

CONSOLIDATED FINANCIAL INFORMATION

For Nine Months (April 1 – Dec 31, 2009)
of Financial Year Ending March 31, 2010

KYOKUTO SECURITIES CO., LTD.

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January 28, 2010

**CONSOLIDATED RESULTS FOR NINE MONTHS (APR-DEC 2009) OF
FINANCIAL YEAR ENDING MARCH 31, 2010 (SUMMARY)**

Name of company: **Kyokuto Securities Co., Ltd.**

Listed Stock Exchange: Tokyo Stock Exchange

Stock code number: 8706

URL: <http://www.kyokuto-sec.co.jp>

Company's representative: Hiroyuki KIKUCHI, President and Chief Executive Officer

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Scheduled date of filing of quarterly securities report: February 10, 2010

1. Consolidated Results for Nine Months (Apr. 1 – Dec. 31, 2009) of Financial Year 2009**(1) Consolidated Business Results**

(Millions of yen with fractions less than a million yen discarded)

	Nine months ended Dec. 31, 2008	Nine months ended Dec. 31, 2009
Operating income	3,813 (-)	12,971 (240.2%)
Net operating income	3,642 (-)	12,805 (251.5%)
Operating profit	- 615 (-)	6,469 (-)
Ordinary profit	- 574 (-)	6,705 (-)
Net profit	- 1,323 (-)	3,535 (-)
Earnings per share	- 41.44 yen	110.82 yen
Earnings per share (diluted)	-	-

Note: The percentage figures in the parenthesis are increase/decrease from the period of the previous financial year.

(2) Consolidated Financial Condition

	Dec. 31, 2009	Mar. 31, 2009
Total assets (Millions of yen)	50,772	50,055
Net assets (Millions of yen)	31,163	28,725
Shareholders' equity ratio	61.4%	56.8%
Net assets per share	976.97 yen	890.69 yen

Note: Shareholders' equity:

December 31, 2009: 31,163 million yen. March 31, 2009: 28,411 million yen.

2. Matters Concerning Dividends

(Record date)	Dividends per share				
	End of 1 st Qr.	End of 2 nd Qr.	End of 3 rd Qr.	End of FY	Annual Total
FY2008	-	10.00 yen	-	10.00 yen	20.00 yen
FY2009	-	17.00 yen	-	-	-
FY2009 (Forecast)	-	-	-	-	-

Note: The Company does not disclose forecast of dividends.

3. Forecast of Consolidated Business Results for Financial Year Ending March 31, 2010

(Year from April 1, 2009 to March 31, 2010)

The Company does not disclose forecast of business results. Please see page 6 for further information.

4. Other

(1) Changes in important subsidiary companies (i.e., changes in scope of consolidation)

No company was added to or removed from the scope of full/partial consolidation.

(2) Adoption of simplified accounting methods and application of any accounting treatments peculiar to preparation of quarterly consolidated financial statements

The Company has not adopted simplified accounting methods nor applied any accounting treatments peculiar to preparation of quarterly consolidated financial statements.

(3) Changes in accounting principles, procedures or itemization (i.e., those stated as material changes in important policies for preparation of consolidated quarterly financial statements)

(a) Any changes caused by amendments to accounting standards: None.

(b) Any changes other than (a): None.

(4) Number of shares outstanding (common stock)

(a) Number of shares outstanding (including treasury shares)

December 31, 2009: 32,779,000	March 31, 2009: 32,779,000
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(b) Number of treasury shares

December 31, 2009: 880,733	March 31, 2009: 880,644
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(c) Average number of shares outstanding

April 1--December 31, 2009: 31,898,350	April 1--December 31, 2008: 31,944,887
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(Notes)

As stated in 3. above the Company does not disclose forecast of business results, and accordingly does not disclose forecast of dividends. Instead, the Company will disclose, concurrently with disclosure of preliminary business results, the expected amount of dividends by around tenth business day following the end of each financial year or second quarter, both of which are record dates for dividends payment.

BUSINESS RESULTS

1. Business Results

During the nine months (i.e., the period of nine months from April 1 to December 31, 2009. Hereinafter called the “period”), the Japanese economy continued to be stagnant in terms of a number of factors—consumer spending, housing investment, private investment and so forth. Nonetheless, there seemed to be a dim light as some began seeing gradual recovery of the economy, thanks mainly to an upturn in exports reflecting notable decline in inventories worldwide and improvements in the global economy, the bottoming out of private investment and increasing public investment.

The stock market continued to be strong against the background of growing expectations of a bottoming out of the economy, with occasional declines due mainly to a rise in the yen against other major currencies. In the domestic bond market, the long-term interest rate moved back and forth, reflecting the tug of war between concerns over fiscal deterioration of the Japanese government and increasing fear of deflationary pressures. In the currency market, while the Japanese yen remained strong in most part of the period due to the surging US government deficit and low interest rates, it started softening against other currencies toward the end of the period reflecting expectations of recovery in the world’s economy.

In this environment, we kept endeavoring to offer “in-season financial products” based on our “Face to Face” business model, in response to customers’ varied needs. In addition, we strived to promote our investment banking business. These efforts resulted in good performance for the nine months. Income from equity-related business jumped, thanks to robust sales of foreign convertible bonds to customers. Also, gains on bond trading turned to be strong due chiefly to recovery of customers’ risk taking attitude, bettering bond position value, and successful bond transactions relating to our investment banking business.

The group’s consolidated earnings for the period sharply grew from the corresponding previous period, with operating income jumping 240.2% to 12,971 million yen, and net operating income expanding 251.5% to 12,805 million yen, resulting in ordinary profit of 6,705 million yen (ordinary loss of 574 million yen for the corresponding previous period) and net profit of 3,535 million yen (net loss of 1,323 million yen for the corresponding previous period).

Details of the period’s results are as follows:

(1) Commission Revenue

The total commission revenue for the period decreased 22.3% to 1,244 million yen from the previous corresponding period, as shown in below:

(a) Brokerage commissions

We earned 617 million yen (down 17.6%) as brokerage commissions on equity securities. As a result, total amount of brokerage commissions including those on fixed-income securities, etc. reached 623 million yen (down 17.6%).

(b) Fees for underwriting, selling and sales solicitation to professional investors

We earned no fees (14 million yen for the corresponding previous period) for underwriting, selling and sales solicitation to professional investors, reflecting very inactive primary market.

(c) Fees for handling of offering, selling and sales solicitation to professional investors

Fees for handling of offering, selling and sales solicitation to professional investors rose 55.4% to 324 million yen, due to an increase in sales volume of investment trusts.

(d) Other fees

Other fees consisting mainly of fees pertaining to investment banking business shrank 52.3% to 296 million yen.

(2) Gains/Loss on Trading

Gains on trading in equity-related securities surged 799.8% to 2,609 million yen, thanks to robust sales of foreign convertible bonds to customers, while gains on bond trading swelled 759.6% to 8,448 million yen, reflecting recovery of sales of foreign currency-denominated fixed-income securities and bettering position value against the background of rising stock price and softening Japanese yen;

also, successful bond transactions relating to our investment banking business contributed to a sharp increase in these gains. Subtracting loss of 66 million yen (loss of 132 million yen for the corresponding previous period) on other trading, the total gains jumped 863.4% to 10,991 million yen.

(3) Gains/Loss on Private Equity and Other Securities

Our consolidated subsidiary company, the FE Invest, Co., Ltd. recorded a loss of 163 million yen (a gain of 128 million yen for the corresponding previous period) on private equity and other securities.

(4) Interest and Dividend Income

The period's net interest and dividend income amounted to 547 million yen (down 18.0%).

(5) Other Operating Income

Other operating income consisting mostly of rent on real estate and fees earned by our two consolidated subsidiaries totaled 186 million yen (up 77.1%).

(6) Operating Expenses

Operating expenses for the period increased 48.8% to 6,336 million yen due to payment of a one-time, large amount of transaction-related expense with respect to investment banking business.

(7) Non-operating Income/Expenses

Non-operating income for the period consisting mainly of dividends on investment securities totaled 248 million yen (down 6.1%), while non-operating expense amounted to 12 million yen (down 94.3%). As a result, net non-operating profit amounted to 235 million yen (up 475.8%).

(8) Extraordinary Profits/Loss

We realized extraordinary profit of 19 million yen (down 95.9%), most of which came from liquidation of financial instruments trading liability reserve. The amount of extraordinary loss, on the other hand, amounted to 1,370 million yen (up 97.9%), reflecting our positive realization of impairment loss on assets related to the real-estate securitization business. Consequently, we recorded a net extraordinary loss of 1,351 million yen (a net loss of 208 million yen for the corresponding previous period).

2. Financial Condition

(1) Assets

The total assets as of December 31, 2009 increased 716 million yen to 50,772 million yen from 50,055 million yen as of March 31, 2009. Current assets increased 896 million yen to 40,131 million yen from 39,235 million yen, reflecting an increase in cash and bank deposits which rose 5,368 million yen to 10,466 million yen from 5,098 million yen and a decrease in trading assets which shrank 4,404 million yen to 9,972 million yen from 14,377 million yen. Fixed assets lessened 179 million yen to 10,640 million yen from 10,820 million yen, due mainly to a decrease in investment securities which shrank 91 million yen to 7,293 million yen from 7,384 million yen.

(2) Liabilities

The total liabilities as of December 31, 2009 decreased 1,721 million yen to 19,608 million yen from 21,330 million yen as of March 31, 2009. Current liabilities lessened 832 million yen to 16,354 million yen from 17,187 million yen, reflecting a decrease in short-term borrowings which shrank 2,469 million yen to 6,087 million yen from 8,575 million yen and an increase in accrued income taxes which climbed 1,905 million yen to 1,955 yen from 49 million yen. Fixed liabilities shrank 878 million yen to 3,228 million yen from 4,106 million yen, due mainly to a decrease in long-term borrowings which diminished 764 million yen to 2,250 million yen from 3,014 million yen.

(3) Net Assets

Net assets as of December 31, 2009 grew 2,438 million yen to 31,163 million yen from 28,725 million yen as of March 31, 2009, thanks to an increase in retained earnings which rose 2,673 million yen to 21,870 million yen from 19,196 million yen.

3. Forecast of Consolidated Business Results

(Reason for being unable to disclose forecast of business results)

The Kyokuto group's operating income consists mainly of commission revenue and gain/loss on principal trading, and substantial part of its income comes from business activities in the equity and fixed income securities markets. The amount of income we earned from our business in the equity market accounted for 31.3% (20.9% as commissions and 10.4% as gains on trading) and 19.8% (17.8% as commissions and 2.0% as gains on trading) of net operating income in the financial years ended March 2009 and 2008, respectively. Similarly, 27.8% and 43.2% of net operating income in the two financial years, respectively were derived from our business activity in the bond market. While we have endeavored to make our revenue structure resilient to market changes by diversifying revenue sources such as those from investment banking business, our operating income is still susceptible to trends of the securities markets, and thus may fluctuate unexpectedly, depending on the market situation. In addition, we have, while adhering to a business model of face-to-face consultation, offered varied financial products in response to the evolving needs of customers. In this course of business, we at times take relatively heavy positions of foreign currency-denominated fixed-income securities, exposing ourselves to risk of recording large amount of unrealized gains or loss that may be caused by unexpected, sudden changes in foreign exchange markets.

Movement of securities markets and foreign exchange markets is influenced by various factors, including, among others, overseas and/or domestic political or economic developments, corporate performance, interest rates, fiscal policy changes and so forth. Accordingly, in order to predict the group's future business results, we need to grasp future movements of the markets by properly foreseeing these factors—that can hardly be done. In addition, as for investment banking business, it is almost impossible for us to predict every future business opportunity. We believe that disclosing earnings forecast in such circumstance where there is a high probability that the forecast sharply deviates from the actual outcome due to many uncertain factors may well result in sending a wrong message to the market, thereby causing adverse influence on investment judgment of investors and shareholders to the ultimate detriment of fair price discovery.

For the reasons mentioned in the above, we refrain from disclosing earnings forecast and instead, we will endeavor to disclose actual business results as early as possible. We will disclose preliminary consolidated results by around tenth business day following the end of each financial year or quarter, by which business result figures are expected to be available.

4. Other

- (1)** During the period, no company was added to or removed from the scope of full consolidation and partial consolidation under the equity method.
- (2)** The Company has not adopted simplified accounting methods nor applied any accounting treatments peculiar to preparation of quarterly consolidated financial statements.
- (3)** There has been no change in accounting principles, procedures or itemization with respect to preparation of quarterly consolidated financial statements.

5. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	December 31, 2009	March 31, 2009 (Summary)
Assets		
Current assets:		
Cash and bank deposits	10,466	5,098
Segregated cash and statutory deposits	5,322	5,157
Trading assets	9,972	14,377
Securities inventory, etc.	9,972	14,377
Net receivables pertaining to contracts to be settled	618	—
Private equity and other securities	8,490	9,561
Assets pertaining to margin transactions	4,235	3,646
Loans to customers on margin transactions	3,522	2,345
Cash collateral to finance companies for securities borrowed	713	1,300
Other current assets	1,026	1,396
Provision for doubtful debts	—2	—2
Total current assets	40,131	39,235
Fixed assets:		
Tangible fixed assets	2,391	2,438
Intangible fixed assets	67	78
Investments and other assets	8,182	8,303
Investment securities	7,293	7,384
Other	966	1,005
Provision for doubtful debts	—77	—86
Total fixed assets	10,640	10,820
Total Assets	50,772	50,055
Liabilities		
Current liabilities:		
Trading liabilities	116	645
Short positions of securities, etc.	114	645
Derivative contracts	1	—
Net payables pertaining to contracts to be settled	—	235
Liabilities pertaining to margin transactions	1,699	1,525
Borrowings for margin transactions	885	478
Cash collateral for borrowed securities sold short	813	1,047
Borrowings against securities pledged	298	504
Borrowings through <i>Gensaki</i> transactions	298	504
Payables to customers and others	5,212	4,083
Short-term borrowings	6,087	8,557
Accrued income taxes	1,955	49
Accrued bonuses to employees	155	101
Other current liabilities	828	1,485
Total current liabilities	16,354	17,187

	December 31, 2009	March 31, 2009 (Summary)
Fixed liabilities		
Long-term borrowings	2,250	3,014
Provision for retirement/severance benefits to employees	374	453
Other fixed liabilities	603	638
Total fixed liabilities	3,228	4,106
Statutory reserve		
Financial instruments trading liability reserve	26	36
Total statutory reserve	26	36
Total liabilities	19,608	21,330
Net Assets		
Shareholders' equity		
Capital stock	5,251	5,251
Capital surplus	4,774	4,774
Retained earnings	21,870	19,196
Treasury stock	-866	-866
Total shareholders' equity	31,030	28,356
Unrealized gains on other securities	133	54
Minority interest	-	313
Total net assets	31,163	28,725
Total liabilities and net assets	50,772	50,055

(2) Consolidated Income Statement (For Nine Months Ended December 31, 2009)

(Millions of yen)

	9 months ended Dec. 31, 2008	9 months ended Dec. 31, 2009
Operating income		
Commissions and fees	1,600	1,244
Brokerage commissions	756	623
Fees for underwriting, selling and sales solicitation to professional investors	14	—
Fees for handling of offering, selling and sales solicitation to professional investors	208	324
Other fees	620	296
Gains or loss on trading	1,140	10,991
Net gains or loss on private equity and other securities	128	—163
Interest and dividend income	837	712
Other operating income	105	186
Total operating income	3,813	12,971
Financial expenses	170	165
Net operating income	3,642	12,805
Operating Expenses		
Transaction-related expenses	635	2,828
Personnel expenses	2,392	2,456
Real estate-related expenses	486	406
Data processing and office supplies	458	395
Depreciation and amortization	79	69
Miscellaneous taxes and dues	57	86
Other	147	92
Total operating expenses	4,258	6,336
Operating Profit	—615	6,469
Non-operating income		
Dividends received	178	72
Foreign tax credit	—	57
Other	86	118
Total non-operating income	264	248
Non-operating expenses		
Loss on investments in TK (<i>Tokumei Kumiai</i>)	—	7
Interest paid	—	4
Loss on investments in limited partnerships	212	—
Other	11	0
Total non-operating expenses	223	12
Ordinary profit	—574	6,705
Extraordinary profit		
Liquidation of financial instruments trading liability reserve	454	10
Reversal of provision for doubtful debts	—	9
Other	29	—
Total extraordinary profit	484	19
Extraordinary loss		
Loss on valuation of private equity and other securities	—	850
Loss on sales of investment securities	189	3
Loss on valuation of investment securities	483	506
Other	19	10
Total extraordinary loss	692	1,370
Net profits before taxes	—783	5,354
Corporate tax, inhabitant tax and business tax	47	1,948
Corporate tax, etc. for previous financial year	98	—
Adjustments for corporate tax, etc.	406	184
Total corporate tax, etc.	552	2,133
Minority interests	—12	—313
Net profit	—1,323	3,535

(3) Note on going concern
Not applicable.

(4) Note on substantial change in shareholders' equity
Not applicable.

[Referential Data]

Referential Date on Consolidated Business Results for Nine Months Ended December 31, 2009

(1) Commissions and fees earned

(a) Commissions and fees by sources

(Millions of yen)

	9 months ended Dec. 31, 2008	9 months ended Dec. 31, 2009	Change		Year ended Mar. 31, 2009
				%	
Brokerage commissions	756	623	-133	-17.6	972
(Equities)	(749)	(617)	(-132)	(-17.6)	(964)
(Bonds)	(1)	(0)	(-0)	(-42.8)	(1)
Fees for underwriting, selling and sales solicitation to professional investors	14	-	-14	-	15
(Equities)	(14)	(-)	(-14)	(-)	(15)
(Bonds)	(-)	(-)	(-)	(-)	(-)
Fees for handling of offering, selling and sales solicitation to professional investors	208	324	115	55.4	273
Other fees	620	296	-324	-52.3	724
Total	1,600	1,244	-356	-22.3	1,986

(b) Commissions and fees by instruments

(Millions of yen)

	9 months ended Dec. 31, 2008	9 months ended Dec. 31, 2009	Change		Year ended Mar. 31, 2009
				%	
Equities	769	623	-145	-18.9	987
Bonds	23	1	-21	-93.3	23
Beneficiary securities	223	428	205	91.9	314
Other	584	189	-394	-67.6	661
Total	1,600	1,244	-356	-22.3	1,986

(2) Gains/loss on trading

(Millions of yen)

	9 months ended Dec. 31, 2008	9 months ended Dec. 31, 2009	Change		Year ended Mar. 31, 2009
				%	
Equities, etc.	290	2,609	2,319	799.8	494
Bonds, etc.	982	8,448	7,465	759.6	1,293
Other	-132	-66	65	-	-161
Total	1,140	10,991	9,850	863.4	1,627

[Referential Data]

Referential Date on Business Results for First Nine Months Ended December 31, 2009

(1) Volume/value of equity trading (except trading in derivatives)

(Million shares/Millions of yen)

	9 months ended Dec. 31, 2008		9 months ended Dec. 31, 2009		Change %		Year ended Mar. 31, 2009	
	Number of shares	Trade value	Number of shares	Trade value	Number of shares	Trade value	Number of shares	Trade value
Total	2,282	1,645,452	2,623	1,091,523	15.8	−33.7	3,006	1,937,748
(Agency)	(261)	(195,820)	(355)	(135,505)	(35.9)	(−30.8)	(367)	(264,870)
(Principal)	(2,021)	(1,449,632)	(2,287)	(956,018)	(13.2)	(−34.1)	(2,639)	(1,672,878)
(Agency)/Total (%)	11.5%	11.9%	13.5%	12.4%			12.2%	13.7%
Total/TSE volume (%)	0.27 %	0.19%	0.29 %	0.19%			0.27%	0.18%
Brokerage commission per share	2.83 yen		1.62 yen				2.56 yen	

(2) Volume of underwriting, offering and selling

(Million shares/Millions of yen)

		9 months ended Dec. 31, 2008	9 months ended Dec. 31, 2009	Change %	Year ended Mar. 31, 2009
Underwriti	Equities (Number of shares)	0	—	—	0
	Equities (Yen volume)	555	—	—	584
	Bonds (Face value)	—	—	—	2,000
	CPs, foreign instruments, etc.	—	—	—	—
Offering/selling	Equities (Number of shares)	0	0	−93.7	0
	Equities (Yen volume)	19,708	1,837	−90.7	21,836
	Bonds (Yen volume at face value)	35,751	129	−99.6	35,831
	Beneficiary securities	27,939	39,288	40.6	36,770
	CPs, foreign instruments, etc.	8,647	1,267	−85.3	8,647

(3) Net capital regulation ratio

(Millions of yen)

		Dec. 31, 2008	Dec. 31, 2009	Mar. 31, 2009
Basic items	(A)	27,773	29,839	27,331
Complementary items	Appraisal difference (appraisal profit) of other securities, etc.	113	133	54
	Financial instruments trading liability reserve	36	26	36
	Provision for doubtful debts	0	598	2
	Total (B)	150	757	94
Deductible assets	(C)	12,523	9,768	12,036
Unfixed net capital (A) + (B) – (C)	(D)	15,400	20,829	15,389
Amount of risk correspondents	Market risk correspondence	1,221	1,452	1,350
	Trade party risk correspondence	2,195	2,911	2,689
	Basic risk correspondence	1,411	1,336	1,373
	Total (E)	4,829	5,700	5,413
Net capital regulation ratio	(D)/(E) × 100%	318.9%	365.4%	284.2%

(4) Number of directors/auditors and employees

	Dec. 31, 2008	Dec. 31, 2009	Mar. 31, 2009
Directors and auditors	9	9	9
Employees	268	262	261

[Referential Data]

Consolidated Income Statement for Latest Five Quarters

(Millions of yen)

	Qr. ended Dec. 31, 2008	Qr. ended Mar. 31, 2009	Qr. ended June 30, 2009	Qr. ended Sept. 30, 2009	Qr. ended Dec. 31, 2009
I. Operating income	-117	1,148	3,447	2,609	6,915
1. Commissions and fees	339	385	507	378	358
2. Gains or loss on trading	-757	486	2,671	1,991	6,328
3. Gains on private equity and other securities	22	-32	-1	-19	-142
4. Interest and dividend income	233	237	185	232	294
5. Other operating income	43	71	83	27	75
II. Financial expenses	54	57	52	50	62
Net operating income	-171	1,091	3,394	2,559	6,852
III. Operating Expenses	1,276	1,474	1,315	1,327	3,693
1. Transaction-related expenses	189	162	148	171	2,508
2. Personnel expenses	679	910	822	812	821
3. Real estate-related expenses	160	145	133	132	140
4. Data processing and office supplies	160	143	127	138	128
5. Depreciation and amortization	28	26	22	22	23
6. Miscellaneous taxes and dues	22	39	31	22	32
7. Provision for doubtful debts	0	1	-	0	-
8. Other	35	44	28	26	37
Operating Profit	-1,448	-382	2,078	1,231	3,158
IV. Non-operating income	35	141	81	88	88
V. Non-operating expenses	133	4	15	5	1
Ordinary profit	-1,546	-246	2,144	1,314	3,245
VI. Extraordinary profit	13	28	13	-	7
VII. Extraordinary loss	426	41	313	568	489
Net profits before taxes	-1,959	-259	1,844	745	2,763
Corporate tax, residential tax and business tax	-326	19	9	516	1,422
Corporate tax, etc. for previous financial year	98	-	-	-	-
Adjustments for corporate tax, etc.	209	-140	339	-133	-20
Profit belonging to minority interest	-11	-14	-131	-182	-
Net profit	-1,929	-123	1,627	545	1,362