

# **EARNINGS REPORT FOR FIRST QUARTER OF FISCAL 2012**

**( April 1 to June 30, 2012 )**

(consolidated on the basis of Japanese accounting standards)

Released on July 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. Yasuaki Yamasaki, President & Representative Executive Officer

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Date of filing First Quarter Report: August 10, 2012 (scheduled)

Preparation of supplementary documents for quarterly earnings: None.

Quarterly earnings-reporting meeting: None.

## **1. Outline of Consolidated Business Result for First Quarter of Fiscal 2012 (from April 1 to June 30, 2012)**

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

--- First quarter ended ---

	June 30, 2012	June 30, 2011
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	(% year-to-year change in brackets)	
Operating revenue	3,251 (- 9.1)	3,575 (+ 1.8)
Net operating revenue	3,239 (- 9.0)	3,560 (+ 2.0)
Operating income	- 354 ( --)	- 132 ( --)
Current income	- 324 ( --)	- 113 ( --)
Net income	- 337 ( --)	- 131 ( --)
Earnings per share	- 7.70yen	- 2.99yen
Diluted earnings per share (adjusted for shares potentially issuable)	--	--

Note: Comprehensive income for first quarter of fiscal 2012: - 410 million yen.

Comprehensive income for first quarter of fiscal 2011: - 146 million yen.

## **(2) Consolidated financial condition**

	As of June 30 2012	As of March 31 2012
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Total assets (in millions of yen)	31,720	34,091
Net worth (in millions of yen)	22,636	23,486
Equity ratio	71.1%	68.7%

Note: Shareholders' equity as of June 30, 2012: 22,560 million yen.

Shareholders' equity as of March 31, 2012: 23,409 million yen.

## 2. Dividend

--- Fiscal year ended ---  
March 31, 2013    March 31, 2012

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Per-share dividend: (See notes below)

1 <sup>st</sup> quarter	---	---
2 <sup>nd</sup> quarter	---	10.00yen
3 <sup>rd</sup> quarter	---	---
Final	---	10.00yen
Annual total	---	20.00yen

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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 an earnings or dividend forecast well before a business term ends.

## 3. Outlook for Consolidated Business Result for Fiscal 2012 (from April 1, 2012 to March 31, 2013)

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 quarter. Instead, the Company intends to release preliminary earnings figures after the end of each quarter as and when such figures become available.

## 4. Other Matters

(1) Changes in material subsidiaries (including a change in scope of consolidation): None.

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

(3) Changes in accounting policies and estimates and re-presentation of revisions:

(i) Changes in accounting policies resulting from revisions to accounting standards: Yes.

(ii) Changes other than those in (i): None.

(iii) Changes in accounting estimates: Yes.

(iv) Re-presentation of revisions: None.

(Effective from the first quarter of fiscal 2012, the Company has made a change in depreciation method on tangible assets. That change belongs to "cases where it is difficult to distinguish between changes in accounting policies and changes in accounting estimates (under the amended Corporate Tax Law)." For further information, please refer to "(3) Changes in accounting policies and estimates and re-presentation of revisions" under "II. Matters concerning Summary Information (points of note)" contained elsewhere hereinafter.)

(4) Number of shares issued (common stock):

(i) Number of shares issued as of June 30, 2012: 44,431,386 shares (including treasury shares)

Number of shares issued as of March 31, 2012: 44,431,386 shares (including treasury shares)

- (ii) Number of treasury shares as of June 30, 2012: 575,144 shares.  
Number of treasury shares as of March 31, 2012: 575,144 shares.
- (iii) Average number of outstanding shares issued during the first quarter of fiscal 2012:  
43,856,242 shares.  
Average number of outstanding shares issued during the first quarter of fiscal 2011:  
43,927,466 shares.

**Points of note:**

1. This quarterly earnings report is not subject to auditing requirements under the Financial Instruments and Exchange Law (the “Law”). The business result contained herein is 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 quarter as stated in “**3. Outlook for Consolidated Business Result for Fiscal 2013 (from April 1, 2012 to March 31, 2013)**” on page 2, the Company does not provide a dividend forecast.

## **I. Qualitative Information on Consolidated Business Result for First Quarter of Fiscal 2012**

### **(1) Qualitative Information on Consolidated Business Result**

During the first quarter of fiscal 2012, fears of global economic slowdown increased amid worries over the possibility of Greek exit from the euro zone and a mounting uncertainty around bailout packages for Spanish banks. Responding to such fears, leading stock markets around the world took on an increasingly correctional tone momentarily, but gradually picked up towards the end of the quarter as anxiety over the future abated with the help of European policy-makers’ responses to crisis and interest-rate reductions by emerging and resources-rich nations. With respect to the Japanese stock market, price indices of the Tokyo Stock Exchange (the “TSE”) recorded a falloff from the beginning of the quarter as the yen advanced and Japanese government bonds appreciated amid investors’ risk-averse behavior. Consequently, on June 4, 2012, TOPIX (Tokyo Price Index of the TSE) registered 695.51, the lowest in 28 and half years since December 13, 1983. Likewise, the Nikkei Stock Average of the TSE recorded 8,295yen, a year-low, on the same day. After these indices lingered near bottom, the TSE rebounded towards the end of the quarter with the Nikkei Stock Average registering 9,006yen on the last trading day of the quarter. Similarly, the emerging-stock markets of Japan hit bottom on June 4 and recovered towards the end of the quarter, with the Nikkei JASDAQ Stock Average recording 1,336yen on the last trading day of the quarter.

The average daily turnover on the TSE for the first quarter of fiscal 2012 was 1,219.3 billion yen, down 11.8% from the comparable period of fiscal 2011, and that on the OSE JASDAQ Stock Market was 19.5 billion yen, down 14.0%.

Against such background, the Company designated 9 investment trust funds, including “BAM World Bond and Currency Fund,” as basic assets of customers and placed them at the center of its promotional activities. In addition, the Company exerted its efforts on the distribution of “LM Australia Monthly-Payout Fund,” “Mitsui Sumitomo Global REIT Open” and “U.S. Manufacturing Stock Fund” (which the Company started to promote from May 2012).

Resultantly, net operating revenue for the first quarter of fiscal 2012 amounted to 3,239 million yen. Operating cost and expenses registered 3,593 million yen. Hence, current income recorded a loss of 324 million yen.

Customers' assets in the Company's custody as at June 30, 2012 stood at 1,178.6 billion yen, down 7.5% from March 31, 2012.

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

#### **i. Commissions**

Total commissions for the first quarter of fiscal 2012 amounted to 2,919 million yen, down 9.7% from the year-earlier period.

##### **(a) Brokerage commissions**

Total brokerage commissions on stocks decreased 8.9% to 847 million yen. Brokerage commissions on small- and medium-sized stocks (stocks listed on Second Sections of Tokyo Stock Exchange and Osaka Securities Exchange, OSE JASDAQ Stock Market, and TSE Mothers) accounted for 14.8% of total brokerage commissions on stocks, down from 19.5% for the comparable period of fiscal 2011.

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

In the primary market, the Company managed 2 initial public offerings ("IPO"). (In the year-earlier period, the Company participated in 1 IPO and 3 secondary follow-on financings on a management and underwriting basis of which the Company lead-managed two) As a result, total commissions from underwriting and solicitation to specified investors amounted to 1 million yen, down 99.3% from the comparable period of fiscal 2011.

The cumulative number of companies whose offerings were lead- or co-managed by the Company stood at 848 (of which 29 were lead-managed) as of June 30, 2012.

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

As commissions from distribution of investment trusts which pay out income monthly recorded 1,051 million yen, up 13.8% from the year-earlier period, total commissions from distribution and solicitation to specified investors increased 14.4% to 1,059 million yen.

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

As the outstanding balance of investment trust funds as at the end of the period (June 30, 2012) declined 12.2% to 580.5 billion yen, the trailer fees fell 16.5% to 885 million yen. With the addition of investment advisory fees of Ichiyoshi Asset Management Co., Ltd., commissions from variable-annuity insurance policy sales, fees from research-unbundling and IPO assistance fees, total commissions from other sources amounted to 1,000 million yen, down 13.5%.

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

Trading in stocks, etc. recorded net gains of 7 million yen, down 86.3% from the year-earlier period. Trading in bonds and foreign exchange, etc. registered net gains of 22 million yen, up 4.8%. As a result, total net gains on trading amounted to 29 million yen, down 59.8%.

#### **iii. Interest and dividend income**

Interest and dividend income declined 6.9% to 36 million yen chiefly due to a fall in average advances for margin transactions during the quarter. Interest expenses slid 21.9% to 11 million yen. As a result, net interest and dividend income recorded 25 million yen, up 2.0%.

#### **iv. Operating cost and expenses**

As a result of decreases in performance-based bonuses and cost reduction measures, operating cost and expenses slid 2.7% to 3,593 million yen.

As a result of these activities, current income for the first quarter of fiscal 2012 recorded a loss of 324 million yen.

Allowing for an extraordinary income of 5 million yen for the quarter, income before taxes and tax adjustments for the first quarter of fiscal 2012 registered a loss of 319 million yen, and net income (after deduction of corporate income taxes, resident's taxes and enterprise taxes in the aggregate amount of 11 million yen and after deduction of corporate adjustments in the amount of 6 million yen) recorded a loss of 337 million yen.

## **(2) Qualitative Information on Consolidated Financial Condition**

### **i. Condition of Assets, Liabilities and Net Worth**

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

Current assets amounted to 24,299 million yen as of June 30, 2012, a decline of 2,170 million yen (down 8.2%) from March 31, 2012, as advance payments for subscription decreased by 1,427 million yen and cash and deposits declined by 1,150 million yen while margin transaction assets grew by 639 million yen.

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

Fixed assets stood at 7,421 million yen as of June 30, 2012, a decline of 200 million yen (down 2.6%) from March 31, 2012, as a result of depreciation of fixed assets and reduction of investment securities.

As a result, total assets registered 31,720 million yen as of June 30, 2012, a decrease of 2,371 million yen (down 7.0%) from March 31, 2012.

#### **(c) Current liabilities**

Current liabilities stood at 8,220 million yen as of June 30, 2012, a decrease of 1,511 million yen (down 15.5%) from March 31, 2012. The decrease resulted from a decline of 1,264 million yen in margin transaction liabilities and a decrease of 205 million yen in cash payable to customers.

#### **(d) Long-term liabilities**

Long-term liabilities recorded 767 million yen as of June 30, 2012, a decline of 3 million yen (down 0.4%) from March 31, 2012.

#### **(e) Statutory reserves**

Statutory reserves registered 96 million yen as of June 30, 2012, a decline of 7 million yen (down 7.3%) from March 31, 2012.

#### **(f) Net worth**

Net worth amounted to 22,636 million yen as of June 30, 2012, a decrease of 849 million yen (down 3.6%) from March 31, 2012. The decrease resulted from payment of final dividends in the amount of 438 million yen (paid out to shareholders of record as of March 31, 2012) and first-quarter net loss of 337 million yen (both of which caused a decline of 776 million yen in retained earnings.).

As a result, equity ratio as of June 30, 2012 recorded 71.1%, and capital adequacy ratio as of the same date, as defined by the securities regulator, registered 441.2%.

### **(3) Qualitative Information on Outlook of Consolidated Business Result**

Since the forecast of earnings in financial-instruments trading, the main-line business of the Company 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 quarter. Instead, the Company releases preliminary earnings figures around the middle of the month immediately following the end of each quarter.

## **II. Matters concerning Summary Information**

(1) Changes in material subsidiaries: None.

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

(3) Changes in accounting policies and estimates and re-presentation of revisions:  
(Changes in cases where it is difficult to distinguish between changes in accounting policies and changes in accounting estimates.)  
Effective from the first quarter of fiscal 2012, the Company and its consolidated subsidiaries have made a change in depreciation method on tangible assets acquired on and after April 1, 2012, pursuant to an amendment to the Corporate Tax Law, which permits such change.

(4) Additional information:  
(Adoption of consolidated tax payment method)  
Effective from the first quarter of fiscal 2012, the Company has adopted consolidated tax payment method.

# . Quarterly Consolidated Financial Statements

## (1) Quarterly Consolidated Balance Sheets

(in millions of yen)

	As of June 30 2012	As of March 31 2012
Current assets		
Cash and bank deposits	8,909	10,060
Segregated cash and statutory deposits	3,191	3,344
Trading assets	369	377
Securities	369	376
Derivatives	-	1
Contracted trades	6	12
Margin transaction assets	8,389	7,749
Advances for margin purchases	7,907	7,163
Cash deposits as collateral for securities borrowed	481	586
Advance payments for customers on trades	4	8
Advance payments for subscription	2,600	4,027
Short-term loans	7	8
Accrued income	658	727
Deferred tax assets	14	19
Other current assets	150	136
Allowances for doubtful accounts	-3	-3
	24,299	26,469
Fixed assets		
Tangible fixed assets	4,171	4,224
Buildings	1,513	1,543
Fixtures and equipment	705	728
Land	1,941	1,941
Lease assets, net	10	11
Intangible fixed assets	372	409
Goodwill	104	112
Computer software	265	295
Telephone subscription rights, etc.	1	1
Investments, etc.	2,878	2,987
Investment securities	1,555	1,653
Long-term loans	42	54
Cash deposits as guarantee for long-term credits	1,269	1,266
Deferred tax assets	5	6
Other investments	11	12
Allowances for doubtful accounts	-6	-6
	7,421	7,622
Total assets	31,720	34,091

	As of June 30 2012	As of March 31 2012
Current liabilities		
Trading liabilities	1	-
Derivatives	1	-
Margin transaction liabilities	3,119	4,384
Borrowings for margin transactions	2,479	3,420
Cash received for loaned securities	639	963
Cash payable to customers	3,227	3,432
Deposits from customers (for committed trades)	682	503
Short-term borrowings	210	210
Lease obligations	3	3
Income taxes payable	28	81
Accrued bonuses to employees	148	332
Reserve for Point-Service Campaign	188	172
Other current liabilities	611	611
	8,220	9,731
Long-term liabilities		
Long-term borrowings	449	459
Lease obligations	7	8
Deferred tax liabilities	-	1
Revaluation-related deferred tax liabilities	35	35
Accrued retirement benefits for employees	247	232
Other long-term liabilities	28	33
	767	770
Statutory reserves		
Reserve for financial instruments transaction liabilities	96	103
	96	103
Total liabilities	9,084	10,605
Net worth		
Shareholders' equity		
Common stock	14,577	14,577
Capital surplus	8,319	8,319
Retained earnings	1,857	2,634
Treasury stock	-280	-280
Total Shareholders' equity	24,474	25,250
Othe Comprehensive Income		
Other securities valuation difference	-58	14
Land revaluation difference	-1,855	-1,855
Total Othe Comprehensive Income	-1,914	-1,841
Subscription rights to shares	43	43
Minority interests	33	32
Total net worth	22,636	23,486
Total of liabilities and net worth	31,720	34,091



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

**Quarterly Consolidated Income Statements**

(in millions of yen)

	Three months ended	
	June 30, 2012	June 30, 2011
Operating revenue		
Commissions	2,919	3,233
Gains or loss on trading	29	73
Interest and dividend income	36	39
Other operating income	265	229
Total Operating revenue	3,251	3,575
Interest expenses	11	14
Net operating revenue	3,239	3,560
Operating cost and expenses		
Transaction-related expenses	362	364
Personnel expenses	1,924	1,966
Property-related expenses	409	431
Clerical expenses	586	572
Depreciation	114	147
Public charges	32	35
Transfer to allowances for doubtful accounts	0	0
Others	163	175
Total Operating cost and expenses	3,593	3,693
Operating income	-354	-132
Non-operating income		
Dividends from investment securities	29	23
Others	4	1
Total Non-operating income	34	24
Non-operating expenses		
Loss on other sales	0	0
Equity in losses of affiliates	5	5
Others	0	0
Total Non-operating expenses	5	6
Current income	-324	-113
Extraordinary income		
Gains on sales of golf membership	-	0
Gain on reversal of subscription rights to shares	0	-
Reversal of allowances for doubtful accounts	-	1
Reversal of reserve for financial instruments transaction liabilities	7	0
Total Extraordinary income	8	1
Extraordinary expenses		
Loss on sales of investment securities	-	1
Valuation loss on investment securities	2	1
Loss on cancellation of system contracts	-	4
Total Extraordinary expenses	2	6
Income before income taxes	-319	-118
Income, inhabitant and enterprise taxes	11	9
Income taxes adjustments	6	3
Total Income Taxes	17	12
Income before minority interests	-337	-131
Minority interests	0	0
Net income	-337	-131

## Quarterly Consolidated Comprehensive Income Statements

(in millions of yen)

	Three months ended	
	June 30, 2012	June 30, 2011
Income before minority interests	-337	-131
Other comprehensive income		
Valuation difference on available-for-sale securities	-71	-12
Share of other comprehensive income of associates accounted for using equity method	-1	-3
Total other comprehensive income	-73	-15
Comprehensive income	-410	-146
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	-410	-147
Comprehensive income attributable to minority interests	0	0

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

None for the first quarter of fiscal 2012

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

None for the first quarter of fiscal 2012

**IV. Supplementary Information****Breakdown of Consolidated Business Result for First Quarter of Fiscal 2012****1. Commissions****(1) Commissions by sources: (in millions of yen)**

	---First quarter ended---		(A) over (B)	Fiscal 2011 ended
	June 30, 2012	June 30, 2011		March 31, 2012
	(A)	(B)	(%)	
Brokerage commissions	857	932	- 8.0	3,917
(Stocks)	( 847)	( 929)	( - 8.9)	( 3,898)
(Bonds)	( 0)	( 0)	( + 331.4)	( 0)
Commissions from underwriting & solicitation				
to specified investors	1	218	- 99.3	414
(Stocks)	( 1)	( 218)	( -99.3)	( 414)
(Bonds)	( -- )	( -- )	( -- )	( -- )
Commissions from distribution & solicitation				
to specified investors	1,059	926	+ 14.4	4,372
(Beneficiary certificates)	(1,051)	( 924)	( + 13.8)	(4,356)
Commissions from Other sources	1,000	1,155	- 13.5	4,243
(Beneficiary certificates)	( 885)	(1,059)	( - 16.5)	(3,831)
Total	2,919	3,233	- 9.7	12,948

**(2) Commissions by instruments: (in millions of yen)**

	---First quarter ended---		(A) over (B)	Fiscal 2011 ended
	June 30, 2012	June 30, 2011		March 31, 2012
	(A)	(B)	(%)	
Stocks	854	1,153	- 25.9	4,341
Bonds	8	3	+ 142.7	20
Beneficiary certificates	1,947	1,987	- 2.0	8,206
Others	109	88	+ 22.6	379
Total	2,919	3,233	- 9.7	12,948

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

	---First quarter ended---		(A) over (B)	Fiscal 2011 ended
	June 30, 2012	June 30, 2011		March 31, 2012
	(A)	(B)	(%)	
Stocks, etc.	7	52	- 86.3	226
Bonds, foreign exchange, etc.	22	21	+ 4.8	191
(Bonds, etc.)	( 22)	( 56)	( - 59.1)	(205)
(Foreign exchange, etc.)	( - 0)	( - 34)	( -- )	( - 14)
Total	29	73	- 59.8	417

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

(in millions of yen)

	1st Q (4-6/'11)	2nd Q (7-9/'11)	3rd Q (10-12/'11)	4th Q (1-3/'12)	1st Q (4-6/'12)
Operating revenue	3,575	3,680	3,059	4,092	3,251
Commissions	3,233	3,374	2,740	3,600	2,919
Gains or loss on trading	73	70	75	197	29
Interest and dividend income	39	39	32	34	36
Other operating revenue	229	196	210	259	265
Interest expenses	14	18	17	16	11
Net operating revenue	3,560	3,662	3,042	4,075	3,239
Operating cost and expenses	3,693	3,511	3,544	3,708	3,593
Transaction-related expenses	364	298	342	394	362
Personnel expenses	1,966	1,936	1,909	1,967	1,924
Property-related expenses	431	409	421	410	409
Clerical expenses	572	535	543	601	586
Depreciation	147	149	151	147	114
Public charges	35	39	36	37	32
Reversal of allowances for doubtful accounts	0	-0	0	0	0
Others	175	142	140	148	163
Operating income	-132	150	-502	367	-354
Non-operating income	24	14	17	23	34
Non-operating expenses	6	38	20	36	5
Current income	-113	126	-504	354	-324
Extraordinary income	1	31	-	9	8
Extraordinary expenses	6	11	3	66	2
Income before income taxes	-118	146	-507	298	-319
Income, inhabitant and enterprise taxes	9	11	14	18	11
Income taxes adjustments	3	-1	1	-17	6
Income before minority interests	-131	136	-524	296	-337
Minority interests	0	0	-0	-0	0
Net income	-131	135	-523	297	-337

( END )