

News Release

April 25, 2025

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| Stock Code Number : | 8706 (PRIME, Tokyo Stock Exchange) |
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Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Progress Report)

Kyokuto Securities have conducted an analysis of the implementation status of the Actions to Implement Management that is Conscious of its Cost of Capital and Stock Price. We have summarized the progress and our future initiatives.

For details, please refer to the attached document.

Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Progress Report)

April, 2025

KYOKUTO SECURITIES CO., LTD.

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Initiative to enhance our corporate value

- Kyokuto Securities has been striving to attain a sustainable growth by expanding its client related businesses while maintaining the “Face to Face business model (direct and face-to-face interaction with clients)”, and also by making aggressive investments by its own capital, based on its sound financial base. In light of its earnings structure, Kyokuto Securities has decided to position ROE (Return on Equity) as an important performance indicator.
- In light of our cost of equity capital, we formulated our medium-term business plan (FY2024-FY2026) in March 2024 in order to further improve profitability over the medium to long term and achieve the ROE that exceeds our cost of equity capital, and have been steadily implementing this business plan.
- Kyokuto Securities also regards a proactive distribution of profits to its shareholders as one of its important management policies, and has set the consolidated dividend payout ratio standard for our dividend at 70% starting from the fiscal year ending March 31 2024.

Implementation of Management that is Conscious of Cost of Capital and Stock Price

【Countermeasures】

【Specific measures】

**Enhancement of
ROE**

**Improvement of
profitability**

**Solid implementation of the
medium-term business plan
(FY2024-FY2026)**

**Increase of
shareholders value**

**Expansion of
shareholder returns**

**Raising the consolidated
dividend payout ratio standard**

Progress Status of Improvement of Earnings Power

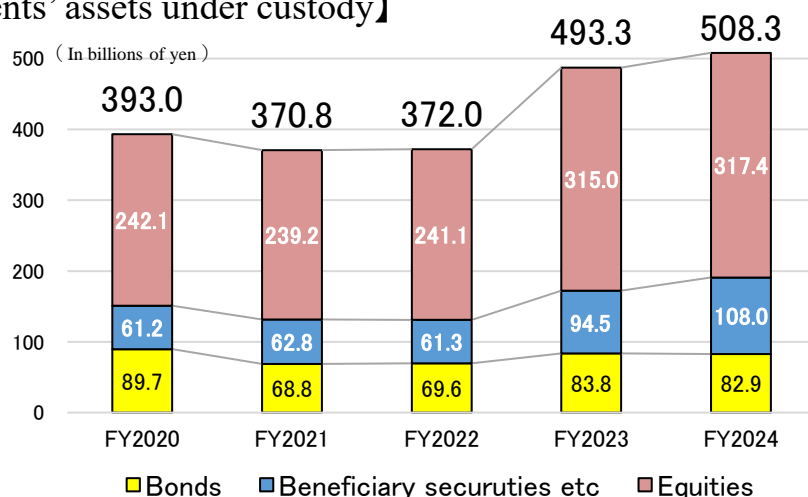
Overview of the Medium-Term Business Plan

Kyokuto Securities has been continuously striving to expand revenue base and enhance human capital while adhering to our guiding principle of “credibility forms the basis of all businesses,” and our basic corporate philosophy of “Face to Face business model (direct and face-to-face interaction with clients) based on trust and sustainable growth supported by the sound financial base”.

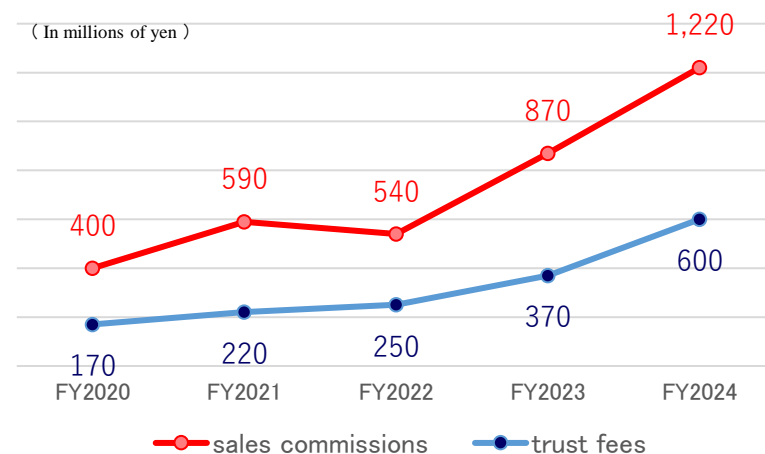
(1) Expansion of Revenue Base

- Steady increase in client's assets under custody and accounts of remote customers
- Increasing sales of investment trusts (increase in sales commissions and trust fees) in addition to bond sales, which have been our specialty
- Stable revenue from increase in our own positions

【Clients' assets under custody】



【Sales commissions and trust fees of investment trusts】



(2) Enhancement of Human Capital

- Implementation of new human resources development initiatives.
(Improving education and training, implementing measures to increase employee motivation, etc.)

Progress Status of Enhancement of Shareholder's returns

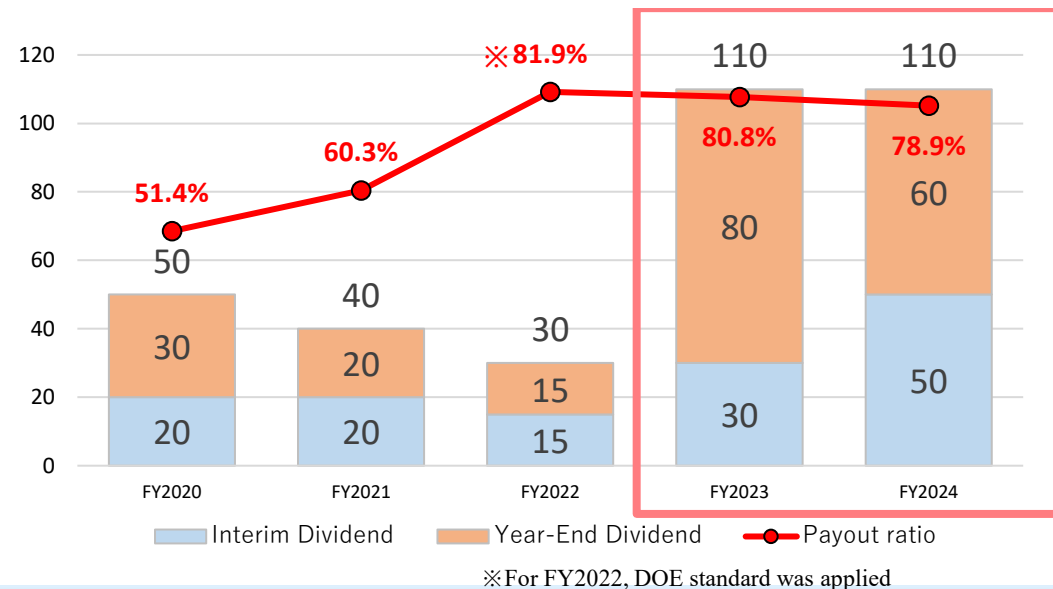
- As part of efforts to increase shareholder value, Kyokuto Securities considers it one of its important management policies to return profits to its shareholders aggressively, therefore it was decided to enhance shareholders' returns starting from the fiscal year ended March 31 2024 in order to improve shareholder value.
- In the fiscal year ending March 31, 2025, Kyokuto Securities will carry out the shareholders' return based on the following dividend policy.

【Revised Dividend Payout Policy】

The amount of dividend will be determined, based on the higher of a consolidated dividend payout ratio of 70% or a consolidated dividend on equity ratio (DOE) of 2% as well as by comprehensively evaluating such factors as its equity capital level, medium- to long-term performance trends, stock price and others.

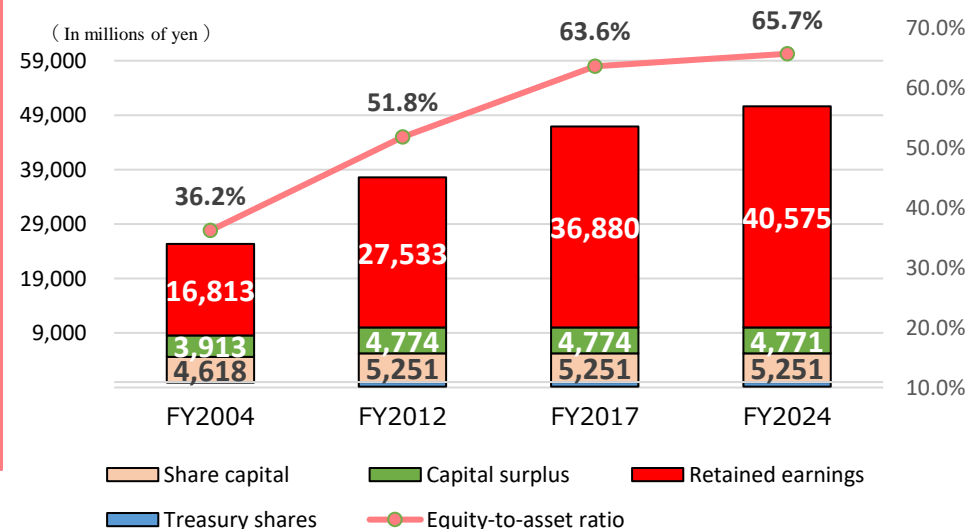
【Dividends】

- The consolidated dividend payout ratio standard have been increased from the current 50% to 70%. (Effective from the fiscal year ending March 31, 2024)



【Shareholders' Equity】

- Since our listing on the Tokyo Stock Exchange in April 2005, Kyokuto Securities has continued to achieve stable growth and maintain highly sound level of shareholders' equity.



Status for the fiscal year ending March 2025

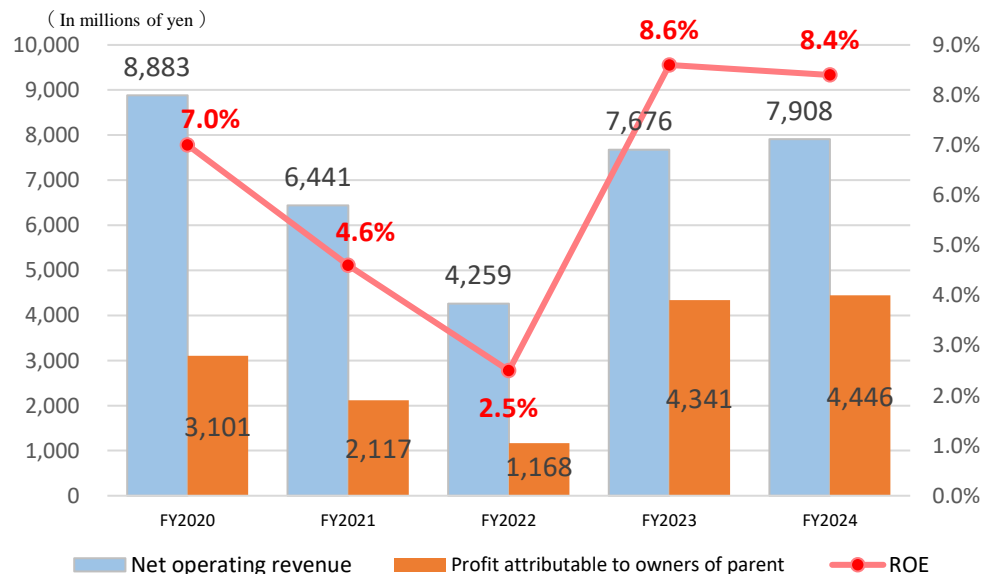
- In addition to the steady implementation of the medium-term business plan, the company's performance is on a recovery trend due to the tailwind from the active securities market.
- Although PBR (Price Book-value Ratio) was above 1x at times during the period, the ratio was below 1x at the end of the fiscal year ended March 2025.
- The company's most recent cost of capital (i.e., cost of equity capital) was 8.69%, the same level as the ROE.

【Method of calculation for cost of shareholders' equity based on CAPM】

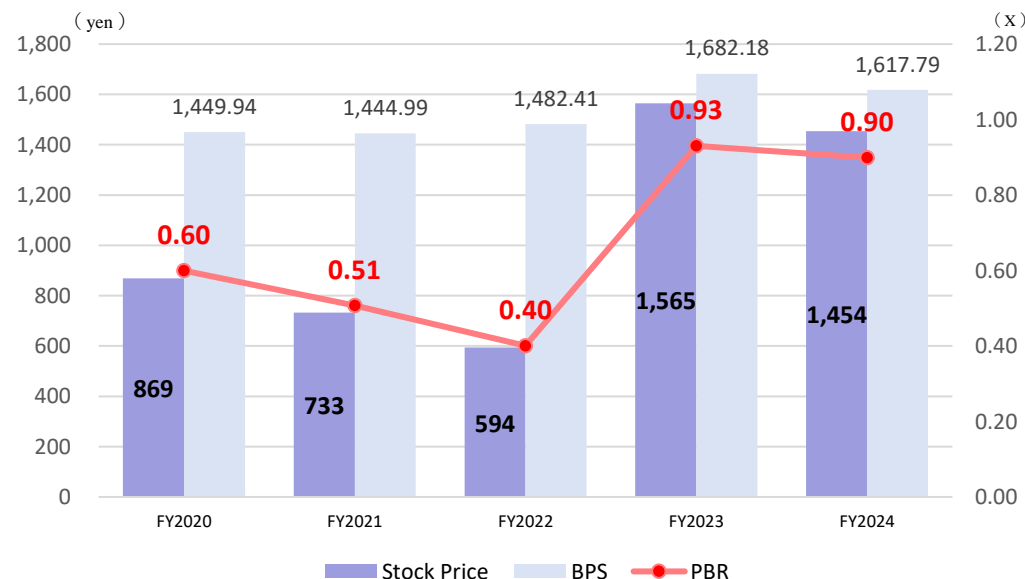
| Cost of shareholders' equity | = | Risk free rate | + | β | × | Risk premium |
|---|---|-------------------------------|---|--|---|---|
| 8.69% (as of the end of March 2025) | | 10 year Government Bond Yield | | β based on the daily return for the past 5 years | | Difference between the overall stock market yield* and the risk-free rate |

*It is annualized based on TOPIX Total Return Index annual data for the past 25 years (excluding the year 2008 due to the Lehman Shock)

【Financial Results】



【Trends in Share Price and PBR】



Future initiatives to enhance corporate value

Steady implementation of the Medium-Term Business Plan (2024-2026)

Steady implementation of the Medium-Term Business Plan to further improve profitability over the medium to long term and achieve the ROE that exceeds the cost of capital.

- Based on the belief that providing financial services to customers in a fair and honest manner will enhance customer satisfaction and contribute to improving our profitability, we will return to the basics of further implement a customer-oriented, compliance-oriented and face-to-face business model.
- In addition to “Expanding our revenue base” and “Enhancing human capital” from April 2025, we will steadily implement the medium-term business plan, adding “Ensuring compliance” as the third most important issue.

Improving Capital Efficiency

- Kyokuto Securities aims to continuously improve capital efficiency through efficient management of equity by promoting aggressive investment in equity under a proper risk management while maintaining financial soundness (Expansion of Non-clients-Related Revenues)

【Non-clients-Related Revenues】

| (In millions of yen) | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 |
|--|--------|--------|--------|--------|--------|
| Dividend income (Non-operating income) | 412 | 439 | 816 | 745 | 918 |
| Gain on sale of investment securities (Extraordinary income) | 112 | 1,415 | 1,313 | 2,779 | 3,608 |
| Outstanding balance of investment securities (Assets) | 17,199 | 16,588 | 20,013 | 31,649 | 28,903 |

Dialogue with the capital market

- Application to the TSE as a "company that desires more active contact with institutional investors" to expand opportunities for dialogue
- Active engagement in dialogue with shareholders and others that contributes to enhancing corporate value, such as holding online financial results briefings

【 Dialogue with shareholders and investors in FY2024】

| | |
|--|--|
| Shareholders and investors engaged in dialogue | Fund managers and analysts of domestic and foreign investment management companies |
| Main Correspondent | Department in charge of investor relations, including executive officers |
| Number of interviews | 11 times (*Last year's result: 6 times) |
| Main subjects of the dialogue and matters of interest to shareholders | |
| <ul style="list-style-type: none">• Business model, business strategy (differentiation strategy from competitors)• Recent business performance, forecast for next fiscal year• Status of response to TSE request (PBR below 1x, etc.)• Mid-term business plan, dividend policy, plans for share buyback• Status of compliance system | |

Summary of Medium-Term Business Plan (2024-2026)

Kyokuto Securities has now established its medium-term business plan (FY2024-FY2026) aimed at expanding its revenue base and enhancing its human capital and ensuring compliance, and by steadily implementing these policies, Kyokuto Securities will make efforts to strengthen its unique business model and improve its earnings power, and ROE of 8% to be achieved as a result.

I. Expansion of Revenue Base

① Increase in clients' assets under custody

Expansion of new customers

Expansion of sales value per customer

② Expansion of revenues other than from client-related business

Expansion of investments in traditional financial products

Expansion of alternative investments

II. Enhancement of Human Capital

(Effective employee recruiting and human resource development)

III. Ensuring compliance

(Based on the belief that providing financial services to customers in a fair and honest manner)



Target: ROE 8%