

**Ichiyoshi Securities Co., Ltd.**  
**Notice of 79th Annual Meeting of Shareholders**

[English translation for reference purposes only]

May 28, 2021

Notice is hereby given to the shareholders of Ichiyoshi Securities Co., Ltd. (“Ichiyoshi” or the “Company”) that the 79th 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 6 herein) carefully and send the voting card to be received by the Company by 5:00 p.m. on June 25, 2021 (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 26, 2021, Saturday, from 10:00 a.m.

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

**2. Place:** At 8<sup>th</sup> Floor Hall, Tokyo Shoken Kaikan

1-5-8, Nihonbashi Kayabacho, 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, 2020 to March 31, 2021), 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, 2020 to March 31, 2021).

Resolutions proposed for approval and adoption:

1<sup>st</sup> resolution: Appointment of 9 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:**

In order to prevent the 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) Giving the highest priority to the safety and health of the shareholders, the Company honestly recommends that they will exercise their voting rights via mail or electronically in addition to voting in person at the shareholders' meeting.
- (ii) As in the case of last year, 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.
- (iii) 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 26, 2021 (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 25, 2021 (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 25, 2021 (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 25, 2021 (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 9 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 9 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 in business operations and expert knowledge
- 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 9 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<br>Member of Nominating Committee<br>Member of Remuneration Committee |

|   |                         |  |
|---|-------------------------|--|
| 2 | <b>Hirofumi Tamada</b>  | President & Representative<br>Executive Officer  |
| 3 | <b>Toshiyuki Fuwa</b>   | Deputy President & Representative Executive<br>Officer   |
| 4 | <b>Shoichi Yamazaki</b> | Managing Executive Officer   |
| 5 | <b>Akira Gokita</b>     | Outside and Independent Director<br>Member of Nominating Committee (Chairman)<br>Member of Remuneration Committee<br>Member of Audit Committee |
| 6 | <b>Kenro Kakeya</b>     | Outsider and Independent Director<br>Member of Remuneration Committee (Chairman)<br>Member of Nominating Committee                             |
| 7 | <b>Takashi Ishikawa</b> | Outside and Independent Director<br>Member of Audit Committee<br>(Chairman, full-time)<br>Head of Outside and Independent Directors            |
| 8 | <b>Kota Sakurai</b>     | Outside or and Independent Director<br>Member of Audit Committee   |
| 9 | Yoko Mashimo            | (Nominee for outside and independent director,<br>female)  |

[Further details on each nominee]

| Nominee Number          | Birth date     | Reappointment or new appointment<br>and frequency of attendance<br>at various meetings  | No. of the Company's<br>shares owned |
|-------------------------|----------------|---|--------------------------------------|
| 1 <b>Masashi Takehi</b> | April 13, 1943 | Nominee for reappointment<br>Frequency of attendance at<br>Board of Directors' meetings: 19 times (100%)<br>Frequency of attendance at Nominating Committee:<br>6 times (100%)<br>Frequency of attendance at Remuneration Committee:<br>4 times (100%)<br>[Positions/occupations prior to the<br>current ones are omitted in this<br>English version] | 146,1000 shares                      |

● **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.

|                          |                  |  |               |
|--------------------------|------------------|--|---------------|
| 2 <b>Hirofumi Tamada</b> | October 25, 1971 | Nominee for reappointment              | 37,500 shares |
|                          |                  | Frequency of attendance at             |               |
|                          |                  | Board of Directors' meetings: 15 times |               |
|                          |                  | (since becoming Director) (100%)       |               |
|                          |                  | [Positions/occupations prior to the    |               |
|                          |                  | current ones are omitted in this       |               |
|                          |                  | English version]                       |               |

● **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. Since being appointed as President and Representative Executive Officer in April 2020, he presided over business operations as head of the Company. 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.

|                         |                   |                                     |               |
|-------------------------|-------------------|-------------------------------------|---------------|
| 3 <b>Toshiyuki Fuwa</b> | November 13, 1959 | Nominee for new appointment         | 64,000 shares |
|                         |                   | Frequency of attendance at Board    |               |
|                         |                   | Directors' meetings: 15 time        |               |
|                         |                   | (since becoming Director) (100%)    |               |
|                         |                   | [Positions/occupations prior to the |               |
|                         |                   | current ones are omitted in this    |               |
|                         |                   | English version]                    |               |



● **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. Since being appointed as Deputy President and Representative Executive Officer in April 2020., he assisted the President in presiding over the business operations. 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 **Shoichi Yamazaki**    September 23, 1955    Nominee for new appointment    17,900 shares

● **Reasons for his nomination as director:**

Since joining the Company 2015, he took charge of various Head Office divisions as operating officer. He became Executive Officer in charge of administrative and control divisions at Head Office in 2020. Since becoming Managing Executive Officer in April 2021, he has taken charge of finance, management, administrative, control and system divisions and subsidiaries. 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 experience at various divisions to the management of the Company.

5 **Akira Gokita**    September 20, 1947    Nominee for reappointment    0 share

Frequency of attendance at

Board of Directors' meetings: 19 times (100%)

Frequency of attendance at Nominating Committee:

6 times (100%)

Frequency of attendance at Remuneration Committee:

4 times (100%)

Frequency of attendance at Audit Committee:

15 times (100%)

[Positions/occupations prior to the

current ones are omitted in this

English version])

(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 his role expected:**

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

The Nominating Committee believes that he is qualified for outside directorship selection criteria and that he is equipped with expertise and profound knowledge and experience as former public prosecutor and attorney-at-law. Therefore, the Nominating Committee has judged that he can contribute to the management of the Company by providing his deep insight and advice based on such experience and enhance the Company's governance capability. There is no conflict of interest between Mr. Gokita and the Company.

He will have served the Company as outside director for 11 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.

|                       |                    |  |               |
|-----------------------|--------------------|--|---------------|
| 6 <b>Kenro Kakeya</b> | September 13, 1951 | Nominee for reappointment                          | 17,200 shares |
| ,                     |                    | Frequency of attendance at                         |               |
|                       |                    | Board of Directors' meetings: 19 times (100%)      |               |
|                       |                    | Frequency of attendance at Nominating Committee:   |               |
|                       |                    | 6 times (100%)                                     |               |
|                       |                    | Frequency of attendance at Remuneration Committee: |               |
|                       |                    | 4 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 and his role expected:**

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

The Nominating Committee believes that he is qualified for outside directorship selection criteria and that he is equipped with profound knowledge and experience as former Nippon Keizai Shimbun (Japan Economic Journal) and current business owner. Therefore, the Nominating Committee has

judged that he can contribute to the management of the Company by providing his deep insight and advice based on such experience and enhance the Company's governance capability. There is no conflict of interest between Mr. Kakeya and the Company.

He will have served the Company as outside director for 11 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 Remuneration Committee (as chairman) and a member of the Nominating Committee upon the conclusion of the shareholders' meeting.

|                           |                  |   |              |
|---------------------------|------------------|---|--------------|
| 7 <b>Takashi Ishikawa</b> | December 8, 1959 | Nominee for reappointment                     | 1,500 shares |
|                           |                  | Frequency of attendance at                    |              |
|                           |                  | Board of Directors' meetings: 19 times (100%) |              |
|                           |                  | Frequency of attendance at Audit Committee:   |              |
|                           |                  | 15 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 and his role expected:**

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

The Nominating Committee believes that he is qualified for outside directorship selection criteria and that he is equipped with profound knowledge and experience as former president of a securities firm. Therefore, the Nominating Committee has judged that he can contribute to the management of the Company by providing his deep insight and advice based on such experience and enhance the Company's governance capability. There is no conflict of interest between Mr. Ishikawa and the Company.

He will have served the Company as outside director for 9 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.

|                       |                 |   |               |
|-----------------------|-----------------|---|---------------|
| 8 <b>Kota Sakurai</b> | August 20, 1959 | Nominee for reappointment   | 25,900 shares |
|                       |                 | Frequency of attendance at<br>Board of Directors' meetings: 19 times (100%)                 |               |
|                       |                 | Frequency of attendance at<br>Audit Committee: 15 times (100%)                              |               |
|                       |                 | [Positions/occupations prior to the<br>current ones are omitted in this<br>English version] |               |

(Significant concurrent position)

He is currently a certified public accountant and tax 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 and his role expected**  
 He has provided the Company with his fair and objective views as outside director of the Company. The Nominating Committee believes that he is qualified for outside directorship selection criteria and that he is equipped with expertise and profound knowledge and experience as certified public accountant and tax accountant. Therefore, the Nominating Committee has judged that he can contribute to the management of the Company by providing his deep insight and advice based on such experience and enhance the Company's governance capability. There is no conflict of interest between Mr. Sakurai and the Company.  
 He will have served the Company as outside director for 10 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

|                       |                    |  |         |
|-----------------------|--------------------|--|---------|
| 7 <b>Yoko Mashimo</b> | September 20, 1969 | Nominee for new appointment  | 0 share |
|                       |                    | [Prior positions/occupations are omitted<br>in this English version] |         |

- She is a **nominee for outside director**, as defined under Article 2-3-7 of the Company Law Enforcement Regulations.
- She 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 her nomination as outside director and her role expected:**

The Nominating Committee believes that she is qualified for outsider directorship selection criteria and that she is equipped with expertise and profound knowledge and experience as labor and social security attorney. Therefore, the Nominating Committee has judged that she can contribute to the management of the Company by providing her deep insight and experience from the female point of view and enhance the Company's governance capability. There is no conflict of interest between Ms. Mashimo and the Company.

[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:

|                              |                             |
|------------------------------|-----------------------------|
| <b>Nominating Committee:</b> | Mr. Akira Gokita (Chairman) |
|                              | Mr. Kenro Takeya            |
|                              | Mr. Masashi Takehi          |

|                                |                             |
|--------------------------------|-----------------------------|
| <b>Remuneration Committee:</b> | Mr. Kenro Takeya (Chairman) |
|                                | Mr. Akira Gokita            |
|                                | Mr. Masashi Takehi          |

|                         |                                 |
|-------------------------|---------------------------------|
| <b>Audit Committee:</b> | Mr. Takashi Ishikawa (Chairman) |
|                         | Mr. Akira Gokita                |
|                         | Mr. Kota Sakurai                |

**Notation to the 1<sup>st</sup> Resolution:**

(Outline of Directors and Officers Liability Insurance)

The Company has contracted Directors and Officers Liability Insurance (the D&O Insurance). Therefore, any person appointed as an applicable director or officer will be covered by the D&O Insurance.

The outline of the D&O Insurance is as follows:

- i. Geographical coverage is the whole world and insurance period is from March 23, 2021 to March 23, 2022,
- ii. Compensable events:
  - a. If an applicable director or officer becomes liable for a damage claim from a shareholder or third person resulting from the director's or officer's action or failure to act during the insurance period, such damage and litigation expenses will be covered.
  - b. When there arises a possibility of a damage claim suit (even if a suit has not actually

happened) and an applicable director or officer incurs expenses in related defense, such expenses will be covered.

- c. This insurance will not cover a damage claim resulting from an applicable director's or officer's action contrary to public order and morals, thereby ensuring that directors' or officers' execution of their duty will be made in an appropriate manner.

## **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 14, 2021, 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 advisers** 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.)

### **[Reference] Ichiyoshi's Attitude to Sustainability (sustainable growth)**

#### **1. Corporate Philosophy**

The Company has made efforts to "Build a company like no others so far in Japan" based on "Ichiyoshi Credo" as a pillar of its corporate philosophy. The Credo records "the Company's Principles and Action Guidelines" which directors, officers and employees all hold as their common measure of value for the Company's raison d'être in the community.

Raison d'être for stakeholders and the Company's attitude

Vis-à-vis employees:    Work-friendly and worthwhile offices  
                                 Training system

Vis-à-vis shareholders: Return to shareholders  
                                 Corporate governance  
                                 Compliance system  
                                 Disclosure policy

Vis-à-vis customers:    Business operations based on customer-first attitude  
                                 Making safe and secure for customers

|                    |                                      |
|--------------------|--------------------------------------|
| Vis-à-vis Society: | Social contribution activities       |
|                    | Actions through business activities. |

## 2, Business Model

The Company has held “Customer First” as its guideline since its founding. As flow of money “From savings to investments” progressed in tandem with the Japanese “Big Bang” in late 1990’s, the Company has changed its business model to “asset-accumulation type” and exerted to increase customers’ assets in a safe and steady manner. In 2000, the Company adopted “Ichiyoshi Standards” incorporating 7 principles, not selling products simply because they are popular, thus clearly establishing customer-first policy.

In order further to promote flow of money “From savings to asset-building,” the Company is in the process of drawing up portfolios catered for each of customers’ needs. Thus, the Company is building “Truly customer-first sales system.”

### 3.Management Srategy

KPIs (key performance indicators) for the Company are “customers’ assets in custody” as a barometer of customers’ trust and “cost coverage ratio” as a barometer of management stability. With an eye to improving the KPIs, the Company is proceeding with “decisive action on reform” and focusing on important tasks and challenges to cope with rapidly changing circumstances.

(1) Mid-Term Management Plan “Attack 3”

(for the period from April 2020 to March 31, 2023)

Numerical targets:

|                                  |                |
|----------------------------------|----------------|
| Customers' assets in custody     | 3 trillion yen |
| ROE                              | Approx. 15%    |
| Number of lead-managed companies | 80             |
| Cost coverage ratio              | 60%            |

### Strategies for expansion of customers' assets in custody:

Expansion through proposals based on customers' needs and timely follow-up services

- (i) Expansion of core-fund assets pivoted on “Dream Collection”(fund-wrap account vehicle)
- (ii) Expansion of core-stock assets pivoted on asset-backed stocks (including high-yielding large-cap stocks)
- (iii) Expansion of active assets piled on the two core assets above

## (2) Material tasks and challenges

### Material tasks

#### and challenges

#### Ichiyoshi's measures and policy

Global easier money/expansion of fiscal

Expenditures

100-year life expectancy

DX, shift to green movement

Transformation of finance and securities

Proposals based on customers' risk tolerance  
matching a low-interest rate age

Asset-building proposals based on customers'  
needs matching longer healthy longevity

Hybridized use of IT taking advantage of  
Ichiyoshi's strength in face-to-face sales

Furtherance of Ichiyoshi's contribution to  
SDG-related activities

Furtherance of change to asset-accumulation  
type business model, thereby enhancing  
customer-first business operations

## 4 Corporate Governance

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.

## **5. Measures to Ensure the Effectiveness of Board of Directors**

Since before the installation of the corporate governance code, the Company has had in place the company-with-three-committees system separating decision-making and execution with outside directors consulting fully with executing officers. Currently, as before, free and open discussions are being made at meetings of the Board of Directors, with executing officers listening to comments by outside directors. When there arise matters requiring more data in the eyes of outside directors, such matters will be treated as items of continued deliberation, thereby ensuring transparency.

In order to further ensure the effectiveness of the Board of Directors, the following measures are being taken:

(1) Meeting of non-executive directors

The meeting of directors without executive power is held with the Chairman of the Board of Directors acting as chairman for the purpose of supervising the Company's management from the independent and objective points of view. At the meeting, exchanges of views on securities industry, economy, social matters, beside the management of the Company are made freely and openly, thereby ensuring the effectiveness of the Board of Directors. Such meetings were held 19 times for the fiscal year ended March 31, 2021.

(2) Meeting of independent and outside directors

The meeting of independent and outside directors is held with the full-time outside director acting as chairman for the purpose of exchanging and sharing views and information from the independent and objective points of view. Additionally, ad-hoc meetings between independent and outside directors and executive group of officers are held for exchange and sharing of information and views, thereby ensuring the effectiveness of the Board of Directors.

(3) Conducting of questionnaire on effectiveness of Board of Directors

Since 2017, questionnaire to all directors has been conducted for the purpose of surveying the performance and effectiveness of the Board of Directors. 33 items in the questionnaire are intended to test whether the Board of Directors is properly functioning. The results are used to improve on problem areas and strengthen the Company's advantages, thereby continuously ensuring the effectiveness of the Board of Directors.

## 6. Ichiyoshi's Initiatives to ESG and SDGs

(Vis-à-vis customers)

| Initiatives and approach   | E, S or G | Contribution to SDGs   |
|--|-----------|--|
| Asset-accumulation type business model for customer-first priority                                     | S, G      | Goal 8: Work-worthy and economic growth<br>Goal 9: Building base for industry and tech innovation                              |
| Unwavering belief in "Do not sell products simply because they are popular"                            | S         | Goals 8, 9   |
| Conviction in providing order-made products for each customer  | S         | Goals 8, 9   |
| Approach to economic and social changes (management of assets in low-interest age)                     | S         | Goals 8, 9   |
| Approach to fin-tech age (hybridized sales activities and improvement on productivity)                 | S         | Goals 8, 9   |
| Approach to changes in banking and securities industries (business management on customer-first basis) | S         | Goals 8, 9   |
| Approach to 100-year life expectancy (asset management matching longer healthy longevity)              | S         | Goal 1: Reduction of poverty<br>Goal 8: Economic growth with worthwhile work<br>Goal 9: Building of base for industry and tech |

|   |           | innovation  |
|---|-----------|---|
| Raising funds for Ichiyoshi's SDGs-focused small- and mid-cap fund        | E, S      | Goal 8: Economic growth with worthwhile work<br>Goal 9: Building of base for industry and tech innovation<br>Goal 17: Achieving target in partnership |
| (Vis-à-vis employees)   |           |   |
| Initiatives and approach  | E, S or G | Contributions to SDGs   |
| -----   |           |   |
| Active participation by female workers and appointment of female managers | S         | Goal 3: Health and welfare to every person<br>Goal 5: Attainment of gender equality<br>Goal 8: Economic growth with worthwhile work                   |
| Improvement on working place (better communication and control of time)   | S         | Goals 3, 5, 8   |
| (Vis-à-vis shareholders)  |           |   |
| Initiatives and approach  | E, S or G | Contributions to SDGs   |
| -----   |           |   |
| Return to shareholders  | G         | Goal 8: Economic growth with worthwhile work<br>Goal 16: Peace and justice to every person  |
| Corporate governance  | G         | Goals 8, 16   |
| Company with three-committees system and executive officer system         | G         | Goals 8, 16   |
| Compliance system   | S,G       | Goals 8, 16   |
| Risk management   | G         | Goals 8, 16   |
| (Vis-à-vis society)   |           |   |
| Initiatives and approach  | E, S or G | Contributions to SDGs   |
| -----   |           |   |
| Mangrove project  | E         | Goal 13: Concrete measure for climate change<br>Goal 15: Let's protect the richness of the land   |
| Environmental conservation (eco-car, recycled paper, air-conditioner)     | E         | Goals 13, 15  |
| Training of guide dog project   | S         | Goal 3: Health and welfare to every person<br>Goal 10: Abolishment of inequality for every person and nation  |
| Pediatric medicine project  | S         | Goals 3, 10   |
| School building construction project                                      | S         | Goal 4: High-quality education to every person<br>Goal 6: Supply safe water and toilet to whole world   |

## **Addendum**

## **Report on Business Result**

(For the fiscal year from April 1, 2020 to March 31, 2021)

### **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) Medium-Term Management Plan "Attack 3"**

The Company aims to build a "Name-brand Boutique House in finance and securities industry" to materialize its management philosophy contained in "Ichiyoshi Credo." 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 sustain its continuous growth. As part of specific measures to further strengthen the foundation of “Name-brand Boutique House,” the Company formulated the Medium-Term Management Plan “Attack 3” for the period from April 2020 to 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.” Under “Attack 3,” a new target of cost coverage ratio is 60%.

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

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 were announced, all contributing to hopes for the normalization of the global economy and pushing up the Nikkei Stock Average again. At 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, and proposals of small-and medium-cap growth stocks, taking advantage of the Company’s strength in research. 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 19,748 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

### **3. Commissions and Cost & Expenses**

#### **(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 279 million yen, and corporate tax adjustments of 32 million yen) registered 1,001 million yen.

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, 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  |
| Total   | 5,327 | 103 | 10,777 | 636 | 16,845 |
| <b>For the fiscal year ended March 31, 2021</b> |       |     |        |     |        |
| Brokerage commissions                           | 6,026 | 0   | 155    | --  | 6,182  |
| Commissions from underwriting                   |       |     |        |     |        |
| and solicitation to specified investors         | 496   | --  | --     | --  | 496    |
| Commissions from distribution                   |       |     |        |     |        |
| and solicitation to specified investors         | 0     | 112 | 3,442  | --  | 3,554  |
| Commissions from other sources                  | 27    | 0   | 6,680  | 665 | 7,374  |
| Total   | 6,551 | 112 | 10,278 | 665 | 17,608 |

## 4. Financial Conditions

### Conditions of assets, liabilities and net worth

#### (i) 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

#### (ii) Liabilities

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

#### (iii) 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.

As a result, equity ratio as of March 31, 2021 registered 59.0%, and capital adequacy ratio, as defined by the securities regulator, recorded 450.1% as of the same date.

## 5. Material funding activities

None

## 6. Material investments in facilities

In the fiscal year ended March, 2021, the Ichiyoshi group made the equipment investments worth 276 million yen. The major item of investments was construction work for relocation of branch offices.

## 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--- |           |          |           |          |
|--------------------------------------|-----------|----------|-----------|----------|
|                                      | 2018      | 2019     | 2020      | 2021     |
| Operating revenue                    | 26,502    | 21,227   | 18,846    | 19,747   |
| (of which commissions)               | (24,616)  | (19,205) | (16,845)  | (17,608) |
| Net operating revenue                | 25,069    | 19,769   | 17,241    | 18,200   |
| Current income                       | 7,229     | 2,238    | -469      | 1,300    |
| Net income attributable to           |           |          |           |          |
| owners of parent                     | 4,994     | 1,674    | -724      | 1,001    |
| Earnings per share                   | 117.00yen | 39.25yen | -17.72yen | 27.29yen |
| Total assets                         | 58,590    | 48,554   | 43,530    | 49,211   |
| Net worth                            | 36,641    | 34,718   | 28,772    | 29,108   |

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 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 2019 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."

## 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<br>(mil. yen) | Voting ratio<br>by parent (%) | Contents of business   |
|---------------------------------------|-------------------------------|-------------------------------|--|
| Ichiyoshi Research Institute Inc.     | 20                            | 100.00%                       | Information services;<br>investment advisory &<br>agency   |
| Ichiyoshi Asset Management Co. Ltd.   | 490                           | 100.00%                       | Investment management<br>including investment trust;<br>investment advisory &<br>agency;                                 |
| Ichiyoshi Business Service Co., Ltd.  | 240                           | 100.00%                       | Property renting/<br>brokerage/management;<br>sales of office supplies;<br>financial instruments<br>intermediary service |
| Ichiyoshi Financial Advisor Co., Ltd. | 50                            | 100.00%                       | Financial instruments<br>intermediary service  |

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

## 11. Principal business (as of March 31, 2021)

(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 intermediary service, 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, 2021)

### (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: 48

The geographical breakdown of branches and offices:

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

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|                 |    |  |
|-----------------|----|--|
| Kanto District: | 13 | Ginza, Nakano, Planet Plaza Narimasu<br>, Akasaka, Nakameguro, Kichijoji,<br>Yokohama, Planet Plaza Odawara, |
|-----------------|----|--|

|                          |    |   |
|--------------------------|----|---|
|                          |    | Kamioka, Planet Plaza Mukogaoka,<br>Urayasu, Chiba, Koshigaya<br>(In addition, the Company has<br>Call Center-Ichiyoshi Direct)   |
| Chubu District           | 6  | Nagoya, Okazaki, Iida, Ina,<br>Ise, Planet Plaza Shima  |
| Kinki District           | 19 | Osaka, Nanba, Imazato, Harinakano, Ishibashi,<br>Kishiwada, Hirakata, Yao, Fushimi, Nishinomiya,<br>Kobe, Kakogawa, Nishiwaki, Planet Plaza Kasai,<br>Takada, Gakuenmae, Gobo, Tanabe, Tamaki |
| Chugoku-Shikoku District | 3  | Okayama, Kurashiki, Shodoshima,   |
| Kyushu District          | 5  | Fukuoka, Omuta, Sasebo, Planet Plaza Isahaya,<br>Planet Plaza Karatsu   |
| Tohoku District          | 2  | Morioka, Mizusawa,  |

(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     |
| Ichiyoshi Financial Advisor Co., Ltd.    | Chuo-ku, Tokyo     |
| Sakura Narimasu Office                   | Itabashi-ku, Tokyo |

### 13. Employees (as of March 31, 2021)

(1) Employees on a consolidated basis

|                           | Number | Change from March 31, 2020 |
|---------------------------|--------|----------------------------|
| Regular employees:        |        |                            |
| Male                      | 752    | - 5                        |
| Female                    | 317    | - 6                        |
| Total                     | 1,069  | - 11                       |
| Commission-based workers: |        |                            |
|                           | 1      | 0                          |

Note: (i) In addition to employees and workers mentioned above, there are 4 executive

advisers, 1 consultant and 2 contract-based advisors.

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

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

|                           | Number | Change from<br>March 31, 2020 | Average age            | Average years of service |
|---------------------------|--------|-------------------------------|------------------------|--------------------------|
| -----                     |        |                               |                        |                          |
| Regular employees:        |        |                               |                        |                          |
| Male                      | 683    | - 13                          | 45 years and 2 months  | 15 years and 5 months    |
| Female                    | 295    | - 11                          | 41 years and 1 month   | 11 years and 7 months    |
| Total / average           | 978    | - 24                          | 43 years and 11 months | 14 years and 3 months    |
| Commission-based workers: |        |                               |                        |                          |
|                           | 1      | 0                             | 78 years and 0 month   | 18 years and 0 month     |
| -----                     |        |                               |                        |                          |

Note: (i) In addition to employees and workers mentioned above, there is 1 executive adviser, 1 consultant and 2 contract-based advisors.

(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 | 2021 |
| -----                       |                |      |      |      |      |      |      |
| Share of female workers (%) | 5.8            | 8.5  | 8.7  | 9.4  | 9.8  | 11.6 | 15.3 |
| -----                       |                |      |      |      |      |      |      |

## 14. Major Borrowing Sources (as of March 31, 2021)

| Name of lender           | Term                       | Outstanding amount<br>(in millions of yen) |
|--------------------------|----------------------------|--|
| Mitsubishi UFJ Bank Ltd. | Long                       | 73   |
| Mizuho Bank Ltd.         | Long                       | 73   |
| Mitsubishi UFJ Bank Ltd. | Short                      | 151  |
| Resona Bank Ltd.         | Short                      | 20   |
| Mizuho Bank Ltd.         | Short                      | 21   |
| Mitui Sumitomo Bank Ltd. | Short                      | 20   |
| -----                    |                            |  |
| Nihon Securities         |                            |  |
| Finance Co., Ltd.        | For margin<br>transactions | 5,791                                      |



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## II. Matters Concerning the Company's Stock (as of March 31, 2021)

1. Number of authorized shares: 168,159,000 shares
2. Number of issued shares: 42,431,386 shares  
(which include 6,327,577 treasury shares)
3. Number of shareholders (as of March 31, 2021): 15,545
4. Major shareholders (top 10): (in thousands of shares) (as of March 31, 2021)

| Name of shareholder                                      | No. of shares held<br>(in thousands) | % of total |
|--|--------------------------------------|------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account)     | 2,556                                | 7.08       |
| Custody Bank of Japan, Ltd (Trust Account)               | 1,478                                | 4.09       |
| Nomura Research Institute, Inc.                          | 879                                  | 2.43       |
| Ichiyoshi Securities Employee Shareownership Association | 851                                  | 2.35       |
| SSBTC CLIENT OMNIBUS ACCOUNT                             | 662                                  | 1.83       |
| Custody Bank of Japan, Ltd. (Trust Account 5)            | 606                                  | 1.67       |
| Custody Bank of Japan, Ltd. (Trust Account 6)            | 523                                  | 1.44       |
| Custody Bank of Japan, Ltd. (Trust Account 1)            | 436                                  | 1.20       |
| Custody Bank of Japan, Ltd. (Trust Account 2)            | 401                                  | 1.11       |
| JP Morgan Chase Bank 385781                              | 364                                  | 1.01       |

Note: As of March 31, 2021, the Company held 6,327,577 treasury shares, which are not included in the calculation of the above-mentioned %.

## III. Matters Relating to the Company's Share Warrants (as of March 31, 2021)

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

(1) 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

(2) Share Warrants No. 13:

Date of resolution by the Board of Directors:

May 15, 2020

Payment for each share warrant:

0

Exercise price:

45,500yen 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 26, 2022 to May 25, 2025

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. 11 | 300                 | 30,000 shares                              | 5             |
| Share Warrants No. 13 | 350                 | 35,000 shares                              | 5             |

2. Status of share warrants granted to employees in the form of their remuneration during the fiscal year ended March 31, 2021:

| Recipient   | Name of warrants     | No. of warrants | No of shares issuable upon exercise | No of holders |
|---|----------------------|-----------------|-------------------------------------|---------------|
| Operating officers and employees of the Company   | Share Warrants No13  | 4,245           | 424,500 shares                      | 1,111         |
| Directors, officers and employees of subsidiaries | Share Warrants No.13 | 701             | 70,100 shares                       | 34            |

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

### 1. Directors and executive officers (as of March 31, 2021)

| Title  | Name             | Charge/role/profession  |
|--|------------------|---|
| Director, Chairman of Board of Directorss                    | Masashi Takehi   | Chairman of the Board of Directors,<br>Member o Nominating Committee,<br><br>Member of Remuneration Committee   |
| Director, President and Representative Executive Officer     | Hirofumi Tamada  | Executive Chief for Advisors Division   |
| Director, Deputy President, Representative Executive Officer | Toshiyuki Fuwa   | Executive Supervisor for Personnel/Training   |
| Outside Director   | Akira Gokita     | Chairman of Nominating Committee,<br>Member of Remuneration Committee,<br>Member of Audit Committee,<br>Attorney-at-law with Gokita-Miura Law Office, Outside director at Sanwa Holdings Ltd.               |
| Outside Director   | Kenro Kakeya     | Chairman of Remuneration Committee,<br>Member of Nominating Committee,<br>Representative Dierctor & President of Kakeya Komuten,  |
| Outside Director   | Takashi Ishikawa | Chairman of Audit Committee (full-time),<br>Statutory Auditor of Ichiyoshi Business Service Co., Ltd, Statutory Auditor of Ichiyoshi Asset Management Co., Ltd.,<br>Statutory Auditor of Ichiyoshi Research |

|                   |                  |  |
|-------------------|------------------|--|
|                   |                  | Institute, In., President & Representative<br>Director of SR Holdings Inc.   |
| Outside Director  | Kota Sakurai     | Member of Audit Committee,<br>Certified public accountant & tax accountant<br>and partner with Sakurai Kota Accounting &<br>Tax Accounting Firm LLP  |
| Executive Officer | Masao Sugiura    | Executive Supervisor for Operations Division,<br>Executive Supervisor for System Division,<br>Subsidiary Operations and System, Executive<br>Chief for Operations Division/System Division<br>Director of Ichiyoshi Business Service Co., Ltd.<br>Director of Ichiyoshi Asset Management Co. Ltd<br>Director of Ichiyoshi Research Institute, Inc.       |
| Executive Officer | Shoichi Yamazaki | Executive Supervisor for Finance/Management<br>and Administrative Division, Supervisor for<br>Underwriting Credit Evaluation,<br>Director of Ichiyoshi Business Service Co., Ltd.<br>Director of Ichiyoshi Asset Management Co., Ltd.<br>Director of Ichiyoshi Research Institute, Inc.<br>Statutory Auditor of Ichiyoshi Financial Advisor<br>Co., Ltd. |

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 directors 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 a 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. Hiroshi Ryugen retired from his position of executive officer effective as of July 9, 2020.
- (6) The following is a list of operating officers as of March 31, 2021:

| Title                    | Name        | Charge/role                         |
|--------------------------|-------------|-------------------------------------|
| 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, General Manager for Corporate Business  |
| Senior Operating Officer | Nobuyasu Atago       | Chief Economist   |
| Senior Operating Officer | Masami Takeda        | Executive Chief for Institutional Investors, General Manager for Trading  |
| Operating Officer        | Mitsuyoshi Matsumura | Officer attached to Investment banking Division   |
| Operating Officer        | Kenichi Asada        | Supervisor for Advisor Division/Wealth Management, Supervisor for Customer Trust, General Manager for Wealth Management |
| Operating Officer        | Jiro Tsuboi          | Supervisor for Advisor Division and FC  |
| Operating Officer        | Yoshihisa Rikitake   | Executive Chief for Advisors Support Division, Supervisor for Wrap/Investment Analysis, Manager for IFA Office          |
| Operating Officer        | Hiroki Shimada       | Executive Chief for Control Division  |

(7) Effective as of March 31, 2021, Mr. Hiroki Shimada retired from his position of operating officer.

(8) The following changes and appointments were made effective as of April 1, 2021:

| Name              | New title                  | New position/role  |
|-------------------|----------------------------|--|
| Shoichi Yaamazaki | Managing Executive Officer | Executive Supervisor for Finance/Management/ Operations Division/System Division/Subsidiaries, Supervisor for Underwriting Credit Evaluation |
| Masao Sugiura     | Executive Officer          | Executive Chief for Operations Control Division/ System Division, Supervisor for Operations Control And System of Subsidiaries               |

## 2. Outline of Directors and Officers Liability Insurance

The Company has contracted a directors and officers liability insurance (“D&O Insurance”) whose outline is as follows:

(1) Covered directors and officers and insurance premiums they pay:

All directors, executive officers and operating officers of the Company and its subsidiaries are covered. Insurance premiums are paid by the Company.

(2) Geographical coverage is the whole world, and the insurance period is from March 23, 2021 to March 23, 2022.

(3) Compensable events:

(i) If an applicable director or officer becomes liable for a damage claim from a shareholder or third person resulting from the director's or officer's action or failure to act during the insurance period, such damage and litigation expenses will be covered.

(ii) When there arises a possibility of a damage claim suit (even if a suit has not actually happened) and an applicable director or officer incurs expenses in related defense, such expenses will be covered.

(4) This insurance will not cover a damage claim resulting from an applicable director's or officer's action contrary to public order and morals, thereby ensuring that directors' or officers' execution of their duty will be made in an appropriate manner.

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

| Type  | Total of all kinds of<br>Remunerations | Total of<br>basic<br>Remuneration | Total of<br>Business-<br>result-linked<br>remuneration | Total of<br>Non-monetary<br>Remuneration | Total of<br>others | No of<br>applicable<br>directors or<br>officers |
|---|--|-----------------------------------|--|--|--------------------|---|
| Directors<br>(excluding<br>outside directors) | 163                                    | 143                               | 13   | 0  | 6                  | 3   |
| Executive officers                            | 52                                     | 45                                | 3  | 0  | 2                  | 3   |
| Outside directors                             | 79                                     | 76                                | 2  | 0  | 0                  | 4   |

Notes: (1) In the form of non-monetary remuneration, the Company awarded share warrants to directors (excluding outside directors) and executive officers. The contents of such awarded share warrants are described in **III Matters Relating to the Company's Share Warrants (as of March 31, 2021)**

(2) The number of executive officers in the above table one executive officer appointed during the fiscal year.

### 4. Policy on determination of individual remunerations of directors and executive officers for the fiscal year ended March 31, 2021

(1) 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,” “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) 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.

(2) Indicators used for remuneration linked to business result, reasons for adopting such indicators and method of calculation of remuneration linked to business result are as follows:

(Indicators used for remuneration)

Current income and net income for the relevant fiscal year.

(Reasons for adopting indicators)

These indicators can be regarded as objective figures and so generally accepted.

(Method of calculation)

Firstly, the weighted average of current income and net income for the relevant semi-annual period is computed and compared with the corresponding average for preceding semi-annual period, thereby obtaining a positive or negative result for the calculation of remuneration linked to business result.

(3) Current income and net income for the fiscal year ended March 31, 2021 as indicators used for calculation:

Current income: 1,033 million yen

Net income: 1,001 million yen

(4) Policy concerning decision on amount and computation of remuneration for each director and executive officer:

The Company has in place standards for paying remunerations depending on difference between directors and executive officers, ranks and degree of achievement of results. In deciding an actual amount of remuneration for each of directors and executive officers, the Remuneration Committee carries out evaluation of standards for paying remuneration applicable to each director and executive officer. The Remuneration Committee regards the remunerations for directors and executive officers for the fiscal year ended March 31, 2021 as concordant with standards for paying remunerations.

## 5. 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. There is no matter to be noted between the Company and Kakeya Komuten Co., Ltd.

(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   | <b>Akira Gokita</b> | Attended 19 meetings of the Board of Directors (frequency ratio of 100%), 6 meetings of the Nominating Committee (frequency ratio of 100%), 4 meetings of the Remuneration Committee (frequency ratio of 100%) and 15 meetings of the Audit Committee (frequency ratio 100%). |
| Member of the Nominating, Remuneration and Audit Committee | .                   | At meetings, he provided expert advices and views as a former public prosecutor and attorney-at-law, thereby Ensuring the Company's governance capability.  |



|  |                         |   |
|--|-------------------------|---|
| Director   | <b>Kenro Kakeya</b>     | Attended 19 meetings of the Board of Directors (frequency ratio of 100%), 6 meetings of the Nominating Committee (frequency ratio of 100%) and 4 meetings of the Remuneration Committee (frequency ratio of 100%).  |
| Member of the Nominating and Remuneration Committees |                         | At meetings, he provided expert advices and views as a former press reporter with Nippon Keizai Shinbun (Japan Economic Journal) and incumbent business executive, thereby contributing to the Company's governance capability.   |
| Director   | <b>Takashi Ishikawa</b> | Attended 19 meetings of the Board of Directors (frequency ratio of 100%) and 15 meetings of the Audit Committee (frequency ratio of 100%). At meetings, he provided expert advises 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, thereby contributing to the Company's governance capability. |
| Member of the Audit Committee                        |                         |   |
| Director   | <b>Kota Sakurai</b>     | Attended 19 meetings of the Board of Directors (frequency ratio of 100%) and 15 meetings of the Audit Committee (frequency ratio of 100%). At meetings, he provided expert advises and views as a certified public accountant and tax accountant thereby contributing to the Company's governance capability.   |
| Member of the Audit Committee                        |                         |   |

## 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: 36 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: 40 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." 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 Medium-Term Management Plan "Attack 3" with its target date set for the end of March 2023.

Under the "Attack 3," the Company aims to expand customers' assets in custody to 3 trillion yen during the 3-year period through the end of March 2023. Since about 20 years ago, the Company has strived to move from "Flow type business model" chiefly based on brokerages to "Asset-accumulation type model" pivoted on trailer fees and wrap account fees, for which the cost coverage ratio is a main indicator of business performance. "Attack 3" has set a new target for this ratio.

● 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.

- (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 value 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, 2020 was 15yen, based on the DOE of approximately 2%, and a final dividend per share paid out of retained earnings to shareholders of record March 31, 2021 was 19yen, based on the payout ratio of approximately 50%. Thus, the annual total of dividend per share is 34 yen.

**[For information on the Consolidated Financial Statements**, please refer to the Company’s press release dated April 28, 2021, titled “Business Result for Fiscal Year to March 31, 2021” on the Company’s website (<https://www.Ichiyoshi.co.jp/stockholder/presentation>).

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

(End)