

Released on January 30, 2020

(English translation for reference purposes only)

EARNINGS REPORT FOR FIRST THREE QUARTERS OF FISCAL 2019

(April 1 to December 31, 2019)

(Consolidated under Japanese GAAP)

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

Inquiry to: Mr. Shoichi Yamazaki, Senior Operating Officer in charge of Finance and Planning

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

Date of filing First Three Quarters Report: February 13, 2020 (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 2019 (from April 1 to December 31, 2019)

(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, 2019	13,951 (-17.5)	12,777 (-19.4)	-588 (---)	-560 (---)
Nine months ended Dec. 31, 2018	16,917 (-14.3)	15,860 (-15.2)	2,305 (-56.0)	2,471 (-53.7)

	Net income attributable to owners of parent (%)	Net income per share	Net income per share- fully diluted
Nine months ended Dec. 31, 2019	-691 (---)	-16.69yen	---
Nine months ended Dec. 31, 2018	1,849 (-48.9)	43.23yen	43.16yen

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

Comprehensive income for the first three quarters of fiscal 2018: 1,591 million yen (-58.4%)

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

	Total assets	Net assets	Equity ratio
As of Dec. 31, 2019	50,087	32,226	64.2%
As of Mar. 31, 2019	48,544	34,718	71.2%

Notes: Shareholders' equity as of Dec. 31, 2019: 32,147 million yen

Shareholders' equity as of Mar. 31, 2019: 34,586 million yen

2. Dividends

	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual total
Fiscal 2018 ended Mar. 31, 2019		17.00yen		17.00yen	34.00yen
Fiscal 2019 ending Mar. 31, 2020		16.00yen		****	****

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. Information Deemed Useful for Investors to Grasp Outlook for Business Result for Fiscal 2019 (from April 1, 2019 to March 31, 2020)

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): 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 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) Restatement of revisions: None.
- (4) Number of shares issued (common stock):
 - (i) Number of shares issued as of December 31, 2019: 42,431,386 shares (including treasury shares)
 Number of shares issued as of March 31, 2019: 44,431,386 shares (including treasury shares)
 - (ii) Number of treasury shares as of December 31, 2019: 1,136,008 shares.
 Number of treasury shares as of March 31, 2019 : 2,635,963 shares.
 - (iii) Average number of shares outstanding during the first three quarters of fiscal 2019:
 41,407,917 shares.
 Average number of shares outstanding during the first three quarters of fiscal 2018:
 42,769,874 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. Information Deemed Useful for Investors to Grasp Outlook for Business Result for Fiscal 2019 (from April 1, 2019 to March 31, 2020)” 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 2019

During the first three quarters of fiscal 2019, as regards the Japanese economy, export activities somewhat weakened and corporate production activities showed signs of stagnation. On the other hand, equipment investments kept its upward trend while consumer spending remained steady on the back of improvement on employment and income environments despite the effects of natural disasters and the consumption tax increase. The global economy was bolstered by easier monetary policies of central banks of leading nations against increasingly unpredictable circumstances caused by U.S.-China trade talks.

In the meantime, the Japanese stock market rose amid a rising expectation for progress in U.S.-China trade talks and improvement on Chinese economic indexes with the Nikkei Stock Average on the Tokyo Stock Exchange (the TSE) recording 22,362yen on April 24, 2019. Thereafter, however, intensifying frictions between the U.S. and China and the U.S.'s export-banning measures against the leading Chinese communication equipment manufacturer facilitated the strengthening of the yen for risk-averse purposes, which turned the direction of the Nikkei Stock Average downward and kept it moving up and down in a narrow range. In August, as the U.S. announced its intention of the 4th round of tariff hikes against China, the Nikkei Stock Average momentarily fell to 20,110yen. In September, as expectations for bottoming-out in global semiconductor markets rose, the Nikkei Stock Average recovered to the milestone 22,000yen level, and, through ensuing corrections, rose toward the end of the year. The European Central Bank's decision to restart its quantitative easing on September 12, Federal Reserve Board's 3 consecutive interest rate cuts through October and the concurrent weakness of the yen were all positive factors for the market. Furthermore, foreign investors took on pro-equity attitude, giving rise to better demand-supply relations, and in December the U.S. and China reached the first-stage trade agreement and the ruling British Conservative Party won majority seats in Parliament, all of which were additional positive factors for the market. Those positive factors momentarily pushed the Nikkei Stock Average back to the 24,000yen level for the first time in 1 year and 2 months. Toward the end of the year, however, the market underwent some profit-taking sales, and the Nikkei Stock Average ended the period at 23,656yen.

On the foreign currency market, the yen weakened in tandem with rising stock prices, recording 112yen per 1 U.S. dollar on April 24. Thereafter, however, amid the outlook for protracting U.S.-China frictions and rising demand for the yen as a risk-averse currency against the reverse yield gap in the U.S., the yen strengthened momentarily to 104yen per 1 U.S. dollar. Toward the end of the year, the yen weakened against the U.S. dollar and ended the period at 108yen per 1 U.S. dollar.

As regards the Japanese emerging stock markets, the Nikkei JASDAQ Stock Average turned upward from August and ended the period at 3,837yen, a year high. The TSE Mothers Index ended the period at 897 after going through some strong corrections.

The average daily turnover on the First Section of the TSE for the first three quarters of fiscal 2019 was 2,432.1 billion yen, down 16.8% from the comparable period of fiscal 2018, that on the TSE Mothers Market was 94.7 billion yen, up 1.7%, and that on the JASDAQ Stock Market was 44.5 billion yen, down 27.7%.

In such circumstances, 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 showed a favorable performance as a conservative investment vehicle for customers’ medium- to long-term asset management. Its outstanding balance as of December 31, 2019, registered 122.0 billion yen, up 15.8% from December 31, 2018.

With respect to investment trust funds, the Company placed in the center of its promotion customer-needs-matching funds, such as an investment fund investing in Japanese diversified small- and medium-cap growth stocks, one investing in high-yielding stocks in the world, REIT and one investing in domestic and foreign small and medium-cap stocks and privately-place 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 342.2 billion yen, slightly above the year-earlier level, despite some profit-taking redemptions.

Under such environment, while fund wrap accounts-related fees increased as the outstanding balance of “Dream Collection” rose, brokerage commissions on stocks and distribution commissions on beneficiary certificates decreased as market conditions weakened. Resultantly, net operating revenue for the first three quarters of fiscal 2019 amounted to 12,777 million yen, down 19.4% from the first three quarters of fiscal 2018. Operating cost and expenses amounted to 13,365 million yen, down 1.4%. Hence, operating income registered a loss of 588 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 2019 amounted to 12,492 million yen, down 19.1 % from the year-earlier period.

(a) Brokerage commissions

Total brokerage commissions on stocks fell 38.3% to 3,562 million yen. Brokerage commissions on small- and medium-cap stocks (stocks listed on Second Section of the TSE, JASDAQ and TSE Mothers) registered 688 million yen, down 41.8%, accounting for 19.3% of total brokerage commissions on stocks.

(b) Commissions from underwriting and solicitation to specified investors

In the primary market, the Company participated in 22 initial public offerings on a management and underwriting basis (of which 1 was lead-managed by the Company) as against 26 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 3 deals in the year-earlier period.

As a result, commissions from underwriting and solicitation to specified investors amounted to 197 million yen, down 3.7% from the comparable period of fiscal 2018.

The cumulative number of companies whose offerings were lead- or co-managed by the Company stood at 1,106 (of which 54 were lead-managed) as of December 31, 2019.

(c) Commissions from distribution and solicitation to specified investors

As commissions from distribution of investment trust funds recorded 2,933 million yen, down 10.0% from the year-earlier period, total commissions from distribution and solicitation to specified investors registered 3,015 million yen, down 10.8%.

(d) Commissions from other sources

Trailer fees slid 8.6% to 2,922 million yen. Management fees on investment trust funds

managed by Ichiyoshi Asset Management recorded 1,078 million yen, down 7.6%. Fees from fund wrap accounts registered 1,119 million yen, up 23.1%. 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 5,618 million yen, down 4.7%.

ii. Gains or loss on trading

Trading in stocks, etc. recorded net gains of 11 million yen, down 34.2% from the year-earlier period. Trading in bonds and foreign exchange, etc. registered net gains of 44 million yen, down 35.7%. As a result, total net gains on trading amounted to 56 million yen, down 35.4%.

iii. Interest and dividend income

Interest and dividend income fell 14.8% to 225 million yen, chiefly due to a decrease in advances for margin transactions. Interest expenses rose 166.5% to 99 million yen. As a result, net interest and dividend income recorded 126 million yen, down 44.4%.

Resultantly, net operating revenue for the first three quarters of fiscal 2019 stood at 12,777 million yen, down 19.4% from the year-earlier period.

iv. Operating cost and expenses

Operating cost and expenses declined 1.4% to 13,365 million yen as one-off real property-related expenses relating to the relocations of the head office and branches rose while personnel-related expenses decreased.

v. Non-operating income and expenses

The Company recorded non-operating income of 108 million yen, including 51 million yen in the form of insurance proceeds and dividends, and non-operating loss of 80 million yen, including 75 million yen as provision of allowance for doubtful accounts. As a result, net non-operating income amounted to 27 million yen.

Resultantly, current income for the first three quarters of fiscal 2019 amounted to a loss of 560 million yen.

vi Extraordinary income and loss

Extraordinary income registered 69 million yen mainly in the form of gains on sales of investment securities.

Resultantly, income before taxes and tax adjustments for the first three quarters of fiscal 2019 registered a net loss of 491 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 254 million yen minus corporate tax adjustments of 65 million yen) recorded a net loss of 691million yen.

Customers' assets under custody as of December 31, 2019 amounted to 1,882.3 billion yen, up 5.0% from March 31, 2019.

(2)Outline on financial condition for the first three quarters of fiscal 2019

(a) Assets

Assets amounted to 50,087 million yen as of December 31, 2019, an increase of 1,543 million yen (up 3.2%) from March 31, 2019, mainly as cash and deposits swelled by 6,494 million yen and tangible assets rose by 578 million yen as a result of relocations of the head office and branch offices while margin transaction assets fell by 4,452 million yen and income taxes receivable declined by 992 million yen.

(b) Liabilities

Liabilities stood at 17,861 million yen as of December 31, 2019, a rise of 4,035 million yen (up 29.2%) as margin transaction liabilities increased by 1,177 million yen and cash payable to customers swelled by 4,005 million yen.

(c) Net worth

Net worth amounted to 32,226 million yen as of December 31, 2019, a fall of 2,492 million yen (down 7.2%) from March 31, 2019. The fall resulted mainly from recording of a net loss (attributable to owners of parent) of 691 million yen for the first three quarters while the Company paid dividends in the amount of 1,371 million yen and acquired treasury shares in the amount of 387 million yen.

II. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(in millions of yen)

	As of March 31 2019	As of December 31 2019
Assets		
Current assets		
Cash and deposits	15,071	21,566
Cash segregated as deposits	6,223	5,989
Trading products	166	158
Trading securities and other	166	158
Trade date accrual	-	0
Margin transaction assets	15,841	11,388
Loans on margin transactions	15,471	10,735
Cash collateral pledged for securities borrowing on margin transactions	370	653
Loans secured by securities	6	-
Cash collateral pledged for securities borrowed	6	-
Advances paid	34	12
Cash paid for offering	2,296	2,254
Accounts for non-delivered securities and others	6	-
Short-term loans receivable	8	8
Income taxes receivable	992	-
Accrued income	1,722	1,658
Other current assets	341	275
Allowance for doubtful accounts	△3	△2
Total current assets	42,709	43,309
Non-current assets		
Property, plant and equipment	2,691	3,270
Buildings, net	755	1,066
Equipment	581	798
Land	1,339	1,339
Leased assets, net	15	11
Construction in progress	-	54
Intangible assets	487	757
Software	485	455
Software in progress	-	300
Other	2	2
Investments and other assets	2,655	2,750
Investment securities	1,200	1,260
Long-term loans receivable	36	31
Long-term guarantee deposits	1,016	967
Retirement benefit asset	108	129
Deferred tax assets	286	354
Other	17	92
Allowance for doubtful accounts	△9	△84
Total non-current assets	5,835	6,778
Total assets	48,544	50,087
Liabilities		
Current liabilities		
Trading products	0	0
Derivatives	0	0
Trade date accrual	0	-
Margin transaction liabilities	2,973	4,150
Borrowings on margin transactions	2,441	3,211
Cash received for securities lending on margin transactions	531	938
Borrowings secured by securities	599	215
Cash received on debt credit transaction of securities	599	215
Deposits received	6,592	10,598
Guarantee deposits received	1,024	837
Short-term borrowings	210	210
Lease obligations	4	4
Income taxes payable	228	41
Provision for bonuses	632	320
Other current liabilities	1,117	1,066
Total current liabilities	13,383	17,444
Non-current liabilities		
Long-term borrowings	184	150
Lease obligations	10	6
Deferred tax liabilities for land revaluation	7	7
Other noncurrent liabilities	27	39
Total non-current liabilities	230	204
Reserves under special laws		
Reserve for financial instruments transaction liabilities	211	211
Total reserves under special laws	211	211
Total liabilities	13,825	17,861
Net assets		
Shareholders' equity		
Share capital	14,577	14,577
Capital surplus	8,669	6,907
Retained earnings	14,726	12,664
Treasury shares	△2,342	△988
Total shareholders' equity	35,631	33,160
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	54
Revaluation reserve for land	△1,125	△1,125
Remeasurements of defined benefit plans	79	58
Total accumulated other comprehensive income	△1,044	△1,012
Share acquisition rights	78	78
Non-controlling interests	52	-
Total net assets	34,718	32,226
Total liabilities and net assets	48,544	50,087

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

(in millions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Operating revenue		
Commission received	15,435	12,492
Net trading income	86	56
Financial revenue	264	225
Other operating revenue	1,130	1,176
Total operating revenue	16,917	13,951
Financial expenses	37	99
Other operating expenses	1,020	1,074
Net operating revenue	15,860	12,777
Selling, general and administrative expenses		
Trading related expenses	1,379	1,463
Personnel expenses	7,609	7,147
Real estate expenses	1,647	1,948
Office cost	1,780	1,701
Depreciation	380	398
Taxes and dues	230	195
Other	527	511
Total selling, general and administrative expenses	13,554	13,365
Operating profit (loss)	2,305	△588
Non-operating income		
Dividends from investment securities	22	20
Gain on investments in investment partnerships	10	5
Insurance claim and dividend income	119	51
Other	19	30
Total non-operating income	172	108
Non-operating expenses		
Loss on investments in investment partnerships	2	4
Loss on cancellation of leases	3	0
Provision of allowance for doubtful accounts	-	75
Other	1	0
Total non-operating expenses	7	80
Ordinary profit (loss)	2,471	△560
Extraordinary income		
Gain on sales of investment securities	47	82
Gain on sales of non-current assets	61	-
Gain on reversal of share acquisition rights	175	2
Total extraordinary income	284	84
Extraordinary losses		
Loss on retirement of non-current assets	12	8
Loss on sales of investment securities	-	0
Loss on valuation of investment securities	0	-
Loss on valuation of golf club membership	4	-
Settlement package	-	6
Total extraordinary losses	17	15
Profit (loss) before income taxes	2,738	△491
Income taxes - current	491	254
Income taxes - deferred	378	△65
Total income taxes	869	189
Profit (loss)	1,868	△680
Profit attributable to non-controlling interests	19	10
Profit (loss) attributable to owners of parent	1,849	△691

Quarterly Consolidated Comprehensive Income Statements

(in millions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Profit (loss)	1,868	△680
Other comprehensive income		
Valuation difference on available-for-sale securities	△257	52
Remeasurements of defined benefit plans, net of tax	△19	△20
Total other comprehensive income	△277	31
Comprehensive income	1,591	△648
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,571	△659
Comprehensive income attributable to non-controlling interests	19	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.

. Supplementary Information For First Three Quarter of Fiscal 2019

1. Commissions

(1) Commissions by sources	-- First Three quarters of --		Change (%) (b) over (a)	(in millions of yen) Fiscal year ended
	Fiscal 2018(a)	Fiscal 2019(b)		March 31, 2019
Brokerage commissions	5,954	3,661	-38.5	7,226
(Stocks)	(5,773)	(3,562)	(-38.3)	(7,020)
(Beneficiary certificates)	(180)	(98)	(-45.3)	(205)
Commissions from underwriting and solicitation to specified investors	205	197	-3.7	266
(Stocks)	(205)	(197)	(-3.7)	(266)
Commissions from distribution and solicitation to specified investors	3,380	3,015	-10.8	4,026
(Beneficiary certificates)	(3,259)	(2,933)	(-10.0)	(3,881)
Commissions from other Sources	5,896	5,618	-4.7	7,686
(Beneficiary certificates*)	(5,276)	(5,121)	(-2.9)	(6,884)
Total	15,435	12,492	-19.1	19,205

*Breakdown of (Beneficiary certificates)	-- First Three quarters of --		Change (%) (b) over (a)	(in millions of yen) Fiscal year ended
	Fiscal 2018(a)	Fiscal 2019(b)		March 31, 2019
Trailer fees relating to balances of funds	3,198	2,922	-8.6	4,138
Trustee fees for fund Management	1,167	1,078	-7.6	1,527
Fees from wrap-accounts	909	1,119	23.1	1,218
Total	5,276	5,121	-2.9	6,884

(2) Commissions by instruments	-- First Three quarters of --		Change (%) (b) over (a)	(in millions of yen) Fiscal year ended
	Fiscal 2018(a)	Fiscal 2019(b)		March 31, 2019
Stocks	6,002	3,779	-37.0	7,318
Bonds	121	82	-32.2	145
Beneficiary certificates	8,716	8,154	-6.4	10,970
Others	596	477	-20.0	771
Total	15,435	12,492	-19.1	19,205

2. Gains or loss on trading

(in millions of yen)

	-- First Three quarters of --		Change (%)	Fiscal year ended
	Fiscal 2018(a)	Fiscal 2019(b)	(b) over (a)	March 31, 2019

Stocks, etc.	17	11	-34.2	19
Bonds, foreign exchange, etc.	69	44	-35.7	106
(Bonds, etc.)	(40)	(21)	(-45.9)	(49)
(Foreign exchange, etc.)	(29)	(22)	(-21.5)	(57)

Total	86	56	-35.4	125

3 . Quarterly Consolidated Income Statements for Recent Seven Quarters

(in millions of yen)

	1st Q (4-6/'18)	2nd Q (7-9/'18)	3rd Q (10-12/'18)	4th Q (1-3/'19)	1st Q (4-6/'19)	2nd Q (7-9/'19)	3rd Q (10-12/'19)
Operating revenue	5,932	5,650	5,334	4,309	4,618	4,820	4,511
Commission received	5,389	5,202	4,843	3,769	4,124	4,293	4,074
Net trading income	32	25	29	39	9	16	30
Financial revenue	91	88	84	71	77	88	60
Other operating revenue	418	334	377	429	407	422	346
Financial expenses	13	11	11	12	23	51	23
Other operating expenses	367	303	348	388	374	373	327
Net operating revenue	5,551	5,335	4,974	3,908	4,220	4,396	4,160
Selling, general and administrative expenses	4,568	4,481	4,504	4,158	4,459	4,541	4,364
Trading related expenses	460	406	512	449	466	496	500
Personnel expenses	2,615	2,546	2,447	2,206	2,427	2,376	2,343
Real estate expenses	530	544	572	555	615	727	605
Office cost	582	595	602	579	551	586	563
Depreciation	117	126	137	142	146	128	123
Taxes and dues	73	85	70	61	62	70	63
Provision of allowance for doubtful accounts	—	—	—	—	—	—	—
Other	188	177	162	164	190	155	165
Operating profit	982	853	469	249	239	145	204
Non-operating income	86	69	16	22	21	46	40
Non-operating expenses	2	3	1	5	0	85	4
Ordinary profit	1,067	919	484	232	218	183	158
Extraordinary income	31	20	231	0	0	3	81
Extraordinary losses	11	1	4	3	0	0	14
Profit before income taxes	1,087	939	711	235	218	180	91
Income taxes - current	98	444	△51	45	90	100	63
Income taxes - deferred	341	△189	226	112	120	1	56
Profit	647	683	537	168	188	279	211
Profit attributable to non-controlling interests	6	7	6	5	5	5	—
Profit attributable to owners of parent	641	676	531	174	194	285	211

(END)