



March 8, 2019

To whom it may concern

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

Priority Negotiation Right Granted for Transfer of Nikaho City Gas Business

We are pleased to announce as indicated in the attachment document that TOKAI GAS CORPORATION (head office: Yaizu City, Shizuoka Prefecture, Representative Director: Shingo Takahashi, “TOKAI GAS”), our 100% subsidiary, has been granted the priority negotiation right for the transfer of the gas business operated by the City of Nikaho, Akita Prefecture.

As a founding company of our Group, TOKAI GAS operates the city gas business in the Shida Area (Yaizu City, Fujieda City, and Shimada City) in Shizuoka Prefecture. Last year, the company signed an agreement with the Town of Shimonita, Gunma Prefecture, to take over the town’s gas business, which is scheduled to begin operation in April this year.

Based on the ideas that the city gas business is closely related to daily life of people living in the service areas and our growth is based on building the relationship of trust with customers, the company is working on (1)strengthening the customer contact with themes closely related to daily life, (2)actively promoting advanced energy systems that make use of our advanced technological capabilities, (3)enhancing trust through various community contribution activities, and (4)becoming a role model business of the Group’s TLC vision.

Our Group is promoting a growth strategy centered on the medium-term management plan “Innovation Plan 2020 ‘JUMP’,” which will end in FY2020. Strengthening our core business is one of the priority measures of this plan, and we aim to expand our customer base by extending our city gas business over a wide area. We will contribute to the development of the local community by leveraging strengths our Group has cultivated as a local enterprise.

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TOKAI GAS CORPORATION

Priority Negotiation Right Granted for Transfer of Nikaho City Gas Business

We are pleased to announce that TOKAI GAS CORPORATION has been granted the priority negotiation right for transfer of the gas business operated by the City of Nikaho, Akita Prefecture. We will discuss the details of the terms and conditions of the business transfer with the City of Nikaho toward conclusion of a business transfer agreement.

For this business transfer, the City of Nikaho began soliciting applications on July 17, 2018.

After investigating the nature of the business and assessing its profitability, we concluded that our involvement in this business would increase the corporate and shareholder value of the TOKAI Group and contribute to wider use of natural gas and to the benefit of the local community. Following this conclusion, we submitted a business proposal to the City of Nikaho.

After a hearing with the City's committee for selecting the gas business transferee, we were selected as the best proposer. Based on this result, the City of Nikaho considered whom to grant the priority negotiation right and selected TOKAI GAS.

As part of our efforts to take over the gas business the City of Nikaho has operated so far, we will establish safety systems and standards to further improve the level of safety. Based on our Group's TLC (Total Life Concierge) concept for offering customers comprehensive and precise support for comfortable lifestyles, we aim to be a company that contributes to better life of people in Nikaho City and the development of the local community.

1. Process of Accepting Transfer of Nikaho City Gas Business

Month and year	Description
July 17, 2018	The City of Nikaho announced application guidelines for gas business transfer
October	We applied for the business transfer and passed the qualification screening (first examination)
January 2019	We submitted a business proposal to the City of Nikaho
February	The committee for selecting the gas business transferee reported to the mayor of Nikaho the result of the examination that the committee selected us as the best proposer
February 20	The mayor of Nikaho notified us of the decision that the priority negotiation right was granted to us
March 8	A briefing session was held for the Nikaho City Council

2. Future Schedule

Month and year	Description
March 2019	A provisional business transfer agreement will be concluded with the City of Nikaho
April or June	A business transfer agreement will be signed with the City of Nikaho
July to August	The application for approval of business transfer will be submitted to the regulatory authority, Tohoku Bureau of Economy, Trade and Industry
April 1, 2020	Transfer of business

3. Business Overview (as of FY2017)

	Nikaho City Gas and Waterworks Bureau	TOKAI GAS CORPORATION
Incorporation	October 1, 2005 (municipal merger)	December 12, 1966
Representative	Yuji Ichikawa, Mayor of Nikaho	Shingo Takahashi, Representative Director and President
Address	4 Aza Funabashi, Hirasawa, Nikaho City, Akita Prefecture	74-3 Shiotsu, Yaizu City, Shizuoka Prefecture
Number of employees	7 gas business accounting workers (Total of 15 persons in the bureau, including water business accounting)	169 employees
Service area	Nikaho City	Yaizu City, Fujieda City, and Shimada City
Number of customer contracts	City gas: 5,255 contracts	City gas: 54,506 contracts (Community gas: 1,311 contracts, LP gas: 17,209 contracts)
Gas sales volume	City gas: 2,270 thousand m ³	City gas: 138,111 thousand m ³ (Community gas: 159 thousand m ³ , LP gas: 4,913 t)
Gas sales	City gas: 411 million yen	City gas: 10,591 million yen
Gas type	13A	13A

[Inquiries about this press release]

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