

Consolidated Financial Summary (for the three months ended June 30, 2019)

July 31, 2019

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: August 13, 2019
 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, 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	%
Three months ended										
June 30, 2019	13,482	(24.5)	12,992	(24.7)	(2,883)	—	(2,666)	—	256	(83.5)
June 30, 2018	17,855	(8.8)	17,244	(8.9)	1,479	(52.6)	2,138	(45.6)	1,554	(88.2)

(Note) Comprehensive income Three-month period ended June 30, 2019: (199) million yen [-]
 Three-month period ended June 30, 2018: 1,160 million yen [(91.9%)]

	Net income per share	Diluted net income per share
	yen	yen
Three months ended		
June 30, 2019	1.00	—
June 30, 2018	6.02	6.01

(Note) We post no figure of diluted net income per share 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				
June 30, 2019	1,182,161	160,235	13.3	629.39
March 31, 2019	1,391,076	164,300	11.6	625.05

(Reference) Shareholders' equity June 30, 2019: 157,408 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	—				
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): 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 shares

As of June 30, 2019:	270,582,115	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 June 30, 2019:	20,483,366	As of March 31, 2019:	12,215,435
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3) Average number of shares outstanding (for the three months)

Three months ended June 30, 2019:	255,640,958	Three months ended June 30, 2018:	258,356,463
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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 Wednesday, July 31, 2019.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: million yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	47,920	62,976
Cash segregated as deposits	42,030	40,769
Cash segregated as deposits for customers	41,400	39,400
Cash segregated as deposits for others	630	1,369
Trading products	657,524	497,312
Trading securities and other	654,224	493,272
Derivatives	3,300	4,039
Trade date accrual	—	22,205
Margin transaction assets	49,406	48,034
Loans on margin transactions	30,929	27,172
Cash collateral pledged for securities borrowing on margin transactions	18,477	20,862
Loans secured by securities	492,858	404,006
Cash collateral pledged for securities borrowed	39,663	32,822
Loans on Gensaki transactions	453,194	371,184
Advances paid	3,412	343
Short-term guarantee deposits	14,927	14,144
Short-term loans receivable	219	369
Short-term investment securities	—	10,074
Accrued income	2,820	2,290
Other	12,442	8,759
Allowance for doubtful accounts	(30)	(27)
Total current assets	1,323,532	1,111,259
Non-current assets		
Property, plant and equipment	12,037	12,755
Intangible assets	5,218	5,066
Investments and other assets	50,288	53,079
Investment securities	42,090	43,746
Long-term guarantee deposits	4,608	5,137
Deferred tax assets	33	614
Net defined benefit asset	2,397	2,485
Other	1,526	1,457
Allowance for doubtful accounts	(366)	(363)
Total non-current assets	67,544	70,901
Total assets	1,391,076	1,182,161

(Unit: million yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Trading products	546,499	326,057
Trading securities and other	540,357	319,216
Derivatives	6,142	6,841
Trade date accrual	15,973	—
Margin transaction liabilities	11,655	10,554
Borrowings on margin transactions	9,627	7,769
Cash received for securities lending on margin transactions	2,028	2,785
Loans payable secured by securities	345,299	365,451
Cash received on debt credit transaction of securities	17,788	20,413
Borrowings on Gensaki transactions	327,510	345,038
Deposits received	34,723	38,481
Guarantee deposits received	9,733	9,672
Short-term loans payable	123,967	125,630
Short-term bonds payable	16,000	20,000
Current portion of bonds	24,443	25,702
Income taxes payable	348	226
Provision for bonuses	2,016	720
Other	7,065	6,596
Total current liabilities	1,137,726	929,095
Non-current liabilities		
Bonds payable	17,573	16,346
Long-term loans payable	68,129	72,624
Deferred tax liabilities	388	50
Provision for directors' retirement benefits	75	91
Net defined benefit liability	191	188
Other	2,073	2,909
Total non-current liabilities	88,431	92,211
Reserves under special laws		
Reserve for financial products transaction liabilities	618	618
Total reserves under special laws	618	618
Total liabilities	1,226,776	1,021,925
Net assets		
Shareholders' equity		
Capital stock	36,000	36,000
Capital surplus	28,961	28,961
Retained earnings	100,540	99,763
Treasury shares	(6,183)	(9,038)
Total shareholders' equity	159,318	155,686
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,077	649
Foreign currency translation adjustment	(405)	(345)
Remeasurements of defined benefit plans	1,500	1,418
Total accumulated other comprehensive income	2,172	1,722
Share acquisition rights	539	571
Non-controlling interests	2,268	2,255
Total net assets	164,300	160,235
Total liabilities and net assets	1,391,076	1,182,161

(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, 2018	Three months ended June 30, 2019
Operating revenue		
Commission received	7,330	6,352
Commission to consignees	3,157	2,371
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	299	231
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	1,595	1,624
Other fees received	2,278	2,126
Net trading income	9,674	6,564
Financial revenue	850	565
Total operating revenue	17,855	13,482
Financial expenses	611	490
Net operating revenue	17,244	12,992
Selling, general and administrative expenses		
Trading related expenses	3,183	2,867
Personnel expenses	7,422	7,412
Real estate expenses	1,766	2,089
Office cost	1,945	1,883
Depreciation	532	715
Taxes and dues	321	321
Other	593	586
Total selling, general and administrative expenses	15,765	15,875
Operating income (loss)	1,479	(2,883)
Non-operating income		
Dividend income	214	110
Rent income	144	116
Share of profit of entities accounted for using equity method	325	—
Gain on investments in partnership	—	3
Other	51	171
Total non-operating income	735	401
Non-operating expenses		
Share of loss of entities accounted for using equity method	—	137
Loss on investments in partnership	0	5
Foreign exchange losses	42	—
Other	33	41
Total non-operating expenses	76	184
Ordinary income (loss)	2,138	(2,666)

(Unit: million yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Extraordinary income		
Gain on sales of non-current assets	—	79
Gain on sales of investment securities	79	102
Gain on change in equity	—	2,054
Reversal of reserve for financial instruments transaction liabilities	—	0
Total extraordinary income	79	2,236
Extraordinary losses		
Loss on sales of non-current assets	—	12
Impairment loss	—	0
Loss on sales of investment securities	52	36
Loss on valuation of investment securities	—	1
Provision of reserve for financial instruments transaction liabilities	5	—
Total extraordinary losses	58	50
Income (loss) before income taxes	2,159	(480)
Income taxes-current	39	21
Income taxes-prior periods	(44)	(67)
Income taxes-deferred	562	(685)
Total income taxes	557	(731)
Profit	1,601	250
Profit (loss) attributable to non-controlling interests	47	(5)
Profit attributable to owners of parent	1,554	256

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

(Unit: million yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Profit	1,601	250
Other comprehensive income		
Valuation difference on available-for-sale securities	(98)	(421)
Foreign currency translation adjustment	(229)	61
Remeasurements of defined benefit plans	(88)	(100)
Share of other comprehensive income of entities accounted for using equity method	(25)	10
Total other comprehensive income	<u>(441)</u>	<u>(450)</u>
Comprehensive income	<u>1,160</u>	<u>(199)</u>
(Comprehensive income attributable to)		
Owners of parent	1,113	(194)
Non-controlling interests	47	(5)

Supplementary Information

(1) Breakdown of Commission Received and Net Trading Income

① Commission received

(i) By item

(Unit: million yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019	Yr/Yr	
			Increase (Decrease)	% change
Commission to consignees	3,157	2,371	(786)	(24.9) %
Stocks	3,071	2,264	(806)	(26.3)
Bonds	6	9	2	33.1
Beneficiary certificates	79	97	18	23.0
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	299	231	(67)	(22.7)
Stocks	187	69	(118)	(63.2)
Bonds	111	162	50	45.8
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	1,595	1,624	28	1.8
Beneficiary certificates	1,562	1,611	48	3.1
Other fees received	2,278	2,126	(152)	(6.7)
Beneficiary certificates	1,169	1,052	(116)	(10.0)
Total	7,330	6,352	(977)	(13.3)

(ii) By product

(Unit: million yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019	Yr/Yr	
			Increase (Decrease)	% change
Stocks	3,282	2,346	(936)	(28.5) %
Bonds	147	186	39	26.7
Beneficiary certificates	2,811	2,761	(49)	(1.8)
Others	1,088	1,057	(30)	(2.8)
Total	7,330	6,352	(977)	(13.3)

② Net trading income

(Unit: million yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019	Yr/Yr	
			Increase (Decrease)	% change
Stocks	5,679	3,676	(2,003)	(35.3) %
Bonds and Forex	3,995	2,887	(1,107)	(27.7)
Total	9,674	6,564	(3,110)	(32.2)

(Note) The Company has made changes in presentation methods of the financial revenue and the net trading income in the consolidated financial statements for the 1st Quarter of FYE March 2020. The breakdown of the net trading income for the 1st Quarter of FYE March 2019 reflects these changes.

(2) Comparative Quarterly Consolidated Statements of Income

(Unit: million yen)

	Fiscal 2018				Fiscal 2019
	1st quarter Apr. 1, 2018 - Jun. 30, 2018	2nd quarter Jul. 1, 2018 - Sep. 30, 2018	3rd quarter Oct. 1, 2018 - Dec. 31, 2018	4th quarter Jan. 1, 2019 - Mar. 31, 2019	1st quarter Apr. 1, 2019 - Jun. 30, 2019
Operating revenues					
Commission received	7,330	7,405	7,116	7,102	6,352
Commission to consignees	3,157	2,737	2,628	2,205	2,371
(Stocks)	3,071	2,627	2,397	2,115	2,264
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	299	218	512	217	231
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	1,595	1,794	1,527	2,033	1,624
(Beneficiary certificates)	1,562	1,772	1,505	2,030	1,611
Other fees received	2,278	2,654	2,447	2,645	2,126
(Beneficiary certificates)	1,169	1,172	1,131	1,082	1,052
Net trading income	9,674	9,583	5,983	6,938	6,564
(Stocks)	5,679	5,377	(17)	4,361	3,676
(Bonds and Forex)	3,995	4,206	6,000	2,576	2,887
Financial revenue	850	997	755	1,034	565
Total operating revenue	17,855	17,986	13,855	15,074	13,482
Financial expenses	611	517	536	554	490
Net operating revenue	17,244	17,469	13,319	14,519	12,992
Selling, general and administrative expenses					
Trading related expenses	3,183	2,962	3,020	2,785	2,867
Personnel expenses	7,422	7,600	7,227	7,293	7,412
Real estate expenses	1,766	1,933	1,989	2,156	2,089
Office cost	1,945	2,016	1,980	2,051	1,883
Depreciation	532	540	584	664	715
Taxes and dues	321	337	274	340	321
Other	593	491	438	490	586
Total selling, general and administrative expenses	15,765	15,882	15,514	15,782	15,875
Operating income	1,479	1,586	(2,195)	(1,262)	(2,883)
Non-operating income	735	367	47	561	401
Share of profit of entities accounted for using equity method	325	89	(219)	(195)	—
Other	410	278	267	757	401
Non-operating expenses	76	106	66	138	184
Share of loss of entities accounted for using equity method	—	—	—	61	137
Other	76	106	66	76	46
Ordinary income	2,138	1,847	(2,213)	(839)	(2,666)
Extraordinary income	79	225	475	883	2,236
Extraordinary losses	58	14	224	769	50
Income before income taxes	2,159	2,058	(1,962)	(726)	(480)
Income taxes-current	(5)	829	(805)	445	(45)
Income taxes-deferred	562	(299)	565	(917)	(685)
Profit	1,601	1,528	(1,723)	(254)	250
Profit attributable to non-controlling interests	47	22	(17)	20	(5)
Profit attributable to owners of parent	1,554	1,506	(1,706)	(274)	256

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