

Consolidated Financial Summary (for the nine months ended December 31, 2016)

January 27, 2017

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/>
 Representative: Tateaki Ishida, President & CEO
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Expected date for submission of quarterly report: February 14, 2017
 Scheduled day of commencing dividend payment: —
 Quarterly earnings supplementary explanatory documents: Available
 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, 2016**(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, 2016	46,345	(12.7)	45,189	(13.3)	5,555	(51.5)	8,363	(38.3)	7,691	(27.8)
December 31, 2015	53,087	(15.3)	52,098	(15.4)	11,446	(42.3)	13,555	(39.1)	10,649	(26.6)

(Note) Comprehensive income Nine-month period ended December 31, 2016: 6,417 million yen [(34.3%)]

Nine-month period ended December 31, 2015: 9,774 million yen [(38.0%)]

	Net income per share	Diluted net income per share
	yen	yen
Nine months ended		
December 31, 2016	29.32	29.30
December 31, 2015	40.17	40.13

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of				
December 31, 2016	730,680	153,090	20.7	576.97
March 31, 2016	568,548	155,204	26.9	580.16

(Reference) Shareholders' equity December 31, 2016: 150,979 million yen March 31, 2016: 153,089 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, 2016	—	14.00	—	14.00	28.00
Ending March 31, 2017	—	12.00	—		
Ending March 31, 2017 (Forecast)				—	—

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

2) Dividend forecast for the fiscal year ending March 31, 2017 has not been determined.

3. Forecast of Consolidated Operating Results for Fiscal 2016 (from April 1, 2016 to March 31, 2017)

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): None

New : None

Exclusion : None

(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 stock (shares)

As of December 31, 2016: 280,582,115

As of March 31, 2016: 280,582,115

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

As of December 31, 2016: 18,907,064

As of March 31, 2016: 16,706,568

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

Nine months ended December 31, 2016: 262,343,705

Nine months ended December 31, 2015: 265,104,509

* Quarterly review procedure implementation progress status

This quarterly earnings report is exempt from the quarterly review procedure that is required under the Financial Instruments and Exchanges Act. At the time of the disclosure of this Consolidated Financial Summary, we have not finished the review procedure process.

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

Dividends for the fiscal year ending March 31, 2017 have not been determined because it is difficult to forecast operating results, as described similarly in "3.Forecast of Consolidated Operating Results for Fiscal 2016."

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: million yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	45,204	46,318
Cash segregated as deposits	28,711	31,606
Cash segregated as deposits for customers	27,905	30,700
Cash segregated as deposits for others	806	905
Trading products	259,234	310,393
Trading securities and other	255,620	306,451
Derivatives	3,613	3,941
Margin transaction assets	41,375	40,208
Loans on margin transactions	31,714	26,060
Cash collateral pledged for securities borrowing on margin transactions	9,660	14,148
Loans secured by securities	134,042	235,264
Cash collateral pledged for securities borrowed	134,042	235,264
Advances paid	76	5
Short-term guarantee deposits	11,696	11,679
Short-term loans receivable	115	136
Accrued income	1,944	1,724
Deferred tax assets	208	629
Other	2,680	3,154
Allowance for doubtful accounts	(31)	(26)
Total current assets	525,258	681,094
Noncurrent assets		
Property, plant and equipment	10,203	9,844
Intangible assets	2,426	2,290
Investments and other assets	30,660	37,451
Investment securities	25,071	31,406
Long-term guarantee deposits	2,089	2,366
Net defined benefit asset	2,697	2,912
Other	2,138	1,170
Allowance for doubtful accounts	(1,335)	(405)
Total noncurrent assets	43,290	49,585
Total assets	568,548	730,680

(Unit: million yen)

	As of March 31, 2016	As of December 31, 2016
Liabilities		
Current liabilities		
Trading products	137,111	228,596
Trading securities and other	129,790	222,401
Derivatives	7,321	6,194
Trade date accrual	15,261	47,021
Margin transaction liabilities	5,708	9,816
Borrowings on margin transactions	3,733	6,299
Cash received for securities lending on margin transactions	1,975	3,517
Loans payable secured by securities	68,538	84,136
Cash received on debt credit transaction of securities	68,538	84,136
Deposits received	18,852	34,610
Guarantee deposits received	10,605	8,876
Short-term loans payable	81,052	75,786
Short-term bonds payable	9,800	11,300
Current portion of bonds	35,855	30,623
Income taxes payable	533	366
Provision for bonuses	1,721	1,235
Provision for directors' bonuses	41	36
Other	3,575	3,615
Total current liabilities	388,658	536,020
Noncurrent liabilities		
Bonds payable	1,950	6,110
Long-term loans payable	19,700	31,800
Deferred tax liabilities	470	1,394
Provision for directors' retirement benefits	83	127
Net defined benefit liability	465	462
Other	1,576	1,244
Total noncurrent liabilities	24,245	41,139
Reserves under special laws		
Reserve for financial products transaction liabilities	440	430
Total reserves under special laws	440	430
Total liabilities	413,344	577,589
Net assets		
Shareholders' equity		
Capital stock	36,000	36,000
Capital surplus	33,473	32,998
Retained earnings	85,537	86,393
Treasury stock	(6,390)	(7,583)
Total shareholders' equity	148,619	147,808
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,026	1,532
Foreign currency translation adjustment	(10)	(777)
Remeasurements of defined benefit plans	2,454	2,417
Total accumulated other comprehensive income	4,469	3,171
Subscription rights to shares	327	419
Non-controlling interests	1,787	1,691
Total net assets	155,204	153,090
Total liabilities and net assets	568,548	730,680

(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, 2015	Nine months ended December 31, 2016
Operating revenue		
Commission received	27,133	19,881
Commission to consignees	13,288	9,775
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	555	508
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	8,486	4,906
Other fees received	4,802	4,691
Net trading income	23,596	24,367
Financial revenue	2,356	2,095
Total operating revenue	53,087	46,345
Financial expenses	989	1,155
Net operating revenue	52,098	45,189
Selling, general and administrative expenses		
Trading related expenses	9,117	7,868
Personal expenses	18,963	18,570
Real estate expenses	4,445	4,591
Office cost	4,938	5,297
Depreciation	1,386	1,330
Taxes and dues	667	895
Other	1,133	1,079
Total selling, general and administrative expenses	40,652	39,633
Operating income	11,446	5,555
Non-operating income		
Dividend income	401	442
Rent income	466	398
Share of profit of entities accounted for using equity method	957	1,711
Gain on investments in partnership	257	186
Other	101	152
Total non-operating income	2,184	2,891
Non-operating expenses		
Loss on investments in partnership	41	46
Foreign exchange losses	24	24
Other	9	12
Total non-operating expenses	75	83
Ordinary income	13,555	8,363

(Unit: million yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Extraordinary income		
Gain on sales of noncurrent assets	0	22
Gain on sales of investment securities	2,233	1,115
Gain on reversal of subscription rights to shares	—	1
Gain on transfer of business	—	850
Reversal of reserve for financial products transaction liabilities	—	10
Total extraordinary income	2,233	2,000
Extraordinary loss		
Loss on sales of investment securities	4	0
Loss on valuation of investment securities	—	0
Provision of reserve for financial products transaction liabilities	51	—
Total extraordinary loss	55	0
Income before income taxes	15,733	10,362
Income taxes-current	3,104	1,877
Income taxes-deferred	1,793	771
Total income taxes	4,898	2,648
Profit	10,835	7,714
Profit attributable to non-controlling interests	185	23
Profit attributable to owners of the parent	10,649	7,691

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

(Unit: million yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Profit	10,835	7,714
Other comprehensive income		
Valuation difference on available-for-sale securities	(827)	(508)
Foreign currency translation adjustment	(56)	(763)
Remeasurements of defined benefit plans	(176)	(35)
Share of other comprehensive income of entities accounted for using equity method	—	11
Total other comprehensive income	(1,060)	(1,296)
Comprehensive income	9,774	6,417
(Comprehensive income attributable to)		
Owners of the parent	9,587	6,393
Non-controlling interests	186	24

Supplementary Information

(1) Breakdown of Commissions and Trading profit and loss

① Commission received

(i) By item

(Unit: million yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016	Yr/Yr	
			Increase (Decrease)	% change
Commission to consignees	13,288	9,775	(3,512)	(26.4) %
Stocks	12,300	9,136	(3,164)	(25.7)
Bonds	21	21	0	0.3
Beneficiary certificates	965	617	(347)	(36.0)
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	555	508	(47)	(8.6)
Stocks	317	231	(85)	(27.0)
Bonds	238	276	37	15.8
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	8,486	4,906	(3,580)	(42.2)
Beneficiary certificates	8,453	4,826	(3,627)	(42.9)
Other fees received	4,802	4,691	(110)	(2.3)
Beneficiary certificates	3,510	2,874	(636)	(18.1)
Total	27,133	19,881	(7,252)	(26.7)

(ii) By product

(Unit: million yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016	Yr/Yr	
			Increase (Decrease)	% change
Stocks	12,680	9,432	(3,247)	(25.6) %
Bonds	301	384	83	27.8
Beneficiary certificates	12,930	8,319	(4,611)	(35.7)
Others	1,221	1,744	522	42.8
Total	27,133	19,881	(7,252)	(26.7)

② Net trading income

(Unit: million yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016	Yr/Yr	
			Increase (Decrease)	% change
Stocks	10,650	9,211	(1,439)	(13.5) %
Bonds and Forex	12,946	15,156	2,210	17.1
Total	23,596	24,367	770	3.3

(2) Comparative Quarterly Consolidated Statements of Income

(Unit: million yen)

	Fiscal 2015		Fiscal 2016		
	3rd quarter Oct. 1, 2015 - Dec. 31, 2015	4th quarter Jan. 1, 2016 - Mar. 31, 2016	1st quarter Apr. 1, 2016 - Jun. 30, 2016	2nd quarter Jul. 1, 2016 - Sep. 30, 2016	3rd quarter Oct. 1, 2016 - Dec. 31, 2016
Operating revenue					
Commission received	8,125	7,133	7,271	5,421	7,189
Commission to consignees	4,162	3,250	3,748	2,402	3,624
(Stocks)	3,757	2,849	3,454	2,237	3,444
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	323	327	112	111	284
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	2,026	1,994	1,848	1,336	1,720
(Beneficiary certificates)	2,013	1,983	1,810	1,307	1,709
Other fees received	1,613	1,560	1,561	1,570	1,559
(Beneficiary certificates)	1,124	1,009	986	940	948
Net trading income	7,576	6,732	6,671	7,972	9,723
(Stocks)	3,143	1,040	1,246	2,644	5,319
(Bonds and Forex)	4,433	5,692	5,424	5,327	4,403
Financial revenue	764	631	699	518	877
Total operating revenue	16,467	14,496	14,642	13,912	17,790
Financial expenses	406	317	352	314	488
Net operating revenue	16,060	14,179	14,289	13,598	17,301
Selling, general and administrative expenses					
Trading related expenses	2,794	2,675	2,654	2,466	2,747
Personal expenses	6,162	5,925	6,046	5,984	6,538
Real estate expenses	1,471	1,593	1,626	1,503	1,461
Office cost	1,650	1,743	1,675	1,912	1,710
Depreciation	466	462	454	430	446
Taxes and dues	216	223	266	305	322
Provision of allowance for doubtful accounts	(8)	—	—	—	—
Other	307	357	467	318	293
Total selling, general and administrative expenses	13,062	12,982	13,190	12,921	13,521
Operating income	2,997	1,196	1,099	676	3,779
Non-operating income	503	581	421	1,899	570
Share of profit of entities accounted for using equity method	242	(8)	78	1,296	337
Other	260	589	343	602	233
Non-operating expenses	7	36	8	79	(4)
Other	7	36	8	79	(4)
Ordinary income	3,493	1,742	1,512	2,496	4,354
Extraordinary income	761	450	576	1,335	88
Extraordinary loss	2	1	0	(0)	(0)
Income before income taxes	4,252	2,191	2,088	3,831	4,442
Income taxes-current	559	1,421	4	562	1,310
Income taxes-deferred	837	(885)	717	309	(256)
Profit	2,856	1,655	1,365	2,959	3,388
Profit (loss) attributable to non-controlling interests	62	(118)	(89)	(13)	126
Profit attributable to owners of the parent	2,793	1,773	1,455	2,973	3,262