

Financial Results for the Six Months Ended September 30, 2024 (FY 2025/3 2Q) - Excerpt

TRADERS HOLDINGS CO., LTD.

Securities Code: 8704

October 31, 2024

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.



JPX-NIKKEI Mid Small



金融を、もっと面白く。

**Selected for the JPX-Nikkei Mid and Small Cap Index
for **the second consecutive year.****



JPX-NIKKEI Mid Small

FY 2023 - FY 2024 Selection

- 1 Financial Highlights of FY 2025/3 2Q**
- 2 Forecast for FY 2025/3**
- 3 Progress of Measures in FY 2025/3
to Achieve the Business Forecast**
- 4 Capital Policy**

金融を、もっと面白く。



Highlights of FY 2025/3 2Q

FY 2025/3 First Half (1H) Executive Summary



金融を、もっと面白く。



Customer assets under custody grew steadily through the 1Q, thanks to successful efforts to reduce spreads on high-interest rate currencies such as the Turkish lira and Mexican peso, as well as the promotion of swaps.

In the 2Q, the BOJ's intervention in the FX market and the rapid appreciation of the yen in early August caused a large amount of realized losses among customers who were forced to cut their losses.

However, we posted record semiannual operating revenues and operating income approximately 2.3 times higher than in the same period of the previous year.

	FY 2024/3 2Q	FY 2025/3 2Q	QOQ
Operating revenue	4,614 Million yen	7,657 Million yen	+65.9 % 
Operating income	1,863 Million yen	4,273 Million yen	+129.4 % 

Topics for FY 2025/3 1H

金融を、もっと面白く。



Operating revenue

7.6 Billion yen

QOQ

+3.0 Billion yen

- ✓ While assets under custody had been steadily expanding, trading volume increased sharply due to intermittent turbulent market developments from April to May and from July to August, resulting in a 1H operating revenue growth of approximately 1.7 times, breaking the previous year's record high.

SG&A expenses

3.3 Billion yen

QOQ

+0.6 Billion yen

- ✓ Transaction-related expenses increased due to aggressive advertising expenditures to achieve the planned increase in deposits for the fiscal year.
- ✓ Personnel expenses temporarily increased by approximately 250 million yen in the 2Q due to the effect of a change in accounting estimates for the expensing of restricted stock compensation.

Operating profit ratio

55.8 %

QOQ

+15.4 %

- ✓ Although the operating margin declined slightly in the 2Q from the 1Q to higher personnel expenses resulting from the recording of directors' bonuses and restricted stock compensation expenses, we maintained a high operating margin to record operating revenue in 1H of the year.

Assets under custody

100.6 Billion yen
(As of September 30, 2024)

Compared with
the end of FY 2024/3

-0.3 Billion yen

- ✓ Steady growth in 1Q to increased inflows from marketing strategies and an increase in assets under custody from large-lot consulting customers.
- ✓ The decline in the 2Q was due to the impact of large realized losses, mainly among customer who held positions in high-interest rate currencies, resulting in a slight decrease for the 1H total.

Quarterly Consolidated Financial Results

金融を、もっと面白く。



In the 1Q, the BOJ intervened in the FX market, and in the 2Q, the volume of transactions increased sharply to the BOJ's foreign exchange intervention, as well as the stock market plunge and the sharp appreciation of the yen.

Operating revenue reached a record high on a quarterly basis, and both operating income and ordinary income showed high progress.

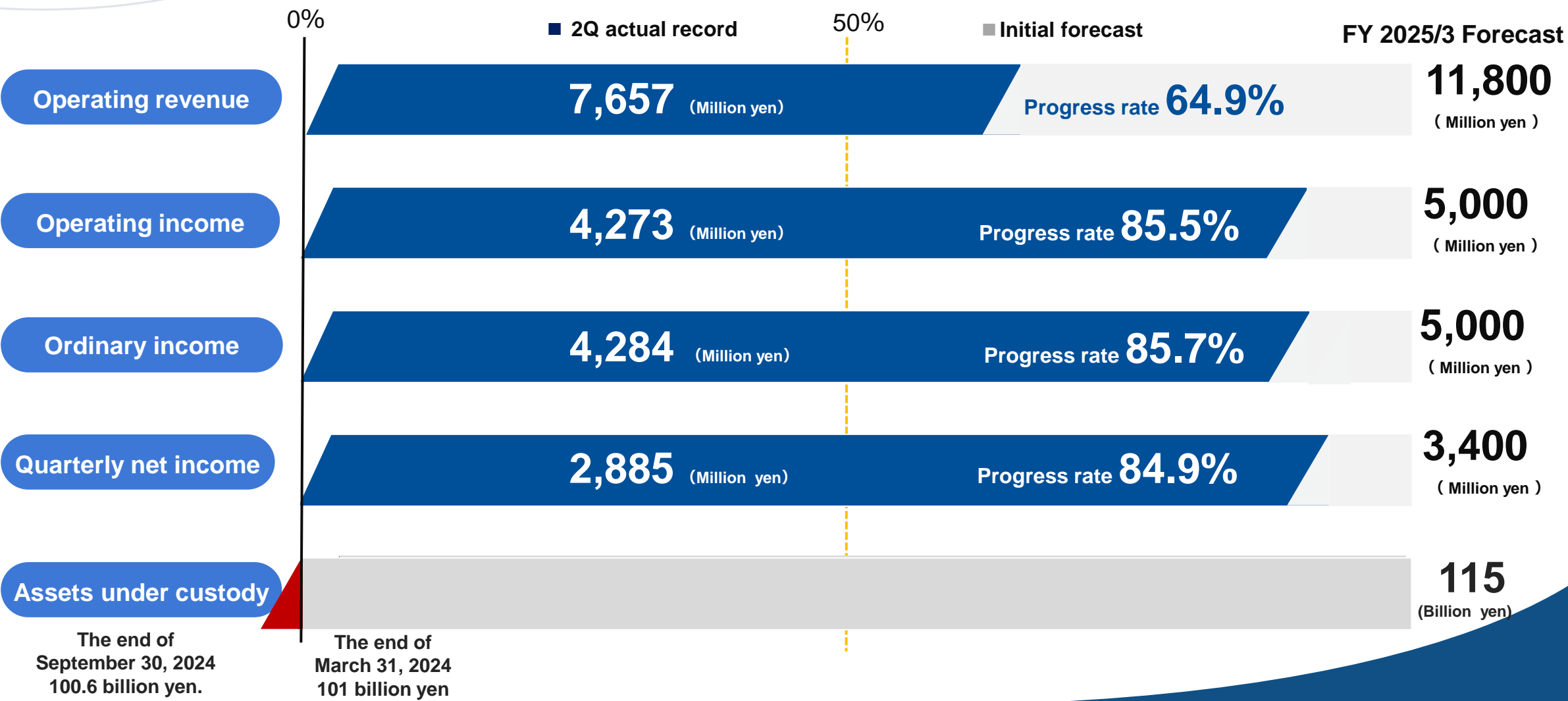
[Million yen]	FY 2024/3				FY 2025/3		QOQ (2Q)
	1Q (2023 Apr to June)	2Q (2023 July to Sep)	3Q (2023 Oct. to Dec)	4Q (2024 Jan. to Mar)	1Q (2024 Apr to June)	2Q (2024 July to Sep)	
Operating revenue	2,840	1,773	3,216	2,273	3,513	4,143	+133.6%
Operating income [Profit margin]	1,593 (56.1%)	269 (15.2%)	1,905 (59.2%)	644 (28.3%)	2,054 (58.5%)	2,219 (53.6%)	+722.4%
Ordinary income [Profit margin]	1,582 (55.7%)	263 (14.9%)	1,907 (59.3%)	636 (28.0%)	2,051 (58.4%)	2,233 (53.9%)	+746.3%
Quarterly net income [Profit margin]	1,312 (46.2%)	193 (10.9%)	1,372 (42.7%)	456 (20.1%)	1,485 (42.3%)	1,400 (33.8%)	+624.9%

Percentage of Progress in Quarterly Consolidated Financial Results

金融を、もっと面白く。

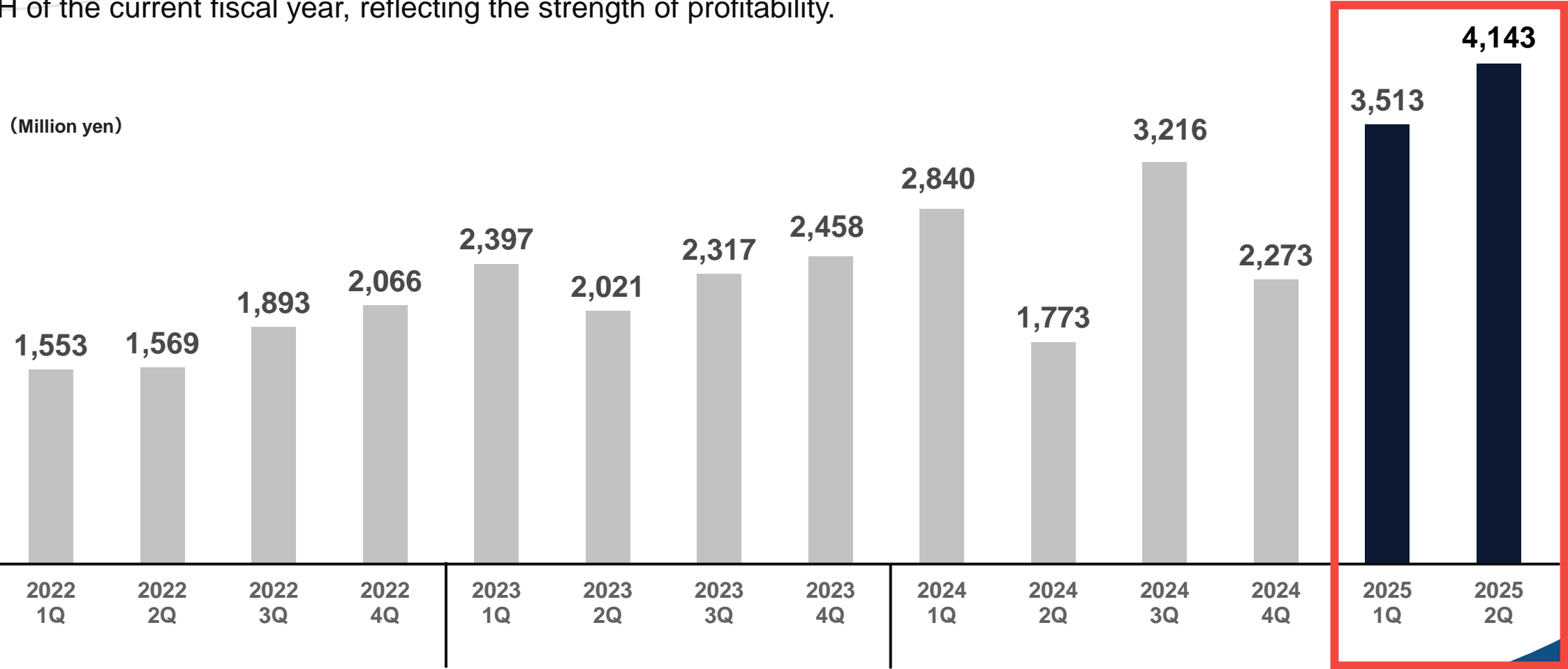


Due to the continued high volatility in the market for two consecutive quarters, operating revenues grew beyond the plan's expectations in 1H of the year. The increase in operating revenue directly boosted operating income, ordinary income, and net income, resulting in a high rate of progress toward the annual plan.



Business Results [Operating revenue]

Although the fluctuation of quarterly operating revenues has been more significant in recent quarters than in the past, the upper line of operating revenues has generally increased in proportion to the increase in assets under custody, reaching a record high in 1H of the current fiscal year, reflecting the strength of profitability.



Transition of SG&A Expenses

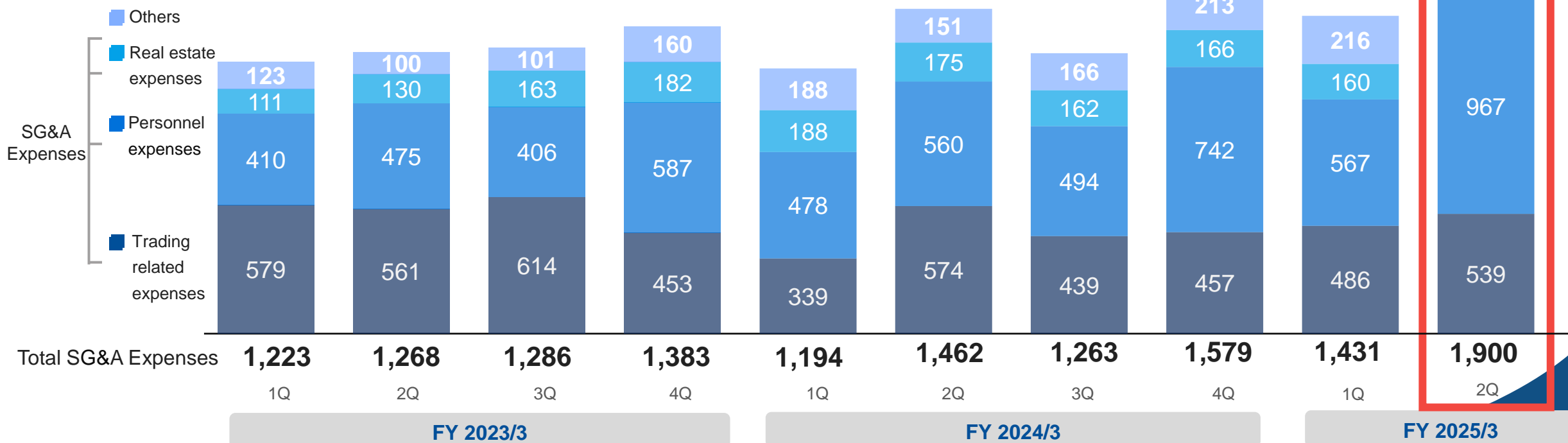
金融を、もっと面白く。



- ✓ Transaction-related expenses increased to aggressive advertising expenditures to achieve the increase in assets under custody planned for the fiscal year.
- ✓ The increase in personnel expenses in 2Q was due to the timing factor of recording bonuses and stock compensation expenses for directors and a one-time increase in personnel expenses (250 million yen) to the impact of a change in accounting estimates for the expensing of restricted stock compensation.

*From the FY 2024/3, certain personnel and other expenses that were included in “Cost of Sales” are now included in SG&A Expenses. Therefore, the figures for the FY 2023/3 have been reclassified in the same manner.

[Million yen]



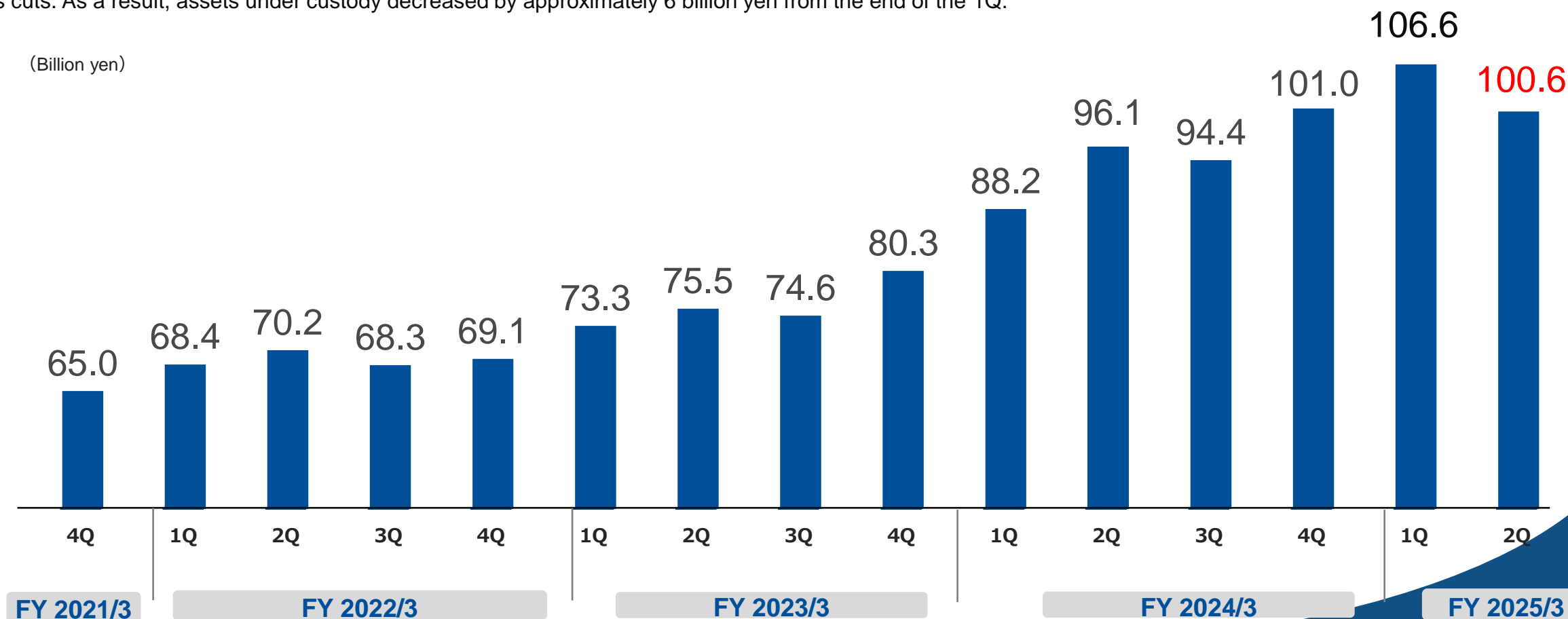
Transition in Assets Under Custody

金融を、もっと面白く。



- ✓ We continue to offer the FX industry's highest spreads and swaps on "Minna-no FX" and "LIGHT FX", promote competitive product appeal.
- ✓ We focused on high-interest rate currencies, especially MXN/JPY and TRY/JPY, to attract new customers and increase open positions of existing customers, and achieved a steady increase in assets under custody until the end of the 1Q.
- ✓ In the 2Q, the rapid appreciation of the yen due to the unwinding of the yen carry trade caused the high-interest rate currencies MXN/JPY and TRY/JPY to fall particularly sharply, by more than 20%, resulting in a large amounts of losses realized by customers, mainly those with positions in high-interest rate currencies, due to loss cuts. As a result, assets under custody decreased by approximately 6 billion yen from the end of the 1Q.

(Billion yen)

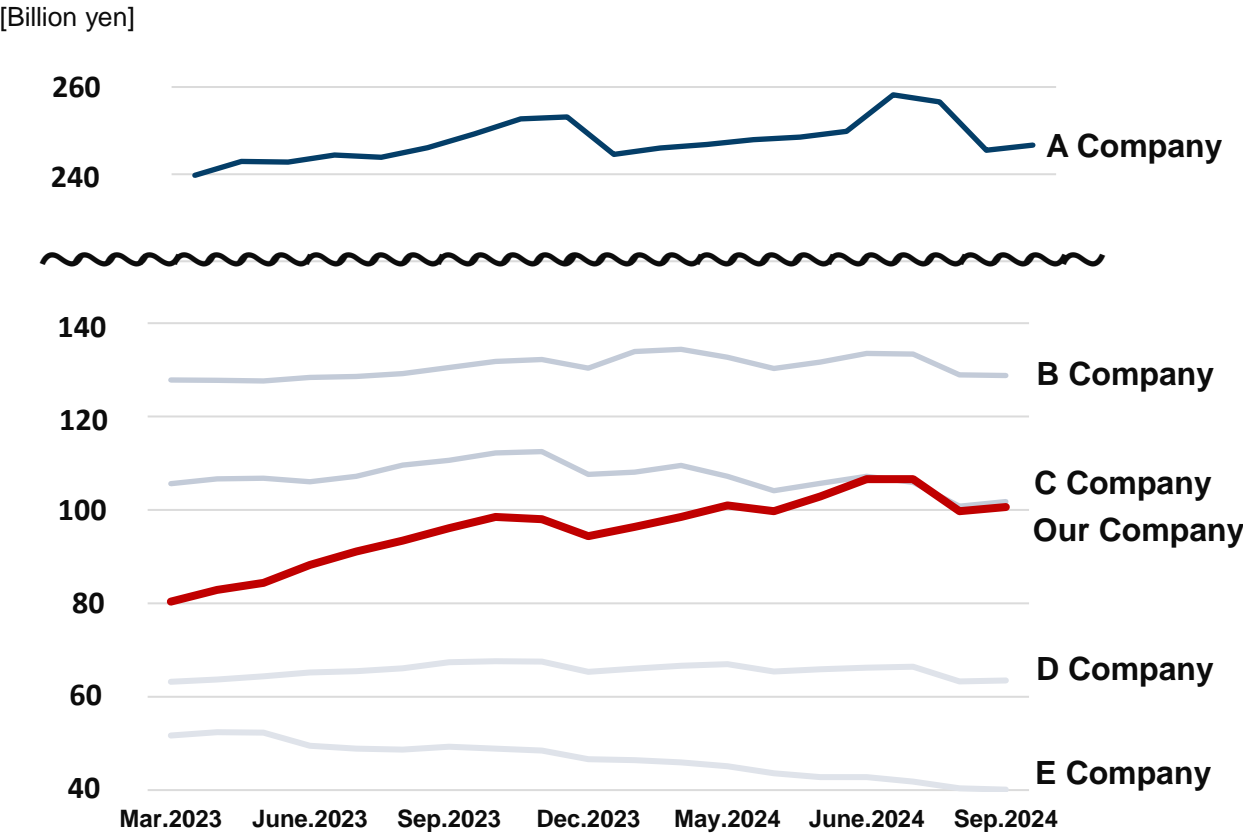


Comparison of Other Companies in the FX industry in Terms of Assets Under Custody

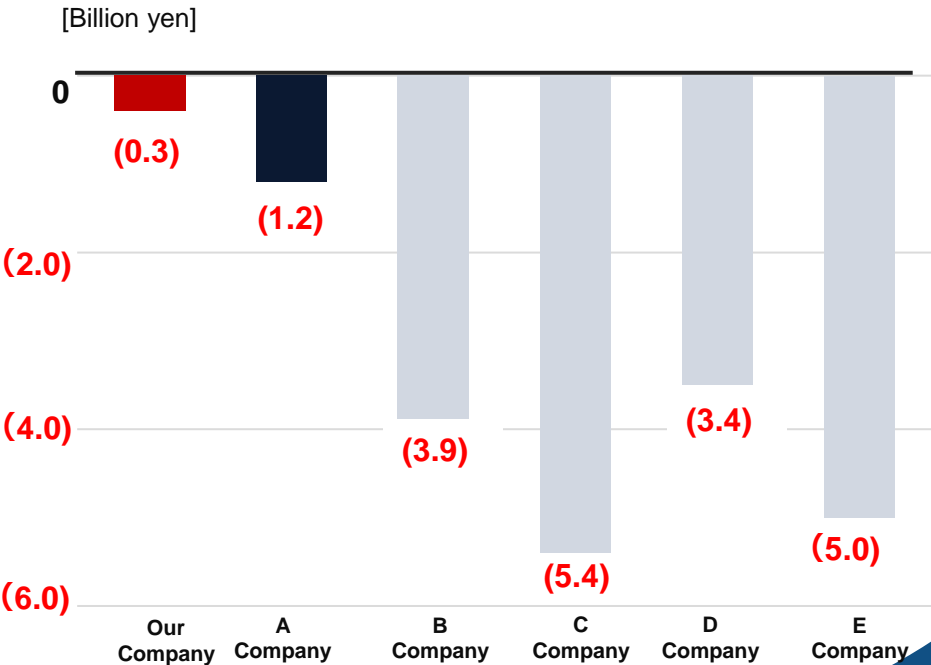


- ✓ The tumultuous market developments in the 2Q resulted in a decline in assets under custody for all major FX companies.
- ✓ While we experienced a large decrease in assets under custody in the 2Q due to the significant impact of customer realized losses on high-interest rate currency positions, we also experienced a large increase in assets under custody from new customers and others through the 1Q, resulting in the smallest decrease in assets under custody at the end of the interim period compared to the end of the previous period.

Changes in Assets Under Custody



Schedule of Changes in Assets Under Custody
(April-September 2024)



Market Review for FY 2025/3 2Q (i)

USD/JPY (Daily chart)



Market Overview

In 2Q of the current fiscal year, the yen appreciated by nearly 10 yen from the 161-yen level to the 152-yen level in one month, triggered by foreign exchange intervention in July.

August also saw a period of volatility due to comments by BOJ's Governor Ueda on additional interest rate hikes and a sharp rise on August 5.

MXN/JPY and TRY/JPY also appreciated by more than 20% over the three-month period from July to September, reversing the trend from previous yen weakness.

Market Review for FY 2025/3 2Q (ii)

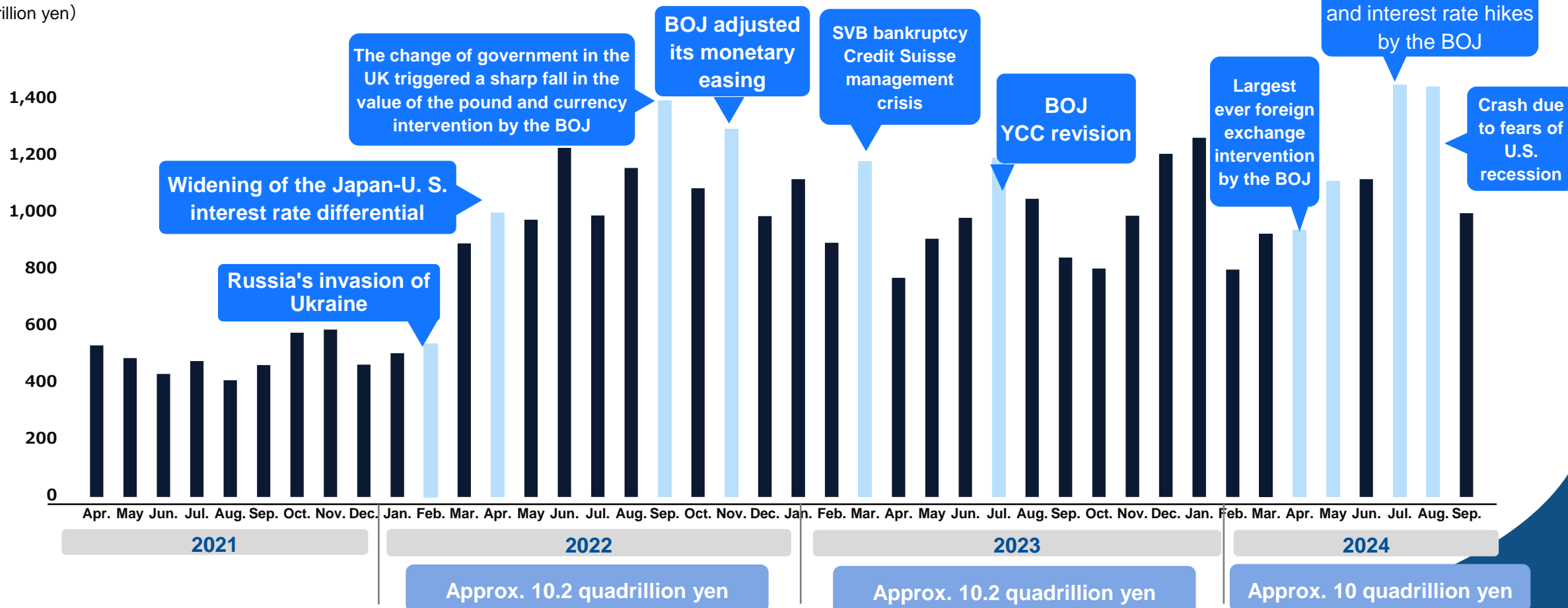
金融を、もっと面白く。



- ✓ FX trading is booming in 2024, following on from 2023, due to multiple currency interventions by the BOJ and other factors.
- ✓ OTC FX trading volume remained at a high level, surpassing 10 quadrillion yen from January to the end of September, the highest and fastest in history, surpassing 10 quadrillion yen for the third consecutive year.

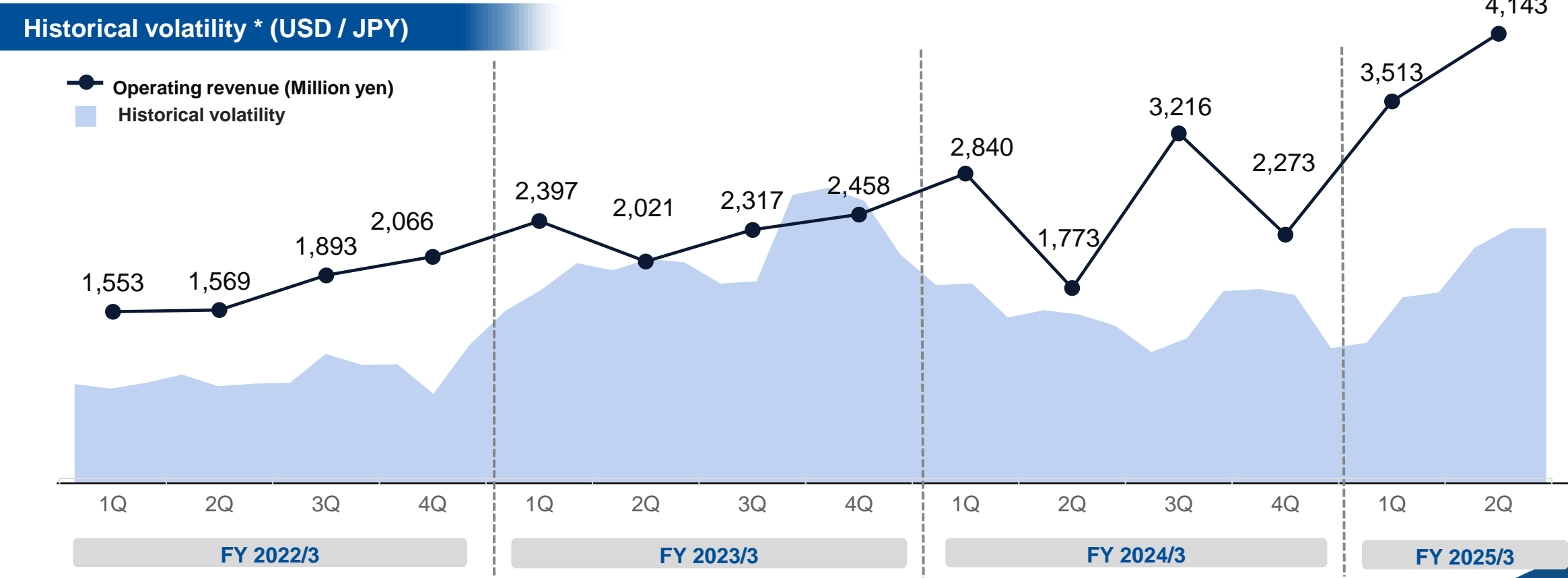
OTC FX Trading Volume (Domestic)

(Trillion yen)



Market Review for FY 2025/3 (iii)

The BOJ intervened in the foreign exchange market several times, and the direction of the interest rate differential between Japan and the United States changed due to the additional interest rate hike by the BOJ and the substantial interest rate cut by the FRB. Volatility increased throughout the period due to the sharp decline in the stock market in August and the occurrence of localized large-scale market events such as the Liberal Democratic Party presidential election in September.



* Historical volatility is one of the technical analysis methods and is the rate of price fluctuation statistically calculated based on historical data. If past price fluctuations are small, historical volatility will be small, and if past price fluctuations are large, historical volatility will be large. The figure above is calculated based on price fluctuation data for the past 60 days, which is a quarterly accounting period.

Explanation of the Status of Assets Under Custody

Supplemental Materials



Emerging market currencies such as the Turkish lira and Mexican peso, in which we have been focusing on increasing open interest, have greater risk sensitivity than developed market currencies, and the stock market plunge and unwinding of the yen carry trade caused the yen to appreciate more rapidly than the USD/JPY rate of declines. The drop was also fueled by the peso's weakness on the back of Mexican government policies and the lira's illiquidity in the foreign exchange market.

MXN/JPY (Daily Chart)



TRY/JPY (Daily Chart)

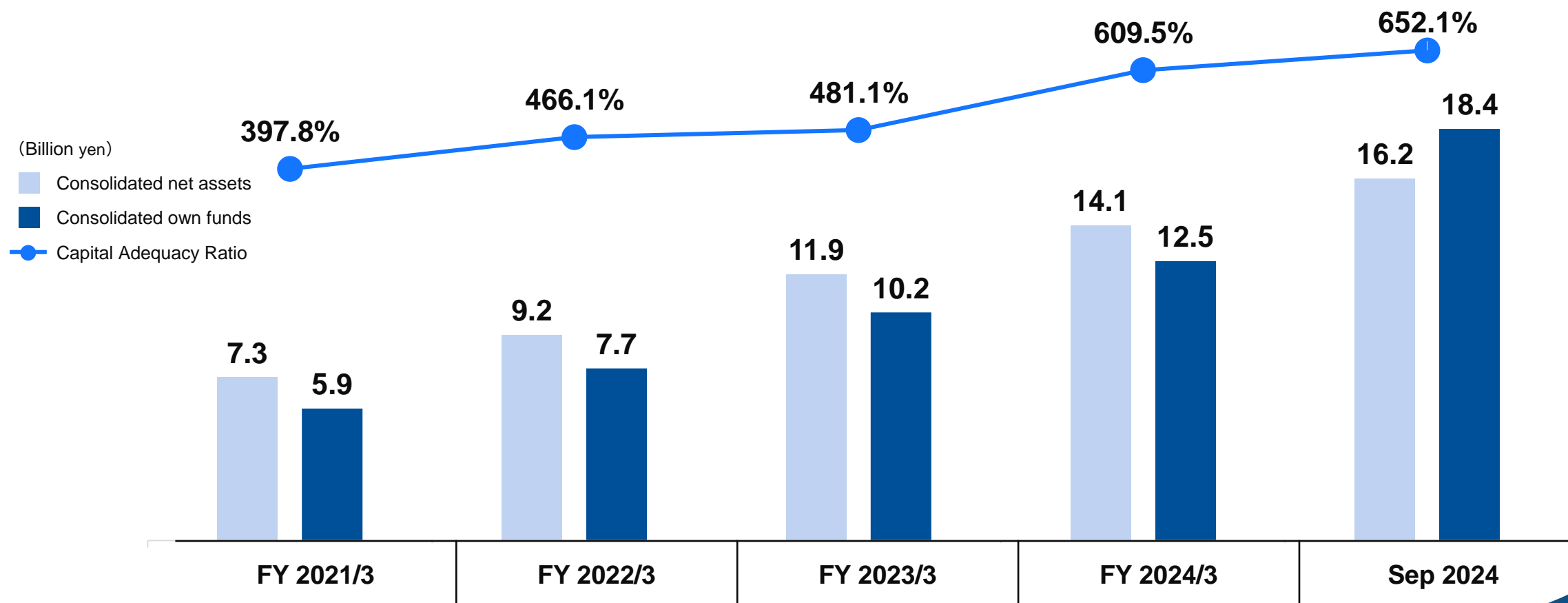


Consolidated Net Assets, Consolidated Own Funds and Financial Security

金融を、もっと面白く。



- ✓ Consolidated net assets increased by more than 2 billion yen and consolidated cash on hand increased by approximately 6 billion yen as business performance expanded, strengthening financial security.
- ✓ Capital adequacy ratio increased to 652.1% and stress test margin ratio increased, increasing risk tolerance for future FX business expansion.



Note; Consolidated own funds = Consolidated Cash and Deposits + Short-term Deposits - Interest-bearing Debt
 [Short-term funds attributable to the Group, excluding cash segregated as deposits for customers]

Forecast for FY 2025/3

Forecast for FY 2025/3



- ✓ The percentage of progress in performance (in terms of profit) against the fiscal year plan reached approximately 85% at the end of the 1H, an extremely high level of achievement.
- ✓ On the other hand, the possibility of a decline in volatility in 2H of the fiscal year has increased due to the emergence of two consecutive quarters of high volatility, the impact of the decrease in assets under custody in 1H of the fiscal year, the decline in the appetite for investment in the yen carry trade of high-interest rate currencies, and other environmental changes have resulted in greater uncertainty, and in light of these effects In order to assess the impact of these factors, we have decided to leave the full-year forecast unchanged and plan to revise it based on the results of the 3Q.

[Million yen]	FY 2025/3 2Q [track record]	FY 2025/3 2Q [forecast]	Progress
Operating revenue	7,657	11,800	64.9%
Operating income [Operating profit ratio]	4,273 (55.8%)	5,000 (42.4%)	85.5%
Ordinary income	4,284	5,000	85.7%
Profit attributable to owners of parent	2,885	3,400	84.9%
Assets under custody	100.6 Billion yen	115 Billion yen	-

Progress of Measures in FY 2025/3 to Achieve the Business Forecast

2H of FY 2025/3: Measures to Increase Assets Under Custody

金融を、もっと面白く。



▶ Although assets under custody declined significantly due to the sharp market fluctuation on August 5, 2024, we plan to promote measures that further strengthen our strengths and new measures in 2H of the year to achieve our target of 115 billion yen in assets under custody for the FY 2025/3.

- ✓ Further reinforcement of Swap No. 1 campaign measures to protect brand strength.

- ✓ Launched 1% cash back campaign with a maximum of 1,000,000 yen (in the past, the maximum was 200,000 yen)



In addition to the above, new measures are planned for 2H of the year to achieve 115 billion yen in assets under custody.

Initiatives for FY 2025/3 Marketing (i)

金融を、もっと面白く。



» Number of **new accounts opened** has **increased by approximately 60,000** since the new commercial featuring Hiroiki Ariyoshi was launched in July 2023.

Created new Web commercials with an emphasis on customer acquisition efficiency, with commercials airing intensively from August to September 2024.



TV commercial

TV commercials began mainly in the Kansai area from August to September 2024. Increased recognition of “Minna-no FX” and our Company. Number of new accounts opened since the start of TV commercials in July 2023 **increased by approx. 60,000 accounts.**



YouTube / Web commercial

In addition to the commercial featuring Mr. Ariyoshi, a new web commercial was launched in August. The commercial was created to promote awareness that high swap points, one of our strengths, can be utilized for medium- to long-term investments. The commercial is designed to promote the appeal of FX as the next stage of investment.



Outdoor advertisements

A signboard was installed in the Ebisu Skywalk leading to the Ebisu Garden Place Tower, where our office is located.

Initiatives for FY 2025/3 Marketing(ii)

金融を、もっと面白く。



- From April to September 2024, cash back campaigns and various swap preference campaigns strengthened, new account acquisitions and net new account additions steadily increased, and plans and preparations are underway to restore the balance of assets under custody.

- ✓ We held several attractive campaigns such as the "Maximum 1% Cash Back on Deposit Campaign" and the "Swap Transaction Support Campaign," which contributed to the increase in assets under custody until the middle of 1H of the year.
- ✓ Steady increase in new account acquisitions due to strengthened advertising measures, etc.
- ✓ We will further increase the number of new account openings by strengthening our appeal to people with no experience in FX investment.



Initiatives for FY 2025/3 (Marketability)

金融を、もっと面白く。



» The company continued to be rated No. 1 in FX service ranking by “kakaku.com” for 2H of 2023 (July-December), beating out all major companies.

- ✓ “kakaku.com” is a purchasing support site with 39 million monthly users that supports information comparisons by aggregating specifications and reviews of various products and services.
- ✓ We won first place among 14 FX account services in the overall popularity ranking of FX accounts by evaluating the word-of-mouth of actual users in addition to items such as spreads and swaps.



Initiatives for FY 2025/3(Profitability)

金融を、もっと面白く。



- Added 2 foreign financial institutions and 1 domestic financial institution as new counterparties in 1H.
More domestic and foreign financial institutions to be added as counterparties in the future.

[Major counterparties]

- Citi Bank
- UBS AG
- Bank of America Corporation
- Standard Chartered Bank
- Barclays Bank PLC
- Commerzbank AG
- Tokyo Financial Exchange
- Daiwa Securities Co. Ltd.
- OCBC Securities
- Several other companies

【Added】 Sumitomo Mitsui Banking Corporation (2Q)

【Added】 JPMorgan Chase Bank, N.A. (2Q)

【Added】 Deutsche Bank AG (2Q)

Initiatives for FY 2025/3 (Large-lot customer strategy)



» The Royalty Consulting Department was newly established in April as a department specializing in large-lot customer strategies. The department redefined large-lot customers and initiated various measures, resulting in a significant increase in assets under custody of study group participants.

- ✓ **Redefine large-lot customers and approach them more broadly.**
- ✓ **Individual consulting by assignment system**
 - Establish a system to clearly understand customer needs through a system in which each customer is in charge, and provide individualized consulting services to these large-lot customers.
 - Increase customer contact points and build good relationships with customers to reduce defections.
- ✓ **Enhanced benefits exclusively for large-lot customers**

Hold seminars and study sessions exclusively for large-lot customers, inviting experts On September 14, a seminar titled “Everyone's Failure Study Session” was held, inviting major influencers.

Significant increase in participants' assets under custody as of September 30.

These measures contributed to the increase in assets under custody.



On September 14, “Oreteki game sokuho” Mr. JIN, a major influencer in the FX trading, joined Iguchi Director of TRADERS SECURITIES CO., LTD., to discuss FX investment failures at the study sessions.

We received a lot of positive feedback on the specific investment advice and the opportunity to communicate with other traders.

Initiatives for FY 2025/3 (DX support using AI)

金融を、もっと面白く。



» FleGrowth Co., Ltd.: Selected as an IT introduction support business for "IT Introduction Subsidy 2024" promoted by the Ministry of Economy, Trade and Industry. AI Support Desk is certified as a subsidized tool.

- ✓ The Ministry of Economy, Trade and Industry (METI) has selected AI Support Desk for its IT introduction subsidy program, and small and medium-sized enterprises (SMEs) that are eligible for the subsidy can receive a subsidy of up to 1/2 of the introduction cost (maximum 1.5 million yen) when they newly introduce our services.
- ✓ The "AI Support Desk" was highly evaluated at AWS Summit Japan for its speed to practical application, examples of effective use within the company, and the start of external sales, and was featured as a case study.
- ✓ The sales department started sales promotion to increase the number of companies that have adopted the system. The number of business negotiations is steadily increasing, partly due to the impact of external evaluations.
The company plans to strengthen its sales base and increase the number of business negotiations from 2H onward.
- ✓ The company launched an AI-based voice transcription service as a new product and received orders. Plans are in place to expand this product widely in the future.



令和5年度補正サービス等生産性向上IT導入支援事業

AWSにて生成 AI を本番環境で利用されているお客様の事例



Initiatives for the FY 2025/3 (CVC Fund)

» In April 2023, we established a CVC fund and began investing in several companies, with investments being made during the current FY.

We invest in startup companies that are expected to generate synergies with our business. In addition to financial returns, we are seeking to increase corporate value in the areas of FinTech and new businesses that can drive growth.

	Investment Period	Investment Destination	Business Activities	Targeted Business Synergies
1	September 2024	Rege Nephro Co., Ltd.	Promoting research and development of therapeutic agents for diseases related to the liver and pancreas, with a focus on kidneys, and treatments through regenerative medicine.	Aiming to contribute to the realization of the wellbeing of each individual and a sustainable society by investing in companies engaged in innovative regenerative medicine using human iPS cells.

*Only investments for which we have obtained permission for disclosure are listed.

Selected as an index component as a company with high investment attractiveness.

金融を、もっと面白く。



Selected as a component of the “JPX-Nikkei Mid and Small Cap Index” for **the second consecutive year.**



JPX-NIKKEI Mid Small

FY 2023 - FY 2024 Selection

Selected for the “JPX-Nikkei Mid and Small Cap Index” **for the second year in a row**, which includes companies with high investment attractiveness for investors, such as efficient use of capital and management perspectives with investors in mind.

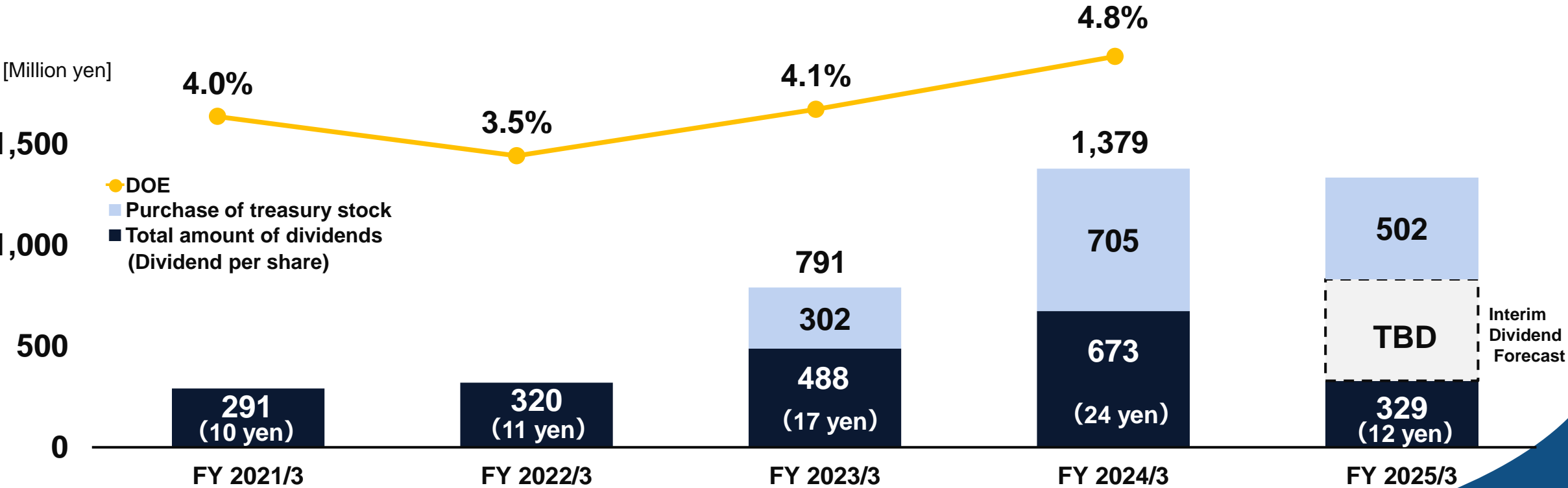
❑ What is the “JPX-Nikkei Mid Small Cap Index”?

- ✓ A stock price index calculated jointly by JPX Research Institute and Nikkei Inc. that applies the same concept as the JPX-Nikkei 400 to small- and mid-cap stocks and is composed of companies that **continuously improve their corporate value and are managed with shareholders in mind.**
- ✓ The **top 200 stocks are selected** from the stocks in the Prime, Standard, and Growth markets of the Tokyo Stock Exchange based on a scoring of quantitative indicators and qualitative factors.
- ✓ For the second consecutive year, 133 companies were selected on the Prime Market, nine on the Standard Market, and eight on the Growth Market. We was selected **in the overwhelmingly large number of companies listed on the Prime Market.**

Capital Policy

Shareholder Returns

- ✓ **Shareholder Return Policy:**
 - **Stable dividends with a target consolidated dividend on equity ratio (DOE) of 4%.**
 - **Implementation of flexible share buybacks.**
- ✓ Interim dividend for FY 2025/3 : 12 yen (based on one-half of the annual dividend for the previous FY).
- ✓ Announced share buyback in August 2024, and have already repurchased shares (total amount: approx. 500 million yen)
- ✓ Aim to enhance shareholder returns while paying attention to increasing the equity capital of Traders Securities Co., Ltd. which is our business base.



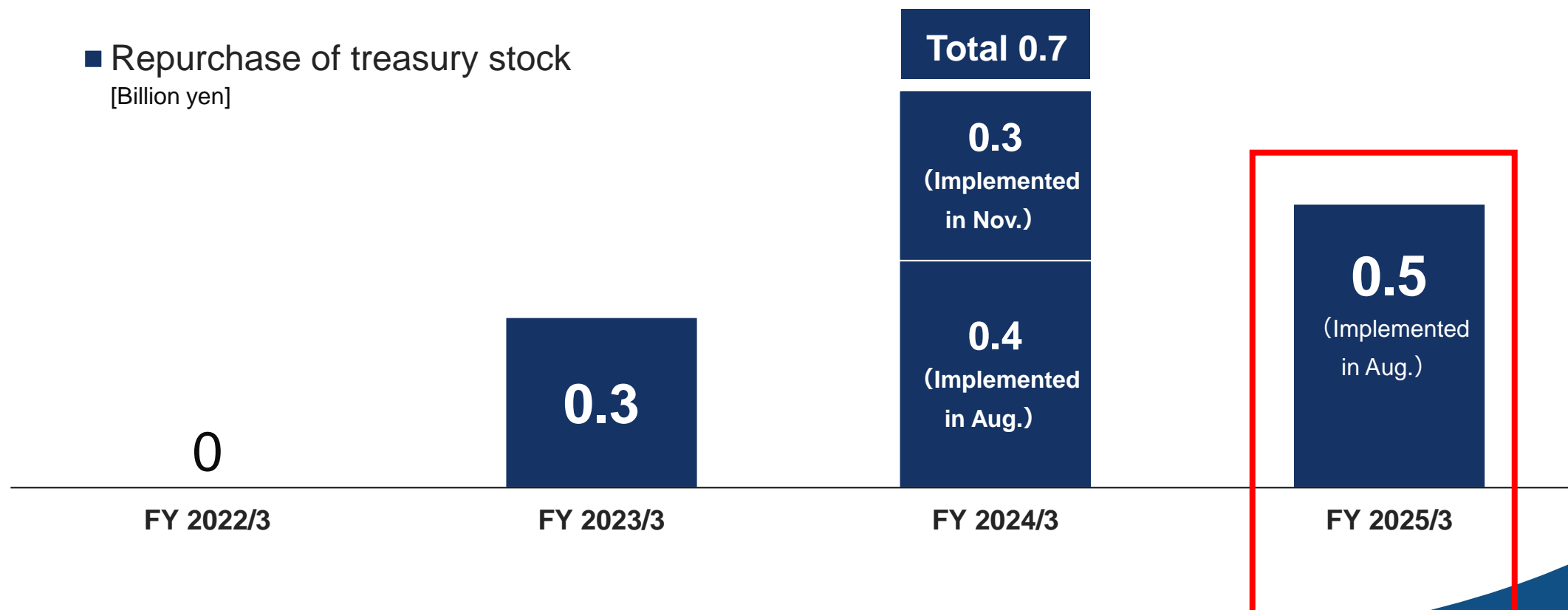
Acquisition of Treasury Stock

金融を、もっと面白く。



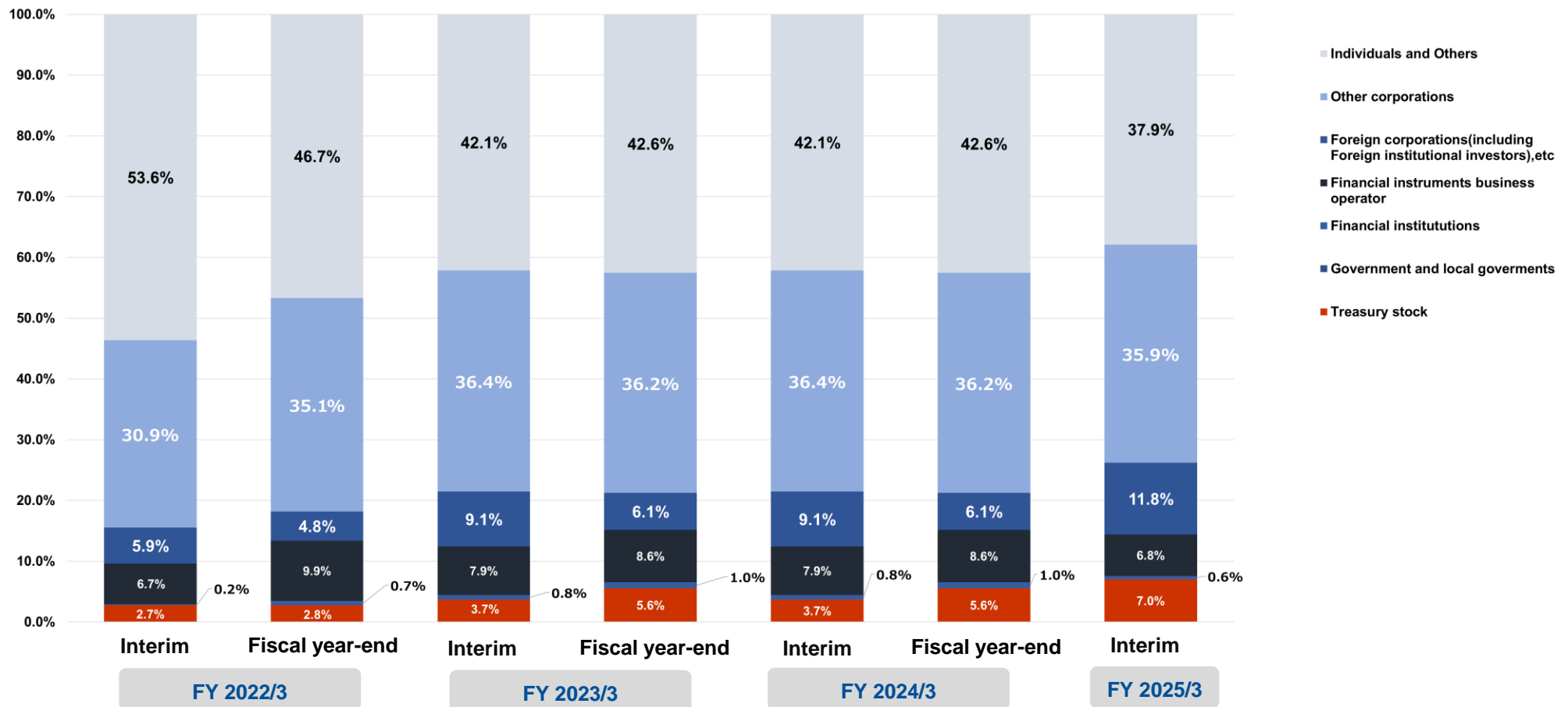
- ✓ We intends to buy back its own shares as part of its flexible capital policy to improve capital efficiency and increase shareholder value.
- ✓ We decided to implement a flexible share buyback in August 2024 after closely monitoring our Company's stock price trend following the announcement of the 1Q financial results.
- ✓ Repurchased shares will be used to fund future restricted stock awards and the exercise of stock options.
- ✓ Aiming for medium- to long-term ROE growth to achieve both earnings growth and enhanced shareholder returns.

■ Repurchase of treasury stock [Billion yen]



Stock Information (Shareholding Composition)

- ✓ with strict investment criteria increased their holdings from 6.1% to 11.8%.
Individual shareholders decreased their holdings from 42.6% to 37.9%.
- ✓ With our selection for the JPX-Nikkei Mid and Small Cap Index for two consecutive years and the increase in market capitalization, we expect to receive holdings from major institutional investors who had not previously targeted us for investment.



Compliance with Requirements for Listing on the TSE Prime Market (as of the end of September 2024)

金融を、もっと面白く。



- ✓ We have sufficiently satisfied the requirements for its earnings base and financial position on the back of our strong performance.
- ✓ Continue to focus on IR and shareholder return measures to achieve conformity requirements, regarding share price improvement as one of the most important issues.
- ✓ We will strengthen governance and other organizational structures that are appropriate for companies listed on the TSE Prime market.

	TSE Prime Listing Requirements	Status of the Company	Conformance Status
Total market value of outstanding shares (Billion yen)	10	11.3 *1	○
Market capitalization (Billion yen)	25	24.1 *1	×
Earnings base (Total profits for the last two years) (Billion yen)	2.5	8.1	○
Financial position (Net assets) (Billion yen)	5.0	16.2	○
Number of shareholders (Accounts)	800	6,465	○
Number of shares traded (Units)	20,000	139,013	○
Ratio of tradable shares	35.0%	47.1%	○

*1 Calculated based on the stock price of 819 yen per share as of the end of September 2024.

About Stock Options

金融を、もっと面白く。



- ✓ Introduced in FY 2024/3 as a measure to motivate Group executives and employees to contribute to the Group's growth over the long term and to strengthen the acquisition of excellent external human resources.
- ✓ The 14th round of stock options granted on August 7 were to newly hired employees and additional grants were made to promoted employees. The company plans to continue to grant the program to new hires and promoted employees each fiscal year.

Outline of the 14th Stock Option (Stock Acquisition Rights)

Number of stock acquisition rights 974 units (100 shares per unit)

Exercise price (of an option) 820 Yen (our closing price on July 16, 2024)

Exercise period Exercisable in stages from July 2026 to July 2034

Cautionary statement regarding this document

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.

Forward-looking statements such as business strategies, target figures, and forecasts contained in this material are based on information currently available to the Company and actual results may differ materially from these statements due to various uncertainties and other risks, including future economic conditions, business environment, and trends in the foreign exchange market. In addition, some figures, such as market share and market size, are estimates made by the Company and may differ depending on research methods and other factors.

This material is not intended as a solicitation to invest.

Inquiries about this material

TRADERS HOLDIONGS CO., LTD.
ir@tradershd.co.jp



金融を、もっと面白く。