

August 7, 2018

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

To whom it may concern

Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2019

Steady progress toward first record profits in two years driven by higher earnings on previous year's successful investments to grow business

TOKAI Holdings Corporation (hereinafter, the "Company") today announced its financial results for the first quarter of the fiscal year ending March 31, 2019 (April 1, 2018 to June 30, 2018).

1. Off to a good start with double-digit growth (+14.3% year on year) in the net increase in customer count

In May 2017, the Company announced its third medium-term management plan Innovation Plan 2020 "JUMP" and growth strategies to attain plan targets. This entails investing a total of 100 billion yen over four years in M&A and aggressively pursuing an alliance strategy, in addition to making progress with existing priorities such as increasing the number of continuing customers, securing multiple contracts based on the "Total Life Concierge" (TLC) concept, and expanding service areas. The plan looks to roughly double the customer count, sales, and operating profit in the fiscal year ending March 31, 2021—the final year of the medium-term plan—versus the fiscal year ended March 31, 2017.

During the first quarter of the fiscal year ending March 31, 2019, the Company conducted upfront spending continuing from the previous fiscal year and implemented an aggressive sales program to increase customer count, which forms its earnings base, with a view to attaining its medium-term targets. **As a result, the continuing customer count reached 2,883 thousand as of June 30, 2018, increasing by seven thousand from 2,876 thousand at the start of the fiscal year, making a good start toward the full-year target of a net increase of 64 thousand.**

The net increase in the customer count broken down by main services was as follows: Gas (LP and city gas) 3,448 (versus a net increase of 2,879 in the first quarter of the fiscal year ended in March 31, 2018); CATV 6,908 (versus a net increase of 4,930); and Aqua (bottled water delivery) 4,711 (versus a net increase of 2,732). Overall, the net increase in the customer count exceeded the previous year's level.

2. A double-digit increase (+11.0% year on year) in operating profit

In the first quarter of the fiscal year ending March 31, 2019, **sales rose by 2.0 billion yen (+4.8% year on year) to 44.6 billion yen** on growth in customer count and the impacts of M&A conducted in the previous fiscal year.

On the earnings front, although sales volume of household LP gas declined because of higher temperature compared with the same period of the previous fiscal year, higher profits on an increase in the number of monthly fee-paying customers accompanied by an overall rise in customer count and a decline in upfront spending such as customer acquisition costs resulted in **a 200 million yen (+11.0% year on year) increase in operating profit to 2.4 billion yen.**

Despite the decline in household LP gas sales, profits in the first quarter exceeded initial forecasts thanks to higher-than-expected profits at CATV and Building and Real Estate businesses.

(Millions of yen)

	Q1 FY03/19 Results (April 1, 2018 to June 30, 2018)	Q1 FY03/18 Results (April 1, 2017 to June 30, 2017)	YoY	
			Change	Percent Change
Sales	44,553	42,531	+2,022	+4.8%
Operating profit	2,390	2,152	+237	+11.0%
Recurring profit	2,487	2,204	+283	+12.9%
Quarterly net income	1,432	1,182	+250	+21.2%
EPS (Yen)	10.94	9.33	+1.61	+17.3%

3. Targets record profits for the fiscal year ending March 31, 2019

In its consolidated earnings forecasts announced on May 8, 2018, the Company revealed its plan to post first record profits for all profit categories in two years driven by the success of aggressive spending to increase customer count in the previous fiscal year.

The Company expects a 2.1 billion yen increase in profits on growth in the number of monthly fee-paying customers accompanied by efforts to increase customer count in the current and previous fiscal years. Based on the expected profit growth coupled with a partial decline in special upfront costs recorded in the previous fiscal year, the Company projects operating profit to increase by 3.0 billion yen year on year to 14.0 billion yen.

The Company has made no revisions to its full-year consolidated earnings forecasts nor dividend forecasts for the fiscal year ending March 31, 2019.

Under its policy of consistently providing stable dividends, the Company plans to pay an annual dividend of 28 yen per share.

(Millions of yen)

	FY03/19 Forecast (April 1, 2018 to March 31, 2019)	FY03/18 Results (April 1, 2017 to March 31, 2018)	YoY	
			Change	Percent Change
Sales	195,600	186,069	+9,531	+5.1%
Operating profit	13,960	10,971	+2,989	+27.2%
Recurring profit	13,880	11,191	+2,689	+24.0%
Net income	7,920	6,620	+1,300	+19.6%
EPS (Yen)	60.48	51.19	+9.30	+18.2%

	FY03/19 (Forecast)	FY03/18
End of Q2 (Yen)	14.00	14.00
Year-end (Yen)	14.00	14.00
Annual dividend total (Yen)	28.00	28.00
Consolidated payout ratio	—	54.7%

For details, please see the attached materials, entitled “Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2019.”

Further, for the Company’s earnings announcement for the first quarter of the fiscal year ending March 31, 2019, please see the following URL: <http://tokaiholdings.co.jp/english/ir/library/earnings.html>.

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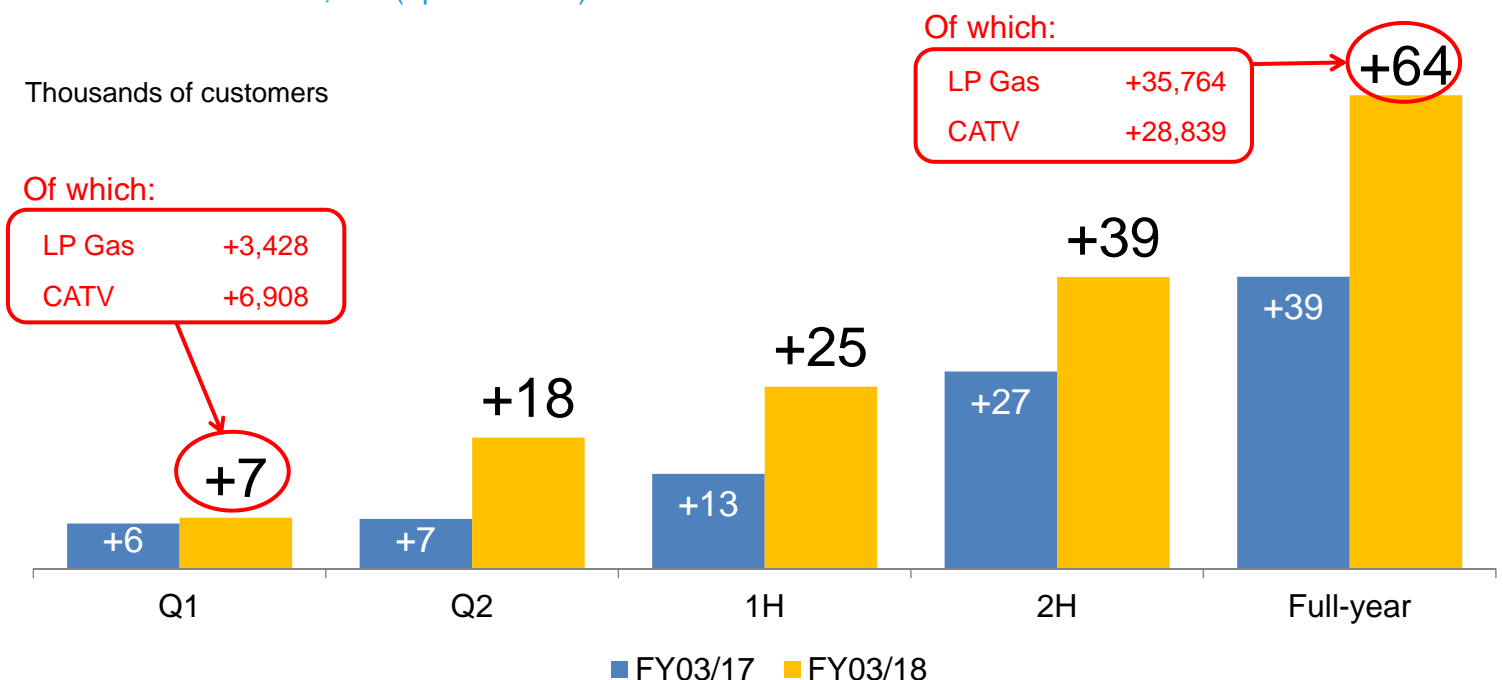
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Net increase in customer count up by double-digit YoY

- Q1 saw a net increase in customer count of 6,980, up 14.3% YoY.
- Main LP Gas and CATV businesses significantly contributed to the increase in customer count.
- From Q2 onward, TOKAI plans to accelerate the net growth in customer count to achieve an annual net increase of 64,000 (up 62% YoY).



*Excludes increase in customer count due to M&A

Double-digit increase in all profit categories YoY

- Continued upfront spending led to a steady increase in customer count, the group's earnings base.
- Posted higher sales on the effects of M&A conducted in FY03/18 in addition to growth in customer count
- A double-digit increase in profits on the rise in the number of monthly fee-paying customers accompanied by an overall increase in customer count and reduction in upfront expenses such as customer acquisition costs

Millions of yen

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EPS (Yen)	10.94	9.33	+1.61	+17.3%

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Targets record profits in FY03/19

- Plans to post first record profits for all profit categories in two years with the success of aggressive investments to expand customer base in FY03/18
- Expects a 2.1 billion yen increase in profits on an increase in the number of monthly fee-paying customers owing to efforts to increase customer count in the current and previous fiscal years, and projects a further increase of 3.0 billion yen in profits on reduced upfront spending

Millions of yen

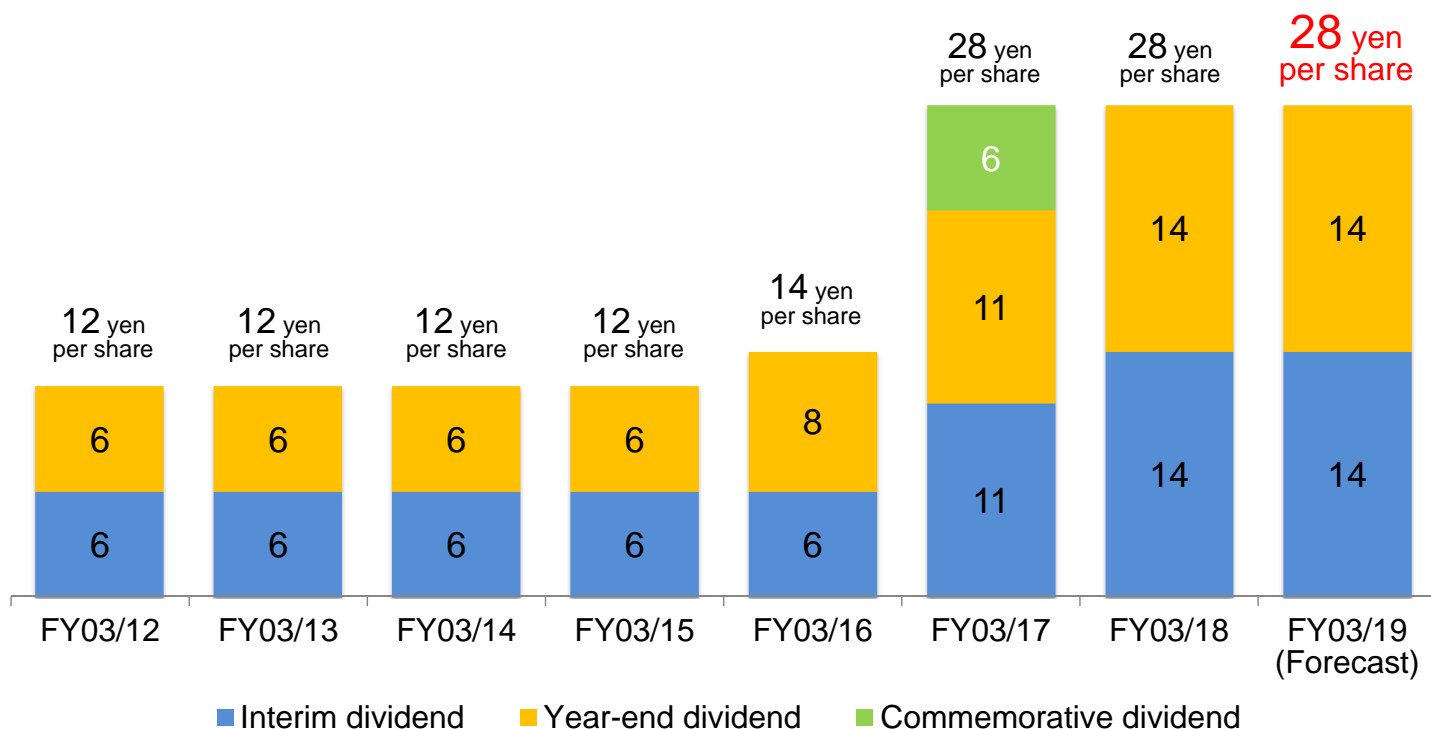
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Net income	7,920	6,620	+1,300	+19.6%
EPS (Yen)	60.48	51.19	+9.30	+18.2%

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Policy of consistently providing stable dividends

◎ No change was made to the dividend forecasts (announced May 8, 2018).

◎ Plans to pay an annual dividend of 28 yen per share



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Appendix

- (1) Consolidated results
- (2) Sales by segment
- (3) Operating profit by segment
- (4) Consolidated financial indicators
- (5) Consolidated cash flows
- (6) Group customer count

(1) Consolidated results

(Millions of yen)

	Q1 FY2013 Results	Q1 FY2014 Results	Q1 FY2015 Results	Q1 FY2016 Results	Q1 FY2017 Results	Q1 FY2018 Results
Sales	43,038	44,302	42,672	41,618	42,531	44,553
Operating profit	648	1,657	1,708	2,870	2,152	2,390
Recurring profit	549	1,547	1,649	2,900	2,204	2,487
Quarterly net income	149	713	714	1,766	1,182	1,432
EPS (Yen)	1.31	6.21	6.18	15.60	9.33	10.94

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(2) Sales by segment

(Millions of yen)

	Q1 FY2013 Results	Q1 FY2014 Results	Q1 FY2015 Results	Q1 FY2016 Results	Q1 FY2017 Results	Q1 FY2018 Results
Gas and Petroleum	21,940	22,513	20,288	17,479	17,392	17,608
Information and Communications	9,414	9,659	9,826	11,780	12,447	12,513
CATV	5,970	6,070	6,074	6,241	6,406	7,511
Building and Real Estate	3,419	3,728	4,012	3,414	3,617	4,166
Aqua	942	1,123	1,320	1,424	1,456	1,653
Others	1,350	1,207	1,149	1,277	1,211	1,100
Total	43,038	44,302	42,672	41,618	42,531	44,553

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(3) Operating profit by segment

(Millions of yen)

	Q1 FY2013 Results	Q1 FY2014 Results	Q1 FY2015 Results	Q1 FY2016 Results	Q1 FY2017 Results	Q1 FY2018 Results
Gas and Petroleum	1,049	1,494	1,865	2,197	1,324	1,182
Information and Communications	826	1,333	691	913	774	724
CATV	377	503	498	717	875	1,194
Building and Real Estate	135	31	63	81	90	213
Aqua	-523	-511	-227	19	56	96
Others, adjustments	-1,216	-1,193	-1,182	-1,060	-969	-1,022
Total	648	1,657	1,708	2,870	2,152	2,390

*Prior to elimination of indirect expenses

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(4) Consolidated financial indicators

(Millions of yen)

	Q1 FY2013 Results	Q1 FY2014 Results	Q1 FY2015 Results	Q1 FY2016 Results	Q1 FY2017 Results	Q1 FY2018 Results
Total assets	171,202	167,262	164,163	155,595	157,498	162,694
Total liabilities	137,619	128,734	120,110	113,074	101,987	101,736
Total net assets	33,582	38,528	44,053	42,521	55,511	60,957
Balance of interest-bearing debt	90,176	81,168	73,461	67,061	54,966	52,604
EBITDA	5,040	6,031	5,898	6,760	5,948	6,032
Equity ratio	19.1 %	22.5 %	26.3 %	26.8 %	34.7 %	36.8 %

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(5) Consolidated cash flows

(Millions of yen)

	Q1 FY2013 Results	Q1 FY2014 Results	Q1 FY2015 Results	Q1 FY2016 Results	Q1 FY2017 Results	Q1 FY2018 Results
Operating cash flow	7,725	8,080	4,285	8,242	4,851	4,348
Investment cash flow	-3,407	-1,844	-3,162	-2,454	-2,870	-3,484
Free cash flow	4,318	6,235	1,123	5,787	1,981	864
Financing cash flow	-5,368	-6,449	-1,261	-6,216	-2,262	-1,159

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(6) Group customer count

(Millions of yen)

	Q1 FY2013 Results	Q1 FY2014 Results	Q1 FY2015 Results	Q1 FY2016 Results	Q1 FY2017 Results	Q1 FY2018 Results	
Gas (LP and city gas)	629	627	625	634	645	664	
Information and Communications	Previous ISP model, etc.	834	858	802	595	507	451
	Hikari Collaboration	—	—	58	251	310	327
	LIBMO	—	—	—	—	8	32
	Mobile	217	229	235	235	232	225
	Subtotal	1,049	1,087	1,095	1,081	1,057	1,035
CATV	693	692	692	716	738	1,039	
Aqua	105	126	130	134	138	151	
Security	19	18	18	17	17	17	
Total	2,471	2,526	2,537	2,557	2,570	2,883	

*The number of customers under a thousand are rounded to the nearest thousand. Information and Communications and CATV both offer communications services, and so their numbers are excluded from total figures.

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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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