

Consolidated Financial Summary (for the three months ended June 30, 2018)

July 27, 2018

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
 Contact: Tetsuji Oono
 Executive officer, General Manager - Finance Planning Department
 Telephone: (03) 3517-8391

Expected date for submission of quarterly report: August 7, 2018
 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 Three Months Ended June 30, 2018**(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	%
Three months ended										
June 30, 2018	17,855	(8.8)	17,244	(8.9)	1,479	(52.6)	2,138	(45.6)	1,554	(88.2)
June 30, 2017	19,581	33.7	18,922	32.4	3,120	183.9	3,931	159.9	13,198	806.8

(Note) Comprehensive income Three-month period ended June 30, 2018: 1,160 million yen [(91.9%)]
 Three-month period ended June 30, 2017: 14,268 million yen [—%]

	Net income per share	Diluted net income per share
	yen	yen
Three months ended		
June 30, 2018	6.02	6.01
June 30, 2017	50.43	50.42

(Note) At the end of the fiscal year ended March 31, 2018, Tokai Tokyo Financial Group finalized provisional accounting treatment related to the business combination. The consolidated financial statements for the year ended June 30, 2017 reflect the finalized provisional accounting treatment.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of				
June 30, 2018	1,005,448	169,825	16.7	648.49
March 31, 2018	964,533	174,849	17.9	668.18

(Reference) Shareholders' equity June 30, 2018: 167,541 million yen March 31, 2018: 172,629 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, 2018	—	14.00	—	24.00	38.00
Ending March 31, 2019	—				
Ending March 31, 2019 (Forecast)		—	—	—	—

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

2) Dividend forecast for the fiscal year ending March 31, 2019 has not been determined.

3. Forecast of Consolidated Operating Results for Fiscal 2018 (from April 1, 2018 to March 31, 2019)

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: 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 June 30, 2018: 270,582,115 As of March 31, 2018: 270,582,115
 - 2) Number of treasury stock at the end of the term (shares)
As of June 30, 2018: 12,225,838 As of March 31, 2018: 12,225,394
 - 3) Average number of shares outstanding (for the three months)
Three months ended June 30, 2018: 258,356,463 Three months ended June 30, 2017: 261,705,790

* 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, 2019 have not been determined because it is difficult to forecast operating results, as described similarly in "3.Forecast of Consolidated Operating Results for Fiscal 2018."

* 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, July 27, 2018.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: million yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	90,594	48,648
Cash segregated as deposits	45,830	49,730
Cash segregated as deposits for customers	45,000	49,000
Cash segregated as deposits for others	830	730
Trading products	388,099	512,061
Trading securities and other	384,823	509,289
Derivatives	3,276	2,772
Margin transaction assets	57,297	57,752
Loans on margin transactions	52,161	47,708
Cash collateral pledged for securities borrowing on margin transactions	5,135	10,043
Loans secured by securities	289,117	241,027
Cash collateral pledged for securities borrowed	289,117	19,862
Loans on Gensaki transactions	—	221,165
Advances paid	1,170	2,146
Short-term guarantee deposits	15,411	13,199
Short-term loans receivable	157	85
Short-term investment securities	3,000	3,000
Accrued income	2,417	2,522
Other	9,058	9,008
Allowance for doubtful accounts	(50)	(45)
Total current assets	902,103	939,137
Non-current assets		
Property, plant and equipment	8,127	8,044
Intangible assets	5,486	5,381
Investments and other assets	48,815	52,884
Investment securities	40,969	45,204
Long-term guarantee deposits	3,161	3,142
Deferred tax assets	140	18
Net defined benefit asset	3,542	3,561
Other	1,386	1,341
Allowance for doubtful accounts	(385)	(384)
Total non-current assets	62,429	66,310
Total assets	964,533	1,005,448

(Unit: million yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Trading products	281,709	218,435
Trading securities and other	276,368	214,103
Derivatives	5,340	4,332
Trade date accrual	21,952	66,111
Margin transaction liabilities	19,413	16,791
Borrowings on margin transactions	17,879	14,659
Cash received for securities lending on margin transactions	1,534	2,132
Loans payable secured by securities	197,538	247,640
Cash received on debt credit transaction of securities	197,538	13,465
Borrowings on Gensaki transactions	—	234,175
Deposits received	35,794	46,954
Guarantee deposits received	12,794	13,365
Short-term loans payable	78,752	86,419
Short-term bonds payable	12,000	16,000
Current portion of bonds	29,594	30,199
Income taxes payable	4,090	320
Provision for bonuses	3,222	1,024
Provision for directors' bonuses	61	12
Other	7,583	6,000
Total current liabilities	704,507	749,276
Non-current liabilities		
Bonds payable	16,200	17,150
Long-term loans payable	64,906	64,767
Deferred tax liabilities	1,716	2,086
Provision for directors' retirement benefits	63	80
Net defined benefit liability	208	206
Other	1,468	1,436
Total non-current liabilities	84,564	85,727
Reserves under special laws		
Reserve for financial products transaction liabilities	611	617
Total reserves under special laws	611	617
Total liabilities	789,683	835,622
Net assets		
Shareholders' equity		
Capital stock	36,000	36,000
Capital surplus	28,958	28,958
Retained earnings	108,761	104,115
Treasury shares	(6,188)	(6,188)
Total shareholders' equity	167,531	162,885
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,519	2,402
Foreign currency translation adjustment	(168)	(398)
Remeasurements of defined benefit plans	2,745	2,650
Total accumulated other comprehensive income	5,097	4,655
Share acquisition rights	556	581
Non-controlling interests	1,664	1,703
Total net assets	174,849	169,825
Total liabilities and net assets	964,533	1,005,448

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Three months ended June 30)

(Unit: million yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Operating revenue		
Commission received	8,464	7,330
Commission to consignees	4,198	3,157
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	200	299
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	1,909	1,595
Other fees received	2,156	2,278
Net trading income	10,143	9,264
Financial revenue	973	1,260
Total operating revenue	19,581	17,855
Financial expenses	659	611
Net operating revenue	18,922	17,244
Selling, general and administrative expenses		
Trading related expenses	3,292	3,183
Personnel expenses	7,196	7,422
Real estate expenses	1,715	1,766
Office cost	1,976	1,945
Depreciation	424	532
Taxes and dues	548	321
Other	648	593
Total selling, general and administrative expenses	15,802	15,765
Operating income	3,120	1,479
Non-operating income		
Dividend income	247	214
Rent income	123	144
Share of profit of entities accounted for using equity method	392	325
Gain on investments in partnership	4	—
Other	74	51
Total non-operating income	843	735
Non-operating expenses		
Loss on investments in partnership	0	0
Foreign exchange losses	24	42
Other	8	33
Total non-operating expenses	32	76
Ordinary income	3,931	2,138

(Unit: million yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Extraordinary income		
Gain on sales of investment securities	0	79
Gain on bargain purchase	11,160	—
Reversal of reserve for financial products transaction liabilities	0	—
Total extraordinary income	11,161	79
Extraordinary loss		
Loss on sales of shares of subsidiaries and associates	173	—
Loss on sales of investment securities	—	52
Loss on valuation of investment securities	4	—
Provision of reserve for financial products transaction liabilities	—	5
Total extraordinary loss	177	58
Income before income taxes	14,915	2,159
Income taxes-current	3,173	(5)
Income taxes-deferred	(1,469)	562
Total income taxes	1,703	557
Profit	13,211	1,601
Profit attributable to non-controlling interests	13	47
Profit attributable to owners of the parent	13,198	1,554

Consolidated Statements of Comprehensive Income
(Three months ended June 30)

(Unit: million yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit	13,211	1,601
Other comprehensive income		
Valuation difference on available-for-sale securities	1,119	(98)
Foreign currency translation adjustment	(111)	(229)
Remeasurements of defined benefit plans	19	(88)
Share of other comprehensive income of entities accounted for using equity method	28	(25)
Total other comprehensive income	1,056	(441)
Comprehensive income	14,268	1,160
(Comprehensive income attributable to)		
Owners of the parent	14,254	1,113
Non-controlling interests	13	47

Supplementary Information

(1) Breakdown of Commissions and Trading profit and loss

① Commission received

(i) By item

(Unit: million yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018	Yr/Yr	
			Increase (Decrease)	% change
Commission to consignees	4,198	3,157	(1,040)	(24.8) %
Stocks	4,061	3,071	(990)	(24.4)
Bonds	4	6	2	48.2
Beneficiary certificates	131	79	(52)	(39.8)
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	200	299	98	49.3
Stocks	72	187	115	159.3
Bonds	127	111	(16)	(13.0)
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	1,909	1,595	(313)	(16.4)
Beneficiary certificates	1,894	1,562	(331)	(17.5)
Other fees received	2,156	2,278	121	5.6
Beneficiary certificates	1,080	1,169	88	8.2
Total	8,464	7,330	(1,134)	(13.4)

(ii) By product

(Unit: million yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018	Yr/Yr	
			Increase (Decrease)	% change
Stocks	4,177	3,282	(894)	(21.4) %
Bonds	151	147	(3)	(2.5)
Beneficiary certificates	3,107	2,811	(295)	(9.5)
Others	1,028	1,088	60	5.8
Total	8,464	7,330	(1,134)	(13.4)

② Net trading income

(Unit: million yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018	Yr/Yr	
			Increase (Decrease)	% change
Stocks	4,953	5,679	726	14.7 %
Bonds and Forex	5,190	3,584	(1,605)	(30.9)
Total	10,143	9,264	(879)	(8.7)

(2) Comparative Quarterly Consolidated Statements of Income

(Unit: million yen)

	Fiscal 2017				Fiscal 2018
	1st quarter Apr. 1, 2017 - Jun. 30, 2017	2nd quarter Jul. 1, 2017 - Sep. 30, 2017	3rd quarter Oct. 1, 2017 - Dec. 31, 2017	4th quarter Jan. 1, 2018 - Mar. 31, 2018	1st quarter Apr. 1, 2018 - Jun. 30, 2018
Operating revenues					
Commissions received	8,464	7,914	10,076	9,452	7,330
Commission to consignees	4,198	3,792	5,089	4,334	3,157
(Stocks)	4,061	3,720	5,002	4,167	3,071
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	200	236	239	134	299
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	1,909	1,705	2,179	2,050	1,595
(Beneficiary certificates)	1,894	1,685	2,153	2,029	1,562
Other fees received	2,156	2,178	2,567	2,933	2,278
(Beneficiary certificates)	1,080	1,117	1,159	1,164	1,169
Net trading income	10,143	11,465	12,547	10,938	9,264
(Stocks)	4,953	6,600	5,767	4,905	5,679
(Bonds and Forex)	5,190	4,864	6,779	6,033	3,584
Financial revenues	973	870	1,185	1,230	1,260
Total operating revenue	19,581	20,249	23,808	21,621	17,855
Financial expenses	659	467	691	524	611
Net operating revenue	18,922	19,782	23,117	21,096	17,244
Selling, general and administrative expenses					
Trading related expenses	3,292	3,377	3,786	3,369	3,183
Personnel expenses	7,196	7,741	7,971	8,201	7,422
Real estate expenses	1,715	1,718	1,694	1,668	1,766
Office cost	1,976	1,987	2,026	2,052	1,945
Depreciation	424	505	468	545	532
Taxes and dues	548	269	382	321	321
Other	648	507	497	574	593
Total selling, general and administrative expenses	15,802	16,107	16,828	16,734	15,765
Operating income	3,120	3,674	6,289	4,362	1,479
Non-operating income	843	709	937	1,203	735
Share of profit of entities accounted for using equity method	392	328	687	555	325
Other	451	380	249	648	410
Non-operating expenses	32	68	13	85	76
Other	32	68	13	85	76
Ordinary income	3,931	4,315	7,213	5,480	2,138
Extraordinary income	11,161	524	39	316	79
Extraordinary loss	177	22	108	932	58
Income before income taxes	14,915	4,817	7,144	4,864	2,159
Income taxes-current	3,173	1,951	2,031	1,774	(5)
Income taxes-deferred	(1,469)	(940)	280	(568)	562
Profit	13,211	3,806	4,831	3,658	1,601
Profit attributable to non-controlling interests	13	41	41	15	47
Profit attributable to owners of parent	13,198	3,764	4,790	3,643	1,554

(Note) At the end of the fiscal year ended March 31, 2018, Tokai Tokyo Financial Group finalized provisional accounting treatment related to the business combination. The consolidated financial statements on a quarterly basis reflect the finalized provisional accounting treatment.