

Press Release



TOKAI TOKYO FINANCIAL HOLDINGS, INC.

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(Securities Code 8616)

October 21, 2016

The partial transfer of the financial instruments business of Tokai Tokyo Securities Co., Ltd., our wholly owned subsidiary, to Hokuhoku Tokai Tokyo Securities Co., Ltd. through absorption-type company split

We, Tokai Tokyo Financial Holdings, Inc. (“the Company”), are pleased to announce that our wholly owned subsidiaries, Tokai Tokyo Securities Co., Ltd. (“Tokai Tokyo Securities”), and Hokuhoku Tokai Tokyo Securities Preparation Co., Ltd. whose trade name will be changed to Hokuhoku Tokai Tokyo Securities Co., Ltd. (hereinafter referred to as “Hokuhoku TT Securities”) by the time the latter starts its operation, entered into an absorption-type company split agreement today as in the following to the effect that a part of Tokai Tokyo Securities’ financial instruments business operation including those of Toyama, Kanazawa and Sapporo Branches, as well as Sapporo Corporate Sales Section of Corporate Sales Department, Tokyo and the part of Corporate Sales Department, Kansai’s operation associated only with the customer accounts the personnel assigned to Hokuriku-region have been in charge of (hereinafter referred to as “the Split Business”) shall be transferred to Hokuhoku TT Securities.

Please note that the Company is not subject to the requirement of timely disclosure. (For the details about the business cooperation with Hokuhoku Financial Group, Inc. (“Hokuhoku FG”) please refer to “The Notice of Business Co-operation Initiated with Hokuhoku Financial Group, Inc. by Establishing Joint Venture Operation” that is also announced today separately as another news release.)

1. The Purpose of the company split

Hokuhoku TT Securities will blend the brand strength of Hokuhoku FG built on its solid customer base, densely knit branch network and deeply rooted customer loyalty in its primary business territory of Hokuriku and Hokkaido regions with the high expertise and capability Tokai Tokyo Financial Group has developed over the years to conduct financial instruments business as full-line independent securities house. Hokuhoku TT Securities will leverage on such blended resources and aim at becoming a security house that the regions where it operates and the people living there feel close to and can count on.

The Company considers that the absorption-type company split will fully facilitate the process of realizing the benefit of alliance with Hokuhoku FG. We believe we can achieve this benefit by offering better community-suited products and services to the customers in Hokuriku and Hokkaido regions and by assisting Hokuhoku TT Securities to acquire expeditiously the Tokai Tokyo Securities’ expertise to run securities business operation. We expect that such endeavor in the end will produce strong synergy effect for us.

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2. Outline of the company split

(1) Schedule

Conclusion of the Agreement	October 21, 2016
Shareholders' Meeting (Hokuhoku TT Securities)	November 28 , 2016 (planned)
Scheduled Date of the Split (effective date)	January 4, 2017 (planned)
Delivery of the Shares	January 4, 2017 (planned)

*Tokai Tokyo Securities will use the simplified split method under which it does not obtain the approval from a Shareholders' Meeting.

(2) Company split method

The company split is to be effected in the form of spin-off, absorption-type whereas Tokai Tokyo Securities is the transferor and Hokuhoku TT Securities is the transferee.

(3) Share allocation for the company split and value of the business

① Share allocation

In executing the company split, Hokuhoku TT Securities, the transferee company, will issue 1,500 common shares and provide such stocks on the effective date of the company split to Tokai Tokyo Securities who then will turn them over to the Company as dividend on the same date.

② The ground for valuation

The Company and Hokuhoku FG reached an agreement on the amount of 1,500 million yen as the assessed value of the Split Business since the both parties had accepted such valuation after negotiations and discussions, taking into account the financial performance record and future business outlook of the subject business, while at the same time using for a reference purpose the appraisal results provided by the two third party professional organizations retained by respective party to the company split transaction. Hence, the common stocks of Hokuhoku TT Securities, worth 1,500 million yen, will be delivered to Tokai Tokyo Securities as a result of this company split.

(4) Treatment of stock acquisition rights and bonds with stock acquisition rights associated with the company split

Neither Tokai Tokyo Securities, the transferor, nor Hokuhoku TT Securities, the transferee, has issued any stock acquisition right or bond with stock acquisition right.

(5) Capital increase or decrease to be resulted from the company split

Capital will not change at either the transferor or the transferee.

(6) Rights and obligations to be taken over by the transferee company

Hokuhoku TT Securities will succeed to assets and liabilities related to the business to be taken over, and all the rights and the obligations incidental thereto with an exception of employment contracts. The employees currently engaged in the Split Business at Tokai Tokyo Securities will be in principle seconded to the transferee after the company split.

(7) Prospect for the ability to fulfill obligations

We believe that the performance of obligations that Tokai Tokyo Securities and Hokuhoku TT Securities should succeed to after the company split is satisfactorily ensured with significantly high certainty.

3. Overview of the parties

(1) Overview of the parties to the company split

(Million yen unless otherwise specified)

	Transferor company	Transferee company
(1) Corporate name	Tokai Tokyo Securities Co., Ltd.	Hokuhoku Tokai Tokyo Securities Preparation Co., Ltd.
(2) Address	7-1, Meieki 4chome, Nakamura-ku, Nagoya City, Aichi Prefecture	2-26, Tsutsumicho-dori 1 chome, Toyama City, Toyama Prefecture
(3) Representative	Toshiyuki Hayakawa, President & COO (Representative Director)	Masaru Kato (Representative Director)
(4) Business	Financial Instruments and Exchange Business	Financial Instruments and Exchange Business
(5) Paid-in capital	6,000 million yen	50 million yen
(6) Founded	October 8, 2008	April 21, 2016
(7) Number of shares issued	120,000 shares	100 shares
(8) Fiscal year closing	March 31	March 31
(9) Principal shareholders and shareholding	Tokai Tokyo Financial Holdings, Inc.: 100%	Tokai Tokyo Financial Holdings, Inc.: 100%

(2) Businesses to be split or succeeded to

The financial instruments and exchange business covered in the range of the Split Business (excluding those related to the businesses and products listed below)

- ① Tokai Tokyo Card
- ② *Ruito* Club (cumulative equity investment)
- ③ Fund *Ruito* (referring only to the transaction type under which the fund is debited from bank account)
- ④ Over-the-counter derivatives (including both lending stock and borrowing stock transactions)
- ⑤ Listed Futures (both sell and buy) and Listed Options (sell)
- ⑥ MRF other than Nikko MRF
- ⑦ Transactions using DVP
- ⑧ Other businesses and products to be separately agreed as non-transferable

4. Projected profile of the transferee company when the split is completed

Hokuhoku TT Securities, the transferee company, will receive capital contribution from Hokuhoku FG on January 4, 2017, which is the scheduled effective date of the company split. The following describes the profile of the transferee company following the capital contribution:

(1) Corporate name	Hokuhoku Tokai Tokyo Securities Co., Ltd.
(2) Address	8-10, Marunouchi 1 chome, Toyama City, Toyama Prefecture

(3) Representatives	<ul style="list-style-type: none"> · Takashi Nakano, President & CEO (Representative Director) (Currently Director of Hokuhoku FG and Senior Managing Executive Officer of The Hokuriku Bank, Ltd.) · Masaru Kato, Deputy President (Representative Director) (Formerly Senior Managing Operating Officer, Tokai Tokyo Securities Co., Ltd.) · Someone from The Hokkaido Bank, Ltd. will assume the position of Deputy President (Representative Director) 				
(4) Number of Employees	Approximately 100 (to be seconded from both the Company and Hokuhoku FG Group)				
(5) Business	Financial Instruments and Exchange Business				
(6) Paid-in capital	1,250 million yen				
(7) Date of establishment	April 21, 2016				
(8) Fiscal year closing	March 31				
(9) Shareholders and Shareholding ratio	<table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">Hokuhoku FG:</td> <td style="text-align: right;">60%</td> </tr> <tr> <td>Tokai Tokyo Financial Holdings:</td> <td style="text-align: right;">40%</td> </tr> </table>	Hokuhoku FG:	60%	Tokai Tokyo Financial Holdings:	40%
Hokuhoku FG:	60%				
Tokai Tokyo Financial Holdings:	40%				

5. Outlook

The impact of the company split on the operating results both in terms of the current and next fiscal years for the Company is expected to be minor.

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