

Press Release



TOKAI TOKYO FINANCIAL HOLDINGS, INC.

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(TSE, NSE: 8616)

January 30, 2019

New Securities Company to be Jointly Established with Juroku Bank

We, Tokai Tokyo Financial Holdings, Inc., (hereinafter “the Company”) are pleased to announce that we have reached an agreement about the establishment of a new joint venture securities company (hereinafter “JV securities company”) with The Juroku Bank, Ltd. (hereinafter “Juroku Bank”) as you find below. The Company has considered establishing a JV securities company as per the basic agreement signed by the Company and Juroku Bank effective March 23, 2018, aiming to form a comprehensive business alliance. Juroku Bank is headquartered in Gifu-shi, Japan and its President and CEO is Mr. Yukio Murase.

1. Content of the agreement

The Company and Juroku Bank have made an in-depth study about the viability of running a new JV securities company that takes advantage of the strength each party possesses. The new JV securities company signifies the first step taken under the aforementioned idea of comprehensive business alliance. Today, Tokai Tokyo Securities Co., Ltd. (hereinafter “TTSC”), a wholly owned subsidiary of the Company, concluded an absorption type-split agreement with Juroku Tokai Tokyo Securities Preparation Co., Ltd. (hereinafter “JTTSPC”), a transient entity set up in April 2018 specifically for this JV securities company creation purpose. TTSC and JTTSPC agreed that JTTSPC will receive the transfer of the operation currently conducted by TTSC at its four outlets located in Gifu prefecture in a form of company split. The transfer, however, excludes the operation related to some of the customers, products and services (hereinafter, this specified part of TTSC’s operation that will be transferred will be referred to as “the split business operation”). The JV securities company will make most of the operating know-hows and service competence developed over the years by Tokai Tokyo Financial Group, accessing closely knit and fertile customer network Juroku Bank possesses. The JV securities company will offer diverse and high-quality products and services to satisfy needs of customers as a securities company firmly rooted in the community it operates, hoping to help customers improve their well-being and assist the region where we operate with growing its economy.

2. Outline of the company split

(1) Company split method

Company split here is to be effected as spin-off, absorption-type where TTSC is the transferor and JTTSPC is the transferee.

(2) Share allocation for the company split and the value thereof

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1) Share allocation

In executing the company split, JTTSPC, the transferee company, will issue 3,500 common shares and provide such stocks on the effective date of the company split to TTSC, who then will turn them over to the Company as dividend on the same date.

2) Supporting ground for valuation

The Company and Juroku Bank reached an agreement on the amount of 3,500 million yen as the assessed value of the split business operation after negotiations and discussions, taking into account the financial performance record and future outlook of the subject business, while at the same time referencing to the appraisal results provided by third-party professional organizations respectively retained by each party to the company split transaction. However, as we described below in “4. Progress record and schedule for the commencement of operation by JTTSPC”, please note that both the value of the split business operation and the capital contribution to be made by Juroku Bank is subject to change later, depending on the requests from the customers who may be potentially affected by the subject split business operation. Also, 3,500 common stocks of JTTSPC will be delivered to TTSC as a result of this company split.

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

JTTSPC will succeed to assets and liabilities corresponding to the split business operation, and all the rights and the obligations incidental thereto with an exception of employment contracts. Employees at TTSC currently assigned to the split business operation will be, in principle, seconded to the transferee after the company split.

3. Profiles of the parties to the split business operation

(1) Parties' profiles as of January 30, 2019

	The transferor company	The transferee company
1) Company name	Tokai Tokyo Securities Co., Ltd.	Juroku Tokai Tokyo Securities Preparation Co., Ltd.
2) Location	7-1, Meieki 4-chome, Nakamura-ku, Nagoya-shi, Aichi	26, Kanda-machi 8-chome, Gifu-shi, Gifu
3) Representative	Mr. Toshiyuki Hayakawa, President & COO (Representative Director)	Mr. Yasuo Okura, Representative Director
4) Paid-in capital	6,000 Million Yen	50 Million Yen
5) Date of incorporation	October 8, 2008	April 24, 2018
6) Number of shares issued	120,000 shares	100 shares
7) Account closing date	March 31	March 31
8) Major shareholder and its shareholding ratio	Tokai Tokyo Financial Holdings, Inc. 100%	Tokai Tokyo Financial Holdings, Inc. 100%

(2) Businesses to be split or succeeded to

The financial instruments business currently conducted by TTSC at its four outlets located in Gifu prefecture, 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 to be arranged in advance so that the fund for purchasing investment trust is debited from bank account on regular and automatic basis.)
- 4) Over-the-counter derivatives (including both lending stock and borrowing stock transactions)
- 5) Listed Futures
- 6) Listed Options

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- 7) Mitsui Sumitomo MRF
- 8) Orque d'or, Premier VIP Club, Premier Club
- 9) Other businesses and products to be separately agreed as non-transferable

4. Progress record and schedule for the commencement of operation by JTTSPC

Date	Description
March 23, 2018	Basic agreement was concluded between the Company and Juroku Bank concerning the comprehensive business alliance.
April 24, 2018	For the purpose of registration as financial instruments business operator, JTTSPC was established with 100% capital contribution from the Company (the Company owns 100 shares of JTTSPC.)
January 29, 2019	The application for the above referenced registration was submitted to Tokai Local Finance Bureau.
January 30, 2019	The absorption-type split agreement was concluded between JTTSPC and TTSC regarding the split business operation
June 3, 2019 (planned)	JTTSPC will take over the split business operation from TTSC and issue 3,500 common shares and provide such stocks on the effective date of the company split to TTSC, which will then turn them over to the Company as dividend on the same date. Juroku Bank will inject capital to JTTSPC in the amount of ¥5,400 Million in the form of undertaking third-party allocation of 5,400 increased shares of the investee, and then the investee will be converted to a Joint Venture. However, the actual capital contribution amount by Juroku Bank will be adjusted depending on the reaction from TTSC's clients to the split business operation. * Note: After this capital injection, the shareholding ratio between the Company and Juroku Bank will be 40 to 60, which converts JTTSPC to an affiliate of the Company from consolidated subsidiary of the same.
	Commencement of a new JV securities company

5. Profile of the JV securities company at the beginning of its operation

(1) Company name	Juroku Tokai Tokyo Securities Co., Ltd. (provisional)
(2) Location	12, Kanda-machi 7-chome, Gifu-shi, Gifu
(3) Line of business	Financial instruments business
(4) Number of employees	Approximately 100 to be seconded from the groups of Tokai Tokyo Financial Holdings, Inc. and Juroku Bank
(5) Date of incorporation	April 24, 2018 (Founded as JTTSPC)
(6) Account closing date	March 31
(7) Major shareholders and their shareholdings ratio	Juroku Bank: 60%, Tokai Tokyo Financial Holdings, Inc.: 40%
(8) Operating offices	Main Office: 1 st Floor, Daigifu-Bldg., 27, Kanda-machi 9-chome, Gifu-shi, Gifu Ogaki Branch: 26, Takaya-cho 1-chome, Ogaki-shi, Gifu on the premise of Juroku Bank, Ogaki Branch Tajimi Branch: 2 nd Floor, Crystal Plaza Tajimi, 101-1, Honmachi 3-chome, Tajimi-shi, Gifu Nakatsugawa Branch: 4-6, Ota-machi 2-chome, Nakatsugawa-shi, Gifu
(9) Operation starting date	Monday, June 3, 2019 (planned)

6. Possible impact on the Company's future performance

We estimate the impact to be given by this undertaking on the Company's performance for the fiscal years ending both in March 2019 and March 2020 should be insignificant.

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