

January 31, 2019

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 Nine Months 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 nine months of the fiscal year ending March 31, 2019 (April 1, 2018 to December 31, 2018).

1. Expanded earnings base on customer count net increase of 22 thousand customers since the beginning of the fiscal year

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.

In the first nine months 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 2,893 thousand as of December 31, 2018, up 22 thousand from 2,876 thousand at the beginning of the fiscal year.

The net increase in the customer count broken down by main services was as follows (excludes the impacts of M&A): LP Gas 13,106 (versus a net increase of 11,094 in the same period of the previous fiscal year); CATV 22,786 (versus a net increase of 17,966); and Aqua (bottled drinking water delivery) 11,116 (versus a net increase of 8,320). Overall, the net increase in the customer count exceeded the previous year's level.

2. Record high sales on higher sales and profit, expanded earnings base

In the first nine months of the fiscal year ending March 31, 2019, **sales rose 4.6 billion yen (+3.5%) year on year to 137.9 billion yen, a record high for the first nine months of any fiscal year**, on growth in customer count and the impacts of M&A conducted in the previous fiscal year.

In terms of profit, **operating profit increased 500 million yen (+7.0%) year on year to 7.0 billion yen.**

This was mainly due to an increase in the number of monthly fee-paying customers accompanied by an overall rise in customer count, boosting profit by a total of 1.6 billion yen from the Gas, CATV, Information and Communications (Hikari Collaboration, etc.), and Aqua businesses. Other factors included earnings improvement (200 million yen) of the TOKAI-brand MVNO service LIMBO, launched in the third quarter of the previous fiscal year, and sales activities including curtailment of customer acquisition costs and cancellation prevention costs, which led to operating profit growth totaling 2.5 billion yen.

At the same time, non-sales factors included a decrease in sales volume of household LP gas (400 million yen) due to higher temperatures compared with the same period of the previous fiscal year and a rise in LP gas procurement costs (1.6 billion yen) totaling 2.0 billion yen.

With respect to the rise in LP gas procurement costs, we expect a minimal impact on earnings due to cost pass-through measures implemented in January 2019.

(Millions of yen)

	Q3 FY03/19 Results (April 1, 2018 to December 31, 2019)	Q3 FY03/18 Results (April 1, 2017 to December 31, 2018)	YoY	
			Change	Percent Change
Sales	137,943	133,336	+4,606	+3.5%
Operating profit	7,038	6,579	+458	+7.0%
Recurring profit	7,247	6,662	+584	+8.8%
Net income	3,966	3,435	+531	+15.5%
EPS (Yen)	30.29	26.66	+3.63	+13.6%

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.

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 spending recorded in the previous fiscal year, the Company anticipates 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 a year-end dividend of 14 yen per share and an annual dividend of 28 yen per share.

(Millions of yen)

	FY03/19 Forecasts (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%

(Yen)

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

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

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

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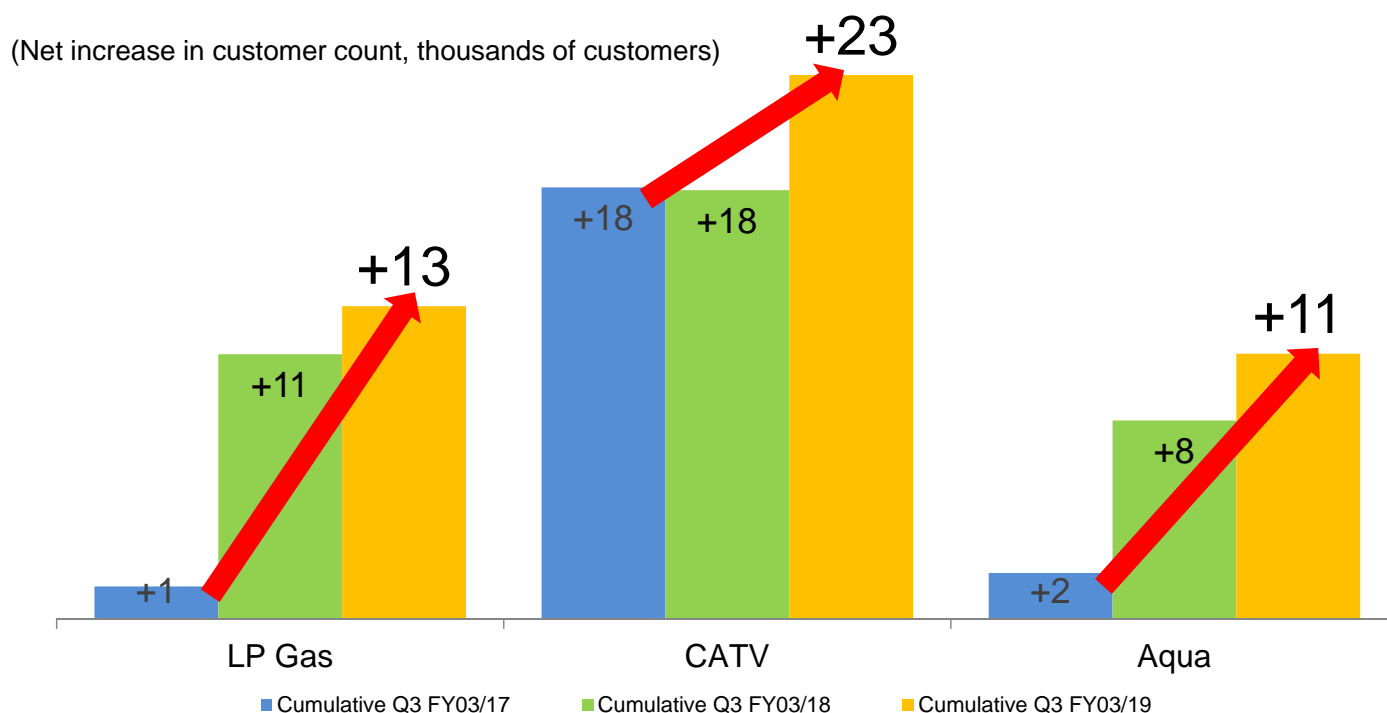
Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2019

TOKAI Holdings Corporation
(Code: 3167)

January 31, 2019

Achieved net increase in customer count of 22 thousand from the beginning of FY03/19

- ◎ At end-Q3, the continuing customer count reached 2,898 thousand, a net increase of 22 thousand from the beginning of FY03/19.
- ◎ Mainstay LP Gas, CATV, and Aqua businesses all made progress with net increases that exceeded cumulative Q3 FY03/18 figures.



*Excludes increases in customer count resulting from M&A

Expanded earnings base, achieved record high sales

- ⊙ Sales increased due to the impact of M&A conducted in FY03/18 as well as increased customer count.
- ⊙ Operating profit rose by 500 million yen (+7.0% YoY) due to an increase in the number of monthly fee-paying customers accompanied by higher customer count and curtailment of upfront spending for customer acquisition.
- ⊙ Minimize the impact of rising LP gas procurement costs on earnings with cost pass-through measures implemented in January 2019

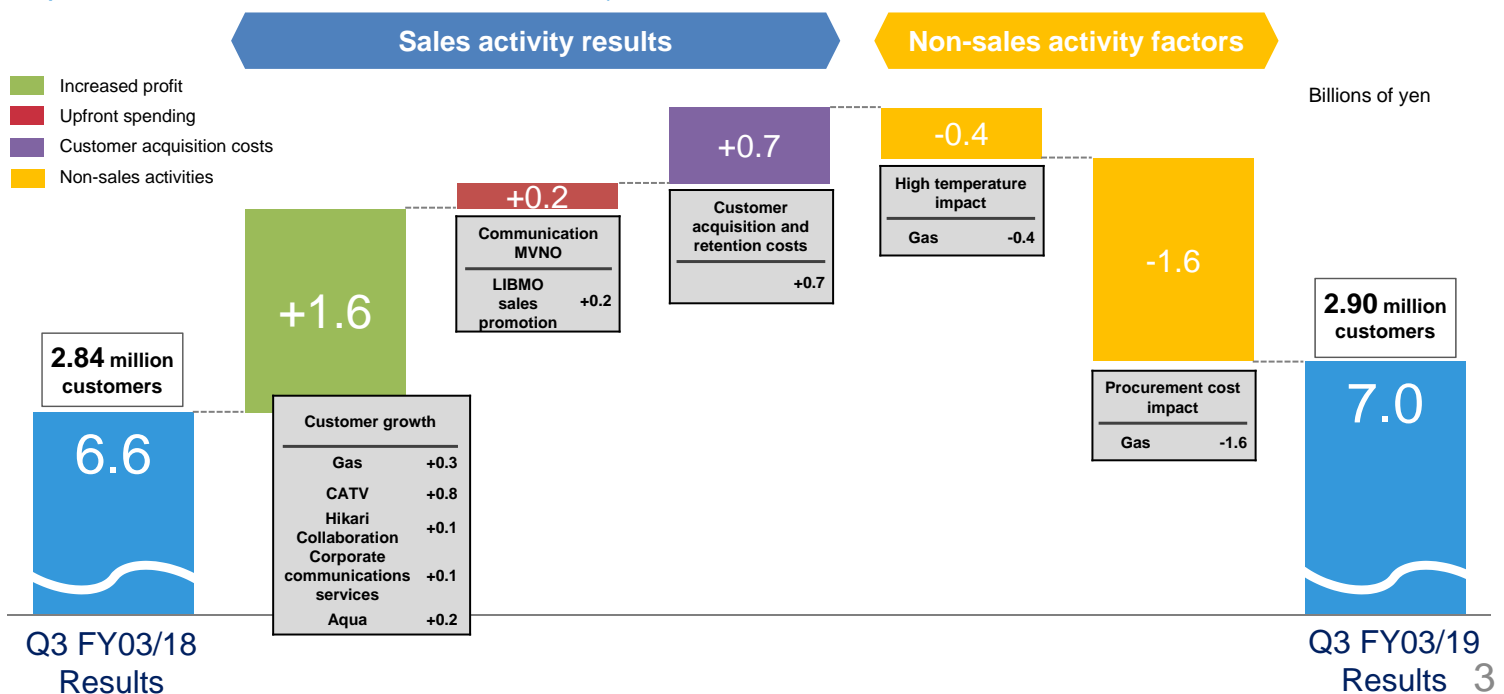
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EPS (Yen)	30.29円	26.66円	+3.63円	+13.6%

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Factors causing operating profit increase in Q3

- ⊙ Due to increased customer count (2.84 million at end-Q3 FY03/18, 2.90 million at end-Q3 FY03/19, an increase of 60 thousand customers), monthly fee-paying customers grew, resulting in an increase in profit of 1.6 billion yen, with LIMBO (TOKAI-brand MVNO service) also improving by 200 million yen.
- ⊙ At the same time, the impact of non-sales activities was 2.0 billion yen (the impact of surging procurement costs has been addressed).



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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 an increase of 3.0 billion yen in profits, stemming from 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 FY03/18 and FY03/19, as well as reduced upfront spending compared to FY03/18

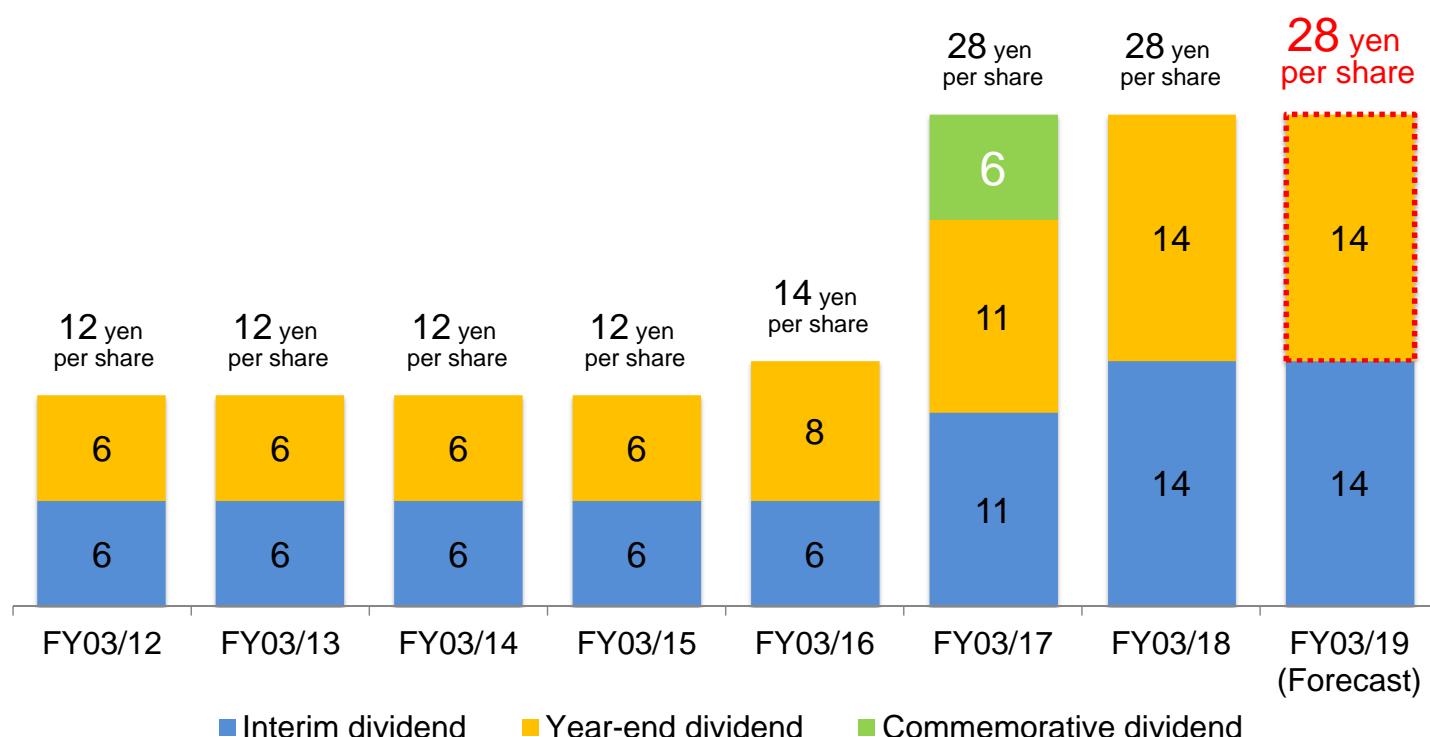
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EPS (Yen)	60.48円	51.19円	+9.30円	+18.2%

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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 a year-end dividend of 14 yen per share and 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)

	Q3 FY03/14 Results	Q3 FY03/15 Results	Q3 FY03/16 Results	Q3 FY03/17 Results	Q3 FY03/18 Results	Q3 FY03/19 Results
Sales	132,959	135,981	130,103	127,432	133,336	137,943
Operating profit	3,196	4,866	4,006	8,193	6,579	7,038
Recurring profit	2,959	4,517	3,921	8,246	6,662	7,247
Net income	920	1,819	1,395	4,850	3,435	3,966
EPS (Yen)	8.03	15.81	12.05	42.71	26.66	30.29

(2) Sales by segment

(Millions of yen)

	Q3 FY03/14 Results	Q3 FY03/15 Results	Q3 FY03/16 Results	Q3 FY03/17 Results	Q3 FY03/18 Results	Q3 FY03/19 Results
Gas and Petroleum	66,964	67,106	58,348	51,291	53,145	54,675
Information and Communications	28,628	30,020	31,988	36,212	37,760	37,959
CATV	18,093	18,207	18,345	18,901	20,871	22,829
Building and Real Estate	12,379	13,311	13,783	12,926	13,491	13,846
Aqua	3,271	3,707	4,130	4,391	4,652	5,279
Others	3,621	3,626	3,507	3,708	3,415	3,352
Total	132,959	135,981	130,103	127,432	133,336	137,943

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(3) Operating profit by segment

(Millions of yen)

	Q3 FY03/14 Results	Q3 FY03/15 Results	Q3 FY03/16 Results	Q3 FY03/17 Results	Q3 FY03/18 Results	Q3 FY03/19 Results
Gas and Petroleum	3,297	4,376	5,232	5,550	3,857	2,954
Information and Communications	3,227	3,716	1,472	2,993	2,410	2,595
CATV	1,398	1,309	1,453	2,125	2,758	3,568
Building and Real Estate	591	349	523	619	681	915
Aqua	-1,695	-1,166	-933	299	221	444
Others, adjustments	-3,623	-3,718	-3,741	-3,396	-3,350	-3,442
Total	3,196	4,866	4,006	8,193	6,579	7,038

*Prior to elimination of indirect expenses

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(4) Consolidated financial indicators

(Millions of yen)

	Q3 FY03/14 Results	Q3 FY03/15 Results	Q3 FY03/16 Results	Q3 FY03/17 Results	Q3 FY03/18 Results	Q3 FY03/19 Results
Total assets	172,863	168,034	164,500	157,735	165,897	167,035
Total liabilities	138,724	128,808	122,228	111,007	106,672	107,404
Total net assets	34,139	39,225	42,272	46,728	59,224	59,631
Balance of interest-bearing debt	91,032	82,743	79,539	65,678	57,511	58,481
EBITDA	16,333	17,817	16,565	19,992	18,052	18,266
Equity ratio	19.2 %	22.8 %	25.1 %	29.1 %	35.0 %	35.0 %

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(5) Consolidated cash flows

(Millions of yen)

	Q3 FY03/14 Results	Q3 FY03/15 Results	Q3 FY03/16 Results	Q3 FY03/17 Results	Q3 FY03/18 Results	Q3 FY03/19 Results
Operating cash flow	14,535	15,111	8,505	17,082	12,295	9,813
Investment cash flow	-7,672	-6,909	-8,750	-6,929	-9,655	-9,615
Free cash flow	6,863	8,202	-244	10,152	2,640	197
Financing cash flow	-7,625	-7,983	-47	-11,261	-2,081	762

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(6) Group customer count

(Thousands of customers)

		Q3 FY03/14 Results	Q3 FY03/15 Results	Q3 FY03/16 Results	Q3 FY03/17 Results	Q3 FY03/18 Results	Q3 FY03/19 Results
Gas (LP and city gas)		629	624	629	635	653	674
Information and Communications	Previous ISP model, etc.	848	866	686	538	499	430
	Hikari Collaboration	-	-	173	288	319	328
	LIBMO	-	-	-	-	21	39
	Mobile	225	234	235	234	229	220
	Subtotal	1,073	1,099	1,094	1,060	1,047	1,017
CATV		694	689	704	728	1,002	1,055
Aqua		121	133	134	135	143	157
Security		19	18	18	17	17	17
Total		2,510	2,540	2,553	2,551	2,839	2,898

*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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