

July 31, 2019

TOKAI Holdings Corporation
Katsuhiko Tokita, President & CEO
(Securities Code: 3167, Tokyo Stock Exchange First Section)

Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2020

On Track for Record Annual Profits for the Second Year in a Row

TOKAI Holdings Corporation (hereinafter, “the Company”) today announced its financial results for the first three months of the fiscal year ending March 31, 2020 (April 1, 2018 to June 30, 2019).

1. Customer base steadily grew in mainstay businesses

In May 2017, the Company announced its third medium-term management plan Innovation Plan 2020 “JUMP” and growth strategies to attain targets set out in the plan. This entails investing a total of 100 billion yen over the 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*¹, 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 three months of the fiscal year ending March 31, 2020, the Company 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 2,907 thousand as of June 30, 2019, up 5 thousand from 2,902 thousand at the beginning of the fiscal year. With a net increase of 2,646 gas customers (LP gas and city gas), 6,806 CATV customers, and 1,130 Aqua customers (bottled drinking water delivery),** the customer base has steadily expanded.

2. Quarterly sales and profits hit record highs

In the first three months of the fiscal year ending March 31, 2020, **sales increased by 1.3 billion yen (+2.8% year on year) to 45.8 billion yen, a record high for the first quarter.** Sales growth was underpinned by an increase in customer count and higher sales in the information and communications business for corporate clients.

On the profit front, **operating profit rose sharply by 0.8 billion yen (+35.2% year on year) to 3.2 billion yen, and each profit item reached a record high.** This reflected an increase in the number of monthly fee-paying customers associated with higher customer count, as well as profit growth in the information and communications business for corporate clients.

(Millions of yen)

	Q1 FY03/20 Results (April 1, 2019 to June 30, 2019)	Q1 FY03/19 Results (April 1, 2018 to June 30, 2018)	YoY	
			Change	%
Sales	45,804	44,553	+1,250	+2.8%
Operating profit	3,231	2,390	+841	+35.2%
Recurring profit	3,351	2,487	+864	+34.7%
Net income	2,239	1,432	+806	+56.3%
EPS (Yen)	17.10	10.94	+6.16	+56.3%

3. Targets record high profits for the second year in a row to enter the phase of earnest profit growth in the fiscal year ending March 31, 2020

In the fiscal year ending March 31, 2020, the Company intends to post record high profits for the second year in a row and enter the phase of earnest profit growth. It will work toward achieving substantial growth planned for the fiscal year ending March 31, 2021, the final year of the medium-term plan.

The Company plans to expand its customer base through continued upfront spending, promote M&A and expand service areas, and pioneer new overseas markets. It targets a sales increase of 9.2 billion yen (+4.8% year on year) to 200.8 billion yen, operating profit growth of 1.1 billion yen (+8.5% year on year) to 14.2 billion yen, and a net increase of 100 thousand in customer count to three million customers by March 31, 2020.

Further, the Company will work to cultivate a new customer base and develop new services through utilizing technological innovation of ABCIR+S*² designed to accelerate TLC strategies.

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

The Company has made no revisions to its full-year consolidated earnings forecast nor dividend forecast for the fiscal year ending March 31, 2020.

(Millions of yen)

	FY03/20 Forecast (April 1, 2019 to March 31, 2020)	FY03/19 Results (April 1, 2018 to March 31, 2019)	YoY	
			Change	%
Sales	200,800	191,600	+9,200	+4.8%
Operating profit	14,170	13,057	+1,113	+8.5%
Recurring profit	14,040	13,259	+781	+5.9%
Net income	8,230	7,772	+458	+5.9%
EPS (Yen)	62.85	59.36	+3.49	+5.9%
Customer count at end of fiscal year (thousand)	3,002	2,902	+100	+3.4%

(Yen)

Dividends	FY03/20 (Forecast)	FY03/19
Interim (End of Q2)	14.00	14.00
Year-end	14.00	14.00
Annual dividend total	28.00	28.00
Consolidated payout ratio	44.6%	47.2%

For details, please see the attached materials, entitled “Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2020.”

Further, for the Company’s earnings announcement for the first three months of the fiscal year ending March 31, 2020, please see the following URL:

<http://tokaiholdings.co.jp/english/ir/library/earnings.html>

*1 Vision of becoming a TLC: The Group seeks to support comfortable living of customers in a comprehensive and detail-oriented way through various services it offers, with an aim of enhancing customer satisfaction.

*2 ABCIR+S: An acronym formed by the first letters of AI, big data, cloud, IoT, robotics, and smartphones. It refers to TOKAI Holdings Group’s strategies toward technological innovation.

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Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2020

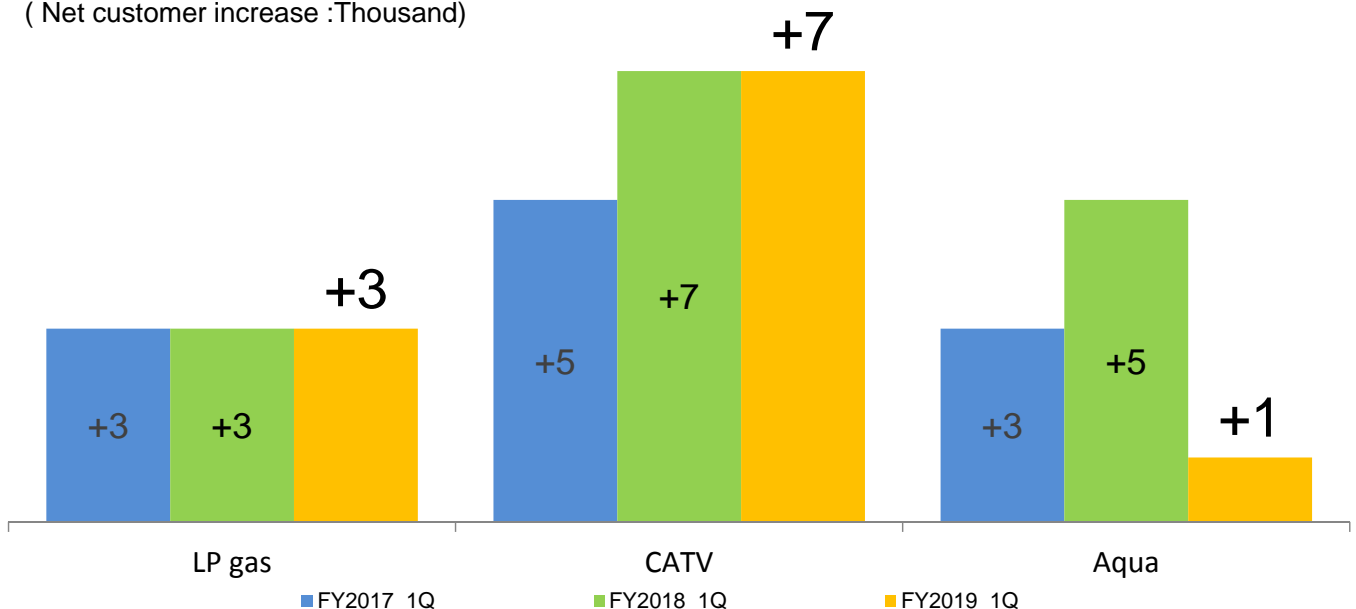
TOKAI Holdings Corporation
(Code: 3167)

July 31, 2019

Main business steadily expands customer base

- ◎ The number of ongoing trading customers at the end of the first quarter was 2,907 thousand, an increase of 5,000 from 2,902 thousand at the beginning of the period
- ◎ Mainstay LP gas business, CATV business and Aqua business steadily expand customer base

(Net customer increase :Thousand)



Net sales and profit items updated to record highs

- ◎ In addition to the increase in the number of customers, the strong corporate information communication business contributed to an increase of ¥ 1.3 billion.
- ◎ Operating profit also increased sharply by ¥ 800 million (35.2% increase) mainly due to an increase in monthly charges due to an increase in the number of customers, and an increase in profit from the corporate information communication business.

(Million of yen)

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Two consecutive fiscal years of high profit renewal, for further growth

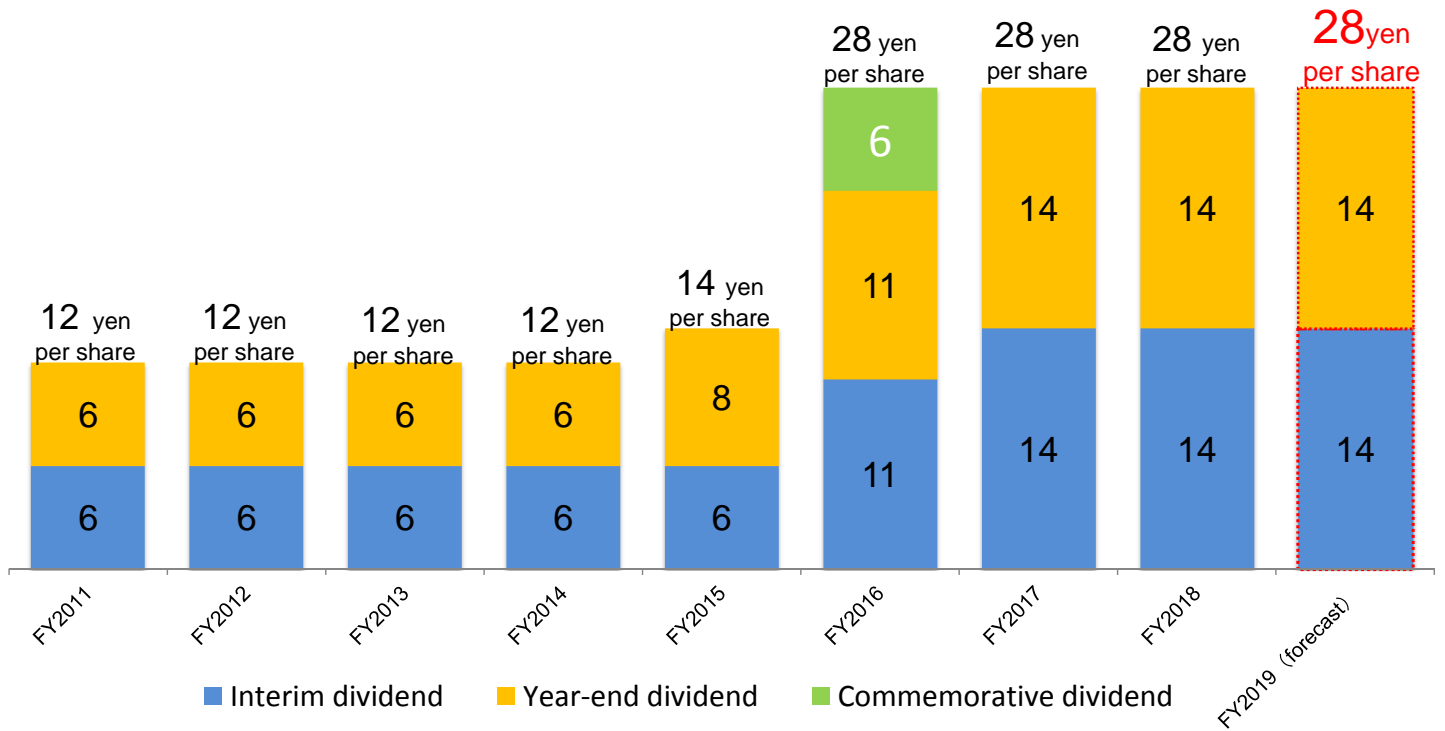
- ◎ It plans to renew its highest profit for the second consecutive year following fiscal 2018, enter into a full-fledged profit growth phase, and ensure the large growth of fiscal 2020, the final year of the medium-term plan.
- ◎ While continuing to expand the customer base, we will also promote M & A, expand the sales area, and advance to new overseas bases.

(Million of yen)

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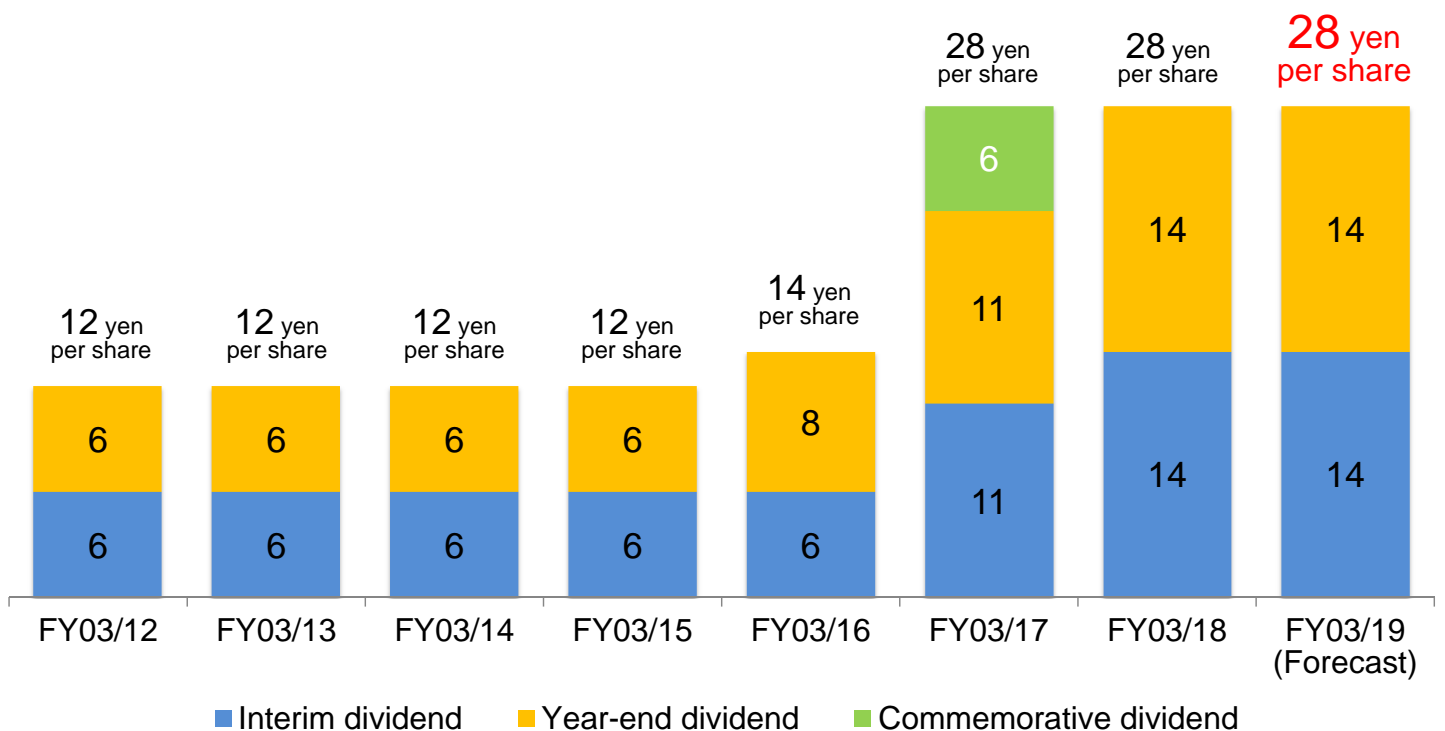
Policy of consistently providing stable dividends

- ⊙ Plans to pay an annual dividend of 28 yen per share
- ⊙ No change was made to the dividend forecasts (announced May 9, 2019).



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



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 FY2015 Results	Q1 FY2016 Results	Q1 FY2017 Results	Q1 FY2018 Results	Q1 FY2019 Results
Sales	42,672	41,618	42,531	44,553	45,804
Operating profit	1,708	2,870	2,152	2,390	3,231
Recurring profit	1,649	2,900	2,204	2,487	3,351
Quarterly net income	714	1,766	1,182	1,432	2,239
EPS (Yen)	6.18	15.60	9.33	10.94	17.10

(2) Sales by segment

(Millions of yen)

	Q1 FY2015 Results	Q1 FY2016 Results	Q1 FY2017 Results	Q1 FY2018 Results	Q1 FY2019 Results
Gas and Petroleum	20,288	17,479	17,392	17,608	18,577
Information and Communications	9,826	11,780	12,447	12,513	12,795
CATV	6,074	6,241	6,406	7,511	7,738
Building and Real Estate	4,012	3,414	3,617	4,166	3,777
Aqua	1,320	1,424	1,456	1,653	1,798
Others	1,149	1,277	1,211	1,100	1,116
Total	42,672	41,618	42,531	44,553	45,804

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(3) Operating profit by segment

(Millions of yen)

	Q1 FY2015 Results	Q1 FY2016 Results	Q1 FY2017 Results	Q1 FY2018 Results	Q1 FY2019 Results
Gas and Petroleum	1,865	2,197	1,324	1,182	1,489
Information and Communications	691	913	774	724	1,217
CATV	498	717	875	1,194	1,286
Building and Real Estate	63	81	90	213	213
Aqua	-227	19	56	96	169
Others, adjustments	-1,182	-1,060	-969	-1,022	-1,145
Total	1,708	2,870	2,152	2,390	3,231

*Prior to elimination of indirect expenses

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(4) Consolidated financial indicators

(Millions of yen)

	Q1 FY2015 Results	Q1 FY2016 Results	Q1 FY2017 Results	Q1 FY2018 Results	Q1 FY2019 Results
Total assets	164,163	155,595	157,498	162,694	163,992
Total liabilities	120,110	113,074	101,987	101,736	99,884
Total net assets	44,053	42,521	55,511	60,957	64,107
Balance of interest-bearing debt	73,461	67,061	54,966	52,604	50,207
EBITDA	5,898	6,760	5,948	6,032	7,024
Equity ratio	26.3 %	26.8 %	34.7 %	36.8 %	38.3 %

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(5) Consolidated cash flows

(Millions of yen)

	Q1 FY2015 Results	Q1 FY2016 Results	Q1 FY2017 Results	Q1 FY2018 Results	Q1 FY2019 Results
Operating cash flow	4,285	8,242	4,851	4,348	6,245
Investment cash flow	-3,162	-2,454	-2,870	-3,484	-3,227
Free cash flow	1,123	5,787	1,981	864	3,017
Financing cash flow	-1,261	-6,216	-2,262	-1,159	-3,210

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(6) Group customer count

(Millions of yen)

		Q1 FY2015 Results	Q1 FY2016 Results	Q1 FY2017 Results	Q1 FY2018 Results	Q1 FY2019 Results
Gas (LP and city gas)		625	634	645	664	687
Information and Communications	Previous ISP model, etc.	802	595	507	451	411
	Hikari Collaboration	58	251	310	327	326
	LIBMO	—	—	8	32	42
	Mobile	235	235	232	225	214
	Subtotal	1,095	1,081	1,057	1,035	992
CATV		692	716	738	1,039	1,069
Aqua		130	134	138	151	157
Security		18	17	17	17	17
Total		2,537	2,557	2,570	2,883	2,907

*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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うれしいをつなぐ。ひろげる。

