

Annual Securities Report for the 105th Fiscal Year (From April 1, 2020 to March 31, 2021)

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 June 21, 2021 pursuant to Article 24, Paragraph 1 of the Financial Instrument and Exchange Act.

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Notice to Readers 3: The original Annual Securities Report is attached with an audit report by PricewaterhouseCoopers Aarata LLC for the financial statements for the fiscal year ended March 31, 2021.

Part 1. Company Information

1. Overview of Company

1) Summary of Business Results

Fiscal year	101 st	102 nd	103 rd	104 th	105 th
End of fiscal year	March 2017	March 2018	March 2019	March 2020	March 2021
Operating revenue (millions of yen)	27,727	32,210	27,313	24,150	30,082
Net operating revenue (millions of yen)	26,499	30,480	25,999	22,345	28,672
Ordinary profit (millions of yen)	15,044	18,632	13,592	9,016	12,919
Profit (millions of yen)	10,697	12,908	9,562	6,136	10,283
Equity in earnings of affiliates if equity method is applied (millions of yen)	-	-	-	-	-
Share capital (millions of yen)	11,945	11,945	11,945	11,945	11,945
Total number of issued shares (shares)	259,264,702	259,264,702	259,264,702	259,264,702	259,264,702
Net assets (millions of yen)	94,820	98,751	96,579	80,285	79,213
Total assets (millions of yen)	770,716	836,318	695,993	708,314	961,791
Net assets per share (yen)	369.02	384.12	375.45	311.72	307.23
Dividend paid per share [Interim dividend paid per share] (yen)	33.00 [13.00]	44.00 [17.00]	84.00 [19.00]	45.00 [22.50]	40.00 [20.00]
Basic earnings per share (yen)	41.67	50.28	37.24	23.89	40.02
Diluted earnings per share (yen)	41.65	50.24	37.20	23.86	39.96
Equity-to-asset ratio (%)	12.3	11.8	13.9	11.3	8.2
Rate of return on equity (%)	11.4	13.4	9.8	7.0	12.9
Price-earnings ratio (times)	20.90	19.17	27.98	33.19	22.51
Payout ratio (%)	79.2	87.5	225.6	188.4	100.0
Net cash provided by (used in) operating activities (millions of yen)	11,510	(39,665)	103,499	60,195	(111,926)
Net cash provided by (used in) investing activities (millions of yen)	(2,014)	(2,067)	(2,011)	(2,749)	(1,607)
Net cash provided by (used in) financing activities (millions of yen)	(10,269)	51,908	(101,650)	(41,209)	117,986
Cash and cash equivalents (millions of yen)	29,093	39,269	39,108	55,345	59,798
Number of employees [Average number of temporary workers]	123 [197]	130 [191]	142 [195]	142 [216]	154 [195]
Total shareholder return [Comparison: Dividend-included TOPIX] (%)	94.3 [114.7]	108.6 [132.9]	125.4 [126.2]	104.2 [114.2]	119.6 [162.3]
Highest share price (yen)	1,040	1,087	1,318	1,057	986
Lowest share price (yen)	775	820	945	621	734

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.

Note 3: The year-end dividend of 84.00 yen for the 103rd fiscal year includes 39.00 yen of commemorative dividend for the 100th anniversary of the Company.

Note 4: 40.00 yen dividend paid per share for the 105th fiscal year includes year-end dividend of 20.00 yen which is to be resolved at the ordinary general meeting of shareholders scheduled to be held on June 27, 2021.

Note 5: The highest and lowest share prices are quoted from the 1st section of the Tokyo Stock Exchange.

2) Company History

The Company's history starts from Matsui Fusakichi Shoten which was established at Nihombashi, Tokyo in May 1918. It was reorganized as a legal person, Matsui Shoten Co., Ltd. in March 1931 which evolves to the present Company.

Month and year	Event
May 1918	Matsui Fusakichi Shoten was established and became a general member of the Tokyo Stock Exchange Co., Ltd.
March 1931	Matsui Shoten Co., Ltd. was incorporated.
December 1947	Trade name of the Company was changed to Matsui Securities Co., Ltd.
August 1948	The Company was registered as a securities firm.
April 1949	Takeshi MATSUI became the second President & CEO. The Company became a regular member, which is now called a participant of general trading, of the reopened Tokyo Stock Exchange.
April 1968	The Company was granted a license under the former Securities and Exchange Law.
January 1979	The head office was relocated to 1-20-7, Nihombashi, Chuo-ku, Tokyo.
December 1987	Masatoshi MATSUI became the third President & CEO.
June 1995	Michio MATSUI became the fourth President & CEO.
April 1996	The Company eliminated stock custodian fees.
February 1997	The Company reduced trading commissions for shares traded on the OTC market, cutting them by one-half.
May 1998	The Company started "Netstock", first full-fledged on-line brokerage service in Japan. The Company started first on-line margin trading service in Japan. The Company started on-line Nikkei average futures option (long position) services.
December 1998	The Company was registered as a securities firm under article 28 of former Securities and Exchange Act.
October 1999	The Company introduced new brokerage fee structure ("Box Rate") following the total deregulation of brokerage fee.
June 2000	Trade name of the Company was changed to Matsui Securities Co., Ltd. (The change is in the Chinese characters pronounced as the same.).
September 2000	The Company revised its brokerage fee structure ("Box Rate") to charge tabled fixed commissions according to the tabled range of total value of trades in one day.
March 2001	The Company became a specified regular member, which is now called a participant of general trading, of Nagoya Stock Exchange.
April 2001	The Company introduced an on-line foreign exchange margin trading service.
August 2001	The Company listed its shares on the first section of the Tokyo Stock Exchange (Securities Code: 8628). The Company deregulated its own internal rules with respect to the minimum guarantee amount for the margin trades.
December 2001	The Company won the 1 st Porter Prize promoted by the Graduate School of International Corporate Strategy, Hitotsubashi University.
May 2002	The Company overhauled its "Netstock" service. The Company entered into underwriting business.
September 2002	The Company introduced stock lending service ("Yokabu") which offers its customers lending fees for their securities deposited at the Company.
October 2002	The Company started offering MMF in foreign currencies. The Company started to accept underage minors' accounts.
November 2002	The Company started supporting donation between its customers' accounts.
April 2003	The Company revised its brokerage commission structure "Box Rate" which merged all brokerage commissions including stock and option trading commissions into "1 box" structure.
July 2003	The Company started services for unlimited margin trading.
November 2003	The Company started a service which enables customers to mail their securities to the Company using Japan Post's Yu-Pack service.
June 2004	The head office was relocated to and registered at 1-4, Kojimachi, Chiyoda-ku, Tokyo.
July 2004	The Company started services for selling in its unlimited margin trading.
April 2005	The Company started services for Nikkei average futures trading and services for selling in Nikkei average options trading.
July 2005	The Company opened Sapporo Call Center.

Month and year	Event
April 2006	The Company revised its commission structure for stocks, futures and options trading to fit for broader types of investors.
July 2006	The Company started services for “Nikkei 225 mini” trading.
September 2006	The Company introduced real time trading tool "Netstock High Speed".
November 2007	The Company started services for Nikkei average futures and options trading in the evening session. The Company started a service for real-time withdrawal of money fund, which enables customers to have their money deposited at the Company wired to their bank account at the time of request by them.
February 2008	The Company won “6 th Prize for the Enhancement of Individual Shareholder Base” by the Tokyo Stock Exchange’s “Listing Company Prizing Initiative”.
March 2009	The Company introduced real time information application "KABU touch" for smartphones.
January 2011	The Company abolished charging fees for small amount stock investments.
November 2011	The Company reduced its fees for Nikkei average futures trading to the lowest level among major on-line securities brokers.
January 2013	The Company introduced "Margin Trading Service for Day-trades" taking advantage of the newly relaxed deposit rules for margin trading.
March 2014	The Company introduced “Premium Short-Selling Services” for “Margin Trading Service for Day-trades”.
February 2015	The Company introduced “Futures Trading Service for Day-trades” limited to day-trades.
May 2015	The Company introduced new website for customers “Netstock Smart.”
October 2016	The Company totally overhauled its website.
November 2016	The Company started investment trust business and offering the portfolio offering service “Toshin Kobo”.
March 2018	The Company started “Night Trade” services for stock trading.
May 2018	The Company started services called “Best Match” to provide price improvement opportunities for customers in their stock trades.
April 2019	The Company renewed the FX trading platform for clients.
December 2019	The Company abolished commission for selling investment trusts. The Company broadened the scope of small-amount transactions available free of charge.
April 2020	The Company started the “Toshin (Investment Trust) Monthly Cash Return Service” where a portion of the trust fees of the investment trusts are refunded in cash.
June 2020	Akira WARITA became the fifth President & CEO.
January 2021	The Company started “Short-term Margin Trading” service. The Company began the service of accepting on-line “cross-trading orders” used for the purpose of acquiring shareholders’ benefits rights etc.
February 2021	The Company renewed the FX trading platform for clients and commenced the new brand “MATSUI FX”.
March 2021	The Company established the investment information media “Money Satellite”. The Company commenced providing the new smartphone application “Matsui Securities Stocks App”.

3) Description of Business

The Company’s main business is stock brokerage services for individual investors and the Company provides an on-line securities trading service. Specifically, the Company provides brokerage services of stocks, futures and options, provides services for underwriting, offering and secondary distribution and solicitation for selling, sells investment trusts, and provides FX (foreign exchange margin trading) services. Since the Company is a provider of on-line securities trading service comprising a single segment, segment information is omitted.

4) Overview of Affiliated Company

Not applicable.

5) Information about Employees

(1) About the Company

(As of March 31, 2021)			
Number of employees	Average age (years old)	Average length of service (years)	Average annual compensation (thousands of yen)
154 (195)	40.1	12.4	9,181

Note 1: Number of employees is the number of workers including employees dispatched from other companies to the Company. Number of employees includes 3 employees on leave of absence.

Note 2: Average annual compensation includes bonus and extra wages.

Note 3: Number of temporary workers are shown in parenthesis and not included in the number of employees. Number of temporary workers are average number of workers at work for the recent 1 year.

Note 4: Information by each segment is omitted since the Company is a provider of on-line securities trading service comprising a single segment.

(2) About employees' union

Concerning the Company, Matsui Securities Co., Ltd. Employees' Union is organized which consists of employees of the Company and whose headquarters is located at the headquarters of the Company. The total number of union members as of March 31, 2021 is 100.

Labor-management relations are good and there are no matters worthy of special mention like a dispute between labor and management.

2. Business Overview

1) Management Policy, Business Environment, and Issues to be Addressed, etc.

Matters concerning the future within this section are matters which have been determined by the Company as of the end of the current fiscal year ended March 31, 2021.

(1) Basic management policy

The Company has upheld the corporate philosophy of "Supporting the prosperous lives of customers by providing financial products and services which have value to individual investors". The Company believes that in order to realize this corporate philosophy, it is most important to provide the value of superior customer experience, and is making efforts to provide financial products and services which satisfy the various needs of individual investors in order to support the customers' investments and asset formation.

(2) Target management indicators

The Company upholds the management objective to maximize profits as well as shareholder value by effectively utilizing its limited management resources. The Company is of the view that ROE (Return on Equity ratio) which indicates the efficiency of capital (i.e. degree of the effective use of management resources) is the most appropriate targeted management indicator. Furthermore, the Company has positioned ROE as an important indicator related to the continuous creation of shareholders value, and has adopted a mid-term to long-term management objective to achieve ROE which exceeds the cost of shareholders' equity (currently 8%).

The ROE for the current fiscal year ended March 31, 2021 was 12.9%, which increased from 7.0% in the preceding fiscal year against the background of

increase in stock brokerage trading value and the balance of margin transactions etc. The above-mentioned target has been achieved, and the Company will continue to strive to improve capital efficiency going forward in the mid- to long-term.

(3) The management environment

By concentrating management resources to the on-line brokerage business, the Company has maintained low-cost and efficient operations. Furthermore, the Company believes that the reason why it has been receiving stable support from customers is due to 1) its strong brand and name recognition as the pioneer on-line brokerage firm and its credibility based on it, 2) the easy-to-understand commission structure which is price competitive, 3) simple and easy-to-use trading tools, and 4) a full support system which has been developed taking into account special features of conducting operations without having shops on the ground. On-line communication has become spread widely under the COVID-19 pandemic environment, and it is recognized that on-line based business is becoming increasingly competitive as a business, in addition to being more operationally efficient. The Company believes that this trend will accelerate, and intends to firmly maintain the policy to concentrate on the on-line based business model and improve such services.

In 1998, the Company was the first firm in Japan to start providing on-line stock brokerage services. Since then, the proportion of customers of on-line brokerage firms within the total stock brokerage trading value by individual investors has continued to increase year-on-year, and currently exceeds 90%. On the other hand, the ratio of shareholdings of on-line brokerage firms' customers to total shareholdings held by individuals still remains at around 30%, even though such ratio is increasing year-to-year. The inflow of share assets from face-to-face brokerage firms to on-line brokerage firms is continuing, and we believe that there is still room going forward for increase of stock trading value by individuals through on-line brokerage firms.

In the on-line securities industry, with respect to stock trading value by individuals, an oligopoly by the 7 main brokerage firms (i.e. Matsui Securities, SBI Securities, Rakuten Securities, au Kabucom Securities, MONEX, GMO CLICK Securities, Okasan Online Securities) is continuing, and the shares of each firm's stock trading value for individuals have become immobilized reflecting their respective trading commission levels. Trading commissions in the industry have decreased to its lowest levels, and as a result, the commission fee reduction battle to gain customers had settled down in recent years. However, since the latter half of September 2019, in the U.S. on-line brokerage industry, large brokerage firms successively announced of making brokerage commissions free of charge, and also in the on-line brokerage industry in Japan, there were movements towards making stock trading commissions partially free of charge, or expanding the scope of transactions enjoying free commissions. However, since the business environment and earning structure of on-line brokerage companies in the U.S differ largely from those in Japan, so far the trend in Japan has been confined to making margin transaction commissions free of charge in combination with an increase in margin transaction interest rates or a partial reduction of commissions where there is little impact on earnings. Also, there is almost no change in the market share of main brokerage firms.

Given such a trend, the competing brokerage companies have been revisiting their earnings structures, and it is believed that these companies will move towards diversification of revenue sources even more than before, in order to reduce their

dependence on stock trading commissions, by focusing on expanding business into areas such as FX (foreign exchange margin trading), investment trusts, wholesale business, investment business, and strengthening services which will increase profits from assets deposited by customers.

As a new trend in the industry in recent years, there are many new entrants coming in from other industrial sectors and FinTech ventures. The current business model of on-line brokerage firms, even though they may seem to have a wide customer base in terms of number of accounts, is in the state where most of their income is dependent on only a fraction of the customers who have high frequency of trading. The trend among new entrants is to aim for a long-tail business model and earn income by approaching a large number of customers, even though the size of assets held by each customer may be small. This challenging factor towards a new business model is a common issue facing the entire industry, including existing brokerage firms like the Company as well as new entrants.

(4) Medium- to long-term management strategies

[1] Strengthening of the stock brokerage business

The Company focuses on the on-line based stock brokerage business as its main business. In order to maintain and expand its share of stock trading value by individuals within the on-line securities industry, the Company intends to continue developing and providing high value-added products and services which will contribute to customer satisfaction and strengthen its customer base going forward.

In the current fiscal year ended March 31, 2021, the Company began providing “short-term margin trading” service, under which it became possible to trade stocks with shareholders’ benefits, which cannot be held as short positions under unlimited margin trading. Furthermore, the Company was the first among the large on-line brokerage firms to begin the service of accepting on-line “cross-trading orders” used for the purpose of acquiring shareholders’ benefits rights and carrying over repayment deadlines in margin trading. The Company also commenced providing the “Matsui Securities Stocks App” in an effort to improve convenience of trading. Also, for IPO stocks which are popular among individual investors, as a result of making efforts to increase the number of underwritings by enhancing the organization of the division in charge of corporate marketing, the number of IPO stocks handled doubled compared to the preceding fiscal year.

[2] Expansion and improvement of products and services

The stock brokerage business which is the Company’s main revenue source is currently highly dependent on a portion of the customer base which has high frequency of trading, and as a result, the current situation is that there is a high correlation between stock market conditions and the Company’s business performance. In order to respond to long-term changes to the business environment, expansion of the Company’s business operations is indispensable, and the Company’s policy is to actively expand and improve on-line products and services. Furthermore, for businesses which require technology and expertise which the Company does not have, the Company’s policy is to actively pursue alliances with outside firms such as FinTech venture firms.

In particular, with respect to the investment trust service commenced in

November 2016, the Company is making continuous efforts to expand and improve the service and to increase the assets deposit balance. In the current fiscal year ended March 31, 2021, the Company commenced the “Toshin (Investment Trust) Monthly Cash Return Service” where a portion of the trust fees are refunded in cash to the customers, a first service of its kind in Japan, in an effort to reduce costs to customers who hold investment trusts. The Company also continued to expand the investment trusts handled, added ESG / SDGs-related investment trusts that have been attracting attention in recent years. The Company believes that efforts to enhance the investment trusts business will contribute to future expansion of asset services.

As to the FX business, the Company fully renewed the service in May 2019, by renovating FX trading channels of PCs and smartphones as well as expanding currency pairs for trading and lowering monetary units for trading. In the current fiscal year ended March 31, 2021, the new brand “MATSUI FX” began under the concept of “FX with Comfort: easy to start from small amounts even for first-timers”. Furthermore, the spreads of all currency pairs decreased to the lowest levels in the industry, and also minimum trading units were lowered to one monetary unit. The Company will continue to enhance its business aiming to expand transaction volume.

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

Upon implementing the basic management policy and medium- to long-term management strategies described in (1) and (4) above, operational and financial issues to be addressed by the Company are as follows.

[1] Improvement of name recognition

The Company’s core customer base is individual investors of 50 years of age or older, who make up for half of the number of accounts, and nearly 80% of total assets deposited by customers. This state is believed to be a common trend in the entire financial services industry for individual customers, and not only for the on-line securities industry. On the other hand, when looking at the breakdown of persons opening new accounts at the Company, customers in their 30’s or younger make up for more than 40% of the total, showing an inflow of younger generation customers. In order to maintain and expand the Company’s customer base in the long-term, it is important to improve name recognition among the current younger generation in particular. The Company will continue to make efforts to improve its brand and name recognition.

In the current fiscal year ended March 31, 2021, the Company strengthened its efforts to improve recognition through TV commercials and posting the Company name as advertisement inside the bench areas of Tokyo Dome, and also continued to enhance promotions targeting customers reaching major life events such as employment, job changes, marriage, giving birth, child-raising, and retirement. In addition to expanding the contents of the special website “Life and Matsui” created under the concept of “Throw all your anxieties towards Matsui”, the Company also disseminated video advertisements and ran campaigns through SNS, etc. As a new effort, the Company collaborated with the comprehensive portal site “Mynavi Wedding” which provides wedding preparation services and “Middle Senior Magazine” which is an information site which aims to enrich the lives and careers of middle aged and older people, and transmitted information useful for asset formation.

[2] Expansion of customer base

On-line brokerage firms including the Company may seem to have a wide customer base in terms of the number of accounts, however, the ratio of active accounts to the entire number of accounts is low, and a large part of income is dependent on only a portion of the customers who have a high frequency of trading. Therefore, one issue which needs to be addressed going forward is to continue to expand its customer base.

In the current fiscal year ended March 31, 2021, “d POINT” provided by NTT DOCOMO was added as an exchange option for the Matsui Securities point plan. By collaborating with the cross-industry service with more than 79 million members and approximately 90 thousand affiliated stores (stores and websites) where “d POINT” can be used, the Company is aiming to expand its customer base.

On the other hand, financial assets of individual investors deposited with face-to-face brokerage firms have continued to flow into the on-line securities industry, and the ratio of shareholding amounts of customers of on-line brokerage firms to total shareholding amounts of individual investors has been increasing year-on-year. Therefore, the Company has continued efforts to strengthen its trading services targeting those customers who have high frequency of trading, such as stocks, futures, and FX, as well as focusing on investment trusts which is an asset service for customers who are seeking asset formation for the future, although they may have low trading frequency. Furthermore, within the area of investment trusts, by the “Toshin (Investment Trust) Monthly Cash Return Service” commenced in the current fiscal year, the Company will continue to promote the inflow of customers and assets from face-to-face brokerage firms to on-line brokerage firms in order to acquire new customers.

[3] Improvement of service quality

As there is no large difference in the financial products provided among the on-line brokerage firms, the Company believes that it is important to make efforts so that customers will perceive the Company as being a high-value-add brokerage firm, by providing highly convenient trading tools and valuable investment information.

In the current fiscal year ended March 31, 2021, the Company began providing the “Matsui Securities Stocks App” which makes it possible to gather information and also execute transactions all in one application through a simple and easy-to-use screen and content-rich information search function. Furthermore, as a new investment information tool, the Company began providing the “Activist Chase Tool” where one can grasp the transaction trends of major investors including activists, and which can be used in combination with stock charts. Also, the Company newly established the investment information media “Money Satellite” which enhanced the provision of investment information which supports the asset management of both investment beginners as well as the experienced investors.

[4] Securing stability of trading systems and enhancement of security

Securing safety of the trading system is the lifeline of on-line brokerage firms. In order to make customers comfortable to trade, the Company will seek to take measures to counter conceivable risks such as system failures, cyber-attacks, and natural disasters, as well as to secure capacity to prepare for increase in trading volume and ensure stable operations of the trading system.

In the current fiscal year ended March 31, 2021, in order to enhance security, more complicated conditions were adopted for passwords and transaction passcodes, and SMS identification was introduced for registration and change of destination bank accounts.

In the current fiscal year ended March 31, 2021, the Company announced in March of the incident where a former employee of SCSK Corporation, to which the Company outsources the development and operations of its securities trading system, impersonated customers of the Company and sold securities, and illegally acquired the sales proceeds of such sale and other cash which had been deposited. The Company recognizes that the cause of this incident was the insufficiency of its monitoring system. As measures to prevent recurrence, the Company strengthened its authority management and monitoring system. Going forward, the Company intends to continue to make efforts to recover confidence by further strengthening its control of external contractors through the enhancement of the communication network management etc.

[5] **Strengthening of the compliance system and enhancement of the customer support system**

The Company will make further efforts to strengthen its compliance system in order to maintain and improve its credibility as a financial institution. Furthermore, in order to deal with the expansion and improvement of business along with the expansion and improvement of products and services, taking into account the unique features of operating without shops on ground, the Company will further enhance its customer support system through call centers.

In the current fiscal year ended March 31, 2021, the “Stocks Trading Consultation Counter” was opened to be considerate of each customer’s desires and investment stance and to support each customer’s decision making in searching for stocks and the timing of transactions. Furthermore, the toll-free “MATSUI FX Anshin (Comfort) Support” telephone consultation desk was established which can be used during the night time for FX support, in an effort to organize a customer support system to allow customers to transact with comfort. The Company’s call centers have received the highest “3-Star” evaluation for ten consecutive years under the “FY2020 Support Service Benchmarking (Securities Industry)” sponsored by HDI-Japan (Help Desk Institute), a third-party evaluation institution.

2) Business Risks

Of the matters related to status of business and status of accounting etc. as described in the securities report, the main risks recognized by management as possibly having a significant impact on the financial condition, results of operations, and status of cash flow are as follows.

Matters concerning the future within this section are matters which have been determined by the Company as of the end of the current fiscal year ended March 31, 2021.

(1) High degree of dependence on the stock brokerage business

The Company has adopted the strategy to concentrate its management resources to the on-line based brokerage business, and the stock brokerage business for individual investors makes up for a large portion of the Company’s income. The Company’s main sources of revenues are stock brokerage commission income

and interest income earned from lending funds to margin transaction customers, which make up for approximately 90% of the total operating income for the current fiscal year. Going into the future, if stock etc. brokerage trading value of individual investors or the balance of margin loans should decrease due to sluggish market conditions, the stock etc. brokerage trading value or lending amounts to margin trading customers of the Company should decline due to changes in the competitive environment, or commissions or interest rates are reduced due to the competitive environment, there may be a material adverse effect on the business performance of the Company.

Furthermore, although the Company's policy is to actively proceed with strengthening the stock brokerage business as well as expanding and improving on-line products and services such as the investment trust business and FX business, there is no assurance that such expansion of business may necessarily proceed as anticipated due to changes in market trends of the subject areas or due to changes to the competitive environment with other firms.

(2) Competition with other financial institutions

The Company's main business is the stock brokerage business for individual investors. However, the Company is facing a severe environment, as there are some competing companies engaged in the same business who are in a stronger position than the Company in terms of financial resources, technological capabilities, marketing capacity, service-related aspects, name recognition, and customer base, etc. In particular, there are many on-line brokerage firms who are offering lower brokerage commissions in order to acquire customers. Furthermore, in 2019, following the trend in the U.S. on-line securities industry where large firms began to make stock brokerage commissions free of charge, there were moves among some on-line brokerage firms in Japan to make a part of stock brokerage commissions free of charge, or to expand the scope of transactions which were subject to free commissions. Also, in recent years, new entries into the market from other industry sectors and FinTech ventures have continued, and it is envisioned that the competitive environment will become more severe than before. Going into the future, if competition with other financial institutions escalates, there is a possibility that it may have an adverse effect on the Company's business, due to loss of existing customers to other firms, decrease in acquisition of new customers, and increase in advertisements and promotion costs required for acquiring customers.

(3) Risk related to margin transactions etc.

[1] The effect of margin transactions towards the capital-to-risk ratio

Financial instruments business operators are required to maintain a certain level of capital-to-risk ratio, based on the Financial Instruments and Exchange Act, the Cabinet Office Order on Financial Instruments Business etc., and the Financial Services Agency Public Notice on Establishment of Standards for Calculation of Financial Instruments Business Operators' Amount Equivalent to Market Risk, Amount Equivalent to Counterparty Risk, and Amount Equivalent to Basic Risk (hereinafter referred to as the "FSA Public Notice"). The capital-to-risk ratio means the ratio of the non-fixed assets portion of the capital amount to the total sum of the amount for covering possible risks which may accrue due to the fluctuation of prices of the securities held or other reasons (Article 46-6 of the Financial Instruments and Exchange Act).

Financial instruments business operators are required to maintain a capital-to-risk ratio of no less than 120% (Article 46-6, Paragraph 2 of the same Act), and as of the end of March 2021, the Company has maintained a sufficient level of capital-to-risk ratio.

Under the FSA Public Notice, the amount equivalent to counterparty risk is defined as 2% of margin transaction assets, and since increase in the balance of margin transactions will increase counterparty risk for the Company, it is a factor which will lower the capital-to-risk ratio. Going forward, if the balance of margin transactions of the Company continues to increase, it will become necessary to procure capital in order to maintain the capital-to-risk ratio. At such time, if the Company is not able to procure sufficient capital, the Company will be forced to restrict provision of credit to customers. In such case, there is a possibility that the Company will lose the opportunity to earn stock brokerage commission income and interest income. Furthermore, if regulations are amended and the method of calculation of counterparty risk etc. is changed, it could possibly be a factor which decreases the capital-to-risk ratio.

[2] Credit risk towards customers

In margin transactions which is a prime revenue source for the Company, because such transactions require granting of credit to customers, there is a possibility that the Company may be exposed to credit risk of customers depending on changes to market conditions. In other words, when the customer incurs a loss from margin transactions and the value of the collateralized substitute securities falls, the value of the collateral deposited by the customer may become insufficient, and there is a possibility that margin loans made to customers cannot be fully recovered. In such case, there may be an adverse effect on the business performance of the Company.

Furthermore, there are similar risks in stock index future trading, Nikkei stock index option trading (short positions), and FX (foreign exchange margin trading).

[3] Risk related to funds procurement

With respect to source of funding for margin loans regarding standardized margin transactions, the Company borrows money from securities finance companies in addition to using self-procured funds. However, depending on the fluctuations in market conditions, the value of the securities etc. provided as collateral to securities finance companies may decrease, and additional collateral may be required, in which case borrowings etc. will need to be made by the Company on its own. Furthermore, regarding negotiable margin transactions, as normally there are more restrictions on borrowing funds compared to standardized margin transactions, currently such transactions are funded by bank borrowings etc. However, depending on movements in financial markets, the Company's business conditions, or downgrade of its credit ratings, there is a possibility that appropriate funding may not be achieved. Going into the future, depending on the level of cost of funding, there is a possibility that the Company's net financial income may deteriorate or it may become difficult to obtain required funding, in which case there is a possibility that use of negotiable margin transactions may be restricted. In such case, there may be an adverse effect on the business performance of the Company, or opportunities for earning for fee income or interest income may be lost.

Furthermore, upon repayment etc. of borrowings from financial institutions, depending on movements in financial markets, the Company's business

conditions, or downgrade of its credit ratings, there is a possibility that refinancing of loans, or borrowing of new loans, or issue of bonds etc. may not be possible under proper conditions. In such case, there may be an adverse effect on the business performance of the Company.

(4) Risk related to systems

Stable systems operations is an important factor for an on-line stock brokerage business which processes information related to customer transactions in high volumes at once, and if any system failure or damages, etc. which is incurred from cyber-attacks occurs and it fails to function, it may have material effect on the Company's business.

Such system failures may arise due to problems of hardware or software, or due to human error, or otherwise due to sudden increase in the number of accesses, communication line failure, computer viruses, computer crimes, or disasters etc. The systems used by the Company have been designed anticipating increase in the number of accesses, and measures such as system duplication have been taken in order to counter various conceivable risks. However, if a large volume of orders exceeding expectations is received, or if for some reason the system is damaged or ceases to operate, there is a possibility that orders from customers may not be properly processed. In such case, there may be an adverse effect on the business performance of the Company.

The Company has been making efforts to defend its systems from cyber-attacks. However, if such measures are not sufficient or adequate, and damages are incurred from cyber-attacks, there is a possibility that the system may become dysfunctional or customer information may be leaked etc. In such case, there may be adverse impact on the financial performance of the Company.

Furthermore, if system failure or cyber-attack occurs, or if the Company is not able to appropriately respond to system failures or cyber-attacks, there is a possibility that the Company may be subject to punishment from the supervisory agencies or be held liable including being claimed for damages, and also there is the possibility that the Company's systems and the support system may lose credibility leading to reduction of customers. In such case, there may be an adverse effect on the business performance of the Company.

If unexpected system processing or administrative processes caused by human factors such as erroneous operations or erroneous processing arise, or if such circumstances cannot be appropriately controlled, the system may fail to function or losses may be incurred associated with handling such function failure, and there is a possibility that it may have significant effect on the Company's business.

With respect to system-related parties including external contractors, the Company may grant them with certain authorities depending on the respective work to be performed, and monitors the status of the use of such authorities granted; however, if monitoring is not sufficient or adequate and unauthorized use of systems cannot be prevented, there is a possibility that confidence towards the Company's system may deteriorate and customers may be lost. In such case, there may be an adverse impact on the financial performance of the Company.

(5) Underwriting business

The Company is engaged in underwriting services for initial public offerings of shares etc. Upon underwriting securities, underwriting risk arises as the Company incurs underwriting responsibility. The Company determines underwriting

amounts carefully so that shares are not left over in public offerings and secondary offerings; however, if the Company is not able to sell the securities which it underwrites, depending on the movements in the price of the remaining public offering or secondary offering shares, there is a possibility that losses may be incurred. Furthermore, if a scandal event arises with respect to a company for which the Company has conducted underwriting, there is a possibility that the Company's credibility may deteriorate or customers may be lost, or the Company may be held responsible and be claimed for damages by customers. In such case, there may be an adverse effect on the business performance of the Company.

(6) Handling of personal information

It is important for the Company in conducting business to prevent damages from improper acquisition or tampering of personal information or individual numbers of customers. The Company has taken adequate security measures to prevent the improper use of personal information etc. and has conducted internal administration and supervision of outsourcing contractors. However, in the case where personal information is leaked etc. in the future, there is a possibility that the Company may be claimed for compensation of damages or receive administrative punishment by the supervising agency, or the Company's credibility may significantly fall. In such case, it may have an adverse effect on the business performance of the Company.

Furthermore, there is a possibility that the decline in credibility towards security or information management at other brokerage firms, or firms which are engaged in e-commerce, may lead to the decline in credibility of the internet and also the Company's systems. In such case, it may have an adverse effect on the business performance of the Company.

(7) Contracts with external business operators

The Company has entered into business outsourcing contracts with many external business operators in relation to various business affairs. In particular, SCSK Corporation is an important outsourcing contractor of the Company, since the Company has entrusted operations and development of the stock trading system, as well as related back-office operations such as preparation of statutory books and processing of data etc. The Company has also entrusted the operation and development of automatic-updating type trading tools provided to customers to several external business operators. With respect to the handling of inquiries from customers at the Sapporo Center, it is being operated by workers dispatched from Transcosmos Inc. Furthermore, corporate information, market information, and stock information provided to customers are received from information service providers such as QUICK Corp.

In the case where an event occurs which requires such external business operators to interrupt or cease providing its services to the Company, and the Company is not able to promptly take alternative measures, there is a possibility that it may interfere with the Company's business. In particular, in the case where it becomes difficult to maintain a contractual relationship with SCSK Corporation, or if a problem occurs with the Company's systems due to a deterioration of the software development capacity of SCSK Corporation, or if such capacity becomes obsolete and it becomes difficult to maintain the confidence of customers, it will become necessary for the Company or a third party to newly build an alternative system. In such case, if appropriate alternative measures are not taken immediately, there is a possibility that the Company may need to cease providing services to customers, which may have an adverse effect on the

business performance of the Company. Furthermore, the Company may be asked to increase expense payments to the external business operators due to revisions etc. of contracts with such operators, in which case, it may likewise have an adverse effect on the business performance of the Company.

Furthermore, if a breach of laws, regulations, and rules etc. by external business operators occurs, there is a possibility that the Company may receive punishment from the supervisory agencies, and also there is a possibility that the Company's social credibility may significantly decline. In such case, there may be an adverse effect on the business performance of the Company.

(8) FX (Foreign exchange margin trading)

For the purpose of offering FX (foreign exchange margin trading) service to customers and to make profits from such service, the Company engages in foreign exchange margin trading with customers, and at the same time, the Company also engages in foreign exchange margin trading with financial institution counterparties in order to control foreign currency risks. With respect to positions arising from transactions with customers, the Company is exposed to foreign exchange risks for positions held which are not covered by cover transactions; however, in principle, all positions are covered at the end of trading on each business day.

The Company has prescribed risk limit amounts for foreign exchange margin trading within its internal rules, and in principle, the Company seeks to manage foreign exchange risks by entering into cover transactions, marry transactions and other dealings based on preset algorithms.

However, despite having such a company policy, in cases where FX losses arise which exceed the assumptions made in the algorithms due to unexpected fluctuations in foreign exchange rates, there is a possibility that there may be an adverse effect on the financial condition of the Company.

Also, as the Company uses its own funds to deposit guarantee money to the cover counterparties, the Company is exposed to the credit risk of its cover counterparties (margin money from customers are completely segregated from the Company's own funds and deposited with a trust bank). Depending on future changes to economic conditions etc., if the credit risk of cover counterparties deteriorate, there is a possibility that it may have an adverse effect on the financial condition of the Company.

(9) Introduction of new regulations due to revisions in laws, regulations, and rules etc.

If new regulations are introduced with respect to business conducted by the Company, and revisions etc. are made to the Financial Instruments and Exchange Act, Act on Sales, etc. of Financial Instruments, Act on Prevention of Transfer of Criminal Proceeds, Act against Unjustifiable Premiums and Misleading Representations, Act on the Protection of Personal Information, Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures, or other laws, regulations, or rules etc., there is a possibility that the profitability of relevant businesses may decline. In such case, there may be an adverse effect on the business performance of the Company.

(10) Compliance with laws regulations, and rules etc.

The Company is regulated by the Financial Instruments and Exchange Act, Act on Sales, etc. of Financial Instruments, and other laws, regulations, and rules etc., and the Company has made efforts to strengthen its compliance system. However, if a breach of laws, regulations, and rules etc. occurs in the future, there is a possibility that the Company may receive punishment from the supervisory agencies, and also there is a possibility that the Company's social credibility may significantly decline. In such case, there may be an adverse effect on the business performance of the Company.

Furthermore, although the Company has taken measures to educate its officers and employees regarding compliance so that they comply with laws, regulations, and rules, if such measures do not function effectively and there is a acts of dishonesty or breach by an officer or employee of the Financial Instruments and Exchange Act or other laws, regulations, and rules, etc. such as insider trading, there is a possibility that such acts may lead to a decline in the credibility of the Company. In such case, there may be an adverse effect on the business performance of the Company.

(11) Natural disasters etc.

In order to prepare for cases where it becomes difficult to conduct normal business operations due to natural disasters, fires, epidemics (Please refer to (12)), etc., the Company has prepared a business continuity plan, organized related manuals, and conducts periodic drills. However, if a natural disaster such as earthquakes etc., fires, long-term blackouts, epidemics, international disputes, or terrorist attacks occur, there may be an adverse effect on the business performance of the Company. In particular, as the Company's headquarters and main offices are located in the Tokyo metropolitan area, if a natural disaster occurs in the Tokyo metropolitan area, there is a possibility that the Company may be affected such as having to cease providing services. In such case, there may be an adverse effect on the business performance of the Company.

(12) About COVID19 (New Coronavirus)

With respect to the spreading of infection of COVID 19 in Japan, the Company has made efforts to prevent the spread of infection by restricting employees' contact with others within and outside of the Company, and by promoting staggered working hours and telework from home, and utilizing on-line meeting systems, based on the policies of the national and regional government. As for specific countermeasures, based on the business continuity plan, a task force has been established headed by the representative director and president and comprised of directors as members. However, depending on the type of work, some job duties cannot be performed from home, and in the case where a large number of employees are infected and cannot come to the office, there is a risk that significant delay may arise in dealing with customers, which may have a material effect on the financial performance of the Company.

(13) Others

As of the end of the current fiscal year ended March 31, 2021, no material law suits etc. have arisen.

3) Management's Discussion and Analysis of the Financial Condition, Results of Operations, and Cash Flows

The discussion and analysis of the Company's results of operations etc. from the Management's perspective are described below. Also, given that the Company has only one business segment, the on-line securities transaction service, segment information 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 fiscal year ended March 31, 2021.

(1) Status and analysis of results of operations

In the domestic stock market for the fiscal year ended March 31, 2021, contrary to the flagging state of the Japanese economy due to the effects of the spreading of COVID-19, stock prices remained robust against the background of large-scale financial easing and economic stimulus measures etc. taken in countries around the world. The Nikkei Average which was slightly above 18,600 yen at the beginning of the period continued to rise given expectations towards the resumption of economic activities in Europe and the U.S., the lifting of the declaration of state of emergency in Japan, and expectations towards progress in vaccine development etc., and the Nikkei Average recovered to 23,000 yen in early June. Thereafter, stock prices remained sluggish due to concerns over the re-spreading of COVID-19 and stronger uncertainty towards additional economic stimulus measures; however, going into November, stock prices rose sharply given the progress in vaccine development and reports of the predominance of candidate Biden in the U.S. presidential race. From January, stock prices continued to increase given the certainty of change of the U.S. regime and higher expectations towards additional economic stimulus measures, as well as higher expectations towards the ending of COVID-19 given the penetration of vaccines. In mid-February, the Nikkei Average reached over 30,000 yen for the first time in approximately 30 and a half years. Thereafter, the Nikkei Average continued to go up and down between 28,000 yen to over 30,000 yen, as the rise in U.S. long-term interest rates weighed heavily preventing market rise. The Nikkei Average ended trading at the end of March at slightly over 29,100 yen.

Under such market environment, total trading value of stocks etc. in the two markets (Tokyo and Nagoya stock exchanges) increased by 18% compared to the end of the preceding fiscal year. Furthermore, individual investors who are the main customer base of the Company increased trading backed by increased buying power given the rise in the markets etc., and stock etc. brokerage trading value by individual investors in the two markets also increased sharply by 48% compared to the preceding fiscal 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 from 18% in the preceding fiscal year. Also, the aggregate stock etc. brokerage trading value of the Company also increased by 48% compared to the preceding year, given active trading by individual investors.

As new initiatives by the Company in the fiscal year ended March 31, 2021, give the heightened interest towards investments and asset formation backed by the favorable market environment, TV commercials were distributed and advertisements were posted in Tokyo Dome and internet advertisements were strengthened as measures to improve name recognition and as efforts to strengthen promotions. With respect to products and services, regarding stock

trading, the “short-term margin trading” service was newly commenced and efforts were made to expand the stock names which may be newly sold under margin trading. Furthermore, the Company was the first among the large on-line brokerage firms to begin the service of accepting on-line “cross-trading orders” used for the purpose of acquiring shareholders’ benefits rights etc. The Company also commenced providing the new smartphone application “Matsui Securities Stocks App” in an effort to improve convenience of trading. As to the FX business, the new brand “MATSUI FX” was commenced under the concept of “FX with Comfort which can be easily started from small amounts even for first-timers”. For investment trusts, the Company began offering the “Toshin (Investment Trust) Monthly Cash Return Service” where a portion of the trust fees are refunded in cash to the customers, and also continued to expand the investment trusts handled. Also, the Company enhanced its services to customers by opening the “Stocks Trading Consultation Counter” to support customers’ search for stocks and timing of transactions, and also distribute videos where customers may enjoy learning about asset management.

The Company announced in March of the incident where a former employee of SCSK Corporation, to which the Company outsources the development and operations of its securities trading system, impersonated customers of the Company and sold securities, and illegally acquired the sales proceeds of such sale and other cash which had been deposited. The costs for repayment to the customer who suffered damage was compensated by SCSK Corporation in the preceding fiscal year, and the incident had no significant impact on the Company’s financial performance for the current fiscal year.

During the fiscal year ended March 31, 2021, due to the increase in the stocks etc. brokerage trading value, commissions received was 18,557 million yen (37.6% increase compared to the preceding fiscal year). Also, net financial income increased by 20.1% compared to the preceding fiscal year at 9,286 million yen. This was mainly due to an increase in the average balance of customers’ long positions of margin transactions.

As a result, operating revenue was 30,082 million yen (24.6% increase from the preceding fiscal year), and net operating revenue was 28,672 million yen (28.3% increase from the preceding fiscal year). Also, operating profit was 12,827 million yen (44.0% increase from the preceding fiscal year), ordinary profit was 12,919 million yen (43.3% increase from the preceding fiscal year), and net profit was 10,283 million yen (67.6% increase from preceding fiscal year). In comparison with previous fiscal year, operating revenue, net operating revenue, operating profit, ordinary profit, and net profit significantly increased. Although the spreading of infection of COVID-19 is affecting the stock market, apart from the market trends themselves, there was no significant effect on the business due to the nature of business format of online securities.

Revenue and expense items are as described below.

(Commissions received)

Commissions received was 18,557 million yen (37.6% increase from the preceding fiscal year). Of this figure, brokerage commission was 17,812 million yen (38.6% increase from the preceding fiscal year), mainly due to a 48% increase (compared to the preceding fiscal year) in the stocks etc. brokerage trading amount.

(Net trading income)

Net trading income was recorded a profit of 828 million yen, mainly due to FX trading profits.

(Net financial revenue)

Net financial revenue derived from subtracting financial expenses from financial revenues was 9,286 million yen (20.1% increase from the preceding fiscal year). This was mainly due to an increase in the average balance of customers' long positions of margin transactions.

(Selling, general and administrative expenses)

Selling, general and administrative expenses increased by 17.9% compared to the preceding fiscal year to 15,845 million yen. This was mainly due to an increase in trading related expenses (29.9% increase compared to the same period of the preceding fiscal year) resulting from an increase of advertisement expenses and exchange fees, etc.

(Non-operating income and expenses)

Net non-operating income totaled 92 million yen. This was mainly due to dividend income of 81 million yen.

(Extraordinary income and losses)

Net extraordinary income totaled 1,899 million yen. This was mainly due to gain on sale of investment securities of 1,994 million yen.

The Company has adopted the mid-term to long-term management objective to achieve ROE which exceeds the cost of shareholders' equity (currently 8%). The ROE for the current fiscal year ended March 31, 2021 was 12.9% in the background of increase in the average balance of customers' long positions of margin transactions and increase in stock brokerage trading value etc. As the above-mentioned target has been achieved, the Company will make efforts to improve capital efficiency going forward in the mid- to long-term.

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

The main business of our 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 our company. Furthermore, financial revenue arising mainly from margin transactions is a factor having a material impact on the business performance of our 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 our company are customer-segregated fund trusts (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 our company are deposits received, guarantee deposits received and short-term borrowings.

As of the end of the current fiscal year, total assets was 961,791 million yen, a 35.8% increase from the end of the preceding fiscal year. This was mainly due to a 79.6% increase in margin loans compared to the end of the preceding fiscal year to 277,143 million yen, a 25.5% increase in Segregated deposits compared to the end of the preceding fiscal year to 564,012 million yen resulting from increases in deposits received and guarantee deposits received etc.

Total liabilities was 882,578 million yen, a 40.5% increase from the end of the preceding fiscal year. This was mainly due to a 163.5% increase in short-term borrowings compared to the preceding fiscal year to 207,900 million yen resulting from increases in margin loans, a 24.4% increase in deposits received compared to the end of the preceding fiscal year to 335,941 million yen, and a 16.8% increase in guarantee deposits received compared to the end of the preceding fiscal year to 248,255 million yen.

Total net assets was 79,213 million yen, a 1.3% decrease from the end of the preceding fiscal year. In the current fiscal year, the total amount of year-end dividends for the fiscal year ended March 2020 and interim dividends for the fiscal year ended March 2021, which is 10,919 million yen, was recorded, and at the same time a profit of 10,283 million yen was recorded.

(4) Analysis of status of cash flows

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

(Cash flows from operating activities)

Cash flows from operating activities was minus 111,926 million yen (plus 60,195 million yen for the preceding fiscal year). The main factors behind this were an increase in segregated deposits and an increase/decrease in assets/liabilities for margin transactions.

(Cash flows from investing activities)

Cash flows from investing activities was minus 1,607 million yen (minus 2,749 million yen for the preceding fiscal year). In the current fiscal year, purchase of intangible fixed assets, which is 2,638 million yen, was recorded, and at the same time proceeds from sale of investment securities of 2,000 million yen were recorded.

(Cash flows from financing activities)

Cash flows from financing activities was plus 117,986 million yen (minus 41,209 million yen for 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 current fiscal year was 59,798 million yen (55,345million yen at the end of the preceding fiscal year).

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

The Company has positioned as its management strategy the strengthening of the stock brokerage business and expansion and improvement of its products and services. In each fiscal year, the Company continues to provide on-line securities trading services, and continuously makes capital investments were made centered on investments in systems necessary for introduction of various new services and

enhancing of capacity and improvement of the trading system. Funds for growth is required in order to make such investments, and on the other hand, cash on hand is also necessary for day-to-day business operations. However, as of the end of the current fiscal year, both of these are fully covered within the scope of internal reserves.

The Company has secured sufficient levels of cash on hand to handle settlements of cash payments to customers in relation to stock brokerage transactions and debt credit transaction of securities etc. However the level is not necessarily stable depending on the status of day-to-day settlements etc.

The Company's fund procurements are conducted mainly to respond to increase in margin loans, however 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 current fiscal year ended March 31, 2021, 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.

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

The Company has adopted the mid- to long-term management objective to achieve an ROE exceeding its cost of shareholders' equity, and regarding return to shareholders, the Company's policy is to payout dividends for amounts equivalent to the excess over cost of shareholders' equity. The Company's cost of shareholders' equity as of the end of the current fiscal year ended March 31, 2021 has been assumed to be 8% by making reference to a capital asset pricing model. In addition to achieving ROE exceeding 8% as the mid- to long-term management objective, as a dividend policy, the Company also seeks to realize a dividend-on-equity (DOE) ratio of 8% or more for each fiscal period. Furthermore, the Company is targeting a dividend payout ratio for each fiscal period of 60% or higher.

The Company has maintained its capital-to-risk ratio at a sufficient level as of the end of the current fiscal year ended March 31, 2021, and if internal reserves increase even after making returns to shareholders, it will use such funds effectively as sources for margin loans and for making capital investments.

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

The Company's financial statements are prepared in conformity with accounting principles and practices generally accepted in Japan. Upon preparing these financial statements, certain estimates and assumptions are used which impact the reported amounts of assets, liabilities, revenues and expenditures; however,

there is a possibility that the figures based on these estimates and assumptions may differ from actual results.

Among the accounting estimates and assumptions used upon preparing the financial statements, the important ones are described under “5. Financial Information, 1. Financial Statements, etc. (1) Notes to financial statements (important accounting estimates)”.

4) Critical Contracts for Operation

Not applicable.

5) Research and Development Activities

Not applicable.

3. Information about Facilities

1) Overview of Capital Expenditures, etc.

In each fiscal year, the Company makes necessary investments in its IT systems in order to continue to provide on-line securities trading services. In the current fiscal year, capital investment of 3,530 million yen were made centered on investments in systems necessary for introduction of various new services and enhancing of capacity and improvement of the trading system. Since the Company is a provider of on-line securities trading service comprising a single segment, descriptions by segment are omitted. Descriptions by segment are also omitted in “2) Major Facilities” and “3) Planned Additions, Retirements, etc. of Facilities” by the same reason.

2) Major Facilities

The major facilities and the allocation of employees of the Company as of March 31, 2021 are as follows.

Name of office	Location	Content of facilities	Book value (millions of yen)				Number of employees
			Buildings	Equipment	Software	Total	
Head office	Chiyoda-ku, Tokyo	On-line securities systems, etc.	46	832	5,613	6,491	145 [29]
Sapporo call center	Chuo-ku, Sapporo-shi, Hokkaido	Call center equipment	5	36	5	46	8[163]

Note 1: Head office and Sapporo call center are rented from other companies.

Note 2: Data center facilities managed by head office are included in head office.

Note 3: Number in [] of number of employees is number of average temporary employees at work.

3) Planned Additions, Retirements, etc. of Facilities

The Company invests on systems in each fiscal year to add new services, to enhance capability of its on-line securities systems and to upgrade them while keeping capability of on-line securities systems stable. As of March 31, 2021 the Company plans to invest 4,800 million yen on systems for the fiscal year ends March 2022. The Company plans no significant addition nor retirements, etc. of facilities.

4. 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 end of current fiscal year (March 31, 2021)	Number of shares at the date of filing of this Report (June 21, 2021)	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 Report does not include shares issued upon exercise of share acquisition rights from June 1, 2021 to the date of filing of this Report.

(2) Share acquisition rights

[1] Details of share option program

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

Date of resolution	July 27, 2015
Persons eligible for the allotment and number of them	6 directors of the Company (excluding outside directors) (Note 1)
Number of the share acquisition rights (Note *)	54[0]
Class and number of shares subject to the share acquisition rights (shares) (Note *)	Common stocks: 5,400[0] (Note 2)
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 12, 2018 to August 11, 2021 (Note 3)
Issuance price and amount credited to equity capital in the event of share issuance upon the exercise of share acquisition rights (yen) (Note *)	Note 4
Conditions for the exercise of the share acquisition rights (Note *)	Note 5
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 6

Note *: The table above shows the contents as of the end of the current fiscal year. For matters that have changed between the end of the current fiscal year and the end of the month (May 31, 2021) prior to the filling date of this Report, the contents as of the end of the month prior to the filling date of this Report are shown in [], and other matters remain unchanged from the contents as of the end of the current fiscal year.

Note 1: The table above shows the contents as of date of resolution.

Note 2: 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 3: 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 4: Issuance price of the share acquisition rights which can be exercised from August 12, 2018 is 953 yen per share. Issuance price of the share acquisition rights which can be exercised from August 12, 2019 is 937 yen per share. Issuance price of the share acquisition rights which can be exercised from August 12, 2020 is 920 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 5: 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 12, 2018 to August 11, 2019: 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 12, 2019 to August 11, 2020: 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 12, 2020 to August 11, 2021: 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 6: 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.

ii. Third series of Matsui Securities Co., Ltd. share acquisition rights

Date of resolution	July 26, 2016
Persons eligible for the allotment and number of them	7 directors of the Company (excluding outside directors) (Note 1)
Number of the share acquisition rights (Note *)	411[320]
Class and number of shares subject to the share acquisition rights (shares) (Note *)	Common stocks: 41,100[32,000] (Note 2)
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 11, 2019 to August 10, 2022 (Note 3)
Issuance price and amount credited to equity capital in the event of share issuance upon the exercise of share acquisition rights (yen) (Note *)	Note 4
Conditions for the exercise of the share acquisition rights (Note *)	Note 5
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 6

Note *: The table above shows the contents as of the end of the current fiscal year. For matters that have changed between the end of the current fiscal year and the end of the month (May 31, 2021) prior to the filling date of this Report, the contents as of the end of the month prior to the filling date of this Report are shown in [], and other matters remain unchanged from the contents as of the end of the current fiscal year.

Note 1, Note 2 and Note 3: These notes are the same as Note 1, Note 2 and Note 3 of “Second series of Matsui Securities Co., Ltd. share acquisition rights”, respectively.

Note 4: Issuance price of the share acquisition rights which can be exercised from August 11, 2019 is 738 yen per share. Issuance price of the share acquisition rights which can be exercised from August 11, 2020 is 721 yen per share. Issuance price of the share acquisition rights which can be exercised from August 11, 2021 is 704 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 5: 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 11, 2019 to August 10, 2020: 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 11, 2020 to August 10, 2021: 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 11, 2021 to August 10, 2022: 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 6: This note is the same as Note 6 of “Second series of Matsui Securities Co., Ltd. share acquisition rights” with the “above table” appears in the Note 6 of “Second series of Matsui Securities Co., Ltd. share acquisition rights” to be understood as the above table here.

iii. Fourth series of Matsui Securities Co., Ltd. share acquisition rights

Date of resolution	July 27, 2017
Persons eligible for the allotment and number of them	8 directors of the Company (excluding outside directors) (Note 1)
Number of the share acquisition rights (Note *)	1,006[890]
Class and number of shares subject to the share acquisition rights (shares) (Note *)	Common stocks: 100,600[89,000] (Note 2)
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, 2020 to August 17, 2023 (Note 3)
Issuance price and amount credited to equity capital in the event of share issuance upon the exercise of share acquisition rights (yen) (Note *)	Note 4
Conditions for the exercise of the share acquisition rights (Note *)	Note 5
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 6

Note *: The table above shows the contents as of the end of the current fiscal year. For matters that have changed between the end of the current fiscal year and the end of the month (May 31, 2021) prior to the filling date of this Report, the contents as of the end of the month prior to the filling date of this Report are shown in [], and other matters remain unchanged from the contents as of the end of the current fiscal year. Note 1, Note 2 and Note 3: These notes are the same as Note 1, Note 2 and Note 3 of “Second series of Matsui Securities Co., Ltd. share acquisition rights”, respectively.

Note 4: Issuance price of the share acquisition rights which can be exercised from August 18, 2020 is 731 yen per share. Issuance price of the share acquisition rights which can be exercised from August 19, 2021 is 717 yen per share. Issuance price of the share acquisition rights which can be exercised from August 19, 2022 is 704 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 5: 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, 2020 to August 18, 2021: 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, 2021 to August 18, 2022: 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, 2022 to August 17, 2023: 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 6: This note is the same as Note 6 of “Second series of Matsui Securities Co., Ltd. share acquisition rights” with the “above table” appears in the Note 6 of “Second series of Matsui Securities Co., Ltd. share acquisition rights” to be understood as the above table here.

iv. Fifth series of Matsui Securities Co., Ltd. share acquisition rights

Date of resolution	July 5, 2018
Persons eligible for the allotment and number of them	8 directors of the Company (excluding outside directors) (Note 1)
Number of the share acquisition rights (Note *)	1,129
Class and number of shares subject to the share acquisition rights (shares) (Note *)	Common stocks: 112,900 (Note 2)
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 21, 2021 to July 20, 2024 (Note 3)
Issuance price and amount credited to equity capital in the event of share issuance upon the exercise of share acquisition rights (yen) (Note *)	Note 4
Conditions for the exercise of the share acquisition rights (Note *)	Note 5
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 6

Note *: The table above shows the contents at end of current fiscal year. There are no changes in these contents at the end of previous month (May 31, 2021) of the month when this Report is filed.

Note 1, Note 2 and Note 3: These notes are the same as Note 1, Note 2 and Note 3 of “Second series of Matsui Securities Co., Ltd. share acquisition rights”, respectively.

Note 4: Issuance price of the share acquisition rights which can be exercised from July 21, 2021 is 862 yen per share. Issuance price of the share acquisition rights which can be exercised from July 22, 2022 is 844 yen per share. Issuance price of the share acquisition rights which can be exercised from July 22, 2023 is 827 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 5: 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 July 21, 2021 to July 21, 2022: 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 22, 2022 to July 21, 2023: 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 22, 2023 to July 20, 2024: 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 6: This note is the same as Note 6 of “Second series of Matsui Securities Co., Ltd. share acquisition rights” with the “above table” appears in the Note 6 of “Second series of Matsui Securities Co., Ltd. share acquisition rights” to be understood as the above table here.

v. Sixth series of Matsui Securities Co., Ltd. share acquisition rights

Date of resolution	June 23, 2019
Persons eligible for the allotment and number of them	6 directors of the Company (excluding outside directors) (Note 1)
Number of the share acquisition rights (Note *)	1,203
Class and number of shares subject to the share acquisition rights (shares) (Note *)	Common stocks: 120,300 (Note 2)
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 11, 2022 to July 10, 2025 (Note 3)
Issuance price and amount credited to equity capital in the event of share issuance upon the exercise of share acquisition rights (yen) (Note *)	Note 4
Conditions for the exercise of the share acquisition rights (Note *)	Note 5
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 6

Note *: The table above shows the contents at end of current fiscal year. There are no changes in these contents at the end of previous month (May 31, 2021) of the month when this Report is filed.

Note 1, Note 2 and Note 3: These notes are the same as Note 1, Note 2 and Note 3 of “Second series of Matsui Securities Co., Ltd. share acquisition rights”, respectively.

Note 4: Issuance price of the share acquisition rights which can be exercised from July 11, 2022 is 825 yen per share. Issuance price of the share acquisition rights which can be exercised from July 12, 2023 is 807 yen per share. Issuance price of the share acquisition rights which can be exercised from July 12, 2024 is 790 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 5: 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 July 11, 2022 to July 11, 2023: 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 12, 2023 to July 11, 2024: 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 12, 2024 to July 10, 2025: 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 6: This note is the same as Note 6 of “Second series of Matsui Securities Co., Ltd. share acquisition rights” with the “above table” appears in the Note 6 of “Second series of Matsui Securities Co., Ltd. share acquisition rights” to be understood as the above table here.

vi. 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) (Note 1)
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 2)
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 3)
Issuance price and amount credited to equity capital in the event of share issuance upon the exercise of share acquisition rights (yen) (Note *)	Note 4
Conditions for the exercise of the share acquisition rights (Note *)	Note 5
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 6

Note *: The table above shows the contents at end of current fiscal year. There are no changes in these contents at the end of previous month (May 31, 2021) of the month when this Report is filed.

Note 1, Note 2 and Note 3: These notes are the same as Note 1, Note 2 and Note 3 of “Second series of Matsui Securities Co., Ltd. share acquisition rights”, respectively.

Note 4: 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 5: 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 6: This note is the same as Note 6 of “Second series of Matsui Securities Co., Ltd. share acquisition rights” with the “above table” appears in the Note 6 of “Second series of Matsui Securities Co., Ltd. share acquisition rights” to be understood as the above table here.

[2] Description of rights plan

Not applicable.

[3] 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 capital surplus (millions of yen)	Balance of legal capital surplus (millions of yen)
February 3, 2016 (Note)	(10,000,000)	259,264,702	-	11,945	-	9,793

Note: Change in number of outstanding shares is a decrease by cancellation of treasury shares.

(5) Shareholding by shareholder category

(As of March 31, 2021)

Classification	Status of shares (1 unit of shares consists of 100 shares)			
	National and municipal governments	Financial institutions	Securities companies	Other institutions
Number of shareholders	-	29	40	200
Number of shares held (units)	-	471,373	55,390	1,250,783
Ratio of number of shares held (%)	-	18.18	2.14	48.25

Classification	Status of shares (1 unit of shares consists of 100 shares)				Status of shares less than 1 unit
	Foreign corporations, etc.		Individuals, etc.	Total	
	Shareholders other than individuals	Individuals			
Number of shareholders	202	57	46,734	47,262	-
Number of shares held (units)	132,001	354	682,415	2,592,316	33,102
Ratio of number of shares held (%)	5.09	0.01	26.32	100.00	-

Note 1: Out of 2,304,946 treasury shares, 23,049 units are included in the "Individuals and others" and 46 shares are included in "Status of shares less than 1 unit". Also, the number of 2,304,946 treasury shares are the same as that of shares substantially held by the Company.

Note 2: 4 units under the title of Japan Securities Depository Center Inc. are included in "other institutions".

(6) Major shareholders

(As of March 31, 2021)

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	33.78
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	26,676	10.38
Custody Bank of Japan, Ltd. (Trust account)	1-8-12, Harumi, Chuo-ku, Tokyo	9,183	3.57
Chizuko MATSUI	Bunkyo-ku, Tokyo	5,321	2.07
Michitaro MATSUI	Bunkyo-ku, Tokyo	5,262	2.05
Chiaki MIKI	Bunkyo-ku, Tokyo	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 account)	1-8-12, Harumi, Chuo-ku, Tokyo	2,946	1.15
Total	-	186,910	72.74

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 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-holder hold shares shown below as of July 15, 2020. However, the Company cannot confirm the number of shares effectively held by them as of March 31, 2021. 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

(7) Voting rights

[1] Issued shares

(As of March 31, 2021)

Classification	Number of shares	Number of voting rights	Content
Shares without voting rights	-	-	-
Shares with limited voting rights (Treasury shares)	-	-	-
Shares with limited voting rights (Other)	-	-	-
Shares with full voting rights (Treasury shares)	(Shares held by the Company) Common stock: 2,304,900	-	-
Shares with full voting rights (Other)	Common stock: 256,926,700	2,568,310	-
Shares less than 1 unit of shares	Common stock: 33,102	-	-
Total number of issued shares	Common stock: 259,264,702	-	-
Voting rights of all shareholders	-	2,568,310	-

Note 1 : 400 shares under the title of Japan Securities Depository Center Inc. and 95,700 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 957 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 March 31, 2021)

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	2,304,900	-	2,304,900	0.89
Total	-	2,304,900	-	2,304,900	0.89

2) Acquisitions, etc. of Treasury Shares

Type of shares, etc.: Common stock.

(1) Acquisitions by resolution of shareholders' meeting

Not applicable.

(2) Acquisitions by resolution of board of directors' meeting

Not applicable.

(3) Acquisitions not based on resolution of shareholders' meeting or board of directors' meeting

Not applicable.

(4) Disposals or holding of acquired treasury shares

Classification	Current fiscal year		Following fiscal year	
	Number of shares	Total amount disposed (millions of yen)	Number of shares	Total amount disposed (millions of yen)
Acquired treasury shares offered for subscriber	-	-	-	-
Acquired treasury shares cancelled	-	-	-	-
Acquired treasury shares transferred concerning merger, share exchange, or corporate split	-	-	-	-
Other (exercise of share acquisition rights)	68,400	52	26,100	20
Number of treasury shares held	2,304,946	-	2,278,846	-

Note: "Number of treasury shares held" does not include the number of shares acquired concerning purchase of shares less than 1 unit of shares nor that of disposal of shares by the exercise of share acquisition rights from June 1, 2021 to the date when the Company files this Report.

3) Dividend Policy

The Company recognizes returning profit to shareholders is one of important management themes. The basic policy of the Company is to pay out dividends based on the business results. The Company seeks to meet shareholders' expectation through the pursuit to the expansion of the corporate value by strategic investments which contribute to the new growth. As the dividend policy, the Company pays dividend every year based upon the followings comprehensively considering business performance and optimum level of equity to support margin transaction services and strategic investment opportunities: 1) Dividend Payout Ratio is to be 60% or above and also 2) Dividend on Equity (DOE) is to be 8% or above.

The Company distributes the year-end dividend based on the resolution of the general meeting of shareholders and the interim dividend based on the resolution of the board of directors' meeting. Interim dividend based on September 30 every year, depending on the resolution of the board of directors meeting, is permitted by the company's articles of incorporation.

Annual dividends per share for the current fiscal year will be 40.00 yen including 20.00 yen interim dividends and 20.00 yen year-end dividends (as planned). As a result, the dividend payout ratio for the current fiscal year ended March 31, 2021 is 100.0% and DOE is 12.9%, which are in accordance with the basic policy. The Company determined the dividend level considering that the equity level is sufficiently high to support to deal with the case of sudden and rapid expansion of the margin trading services.

The Company will utilize effectively the capital with retained earnings by investing them on on-line securities trading system and by allocating them as working capital required to enhance margin trading services (loans to customers for their margin trading by the Company's own fund, etc.).

Dividends of surplus whose record date falls in the current fiscal year (the 105th fiscal year) is as follows.

Date of resolution	Total amount of dividends (millions of yen)	Dividend per share (yen)
Board of directors meeting held on October 27, 2020	5,139	20.00
Ordinary general meeting of shareholders scheduled to be held on June 27, 2021 (Note)	5,139	20.00

Note: This dividend is year-end dividend whose record date is March 31, 2021 and this is one of agenda of ordinary general meeting of shareholders scheduled to be held on June 27, 2021

4) Status of Corporate Governance, etc.

(1) Overview of Corporate Governance

[1] The Company's basic approach towards corporate governance

The Company has adopted a basic management policy for achieving sustainable growth and mid- to long-term improvement of corporate values, by developing and operating a highly efficient management system which can quickly, flexibly, and accurately respond to changes in the business environment, by maintaining soundness of management and transparency of business conditions, and by maintaining a relationship of trust with shareholders and other stakeholders. The Company intends to enhance corporate governance in order to realize the basic management policy.

[2] Overview of the corporate governance system and the reason for adopting the system

i. Overview of the Company's corporate governance system

The Company has established a Board of Directors as the decision-making and supervising organization for management, and the Management Committee as the organization to control overall business execution based on decisions made by the Board of Directors. A regular meeting of the Board of Directors is held once a month, and extraordinary meetings of the Board of Directors are held as necessary. In addition to making decisions on important matters related to management, the Board of Directors receives reports on the status of execution of business from each Director as well as detailed reports on the status of progress of business plans etc., and monitors business conditions. The Board of Directors consists of 11 directors, namely President & CEO Akira WARITA (Chairman), Managing Director Shinichi UZAWA, and directors Kunihiro SATO, Motoo SAIGA, Masashi SHIBATA, Manako HAGA, Takeshi TANAKA, Michitaro Matsui, Motoo IGAWA, Junji ANNEN and Satoshi ONUKI, of which 3 directors, Motoo IGAWA, Junji ANNEN and Satoshi ONUKI are outside directors. Outside directors give advice and recommendations based on their knowledge and experience regarding managerial decisions in general, ranging from the direction of the Company's management strategy to preparation of individual business plans, as well as oversee business execution by inside directors from an independent standpoint. Furthermore, The Nomination and Compensation Committee which is comprised of the President & CEO Akira WARITA (Chairman) and the 3 outside directors, Motoo IGAWA, Junji ANNEN, and Satoshi ONUKI is consulted by the Board of Directors regarding particularly important matters such as appointment and dismissal, evaluations, and compensations, etc. of directors.

With respect to inside directors, the Company has appointed persons who not only have a high degree of expertise in their respective fields, but who are also suitable for promoting a highly efficient management system which can respond quickly, flexibly, and accurately to changes in the management environment. With respect to outside directors, the Company has appointed persons that can objectively oversee management from an independent standpoint without being biased by the interests of top management or specific interested parties, and who also have extensive knowledge and insight. The Company has appointed Motoo IGAWA as the leading independent outside director, established a system for such director to take the lead in communications and adjustments with top management.

The Management Committee is composed of 2 persons who have the position of Managing Director or above, namely President & CEO Akira WARITA (Chairman) and Managing Director Shinichi UZAWA. Based on the basic management policy decided by the Board of Directors, the Management Committee discusses important matters related to management in order to establish general execution policies, and also manages business execution in general.

With respect to decision-making and business execution other than by the Board of Directors, the “Document Approval Rules” clearly stipulates the authorities related to decisions and approvals for decision-making bodies and decision-making persons, which are the Management Committee, the President & CEO, the supervising director, the director-in-charge, and the heads of each department.

The Company has chosen the form of a company with a board of corporate auditors, and the corporate auditors and the audit system have the function to monitor management. In order to secure viability of such monitoring function, the corporate auditors grasp the status of Company activities by mainly focusing on internal audits and compliance, and confirm the status of individual business executions in cooperation with the relevant department in charge as necessary, and conduct audits of execution of duties by directors based on objective evaluations from an independent standpoint.

With respect to corporate auditors, the Company has appointed persons that recognize the roles and responsibilities of the Company within society, without being biased by the interests of top management or specific interested parties, and who have extensive knowledge and insight. The Board of Corporate Auditors consists a total of 3 outside corporate auditors, consisting of 1 standing corporate auditor Hiroyuki YAJIMA, and 2 corporate auditors Yasuo MOCHIZUKI, and Mikitoshi KAI. The Board of Corporate Auditors enhances the effectiveness of audits and monitoring by exchanging opinions with inside and outside directors and cooperating in internal audits.

The Company has established an internal audit department which seeks to maintain soundness of proper execution of business. The persons in charge of internal audits maintain independence under the oversight of a full-time dedicated manager, and also closely cooperates with the director-in-charge and the standing corporate auditor, and makes correction instructions and improvement requests etc. under their supervision. The results of internal audits are promptly reported to the directors and corporate auditors.

The Company has entered into an officers' and directors' liability insurance policy with an insurance company under which its directors and corporate auditors are the insured persons. The insurance policy covers damages (legal compensation for damages and litigation costs) which insured persons may become liable for in relation to the execution of duties or which may arise by receiving claims related to such pursuit of liability. The insured persons will not bear the insurance premiums.

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has signed agreements with outside directors and outside corporate auditors limiting liabilities for damages as set forth under Article 423, Paragraph 1 of the same Act. The limit amount for liability for damages under such agreements is the amount prescribed under laws and regulations.

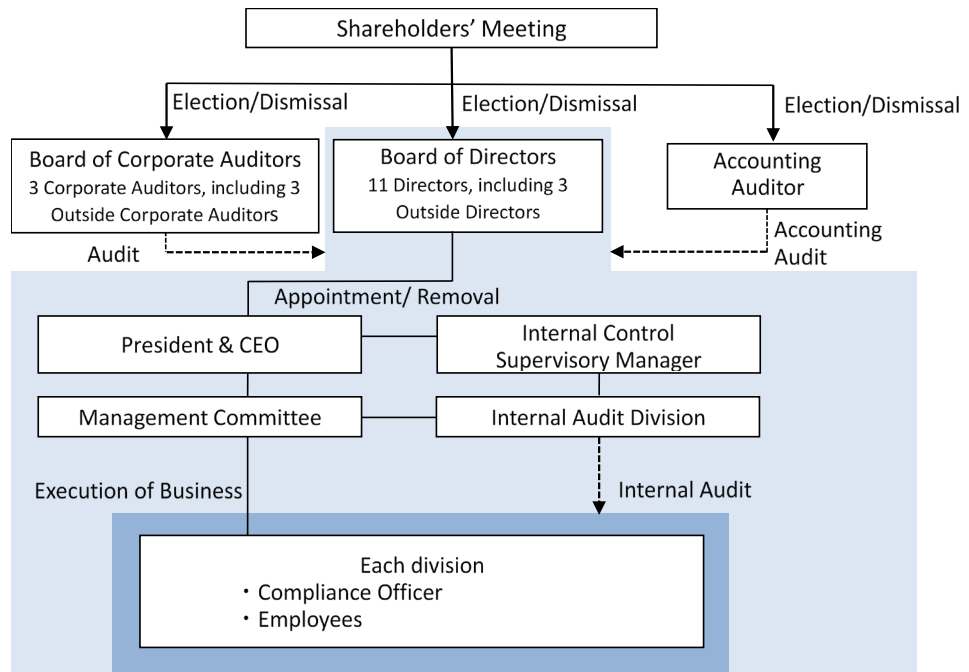
The “partial amendment of the articles of incorporation” has been submitted as a proposal (matters for resolution) at the ordinary general meeting of shareholders scheduled to be held on June 27, 2021, and if such resolution is passed, the Company is expected to become a company with an audit and supervisory committee on the same day. Furthermore, the proposals for “the election of 11 directors (excluding directors who are members of the audit and supervisory committee)” and “the election of 3 directors who are members of the audit and supervisory committee” have also been submitted, and if they are adopted, the 11 directors (excluding directors who are members of the audit and supervisory committee) who are directors as of the date of submission will be re-elected, and Standing Corporate Auditor Hiroyuki YAJIMA and Corporate Auditors Yasuo MOCHIZUKI and Mikitoshi KAI will become outside directors who are members of the audit and supervisory committee, and therefore, it is expected that there will be 6 outside directors in total together with outside directors Motoo IGAWA, Junji ANNEN, and Satoshi ONUKI. Furthermore, there will be 3 directors who will also be members of the audit and supervisory committee, namely, Hiroyuki YAJIMA, Yasuo MOCHIZUKI and Mikitoshi KAI. Hiroyuki YAJIMA is also expected to be elected as a full-time audit and supervisory committee member at the audit and supervisory committee after the general meeting of shareholders ends.

With respect to candidates for outside directors, the Company has appointed persons that can objectively oversee management from an independent standpoint without being biased by the interests of top management or specific interested parties, and who also have extensive knowledge and insight.

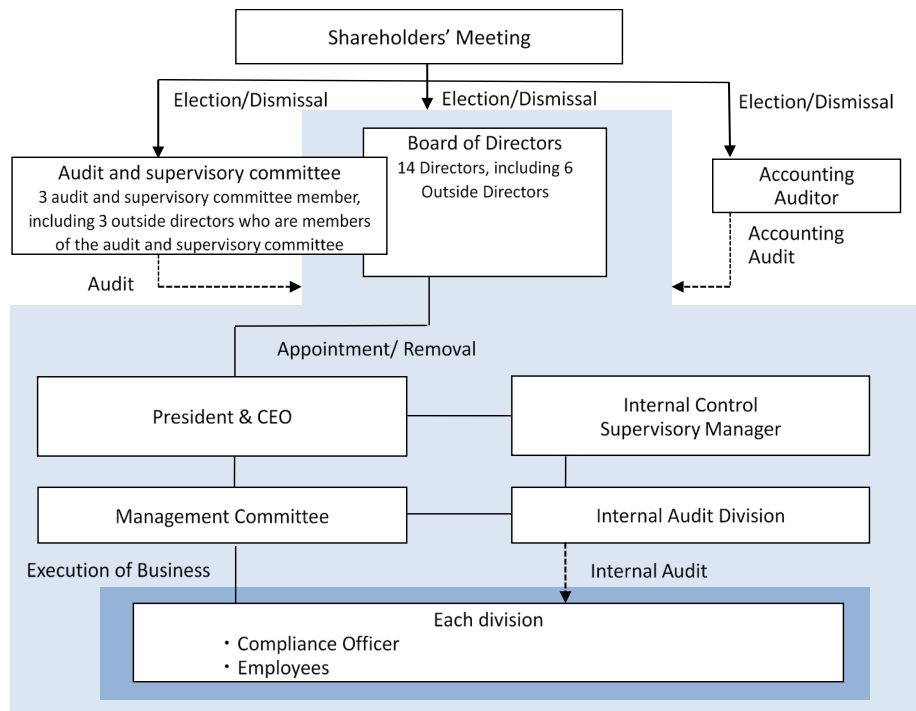
With respect to candidates for audit and supervisory committee members, the Company has appointed persons that recognize the roles and responsibilities of the Company within society, without being biased by the interests of top management or specific interested parties, and who have extensive knowledge and insight. The audit and supervisory committee will enhance the effectiveness of audits and monitoring by exchanging opinions with inside and outside directors and cooperating in internal audits.

Furthermore, the audit system by audit and supervisory committee will have the function to monitor management. In order to secure viability of such monitoring function, the audit and supervisory committee will grasp the status of Company activities by mainly focusing on internal audits and compliance, and confirm the status of individual business executions in cooperation with the relevant department in charge as necessary, and conduct audits of execution of duties by directors based on objective evaluations from an independent standpoint. Furthermore, by becoming a company with an audit and supervisory committee, the Company will aim to strengthen the supervisory function of the board of directors, as the directors who are members of the audit and supervisory committee will have voting rights at the board of directors.

(Diagram of Business Execution, Monitoring, and Internal Control at the Company)



Below is a schematic diagram of the organization after the resolutions are passed in the ordinary general meeting of shareholders scheduled to be held on June 27, 2021.



ii. Reason for adopting the above organization

The Company is of the view that in order to deal with a rapidly changing business environment in a timely and appropriate manner, it is desirable to operate the Company by integrating both management judgement and business execution, and has adopted a management organization composed mainly by inside directors who have high levels of expertise. Furthermore, on the issue of monitoring of management, multiple outside directors and outside corporate auditors have been appointed, and the Company believes that corporate governance is sufficiently functioning through supervision by such outside directors and the audits conducted by outside corporate auditors.

The “partial amendment of the articles of incorporation” has been submitted as a proposal (matters for resolution) at the ordinary general meeting of shareholders scheduled to be held on June 27, 2021, and if such resolution is passed, the Company is expected to become a company with an audit and supervisory committee on the same day. By becoming a company with an audit and supervisory committee, the Company will establish an audit and supervisory committee in which more than half of the members will be outside directors. Directors who are members of the audit and supervisory committee will be granted voting rights at the board of directors, and by doing so, the supervisory function of the board of directors will be strengthened, and the Company will aim to strengthen the audit and supervisory function for the legality and appropriateness of business execution and further enhance corporate governance.

[3] Other matters related to corporate governance

i. Status of development of an internal control system and risk management system

The Company has prepared a compliance manual so that directors and employees may be sure to comply with laws, regulations, and rules etc., and the Company has also organized internal rules in order to ensure proper and efficient business operations as a financial instruments business operator. Furthermore, in each business unit, a sales manager and internal control manager is appointed to ensure legal and regulatory compliance at the respective business unit.

The Company has prescribed that one director shall be appointed as the internal control supervisory manager, and a compliance department has been established under the internal control supervisory manager. The compliance department seeks to secure the legality and appropriateness of day-to-day business, and cooperate with the compliance officer appointed at each department, and endeavors to raise the compliance consciousness in each department.

Regarding the appropriateness of business, a system has been established whereby after-the-fact verifications are implemented by conducting periodic audits, and when a problem is found, appropriate improvement measures are taken. Also, internal audits are conducted under mutual cooperation with the corporate auditor’s audits and accounting auditor’s audits. The “partial amendment of the articles of incorporation” has been submitted as a proposal (matters for resolution) at the ordinary general meeting of shareholders scheduled to be held on June 27, 2021, and if such resolution is passed, the Company is expected to become a company with an audit and supervisory committee on the same day. After this resolution, internal audits will be conducted under mutual cooperation with the audit and supervisory committee’s audits and accounting auditor’s audits.

The Company has introduced an internal whistle-blowing system where the reporting destination is a third-party entity commissioned by the Japan Securities Dealers Association. If a whistle-blowing report is received by the third-party entity, a report is received by the standing corporate auditor and the internal officer in charge. Furthermore, a contact desk has been established within relevant internal department to receive direct reports regarding illegal acts etc. within the Company. These systems have been clearly established within internal rules and posted on the intranet etc. in order to promote dissemination among employees. Also, disadvantageous treatment of whistleblowers is prohibited within the internal rules.

The compliance department oversees risk control operations for all risks assumed by the Company, and is efficiently controlling risks in cooperation with each department. Credit control of individual transactions is specialized by the credit control department and system risk management is specialized by the risk management department. With respect to market risks and credit risks related to financial instruments, the finance department is quantitatively managing such risks by calculating risk amounts and the capital-to-risk ratio based on the “Financial Instruments and Exchange Act”. With respect to the Company’s trading businesses, the finance department which is independent from the trading department is quantitatively managing such risks, and providing necessary reports to the internal control supervisory manager.

With respect to internal control related to financial reporting, the effectiveness of the business process centered on the finance department is maintained and improved by conducting practices of effectiveness evaluation mainly through the internal audit department, as well as through the evaluation processes and internal audits etc.

ii. **Basic approach towards the elimination of anti-social forces and status of implementation**

The Company fully recognizes the importance of the stabilization and maintenance of social order, and believes that dealing with anti-social forces in accordance with laws, regulations and other norms and without listening to the undue requests by anti-social forces is the meaning of compliance itself. The Company will eliminate all relationships with anti-social forces including any transaction relationships, and deal with them taking a firm attitude.

The Company has formulated a code of ethics so that directors and employees may comply with laws, regulations, and other norms and deal with anti-social forces taking a firm attitude, and has also developed internal rules, a compliance manual, and other handling manuals so that the Company may deal with anti-social forces as an entire organization. Furthermore, the Company conducts training regarding the code of ethics and compliance aiming to develop compliance consciousness among its directors and employees, as well as training related to how to deal with anti-social forces and how to manage information related to anti-social forces, in order to enlighten the directors and employees of such matters.

The Company has appointed a person in charge regarding prevention of unreasonable demands, and has mandated the general affairs department as the department responsible for dealing with anti-social forces, while cases where a customer is an anti-social forces (including cases where there is such doubt) are to be handled by the compliance department. The Company has also prescribed

that both departments should cooperate in handling such matters. The person in charge regarding prevention of unreasonable demands shall cooperate with the general affairs department and compliance department depending on the nature of the anti-social force and contents of the unreasonable demand. The general affairs department and compliance department makes efforts to gather information regarding anti-social forces on a day-to-day basis and mutually shares such information, and also constructs a database which compiles such information, and is excluding all relationships with anti-social forces at all times. Furthermore, the Company has built a close cooperative relationship with external specialized organizations, including the police department, the National Center for Removal of Criminal Organizations, the Security Policy Center of Japan Securities Dealers Association, and the Securities and Exchange Surveillance Commission etc. Also, the Company has signed agreements with multiple corporate legal advisors who have a high degree of expertise, and has developed a system where it can obtain advice and support from multiple perspectives.

In the case where there is doubt that a customer or other transaction counterparty may be an anti-social force, the Company will attempt to promptly dissolve such relationship based on instructions from the general affairs department and the compliance department. Furthermore, in the case where unreasonable demands are received from an anti-social force, the situation shall be handled in accordance with established internal rules and manuals etc., and external organizations and corporate legal advisors shall be consulted to seek advice and support. At the same time, all available civil legal measures will be taken against any anti-social force which has made unreasonable demands, and if any damages are incurred, the Company will handle the matter appropriately without hesitating to take criminal actions.

iii. Fixed number of directors

The Articles of Incorporation has stipulated that the Company shall have up to 15 directors. The “partial amendment of the articles of incorporation” has been submitted as a proposal (matters for resolution) at the ordinary general meeting of shareholders scheduled to be held on June 27, 2021, and if such resolution is passed, the number of directors of the Company (excluding directors who are members of the audit and supervisory committee) will be 15 or less, and the number of directors who are members of the audit and supervisory committee will be 4 or less.

iv. Resolution requirements for appointment of directors

The Articles of Incorporation has stipulated that a resolution for appointment of directors of the Company shall require attendance of at least one-thirds (1/3) of the shareholders who have voting rights, and that approval of such resolution shall require a majority vote, and also that it shall not be based on cumulative voting.

v. Acquisition of treasury shares

With respect to the acquisition of treasury shares, in order to allow for flexible execution of various management measures such as financial policies in response to changes to economic conditions, based on the provisions in Article 165, Paragraph 2 of the Companies Act, the Company has stipulated in its Articles of Incorporation that it may acquire treasury shares through open market transactions based on a resolution of the Board of Directors.

vi. Interim dividends

With respect to interim dividends, in order to allow for flexible return of profits to shareholders, based on Article 454, Paragraph 5 of the Companies Act, the Company has stipulated in its Articles of Incorporation to allow for payment of interim dividends by a resolution of the Board of Directors.

vii. Exemption of liability of directors and corporate auditors

In order to allow for the directors and corporate auditors to fully fulfill their roles which are expected of them upon execution of duties, pursuant to provisions of Article 426, Paragraph 1 of the Companies Act, the Company has stipulated in its Articles of Incorporation that it may, to the extent permitted under laws and regulations, exempt the liabilities of directors and corporate auditors (including those persons who had been directors or corporate auditors in the past) as provided for in Article 423, Paragraph 1 of the Companies Act, by a resolution of the Board of Directors.

(2) Status of officers

[1] List of officers

i. List of officers

List of officers as of June 21, 2021 (the date of filing of this Report) is as below.

13 males and 1 female (Ratio of female officers: 7 %)

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
President & CEO	Akira WARITA	June 16, 1971	March 1994	Graduated Faculty of Commerce and Management, Hitotsubashi University.	Note 3	16
			April 1994	Joined Procter & Gamble Far East Inc.		
			January 1998	Joined Lehman Brothers Securities LLC.		
			September 1999	Joined UBS Securities Japan LLC.		
			April 2006	Joined the Company.		
			May 2006	General Manager of IR Office of the Company.		
			June 2006	Elected as Director, General Manager of IR Office, Director in charge of Business Corporations, of the Company.		
			May 2011	Managing Director, General Manager of CEO Office and		

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
			June 2017	General Manager of Marketing Department, Supervising Director of Business Development Department, RTGS Business Department and Customer Support Department, of the Company. Managing Director, Director in charge of Marketing Department and Director in charge of Customer Support Department, Supervising Director of Business Development Department, of the Company.		
			April 2019	Senior Managing Director, Director in charge of Marketing Department and Director in charge of Customer Support Department, of the Company.		
			June 2020	President & CEO of the Company (current).		
Managing Director, Director in charge of Corporate Division	Shinichi UZAWA	July 19, 1973	March 1996	Graduated Faculty of Agriculture, The University of Tokyo.	Note 3	47
			April 1996	Joined New Oji Paper Co., Ltd.		
			March 2000	Finished master course of Graduate School of Agricultural and Life Sciences, The University of Tokyo.		
			August 2001	Joined the Company.		
			May 2004	General Manager of Finance Department of the Company.		
			June 2006	Elected as Director, General Manager of Finance Department and Director in charge of Crisis		

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
			March 2007	Management, of the Company. Finished professional degree course of Graduate School of International Corporate Strategy, Hitotsubashi University.		
			April 2012	Director, General Manager of Finance Department, of the Company.		
			June 2020	Managing Director, General Manager of Finance Department, of the Company.		
			August 2020	Managing Director, Director in charge of Corporate Division, of the Company (current).		
Director, Director in charge of IT Division	Kunihiko SATO	February 5, 1971	March 1989	Graduated Kanagawa Shoko High School.	Note 3	26
			April 1989	Joined Yamaichi Securities Co., Ltd.		
			September 1998	Joined the Company.		
			September 2004	General Manager of System Department of the Company.		
			June 2006	Elected as Director, General Manager of System Development Department and Director in charge of System Quality Management, of the Company.		
			May 2011	Director, Director in charge of System Department, of the Company.		
			August 2020	Director, Director in charge of IT Division, General Manager of DX Department, of the Company.		
			November 2020	Director, Director in charge of IT Division, of the Company (current).		
Director, Director in charge of Legal and	Motoo SAIGA	August 11, 1970	March 1993	Graduated Faculty of Law, Osaka City University.	Note 3	7

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
Compliance Division			April 1993	Joined Osaka Securities Exchange.		
			March 2000	Finished master course of Graduate School of Law, Kobe University.		
			February 2002	Joined the Company.		
			March 2007	General Manager of Compliance Department of the Company.		
			June 2016	Elected as Director, General Manager of Compliance Department, of the Company.		
			April 2019	Director, General Manager of Compliance Department, Director in charge of Internal Audit Office, of the Company.		
			August 2020	Director, Director in charge of Legal and Compliance Division, of the Company (current).		
Director, Director in charge of Business Development Division, Director in charge of IT Division (IT Strategy)	Masashi SHIBATA	June 8, 1978	March 2001	Graduated School of Commerce, Waseda University.	Note 3	4
			April 2001	Joined the Company.		
			April 2012	General Manager of Business Development Department and General Manager of RTGS Business Department of the Company.		
			December 2012	General Manager of Business Development Department of the Company.		
			June 2017	Elected as Director, General Manager of Business Development Department, of the Company.		
			April 2019	Director, Director in charge of Business Development Department and Director in charge		

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
			June 2020	of Corporate Administration & Human Resources Department, of the Company. Director, Director in charge of Business Development Department, of the Company.		
			August 2020	Director, Director in charge of Business Development Division, Director in charge of IT Division, (IT Strategy) of the Company (current).		
Director, Director in charge of Human Resources and General Affairs Division	Manako HAGA (Note 4)	September 2, 1963	March 1986	Graduated Faculty of Social Sciences, Hitotsubashi University.	Note 3	5
			April 1986	Joined JP Morgan, Morgan Trust Bank Ltd.		
			September 1989	Joined James Capel Pacific Ltd.		
			April 1992	Joined S.G. Warburg Securities (Japan) Inc.		
			May 1995	Joined Kleinwort Benson Investment Management KK.		
			July 1998	Joined Merrill Lynch Investment Managers Co., Ltd.		
			May 2002	Joined Fidelity Investments Japan Ltd.		
			March 2006	General Manager of Finance Department, Fidelity Investments Japan Ltd. and Fidelity Securities KK.		
			June 2016	Elected as Director, General Manager of Finance Department and Business Manager of CEO Office, Fidelity Investments Japan Ltd. and Fidelity Securities KK.		
			June 2017	Advisor of the Company.		

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
			November 2017 June 2019 June 2020 August 2020	Joined British School in Tokyo. Elected as Director of the Company. Director, Director in charge of Corporate Administration & Human Resources Department, of the Company. Director, Director in charge of Human Resources and General Affairs Division, of the Company (current).		
Director, Director in charge of Sales and Marketing Division	Takeshi TANAKA	December 26, 1970	March 1995 April 1995 July 2005 January 2006 November 2009 April 2013 June 2020 August 2020	Graduated School of Economics, Senshu University. Joined the Company. General Manager of Marketing Department of the Company. Resigned from the Company. Joined the Company, member of Compliance Group. General Manager of Marketing Department of the Company. Elected as Director, Director in charge of Customer Support Department and General Manager of Marketing Department, of the Company. Director, Director in charge of Sales and Marketing Division, of the Company (current).	Note 3	-
Director, Director in charge of Strategic Planning Division	Michitaro MATSUI	August 2, 1987	March 2013 April 2013 April 2018	Finished master course of Graduate School of Political Science, Waseda University. Joined QUICK Corp. Joined the Company.	Note 3	5,262

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
			June 2018	Member of Compliance Department of the Company. Leader of CEO-Assigned Project of the Company. Elected as Director of the Company. Director, Director in charge of Strategic Planning Division, of the Company (current).		
			January 2019			
			June 2020			
			August 2020			
Director	Motoo IGAWA	January 3, 1950	March 1973	Graduated Faculty of Economics, Kyoto University. Joined Nippon Yusen Co., Ltd. Corporate Officer of the above company. Elected as Managing Director of the above company. Director, Managing Corporate Officer of the above company. Elected as President & CEO of NYK Trading Corporation. Director, Advisor, of the above company. Advisor of the above company. Elected as Outside Director of the Company (current).	Note 3	16
			April 1973			
			April 2003			
			June 2005			
			April 2006			
			June 2007			
			June 2013			
			June 2014			
			June 2014			
Director	Junji ANNEN	August 12, 1955	March 1979	Graduated Faculty of Law, The University of Tokyo. Appointed as Assistant Professor, School of Law, Hokkaido University. Appointed as Assistant Professor, Faculty of Law, Seikei University. Registered as lawyer. Joined Akira WATANABE Law Office (current).	Note 3	-
			August 1982			
			April 1985			
			February 1992			

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
			April 1993	Appointed as Professor, Faculty of Law, Seikei University.		
			April 2004	Appointed as Professor, Graduate School of Legal Apprenticeship, Seikei University.		
			December 2007	Appointed as Professor, Chuo Law School, Chuo University (current).		
			June 2014	Elected as Outside Director of the Company (current).		
			June 2017	Elected as Outside Director of Tokyo Electric Power Company Holdings, Inc. (current).		
Director	Satoshi ONUKI	February 10, 1955	March 1978	Graduated Faculty of Economics, Hitotsubashi University.	Note 3	-
			April 1978	Joined The Industrial Bank of Japan, Ltd.		
			April 2002	Vice President of Mizuho Securities (USA).		
			July 2003	Joint Head of Fixed Income Group of Mizuho Securities Co., Ltd.		
			March 2006	Appointed as Executive Officer, Head of Fixed Income Group, of the above company.		
			April 2009	Elected as Managing Director of DIAM Co., Ltd.		
			April 2011	Elected as Vice President of Kowa Real Estate Investment Advisors Co., Ltd.		
			June 2013	Elected as President & CEO of Kowa Real Estate Investment Advisors Co., Ltd.		
			April 2018	Elected as Corporate Auditor of Kowa Real Estate Facilities Co., Ltd.		

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
			June 2020	Elected as Outside Director of the Company (current).		
Standing Corporate Auditor	Hiroyuki YAJIMA	December 30, 1953	March 1976	Graduated Faculty of Law, Hitotsubashi University.	Note 5	21
			April 1976	Joined Kirin Brewery Co., Ltd.		
			March 2000	General Manager of 1 st Sales Promotion Department, Nagoya Branch Office of the above company.		
			September 2002	General Manager of Distribution Department, Tokai Regional Headquarters of the above company.		
			March 2007	Principal of Management Auditing Department of the above company.		
			March 2008	Elected as Corporate Auditor of Kirin Techno-System Co., Ltd.		
			June 2010	Elected as Corporate Auditor of the Company (current).		
Corporate Auditor	Yasuo MOCHIZ UKI	May 28, 1956	March 1980	Graduated Faculty of Commerce and Management, Hitotsubashi University.	Note 6	-
			April 1980	Joined the Bank of Mitsubishi Ltd.		
			February 1991	Manager of Planning Management Section, New York Branch of the above bank.		
			April 2003	Deputy Manager of Global Service Center and Manager of General Affairs Section of the above bank.		
			April 2004	Joined Mochizuki CPA Office (current).		
			June 2008	Elected as Corporate Auditor		

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
				of the Company (current).		
Corporate Auditor	Mikitoshi KAI	July 7, 1951	March 1976	Graduated Faculty of Law, The University of Tokyo.	Note 6	11
			April 1976	Joined Nippon Yusen Co., Ltd.		
			August 2000	Manager of New Frontier Group of the above company.		
			April 2003	Manager of Management Planning Group of the above company.		
			April 2007	Appointed as Corporate Officer of the above company.		
			June 2011	Elected as Corporate Auditor of the above company.		
			June 2015	Appointed as Advisor of the above company.		
			April 2016	Appointed as Adviser of Japanese Foundation for Cancer Research (current).		
			June 2016	Elected as Corporate Auditor of the Company (current).		
Total						5,416

Note 1: Directors Motoo IGAWA, Junji ANNEN and Satoshi ONUKI are outside directors.

Note 2: Standing Corporate Auditor Hiroyuki YAJIMA, Corporate Auditors Yasuo MOCHIZUKI and Mikitoshi KAI are outside corporate auditors.

Note 3: The term of office for the directors starts at the conclusion of the ordinary general meeting of shareholders for the year ended March 2020 and ends at the conclusion of the ordinary general Meeting of shareholders for the year ended March 2021.

Note 4: The name of Manako HAGA in the family register is Manako NAGANAWA.

Note 5: The term of office for the corporate auditor starts at the conclusion of the ordinary general meeting of shareholders for the year ended March 2018 and ends at the conclusion of the ordinary general meeting of shareholders for the year ends March 2022. The “partial amendment of the articles of incorporation” has been submitted as a proposal at the ordinary general meeting of shareholders scheduled to be held on June 27, 2021, and if such resolution is passed, the Company is expected to become a company with an audit and supervisory committee on the same day. As a result, the term of office for the corporate auditor will end at the conclusion of the ordinary general meeting of shareholders for the year ends March 2021.

Note 6: The term of office for the corporate auditors starts at the conclusion of the ordinary general meeting of shareholders for the year ended March 2020 and ends at the conclusion of the ordinary general meeting of shareholders for the year ends March 2024. The “partial amendment of the articles of incorporation” has been submitted as a proposal at the ordinary general meeting of shareholders scheduled to be held on June 27, 2021, and if such resolution is passed, the Company is expected to become a company with an audit and supervisory committee on the same day. As a result, the term of office for the corporate auditors will end at the conclusion of the ordinary general meeting of shareholders for the year ends March 2021.

Note 7: As a provision for the event of contingency falling below the number of corporate auditors required by laws and regulations, the Company is appointing one substitute corporate auditor. This substitute corporate auditor is a substitute outside auditor. The “partial amendment of the articles of incorporation” has been submitted as a proposal at the ordinary general meeting of shareholders scheduled to be held on

June 27, 2021, and if such resolution is passed, the Company is expected to become a company with an audit and supervisory committee on the same day. As a result, the term of office of the substitute corporate auditor will end at the conclusion of the ordinary general meeting of shareholders for the year ended March 2021. The substitute corporate auditors' personal history is as shown below.

Name	Date of birth	Personal history		Number of shares held (thousands of shares)
Yoshio YOSHIDA	July 24, 1958	April 1998	Registered as lawyer. Joined Yamada Tsukasa Law Office.	-
		April 1999	Joined Torikai Law Office.	
		January 2005	Partner of the above law office.	
		March 2006	Elected as Director, Foundation of Supporting Employment, a public interest incorporated foundation (current).	
		October 2006	Elected as Outside Corporate Auditor of Svenson Company.	
		December 2011	Elected as Outside Corporate Auditor of MAGASeek Corporation.	
		March 2018	Elected as Outside Corporate Auditor of Svenson Holdings (current).	
		May 2018	Representative Lawyer of Yoshida Law Office (current).	

ii. Supplementary Information

The “partial amendment of the articles of incorporation” has been submitted as a proposal (matters for resolution) at the ordinary general meeting of shareholders scheduled to be held on June 27, 2021, and if such resolution is passed, the Company is expected to become a company with an audit and supervisory committee on the same day. Furthermore, the proposals for “the election of 11 directors (excluding directors who are members of the audit and supervisory committee)”, “the election of 3 directors who are members of the audit and supervisory committee” and “the election of 1 director who is substitute member of audit and supervisory committee” have also been submitted, and if they are adopted, all of the 11 directors who are directors as of the date of submission will be re-elected, and 3 corporate auditors, Hiroyuki YAJIMA, Yasuo MOCHIZUKI and Mikitoshi KAI, will be newly elected as outside directors who are members of the audit and supervisory committee, and Junji ANNEN will be elected as a substitute director who is a member of the audit and supervisory committee. As a result, the number of male and female officers will become 13 males and 1 female, and the ratio of female officers to the total number of officers will become 7%.

The term of office of officers excluding directors who are members of the audit and supervisory committee will be from the conclusion of the ordinary general meeting of shareholders for the fiscal year ended on March 2021 to the conclusion of the ordinary general meeting of shareholders for the fiscal year ends March 2022, and the term of office of directors who are members of the audit and supervisory committee will be from the conclusion of the ordinary general meeting of shareholders for the fiscal year ended on March 2021 to the conclusion of the ordinary general meeting of shareholders for the fiscal year ends March 2023.

[2] Status of outside officers

The Company's outside directors are expected to give advice and recommendations based on their knowledge and expertise regarding management decisions in general, spanning from decisions of the direction of the Company's management strategy to preparation of individual business plans. The outside directors are also expected to oversee business execution of inside directors from an independent standpoint. The Company has 3 outside directors who have been appointed as persons capable of contributing to management with their abundant experience and wide knowledge and expertise, and without being biased by the interests of top management or specific interested parties. Furthermore, "the election of 11 directors (excluding directors who are members of the audit and supervisory committee)" and "the election of 3 directors who are members of the audit and supervisory committee" have been submitted as a proposal (matters for resolution) at the ordinary general meeting of shareholders scheduled to be held on June 27, 2021, and if they are adopted, the Company will have 6 outside directors.

The Company's outside corporate auditors are expected to perform audits of business execution by directors from an independent standpoint as outside officer. The Company has 3 outside corporate auditors who have been appointed as outside corporate auditors who fairly recognize the roles and responsibilities of companies within society and who are capable of giving consideration to the interests of general shareholders, without being biased by the interests of top management or specific interested parties. All of the corporate auditors of the Company are outside corporate auditors. The "partial amendment of the articles of incorporation" and "the election of 3 directors who are members of the audit and supervisory committee" have been submitted as a proposal (matters for resolution) at the ordinary general meeting of shareholders scheduled to be held on June 27, 2021, and if they are adopted, the Company is expected to become a company with an audit and supervisory committee on the same day, and there will be 3 directors who will be members of the audit and supervisory committee, namely, Hiroyuki YAJIMA, Yasuo MOCHIZUKI and Mikitoshi KAI. The Company's outside directors who are members of the audit and supervisory committee are expected to perform audits of business execution by directors from an independent standpoint as outside officer. The Company has selected candidates for directors who are members of the audit and supervisory committee, who fairly recognize the roles and responsibilities of companies within society and who are capable of giving consideration to the interests of general shareholders, without being biased by the interests of top management or specific interested parties. All of the directors who are members of the audit and supervisory committee of the Company are scheduled to be outside directors.

The Company's outside corporate auditor Mikitoshi KAI is an advisor to the Japanese Foundation for Cancer Research (the "Foundation"), and the Company has made donations to the Foundation in the past. Furthermore, the Company and the Foundation have entered into an agreement regarding health examinations for the Company's officers and employees; however, the contract amount is not large, and there is no risk that such amount may affect judgments by shareholders and investors. Other than stated above, there are no personnel, funding, technological or transactional relationships between the Company and outside directors or outside corporate auditors, or with their close relatives, or with other legal entities where such persons have business execution positions or have a role as an outside officer. Also, outside director Motoo IGAWA, outside corporate auditors

Hiroyuki YAJIMA and Mikitoshi KAI have shareholdings in the Company. For details of the number of shares held, please refer to “[1] List of officers”.

Although the Company has not adopted any independence-related criteria or policies for appointing outside directors or outside corporate auditors, upon making such appointments, the Company makes reference to the judgment criteria of the Tokyo Stock Exchange related to independence of independent officers.

[3] Mutual cooperation for supervision and audits between outside directors or outside corporate auditors and the internal audits, corporate auditor’s audits and accounting audits, and relationship with the internal control department

Outside directors and outside corporate auditors receive reports regarding internal audit plans and the status of implementation of such plans, and cooperates with the internal audit department. Outside corporate auditors share information and exchange opinions regarding accounting audits and compliance as needed, and cooperates with the accounting auditor and the compliance department. The “partial amendment of the articles of incorporation” and “the election of 3 directors who are members of the audit and supervisory committee” have been submitted as proposals (matters for resolution) at the ordinary general meeting of shareholders scheduled to be held on June 27, 2021, and if they are adopted, the Company is expected to become a company with an audit and supervisory committee on the same day, and all directors who are members of the audit and supervisory committee will be outside directors. The outside directors who are members of the audit and supervisory committee will share information and exchange opinions regarding accounting audits and compliance as needed, and cooperates with the accounting auditor and the compliance department.

With respect to mutual cooperation among internal audits, corporate auditor’s audits and accounting audits, and the relationship between such audits and the internal control department, please refer to section “(3) Status of audits [2] ii”.

(3) Status of audits

[1] Status of audits by corporate auditors

Audits by corporate auditors of the Company are conducted from an independent position by three outside corporate auditors including one corporate auditor who has sufficient knowledge of finance and accounting matters. The Board of Corporate Auditors actively and positively express opinions to ensure effectiveness of audits.

In principle, all of the corporate auditors attend meetings of the Board of Directors, and also grasps the status of Company activities centered on internal audits and compliance, and cooperates with relevant department in charge as necessary in order to confirm the status of individual business execution, and strictly audits the execution of duties of by directors.

In the current fiscal year, the Company held 6 meetings of the Board of Corporate Auditors, and the status of attendance of each corporate auditor was as follows.

Name	Number of times attended
Hiroyuki YAJIMA	6 times
Yasuo MOCHIZUKI	6 times
Mikitoshi KAI	6 times

The Board of Corporate Auditors has deliberated matters related to the formation of audit policies and the audit plan, preparation of the audit report, appointment of the accounting auditor, compensation of the accounting auditor, auditing of contents proposed for resolution at the general meeting of shareholders, operational status of internal reporting system, closing of financial accounts, dividends, revision of the Board of Corporate Auditors regulations and corporate auditor audit standards etc.

Furthermore, the standing corporate auditor attended important meetings such as meetings of the Board of Directors, and inspected meeting minutes and the approval documents, and grasped the status of the Company centered on compliance. To note, in the current fiscal year ended March 31, 2021, meetings with the internal audit department were conducted 5 times, and meetings with the accounting auditor were conducted 15 times.

Furthermore, the “partial amendment of the articles of incorporation” has been submitted as a proposal (matters for resolution) at the ordinary general meeting of shareholders scheduled to be held on June 27, 2021, and if such resolution is passed, the Company is expected to become a company with an audit and supervisory committee on the same day. After the resolution is passed, the role of the corporate auditor’s audits will be succeeded by the audit and supervisory committee’s audit, and the role of corporate auditors and The Board of Corporate Auditors will be succeeded by the directors who are members of the audit and supervisory committee and the Audit and Supervisory Committee, according to their roles.

[2] Status of internal audits

i. Organization, staffing, and procedures of internal audits

The internal audit organization is composed of the head of internal audit department as the internal audit manager, and auditors appointed by the internal audit manager are deployed under such manager. In order to ensure the appropriateness of internal audits, in principle, multiple suitable auditors are appointed from within the internal audit department depending on the contents of the audit. Also, in order to facilitate the homogeneity of the quality of audits, the Company has adopted a system of appointing at least two full-time auditors. The audit plans are reported in advance to the Board of Directors, and internal audit reports are prepared immediately after completion of internal audits and are submitted to the directors and corporate auditors, and any issues which are pointed out are promptly corrected. In the current fiscal year ended March 31, 2021, internal audits were conducted 5 times.

ii. Mutual cooperation among internal audits, corporate auditor's audits and accounting audits, and the relationship between these audits and the internal control department

The internal audit department gathers information necessary for conducting internal audits by sharing information with the compliance department, and highly effective internal audits are conducted by making reference to the status of implementation of supervision and instructions by the compliance department to each department. Furthermore, the internal audit department holds discussions with the corporate auditors upon formulating the annual audit plan, and also cooperates closely with the corporate auditors in relation to the status of individual internal audits through reporting and communications. The internal audit department also cooperates closely with the accounting auditor, and exchanges opinions with them as needed.

Corporate auditors hear reports from the accounting auditor regarding the general outline of the auditing plan, items to be focused on in the audits, Key Audit Matters (KAM) and audit results etc., and also keeps close cooperation with the accounting auditor by making opportunities to periodically exchange opinions. Furthermore, as necessary, corporate auditors also attend the accounting auditor to audits in distant places or on occasions when audit comments are given. The corporate auditor also asks the accounting auditor for reports regarding the audit implementation process to be used for the corporate auditors' own audits as necessary. Also, the corporate auditors discuss the contents of the annual audit plan regarding internal audits with the internal audit department, and also maintains close cooperation with the internal audit department and compliance department, by sharing information with such departments, and by constantly being informed of the status of individual internal audits as well as the status of implementation of supervision and instructions conducted by the compliance department to secure the legality and appropriateness of business duties conducted by each department.

The accounting auditor maintains close cooperation with the internal audit department and corporate auditors through exchange of opinions, and also conducts effective audits by requesting each department to disclose or submit necessary documents.

Furthermore, the “partial amendment of the articles of incorporation” has been submitted as a proposal (matters for resolution) at the ordinary general meeting of shareholders scheduled to be held on June 27, 2021, and if such resolution is passed, the Company is expected to become a company with an audit and supervisory committee on the same day. After the resolution is passed, the audit and supervisory committee will work closely with the accounting auditor, the internal audit department and the compliance department, based on the activities of the corporate auditors to date, to ensure the appropriate execution of auditing activities.

[3] Status of accounting audits

i. Name of the audit corporation

PricewaterhouseCoopers Aarata LLC

ii. Continuous audit term

22 years from the fiscal year ended March 31, 2000 including the audit term (from fiscal year ended March 31, 2000 to fiscal year ended March 31, 2006) of Chuo Aoyama Audit Corporation, which belonged to the same network.

iii. Certified public accountants who executed services

Naoaki KOBAYASHI: Designated Limited Liability Partner, Engagement Partner

Ryutaro OHTSUJI: Designated Limited Liability Partner, Engagement Partner

iv. Composition of assistants in audit services

The assistants engaged in the accounting audit of the Company are 3 certified public accountants, and 13 other persons.

v. Policy and reason for selection of the audit corporation

The Company believes that its accounting auditor must have sufficient knowledge, expertise, and capacity to conduct audits appropriate for a listed company, and a system which can fully maintain the independence and high quality of audits. From this perspective, the Company has determined that PricewaterhouseCoopers Aarata LLC is an audit corporation which can appropriately implement the Company’s audit and has appointed the firm as the accounting auditor.

The Board of Corporate Auditors evaluates the appropriateness and validity of auditing activities conducted by the accounting auditor by hearing and receiving reports on the status of implementation of audits, and also confirms the independence and professionalism of the accounting auditor by exchange of opinions etc. Upon reappointing the accounting auditor, a verification is made on whether such reappointment is adequate by comparison with the policies for determining dismissal and non-reappointment of the accounting auditor. Furthermore, the “partial amendment of the articles of incorporation” has been submitted as a proposal (matters for resolution) at the ordinary general meeting of shareholders scheduled to be held on June 27, 2021, and if such resolution is passed, the Company is expected to become a company with an audit and supervisory committee on the same day. The activity of The Board of Corporate Auditors will be succeeded by the Audit and Supervisory Committee, according to their roles.

The Company's policy for determining dismissal or non-reappointment of the accounting auditor may depend on the Company's own circumstances, or in the case where there is a breach of laws, regulations, or rules, or if actions are taken which are against public order or morality by the accounting auditor, and it is determined appropriate to dismiss or not reappoint the accounting auditor, such a decision will be made.

vi. Evaluation of the audit corporation by the corporate auditors and the Board of Corporate Auditors

The Company's corporate auditors and the Board of Corporate Auditors conduct evaluations of the audit corporation. Taking into consideration on the audit activities of the audit corporation, results of inspections conducted by external organizations, and the status of response to the governance code of the audit corporation in the current fiscal year, the appropriateness of reappointing the audit corporation was evaluated, and it was decided to reappoint the audit corporation. Furthermore, the "partial amendment of the articles of incorporation" has been submitted as a proposal (matters for resolution) at the ordinary general meeting of shareholders scheduled to be held on June 27, 2021, and if such resolution is passed, the Company is expected to become a company with an audit and supervisory committee on the same day. After the resolution is passed, the role of corporate auditors and The Board of Corporate Auditors will be succeeded by the directors who are members of the audit and supervisory committee and the Audit and Supervisory Committee, according to their roles.

[4] Details of auditors' compensation

i. Compensation towards auditing certified public accountants etc.

Preceding fiscal year (millions of yen)		Current fiscal year (millions of yen)	
Compensation based on audit certification work	Compensation based on non-audit work	Compensation based on audit certification work	Compensation based on non-audit work
33	2	36	2

Note: The contents of non-audit work at the Company are the assurance engagements related to the segregated management of customer assets. In addition to the above compensation for the current fiscal year, there is an additional compensation of 3 million yen for the previous fiscal year.

ii. Compensation towards the same network as the auditing certified public accountants etc. (excluding i)

Not applicable.

iii. Details of compensation based on other significant audit certification work

Not applicable.

iv. Policy for deciding on auditors' compensations

Not applicable, however, the decision is made taking into account the size and features of the business of the Company.

v. The reason for approval of compensation of the accounting auditor by the Board of Corporate Auditors

Regarding compensation of the accounting auditor proposed by the Board of Directors, the Company's Board of Corporate Auditors has provided its consent under Article 399, Paragraph 1 of the Companies Act, because it has determined that the compensation amount was adequate, as a result of having discussed the accounting auditor's audit plan, the status of execution of duties of accounting audits, and the basis of calculation of the compensation estimate, taking into account the Company's business contents and size, and information regarding companies within the same industry or companies of the same size etc.

(4) Officers' Compensation Etc.

[1] Matters related to officers' compensations etc. and policy regarding determination of the calculation method of officers' compensations

The Company's policy for determining the contents of directors' compensation etc. for each individual director is stipulated based on a resolution of the Board of Directors, and such contents are described below. Upon determining the contents of directors' compensation for each individual director, since the Nomination and Compensation Committee will review the contents from multiple perspectives including from the standpoint of consistency with the determination policy, the Board of Directors has determined that process is in line with the determination policy.

i. Basic Policy

With respect to the amounts of officers' compensation, etc. and the policy regarding determination of the calculation method of officers' compensations, the basic policy is that compensation for inside directors (consisting of the basic compensation and stock-compensation type stock options) is determined based on each director's position, roles and performance, and compensation for outside directors is composed of only the basic compensation, and no stock-compensation type stock options are issued from the standpoint of ensuring independence.

ii. Policy regarding determination of the basic compensation (monetary compensation) amounts etc. for each individual director

The basic compensations of the Company's directors are payable monthly in fixed remuneration amounts, and are determined taking into account the position, roles and performance of each individual director. The determination of basic compensation for each director for each fiscal year is delegated by the Board of Directors under resolution to the Nomination and Compensation Committee comprised of the representative director and all of the outside directors of the Company. Such determination is then made by the Nomination and Compensation Committee within the aggregate amount approved in a resolution of the general meeting of shareholders.

iii. Policy regarding the determination of the method of calculating the contents and amount or number of performance-linked compensation etc. and non-monetary compensation etc.

Officers' compensation of the Company does not include any performance-linked compensation; however, for the purpose of raising motivation and morale towards improving business performance, inside directors are granted stock-compensation type stock options. Upon calculating the fair value of such stock options, the stock price as of the time when the stock options are granted is taken into account, and the number of units granted to each individual director is decided also by taking into account the performance of each director, the same as for determining basic compensations. With respect to the number of stock-compensation type stock options to be granted, there is no specific prescribed calculation formula which are based on indexes which indicate the financial performance of the Company, and there are also no calculation formulas included

in the conditions for rights exercise which are based on indexes which indicate business performance.

- iv. The policy regarding the determination of the ratio of the amounts of basic compensation (monetary compensation) etc., performance-linked compensation etc., or non-monetary compensation etc. against the compensation amounts etc. for each individual director.

The Company's basic policy regarding the payment ratio of compensation etc. to inside directors is 70% basic compensation and 30% stock-compensation type stock options. However, given that the performance of the Company's main business is largely affected by the conditions etc. of the economic environment and market environment, the payment ratio may deviate from such basic policy.

- v. Matters concerning the method of determination of the contents of compensations etc. for each individual director.

The basic compensation amounts are decided by the Nomination and Compensation Committee within the scope approved by resolution of the general meeting of shareholders. With respect to stock-compensation type stock options, the Nomination and Compensation Committee makes a proposal for granting such stock options, and is decided by the Board of Directors.

With respect to the compensation for corporate auditors, taking into consideration independence required for auditing the performance of duties by directors, corporate auditors are paid only the basic compensation in accordance with whether such person is full-time or part-time corporate auditor, and within the scope of the aggregate amount prescribed by the general meeting of shareholders.

Also, Individual compensation for each corporate auditor is decided by consultation among the corporate auditors, within the limit of the aggregate amount resolved at the general meeting of shareholders

The "partial amendment of the articles of incorporation" has been submitted as a proposal (matters for resolution) at the ordinary general meeting of shareholders scheduled to be held on June 27, 2021, and if such resolution is passed, the Company is expected to become a company with an audit and supervisory committee on the same day. After becoming a company with an audit and supervisory committee, directors who are members of the audit and supervisory committee will be excluded from the directors for which the policy for determination of the contents of compensations etc. for each individual director is to be applied. Also, with respect to compensation for directors who are members of the audit and supervisory committee, taking in to account the independence upon auditing the execution of duties of directors, such compensation will be determined within the scope of the aggregate amount prescribed by the general meeting of shareholders, and only the basic compensation amount will be paid. Also, the compensation for individual directors who are members of the audit and supervisory committee are expected to be decided by consultation with the audit and supervisory committee, and within the scope of the aggregate amount prescribed by resolution of the general meeting of shareholders.

The members of the Nomination and Compensation Committee are comprised of the President & CEO Akira WARITA (Chairman) and the 3 outside directors, Motoo IGAWA, Junji ANNEN, and Satoshi ONUKI. The Nomination and Compensation Committee will decide, based on delegation from the Board of Directors and under the above-mentioned determination policy, matters related to the compensations of individual directors. The authority of the committee is to decide the contents of the basic compensation of directors, and to prepare a proposal of the contents for granting stock-compensation type stock options to directors to be deliberated and resolved at the Board of Directors. The reason for delegation of such authority is to aim to improve the transparency of procedures related to the compensation etc. of directors.

With respect to the aggregate amounts of compensations of directors, for basic compensations, it has been decided to be no more than 500 million yen per year (however, this does not include the portion paid as salaries for employees, regarding directors who are also employees) by a resolution at the ordinary general meeting of shareholders held on June 27, 2004. For stock-option type compensation, the aggregate amount has been decided to be no more than 300 million yen per year (excluding outside directors) by a resolution of the ordinary general meeting of shareholders held on June 25, 2017, as a separate limit from the basic compensations. The maximum number of directors subject to payment of such basic compensation and stock-option type compensation is 15 persons as prescribed in the Articles of Incorporation, and the number of directors of the Company is 11 persons as of the date of submission of the securities report.

The aggregate amount of compensations of corporate auditors has been decided to be no more than 50 million yen per year based on a resolution at the ordinary general meeting of shareholders held on June 1, 2001. The maximum number of corporate auditors subject to payment of basic compensation is 4 persons as prescribed in the Articles of Incorporation, and the number of corporate auditors is 3 persons as of the date of submission of the securities report.

The “partial amendment of the articles of incorporation” has been submitted as a proposal (matters for resolution) at the ordinary general meeting of shareholders scheduled to be held on June 27, 2021, and if such resolution is passed, the Company is expected to become a company with an audit and supervisory committee on the same day. Furthermore, the proposals for “the election of 11 directors (excluding directors who are members of the audit and supervisory committee)” as well as the proposals for “the determination of compensation amounts of directors (excluding directors who are members of the audit and supervisory committee)” and “determination of stock-compensation type stock option compensation amounts and their contents for directors (excluding directors who are members of the audit and supervisory committee and outside directors)” have also been submitted, and if they are adopted, there will be 11 directors (excluding directors who are members of the audit and supervisory committee), and it is expected that the aggregate compensation amount for such directors will be up to 500 million yen for the year (of which the amount for outside directors is 50 million yen or less, however, the amount does not include the employee salary portion of salaries paid to employees who are also directors). Also, for compensation by stock-compensation type stock options, up to 300 million yen for the year will be set aside separately from the basic compensation (which will exclude directors which are members of the audit and supervisory committee and outside directors). In addition, proposals for “the election of 3 directors who are members of the audit and supervisory committee” and “the determination of compensation amounts of directors who are members of the

audit and supervisory committee” have also been submitted, and if they are adopted, there will be 3 directors who are members of the audit and supervisory committee, and the aggregate compensation amount for such directors is expected to be 50 million yen or less.

With respect to activities of the Board of Directors within the process of deciding the compensation amounts for our Company’s officers in the current fiscal year, in the board meeting held after the ordinary general meeting of shareholders held on June 28, 2020, the Nomination and Compensation Committee was newly established, and the decision on matters related to the compensation of individual directors was delegated to the same committee (in March 2020, in accordance with the policy at the time, a resolution was passed by the Board of Directors to delegate the decision on matters related to the compensation of individual directors for the current fiscal year to the then President & CEO Michio MATSUI, and then such compensation amounts were decided by the then President & CEO Michio MATSUI in consultation with the outside directors. However, the decisions on compensation have been newly delegated to the Nomination and Compensation Committee). Furthermore, in July 2020, the Board of Directors resolved to grant stock options based on the contents of grants proposed by the Nomination and Compensation Committee. In addition, in February 2021, the policy for determination of the contents of compensations etc. for each individual director was adopted by resolution.

With respect to the activities of the Nomination and Compensation Committee, in June 2020, the committee decided the basic compensation for each individual director, and prepared a proposal for the contents of granting of stock options to be deliberated and resolved by the Board of Directors.

Officers’ compensation of the Company does not include any performance-linked compensation. As a non-monetary compensation, for the purpose of raising motivation and morale towards improving business performance, inside directors are granted stock options. Upon calculating the fair value of such stock options, the stock price as of the time when the stock options are granted is taken into account, and the number of units granted to each individual director is decided also by taking into account the performance, roles and responsibilities of each director, the same as for determining basic compensations. However, regarding the number of units to be granted, there is no prescribed specific calculation formula based on indexes indicating the Company’s performance, and the conditions for exercising such rights also do not include any calculation formula based on indexes indicating the Company’s performance.

The details of the Company's stock options are as stated in “4. Information about Reporting Company, 1) Information about Shares, etc.”

[2] Total compensation and subtotal of compensation for each type of compensation for each class of officers and number of each class of officers subject to payment

Type	Total amount of compensation (millions of yen)	Total amount of compensation by types (millions of yen)				Total number of officers subject to payment
		Fixed compensation	Performance-based compensation	Stock options	Non-monetary compensation, etc. of the above	
Directors (excluding outside directors)	321	207	-	113	113	9
Corporate auditors (excluding outside directors)	-	-	-	-	-	-
Outside officers	47	47	-	-	-	6

Note: The breakdown of the total amount of non-monetary compensation, etc. to directors (excluding outside directors) is stock options of 113 million yen.

[3] Total compensation for individual officers

Total compensation for individual officers is not stated because there is no one whose total amount of compensation, etc. is 100 million yen or more.

(5) Status of Shareholding

[1] The criteria and concept for classification of investment shares

The Company classifies investment shares held from the perspective of investment yield etc. and not for strategic reasons as investment shares held for pure investment purposes. The Company classifies investment shares held for strategic purposes regardless of their direct investment yield etc. for business alliances or based on other rational management objectives as investment shares held for purposes other than pure investment purposes.

The investment shares held by the Company for pure investment purposes as of the end of the current fiscal year ended March 31, 2021 were shares of Japan Exchange Group Inc. (JPX) which are listed shares. The Company has held shares of JPX from prior to its listing in relation to its securities business, and continues to hold such shares even after JPX listed from the perspective of being able to obtain a certain level of dividend yield. In the current fiscal year, a part of such holdings have been sold in the market taking into account the stock price levels etc. Furthermore, the Company in principle does not hold listed shares for strategic-holding purposes, however, the Company in some cases holds shares for strategic purposes such as for business alliances or for other rational management objectives. Shares held by the Company for strategic purposes are comprised of shares which the Company came to hold in relation to its brokerage business such as shares of the stock exchanges, and shares of venture capital firms etc. which are strong in FinTech and which may potentially contribute to the expansion of the Company's services. As of the end of the current fiscal year, such shares were all unlisted shares.

[2] Investment shares held for purposes other than pure investment purposes

- i. Holding policy and method of verifying the reasonableness of holdings, and the contents of verification by the Board of Directors regarding the appropriateness for holding individual stock names

Descriptions are omitted because the shares held for purposes other than pure investment purposes are unlisted shares.

- ii. Number of shares and recorded value on the balance sheet

	Number of names	Recorded value on the balance sheet (millions of yen)
Unlisted shares	6	166
Shares other than unlisted shares	-	-

- i) Investment shares whose number of shares increased in current fiscal year

	Number of names	Total amount of acquisition cost concerning increase of number of shares (millions of yen)	Reason for the increase of number of shares
Unlisted shares	1	17	Acquisition through an in-kind distribution from investment business limited partnership
Shares other than unlisted shares	-	-	-

- ii) Investment shares whose number of shares decreased in current fiscal year

Not applicable.

- iii. Information concerning number and recorded value on balance sheet, etc. of specific investment shares and shares regarded as investment shares in possession

Not applicable.

[3] Investment shares held for pure investment purposes

Classification	Current fiscal year		Preceding fiscal year	
	Number of names	Total recorded value on the balance sheet (millions of yen)	Number of names	Total recorded value on the balance sheet (millions of yen)
Unlisted shares	-	-	-	-
Shares other than unlisted shares	1	2,475	1	3,306

	Current fiscal year		
	Total amount of dividends received (millions of yen)	Total amount of profit and/or loss from sales (millions of yen)	Total amount of evaluation gain and/or loss (millions of yen)
Unlisted shares	-	-	-
Shares other than unlisted shares	77	1,994	2,468

[4] Investment shares whose purposes for holding were changed from pure investment purposes to purposes other than pure investment purposes

Not applicable.

[5] Investment shares whose purposes for holding were changed from purposes other than pure investment purposes to pure investment purposes

Not applicable.

5. Financial information

1. About preparation method of financial statements

Financial statements of the Company are prepared in accordance with the “Regulations of Financial Statements” (Ministry of Finance Ordinance No. 59, 1963) and, pursuant to the Article 2 of the “Regulations of 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

Financial statements for the fiscal year from April 1, 2020 to March 31, 2021 were audited by PricewaterhouseCoopers Aarata LLC based on the Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. About consolidated financial statements

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

4. Special efforts to ensure fair presentation of financial statements, etc.

The Company has undertaken special efforts to ensure appropriateness of its financial statements, etc. Specifically, the Company has joined the Financial Accounting Standards Foundation, a public interest incorporated foundation, and its staff participates in trainings, etc. provided by its audit firm and/or other organizations to develop a system to properly grasp the contents of financial standards, etc.

1) Financial Statements, etc.

(1) Financial statements

[1] Balance sheet

	(Millions of Yen)	
	Preceding fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)
Assets		
Current assets		
Cash and deposits	52,501	56,952
Segregated deposits	449,312	564,012
Money held in trust	2,844	2,846
Trading products	1,877	2,146
Trading securities and other	0	24
Derivatives	1,877	2,121
Trade date accrual	3	-
Margin transaction assets	161,594	282,931
Margin loans	154,302	277,143
Cash collateral provided for securities borrowed in margin transactions	7,292	5,788
Loans secured by securities	21,188	30,353
Cash collateral provided for securities borrowed	21,188	30,353
Advances paid	148	65
Advances paid for customers	148	65
Other advances paid	0	0
Deposits paid for underwritten offering, etc.	354	764
Short-term guarantee deposits	3,378	4,510
Advance payments	11	3
Prepaid expenses	271	177
Accounts receivable - other	78	89
Accrued income	3,678	4,480
Other	83	-
Allowance for doubtful accounts	(49)	(107)
Total current assets	697,272	949,221
Non-current assets		
Property, plant and equipment	1,410	1,608
Buildings, net	(Note 1) 285	(Note 1) 273
Equipment	(Note 1) 691	(Note 1) 901
Land	434	434
Intangible assets	4,410	5,618
Software	4,410	5,618
Other	0	0
Investments and other assets	5,222	5,345
Investment securities	3,874	3,490
Investments in capital	8	8
Long-term loans receivable	453	427
Guarantee deposits	337	464
Long-term prepaid expenses	39	65
Deferred tax assets	623	1,011
Long-term receivables	1,204	1,143
Other	90	89
Allowance for doubtful accounts	(1,405)	(1,353)
Total non-current assets	11,042	12,571
Total assets	708,314	961,791

	(Millions of yen)	
	Preceding fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)
Liabilities		
Current liabilities		
Trading products	120	219
Derivatives	120	219
Trade date accrual	-	39
Margin transaction liabilities	44,846	57,226
Margin borrowings	(Note 2) 6,369	(Note 2) 9,406
Cash received for securities sold in margin transactions	38,477	47,819
Borrowings secured by securities	14,782	23,160
Cash collateral received for securities lent	14,782	23,160
Deposits received	270,003	335,941
Deposits from customers	266,096	326,112
Other deposits received	3,906	9,829
Guarantee deposits received	212,539	248,255
Payables for securities to receive over due for delivery	27	2
Short-term borrowings	78,900	207,900
Unearned revenue	18	18
Accounts payable – other	238	981
Accrued expenses	1,324	1,373
Income taxes payable	1,707	3,658
Provision for bonuses	125	253
Other	-	368
Total current liabilities	624,628	879,393
Non-current liabilities		
Long-term borrowings	150	50
Reserve for retirement bonuses for directors	204	-
Other	202	201
Total non-current liabilities	556	251
Reserves under special laws		
Reserve for financial instruments transaction liabilities	(Note 4) 2,845	(Note 4) 2,933
Total reserves under special laws	2,845	2,933
Total liabilities	628,029	882,578

	(Millions of yen)	
	Preceding fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)
Net assets		
Shareholders' equity		
Share capital	11,945	11,945
Capital surplus		
Legal capital surplus	9,793	9,793
Other capital surplus	4	6
Total capital surplus	<u>9,797</u>	<u>9,799</u>
Retained earnings		
Legal retained earnings	159	159
Other retained earnings		
Retained earnings brought forward	57,682	57,046
Total retained earnings	<u>57,841</u>	<u>57,205</u>
Treasury shares	<u>(1,794)</u>	<u>(1,743)</u>
Total shareholders' equity	<u>77,789</u>	<u>77,205</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,290	1,741
Total valuation and translation adjustments	<u>2,290</u>	<u>1,741</u>
Share acquisition rights	206	267
Total net assets	<u>80,285</u>	<u>79,213</u>
Total liabilities and net assets	<u>708,314</u>	<u>961,791</u>

[2] Statement of income

	(Millions of yen)	
	Preceding fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Operating revenue		
Commission received	13,490	18,557
Brokerage commission	12,850	17,812
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	10	63
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	36	0
Other commission received	593	681
Net trading income	1,120	828
Financial revenue	(Note 1) 9,539	(Note 1) 10,696
Other operating revenue	2	2
Total operating revenue	<u>24,150</u>	<u>30,082</u>
Financial expenses	(Note 2) 1,805	(Note 2) 1,410
Net operating revenue	<u>22,345</u>	<u>28,672</u>
Selling, general and administrative expenses		
Trading related expenses	(Note 3) 4,566	(Note 3) 5,930
Personnel expenses	(Note 4) 2,607	(Note 4) 2,833
Real estate expenses	(Note 5) 1,134	(Note 5) 1,010
Office expenses	(Note 6) 2,747	(Note 6) 3,176
Depreciation	1,923	2,121
Taxes and dues	(Note 7) 296	(Note 7) 492
Provision of allowance for doubtful accounts	(28)	94
Other	192	189
Total selling, general and administrative expenses	<u>13,436</u>	<u>15,845</u>
Operating profit	<u>8,909</u>	<u>12,827</u>
Non-operating income		
Dividend income	121	81
Gain on investments in investment partnerships	-	44
Other	12	18
Total non-operating income	<u>133</u>	<u>144</u>
Non-operating expenses		
Loss on investments in investment partnerships	23	48
Other	2	4
Total non-operating expenses	<u>25</u>	<u>52</u>
Ordinary profit	<u>9,016</u>	<u>12,919</u>
Extraordinary income		
Gain on sale of investment securities	-	1,994
Total extraordinary income	<u>-</u>	<u>1,994</u>
Extraordinary losses		
Loss on sale and retirement of non-current assets	(Note 8) 11	(Note 8) 7
Loss on valuation of investment securities	160	-
Provision of reserve for financial instruments transaction liabilities	2	88
Total extraordinary losses	<u>173</u>	<u>95</u>
Profit before income taxes	<u>8,843</u>	<u>14,818</u>
Income taxes – current	2,735	4,682
Income taxes – deferred	(28)	(147)
Total income taxes	<u>2,707</u>	<u>4,535</u>
Profit	<u>6,136</u>	<u>10,283</u>

[3] Statement of changes in equity

i. Preceding fiscal year (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings
					Retained earnings brought forward		
Balance at beginning of period	11,945	9,793	3	9,796	159	74,019	74,177
Changes during period							
Dividends of surplus						(22,472)	(22,472)
Profit						6,136	6,136
Purchase of treasury shares							
Disposal of treasury shares			1	1			
Net changes in items other than shareholders' equity							
Total Changes during period	-	-	1	1	-	(16,336)	(16,336)
Balance at end of period	11,945	9,793	4	9,797	159	57,682	57,841

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(1,856)	94,061	2,358	2,358	160	96,579
Changes during period						
Dividends of surplus		(22,472)				(22,472)
Profit		6,136				6,136
Purchase of treasury shares	(0)	(0)				(0)
Disposal of treasury shares	62	64				64
Net changes in items other than shareholders' equity			(69)	(69)	47	(22)
Total Changes during period	62	(16,273)	(69)	(69)	47	(16,294)
Balance at end of period	(1,794)	77,789	2,290	2,290	206	80,285

ii. Current fiscal year (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings
Balance at beginning of period	11,945	9,793	4	9,797	159	57,682	57,841
Changes during period							
Dividends of surplus						(10,919)	(10,919)
Profit						10,283	10,283
Disposal of treasury shares			1	1			
Net changes in items other than shareholders' equity							
Total Changes during period	-	-	1	1	-	(636)	(636)
Balance at end of period	11,945	9,793	6	9,799	159	57,046	57,205

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(1,794)	77,789	2,290	2,290	206	80,285
Changes during period						
Dividends of surplus		(10,919)				(10,919)
Profit		10,283				10,283
Disposal of treasury shares	52	53				53
Net changes in items other than shareholders' equity			(549)	(549)	60	(488)
Total Changes during period	52	(583)	(549)	(549)	60	(1,071)
Balance at end of period	(1,743)	77,205	1,741	1,741	267	79,213

[4] Statement of cash flows

	(Millions of yen)	
	Preceding fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Profit (loss) before income taxes	8,843	14,818
Depreciation	1,923	2,121
Increase (decrease) in allowance for doubtful accounts	(56)	6
Increase (decrease) in provision for bonuses	(53)	128
Increase (decrease) in reserve for financial instruments transaction liabilities	2	88
Interest and dividend income	(9,602)	(10,705)
Interest expenses	1,748	1,336
Loss (gain) on sale and retirement of non-current assets	11	7
Loss (gain) on sale of investment securities	-	(1,994)
Loss (gain) on valuation of investment securities	160	-
Decrease (increase) in segregated deposits	(24,800)	(114,700)
Decrease (increase) in trading products - assets (liabilities)	(661)	(170)
Decrease (increase) in trade date accrual	2	43
Decrease/increase in margin transaction assets/liabilities	40,254	(108,957)
Decrease (increase) in loans secured by securities	(11,681)	(9,164)
Decrease/increase in advance paid/deposits received	31,104	66,021
Increase (decrease) in borrowings secured by securities	6,904	8,377
Increase (decrease) in guarantee deposits received	10,210	35,716
Decrease (increase) in short-term guarantee deposits	(49)	(1,131)
Other, net	191	351
Subtotal	<u>54,450</u>	<u>(117,808)</u>
Interest and dividends received	10,410	10,074
Interest paid	(1,808)	(1,397)
Income taxes paid	<u>(2,857)</u>	<u>(2,794)</u>
Net cash provided by (used in) operating activities	<u>60,195</u>	<u>(111,926)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(276)	(429)
Purchase of intangible assets	(2,028)	(2,638)
Purchase of investment securities	(449)	(468)
Proceeds from sale of investment securities	-	2,000
Other, net	4	(72)
Net cash provided by (used in) investing activities	<u>(2,749)</u>	<u>(1,607)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(18,950)	129,000
Proceeds from long-term borrowings	300	-
Repayments of long-term borrowings	(100)	(100)
Purchase of treasury shares	(0)	-
Proceeds from exercise of share options	0	0
Dividends paid	<u>(22,459)</u>	<u>(10,914)</u>
Net cash provided by (used in) financing activities	<u>(41,209)</u>	<u>117,986</u>
Effect of exchange rate change on cash and cash equivalents	<u>(0)</u>	<u>(0)</u>
Net increase (decrease) in cash and cash equivalents	<u>16,237</u>	<u>4,453</u>
Cash and cash equivalents at beginning of period	<u>39,108</u>	<u>55,345</u>
Cash and cash equivalents at end of period	<u>(Note 1) 55,345</u>	<u>(Note 1) 59,798</u>

[5] Notes

i. Notes - Significant accounting policies

i) Valuation basis and valuation method of securities and derivatives

(i) Securities and derivatives classified as trading products

Securities and derivatives classified as trading products are carried at market value.

(ii) Securities not classified as trading products

[i] Available-for-sale securities whose market value is available

Available-for sale securities whose market value is available are stated by the price quoted in the markets, etc. with unrealized gains or losses included as a component of net assets, net of applicable income taxes. The acquisition cost of sale is calculated by the moving-average method.

[ii] Available-for-sale securities whose market value is not available

Available-for-sale securities whose market value is not available are stated at cost determined by the moving-average method. Investments in investment business limited partnership are stated at the proportional net value of the Company's interest to the total fund interest.

ii) Accounting policy for depreciation (including amortization) of assets

(i) Property, plant and equipment (excluding leased assets)

The Company applies the straight-line method. The useful life for depreciation is 15 to 40 years for buildings and 5 years for equipment.

(ii) Intangible assets (excluding leased assets)

The straight-line method is primarily applied. Software for in-house use is depreciated under the straight-line method based on an internal estimated useful life (within 5 years).

(iii) Leased assets

[i] Finance lease transactions that do not transfer the ownership to lessee

Leased assets arising from transactions under finance lease contracts which do not transfer ownership to lessee are depreciated to residual value of zero by the straight-line method using the term of the contract as useful life.

iii) Accounting policy for provisions and reserves

(i) Allowance for doubtful accounts

An allowance for doubtful accounts is provided for estimated uncollectible doubtful accounts at the amount specifically assessed and for general receivables at the amount computed based on historical loss experience.

(ii) Provision for bonuses

Estimated amount of employees' bonuses is accrued.

(iii) Reserve for financial instruments transaction liabilities

The Company accounts for a Reserve for financial instruments transaction liabilities for possible customer losses by default of a securities company on securities transactions with an amount in accordance with Article 46-5 of the Financial Instruments and Exchange Act.

iv) Scope of cash and cash equivalents in statement of cash flows

“Cash and cash equivalents” in the statement of cash flow is defined as liquid funds including cash in hand, current account deposits and short-term investments which are subject to an insignificant risk of changes in values.

v) Other information for basis of financial statements

(i) Consumption taxes

National and local consumption taxes are separately recorded.

ii. Notes – Significant accounting estimates

• Recoverability of deferred tax assets

i) Amount recorded in the financial statements for the current fiscal year

The amount of deferred tax assets is the same as the amount stated in 1) of "Notes – Tax effect accounting" in the financial statements.

ii) Information of significant accounting estimates for identified items

For deferred tax assets, the future deductible temporary difference amount is recorded after carefully considering its collectability. The amount of deferred tax assets may change in the future, depending on the changes to future deductible temporary difference amounts for each fiscal period going forward as well as changes to judgements of collectability given changes to the size of future deductible temporary difference amounts and business environment.

iii. Notes – Unapplied Accounting Standards Etc.

• Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, March 31, 2020)

• Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021)

i) General description

These are comprehensive accounting standards for revenue recognition. Revenues are recognized based on the following five-step model.

Step 1. Identify the contract(s) with a customer

Step 2. Identify the performance obligations in the contract

Step 3. Determine the transaction price

Step 4. Allocate the transaction price to the performance obligations in the contract

Step 5. Recognize revenue when (or as) the entity satisfies the performance obligations

ii) Expected date of application

Expected to be applied from the beginning of the period which ends in March 2022.

iii) Impact of application of such accounting standards etc.

There is no significant impact from the adoption of this accounting standard.

- “Accounting Standards for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Statement Application Guideline No. 31, July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Statement Application Guideline No. 19, March 31, 2020)

i) General description

In order to improve comparability with established international accounting standards, the “Accounting Standards for Fair Value Measurement” and the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter “Fair Value Measurement Accounting Standards Etc.”) were developed, and guidance regarding the calculation method of fair value was established. The Fair Value Measurement Account Standards Etc. are applicable to the fair value for the following items.

- Financial instruments as defined under the “Accounting Standards for Financial Instruments”.

Furthermore, the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been revised, and annotation requirements such as breakdown by the level of fair value of financial instruments was established.

ii) Expected date of application

Expected to be applied from the beginning of the fiscal period ending March 31, 2022.

iii) Impact of application of such accounting standards etc.

There is no significant impact from the adoption of this accounting standard.

iv. Notes – Changes to Method of Presentation

i) Application of “Accounting Standard for Disclosure of Accounting Estimates”

The “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) has been applied to the financial statements for the year end of the current fiscal year, and annotations related to important accounting estimates have been stated in the financial statements.

However, with respect to such annotation, in accordance with the transitional treatment set forth in the proviso of Paragraph 11 of such accounting standard, contents related to the preceding fiscal year have not been stated.

ii) Notes – Statement of Income

Since the “Loss on investments in investment partnerships” which was included in “Others” under “Non-operating expenses” in the preceding fiscal year has increased in significance in terms of value, it has become an independent item from the current fiscal year. In order to reflect this change to the method of presentation, the financial statements from preceding fiscal year have been reclassified.

As a result, in the statement of income for the preceding fiscal year, the 25 million yen which was presented in “Other” under “Non-operating expenses” has been reclassified to 23 million yen of “Loss on investments in investment partnerships” and 2 million yen of “Others”.

v. Notes – Balance Sheet Related

i) Note 1: Notes regarding accumulated depreciation of property, plant and equipment

	(Millions of Yen)	
	Preceding fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)
Buildings	540	567
Equipment	783	885
Total	1,323	1,452

ii) Note 2: Notes regarding pledged assets

(i) Preceding fiscal year

None of the assets are collateralized. The securities bought by customers using money loaned from the Company’s own fund, of which market value amounted to 438 million yen are collateralized for the margin borrowings. 6,657 million yen of the guarantee securities received from customers are collateralized for margin borrowings.

(ii) Current fiscal year

None of the assets are collateralized. The securities bought by customers using money loaned from the Company’s own fund, of which market value amounted to 469 million yen are collateralized for the margin borrowings. 11,710 million yen of the guarantee securities received from customers are collateralized for margin borrowings.

iii) Market value of securities received and deposited are as follows.

(i) Notes regarding market value of securities pledged to counterparties

	(Millions of yen)	
	Preceding fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)
[1] Securities lent for customers' short positions in margin transactions	40,079	54,288
[2] Collateralized securities for margin borrowings	6,289	9,419
[3] Securities loaned out in debt credit transaction of securities	28,026	36,759
[4] Long-term guarantee securities deposited	10,620	8,194
[5] Securities pledged as collateral for short-term guarantee	3,940	5,819

(ii) Notes regarding market value of securities received as collateral from counterparties

	(Millions of yen)	
	Preceding fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)
[1] Securities received on customers' long positions in margin transaction	123,060	266,846
[2] Securities borrowed on margin transactions	7,042	5,674
[3] Securities received in debt credit transaction of securities	32,065	49,156
[4] Guarantee securities received from customers	320,070	508,940
[5] Securities received from customers as collateral for short-term guarantee	2,190	3,289

iv) Note 4: Notes regarding reserves under special laws

Accounting of Reserve for financial instruments transaction liabilities is based on Article 46-5 of the Financial Instruments and Exchange Act.

v) The Company makes overdraft agreement and/or commitment line agreement with multiple financial institutions from the perspective of efficiency of procuring working capital and safety of financing. The balance of unexecuted loans of overdraft agreement and/or commitment line agreement is as follows.

	(Millions of Yen)	
	Preceding fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)
Maximum limit amount of overdraft and lending commitment	157,300	157,300
Executed amount	58,800	104,800
The balance	98,500	52,500

vi. Notes - Statement of income

(i) Note 1: Breakdown of financial revenue

	(Millions of yen)	
	Preceding fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Interest on margin transactions	8,422	9,320
Revenue from securities lending and borrowing	679	1,002
Other	438	373
Total	9,539	10,696

(ii) Note 2: Breakdown of financial expenses

	(Millions of yen)	
	Preceding fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Interest expense on margin transactions	1,008	881
Expenses on securities lending and borrowing	152	249
Interest expenses	6	76
Other	640	205
Total	1,805	1,410

(iii) Note 3: Breakdown of trading related expenses

	(Millions of yen)	
	Preceding fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Commission fee	702	914
Membership fees for stock exchanges and securities associations	1,163	1,526
Communications expenses	1,735	1,903
Travel and transportation expenses	18	6
Advertisements	934	1,564
Entertainment expenses	14	17
Total	4,566	5,930

(iv) Note 4: Breakdown of personnel expenses

	(Millions of yen)	
	Preceding fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Officer's compensations	278	255
Employees' salaries	884	963
Other compensations	989	1,008
Welfare expenses	196	214
Provision for bonuses	125	253
Share-based compensation expenses	110	113
Retirement benefit expenses	25	28
Total	2,607	2,833

(v) Note 5: Breakdown of real estate expenses

	(Millions of yen)	
	Preceding fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Occupancy and rental fee	355	359
Equipment expenses	779	651
Total	1,134	1,010

(vi) Note 6: Breakdown of office expenses

	(Millions of yen)	
	Preceding fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Data processing and outsourcing cost of operations	2,739	3,169
Office supplies	8	7
Total	2,747	3,176

(vii) Note 7: Breakdown of taxes and dues

	(Millions of yen)	
	Preceding fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Enterprise tax (portion on value added levy and capital levy)	241	320
Other	55	172
Total	296	492

(viii) Note 8: Breakdown of loss on sale and retirement of non-current assets

[i] Loss on retirement

	(Millions of yen)	
	Preceding fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Software	11	3
Equipment	-	4
Other	0	0
Total	11	7

vii. Notes - Statement of changes in equity

i) Preceding fiscal year (From April 1, 2019 to March 31, 2020)

(i) Notes regarding issued shares and treasury shares

	Beginning of current fiscal year	Increase	Decrease	End of current fiscal year
Issued shares				
Common stock (number of shares)	259,264,702	-	-	259,264,702
Treasury shares				
Common stock (number of shares)	2,455,463	83	82,200	2,373,346

Note 1: Increase of treasury shares is a result of the purchase of shares less than 1 unit of shares.

Note 2: Decrease of treasury shares is a result of exercise of the share acquisition rights.

(ii) Notes regarding share acquisition rights, etc.

(Millions of yen)

Item	Balance at the end of current fiscal year
Share acquisition rights as stock options (2015)	20
Share acquisition rights as stock options (2016)	39
Share acquisition rights as stock options (2017)	72
Share acquisition rights as stock options (2018)	56
Share acquisition rights as stock options (2019)	19
Total	206

Note 1: Concerning balance of 20 million yen of share acquisition rights as stock options (2015) and balance of 39 million yen of share acquisition rights as stock options (2016), the first day of exercise period has not come.

Note 2: Concerning the share acquisition rights as stock options (2017), (2018) and (2019), the first day of exercise period has not come.

(iii) Notes regarding dividend

[i] Dividend payment

Resolution	Class of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 23, 2019	Common stock	16,693	65.00	March 31, 2019	June 24, 2019
Board of directors' meeting held on October 28, 2019	Common stock	5,779	22.50	September 30, 2019	November 22, 2019

Note: Dividend per share of ordinary general meeting of shareholders held on June 23, 2019 includes 39.00 yen of commemorative dividend for the 100th anniversary of the Company.

[ii] Dividends whose record date is in the current fiscal year and whose effective date is in the following fiscal year

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

ii) Current fiscal year (From April 1, 2020 to March 31, 2021)

(i) Notes regarding issued shares and treasury shares

	Beginning of current fiscal year	Increase	Decrease	End of current fiscal year
Issued shares				
Common stock (number of shares)	259,264,702	-	-	259,264,702
Treasury shares				
Common stock (number of shares)	2,373,346	-	68,400	2,304,946

Note: Decrease of treasury shares is result of exercise of the share acquisition rights.

(ii) Notes regarding share acquisition rights, etc.

(Millions of yen)

Item	Balance at the end of current fiscal year
Share acquisition rights as stock options (2015)	5
Share acquisition rights as stock options (2016)	28
Share acquisition rights as stock options (2017)	67
Share acquisition rights as stock options (2018)	84
Share acquisition rights as stock options (2019)	65
Share acquisition rights as stock options (2020)	17
Total	267

Note 1: Concerning balance of 22 million yen of share acquisition rights as stock options (2016) and balance of 57 million yen of share acquisition rights as stock options (2017), the first day of exercise period has not arrived.

Note 2: Concerning the share acquisition rights as stock options (2018), (2019) and (2020), the first day of exercise period has not arrived.

(iii) Notes regarding dividend

[i] Dividend payment

Resolution	Class of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 28, 2020	Common stock	5,780	22.50	March 31, 2020	June 29, 2020
Board of directors' meeting held on October 27, 2020	Common stock	5,139	20.00	September 30, 2020	November 24, 2020

[ii] Dividends whose record date is in the current fiscal year and whose effective date is in the following fiscal year

A proposal (matters for resolution) for dividend for common stock as shown below has been submitted to the ordinary general meeting of shareholders scheduled to be held on June 27, 2021.

Resolution	Class of shares	Source of dividends	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders scheduled to be held on June 27, 2021	Common stock	Retained earnings	5,139	20.00	March 31, 2021	June 28, 2021

viii. Notes – Statement of cash flow

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

	(Millions of yen)	
	Preceding fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Cash and deposits	52,501	56,952
Money held in trust	2,844	2,846
Cash and cash equivalents	55,345	59,798

ix. Notes – Financial instruments

(i) Matters related to the status of financial instruments

[i] The Company's policy of approach towards financial instruments

The Company's main business is the stock brokerage business towards individual investors, and in order to provide margin transaction services as a part of such business, with respect to recurring funds procurement to respond to increase and decrease in loans, the Company mainly depends on borrowings from financial institutions, and also issue bonds etc. as necessary.

On the other hand, with respect to deposits and guarantee deposits received from customers, such funds are managed in customer-segregated fund trusts pursuant to the "the Financial Instruments and Exchange Act". Furthermore, regarding funds management, importance is placed on safety of funds, and funds are managed in bank deposits and highly liquid financial assets.

Furthermore, as a part of the trading business, the Company is engaged in dealing operations of foreign exchange margin trading within a certain scope with the aim to making profits. Other trading business is conducted within the scope necessary to offer services to customers, and in principle, the Company does not conduct trading merely for the purpose of making profits.

Otherwise, the Company borrows securities from other financial institutions etc. for stock lending etc. associated with selling positions of margin transactions by customers. Also, the Company lends to other financial institutions securities received in return for own lending associated with margin transaction lending as well as securities etc. borrowed from customers as a part of services to them. These securities borrowed from customers are also served for stock lending associated with other customer's margin transaction for making short position.

[ii] Financial instruments and related risks

The main financial assets held by the Company are customer-segregated fund trusts (included in segregated deposits) under which deposits from customers and guarantee deposits received etc. are deposited with trust banks, and margin transaction assets which are mainly margin loans. Customer-segregated fund trusts are managed focusing on safety by investing mainly in call loans and banking book loans to trust bank, however, such investments are exposed to credit risk of the investment destination. Furthermore, in the case of investing in securities such as government bonds, there is exposure to market value fluctuation risk. For margin loans, collateral is received from customers, so there is exposure to the customers' credit risk. The Company procures funds by short-term borrowings etc., mainly to be used for margin loans. Regarding the procured

funds, there is liquidity risk if such funds are not prepaid on the payment due date due to cash position issues.

Margin transaction liabilities are margin borrowings borrowed from securities finance companies in order to be used for margin loans, and cash received for securities sold in margin transactions which is the amount equivalent of sales proceeds for short positions on margin transactions by customers.

Loans secured by securities are Cash collateral provided for securities borrowed from financial institutions etc. (Cash collateral provided for securities borrowed), and borrowings secured by securities are similarly cash collateral received for loaned securities to financial institutions etc. (cash collateral received for securities lent).

Other securities are mainly listed shares held for pure investment purposes, and the Company is exposed to credit risk of the issuer and market value fluctuation risk.

Derivatives transactions for financial assets and financial liabilities are mainly the amounts equivalent to unrealized gains and losses in foreign exchange margin trading. The Company conducts foreign exchange margin trading with customers, for the purpose of providing foreign exchange margin trading service to its customers and to make profits from such service. At the same time, in order to control related FX fluctuation risk, the Company also engages in foreign exchange margin trading with financial institution counterparties. For uncovered portions of positions arising from transactions with customers, the Company is exposed to FX fluctuation risk for such uncovered positions; however, in principle, all positions with customers are fully covered as at the end of trading on each business day.

[iii] Risk management system related to financial instruments

The risk management systems related to various risks of the Company are defined in internal rules, and also the finance department is quantitatively managing market risks and credit risks by calculating risk amounts and the capital-to-risk ratio based on the “Financial Instruments and Exchange Act”, and such status is monthly being reported to the Board of Directors. Furthermore, risk limit amounts for dealing operations etc. are prescribed in internal rules.

With respect to risks related to margin transactions, the credit control department manages the status of margin transaction positions of the entire Company, and monitors the liquidity status of individual stock names, in addition to monitoring the credit condition of individual customers.

Regarding transactions for foreign exchange margin trading, based on internal rules etc., in principle, efforts are made to control FX fluctuation risks by entering into cover transactions, marry transactions and other dealings based on preset algorithms.

Regarding liquidity risk for repayment of procured funds, the finance department manages cash flows together with the management of customer-segregated fund trusts, taking into account the levels of margin loans and the receipt and payment of funds in relation to the stock brokerage business.

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

[iv] Supplementary explanation regarding matters related to the market value of financial instruments

The market value of financial instruments include market value based on market prices, and where there is no market price, reasonably calculated values. Upon calculating such values, since certain assumptions are adopted, if differing assumptions are used, such value may differ. Furthermore, with respect to contract amounts etc. related to derivative transactions referred to in the notes to “Notes – Overview of securities and derivatives”, the amounts themselves are not indicators of market risks related to derivative transactions.

(ii) Matters related to market value of financial instruments

[i] Preceding fiscal year (March 31, 2020)

Recorded value on the balance sheet, market value, and differences between them are as shown below. Also, financial instruments whose market value is very difficult to obtain are not included in the table below (Refer to Note 2.).

Item	Recorded value on the balance sheet (millions of yen)	Market value (millions of yen)	Difference (millions of yen)
[1] Cash and deposits	52,501	52,501	-
[2] Segregated deposits	449,312	449,312	-
[3] Money held in trust	2,844	2,844	-
[4] Trading products and investment securities	5,183	5,183	-
[i] Trading securities and other	0	0	-
[ii] Derivatives	1,877	1,877	-
[iii] Available for sale securities	3,306	3,306	-
[5] Margin transaction assets	161,594	161,594	-
[6] Loans secured by securities	21,188	21,188	-
Total assets	692,622	692,622	-
[1] Trading products	120	120	-
[i] Derivatives	120	120	-
[2] Margin transaction liabilities	44,846	44,846	-
[3] Borrowings secured by securities	14,782	14,782	-
[4] Deposits received	270,003	270,003	-
[5] Guarantee deposits received	212,539	212,539	-
[6] Short-term borrowings	78,900	78,900	-
Total liabilities	621,190	621,190	-

Note 1: Calculation method of market value of financial instruments and matters concerning securities and derivatives: (A) Notes concerning assets: [1] Cash and deposits, [5] Margin transaction assets and [6] Loans secured by securities are usually settled in short term and their market value is close to recorded value on the balance sheet. By this reason, market value is represented by its recorded value on the balance sheet. [2] Segregated deposits and [3] Money held in trust are evaluated and recorded on the balance sheet by mainly the market value of trusted assets and their market value is close to recorded value on the balance sheet. By this reason, market value is represented by its recorded value on the balance sheet. Among [4] Trading products and investment securities, market price of securities are based on the price quoted on markets, etc. Market price of foreign exchange margin trading is calculated based on the spot exchange rate at the end of current fiscal year. For notes concerning securities and derivatives by purpose of holding, reference is made to the “Notes – Overview of securities and derivatives.” (B) Notes concerning liabilities: Among [1] Trading products, foreign exchange margin trading is calculated based on the spot exchange rate at the end of current fiscal year. For notes concerning securities and derivatives by purpose of holding,

reference is made to the “Notes – Overview of securities and derivatives.” [2] Margin transaction liabilities, [3] Borrowings secured by securities, [4] Deposits received, [5] Guarantee deposits received and [6] Short-term borrowings are usually settled in short term and their market value is close to recorded value on the balance sheet. By this reason, market value is shown by their recorded value on the balance sheet.

Note 2: Financial instruments whose market value is quite difficult to obtain.

Item	Recorded value on the balance sheet (millions of yen)
Available-for-sale securities	
Unlisted shares	149
Investment on investment business limited partnership	419

Note: These financial instruments do not have market price, which makes it quite difficult to obtain their market value. By this reason these are not included in “[4] Trading products and investment securities” among assets.

Note 3: Note on scheduled amount of redemptions after the record date of financial statements for monetary claims and securities which have maturity dates: All of monetary claims are expected to be redeemed within 1 year.

Note 4: All monetary debts are scheduled due within 1 year.

[ii] Current fiscal year (March 31, 2021)

Recorded value on the balance sheet, market value, and differences between them are as shown below. Also, financial instruments whose market value is very difficult to obtain are not included in the table below (Refer to Note 2.).

Item	Recorded value on the balance sheet (millions of yen)	Market value (millions of yen)	Difference (millions of yen)
[1] Cash and deposits	56,952	56,952	-
[2] Segregated deposits	564,012	564,012	-
[3] Money held in trust	2,846	2,846	-
[4] Trading products and investment securities	4,620	4,620	-
[i] Trading securities and other	24	24	-
[ii] Derivatives	2,121	2,121	-
[iii] Available for sale securities	2,475	2,475	-
[5] Margin transaction assets	282,931	282,931	-
[6] Loans secured by securities	30,353	30,353	-
Total assets	941,714	941,714	-
[1] Trading products	219	219	-
[i] Derivatives	219	219	-
[2] Margin transaction liabilities	57,226	57,226	-
[3] Borrowings secured by securities	23,160	23,160	-
[4] Deposits received	335,941	335,941	-
[5] Guarantee deposits received	248,255	248,255	-
[6] Short-term borrowings	207,900	207,900	-
Total liabilities	872,700	872,700	-

Note 1: Calculation method of market value of financial instruments and matters concerning securities and derivatives: (A) Notes concerning assets: [1] Cash and deposits, [5] Margin transaction assets and [6] Loans secured by securities are usually settled in short term and their market value is close to recorded value on the balance sheet. By this reason, market value is represented by its recorded value on the balance sheet. [2] Segregated deposits and [3] Money held in trust are evaluated and recorded on the balance sheet by mainly the market value of trusted assets and their market value is close to recorded value on the balance sheet. By this reason, market value is represented by its recorded value on the balance sheet. Among [4] Trading products and investment securities, market price of securities are based on the price quoted on markets, etc. Market price of foreign exchange margin trading is calculated based on the spot exchange rate

at the end of current fiscal year. For notes concerning securities and derivatives by purpose of holding, reference is made to the “Notes – Overview of securities and derivatives.” (B) Notes concerning liabilities: Among [1] Trading products, foreign exchange margin trading is calculated based on the spot exchange rate at the end of current fiscal year. For notes concerning securities and derivatives by purpose of holding, reference is made to the “Notes – Overview of securities and derivatives.” [2] Margin transaction liabilities, [3] Borrowings secured by securities, [4] Deposits received, [5] Guarantee deposits received and [6] Short-term borrowings are usually settled in short term and their market value is close to recorded value on the balance sheet. By this reason, market value is shown by their recorded value on the balance sheet.

Note 2: Financial instruments whose market value is quite difficult to obtain.

Item	Recorded value on the balance sheet (millions of yen)
Available-for-sale securities	
Unlisted shares	166
Investment on investment business limited partnership, etc.	849

Note: These financial instruments do not have market price, which makes it quite difficult to obtain their market value. By this reason these are not included in “[4] Trading products and investment securities” among assets.

Note 3: Note on scheduled amount of redemptions after the record date of financial statements for monetary claims and securities which have maturity dates: All of monetary claims are expected to be redeemed within 1 year.

Note 4: All monetary debts are scheduled due within 1 year.

x. Notes – Overview of securities and derivatives

i) Trading related securities and derivatives

(i) Derivative trading

[i] Derivative trading for which hedge accounting is not applied

(Preceding fiscal year)

Type	Assets		Liabilities	
	Amount of contract, etc. (millions of yen)	Market value (millions of yen)	Amount of contract, etc. (millions of yen)	Market value (millions of yen)
Foreign exchange margin trading	42,288	1,877	8,226	120

Note 1: Market value of foreign exchange margin trading is calculated based on the spot rate of exchange at the end of current fiscal year.

Note 2: Amount of contract whose market value falls in zero is represented as assets.

(Current fiscal year)

Type	Assets		Liabilities	
	Amount of contract, etc. (millions of yen)	Market value (millions of yen)	Amount of contract, etc. (millions of yen)	Market value (millions of yen)
Foreign exchange margin trading	63,896	2,121	37,368	219

Note 1: Market value of foreign exchange margin trading is calculated based on the spot rate of exchange at the end of current fiscal year.

Note 2: Amount of contract whose market value falls in zero is represented as assets.

[ii] Derivative trading for which hedge accounting is applied

Not applicable.

ii) Other than trading related securities and derivatives

(i) Shares of subsidiaries and affiliates

[i] Preceding fiscal year (From April 1, 2019 to March 31, 2020)

The Company does not have shares of subsidiaries nor affiliates.

[ii] Current fiscal year (From April 1, 2020 to March 31, 2021)

The Company does not have shares of subsidiaries nor affiliates.

(ii) Available-for-sale securities

[i] Preceding fiscal year

Classification		Recorded value on balance sheet (millions of yen)	Acquisition cost (millions of yen)	Difference (millions of yen)
Securities whose recorded value on the balance sheet exceeds acquisition cost	[1] Stock	3,306	13	3,293
	[2] Bond	-	-	-
	[3] Other	-	-	-
	Subtotal	3,306	13	3,293
Securities whose recorded value on the balance sheet does not exceed acquisition cost	[1] Stock	-	-	-
	[2] Bond	-	-	-
	[3] Other	-	-	-
	Subtotal	-	-	-
Total		3,306	13	3,293

[ii] Current fiscal year

Classification		Recorded value on balance sheet (millions of yen)	Acquisition cost (millions of yen)	Difference (millions of yen)
Securities whose recorded value on the balance sheet exceeds acquisition cost	[1] Stock	2,475	7	2,468
	[2] Bond	-	-	-
	[3] Other	-	-	-
	Subtotal	2,475	7	2,468
Securities whose recorded value on the balance sheet does not exceed acquisition cost	[1] Stock	-	-	-
	[2] Bond	-	-	-
	[3] Other	-	-	-
	Subtotal	-	-	-
Total		2,475	7	2,468

(iii) Available-for-sale securities sold during current fiscal year

[i] Preceding fiscal year

Not applicable.

[ii] Current fiscal year

Classification	Amount of sale (millions of yen)	Total gain on sale (millions of yen)	Total loss on sale (millions of yen)
Stock	2,000	1,994	-
Total	2,000	1,994	-

(iv) Impaired securities

The Company has recorded 160 million yen loss on revaluation of available-for-sale securities in the preceding fiscal year.

There is no applicable information for the current fiscal year.

xi. Notes – Retirement benefits

i) Overview of retirement benefit system adapted
The Company adapts defined contribution pension plan.

ii) Defined contribution plan
Required amount of contribution by the Company to the plan is 25 million yen for the preceding fiscal year, and 28 million yen for the current fiscal year.

xii. Notes – Share options, etc.

i) Amount of cost of share options and item for which it is accounted

	Preceding fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Share-based compensation expenses in selling, general and administrative expenses	110 million yen	113 million yen

ii) Contents, scale and status of movement of share options

(i) Contents of share options

[i] Second series of share acquisition rights

	Share acquisition rights which can be exercised from August 12, 2018	Share acquisition rights which can be exercised from August 12, 2019	Share acquisition rights which can be exercised from August 12, 2020
Date of resolution	July 27, 2015		
Persons eligible for the allotment and their number (Note 1)	6 directors of the Company (excluding outside directors)		
Number of share acquisition rights (Note 1) (Note 2)	Common stock: 22,500 shares	Common stock: 22,500 shares	Common stock: 23,000 shares
Allotment date	August 11, 2015		
Conditions for exercising	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.		
Vesting period	From August 11, 2015 to August 11, 2018	From August 11, 2015 to August 11, 2019	From August 11, 2015 to August 11, 2020
Exercise period	From August 12, 2018 to August 11, 2021	From August 12, 2019 to August 11, 2021	From August 12, 2020 to August 11, 2021

Note 1: The table above shows the contents at the date of resolution.

Note 2: Number of share acquisition rights are represented by the number of shares.

[ii] Third series of share acquisition rights

	Share acquisition rights which can be exercised from August 11, 2019	Share acquisition rights which can be exercised from August 11, 2020	Share acquisition rights which can be exercised from August 11, 2021
Date of resolution	July 26, 2016		
Persons eligible for the allotment and their number (Note 1)	7 directors of the Company (excluding outside directors)		
Number of share acquisition rights (Note 1) (Note 2)	Common stock: 31,400 shares	Common stock: 31,400 shares	Common stock: 32,000 shares
Allotment date	August 10, 2016		
Conditions for exercising	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.		
Vesting period	From August 10, 2016 to August 10, 2019	From August 10, 2016 to August 10, 2020	From August 10, 2016 to August 10, 2021
Exercise period	From August 11, 2019 to August 10, 2022	From August 11, 2020 to August 10, 2022	From August 11, 2021 to August 10, 2022

Note 1: The table above shows the contents at the date of resolution.

Note 2: Number of share acquisition rights are represented by the number of shares.

[iii] Fourth series of share acquisition rights

	Share acquisition rights which can be exercised from August 18, 2020	Share acquisition rights which can be exercised from August 19, 2021	Share acquisition rights which can be exercised from August 19, 2022
Date of resolution	July 27, 2017		
Persons eligible for the allotment and their number (Note 1)	8 directors of the Company (excluding outside directors)		
Number of share acquisition rights (Note 1) (Note 2)	Common stock: 42,800 shares	Common stock: 42,800 shares	Common stock: 43,500 shares
Allotment date	August 17, 2017		
Conditions for exercising	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.		
Vesting period	From August 17, 2017 to August 17, 2020	From August 17, 2017 to August 18, 2021	From August 17, 2017 to August 18, 2022
Exercise period	From August 18, 2020 to August 17, 2023	From August 19, 2021 to August 17, 2023	From August 19, 2022 to August 17, 2023

Note 1: The table above shows the contents at the date of resolution.

Note 2: Number of share acquisition rights are represented by the number of shares.

[iv] Fifth series of share acquisition rights

	Share acquisition rights which can be exercised from July 21, 2021	Share acquisition rights which can be exercised from July 22, 2022	Share acquisition rights which can be exercised from July 22, 2023
Date of resolution	July 5, 2018		
Persons eligible for the allotment and their number (Note 1)	8 directors of the Company (excluding outside directors)		
Number of share acquisition rights (Note 1) (Note 2)	Common stock: 37,400 shares	Common stock: 37,400 shares	Common stock: 38,100 shares
Allotment date	July 20, 2018		
Conditions for exercising	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.		
Vesting period	From July 20, 2018 to July 20, 2021	From July 20, 2018 to July 21, 2022	From July 20, 2018 to July 21, 2023
Exercise period	From July 21, 2021 to July 20, 2024	From July 22, 2022 to July 20, 2024	From July 22, 2023 to July 20, 2024

Note 1: The table above shows the contents at the date of resolution.

Note 2: Number of share acquisition rights are represented by the number of shares.

[v] Sixth series of share acquisition rights

	Share acquisition rights which can be exercised from July 11, 2022	Share acquisition rights which can be exercised from July 12, 2023	Share acquisition rights which can be exercised from July 12, 2024
Date of resolution	June 23, 2019		
Persons eligible for the allotment and their number (Note 1)	6 directors of the Company (excluding outside directors)		
Number of share acquisition rights (Note 1) (Note 2)	Common stock: 40,000 shares	Common stock: 40,100 shares	Common stock: 40,200 shares
Allotment date	July 10, 2019		
Conditions for exercising	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.		
Vesting period	From July 10, 2019 to July 10, 2022	From July 10, 2019 to July 11, 2023	From July 10, 2019 to July 11, 2024
Exercise period	From July 11, 2022 to July 10, 2025	From July 12, 2023 to July 10, 2025	From July 12, 2024 to July 10, 2025

Note 1: The table above shows the contents at the date of resolution.

Note 2: Number of share acquisition rights are represented by the number of shares.

[vi] Seventh series of share acquisition rights

	Share acquisition rights which can be exercised from August 18, 2023	Share acquisition rights which can be exercised from August 19, 2024	Share acquisition rights which can be exercised from August 19, 2025
Date of resolution	July 27, 2020		
Persons eligible for the allotment and their number (Note 1)	8 directors of the Company (excluding outside directors)		
Number of share acquisition rights (Note 1) (Note 2)	Common stock: 44,700 shares	Common stock: 45,000 shares	Common stock: 45,100 shares
Allotment date	August 17, 2020		
Conditions for exercising	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.		
Vesting period	From August 17, 2020 to August 17, 2023	From August 17, 2020 to August 18, 2024	From August 17, 2020 to August 18, 2025
Exercise period	From August 18, 2023 to August 17, 2026	From August 19, 2024 to August 17, 2026	From August 19, 2025 to August 17, 2026

Note 1: The table above shows the contents at the date of resolution.

Note 2: Number of share acquisition rights are represented by the number of shares.

(ii) Scale of share acquisition rights and their status of movement

Share acquisition rights which existed during the current fiscal year (year ended March, 2021) are shown in the tables below and number of these rights is translated into the equivalent number of shares.

[i] Number of share acquisition rights

	Second series of share acquisition rights	Third series of share acquisition rights	Fourth series of share acquisition rights	Fifth series of share acquisition rights	Sixth series of share acquisition rights	Seventh series of share acquisition rights
Before vesting						
At end of preceding fiscal year (number of share)	23,000	63,400	129,100	112,900	120,300	-
Granted	-	-	-	-	-	134,800
Forfeited	-	-	-	-	-	-
Vested	23,000	31,400	42,800	-	-	-
Unvested amount	-	32,000	86,300	112,900	120,300	134,800
After vesting						
At end of preceding fiscal year (number of shares)	-	-	-	-	-	-
Vested	23,000	31,400	42,800	-	-	-
Exercise of rights	17,600	22,300	28,500	-	-	-
Forfeited	-	-	-	-	-	-
Unexercised amount	5,400	9,100	14,300	-	-	-

[ii] Price information

	Second series of share acquisition rights (Note 1)	Second series of share acquisition rights (Note 2)	Second series of share acquisition rights (Note 3)
Date of resolution	July 27, 2015	July 27, 2015	July 27, 2015
Exercise price (yen)	1	1	1
Average market price of shares at time of exercise of share acquisition rights (yen)	-	-	907
Fair value at grant date (yen)	952	936	919

Note 1: Second series of share acquisition rights which can be exercised from August 12, 2018.

Note 2: Second series of share acquisition rights which can be exercised from August 12, 2019.

Note 3: Second series of share acquisition rights which can be exercised from August 12, 2020.

	Third series of share acquisition rights (Note 1)	Third series of share acquisition rights (Note 2)	Third series of share acquisition rights (Note 3)
Date of resolution	July 26, 2016	July 26, 2016	July 26, 2016
Exercise price (yen)	1	1	1
Average market price of shares at time of exercise of share acquisition rights (yen)	-	908	-
Fair value at grant date (yen)	737	720	703

Note 1: Third series of share acquisition rights which can be exercised from August 11, 2019.

Note 2: Third series of share acquisition rights which can be exercised from August 11, 2020.

Note 3: Third series of share acquisition rights which can be exercised from August 11, 2021.

	Fourth series of share acquisition rights (Note 1)	Fourth series of share acquisition rights (Note 2)	Fourth series of share acquisition rights (Note 3)
Date of resolution	July 27, 2017	July 27, 2017	July 27, 2017
Exercise price (yen)	1	1	1
Average market price of shares at time of exercise of share acquisition rights (yen)	905	-	-
Fair value at grant date (yen)	730	716	703

Note 1: Fourth series of share acquisition rights which can be exercised from August 18, 2020.

Note 2: Fourth series of share acquisition rights which can be exercised from August 19, 2021.

Note 3: Fourth series of share acquisition rights which can be exercised from August 19, 2022.

	Fifth series of share acquisition rights (Note 1)	Fifth series of share acquisition rights (Note 2)	Fifth series of share acquisition rights (Note 3)
Date of resolution	July 5, 2018	July 5, 2018	July 5, 2018
Exercise price (yen)	1	1	1
Average market price of shares at time of exercise of share acquisition rights (yen)	-	-	-
Fair value at grant date (yen)	861	843	826

Note 1: Fifth series of share acquisition rights which can be exercised from July 21, 2021.

Note 2: Fifth series of share acquisition rights which can be exercised from July 22, 2022.

Note 3: Fifth series of share acquisition rights which can be exercised from July 22, 2023.

	Sixth series of share acquisition rights (Note 1)	Sixth series of share acquisition rights (Note 2)	Sixth series of share acquisition rights (Note 3)
Date of resolution	June 23, 2019	June 23, 2019	June 23, 2019
Exercise price (yen)	1	1	1
Average market price of shares at time of exercise of share acquisition rights (yen)	-	-	-
Fair value at grant date (yen)	824	806	789

Note 1: Sixth series of share acquisition rights which can be exercised from July 11, 2022.

Note 2: Sixth series of share acquisition rights which can be exercised from July 12, 2023.

Note 3: Sixth series of share acquisition rights which can be exercised from July 12, 2024.

	Seventh series of share acquisition rights (Note 1)	Seventh series of share acquisition rights (Note 2)	Seventh series of share acquisition rights (Note 3)
Date of resolution	July 27, 2020	July 27, 2020	July 27, 2020
Exercise price (yen)	1	1	1
Average market price of shares at time of exercise of share acquisition rights (yen)	-	-	-
Fair value at grant date (yen)	742	725	707

Note 1: Seventh series of share acquisition rights which can be exercised from August 18, 2023.

Note 2: Seventh series of share acquisition rights which can be exercised from August 19, 2024.

Note 3: Seventh series of share acquisition rights which can be exercised from August 19, 2025.

iii) Procedure of estimating fair value of share acquisition rights allotted during current fiscal year

(i) Evaluation method applied
Black-Scholes model

(ii) Main basic parameters and the procedure of their estimations

	Seventh series of share acquisition rights (Note 1)	Seventh series of share acquisition rights (Note 2)	Seventh series of share acquisition rights (Note 3)
Volatility of shares	(Note 4) 26.794%	(Note 5) 27.050%	(Note 6) 26.366%
Estimated time to maturity (Note 7)	4.5 years	5.0 years	5.5 years
Estimated dividend (Note 8)	45 yen per share	45 yen per share	45 yen per share
Risk free rate (Note 9)	Minus 0.093%	Minus 0.075%	Minus 0.072%

Note 1: Seventh series of share acquisition rights which can be exercised from August 18, 2023.

Note 2: Seventh series of share acquisition rights which can be exercised from August 19, 2024.

Note 3: Seventh series of share acquisition rights which can be exercised from August 19, 2025.

Note 4: Volatility of shares are calculated based on the historical record for the 4 years and a half (From February 18, 2016 to August 17, 2020).

Note 5: Volatility of shares are calculated based on the historical record for the 5 years (From August 18, 2015 to August 17, 2020).

Note 6: Volatility of shares are calculated based on the historical record for the 5 years and a half (From February 18, 2015 to August 17, 2020).

Note 7: Due to the lack of adequate data for the reasonable estimation, the Company regards share acquisition rights to be exercised upon the middle point of the exercise period.

Note 8: Considering the status of past record of dividend payments, the value as same as the ordinary dividend for the fiscal year ended March 2020 is used.

Note 9: Average compound return of long term government bonds whose redemption time falls on the period within 3 months before or 3 months after the date when the estimated time to maturity passes from the grant date of share acquisition rights.

iv) Procedure of estimating number of share acquisition rights which will be vested

Due to the difficulty of reasonable estimation of future forfeiture, the Company basically reflects actual forfeiture occurred only.

xiii. Notes – Tax effect accounting

i) Details of major components of deferred tax assets and deferred tax liabilities by their origins

	(Millions of yen)	
	Preceding fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)
Deferred tax assets		
Accrued enterprise tax	96	197
Excess of allowance for doubtful accounts	421	420
Reserve for retirement bonuses for directors	63	-
Share based compensation expenses	63	82
Reserve for financial instruments transaction liabilities	871	898
Provision for bonuses	38	77
Other	133	151
Total deferred tax assets	1,685	1,825
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(1,011)	(768)
Other	(52)	(45)
Total deferred tax liabilities	(1,063)	(813)
Net deferred tax assets	623	1,011

ii) Details of major components which caused discrepancy between the nominal statutory income tax rate and the effective income tax rate reported in the statement of income

This note has been omitted since the difference between the nominal statutory income tax rate and the effective income tax rate is less than 5/100 of the nominal statutory income tax rate.

xiv. Notes – Segment information, etc.

i) Segment information

(i) Preceding fiscal year (From April 1, 2019 to March 31, 2020)

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

(ii) Current fiscal year (From April 1, 2020 to March 31, 2021)

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

ii) Notes - Information associated with reportable segments

(i) Preceding fiscal year (From April 1, 2019 to March 31, 2020)

[i] Information for each product or service

Information for each product or service has been omitted as over 90% of operating revenue from outside customers on the non-consolidated statement of income is related to only a single segment.

- [ii] Information for each region
(Revenues from external customers)

Information is not applicable as the Company does not earn revenue from external customers located overseas.

(Property, plant and equipment)

Information is not applicable as the Company does not have any overseas property, plant and equipment.

- [iii] Information for each of main customers

Information for each of main customers has been omitted as no outside customer individually provides over 10% of the operating revenue in the non-consolidated statement of income.

- (ii) Current fiscal year (From April 1, 2020 to March 31, 2021)

- [i] Information for each product or service

Information for each product or service has been omitted as over 90% of operating revenue from outside customers on the non-consolidated statement of income is related to only a single segment.

- [ii] Information for each region
(Revenues from external customers)

Information is not applicable as the Company does not earn revenue from external customers located overseas.

(Property, plant and equipment)

Information is not applicable as the Company does not have any overseas property, plant and equipment.

- [iii] Information for each of main customers

Information for each of main customers has been omitted as no outside customer individually provides over 10% of the operating revenue in the non-consolidated statement of income.

- iii) Disclosure of impairment loss on non-current assets for each reportable segment

Disclosure of impairment loss on non-current assets for each reportable segment has been omitted, since the Company is a provider of on-line securities trading service comprising a single segment.

- iv) Amortization and unamortized balance of goodwill for each reportable segment

Not applicable.

- v) Information about gain on bargain purchase for each reportable segment

Not applicable.

xv. Notes – Equity in earnings (losses) of affiliates if equity method is applied
Not applicable.

xvi. Notes – Related parties

i) Preceding fiscal year (From April 1, 2019 to March 31, 2020)

(i) Trades with related parties

[i] Officers and major shareholders of the Company (solely in case of individual), etc.

Type	Name	Location	Share capital	Business involved	Holding of the Company's voting rights
Companies half or more of whose voting rights are held by the officers of the Company and their relatives	Shokosha Ltd.	Bunkyo-ku, Tokyo	50	Sales, rental and management of real estate	Shokosha Ltd. directly holds 13.91% of voting rights of the Company.

Company's relationship with related party	Trade details	Trading volume	Balance sheet account	Balance at end of fiscal year
Rental of real estate	Rental contract of real estate	14	-	-

Note 1: Trading volume does not include consumption tax, etc.

Note 2: Shokosha Ltd. is also a principal institutional shareholder.

Note 3: Conditions of contract and the policy of determining conditions of contract: Trade described above is rental of real estate owned by Shokosha Ltd. for the Company's dormitory for employees. The rental fee the Company pays to Shokosha Ltd. is determined based on current leasing rates in the neighboring area.

(ii) Notes on parent company and important related companies

Not applicable.

ii) Current fiscal year (From April 1, 2020 to March 31, 2021)

(i) Trades with related parties

[i] Officers and major shareholders of the Company (solely in case of individual), etc.

Type	Name	Location	Share capital	Business involved	Holding of the Company's voting rights
Companies half or more of whose voting rights are held by the officers of the Company and their relatives	Shokosha Ltd.	Bunkyo-ku, Tokyo	50	Sales, rental and management of real estate	Shokosha Ltd. directly holds 13.91% of voting rights of the Company.

Company's relationship with related party	Trade details	Trading volume	Balance sheet account	Balance at end of fiscal year
Rental of real estate	Rental contract of real estate	10	-	-

Note 1: Trading volume does not include consumption tax, etc.

Note 2: Shokosha Ltd. is also a principal institutional shareholder.

Note 3: Conditions of contract and the policy of determining conditions of contract: Trade described above was rental of real estate owned by Shokosha Ltd. for the Company's dormitory for employees. The rental fee the Company pays to Shokosha Ltd. is determined based on current leasing rates in the neighboring area. Furthermore, the real estate rental contract with this company was terminated at the end of the current fiscal year.

(ii) Notes on parent company and important related companies

Not applicable.

xvii. Notes – Per share information

	Preceding fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Net assets per share	311.72 yen	307.23 yen
Basic earnings per share	23.89 yen	40.02 yen
Diluted earnings per share	23.86 yen	39.96 yen

Note: Respective bases of calculation for basic earnings per share and diluted earnings are as follows.

Item	Preceding fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Basic earnings per share		
Net profit (millions of yen)	6,136	10,283
Net profit not attributed to common stock (millions of yen)	-	-
Net profit attributed to common stock (millions of yen)	6,136	10,283
Average number of shares of common stock outstanding (number of shares)	256,855,048	256,932,039
Diluted earnings per share		
Increase of common stock (number of shares)	316,036	381,089
[Of the above, share acquisition rights (number of shares)]	[316,036]	[381,089]
Outline of diluted securities which are not considered in the calculation of diluted earnings per share due to the lack of diluting effect		-

xviii. Notes - Significant events after reporting period

Not applicable.

[6] Annexed detailed schedules

i. Annexed detailed schedule of securities

i) Investment securities

Pursuant to Article 124 of Regulations on Financial Statements, a detailed list of investment securities is omitted because their total value recorded on the balance sheet at the end of current fiscal year is equal to or less than 1/100 of total value of assets.

ii. Annexed detailed schedule of property, plant and equipment, etc.

(Millions of yen)

	Balance at beginning of period	Increase in current period	Decrease in current period	Balance at end of period	Accumulated depreciation and amortization	Depreciation expensed at current period	Net Balance at end of period
Property, plant and equipment							
Buildings	825	15	-	840	567	26	273
Equipment	1,474	392	80	1,786	885	183	901
Land	434	-	-	434	-	-	434
Total property, plant and equipment	2,733	407	80	3,060	1,452	209	1,608
Intangible assets							
Software	19,383	3,123	699	21,807	16,189	1,912	5,618
Other	20	-	0	20	20	-	0
Total intangible assets	19,403	3,123	699	21,827	16,209	1,912	5,618
Long term prepaid expenses	52	45	8	89	24	16	65

Note: The increase of equipment and software is mainly due to the investment on facilities necessary for introduction of various new services, enhancing of capacity and improvement of the trading system.

iii. Annexed detailed schedule of corporate bonds

Not applicable.

iv. Annexed detailed schedule of borrowings

Item	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Average interest rate (%)	Date of maturity
Short-term borrowings	78,800	207,800	0.13	-
Long-term borrowings due within 1 year	100	100	0.60	-
Long-term lease liabilities due within 1 year	-	-	-	-
Long-term borrowings excluding those due within 1 year	150	50	0.60	July 31, 2022
Long-term lease liabilities excluding those due within 1 year	-	-	-	-
Other interest-bearing liabilities: Margin borrowings due within 1 year	6,369	9,406	0.60	-
Total	85,419	217,356	-	-

Note 1: Average interest rate is weighted average interest rate at the end of period.

Note 2: Long-term borrowing within 5 years after March 31, 2021 is planned as follows:

(Millions of yen)

Item	Over 1 year and Within 2 years	Over 2 year and Within 3 years	Over 3 year and Within 4 years	Over 4 year and Within 5 years
Long-term borrowings	50	-	-	-

v. Annexed detailed schedule of provisions

(Millions of yen)

	Balance at beginning of period	Increase	Decrease		Balance at end of period
			Appropriation	Other	
Allowance for doubtful accounts	1,454	157	88	62	1,460
Provision for bonuses	125	253	125	-	253
Reserve for financial instruments transaction liabilities	2,845	88	-	-	2,933

Note: The decrease (other) of allowance for doubtful account is mainly due to reversal from revaluation of the allowance.

vi. Annexed detailed schedule of asset retirement obligations

The annexed detailed schedule of asset retirement obligations has been omitted as value of them is equal to or less than 1/100 of the total of liabilities and net assets on the balance sheet at the beginning and end of the current fiscal year.

(2) Components of Major Assets and Liabilities

[1] Assets

i. Cash and deposits

Item	Amount of value (millions of yen)
Cash in hand	0
Cash at banks	56,951
Demand deposits	52,975
Ordinary deposits	3,940
Segregated deposits	36
Total	56,952

ii. Segregated deposits

Item	Amount of value (millions of yen)
Customer - segregated fund trusts	553,000
Trusted money segregated for customers' foreign exchange margin trading	11,000
Other	12
Total	564,012

iii. Margin transaction assets

Item	Amount of value (millions of yen)
Margin loans	277,143
Cash collateral pledged for securities borrowing on margin	5,788
Total	282,931

[2] Liabilities

i. Margin transaction liabilities

Item	Amount of value (millions of yen)
Margin borrowings	9,406
Japan Securities Finance Co., Ltd.	9,406
Cash received for securities sold in margin transactions	47,819
Total	57,226

ii. Deposits received

Item	Amount of value (millions of yen)
Deposits from customers	326,112
Other deposits received	9,829
Total	335,491

iii. Guarantee deposits received

Item	Amount of value (millions of yen)
Guarantee deposits received concerning margin transaction	221,866
Guarantee deposits received concerning futures transaction	155
Other	26,234
Total	248,255

iv. Short-term borrowings

Item	Amount of value (millions of yen)
Sumitomo Mitsui Banking Corporation	28,000
Sumitomo Mitsui Trust Bank, Ltd.	25,000
MUFJ Bank, Ltd.	20,000
Shizuoka Bank, Ltd.	5,000
Resona Bank, Ltd.	5,000
Other	21,800
Call money	103,000
Long-term borrowings due within one year	100
Total	207,900

(3) Other Information

[1] Quarterly information for the current fiscal year, etc.

Cumulative period	1 st quarter	2 nd quarter	3 rd quarter	Current fiscal year
Operating revenue (millions of yen)	7,164	14,188	21,570	30,082
Net operating revenue (millions of yen)	6,830	13,440	20,482	28,672
Profit before income taxes (millions of yen)	3,034	7,906	11,162	14,818
Quarterly (annual) profit (millions of yen)	2,108	5,488	7,747	10,283
Basic quarterly (annual) earnings per share (yen)	8.20	21.36	30.15	40.02

Accounting period	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter
Basic earnings per share (yen)	8.20	13.16	8.79	9.87

6. Overview of Operational Procedures for Shares

Fiscal year	From April 1 to March 31
Ordinary general meeting of shareholders	Within 3 months from the next day to the end of each fiscal year
Record Date	March 31
Record date of dividend from surplus	September 30 and March 31
Number of shares of 1 unit of shares	100 shares
Purchase of shares less than 1 unit of shares	
Venue of purchase	(Special Account) Marunouchi 1-4-1, Chiyoda-ku, Tokyo Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited
Shareholder registry administrator	(Special Account) Marunouchi 1-4-1, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank Limited
Agency	-
Fee for purchase	Amount specified separately as the equivalent of fee concerning stock brokerage
Public notification measures	The Company does public notification electrically. In case any accidents or other inevitable incidents prevent the electric notification by the Company, the Company publishes the notification on Nikkei Shimbun Newspaper. Electric Notifications are on the Company's website whose address is as below: https://www.matsui.co.jp/
Shareholders' benefit	Not applicable

Note: Shareholders of shares less than 1 unit of shares cannot exercise rights other than followings for the shares in their possession: [1] Rights listed in each item in Article 189, paragraph 2 of the Companies Act [2] The right for the request based on the rule of Article 166, paragraph 1 of the Companies Act [3] The right for the allocation of offering of stocks or share acquisition rights in proportion to number of shares in possession of the shareholders.

7. Reference Information of Reporting Company

1) Information about Parent Company, etc. of Reporting Company

The Company does not have a parent company, etc. as defined in Article 24-7, Paragraph 1 of the Financial Instrument and Exchange Act.

2) Other Reference Information

The Company has filed documents below from the start date of the current fiscal year to the date of filing of this Report.

(1) Annual Securities Report and its attachments, Confirmation Letter for Annual Securities Report

For the 104th fiscal year from April 1, 2019 to March 31, 2020 (Filed with the director of Kanto Local Finance Bureau on June 26, 2020.)

(2) Internal Control Report

For the 104th fiscal year from April 1, 2019 to March 31, 2020 (Filed with the director of Kanto Local Finance Bureau on June 26, 2020.)

(3) Quarterly Securities Report and Confirmation Letter for Quarterly Securities Report

For the 1st quarter of the 105th fiscal year from April 1, 2020 to June 30, 2020 (Filed with the director of Kanto Local Finance Bureau on August 13, 2020.)

For the 2nd quarter of the 105th fiscal year from July 1, 2020 to September 30, 2020 (Filed with the director of Kanto Local Finance Bureau on November 13, 2020.)

For the 3rd quarter of the 105th fiscal year from October 1, 2020 to December 31, 2020 (Filed with the director of Kanto Local Finance Bureau on February 12, 2021.)

(4) Extraordinary Securities Report

Extraordinary Securities Report in pursuant to the rule set in Article 19, Paragraph 2, item 9 of the Cabinet Office Order on Disclosure of Corporate Affairs (Change of Representative Director) (Filed with the director of Kanto Local Finance Bureau on June 29, 2020.)

Extraordinary Securities Report in pursuant to the rule set in Article 19, Paragraph 2, item 9-2 of the Cabinet Office Order on Disclosure of Corporate Affairs (Results of the exercise of voting rights in the shareholders' meeting) (Filed with the director of Kanto Local Finance Bureau on June 29, 2020.)

Extraordinary Securities Report in pursuant to the rule set in Article 19, Paragraph 2, item 2-2 of the Cabinet Office Order on Disclosure of Corporate Affairs (Issuance of share acquisition rights as stock options) (Filed with the director of Kanto Local Finance Bureau on July 27, 2020.)

(5) Amended Extraordinary Securities Report

Amended Extraordinary Securities Report for Extraordinary Securities Report in pursuant to the rule set in Article 19, Paragraph 2, item 2-2 of the Cabinet Office Order on Disclosure of Corporate Affairs (Issuance of share acquisition rights as stock options) described in (4) above (Filed with the director of Kanto Local Finance Bureau on August 18, 2020.)

Amended Extraordinary Securities Report for Extraordinary Securities Report in pursuant to the rule set in Article 19, Paragraph 2, item 9-2 of the Cabinet Office Order on Disclosure of Corporate Affairs (Results of the exercise of voting rights in the shareholders' meeting) described in (4) above (Filed with the director of Kanto Local Finance Bureau on October 1, 2020.)

(6) Amended Shelf Registration Statement (Bonds)

Amended Shelf Registration Statement for the Shelf Registration Statement (Bonds) filed with the director of Kanto Local Finance Bureau on November 21, 2019 (Filed with the director of Kanto Local Finance Bureau on June 29, 2020, July 27, 2020, August 18, 2020, and October 1, 2020.)

Part 2. Information about Company which Provides

Guarantee to Reporting Company

Not Applicable.

Amendment Report for the Annual Securities Report for the 105th Fiscal Year (From April 1, 2020 to March 31, 2021)

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 May 30, 2022 pursuant to Article 24-2, Paragraph 1 of the Financial Instrument and Exchange Act.

1. Reason for filing the Amendment Report for the Annual Securities Report

The Company hereby files the Amendment Report for the Annual Securities Report to amend a part of the Annual Securities Report for the 105th Fiscal Year (From April 1, 2020 to March 31, 2021) which was filed on June 21, 2021.

2. Amended Part

Part 1. Company Information

1. Overview of Company

5) Information about Employees

(1) About the Company

3. Content of the Amendment

The amendment is indicated by underlining.

Part 1. Company Information

1. Overview of Company

5) Information about Employees

(1) About the Company

(Before amendment)

(As of March 31, 2021)			
Number of employees	Average age (years old)	Average length of service (years)	Average annual compensation (thousands of yen)
154 (195)	40.1	12.4	<u>9,181</u>

(omitted)

(After amendment)

(As of March 31, 2021)			
Number of employees	Average age (years old)	Average length of service (years)	Average annual compensation (thousands of yen)
154 (195)	40.1	12.4	<u>8,497</u>

(omitted)