

# Press Release

## TOKAI TOKYO FINANCIAL HOLDINGS, INC.

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(TSE, NSE: 8616)

March 23, 2018

### **Basic Agreement with Juroku Bank Regarding Comprehensive Business Alliance**

We, Tokai Tokyo Financial Holdings, Inc. (“Tokai Tokyo FH” or “the Company”), are pleased to announce that the Company reached a basic agreement with The Juroku Bank, Ltd. (TSE/NSE: 8356, hereafter “Juroku Bank”), of which President and CEO is Mr. Yukio Murase, regarding the comprehensive business alliance (hereafter “the Alliance”) and agreed now to start concrete investigation related to the Alliance.

#### 1. The Objective of the Alliance

Since April 2017, we have been undertaking a new management plan, “The New Age’s Flag Bearer 5” and in making this endeavor, we are determined to elevate ourselves to an advanced and comprehensive financial group to become able to meet unceasingly diversifying and advancing customer needs and to withstand and prevail the rapidly changing operating environment entailing the permeation of digital financial services such as FinTech and AI. Under such an environment, our signature project, the securities brokerage companies we jointly run with various prominent regional banks, have steadily demonstrated results and we are hopeful of their further continuing successes with the spirit and theme of the “Great Platform” which is aimed in our management plan. But, now, we intend to create a new alliance model by combining two sets of business resources. The one is our business execution resource such as business succession advisory capability and our marketing method to provide insurance, housing loan and asset formation advisory at once as “one-stop” besides the competences of conventional investment products, back-office system, staff training. The other is the solid customer base and the product lineup that the regional bank possesses. We design the new alliance model to help the new securities firm to be supported by the customers it serves and to make contribution to the regional community where it operates.

Concurrently, Juroku Bank has been taking on the 14th Medium Term Management Plan “All For Your Smile: Providing Wholehearted Services -2nd Stage-” since April 2017, aiming to become “a financial group that is needed by customers and grows with customers.” Further, they carry a core action motto of “Engagement First” in conducting day-to-day business. Under the said idea, they intend to make the plan serve eventually as the business model facilitating virtuous profit generating cycle that is stable and sustainable for supporting their customers and contributing to their regional economy. Juroku Bank, under such turning period, will further drive ahead the business reform to meet customer needs and social change, and also continue conducting the operational reform already underway to provide high-quality service under “customer first” spirit, so as to increase the point of contact with customers and become able to show proposal generating competence better than the customers expect from them.

So, Tokai Tokyo FH and Juroku Bank, sharing the common geographic operating foothold, Tokai region, while grappling with each task, thought it meaningful to form an alliance. The idea behind the Alliance for

both Tokai Tokyo FH and Juroku Bank is a common intent on fortifying business foundation by way of complementing business operation each other as equal business partners and mutually sharing to the best they can the resource each possesses. Further, both institutions, fulfilling the said idea, desire to present the desired picture of the financial group of the next generation that goes beyond conventional categories of both banking and securities brokerage. Ultimately, both institutions aspire to raise respective corporate value by offering products and services of rich in quality and variety what the customers need. This is the background that induced Tokai Tokyo FH and Juroku Bank to reach the basic agreement about forming the Alliance.

## 2. Overview of the Alliance

### (1) Description of the Designated Business Cooperation

Under the Alliance, the both institutions will deliberate possible areas of business cooperation specifically such as securities brokerage, banking, market information sharing, asset management, insurance, internet securities transaction capability, business succession advisory, FinTech and trust business.

Also, if the areas of business other than stated above surface from now on, we and Juroku Bank will examine as potential businesses for cooperation under the Alliance as long as they fit to its objective.

Tokai Tokyo FH and Juroku Bank basically agreed to establish a securities company by way of joint investment (hereafter referred to as “JV Securities Company”) that is designed to combine the strength of both investors. JV Securities Company sets a goal to become the region’s representative securities firm by fully taking advantage of the fertile network closely knit in the business territory enjoyed by Juroku Bank and operating know-hows and service competence developed over the years by Tokai Tokyo.

It may be possible that Tokai Tokyo FH and Juroku Bank discuss capital alliance next to business alliance if the both institutions agree. However, there is no decision yet about this matter.

### (2) Outline of the JV Securities Company

① Headquarters	Gifu City, Gifu Pref.
② Scope of Business	Financial Instruments Business
③ Timing of Starting its Business	In Fiscal Year ending March 2020
④ Shareholders	Projected to be 40% by Tokai Tokyo FH and 60% by Juroku Bank

- Projected timing of its business start is based on the assumption that all the relevant authorization and registration will be acquired with no delay.
- The corporate name, capital amount and representative director of the JV Securities Company will be informed once they are determined.

## 3. The Profile of the JV Partner

(1) Name	The Juroku Bank, Ltd.		
(2) Location	8-26, Kandamachi, Gifu City, Gifu Pref.		
(3) Title and name of the representative director	Yukio Murase, President and CEO		
(4) Business	Banking		
(5) Capital	36.8 billion yen		
(6) Date of incorporation	August 8, 1877		
(7) Major shareholders and their shareholding ratio (as of Sept. 30, 2017)	1. Japan Trustee Services Bank, Ltd. (Trust account)	6.56%	
	2. The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4.54%	
	3. Sompo Japan Nipponkoa Insurance Inc.	3.25%	
	4. The Juroku Bank Employee Shareholders’ Association	2.75%	
	5. Fuji Baking Group Co., Ltd.	2.53%	

		6. Meiji Yasuda Life Insurance Company	2.44%	
		7. Japan Trustee Services Bank, Ltd. (Trust account 9)	2.02%	
		8. The Master Trust Bank of Japan, Ltd. (Trust Account)	1.95%	
		9. CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	1.59%	
		10. Tokio Marine and Nichido Fire Insurance Co., Ltd.	1.56%	
(8)	Relation with Tokai Tokyo FH	Capital Relation	There is no capital relation to be noted between the Company and the JV Partner. Further, there is no particular capital relation between the parties related to the Company or the Company's affiliates and the parties related to JV Partner or its affiliates.	
		Personal Relationship	There is no personal relation to be noted between the Company and the JV Partner. Further, there is no particular personal relation between the parties related to the Company or the Company's affiliates and the parties related to JV Partner or its affiliates.	
		Business Relation	There is no business relation to be noted between the Company and the JV Partner. Further, there is no particular business relation between the parties related to the Company or the Company's affiliates and the parties related to the JV Partner or its affiliates.	
		Whether to Constitute the Case of Concerned Party	The JV Partner does not fall under the category of the Company's concerned party. Further, the parties related to the JV Partner or its affiliates does not fall under the category of the Company's concerned party.	
(9)	The JV Partner's 3-year consolidated financial performance and financial standings (in million yen unless otherwise specified)			
	Fiscal year	FY Ended March 2015	FY Ended March 2016	FY Ended March 2017
	Consolidated Net Assets	360,183	354,181	347,370
	Consolidated Total Assets	6,088,503	6,209,781	6,038,333
	Consolidated Net Assets Per Share (in yen)	920.80	902.86	882.00
	Consolidated Ordinary Income	127,535	114,544	125,796
	Consolidated Ordinary Profits	38,063	22,346	14,558
	Consolidated Net Income Attributable to Owners of the Parent	22,799	13,371	10,036
	Consolidated Net Income Per Share (in yen)	60.47	35.78	26.85
	Dividend Per Share (in yen)	8.00	7.00	7.00

#### 4. Future Prospect

The JV Securities Company will become our equity method affiliate while it will become Juroku Bank's consolidated subsidiary. Concrete details of joint venture securities business to be conducted through the JV Securities Company and the part of the Alliance other than the presented financial instruments business here shall be informed as soon as the both institutions discuss and determine them. We estimate that the impact to be caused by this alliance formation on our financial result for the period ending in March 2018 should be insignificant.

(end)