

**Ichiyoshi Securities Co., Ltd.**  
**Notice of 78th Annual Meeting of Shareholders**

[English translation for reference purposes only]

May 28, 2020

Notice is hereby given to the shareholders of Ichiyoshi Securities Co., Ltd. (“Ichiyoshi” or the “Company”) that the 78th annual meeting of shareholders of Ichiyoshi will be held at a place and date written below. Each of attending shareholders is requested to bring with him/her a voting card attached hereto (omitted in this English version).

In the event that you cannot attend the said meeting in person, please read “Referential Materials for Shareholders’ Meeting” (described on page 5 herein) carefully and send the voting card to be received by the Company by 5:00 p.m. on June 19, 2020 (Friday), or exercise your voting rights electronically via the Company’s designated website for exercising voting rights (<https://evote.tr.mufg.jp/>) (the “Designated Voting Website”) by the same date and time. **(If you are a non-resident of Japan, however, you may exercise your voting rights by properly instructing your standing proxy in Japan.)**

**1. Date and time:** June 20, 2020, Saturday, from 10:00 a.m.

(Doors open at 9:00 a.m.)

**2. Place:** At Royal Hall, 3<sup>rd</sup> Floor of Royal Park Hotel

2-1-1, Nihonbashi Kakigara-cho, Chuo-ku, Tokyo, Japan

**3. Agenda at the Meeting:**

Reports:

- (1) Reports on business result and contents of consolidated financial statements (for the fiscal year from April 1, 2019 to March 31, 2020), and Certified Public Accountants’ and Audit Committee’s reports on their respective audits of consolidated financial statements..
- (2) Reports on contents of non-consolidated financial statements of the Company (for the fiscal year from April 1, 2019 to March 31, 2020).

Resolutions proposed for approval and adoption:

1<sup>st</sup> resolution: Appointment of 7 directors.

2nd resolution: Authorization of the Board of Directors to decide terms and conditions for the issuance of share warrants as stock options to directors (excluding outside directors), executive officers, operating

officers, executive advisers and employees  
of the Company and its subsidiaries.

**The Company's responses toward the spread of the Covid-19:**

Having deeply considered the prevailing infection and spread of the Covid-19, the Company has decided on the following responses to which the Company hopes the shareholders will kindly accommodate themselves.

**[Request to shareholders]**

- (i) As the Covid-19 spreads, the shareholders can exercise their voting rights via mail or electronically in addition to voting in person at the shareholders' meeting. The Company honestly recommends voting by mail or electronically under the current circumstances..
- (ii) With respect to a social gathering between the Company's directors/officers and attending shareholders, which used to be an annual event after the shareholders' meeting, will not be held this year to prevent the spread of the Covid-19. Likewise, services of refreshments before the shareholders' meeting and presentation of souvenir gifts after the shareholders' meeting will be discontinued.

**[Reception at the hall of shareholders' meeting]**

- (i) At the hall of shareholders' meeting, shareholders are kindly requested to wear face masks and use provided alcoholic sanitizers to prevent the infection and spread of the Covid-19.
- (ii) Reception staff will wear face masks.
- (iii) At the hall of shareholders' meeting, shareholders will be requested to take seats arranged to keep social distance, or, depending on the situation, to have their temperatures checked at the reception desk.
- (iv) Measures will be taken so that the proceedings of the shareholders' meeting will be carried out smoothly to prevent the spread of the Covid-19 infection.

Note: In the event that there is a substantial change in the running of the shareholders' meeting due to circumstantial conditions, such change will be notified on the Company's website.

(<https://www.Ichiyoshi.co.jp/stockholder/presentation>)

#### **4. Matters concerning documents accompanying this notice and reference materials for shareholders' meeting:**

##### **(1) Disclosure on Internet:**

The contents of the following documents (items (i), (ii), (iii), (iv) and (v)) are disclosed on Ichiyoshi's website in accordance with laws and Article 15 of the Articles of Incorporation of the Company. Hence, they are not contained herein. (Ichiyoshi website: <https://www.ichiyoshi.co.jp/stockholder/presentation.>)

- (i) System to ensure the appropriateness of business operations and the outline of operational status of the system;
- (ii) Consolidated statements of changes in equity;
- (iii) Notes to consolidated financial statements;
- (iv) Non-consolidated Statements of changes in equity; and
- (v) Notes to non-consolidated financial statements.

It is to be noted that the Company's certified public accountants have audited not only consolidated financial statements and non-consolidated financial statements attached hereto but also consolidated statement of changes in equity, notes to consolidated financial statements, non-consolidated statement of changes in equity and notes to non-consolidated financial statements disclosed on Ichiyoshi's website, and that the audit committee has audited not only reports on business result, consolidated financial statements and non-consolidated financial statements attached hereto but also the system to ensure the appropriateness of business operations and the outline of operational status of the system, consolidated statement of changes in equity, notes to consolidated financial statements, non-consolidated statement of changes in equity, and notes to non-consolidated financial statements disclosed on Ichiyoshi's website.

##### **(2) Method to notify corrections as to reference materials for shareholders' meeting, reports on business result and financial statements:**

Any corrections occurring to reference materials for shareholders' meeting, reports on business result and financial statements will be notified on the Company's website.

#### **5. Guidance for exercising voting rights:**

##### **(1) Exercising voting rights in person:**

You are required to present your voting card at the reception desk of the shareholders' meeting before the meeting starts at 10:00 a.m. on June 20, 2020 (Saturday). (No person other than an entitled shareholder shall be admitted to the meeting. Neither

his/her agent nor his/her accompanying person shall be admitted.)

(2) Exercising voting rights through proxy:

In the event that you cannot attend the shareholders' meeting in person, you may exercise your voting rights by appointing another shareholder of Ichiyoshi attending the meeting as your proxy; provided, however, that he/she must produce a document certifying his proxy status.

(3) Exercising voting rights by mail:

You are required to mail your completed voting card (postage prepaid) to be received by the Company at or before 5:00 p.m. on June 19, 2020 (Friday).

(4) Exercising voting rights electronically (such as via Internet):

You are required to exercise your voting rights through the Company's Designated Voting Website (<https://evote.tr.mufg.jp/>) by 5:00 p.m. on June 19, 2020 (Friday) (Please note that the Designated Voting Website is not accessible between 2:00 a.m. and 5:00 a.m. every day, Japan time.)

- Reminder:** (i) In the event that you attend the shareholders' meeting in person, you need not follow instructions relating to voting by mail or via Internet.
- (ii) In the event that you exercise your voting rights by mail, you should follow instructions in the voting card (the card being omitted in this English version).

**6. Guidance for exercising voting rights electronically via the Designated Voting Website:**

You can exercise your voting rights by accessing the Designated Voting Website via your smart phone, personal computer or mobile phone.

(1) Exercising your voting rights via your smart phone:

- (i) By scanning the "QR Code for Log-in" provided in the voting card (omitted in this English version), you will be automatically connected to the Designated Voting Website and will be able to exercise your voting rights. (Thus, you do not need "Log-in ID" nor "Temporary Password")
- (ii) For the sake of security, the exercise of voting rights by way of the "QR Code" is limited to one time. In the event of exercising voting rights twice or more, the application of "Log-in ID" and "Temporary Password" will be required even by way of "QR Code for Log-in."
- (iii) It should be noted that a certain type of smart phone may not be compatible with the "QR Code for Log-in" provided.

(2) Exercising your voting rights via your personal computer or mobile phone:

By applying "Log-in ID" and "Temporary Password" provided in the voting card (omitted in this English version) on the Designated Voting Website, you will

be able to exercise your voting rights in accordance with instructions listed on the Website.

(3) Further notes on the Designated Voting Website:

- (i) The exercise of voting rights is only possible by accessing the Designated Voting Website via personal computer, smart phone or mobile phone (the Website is accessible at any time except from 2:00 am to 5:00 am)
- (ii) The exercise of voting rights via personal computer or smart phone may not be possible in the event that firewall or antivirus devices are installed or proxy servers are used or TLS cryptography is not designated, depending on your Internet usage environment.
- (iii) The exercise of voting rights may not be possible via mobile phone not equipped with TLS cryptography nor capable of transmitting mobile information for the sake of security..
- (iv) The exercise of voting rights electronically is possible by 5:00 pm on June 19, 2020 (except from 2:00 am to 5:00 am), but you are urged to exercise your voting rights earlier if possible.
- (v) If you have any question, please contact Securities Transfer Dept.(Help Desk), Mitsubishi UFJ Trust & Banking Corp. (Free call: 0120-173-027, open between 9:00 am and 9:00 pm).

(4) Expenses arising from access to the Designated Voting Website:

Shareholders are required to bear expenses arising from access to the Designated Voting Website (such as Internet-access and telephone charges).When using your mobile phone, you may be charged with packet communication fees and other related expenses.

**Reminder:**

- (i) In the event of exercising voting rights doubly by sending back a voting card and electronically via the Designated Voting Website:  
Electronic exercise shall be adopted.
- (ii) In the event of exercising voting rights more than once electronically via the Designated Voting Website or in the event of exercising your voting rights doubly or redundantly through your personal computer, smartphone or mobile phone:  
The last-dispatched voting instruction shall be adopted.

**[Electronically-Voting Platform for Institutional Investors]**

Nominee shareholders, such as trustee banks and standing proxies (for non-resident shareholders), may exercise their votes via the electronic-voting platform operated by ICJ Inc., provided that they have applied for the use of the platform in advance.

## **Referential Materials for Shareholders' Meeting**

### **I. 1<sup>st</sup> proposed resolution: Appointment of 7 directors**

The terms of office of all currently-incumbent directors will expire at the close of the shareholders' meeting. The Nominating Committee of the Company has resolved to propose the below-mentioned 7 nominees for directors. The criteria for the selection of nominees for directors by the Nominating Committee are as follows:

The following are selection criteria for nominees as defined by the Nominating Committee:

For inside directors:

- Superb management sense
- Superb leadership, foresightedness and planning ability
- High law-abiding nature
- Personal magnetism in and out of the Company
- Healthiness physically and mentally

For outside directors:

- High personality and insight
- Plentiful experience and expertise in business operations
- High law-abiding nature
- Unwavering independency as outside director
- Healthiness physically and mentally
- Qualification both as outside director under Enforcement Regulations of the Company Law and as independent director having no conflict of interest with shareholders under the Regulations of the Tokyo Stock Exchange

**The following persons are 7 nominees for directors:**

<b>Nominee number</b>	<b>Name of nominee</b>	<b>Current positions at the Company</b>
1	<b>Masashi Takehi</b>	Chairman of the Board of Directors Member of Nominating Committee Member of Remuneration Committee
2	<b>Hirofumi Tamada</b>	President & Representative Executive Officer
3	<b>Toshiyuki Fuwa</b>	Deputy President & Representative Executive

		Officer
4	<b>Akira Gokita</b>	Outside and Independent Director Member of Nominating Committee (Chairman) Member of Remuneration Committee Member of Audit Committee
5	<b>Kenro Kakeya</b>	Outsider and Independent Director Member of Remuneration Committee (Chairman) Member of Nominating Committee
6	<b>Takashi Ishikawa</b>	Outside and Independent Director Member of Audit Committee (Chairman, full-time) Head of Outside and Independent Directors
7	<b>Kota Sakurai</b>	Outside or and Independent Director Member of Audit Committee

For reference, the following members are planned for each of the Nominating Committee, the Remuneration Committee and the Audit Committee after the shareholders' approval of this resolution:

**Nominating Committee:** Mr. Akira Gokita (Chairman)  
Mr. Kenro Kakeya  
Mr. Masashi Takehi

**Remuneration Committee:** Mr. Kenro Kakeya (Chairman)  
Mr. Akira Gokita  
Mr. Masashi Takehi

**Audit Committee:** Mr. Takashi Ishikawa (Chairman)  
Mr. Akira Gokita  
Mr. Kota Sakurai

[Further details on each nominee]

Nominee Number	Birth date	Reappointment or new appointment and frequency of attendance at various meetings	No. of the Company's shares owned
1 <b>Masashi Takehi</b>	April 13, 1943	Nominee for reappointment Frequency of attendance at Board of Directors' meetings: 19 times (100%)	139,100 shares

Frequency of attendance at Nominating Committee:

7 times (100%)

Frequency of attendance at Remuneration Committee:

7 times (100%)

[Positions/occupations prior to the  
current ones are omitted in this  
English version]

**Reason for his nomination as director:**

He formerly served as managing director of Nomura Securities Co. Ltd. and then served as representative director and chief executive president of the Company successively. Since becoming a director and executive chairman of the Company in April 2012 and chairman of the Board of Directors of the Company in April 2018, he has taken on management and supervising responsibility for the Company and its group companies. Considering his qualification for inside directorship selection criteria and his management achievement and experience so far, the Nominating Committee has judged that he can apply his deep insight on securities business and securities industry and his superb managerial capability to the management of the Company.

If he is reappointed as director at the shareholders' meeting, he is scheduled to become a member of the Nominating Committee and a member of the Remuneration Committee upon the conclusion of the shareholders' meeting.

<b>2 Hirofumi Tamada</b>	October 25, 1971	Nominee for new appointment	31,300 shares
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**Reason for his nomination as director:**

Since joining the Company in 1998, he has taken positions successively at the Advisors Division, Advisor Support Division and Control/Planning Division. He was appointed as President and Representative Executive Officer in April 2020. Considering his qualification for inside directorship selection criteria and his achievement, the Nominating Committee has judged that he can apply his deep knowledge and profound experience acquired through his appointments at various divisions, including the Advisors Divisions, to the management of the Company.

<b>3 Toshiyuki Fuwa</b>	November 13, 1959	Nominee for new appointment	64,000 shares
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**Reason for his nomination as director:**

Since joining the Company in 1982, he has taken on responsibility for various divisions, including the Advisors Division and Corporate Division, and since 2011 he has been the President of Ichiyoshi Business Service Co. Ltd, a subsidiary of the Company. He was appointed as Deputy President and Representative Executive Officer in April 2020. Considering his qualification for inside directorship



selection criteria and his business achievement, the Nominating Committee has judged that he can apply his superb insight and knowledge acquired through his work experience at various divisions to the management of the Company.

4 Akira Gokita	September 20, 1947	Nominee for reappointment  Frequency of attendance at Board of Directors' meetings: 19 times (100%) Frequency of attendance at Nominating Committee: 7 times (100%) Frequency of attendance at Remuneration Committee: 7 times (100%) Frequency of attendance at Audit Committee: 18 times (100%) [Positions/occupations prior to the current ones are omitted in this English version])	0 share
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(Significant concurrent position)

Currently he is an attorney at law with Gokita Miura Law Office,  
and an outside director at Sanwa Holdings Ltd.

**He is a nominee for outside director**, as defined under Article 2-3-7 of the Company Law Enforcement Regulations.

**He is a nominee as independent director**, an outside director having no conflict of interest with the Company's shareholders, as defined by the Tokyo Stock Exchange.

**Reason for his nomination as outside director:**

He has provided the Company with his fair and objective views as outside director of the Company. Considering his qualification for outside directorship selection criteria, the Nominating Committee has judged that he can apply his deep and professional knowledge and profound experience as former public prosecutor and attorney-at-law to the management and governance of the Company. There is no conflict of interest between Mr. Gokita and the Company.

He will have served the Company as outside director for 10 years by the conclusion of the shareholders' meeting.

If he is reappointed as outside director at the shareholders' meeting, he is scheduled to be a member of the Nominating Committee (as chairman), a member of the Remuneration Committee and a member of the Audit Committee upon the conclusion of the shareholders' meeting.

5 Kenro Kakeya	September 13, 1951	Nominee for reappointment  Frequency of attendance at Board of Directors' meetings: 19 times (100%)	14,900 shares
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Frequency of attendance at Nominating Committee:

7 times (100%)

Frequency of attendance at Remuneration Committee:

7 times (100%)

[Positions/occupations prior to the

current ones are omitted in this

English version]

(Significant concurrent position)

Currently, he is representative director and president of Kakeya Komuten Ltd.

**He is a nominee for outside director**, as defined under Article 2-3-7 of the Company Law Enforcement Regulations.

**He is a nominee as independent director**, an outside director having no conflict of interest with the Company's shareholders, as defined by the Tokyo Stock Exchange.

**Reason for his nomination as outside director:**

He has provided the Company with his fair and objective views as outside director of the Company.

Considering his qualification for outside directorship selection criteria, the Nominating Committee has judged that he can apply his deep knowledge and profound experience as former Nippon Keizai Shimbun (the Japan Economic Journal) reporter and incumbent business executive to the management and governance of the Company. There is no conflict of interest between Mr. Kakeya and the Company.

He will have served the Company as outside director for 10 years by the conclusion of the shareholders' meeting.

If he is reappointed as outside director at the shareholders' meeting, he is scheduled to be a member of the Nominating Committee and a member of the Remuneration Committee (as chairman) upon the conclusion of the shareholders' meeting.

6 Takashi Ishikawa	December 8, 1959	Nominee for reappointment	1,200 shares
		Frequency of attendance at	
		Board of Directors' meetings: 19 times (100%)	
		Frequency of attendance at Audit Committee:	
		18 times (100%)	
		[Positions/occupations prior to the	
		current ones are omitted in this	
		English version]	

(Significant concurrent position)

Currently, he is statutory auditor of the following 3 subsidiaries of the Company: Ichiyoshi Business Service Co. Ltd., Ichiyoshi Asset Management Co., Ltd. and Ichiyoshi Research Institute Inc.,

and president and representative director of SR Holdings Inc.

**He is a nominee for outside director**, as defined under Article 2-3-7 of the Company Law Enforcement Regulations.

**He is a nominee as independent director**, an outside director having no conflict of interest with the Company's shareholders, as defined by the Tokyo Stock Exchange.

**Reason for his nomination as outside director:**

He has provided the Company with his fair and objective views as outside director of the Company. Considering his qualification for outside directorship selection criteria, the Nominating Committee has judged that he can apply his deep knowledge and profound experience as former president of a securities firm to the management and governance of the Company. There is no conflict of interest between Mr. Ishikawa and the Company.

He will have served the Company as outside director for 8 years by the conclusion of the shareholders' meeting .

If he is reappointed as outside director at the shareholders' meeting, he is scheduled to be a member of the Audit Committee (as chairman, full-time) upon the conclusion of the shareholders' meeting.

7 Kota Sakurai	August 20, 1959	Nominee for reappointment	21,200 shares
		Frequency of attendance at	
		Board of Directors' meetings: 19 times (100%)	
		Frequency of attendance at	
		Audit Committee: 18 times (100%)	
		[Positions/occupations prior to the	
		current ones are omitted in this	
		English version]	

(Significant concurrent position)

He is currently a certified public accountant with Sakurai Kota Accounting & Tax Accountant Firm LLP.

**He is a nominee for outside director**, as defined under Article 2-3-7 of the Company Law Enforcement Regulations.

**He is a nominee as independent director**, an outside director having no conflict of interest with the Company's shareholders, as defined by the Tokyo Stock Exchange.

**Reason for his nomination as outside director:**

He has provided the Company with his fair and objective views as outside director of the Company. Considering his superb personality and insight and his qualification for outside directorship election standards, the Nominating Committee has judged that he can apply his deep and professional knowledge and profound experience as certified public accountant and tax accountant to the

management and governance of the Company. There is no conflict of interest between Mr. Sakurai and the Company.

He will have served the Company as outside director for 9 years by the close of the shareholders' meeting.

If he is reappointed as outside director at the shareholders' meeting, he is scheduled to be a member of the Audit Committee upon the conclusion of the shareholders' meeting

## **II. 2<sup>nd</sup> proposed resolution: Authorization of the Board of Directors to decide terms and conditions for the issuance of share warrants as stock options to directors (excluding outside directors), executive officers, operating officers, executive advisers and employees of the Company and its subsidiaries.**

[Please refer to the Company's press release dated May 15, 2020, titled "**Authorization of the Board of Directors to Decide Terms and Conditions for the Placement of Share Warrants as Stock Options for "the Group"** on Ichiyoshi's website (<https://www.ichiyoshi.co.jp/stockholder/presentation>)]

(For reference, above-mentioned **executive advisors** are an executive class of officers appointed from inside or outside of the Company and equipped with a high level of expertise in specified areas of the Company's business and perform their duties on a full-time basis.)

## **Referential Information**

### **I.Addressing SDGs (Sustainable Development Goals)**

"Sustainable Development Goals" (SDGs\*) are the goals adopted at Summit meeting of the United Nations in September 2015. More than 160 nations (including Japan) in the world have started to move toward achieving goals by 2030 with the aim of building the prosperous and welfare world with less of poverty, inequality, disparity and climate change. In this regard, governments and corporations as members of society are urged to actively participate in the achieving these goals and targets from the standpoint of creating the social value.

"Ichiyoshi Credo" established in 2006 expresses guidelines for the Company to make contributions "For Employees," "For Customers," "For Shareholders" and "For Communities." Ichiyoshi Credo represents the sense of values all of officers and employees of the Company share for the enhancement of the Company's raison-d'être.

Complying with the spirit of Ichiyoshi Credo, the Company has worked on various projects relating to “communities,” “environments” and “governance.” But there still remains much work to do. The Company will continue to work towards “Sustainable Development Targets” along Ichiyoshi Credo.

[\* For the details of the SDGs, please refer to the website of UN Information Center (<https://www.unic.or.jp>).]

### < Ichiyoshi's Actions >

#### **Environmental**

**Climate Change:** Ichiyoshi Mangrove Project  
(The Company has planted approximately 375,000 mangroves since 2009.)  
Community Assistance Project for communities affected by climate change  
Goal 1: No Poverty, Goal 6: Clean Water and Sanitation,  
Goal 13: Climate Action, Goal 14: Life below Water,  
Goal 15: Life on Land

#### **Environmental Protection:**

Use of paper recognized by FSC (Forest Stewardship Council)  
Use of vegetable oil ink  
Use of recycled paper for visiting cards  
Goal 14: Life below Water, Goal 15: Life on Land

#### **Reduction of Greenhouse Gas Emission:**

Proper adjustment of air-conditioners  
Use of energy-saving goods and equipment  
Switching of company-use cars to eco-friendly cars  
Goal 13: Climate Action

#### **Social**

#### **Contribution to Healthy and Sustainable Capital Market:**

Offer of high-quality financial services  
Offer of products and services matching environmental and social challenges  
Customer protection and information security

Enhancement of financial literacy

Goal 1: No Poverty, Goal 5: Gender Equality,

Goal 8: Decent Work and Economic Growth,

Goal 10: Reduced Inequalities

**Cultivation of diversity-oriented personnel:**

Human resources cultivation

Diversity

Setting up of worker-friendly and worthwhile offices

Promotion of female activities

Goal 5: Gender Equality,

Goal 8: Decent Work and Economic Growth,

Goal 10: Reduced Inequalities

**Raising of Seeing-Eye Dogs:**

Ichiyoshi Seeing-Eye Dog Project

(7 seeing-eye dogs have come into service since 2005.)

Goal 3: Good Health and Well-being,

Goal 10: Reduced Inequalities

**Humanitarian Medical Assistance:**

Pediatric Care Project in Laos

(The Company has provided pediatric vaccine for approximately 810,000 children since 2009.)

Goal 3: Good Health and Well-being,

Goal 6: Clean Water and Sanitation,

Goal 16: Peace, Justice and Institutions

**Educational Assistance:**

Projects for building of school houses

(The Company has built 11 school houses in 8 Asian nations since 1996.)

Goal 4: Quality Education, Goal 5: Gender Equality,

Goal 6: Clean Water and Sanitation,

Goal 16: Peace, Justice and Institutions

**Governance**

**Corporate Governance:**

The Company held shareholders' meetings on Saturday since 2001.

The Company has organized social gatherings between directors/officers and shareholders after shareholders' meetings since 2002.

The Company introduced the "company-with-three committees system" in June 2003.

Goal 16: Peace, Justice and Institutions

**Risk Management:**

Setting and strengthening of risk management system

Securing of financial strength and transparency

Preparedness for environmental and social risks

Goal 13: Climate Action

**Compliance:**

Strict compliance with laws and regulations and reporting of infringement

Ensuring fair financial business practices

Enforcement of policy of "Not selling products simply because they are popular" since 2006 based on Ichiyoshi's 7 standards.

Preventing bribery

Preventing money laundering

Goal 10: Reduced Inequalities,

Goal 16: Peace, Justice and Institutions

**II. Addressing Corporate Governance****1. Governance System**

The Company moved from the statutory auditor system to the company-with three-committees system effective from June 2003. Hence, the Company has been equipped with a corporate governance system in which management decision-making, supervisory control and business execution each functions independently and effectively. Namely, decision-making and supervisory control are performed by the Board of Directors and each of the three committees, and business execution is carried out by executive officers with the assistance of operating officers. [The diagram of Governance System is omitted in this English version]

## **(1) Decision-making and Supervisory control**

### **(i) Board of Directors**

The Board of Directors resolves on matters required legally and stipulated under the Articles of Incorporation, decides or approves basic management policies and material matters on business executions and supervise business executions by directors and executive officers.

### **(ii) Nominating Committee**

The Nominating Committee deliberates and decides on the nominees for directors to be elected or dismissed at the shareholders' meeting.

### **(iii) Remuneration Committee**

The Remuneration Committee reviews and decides on the individual remuneration of each director, executive officer and operating officer.

### **(iv) Audit Committee**

The Audit Committee audits the performance of duties by the directors and executive officers, prepares an audit report and a draft resolution to appoint or dismiss accountants to be submitted to the shareholders' meeting for approval. The Audit Committee audits the legality and appropriateness of decision-making by directors and executive officers and the status of development of the Internal Control System in accordance with the auditing policy and the role-division set by the Audit Committee. The Company has in place the Audit Committee Office as a body to assist the Audit Committee. The Audit Committee Office is staffed with full-time personnel.

### **(v) Management Committee**

The Management Committee is an advisory body to the Board of Directors and, as such, reviews important and/or urgent matters for the smooth management of business and reports the result of such reviews to the Board of Directors. .

### **(vi) Internal Control Committee**

Aiming to build the unified internal control system for the Company and its subsidiaries, the Internal Control Committee formulates the internal control policy and reviews each individual important matter concerning internal control.

### **(vii) Meeting of Directors without Executive Power**

The meeting consists of Chairman of Board of Directors and four outside directors to widely exchange information on the Ichiyoshi group, the securities industry and the economical environment.

### **(viii) Meeting of Independent and Outside Directors**

Independent and outside directors actively contribute to discussions at meetings of the Board of Directors by exchanging and sharing their views and insights from



independent standpoints, thereby enhancing the effectiveness of the of the Board of Directors.

(ix) Committee of Outside Experts

The Committee of Outside Experts consists of members who have outstanding personality and insight and are independent of the Company. The Committee of Outside Experts deliberates on important management matters, as requested by the Board of Directors, independently, fairly and from the neutral standpoint, and provides the Board of Directors with their advice and recommendation based on such deliberation.

**(2)Business execution**

(i) Executive Officers

Executive Officers can make decisions on the execution of matters entrusted by the Board of Directors, contributing to the smooth decision-making and business executions.

(ii) Committee of Executive Officers

The Committee of Executive Officers resolves on matters entrusted by the Board of Directors and coordinates activities among them for their smooth executions.

(iii) Operating officers

Following the decision made by the Committee of Executive Officers, each Operating Officer performs business execution under the instruction of his supervising Executive Officer.

(iv) Other meetings

The Company has in place the Risk Management Meeting (to consult on and cope with company-wide risk management), the Unified Compliance Meeting (to advise and follow up on review items at individual compliance meetings)) and the , Individual Compliance Meeting (to seek out risk items at individual sections for understanding and review), all as sub-bodies to the Internal Control Committee..

In addition, the Company has in place the Information Disclosure Meeting (to make proper, comprehensive and timely disclosure of any material event as it ever happens) and the IT Meeting (to review matters on IT investment and management and information security), both as decision-making organs of the Committee of Executive Officers.

**2. Outline of Result of “Questionnaire on Assessment of Board of Directors”**

The Company regularly conducts a “Questionnaire on the Assessment of Board of Directors” to examine whether the Board of Directors is functioning appropriately, to improve on any problem area and to heighten strong points, thereby further enhancing the function of the Board of Directors. The following is an outline of the result of fiscal

2019 questionnaire:

(1) Mechanism of assessment

(i) Subjects of assessment

Subjects of assessment were all 7 directors (3 inside directors and 4 outside directors) who self-analyzed their performances in accordance with “2019 Questionnaire on Assessment of Board of Directors” prepared by the Audit Committee.

(ii) Conducting method

Questionnaire-based  
Name-registering method.

(iii) Assessment items

Composition of the Board of Directors –	6 questions
Running of the Board of Directors –	5 questions
Agenda at the Board of Directors’ meetings –	14 questions
System supporting the Board of Directors –	8 questions
Total 33 questions	

(iv) Assessment process

The Audit Committee (which consists of 3 independent and outside directors) reviews the assessment results and reports them to the Board of Directors.

(2) Outline of assessment results

It was confirmed that the Board of Directors of the Company functioned appropriately in terms of its composition, its running and agenda selection taking advantage of characteristics of the company-with-three-committees system.

Since the Company adopted the present form of the outside director system in 2012, the Audit Committee consisting of three outside directors have had three intensive deliberations on the running of the Board of Directors with the Company’s executive branch, resultantly creating the present form of Board of Directors on the basis of sufficient agreement between the outside directors and the executive branch. Thus, the Company’s Board of Directors is now appropriately run as a forum where free and active discussions take place with views of outside directors being taken into full consideration and agenda needing further input being carried to next sessions.

But there still remains challenging issues, such as a female director missing. This issue is a continuing subject for the Company. As regards female managers, the Company has in place “Action Plan for ‘Act on Promotion of Women Participation and Advancement,’” according to which the Company places its stress on the training of female managers. Resultantly, the number of female managers at the Company has gradually increased. There is a hope that there will appear some

female officers at the Company some day.

## **Addendum**

## **Report on Business Result**

(For the fiscal year from April 1, 2019 to March 31, 2020)

### **I. Information on Current Status of the Company and its Group**

#### **1. Basic Management Policy and Triangular Pyramid Management**

##### **(1) Basic Management Policy**

The Company's motto is to "Be a Securities Company Like No Other in Japan." To realize this motto, the Company makes it a management objective to build a "Name-brand boutique house" in the finance and securities industry. In its efforts for realization, the Company intends to heighten the fairness and transparency of management along its Credo (corporate philosophy) and to promote flexible and relevant decision-making, thereby maximizing earnings and corporate value while bolstering its corporate governance. Taking advantage of its company-with-committees system and its executive officer system, the Company aims to raise the promptitude and effectiveness of business executions and toughen its surveillance over business executions.

##### **(2) Triangular Pyramid Management**

The Company is promoting "Triangular Pyramid Management" --- with the research division forming the base of the pyramid, and the retail, wholesale and support/products divisions forming their respective facets of the pyramid, and the pyramid itself is firmly supported by the headquarters divisions and subsidiaries. This management style is intended to maximize the capability of each division/subsidiary and each subsidiary and enhance the co-working synergy of all the divisions/subsidiaries. This synergistic process will also raise the quality of the Company's products, information and customer services, thereby further satisfying the Company's retail and corporate customers' needs for asset-building and fund-raising. [The illustration of the Triangular Pyramid Management is omitted in this English version]

##### **(3) New Medium-Term Management Plan**

Considering customers' assets in custody as a barometer of "customers' trust" and "fundamental strength of Ichiyoshi," the Company regards the expansion of customers' assets

as the most important management target. To further strengthen the foundation of “Name-brand Boutique House” in finance and securities so far built, the Company formulated the New Medium-Term Management Plan “Attack 3” with its target date set for the end of March 2023. Under the “Attack 3,” the Company will strive to expand the customers’ assets in custody to 3 trillion yen for the 3 year period through March 31, 2023. About 20 years ago, the Company changed its business model from “Flow type” mainly based on brokerage commissions to “Asset-accumulation type” chiefly based on trailer fees and wrap-account fees,” of which the cost-coverage ratio is an important index of operation. Under “Attack 3,” a new target is set for this ratio.

## **2. Business Conditions and Performance**

During the fiscal year ended March 31, 2020, the Japanese economy was generally on a recovery track in the first half of the period, but thereafter it was heavily affected by the natural disasters and the consumption tax hike toward the end of 2019. With the turn of the year, the novel corona-virus (the Covid-19) pandemic began to rage globally, putting a heavy pressure on the Japanese economy.

The Japanese stock market was generally on the rising trend towards the end of 2019, but faced a large fall as the year turned and advanced. Early in the fiscal year, the Nikkei Stock Average on the Tokyo Stock Exchange (the TSE) rose on hopes for progress in the U.S. - China trade talks and improvements on Chinese economic indicators, recording 22,362yen on April 24, 2019. Thereafter, however, the Nikkei Stock Average went down to the level of 20,110yen in August as the stock market was adversely affected by the rising yen triggered by risk-averse buying and the U.S. announcement of its 4<sup>th</sup> round of tariff sanctions against China. Toward the end of 2019, the stock market rose on the news of the bottoming-out of the global semiconductor market, mounting expectations for the partial agreement on the U.S. - China trade talks and the potential avoidance of no-deal Brexit. Recording 24,115yen on January 17, 2020, the Nikkei Stock Average plunged to 16,358yen in March, the lowest in 3 years and 4 months since November 2016, as the global spread of the novel coronavirus brought a standstill to economic activities across the world. In response, central banks in the U.S. and Europe moved toward monetary easing to cope with liquidity crisis and avoid disruptions in the financial markets. The Bank of Japan also brought forward its March policy meeting and decided to make an abundant money supply and financial assistances to corporations. It also doubled its buying of ETFs to 12 trillion yen. Thanks to these BoJ's measures for the first time in 3 years and 6 months and expectations for the Japanese government's large-scale economic measures, the Nikkei Stock Average ended the fiscal year at 18,917yen.

On the foreign currency market, the yen registered 112yen per 1 U.S. dollar level in April 2019, but strengthened to the middle of 104yen per 1 U.S. dollar level in August on yen buying for risk aversion in anticipation of the prolonging of the U.S. – China conflict. Going down the weaker trend for some time thereafter,

however, the yen reversed its movement on risk-averse buying as the novel coronavirus spread, temporarily recording 101 yen per 1 U.S. dollar level in March for the first time in 3 years and 4 months. Weakening thereafter, the yen ended the fiscal year at the higher side of 107yen per 1 U.S. dollar level.

The Japanese emerging-stock markets plunged after the middle of February 2020. The Nikkei JASDAQ Average and the TSE Mothers Index ended the fiscal year at 2,952yen and 620, respectively.

The average daily turnover on the First Section of the TSE during the fiscal year was 2,609.7 billion yen, down 8.6% from the previous fiscal year. The average daily turnover on the Second Section of the TSE was 32.0 billion yen, down 10.0%, that on the TSE Mothers was 92.8 billion yen, down 9.1%, and that on the JASDAQ market was 48.9 billion yen , down 16.3%.

In such circumstances, the Company continued to carry out various measures to meet customers' needs, such as proposals of asset-backed stocks with stress on stability and dividends under low-interest rate environments and proposals of medium- to long-term investments in small-and medium-cap growth stocks unearthed by the Ichiyoshi group's strength in research.

With regard to "Dream Collection," a fund wrap account vehicle, it enjoys a widening appeal among customers as a conservative investment vehicle for customers' medium- to long-term asset management. Its outstanding balance as of March 31, 2020, registered 107.5 billion yen, down 9.0% from March 31, 2019, reflecting globally declining asset prices.

With respect to investment trust funds, the Company placed in the center of its promotion customer-needs-matching funds, such as an investment funds investing in Japanese diversified multiple assets, one investing in high-yielding stocks in the world, REIT and one investing in domestic and foreign small- and medium-cap stocks and privately-placed funds targeted for regional financial institutions.

The outstanding amount of assets under the management of Ichiyoshi AssetManagement Co., Ltd. recorded 272.0 billion yen, down 26.3%, as the net asset values of investment trust funds under management generally declined.

Resultantly, stock brokerage commissions and distribution fees on fund beneficiary certificates decreased under adverse conditions, resulting in a fall in operating revenue of the Ichiyoshi group. Net operating revenue recorded 17,241 million yen, a fall of 2,528 million yen (down 12.8%) from the previous fiscal year. Operating cost and expenses increased by 73 million yen (0.4%) to 17,786 million yen. As a result, operating income decreased by 2,601 million yen and recorded a loss of 545 million yen.

The cost coverage ratio, by which the sum of trailer fees and funds-based wrap-account fees covers operating cost and expenses, registered 37.9%.

### 3. Commissions and Cost & Expenses

#### (1) Commissions

Total commissions for the fiscal year ended March 31, 2020 amounted to 16,845 million yen, down 12.3% from the previous fiscal year.

##### (i) Brokerage commissions

Total brokerage commissions on stocks fell 32.4% to 4,745 million yen. Those on small- and mid-cap stocks (consisting of stocks listed on the Second Section of the Tokyo Stock Exchange, JASDAQ Market and TSE Mothers) amounted to 908 million yen, down 39.4%, accounting for 19.1% of total brokerage commissions.

##### (ii) Commissions from underwriting and solicitation to specified investors

In the primary market, the Company participated in the management and underwriting of 32 initial public offerings (IPOs) (of which the Company lead-managed 3), as against 37 IPOs (of which the Company lead-managed 1) in the previous fiscal year. In the secondary market, the Company participated in 6 deals on a management and underwriting basis, as against 6 deals in the previous fiscal year. As a result, total commissions from underwriting and solicitation to specified investors recorded 557 million yen, up 108.9% from the previous fiscal year.

The cumulative number of companies whose offerings were lead- or co-managed by the Company stood at 1,117 (of which 56 were lead-managed) as of March 31, 2020.

##### (iii) Commissions from distribution and solicitation to specified investors

Commissions from distribution and solicitation to specified investors declined 1.1% to 3,980 million yen as commissions from distribution of investment trust funds slid 0.1 % to 3,876 million yen.

##### (iv) Commissions from other sources

The trailer fees on investment trust funds decreased 6.7% to 3,862 million yen and trustee fees for fund management by Ichiyoshi Asset Management Co., Ltd. fell by 8.7% to 1,395 million yen. With the addition of fund-wrap accounts fees of 1,475 million yen (up 21.1%), fees from research unbundling, commissions from insurance policy sales and fees from IPO assistance, total commissions from other sources amounted to 7,394 million yen, down 3.8%.

#### (2) Gains or loss on trading

Trading on stocks, etc. recorded gains of 37 million yen, up 96.2%, and trading on bonds, foreign exchange, etc. registered gains of 52 million yen, down 51.0%. Consequently, total gains on trading amounted to 89 million yen, down 28.6%.

### (3)Net financial revenue

Net financial revenue fell by 42.9% to 163 million yen chiefly as financial revenue decreased 17.0% to 279 million yen as a result of a fall in loans on margin transactions while interest expenses rose by 131.2% to 115 million yen..

Hence, net operating revenue for the fiscal year ended March 31, 2020 recorded 17,241 million yen, down 12.8%.

### (4)Operating Cost and Expenses

Operating cost and expenses recorded 17,786 million yen, up 0.4%, as real estate-related expenses increased chiefly due to one-off expenses for office relocations at the head and branch offices while mainly personnel-related expenses declined.

### (5)Non-operating Income and Expenses

The Company registered non-operating income of 163 million yen, including receipts of 51 million yen in the form of insurance proceeds and dividends and gains of 37 million yen on investment partnerships while the Company recorded non-operating loss of 88 million yen, including provision of allowance for doubtful accounts in the amount of 70 million yen. Thus, net non-operating income amounted to 75 million yen, down 58.5%..

Hence, current income for the fiscal year ended March 31, 2020 amounted to a loss of 469 million yen.

### (6)Extraordinary Income and Loss

The Company registered extraordinary income of 85 million yen, mainly consisting of gains on sales of investment securities, while the Company recorded extraordinary loss of 64 million yen, mainly in the form of impairment loss. As a result, net extraordinary income amounted to 20 million yen, down 92.1%. .

Consequently, income before taxes and tax adjustments for the fiscal year ended March 31, 2020 recorded a loss of 448 million yen, and net income attributable to owners of parent (after deduction of corporate income taxes, resident's taxes and enterprise taxes, totaling 279 million yen, and after addition of corporate tax adjustments of 14 million yen) registered a loss of 724 million yen.

Customers' assets under custody as of March 31, 2020 recorded 1,536.0 billion yen, down 14.3% from the end of the previous fiscal year.

**The following table shows the breakdown of commissions by products on a consolidated**

basis (in millions of yen):

	Stocks	Bonds	Beneficiary certificates	Others	Total
<b>For the fiscal year ended March 31, 2019:</b>					
Brokerage commissions	7,020	0	205	--	7,226
Commissions from underwriting and solicitation to specified investors	266	--	--	--	266
Commissions from distribution and solicitation to specified investors	0	144	3,881	--	4,026
Commissions from other sources	30	0	6,884	771	7,686
<b>Total</b>	<b>7,318</b>	<b>145</b>	<b>10,970</b>	<b>771</b>	<b>19,205</b>
<b>For the fiscal year ended March 31, 2020</b>					
Brokerage commissions	4,745	0	168	--	4,913
Commissions from underwriting and solicitation to specified investors	557	--	--	--	557
Commissions from distribution and solicitation to specified investors	0	103	3,876	--	3,980
Commissions from other sources	24	0	6,733	636	7,394
<b>Total</b>	<b>5,327</b>	<b>103</b>	<b>10,777</b>	<b>636</b>	<b>16,845</b>

## 4. Financial Conditions

### Condition of Assets, Liabilities and Net Worth

#### (a) Assets

Assets amounted to 43,530 million yen as of March 31, 2020, a decline of 5,013 million yen (down 10.3%) from March 31, 2019, mainly as margin transaction assets and cash and deposits fell by 5,942 million yen and 1,572 million yen, respectively.

#### (b) Liabilities

Liabilities stood at 14,757 million as of March 31 2020, a rise of 931 million yen (up 6.7%) as deposits received and guarantee deposits received increased by 1,400 million yen and 319 million yen, respectively.

#### (c) Net worth

Net worth amounted to 28,772 million yen as of March 31, 2020, a fall of 5,945 million yen



(down 17.1%) from March 31, 2019. The fall resulted mainly from recording of a negative net income (attributable to owners of parent) of 724 million yen for the fiscal year while the Company paid dividends in the amount of 1,371 million yen and acquired treasury shares in the amount of 3,565 million yen.

As a result, equity ratio as of March 31, 2020 registered 65.9%, and capital adequacy ratio, as defined by the securities regulator, recorded 446.8% as of the same date.

## 5. Material funding activities

None.

## 6. Material investments in facilities

In the fiscal year ended March 31, 2020, the Ichiyoshi group made the equipment investments worth 869 million yen. The major items of investments were:

Construction work for relocation of head and branch offices.

IT system (in-house infrastructure).

## 7. Material Business Combinations, etc.

None.

## 8. Changes in assets and financial condition (on a consolidated basis)

(in millions of yen except for per-share earnings)

	---For fiscal year ended March 31---			
	2017	2018	2019	2020
Operating revenue	20,714	26,502	21,227	18,846
(of which commissions)	(18,857)	(24,616)	(19,205)	(16,845)
Net operating revenue	19,338	25,069	19,769	17,241
Current income	3,077	7,229	2,238	-469
Net income attributable to				
owners of parent	2,183	4,994	1,674	-724
Earnings per share	50.89yen	117.00yen	39.25yen	-17.72yen
Total assets	53,706	58,590	48,554	43,530
Net worth	33,099	36,641	34,718	28,772

Note: Earnings per share are calculated based on the average number of outstanding shares during the fiscal year (excluding treasury shares).

## 9. Challenges to Be Tackled

As the governmental promotion of capital flow “From Savings to Investments” and then that of “From Savings to Asset-building” are being advocated against the backdrop of prolonged low-interest rates and 100-year life expectancy, securities companies in Japan are urged more than ever to develop customer-based businesses. The Company has long provided customers with products and services prioritizing the relationship of trust with customers and based on our view of “Compliance is a Source of Competitiveness.” Thus, under the motto of “Decisive Action on Reform” to step up its customer-first and –prioritized attitude, the Company abolished the conventional system of regional advisors headquarters in November 2019 and adopted the system of each branch-led sales operations. Thus, without providing country-wide uniform sales policies supplied by headquarters staff, branches now can use their discretion and idea to meet needs of customers in their own communities, which will further advance customer-focused relationship.

The Company has continued to propose its wrap-account fund “Dream Collection” as a “Core Fund Assets” for customers’ medium-to long-term investment, while recommending “Ichiyoshi Small- and Medium-Cap Growth Stock Fund” as an “Active Fund Assets,” thereby meeting each customer’s needs for portfolio diversification based on the nature of his/her resources and enhancing customer satisfaction. With respect to stocks, the Company has also recommended investment diversifications between “Core Stock Assets” for medium-to long-term stable holdings and “Active Stock Assets” for a medium-to long-term growth focused on growth-potential companies picked based on the Ichiyoshi group’s strength of research on small-and medium-cap stocks.

Toward attaining the numerical target of customers’ assets in custody under the New Medium-Term Management Plan “Attack 3,” the Company will target approximately 1,000 trillion yen worth of household assets in the form of cash and deposits. Specifically, the Company will fortify its approach to sectors with high investment needs such as high net-worth individuals, regional financial institutions and up-scale corporations, by providing them with diversified portfolios consisting of “active assets” on the platform of “core assets.”

The Company has for some time considered as one of important management tasks improvement on working condition and environment, personnel system and cultivation of human resources. Thus, the Company has adopted “Setting-up of worker-friendly and worthwhile offices” as one of the “Ichiyoshi Basic Strategies for Growth.” The Company is already taking specific measures to materialize it.

Taking advantage of the Company’s three distinctive features, namely, (1) research capability of Ichiyoshi Research Institute, Inc., (2) corporate governance capability and (3) compliance capability (leading to customer satisfaction), the Company is determined to realize the New Medium-Term Management Plan “Attack 3” on the basis

of Ichiyoshi Basic Strategies for Growth, placing the expansion of customers' assets in the center of its efforts.

Thinking that the enhancement of branch network is essential for the expansion of customers' assets in custody, the Company, in October 2019, promoted its Planet Plaza Nakano to Nakano Branch. In order to cope with business expansion toward the future, the Company moved its head office to Tokyo Shoken Kaikan Bldg. Nihonbahi Kayabacho, Chuo-ku, Tokyo in September 2019. The new head office consists of 3 consecutive floors, which will make easier and more efficient intra-office communications and operations. Bearing in mind the potential flows of funds toward the future, the Company will continue to further enhance its branch network so that the Company will become a more familiar existence to customers living in large cities.

The corporate division at the Company will endeavor to increase the number of lead-managements for IPOs and POs, and the headquarters' divisions will make efforts for the building and streamlining of a strong back-up system to support the retail and wholesale divisions, thereby enhancing customers' trust.

Officers and employees at the Company and its subsidiaries, all united, will exert themselves to further enhance the synergistic effects within the Ichiyoshi group.

## 10. Status of Parent Company and Subsidiaries

(1) Relationship with parent company:

None (Ichiyoshi has no parent company).

(2) Status of material subsidiaries (all these are located in Chuo-ku Tokyo):

Name of Subsidiary	Paid-up capital (mil. yen)	Voting ratio by parent (%)	Contents of business
Ichiyoshi Research Institute Inc.	20	100.00%	Information services; investment advisory & agency
Ichiyoshi Asset Management Co. Ltd.	490	100.00%	Investment management including investment trust; investment advisory & agency;
Ichiyoshi Business Service Co., Ltd.	240	100.00%	Property renting/ brokerage/management; sales of office supplies; financial instruments -trading agency

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Note: There is no specified subsidiary as defined under the applicable law.

## **11. Principal business** (as of March 31, 2020)

### **(i) Stock-related businesses**

Stock-related businesses consist of buying and selling of stocks on a brokerage and principal basis in the secondary market, underwriting and distribution in the primary market, sales solicitation and offering to specified investors and handling of such solicitation and offering. The following are particulars of stock-related businesses:

#### **(a) Buying and selling on a brokerage basis**

Buying and selling of stocks on securities exchanges in accordance with customers' instructions.

#### **(b) Buying and selling on a principal basis**

Buying and selling of stocks on the Company's own account.

#### **(c) Underwriting and solicitation to specified investors**

Underwriting of primary and secondary offerings of stocks on a commitment basis in which Ichiyoshi commits itself to purchasing any unsold portion of offerings.

#### **(d) Distribution and solicitation to specified investors**

Distribution of stocks whose offerings Ichiyoshi undertakes to underwrite or distribute.

### **(ii) Bond-related businesses**

Bond-related businesses consist of buying and selling of bonds, issued by governments, municipalities, corporations, etc., on a brokerage and principal basis in the secondary market, underwriting and distribution of such bonds in the primary market and handling of private placements of such bonds.

### **(iii) Investment trust-related businesses**

Investment trust-related businesses consist of distribution and buying and selling of beneficiary certificates of domestic investment trust funds and foreign investment trust funds and handling of sales solicitation to specified investors.

### **(iv) Securities futures-related businesses**

Securities futures-related businesses consist of buying and selling of securities futures, securities index futures, securities options and foreign-market securities futures on a brokerage and principal basis.

### **(v) Other businesses**

Securities lending and borrowing, investment banking, insurance handling, customer referral and introduction, financial instruments-trading agency, information service, investment management and advisory, investment-agency, real estate renting/broking and management, and sales of office supplies.

## 12. Status of offices and branches (as of March 31, 2020)

### (1) Offices and branches of Ichiyoshi Securities Co., Ltd. (parent)

Head Office: Tokyo Shoken Kaikan Bldg. 1-5-8, Nihonbashi Kayaba-cho, Chuo-ku, Tokyo

Number of branches and offices: 49

The geographical breakdown of branches and offices:

[The Japanese map is omitted in this English version.]

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Kanto District:	14	Ginza, Nakano, Planet Plaza Narimasu, Akasaka, Nakameguro, Kichijoji, Yokohama, Planet Plaza Odawara, Kamioka, Planet Plaza Mukogaoka, Urayasu, Chiba, Koshigaya Sakura Life/Pension Support Narimasu Office (In addition, the Company has Call Center-Ichiyoshi Direct)
Chubu District	6	Nagoya, Okazaki, Iida, Ina, Ise, Planet Plaza Shima
Kinki District	19	Osaka, Nanba, Imazato, Harinakano, Ishibashi, Kishiwada, Hirakata, Yao, Fushimi, Nishinomiya, Kobe, Kakogawa, Nishiwaki, Kasai, Takada, Gakuenmae, Gobo, Tanabe, Tamaki
Chugoku-Shikou District	3	Okayama, Kurashiki, Shodoshima,
Kyushu District	5	Omuta, Planet Plaza Fukuoka, Sasebo, Isahaya, Karatsu
Tohoku District	2	Daihoku Morioka, Daihoku Mizusawa,

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### (2) Business offices of subsidiaries:

- Ichiyoshi Research Institute Inc.; Chuo-ku, Tokyo
- Ichiyoshi Asset Management Co., Ltd.; Chuo-ku, Tokyo
- Ichiyoshi Business Services Co., Ltd.; Chuo-ku, Tokyo
- Osaka Office; Chuo-ku, Osaka

## 13. Employees (as of March 31, 2020)

(1) Employees on a consolidated basis

	Number	Change from March 31, 2019
-----		
Regular employees:		
Male	757	- 2
Female	323	+2
Total	1,080	0
Commission-based workers:		
	1	- 1
-----		

Note: (i) In addition to employees and workers mentioned above, there are 5 executive advisers, 1 consultant and 2 contract-based staff.

(ii) The above-mentioned employees include operating officers.

(2) Employees of Ichiyoshi Securities Co., Ltd. (parent)

	Number	Change from March 31, 2019	Average age	Average years of service
-----				
Regular employees:				
Male	696	+ 1	45 years and 3 months	14 years and 9 months
Female	306	+ 6	40 years and 10 month	10 years and 9 months
Total / average	1,002	+7	43 years and 11 months	13 years and 7 months
Commission-based workers:				
	1	- 1	77 years and 0 month	17 years and 0 month
-----				

Note: (i) In addition to employees and workers mentioned above, there are 2 executive advisers, 1 consultant and 2 contract-based staff.

(ii) The above-mentioned employees include operating officers.

(3) Share of female workers in manager class (manager and above)

	As of March 31					
	2015	2016	2017	2018	2019	2020
-----						
Share of female workers (%)	7.5	10.3	11.0	13.0	14.5	16.5
-----						

14. Major Borrowing Sources (as of March 31, 2020)

Name of lender	Term	Outstanding amount (in millions of yen)
Mitsubishi UFJ Bank Ltd.	Long	75
Mizuho Bank Ltd.	Long	75
Mitsubishi UFJ Bank Ltd.	Short	150
Resona Bank Ltd.	Short	26
Mizuho Bank Ltd.	Short	20
Mitui Sumitomo Bank Ltd.	Short	20
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Nihon Securities		
Finance Co., Ltd.	For margin transactions	2,532
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## II. Matters Concerning the Company's Stock (as of March 31, 2020)

1. Number of authorized shares: 168,159,000 shares
2. Number of issued shares: 42,431,386 shares  
(which include 6,434,008 treasury shares)
3. Number of shareholders (as of March 31, 2020): 14,010
4. Major shareholders (top 10): (in thousands of shares) (as of March 31, 2020)

Name of shareholder	No. of shares held (in thousands)	% of total
-----		
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,108	5.85
Northern Trust Co. (AVFO) RE HCROO	1,774	4.92
Japan Trustee Services Bank, Ltd. (Trust Account)	1,250	3.47
Nomura Research Institute, Inc.	879	2.44
SSBTC CLIENT OMNIBUS ACCOUNT	832	2.31
Japan Trustee Services Bank, Ltd. (Trust Account 5)	770	2.13
RBC ISB S/A DUB NON RESIDENT/ TREATY RATE UCITS-CLIENTS ACCOUNT	700	1.94
Ichiyoshi Securities Employee Shareownership Association	674	1.87
JP Morgan Chase Bank 385151	514	1.42
Government of Norway	435	1.20
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Note: As of March 31, 2020, the Company held 6,434,008 treasury shares, which are not included in the calculation of the above-mentioned % of total.

**Breakdown of shareholders by number of shares held (as of March 31, 2020):**

Retail investors	50.53%
Foreign institutions	25.38%
Financial institutions	18.26%
Other corporate entities	5.83%

**5. Other material matters concerning the Company's stock:**

**(1) Acquisition of treasury shares**

In order to execute capital policy flexibly in keeping with changes in management environments, the Board of Directors of the Company adopted the resolutions to acquire treasury shares at its meeting on May 17, 2019, and at its meeting on February 19, 2020. In accordance with the resolutions, the Company acquired 500,000 shares at the cost of 387 million yen during the period from May 21 to June 6, 2019, and 5,298,000 shares at the cost of 3,178 million yen on February 20, 2020.

**(2) Retirement of treasury shares**

In accordance with the resolution adopted by the Board of Directors on June 11, 2019, the Company retired 2,000,000 shares on June 19, 2019.

**III. Matters Relating to the Company's Share Warrants (as of March 31, 2020)**

**1. Status of share warrants issued in the form of remuneration for directors and officers and held by them:**

**(1) Share Warrants No. 10:**

Date of resolution by the Board of Directors:	May 12, 2015
Payment for each share warrant:	0
Exercise price:	138,400yen per warrant
Conditions on exercise:	

- (i) Persons exercising their stock options are required to be directors, executive officers, operating officers, statutory auditors or employees of the Company or its subsidiaries at the time of the exercise; provided, however, that this condition shall not apply when they have retired upon the expiration of their



term of office or at the Company-designated retirement age or upon other justifiable grounds.

(ii) Stock options shall not be pledged or disposed of in any way.

(iii) When a stock option holder passes away, his/her legal inheritor will have the right to exercise his/her stock options.

Exercise period: From May 29, 2017 to May 28, 2020

(2) Share Warrants No. 11:

Date of resolution by the Board of Directors: May 17, 2016

Payment for each share warrant: 0

Exercise price: 92,900yen per warrant

Conditions on exercise:

(i) Persons exercising their stock options are required to be directors, executive officers, operating officers, statutory auditors or employees of the Company or its subsidiaries at the time of the exercise; provided, however, that this condition shall not apply when they have retired upon the expiration of their term of office or at the Company-designated retirement age or upon other justifiable grounds.

(ii) Stock options shall not be pledged or disposed of in any way.

(iii) When a stock option holder passes away, his/her legal inheritor will have the right to exercise his/her stock options.

Exercise period: From June 2, 2018 to June 1, 2021

Status of share warrants held by Directors and Officers (excluding outside directors):

Name of warrants	No of warrants held	No of common shares issuable upon exercise	No of holders
Share Warrants No. 10	100	10,000 shares	1
Share Warrants No. 11	390	39,000 shares	5

2. Status of share warrants granted to employees in the form of their remuneration during the fiscal year ended March 31, 20: Not applicable.

## IV. Matters Relating to Directors and Officers of the Company

### 1. Directors and executive officers (as of March 31, 2020)

<b>Title</b>	<b>Name</b>	<b>Charge/role/profession</b>
Director, Chairman	Masashi Takehi	Chairman of the Board of Directors; Member of Nominating Committee; Member of Remuneration Committee
Director, President and Representative Executive Officer	Minoru Kobayashi	
Director, Representative Executive Officer	Shiro Tateishi	
Outside Director	Akira Gokita	Chairman of Nominating Committee; Member of Remuneration Committee; Member of Audit Committee; Attorney-at-law with Gokita-Miura Law Office Outside director of Sanwa Holdings, Ltd.
Outside Director	Kenro Kakeya	Chairman of Remuneration Committee Member of Nominating Committee; Representative Director & President of Kakeya Komuten; Non-full time Director of Kita Osaka Shinkin Bank
Outside Director	Takashi Ishikawa	Chairman of Audit Committee (full-time); Statutory Auditor of Ichiyoshi Business Service Co., Ltd.; Statutory Auditor of Ichiyoshi Asset Management Co., Ltd.; Statutory Auditor of Ichiyoshi Research Institute, Inc.; President & Representative Director of SR Holdings Inc.
Outside Director	Kota Sakurai	Member of Audit Committee; Certified public accountant & tax accountant and partner with Sakurai Kota Accounting & Tax Accounting Firm LLP
Executive Officer	Hirofumi Tamada	Executive Supervisor for Control/Planning
Executive Officer	Hiroshi Ryuugen	Executive Supervisor for Retail Division & Supervisor for Promotion of Customer Trust & Supervisor for Enhancement of Manners

Notes:

- (1) Messrs. Akira Gokita, Kenro Kakeya, Takashi Ishikawa and Kota Sakurai are outside directors as defined by Article 2-15 of the Company Law.
- (2) Messrs. Akira Gokita, Kenro Kakeya, Takashi Ishikawa and Kota Sakurai are independent director having no conflict of interest with the Company's shareholders as defined under the regulations of the Tokyo Stock Exchange.
- (3) Mr. Kota Sakurai is a certified public accountant and tax accountant, equipped with expert knowledge and experience on finance and accounting matters.
- (4) The Company has in place full-time member of the Audit Committee to continuously and effectively carry out hearing survey on executive officers, receive input from internal audit sections, grasp information from research on subsidiaries and attend various meetings as needed.
- (5) Mr. Minoru Kobayashi resigned from his position of president and representative executive officer effective on March 31, 2020, and Mr. Shiro Tateishi resigned from his position of deputy president and representative executive officer effective on the same date.
- (6) Mr. Kenro Kakeya retired from his position of non-full time director of Kita Osaka Shinkin Bank effective on April 8, 2020.
- (7) The following is a list of operating officers as of March 31, 2020:

<b>Title</b>	<b>Name</b>	<b>Charge/role</b>
Senior Operating Officer	Masaki Yano	Executive Chief for Corporate Sales
Senior Operating Officer	Mikio Nio	Executive Chief for Financial & Public Corporations
Senior Operating Officer	Masayoshi Takahashi	Executive Chief for Investment Banking
Senior Operating Officer	Masao Sugiura	Executive Chief for System & Supervisor for Operations/Systems of Subsidiaries
Senior Operating Officer	Kiyotaka Mochida	Executive Chief for Operations
Senior Operating Officer	Shoichi Yamazaki	Supervisor for Finance/Planning/Legal/Public Relations /Secretariat/Underwriting Credit Evaluation
Operating Officer	Mitsuyoshi Matsumura	Officer attached to Investment banking Division
Operating Officer	Kenichi Asada	Manager of Takada Branch & FC Manager
Operating Officer	Jiro Tsuboi	Manager of Yokohama Branch
Operating Officer	Masami Takeda	Executive Chief for Institutional Investors; & General Manager of Trading Dept.
Operating Officer	Yoshihisa Rikitake	Executive Chief for Advisors Support Division
Operating Officer	Hiroki Shimada	Executive Chief for Control Division

(8) Effective as of April 1, 2020, the following changes and appointments were made:

<b>Name</b>	<b>New title</b>	<b>New position/role</b>
Hirofumi Tamada	President & Representative Executive Officer	
Toshiyuki Fuwa	Deputy President & Representative Executive Officer	
Hiroshi Ryugen	Managing Executive Officer	Executive Supervisor for Retail Division & Supervisor for Promotion of Customer Trust & Enhancement of Manners
Masao Sugiura	Executive Officer	Supervisor for System Division & Operations & Systems of Subsidiaries & Executive Chief for System Division
Shoichi Yaamazaki	Executive Officer	Executive Supervisor for Headquarters Control & Supervisor for Finance/Planning/Legal/Public Relations /Secretariat/Underwriting Credit Evaluation

(9) Effective as of May 1, 2020, the following changes and appointments were made:

<b>Name</b>	<b>New title</b>	<b>New position/role</b>
Toshiyuki Fuwa	Deputy President & Representative Executive Officer	Executive Supervisor for Personnel & Training
Masao Sugiura	Executive Officer	Executive Supervisor for Operations/system Executive Supervisor for Operations/Systems Subsidiaries
Shoichi Yamazaki	Executive Officer	Executive Supervisor for Management/Control Divisions & Supervisor for Underwriting Credit Evaluation

## 2. Remunerations for directors and executive officers (remunerations in millions of yen)

<b>Type</b>	<b>Number of directors</b>	<b>Annual total of remunerations</b>	<b>Number of exe. officers</b>	<b>Annual total of remunerations</b>	<b>Number of directors/officers</b>	<b>Grand total of remunerations</b>
Inside	3	153	2	46	5	200
Outside	4	76	---	---	4	76
Total	7	230	2	46	9	276

### **3. Policy on determination of individual remunerations of directors and executive officers for the fiscal year ended March 31, 2019**

The following is an outline of the policy of the Remuneration Committee for determining individual remunerations of directors and executive officers:

(i) Basic policy:

To lift the desire and will of directors and executive officers for company management and derive their utmost management capability, so that they will contribute to the achievement of desired business result.

(ii) Contents of remunerations:

Remunerations of directors and executive officers of the Company shall consist of “Monthly Basic Remuneration,” “Monthly Remuneration Linked to Business Result,” “Stock-related Remuneration” and “Non-monetary Remuneration” (such as housing allowance for persons living independently of their families for business reasons).

(iii) Policy for determining each of the above-mentioned remunerations:

(a) Monthly Basic Remuneration shall be individually determined by the Remuneration Committee through interview and hearing with each of directors and executive officers on his degree of execution of management strategies, degree of management contribution and performance result while the basic standard remuneration of each director and executive officer is fixed based on the contents of role/charge of his position as director or executive officer.

(b) Monthly Remuneration Linked to Business Result shall be individually determined by the Remuneration Committee through interview and hearing with each of directors and executive on his contribution to business result and degree of performance of role/duty while the aggregate amount of remunerations for directors and executive officers are fixed based on current income and net income.

(c) Stock-related Remuneration shall be determined individually by taking account of potential effect of payment of this remuneration on management.

(d) Non-monetary Remuneration, such as for rent allowance for persons living apart from his family, shall be provided appropriately as required by business activities of each director and executive officer in the light of social norms.

### **4. Matters relating to outside directors**

(1) Matters relating to whether or not the Company’s outside directors are outside directors of another company or companies, and relationship between the Company and another company or companies when outside directors are as such:

(i) **Outside Director Mr. Akira Gokita** is an attorney-at-law with Gokita-Miura Law Office and an outside director of Sanwa Holdings, Ltd. There is no matter to be noted between the Company and Gokita-Miura Law Office and Sanwa Holdings, Ltd..

(ii) **Outside Director Mr. Kenro Kakeya** is representative director and president of Kakeya Komuten Co., Ltd. and non-full time director of Kita Osaka Shinkin Bank. There is no matter to be noted between the Company and Kakeya Komuten Co., Ltd. and Kita Osaka Shinkin Bank. (Note: Mr. Kenro Kakeya retired from his position of non-full time director of Kita Osaka Shinkin Bank effective on April 8, 2020.)

(iii) **Outside Director Mr. Takashi Ishikawa** is representative director and president of SR Holdings Inc. There is no matter to be noted between the Company and SR Holdings Inc.

(iv) **Outside Director Mr. Kota Sakurai** is a certified public accountant and tax accountant at Sakurai Kota Accounting and Tax Accounting Office. There is no matter to be noted between the Company and Sakurai Kota Accounting and Tax Accounting Office.

(2) Attendances of the outside directors at the Company's various meetings:

Title	Name	Frequency of attendance and expression of views
Director Member of the Nominating, Remuneration and Audit Committee	<b>Akira Gokita</b>	Attended 19 meetings of the Board of Directors (frequency ratio of 100%), 7 meetings of the Nominating Committee (frequency ratio of 100%), 7 meetings of the Remuneration Committee (frequency ratio of 100%) and 18 meetings of the Audit Committee (frequency ratio 100%).  At meetings, he provided expert advices and views as a former public prosecutor and attorney-at-law.
Director Member of the Nominating and Remuneration Committees	<b>Kenro Kakeya</b>	Attended 19 meetings of the Board of Directors (frequency ratio of 100%), 7 meetings of the Nominating Committee (frequency ratio of 100%) and 7 meetings of the Remuneration Committee (frequency ratio of 100%).  At meetings, he provided expert advices and views as a former press reporter with Nippon Keizai Shinbun (Japan Economic Journal) and incumbent business executive.
Director Member of the Audit Committee	<b>Takashi Ishikawa</b>	Attended 19 meetings of the Board of Directors (frequency ratio of 100%) and 18 meetings of the Audit Committee (frequency ratio of 100%). At meetings, he provided expert advices and views as a former executive of a securities firm. Also as head of outside directors, he contributed to liaising and coordinating for management team and among independent outside directors.

Director	<b>Kota Sakurai</b>	Attended 19 meetings of the Board of Directors (frequency ratio
Member of the Audit		of 100%) and 18 meetings of the Audit Committee (frequency
Committee		ratio of 100%). At meetings, he provided expert advises and
		views as a certified public accountant and tax accountant.

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## V Matters Relating to Accountants

(1) Name: EY ShinNihon LLC

(2) Amount of fees:

(i) Fees payable for accountants' services pursuant to Article 2-1 of the Certified Public Accountant Law: 38 million yen.

(ii) Fees payable for accountants' services other than those pursuant to Article 2-1 of the Certified Public Accountant Law: 1 million yen.

(iii) The total amount of payments made by the Company and its subsidiaries: 42 million yen.

Note: (a) The above-mentioned payments cover fees relating to auditing both under the Company Law and the Financial Instruments and Securities Exchange Law.

(b) Following the "Practical Guidelines Concerning Relations with Accountants" published by Japan Auditors Association, the Audit Committee of the Company has certified the audit system of accountants, auditing procedures, status of auditing, quality control system of accounting firm and preliminary estimate of audit fees in accordance with Article 399-1 of the Company Law.

(3) Non-auditing services:

Non-auditing services are related to the legal-compliance inspection for the segregated custody of customers' assets.

(4) Auditing for subsidiaries:

Subsidiaries of the Company are audited by the same accounting firm as the parent.

(5) Policy on dismissal or non-reappointment of accountants:

The Company's Audit Committee shall dismiss accountants when it determines that the Company's accountants come under any sub-item of Paragraph 1 of Article 340 of the Company Law. Such determination shall be made by a unanimous voting by the

members of the Audit Committee, and any member of the Audit Committee so authorized by the Audit Committee shall report such dismissal and a reason therefor at the next coming shareholders' meeting.

The Audit Committee may also determine whether to re-appoint or not the Company's accountants in the light of their audit quality, the effectiveness and efficiency of their auditing performance.

## **VI. The Company's System and Policy**

### **1. Basic Policy on Control of the Company**

#### **(1) Contents of basic policy**

The Company's management policy focuses on "Remaining a Firm of Customers' Trust and Choice," as stated in "Ichiyoshi Credo." Under this policy, the Company aims to become a "Name-brand Boutique House" in the finance and securities industry with the motto of "Becoming a Securities Company Like No Other in Japan." The basic business policy of the Company is to provide products and services based on a "Good Long Term Relation with each of the Company's customers, and by strengthening this policy, the Company believes that it is able to enhance its corporate value and, in turn, the common interests of its shareholders on a medium- to long-term basis.

Therefore, the Company believes that the persons who control decisions on the Company's financial and business policies need to be persons who understand the Company's management philosophy and who will make it possible to ensure and enhance the Company's corporate value and the common interests of its shareholders.

Thus, the Company believes that the persons who would make a large-scale acquisition of the shares in the Company in a manner that does not contribute to the corporate value of the Company or the common interests of its shareholders would be inappropriate to become persons who control decisions on the Company's financial and business policies. The Company believes that it is necessary to ensure the corporate value of the Company and, in turn, the common interests of its shareholders by taking the necessary and reasonable countermeasures against such large-scale acquisitions.

#### **(2) Measures to realize basic policies**

- (i) Effective utilization of company assets, appropriate form of corporate group and other special measures to realize the basic policies:**

Enhancement of corporate value through the Medium-Term Management Plan;



In order to further strengthen the foundation of the boutique house in the finance and securities industry so far built through the preceding management plans, the Company formulated the New Medium-Term Management Plan with its target date set for the end of March 2020.

Since the said medium-term management plan completed its period at the end of March 31, 2020, the Company formulated the New Medium-Term Management Plan “Attack 3” with its target date set for the end of March 2023 with the intention of further expanding the foundation of the boutique house so far built.

Measures regarding corporate governance and shareholder returns;

The Company consistently aims for mobility and transparency in management decision-making, prompt business execution and tightened control on execution of duty, and considers corporate governance as one of its priority issues in management.

The Company put in place the company-with-three-committees system in as early as 2003. The Company’s Board of Directors, which consists of 7 directors comprising four independent outside directors, decides on management policies and supervises the execution of duties by executive officers, and the Audit Committee, which comprises three independent members, supervises the execution of business by the Directors and Executive Officers. In addition, the Internal Control Committee aims to improve and solidify unified internal control system.

The Company is actively working for shareholder returns which it regards as a major task for management.

With respect to earning distribution, the Company has been quite active and adopted the below-mentioned “2. Policy on Dividends out of Retained Earnings” and decides on an amount of dividend to be paid semi-annually. In addition, the Company has a flexible attitude toward retirement of shares.

- (ii) Measures to prevent decisions on the company’s financial and business policies from being controlled by persons deemed inappropriate under the basic policy:

When a party attempts a large-scale acquisition of shares in the Company, the management of the Company will strive for the collection and disclosure of information necessary for shareholders to judge such attempt properly and take appropriate measures authorized under the Company Law, the Articles of Incorporation or any other applicable laws and regulations.

- (3) Views and reason for the above-mentioned (i) and (ii) of (2)

The decision of the Company’s management relating to (i) and (ii) of (2) above is in line with the basic policy regarding the control of the Company, corresponds with the corporate vale and the common interests of its shareholders and is not

intended to maintain the status of the Company's directors and officers.

## **2. Policy on Dividends out of Retained Earnings**

The Company places its stress on a continuous stream of dividend payment linked to business result. In deciding on an amount of dividend payment, payout ratio is a basic measure. Additionally, DOE (namely, ratio of dividends to shareholders' equity) measure is taken into account for continuous stream of dividend payment.

Specifically, the Company has currently adopted the payout ratio of approximately 50% and the DOE of approximately 2%, the both measures being calculated semi-annually on a consolidated basis and the larger result of calculation between the two measures being chosen.

Under this dividend policy, an interim dividend per share paid out of retained earnings to shareholders of record September 30, 2019 was 16yen, based on the DOE of approximately 2%, and a final dividend per share paid out of retained earnings to shareholders of record March 31, 2020 was 16yen, also based on the DOE. Thus, the annual total of dividend per share is 32 yen.

**[For information on the Consolidated Financial Statements**, please refer to the Company's press release dated April 28, 2020, titled "Business Result for Fiscal Year to March 31, 2020" on the Company's website

([https:// ichiyoshi.co.jp/stockholder/presentation](https://ichiyoshi.co.jp/stockholder/presentation)).

(Those financial statements have already been audited by certified public accountants as of this date.)

(End)