

Consolidated Financial Summary (for the six months ended September 30, 2019)

October 30, 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: November 12, 2019
 Scheduled day of commencing dividend payment: November 22, 2019
 Supplementary explanation documents for quarterly earnings: Yes
 Quarterly results briefing planned: Yes (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, 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	%
Six months ended										
September 30, 2019	28,638	(20.1)	27,695	(20.2)	(3,017)	—	(2,532)	—	644	(78.9)
September 30, 2018	35,842	(10.0)	34,714	(10.3)	3,066	(54.9)	3,985	(51.7)	3,060	(82.0)

(Note) Comprehensive income

Six-month period ended September 30, 2019: (234) million yen [-]

Six-month period ended September 30, 2018: 2,381 million yen [(86.6%)]

	Net income per share	Diluted net income per share
	yen	yen
Six months ended		
September 30, 2019	2.56	—
September 30, 2018	11.85	11.84

(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				
September 30, 2019	1,099,401	160,813	14.3	631.12
March 31, 2019	1,391,076	164,300	11.6	625.05

(Reference) Shareholders' equity September 30, 2019: 156,749 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	—	4.00			
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): Yes

New : None

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

(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 September 30, 2019:	260,582,115	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 September 30, 2019:	12,215,839	As of March 31, 2019:	12,215,435
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3) Average number of shares outstanding (for the six months)

Six months ended September 30, 2019:	251,983,758	Six months ended September 30, 2018:	258,357,441
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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, October 30, 2019.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: million yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	47,920	66,561
Cash segregated as deposits	42,030	38,421
Cash segregated as deposits for customers	41,400	37,600
Cash segregated as deposits for others	630	821
Trading products	657,524	479,309
Trading securities and other	654,224	474,343
Derivatives	3,300	4,965
Margin transaction assets	49,406	50,308
Loans on margin transactions	30,929	26,036
Cash collateral pledged for securities borrowing on margin transactions	18,477	24,271
Loans secured by securities	492,858	358,935
Cash collateral pledged for securities borrowed	39,663	30,641
Loans on Gensaki transactions	453,194	328,294
Advances paid	3,412	147
Short-term guarantee deposits	14,927	15,049
Short-term loans receivable	219	556
Accrued income	2,820	2,386
Other	12,442	17,105
Allowance for doubtful accounts	(30)	(28)
Total current assets	1,323,532	1,028,754
Non-current assets		
Property, plant and equipment	12,037	12,803
Intangible assets	5,218	5,016
Investments and other assets	50,288	52,826
Investment securities	42,090	43,891
Long-term guarantee deposits	4,608	4,139
Deferred tax assets	33	986
Net defined benefit asset	2,397	2,573
Other	1,526	1,597
Allowance for doubtful accounts	(366)	(362)
Total non-current assets	67,544	70,646
Total assets	1,391,076	1,099,401

(Unit: million yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Trading products	546,499	346,493
Trading securities and other	540,357	339,954
Derivatives	6,142	6,539
Trade date accrual	15,973	9,353
Margin transaction liabilities	11,655	13,915
Borrowings on margin transactions	9,627	9,115
Cash received for securities lending on margin transactions	2,028	4,799
Loans payable secured by securities	345,299	275,481
Cash received on debt credit transaction of securities	17,788	18,757
Borrowings on Gensaki transactions	327,510	256,724
Deposits received	34,723	35,046
Guarantee deposits received	9,733	10,734
Short-term loans payable	123,967	100,120
Short-term bonds payable	16,000	17,000
Current portion of bonds	24,443	25,106
Income taxes payable	348	562
Provision for bonuses	2,016	1,104
Other	7,065	5,016
Total current liabilities	1,137,726	839,936
Non-current liabilities		
Bonds payable	17,573	12,409
Long-term loans payable	68,129	81,919
Deferred tax liabilities	388	91
Provision for directors' retirement benefits	75	49
Net defined benefit liability	191	185
Other	2,073	3,376
Total non-current liabilities	88,431	98,033
Reserves under special laws		
Reserve for financial products transaction liabilities	618	618
Total reserves under special laws	618	618
Total liabilities	1,226,776	938,587
Net assets		
Shareholders' equity		
Capital stock	36,000	36,000
Capital surplus	28,961	24,629
Retained earnings	100,540	100,151
Treasury shares	(6,183)	(5,291)
Total shareholders' equity	159,318	155,489
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,077	475
Foreign currency translation adjustment	(405)	(525)
Remeasurements of defined benefit plans	1,500	1,309
Total accumulated other comprehensive income	2,172	1,259
Share acquisition rights	539	596
Non-controlling interests	2,268	3,467
Total net assets	164,300	160,813
Total liabilities and net assets	1,391,076	1,099,401

(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, 2018	Six months ended September 30, 2019
Operating revenue		
Commission received	14,736	13,275
Commission to consignees	5,895	4,968
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	518	432
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	3,389	3,145
Other fees received	4,933	4,728
Net trading income	19,258	13,870
Financial revenue	1,848	1,492
Total operating revenue	35,842	28,638
Financial expenses	1,128	943
Net operating revenue	34,714	27,695
Selling, general and administrative expenses		
Trading related expenses	6,145	5,577
Personnel expenses	15,023	14,140
Real estate expenses	3,699	3,904
Office cost	3,962	3,931
Depreciation	1,072	1,488
Taxes and dues	659	687
Other	1,085	984
Total selling, general and administrative expenses	31,648	30,713
Operating income (loss)	3,066	(3,017)
Non-operating income		
Dividend income	266	221
Rent income	245	231
Share of profit of entities accounted for using equity method	415	—
Gain on investments in partnership	71	183
Other	104	278
Total non-operating income	1,103	915
Non-operating expenses		
Share of loss of entities accounted for using equity method	—	219
Loss on investments in partnership	75	96
Foreign exchange losses	55	47
Other	52	67
Total non-operating expenses	183	430
Ordinary income (loss)	3,985	(2,532)

(Unit: million yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Extraordinary income		
Gain on sales of non-current assets	—	96
Gain on sales of investment securities	305	154
Gain on change in equity	—	2,054
Reversal of reserve for financial instruments transaction liabilities	—	0
Total extraordinary income	305	2,306
Extraordinary losses		
Loss on sales of non-current assets	—	16
Impairment loss	14	0
Loss on sales of investment securities	52	48
Loss on valuation of investment securities	—	1
Provision of reserve for financial instruments transaction liabilities	5	—
Total extraordinary losses	73	67
Income (loss) before income taxes	4,217	(293)
Income taxes-current	964	96
Income taxes-prior periods	(141)	(46)
Income taxes-deferred	263	(1,022)
Total income taxes	1,087	(972)
Profit	3,129	678
Profit attributable to non-controlling interests	69	33
Profit attributable to owners of parent	3,060	644

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

(Unit: million yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	3,129	678
Other comprehensive income		
Valuation difference on available-for-sale securities	(343)	(590)
Foreign currency translation adjustment	(206)	(117)
Remeasurements of defined benefit plans	(176)	(201)
Share of other comprehensive income of entities accounted for using equity method	(22)	(3)
Total other comprehensive income	(748)	(912)
Comprehensive income	2,381	(234)
(Comprehensive income attributable to)		
Owners of parent	2,312	(268)
Non-controlling interests	69	33

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, 2018	Six months ended September 30, 2019	Yr/Yr	
			Increase (Decrease)	% change
Commission to consignees	5,895	4,968	(926)	(15.7) %
Stocks	5,698	4,436	(1,261)	(22.1)
Bonds	17	21	3	21.3
Beneficiary certificates	178	510	331	185.5
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	518	432	(85)	(16.5)
Stocks	329	82	(247)	(75.1)
Bonds	188	350	162	86.2
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	3,389	3,145	(243)	(7.2)
Beneficiary certificates	3,335	3,131	(203)	(6.1)
Other fees received	4,933	4,728	(204)	(4.1)
Beneficiary certificates	2,342	2,077	(265)	(11.3)
Total	14,736	13,275	(1,460)	(9.9)

(ii) By product

(Unit: million yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019	Yr/Yr	
			Increase (Decrease)	% change
Stocks	6,085	4,551	(1,534)	(25.2) %
Bonds	258	390	132	51.2
Beneficiary certificates	5,856	5,718	(137)	(2.4)
Others	2,536	2,615	79	3.1
Total	14,736	13,275	(1,460)	(9.9)

② Net trading income

(Unit: million yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019	Yr/Yr	
			Increase (Decrease)	% change
Stocks	11,056	7,828	(3,227)	(29.2) %
Bonds and Forex	8,201	6,041	(2,159)	(26.3)
Total	19,258	13,870	(5,387)	(28.0)

(Note) The Company has made changes in the presentation method of the financial revenue and the net trading income in the consolidated financial statements for the 2nd Quarter of FYE March 2020. The breakdown of the net trading income for the 2nd Quarter of FYE March 2019 reflects this change.

(2) Comparative Quarterly Consolidated Statements of Income

(Unit: million yen)

	Fiscal 2018			Fiscal 2019	
	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter
	Jul. 1, 2018 - Sep. 30, 2018	Oct. 1, 2018 - Dec. 31, 2018	Jan. 1, 2019 - Mar. 31, 2019	Apr. 1, 2019 - Jun. 30, 2019	Jul. 1, 2019 - Sep. 30, 2019
Operating revenues					
Commission received	7,405	7,116	7,102	6,352	6,922
Commission to consignees	2,737	2,628	2,205	2,371	2,597
(Stocks)	2,627	2,397	2,115	2,264	2,172
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	218	512	217	231	201
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	1,794	1,527	2,033	1,624	1,521
(Beneficiary certificates)	1,772	1,505	2,030	1,611	1,519
Other fees received	2,654	2,447	2,645	2,126	2,602
(Beneficiary certificates)	1,172	1,131	1,082	1,052	1,024
Net trading income	9,583	5,983	6,938	6,564	7,306
(Stocks)	5,377	(17)	4,361	3,676	4,152
(Bonds and Forex)	4,206	6,000	2,576	2,887	3,153
Financial revenue	997	755	1,034	565	927
Total operating revenue	17,986	13,855	15,074	13,482	15,156
Financial expenses	517	536	554	490	452
Net operating revenue	17,469	13,319	14,519	12,992	14,703
Selling, general and administrative expenses					
Trading related expenses	2,962	3,020	2,785	2,867	2,709
Personnel expenses	7,600	7,227	7,293	7,412	6,728
Real estate expenses	1,933	1,989	2,156	2,089	1,814
Office cost	2,016	1,980	2,051	1,883	2,047
Depreciation	540	584	664	715	773
Taxes and dues	337	274	340	321	366
Other	491	438	490	586	398
Total selling, general and administrative expenses	15,882	15,514	15,782	15,875	14,837
Operating income	1,586	(2,195)	(1,262)	(2,883)	(134)
Non-operating income	367	47	561	401	513
Share of profit of entities accounted for using equity method	89	(219)	(195)	—	—
Other	278	267	757	401	513
Non-operating expenses	106	66	138	184	246
Share of loss of entities accounted for using equity method	—	—	61	137	81
Other	106	66	76	46	164
Ordinary income	1,847	(2,213)	(839)	(2,666)	133
Extraordinary income	225	475	883	2,236	69
Extraordinary losses	14	224	769	50	16
Income before income taxes	2,058	(1,962)	(726)	(480)	186
Income taxes-current	829	(805)	445	(45)	95
Income taxes-deferred	(299)	565	(917)	(685)	(336)
Profit	1,528	(1,723)	(254)	250	428
Profit attributable to non-controlling interests	22	(17)	20	(5)	39
Profit attributable to owners of parent	1,506	(1,706)	(274)	256	388

(Note) The Company has made changes in the presentation method of the financial revenue and the net trading income in the consolidated financial statements for the 2nd Quarter of FYE March 2020. The quarterly consolidated financial statements for FYE March 2019 reflect this change.