

Consolidated Financial Summary (for the nine months ended December 31, 2019)

January 31, 2020

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 12, 2020
 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 Nine Months Ended December 31, 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	%
Nine months ended										
December 31, 2019	46,304	(6.8)	44,909	(6.5)	(851)	—	(7)	—	2,506	85.1
December 31, 2018	49,698	(21.9)	48,033	(22.3)	870	(93.3)	1,772	(88.5)	1,354	(93.8)

(Note) Comprehensive income

Nine-month period ended December 31, 2019: 1,974 million yen [-]

Nine-month period ended December 31, 2018: (266) million yen [-]

	Net income per share	Diluted net income per share
	yen	yen
Nine months ended		
December 31, 2019	10.00	—
December 31, 2018	5.24	5.24

(Note) We post no figure of diluted net income per share for the nine months ended December 31, 2019 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				
December 31, 2019	1,195,479	161,810	13.2	635.45
March 31, 2019	1,391,076	164,300	11.6	625.05

(Reference) Shareholders' equity December 31, 2019: 157,824 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 December 31, 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 December 31, 2019:	12,216,366	As of March 31, 2019:	12,215,435
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3) Average number of shares outstanding (for the nine months)

Nine months ended December 31, 2019:	250,773,482	Nine months ended December 31, 2018:	258,359,366
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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 Friday, January 31, 2020.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: million yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	47,920	75,781
Cash segregated as deposits	42,030	46,421
Cash segregated as deposits for customers	41,400	45,500
Cash segregated as deposits for others	630	921
Trading products	657,524	483,779
Trading securities and other	654,224	479,961
Derivatives	3,300	3,818
Margin transaction assets	49,406	40,655
Loans on margin transactions	30,929	31,534
Cash collateral pledged for securities borrowing on margin transactions	18,477	9,121
Loans secured by securities	492,858	453,126
Cash collateral pledged for securities borrowed	39,663	36,862
Loans on Gensaki transactions	453,194	416,263
Advances paid	3,412	230
Short-term guarantee deposits	14,927	12,947
Short-term loans receivable	219	2,673
Accrued income	2,820	3,075
Other	12,442	6,515
Allowance for doubtful accounts	(30)	(34)
Total current assets	1,323,532	1,125,172
Non-current assets		
Property, plant and equipment	12,037	12,433
Intangible assets	5,218	5,299
Investments and other assets	50,288	52,574
Investment securities	42,090	44,380
Long-term guarantee deposits	4,608	4,149
Deferred tax assets	33	356
Net defined benefit asset	2,397	2,481
Other	1,526	1,569
Allowance for doubtful accounts	(366)	(362)
Total non-current assets	67,544	70,306
Total assets	1,391,076	1,195,479

(Unit: million yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Trading products	546,499	408,449
Trading securities and other	540,357	402,289
Derivatives	6,142	6,160
Trade date accrual	15,973	43,057
Margin transaction liabilities	11,655	17,454
Borrowings on margin transactions	9,627	13,678
Cash received for securities lending on margin transactions	2,028	3,775
Loans payable secured by securities	345,299	265,823
Cash received on debt credit transaction of securities	17,788	13,128
Borrowings on Gensaki transactions	327,510	252,694
Deposits received	34,723	46,446
Guarantee deposits received	9,733	10,802
Short-term loans payable	123,967	97,214
Short-term bonds payable	16,000	19,500
Current portion of bonds	24,443	23,040
Income taxes payable	348	301
Provision for bonuses	2,016	897
Other	7,065	5,339
Total current liabilities	1,137,726	938,325
Non-current liabilities		
Bonds payable	17,573	9,903
Long-term loans payable	68,129	81,415
Deferred tax liabilities	388	68
Provision for directors' retirement benefits	75	53
Net defined benefit liability	191	182
Other	2,073	3,101
Total non-current liabilities	88,431	94,724
Reserves under special laws		
Reserve for financial products transaction liabilities	618	618
Total reserves under special laws	618	618
Total liabilities	1,226,776	1,033,669
Net assets		
Shareholders' equity		
Capital stock	36,000	36,000
Capital surplus	28,961	24,587
Retained earnings	100,540	101,020
Treasury shares	(6,183)	(5,292)
Total shareholders' equity	159,318	156,315
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,077	900
Foreign currency translation adjustment	(405)	(593)
Remeasurements of defined benefit plans	1,500	1,200
Total accumulated other comprehensive income	2,172	1,508
Share acquisition rights	539	454
Non-controlling interests	2,268	3,531
Total net assets	164,300	161,810
Total liabilities and net assets	1,391,076	1,195,479

(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, 2018	Nine months ended December 31, 2019
Operating revenue		
Commission received	21,852	21,885
Commission to consignees	8,523	9,010
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	1,030	635
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	4,917	5,016
Other fees received	7,380	7,223
Net trading income	25,241	22,270
Financial revenue	2,604	2,148
Total operating revenue	49,698	46,304
Financial expenses	1,664	1,395
Net operating revenue	48,033	44,909
Selling, general and administrative expenses		
Trading related expenses	9,166	8,532
Personnel expenses	22,251	21,013
Real estate expenses	5,688	5,808
Office cost	5,942	5,810
Depreciation	1,657	2,290
Taxes and dues	933	981
Other	1,523	1,324
Total selling, general and administrative expenses	47,162	45,761
Operating income (loss)	870	(851)
Non-operating income		
Dividend income	350	258
Rent income	379	352
Share of profit of entities accounted for using equity method	195	—
Gain on investments in partnership	74	189
Other	150	332
Total non-operating income	1,151	1,133
Non-operating expenses		
Share of loss of entities accounted for using equity method	—	46
Loss on investments in partnership	89	104
Foreign exchange losses	60	48
Other	99	89
Total non-operating expenses	249	288
Ordinary income (loss)	1,772	(7)

(Unit: million yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Extraordinary income		
Gain on sales of non-current assets	—	97
Gain on sales of investment securities	641	154
Gain on change in equity	—	2,054
Gain on reversal of share acquisition rights	138	166
Reversal of reserve for financial instruments transaction liabilities	—	0
Total extraordinary income	780	2,472
Extraordinary losses		
Loss on sales of non-current assets	—	16
Impairment loss	14	0
Loss on sales of investment securities	53	48
Loss on valuation of investment securities	224	99
Provision of reserve for financial instruments transaction liabilities	6	—
Total extraordinary losses	298	165
Income before income taxes	2,254	2,300
Income taxes-current	159	131
Income taxes-prior periods	(141)	(46)
Income taxes-deferred	829	(424)
Total income taxes	847	(339)
Profit	1,406	2,639
Profit attributable to non-controlling interests	52	132
Profit attributable to owners of parent	1,354	2,506

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

(Unit: million yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	1,406	2,639
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,254)	(185)
Foreign currency translation adjustment	(58)	(187)
Remeasurements of defined benefit plans	(265)	(302)
Share of other comprehensive income of entities accounted for using equity method	(94)	10
Total other comprehensive income	<u>(1,672)</u>	<u>(664)</u>
Comprehensive income	<u>(266)</u>	<u>1,974</u>
(Comprehensive income attributable to)		
Owners of parent	(318)	1,842
Non-controlling interests	52	132

Supplementary Information

(1) Breakdown of Commission Received and Net Trading Income

① Commission received

(i) By item

(Unit: million yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Yr/Yr	
			Increase (Decrease)	% change
Commission to consignees	8,523	9,010	486	5.7 %
Stocks	8,096	8,221	125	1.5
Bonds	31	34	2	7.0
Beneficiary certificates	395	754	358	90.6
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	1,030	635	(395)	(38.4)
Stocks	728	165	(563)	(77.3)
Bonds	301	469	168	55.8
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	4,917	5,016	99	2.0
Beneficiary certificates	4,840	4,995	154	3.2
Other fees received	7,380	7,223	(157)	(2.1)
Beneficiary certificates	3,474	3,076	(397)	(11.4)
Total	21,852	21,885	32	0.2

(ii) By product

(Unit: million yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Yr/Yr	
			Increase (Decrease)	% change
Stocks	8,904	8,620	(283)	(3.2) %
Bonds	400	533	132	33.1
Beneficiary certificates	8,710	8,826	115	1.3
Others	3,836	3,904	68	1.8
Total	21,852	21,885	32	0.2

② Net trading income

(Unit: million yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Yr/Yr	
			Increase (Decrease)	% change
Stocks	11,039	13,076	2,036	18.4 %
Bonds and Forex	14,202	9,194	(5,007)	(35.3)
Total	25,241	22,270	(2,970)	(11.8)

(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 3rd Quarter of FYE March 2020. The breakdown of the net trading income for the 3rd Quarter of FYE March 2019 reflects this change.

(2) Comparative Quarterly Consolidated Statements of Income

(Unit: million yen)

	Fiscal 2018		Fiscal 2019		
	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
	Oct. 1, 2018 - Dec. 31, 2018	Jan. 1, 2019 - Mar. 31, 2019	Apr. 1, 2019 - Jun. 30, 2019	Jul. 1, 2019 - Sep. 30, 2019	Oct. 1, 2019 - Dec. 31, 2019
Operating revenues					
Commission received	7,116	7,102	6,352	6,922	8,609
Commission to consignees	2,628	2,205	2,371	2,597	4,041
(Stocks)	2,397	2,115	2,264	2,172	3,784
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	512	217	231	201	202
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	1,527	2,033	1,624	1,521	1,870
(Beneficiary certificates)	1,505	2,030	1,611	1,519	1,864
Other fees received	2,447	2,645	2,126	2,602	2,494
(Beneficiary certificates)	1,131	1,082	1,052	1,024	999
Net trading income	5,983	6,938	6,564	7,306	8,400
(Stocks)	(17)	4,361	3,676	4,152	5,247
(Bonds and Forex)	6,000	2,576	2,887	3,153	3,153
Financial revenue	755	1,034	565	927	656
Total operating revenue	13,855	15,074	13,482	15,156	17,665
Financial expenses	536	554	490	452	452
Net operating revenue	13,319	14,519	12,992	14,703	17,213
Selling, general and administrative expenses					
Trading related expenses	3,020	2,785	2,867	2,709	2,955
Personnel expenses	7,227	7,293	7,412	6,728	6,873
Real estate expenses	1,989	2,156	2,089	1,814	1,903
Office cost	1,980	2,051	1,883	2,047	1,879
Depreciation	584	664	715	773	801
Taxes and dues	274	340	321	366	293
Other	438	490	586	398	340
Total selling, general and administrative expenses	15,514	15,782	15,875	14,837	15,048
Operating income	(2,195)	(1,262)	(2,883)	(134)	2,165
Non-operating income	47	561	401	513	217
Share of profit of entities accounted for using equity method	(219)	(195)	—	—	—
Other	267	757	401	513	217
Non-operating expenses	66	138	184	246	(142)
Share of loss of entities accounted for using equity method	—	61	137	81	(173)
Other	66	76	46	164	30
Ordinary income	(2,213)	(839)	(2,666)	133	2,525
Extraordinary income	475	883	2,236	69	166
Extraordinary losses	224	769	50	16	98
Income before income taxes	(1,962)	(726)	(480)	186	2,594
Income taxes-current	(805)	445	(45)	95	35
Income taxes-deferred	565	(917)	(685)	(336)	598
Profit	(1,723)	(254)	250	428	1,960
Profit attributable to non-controlling interests	(17)	20	(5)	39	98
Profit attributable to owners of parent	(1,706)	(274)	256	388	1,862

(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 3rd Quarter of FYE March 2020. The quarterly consolidated financial statements for FYE March 2019 reflect this change.