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(English translation for reference purposes only)

EARNINGS REPORT FOR FIRST THREE QUARTERS OF FISCAL 2020

(April 1 to December 31, 2020)

(Consolidated under Japanese GAAP)

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

Listed on: Tokyo Stock Exchange (1st 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

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Date of filing First Three Quarters Report: February 12, 2021 (scheduled)

Preparation of supplementary documents for quarterly earnings: Provided.

Quarterly earnings-reporting meeting: None.

(Figures less than one million yen are rounded down)

1. Outline of Consolidated Business Result for First Three Quarters of Fiscal 2020 (from April 1 to December 31, 2020)

(1) Highlights of consolidated business result (in millions of yen, except per-share figures) (% indicates a change over the year-earlier period)

	Operating Revenue	(%)	Net operating Revenue	(%)	Operating Income	(%)	Current Income	(%)
Nine months ended Dec. 31, 2020	13,969	+0.1	12,825	+0.4	155	(---)	188	(---)
Nine months ended Dec. 31, 2019	13,951	(-17.5)	12,777	(-19.4)	-588	(---)	-560	(---)

	Net income attributable to owners of parent	(%)	Net income per share	Net income per share- fully diluted
Nine months ended Dec. 31, 2020	111	(---)	3.11yen	---
Nine months ended Dec. 31, 2019	-691	(---)	-16.69yen	---

Notes: Comprehensive income for the first three quarters of fiscal 2020: 212 million yen (---%)

Comprehensive income for the first three quarters of fiscal 2019: -648 million yen (---%)

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

	Total assets	Net assets	Equity ratio
As of Dec. 31, 2020	48,879	27,914	57.0%
As of Mar. 31, 2020	43,530	28,772	65.9%

Notes: Shareholders' equity as of Dec. 31, 2020: 27,837 million yen

Shareholders' equity as of Mar. 31, 2020: 28,694 million yen

2. Dividends

	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual total
Fiscal 2019 ended Mar. 31, 2020	—	16.00yen	—	16.00yen	32.00yen
Fiscal 2020 ending Mar. 31, 2021	—	15.00yen	—	****	****

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.

(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 of 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 figures after the end of each quarter as and when such figures become available.

※Points to note:

- (1) Changes in material subsidiaries (including a change in scope of consolidation resulting from a change in special subsidiaries) during the quarterly consolidating period: None.
- (2) Application of an accounting treatment unique to the preparation of quarterly financial statements: None.
- (3) Changes in accounting policies and estimates and restatements 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) Restatements of modifications: None.
- (4) Number of shares issued (common stock):
 - (i) Number of shares issued as of December 31, 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 December 31, 2020: 6,327,504 shares.
 Number of treasury shares as of March 31, 2020 : 6,434,008 shares.
 - (iii) Average number of shares outstanding during the first three quarters of fiscal 2020:
 36,015,173 shares.
 Average number of shares outstanding during the first three quarters of fiscal 2019:
 41,407,917 shares.

Additional points to note:

1. Quarterly earnings figures included in this report are not subject to reviewing by certified public accountants.
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 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 on Business Result

(1) Outline on business result for the first three quarters of fiscal 2020

During the first three quarters of fiscal 2020, the Japanese economy showed signs of pick-up from the effects of spreading novel coronavirus. While consumer spending paused in some sectors, there were bright signs seen in corporate production activities. Hence, moderate economic recovery was seen towards the end of the period. The global economy, which was severely battered by the pandemic of the novel coronavirus, also exhibited signs of recovery generally thanks to countermeasures taken by leading nations,.

In the meantime, the Japanese stock market exhibited relatively strong performances from the beginning of the period as sell-offs sparked by concerns over the shrinking of economic activities due to the spread of the novel coronavirus infections subsided. As the declaration of the state of emergency, which was expanded to cover all prefectures on April 16, 2020, was lifted step by step towards the end of May, there arose expectations for the resurgence of economic activities, causing the Nikkei Stock Average on the Tokyo Stock Exchange (the TSE) to recorded 23,185yen, a year-to-date high, on June 9, 2020. The Nikkei Stock Average went temporarily below the 22,000yen levels in mid-June and at the end of July, but thereafter bounced back over expectations for the developments of vaccines for the novel coronavirus. Recording hiccups at the news of the mid-term resignation of the former Prime Minister Mr. Shinzo Abe during the trading hours on August 28, 2020, the Nikkei Stock Average went through seesawing movements upon and after the inauguration of the new Suga cabinet on September 16, 2020. As November came, however, market conditions became bullish. Namely, the United States passed through the presidential election, and there were a cascade of announcements of developments of new vaccines for the novel coronavirus, altogether raising hopes for the normalization of the global economy and pushing up the Nikkei Stock Average by 3,456yen for November, the third highest monthly rise ever. In December, the actual vaccination started in certain foreign countries, the UK and EU reached the trade agreement, and the US decided on additional economic stimulus packages, all brightening up market sentiments. The Nikkei Stock Average logged 27,602yen during the trading hours on December 29, 2020, a year high and the highest in 30 years and 4 months, and closed the period at 27,444yen.

On the foreign currency market, the yen recorded 109.84yen per 1 U.S. dollar on June 5, 2020, in tandem with rising stock prices. Thereafter, however, amid the outlook for the longer zero-interest rate policy by the FRB, the yen went on strengthening and ended the period at the lower side of 103yen per 1 US dollar level.

As regards the Japanese emerging stock markets, the Nikkei JASDAQ Stock Average continued its recovery pattern while the TSE Mothers recorded a year high in mid-October with a limited upward movement thereafter. The Nikkei JASDAQ Stock Average ended the period at 3,719yen and the TSE Mothers closed the period at 1,196.

The average daily turnover on the First Section of the TSE for the first three quarters of fiscal 2020 was 2,636.8 billion yen, up 8.4% from the comparable period of fiscal 2019, that on the TSE Mothers Market was 212.6 billion yen, up 124.5%, and that on the JASDAQ Stock Market was 64.3 billion yen, up 44.2%.

In such circumstances, in order to achieve the Medium-Term Management Plan “Attack 3,” with respect to stocks, the Company placed in its proposals to customers asset-backed stocks with stress on stability and dividends under low interest-rate environments, taking advantage of the Company’s strength in research on small-and medium-cap growth stocks. The Company thus continued to take various measures to meet with customers’ needs.

With regard to “Dream Collection,” a fund wrap account vehicle, it enjoyed an increase in continuous need for conservative investment vehicles for customers’ medium- to long-term asset management. Its outstanding balance as of December 2020, registered 145.0 billion yen, up 18.9% from December 31, 2019.

With respect to investment trust funds, the Company placed in the center of its promotion customer-needs-matching funds, such as high-visibility SDG-related funds, investment funds investing in Japanese diversified small- and medium-cap growth stocks, those investing in high-yielding stocks in the world, and privately-placed funds targeted for regional financial institutions.

With respect to Ichiyoshi Asset Management Co. Ltd. the net asset values of funds under its management were on a recovery trend and their outstanding balances at the end of the period registered 339.0 billion yen, down 0.9% from December 31, 2019.

Under such environment, net operating revenue for the first three quarters of fiscal 2020 amounted to 12,825 million yen, up 0.4% from the first three quarters of fiscal 2019. Operating cost and expenses amounted to 12,669 million yen, down 5.2%. Hence, operating income registered 155 million yen.

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

i. Commissions

Total commissions for the first three quarters of fiscal 2020 amounted to 12,465 million yen, down 0.2 % from the year-earlier period.

(a) Brokerage commissions

Total brokerage commissions on stocks rose 20.5% to 4,292 million yen. Brokerage commissions on small- and medium-cap stocks (stocks listed on Second Section of the TSE, JASDAQ and TSE Mothers) registered 1,113 million yen, up 61.9%, accounting for 26.0% of total brokerage commissions on stocks.

(b) Commissions from underwriting and solicitation to specified investors

In the primary market, the Company participated in 23 initial public offerings on a management and underwriting basis (of which 3 were lead-managed by the Company) as against 22 participations (of which 1 was lead-managed by the Company) in the year-earlier period. In the secondary market (which deals with financing by already-listed companies), the Company participated in 5 deals on a management and underwriting basis as against 5 deals in the year-earlier period.

As a result, commissions from underwriting and solicitation to specified investors amounted to 339 million yen, up 72.0% from the comparable period of fiscal 2019.

The cumulative number of companies whose offerings were lead- or co-managed by the Company stood at 1,142 (of which 59 were lead-managed) as of December 31, 2020.

(c) Commissions from distribution and solicitation to specified investors

As commissions from distribution of investment trust funds recorded 2,390 million yen, down 18.5% from the year-earlier period, total commissions from distribution and solicitation to specified investors registered 2,497 million yen, down 17.2%.

(d) Commissions from other sources

Trailer fees slid 8.5% to 2,674 million yen. Management fees on investment trust funds managed by Ichiyoshi Asset Management recorded 945 million yen, down 12.3%. Fees from fund wrap accounts registered 1,163 million yen, up 3.9%. Adding these fees to fees from research unbundling, commissions from insurance policy sales and fees from IPO

assistance, total commissions from other sources amounted to 5,210 million yen, down 7.3%.

ii. Gains or loss on trading

Trading in stocks, etc. recorded net gains of 108 million yen, up 849.7% from the year-earlier period. Trading in bonds and foreign exchange, etc. registered net gains of 42 million yen, down 5.1%. As a result, total net gains on trading amounted to 151 million yen, up 169.3%.

iii. Net financial revenue

Interest and dividend income fell 31.1% to 155 million yen, chiefly due to a decrease in the average outstanding balance of advances for margin transactions during the term. Interest expenses slid 45.3% to 54 million yen. As a result, net financial revenue recorded 101 million yen, down 20.0%.

Resultantly, net operating revenue for the first three quarters of fiscal 2020 stood at 12,825 million yen, up 0.4% from the year-earlier period.

iv. Operating cost and expenses

Operating cost and expenses declined 5.2% to 12,669 million yen chiefly as trading-related expenses, personnel expenses and real estate-related expenses (including one-off expenses relating to the relocations of the head office) decreased.

v. Non-operating income and expenses

The Company recorded non-operating income of 54 million yen, including 23 million yen in the form of insurance proceeds and dividends, and non-operating loss of 20 million yen, including a loss of 17 million yen on investments in investment partnerships. As a result, net non-operating income amounted to 33 million yen.

Resultantly, current income for the first three quarters of fiscal 2020 amounted to 188 million yen.

vi Extraordinary income and loss

Extraordinary income registered 130 million yen mainly in the form of gains on sales of investment securities of 91 million yen, and extraordinary loss amounted to 40 million yen mainly in the form of an impairment loss of 35 million yen. As a result, net extraordinary income recorded 90 million yen.

Resultantly, income before taxes and tax adjustments for the first three quarters of fiscal 2020 registered 279 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 70 million yen and corporate tax adjustments of 97 million yen) recorded 111 million yen.

Customers' assets under custody as of December 31, 2020 amounted to 1,881.7 billion yen, up 22.5% from March 31, 2020.

(2)Outline on financial condition for the first three quarters of fiscal 2020

(a) Assets

Assets amounted to 48,879 million yen as of December 31, 2020, an increase of 5,348 million yen (up 12,3%) from March 31, 2020, mainly as cash and deposits swelled by 5,053 million yen and margin transaction assets rose by 1,763 million yen while cash paid for offering decreased by 1,253 million yen.

(b) Liabilities

Liabilities stood at 20,964 million yen as of December 31, 2020, a rise of 6,206 million yen (up 42.1%) as cash payable to customers swelled by 4,633 million yen.

(c) Net worth

Net worth amounted to 27,914 million yen as of December 31, 2020, a fall of 858 million yen (down 3.0%) from March 31, 2020. The fall resulted mainly as the Company registered net income (payable to owners of parent) of 111 million yen while the Company paid dividends in the amount of 1,115 million yen.

II. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(in millions of yen)

	As of March 31 2020	As of December 31 2020
Assets		
Current assets		
Cash and deposits	13,499	18,553
Cash segregated as deposits	7,719	8,319
Trading products	158	141
Trading securities and other	158	141
Trade date accrual	2	0
Margin transaction assets	9,899	11,663
Loans on margin transactions	9,604	11,340
Cash collateral pledged for securities borrowing on margin transactions	294	322
Advances paid	112	16
Cash paid for offering	3,727	2,473
Short-term loans receivable	2	7
Accrued income	1,531	1,163
Other current assets	213	365
Allowance for doubtful accounts	△2	△3
Total current assets	36,862	42,700
Non-current assets		
Property, plant and equipment	3,239	3,201
Buildings, net	1,006	1,160
Equipment	750	702
Land	1,339	1,333
Leased assets, net	10	4
Construction in progress	132	-
Intangible assets	834	733
Software	831	731
Other	2	1
Investments and other assets	2,594	2,245
Investment securities	1,163	1,003
Long-term loans receivable	32	17
Long-term guarantee deposits	1,008	951
Deferred tax assets	383	266
Other	86	84
Allowance for doubtful accounts	△79	△79
Total non-current assets	6,668	6,179
Total assets	43,530	48,879
Liabilities		
Current liabilities		
Trading products	0	-
Derivatives	0	-
Margin transaction liabilities	2,927	4,997
Borrowings on margin transactions	2,532	4,592
Cash received for securities lending on margin transactions	395	405
Borrowings secured by securities	67	296
Cash received on debt credit transaction of securities	67	296
Deposits received	7,993	12,626
Guarantee deposits received	1,343	937
Short-term borrowings	216	210
Lease obligations	4	1
Income taxes payable	38	56
Provision for bonuses	654	275
Other current liabilities	1,031	1,129
Total current liabilities	14,279	20,531
Non-current liabilities		
Long-term borrowings	150	150
Lease obligations	5	2
Deferred tax liabilities for land revaluation	7	7
Retirement benefit liability	62	50
Other noncurrent liabilities	40	40
Total non-current liabilities	266	251
Reserves under special laws		
Reserve for financial instruments transaction liabilities	211	181
Total reserves under special laws	211	181
Total liabilities	14,757	20,964
Net assets		
Shareholders' equity		
Share capital	14,577	14,577
Capital surplus	6,907	6,885
Retained earnings	12,631	11,627
Treasury shares	△4,167	△4,098
Total shareholders' equity	29,948	28,991
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△43	64
Revaluation reserve for land	△1,125	△1,125
Remeasurements of defined benefit plans	△85	△93
Total accumulated other comprehensive income	△1,254	△1,154
Share acquisition rights	78	77
Total net assets	28,772	27,914
Total liabilities and net assets	43,530	48,879

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

Quarterly Consolidated Income Statements

(in millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Operating revenue		
Commission received	12,492	12,465
Net trading income	56	151
Financial revenue	225	155
Other operating revenue	1,176	1,197
Total operating revenue	13,951	13,969
Financial expenses	99	54
Other operating expenses	1,074	1,090
Net operating revenue	12,777	12,825
Selling, general and administrative expenses		
Trading related expenses	1,463	1,188
Personnel expenses	7,147	6,902
Real estate expenses	1,948	1,778
Office expenses	1,701	1,702
Depreciation	398	395
Taxes and dues	195	199
Other	511	502
Total selling, general and administrative expenses	13,365	12,669
Operating profit (loss)	△588	155
Non-operating income		
Dividends from investment securities	20	17
Gain on investments in investment partnerships	5	0
Insurance claim and dividend income	51	23
Other	30	12
Total non-operating income	108	54
Non-operating expenses		
Loss on investments in investment partnerships	4	17
Loss on cancellation of leases	0	-
Provision of allowance for doubtful accounts	75	-
Other	0	3
Total non-operating expenses	80	20
Ordinary profit (loss)	△560	188
Extraordinary income		
Gain on sales of investment securities	82	91
Gain on sales of non-current assets	-	0
Gain on reversal of share acquisition rights	2	8
Reversal of reserve for financial instruments transaction liabilities	-	29
Total extraordinary income	84	130
Extraordinary losses		
Loss on retirement of non-current assets	8	4
Loss on sales of investment securities	0	-
Settlement package	6	-
Impairment loss	-	35
Total extraordinary losses	15	40
Profit (loss) before income taxes	△491	279
Income taxes - current	254	70
Income taxes - deferred	△65	97
Total income taxes	189	167
Profit (loss)	△680	111
Profit attributable to non-controlling interests	10	-
Profit (loss) attributable to owners of parent	△691	111

Quarterly Consolidated Comprehensive Income Statements

(in millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Profit (loss)	△680	111
Other comprehensive income		
Valuation difference on available-for-sale securities	52	108
Remeasurements of defined benefit plans, net of tax	△20	△7
Total other comprehensive income	31	100
Comprehensive income	△648	212
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	△659	212
Comprehensive income attributable to non-controlling interests	10	-

(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.

(Application of accounting principles unique to the preparation of quarterly financial statements)

None.

(Changes to accounting policies and changes/restatement of accounting estimates)

None.

III. Supplementary Information For First Three Quarter of Fiscal 2020

1. Commissions

(1) Commissions by sources	-- First Three quarters of --		Change (%)	(in millions of yen)
	Fiscal 2019(a)	Fiscal 2020(b)	(b) over (a)	Fiscal year ended March 31, 2020
Brokerage commissions	3,661	4,417	20.7	4,913
(Stocks)	(3,562)	(4,292)	(20.5)	(4,745)
(Beneficiary certificates)	(98)	(124)	(26.2)	(168)
Commissions from underwriting and solicitation to specified investors	197	339	72.0	557
(Stocks)	(197)	(339)	(72.0)	(557)
Commissions from distribution and solicitation to specified investors	3,015	2,497	-17.2	3,980
(Beneficiary certificates)	(2,933)	(2,390)	(-18.5)	(3,876)
Commissions from other Sources	5,618	5,210	-7.3	7,394
(Beneficiary certificates*)	(5,121)	(4,783)	(-6.6)	(6,733)
Total	12,492	12,465	-0.2	16,845

*Breakdown of (Beneficiary certificates)	-- First Three quarters of --		Change (%)	(in millions of yen)
	Fiscal 2019(a)	Fiscal 2020(b)	(b) over (a)	Fiscal year ended March 31, 2020
Trailer fees relating to balances of funds	2,922	2,674	-8.5	3,862
Trustee fees for fund Management	1,078	945	-12.3	1,395
Fees from wrap-accounts	1,119	1,163	3.9	1,475
Total	5,121	4,783	-6.6	6,733

(2) Commissions by instruments				(in millions of yen)
	-- First Three quarters of --		Change (%)	Fiscal year ended
	Fiscal 2019(a)	Fiscal 2020(b)	(b) over (a)	March 31, 2020
Stocks	3,779	4,652	23.1	5,327
Bonds	82	106	29.9	103
Beneficiary certificates	8,154	7,299	-10.5	10,777
Others	477	407	-14.7	636
Total	12,492	12,465	-0.2	16,845
2. Gains or loss on trading				(in millions of yen)
	-- First Three quarters of --		Change (%)	Fiscal year ended
	Fiscal 2019(a)	Fiscal 2020(b)	(b) over (a)	March 31, 2020
Stocks, etc.	11	108	849.7	37
Bonds, foreign exchange, etc.	44	42	-5.1	52
(Bonds, etc.)	(21)	(19)	(-12.5)	(27)
(Foreign exchange, etc.)	(22)	(23)	(1.9)	(25)
Total	56	151	169.3	89

3. Quarterly Consolidated Income Statements for Recent Seven 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)	2nd Q (7-9/'20)	3rd Q (10-12/'20)
Operating revenue	4,618	4,820	4,511	4,894	4,182	4,588	5,198
Commission received	4,124	4,293	4,074	4,352	3,689	4,136	4,639
Net trading income	9	16	30	33	28	24	98
Financial revenue	77	88	60	53	49	54	51
Other operating revenue	407	422	346	454	414	372	409
Financial expenses	23	51	23	16	18	20	15
Other operating expenses	374	373	327	414	371	344	375
Net operating revenue	4,220	4,396	4,160	4,463	3,792	4,223	4,808
Selling, general and administrative expenses	4,459	4,541	4,364	4,420	4,174	4,223	4,272
Trading related expenses	466	496	500	540	431	388	368
Personnel expenses	2,427	2,376	2,343	2,341	2,231	2,322	2,348
Real estate expenses	615	727	605	593	586	599	591
Office expenses	551	586	563	607	547	554	600
Depreciation	146	128	123	138	130	131	132
Taxes and dues	62	70	63	59	62	67	69
Provision of allowance for doubtful accounts	—	—	—	—	—	—	0
Other	190	155	165	139	184	158	159
Operating profit	△239	△145	△204	42	△381	0	535
Non-operating income	21	46	40	55	17	4	32
Non-operating expenses	0	85	△4	7	1	17	1
Ordinary profit	△218	△183	△158	90	△365	△12	566
Extraordinary income	0	3	81	0	105	1	23
Extraordinary losses	0	0	14	48	2	2	35
Profit before income taxes	△218	△180	△91	42	△261	△12	554
Income taxes - current	90	100	63	24	21	25	23
Income taxes - deferred	△120	△1	56	50	117	△96	76
Profit	△188	△279	△211	△32	△401	58	454
Profit attributable to non-controlling interests	5	5	—	—	—	—	—
Profit attributable to owners of parent	△194	△285	△211	△32	△401	58	454

(END)