

Press Release



TOKAI TOKYO FINANCIAL HOLDINGS, INC.

6-2, NIHONBASHI 3-CHOME, CHUO-KU, TOKYO 103-0027 JAPAN

March 22, 2016

Re: The Establishment of The Tokai Tokyo Foundation, a General Incorporated Foundation, and the related Disposition of Shares through third party allocation

We, Tokai Tokyo Financial Holdings, Inc., (herein after the Company) are pleased to announce that we adopted the resolution at our Board of Directors Meeting held today, 22nd of March 2016, to the effect that we will set up the captioned foundation, and execute the treasury share disposition in that conjunction through a third party allocation. We show you below the outline of the matter. Please be notified, however, that we effect the said treasury share disposition subject to the approval by the Regular General Meeting of Shareholders that is to be held in June 2016.

1. The Description of the New Foundation:

(1) The Purpose of Establishing the Foundation;

The foundation is designed to train the human resources capable enough to assume roles in the future either globally or locally in various fields.

Further, it is intended to organize the opportunities in the regional communities where we operate for the people to become knowledgeable about the economy and the society in Japan and the rest of the world. Also, it is intended to originate or assist the activities in the areas of culture and art with an ultimate goal to make contribution to the future of the regional societies.

(2) The Profile of the Foundation:

① Name: The Tokai Tokyo Foundation

② Location: 7-1, Meieki 4-Chome, Nakamura-Ku, Nagoya, Aichi

③ Chairman: Tateaki Ishida

④ Activities:

To develop the human resources capable of assuming active roles at the forefront globally in any field, and the creation of the opportunities in regional communities to raise the people's insight into the economy and the society from worldwide perspective, as well as the commencement and assistance of the activities in the areas of culture and art. Thus, the foundation aims in the end to make contribution to the future of regional communities in which we operate.

⑤ Contribution: ¥3 million

⑥ Date of Incorporation: August 2016 (provisional)

⑦ Accounting Date: March 31

⑧ Approx. Financial Resource for the Activities per year: ¥20~30 Million

⑨ Relationship between the allottee and the Company

- Personal relationship:

Multiple members of the Company's Board of Directors are scheduled to be appointed concurrently to the members of the Board of Directors of the Foundation.

- Business relationship:

The Company is scheduled to make a donation to the Foundation including a contribution of 3 million yen related to the establishment of the Foundation.

2. Disposition of Treasury Shares:

(1) Outline

- ① Number of Shares to be Disposed: 1,200,000 Common Shares
- ② Unit Price To Be Disposed for: ¥1 per share
- ③ Amount to be raised: ¥1,200,000
- ④ The method of share offer or disposal: In the form of third party disposal
- ⑤ The party the share to be disposed to: The Tokai Tokyo Foundation
- ⑥ The date of share disposition: To be determined
- ⑦ Other note:

We execute the share disposal on the condition that we confirm the approval by the Regular General Meeting of Shareholders regarding the prospect that such a disposal may be effected on favorable terms to the counterparty of the share transaction. Other matters related to the subject disposal shall be decided by the Board of Directors Meeting that will be held after the said General Meeting of Shareholders.

(2) The Objective and Rationale:

The Company passed a resolution at the Board of Directors Meeting held today that it establishes the Tokai Tokyo Foundation, a General Foundation. (Hereinafter “the Foundation”) The Company and its group members, while engaged in day-to-day business operation, have been deploying activities contributing to society for the development of region and human resources with a geographic focus on Chubu, the central Japan. In furthering such an endeavor, the Company now considers that establishing the Foundation should facilitate its uninterrupted and stepped-up social contribution in diversified manners toward the realization of better society.

The disposal of treasury shares at this time is intended for the Foundation to source the fund to be used for its social contribution activities. The Foundation shall acquire the Company’s treasury shares and add the subsequently paid dividend income to the initially pooled fund for the future activities. The Foundation, at the time of its establishment, shall state in its articles of incorporation that it does not exercise the voting right shareholders are entitled to.

(3) The Use of the Fund with Regard to its Amount, Purpose of Use and Projected Timing of Use

- ① Amount to be Raised : ¥1,200,000
- ② Approximate Cost of Issue: None
- ③ Estimated Net Available Proceeds: ¥1,200,000
- ④ Projected Timing of Fund Use: To be determined

(4) Actual Use of the Fund:

The net available fund is planned to be used for establishing the Foundation and the related preparatory process. Such usage of fund is essential for establishing the Foundation and thus considered reasonable in the light of the Foundation’s planned activity.

(5) Suitability of the Share Disposition and the associated matter

① The Basis of Contributing Amount and the Related Account

We consider that the Foundation would be instrumental in creating better society by achieving consistently such tasks as developing human resources capable of assuming active roles either in their hometowns or in overseas, and organizing various opportunities in the communities in which we operate to raise the people’s insight into the economy and society from worldwide perspective. Further, the Foundation is, through its endeavor, expected to initiate or assist regional activities in the areas of culture and art. In addition

to the above, the Foundation will support various projects as exemplified below on continuing basis even over multiple years if necessary, and for the purpose of funding its activities, it will use the money it receives as dividend from the Company;

- Projects providing scholarship fund for both Japanese and foreign students and the projects designed to promote interactions between the students;
- Projects aiming to assist sound growth of children and youth;
- Projects organizing the lectures and other events for better mutual understanding between Japanese people and those of foreign cultures and languages;
- Projects organizing the seminars and symposiums to discuss international affairs, art and culture, and human resource development ;
- Projects conducting survey and research with a view to elevate the level of people's education and familiarity with financial matters;
- Projects assisting the promotion of Japanese culture and art;
- Projects promoting international understanding;
- Projects promoting sound development of regional communities

We believe that such social contribution projects will benefit the standing of the Company from long term perspective. We dispose the treasury shares at this time specifically for contributing to the Foundation for their activities and the fund generated by the share disposition shall be used for the preparatory process of forming the Foundation, which you can verify by the aforementioned clause, (4) Actual Use of the Fund.

Therefore, we believe that ¥1 per share, the proposed share disposal price, is reasonable. Further, since the subject treasury share disposal constitutes the case of transaction favorable to the Foundation, the actual execution is conditional upon the approval by the Company's Regular General Meeting of Shareholders that is to be held in June 2016.

- ② The ground for the Company to judge the extent of both the share disposal and the resulting dilution reasonable:

The Foundation is expected to add positive impact to our society by deploying the above mentioned activities. Thus, the extent of share disposal dedicated to the Foundation's activity, we consider, is appropriate. Also, the level of dilution of the Company's equity to be resulted from the disposal will be limited to mere 0.45% (rounding the number off to two decimal points) against the total number of outstanding shares, which, we deem, is minimal in terms of the impact on stock market.

- (6) The reason for choosing the Foundation as a counterparty of the share disposal transaction(hereinafter "the Counterparty") and other related information:

- ① The profile of the counterparty*:

Please refer to the foregoing statement 1. (2) The Profile of the Foundation.

*We had confirmed that the Counterparty itself or any one of either Directors or primary shareholders of the Counterparty has no relation with any crime syndicate (*Boryokudan*) and we submitted the confirmation report to that effect to Tokyo Stock Exchange,

- ② The reason for the choice:

We reached the conclusion that it is suitable to select the Foundation as the Counterparty for fulfilling the objective stated in the foregoing 2. (2) The Objective and Rationale. Please note further that we will obtain the letter from the Counterparty assuring us the following. (1) The Counterparty shall report in writing to the Company describing the transaction details if they transfer either in part or entirety the common share of the Company they receive through third-party allocation and if they effect such transfer

within 2 years after the payment of such share. (2) The Counterparty shall agree that the Company reports such share transfer to Tokyo Stock Exchange, and such report from the Company is made available for public inspection.

③ The policy of the Counterparty regarding the share it acquires:

The Foundation, the Counterparty of the share disposal transaction, is expected to hold the share for long time since it uses the dividend therefrom as part of the fund necessary for its activities.

④ The confirmed fact with respect to the Counterparty's settlement capability to complete the transaction:

The Foundation shall apply the founding reserve money of ¥3Million in order to effect the share purchase transaction.

(7) The composition of major shareholders resulting from the share disposal transaction:

Before the transaction(As of 30 th September 2015)		After the transaction
Mitsui Sumitomo Insurance Co., Ltd.	5.16%	Remain Unchanged
Toyota Financial Services Corporation	5.09%	
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4.28%	
Japan Trustee Services Bank, Ltd. (Trust Account)	3.76%	
The Master Trust Bank of Japan, Ltd. (Trust Account)	3.16%	
The Bank of Yokohama, Ltd.	2.50%	
Nippon Life Insurance Company	2.00%	
CMBL S.A. RE MUTUAL FUNDS	1.95%	
Sumitomo Mitsui Trust Bank, Limited	1.71%	
Meiji Yasuda Life Insurance Company	1.57%	

(8) The potential impact of the transaction on the Company's standing:

We estimate that the transaction may affect the Company only in a negligible manner. We will, however, inform you without delay if the situation, associated with the transaction, arises in the manner necessitating us to disclose to you.

(9) Required procedure pursuant to the Code of Corporate Conduct

For the following reasons, the subject treasury share disposal transaction does not require us to take the procedure of obtaining the opinion of either an independent third party or the shareholders as stipulated in Article 423 of the Security Listing Regulations of the Tokyo Stock Exchange:

- ① The resulting equity dilution rate may be less than 25%.
- ② Composition of controlling shareholders may remain unchanged.

(10) Operating results and equity financing of the Company over the recent 3 fiscal years

① Operating results over the recent 3 fiscal years (Consolidated Basis)

	Fiscal year ending in March 2014	Fiscal year ending in March 2015	Fiscal year ending in March 2016
Operating revenue	¥67,854 million	¥90,547 million	¥82,700 million
Operating income	¥15,252 million	¥30,248 million	¥25,071 million
Ordinary income	¥17,320 million	¥33,405 million	¥28,524 million
Net income	¥11,273 million	¥23,243 million	¥18,499 million
Net income per share	¥42.74	¥87.68	¥69.51
Dividend per share	¥16 per year	¥32 per year	¥34 per year
Net asset per share	¥461.12	¥528.26	¥579.91

② The currently outstanding number of shares and the number of dilutive shares* (As of September 30, 2015)

	Number of shares	Percentage against the total outstanding shares
Number of outstanding shares	280,582,115 shares	100%
Number of dilutive shares at the current conversion price (exercise price)	- shares	- %
Number of dilutive shares at the lowest conversion price (exercise price)	- shares	- %
Number of dilutive shares at the highest conversion price (exercise price)	- shares	- %

* The number of dilutive shares does not include the shares that the exercised stock option may add.

③ Recent stock price changes

a. The changes over the recent 3 fiscal years

	Fiscal year ending in March 2014	Fiscal year ending in March 2015	Fiscal year ending in March 2016
Opening price	¥310	¥671	¥866
High price	¥708	¥1,087	¥992
Low price	¥235	¥597	¥623
Closing price	¥683	¥866	¥928

b. The changes over the recent 6 months

	2015				2016	
	September	October	November	December	January	February
Opening price	¥797	¥708	¥739	¥738	¥733	¥690
High price	¥798	¥766	¥782	¥758	¥745	¥709
Low price	¥679	¥676	¥710	¥682	¥601	¥478
Closing price	¥708	¥741	¥743	¥741	¥670	¥549

c. The stock price on the date one day before the share disposal resolution was made

	March 18 th , 2016
Opening price	¥610
High price	¥635
Low price	¥605
Closing price	¥621

④ The record of equity financing over the recent 3 years

Not applicable.

(end)