

Action to Implement Management that is Conscious of Cost of Capital and Stock Price

March, 2024

KYOKUTO SECURITIES CO., LTD.

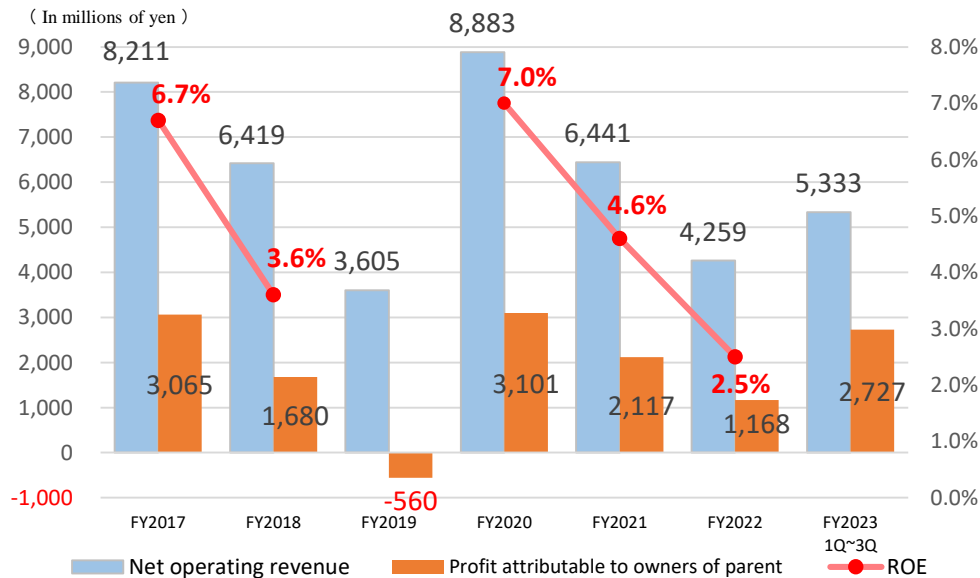
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Current Situation

- 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 and has endeavored to improve its earnings power.
- While its most recent cost of capital (i.e., cost of equity capital) was around 7%, the ROE for each of the last five fiscal years has been in the range of 2% to 7% and the PBR (Price Book-value Ratio) has continued to be below 1x.

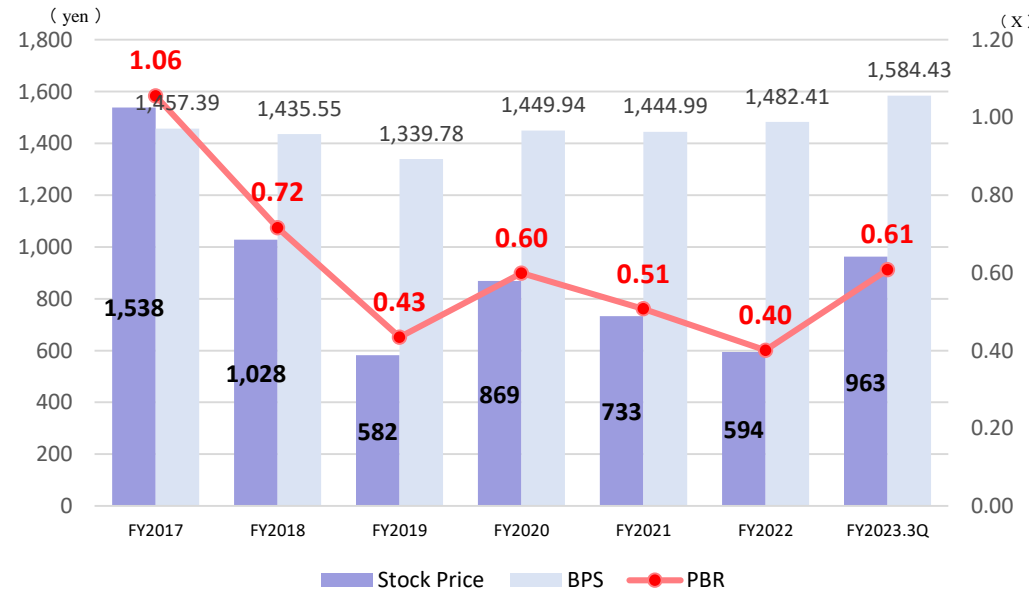
【Financial Results】

- Kyokuto Securities posted a final loss for the fiscal year 2019 ended March 31, 2020 due to turmoil in the securities market caused by the spread of the new coronavirus infection.
- However, its performance of the fiscal year 2023 has been recovered due to the tailwind from the active securities market.



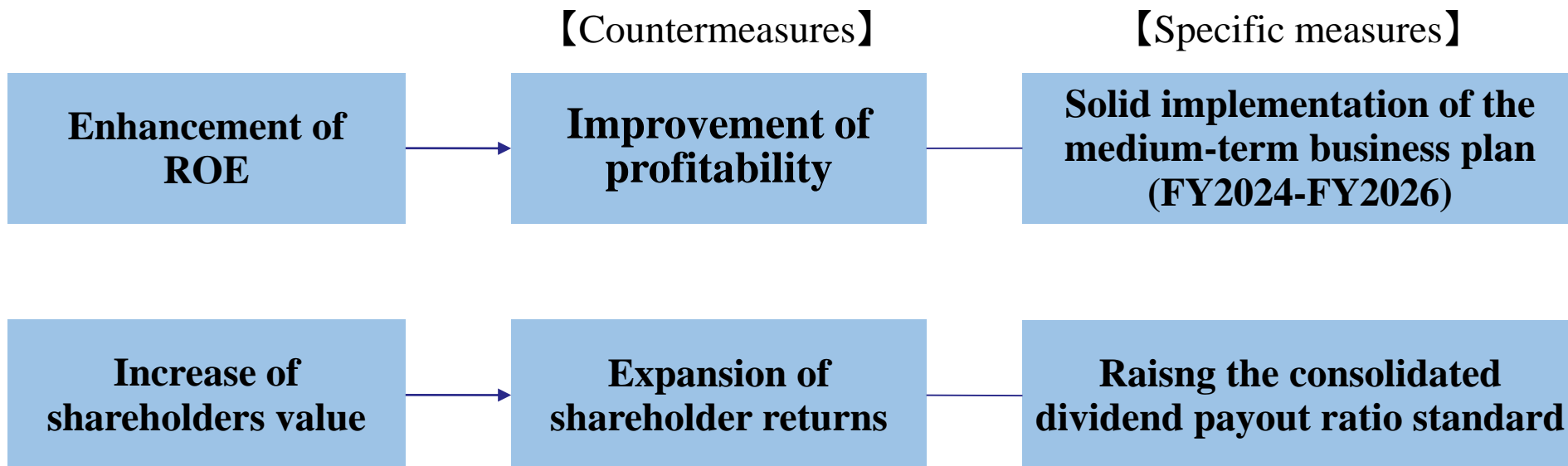
【Trends in Share Price and PBR】

- PBR continued to be below 1x for the last six years.
- Net assets have remained stable, and its financial base is sound.



Implementation of management that is conscious of cost of capital and stock price

- Kyokuto Securities aims to achieve ROE that exceeds its cost of shareholders' equity by further improving profitability in the medium to long term with our cost of shareholders' equity in mind.
- Kyokuto Securities regard a proactive distribution of profits to its shareholders as one of its important management policies, and will strive to enhance shareholder returns in order to increase shareholder value.



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

Risk free rate	+	β	×	Risk premium	=	Cost of shareholders' equity
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		7.38% (as of the end of December 2023)

*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)

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 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)

Target: ROE 8%

Enhancement of Shareholder Returns

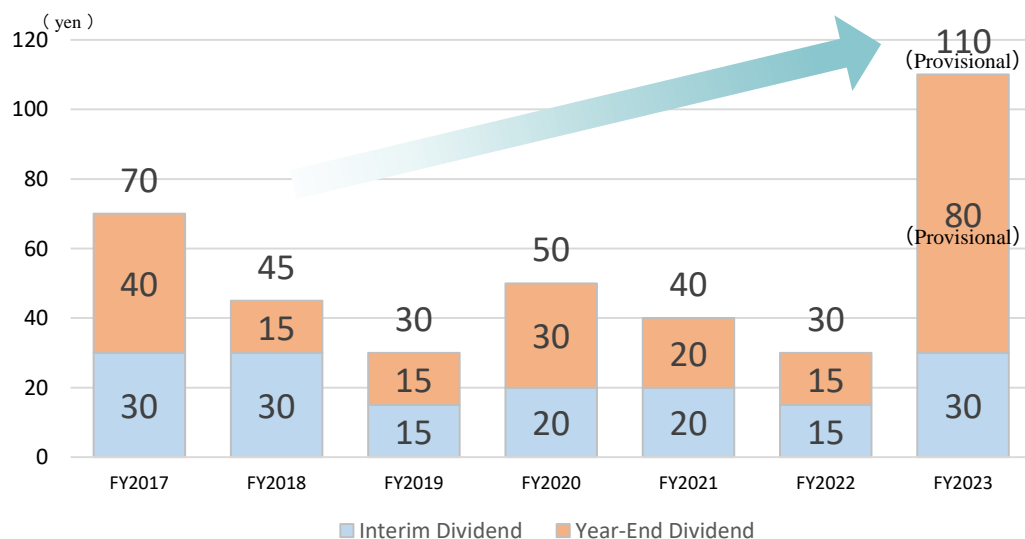
Aiming to enhance shareholders' returns, Kyokuto Securities has decided to raise the consolidated dividend payout ratio standard from 50% to 70%, based on the current status of shareholders' equity and other relevant factors. The revised dividend policy is as follows

【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 will be 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.

