



July 20, 2017

To whom it may concern

TOKAI Holdings Corporation
Katsuhiko Tokita, President & CEO
(Code No. 3167 Tokyo Stock Exchange First Section)

Making Tokyo Bay Network Consolidated Subsidiary

TOKAI Holdings Corporation (hereinafter “the Company”) has acquired additional shares in Tokyo Bay Network Co., Ltd. (hereinafter “Tokyo Bay Network”), an equity method affiliate of the Company, making it a consolidated subsidiary.

The TOKAI Group started the CATV business in Shizuoka Prefecture in 1988 and has expanded the service areas to the five prefectures of Shizuoka, Kanagawa, Chiba, Nagano, and Okayama. Today, the TOKAI Group provides broadcasting services to 510,000 customers and communications services to 230,000 customers. In addition to providing unique local information rooted in each community and multi-channel broadcasting, the TOKAI Group has supported people’s comfortable life by combining broadcasting and communications services such as providing high-speed communications services using FTTH networks.

Tokyo Bay Network is a CATV operator providing services in Koto-ku and Chuo-ku, Tokyo where redevelopment and revitalization are expected in line with the construction of stadiums, the Olympic Village, and other facilities for the 2020 Tokyo Olympic and Paralympic Games. Tokyo Bay Network is providing services ranging from multi-channel broadcasting and high-speed Internet access to land line phones to 250,000 customers.

As a result of making Tokyo Bay Network a consolidated subsidiary, the number of customers using the TOKAI Group’s CATV business has increased by 34% from 730,000 to 980,000 customers (simple sum of the number of customers of both companies as of March-end 2017), significantly facilitating the expansion of revenue base.

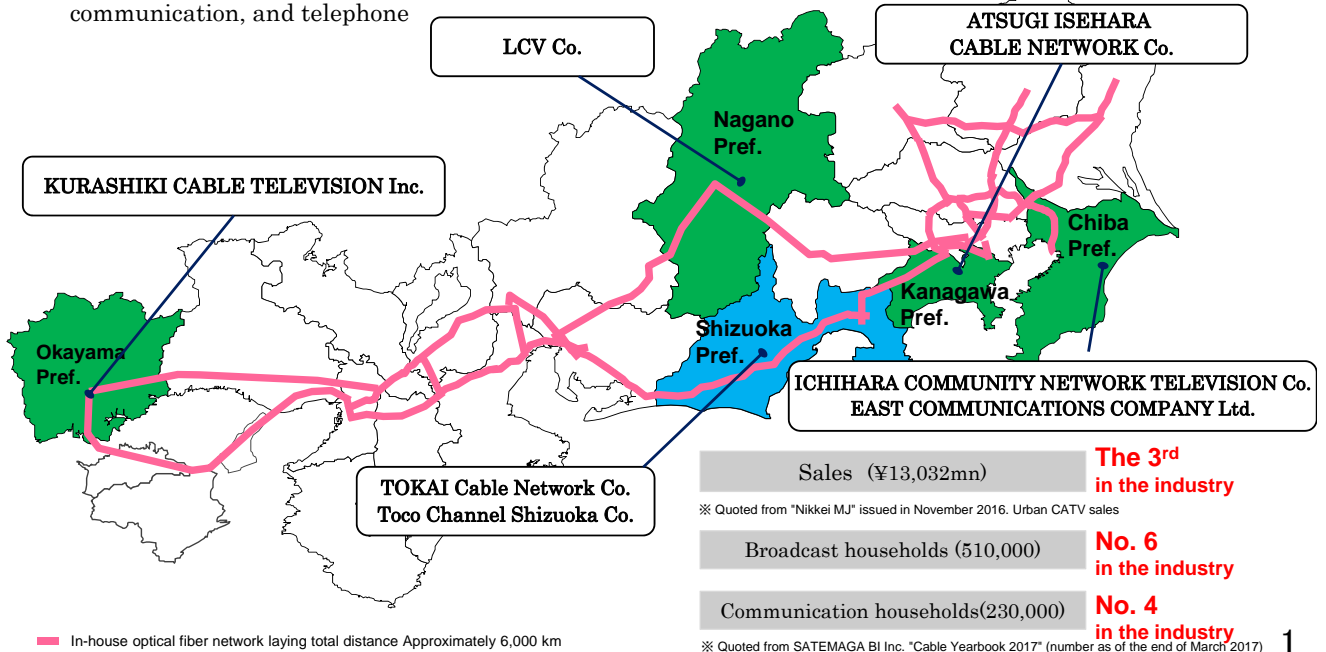
Against a backdrop that the Ministry of Internal Affairs and Communications is aiming to achieve a 50% penetration rate for 4K broadcasting by 2020, the Company is working to further expand its CATV business based on a strategy to secure the first mover advantage by capturing the needs of customers to watch 4K broadcasting by installing fiber-optic lines from center equipment to the last one mile and advancing broadcasting.

The Company strives to further expand business by generating synergies with Tokyo Bay Network by making the most of opticalization knowhow, which has been cultivated by the TOKAI Group over many years, and the TOKAI Group’s comprehensive life services such as energy and information and communications services.

The Company announced its medium-term management plan “Innovation Plan 2020 ‘JUMP’”, which ends in fiscal 2020, on May 9, 2017. Over the next four years, the Company aims to accelerate the Group’s growth by making the most of M&A and alliances using leveraged investments in addition to growing the existing businesses. As part of the efforts, the Company will proactively make investments totaling 100 billion yen on M&A. This is the first step in the M&A investment plan. The Company will continue expanding revenue base of the TOKAI Group’s mainstay businesses such as gas, CATV, and information and communications services, through proactive M&A and alliance investments.

Outline of TOKAI Group's CATV business

- Developing a business in Shizuoka Pref., Kanagawa Pref., Chiba Pref., Nagano Pref., Okayama Pref., and operated by seven companies.
- The total number of customers are 730 thousand of which 510 thousand broadcasts and 230 thousand communications (as of the end of March 2017)
- Sales are the third in the industry, the number of broadcast households is No. 6 in the industry, the number of communication subscribing households is No. 4 in the industry
- Construct wide-area CATV optical network and offer one-stop triple service of high-quality broadcasting, communication, and telephone



TOKAI Group's CATV Strengths "The community-based services"

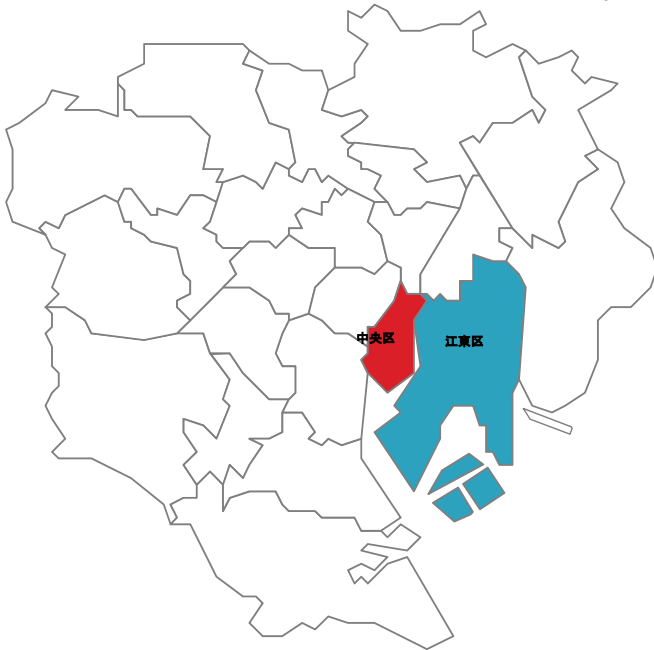
- Maximize community channels and provide useful information for daily living, including local news and event information.
- Contributing to strengthening regional ties by creating and delivering programs that viewers can participate in.
- Actively participate in the major events of the community and improve the awareness of community channels by utilizing the ToCoChan family*.



*Singer, artist, comedian who is active in community channel "ToCoChan" of our group CATV.

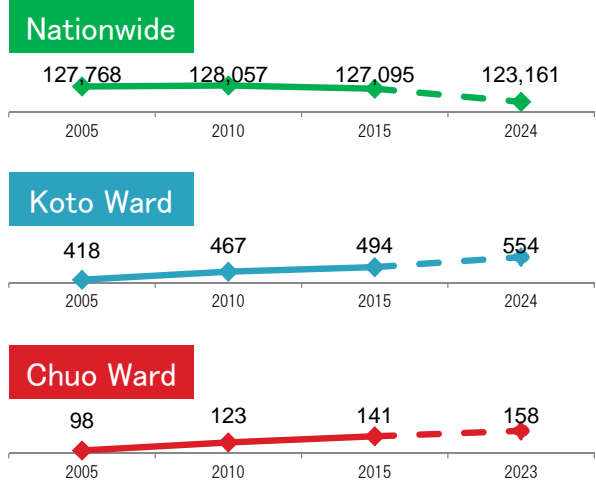
Outline of Tokyo Bay Network

- Service area is Koto Ward and Chuo Ward Tokyo
- In both areas the future population growth is expected, further development of business is expected
- The total number of connected households was 249 thousand, among which, the number of telecommunication subscribing households was 14 thousand (as of the end of March 2017)
- Number of households used is **No.9** in the industry



Population transition and estimate
(Unit: thousand people)

※ quoted from the National Institute of Social Security and Population Research



Connected households
249 thousand

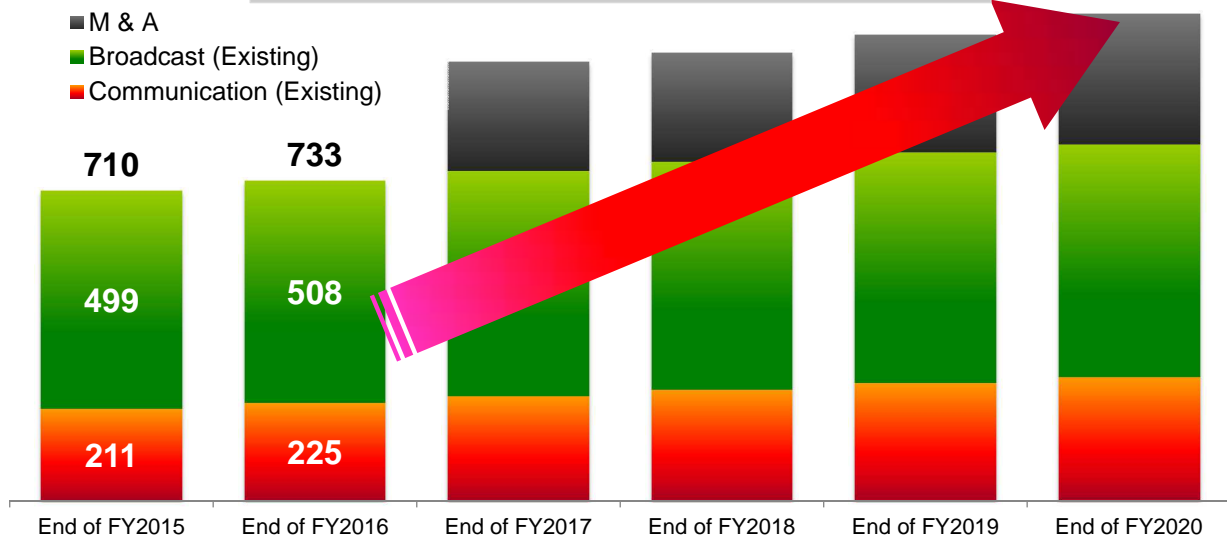
No. 9
in the industry

※ Quoted from SATEMAGA BI Inc. "Cable Yearbook 2017" (number as of the end of March 2017)

TOKAI Group CATV Business Growth Strategy

- Expand customer base by promoting "Opticalization of broadcasting" respond to 4K demand triggered by the Tokyo Olympic Games in 2020
- Improve ARPU by promoting TLC (Total Life Concierge) that provides various lifestyle-related services such as energy, information and communications developed by the Group on a one-stop basis
- Expand business by exploiting new business areas and utilizing M & A

Number of customers in CATV business at Medium-term management plan image (Unit: thousands)



The performance forecasts and forward-looking statements in these materials are based on information currently available to the Company, and include potential risks and uncertainties. Please be aware that due to changes in a variety of factors, actual results may differ materially from the projections and other forward-looking statements in these materials.

Please contact us with any questions regarding these materials.

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Change in Status of Equity Method Affiliate to Consolidated Subsidiary

TOKAI Holdings Corporation (hereinafter “the Company”) has acquired additional shares in Tokyo Bay Network Co., Ltd. (hereinafter “Tokyo Bay Network”), an equity method affiliate of the Company, making it a consolidated subsidiary.

1. Reasons for status change

The TOKAI Group entered the city gas (piped natural gas) business in 1950, and since then we have continued to diversify our businesses, providing a wide range of products and services vital for people’s daily lifestyles, including liquefied petroleum gas (LP gas), information and communications services, CATV, Aqua (bottled water delivery), household equipment, security, insurance, bridal services, nursing care, and comprehensive renovations. In addition, we have expanded our sales area from Shizuoka and the Kanto region to all over Japan. Today we are proud to serve 2.56 million customers (as of March 31, 2017).

In the TOKAI Group, consolidated subsidiaries, namely TOKAI Cable Network Corporation, ICHIHARA COMMUNITY NETWORK TELEVISION CORPORATION, ATSUGI ISEHARA CABLE NETWORK CORPORATION, EAST COMMUNICATIONS COMPANY LIMITED, LCV CORPORATION, KURASHIKI CABLE TELEVISION Inc., and Toco Channel Shizuoka Corporation, are engaged in the CATV business. In addition, Net Technology Shizuoka Co., Ltd. is engaged in the related business. The Company is providing broadcasting and communication (Internet access service) services in five prefectures of Shizuoka, Kanagawa, Chiba, Nagano, and Okayama, providing broadcasting services to 510,000 customers and communication services to 230,000 customers.

Our broadcasting services deliver local information via community channels and a variety of information to customers in the areas via nearly 100 digital channels. Our communication services offer optical fiber Internet and optical telephone services whose fiber-optic lines from line networks to each home have been owned and installed by the Company, in addition to the existing CATV Internet. By combining broadcasting and communication services, we have created a high quality broadcasting, communication and telephone “triple-play* service”.

The Company made Tokyo Bay Network, a company engaging in the CATV business in Koto-ku and Chuo-ku, Tokyo where redevelopment and revitalization are expected in line with the construction of stadiums, the Olympic Village, and other facilities for the 2020 Tokyo Olympic and Paralympic Games, an equity method affiliate through capital participation in February 2017 and has facilitated collaboration.

By acquiring additional shares in Tokyo Bay Network and making it a consolidated subsidiary, the Company has expanded its sales areas and customer bases. Going forward, the Company aims to expand CATV business and enhance its corporate value by maximizing synergies based on expertise of both companies.

* Triple play: Provision of three communications services: voice communications including telephone, video communications including TV, and data communications including the Internet in a single line by a single network provider

2. Overview of Tokyo Bay Network, which will be a consolidated subsidiary (as of March 31, 2017)

| | | | | |
|-----|--|---|--|-------------------|
| (1) | Name | Tokyo Bay Network Co., Ltd. | | |
| (2) | Address | Toyochō SH Building 4F, 4-10-4, Toyo, Koto-ku, Tokyo | | |
| (3) | Name and title of representative | Kazutoshi Hirata, President & Representative Director | | |
| (4) | Main business | CATV and ancillary businesses | | |
| (5) | Capital | 1,385 million yen | | |
| (6) | Date of establishment | October 2, 1989 | | |
| (7) | Major shareholders and shareholding ratio | TOKAI Holdings Corporation | 25.78% | |
| | | Development Bank of Japan Inc. | 11.15% | |
| | | Yomiuri Shimbun Tokyo Headquarters | 8.69% | |
| | | HASEMAN Corporation | 7.69% | |
| | | The Chunichi Shimbun | 7.40% | |
| (8) | Relationship between the listed company and the relevant company | Capital relationship | The relevant company is an equity method affiliate of the Company. | |
| | | Personnel relationship | None | |
| | | Business relationship | None | |
| (9) | Financial conditions and operating results of last three years of the relevant company | | | |
| | Fiscal year | FY03/15 | FY03/16 | FY03/17 |
| | Net assets | 1,830 million yen | 1,926 million yen | 2,027 million yen |
| | Total assets | 4,015 million yen | 3,941 million yen | 3,711 million yen |
| | Net assets per share | 53,734 yen | 56,531 yen | 59,516 yen |
| | Sales | 2,775 million yen | 2,752 million yen | 2,838 million yen |
| | Operating profit | 134 million yen | 195 million yen | 129 million yen |
| | Recurring profit | 108 million yen | 175 million yen | 120 million yen |
| | Net income | 66 million yen | 112 million yen | 135 million yen |
| | Net income per share | 1,949 yen | 3,297 yen | 3,985 yen |
| | Dividend per share | 1,000 yen | 500 yen | 1,000 yen |

3. Number of shares acquired, acquisition price, and status of shareholding before and after acquisition

| | | |
|-----|--|--|
| (1) | Number of shares held before status change | 8,784 shares (number of voting rights: 8,784 units) (proportion of voting rights: 25.8%) |
| (2) | Number of shares acquired | 21,944 shares (number of voting rights: 21,944 units) |
| (3) | Acquisition price | 1,577,268,000 yen |
| (4) | Number of shares held after status change | 30,728 shares (number of voting rights: 30,728 units) (proportion of voting rights: 90.2%) |

4. Schedule

| | | |
|-----|--------------------------------------|-------------------------------|
| (1) | Date of execution of agreement | June 20, 2017 to July 7, 2017 |
| (2) | Effective date of transfer of shares | July 20, 2017 |

5. Future prospects

There will be no revision to the Company's consolidated earnings forecast for FY03/18.

(Reference) Consolidated earnings forecast for FY03/18 (announced on May 9, 2017) and consolidated results for FY03/17

| | Sales | Operating profit | Recurring profit | Net income attributable to owners of the parent |
|--|---------------------|--------------------|--------------------|---|
| Consolidated earnings forecast for FY03/18 | 189,400 million yen | 11,410 million yen | 11,360 million yen | 6,450 million yen |
| Consolidated results for FY03/17 | 178,631 million yen | 12,750 million yen | 12,775 million yen | 7,337 million yen |