

Press Release



TOKAI TOKYO FINANCIAL HOLDINGS, INC.

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

(Securities Code 8616)

October 21, 2016

The Notice of Business Co-operation Initiated with Hokuhoku Financial Group, Inc. by Establishing Joint Venture Operation

We, Tokai Tokyo Financial Holdings, Inc. (the “Company”) are pleased to announce that the Company and Hokuhoku Financial Group, Inc., (“Hokuhoku FG”) of which Representative Director is Mr. Eishin Ihori, have agreed that Hokuhoku Tokai Tokyo Securities Co., Ltd., starts its operation after receiving joint capital contribution from the both parties. Although the subject new JV entity now temporarily bears the trade name of “Hokuhoku Tokai Tokyo Securities Preparation Co., Ltd.”, it will change its name to the aforementioned, “Hokuhoku Tokai Tokyo Securities Co., Ltd.” (hereafter referred to as “Hokuhoku TT Securities”) by the time of its beginning of operation.

Hokuhoku TT Securities will take over the financial instruments and exchange business of a part of the business operation of Tokai Tokyo Securities Co., Ltd. (“Tokai Tokyo Securities”), 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. The transfer will be effected through absorption-type company split and Hokuhoku TT Securities will commence its operation on January 4, 2017. (For further details about the company split on the part of Tokai Tokyo Securities, please refer to another press release issued from us today, “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”)

1. Background of the business partnership

We initiated in 2012 the new management plan, “Ambitious 5”, and as one of the supporting strategies for the plan, we have kept focusing on “Alliance & Platform” (the expansion of operating foothold) to expand our business foundation by establishing joint venture business with regional banks and making use of the essential infrastructure and capability that we have nurtured over the years for securities company operation.

Hokuhoku FG that we form an alliance with this time is an independent financial group established in September 2004 by way of business merger between The Hokuriku Bank, Ltd. and The Hokkaido Bank, Ltd. The Group embraces Hokuriku and Hokkaido regions as their primary geographical market. So, the new JV operation will blend the brand strength of Hokuhoku FG built on its fertile 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 in conducting 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.

2. Description of the business partnership

(1) Description of the business partnership

We, the Company, and Hokuhoku FG will commence the operation of Hokuhoku TT Securities by way of joint capital contribution. The jointly established securities company will deploy the new business model in its home turf, Hokuriku and Hokkaido regions by blending the resources of bank and securities house to become a leading securities house there. The new company will achieve the said position by responding to customer needs that are getting ever diverse and sophisticated with better suited products and services to the customers in the regions.

Hokuhoku TT Securities will utilize the resources the Tokai Tokyo Financial group provides that include products, services, operating functions, information and training program while they leverage on the extensive network and customer base Hokuhoku FG offers. This is the way how the new company aims at developing its business.

(2) The Chronological Progress of the Arrangement

Date	Summary
March 22, 2016	A basic agreement was reached to the effect that a JV entity would be formed by joint capital contribution.
April 21, 2016	“Hokuhoku Tokai Tokyo Securities Preparation Co., Ltd.” was established by the Company as its wholly owned subsidiary to file the registration of the new financial instruments and exchange business entity to a regulatory authority. (issued 100 shares).
October 18, 2016	The registration of the “Type 1 Financial Instruments Business” was completed.
October 21, 2016	Hokuhoku TT Securities and Tokai Tokyo Securities concluded an agreement concerning the Absorption-type Company Split.
January 4, 2017 (Provisional)	Hokuhoku TT Securities will take over a part of the operation of Tokai Tokyo Securities and will issue 1,500 common shares to Tokai Tokyo Securities (Tokai Tokyo Securities will then hand-over such shares as dividends to the Company). The capital contribution from Hokuhoku FG converts the Hokuhoku TT Securities now to a jointly held company with the investment of 2,400 million yen for 2,400 shares in the JV through the third party allocation. Hence, the Company and Hokuhoku FG will hold 40% and 60%, respectively, of the shares (voting rights) of the JV. After receiving the investment from Hokuhoku FG, the JV will change its financial reporting status from a consolidated subsidiary to an affiliate of the Company.
	The JV will commence its operation.

(3) Profile of the Hokuhoku TT Securities (as of the projected starting date of its business)

(1) Corporate name	Hokuhoku Tokai Tokyo Securities Co., Ltd.
(2) Address	8-10, Marunouchi 1 chome, Toyama City, Toyama Prefecture
(3) Representatives	· Takashi Nakano, President & CEO (Representative Director) (Currently Director of Hokuhoku FG and Senior Managing Executive Officer of The Hokuriku Bank, Ltd.)

	<ul style="list-style-type: none"> · 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	Hokuhoku FG: 60% Tokai Tokyo Financial Holdings: 40%
(10) Operating Outlets	<ul style="list-style-type: none"> · Main Office: 8-10, Marunouchi 1 chome, Toyama City, Toyama Prefecture · Sapporo Office: 1-4, Kita Sanjyo Nishi 4 chome, Chuo-Ku, Sapporo City, Hokkaido · Kanazawa Office: 5-28 Minamicho, Kanazawa City, Ishikawa Prefecture
(11) Starting Date of Operation	January 4, 2017 (projected)

3. The profile of the partner for this business alliance (as of March 31)

(1) Name of the Entity	Hokuhoku Financial Group, Inc.																				
(2) Corporate Address	2-26, Tsutsumicho-dori 1 chome, Toyama City, Toyama-Prefecture, Japan																				
(3) Title and name of the Representative Director	President, Eishin Ihori																				
(4) Business	Management supervision of the operation of its subsidiaries and all other related activities																				
(5) Paid-in Capital	70 Billion and 895 Million Yen																				
(6) Date of Establishment	September 26, 2003																				
(7) Principal Shareholders and Respective Shareholding % (As of September 30, 2015)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1. Japan Trustee Services Bank, Ltd. (Trustee account)</td> <td style="text-align: right;">5.41%</td> </tr> <tr> <td>2. Meiji Yasuda Life Insurance Company</td> <td style="text-align: right;">2.51%</td> </tr> <tr> <td>3. The Master Trust Bank of Japan, Ltd. (Trustee account)</td> <td style="text-align: right;">2.18%</td> </tr> <tr> <td>4. Japan Trustee Services Bank, Ltd. (Trustee account 4)</td> <td style="text-align: right;">1.76%</td> </tr> <tr> <td>5. Sumitomo Life Insurance Company</td> <td style="text-align: right;">1.74%</td> </tr> <tr> <td>6. Hokuriku Electric Power Company</td> <td style="text-align: right;">1.63%</td> </tr> <tr> <td>7. Mizuho Bank, Ltd.</td> <td style="text-align: right;">1.33%</td> </tr> <tr> <td>8. Japan Trustee Services Bank, Ltd. (Trustee account 9)</td> <td style="text-align: right;">1.31%</td> </tr> <tr> <td>9. Tokio Marine & Nichido Fire Insurance Co., Ltd.</td> <td style="text-align: right;">1.29%</td> </tr> <tr> <td>10. STATE STREET BANK WEST CLIENT - TREATY 505234</td> <td style="text-align: right;">1.27%</td> </tr> </table>	1. Japan Trustee Services Bank, Ltd. (Trustee account)	5.41%	2. Meiji Yasuda Life Insurance Company	2.51%	3. The Master Trust Bank of Japan, Ltd. (Trustee account)	2.18%	4. Japan Trustee Services Bank, Ltd. (Trustee account 4)	1.76%	5. Sumitomo Life Insurance Company	1.74%	6. Hokuriku Electric Power Company	1.63%	7. Mizuho Bank, Ltd.	1.33%	8. Japan Trustee Services Bank, Ltd. (Trustee account 9)	1.31%	9. Tokio Marine & Nichido Fire Insurance Co., Ltd.	1.29%	10. STATE STREET BANK WEST CLIENT - TREATY 505234	1.27%
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(8) Relationship between the listed company and the subject entity	Capital Relationship / Human Relationship / Trading Relationship	There is no Capital, Human, Business Relation with the Company that should be mentioned. Further, there is no particular Capital, Human, Trading Relation to be mentioned between the Company or any party related to the Company and the subject entity or its any party related to the subject entity.	
	Relevance to related party	The partner, Hokuhoku FG, does fall under the category of the Company's Related Party. Further, any one of their related parties does not fall under the category of the Company's Related Party either.	
(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	505,125	572,987	566,251
Consolidated Total Assets	11,114,807	11,683,001	11,630,328
Consolidated Net Assets Per Share (in Yen)	335.36	385.83	380.61
Consolidated Ordinary Income	190,966	193,936	192,584
Consolidated Ordinary Profits	49,448	48,140	46,425
Consolidated Net Income Attributable to Owners of the Parent	27,332	28,235	28,837
Consolidated Net Income Per Share (in Yen)	19.20	19.87	20.31
Dividend Per Share (in Yen) Common Stock	4.00	4.25	4.25

4. Future Outlook

We estimate the business alliance at this time may affect the financial performance of this fiscal year and the next only in the negligible manner.

(end)