

CONSOLIDATED FINANCIAL INFORMATION

For First Quarter (April 1 – June 30, 2009)
of Financial Year Ending March 31, 2010

KYOKUTO SECURITIES CO., LTD.

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July 28, 2009

**CONSOLIDATED RESULTS FOR THE FIRST QUARTER (APR-JUN 2009)
OF THE 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>

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Scheduled date of filing of quarterly securities report: August 13, 2009

1. Consolidated Results for First Quarter (April 1 – June 30, 2009) of the Financial Year 2009**(1) Consolidated Business Results** (Millions of yen with fractions less than a million yen discarded.)

	Quarter ended June 30, 2008	Quarter ended June 30, 2009
Operating income	3,085 (-)	3,447 (11.7)
Net operating income	3,035 (-)	3,394 (11.8)
Operating profit	1,527 (-)	2,078 (36.1)
Ordinary profit	1,814 (-)	2,144 (18.2)
Net profit	1,167 (-)	1,627 (39.4)
Earnings per share	36.43 yen	51.01 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

	June 30, 2009	Mar. 31, 2009
Total assets (Millions of yen)	51,661	50,055
Net assets (Millions of yen)	30,037	28,725
Shareholders' equity ratio	57.8%	56.8%
Net assets per share	935.95 yen	890.69 yen

Note: Shareholders' equity:

June 30, 2009: 29,855 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	—	—	—	—	—
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)

June 30, 2009: 32,779,000 March 31, 2009: 32,779,000

(b) Number of treasury shares

June 30, 2009: 880,644 March 31, 2009: 880,644

(c) Average number of shares outstanding

April 1—June 30, 2009: 31,898,356 April 1—June 30, 2008: 32,038,491

(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 first quarter (i.e., the period of three months from April 1 to June 30, 2009. Hereinafter called the “period”), the Japanese economy worsened in terms of almost every factor—i.e., consumer spending, housing investment, exports, private investment and so forth. Nonetheless, there seemed to be a dim light as some began seeing a hopeful bottom coming for the economy, thanks mainly to a notable decline in inventories and an increase in public investment reflecting the expanding government spending.

The stock market kept rising from the beginning of the period against the background of growing expectations of a bottoming out of the global economy, with Nikkei 225 stock average breaking the 10,000 mark for the first time in 8 months. In the currency market, the Japanese yen reversed its upward trend and started softening against other currencies, reflecting easing concerns over global financial systems and slowing pace of deterioration of the world’s economy. In the domestic bond market, on the other hand, there was a time when the long-term interest rate sharply rose due to concerns over massive issuance of government bonds to fuel the economy. However, the long-term rate declined toward the end of the period, as the supply-demand situation improved.

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 quarter. Income from equity-related business jumped, thanks to robust sales of foreign convertible bonds. Also, gains on bond trading turned to be strong due chiefly to bettering position value, reflecting the recovering stock price and softening Japanese yen. Income from these activities more than covered the lackluster investment banking business and decreasing net interest income.

The group’s consolidated earnings for the period expanded from the corresponding previous period, with operating income increasing 11.7% to 3,447 million yen, net operating income expanding 11.8% to 3,394 million yen, ordinary profit growing 18.2% to 2,144 million yen, and net profit jumping 39.4% to 1,627 million yen.

Details of the period’s results are as follows:

(1) Commission Revenue

The total commission revenue for the period decreased 26.4% to 507 million yen, as shown in below:

(a) Brokerage commissions

We earned 254 million yen (down 9.4%) as brokerage commissions on equity securities. As a result, total amount of brokerage commissions including those on fixed-income securities reached 257 million yen (down 9.5%).

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

We earned no fees (10 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 fell 37.6% to 86 million yen, due to a decrease in fee revenue relating to investment banking business.

(d) Other fees

Other fees consisting mainly of fees pertaining to investment banking business decreased 36.2% to 163 million yen.

(2) Gains/Loss on Trading

Gains on trading in equity-related securities swelled almost ten times to 1,468 million yen (up 881.7%), thanks to robust sales of foreign convertible bonds. While gains on bond trading shrank 27.2% to 1,247 million yen, the figure reflected recovery of sales of foreign fixed-income securities and bettering position value as compared with the previous six months. Subtracting loss of 43 million yen (loss of 15 million yen for the corresponding previous period) on other trading, the total gains jumped 44.6% to 2,671 million yen.

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

Our consolidated subsidiary company, the FE Invest, Co., Ltd. recorded a loss of 1 million yen (a gain of 126 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 132 million yen (down 60.5%).

(5) Other Operating Income

Other operating income consisting mostly of rent on real estate and fees earned by our two consolidated subsidiaries totaled 83 million yen (up 130.0%).

(6) Operating Expenses

Operating expenses for the period decreased 12.7% to 1,315 million yen, reflecting our cost-cutting effort.

(7) Non-operating Income/Expenses

Non-operating income for the period consisting mainly of dividends on investment securities and gains on investments in limited partnerships totaled 81 million yen (down 72.3%), while non-operating expense amounted to 15 million yen (up 124.8%). As a result, net non-operating profit amounted to 65 million yen (down 77.0%).

(8) Extraordinary Profits/Loss

We realized extraordinary profit of 13 million yen (down 97.2%), most of which came from liquidation of financial instruments trading liability reserve. The amount of extraordinary loss, on the other hand, amounted to 313 million yen (up 95.3%), reflecting impairment loss of 300 million yen on private equity and other securities. Consequently, we recorded a net extraordinary loss of 300 million yen (a net gain of 304 million yen for the corresponding previous period).

2. Financial Condition

(1) Assets

The total assets as of June 30, 2009 increased 1,605 million yen to 51,661 million yen from 50,055 million yen as of March 31, 2009. Current assets increased 1,419 million yen to 40,655 million yen from 39,235 million yen, reflecting an increase assets pertaining to margin transactions which rose 3,406 million yen to 7,053 million yen from 3,646 million yen, and a decrease in cash and bank deposits which shrank 1,660 million yen to 3,437 million yen from 5,098 million yen. Fixed assets rose 185 million yen to 11,006 million yen from 10,820 million yen, due to an increase in investment securities which grew 250 million yen to 7,634 million yen from 7,384 million yen.

(2) Liabilities

The total liabilities as of June 30, 2009 increased 293 million yen to 21,623 million yen from 21,330 million yen as of March 31, 2009. Current liabilities rose 373 million yen to 17,560 million yen from 17,187 million yen, reflecting an increase in borrowings against securities pledged which rose 495 million yen to 999 million yen from 504 million yen. Fixed liabilities shrank 69 million yen to 4,037 million yen from 4,106 million yen, due to a decrease in provision for retirement/severance benefits to employees, which diminished 34 million yen to 418 million yen from 453 million yen.

(3) Net Assets

Net assets as of June 30, 2009 grew 1,312 million yen to 30,037 million yen from 28,725 million yen as of March 31, 2009, due to an increase in retained earnings which rose 1,308 million yen to 20,504 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)

	Quarter ended June 30, 2009	Year ended Mar. 31, 2009 (Summary)
Assets		
Current assets:		
Cash and bank deposits	3,437	5,098
Segregated cash and statutory deposits	4,802	5,157
Trading assets	14,919	14,377
Securities inventory, etc.	14,919	14,377
Private equity and other securities	9,241	9,561
Assets pertaining to margin transactions	7,053	3,646
Loans to customers on margin transactions	3,983	2,345
Cash collateral to finance companies for securities borrowed	3,069	1,300
Other current assets	1,201	1,396
Provision for doubtful debts	—0	—2
Total current assets	40,655	39,235
Fixed assets:		
Tangible fixed assets	2,413	2,438
Intangible fixed assets	73	78
Investments and other assets	8,519	8,303
Investment securities	7,634	7,384
Other	971	1,005
Provision for doubtful debts	—86	—86
Total fixed assets	11,006	10,820
Total Assets	51,661	50,055
Liabilities		
Current liabilities:		
Trading liabilities	1,104	645
Short positions of securities, etc.	1,090	645
Derivative contracts	14	—
Net payables pertaining to contracts to be settled	102	235
Liabilities pertaining to margin transactions	2,932	1,525
Borrowings for margin transactions	628	478
Cash collateral for borrowed securities sold short	2,303	1,047
Borrowings against securities pledged	999	504
Borrowings through <i>Gensaki</i> transactions	999	504
Short-term borrowings	6,057	8,557
Accrued income taxes	28	49
Accrued bonuses to employees	175	101
Other current liabilities	6,160	5,568
Total current liabilities	17,560	17,187

	Quarter ended June 30, 2009	Year ended Mar. 31, 2009 (Summary)
Fixed liabilities		
Long-term borrowings	3,000	3,014
Provision for retirement/severance benefits to employees	418	453
Other fixed liabilities	618	638
Total fixed liabilities	4,037	4,106
Statutory reserve		
Financial instruments trading liability reserve	25	36
Total statutory reserve	25	36
Total liabilities	21,623	21,330
Net Assets		
Shareholders' equity		
Capital stock	5,251	5,251
Capital surplus	4,774	4,774
Retained earnings	20,504	19,196
Treasury stock	—866	—866
Total shareholders' equity	29,664	28,356
Unrealized gains on other securities	190	54
Minority interest	182	313
Total net assets	30,037	28,725
Total liabilities and net assets	51,661	50,055

(2) Consolidated Income Statement (For Quarter Ended June 30, 2009)

(Millions of yen)

	Quarter ended June 30, 2008	Quarter ended June 30, 2009
Operating income		
Commissions and fees	689	507
Brokerage commissions	284	257
Fees for underwriting and selling	10	—
Fees for underwriting, selling and sales solicitation to professional investors	—	—
Fees for handling of offering and selling	138	—
Fees for handling of offering, selling and sales solicitation to professional investors	—	86
Other fees	256	163
Gains or loss on trading	1,847	2,671
Net gains or loss on private equity and other securities	126	—1
Interest and dividend income	386	185
Other operating income	36	83
Total operating income	3,085	3,447
Financial expenses	50	52
Net operating income	3,035	3,394
Operating Expenses		
Transaction-related expenses	222	148
Personnel expenses	880	822
Real estate-related expenses	160	133
Data processing and office supplies	144	127
Depreciation and amortization	25	22
Miscellaneous taxes and dues	29	31
Other	44	28
Total operating expenses	1,507	1,315
Operating Profit	1,527	2,078
Non-operating income		
Dividends received	151	55
Gains on investments in limited partnership	109	16
Other	33	9
Total non-operating income	293	81
Non-operating expenses		
Loss on investments in TK (<i>Tokumei Kumiai</i>)	—	13
Interest paid	3	1
Other	3	0
Total non-operating expenses	6	15
Ordinary profit	1,814	2,144
Extraordinary profit		
Liquidation of financial instruments trading liability reserve	454	10
Other	9	2
Total extraordinary profit	464	13
Extraordinary loss		
Loss on valuation of investment securities	160	—
Loss on valuation of private equity and other securities	—	300
Other	—	13
Total extraordinary loss	160	313
Net profits before taxes	2,118	1,844
Corporate tax, inhabitant tax and business tax	704	9
Adjustments for corporate tax, etc.	230	339
Total corporate tax, etc.	934	348
Minority interests	16	—131
Net profit	1,167	1,627

(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 First Quarter Ended June 30, 2009

(1) Commissions and fees earned

(a) Commissions and fees by sources

(Millions of yen)

	Quarter ended June 30, 2008	Quarter ended June 30, 2009	Change		Year ended Mar. 31, 2009
				%	
Brokerage commissions	284	257	-26	-9.5	972
(Equities)	(280)	(254)	(-26)	(-9.4)	(964)
(Bonds)	(0)	(0)	(0)	(71.7)	(1)
Fees for underwriting, selling and sales solicitation to professional investors	10	-	-10	-	15
(Equities)	(10)	(-)	(-10)	(-)	(15)
(Bonds)	(-)	(-)	(-)	(-)	(-)
Fees for handling of offering, selling and sales solicitation to professional investors	138	86	-51	-37.6	273
Other fees	256	163	-92	-36.2	724
Total	689	507	-181	-26.4	1,986

(b) Commissions and fees by instruments

(Millions of yen)

	Quarter ended June 30, 2008	Quarter ended June 30, 2009	Change		Year ended Mar. 31, 2009
				%	
Equities	292	255	-36	-12.5	987
Bonds	5	0	-4	-88.5	23
Beneficiary securities	107	116	9	8.4	314
Other	283	134	-149	-52.8	661
Total	689	507	-181	-26.4	1,986

(2) Gains/loss on trading

(Millions of yen)

	Quarter ended June 30, 2008	Quarter ended June 30, 2009	Change		Year ended Mar. 31, 2009
				%	
Equities, etc.	149	1,468	1,318	881.7	494
Bonds, etc.	1,713	1,247	-466	-27.2	1,293
Other	-15	-43	-27	-	-161
Total	1,847	2,671	824	44.6	1,627

[Referential Data]

Referential Date on Business Results for First Quarter Ended June 30, 2009

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

(Million shares/Millions of yen)

	Quarter ended June 30, 2008		Quarter ended June 30, 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	454	452,621	1,107	430,246	143.8	-4.9	3,006	1,937,748
(Agency)	(72)	(58,812)	(147)	(50,196)	(101.9)	(-14.6)	(367)	(264,870)
(Principal)	(381)	(393,808)	(959)	(380,050)	(151.8)	(-3.5)	(2,639)	(1,672,878)
(Agency)/Total (%)	16.1%	13.0%	13.3%	11.7%			12.2%	13.7%
Total/TSE volume (%)	0.16 %	0.14%	0.33 %	0.20%			0.27%	0.18%
Brokerage commission per share	3.83 yen		1.66 yen				2.56 yen	

(2) Volume of underwriting, offering and selling

(Million shares/Millions of yen)

		Quarter ended June 30, 2008	Quarter ended June 30, 2009	Change %	Year ended Mar. 31, 2009
Underwriti	Equities (Number of shares)	0	—	—	0
	Equities (Yen volume)	369	—	—	584
	Bonds (Face value)	—	—	—	2,000
	CPs, foreign instruments, etc.	—	—	—	—
Offering/selling	Equities (Number of shares)	0	0	—	0
	Equities (Yen volume)	384	1,520	295.0	21,836
	Bonds (Yen volume at face value)	4,116	13	-99.7	35,831
	Beneficiary securities	10,752	11,318	5.3	36,770
	CPs, foreign instruments, etc.	5,075	1,267	-75.0	8,647

(3) Net capital regulation ratio

(Millions of yen)

		Quarter ended June 30, 2008	Quarter ended June 30, 2009	Year ended Mar. 31, 2009
Basic items	(A)	30,570	29,126	27,331
Complementary items	Appraisal difference (appraisal profit) of other securities, et al.	275	190	54
	Financial instruments trading liability reserve	36	25	36
	Provision for doubtful debts	0	0	2
	Total (B)	313	216	94
Deductible assets	(C)	10,853	11,549	12,036
Unfixed net capital (A) + (B) – (C)	(D)	20,030	17,793	15,389
Amount of risk correspondents	Market risk correspondence	2,536	1,342	1,350
	Trade party risk correspondence	2,599	2,823	2,689
	Basic risk correspondence	1,468	1,416	1,373
	Total (E)	6,604	5,582	5,413
Net capital regulation ratio	(D)/(E) × 100%	303.2%	318.7%	284.2%

(4) Number of directors/auditors and employees

	Quarter ended June 30, 2008	Quarter ended June 30, 2009	Year ended Mar. 31, 2009
Directors and auditors	9	9	9
Employees	268	272	261

[Referential Data]

Consolidated Income Statement for Latest Five Quarters

(Millions of yen)

	Qr. ended June 30, 2008	Qr. ended Sept. 30, 2008	Qr. ended Dec. 31, 2008	Qr. ended Mar. 31, 2009	Qr. ended June 30, 2009
I. Operating income	3,085	844	−117	1,148	3,447
1. Commissions and fees	689	571	339	385	507
2. Gains or loss on trading	1,847	50	−757	486	2,671
3. Gains on private equity and other securities	126	−19	22	−32	−1
4. Interest and dividend income	386	217	233	237	185
5. Other operating income	36	25	43	71	83
II. Financial expenses	50	65	54	57	52
Net operating income	3,035	779	−171	1,091	3,394
III. Operating Expenses	1,507	1,474	1,276	1,474	1,315
1. Transaction-related expenses	222	223	189	162	148
2. Personnel expenses	880	832	679	910	822
3. Real estate-related expenses	160	165	160	145	133
4. Data processing and office supplies	144	153	160	143	127
5. Depreciation and amortization	25	25	28	26	22
6. Miscellaneous taxes and dues	29	5	22	39	31
7. Provision for doubtful debts	—	—	0	1	—
8. Other	44	67	35	44	28
Operating Profit	1,527	−695	−1,448	−382	2,078
IV. Non-operating income	293	31	35	141	81
V. Non-operating expenses	6	180	133	4	15
Ordinary profit	1,814	−843	−1,546	−246	2,144
VI. Extraordinary profit	464	6	13	28	13
VII. Extraordinary loss	160	106	426	41	313
Net profits before taxes	2,118	−942	−1,959	−259	1,844
Corporate tax, residential tax and business tax	704	−330	−326	19	9
Corporate tax, etc. for previous financial year	—	—	98	—	—
Adjustments for corporate tax, etc.	230	−33	209	−140	339
Profit belonging to minority interest	16	−16	−11	−14	−131
Net profit	1,167	−561	−1,929	−123	1,627