

**Consolidated Financial Summary** (for the nine months ended December 31, 2021)

January 28, 2022

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: February 9, 2022  
 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 Nine Months Ended December 31, 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	%
Nine months ended										
December 31, 2021	62,071	24.1	60,364	25.5	9,294	62.2	11,190	57.1	12,259	141.0
December 31, 2020	50,004	8.0	48,111	7.1	5,730	—	7,121	—	5,087	102.9

(Note) Comprehensive income  
 Nine-month ended December 31, 2021: 12,652 million yen [111.5%]  
 Nine-month ended December 31, 2020: 5,983 million yen [202.9%]

	Net income per share	Diluted net income per share
	yen	yen
Nine months ended		
December 31, 2021	49.35	49.23
December 31, 2020	20.48	—

(Note) We post no figure of diluted net income per share for the 3rd 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				
December 31, 2021	1,536,495	184,655	11.2	690.95
March 31, 2021	1,416,569	172,684	11.7	666.65

(Reference) Shareholders' equity December 31, 2021: 171,676 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 December 31, 2021:	260,582,115	As of March 31, 2021:	260,582,115
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2) Number of treasury shares at the end of the term

As of December 31, 2021:	12,118,156	As of March 31, 2021:	12,218,314
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3) Average number of shares outstanding (for the nine months)

Nine months ended December 31, 2021:	248,394,798	Nine months ended December 31, 2020:	248,365,067
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\* 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, January 28, 2021.

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## 1. Qualitative Information for the Nine Months Ended December 31, 2021

### (1) Review of Operating Results

**Japanese Economy:** During the first nine months (April 1 to December 31, 2021) of the consolidated fiscal year under review (April 1, 2021, to March 31, 2022), Japan experienced mixed economic fortunes. From April to October, consumer spending remained weak as the government extended the state of emergency in response to repeated surges of coronavirus case numbers. After the state of emergency was fully lifted in October, consumer spending traced a recovery path. On the supply side, automakers and other manufacturers slashed production because of a global shortage of microchips, among other things. However, these supply issues now appear to have eased. Given the effects of the Kishida administration's economic policy, Japan appears increasingly set upon a course of economic normalization.

**Looking Abroad:** Overseas markets continued to improve under sustained economic activity necessary not to spoil recovery momentum despite Covid infection remaining untamed. Central banks are beginning to pivot toward policy normalization, but they appear to be just tapering their quantitative-easing programs while being careful not to impede progress toward economic normalization.

**Japanese Stock Market:** Starting at around ¥29,400 in April, the Nikkei Stock Average slackened during the summer amid rising infections, dipping to a yearly low of ¥26,954 in August. However, in September, the Nikkei bounced back after Yoshihide Suga announced that he would resign as prime minister. By the middle of the month, the Nikkei topped the ¥30,000 mark. After Fumio Kishida was elected for LDP leadership, dampening hopes of growth and structural reform, the Nikkei then entered a boxed trading range with ¥29,000 as the midpoint. It finished the year at around ¥28,700. For the April–December period, the average daily transaction volume in the First Section of the Tokyo Stock Exchange was ¥3,053.2 billion, higher than the figure for the same period of the previous fiscal year, which was ¥2,636.8 billion.

**US Stock Market:** The Dow Jones Industrial Average opened at around \$33,000 in April. The Dow followed an upward path over the months that followed, with some brief periods of correction, amid economic normalization programs and continued improvements in corporate earnings. The Dow took a fairly large dip in September, but returned to an upward path in October, buoyed by generally favorable corporate earnings. By early November, the Dow hit an all-time high of over \$36,500. Toward the end of November, the Dow plunged after a new variant (Omicron) was reported in South Africa. After it stayed at around \$34,000, the Dow rebounded sharply amid news that the scenario of economic cycle normalization would remain intact. By the end of the year, the Dow had reached a new period high.

**Japanese Bond Market:** The yield on 10-year JGB, the indicator of long-term interest rates, started at 0.12% in April, the highest point in the period. In August, the yield hit a period low of zero, reflecting market pessimism in Japan. The yield then rallied in response to rising US interest rates, reaching 0.10% in October and finishing the December trading at 0.07%.

**US Bond Market:** The yield on the US 10-Year Bond hit a period high 1.75% in April. The yield then declined over the months that followed amid the US economic indicators falling short of market expectation, global surges in Covid case numbers, and a burgeoning demand for US bonds as a safe-haven

asset. In August, the yield hit a period low of 1.125%. It then picked up amid the forecast that the Federal Reserve would normalize its fiscal policy. The yield finished the year at 1.51%.

**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. In mid-September, the dollar trended between 108 and 111 JPY. After the Federal Open Market Committee (FOMC), at the end of its September meeting, announced a policy to phase out asset purchase and raise interest rates in 2022, the dollar was pushed upward as US interest rates rose. At the end of the year, the dollar was fetching upwards of 115 JPY.

Under the above stated market environment, we embarked on the final year of our five-year management plan, New Age's Flag Bearer 5. Alongside a commitment to boost Tokai Tokyo Securities' earning capability, we set a fourfold future strategy to expand the business foundation of the Group, and under the said strategy, we are grappling with the task of advancing the following actions:

1) Promoting Orque d'or Society and Orque d'or Ecosystem, 2) Further driving 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.

#### The Group's Organizational Improvements

##### Tokai Tokyo Securities

- In August 2021, Tokai Tokyo Securities opened a new office, Jyoto Regional Hub Office, and consolidated other offices in the east of the Greater Tokyo Area in an effort to strengthen its sales functions and improve the resource usage efficiency there. Jyoto Regional Hub Office as the main office, and others as satellite offices now constitute our new sales office network in the region. A better customer experience and a slicker customer interface will help strengthen the company's consulting business.
- In October 2021, Tokai Tokyo Securities opened the Investment Advisory Department. The new unit was formed to provide competitive 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.
- In January 2022, Tokai Tokyo Securities opened, within the company's investment banking division (the Investment Banking Company), the STO Center as an organization dedicated to managing security token offerings. Until then, operations related to security token offerings (STOs) had been managed by the company's Digital Strategy Department. By establishing a dedicated department for STOs, Tokai Tokyo Securities, the actual working body of the corporate group for the matter, aims to build a fully-fledged STO business model, with more effective marketing to issuers, a greater range of assets underlying the security tokens, closer coordination with sales teams to improve deal origination competence, and greater synergy with other companies in the group.

## Tokai Tokyo Financial Holdings

- In January 2022, we upgraded the Corporate Communications Office to the Corporate Communications Department. This organizational change is intended to improve our corporate communications. We want to communicate our innovative strategies and appeal in more effective ways, using more and better channels. In this way, we hope to further improve relations with stakeholders and to use the unveiling of the upcoming five-year management plan as an opportunity to enhance our brand image.

### Group strategy: Progress, outcomes

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 had discussions for completing a full merger (with ACE Securities as the merged entity and Tokai Tokyo Securities as the surviving entity). The merger has now been agreed and is scheduled for May 1, 2022. 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 wellbeing of wider 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. Then, in October, Tokai Tokyo Securities started performing its contracted services. 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 revitalization. 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 develop 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 adoption of cutting-edge digital program and efforts to prepare infrastructure for remote working. In June, the said endeavors led us to be considered a corporation taking on the task of digital transformation and 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.

Another example of this commitment is a project we named “Tokai Tokyo Digital World,” under which we envisage providing unique and innovative FinTech platforms. In this project, we are now shifting from the phase of building functions to the phase of implementing functions and services. One of these functions is an STO business mediated by Singaporean security token platform ADDX, the first such STO business in Japan. In October, Tokai Tokyo Securities secured a security tokens license in Japan under the Financial Instruments and Exchange Act. With this license, Tokai Tokyo Securities became the first company in Japan to distribute tradeable security tokens, and we have seen a promising start in the trading of these digital securities. The security tokens were listed on the ADDX exchange and offered to investors in Japan and Singapore. Therefore, we expect plenty of demand from investors outside, as well as inside, Japan. We are considering a number of plans to raise funds through securities tokens with underlying non-liquid assets such as real estate. Cheer, a securities company we have founded for smartphone securities brokerage service, will engage in small-scale marketing in Japan and provide customers with the opportunities for investment in security tokens with various underlying assets.

In December, Tokai Tokyo Digital Platform Co., Ltd., (a subsidiary formerly known as Money Compass Japan Co., Ltd.; the present name was adopted on October 25, 2021) entered a partnership with Music Securities, Inc., to broker community ESG funding through asset management platform Okane no Compass.\*<sup>1</sup> Amid a boom in ESG funding, Music Securities has stepped up its efforts in community ESG funding, offering impact investing schemes.\*<sup>2</sup> Tokai Tokyo Digital Platform will now direct Okane no Compass users toward Music Securities’ “Securite” platform (which provides for the above community ESG funding, including the impact funding schemes), thereby encouraging the users to engage in ESG funding. By linking investors with local businesses in need of funding, this approach will channel public-spirited ESG funding toward communities.

Beside Okane no Compass, 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. ’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 in substance to renewable energy in our office in July. 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 together with our investors.



In another sustainability initiative, Tokai Tokyo Securities teamed up with Fujita Health University to provide student loans (known as *Fujita gakuen rōn*) to students enrolling in the university's faculty of medicine. The loans will commence from the date of the entrance exams for the 2022 academic year. This initiative is intended to support local healthcare infrastructure, which has been strained by the pandemic. It is also linked to two SDGs identified as material issues for the group. The first is “quality education for all”, and the second is “good health and well-being for all”.

In October, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures<sup>\*3</sup> (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 in our daily operations, such as restricting office attendance, 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 function 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 announced that our company will be listed on Prime. To prove worth of this prestigious listing, we will further tighten corporate governance and work even harder toward sustainable corporate development and better enterprise value in the medium to long term.

- \*1. Okane no Compass boasts the largest number of accounts for a mobile securities application in Japan. Their application provides a next-generation platform for managing assets. As well as consolidating information about users' transactions, it links to services for trading the assets.
- \*2. Impact investing is an approach to investment that aims to generate positive social or environmental impacts while also generating financial returns.
- \*3 Task Force on Climate-related Financial Disclosures 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 27.1%, to ¥28,823 million.

#### (i) Commission to consignees:

Total commissions to consignees earned by the Group increased 4.4%, to ¥10,817 million. Under this category, volume of stock brokered by Tokai Tokyo Securities decreased 14.3%, to 2,098 million shares, and value of stock brokered decreased 5.8%, to ¥4,157,600 million. However, because the Group has increased its operation in size with added subsidiaries, commissions to consignees on stocks increased 3.2%, to ¥10,347 million.

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

This item totaled ¥913 million, an increase of 22.2%. Under this category, commission earned by handling of stock totaled ¥478 million, a decrease of 5.8%, while commission on bonds totaled ¥435 million, an increase of 81.1%.

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

This item totaled ¥8,033 million, an increase of 82.0%. Under this category, fees from beneficiary certificates increased 82.1% to ¥8,025 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 ¥9,058 million, an increase of 26.6%. Under this category, agency commissions from investment trusts increased 68.0%, to ¥4,446 million, and insurance commissions increased 15.3%, to ¥2,613 million.

### (Net trading income)

Net trading income totaled ¥28,001 million, an increase of 11.5%. Under this category, net trading income decreased 10.5%, to ¥15,004 million, and trading of bonds and foreign exchanges (primarily from foreign currency-denominated bonds and structure bonds) increased 55.7%, to ¥12,997 million.

### (Net financial revenue)

Net financial revenue totaled ¥3,539 million, 11 times of the previous period. Under this category, financial revenue increased 138.2%, to ¥5,246 million, while financial expenses decreased 9.8%, to ¥1,707 million.

(Selling, general and administrative expenses)

Selling, general and administrative expenses totaled ¥51,069 million, an increase of 20.5%. Under this category, trading-related expenses increased 29.9%, to ¥9,663 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 19.4%, to ¥24,258 million. Similarly, real estate expenses increased 14.4%, to ¥5,815 million, and office expenses increased 26.8%, to ¥6,353 million.

(Non-operating income and expenses)

Non-operating income totaled ¥2,055 million, an increase of 29.1%. Under this category, equity-method investments income totaled ¥1,298 million, while dividend income totaled ¥341 million. Non-operating expenses totaled ¥159 million, a decrease of 20.5%. Under this category, loss on investments in investment partnerships totaled ¥125 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 that was made in installments: ¥2,473 million as a result of reevaluation of ACE Securities shares owned by us.

Consequently, in the period under review, operating revenue increased 24.1%, to ¥62,071 million; net operating revenue increased 25.5%, to ¥60,364 million; operating income increased 62.2%, to ¥9,294 million; ordinary income increased 57.1%, to ¥11,190 million; finally, profit attributable to owners of parent after deducting income taxes and others increased 141.0%, to ¥12,259 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 ¥1,536,495 million, an increase of ¥119,926 million. Under this category, current assets increased ¥119,108 million to ¥1,461,785 million. The key contributors were loans secured by securities, which increased ¥136,075 million to ¥543,904 million, and short-term loans receivable, which increased ¥17,273 million to ¥31,766 million. Partially offsetting these increases were trading products, which decreased ¥39,513 million to ¥548,584 million, and margin transaction assets, which decreased ¥22,330 million to ¥78,120 million. Non-current assets increased ¥817 million to ¥74,710 million. The main contributor was intangible assets, which increased ¥1,296 million to ¥6,890 million.

(Liabilities)

Total liabilities as of the end of the period under review increased ¥107,955 million to ¥1,351,840 million. Under this category, current liabilities increased ¥93,158 million to ¥1,236,232 million. The main contributor was trading products, which increased ¥99,731 million to ¥479,024 million. Partially offsetting the increase were short-term borrowings, which decreased ¥49,808 million to ¥194,977 million, and trade date accrual, which decreased ¥9,240 million. Non-current liabilities increased ¥14,729 million, to ¥114,905 million. The main factor was bonds payable, which increased ¥11,021 million, to ¥22,885 million.

(Net assets)

In the period under review, total net assets amounted to ¥184,655 million, an increase of ¥11,970 million. Under this category, non-controlling interests increased ¥5,823 million, to ¥12,493 million, and retained earnings increased ¥6,298 million, to ¥113,689 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 December 31, 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	83,589	131,352
Cash segregated as deposits	83,622	77,224
Cash segregated as deposits for customers	80,800	74,001
Cash segregated as deposits for others	2,821	3,223
Trading products	588,098	548,584
Trading securities and other	583,391	543,265
Derivatives	4,706	5,319
Trade date accrual	—	2,598
Margin transaction assets	100,450	78,120
Loans on margin transactions	34,362	50,892
Cash collateral pledged for securities borrowing on margin transactions	66,087	27,227
Loans secured by securities	407,829	543,904
Cash collateral pledged for securities borrowed	28,756	151,001
Loans on Gensaki transactions	379,072	392,903
Advances paid	8,395	614
Short-term guarantee deposits	37,915	38,022
Short-term loans receivable	14,492	31,766
Accrued income	4,189	3,740
Other	14,196	5,965
Allowance for doubtful accounts	(101)	(110)
<b>Total current assets</b>	<b>1,342,676</b>	<b>1,461,785</b>
<b>Non-current assets</b>		
Property, plant and equipment	10,740	10,818
Intangible assets	5,594	6,890
Investments and other assets	57,557	57,001
Investment securities	48,155	43,953
Long-term guarantee deposits	3,862	5,450
Deferred tax assets	35	42
Retirement benefit asset	4,446	6,470
Other	1,423	1,440
Allowance for doubtful accounts	(364)	(355)
<b>Total non-current assets</b>	<b>73,893</b>	<b>74,710</b>
<b>Total assets</b>	<b>1,416,569</b>	<b>1,536,495</b>

(Unit: million yen)

	As of March 31, 2021	As of December 31, 2021
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trading products	379,293	479,024
Trading securities and other	370,371	468,458
Derivatives	8,921	10,565
Trade date accrual	9,240	—
Margin transaction liabilities	11,555	24,719
Borrowings on margin transactions	9,128	23,266
Cash received for securities lending on margin transactions	2,426	1,452
Borrowings secured by securities	368,671	366,863
Cash received on debt credit transaction of securities	4,123	36,672
Borrowings on Gensaki transactions	364,547	330,190
Deposits received	72,419	99,004
Guarantee deposits received	12,626	17,292
Short-term borrowings	244,786	194,977
Short-term bonds payable	16,000	19,500
Current portion of bonds payable	17,510	24,350
Income taxes payable	2,414	702
Provision for bonuses	2,283	1,335
Provision for directors' bonuses	57	48
Other	6,214	8,413
<b>Total current liabilities</b>	<b>1,143,073</b>	<b>1,236,232</b>
<b>Non-current liabilities</b>		
Bonds payable	11,863	22,885
Long-term borrowings	84,200	87,300
Deferred tax liabilities	1,290	2,014
Provision for retirement benefits for directors (and other officers)	92	102
Retirement benefit liability	163	221
Other	2,566	2,381
<b>Total non-current liabilities</b>	<b>100,176</b>	<b>114,905</b>
<b>Reserves under special laws</b>		
Reserve for financial instruments transaction liabilities	635	702
<b>Total reserves under special laws</b>	<b>635</b>	<b>702</b>
<b>Total liabilities</b>	<b>1,243,884</b>	<b>1,351,840</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	36,000	36,000
Capital surplus	24,587	24,579
Retained earnings	107,390	113,689
Treasury shares	(5,292)	(5,249)
<b>Total shareholders' equity</b>	<b>162,685</b>	<b>169,019</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,490	1,200
Foreign currency translation adjustment	(571)	(167)
Remeasurements of defined benefit plans	1,967	1,623
<b>Total accumulated other comprehensive income</b>	<b>2,886</b>	<b>2,657</b>
<b>Share acquisition rights</b>	442	485
<b>Non-controlling interests</b>	6,669	12,493
<b>Total net assets</b>	<b>172,684</b>	<b>184,655</b>
<b>Total liabilities and net assets</b>	<b>1,416,569</b>	<b>1,536,495</b>

## (2) Consolidated Statements of Income and Comprehensive Income

## Consolidated Statements of Income

(Nine months ended December 31)

(Unit: million yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
<b>Operating revenue</b>		
Commission received	22,684	28,823
Brokerage commission	10,364	10,817
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	747	913
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	4,414	8,033
Other fees received	7,157	9,058
Net trading income	25,117	28,001
Financial revenue	2,202	5,246
<b>Total operating revenue</b>	<b>50,004</b>	<b>62,071</b>
<b>Financial expenses</b>	<b>1,892</b>	<b>1,707</b>
<b>Net operating revenue</b>	<b>48,111</b>	<b>60,364</b>
<b>Selling, general and administrative expenses</b>		
Trading related expenses	7,441	9,663
Personnel expenses	20,325	24,258
Real estate expenses	5,085	5,815
Office expenses	5,011	6,353
Depreciation	2,292	2,148
Taxes and dues	981	1,403
Provision of allowance for doubtful accounts	33	—
Other	1,208	1,426
<b>Total selling, general and administrative expenses</b>	<b>42,381</b>	<b>51,069</b>
<b>Operating income</b>	<b>5,730</b>	<b>9,294</b>
<b>Non-operating income</b>		
Dividend income	223	341
Share of profit of entities accounted for using equity method	837	1,298
Gain on investments in investment partnerships	385	283
Other	146	131
<b>Total non-operating income</b>	<b>1,592</b>	<b>2,055</b>
<b>Non-operating expenses</b>		
Loss on investments in investment partnerships	155	125
Foreign exchange losses	4	10
Other	40	23
<b>Total non-operating expenses</b>	<b>200</b>	<b>159</b>
<b>Ordinary income</b>	<b>7,121</b>	<b>11,190</b>

(Unit: million yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
<b>Extraordinary income</b>		
Gain on sales of non-current assets	—	66
Gain on sales of investment securities	2	159
Gain on bargain purchase	—	8,268
Gain on reversal of share acquisition rights	101	—
Reversal of reserve for financial instruments transaction liabilities	123	—
<b>Total extraordinary income</b>	<b>228</b>	<b>8,495</b>
<b>Extraordinary losses</b>		
Loss on sales of non-current assets	4	—
Loss on sales of investment securities	2	87
Loss on valuation of investment securities	264	252
Loss on change in equity	—	36
Loss on step acquisitions	—	2,473
Extra retirement payments	—	345
Provision of reserve for financial instruments transaction liabilities	—	1
<b>Total extraordinary losses</b>	<b>271</b>	<b>3,197</b>
<b>Income before income taxes</b>	<b>7,078</b>	<b>16,488</b>
<b>Income taxes-current</b>	<b>681</b>	<b>2,851</b>
<b>Income taxes-deferred</b>	<b>664</b>	<b>752</b>
<b>Total income taxes</b>	<b>1,345</b>	<b>3,604</b>
<b>Profit</b>	<b>5,733</b>	<b>12,884</b>
<b>Profit attributable to non-controlling interests</b>	<b>645</b>	<b>625</b>
<b>Profit attributable to owners of parent</b>	<b>5,087</b>	<b>12,259</b>



Consolidated Statements of Comprehensive Income  
(Nine months ended December 31)

(Unit: million yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
<b>Profit</b>	5,733	12,884
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	590	(293)
Foreign currency translation adjustment	(197)	402
Remeasurements of defined benefit plans, net of tax	(193)	(344)
Share of other comprehensive income of entities accounted for using equity method	50	3
<b>Total other comprehensive income</b>	250	(232)
<b>Comprehensive income</b>	5,983	12,652
<b>(Comprehensive income attributable to)</b>		
Owners of parent	5,337	12,029
Non-controlling interests	645	622

(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 ¥353 million in the “rental income from buildings” entry under non-operating income. Now, ¥343 million has been deducted from the “real estate expenses” entry under selling, general and administrative expenses, and ¥9 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)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021	Yr/Yr	
			Increase (Decrease)	% change
Brokerage commission	10,364	10,817	453	4.4 %
Stocks	10,027	10,347	319	3.2
Bonds	29	14	(14)	(50.6)
Beneficiary certificates	307	452	144	46.9
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	747	913	165	22.2
Stocks	507	478	(29)	(5.8)
Bonds	240	435	194	81.1
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	4,414	8,033	3,619	82.0
Beneficiary certificates	4,407	8,025	3,618	82.1
Other fees received	7,157	9,058	1,901	26.6
Beneficiary certificates	2,646	4,446	1,800	68.0
Total	22,684	28,823	6,139	27.1

##### ( ii ) By product

(Unit: million yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021	Yr/Yr	
			Increase (Decrease)	% change
Stocks	10,586	10,989	402	3.8 %
Bonds	283	465	181	63.9
Beneficiary certificates	7,361	12,923	5,562	75.6
Others	4,452	4,444	(7)	(0.2)
Total	22,684	28,823	6,139	27.1

#### ② Net trading income

(Unit: million yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021	Yr/Yr	
			Increase (Decrease)	% change
Stocks	16,768	15,004	(1,763)	(10.5) %
Bonds and Forex	8,349	12,997	4,647	55.7
Total	25,117	28,001	2,884	11.5

## (2) Comparative Quarterly Consolidated Statements of Income

(Unit: million yen)

	Fiscal 2020		Fiscal 2021		
	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
	Oct. 1, 2020 - Dec. 31, 2020	Jan. 1, 2021 - Mar. 31, 2021	Apr. 1, 2021 - Jun. 30, 2021	Jul. 1, 2021 - Sep. 30, 2021	Oct. 1, 2020 - Dec. 31, 2020
Operating revenues					
Commission received	8,012	8,489	9,504	9,642	9,675
Brokerage commission	3,640	3,571	3,485	3,549	3,782
(Stocks)	3,546	3,503	3,350	3,379	3,616
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	266	328	436	311	166
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	1,698	2,046	2,844	2,626	2,563
(Beneficiary certificates)	1,695	2,042	2,842	2,621	2,561
Other fees received	2,407	2,542	2,738	3,155	3,163
(Beneficiary certificates)	930	1,001	1,408	1,498	1,538
Net trading income	9,104	8,891	9,587	7,995	10,419
(Stocks)	5,626	5,601	5,086	3,849	6,068
(Bonds and Forex)	3,478	3,289	4,500	4,145	4,350
Financial revenue	588	1,977	881	2,931	1,433
Total operating revenue	17,705	19,358	19,973	20,569	21,528
Financial expenses	515	428	526	588	592
Net operating revenue	17,190	18,929	19,447	19,980	20,936
Selling, general and administrative expenses					
Trading related expenses	2,747	2,768	3,272	3,129	3,260
Personnel expenses	6,925	7,175	8,013	8,071	8,173
Real estate expenses	1,709	1,708	1,959	1,916	1,940
Office expenses	1,758	1,744	2,034	2,066	2,253
Depreciation	776	893	690	699	758
Taxes and dues	311	385	495	406	501
Provision of allowance for doubtful accounts	27	43	—	—	—
Other	386	254	500	517	408
Total selling, general and administrative expenses	14,640	14,974	16,966	16,806	17,296
Operating profit	2,549	3,955	2,480	3,174	3,640
Non-operating income	589	1,641	605	1,009	441
Share of profit of entities accounted for using equity method	492	753	341	615	340
Other	97	887	263	393	100
Non-operating expenses	42	170	23	132	3
Other	42	170	23	132	3
Ordinary profit	3,096	5,426	3,061	4,051	4,077
Extraordinary income	103	89	8,409	86	—
Extraordinary losses	48	(232)	2,827	26	343
Profit before income taxes	3,151	5,748	8,644	4,110	3,733
Income taxes-current	1	1,551	601	1,326	922
Income taxes-deferred	570	(132)	869	(340)	223
Profit	2,578	4,329	7,172	3,123	2,587
Profit attributable to non-controlling interests	190	322	165	221	238
Profit attributable to owners of parent	2,388	4,007	7,007	2,902	2,348

(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.