



Non-consolidated Financial Results
for the Three Months Ended June 30, 2022
(Under Japanese GAAP)

July 28, 2022

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 Investors meeting presentation for quarterly financial results: None

(Note) Amounts less than one million yen have been omitted.

1. Non-consolidated financial results for the three months ended June 30, 2022
(from April 1, 2022 to June 30, 2022)

(1) Operating results (Percentages indicate year-on-year changes.)

	Operating revenue		Net operating revenue		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended										
June 30, 2022	2,666	(24.1)	2,653	(24.2)	(221)	–	(4)	–	42	(90.5)
June 30, 2021	3,514	1.2	3,500	1.2	376	(7.0)	581	2.5	447	14.3

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	0.67	–
June 30, 2021	6.97	–

(2) Non-consolidated financial position

	Total assets	Net assets	Capital ratio	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%	%
June 30, 2022	63,567	38,577	60.7	731.0
March 31, 2022	64,511	39,071	60.6	695.4

Reference: Capital (Shareholders' equity + Valuation and translation adjustments):

As of June 30, 2022: ¥38,577 million As of March 31, 2022: ¥39,071 million

2. Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year	Yen	Yen	Yen	Yen	Yen
Ended March 31, 2022	–	8.00	–	6.00	14.00
Ending March 31, 2023	–	–	–	–	–
Ending March 31, 2023 (forecast)	–	–	–	–	–

(Note 1) Breakdown of second quarter-end dividends for the fiscal year ended March 31, 2022

Ordinary dividend: ¥6.00 per share

Commemorative dividend: ¥2.00 per share (to commemorate the 100th anniversary of the Company's founding)

(Note 2) We have yet to determine the year-end dividend forecast for the fiscal year ending March 31, 2023. You can find the reason and other information in "Explanation on appropriate use of earnings forecast and other special notes" on the second page of this Summary Information.

3. Forecast of non-consolidated financial results for the fiscal year ending March 31, 2023
(from April 1, 2022 to March 31, 2023)

Our earnings could fluctuate greatly depending on the stock market trend and other factors. We therefore do not disclose earnings forecast on concern that it could rather adversely affect the investment decision of our shareholders and investors.

We will promptly disclose the preliminary results figures when the operating results will be substantially finalized.

[Notes]

- (1) Application of accounting methods used specifically for preparing the quarterly non-consolidated financial statements: None
- (2) Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements
- (i) Changes in accounting policies due to application of new or revised accounting standards: Yes
 - (ii) Changes in accounting policies due to reasons other than above (i): None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatements of prior period financial statements: None

Note: For more details, please see page 8 *Changes in accounting policies* of the Attached Materials.

(3) Number of shares issued (common stock)

(i) Number of shares issued at the end of the period (including treasury shares)

As of June 30, 2022: 70,689,033 shares

As of March 31, 2022: 70,689,033 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2022: 6,068,929 shares

As of March 31, 2022: 6,827,729 shares

(iii) Average number of shares of common stock during the period

Three months ended June 30, 2022: 63,853,495 shares

Three months ended June 30, 2021: 64,222,650 shares

Note: The number of treasury shares at the end of the period includes the shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets for Board Benefit Trust (BBT) and Employee Stock Ownership Plan (J-ESOP). In addition, the number of treasury shares, which was to be deducted from the calculation of the average number of shares of common stock during the period, includes the shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets for BBT and J-ESOP.

* This financial results report is not subject to quarterly review procedures to be performed by certified public accountants or an audit firm.

* Explanation on appropriate use of earnings forecast and other special notes
(Reason for not disclosing dividend forecast, etc.)

We have adopted a basic policy of approximately maintaining a 50 percent dividend payout ratio by taking into account payout consistency, net asset position, and other managerial judgments based on our corporate philosophy of striving to act in the best interest of our shareholders.

As described in "3. Forecast of non-consolidated financial results for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)," we have yet to determine the year-end dividend forecast for the fiscal year ending March 31, 2023 due to difficulty in forecasting earnings. We will promptly disclose the forecast amount at the timing when the second quarter-end and the fiscal year-end approach (during September 2022 and March 2023).

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1. Overview of operating results, etc.

(1) Quarterly overview of operating results

During the first three months ended June 30, 2022 (hereinafter the “period under review”), Japan’s economy began to improve, but concerns about rising prices grew as demand in major countries rebounded due to the normalization of economic activity and as worries mounted about shortages of supplies of energy and agricultural produce in connection with Russia’s invasion of Ukraine. Regarding domestic economic indicators, the ratio of job openings to job seekers maintained its upward trajectory, the unemployment rate remained low, and the Economy Watchers Survey DIs for both current and future economic conditions suggested that the economy is being viewed more positively. However, despite the appearance of smooth sailing, the rising trend in the consumer price index (CPI), which began in the spring, became more marked, though the Bank of Japan, at its mid-June policy meeting, decided to stick with monetary easing, demonstrating that its stance is to place priority on supporting the economy. The U.S. economic situation was similar. While the employment environment and production activity remained favorable, the CPI continued its ascent, and the Fed (Federal Reserve Board) quickened the pace of interest rate increases, with hikes in March, May, and June. However, housing starts and retail sales turned downward in May and June, respectively, as adverse effects from the steep rate rises became apparent.

During the period under review, the domestic stock markets were greatly impacted by the monetary policies of the world’s major economies. Reflecting fears that monetary tightening would accelerate in the U.S., the Nikkei Stock Average sagged to its lowest level in about two months on May 12, though by June 8 it had recovered to the ¥28,000 range, its highest level since March 30, as pent-up demand was released on the back of expectations that the yen’s slide and U.S. inflation would subside. In mid-June, however, the U.S., U.K., and Switzerland all raised interest rates, leading to a resurgence in jitters about worldwide monetary tightening and the downward pressure this would exert on the economy. These worries triggered a sharp drop in stock prices, with the Nikkei plunging 8.8% in eight trading days. Toward the end of the month, the market picked up again, but the Nikkei still ended the period under review at ¥26,393.04, down 5.1% from the end of March 2022.

Under these circumstances, we reported decreases in both operating revenue and net operating revenue during the period under review, with operating revenue of ¥2,666 million (down 24.1% year-on-year) and net operating revenue of ¥2,653 million (down 24.2% year-on-year), which is the amount of operating revenue less financial expenses of ¥12 million (down 8.3% year-on-year). Furthermore, selling, general and administrative expenses were ¥2,874 (down 8.0% year-on-year). As a result, we reported an operating loss of ¥221 million (compared to an operating profit of ¥376 million for the same period a year earlier), an ordinary loss of ¥4 million (compared to an ordinary profit of ¥581 million for the same period a year earlier), and because tax expenses were ¥47 million (compared to +¥128 million for the same period a year earlier), profit of ¥42 million (down 90.5% year-on-year).

Overview of the operating results are as shown below.

(i) Commission received

During the period under review, total “Commission received” was ¥2,322 million (down 26.9% year-on-year).

(a) Brokerage commission

“Brokerage commission” was ¥899 million (down 39.6% year-on-year). This was mainly due to a decrease to ¥175.5 billion (down 24.9% year-on-year) in the volume of stock brokered, resulting in brokerage commission on stocks of ¥888 million (down 39.8% year-on-year). Meanwhile, brokerage commission of beneficiary certificates was ¥10 million (down 13.7% year-on-year).

(b) 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” was ¥2 million (down 69.9% year-on-year).

(c) Fees for offering, secondary distribution and solicitation for selling and others for professional investors; and other fees received
“Fees for offering, secondary distribution and solicitation for selling and others for professional investors,” which mainly consist of investment trust sales commissions, were ¥555 million (down 28.7% year-on-year). This was due to the fact that despite focusing on sales of investment trusts that invest in stocks of sustainable growth companies in the U.S. and cybersecurity-related companies across the world, e.g., global USD-denominated equity and debt securities, the investment environment deteriorated and sales dropped. In addition, “Other fees received” were ¥864 million (down 4.0% year-on-year) mainly due to decreases in agency commission for investment trusts and commission for mutual fund wraps.

(ii) Net trading income

During the period under review, “Net trading income” was ¥292 million (up 4.7% year-on-year) consisting of net trading income for stocks of ¥188 million (down 0.3% year-on-year) due to a decrease in the trading volume of US stocks and that for bonds and foreign exchange of ¥103 million (up 15.4% year-on-year).

(iii) Financial revenue and expenses

During the period under review, “Financial revenue” was ¥44 million (down 14.3% year-on-year) due to a decrease in income from margin transactions, and “Financial expenses” were ¥12 million (down 8.3% year-on-year) due to an increase in the cost of margin transactions, resulting in a net profit of ¥31 million (down 16.5% year-on-year).

(iv) Selling, general and administrative expenses

During the period under review, “Selling, general and administrative expenses” were ¥2,874 million (down 8.0% year-on-year). This was mainly attributable to an increase in “Depreciation expense” due to the useful life of noncurrent assets that are unlikely to be used after the relocation of the head office being shortened during the previous business year, and a decrease in “Personnel expenses” such as addition to provision for bonuses due to lower operating revenue.

(2) Quarterly overview of financial position

(i) Current assets

At the end of the period under review, “Current assets” amounted to ¥48,283 million, a decrease of ¥483 million from the end of the previous fiscal year. This was mainly attributable to an increase of ¥1,748 million in “Cash and deposits,” and decreases of ¥1,515 million in “Deposits paid” and ¥655 million in “Margin trading assets.”

(ii) Non-current assets

At the end of the period under review, “Non-current assets” amounted to ¥15,284 million, a decrease of ¥469 million from the end of the previous fiscal year. This was mainly attributable to a decrease of ¥450 million in “Investment securities.”

(iii) Current liabilities

At the end of the period under review, “Current liabilities” amounted to ¥20,313 million, a decrease of ¥76 million from the end of the previous fiscal year. This was mainly attributable to an increase of ¥459 million in “Deposits received,” and decreases of ¥172 million in “Margin trading liabilities,” ¥336 million in “Provision for bonuses,” ¥284 in “Provision for share awards for employees,” and ¥111 million in “Income taxes payable.”

(iv) Non-current liabilities and reserves under special laws

At the end of the period under review, “Non-current liabilities” and “Reserves under special laws” collectively amounted to ¥4,676 million, a decrease of ¥372 million from the end of the previous fiscal year. This was mainly attributable to decreases of ¥268 million in “Deferred tax liabilities” and ¥155 million in “Asset retirement obligations.”

(v) Net assets

At the end of the period under review, “Net assets” amounted to ¥38,577 million, a decrease of ¥494 million from the end of the previous fiscal year. This was mainly attributable to increases of ¥260 million in “Disposal of treasury shares” and ¥42 million in “Profit,” and decreases of ¥390 million in “Dividends of surplus,” ¥337 million in “Valuation difference on available-for-sale securities,” and ¥69 million in “Acquisition of treasury shares.”

(3) Outlook

We are engaged in the financial instruments business, and thus, its earnings could fluctuate greatly depending on the stock market performance and other factors. We therefore do not disclose earnings forecasts on concern that they could rather adversely affect the investment decision of our shareholders and investors.

Instead, every quarter, we will disclose preliminary forecast figures as soon as the operating results are finalized. The disclosure of such preliminary figures is scheduled at the end of each quarter or the middle of the month immediately following the end of each fiscal year.

(4) Risk information on COVID-19 infection

If large-scale COVID-19 outbreaks were to occur at numerous branch offices or the head office, severely restricting sales operations and head office operations, it could have an impact on operating results.

However, we believe that the possibility of this risk materializing is low. Widespread vaccination has been achieved despite concerns about variants, and branch offices are able to conduct sales work from home using cell phones and tablets. The Customer Center has established a system that enables it to cover duties of offices where clusters of COVID-19 infections have been confirmed. In addition, at the head office, we have taken measures to prevent the suspension of critical operations by assigning personnel who perform the same work to different floors.

2. Quarterly non-consolidated financial statements and significant notes

(1) Quarterly non-consolidated balance sheets

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2022)	Current quarter (As of June 30, 2022)
Assets		
Current assets:		
Cash and deposits	22,723	24,471
Cash segregated as deposits	13,445	11,930
Trading products:	625	652
Trading securities and other	623	650
Derivatives	2	1
Trade date accrual	31	11
Margin transaction assets:	8,409	7,754
Loans on margin transactions	8,291	7,552
Cash collateral pledged for securities borrowing on margin transactions	118	201
Cash paid for offering	1,736	1,710
Short-term guarantee deposits	689	976
Income taxes refund receivable	-	27
Other current assets	1,104	748
Total current assets	48,766	48,283
Non-current assets:		
Property, plant and equipment:	3,339	3,492
Buildings	1,680	1,627
Other, net	1,658	1,864
Intangible assets	320	336
Investments and other assets:	12,084	11,455
Investment securities	11,196	10,746
Long-term guarantee deposits	845	668
Other	60	59
Allowance for doubtful accounts	(17)	(17)
Total non-current assets	15,745	15,284
Total assets	64,511	63,567

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current quarter (As of June 30, 2022)
Liabilities		
Current liabilities:		
Margin transaction liabilities:	747	919
Borrowings on margin transactions	428	398
Cash received for securities lending on margin transactions	318	521
Borrowings secured by securities:	1,090	1,052
Cash received on debt credit transaction of securities	1,090	1,052
Deposits received	14,383	14,843
Guarantee deposits received	626	499
Short-term borrowings	1,950	1,950
Income taxes payable	149	38
Provision for bonuses	536	200
Provision for share awards for employees	284	–
Provision for share awards for directors (and other officers)	2	2
Asset retirement obligations	13	157
Other current liabilities	605	649
Total current liabilities	20,390	20,313
Non-current liabilities:		
Long-term borrowings	800	800
Deferred tax liabilities	1,485	1,217
Provision for retirement benefits	2,202	2,223
Provision for share awards for employees	–	20
Provision for share awards for directors (and other officers)	9	10
Asset retirement obligations	397	242
Other non-current liabilities	52	60
Total non-current liabilities	4,947	4,575
Reserves under special laws:		
Reserve for financial instruments transaction liabilities	101	101
Total reserves under special laws	101	101
Total liabilities	25,439	24,990
Net assets		
Shareholders' equity:		
Share capital	12,272	12,272
Capital surplus:		
Legal capital surplus	4,294	4,294
Other capital surplus	1,969	1,969
Total capital surplus	6,264	6,264
Retained earnings:		
Other retained earnings:	17,778	17,430
General reserve	7,247	7,247
Retained earnings brought forward	10,531	10,183
Total retained earnings	17,778	17,430
Treasury shares	(1,635)	(1,444)
Total shareholders' equity	34,680	34,523
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	4,391	4,053
Total valuation and translation adjustments	4,391	4,053
Total net assets	39,071	38,577
Total liabilities and net assets	64,511	63,567

(2) Quarterly non-consolidated statements of income

For the three months ended June 30, 2022

(Millions of yen)

	For the three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	For the three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)
Operating revenue		
Commission received:	3,177	2,322
Brokerage commission	1,488	899
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	9	2
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	778	555
Other fees received	901	864
Net trading income	279	292
Financial revenue	52	44
Other	6	6
Total operating revenue	3,514	2,666
Financial expenses	14	12
Net operating revenue	3,500	2,653
Selling, general and administrative expenses:		
Trading related expenses	287	228
Personnel expenses	1,754	1,549
Real estate expenses	412	407
Office expenses	455	462
Depreciation	86	112
Taxes and dues	77	66
Other	49	46
Total selling, general and administrative expenses	3,124	2,874
Operating profit (loss)	376	(221)
Non-operating income:		
Dividend income	163	179
Miscellaneous income	41	39
Total non-operating income	205	219
Non-operating expenses:		
Miscellaneous loss	0	2
Total non-operating expenses	0	2
Ordinary profit (loss)	581	(4)
Extraordinary losses:		
Provision of reserve for financial instruments transaction liabilities	–	0
Impairment loss	5	–
Total extraordinary losses	5	0
Profit (loss) before income taxes	576	(4)
Income taxes - current	3	6
Income taxes - deferred	125	(53)
Total income taxes	128	(47)
Profit	447	42

(3) Notes to quarterly non-consolidated financial statements

Going concern assumption

Not applicable.

Significant changes in shareholders' equity

Not applicable.

Changes in accounting policies

We have applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31; June 17, 2021; hereinafter the "Implementation Guidance on Accounting Standard for Fair Value Measurement") from the beginning of the first quarter of the fiscal year ending March 31, 2023. In accordance with the transitional treatment set forth in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, we apply the new accounting policy set forth in the Implementation Guidance on Accounting Standard for Fair Value Measurement for future periods. This has no impact on the consolidated financial statements.

3. Supplemental information

(1) Commission received

(i) Commission by line item

(Millions of yen)

	For the three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	For the three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)	Year-on-year change (%)
Brokerage commission:	1,488	899	60.4
Stocks	[1,475]	[888]	60.2
Beneficiary certificates	[12]	[10]	86.3
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors:	9	2	30.1
Stocks	[9]	[2]	26.7
Bonds	[-]	[0]	-
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	778	555	71.3
Other fees received	901	864	96.0
Total	3,177	2,322	73.1

(ii) Commission by product

(Millions of yen)

	For the three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	For the three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)	Year-on-year change (%)
Stocks	1,487	893	60.0
Bonds	0	0	712.0
Beneficiary certificates	1,683	1,419	84.3
Other	5	9	160.0
Total	3,177	2,322	73.1

(2) Net trading income

(Millions of yen)

	For the three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	For the three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)	Year-on-year change (%)
Stocks, etc.	189	188	99.7
Bonds, foreign exchange, etc.:	89	103	115.4
Bonds, etc.	[55]	[51]	94.4
Foreign exchange, etc.	[34]	[51]	148.7
Total	279	292	104.7

(3) Stock trading volume (excluding futures trading)

(Millions of shares, Millions of yen)

	For the three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)		For the three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)		Year-on-year change (%)	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Total:	129	249,054	89	189,244	69.1	76.0
Brokerage	[128]	[233,729]	[88]	[175,590]	[69.1]	[75.1]
Dealing	[0]	[15,324]	[0]	[13,653]	[63.1]	[89.1]
Brokerage (%)	99.3	93.8	99.3	92.8	-	
Exchange participation share (%)	0.06	0.05	0.04	0.04		
Brokerage commission per stock on client transaction (yen)	11.51		10.03			

(4) Dealing volume of underwriting, public offering and secondary distribution

(Thousands of shares, Millions of yen)

	For the three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)		For the three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)		Year-on-year change (%)
Underwriting:					
Stock (Number of shares)		114		82	72.1
Stock (Amount)		289		45	15.6
Bond (Face value)		-		-	-
Beneficiary certificates (Amount)		-		-	-
Commercial paper & foreign securities (Face value)		-		-	-
Offering and secondary distribution					
Stock (Number of shares)		76		87	115.1
Stock (Amount)		158		46	29.4
Bond (Face value)		10		41	410.0
Beneficiary certificates (Amount)		103,063		75,124	72.9
Commercial paper & foreign securities (Face value)		-		-	-

Note: The dealing volume of offering and secondary distribution includes the amount of secondary distribution and the dealing volume of private offering.

(5) Capital adequacy ratio

(Millions of yen unless otherwise indicated)

		Previous fiscal year (As of March 31, 2022)	Current quarter (As of June 30, 2022)
Basic items (A)		34,289	34,523
Complementary items	Valuation difference on available-for- sale securities	4,391	4,053
	Reserve for financial instruments transaction liabilities	101	101
	Total (B)	4,493	4,155
Deductible assets (C)		5,375	5,348
Unfixed equity capital (A) + (B) - (C) (D)		33,406	33,330
Risk items	Market risk	1,359	1,289
	Counterparty risk	432	362
	Basic risk	3,011	2,907
	Total (E)	4,803	4,559
Capital adequacy ratio (%) (D) / (E) × 100		695.4	731.0

Note: The number of treasury shares, which was to be deducted from the calculation of basic items, includes the shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets for BBT and J-ESOP.

(6) Quarterly trends of operating results

(Millions of yen)

	Previous fiscal year				Current fiscal year
	1st quarter (Apr. 1, 2021 - Jun. 30, 2021)	2nd quarter (Jul. 1, 2021 - Sep. 30, 2021)	3rd quarter (Oct. 1, 2021 - Dec. 31, 2021)	4th quarter (Jan. 1, 2022 - Mar. 31, 2022)	1st quarter (Apr. 1, 2022 - Jun. 30, 2022)
Operating revenue:					
Commission received	3,177	3,233	3,263	2,442	2,322
Net trading income	279	365	438	248	292
Financial revenue	52	55	52	48	44
Other	6	6	6	6	6
Total operating revenue	3,514	3,661	3,760	2,746	2,666
Financial expenses	14	13	12	12	12
Net operating revenue	3,500	3,647	3,748	2,734	2,653
Selling, general and administrative expenses:					
Trading related expenses	287	276	265	250	228
Personnel expenses	1,754	1,740	1,734	1,546	1,549
Real estate expenses	412	358	395	408	407
Office expenses	455	438	459	457	462
Depreciation	86	94	122	137	112
Taxes and dues	77	49	49	39	66
Other	49	53	44	58	46
Total selling, general and administrative expenses	3,124	3,011	3,072	2,899	2,874
Operating profit (loss)	376	636	676	(165)	(221)
Non-operating income	205	43	146	56	219
Non-operating expenses	0	11	1	1	2
Ordinary profit (loss)	581	668	821	(110)	(4)
Extraordinary losses:					
Provision of reserve for financial instruments transaction liabilities	–	–	–	–	0
Impairment loss	5	–	–	–	–
Total extraordinary losses	5	–	–	–	0
Profit (loss) before income taxes	576	668	821	(110)	(4)
Income taxes - current	3	360	155	56	6
Income taxes - deferred	125	(155)	129	(108)	(53)
Total income taxes	128	204	284	(51)	(47)
Profit (loss)	447	463	537	(58)	42