



The Medium-Term Management Plan

April 26, 2024

Marusan Securities Co., Ltd.

Note :

This document has been translated from the Japanese original for reference purposes only.
In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

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1. Environmental Awareness

■ From “Price Competition” Stage to “Service Competition” Stage in the Securities Industry

- ✓ The competition to lower stock brokerage commissions, centered on Internet brokerage, is heading toward ending at “zero”
- ✓ To the stage of being chosen for our service capabilities, i.e., stocks/portfolios proposal capabilities, and asset management capabilities

■ A Favorable Wind for Face-to-Face Brokerage

- ✓ Recognition of the need for investment due to future uncertainties (e.g., inflation, depreciation of the yen, new NISA)
- ✓ Investors struggle with investment decisions and stock selection due to lack of knowledge and experience
- ✓ Increased significance of face-to-face brokerages offering investment advice tailored to individual needs

■ Reverting from “Passive” to “Active”

- ✓ Passive managements (index investing) include both low-profit and overvalued stocks
- ✓ Reaffirming the superiority of active management with stock selection and risk control as the source of alpha

2. MARUSAN's Vision: Our Medium- to Long-Term Strategy

■ "A Reliable Entity in Japanese Stock Investment"

- Further strengthen our **ability to identify** promising stocks and make easy-to-understand **proposals**
- **Expand the number of customers holding individual stocks recommended** by the Company **and achieve increase in balance**

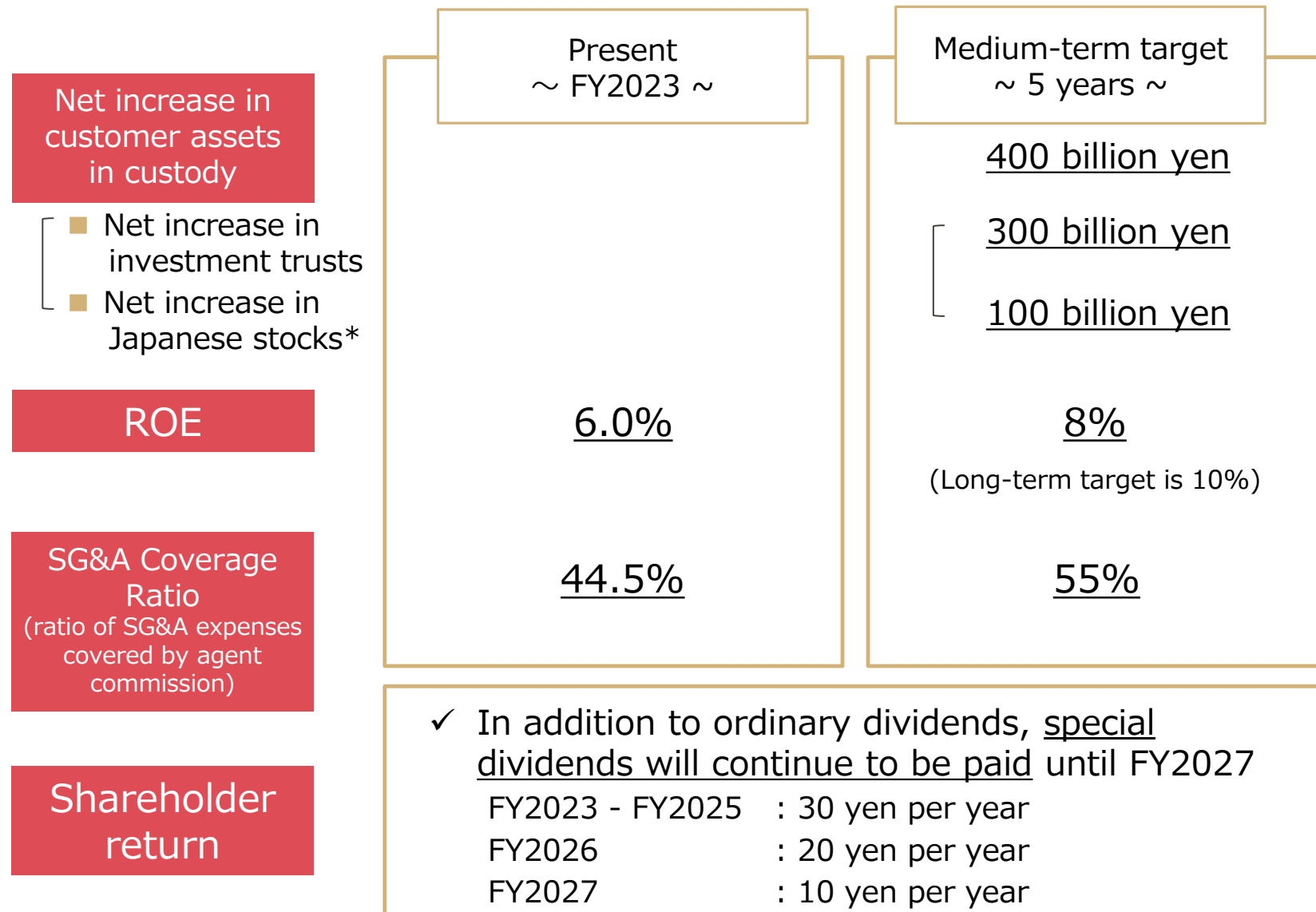
■ Stable Performance Despite Unstable Industry Environment

- **Steadily build up** investment trust balance **through long-term holdings of quality funds**
- Further increase in **the coverage ratio of selling, general and administrative (SG&A) expenses by agent commission** to stabilize performance

■ New Focus Areas

- **Launch fund wrap business** based on goals-based approach
- Expand acquisition of transactions in **underwriting lead managing business**

3. Outline of Management Plan



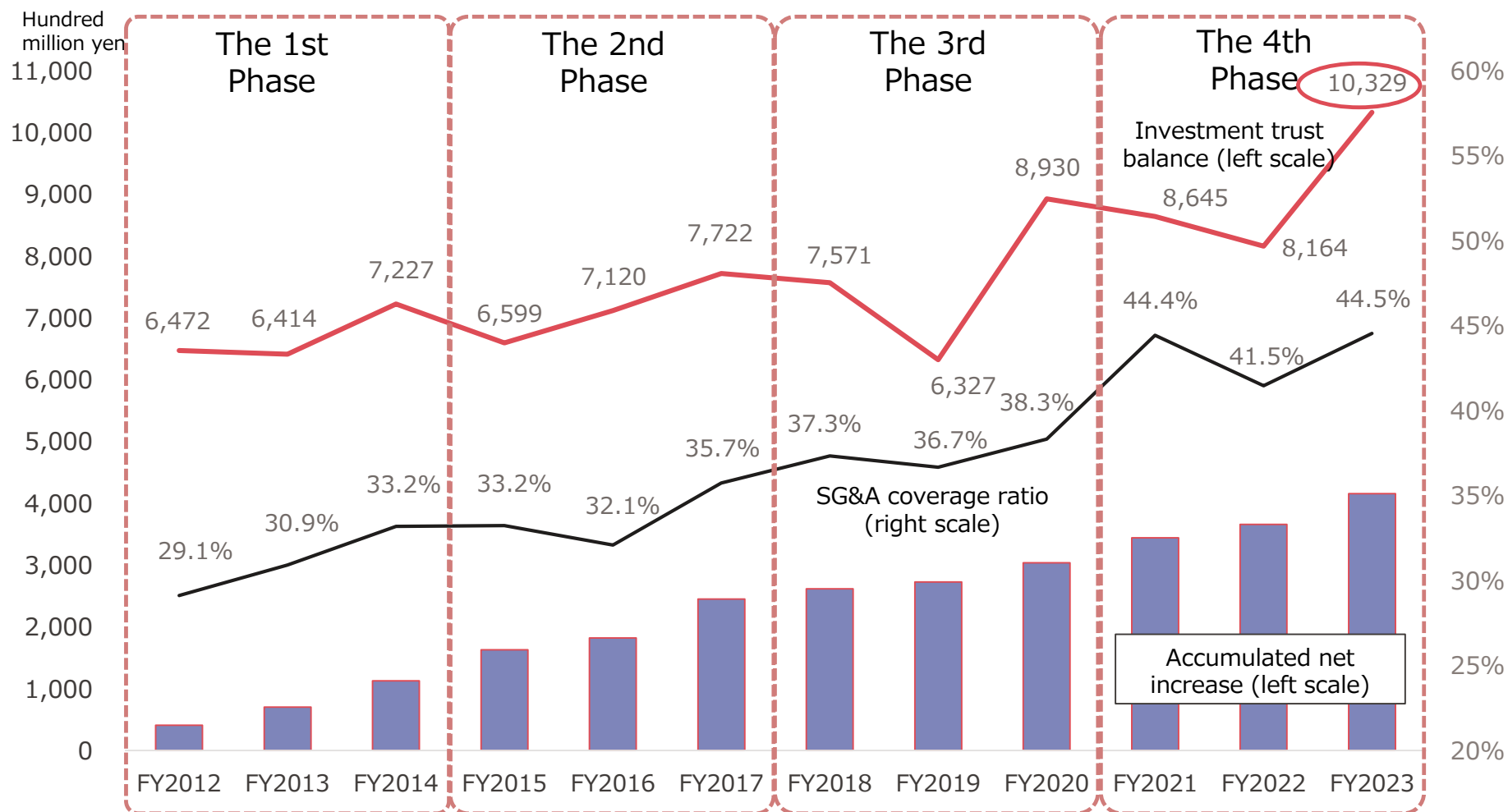
*Individual stocks recommended by the Company (52 stocks as of March 31, 2024)

Business Strategy

4. Business Strategy (1): Investment Trust Department (1)

■ Investment trust balance reached 1 trillion yen

- ✓ Reached 1 trillion yen in investment trust balance under the "Net Increase Plan of Investment Trusts (1st to 4th phases)" launched in April 2012.



*Net increase = Sales – Redemptions

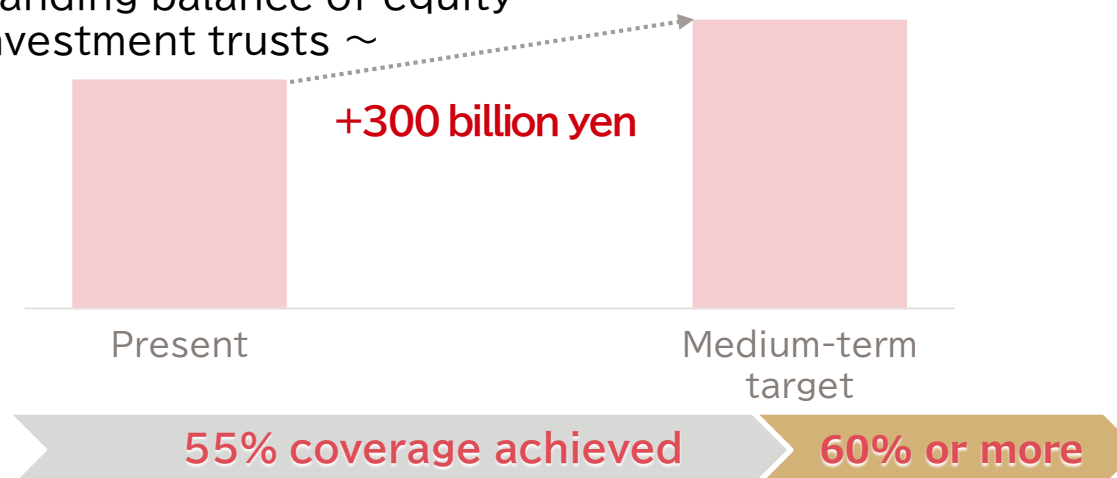
Investment trust balance shows that of end of period, SG&A coverage ratio shows that for the year.

4. Business Strategy (1): Investment Trust Department (2)

- Aim to **add 300 billion yen to the balance of investment trusts over 5 years** by continuing the net increase* of 5 billion yen per month in equity investment trusts.
 - *Net increase = Sales – Redemptions
 - Equity investment trusts exclude ETFs, MRFs, etc. and no-load investment trusts.
 - ✓ Our **ability to identify** quality active funds suitable for long-term holdings
 - ✓ Proposal and ongoing follow-up of portfolios that contribute to customer's long-term asset building
- Aim to achieve **55% SG&A coverage ratio by agent commission over the medium-term (5 years)** to further stabilize performance.

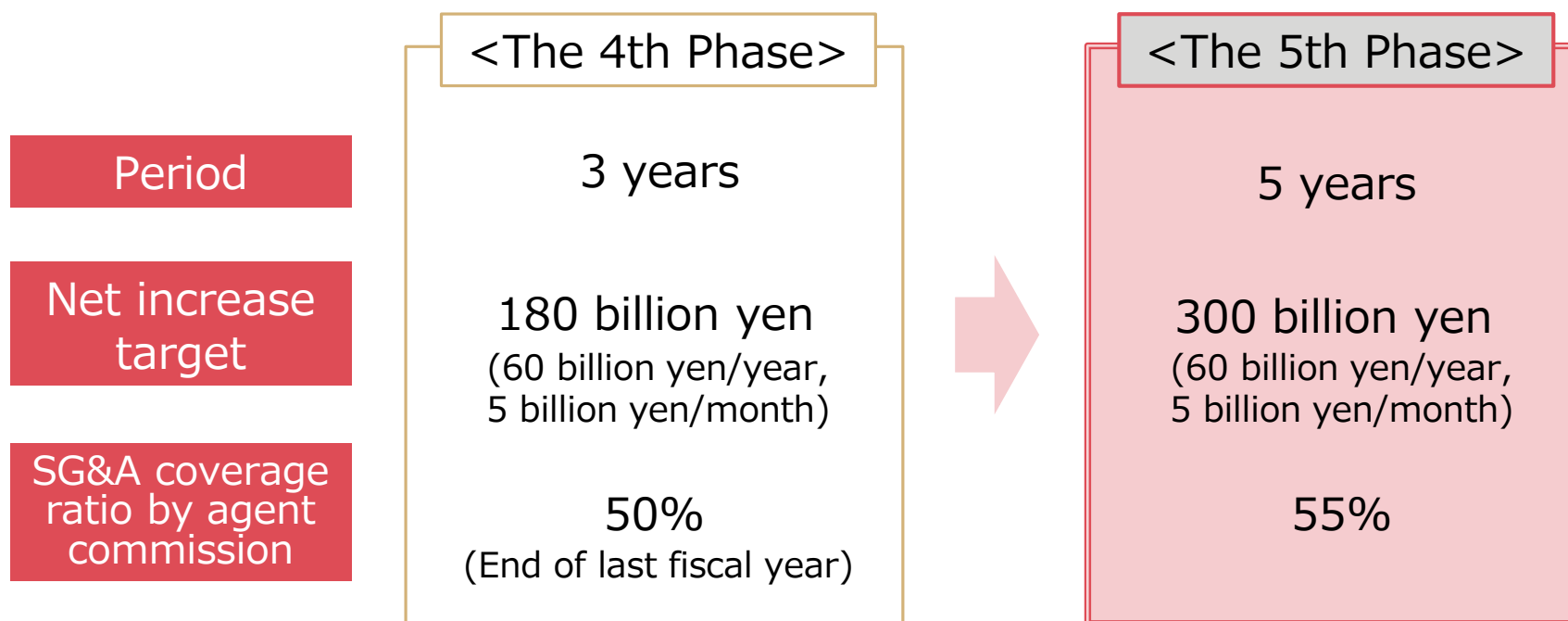
*Assumes that the agent commission ratio will be maintained at the current level by carefully selecting quality active funds.

~ Outstanding balance of equity investment trusts ~



4. Business Strategy (1): Investment Trust Department (3)

- Continue to implement the "Net Increase Plan of Investment Trusts" in the management plan.
- Launch the **"5th Net Increase Plan of Investment Trusts"** in fiscal 2024.



*Net increase = Sales – Redemptions
Equity investment trusts exclude ETFs, MRFs, etc. and no-load investment trusts.

4. Business Strategy (2): Stock Department (1)

<Industry Environment for Investing in Japanese Stocks>

- More individual investors **lack access** to in-person Japanese stock investment **information**
 - ✓ More investors look to Japanese stocks for increased presence
 - ✓ On the other hand, many securities companies are focusing on foreign stock offerings, leading to **scant attention/follow-up for Japanese stocks offerings**
- We **specialize in proposing and following up on Japanese stocks** and concentrate our management resources on this area
 - ✓ **Sales staff with extensive knowledge and experience** in Japanese stocks
 - ✓ **"Easy-to-understand" explanations** with **"visual materials"** that make extensive use of diagrams and photographs
 - ✓ Pursuit of **high performance** through carefully selected stocks



"When it comes to Japanese stocks, go to MARUSAN"
— becoming a trusted entity among customers

4. Business Strategy (2): Stock Department (2)

<Our Approach>

- Improve operational performance of customer
 - ✓ The Research sector (Research Department and Investment Information Department) **identifies** promising stocks through its discernment, and further the Equity Department, which is **well versed in the market**, carefully selects stocks
 - ✓ We strive to **enhance customers' investment performance** by approaching from both fundamentals and market timing perspectives
- Expand customer base
 - ✓ Referrals from existing customers who trust us
 - ✓ Attracting inexperienced investors (Japanese stock investment using the "New NISA")
- Create time resources by increasing productivity in stock sales
 - ✓ **Promote the use of MARUSAN-NET*** to enhance customer convenience and further improve productivity in stock sales *Internet trading with advisors
 - ✓ Allocate the time created to developing new customers and expanding consulting services.



Aim **to realize net increase of individual stocks* recommended by the Company (100 billion yen over 5 years)**

*52 stocks as of March 31, 2024

4. Business Strategy (3): New Focus Areas (1)

<Start of Fund Wrap Business>

■ Launch **fund wrap business based on “goals-based approach”**

- ✓ Products and services that contribute to medium- to long-term asset building
 - Invest in overseas assets and benefit from the growth of the global economy
 - In addition to lump-sum purchases, "systematic investment plan (SIP)" and "withdrawal" are also available
- ✓ Regular and ongoing consulting
 - Implement the "goals-based approach" and **become your partner in asset management, from asset building to asset succession**, including your family members
 - Provide **careful consulting services** for medium- to long-term asset building, without being swayed by market fluctuations
- ✓ Provide services that appeal to customers' **"core assets"**

■ **Fund wrap service to be launched** in 2025

4. Business Strategy (3): New Focus Areas (2)

<Approach to Underwriting Lead Managing Business>

■ Market environment for underwriting lead managing business

- ✓ Lead managing deals **are monopolized by major securities companies**
- ✓ Major securities companies are clearly **narrowing their focus to large deals**
- ✓ Government policy*: **Dedicated support for startups**

Increase in the number of companies unable to sign contracts with lead managing underwriters

* "Startup Development Five-Year Plan" (November 2022)

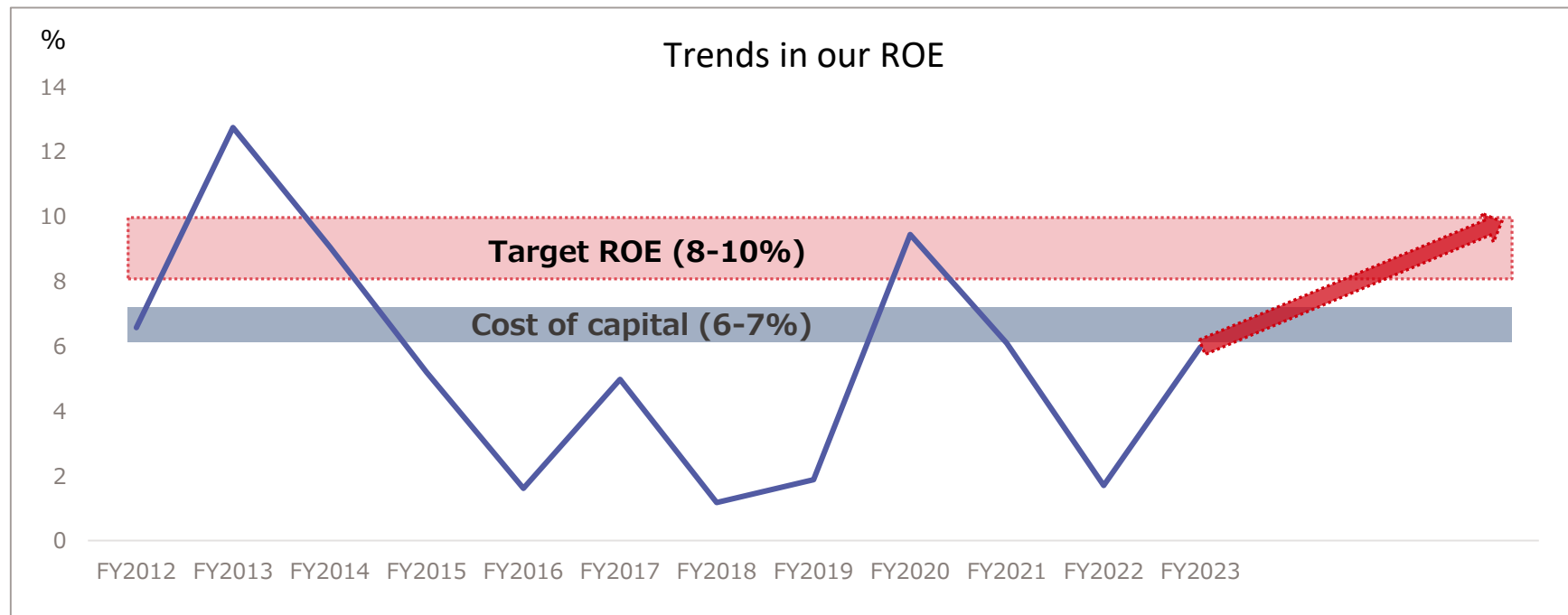
■ Re-focus on underwriting lead managing business

- ✓ **Identifying promising companies** and **providing investment opportunities** to customers
- ✓ **Underwriting from our unique and appropriate perspective**, including management philosophy, business model, growth potential/sustainability, etc.
- ✓ While major securities companies concentrate on large deals, **we also respond to small and medium-sized deals with sincerity and care**

5. Action to Implement Management that is Conscious of Cost of Capital and Stock Price (1)

(1) Achieve ROE in excess of cost of capital

- Aim to achieve 8% ROE (10% long-term) above average cost of capital



Assumptions for our cost of equity (rate of return expected by investors)

$$\begin{array}{ccccc} \boxed{\text{Risk Free Rate}} & + & \boxed{\beta} & \times & \boxed{\text{Market Risk Premium}} & = & \boxed{\text{Cost of Equity}} \\ \text{approx. 1.0\%} & & 0.8 \text{ to } 0.9 & & \text{approx. 6\%} & & \text{approx. 6 to 7\%} \end{array}$$

5. Action to Implement Management that is Conscious of Cost of Capital and Stock Price (2)

(2) Ensure stable performance that is less influenced by market conditions

- Possible reasons why the stock price may fall below a PBR of 1:
 1. ROE has not reached the level expected by investors
 2. The overall performance of the face-to-face securities industry tends to be heavily influenced by the market environment, and the unstable performance of the industry leads to a decline in attractiveness to investors.



In addition to improving ROE, it is necessary to "ensure stable performance"

Further “stabilize performance” by raising the SG&A coverage ratio through agent commission (medium-term target 55%)

5. Action to Implement Management that is Conscious of Cost of Capital and Stock Price (3)

(3) Strengthening shareholder return measures

■ Special dividends: FY2023 - FY2027 (announced on September 15, 2023)

- ✓ Progress in stabilizing the revenue base through a shift to asset management-type sales
- ✓ Decrease in margin loans due to the transfer of the online trading business, resulting in lower need for cash on hand
- ✓ Optimization of level of internal reserves and improvement of capital efficiency

<In addition to ordinary dividends, special dividends will continue to be paid until FY2027>

| | Special dividend per share | | |
|---------------------------------------|----------------------------|--------------------|------------------------|
| | Interim dividends | Year-end dividends | Total annual dividends |
| FY2023 | 15 yen | 15 yen | 30 yen |
| FY2024 | 15 yen | 15 yen | 30 yen |
| FY2025 | 15 yen | 15 yen | 30 yen |
| FY2026 | 10 yen | 10 yen | 20 yen |
| FY2027 | 5 yen | 5 yen | 10 yen |
| Cumulative total for 5 periods | 60 yen | 60 yen | 120 yen |

+

Ordinary dividend

Consolidated dividend payout ratio:
50% or more

Note: Year-end dividends are subject to resolution at the general meeting of shareholders held after the end of each fiscal year.

■ Continue to consider other measures for shareholder return depending on the situation

5. Action to Implement Management that is Conscious of Cost of Capital and Stock Price (4)

(4) Strengthen dialogue with investors

- Interviews with senior management and Directors (including Outside Directors and Corporate Auditors)
- Continued interviews with public relations and investor relations staff
- Holding IR Meetings for Investors
 - ✓ For institutional investors and analysts
 - ✓ For individual investors
- Reporting of financial results to major shareholders (institutional investors)
- Expansion of disclosure materials in English
- Disclosure in response to Tokyo Stock Exchange (TSE) requests*
 - ✓ Responder details, investor profiles, key themes and concerns of investors, status of feedback to management and Board of Directors....

*"Better Dialogue with Shareholders and Related Disclosure" (Tokyo Stock Exchange: March 31, 2023)

– Memo –

– Memo –



100 years of unchanged philosophy

～ Politely, honestly, for your future ～

Marusan Securities Co., Ltd.
Planning Department

TEL : 03-3238-2301

FAX : 03-3238-2225

<https://www.marusan-sec.co.jp/>



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This material was created based on the data as of the end of March 2024.

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