

Consolidated Financial Summary (for the nine months ended December 31, 2019)

January 31, 2020

Company Name: Tokai Tokyo Financial Holdings, Inc.
 Stock Listings: First sections of the Tokyo Stock Exchange and Nagoya Stock Exchange
 Stock Code: 8616 URL: <http://www.tokaitokyo-fh.jp/>
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Expected date for submission of quarterly report: February 12, 2020
 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, 2019**(1) Consolidated Results of Operation**

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

	Operating revenue		Net operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended										
December 31, 2019	46,304	(6.8)	44,909	(6.5)	(851)	—	(7)	—	2,506	85.1
December 31, 2018	49,698	(21.9)	48,033	(22.3)	870	(93.3)	1,772	(88.5)	1,354	(93.8)

(Note) Comprehensive income
 Nine-month period ended December 31, 2019: 1,974 million yen [-]
 Nine-month period ended December 31, 2018: (266) million yen [-]

	Net income per share	Diluted net income per share
	yen	yen
Nine months ended		
December 31, 2019	10.00	—
December 31, 2018	5.24	5.24

(Note) We post no figure of diluted net income per share for the nine months ended December 31, 2019 as the Company has no potential stock that has dilution effect.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of				
December 31, 2019	1,195,479	161,810	13.2	635.45
March 31, 2019	1,391,076	164,300	11.6	625.05

(Reference) Shareholders' equity December 31, 2019: 157,824 million yen March 31, 2019: 161,491 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, 2019	—	12.00	—	4.00	16.00
Ending March 31, 2020	—	4.00	—		
Ending March 31, 2020 (Forecast)				—	—

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

2) Dividend forecast for the fiscal year ending March 31, 2020 has not been determined.

3. Forecast of Consolidated Operating Results for Fiscal 2019 (from April 1, 2019 to March 31, 2020)

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 (Takagi 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: None

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, 2019:	260,582,115	As of March 31, 2019:	270,582,115
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2) Number of treasury shares at the end of the term

As of December 31, 2019:	12,216,366	As of March 31, 2019:	12,215,435
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3) Average number of shares outstanding (for the nine months)

Nine months ended December 31, 2019:	250,773,482	Nine months ended December 31, 2018:	258,359,366
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* This consolidated financial summary is exempt from certified public accountant and audit corporations

* Note to proper use of forecast of operating results and other special remarks

Dividends for the fiscal year ending March 31, 2020 have not been determined because it is difficult to forecast operating results, as described similarly in "3.Forecast of Consolidated Operating Results for Fiscal 2019."

* How to view supplementary explanation documents for quarterly earnings

Supplementary explanation documents for quarterly earnings will be available on both Timely Disclosure network and our website on Friday, January 31, 2020.

Accompanying Materials – Contents

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1. Qualitative Information for the Nine Months Ended December 31, 2019

(1) Review of Operating Results

Japanese Economy: During the first nine months of the consolidated fiscal year ending March 31, 2020 (April 1 to December 31, 2019), the economy continued on a moderate recovery path, despite the impact of deceleration overseas. With lackluster exports and production, the diffusion index in manufacturing deteriorated for the fourth quarter running, falling five points from the last survey, to zero. However, R&D expenditure and investments in labor-saving innovations remained firm in tone. Employment remained positive on the whole. The hike in consumption tax had only a limited impact on jobs. The consumer price index is up 0.8% year on year as of this report, reflecting sluggish wage growth and continued decline in oil prices. This figure is still short of the Bank of Japan's target of 2%. The Bank of Japan's program to meet this target remains ongoing.

Looking Abroad: Lack of progress in U.S.-China trade talks has slowed down global economic growth, especially in manufacturing. The U.S. generally experienced favorable economic conditions, particularly in personal consumption, thanks in large part to improved wages and more favorable business taxes. European economies remained on a weak note with lackluster exports and production in Germany and elsewhere in the continent. As for China, the economy continued to lose steam on the whole, but Beijing's fiscal and monetary stimulus package has proven somewhat effective in restoring business confidence.

Japanese Stock Market: Starting at around ¥21,500 in April, the Nikkei Stock Average spent the next several months rising and falling according to the fluctuating prospect of U.S.-Chinese trade talks outcome. In mid-October, the NSA trended between ¥20,000 and ¥22,000. In early November, it rose to around ¥23,000, reflecting progress in the trade talks as well as the Federal Reserve's resumption of long-term bond purchasing. The Nikkei continued rising in December, reaching ¥24,000 at one point, after Washington and Beijing settled on a partial trade deal. Another factor was the result of the British General Election, in which the Conservatives won a landslide victory, easing fears of a no-deal Brexit. The NSA then edged down on profit booking amid concerns that the market was overheating. It finished the month at the ¥23,600 level.

The average daily transaction volume in the First Section of the Tokyo Stock Exchange during the nine months (April 1 to December 31) was ¥2,432.1 billion, far short of ¥2,922.0 billion, which was the figure for the same period of the previous fiscal year.

Japanese Bond Market: The yield on 10-year JGB, the indicator of long-term interest rates, started at minus 0.085% in April. The bond then rose, reaching minus 0.01% in the middle of that month. However, in early September, the yield dropped to minus 0.295%, its lowest point in the nine months period. This development followed a decline in the US 10-year treasury yield, which itself reflected expectations of a cut in interest rates as well as a risk averse tendency in the face of mounting U.S.-China tensions. However, the yield then bounced back due to a break in capital inflows to European bonds, the Bank of Japan's reduced buying operation of long- and super-long-term government bonds, and an expected favorable turn in U.S.-China trade talks. It entered positive territory at one point in December, and finished the month at minus 0.025%.

Foreign Exchange Market: The dollar-to-yen exchange rate opened in April at around 1 USD to 110 JPY. During the same month, the rate hit its highest point at the middle of the month, at 1 USD to 112 JPY. The dollar then depreciated against the yen amid factors such as escalating trade friction between Washington and Beijing, a global economic slowdown, and a growing prospect of a cut in US interest rates. In late August, the dollar reached the lowest point in the period, which was exchanging at a rate of 104 JPY. In September, the dollar rose against the yen in reaction to an anticipated progress in U.S.-China trade talks and indications that the UK would avoid a no-deal Brexit. At the end of December, one dollar fetched around 108 yen.

Under this business environment, Tokai Tokyo Financial Group embarked on the third year of its business plan, New Age's Flag Bearer 5. This business plan commits us to building the Great Platform and to implement a productivity revolution that will further strengthen our operating base and enhance growth. The plan also includes strategic themes to guide us into the next stage.

June 3 saw the start of operations at Juroku Tokai Tokyo Securities Co., Ltd. (Juroku TT). Juroku TT is the seventh in a series of joint venture securities companies we have co-founded with regional banks as part of our flagship alliance strategy in Japan. Under a corporate spin-off, Tokai Tokyo Securities Co., Ltd., a wholly owned subsidiary of the Company, transferred four Gifu-based branches to Juroku TT, generating ¥2 billion in extraordinary income for the Company. Working with both Tokai Tokyo Financial Group and The Juroku Bank, Ltd., Juroku TT will serve as a locally grounded securities company. It will contribute to the local economy as well as to the wellbeing of its customers by offering various high-quality financial products and services that align with local customers' needs.

In November, we founded 3.0 Securities Preparatory Co., Ltd. in order to launch a smartphone specialized securities company that caters to the next-generation asset forming investors by developing securities investment apps. This smartphone specialized securities company forms part of our efforts to adapt to the rapid changes in financial industry, which include increasingly diverse and sophisticated customer needs and the popularization of FinTech and AI-driven financial services.

Another company we founded recently is Money Compass Japan Co., Ltd. This company is responsible for developing an asset management app called "*Okane no Compass*" (Money Compass) that will appeal to the next-generation asset forming investors. In January, Money Compass Japan Co., Ltd. released a version of its asset management app for Tokai Tokyo Securities called "*Okane no Compass for TT*" (Money Compass for TT). In the future, Money Compass plans to link with the securities investment apps developed by the smartphone specialized securities company to attract wide range of customers who want more than the simple securities investment services offered by the partner FinTech firms.

In December, we entered into a capital provision and business alliance agreement with "Huobi Japan Inc.," the Japanese subsidiary of the global crypto asset exchange operator, Huobi Group. We will work with Huobi Japan to develop new businesses in the areas of crypto asset exchanges, new financing schemes utilizing crypto assets such as Initial Exchange Offerings (IEOs¹), local currencies, and storage and management services associated with crypto assets. We are planning to develop these services in the future for partner regional banks and others.

Our Singapore subsidiary, Tokai Tokyo Global Investments Pte. Ltd., has agreed to acquire a stake in ICHX Tech Pte. Ltd. (ICHX), which operates a Security Token Offering (STO²) platform. Security tokens promise notable advantages for issuers and investors: Securities exchanges can be settled quickly at significantly reduced cost, and the market is accessible all the time all year around. As ICHX's key partner in Japan, we will act as an intermediary for Japanese issuers and investors looking to trade in Asia's first government-approved STO platform. As such, we will work with ICHX to develop innovative services.

Regarding Tokai Tokyo Securities' activities, in April, the company opened "Orque d'or Salon TOKYO," a facility for members of Orque d'or, which is the subsidiary's financial services tailored to high-net-worth customers. Orque d'or Salon TOKYO serves as a hub for developing business among the wealthy clientele. Tokai Tokyo Securities has also started

¹IEO: Initial Exchange Offering is a means by which companies and startups can raise funds through crypto assets with supervision from crypto asset exchanges. Through this process, crypto asset exchanges perform due diligence, verify the investors' identities, and undertake the sales of crypto assets.

²STO: A Security Token Offering is a process in which an issuer offers security tokens to investors to raise funds. Using blockchain technology, security tokens, as digital investment contracts, represent ownership of underlying assets such as stocks, bonds, or real estate.

offering loans secured by securities to meet customers' short-term funding needs. The company earned an A+ rating in Rating and Investment Information's Customer-Oriented Investment Trust Sales Company Evaluation. Tokai Tokyo Securities will continue to help customers achieve a better financial future through effective services and customer-oriented operations.

In conjunction with the relocation of our headquarters in January 2019, we overhauled our intranet systems, consolidating all IT operations into a single system. This overhaul formed part of a workstyle reform program that promotes, among other things, more flexible workstyles, better employee communication, more efficient meetings, and more user-friendly IT systems.

In September, Tokai Tokyo Securities, a wholly owned subsidiary of the Company, merged with Takagi Securities Co., Ltd. as the former being a surviving entity. Tokai Tokyo Securities will promote Tokai Tokyo Financial Group's corporate value by taking over the strong operating base Takagi Securities built in Kansai, and at the same time consolidating branches and operations to enhance services. Tokai Tokyo Securities also reorganized the Independent Financial Advisory business of Takagi Securities to enable new business development. As part of this IFA business, Tokai Tokyo Securities will join some of its peers in the industry to provide sustained support toward the establishment of a financial advisor association.

As part of the Securities Consortium established by securities and securities related companies, we are participating in a working group for establishing common Know Your Client (KYC) standards.

In this year, which marks the midway stage of our five-year business plan, we continue our efforts to break the mold of a conventional securities firm to form a third pillar in financial industry, whereby we can challenge the megabank-owned securities companies and major securities companies.

The Group's consolidated operating results up to the period were as follows:

(Commission received)

(Percentage indicates a year-on-year change. The same shall apply hereinafter in this section (1).)

During the period under review, total commissions received increased 0.2%, to ¥21,885 million.

(i) Commission to consignees:

Total commissions to consignees earned by the Group increased 5.7%, to ¥9,010 million. Under this category, volume of stock brokered by Tokai Tokyo Securities decreased 33.9%, to 1,793 million shares, value of stock brokered decreased 0.9%, to ¥3,054.6 billion. However, commissions to consignees on stocks increased 1.5%, to ¥8,221 million, due to increased transactions with individual investors.

(ii) Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors: The total for this category was ¥635 million, a decrease of 38.4%. Under this category commission earned by handling of stocks decreased 77.3%, to ¥165 million, due to decreased trading. Also under this category, commission on bonds increased 55.8%, to ¥469 million.

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

The total for this category was ¥5,016 million, an increase of 2.0%. Under this category, fees from beneficiary certificates increased 3.2%, to ¥4,995 million, reflecting an increase in sales of investment trusts—particularly to individuals.

(iv) Other fees received:

Other fees earned totaled ¥7,223 million, a decrease of 2.1%. Under this category, agency commissions from investment trusts declined 11.4%, to ¥3,076 million, while insurance commissions increased 3.6%, to ¥2,274 million.

(Net trading income)

Net trading income totaled ¥22,270 million, a decrease of 11.8%. Under this category, net trading income from equity totaled ¥13,076 million, an increase of 18.4%, which was mainly attributable to an increase in the trading of Japanese stocks. The other component under this category, trading of bonds and foreign exchanges (consisting mainly of foreign currency-denominated bonds and structure bonds), on the other hand, totaled ¥9,194 million, a decrease of 35.3%.

(Net financial revenue)

Net financial revenue totaled ¥753 million, a decrease of 19.8%. Under this category, financial revenue for the period under review totaled ¥2,148 million, a decrease of 17.5%. Also under this category, financial expenses on the other hand decreased 16.2%, to ¥1,395 million.

(Selling, general and administrative expenses)

Selling, general and administrative expenses totaled ¥45,761 million, a decrease of 3.0%.

Under this category, trading-related expenses decreased 6.9% to ¥8,532 million, as our joint venture securities companies sold fewer foreign bonds. Similarly, personnel costs decreased 5.6%, to ¥21,013 million, after a reduction in performance-linked bonus pay. However, depreciation costs increased 38.2%, to ¥2,290 million, due to the amortization of the new office in Nihonbashi.

(Non-operating income and expenses)

Non-operating income totaled ¥1,133 million, a decrease of 1.6%. This result reflects the fact that the consolidated share of profit of entities accounted for using equity method turned negative, resulting in dividends income falling 26.3%, to ¥258 million. Non-operating expenses totaled ¥288 million, an increase of 15.7%. These expenses include ¥104 million in loss on investments in partnership. They also include ¥46 million in share of losses accounted for using equity method. This amount was recorded after an increase in the amortization of goodwill pertaining to equity investment in FinTech firms and other costs incurred in anticipation of future income.

(Extraordinary income and losses)

In the period under review, we recorded extraordinary income, the main component of which was ¥2,054 million resulting from gain on change in equity.

Consequently, in the period under review, operating revenue decreased 6.8%, to ¥46,304 million; net operating revenue decreased 6.5%, to ¥44,909 million; operating losses totaled ¥851 million (compared to operating income of ¥870 million in the previous year); ordinary losses totaled ¥7 million (compared to ordinary income of ¥1,772 million in the previous year); finally, profit attributable to owners of parent after deducting income taxes and others increased 85.1%, to ¥256 million.

(2) Review of the Financial Statements

(all comparisons hereunder are with the end of the previous consolidated fiscal year)

(Assets)

As of the end of the period under review, total assets amounted to ¥1,195,479 million, a decrease of ¥195,597 million. Under this category, current assets decreased ¥198,359 million to ¥1,125,172 million. The key contributors were trading products (assets), which decreased ¥173,745 million to ¥483,779 million, and loans secured by securities, which decreased ¥39,732 million to ¥453,126 million. These decreases more than offset a change in cash and deposits, which increased ¥27,861 million, to ¥75,781 million. Non-current assets increased ¥2,762 million, to ¥70,306 million. The main contributor was investment securities, which increased ¥2,290 million to ¥44,380 million.

(Liabilities)

As of the end of the period under review, total liabilities amounted to ¥1,033,669 million, a decrease of ¥19,317 million. Under this category, current liabilities decreased ¥199,400 million to ¥938,325 million. The main decreases were in trading products (liabilities) (down ¥138,049 million, to ¥408,449 million), loans payable secured by securities (down ¥79,476 million, to ¥265,823 million), and short-term loans payable (down ¥26,753 million, to ¥97,214 million). The main increase in current liability was in trade date accrual (liabilities) (up ¥27,083 million, to ¥43,057 million). Noncurrent liabilities increased ¥6,292 million to ¥94,724 million. The main factor was long-term loans payable, which increased ¥13,285 million, to ¥81,415 million. Partially offsetting this increase was bonds payable, which decreased ¥7,670 million, to ¥9,903 million.

(Net assets)

Total net assets for the period under review were ¥161,810 million, a decrease of ¥2,489 million. Under this category, the quarter-end retained earnings increased ¥479 million, to ¥101,020 million. This increase was offset by a change in capital surplus, which decreased ¥4,374 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.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: million yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	47,920	75,781
Cash segregated as deposits	42,030	46,421
Cash segregated as deposits for customers	41,400	45,500
Cash segregated as deposits for others	630	921
Trading products	657,524	483,779
Trading securities and other	654,224	479,961
Derivatives	3,300	3,818
Margin transaction assets	49,406	40,655
Loans on margin transactions	30,929	31,534
Cash collateral pledged for securities borrowing on margin transactions	18,477	9,121
Loans secured by securities	492,858	453,126
Cash collateral pledged for securities borrowed	39,663	36,862
Loans on Gensaki transactions	453,194	416,263
Advances paid	3,412	230
Short-term guarantee deposits	14,927	12,947
Short-term loans receivable	219	2,673
Accrued income	2,820	3,075
Other	12,442	6,515
Allowance for doubtful accounts	(30)	(34)
Total current assets	1,323,532	1,125,172
Non-current assets		
Property, plant and equipment	12,037	12,433
Intangible assets	5,218	5,299
Investments and other assets	50,288	52,574
Investment securities	42,090	44,380
Long-term guarantee deposits	4,608	4,149
Deferred tax assets	33	356
Net defined benefit asset	2,397	2,481
Other	1,526	1,569
Allowance for doubtful accounts	(366)	(362)
Total non-current assets	67,544	70,306
Total assets	1,391,076	1,195,479

(Unit: million yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Trading products	546,499	408,449
Trading securities and other	540,357	402,289
Derivatives	6,142	6,160
Trade date accrual	15,973	43,057
Margin transaction liabilities	11,655	17,454
Borrowings on margin transactions	9,627	13,678
Cash received for securities lending on margin transactions	2,028	3,775
Loans payable secured by securities	345,299	265,823
Cash received on debt credit transaction of securities	17,788	13,128
Borrowings on Gensaki transactions	327,510	252,694
Deposits received	34,723	46,446
Guarantee deposits received	9,733	10,802
Short-term loans payable	123,967	97,214
Short-term bonds payable	16,000	19,500
Current portion of bonds	24,443	23,040
Income taxes payable	348	301
Provision for bonuses	2,016	897
Other	7,065	5,339
Total current liabilities	1,137,726	938,325
Non-current liabilities		
Bonds payable	17,573	9,903
Long-term loans payable	68,129	81,415
Deferred tax liabilities	388	68
Provision for directors' retirement benefits	75	53
Net defined benefit liability	191	182
Other	2,073	3,101
Total non-current liabilities	88,431	94,724
Reserves under special laws		
Reserve for financial products transaction liabilities	618	618
Total reserves under special laws	618	618
Total liabilities	1,226,776	1,033,669
Net assets		
Shareholders' equity		
Capital stock	36,000	36,000
Capital surplus	28,961	24,587
Retained earnings	100,540	101,020
Treasury shares	(6,183)	(5,292)
Total shareholders' equity	159,318	156,315
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,077	900
Foreign currency translation adjustment	(405)	(593)
Remeasurements of defined benefit plans	1,500	1,200
Total accumulated other comprehensive income	2,172	1,508
Share acquisition rights	539	454
Non-controlling interests	2,268	3,531
Total net assets	164,300	161,810
Total liabilities and net assets	1,391,076	1,195,479

(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, 2018	Nine months ended December 31, 2019
Operating revenue		
Commission received	21,852	21,885
Commission to consignees	8,523	9,010
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	1,030	635
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	4,917	5,016
Other fees received	7,380	7,223
Net trading income	25,241	22,270
Financial revenue	2,604	2,148
Total operating revenue	49,698	46,304
Financial expenses	1,664	1,395
Net operating revenue	48,033	44,909
Selling, general and administrative expenses		
Trading related expenses	9,166	8,532
Personnel expenses	22,251	21,013
Real estate expenses	5,688	5,808
Office cost	5,942	5,810
Depreciation	1,657	2,290
Taxes and dues	933	981
Other	1,523	1,324
Total selling, general and administrative expenses	47,162	45,761
Operating income (loss)	870	(851)
Non-operating income		
Dividend income	350	258
Rent income	379	352
Share of profit of entities accounted for using equity method	195	—
Gain on investments in partnership	74	189
Other	150	332
Total non-operating income	1,151	1,133
Non-operating expenses		
Share of loss of entities accounted for using equity method	—	46
Loss on investments in partnership	89	104
Foreign exchange losses	60	48
Other	99	89
Total non-operating expenses	249	288
Ordinary income (loss)	1,772	(7)

(Unit: million yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Extraordinary income		
Gain on sales of non-current assets	—	97
Gain on sales of investment securities	641	154
Gain on change in equity	—	2,054
Gain on reversal of share acquisition rights	138	166
Reversal of reserve for financial instruments transaction liabilities	—	0
Total extraordinary income	780	2,472
Extraordinary losses		
Loss on sales of non-current assets	—	16
Impairment loss	14	0
Loss on sales of investment securities	53	48
Loss on valuation of investment securities	224	99
Provision of reserve for financial instruments transaction liabilities	6	—
Total extraordinary losses	298	165
Income before income taxes	2,254	2,300
Income taxes-current	159	131
Income taxes-prior periods	(141)	(46)
Income taxes-deferred	829	(424)
Total income taxes	847	(339)
Profit	1,406	2,639
Profit attributable to non-controlling interests	52	132
Profit attributable to owners of parent	1,354	2,506

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

(Unit: million yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	1,406	2,639
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,254)	(185)
Foreign currency translation adjustment	(58)	(187)
Remeasurements of defined benefit plans	(265)	(302)
Share of other comprehensive income of entities accounted for using equity method	(94)	10
Total other comprehensive income	(1,672)	(664)
Comprehensive income	(266)	1,974
(Comprehensive income attributable to)		
Owners of parent	(318)	1,842
Non-controlling interests	52	132

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Notes for Material Changes in Shareholders' Equity)

A total of 10,000,000 shares of the Company's stock were repurchased (for ¥3,440 million). The terms of the share repurchase were determined at a meeting of the Board of Directors, held on May 20, 2019, pursuant to Article 156 of the Companies Act, the term "shareholders meeting" being read as "board of director's meeting" in accordance with Article 165 (3) of said act. With a resolution of the Board of Directors pursuant to Article 178 of the same act, 10,000,000 treasury shares were canceled on August 30, 2019. Consequently, in the period under review, capital surplus and treasury stock both decreased ¥4,332 million.

Consequently, as of the end of the period under review, capital surplus totaled ¥24,587 million and treasury stock totaled ¥5,292 million.

(Material Changes in Subsidiaries during This Period)

During the second cumulative quarter, Tokai Tokyo Securities Co., Ltd. (a "specified subsidiary") merged with Takagi Securities Co., Ltd. (a "specified subsidiary") as the former being a surviving entity. Consequently, Takagi Securities has been removed from the scope of consolidation.

(Additional Information)

(Change in account presentation format)

(Quarterly consolidated statements of income)

Previously, gains (losses) on derivatives included in bonds issued by the Company were stated as "financial revenue (expense)." As of the first quarter, they are now stated as "net trading income." This new format more accurately reflects the realities of the Group operations, in which derivative trading for bonds issued by the Company has grown increasingly important in monetary terms amid business diversification.

As a result of the change, the ¥2,516 million, which would previously have been stated as "financial revenue," is stated as "net trading income" in the consolidated statements for the period under review (the nine months ended December 31, 2018).

3. 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, 2018	Nine months ended December 31, 2019	Yr/Yr	
			Increase (Decrease)	% change
Commission to consignees	8,523	9,010	486	5.7 %
Stocks	8,096	8,221	125	1.5
Bonds	31	34	2	7.0
Beneficiary certificates	395	754	358	90.6
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	1,030	635	(395)	(38.4)
Stocks	728	165	(563)	(77.3)
Bonds	301	469	168	55.8
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	4,917	5,016	99	2.0
Beneficiary certificates	4,840	4,995	154	3.2
Other fees received	7,380	7,223	(157)	(2.1)
Beneficiary certificates	3,474	3,076	(397)	(11.4)
Total	21,852	21,885	32	0.2

(ii) By product

(Unit: million yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Yr/Yr	
			Increase (Decrease)	% change
Stocks	8,904	8,620	(283)	(3.2) %
Bonds	400	533	132	33.1
Beneficiary certificates	8,710	8,826	115	1.3
Others	3,836	3,904	68	1.8
Total	21,852	21,885	32	0.2

②Net trading income

(Unit: million yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Yr/Yr	
			Increase (Decrease)	% change
Stocks	11,039	13,076	2,036	18.4 %
Bonds and Forex	14,202	9,194	(5,007)	(35.3)
Total	25,241	22,270	(2,970)	(11.8)

(Note) The Company has made changes in the presentation method of the financial revenue and the net trading income in the consolidated financial statements for the nine months ended December 31, 2019. The breakdown of the net trading income for the nine months ended December 31, 2018 reflects this change.

(2) Comparative Quarterly Consolidated Statements of Income

(Unit: million yen)

	Fiscal 2018		Fiscal 2019		
	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
	Oct. 1, 2018 - Dec. 31, 2018	Jan. 1, 2019 - Mar. 31, 2019	Apr. 1, 2019 - Jun. 30, 2019	Jul. 1, 2019 - Sep. 30, 2019	Oct. 1, 2019 - Dec. 31, 2019
Operating revenues					
Commission received	7,116	7,102	6,352	6,922	8,609
Commission to consignees	2,628	2,205	2,371	2,597	4,041
(Stocks)	2,397	2,115	2,264	2,172	3,784
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	512	217	231	201	202
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	1,527	2,033	1,624	1,521	1,870
(Beneficiary certificates)	1,505	2,030	1,611	1,519	1,864
Other fees received	2,447	2,645	2,126	2,602	2,494
(Beneficiary certificates)	1,131	1,082	1,052	1,024	999
Net trading income	5,983	6,938	6,564	7,306	8,400
(Stocks)	(17)	4,361	3,676	4,152	5,247
(Bonds and Forex)	6,000	2,576	2,887	3,153	3,153
Financial revenue	755	1,034	565	927	656
Total operating revenue	13,855	15,074	13,482	15,156	17,665
Financial expenses	536	554	490	452	452
Net operating revenue	13,319	14,519	12,992	14,703	17,213
Selling, general and administrative expenses					
Trading related expenses	3,020	2,785	2,867	2,709	2,955
Personnel expenses	7,227	7,293	7,412	6,728	6,873
Real estate expenses	1,989	2,156	2,089	1,814	1,903
Office cost	1,980	2,051	1,883	2,047	1,879
Depreciation	584	664	715	773	801
Taxes and dues	274	340	321	366	293
Other	438	490	586	398	340
Total selling, general and administrative expenses	15,514	15,782	15,875	14,837	15,048
Operating income	(2,195)	(1,262)	(2,883)	(134)	2,165
Non-operating income	47	561	401	513	217
Share of profit of entities accounted for using equity method	(219)	(195)	—	—	—
Other	267	757	401	513	217
Non-operating expenses	66	138	184	246	(142)
Share of loss of entities accounted for using equity method	—	61	137	81	(173)
Other	66	76	46	164	30
Ordinary income	(2,213)	(839)	(2,666)	133	2,525
Extraordinary income	475	883	2,236	69	166
Extraordinary losses	224	769	50	16	98
Income before income taxes	(1,962)	(726)	(480)	186	2,594
Income taxes-current	(805)	445	(45)	95	35
Income taxes-deferred	565	(917)	(685)	(336)	598
Profit	(1,723)	(254)	250	428	1,960
Profit attributable to non-controlling interests	(17)	20	(5)	39	98
Profit attributable to owners of parent	(1,706)	(274)	256	388	1,862

(Note) The Company has made changes in the presentation method of the financial revenue and the net trading income in the consolidated financial statements since the 1st Quarter of FYE March 2020. The quarterly consolidated financial statements for FYE March 2019 reflect this change.