

Consolidated Financial Summary (for the six months ended September 30, 2017)

October 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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 Executive officer, General Manager - Finance Planning Department
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Expected date for submission of quarterly report: November 13, 2017
 Scheduled day of commencing dividend payment: November 24, 2017
 Quarterly earnings supplementary explanatory documents: Available
 Quarterly results briefing planned: Available (for financial analysts and institutional investors)

(Figures are rounded down to the nearest one million yen and those in parentheses are negative figures.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2017**(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	%
Six months ended										
September 30, 2017	39,831	39.5	38,704	38.8	6,964	292.2	8,416	110.0	17,063	285.3
September 30, 2016	28,554	(22.0)	27,887	(22.6)	1,775	(79.0)	4,008	(60.2)	4,428	(43.6)

(Note) Comprehensive income Six-month period ended September 30, 2017: 17,859 million yen [632.4%]

Six-month period ended September 30, 2016: 2,438 million yen [(65.0%)]

	Net income per share	Diluted net income per share
	yen	yen
Six months ended		
September 30, 2017	65.19	65.17
September 30, 2016	16.86	16.85

(2) Consolidated Financial Position

	Total assets	Total net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of				
September 30, 2017	824,778	171,528	20.5	647.34
March 31, 2017	741,935	157,229	20.9	593.47

(Reference) Shareholders' equity September 30, 2017: 169,482 million yen March 31, 2017: 155,312 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, 2017	—	12.00	—	14.00	26.00
Ending March 31, 2018	—	14.00			
Ending March 31, 2018 (Forecast)			—	—	—

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

2) Dividend forecast for the fiscal year ending March 31, 2018 has not been determined.

3. Forecast of Consolidated Operating Results for Fiscal 2017 (from April 1, 2017 to March 31, 2018)

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 : 1 company (Takagi Securities Co.,Ltd.)

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 the 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 stock (shares)

As of September 30, 2017: 280,582,115 As of March 31, 2017: 280,582,115

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

As of September 30, 2017: 18,768,322 As of March 31, 2017: 18,877,456

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

Six months ended September 30, 2017: 261,730,356 Six months ended September 30, 2016: 262,679,691

* 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.

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

Dividends for the fiscal year ending March 31, 2018 have not been determined because it is difficult to forecast operating results, as described similarly in "3.Forecast of Consolidated Operating Results for Fiscal 2017."

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: million yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	72,683	86,266
Cash segregated as deposits	37,506	41,330
Cash segregated as deposits for customers	36,900	40,600
Cash segregated as deposits for others	606	730
Trading products	292,495	312,412
Trading securities and other	289,264	309,801
Derivatives	3,230	2,611
Margin transaction assets	44,610	50,541
Loans on margin transactions	31,880	37,772
Cash collateral pledged for securities borrowing on margin transactions	12,730	12,768
Loans secured by securities	214,992	247,449
Cash collateral pledged for securities borrowed	214,992	247,449
Advances paid	1,252	985
Short-term guarantee deposits	18,995	17,163
Short-term loans receivable	156	139
Short-term investment securities	0	—
Accrued income	1,725	2,310
Deferred tax assets	1,254	1,196
Other	2,912	4,462
Allowance for doubtful accounts	(32)	(36)
Total current assets	688,551	764,222
Non-current assets		
Property, plant and equipment	8,561	8,442
Intangible assets	5,196	5,528
Investments and other assets	39,627	46,585
Investment securities	34,054	40,109
Long-term guarantee deposits	2,416	3,199
Net defined benefit asset	2,317	2,222
Other	1,244	1,458
Allowance for doubtful accounts	(405)	(404)
Total non-current assets	53,384	60,556
Total assets	741,935	824,778

(Unit: million yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Trading products	192,454	195,573
Trading securities and other	185,261	188,769
Derivatives	7,192	6,804
Trade date accrual	7,540	1,920
Margin transaction liabilities	9,132	18,728
Borrowings on margin transactions	6,182	15,702
Cash received for securities lending on margin transactions	2,950	3,025
Loans payable secured by securities	131,164	176,990
Cash received on debt credit transaction of securities	131,164	176,990
Deposits received	32,925	41,250
Guarantee deposits received	8,360	10,782
Short-term loans payable	80,488	82,083
Short-term bonds payable	9,300	10,500
Current portion of bonds	31,044	28,734
Income taxes payable	1,860	2,289
Provision for bonuses	2,244	2,437
Provision for directors' bonuses	46	24
Other	3,836	3,979
Total current liabilities	510,399	575,295
Non-current liabilities		
Bonds payable	8,983	12,067
Long-term loans payable	61,731	61,508
Deferred tax liabilities	1,241	2,148
Provision for directors' retirement benefits	103	102
Net defined benefit liability	458	235
Other	1,338	1,427
Total non-current liabilities	73,857	77,489
Reserves under special laws		
Reserve for financial products transaction liabilities	449	465
Total reserves under special laws	449	465
Total liabilities	584,706	653,250
Net assets		
Shareholders' equity		
Capital stock	36,000	36,000
Capital surplus	33,016	33,008
Retained earnings	90,693	104,092
Treasury shares	(7,572)	(7,528)
Total shareholders' equity	152,137	165,572
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,439	2,270
Foreign currency translation adjustment	(251)	(295)
Remeasurements of defined benefit plans	1,986	1,935
Total accumulated other comprehensive income	3,175	3,910
Subscription rights to shares	443	497
Non-controlling interests	1,472	1,547
Total net assets	157,229	171,528
Total liabilities and net assets	741,935	824,778

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

(Unit: million yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Operating revenue		
Commission received	12,692	16,378
Commission to consignees	6,150	7,991
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	223	437
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	3,185	3,614
Other fees received	3,132	4,335
Net trading income	14,644	21,608
Financial revenue	1,218	1,843
Total operating revenue	28,554	39,831
Financial expenses	667	1,126
Net operating revenue	27,887	38,704
Selling, general and administrative expenses		
Trading related expenses	5,121	6,670
Personnel expenses	12,031	14,937
Real estate expenses	3,129	3,434
Office cost	3,587	3,963
Depreciation	884	930
Taxes and dues	572	817
Other	785	985
Total selling, general and administrative expenses	26,112	31,740
Operating income	1,775	6,964
Non-operating income		
Dividends income	410	303
Rent income	273	287
Share of profit of entities accounted for using equity method	1,374	721
Gain on investments in partnership	162	143
Other	99	96
Total non-operating income	2,320	1,553
Non-operating expenses		
Loss on investments in partnership	57	70
Foreign exchange losses	20	20
Other	10	10
Total non-operating expenses	88	101
Ordinary income	4,008	8,416

(Unit: million yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Extraordinary income		
Gain on sales of investment securities	1,050	525
Gain on bargain purchase	—	11,160
Gain on transfer of business	850	—
Reversal of reserve for financial products transaction liabilities	10	0
Total extraordinary income	1,912	11,686
Extraordinary loss		
Loss on sales of shares of subsidiaries and associates	—	173
Loss on sales of investment securities	0	0
Loss on valuation of investment securities	0	26
Total extraordinary loss	0	200
Income before income taxes	5,919	19,902
Income taxes-current	566	5,125
Income taxes-deferred	1,027	(2,340)
Total income taxes	1,594	2,784
Profit	4,325	17,118
Profit (loss) attributable to non-controlling interests	(103)	55
Profit attributable to owners of the parent	4,428	17,063

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

(Unit: million yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit	4,325	17,118
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,228)	761
Foreign currency translation adjustment	(634)	(46)
Remeasurements of defined benefit plans	(23)	(38)
Share of other comprehensive income of entities accounted for using equity method	(0)	65
Total other comprehensive income	<u>(1,887)</u>	<u>741</u>
Comprehensive income	<u>2,438</u>	<u>17,859</u>
(Comprehensive income attributable to)		
Owners of the parent	2,541	17,804
Non-controlling interests	(103)	55

Supplementary Information

(1) Breakdown of Commission received and Net trading income

① Commission received

(i) By item

(Unit: million yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017	Yr/Yr	
			Increase (Decrease)	% change
Commission to consignees	6,150	7,991	1,840	29.9 %
Stocks	5,691	7,782	2,090	36.7
Bonds	15	10	(4)	(27.6)
Beneficiary certificates	443	198	(245)	(55.3)
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	223	437	213	95.3
Stocks	71	236	165	231.4
Bonds	152	200	48	31.7
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	3,185	3,614	429	13.5
Beneficiary certificates	3,117	3,579	462	14.8
Other fees received	3,132	4,335	1,203	38.4
Beneficiary certificates	1,926	2,198	271	14.1
Total	12,692	16,378	3,686	29.0

(ii) By product

(Unit: million yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017	Yr/Yr	
			Increase (Decrease)	% change
Stocks	5,803	8,098	2,295	39.6 %
Bonds	240	255	14	6.0
Beneficiary certificates	5,488	5,976	488	8.9
Other	1,160	2,048	888	76.6
Total	12,692	16,378	3,686	29.0

② Net trading income

(Unit: million yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017	Yr/Yr	
			Increase (Decrease)	% change
Stocks	3,891	11,554	7,662	196.9 %
Bonds and Forex	10,752	10,054	(698)	(6.5)
Total	14,644	21,608	6,964	47.6

(2) Comparative Quarterly Consolidated Statements of Income

(Unit: million yen)

	Fiscal 2016			Fiscal 2017	
	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter
	Jul. 1, 2016 - Sep. 30, 2016	Oct. 1, 2016 - Dec. 31, 2016	Jan. 1, 2017 - Mar. 31, 2017	Apr. 1, 2017 - Jun. 30, 2017	Jul. 1, 2017 - Sep. 30, 2017
Operating revenues					
Commission received	5,421	7,189	7,052	8,464	7,914
Commission to consignees	2,402	3,624	3,154	4,198	3,792
(Stocks)	2,237	3,444	3,058	4,061	3,720
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	111	284	230	200	236
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	1,336	1,720	2,010	1,909	1,705
(Beneficiary certificates)	1,307	1,709	1,978	1,894	1,685
Other fees received	1,570	1,559	1,657	2,156	2,178
(Beneficiary certificates)	940	948	938	1,080	1,117
Net trading income	7,972	9,723	11,369	10,143	11,465
(Stocks)	2,644	5,319	4,567	4,953	6,600
(Bonds and Forex)	5,327	4,403	6,801	5,190	4,864
Financial revenue	518	877	645	973	870
Total operating revenue	13,912	17,790	19,067	19,581	20,249
Financial expenses	314	488	528	659	467
Net operating revenue	13,598	17,301	18,538	18,922	19,782
Selling, general and administrative expenses					
Trading related expenses	2,466	2,747	3,318	3,292	3,377
Personnel expenses	5,984	6,538	6,766	7,196	7,741
Real estate expenses	1,503	1,461	1,480	1,715	1,718
Office cost	1,912	1,710	1,917	1,976	1,987
Depreciation	430	446	440	424	505
Taxes and dues	305	322	363	548	269
Other	318	293	309	563	422
Total selling, general and administrative expenses	12,921	13,521	14,596	15,717	16,022
Operating income	676	3,779	3,942	3,204	3,759
Non-operating income	1,899	570	1,043	843	709
Share of profit of entities accounted for using equity method	1,296	337	346	392	328
Other	602	233	697	451	380
Non-operating expenses	79	(4)	79	32	68
Other	79	(4)	79	32	68
Ordinary income	2,496	4,354	4,906	4,015	4,400
Extraordinary income	1,335	88	935	11,161	524
Extraordinary loss	(0)	(0)	9	177	22
Income before income taxes	3,831	4,442	5,832	15,000	4,902
Income taxes-current	562	1,310	2,111	3,173	1,951
Income taxes-deferred	309	(256)	(566)	(1,435)	(905)
Profit	2,959	3,388	4,287	13,261	3,856
Profit attributable to non-controlling interests	(13)	126	(11)	13	41
Profit attributable to owners of the parent	2,973	3,262	4,299	13,248	3,814