Annual Securities Report for the 107th Fiscal Year (From April 1, 2022 to March 31, 2023)

Matsui Securities Co., Ltd.

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Representative: WARITA Akira, President & CEO

Original Japanese Report was filed with the Director of the Kanto Local Finance Bureau on June 19, 2023 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, 2023.

Part 1. Company Information

1. Key financial data

1) Summary of Business Results

Fiscal year	103rd	104th	105th	106th	107th
End of fiscal year	March 2019	March 2020	March 2021	March 2022	March 2023
Operating revenue (millions of yen)	27,313	24,150	30,082	30,616	31,071
Net operating revenue (millions of yen)	25,999	22,345	28,672	29,439	28,415
Ordinary profit (millions of yen)	13,592	9,016	12,919	12,791	11,253
Profit (millions of yen)	9,562	6,136	10,283	11,439	7,823
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)	96,579	80,285	79,213	78,719	76,353
Total assets (millions of yen)	695,993	708,314	961,791	879,394	976,026
Net assets per share (yen)	375.45	311.72	307.23	305.27	295.93
Dividend paid per share [Interim dividend paid per share] (yen)	84.00 [19.00]	45.00 [22.50]	40.00 [20.00]	40.00 [20.00]	40.00 [20.00]
Basic earnings per share (yen)	37.24	23.89	40.02	44.50	30.42
Diluted earnings per share (yen)	37.20	23.86	39.96	44.44	30.37
Equity-to-asset ratio (%)	13.9	11.3	8.2	8.9	7.8
Rate of return on equity (%)	9.8	7.0	12.9	14.5	10.1
Price-earnings ratio (times)	27.98	33.19	22.51	18.13	25.74
Payout ratio (%)	225.6	188.4	100.0	89.9	131.5
Net cash provided by (used in) operating activities (millions of yen)	103,499	60,195	(111,926)	50,821	(15,530)
Net cash provided by (used in) investing activities (millions of yen)	(2,011)	(2,749)	(1,607)	67	(4,276)
Net cash provided by (used in) financing activities (millions of yen)	(101,650)	(41,209)	117,986	(50,374)	41,921
Cash and cash equivalents (millions of yen)	39,108	55,345	59,798	60,312	82,427
Number of employees [Average number of temporary workers]	142 [195]	142 [216]	154 [195]	168 [201]	180 [205]
Total shareholder return [Comparison: Dividend-included TOPIX] (%)	116.8 [95.0]	95.6 [85.9]	111.0 [122.1]	105.4 [124.6]	107.1 [131.8]
Highest share price (yen)	1,318	1,057	986	947	844
Lowest share price (yen)	945	621	734	768	751

Note 1: Equity in earnings of affiliates if equity method is applied is not shown above because the Company does not have affiliates.

Note 2: 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 3: 40.00 yen dividend paid per share for the 107th 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 25, 2023.

Note 4: The highest and lowest share prices are those quoted on the First Section of the Tokyo Stock Exchange before April 3, 2022, and on the Prime Market of the Tokyo Stock Exchange after April 4, 2022.

Note 5: "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) etc. have been applied from the beginning of the fiscal year ended March 31, 2022. Key financial data, etc. concerning after the fiscal year ended March 31, 2022 are figures to which these accounting standards, etc. are applied.

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.
March 1931	Matsui Shoten Co., Ltd. was incorporated.
December 1947	Trade name of the Company was changed to Matsui Securities.
August 1948	The Company was registered as a securities firm.
April 1949	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.
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.).
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).
December 2001	The Company won the 1st Porter Prize promoted by the Graduate School of International Corporate Strategy, Hitotsubashi University.
May 2002	The Company entered into underwriting business.
November 2002	The Company started supporting donation between its customers' accounts.
July 2003	The Company started services for unlimited margin trading.
June 2004	The head office was relocated to and registered at 1-4, Kojimachi, Chiyoda-ku, Tokyo.
July 2005	The Company opened Sapporo Call Center.
September 2006	The Company introduced real time trading tool "Netstock High Speed".
February 2008	The Company won "6th 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.
January 2013	The Company introduced "Margin Trading Service for Day-trades" taking advantage of the newly relaxed 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.
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.

Month and year	Event
	The Company broadened the scope of small-amount transactions available free of charge.
April 2020	The Company started “Toshin (Investment Trust) Monthly Cash Return Service” where a portion of trust fees of investment trusts are refunded in cash.
January 2021	The Company started “Short-term Margin Trading” service. The Company began a service of accepting on-line “cross-trading orders” which supports acquiring shareholders’ benefits rights etc.
March 2021	The Company started investment information media “Money Satellite”. The Company commenced providing a new smartphone application “Matsui Securities Stocks App”.
May 2021	The Company made stock trading commissions free-of-charge for the younger generations.
June 2021	The Company transitioned to a company with an audit and supervisory committee.
February 2022	The Company launched U.S. equity services.
April 2022	The Company moved from the First Section to the Prime Market due to the revision of the market classification of the Tokyo Stock Exchange.
July 2022	The Company introduced “Market Lab,” a new investment information tool.
December 2022	The Company renewed corporate brand and changed corporate logo. Matsui Securities website was completely renewed.

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, 2023)

Number of employees	Average age (years old)	Average length of service (years)	Average annual compensation (thousands of yen)
180 (205)	38.8	11.4	9,138

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, 2023 is 125.

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

(3) The ratio of female employees in management positions and the ratio of male employees taking childcare leave among all male employees whose spouses delivered babies

Current fiscal year	
The ratio of female employees in management positions (%) (Note)	The ratio of male employees taking childcare leave among all male employees whose spouses delivered babies (%) (Note)
15.9	62.5

Note: The ratio is calculated in accordance with the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64, 2015).

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, 2023.

(1) Basic management policy

The Company has upheld the corporate philosophy of “Support to enrich the life of customers” by providing financial products and services which have value to individual investors. In realizing our corporate philosophy, we believe that providing superior customer experience value is of utmost importance.

Therefore, we believe that maintaining and developing solid corporate activities, such as keeping a strong financial base, and offering a stable trading system and a customer-oriented support system, will lead to “a sense of security in investing itself and in choosing a brokerage firm”, which we have defined as our first value to offer. We have also defined “providing diverse ideas” regarding investment as our second value, in order to make investment more accessible and attractive, and to make it an experience that leads to discovery and growth in the lives of our customers. We have set our corporate slogan as “Let’s find it with us, investment is serious and interesting”. In order to lower the hurdles to start investing and provide more customers with opportunities for discovery and growth, we aim to provide “a wide variety of products that meet various customer needs,” “products and services with low trial barriers,” and “simple and easy-to-understand services,” and to go one step further by providing online securities services that are tailored to the needs of each customer. We will strive to offer “personalized services” that provide detailed responses in line with each customer's needs.

(2) Target management indicators

The Company aims to maximize profits and shareholder value by effectively utilizing its management resources. To achieve this, we regard ROE (return on equity) as an important indicator related to the sustainable creation of shareholder value, and we aim to achieve ROE that exceeds the cost of shareholders' equity (currently 8%) over the medium to long term.

The ROE for the current fiscal year ended March 31, 2023 was 10.1%. Which was creased from 14.5% in the preceding fiscal year against the background of appropriation for gain on sale of investment securities and gain on sale of non-current assets 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) Business environment

The Company has maintained efficient operations by concentrating management resources to the on-line business and promoting digital transformation (DX). Furthermore, the Company believes that it has gained stable support from customers due to: 1) its strong brand and name recognition as the major 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 centered communication has become pervasive even in lifestyles that have changed after the COVID-19 pandemic environment, and the competitive advantage of the on-line business has been recognized not only for its operational efficiency but also as an advantageous business. This trend is expected to accelerate, and the Company's policy is to firmly continue to concentrate on the on-line based business model and to continue to refine our services.

On-line stock brokerage services in Japan began in 1998. 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 makes up for over 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 6 main brokerage firms (i.e., Matsui Securities, SBI SECURITIES, Rakuten Securities, au Kabucom Securities, Monex, GMO CLICK Securities) is continuing, and there has been no significant change in the share and ranking of each company in terms of individual stock brokerage trading value. 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. However, in the U.S. on-line brokerage industry, many large brokerage firms have successively announced making brokerage commissions free of charge in 2019, and also in the on-line brokerage industry in Japan, there were some moves towards making stock trading commissions partially free of charge, expanding the scope of such free-of-charge transactions, and making commissions free-of-charge for the younger generation. However, since the business environment and earning structure of on-line brokerage companies in the U.S differ largely from those in Japan, the trend towards partial reduction of commissions has been limited to those with a small impact on profitability, and the effect on market shares of the main firms has also been limited. On the other hand, there are some online securities companies that have announced plans to completely waive stock trading commissions in the future, and this is expected to have an impact on the business of competing companies in the future.

Given such trends, each of the competing companies have announced reexamination of their revenue structures, and are focusing expanding into businesses such as FX (foreign exchange margin trading), investment trusts, wholesale business, asset management business, crypto-currency related business, etc., and are expected to further proceed with the diversification of revenue sources, in order to strengthen services to enhance revenues from deposited assets and to lower dependence on revenues from stock brokerage commissions.

New trends in the industry include the recent entry of new FinTech ventures and the strengthening of online services by face-to-face financial institutions. 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.

(4) Medium- to long-term management strategies

The Company aims to establish and maintain a firm presence in the field of online-based securities services. The Company's medium- and long-term initiatives to achieve this goal are as follows.

[1] Strengthening of the stock brokerage business

The Company focuses on the on-line based stock brokerage business as its core 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, the Company made efforts to improve trading convenience by waiving interest and lending fees for “Margin Trading Service for Day-trades,” launched the new investment information tool “Market Lab”, and continued to improve the “Matsui Securities Stock Application”.

Furthermore, In the U.S. stock service, which is popular among individual investors, the number of stocks handled was expanded and the “Foreign Currency Settlement Service,” which allows customers to select their trading currency from the U.S. dollar or Japanese yen, was launched. The Company will continue to take initiatives towards obtaining new customers, and continually enhance the business as a new source of revenues. Regarding IPO stocks which are popular among individual investors, as a result of the efforts made by the Company to enhance cooperation with venture capital companies and increase the number of underwritten transactions, the underwriting participation ratio exceeded 60%, and the number of IPOs handled was the third largest in the industry.

[2] Expansion and improvement of other businesses

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 in the business environment, expansion of the Company’s business operations is indispensable, and the Company’s policy is to actively proceed with re-examination of the business structure. In particular, the FX business and investment trust business will be strengthened, and efforts will be made to diversify revenue sources. 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.

As to the Company’s FX business, the scale of transactions doubled from the previous fiscal year as a result of providing competitive services such as setting the industry's lowest spreads for all trading currency pairs and setting the minimum trading unit as one currency unit. In addition, we sponsored the e-sports tournament “VALORANT” and worked to strengthen promotion to the younger generation. Going forward, the Company will make further efforts to continually strengthen the business.

As to the investment trusts business, the Company has continued to make efforts to expand and improve the service and to increase the assets deposit balance. In the current fiscal year, in addition to continuing PR activities, the Company has expanded the investment trusts handled. The Company believes that initiatives taken for the investment trust service will pave the way for future expansion of the asset service, and as a result of the above-mentioned efforts, the size of the balance of assets deposited has expanded to over 100 billion yen.

(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 in priority by the Company are as follows.

[1] Improvement of name recognition

The Company's core customer base are 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 condition 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. In order to maintain and expand the Company's customer base in the long-term, improvement of name recognition among the current younger generation is important, and the Company will continue to make efforts to improve its brand and name recognition.

In the current fiscal year, we renewed our corporate brand and adopted a new corporate slogan, "Let's find it with us, investment is serious and interesting". We appointed YAMAMOTO Mizuki, who combines "seriousness and friendliness" with "fun and lightheartedness," as the company's image character, and stepped up efforts to raise awareness of the company through the distribution of TV commercials, etc.

[2] Expansion of lineup of products and services

The 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. The competitive advantage of on-line within the securities business is intensifying, however, as there are new entrants from other industries, the competitive environment is becoming more severe. In order to be chosen by customers in such environment, the Company is making efforts to expand and improve products and services which satisfy the various needs of individual investors.

In the current fiscal year, the "Matsui Securities U.S. Stock Service," launched in February 2022, realized the lowest commissions in the industry. In addition, the number of stocks handled was expanded to over 2,200, and efforts were made to enhance functions and services, including the launch of a foreign currency settlement service.

[3] Improvement of quality of service

As there are no large differences in the financial products offered by each of the on-line brokerage services, the Company believes it is important to take initiatives so that customers will feel that the Company is offering high value by providing more convenient transaction tools and services.

In the current fiscal year, we introduced a new investment information tool, “Market Lab”. It provides a comfortable trading environment that allows users to view the latest stock price information and news, as well as The Japan Company Handbook (Kaisha Shikiho) and corporate information, and smoothly link orders. In addition, we have worked to improve the convenience of the “Matsui Securities Stocks App” by continuously enhancing its functions.

[4] Enhancement of communication with customers

The Company is of the view that enhancing communication with customers by providing various information which will assist them to make investments in financial products will lead to improvement in the customer experience value.

In the current fiscal year, the website design was redesigned around the new corporate brand. We adopted a site structure and design that takes smartphone usage into account and worked to improve visibility and accessibility. In the investment information media “Money Satellite”, the Company continuously provides investment information to support asset management for both beginners who are just starting to invest and advanced investors, and support investment decisions with timely and easy-to-understand video explanations of factors behind sudden market changes and newsworthy information. Also, the Company doubled the capacity of the “stocks trading consultation counter” which supports decision-making such as finding stock names and deciding the timing of transactions, taking into consideration the desires and investment stance of each customer, and established a system which can respond to more consultations.

[5] Securing stability of trading systems and enhancing security

Securing stability 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 an increase in trading volume and ensure stable operations of the trading system.

In the current fiscal year, we have established a backup data center to ensure the stability of the trading system, in preparation for the occurrence of an earthquake directly under the Tokyo metropolitan area, etc.

[6] Enhancement of the company structure contributing to improvement of credibility as a financial institution

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, the Company enhanced AI chat function, which enables 24 hours inquiries, a manned phone consultation counter “FX Support” and “U.S. Stocks Support” was opened which is made available 24 hours, facilitating a customer support system so that customers may comfortably enter into transactions. The Company’s call center has acquired the highest “3-star” assessment under the “2022 Support Center Assessments (securities industry)” sponsored by HDI-Japan (Help Desk Institute) which is a third-party evaluation entity for 12 consecutive years.

2) Approach to Sustainability and Initiatives

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, 2023.

(1) Overall Sustainability Initiatives

The Company's approach and initiatives regarding sustainability are as follows.

[1] Governance

The Company has a system whereby the Board of Directors supervises important matters related to sustainability. The Board of Directors supervises the status of individual measures based on materialities (important issues that should be prioritized) that have a substantial impact on improving corporate value over the medium to long term, and the materialities are reviewed in response to changes in the business environment and other factors. In addition, the corporate planning department serves as the secretariat for promoting sustainability.

[2] Risk management

Through the identification of materiality, the Company understands and evaluates the degree of impact of risks and opportunities facing the Company with regard to sustainability. The Board of Directors deliberates on the identification of materiality based on a draft formulated by the corporate planning department, which serves as the secretariat, and determines the content of materiality based on the results of the deliberation. The materiality identification process is as follows

i. Make a list of material issues

Refer to various international guidelines such as the Sustainability Accounting Standards Board (SASB) standards, Global Reporting Initiative (GRI) standards, and Sustainable Development Goals (SDGs) to list issues that are highly relevant to our business and corporate culture.

ii. Evaluation of importance

Through dialogue with stakeholders such as customers, shareholders, and employees, we grasped their expectations of the Company, and extracted important issues from the list of issues.

iii. Identification of materialities

With regard to the extracted issues, items that contribute to social sustainability and have a significant impact on the company's medium- to long-term growth and their relevance to the company's management strategy are evaluated, and important issues that should be addressed as a priority are identified through discussions at the Board of Directors.

In addition, as of the end of the current fiscal year, the materialities identified by the Company are as follows

Business	Sound development of society	Improving accessibility to financial markets
		Efforts to improve the fairness of the securities market
	Support for investment and asset building	Providing various financial products and services
		Providing easy-to-understand information
Management	Well-being and diversity of directors and employees	Recruitment, retention, and development of diverse human resources
		Develop diverse careers and expertise
		Creating a rewarding work environment
	Management structure which support business growth	Enhancement of corporate governance
		Thorough compliance
		Maintaining advanced information security

[3] Strategy

As part of its strategy to promote sustainability, the Company is pursuing initiatives based on materiality. The main initiatives are as follows

i. Supporting sound social development and investment/asset formation

From the perspectives of “Improving accessibility to financial markets,” “Efforts to improve the fairness of the securities markets,” and “Providing easy-to-understand information,” we will strive to provide products and services with low trial barriers and simple and easy-to-understand services. In addition, we will promote the enhancement of various information to help customers invest in financial products, improve the convenience of trading and information tools, and strengthen our customer support system.

From the perspective of “Providing various financial products and services,” we will expand our lineup of products and services.

For specific initiatives for the current fiscal year, please refer to “[2] Expansion and improvement of products and services,” “[3] Improvement of quality of service,” “[4] Enhancement of communication with customers,” and “[6] Enhancement of the company structure contributing to improvement of credibility as a financial institution” in “(5) Operational and financial issues to be addressed in priority” under “1) Management Policy, Business Environment, and Issues to be Addressed, etc”.

ii. Well-being and diversity of executives and employees

Please refer to “(2) Initiatives related to human capital [1] Strategy”.

iii. Management Structure to Support Business Growth

From the perspectives of “Enhancement of corporate governance” and “Thorough compliance,” the Company will strive to maintain sound corporate governance and a highly reliable internal system. Please refer to “4. Information about Reporting Company, 4) Status of Corporate Governance, etc.” for the status of our corporate governance.

From the perspective of “Maintaining advanced information security,” we will strengthen our systems and expand our cyber security measures. Please refer to “[5] Securing stability of trading systems and enhancing security” in “1) Management Policy, Business Environment, and Issues to be Addressed, etc. (5)

Operational and financial issues to be addressed in priority" for specific initiatives for the current fiscal year.

[4] Indicators and Targets

The achievement of each of the materiality items and the measures taken against them is not necessarily quantitatively measurable. As of the end of the current fiscal year, the indicators and targets set by the Company relate to "Well-being and diversity of directors and employees," the details of which are described in " (2) Initiatives related to human capital [2] Indicators and Targets".

(2) Initiatives related to human capital

Our basic policy is to promote the development of an organization with a diverse workforce, including employees of different genders, ages, and professional backgrounds. We have also set an organizational goal of "becoming an organization in which each employee has a sense of ownership and is autonomous in learning and growing," aiming for the company to grow along with the growth of each individual.

[1] Strategy

i. Recruitment

In order to optimize the long-term age structure in the organization, we hire new graduates on an ongoing basis each year, and we also hire mid-career workers as needed to provide the immediate human resources required for the organization.

ii. Fixation

We are committed to providing onboarding support to help new graduates and mid-career hires become familiar with the organization and achieve results more quickly. Prior to joining the company, we strive to promote understanding of our business and alleviate any concerns through periodic interviews and roundtable discussions with senior employees. After joining the company, we provide opportunities for interaction among employees, including team building, training on the financial industry, and introductions and interactions with each department.

iii. Human resource development

In order to develop human resources who can be active over the long term in a rapidly changing business environment, we have established a company-wide training and reskilling system across the entire company. Skills to be acquired by new employees are clearly defined for each year, training is systematized and recommended for mid-career employees, and the company provides adequate support in terms of time and cost. In addition, in order to develop human resources through diverse career paths, we have introduced a job rotation system that allows new graduates to experience work in multiple departments within 10 years of graduation, and a professional system to ensure that employees are equipped with specialized skills. In addition, we are working to create an environment for human resource development through internal training programs for each position and external training programs that can be taken on different themes. In addition, we encourage one-on-one meetings with supervisors to create an open organization where employees can feel free to ask for advice.

iv. Evaluation

To support the growth of each employee and ensure fair evaluation, we have established accountability for each position. We have also introduced a 360-degree feedback system to encourage employees to improve each other.

v. Internal Environmental Improvement

To support interaction among employees and create an organization that encourages conversation and generates ideas, we have established a multipurpose communication space within the company, which is used not only as a meeting room and cafeteria, but also as a venue for internal events. In addition, we strive to create a comfortable work environment through the use of telecommuting and staggered working hours, as well as by enhancing our childcare leave system and shortened working hour system. Regarding employee health and the working environment, we conduct stress check tests on all employees, and industrial physicians provide interview guidance when necessary.

In addition, we support the financial wellness of our employees by offering a corporate defined contribution pension plan, an incentive plan for employee stock ownership, and training programs and qualification incentive programs to promote financial literacy. Furthermore, as a company that supports child rearing, we have received certification from the Minister of Health, Labor and Welfare (Kurumin certification), and we strive to create a workplace environment where employees can safely give birth and raise children and achieve a good work-life balance.

[2] Indicators and Targets

The Company appoints the necessary personnel, regardless of gender, age, work experience, etc., after carefully assessing their individual abilities and aptitudes. Indicators related to human capital are as follows. (As of March 31, 2023)

Sex ratio

	male	female
whole	67.9%	32.1%
management	84.1%	15.9%

New Graduate/Mid-career Ratio

	new graduate	mid-career recruitment
whole	60.1%	39.9%
management	68.2%	31.8%

Age structure

20s	30s	40s	Over 50s
30.4%	32.1%	24.4%	13.1%

Paid Leave Utilization

Number of days of utilization	utilization rate
16.6 days	76%

Utilization rate of childcare leave

Female	Male
100%	62.5%

In addition, in its general business owner action plan (plan period: April 1, 2022 to March 31, 2027) based on the Act on the Promotion of Women's Active Engagement in Professional Life, the Company set the goals of “increasing the percentage of female employees to 35% or more” and “increasing the percentage of women in management positions to 15% or more”. The ratio of women in management positions reached 15.9% (as of March 31, 2023), achieving the goal.

3) 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, 2023.

(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 and lending income, etc. earned from lending of funds and securities to margin transaction customers, which make up for approximately 80% 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 transactions 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, interest rates or lending income 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 diversification of revenue sources by strengthening on-line based 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, 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 entry of FinTech ventures and strengthening of online services by face-to-face financial institutions 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 2023, 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 of 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 or 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 average 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 and administrative

Stable systems operations is an important factor for an on-line securities trading 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.

System failures may arise due to problems of hardware or software, or due to human error such as erroneous operations or erroneous processing, 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 business performance of the Company.

In addition, the Company grants authorization to related parties, including outside contractors, to connect to the system according to their respective duties and monitors their use of the system. However, if this is not sufficient or appropriate and the Company is unable to prevent unauthorized use of the system, there is a possibility that customer information may be leaked.

In addition, there is a possibility that service quality may deteriorate or other problems may occur due to the failure of appropriate administrative processing in various operations, which may also be directly or indirectly affected by system malfunction.

Furthermore, in the event of a system failure, cyber-attacks, or unauthorized use of our systems, or in the event of improper administrative processing, 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 a 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.

(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. In addition, we outsource the development and operation of our automatically updated trading tools which are provided to our customers, customer trading websites, and FX (foreign exchange margin trading), mutual fund, and U.S. stock trading systems, to several external companies. The corporate and market information that we provide to customers is provided by external service providers. In addition, the Company also operates the Sapporo Center for customer inquiries by dispatching workers from outside providers. Outsourcing of operations to outside companies is not limited to the above, but covers a wide range of areas.

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 have an unfavorable influence on 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) and US stocks 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 business performance of the Company.

In addition, 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 business performance of the Company.

In addition, with respect to U.S. shares trading, guarantee money is deposited to the stock agent appropriating the Company's own funds, and the Company is exposed to the credit risk of such stock agent (deposits received from customers are completely segregated from the Company's own funds and deposited with a trust bank). Therefore, the same risk exists as the risk regarding the guarantee money deposited with cover counterparties in relation to foreign exchange margin trading as described above.

(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 the Provision of Financial Services, 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 the Provision of Financial Services, 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, 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) Others

As of the end of the current fiscal year ended March 31, 2023, no material law suits etc. have arisen.

4) 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, 2023.

(1) Status and analysis of results of operations

In the domestic stock market during this fiscal year, the Nikkei Stock Average, which started trading at the 27,600-yen level at the beginning of the period, softened in April due to concerns about an economic slowdown caused by aggressive monetary tightening in the U.S. In May, however, it began to move firmly due to the relaxation of lockdowns in China, etc. After the Liberal Democratic Party's overwhelming victory in the Upper House election in July, the market rose to the 29,000-yen level in mid-August, driven by buying into export-related issues in conjunction with the record low yen and high dollar levels, and the Bank of Japan's maintenance of monetary easing. Subsequently, the index fell due to concerns that an acceleration of monetary tightening in the U.S., which emphasizes inflation control, would lead to a global economic recession, and reached the 25,900-yen level at the end of September. In October, the yen weakened against the U.S. dollar for the first time in about 32 years in the foreign exchange market, and stock prices rallied, recovering to the 28,000-yen level in November. In December, however, the stock market fell as weak U.S. economic indicators raised concerns about the outlook for the U.S. economy and the Bank of Japan raised the maximum allowable long-term interest rate, and in January the price dropped below the 26,000-yen level. Subsequently, the Nikkei Stock Average recovered to the 28,000-yen level due to the ongoing depreciation of the yen and expectations for a global economic recovery. In March, the Nikkei Stock Average temporarily declined due to global financial system anxiety triggered by the U.S. bank failure, but closed at the 28,000-yen level at the end of March.

Under this market environment, total trading value of stocks etc. in the two markets (Tokyo and Nagoya stock exchanges) increased by 3% compared to the preceding fiscal year. With respect to individual investors who are our main customer base, trading volume increased in the phase of large fluctuations in stock prices, and stock etc. brokerage trading value by individual investors in the two markets increased by 2% compared to the same period in the preceding fiscal year. In addition, the percentage of the stock etc. brokerage trading value by individual investors in the two markets was 22%, which was more or less the same level as the preceding fiscal year. Furthermore, the aggregate stock etc. brokerage trading value of the Company decreased by 3% compared to the same period in the preceding fiscal year.

With respect to new initiatives by the Company for the current fiscal year, the corporate brand was renewed and a new corporate slogan, "Let's find it with us, investment is serious and interesting," was established. The Company appointed YAMAMOTO Mizuki, who combines "seriousness and friendliness" with "fun and lightheartedness," as its image character, and worked to raise awareness through the distribution of TV commercials, etc. In stock trading, we waived interest and stock lending fees for “Margin Trading Service for Day-trades” and achieved the industry's lowest transaction costs for day trading. In addition, to improve customer convenience, we launched “Market Lab,” a new investment information tool that consolidates all the information necessary for investment decisions in one place, and are continually expanding its functions, In FX, we actively promoted promotions including tie-ups with e-sports events, and worked to improve service quality by offering spreads based on order volume and starting to release APIs. As for U.S. stocks, we expanded the number of stocks we handle to over 2,200 and launched a foreign currency settlement service. In addition, the Company worked to expand services for customers through the “Money Satellite” investment information media, which provides videos that enable young people and investment beginners to enjoy learning about asset management, as well as videos that introduce and explain individual stocks and currency pairs for Japanese stocks, U.S. stocks, and FX.

Given the above background, in the current fiscal year, commissions received was 16,067 million yen (7.9% decrease compared to the preceding fiscal year) due to the decrease in the brokerage commission rate and stock brokerage trading value. Also, due to the decrease in the average balance of customers’ long positions of margin transactions etc., net financial income decreased by 9.9% compared to the preceding fiscal year to 10,003 million yen. On the other hand, net trading income increased 167.7% to 2,345 million yen, mainly due to FX trading gains.

As a result, operating revenue was 31,071 million yen (1.5% increase from the preceding fiscal year), and net operating revenue was 28,415 million yen (3.5% decrease from the preceding fiscal year). Also, operating profit was 11,349 million yen (11.1% decrease from the preceding fiscal year), ordinary profit was 11,253 million yen (12.0% decrease from the preceding fiscal year). Net profit decreased significantly to 7,823 million yen (31.6% decrease from preceding fiscal year) due in part to gain on sale of investment securities of 2,590 million yen and gain on sale of non-current assets of 1,279 million yen were recorded in the previous fiscal year.

Revenue and expense items are as described below.

(Commissions received)

Commissions received was 16,067 million yen (7.9% decrease from the preceding fiscal year). Of this figure, brokerage commission was 15,157 million yen (8.9% decrease from the preceding fiscal year) due to a decline in the brokerage commission rate and stock brokerage trading value.

(Net trading income)

Net trading income was recorded a profit of 2,345 million yen (167.7% increase from the preceding fiscal year), mainly due to FX trading profits.

(Net financial revenue)

Net financial revenue derived from subtracting financial expenses from financial revenues was 10,003 million yen (9.9% decrease from the preceding fiscal year). This was mainly due to a decrease in the average balance of customers’ long positions of margin transactions.

(Selling, general and administrative expenses)

Selling, general and administrative expenses increased by 2.4% compared to the preceding fiscal year to 17,067 million yen. This was mainly due to a 24.6% increase in office expenses resulting from an increase in outsourcing expenses, while trading related expenses decreased 9.3% due to a decrease in communication and transportation expenses and advertising expenses.

Against above backdrop, ROE (return on equity) for the current fiscal year was 10.1%. The Company has adopted the mid-term to long-term objective to achieve ROE which exceeds the cost of shareholders' equity (8%). The ROE for the current fiscal year ended March 31, 2023 decreased from 14.5% in the preceding fiscal year, mainly due to gains on sale of investment securities and non-current assets in the previous fiscal year. 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 976,026 million yen, an 11.0% increase from the end of the preceding fiscal year. This was mainly due to an 18.9% increase in margin loans compared to the end of the preceding fiscal year to 275,075 million yen, a 4.3% increase in segregated deposits compared to the end of the preceding fiscal year to 553,312 million yen resulting from increases in deposits received etc. and a 38.4% increase in cash and deposits compared to the end of the preceding fiscal year to 79,331 million yen.

Total liabilities was 899,673 million yen, a 12.4% increase from the end of the preceding fiscal year. This was mainly due to a 31.0% increase in short-term borrowings compared to the preceding fiscal year to 219,900 million yen resulting from increases in margin loans, an 84.3% increase in cash collateral received for securities lent compared to the end of the preceding fiscal year to 39,452 million yen and a 5.4% increase in deposits received compared to the end of the preceding fiscal year to 326,031 million yen.

Total net assets was 76,353 million yen, a 3.0% 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 2022 and interim dividends for the fiscal year ended March 2023, which is 10,285 million yen, was recorded, and at the same time a profit of 7,823 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 15,530 million yen (plus 50,821 million yen for the preceding fiscal year). The main factors behind this were an increase/decrease in assets/liabilities for margin transactions and an increase in segregated deposits.

(Cash flows from investing activities)

Cash flows from investing activities was minus 4,276 million yen (plus 67 million yen for the preceding fiscal year). This was mainly due to purchase of intangible assets and purchases of investment securities.

(Cash flows from financing activities)

Cash flows from financing activities was plus 41,921 million yen (minus 50,374 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 82,427 million yen (60,312 million 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 other businesses. In each fiscal year, the Company continues to provide on-line securities trading services, and continuously makes capital investments mainly in systems necessary for introduction of various new services and enhancement of capacity, and improvement of the trading system. On the other hand, cash on hand is also necessary for day-to-day business operations, and also the Company needs funds for margin loans which is its main business. 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 mainly conducted to correspond to the source of margin loans. Recurring margin loans are funded mainly by increase and decrease in short-term borrowings procured from financial institutions such as banks etc. In order to prepare for situations where margin loans increase significantly, the Company has made shelf registration so that it may flexibly procure funds through bond issues. However, as of the end of the current fiscal year ended March 31, 2023, 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.

The Company has adopted the mid- to long-term objective to achieve an ROE exceeding its cost of shareholders' equity (assumes current rate of 8%, based on Capital Asset Pricing Model), and regarding return to shareholders, the Company's policy is to payout dividends for more than the amounts equivalent to the cost of shareholders' equity. Therefore, the Company seeks to realize a dividend-on-equity (DOE) ratio of 8% or more for each fiscal period as a dividend policy, and the Company is targeting a dividend payout ratio for each fiscal period of 60% or higher. 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)".

5) Critical Contracts for Operation

Not applicable.

6) 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 systems in order to continue to provide on-line securities trading services. In the current fiscal year, capital investment of 3,799 million yen were made mainly in systems necessary for introduction of various new services and enhancement 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, 2023 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.	185	953	7,880	9,018	168 [32]
Sapporo call center	Chuo-ku, Sapporo-shi, Hokkaido	Call center equipment	10	46	2	57	11 [170]

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, 2023 the Company plans to invest 4,800 million yen on systems for the fiscal year ends March 2024. 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, 2023)	Number of shares at the date of filing of this Report (June 19, 2023)	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 (Prime Market)	1 unit consists of 100 shares
Total	259,264,702	259,264,702	-	-

Note: Total number of issued shares at the date of filing of this Report does not include shares issued upon exercise of share acquisition rights from June 1, 2023 to the date of filing of this Report.

(2) Share acquisition rights

[1] Details of share option program

i. 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 *)	81
Class and number of shares subject to the share acquisition rights (shares) (Note *)	Common stocks: 8,100 (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 at the end of current fiscal year. There are no changes in these contents at the end of previous month (May 31, 2023) of the month when this Report is filed.

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 shares upon the exercise of share acquisition rights which can be exercised from August 18, 2020 is 731 yen per share. Issuance price of the shares upon the exercise of share acquisition rights which can be exercised from August 19, 2021 is 717 yen per share. Issuance price of the shares upon the exercise of 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: 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 which shall be issued upon reorganization measures shall be determined in accordance with the contents of the current share acquisition rights.

ii. 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 *)	427
Class and number of shares subject to the share acquisition rights (shares) (Note *)	Common stocks: 42,700 (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 the end of current fiscal year. There are no changes in these contents at the end of previous month (May 31, 2023) 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 "Fourth series of Matsui Securities Co., Ltd. share acquisition rights", respectively.

Note 4: Issuance price of the shares upon the exercise of share acquisition rights which can be exercised from July 21, 2021 is 862 yen per share. Issuance price of the shares upon the exercise of share acquisition rights which can be exercised from July 22, 2022 is 844 yen per share. Issuance price of the shares upon the exercise of 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 "Fourth series of Matsui Securities Co., Ltd. share acquisition rights" with the "above table" appears in the Note 6 of "Fourth series of Matsui Securities Co., Ltd. share acquisition rights" to be understood as the above table here.

iii. 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 *)	844
Class and number of shares subject to the share acquisition rights (shares) (Note *)	Common stocks: 84,400 (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 the end of current fiscal year. There are no changes in these contents at the end of previous month (May 31, 2023) 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 “Fourth series of Matsui Securities Co., Ltd. share acquisition rights”, respectively.

Note 4: Issuance price of the shares upon the exercise of share acquisition rights which can be exercised from July 11, 2022 is 825 yen per share. Issuance price of the shares upon the exercise of share acquisition rights which can be exercised from July 12, 2023 is 807 yen per share. Issuance price of the shares upon the exercise of 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 “Fourth series of Matsui Securities Co., Ltd. share acquisition rights” with the “above table” appears in the Note 6 of “Fourth series of Matsui Securities Co., Ltd. share acquisition rights” to be understood as the above table here.

iv. 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 the end of current fiscal year. There are no changes in these contents at the end of previous month (May 31, 2023) 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 "Fourth series of Matsui Securities Co., Ltd. share acquisition rights", respectively.

Note 4: Issuance price of the shares upon the exercise of share acquisition rights which can be exercised from August 18, 2023 is 743 yen per share. Issuance price of the shares upon the exercise of share acquisition rights which can be exercised from August 19, 2024 is 726 yen per share. Issuance price of the shares upon the exercise of 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 "Fourth series of Matsui Securities Co., Ltd. share acquisition rights" with the "above table" appears in the Note 6 of "Fourth series of Matsui Securities Co., Ltd. share acquisition rights" to be understood as the above table here.

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

Date of resolution	July 13, 2021
Persons eligible for the allotment and number of them	8 directors of the Company (excluding directors who are members of the Audit and Supervisory Committee) (Note 1)
Number of the share acquisition rights (Note *)	1,530
Class and number of shares subject to the share acquisition rights (shares) (Note *)	Common stocks: 153,000 (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 July 29, 2024 to July 28, 2027 (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 the end of current fiscal year. There are no changes in these contents at the end of previous month (May 31, 2023) 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 “Fourth series of Matsui Securities Co., Ltd. share acquisition rights”, respectively.

Note 4: Issuance price of the shares upon the exercise of share acquisition rights which can be exercised from July 29, 2024 is 648 yen per share. Issuance price of the shares upon the exercise of share acquisition rights which can be exercised from July 29, 2025 is 633 yen per share. Issuance price of the shares upon the exercise of share acquisition rights which can be exercised from July 29, 2026 is 617 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 (excluding directors who are members of the Audit and Supervisory Committee.) at the time of the exercise. However the Company may treat the rights of those who are out of the service of directors still effective when it finds reasonable grounds. 2) Persons allotted share acquisition rights are eligible to exercise their rights as follows: [1] From July 29, 2024 to July 28, 2025: Within one third of the number of rights originally allotted (Fraction of less than 1 share acquisition rights shall be rounded down). [2] From July 29, 2025 to July 28, 2026: Within two thirds of the number of rights originally allotted (including share acquisition rights which can already be exercised by [1]) (Fraction of less than 1 share acquisition rights shall be rounded down). [3] From July 29, 2026 to July 28, 2027: 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 “Fourth series of Matsui Securities Co., Ltd. share acquisition rights” with the “above table” appears in the Note 6 of “Fourth series of Matsui Securities Co., Ltd. share acquisition rights” to be understood as the above table here.

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

Date of resolution	July 12, 2022
Persons eligible for the allotment and number of them	9 directors of the Company (excluding directors who are members of the Audit and Supervisory Committee) (Note 1)
Number of the share acquisition rights (Note *)	1,916
Class and number of shares subject to the share acquisition rights (shares) (Note *)	Common stocks: 191,600 (Note 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 29, 2025 to July 28, 2028 (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 the end of current fiscal year. There are no changes in these contents at the end of previous month (May 31, 2023) 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 "Fourth series of Matsui Securities Co., Ltd. share acquisition rights", respectively.

Note 4: Issuance price of the shares upon the exercise of share acquisition rights which can be exercised from July 29, 2025 is 643 yen per share. Issuance price of the shares upon the exercise of share acquisition rights which can be exercised from July 29, 2026 is 628 yen per share. Issuance price of the shares upon the exercise of share acquisition rights which can be exercised from July 29, 2027 is 613 yen per share. The amount of capital to be increased due to the issuance of shares upon exercise of the share acquisition rights shall be a half of the maximum amount of capital increase, etc. which is calculated in accordance with Article 17, Paragraph 1 of the Corporation Accounting Regulations, and any fraction less than 1 yen arising from there shall be rounded up to the nearest 1 yen.

Note 5: 1) Persons allotted share acquisition rights are eligible to exercise only when they are active directors (excluding directors who are members of the Audit and Supervisory Committee.) at the time of the exercise. However the Company may treat the rights of those who are out of the service of directors still effective when it finds reasonable grounds. 2) Persons allotted share acquisition rights are eligible to exercise their rights as follows: [1] From July 29, 2025 to July 28, 2026: Within one third of the number of rights originally allotted (Fraction of less than 1 share acquisition rights shall be rounded down). [2] From July 29, 2026 to July 28, 2027: Within two thirds of the number of rights originally allotted (including share acquisition rights which can already be exercised by [1]) (Fraction of less than 1 share acquisition rights shall be rounded down). [3] From July 29, 2027 to July 28, 2028: All rights can be exercised. 3) Each one right cannot be partially exercised. 4) Other conditions of exercise are specified in the contracts between the Company and the persons to be allotted share acquisition rights.

Note 6: This note is the same as Note 6 of "Fourth series of Matsui Securities Co., Ltd. share acquisition rights" with the "above table" appears in the Note 6 of "Fourth 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, 2023)

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	-	14	26	204
Number of shares held (units)	-	483,859	26,138	1,250,848
Ratio of number of shares held (%)	-	18.67	1.01	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	191	96	48,305	48,836	-
Number of shares held (units)	117,234	538	713,578	2,592,195	45,202
Ratio of number of shares held (%)	4.52	0.02	27.53	100.00	-

Note 1: Out of 2,059,846 treasury shares, 20,598 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 2,059,846 treasury shares are the same as that of shares substantially held by the Company.

Note 2: 4 units under the title of Japan Securities Depositary Center Inc. are included in “other institutions”.

(6) Major shareholders

(As of March 31, 2023)

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	33.75
Shokosha Ltd.	2-4-2, Nishikata, Bunkyo-ku, Tokyo	35,722	13.89
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	33,725	13.11
Custody Bank of Japan, Ltd. (Trust account)	1-8-12, Harumi, Chuo-ku, Tokyo	12,395	4.82
MATSUI Chizuko	Bunkyo-ku, Tokyo	5,321	2.07
MATSUI Michitaro	Bunkyo-ku, Tokyo	5,262	2.05
MIKI Chiaki	Bunkyo-ku, Tokyo	5,262	2.05
MATSUI Yuma	Bunkyo-ku, Tokyo	5,262	2.05
MATSUI Michio	Bunkyo-ku, Tokyo	4,545	1.77
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (Building A, Shinagawa Intercity, 15-1, Konan 2-chome, Minato-ku, Tokyo, Japan)	1,619	0.63
Total	-	195,925	76.17

Note 1: In addition to the above, the Company owns 2,060 thousand shares of treasury stock.

Note 2: The number of shares held by trust banks, etc. under their trust operations cannot be comprehensively ascertained by the Company, so the number of shares held under their names in the shareholder registry is shown.

(7) Voting rights

[1] Issued shares

(As of March 31, 2023)

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: 2,059,800	-	-
Shares with full voting rights (Other)	Common stock: 257,159,700	2,570,928	-
Shares less than 1 unit of shares	Common stock: 45,202	-	-
Total number of issued shares	Common stock: 259,264,702	-	-
Voting rights of all shareholders	-	2,570,928	-

Note 1 : 400 shares under the title of Japan Securities Depositary Center Inc. and 66,900 shares of securities bought by customers using money loaned from the Company's own fund are included in common stock of "Shares with full voting rights (Other)." The 4 voting rights under the title of Japan Securities Depositary Center Inc. are included in "Number of voting rights." The 669 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, 2023)

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	2,059,800	-	2,059,800	0.79
Total	-	2,059,800	-	2,059,800	0.79

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)	111,800	85	-	-
Number of treasury shares held	2,059,846	-	2,059,846	-

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, 2023 to the date of filing of 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, 2023 is 131.5% and DOE is 13.3%, 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 107th 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, 2022	5,143	20.00
Ordinary general meeting of shareholders scheduled to be held on June 25, 2023 (Note)	5,144	20.00

Note: This dividend is year-end dividend whose record date is March 31, 2023 and this is one of agenda of the ordinary general meeting of shareholders scheduled to be held on June 25, 2023

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 15 directors, namely President & CEO WARITA Akira (Chairman), Managing Director UZAWA Shinichi, directors SATO Kunihiko, SAIGA Motoo, SHIBATA Masashi, HAGA Manako, TANAKA Takeshi, MATSUI Michitaro, IMAI Takahito, ONUKI Satoshi, ANNEN Junji, HORI Toshiaki, and directors who are members of the Audit and Supervisory Committee YAJIMA Hiroyuki, MOCHIZUKI Yasuo and KAI Mikitoshi. Six of them (ONUKI Satoshi, ANNEN Junji, HORI Toshiaki, YAJIMA Hiroyuki, MOCHIZUKI Yasuo and KAI Mikitoshi) are outside directors (The proposal for “the election of 12 directors (excluding directors who are members of the Audit and Supervisory Committee)” and “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 25, 2023, and if such proposal is passed, 12 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 of the 3 directors who are members of the Audit and Supervisory Committee, KAI Mikitoshi will be reappointed, and TAKAHASHI Takefumi and KOGOMA Nozomi will be newly elected. Furthermore, the 5 outside directors are ONUKI Satoshi, ANNEN Junji, HORI Toshiaki, and members of the Audit and Supervisory Committee KAI Mikitoshi and KOGOMA Nozomi.). Outside directors (excluding directors who are members of the Audit and Supervisory Committee) give advice and recommendations based on their knowledge and experience regarding managerial decisions in general, ranging from the direction of the Company’ 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 WARITA Akira (Chairman) and the 3 outside directors, ONUKI Satoshi, ANNEN Junji, and HORI Toshiaki 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 (excluding directors who are members of the Audit and Supervisory Committee.), 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 ONUKI Satoshi 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 WARITA Akira (Chairman) and Managing Director UZAWA Shinichi. 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 an audit and supervisory committee, and the audit system by the Audit and Supervisory Committee have the function to monitor management. In order to secure viability of such monitoring function, the Audit and Supervisory Committee 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.

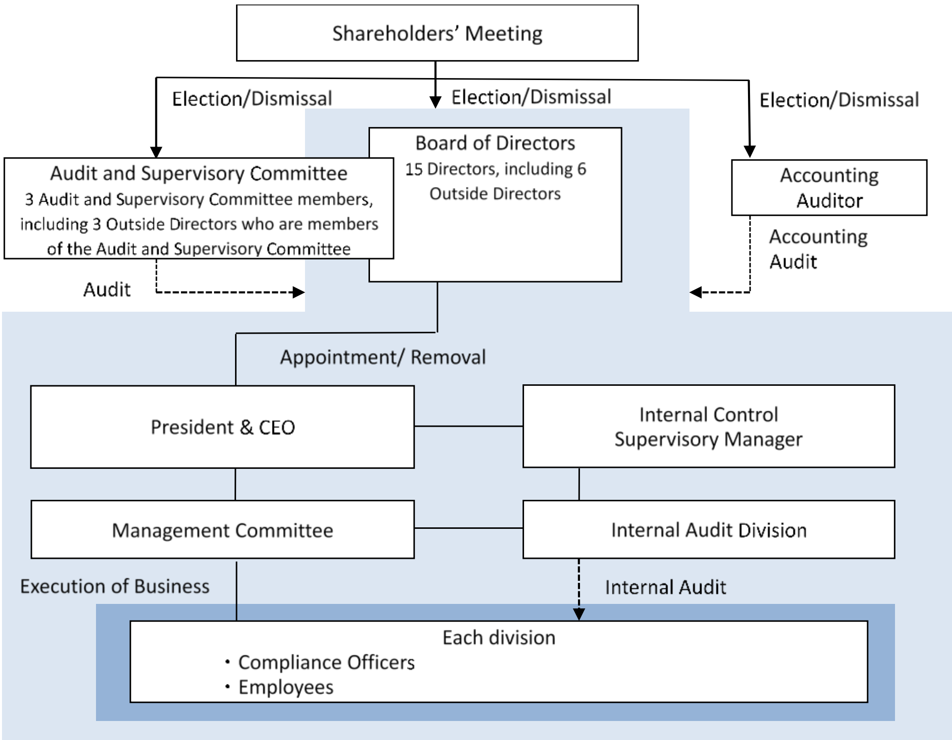
With respect to directors who are members of the Audit and Supervisory Committee, the Company has appointed persons that recognize the roles and responsibilities of the Company within society, without being biased by the interests of top management or specific interested parties, and who have extensive knowledge and insight. The Audit and Supervisory Committee consists a total of 3 outside directors who are members of the Audit and Supervisory Committee, consisting of 1 standing member of the Audit and Supervisory Committee YAJIMA Hiroyuki, and 2 members MOCHIZUKI Yasuo, and KAI Mikitoshi (The proposal for "Election of 3 directors who are members of the Audit and Supervisory Committee" has been submitted as a proposal (matters for resolution) at the ordinary general meeting of shareholders scheduled to be held on June 25, 2023, and if such proposal is passed, of the 3 Directors who are members of the Audit and Supervisory Committee, KAI Mikitoshi will be reappointed and 2 new Directors, TAKAHASHI Takefumi and KOGOMA Nozomi, will be newly elected. TAKAHASHI Takefumi will be elected as a full-time member of the Audit and Supervisory Committee at the Audit and Supervisory Committee following the general meeting of shareholders). The Audit and Supervisory Committee 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 Audit and Supervisory Committee, and makes correction instructions and improvement requests etc. under their supervision. The results of internal audits are promptly reported to directors, including representative director, and the Audit and Supervisory Committee.

The Company has entered into an officers' and directors' liability insurance policy with an insurance company under which its directors 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 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.

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



The number of outside directors will be 5 and outside directors who are members of the Audit and Supervisory Committee will be 2 if the proposal for the regular shareholders' meeting to be held on June 25, 2023 is approved.

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 directors who are members of the Audit and Supervisory Committee have been appointed, and the Company believes that corporate governance is sufficiently functioning through supervision by such outside directors and the audits conducted by the Audit and Supervisory Committee.

[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 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 Audit and Supervisory Committee 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 (excluding directors who are members of the Audit and Supervisory Committee) and that the number of directors who are members of the Audit and Supervisory Committee is 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

In order to allow for the directors 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 (including those persons who had been directors in the past) as provided for in Article 423, Paragraph 1 of the Companies Act, by a resolution of the Board of Directors.

[4] Activities of the Board of Directors

The Company holds regular meetings of the Board of Directors once a month and extraordinary meetings as necessary. During the current fiscal year, the Company held 17 meetings of the Board of Directors, and the attendance of individual directors was as follows.

Name	Number of Attendances
WARITA Akira	17 times
UZAWA Shinichi	17 times
SATO Kunihiko	17 times
SAIGA Motoo	17 times
SHIBATA Masashi	17 times
HAGA Manako	17 times
TANAKA Takeshi	17 times
MATSUI Michitaro	17 times
IMAI Takahito	14 times (Note 1)
ONUKI Satoshi	17 times
ANNEN Junji	16 times
HORI Toshiaki	14 times (Note 1)
YAJIMA Hiroyuki	17 times
MOCHIZUKI Yasuo	17 times
KAI Mikitoshi	16 times
IGAWA Motoo	3 times (Note 2)

Notes1: There were 14 meetings of the Board of Directors held during the current fiscal year under review after IMAI Takahito and HORI Toshiaki assumed office as directors.

Notes2: IGAWA Motoo retired from the position due to expiration of his term of office in the fiscal year under review. The number of meetings of the Board of Directors held during his term of office was 3 during the current fiscal year.

The Board of Directors discussed the business environment, management strategies and detailed business plans including business portfolio policies, allocation of management resources such as investment in human capital, progress of various measures, compliance with laws and regulations, and the status of various risks including system-related risks and credit risks to customers.

[5] Activities of the Nominating and Compensation Committee

The Company held four meetings of the Nomination and Compensation Committee during the current fiscal year, and the attendance of individual Nomination and Compensation Committee members is as follows

Name	Number of times attended
WARITA Akira	4 times
ONUKI Satoshi	4 times
ANNEN Junji	4 times
HORI Toshiaki	4 times

The Nomination and Compensation Committee discussed draft proposals for the election and dismissal of directors to be submitted to the General Meeting of Shareholders, as well as the details of base remuneration for directors.

(2) Status of officers

[1] List of officers

i. List of officers

List of officers as of June 19, 2023 (the date of filing of this Report) is as below.

14 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	WARITA Akira	June 16, 1971	April 1994	Joined Procter & Gamble Far East Inc.	Note 3	34
			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 General Manager of Marketing Department, Supervising Director of Business Development Department, RTGS Business Department and Customer Support Department, of the Company.		
			June 2017	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.		

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
			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	UZAWA Shinichi	July 19, 1973	April 1996	Joined New Oji Paper Co., Ltd.	Note 3	69
			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 Management, of the Company.		
			March 2007	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 and	SATO Kunihiko	February 5, 1971	April 1989	Joined Yamaichi Securities Co., Ltd.	Note 3	26
			September 1998	Joined the Company.		

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
General Manager of System Department			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.		
			October 2022	Director, Director in charge of IT Division and General Manager of System Department (current).		
Director, Director in charge of Legal and Compliance Division	SAIGA Motoo	August 11, 1970	April 1993	Joined Osaka Securities Exchange.	Note 3	6
			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		

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
				Compliance Division, of the Company (current).		
Director, Director in charge of Business Development Division, Director in charge of IT Division (IT Strategy)	SHIBATA Masashi	June 8, 1978	April 2001	Joined the Company.	Note 3	4
			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 of Corporate Administration & Human Resources Department, of the Company.		
			June 2020	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 and General Manager of Human Resources and General Affairs Department	HAGA Manako (Note 4)	September 2, 1963	April 1986	Joined JP Morgan, Morgan Trust Bank Ltd.	Note 3	5
			September 1989	Joined James Capel Pacific Ltd.		
			April 1992	Joined S.G. Warburg Securities (Japan) Inc.		
			May 1995	Joined Kleinwort Benson Investment Management KK.		

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
			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.		
			November 2017	Joined British School in Tokyo.		
			June 2019	Elected as Director of the Company.		
			June 2020	Director, Director in charge of Corporate Administration & Human Resources Department, of the Company.		
			August 2020	Director, Director in charge of Human Resources and General Affairs Division, of the Company.		
			March 2023	Director, Director in charge of Human Resources and General Affairs Division, General Manager of Human Resources and General Affairs Department, of the Company (current).		
Director, Director in charge of Sales and Marketing Division (Marketing Department and Investment Information Service Department)	TANAKA Takeshi	December 26, 1970	April 1995	Joined the Company.	Note 3	-
			July 2005	General Manager of Marketing Department of the Company.		
			January 2006	Resigned from the Company.		

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
			November 2009	Joined the Company, member of Compliance Group.		
			April 2013	General Manager of Marketing Department of the Company.		
			June 2020	Elected as Director, Director in charge of Customer Support Department and General Manager of Marketing Department, of the Company.		
			August 2020	Director, Director in charge of Sales and Marketing Division, of the Company.		
			June 2022	Director, Director in charge of Sales and Marketing Division (Marketing Department and Investment Information Service Department), of the Company (current).		
Director	MATSUI Michitaro	August 2, 1987	April 2013	Joined QUICK Corp.	Note 3	5,262
			April 2018	Joined the Company.		
			June 2018	Member of Compliance Department of the Company.		
			January 2019	Leader of CEO-Assigned Project of the Company.		
			June 2020	Elected as Director of the Company.		
			August 2020	Director, Director in charge of Strategic Planning Division, of the Company.		
			June 2022	Director, Director in charge of Strategic Planning Division and General Manager of Strategic Planning Department of the Company.		
			April 2023	Director of the Company (current).		
Director, Director in charge of Sales	IMAI Takahito	January 23, 1975	April 1997	Joined the Company.	Note 3	2

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
and Marketing Division (Customer Support Department and Corporate Finance Department) and Director in charge of Strategic Planning Division and General Manager of Strategic Planning Department			March 2007	General Manager of Marketing Department of the Company.		
			April 2013	General Manager of Customer Support Department of the Company.		
			August 2020	General Manager of Strategic Planning Department of the Company.		
			June 2022	Elected as Director, Director in charge of Sales and Marketing Division (Customer Support Department and Corporate Finance Department) , of the Company.		
			April 2023	Director, Director in charge of Sales and Marketing Division (Customer Support Department and Corporate Finance Department) and Strategic Planning Division, and General Manager of Strategic Planning Department, of the Company(current).		
Director	ONUKI Satoshi	February 10, 1955	April 1978	Joined The Industrial Bank of Japan, Ltd.	Note 3	-
			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		

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
				Investment Advisors Co., Ltd.		
			April 2018	Elected as Corporate Auditor of Kowa Real Estate Facilities Co., Ltd.		
			June 2020	Elected as Director of the Company (current).		
Director	ANNEN Junji	August 12, 1955	August 1982	Appointed as Assistant Professor, School of Law, Hokkaido University.	Note 3	-
			April 1985	Appointed as Assistant Professor, Faculty of Law, Seikei University.		
			February 1992	Registered as lawyer. Joined Akira WATANABE Law Office (to present).		
			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 Director of the Company (current).		
Director	HORI Toshiaki	January 23, 1956	April 1978	Joined Takara Standard Co., Ltd.	Note 3	-
			May 1987	Joined QUICK Corp.		
			March 2004	Director, General Manager of Sales Division, of the above company.		
			March 2009	Managing Director, General Manager of Sales Division, of the above company.		
			March 2012	Senior Managing Director of the above company.		
			March 2016	Executive Vice President of the above company.		
			March 2019	Advisor of the above company.		

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
			June, 2022	Elected as Director of the Company (current).		
Director (Standing member of the Audit and Supervisory Committee)	YAJIMA Hiroyuki	December 30, 1953	April 1976	Joined Kirin Brewery Co., Ltd.	Note 5	21
			March 2000	General Manager of 1st 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.		
			June 2021	Elected as Director (member of the Audit and Supervisory Committee) of the Company (current).		
Director (Member of the Audit and Supervisory Committee)	MOCHIZUKI Yasuo	May 28, 1956	April 1980	Joined the Bank of Mitsubishi Ltd.	Note 5	-
			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 of the Company.		
			June 2021	Elected as Director (member of the Audit and Supervisory		

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
				Committee) of the Company (current).		
Director (Member of the Audit and Supervisory Committee)	KAI Mikitoshi	July 7, 1951	April 1976	Joined Nippon Yusen Co., Ltd.	Note 5	11
			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.		
			June 2016	Elected as Corporate Auditor of the Company.		
			June 2021	Elected as Director (Member of the Audit and Supervisory Committee) of the Company (current).		
Total						5,441

Note 1: Directors ONUKI Satoshi, ANNEN Junji and HORI Toshiaki are outside directors.

Note 2: Director (standing member of the Audit and Supervisory Committee) YAJIMA Hiroyuki, Directors (members of the Audit and Supervisory Committee) MOCHIZUKI Yasuo and KAI Mikitoshi are outside directors.

Note 3: The term of office for the directors (excluding directors who are members of the Audit and Supervisory Committee) starts at the conclusion of the ordinary general meeting of shareholders for the year ended March 2022 and ends at the conclusion of the ordinary general meeting of shareholders for the year ended March 2023.

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

Note 5: The term of office for the directors who are members of the Audit and Supervisory Committee starts at the conclusion of the ordinary general meeting of shareholders for the year ended March 2021 and ends at the conclusion of the ordinary general meeting of shareholders for the year ends March 2023.

Note 6: As a provision for the event of contingency falling below the number of directors who are members of the Audit and Supervisory Committee required by laws and regulations, the Company is appointing ANNEN Junji as one substitute for a director who is a member of the Audit and Supervisory Committee, and his term of office will expire at the beginning of the ordinary general meeting of shareholders for the fiscal year ending March 31, 2023. If the proposal for “Election of 1 substitute member of the Audit and Supervisory Committee”, submitted as a proposal (matters for resolution) at the ordinary general meeting of shareholders scheduled to be held on June 25, 2023, is approved, ONUKI Satoshi will be newly elected as a substitute member of the Audit and Supervisory Committee.

ii. Supplementary Information

The proposal for “the election of 12 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,” has been submitted as a proposal (matters for resolution) at the ordinary general meeting of shareholders scheduled to be held on June 25, 2023 and if such resolution is passed, for the status as of the date of submission of this report, 13 directors other than YAJIMA Hiroyuki and MOCHIZUKI Yasuo will be re-elected, and the following 2 directors who are members of the Audit and Supervisory Committee will be newly elected. As a result, the number of male and female officers will become 13 males and 2 females, and the ratio of female officers to the total number of officers will become 13%.

Title	Name	Date of birth	Personal history		Term of office	Number of shares held (thousands of shares)
Director (standing member of the Audit and Supervisory Committee)	TAKAHASHI Takefumi	October 16, 1974	April 2000	Joined the Company.	Note 3	1
			May 2006	Manager of the Compliance Office of the Company.		
			April 2019	General Manager of Internal Audit Office of the Company (current).		
Director (member of the Audit and Supervisory Committee)	KOGOMA Nozomi (Note 2)	July 31, 1980	April 2007	Joined Ernst & Young ShinNihon LLC.	Note 3	-
			April 2008	Joined Palace Capital Co., Ltd.		
			November 2010	Established KOGOMA Nozomi Certified Public Accountant Office (to present)		
			June 2016	Appointed as Outside Corporate Auditor of United, Inc. (current)		
			June 2018	Appointed as Outside Auditor of FIS Inc.(current)		
			November 2019	Appointed outside director of Strike Co., Ltd. (current)		
Total						1

Note 1: Director (Member of the Audit and Supervisory Committee) KOGOMA Nozomi is a candidate of outside director.

Note 2: The name of Director (Member of the Audit and Supervisory Committee) KOGOMA Nozomi in the family register is IMAOKA Nozomi.

Note 3: The term of office of directors who are member of the Audit and Supervisory Committee is from the conclusion of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2023 to the conclusion of the ordinary general meeting of shareholders for the fiscal year ends March 31, 2025.

Note 4: Director (Standing member of the Audit and Supervisory Committee) TAKAHASHI Takefumi is scheduled to be appointed as a standing member of the Audit and Supervisory Committee at the Audit and Supervisory Committee Meeting following the ordinary general meeting of shareholders scheduled to be held on June 25, 2023. Upon his appointment as Director, his successor is scheduled to assume the position of General Manager of the Internal Audit Office on the same date.

[2] Status of outside officers

The Company’s outside directors (excluding directors who are members of the Audit and Supervisory Committee) 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 (excluding directors who are members of the Audit and Supervisory Committee) 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 12 directors (excluding directors who are members of the Audit and Supervisory Committee)” has been submitted as a proposal (matters for resolution) at the ordinary general meeting of shareholders scheduled to be held on June 25, 2023, and if such resolution is passed, 3 outside directors (excluding directors who are members of the Audit and Supervisory Committee) will be reappointed.

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 officers. The Company has 3 outside directors who are members of the Audit and Supervisory Committee. The Company has appointed the person as outside 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 members of the Audit and Supervisory Committee of the Company are outside directors. The proposal for “Election of 3 directors who are members of the Audit and Supervisory Committee” has been submitted as a proposal (matters for resolution) at the ordinary general meeting of shareholders scheduled to be held on June 25, 2023, and if such proposal is passed, KAI Mikitoshi will be reappointed and 2 new Directors, TAKAHASHI Takefumi and KOGOMA Nozomi, will be newly elected, and 2 of the 3 members of the Audit and Supervisory Committee, KAI Mikitoshi and KOGOMA Nozomi, will be outside directors.

The Company’s outside director who are member of the Audit and Supervisory Committee KAI Mikitoshi was an advisor to the Japanese Foundation for Cancer Research (the “Foundation”) until July 2021, but has now retired. 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 with their close relatives, or with other legal entities where such persons have business execution positions or have a role as an outside officer. HORI Toshiaki who is outside director of the Company was an advisor to QUICK Corporation until March 2021, but has now retired. The Company and QUICK Corporation have transactions such as information provision services. The total amount of such transactions is less than 2% of QUICK Corporation's total annual sales and does not affect his independence. YAJIMA Hiroyuki and KAI Mikitoshi, outside directors and members of the Audit and Supervisory Committee, own shares of the Company. For 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, 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 between supervision or audits by outside directors and the internal audits, audit and supervisory committee audits and accounting audits, and the relationship between supervision or audits by outside directors and the internal control department

Outside directors receive reports regarding internal audit plans and the status of implementation of such plans, and cooperates with the internal audit department. All members of the Audit and Supervisory Committee are outside directors, and the Audit and Supervisory Committee share information and exchange opinions regarding accounting audits and compliance as needed, and cooperates with the accounting auditor and the compliance department. In addition, the proposal for “Election of 3 directors who are members of the Audit and Supervisory Committee” has been submitted as a proposal (matters for resolution) at the ordinary general meeting of shareholders scheduled to be held on June 25, 2023, and if such proposal is passed, KAI Mikitoshi will be reappointed and 2 new Directors, TAKAHASHI Takefumi and KOGOMA Nozomi, will be newly elected, and 2 of the 3 members of the Audit and Supervisory Committee, KAI Mikitoshi and KOGOMA Nozomi, will be outside directors.

With respect to mutual cooperation among internal audits, audit and supervisory committee 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 the Audit and Supervisory Committee

In the audits conducted by the Audit and Supervisory Committee of the Company, the standing member of the Audit and Supervisory Committee is elected, information is efficiently gathered from within the Company, and close cooperation is maintained with the internal audit division. Also, the effectiveness of the audit is secured by having each member of the Audit and Supervisory Committee proactively express their opinions. Of the members of the Audit and Supervisory Committee, one person has a considerable amount of knowledge and expertise regarding finance and accounting.

Members of the Audit and Supervisory Committee attend the meeting of the Board of Directors and also grasps the status of corporate activities centered on internal audits and compliance, confirms the status of execution of individual businesses in cooperation with the relevant division as necessary, and conducts strict audits regarding the business execution by directors.

In the current fiscal year, the Company held 6 meetings of the Audit and Supervisory Committee, and the status of attendance of each member of the Audit and Supervisory Committee is as follows.

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

As specific considerations, the Audit and Supervisory Committee formulated the audit policy and audit plan that respond to the characteristics of online securities transactions, etc., confirmed the operational status of the whistle-blowing system, deliberated closing of accounts and dividends etc., and approved the remuneration for the accounting auditor.

Furthermore, the standing member of the Audit and Supervisory Committee attended important meetings and inspected meeting minutes and approval documents, etc., and grasped the status of the Company centered on compliance. In the current fiscal year, the Audit and Supervisory Committee held 5 meetings with the internal audit division, and 14 meetings with the accounting auditor.

[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 internal 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 internal 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, including the representative director, and the Audit and Supervisory Committee, and any issues which are pointed out are promptly corrected. In the current fiscal year ended March 31, 2023, internal audits were conducted 8 times.

ii. Mutual cooperation among internal audits, audit and supervisory committee'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 Audit and Supervisory Committee upon formulating the annual audit plan, and also cooperates closely with the Audit and Supervisory Committee 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.

The Audit and Supervisory Committee 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, the Audit and Supervisory Committee also attend the accounting auditor to audits in distant places or on occasions when audit comments are given. The Audit and Supervisory Committee also asks the accounting auditor for reports regarding the audit implementation process as necessary. Also, the Audit and Supervisory Committee 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 the Audit and Supervisory Committee through exchange of opinions, and also conducts effective audits by requesting each department to disclose or submit necessary documents.

iii. Efforts to ensure the effectiveness of internal audits

The Company has established a system whereby the department in charge of internal audits reports the results of internal audits directly to the Representative Director and the Audit Committee. The system of direct reporting to the Board of Directors has been replaced by the establishment of a system of direct reporting to each Director.

To ensure the effectiveness of internal audits, the department in charge of internal audits formulates an audit plan based on the audit status and reports to the Board of Directors. In addition, the department in charge of internal audits strives to share information with the Audit Committee, the accounting auditor, and the department in charge of compliance, and by referring to the implementation status of supervision and guidance by the department in charge of compliance to each department, highly effective internal audits are conducted.

[3] Status of accounting audits

i. Name of the audit corporation

PricewaterhouseCoopers Aarata LLC

ii. Continuous audit term

24 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

OHTSUJI Ryutaro: Designated Limited Liability Partner, Engagement Partner

ASHIZAWA Tomoyuki: 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 15 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 Audit and Supervisory Committee 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.

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 Audit and Supervisory Committee

The Company's the Audit and Supervisory Committee 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.

[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
38	2	39	2

Note: The contents of non-audit work at the Company are assurance engagements related to the segregated management of customer assets.

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 Audit and Supervisory Committee

Regarding compensation of the accounting auditor proposed by the Board of Directors, the Company's Audit and Supervisory Committee has provided its consent under Article 399, Paragraph 1 and Paragraph 3 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 (excluding directors who are members of the Audit and Supervisory Committee) 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 (excluding directors who are members of the Audit and Supervisory Committee), etc. and the policy regarding determination of the calculation method of officers’ compensations (excluding directors who are members of the Audit and Supervisory Committee), 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 (excluding directors who are members of the Audit and Supervisory Committee) 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 (excluding directors who are members of the Audit and Supervisory Committee) 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 (excluding directors who are members of the Audit and Supervisory Committee) 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 (excluding directors who are members of the Audit and Supervisory Committee) 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 (excluding directors who are members of the Audit and Supervisory Committee).

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.

Also, with respect to compensation for directors who are members of the Audit and Supervisory Committee, taking into account the independence upon auditing the execution of duties of directors, such compensation is determined within the scope of the aggregate amount prescribed by the general meeting of shareholders, and only the basic compensation amount is paid.

Also, the compensation for individual directors who are members of the Audit and Supervisory Committee are expected to be decided by consultation with directors who are members of 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 WARITA Akira (Chairman) and the 3 outside directors (excluding directors who are members of the Audit and Supervisory Committee), ONUKI Satoshi, ANNEN Junji, and HORI Toshiaki. 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 (excluding directors who are members of the Audit and Supervisory Committee). 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 (excluding directors who are members of the Audit and Supervisory Committee).

With respect to the aggregate amounts of compensations of directors (excluding directors who are members of the Audit and Supervisory Committee), for basic compensations, it has been decided to be no more than 500 million yen per year (Of this amount, the amount for outside directors is not more than 50 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, 2021. For stock-option type compensation, the aggregate amount has been decided to be no more than 300 million yen per year (excluding directors who are members of the Audit and Supervisory Committee and outside directors) by a resolution of the ordinary general meeting of shareholders held on June 27, 2021, as a separate limit from the basic compensations. The maximum number of directors (excluding directors who are members of the Audit and Supervisory Committee) 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 (excluding directors who are members of the Audit and Supervisory Committee) of the Company is 12 persons as of the date of submission of the securities report. As of the close of the ordinary general meeting of shareholders held on June 27, 2021, the number of directors (excluding directors who are members of the Audit Committee and outside directors) was 11 (including 3 outside directors) and the number of directors (excluding directors who are members of the Audit Committee and outside directors) was 8.

The aggregate amount of compensations of directors who are members of the Audit and Supervisory Committee 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 27, 2021. The maximum number of directors who are members of the Audit and Supervisory Committee subject to payment of basic compensation is 4 persons as prescribed in the Articles of Incorporation, and the number of directors who are members of the Audit and Supervisory Committee is 3 persons as of the date of submission of the securities report. As of the close of the ordinary general meeting of shareholders held on June 27, 2021, the number of directors who are members of the Audit Committee was 3.

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 26, 2022, the decision on matters related to the compensation of individual directors was delegated to the Nomination and Compensation Committee. Furthermore, in July 2022, the Board of Directors resolved to grant stock options based on the contents of grants proposed by the Nomination and Compensation Committee.

With respect to the activities of the Nomination and Compensation Committee, in June 2022, 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 directors who are members of the Audit and Supervisory Committee and outside directors)	338	249	-	89	89	9
Members of the Audit and Supervisory Committee (excluding outside directors)	-	-	-	-	-	-
Outside officers	58	58	-	-	-	7

Note: The breakdown of the total amount of non-monetary compensation, etc. to directors (excluding directors who are members of the Audit and Supervisory Committee and outside directors) is stock options of 89 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 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

Not applicable.

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

Not applicable.

[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, 2022 to March 31, 2023 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 various 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, 2022)	Current fiscal year (March 31, 2023)
Assets		
Current assets		
Cash and deposits	57,300	79,331
Segregated deposits	530,512	553,312
Money held in trust	3,012	3,096
Trading products	2,534	4,034
Trading securities and other	0	0
Derivatives	2,534	4,034
Trade date accrual	25	15
Margin transaction assets	235,567	280,058
Margin loans	231,435	275,075
Cash collateral provided for securities borrowed in margin transactions	4,132	4,983
Loans secured by securities	22,436	25,905
Cash collateral provided for securities borrowed	22,436	25,905
Advances paid	52	80
Advances paid for customers	52	79
Other advances paid	0	0
Deposits paid for underwritten offering, etc.	763	453
Short-term guarantee deposits	9,103	8,109
Advance payments	38	2
Prepaid expenses	206	282
Accounts receivable - other	79	86
Accrued revenue	5,090	6,309
Other	79	197
Allowance for doubtful accounts	(54)	(23)
Total current assets	866,742	961,244
Non-current assets		
Property, plant and equipment	1,264	1,365
Buildings, net	(Note 1) 165	(Note 1) 328
Equipment	(Note 1) 1,097	(Note 1) 1,037
Land	3	-
Intangible assets	6,858	7,882
Software	6,858	7,882
Other	0	0
Investments and other assets	4,529	5,535
Investment securities	2,008	2,886
Investments in capital	8	8
Long-term loans receivable	398	352
Guarantee deposits	335	669
Long-term prepaid expenses	145	109
Deferred tax assets	1,747	1,632
Long-term receivables	1,110	912
Other	87	86
Allowance for doubtful accounts	(1,307)	(1,118)
Total non-current assets	12,652	14,782
Total assets	879,394	976,026

(Millions of yen)

	Preceding fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Liabilities		
Current liabilities		
Trading products	508	334
Derivatives	508	334
Margin transaction liabilities	47,250	53,937
Margin borrowings	(Note 2) 7,347	(Note 2) 10,260
Cash received for securities sold in margin transactions	39,903	43,677
Borrowings secured by securities	21,409	39,452
Cash collateral received for securities lent	21,409	39,452
Deposits received	309,469	326,031
Deposits from customers	304,083	319,522
Deposits received for underwritten offering, etc.	-	79
Other deposits received	5,386	6,429
Guarantee deposits received	244,992	250,827
Payables for securities to receive over due for delivery	28	11
Short-term borrowings	167,850	219,900
Unearned revenue	16	68
Accounts payable – other	1,462	1,717
Accrued expenses	1,284	1,746
Income taxes payable	2,839	1,858
Provision for bonuses	309	304
Other	5	4
Total current liabilities	797,420	896,189
Non-current liabilities		
Long-term borrowings	-	150
Other	185	236
Total non-current liabilities	185	386
Reserves under special laws		
Reserve for financial instruments transaction liabilities	(Note 4) 3,070	(Note 4) 3,098
Total reserves under special laws	3,070	3,098
Total liabilities	800,675	899,673

(Millions of yen)

	Preceding fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Net assets		
Shareholders' equity		
Share capital	11,945	11,945
Capital surplus		
Legal capital surplus	9,793	9,793
Other capital surplus	7	10
Total capital surplus	9,799	9,803
Retained earnings		
Legal retained earnings	159	159
Other retained earnings		
Retained earnings brought forward	58,205	55,743
Total retained earnings	58,364	55,902
Treasury shares	(1,642)	(1,557)
Total shareholders' equity	78,466	76,092
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	16	23
Total valuation and translation adjustments	16	23
Share acquisition rights	236	238
Total net assets	78,719	76,353
Total liabilities and net assets	879,394	976,026

[2] Statement of income

(Millions of yen)

	Preceding fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Operating revenue		
Commission received	17,454	16,067
Brokerage commission	16,639	15,157
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	77	53
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	0	0
Other commission received	738	857
Net trading income	876	2,345
Financial revenue	(Note 1) 12,285	(Note 1) 12,659
Other operating revenue	2	-
Total operating revenue	(Note 2) 30,616	(Note 2) 31,071
Financial expenses	(Note 3) 1,177	(Note 3) 2,656
Net operating revenue	29,439	28,415
Selling, general and administrative expenses		
Trading related expenses	(Note 4) 6,214	(Note 4) 5,636
Personnel expenses	(Note 5) 3,054	(Note 5) 3,239
Real estate expenses	(Note 6) 1,052	(Note 6) 928
Office expenses	(Note 7) 3,322	(Note 7) 4,141
Depreciation	2,376	2,540
Taxes and dues	(Note 8) 515	(Note 8) 360
Provision of allowance for doubtful accounts	(56)	(12)
Other	189	233
Total selling, general and administrative expenses	16,667	17,067
Operating profit	12,772	11,349
Non-operating income		
Dividend income	47	7
Gain on investments in investment partnerships	8	50
Other	22	23
Total non-operating income	77	79
Non-operating expenses		
Loss on investments in investment partnerships	48	161
Other	10	14
Total non-operating expenses	58	175
Ordinary profit	12,791	11,253
Extraordinary income		
Gain on sale of non-current assets	(Note 9) 1,279	-
Gain on sale of investment securities	2,590	-
Gain on redemption of investment securities	-	18
Total extraordinary income	3,869	18
Extraordinary losses		
Loss on sale and retirement of non-current assets	(Note 10) 52	(Note 10) 33
Provision of reserve for financial instruments transaction liabilities	137	28
Total extraordinary losses	189	61
Profit before income taxes	16,471	11,209
Income taxes – current	5,006	3,274
Income taxes – deferred	26	112
Total income taxes	5,032	3,386
Profit	11,439	7,823

[3] Statement of changes in equity

i. Preceding fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity						
		Capital surplus			Retained earnings		
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance at beginning of period	11,945	9,793	6	9,799	159	57,046	57,205
Changes during period							
Dividends of surplus						(10,280)	(10,280)
Profit						11,439	11,439
Disposal of treasury shares			1	1			
Net changes in items other than shareholders' equity							
Total Changes during period	-	-	1	1	-	1,159	1,159
Balance at end of period	11,945	9,793	7	9,799	159	58,205	58,364

	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	(1,743)	77,205	1,741	1,741	267	79,213
Changes during period						
Dividends of surplus		(10,280)				(10,280)
Profit		11,439				11,439
Disposal of treasury shares	101	102				102
Net changes in items other than shareholders' equity			(1,725)	(1,725)	(30)	(1,755)
Total Changes during period	101	1,261	(1,725)	(1,725)	(30)	(494)
Balance at end of period	(1,642)	78,466	16	16	236	78,719

ii. Current fiscal year (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity						
		Capital surplus			Retained earnings		
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings: Retained earnings brought forward	Total retained earnings
Balance at beginning of period	11,945	9,793	7	9,799	159	58,205	58,364
Changes during period							
Dividends of surplus						(10,285)	(10,285)
Profit						7,823	7,823
Disposal of treasury shares			3	3			
Net changes in items other than shareholders' equity							
Total Changes during period	-	-	3	3	-	(2,462)	(2,462)
Balance at end of period	11,945	9,793	10	9,803	159	55,743	55,902

	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	(1,642)	78,466	16	16	236	78,719
Changes during period						
Dividends of surplus		(10,285)				(10,285)
Profit		7,823				7,823
Disposal of treasury shares	85	88				88
Net changes in items other than shareholders' equity			6	6	2	8
Total Changes during period	85	(2,374)	6	6	2	(2,366)
Balance at end of period	(1,557)	76,092	23	23	238	76,353

[4] Statement of cash flows

(Millions of yen)

	Preceding fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit (loss) before income taxes	16,471	11,209
Depreciation	2,376	2,540
Increase (decrease) in allowance for doubtful accounts	(98)	(221)
Increase (decrease) in provision for bonuses	56	(5)
Increase (decrease) in reserve for financial instruments transaction liabilities	137	28
Interest and dividend income	(12,241)	(12,519)
Interest expenses	1,110	2,582
Loss (gain) on sale and retirement of non-current assets	(1,227)	33
Loss (gain) on sale of investment securities	(2,590)	-
Loss (gain) on redemption of investment securities	-	(18)
Decrease (increase) in segregated deposits	33,500	(22,800)
Decrease (increase) in trading products - assets (liabilities)	(100)	(1,674)
Decrease (increase) in trade date accrual	(64)	9
Decrease/increase in margin transaction assets/liabilities	37,388	(37,803)
Decrease (increase) in loans secured by securities	7,917	(3,469)
Decrease/increase in advance paid/deposits received	(26,459)	16,535
Increase (decrease) in borrowings secured by securities	(1,750)	18,043
Increase (decrease) in guarantee deposits received	(3,263)	5,835
Decrease (increase) in short-term guarantee deposits	(4,593)	994
Other, net	(420)	111
Subtotal	46,150	(20,588)
Interest and dividends received	11,629	11,436
Interest paid	(1,150)	(2,160)
Income taxes paid	(5,807)	(4,218)
Net cash provided by (used in) operating activities	50,821	(15,530)
Cash flows from investing activities		
Purchase of property, plant and equipment	(308)	(496)
Proceeds from sale of property, plant and equipment	1,774	151
Purchase of intangible assets	(2,999)	(2,967)
Purchase of investment securities	(1,090)	(1,192)
Proceeds from sale of investment securities	2,597	-
Proceeds from redemption of investment securities	-	118
Other, net	93	110
Net cash provided by (used in) investing activities	67	(4,276)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(40,000)	52,000
Proceeds from long-term borrowings	-	300
Repayments of long-term borrowings	(100)	(100)
Proceeds from exercise of employee share options	0	0
Dividends paid	(10,274)	(10,279)
Net cash provided by (used in) financing activities	(50,374)	41,921
Effect of exchange rate change on cash and cash equivalents	(0)	(1)
Net increase (decrease) in cash and cash equivalents	514	22,114
Cash and cash equivalents at beginning of period	59,798	60,312
Cash and cash equivalents at end of period	(Note 1) 60,312	(Note 1) 82,427

[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 fair value.

(ii) Securities not classified as trading products

[i] Available-for-sale securities

<i> Securities other than stocks, etc. whose market value is not available

Market value method (valuation differences are directly charged or credited to net assets, and cost of sales is determined by the moving-average method).

<ii> Stocks, etc. whose market value is not available

These securities are stated at cost determined by the moving-average method.

<iii>Investments in investment limited partnership, etc.

Investments in investment limited partnership, etc. 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 10 to 15 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) Accounting policy for recording revenues and expenses

Brokerage commissions

The Company's main business is the stock brokerage business targeting individual investors, and have the obligation to perform brokerage of market sell and buy orders based on the transaction agreements etc. As such performance obligation is executed on the trade date, revenues are recognized at the timing of the trade date (at one point in time).

v) 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.

ii. Notes – Significant accounting estimates

i) Recoverability of deferred tax assets

(i) (Preceding fiscal year)

[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".

[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.

(ii) (Current fiscal year)

[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".

[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 – Changes in Accounting Policies

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

Furthermore, under the notes regarding investment trusts in the "Financial instruments", in accordance with Paragraph 27-3 of the Guidance on Accounting Standard for Fair Value Calculation, those which related to the preceding fiscal year have been omitted.

Notes – Balance Sheet Related

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

(Millions of Yen)

	Preceding fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Buildings, net	170	200
Equipment	574	724
Total	744	924

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 which amounted to 395 million yen are collateralized for the margin borrowings. 6,913 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 which amounted to 443 million yen are collateralized for the margin borrowings. 17,203 million yen of the guarantee securities received from customers are collateralized for margin borrowings.

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

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

(Millions of yen)

	Preceding fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
[1] Securities lent for customers' short positions in margin transactions	43,708	47,770
[2] Collateralized securities for margin borrowings	7,173	10,263
[3] Securities loaned out in debt credit transaction of securities	37,249	52,570
[4] Long-term guarantee securities deposited	9,660	11,196
[5] Securities pledged as collateral for short-term guarantee	6,415	6,369

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

(Millions of yen)

	Preceding fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
[1] Securities received on customers' long positions in margin transaction	213,824	258,128
[2] Securities borrowed on margin transactions	4,028	4,923
[3] Securities received in debt credit transaction of securities	40,405	46,227
[4] Guarantee securities received from customers	538,379	590,293
[5] Securities received from customers as collateral for short-term guarantee	2,863	3,417

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) Note 5

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, 2022)	Current fiscal year (March 31, 2023)
Maximum limit amount of overdraft and lending commitment	167,300	169,300
Executed amount	97,800	104,800
The balance	69,500	64,500

iv. Notes - Statement of income

(i) Note 1: Breakdown of financial revenue

(Millions of yen)

	Preceding fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Interest on margin transactions	10,848	10,134
Revenue from securities lending and borrowing	897	1,125
Swap points received on foreign exchange margin transactions	397	1,159
Other	143	241
Total	12,285	12,659

(ii) Note 2: Revenues generated from contracts with customers

Regarding operating revenue, revenues generated from contracts with customers are not classified separately from other revenues. The amount of revenues generated from contracts with customers are stated under “Notes (revenue recognition related matters) -1. Information on breakdown of revenues generated from contracts with customers” of the financial statements.

(iii) Note 3: Breakdown of financial expenses

(Millions of yen)

	Preceding fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Interest expense on margin transactions	334	569
Expenses on securities lending and borrowing	223	303
Interest expenses	288	212
Swap points paid on foreign exchange margin transactions	228	1,466
Other	104	106
Total	1,177	2,656

(iv) Note 4: Breakdown of trading related expenses

(Millions of yen)

	Preceding fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Commission fee	887	923
Membership fees for stock exchanges and securities associations	1,459	1,410
Communications expenses	1,929	1,589
Travel and transportation expenses	14	19
Advertisements	1,904	1,671
Entertainment expenses	21	24
Total	6,214	5,636

(v) Note 5: Breakdown of personnel expenses

(Millions of yen)

	Preceding fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Officer’s compensations	275	307
Employees’ salaries	1,095	1,206
Other compensations	1,037	1,027
Welfare expenses	236	264
Provision for bonuses	308	304
Share-based compensation expenses	71	89
Retirement benefit expenses	34	41

	Preceding fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Total	3,054	3,239

(vi) Note 6: Breakdown of real estate expenses

(Millions of yen)

	Preceding fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Occupancy and rental fee	349	381
Equipment expenses	704	547
Total	1,052	928

(vii) Note 7: Breakdown of office expenses

(Millions of yen)

	Preceding fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Data processing and outsourcing cost of operations	3,318	4,135
Office supplies	5	6
Total	3,322	4,141

(viii) Note 8: Breakdown of taxes and dues

(Millions of yen)

	Preceding fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Enterprise tax (portion on value added levy and capital levy)	334	270
Other	182	90
Total	515	360

(ix) Note 9: Breakdown of gain on sale of non-current assets

	Preceding fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Land	1,326	-
Buildings, net	(49)	-
Equipment	1	-
Total	1,279	-

Note: Gains and losses on the sale of the same property are offset and presented as gain on sale of non-current assets in the statement of income.

(x) Note 10: Breakdown of loss on sale and retirement of non-current assets

[i] Loss on retirement

(Millions of yen)

	Preceding fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Software	5	15
Buildings, net	-	14
Equipment	10	0
Other	0	-
Total	14	30

[ii] Loss on sale

(Millions of yen)

	Preceding fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Land	33	3
Buildings, net	4	-

	Preceding fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Equipment	0	-
Total	37	3

v. Notes - Statement of changes in equity

i) Preceding fiscal year (From April 1, 2021 to March 31, 2022)

(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)	2,304,946	-	133,300	2,171,646

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 (2017)	34
Share acquisition rights as stock options (2018)	61
Share acquisition rights as stock options (2019)	80
Share acquisition rights as stock options (2020)	43
Share acquisition rights as stock options (2021)	19
Total	236

Note 1: Concerning balance of 30 million yen of share acquisition rights as stock options (2017) and balance of 59 million yen of share acquisition rights as stock options (2018), the first day of exercise period has not arrived.

Note 2: Concerning the share acquisition rights as stock options (2019), (2020) and (2021), 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 27, 2021	Common stock	5,139	20.00	March 31, 2021	June 28, 2021
Board of directors' meeting held on October 27, 2021	Common stock	5,141	20.00	September 30, 2021	November 22, 2021

[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 scheduled to be held on June 26, 2022	Common stock	Retained earnings	5,142	20.00	March 31, 2022	June 27, 2022

ii) Current fiscal year (From April 1, 2022 to March 31, 2023)

(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)	2,171,646	-	111,800	2,059,846

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 (2017)	6
Share acquisition rights as stock options (2018)	35
Share acquisition rights as stock options (2019)	61
Share acquisition rights as stock options (2020)	68
Share acquisition rights as stock options (2021)	44
Share acquisition rights as stock options (2022)	24
Total	238

Note 1: Concerning balance of 31 million yen of share acquisition rights as stock options (2018) and balance of 58 million yen of share acquisition rights as stock options (2019), the first day of exercise period has not arrived.

Note 2: Concerning the share acquisition rights as stock options (2020), (2021) and (2022), 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 26, 2022	Common stock	5,142	20.00	March 31, 2022	June 27, 2022
Board of directors' meeting held on October 27, 2022	Common stock	5,143	20.00	September 30, 2022	November 24, 2022

[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 25, 2023.

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 25, 2023	Common stock	Retained earnings	5,144	20.00	March 31, 2023	June 26, 2023

vi. 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, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Cash and deposits	57,300	79,331
Money held in trust	3,012	3,096
Cash and cash equivalents	60,312	82,427

vii. 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 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 fair 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 to sales proceeds for short positions on margin transactions by customers.

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

Short-term guarantee deposits are mainly collateral pledged to other financial institutions for the provision of services to customers and are exposed to the credit risk of the counterparties to which they are pledged. Although a portion of these amounts is foreign currencies and is exposed to foreign currency exchange risk, this risk is almost offset because the amounts are almost equivalent to customers' deposits in foreign currencies.

Available-for-sale securities are mainly investments in investment limited partnership and are exposed to the credit risk of the issuers of stocks and other securities incorporated in the partnerships and the risk of fluctuations in the fair value of such stocks and other securities.

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 fair value of financial instruments

Upon calculating the fair value of financial instruments, 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 fair value of financial instruments

[i] Preceding fiscal year (March 31, 2022)

Recorded value on the balance sheet, fair value, and differences between them are as shown below.

Item	Recorded value on the balance sheet (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
[1] Trading products and investment securities	2,652	2,652	-
[i] Derivatives	2,534	2,534	-
[ii] Available for sale securities	118	118	-
Total assets	2,652	2,652	-
[1] Trading products	508	508	-
[i] Derivatives	508	508	-
Total liabilities	508	508	-

Note 1: Notes to "Cash and deposits," " Segregated deposits," "Money held in trust," "Margin transaction assets," "Loans secured by securities," "Short-term guarantee deposits," "Margin transaction liabilities," "Borrowings secured by securities," "Deposits received," "Guarantee deposits received" and "Short-term loans payable" are omitted because they are cash or the fair values approximate book values as they are usually settled within short periods.

Note 2: Stocks and other securities without market value are not included in "[1] Trading products and investment securities". The balance sheet amounts of such financial instruments are as follows

Item	Recorded value on the balance sheet (millions of yen)
Available-for-sale securities	
Unlisted shares	166

Note 3: Investments in partnerships and other similar entities in which the Company's equity interest is recorded on the balance sheet as a net amount are omitted. The amount of such investments on the balance sheet is 1,724 million yen.

Note 4: 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 5: All monetary debts are scheduled due within 1 year.

[ii] Current fiscal year (March 31, 2023)

Recorded value on the balance sheet, fair value, and differences between them are as shown below.

Item	Recorded value on the balance sheet (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
[1] Trading products and investment securities	4,034	4,034	-
[i] Derivatives	4,034	4,034	-
Total assets	4,034	4,034	-
[1] Trading products	334	334	-
[i] Derivatives	334	334	-
Total liabilities	334	334	-

Note 1: Notes to “Cash and deposits,” “ Segregated deposits,” “Money held in trust,” “Margin transaction assets,” “Loans secured by securities,” “Margin transaction liabilities,” “Borrowings secured by securities,” “Deposits received,” “Guarantee deposits received” and “Short-term loans payable” are omitted because they are cash or the fair values approximate book values as they are usually settled within short periods.

Note 2: Stocks and other securities without market value are not included in “[1] Trading products and investment securities”. The balance sheet amounts of such financial instruments are as follows

Item	Recorded value on the balance sheet (millions of yen)
Available-for-sale securities	
Unlisted shares	166

Note 3: Investments in partnerships and other similar entities in which the Company's equity interest is recorded on the balance sheet as a net amount are omitted. The amount of such investments on the balance sheet is 2,720 million yen.

Note 4: 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 5: All monetary debts are scheduled due within 1 year.

(iii) Matters regarding the breakdown of financial instruments by fair value level

The fair value of financial instruments is categorized into the following three levels, in accordance with the observability and importance of the inputs used in the fair value calculation.

Level 1 fair value: Of the observable inputs for calculation of fair value, fair value calculated using the market price of assets and liabilities for which the fair value is to be calculated which is formulated in an active market.

Level 2 fair value: Of the observable inputs for calculation of fair value, fair value calculated using inputs regarding the calculation of fair value other than the inputs in Level 1.

Level 3 fair value: Fair value calculated using non-observable inputs regarding the calculation of fair value.

If multiple inputs are being used which have a significant impact on the calculation of fair value, of the levels in which each of the inputs are included, the relevant fair value is classified under the lowest priority level for calculation of fair value.

[i] Financial Instruments recorded at fair value on the balance sheet

<i> Preceding fiscal year (March 31, 2022)

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
(1) Trading Products	-	2,534	-	2,534
Derivative transactions	-	2,534	-	2,534
Total Assets	-	2,534	-	2,534
(1) Trading Products	-	508	-	508
Derivative transactions	-	508	-	508
Total Liabilities	-	508	-	508

Note 1: Explanation of evaluation method used to calculate fair value and inputs for the calculation of fair value

Derivative transactions: The fair value of foreign exchange margin trading is calculated based on the spot exchange rate as of the end of the current fiscal year, and is categorized under Level 2 fair value.

Note 2: The fair value of investment trusts etc. are not included in the above. The amount of investment trusts etc. recorded on the balance sheet is 118 million yen.

<ii> Current fiscal year (March 31, 2023)

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
(1) Trading Products	-	4,034	-	4,034
Derivative transactions	-	4,034	-	4,034
Total Assets	-	4,034	-	4,034
(1) Trading Products	-	334	-	334
Derivative transactions	-	334	-	334
Total Liabilities	-	334	-	334

Note: Explanation of evaluation method used to calculate fair value and inputs for the calculation of fair value

Derivative transactions: The fair value of foreign exchange margin trading is calculated based on the spot exchange rate as of the end of the current fiscal year, and is categorized under Level 2 fair value.

[ii] Financial instruments other than those recorded on the balance sheet at fair value.

<i> Preceding fiscal year (March 31, 2022)

Not applicable.

<ii> Current fiscal year (March 31, 2023)

Not applicable.

viii. 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)	Fair value (millions of yen)	Amount of contract, etc. (millions of yen)	Fair value (millions of yen)
Foreign exchange margin trading	85,303	2,534	15,489	508

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

(Current fiscal year)

Type	Assets		Liabilities	
	Amount of contract, etc. (millions of yen)	Fair value (millions of yen)	Amount of contract, etc. (millions of yen)	Fair value (millions of yen)
Foreign exchange margin trading	132,693	4,034	24,957	334

Note: Amount of contract whose fair 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, 2021 to March 31, 2022)

The Company does not have shares of subsidiaries nor affiliates.

[ii] Current fiscal year (From April 1, 2022 to March 31, 2023)

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	-	-	-
	[2] Bond	-	-	-
	[3] Other	118	100	18
	Subtotal	118	100	18
Securities whose recorded value on the balance sheet does not exceed acquisition cost	[1] Stock	-	-	-
	[2] Bond	-	-	-
	[3] Other	-	-	-
	Subtotal	-	-	-
Total		118	100	18

[ii] Current fiscal year

Not applicable.

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

[i] Preceding fiscal year

Classification	Amount of sale (millions of yen)	Total gain on sale (millions of yen)	Total loss on sale (millions of yen)
Stock	2,597	2,590	-
Total	2,597	2,590	-

[ii] Current fiscal year

Not applicable.

ix. 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 34 million yen for the preceding fiscal year, and 41 million yen for the current fiscal year.

x. Notes – Share options, etc.

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

	Preceding fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Share-based compensation expenses in selling, general and administrative expenses	71 million yen	89 million yen

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

(i) Contents of share options

[i] 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.

[ii] 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.

[iii] 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.

[iv] 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.

[v] Eighth series of share acquisition rights

	Share acquisition rights which can be exercised from July 29, 2024	Share acquisition rights which can be exercised from July 29, 2025	Share acquisition rights which can be exercised from July 29, 2026
Date of resolution	July 13, 2021		
Persons eligible for the allotment and their number (Note 1)	8 directors of the Company (excluding directors who are members of the Audit and Supervisory Committee)		
Number of share acquisition rights (Note 1) (Note 2)	Common stock: 50,800 shares	Common stock: 50,900 shares	Common stock: 51,300 shares
Allotment date	July 28, 2021		
Conditions for exercising	Persons allotted share acquisition rights are eligible to exercise only when they are active directors (excluding directors who are members of the Audit and Supervisory Committee) at the time of the exercise. However, the Company may treat the rights of those who are out of the service of directors still effective when it finds reasonable grounds.		
Vesting period	From July 28, 2021 to July 28, 2024	From July 28, 2021 to July 28, 2025	From July 28, 2021 to July 28, 2026
Exercise period	From July 29, 2024 to July 28, 2027	From July 29, 2025 to July 28, 2027	From July 29, 2026 to July 28, 2027

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] Ninth series of share acquisition rights

	Share acquisition rights which can be exercised from July 29, 2025	Share acquisition rights which can be exercised from July 29, 2026	Share acquisition rights which can be exercised from July 29, 2027
Date of resolution	July 12, 2022		
Persons eligible for the allotment and their number (Note 1)	9 directors of the Company (excluding directors who are members of the Audit and Supervisory Committee)		
Number of share acquisition rights (Note 1) (Note 2)	Common stock: 63,600 shares	Common stock: 63,900 shares	Common stock: 64,100 shares
Allotment date	July 28, 2022		
Conditions for exercising	Persons allotted share acquisition rights are eligible to exercise only when they are active directors (excluding directors who are members of the Audit and Supervisory Committee) at the time of the exercise. However, the Company may treat the rights of those who are out of the service of directors still effective when it finds reasonable grounds.		
Vesting period	From July 28, 2022 to July 28, 2025	From July 28, 2022 to July 28, 2026	From July 28, 2022 to July 28, 2027
Exercise period	From July 29, 2025 to July 28, 2028	From July 29, 2026 to July 28, 2028	From July 29, 2027 to July 28, 2028

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, 2023) 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

	Fourth series of share acquisition rights	Fifth series of share acquisition rights	Sixth series of share acquisition rights	Seventh series of share acquisition rights	Eighth series of share acquisition rights	Ninth series of share acquisition rights
Before vesting						
At end of preceding fiscal year (number of share)	43,500	75,500	120,300	134,800	153,000	-
Granted	-	-	-	-	-	191,600
Forfeited	-	-	-	-	-	-
Vested	43,500	37,400	40,000	-	-	-
Unvested amount	-	38,100	80,300	134,800	153,000	191,600
After vesting						
At end of preceding fiscal year (number of shares)	5,400	2,300	-	-	-	-
Vested	43,500	37,400	40,000	-	-	-
Exercise of rights	40,800	35,100	35,900	-	-	-
Forfeited	-	-	-	-	-	-
Unexercised amount	8,100	4,600	4,100	-	-	-

[ii] Price information

	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)	-	-	794
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)	-	794	-
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)	796	-	-
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.

	Eighth series of share acquisition rights (Note 1)	Eighth series of share acquisition rights (Note 2)	Eighth series of share acquisition rights (Note 3)
Date of resolution	July 13, 2021	July 13, 2021	July 13, 2021
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)	647	632	616

Note 1: Eighth series of share acquisition rights which can be exercised from July 29, 2024.
Note 2: Eighth series of share acquisition rights which can be exercised from July 29, 2025.
Note 3: Eighth series of share acquisition rights which can be exercised from July 29, 2026.

	Ninth series of share acquisition rights (Note 1)	Ninth series of share acquisition rights (Note 2)	Ninth series of share acquisition rights (Note 3)
Date of resolution	July 12, 2022	July 12, 2022	July 12, 2022
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)	642	627	612

Note 1: Ninth series of share acquisition rights which can be exercised from July 29, 2025.
Note 2: Ninth series of share acquisition rights which can be exercised from July 29, 2026.
Note 3: Ninth series of share acquisition rights which can be exercised from July 29, 2027.

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

	Ninth series of share acquisition rights (Note 1)	Ninth series of share acquisition rights (Note 2)	Ninth series of share acquisition rights (Note 3)
Volatility of shares	(Note 4) 24.898%	(Note 5) 24.290%	(Note 6) 23.667%
Estimated time to maturity (Note 7)	4.5 years	5.0 years	5.5 years
Estimated dividend (Note 8)	40 yen per share	40 yen per share	40 yen per share
Risk free rate (Note 9)	Minus 0.031%	0.001%	0.014%

Note 1: Ninth series of share acquisition rights which can be exercised from July 29, 2025.
Note 2: Ninth series of share acquisition rights which can be exercised from July 29, 2026.
Note 3: Ninth series of share acquisition rights which can be exercised from July 29, 2027.
Note 4: Volatility of shares are calculated based on the historical record for the 4 years and a half (From January 27, 2018 to July 28, 2022).
Note 5: Volatility of shares are calculated based on the historical record for the 5 years (From July 29, 2017 to July 28, 2022).
Note 6: Volatility of shares are calculated based on the historical record for the 5 years and a half (From January 27, 2017 to July 28, 2022).
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 2022 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.

xi. 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, 2022)	Current fiscal year (March 31, 2023)
Deferred tax assets		
Accrued enterprise tax	149	105
Excess of allowance for doubtful accounts	391	324
Share based compensation expenses	72	73
Reserve for financial instruments transaction liabilities	940	949
Provision for bonuses	95	93
Other	150	150
Total deferred tax assets	1,798	1,694
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(7)	(10)
Other	(43)	(53)
Total deferred tax liabilities	(51)	(62)
Net deferred tax assets	1,747	1,632

ii) Details of major components which cause 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.

xii. Notes – Revenue recognition

i) Information on the breakdown of revenue generated from contracts with customers.

(i) Preceding fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	On-line securities trading service
Revenue generated from contracts with customers	17,454
Commission received	17,454
Brokerage commission	16,639
Equity & ETF, etc.	15,618
Futures & Options	1,021
Other	815
Other revenue	13,163
Financial revenue	12,285
Net trading income	876
Other operating revenue	2
Total operating revenue	30,616

(ii) Current fiscal year (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	On-line securities trading service
Revenue generated from contracts with customers	16,067
Commission received	16,067
Brokerage commission	15,157
Equity & ETF, etc.	14,001
Futures & Options	1,156
Other	910
Other revenue	15,004
Financial revenue	12,659
Net trading income	2,345
Total operating revenue	31,071

ii) The basis for understanding revenues

The basis for understanding revenues is described in “Notes - Significant accounting policies: iv) Accounting policy for recording revenues and expenses”.

xiii. Notes – Segment information, etc.

i) Segment information

(i) Preceding fiscal year (From April 1, 2021 to March 31, 2022)

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, 2022 to March 31, 2023)

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, 2021 to March 31, 2022)

[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, 2022 to March 31, 2023)

[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.

xiv. Notes – Equity in earnings (losses) of affiliates if equity method is applied

Not applicable.

xv. Notes – Related parties

i) Preceding fiscal year (From April 1, 2021 to March 31, 2022)

(i) Trades with related parties

Not applicable.

(ii) Notes on parent company and important related companies

Not applicable.

ii) Current fiscal year (From April 1, 2022 to March 31, 2023)

(i) Trades with related parties

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

Not applicable.

(ii) Notes on parent company and important related companies

Not applicable.

xvi. Notes – Per share information

	Preceding fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net assets per share	305.27 yen	295.93 yen
Basic earnings per share	44.50 yen	30.42 yen
Diluted earnings per share	44.44 yen	30.37 yen

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

Item	Preceding fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Basic earnings per share		
Net profit (millions of yen)	11,439	7,823
Net profit not attributed to common stock (millions of yen)	-	-
Net profit attributed to common stock (millions of yen)	11,439	7,823
Average number of shares of common stock outstanding (number of shares)	257,047,881	257,136,881
Diluted earnings per share		
Increase of common stock (number of shares)	375,943	431,052
[Of the above, share acquisition rights (number of shares)]	[375,943]	[431,052]
Outline of diluted securities which are not considered in the calculation of diluted earnings per share due to the lack of diluting effect	-	

xvii. 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	335	218	25	528	200	32	328
Equipment	1,671	291	201	1,761	724	200	1,037
Land	3	-	3	-	-	-	-
Total property, plant and equipment	2,009	509	229	2,289	924	233	1,365
Intangible assets							
Software	25,175	3,347	57	28,465	20,583	2,308	7,882
Other	11	-	-	11	11	-	0
Total intangible assets	25,185	3,347	57	28,476	20,594	2,308	7,882
Long term prepaid expenses	185	41	48	178	69	47	109

Note: The increase of equipment and software is mainly due to the investment on facilities necessary for introduction of various new services, enhancement 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	167,800	219,800	0.12	-
Long-term borrowings due within 1 year	50	100	0.60	-
Long-term lease liabilities due within 1 year	-	-	-	-
Long-term borrowings excluding those due within 1 year	-	150	0.60	July 31, 2025
Long-term lease liabilities excluding those due within 1 year	-	-	-	-
Other interest-bearing liabilities:				
Margin borrowings due within 1 year	7,347	10,260	0.60	-
Total	175,197	230,310	-	-

Note1: Average interest rate is weighted average interest rate at the end of period.

Note2: The scheduled repayment amounts of long-term loans payable due within 5 years from the balance sheet date are as follows

Title	1 year or less than 2 years(million yen)	2 year or less than 3 years(million yen)	3 year or less than 4 years(million yen)	4 year or less than 5 years(million yen)
Long-term borrowings	100	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	1,362	72	209	(Note) 83	1,141
Provision for bonuses	309	304	309	-	304
Reserve for financial instruments transaction liabilities	3,070	28	-	-	3,098

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	79,330
Demand deposits	70,240
Ordinary deposits	9,062
Segregated deposits	28
Total	79,331

ii. Segregated deposits

Item	Amount of value (millions of yen)
Customer - segregated fund trusts	536,000
Trusted money segregated for customers' foreign exchange margin trading	17,300
Other	12
Total	553,312

iii. Margin transaction assets

Item	Amount of value (millions of yen)
Margin loans	275,075
Cash collateral pledged for securities borrowing on margin	4,983
Total	280,058

[2] Liabilities

i. Margin transaction liabilities

Item	Amount of value (millions of yen)
Margin borrowings	10,260
Japan Securities Finance Co., Ltd.	10,260
Cash received for securities sold in margin transactions	43,677
Total	53,937

ii. Deposits received

Item	Amount of value (millions of yen)
Deposits from customers	319,522
Deposits received for underwritten offering, etc.	79
Other deposits received	6,429
Total	326,031

iii. Guarantee deposits received

Item	Amount of value (millions of yen)
Guarantee deposits received concerning margin transaction	216,320
Guarantee deposits received concerning futures transaction	54
Other	34,453
Total	250,827

iv. Short-term borrowings

Item	Amount of value (millions of yen)
Sumitomo Mitsui Trust Bank, Ltd.	25,000
Sumitomo Mitsui Banking Corporation	24,000
MUFJ Bank, Ltd.	20,000
Hachijuni Bank, Ltd.	7,000
The Shizuoka Bank, Ltd	5,000
Mizuho Bank, Ltd.	5,000
Resona Bank, Limited.	5,000
Other	13,800
Call money	115,000
Long-term borrowings due within one year	100
Total	219,900

(3) Other Information

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

Cumulative period	1st quarter	2nd quarter	3rd quarter	Current fiscal year
Operating revenue (millions of yen)	7,252	14,920	22,957	31,071
Net operating revenue (millions of yen)	6,858	13,941	21,228	28,415
Profit before income taxes (millions of yen)	2,805	5,567	8,545	11,209
Quarterly (annual) profit (millions of yen)	1,945	3,860	5,924	7,823
Basic quarterly (annual) earnings per share (yen)	7.57	15.01	23.04	30.42

Accounting period	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic earnings per share (yen)	7.57	7.45	8.03	7.38

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 Shareholder registry administrator Agency Fee for purchase	 (Special Account) Marunouchi 1-4-1, Chiyoda-ku, Tokyo Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited (Special Account) Marunouchi 1-4-1, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank Limited - 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 106th fiscal year from April 1, 2021 to March 31, 2022 (Filed with the director of Kanto Local Finance Bureau on June 20, 2022.)

(2) Internal Control Report

For the 106th fiscal year from April 1, 2021 to March 31, 2022 (Filed with the director of Kanto Local Finance Bureau on June 20, 2022.)

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

For the 1st quarter of the 107th fiscal year from April 1, 2022 to June 30, 2022 (Filed with the director of Kanto Local Finance Bureau on August 12, 2022.)

For the 2nd quarter of the 107th fiscal year from July 1, 2022 to September 30, 2022 (Filed with the director of Kanto Local Finance Bureau on November 11, 2022.)

For the 3rd quarter of the 107th fiscal year from October 1, 2022 to December 31, 2022 (Filed with the director of Kanto Local Finance Bureau on February 13, 2023.)

(4) Extraordinary Securities Report

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 at the general meeting of shareholders) (Filed with the director of Kanto Local Finance Bureau on June 27, 2022.)

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 12, 2022.)

(5) Amendment Reports and Confirmation Letter for Annual Securities Reports

The 105th fiscal year from April 1, 2020 to March 31, 2021 (Filed with the director of Kanto Local Finance Bureau on May 30, 2022.)

(6) 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 July 29, 2022.)

(7) 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 19, 2021 (Filed with the director of Kanto Local Finance Bureau on May 30, 2022, June 27, 2022, July 12, 2022 and July 29, 2022.)

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

Not Applicable.