

# Press Release

## TOKAI TOKYO FINANCIAL HOLDINGS, INC.

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(TSE, NSE: 8616)

May 9, 2019

### **Tokai Tokyo Securities to Transfer its Business at Four Outlets in Gifu to Juroku Tokai Tokyo Securities by Company Split and to Recognize Extraordinary Profit**

As we, Tokai Tokyo Financial Holdings, Inc., (hereinafter “TTFH”) announced on January 30 of this year, we and The Juroku Bank, Ltd., (hereinafter “Juroku Bank”) headquartered in Gifu City and headed by Mr. Yukio Murase, President and CEO, reached an agreement to the following effect. Tokai Tokyo Securities Co., Ltd. (hereinafter “TTSC”), a wholly owned subsidiary of TTFH, would transfer the business operation it conducts at its four outlets in Gifu Prefecture (hereinafter “the split business operation”) in a form of company split to Juroku Tokai Tokyo Securities Co., Ltd. (hereinafter “Juroku TT”) The transfer, however, excludes the operation related to some of the customers, products and services. Further, the value of the split business operation, shall be adjusted later depending on the requests from the customers who may be potentially affected by the subject company split as well as other factors.

Today, we, TTFH, are pleased to announce that we and Juroku Bank reached an agreement on the referenced valuation adjustment price of the split business operation as follows.

#### **1. The objectives of the company split**

Our idea is that Juroku TT, a new entity established jointly with Juroku Bank, will offer diverse and high-quality products and services to satisfy needs of customers as a securities company firmly rooted in the community where it operates, and such an idea, we consider, will be attained by fully taking advantage of the operating know-hows and service competence developed over the years by our group, as well as by accessing closely knit and fertile customer network Juroku Bank possesses. We aim to help the customers of Juroku TT improve their well-being and expedite the economic growth of the region where this new entity operates.

#### **2. The outline of the company split**

##### **(1) Schedule of the company split\***

Conclusion of the agreement	January 30, 2019
The general shareholders meeting to be held by Juroku TT	May 10, 2019 (planned)
The date the company split to take place (effective date)	June 3, 2019 (planned)
Delivery date of shares	June 3, 2019 (planned)

\* TTSC will deal with this company split in the form of simplified split that requires no approval from its general shareholders meeting.

##### **(2) Company split method**

The company split here is to be affected as spin-off, absorption type where TTSC is the transferor and Juroku TT is the transferee.

**(3) Share allocation for the company split and the basis of valuation thereof**

1) Share allocation:

In executing the company split, Juroku TT, 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 us, TTFH, as dividend on the same date.

2) The grounds for valuation

We, TTFH, and Juroku Bank had reached an agreement on the amount of 3,500 Million Yen as the assessed value of the split business operation because 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 the appraisal results for a reference purpose that were provided by the two third party professional organizations retained by respective party to the company split transaction. Further, we and Juroku Bank had agreed then to adjust later both the above referenced valuation of the split business operation and the amount of capital contribution by Juroku Bank, depending on the requests from the customers who may be potentially affected by the subject company split as well as other factors.

Now, as a result of the above-mentioned discussion between TTFH and Juroku Bank, and the monitoring of customers' preferences, both parties reached an agreement on the adjusted valuation of the split business operation to be 3,544 Million Yen. Also, 3,500 common stock of Juroku TT will be granted to TTSC.

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

Neither TTSC nor Juroku TT has issued any stock acquisition right or bond with stock acquisition right.

**(5) Capital to be increased or decreased as result of the company split.**

The capital of TTSC and Juroku TT remain unaffected by the company split.

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

Juroku TT will take over assets, liabilities, contracts and other rights and obligations corresponding to the business operation to be split, and others incidental thereto with an exception of employment contracts. Employees at TTSC currently assigned to the operation to be split will be in principle seconded to the transferee after the company split.

**(7) Possible impact on the capabilities of both TTSC and Juroku TT to fulfill their financial obligations**

The capabilities of both TTSC and Juroku TT for their fulfillment of financial obligations are adequate, and therefore there may be no particular concern arising from this transaction.

**3. Profiles of the parties to the company split**

**(1) Parties' profiles as of May 9, 2019**

	The transferor company	The transferee company
1) Corporate Name	Tokai Tokyo Securities Co., Ltd.	Juroku Tokai Tokyo Securities Co., Ltd.
2) Location	7-1, Meieki 4-chome, Nakamura-ku, Nagoya-shi, Aichi	12, Kanda-machi 7-chome, Gifu-shi, Gifu
3) Representative	Ichiro Gouda, President and Representative Director	Yasuo Okura, Representative Director

4) Line of business	Financial instruments business	Financial instruments business
5) Paid-in Capital	6,000 Million Yen	50 Million Yen
6) Date of incorporation	October 8, 2008	April 24, 2018
7) Number of shares issued	120,000 shares	100 shares
8) Account closing date	March 31	March 31
9) Major shareholders and their shareholding ratio	Tokai Tokyo Financial Holdings, Inc. 100%	Tokai Tokyo Financial Holdings, Inc. 100%
10) Operating results and financial position (Both in Million Yen as non-consolidated figures)	Operating results for the FYE March 2019 and the financial position as of March 31, 2019	Operating results for the FYE March 2019 and the financial position as of March 31, 2019
Net assets	88,686	93
Total assets	1,270,607	94
Net asset per share (in Thousand Yen)	739	939
Operating revenue	55,952	0
Operating income	574	(4)
Ordinary income	1,005	(5)
Net income	458	(6)
Net income per share (in Thousand Yen)	3	(60)

**(2) Business to be split or succeeded to**

The business operation conducted by TTSC at its four outlets located in Gifu Prefecture, excluding those related to some of the customers, products and services 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 for the customers who purchase investment trust)
- 4) Over-the-counter derivatives (including both lending stock and borrowing stock transactions)
- 5) Listed Futures
- 6) Listed Options
- 7) Mitsui Sumitomo MRF
- 8) Orque d'or, Premium VIP Club and Premium Club
- 9) Other products and services to be separately agreed as non-transferable

**(3) Operating results of the business to be split or succeeded to (FYE March 2019)**

(in Million Yen)	The business to be split (a)※	Non-consolidated performance of the transferor company for the FYE March 2019 (b)	Ratio (a/b)
Operating revenue	1,554	55,952	2.7%

\* The above quoted figures of operating revenue of both the business to be split and that of transferor were derived from the record calculated internally for its managerial accounting purpose.

**(4) Asset and liability items to be split or succeeded to**

(Figures are rounded off to the nearest one Million Yen)

Assets in Million Yen		Liabilities in Million Yen	
Item	Amount	Item	Amount
Cash and deposits	3	Deposits received	527
Cash segregated as deposits for customers	582	Margin transaction liabilities	351
Margin transaction assets	351	Guarantee deposits received	54
Other	4	Other	0
<b>Current assets</b>	<b>942</b>	<b>Current liabilities</b>	<b>934</b>
Property, plant and equipment	94		
Intangible assets	1		
Investments and other assets	51		
<b>Non-current assets</b>	<b>147</b>		
<b>Total</b>	<b>1,090</b>	<b>Total</b>	<b>934</b>

\* The above figures represent the status as of March 31, 2019 concerning the business to be split and they may change by the date of transfer. Further, some of them may include the figures not belong to the operation to be split.

#### 4. The change to be brought to the transferor after the company split execution

##### (1) The status of the transferor after the company split execution

	Tokai Tokyo Securities Co., Ltd. (Transferor)
1) Company name	No change
2) Location	No change
3) Representative	No change
4) Line of business	No change
5) Paid-in capital	No change
6) Account closing date	No change
7) Net assets	88,530 Million Yen *
8) Total assets	1,269,516 Million Yen *

\* Both net assets and total assets are calculated based on those recorded as of March 31, 2019

##### (2) The status of the transferee after the company split execution (final description)

Juroku TT will receive capital contribution from Juroku Bank on June 3, 2019, which is the projected date the subject company split takes effect. The transferee will appear as in the following.

1) Company name	Juroku Tokai Tokyo Securities Co., Ltd.
2) Location	12, Kanda-machi 7-chome, Gifu-shi, Gifu
3) Representative	Mr. Hiroyuki Ota, President and Representative Director
4) Line of business	Financial instruments business
5) Paid-in capital	3,000 Million Yen
6) Date of incorporation	April 24, 2018
7) Account closing date	March 31
8) Net assets	5,715 Million Yen *
9) Total assets	6,650 Million Yen *
10) Capital contribution ratio	Juroku Bank: 60%, TTFH: 40%

\* The figures of both net assets and total asset are calculated based on those recorded as of March 31, 2019 and they are predicated upon the scheduled capital contribution from Juroku Bank in the amount of 5,466 Million Yen.

#### 5. Possible impact on the future performance of TTFH

The projected undertaking by Juroku Bank of a third-party allocation of the shares of Juroku TT will reduce TTFH's shareholding ratio of Juroku TT from 100% to 40%, which in turn will generate about 2,000 Million Yen of extraordinary profit for TTFH.

(end)

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