

Consolidated Financial Summary (for the six months ended September 30, 2022)

October 28, 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: November 11, 2022
 Scheduled day of commencing dividend payment: November 25, 2022
 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, 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 | % |
| Six months ended | | | | | | | | | | |
| September 30,2022 | 38,636 | (4.7) | 36,600 | (7.2) | 2,781 | (50.8) | 3,641 | (48.8) | 814 | (91.8) |
| September 30,2021 | 40,543 | 25.5 | 39,428 | 27.5 | 5,654 | 77.8 | 7,113 | 76.7 | 9,910 | 267.2 |

(Note) Comprehensive income Six-month period ended September 30, 2022: 2,152 million yen [(78.9%)]
 Six-month period ended September 30, 2021: 10,215 million yen [221.8%]

| | Net income per share | Diluted net income per share |
|-------------------|----------------------|------------------------------|
| | yen | yen |
| Six months ended | | |
| September 30,2022 | 3.28 | 3.27 |
| September 30,2021 | 39.90 | 39.80 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------|--------------|-------------|--------------|----------------------|
| | million yen | million yen | % | yen |
| As of | | | | |
| September 30,2022 | 1,428,976 | 183,920 | 11.9 | 684.87 |
| March 31,2021 | 1,581,231 | 185,568 | 10.9 | 694.86 |

(Reference) Shareholders' equity September 30, 2022: 170,266 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 | — | 8.00 | | | |
| 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 September 30, 2022: | 260,582,115 | As of March 31, 2022: | 260,582,115 |
|---------------------------|-------------|-----------------------|-------------|

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

| | | | |
|---------------------------|------------|-----------------------|------------|
| As of September 30, 2022: | 11,970,172 | As of March 31, 2022: | 11,999,455 |
|---------------------------|------------|-----------------------|------------|

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

| | | | |
|--------------------------------------|-------------|--------------------------------------|-------------|
| Six months ended September 30, 2022: | 248,591,910 | Six months ended September 30, 2021: | 248,363,202 |
|--------------------------------------|-------------|--------------------------------------|-------------|

* 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, October 28, 2022.

Accompanying Materials – Contents

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1. Qualitative Information for the Six Months Ended September 30, 2022

(1) Review of Operating Results

Japanese Economy: During the period under review (April 1, 2022, to September 30, 2022), the Japanese economy showed recovery led by personal consumption following the lifting of the “Priority Measures to Prevent the Spread of Infection” in late March. In addition, although there are concerns about the slowdown in overseas markets, including China, which is continuing its “zero-COVID” policy, and Europe and the United States, which are continuing to raise interest rates significantly, as well as the decline in household purchasing power due to rising prices, the Bank of Japan's continued easing policy and easing inbound regulations are likely to provide support.

Looking Abroad: With regard to overseas markets, prolonged inflation has become apparent, particularly in Europe and the United States, and central banks in each country and region have continued to raise interest rates drastically, placing top priority on controlling inflation. As a result, further economic slowdowns are expected, in particular in the Eurozone and the United Kingdom, and the possibility of a recession is increasing. On the other hand, in China, which experienced negative economic growth in the period from April to June due to a large-scale urban blockade, the government's economic measures are helping to prevent the economy from bottoming out. However, it is unlikely that the economy will be able to escape from a low altitude without the abolition of the "zero-COVID" policy.

Japanese Stock Market: In the Japanese stock market, the Nikkei Stock Average, which started in the ¥27,600 mark in April, fell below ¥26,000 in mid-May, partly due to declines in foreign stock prices. After that, it rebounded with the depreciation of the yen as a tailwind, and in June it reached the ¥28,000 mark at one point. However, as global stock prices fell due to inflation concerns, it plummeted to the ¥25,500 mark, the lowest level for the period, around the middle of that month. Nonetheless, global stock prices continued to rise against the backdrop of optimism about inflation, and the Nikkei Stock Average broke through ¥ 29,000 in mid-August. Yet, as the continuation and strengthening of the U.S. Federal Reserve's hawkish stance led optimism to fade, the index plunged again to close below ¥ 26,000 in September.

US Stock Market: The Dow Jones Industrial Average opened at the \$ 34,700 mark in April, continued its downward trend due to disappointment in corporate financial results and concerns about interest rate hikes, and temporarily fell below \$31,000 after mid-May. After that, it rebounded toward the beginning of June due to the sense of affordability, but it fell sharply in response to the acceleration of U.S. consumer price index for May announced on the 10th. On the other hand, from mid-June to mid-August, stock prices rebounded sharply on the back of U.S. inflation and optimism of the Federal Reserve's monetary policies. On August 16, stock prices temporarily recovered to the mark of \$34,000, but as the excessive optimism waned as a result of the continued and strengthened hawkish stance of the Federal Reserve, the stock resold heavily, with the resulting Dow Jones Industrial Average closing the September session at the \$28,700 mark.

Japanese Bond Market: Long-term interest rates in Japan (yield on 10-year JGB) started at 0.22% in April and continued to trade mostly within a range of 0.20% to 0.25% through mid-June. On June 17, it reached 0.27%, the highest level for the period, but on August 5, it fell to 0.16%, the lowest level for the period, as long-term interest rates in Japan came under downward pressure due to the decline in long-term interest rates in Europe and the United States caused by concerns over economic recession in Europe and the United States. However, as U.S. long-term interest rates continued to rise due to the Federal Reserve's aggressive tightening stance, the market remained in a narrow range throughout the session and ended September at 0.24%.

US Bond Market: On the other hand, long-term interest rates in the United States (yield on the US 10-Year Bond), which started in April at 2.34%, the lowest level for the period, rose to the 3.49% mark at one point on June 14 due to the Federal Reserve's tightening stance. It then fell to the 2.51% mark on August 2 as fears of a U.S. economic downturn and expectations that inflation was peaking increased. However, as the Federal Reserve strengthened its stance of tightening policy by raising interest rates

significantly by 0.75% for three consecutive meetings, the long-term interest rate rose sharply to the 4.01% mark on September 28, the highest level for the period, and the market closed at the 3.82% mark.

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 mark on April 12, buying momentum gained. With the widening interest rate differential between Japan and the United States, the exchange rate reached the 139 JPY mark on July 14. After that, on August 2, it fell to the 130 JPY mark in reaction to expectations that concerns over the U.S. economic slowdown would ease the Federal Reserve's aggressive tightening stance. However, as the Federal Reserve's aggressive rate hikes continued, the exchange rate rebounded sharply to the 145 JPY mark. As a result, the government and the Bank of Japan conducted yen-buying interventions on September 22, the first time in 24 years, and the rate declined to the 140 JPY mark before closing the September session at the 144 JPY mark.

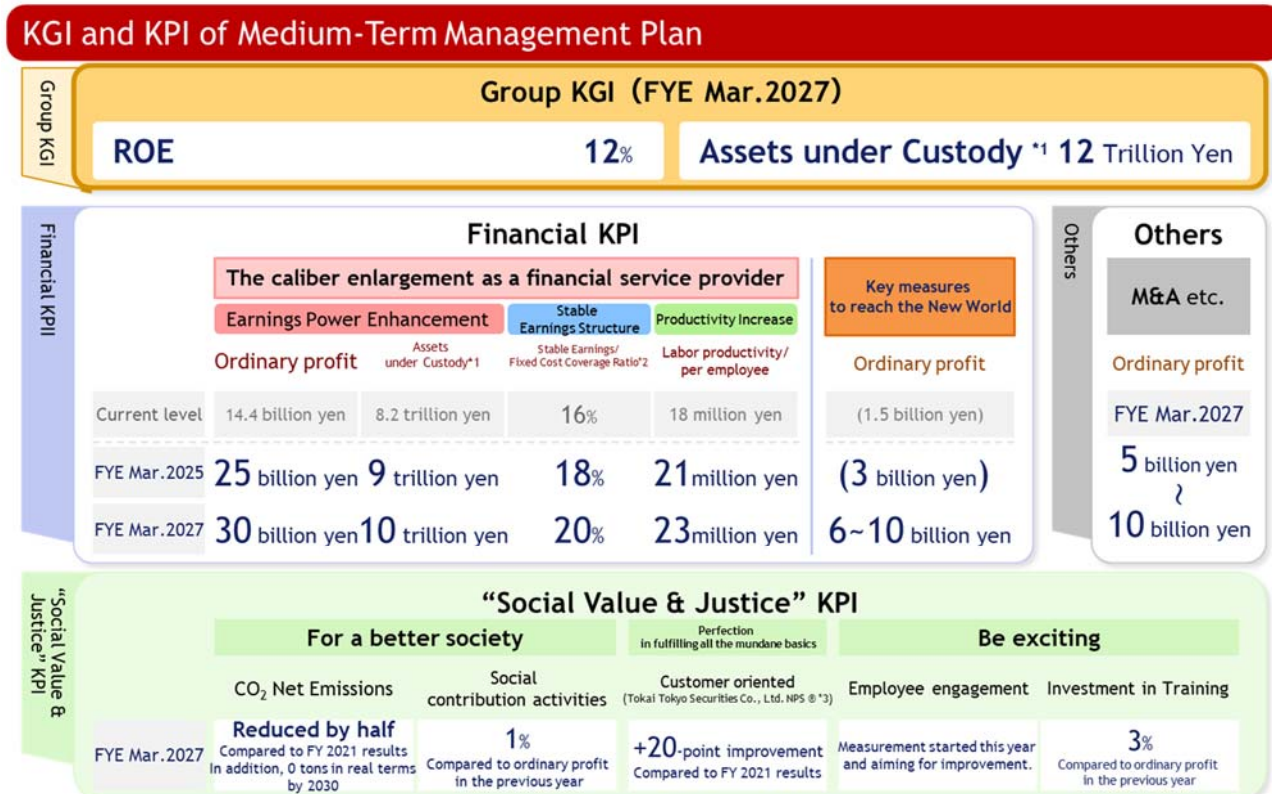
Amid this market environment, the Group has formulated a new medium-term management plan, “Beyond Our Limits” - Taking on challenges in another dimension (hereinafter referred to as the “plan”), which covers the five years from fiscal 2022 to fiscal 2026 and set numerical targets in order to achieve further growth.

The plan aims to make the Company a “corporate group with admiration and respect” by taking on the challenge of reaching the “New World” with “‘Social Value & Justice’ comes first” as its action guidelines. As the basic policy of our strategy for this purpose, we will work to significantly improve the attractiveness of the Group by “The caliber enlargement as a financial service provider,” to form an alliance with “Powerful Partners” (* 1) through “Key measures to reach the New World,” and to acquire new functions as “New Bonanza.” (* 2)

Based on the above composition, the numerical targets in this plan will be pursued by the entire Group as the Group KGI. We set two KPIs to achieve the Group KGI, one is the financial KPI linked to “The caliber enlargement as a financial service provider” and “Key measures to reach the New World,” and the other is “Social Value & Justice” KPI.

* 1 Partners such as electric power companies, telecommunications companies, financial institutions, trading companies, real estate, universities, regional banks and local governments

* 2 Businesses and functions that will become a new gold mine

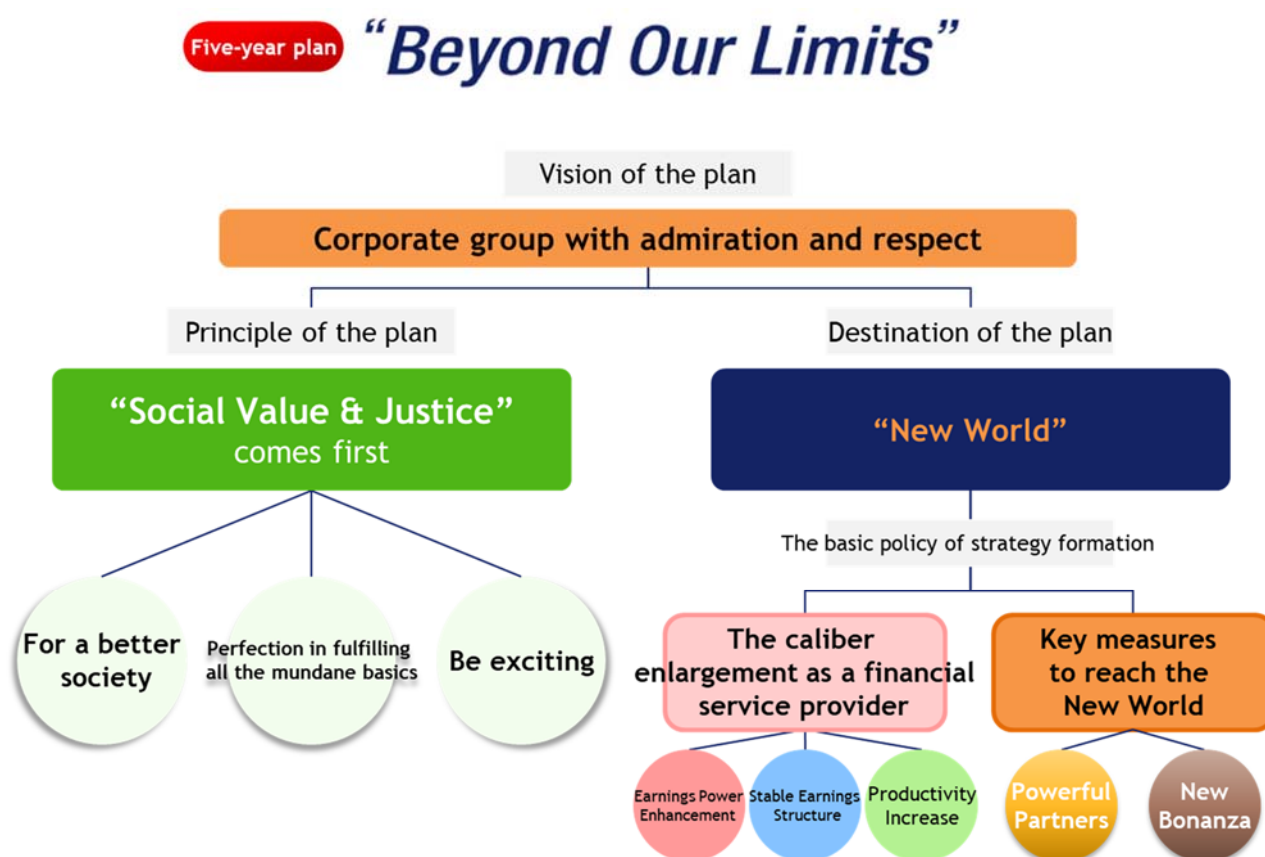


*The KGI is based on information currently available to the Company and certain assumptions deemed reasonable, such as the House View by Tokai Tokyo Research Institute Co., Ltd., where the Nikkei Stock Average forecast as of the end of September 2023 is 34,000 yen. The numerical targets may be revised if the market environment changes significantly.

*1 Asset under Custody: Securities, deposits, insurance etc. The Group KGI financial assets under custody of 12 trillion yen indicates the Group’s overall target as of the end of March 2027. Of this target, 10 trillion yen is targeted in “The caliber enlargement as a financial service provider” and 2 trillion yen in areas such as “Key measures to reach the New World.”

*2 Stable Earnings here denotes the balance-linked and continuously earning revenues as time passes (such as investment trust-related trust fees, fees from wrap handling, credit provision, insurance fees, lending against collateralized securities, and investment advisory service).

*3 NPS® is a registered trademark of Bain & Company, Fred Reichheld, and Satmetrix Systems. It is an abbreviation of “Net Promoter Score ®” and is a performance indicator that quantifies customer loyalty (measuring the degree of attachment and trust to a company or brand).



As for the Group’s topics during the first six 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, as part of our efforts in the digital field, 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 embodiment of our vision and we will continue to realize it steadily.

CHEER Securities Inc. (hereinafter “CHEER Securities”), one of the subsidiaries of the Company, started to handle stocks and investment trusts in Japan starting in September. Moreover, it formed a business alliance with STOCK POINT Inc. (Headquarters: Minato-ku, Tokyo; President and Representative Director: Kiyomi Tsuchiya) and started in October to provide the service, “StockPoint for CHEER Securities,” the first of its kind in Japan that helps individual customers to invest via points in U.S. stocks and ETF. CHEER Securities will provide innovative financial services to meet the needs of customers against the backdrop of the recent spread of smartphones and digitalization.

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.

<<Sustainability initiatives>>

As part of the Group's efforts to prove its 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).

(GX League Basic Concept): In addition to setting a target of halving CO₂ emissions by March 2027 (compared to fiscal 2021 levels) as a KPI of our medium-term management plan, we have also set a target of reducing CO₂ emissions to 0 in real terms by 2030. As this approach is consistent with the objectives of the GX League Basic Concept, we have decided to endorse the GX League Basic Concept announced by the Ministry of Economy. Through these initiatives, the Group will contribute to the “transformation of the overall economic and social system,” which is the goal of the GX League, in which corporate growth, the well-being of people, and contributions to the global environment are simultaneously realized.

* GX (Green Transformation) League: A place where companies actively work on GX; aiming for GX through cooperation with players in the government, academic, and financial sectors; and acting as a forum for discussing and practicing the transformation of the overall economic and social system and creating new markets accordingly.

(Underwritten ESG Bonds): Since April this year, Tokai Tokyo Securities has underwritten the following ESG bonds (total underwritten amount is ¥24,400 million (compared with ¥3,300 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), INFRONEER Holdings Green Bonds, JICA (Japan International Cooperation Agency) 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 for large-sized competitors)) that was re-selected based on the updated 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.

Based on the “The JFSA Strategic Priorities July 2022-June 2023” disclosed by the Financial Services Agency, the Group will promote structured bonds sales by further ensuring than ever our policy of fully confirming customers' investment objectives, risk tolerance, appropriateness and suitability of investment products, etc., and having customers properly understand them. Going forward, the Group will strive to offer a variety of investment proposals that will further satisfy customers.

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 ¥15,678 million.

(i) Commission to consignees:

Total commissions to consignees earned by the Group decreased 21.2%, to ¥5,546 million. A major attribute was the commissions to consignees on stocks that was decreased by 23.1%, to ¥5,174 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 ¥681 million, a decrease of 8.9%. Under this category, commission earned by handling of stock totaled ¥366 million, a decrease of 10.3%, while commission on bonds totaled ¥314 million, a decrease of 7.1%.

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

The total was ¥3,092 million, a decrease of 43.5%. Under this category, fees from beneficiary certificates decreased 43.4% to ¥3,090 million, reflecting the decreased sales of investment trusts to individual customers.

(iv) Other fees received:

Other fees received totaled ¥6,357 million, an increase of 7.9%. Under this category, agency commissions from investment trusts decreased 5.8%, to ¥2,740 million, and insurance commissions, on the other hand, increased 24.2%, to ¥2,111 million.

(Net trading income)

Net trading income totaled ¥16,101 million, a decrease of 8.4%. Under this category, net trading income from stocks decreased 50.9%, to ¥4,386 million. Net trading income from bonds and foreign exchanges, however, increased 35.5%, to ¥11,715 million.

(Net financial revenue)

Net financial revenue increased 78.6%, to ¥4,819 million. Under this category, financial revenue increased 79.8%, to ¥6,855 million, and financial expenses increased 82.5%, to ¥2,035 million.

(Selling, general and administrative expenses)

Selling, general and administrative expenses totaled ¥33,819 million, an increase of 0.1%. Under this category, trading-related expenses increased 1.6%, to ¥6,506 million. Personnel costs decreased by 2.7%, to ¥15,651 million. Real estate expenses increased 1.3%, to ¥3,924 million, and office expenses increased 2.6%, to ¥4,207 million.

(Non-operating income and expenses)

Non-operating income totaled ¥1,223 million, a decrease of 24.2%. Under this category, dividend income totaled ¥343 million. Non-operating expenses totaled ¥362 million, an increase of 132.8%. Under this category, share of loss of entities accounted for using equity method totaled ¥232 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. In addition, we recorded ¥189 million in loss on valuation of investment securities as extraordinary losses.

Consequently, in the period under review, operating revenue decreased 4.7%, to ¥38,636 million; net operating revenue decreased 7.2%, to ¥36,600 million; operating profit decreased 50.8%, to ¥2,781 million; ordinary profit decreased 48.8%, to ¥3,641 million; finally, profit attributable to owners of parent after deducting income taxes and others decreased 91.8%, to ¥814 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 ¥1,428,976 million, a decrease of ¥152,254 million. Under this category, current assets decreased ¥152,229 million to ¥1,353,478 million. The key contributors were loans secured by securities, which decreased ¥112,127 million to ¥439,456 million, and cash and deposits, which decreased ¥20,153 million to ¥80,207 million. Partially offsetting these decreases were short-term guarantee deposits, which increased ¥9,625 million, to ¥69,990 million, and short-term loans receivable, which increased ¥3,787 million, to ¥40,527 million. Non-current assets decreased ¥25 million, to ¥75,498 million. The main contributor was property, plant and equipment, which decreased ¥213 million to ¥10,265 million.

(Liabilities)

Total liabilities as of the end of the period under review decreased ¥150,606 million to ¥1,245,056 million. Under this category, current liabilities decreased ¥148,584 million to ¥1,106,260 million. The main decreases were in trading products, which decreased ¥71,723 million, to ¥372,889 million and trade date accrual, which decreased ¥62,815 million, to ¥15,354 million. Partially offsetting these decreases were short-term borrowings, which increased ¥25,468 million, to ¥259,832 million and margin transaction liabilities, which increased ¥4,552 million, to ¥22,624 million. Non-current liabilities decreased ¥2,008 million, to ¥138,106 million. The main factor was bonds payable, which decreased ¥3,213 million, to ¥25,372 million.

(Net assets)

At the end of the period under review, total net assets amounted to ¥183,920 million, a decrease of ¥1,648 million. Under this category, retained earnings decreased ¥2,665 million, to ¥111,915 million, and non-controlling interests increased ¥785 million, to ¥13,126 million.

(3) Forecast of Consolidated Financial Performance

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 September 30, 2022 |
|---|-------------------------|-----------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 100,360 | 80,207 |
| Cash segregated as deposits | 74,648 | 80,171 |
| Cash segregated as deposits for customers | 71,225 | 76,250 |
| Cash segregated as deposits for others | 3,423 | 3,921 |
| Trading products | 529,440 | 488,512 |
| Trading securities and other | 518,527 | 475,906 |
| Derivatives | 10,913 | 12,606 |
| Margin transaction assets | 135,347 | 139,267 |
| Loans on margin transactions | 43,335 | 39,967 |
| Cash collateral pledged for securities borrowing on margin transactions | 92,011 | 99,299 |
| Loans secured by securities | 551,583 | 439,456 |
| Cash collateral pledged for securities borrowed | 95,899 | 93,009 |
| Loans on Gensaki transactions | 455,683 | 346,446 |
| Advances paid | 6,006 | 199 |
| Deposits paid for underwritten offering, etc. | 154 | — |
| Short-term guarantee deposits | 60,365 | 69,990 |
| Short-term loans receivable | 36,740 | 40,527 |
| Accrued income | 6,496 | 6,625 |
| Other | 4,662 | 8,638 |
| Allowance for doubtful accounts | (99) | (118) |
| Total current assets | 1,505,707 | 1,353,478 |
| Non-current assets | | |
| Property, plant and equipment | 10,478 | 10,265 |
| Intangible assets | 7,585 | 7,786 |
| Investments and other assets | 57,459 | 57,446 |
| Investment securities | 44,206 | 44,866 |
| Long-term guarantee deposits | 5,511 | 4,545 |
| Deferred tax assets | 66 | 54 |
| Retirement benefit asset | 6,618 | 6,681 |
| Other | 1,389 | 1,628 |
| Allowance for doubtful accounts | (332) | (330) |
| Total non-current assets | 75,523 | 75,498 |
| Total assets | 1,581,231 | 1,428,976 |

(Unit: million yen)

| | As of March 31, 2022 | As of September 30, 2022 |
|--|-------------------------|-----------------------------|
| Liabilities | | |
| Current liabilities | | |
| Trading products | 444,613 | 372,889 |
| Trading securities and other | 431,959 | 346,115 |
| Derivatives | 12,653 | 26,774 |
| Trade date accrual | 78,170 | 15,354 |
| Margin transaction liabilities | 18,072 | 22,624 |
| Borrowings on margin transactions | 13,313 | 10,013 |
| Cash received for securities lending on margin transactions | 4,759 | 12,611 |
| Borrowings secured by securities | 326,725 | 288,845 |
| Cash received on debt credit transaction of securities | 54,073 | 47,490 |
| Borrowings on Gensaki transactions | 272,652 | 241,355 |
| Deposits received | 69,609 | 73,679 |
| Guarantee deposits received | 22,627 | 15,362 |
| Short-term borrowings | 234,364 | 259,832 |
| Short-term bonds payable | 14,500 | 12,500 |
| Current portion of bonds payable | 27,594 | 33,754 |
| Income taxes payable | 1,187 | 854 |
| Provision for bonuses | 2,387 | 1,945 |
| Provision for bonuses for directors (and other officers) | 70 | — |
| Other | 14,922 | 8,615 |
| Total current liabilities | 1,254,845 | 1,106,260 |
| Non-current liabilities | | |
| Bonds payable | 28,585 | 25,372 |
| Long-term borrowings | 107,300 | 108,500 |
| Deferred tax liabilities | 1,468 | 1,856 |
| Provision for retirement benefits for directors (and other officers) | 114 | 119 |
| Retirement benefit liability | 256 | 176 |
| Other | 2,389 | 2,081 |
| Total non-current liabilities | 140,114 | 138,106 |
| Reserves under special laws | | |
| Reserve for financial instruments transaction liabilities | 703 | 689 |
| Total reserves under special laws | 703 | 689 |
| Total liabilities | 1,395,663 | 1,245,056 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 36,000 | 36,000 |
| Capital surplus | 24,569 | 24,567 |
| Retained earnings | 114,580 | 111,915 |
| Treasury shares | (5,197) | (5,185) |
| Total shareholders' equity | 169,952 | 167,297 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,083 | 1,046 |
| Foreign currency translation adjustment | 87 | 528 |
| Remeasurements of defined benefit plans | 1,607 | 1,394 |
| Total accumulated other comprehensive income | 2,778 | 2,969 |
| Share acquisition rights | 497 | 527 |
| Non-controlling interests | 12,340 | 13,126 |
| Total net assets | 185,568 | 183,920 |
| Total liabilities and net assets | 1,581,231 | 1,428,976 |

(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, 2021 | Six months ended September 30, 2022 |
|--|--|--|
| Operating revenue | | |
| Commission received | 19,147 | 15,678 |
| Brokerage commission | 7,035 | 5,546 |
| Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors | 747 | 681 |
| Fees for offering, secondary distribution and solicitation for selling and others for professional investors | 5,470 | 3,092 |
| Other fees received | 5,894 | 6,357 |
| Net trading income | 17,582 | 16,101 |
| Financial revenue | 3,813 | 6,855 |
| Total operating revenue | 40,543 | 38,636 |
| Financial expenses | 1,115 | 2,035 |
| Net operating revenue | 39,428 | 36,600 |
| Selling, general and administrative expenses | | |
| Trading related expenses | 6,402 | 6,506 |
| Personnel expenses | 16,085 | 15,651 |
| Real estate expenses | 3,875 | 3,924 |
| Office expenses | 4,100 | 4,207 |
| Depreciation | 1,389 | 1,534 |
| Taxes and dues | 901 | 919 |
| Provision of allowance for doubtful accounts | — | 17 |
| Other | 1,017 | 1,057 |
| Total selling, general and administrative expenses | 33,773 | 33,819 |
| Operating profit | 5,654 | 2,781 |
| Non-operating income | | |
| Dividend income | 282 | 343 |
| Share of profit of entities accounted for using equity method | 957 | — |
| Gain on valuation of investment securities | — | 332 |
| Gain on investments in investment partnerships | 281 | 391 |
| Other | 92 | 155 |
| Total non-operating income | 1,614 | 1,223 |
| Non-operating expenses | | |
| Share of loss of entities accounted for using equity method | — | 232 |
| Loss on investments in investment partnerships | 115 | 84 |
| Foreign exchange losses | 6 | — |
| Other | 33 | 45 |
| Total non-operating expenses | 155 | 362 |
| Ordinary profit | 7,113 | 3,641 |

(Unit: million yen)

| | Six months ended September 30, 2021 | Six months ended September 30, 2022 |
|--|--|--|
| Extraordinary income | | |
| Gain on sales of non-current assets | 66 | — |
| Gain on sales of investment securities | 159 | 19 |
| Gain on bargain purchase | 8,268 | — |
| Gain on extinguishment of tie-in shares | — | 21 |
| Reversal of reserve for financial instruments transaction liabilities | — | 13 |
| Total extraordinary income | 8,495 | 54 |
| Extraordinary losses | | |
| Loss on sales of investment securities | 87 | — |
| Loss on valuation of investment securities | 255 | 189 |
| Loss on change in equity | 36 | — |
| Loss on step acquisitions | 2,473 | — |
| Settlement payments | — | 188 |
| Provision of reserve for financial instruments transaction liabilities | 0 | — |
| Total extraordinary losses | 2,854 | 377 |
| Profit before income taxes | 12,754 | 3,317 |
| Income taxes-current | 1,928 | 161 |
| Income taxes-deferred | 529 | 1,195 |
| Total income taxes | 2,457 | 1,357 |
| Profit | 10,296 | 1,960 |
| Profit attributable to non-controlling interests | 386 | 1,145 |
| Profit attributable to owners of parent | 9,910 | 814 |

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

(Unit: million yen)

| | Six months ended September 30, 2021 | Six months ended September 30, 2022 |
|---|--|--|
| Profit | 10,296 | 1,960 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (257) | (33) |
| Foreign currency translation adjustment | 411 | 435 |
| Remeasurements of defined benefit plans, net of tax | (237) | (213) |
| Share of other comprehensive income of entities accounted for using equity method | 1 | 4 |
| Total other comprehensive income | (81) | 192 |
| Comprehensive income | 10,215 | 2,152 |
| (Comprehensive income attributable to) | | |
| Owners of parent | 9,829 | 1,005 |
| Non-controlling interests | 385 | 1,147 |

(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”) has been applied from the beginning of the first quarter of the fiscal year, 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 has 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)

| | Six months ended September 30, 2021 | Six months ended September 30, 2022 | Yr/Yr | |
|--|---|---|------------------------|---------------|
| | | | Increase (Decrease) | % change |
| Brokerage commission | 7,035 | 5,546 | (1,488) | (21.2) % |
| Stocks | 6,730 | 5,174 | (1,556) | (23.1) |
| Bonds | 11 | 6 | (4) | (43.1) |
| Beneficiary certificates | 293 | 365 | 72 | 24.7 |
| Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors | 747 | 681 | (66) | (8.9) |
| Stocks | 408 | 366 | (42) | (10.3) |
| Bonds | 338 | 314 | (23) | (7.1) |
| Fees for offering, secondary distribution and solicitation for selling and others for professional investors | 5,470 | 3,092 | (2,377) | (43.5) |
| Beneficiary certificates | 5,464 | 3,090 | (2,373) | (43.4) |
| Other fees received | 5,894 | 6,357 | 463 | 7.9 |
| Beneficiary certificates | 2,907 | 2,740 | (167) | (5.8) |
| Total | 19,147 | 15,678 | (3,468) | (18.1) |

(ii) By product

(Unit: million yen)

| | Six months ended September 30, 2021 | Six months ended September 30, 2022 | Yr/Yr | |
|--------------------------|---|---|------------------------|---------------|
| | | | Increase (Decrease) | % change |
| Stocks | 7,192 | 5,656 | (1,535) | (21.4) % |
| Bonds | 361 | 332 | (28) | (7.9) |
| Beneficiary certificates | 8,665 | 6,197 | (2,468) | (28.5) |
| Others | 2,928 | 3,492 | 564 | 19.3 |
| Total | 19,147 | 15,678 | (3,468) | (18.1) |

② Net trading income

(Unit: million yen)

| | Six months ended September 30, 2021 | Six months ended September 30, 2022 | Yr/Yr | |
|-----------------|---|---|------------------------|--------------|
| | | | Increase (Decrease) | % change |
| Stocks | 8,936 | 4,386 | (4,549) | (50.9) % |
| Bonds and Forex | 8,646 | 11,715 | 3,069 | 35.5 |
| Total | 17,582 | 16,101 | (1,480) | (8.4) |

(2) Comparative Quarterly Consolidated Statements of Income

(Unit: million yen)

| | Fiscal 2021 | | | Fiscal 2022 | |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 2nd quarter | 3rd quarter | 4th quarter | 1st quarter | 2nd quarter |
| | Jul. 1, 2021 - Sep. 30, 2021 | Oct. 1, 2021 - Dec. 31, 2021 | Jan. 1, 2022 - Mar. 31, 2022 | Apr. 1, 2022 - Jun. 30, 2022 | Jul. 1, 2022 - Sep. 30, 2022 |
| Operating revenues | | | | | |
| Commission received | 9,642 | 9,675 | 8,752 | 7,786 | 7,892 |
| Brokerage commission | 3,549 | 3,782 | 3,111 | 2,689 | 2,857 |
| (Stocks) | 3,379 | 3,616 | 2,919 | 2,512 | 2,661 |
| Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors | 311 | 166 | 420 | 522 | 159 |
| Fee for offering, secondary distribution and solicitation for selling and others for professional investors | 2,626 | 2,563 | 1,905 | 1,501 | 1,591 |
| (Beneficiary certificates) | 2,621 | 2,561 | 1,905 | 1,499 | 1,591 |
| Other fees received | 3,155 | 3,163 | 3,314 | 3,073 | 3,284 |
| (Beneficiary certificates) | 1,498 | 1,538 | 1,404 | 1,373 | 1,366 |
| Net trading income | 7,995 | 10,419 | 5,997 | 8,561 | 7,540 |
| (Stocks) | 3,849 | 6,068 | 1,180 | 2,998 | 1,387 |
| (Bonds and Forex) | 4,145 | 4,350 | 4,816 | 5,562 | 6,153 |
| Financial revenue | 2,931 | 1,433 | 4,154 | 2,113 | 4,742 |
| Total operating revenue | 20,569 | 21,528 | 18,904 | 18,460 | 20,175 |
| Financial expenses | 588 | 592 | 1,018 | 839 | 1,196 |
| Net operating revenue | 19,980 | 20,936 | 17,885 | 17,621 | 18,979 |
| Selling, general and administrative expenses | | | | | |
| Trading related expenses | 3,129 | 3,260 | 3,464 | 3,429 | 3,076 |
| Personnel expenses | 8,071 | 8,173 | 8,061 | 7,590 | 8,061 |
| Real estate expenses | 1,916 | 1,940 | 1,916 | 2,033 | 1,891 |
| Office expenses | 2,066 | 2,253 | 2,292 | 2,177 | 2,030 |
| Depreciation | 699 | 758 | 754 | 712 | 821 |
| Taxes and dues | 406 | 501 | 381 | 398 | 520 |
| Provision of allowance for doubtful accounts | — | — | 1 | 11 | 6 |
| Other | 517 | 408 | 426 | 559 | 498 |
| Total selling, general and administrative expenses | 16,806 | 17,296 | 17,298 | 16,912 | 16,906 |
| Operating profit | 3,174 | 3,640 | 586 | 708 | 2,072 |
| Non-operating income | 1,009 | 441 | 1,286 | 616 | 606 |
| Share of profit of entities accounted for using equity method | 615 | 340 | (119) | — | — |
| Other | 393 | 100 | 1,405 | 616 | 606 |
| Non-operating expenses | 132 | 3 | 84 | 124 | 238 |
| Share of loss of entities accounted for using equity method | — | — | — | 83 | 149 |
| Other | 132 | 3 | 84 | 41 | 88 |
| Ordinary profit | 4,051 | 4,077 | 1,789 | 1,200 | 2,441 |
| Extraordinary income | 86 | — | 89 | 54 | (0) |
| Extraordinary losses | 26 | 343 | 538 | — | 377 |
| Profit before income taxes | 4,110 | 3,733 | 1,340 | 1,255 | 2,062 |
| Income taxes-current | 1,326 | 922 | 1,031 | 49 | 111 |
| Income taxes-deferred | (340) | 223 | (511) | 400 | 795 |
| Profit | 3,123 | 2,587 | 819 | 804 | 1,155 |
| Profit attributable to non-controlling interests | 221 | 238 | (71) | 703 | 442 |
| Profit attributable to owners of parent | 2,902 | 2,348 | 891 | 101 | 713 |