

CONSOLIDATED FINANCIAL INFORMATION

For Nine Months (April 1 – Dec 31, 2010)
of Fiscal Year Ending March 31, 2011

KYOKUTO SECURITIES CO., LTD.

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January 28, 2010

**CONSOLIDATED RESULTS FOR NINE MONTHS (APR-DEC 2010) OF
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: February 10, 2011

1. Consolidated Results for Nine Months (Apr. 1 – Dec. 31, 2010) of Fiscal Year 2010**(1) Consolidated Business Results**

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

	Nine months ended Dec. 31, 2009	Nine months ended Dec. 31, 2010
Operating income	12,971 (240.2%)	5,924 (– 54.3)
Net operating income	12,805 (251.5%)	5,819 (– 54.6)
Operating profit	6,469 (–)	2,096 (– 67.6)
Ordinary profit	6,705 (–)	2,139 (– 68.1)
Net profit	3,535 (–)	1,076 (– 69.5)
Earnings per share	110.82 yen	33.75 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

	Dec. 31, 2010	Mar. 31, 2010
Total assets (Millions of yen)	49,034	54,153
Net assets (Millions of yen)	30,867	31,473
Shareholders' equity ratio	62.9%	58.1%
Net assets per share	967.28 yen	986.68 yen

Note: Shareholders' equity:

December 31, 2010: 30,858 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	–	10.00 yen	–	–	–
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 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: Yes.

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

(4) Number of shares outstanding (common stock)

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

December 31, 2010: 32,779,000	March 31, 2010: 32,779,000
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(b) Number of treasury shares

December 31, 2010: 876,693	March 31, 2010: 880,749
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(c) Average number of shares outstanding

April 1--December 31, 2010: 31,902,210	April 1--December 31, 2009: 31,898,350
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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 fiscal 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, 2010. Hereinafter called the “period”), the Japanese economy showed a modest 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, reflecting a concern over a possible slowing in world’s economic recovery triggered by Europe’s debt crisis and rising yen against other currencies. While the equity edged up toward the end of the year, it still failed to regain strength. In the currency market, the Japanese yen kept strong almost throughout the period amidst increasing risk averse attitudes reflecting the opaque global economy. The extremely easy monetary policy adopted in the United States and Europe also contributed to stronger yen.

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. Nonetheless, income from equity-related business decreased, due to the stagnant equity market. In addition, unlike the previous period, there was very limited opportunity of bond transactions relating to our investment banking business. As a result, the group’s consolidated earnings for the period shrank from the corresponding previous period, with operating income decreasing 54.3% to 5,924 million yen, net operating income shrinking 54.6% to 5,819 million yen, ordinary profit falling 68.1% to 2,139 million yen, and net profit dropping 69.5 % to 1,076 million yen.

Details of the period’s results are as follows:

(1) Commission Revenue

The total commission revenue for the period decreased 16.1% to 1,043 million yen from the previous corresponding period, as shown in below:

(a) Brokerage commissions

We earned 432 million yen (down 29.9%) as brokerage commissions on equity securities. As a result, total amount of brokerage commissions including those on fixed-income securities reached 435 million yen (down 30.1%).

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

We earned 7 million yen (no fees 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 19.7% to 388 million yen, due to an increase in sales volume of investment trusts.

(d) Other fees

Other fees consisting mainly of trailer fees and those derived from investment banking business shrank 28.2% to 212 million yen.

(2) Gains/Loss on Trading

Gains on trading in equity-related securities shrank to 777 million yen (down 70.2%), due to a sharp decline in sales of foreign convertible bonds. Gains on bond trading dropped 59.4% to 3,431 million yen, due to absence of gains on bond trading pertinent to investment banking business. Adding gains of 7 million yen (loss of 66 million yen for the corresponding previous period) on other trading, the total gains dropped 61.6% to 4,217 million yen.

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

Our consolidated subsidiary company, the FE Invest, Co., Ltd. recorded loss of 50 million yen (gain of 163 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 513 million yen (down 6.1%).

(5) Other Operating Income

Other operating income consisting mostly of rent on real estate and fees earned by our two consolidated subsidiaries totaled 95 million yen (down 49.0%).

(6) Operating Expenses

Operating expenses for the period decreased 41.3% to 3,722 million yen, as the previous period's one-time, large amount of transaction-related expense with respect to investment banking business did not occur during the period. Our cost-cutting effort also contributed to reducing operating expenses.

(7) Non-operating Income/Expenses

Non-operating income for the period consisting mainly of dividends on investment securities totaled 130 million yen (down 47.4%), while non-operating expenses amounted to 88 million yen (up 595.3%), due mainly to unrealized loss on investments in limited partnerships. As a result, we recorded net non-operating gains of 42 million yen (down 82.1%).

(8) Extraordinary Profits/Loss

We realized extraordinary profit of 22 million yen (up 12.2%), of which 17 million yen were gains on sale of investment securities. The amount of extraordinary loss, on the other hand, amounted to 173 million yen (down 87.3%), of which 134 million yen was valuation loss on investment securities. Consequently, we recorded a net extraordinary loss of 151 million yen (net loss of 1,351 million yen for the corresponding previous period).

2. Financial Condition

(1) Assets

The total assets as of December 31, 2010 decreased 5,118 million yen to 49,034 million yen from 54,153 million yen as of March 31, 2010. Current assets decreased 7,463 million yen to 36,355 million yen from 43,819 million yen, reflecting a decrease in cash and bank deposits which shrank 3,895 million yen to 7,738 million yen from 11,634 million yen and a decrease in private equity and other securities which declined 3,614 million yen to 4,841 million yen from 8,456 million yen. Fixed assets rose 2,344 million yen to 12,679 million yen from 10,334 million yen, due to an increase in land which grew 2,669 million yen to 5,086 million yen from 2,417 million yen.

(2) Liabilities

The total liabilities as of December 31, 2010 decreased 4,512 million yen to 18,167 million yen from 22,680 million yen as of March 31, 2010. Current liabilities fell 4,418 million yen to 17,376 million yen from 21,795 million yen, reflecting a drop in accrued income tax which fell 2,386 million yen to 4 million yen from 2,391 million yen and a decrease in short-term borrowings which shrank 979 million yen to 9,775 million yen from 10,754 million yen. Fixed liabilities dropped 89 million yen to 768 million yen from 858 million yen, due mainly to a decrease in provision for retirement/severance benefits to employees, which diminished 83 million yen to 175 million yen from 258 million yen.

(3) Net Assets

Net assets as of December 31, 2010 decreased 606 million yen to 30,867 million yen from 31,473 million yen as of March 31, 2010, due to a decrease in retained earnings which dropped 614 million yen to 21,527 million yen from 22,142 million yen, mainly 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)

	December 31, 2010	March 31, 2010 (Summary)
Assets		
Current assets:		
Cash and bank deposits	7,738	11,634
Segregated cash and statutory deposits	5,339	6,502
Trading assets	11,683	11,119
Securities inventory, etc.	11,680	11,116
Derivative contracts	2	3
Net receivables pertaining to contracts to be settled	876	227
Private equity and other securities	4,841	8,456
Assets pertaining to margin transactions	4,256	4,824
Loans to customers on margin transactions	3,312	4,054
Cash collateral to finance companies for securities borrowed	944	770
Other current assets	1,659	1,056
Provision for doubtful debts	-41	-2
Total current assets	36,355	43,819
Fixed assets:		
Tangible fixed assets	5,086	2,417
Intangible fixed assets	151	67
Investments and other assets	7,440	7,849
Investment securities	6,573	6,955
Other	944	971
Provision for doubtful debts	-76	-76
Total fixed assets	12,679	10,334
Total Assets	49,034	54,153
Liabilities		
Current liabilities:		
Trading liabilities	7	171
Short positions of securities, etc.	2	163
Derivative contracts	4	8
Liabilities pertaining to margin transactions	1,251	1,407
Borrowings for margin transactions	270	753
Cash collateral for borrowed securities sold short	980	653
Borrowings against securities pledged	495	-
Borrowings through <i>Gensaki</i> transactions	495	-
Payables to customers and others	5,135	5,896
Short-term borrowings	9,775	10,754
Accrued income taxes	4	2,391
Accrued bonuses to employees	115	320
Other current liabilities	591	852
Total current liabilities	17,376	21,795

	December 31, 2010	March 31, 2010 (Summary)
Fixed liabilities		
Provision for retirement/severance benefits to employees	175	258
Other fixed liabilities	593	599
Total fixed liabilities	768	858
Statutory reserve		
Financial instruments trading liability reserve	21	26
Total statutory reserve	21	26
Total liabilities	18,167	22,680
Net Assets		
Shareholders' equity		
Capital stock	5,251	5,251
Capital surplus	4,774	4,774
Retained earnings	21,527	22,142
Treasury stock	-862	-866
Total shareholders' equity	30,691	31,302
Unrealized gains on other securities	166	171
Minority interest	8	-
Total net assets	30,867	31,473
Total liabilities and net assets	49,034	54,153

(2) Consolidated Income Statement (For Nine Months Ended December 31, 2010)

(Millions of yen)

	9 months ended Dec. 31, 2009	9 months ended Dec. 31, 2010
Operating income		
Commissions and fees	1,244	1,043
Brokerage commissions	623	435
Fees for underwriting, selling and sales solicitation to professional investors	—	7
Fees for handling of offering, selling and sales solicitation to professional investors	324	388
Other fees	296	212
Gains or loss on trading	10,991	4,217
Net gains or loss on private equity and other securities	—163	—50
Interest and dividend income	712	618
Other operating income	186	95
Total operating income	12,971	5,924
Financial expenses	165	105
Net operating income	12,805	5,819
Operating Expenses		
Transaction-related expenses	2,828	456
Personnel expenses	2,456	2,203
Real estate-related expenses	406	400
Data processing and office supplies	395	394
Depreciation and amortization	69	68
Miscellaneous taxes and dues	86	72
Provision for doubtful debts	—	38
Other	92	88
Total operating expenses	6,336	3,722
Operating Profit	6,469	2,096
Non-operating income		
Dividends received	72	60
Gains on investments in TK (<i>Tokumei Kumiai</i>)	—	38
Foreign tax credit	57	—
Other	118	31
Total non-operating income	248	130
Non-operating expenses		
Loss on investments in limited partnerships	—	78
Loss on investments in TK (<i>Tokumei Kumiai</i>)	7	—
Interest paid	4	3
Other	0	6
Total non-operating expenses	12	88
Ordinary profit	6,705	2,139
Extraordinary profit		
Gains on sales of investment securities	—	17
Liquidation of financial instruments trading liability reserve	10	4
Reversal of provision for doubtful debts	9	0
Total extraordinary profit	19	22
Extraordinary loss		
Loss on valuation of private equity and other securities	850	—
Loss on sales of investment securities	3	7
Loss on valuation of investment securities	506	134
Other	10	31
Total extraordinary loss	1,370	173
Net profits before taxes	5,354	1,987
Corporate tax, inhabitant tax and business tax	1,948	473
Adjustments for corporate tax, etc.	184	437
Total corporate tax, etc.	2,133	911
Minority interests	—313	—
Net profit	3,535	1,076

(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, 2010

(1) Commissions and fees earned

(a) Commissions and fees by sources

(Millions of yen)

	9 months ended Dec. 31, 2009	9 months ended Dec. 31, 2010	Change		Year ended Mar. 31, 2010
				%	
Brokerage commissions	623	435	-187	-30.1	813
(Equities)	(617)	(432)	(-184)	(-29.9)	(806)
(Bonds)	(0)	(0)	(0)	(18.4)	(0)
Fees for underwriting, selling and sales solicitation to professional investors	-	7	7	-	2
(Equities)	(-)	(7)	(7)	(-)	(1)
(Bonds)	(-)	(-)	(-)	(-)	(0)
Fees for handling of offering, selling and sales solicitation to professional investors	324	388	63	19.7	417
Other fees	296	212	-83	-28.2	586
Total	1,244	1,043	-200	-16.1	1,820

(b) Commissions and fees by instruments

(Millions of yen)

	9 months ended Dec. 31, 2009	9 months ended Dec. 31, 2010	Change		Year ended Mar. 31, 2010
				%	
Equities	623	447	-176	-28.3	818
Bonds	1	1	0	20.6	2
Beneficiary securities	428	533	104	24.3	560
Other	189	61	-128	-67.5	439
Total	1,244	1,043	-200	-16.1	1,820

(2) Gains/loss on trading

(Millions of yen)

	9 months ended Dec. 31, 2009	9 months ended Dec. 31, 2010	Change		Year ended Mar. 31, 2010
				%	
Equities, etc.	2,609	777	-1,832	-70.2	2,406
Bonds, etc.	8,448	3,431	-5,016	-59.4	10,105
Other	-66	7	74	-	-62
Total	10,991	4,217	-6,774	-61.6	12,449

[Referential Data]

Referential Date on Business Results for First Nine Months Ended December 31, 2010

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

(Million shares/Millions of yen)

	9 months ended Dec. 31, 2009		9 months ended Dec. 31, 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	2,623	1,091,523	2,061	634,946	-22.0	-41.8	3,317	1,365,424
(Agency)	(355)	(135,505)	(298)	(105,768)	(-16.2)	(-21.9)	(482)	(191,184)
(Principal)	(2,287)	(956,018)	(1,763)	(529,178)	(-22.9)	(-44.6)	(2,835)	(1,174,240)
(Agency)/Total (%)	13.5%	12.4%	14.5%	16.7%			14.5%	14.0%
Total/TSE volume (%)	0.29 %	0.19%	0.26 %	0.12%			0.28%	0.18%
Brokerage commission per share	1.62 yen		1.37 yen				1.55 yen	

(2) Volume of underwriting, offering and selling

(Million shares/Millions of yen)

		9 months ended Dec. 31, 2009	9 months ended Dec. 31, 2010	Change %	Year ended Mar. 31, 2010
Underwriti	Equities (Number of shares)	—	0	—	0
	Equities (Yen volume)	—	187	—	37
	Bonds (Face value)	—	—	—	—
	CPs, foreign instruments, etc.	—	—	—	—
Offering/selling	Equities (Number of shares)	0	0	243.6	0
	Equities (Yen volume)	1,837	2,753	49.8	3,711
	Bonds (Yen volume at face value)	129	13,214	—	233
	Beneficiary securities	39,288	42,462	8.1	52,402
	CPs, foreign instruments, etc.	1,267	2,850	124.9	1,617

(3) Net capital regulation ratio

(Millions of yen)

		Dec. 31, 2009	Dec. 31, 2010	Mar. 31, 2010
Basic items	(A)	29,839	29,358	28,381
Complementary items	Appraisal difference (appraisal profit) of other securities, etc.	133	166	171
	Financial instruments trading liability reserve	26	21	26
	Provision for doubtful debts	598	143	357
	Total (B)	757	332	555
Deductible assets	(C)	9,768	15,660	15,113
Unfixed net capital	(A) + (B) – (C) (D)	20,829	14,029	13,823
Amount of risk correspondents	Market risk correspondence	1,452	1,656	1,511
	Trade party risk correspondence	2,911	781	824
	Basic risk correspondence	1,336	1,955	1,948
	Total (E)	5,700	4,393	4,283
Net capital regulation ratio	(D)/(E) × 100%	365.4%	319.2%	322.7%

(4) Number of directors/auditors and employees

	Dec. 31, 2009	Dec. 31, 2010	Mar. 31, 2010
Directors and auditors	9	9	9
Employees	262	251	257

[Referential Data]

Consolidated Income Statement for Latest Five Quarters

(Millions of yen)

	Qr. ended Dec. 31, 2009	Qr. ended Mar. 31, 2010	Qr. ended June 30, 2010	Qr. ended Sept. 30, 2010	Qr. ended Dec. 31, 2010
I. Operating income	6,915	2,325	2,006	2,145	1,772
1. Commissions and fees	358	576	389	311	343
2. Gains or loss on trading	6,328	1,457	1,238	1,638	1,340
3. Gains on private equity and other securities	-142	-20	186	3	-240
4. Interest and dividend income	294	244	166	175	276
5. Other operating income	75	67	25	17	52
II. Financial expenses	62	44	35	36	33
Net operating income	6,852	2,281	1,971	2,108	1,738
III. Operating Expenses	3,693	1,538	1,299	1,241	1,225
1. Transaction-related expenses	2,508	272	145	170	139
2. Personnel expenses	821	861	728	741	733
3. Real estate-related expenses	140	141	133	133	133
4. Data processing and office supplies	128	131	134	130	129
5. Depreciation and amortization	23	20	22	22	23
6. Miscellaneous taxes and dues	32	56	22	17	32
7. Provision for doubtful debts	-	-	83	-	-
8. Other	37	54	28	26	32
Operating Profit	3,158	742	671	866	513
IV. Non-operating income	88	78	50	17	66
V. Non-operating expenses	1	5	66	13	12
Ordinary profit	3,245	816	656	870	567
VI. Extraordinary profit	7	2	4	19	43
VII. Extraordinary loss	489	318	94	48	30
Net profits before taxes	2,763	500	565	841	580
Corporate tax, residential tax and business tax	1,422	427	64	244	164
Adjustments for corporate tax, etc.	-20	-198	189	76	170
Profit belonging to minority interest	-	-	-	-	-
Net profit	1,362	271	311	520	245