit (millions of yen)	6,397	3,860	11,439
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)	78,839	77,509	78,719
Total assets (millions of yen)	943,815	931,873	879,394
Basic earnings per share (yen)	24.89	15.01	44.50
Diluted earnings per share (yen)	24.85	14.99	44.44
Dividend paid per share(yen)	20.00	20.00	40.00
Equity-to-asset ratio (%)	8.3	8.3	8.9
Net cash provided by (used in) operating activities (millions of yen)	9,539	(47,678)	50,821
Net cash provided by (used in) investing activities (millions of yen)	890	(2,529)	67
Net cash provided by (used in) financing activities (millions of yen)	(16,187)	55,112	(50,374)
Cash and cash equivalents (millions of yen)	54,040	65,218	60,312

Fiscal period	Second quarter accounting period of 106th Fiscal Year	Second quarter accounting period of 107th Fiscal Year
Accounting Period	From July 1, 2021 to September 30, 2021	From July 1, 2022 to September 30, 2022
Basic earnings per share (Yen)	9.51	7.45

Note: 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. Overview 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, 2022.

2) Management Analysis of Financial Position, Operating Results and Cash Flows

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.

Matters concerning the future within this section are matters which have been determined by the Company as of the end of the current quarterly accounting period.

(1) Status and analysis of results of operations

In the domestic stock market in the cumulative second quarter period, the Nikkei Average at the beginning of the period opened at slightly above 27,600 yen, and then remained weak in April mainly due to concerns of economic slowdown caused by proactive monetary tightening in the U.S. Going into May, stock prices rose given high recognition towards easing of the lockdown in China and "the New Capitalism" put forward by the Kishida Administration, and also given the rise in export-related stocks backed by the weak yen, and in early June, the Nikkei Average recovered to above 28,000 yen. Thereafter, although stock prices temporarily declined, after the Liberal Democratic Party (LDP) achieved a landslide victory in the July Upper House elections, stock prices maintained strong performance backed by purchases of export-related stocks given the weak yen and strong dollar at levels for the first time in 24 years, and continued monetary easing by the BOJ, and in mid-August the Nikkei Average recovered to above 29,000 yen. Thereafter, as the U.S. which places weight on controlling inflation accelerated monetary tightening, stock prices again declined due to concerns towards slowdown of the world economy, and the Nikkei Average ended September trading at slightly over 25,900 yen.

Under this market environment, total trading value of stocks etc. in the two markets (Tokyo and Nagoya stock exchanges) increased by 9% compared to the cumulative second quarter period of the preceding fiscal year. Individual investors, who are our main customer base, refrained from active trading given the uncertainty of the future market environment, and stock etc. brokerage trading value by individual investors in the two markets increased by merely 3% compared to the same period in the preceding fiscal year. The percentage of the stock etc. brokerage trading value by individual investors in the two markets was 21%, which was slightly lower than the 22% level of the cumulative second quarter period in the preceding fiscal year. Furthermore, the aggregate stock etc. brokerage trading value of the Company decreased by 9% compared to the same period in the preceding fiscal year.

With respect to new initiatives by the Company in the cumulative second quarter period for the current fiscal year, regarding stock trading, interest and stock lending fees for "1 Day Margin Trading" was made free of charge, and realized the cheapest level of transaction cost for day trading in the industry. Furthermore, in order to improve customer convenience, a new investment information tool "Market Labo" which gathers all the necessary information for making investment decisions in one spot began to be provide. With respect to FX, the Company actively engaged in promotions such as tie-ups with e-sports events and made efforts to acquire new customers. Regarding U.S. stocks, in addition to improving functions of the customer website, the Company expanded the number of U.S. stock names handled to over 1,000 stocks. Furthermore, through the investment information media "Money Satellite" etc., efforts were made to enhance customer services by providing videos where young people and investment beginners may enjoy learning about asset management, as well as distributing videos introducing and explaining about individual Japanese and U.S. stocks names and FX.

Under the above background, during the cumulative second quarter period, commissions received was 8,042 million yen (7.8% decrease from the cumulative second quarter period of the preceding year) due to a decline in the brokerage trading value, etc. Furthermore, due to a decrease of the average balance of long positions of margin transactions, net financial revenues decreased by 11.7% to 4,990 million yen compared to that of the cumulative second quarter period of the preceding year.

As a result, operating revenue was 14,920 million yen (2.6% decrease from the same period of the preceding year), and net operating revenue was 13,941 million yen (5.5% decrease from the same period of the preceding year). Also, operating profit was 5,660 million yen (14.6% decrease from the same period of the preceding year), and ordinary profit was 5,596 million yen (15.8% decrease from the same period of the preceding year). Also due to the gain on sale of investment securities recorded of 2,590 million yen in the cumulative second quarter period of preceding fiscal year, net profit decreased significantly to 3,860 million yen (39.7% decrease from the same period of the preceding year).

Revenue and expense items are as described below.

(Commissions received)

Commissions received was 8,042 million yen (7.8% decrease from the same period of the preceding fiscal year). Of this figure, brokerage commission was 7,608 million yen (8.4% decrease from the same period of the preceding fiscal year) mainly due to a decline of brokerage trading value.

(Net trading income)

Net trading income was recorded a profit of 909 million yen, mainly due to FX trading profits.

(Net financial revenue)

Net financial revenue derived from subtracting financial expenses from financial revenue was 4,990 million yen (11.7% decrease from the same period of the preceding fiscal year). This was mainly due to a decrease in the average balance of customers' long positions of margin transactions.

(Selling, general and administrative expenses)

Selling, general and administrative expenses increased by 1.9% compared to the same period of the preceding fiscal year to 8,281 million yen. This was mainly due to a 21.8% increase in office expenses caused by increase of outsourcing fees, while trading related expenses decreased (9.9% decrease compared to the same period of the preceding fiscal year) resulting from a decrease in advertising costs, etc.

(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

The main assets of the Company are segregated deposits for customers (included in segregated deposits) where deposits received and guarantee deposits received etc. from customers are entrusted to trust banks, and margin transaction assets mainly comprised of margin loans. On the other hand, funds are being procured through short-term borrowings etc. for the purpose of allocating to margin loans. 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, total assets was 931,873 million yen, a 6.0% increase from the end of the preceding fiscal year. This was mainly due to an 18.1% increase in Margin loans to 273,362 million yen.

Total liabilities was 854,364 million yen, a 6.7% increase from the end of the preceding fiscal year. This was mainly due to a 35.8% increase in short-term borrowings to 227,900 million yen caused by increase of margin loans.

Total net assets was 77,509 million yen, a 1.5% 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 2022 which is 5,142 million yen, was recorded, and at the same time a quarterly profit of 3,860 million yen was recorded.

(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 47,678 million yen (plus 9,539 million yen for the cumulative second quarter period of the preceding fiscal year) mainly due to a decrease/increase in margin transaction assets and margin transaction liabilities

(Cash flows from investing activities)

Cash flows from investing activities was minus 2,529 million yen (plus 890 million yen for the cumulative second quarter period of the preceding fiscal year).

This was mainly due to purchase of intangible assets and purchase of investment securities.

(Cash flows from financing activities)

Cash flows from financing activities was plus 55,112 million yen (minus 16,187 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 65,218 million yen (54,040 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 source of margin loans. Recurring margin loans 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 margin loans 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 margin loans 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.

(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) Business issues and financial issues to be addressed

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) Material Contracts, etc.

Not applicable.

3. Information about Reporting Company

1) Company's Shares, etc.

(1) Total number of shares etc.

[1] Authorized 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, 2022)	Number of shares at the date of filing of this quarterly securities report (November 11, 2022)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Contents
Common stock	259,264,702	259,264,702	Tokyo stock exchange (Prime Market)	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, 2022 to the date of filing of this quarterly securities report.

(2) Share acquisition rights

[1] Details of share option program

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

Date of resolution	July 12, 2022
Persons eligible for the allotment and number of them	9 directors of the Company (excluding outside directors and directors who are members of the Audit and Supervisory Committee.)
Number of the share acquisition rights (Note *)	1,916
Class and number of shares subject to the share acquisition rights (shares) (Note *)	Common stocks: 191,600 (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 July 29, 2025 to July 28, 2028 (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 July 28, 2022, 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 July 29, 2025 is 643 yen per share. Issuance price of the share acquisition rights which can be exercised from July 29, 2026 is 628 yen per share. Issuance price of the share acquisition rights which can be exercised from July 29, 2027 is 613 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 (excluding directors and outside directors who are members of the Audit and Supervisory Committee.) 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 July 29, 2025 to July 28, 2026: Within one third of the number of rights originally allotted (Fraction of less than 1 share acquisition rights shall be rounded down.). [2] From July 29, 2026 to July 28, 2027: 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 July 29, 2027 to July 28, 2028: 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, share capital and legal capital surplus

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, 2022 to September 30, 2022	-	259,264,702	-	11,945	-	9,793

(5) Major shareholders

(As of September 30, 2022)

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	33.76
Shokosha Ltd.	2-4-2, Nishikata, Bunkyo-ku, Tokyo	35,722	13.89
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	33,397	12.99
Custody Bank of Japan, Ltd. (Trust account)	1-8-12, Harumi, Chuo-ku, Tokyo	11,321	4.40
MATSUI Chizuko	Bunkyo-ku, Tokyo	5,321	2.07
MATSUI Michitaro	Bunkyo-ku, Tokyo	5,262	2.05
MIKI Chiaki	Republic of Singapore	5,262	2.05
MATSUI Yuma	Bunkyo-ku, Tokyo	5,262	2.05
MATSUI Michio	Bunkyo-ku, Tokyo	4,503	1.75
HSBC HONGKONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Business Department)	1 QUEEN'S ROAD CENTRAL.HONG KONG (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	1,719	0.67
Total	-	194,580	75.67

Note1: In addition to the above, the Company owns 2,124 thousand shares of treasury stock.

Note2: The Company is not able to comprehensively grasp the number of shares held by trust banks, etc. for their trustee business. Accordingly, the number of shares held by each trust banks, etc. is presented by the number recorded under its title in the list of registered shareholders.

(6) Voting rights

[1] Issued shares

(As of September 30, 2022)

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: 2,124,000	-	-
Shares with full voting rights (Other)	Common stock: 257,100,600	2,569,134	-
Shares less than 1 unit of shares	Common stock: 40,102	-	-
Total number of issued shares	259,264,702	-	-
Voting rights of all shareholders	-	2,569,134	-

Note 1: 400 shares under the title of Japan Securities Depositary Center Inc. and 187,200 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 Depositary Center Inc. are included in "Number of voting rights." The 1,872 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, 2022)

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	2,124,000	-	2,124,000	0.82
Total	-	2,124,000	-	2,124,000	0.82

2) Directors (and other officers)

There were no changes to the Company's officers in the cumulative second quarter period of the current fiscal year, after the date of the filing of the annual securities report for the preceding fiscal year, excluding those described in the annual securities report.

4. Financial information

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, 2022 to September 30, 2022) and the cumulative second quarter period of the current fiscal year (From April 1, 2022 to September 30, 2022) 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.

1) Quarterly Financial Statements etc.

(1) Quarterly financial statements

[1] Quarterly balance sheet

(Millions of Yen)

	Preceding fiscal year (March 31, 2022)	Second quarter accounting period (September 30, 2022)
Assets		
Current assets		
Cash and deposits	57,300	62,124
Segregated deposits	530,512	536,212
Money held in trust	3,012	3,094
Trading products	2,534	3,562
Trading securities and other	0	12
Derivatives	2,534	3,550
Trade date accrual	25	8
Margin transaction assets	235,567	277,165
Margin loans	231,435	273,362
Cash collateral provided for securities borrowed in margin transactions	4,132	3,803
Loans secured by securities	22,436	21,897
Cash collateral provided for securities borrowed	22,436	21,897
Advances paid	52	228
Deposits paid for underwritten offering, etc.	763	741
Short-term guarantee deposits	9,103	7,399
Other	5,493	6,346
Allowance for doubtful accounts	(54)	(28)
Total current assets	866,742	918,748
Non-current assets		
Property, plant and equipment	1,264	1,374
Intangible assets	6,858	6,663
Software	6,858	6,663
Other	0	0
Investments and other assets	4,529	5,088
Investment securities	2,008	2,724
Other	3,829	3,599
Allowance for doubtful accounts	(1,307)	(1,235)
Total non-current assets	12,652	13,125
Total assets	879,394	931,873

(Millions of yen)

	Preceding fiscal year (March 31, 2022)	Second quarter accounting period (September 30, 2022)
Liabilities		
Current liabilities		
Trading products	508	1,111
Derivatives	508	1,111
Margin transaction liabilities	47,250	38,169
Margin borrowings	7,347	7,884
Cash received for securities sold in margin transactions	39,903	30,285
Borrowings secured by securities	21,409	28,694
Cash collateral received for securities lent	21,409	28,694
Deposits received	309,469	303,328
Guarantee deposits received	244,992	247,828
Payables for securities to receive over due for delivery	28	-
Short-term borrowings	167,850	227,900
Income taxes payable	2,839	1,681
Provision for bonuses	309	109
Other	2,766	2,013
Total current liabilities	797,420	850,832
Non-current liabilities		
Long-term borrowings	-	200
Other	185	233
Total non-current liabilities	185	433
Reserves under special laws		
Reserve for financial instruments transaction liabilities	3,070	3,099
Total reserves under special laws	3,070	3,099
Total liabilities	800,675	854,364
Net assets		
Shareholders' equity		
Share capital	11,945	11,945
Capital surplus	9,799	9,801
Retained earnings	58,364	57,082
Treasury shares	(1,642)	(1,606)
Total shareholders' equity	78,466	77,222
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	16	46
Total valuation and translation adjustments	16	46
Share acquisition rights	236	242
Total net assets	78,719	77,509
Total liabilities and net assets	879,394	931,873

[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, 2021 to September 30, 2021)	Cumulative second quarter period of the current fiscal year (From April 1, 2022 to September 30, 2022)
Operating revenue		
Commission received	8,719	8,042
Brokerage commission	8,309	7,608
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	42	10
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	0	0
Other commission received	369	424
Net trading income	374	909
Financial revenue	6,222	5,969
Other operating revenue	1	-
Total operating revenue	15,316	14,920
Financial expenses	569	979
Net operating revenue	14,747	13,941
Selling, general and administrative expenses		
Trading related expenses	3,064	2,761
Personnel expenses	1,439	1,577
Real estate expenses	495	449
Office expenses	1,582	1,927
Depreciation	1,179	1,221
Taxes and dues	287	244
Provision of allowance for doubtful accounts	(27)	(36)
Other	103	137
Total selling, general and administrative expenses	8,123	8,281
Operating profit	6,624	5,660
Non-operating income		
Dividend income	47	7
Gain on investments in investment partnerships	-	4
Other	11	12
Total non-operating income	58	23
Non-operating expenses		
Loss on investments in investment partnerships	29	78
Other	6	9
Total non-operating expenses	34	87
Ordinary profit	6,647	5,596
Extraordinary income		
Gain on sale of non-current assets	22	-
Gain on sale of investment securities	2,590	-
Gain on redemption of investment securities	-	18
Total extraordinary income	2,612	18
Extraordinary losses		
Loss on sale and retirement of non-current assets	3	18
Provision of reserve for financial instruments transaction liabilities	41	29
Total extraordinary losses	44	47
Profit before income taxes	9,216	5,567
Income taxes – current	2,697	1,550
Income taxes – deferred	122	157
Total income taxes	2,819	1,707
Profit	6,397	3,860

[3] Quarterly statement of cash flows

(Millions of yen)

	Cumulative second quarter period of the preceding fiscal year (From April 1, 2021 to September 30, 2021)	Cumulative second quarter period of the current fiscal year (From April 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	9,216	5,567
Depreciation	1,179	1,221
Increase (decrease) in allowance for doubtful accounts	(38)	(99)
Increase (decrease) in provision for bonuses	(144)	(200)
Increase (decrease) in reserve for financial instruments transaction liabilities	41	29
Interest and dividend income	(6,219)	(5,897)
Interest expenses	529	939
Loss (gain) on sale and retirement of non-current assets	(20)	18
Loss (gain) on sale of investment securities	(2,590)	-
Loss (gain) on redemption of investment securities	-	(18)
Decrease (increase) in Segregated deposits	6,100	(5,700)
Decrease (increase) in trading products - assets (liabilities)	(15)	(425)
Decrease or increase in trade date accrual	(49)	17
Decrease/increase in margin transaction assets/liabilities	(18,053)	(50,678)
Decrease (increase) in loans secured by securities	9,126	538
Decrease/increase in advance paid/deposits received	6,257	(6,317)
Increase (decrease) in borrowings secured by securities	2,510	7,285
Increase (decrease) in guarantee deposits received	1,648	2,835
Decrease (increase) in short-term guarantee deposits	(748)	1,704
Other, net	(921)	(279)
Subtotal	7,810	(49,460)
Interest and dividends received	5,706	5,310
Interest paid	(503)	(861)
Income taxes paid	(3,473)	(2,666)
Net cash provided by (used in) operating activities	9,539	(47,678)
Cash flows from investing activities		
Purchase of property, plant and equipment	(202)	(381)
Proceeds from sale of property, plant and equipment	142	150
Purchase of intangible assets	(1,532)	(1,554)
Purchase of investment securities	(245)	(856)
Proceeds from sale of investment securities	2,597	-
Proceeds from redemption of investment securities	-	118
Other, net	131	(7)
Net cash provided by (used in) investing activities	890	(2,529)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(11,000)	60,000
Proceeds from long-term borrowings	-	300
Repayments of long-term borrowings	(50)	(50)
Proceeds from exercise of employee share options	0	0
Dividends paid	(5,137)	(5,138)
Net cash provided by (used in) financing activities	(16,187)	55,112
Effect of exchange rate change on cash and cash equivalents	(0)	0
Net increase (decrease) in cash and cash equivalents	(5,758)	4,906
Cash and cash equivalents at beginning of period	59,798	60,312
Cash and cash equivalents at end of period	(Note 1) 54,040	(Note 1) 65,218

[4] Notes

i. Notes - Changes in accounting policies

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement " (Accounting Standards Board of Japan ("ASBJ") Guidance No.31, June 17, 2021; hereinafter referred to as "Implementation Guidance on Accounting Standard for Fair Value Measurement"), from the beginning of the first quarter accounting period of the current fiscal year. In accordance with the transitional treatment prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, a new accounting policy prescribed by the Implementation Guidance on Accounting Standard for Fair Value Measurement is applied prospectively. There is no impact on the quarterly financial statements.

ii. Notes – Quarterly statement of cash flows

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

(Millions of yen)

	Cumulative second quarter period of the preceding fiscal year (From April 1, 2021 to September 30, 2021)	Cumulative second quarter period of the current fiscal year (From April 1, 2022 to September 30, 2022)
Cash and deposits	51,106	62,124
Money held in trust	2,934	3,094
Cash and cash equivalents	54,040	65,218

iii. Notes – Equity

i) Cumulative second quarter period of the preceding fiscal year (From April 1, 2021 to September 30, 2021)

(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 27, 2021	Common stock	5,139	20.00	March 31, 2021	June 28, 2021	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, 2021	Common stock	5,141	20.00	September 30, 2021	November 22, 2021	Retained earnings

ii) Cumulative second quarter period of the current fiscal year (From April 1, 2022 to September 30, 2022)

(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 26, 2022	Common stock	5,142	20.00	March 31, 2022	June 27, 2022	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, 2022	Common stock	5,143	20.00	September 30, 2022	November 24, 2022	Retained earnings

iv. 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.

v. Notes – Financial instruments

Not applicable.

vi. Notes – Securities

Not applicable.

vii. Notes – Derivatives

Not applicable.

viii. Notes – Revenue recognition

Disclosures on segment information have been omitted since the Company is a provider of on-line securities trading service comprising a single segment. The following table provides information on the breakdown of revenue generated from contracts with customers.

Cumulative second quarter period of the preceding fiscal year (From April 1, 2021 to September 30, 2021)

(Millions of yen)

	On-line securities trading service
Revenue generated from contracts with customers	8,719
Commission received	8,719
Brokerage commission	8,309
Equity & ETF, etc.	7,864
Futures & Options	445
Other	410
Other revenue	6,597
Financial revenue	6,222
Net trading income	374
Other operating revenue	1
Total operating revenue	15,316

Cumulative second quarter period of the current fiscal year (From April 1, 2022 to September 30, 2022)

(Millions of yen)

	On-line securities trading service
Revenue generated from contracts with customers	8,042
Commission received	8,042
Brokerage commission	7,608
Equity & ETF, etc.	6,967
Futures & Options	642
Other	434
Other revenue	6,878
Financial revenue	5,969
Net trading income	909
Total operating revenue	14,920

ix. 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, 2021 to September 30, 2021)	Cumulative second quarter period of the current fiscal year (From April 1, 2022 to September 30, 2022)
(1)Basic earnings per share (yen)	24.89	15.01
(Calculation basis)		
Net profit (millions of yen)	6,397	3,860
Net profit not attributed to common stock(millions of yen)	-	-
Net profit attributed to common stock (millions of yen)	6,397	3,860
Average number of common stock outstanding (number of shares)	257,009,606	257,109,339
(2)Diluted earnings per share (yen)	24.85	14.99
(Calculation basis)		
Adjustment to the net profit (millions of yen)	-	-
Increase in common stock (number of shares)	364,426	395,310
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	-	-

2) Notes - Other

At the meeting held on October 27, 2022, the board of directors of the Company resolved to distribute interim dividends for shareholders recorded on September 30, 2022. The details are as follows.

Amount of dividend payment	5,143 million yen
Dividend paid per share	20.00 yen
Effective date	November 24, 2022

Part 2. Information about reporting company's guarantor, etc.

Not applicable.