

Business Result for Fiscal Year to March 31, 2021

(Consolidated under Japanese GAAP)

Released on April 28, 2021

(English translation for reference purposes only)

Name of Company: Ichiyoshi Securities Co., Ltd.

Listed on: 1st Section of Tokyo Stock Exchange (Stock code: 8624)

Corporate representative: Mr. Hirofumi Tamada, President & Representative Executive Officer

Date of annual shareholders' meeting: June 26, 2021 (scheduled)

Payment date for final dividends: May 31, 2021 (scheduled)

Filing date of annual securities report: June 28, 2021 (scheduled)

Supplemental information on business result: Provided.

Business result-reporting meeting: Planned for institutional investors and analysts.

Inquiry to: Mr. Shoichi Yamazaki, Executive Officer & Executive Supervisor for

Finance and Management

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1. Consolidated Business Result for Fiscal Year Ended March 31, 2021 (Figures less than 1 million yen discarded)

(1) Highlights of consolidated business result (in millions of yen except for per-share figures)

(% indicates year-to-year changes)

	Operating revenue (%)	Net operating revenue (%)	Operating income (%)	Current income (%)	Net income attributable to owners of parent (%)
Fiscal year ended Mar. 31, 2021	19,747 (+4.8)	18,200 (+5.6)	1,264 ---	1,300 ---	1,001 ---
Fiscal year ended Mar. 31, 2020	18,846 (-11.2)	17,241 (-12.8)	-545 ---	-469 ---	-724 ---

Notes: Comprehensive income for fiscal year ended March 31, 2021: 1,405 million yen (---%)

Comprehensive income for fiscal year ended March 31, 2020: -923million yen (---%)

	Earnings per share	Earnings per share adjusted for shares potentially issuable	Return on equity	Operating income as % of operating revenue
Fiscal year ended Mar. 31, 2021	27.79yen	27.79yen	3.5%	6.4%
Fiscal year ended Mar. 31, 2020	-17.72yen	---	-2.3%	-2.9%

Notes: Investment gains on equity method for fiscal year ended March 31, 2021: -----million yen

Investment gains on equity method for fiscal year ended March 31, 2020: -----million yen.

(2) Consolidated financial condition (in millions of yen except for per-share figures)

	Total assets	Net assets	Equity ratio	Net assets per share
As of Mar. 31, 2021	49,211	29,108	59.0%	804.07yen
As of Mar. 31, 2020	43,530	28,772	65.9%	797.12yen

Notes: Shareholders' equity as of March 31, 2021: 29,030 million yen

Shareholders' equity as of March 31, 2020: 28,694 million yen

(3) Consolidated cash flow (in millions of yen with figures)

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of fiscal year
Fiscal year ended Mar. 31, 2021	4,860	-44	-1,123	16,345
Fiscal year ended Mar. 31, 2020	4,968	-1,395	-5,051	12,647

2.Dividends

	Dividend per share for 1 st quarter	Dividend per share for 2 nd quarter	Dividend per share for 3 rd quarter	Dividend per share for end of fiscal year	Annual total of dividend per share
Fiscal year ended Mar. 31, 2020	---	16.00yen	---	16.00yen	32.00yen
Fiscal year ended Mar. 31, 2021	---	15.00yen	---	19.00yen	34.00yen

	Aggregate amount of dividends paid (in millions of yen*)	Payout ratio on a consolidated basis	Rate of dividends as % of net assets on a consolidated basis
Fiscal year ended Mar. 31, 2020	1,236 million yen	---	3.9%
Fiscal year ended Mar. 31, 2021	1,225 million yen	122.3%	4.2%

Note: (1) Dividend per share for 2nd quarter of fiscal year ended March 31, 2021 was calculated on the basis of the DOE measure (namely as percent of consolidated shareholders' equity per share) and dividend per share for the end of the same fiscal year was calculated on the basis of the payout ratio measure.

(2) Ichiyoshi Securities Co., Ltd. (the "**Company**" or "**Ichiyoshi**" as the case may be) does not provide earnings forecast nor dividend forecast.

3.Forecast of Business Result for Fiscal 2021 (from April 1, 2021 to March 31, 2022)

Since the forecast of earnings of financial-instruments trading, the main-line business of the Company and its group companies, is hard to make due to volatile factors in the market, the Company does not provide such forecast prior to the end of quarterly and annual business term. Instead, the Company intends to release preliminary figures after the end of each quarterly and annual business term as and when such figures become available.

※Points to note:

- (1) Changes in material subsidiaries (changes in special subsidiaries resulting in a change in scope of consolidation): None.
- (2) Changes in accounting policies and estimates and restatements of modifications:
 - (i) Changes in accounting policies resulting from revisions to accounting standards: None.
 - (ii) Changes in accounting policies other than those in (i) above: None.
 - (iii) Changes in accounting estimates: None.
 - (iv) Restatements of modifications: None.
- (3) Number of issued shares (common stock)
 - (i) Number of issued shares at the end of each fiscal year (including treasury shares):
42,431,386 shares at March 31, 2021.
42,431,386 shares at March 31, 2020.
 - (ii) Number of treasury shares at the end of each fiscal year:
6,327,577 shares at March 31, 2021.
6,434,008 shares at March 31, 2020.
 - (iii) Average number of shares outstanding during each fiscal year:
36,037,043 shares for the fiscal year ended March 31, 2021.
40,858,821 shares for the fiscal year ended March 31, 2020.

[Referential information]

1. Outline of Non-consolidated Business Result (parent company basis)

(1) Business result for fiscal year ended March 31, 2021 (in millions of yen except for per-share figures)

(% indicates year-over-year changes)

	Operating Revenue (%)	Net operating Revenue (%)	Operating Income (%)	Current income (%)	Net income (%)
Fiscal year ended Mar. 31, 2021	16,434 (+5.9)	16,365 (+6.3)	238 ---	1,033 ---	1,035 ---
Fiscal year ended Mar. 31, 2020	15,512 (-12.8)	15,399 (-13.2)	-1,599 ---	-1,231 ---	-1,115 ---

	Earnings per share	Earnings per share adjusted for shares potentially issuable	Return on equity
Fiscal year ended Mar. 31, 2021	28.74yen	28.74yen	3.9%
Fiscal year ended Mar. 31, 2020	-27.30yen	---	-3.8%

(2) Financial condition (in millions of yen except for per-share figures)

	Total assets	Net assets	Equity ratio	Net assets per share	Capital adequacy ratio
Fiscal year ended Mar. 31, 2021	46,037	26,635	57.7%	735.59yen	450.1%
Fiscal year ended Mar. 31, 2020	40,664	26,594	65.2%	736.61yen	446.8%

Notes: Shareholders' equity at the end of each fiscal year:

26,557 million yen as of March 31, 2021.

26,515 million yen as of March 31, 2020.

2. Forecast of Business Result for Fiscal 2021 (from April 1, 2021 to March 31, 2022)

Since the forecast of earnings in financial-instruments trading is hard to make due to changes in securities market conditions, the Company does not provide such forecast prior to the end of each quarterly and annual business term.

Additional points to note:

1. The financial figures contained herein are released without being audited by certified public accountants as required by the Financial Instruments and Exchange Law.
2. For the same reason that the Company does not provide earnings forecast prior to the end of each quarterly and annual business term as stated in “3. Forecast of Business Result for Fiscal 2021 (from April 1, 2021 to March 31, 2022)” on page 3, the Company does not provide a dividend forecast.
3. The Company plans to hold a quarterly earnings-reporting meeting for institutional investors and analysts on May 20, 2021, Thursday, (at 3:30 pm). Supplementary documents for business result to be distributed at the meeting and will be forthwith disclosed and posted on the Company’s website.

I. Outline of Business Result, Etc.

1. Outline of Business Result for the Fiscal Year Ended March 31, 2021

During the fiscal year ended March 31, 2021, the Japanese economy showed signs of pick-up from the effects of spreading novel coronavirus. While consumer spending slightly weakened, there appeared bright signs in corporate investment and production activities. Hence, moderate economic recovery was seen towards the end of the period. The global economy, which was severely battered by the pandemic of the novel coronavirus, also exhibited signs of recovery generally thanks to countermeasures taken by leading nations.

The Japanese stock market exhibited its rising trend from the latter half of the fiscal year in expectation of a recovery of the global economy boosted by the spread of anti-novel corona virus vaccines. While major countries embarked on large-scale economic stimulus measures and Japanese, U.S. and European central banks adopted easier monetary policies, the Nikkei Stock Average on the Tokyo Stock Exchange (the “TSE”) rose to 23,185yen on June 9, 2020, amid the heightened expectation for the reopening of the domestic economic activities as the phased lifting of the emergency status declaration was made towards the end of May domestically. Thereafter, the stock market underwent seesaw stages as the infection of the novel corona virus resurged. In early November, the cloud of uncertainty over the U.S. politics was cleared as the presidential election was over and a wave of developments of new vaccines against the novel coronavirus announced, all contributing to hopes for the normalization of the global economy and pushing up the Nikkei Stock Average again. After the turn of the year, the Nikkei Stock Average temporarily recovered its 30,000yen level for the first time in 30 years and half despite the re-declaration of the emergency status amid the spread of vaccines against the novel corona virus and expectations for large-scale economic measures by the Biden administration. The Nikkei Stock Average, however, ended the fiscal year at 29,178yen on anxiety over the rise of U.S. interest rates.

On the foreign currency market, the yen registered 109.84yen per 1 U.S. dollar on June 5, 2020, but thereafter strengthened in anticipation of the prolonging of the zero interest rate policy by the FRB, recording 102.57yen per 1 U.S. dollar on January 6, 2021. As long-term interest rates progressed in the U.S., however, the yen ended the fiscal year at the upper side of the 110yen per 1

U.S. dollar level.

As regards the Japanese emerging stock markets, the Nikkei JASDAQ Average continued its bullish tone while the TSE Mothers Index struggled after recording its high since the previous year in mid-October 2020. The Nikkei JASDAQ Average and the TSE Mothers Index ended the fiscal year at 3,938yen and 1,203, respectively.

The average daily turnover on the First Section of the TSE during the fiscal year was 2,809.0 billion yen, up 7.6% over the previous fiscal year. The average daily turnover on the TSE Mothers was 210.3 billion yen, up 126.6%, and that on the JASDAQ market was 66.1 billion yen, up 35.1%.

In such circumstances, in order to achieve the Medium-Term Management Plan “Attack 3,” with respect to stocks, the Company placed in its proposals to customers asset-backed stocks with stress on stability and dividends under low interest-rate environments, taking advantage of the Company’s strength in research on small-and medium-cap growth stocks. The Company thus continued to take various measures to meet with individual customers’ needs.

With regard to “Dream Collection,” a fund wrap account vehicle, it enjoyed an increase in continuous need for conservative investment vehicles for customers’ medium- to long-term asset management. Its outstanding balance as of March 31, 2021, registered 156.0 billion yen, up 45.1% from the previous fiscal year.

With respect to investment trust funds, the Company placed in the center of its promotion customer-needs-matching funds, such as high-visibility SDG-related funds, investment funds invested in Japanese mid- and long-term growth-potential stocks, investment funds invested in REIT and privately-placed investment funds targeted for regional financial institutions.

With respect to Ichiyoshi Asset Management Co., Ltd. the net asset values of funds under its management were on a recovery trend and their outstanding balances at the end of the period registered 372.4 billion yen, up 36.9% from the previous fiscal year.

Resultantly, operating revenue recorded 19,747 million yen, an increase of 901 million yen (up 4.8%) from the previous fiscal year, and net operating revenue registered 18,200 million yen, a rise of 958 million yen (up 5.6%). Operating cost and expenses decreased 4.8% to 850 million yen chiefly as trade-related expenses and real estate-related expenses (including one-off expenses relating to the relocation of the Head Office) fell. As a result, operating income registered 1,264 million yen, an increase of 1,809 million yen from the previous fiscal year.

The cost coverage ratio, by which the sum of trailer fees and wrap-account fees covers operating cost and expenses, registered 39.4%.

Customers’ assets under custody as of March 31, 2021, amounted to 1,989.5 billion yen, up 29.5% from the end of the previous fiscal year

Set forth below are details of revenue sources, cost and expenses, cash flow and financial condition.

(1)Commissions

Total commissions for the fiscal year ended March 31, 2021 amounted to 17,608million yen, up 4.5% from the previous fiscal year.

(i)Brokerage commissions

Total brokerage commissions on stocks rose 27.0% to 6,026 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 1,438 million yen, up 58.4%, accounting for 23.9% 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 31 initial public offerings (IPOs) (of which the Company lead-managed 4), as against 32 IPOs (of which the Company lead-managed 3) 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 496 million yen, down 10.9% from the previous fiscal year.

The cumulative number of companies whose offerings were lead- or co-managed by the Company stood at 1,151 (of which 60 were lead-managed) as of March 31, 2021.

(iii) Commissions from distribution and solicitation to specified investors

Commissions from distribution and solicitation to specified investors declined 10.7% to 3,554 million yen as commissions from distribution of investment trust funds slid 11.2 % to 3,442 million yen.

(iv) Commissions from other sources

The trailer fees on investment trust funds decreased 6.1% to 3,625 million yen and trustee fees for fund management by Ichiyoshi Asset Management Co., Ltd. fell by 5.6% to 1,316 million yen. With the addition of fund-wrap accounts fees of 1,738 million yen (up 17.8%), fees from research unbundling, commissions from insurance policy sales and fees from IPO assistance, total commissions from other sources amounted to 7,374 million yen, down 0.3%.

(2)Gains or loss on trading

Trading on stocks, etc. recorded gains of 171 million yen, up 355.4%, and trading on bonds, foreign exchange, etc. registered gains of 138 million yen, up 165.9%. Consequently, total gains on trading amounted to 310 million yen, up 245.3%.

(3)Net financial revenue

Net financial revenue fell by 16.7% to 136 million yen chiefly as financial revenue decreased 26.0% to 206 million yen as a result of a fall in the average balance of loans on margin transactions while interest expenses decreased by 39.2% to 70 million yen.

Hence, net operating revenue for the fiscal year ended March 31, 2021 recorded 18,200 million yen, up 5.6%.

(4) Operating Cost and Expenses

Operating cost and expenses recorded 16,935 million yen, down 4.8%, as trade-related expenses and real estate-related expenses (including one-off expenses relating to the relocation of the Head Office) decreased.

(5) Non-operating Income and Expenses

The Company registered non-operating income of 62 million yen, including receipts of 23 million yen in the form of insurance proceeds and dividends of 17 million yen on investment securities while the Company recorded non-operating loss of 26 million yen, including management loss of 22 million yen on investment partnerships. Thus, net non-operating income amounted to 36 million yen, down 52.2%.

Hence, current income for the fiscal year ended March 31, 2021 amounted to 1,300 million yen, an increase of 1,770 million yen.

(6) Extraordinary Income and Loss

The Company registered extraordinary income of 134 million yen, mainly consisting of gains on sales of investment securities, while the Company recorded extraordinary loss of 121 million yen, mainly in the form of impairment loss. As a result, net extraordinary income amounted to 13 million yen, down 36.3%.

Consequently, income before taxes and tax adjustments for the fiscal year ended March 31, 2021 recorded 1,313 million yen, and net income attributable to owners of parent (after deduction of corporate income taxes, resident's taxes and enterprise taxes, totaling 280 million yen, and corporate tax adjustments of 32 million yen) registered 1,001 million yen.

2. General Review of Financial Condition

(a) Assets

Assets amounted to 49,211 million yen as of March 31, 2021, a rise of 5,680 million yen (up 13.1%) from March 31, 2020, mainly as margin transaction assets and cash and deposits increased by 3,410 million yen and 2,697 million yen, respectively.

(b) Liabilities

Liabilities stood at 20,103 million as of March 31 2021, a rise of 5,345 million yen (up 36.2%) as margin transaction liabilities and deposits received increased by 3,305 million yen and 2,176million yen, respectively.

(c) Net worth

Net worth amounted to 29,108 million yen as of March 31, 2021, a rise of 335 million

yen (up 1.2%) from March 31, 2020. The rise resulted mainly from recording of a net income (attributable to owners of parent) of 1,001 million yen for the fiscal year and an increase of 274 million yen in remeasurements of defined benefit plans while the Company paid dividends in the amount of 1,115 million yen.

3. Cash Flow

Cash flow from operating activities for the fiscal year ended March 31, 2021 recorded a positive figure of 4,860million yen, a decrease of 107 million yen from the previous fiscal year, as income before taxes and tax adjustments recorded 1,313 million yen, deposits received and guarantee deposits received rose by 1,855 million yen and cash paid for offering fell by 1,303 million yen. Cash flow from investing activities registered a negative figure of 44 million yen, a rise of 1,350 million yen, mainly due to payment for the acquisition of tangible fixed assets and intangible fixed assets and receipt of revenue from sales of investment securities. Cash flow from financing activities recorded a negative figure of 1,123 million yen, a rise of 3,927million yen, chiefly as a result of dividend payments in the amount of 1,112 million yen.

Consequently, the amount of cash and cash equivalents as of March 31, 2021, stood at 16,345 million yen, an increase of 3,697 million yen from the end of the previous fiscal year.

4. Basic Policy on Earnings Distribution and Dividends for the Fiscal Year ended March 31, 2021.

One of the Company's core management policies is to make an appropriate earnings distribution to its shareholders. 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) is taken into account for a continuous stream of dividend payment.

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

Under this dividend policy, an interim dividend per share paid out of the Company's retained earnings to shareholders of record as of September 30, 2020 was 15yen (calculated on the basis of the DOE ratio measure), and a final dividend per share payable to shareholders of record as of March 31, 2021 is to be 19yen (calculated on the basis of the payout ratio measure), thus an annual total dividend per share being 34yen.

II. State of Ichiyoshi Group

The Ichiyoshi group, consisting of Ichiyoshi Securities Co., Ltd. (the “Company”) and its four consolidated subsidiaries, is principally engaged in investment and financial services chiefly associated with financial instruments.

The Company is directly engaged in buying and selling of, and dealing in, securities (such buying and selling of, and dealing in, securities are called hereinafter as “securities transactions”), acting as agent or broker for securities transactions, underwriting and distributing publicly-offered or privately-placed securities and carrying out other securities-related businesses. Thus, the Company provides wide-ranging services matching varying needs of its customers relating to securities and investments.

In conjunction with the above-mentioned activities by the Company, the four consolidated subsidiaries perform their respective functions: Ichiyoshi Research Institute Inc. undertakes research and data/information collection relating to small- and mid-cap growth companies and provides investment advices and agency services; Ichiyoshi Asset Management Co., Ltd. provides management of investment trust funds, discretionary-investment and asset-management advices and services for institutional investors and investment trusts; Ichiyoshi Business Service Co., Ltd. undertakes peripheral services for the Ichiyoshi group, provides real estate renting/broking/management services and agencies, deals in office supplies and goods and acts as agent for financial-instruments trading; and Ichiyoshi Financial Adviser Co., Ltd. acts as agent for transactions of financial instruments.

List of Major Ichiyoshi Group Companies

Parent company: Ichiyoshi Securities Co., Ltd. — financial-instruments trading business

Consolidated subsidiaries:

Ichiyoshi Research Institute Inc. — information services, investment advices and agencies
(100.0% owned)

Ichiyoshi Asset Management Co., Ltd. — investment trust management, investment advisories and agencies
(100.0% owned)

Ichiyoshi Business Service Co., Ltd. — property renting/broking/management, sales of office supplies and financial-instruments trading agency.
(100.0% owned)

Ichiyoshi Financial Advisor Co., Ltd. — agent for transactions of financial transactions
(100% owned)

III. Management Policy

1. Basic Policy

The Company's management philosophy focuses on "Remaining a Firm of Customers' Trust and Choice." Under this philosophy, 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." In its efforts for management policy 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 the 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.

The Company's credo (corporate philosophy):

- Management philosophy: To remain a company of customers' trust and choice
- Management objective: Name-brand boutique house in finance and securities industry
- Action guidelines: Gratitude, Integrity, Courage, Responsiveness, Continuity and Long-Term Good Relation.

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 the subsidiaries. This management style is intended to maximize the capability of each division/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 customers' needs for asset-building and corporate customers' requirements.

3. Medium-Term Management Plan "Attack 3"

The Company aims to build a "Name-brand Boutique House in Finance and Securities" as its management object to realize its management philosophy based on "Ichiyoshi Credo."

Regarding "Customers' Assets under Custody" as a barometer of "Customers' Trust" and "Ichiyoshi's Basic Corporate Strength" and also as the management's overriding indicator, the Company intends to continue its efforts to expand customers' assets and realize its sustainable growth.

In order to reinforce such efforts, the Company formulated its Medium-Term Management Plan “Attack 3” with its target date set for the end of March 2023.

Under “Attack 3,” the Company aims to expand customers’ assets under custody to 3 trillion yen during a 3-year period through March 2023. About 20 years ago, the Company changed its business model from “flow-based type” chiefly based on brokerage commissions to “asset-accumulation type” mainly based on trailer fee and wrap-account fees, for which the “cost-coverage ratio” is a main indicator of change in business model. The Company has now set a new target of 60% for the cost-coverage ratio.

The following are numerical targets in the Medium-Term Management Plan “Attack 3” as compared to their positions as of March 31, 2021:

Items	Targets	Positions
	(Final date: Mar. 31, 2023)	(As of Mar. 31, 2021)
Customers’ assets in custody	3 trillion yen	1.9895 trillion yen
Return on equity	Approx. 15%	3.5%
No. of lead-managed companies(cumulative)	80	60
Cost coverage ratio *	60%	39.4%

*= Ratio at which the sum of investment trust trailer fees and wrap-account fees covers operating cost and expenses.

[Ichiyoshi Basic Strategies for Growth]

(1) . Execution of “Ichiyoshi Credo”

Management philosophy as basis for everlasting corporate growth.

(2) Expansion of Customers’ Assets

Customers’ assets in custody as most important indicator of management

Customers’ assets in custody as barometer of customers’ trust in Ichiyoshi and barometer of Ichiyoshi’s underlying strength

(3) Continuous Improvement on Revenue-Cost Structure

Fostering of revenue-cost structure insusceptible to market fluctuations

“Stable revenue,” “Cost-coverage by revenue from other than stocks,”

“Promotion of investment into growth areas,” “Efficiency promotion, cost reduction, leaner head office.”

(4) Comprehensive Power of Ichiyoshi Group

“Triangular Pyramid Management”

“Specialization in small- and mi-cap growth stocks,” “Focus on high net-worth customers”

(5) Practical observance of compliance

Compliance is a source and power of competitiveness.

Up-graded compliance focused on customers

“Absoluteness of Compliance,” “Stress on compliance from client perspective”

(6) Cultivation of human

resources Growth lies in
personnel.

“Up-grading of advisers,” “Nurturing of young-age advisers and potential managerial staff.” “Positive use and promotion of female personnel,” “Up-grading of professionalism of head office staff.”

(7) Setting up of “worker-friendly and worthwhile office”

Pride-worthy company
Promotion of staff motivation

“Furtherance of communication vertically and horizontally,” “Review of personnel system and evaluation,” “Improvement on working environment,” “Review of working practices.”

4.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 believes that the novel corona virus which started to rage since last year will further facilitate changes in circumstances surrounding the securities industry.

The Company has long provided customers with products and services prioritizing the relationship of trust with customers under “Ichiyoshi” Credo. In order to quickly cope with changes in circumstances surrounding the securities industry, the Company has embarked on its “Decisive Action on Reform” since 2020 to further promote the “asset-accumulation type” business model with customer-first attitude.

Thus, under the motto of “Decisive Action on Reform,” 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.

Besides one of Ichiyoshi’s 20-year old customer-first seven principles, namely “We do not sell products simply because they are popular,” the Company will add another principle of “Conviction of creating customer-ordered portfolios,” thereby providing each of individual customers with his/her own design of products.

Under the Mid-Term Management Plan “Attack 3,” the Company will further expand “customers’ assets under custody” and further promote the “asset-accumulation type” business model, thereby building its earnings structure not susceptible to changes in the

stock market.

Thinking that the enhancement of branch network is essential for the expansion of customers' assets under custody, the Company is in process of reviewing the branch network in metropolitan areas. As part of such reviewing, the Ginza Branch moved to the Head Office in April 2021 and started to operate as Asset-Advisor Department. In addition, Planet Plaza Seijo in Setagaya-ku, Tokyo, and Planet Plaza Ichikawa in Ichikawa City, Chiba Prefecture, became branches. The Company intends to make its branch network close and convenient to customers.

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 basic strategies for "Decisive Action for Reform." The Company will continue to take specific related actions.

In order to cope with potential corona-virus developments, the Company is striving for the promotion of "hybrid advice" model combining in-person sales activities and digitalized sales activities.

Taking advantage of the Company's three distinctive features, namely, (1) research capability of Ichiyoshi Research Institute, Inc., (2) advisability to customers and (3) compliance capability (leading to customer satisfaction) against the corona virus-developments, the Company is determined to realize its growth pattern pivoted on customers' assets under custody on the basis of basic strategies for "Decisive Action on Reform."

VI. Basic Policy on Choice of Accounting Standards

The Company and its group companies prepare financial statements in compliance with generally-accepted accounting standards in Japan. The Company has no plan to consider applying IFRS (International Financial Reporting Standards).

V. Consolidated Financial Statements

1. Consolidated Balance Sheets

(in millions of yen)

	As of March 31 2020	As of March 31 2021
Assets		
Current assets		
Cash and deposits	13,499	16,196
Segregated deposits	7,719	7,799
Trading products	158	112
Trading securities and other	158	112
Trade date accrual	2	-
Margin transaction assets	9,899	13,309
Margin loans	9,604	13,099
Cash collateral provided for securities borrowed in margin transactions	294	209
Loans secured by securities	-	2
Cash collateral provided for securities borrowed	-	2
Advances paid	112	93
Deposits paid for underwritten offering, etc.	3,727	2,423
Short-term loans receivable	2	0
Securities	-	1,000
Accrued income	1,531	1,745
Other current assets	213	193
Allowance for doubtful accounts	△2	△3
Total current assets	36,862	42,873
Non-current assets		
Property, plant and equipment	3,239	3,068
Buildings, net	1,006	1,069
Equipment	750	662
Land	1,339	1,333
Leased assets, net	10	3
Construction in progress	132	-
Intangible assets	834	691
Software	831	688
Other	2	2
Investments and other assets	2,594	2,578
Investment securities	1,163	1,011
Long-term loans receivable	32	19
Long-term guarantee deposits	1,008	978
Retirement benefit asset	-	363
Deferred tax assets	383	198
Other	86	86
Allowance for doubtful accounts	△79	△79
Total non-current assets	6,668	6,338
Total assets	43,530	49,211
Liabilities		
Current liabilities		
Trading products	0	0
Derivatives	0	0
Trade date accrual	-	25
Margin transaction liabilities	2,927	6,233
Margin borrowings	2,532	5,791
Cash received for securities sold in margin transactions	395	442
Borrowings secured by securities	67	130
Cash collateral received for securities lent	67	130
Deposits received	7,993	10,169
Guarantee deposits received	1,343	1,022
Short-term borrowings	216	213
Lease obligations	4	1
Income taxes payable	38	157
Provision for bonuses	654	518
Other current liabilities	1,031	1,250
Total current liabilities	14,279	19,724
Non-current liabilities		
Long-term borrowings	150	146
Lease obligations	5	1
Deferred tax liabilities for land revaluation	7	7
Retirement benefit liability	62	-
Other noncurrent liabilities	40	40
Total non-current liabilities	266	197
Reserves under special laws		
Reserve for financial instruments transaction liabilities	211	181
Total reserves under special laws	211	181
Total liabilities	14,757	20,103
Net assets		
Shareholders' equity		
Share capital	14,577	14,577
Capital surplus	6,907	6,885
Retained earnings	12,631	12,516
Treasury shares	△4,167	△4,098
Total shareholders' equity	29,948	29,881
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△43	85
Revaluation reserve for land	△1,125	△1,125
Remeasurements of defined benefit plans	△85	189
Total accumulated other comprehensive income	△1,254	△851
Share acquisition rights	78	78
Total net assets	28,772	29,108
Total liabilities and net assets	43,530	49,211

2. Consolidated Income Statements

(in millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Operating revenue		
Commission received	16,845	17,608
Brokerage commission	4,913	6,182
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	557	496
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	3,980	3,554
Other commission received	7,394	7,374
Net trading income	89	310
Financial revenue	279	206
Other operating revenue	1,631	1,621
Total operating revenue	18,846	19,747
Financial expenses	115	70
Other operating expenses	1,489	1,476
Net operating revenue	17,241	18,200
Selling, general and administrative expenses		
Trading related expenses	2,004	1,532
Personnel expenses	9,488	9,224
Real estate expenses	2,542	2,417
Office expenses	2,308	2,290
Depreciation	536	528
Taxes and dues	255	274
Other	650	668
Total selling, general and administrative expenses	17,786	16,935
Operating profit (loss)	△545	1,264
Non-operating income		
Dividends from investment securities	20	17
Gain on investments in investment partnerships	37	4
Insurance claim and dividend income	51	23
Other	53	16
Total non-operating income	163	62
Non-operating expenses		
Loss on investments in investment partnerships	12	22
Loss on cancellation of leases	1	-
Provision of allowance for doubtful accounts	70	-
Other	3	3
Total non-operating expenses	88	26
Ordinary profit (loss)	△469	1,300
Extraordinary income		
Gain on sale of investment securities	82	93
Gain on sale of non-current assets	-	0
Gain on reversal of share acquisition rights	2	10
Reversal of reserve for financial instruments transaction liabilities	-	29
Total extraordinary income	85	134
Extraordinary losses		
Loss on retirement of non-current assets	11	4
Loss on sale of investment securities	0	0
Loss on valuation of golf club membership	2	9
Settlement package	8	0
Impairment losses	40	106
Total extraordinary losses	64	121
Profit (loss) before income taxes	△448	1,313
Income taxes - current	279	280
Income taxes - deferred	△14	32
Total income taxes	264	312
Profit (loss)	△713	1,001
Profit attributable to non-controlling interests	10	-
Profit (loss) attributable to owners of parent	△724	1,001

Consolidated Comprehensive Income Statements

(in millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit (loss)	△713	1,001
Other comprehensive income		
Valuation difference on available-for-sale securities	△44	128
Remeasurements of defined benefit plans, net of tax	△165	274
Total other comprehensive income	△210	403
Comprehensive income	△923	1,405
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	△934	1,405
Comprehensive income attributable to non-controlling interests	10	-

3. Consolidated Statement of changes in equity

for the fiscal year ended March 31, 2020

(in millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	14,577	8,669	14,726	△2,342	35,631
Changes during period					
Dividends of surplus			△1,371		△1,371
Profit (loss) attributable to owners of parent			△724		△724
Purchase of treasury shares				△3,565	△3,565
Disposal of treasury shares					—
Cancellation of treasury shares		△1,741		1,741	—
Change in ownership interest of parent due to transactions with non-controlling interests		△21			△21
Net changes in items other than shareholders' equity					
Total changes during period	—	△1,762	△2,095	△1,824	△5,682
Balance at end of period	14,577	6,907	12,631	△4,167	29,948

	Total accumulated other comprehensive income			
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balance at beginning of period	1	△1,125	79	△1,044
Changes during period				
Dividends of surplus				
Profit (loss) attributable to owners of parent				
Purchase of treasury shares				
Disposal of treasury shares				
Cancellation of treasury shares				
Change in ownership interest of parent due to transactions with non-controlling interests				
Net changes in items other than shareholders' equity	△44	—	△165	△210
Total changes during period	△44	—	△165	△210
Balance at end of period	△43	△1,125	△85	△1,254

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	78	52	34,718
Changes during period			
Dividends of surplus			△1,371
Profit (loss) attributable to owners of parent			△724
Purchase of treasury shares			△3,565
Disposal of treasury shares			—
Cancellation of treasury shares			—
Change in ownership interest of parent due to transactions with non-controlling interests			△21
Net changes in items other than shareholders' equity	△0	△52	△263
Total changes during period	△0	△52	△5,945
Balance at end of period	78	—	28,772

for the fiscal year ended March 31, 2021

(in millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	14,577	6,907	12,631	△4,167	29,948
Changes during period					
Dividends of surplus			△1,115		△1,115
Profit (loss) attributable to owners of parent			1,001		1,001
Purchase of treasury shares				△0	△0
Disposal of treasury shares		△22		69	46
Cancellation of treasury shares					—
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes in items other than shareholders' equity					
Total changes during period	—	△22	△114	68	△67
Balance at end of period	14,577	6,885	12,516	△4,098	29,881

	Total accumulated other comprehensive income			
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balance at beginning of period	△43	△1,125	△85	△1,254
Changes during period				
Dividends of surplus				
Profit (loss) attributable to owners of parent				
Purchase of treasury shares				
Disposal of treasury shares				
Cancellation of treasury shares				
Change in ownership interest of parent due to transactions with non-controlling interests				
Net changes in items other than shareholders' equity	128	—	274	403
Total changes during period	128	—	274	403
Balance at end of period	85	△1,125	189	△851

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	78	—	28,772
Changes during period			
Dividends of surplus			△1,115
Profit (loss) attributable to owners of parent			1,001
Purchase of treasury shares			△0
Disposal of treasury shares			46
Cancellation of treasury shares			—
Change in ownership interest of parent due to transactions with non-controlling interests			—
Net changes in items other than shareholders' equity	△0	—	403
Total changes during period	△0	—	335
Balance at end of period	78	—	29,108

4. Consolidated Cash Flow Statements

(in millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit (loss) before income taxes	△448	1,313
Depreciation	536	528
Increase (decrease) in provision for bonuses	22	△136
Decrease (increase) in retirement benefit asset	108	△363
Increase (decrease) in retirement benefit liability	62	△62
Increase (decrease) in allowance for doubtful accounts	69	0
Interest and dividend income	△47	△39
Interest expenses	5	7
Impairment losses	40	106
Loss (gain) on sale of investment securities	△82	△93
Loss (gain) on sale of non-current assets	-	△0
Loss on retirement of non-current assets	11	4
Loss on valuation of golf club membership	2	9
Settlement package	8	0
Gain on reversal of share acquisition rights	△2	△10
Increase (decrease) in reserve for financial instruments transaction liabilities	-	△29
Decrease (increase) in cash segregated as deposits for customers	△1,530	△80
Increase (decrease) in deposits and guarantee deposits received	1,719	1,855
Decrease (increase) in short-term loans receivable	5	2
Decrease (increase) in trading products - assets (liabilities)	8	45
Decrease/increase in margin transaction assets/liabilities	5,897	△104
Decrease (increase) in deposits paid for underwritten offering, etc.	△1,430	1,303
Other, net	△330	799
Subtotal	4,627	5,057
Interest and dividends received	47	39
Interest paid	△6	△7
Income taxes refund (paid)	299	△228
Net cash provided by (used in) operating activities	4,968	4,860
Cash flows from investing activities		
Purchase of property, plant and equipment	△1,000	△212
Proceeds from sale of property, plant and equipment	-	6
Purchase of intangible assets	△469	△230
Purchase of investment securities	△150	△66
Proceeds from sale of investment securities	238	443
Long-term loan advances	△5	△8
Proceeds from collection of long-term loans receivable	8	22
Other, net	△17	0
Net cash provided by (used in) investing activities	△1,395	△44
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	6	△6
Proceeds from long-term borrowings	150	-
Repayments of long-term borrowings	△184	-
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	△76	-
Repayments of lease obligations	△4	△4
Purchase of treasury shares	△3,565	△0
Proceeds from sale of treasury shares	-	0
Dividends paid	△1,367	△1,112
Dividends paid to non-controlling interests	△9	-
Net cash provided by (used in) financing activities	△5,051	△1,123
Effect of exchange rate change on cash and cash equivalents	△93	5
Net increase (decrease) in cash and cash equivalents	△1,572	3,697
Cash and cash equivalents at beginning of period	14,220	12,647
Cash and cash equivalents at end of period	12,647	16,345

5. Notes to Consolidated Financial Statements

(There is no note to premises for continuing business.)

(Material Matters Essential for Preparation of Consolidated Financial Statements)

1. Matters concerning scope of consolidation:

Consolidated subsidiaries: 4 companies

Namely:

- (i) Ichiyoshi Research Institute Inc.
- (ii) Ichiyoshi Asset Management Co., Ltd.
- (iii) Ichiyoshi Business Service Co., Ltd.
- (iv) Ichiyoshi Financial Advisor Co., Ltd.

2. Matters concerning application of an equity method: None

3. Matters concerning fiscal-year account-settlement dates of consolidated subsidiaries

The fiscal-year account-settlement dates of all consolidated subsidiaries coincide with the consolidated fiscal-year account-settlement day (March 31).

(Segment Information)

1. Segment information

(For the fiscal year ended March 31, 2021)

Since the Company and its group companies are engaged in one single segment of business defined as “investment and financial services”, the description of segment information is omitted.

2. Related information

(For the fiscal year ended March 31, 2021)

(1) Information by product and service:

Since investment and financial services defined as one single segment accounted for more than 90% of operating revenue on the consolidated income statement, the description of information by product and service is omitted.

(2) Information by area:

(a) Operating revenue:

Since operating revenue derived from domestic customers accounted for more than 90% of operating revenue on the consolidated income statement, the description of operating revenue by area is omitted.

(b) Tangible fixed assets:

Since there is no tangible fixed asset outside Japan, the description of tangible fixed assets by area is omitted.

(c) Information by main customers:

Since there is no customer who accounts for more than 10% of operating revenue, the description of main customers is omitted.

(3) Information on impairment loss on tangible fixed asset by described segment:

For the fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021):

Since the Company and its group companies are engaged in one single segment of business defined as “investment and financial services,” the description of impairment loss on tangible asset by segment is omitted.

(4) Information on depreciated amount or undepreciated balance of goodwill by described segment:

For the fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021):

Since the Company and its group companies are engaged in one single segment of business defined as “investment and financial services,” the description of depreciated amount or undepreciated balance of goodwill by segment is omitted.

(5) Information on gains from negative goodwill by described segment:

For the fiscal year ended March 31, 2021 (From April 1, 2020, to March 31, 2021):

Since the Company and its group companies are engaged in one single segment of business defined as “investment and financial services,” the description of gains from negative goodwill by segment is omitted.

[Per-share Data on a consolidated basis]

	--- Fiscal year ended ---	
	March 31, 2020	March 31, 2021
Per-share net worth	797.12yen	804.07yen
Per-share net income	-17.72yen	27.79yen
Per-share net income on a diluted basis adjusted for shares potentially	---	27.79yen

Notes: (1) Per-share net income on a diluted basis for the fiscal year ended March 31, 2020 is not calculated since net income was negative for the fiscal year and there were no potentially—issuable shares having diluting effect.

(2) Basis for computation of per-share net income on non-diluted and diluted basis is as follows:

	--- Fiscal year ended ---	
	March 31, 2020	March 31, 2021
Per-share net income:		
Net income attributable to		
owners of parent	-724 million yen	1,001 million yen
Amount not attributable to common		
shareholders	--	--
Net income related to common shares		
attributable to owners of parent	-724 million yen	1,001 million yen
Average no. of outstanding common shares		
during the fiscal year	40,858 thousand	36,037 thousand

Per-share net income on a diluted basis

(adjusted for potentially issuable shares):

Adjusted amount of net income

attributable to owners of parent	--	--
No. of common shares increased		
during the fiscal year	---	3
(of which issued upon exercise of		thousand
stock options)	(---)	(3 thousand)

Contents of potentially-issuable shares

having no diluting effect and thus not included

in computation of per-share income on a

diluted basis

Stock option-based
equity warrants:

Stock option-based
equity warrants:

(1)No. of warrants: 280; No. of shares issuable:28,000 shares. (resolved on May. 12, 2015)	(1)No of warrants:3,718. No. of shares issuable: 371,800 shares (resolved on May 17, 2016)
(2)No. of warrants: 3,851; No. of shares issuable: 385,100 shares (resolved on May 17, 2016)	(2) No. of warrants: 229: No. of shares issuable: 22,900shares (resolved on Apr. 27, 2018)
(3)No. of warrants: 277; No. of shares issuable: 27,700 shares (resolved on Apr 27, 2018)	

Note (3): Basis for computation of per-share net worth is as follows:

	Fiscal year ended	
	March 31, 2020	March 31, 2021
Net worth	28,772 million yen	29,108 million yen
Deductions from net worth (of which due to stock options)	78 million yen (78 million yen)	78 million yen (78 million yen)
Net worth related to common shares as of the end of fiscal year	28,694 million yen	29,030 million yen
No. of common shares as of the end of fiscal year used for computation of per-share net worth	35,997 thousand	36,103 thousand

(Subsequent Material Events after March 31, 2021): None

VI. Supplemental Information

Supplemental information on consolidated business result for the fiscal year ended March 31, 2021:

1. Commissions

(1) Commissions by sources

(in millions of yen with fractions less than a million yen rounded down)

	--- Fiscal year ended ---		(B) over (A)
	March 31, 2020(A)	March 31, 2021(B)	Change(%)
Brokerage commissions	4,913	6,182	25.8
(Stocks)	(4,745)	(6,026)	(27.0)
(Beneficiary certificates)	(168)	(155)	(-7.5)
Commissions from underwriting			
and solicitation to specified investors	557	496	-10.9
(Stocks)	(557)	(496)	(-10.9)
Commissions from distribution			
and solicitation to specified investors	3,980	3,554	-10.7
(Beneficiary certificates)	(3,876)	(3,442)	(-11.2)
Commissions from other sources	7,394	7,374	-0.3
(Beneficiary certificates*)	(6,733)	(6,680)	(-0.8)
Total	16,845	17,608	4.5

*Breakdown of (Beneficiary certificates)

(in millions of yen with fractions less than a million yen rounded down)

	--- Fiscal year ended ---		(B) over (A)
	March 31, 2020(A)	March 31, 2021(B)	Change(%)
Trailer fees relating to distribution	3,862	3,625	-6.1
Trustee fees for fund management	1,395	1,316	-5.6
Fees from fund wrap accounts	1,475	1,738	17.8
Total	6,733	6,680	-0.8

(2) Commissions by products

(in millions of yen with fractions less than a million yen rounded down)

	--- Fiscal year ended ---		(B) over (A)
	March 31, 2020(A)	March 31, 2021(B)	Change(%)
Stocks	5,327	6,551	23.0
Bonds	103	112	8.6
Beneficiary certificates	10,777	10,278	-4.6
Others	636	665	4.6
Total	16,845	17,608	4.5

2. Gains or loss on trading

(in millions of yen with fractions less than a million yen rounded down)

	--- Fiscal year ended ---		(B) over (A)
	March 31, 2020(A)	March 31, 2021(B)	Change(%)
Stocks, etc.	37	171	355.4
Bonds, foreign exchange, etc.	52	138	165.9
(Bonds, etc.)	(27)	(24)	(-10.8)
(Foreign exchange, etc.)	(25)	(114)	355.6
Total	89	310	245.3

3. Quarterly Consolidated Income Statements for Recent Eight Quarters

(in millions of yen)

	1st Q (4-6/19)	2nd Q (7-9/19)	3rd Q (10-12/19)	4th Q (1-3/20)	1st Q (4-6/20)	2nd Q (7-9/20)	3rd Q (10-12/20)	4th Q (1-3/21)
Operating revenue	4,618	4,820	4,511	4,894	4,182	4,588	5,198	5,777
Commission received	4,124	4,293	4,074	4,352	3,689	4,136	4,639	5,142
Net trading income	9	16	30	33	28	24	98	159
Financial revenue	77	88	60	53	49	54	51	51
Other operating revenue	407	422	346	454	414	372	409	424
Financial expenses	23	51	23	16	18	20	15	16
Other operating expenses	374	373	327	414	371	344	375	386
Net operating revenue	4,220	4,396	4,160	4,463	3,792	4,223	4,808	5,375
Selling, general and administrative expenses	4,459	4,541	4,364	4,420	4,174	4,223	4,272	4,266
Trading related expenses	466	496	500	540	431	388	368	343
Personnel expenses	2,427	2,376	2,343	2,341	2,231	2,322	2,348	2,321
Real estate expenses	615	727	605	593	586	599	591	638
Office expenses	551	586	563	607	547	554	600	588
Depreciation	146	128	123	138	130	131	132	132
Taxes and dues	62	70	63	59	62	67	69	75
Provision of allowance for doubtful accounts	—	—	—	—	—	—	0	0
Other	190	155	165	139	184	158	159	165
Operating profit	△239	△145	△204	42	△381	0	535	1,108
Non-operating income	21	46	40	55	17	4	32	7
Non-operating expenses	0	85	△4	7	1	17	1	5
Ordinary profit	△218	△183	△158	90	△365	△12	566	1,111
Extraordinary income	0	3	81	0	105	1	23	3
Extraordinary losses	0	0	14	48	2	2	35	80
Profit before income taxes	△218	△180	△91	42	△261	△12	554	1,034
Income taxes - current	90	100	63	24	21	25	23	209
Income taxes - deferred	△120	△1	56	50	117	△96	76	△64
Profit	△188	△279	△211	△32	△401	58	454	889
Profit attributable to non-controlling interests	5	5	—	—	—	—	—	—
Profit attributable to owners of parent	△194	△285	△211	△32	△401	58	454	889

(END)