

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.

July 28, 2022

## Consolidated Financial Results for the Three Months Ended June 30, 2022 (Under Japanese GAAP)

Company name: Kyokuto Securities Co., Ltd.  
 Listing: Tokyo Stock Exchange  
 Securities code: 8706  
 URL: [http:// www.kyokuto-sec.co.jp](http://www.kyokuto-sec.co.jp)  
 Representative: Kazuhiro KIKUCHI, President and Chief Executive Officer  
 Inquiries: Shunzo KAYANUMA, Senior Managing Director  
 Telephone: +81-3-3666-5130  
 Scheduled date to file quarterly securities report: August 12, 2022  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

### 1. Consolidated financial results for the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

#### (1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Operating revenue		Net operating revenue		Operating profit (loss)		Ordinary profit (loss)		Profit (loss) attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended										
June 30, 2022	1,201	△34.1	1,189	△34.3	△37	—	125	△82.5	246	△52.6
June 30, 2021	1,822	△11.8	1,811	△11.7	547	△36.1	720	△23.5	519	△19.3

Note: Comprehensive income For the three months ended June 30, 2022: ¥429 million [△18.4%]  
 For the three months ended June 30, 2021: ¥525 million [△48.8%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	7.72	—
June 30, 2021	16.29	—

#### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2022	70,477	45,897	65.1	1,438.42
March 31, 2022	71,796	46,106	64.2	1,444.99

Reference: Equity  
 As of June 30, 2022: ¥45,887 million  
 As of March 31, 2022: ¥46,097 million

## 2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	20.00	—	20.00	40.00
Fiscal year ending March 31, 2023	—				

Note: Revisions to the forecast of cash dividends most recently announced: None

The company does not disclose forecast of business result, Please refer to page 3 for further information.

\* **Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: 0 companies

Excluded: 0 companies

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2022	32,779,000 shares
As of March 31, 2022	32,779,000 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2022	877,531 shares
As of March 31, 2022	877,531 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended March 31, 2022	31,901,469 shares
Three months ended March 31, 2021	31,901,488 shares

\* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

\* Proper use of earnings forecasts, and other special matters

The company does not disclose forecast of business result, Please refer to page 3 for further information.

## Index of Attached Documents

### BUSINESS RESULTS

1. Qualitative Information on Business Result for the Three Months Ended June 30, 2022	2
(1) Information on Business Results	2
(2) Information on Financial Condition	4
(3) Information on Forecast of Consolidated Business Result	4
2. Quarterly Consolidated Financial Statements and Notes	6
(1) Quarterly Consolidated Balance Sheets	6
(2) Quarterly Consolidated Income Statements and Quarterly Consolidated Comprehensive Income Statements	8
(Quarterly Consolidated Income Statements) (Three Months Ended June 30, 2022)	8
(Quarterly Consolidated Comprehensive Income Statements) (Three Months Ended June 30, 2022)	10
(3) Notes to Quarterly Consolidated Financial Statements	11
(Notes Concerning Going Concern Assumption)	11
(Notes in the Event of Substantial Changes in Shareholders' Equity)	11
(Changes in Accounting Policy)	11
【Referential Data】	12
1. Referential Data on Consolidated Business Results for the Three Months Ended June 30, 2022	12
(1) Commission Received	12
(2) Net Trading Income	12
(3) Consolidated Income Statement for Latest Five Quarters	13
2. Referential Data on Business Results for the Three Months Ended June 30, 2022	14
(1) Capital Adequacy Ratio	14
(2) Number of Directors/Auditors and Employees	14

# BUSINESS RESULTS

## 1. Qualitative Information on Business Result for the Three Months Ended June 30, 2022

### (1) Information on Business Results

During the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022) of the current consolidated fiscal year, the inflation continued to be a major challenge for both domestic and overseas economies. In addition, monetary tightening measures in all major countries except Japan to curb inflation progressed, and there were concerns about the negative impacts of those measures on the economy.

In the stock market, the Nikkei Stock Average (Nikkei225) started a downward trend due to concerns about the U.S. and Chinese economic downturn, and fell to 25,688 yen on May 12. Subsequently, following a softening in the tone of statements on monetary policy by Federal Reserve officials and the lifting of the lock down of Shanghai, China, from June the Nikkei Stock Average rebounded and reached a high of 28,389 yen on June 9. However, the Nikkei Stock Average plummeted due to concerns of recession in the U.S., hitting a low of 25,520 yen on June 20 and closing at 26,393 yen for this three month period. U.S. stocks remained weak due to concerns about recession caused by persistently high inflation and rising policy interest rates. The New York Dow Jones Industrial Average hit a low of \$29,653 on June 17 and was at \$30,775 at the end of this three month period. While high P/E ratio stocks vulnerable to rising interest rates were sold both domestic and abroad, energy-related stocks tended to be in demand due to soaring oil and gas prices.

In the foreign exchange market, the U.S. Dollar was bought globally, while the Yen was also sold notably. In terms of Dollar-Yen exchange rate, the Yen weakened sharply against the Dollar on the back of the widening interest rate gap between Japan and the U.S. and the clear difference in the monetary policy stance of the two countries. At the end of this three month period, the Dollar-Yen exchange rate was 136.68 yen per dollar, the weakest level in about 24 years since September 1998. The Euro-Yen exchange rate also closed at 142.67 yen per euro. This is the first time in 7 and a half years since January 2015 that the yen has weakened against the Euro. In the bond market, the yield on 10-year Japanese government bonds generally ranged from 0.20% to 0.25%. The Bank of Japan maintained its yield curve control and conducted unlimited purchase operations at 0.25%, but upward pressure on interest rates pushed yields to 0.265% on June 17.

In this environment, we made effort to offer “unique in-season financial products” for responding to customers' varied needs. Also we conducted active management of Assets from the view point of effective management of shareholders' equity.

For this three month period, compared with the same period of previous fiscal year, operating revenue decreased by 34.1% to 1,201 million yen, net operating revenue decreased by 34.3% to 1,189 million yen, operating loss resulted in 37 million yen (operating income resulted in 547 million yen in the same period of the previous year), ordinary profit decreased by 82.5% to 125 million yen, and net profit attributable to owners of the parent decreased by 52.6% to 246 million

yen.

Details of the period's results are as follows:

① Commission Received

The total commission received resulted 446 million yen (down 9.0% from the same period of previous fiscal year), as shown in below:

(Brokerage commission)

Brokerage commission on equity securities was 241 million yen (down 1.8%). Total amount of brokerage commission including those on beneficiary securities (Exchange Traded Funds) was 250 million yen (down 1.2%).

(Commission for Underwriting, Secondary Distribution and Solicitation for Selling and Others for Professional Investors)

The amount of commission for underwriting, secondary distribution and solicitation for selling and others for professional investors was 4 million yen (down 27.0%).

(Fees for Offering, Secondary Distribution and Solicitation for Selling and Others for Professional Investors)

The amount of fees for offering, secondary distribution and solicitation for selling and others for professional investors was 125 million yen (down 26.2%), due to decrease of handling of beneficiary securities (investment trusts).

(Other commission received)

The amount of other fee received consisting mainly of substitution fee of beneficiary securities (investment trusts) was 65 million yen (up 7.9%).

② Net Trading Income

Net trading income of equities etc. resulted in a loss of 233 million yen (a gain of 18 million yen during the same period of previous fiscal year). Net trading income of bonds etc. resulted in a gain of 764 million yen (down 23.3% from the same period of previous fiscal year). Net trading income of others consisting mainly of foreign exchange derivatives resulted in a loss of 361 million yen. (a gain of 27 million yen during the same period of previous fiscal year). From the above result net trading income resulted in a gain of 169 million yen (down 83.7% from the same period of previous fiscal year).

③ Net Financial Income

Net financial income increased by 107.8% to 569 million yen, resulting from deducting 11 million yen (up 9.1% from the same period of previous fiscal year) of financial expenses from 580 million yen (up 104.1%) of financial revenue.

④ Selling, General and Administrative Expenses

Selling, general and administrative expenses were 1,227 million yen (down 2.9% from the same period of previous fiscal year).

⑤ Non-operating Income and Expenses

Non-operating income consisting mainly of dividend received totaled 316 million yen (up 52.7% from the same period of previous fiscal year), while non-operating expenses consisting mainly of foreign exchange losses totaled 153 million yen (up 340.0%). As a

result, net non-operating income and expenses amounted to gain of 163 million yen (down 5.4%).

⑥ Extraordinary Income and Losses

Extraordinary income was 236 million yen (up 753.5% from the same period of previous fiscal year), due to mainly gain on sales of investment securities. With the amount of extraordinary losses being no recorded (0 million yen during the same period of previous fiscal year). As a result, net extraordinary income and losses amounted to gain of 236 million yen (up 755.4% from the same period of previous fiscal year).

(2) Information on Financial Condition

① Assets

Current assets as of June 30, 2022 were 50,131 million yen and decreased by 2,104 million yen from as of March 31, 2022. The main factors were cash segregated as deposits decreased by 866 million yen, other current assets decreased by 650 million yen and cash and deposits decreased by 511 million yen. Non-current assets as of June 30, 2022 were 20,346 million yen and increased by 785 million yen from as of March 31, 2022. The main factors for the increase were other increased by 489 million yen and increases in the investment and other assets by 489 million yen of “other” and 313 million yen of “investment securities”. As a result, the assets as of June 30, 2022 were 70,477 million yen and decreased by 1,318 million yen as of March 31, 2022.

② Liabilities

Current liabilities as of June 30, 2022 were 22,411 million yen and decreased by 1,232 million yen from as of March 31, 2022. The main factor was short-term borrowing decreased by 1,000 million yen. Non-current liabilities as of June 30, 2022 were 2,154 million yen and increased by 122 million yen from as of March 31, 2022. The main factor was other non-current liabilities increased by 121 million yen.

As a result, the liabilities as of June 30, 2022 were 24,580 million yen and decreased by 1,109 million yen as of March 31, 2022.

③ Net Assets

Retained earnings decreased by 391 million yen and valuation difference on available-for-sale securities increased by 182 million yen. As a result, net assets as of June 30, 2022 were 45,897 million yen and decreased by 208 million yen from as of March 31, 2022.

(3) Information on Forecast of Consolidated Business Result

Consolidated operating revenues consist mainly of commissions received and net trading income related to the securities markets, and the majority of these are derived from the stock and bond markets. In order to mitigate the impact of favorable and unfavorable stock and bond markets on our business performance, we are striving to ensure revenue stability by diversifying our revenue sources, but even so, our business performance may still be affected by trends in the securities markets and may fluctuate significantly. In addition, rapid fluctuations in the

domestic and overseas financial instruments markets may result in large valuation gains or losses on financial instruments held by us.

In general, securities markets and foreign exchange markets fluctuate reflecting a variety of factors, including domestic and international political and economic conditions, interest rates, and corporate earnings. Therefore, in order to forecast our consolidated business results, it is necessary to accurately grasp future market trends while predicting these factors in advance, but it is nearly impossible to achieve this. In a situation where there is a high possibility of a large discrepancy between the forecast and actual results due to such uncertain factors, daring to disclose the forecast may result in sending the wrong message to the market, which may hinder fair stock price formation.

For the above reasons, the company will not disclose consolidated earnings forecasts, but instead will endeavor to disclose earnings figures as early as possible, and will release preliminary figures around the 10th business day from the end of the fiscal year or the end of the quarter when the figures for consolidated financial results are almost finalized.



## 2. Quarterly Consolidated Financial Statements and Notes

## (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	20,445	19,933
Segregated deposits	13,176	12,310
Trading products	13,530	13,528
Trading securities and other	13,512	13,491
Derivatives	18	36
Trade date accrual	859	691
Margin transaction assets	2,794	2,886
Margin loans	2,616	2,716
Cash collateral provided for securities borrowed in margin transactions	177	170
Other current assets	1,444	793
Allowance for doubtful accounts	△14	△12
Total current assets	52,236	50,131
Non-current assets		
Property, plant and equipment	1,909	1,896
Buildings	445	436
Land	1,167	1,167
Other	297	292
Intangible assets	64	60
Investments and other assets	17,585	18,388
Investment securities	16,588	16,902
Other	1,068	1,557
Allowance for doubtful accounts	△71	△71
Total non-current assets	19,560	20,346
Total assets	71,796	70,477
<b>Liabilities</b>		
Current liabilities		
Trading products	261	203
Derivatives	261	203
Margin transaction liabilities	389	268
Margin borrowings	90	85
Cash received for securities sold in margin transactions	299	183
Deposits received	12,636	13,001
Short-term borrowings	8,850	7,850
Income taxes payable	383	28
Provision for bonuses	208	99
Other current liabilities	914	960
Total current liabilities	23,644	22,411
Non-current liabilities		
Long-term borrowings	1,500	1,500
Retirement benefit liability	76	78
Other non-current liabilities	455	576
Total non-current liabilities	2,032	2,154
Reserves under special laws		
Reserve for financial instruments transaction liabilities	14	14
Total reserves under special laws	14	14
Total liabilities	25,690	24,580

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
<b>Net assets</b>		
Shareholders' equity		
Share capital	5,251	5,251
Capital surplus	4,774	4,774
Retained earnings	37,318	36,926
Treasury shares	△863	△863
Total shareholders' equity	46,481	46,089
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△384	△201
Total accumulated other comprehensive income	△384	△201
Non-controlling interests	9	9
Total net assets	46,106	45,897
Total liabilities and net assets	71,796	70,477

(2) Quarterly Consolidated Income Statements and Quarterly Consolidated Comprehensive Income Statements

(Quarterly Consolidated Income Statements)

(Three Months Ended June 30, 2022)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
<b>Operating revenue</b>		
Commission received	490	446
Brokerage commission	253	250
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	5	4
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	170	125
Other commission received	60	65
Net trading income	1,042	169
Financial revenue	284	580
Other operating revenue	4	4
Total operating revenue	1,822	1,201
Financial expenses	10	11
Net operating revenue	1,811	1,189
<b>Selling, general and administrative expenses</b>		
Trading related expenses	128	128
Personnel expenses	762	743
Real estate expenses	133	122
Office expenses	145	139
Depreciation	20	19
Taxes and dues	41	42
Provision of allowance for doubtful accounts	6	—
Other	25	31
Total selling, general and administrative expenses	1,263	1,227
Operating profit (loss)	547	△37
<b>Non-operating income</b>		
Dividend income	139	201
Gain on investments in investment partnerships	52	102
Other	15	12
Total non-operating income	207	316
<b>Non-operating expenses</b>		
Foreign exchange losses	27	153
mediation settlement	7	—
Other	0	0
Total non-operating expenses	34	153
Ordinary profit	720	125

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Extraordinary income		
Gain on sale of investment securities	27	236
Reversal of reserve for financial instruments transaction liabilities	0	—
Total extraordinary income	27	236
Extraordinary losses		
Loss on retirement of non-current assets	0	—
Total extraordinary losses	0	—
Profit before income taxes	747	361
Income taxes - current	102	15
Income taxes - deferred	126	100
Total income taxes	228	115
Profit	519	246
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	519	246

(Quarterly Consolidated Comprehensive Income Statements)  
(Three Months Ended June 30, 2022)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	519	246
Other comprehensive income		
Valuation difference on available-for-sale securities	6	182
Total other comprehensive income	6	182
Comprehensive income	525	429
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	525	428
Comprehensive income attributable to non-controlling interests	△0	0

(3) Notes to Quarterly Consolidated Financial Statements

(Notes Concerning Going Concern Assumption)

None.

(Notes in the Event of Substantial Changes in Shareholders' Equity)

None.

(Changes in Accounting Policy)

(Application of the Guidance on Accounting Standard for Fair Value Measurement)

The "Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) is applied from the beginning of the first quarter of the current fiscal year. The new accounting policy stipulated in the Guidance on Accounting Standard for Fair Value Measurement will be applied prospectively in accordance with the transitional treatment stipulated in Paragraph 27-2 of the Guidance. There is no impact on the quarterly consolidated financial statements.

【Referential Data】

1. Referential Data on Consolidated Business Results for the Three Months Ended June 30, 2022

(1) Commission Received

① Commission received by sources

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022	Change		FY2021
			yen volume	%	
Brokerage commission	253	250	△3	△1.2	1,106
(Equities)	(246)	(241)	(△4)	(△1.8)	(1,070)
(Bonds)	(—)	(—)	(—)	(—)	(—)
(Beneficiary securities)	(7)	(9)	(1)	(18.4)	(35)
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	5	4	△1	△27.0	32
(Equities)	(5)	(4)	(△1)	(△27.0)	(32)
(Bonds)	(—)	(—)	(—)	(—)	(—)
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	170	125	△44	△26.2	594
Other commission received	60	65	4	7.9	262
Total	490	446	△44	△9.0	1,995

② Commission received by instruments

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022	Change		FY2021
			yen volume	%	
Equities	252	246	△6	△2.5	1,107
Bonds	0	0	0	65.7	0
Beneficiary securities	229	193	△35	△15.6	855
Other	8	5	△2	△30.4	32
Total	490	446	△44	△9.0	1,995

(2) Net Trading Income

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022	Change		FY2021
			yen volume	%	
Equities, etc.	18	△233	△251	—	132
Bonds, etc.	996	764	△232	△23.3	3,282
Other	27	△361	△388	—	△384
Total	1,042	169	△872	△83.7	3,030

## (3) Consolidated Income Statement for Latest Five Quarters

(Millions of yen)

	Quarter ended June 30, 2021	Quarter ended September 30, 2021	Quarter ended December 31, 2021	Quarter ended March 31, 2022	Quarter ended June 30, 2022
I . Operating revenue	1,822	1,700	1,665	1,303	1,201
1 Commission received	490	466	563	474	446
2 Net trading income	1,042	833	750	403	169
3 Financial revenue	284	395	346	421	580
4 Other operating revenue	4	4	4	4	4
II . Financial expenses	10	12	10	17	11
Net operating revenue	1,811	1,687	1,654	1,286	1,189
III . Selling, general and administrative expenses	1,263	1,221	1,276	1,379	1,227
1 Trading related expenses	128	147	131	146	128
2 Personal expenses	762	701	783	871	743
3 Real estate expenses	133	150	120	118	122
4 Office expenses	145	135	143	136	139
5 Depreciation	20	22	22	21	19
6 Taxes and dues	41	42	37	40	42
7 Provision of allowance for doubtful accounts	6	△1	△0	1	—
8 Other	25	23	37	42	31
Operating profit/loss	547	466	378	△92	△37
IV . Non-operating income	207	121	182	232	316
V . Non-operating expenses	34	△25	37	118	153
Ordinary profit	720	614	523	22	125
VI . Extraordinary income	27	426	190	784	236
VII . Extraordinary losses	0	0	37	154	—
Profit before income taxes	747	1,040	676	652	361
Income taxes current	102	361	145	347	15
Income taxes deferred	126	△41	62	△105	100
Profit	519	720	468	409	246
Profit attributable to non-controlling interests	0	0	0	0	0
Profit attributable to owners of parent	519	720	467	409	246



2. Referential Data on Business Results for the Three Months Ended June 30, 2022

(1) Capital Adequacy Ratio

(Millions of yen)

		As of June 30, 2021	As of June 30, 2022	As of March 31, 2022
Basic items	(A)	41,553	41,769	41,548
Complementary items	Valuation difference on available-for-sale securities, etc.	451	—	—
	Financial instruments transaction liability reserves	13	14	14
	Allowance for doubtful accounts	15	12	15
	Total (B)	480	26	29
Deductible assets	(C)	9,031	6,410	6,573
Unfixed net capital	(A)+(B)–(C) (D)	33,003	35,386	35,003
Amount of risk correspondents	Market risk equivalent	4,303	3,750	3,735
	Trade party risk equivalent	269	226	281
	Basic risk equivalent	1,241	1,270	1,294
	Total (E)	5,814	5,247	5,311
Capital adequacy ratio	(D)/(E) × 100%	567.6%	674.3%	659.0%

(2) Number of Directors/Auditors and Employees

	As of June 30, 2021	As of June 30, 2022	As of March 31, 2022
Directors and auditors	10	10	10
Employees	248	243	237