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(English translation for reference purposes only)

## **EARNINGS REPORT FOR FIRST QUARTER OF FISCAL 2020**

**( April 1 to June 30, 2020 )**

(Consolidated under Japanese GAAP)

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

Listed on: Tokyo Stock Exchange (1<sup>st</sup> Section) (Stock code: 8624)

Corporate representative: Mr. Hirofumi Tamada, President & Representative Executive Officer

Inquiry to: Mr. Shoichi Yamazaki, Executive Officer & Chief Supervisor for Finance and Management

Tel: (03) 4346-4526 (URL <https://www.ichiyoshi.co.jp>)

Date of filing First Quarter Report: August 13, 2020 (scheduled)

Supplementary documents for quarterly earnings: Provided.

Quarterly earnings-reporting meeting: None.

(Figures less than one million yen are discarded)

### **1. Outline of Consolidated Business Result for First Quarter of Fiscal 2020 (from April 1 to June 30, 2020)**

**(1) Highlights of consolidated business result** (in millions of yen except for per-share figures)  
(% shows year-on-year changes)

	Operating Revenue (%)	Net operating Revenue (%)	Operating Income (%)	Current Income (%)
First quarter of fiscal 2020	4,182 (-9.5)	3,792 (-10.1)	-381 ---	-365 ---
First quarter of fiscal 2019	4,618 (-22.1)	4,220 (-24.0)	-239 ---	-218 ---

	Net income attributable to owners of parent (%)	Earnings per share	Earnings per share fully diluted
First quarter of fiscal 2020	-401 ---	-11.15yen	---
First quarter of fiscal 2019	-194 ---	-4.66yen	---

Notes: Comprehensive income: For the first quarter of fiscal 2020: -296 million yen ( -- )

For the first quarter of fiscal 2019: -188 million yen ( -- )

**(2) Consolidated financial condition** (in millions of yen)

	Total assets	Net assets	Equity ratio
As of June. 30, 2020	46,470	27,894	59.9%
As of Mar. 31, 2020	43,530	28,772	65.9%

Note: Shareholders' equity: As of June 30, 2020: 27,821 million yen

As of March 31, 2020: 28,694 million yen

## 2 Dividends

	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal 2019 ended March 31, 2020	---	16.00yen	---	16.00yen	32.00yen
Fiscal 2020 ending March 31, 2021	---	****	---	****	****

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. Hence, \*\*\*\*.

## 3. Outlook for Business Result for Fiscal 2020 (from April 1, 2020 to March 31, 2021)

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 restatement of revisions:
  - (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) Restatement of revisions: None.
- (4) Number of shares issued (common stock):
  - (i) Number of shares issued as of June 30, 2020: 42,431,386 shares (including treasury shares)  
 Number of shares issued as of March 31, 2020: 42,431,386 shares (including treasury shares)
  - (ii) Number of treasury shares as of June 30, 2020: 6,434,079 shares.  
 Number of treasury shares as of March 31, 2020: 6,434,008 shares.
  - (iii) Average number of shares outstanding during the first quarter of fiscal 2020:  
 35,997,344 shares.  
 Average number of shares outstanding during the first quarter of fiscal 2019:  
 41,635,421 shares.

**Additional points to note:**

1. Quarterly earnings figures included in this report are released without being reviewed by certified public accountants.
2. Explanation for proper use of earnings forecast and other special points to note:  
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 Business Result for Fiscal 2020 (from April 1, 2020 to March 31, 2021** on page 2, the Company does not provide a dividend forecast.

## I. Outline of Business Result

### (1) Outline of Business Result for First Quarter of Fiscal 2020

During the first quarter of fiscal 2020, the Japanese economy rapidly worsened as the novel coronavirus spread continued to affect. As corporate production activities were reopened and the gradual lifting of the emergency-state declaration brought new life to individual consumption, however, there were some signs of the economy bottoming out toward the end of the quarter. The global economy was also adversely affected by the novel coronavirus pandemic while the policy responses of each affected country began to show some effect.

The Japanese stock market remained relatively resilient from the beginning of the quarter as sales for fear of economic contraction under the effect of the coronavirus spread subsided. As the emergency-status declaration was expanded to cover areas from Tokyo, Osaka, Kyoto and other four prefectures to all other prefectures on April 16, there increased concerns over its effect on the main street economy. As the coronavirus spread seemed to peak out in China and the U.S. and the Bank of Japan moved to step up its monetary easing on April 27, however, the Nikkei Stock Average on the Tokyo Stock Exchange (the TSE) recorded 20,193yen on April 30, recovering the 20,000yen level. As the emergency-status declaration was lifted step by step toward the end of May, there increased expectations for the reopening of economic activities as a whole, causing the Nikkei Stock Average to register 23,185yen on June 9, a year high. As the resurgence of the novel coronavirus was reported in China and the U.S. thereafter, however, the Nikkei Stock Average dropped, closing at 21,530yen on June 15. On June 19, movement restrictions across prefectures were all lifted, raising hopes for economic recovery. But, there still remained persistent concerns over the resurgence of the novel coronavirus and variations on fiscal responses by each affected government and ultra-easy monetary policies by each monetary authority, causing the Nikkei Stock Average to end the quarter at 22,288yen.

On the foreign currency market, the yen strengthened to 105.98yen per the U.S. dollar on May 7, and then weakened to the lower level of 109yen per the U.S dollar on June 5 in tandem with the strength of the stock market. As concerns over the resurgence of the novel coronavirus mounted, the yen strengthened to the lower 106yen range per the U.S dollar, and ended the quarter at the higher 107yen range per the U.S. dollar.

In the Japanese emerging-stock markets, the Nikkei JASDAQ Stock Average and the TSE Mothers Index both went through rebounding phases. The Nikkei JASDAQ Stock Average ended the quarter at 3,442yen, and the TSE Mothers Index ended the quarter at 1,012, exceeding the 1,000 for the first time since the end of November 2018.

The average daily turnover on the TSE for the first quarter of fiscal 2020 was 2,726.5 billion yen, up 10.3% from the comparable period of fiscal 2019, and that on the TSE Mothers market was 189.4 billion yen, up 60.6%, and that on the JASDAQ market was 66.6 billion yen, up 54.6%.

In the light of these circumstances, the Company has been proceeding with further “Decisive Action on Reform” since October 2019 in order to effect customer-focused business operations initiated 20 years ago. To follow up, the Company in November 2019 abolished the “System of Regional Advisory Divisions,” revised the conventional sales promotion system led by the headquarters at the head office and established the sales promotion system based on initiatives of regional branches. In conjunction therewith, the Company on April 1, 2020, started a fresh executive system and announced a new medium-term management plan “Attack 3” with its target date set for the end of March 2023.

As regards activities on stocks in the quarter, the Company proposed to customers asset-backed stocks with stress on stability and dividends under low interest-rate environments and small-

and medium-cap growth stocks selected based on the Company's strength in research. The Company thus continued to take various measures to meet with customers' needs.

With regard to "Dream Collection," a fund wrap account vehicle, it showed a favorable performance as a core asset in customers' medium- to long-term asset management. Its outstanding balance as of June 30, 2020 registered 122.2 billion yen, up 0.8% from June 30, 2019.

With respect to investment trust funds, the Company placed in the center of its promotion customers'-needs-matching funds, such as an investment funds investing in high-yielding stocks in the world, REIT and one investing in domestic and foreign small- and medium-cap stocks and privately-placed funds targeted for financial institutions.

With respect to Ichiyoshi Asset Management Co. Ltd. the amount of assets under its management recorded 300.0 billion yen as of June 30, 2020, down 15.7%, as net asset values of funds under management fell.

As a result of these activities, net operating revenue for the first quarter of fiscal 2020 amounted to 3,792 million, down 10.1% from the first quarter of fiscal 2019. Operating cost and expenses amounted to 4,174 million yen, down 6.4%. Hence, operating income registered a loss of 381 million yen.

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

#### **i. Commissions**

Total commissions for the first quarter of fiscal 2020 amounted to 3,689 million yen, down 10.6 % from the year-earlier period.

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

Total brokerage commissions on stocks fell 1.6% to 1,260 million yen. Brokerage commissions on small- and medium-sized stocks (stocks listed on Second Section of the TSE, JASDAQ and TSE Mothers) registered 322 million yen, up 15.1%, and accounted for 25.6% of total brokerage commissions on stocks.

##### **(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 4 participations in the year-earlier period. In the secondary market (for follow-on financing), the Company did not participate in any deal as against 1 deal in the year-earlier period. As a result, commissions from underwriting and solicitation to specified investors amounted to 5 million yen, down 50.0% from the comparable period of fiscal 2019.

The cumulative number of companies whose offerings were lead- or co-managed by the Company stood at 1,120 (of which 56 were lead-managed by the Company) as of June 30, 2020.

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

As commissions from distribution of investment trust funds recorded 654 million yen, down 29.0% from the year-earlier period, total commissions from distribution and solicitation to specified investors registered 749 million yen, down 20.5%.

**(d)Commissions from other sources**

The trailer fees related to the outstanding balance of investment trust funds under custody registered 843 million yen, down 11.7% from the year-earlier period. Investment trust management fees at Ichiyoshi Asset Management Co., Ltd. recorded 292 million yen, down 20.6%. With the addition of fees of 332 million yen from fund wrap accounts (down 6.9%), fees from research unbundling, commissions from insurance policy sales and IPO assistance fees, total commissions from other sources amounted to 1,596 million yen, down 13.6%.

**ii. Gains or loss on trading**

Trading in stocks, etc. recorded net gains of 17 million yen. Trading in bonds and foreign exchange, etc. registered net gains of 11 million yen, down 26.3%. As a result, total net gains on trading amounted to 28 million yen, up 206.8%.

**iii. Net financial revenue**

Financial revenue decreased 35.5% to 49 million yen as loans on margin transactions fell. Financial expenses declined 22.8% to 18 million yen. As a result, net financial revenue registered 31 million yen, down 41.2%.

Resultantly, net operating revenue for the first quarter of fiscal 2020 amounted to 3,792 million yen, down 10.1% from the year-earlier period.

**iv. Operating cost and expenses**

Operating cost and expenses recorded 4,174 million yen, down 6.4%, as personnel-related expenses decreased.

**v. Non-operating income and expenses**

As the Company recorded non-operating income of 17 million yen, mainly consisting of 12 million yen of dividends on investment securities, net non-operating income amounted to 16 million yen, down 23.1%.

Resultantly, current income for the first quarter of fiscal 2020 amounted to a loss of 365 million yen.

**vi Extraordinary income and loss**

The Company registered an extraordinary income of 103 million yen, mainly consisting of gains on sales of investment securities.

Resultantly, income before taxes and tax adjustments for the first quarter of fiscal 2020 registered a loss of 261 million yen, 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 21 million yen and corporate tax adjustments in the amount of 117 million yen) recorded a loss 401 million yen.

Customers' assets in custody as of June 30, 2020 amounted to 1,730.5 billion yen, up 12.7% from March 31, 2020.

## **(2) Information on Financial Condition for the First Quarter of Fiscal 2020**

### **(a) Assets**

Assets amounted to 46,470 million yen as of June 30, 2020, a rise of 2,939 million yen (up 6.8%) from March 31, 2020, as cash and deposits, cash segregated as deposits and margin transaction asset increased by 1,902 million yen, 1,180 million yen and 546 million yen, respectively.

### **(b) Liabilities**

Liabilities stood at 18,575 million yen as of June 30, 2020, a rise of 3,817 million yen (up 25.9%) from March 31, 2020 as deposits received and margin transaction liabilities rose by 1,952 million yen and 1,495 million yen, respectively.

### **(c) Net worth**

Net worth amounted to 27,894 million yen as of June 30, 2020, a decrease of 878 million yen (down 3.1%) from March 31, 2020. The decrease resulted as the Company recorded a negative net income (attributable to owners of parent) of 401 million yen for the first quarter and paid dividends in the amount of 575 million yen.

## II. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

(in millions of yen)

	As of March 31 2020	As of June 30 2020
<b>Assets</b>		
Current assets		
Cash and deposits	13,499	15,401
Cash segregated as deposits	7,719	8,899
Trading products	158	140
Trading securities and other	158	140
Trade date accrual	2	5
Margin transaction assets	9,899	10,445
Loans on margin transactions	9,604	9,853
Cash collateral pledged for securities borrowing on margin transactions	294	592
Advances paid	112	101
Cash paid for offering	3,727	3,616
Short-term loans receivable	2	6
Accrued income	1,531	1,023
Other current assets	213	335
Allowance for doubtful accounts	△2	△2
<b>Total current assets</b>	<b>36,862</b>	<b>39,972</b>
Non-current assets		
Property, plant and equipment	3,239	3,355
Buildings, net	1,006	1,059
Equipment	750	736
Land	1,339	1,339
Leased assets, net	10	9
Construction in progress	132	210
Intangible assets	834	780
Software	831	778
Other	2	2
Investments and other assets	2,594	2,362
Investment securities	1,163	1,074
Long-term loans receivable	32	24
Long-term guarantee deposits	1,008	1,003
Deferred tax assets	383	253
Other	86	85
Allowance for doubtful accounts	△79	△79
<b>Total non-current assets</b>	<b>6,668</b>	<b>6,497</b>
<b>Total assets</b>	<b>43,530</b>	<b>46,470</b>
<b>Liabilities</b>		
Current liabilities		
Trading products	0	0
Derivatives	0	0
Margin transaction liabilities	2,927	4,423
Borrowings on margin transactions	2,532	3,458
Cash received for securities lending on margin transactions	395	965
Borrowings secured by securities	67	227
Cash received on debt credit transaction of securities	67	227
Deposits received	7,993	9,946
Guarantee deposits received	1,343	1,928
Short-term borrowings	216	210
Lease obligations	4	4
Income taxes payable	38	22
Provision for bonuses	654	258
Other current liabilities	1,031	1,111
<b>Total current liabilities</b>	<b>14,279</b>	<b>18,132</b>
Non-current liabilities		
Long-term borrowings	150	150
Lease obligations	5	4
Deferred tax liabilities for land revaluation	7	7
Retirement benefit liability	62	58
Other noncurrent liabilities	40	40
<b>Total non-current liabilities</b>	<b>266</b>	<b>261</b>
Reserves under special laws		
Reserve for financial instruments transaction liabilities	211	181
<b>Total reserves under special laws</b>	<b>211</b>	<b>181</b>
<b>Total liabilities</b>	<b>14,757</b>	<b>18,575</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	14,577	14,577
Capital surplus	6,907	6,907
Retained earnings	12,631	11,653
Treasury shares	△4,167	△4,167
<b>Total shareholders' equity</b>	<b>29,948</b>	<b>28,971</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△43	63
Revaluation reserve for land	△1,125	△1,125
Remeasurements of defined benefit plans	△85	△88
<b>Total accumulated other comprehensive income</b>	<b>△1,254</b>	<b>△1,150</b>
Share acquisition rights	78	73
<b>Total net assets</b>	<b>28,772</b>	<b>27,894</b>
<b>Total liabilities and net assets</b>	<b>43,530</b>	<b>46,470</b>



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

(in millions of yen)

	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020
Operating revenue		
Commission received	4,124	3,689
Net trading income	9	28
Financial revenue	77	49
Other operating revenue	407	414
Total operating revenue	4,618	4,182
Financial expenses	23	18
Other operating expenses	374	371
Net operating revenue	4,220	3,792
Selling, general and administrative expenses		
Trading related expenses	466	431
Personnel expenses	2,427	2,231
Real estate expenses	615	586
Office expenses	551	547
Depreciation	146	130
Taxes and dues	62	62
Other	190	184
Total selling, general and administrative expenses	4,459	4,174
Operating loss	Δ239	Δ381
Non-operating income		
Dividends from investment securities	14	12
Insurance claim and dividend income	0	-
Other	6	4
Total non-operating income	21	17
Non-operating expenses		
Other	0	1
Total non-operating expenses	0	1
Ordinary loss	Δ218	Δ365
Extraordinary income		
Gain on sales of investment securities	-	68
Gain on reversal of share acquisition rights	0	7
Reversal of reserve for financial instruments transaction liabilities	-	29
Total extraordinary income	0	105
Extraordinary losses		
Loss on retirement of non-current assets	0	2
Total extraordinary losses	0	2
Loss before income taxes	Δ218	Δ261
Income taxes - current	90	21
Income taxes - deferred	Δ120	117
Total income taxes	Δ29	139
Loss	Δ188	Δ401
Profit attributable to non-controlling interests	5	-
Loss attributable to owners of parent	Δ194	Δ401

## Quarterly Comprehensive Income Statements

(in millions of yen)

	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020
Loss	Δ188	Δ401
Other comprehensive income		
Valuation difference on available-for-sale securities	6	106
Remeasurements of defined benefit plans, net of tax	Δ6	Δ2
Total other comprehensive income	Δ0	104
Comprehensive income	Δ188	Δ296
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	Δ194	Δ296
Comprehensive income attributable to non-controlling interests	5	-

**(3)Notes to Quarterly Consolidated Financial Statements**

(Notes concerning premises for continuing business enterprise)

None.

(Notes concerning material changes in shareholders' capital)

None.

(Application of accounting treatment unique to preparation of quarterly financial statements)

None.

(Changes to accounting policy and accounting estimates and restatement of revisions)

None.

## . Supplementary Information For First Quarter of Fiscal 2020

### 1. Commissions

(1) Commissions by sources				(in millions of yen)
	-- First quarters of --		Change (%)	Fiscal year ended
	Fiscal 2019(a)	Fiscal 2020(b)	(b) over (a)	March 31, 2020
Brokerage commissions	1,322	1,337	1.1	4,913
(Stocks)	(1,281)	(1,260)	(-1.6)	(4,745)
(Beneficiary certificates)	(40)	(76)	(87.6)	(168)
Commissions from underwriting and solicitation to specified investors	11	5	-50.0	557
(Stocks)	(11)	(5)	(-50.0)	(557)
Commissions from distribution and solicitation to specified investors	943	749	-20.5	3,980
(Beneficiary certificates)	(921)	(654)	(-29.0)	(3,876)
Commissions from other Sources	1,847	1,596	-13.6	7,394
(Beneficiary certificates*)	(1,679)	(1,467)	(-12.6)	(6,733)
Total	4,124	3,689	-10.6	16,845

*Breakdown of (Beneficiary certificates)				(in millions of yen)
	-- First quarters of --		Change (%)	Fiscal year ended
	Fiscal 2019(a)	Fiscal 2020(b)	(b) over (a)	March 31, 2020
Trailer fees relating to balances of funds	954	843	-11.7	3,862
Trustee fees for fund Management	368	292	-20.6	1,395
Fees from wrap-accounts	356	332	-6.9	1,475
Total	1,679	1,467	-12.6	6,733

(2) Commissions by instruments				(in millions of yen)
	-- First quarters of --		Change (%)	Fiscal year ended
	Fiscal 2019(a)	Fiscal 2020(b)	(b) over (a)	March 31, 2020
Stocks	1,299	1,271	-2.1	5,327
Bonds	21	95	339.1	103
Beneficiary certificates	2,641	2,198	-16.8	10,777
Others	162	123	-24.0	636
Total	4,124	3,689	-10.6	16,845

**2. Gains or loss on trading**

(in millions of yen)

	-- First quarters of --		Change (%)	Fiscal year ended
	Fiscal 2019(a)	Fiscal 2020(b)	(b) over (a)	March 31, 2020
-----				
Stocks, etc.	-5	17		37
Bonds, foreign exchange, etc.	15	11	-26.3	52
(Bonds, etc.)	(7)	(7)	(2.4)	(27)
(Foreign exchange, etc.)	(7)	(3)	(-53.0)	(25)
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Total	9	28	206.8	89
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### 3 . Quarterly Consolidated Income Statements for Recent Five Quarters

(in millions of yen)

	1st Q (4-6/'19)	2nd Q (7-9/'19)	3rd Q 10-12/'19)	4th Q (1-3/'20)	1st Q (4-6/'20)
Operating revenue	4,618	4,820	4,511	4,894	4,182
Commission received	4,124	4,293	4,074	4,352	3,689
Net trading income	9	16	30	33	28
Financial revenue	77	88	60	53	49
Other operating revenue	407	422	346	454	414
Financial expenses	23	51	23	16	18
Other operating expenses	374	373	327	414	371
Net operating revenue	4,220	4,396	4,160	4,463	3,792
Selling, general and administrative expenses	4,459	4,541	4,364	4,420	4,174
Trading related expenses	466	496	500	540	431
Personnel expenses	2,427	2,376	2,343	2,341	2,231
Real estate expenses	615	727	605	593	586
Office cost	551	586	563	607	547
Depreciation	146	128	123	138	130
Taxes and dues	62	70	63	59	62
Provision of allowance for doubtful accounts	—	—	—	—	—
Other	190	155	165	139	184
Operating profit	239	145	204	42	381
Non-operating income	21	46	40	55	17
Non-operating expenses	0	85	4	7	1
Ordinary profit	218	183	158	90	365
Extraordinary income	0	3	81	0	105
Extraordinary losses	0	0	14	48	2
Profit before income taxes	218	180	91	42	261
Income taxes - current	90	100	63	24	21
Income taxes - deferred	120	1	56	50	117
Profit	188	279	211	32	401
Profit attributable to non-controlling interests	5	5	—	—	—
Profit attributable to owners of parent	194	285	211	32	401

( END )