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July 26, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

Company name: Kyokuto Securities Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 8706
 URL: [https:// www.kyokuto-sec.co.jp](https://www.kyokuto-sec.co.jp)
 Representative: Kazuhiro KIKUCHI, President and Chief Executive Officer
 Inquiries: Shunzo KAYANUMA, Senior Managing Director
 Telephone: +81-03-3666-5130
 Scheduled date of commencement of payment of dividends: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Operating revenue		Net operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended										
June 30, 2024	2,641	44.2	2,627	44.5	1,247	99.0	1,659	70.0	1,664	51.8
June 30, 2023	1,831	52.4	1,817	52.8	626	—	976	675.9	1,096	345.2

Note: Comprehensive income For the three months ended June 30, 2024: ¥1,658 million [Δ 20.7%]
 For the three months ended June 30, 2023: ¥2,091 million [387.4%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	52.17	—
June 30, 2023	34.36	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2024	86,170	52,781	61.2	1,654.15
March 31, 2024	83,534	53,675	64.2	1,682.18

Reference: Equity
 As of June 30, 2024: ¥52,769 million
 As of March 31, 2024: ¥53,663 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	—	30.00	—	80.00	110.00
Fiscal year ending March 31, 2025	—				

Note: Revisions to the forecast of cash dividends most recently announced: None

Kyokuto Securities Co., Ltd. and its consolidated subsidiaries do not disclose forecast of financial results.
Please refer to page 5 for further information.

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
 Newly included: 0 companies
 Excluded: 0 companies

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 (ii) Changes in accounting policies due to other reasons: None
 (iii) Changes in accounting estimates: None
 (iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024	32,779,000 shares
As of March 31, 2024	32,779,000 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2024	877,595 shares
As of March 31, 2024	877,595 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2024	31,901,405 shares
Three months ended June 30, 2023	31,901,405 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (voluntary)

* Proper use of earnings forecasts, and other special matters

The earnings forecasts are not disclosed Please refer to page 5 for further information.

Index of Attached Documents

BUSINESS RESULTS

1. Qualitative Information on Business Results for the Three Months Ended June 30, 2024	2
(1) Information on Business Results	2
(2) Information on Financial Condition	4
(3) Future Outlook	5
2. Quarterly Consolidated Financial Statements and Notes	6
(1) Quarterly Consolidated Balance Sheets	6
(2) Quarterly Consolidated Income Statements and Quarterly Consolidated Comprehensive Income Statements	8
(Quarterly Consolidated Income Statements)	8
(Three Months Ended June 30, 2024)	
(Quarterly Consolidated Comprehensive Income Statements)	10
(Three Months Ended June 30, 2024)	
(3) Notes to Quarterly Consolidated Financial Statements	11
(Notes to Changes of Accounting Policies)	11
(Notes to Segment Information)	11
(Notes in the Event of Substantial Changes in Shareholders' Equity)	11
(Notes Concerning Going Concern Assumption)	11
(Notes to Quarterly Consolidated Cash Flow Statement)	12
【Referential Data】	13
1. Referential Data on Consolidated Financial Results for the Three Months Ended June 30, 2024	13
(1) Commission Received	13
(2) Net Trading Income	13
(3) Consolidated Income Statement for the Latest Five Quarters	14
2. Referential Data on Financial Results for the Three Months Ended June 30, 2024	15
(1) Capital Adequacy Ratio	15
(2) Number of Directors/Auditors and Employees	15

BUSINESS RESULTS

1. Qualitative Information on Business Results for the Three Months Ended June 30, 2024

(1) Information on Business Results

During the three months ended June 30, 2024 (from April 1 to June 30, 2024) of the current consolidated fiscal year, the inflation slowed in the global economy. This was the phase in which major developed countries excluding Japan are seeking interest rates cuts, following the emerging countries, and in fact, the European Central Bank (ECB) decided to cut interest rates in June. However, some countries postponed interest rates cut due to the slow pace of inflation slowdown. The US Federal Reserve Board (FRB) decided not to cut interest rates and revised its forecast for the number of rate cuts during the year from three to one. The Bank of Japan (BOJ) decided to end its negative interest rate policy and to lift yield curve control and also ended new purchases of risk assets such as Exchange Traded Funds (ETFs) in March. On the other hand, the BOJ decided to hold off on interest rates hikes at its monetary policy meetings in April and June of the current consolidated fiscal year.

In the stock market, the Nikkei Stock Average (Nikkei 225) reached its highest level in March this year, but started on a downward trend in the current consolidated fiscal year, temporarily falling below 37,000 yen on 19 April. Although the market subsequently recovered, it was still slow to catch on the upward trend until late June due to lackluster corporate earnings forecasts for the new fiscal year and the fact that foreign investors' buying cycle of Japanese equities had come to an end, so that Nikkei 225 generally hovered between 38,000 yen and 39,000 yen. However, toward the end of June, Nikkei 225 had broken out of the range and ended at 39,583 yen at the end of the three month period.

In the U.S. stock market, there was a mix of sentiments on both slowing inflation and economic slowdown. Although the New York Dow Jones Industrial Average reached an all-time high of \$40,077.40 in May, it closed at \$39,118.86 at the end of the three month period.

In the bond market, the yield on 10-year Japanese government bonds (JGB) surged sharply to 1.10% in May on the view that the BOJ would speed up the normalization of monetary policy. Although the yield subsequently fell to 0.92% as speculation of an interest rate hike receded, the yield closed at 1.05% at the end of the three month period as speculation of an interest rate hike strengthened again from late June. The yield on 10-year US government bonds rose towards the end of April, reflecting strong price statistics, but subsequently turned downward due to a slowdown in prices increases as well as deteriorating economic indicators of consumption and business sentiment, it closed at 4.398% at the end of three month period.

In the foreign exchange market, the Yen has clearly weakened against the Dollar. The Japanese Ministry of Finance and the BOJ conducted the Yen buying intervention in April and May, and there were occasions when the Dollar-Yen exchange rate was bought back to the level of 151 yen. However, the pressure to weaken the Yen remains unchanged due to the view that the interest rate gap between Japan and the U.S. would not narrow easily and the differences in the monetary policy stance of the Japanese and the U.S. authorities, and at the end of the three month period, the Yen became weaker than the level at the intervention and closed at 160.85 yen, the weakest level since December 1986. The Yen was also weaker against the Euro similar to against the Dollar and it ended at 172.75 yen at the end of the three month period, the weakest level since the introduction of the Euro in January 1999.

In this environment, we made effort to offer "unique in-season financial products" for responding to customers' varied needs. Also we conducted active financial management from the view point of effective management of shareholders' equity.

For the first three months of the fiscal year ending March 31, 2025 (from April 1, 2024 to June 30, 2024) compared with the same period of previous fiscal year, our operating revenue increased by 44.2% to 2,641 million yen, net operating revenue increased by 44.5% to 2,627 million yen, operating income increased by 99.0% to 1,247 million yen, ordinary profit increased by 70.0% to 1,659 million yen, and net profit attributable to owners of the parent company increased by 51.8% to 1,664 million yen.

Details of the period's results are as follows:

① Commission Received

The total commission received resulted 796 million yen (up 30.5% from the same period of previous fiscal year), the details of which are shown below:

(Brokerage Commission)

Brokerage commission on equity securities was 343 million yen (down 3.0% from the same period of previous fiscal year). Total amount of brokerage commission including those on beneficiary securities (Exchange Traded Funds) was 350 million yen (down 2.3% from the same period of previous fiscal year).

(Commission for Underwriting, Secondary Distribution and Solicitation for Selling and Others for Professional Investors)

The amount of commission for underwriting, secondary distribution and solicitation for selling and others for professional investors was 3 million yen (up 5.7% from the same period of previous fiscal year).

(Fee for Offering, Secondary Distribution and Solicitation for Selling and Others for Professional Investors)

The amount of fees for offering, secondary distribution and solicitation for selling and others for professional investors was 303 million yen (up 84.0% from the same period of previous fiscal year), due to an increase of handling of beneficiary securities (investment trusts).

(Other Commission Received)

The amount of other commission received consisting mainly of trailer fee of beneficiary securities (investment trusts) was 139 million yen (up 66.7% from the same period of previous fiscal year).

② Net trading Income

Net trading income of equities, etc. resulted in a gain of 128 million yen (up 162.1% from the same period of previous fiscal year). Net trading income of bonds etc. resulted in a gain of 1,349 million yen (up 46.3% from the same period of previous fiscal year). Net trading income on other trading consisting mainly of foreign exchange derivatives resulted in a loss of 132 million yen. (a loss of 201 million yen in the same period of previous fiscal year).

As a result, net trading income resulted in a gain of 1,344 million yen (up 74.8% from the same period of previous fiscal year).

③ Net Financial Income

Net financial income increased by 13.6% to 481 million yen, as a result of deducting 14 million yen (up 4.8% from the same period of previous fiscal year) of financial expenses from 496 million yen (up 13.4% from the same period of previous fiscal year) of financial revenue.

④ Selling, General and Administrative Expenses

Selling, general and administrative expenses were 1,380 million yen (up 15.9% from the same period of previous fiscal year).

⑤ Non-operating Income and Expenses

Non-operating income, consisting mainly of dividend received, totaled 494 million yen (down 11.2% from the same period of previous fiscal year), while non-operating expenses consisting mainly of foreign exchange losses, totaled 82 million yen (down 60.2% from the same period of previous fiscal year).

As a result, net non-operating income amounted to gain of 411 million yen (up 18.0% from the same period of previous fiscal year).

⑥ Extraordinary Income and Loss

Extraordinary income was 760 million yen (up 17.3% from the same period of previous fiscal year), as a result of sales of investment securities, while extraordinary loss was 5 million yen (down 92.3% from the same period of previous fiscal year) including loss on retirement of non-current assets.

As a result, net extraordinary income amounted to 754 million yen (up 30.8% from the same period of previous fiscal year).

(2) Information on Financial Condition

① Assets

Current assets as of June 30, 2024 were 49,561 million yen and increased by 1,298 million yen from previous fiscal year end. This is mainly because, while cash and deposits decreased by 3,539 million yen, trading products increased by 4,119 million yen and trade date accrual increased by 758 million yen. Non-current assets as of June 30, 2024 were 36,608 million yen and increased by 1,337 million yen from previous fiscal year end. The main factor was investment securities increased by 1,226 million yen.

As a result, the assets as of June 30, 2024 were 86,170 million yen and increased by 2,636 million yen from previous fiscal year end.

② Liabilities

Current liabilities as of June 30, 2024 were 30,103 million yen and increased by 3,398 million yen from previous fiscal year end. This is mainly because, while income taxes payable decreased by 1,065 million yen, short-term borrowings increased by 4,600 million yen. Non-current liabilities as of June 30, 2024 were 3,264 million yen and increased by 130 million yen from previous fiscal year end. As a result, the liabilities as of June 30, 2024 were 33,388 million yen and increased by 3,529 million yen from previous fiscal year end.

③ Net Assets

Within net asset, retained earnings decreased by 887 million yen and valuation difference on available for sale securities decreased by 6 million yen from previous fiscal year end.

As a result, net assets as of June 30, 2024 were 52,781 million yen and decreased by 893 million yen from previous fiscal year end.

(3) Future Outlook

Consolidated operating revenues are mainly comprised of commissions received and trading income, related to the securities markets, the majority of which are coming from the stock and bond markets. In order to mitigate the impact of favorable or unfavorable conditions in the stock and bond markets on our financial results, we are striving to ensure revenue stability by diversifying our revenue sources. Even so, our business performance may still be affected by trends in the securities markets and may fluctuate significantly. In addition, sharp fluctuations in the domestic and foreign financial instrument markets could result in large valuation gains or losses on financial instruments held by ourselves.

In general, securities markets and foreign exchange markets fluctuate, reflecting variety of factors such as domestic and international political and economic conditions, interest rates, and corporate earnings. Therefore, in order to forecast our consolidated financial results, it is necessary to accurately grasp future market trends while predicting these factors in advance, but the reality is that it is nearly impossible to achieve this. In a situation where such uncertain factors are likely to cause a large discrepancy between forecasts and actual results, daring to disclose forecast of financial results may result in sending a false message to the market, which may impede fair stock price formation.

For the aforementioned reasons, we will not disclose forecast of financial results, but will instead endeavor to disclose financial results as early as possible, and will announce such figures as preliminary figures around the 10th business day after the end of the fiscal year or the end of the quarter, when consolidated financial results are almost finalized.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	14,389	10,850
Segregated deposits	13,014	12,019
Trading products	17,553	21,672
Trading securities and other	17,550	21,660
Derivatives	2	12
Securities	45	48
Trade date accrual	392	1,151
Margin transaction assets	2,217	2,459
Margin loans	2,048	2,282
Cash collateral provided for securities borrowed in margin transactions	168	177
Other current assets	659	1,372
Allowance for doubtful accounts	△9	△12
Total current assets	48,262	49,561
Non-current assets		
Property, plant and equipment	1,903	1,922
Buildings	377	400
Land	1,167	1,167
Other	358	355
Intangible assets	60	60
Investments and other assets	33,307	34,625
Investment securities	31,649	32,875
Other	1,729	1,820
Allowance for doubtful accounts	△71	△71
Total non-current assets	35,271	36,608
Total assets	83,534	86,170
Liabilities		
Current liabilities		
Trading products	27	189
Trading securities and other	8	170
Derivatives	19	19
Margin transaction liabilities	344	161
Margin borrowings	174	40
Cash received for securities sold in margin transactions	170	121
Deposits received	14,320	14,140
Short-term borrowings	9,580	14,180
Income taxes payable	1,677	612
Provision for bonuses	250	154
Other current liabilities	504	664
Total current liabilities	26,705	30,103
Non-current liabilities		
Long-term borrowings	500	500
Retirement benefit liability	97	89
Other noncurrent liabilities	2,537	2,674
Total non-current liabilities	3,134	3,264
Reserves under special laws		
Reserve for financial instruments transaction liabilities	19	20
Total reserves under special laws	19	20
Total liabilities	29,858	33,388

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Net assets		
Shareholders' equity		
Share capital	5,251	5,251
Capital surplus	4,774	4,774
Retained earnings	40,276	39,388
Treasury shares	△863	△863
Total shareholders' equity	49,438	48,550
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,225	4,218
Total accumulated other comprehensive income	4,225	4,218
Non-controlling interests	11	11
Total net assets	53,675	52,781
Total liabilities and net assets	83,534	86,170

(2) Quarterly Consolidated Income Statements and Quarterly Consolidated Comprehensive Income Statements
 (Quarterly Consolidated Income Statements)
 (Three Months Ended June 30, 2024)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Operating revenue		
Commission received	610	796
Brokerage commission	358	350
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	3	3
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	164	303
Other commission received	83	139
Net trading income	769	1,344
Financial revenue	437	496
Other operating revenue	14	4
Total operating revenue	1,831	2,641
Financial expenses	13	14
Net operating revenue	1,817	2,627
Selling, general and administrative expenses		
Trading related expenses	138	179
Personnel expenses	683	817
Real estate expenses	128	130
Office expenses	140	137
Depreciation	20	19
Taxes and dues	48	62
Provision of allowance for doubtful accounts	—	2
Other	31	30
Total selling, general and administrative expenses	1,191	1,380
Operating profit	626	1,247
Non-operating income		
Dividend income	260	298
Gain on investments in investment partnerships	282	180
Other	14	16
Total non-operating income	557	494
Non-operating expenses		
Foreign exchange losses	201	77
Other	6	5
Total non-operating expenses	208	82
Ordinary profit	976	1,659

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Extraordinary income		
Gain on sale of investment securities	647	760
Reversal of reserve for financial instruments transaction liabilities	0	—
Total extraordinary income	647	760
Extraordinary losses		
Loss on sale of investment securities	70	—
Loss on retirement of non-current assets	—	4
Provision of reserve for financial instruments transaction liabilities	—	1
Total extraordinary losses	70	5
Profit before income taxes	1,553	2,414
Income taxes - current	397	616
Income taxes - deferred	58	133
Total income taxes	456	749
Profit	1,096	1,664
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	1,096	1,664

(Quarterly Consolidated Comprehensive Income Statements)
 (Three Months Ended June 30, 2024)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	1,096	1,664
Other comprehensive income		
Valuation difference on available-for-sale securities	994	△5
Total other comprehensive income	994	△5
Comprehensive income	2,091	1,658
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,090	1,657
Comprehensive income attributable to non-controlling interests	0	0

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to Changes of Accounting Policies)

(Application of “Accounting Standard for Current Income Taxes”, etc.)

“Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the “Revised Accounting Standard 2022”), etc. have been adopted from the beginning of the first quarter ended June 30, 2024.

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the “Revised Implementation Guidance 2022”). This change in accounting policies has no impact on the quarterly consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for the tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the first quarter ended June 30, 2024. This change in accounting policies was applied retrospectively. Hence, the quarterly consolidated financial statements for the same quarter of the prior fiscal year and the consolidated financial statements for the prior fiscal year have been modified retrospectively. This change in accounting policies has no impact on the quarterly consolidated financial statements for the same quarter of the prior fiscal year and the consolidated financial statements for the prior fiscal year.

(Notes to Segment Information)

【Segment information】

Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023) and three months ended June 30, 2024 (April 1, 2024 to June 30, 2024)

This information is omitted because the Group is considered to have a single segment, “Investment and financial services business”.

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

None.

(Notes Concerning Going Concern Assumption)

None.

(Notes to Quarterly Consolidated Cash Flow Statement)

Quarterly Consolidated Cash Flow Statement for three months ended June 30, 2024 has not been prepared. Depreciation and amortization (including amortization related to intangible assets) for three months ended June 30, 2024 is as follows;

	(Millions of yen)	
	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	20	19

【Referential Data】

1. Referential Data on Consolidated Financial Results for the Three Months Ended June 30, 2024

(1) Commission Received

① Commission received by sources

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024	Change		FY2023
			Amount	%	
Brokerage commission	358	350	△8	△2.3	1,534
(Equities)	(354)	(343)	(△10)	(△3.0)	(1,512)
(Bonds)	(-)	(-)	(-)	(-)	(-)
(Beneficiary securities)	(3)	(6)	(2)	(67.2)	(21)
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	3	3	0	5.7	15
(Equities)	(3)	(3)	(0)	(5.7)	(15)
(Bonds)	(-)	(-)	(-)	(-)	(-)
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	164	303	138	84.0	873
Other commission received	83	139	55	66.7	399
Total	610	796	186	30.5	2,822

② Commission received by instruments

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024	Change		FY2023
			Amount	%	
Equities	358	348	△10	△3.0	1,531
Bonds	0	0	0	53.7	0
Beneficiary securities	246	440	193	78.8	1,273
Other	5	8	2	55.8	17
Total	610	796	186	30.5	2,822

(2) Net Trading Income

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024	Change		FY2023
			Amount	%	
Equities, etc.	48	128	79	162.1	39
Bonds, etc.	921	1,349	427	46.3	3,716
Other	△201	△132	68	—	△352
Total	769	1,344	575	74.8	3,402

(3) Consolidated Income Statement for the Latest Five Quarters

(Millions of yen)

	Quarter ended June 30, 2023	Quarter ended September 30, 2023	Quarter ended December 31, 2023	Quarter ended March 31, 2024	Quarter ended June 30, 2024
I. Operating revenue	1,831	2,180	1,360	2,357	2,641
1 Commission received	610	685	672	854	796
2 Net trading income	769	1,087	427	1,119	1,344
3 Financial revenue	437	403	260	383	496
4 Other operating revenue	14	4	0	0	4
II. Financial expenses	13	14	11	13	14
Net operating revenue	1,817	2,165	1,349	2,343	2,627
III. Selling, general and administrative expenses	1,191	1,243	1,174	1,116	1,380
1 Trading related expenses	138	153	144	146	179
2 Personal expenses	683	727	677	560	817
3 Real estate expenses	128	134	119	125	130
4 Office expenses	140	132	133	144	137
5 Depreciation	20	21	21	21	19
6 Taxes and dues	48	53	37	60	62
7 Provision of allowance for doubtful accounts	—	—	—	—	2
8 Other	31	21	39	57	30
Operating profit	626	922	174	1,227	1,247
IV. Non-operating income	557	210	84	303	494
V. Non-operating expenses	208	38	8	146	82
Ordinary profit	976	1,094	251	1,384	1,659
VI. Extraordinary income	647	833	282	1,015	760
VII. Extraordinary losses	70	57	14	93	5
Profit/Loss before income taxes	1,553	1,870	520	2,306	2,414
Income taxes - current	397	654	133	686	616
Income taxes - deferred	58	△73	43	6	133
Profit	1,096	1,289	342	1,613	1,664
Profit attributable to non-controlling interests	0	0	0	0	0
Profit attributable to owners of parent	1,096	1,289	342	1,613	1,664

2. Referential Data on Financial Results for the Three Months Ended June 30, 2024

(1) Capital Adequacy Ratio

(Millions of yen)

		As of June 30, 2023	As of June 30, 2024	As of March 31, 2024
Basic items (A)		42,782	44,027	42,388
Complementary items	Valuation difference on available for sale securities, etc.	1,625	3,676	3,789
	Reserve for financial products transaction liabilities reserves under special laws	14	20	19
	Allowance for doubtful accounts	10	12	9
Total (B)		1,650	3,709	3,818
Deductible assets (C)		8,345	11,163	10,091
Unfixed net capital (A)+(B)-(C) (D)		36,087	36,573	36,115
Amount of risk correspondents	Amount of risk correspondents	4,913	6,627	6,014
	Trade party risk equivalent	275	295	192
	Basic risk equivalent	1,148	1,193	1,207
Total (E)		6,337	8,117	7,413
Capital adequacy ratio (D)/(E)×100%		569.4%	450.5%	487.1%

(2) Number of Directors/Auditors and Employees

(persons)

	As of June 30, 2023	As of June 30, 2024	As of March 31, 2024
Directors and auditors	10	10	10
Employees	240	237	226