

Consolidated Financial Summary (for the nine months ended December 31, 2022)

January 31, 2023

Company Name: Tokai Tokyo Financial Holdings, Inc.
 Stock Listings: Tokyo Stock Exchange / Nagoya Stock Exchange
 Stock Code: 8616 URL: <http://www.tokaitokyo-fh.jp/>
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Expected date for submission of quarterly report: February 14, 2023
 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, 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	%
Nine months ended										
December 31, 2022	56,383	(9.2)	53,575	(11.2)	3,542	(61.9)	4,241	(62.1)	1,336	(89.1)
December 31, 2021	62,071	24.1	60,364	25.5	9,294	62.2	11,190	57.1	12,259	141.0

(Note) Comprehensive income Nine-month ended December 31, 2022: 2,338 million yen [(81.5%)]

Nine-month ended December 31, 2021: 12,652 million yen [111.5%]

	Net income per share	Diluted net income per share
	yen	yen
Nine months ended		
December 31, 2022	5.38	5.37
December 31, 2021	49.35	49.23

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of				
December 31, 2022	1,344,855	181,841	12.6	679.57
March 31, 2022	1,581,231	185,568	10.9	694.86

(Reference) Shareholders' equity December 31, 2022: 169,032 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 December 31, 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 December 31, 2022:	11,848,400	As of March 31, 2022:	11,999,455
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3) Average number of shares outstanding (for the nine months)

Nine months ended December 31, 2022:	248,626,045	Nine months ended December 31, 2021:	248,394,798
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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 Tuesday, January 31, 2023.

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1. Qualitative Information for the Nine Months Ended December 31, 2022

(1) Review of Operating Results

Japanese Economy: During the period under review (April 1, 2022, to December 31, 2022), the Japanese economy showed recovery mainly due to personal consumption following the lifting of the “Priority Measures to Prevent the Spread of Infection” in March. While there were concerns about a slowdown in economies overseas such as Europe and the United States, and a decline in household purchasing power due to rising domestic prices, China reviewing its “zero-COVID” policy and an increase in the number of foreign visitors to Japan led by the easing of border control measures provided support. Meanwhile, the Bank of Japan revising its easing policy in December has triggered concerns that rising interest rates will put pressure on households and the corporate sector.

Looking Aboard: Regarding overseas markets, inflation has been prolonged particularly in Europe and the United States, and central banks in each country and region have continued to raise interest rates to control inflation. In particular, the possibility of the Eurozone and the United Kingdom entering a recession has increased. China’s move to ease its “zero-COVID” policy is expected to lead to its economic recovery. However, there are concerns that it will lead to an economic turmoil in the short term caused by the spread of COVID-19.

Japanese Stock Market: In the Japanese stock market, the Nikkei Stock Average, which started at the ¥27,600 mark in April, rose to the ¥28,000 mark at one point in early June due to the depreciation of the yen. It then fell to the ¥25,500 mark in mid-June, its lowest level for the period, as global stock prices fell due to concerns over inflation. After that, the summer rally led by U.S. stocks lifted the Nikkei Stock Average above ¥29,000 in mid-August but fell below ¥26,000 again in late September as it started to lose steam. After October, it rose again due to expectations of a smaller U.S. interest rate hike. However, after the Bank of Japan revised its easing policy in December, the index plunged and closed almost below ¥26,000 at the end of the month.

U.S. Stock Market: The Dow Jones Industrial Average opened at the \$34,700 mark in April, continued its downward trend due to concerns over interest rate hikes, and temporarily fell below \$30,000 in mid-June. Through mid-August, it temporarily recovered to the \$34,000 mark due to the summer rally. However, as excessive optimism waned, the stock resold heavily, and the Dow Jones Industrial Average fell below \$29,000 at one point at the end of September. The stock price then rose significantly due to inflation passing its peak and expectations of smaller interest rate hikes by the Federal Reserve, and it rose above the \$34,000 mark again at the end of November. However, the rise of U.S. stock price slightly slowed down toward the end of December closing at the \$33,000 mark.

Japanese Bond Market: Long-term interest rates in Japan (yield on 10-year JGB) started at 0.19% in April. In August, 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 an economic recession. Still, it continued to trade mostly within a range of 0.20% to 0.25%. However, as U.S. long-term interest rates continued to rise in response to the Federal Reserve's aggressive tightening stance, the Bank of Japan abruptly changed the upper limit of long-term interest rates from around 0.25% to around 0.50% at its Monetary Policy Meeting in December. As a result, the interest rate temporarily rose to 0.48% and ended the December trade at 0.42%.

U.S. Bond Market: On the other hand, long-term interest rates in the United States, which started in April at 2.34%, the lowest level for the period, rose to the 3.49% mark in June due to the Federal Reserve's tightening stance. It then fell to 2.51% at one point in August caused by fears of a U.S. economic downturn and expectations that inflation was peaking. However, as the Federal Reserve strengthened its stance of tightening policy by continuing to raise interest rates significantly by 0.75%, the long-term interest rate rose sharply to 4.33% in October, the highest level for the period. However, the U.S. inflation clearly peaked and led the long-term interest to a downward trend after October, and the trade closed at 3.87% for the month of December.

Foreign Exchange Market: The dollar-to-yen exchange rate opened in April at around \$1 to ¥121, a period low. The yen selling continued because of the strong dollar following U.S. interest rate hikes and the widened Japanese trade deficit. After clearly breaking through the “Kuroda Ceiling,” ¥125 to the dollar mark, yen selling gained momentum, reaching the ¥139 mark in July.

In August, it fell to the ¥130 mark in reaction to concerns over the U.S. economic slowdown and speculations about the change in monetary easing policy by the Bank of Japan. However, as the Federal Reserve continued to raise interest rates aggressively, the dollar strengthened significantly reaching the ¥151 mark in October, the highest level for the period. However, in addition to expectations that the U.S. inflation will pass its peak, the Bank of Japan unexpectedly decided to revise its monetary easing policy in December. As a result, yen buying increased, and the market dropped to the ¥130 mark at one point before closing the December session at the ¥131 mark.

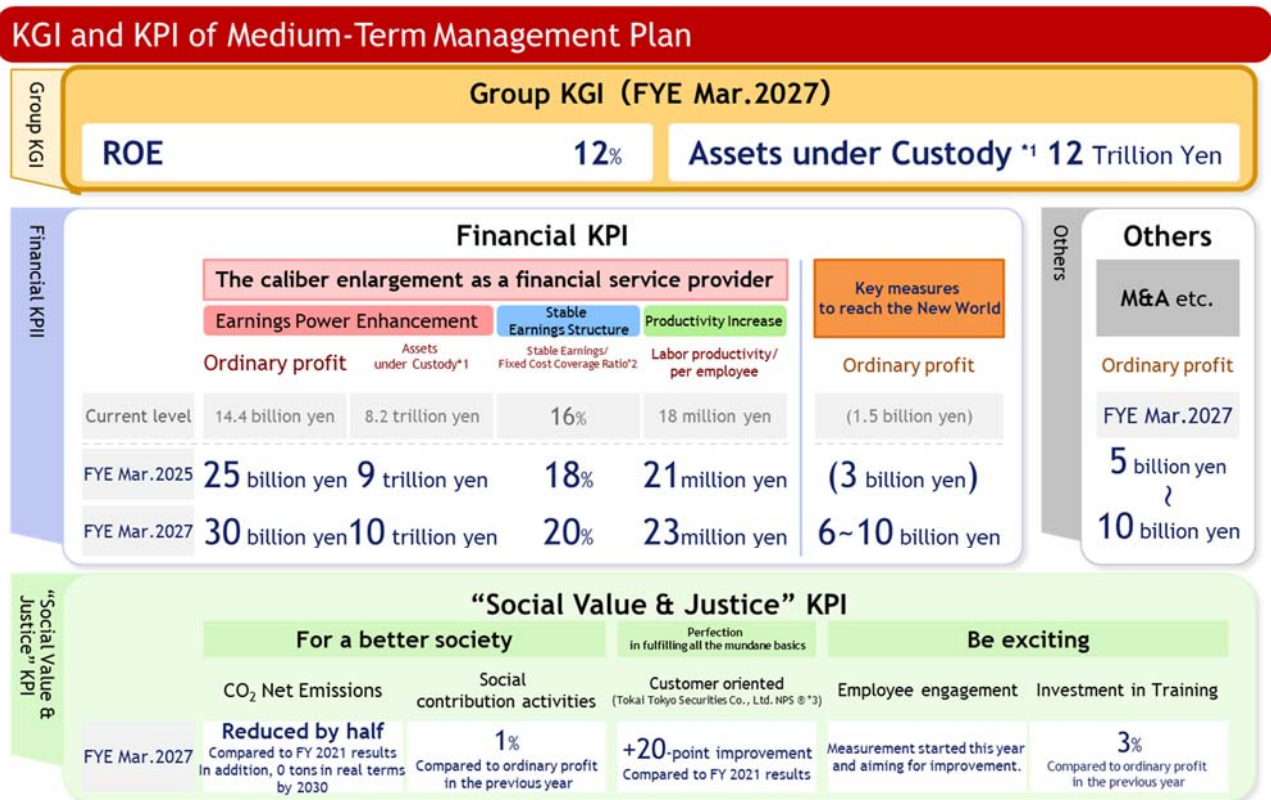
Amid this market environment, the Group has formulated a new medium-term management plan, “Beyond Our Limits” (hereinafter referred to as the “plan”), which covers the five years from fiscal 2022 to fiscal 2026 and set numerical targets in order to achieve further growth.

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. as of August 2022, 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 Assets 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).

Five-year plan **“Beyond Our Limits”**



New World “The basic policy of strategy formation”: As an initiative pertaining to “The caliber enlargement as a financial service provider” set forth in the New World “The basic policy of strategy formation” of this plan, 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 in May with Tokai Tokyo Securities as the surviving company. 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. Tokai Tokyo Securities went through an organizational reform in October establishing new departments with the aim of proposing multi-product solutions for corporate customers in the JV Securities; the “Platform Corporate Solution Department” under the Platform Division of the Global Market Company and the “Tokyo Orque d’or 4” under the Wealth Management Company as a department specialized in sales activities to develop new business opportunities for corporate managers with the aim of expanding the wealthy customers base in the Tokyo metropolitan area. Going forward, we will further expand our platform functions and expand the base of the Wealth Management Division.

As an initiative for “Key measures to reach the New World” in the digital field, under the concept of “Tokai Tokyo Digital New World”, we are providing digital functions mainly at Tokai Tokyo Digital Platform Co., Ltd. (hereinafter “TTDP”) and CHEER Securities Inc. (hereinafter “CHEER Securities”), which are subsidiaries of the Company.

TTDP entered into a business matching agreement with The Hokuriku Bank Ltd. in June and The Tochigi Bank, Ltd in December for the purpose of promoting the regional economy, stimulating consumption and encouraging the use of DX in local governments. In November, TTDP started to provide the “Regional Revitalization Platform” for Kosai City, Shizuoka to support their operation of premium digital gift certificates, with the aim of revitalizing the regional economy and promoting the DX of local communities through the digitalization of gift certificates. TTDP will continue to play a part in the regional revitalization business by providing digital currencies and regional points equipped with advanced technologies such as blockchains and high-security functions. At the same time, TTDP will develop various solutions for local financial institutions, operating companies, and local public organizations.

CHEER Securities started to handle stocks and investment trusts in Japan starting in September. It formed a business alliance with STOCK POINT Inc. and in October started 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. Since November, in cooperation with “Coco Kabu” *, a point program for shareholders, we have been offering a service in which points are granted in conjunction with company stock

prices and can be exchanged for actual stocks based on the number of points. CHEER Securities will continue striving to provide innovative financial services to meet the needs of customers against the backdrop of the 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.

As part of our regional revitalization initiatives, our subsidiary Tokai Tokyo Investment Co., Ltd. established the “Fujita TT Impact No.1 Investment Limited Partnership” in November together with Fujita Innovation Capital, Ltd., which is a subsidiary of Fujita Academy. The partnership aims to invest in and support start-up companies in the fields of medicine, biotechnology, and healthcare. Its intention is to create a medical industry, revitalize the local economy and realize a sustainable society by fostering a venture mindset in the Chubu region and leading the development of start-up companies. Also, Tokai Tokyo Securities is an official partner of the “Ghibli Park” (Aichi), which opened in November.

* A service in which corporations give points linked to the stock price of the company directly to consumers who use their products and services on a daily basis. Consumers can experience the stock price fluctuations by managing those points and can become “shareholders in no time” by exchanging them for actual stocks based on the number of points accumulated.

<<Social Value & Justice>>

The Group will further promote its initiatives for sustainability and contribute to solving social issues as a Group measure based on its principles “Social Value” and “Social Justice”. The main activities of the Group since April 2022 are as follows.

(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 “Climate Change (Information Disclosure in line with TCFD Recommendations)” on our website for the calculation of the Group's Greenhouse Gas (GHG) 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.

(Net Zero GHG Emissions Declaration): The Group supports the “Paris Agreement” adopted in December 2015 and the “2050 Carbon Neutrality Declaration” announced by the Japanese Government in October 2020 based on the spirit of “Social Value & Justice comes first”, the action guideline of our plan. The Group has declared the following points for the early realization of a carbon-free society.

- ✓ Net zero GHG emissions in its own operations (Scope 1 and Scope 2) by 2030
- ✓ Set an interim target of halving GHG emissions in its own operations (Scope 1 and Scope 2) by March 2027 compared to fiscal 2021 results, and disclose progress as a KPI of the Medium-Term Management Plan
- ✓ The Group will work as one to contribute to the realization of a carbon-free society through its corporate activities as a financial service provider.

(Underwritten ESG Bonds): Since April 2022, Tokai Tokyo Securities has underwritten the following ESG bonds (total underwritten

amount is ¥54,900 million (compared with ¥8,800 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, JASSO (Japan Student Services Organization) Social Bonds, Electric Power Development Co., Ltd. 82nd Unsecured Corporate Bond (with inter-bond pari passu clause) (Green Bonds), Hokuriku Electric Power Company Transition Bonds, Aichi Prefecture Green Bonds, City of Nagoya SDGs 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 2022 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.

In the evaluation done by Rating and Investment Information, Inc. (hereinafter “R&I”) called the “R&I Fiduciary Duty Ratings” that evaluates the sellers of investment trust certificates in terms of the level of customer orientation, Tokai Tokyo Securities received an “S+” (an upgrade from “S” in the previous evaluation). Going forward, we will continue to contribute to the formation of customers’ assets through initiatives related to “customer-oriented business conduct.”

Based on the “The JFSA Strategic Priorities July 2022-June 2023” disclosed by the Financial Services Agency, the Group has been promoting structured bonds sales by further ensuring 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 16.2%, to ¥24,140 million.

(i) Commission to consignees:

Total commissions to consignees earned by the Group decreased 19.8%, to ¥8,679 million. A major attribute was the commissions to consignees on stocks that decreased by 21.8%, to ¥8,096 million.

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

Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors totaled ¥904 million, a decrease of 1.0%. Under this category, commission earned by handling stocks totaled ¥370 million, a decrease of 22.5%, while commission on bonds totaled ¥533 million, an increase of 22.6%.

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

Fees for offering, secondary distribution and solicitation for selling and others for professional investors totaled ¥4,844 million, a decrease of 39.7%. Under this category, fees from beneficiary certificates decreased 39.7% to ¥4,838 million.

(iv) Other fees received:

Other fees received totaled ¥9,712 million, an increase of 7.2%. Under this category, agency commissions from investment trusts decreased 9.0%, to ¥4,045 million, while on the other hand, insurance commissions increased 26.7%, to ¥3,310 million.

(Net trading income)

Net trading income totaled ¥24,377 million, a decrease of 12.9%. Under this category, net trading income from stocks decreased

43.2%, to ¥8,525 million. Net trading income from bonds and foreign exchanges, however, increased 22.0%, to ¥15,851 million.

(Net financial revenue)

Net financial revenue increased 42.9%, to ¥5,057 million. Under this category, financial revenue increased 49.9%, to ¥7,865 million, and financial expenses increased 64.4%, to ¥2,807 million.

(Selling, general and administrative expenses)

Selling, general and administrative expenses totaled ¥50,033 million, a decrease of 2.0%. Under this category, trading-related expenses decreased 1.7%, to ¥9,501 million, personnel costs decreased by 4.2%, to ¥23,228 million, real estate expenses decreased 0.6%, to ¥5,778 million, and office expenses decreased 0.9%, to ¥6,294 million.

(Non-operating income and expenses)

Non-operating income totaled ¥1,377 million, a decrease of 33.0%. Under this category, dividend income totaled ¥428 million. Non-operating expenses totaled ¥678 million, an increase of 324.7%. Under this category, share of loss of entities accounted for using equity method totaled ¥521 million.

(Extraordinary income and losses)

In the period under review, we recorded extraordinary income of ¥54 million and extraordinary losses of ¥340 million.

Consequently, in the period under review, operating revenue decreased 9.2%, to ¥56,383 million; net operating revenue decreased 11.2%, to ¥53,575 million; operating profit decreased 61.9%, to ¥3,542 million; ordinary profit decreased 62.1%, to ¥4,241 million; finally, profit attributable to owners of parent after deducting income taxes and others decreased 89.1%, to ¥1,336 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 ¥1,344,855 million, a decrease of ¥236,376 million. Under this category, current assets decreased ¥235,559 million to ¥1,270,148 million. The key contributors were trading products, which decreased ¥160,569 million to ¥368,871 million, and margin transaction assets, which decreased ¥83,033 million to ¥52,313 million. Partially offsetting these decreases were cash and deposits, which increased ¥45,027 million, to ¥145,388 million, and short-term loans receivable, which increased ¥11,351 million, to ¥48,091 million. Non-current assets decreased ¥817 million, to ¥74,706 million. The main contributor was property, plant and equipment, which decreased ¥532 million to ¥9,945 million.

(Liabilities)

Total liabilities as of the end of the period under review decreased ¥232,649 million to ¥1,163,013 million. Under this category, current liabilities decreased ¥229,973 million to ¥1,024,871 million. The main decreases were in borrowings secured by securities, which decreased ¥84,555 million, to ¥242,170 million and trade date accrual, which decreased ¥77,361 million, to ¥809 million. Partially offsetting these decreases were margin transaction liabilities, which increased ¥16,535 million, to ¥34,607 million and current portion of bonds payable, which increased ¥4,651 million, to ¥32,246 million. Non-current liabilities decreased ¥2,662 million, to ¥137,452 million. The main factor was bonds payable, which decreased ¥3,833 million, to ¥24,752 million.

(Net assets)

At the end of the period under review, total net assets amounted to ¥181,841 million, a decrease of ¥3,726 million. Under this category, retained earnings decreased ¥4,132 million, to ¥110,448 million, and non-controlling interests decreased ¥72 million, to ¥12,268 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 December 31, 2022
Assets		
Current assets		
Cash and deposits	100,360	145,388
Cash segregated as deposits	74,648	64,609
Cash segregated as deposits for customers	71,225	59,888
Cash segregated as deposits for others	3,423	4,721
Trading products	529,440	368,871
Trading securities and other	518,527	352,594
Derivatives	10,913	16,277
Margin transaction assets	135,347	52,313
Loans on margin transactions	43,335	40,350
Cash collateral pledged for securities borrowing on margin transactions	92,011	11,963
Loans secured by securities	551,583	523,704
Cash collateral pledged for securities borrowed	95,899	206,193
Loans on Gensaki transactions	455,683	317,511
Advances paid	6,006	285
Deposits paid for underwritten offering, etc.	154	—
Short-term guarantee deposits	60,365	50,769
Short-term loans receivable	36,740	48,091
Accrued income	6,496	3,186
Other	4,662	13,049
Allowance for doubtful accounts	(99)	(122)
Total current assets	1,505,707	1,270,148
Non-current assets		
Property, plant and equipment	10,478	9,945
Intangible assets	7,585	7,763
Investments and other assets	57,459	56,997
Investment securities	44,206	44,820
Long-term guarantee deposits	5,511	4,558
Deferred tax assets	66	24
Retirement benefit asset	6,618	6,597
Other	1,389	1,328
Allowance for doubtful accounts	(332)	(331)
Total non-current assets	75,523	74,706
Total assets	1,581,231	1,344,855

(Unit: million yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Trading products	444,613	420,558
Trading securities and other	431,959	385,643
Derivatives	12,653	34,915
Trade date accrual	78,170	809
Margin transaction liabilities	18,072	34,607
Borrowings on margin transactions	13,313	19,307
Cash received for securities lending on margin transactions	4,759	15,300
Borrowings secured by securities	326,725	242,170
Cash received on debt credit transaction of securities	54,073	52,179
Borrowings on Gensaki transactions	272,652	189,991
Deposits received	69,609	75,963
Guarantee deposits received	22,627	16,243
Short-term borrowings	234,364	179,112
Short-term bonds payable	14,500	16,500
Current portion of bonds payable	27,594	32,246
Income taxes payable	1,187	142
Provision for bonuses	2,387	973
Provision for bonuses for directors (and other officers)	70	—
Other	14,922	5,543
Total current liabilities	1,254,845	1,024,871
Non-current liabilities		
Bonds payable	28,585	24,752
Long-term borrowings	107,300	108,000
Deferred tax liabilities	1,468	2,447
Provision for retirement benefits for directors (and other officers)	114	124
Retirement benefit liability	256	172
Other	2,389	1,955
Total non-current liabilities	140,114	137,452
Reserves under special laws		
Reserve for financial instruments transaction liabilities	703	689
Total reserves under special laws	703	689
Total liabilities	1,395,663	1,163,013
Net assets		
Shareholders' equity		
Share capital	36,000	36,000
Capital surplus	24,569	24,555
Retained earnings	114,580	110,448
Treasury shares	(5,197)	(5,132)
Total shareholders' equity	169,952	165,871
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,083	1,264
Foreign currency translation adjustment	87	608
Remeasurements of defined benefit plans	1,607	1,287
Total accumulated other comprehensive income	2,778	3,160
Share acquisition rights	497	540
Non-controlling interests	12,340	12,268
Total net assets	185,568	181,841
Total liabilities and net assets	1,581,231	1,344,855

(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, 2021	Nine months ended December 31, 2022
Operating revenue		
Commission received	28,823	24,140
Brokerage commission	10,817	8,679
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	913	904
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	8,033	4,844
Other fees received	9,058	9,712
Net trading income	28,001	24,377
Financial revenue	5,246	7,865
Total operating revenue	62,071	56,383
Financial expenses	1,707	2,807
Net operating revenue	60,364	53,575
Selling, general and administrative expenses		
Trading related expenses	9,663	9,501
Personnel expenses	24,258	23,228
Real estate expenses	5,815	5,778
Office expenses	6,353	6,294
Depreciation	2,148	2,396
Taxes and dues	1,403	1,286
Provision of allowance for doubtful accounts	—	22
Other	1,426	1,524
Total selling, general and administrative expenses	51,069	50,033
Operating profit	9,294	3,542
Non-operating income		
Dividend income	341	428
Share of profit of entities accounted for using equity method	1,298	—
Gain on valuation of investment securities	—	295
Gain on investments in investment partnerships	283	387
Other	131	266
Total non-operating income	2,055	1,377
Non-operating expenses		
Share of loss of entities accounted for using equity method	—	521
Loss on investments in investment partnerships	125	93
Foreign exchange losses	10	—
Other	23	63
Total non-operating expenses	159	678
Ordinary profit	11,190	4,241

(Unit: million yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 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	252	152
Loss on change in equity	36	—
Loss on step acquisitions	2,473	—
Extra retirement payments	345	—
Settlement payments	—	188
Provision of reserve for financial instruments transaction liabilities	1	—
Total extraordinary losses	3,197	340
Profit before income taxes	16,488	3,955
Income taxes-current	2,851	838
Income taxes-deferred	752	1,136
Total income taxes	3,604	1,975
Profit	12,884	1,979
Profit attributable to non-controlling interests	625	642
Profit attributable to owners of parent	12,259	1,336

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

(Unit: million yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	12,884	1,979
Other comprehensive income		
Valuation difference on available-for-sale securities	(293)	158
Foreign currency translation adjustment	402	517
Remeasurements of defined benefit plans, net of tax	(344)	(320)
Share of other comprehensive income of entities accounted for using equity method	3	3
Total other comprehensive income	<u>(232)</u>	<u>358</u>
Comprehensive income	<u>12,652</u>	<u>2,338</u>
(Comprehensive income attributable to)		
Owners of parent	12,029	1,719
Non-controlling interests	622	618

(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)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Yr/Yr	
			Increase (Decrease)	% change
Brokerage commission	10,817	8,679	(2,138)	(19.8) %
Stocks	10,347	8,096	(2,251)	(21.8)
Bonds	14	10	(4)	(30.5)
Beneficiary certificates	452	573	121	26.8
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	913	904	(9)	(1.0)
Stocks	478	370	(107)	(22.5)
Bonds	435	533	98	22.6
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	8,033	4,844	(3,189)	(39.7)
Beneficiary certificates	8,025	4,838	(3,187)	(39.7)
Other fees received	9,058	9,712	654	7.2
Beneficiary certificates	4,446	4,045	(400)	(9.0)
Total	28,823	24,140	(4,682)	(16.2)

(ii) By product

(Unit: million yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Yr/Yr	
			Increase (Decrease)	% change
Stocks	10,989	8,635	(2,354)	(21.4) %
Bonds	465	559	94	20.3
Beneficiary certificates	12,923	9,457	(3,466)	(26.8)
Others	4,444	5,488	1,043	23.5
Total	28,823	24,140	(4,682)	(16.2)

② Net trading income

(Unit: million yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Yr/Yr	
			Increase (Decrease)	% change
Stocks	15,004	8,525	(6,479)	(43.2) %
Bonds and Forex	12,997	15,851	2,854	22.0
Total	28,001	24,377	(3,624)	(12.9)

(2) Comparative Quarterly Consolidated Statements of Income

(Unit: million yen)

	Fiscal 2021		Fiscal 2022		
	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
	Oct. 1, 2021 - Dec. 31, 2021	Jan. 1, 2022 - Mar. 31, 2022	Apr. 1, 2022 - Jun. 30, 2022	Jul. 1, 2022 - Sep. 30, 2022	Oct. 1, 2022 - Dec. 31, 2022
Operating revenues					
Commission received	9,675	8,752	7,786	7,892	8,461
Brokerage commission	3,782	3,111	2,689	2,857	3,132
(Stocks)	3,616	2,919	2,512	2,661	2,921
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	166	420	522	159	223
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	2,563	1,905	1,501	1,591	1,751
(Beneficiary certificates)	2,561	1,905	1,499	1,591	1,747
Other fees received	3,163	3,314	3,073	3,284	3,354
(Beneficiary certificates)	1,538	1,404	1,373	1,366	1,305
Net trading income	10,419	5,997	8,561	7,540	8,275
(Stocks)	6,068	1,180	2,998	1,387	4,138
(Bonds and Forex)	4,350	4,816	5,562	6,153	4,136
Financial revenue	1,433	4,154	2,113	4,742	1,009
Total operating revenue	21,528	18,904	18,460	20,175	17,746
Financial expenses	592	1,018	839	1,196	771
Net operating revenue	20,936	17,885	17,621	18,979	16,975
Selling, general and administrative expenses					
Trading related expenses	3,260	3,464	3,429	3,076	2,995
Personnel expenses	8,173	8,061	7,590	8,061	7,576
Real estate expenses	1,940	1,916	2,033	1,891	1,853
Office expenses	2,253	2,292	2,177	2,030	2,086
Depreciation	758	754	712	821	862
Taxes and dues	501	381	398	520	367
Provision of allowance for doubtful accounts	—	1	11	6	5
Other	408	426	559	498	467
Total selling, general and administrative expenses	17,296	17,298	16,912	16,906	16,214
Operating profit	3,640	586	708	2,072	761
Non-operating income	441	1,286	616	606	154
Share of profit of entities accounted for using equity method	340	(119)	—	—	—
Other	100	1,405	616	606	154
Non-operating expenses	3	84	124	238	315
Share of loss of entities accounted for using equity method	—	—	83	149	288
Other	3	84	41	88	26
Ordinary profit	4,077	1,789	1,200	2,441	600
Extraordinary income	—	89	54	(0)	(0)
Extraordinary losses	343	538	—	377	(37)
Profit before income taxes	3,733	1,340	1,255	2,062	637
Income taxes-current	922	1,031	49	111	677
Income taxes-deferred	223	(511)	400	795	(59)
Profit	2,587	819	804	1,155	19
Profit attributable to non-controlling interests	238	(71)	703	442	(502)
Profit attributable to owners of parent	2,348	891	101	713	521