

# INTEGRATED REPORT 2020

Fiscal Year Ended March 31, 2020



**TOKAI TOKYO FINANCIAL HOLDINGS, INC.**



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### About Integrated Report 2020

The Tokai Tokyo Financial Group has introduced numerous innovations to withstand and prevail against tough tides of the changing times since its founding in 2000.

Since 2016, we expanded our report to cover, in addition to financial data, non-financial information referring to our activities in the areas of Environment, Social, and Governance (ESG).

This year, we have enriched our non-financial reporting even further to present our image of how we envision the future business activities of the Tokai Tokyo Financial Group.

### Notice concerning future outlook

This integrated report is intended to provide information concerning the Company's operating results for the period April 1, 2019 to March 31, 2020 and the management vision for the future of the Company. This report is not intended to solicit investment in marketable securities issued by the Company and does not constitute any guarantee or commitment regarding the presented data or statements. The strategies, opinions, and forward-looking statements offered in this integrated corporate report are based on the judgment of the Company at the time the report was prepared. The Company does not guarantee the accuracy or completeness of the information contained herein, and the information is subject to change without notice.

### Editorial policy

This report is issued to communicate information to stakeholders about the Company's management strategy, earnings performance, and its activities related to our engagements in environment and society for the fiscal year ended March 31, 2020.

This integrated report was compiled with reference to the International Integrated Reporting Council (IIRC)'s International Integrated Reporting Framework and the Ministry of Economy, Trade, and Industry's Guidance for Collaborative Value Creation.



### Our Vision

We will contribute to the growth of our nation's economy by fulfilling the role as a financial service provider to help customers with their wealth formation and capital enhancement.

Throughout its business operations, the Tokai Tokyo Financial Group cherishes local communities and the people living there.

We want to help customers build their assets and capital, and in so doing, contribute to Japan's economic growth.

Through a united effort, and with the trust and support of all our stakeholders, we will pursue our vision of becoming a groundbreaking integrated financial group that leads the way in a new age.

### Our Mission

- **Customer** ..... We will help customers realize affluent lives and promote corporate values by advising about appropriate use of wealth and assets. Toward that end, we will keep striving to be the group with full commitment and devotion.
- **Global** ..... We will read the times right and see things in a global perspective to prevail as an innovative group.
- **Region** ..... We are the group that will care about the community in which we operate and render the help to elevate the prosperity there now and in the future.
- **Employee** ..... We will remain the group that encourages employees with varying experience and expertise to attain sparkling self-realization in their respective ways.
- **Trust** ..... We will remain the group that negotiates even the toughest adverse stream of the times with the matching strength and resilience with a view to winning the confidence from our stakeholders.

### Our Guiding Principle

- We shall keep learning.
- We shall challenge.
- We shall respect communications.
- We shall embrace the motto,  
“Get stronger and more resilient.”
- We shall defend our “corporate discipline.”

### Catchphrase

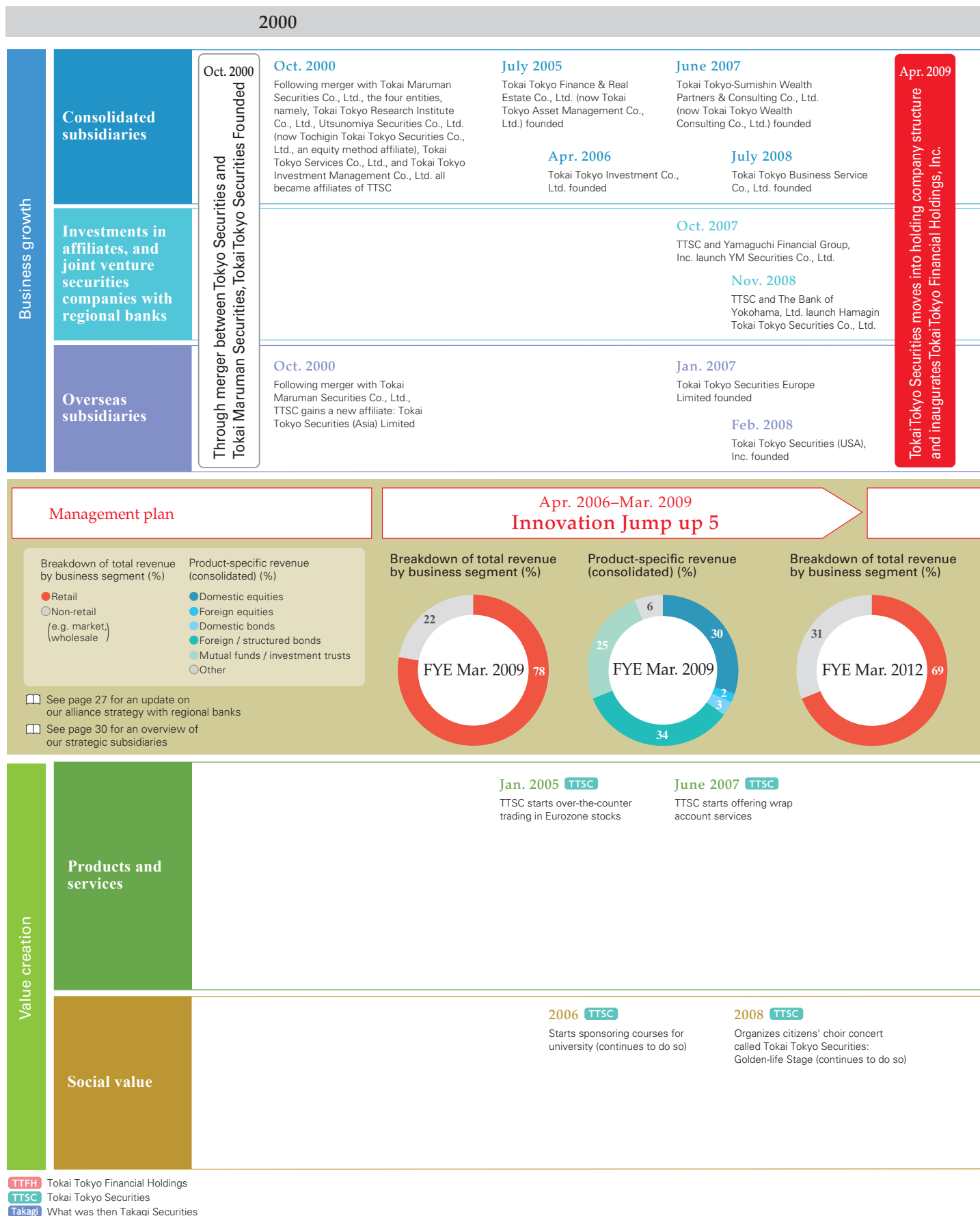
- Exciting company
- Ever-learning company
- Company nurturing sense of fellowship
- Company with integrity
- Strong and resilient company



# The Footsteps of the Tokai Tokyo Financial Group

## Diversifying the business portfolio by partnering with regional banks and expanding the

The Tokai Tokyo Financial Group has actively striven to create a multiplex business portfolio offering a diverse range of products and services, through which it can generate stable earnings. Consequently, with each passing year, a steadily larger share of total revenue comes from the non-retail division. We now have a broad and



## non-retail sector

integrated portfolio featuring a wholesome balance between retail, wholesale (corporate sales and investment banking), and market operations. We now have well balanced revenue generation sourcing from four primary product categories and they are domestic equities, foreign equities, bonds, and investment trusts.

2010

2018

Jan. 2010

TTFH acquires all shares in Toyota Financial Services Securities Corporation, which in April merges with Tokai Tokyo Securities

Jan. 2011

Tokai Tokyo Finance & Real Estate Co., Ltd. subsumes Tokai Tokyo Investment Management Co., Ltd. in merger and changes company name to Tokai Tokyo Asset Management Co., Ltd.

Mar. 2011

Tokai Tokyo Academy Co., Ltd. founded

Mar. 2017

ETERNAL Co., Ltd. acquired as a subsidiary

Apr. 2017

Tokai Tokyo Financial Holdings, Inc. acquires Takagi Securities Co., Ltd., as a subsidiary

Sept. 2017

Pinnacle Inc. acquired as a subsidiary

Dec. 2018

Pinnacle TT Solutions Inc. founded

July 2019

Asset management Platform Preparatory Company (now Money Compass Japan Co., Ltd.) founded

Sept. 2019

Takagi Securities Co., Ltd. and Tokai Tokyo Securities, Co., Ltd. (surviving entity) merged

May 2010

TTFH and Nishi-Nippon Financial Holdings, Inc. launch Nishi-Nippon City Tokai Tokyo Securities Co., Ltd.

Sept. 2013

TTFH and Senshu Ikeda Holdings, Inc. launch Senshu Ikeda Tokai Tokyo Securities Co., Ltd.

Sept. 2016

Ace Securities Co., Ltd. acquired as an equity-method affiliate

Aug. 2015

All Nippon Asset Management Co., Ltd. founded as an equity-method affiliate

Jan. 2017

TTFH and Hokuohoku Financial Group, Inc. launch Hokuohoku Tokai Tokyo Securities Co., Ltd.

Apr. 2017

TTFH and The Tochigi Bank, Ltd. make Utsunomiya Securities Co., Ltd. (now Tochigin Tokai Tokyo Securities Co., Ltd.) a joint venture securities company

June 2018

Money Design Co., Ltd. acquired as an equity-method affiliate

June 2019

TTFH and The Juroku Bank, Ltd. launch Juroku Tokai Tokyo Securities Co., Ltd.

Mar. 2011

Tokai Tokyo Investment Management Singapore Pte. Ltd.

Mar. 2015

Phillip Tokai Tokyo Investment Management Pte. Ltd. (now an equity-method affiliate) founded

May 2016

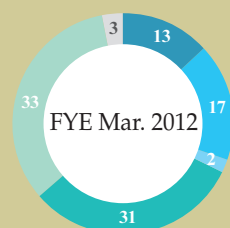
Tokai Tokyo Global Investments Pte. Ltd. founded

Apr. 2009–Mar. 2012  
TT Revolution

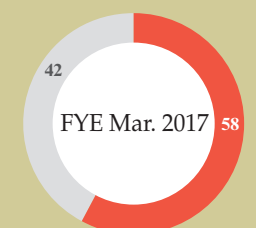
Apr. 2012–Mar. 2017  
Ambitious 5

Apr. 2017–Mar. 2022  
New Age's, Flag Bearer 5

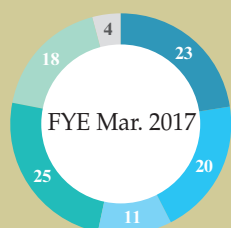
Product-specific revenue  
(consolidated) (%)



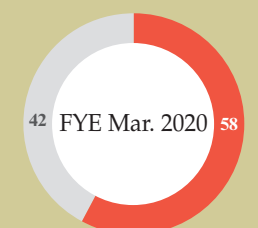
Breakdown of total revenue  
by business segment (%)



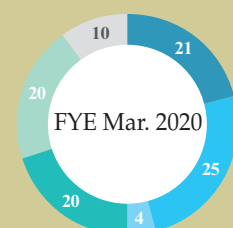
Product-specific revenue  
(consolidated) (%)



Breakdown of total revenue  
by business segment (%)



Product-specific revenue  
(consolidated) (%)



Nov. 2015 **TTSC**

TTSC Launch of Orque d'or, a brand catering to the high net worth segment Orque d'or Salon launched in March 2016



Nov. 2015 **Takagi**

Launch of "Toshin no Madoguchi," a mutual fund specialty store (the first of its kind in the industry)



Mar. 2017 **TTSC**

Launch of Moneque, a service brand tailored to the next-generation segment

Apr. 2018 **TTSC**

Orque d'or member services start in Tokyo Orque d'or Salon TOKYO launched in April 2019

Apr. 2019 **TTSC**

Launch of loans secured by securities

Jan. 2020 **Money Compass Japan**

Releases asset management app (Okane no Compass) and insurance management app (Sonaeru Compass)

2012 **TTSC**

Starts hiring athletes via Athnavi

2015 **TTFH**

Funds building of elementary school in Philippines (using 2013 typhoon relief fund)

2015 **TTFH**

Establishes Nagoya University Tokai Tokyo Financial Holdings Global Business Program

2016 **TTSC**

Launches food bank program (to replenish emergency supplies)

2016 **TTSC**

Launches Chubu Open Innovation College Program

2016 **TTFH**

Founds Tokai Tokyo Foundation

2016 **TTFH**

Launches scholarship program for student athletes at Chukyo University in partnership with Umemura Educational Institutions

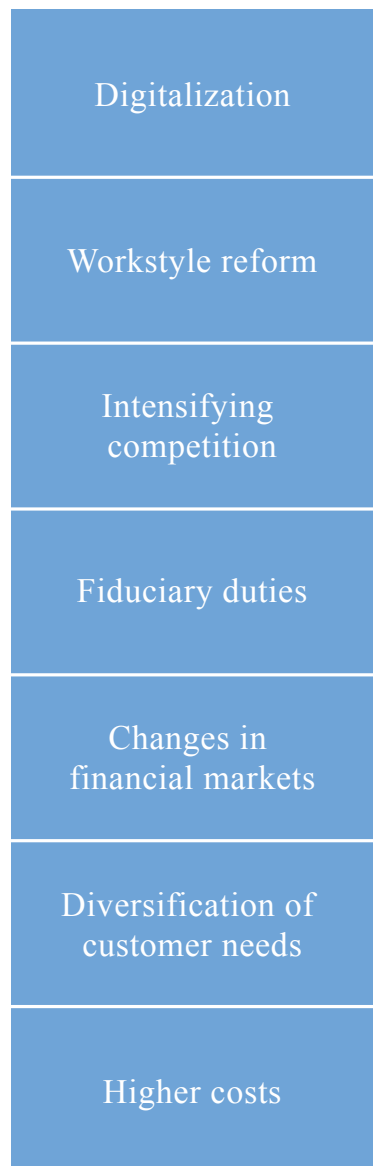
2018 **TTSC**

Registered as "issuance supporter" under government platform for promoting green bonds' Green Bond Issuance Promotion Platform

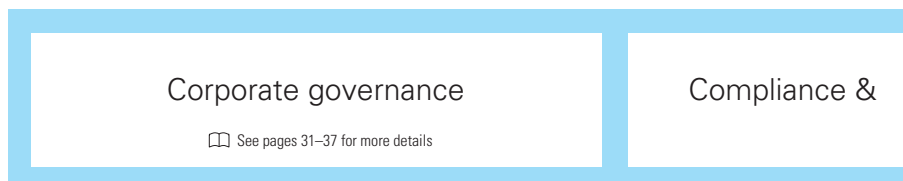
# The Group's Value Creation Process

Identifying the sweeping changes in society as a growth opportunity,  
we will deliver our securities business platform extensively across our unique network with the

## Trends affecting securities

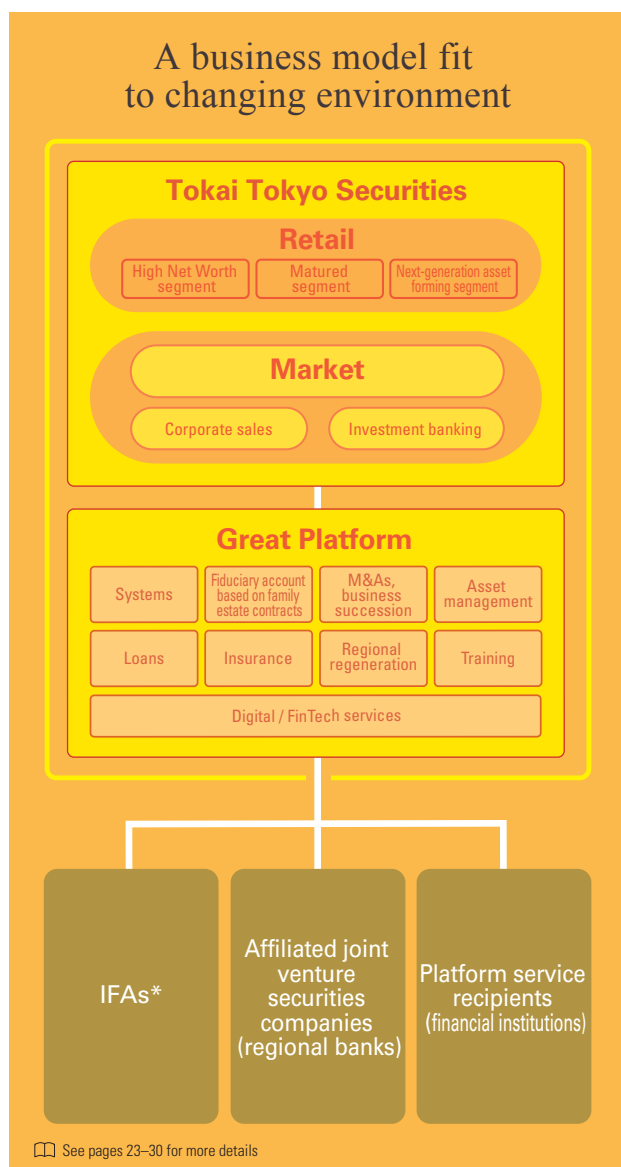


## Input—The strengths of our managerial resources



aim of achieving sustained growth and raising our corporate value.

## Business model



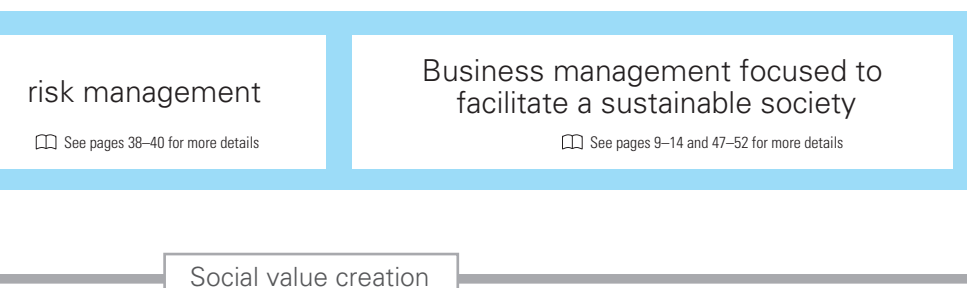
## Output



## Social value



## The foundation for value creation



# The Strengths of the Tokai Tokyo Financial Group

## 1 An independent & comprehensive financial group

The Tokai Tokyo Financial Group is a comprehensive securities company group led by its holding company, Tokai Tokyo Financial Holdings, Inc. As of the end of September 2020, the Group comprises 27 subsidiaries, including key operating company Tokai Tokyo Securities. Nine of the subsidiaries are located overseas. The Group also has 14 affiliates, one of which is located overseas.

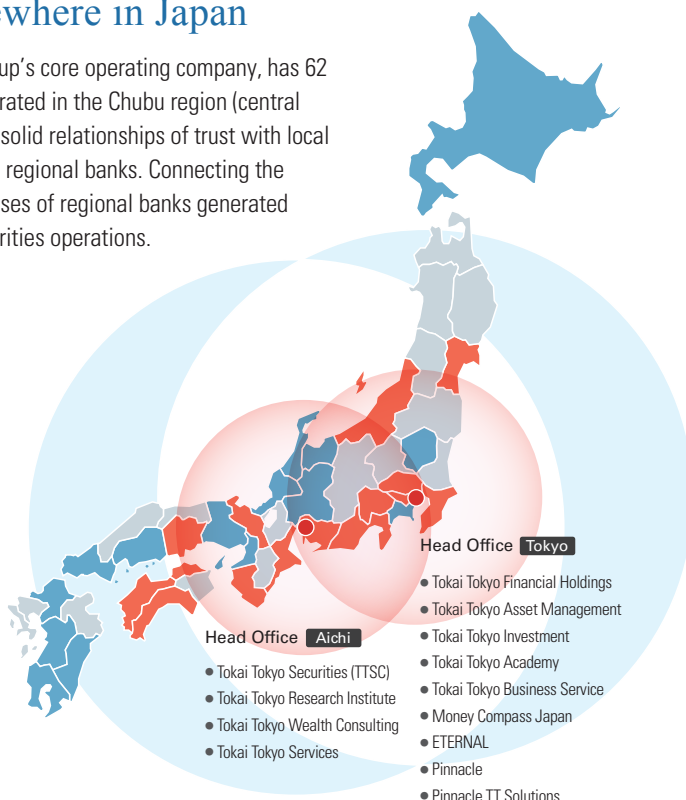
## 2 Basing our home market in Chubu region, we expand network of alliances elsewhere in Japan

As of the end of September 2020, Tokai Tokyo Securities, the group's core operating company, has 62 sales offices across Japan. Over half of these offices are concentrated in the Chubu region (central Japan), where we maintain an unrivaled presence and have built solid relationships of trust with local customers. In 2007, the Group started forming joint ventures with regional banks. Connecting the Group's expertise in the securities business with the customer bases of regional banks generated unique synergy effects from the combination of banking and securities operations.

### Basing our home market in Chubu region, we expand network of alliances elsewhere in Japan

<b>Tokai Tokyo Securities</b>	Sales offices: 62 (in Aichi, Tokyo, Osaka, and elsewhere)
<b>YM Securities</b>	Sales offices: 12 (in Yamaguchi, Hiroshima, and Fukuoka)
<b>Hamagin Tokai Tokyo Securities</b>	Sales offices: 17 (in Kanagawa and Tokyo)
<b>Nishi-Nippon City Tokai Tokyo Securities</b>	Sales offices: 20 (in Fukuoka, Miyazaki, Kumamoto, and Kagoshima)
<b>Senshu Ikeda Tokai Tokyo Securities</b>	Sales offices: 6 (in Osaka and Hyogo)
<b>Hokuhoku Tokai Tokyo Securities</b>	Sales offices: 5 (in Hokkaido, Toyama, Ishikawa and Fukui)
<b>Tochigin Tokai Tokyo Securities</b>	Sales offices: 8 (in Tochigi and Saitama)
<b>Juroku Tokai Tokyo Securities</b>	Sales offices: 5 (in Gifu and Aichi)

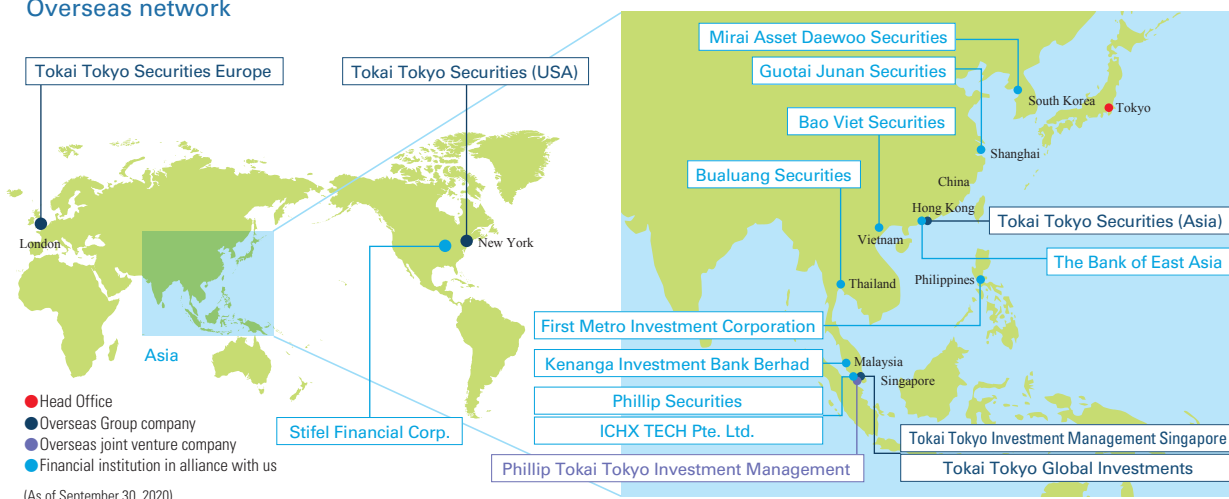
(As of September 30, 2020)



## 3 An overseas network coverage of leading financial centers

Tokai Tokyo Financial Group operates overseas subsidiaries and affiliates in the world's financial centers. We are working to increase the group's revenue by developing and sourcing financial products.

### Overseas network





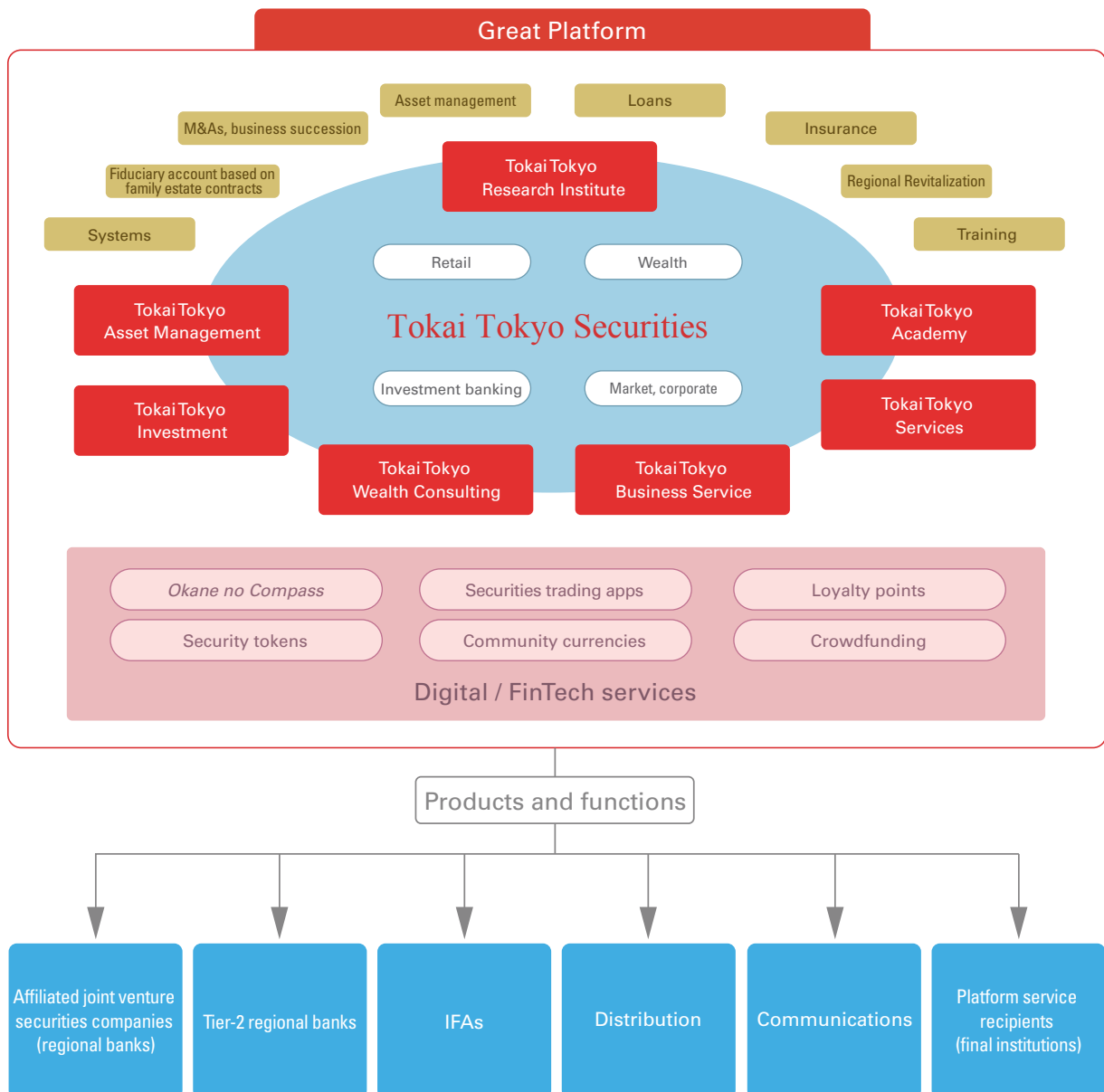
4

## A creative strategy

Tokai Tokyo Financial Group aspires to be an integrated financial group representing a third pillar in financial industry. This is a creative vision that will mark us clearly apart from major competitors. In pursuing growth, we are forging visionary business models. One example is our Great Platform, in which we expand the group's various financial and trust business functions and deliver them to a greater range of partners.

The Great Platform actually comprises two kinds of platforms. First, there is our conventional platform. This platform is designed to help our regional banking partners grow by offering a broad spectrum of products and services related to securities. These include access to unique Orque d'or membership for high net worth segment customers, the high execution ability of the market division, research, training, business succession and all other products and services. For the second type, we are introducing application-based FinTech platforms targeting the asset forming segment customers who use smartphones and other portable devices. These FinTech platforms offer users opportunities to invest small amounts of money, invest loyalty points, and more. We plan to provide other investment opportunities and services too, including crypto assets and loans securitized by securities.

Read more about our activities in each division on pages 23–26



Keeping our appetite for transformation and challenges,  
we will develop a comprehensive  
financial group that sets us apart from peers



Tateaki Ishida  
President & CEO

A handwritten signature of Tateaki Ishida, consisting of a stylized 'I' followed by a long horizontal line ending in an arrow.

## 20 years of relentless evolution in pursuit of a next-generation business model

In October 2020, we celebrated the 20th anniversary of our organization. For a total period of 15 years, I mean over 70% of the time since the beginning, I have served as CEO of Tokai Tokyo Securities first and then Tokai Tokyo Financial Holdings. Looking back over the past, I am startled anew by the dramatic structural shifts in the securities business and in the wider business landscape.

Before I joined the Tokai Tokyo Financial Group, I was a banker. At the time, the banking sector relied on lending for most of its income. Additionally, its value system emphasized immutable social status and placed importance on business stability. Consequently, banks in general maintained relatively stable earning structure.

By contrast, securities businesses operate in a market that changes day to day in tandem with socioeconomic trends. Survival here requires us to flexibly adapt to these changes. Since my early days in the Group, I have put transformation at the heart of my management tasks. My priority has been to keep innovating our business portfolio and services in line with the megatrends of the times in pursuit of a next-generation business model. I have also committed myself to upgrading our organizational structures and reforming workplace culture, which, I believe, provides the groundwork for transformation. These efforts have culminated in a robust organization that readily responds to change. I count this as our greatest achievement in the last 20 years.

## From a traditional broker-dealer to a comprehensive financial group with diversified revenue streams

Let me give some specific examples of how we have embraced transformation. The first example is our transformation from a securities business into a general finance business. Tokai Tokyo Securities was formed from a merger between Tokai Maruman Securities and Tokyo Securities. Both were traditional brokerage firms that mainly operate dealing in bonds and securities. Because they were exposed to a highly volatile market, their earnings fluctuated widely. Moreover, their business model had little scope for developing new business ideas. Accordingly, when I became CEO of Tokai Tokyo

Securities in 2005, my very first initiative was to transform the organization. Keeping Tokai Tokyo Securities at the core, I set out to transform the organization into a comprehensive financial group that offers a wide range of financial products and services. My purpose of this transformation was to raise growth potential and stabilize revenue stream by expanding business portfolio. I keep up the endeavor of internal transformation from that perspective. In recent years, we have stepped up our efforts to introduce AI and other cutting-edge digital technology for developing financial products and services.

Second, alongside our transformation into a general finance organization, we have advanced nationwide network coverage. While keeping Chubu as our core geographic business base, we have expanded our managerial base and operational networks by partnering with leading regional banks and peers across the country. One of our greatest assets now is platform business. Through this platform, we offer a wide range of financial functions, including asset management, trusts, and M&A-related services to the joint securities ventures and regional banks.

## Open “Financial Blue Oceans” by deploying innovative entrepreneurship with a view to realizing my management philosophy

For me, the word transformation evokes the idea of a caterpillar forming into a chrysalis and then metamorphosing into a butterfly. In a similar way, an organization must keep track of the times, sniff out changes in the business ecosystem, and have the courage to undergo the hard, transformative process necessary to stay ahead of these changes. Over the past 20 years, this unrelenting drive for transformation has become firmly implanted in our organizational culture. The management has worked hard to enhance internal communications to ensure that every employee across our group understands and identifies with our vision and mission that embody our goal of becoming the flag bearer of the new era.

Over the past decade or so, we focused on strengthening our marketing to wealthy customers under our segment-specific retail strategy. Also, we expanded market division which is one of our core businesses. These efforts were underpinned by our unchanging vision of providing financial services that help customers build their assets and enhance their



capital, as well as by our commitment to ensuring integrity of organization. We also committed to an innovative approach to business development that breaks with conventions and creates “blue oceans,” which, I mean, is an uncontested market space. In *Toyo Keizai* and other economics journals, we consistently rank high as an organization that students want to work for, which is an evidence that switched-on students value our blue-ocean strategy and customer-first model.

There is now a growing market for partnership between regional securities brokerages and banks. Here, too, we are leading the field, having established joint securities ventures with seven major regional banks. We command the trust and confidence of our banking partners because we value fellowship and integrity. The reason, I should say, is that one of our corporate catchphrases is “Company nurturing sense of fellowship” and another is “Company with integrity.” Holding fast to these principles, which form part of the Management Philosophy, we will keep aiming to staying ahead of the curve.

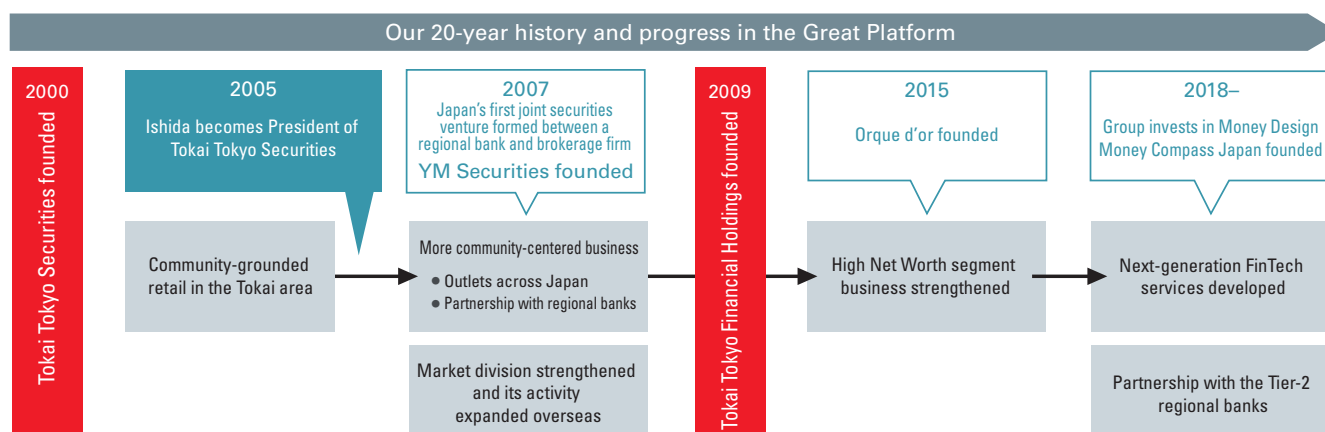
### Consolidated financial results for FYE March 31, 2020: Joint securities ventures with 7 major regional banks start contributing to consolidated revenue of the Group

I will now discuss the consolidated results for the fiscal year ended March 31, 2020, which is the third year of our five-year plan titled New Age’s Flag Bearer 5. Revenue was a little lower than last year, resulting in an operating loss of 800 million yen. Profit attributable to owners of parent was up by as much as 155.9% year on year, due in part to recording approximately 2 billion yen in gain on change in equity.

The period saw a challenging business

landscape mired in uncertainties. Japan’s real GDP slowed following the hike in consumption tax in October 2019. Then, in the fourth quarter (January–March 2020), the pandemic emerged, prompting a decline in the Nikkei Stock Average. We experienced our own set of challenges and were forced to make some tough decisions. However, we were able to make preparatory steps necessary for laying the track toward sustainable growth.

One accomplishment during the period was that our investments started performing better, such that they now contribute to group revenue. These investments include our stakes in the joint securities ventures formed with leading regional banks, as well as our stakes in Ace Securities, ETERNAL, and Money Design. These, together with our sustained efforts to improve profitability, have proven successful in diversifying and strengthening our revenue structure. To give some examples of our business expansion, in June 2019, our seventh joint securities venture, Juroku TT Securities, started its business. In November of the same year, we agreed to invest in ICHX, which operates a security token offering (STO) platform based in Singapore. Then in December, we entered into a capital and business tie-up with Huobi Japan, the Japanese subsidiary of a cryptocurrency exchange operator. Another example is our move into digital financial service. In November 2019, we decided to establish a securities brokerage company dedicated to users of smartphone and other mobile devices to capture the demand for app-based financial services. Consequently, we founded the company, “3.0 Securities Preparatory Co., Ltd.”



## Perpetual growth is only possible with a bold investment that looks five and ten years' ahead

How have our existing businesses performed? "Orque d'or," a brand targeting high net worth segment, has attracted many customers, particularly to its "salons" in Nagoya and Tokyo. Thus, the brand is getting increasingly wide and firm acceptance from our customers that symbolizes our organization's creative approach. In the market division, which has long been a key strategic area for us, we are now ready to catch up with the larger players—the megabanks and major securities houses. This is well substantiated by our reputation both within and outside the industry for specialized, high-level trading.

Overall, we made meaningful progress in the period. Amid the tough circumstances, we got on with the job of paving the way for sure growth in the years ahead. Our investments for the future are somewhat burdensome and will take time to yield returns. However, a business can only achieve sustainable growth if it is prepared to invest toward its value five or ten years down the track. We have been investing heavily for several years now and fiscal 2020 was no exception. But these seeds of growth are finally starting to bear fruit.

## Cultivating promising regional markets with the Tier-2 regional banks

I will now discuss our growth strategy for the medium to long term. The first component of this strategy is alliances. Our future growth will undoubtedly be driven by alliances with banks and other organizations. Of the seven securities joint ventures we founded with leading regional banks, most have turned a profit and started contributing to consolidated earnings. Encouraged by this development, we are now exploring possible partnerships with relatively small banks belonging to the Tier-2 regional banks.

Many of these Tier 2 banks want to expand into securities and other new fields, but they lack the experience and knowhow to engage in promising areas such as securities, derivatives, fund management, market trading, and consulting services for high net worth customers. They fear for their future, knowing that their functions and human capital are insufficient to expand into new areas. For

these banks, we offer functions and knowhow and build tight-knit partnerships, which may involve capital tie-ups or exchanges of human capital. These win-win networks are key to generating a new business model under our region mission (one of our five mission statements, expressed as: "We are the group that will care about the community in which we operate and render the help to elevate the prosperity there now and in the future.")

## Establishing a network of alliances in an untapped middle ground to form a third pillar in finance

The other component of our strategy is to be a comprehensive financial group that forms a third pillar in the financial industry. Broadly speaking, Japan's financial markets are bipolar. One pole is represented by the Five Giants (which include megabanks and major securities houses). The other consists of emerging financial groups that specialize in online services but have limited market penetration. But there is so much more to finance than this bipolar schema suggests. We should not disregard the immense potential of regional markets. There is also a ripe and unsatisfied market for a new hybrid financial service. I think such an unexplored business opportunity waits for a new breed of service that will be made by integrating financial service with expertise of other industries. We aim to cultivate this new field that currently remains neglected by both two poles. In this field, we will rally our partners to form a comprehensive financial group that breaks the mold. If the Five Giants can draw upon their organizational clout and the creditworthiness associated with being part of the establishment, and if the emerging players can draw upon their internet savvy, then we can take the uncultivated middle ground by building a unique network that relishes transformation and challenges.

## The Great Platform: A strategy to share cutting-edge financial functions with partner banks and peers

The third and final component of our strategy is what we call the Great Platform. Over the years, we have amassed financial functions such as banking, asset management, trusts, online operations, insurance, and M&A advisory services. We have also developed innovative business models, including services for



wealthy customers and a three-way approach to corporate customers, which is what we call “trilateral initiatives.” In addition, we have been active in developing new financial functions to invigorate existing businesses. These include systems for microcredit and community currencies.

These cutting-edge functions and models are essential in Japan today, given that the country’s regional banks and brokerages are looking to diversify their operations, while non-financial firms such as communications and distribution businesses are looking to break into finance. The Great Platform offers these companies financial functions. In so doing, it strengthens our alliances with regional banking partners and platform users, maximizing synergy across the group. That’s what it is all about fundamental idea of “The Great Platform.”

To enhance the organizational infrastructure for the Great Platform, we established a new dedicated department on May 1, 2020. The department is called the Great Platform Business Promotion Department and it belongs to the General Planning Group. We are determined to foster the Great Platform to be one of a kind in how it allows many businesses in Japan to access our knowhow, technical expertise, and many other competences.

### Woodpeckers and zebras: Using metaphors from nature to change employees' attitudes

An important question for management is: how do we ensure that employees understand the business conditions the organization faces and identify with the management’s business strategy? I find that using metaphors from the natural world helps me get the message across.

Securities businesses are unlike other kinds of businesses in that the prices of the products they sell change from moment to moment. This means that speed is of the essence. You must accurately grasp the factors driving the markets and then respond swiftly, while keeping an eye on the risks associated with socioeconomic changes. Consider the woodpecker. They use their beaks to drill into a trunk or branch in search of prey. Likewise, we must use our sharp wits to forage for information and accurately capture the implications of this information. Now, consider a herd of zebras. When predators approach, the zebras will huddle together and buck their rear legs to defend the herd. Likewise,

when we face adversity, we should come together as a team and put our heads together to clarify the situation and then we can come up with solutions. I call this “herding together” and encourage employees to practice it.

Nature offers many other metaphors. Just as a wading bird is ready to take flight at the slightest sound, we should keep our senses attuned to changes in the liquidity of our products or services. Just as honeybees toil away in the hive to store up honey, we should work to shore up our revenue streams and financial position. Just as an eagle or hawk gazes down from the sky, we should keep an eye on the big picture. As such, the natural world amply provides us with lessons we should apply to our businesses.

### Ultimate goal for the 5-year term: Consolidated ordinary income of 30 billion yen, ROE of 12%

Our key goal indicator (KGI) for New Age’s Flag Bearer 5 is to get our ordinary income up to 30 billion yen by the end of the final year, the fiscal year ending March 31, 2022. Of the 30 billion yen, 7 billion yen will come from the retail division, 5 billion yen from joint securities ventures, and 18 billion yen from the market division. The retail division should have no problems increasing to 7 billion yen under its current business model. The real test will be how to grow the market division. To hit our KGI, we must take aggressive measures for further boosting this division, such as hiring talented leaders and upgrading systems.

Our target for return on equity (ROE) is 10% or higher. However, we must elevate this to around 12% with our existing revenue engine in order to fund the investment toward future growth. I recognize that we must build a business model fit for the times. That means making our existing businesses more efficient and productive. It also means improving our capital efficiency by ensuring a solid exit strategy for each investment.

The spread of COVID-19 has prompted a rise in working from home. This trend suggests that we will face an increasing urgency to identify more efficient and productive workstyles and processes. Similarly, our business portfolio will likely require an overhaul. We will need, for example, to place more emphasis on expanding banking so that we can fund operations using bank deposits, thus avoiding financing costs.

## Upholding social justice in our ESG initiatives and customer-first approach

Finally, I want to talk about our approach to environmental, social, and governance (ESG) criteria and the sustainable development goals (SDGs). We set social justice as a core part of our business besides ESG initiatives and the SDGs. The social justice embraces antiharassment action and compliance. We recognize that a business has no future if it fails to uphold social justice. We also recognize that a financial business can only continue growing in the future if it additionally upholds its fiduciary duties, which means putting the interests of the customer first. On this basis, we established the SDGs Promotion Department within the General Planning Group in May 2020, signaling our commitment to address social issues.

As part of our engagement in the community, we launched the Chubu Open Innovation College Program in partnership with Nagoya University and the business community in the region. This program brings industry and academia together to develop a new linkage for manufacturing chiefly in Chubu, our home market. Creating shared value in this way—contributing to the local economy and building win-win relationships with stakeholders—is an indispensable part of business management.

## A flag bearer of the new era that is valued by stakeholders

With no end in sight to the COVID-19 crisis, the outlook for the second half (September–March) of the fiscal year ending March 31, 2021, looks uncertain. Even if we take the pandemic out of the equation, there can be no doubt that these are uncertain times, with socioeconomic shifts occurring at breakneck pace. Against this backdrop, we aim to seize future growth opportunities as the flag bearer of the new era, adapting to the changes and forging new horizons. We also aim to command the trust and confidence of stakeholders by delivering generous and stable shareholder returns, while retaining ample funds for investing toward future growth.

What we value most of all is people. Human capital, by embodying a high degree of professionalism and integrity, is an indispensable asset and source of competitive advantage. Never forgetting this basic principle, we are determined to place ourselves at the forefront in these challenging times.

Last but not in the least, for continued loyalty, confidence, and support you rendered, I wish to thank all our shareholders, customers, employees of our own and affiliates, members of local communities, and every other stakeholder. I sincerely look forward to our continued journey together.



# Business Roadmap

## Our aspiration to be a comprehensive financial group that establishes the “third pillar”

The Group’s trailblazing initiatives are shared among its extensive alliances and group network as part of a unique business model, the Great Platform. With the Great Platform as the basic driving force of our businesses, we are pursuing our goal of being an integrated financial group that forges a third pillar in financial industry, marking a clear difference from the major securities companies, bank-owned securities companies, and online brokers.

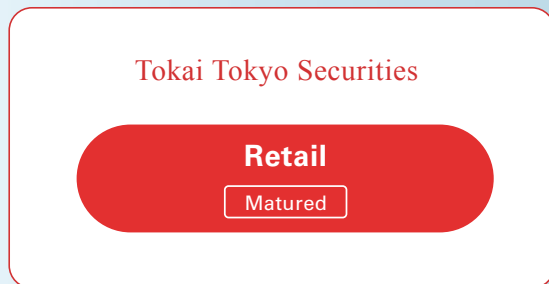
Over the years, the Tokai Tokyo Financial Group has expanded its network of strategic alliances. We have done so by leveraging the resources we possess as a comprehensive financial group to found joint venture securities companies with regional banks and deliver platform services to peer securities brokerage houses.

Meanwhile, Tokai Tokyo Securities, the Group’s core operating company, has spearheaded the group’s initiatives to strengthen the competitiveness in preparation for changing business environment. These initiatives include a segment specific retail strategy and trilateral initiatives toward corporate customers integrating our market, corporate sales, and investment banking operations.

In the expectation that the traditional securities market will be superseded by the security tokens market, we have invested in ICHX. ICHX is the operator of iSTOX, Singapore Securities (SGX)-backed security token platform, which is the first government-approved platform of its kind in Asia. We have

### Past

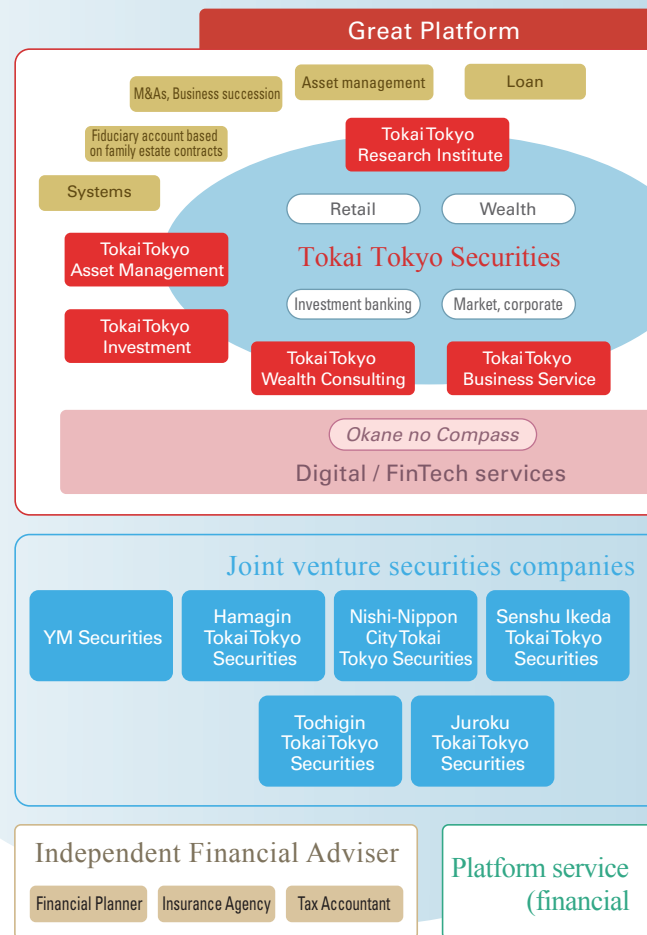
#### A retail-centric securities house



### Present

#### A comprehensive financial group with its own nationwide network

Delivering better value through partnerships and alliances



#### Trends affecting securities

Digitalization

Workstyle reform

Intensifying competition

Fiduciary

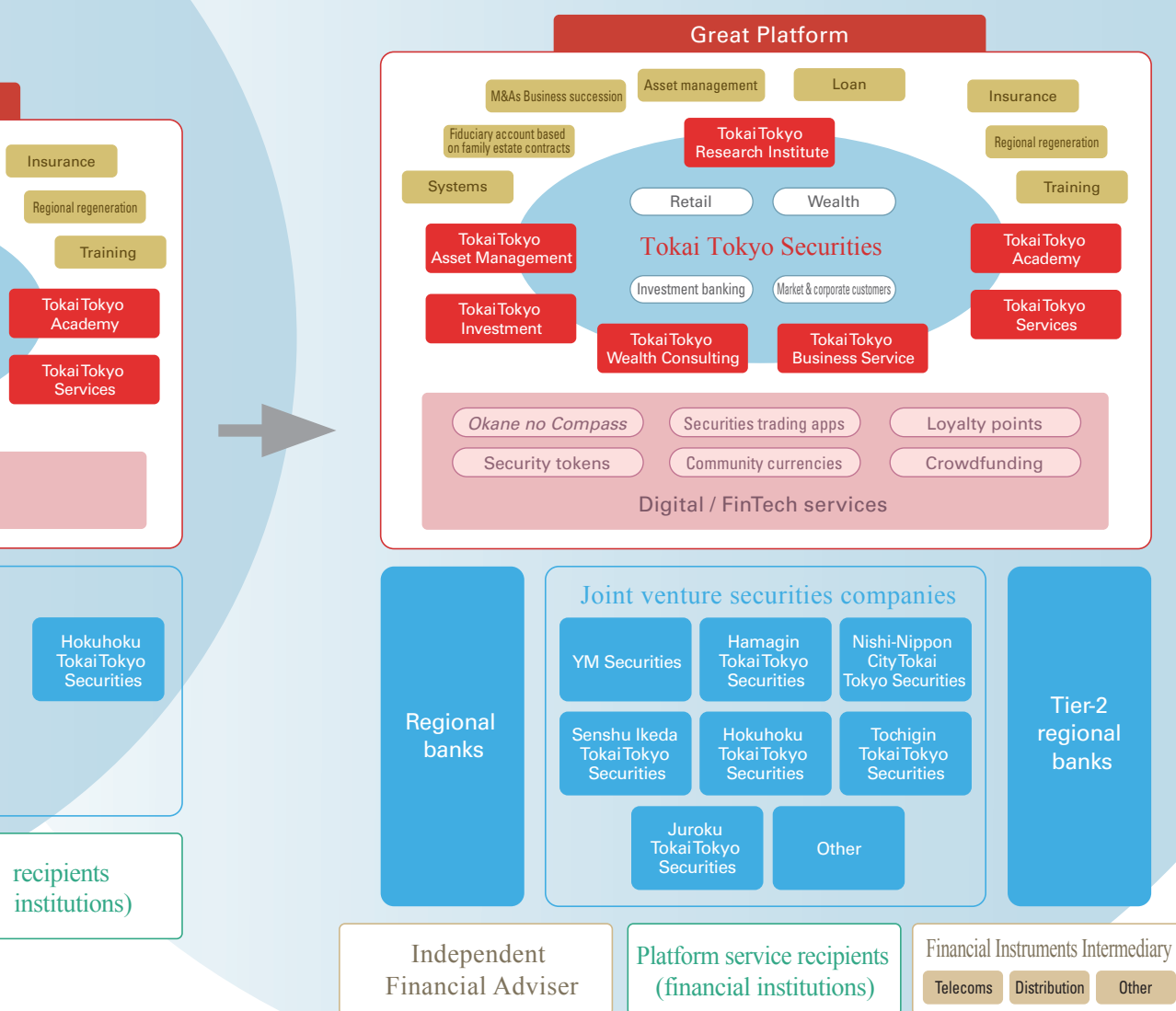
already begun testing the workability of trading tokenized Japanese real estate on the iSTOX as part of a plan to apply blockchain technology. Since all kinds of asset value can be tokenized, security tokens have garnered attention as a new form of alternative finance that can meet the funding needs of businesses and the asset-management needs of investors. We will continue working with ICHX to provide such services as next generation financial product directly to Japanese investors by an upcoming our new entity that provides securities brokerage service dedicated to smartphone and other mobile device users.

We will also work with regional banks and local governments on similar initiatives with the aim of revitalizing regional economies. These include tokenizing the idle real-estate in the area and using blockchain technology by the use of community currencies.

## Future

### A comprehensive financial group that establishes the “third pillar”

New competencies and an expanded network whereby we lead tomorrow’s financial industry and carve out our own market



companies

duties

Changes in financial markets

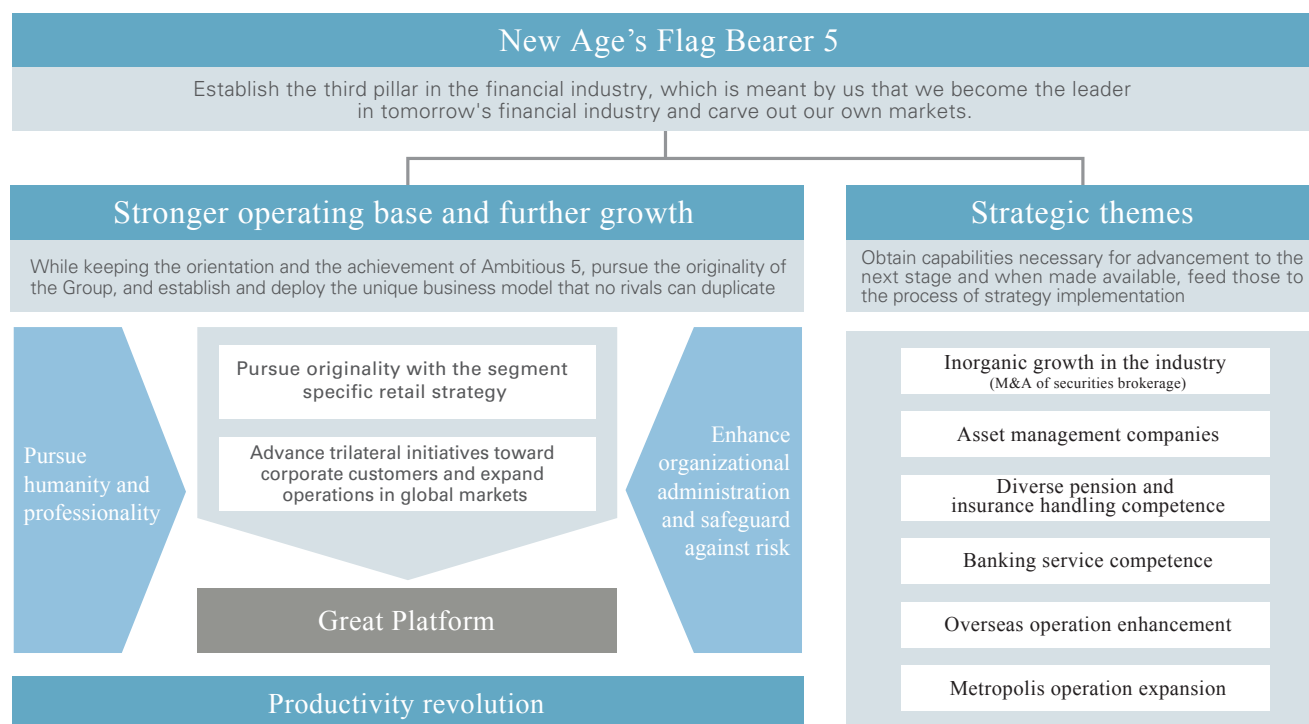
Diversification of customer needs

Higher costs

# Management Plan: New Age's Flag Bearer 5

Launched in April 2017, New Age's Flag Bearer 5 is the current five-year plan for the Tokai Tokyo Financial Group. The plan outlines our vision to build the Great Platform and to implement a productivity revolution that will further strengthen our operating base and enhance growth. The plan also includes strategic themes to guide us into the next stage of growth. The ultimate goal is to lead the financial sector in a new age, establishing the third pillar.

## Overview of Management Plan



## Key goal indicator

	FYE March 2017		FYE March 2022
ROE	7.8 %	▶	10 %
Ordinary income	13.2 billion	▶	30.0 billion
Group's Assets under Custody	5.6 trillion	▶	10 trillion



See our corporate website for more details on New Age's Flag Bearer 5 (in Japanese only)  
<http://www.tokaitokyo-fh.jp/corporate/businessplan/>





## New Age's Flag Bearer: Progress so far and roadmap for now and onward

Strategic themes	Key initiatives taken until FYE March 2020	Initiatives taken from April 1, 2020
<b>Pursue originality with the segment specific retail strategy</b>   See pages 23–24 for more details	<b>High Net Worth Segment</b> <ul style="list-style-type: none"> <li>Orque d'or: Launch Salon Tokyo (April 2019)</li> <li>Penetrate into High Net Worth segment market in Greater Tokyo Area</li> <li>Revenue increase by focusing on well-coordinated marketing of consultancy services jointly with affiliates</li> <li>Orque d'or: Upgrade financial / non-financial services</li> <li>Appoint dedicated solutions officer (October 2019)</li> <li>Maintain smooth communication channel with high net worth community, medical practitioners' associations, and other key outside parties like major department stores</li> </ul> <b>Matured segment</b> <ul style="list-style-type: none"> <li>Directing right marketing activities for each category of customers under differentiation strategy meeting their different needs</li> <li>Provide customer support at sales branches to improve customer engagement and NPS</li> <li>Unify corporate and retail sales activities for customer base cultivation</li> <li>Improve coordination between insurance and investment banking operations</li> </ul> <b>Next-generation Asset Forming segment</b> <ul style="list-style-type: none"> <li>Advance sales efforts to the employees of corporations at their workplaces and strengthen non-face-to-face sales activities</li> <li>MONEQUE: Delivering a wide assortment of financial services at one-stop addressing customers at varying life stages</li> <li>Launch asset management app (<i>Okane no Compass</i> for TT) (January 2020)</li> </ul> <b>Special accounts</b> <ul style="list-style-type: none"> <li>Launch general credit services</li> </ul>	<b>High Net Worth segment</b> <ul style="list-style-type: none"> <li>Upgrade Orque d'or's financial and non-financial services</li> <li>Use Orque d'or to build long-term relationship with wealthy families and winning more high net worth customers</li> <li>Use consulting services to offer solutions for the problems wealthy customers face</li> <li>Enlarge stable revenue base with emphasis on trusts, fund wraps, loans against collateralized securities</li> <li>Work closer with staff and affiliates in the specialist field</li> <li>Expand networks with high net worth community and enhance the activities in such communities</li> <li>Plan and implement activities for more inter-industry collaboration</li> <li>Arrange tools ready for forging online markets</li> <li>Develop communication channel with the professionals in medical community with a view to ushering them into our customer base</li> <li>Enhance systems infrastructure and matching skills of the staff</li> <li>Enhance skills of sales force (better humanity and professionalism)</li> </ul> <b>Matured segment</b> <ul style="list-style-type: none"> <li>Use asset diagnosis service to accurately meet succession needs of customers</li> <li>Introduce most suited services to customers of each life stage</li> <li>Provide expert services to activate trading among customers with high risk appetite</li> <li>Unify sales activities of corporate and retail to SME owners, to strengthen well-coordinated corporate sales and retail onsite sales at corporate clients' premises</li> <li>Ensure product delivery to meet diverse needs in a timely fashion, identifying varying customers' risk and asset preferences of investment, and provide the information fit to different customer categories</li> </ul> <b>Next-generation asset forming segment</b> <ul style="list-style-type: none"> <li>Further strengthen onsite sales at corporate clients' premises and non-face to face sales</li> <li>Launch services of FinTech and securities brokerage dedicated to the users of smartphone and other mobile devices</li> <li>Enhance insurance products in collaboration with ETERNAL</li> </ul> <b>Special accounts</b> <ul style="list-style-type: none"> <li>Strengthen sales to the customers with margin transaction account and those desiring for complex products by improving advisory competence</li> </ul>
<b>Advance trilateral initiatives toward corporate customers and expand operations in global markets</b>   See pages 25–26 for more details	<b>Market Division</b> <ul style="list-style-type: none"> <li>Enhance trading knowhow by recruiting talent and bolstering trading systems to better answer the diverse needs of institutional investors (e.g. basket trading, VWAP trading, interest-rate derivatives trading); go further in insourcing creation of structured bonds</li> <li>Enhance equity trading and expand derivative trading</li> </ul> <b>Corporate Sales Division</b> <ul style="list-style-type: none"> <li>Start originating and marketing privately placed investment trusts for financial institutions</li> </ul> <b>Investment Banking Division</b> <ul style="list-style-type: none"> <li>Win IPO core lead status from notable issuers in Tokai and Kanto areas</li> <li>Work together with Pinnacle and Pinnacle TT Solutions to be retained for business succession advisory and M&amp;A solutions</li> <li>Establish basic infrastructure for underwriting municipal bonds and electric utilities bonds</li> </ul>	<b>Market Division</b> <ul style="list-style-type: none"> <li>Insource some structured bond origination competence to design structured bond, strengthen equity business, enhance foreign stock related products, launch global trading, fully launch e-trading of Japanese Government bonds, upgrade systems, and enlarge workforce</li> </ul> <b>Corporate Sales Division</b> <ul style="list-style-type: none"> <li>Improve marketing of privately placed investment trusts for financial institutions</li> <li>Work with group's asset management entities to formulate and market privately placed investment trusts</li> <li>Improve marketing of newly issued municipal bonds in collaboration with investment banking division</li> </ul> <b>Investment Banking Division</b> <ul style="list-style-type: none"> <li>Acquire IPO core lead status for the issues in distinctive industries</li> <li>Improve marketing of business succession and M&amp;A solutions</li> <li>Diversify issuing entities and strengthen capacity to underwrite SDG bonds</li> </ul>
<b>Great Platform</b>   See pages 27–30 for more details	<b>Alliance strategy with regional banks</b> <ul style="list-style-type: none"> <li>Enter comprehensive business alliance with The Juroku Bank</li> <li>Launch Juroku Tokai Tokyo Securities operation</li> </ul> <b>Great Platform</b> <ul style="list-style-type: none"> <li>Found Pinnacle TT Solutions to deliver business succession, M&amp;A advisory services</li> <li>Launch Independent Financial Adviser company</li> </ul>	<b>Alliance strategy with regional banks</b> <ul style="list-style-type: none"> <li>Strengthen collaboration with regional banks and joint securities ventures</li> </ul> <b>Great Platform</b> <ul style="list-style-type: none"> <li>Establish dedicated department for Great Platform</li> <li>Further enhance lineup of services to regional banks, platform users and IFAs</li> </ul>
<b>Productivity revolution and human resource development</b>   See pages 49–50 for more details	<b>Productivity revolution</b> <ul style="list-style-type: none"> <li>Promote paperless and free-address offices (choose any unoccupied desk)</li> <li>Implement Business Process Reengineering (BPR) program</li> <li>Pilot run of data-based marketing</li> <li>More sales offices to centralize administrative work for operating efficiency and optimal worker allocation</li> <li>Introduce flextime as part of workstyle reform</li> </ul> <b>Human resources development</b> <ul style="list-style-type: none"> <li>Design talent development strategy fit for new HR system</li> <li>Promote careers of women and activate latent capability veteran employees possess</li> <li>Launch diversified career track system</li> </ul>	<b>Productivity revolution</b> <ul style="list-style-type: none"> <li>Press ahead in realizing paperless and adapting to digital makeover by enhancing Information and Communication Technology capability</li> <li>Implement BPR (Business Planning and Reengineering) and RPA (Robotic process automation) programs for productivity improvement</li> <li>Fully launch data-based marketing</li> <li>Expand administrative work centralization to more sales offices</li> </ul> <b>Human resource development</b> <ul style="list-style-type: none"> <li>Encourage staff to grow personally and professionally</li> <li>Improve system for utilizing senior talent</li> <li>Provide online training opportunities</li> </ul>

# Financial Results for Fiscal Year Ended March 31, 2020

## Consolidated Financial Results of Operation

		FYE March 2019	FYE March 2020
Operating revenue	(Millions of yen)	64,772	61,694
Net operating revenue	(Millions of yen)	62,553	59,767
Operating income (loss)	(Millions of yen)	(391)	(823)
Ordinary income	(Millions of yen)	932	700
Profit attributable to owners of parent	(Millions of yen)	1,079	2,763
Return on equity (ROE)	(%)	0.6	1.7

In the consolidated period under review, operating revenue decreased 4.8% (year-on-year; same applies hereinafter) to ¥61,694 million, and net operating income decreased 4.5% to ¥59,767 million. Selling, general and administrative expenses totaled ¥60,591 million, a decrease of 3.7%. Under this category, trading-related expenses decreased 4.7% to ¥11,386 million. Similarly, personnel costs decreased 5.8% to ¥27,827 million, after a reduction in performance-linked bonus pay, which offset a rise in costs associated with the shift to a new personnel system. Moreover, office cost decreased 6.0% to ¥7,516 million, as the merger of two subsidiaries reduced such costs. However, depreciation costs increased 39.0% to ¥3,226 million, due to the depreciation of the new office equipment in Nihonbashi and an overhaul of the company intranet. Operating losses totaled ¥823 million (compared to ¥391 million in the previous year). Non-operating income totaled ¥1,971 million, an increase of 15.1%. The key contributor to this result was gain on investments in partnership, which increased 33.8% to ¥456 million. This increase more than covered a decrease in dividends income; this item decreased 9.6% to ¥645 million. Non-operating expenses totaled ¥446 million, an increase of 15.2%. Under this category, share of losses accounted for using equity method increased 52.1% to ¥94 million. Additionally, loss on investments in partnership increased 28.1% to ¥219 million. Ordinary income decreased 24.9% to ¥700 million. In the period under review, we recorded extraordinary income, the main component of which was ¥2,054 million resulting from gain on change in equity. Finally, profit attributable to owners of parent after deducting income taxes and others increased 155.9% to ¥2,763 million.

		FYE March 2019	FYE March 2020
Commission received	(Millions of yen)	28,954	29,172
Net trading income	(Millions of yen)	32,179	29,510
Financial revenue	(Millions of yen)	3,638	3,011

### Commission received

During the fiscal year under review, total commissions received increased 0.8% to ¥29,172 million.

- (1) Commission to consignees:** Up 14.1% to ¥12,239 million. Attributes under this category are as follows. Volume of stock brokered by Tokai Tokyo Securities, the Group's core operating company, decreased 17.6% to 2,632 million shares, and value of stock brokered increased 17.4% to ¥4,463.1 billion. Additionally, transactions with individual investors increased 19.7% to ¥1,441 billion, causing commissions to consignees on stocks to increase 9.5% to ¥11,181 million.
- (2) Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors:** Down 43.7% to ¥702 million. Under this category, commission earned by handling of stock totaled ¥193 million, a decrease of 78.8%, due to a decrease in underwriting volume of public offerings. Another item under this category, commission on bonds, increased 52.5% to ¥508 million.
- (3) Fees for offering, secondary distribution and solicitation for selling and others for professional investors:** Down 6.2% to ¥6,519 million. Under this category, fees from beneficiary certificates decreased 5.5% to ¥6,496 million, reflecting the decline in sales of investment trusts—particularly to individuals.
- (4) Other fees received:** Down 3.1% to ¥9,710 million. Under this category, agency commissions from investment trusts declined 12.3% to ¥3,997 million, while insurance commissions decreased 1.9% to ¥3,168 million.

### Net trading income

Net trading income totaled ¥29,510 million, a decrease of 8.3%. Under this category, net trading income from equity totaled ¥14,010 million, a decrease of 9.0%, which was mainly attributable to the decrease in the trading of foreign stock. Trading of bonds and foreign exchanges main part of which was accounted for by foreign currency-denominated bonds and structure bonds totaled ¥15,499 million, a decrease of 7.6%.

### Net financial revenue

Net financial revenue decreased 23.6% to ¥1,084 million. Under this category, financial revenue totaled ¥3,011 million, a decrease of 17.2%. Additionally, financial expenses totaled ¥1,926 million, a decrease of 13.2%.

## Consolidated financial position

		FYE March 2019	FYE March 2020
<b>Net assets</b>	(Millions of yen)	164,300	160,404
<b>Total assets</b>	(Millions of yen)	1,391,076	1,113,313
<b>Equity ratio</b>	(%)	11.6	14.1
<b>Book value per share (BPS)</b>	(Yen)	625.05	630.24

### Assets

As of the end of the period under review, total assets were ¥1,113,313 million, a decrease of ¥277,762 million (all comparisons are with the end of the previous consolidated fiscal year). Under this category, current assets decreased ¥279,991 million to ¥1,043,541 million. The key contributors were trading products (assets), which decreased ¥235,173 million to ¥422,351 million, and loans secured by securities, which decreased ¥150,989 million to ¥341,868 million. These decreases more than offset increases in the following items: Cash and deposits, which increased ¥16,825 million to ¥64,745 million; margin transaction assets, which increased ¥49,860 million to ¥99,267 million; and short-term guarantee deposits, which increased ¥32,179 million to ¥47,107 million. Non-current assets increased ¥2,228 million to ¥69,772 million. The main contributor was investment securities, which increased ¥2,957 million to ¥45,047 million.

### Liabilities

Total liabilities as of the end of the fiscal year decreased ¥273,867 million to ¥952,908 million. Under this category, current liabilities decreased ¥284,218 million to ¥853,507 million. The main decreases were in trading products (liabilities), which was down ¥205,083 million to ¥341,416 million, and loans payable secured by securities, which was down ¥133,741 million to ¥211,557 million. The main increases were in trade date accrual (liabilities), which was up ¥28,128 million to ¥44,102 million, and short-term loans payable, which was up ¥11,713 million to ¥135,680 million. Non-current liabilities increased ¥10,350 million to ¥98,781 million. The main factor was long-term loans payable, which increased ¥13,779 million to ¥81,909 million. Partially offsetting this increase was bonds payable, which decreased ¥4,077 million to ¥13,496 million.

### Net assets

Total net assets at the end of the period under review were ¥160,404 million, a decrease of ¥3,895 million. Under this category, retained earnings increased ¥736 million to ¥101,276 million. This increase was offset by a cancellation of treasury shares, which decreased ¥4,374 million.

## Dividends

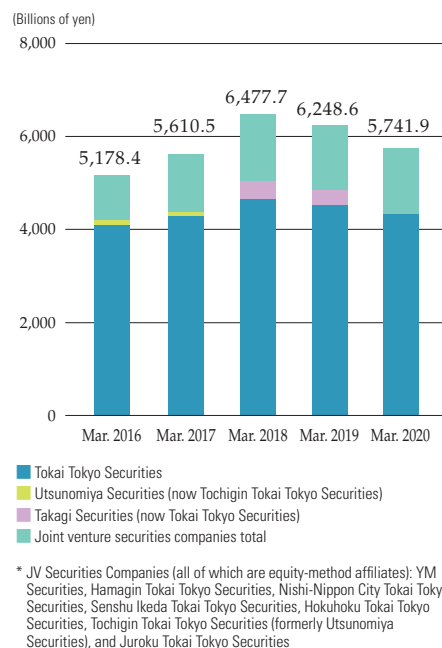
		FYE March 2019	FYE March 2020
<b>Net income per share (EPS)</b>	(Yen)	4.18	11.04
<b>Dividend per share</b>	(Yen)	16.00	8.00
<b>(of which interim dividend per share accounts for: )</b>	(Yen)	(12.00)	(4.00)
<b>Dividends payout ratio (consolidated)</b>	(%)	382.8	72.5
<b>Net assets dividend ratio (consolidated)</b>	(%)	2.5	1.3

Revenues from the operation of the financial instruments business, in which the Group is primarily engaged, tend to be significantly affected by market trend. Accordingly, the Group's basic policy in determining dividend payment is to return profits to shareholders in a steady and appropriate amount while at the same time trying to increase retained earnings. We make two payments in each fiscal year: an interim dividend and a year-end dividend. The interim dividend payment is decided by the Board of Directors and the year-end payment is decided at a General Meeting of Shareholders. The Company's Articles of Incorporation stipulate that the Company may pay interim dividend in accordance with the provisions of Article 454, Paragraph 5, of the Companies Act.

The year-end dividend per share for the fiscal year under review will be ¥4 of ordinary dividends, which will make an annual total dividend of ¥8 combined with the interim dividend of ¥4 that was already paid. As a result, the payout ratio will be 72.5% on a consolidated basis.

For future fiscal years, the Group will continue to return profits to shareholders in a steady and appropriate amount, and in a way that reflects changes in performance during the year in question.

## Trends in Group's Assets under Custody



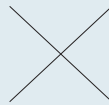
## Discussion between the Chairman and the President of Tokai Tokyo Securities

At the forefront of the group's project to lead Japan's securities industry into a new age



Hideaki Yamane

Chairman,  
Representative  
Director  
Tokai Tokyo  
Securities



Ichiro Goda

President,  
Representative  
Director  
Tokai Tokyo  
Securities



### A year and a half into the new start: An ever-stronger dual leadership

#### Yamane

Almost a year and a half has passed since April 2019, when I assumed the post of Chairman and you, Mr. Goda the post of President. Frankly, this year has involved plenty of trial and error as we sought to adapt to a rapidly shifting market landscape. During this time, you and I have exercised leadership by making the key decisions following the necessary consultations at management meetings, and our collaboration has deepened with each passing month.

#### Goda

In 2019, we entered an exploratory phase in which we reviewed our existing organizational frameworks and business strategies and explored reforms. With a view to preparing our company for these changes, we visited all the key operating offices across Japan to put the senior managers in the picture. We also made sweeping reforms within Tokai Tokyo Securities itself. This reformist drive, coupled with fair winds from the market, helped us return to profit in the second half. However, 2020 brought a new challenge: COVID-19. I had braced for the worst, but we ultimately kept the damage to a

minimum. This experience made me appreciate afresh the cool-headed and resilient qualities that define our organization and its people.

#### Yamane

Broadly speaking, you, Mr. Goda, engage internally, focusing on the company's organizational frameworks and business strategies, whereas I engage externally by networking with business leaders and building alliances. To give a recent example of your internal engagement, in the second half of the fiscal year, you successfully implemented a marketing strategy that involved a customer-differentiated approach to Assets under Custody and assets utilization ratio. As for my external engagement, I have met with business leaders and discussed the problems customers face, leading to many concrete deals. I was only able to actively engage in this way because our company's internal systems are sound.

### Accelerating the High Net Worth business with Orque d'or

#### Goda

Tokai Tokyo Securities still has a much lower trading volume and market share compared to the large brokerage firms who dominate the securities market. However,

while these large players are vulnerable to the market contraction brought about by population decline, our organization has the potential to rapidly grow its revenue and market share, provided we can develop products and services under an innovative business model. Since we have less need to worry about overall market trends, we can focus our attention and resources on furthering our own distinctive business strategies. Apart from our core strategy of differentiating customers by segment, we will continue pursuing our alliance strategy and our three-way ("trilateral") strategy for corporate customers in order to increase our presence in the industry.

#### Yamane

I believe that independent financial adviser (IFA) services are a key driver for growth in the medium to long term. So far, we have focused on high net worth segment customers, but we can achieve further growth if we leverage the IFA knowhow and networks that we acquired after absorbing Takagi Securities. Mind you, as we grow our IFA business, we will need to go further in controlling compliance risks and upholding fiduciary duties, putting the interests of the customer first.

#### Goda

Business with the high net worth segment undoubtedly holds the key to growth. This

is especially true in Tokyo. Since Orque d'or opened its Tokyo salon in April 2019, we have seen a rapid growth in both membership and Assets under Custody. Strengthening business with this segment is a core strategy of the group as a whole. I take pride in how Tokai Tokyo Securities has contributed to this strategy in a substantial way by producing solid results with Orque d'or and other businesses.

#### Yamane

That's right. Our role or function is to work on our own business portfolio while also contributing to the growth of the entire group. We supply financial products to our joint securities ventures. On the other hand, we also market the products packaged and managed by the group companies such as Tokai Tokyo Asset Management. For our partner banks and regional financial institutions, we offer innovative business models targeting the high net worth segment customers, corporations, and other markets. Leveraging our business knowhow, we offer these partners employee training services in addition to business collaboration. In this way, Tokai Tokyo Securities is at the forefront of the group's vision, New Age's Flag Bearer 5.

### Diversifying revenue structure: Essential for sustainable growth

#### Goda

Looking further ahead, an essential task in the medium and long term is to overhaul

our revenue structure. For far too long, Tokai Tokyo Securities, and many other securities houses besides, have remained stuck in the boom-bust cycle, making hay when markets were up and languishing in a slump when they were down. In the long term, this approach can never achieve stable revenue streams and sustainable growth. We must diversify our revenue generating structure by expanding our sources of recurring revenue, including consulting services.

#### Yamane

Absolutely. We must diversify our revenue sources while at the same time revitalizing our organization. Tokai Tokyo Securities' greatest asset is its people. Our success depends upon a diverse workforce that combines professionalism with character. Our plan is to boost our organizational power by introducing new policies for managing talent. One such policy is to encourage employees to undergo externally provided training. Another is a mentorship system under which employees receive guidance from a senior in another department.

#### Goda

Another point to consider is that employees' working patterns are less homogeneous nowadays. Most notably, after the start of the current fiscal year (ending March 31, 2021), COVID-19 led to a rise in working from home. In April 2019, we launched a new employment system to help employees develop themselves both

professionally and personally. We recognize that diversity in talent management is essential for business success.

### How to deliver true prosperity to all stakeholders

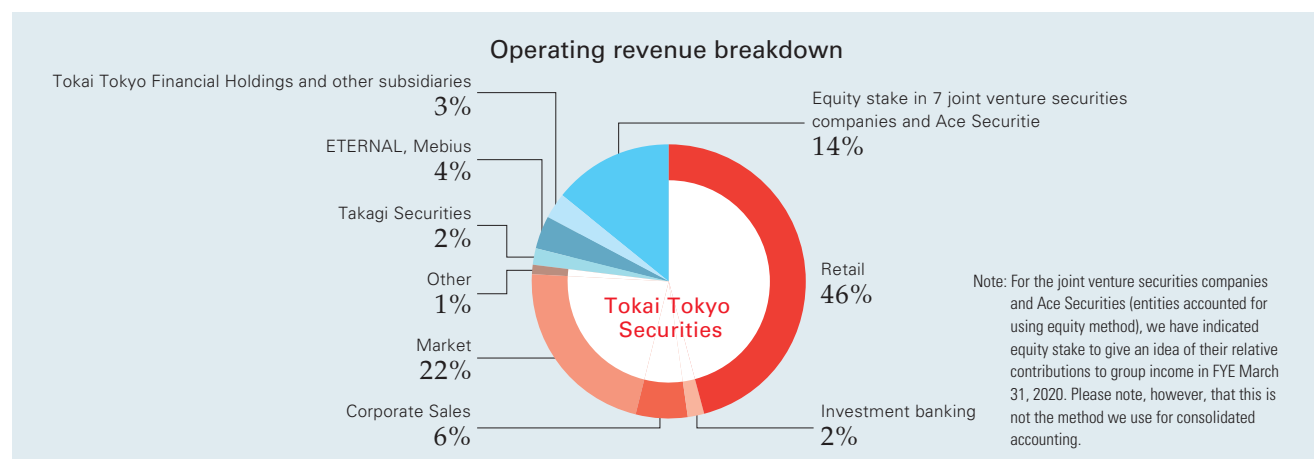
#### Yamane

Ever present in my mind is the company's mission to contribute toward the long-term interests of its stakeholders, including customers, shareholders, partners, and employees. Securities businesses can be notorious for conflicts of interests with and between their stakeholders. There can be no room for such conflicts of interest in our pursuit of true prosperity, which includes peace of mind as well as material wealth.

#### Goda

In April and May 2020, our performance dipped temporarily as a result of the measures we took to prevent the infections. For example, we limited the number of employees coming to the office to 30% of the usual level. Subsequently, we bolstered our internal infrastructure to allow more work processes to be conducted remotely instead of at the office. These efforts, coupled with an upturn in the business landscape, have helped ensure a steady recovery in performance. Our stakeholders have every reason to be confident that Tokai Tokyo Securities will contribute plenty of revenue to the group in the fiscal year ending March 31, 2021.

As of FYE March 31, 2020, Tokai Tokyo Securities accounts for 3/4 of group revenue





# Tokai Tokyo Securities Overview of Each Division

## Retail Division

As the group's core operating company, Tokai Tokyo Securities is working to expand its customer base through a segment specific retail strategy in which it tailors its products and services to the needs and attributes of three segments: high net worth, matured, and next-generation asset forming.

### Strengths

- Overwhelming presence in Chubu region
- Strong ties with local customers, winning trust from them
- Can work with affiliates to meet a wide range of needs

### Strategies

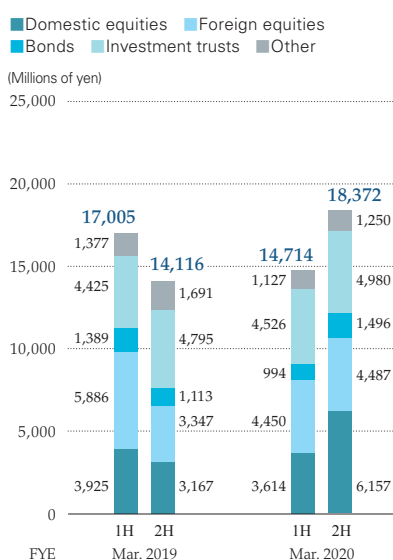
- Pursue originality with the segment specific retail strategy
- High net worth segment** : Enhance Orque d'or's services
- Matured segment** : Unify corporate and retail sales efforts to acquire new customers
- Next-generation asset forming segment** : Develop *Okane no Compass* for TT

## Progress under New Age's Flag Bearer 5

One strategic theme in New Age's Flag Bearer 5 (launched April 2017) is to pursue originality with the segment specific retail strategy. This strategy involves differentiating between three kinds of retail customers: high net worth, matured, and next-generation asset forming. For each of these customer segments, we market a different set of products and services.

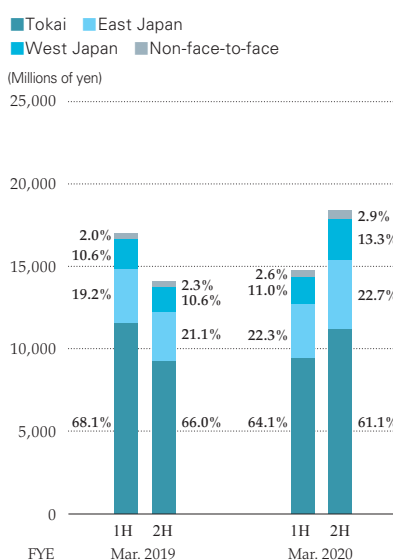
To promote business with the high net worth segment, we focus on cultivating the Greater Tokyo market through Orque d'or Salon TOKYO, which opened in April 2019. For the matured segment, our corporate divisions and affiliates work together on multifaceted marketing strategies, including those involving asset management solutions. As for the next-generation asset forming segment, which centers on those aged 20–49, Money Compass Japan, a subsidiary of the group, has released a version of its app, *Okane no Compass* for TT, for Tokai Tokyo Securities. This app allows users to both manage and invest their financial assets. Also, for this segment, in 2017, we founded MONEQUE, which offers a range of one-stop financial solutions to meet their diverse financial needs.

### Revenue by product category



Note: Figures are based on Tokai Tokyo Securities' accounting data compiled for internal management purpose

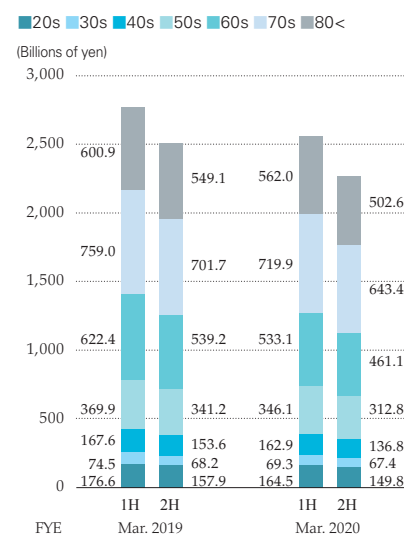
### Revenue by geographical region



Note1: Excludes revenue that was not generated from transactions with customers

Note2: Figures are based on Tokai Tokyo Securities' accounting data compiled for internal management purpose

### Assets under custody by age group of customers (period end)



Note: Figures are based on Tokai Tokyo Securities' accounting data compiled for internal management purpose

## Segment specific retail strategy dealing with each segment of retail customers

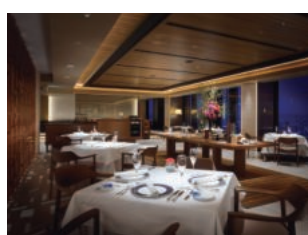
### High net worth segment

In November 2015, Tokai Tokyo Securities launched Orque d'or as a service brand dedicated to the high net worth segment. Orque d'or has a team of experts devoted to offering the premium services to this segment. For business owners, medical practitioners and others in this segment, Orque d'or offers services in two broad categories. The first is "business support," which advises such customers on managing their capital and stock. The other is "total management," which offers advice on their asset and health management. Orque d'or offers total solutions covering financial matters as well as those unrelated to finance, such as inheritance, business succession, and more. Popular among members are for members' only "Orque d'or's Salon" (Nagoya) and "Orque d'or Salon TOKYO" (Nihonbashi, Tokyo). Here, members enjoy luxurious amenities in a refined space.



Orque d'or's members-only salons

Orque d'or membership and the members' assets under custody



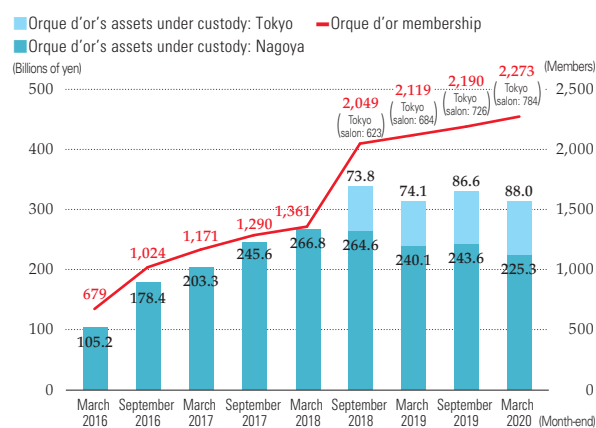
Nagoya

Opened on the top floor of Dainagoya Building in March 2016. The salon includes facilities such as a lounge, restaurant, reception, seminar room, multipurpose hall, and a Japanese style annex.



Tokyo

Opened on the top floor of Nihonbashi Takashimaya Mitsui Building in April 2019. The salon boasts a lounge, restaurant, reception, seminar room, multipurpose hall, and a rooftop garden.



Note: Figures are based on Tokai Tokyo Securities' accounting data compiled for internal management purpose

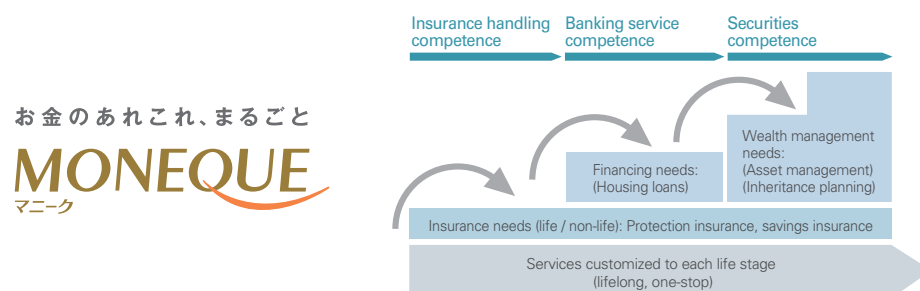
### Matured segment

The customers in this segment are typically aged 50 and over. Accordingly, our emphasis in this segment is on advisory services related to life events such as inheritance planning and retirement. We offer services tailored to elderly customers, including an asset assessment service and a service that provides for the final stage of life. Other examples of the varying services for this segment include special accounts for customers with a high risk appetite and integrated services for SME owners and retail customers. As the Japanese population gets ever older, we will go further in winning deals with customers in this segment so that it contributes more to retail revenue.

### Next-generation asset forming segment

This segment targets customers aged 20–49 and constitutes one of the Group's core next-generation businesses. Accordingly, we are working to develop more products and services in this segment and expand further its customer base. One of the businesses in this segment is MONEQUE, which provides one-stop financial services tailored to each life stage. Besides MONEQUE, we offer *Okane no Compass* for TT, an app for managing assets as well as investments, insurance, and pensions. In Chubu, our main market, we take a wholesale marketing approach, visiting the workplaces of some selected companies and organizing events to educate potential customers there about building wealth.

MONEQUE: a one-stop channel targeting next-generation asset forming customers



Wholesale marketing approach to the employees of some chosen companies



Seminar organized specifically for the employees of selected companies at Premier Salon Toyota

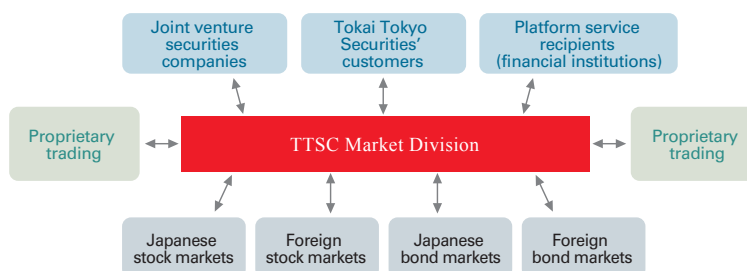
# Tokai Tokyo Securities Overview of Each Division

## Market Division

With its customer and operating base growing steadily, the Market Division has grown into a core business of the Group. Having formed a team of specialized experts and a sophisticated infrastructure, the division offers a broad range of financial products such as foreign equities, foreign bonds, structured bonds, and derivatives to the customers of Tokai Tokyo Securities, joint venture securities companies, and platform service recipients. In this way, the division is working to meet varied needs and further strengthen its trading prowess.

### Strengths

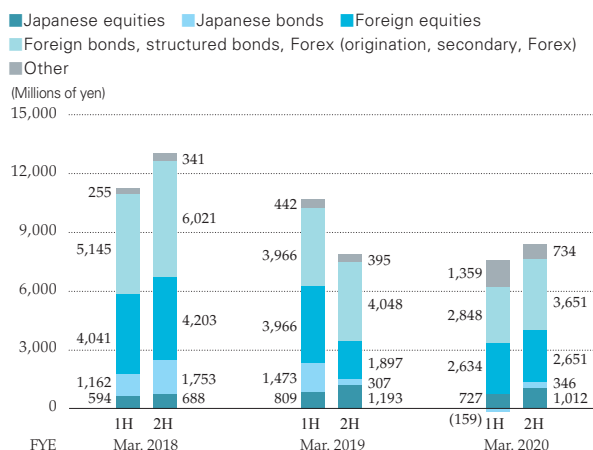
- Expansive product sales network, encompassing joint venture securities companies and platform service recipients, i.e. width and depth of customer base
- Capable of trading interest-rate derivatives with joint venture partners and regional banks
- Broad product mix, including foreign equities, foreign bonds, and structured bonds
- Propriety trading system allows active principal trading for Japanese and foreign equities
- Superior information service to institutional investors exemplified by excellent research competence and capability to organize high-quality analyst meetings



### Progress under New Age's Flag Bearer 5

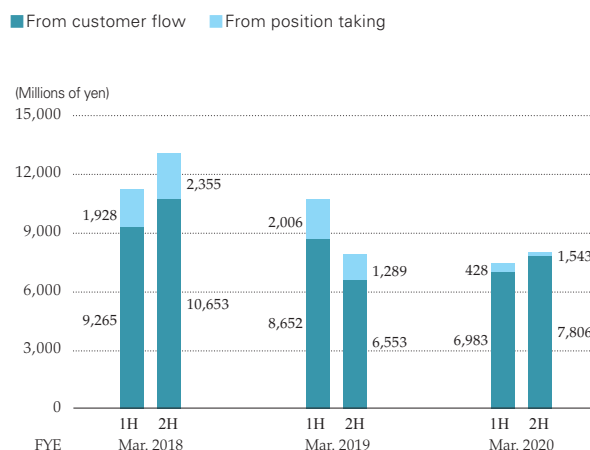
In the Market Division, we are working to expand brokerage trading with clients, exploit flow trading effectively, and strengthen our proprietary trading (trading for our own account). For brokerage trading with clients, we are working to expand principal trading of Japanese stocks among institutional investors. To exploit flow trading, we are working to expand block trading among retail and corporate customers. To strengthen proprietary trading, we have developed a global infrastructure allowing us to upgrade brokerage trading of hedge equities. Our London subsidiary runs a trading desk that enables 24-hour trading.

### Revenue by product category



Note: Figures are based on Tokai Tokyo Securities' accounting data compiled for internal management purpose

### Revenue source comparison



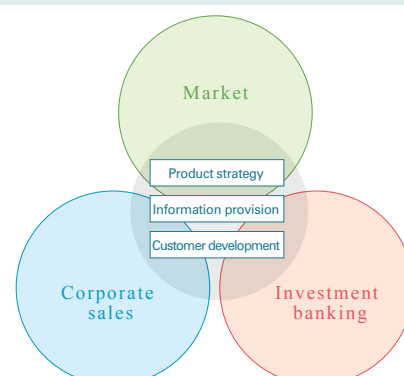
Note: Figures are based on Tokai Tokyo Securities' accounting data compiled for internal management purpose

## Trilateral initiatives toward corporate customers

Tokai Tokyo Securities spearheads the Group's corporate trilateral initiatives, organically integrating market, corporate sales, and investment banking divisions.

### Strategies

- Each division contributes their expertise in the areas of product origination, such as M&A intermediation, underwriting, and corporate sales so as to deliver right solutions to corporate customers on the basis of trilateral coordination among three divisions.
- Use the synergy between the three divisions to provide customers with further value-added services and expand business opportunities



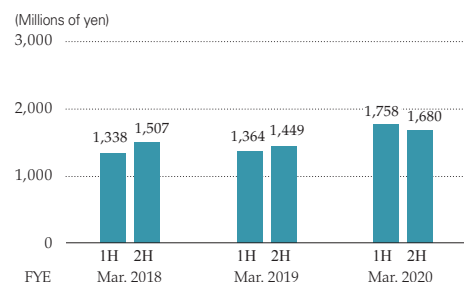
## Corporate Sales Division

In this division, we leverage our outstanding skill in brokerage operations to deliver optimal solutions covering the wide-ranging and high-level needs of corporate customers. Aiming to win customer trust and strengthen relationships, the division has focused on developing an optimal product mix covering a variety of customers' business formats, while offering structured products such as structured bonds and investment trusts to cater to varied customer needs.

### Strengths

- Excellent ability to formulate and market privately placed investment trusts for financial institutions
- Excellent ability to market newly issued municipal bonds in collaboration with investment banking division
- Ability to formulate and trade interest-rate derivatives to importers and exporters
- Diverse line-up of products and services, including those offered jointly with peers
- Brokering execution caliber right next to that of Japan's major securities firms

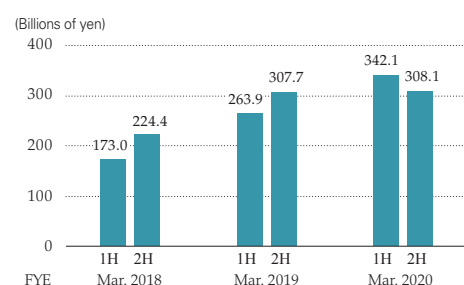
### Operating revenue



### Progress under New Age's Flag Bearer 5

Regarding the revenue in this division, we aim for a 40-20-40 split between customer flow-trade revenue (revenue from stocks and bonds transactions), base revenue (recurring revenue such as fund agency commissions), and spot revenue (revenue from bespoke products such as structured bonds). To raise the top line of each, we have worked to expand the customer base, increase customer fund investment amount, and improve customer relations. As a result of these efforts, the division contributed its highest ever revenue in the fiscal year ended March 31, 2020. A major contributor to performance was a growth in revenue from domestic bonds, a core component of flow-trade revenue.

### Assets (investment trust) under custody



Note: Figures are based on Tokai Tokyo Securities' accounting data compiled for internal management purpose

## Investment Banking Division

The division delivers products and services such as IPOs, public stock offerings, and M&As, using our formidable retail sales network and accessing an expansive wholesale customer base in Chubu (our home market). Our IPO market record in the Chubu region is comparable with that of the big brokerage houses and we are building a solid track record of M&A advisory cases too. Sourcing orders from across our extensive network, we cater to a variety of M&A needs, including business succession and corporate restructuring. Our trade in newly issued bonds such as regional and electricity bonds is now second only to that of the big five players, and we have won plaudits from issuing entities and investors alike.

### Strengths

- Won orders of transactions as lead manager from small- to medium-sized companies with distinctive business model
- Investment banking business underpinned by coordinated work and information gathering and sharing between Nagoya and Tokyo
- Enjoys active underwriting via joint venture securities companies and partner banks, and potential for growing M&A service capabilities in collaboration with Pinnacle and Pinnacle TT Solutions

### Progress on the Management Plan

In this division, we are maximizing earning power by venturing into block trading services for TSE 1st section listed companies, complementing core leads in equities/ bond underwriting and IPO services. With Pinnacle TT Solutions, our joint venture founded in December 2018, we offer optimum solutions for SME owners' business succession needs. In the fiscal year ended March 31, 2020, our Business Solution group in Tokyo and Nagoya started equipping themselves with a basic infrastructure for winning IPO and M&A orders.

### Tokai Tokyo Securities' league table ranking in FYE March 31, 2020

	Bonds overall: Underwriting value <b>6<sup>th</sup></b>	Municipal bonds: Underwriting value <b>6<sup>th</sup></b>	Initial public offerings: Underwriting value <b>8<sup>th</sup></b>
Value	¥328,390 million	¥180,500 million	¥4,185 million
Share	1.58%	5.17%	1.55%
Number of Transactions	156 (excluding scheduled bonds*)	64 (excluding scheduled bonds*)	27

\* Scheduled bonds are public bonds issued periodically on a predetermined schedule

# Alliances

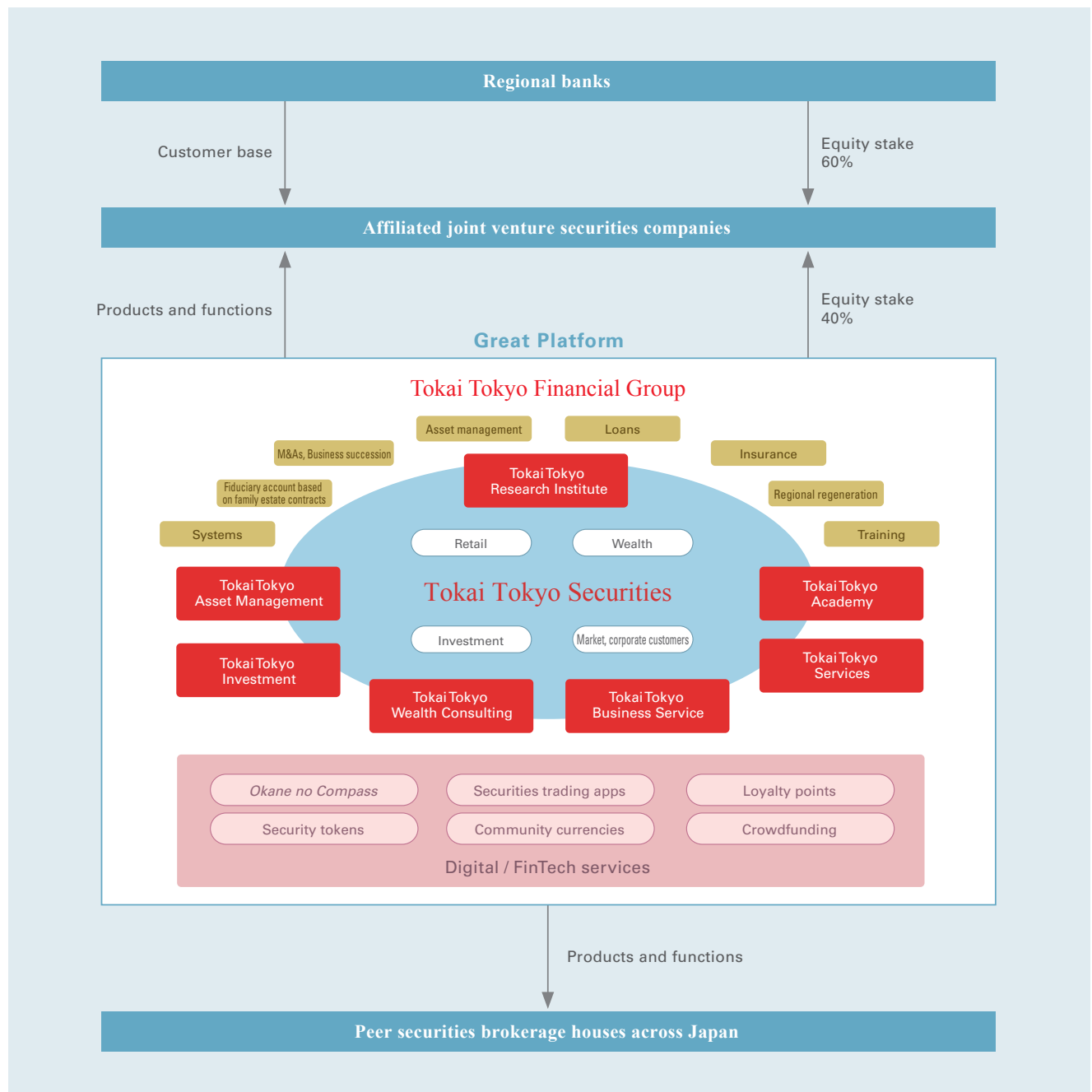
## Allying with regional banks to create the third pillar

There are two key growth drivers for our group: The first is our strategy of allying with regional banks; the second is our platform business, in which we provide peer securities brokerage houses with the products and services they require.

Our management plan, New Age's Flag Bearer 5, sets out a key strategy for further enhancing our operating foundation: develop the Great Platform—an innovative framework for facilitating business succession M&As and delivering cutting-edge FinTech services.

Through the Great Platform, we contribute to promote local finance, local businesses, and local economic development.

### The Great Platform and our alliances



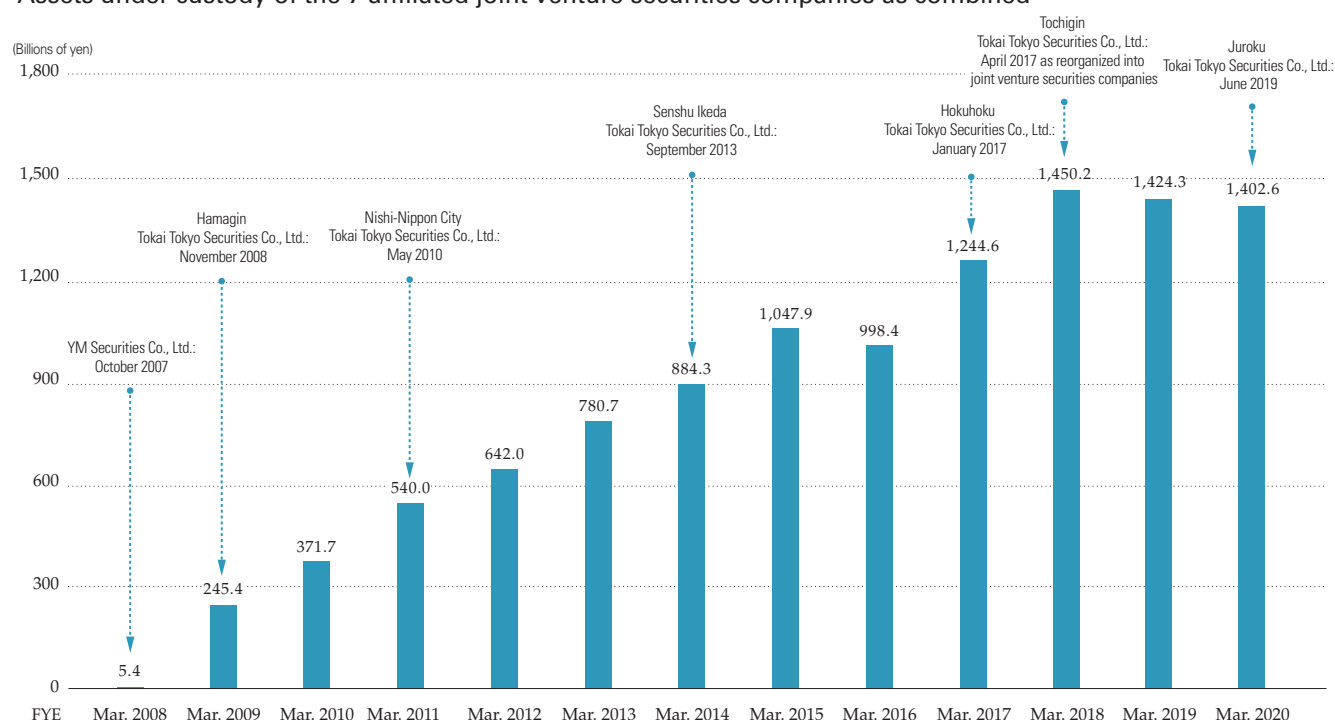


## Affiliated joint venture securities companies with regional banks

As of March 31, 2020, we have founded a total of seven joint venture securities companies with prominent regional banks. Each of our bank partners is a prominent regional player with solid operating and customer base. We have allowed each one to have the controlling stake in the venture concerned. The joint ventures create a win-win consequences: The banks can expand into securities with minimal initial investment, while we can benefit from the banks' clientele and networks and use the earnings from the ventures to accomplish our stable operation.

As of March 31, 2020, there were seven joint venture securities companies with regional banks. These ventures represent a total of 1.40 trillion yen in assets under custody, and in the fiscal year ended March 31, 2020, they posted a combined operating revenue of 21.1 billion yen. We remain committed to our strategy of integrating each regional bank's robust customer base with our formidable expertise in retail, corporate, and marketing operations, so as to maximize the synergistic potential of the joint ventures and strengthen our alliances.

### Assets under custody of the 7 affiliated joint venture securities companies as combined



### Affiliated joint venture securities companies (Assets under custody and number of branches as of March 31, 2020)



#### YM Securities Co., Ltd.

Began operating: October 10, 2007  
Sales offices: 18  
(in Yamaguchi, Hiroshima, Fukuoka, and Tokyo)  
Assets under custody: ¥303,600 million  
Alliance partner: Yamaguchi Financial Group



#### Hamagin Tokai Tokyo Securities Co., Ltd.

Began operating: November 4, 2008  
Sales offices: 17 (in Kanagawa and Tokyo)  
Assets under custody: ¥403,900 million  
Alliance partner: The Bank of Yokohama



#### Nishi-Nippon City Tokai Tokyo Securities Co., Ltd.

Began operating: May 6, 2010  
Sales offices: 20  
(in Fukuoka, Miyazaki, Kumamoto, and Kagoshima)  
Assets under custody: ¥231,000 million  
Alliance partner: Nishi-Nippon Financial Holdings



#### Senshu Ikeda Tokai Tokyo Securities Co., Ltd.

Began operating: September 2, 2013  
Sales offices: 5 (in Osaka and Hyogo)  
Assets under custody: ¥102,900 million  
Alliance partner: Senshu Ikeda Holdings



#### Hokuohoku Tokai Tokyo Securities Co., Ltd.

Began operating: January 4, 2017  
Sales offices: 5  
(in Hokkaido, Toyama, Ishikawa and Fukui)  
Assets under custody: ¥163,300 million  
Alliance partner: Hokuohoku Financial Group



#### Tochigin Tokai Tokyo Securities Co., Ltd. (formerly Utsunomiya Securities Co., Ltd.)

Began operating: November 1910  
Sales offices: 8 (in Tochigi and Saitama)  
Assets under custody: ¥94,900 million  
Alliance partner: The Tochigi Bank



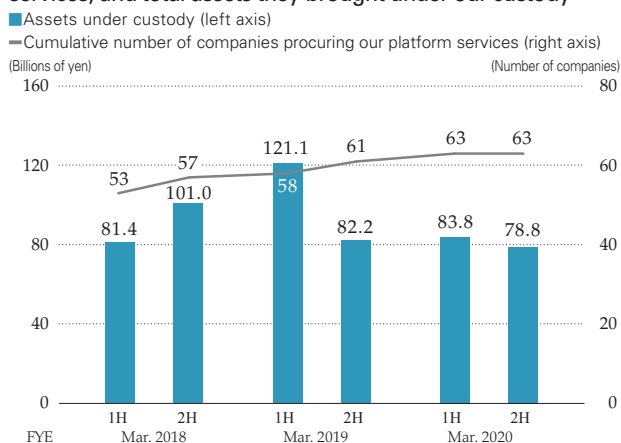
#### Juroku Tokai Tokyo Securities Co., Ltd.

Began operating: June 3, 2019  
Sales offices: 4 in Gifu  
Assets under custody: ¥102,800 million  
Alliance partner: The Juroku Bank, Ltd.

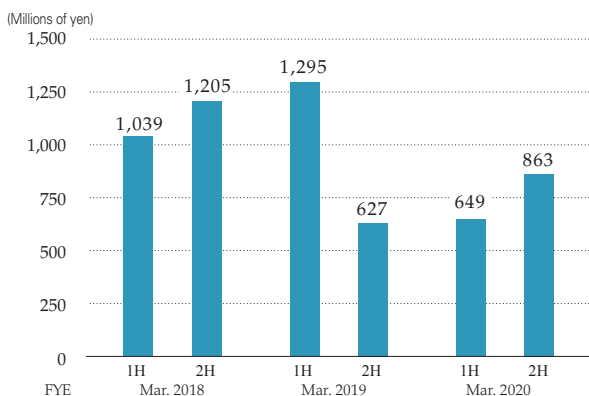
## Platform business with peer securities brokerage houses

Leveraging the experience we gained from joint operations with regional banks, we have developed a platform through which we provide peer securities brokerage houses with the products, infrastructure, and services they require. As of FYE March 31, 2020, we are providing 63 securities brokerage houses with products including foreign equities, foreign bonds, and structured bonds, systems, and employee training services.

### Number of securities brokerage houses procuring our platform services, and total assets they brought under our custody



### Platform business-related revenue



## Overview of strategic subsidiaries and functions offered

In addition to its core operating company, Tokai Tokyo Securities, the Group encompasses the strategic subsidiaries described below. These distinctive subsidiaries help the Group provide one-stop services covering a wide range of securities and finance-related needs.

### Tokai Tokyo Wealth Consulting

Tokai Tokyo Wealth Consulting offers comprehensive consulting services catering to the customer needs of multiple generations, particularly the needs related to inheritance planning and business succession. For individual customers and business owners, the subsidiary offers business succession and M&A consulting, real-estate consulting, and real-estate brokerage.

### Tokai Tokyo Academy

The academy supports talent development, helping employees in the learning, securities, and financial businesses to deepen their specialist expertise or gain qualifications. As part of our CSR efforts, the academy manages an endowed course at a university.

### Pinnacle / Pinnacle TT Solutions

Pinnacle Inc. offers M&A advice in Japan and overseas, as a consolidated subsidiary. With Pinnacle on board, we intend to strengthen investment banking operations and ventured into new areas using the subsidiary's extensive network. Pinnacle's subsidiary (our sub-subsidiary) was reorganized as a joint venture, Pinnacle TT Solutions Inc., which caters to the business succession needs of SME owners.

### All Nippon Asset Management

All Nippon Asset Management (ANAM) provides regional banks with an independent asset management platform not affiliated with any existing financial corporate group. This business model has always resonated with us, so we have supported ANAM since its foundation. ANAM offers services to enhance the asset management functions of regional banks. (Asset portfolio value of 395.9 billion yen as of March 31, 2020)

### Tokai Tokyo Research Institute

This subsidiary is a research institute. It analyzes and researches financial and securities markets and provides customers, including individuals, corporations, and institutional investors, with information to guide an investment decision. The institute is advancing a unique strategy of leveraging its global network to reinforce its research competence, and of emphasizing its industry and corporate research in the Chubu region.

### Tokai Tokyo Business Service

Tokai Tokyo Business Service was founded to deliver shared back-office and system infrastructure services to affiliated securities firms and other group companies. Under a "shared services" concept (harmonized infrastructure), the subsidiary applies its expertise to optimize operations and ensure that they maintain consistent standards of quality, thereby reducing costs across the Group.

### ETERNAL

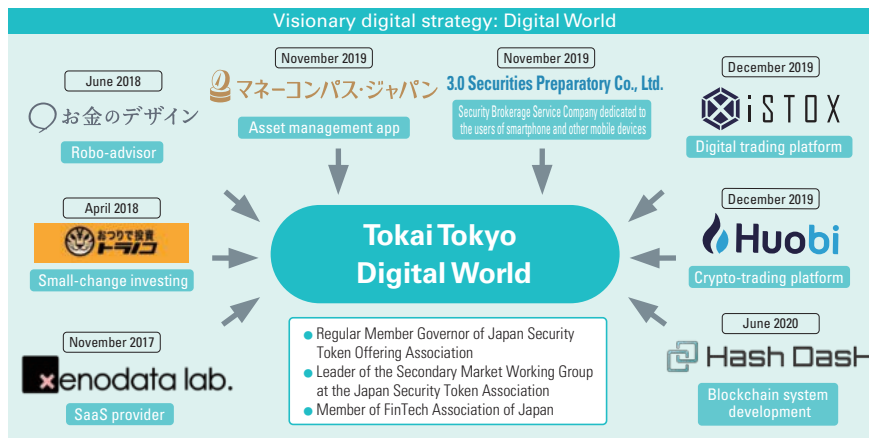
ETERNAL is the group's wholly owned insurance agency operating nationwide. ETERNAL operates walk-in insurance outlets (called "insurance terraces") in the Greater Tokyo Area and Kansai. We are working to expand ETERNAL's network of outlets and coordinate its business operations with that of MONEQUE, Tokai Tokyo Securities' brand for next-generation asset forming customers. In this way, the Group is creating synergy with ETERNAL and expanding the customer base.

### Money Compass Japan

Money Compass Japan was founded with the aim of expanding services for the next-generation asset forming segment. It released an asset management application, *Okane no Compass* for TT for Tokai Tokyo Securities. This application allows users to both manage and invest their financial assets. The subsidiary will soon release other versions of the app, including one for regional banks and for corporate customers.

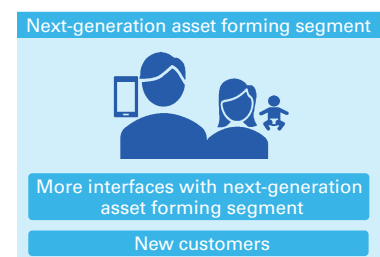
# Tokai Tokyo Financial Group's Digital Strategy

- Our first venture into the digital arena came in November 2017, when we invested in xenodata lab. Since then, we have invested in a succession of FinTech businesses offering cutting-edge digital financial services, including platforms for small-change investing and robo-advisors. In November 2019, we founded a subsidiary Money Compass Japan. Money Compass Japan then launched *Okane no Compass*, an asset management app focusing on family bookkeeping and aggregation services. We have also ventured into blockchain technology. In December 2019, we established equity ties with such companies as ICHX, the operator of Singapore-based digital trading platform (iSTOX), Huobi Japan, the operator of a Japan-based crypto-trading platform, and HashDasH, a blockchain engineer. We are also planning to launch a securities brokerage operation dedicated to the users of smartphone and other mobile devices. In these ways, we are actively developing the financial services of tomorrow.
- In August 2020, the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange declared us to be one of the "Noteworthy DX Companies 2020" (DX means digital transformation) in recognition of the above efforts.



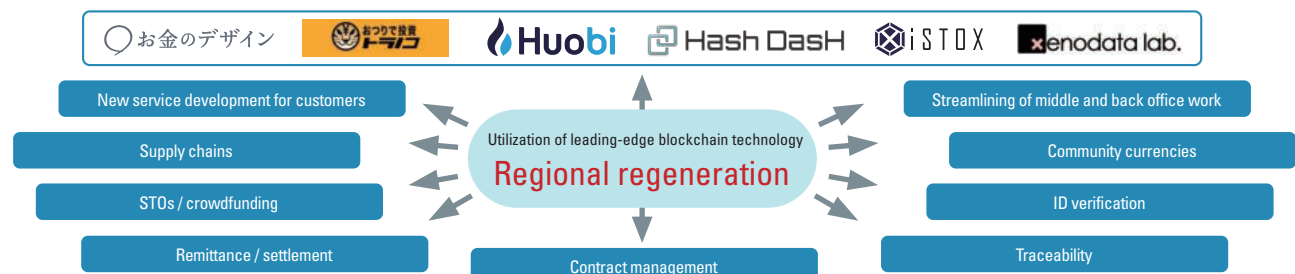
## FinTech platforms for asset forming segment

- With financial businesses facing an ever-harsher environment, it has become increasingly crucial to provide next-generation asset forming customers with the financial services they need to put money aside for old age. Accordingly, we will offer younger tech-savvy generation FinTech services, like *Okane no Compass* and an upcoming securities trading app. via smartphone and other mobile devices.
- The idea behind *Okane no Compass* is to first appeal to thrifty homemakers with family bookkeeping and aggregation services. Then, once their life stage-specific needs emerge, these users will be encouraged to use investment and insurance services. Through the upcoming securities trading app, young investors whose investment needs have surfaced will be offered opportunities to invest small amounts of money or invest loyalty points.



## Revolutionize financial business using blockchain technology and digital transformation

- Blockchain technology will soon be used in every industry, not just in finance. We will be at the forefront of this trend. Through our partnership with HashDasH, staffed by blockchain engineers, we have access to state of the art technology that enables us flexible and low-cost system development. Also, an extensive network in the FinTech sector becomes available to us. By fully leveraging these assets, we can spearhead transformation process not only in the finance sector, but also in various other fields like our activities facilitating regional regeneration.



# Corporate Governance

## Basic approach

The Tokai Tokyo Financial Group considers the enhancing corporate governance to be a top management priority, and so it maintains an operating structure facilitating swift decision making and business execution. In addition, management seeks to attain continuous business growth and raise corporate value over the long term by conducting fair and highly transparent management activities to earn and maintain the full trust of all stakeholders.

## Corporate governance framework

The Company's corporate governance as its distinguished feature, clearly delineates the functions of "business execution" and "management supervision." On June 29, 2016, the Company converted itself from being a company with an Audit & Supervisory Board to the one with an Audit & Supervisory Committee with the objective of strengthening the functions of both the Board of Directors and the Audit & Supervisory Committee. The Company adopted the corporate governance framework presented below for its management and administrative organization for decision making, business execution, and supervision.

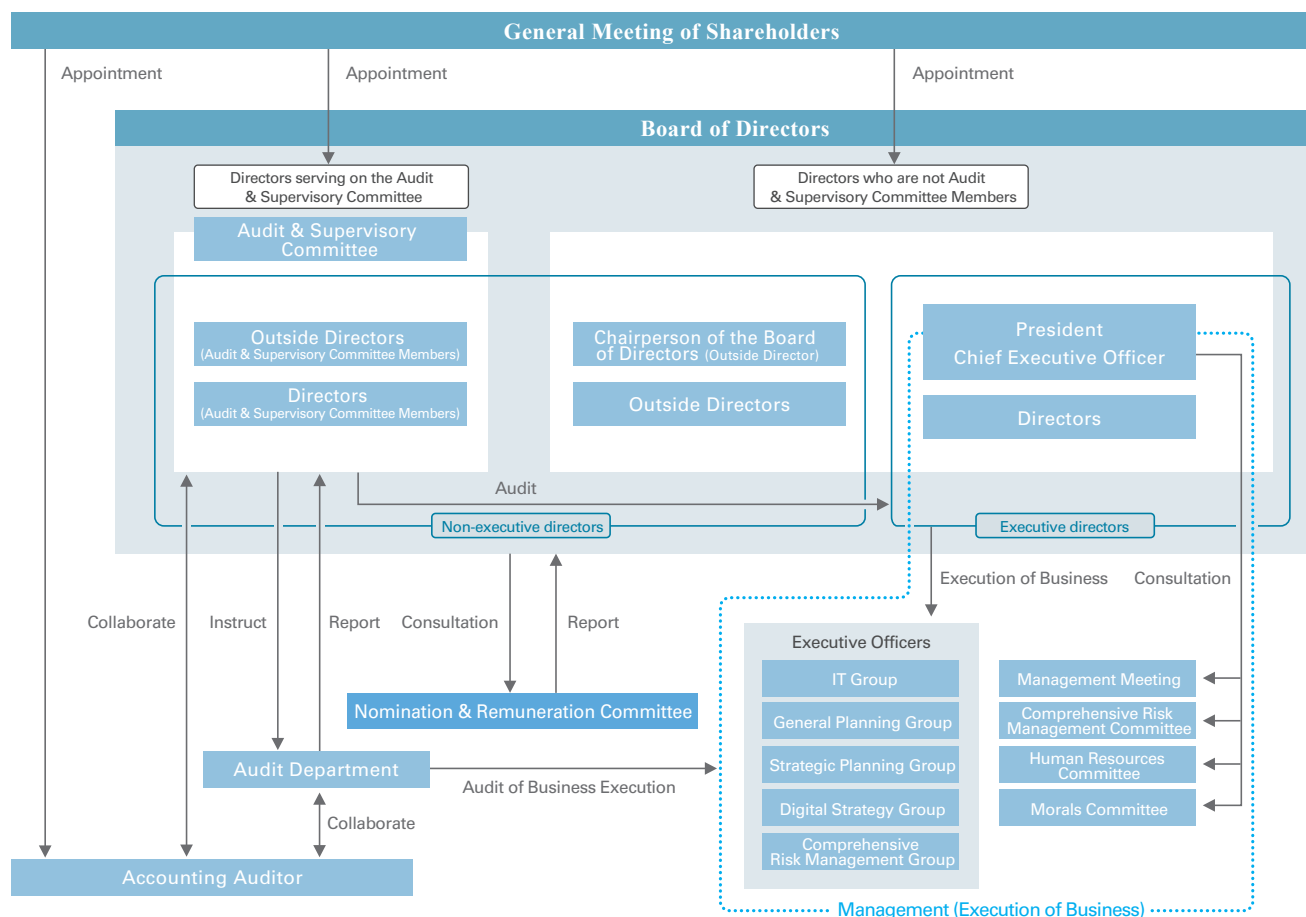


Guidelines for Corporate Governance  
Corporate Governance Report

<http://www.tokaitokyo-fh.jp/en/corporate/governance/index.html>



## Corporate governance framework



## Main characteristics of the Company's corporate governance

### Organizational framework

The Company has adopted the organizational framework that embraces an Audit & Supervisory Committee in accordance with the Companies Act with the objectives of strengthening the supervisory functions of the Board of Directors, facilitating swift decision making by enabling the Board of Directors to delegate the execution of important business matters to executive directors, and thus making it easier for the Board of Directors Meeting to engage in deeper discussion of strategic issues. The Company also maintains a Nomination & Remuneration Committee to ensure impartiality and transparency in decision-making processes associated with nominating director candidates, and appointing, dismissing, and remunerating directors.

### Enhancing functions of the Board of Directors and the Audit & Supervisory Committee

The Company ensures the effectiveness of the Board of Directors while maintaining a high level of transparency and fairness of its deliberation by having Outside Directors represent the majority of the Board of Directors and, in principle, appointing an Outside Director as the Chairperson of the Board. The Board of Directors presently comprises five Outside Directors, including three who concurrently serve on the Audit & Supervisory Committee. Consequently the majority of both the Board of directors and the Audit & Supervisory Committee are represented, by Outside Directors. Thus, the Company maintains a heightened level of internal checks and balances.

### Distinguish clearly the managerial functions of "business execution" and "management supervision"

The Company's directors each have clearly defined roles and are individuals holding positions of either executive directors primarily in charge of business execution or non-executive directors primarily in charge of overseeing business execution.

## Board of Directors

The Company's Board of Directors comprises nine individuals: five directors (including two Outside Directors) who do not serve on the Audit & Supervisory Committee and four directors (including three Outside Directors) who serve on the Audit & Supervisory Committee. An Outside Director serves as the Chairperson of the Board. The Board of Directors meets, in principle, once a month to make decisions on fundamental Company policy, management issues and important matters as provided for under the law and to deliberate the appropriateness of each agenda item as well as to supervise each Director's execution of duties. Also, upon the transition of the Company to introduce an Audit & Supervisory Committee, the Board of Directors established a corporate structure to facilitate swift decision making and business execution by delegating decisions on important business matters to executive directors. In other words, the Board of Directors made the Company ready to allow its executive directors to take an appropriate level of risk.

## Audit & Supervisory Committee

The Audit & Supervisory Committee comprises four individuals, including three Outside Directors with one of them serving as the Chairperson of the committee. The most important function of the Audit & Supervisory Committee is to conduct legality audit. The committee supervises and inspects the formulation and the operation of internal control system. Also, subsequent to the said audit and supervision, the committee audits each director's duty execution by attending the Board of Directors Meeting and other important meetings. Further, in performing the audit on the execution of directors, the committee receives reports from directors, peruses important documents, issues audit orders to Audit Department and receives reports therefrom, and receives reports from accounting auditors.

## Nomination & Remuneration Committee

The Company maintains a Nomination & Remuneration Committee to ensure impartiality and transparency in decision-making processes associated with nominating director candidates, and appointing, dismissing, and remunerating directors. The committee conducts deliberations concerning candidate's suitability to the position of director and the remuneration practice for directors as well. The Committee attempts to find appropriate level both in general and for each director by referring to the relevant data provided by an external database supplier. We look at the data of the companies of the field comparable with the Company. The committee submits the result of the deliberations to the Board of Directors.

The Nomination & Remuneration Committee comprises a minimum of four committee members, including the Chief Executive Officer. The majority of the Committee members are Outside Directors, and, in principle, an Outside Director serves as the Chairperson of the Committee. The Committee currently comprises one internal director (the Chief Executive Officer) and three Outside Directors.



### Policy on cross-shareholdings

Our policy on cross-shareholding arrangements, including exercise voting rights in shares held under these arrangements, is outlined in the Corporate Governance Guidelines.

- 1 We make it a principle to participate in cross-shareholding arrangements unless we conclude that doing so is considered reasonable. The exception, for instance, would include the case where such arrangement will contribute to form a beneficial relationship with the issuer that enhances our value and presence. Any prospective cross-shareholding arrangements will be vetted to see whether the proposed investment offers a reasonable balance between risk and return.
- 2 The Board of Directors reviews regularly the reasonableness of all major cross-shareholding arrangements. The board will reduce the shares the company holds under the arrangement if the Board concludes that the arrangement in question is no longer reasonable.
- 3 On the matter of exercising voting rights in shares held under a cross-shareholding arrangement, we will decide to vote for or against a proposal after considering the proposal from a range of perspectives, including whether it would contribute to the issuer's value in the medium to long term.

### Number of cross-shareholding arrangements and their carrying value

	As of March 31, 2019		As of March 31, 2020	
	Number of shares under cross-shareholding arrangements (name description)	Carrying value (millions of yen)	Number of shares under cross-shareholding arrangements (name description)	Carrying value (millions of yen)
Unlisted issuer	44	3,973	44	4,529
Others	83	5,867	84	4,704



#### Policy on cross-shareholdings

<http://www.tokaitokyo-fh.jp/en/corporate/governance/pdf/governance200708.pdf>



### FYE March 31, 2020, review of the board's effectiveness

#### The review process

First, each board member completed an anonymous survey describing their perceptions of the board, including whether they think its membership composition is balanced and diverse and whether they can fully exercise their roles as members of the board. Next, all members participated in an open and frank discussion of the survey results. Finally, the board summarized its findings from the survey results and the points raised in the discussion.

#### Findings

The Board of Directors was found to be acceptable both overall and in respect of each metric measured in the survey. For example, the board was commended for having emphasized the role of outside members for many years already (e.g., electing an outside member as chairperson since 2007 and having outside members form the majority since 2013). Respondents felt that the board was discharging its oversight function effectively. They noted that meetings are sufficiently functioning, with an agenda sent in advance to attendees and well explained, and with highly independent outside members encouraged to share their professional insights at the meeting. Some also highlighted the diverse range of expertise represented by the board membership, including financial, legal, business, and IT expertise.

The feedback has also highlighted areas in need of improvement. One area of concern is board diversity. Some respondents highlighted the lack of women on the board. Others suggested that the more executive directors will be needed as the group's scope of consolidation and business portfolio expand (currently, executive directors account for only two out of the nine board members). Another suggestion concerned the need to discuss strategy more in depth to identify an optimal risk-taking approach allowing the members more time for deliberation. Asked about the matter of support for directors, respondents, noting the evolution of management approaches and rapid changes in the business landscape, said that opportunities are needed to ascertain these realities, and that therefore more time is needed for boardroom discussions.



#### Analysis and assessment of effectiveness of the Board of Directors in FYE Mar. 2020

<http://www.tokaitokyo-fh.jp/en/corporate/governance/index.html>



## Corporate takeover defenses

We will not flatly refuse a corporate takeover, even if we deem it unwelcome or hostile, so long as such takeover would benefit our corporate value and the common interests of shareholders. The final decision on whether to accept a takeover bid lies with the shareholders.



For more on the corporate takeover defenses, see the following press release.  
[http://www.tokaitokyo-fh.jp/en/pressrelease/pdf/fh20190520\\_3.pdf](http://www.tokaitokyo-fh.jp/en/pressrelease/pdf/fh20190520_3.pdf)



## Stakeholder dialogue

### Protecting the interests of shareholders and dialogue with them

- 1 We strive to safeguard substantially the interests of all our shareholders, including minority and non-Japanese shareholders. We engage with all our shareholders fairly according to the number and class of shares they hold.
- 2 We make the voting process easier for shareholders by accepting online voting and providing a platform for electronic voting.
- 3 We monitor shareholder composition. When institutional investors holding shares through a trust raise the requests in advance to exercise their voting rights directly at a shareholder meeting, we will consider if we can comply with such requests.
- 4 We work to build rapport with shareholders through constructive dialogues in accordance with our Shareholder Engagement Policy.

Guided by our Shareholder Engagement Policy, we engage with shareholders constructively as part of a proactive investor relations strategy that promotes sustainable growth and higher corporate value in the medium to long term. Our representative directors hold briefings a few times a year with institutional investors and analysts (there were two such briefings in FYE March 31, 2020, with 103 attending) and with individual investors (there were two such briefings in FYE March 31, 2020, with 774 attending) in Tokyo and Nagoya. The presentations at these gatherings are recorded and the presentation materials are published on our website.

We publish on our website, in both Japanese and English, corporate data, financial highlights, financial reports, press releases and other information requiring timely disclosure, annual integrated reports, and shareholder communications.



Our Shareholder Engagement Policy is available on the following webpage (in Japanese only)  
[http://www.tokaitokyo-fh.jp/corporate/governance/pdf/cg\\_guideline.pdf#page=14](http://www.tokaitokyo-fh.jp/corporate/governance/pdf/cg_guideline.pdf#page=14)



### Dialogue with employees

#### Tokai Tokyo Flag Relay 2020: Raise the Flag High!

At the end of January 2020, we launched an event to promote communication between senior leadership and employees. The event was called Tokai Tokyo Flag Relay 2020: Raise the Flag High!

The event involved a recap of the five-year management plan, New Age's Flag Bearer 5, which began in 2017. Senior managers updated attendees about the Group's progress toward the objectives set out in the plan. Attendees gained a better understanding of the Group's management plan and resolved to implement the plan in their work with a renewed sense of mission.

Attendees from Tokai Tokyo Financial Holdings, the corporate divisions and operating branches of Tokai Tokyo Securities, along with those from group companies, formulated and committed to their own action plans for contributing toward the Group's key goal indicators and strategic objectives.

The event was followed by an informal social gathering, at which senior managers mingled with employees. The event proved to be a great opportunity for fostering contact between the leadership and staff throughout the Group.



## Director remuneration

Our Nomination & Remuneration Committee helps ensure impartial and transparent decision-making in the nomination and remuneration of board members. The committee reviews director remuneration, including the policy on such remuneration, the formula for its calculation, and the levels of remuneration. In reviewing these matters, the members refer to remuneration levels in similar companies using an external database. The committee then reports its findings to the President & CEO, the Board of Directors and Audit & Supervisory Committee.

Director remuneration has two components: fixed and performance-linked components. The performance-linked component is further divided into bonuses and stock options. Bonuses provide a short-term incentive in that they reflect recent company performance. Stock options, on the other hand, reflect performance over the medium to long term.

The ratio of fixed to performance-linked remuneration is roughly 7 to 3. Outside directors and directors who serve on the Audit & Supervisory Committee receive only fixed remuneration.

### How performance-linked remuneration is calculated

Bonuses	Bonuses reflect consolidated performance in the short term as measured by return on equity. They also reflect the director's individual performance and the performance of the Division he or she is responsible for.
Stock options	The value of stock options is linked to the Group's performance over the medium to long term. As such, the directors will have a mutual interest with shareholders and be motivated to improve consolidated performance.

### Overview of director remuneration

	Rough breakdown of fixed and performance-linked remuneration		Categories of performance-linked remuneration	
	Executive directors	Outside directors and directors who are members of the Audit & Supervisory Committee		
Fixed compensation	70%	100%	—	—
Performance-linked remuneration	30%	0%	Short-term incentive	Bonuses
			Medium- to long-term incentive	Stock options

### History of our corporate governance

FYE	Mar. 2008 (June 2007–)	Mar. 2009 (June 2008–)	Mar. 2010 (June 2009–)	Mar. 2011 (June 2010–)	Mar. 2012 (June 2011–)	Mar. 2013 (June 2012–)	Mar. 2014 (June 2013–)
Organizational framework	Company with an Audit & Supervisory Board						
Membership of Board of Directors	7	7	6	6	6	6	7
From inside	5	5	4	3	3	3	3
From outside	2	2	2	3	3	3	4
Ratio of members from outside	28.6%	28.6%	33.3%	50.0%	50.0%	50.0%	57.1%
Directors (excluding director who serves on the Audit & Supervisory Committee)	7	7	6	6	6	6	7
From inside	5	5	4	3	3	3	3
From outside	2	2	2	3	3	3	4
Ratio of members from outside	28.6%	28.6%	33.3%	50.0%	50.0%	50.0%	57.1%
Auditors / the Members of Audit & Supervisory Committee	5	5	5	5	5	5	5
From inside	2	2	2	2	2	2	2
From outside	3	3	3	3	3	3	3
Ratio of those from outside	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Responsible Department	Audit & Supervisory Board						
Measures taken to ensure effectiveness of oversight function	Members from outside company now representing majority of the Audit & Supervisory Board						
	Clarified the duties of executive and non-executive directors						
	Board of Directors chaired by outside director						
	Members from						
Measures to ensure effective group governance	Established group-wide Ethical Code of Conduct						
	Established group-wide compliance hotline						
	Established basic policy on internal control						
Advisory bodies							

## Succession planning

As part of the Group's succession planning, Tokai Tokyo Securities made a personnel reshuffling for representative director positions effective April 1, 2019, with Hideaki Yamane becoming the company's chairman and Ichiro Goda becoming its president.

Since 2017, we have continued discussing succession plan and formulated the implementation process. In the process, we got both the Nomination & Remuneration Committee and outside directors involved while seeking advice from outside experts. Our commitment to the plan is based on our recognition that we need to prioritize the tasks of boosting the management competence of the Group and nurturing future leaders in view of the Group's growing operations, so, we selected a certain candidate for the representative director position to have him assume the leadership of the Group's major operating company, Tokai Tokyo Securities, first and that was our purpose of personnel reshuffle at this time. Invigorated under its new leadership, the Group, with Tokai Tokyo Securities as its core, will continue spearheading the campaign to become a comprehensive financial group that retains the firm trust of stakeholders amid the rapid changes in the financial industry.

☐ See page 32 for more details on the Nomination & Remuneration Committee

## The nomination and dismissal process of directors

### Nomination

We have established a set of standards for director candidates. Based on these standards, before nominating someone as a director (except a director who does not serve on the Audit & Supervisory Committee), the Board of Directors considers whether the candidate possesses the knowledge, experience and sufficient social credibility necessary to execute the management of the Company effectively and impartially, and whether the person has the ability to advance the level of supervision of the Company's operation. Before nominating someone as a director who is a member of the Audit & Supervisory Committee, the board considers whether the candidate possesses the knowledge, experience and sufficient social credibility necessary to supervise the duty execution by a director who is not a member of the Audit & Supervisory Committee effectively and impartially.

Before nominating someone as an outside director candidate, the board considers, in addition to the above criteria, whether the person fulfills our independence criteria. Outside directors now account for the majority of board membership.

Mar. 2015 (June 2014-)	Mar. 2016 (June 2015-)	Mar. 2017 (June 2016-)	Mar. 2018 (June 2017-)	Mar. 2019 (June 2018-)	Mar. 2020 (June 2019-)	Mar. 2021 (June 2020-)	
Company with an Audit & Supervisory Committee							
7	7	9	9	9	9	9	● In June 2016, we switched our corporate structure to the organization with Audit & Supervisory Committee, and streamlined our internal decision-making process by significantly delegating business execution authorities to executive directors. As part of this change, we delegated extensive discretionary authority to executive directors, enabling slicker decision-making and freeing up the Board of Directors to spend more time discussing major strategic issues.
3	3	4	4	4	3	4	
4	4	5	5	5	6	5	
57.1%	57.1%	55.6%	55.6%	55.6%	66.7%	55.6%	● In 2016, we started publishing corporate governance reports in English.
7	7	5	5	5	5	5	
3	3	3	3	3	2	3	
4	4	2	2	2	3	2	● In December 2015, we established criteria for determining the "independence" of outside directors and publicized those as an Appendix 1 to the Corporate Governance Guidelines.
57.1%	57.1%	40.0%	40.0%	40.0%	60.0%	40.0%	
5	5	4	4	4	4	4	
2	2	1	1	1	1	1	● In 2010, Tokai Tokyo Securities started appointing outside directors assuming no post in Tokai Tokyo Financial Holdings.
3	3	3	3	3	3	3	
60.0%	60.0%	75.0%	75.0%	75.0%	75.0%	75.0%	
Audit & Supervisory Committee							
outside company now representing majority of the Board of Directors							
Annual reviews of the effectiveness of the Board of Directors							
Established guidelines on corporate governance							
Nomination & Remuneration Committee							
Global Advisory Board							

## Corporate Governance

Not only that, we retain the Nomination & Remuneration Committee to ensure impartiality and transparency in decision-making processes associated with nominating director candidates.

As per the above policy, the Board of Directors makes decision on the matter concerning the nomination of director (excluding director who serves on the Audit & Supervisory Committee) only after soliciting and considering the opinion of the Nomination & Remuneration Committee.

The Board of Directors makes decision on the matter concerning the nomination of director who serves on the Audit & Supervisory Committee only after soliciting and considering the Nomination & Remuneration Committee's opinion and gaining approval of the Audit & Supervisory Committee toward the nomination.

### Dismissal of a director

The Board of Directors will start proceedings to dismiss any director who displays a lack of ability to perform his or her directorial duties or whom the board otherwise deems has deviated markedly from the above standards.

As per the above policy, the Board of Directors will only propose the dismissal of any director (excluding director serving on the Audit & Supervisory Committee) only after soliciting and considering the opinion of the Nomination & Remuneration Committee.

If the director in question is a non-executive director serving on the Audit & Supervisory Committee, the board must additionally gain approval of the Audit & Supervisory Committee toward the proposal.

## About the directors

### Outside directors and why they were chosen

Ichiro Mizuno	Ichiro Mizuno has abundant experience in business administration. We judged that he would use his rich experience and knowledge to help the board fulfill its decision-making and oversight roles effectively.
Hiroshi Fujiwara	Hiroshi Fujiwara has abundant experience in leading an IT company. We judged that he would use his rich experience and knowledge in the said area to help the board fulfill its decision-making and oversight roles effectively.
Keisuke Inoue	Keisuke Inoue has abundant experience in running financial institution. We judged that he would use his rich experience and knowledge in the said area to help the board fulfill its decision-making and oversight roles effectively.
Tsunehiro Nakayama	Tsunehiro Nakayama has abundant experience in running financial institutions. We judged that he would use his rich experience and knowledge in the said area to help the board fulfill its decision-making and oversight roles effectively.
Joichi Yamazaki	Joichi Yamazaki has abundant experience in public administration and in nonlife insurance. We judged that he would use his rich experience and knowledge in the said areas to help the board fulfill its decision-making and oversight roles effectively.

### Committee membership

Name	Title / role		Committees				Person's main professional background				
			Audit & Supervisory Committee	Nomination & Remuneration Committee	Comprehensive Risk Management Committee	Human Resources Committee	Business administration	International work experience	Financial accounting	Government	ICT
Tateaki Ishida	President & Representative Director Chief Executive Officer	Business Execution		○	○	○	○	○			
Masahide Kawamoto	Deputy President & Representative Director	Business Execution			○	○	○				○
Masataka Sato	Deputy President	Business Execution			○	○	○				
Ichiro Mizuno	Outside Director	Non-Business Execution		○			○	○			
Hiroshi Fujiwara	Outside Director	Independent Director Non-Business Execution					○				○
Tetsuji Ono	Director	Non-Business Execution	○						○		
Keisuke Inoue	Outside Director Chairperson of the Audit & Supervisory Committee	Independent Director Non-Business Execution	○				○				
Tsunehiro Nakayama	Outside Director	Independent Director Non-Business Execution	○	○			○				
Joichi Yamazaki	Outside Director	Independent Director Non-Business Execution	○	○						○	



## Basic approach

The Tokai Tokyo Financial Group considers compliance to be one of its most important managerial tasks, and it has put in place a system for ensuring the propriety of operations. The Group has established and enforces basic standards such as the Basic Compliance Policy and the Ethical Code of Conduct.

As a risk management framework, under the Risk Management Rules, the Group has defined the departments responsible for each risk category, and it comprehensively manages the overall risk of the Company and subsidiaries. It has also established the Comprehensive Risk Management Committee as the Company's organization for deliberations and planning concerning risk management policy and matters deemed necessary for management methods formulation and risk management practices. The results and proposals are reported and submitted to the Board of Directors.

## Compliance framework

As a framework for securing the effectiveness of measures to enforce the strict observance of laws and regulations, the Group has set up the Comprehensive Risk Management Committee as an organization to offer opinions about the measures to be taken, and it has established the Comprehensive Risk Management Department as the department specialized in providing guidance, monitoring, and coordination on compliance. The Group also has the Anti-Money Laundering Department, which organizes action to ensure that the Group never facilitates money laundering or funds terrorism.

**web** Basic Compliance Policy  
<http://www.tokaitokyo-fh.jp/en/policy/compliance.html>



**web** Tokai Tokyo Financial Group's Ethical Code of Conduct  
<http://www.tokaitokyo-fh.jp/en/policy/ethics.html>



## Risk management framework

Under the "Basic Risk Management Policy" and the "Risk Management Rules," the Group has defined the departments responsible for each risk category, and it comprehensively manages the risk of the Company and its Group companies. It has also established the Comprehensive Risk Management Committee as the organization for deliberations and planning concerning risk management policy, risk management method, and other matters deemed necessary for risk management. The results and proposals are reported and submitted to the Board of Directors.

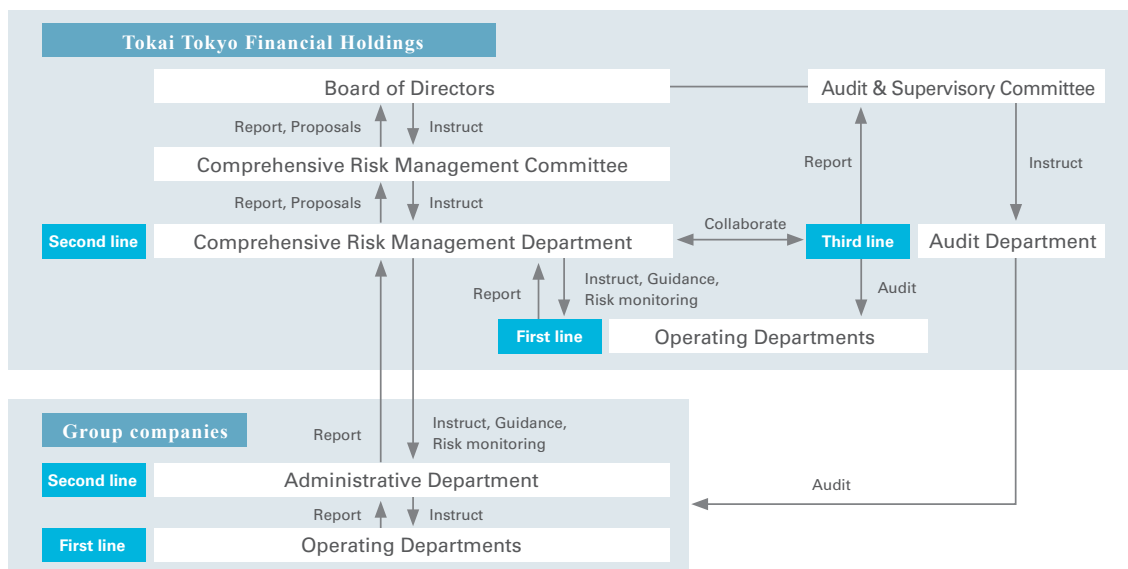
In addition, as a crisis management framework for disaster situations, etc., the Group has clarified responsibilities under the "Crisis Management Basic Policy for Disasters, Etc." and the "Crisis Management Guidelines for Disasters, Etc." for the purpose of enhancing a comprehensive and systematic disaster prevention, emergency response, and recovery. The Group established Comprehensive Risk Management Department as the department specializing in supervising, guiding and monitoring the preventive schemes and activities associated with these various risks.



A meeting held by a crisis taskforce in June 2020. The taskforce was launched in response to the COVID-19 crisis. Its role is to plan and execute measures to prevent the spread of infection.

## Three lines of defense for risk management

The Company constantly seeks to fortify its risk management system and employs a “three lines of defense” approach of risk identification, assessment, and monitoring.



### First line

#### Operating Departments

These departments have before-the-fact and after-the-fact responsibilities for identifying, assessing, and managing risks. Through risk assessments and compliance study sessions, they take the initiative in recognizing (identifying and assessing) various types of risks in operations.

### Second line

#### Comprehensive Risk Management Department / Administrative Department of Subsidiaries

This department supports the risk management of the First Line. Maintaining close communications with the operating departments, it ensures that risks are properly identified and managed.

### Third line

#### Audit Department

This department verifies and assesses from an independent perspective whether the first and second lines of defense are functioning effectively. It evaluates the effectiveness of internal control processes related to financial reporting.

## Tokai Tokyo Securities' risk management framework

Tokai Tokyo Securities established a Credit & Market Risk Committee and Finance & Accounting Committee. The Company also drew up related rules and established a framework facilitating the routine practices of analyzing, managing, and reporting market risk, credit risk, and liquidity risk. To secure the sound management and financial standing of Tokai Tokyo Securities, the Board of Directors has set lower limits for capital adequacy ratios, the maintenance of which or better is designated a basic policy of risk management operations.

Risk Category	Measures
<b>Market Risk Management</b>	Based on the “Risk Management Rules,” the risk controlling department, which is independent from the trading execution department, performs risk control by calculating risk, positions, and profit or loss on a daily basis.
<b>Credit Risk Management</b>	Based on the “Risk Management Rules,” the losses that could occur as a result of nonperformance by the transaction counterparty are managed so that they can stay within a predetermined limit. In addition, in accordance with the “Credit Risk Rules,” credit risk allowance is determined and managed thereafter for each counterparty on the basis of their financial strength.
<b>Liquidity Risk Management Associated with Funding</b>	Based on the “Liquidity Risk Management Rules,” the departments responsible for financing monitor and manage suitably the cash position on a daily basis. Moreover, they prepare a contingency plan to deal with financial market volatility, and they present a monthly funding forecast periodically to the Finance & Accounting Committee.

## Business Risks

Listed below are the major risk factors that may affect the Group's operations and finances. The management has identified these as particularly significant risk sources that have the potential to significantly impact the Group's financial position, operating results, and cash flow. Please note that the Group's operating performance and financial position may be significantly impacted by risks that the management has not yet identified, or not yet identified as significant.

1 Risk related to economic and market trends	9 Disaster risk
2 Regulatory risk	10 Litigation risk
3 Competition risk	11 Human resources availability risk
4 Credit risk (involving a client or issuing entity)	12 Overseas business risk
5 Financial risk (concerning the ability to procure finance)	13 Reputation risk
6 System risk	14 Risk related to policies and infrastructure for risk management
7 Operational risk	15 Risk related to business expansion
8 Data security risk	16 Risk related to COVID-19



Business risks (in Japanese only)

[http://www.tokaitokyo-fh.jp/investors/financial/securities/pdf/2019\\_108-q4.pdf#page=12](http://www.tokaitokyo-fh.jp/investors/financial/securities/pdf/2019_108-q4.pdf#page=12)



## Risk related to COVID-19

As a preventive measure in response to COVID-19 spread, we established a group-wide taskforce to coordinate the necessary anti-infection measures in compliance with requests from national and local governments.

We have worked to make prevention of infection the chief priority in all business processes. Early on in the crisis, we postponed seminars scheduled from February 2020 and discontinued in-person visits to customers. Once the state of emergency was extended across Japan, we temporarily suspended customer-facing services to protect customer's health and safety. During the suspension of these services, we maintained convenience for customers and allowed them timely access to information by continuing a phone-based service for trading and inquiries. Online trading, likewise, remained available. After the state of emergency was lifted, we began a phase reopening of business locations. However, anti-infection measures are in place. For example, we have installed clear plastic screens to prevent airborne transmission of viruses.

# Board of Directors (as of June 25, 2020)



## Tateaki Ishida

Representative Director  
President & CEO

Attendance at Board  
of Directors meetings  
13/13

### Profile

April 1968 Joined The Tokai Bank, Ltd. (now MUFG Bank, Ltd.)  
June 1996 Managing Director, The Tokai Bank, Ltd.  
May 2004 Advisor of the Company  
June 2004 Representative Director & Deputy President of the Company  
June 2006 Representative Director, President & CEO of the Company (current position)  
April 2009 Representative Director, Chairman & CEO, Tokai Tokyo Securities Co., Ltd.  
April 2019 Director, Tokai Tokyo Securities Co., Ltd. (current position)



## Masahide Kawamoto

Representative Director  
Deputy President  
Chief Information Officer

Attendance at Board  
of Directors meetings  
10/10\*

### Profile

April 1980 Joined Tokai Bank, Ltd. (now MUFG Bank, Ltd.)  
September 2004 General Manager, IT Strategy Department of the Company  
April 2008 Managing Executive Officer supervising IT Strategy Promotion Unit of the Company  
April 2013 Senior Managing Executive Officer, Head of Strategic Business Promotion Group of the Company  
April 2014 Director and Deputy President of Hamagin Tokai Tokyo Securities, Co., Ltd.  
April 2018 Senior Managing Executive Officer, supervising Operation Division of Tokai Tokyo Securities, Co., Ltd.  
June 2019 Representative Director, Deputy President of the Company  
October 2019 Representative Director, Deputy President of the Company, Chief Information Officer, Head of IT Group (current position)

\* Attendance record since he assumed office on June 26, 2019



## Masataka Sato

Director and Deputy President

Attendance at Board  
of Directors meetings  
—

### Profile

April 1983 Joined Tokai Bank, Ltd. (now MUFG Bank, Ltd.)  
April 2008 General Manager of Komaki Branch at The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
November 2010 Joined Tokai Tokyo Securities, Co., Ltd.  
General Manager, Investment Banking Division  
April 2013 General Manager of General Planning Department, and General Manager of Financial Planning Department of the Company  
October 2013 Executive Officer, Deputy Head of General Planning Group, General Manager of General Planning Department, General Manager of Financial Planning Department of the Company  
April 2016 Managing Executive Officer, Head of Investment Banking Unit, Tokai Tokyo Securities Co., Ltd.  
April 2019 Senior Managing Executive Officer, Head of Strategic Planning Group of the Company  
June 2020 Deputy President, Supervisor of General Planning Group, Strategic Planning Group, and Digital Strategy Group of the Company (current position)



## Ichiro Mizuno

Outside Director  
Chairperson of the Board of Directors

Attendance at Board  
of Directors meetings  
13/13

### Profile

April 1966 Joined Mitsubishi Corporation  
June 1997 General Manager, Finance Dept., Mitsubishi Corporation  
June 2003 Member of the Board, Executive Vice President, and CFO, Mitsubishi Corporation  
April 2006 Member of the Board and Senior Executive Vice President, Mitsubishi Corporation  
June 2010 Director, Tokai Tokyo Securities Co., Ltd.  
June 2013 Director of the Company (current position)  
June 2016 Chairperson of the Board of Directors of the Company (current position)



## Hiroshi Fujiwara

Outside Director

Attendance at Board  
of Directors meetings  
9/10\*

### Profile

April 1977 Joined IBM Japan, Ltd.  
September 1988 Appointed as a visiting research scientist of Bell Communications Research (Bellcore) of the U.S.  
June 1993 Appointed as a Director of ASCII Corporation  
December 1996 Established Internet Research Institute, Inc. as Director and CEO (current position)  
April 2012 Chairman of the Board, President, Chief Executive Officer, Representative Director of Broadband Tower, Inc. (current position)  
June 2019 Director of the Company (current position)

\* Attendance record since he assumed office on June 26, 2019



## Tetsuji Ono

Director and  
Audit & Supervisory Committee Member

Attendance at Board  
of Directors meetings  
—

### Profile

April 1983 Joined Maruman Securities (now Tokai Tokyo Financial Holdings, Inc.)  
 July 2003 General Manager of Investment Banking Department, Private Company, Nagoya  
 April 2009 General Manager of Corporate Finance Department, Nagoya, Tokai Tokyo Securities Co., Ltd.  
 April 2012 General Manager of General Planning Department of the Company  
 April 2013 General Manager of Corporate Sales Department (First), Tokyo, Tokai Tokyo Securities Co., Ltd.  
 April 2015 General Manager of Financial Planning Department of the Company; General Manager of Financial Department, Tokai Tokyo Securities Co., Ltd.  
 April 2017 Executive Officer, General Manager of Financial Planning Department of the Company; General Manager of Financial Department, Tokai Tokyo Securities Co., Ltd.  
 April 2019 Managing Executive Officer, Deputy Head of General Planning Group, General Manager of General Planning Department of the Company  
 June 2020 Director and Full-time Audit & Supervisory Committee Member of the Company (current position)



## Keisuke Inoue

Outside Director  
Chairperson of the Audit &  
Supervisory Committee

Attendance at Board  
of Directors meetings  
13/13

### Profile

April 1973 Joined Sumitomo Life Insurance Company  
 December 2002 President and CEO, Sumitomo Mitsui Asset Management Company, Limited  
 June 2009 Director and Executive Vice President, Mitsui Life Insurance Co., Ltd.  
 July 2013 Head, Azabu Economic Research Institute (current position)  
 June 2016 Director and Audit & Supervisory Committee Member of the Company  
 September 2017 Audit & Supervisory Board Member, Cardif Assurances Risques Divers Japan (current position)  
 June 2020 Director and Chairperson of the Audit & Supervisory Committee of the Company (current position)



## Tsunehiro Nakayama

Outside Director  
Audit & Supervisory Committee Member

Attendance at Board  
of Directors meetings  
13/13

### Profile

April 1971 Joined the Industrial Bank of Japan, Limited (now Mizuho Bank, Ltd.)  
 April 2004 Deputy President (Representative Director) of Mizuho Corporate Bank, Ltd. (now Mizuho Bank Ltd.)  
 May 2007 Representative Director and Chairman of Merrill Lynch Japan Securities Co., Ltd.  
 March 2009 Japan Country Executive of Bank of America Group (Additional function)  
 July 2010 Representative Director and Chairman of Merrill Lynch Japan Securities Co., Ltd.  
 June 2017 Director of Merrill Lynch Japan Securities Co., Ltd.  
 June 2018 Director of the Company  
 June 2019 Director, Mitsui Fudosan Co., Ltd. (current position)  
 June 2020 Director and the Audit & Supervisory Committee Member of the Company (current position)



## Joichi Yamazaki

Outside Director  
Audit & Supervisory Committee Member

Attendance at Board  
of Directors meetings  
—

### Profile

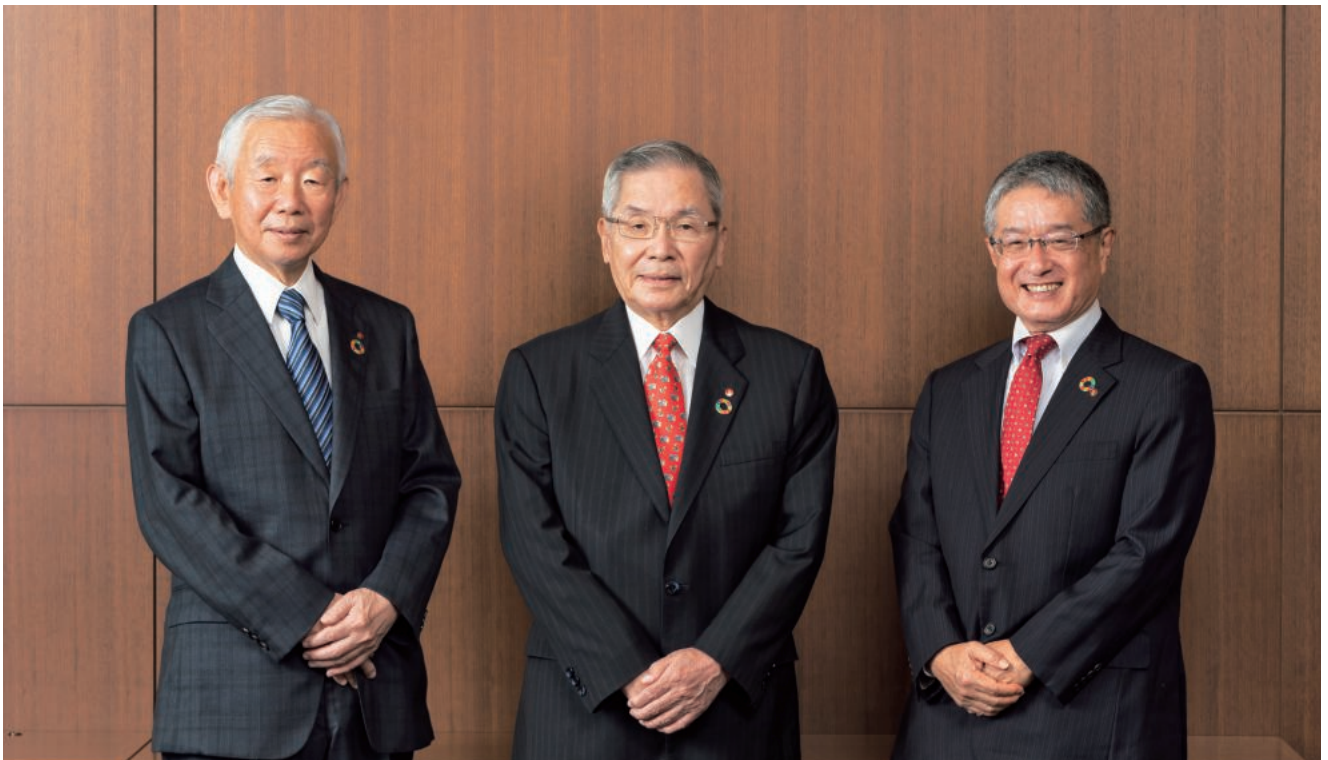
April 1978 Joined the Ministry of Finance  
 July 1997 Director of the Bond Market Office, Securities Markets Division, Securities Bureau, MOF  
 December 1998 Director of the Financial Crisis Management Division, Executive Bureau, Financial Reconstruction Commission  
 July 2000 Director, Budget Bureau (in charge of budgets for the Ministry of Land, Infrastructure, Transport and Tourism, and the Ministry of the Environment), MOF  
 December 2005 Deputy Director-General of the Planning and Coordination Bureau (in charge of the Supervision Bureau), Financial Services Agency  
 July 2009 Director-General of the Tokai Local Finance Bureau  
 July 2010 Director-General of the Kinki Local Finance Bureau  
 July 2011 Vice President, the National Printing Bureau  
 July 2012 Principal of the National Tax College  
 March 2013 Audit & Supervisory Board Member of the Norinchukin Bank  
 December 2018 Adviser of Sampo Japan Insurance Inc.  
 May 2019 Full-time Audit & Supervisory Board Member of Sampo Japan DC Securities Inc.  
 June 2020 Director and the Audit & Supervisory Committee Member of the Company (current position)

Note1: In cases prior to April 2009, "the Company" refers to Tokai Tokyo Securities Co., Ltd. In cases thereafter, it refers to Tokai Tokyo Financial Holdings, Inc.

Note2: Attendance at Board of Directors meetings indicates attendance in the fiscal year under review (April 1, 2019, to March 31, 2020).



## Discussion between the Outside Directors



**Keisuke Inoue**

Outside Director  
Chairperson of the Audit  
& Supervisory Committee

**Ichiro Mizuno**

Outside Director  
Chairperson of the Board  
of Directors

**Hiroshi Fujiwara**

Outside Director

As outside directors, we offer outsider perspectives for strengthening risk management and ensuring that the group contributes to a sustainable society through its businesses operation

### A rock solid corporate structure established under a visionary CEO

#### Mizuno

This year marks my eleventh year as a member of the Board of Directors. I have always felt that Tokai Tokyo Financial Holdings has solid corporate governance. This is partly down to the superb business acumen Mr. Ishida has displayed as CEO. It is also down to the outside directors, who

bring financial and business expertise to the table. Outside directors have made up the majority of board membership for over ten years now. The decision to have a majority of outside directors was a bold, visionary one, as it came at a time when Japan's corporate sector was yet to fully appreciate the importance of corporate governance. In 2016, we shifted our corporate-governance structure, becoming a company with an Audit & Supervisory Committee. At the time, I advised Mr. Ishida that, as part of this

transition, the Board of Directors should delegate the bulk of decision-making authority to individual executive directors. I was confident that the management could accomplish this task because it had already established a solid corporate structure.

#### Inoue

Yes, Mr. Ishida has really proved his capability as CEO. And that's why it's so important now to get on with the succession planning process—to ensure that Ishida's

vision is carried forward. In this respect, our corporate group stands at a critical juncture. Another important task is to inculcate fiduciary duty upon all the group employees. My long years of managing companies of a major life insurance and an asset management have taught me one thing very important and it is in my bones. What I learned is that financial and securities businesses require a customer-first posture seeking to maximize the customer's benefit. Meeting fiduciary duty will be indispensable to the future success of our group.

#### Fujiwara

Having majored in astrophysics at university, I developed a career in R&D and engaged in research at ASCII Corporation and Japan Key Technology Center. Then, in 1996, I joined the programming advisory board for a commercial digital broadcaster. Soon after that, I founded an internet-related startup just as the Web entered everyday use. With the said background, my professional interests have always revolved around digitalization and the advance of the internet both in industry and society at large. Since joining the board in June 2019, I have focused on digital technology side of management duty, particularly FinTech. This being my second year, I'm still fairly green; but I echo what both of you have said about Mr. Ishida. He is a forward-thinking leader who defies the traditional banker stereotype.

### Digital technology is transforming the way financial business works

#### Inoue

The securities industry seems to have reached a historic turning point, the kind that comes once every two decades. The financial landscape is being radically transformed by Japan's shrinking and aging population, low interest rates across the globe, and COVID-19. Organizations like this one must adapt to these changes and find new ways of doing business. Mr. Ishida and the rest of the management team are keenly aware of the seriousness of the

circumstances. Having said that, a crisis is also an opportunity. Rather than sticking to the traditional ways of a securities company, the management has embraced innovation by, among other things, forging alliances with regional banks, developing the platform business, and pursuing strategic M&A opportunities. Switching to a new business model is not, of course, without risk. You need to identify and manage all the risks associated with the new ventures. That's where we, the members of the Audit & Supervisory Committee, come in. Our role is to analyze all these risks from the perspective of shareholders and apply the brakes when necessary.

#### Fujiwara

Until now, the financial sector has been compartmentalized into banks, securities houses, and insurance companies, each with its own business model. However, digital technology is breaking down these barriers. The group wants to forge a new paradigm in finance by acquiring banking and insurance functions through its network of alliances. This strategy brings both risks and opportunities. But in any case, there has never been a more pressing need to transcend these boundaries and use digital technology to build core competences fit for the next generation. I'm confident that the CEO will continue leading the group on the path of sustainable growth by leveraging two core competences and they are Mr. Ishida's leadership qualities and a digital technology driven profit model.

#### Mizuno

There is indeed a strong commitment to digital transformation; after all, the bulk of the company's investments are in FinTech. Admittedly, these investments are yet to contribute much to group earnings. However, the risk of doing nothing would undeniably exist as well. I have no doubt that digital entrepreneurship will only grow in importance in the years ahead. To navigate these new waters, there are two most crucially important things. One is to

evaluate each investment absolutely right and cut losses resolutely when necessary. Our role as outside directors is to handle these two tasks. The numerous investments the group makes are like entrance fees or tuition fees you must pay in order to access, and then cultivate, a new field of possibilities.



#### Fujiwara

Many IT firms have branched into finance, but for FinTech to really take off, companies operating primarily in finance need to embrace and leverage digital technology. Now that its joint ventures with regional banks have turned a healthy profit, Tokai Tokyo Financial Holdings can lead the way on this score. The Company can generate a new business model for FinTech by incorporating and integrating digital technology into itself. Customers are no longer satisfied by services that are compartmentalized into banking, securities, and insurance. Tokai Tokyo Financial Holdings, committed as it is to transcending these boundaries, is therefore poised to capture this opportunity.

#### Inoue

We have seen a number of mergers between banks and other financial institutions in Japan. However, most of these mergers were for the benefit of the organizations themselves, not the customer. By contrast, Tokai Tokyo Financial Holdings forges alliances with regional banks and pursues cross-industry M&As in anticipation of customer needs and with the aim of cultivating new markets. This approach constitutes a key strength of the group. The

## Discussion between the Outside Directors

management is committed to using digital transformation as a means to create new business models for finance. In this way, the group will meet the asset-management needs of the future.



### The Audit & Supervisory Committee provides thorough risk management to enable the top management to make big decisions

#### Mizuno

Tokai Tokyo Financial Holdings has always taken on fresh challenges to innovate finance. This approach is not without risk. As you said, Mr. Inoue, the question is how you identify and manage the risks. The Audit & Supervisory Committee has a critical role to play in this. Working closely with the Audit Department and other sections related to internal governance, we cast the net wide to catch even the smallest risks. With a clear picture of where the risks lie, the management can make bold decisions with confidence.

#### Inoue

Risk management goes hand in hand with crisis management, forming the first set of tools for the committee to use. In addition, we use the second component, thorough compliance, and the third one, which is internal control. We use those three components to monitor the management of the Company. As members of the Audit & Supervisory Committee, we can attend key company meetings to gather risk information. We then analyze this information and present our findings to the management. The management is serious

about risk management, compliance, and internal controls, and its earnest attitude is reflected in the corporate culture. However, the challenge going forward is how to ensure that this culture continues to be upheld by the next generation. Even as talent is replaced and new corporate structures are adopted, the same corporate ethos must remain intact in order to retain the confidence and trust of customers and shareholders.

### Aspiring to be a group that pursues SDGs with a core mission of contribution to the community

#### Fujiwara

When it comes to SDGs, there are two points to make. First, there is renewed appreciation of the importance of health management. With the spread of COVID-19, business leaders now share the recognition that economic development must be balanced with the need to protect health. Second, Japan's regions are key to the societal future prosperity. Japan faces a host of problems, including gender inequality and a public sector hamstrung by bureaucratic silos. In order to address these problems, business leaders must actually take measures for solution in accordance with the SDGs idea. The core operating company, Tokai Tokyo Securities, is rooted in the Chubu region, while the group as a whole has, through its joint securities ventures and platform business, a network extending across the nation. This means that the group is well placed to lead the way in regenerating regional economies and thereby solving societal issues.

#### Inoue

A company is not just the property of its shareholders and employees; it is also part of the wider social fabric in which it is nurtured. Therefore, to achieve sustainable growth, it must keep contributing to the common good of society for a long time. The Group should be contributing first and foremost to the common good of the Chubu region, its home market, and then planting

seeds of growth in the Tokyo market. This approach should yield further growth for the group.

#### Mizuno

The 17 SDGs uphold natural ideals that we should all be working toward. ESG factors, likewise, represent the bare minimum of what a company must do to be sustainable. In Japan, we have a proverb that is comparable in meaning to "Well fed, well bred." In grappling with ESG, we should recognize that we need first to become constantly profitable. Then, the next duty of an outside director is to preserve this organization's ESG-focused ethos and ensure that the ethos remains intact when the next generation of leaders take over the rein. The outside directors, myself included, will continue to work alongside Mr. Ishida and other members of the management to help the group achieve further growth.



# Prioritized Issues for the Tokai Tokyo Financial Group

Tokai Tokyo Financial Group is committed to contributing toward the UN's Sustainable Development Goals.

## SDG Pledge



Tokai Tokyo Financial Group supports the spirit meant by UN's 2030 Agenda for Sustainable Development. We pledge to work toward the realization of sustainable society by being innovative business entity and by cherishing communities, people, and the environment. We believe we can accomplish this pledge abiding by our corporate vision, "We will contribute to the growth of our nation's economy by fulfilling the role as a financial service provider to help customers with their wealth formation and capital enhancement."

Prioritized issues		Key actions
<b>1 Health</b>  	<ul style="list-style-type: none"> <li>Promote and maintain the health of local people and employees</li> <li>Provide a workplace where employees can work robustly in good health</li> </ul>	<ul style="list-style-type: none"> <li>Health management Established Health Management Promotion Committee and appointed Chief Health Officer</li> <li>Launched medical consultations for employees</li> <li>Launched sports promotion program</li> </ul>
<b>2 Training and workstyle</b>    	<ul style="list-style-type: none"> <li>Provide a workplace where employees with diverse backgrounds and talents can fulfill their potential in inclusive atmosphere</li> <li>Support employee's special skill sharpening</li> </ul>	<ul style="list-style-type: none"> <li>Launched new personnel system</li> <li>Launched MBA scholarship program and rank-specific training programs</li> <li>Defined specialty job areas and started specialist training</li> <li>Launched career programs for senior employees and female employees</li> <li>Launched work-from-home programs and staggered hours</li> <li>Published Anti-Bullying Pledge</li> </ul>
<b>3 Financial innovation</b>   	<ul style="list-style-type: none"> <li>Provide innovative financial services that meet diverse needs</li> <li>Expand services for the segments of next-generation, asset forming, and digital seniors</li> </ul>	<ul style="list-style-type: none"> <li>Launched asset management app., <i>Okane no Compass</i></li> <li>Started preparations for starting securities brokerage operation specialized in smartphone and other mobile device users</li> <li>Preparations for starting the placement of listed digitized securities by using block chain technology</li> <li>Started loans secured by securities</li> </ul>
<b>4 Regional economy</b>    	<ul style="list-style-type: none"> <li>Support the regional economy and regenerate local communities</li> </ul>	<ul style="list-style-type: none"> <li>Strengthened partnerships with leading regional banks to support regional regeneration</li> <li>Organizing seminars and events</li> <li>Fortified business succession services, strengthened M&amp;A mediation</li> <li>Supported local communities through Tokai Tokyo Foundation</li> </ul>
<b>5 Environmental Conservation</b>   	<ul style="list-style-type: none"> <li>Help build ecologically sustainable communities</li> <li>Reduce carbon dioxide emissions</li> </ul>	<ul style="list-style-type: none"> <li>Became registered issuance supporter in government green bond program</li> <li>Started trading social impact bonds (green bonds, water bonds)</li> <li>Started switching to energy-efficient lighting and air conditioning</li> <li>Started switching to low fuel consumption vehicles</li> </ul>



# Initiatives Geared toward Society and the Environment

web

CSR initiatives

<http://www.tokaitokyo-fh.jp/en/csr>



## Basic approach to CSR

We recognize that we need a rigorous and effective compliance infrastructure to command trust as a leader in financial and capital markets. We also understand the importance of respecting stakeholders and maintaining amicable and seamless relationship with them to achieve sustainable growth and enhance corporate value in the medium- to long-term.

## Contributing to society in the ordinary course of business

### II Financial education for university students

Tokai Tokyo Financial Holdings runs an educational course that teaches the role and business profile of securities companies in capital markets with an idea to improve the student's literacy with finance. Presented at four universities in Nagoya and Tokyo, half-year course explores the actual workings of a securities house with Group directors and employees presenting lectures based on their hands-on experiences.

### II Supporting socially responsible bonds

The Ministry of the Environment has designated Tokai Tokyo Securities an "issuance supporter" for the Green Bond Issuance Promotion Platform, which the ministry established to facilitate Green Bond Issuance Initiative. Under this program, issuance supporters assist private and public issuers of green bonds, reducing the additional costs that may accrue associated with issuing such bonds.

Additionally, in the fiscal year ended March 2020, Tokai Tokyo Securities started underwriting and selling the World Bank's Sustainable Development Bonds.

## Supporting local communities

### II Promoting industry invigoration in the Chubu region

In May 2016, Tokai Tokyo Securities launched the Chubu Open Innovation College Program to promote open innovation in the Chubu region. Under this program, 24 workshops\* have been held to provide opportunities for businesses, universities, and students to network and share ideas.

The Group also supports the Tongali Project, an entrepreneurship program launched in 2016 by five universities based in the Chubu region (Nagoya University, Toyohashi University of Technology, Nagoya Institute of Technology, Gifu University, and Mie University).



\* As of the end of October 2020

### II Promotion of sports

To support athletes who aspire to compete on the world stage, we use Athnavi, the Japanese Olympic Committee's job placement system to hire athletes. So far, five athletes have joined us under the system.

In November 2016, we signed a comprehensive agreement with Umemura Educational Institutions, the operator of Chukyo University, to provide an athlete training program aimed at making Chubu a top region for sport culture. As part of this joint undertaking, we have established a scholarship for student athletes. As of fiscal 2020, four athletes have benefitted from the scholarship.

In 2019, the Japan Sports Agency declared that Tokai Tokyo Financial Holdings is a "Sports Yell Company" (meaning a company that supports sport) in recognition of our efforts to promote sports among employees and communities. In the same year, the Bureau of Tokyo 2020 Olympic and Paralympic Games Preparation declared us to be a company that promotes sport in Tokyo.

### II Raising leaders who will boost Chubu's international presence

In February 2015, we launched the Nagoya University Tokai Tokyo Financial Holdings Global Business Program to help raise future leaders who can boost the region's international presence.

Under this program, we have held a seminar where students and the general public can learn about complex international developments. The program also gives undergraduate and graduate students from Nagoya University the chance to go to the University of Cambridge and the University of Edinburgh. Cambridge undergraduates have also been invited to Nagoya University.

### II Supporting arts and culture

Tokai Tokyo Securities actively supports arts and culture in the Chubu region, including art exhibitions and concerts. In fiscal 2019, the company sponsored multiple events. These included kabuki performances





staged in Nagoya's Misono-za: a kaomise performance (in which the Kabuki actors are introduced to the public) and Kinshu Misono-za Kabuki. Another event was a Caravaggio exhibition held at the Nagoya City Art Museum.

We have also promoted *shogi* culture in Aichi Prefecture. Since fiscal 2017, we have sponsored a shogi tournament for children at Nagoya Castle and *Asahi Shimbun's shogi tournament*.

## II Supporting disaster relief efforts

We donate money to assist those living in areas hit by major natural disasters.

2019

Typhoon Hagibis relief fund: 2 million yen

We will continue to support disaster relief efforts.

## II Supporting local communities through the Tokai Tokyo Foundation

In 2016, we established the Tokai Tokyo Foundation to commemorate the 15th anniversary of the Tokai Tokyo Financial Group. The purpose of the foundation is to promote prosperity in local communities. It does so by fostering local leaders capable of leading the region's future and working globally, creating opportunities for local people to learn about global economic and social developments, and by promoting arts and culture. The foundation has supported a number of local initiatives.

### ■ Aichi Prefectural University's Program for Applied Global Education

We sponsor Aichi Prefectural University's Global Education Program. The university runs this program for all the undergraduates. Its purpose is to improve the undergraduates' language skills and intercultural awareness.



"iCoToBa," the University's multilingual learning center

### ■ Festivals and Cultural Events Fund

To support Aichi Prefecture's cultural heritage, we fund organizations that work to preserve the prefecture's traditional festivals and cultural events for future generations. The fund covers expenses for equipment purchases, repairs, and production materials.

In fiscal 2020, the fourth year of this fund, we selected four out of nine projects to fund following a rigorous screening process.

As of the end of fiscal 2020, we have funded a total of 32 projects, spending a total of 13.86 million yen.



### ■ Funding study-abroad programs for high school students

This scholarship is designed to support students from "super English hub" high schools who engage in charitable activities overseas. The scholarship provides funding for short-term (2 week to 1 month) overseas study.

As of the end of fiscal 2019\*, we have funded a total of 30 cases, spending a total of 8.54 million yen.



### ■ Tokai Tokyo Foundation Overseas Study Scholarship

This scholarship is provided to Aichi students (students living in Aichi Prefecture or enrolled at a high school, technical college, or specialized training college in the prefecture) who attend annual exchange programs organized by AFS Intercultural Programs, Japan (the Japanese chapter of the international youth exchange organization).

As of the end of fiscal 2019\*, we have funded a total of eight cases, spending a total of 8 million yen.



\* The call for scholarship applications was suspended in fiscal 2020 as part of anti-infection efforts.

## Improving customer satisfaction

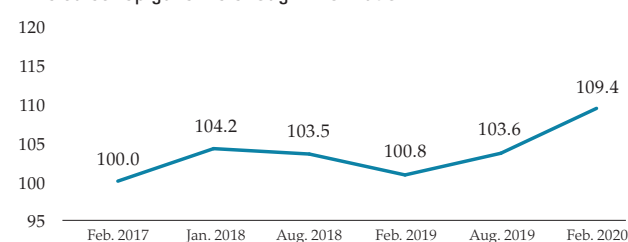
### II Customer-first operation

The Group's mission statement proclaims the following: "We will help customers realize affluent lives and promote their corporate values by advising about appropriate use of wealth and asset. Toward that end, we will keep striving to be the group with full commitment and devotion." To fulfill this mission, Tokai Tokyo Securities has established guidelines on customer-first operation to deliver products and services that delight customers.

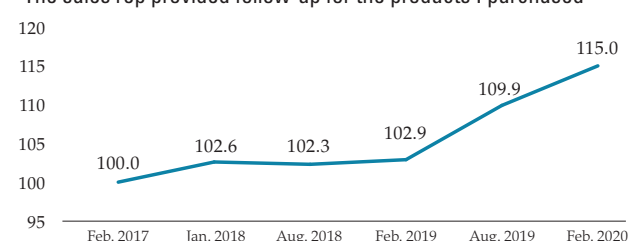
We listen to customers earnestly. Using customer feedback surveys, we identify the areas where we could do better, share the results across the Group, and take the necessary action. To help inculcate customer-first operation into all in the Group, we established the Fiduciary Duties Committee and the Fiduciary Duties Division (now the Fiduciary Duties Promotion Division) in January 2019.

### Customer satisfaction survey results

"The sales rep gave me enough information"



"The sales rep provided follow-up for the products I purchased"



\* Indexation using number on February 2017 as 100

## Initiatives Geared toward Society and the Environment



### The Health Management Promotion Committee is leading efforts to promote better employee health

I joined Tokai Tokyo Securities in 1990. During my time in that company, I was assigned to the retail operation and launched the high net worth segment business. The company then seconded me to Takagi Securities to serve as Representative Director and Deputy President. In September 2019, I joined the holdings company, Tokai Tokyo Financial Holdings, taking the position of Senior Managing Executive Officer with responsibility for the Corporate Planning Group. In the following month, I became Chief Health Officer (CHO) and took charge of employee health across the group.

Over the past several years, Japan's corporate sector has come to recognize that employee health is critical to business success. In April 2019, we published the Well-being Declaration. This declaration affirms the critical importance of employee health and enshrines the Company's commitment to providing a healthy and productive workplace.

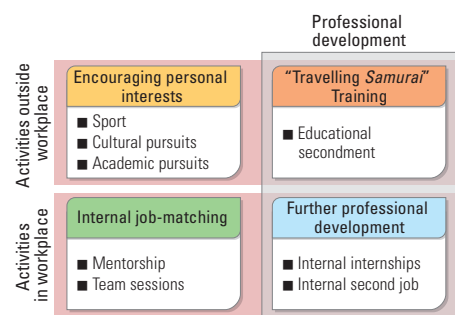
The office of CHO was established in July 2019 along with the Health Management Promotion Committee to provide an organizational framework for supporting employee health. Additionally, Olympic athlete Narumi Kurosu was appointed as Well-being Ambassador. Formed of senior managers from Tokai Tokyo Securities and Tokai Tokyo Financial Holdings, the Health Management Promotion Committee develops policies and sets targets for employee health, and spearheads a wide range of health-related efforts across the group. The COVID-driven shift to working from home has posed a challenge to employee health. To support the health of employees working from home, we send the employees working from home video newsletters featuring exercise techniques demonstrated by Well-being Ambassador Narumi Kurosu and two employees who are athletes. We recognize that such measures have helped us go further in supporting employee health.

In May 2020, the SDGs Promotion Department was established. Operating under the General Planning Group, this department coordinates efforts to balance business growth with contribution to solving societal issues. The Health Management Promotion Committee, together with the SDGs Promotion Department, forms the organizational infrastructure through which the management will continue to promote employee health, leading to better productivity and better enterprise value.

### Launched the Humanity Enhancement Program

When managing employee health, you must remember that health consists of physical, mental, and social dimensions. Each dimension has its own set of challenges, and each requires its own suitable set of actions. For physical health, we take all necessary measures to manage health on a daily basis and prevent disease. To that end, we appointed an occupational health nurse on a full-time basis in July 2019. Much to my delight, this measure led to a 100% health checkup rate for the year. For mental health, we conduct a regular stress questionnaire to monitor, and then manage, the level of stress related to job or workplace issues. Alongside this, we make sustained efforts to promote job satisfaction across the group.

As for the healthy interaction with society, we encourage employees to get involved in cultural activities, sport, and other pursuits outside their work, as we believe that an enriched life outside work creates better motivation at work. As part of this initiative, in July 2020, we launched the Humanity



Humanity Enhancement Program (excerpted quote)

Enhancement Program to encourage employees to pursue their interests in the matters either work related or otherwise. The program puts into practice and visualize the ideal of “promoting humanity” (promoting personal growth) that is enshrined in New Age’s Flag Bearer 5.

We also run a number of other programs to raise job motivation and promote employee’s professional and personal growth. One example is “the Travelling *Samurai*” Training program, in which employees are seconded to a startup company for six months to learn various aspects of business administration firsthand. There is also a mentorship program in which employees receive guidance from a senior belonging to another division. Additionally, we have an internal second job program in which employees are encouraged to make use of their skills and knowledges at another part of the Company to nurture their expertise and humanity.

## Better employee engagement, the key to a more energized organization

In March 2020, the Ministry of Economy, Trade and Industry and the *Nippon Kenko Kaigi* (Japan Health Council) certified Tokai Tokyo Financial Holdings as an “outstanding” company for health and productivity (in the large company category). This award scheme is designed to honor companies that set a particularly commendable example in employee health practices deeming employees’ health care as strategically important managerial resource allocation. As CHO, I want to make sure this organization displays full-blooded passion for employee health, so that we can continue winning such plaudits and setting a fine example for the rest of Japan’s corporate sector.

We can go further than our peers by offering innovative programs such as online health seminars and mental-health counseling tailored to employees working from home. In this way, we can boost employee engagement and make our group more energized and dynamic.

### Well-being Declaration

We value the well-being of all our employees and endeavor to provide a workplace conducive to physical, mental, and social well-being.

1. We will monitor employee well-being and address any problems we identify.
2. We will take daily action to protect employees’ physical and mental health.
3. We will assist each employee with their specific health and disease-prevention needs and help them reconcile the demands of treatment and work.

### Work-life balance indicators

Indicator	FYE Mar. 2019	FYE Mar. 2020
Average monthly overtime hours	20	23
Rate of taking paid leave	45.5%	50.0%
Number of employees taking childcare leave	28	34
Number of employees using short-hours option	15	14
Number of employees taking elder-care leave	1	2

### A message from the Wellbeing Ambassador

#### Aiming for a lively workplace for all employees

While I belong to Tokai Tokyo Financial Holdings’ SDGs Promotion Department, I serve as Wellbeing Ambassador. As the Wellbeing Ambassador, I do a wide range of activities such as raising awareness about health management, offer tips on safeguarding health and organizing health-related events.

At the London 2012 Summer Olympics, I represented Japan in the modern pentathlon. I remained active as an athlete until 2018. My current role is to promote employee health and productivity across the group by sharing with employees the body and health-related knowledge and techniques I gained as an athlete. My current activities include the following: Producing an employee newsletter about health and wellbeing, organizing regular health events for employees, encouraging employees to use a pedometer app to monitor their health, and sending information to outside about the group’s health-management initiatives through media coverage. Further, we conducted on-line health seminar on our website.

Looking ahead, I will work closely with the company’s occupational health nurse to promote a healthy and productive workplace, where all employees are healthy in body and mind.



Newsletter about wellbeing



Narumi Kurosu

Kurosu competed in the modern pentathlon at the London 2012 Summer Olympics



## Initiatives Geared toward Society and the Environment

### Promoting diversity

We understand that a diverse workplace is essential for adapting to a changing society. Accordingly, we undertake various activities to promote workplace diversity. In addition to the initiative of women's empowerment in the workplace we have taken, we will further cultivate diverse and engaged workforce such as highly experienced seniors as well as encourage employees to attain self-realization.



Promoting diversity (in Japanese only)

<http://www.tokaitokyo-fh.jp/corporate/businessplan/diversity.html>



### Setting the tone by the top management

#### II Sending a clear message

The management distributes "diversity bible" to every employee so that he or she can always refer to. The front page contains a statement from the President & CEO saying that diversity promotion constitutes one of the important part of management strategy.

II Signing the pledge to support "the General Meeting of Male Leaders Actively Promoting the Empowerment of Women," an initiative that Cabinet Office takes.

President & CEO Tateaki Ishida has joined other male business leaders in signing a pledge to support the "Declaration of Action" proclaimed by "the General Meeting of Male Leaders Actively Promoting the Empowerment of Women," initiated by the Government of Japan's Cabinet Office.



### Encourage all employees to engage

#### II Role model initiatives

In 2015, we launched a role-model program to empower women in the workplace. In 2019, the program was re-conceptualized into a program that promotes the full engagement of all employees. Under this program, we select role models for empowerment, including women in management posts, working mothers, and fathers who are actively involved in childcare. These role models set an example, inspiring other employees to follow in their footsteps.



#### II Numerical targets stipulated in the Act on Promotion of Women's Empowerment

Workplace diversity forms one of our strategic objectives. We have set the following numerical targets to measure our progress in building a diverse, inclusive, and empowering workplace.

These indicators apply to the period from April 1, 2020, to March 31, 2022.

- (1) Percentage of management positions held by women: 17%  
"Management positions" are defined as positions at a line-management level or above (grade 7 or above) in Tokai Tokyo Financial Holdings or Tokai Tokyo Securities.
- (2) Men who take childcare leave: one or more men and 30% or higher rate of taking paid child-care leave by men
- (3) Rate of taking paid leave: 70%

### Progress in shifting to new personnel system

#### II Job-based Personnel System

In April 2019, we launched a new personnel system to better reflect the Management Philosophy. This new system adopts the principles of job-based treatment; It rewards employees according to the level of their expertise and humanity. Under this system, we classify the professional skillsets the organization requires and use job descriptions to clearly systematize each employee's roles and responsibilities. We will continue to review and discuss the system and improve its effectiveness so that it facilitates optimal personnel placement and support employees with their career development processes.

##### Basic concept

Promote professional expertise (head) and humanity (heart)

End seniority-based advancement

Nurture a team of specialists

##### Key components

Promote expertise

Promote humanity

Overhaul employee compensation

- Flexible working arrangements
- Humanity Enhancement Program

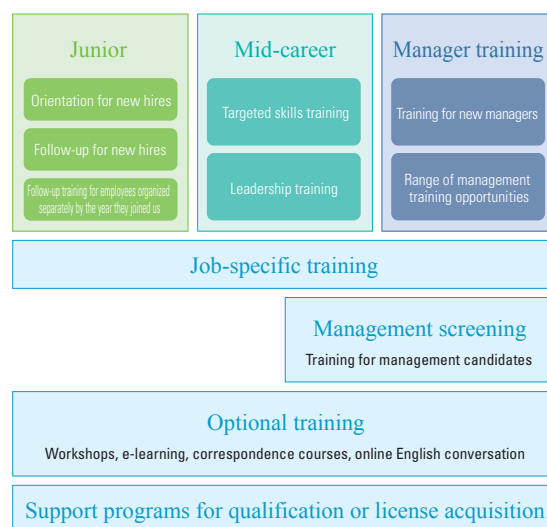
## Nurturing talent

To adapt to a shifting business environment, we view human resources as the most essential management assets. Based on this idea, we nurture a workforce that combines professional expertise with humanity (personal qualities) by providing various training programs tailored to different roles and goals.

These include mandatory training programs customized to different levels of seniority: junior, mid-career, and manager. Junior employees are able to receive training by stages to become financial professionals eventually.

For employees eager to advance their career, we offer an internal hiring system, an MBA degree earning scholarships and a "professional mileage" system. This last program allows employees who have earned professional qualifications ("miles") to redeem these miles for a transfer internally to desired area of work.

Besides these, employees have a wealth of other optional training opportunities such as correspondence courses and e-learning. All these training opportunities reflect our commitment to be a "ever-learning organization."



### Acquisition results (as of the end of the relevant year)

Educational qualification / license	FYE Mar. 2016	FYE Mar. 2017	FYE Mar. 2018	FYE Mar. 2019	FYE Mar. 2020
Number of employees who acquired qualification / license					
MBA from institution in Japan	18	21	24	25	28
MBA from institution in other country	3	5	6	7	8
Securities analyst license	110	105	132	129	133
CFA charter	5	4	6	7	7
AFP, CFA charter	1,310	1,409	1,555	1,680	1,850
TOEIC score of 700 or higher	129	143	159	180	183
Chief of Money Lending Operations license	66	64	61	58	98
Consolidated education and training expenses (million yen)	270	258	294	392	270
TT School sessions*					
Number and duration of sessions	16 7-hour sessions	16 7-hour sessions	10 7-hour sessions	11 7-hour sessions	11 7-hour sessions
Number of attendees	376	202	300	296	37
E-learning*					
Number of attendees	1,513	1,781	1,849	2,136	1,284

\* Optional ("cafeteria") training programs

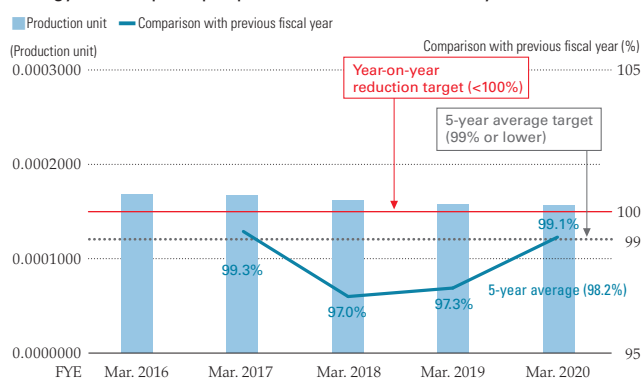
## Environmental Protection initiatives

### II Energy-saving initiatives

The Act on Rational Use of Energy stipulates an aspirational goal of reducing energy consumption per production unit by an average of 1% per year or more. We have already achieved this benchmark and are striving for further reductions.

We are striving to save energy in our offices by switching to more energy-efficient lighting and air conditioning systems and office automation systems. We are also switching to fuel efficient vehicles such as light weight ("kei") and hybrid vehicles (we started using fuel cell vehicles in 2017).

### Energy consumption per production unit in Tokai Tokyo Securities

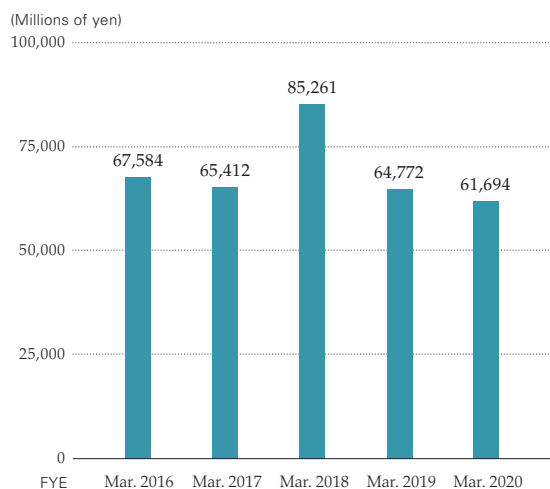


Note: Statistics for Tokai Tokyo Securities, a main subsidiary of the Company

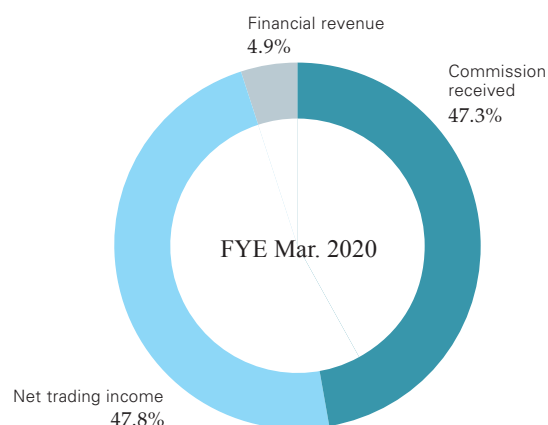


# Financial and Non-Financial Highlights

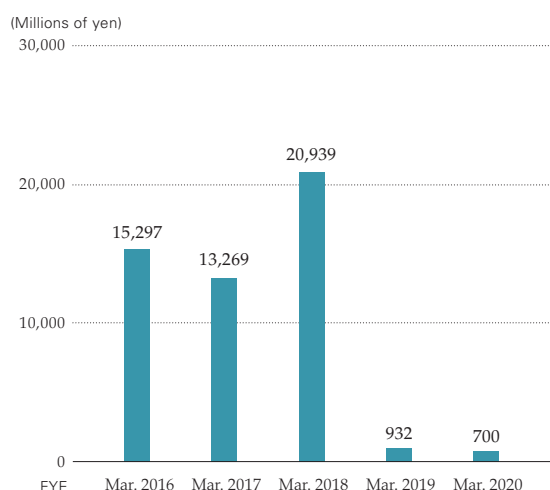
## Operating revenue



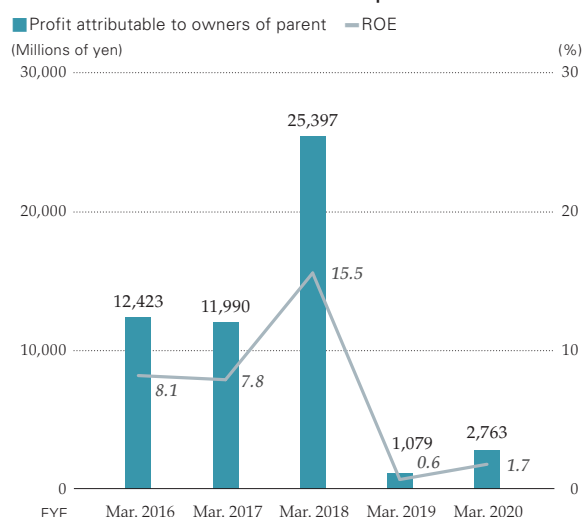
## Breakdown of operating revenue



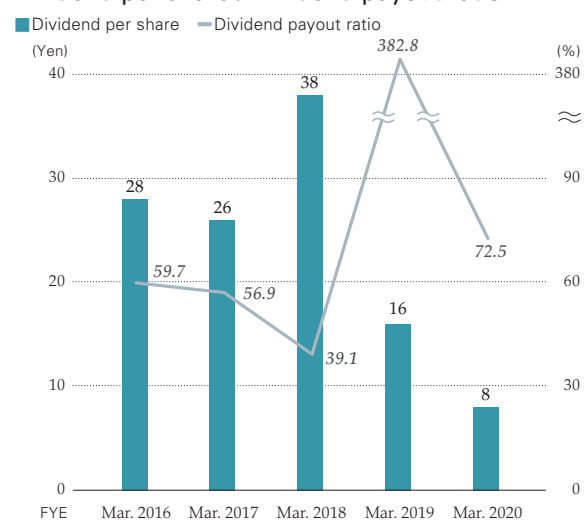
## Ordinary income



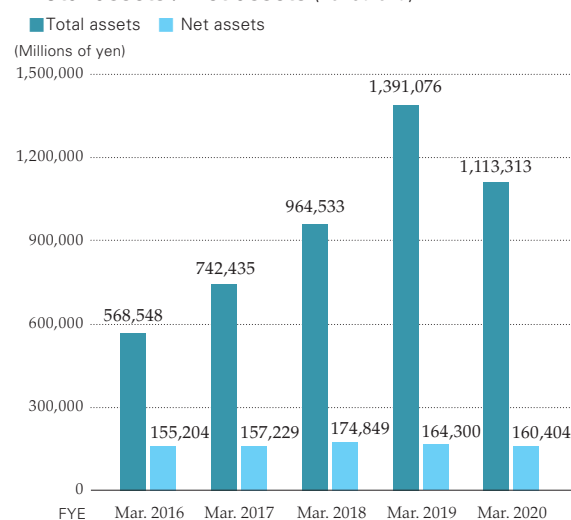
## Profit attributable to owners of parent / ROE



## Dividend per share / Dividend payout ratio



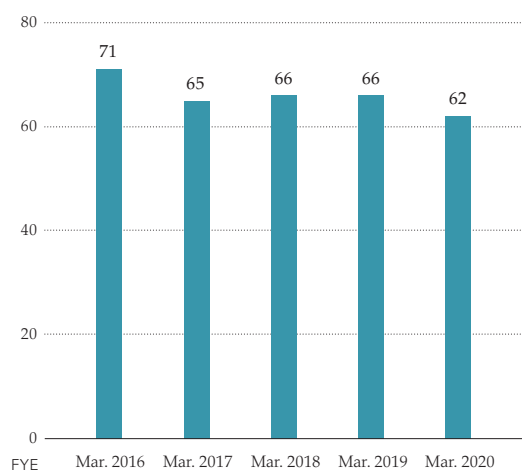
## Total assets / Net assets (Period-end)



Note: On February 16, 2018, the Accounting Standards Board of Japan (ASBJ) amended the Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28). We adopted the amended standard at the start of FYE March 31, 2019. The amended standard has been applied retroactively to the key financial metrics for FYE March 31, 2018.

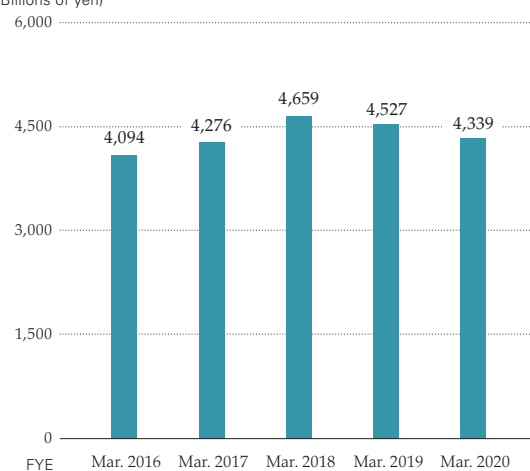
**Number of sales outlets (Tokai Tokyo Securities)**

(Period-end)

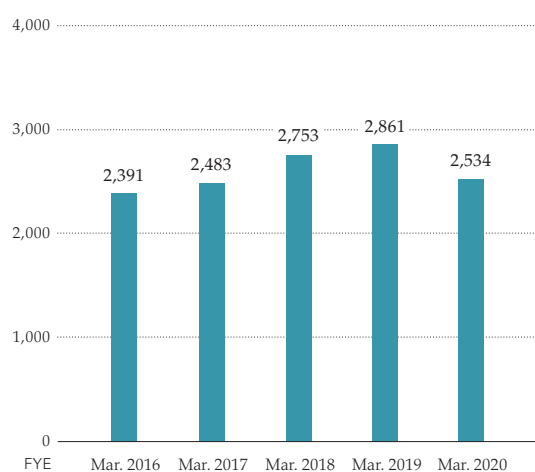
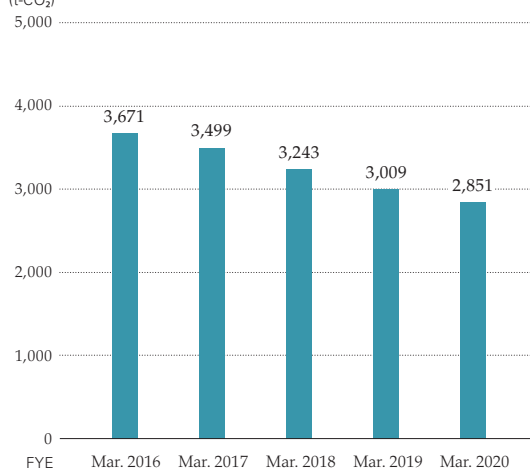
**Assets under custody (Tokai Tokyo Securities)**

(Period-end)

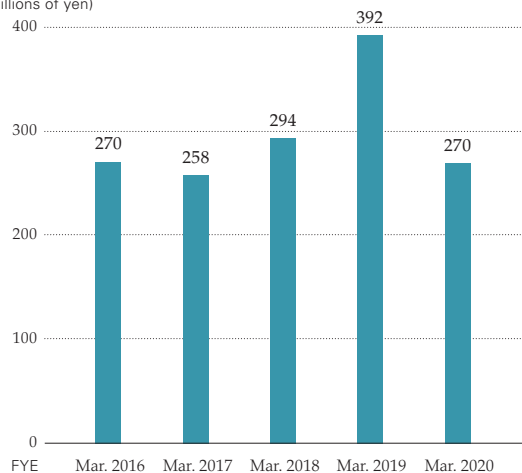
(Billions of yen)

**Number of employees (Consolidated)**

(Period-end)

**CO<sub>2</sub> emissions (Tokai Tokyo Securities)**(t-CO<sub>2</sub>)**Education and training expenses (Consolidated)**

(Millions of yen)



# Ten-Year Financial and Non-Financial Summary

	FYE	Mar. 2011	Mar. 2012	Mar. 2013
<b>Consolidated operating results (Millions of yen)</b>				
Commission received		25,461	24,191	36,659
Commission to consignees		7,797	6,006	9,995
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors		208	431	720
Fee for offering, secondary distribution and solicitation for selling and others for professional investors		11,480	11,704	19,763
Other fees received		5,974	6,048	6,180
Net trading income* <sup>1</sup>		23,909	25,593	28,301
Stocks		8,857	9,357	7,943
Bonds and Forex		15,052	16,235	20,358
Financial revenue* <sup>1</sup>		3,031	2,846	2,893
Total operating revenue		52,402	52,631	67,854
Financial expenses		1,617	1,875	1,900
Net operating revenue		50,785	50,756	65,954
Selling, general and administrative expenses		47,695	47,392	50,702
Personnel expenses		22,970	22,708	26,188
Operating income		3,089	3,363	15,252
Non-operating income		2,071	2,078	2,405
Share of profit of entities accounted for using equity method		353	357	838
Non-operating expenses		354	364	337
Share of loss of entities accounted for using equity method		—	—	—
Ordinary income		4,806	5,077	17,320
Income before income taxes		4,364	4,769	17,812
Profit attributable to owners of parent		4,318	2,545	11,273
<b>Consolidated balance sheets (Millions of yen)</b>				
Total current assets		623,754	603,235	591,911
Trading products		176,823	198,470	203,401
Total non-current assets		40,621	37,981	38,150
Total assets		664,376	641,216	630,061
Total current liabilities		545,376	524,571	499,388
Trading products		123,646	111,181	93,955
Total non-current liabilities		5,814	6,219	8,088
Total liabilities		551,360	530,956	507,664
Total net assets		113,015	110,259	122,397
<b>Consolidated cash flows (Millions of yen)</b>				
Cash flows from operating activities		(33,400)	(43,135)	79,020
Cash flows from investing activities		(3,498)	(1,469)	1,767
Cash flows from financing activities		39,452	26,304	(75,863)
Cash and cash equivalents at the end of the period		61,725	43,330	48,491
<b>ROE, per share data, and non-financial information</b>				
Net income per share (Yen)		15.50	9.45	42.74
Net assets per share (Yen)		407.26	416.51	461.12
Return on equity (%)		3.8	2.3	9.7
Dividend per share (Yen)		8.00	8.00	16.00
Number of employees (Year-end) (Consolidated)		2,286	2,253	2,178
Percentage of women in management positions (Year-end) (TTFH Tokai Tokyo Financial Holdings, TTSC Tokai Tokyo Securities) (%) <sup>*2</sup>				
Training expenses (Consolidated) (Millions of yen)		167	190	195
Number of sales outlets (Year-end) (TTSC)		71	71	70
Assets under custody (TTSC) (Billions of yen)		3,858	3,719	3,995
Energy usage intensity (TTSC) (Comparison to previous fiscal year) (%)				
CO <sub>2</sub> emissions (TTSC) (t-CO <sub>2</sub> )				

Note: On February 16, 2018, the Accounting Standards Board of Japan (ASBJ) amended the Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28). We adopted

\*1 Net trading income, Financial revenue: The method of presenting these items differs from that used in previous fiscal years. The new method has been applied retroactively to

\*2 As of April 1. The formula was changed in April 2020.

Mar. 2014	Mar. 2015	Mar. 2016	Mar. 2017	Mar. 2018	Mar. 2019	Mar. 2020
54,939	44,082	34,267	26,934	35,907	28,954	29,172
26,301	19,016	16,538	12,930	17,415	10,729	12,239
921	779	883	738	811	1,247	702
21,149	18,105	10,481	6,916	7,844	6,951	6,519
6,567	6,180	6,363	6,349	9,836	10,025	9,710
32,775	35,427	30,329	35,737	45,095	32,179	29,510
10,484	16,732	11,691	13,779	22,227	15,401	14,010
22,291	18,695	18,638	21,957	22,867	16,778	15,499
2,831	3,190	2,987	2,741	4,258	3,638	3,011
90,547	82,700	67,584	65,412	85,261	64,772	61,694
1,865	1,325	1,306	1,684	2,342	2,219	1,926
88,682	81,374	66,277	63,728	82,919	62,553	59,767
58,434	56,303	53,634	54,230	65,472	62,945	60,591
28,971	28,002	24,888	25,336	31,110	29,544	27,827
30,248	25,071	12,643	9,497	17,446	(391)	(823)
3,420	3,522	2,765	3,935	3,693	1,712	1,971
1,708	1,669	948	2,058	1,963	—	—
262	69	111	163	200	388	446
—	—	—	—	—	61	94
33,405	28,524	15,297	13,269	20,939	932	700
35,307	28,896	17,925	16,195	31,742	1,528	3,049
23,243	18,499	12,423	11,990	25,397	1,079	2,763
580,345	415,327	525,258	688,551	902,103	1,323,532	1,043,541
224,158	198,053	259,234	292,495	388,099	657,524	422,351
36,924	42,778	43,290	53,884	62,429	67,544	69,772
617,270	458,106	568,548	742,435	964,533	1,391,076	1,113,313
466,243	282,986	388,658	510,399	704,507	1,137,726	853,507
76,593	70,125	137,111	192,454	281,709	546,499	341,416
7,808	17,379	24,245	74,357	84,564	88,431	98,781
474,340	300,755	413,344	585,206	789,683	1,226,776	952,908
142,929	157,351	155,204	157,229	174,849	164,300	160,404
(14,701)	37,746	12,302	2,944	19,332	(72,750)	10,945
5,452	(2,214)	(775)	(8,507)	(588)	(9,615)	(6,686)
1,864	(18,937)	(21,829)	35,864	(1,617)	39,695	18,227
39,141	56,039	44,615	72,043	89,204	46,274	63,201
87.68	69.51	46.92	45.73	97.27	4.18	11.04
528.26	579.91	580.16	593.47	668.18	625.05	630.24
17.7	12.6	8.1	7.8	15.5	0.6	1.7
32.00	34.00	28.00	26.00	38.00	16.00	8.00
2,214	2,353	2,391	2,483	2,753	2,861	2,534
13.0	15.2	17.6	21.0	22.2	23.9	13.7
233	273	270	258	294	392	270
70	70	71	65	66	66	62
4,320	4,844	4,094	4,276	4,659	4,527	4,339
97.0	96.4	96.9	99.3	97.0	97.3	99.1
4,310	3,938	3,671	3,499	3,243	3,009	2,851

the amended standard at the start of FYE March 31, 2019. The amended standard has been applied retroactively to the key financial metrics for FYE March 31, 2018.  
the breakdown of net trading income in the previous fiscal year (ended March 31, 2019).

# Company Information

## Company information (As of March 31, 2020)

Company name	Tokai Tokyo Financial Holdings, Inc.
Date of incorporation	June 19, 1929
Paid-in capital	¥36,000,000,000
Number of employees	130 (Does not include 27 temporary employees and 2 dispatched workers)
Number of employees (Consolidated)	2,534 (Does not include 20 investment advisors and asset advisors, 375 temporary employees, and 85 dispatched workers)
Address of head office	Nihonbashi Takashimaya Mitsui Building, 5-1, Nihonbashi 2-chome, Chuo-ku, Tokyo 103-6130

## Principal operating offices of subsidiaries (As of March 31, 2020)

Company name	Address of head office	Number of sales offices	Location
Tokai Tokyo Securities Co., Ltd.	7-1, Meieki 4-chome, Nakamura-ku, Nagoya-shi, Aichi	62	Aichi, Tokyo, etc.
Tokai Tokyo Research Institute Co., Ltd.	19-30, Aoi 1-chome, Higashi-ku, Nagoya-shi, Aichi	2	Aichi, Tokyo
Tokai Tokyo Asset Management Co., Ltd.	17-21, Shinkawa 1-chome, Chuo-Ku, Tokyo	1	Tokyo
Tokai Tokyo Investment Co., Ltd.	17-21, Shinkawa 1-chome, Chuo-Ku, Tokyo	1	Tokyo
Tokai Tokyo Wealth Consulting Co., Ltd.	5-28, Meieki 4-chome, Nakamura-ku, Nagoya-shi, Aichi	2	Aichi, Tokyo
Tokai Tokyo Academy Co., Ltd.	17-21, Shinkawa 1-chome, Chuo-Ku, Tokyo	1	Tokyo
Tokai Tokyo Services Co., Ltd.	13-8, Aoi 1-chome, Higashi-ku, Nagoya-shi, Aichi	2	Aichi, Tokyo
Tokai Tokyo Business Service Co., Ltd.	17-21, Shinkawa 1-chome, Chuo-Ku, Tokyo	1	Tokyo
ETERNAL Co., Ltd.	20-19, Minamiaoyama 4-chome, Minato-ku, Tokyo	53	Tokyo, Hyogo, etc.
Mebius Co., Ltd.	3-8, Minamishinmachi 1-chome, Chuo-ku, Osaka-shi, Osaka*	1	Osaka
Pinnacle Inc.	6-7, Shibakoen 1-chome, Minato-ku, Tokyo	1	Tokyo
Pinnacle TT Solutions Inc.	6-7, Shibakoen 1-chome, Minato-ku, Tokyo	1	Tokyo
Money Compass Japan Co., Ltd.	17-21, Shinkawa 1-chome, Chuo-Ku, Tokyo	1	Tokyo
3.0 Securities Preparatory Co., Ltd.	17-21, Shinkawa 1-chome, Chuo-Ku, Tokyo	1	Tokyo
Tokai Tokyo Securities (Asia) Limited	18th Floor, No.33 Des Voeux Road Central, Hong Kong	1	Hong Kong, China
Tokai Tokyo Securities Europe Limited	4th Floor, Salisbury House, London Wall, London, EC2M 5QQ, United Kingdom	1	London, United Kingdom
Tokai Tokyo Securities (USA), Inc.	3 Columbus Circle, Suite 1715, New York, NY 10019, USA	1	New York, United States
Tokai Tokyo Investment Management Singapore Pte. Ltd.	60 Anson Road #13-03, Mapletree Anson, Singapore 079914	1	Singapore
Tokai Tokyo Global Investments Pte. Ltd.	60 Anson Road #13-03, Mapletree Anson, Singapore 079914	1	Singapore

\* In May 2020, the company moved to 2-1-8 Minamimoto-cho, Chuo-ku, Osaka-shi, Osaka.



# Share Information

## Share information (As of March 31, 2020)

Stock code	8616
Stock exchange listings	First Section, Tokyo Stock Exchange and Nagoya Stock Exchange
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Number of shares authorized	972,730,000
Number of shares issued	260,582,115
Number of shareholders	42,989
Trading unit of shares	100

## Major shareholders (Top 10) (As of March 31, 2020)

Name	Number of shares held	Ownership ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,897,800	5.19
MUFG Bank, Ltd.	12,016,853	4.84
Japan Trustee Services Bank, Ltd. (Trust Account)	11,287,900	4.54
Mitsui Sumitomo Insurance Co., Ltd.	7,283,798	2.93
Toyota Financial Services Corporation	7,280,000	2.93
The Bank of Yokohama, Ltd.	7,014,553	2.82
Nippon Life Insurance Company	5,611,890	2.26
Sumitomo Mitsui Trust Bank, Limited	4,800,000	1.93
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,609,100	1.86
Meiji Yasuda Life Insurance Company	4,406,000	1.77

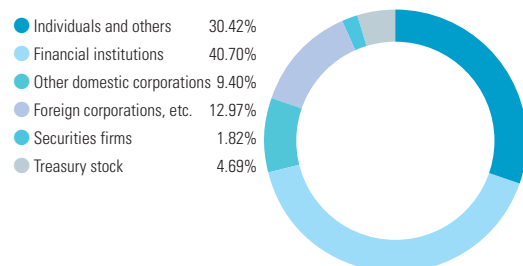
Note1: The ownership ratio is calculated based on figures generated after deducting treasury stock from the total number of shares issued.

Note2: In addition to the companies listed above, Tokai Tokyo Financial Holdings holds 12,216,596 shares of treasury stock.

Note3: On July 27, 2020, Japan Trustee Services Bank, Ltd., changed its name to Custody Bank of Japan, Ltd.

## Shareholders breakdown (As of March 31, 2020)

### By type of shareholder



### Stock price on the Tokyo Stock Exchange (April 1, 2015 - March 31, 2020)





**TOKAI TOKYO FINANCIAL HOLDINGS, INC.**

Nihonbashi Takashimaya Mitsui Building  
5-1, Nihonbashi 2-chome, Chuo-ku, Tokyo 103-6130

<http://www.tokaitokyo-fh.jp/en/>