

# **EARNINGS REPORT FOR FIRST THREE QUARTERS OF FISCAL 2011**

**( April 1 to December 31, 2011 )**

(consolidated on the basis of Japanese accounting standards)

Released on January 30, 2012

**Name of Company: Ichiyoshi Securities Co., Ltd.** (Stock code: 8624)

Listed on: Tokyo Stock Exchange (1<sup>st</sup> Section) & Osaka Securities Exchange (1<sup>st</sup> Section)

Corporate representative: Mr. Masashi Takehi, President & Chief Executive Officer

Inquiry to: Mr. Kiyotaka Mochida, Operating Officer in charge of Finance & Planning

Tel: (03) 3555-9589 (URL <http://www.ichiyoshi.co.jp/>)

Date of filing First Three Quarters Report: February 10, 2012 (scheduled)

Materials for supplementary explanation of quarterly business result: Not prepared.

Business result-reporting meeting: Not planned.

## **1. Outline of Consolidated Business Result for First Three Quarters of Fiscal 2011 (from April 1 to December 31, 2011)**

**(1) Highlights of consolidated business result** (in millions of yen with fractions less than a million yen discarded, except for per-share figures)

--- Nine months ended ---

Dec. 31, 2011

Dec. 31, 2010

-----			
(% year-to-year change in brackets)			
Operating revenue	10,315 (+ 12.1)	9,199	(-22.8)
Net operating revenue	10,265 (+ 12.1)	9,156	(-22.7)
Operating income	-483 ( - )	-1,661	( - )
Current income	-491 ( - )	-1,517	( - )
Net income	-519 ( - )	-1,512	( - )
Earnings per share	-11.84yen	-34.77yen	
Diluted earnings per share (adjusted for shares potentially issuable)	--	--	
-----			

Note: Comprehensive income for first three quarters of fiscal 2011: -542 million yen.

Comprehensive income for first three quarters of fiscal 2010: -1,470 million yen.

## (2) Consolidated financial condition

	As of Dec. 31 2011	As of March 31 2011
Total assets (in millions of yen)	32,402	35,607
Net worth (in millions of yen)	23,148	24,672
Equity ratio	71.2%	69.1%

Note: Shareholders' equity as of December 31, 2011: 23,071 million yen.

Shareholders' equity as of March 31, 2011: 24,607 million yen.

## 2. Dividend

	--- Fiscal year ended ---	
	March 31, 2012	March 31, 2011
Per-share dividend: (See notes below)		
1 <sup>st</sup> quarter	---	---
2 <sup>nd</sup> quarter	10.00 yen	12.00 yen
3 <sup>rd</sup> quarter	---	---
Final	---	12.00 yen
Annual total	---	24.00 yen

Notes: (i) Ichiyoshi declares dividends payable to shareholders of record as of September 30 (semiannual dividends) and March 31 (final dividends) of each fiscal year, but not to shareholders as of June 30 and December 31 of each fiscal year.

(ii) It is not Ichiyoshi's practice to give a dividend (and earnings) forecast.

## 3. Outlook for Consolidated Business Result for Fiscal 2011 (from April 1, 2011 to March 31, 2012)

Since the forecast of earnings in financial-instruments trading, the main-line business of Ichiyoshi Securities Co., Ltd. (the "Company" or "Ichiyoshi") and its group companies, is hard to make due to volatile factors in the market, the Company does not provide such forecast prior to the end of each business quarter. Instead, the Company intends to release preliminary earnings figures after the end of each business quarter as and when such figures become available.

#### 4. Other Matters

- (1) Changes in material subsidiaries (including a change in scope of consolidation): None.  
Changes in relating to non-material subsidiaries: One such subsidiary acquired (Ise Securities Co., Ltd.) (Additional information is provided on page 7 in “**II Other Summary Information**”.)
- (2) Application of an accounting treatment unique to the preparation of quarterly financial statements: None.
- (3) Changes in accounting policies and accounting estimates and re-presentations of modifications:
- (i) Changes in accounting policies resulting from revisions to accounting standards: None.
  - (ii) Changes other than those in (i): None.
  - (iii) Changes in accounting estimates: None.
  - (iv) Re-presentations of modifications: None.
- (4) Number of shares issued (common stock):
- (i) Number of shares issued as of December 31, 2011: 44,431,386 shares (including treasury shares)  
Number of shares issued as of March 31, 2011: 44,431,386 shares (including treasury shares)
  - (ii) Number of treasury shares as of December 31, 2011: 574,977 shares.  
Number of treasury shares as of March 31, 2011: 503,881 shares.
  - (iii) Average number of shares issued during the first three quarters of fiscal 2011: 43,884,255 shares.  
Average number of shares issued during the first three quarters of fiscal 2010: 43,515,951 shares.

#### Points of note:

1. This quarterly earnings report was prepared without being audited on a review basis as required by the Financial Instruments and Exchange Law. The quarterly earnings reported herein are being audited on a review basis at the time of this release.
2. For the same reason that the Company does not provide earnings forecast prior to the end of each business quarter as stated in “**3. Outlook for Consolidated Business Result for Fiscal 2011 (From April 1, 2011 to March 31, 2012)**” on page 2, the Company does not provide a dividend forecast.

# **I. Qualitative Information and Financial Statements for First Three quarters of Fiscal 2011**

## **1. Qualitative Information on Consolidated Business Result**

During the first three quarters of fiscal 2011, there arose a slew of market-moving concerns and events, including the protracted European debt crisis, the downgrade of the U.S. government debt and the Thai flooding damages, amid fears of global economic slowdown. In the foreign currency market, the yen advanced against the dollar and the euro, adding to negative effects on Japanese business earnings and its economy as a whole.

In the Japanese stock market, the Nikkei Stock Average on the Tokyo Stock Exchange (the TSE) recorded 10,207.91yen, a term-high, on July 8 in anticipation of domestic economic recovery on the back of the restoration of the supply network disrupted in the March earthquake and tsunami disaster. Thereafter, however, the stock market underwent a correctional period due to various negative factors, including the deepening debt crisis in Europe, with the Nikkei Stock Average recording 8,135.79yen, a year-low (and below the post-earthquake low), on November 25. The Nikkei Stock Average ended the term at 8,455.35yen in a weaker zone. As investors took on a risk-averse attitude towards the end of the term, the First Section of the TSE registered 14 consecutive days of turnover less than 1 trillion yen each day till the end of the year.

In the meantime, the Japanese emerging-stock markets staged a rising trend towards July on the back of expectation for domestic economic recovery. Thereafter, however, amid the bearish environments, the emerging-stock markets followed a downward trend, and their indices ended the term in a weaker tone but at a level higher than the post-earthquake low. Namely, the Nikkei JASDAQ Stock Average closed the year at 1,180.05yen and the TSE Mothers Index at 396.21.

The average daily turnover on the TSE for the first three quarters of fiscal 2011 was 1,271.7 billion yen, down 12.4% from the comparable period of fiscal 2010, and that on the OSE JASDAQ Market was 19.4 billion yen, up 4.7%.

Against such background, the Company designated specific investment trust funds, including “HSBC New Leaders Sovereign Open” and “DWS Global Public Utility Bond Fund - A Course (currency-hedged) (which pays out income monthly),” as customers’ basic assets and placed them in the center of the Company’s promotional activities.

In other major developments, the Company actively promoted equity brokerage business, launched “East Japan Recovery-Assisting Stock Fund” and obtained two mandates for lead-managing public share offerings for already-listed companies. All these developments resulted from the Company’s specialization in small and mid-size emerging companies.

Consequently, net operating revenue for the first three quarters of fiscal 2011 registered 10,265 million yen, and operating cost and expenses recorded 10,749 million yen. Resultantly, current income recorded a loss of 491 million yen.

Customers' assets in the Company's custody as at December 31, 2011 stood at 1,155.4 billion yen, down 14.2% from March 31, 2011.

Set forth below are revenue sources, cost and expenses and financial condition.

## **1. Commissions**

Total commissions for the first three quarters of fiscal 2011 amounted to 9,347 million yen, up 16.6% from the year-earlier period.

### **(1) Brokerage commissions**

Total brokerage commissions on stocks decreased 2.7% to 2,603 million yen. Brokerage commissions on small and med-size stocks (stocks listed on Second Sections of Tokyo Stock Exchange and Osaka Securities Exchange, OSE JASDAQ Market and TSE Mothers) accounted for 19.5% of total brokerage commissions on stocks, up from 15.5% for the comparable period of fiscal 2010.

### **(2) Commissions from underwriting and solicitation to specified investors**

In the primary market, Ichiyoshi managed 9 initial public offerings ("IPO's"), as compared to 3 IPO's in the year-earlier period. In the secondary market, Ichiyoshi participated in 9 deals on a management and underwriting basis (of which 2 were lead-managed by Ichiyoshi), as against 3 deal participations in the year-earlier period. As a result, commissions from underwriting and solicitation to specified investors jumped to 404 million yen.

The cumulative number of companies whose offerings were lead- or co-managed by Ichiyoshi stood at 843 (of which 29 were lead-managed) as of December 31, 2011.

### **(3) Commissions from distribution and solicitation to specified investors**

Commissions from distribution and solicitation to specified investors jumped to 3,079 million yen, up 70.3%, of which commissions from distribution of investment trust funds which pay out income monthly accounted for 3,066 million yen, up 70.0%.

### **(4) Commissions from other sources**

As the outstanding balance of investment trust funds at the end of the term in question decreased 10.5% to 571 billion yen, Ichiyoshi's receipt of trailer fees declined 7.1% to 2,945 million yen. With the addition of fees from research-unbundling, commissions from variable-annuity insurance policy sales, fees from IPO-assistances and wrap-account basic and maintenance fees, total commissions from other sources amounted to 3,245 million yen, down 7.2%.

## **2. Gains or loss on trading**

Trading in stocks, etc. recorded net gains of 110 million yen, down 61.3% from the year-earlier period. Trading in bonds and foreign exchange, etc. registered net gains of 109 million yen, down 43.8%. As a result, total net gains on trading amounted to 219 million yen, down 54.3%.

### **3. Interest and dividend income**

Interest and dividend income declined 21.3% to 111 million yen chiefly due to a decrease in average outstanding balances of advances for margin transactions. Interest expenses increased 16.8% to 50 million yen. As a result, net interest and dividend income recorded 61 million yen, down 37.8%.

### **4. Operating cost and expenses**

As a result of cost reduction measures, operating cost and expenses decreased 0.6% to 10,749 million yen.

As a result of these activities, current income for the first three quarters of fiscal 2011 recorded a loss of 491 million yen.

### **5. Extraordinary income and loss**

The Company recorded an extraordinary income of 32 million yen, including gains of 31 million yen on sales of investment securities, and an extraordinary loss of 21 million yen, including an out-of-court settlement payment of 12 million yen and a loss of 4 million yen from system cancellation. As a result, net extraordinary income amounted to 11 million yen.

After allowing for net extraordinary income, income before income taxes for the first three quarters of fiscal 2011 registered a loss of 479 million yen, and net income (after deduction of corporate income taxes, resident's taxes and enterprise taxes, totaling 35 million yen, and 3 million yen tax adjustments) recorded a loss of 519 million yen.

## **2. Qualitative Information on Consolidated Financial Condition**

### **Conditions of Assets, Liabilities and Net Worth**

#### **a) Current assets**

Current assets amounted to 24,656 million yen as of December 31, 2011, a decline of 2,885 million yen (down 10.5%) from March 31, 2011, as cash and deposits decreased by 1,827 million yen and the outstanding balance of advances for margin transactions fell by 1,132 million yen.

#### **(b) Fixed assets**

Fixed assets stood at 7,746 million yen as of December 31, 2011, a decline of 319 million yen (down 4.0%) from March 31, 2011. The decline resulted from depreciation of fixed assets.

As a result, total assets registered 32,402 million yen as of December 31, 2011, a decrease of 3,204 million yen (down 9.0%) from March 31, 2011.

(c) Current liabilities

Current liabilities stood at 8,243 million yen as of December 31, 2011, a decline of 1,788 million yen (down 17.8%) from March 31, 2011. The decline resulted chiefly from a fell of 1,698 million yen in margin transaction liabilities.

(d) Long-term liabilities

Long-term liabilities recorded 898 million yen as of December 31, 2011, a rise of 98 million yen (up 12.3%) from March 31, 2011.

(e) Statutory reserves

Statutory reserves registered 112 million yen as of December 31, 2011, an increase of 9 million yen (up 9.7%) from March 31, 2011.

(f) Net worth

Net worth amounted to 23,148 million yen as of December 31, 2011, a decrease of 1,524 million yen (down 6.2%) from March 31, 2011. The decrease mainly resulted from payment of dividends in the amount of 965 million yen and net loss of 519 million yen for the term in question.

As a result, equity ratio as of December 31, 2011 registered 71.2%, and capital adequacy ratio as of the same date, as defined by the securities regulator, registered 450.8%.

### **3. Qualitative Information relating to Consolidated Business Forecast**

Since the forecast of earnings in financial-instruments trading, the main-line business of Ichiyoshi and its group companies, is hard to make due to volatile factors in the market, Ichiyoshi does not provide such forecast prior to the end of each business quarter. Instead, Ichiyoshi intends to release preliminary earnings figures after the end of each business quarter (around the middle of the month following the end of the applicable quarter as and when such figures become available).

## **II. Other Summary Information**

(1) Changes in material subsidiaries for the first three quarters of fiscal 2011: None.

Changes relating to non-material subsidiaries: One such subsidiary acquired (Ise Securities Co., Ltd. was made a wholly-owned subsidiary through exchange of stocks effective on September 1, 2011.)

(2) Application of an accounting treatment unique to the preparation of quarterly financial statements: None.

(3) Changes in accounting policies and accounting estimates and re-presentation of modifications: None.

# . Quarterly Consolidated Financial Statements

## (1) Quarterly Consolidated Balance Sheets

(in millions of yen)

	As of March 31 2011	As of December 31 2011
Current assets		
Cash and bank deposits	13,199	11,371
Segregated cash and statutory deposits	2,845	3,555
Trading assets	373	357
Securities	373	356
Derivatives	-	0
Contracted trades	8	7
Margin transaction assets	8,254	7,121
Advances for margin purchases	8,125	6,609
Cash deposits as collateral for securities borrowed	129	511
Advance payments for customers on trades	24	18
Advance payments for subscription	2,051	1,463
Short-term loans	11	6
Accrued income	613	555
Deferred tax assets	5	1
Other current assets	165	209
Allowances for doubtful accounts	-11	-10
	27,541	24,656
Fixed assets		
Tangible fixed assets	4,401	4,320
Buildings	1,675	1,606
Fixtures and equipment	824	761
Land	1,895	1,941
Lease assets, net	5	12
Intangible fixed assets	580	414
Goodwill	139	119
Computer software	439	292
Telephone subscription rights, etc.	2	2
Investments, etc.	3,084	3,011
Investment securities	1,733	1,669
Long-term loans	66	58
Cash deposits as guarantee for long-term credits	1,277	1,269
Deferred tax assets	6	6
Other investments	15	13
Allowances for doubtful accounts	-16	-6
	8,066	7,746
Total assets	35,607	32,402



	As of March 31 2011	As of December 31 2011
Current liabilities		
Trading liabilities	2	-
Derivatives	2	-
Margin transaction liabilities	3,992	2,293
Borrowings for margin transactions	3,602	1,438
Cash received for loaned securities	390	855
Cash payable to customers	3,955	3,885
Deposits from customers (for committed trades)	676	491
Short-term borrowings	210	610
Lease obligations	1	3
Income taxes payable	93	49
Accrued bonuses to employees	399	126
Reserve for Point-Service Campaign	203	146
Other current liabilities	496	637
	10,031	8,243
Long-term liabilities		
Long-term borrowings	498	539
Lease obligations	3	8
Deferred tax liabilities	8	-
Revaluation-related deferred tax liabilities	40	35
Accrued retirement benefits for employees	198	281
Accrued retirement benefits for officers	39	-
Other long-term liabilities	10	34
	799	898
Statutory reserves		
Reserve for financial instruments transaction liabilities	102	112
	102	112
Total liabilities	10,934	9,254
Net worth		
Shareholders' equity		
Common stock	14,577	14,577
Capital surplus	8,322	8,319
Retained earnings	3,822	2,337
Treasury stock	-256	-280
Total Shareholders' equity	26,467	24,953
Other Comprehensive Income		
Other securities valuation difference	1	-26
Land revaluation difference	-1,860	-1,855
Total Other Comprehensive Income	-1,859	-1,882
Subscription rights to shares	33	44
Minority interests	31	32
Total net worth	24,672	23,148
Total of liabilities and net worth	35,607	32,402

## (2) Quarterly Consolidated Income Statements and Quarterly Consolidated Comprehensive Income Statements

### Quarterly Consolidated Income Statements

(in millions of yen)

	Nine months ended	
	Dec. 31,2010	Dec. 31,2011
Operating revenue		
Commissions	8,019	9,347
Gains or loss on trading	480	219
Interest and dividend income	141	111
Other operating income	557	636
Total Operating revenue	9,199	10,315
Interest expenses	43	50
Net operating revenue	9,156	10,265
Operating cost and expenses		
Transaction-related expenses	1,051	1,004
Personnel expenses	5,879	5,812
Property-related expenses	1,278	1,262
Clerical expenses	1,595	1,651
Depreciation	487	447
Public charges	105	111
Transfer to allowances for doubtful accounts	-	0
Others	418	458
Total Operating cost and expenses	10,817	10,749
Operating income	-1,661	-483
Non-operating income		
Dividends from investment securities	17	28
Insurance and dividends income	14	10
Equity in earnings of affiliates	161	-
Reversal of expired dividends	6	4
Gain on allotment of shares	7	-
Others	9	13
Total Operating income	216	57
Non-operating expenses		
Loss on investments in partnership	60	23
Loss on other sales	0	0
Equity in losses of affiliates	-	34
Others	11	6
Total Non-operating expenses	73	64
Current income	-1,517	-491
Extraordinary income		
Gains on sales of investment securities	21	31
Gains on revision of retirement benefit plan	6	-
Gains on sales of golf membership	-	0
Reversal of allowances for doubtful accounts	2	1
Reversal of reserve for financial instruments transaction liabilities	40	0
Total Extraordinary income	71	32
Extraordinary expenses		
Loss on write-off of fixed assets	0	1
Loss on sales of investment securities	4	1
Loss on valuation of investment securities	0	2
Loss on valuation of golf memberships	7	-
Loss on cancellation of system contracts	-	4
Settlement package	-	12
Total Extraordinary expenses	12	21
Income before income taxes	-1,458	-479
Income, inhabitant and enterprise taxes	42	35
Income taxes adjustments	11	3
Total Income Taxes	53	39
Income before minority interests	-1,511	-519
Minority interests	0	0
Net income	-1,512	-519

## Quarterly Consolidated Comprehensive Income Statements

(in millions of yen)

	Nine months ended	
	Dec. 31, 2010	Dec. 31, 2011
Income before minority interests	-1,511	-519
Other comprehensive income		
Valuation difference on available-for-sale securities	41	-31
Land revaluation difference	-	4
Share of other comprehensive income of associates accounted for using equity method	-0	3
Total other comprehensive income	41	-23
Comprehensive income	-1,470	-542
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	-1,471	-543
Comprehensive income attributable to minority interests	0	0

**(3) Notes Concerning Premises for Continuing Business Enterprise**

None for the first three quarters of fiscal 2011.

**(4) Notes in the Event of Material Changes in Shareholders' Capital**

None for the first three quarters of fiscal 2011.

## IV. Supplementary Information

### Breakdown of Consolidated Business Result for First Three Quarters of Fiscal 2011

#### 1. Commissions

##### (1) Commissions by sources: (in millions of yen)

	---Nine months ended---		(A) over (B)	Fiscal 2010 ended
	Dec. 31, 2011	Dec. 31, 2010		March 31, 2011
	(A)	(B)	(%)	
-----				
Brokerage commissions	2,619	2,691	- 2.7	4,245
(Stocks)	(2,603)	(2,677)	( - 2.7)	(4,225)
(Bonds)	( 0)	( 1)	( - 53.4)	( 2)
Commissions from				
underwriting & solicitation				
to specified investors	404	24	---	44
(Stocks)	( 404)	( 24)	( ---)	(44)
(Bonds)	( ---)	( ---)	( ---)	( ---)
Commissions from				
distribution & solicitation				
to specified investors	3,079	1,808	+ 70.3	2,660
(Beneficiary certificates)	( 3,066)	(1,803)	( + 70.0)	(2,654)
Commissions from				
Other sources	3,245	3,495	- 7.2	4,616
(Beneficiary certificates)	(2,945)	(3,170)	( - 7.1)	(4,192)
-----				
Total	9,347	8,019	+ 16.6	11,567
-----				

Commissions by instruments: (in millions of yen)

	---Nine months ended---		(A) over (B)	Fiscal 2010 ended
	Dec. 31, 2011	Dec. 31, 2010		March 31, 2011
	(A)	(B)	(%)	
Stocks	3,028	2,717	+ 11.5	4,292
Bonds	17	9	+ 87.5	12
Beneficiary certificates	6,026	4,986	+ 20.9	6,863
Others	276	307	- 10.2	398
Total	9,347	8,019	+ 16.6	11,567

2. Gains or loss on trading: (in millions of yen)

	---Nine months ended---		(A) over (B)	Fiscal 2010 ended
	Dec. 31, 2011	Dec. 31, 2010		March 31, 2011
	(A)	(B)	(%)	
Stocks, etc.	110	286	- 61.3	274
Bonds, foreign exchange, etc.	109	194	- 43.8	308
(Bonds, etc.)	( 141)	(168)	( - 16.4)	( 232)
(Foreign exchange, etc.)	( - 31)	( 25)	( ---)	( 76)
Total	219	480	- 54.3	583

### 3 . Quarterly Consolidated Income Statements for Recent Seven Quarters

(in millions of yen)

	1st Q (4-6/'10)	2nd Q (7-9/'10)	3rd Q (10-12/'10)	4th Q (1-3/'11)	1st Q (4-6/'11)	2nd Q (7-9/'11)	3rd Q (10-12/'11)
Operating revenue	3,510	2,590	3,098	3,901	3,575	3,680	3,059
Commissions	3,042	2,281	2,696	3,547	3,233	3,374	2,740
Gains or loss on trading	217	80	183	102	73	70	75
Interest and dividend income	62	46	32	35	39	39	32
Other operating revenue	188	181	186	216	229	196	210
Interest expenses	20	11	11	14	14	18	17
Net operating revenue	3,490	2,579	3,087	3,887	3,560	3,662	3,042
Operating cost and expenses	3,758	3,490	3,569	3,838	3,693	3,511	3,544
Transaction-related expenses	354	356	341	360	364	298	342
Personnel expenses	2,066	1,869	1,943	2,057	1,966	1,936	1,909
Property-related expenses	432	424	420	471	431	409	421
Clerical expenses	563	508	523	588	572	535	543
Depreciation	158	162	166	169	147	149	151
Public charges	36	33	35	41	35	39	36
Reversal of allowances for doubtful accounts	-	0	-0	-	0	-0	0
Others	146	133	138	150	175	142	140
Operating income	-267	-910	-482	48	-132	150	-502
Non-operating income	23	9	183	-1	24	14	17
Non-operating expenses	2	63	6	28	6	38	20
Current income	-246	-964	-305	18	-113	126	-504
Extraordinary income	62	1	8	34	1	31	-
Extraordinary expenses	3	9	0	86	6	11	3
Income before income taxes	-187	-973	-297	-33	-118	146	-507
Income, inhabitant and enterprise taxes	10	16	14	33	9	11	14
Income taxes adjustments	13	-1	0	-4	3	-1	1
Income before minority interests	-211	-988	-312	-62	-131	136	-524
Minority interests	- 1	1	1	0	0	0	-0
Net income	-209	-989	-313	-62	-131	135	-523

( END )