

Consolidated Financial Summary (for the three months ended June 30, 2021)

July 30, 2021

Company Name: Tokai Tokyo Financial Holdings, Inc.
 Stock Listings: First sections of the Tokyo Stock Exchange and Nagoya Stock Exchange
 Stock Code: 8616 URL: <http://www.tokaitokyo-fh.jp/>
 Representative: Ichirou Gouda, President
 Contact: Junichi Takahashi
 General Manager - Finance Planning Department
 Telephone: +81-(0)3-3517-8391

Expected date for submission of quarterly report: August 11, 2021
 Scheduled day of commencing dividend payment: —
 Supplementary explanation documents for quarterly earnings: Yes
 Quarterly results briefing planned: None

(Figures are rounded down to the nearest one million yen and those in parentheses are negative figures.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2021

(1) Consolidated Results of Operation

(Figures in percentages denote the year-on-year change.)

	Operating revenue		Net operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended										
June 30, 2021	19,973	30.0	19,447	32.3	2,480	118.9	3,061	138.6	7,007	725.0
June 30, 2020	15,365	14.0	14,696	13.1	1,132	—	1,283	—	849	231.7

(Note) Comprehensive income Three-month period ended June 30, 2021: 7,143 million yen [406.3%]

Three-month period ended June 30, 2020: 1,410 million yen [-]

	Net income per share	Diluted net income per share
	yen	yen
Three months ended		
June 30, 2021	28.22	28.15
June 30, 2020	3.42	—

(Note) We post no figure of diluted net income per share for the 1st Quarter of FYE March 2021 as the Company has no potential stock that has dilution effect.

(Note) From the 1st Quarter of FYE March 2022, the Company has made changes in the presentation method. Therefore, the operating income of previous year's consolidated results of operation reflect that.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of				
June 30, 2021	1,786,136	180,369	9.5	680.69
March 31, 2021	1,416,569	172,684	11.7	666.65

(Reference) Shareholders' equity June 30, 2021: 169,059 million yen March 31, 2021: 165,572 million yen

2. Dividends

(Base date)	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	End of year	Annual
Fiscal year	yen	yen	yen	yen	yen
Ended March 31, 2021	—	8.00	—	14.00	22.00
Ending March 31, 2022	—	—	—	—	—
Ending March 31, 2022 (Forecast)	—	—	—	—	—

(Note) 1) Revision to the dividend forecast that has been disclosed lastly: None

- The dividend of 8.00 yen at the end of second quarter for the year ending March 31, 2021 includes commemorative dividend of 2.00 yen.
- The dividend of 14.00 yen at the end of year for the year ended March 31, 2021 includes commemorative dividend of 2.00 yen.
- Dividend forecast for the fiscal year ending March 31, 2022 has not been determined.

3. Forecast of Consolidated Operating Results for Fiscal 2021 (from April 1, 2021 to March 31, 2022)

The Group operates principally in the financial instruments business, and its operating results are likely to be affected by market fluctuations. Due to such nature of its business and consequential difficulty in predicting its performance, the Group does not disclose the forecast of operating results.

* Notes

(1) Important Changes in Subsidiaries during the Term (Changes Pursuant to the Subsidiaries that Lead to a Change in the Scope of

Consolidation): Yes

New : 2 companies (ACE Securities Co.,Ltd. , Maruhachi Securities Co.,Ltd.)

Exclusion : None

(2) Application of Special Accounting Treatments in Preparing Quarterly Consolidated Financial Statements: None

(3) Changes in Accounting Policies or Estimates and Retrospective Restatements

1) Changes in accounting policies in accordance with revision of accounting standards: Yes

2) Changes in accounting policies other than item 1) above: None

3) Change in accounting estimates: None

4) Retrospective restatements: None

(4) Number of Shares Issued (Common Stock)

1) Number of shares issued at the end of the term including treasury shares

As of June 30, 2021:	260,582,115	As of March 31, 2021:	260,582,115
----------------------	-------------	-----------------------	-------------

2) Number of treasury shares at the end of the term

As of June 30, 2021:	12,218,808	As of March 31, 2021:	12,218,314
----------------------	------------	-----------------------	------------

3) Average number of shares outstanding (for the three months)

Three months ended June 30, 2021:	248,363,433	Three months ended June 30, 2020:	248,365,432
-----------------------------------	-------------	-----------------------------------	-------------

* This consolidated financial summary is not subject to certified public accountant's or audit corporation's review.

* Note to proper use of forecast of operating results and other special remarks

Dividends for the fiscal year ending March 31, 2022 have not been determined because it is difficult to forecast operating results, as described similarly in "3.Forecast of Consolidated Operating Results for Fiscal 2021."

* How to view supplementary explanation documents for quarterly earnings

Supplementary explanation documents for quarterly earnings will be available on both Timely Disclosure network and our website on Friday, July 30, 2021.

Accompanying Materials – Contents

1. Qualitative Information for the Three Months Ended June 30, 2021	2
(1) Review of Operating Results	2
(2) Review of the Financial Statements	6
(3) Explanation of Forecasts Such as Consolidated Financial Forecasts	7
2. Consolidated Financial Statements	8
(1) Consolidated Balance Sheets	8
(2) Consolidated Statements of Income and Comprehensive Income	10
(3) Notes to Quarterly Consolidated Financial Statements	13
(Notes on Going Concern Assumption)	13
(Notes for Material Changes in Shareholders' Equity)	13
(Changes in accounting policies)	13
(Additional information)	13
3. Supplementary Information	15
(1) Breakdown of Commission Received and Net Trading Income	15
(2) Comparative Quarterly Consolidated Statements of Income	16

1. Qualitative Information for the Three Months Ended June 30, 2021

(1) Review of Operating Results

Japanese Economy: During the period under review (April 1, 2021, to June 30, 2021), consumer spending remained weak, particularly in the services sector, after a third state of emergency was declared and then extended in coverage and duration. On the other hand, exports and production picked up thanks to economic recovery in overseas markets. The outlook is dominated by concerns about a possible surge in COVID-19 cases, but the Japanese economy appears on a moderate upward swing as promising signs of recovery have emerged, including an accelerated vaccine rollout and a recovery in manufacturing driven by renewed demand overseas.

Looking Abroad: Overseas markets showed signs of a rapid recovery following economic reopening in the US, UK, and other countries that achieved a wide vaccine inoculation. In April, the IMF upgraded its projection for global economic growth from 5.5% (the initial projection announced in January) to 6.0% (compared to minus 3.3% in 2020). Concerns remain over slow vaccine rollouts in emerging economies and the spread of new variants, but as things stand, the global economy remains on the path to normalization.

Japanese Stock Market: Starting at around ¥29,400 in April, the Nikkei Stock Average trended upward amid signs that the global economy was normalizing, topping the ¥30,000 mark at one point. The Nikkei then flagged, dipping below ¥27,500 in mid-May, following a further surge in COVID-19 cases in Japan and US inflation fears. In mid-June, the Nikkei rebounded to ¥29,400 in expectation of Japan's vaccine rollout. However, it dipped back below ¥28,000 after global stocks fell in response to Federal Reserve signaling a quantitative easing program at the June 15–16 meeting of the Federal Open Market Committee. Toward the end of June, the stock market started showing a tentative sign to push the Nikkei back up, and the index ended the month at the ¥28,700 mark. For the period under review (April 1 to June 30, 2021), the average daily transaction volume in the First Section of the Tokyo Stock Exchange was ¥2,896.9 billion, higher than the figure for the same period of previous fiscal year (which was ¥2,726.5 billion).

Japanese Bond Market: The yield on 10-year JGB, the indicator of long-term interest rates, started at 0.12% in April. On April 23, it was down to 0.06%, reflecting strong bond auctions and a decline in the long-term interest rates in the US. From late April to early June, the yield was jostled by economic fears in Japan amid another state of emergency, as well as by the reaction to the long-term US interest rates. The interest rates subsequently declined under the prediction that the Fed would be in no rush to end quantitative easing. So, the yield hit a period low of 0.025% on June 11. It then rebounded modestly, ending the period at 0.05%.

Foreign Exchange Market: The dollar-to-yen exchange rate opened in April at around 1 USD to 110 JPY. The yen then rose against the dollar, topping 107 JPY to the dollar on April 23, amid the concern over the delay in economic normalization in U.S. coupled with the predicted continuation of quantitative easing by the FRB. Subsequently, with economic indicators continuing to point in a good direction, hopes of an early recovery in the US economy grew. This trend, combined with progress in the vaccine inoculation in U.S. prompted risk-on buying of the dollar and selling of the Yen. At the close of the period, a dollar fetched upwards of 111 JPY, a period high.

In April 2021, we embarked on the final year of our five-year business plan, New Age's Flag Bearer 5. As our focus of this year, we aim to expand the business foundation of the group. Toward this aim, we strengthen the earning capacity of Tokai Tokyo Securities, and we will achieve the results in four strategic areas: 1) Orque d'or Society and Orque d'or Ecosystem, 2) support program for regional banks, 3) Tokai Tokyo Digital World, and 4) the Great Platform. These actions will accelerate our evolution into a comprehensive financial group that can meet the increasingly diverse and sophisticated needs of individual and corporate customers.

One of strategic priorities in New Age's Flag Bearer 5 is to pursue M&A opportunities with industry peers. In May, Tokai Tokyo Securities gained full ownership of Ace Securities Co., Ltd. Having absorbed Takagi Securities in September 2019, the company now aims to do the same with Ace Securities. So, we started discussion with Ace Securities trying to complete the merger by the end of the first half of fiscal 2022. We, in the end, structure the merger whereas Ace Securities is a merged entity and Tokai Tokyo Securities is the surviving entity. With a view to expanding and enhancing business foundation in Kansai area, we will unlock synergies while continuing discussion with Ace Securities.

About a support program for regional banks, one of the four strategic themes, we entered into a comprehensive business partnership with The Tochigi Bank, Ltd., in April, with whom we have a securities joint venture, Tochigin Tokai Tokyo Securities Co., Ltd. We are pleased with a steady operating results shown by the securities joint ventures we have developed together with the Tochigi Bank, a prominent regional bank. We, however, want to go further and break the mold of the conventional securities joint venture. We and the partner will widen the range of collaboration in providing banking and securities services, focusing on some key task areas such as wealthy customers, corporate customers, digital services, employees training, and asset management solutions. This approach should lead us and the partner to secure stronger customer confidence and contribute to the well-being of more local communities.

In May, we signed a memorandum of understanding (MoU) and launched negotiations for a brokerage tie-up with Fidea Holdings Co., Ltd., a regional banking group based in Yamagata and Akita prefectures. The MOU, not only indicates agreement to launch the brokerage tie-up per se, it formalizes mutual commitment to exploring a comprehensive business partnership across a wide range of services, including those for wealthy customers (such as family trust services), M&As as part of succession planning, corporate clients, and those related to FinTech including smartphone trading apps.

Additionally, in the same month, we invested ¥1 billion in Japan Platform of Industrial Transformation, Inc. (JPiX), an investment vehicle that Industrial Growth Platform, Inc., (IGPI) established to support local economic development. The purpose of this investment is to give a further boost to our on-going efforts to vitalize local economies by working together with prominent regional banks and by operating the joint securities ventures we formed with them. We are the only securities firm with a stake in JPiX. The idea behind JPiX—to take on the task of regional economic revitalization and provide a long-lasting and sustainable financial platform—aligns with our own vision of contributing to more local communities. We will step up our efforts to make contribution to customers in local communities and regional economies. For

these purposes by the said investment and other measures such as dispatching human resources to JPiX, and work together with them in building the platform.

We are also pleased to report that we have gained recognition for our implementation of cutting-edge digital strategy and our endeavor to prepare infrastructure for remote working. In June, we were listed among the DX Stocks 2021 in a program run by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. This listing marks a step up from last year, when we were listed among the Noteworthy DX Companies 2020. It certifies our commitment to a digital transformation, in which we use digital technology to revolutionize our business model and create new opportunities for growth and competitiveness. As part of this commitment, we are working to realize the idea of Tokai Tokyo Digital World, which provides unique and innovative platforms by using state of the art FinTech capability. We have already released an asset management application, Okane no Compass from our subsidiary, Money Compass Japan Co., Ltd.

In a further step, we will launch digital technology-based services this autumn and the said services include security tokens, cryptoassets, a robo-advisor, small-change investment, and digital/community currencies. Our efforts on this front will help us meet the financial needs of regional banks and corporate clients.

The period under review saw leadership changes. In June, Tokai Tokyo Financial Holdings and Tokai Tokyo Securities appointed new representative directors. Alongside this change, the office of CEO was abolished and a new joint leadership was introduced, the two leaders being Tateaki Ishida (Chairman and Representative Director) and Ichiro Goda (President and Representative Director). This move was made to add depth to leadership of the corporate group. Having accomplished a number of strategic objectives, our corporate group now has a much larger and more diverse operations, and this situation called for better decision-making on difficult matters at the top. The shift to joint leadership formed part of a succession plan and was made following consultation with experts outside the Company, outside directors, and the Nomination and Compensation Committee. The people concerned agreed that the changes were necessary to ensure leadership stability and continuity.

The new representative director of Tokai Tokyo Securities is Masataka Sato, who has played a leading role in advancing the group's corporate strategy. In his new role, Sato will focus on integrating strategy with business execution to enhance synergy across the group. Under the new leadership, the entire group is committed to adapting to changes in the securities industry, enhancing customer services, and contributing toward the group's enterprise value.

Amid the ongoing pandemic, we kept prioritizing anti-infection measures to safeguard the life and health of customers and staff. In July we started a vaccination program for staff and their families. We will maintain anti-infection measures and continue to cooperate with the relevant organizations in fighting the virus.

In the period under review, our corporate strategy underwent no major changes. Our medium-term goals remain a return on equity of 10%, ¥30 billion in ordinary income, and ¥10 trillion in assets in custody.

The Group's consolidated operating results up to the period were as follows:

All percentages shown below indicate year-on-year comparisons in this section (1).

(Commission received)

During the period under review, total commissions received increased 29.4%, to ¥9,504 million.

(i) Commission to consignees:

Total commissions to consignees earned by the Group decreased 5.3%, to ¥3,485 million. Under this category, volume of stock brokered by Tokai Tokyo Securities decreased 16.4%, to 655 million shares, due to fewer transactions with individual investors, and value of stock brokered decreased 8.0%, to ¥1,311,100 million. Consequently, commissions to consignees on stocks decreased 4.1%, to ¥3,350 million.

(ii) Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors:

Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors totaled ¥436 million, an increase of 187.2%. Under this category, commission earned by handling of stock totaled ¥292 million, an increase of 313.2%, while commission on bonds totaled ¥143 million, an increase of 77.1%.

(iii) Fees for offering, secondary distribution and solicitation for selling and others for professional investors:

The total was ¥2,844 million, an increase of 140.6%. Under this category, fees from beneficiary certificates increased 141.4% to ¥2,842 million, reflecting the increased sales capacity due to newly added group companies and higher sales of investment trusts, achieved, particularly, by Tokai Tokyo Securities to individual customers.

(iv) Other fees received:

Other fees earned increased ¥2,738 million, an increase of 17.5%. Under this category, agency commissions from investment trusts increased 69.5%, to ¥1,408 million, and insurance commissions increased 35.3%, to ¥823 million.

(Net trading income)

Net trading income totaled ¥9,587 million, an increase of 32.5%. Under this category, net trading income decreased 5.6%, to ¥5,086 million. Trading of bonds and foreign exchanges, which, for income generation, primarily depends on foreign currency-denominated bonds and structure bonds, increased 143.6%, to ¥4,500 million.

(Net financial revenue)

Net financial revenue increased 202.8%, to ¥355 million. Under this category, financial revenue increased 12.2%, to ¥881 million, while financial expenses decreased 21.2%, to ¥526 million.

(Selling, general and administrative expenses)

Selling, general and administrative expenses totaled ¥16,966 million, an increase of 25.1%. Under this category, trading-related expenses increased 52.4%, to ¥3,272 million, due to increased commission expenses linked to higher volume of foreign bond sales achieved by joint securities ventures, and an increase in number of group companies. The enlarged group formation also caused personnel costs to increase by 21.6%, to ¥8,013 million. Similarly, real estate expenses increased 15.3%, to ¥1,959 million, and office expenses increased 22.9%, to ¥2,034 million.

(Non-operating income and expenses)

Non-operating income totaled ¥605 million, an increase of 242.9%. Under this category, equity-method investments totaled ¥341 million, while dividend income totaled ¥221 million. Non-operating expenses totaled ¥23 million, a decrease of 10.3%. Under this category, loss on investments in investment partnerships totaled ¥10 million, and foreign exchange losses totaled ¥7 million.

(Extraordinary income and losses)

In the period under review, we recorded extraordinary income: primarily, ¥8,268 million in gain on negative goodwill realization following the full acquisition of Ace Securities. We also recorded extraordinary loss in conjunction with the said acquisition: ¥2,473 million as a result of reevaluation of Ace Securities shares owned by us. We reevaluated the subject shares as Ace Securities changed its status from our equity-method-affiliate to the wholly owned subsidiary.

Consequently, in the period under review, operating revenue increased 30.0%, to ¥19,973 million; net operating revenue increased 32.3%, to ¥19,447 million; operating income totaled increased 118.9%, to ¥2,480 million; ordinary income increased 138.6%, to ¥3,061 million; finally, profit attributable to owners of parent after deducting income taxes and others increased 725.0%, to ¥7,007 million.

(2) Review of the Financial Statements

All comparison shown below are with the end of the previous consolidated fiscal year in this section (2).

(Assets)

As of the end of the period under review, total assets amounted to ¥1,786,136 million, an increase of ¥369,566 million. Under this category, current assets increased ¥371,521 million to ¥1,714,198 million. The key contributors were trading products (assets), which increased ¥162,180 million to ¥750,279 million, and loans secured by securities, which increased ¥256,460 million to ¥664,289 million. Partially offsetting these increases were margin transaction assets, which decreased ¥35,029 million, to ¥65,420 million, and short-term guarantee deposits, which decreased ¥8,303 million, to ¥29,611 million. Non-current assets decreased ¥1,954 million, to ¥71,938 million. The main contributor was investment securities, which decreased ¥5,918 million to ¥42,236 million.

(Liabilities)

Total liabilities as of the end of the period under review increased ¥361,882 million to ¥1,605,767 million. Under this category, current liabilities increased ¥357,712 million to ¥1,500,785 million. The main increases were in trading products (liabilities), which increased ¥188,359 million, to ¥567,652 million, and borrowings secured by securities, which increased ¥211,351 million, to ¥580,022 million. Partially offsetting these increases was short-term borrowings, which decreased ¥60,860 million, to ¥183,925 million. Non-current liabilities increased ¥4,104 million, to ¥104,281 million. The main factor was bonds payable, which increased ¥3,510 million, to ¥15,373 million.

(Net assets)

In the period under review, total net assets amounted to ¥180,369 million, an increase of ¥7,684 million. Under this category, non-controlling interests increased ¥4,185 million, to ¥10,855 million, and retained earnings increased ¥3,530 million, to ¥110,921 million.

(3) Explanation About Consolidated Forecasts and other Forward-Looking Statements

The Group operates principally in the financial instruments business, and its operating results are likely to be affected by market fluctuations. Because of the nature of its business and the consequent difficulty in predicting its future performance, the Company does not disclose forecasts of operating results.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: million yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	83,589	93,069
Cash segregated as deposits	83,622	79,723
Cash segregated as deposits for customers	80,800	76,800
Cash segregated as deposits for others	2,821	2,923
Trading products	588,098	750,279
Trading securities and other	583,391	745,841
Derivatives	4,706	4,437
Margin transaction assets	100,450	65,420
Loans on margin transactions	34,362	51,832
Cash collateral pledged for securities borrowing on margin transactions	66,087	13,588
Loans secured by securities	407,829	664,289
Cash collateral pledged for securities borrowed	28,756	109,355
Loans on Gensaki transactions	379,072	554,933
Advances paid	8,395	718
Short-term guarantee deposits	37,915	29,611
Short-term loans receivable	14,492	17,469
Accrued income	4,189	3,333
Other	14,196	10,382
Allowance for doubtful accounts	(101)	(99)
Total current assets	1,342,676	1,714,198
Non-current assets		
Property, plant and equipment	10,740	10,932
Intangible assets	5,594	6,014
Investments and other assets	57,557	54,990
Investment securities	48,155	42,236
Long-term guarantee deposits	3,862	5,424
Deferred tax assets	35	53
Retirement benefit asset	4,446	6,225
Other	1,423	1,415
Allowance for doubtful accounts	(364)	(365)
Total non-current assets	73,893	71,938
Total assets	1,416,569	1,786,136

(Unit: million yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Trading products	379,293	567,652
Trading securities and other	370,371	557,319
Derivatives	8,921	10,333
Trade date accrual	9,240	5,887
Margin transaction liabilities	11,555	22,744
Borrowings on margin transactions	9,128	20,404
Cash received for securities lending on margin transactions	2,426	2,339
Borrowings secured by securities	368,671	580,022
Cash received on debt credit transaction of securities	4,123	4,050
Borrowings on Gensaki transactions	364,547	575,972
Deposits received	72,419	81,541
Guarantee deposits received	12,626	14,792
Short-term borrowings	244,786	183,925
Short-term bonds payable	16,000	15,900
Current portion of bonds payable	17,510	18,995
Income taxes payable	2,414	932
Provision for bonuses	2,283	1,071
Provision for directors' bonuses	57	8
Other	6,214	7,312
Total current liabilities	1,143,073	1,500,785
Non-current liabilities		
Bonds payable	11,863	15,373
Long-term borrowings	84,200	83,700
Deferred tax liabilities	1,290	2,214
Provision for retirement benefits for directors (and other officers)	92	99
Retirement benefit liability	163	239
Other	2,566	2,654
Total non-current liabilities	100,176	104,281
Reserves under special laws		
Reserve for financial instruments transaction liabilities	635	700
Total reserves under special laws	635	700
Total liabilities	1,243,884	1,605,767
Net assets		
Shareholders' equity		
Share capital	36,000	36,000
Capital surplus	24,587	24,587
Retained earnings	107,390	110,921
Treasury shares	(5,292)	(5,292)
Total shareholders' equity	162,685	166,216
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,490	1,171
Foreign currency translation adjustment	(571)	(166)
Remeasurements of defined benefit plans	1,967	1,837
Total accumulated other comprehensive income	2,886	2,843
Share acquisition rights	442	454
Non-controlling interests	6,669	10,855
Total net assets	172,684	180,369
Total liabilities and net assets	1,416,569	1,786,136

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income
(Three months ended June 30)

(Unit: million yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Operating revenue		
Commission received	7,344	9,504
Brokerage commission	3,679	3,485
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	151	436
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	1,182	2,844
Other fees received	2,331	2,738
Net trading income	7,234	9,587
Financial revenue	785	881
Total operating revenue	15,365	19,973
Financial expenses	668	526
Net operating revenue	14,696	19,447
Selling, general and administrative expenses		
Trading related expenses	2,147	3,272
Personnel expenses	6,590	8,013
Real estate expenses	1,700	1,959
Office expenses	1,655	2,034
Depreciation	772	690
Taxes and dues	304	495
Provision of allowance for doubtful accounts	1	—
Other	391	500
Total selling, general and administrative expenses	13,563	16,966
Operating income	1,132	2,480
Non-operating income		
Dividend income	130	221
Share of profit of entities accounted for using equity method	7	341
Gain on investments in investment partnerships	1	0
Other	37	40
Total non-operating income	176	605
Non-operating expenses		
Loss on investments in investment partnerships	10	10
Foreign exchange losses	12	7
Other	3	5
Total non-operating expenses	26	23
Ordinary income	1,283	3,061

(Unit: million yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Extraordinary income		
Gain on sales of non-current assets	—	66
Gain on sales of investment securities	1	72
Gain on bargain purchase	—	8,268
Reversal of reserve for financial instruments transaction liabilities	123	0
Total extraordinary income	124	8,409
Extraordinary losses		
Loss on sales of investment securities	—	87
Loss on valuation of investment securities	213	229
Loss on change in equity	—	36
Loss on step acquisitions	—	2,473
Total extraordinary losses	213	2,827
Income before income taxes	1,194	8,644
Income taxes-current	121	601
Income taxes-deferred	(126)	869
Total income taxes	(4)	1,471
Profit	1,198	7,172
Profit attributable to non-controlling interests	349	165
Profit attributable to owners of parent	849	7,007

Consolidated Statements of Comprehensive Income
(Three months ended June 30)

(Unit: million yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Profit	1,198	7,172
Other comprehensive income		
Valuation difference on available-for-sale securities	446	(306)
Foreign currency translation adjustment	(192)	405
Remeasurements of defined benefit plans, net of tax	(64)	(130)
Share of other comprehensive income of entities accounted for using equity method	22	0
Total other comprehensive income	211	(29)
Comprehensive income	1,410	7,143
(Comprehensive income attributable to)		
Owners of parent	1,061	6,964
Non-controlling interests	349	178

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on going-concern assumptions)

Not applicable

(Notes on significant change (if any) in amount of shareholder equity)

Not applicable

(Changes in accounting policies)

(Application of revenue-recognition standard)

As of the start of the period under review, we now apply the ASBJ's Accounting Standard for Revenue Recognition (Statement No. 29, March 31, 2020). Under this standard, the amount of consideration the Company will receive in exchange for promised goods or services is recognized as gross revenue at the point the goods or services are transferred to the customer.

In accordance with the transitional measure stipulated in the ASBJ statement in the proviso for section 84, the opening balance for retained earnings in the period under review has been adjusted to account for the cumulative impact of retroactively applying the standard to previous periods. This adjustment has no impact on the opening balance.

Application of the standard has only a negligible impact on the consolidated financial statements for the period under review.

(Accounting standard for fair value measurement)

As of the start of the period under review, we now apply the ASBJ's Accounting Standard for Fair Value Measurement (Statement No. 30, July 4, 2019). In accordance with the transitional measures stipulated in section 19 of the statement and in section 44-2 of the ASBJ's Accounting Standard for Financial Instruments (Statement No. 10, July 4, 2019), the standard is applied only prospectively (not retroactively). Application of the standard has only a negligible impact on the consolidated financial statements for the period under review.

(Additional information)

(Change in presentation method)

(Quarterly consolidated financial statements)

Previously, employee housing expenses borne by the employee were inputted into the "rental income from buildings" entry under non-operating income. As of the period under review, they are now deducted from the "real estate expenses" entry under selling, general and administrative expenses. This new method was introduced in order to represent more accurately the financial realities of the employee welfare program.

The change has been retroactively applied to the quarterly consolidated statements for the fiscal year ended March 2020. Previously, the statements had recorded ¥121 million in the "rental income from

buildings” entry under non-operating income. Now, ¥117 million has been deducted from the “real estate expenses” entry under selling, general and administrative expenses, and ¥3 million has been inputted into the “other” entry under non-operating income.

Supplementary Information

(1) Breakdown of Commission Received and Net Trading Income

① Commission received

(i) By item

(Unit: million yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021	Yr/Yr	
			Increase (Decrease)	% change
Brokerage commission	3,679	3,485	(193)	(5.3) %
Stocks	3,495	3,350	(144)	(4.1)
Bonds	5	6	1	19.9
Beneficiary certificates	177	127	(49)	(28.1)
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	151	436	284	187.2
Stocks	70	292	221	313.2
Bonds	81	143	62	77.1
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	1,182	2,844	1,661	140.6
Beneficiary certificates	1,177	2,842	1,665	141.4
Other fees received	2,331	2,738	407	17.5
Beneficiary certificates	830	1,408	577	69.5
Total	7,344	9,504	2,160	29.4

(ii) By product

(Unit: million yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021	Yr/Yr	
			Increase (Decrease)	% change
Stocks	3,582	3,659	76	2.1 %
Bonds	93	154	60	64.9
Beneficiary certificates	2,186	4,379	2,192	100.3
Others	1,481	1,311	(169)	(11.5)
Total	7,344	9,504	2,160	29.4

② Net trading income

(Unit: million yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021	Yr/Yr	
			Increase (Decrease)	% change
Stocks	5,387	5,086	(300)	(5.6) %
Bonds and Forex	1,847	4,500	2,652	143.6
Total	7,234	9,587	2,352	32.5

(2) Comparative Quarterly Consolidated Statements of Income

(Unit: million yen)

	Fiscal 2020				Fiscal 2021
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter
	Apr. 1, 2020 - Jun. 30, 2020	Jul. 1, 2020 - Sep. 30, 2020	Oct. 1, 2020 - Dec. 31, 2020	Jan. 1, 2021 - Mar. 31, 2021	Apr. 1, 2021 - Jun. 30, 2021
Operating revenues					
Commission received	7,344	7,327	8,012	8,489	9,504
Brokerage commission	3,679	3,044	3,640	3,571	3,485
(Stocks)	3,495	2,984	3,546	3,503	3,350
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	151	329	266	328	436
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	1,182	1,534	1,698	2,046	2,844
(Beneficiary certificates)	1,177	1,534	1,695	2,042	2,842
Other fees received	2,331	2,418	2,407	2,542	2,738
(Beneficiary certificates)	830	884	930	1,001	1,408
Net trading income	7,234	8,778	9,104	8,891	9,587
(Stocks)	5,387	5,754	5,626	5,601	5,086
(Bonds and Forex)	1,847	3,023	3,478	3,289	4,500
Financial revenue	785	828	588	1,977	881
Total operating revenue	15,365	16,933	17,705	19,358	19,973
Financial expenses	668	709	515	428	526
Net operating revenue	14,696	16,224	17,190	18,929	19,447
Selling, general and administrative expenses					
Trading related expenses	2,147	2,546	2,747	2,768	3,272
Personnel expenses	6,590	6,810	6,925	7,175	8,013
Real estate expenses	1,700	1,676	1,709	1,708	1,959
Office expenses	1,655	1,598	1,758	1,744	2,034
Depreciation	772	743	776	893	690
Taxes and dues	304	365	311	385	495
Provision of allowance for doubtful accounts	1	4	27	43	—
Other	391	431	386	254	500
Total selling, general and administrative expenses	13,563	14,176	14,640	14,974	16,966
Operating profit	1,132	2,047	2,549	3,955	2,480
Non-operating income	176	826	589	1,641	605
Share of profit of entities accounted for using equity method	7	338	492	753	341
Other	169	488	97	887	263
Non-operating expenses	26	131	42	170	23
Other	26	131	42	170	23
Ordinary profit	1,283	2,742	3,096	5,426	3,061
Extraordinary income	124	—	103	89	8,409
Extraordinary losses	213	9	48	(232)	2,827
Profit before income taxes	1,194	2,733	3,151	5,748	8,644
Income taxes-current	121	557	1	1,551	601
Income taxes-deferred	(126)	220	570	(132)	869
Profit	1,198	1,955	2,578	4,329	7,172
Profit attributable to non-controlling interests	349	106	190	322	165
Profit attributable to owners of parent	849	1,849	2,388	4,007	7,007

(Note) The Company has made changes in the presentation methods of "Real estate expenses" and "Other in the Non-operating income" since fiscal 2021. The quarterly consolidated financial statements for fiscal 2020 reflect these changes.