

CONSOLIDATED FINANCIAL INFORMATION

For First Quarter (April 1 – June 30, 2010)
of Fiscal Year Ending March 31, 2011

KYOKUTO SECURITIES CO., LTD.

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July 28, 2010

**CONSOLIDATED RESULTS FOR THE FIRST QUARTER (APR-JUN 2010)
OF THE FISCAL YEAR ENDING MARCH 31, 2011 (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: August 12, 2010

1. Consolidated Results for First Quarter (April 1- June 30, 2010) of the Fiscal Year 2010**(1) Consolidated Business Results** (Millions of yen with fractions less than a million yen discarded.)

	Quarter ended June 30, 2009	Quarter ended June 30, 2010
Operating income	3,447 (11.7)	2,006 (-41.8)
Net operating income	3,394 (11.8)	1,971 (-41.9)
Operating profit	2,078 (36.1)	671 (-67.7)
Ordinary profit	2,144 (18.2)	656 (-69.4)
Net profit	1,627 (39.4)	311 (-80.9)
Earnings per share	51.01 yen	9.76 yen
Earnings per share (diluted)	—	—

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

(2) Consolidated Financial Condition

	June 30, 2010	Mar. 31, 2010
Total assets (Millions of yen)	49,619	54,153
Net assets (Millions of yen)	30,404	31,473
Shareholders' equity ratio	61.3%	58.1%
Net assets per share	953.06 yen	986.68 yen

Note: Shareholders' equity:

June 30, 2010: 30,404 million yen. March 31, 2010: 31,473 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
FY2009	—	17.00 yen	—	43.00 yen	60.00 yen
FY2010	—	—	—	—	—
FY2010 (Forecast)	—	—	—	—	—

Note: The Company does not disclose forecast of dividends.

3. Forecast of Consolidated Business Results for Fiscal Year Ending March 31, 2011

(Year from April 1, 2010 to March 31, 2011)

The Company does not disclose forecast of business results. Please see page 5 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 has 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: Yes.

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

(4) Number of shares outstanding (common stock)

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

June 30, 2010: 32,779,000 March 31, 2010: 32,779,000

(b) Number of treasury shares

June 30, 2010: 876,749 March 31, 2010: 880,749

(c) Average number of shares outstanding

April 1-June 30, 2010: 31,902,076 April 1-June 30, 2009: 31,898,356

(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 fiscal 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, 2010. Hereinafter called the “period”), the Japanese economy showed a moderate recovery due mainly to buoyant exports supported by the bettering global economy.

The stock market kept firm during the first month of the period against the background of growing expectations of economic recovery, but turned downward trend in and after May, reflecting a plunge in the New York stock market and a concern over a possible slowing in world’s economic recovery triggered by Europe’s debt crisis. In the currency market, the Japanese yen surged against other currencies toward the end of the period amidst increasing risk aversion against the background of opaque global economy.

In this environment, we kept endeavoring to offer unique “in-season financial products” based on our “Face to Face” business model, in response to customers’ varied needs. Nonetheless, rapid appreciation of the Japanese yen and sharp declines in stock prices caused unrealized loss on our positions in foreign currency-denominated foreign bonds which helped reduce gains on bond trading. Also, business relating to equity markets remained slow. As a result, the group’s consolidated earnings for the period fell from the corresponding previous period, with operating income declining 41.8% to 2,006 million yen, net operating income slipping 41.9% to 1,971 million yen, ordinary profit falling 69.4% to 656 million yen, and net profit shrinking 80.9% to 311 million yen.

Details of the period’s results are as follows:

(1) Commission Revenue

The total commission revenue for the period dipped 23.2% to 389 million yen, as shown in below:

(a) Brokerage commissions

We earned 177 million yen (down 30.5%) as brokerage commissions on equity securities. As a result, total amount of brokerage commissions including those on fixed-income securities reached 178 million yen (down 30.7%).

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

We earned no fees (no fees also 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 134 million yen, reflecting robust sales of investment trusts.

(d) Other fees

Other fees consisting mainly of fees relating to investment banking business dropped 53.1% to 76 million yen.

(2) Gains/Loss on Trading

Gains on trading in equity-related securities shrank to 146 million yen (down 90.0%), due to a sharp decline in sales of foreign convertible bonds. Gains on bond trading slipped 12.6% to 1,090 million yen. While sales of foreign fixed income securities remained strong, they were offset by unrealized loss on our positions in foreign currency-denominated bonds. Adding gains of 1 million yen (loss of 43 million yen for the corresponding previous period) on other trading, the total gains dropped 53.6% to 1,238 million yen.

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

Our consolidated subsidiary company, the FE Invest, Co., Ltd. recorded a gain of 186 million yen (loss of 1 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 131 million yen (down 1.0%).

(5) Other Operating Income

Other operating income consisting of rent on real estate and fees earned by our two consolidated subsidiaries totaled 25 million yen (down 69.7%).

(6) Operating Expenses

Operating expenses for the period amounted to 1,299 million yen (down 1.2%).

(7) Non-operating Income/Expenses

Non-operating income for the period consisting mainly of dividends on investment securities totaled 50 million yen (down 37.8%), while non-operating expenses amounted to 66 million yen (up 331.7%), due mainly to unrealized losses on investments in limited partnerships. As a result, we recorded net non-operating loss of 15 million yen (net profit of 65 million yen for the corresponding previous period).

(8) Extraordinary Profits/Loss

We realized extraordinary profit of 4 million yen (down 66.4%), which came from liquidation of financial instruments trading liability reserve. The amount of extraordinary loss, on the other hand, amounted to 94 million yen (down 69.7%), reflecting valuation loss of 81 million yen on investment securities. Consequently, we recorded a net extraordinary loss of 90 million yen (a net loss of 300 million yen for the corresponding previous period).

2. Financial Condition

(1) Assets

The total assets as of June 30, 2010 decreased 4,534 million yen to 49,619 million yen from 54,153 million yen as of March 31, 2010. Current assets shrank 4,436 million yen to 39,382 million yen from 43,819 million yen, reflecting a decrease in cash and bank deposits which dropped 3,485 million yen to 8,148 million yen from 11,634 million yen, and a decrease in private equity and other securities which declined 1,122 million yen to 7,333 million yen from 8,456 million yen. Fixed assets fell 97 million yen to 10,236 million yen from 10,334 million yen, due to a drop in investment securities which decreased 77 million yen to 6,877 million yen from 6,955 million yen.

(2) Liabilities

The total liabilities as of June 30, 2010 shrank 3,465 million yen to 19,214 million yen from 22,680 million yen as of March 31, 2010. Current liabilities declined 3,414 million yen to 18,381 million yen from 21,795 million yen, reflecting a drop in accrued income tax which fell 2,298 million yen to 93 million yen from 2,391 million yen, and a decrease in liabilities pertaining to margin transactions which slipped 1,030 million yen to 376 million yen from 1,407 million yen. Fixed liabilities shrank 47 million yen to 810 million yen from 858 million yen, due mainly to a decrease in provision for retirement/severance benefits to employees, which diminished 33 million yen to 225 million yen from 258 million yen.

(3) Net Assets

Net assets as of June 30, 2010 decreased 1,068 million yen to 30,404 million yen from 31,473 million yen as of March 31, 2010, due to a decrease in retained earnings which dropped 1,060 million yen to 21,081 million yen from 22,142, reflecting payment of dividends.

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 21.4% (5.4% as commissions and 16.0% as gains on trading) and 31.3% (20.9% as commissions and 10.4% as gains on trading) of net operating income in the fiscal years ended March 2010 and 2009, respectively. Similarly, 67.0% and 27.8% of net operating income in

the two fiscal 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 fiscal 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 the following change in accounting principles, procedures or itemization with respect to preparation of quarterly consolidated financial statements:
 - Application of the accounting standards concerning asset retirement obligations:
Since April 1, 2010, we have been subject to the Accounting Standards for Asset Retirement Obligations (Statement No.18 issued on March 31, 2008) and the Guidance on Accounting Standards for Asset Retirement Obligations (Guidance No.21 issued on March 31, 2008). The change has little influence on the amount of period's operating income, ordinary profit and net profit before taxes.

5. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Quarter ended June 30, 2010	Year ended Mar. 31, 2010 (Summary)
Assets		
Current assets:		
Cash and bank deposits	8,148	11,634
Segregated cash and statutory deposits	6,239	6,502
Trading assets	10,677	11,119
Securities inventory, etc.	10,676	11,116
Derivatives contracts	0	3
Net receivables pertaining to contracts to be settled	—	227
Private equity and other securities	7,333	8,456
Assets pertaining to margin transactions	6,125	4,824
Loans to customers on margin transactions	5,762	4,054
Cash collateral to finance companies for securities borrowed	363	770
Other current assets	943	1,056
Provision for doubtful debts	—85	—2
Total current assets	39,382	43,819
Fixed assets:		
Tangible fixed assets	2,410	2,417
Intangible fixed assets	65	67
Investments and other assets	7,760	7,849
Investment securities	6,877	6,955
Other	959	971
Provision for doubtful debts	—76	—76
Total fixed assets	10,236	10,334
Total Assets	49,619	54,153
Liabilities		
Current liabilities:		
Trading liabilities	125	171
Short positions of securities, etc.	125	163
Derivatives contracts	—	8
Net payables pertaining to contracts to be settled	120	—
Liabilities pertaining to margin transactions	376	1,407
Borrowings for margin transactions	119	753
Cash collateral for borrowed securities sold short	256	653
Borrowings against securities pledged	499	—
Borrowings through <i>Gensaki</i> transactions	499	—
Payables to customers and others	5,596	5,896
Short-term borrowings	10,535	10,754
Accrued income taxes	93	2,391
Accrued bonuses to employees	123	320
Other current liabilities	910	852
Total current liabilities	18,381	21,795

	Quarter ended June 30, 2010	Year ended Mar. 31, 2010 (Summary)
Fixed liabilities		
Provision for retirement/severance benefits to employees	225	258
Other fixed liabilities	585	599
Total fixed liabilities	810	858
Statutory reserve		
Financial instruments trading liability reserve	21	26
Total statutory reserve	21	26
Total liabilities	19,214	22,680
Net Assets		
Shareholders' equity		
Capital stock	5,251	5,251
Capital surplus	4,774	4,774
Retained earnings	21,081	22,142
Treasury stock	-862	-866
Total shareholders' equity	30,245	31,302
Unrealized gains on other securities	159	171
Total net assets	30,404	31,473
Total liabilities and net assets	49,619	54,153

(2) Consolidated Income Statement (For Quarter Ended June 30, 2010)

(Millions of yen)

	Quarter ended June 30, 2009	Quarter ended June 30, 2010
Operating income		
Commissions and fees	507	389
Brokerage commissions	257	178
Fees for handling of offering, selling and sales solicitation to professional investors	86	134
Other fees	163	76
Gains or loss on trading	2,671	1,238
Net gains or loss on private equity and other securities	—1	186
Interest and dividend income	185	166
Other operating income	83	25
Total operating income	3,447	2,006
Financial expenses	52	35
Net operating income	3,394	1,971
Operating Expenses		
Transaction-related expenses	148	145
Personnel expenses	822	728
Real estate-related expenses	133	133
Data processing and office supplies	127	134
Depreciation and amortization	22	22
Miscellaneous taxes and dues	31	22
Provision for doubtful debts	—	83
Other	28	28
Total operating expenses	1,315	1,299
Operating Profit	2,078	671
Non-operating income		
Dividends received	55	32
Gains on investments in limited partnership	16	—
Other	9	18
Total non-operating income	81	50
Non-operating expenses		
Loss on investments in TK (<i>Tokumei Kumiai</i>)	13	63
Interest paid	1	1
Other	0	1
Total non-operating expenses	15	66
Ordinary profit	2,144	656
Extraordinary profit		
Liquidation of financial instruments trading liability reserve	10	4
Other	2	—
Total extraordinary profit	13	4
Extraordinary loss		
Loss on valuation of investment securities	—	81
Loss on valuation of private equity and other securities	300	—
Other	13	12
Total extraordinary loss	313	94
Net profits before taxes	1,844	565
Corporate tax, inhabitant tax and business tax	9	64
Adjustments for corporate tax, etc.	339	189
Total corporate tax, etc.	348	254
Net profit before minority interests	—	311
Minority interests	—131	—
Net profit	1,627	311

(3) Note on going concern
Not applicable.

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

[Referential Data]

Referential Date on Consolidated Business Results for First Quarter Ended June 30, 2010

(1) Commissions and fees earned

(a) Commissions and fees by sources

(Millions of yen)

	Quarter ended June 30, 2009	Quarter ended June 30, 2010	Change		Year ended Mar. 31, 2010
				%	
Brokerage commissions	257	178	-78	-30.7	813
(Equities)	(254)	(177)	(-77)	(-30.5)	(806)
(Bonds)	(0)	(0)	(0)	(63.3)	(0)
Fees for underwriting, selling and sales solicitation to professional investors	-	-	-	-	2
(Equities)	(-)	(-)	(-)	(-)	(1)
(Bonds)	(-)	(-)	(-)	(-)	(0)
Fees for handling of offering, selling and sales solicitation to professional investors	86	134	47	55.4	417
Other fees	163	76	-86	-53.1	586
Total	507	389	-117	-23.2	1,820

(b) Commissions and fees by instruments

(Millions of yen)

	Quarter ended June 30, 2009	Quarter ended June 30, 2010	Change		Year ended Mar. 31, 2010
				%	
Equities	255	179	-76	-30.1	818
Bonds	0	0	0	51.8	2
Beneficiary securities	116	179	63	54.3	560
Other	134	29	-104	-77.7	439
Total	507	389	-117	-23.2	1,820

(2) Gains/loss on trading

(Millions of yen)

	Quarter ended June 30, 2009	Quarter ended June 30, 2010	Change		Year ended Mar. 31, 2010
				%	
Equities, etc.	1,468	146	-1,321	-90.0	2,406
Bonds, etc.	1,247	1,090	-156	-12.6	10,105
Other	-43	1	45	-	-62
Total	2,671	1,238	-1,433	-53.6	12,449

[Referential Data]

Referential Date on Business Results for First Quarter Ended June 30, 2010

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

(Million shares/Millions of yen)

	Quarter ended June 30, 2009		Quarter ended June 30, 2010		Change %		Year ended Mar. 31, 2010	
	Number of shares	Trade value	Number of shares	Trade value	Number of shares	Trade value	Number of shares	Trade value
Total	1,107	430,246	747	281,394	-32.5	-34.6	3,317	1,365,424
(Agency)	(147)	(50,196)	(110)	(42,017)	(-25.1)	(-16.3)	(482)	(191,184)
(Principal)	(959)	(380,050)	(636)	(239,376)	(-33.6)	(-37.0)	(2,835)	(1,174,240)
(Agency)/Total (%)	13.3%	11.7%	14.8%	14.9%			14.5%	14.0%
Total/TSE volume (%)	0.33 %	0.20%	0.26 %	0.14%			0.28%	0.18%
Brokerage commission per share	1.66 yen		1.52 yen				1.55 yen	

(2) Volume of underwriting, offering and selling

(Million shares/Millions of yen)

		Quarter ended June 30, 2009	Quarter ended June 30, 2010	Change %	Year ended Mar. 31, 2010
Underwriti	Equities (Number of shares)	—	—	—	0
	Equities (Yen volume)	—	—	—	37
	Bonds (Face value)	—	—	—	—
	CPs, foreign instruments, etc.	—	—	—	—
Offering/selling	Equities (Number of shares)	0	0	38.2	0
	Equities (Yen volume)	1,520	2,100	38.2	3,711
	Bonds (Yen volume at face value)	13	4	-70.4	233
	Beneficiary securities	11,318	15,861	40.1	52,402
	CPs, foreign instruments, etc.	1,267	—	—	1,617

(3) Net capital regulation ratio

(Millions of yen)

		Quarter ended June 30, 2009	Quarter ended June 30, 2010	Year ended Mar. 31, 2010
Basic items	(A)	29,126	28,602	28,381
Complementary items	Appraisal difference (appraisal profit) of other securities, et al.	190	159	171
	Financial instruments trading liability reserve	25	21	26
	Provision for doubtful debts	0	426	357
	Total (B)	216	607	555
Deductible assets	(C)	11,549	15,130	15,113
Unfixed net capital (A) + (B) – (C)	(D)	17,793	14,078	13,823
Amount of risk correspondents	Market risk correspondence	1,342	1,682	1,511
	Trade party risk correspondence	2,823	812	824
	Basic risk correspondence	1,416	1,987	1,948
	Total (E)	5,582	4,482	4,283
Net capital regulation ratio	(D)/(E) × 100%	318.7%	314.0%	322.7%

(4) Number of directors/auditors and employees

	Quarter ended June 30, 2009	Quarter ended June 30, 2010	Year ended Mar. 31, 2010
Directors and auditors	9	9	9
Employees	272	258	257

[Referential Data]

Consolidated Income Statement for Latest Five Quarters

(Millions of yen)

	Qr. ended June 30, 2009	Qr. ended Sept. 30, 2009	Qr. ended Dec. 31, 2009	Qr. ended Mar. 31, 2010	Qr. ended June 30, 2010
I. Operating income	3,447	2,609	6,915	2,325	2,006
1. Commissions and fees	507	378	358	576	389
2. Gains or loss on trading	2,671	1,991	6,328	1,457	1,238
3. Gains on private equity and other securities	-1	-19	-142	-20	186
4. Interest and dividend income	185	232	294	244	166
5. Other operating income	83	27	75	67	25
II. Financial expenses	52	50	62	44	35
Net operating income	3,394	2,559	6,852	2,281	1,971
III. Operating Expenses	1,315	1,327	3,693	1,538	1,299
1. Transaction-related expenses	148	171	2,508	272	145
2. Personnel expenses	822	812	821	861	728
3. Real estate-related expenses	133	132	140	141	133
4. Data processing and office supplies	127	138	128	131	134
5. Depreciation and amortization	22	22	23	20	22
6. Miscellaneous taxes and dues	31	22	32	56	22
7. Provision for doubtful debts	-	0	-	-	83
8. Other	28	26	37	54	28
Operating Profit	2,078	1,231	3,158	742	671
IV. Non-operating income	81	88	88	78	50
V. Non-operating expenses	15	5	1	5	66
Ordinary profit	2,144	1,314	3,245	816	656
VI. Extraordinary profit	13	-	7	2	4
VII. Extraordinary loss	313	568	489	318	94
Net profits before taxes	1,844	745	2,763	500	565
Corporate tax, residential tax and business tax	9	516	1,422	427	64
Adjustments for corporate tax, etc.	339	-133	-20	-198	189
Net profit before minority interest	-	-	-	-	311
Minority interest	-131	-182	-	-	-
Net profit	1,627	545	1,362	271	311