About the Integrated Corporate Report 2017

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.

Last year, in addition to financial data, we expanded our report to allude to non-financial environment, social, and governance (ESG) information.

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

TOKAI TOKYO FINANCIAL HOLDINGS, INC.

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Notice Concerning Forward-looking Statements
This corporate report is intended to provide information concerning the Company’s operating results for the period April 1, 2016 to March 31, 2017 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 the environment and society for the fiscal year period to March 2017.
### History – The Development and Growth of Tokai Tokyo

Tokai Tokyo Securities (now Tokai Tokyo Financial Holdings) was created in October 2000 by way of merger with Tokyo Securities, an affiliate of Nikko Securities, and Tokai Maruman Securities, an affiliate of The Tokai Bank.

- **October 2000**
  - Tokyo Securities and Tokai Maruman Securities merged and started operations as Tokai Tokyo Securities (Head Office in Tokyo)

- **April 2009**
  - Tokai Tokyo Financial Holdings inaugurated its operations

- **November 2008**
  - Hamagin Tokai Tokyo Securities started its operations

- **October 2007**
  - YM Securities started its operations

- **April 2006 to March 2009**
  - Management plan

- **April 2009 to March 2012**
  - Management plan

- **April 2012 to March 2017**
  - Management plan

- **April 2017**
  - Utsunomiya Securities, formerly our consolidated subsidiary, was converted to a joint venture company owned and operated together by The Tochigi Bank and the Group

- **April 2017 to March 2022**
  - Management plan

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### Financial Holdings

Tokai Tokyo Financial Holdings is an independent financial group developed by distinctly growing the operations of its flagship subsidiary, Tokai Tokyo Securities, which has a strong operating base in the Chubu region of Japan, and by deploying an innovative alliance strategy with regional banks.

- **April 2000**
  - Tokyo Securities and Tokai Maruman Securities merged and started operations as Tokai Tokyo Securities (Head Office in Tokyo)

- **April 2009**
  - Tokai Tokyo Financial Holdings inaugurated its operations

- **April 2009 to March 2012**
  - Management plan

- **April 2010**
  - The Head Office of Tokai Tokyo Securities was relocated to Nagoya

- **April 2010**
  - Tokai Tokyo Securities and Toyota Financial Services Securities merged

- **May 2010**
  - Nishi-Nippon City Tokai Tokyo Securities started its operations

- **November 2008**
  - Hamagin Tokai Tokyo Securities started its operations

- **January 2017**
  - Hokuhoku Tokai Tokyo Securities started its operations

- **March 2017**
  - Comprehensive insurance agency Eternal became a wholly owned subsidiary

- **April 2017**
  - Takagi Securities will become a consolidated subsidiary

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#### Premier House

- **IT strategy supporting 5 Reforms and Alliance strategy**
  - Reform the corporate governance/corporate culture
  - Reform the business portfolio/business model
  - Reform the network
  - Reform products and services
  - Reform employees’ productivity

#### Reform the corporate governance/corporate culture

- **Reform the business portfolio/business model**

#### Reform the network

- **Reform products and services**

#### Reform employees’ productivity

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#### M&A Strategy

- **Growth**
- **Productivity**
- **Communication**
- **Customer loyalty**
- **Super Community House**

#### Blue Ocean Strategy

- **TT Revolution**
- **Leading Player in Asia**
  1. Community & the Middle
  2. Alliance & Platform
  3. Expertise
  4. Humanity
  5. Risk Management

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#### New Age’s Flag Bearer 5

- **Further Strengthen Operating Base and More Growth**
  - Implement unique segment-specific strategy to enhance originality of marketing
  - Expanded operations through corporate trilateral initiatives and advance in global markets
  - Great Platform
  - Enhance organizational administration and safeguard against risk
  - Pursue humanity and professionalism
  - Productivity revolution

#### Strategy Themes

- **Inorganic growth (M&A with other financial industry companies)**
- **Asset management competence**
- **Diverse pension and insurance competence**
- **Banking competence**
- **Overseas operation enhancement**
- **Metropolis operation expansion**

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*1 Now SMBC Nikko Securities
*2 Now the Bank of Tokyo-Mitsubishi UFJ
*3 An affiliated securities company that is a joint venture with a regional bank
About the Tokai Tokyo Financial Group

Management Philosophy

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.

Our Mission

Customers: 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.

Employees: 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.

Trust: We shall keep learning.
We shall challenge.
We shall respect communications.
We shall embrace the motto, “To get stronger and more resilient”.
We respect our “corporate discipline”.

Our Actions

We shall respect communications.
We shall embrace the motto, “To get stronger and more resilient”.
We respect our “corporate discipline”.

Catchphrases

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

Group Overview

The Tokai Tokyo Financial Group is a comprehensive securities company group led by its holding company, Tokai Tokyo Financial Holdings, Inc. The Group comprises 16 subsidiaries, including 5 located overseas, and 9 affiliates, including 1 overseas. In recent years, Tokai Tokyo Financial Holdings has focused on establishing and expanding its overseas network, particularly in Asia, and continues to elevate its presence as a global corporation.

Holding Company (listed company)
About the Tokai Tokyo Financial Group

Business Model

The Tokai Tokyo Financial Group has designed an innovative business model incorporating the Platform operating format developed to supply the full range of products and services necessary to run securities brokerage operation to the affiliated joint venture securities companies established with regional banks as well as to peer securities brokerage houses. Concurrently, we have undertaken various creative endeavors at Tokai Tokyo Securities, the core member of the Group. The Group will continue developing more diverse and more value-added products and services, while adding more-sophisticated operational competence to such Platform operations. Also, we consider it imperative to expand the client base of the said Platform operations to achieve the goal of increasing our corporate value.

Business

We help customers with asset formation through exceptional knowledge and expertise.
- Consulting on asset management
- Offering wide range of investment products
- Consulting on succession (business transfers, real estate transfers)
- Providing research and market information and organizing seminars

We meet the diverse needs of customers with professional ideas.
- Trading operations (Japanese and foreign equities, bonds, currency exchange, derivatives, etc.)
- Research, develop, and formulate financial products
- Provide market information

We optimally solve our customers’ management issues.
- Advice on fund management
- Advice on POs, IPOs, and bond underwriting for fund procurement purposes
- M&A advisory service
- Advice on business transfers
- Provision of research and market information and holding of seminars

Process

Alliance Strategy and Platform

Our Vision

Establish a commanding presence as an integrated financial group that stands as the Third Pillar in the financial industry

The Tokai Tokyo Financial Group embarked on the new management plan, New Age’s Flag Bearer 5, in April 2017. The name of the plan reflects the Group’s steadfast determination to become the leader, the New Age’s Flag Bearer, establishing the “Third Pillar” in the financial service arena. In five years, we will build our unique business model, aiming to be an integrated financial group and financial service provider that customers select most.

The Tokai Tokyo Financial Group provides leading-edge financial products and services to individual and corporate customers, and conducts market trading.

We are committed to offering the solutions we consider most suitable to meet diversifying needs of customers while at the same time fulfilling our fiduciary duties.
About the Tokai Tokyo Financial Group

Group Description

Diverse Business Portfolio and Products
Tokai Tokyo Securities, the flagship company of the Tokai Tokyo Financial Group, has created a diverse and broad-ranging product and service portfolio. The Tokai Tokyo Financial Group has grown to be one of Japan’s leading comprehensive securities company groups, steadily expanding non-retail market share and thus maintaining a wholesome balance of weight among its retail, wholesale (corporate sales, corporate finance), and market trading operations. The Group continues diversifying its lineup of financial products and services generating revenues from its four primary products of domestic equities, foreign equities, bonds, and investment trusts with no reliance on any one of them specifically.

- **Diversification of the Business Portfolio**
  - Non-retail: 15% (Wholesale, Market)
  - Retail: 85%

- **Diversity of Products**
  - Investment trusts: 18%
  - Domestic equities: 23%
  - Others: 3%
  - Foreign equities: 20%
  - Domestic bonds: 11%
  - Foreign bonds/structured bonds: 25%

Alliance Strategy with Regional Banks
Tokai Tokyo Financial Holdings has constantly established affiliated joint venture securities companies in alliance with regional banks across Japan. Now, customers migrate their savings from bank deposit accounts to those with securities brokerage firms for asset formation purposes. And customers’ needs for financial products are getting ever diverse. We are now asked to provide increasingly more diverse and sophisticated services to meet such complex needs. We identify the needs of respective regional markets that each allied regional bank serves. Based on such data, we offer quality financial services and products to as many customers as we can through the network of the allied regional banks. During this process, we make the most of product development resources and consulting service competence.

Assets under Custody of the Affiliated Joint Venture Securities Companies
(Billions of yen)

Worldwide Expansion from Our Strong Launching Pad in Chubu
Tokai Tokyo Securities and Takagi Securities operate 82 sales offices nationwide. Over half of these offices are concentrated in the Chubu region, where we maintain an unrivaled presence and have built strong relationships of trust with local customers. We are building a network of domestic sales offices, including those of our joint venture securities companies, and overseas alliances to expand our network from Chubu across Japan and around the world.

Overseas Expansion
The Tokai Tokyo Financial Group operates six overseas subsidiaries and affiliates, including Tokai Tokyo Securities (Asia) Limited and Tokai Tokyo Securities Europe Limited. The Group also has close alliances with 9 financial institutions overseas, mainly in Asia, enabling access to overseas markets and further upgrading the caliber of our financial services. The company also provides Group companies with information supplied by several companies overseas with whom we have some partner relationship in one way or another, and Global Advisory Board members (Please see page 46.) of the Company.

- **Tokai Tokyo Securities**
  - 68 sales outlets nationwide

- **Takagi Securities Co., Ltd.**
  - 14 sales outlets

- **Joint venture securities companies**
  - 69 sales outlets

- **Hokuhoku Tokai Tokyo Securities**
  - 3 sales offices

- **Kanto region**
  - 4 sales outlets

- **Kinki region**
  - 1 sales outlet

- **Chugoku/Kyushu region**
  - 8 sales outlets

- **Hokuriku/Koshin-etsu region**
  - 3 sales outlets

- **Kanto region**
  - 6 sales outlets

- **Kanto region**
  - 1 sales outlet

- **Tokai Tokyo Global Investments**
  - 2 sales outlets

- **Philippine Securities**
  - 1 sales outlet

- **K & N Kenanga Holdings**
  - 13 sales outlets

- **Tokai Tokyo Global Investments (Philippines)**
  - 1 sales outlet

- **Bank of East Asia**
  - 1 sales outlet

- **Vientiane Securities**
  - 3 sales outlets

- **Tokai Tokyo Global Investments (Thailand)**
  - 2 sales outlets

- **Tokai Tokyo Global Investments (Vietnam)**
  - 2 sales outlets

- **Sino-Vietnam Securities**
  - 2 sales outlets

- **United Securities**
  - 2 sales outlets

- **Bualuang Securities**
  - 13 sales outlets

- **Guotai Junan Securities**
  - 21 sales outlets

- **Tokai Tokyo Investment Management Singapore**
  - 3 sales outlets

- **Mirae Asset Daewoo Securities**
  - 11 sales outlets

- **Shanghai Securities**
  - 3 sales outlets

- **Philippine Securities**
  - 1 sales outlet

- **Tokai Tokyo Investment Management Tokyo**
  - 2 sales outlets

- **Tokai Tokyo Investment Management Hong Kong**
  - 3 sales outlets

- **Tokai Tokyo Investment Management Singapore**
  - 2 sales outlets

- **Phillip Tokai Tokyo Investment Management**
  - 1 sales outlet

- **First Metro Investment Corporation**
  - 2 sales outlets

(As of September 30, 2017)
## Financial Highlights

### Total revenues

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013.3</td>
<td>67,854</td>
</tr>
<tr>
<td>2014.3</td>
<td>82,700</td>
</tr>
<tr>
<td>2015.3</td>
<td>67,585</td>
</tr>
<tr>
<td>2016.3</td>
<td>65,412</td>
</tr>
<tr>
<td>2017.3</td>
<td>89,547</td>
</tr>
</tbody>
</table>

### Operating income

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013.3</td>
<td>30,248</td>
</tr>
<tr>
<td>2014.3</td>
<td>25,071</td>
</tr>
<tr>
<td>2015.3</td>
<td>12,643</td>
</tr>
<tr>
<td>2016.3</td>
<td>15,252</td>
</tr>
<tr>
<td>2017.3</td>
<td>9,498</td>
</tr>
</tbody>
</table>

### Cash dividends per share / Dividends payout ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash dividends per share</th>
<th>Dividends payout ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013.3</td>
<td>16.00%</td>
<td>37.4%</td>
</tr>
<tr>
<td>2014.3</td>
<td>34.00%</td>
<td>36.5%</td>
</tr>
<tr>
<td>2015.3</td>
<td>59.7%</td>
<td>59.7%</td>
</tr>
<tr>
<td>2016.3</td>
<td>26.00%</td>
<td>56.9%</td>
</tr>
<tr>
<td>2017.3</td>
<td>28.00%</td>
<td>59.7%</td>
</tr>
</tbody>
</table>

### Total equity / Total assets

<table>
<thead>
<tr>
<th>Year</th>
<th>Total equity</th>
<th>Total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013.3</td>
<td>630,061</td>
<td>122,397</td>
</tr>
<tr>
<td>2014.3</td>
<td>617,270</td>
<td>142,929</td>
</tr>
<tr>
<td>2015.3</td>
<td>458,106</td>
<td>157,351</td>
</tr>
<tr>
<td>2016.3</td>
<td>568,549</td>
<td>155,204</td>
</tr>
<tr>
<td>2017.3</td>
<td>741,936</td>
<td>157,230</td>
</tr>
</tbody>
</table>

## Fiscal 2016 Initiatives

### Acquisition of Ace Securities Shares

In September 2016, the Group made Ace Securities an equity-method affiliate. Operating in the Kansai region since 1914, Ace Securities’ nationwide network of registered independent financial advisors is the largest in Japan. By mutually sharing expertise, combining the strengths of both and thus by growing each business and foundation, we will enhance jointly the corporate value of each entity.

### KALAIIS Robo-advisor

In November 2016, a subsidiary, Tokai Tokyo Securities, launched KALAIIS, a robotic advisory service designed to support first-time personal investors. The answers from would-be customers to seven simple questions prompt the automated online service to determine respondents’ risk tolerance, and, based on that result, the service suggests the most-suitable portfolio and balanced funds (including a rebalancing option).

### Eternal Becomes a 100% Subsidiary

The Company acquired Eternal and made it a 100% subsidiary in March 2017. Eternal is a nationwide network of insurance agencies with a customer base largely made up of younger individuals to which it offers services through its Insurance Terrace agencies. Tokai Tokyo Financial Holdings acquired the company to increase its exposure to customers in this demographic, which it considers key to broadening its client base to support the Group’s business growth in the medium-to-long term.

### Takagi Securities Becomes a Consolidated Subsidiary

The Group elevated Takagi Securities to a consolidated subsidiary in April 2017. Founded in Osaka in 1873, Takagi Securities is one of the oldest securities companies in Japan and in 2014 celebrated 140 years of offering specialized services. The company provides these services through its Toshin no Tokai, a direct-to-consumer service, and Madoguchi (Investment Trust Outlets), which have earned the trust of customers by consistently providing fair and neutral product comparisons and investment proposals. The Group consolidated Takagi Securities to enhance corporate value by combining management resources and accelerating the synergy effect between the companies.

### New MONEQUE Brand Introduced

The Group created the new MONEQUE brand to appeal to younger generations just starting their asset forming. “MONEQUE” was established in Tokai-city, Aichi Prefecture in April 2017. With services ranging from securities investment products to insurance and housing loans, MONEQUE agencies are one-stop shops to meet a wide range of the financial needs of young customers seeking to form asset portfolios.

Note: MONEQUE is a combination of the words “money” and “unique.”
Creating Our Future

Interview with the CEO

As an integrated financial group, we will continue to diversify our business content and use our unique presence as “the Flag Bearer for the New Age” of innovative financial services.

Q Please tell me about the end result of your management plan, “Ambitious 5”, that had lasted for five years until the end of March in 2017.

The financial industry in Japan now stands at a historical turning point. So, I think it is imperative to originate a new business model that prepares us ready to respond timely to the ever-changing environment and achieve sustainable growth. Since I became Chief Executive Officer of the Company, we have grappled with three medium-term management plans designed to elevate ourselves to a unique integrated financial group. During that process, we reformed both our operating structure and management framework while accurately foreseeing the changing environment.

Under the plan, “Innovation Jump Up 5”, that started in 2006, we intended to build the foundation to transform ourselves from a conventional stock broker to a unique comprehensive securities group, and, for that purpose, we caused Company-wide changes in our business portfolio and employees’ consciousness under the slogan of “Let’s change ourselves and things around us”. We, as a group, grew stronger than before through those changes. Under the next plan, “TT Revolution”, executed during the period of 2009 through 2012, we adopted the catchword of “Let’s grow big”, and, toward that goal, we enhanced our operating foothold in the Chubu region, our home market, by relocating the headquarters of Tokai Tokyo Securities Co., Ltd. to Nagoya, and consummating a merger with Toyota Financial Services Securities Corporation. Also, we expanded business volume and network coverage through joint operation with regional banks. During the same period, we made an organizational transition to a holding company structure with a view to growing and diversifying business smoothly. Then, we touched on “Ambitious 5” in 2012, our third management plan. One of the five strategic themes under this plan was “Alliance & Platform”, and our endeavor toward this theme further propelled collaboration with leading regional banks resulting in the jointly run securities firms increasing then up to six. Our joint venture operating network now reached nation-wide coverage. We also made an investment contribution to All Nippon Asset Management Co., Ltd., which was established on the initiative of influential regional banks. As such, we have achieved significant progress in line with the consistent strategic theme of “region first”. In addition, we have expanded “Platform Business” that offers an operating infrastructure and capability to small to medium-sized securities brokerage houses, establishing a unique “win-win” relationship with peers in our industry.

On the theme “Community & the Middle”, we drove forward our “Segment-Specific Marketing Strategy” targeting...
specifically “Wealth Customers” and “Wealth-Forming Customers”. On “Wealth Customers”, we introduced a new service concept, “Orque d’or”, and set us ready to provide a wide range of consulting and information services covering such matters as real estate investment, inheritance and business succession, and medical and health besides asset management per se. As part of the Orque d’or service, we regularly organize high-quality events like concerts and art exhibitions on the top floor of the Meieki Building located right in front of JR Nagoya Station. We are extremely well received by the customers in arranging such events, and we have been successful in lifting our name recognition significantly in the Chubu region thanks to this new activity. Toward the segment of “Wealth-Forming Customers”, we started another new service branded as “MONEQUE” to meet customers’ consulting needs about insurance, housing loans, and other securities firms and other purchasers of our Platform services. Thus, the division, by its growth, helped us earn higher profits as well. The attempt by the division increased the volume of transactions with customers including those of jointly operating alliance partners, and other chances open to any qualified candidate Company-wide. Also, we revised HR practices as they relate to fair evaluation and suitable compensation packages in response to our expanded operating base and diversifying business portfolio.

Since human resources replete with humanity and expertise are the core driving force of our growth, I think it is most imperative to hire and develop such personnel. To foster diversity with an intent on supporting employees with diverse backgrounds, we are focusing among others on encouraging female employees to work more actively. For that purpose, we are making our working environment friendlier to female employees and revising internal rules so that mothers can do both child caring and working more easily. We are actively promoting female employees up to managerial positions and directors, and we are receiving a high reputation from various organizations due to such efforts. Also, we adopted a unique policy to have young employees immerse themselves exclusively in training during the first two years after joining us. This is an unprecedented practice in our industry here. Further, we offer them various “career-up learning opportunities” beginning in their third year with us, including a scholarship for reputable MBA program enrollment either in Japan or overseas, OJT training overseas at both our offices and alliance partners, and other chances open to any qualifying candidate Company-wide. Also, we revised HR practices as they relate to fair evaluation and suitable compensation packages in response to our expanded operating base and diversifying business portfolio.

I can tell that the measures taken under Ambitious 5 were proven surely effective with our Group’s business portfolio now being converted to what we had designed it to be. But, I think we must keep innovating a more-sophisticated business model toward the goal of creating a genuine integrated financial group. The model we aim to establish should entail:

- Advancement of segment-specific strategy for Retail
- Full-blown penetration to huge metropolitan markets
- Stepped-up resource enhancement for market operations
- Significant expertise and productivity improvement for employees
- Operations conscious of capital efficiency for management.

The operating environment changes ever faster, and its expanse, depth, and complexity we must deal with keep growing. The securities brokerage industry, I consider, is now facing a critical turning point. The fact that the elderly population segment owns the majority of personal financial assets in Japan is a serious imminent challenge deserving national attention. So, we, as an industry member, must proactively support wealth formation for the young people on whose shoulders rest the future of Japan since this situation presents us a big business chance as well as a challenging vital mission. IT, exemplified by FinTech and AI, permeates the world rapidly, and, because of that, visualizing what the financial industry will look like even in the very near future is becoming difficult. Not only that, we must fulfill our fiduciary duties more vigorously. Further, we must meet the emerging social requirement of “work-style reform” as well. I think that we are requested to deal with every one of those various issues meticulously, and then finally we can raise the corporate value of our Group. The challenges we could not even imagine just five years ago now surround us, and the next management plan formulation should be premised upon the vision about what we must do to prevail over such challenges.

As such, we designed the plan, “New Age’s Flag Bearer 5“, to take on the new challenges while carrying on the gist of basic strategy under the previous Ambitious 5. Could you please explain about the basic strategy you embedded with the plan New Age’s Flag Bearer 5?

My observation about our current industry is this. Neither megabank affiliated members nor major players have yet
Creating Our Future  
Interview with the CEO

Humanity and Expertise, The Pursuit of Heart and Professionality

We aim to evolve Platform operations as a basis for sharing common management challenges and solving those together with partner banks and allied brokers. If we, the Group, and partner banks and allied brokers jointly take on the changing environment and mutually share customer bases as well as integrate operating know-how, we should be able to develop the Great Platform. By reaching this stage, we can acquire insight, know-how, and expertise to survive the upcoming uncharted environment.

To elevate ourselves to the higher stage, we need some boost to our services providing competence that may not be available by merely holding onto past strategies. We will, therefore, constantly keep our eyes on potential M&A targets and transactions, and, when occasion presents, we will take actions swiftly and timely.

Then, we will be able to evolve ourselves into an integrated financial group that embraces a unique business model in five years.

Could you tell me about your basic policy in driving forward the new management plan?

I think that the crucial factor to complete the implementation successfully is human resource development.

When we introduce our products and services, we must ascertain that the customer sitting in front of us does understand correctly what we are talking about. We are supposed to deliver such products and services only if the customer is satisfied with our explanation. To perform the said routine, we must possess solid consulting competence given the complexity of the products and services available now. Particularly, the prices of securities products change every second, and that makes the product we handle different from other kinds. Consequently, we must deal with risk in doing our business day to day as a “risk specialist”, and we are always being closely monitored on how good a risk managing professional we are. Because we deliver the products and services that inherently contain risk, we are subject to severe scrutiny of what we are and what we do. In other words, we must remain humble and non-compliant to market trends and be honest and sincere to customers.

The foregoing would apply to our joint operations with allied partners as well. I think what matters most to us continues to be a “sincere” and “relied on” company. Accordingly, we will put the following essential measures into action:

• Fostering employees to be the human resources possessing both “professionalism” and “heart (humanity)”
• Promoting diversity with one of its focuses on reactivation of old employees
• Attaining drastic productivity improvement and radical work-style reform
• Reviewing and overhauling the existing HR practices to make all of the above measures feasible

Let me ask you about the Group’s capital policy particularly regarding future investment and profit distribution to shareholders.

About profit distribution to the shareholders, we will do the best we can to continue stable dividend payment at the target range of a 30% to 50% payout ratio. In addition, we will buy back our own stocks when necessary. And, of course, we consider it more important than anything else to increase our shareholders’ value by achieving sustained profit growth.

To that end, we will make investment by setting high priorities on M&A of peers, network expansion into growing Asian markets, and a proactive response to the rapidly progressing financial technology business.

Now and onward, we will make another preeminent course, we consider it more important than anything else to increase our shareholders’ value by achieving sustained profit growth.

To that end, we will make investment by setting high priorities on M&A of peers, network expansion into growing Asian markets, and a proactive response to the rapidly progressing financial technology business.

Now and onward, we will make another preeminent course, therefore, we will return the fruit of our endeavors to our shareholders. So, we sincerely ask you, valued shareholders and investors, to provide your continuing support and understanding.

Can you tell me about the activities the Company currently conducts to fulfill its role and mission in the region of its primary operating territory?

We, the Group, as a part of our CSR policy, are striving to assist the development of capital markets and the people’s wealth formation as our main lines of duty. We, at the same time, proclaim the contribution to activate regional societies also as one of our basic CSR policy items. Particularly, doing something to help the Chubu region prosper and develop now and onward is our mission as a conscientious corporate citizen because the region is our home for operations where we have been a long-time beneficiary of the support provided by the region and the people living there. Therefore, we are engaged in various activities. Here, you see below are some of the examples of our actions:

• Sponsoring a global program jointly with Nagoya University, including student exchanges between Japan and the United Kingdom, and global seminars for the public and students for training the people who can help the community handle various globalization related tasks in the future.
• Granting scholarships to student-athletes at Chukyo University, Nagoya to induce the community to be filled with culture to stimulate enthusiasm for sports in the community.
• Making our reception facility, “Salon de Orque d’or”, available free of charge as a venue for various seminars and other events for “open innovation initiatives”, hoping to facilitate the creation of new industries in the Chubu region, known as the hub for the manufacturing industry.
• Setting up in August 2016 the “Tokai Tokyo Foundation”, a general incorporated foundation, and it provided funding to the “Tongai Project”, an initiative started by Nagoya University to encourage new business start-ups to spring up, and to the region’s efforts to preserve cultural heritage, such as local folk festivals

For us to promote the activities mentioned above and others, we will keep proactively taking on such duties to invigorate the region’s future prosperity. So, please count on the future Tokai Tokyo Financial Group!
Results of the Ambitious 5 Management Plan

Under the management plan, Ambitious 5, that was launched in April 2012, we have implemented various measures including expanding the business base of Wealthy customers, adding more regional banks as alliance members, increasing the securities brokerage firms that purchase Platform services through which we supply our Group products and services, and acquiring insurance service capabilities. Those measures enabled us to accomplish two significant results and those are 1) enhanced earning ability and 2) profit structure reformation by freeing ourselves from over-dependence on retail business.

The Five Strategies under Ambitious 5

The Ambitious 5 management plan launched in April 2012 encompassed various initiatives pursuing five strategic themes: 1) Community & the Middle with strategic focus on selected regions and customer segments, 2) Alliance & Platform to actively expand our business base, 3) Expertise to bolster product development and proposal offering capabilities, 4) Humanity to create a company with a human touch, and 5) Risk Management to fortify the Group against risk scenarios. You see below the things we achieved in line with the said themes:

- Community & the Middle led us to the creation of a new service brand concept of “Orque d’or” catered to Wealthy customers to broaden the business base of higher-income customers. Not only that, we introduced “MONEQUE” which is a one-stop does-it-all financial service outlet offering insurance, housing loans, and securities brokerage to Asset Forming customers.
- On the Alliance & Platform front, we started both Senshu Ikeda Tokai Tokyo Securities and Hokuhoku Tokai Tokyo Securities up and running as newly added affiliated joint venture securities companies in alliance with prominent regional banks. And we converted Utsunomiya Securities, formerly our consolidated subsidiary, to a joint venture securities company owned and operated together by The Tochigi Bank. Also, with a view to expanding the Group’s customer base, we acquired shares of Ace Securities that had been our affiliate company, and made Takagi Securities a consolidated subsidiary of ours. Furthermore, we purchased Eternal, a comprehensive insurance agency, as a wholly owned subsidiary to develop insurance product offering competence aiming to offer entry-level insurance products with a target on next-generation customers.
- We also made great strides with our in-house initiatives under the themes of Expertise, Humanity, and Risk Management, including reform of HR management practices, diversity acceleration, and corporate governance enhancement.

Earnings Power Boost

The initiatives we undertook in accordance with the plan, Ambitious 5, to advance our management strategy to produce significant results include 1) expanding the business base of Wealthy customers, 2) adopting a new brand concept and opening new outlets geared to customers considering Asset Forming, 3) widening alliances with new partner regional banks, 4) increasing the number of Platform service contracts whereby we wholesale products and services to peer securities brokerage firms for their operations, 5) injecting capital to, and purchasing interests in, peer securities brokerage houses, and 6) acquiring insurance service capabilities.

At the outset of Ambitious 5 implementation, we had just three joint venture securities companies operating with regional banks. Now, we have doubled those to six. We increased the number of Platform service clients from 13 to 50, which is nearly a quadrupling leap. Thanks to those operating base enhancement and expansion, we achieved a markedly improved balance of profit contribution among divisions. For instance, we have reduced dependence on retail operation from 73% to 58% over the five years and we recognized the corporate sales and market trading, both formerly carrying lower weights, now surpass retail in profit generation. These efforts have enabled us to increase our total assets* under custody from ¥4.4 trillion to ¥6.1 trillion over the past five years. As such, we are growing our earnings power steadily.

Toward Further Growth

We, the Tokai Tokyo Financial Group, have completed three sets of management plan—Innovation Jump Up 5, April 2006 through March 2009, TT Revolution, April 2009 through March 2012, and Ambitious 5, April 2012 through March 2017. Innovation Jump Up 5 was designed to overhaul every aspect of our operations, including reorganizing our business portfolio and reformatting the mind-set of our employees. The TT Revolution plan sought to expand our business base while highlighting the distinguishing features of the Group. The main objectives of the just-completed Ambitious 5 plan, while adapting ourselves well to dramatically changing times, were to raise the Group’s presence both in the securities industry as a whole, and in the Chubu region geographically, and to strengthen the Group’s distinctiveness to anchor its position. We believe we have been very successful in achieving the said goals including the one related to our operating results. However, these achievements making process also made clear the areas we must continue to improve, suggesting the following newly emerged tasks: Deepening the right sales approach to each customer segment, Establishing a business model to capture next-generation customers, Enriching the assortment of products and services we offer to joint venture securities companies and Platform service customers, and Enhancing the productivity of organizational operation.

We will, from now onwards, tackle the new management plan, “New Age’s Flag Bearer 5”, on the new stage coming up in front of our eyes, for a definite purpose of making our presence felt more.
New Management Plan “New Age’s Flag Bearer 5”

We launched our new management plan “New Age’s Flag Bearer 5” in April 2017. When we named this plan, we did mean to become the leader, or flag bearer, for a new age in the financial world. We mean to build in five years the business model that no competitor in the industry can duplicate, and we mean to bring ourselves forward to the next stage as an integrated financial service group.

Establish the Foundation to Boost Our Profit Generation Capabilities and Reorienting Our Focus

The “New Age’s Flag Bearer 5” management plan consists of two core initiatives – “further strengthening and expanding our operating base” and “advancing strategic themes.” In drawing the plan first, we reviewed the achievement and the tasks that emerged during the implementation process of the previous plan, “Ambitious 5.” As a result of review, we formulated the new plan predicated upon the following fierce changes that surround us now and likely in the near future.

- the beginning of financial asset decline in Japan in a few years due to aging of society
- heavier fiduciary duty to be imposed under the spread of rigorous customer-first principles
- additional requirement from society such as “work-style reform”
- further permeation of digital financial service including, Internet trading, FinTech, and AI

This plan will give us an unparalleled business model in five years and will bring us to our next stage as an integrated financial service group.

Overview of the Management Plan, “New Age’s Flag Bearer 5”

The Group aims to further strengthen and expand the operating base by framing strategies geared to each specific retail customer segment, implementing corporate “trilateral strategy,” realizing the Great Platform, and advancing initiatives including in-house productivity revolution.

Retail: Pursuit of the Uniqueness of the Group by Way of Segment-Specific Strategy Catered to Retail Customers

For the goal of laying a further enhanced operating foundation and its growth at the Retail operation, we will implement a segment-specific strategy dealing with each segmented retail customer.

- Addressing Wealth segment customers, we aim to broaden the customer base in the Chubu region and in large cities including Tokyo and its peripheral areas as well as other populous cities. We will make the most of “Orque d’or” resources for the expansion of this specific customer segment.
- To the customers of the Matured segment, we will do the following. —Responding to the need of family wealth transfer by offering “asset assessment service” —Suggesting and providing the product and service fitting best to the customers at each varying life stage

Inorganic growth in the industry (M&A of securities brokerage)
Asset management competence
Diverse pension and insurance handling competence
Banking service competence
Overseas operation enhancement
Metropolis operation expansion

Further strengthen operating base and business growth

While keeping the orientation and the achievement of Ambitious 5, pursue the originality of the Group, and establish and deploy the unique business model that no rivals can duplicate.

Pursue humanity and professionally

Great Platform

Strategy themes

- Obtain capabilities necessary for advancement to the next stage and when made available, feed those to the process of strategy implementation

Inorganic growth in the industry (M&A of securities brokerage)
Asset management competence
Diverse pension and insurance handling competence
Banking service competence
Overseas operation enhancement
Metropolis operation expansion

In formulating the management plan, “New Age’s Flag Bearer 5”

The New Age’s Flag Bearer 5 management plan is designed to give our management the agility and speed to keep us always at the forefront of the industry even during the times of drastic changes in the operating environment.

The new plan will continue and build on the strategic advances attained under the previous “Ambitious 5” management plan and presents viable solutions to the Group to prepare for the testing crisis of financial assets contraction expected to take place in just a few years. The plan also aims to establish a firm foundation for the future upon which we will grow into an integrated financial group in five years as the Third Pillar in the industry with a significant presence without tailoring to any megabank group. The Group then will embrace its unique business model and become the financial group chosen widely by customers as the leader and New Age’s Flag Bearer in the financial world.

Hiroshi Maezono
Deputy President (Representative Director), Aide to the CEO
Creating Our Future

Corporate Sales and Market

Toward the goal of laying a further enhanced operating foundation and its growth, we will engage in fulfilling the theme to achieve the expansion by way of the Trilateral Approach and advancing to global markets. More specifically, we intend to grow business volume in the framework of cross-sectional collaboration among Corporate Sales, Corporate Finance, and Market Trading and, through this collaboration, we will deliver our unique information about overseas markets, further enrich the assortment of products of overseas origin, and enhance the caliber of M&A brokerage.

Group Synergies and the Great Platform

To produce higher synergy among our Group to move up to the next stage, we will elevate our current business model up to the Great Platform. We are currently supplying various services and products to the affiliated joint venture securities companies as well as to peer securities brokerage houses under the framework of the Platform. The said services and products include data processing systems, training, market information, products, online-transaction capability, and trust function. Our idea is to combine all the said operating resources, M&A advisory capability, and the marketing approach developed within the Group to create a new model, now referred to as “The Great Platform”, with a view to strengthening our service providing competence.

Productivity Revolution and Human Resource Training

The Group will continue advancing its “Productivity Revolution.” In Retail operation, we will consolidate offices and enhance operating efficiency by carefully analyzing the regional characteristics of operating locations and deploying big data-based marketing activity. On the administrative front, we review internal rules and meaning of meetings as well as HR practices. By performing the above said, we would like to become an entity that can prove with pride the quality we have as a group. Further, we raise the standard of governance quality. To do this, we expedite the decision-making process across the Company and induce the Board of Directors to conduct more in-depth discussions. Also, we will advance our steps in assuming fuller fiduciary duties. With those endeavors, we should be able to focus on enhancing organizational administration, which then ultimately leads us to further fortification of governance quality.

Optimal managerial resource allocation and higher productivity

We, however, consider it necessary to develop human resources and furnish a working environment that employees find easy to work under for steady and successful implementation of the above said measures. With respect to HR practices overhaul, we promote diversity under which we assign more-active roles to senior and female staff and adopt a compensation method that encourages employees to acquire specialized job skills. Concerning day-to-day sales activities, we introduce the change in the business promotion method and take segment-specific sales approaches. Based on such efforts, we will improve productivity. As such, we, within our Group, exert efforts to raise the caliber of employees each as a matured person with a human touch as well as company personnel with greater professionalism. Thus, we take seriously the task to nurture the human resources possessing both heart and professionality.

* RPA (robotic process automation) is application software to automate and make administrative and clerical work more efficient.
We, Tokai Tokyo Securities, will provide comprehensive financial services of ever-improving quality as a core driving force of the Tokai Tokyo Financial Group.

Toshiyuki Hayakawa  
President & COO, Tokai Tokyo Securities Co., Ltd.  
Director of Tokai Tokyo Financial Holdings, Inc.

Will you please update me on Tokai Tokyo Securities’ performance for the fiscal year ended in March 2017, and what tasks do you think are remaining to be undertaken?

I should say that the market during the year was full of turbulences. As everyone would agree, the most-astonishing developments were those two. The first, in June 2016, the people in the U.K. voted for their exit from the EU, and, the next, Mr. Trump won the U.S. presidential election in November. Despite such a restless environment, the staff in the retail arena faced their duties in high sincerity and integrity and increased in the end assets under custody. They provided comprehensive financial services of ever-improving quality.

In corporate sales, we secured the position just next to half and our revenues quickly shot up accordingly. Under our previous management plan, we attained some lead-manager status nine months in a row during the year in managing the class of bonds issued jointly by multiple local governments.

We, while at the same time, recognize that a great many elderly investors/customers will exit soon from the securities market as their heirs inherit assets. So, we must acquire at the soonest timing new-generation customers who will fill the void to be left by those exiting customers. So far, however, we have not been quite successful in this endeavor yet.

Another point we bear in mind is that our performance is only as good as what we, Tokai Tokyo people, can do for our customers. So, I think it is necessary for us all at Tokai Tokyo to nurture loyalty to both customers and the Company. Since we are here at the Company for custom- ers, we all should share the awareness that the principle of duty lies in our efforts to execute thorough customer-first business operations. Further, employees joining us in mid-career (employees excluding those joining us with no previous work experiences) now account for more than a quarter of all staff on the Company’s entire payroll amid the expanding operations and diversifying business portfolio. Facing this reality, we will breed the corporate culture that induces keiretsu communication and facilitate more-cohesive endeavors at the Company toward the achievement of common goals.

Our assignment from that perspective, I think, is to work as the Group’s engine. First, concerning the Platform service the Group established through alliances, we will raise the level of sophistication and usefulness that the said service can achieve. Then, we add the new business model thereto and evolve the current Platform into the Great Platform so that we become able to offer better products to our service recipients like regional banks and peer securities houses. So, it is our single most-important assignment to cement viability of the Great Platform, the evolved Platform service, through arduous trial and error testing in various hypothetical business scenarios pertaining, of course, to varying product lineups, the distributions thereof, and other factors.

For whatever the area of service we operate as the core of the Group, we must build first a solid business model, and deliver the service from such a sound operational foothold. I believe this is how we are expected by our cus- tomers to win higher confidence and evaluation from them.
Retail Business Segment | Retail Sales

We respond to the diversifying needs of our customers and help them realize optimal asset formation.

Osamu Yagisawa
Deputy President
Head of Retail Sales Business Unit
Tokai Tokyo Securities

In the fiscal year ended March 31, 2017, the Retail Business Segment posted total revenues of ¥37,411 million, a decrease of 10.2% year on year, while individual customer assets under custody grew to ¥2,512.3 billion, an increase of 2.9%.

The market environment was very volatile during the year, affected by such developments as the decision by the United Kingdom to withdraw from the European Union and the election of Mr. Trump as President of the United States. The market environment was very volatile during the year, affected by such developments as the decision by the United Kingdom to withdraw from the European Union and the election of Mr. Trump as President of the United States.

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Corporate Sales Segment

In the fiscal year ended March 31, 2017, the Corporate Sales Segment posted total revenues of ¥4,055 million, an increase of 4.2% year on year. At the start of the year, the segment posted strong growth in new bond issues and bond portfolio transactions under Japan’s monetary policy of negative interest rates. Later in the year, we continued building revenues through aggressive programs and strategies to capitalize on the stock market rally under “Trumponomics” and generate and increase trade-related commission income. These efforts were combined to produce record-high revenues for the segment.

Strengths

Strengthening our wholesale business and strategically expanding our operations improved our ability to provide information and brokerage services about Japanese stocks to major institutional investors and overseas investors.

Initiatives

We will deepen the trust customers have in our services and strengthen our relations with customers by assessing customer needs for a diverse range of information and products. We are comparing no less favorably with major securities companies or megabank affiliated securities firms with respect to information and product supply resources. We obtained such strengths through the alliances established with solid overseas partners like Stifel in the United States from whom we widely source high-quality information and products such as derivatives of the imbedded variety.

Market Sales Segment

In the fiscal year ended in March 2017, the Market Sales Segment posted total revenues of ¥19,194 million, an increase of 12.7% year on year, despite the sharp fluctuations in the stock markets following the U.K. Brexit vote in June 2016 and the U.S. election of Mr. Trump in November; we effectively anticipated yield movements in the bond market and generated a substantial increase in trading revenue that contributed significantly to our earnings.

We also increased our trading volume of foreign equities during the year supported by ongoing moderate expansion of the U.S. economy and the U.S. stock markets reaching record highs fueled by expectations for President Trump’s economic policy.

These conditions were coupled with our efforts to enhance our information provision capabilities by strengthening collaboration with overseas business partners, to expand our support functions for marketing promotions conducted by our affiliated joint venture securities companies and securities firms using our Platform services, and to boost our trading capabilities by hiring professional staff and constantly developing our personnel. The unit performed particularly strongly in the second half when it put up record half-year revenues of ¥11.2 billion.

Strengths

The Market Sales Segment has an extensive product distribution network beginning with Tokai Tokyo Securities and extending to our affiliated joint venture securities companies and securities firms using our Platform services. The broad and deep customer base that this expansive sales network provides for our products is the Group’s biggest operating strength.

The unit’s other key strength is the ability to meet customer needs for a diverse range of information and products. We are compared no less favorably with major securities companies or megabank affiliated securities firms with respect to information and product supply resources. We obtained such strengths through the alliances established with solid overseas partners like Stifel in the United States from whom we widely source high-quality information and products such as derivatives of the imbedded variety.

Initiatives

In the Market Sales Segment, our most-important themes are always strengthening our ability to supply products and expanding our customer flow. Our ability to respond to customer needs by formulating our own products in-house has become our greatest strength of our ability to supply products. A prime example of this is our structured bonds, of which our transactions increased immensely in the year to March 2017. We will build on this success by continuing to develop investment instruments incorporating products formulated in-house in every risk category, including interest rates, foreign exchange, equities, and credit.

To expand our customer flow, we will further strengthen the “trilateral strategy” combining the Corporate Sales Unit, Corporate Finance Unit, and Market Sales Promotion Unit to broaden our customer base while continuing to cultivate new connections and deepen our business relations with corporate customers.

Our network of affiliated joint venture securities companies and securities firms using our Platform services is a unique strength that has truly begun to flourish in recent years. Our ability to develop and supply new products as integrated solutions to the entities under affiliation and partner relations with us will be the key to the success of our future product development and provision.
In the fiscal year ended March 31, 2017, the Corporate Finance Segment, led by active bond and equity underwriting operations, posted record-high total revenues of ¥1,201 million, an increase of 27.6% year on year. Our bond underwriting operations, including scheduled bonds, increased 19% year on year, to ¥500.6 billion, and once again substantially increased our sixth position in the Japan Corporate Bond League Table behind only the traditional five leaders in the domestic financial industry. Our equity underwriting operations included serving as the lead manager for five major stock issues during the year and amounted to ¥30.8 billion, placing us eighth on the IPO League Table.

**Strengths**

In the bond business, we applied our strong proposal origination capabilities to public institutions, particularly local governments, and our strong marketing capabilities to investors to firmly substantiate our position in the domestic financial industry behind only the five companies that have traditionally dominated the market. We became the first lead manager in Japan to be the top issuer of joint local government bonds for nine consecutive months, beginning in November 2016. I believe this achievement was the realization of our constant efforts to strengthen our human resources, foster our proposal origination capabilities, and enhance our marketing capabilities, which we realized through collaboration between the corporate and market sales departments and the trust we have earned from issuing entities through our unique network.

We also leveraged our commanding retail sales base centered on the Chubu region and our broad base of wholesale customers to be a prevalent presence in activities ranging from IPOs and PoVs to M&A and events catering to private investors. The meticulous proposals and support that we provide through our IPO underwriting systems led to a large number of Chubu companies entrusting us to lead manage stock issuances, giving us experience far surpassing that of larger securities companies.

**Initiatives**

We will continue expanding the scope of our business content to establish a solid customer base stretching out from the Chubu region, cultivate our operations overseas, and enhance our ability to provide information to issuing entities and investors.

We use the expansive network and proposal sourcing abilities of our business units and integrated securities companies in all aspects of the securities business to meet customer needs for financing proposals both in Japan and overseas. We are further enhancing our abilities by collaborating with leading investment banks in Europe, the United States, and across Asia to frame strategic proposals to advance the overseas M&A objectives of our customers.

We also focus on M&A consulting, including cross-border activities, and on supporting the business expansion and succession needs of our customers.

<table>
<thead>
<tr>
<th>Value</th>
<th>Initial public offerings: Underwriting value (¥m)</th>
<th>Municipal bonds: Underwriting value (¥m)</th>
<th>Initial public offerings: Underwriting value (¥m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds overall:</td>
<td>¥247,140</td>
<td>¥150,100</td>
<td>¥6,840</td>
</tr>
<tr>
<td>Value</td>
<td>Underwriting value (¥m)</td>
<td>Underwriting value (¥m)</td>
<td>Underwriting value (¥m)</td>
</tr>
<tr>
<td>Share</td>
<td>10%</td>
<td>5,17%</td>
<td>0.97%</td>
</tr>
<tr>
<td>Transactions</td>
<td>140 (excluding scheduled bonds)</td>
<td>57</td>
<td>17</td>
</tr>
</tbody>
</table>

Note: Scheduled bonds are public bonds issued periodically or on a predetermined schedule.

Kazuhiko Terakado
Managing Executive Officer
Head of Investment Banking Unit
Tokai Tokyo Securities

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**Expanding the Platform Business**

The Tokai Tokyo Financial Group pursues a strategy of forming alliances through the establishment of affiliated joint venture securities companies and by supplying products and services to other securities companies. The Group, under this strategy, has established subsidiary companies to provide the functions necessary for securities company operations.

**Joint Operations with Regional Banks**

The Tokai Tokyo Financial Group has been developing joint venture businesses with regional banks since 2007. 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.

The Group began operating Hokuhoku Tokai Tokyo Securities as a joint venture with the Hokuhoku Financial Group in January 2017 and elevated our consolidated subsidiary Utsunomiya Securities into a joint venture with The Tochigi Bank in April 2017. These additions increased the Group’s number of joint venture securities companies to six and raised its amount of assets under custody to roughly ¥1,400 billion, solidly placing the Group among the ranks of Japan’s middle-tier securities companies (as of the end of September 2017).

**Platform Business**

During the year, we applied the expertise cultivated through our joint operations with regional banks to build out the Platform into a full-fledged operation providing securities companies with the products, infrastructure, and functions necessary for securities company operations (Please see the Great Platform section on page 22).

As of the end of March 2017, the Group was supplying products, including foreign equities, foreign bonds, and structured bonds, as well as systems and employee training services to some 50 securities companies.
Affiliated Joint Venture Securities Companies

YM Securities
YM Securities is offering customized consulting guided by close collaboration with customers to determine the most-efficient use of all of their important assets. YM Securities provides access to financial products that banks are unable to offer and asset management consulting services specifically aimed at protecting and growing customer assets.

Began operating: October 10, 2007
Branches: 17 branches and 2 booths mainly in Yamaguchi, Hiroshima, and Fukuoka prefectures and Tokyo metropolitan area
Assets under custody: ¥384,810 million
Tie-up partner: YM Financial Group

Hamagin Tokai Tokyo Securities
Hamagin Tokai Tokyo Securities aims to be the top securities company in its home region of Kanagawa and is using its personalized “face-to-face” consulting approach to make it an indispensable investment consultant. The company constantly integrates what it learns from meeting the needs of individual clients to provide better services to all of its customers.

Began operating: November 4, 2008
Branches: 14 branches and 2 booths mainly in Kanagawa Prefecture and Tokyo metropolitan area
Assets under custody: ¥412,694 million
Tie-up partner: Hamamatsu Financial Group

Nishi-Nippon City Tokai Tokyo Securities
Nishi-Nippon City Tokai Tokyo Securities was the first securities company in Kyushu created as a subsidiary of a regional bank. The company provides leading services in the region in all areas of asset management and aims to be the preferred securities company and first choice of its customers in the region.

Began operating: May 6, 2010
Branches: 12 branches and 6 booths mainly in Fukuoka, Miyazaki, Kumamoto, and Kagoshima prefectures
Assets under custody: ¥237,174 million
Tie-up partner: Nishi-Nippon Financial Holdings

Senshu Ikeda Tokai Tokyo Securities
Senshu Ikeda Tokai Tokyo Securities was the first joint operation by a regional bank and securities company in the Kinki region, where its operations center on Osaka and Hyogo prefectures. Following a “region first” and “customer first” philosophy and emphasizing the importance of maintaining wide-ranging connections and a progressive spirit, the company aims to provide services matched to the needs of its local customers and to a securities company that all people in the region like.

Began operating: September 2, 2013
Branches: 4 branches and 3 offices in Osaka metropolitan area and Hyogo prefectures
Assets under custody: ¥105,705 million
Tie-up partner: Senshu Ikeda Holdings

Hokuhoku Tokai Tokyo Securities
Hokuhoku Tokai Tokyo Securities is the first collaboration between a securities company and a local bank in the Hokuriku and Hokkaido regions. The company aims to be the most-trusted local-grown securities company in the region by offering a diverse lineup of highly specialized financial products and services catered to the specific needs of a wide range of customers.

Began operating: January 4, 2017
Branches: 6 branches in Hokuriku, Ishikawa, and Toyama prefectures
Assets under custody: ¥104,310 million
Tie-up partner: Hokuhoku Financial Group

Utsunomiya Securities
As the only securities company headquartered in Tochigi Prefecture, Utsunomiya Securities is making the maximum use of its full lineup of products and services in the financial instruments business to deepen its close ties with the region and local customers and become an essential securities company for local investors. (Utsunomiya Securities became an affiliated joint venture securities company in April 2017.)

Began operating: November 1910
Branches: 6 branches in Tochigi Prefecture
Assets under custody: ¥89,573 million
Tie-up partner: Tochigi Bank

All Nippon Asset Management (ANAM) was established based on a business model to provide regional banks with an independent asset management platform not affiliated with any existing financial corporate group. ANAM offers services to enhance the asset management functions of regional banks. (Asset portfolio value of ¥134.5 billion as of March 31, 2017)
The Tokai Tokyo Financial Group’s strategic subsidiaries engage in joint operations with regional banks and support the Group’s Platform business.

Strategic Subsidiaries

Tokai Tokyo Wealth Consulting
Tokai Tokyo Wealth Consulting began operating in May 2015 to provide comprehensive consulting services related to asset succession, real estate, and other asset-related topics to companies in the Tokai Tokyo Financial Group.

The company provides consulting services to individual customers, including keeping them informed of the latest tax-related information and conducting "asset assessment service," such as assessments of asset holdings, and offers consulting services to business owners ranging from advice on business succession to support with M&A activities.

Tokai Tokyo Research Institute
As the Group’s financial market analysis and research institute, Tokai Tokyo Research Institute conducts analysis and research on macroeconomic and financial markets of Japan and overseas and keeps the Group’s individual, corporate, and institutional investor customers informed of valuable investment information through reports, seminars, and online videos.

The institute is advancing a unique strategy of leveraging its global network to enhance industry and corporate research in the Chubu region.

Tokai Tokyo Academy
The Tokai Tokyo Academy was created in June 2011 to administer education and training to employees of Group companies. The academy promotes the human resource functions of Group companies by strengthening the professional expertise of individuals at all levels in the education, securities, and financial businesses and supports individuals seeking to acquire professional qualifications.

The academy also applies the experience and knowledge gained from the Group’s strategic tie-ups to provide education and training for financial institutions and other entities outside the Group.

Tokai Tokyo Business Service
Tokai Tokyo Business Service was founded in July 2008 to provide the back-office functions and system infrastructure shared by the Group’s integrated securities firms and other companies.

The company follows a "shared service" concept for its management and system infrastructure in which it applies its accumulated expertise of Tokai Tokyo Securities to enhance the quality and efficiency of the Group operations and contribute to reducing costs throughout the Group.

Expanding the Group

The Group raised Eternal and Takagi Securities to wholly owned subsidiaries with the objective of expanding the Group’s business base and integrating insurance functions.

Long-established Securities Firm Based in Osaka
Takagi Securities, which became a consolidated subsidiary in April 2017, is a securities company specializing in over-the-counter sales of investment trusts. The company markets these products through its Toshin no Madoguchi (Investment Trust Outlets) and is known for the fairness and neutrality of its product comparisons and recommendations, which cover virtually all investment trust products.

Tokai Tokyo Securities and Takagi Securities have begun working to quickly realize the operational synergies of joint operations arising from our separate operating bases. We are developing strategies to link the operations in our separate business regions to make strategic use of human resources to improve management efficiency and individual segment operations. Sharing management resources in this way will enhance the corporate value of both companies.

Operates the Insurance Terrace Retail Insurance Shops
Eternal operates some 70 insurance retail outlets in the Kanto and Kansai regions designed to provide a welcoming and comfortable café-style setting for customers seeking insurance products. The Tokai Tokyo Financial Group brought Eternal into the Group in March 2017 as part of our strategic development initiative to link with financial industry operators in segments outside the securities business. The addition of Eternal, which has established strong customer appeal, gives the Group contact points with young and next-generation customers that are often beyond the reach of financial product vendors.

INTEGRATED REPORTING 2017
Basic Approach

The Tokai Tokyo Financial Group considers the strengthening and enhancement of corporate governance to be a top management priority, and so it maintains an operating structure facilitating swift decision making and business execution. 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 Structure

The company’s corporate governance 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 a company 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 management decision making, business execution, and supervision.

WEB Guidelines for Corporate Governance (Japanese)

WEB Corporate Governance Report

Establishment of the Tokai Tokyo Foundation for the Advancement of Local Society

The company established the Tokai Tokyo Foundation in August 2016. The objective is to contribute to future prosperity of local society by helping individuals to become local leaders and acquire global skill sets, and providing opportunities so that the people in the region can deepen understanding of the international economy and societies, as well as promoting culture and arts there.

Chosen for “Diversity Management Selection 100”

As a company that has raised its corporate value through diversity initiatives, we were chosen for “Fiscal 2016 Diversity Management Selection 100” by Japan’s Ministry of Economy, Trade and Industry.

Recognized as an “Aichi Women’s Empowerment Company”

Group company Tokai Tokyo Securities was recognized as an “Aichi Women’s Empowerment Company” on December 21, 2016.

ESG Initiatives

The Tokai Tokyo Financial Group is working to achieve sustainable growth and build lasting relationships with customers and society from a long-term perspective.
The Company determined from the analysis and assessment results that the Board faces further improvement to improve the effectiveness of the Board of Directors, and the decrease in the number of directors, including auditors, upon becoming a Company with an Audit & Supervisory Committee accelerated decision making and led to livelier discussions at Board of Directors Meetings. Constructive feedback was also received about ways to participate in explanatory briefings and exchange views on issues, and also, when necessary, to allow additional time for deliberation and increase monitoring of director activities.

Analysis and Assessment Results

The Board of Directors completed confidential self-evaluation questionnaires designed to determine if the Board of Directors is appropriately formulated to ensure diversity and enable the directors to fulfill their duties. The directors conducted an unhindered discussion of aggregated questionnaire results, and the aggregated results along the analysis of the findings from the discussion were deliberated at a Board of Directors Meeting.

Nomination and Remuneration Committee

The Nomination and 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 chairperson of the committee. The committee currently comprises one internal director (the chief executive officer) and three outside directors.

Analysis and Assessment of the Effectiveness of the Board of Directors in Fiscal 2016

The Company has conducted an analysis and assessment of the effectiveness of the Board of Directors with the objectives of enhancing the functioning and effectiveness of the Board of Directors and realizing continuous improvement in corporate value by deepening recognition, sharing insight, and improving approaches concerning the Board’s course of action and the issues the Board faces.

Audit & Supervisory Committee

The Audit & Supervisory Committee comprises four individuals, including three outside directors, with an outside director serving as the chairperson of the committee. The primary function of the Audit & Supervisory Committee is to conduct legal audits. The committee formulates and operates internal control systems and also supervises and verifies the functioning of the systems. The committee also audits the directors’ execution of duties by attending and receiving reports from the Board of Directors Meetings and other important meetings, inspecting important corporate documents, receiving audit orders and reports from the Audit Department, and receiving reports from accounting auditors.

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 to engage in deeper discussion of strategic issues.

The Board of Directors presently comprises five outside directors, including those who concurrently serve on the Audit & Supervisory Committee. By maintaining a majority of outside directors on both the Board of Directors and the Audit & Supervisory Committee, the Company maintains a heightened level of internal checks and balances.

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

Outsiders

The Board of Directors meets, in principle, once a month to make decisions on fundamental Company policy and reports from the Audit Department, and receiving reports from the Board of Directors Meetings and other important meetings, inspecting important corporate documents, receiving audit orders and reports from the Audit Department, and receiving reports from accounting auditors.

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 to engage in deeper discussion of strategic issues.

The Company also maintains a Nomination and Remuneration Committee to ensure objectivity and transparency in decision-making processes associated with the nomination and remuneration of the Board of Directors.

By maintaining a majority of outside directors on both the Board of Directors and the Audit & Supervisory Committee, the Company maintains a heightened level of internal checks and balances.

The Board of Directors presently comprises five outside directors, including those who concurrently serve on the Audit & Supervisory Committee. By maintaining a majority of outside directors on both the Board of Directors and the Audit & Supervisory Committee, the Company maintains a heightened level of internal checks and balances.

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

The Company determined from the analysis and assessment results that the Board faces further improvement to improve the effectiveness of the Board of Directors, and the decrease in the number of directors, including auditors, upon becoming a Company with an Audit & Supervisory Committee accelerated decision making and led to livelier discussions at Board of Directors Meetings. Constructive feedback was also received about ways to participate in explanatory briefings and exchange views on issues, and also, when necessary, to allow additional time for deliberation and increase monitoring of director activities.

Nomination and Remuneration Committee

The Company maintains a Nomination and Remuneration Committee to ensure objectivity and transparency in decision-making processes associated with the nomination and remuneration of the Board members. The committee conducts deliberations concerning candidates for the position of director and deliberates the structure, level, and individual content of remuneration for each director with reference to remuneration data in the Company’s fields of business provided by an external database. The committee submits the details of the deliberations to the Board of Directors.

Outside 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 concerning management issues and important matters provided for under the law and to deliberate the appropriateness of each agenda item as well as for each director to conduct supervisory activities concerning the execution of their duties. Upon becoming a Company with an Audit & Supervisory Committee, the Board of Directors established a corporate environment supporting an appropriate level of risk taking by executive directors and created a structure to facilitate swift decision making and business execution by delegating decisions on important business matters to executive directors.

Main Characteristics of the Company’s Corporate Governance

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 concerning management issues and important matters as provided for under the law and to deliberate the appropriateness of each agenda item as well as for each director to conduct supervisory activities concerning the execution of their duties. Upon becoming a Company with an Audit & Supervisory Committee, the Board of Directors established a corporate environment supporting an appropriate level of risk taking by executive directors and created a structure to facilitate swift decision making and business execution by delegating decisions on important business matters to executive directors.

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

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

Hiroshi Maezono  Deputy President (Representative Director) Aide to the CEO
April 1984 Joined The Tokai Bank, Ltd.
October 2015 Managing Executive Officer, Deputy Head of Strategic Planning Group of the Company
April 2016 Senior Managing Executive Officer, Head of General Planning Group of the Company
April 2017 Deputy President, Head of Information and Product Strategy Group of the Company
June 2017 Deputy President (Representative Director) of the Company (current position)
June 2017 Director, Tokai Tokyo Securities Co., Ltd. (current position)

Toshiyuki Hayakawa  Director
April 1978 Joined The Tokai Bank, Ltd.
September 2007 Executive Officer, Tokai Tokyo Securities Co., Ltd.
April 2012 Director and Deputy President, Manager, Tokai Tokyo Securities Co., Ltd.
April 2014 Series Managing Executive Officer, Chief of Strategic Business Group of the Company
April 2015 President and CCO, Tokai Tokyo Securities Co., Ltd. (current position)
June 2015 Director of the Company (current position)

Ichiro Mizuno  Outside Director
April 1969 Joined Mitsubishi Corporation
June 1969 General Manager, Financial 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 (current position)

Masato Setta  Outside Director
April 1990 Joined Toyota Motor Corporation
June 2011 Managing Officer, Toyota Financial Services Corporation
April 2017 President, Toyota Accounting Service Co. (current position)

Masato Okajima  Director/Audit & Supervisory Committee Member
April 1993 Joined Tokai Tokyo Securities Co., Ltd. (currently, the Company)
April 2012 Managing Executive Officer and Deputy Chief of General Planning Group of the Company
October 2013 Managing Executive Officer, Head of Operation Unit, General Manager of Funds Department, Tokai Tokyo Securities Co., Ltd.
April 2015 Managing Executive Officer of the Company
June 2015 Full-time Audit & Supervisory Board Member of the Company; Audit & Supervisory Board Member, Tokai Tokyo Securities Co., Ltd.
June 2016 Director and Full-time Audit & Supervisory Committee Member of the Company (current position)

Ichiro Mizuno  Outside Director
April 1969 Joined Mitsubishi Corporation
June 1969 General Manager, Financial 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 (current position)

Masato Okajima  Director/Audit & Supervisory Committee Member
April 1993 Joined Tokai Tokyo Securities Co., Ltd. (currently, the Company)
April 2012 Managing Executive Officer and Deputy Chief of General Planning Group of the Company
October 2013 Managing Executive Officer, Head of Operation Unit, General Manager of Funds Department, Tokai Tokyo Securities Co., Ltd.
April 2015 Managing Executive Officer of the Company
June 2015 Full-time Audit & Supervisory Board Member of the Company; Audit & Supervisory Board Member, Tokai Tokyo Securities Co., Ltd.
June 2016 Director and Full-time Audit & Supervisory Committee Member of the Company (current position)

Mitsuhiro Yasuda  Outside Director/Audit & Supervisory Committee Member
April 1977 Registered as Attorney at Law
January 2001 Director General, Planning and Coordination Bureau, Financial Services Agency
July 2001 Director, Development Bank of Japan Inc.
June 2008 Vice Chairman, The Investment Trusts Association, Japan
June 2017 Director and Audit & Supervisory Committee Member of the Company (current position)

Fumio Inui  Outside Director/Audit & Supervisory Committee Member
April 1970 Joined the Ministry of Finance
January 2007 Director General, Planning and Coordination Bureau, Financial Services Agency
July 2011 Director, Development Bank of Japan Inc.
June 2013 Vice Chairman, The Investment Trusts Association, Japan
July 2017 Director and Audit & Supervisory Committee Member of the Company (current position)

Keisuke Inoue  Outside Director/Audit & Supervisory Committee Member
April 1973 Joined Sumitomo Life Insurance Company
April 2003 Director and Executive Vice President, Mitsui Life Insurance Co., Ltd.
April 2012 Executive Advisor, Sumitomo Life Insurance Company
July 2013 Part-time Advisor of the Company
April 2015 Director and Audit & Supervisory Committee Member of the Company (current position)

Front row, left to right: Tateaki Ishida, Ichiro Mizuno, Toshiyuki Hayakawa, Masato Setta
Back row, left to right: Hiroshi Maezono, Fumio Inui, Keisuke Inoue, Toshiyuki Hayakawa, Masato Okajima
Interview with an Outside Director

The role of an outside director is to check whether business is run correctly based on the expertise and experience he or she has.

Ichiro Mizuno  
Outside Director  
Chairperson of the Board of Directors

Q Could you tell me what sort of career background you have?

I joined Mitsubishi Corporation in 1966 and was assigned various duties there, for instance, in foreign exchange and finance as department head, and finally as a Chief Financial Officer. During all those years, I had gone through many experiences, and one of the exciting memories I still vividly remember is about the days of myself being a General Manager of the Corporate Information Department. I was working then with many young individuals coming out from overseas business schools reporting to me, and I still remember vividly the way they were negotiating with people from overseas. They appeared undaunted even facing tough seasoned negotiators from the world over, which to me was very impressive.

I feel a sort of curious fate that ties myself with the Company. When I was in London as an expat from Mitsubishi Corporation, Tokyo, Mr. Ishida was also there as a head of a Japanese bank’s hedge fund operation. Now, he runs this Company as a CEO, and this is quite a coincidence. This Company as a CEO, and this is quite a coincidence that somehow brought me here in 2010 as an outside director. When I was sounded out first whether I was interested in the position of outside director, the Company even then was ahead of others being keenly aware of indispensability of corporate governance.

Q Would you define what the mission of the Company’s outside director should be?

Now, no less than two outside directors are required as the corporate governance code became effective. As a result, I often hear that human resource that may qualify as outside director is running short. I basically consider that the role of outside director should be assumed as a voluntary social contribution by someone with ample achievement and sufficient insight who understands the difficulty of the duty and importance of the responsibility that will be imposed on such a mission. In this respect, I deem it a little odd to come across an outside director who serves five or six companies. I must study the industry, read in advance the proposals of, and the material for, the Board of Directors Meeting. So, to me, assuming the duty for just one company is demanding enough.

I find my mission as an outside director to be exerting effort to improve corporate value. Having said that, I may be limited on the level of my understanding of the Company as I am not engaged full time in the duty. Further, if I am a licensed practitioner of law, I would be able to give advice from a legal point of view. If I am a scholar, I may provide advice from my special field of study. But, I am neither of those two. So, outside directors, in general, are expected to check to see if any given company is properly managed and to give suitable advice using their experience and knowledge.

Q How do you rate the Company as it is being currently run?

Competition is extremely intense in the securities brokerage industry, and it is more so among mid-sized players. Now is the time when we must win cutthroat battles to survive, and we will see more violent waves of unification and breakup in the Japanese banking and securities brokerage industries. Facing such a severe operating environment, managers are expected to lead masterly their companies to secure sustainability.

I guess that we can no longer survive on commission revenue alone. I think we, securities brokers, will be re-orienting toward comprehensive financial service providers. We, therefore, need to acquire the services providing competence of banking, insurance, and other services. Toward this end, we are building the business model, “High-Powered Platform”, which represents our crucial strategy. Another stride we are making is to form a unique competence of banking, insurance, and other services. We, therefore, need to acquire the services providing competence of banking, insurance, and other services. Toward this end, we are building the business model, “High-Powered Platform”, which represents our crucial strategy. Another stride we are making is to form a unique

Q Can you comment on the tasks to deal with from now onward for the Company to achieve sustained growth?

Making sustained growth a reality, as I understand, is the single most essential task imposed on top management. Any given securities brokerage business is viable only if the right human resource is available. Further, the leadership and the direction the top leader shows are gravely important to employees because they must know correctly where their company aims to go. Mr. Ishida, in that respect, is a very superb leader, and he should have been an excellent commander in whatever the area of business he might have gotten involved in.

Therefore, the task now is to choose the next leader who fills his shoes, and we often discuss that as a topic in the Board of Directors Meetings. The Company must train the next leader by delegating authorities as much as reasonably possible to the officers responsible for day-to-day business execution. Leaders must meet the requirements like foresight, decisiveness, and personal charm. But, such aptitude may not be acquired overnight. Also, a talented person with a character defect or the one with communication difficulty is not considered fit to become a leader.

The most-damaging consequence we would run into by selecting erroneously someone lacking in appropriate resources as a leader is that he or she may take the Company into the wrong direction and fulfill no responsibility just attempting self-protection. I know of such wrong leaders too many to list who had driven firms to crisis. I think that outside directors should prevent such crises happening by monitoring the management and taking actions to facilitate corporate value enhancement and sustained growth of the Company.
Compliance & Risk Management

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 organization for deliberations and planning concerning risk management policy and matters deemed necessary for management methods formulation and risk management. 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 report on the measures being taken, and it has established the Comprehensive Risk Management Department as the department specialized in providing guidance, monitoring, and coordination on compliance.

WEB Tokai Tokyo Financial Holdings
Basic Compliance Policy
Tokai Tokyo Financial Group's Ethical Code of Conduct

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 overall risk of the Company and subsidiaries. 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.” It is also working to put in place and promote a comprehensive and systematic disaster prevention, emergency response, and recovery framework. The Comprehensive Risk Management Department has been established as the department specialized in providing guidance, monitoring, and coordination concerning these various risks.

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 groups, 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.

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.

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.

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Risk Management</td>
<td>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.</td>
</tr>
<tr>
<td>Credit Risk Management</td>
<td>Based on the “Risk Management Rules,” the losses that could occur as a result of nonperformance by the transaction counterparties 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 for each counterparty on the basis of their financial strength.</td>
</tr>
<tr>
<td>Liquidity Risk Management</td>
<td>Based on the “Liquidity Risk Management Rules,” the departments responsible for financing monitor and manages 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 &amp; Accounting Committee.</td>
</tr>
<tr>
<td>Associated with Funding</td>
<td></td>
</tr>
</tbody>
</table>

WEB Tokai Tokyo Financial Holdings
Risk Management Framework
Global Advisory Board

In 2014, to strengthen the Group’s strategy both in Japan and overseas, our company established a Global Advisory Board (GAB), whose members are leading experts from major foreign countries, including a former European Central Bank President.

On May 25, 2017, the fourth GAB meeting was held in Nagoya. This meeting saw the gathering of global political and economic experts such as Mr. Jean-Claude Trichet, former President of the European Central Bank; Mr. Robert M. Kimmitt, former United States Deputy Secretary of the Treasury; and Mr. Enrique V. Iglesias, former President of the Inter-American Development Bank. With GAB Chairman Mr. Makoto Utsumi (former Vice Minister of Finance) playing a central role, the discussions covered the economic trends and geopolitical status of regions throughout the world. In addition, as public events, a special lecture by Mr. Jean-Claude Trichet in Tokyo and a symposium titled “Global Political and Economic Scene: Current Situation and Future Perspectives” at Nagoya University were held. Both events successfully attracted a very large number of people.

Participating Members of the Global Advisory Board

Mr. N.K. Singh ①
Former Member of Parliament of India
Senior Member of Bharatiya Janata Party

Mr. Hiroshi Maezono* ②
Tokai Tokyo Financial Holdings, Inc.
Deputy President

Mr. Enrique V. Iglesias ③
Former President of the Inter-American Development Bank
Trustees of the Ecublens Royal Institute

Mr. Jean-Claude Trichet ④
Former President of the European Central Bank
G30 Chairman

Mr. Robert M. Kimmitt ⑤
Former U.S. Deputy Secretary of the Treasury
Senior International Counsel of Wilmer Cutler Pickering Hale and Dorr LLP

Mr. Kevin G. Nealer ⑥
The Scowcroft Group
Principal

Regional Social Activities

Supporting Industry Invigoration in the Chubu Region
The need to make a move toward the Open Innovation is rising also in the Chubu region, the hub of the Japanese manufacturing industry. The concept, Open Innovation, calls for the proactive introduction of technologies developed by other industries or universities. Tokai Tokyo Financial Holdings, therefore, established the Chubu Open Innovation College Program as a gathering point for corporate executives to discuss and exchange ideas. The Company hosted the school’s first seminar in June 2017 at the Company’s Orque d’or Hall in Nagoya, Aichi Prefecture.

Establishment of the Tokai Tokyo Foundation
The Company established the Nagoya University Tokai Tokyo Financial Holdings Global Business Program to support academic and educational exchange between Nagoya University and universities in the United Kingdom with the aim of cultivating individuals who will be able to lead the region’s future global development. In fiscal 2016, the program presented a seminar open to students and the public on international affairs to increase understanding of international developments. The program also sent local undergraduate and graduate school students on education exchange programs to the University of Cambridge and University of Edinburgh in the United Kingdom.

Initiatives Geared Toward Society

The Tokai Tokyo Financial Group seeks to fulfill its corporate social responsibility (CSR) by contributing to society through its business activities guided by the Group Standards of Ethical Conduct.

Basic Approach to CSR
We believe earning and maintaining trust in the Group as a leader in the financial and capital markets requires that we fulfill our responsibility to constantly conduct and actively demonstrate the strictest legal compliance. We also believe respecting and maintaining positive and smooth relations with all of our various stakeholders is fundamental to the continuous growth and long-term increase in the corporate value of the Group.

Contributing from Our Core Business to Society
Financial Education for University Students
Tokai Tokyo Financial Holdings sponsors a university course teaching the role and business profile of securities companies in capital markets. Presented at four universities in Nagoya and Tokyo, the half-year course explores the actual workings of a securities house with Group directors and employees presenting lectures based on their hands-on experiences.

Cultivating Future Leaders Who Lead Chubu for Its Global Development
The Company established the Nagoya University Tokai Tokyo Financial Holdings Global Business Program to support academic and educational exchange between Nagoya University and universities in the United Kingdom with the aim of cultivating individuals who will be able to lead the region’s future global development. In fiscal 2016, the program presented a seminar open to students and the public on international affairs to increase understanding of international developments. The program also sent local undergraduate and graduate school students on education exchange programs to the University of Cambridge and University of Edinburgh in the United Kingdom.
Support for Disaster Relief

The Company provides disaster-relief funds to help individuals in areas around the world that have been struck by major catastrophes. The foundation donated ¥5 million to the Japanese Red Cross Society in Aichi Prefecture after the devastating Kumamoto earthquakes in April 2016. Tokai Tokyo Financial Group directors and employees also collected and donated a total of ¥7.42 million to the relief effort. While sincerely hoping for quick recoveries in the stricken areas, our directors and employees are ready to provide their unified support to others in times of need.

Customer Satisfaction Initiatives

Customer Surveys
The Company seeks to increase long-term profits by deepening customer loyalty and devotion through reliability and customer satisfaction.
Tokai Tokyo Securities, the flagship of the Tokai Tokyo Financial Holdings Group, began conducting annual customer surveys in 2008 to regularly gauge customer opinions and uses the responses as a basis for improving its products and services to further enhance customer loyalty. The Company uses the survey responses to quantify customer satisfaction as a “CS rate,” which it uses as a key performance indicator (KPI) to evaluate how thorough it conducts customer-first operation, and applies the results to improve its service offerings.

Employee Advancement Initiatives

The Group conducts various activities aimed at promoting diversity, which it believes is a key management strategy for responding to the changes in society. In addition to its award-winning efforts to promote women in the workforce, the Group is aiming to cultivate its rich and diverse workforce, which also encompasses abundantly experienced senior employees. We respect each individual’s uniqueness and strengths and support their growth and development to realize their full potential. In addition to efforts to increase the active participation of women in our workforce, we also have established the offices designed to promote human resource initiatives.

Management Leadership

Clear Management Message
The Company distributes a binder entitled the “Diversity Bible” to all directors and employees. The front page of the binder clearly presents the message from the President & CEO that promoting diversity in the workplace is an important management strategy.

Promoting Women in the Workplace

Numerical Targets
The Company set a target of attaining 20% of management positions filled by women by March 31, 2017. The Company had monitored continuously the progress since the target was set in October 2014 to the target attainment in January 2017. As of March 31, 2017, women held 21.0% of management positions in the Company. Management has now set new, more-ambitious targets* to continue advancing the promotion of women in the workplace.

Targets for the end of fiscal 2019
1. Percentage of women in management positions: 25%
2. Percentage of advanced professional women in the workforce: 50%
3. Percentage of men taking child-care leave: over 30%

* Tokai Tokyo Financial Holdings and Tokai Tokyo Securities

Percentage of Women in Management Positions
(Tokai Tokyo Financial Holdings, Tokai Tokyo Securities)

Model for Employees Providing Nursing Care

To prevent employees leaving their jobs for nursing care, in 2014, the Company participated in a Ministry of Health, Labour and Welfare program to develop strategies for companies to accommodate the growing number of workers expected to take on dual duties of working and providing nursing care. The Company conducts internal Company surveys of employees who were involved in caregiving situations with the aim of developing programs to make it possible for individuals to provide care without leaving their jobs.

Endorsement of the “Declaration on Action” of the General Meeting of Male Leaders Actively Promoting the Empowerment of Women
Tokai Tokyo Financial Holdings President & CEO Tateaki Ishida proudly gave the Company’s endorsement to the “Declaration on Action” proclaimed by the General Meeting of Male Leaders Actively Promoting the Empowerment of Women, initiated by the Government of Japan’s Cabinet Office.
Environmental Initiatives

Energy-Saving Initiatives
The term “intensity” refers to the volume of energy necessary per unit of production output; it is used as an index showing production activity efficiency. Japan’s Act on Rational Use of Energy states that “Parties using energy to engage in business should endeavor to meet the target of reducing their energy intensity by an average of at least 1% per year.” The Group has achieved this target and is working for further reductions.

Introduction of Fuel Cell Vehicles
For company vehicles, we have been moving forward with a changeover to vehicles that provide large CO₂ emission reduction benefits, and, in June 2017, we introduced two fuel cell (hydrogen) vehicles because they further reduce the environmental burden. Fuel cell vehicles use hydrogen as fuel, and they are considered “eco cars” as they produce no CO₂ emissions, and they also do not emit NOx or other harmful substances either that can cause air pollution.

External Recognition
Tokai Tokyo Financial Holdings’ programs and initiatives have earned numerous certifications and awards.

- Recognized as an Aichi Women’s Empowerment Company (2016, Tokai Tokyo Securities) by Aichi Prefecture
- Fiscal 2014 Award of Excellence in Recognition as a Company Promoting the Empowerment of Women (Tokai Tokyo Securities) by the Nagoya Metropolitan Government
- Fiscal 2015 recognition as a Company Supporting Child Care (Tokai Tokyo Securities) by the Nagoya Metropolitan Government

Senior Employee Promotion Activities
The Company encourages senior employees to remain active in the workforce and annually presents a second career training program for employees turning 53 years of age. The program provides opportunities to consider the future course of their careers and to deepen understanding of the road ahead as many take on dual responsibilities as an employee and a caregiver for their parents. The Company has several options for employees desiring to continue working into their 60s and has established programs for employees to work until age 70.
### Consolidated Balance Sheet

Tokai Tokyo Financial Holdings, Inc. and Subsidiaries  
As of March 31, 2017

#### Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2017 Millions of yen</th>
<th>2016 Millions of yen</th>
<th>2017 Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash on hand and in banks:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and deposits</td>
<td>¥ 72,684</td>
<td>¥ 45,204</td>
<td>$ 647,864</td>
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<tr>
<td>Cash segregated as deposits</td>
<td>37,506</td>
<td>28,712</td>
<td>334,309</td>
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<tr>
<td></td>
<td>110,190</td>
<td>73,916</td>
<td>982,173</td>
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<tr>
<td><strong>Collateralized short-term financing agreements:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash collateral pledged for securities borrowed</td>
<td>214,992</td>
<td>134,043</td>
<td>2,176,321</td>
</tr>
<tr>
<td></td>
<td>214,992</td>
<td>134,043</td>
<td>2,176,321</td>
</tr>
<tr>
<td><strong>Trading assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading securities</td>
<td>289,265</td>
<td>255,621</td>
<td>2,578,348</td>
</tr>
<tr>
<td>Derivatives</td>
<td>3,230</td>
<td>3,614</td>
<td>28,795</td>
</tr>
<tr>
<td></td>
<td>292,495</td>
<td>259,235</td>
<td>2,607,143</td>
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<tr>
<td><strong>Receivables:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables from brokers, dealers, and clearing organizations</td>
<td>18,996</td>
<td>11,952</td>
<td>169,317</td>
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<tr>
<td>Receivables from customers</td>
<td>157</td>
<td>130</td>
<td>1,398</td>
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<tr>
<td>Receivables related to margin transactions</td>
<td>44,610</td>
<td>41,375</td>
<td>397,631</td>
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<td>Other</td>
<td>4,515</td>
<td>3,523</td>
<td>40,242</td>
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<tr>
<td></td>
<td>68,278</td>
<td>56,980</td>
<td>608,588</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(32)</td>
<td>(32)</td>
<td>(293)</td>
</tr>
<tr>
<td></td>
<td>68,246</td>
<td>56,948</td>
<td>608,295</td>
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<td><strong>Short-term investment securities</strong></td>
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<tr>
<td><strong>Investment securities</strong></td>
<td>14,709</td>
<td>14,518</td>
<td>131,113</td>
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<tr>
<td><strong>Investments in associated companies</strong></td>
<td>19,345</td>
<td>10,552</td>
<td>172,433</td>
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<tr>
<td><strong>Deferred tax assets</strong></td>
<td>1,254</td>
<td>209</td>
<td>11,178</td>
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<tr>
<td><strong>Other assets:</strong></td>
<td></td>
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<tr>
<td>Property and equipment</td>
<td>16,164</td>
<td>18,241</td>
<td>144,075</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(7,603)</td>
<td>(8,008)</td>
<td>(67,766)</td>
</tr>
<tr>
<td></td>
<td>8,561</td>
<td>10,233</td>
<td>76,309</td>
</tr>
<tr>
<td>Goodwill</td>
<td>2,804</td>
<td>24,966</td>
<td>249,966</td>
</tr>
<tr>
<td>Lease deposits</td>
<td>2,416</td>
<td>2,090</td>
<td>21,537</td>
</tr>
<tr>
<td>Asset for retirement benefits</td>
<td>2,318</td>
<td>2,697</td>
<td>20,657</td>
</tr>
<tr>
<td>Other</td>
<td>5,011</td>
<td>5,474</td>
<td>44,667</td>
</tr>
<tr>
<td></td>
<td>21,110</td>
<td>20,464</td>
<td>188,166</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(405)</td>
<td>(3,306)</td>
<td>(3,616)</td>
</tr>
<tr>
<td></td>
<td>20,705</td>
<td>19,158</td>
<td>184,550</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>¥741,836</td>
<td>¥568,549</td>
<td>¥6,013,208</td>
</tr>
</tbody>
</table>

#### Liabilities and Equity

<table>
<thead>
<tr>
<th>Description</th>
<th>2017 Millions of yen</th>
<th>2016 Millions of yen</th>
<th>2017 Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Borrowings:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>¥ 80,488</td>
<td>¥ 81,052</td>
<td>$ 717,429</td>
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<tr>
<td>Commercial paper</td>
<td>9,300</td>
<td>9,800</td>
<td>82,895</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>31,045</td>
<td>35,856</td>
<td>276,715</td>
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<tr>
<td>Long-term debt</td>
<td>70,715</td>
<td>21,650</td>
<td>630,313</td>
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<tr>
<td></td>
<td>191,548</td>
<td>148,308</td>
<td>1,707,352</td>
</tr>
<tr>
<td><strong>Collateralized short-term financing agreements:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received on securities loaned</td>
<td>131,164</td>
<td>68,539</td>
<td>1,169,125</td>
</tr>
<tr>
<td></td>
<td>131,164</td>
<td>68,539</td>
<td>1,169,125</td>
</tr>
<tr>
<td><strong>Trading liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading securities</td>
<td>185,262</td>
<td>129,790</td>
<td>1,651,324</td>
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<tr>
<td>Derivatives</td>
<td>7,192</td>
<td>7,322</td>
<td>64,108</td>
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<tr>
<td></td>
<td>192,454</td>
<td>137,112</td>
<td>1,715,432</td>
</tr>
<tr>
<td><strong>Payables:</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Payables to brokers, dealers, and clearing organizations</td>
<td>7,674</td>
<td>15,262</td>
<td>68,405</td>
</tr>
<tr>
<td>Payables to customers</td>
<td>31,397</td>
<td>25,131</td>
<td>279,855</td>
</tr>
<tr>
<td>Payables related to margin transactions</td>
<td>9,133</td>
<td>5,708</td>
<td>81,406</td>
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<tr>
<td>Other</td>
<td>11,328</td>
<td>5,871</td>
<td>100,969</td>
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<tr>
<td></td>
<td>59,532</td>
<td>51,972</td>
<td>530,635</td>
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<tr>
<td><strong>Deferred tax liabilities</strong></td>
<td>1,241</td>
<td>471</td>
<td>11,063</td>
</tr>
<tr>
<td><strong>Accrued and other liabilities:</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>1,860</td>
<td>533</td>
<td>16,582</td>
</tr>
<tr>
<td>Provision for bonuses</td>
<td>2,245</td>
<td>1,722</td>
<td>20,007</td>
</tr>
<tr>
<td>Liability for retirement benefits</td>
<td>563</td>
<td>548</td>
<td>5,016</td>
</tr>
<tr>
<td>Other</td>
<td>3,694</td>
<td>3,650</td>
<td>32,528</td>
</tr>
<tr>
<td></td>
<td>6,217</td>
<td>6,453</td>
<td>74,133</td>
</tr>
<tr>
<td><strong>Statutory reserves</strong></td>
<td>450</td>
<td>440</td>
<td>4,009</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>584,706</td>
<td>413,345</td>
<td>5,211,749</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized: 972,730,000 shares</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued: 280,582,115 shares in 2017 and in 2016</td>
<td>36,000</td>
<td>36,000</td>
<td>320,884</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>33,016</td>
<td>33,473</td>
<td>294,288</td>
</tr>
<tr>
<td>Stock acquisition rights</td>
<td>444</td>
<td>327</td>
<td>3,957</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>90,693</td>
<td>85,537</td>
<td>808,389</td>
</tr>
<tr>
<td>Accumulated other comprehensive income:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized gain on available-for-sale securities</td>
<td>1,440</td>
<td>2,026</td>
<td>12,835</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>(251)</td>
<td>(11)</td>
<td>(2,400)</td>
</tr>
<tr>
<td>Defined retirement benefit plans</td>
<td>1,987</td>
<td>2,454</td>
<td>17,709</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>155,758</td>
<td>153,417</td>
<td>1,388,329</td>
</tr>
<tr>
<td><strong>Noncontrolling interests</strong></td>
<td>1,472</td>
<td>1,787</td>
<td>13,130</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>157,230</td>
<td>155,204</td>
<td>1,401,459</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>¥741,836</td>
<td>¥568,549</td>
<td>¥6,013,208</td>
</tr>
</tbody>
</table>
### Consolidated Statement of Income
Tokai Tokyo Financial Holdings, Inc. and Subsidiaries
For the year ended March 31, 2017

<table>
<thead>
<tr>
<th></th>
<th>2017 (Millions of yen)</th>
<th>2016 (Millions of yen)</th>
<th>2017 (Thousands of U.S. dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commissions</td>
<td>¥26,934</td>
<td>¥34,267</td>
<td>$240,079</td>
</tr>
<tr>
<td>Net gain on trading</td>
<td>35,737</td>
<td>30,330</td>
<td>318,543</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>2,741</td>
<td>2,988</td>
<td>24,432</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>65,412</td>
<td>67,585</td>
<td>583,054</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td>1,684</td>
<td>1,307</td>
<td>15,016</td>
</tr>
<tr>
<td><strong>Net revenues</strong></td>
<td>63,728</td>
<td>66,278</td>
<td>568,038</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td>54,230</td>
<td>53,635</td>
<td>483,381</td>
</tr>
<tr>
<td>Operating income</td>
<td>9,498</td>
<td>12,643</td>
<td>84,657</td>
</tr>
<tr>
<td><strong>Other income, net</strong></td>
<td>6,698</td>
<td>5,282</td>
<td>59,702</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>16,196</td>
<td>17,925</td>
<td>144,359</td>
</tr>
<tr>
<td><strong>Income taxes:</strong></td>
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<tr>
<td>Current</td>
<td>3,989</td>
<td>4,527</td>
<td>35,557</td>
</tr>
<tr>
<td>Deferred</td>
<td>205</td>
<td>908</td>
<td>1,822</td>
</tr>
<tr>
<td><strong>Total income taxes</strong></td>
<td>4,194</td>
<td>5,435</td>
<td>37,379</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>12,002</td>
<td>12,491</td>
<td>106,980</td>
</tr>
<tr>
<td><strong>Net income attributable to noncontrolling interests</strong></td>
<td>12</td>
<td>68</td>
<td>105</td>
</tr>
<tr>
<td><strong>Net income attributable to owners of the parent</strong></td>
<td>¥11,990</td>
<td>¥12,423</td>
<td>$106,875</td>
</tr>
</tbody>
</table>

Per share of common stock:
- **Basic net income**: ¥45.73, $0.41
- **Diluted net income**: 45.72, 46.87, 0.41
- **Cash dividends applicable to the year**: 26.00, 28.00, 0.23
## Consolidated Statement of Changes in Equity

 Tokai Tokyo Financial Holdings, Inc. and Subsidiaries
 For the year ended March 31, 2017

<table>
<thead>
<tr>
<th>Thousands of shares</th>
<th>Millions of yen</th>
<th>Accumulated other comprehensive income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Common stock</td>
</tr>
<tr>
<td>----------------------</td>
<td>----------------</td>
<td>--------------</td>
</tr>
<tr>
<td><strong>Balance as of April 1, 2015</strong></td>
<td></td>
<td>280,582</td>
</tr>
<tr>
<td>Net income attributable to owners of the parent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash dividends, ¥34.00 per share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of treasury stock</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance as of March 31, 2016</strong></td>
<td></td>
<td>280,582</td>
</tr>
<tr>
<td>Net income attributable to owners of the parent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash dividends, ¥26.00 per share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of treasury stock</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in the parent’s ownership interest due to transactions with noncontrolling interests</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance as of March 31, 2017</strong></td>
<td></td>
<td>280,582</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Thousands of U.S. dollars</th>
<th>Accumulated other comprehensive income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>Capital surplus</td>
</tr>
<tr>
<td>---------------------</td>
<td>----------------</td>
</tr>
<tr>
<td><strong>Balance as of March 31, 2016</strong></td>
<td></td>
</tr>
<tr>
<td>Net income attributable to owners of the parent</td>
<td></td>
</tr>
<tr>
<td>Cash dividends, $0.23 per share</td>
<td></td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td></td>
</tr>
<tr>
<td>Disposal of treasury stock</td>
<td></td>
</tr>
<tr>
<td>Change in the parent’s ownership interest due to transactions with noncontrolling interests</td>
<td></td>
</tr>
<tr>
<td>Net change in the year</td>
<td></td>
</tr>
<tr>
<td><strong>Balance as of March 31, 2017</strong></td>
<td></td>
</tr>
</tbody>
</table>
### Consolidated Statement of Cash Flows

Tokai Tokyo Financial Holdings, Inc. and Subsidiaries
For the year ended March 31, 2017

<table>
<thead>
<tr>
<th>Cash flows from operating activities:</th>
<th>2017</th>
<th>2016</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income before income taxes</td>
<td>¥16,196</td>
<td>¥17,005</td>
<td>$144,359</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income taxes - paid</td>
<td>(2,785)</td>
<td>(6,690)</td>
<td>(24,826)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,771</td>
<td>1,849</td>
<td>15,785</td>
</tr>
<tr>
<td>Decrease in allowance for doubtful accounts</td>
<td>(929)</td>
<td>(17)</td>
<td>(8,283)</td>
</tr>
<tr>
<td>Decrease in liability for retirement benefits</td>
<td>(296)</td>
<td>(716)</td>
<td>(2,654)</td>
</tr>
<tr>
<td>Increase in provision for statutory reserves</td>
<td>9</td>
<td>83</td>
<td>83</td>
</tr>
<tr>
<td>Equity in earnings of associated companies</td>
<td>(2,058)</td>
<td>(949)</td>
<td>(18,344)</td>
</tr>
<tr>
<td>Gain on sales of investment securities</td>
<td>(1,189)</td>
<td>(2,598)</td>
<td>(10,595)</td>
</tr>
<tr>
<td>Gain on change in equity</td>
<td>(851)</td>
<td>(81)</td>
<td>(7,583)</td>
</tr>
<tr>
<td>Gains on sales of fixed assets</td>
<td>(44)</td>
<td>(1)</td>
<td>(389)</td>
</tr>
<tr>
<td>Impairment loss on investment securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on transfer of business</td>
<td>(851)</td>
<td></td>
<td>(7,583)</td>
</tr>
<tr>
<td>Decreases in receivables</td>
<td>(11,421)</td>
<td>(4,250)</td>
<td>(101,801)</td>
</tr>
<tr>
<td>Increase (decrease) in payables</td>
<td>9,227</td>
<td>(5,266)</td>
<td>82,247</td>
</tr>
<tr>
<td>Changes in trading assets and liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in collateralized short-term financing agreements</td>
<td>22,082</td>
<td>5,805</td>
<td>196,826</td>
</tr>
<tr>
<td>Other, net</td>
<td>(13,252)</td>
<td>(9,623)</td>
<td>(118,117)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>2,944</td>
<td>12,302</td>
<td>26,242</td>
</tr>
<tr>
<td>Cash flows from investing activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of property and equipment</td>
<td>(1,355)</td>
<td>(2,561)</td>
<td>(12,074)</td>
</tr>
<tr>
<td>Proceeds from sales of property and equipment</td>
<td>9,497</td>
<td>253</td>
<td>13,348</td>
</tr>
<tr>
<td>Purchases of investment securities</td>
<td>(3,711)</td>
<td>(1,204)</td>
<td>(33,075)</td>
</tr>
<tr>
<td>Proceeds from sales of investment securities</td>
<td>4,537</td>
<td>3,971</td>
<td>40,437</td>
</tr>
<tr>
<td>Purchases of a share of associates</td>
<td>(4,948)</td>
<td></td>
<td>(44,102)</td>
</tr>
<tr>
<td>Purchases of a share of a subsidiary resulting in change in scope of consolidation</td>
<td>(3,118)</td>
<td></td>
<td>(27,797)</td>
</tr>
<tr>
<td>Other, net</td>
<td>(1,410)</td>
<td>(1,004)</td>
<td>(12,570)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(6,508)</td>
<td>(7,773)</td>
<td>(73,833)</td>
</tr>
<tr>
<td>Cash flows from financing activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease in short-term borrowings - net</td>
<td>(760)</td>
<td>(17,176)</td>
<td>(6,778)</td>
</tr>
<tr>
<td>Proceeds from long-term debt</td>
<td>86,895</td>
<td>48,029</td>
<td>774,534</td>
</tr>
<tr>
<td>Repayment of long-term debt</td>
<td>(43,061)</td>
<td>(42,129)</td>
<td>(383,822)</td>
</tr>
<tr>
<td>Proceeds from commercial paper</td>
<td>48,200</td>
<td>49,200</td>
<td>429,628</td>
</tr>
<tr>
<td>Redemption of commercial paper</td>
<td>(48,700)</td>
<td>(47,700)</td>
<td>(434,085)</td>
</tr>
<tr>
<td>Proceeds from exercise of stock options</td>
<td>29</td>
<td>64</td>
<td>261</td>
</tr>
<tr>
<td>Purchases of treasury stock</td>
<td>(1,693)</td>
<td>(2,822)</td>
<td>(15,087)</td>
</tr>
<tr>
<td>Net increase in treasury stock</td>
<td>(1)</td>
<td>(2)</td>
<td>(10)</td>
</tr>
<tr>
<td>Cash dividends paid</td>
<td>(6,834)</td>
<td>(9,006)</td>
<td>(60,918)</td>
</tr>
<tr>
<td>Subscription money received from the noncontrolling interests</td>
<td>2,400</td>
<td>800</td>
<td>21,392</td>
</tr>
<tr>
<td>Repayments to noncontrolling interests</td>
<td>(100)</td>
<td>(762)</td>
<td>(389)</td>
</tr>
<tr>
<td>Payments of cash dividends to noncontrolling interests</td>
<td>(32)</td>
<td>(18)</td>
<td>(287)</td>
</tr>
<tr>
<td>Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation</td>
<td>(166)</td>
<td></td>
<td>(1,482)</td>
</tr>
<tr>
<td>Other, net</td>
<td>(307)</td>
<td>(268)</td>
<td>(2,726)</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>35,864</td>
<td>(21,830)</td>
<td>318,672</td>
</tr>
<tr>
<td>Effect of exchange rate change on cash and cash equivalents</td>
<td>(396)</td>
<td>(76)</td>
<td>(3,535)</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>29,904</td>
<td>(10,379)</td>
<td>266,546</td>
</tr>
<tr>
<td>Decrease in cash and cash equivalents resulting from change of scope of consolidation</td>
<td>(2,476)</td>
<td>(1,047)</td>
<td>(22,066)</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of year</td>
<td>44,615</td>
<td>56,040</td>
<td>397,675</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of year</td>
<td>¥72,043</td>
<td>¥44,615</td>
<td>$642,155</td>
</tr>
</tbody>
</table>

### Company Information (As of March 31, 2017)

#### Company Name
Tokai Tokyo Financial Holdings, Inc.

#### Date of Incorporation
June 19, 1929

#### Common Stock
¥36,000,000,000

#### Number of Employees
154 (Does not include 14 temporary employees and 3 dispatched workers)

#### Number of Employees (Non-Consolidated)
2,483 (Does not include 26 investment advisors and asset advisors, 382 temporary employees, and 103 dispatched workers)

#### Address of Head Office
6-2, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-0027

### Principal Offices of Subsidiaries

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Number of Sales Offices</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tokai Tokyo Securities Co., Ltd.</td>
<td>65</td>
<td>Aichi Prefecture, Tokyo, etc.</td>
</tr>
<tr>
<td>Utsunomiya Securities Co., Ltd.</td>
<td>6</td>
<td>Tochigi Prefecture</td>
</tr>
<tr>
<td>Tokai Tokyo Asset Management Co., Ltd.</td>
<td>1</td>
<td>Tokyo</td>
</tr>
<tr>
<td>Tokai Tokyo Wealth Consulting Co., Ltd.</td>
<td>2</td>
<td>Aichi Prefecture, Tokyo</td>
</tr>
<tr>
<td>Tokai Tokyo Investment Co., Ltd.</td>
<td>1</td>
<td>Tokyo</td>
</tr>
<tr>
<td>Tokai Tokyo Research Institute Co., Ltd.</td>
<td>2</td>
<td>Aichi Prefecture, Tokyo</td>
</tr>
<tr>
<td>Tokai Tokyo Academy Co., Ltd.</td>
<td>2</td>
<td>Tokyo, Tokyo Prefecture</td>
</tr>
<tr>
<td>Tokai Tokyo Services Co., Ltd.</td>
<td>2</td>
<td>Aichi Prefecture, Tokyo</td>
</tr>
<tr>
<td>Tokai Tokyo Business Service Co., Ltd.</td>
<td>1</td>
<td>Tokyo</td>
</tr>
<tr>
<td>Eternal Co., Ltd.</td>
<td>70</td>
<td>Hyogo Prefecture, Tokyo, etc.</td>
</tr>
<tr>
<td>Tokai Tokyo Securities (Asia) Limited</td>
<td>1</td>
<td>Hong Kong, China</td>
</tr>
<tr>
<td>Tokai Tokyo Securities Europe Limited</td>
<td>1</td>
<td>London, United Kingdom</td>
</tr>
<tr>
<td>Tokai Tokyo Securities (USA), Inc.</td>
<td>1</td>
<td>New York, United States</td>
</tr>
<tr>
<td>Tokai Tokyo Investment Management Singapore Pte. Ltd.</td>
<td>1</td>
<td>Singapore</td>
</tr>
<tr>
<td>Tokai Tokyo Global Investments Pte. Ltd.</td>
<td>1</td>
<td>Singapore</td>
</tr>
</tbody>
</table>

**Notes:**
1. Tokai Tokyo Real Estate Investments Pte. Ltd. was established on May 16, 2016.
2. Eternal Co., Ltd. became a wholly owned subsidiary on March 15, 2017.
3. Tokai Tokyo Financial Holdings, Inc. reduced its stake in Utsunomiya Securities Co., Ltd. to 40% on April 3, 2017, changing the company from a subsidiary to an affiliated company.
## Share Information

### Stock Information (As of March 31, 2017)

<table>
<thead>
<tr>
<th>Stock Code</th>
<th>8616</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock Exchange Listings</td>
<td>First Section, Tokyo Stock Exchange and Nagoya Stock Exchange</td>
</tr>
<tr>
<td>Shareholder Registry Administrator</td>
<td>Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo</td>
</tr>
<tr>
<td>Number of Shares Authorized</td>
<td>972,730,000</td>
</tr>
<tr>
<td>Number of Shares Issued</td>
<td>280,582,115</td>
</tr>
<tr>
<td>Number of Shares Issued (excluding treasury stock)</td>
<td>261,704,659</td>
</tr>
<tr>
<td>Number of Shareholders</td>
<td>31,333</td>
</tr>
<tr>
<td>Trading Unit of Shares</td>
<td>100</td>
</tr>
</tbody>
</table>

### Major Shareholders (Top 10)

<table>
<thead>
<tr>
<th>Major shareholders</th>
<th>Number of shares held (thousands)</th>
<th>Ownership ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>13,987</td>
<td>5.34</td>
</tr>
<tr>
<td>The Bank of Tokyo-Mitsubishi UFJ, Ltd.</td>
<td>12,016</td>
<td>4.59</td>
</tr>
<tr>
<td>Mitsui Sumitomo Insurance Co., Ltd.</td>
<td>10,783</td>
<td>4.12</td>
</tr>
<tr>
<td>Toyota Financial Services Corporation</td>
<td>10,635</td>
<td>4.06</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>9,485</td>
<td>3.62</td>
</tr>
<tr>
<td>The Bank of Yokohama, Ltd.</td>
<td>7,014</td>
<td>2.68</td>
</tr>
<tr>
<td>Nippon Life Insurance Company</td>
<td>5,611</td>
<td>2.14</td>
</tr>
<tr>
<td>Sumitomo Mitsui Trust Bank, Limited</td>
<td>4,800</td>
<td>1.83</td>
</tr>
<tr>
<td>Meiji Yasuda Life Insurance Company</td>
<td>4,406</td>
<td>1.68</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 5)</td>
<td>4,158</td>
<td>1.59</td>
</tr>
</tbody>
</table>

### Notes:
1. The ownership ratio is calculated based on figures generated after deducting treasury stock from the total number of shares issued.
2. In addition to the companies listed above, Tokai Tokyo Financial Holdings holds 18,877,456 shares of treasury stock.

### Breakdown of Shareholders (As of March 31, 2017)

**Shareholdings by Type of Shareholder**

- Individuals and others: 20.96%
- Other domestic corporations: 10.88%
- Treasury stock: 6.73%
- Financial institutions: 40.09%
- Foreign corporations, etc.: 18.98%
- Securities firms: 2.37%

**Shareholdings by Number of Shares Held**

- Less than one unit to 999: 1.15%
- 100 to 999: 10.13%
- 1,000 to 4,999: 10.36%
- 5,000 or more: 69.44%