

Consolidated Financial Summary (for the three months ended June 30, 2022)

July 29, 2022

Company Name: Tokai Tokyo Financial Holdings, Inc.
 Stock Listings: Tokyo Stock Exchange / Nagoya Stock Exchange
 Stock Code: 8616 URL: <https://www.tokaitokyo-fh.jp/>
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Expected date for submission of quarterly report: August 12, 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 Three Months Ended June 30, 2022**(1) Consolidated Results of Operation**

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

	Operating revenue		Net operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended										
June 30, 2022	18,460	(7.6)	17,621	(9.4)	708	(71.4)	1,200	(60.8)	101	(98.6)
June 30, 2021	19,973	30.0	19,447	32.3	2,480	118.9	3,061	138.6	7,007	725.0

(Note) Comprehensive income Three-month period ended June 30, 2022: 1,195million yen [(83.3%)]

Three-month period ended June 30, 2021: 7,143million yen [406.3%]

	Net income per share	Diluted net income per share
	yen	yen
Three months ended		
June 30, 2022	0.41	0.41
June 30, 2021	28.22	28.15

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of				
June 30, 2022	1,458,271	183,186	11.6	682.82
March 31, 2022	1,581,231	185,568	10.9	694.86

(Reference) Shareholders' equity June 30, 2022: 169,736 million yen

March 31, 2022: 172,730 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, 2022	—	10.00	—	14.00	24.00
Ending March 31, 2023	—				
Ending March 31, 2023 (Forecast)		—	—	—	—

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

2) Dividend forecast for the fiscal year ending March 31, 2023 has not been determined.

3. Forecast of Consolidated Operating Results for Fiscal 2022 (from April 1, 2022 to March 31, 2023)

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 : None

Exclusion : 1 company (ACE Securities Co.,Ltd.)

(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, 2022:	260,582,115	As of March 31, 2022:	260,582,115
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2) Number of treasury shares at the end of the term

As of June 30, 2022:	11,999,814	As of March 31, 2022:	11,999,455
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3) Average number of shares outstanding (for the three months)

Three months ended June 30, 2022:	248,582,471	Three months ended June 30, 2021:	248,363,433
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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, 2023 have not been determined because it is difficult to forecast operating results, as described similarly in "3.Forecast of Consolidated Operating Results for Fiscal 2022."

* 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 29, 2022.

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1. Qualitative Information for the Three Months Ended June 30, 2022

(1) Review of Operating Results

Japanese Economy: During the period under review (April 1, 2022, to June 30, 2022), the Japanese economy saw a rapid recovery in personal consumption following the lifting of the “Priority Measures to Prevent the Spread of Infection” in late March. In addition, although there were concerns about the impact of supply constraints caused by the lockdown in Shanghai, China, on the manufacturing industry, these constraints have been largely lifted since June, and the condition is moving toward improvement. Since last year, the Japanese economy has been alternating between positive and negative quarterly growth due to the intermittent implementation of people's flow control measures. However, attention is being paid to the COVID-19 trends that are expanding again.

Looking Abroad: Overseas markets are under intensified inflationary pressures stemming from the continued spread of COVID-19 and the prolonged situation in Ukraine (inflation in the United States has reached its highest level in more than 40 years), while major central banks have moved to strengthen monetary tightening. As a result, concerns about economic slowdown are growing. In June, the Organization for Economic Co-operation and Development (OECD) and the World Bank lowered their forecasts for global economic growth this year (OECD: + 4.5% to + 3.0%; World Bank: + 4.1% to + 2.9%).

Japanese Stock Market: Starting at around ¥27,600 in April, the Nikkei Stock Average continued to weaken due to the implementation of a lockdown in China and other factors. After the long consecutive holidays in May, the Nikkei Average followed declines in overseas markets and temporarily fell below the ¥26,000 mark in the middle of the same month. After that, it rebounded due to the sense of affordability, and even after the beginning of June, it rose further due to the acceleration of the yen's depreciation, and temporarily recovered to the ¥28,000 mark. However, with global stock prices falling due to concerns over rising U.S. prices, the index ended June at the ¥26,300 mark. For the period under review (April 1 to June 30, 2022), the average daily transaction volume in the Tokyo Stock Exchange Prime Market was ¥3,334.4 billion.

US Stock Market: The Dow Jones Industrial Average opened at the \$34,700 mark in April. The Dow continued its heavy upward trend. From the end of the same month, the Dow turned to a downward trend due to disappointment in corporate earnings and concerns over a large interest rate hike. The flow continued after the beginning of May, and on the 20th, the Dow temporarily dropped below \$31,000. After that, the Dow rebounded toward the beginning of June, but fell sharply again in response to the acceleration of the U.S. consumer price hike in May, and hit the period low of \$29,653.29 on the 17th. It recovered somewhat afterwards, but ended the trading at the \$30,700 mark for the month of June.

Japanese Bond Market: The yield on 10-year JGB, the indicator of long-term interest rates, started at 0.205% in April. On April 5, it was down to 0.195%, the lowest level for the period, partly due to the introduction of the “Fixed-Rate Purchase Operations for Consecutive Days” by the Bank of Japan in late March. After that, as upward pressure intensified due to the rise in long-term interest rates in Europe and the United States and the depreciation of the yen, the yield reached 0.265% on June 17, which was the highest for the period, but the upward trend did not continue and the June trading ended at 0.225%.

US Bond Market: The yield on the US 10-Year Bond which started at a quarterly low of 2.34% in April, reached 3.20% at one point on May 9 in response to expectations that the Federal Reserve would further tighten their policy. After that, it fell below 3% for a while, but on June 14 it jumped to 3.49%, the highest level for the period, as the U.S. consumer price inflation rate accelerated in May. However, as fears of a U.S. recession intensified, it turned down and ended June at 3.01%.

Foreign Exchange Market: The dollar-to-yen exchange rate opened in April at around 1 USD to 121 JPY, a period low. After breaking through the "Kuroda Ceiling", 125 JPY to the dollar, on April 12, it soared to 131 JPY on April 28. Subsequently, it was once pushed down to 126 JPY, but in June, in addition to buying the dollar as a safe-haven currency in response to concerns about a global economic slowdown, there was also buying of the dollar against the backdrop of expectations of an aggressive interest

rate hike by the Federal Reserve. As a result, on June 29, the dollar reached a new period high of 137 JPY, closing the June trade at 135 JPY to the dollar.

Amid this market environment, the Group has formulated a new medium-term management plan, "Beyond Our Limits" - Taking on challenges in another dimension (*), which covers the five years from fiscal 2022 to fiscal 2026, with the aim of achieving further growth. The plan was launched in the first quarter of this fiscal year.

* For details, please refer to the press release "Notice Concerning Formulation of Medium-Term Management Plan" released on May 23.

As for the Group's topics during the first three months of the fiscal year under review, Tokai Tokyo Securities Co., Ltd. (hereinafter referred to as "Tokai Tokyo Securities") and ACE Securities Co., Ltd. (hereinafter referred to as "ACE Securities"), both wholly owned subsidiaries of the Company, merged on May 1 with Tokai Tokyo Securities as the surviving company. The system integration has been completed successfully, and the operation status has been smooth since then. The Company will take over ACE Securities' sales base, mainly in the Kansai region, and aim to further improve service and efficiency through the integration of stores and operations. The Company will also redevelop ACE Securities' IFA operations in order to enhance the Group's corporate value more effectively.

In the evaluation done by Rating and Investment Information, Inc. (hereinafter "R&I") called the "R&I Fiduciary Duty Ratings", Tokai Tokyo Securities received an "S+" (an upgrade from "S" in the previous evaluation.) This evaluation is conducted by R&I as a neutral third party to evaluate whether investment trusts sales are done in "customer-oriented business conduct" to see principles and implementation status. Going forward, we will continue to contribute to the formation of customers' assets through initiatives related to "customer-oriented business conduct."

Furthermore, Tokai Tokyo Digital Platform Co., Ltd. (hereinafter referred to as "TTDP"), one of the subsidiaries of the Company, entered into a business matching agreement with The Hokuriku Bank Ltd., a regional company, for the purpose of promoting the regional economy, stimulating consumption and encouraging the use of DX in local governments. TTDP will play a part in regional revitalization business by providing digital regional currencies and regional points equipped with advanced technologies such as blockchain and high-security functions. Within the Group's unique vision of "Tokai Tokyo Digital New World", TTDP aims to develop various solutions for local financial institutions, operating companies, local governments, etc. This agreement is the realization of our vision and we will continue to steadily realize it.

The Company has been selected as one of the "DX Stocks" under the program jointly operated by the Ministry of Economy, the Tokyo Stock Exchange, and the Information-technology Promotion Agency for two consecutive years (the only securities company to be selected) in recognition of the Company's advanced digital initiatives.

Finally, the Company has decided to raise the salary level (wage increase) from July this year. As part of our human resources strategies, we value "job satisfaction" in employees and aim to achieve a level of remuneration that we can be proud of. By raising the salary level this time, we will strive to secure excellent human resources, increase employee motivation, and further improve our customer service.

<<Sustainability initiatives>>

As part of the Group's raison d'etre, the Group will further promote its initiatives for sustainability and contribute to solving social issues as a Group measure based on "Social Value" and "Social Justice". The main activities of the Group since April 2022 are as follows.

(Regional Revitalization / Regional Contribution): Decided to be an official partner of “Ghibli Park” (Aichi prefecture)

(Green Power): Introduction of renewable energy to buildings occupied by the Tokai Tokyo Securities head office. This is the third example of the conversion to renewable energy at the main headquarters of the Group (*). Approximately one fourth of the Group's power consumption will be covered by renewable energy (based on the actual SCOPE1 and SCOPE2 emissions within the scope of calculation for fiscal 2020).

* Please refer to “Environmental Initiatives (Reduction of CO2 Emissions and Response to Climate Change)” on our website for the calculation of the Group's greenhouse gas emissions (CO2 emissions).

(Underwritten ESG Bonds): Since April this year, Tokai Tokyo Securities has underwritten the following ESG bonds (total underwritten amount is ¥20,700 million (compared with ¥900 million in the same period of the previous year). Through our sales activities, we will contribute to the realization of a sustainable society and the resolution of social issues in cooperation with investors who are highly motivated to contribute to society.

Kansai Electric Power Green Bonds, JERA Transition Bonds, Chubu Electric Power Green Bonds, Toyota Motor Corporation Woven Planet Bonds (Sustainability Bonds), Hokkaido Electric Power Green Bonds, Mitsui Fudosan Green Bonds, JICA (Japan International Cooperation Agency) Peacebuilding Bonds (Social Bonds)

(ESG Index): Selected as a constituent of the “FTSE Blossom Japan Sector Relative Index” (* 2), an ESG index newly developed by FTSE Russell (* 1). The Company was selected for the first time in March this year and is one of 494 companies (only four securities companies including the Company (we are the only company except major companies)) that was re-selected based on the result of updating the ESG score in June.

* 1 FTSE Russell is a global index provider in the information services division as a wholly owned subsidiary of the London Stock Exchange Group (LSEG).

* 2 This index reflects the performance of Japanese companies with relatively high ESG (environmental, social, and governance) ratings in each sector.

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 decreased 18.1%, to ¥7,786 million.

(i) Commission to consignees:

Total commissions to consignees earned by the Group decreased 22.8%, to ¥2,689 million. A major attribute was the commissions to consignees on stocks that was decreased by 25.0%, to ¥2,512 million due to fewer transactions with individual investors.

(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 ¥522 million, an increase of 19.7%. Under this category, commission earned by handling of stock totaled ¥354 million, an increase of 21.1%, while commission on bonds totaled ¥167 million, an increase of 16.8%.

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

The total was ¥1,501 million, a decrease of 47.2%. Under this category, fees from beneficiary certificates decreased 47.3% to ¥1,499 million, reflecting the decreased sales of investment trusts to individual customers.

(iv) Other fees received:

Other fees received totaled ¥3,073 million, an increase of 12.2%. Under this category, agency commissions from investment trusts decreased 2.5%, to ¥1,373 million, and insurance commissions increased 19.8%, to ¥986 million.

(Net trading income)

Net trading income totaled ¥8,561 million, a decrease of 10.7%. Under this category, net trading income from stocks decreased 41.0%, to ¥2,998 million. Net trading income from bonds and foreign exchanges, primarily from foreign currency-denominated bonds and structure bonds, increased 23.6%, to ¥5,562 million.

(Net financial revenue)

Net financial revenue increased 258.8%, to ¥1,273 million. Under this category, financial revenue increased 139.7%, to ¥2,113 million, and financial expenses increased 59.4%, to ¥839 million.

(Selling, general and administrative expenses)

Selling, general and administrative expenses totaled ¥16,912 million, a decrease of 0.3%. Under this category, trading-related expenses increased 4.8%, to ¥3,429 million. Personnel costs decreased by 5.3%, to ¥7,590 million. Similarly, real estate expenses increased 3.8%, to ¥2,033 million, and office expenses increased 7.1%, to ¥2,177 million.

(Non-operating income and expenses)

Non-operating income totaled ¥616 million, an increase of 1.9%. Under this category, dividend income totaled ¥246 million. Non-operating expenses totaled ¥124 million, an increase of 429.7%. Under this category, share of loss of entities accounted for using equity method totaled ¥83 million.

(Extraordinary income and losses)

In the period under review, we recorded extraordinary income: primarily, ¥21 million in gain on extinguishment of tie-in shares and ¥19 million in gain on sale of investment securities.

Consequently, in the period under review, operating revenue decreased 7.6%, to ¥18,460 million; net operating revenue decreased 9.4%, to ¥17,621 million; operating profit decreased 71.4%, to ¥708 million; ordinary profit decreased 60.8%, to ¥1,200 million; finally, profit attributable to owners of parent after deducting income taxes and others decreased 98.6%, to ¥101 million.

(2) Review of the Financial Statements

All comparisons 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 ¥1,458,271 million, a decrease of ¥122,960 million. Under this category, current assets decreased ¥123,038 million to ¥1,382,669 million. The key contributors were trading products, which decreased ¥56,187 million to ¥473,253 million, and margin transaction assets, which decreased ¥52,989 million to ¥82,357 million. Partially offsetting these decreases were cash and deposits, which increased ¥4,818 million, to ¥105,178 million, and short-term loans receivable, which increased ¥2,248 million, to ¥38,988 million. Non-current assets increased ¥78 million, to ¥75,602 million. The main contributor was investment securities, which increased ¥339 million to ¥44,546 million.

(Liabilities)

Total liabilities as of the end of the period under review decreased ¥120,578 million to ¥1,275,084 million. Under this category, current liabilities decreased ¥115,193 million to ¥1,139,651 million. The main decreases were in trade date accrual, which

decreased ¥75,381 million, to ¥2,788 million, and short-term borrowings, which decreased ¥27,876 million, to ¥206,487 million. Partially offsetting these decreases were trading products, which increased ¥12,662 million, to ¥457,275 million and margin transaction liabilities, which increased ¥12,030 million, to ¥30,102 million. Non-current liabilities decreased ¥5,370 million, to ¥134,744 million. The main factor was bonds payable, which decreased ¥6,510 million, to ¥22,075 million.

(Net assets)

At the end of the period under review, total net assets amounted to ¥183,186 million, a decrease of ¥2,381 million. Under this category, retained earnings decreased ¥3,378 million, to ¥111,202 million, and non-controlling interests increased ¥597 million, to ¥12,937 million.

(3) Explanation of Forecasts Such as Consolidated Financial Forecasts

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, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	100,360	105,178
Cash segregated as deposits	74,648	71,846
Cash segregated as deposits for customers	71,225	67,625
Cash segregated as deposits for others	3,423	4,221
Trading products	529,440	473,253
Trading securities and other	518,527	463,571
Derivatives	10,913	9,682
Margin transaction assets	135,347	82,357
Loans on margin transactions	43,335	40,118
Cash collateral pledged for securities borrowing on margin transactions	92,011	42,238
Loans secured by securities	551,583	543,186
Cash collateral pledged for securities borrowed	95,899	175,412
Loans on Gensaki transactions	455,683	367,774
Advances paid	6,006	258
Deposits paid for underwritten offering, etc.	154	44
Short-term guarantee deposits	60,365	52,479
Short-term loans receivable	36,740	38,988
Accrued income	6,496	4,249
Other	4,662	10,935
Allowance for doubtful accounts	(99)	(109)
Total current assets	1,505,707	1,382,669
Non-current assets		
Property, plant and equipment	10,478	10,478
Intangible assets	7,585	7,784
Investments and other assets	57,459	57,339
Investment securities	44,206	44,546
Long-term guarantee deposits	5,511	4,992
Deferred tax assets	66	37
Retirement benefit asset	6,618	6,675
Other	1,389	1,420
Allowance for doubtful accounts	(332)	(332)
Total non-current assets	75,523	75,602
Total assets	1,581,231	1,458,271

(Unit: million yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Trading products	444,613	457,275
Trading securities and other	431,959	432,488
Derivatives	12,653	24,787
Trade date accrual	78,170	2,788
Margin transaction liabilities	18,072	30,102
Borrowings on margin transactions	13,313	18,196
Cash received for securities lending on margin transactions	4,759	11,906
Borrowings secured by securities	326,725	303,698
Cash received on debt credit transaction of securities	54,073	48,285
Borrowings on Gensaki transactions	272,652	255,413
Deposits received	69,609	65,253
Guarantee deposits received	22,627	14,582
Short-term borrowings	234,364	206,487
Short-term bonds payable	14,500	19,500
Current portion of bonds payable	27,594	31,648
Income taxes payable	1,187	335
Provision for bonuses	2,387	769
Provision for bonuses for directors (and other officers)	70	—
Other	14,922	7,209
Total current liabilities	1,254,845	1,139,651
Non-current liabilities		
Bonds payable	28,585	22,075
Long-term borrowings	107,300	108,500
Deferred tax liabilities	1,468	1,732
Provision for retirement benefits for directors (and other officers)	114	106
Retirement benefit liability	256	190
Other	2,389	2,139
Total non-current liabilities	140,114	134,744
Reserves under special laws		
Reserve for financial instruments transaction liabilities	703	689
Total reserves under special laws	703	689
Total liabilities	1,395,663	1,275,084
Net assets		
Shareholders' equity		
Share capital	36,000	36,000
Capital surplus	24,569	24,569
Retained earnings	114,580	111,202
Treasury shares	(5,197)	(5,197)
Total shareholders' equity	169,952	166,573
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,083	1,043
Foreign currency translation adjustment	87	617
Remeasurements of defined benefit plans	1,607	1,501
Total accumulated other comprehensive income	2,778	3,162
Share acquisition rights	497	512
Non-controlling interests	12,340	12,937
Total net assets	185,568	183,186
Total liabilities and net assets	1,581,231	1,458,271

(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, 2021	Three months ended June 30, 2022
Operating revenue		
Commission received	9,504	7,786
Brokerage commission	3,485	2,689
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	436	522
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	2,844	1,501
Other fees received	2,738	3,073
Net trading income	9,587	8,561
Financial revenue	881	2,113
Total operating revenue	19,973	18,460
Financial expenses	526	839
Net operating revenue	19,447	17,621
Selling, general and administrative expenses		
Trading related expenses	3,272	3,429
Personnel expenses	8,013	7,590
Real estate expenses	1,959	2,033
Office expenses	2,034	2,177
Depreciation	690	712
Taxes and dues	495	398
Provision of allowance for doubtful accounts	—	11
Other	500	559
Total selling, general and administrative expenses	16,966	16,912
Operating profit	2,480	708
Non-operating income		
Dividend income	221	246
Share of profit of entities accounted for using equity method	341	—
Gain on valuation of investment securities	—	147
Gain on investments in investment partnerships	0	148
Other	40	73
Total non-operating income	605	616
Non-operating expenses		
Share of loss of entities accounted for using equity method	—	83
Loss on investments in investment partnerships	10	8
Foreign exchange losses	7	3
Other	5	29
Total non-operating expenses	23	124
Ordinary profit	3,061	1,200

(Unit: million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Extraordinary income		
Gain on sales of non-current assets	66	—
Gain on sales of investment securities	72	19
Gain on bargain purchase	8,268	—
Gain on extinguishment of tie-in shares	—	21
Reversal of reserve for financial instruments transaction liabilities	0	14
Total extraordinary income	8,409	54
Extraordinary losses		
Loss on sales of investment securities	87	—
Loss on valuation of investment securities	229	—
Loss on change in equity	36	—
Loss on step acquisitions	2,473	—
Total extraordinary losses	2,827	—
Profit before income taxes	8,644	1,255
Income taxes-current	601	49
Income taxes-deferred	869	400
Total income taxes	1,471	450
Profit	7,172	804
Profit attributable to non-controlling interests	165	703
Profit attributable to owners of parent	7,007	101

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

(Unit: million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	7,172	804
Other comprehensive income		
Valuation difference on available-for-sale securities	(306)	(31)
Foreign currency translation adjustment	405	526
Remeasurements of defined benefit plans, net of tax	(130)	(106)
Share of other comprehensive income of entities accounted for using equity method	0	2
Total other comprehensive income	(29)	391
Comprehensive income	7,143	1,195
(Comprehensive income attributable to)		
Owners of parent	6,964	485
Non-controlling interests	178	710

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Notes for Material Changes in Shareholders' Equity)

Not applicable

(Changes in Accounting Policies)

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, hereinafter referred to as “Fair Value Measurement Implementation Guidance”) will be applied from the beginning of the period under review, and in accordance with the transitional treatment set forth in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance, the new accounting policies stipulated in the Fair Value Measurement Implementation Guidance will be applied into the future.

The application of this accounting standard will have no impact on the consolidated financial statements for the period under review.

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, 2021	Three months ended June 30, 2022	Yr/Yr	
			Increase (Decrease)	% change
Brokerage commission	3,485	2,689	(796)	(22.8) %
Stocks	3,350	2,512	(838)	(25.0)
Bonds	6	2	(4)	(63.7)
Beneficiary certificates	127	174	46	36.4
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	436	522	85	19.7
Stocks	292	354	61	21.1
Bonds	143	167	24	16.8
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	2,844	1,501	(1,342)	(47.2)
Beneficiary certificates	2,842	1,499	(1,343)	(47.3)
Other fees received	2,738	3,073	334	12.2
Beneficiary certificates	1,408	1,373	(34)	(2.5)
Total	9,504	7,786	(1,718)	(18.1)

(ii) By product

(Unit: million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022	Yr/Yr	
			Increase (Decrease)	% change
Stocks	3,659	2,923	(735)	(20.1) %
Bonds	154	175	20	13.3
Beneficiary certificates	4,379	3,047	(1,331)	(30.4)
Others	1,311	1,640	328	25.1
Total	9,504	7,786	(1,718)	(18.1)

② Net trading income

(Unit: million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022	Yr/Yr	
			Increase (Decrease)	% change
Stocks	5,086	2,998	(2,088)	(41.0) %
Bonds and Forex	4,500	5,562	1,061	23.6
Total	9,587	8,561	(1,026)	(10.7)

(2) Comparative Quarterly Consolidated Statements of Income

(Unit: million yen)

	Fiscal 2021				Fiscal 2022
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter
	Apr. 1, 2021 - Jun. 30, 2021	Jul. 1, 2021 - Sep. 30, 2021	Oct. 1, 2021 - Dec. 31, 2021	Jan. 1, 2022 - Mar. 31, 2022	Apr. 1, 2022 - Jun. 30, 2022
Operating revenues					
Commission received	9,504	9,642	9,675	8,752	7,786
Brokerage commission	3,485	3,549	3,782	3,111	2,689
(Stocks)	3,350	3,379	3,616	2,919	2,512
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	436	311	166	420	522
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	2,844	2,626	2,563	1,905	1,501
(Beneficiary certificates)	2,842	2,621	2,561	1,905	1,499
Other fees received	2,738	3,155	3,163	3,314	3,073
(Beneficiary certificates)	1,408	1,498	1,538	1,404	1,373
Net trading income	9,587	7,995	10,419	5,997	8,561
(Stocks)	5,086	3,849	6,068	1,180	2,998
(Bonds and Forex)	4,500	4,145	4,350	4,816	5,562
Financial revenue	881	2,931	1,433	4,154	2,113
Total operating revenue	19,973	20,569	21,528	18,904	18,460
Financial expenses	526	588	592	1,018	839
Net operating revenue	19,447	19,980	20,936	17,885	17,621
Selling, general and administrative expenses					
Trading related expenses	3,272	3,129	3,260	3,464	3,429
Personnel expenses	8,013	8,071	8,173	8,061	7,590
Real estate expenses	1,959	1,916	1,940	1,916	2,033
Office expenses	2,034	2,066	2,253	2,292	2,177
Depreciation	690	699	758	754	712
Taxes and dues	495	406	501	381	398
Provision of allowance for doubtful accounts	—	—	—	1	11
Other	500	517	408	426	559
Total selling, general and administrative expenses	16,966	16,806	17,296	17,298	16,912
Operating profit	2,480	3,174	3,640	586	708
Non-operating income	605	1,009	441	1,286	616
Share of profit of entities accounted for using equity method	341	615	340	(119)	—
Other	263	393	100	1,405	616
Non-operating expenses	23	132	3	84	124
Share of loss of entities accounted for using equity method	—	—	—	—	83
Other	23	132	3	84	41
Ordinary profit	3,061	4,051	4,077	1,789	1,200
Extraordinary income	8,409	86	—	89	54
Extraordinary losses	2,827	26	343	538	—
Profit before income taxes	8,644	4,110	3,733	1,340	1,255
Income taxes-current	601	1,326	922	1,031	49
Income taxes-deferred	869	(340)	223	(511)	400
Profit	7,172	3,123	2,587	819	804
Profit attributable to non-controlling interests	165	221	238	(71)	703
Profit attributable to owners of parent	7,007	2,902	2,348	891	101