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January 30, 2024

Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Under Japanese GAAP)

Company name: Kyokuto Securities Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 8706
 URL: [https:// www.kyokuto-sec.co.jp](https://www.kyokuto-sec.co.jp)
 Representative: Kazuhiro KIKUCHI, President and Chief Executive Officer
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 Scheduled date to file quarterly securities report: February 13, 2024
 Scheduled date of commencement of payment of dividends: —
 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 nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Operating revenue		Net operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended										
December 31, 2023	5,372	66.1	5,333	66.9	1,723	—	2,321	—	2,727	724.9
December 31, 2022	3,234	△37.7	3,194	△38.0	△349	—	134	△92.7	330	△80.6

Note: Comprehensive income For the nine months ended December 31, 2023: ¥4,690 million [215.2%]
 For the nine months ended December 31, 2022: ¥1,488 million [3.8%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	85.51	—
December 31, 2022	10.37	—

(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
December 31, 2023	77,494	50,556	65.2	1,584.43
March 31, 2023	70,902	47,301	66.7	1,482.41

Reference: Equity
 As of December 31, 2023: ¥50,545 million
 As of March 31, 2023: ¥47,291 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, 2023	—	15.00	—	15.00	30.00
Fiscal year ending March 31, 2024	—	30.00			

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

Kyokuto Securities Co., Ltd. and its consolidated subsidiaries do not disclose forecast of financial results.
Please refer to page 4 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: None

(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 December 31, 2023	32,779,000 shares
As of March 31, 2023	32,779,000 shares

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

As of December 31, 2023	877,595 shares
As of March 31, 2023	877,595 shares

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

Nine months ended December 31, 2023	31,901,405 shares
Nine months ended December 31, 2022	31,901,451 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 earnings forecasts are not disclosed. Please refer to page 4 for further information.

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BUSINESS RESULTS

1. Qualitative Information on Business Results for the nine Months Ended December 31, 2023

(1) Information on business results

During the nine months ended December 31, 2023 (from April 1 to December 31, 2023) of the current consolidated fiscal year, price levels remained high both the domestic and international although the inflation rates have slowed down. Major countries other than Japan have implemented monetary tightening measures to curb inflation in the beginning, but they subsequently moved to leave their policy interest rate unchanged and monitor their cumulative effect. The U.S. Federal Reserve Board (FRB) has kept its policy interest rate unchanged after raising interest rate in July. Additionally a few of emerging countries such as Brazil began to cut interest rates. Meanwhile the Bank of Japan (BoJ) actually raised the upper limit on long-term interest rates under yield curve control to 1.0% in July.

In the stock market, the Nikkei Stock Average rose sharply through June, supported by the BoJ's policy to maintain monetary easing measures and foreign investors' positive purchase of Japanese stocks. After that, the market turned into moving in a box range due to a mixture of pessimism that the economies would further deteriorate due to the maintenance of U.S. policy interest rates at a high level for longer period of time, and optimism guided by a soft landing scenario, and the Nikkei Stock Average ended the nine-month period at 33,464 yen, 19% higher than the end of March in 2023. In the U.S. stock market, the New York Dow Jones Industrial Average rose through July along with optimistic view over the economy and investors' hunting in AI-related stocks, but it entered a correction phase thorough October due to unfavorable rise in U.S. long-term interest rates. However, the market changed to a sharp rebound due to slowing inflation and emergence of a scenario for early interest rate cuts and the New York Dow Jones Industrial Average ended the nine-month period at \$37,689.

In the foreign exchange market, the Japanese Yen depreciated against the U.S. Dollar due to the widening interest rate difference between Japan and the U.S. and the clear difference in the monetary policy stance between the authorities. The Dollar-Yen exchange rate reached 151.94 yen in November and tied the peak of the weak yen phase in October 2022 (1 dollar = 151.93 yen). However, with the awareness that the U.S. would conduct early interest cuts in 2024 and Japan would normalize monetary policy in 2024, the exchange rate took a turn, and it ended at 141.02 yen at the end of the nine-month period. Although the Yen also depreciated against the Euro through November and the Euro-Yen exchange rate reached 164.28 yen, it ended at 155.62 yen at the end of the nine-month period.

In the bond market, interest rates rose in both Japan and the U.S. through autumn. In Japan, with the BoJ's Monetary Policy Meeting in July, a scenario of early normalization of monetary policy was on the rise and Japan's 10-year government bond yield reached 0.97% in November. After that expectation for an early end to negative interest rates receded and the 10-year government bond yield ended at 0.62% at the end of the nine-month period. In the U.S., there was an intensifying view that the high interest rate policy would be prolonged to curb inflation and the yield on 10-year U.S. government bonds rose to 5.00% in October, however it further strengthened the belief that the interest rates will be cut from early 2024 due to inflation slows down, the yield on 10-year U.S. government bonds plunged rapidly to 3.87% at the end of the nine-month period, which had an impact on both foreign exchange and stock markets.

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

For the nine-month period, compared with the same period of previous fiscal year, operating revenue increased by 166.1% to 5,372 million yen, net operating revenue increased by 166.9% to 5,333 million yen, operating profit resulted in 1,723 million yen (operating loss of 349 million yen in the same period of the previous fiscal year), ordinary profit increased to 2,321 million yen (134 million yen in the same period of the previous fiscal year), and net profit attributable to owners of the parent increased by 824.9% to 2,727 million yen.

Details of the period's results are as follows:

① Commission Received

The total "Commission Received" resulted 1,968 million yen (up 46.7% from the same period of previous fiscal year), the details of which are shown below:

(Brokerage Commission)

Brokerage commission on equity securities was 1,029 million yen (up 42.1% from the same period of previous fiscal year). Total amount of brokerage commission including those on beneficiary securities (Exchange Traded Funds) was 1,043 million yen (up 39.2% from the same period of previous fiscal year).

(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 12million yen (up 4.9% from the same period of previous fiscal year).

(Fee 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 630 million yen (up 69.0% from the same period of previous fiscal year), due to an increase of handling of beneficiary securities (investment trusts).

(Other Commission Received)

The amount of other commission received consisting mainly of trailer fee of beneficiary securities (investment trusts) was 281 million yen (up 36.2% from the same period of previous fiscal year).

② Net trading Income

Net trading income of equities, etc. resulted in a gain of 26 million yen (a loss of 181 million yen in the same period of previous fiscal year). Net trading income of bonds etc. resulted in a gain of 2,473 million yen (up 103.9% from the same period of previous fiscal year). Net trading income on other trading consisting mainly of foreign exchange derivatives resulted in a loss of 216 million yen (a loss of 344 million yen in the same period of previous fiscal year).

As a result, “Net Trading Income” resulted in a gain of 2,283 million yen (up 232.0% from the same period of previous fiscal year).

③ Net Financial Income

“Net Financial Income” decreased by 7.7% to 1,062 million yen, as a result of deducting 39 million yen (up 1.7% from the same period of previous fiscal year) of financial expenses from 1,101 million yen (down 7.4% from the same period of previous fiscal year) of financial revenue.

④ Selling, General and Administrative Expenses

“Selling, General and Administrative Expenses” were 3,609 million yen (up 1.8% from the same period of previous fiscal year).

⑤ Non-operating Income and Expenses

Non-operating income, consisting mainly of dividend received, totaled 852 million yen (up 34.4% from the same period of previous fiscal year), and non-operating expenses consisting mainly of foreign exchange losses, totaled 254 million yen (up 69.4% from the same period of previous fiscal year).

As a result, “Net Non-operating Income” amounted to a gain of 598 million yen (up 23.6% from the same period of previous fiscal year).

⑥ Extraordinary Income and Loss

Extraordinary income was 1,764 million yen (up 333.6% from the same period of previous fiscal year), as a result of sales of investment securities, and extraordinary loss was 142 million yen (up 121.0% from the same period of previous fiscal year) including losses on sales of investment securities.

As a result, “Net Extraordinary Income” amounted to 1,621 million yen (up 373.6% from the same period of previous fiscal year).

(2) Information on Financial Condition

① Assets

Current assets as of December 31, 2023 were 45,921 million yen, decreased by 1,652 million yen from the previous fiscal year end. This is mainly because cash and deposits decreased by 4,937 million yen while trading products increased by 2,725 million yen. Non-current assets as of December 31, 2023 were 31,572 million yen, increased by 8,244 million yen from the previous fiscal year end. This is mainly because investment securities increased by 8,134 million yen.

As a result, the assets as of December 31, 2023 were 77,494 million yen, increased by 6,592 million yen from the previous fiscal year end.

② Liabilities

Current liabilities as of December 31, 2023 were 23,984 million yen, increased by 2,396 million yen from the previous fiscal year end. This is mainly because deposits received increased by 3,176 million yen while short-term borrowings decreased by 1,020 million yen. Non-current liabilities as of December 31, 2023 were 2,939 million yen, increased by 939

million yen from the previous fiscal year end.

As a result, the liabilities as of December 31, 2023 were 26,938 million yen, increased by 3,337 million yen from the previous fiscal year end.

③ Net Assets

Within net asset, valuation difference on available for sale securities increased by 1,961 million yen and retained earnings increased by 1,292 million yen from the previous fiscal year end.

As a result, net assets as of December 31, 2023 were 50,556 million yen, increased by 3,255 million yen from the previous fiscal year end.

(3) Information on Forecast of Consolidated Financial Results

Consolidated operating revenues are mainly comprised of commissions received and trading income, the majority of which are coming from the stock and bond markets. In order to mitigate the impact of favorable or unfavorable conditions in the stock and bond markets on our financial results, we are striving to ensure revenue stability by diversifying our revenue sources. Even so, our business performance may still be affected by trends in the securities markets and may fluctuate significantly. In addition, sharp fluctuations in the domestic and foreign financial instrument markets could result in large valuation gains or losses on financial instruments held by ourselves.

In general, securities markets and foreign exchange markets fluctuate, reflecting variety of factors such as domestic and international political and economic conditions, interest rates, and corporate earnings. Therefore, in order to forecast our consolidated financial results, it is necessary to accurately grasp future market trends while predicting these factors in advance, but the reality is that it is nearly impossible to achieve this. In a situation where such uncertain factors are likely to cause a large discrepancy between forecasts and actual results, daring to disclose forecast of financial results may result in sending a false message to the market, which may impede fair stock price formation.

For the aforementioned reasons, we will not disclose forecast of financial results, but will instead endeavor to disclose financial results as early as possible, and will announce such figures as preliminary figures around the 10th business day after the end of the fiscal year or the end of the quarter, when 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, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	20,784	15,846
Segregated deposits	9,955	10,591
Trading products	13,036	15,762
Trading securities and other	13,035	15,738
Derivatives	1	23
Trade date accrual	259	568
Margin transaction assets	2,867	2,165
Margin loans	2,638	1,967
Cash collateral provided for securities borrowed in margin transactions	229	198
Other current assets	683	997
Allowance for doubtful accounts	△12	△10
Total current assets	47,574	45,921
Non-current assets		
Property, plant and equipment	1,872	1,904
Buildings	384	386
Land	1,167	1,167
Other	320	350
Intangible assets	59	60
Investments and other assets	21,396	29,608
Investment securities	20,013	28,148
Other	1,453	1,531
Allowance for doubtful accounts	△71	△71
Total non-current assets	23,327	31,572
Total assets	70,902	77,494
Liabilities		
Current liabilities		
Trading products	4	—
Derivatives	4	—
Margin transaction liabilities	496	201
Margin borrowings	264	40
Cash received for securities sold in margin transactions	231	160
Deposits received	9,330	12,506
Short-term borrowings	10,600	9,580
Income taxes payable	101	972
Provision for bonuses	144	101
Other current liabilities	910	622
Total current liabilities	21,587	23,984
Non-current liabilities		
Long-term borrowings	1,000	1,000
Retirement benefit liability	77	92
Other noncurrent liabilities	922	1,847
Total non-current liabilities	1,999	2,939
Reserves under special laws		
Reserve for financial instruments transaction liabilities	14	14
Total reserves under special laws	14	14
Total liabilities	23,601	26,938

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Net assets		
Shareholders' equity		
Share capital	5,251	5,251
Capital surplus	4,774	4,774
Retained earnings	37,370	38,663
Treasury shares	△863	△863
Total shareholders' equity	46,533	47,825
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	757	2,719
Total accumulated other comprehensive income	757	2,719
Non-controlling interests	10	10
Total net assets	47,301	50,556
Total liabilities and net assets	70,902	77,494

(2) Quarterly Consolidated Income Statements and Quarterly Consolidated Comprehensive Income Statements
 (Quarterly Consolidated Income Statements)
 (Nine Months Ended December 31, 2023)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Operating revenue		
Commission received	1,341	1,968
Brokerage commission	749	1,043
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	12	12
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	373	630
Other commission received	206	281
Net trading income	687	2,283
Financial revenue	1,190	1,101
Other operating revenue	14	18
Total operating revenue	3,234	5,372
Financial expenses	39	39
Net operating revenue	3,194	5,333
Selling, general and administrative expenses		
Trading related expenses	404	436
Personnel expenses	2,111	2,088
Real estate expenses	379	382
Office expenses	403	405
Depreciation	63	63
Taxes and dues	94	139
Other	86	92
Total selling, general and administrative expenses	3,544	3,609
Operating profit (loss)	△349	1,723
Non-operating income		
Dividend income	507	612
Gain on investments in investment partnerships	90	192
Other	36	47
Total non-operating income	634	852
Non-operating expenses		
Foreign exchange losses	136	228
mediation settlement	2	3
Other	11	22
Total non-operating expenses	150	254
Ordinary profit	134	2,321

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Extraordinary income		
Gain on sale of investment securities	406	1,764
Total extraordinary income	406	1,764
Extraordinary losses		
Loss on sale of investment securities	64	139
Loss on retirement of non-current assets	0	2
Provision of reserve for financial instruments transaction liabilities	—	0
Total extraordinary losses	64	142
Profit before income taxes	477	3,943
Income taxes - current	35	1,186
Income taxes - deferred	111	29
Total income taxes	146	1,215
Profit	330	2,728
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	330	2,727

(Quarterly Consolidated Comprehensive Income Statements)
(Nine Months Ended December 31, 2023)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	330	2,728
Other comprehensive income		
Valuation difference on available-for-sale securities	1,157	1,962
Total other comprehensive income	1,157	1,962
Comprehensive income	1,488	4,690
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,487	4,689
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.

【Referential Data】

1. Referential Data on Consolidated Business Results for the Nine Months Ended December 31, 2023

(1) Commission Received

① Commission received by sources

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Change		FY2022
			Amount	%	
Brokerage commission	749	1,043	293	39.2	1,001
(Equities)	(724)	(1,029)	(305)	(42.1)	(972)
(Bonds)	(—)	(—)	(—)	(—)	(—)
(Beneficiary securities)	(24)	(13)	(△11)	(△46.1)	(29)
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	12	12	0	4.9	16
(Equities)	(12)	(12)	(0)	(4.9)	(16)
(Bonds)	(—)	(—)	(—)	(—)	(—)
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	373	630	257	69.0	535
Other commission received	206	281	74	36.2	280
Total	1,341	1,968	626	46.7	1,834

② Commission received by instruments

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Change		FY2022
			Amount	%	
Equities	739	1,045	305	41.2	993
Bonds	0	0	0	35.2	0
Beneficiary securities	586	910	324	55.3	821
Other	15	12	△2	△19.2	18
Total	1,341	1,968	626	46.7	1,834

(2) Net Trading Income

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Change		FY2022
			Amount	%	
Equities, etc.	△181	26	207	—	△154
Bonds, etc.	1,213	2,473	1,260	103.9	1,565
Other	△344	△216	127	—	△395
Total	687	2,283	1,595	232.0	1,015

(3) Consolidated Income Statement for the Latest Five Quarters

(Millions of yen)

	Quarter ended December 31, 2022	Quarter ended March 31, 2023	Quarter ended June 30, 2023	Quarter ended September 30, 2023	Quarter ended December 31, 2023
I . Operating revenue	1,023	1,081	1,831	2,180	1,360
1 Commission received	460	492	610	685	672
2 Net trading income	432	327	769	1,087	427
3 Financial revenue	126	255	437	403	260
4 Other operating revenue	4	5	14	4	0
II . Financial expenses	12	16	13	14	11
Net operating revenue	1,011	1,064	1,817	2,165	1,349
III . Selling, general and administrative expenses	1,153	1,028	1,191	1,243	1,174
1 Trading related expenses	128	134	138	153	144
2 Personal expenses	675	519	683	727	677
3 Real estate expenses	128	127	128	134	119
4 Office expenses	133	131	140	132	133
5 Depreciation	22	23	20	21	21
6 Taxes and dues	31	44	48	53	37
7 Provision of allowance for doubtful accounts	—	—	—	—	—
8 Other	32	47	31	21	39
Operating profit/loss	△141	36	626	922	174
IV . Non-operating income	190	378	557	210	84
V . Non-operating expenses	△41	58	208	38	8
Ordinary profit/loss	△89	356	976	1,094	251
VI . Extraordinary income	170	906	647	833	282
VII . Extraordinary losses	1	40	70	57	14
Profit/Loss before income taxes	259	1,222	1,553	1,870	520
Income taxes current	18	369	397	654	133
Income taxes deferred	61	14	58	△73	43
Profit/Loss	179	838	1,096	1,289	342
Profit attributable to non-controlling interests	0	0	0	0	0
Profit/Loss attributable to owners of parent	179	837	1,096	1,289	342

2. Referential Data on Business Results for the Nine months Ended December 31, 2023

(1) Capital Adequacy Ratio

(Millions of yen)

		As of December 31, 2022	As of December 31, 2023	As of March 31, 2023
Basic items	(A)	41,592	43,355	41,817
Complementary items	Valuation difference on available-for-sale securities, etc.	614	2,541	689
	Financial instruments transaction liability reserves	14	14	14
	Allowance for doubtful accounts	11	10	12
Total (B)		639	2,566	715
Deductible assets (C)		7,528	9,139	7,651
Unfixed net capital (A)+(B)-(C) (D)		34,704	36,782	34,882
Amount of risk correspondents	Market risk equivalent	3,874	5,278	3,978
	Trade party risk equivalent Basic risk equivalent	202	249	179
		1,268	1,130	1,199
Total (E)		5,344	6,657	5,357
Capital adequacy ratio (D)/(E)×100%		649.2%	552.4%	651.0%

(2) Number of Directors/Auditors and Employees

	As of December 31, 2022	As of December 31, 2023	As of March 31, 2023
Directors and auditors	10	10	10
Employees	231	229	225