

EARNINGS REPORT FOR FIRST QUARTER OF FISCAL 2016

(April 1 to June 30, 2016)

(consolidated on the basis of Japanese accounting standards)

Released on July 28, 2016

(English translation for reference purposes only)

Name of Company: **Ichiyoshi Securities Co., Ltd.**

Listed on: Tokyo Stock Exchange (1st Section) (Stock code: 8624)

Corporate representative: Mr. Minoru Kobayashi, President & Representative Executive Officer

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Date of filing First Quarter Report: August 12, 2016 (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 2016 (from April 1 to June 30, 2016)

(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, 2016	June 30, 2015

	(% year-to-year change in brackets)	
Operating revenue	5,273 (- 9.2)	5,811 (+ 14.3)
Net operating revenue	4,917 (- 9.4)	5,428 (+ 13.9)
Operating income	798 (- 31.2)	1,160 (+ 21.1)
Current income	821 (- 32.0)	1,208 (+ 21.8)
Net income attributable to		
owners of parent	552 (- 32.4)	817 (- 9.9)
Earnings per share	12.79yen	18.54yen
Diluted earnings per share (adjusted		
for shares potentially issuable)	12.77yen	18.50yen

Note:(1)Comprehensive income for the first quarter of fiscal 2016: 466 million yen(- 44.7%)

(2)Comprehensive income for the first quarter of fiscal 2015: 843 million yen(+35.8%)

(2) Consolidated financial condition

	As of June 30	As of March 31
	2016	2016

Total assets (in millions of yen)	45,423	46,593
Net worth (in millions of yen)	32,412	33,560
Equity ratio	70.8%	71.5%

Note:Shareholders' equity as of June 30,2016 : 32,159 million yen.

Shareholders' equity as of March 31,2016 : 33,313 million yen.

2. Dividend

--- Fiscal year ended ---
March 31, 2017 March 31, 2016

Per-share dividend: (Please see notes below)

1 st quarter	---	---
2 nd quarter	---	27.00yen
3 rd quarter	---	---
Final	---	26.00yen
Annual total	---	53.00yen

Notes: (i) Ichiyoshi Securities Co., Ltd. (the “**Company**”) 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 the Company’s practice to give an earnings or dividend forecast well before a business term ends.

3. Outlook for Consolidated Business Result for Fiscal 2016 (from April 1, 2016 to March 31, 2017)

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

* Points to note :

- (1) Changes in material subsidiaries (including changes in special subsidiaries leading to 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: None.
 - (iv) Re-presentation of revisions: None.(For further details, please refer to “(3) Changes in accounting policies and estimates and representation of modifications” in “II. Matters Concerning Summary Information (Points to Note)” elsewhere hereinafter.)
- (4) Number of shares issued (common stock):
 - (i) Number of shares issued as of June 30, 2016 : 44,431,386 shares (including treasury shares)
Number of shares issued as of March 31, 2016 : 44,431,386 shares (including treasury shares)
 - (ii) Number of treasury shares as of June 30, 2016 : 1,307,368 shares.
Number of treasury shares as of March 31, 2016 : 807,868 shares.

- (iii) Average number of shares outstanding during the first quarter of fiscal 2016:
43,211,107 shares.
- Average number of shares outstanding during the first quarter of fiscal 2015:
44,080,899 shares.

Additional points to note:

1. Quarterly earnings figures included in this report are released without being reviewed by certified public accountants as required by the Financial Instruments and Exchange Law. Those figures are being so reviewed at the time of this release.
2. For the same reason that the Company does not provide an earnings forecast prior to the end of each quarter as stated in “3. Outlook for Consolidated Business Result for Fiscal 2015 (from April 1, 2016 to March 31, 2017)” on page 2, the Company does not provide a dividend forecast.

I. Qualitative Information on Business Result for First Quarter of Fiscal 2016

(1) Information on Business Result

During the first quarter of fiscal 2016, gloomy clouds of stagnation hung over the domestic economy due to concerns over the effect of the stronger yen on business earnings and the bearish tendency of prices linked to sluggish consumption while the government’s announcement on June 1 of the postponement of the consumption tax rise (initially scheduled from April 2017) gave rise to expectations for economic turnaround. As the British referendum on June 23 favored the Brexit, however, the gloomy clouds spread over the global economy as a whole.

The Japanese stock market underwent correctional turbulences as the Bank of Japan put off an additional easing in its monetary policy meeting in April and the yen strengthened on rising expectations for the Fed delaying its interest rate hike in June. Reflecting the Brexit, the Nikkei Stock Average on the Tokyo Stock Exchange (the “TSE”) fell by more than 1,200yen to 14,864yen on June 24, - the 8th largest decline by day on record. Thereafter, however, the Stock Average got on a recovery track and ended the quarter at 15,575yen.

On the foreign currency market, the yen continued its firm trend. On June 24, the yen recorded a 99-yen level per 1 dollar as the yen buying mood rose amid concerns over the Brexit. It was the first time in two years and 7 months since November 2013 that the yen went below the 100-yen level.

The Japanese emerging-stock markets moved briskly on the back of good demand-supply relationship, with both the Nikkei JASDAQ Stock Average and the TSE Mothers Index recording a year-high on June 9. Undergoing correctional stages thereafter, the markets suffered a sharp fall as a result of the Brexit, and the Nikkei JASDAQ Stock Average and TSE Mothers Index ended the quarter at 2,432yen and 1,009, respectively.

The average daily turnover on the TSE for the first quarter of fiscal 2016 was 2,705.3 billion yen, down 14.1% from the comparable period of fiscal 2015, and that on the JASDAQ Stock Market was 48.8 billion yen, down 44.9%.

In such circumstances, the Company placed in its core proposal asset-backed stocks with stress on stability and dividends under negative-interest environments, taking advantage of the Company’s strength in research on small-and medium-cap growth stocks. Striving to meet with

customers' needs, the Company took various measures focused on the expansion of customers' assets in custody. The stock brokerage volume of the Company for the first quarter of fiscal 2016 fell to 540.4 billion yen, down 14.7% from the year-earlier quarter.

With regard to investment trust funds, "Dream Collection," a fund wrap account vehicle, showed a favorable performance as a core asset in customers' medium- to long-term asset management. Its outstanding balance as of June 30 registered more than 30 billion yen. The Company launched on June 6 "Ichiyoshi Small- and Medium-Cap Growth Stock Fund," fully taking advantage of synergy between Ichiyoshi Research Institute Inc. and Ichiyoshi Asset Management Co. Ltd. The fund got off to a good start, recording an increasing balance.

With respect to customers' assets in custody, they stood at 1,641.2 billion yen as at June 30, 2016, down 7.5% from March 31, 2016. While the Company canvassed for customers' fresh-fund purchases of investment trust funds and initial public offerings, fluctuations in stock prices and currency markets and changes in net asset values of investment trust funds targeted for emerging countries in particular were negative factors.

As a result of these activities, net operating revenue for the first quarter of fiscal 2016 amounted to 4,917 million, down 9.4% from the first quarter of fiscal 2015. Operating cost and expenses amounted to 4,118 million yen, down 3.5%. Hence, operating income registered 798 million yen, down 31.2% from the first quarter of fiscal 2015.

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

i. Commissions

Total commissions for the first quarter of fiscal 2016 amounted to 4,808 million yen, down 8.9 % from the year-earlier period.

(a) Brokerage commissions

Total brokerage commissions on stocks slid 17.1% to 1,787 million yen. Brokerage commissions on small- and medium-sized stocks (stocks listed on Second Sections of the TSE, TSE Mothers and JASDAQ) registered 633 million yen and accounted for 35.5% of total brokerage commissions on stocks, up from 19.1% for the comparable period of fiscal 2015.

(b) Commissions from underwriting and solicitation to specified investors

In the primary market, the Company participated in 3 initial public offerings on a management and underwriting basis as against 11 participations in the year-earlier period in the secondary market (for follow-on financing), the Company participated in 2 deals (of which one was lead-managed by the Company) on a management and underwriting basis as against 1 deal in the year-earlier period. As a result, commissions from underwriting and solicitation to specified investors amounted to 233 million yen, up 430.7% from the comparable period of fiscal 2015.

The cumulative number of companies whose offerings were lead- or co-managed by the Company stood at 984 (of which 44 were lead-managed by the Company) as of June 30, 2016.

(c) Commissions from distribution and solicitation to specified investors

As commissions from distribution of investment trust funds recorded 1,313 million yen, down 3.1% from the year-earlier period, total commissions from distribution and solicitation to specified investors registered 1,325 million yen, down 3.5%.

(d) Commissions from other sources

The trailer fees registered 1,249 million yen, down 11.6% from the year-earlier period. With the addition of investment advisory fees from Ichiyoshi Asset Management Co., Ltd., fees from research unbundling, commissions from insurance policy sales and IPO assistance

fees, total commissions from other sources amounted to 1,385 million yen, down 13.7%.

ii. Gains or loss on trading

Trading in stocks, etc. recorded net loss of 5 million yen. Trading in bonds and foreign exchange, etc. registered net gains of 40 million yen, up 55.4%. As a result, total net gains on trading amounted to 34 million yen, down 40.9%.

iii. Interest and dividend income

Interest and dividend income fell 28.5% to 56 million yen, due to a decrease in advances for margin purchases. Interest expenses slid 46.0% to 10 million yen. As a result, net interest and dividend income recorded 45 million yen, down 22.4%.

Resultantly, net operating revenue for the first quarter of fiscal 2016 amounted to 4,917 million yen, down 9.4% from the year-earlier period.

iv. Operating cost and expenses

As personnel-related expenses declined, operating cost and expenses recorded 4,118 million yen, down 3.5%.

v. Non-operating income and expenses

As the Company received dividends of 22 million yen on investment securities, net non-operating income amounted to 22 million yen, down 52.8%.

Resultantly, current income for the first quarter of fiscal 2016 amounted to 821 million yen, down 32.0% from the year-earlier period.

vi Extraordinary income and loss

The Company registered an extraordinary income of 40 million yen mainly in the form of gains on sales of fixed assets, and recorded an extraordinary loss of 11 million yen chiefly in the form of valuation loss on golf memberships. As a result, net extraordinary income amounted to 29 million yen, down 40.4% from the year-earlier period.

Resultantly, income before taxes and tax adjustments for the first quarter of fiscal 2016 registered 850 million yen, down 32.3% from the year-earlier period, and net income attributable to owners of parent (after deduction of corporate income taxes, resident's taxes and enterprise taxes in the aggregate amount of 137 million yen and after deduction of corporate tax adjustments in the amount of 158 million yen) recorded 552 million yen, down 32.4% from the year-earlier period.

(2) Information on Financial Condition

i. Condition of Assets, Liabilities and Net Worth

(a) Current assets

Current assets amounted to 39,071 million yen as of June 30, 2016, a fall of 820 million yen (down 2.1%) from March 31, 2016, as advance payments for subscription increased by 1,173 million yen while margin transaction assets, segregated cash and deposits and accrued income decreased by 985 million yen, 459 million yen and 338 million yen, respectively.

(b) Fixed assets

Fixed assets stood at 6,352 million yen as of June 30, 2016, a decline of 349 million yen (down 5.2%) from March 31, 2016, as land, buildings and investment securities reduced their values by 123 million yen, 65 million yen and 126 million yen, respectively.

As a result, total assets registered 45,423 million yen as of June 30, 2016, a fall of 1,169 million yen (down 2.5%) from March 31, 2016.

(c) Current liabilities

Current liabilities stood at 12,483 million yen as of June 30, 2016, a rise of 38 million yen (up 0.3%) from March 31, 2016. The rise resulted as margin transaction liabilities grew by 831 million yen while income taxes payable and accrued bonuses decreased by 394 million yen and 367 million yen, respectively.

(d) Long-term liabilities

Long-term liabilities recorded 347 million yen as of June 30, 2016, a decline of 58 million yen (down 14.4%) from March 31, 2016. The decline resulted mainly from a fall of 23 million yen in deferred tax liabilities and a decrease of 22 million yen in revaluation-related deferred tax liabilities.

(e) Statutory reserves

Statutory reserves registered 180 million yen as of June 30, 2016.

(f) Net worth

Net worth amounted to 32,412 million yen as of June 30, 2016, a decline of 1,148 million yen (down 3.4%) from March 31, 2016. The decline resulted as the Company recorded net income (attributable to owners of parent) of 552 million yen for the first quarter while the Company paid dividends in the amount of 1,134 million yen and acquired treasury shares at the cost of 476 million yen.

(3) 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 intends to release preliminary earnings figures around the middle of the month immediately following the end of each quarter.

II. Matters Concerning Summary Information (Points to Note)

(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 modifications.

(Changes in accounting policies)

The Company started to apply "Practical Handling of Changes to Depreciation Methods under Tax System Amendment of Year 2016" (Practical Application Report No. 32, dated June 17, 2016) effective from the first quarter of fiscal 2016. Thus, the Company changed

depreciation method from declining-balance method to straight-line method on facilities and structures attached to buildings acquired on and after April 1, 2016.

This change had an immaterial effect on operating income, current income and income before taxes and tax adjustments for the first quarter of fiscal 2016.

(4) Additional information

The Company started to apply “Application Guidelines on Collectibility of Deferred Tax Assets” (Corporate Accounting Standard Application Guidelines No. 26, dated March 28, 2016) effective from the first quarter of fiscal 2016.

. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(in millions of yen)

	As of June 30 2016	As of March 31 2016
Assets		
Current assets		
Cash and bank deposits	16,253	16,311
Segregated cash and statutory deposits	4,502	4,962
Trading assets	480	464
Securities	480	464
Contracted trades	9	—
Margin transaction assets	12,422	13,408
Advances for margin purchases	11,985	13,171
Cash deposits as collateral for securities borrowed	436	236
Advance payments for customers on trades	22	15
Advance payments for subscription	4,193	3,020
Short-term loans receivable	9	22
Accrued income	926	1,264
Deferred tax assets	157	330
Other current assets	95	95
Allowances for doubtful accounts	-2	-2
Total Current assets	39,071	39,892
Fixed assets		
Tangible fixed assets	3,729	3,938
Buildings	1,170	1,236
Fixtures and equipment	646	666
Land	1,907	2,030
Lease assets, net	4	5
Intangible fixed assets	538	563
Goodwill	16	18
Computer software	521	543
Telephone subscription rights, etc.	0	0
Investments, etc.	2,084	2,199
Investment securities	1,070	1,197
Long-term loans	24	28
Cash deposits as guarantee for long-term credits	913	916
Net defined benefit asset	57	38
Deferred tax assets	1	3
Other investments	26	26
Allowances for doubtful accounts	-10	-10
Total Fixed assets	6,352	6,701
Total assets	45,423	46,593

	As of June 30	As of March 31
	2016	2016
Liabilities		
Current liabilities		
Trading liabilities	0	0
Derivatives	0	0
Contracted trades	-	37
Margin transaction liabilities	3,837	3,006
Borrowings for margin transactions	3,060	2,445
Cash received for loaned securities	776	561
Cash payable to customers	5,788	5,794
Deposits from customers (for committed trades)	1,041	1,103
Accounts for non-received securities and others	-	0
Short-term borrowings	210	210
Lease obligations	2	2
Income taxes payable	175	570
Accrued bonuses to employees	339	707
Other current liabilities	1,088	1,010
Total Current liabilities	12,483	12,444
Long-term liabilities		
Long-term borrowings	292	302
Lease obligations	2	2
Deferred tax liabilities	18	41
Revaluation-related deferred tax liabilities	7	30
Other long-term liabilities	26	30
Total Long-term liabilities	347	406
Statutory reserves		
Reserve for financial instruments transaction liabilities	180	182
Total Statutory reserves	180	182
Total liabilities	13,011	13,033
Net worth		
Shareholders' equity		
Capital stock	14,577	14,577
Capital surplus	8,696	8,696
Retained earnings	11,801	12,391
Treasury stock	-1,223	-747
Total Shareholders' equity	33,851	34,917
Accumulated other comprehensive income		
Other securities valuation difference	-37	54
Land revaluation difference	-1,841	-1,849
Remeasurements of defined benefit plans	186	191
Total Accumulated other comprehensive income	-1,692	-1,604
Subscription rights to shares	202	198
Non-controlling interests	49	47
Total net worth	32,412	33,560
Total of liabilities and net worth	45,423	46,593

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

Quarterly Consolidated Income Statements

(in millions of yen)

	Three months ended	
	June 30, 2016	June 30, 2015
Operating revenue		
Commissions	4,808	5,276
Gains or loss on trading	34	58
Interest and dividend income	56	79
Other operating income	374	396
Total Operating revenue	5,273	5,811
Interest expenses	10	20
Other operating expenses	345	362
Net operating revenue	4,917	5,428
Operating cost and expenses		
Transaction-related expenses	433	416
Personnel expenses	2,292	2,506
Property-related expenses	464	469
Clerical expenses	584	542
Depreciation	98	101
Public charges	75	58
Transfer to allowances for doubtful accounts	-	0
Others	169	173
Total Operating cost and expenses	4,118	4,267
Operating income	798	1,160
Non-operating income		
Dividends from investment securities	15	16
Gain on investments in partnership	-	24
Others	6	6
Total Non-operating income	22	48
Non-operating expenses		
Others	0	0
Total Non-operating expenses	0	0
Current income	821	1,208
Extraordinary income		
Gains on sales of investment securities	-	49
Gain on sales of non-current assets	38	-
Gain on reversal of subscription rights to shares	0	-
Reversal of reserve for financial instruments transaction liabilities	1	0
Total Extraordinary income	40	49
Extraordinary expenses		
Loss on write-off of fixed assets	0	-
Loss on valuation of golf club membership	11	-
Total Extraordinary expenses	11	-
Income before income taxes	850	1,257
Income, inhabitant and enterprise taxes	137	309
Income taxes adjustments	158	128
Total Income Taxes	296	437
Profit	554	820
Profit attributable to non-controlling interests	1	2
Profit attributable to owners of parent	552	817

Quarterly Consolidated Comprehensive Income Statements

(in millions of yen)

	Three months ended	
	June 30, 2016	June 30, 2015
Profit	554	820
Other Comprehensive income		
Valuation difference on available-for-sale securities	-91	24
Land revaluation difference	8	0
Remeasurements of defined benefit plans, net of tax	-5	-1
Total Other comprehensive income	-88	23
Comprehensive income	466	843
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	464	840
Comprehensive income attributable to non-controlling interests	1	2

(3)Notes to Quarterly Consolidated Financial Statements

(Notes concerning premises for continuing business enterprise)

None.

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

None.

IV. Supplementary Information

Breakdown of Consolidated Business Result for First Quarter of Fiscal 2016

1. Commissions

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

Source	-- First quarters of --		Change (%) (a) over (b)	Fiscal 2015
	Fiscal 2016(a)	Fiscal 2015(b)		
Brokerage commissions	1,864	2,254	-17.3	7,633
(Stocks)	(1,787)	(2,157)	(-17.1)	(7,254)
(Beneficiary certificates)	(76)	(96)	(-21.2)	(378)
Commissions from underwriting and solicitation to specified investors	233	43	430.7	1,284
(Stocks)	(233)	(43)	(430.9)	(1,283)
Commissions from distribution and solicitation to specified investors	1,325	1,373	-3.5	4,558
(Beneficiary certificates)	(1,313)	(1,354)	(-3.1)	(4,505)
Commissions from other Sources	1,385	1,605	-13.7	6,205
(Beneficiary certificates*i)	(1,249)	(1,414)	(-11.6)	(5,425)
Total	4,808	5,276	-8.9	19,682

(*i)Breakdown of (Beneficiary certificates) (in millions of yen):

	-- First quarters of --		Change (%) (a) over (b)	Fiscal 2015
	Fiscal 2016(a)	Fiscal 2015(b)		
Trailer fees relating to distribution	1,076	1,329	-19.0	4,920
Trustee fees for fund Management	90	80	11.5	374
Fees from wrap-accounts	82	3	--	130
Total	1,249	1,414	-11.6	5,425

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

	-- First quarters of --		Change (%)	Fiscal 2015
	Fiscal 2016(a)	Fiscal 2015(b)	(a) over (b)	
Stocks	2,028	2,211	-8.3	8,575
Bonds	11	18	-35.3	54
Beneficiary certificates	2,639	2,865	-7.9	10,309
Others	128	181	-28.9	743
Total	4,808	5,276	-8.9	19,682

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

	-- First quarters of --		Change (%)	Fiscal 2015
	Fiscal 2016(a)	Fiscal 2015(b)	(a) over (b)	
Stocks, etc.	-5	33	--	33
Bonds, foreign exchange, etc.	40	25	55.4	291
(Bonds, etc.)	(40)	(17)	(131.6)	(267)
(Foreign exchange, etc.)	(-0)	(8)	(--)	(24)
Total	34	58	-40.9	325

3 . Quarterly Consolidated Income Statements for Recent Five Quarters

(in millions of yen)

	1st Q (4-6/'15)	2nd Q (7-9/'15)	3 r d Q (10-12/'15)	4th Q (1-3/'16)	1st Q (4-6/'16)
Operating revenue	5,811	5,414	5,707	4,913	5,273
Commissions	5,276	4,923	5,112	4,369	4,808
Gains or loss on trading	58	54	140	71	34
Interest and dividend income	79	84	84	67	56
Other operating income	396	352	370	405	374
Interest expenses	20	17	17	14	10
Other operating expenses	362	329	355	381	345
Net operating revenue	5,428	5,067	5,333	4,518	4,917
Operating cost and expenses	4,267	4,110	4,178	4,094	4,118
Transaction-related expenses	416	478	530	497	433
Personnel expenses	2,506	2,359	2,349	2,278	2,292
Property-related expenses	469	463	454	475	464
Clerical expenses	542	499	549	559	584
Depreciation	101	106	107	107	98
Public charges	58	60	56	44	75
Transfer to allowances for doubtful accounts	0	0	-0	0	—
Others	173	143	131	130	169
Operating income	1,160	956	1,154	423	798
Non-operating income	48	60	15	15	22
Non-operating expenses	0	9	0	12	0
Current income	1,208	1,007	1,170	427	821
Extraordinary income	49	88	4	18	40
Extraordinary expenses	—	18	13	4	11
Income before income taxes	1,257	1,077	1,162	441	850
Income, inhabitant and enterprise taxes	309	545	193	219	137
Income taxes adjustments	128	-144	234	-136	158
Profit	820	677	733	358	554
Profit attributable to non-controlling interests	2	2	2	2	1
Profit attributable to owners of parent	817	674	731	356	552

(END)