

Consolidated Financial Summary (for the six months ended September 30, 2021)

October 29, 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/>
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Expected date for submission of quarterly report: November 15, 2021
 Scheduled day of commencing dividend payment: November 25, 2021
 Supplementary explanation documents for quarterly earnings: Yes
 Quarterly results briefing planned: Yes (for financial analysts and institutional investors)

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

1. Consolidated Financial Results for the Six Months Ended September 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	%
Six months ended										
September 30, 2021	40,543	25.5	39,428	27.5	5,654	77.8	7,113	76.7	9,910	267.2
September 30, 2020	32,298	12.8	30,921	11.6	3,180	—	4,025	—	2,698	318.5

(Note) Comprehensive income Six-month period ended September 30, 2021: 10,215 million yen [221.8%]
 Six-month period ended September 30, 2020: 3,174 million yen [-]

	Net income per share	Diluted net income per share
	yen	yen
Six months ended		
September 30, 2021	39.90	39.80
September 30, 2020	10.87	—

(Note) We post no figure of diluted net income per share for the 2nd 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				
September 30, 2021	1,521,658	184,651	11.3	692.23
March 31, 2021	1,416,569	172,684	11.7	666.65

(Reference) Shareholders' equity September 30, 2021: 171,924 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	—	10.00	—	—	—
Ending March 31, 2022 (Forecast)	—	—	—	—	—

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

2) 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.

3) 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.

4) 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 September 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 September 30, 2021: 12,219,364 As of March 31, 2021: 12,218,314
3) Average number of shares outstanding (for the six months)
Six months ended September 30, 2021: 248,363,202 Six months ended September 30, 2020: 248,365,274

* 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, October 29, 2021.

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1. Qualitative Information for the Six Months Ended September 30, 2021

(1) Review of Operating Results

Japanese Economy: During the period under review (April 1, 2021, to September 30, 2021), the recovery of consumer spending remained weak as the Government had announced the extension of the state of emergency together with the expansion of applicable geographic areas in response to a rapid spread of corona virus infections. On the supply side, various manufacturers, most notably automakers, were forced to slash production because of a global shortage of their parts, including microchips among other things. The picture, however, was not entirely bleak: Hopes of economic reopening rose when the Government announced that it would fully lift the state of emergency by the end of September in view of the success of the vaccine rollout and the resulting significant reduction of newly infected cases. Moreover, markets showed confidence in Kishida's new economic policy. As such, the path appears prepared for the nation's economic normalization.

Looking Abroad: Overseas markets continued to recover as economies reopened thanks to the global vaccine rollout. However, with demand rapidly recovering amid economic normalization, supply-chain problems emerged. The problems, which include parts shortages, rising costs of goods, transportation, labor, energy, and logistics delays, threaten to hold back further economic recovery, particularly in developed economies. Another concern is the threat of prolonged rises in inflation. Thus, the global outlook hinges now on how soon the supply-chain problems and inflation will abate.

Japanese Stock Market: Starting at around ¥29,400 in April, the Nikkei Stock Average slackened during the summer amid rising infections and a slow vaccine rollout, dipping to a yearly low of ¥26,954 in August. The Nikkei then rebounded due to the above-stated reopening of the economy. Further, at the beginning of September, the Nikkei's rise accelerated when Yoshihide Suga announced his resignation as prime minister. By the middle of the month, the Nikkei topped the ¥30,000 mark, recording, along with the Tokyo Stock Price Index, a roughly 31-year high. Toward the end of the month, the Nikkei dipped below the ¥30,000 mark in response to, among other things, problems in China's real estate market and a slump in the U.S. stock market. It ended the month upwards of ¥29,400.

For the April–September period, the average daily transaction volume in the First Section of the Tokyo Stock Exchange was ¥2,971.1 billion, higher than the figure for the same period of the previous fiscal year, which was ¥2,599.3 billion.

Japanese Bond Market: The yield on 10-year JGB, the indicator of long-term interest rates, started at 0.12% in April. On August 4, the yield hit a period low of zero, reflecting declining long-term interest rates in the U.S. and market pessimism in Japan's economy caused by the declared state of emergency. With the yield hovering around the zero mark, a sense that bonds were overvalued emerged, prompting mixed trading. The jostling continued as the yield trended a little above zero. However, this situation changed once the Federal Open Market Committee (FOMC) signaled a hawkish direction at the end of its September meeting (held on the 21st and 22nd). Following this announcement, the U.S. long-term interest rate rose, topping the 1.5% mark. Likewise, the 10-year JGB trended upward, ending the September transaction at a yield of 0.065%.

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 the U.S. coupled with the predicted continuation of quantitative easing by the Federal Reserve. The dollar then rose against the yen as the U.S. saw continued improvements in economic indices and made progress in its vaccine rollout. On July 2, the dollar fetched 111 yen. Subsequently, the dollar trended between 109 and 110 yen until the FOMC's announcement in September, which prompted higher U.S. interest rates. At the end of September, the dollar reached a period high of 112 yen.

The Company's Activity:

In April 2021, we embarked on the final year of our five-year business plan, New Age's Flag Bearer 5. Our focus of this year is to expand the business foundation of the Group. To that end, in addition to strengthening the earning capacity of Tokai Tokyo Securities, we are grappling with four future strategies advancing the following actions:

1) promoting Orque d'or Society and Orque d'or Ecosystem, 2) implementing support programs for regional banks, 3) establishing Tokai Tokyo Digital World, and 4) making the Great Platform a reality. These actions will accelerate our evolution into an innovative and comprehensive financial group that can meet the increasingly diverse and sophisticated needs of individual and corporate customers.

In October, Tokai Tokyo Securities opened the Investment Advisory Department inside its Global Market Company Division. The new unit was formed to provide asset management services, including asset analysis and product suggestions, to "specified investors" (a legally defined category of professional investors, including regional banks). To help such clients manage their investments and attain their investment targets within their acceptable risk threshold, the team will combine rigorous research-based analysis with an ability to pitch and deliver compelling products to match the client's needs.

Last August, Tokai Tokyo Securities opened a new office, Jyoto Regional Hub Office and consolidated other offices in the east of the Greater Tokyo Area to strengthen its sales functions and improve the efficiency of management resource allocation in that region. Jyoto Regional Hub Office now serves as the main office, while others serve as its satellites. Better customer convenience and a slicker customer interface will help strengthen our consulting business. It will devote plenty of time to meeting with clients, giving us more opportunity to ascertain their needs and offer better solutions.

One of our 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., and we started discussions for completing a full merger (with ACE Securities as the merged entity and Tokai Tokyo Securities as the surviving entity). Having had agreed that the merger would occur in the first half of fiscal 2022, the parties settled on May 1, 2022 as the merger date. Through this merger, we will unlock synergies to expand and enhance our business foundation in Kansai area.

Another strategic priority is to provide a support program for regional banks. In April, we concluded a comprehensive business partnership with The Tochigi Bank, Ltd., with whom we have a securities joint

venture. In August, we signed a memorandum of understanding (MoU) with Senshu Ikeda Holdings, Inc., to cooperate in providing services to corporate clients. We are pleased with the results of our partnerships with the said prominent regional banks, but we want to go further and break the mold of the conventional securities joint venture. Together with such partner banks, we will strengthen cooperation between the banks and securities firms to bolster the range of products and services that the joint venture firms can offer. This approach should lead to a stronger customer base and contribute to the social fabric of more local communities. In May, we signed an MoU and launched negotiations for a brokerage tie-up with Fidea Holdings Co., Ltd., a regional banking group based in Yamagata and Akita. The MoU execution and the subsequent negotiations with Fidea materialized in service contracts with The Shonai Bank, Ltd., and The Hokuto Bank, Ltd., concerning financial instruments intermediary services. Thus, Tokai Tokyo Securities started performing its contracted services in October. Through these partnerships, we will expand the regional coverage of our financial instrument brokerage.

Additionally, in May, 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 accelerate our efforts to revitalize local economies in cooperation with our joint securities ventures and the partners with whom we formed such joint ventures. JPiX's endeavor to revitalize regional economies and our efforts to build a long-lasting and sustainable financial platform are mutually complementary elements to accomplish our vision of contributing to more local communities. We will step up our efforts to contribute to customers in local communities and regional economies by both contributing equity and sending our staff to them as well as working together to build the platform.

We are pleased to report that we have gained recognition for our cutting-edge digital program and efforts 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 recognizes 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. An example of this commitment is a project we named "Tokai Tokyo Digital World" under which we envision providing unique and innovative FinTech platforms. So far under this project, we have released an asset management application, "*Okane no Compass*", from our subsidiary, Tokai Tokyo Digital Platform Co., Ltd., (formerly known as Money Compass Japan Co., Ltd.; the present name was adopted on October 25, 2021). We are about to launch a range of smartphone-based trading services, which will include security tokens, crypto-assets, a robo-advisor, small-change investing, and digital/community currencies. Our efforts on this front will help us meet the financial needs of regional banks and corporate clients.

Our entire corporate Group strives to attain the Sustainable Development Goals (SDGs) listed in the U.N.'s 2030 Agenda. We established the SDGs Promotion Department in May 2020 and published the SDG Pledge in September of that year. Illustrating our commitment to environmental sustainability, we switched to renewable energy in our office in July this year. The switch was made under an agreement with the office landlord, Mitsui Fudosan Co., Ltd.

In a further step toward sustainability, we underwrote gender bond (social bond) and green bond in the role of co-manager for two programs. The former was issued by the Japan International Cooperation Agency in September. The latter was issued by the Tokyo Metropolitan Government in October. Our participation in these programs helps us contribute toward the resolution of social and environmental challenges to sustainability alongside our investors.

In October, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures* (TCFD recommendations), being fully aware of the crucial importance of attaining SDGs as a member responsible for a financial and capital market. Recognizing the increasing threat of climate change around the world, we have committed to ascertaining more precisely the climate-related risks and opportunities on our businesses and to disclosing this information in line with the TCFD recommendations.

Amid the ongoing pandemic, we prioritized anti-infection measures to safeguard the life and health of customers and ourselves at the Group. We maintained these measures even after the state of emergency was completely lifted at the end of September. We will continue to monitor the situation and act as necessary.

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

On April 4, 2022, the Tokyo Stock Exchange (TSE) will realign its trading markets into Prime (the top-tier market), Standard, and Growth. The TSE has informed us that our organization qualifies for listing on Prime. We will complete the application procedure and tighten corporate governance to ensure that we make the listing.

*Task Force on Climate-related Financial Disclosures:

The TCFD was established in 2015 by the G20 Financial Stability Board in order to improve reporting of climate-related information. In 2017, the TCFD published recommendations for improving corporate disclosures of climate-related risks and opportunities and their potential financial impacts.

Operating Results:

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 30.5%, to ¥19,147 million.

(i) Commission to consignees:

Total commissions to consignees earned by the Group increased 4.6%, to ¥7,035 million. Under this category, volume of stock brokered by Tokai Tokyo Securities decreased 15.8%, to 1,253 million shares, and value of stock brokered decreased 3.6%, to ¥2,669,600 million. However, because the Group has increased in size, commissions to consignees on stocks increased 3.9%, to ¥6,730 million.

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

professional investors:

This item totaled ¥747 million, an increase of 55.2%. Under this category, commission earned by handling of stock totaled ¥408 million, an increase of 40.5%, while commission on bonds totaled ¥338 million, an increase of 77.7%.

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

This item totaled ¥5,470 million, an increase of 101.4%. Under this category, fees from beneficiary certificates increased 101.5% to ¥5,464 million, reflecting the larger number of group companies and higher sales of investment trusts by Tokai Tokyo Securities to individual customers.

(iv) Other fees received:

This item totaled ¥5,894 million, an increase of 24.1%. Under this category, agency commissions from investment trusts increased 69.4%, to ¥2,907 million, and insurance commissions increased 15.9%, to ¥1,699 million.

(Net trading income)

Net trading income totaled ¥17,582 million, an increase of 9.8%. Under this category, net trading income decreased 19.8%, to ¥8,936 million, and trading of bonds and foreign exchanges (primarily from foreign currency-denominated bonds and structure bonds) increased 77.5%, to ¥8,646 million.

(Net financial revenue)

Net financial revenue totaled ¥2,697 million, an 11-fold increase. Under this category, financial revenue increased 136.2%, to ¥3,813 million, while financial expenses decreased 19.0%, to ¥1,115 million.

(Selling, general and administrative expenses)

Selling, general and administrative expenses totaled ¥33,773 million, an increase of 21.7%. Under this category, trading-related expenses increased 36.4%, to ¥6,402 million, due to factors such as a higher number of group companies and an increased commission expenses resulting from a larger volume of foreign bond sales by joint securities ventures. The higher number of group companies also caused personnel costs to increase by 20.0%, to ¥16,085 million. Similarly, real estate expenses increased 14.8%, to 3,875 million, and office expenses increased 26.0%, to ¥4,100 million.

(Non-operating income and expenses)

Non-operating income totaled ¥1,614 million, an increase of 61.0%. Under this category, equity-method investments income totaled ¥957 million, while dividend income totaled ¥282 million. Non-operating expenses ¥155 million, a decrease of 1.3%. Under this category, loss on investments in investment partnerships totaled ¥115 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 25.5%, to ¥40,543 million; net operating revenue increased 27.5%, to ¥39,428 million; operating income increased 77.8%, to ¥5,654 million; ordinary income increased 76.7%, to ¥7,113 million; finally, profit attributable to owners of parent after deducting income taxes and others increased 267.2%, to ¥9,910 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 ¥1,521,658 million, an increase of ¥105,089 million. Under this category, current assets increased ¥106,103 million to ¥1,448,780 million. The key contributors were margin transaction assets, which increased ¥55,727 million to ¥156,177 million, and loans secured by securities, which increased ¥35,624 million to ¥443,453 million. Partially offsetting these increases were cash segregated as deposits, which decreased ¥5,698 million, to ¥77,923 million, and advances paid, which decreased ¥7,831 million, to ¥563 million. Non-current assets decreased ¥1,014 million to ¥72,878 million. The main factor was investment securities, which decreased ¥5,472 million to ¥42,682 million.

(Liabilities)

Total liabilities as of the end of the period under review increased ¥93,121 million to ¥1,337,006 million. Under this category, current liabilities increased ¥84,057 million to ¥1,227,130 million. The main increases were in short-term borrowings, which increased ¥32,268 million, to ¥277,055 million, and borrowings secured by securities, which increased ¥28,940 million, to ¥397,611 million. Partially offsetting these increases was trading products, which decreased ¥11,670 million, to ¥367,622 million. Non-current liabilities increased ¥8,998 million, to ¥109,175 million. The main factor was bonds payable, which increased ¥5,031 million, to ¥16,895 million.

(Net assets)

In the period under review, total net assets amounted to ¥184,651 million, an increase of ¥11,967 million. Under this category, non-controlling interests increased ¥5,586 million, to ¥12,256 million, and retained earnings increased ¥6,433 million, to ¥113,824 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 September 30, 2021
Assets		
Current assets		
Cash and deposits	83,589	82,546
Cash segregated as deposits	83,622	77,923
Cash segregated as deposits for customers	80,800	74,900
Cash segregated as deposits for others	2,821	3,023
Trading products	588,098	585,984
Trading securities and other	583,391	581,071
Derivatives	4,706	4,912
Margin transaction assets	100,450	156,177
Loans on margin transactions	34,362	47,100
Cash collateral pledged for securities borrowing on margin transactions	66,087	109,077
Loans secured by securities	407,829	443,453
Cash collateral pledged for securities borrowed	28,756	49,818
Loans on Gensaki transactions	379,072	393,634
Advances paid	8,395	563
Short-term guarantee deposits	37,915	62,594
Short-term loans receivable	14,492	25,068
Accrued income	4,189	5,139
Other	14,196	9,435
Allowance for doubtful accounts	(101)	(105)
Total current assets	1,342,676	1,448,780
Non-current assets		
Property, plant and equipment	10,740	10,951
Intangible assets	5,594	6,409
Investments and other assets	57,557	55,516
Investment securities	48,155	42,682
Long-term guarantee deposits	3,862	5,484
Deferred tax assets	35	68
Retirement benefit asset	4,446	6,307
Other	1,423	1,329
Allowance for doubtful accounts	(364)	(355)
Total non-current assets	73,893	72,878
Total assets	1,416,569	1,521,658

(Unit: million yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Trading products	379,293	367,622
Trading securities and other	370,371	356,920
Derivatives	8,921	10,702
Trade date accrual	9,240	14,806
Margin transaction liabilities	11,555	15,815
Borrowings on margin transactions	9,128	13,469
Cash received for securities lending on margin transactions	2,426	2,345
Borrowings secured by securities	368,671	397,611
Cash received on debt credit transaction of securities	4,123	37,393
Borrowings on Gensaki transactions	364,547	360,217
Deposits received	72,419	92,578
Guarantee deposits received	12,626	14,785
Short-term borrowings	244,786	277,055
Short-term bonds payable	16,000	16,000
Current portion of bonds payable	17,510	20,154
Income taxes payable	2,414	977
Provision for bonuses	2,283	2,214
Provision for directors' bonuses	57	26
Other	6,214	7,482
Total current liabilities	1,143,073	1,227,130
Non-current liabilities		
Bonds payable	11,863	16,895
Long-term borrowings	84,200	87,600
Deferred tax liabilities	1,290	1,879
Provision for retirement benefits for directors (and other officers)	92	102
Retirement benefit liability	163	223
Other	2,566	2,475
Total non-current liabilities	100,176	109,175
Reserves under special laws		
Reserve for financial instruments transaction liabilities	635	701
Total reserves under special laws	635	701
Total liabilities	1,243,884	1,337,006
Net assets		
Shareholders' equity		
Share capital	36,000	36,000
Capital surplus	24,587	24,587
Retained earnings	107,390	113,824
Treasury shares	(5,292)	(5,293)
Total shareholders' equity	162,685	169,118
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,490	1,234
Foreign currency translation adjustment	(571)	(159)
Remeasurements of defined benefit plans	1,967	1,730
Total accumulated other comprehensive income	2,886	2,805
Share acquisition rights	442	471
Non-controlling interests	6,669	12,256
Total net assets	172,684	184,651
Total liabilities and net assets	1,416,569	1,521,658

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income
(Six months ended September 30)

(Unit: million yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Operating revenue		
Commission received	14,671	19,147
Brokerage commission	6,723	7,035
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	481	747
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	2,716	5,470
Other fees received	4,750	5,894
Net trading income	16,012	17,582
Financial revenue	1,614	3,813
Total operating revenue	32,298	40,543
Financial expenses	1,377	1,115
Net operating revenue	30,921	39,428
Selling, general and administrative expenses		
Trading related expenses	4,694	6,402
Personnel expenses	13,400	16,085
Real estate expenses	3,376	3,875
Office expenses	3,253	4,100
Depreciation	1,516	1,389
Taxes and dues	669	901
Provision of allowance for doubtful accounts	6	—
Other	822	1,017
Total selling, general and administrative expenses	27,740	33,773
Operating income	3,180	5,654
Non-operating income		
Dividend income	172	282
Share of profit of entities accounted for using equity method	345	957
Gain on investments in investment partnerships	381	281
Other	103	92
Total non-operating income	1,002	1,614
Non-operating expenses		
Loss on investments in investment partnerships	145	115
Foreign exchange losses	8	6
Other	4	33
Total non-operating expenses	157	155
Ordinary income	4,025	7,113

(Unit: million yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Extraordinary income		
Gain on sales of non-current assets	—	66
Gain on sales of investment securities	1	159
Gain on bargain purchase	—	8,268
Reversal of reserve for financial instruments transaction liabilities	123	—
Total extraordinary income	124	8,495
Extraordinary losses		
Loss on sales of investment securities	2	87
Loss on valuation of investment securities	220	255
Loss on change in equity	—	36
Loss on step acquisitions	—	2,473
Provision of reserve for financial instruments transaction liabilities	—	0
Total extraordinary losses	222	2,854
Income before income taxes	3,927	12,754
Income taxes-current	679	1,928
Income taxes-deferred	93	529
Total income taxes	773	2,457
Profit	3,154	10,296
Profit attributable to non-controlling interests	455	386
Profit attributable to owners of parent	2,698	9,910

Consolidated Statements of Comprehensive Income
(Six months ended September 30)

(Unit: million yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit	3,154	10,296
Other comprehensive income		
Valuation difference on available-for-sale securities	339	(257)
Foreign currency translation adjustment	(207)	411
Remeasurements of defined benefit plans, net of tax	(128)	(237)
Share of other comprehensive income of entities accounted for using equity method	16	1
Total other comprehensive income	19	(81)
Comprehensive income	3,174	10,215
(Comprehensive income attributable to)		
Owners of parent	2,718	9,829
Non-controlling interests	455	385

(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 first quarter, 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. The main change concerns the recognition of points that we allocate when receiving fees from the customer. Before, we recognized such points as "trading-related expenses" under selling, general and administrative expenses. Now, we deduct the value of the points from "other fees" under operating revenue.

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 first quarter 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 first quarter, 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). The standard affects how we determine the fair value of certain financial instruments. For example, in the case of bonds on offer, we now derived their fair value from their selling price, whereas before we derived it from the purchase price.

(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 start of the first quarter, 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 ¥247 million in the "rental income from buildings" entry under non-operating income. Now, ¥241 million has been deducted from the "real estate

expenses” entry under selling, general and administrative expenses, and ¥6 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)

	Six months ended September 30, 2020	Six months ended September 30, 2021	Yr/Yr	
			Increase (Decrease)	% change
Brokerage commission	6,723	7,035	311	4.6 %
Stocks	6,480	6,730	249	3.9
Bonds	13	11	(2)	(17.9)
Beneficiary certificates	229	293	64	27.9
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	481	747	266	55.2
Stocks	290	408	117	40.5
Bonds	190	338	148	77.7
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	2,716	5,470	2,753	101.4
Beneficiary certificates	2,711	5,464	2,752	101.5
Other fees received	4,750	5,894	1,144	24.1
Beneficiary certificates	1,715	2,907	1,191	69.4
Total	14,671	19,147	4,475	30.5

(ii) By product

(Unit: million yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021	Yr/Yr	
			Increase (Decrease)	% change
Stocks	6,805	7,192	386	5.7 %
Bonds	214	361	147	68.7
Beneficiary certificates	4,657	8,665	4,008	86.1
Others	2,994	2,928	(65)	(2.2)
Total	14,671	19,147	4,475	30.5

② Net trading income

(Unit: million yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021	Yr/Yr	
			Increase (Decrease)	% change
Stocks	11,141	8,936	(2,205)	(19.8) %
Bonds and Forex	4,871	8,646	3,775	77.5
Total	16,012	17,582	1,569	9.8

(2) Comparative Quarterly Consolidated Statements of Income

(Unit: million yen)

	Fiscal 2020			Fiscal 2021	
	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter
	Jul. 1, 2020 - Sep. 30, 2020	Oct. 1, 2020 - Dec. 31, 2020	Jan. 1, 2021 - Mar. 31, 2021	Apr. 1, 2021 - Jun. 30, 2021	Jul. 1, 2021 - Sep. 30, 2021
Operating revenues					
Commission received	7,327	8,012	8,489	9,504	9,642
Brokerage commission	3,044	3,640	3,571	3,485	3,549
(Stocks)	2,984	3,546	3,503	3,350	3,379
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	329	266	328	436	311
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	1,534	1,698	2,046	2,844	2,626
(Beneficiary certificates)	1,534	1,695	2,042	2,842	2,621
Other fees received	2,418	2,407	2,542	2,738	3,155
(Beneficiary certificates)	884	930	1,001	1,408	1,498
Net trading income	8,778	9,104	8,891	9,587	7,995
(Stocks)	5,754	5,626	5,601	5,086	3,849
(Bonds and Forex)	3,023	3,478	3,289	4,500	4,145
Financial revenue	828	588	1,977	881	2,931
Total operating revenue	16,933	17,705	19,358	19,973	20,569
Financial expenses	709	515	428	526	588
Net operating revenue	16,224	17,190	18,929	19,447	19,980
Selling, general and administrative expenses					
Trading related expenses	2,546	2,747	2,768	3,272	3,129
Personnel expenses	6,810	6,925	7,175	8,013	8,071
Real estate expenses	1,676	1,709	1,708	1,959	1,916
Office expenses	1,598	1,758	1,744	2,034	2,066
Depreciation	743	776	893	690	699
Taxes and dues	365	311	385	495	406
Provision of allowance for doubtful accounts	4	27	43	—	—
Other	431	386	254	500	517
Total selling, general and administrative expenses	14,176	14,640	14,974	16,966	16,806
Operating profit	2,047	2,549	3,955	2,480	3,174
Non-operating income	826	589	1,641	605	1,009
Share of profit of entities accounted for using equity method	338	492	753	341	615
Other	488	97	887	263	393
Non-operating expenses	131	42	170	23	132
Other	131	42	170	23	132
Ordinary profit	2,742	3,096	5,426	3,061	4,051
Extraordinary income	—	103	89	8,409	86
Extraordinary losses	9	48	(232)	2,827	26
Profit before income taxes	2,733	3,151	5,748	8,644	4,110
Income taxes-current	557	1	1,551	601	1,326
Income taxes-deferred	220	570	(132)	869	(340)
Profit	1,955	2,578	4,329	7,172	3,123
Profit attributable to non-controlling interests	106	190	322	165	221
Profit attributable to owners of parent	1,849	2,388	4,007	7,007	2,902

(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 change.