

Press Release



TOKAI TOKYO FINANCIAL HOLDINGS, INC.

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

(Securities Code 8616)

August 23, 2016

Re: The signing of the basic agreement with The Tochigi Bank, Ltd. concerning partial transfer of the stock of Utsunomiya Securities Co. Ltd., our consolidated subsidiary

We, Tokai Tokyo Financial Group, Inc. (hereinafter “the Company”), are pleased to announce that we executed today the agreement with The Tochigi Bank, Ltd. (headed by Mr. Junnosuke Kuromoto, President, and referred to as “Tochigi Bank” hereinafter) to convert Utsunomiya Securities Co. Ltd., the Company’s consolidated subsidiary, to a joint corporation that will be owned by the Company and Tochigi Bank (hereinafter referred to this change as “the Joint Corporation Conversion”).

1. The objective:

We set forth “Alliance & Platform for Expanding Business Foundation” as one of the five basic strategies that drives forward our management plan, “Ambitious 5”, and we are actually achieving satisfactory business growth in four existing JV security brokerage companies that we run jointly with regional banks and they are; YM Securities Co., Ltd., Hamagin Tokai Tokyo Securities Co., Ltd., Nishi-Nippon City Tokai Tokyo Securities Co., Ltd., and Senshu Ikeda Tokai Tokyo Securities Co., Ltd. In addition, we are planning on starting the operation of another JV company sometime in the latter half of the fiscal 2016, and the new company will be owned by the Company and Tochigi Bank. We have accumulated the competence of conducting “the Platform Business” that provides operating infrastructure, products and other resources necessary for running securities house over the years of our brokerage firm operation. We will continue to make the most of this competence and supply more service functions and products, and as such we expect to expand operating foundation and profit of the Company as a unique comprehensive financial group.

Tochigi Bank, on the other hand, hoists its management policy of “Aiming to help the community of our operating foothold grow affluent and to win the trust therefrom” and “Elevate ourselves to be the bank strong and resilient enough to survive and thrive flexibly in the future”. Under such policy, they are working hard to further vitalize the economy in the region where they operate by way of assisting the operation of clients’ businesses and helping the customers as individuals enjoy full and satisfying lives. In particular, they are in the midst of making endeavors to bolster sales capability, and enrich service and product portfolio they deliver in order to meet their customers’ varying asset management needs. Thus, they ultimately intend to improve their earnings power and at the same time enhance their community contribution.

Under such circumstances, the Company and Tochigi Bank agreed in principle that they shall jointly own Utsunomiya Securities Co. Ltd., currently the Company’s consolidated subsidiary, effective sometime in the fiscal year 2016. The voting right to be held toward Utsunomiya Securities Co., Ltd. after effecting the Joint Corporation Conversion is slated to be 60% by Tochigi Bank and 40% by the Company, respectively. However, this specific matter still remains subject to final decision to be reached by the both parties. Further, the acquisition of the shares of Utsunomiya Securities Co. Ltd. by Tochigi Bank is conditional upon obtaining the approval from the related regulatory authorities and meeting other requirements if any.

Utsunomiya Securities Co. Ltd. shall utilize resources provided by the both shareholders, which include densely knit operating network in Tochigi Prefecture laid by Tochigi Bank, and expertise and functional competence provided by the Company. By way of this approach, Utsunomiya Securities Co. Ltd. intends to broaden its customer base and aims to become the security house that customers in the region feel closer and find more reliable.

2. The profile of Utsunomiya Securities Co. Ltd.

(1)	Name of the Entity	Utsunomiya Securities Co. Ltd.		
(2)	Corporate Address	4 – 4 Ikegami-cho, Utsunomiya, Tochigi Prefecture		
(3)	Title and name of the Representative Director	President, Minoru Yoshida		
(4)	Business	Financial instruments business		
(5)	Capital Stock	301 Million Yen (As of March 31, 2016)		
(6)	Date of Establishment	February 28, 1945		
(7)	Principal Shareholders and Respective Shareholding % (As of March 31, 2016)	Tokai Tokyo Financial Holdings, Inc. 91.94%		
(8)	Business results and financial position, both on consolidated basis, for the most recent 3 years (in Million Yen Unless otherwise noted)			
	Fiscal Year	FY Ended March 2014	FY Ended March 2015	FY Ended March 2016
	Net Assets	2,725	2,935	2,964
	Total Assets	11,265	9,297	6,916
	Net Assets Per Share (in Yen)	950.08	1,023.31	1,033.64
	Operating Revenue	2,309	1,866	1,584
	Ordinary Income	786	524	330
	Net Income	505	334	225
	Net Income Per Share (in Yen)	175.54	116.57	78.45
	Dividend Per Share (in Yen) Common Stock	50.00	60.00	40.00

3. Projected development

Subsequent to the Joint Corporation Conversion, Utsunomiya Securities Co. Ltd. will become a consolidated subsidiary of Tochigi Bank and at the same time it will become an equity method affiliate of the Company. The Company estimates that Joint Corporation Conversion may affect its performance for the fiscal year ending in March 2017 only to the negligible extent.

(end)

Reference Information: The profile of The Tochigi Bank, Ltd.

(1)	Name of the Entity	The Tochigi Bank, Ltd.																					
(2)	Corporate Address	2-1-18 Nishi, Utsunomiya, Tochigi Prefecture																					
(3)	Title and name of the Representative Director	President, Junnosuke Kuromoto																					
(4)	Business	Banking																					
(5)	Capital stock	27,408 Million Yen																					
(6)	Date of Establishment	December 8, 1942																					
(7)	Principal Shareholders and Respective Shareholding % (As of March 31, 2016)	<table border="0"> <tr> <td>1. Japan Trustee Services Bank, Ltd. (Trustee account 4)</td> <td>5.86%</td> </tr> <tr> <td>2. The Tochigi Bank, Ltd.</td> <td>5.05%</td> </tr> <tr> <td>3. CBNY-GOVERNMENT OF NORWAY</td> <td>4.15%</td> </tr> <tr> <td>4. The Tochigi Bank, Ltd. Employees' Stock Sharing Organization</td> <td>3.49%</td> </tr> <tr> <td>5. CBNY DFA INTL SMALL CAP VALUE PORTFOLIO</td> <td>2.61%</td> </tr> <tr> <td>6. Japan Trustee Services Bank, Ltd. (Trustee account)</td> <td>2.22%</td> </tr> <tr> <td>7. Mizuho Bank, Ltd.</td> <td>2.07%</td> </tr> <tr> <td>8. The Bank of Tokyo-Mitsubishi UFJ, Ltd.</td> <td>1.86%</td> </tr> <tr> <td>9. The Towa Bank, Ltd.</td> <td>1.83%</td> </tr> <tr> <td>10. The Master Trust Bank of Japan, Ltd. (Trustee account)</td> <td>1.78%</td> </tr> </table>		1. Japan Trustee Services Bank, Ltd. (Trustee account 4)	5.86%	2. The Tochigi Bank, Ltd.	5.05%	3. CBNY-GOVERNMENT OF NORWAY	4.15%	4. The Tochigi Bank, Ltd. Employees' Stock Sharing Organization	3.49%	5. CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	2.61%	6. Japan Trustee Services Bank, Ltd. (Trustee account)	2.22%	7. Mizuho Bank, Ltd.	2.07%	8. The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1.86%	9. The Towa Bank, Ltd.	1.83%	10. The Master Trust Bank of Japan, Ltd. (Trustee account)	1.78%
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(8)	Relationship between TTFH and the subject entity	Capital relationship	There is no capital relation with the Company that should be mentioned. Further, there is no particular capital relation to be mentioned between the parties concerned on neither the side of the Company and its affiliated companies nor the same of Tochigi Bank and its affiliated companies.																				
		Personal relationship	There is no personal relation with the Company that should be mentioned. Further, there is no particular personal relation to be mentioned between the parties concerned on neither the side of the Company and its affiliated companies nor the same of Tochigi Bank and its affiliated companies.																				
		Trading relationship	There is no trading relation with the Company that should be mentioned. Further, there is no particular trading relation to be mentioned between the parties concerned on neither the side of the Company and its affiliated companies nor the same of Tochigi Bank and its affiliated companies.																				
		Possibility of falling under the category of the Related Parties:	Tochigi Bank does fall under the category of the Company's Related Party. Further, any one of their parties concerned does not fall under the category of the Company's Related Party.																				

(9) Business results and financial position, both on consolidated basis, for the most recent 3 years (in Million Yen Unless otherwise noted)			
Fiscal Year	FY Ended March 2014	FY Ended March 2015	FY Ended March 2016
Consolidated Net Assets	137,601	163,824	163,669
Consolidated Total Assets	2,673,333	2,763,714	2,805,248
Consolidated Net Assets Per Share (in Yen)	1,187.64	1,412.07	1,534.14
Consolidated Ordinary Income	51,857	57,853	57,842
Consolidated Ordinary Profit	13,733	20,929	18,505
Consolidated Net Income Attributable to Owners of the Parent	8,142	12,285	11,203
Consolidated Net Income Per Share (in Yen)	71.80	108.31	99.40
Dividend Per Share (in Yen) Common Stock	8.0	8.5	8.5