

CONSOLIDATED FINANCIAL INFORMATION

For Nine Months (April 1 – Dec 31, 2012)
of Fiscal Year Ending March 31, 2013

KYOKUTO SECURITIES CO., LTD.

This English version is referential translation of the substantial part of the original Japanese text of the Summary Report on the Business Results for Nine Months of Fiscal Year Ending March 31, 2013, and is not legally accurate translation. The original Japanese text will prevail in any difference regarding their meanings. The Kyokuto Securities Co., Ltd. does not guarantee the accuracy and/or the completeness of the translation and shall have no liability for any errors or omissions therein.

January 30, 2013

**CONSOLIDATED RESULTS FOR NINE MONTHS (APR-DEC 2012) OF
FISCAL YEAR ENDING MARCH 31, 2013 (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: Kazuhiro KIKUCHI, President and Chief Executive Officer

Contact person: Masato SHIRAI, Director, Dept. of Accounting & Finance TEL: (03) 3666-5130

Scheduled date of filing of quarterly securities report: February 13, 2013

1. Consolidated Results for Nine Months (Apr. 1 – Dec. 31, 2012) of Fiscal Year 2012**(1) Consolidated Business Results** (Millions of yen with fractions less than a million yen discarded)

	Nine months ended Dec. 31, 2011	Nine months ended Dec. 31, 2012
Operating income	6,149 (3.8)	7,895 (28.4)
Net operating income	6,054 (4.0)	7,806 (28.9)
Operating profit	2,116 (0.9)	4,143 (95.8)
Ordinary profit	2,235 (4.5)	4,262 (90.7)
Net profit	1,236 (14.8)	2,632 (112.9)
Earnings per share	38.76 yen	82.53 yen
Earnings per share (diluted)	—	—

Note: 1. The figures in the parenthesis are percentage increase/decrease from the corresponding period of the previous fiscal year.

2. Comprehensive income: Quarter ended Dec. 31, 2012: 2,693 million yen (129.3%)
Quarter ended Dec. 31, 2011: 1,174 million yen (9.5%)

(2) Consolidated Financial Condition

	Dec. 31, 2012	Mar. 31, 2012
Total assets (Millions of yen)	56,916	60,741
Net assets (Millions of yen)	34,385	32,968
Shareholders' equity ratio	60.4%	54.3%
Net assets per share	1,077.76 yen	1,033.33 yen

Note: Shareholders' equity:

December 31, 2012: 34,382 million yen. March 31, 2012: 32,965 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
FY2011	—	10.00 yen	—	30.00 yen	40.00 yen
FY2012	—	10.00 yen	—	—	—

3. Forecast of Consolidated Business Results for Fiscal Year Ending March 31, 2013

(Year from April 1, 2012 to March 31, 2013)

The Company does not disclose forecast of business results. Please see page 5 for further information.

(Notes)

(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) Application of any accounting treatments peculiar to preparation of quarterly consolidated financial statements

The Company has not applied any accounting treatments peculiar to preparation of quarterly consolidated financial statements.

(3) Changes in accounting policies, changes in accounting estimates, or retrospective restatements

(a) Any changes caused by amendments to accounting standards: Yes (See page 6)

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

(c) Any changes in accounting estimates: Yes (See page 6)

(d) Retrospective restatements: None

(4) Number of shares outstanding (common stock)

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

December 31, 2012: 32,779,000 March 31, 2012: 32,779,000

(b) Number of treasury shares

December 31, 2012: 876,861 March 31, 2012: 876,749

(c) Average number of shares outstanding

April 1—Dec 31, 2012: 31,902,226 April 1—Dec 31, 2011: 31,902,307

***Explanation concerning forecast of business results:**

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 nine months (i.e., the period of six months from April 1 to December 31, 2012. Hereinafter called the “period”), while in general the Japanese economy was supported by demand for reconstruction after the devastating earthquake and tsunami, in and after autumn the firming domestic demand was almost offset by the opaque overseas environments to the detriment of the nation’s economic recovery. The conflict between Japan and China increased uncertainty about the economic outlook.

After hitting its bottom of 8,238 in terms of Nikkei 225 in June, the stock market kept moving up and down in narrow range for several months. Toward the end of 2012, however, the stock market turned into bullish trend, reflecting strong overseas markets, expectation for new government’s policy and weakening yen against other major currencies. Nikkei 225 ended the year at 10,395, almost the same level immediately before the great earthquake.

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. Our efforts resulted in very good performance for the nine months: The group’s consolidated earnings for the period sharply grew from the corresponding previous period, with operating income increasing 28.4% to 7,895 million yen, net operating income expanding 28.9% to 7,806 million yen, ordinary profit surging 90.7% to 4,262 million yen, and net profit jumping 112.9% to 2,632 million yen.

Details of the period’s results are as follows:

(1) Commission Revenue

The total commission revenue for the period increased 5.7% to 1,160 million yen from the previous corresponding period, as shown in below:

(a) Brokerage commissions

We earned 368 million yen (up 20.7%) as brokerage commissions on equity securities. As a result, total amount of brokerage commissions including those on fixed-income securities reached 376 million yen (up 22.0%).

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

We earned 23 million yen (up 211.4%) for underwriting, selling and sales solicitation to professional investors.

(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 declined 2.0% to 542 million yen. While sales volume of investment trusts increased, the increase was more than offset by a decrease in revenues from investment banking business.

(d) Other fees

Other fees consisting mainly of trailer fees and those derived from investment banking business edged down 4.6% to 217 million yen.

(2) Gains/Loss on Trading

Trading in equity-related securities resulted in gains of 204 million yen (loss of 17 million yen for the corresponding previous period), thanks to recovery of price of investment trusts held for our own account, which more than offset a decline in sales of foreign convertible bonds. Gains on bond trading jumped 32.2% to 5,687 million yen, reflecting strong sales of foreign fixed income securities and increase in unrealized gains on our own holdings. Adding gains on other trading of 60 million yen, the total gains swelled 38.8% to 5,952 million yen.

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

Our consolidated subsidiary company, the FE Invest, Co., Ltd. recorded a loss of 12 million yen (loss of 180 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 decreased 20.1% to 615 million yen

(5) Other Operating Income

Other operating income consisting of rent on real estate and fees earned by our two consolidated subsidiaries totaled 91 million yen (up 15.2%).

(6) Operating Expenses

Operating expenses for the period decreased 7.0% to 3,663 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 totaled 188 million yen (down 6.7%), while non-operating expenses amounted to 69 million yen (down 16.3%), due mainly to unrealized losses on investments in limited partnerships. As a result, we recorded net non-operating profit of 119 million yen, almost the same level of that in the corresponding previous period.

(8) Extraordinary Profit/Loss

We realized extraordinary profit of 26 million yen (up 57.6%), which came mainly from gains on sales of investment securities, while extraordinary loss amounted to 178 million yen (up 214.8%), due mainly to loss on liquidation of an affiliated company. As a result we recorded a net loss of 151 million yen (loss of 39 million yen for the corresponding previous period).

2. Financial Condition

(1) Assets

The total assets as of December 31, 2012 decreased 3,825 million yen to 56,916 million yen from 60,741 million yen as of March 31, 2012. Current assets shrank 3,257 million yen to 43,871 million yen from 47,128 million yen, reflecting a decrease in cash and bank deposits which shrank 8,928 million yen to 5,181 million yen from 14,109 million yen, vis-à-vis an increase in trading assets which swelled 5,734 million yen to 21,978 million yen from 16,243 million yen. Fixed assets decreased 567 million yen to 13,045 million yen from 13,612 million yen, due to a decrease in investment securities which dropped 547 million yen to 7,197 million yen from 7,744 million yen.

(2) Liabilities

The total liabilities as of December 31, 2012 shrank 5,242 million yen to 22,530 million yen from 27,772 million yen as of March 31, 2012. Current liabilities declined 4,962 million yen to 21,575 million yen from 26,537 million yen, reflecting a drop in short-term borrowings which fell 3,415 million yen to 11,735 million yen from 15,150 million yen. Fixed liabilities shrank 277 million yen to 941 million yen from 1,219 million yen, due mainly to a decrease in long-term borrowings which diminished 250 million yen to 250 million yen from 500 million yen.

(3) Net Assets

Net assets as of December 31, 2012 swelled 1,416 million yen to 34,385 million yen from 32,968 million yen as of March 31, 2012, due to an increase in retained earnings which went up 1,356 million yen to 24,996 million yen from 23,639 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 8.4% (4.7% as commissions and 3.7% as gains on trading) and 19.0% (9.4% as commissions and 9.6% as gains on trading) of consolidated net operating income in the fiscal years ended March 2012 and 2011, respectively. Similarly, 74.0% and 59.1% of consolidated 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. Changes in accounting policies, changes in accounting estimates, or retrospective restatements

Since the beginning of this period, the Company and its consolidated subsidiaries have changed the method of depreciation for tangible fixed assets acquired on and after April 1, 2012, in accordance with the amendments to the Corporate Tax Law. The change had little effect on the consolidated operating profit, ordinary profit and net profit before taxes for the period.

5. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	March 31, 2012	December 31, 2012
Assets		
Current assets:		
Cash and bank deposits	14,109	5,181
Segregated cash and statutory deposits	7,156	7,398
Trading assets	16,243	21,978
Securities inventory, etc.	16,243	21,972
Derivatives contracts	—	5
Net receivables pertaining to contracts to be settled	249	288
Private equity and other securities	4,126	4,093
Assets pertaining to margin transactions	4,059	3,513
Loans to customers on margin transactions	2,088	2,207
Cash collateral to finance companies for securities borrowed	1,970	1,306
Other current assets	1,222	1,447
Provision for doubtful debts	—38	—29
Total current assets	47,128	43,871
Fixed assets:		
Tangible fixed assets	4,903	4,900
Intangible fixed assets	118	109
Investments and other assets	8,590	8,034
Investment securities	7,744	7,197
Other	904	871
Provision for doubtful debts	—58	—34
Total fixed assets	13,612	13,045
Total Assets	60,741	56,916
Liabilities		
Current liabilities:		
Trading liabilities	1	109
Short positions of securities, etc.	—	43
Derivatives contracts	1	65
Liabilities pertaining to margin transactions	2,070	1,407
Borrowings for margin transactions	92	137
Cash collateral for borrowed securities sold short	1,977	1,269
Payables to customers and others	6,767	7,243
Short-term borrowings	15,150	11,735
Accrued income taxes	1,796	222
Accrued bonuses to employees	310	159
Other current liabilities	440	698
Total current liabilities	26,537	21,575

	March 31, 2012	September 30, 2012
Fixed liabilities		
Long-term borrowings	500	250
Provision for retirement/severance benefits to employees	30	38
Other fixed liabilities	688	652
Total fixed liabilities	1,219	941
Statutory reserve		
Financial instruments trading liability reserve	15	13
Total statutory reserve	15	13
Total liabilities	27,772	22,530
Net Assets		
Shareholders' equity		
Capital stock	5,251	5,251
Capital surplus	4,774	4,774
Retained earnings	23,639	24,996
Treasury stock	-862	-862
Total shareholders' equity	32,803	34,159
Unrealized gains on other securities	162	222
Total other comprehensive income	162	222
Minority interests	3	3
Total net assets	32,968	34,385
Total liabilities and net assets	60,741	56,916

(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement
 Consolidated Income Statement (For Nine Months Ended December 31, 2012)

(Millions of yen)

	9 months ended Dec. 31, 2011	9 months ended Dec. 31, 2012
Operating income		
Commissions and fees	1,097	1,160
Brokerage commissions	308	376
Fees on underwriting, selling and sales solicitation to professional investors	7	23
Fees for handling of offering, selling and sales solicitation to professional investors	553	542
Other fees	228	217
Gains or loss on trading	4,286	5,952
Net gains or loss on private equity and other securities	-180	-12
Interest and dividend income	865	704
Other operating income	79	91
Total operating income	6,149	7,895
Financial expenses	95	89
Net operating income	6,054	7,806
Operating Expenses		
Transaction-related expenses	501	440
Personnel expenses	2,427	2,255
Real estate-related expenses	396	356
Data processing and office supplies	384	374
Depreciation and amortization	70	71
Miscellaneous taxes and dues	63	82
Provision for doubtful debts	-	1
Other	92	80
Total operating expenses	3,937	3,663
Operating Profit	2,116	4,143
Non-operating income		
Dividends received	127	134
Gains on investment in limited partnerships	-	21
Gains on investment in <i>Tokumei Kumiai</i> (TK)	0	-
Reversal of provision for doubtful debts	36	0
Other	37	32
Total non-operating income	201	188
Non-operating expenses		
Loss on investments in limited partnerships	78	-
Loss on investment in <i>Tokumei Kumiai</i> (TK)	-	55
Interest paid	3	1
Other	0	11
Total non-operating expenses	82	69
Ordinary profit	2,235	4,262
Extraordinary profit		
Gains on sales of investment securities	1	24
Reversal of provision for retirement/severance benefits to employees	8	-
Liquidation of financial instruments trading liability reserve	5	2
Other	0	-
Total extraordinary profit	16	26
Extraordinary loss		
Loss on sales of investment securities	1	0
Loss on valuation of investment securities	18	-
Loss on sales of golf course membership	30	7
Loss on liquidation of affiliated company	-	169
Other	5	0
Total extraordinary loss	56	178
Net profits before taxes	2,195	4,110
Corporate tax, inhabitant tax and business tax	950	1,292
Adjustments for corporate tax, etc.	9	185
Total corporate tax, etc.	960	1,477
Net profit before minority interests	1,235	2,632
Minority interests	-1	-0
Net profit	1,236	2,632

Consolidated Comprehensive Income Statement (For Nine Months Ended December 31, 2012)

(Millions of yen)

	9 months ended Dec. 31, 2011	9 months ended Dec. 31, 2012
Net profit before minority interests	1,235	2,632
Other comprehensive income		
Unrealized gains/loss on other securities	— 60	60
Total other comprehensive income	— 60	60
Comprehensive income	1,174	2,693
Of which income pertinent to:		
shareholders of parent company	1,175	2,693
minority interest	— 1	— 0

(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, 2012

(1) Commissions and fees earned

(a) Commissions and fees by sources

(Millions of yen)

	9 months ended Dec. 31, 2011	9 months ended Dec. 31, 2012	Change		Year ended Mar. 31, 2012
				%	
Brokerage commissions	308	376	67	22.0	450
(Equities)	(305)	(368)	(63)	(20.7)	(445)
(Bonds)	(0)	(3)	(3)	(777.8)	(0)
Fees for underwriting, selling and sales solicitation to professional investors	7	23	15	211.4	7
(Equities)	(7)	(23)	(15)	(207.4)	(7)
(Bonds)	(—)	(0)	(0)	(—)	(—)
Fees for handling of offering, selling and sales solicitation to professional investors	553	542	—11	—2.0	675
Other fees	228	217	—10	—4.6	315
Total	1,097	1,160	62	5.7	1,449

(b) Commissions and fees by instruments

(Millions of yen)

	9 months ended Dec. 31, 2011	9 months ended Dec. 31, 2012	Change		Year ended Mar. 31, 2012
				%	
Equities	320	397	77	24.2	462
Bonds	1	4	3	244.6	1
Beneficiary securities	676	749	73	10.8	863
Other	100	8	—91	—91.9	121
Total	1,097	1,160	62	5.7	1,449

(2) Gains/loss on trading

(Millions of yen)

	9 months ended Dec. 31, 2011	9 months ended Dec. 31, 2012	Change		Year ended Mar. 31, 2012
				%	
Equities, etc.	—17	204	222	—	361
Bonds, etc.	4,302	5,687	1,385	32.2	7,227
Other	2	60	58	—	26
Total	4,286	5,952	1,665	38.8	7,614

[Referential Data]

Referential Date on Business Results for First Nine Months Ended December 31, 2012

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

(Million shares/Millions of yen)

	9 months ended Dec. 31, 2011		9 months ended Dec. 31, 2012		Change %		Year ended Mar. 31, 2012	
	Number of shares	Trade value	Number of shares	Trade value	Number of shares	Trade value	Number of shares	Trade value
Total	1,948	538,768	1,572	436,703	-19.3	-18.9	2,840	756,267
(Agency)	(197)	(58,994)	(246)	(83,304)	(24.5)	(41.2)	(314)	(88,415)
(Principal)	(1,750)	(479,774)	(1,325)	(353,398)	(-24.3)	(-26.3)	(2,525)	(667,851)
(Agency)/Total (%)	10.2%	10.9%	15.7%	19.1%			11.1%	11.7%
Total/TSE volume (%)	0.26 %	0.11%	0.20 %	0.09%			0.26%	0.12%
Brokerage commission per share	1.50 yen		1.45				1.38 yen	

(2) Volume of underwriting, offering and selling

(Million shares/Millions of yen)

		9 months ended Dec. 31, 2011	9 months ended Dec. 31, 2012	Change %	Year ended Mar. 31, 2012
Underwriti	Equities (Number of shares)	0	0	-39.8	0
	Equities (Yen volume)	172	1,189	591.0	172
	Bonds (Face value)	-	100	-	-
	CPs, foreign instruments, etc.	-	-	-	-
Offering/selling	Equities (Number of shares)	0	0	-12.5	0
	Equities (Yen volume)	4,055	14,487	257.2	4,055
	Bonds (Yen volume at face value)	3,226	7,925	145.7	3,225
	Beneficiary securities	43,946	46,994	6.9	58,112
	CPs, foreign instruments, etc.	2,294	-	-	2,294

(3) Net capital regulation ratio

(Millions of yen)

		Dec. 31, 2011	Dec. 31, 2012	Mar. 31, 2012
Basic items	(A)	30,409	32,349	30,340
Complementary items	Appraisal difference (appraisal profit) of other securities, etc.	51	221	164
	Financial instruments trading liability reserve	15	13	15
	Provision for doubtful debts	108	103	684
	Total (B)	175	338	865
Deductible assets	(C)	15,635	14,334	9,278
Unfixed net capital	(A) + (B) – (C) (D)	14,949	18,353	21,927
Amount of risk correspondents	Market risk correspondence	1,816	2,170	1,558
	Trade party risk correspondence	756	935	3,199
	Basic risk correspondence	1,344	1,229	1,343
	Total (E)	3,917	4,335	6,101
Net capital regulation ratio	(D)/(E) × 100%	381.6%	423.3%	359.3%

(4) Number of directors/auditors and employees

	Dec. 31, 2011	Dec. 31, 2012	Mar. 31, 2012
Directors and auditors	9	9	9
Employees	247	235	243

[Referential Data]

Consolidated Income Statement for Latest Five Quarters

(Millions of yen)

	Qr. ended Dec. 31, 2011	Qr. ended Mar. 31, 2012	Qr. ended June 30, 2012	Qr. ended Sept. 30, 2012	Qr. ended Dec. 31, 2012
I. Operating income	2,902	3,747	1,636	2,688	3,570
1. Commissions and fees	333	351	306	399	454
2. Gains or loss on trading	2,384	3,327	1,118	1,996	2,837
3. Gains on private equity and other securities	-6	-116	-14	9	-8
4. Interest and dividend income	181	145	196	270	237
5. Other operating income	10	38	29	12	49
II. Financial expenses	27	33	26	33	29
Net operating income	2,875	3,714	1,610	2,655	3,541
III. Operating Expenses	1,281	1,262	1,191	1,224	1,247
1. Transaction-related expenses	193	138	143	160	135
2. Personnel expenses	765	764	727	752	774
3. Real estate-related expenses	129	123	114	114	127
4. Data processing and office supplies	122	118	121	125	127
5. Depreciation and amortization	22	24	22	24	24
6. Miscellaneous taxes and dues	21	45	23	30	28
7. Provision for doubtful debts	-	-	12	-10	-0
8. Other	26	47	25	26	28
Operating Profit	1,594	2,451	418	1,430	2,293
IV. Non-operating income	16	9	120	11	16
V. Non-operating expenses	0	-47	72	-26	23
Ordinary profit	1,610	2,507	467	1,468	2,326
VI. Extraordinary profit	8	9	5	-	21
VII. Extraordinary loss	40	224	-	8	170
Net profits before taxes	1,578	2,292	472	1,460	2,176
Corporate tax, residential tax and business tax	583	1,190	8	578	706
Adjustments for corporate tax, etc.	30	-161	158	-34	61
Net profit/loss before minority interest	964	1,264	306	917	1,408
Profit/loss belonging to minority interest	-0	-1	-0	-0	0
Net profit	965	1,265	307	917	1,408