

January 30, 2020

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

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

On Track toward Recording Record-High Annual Profits for the Second Consecutive Year

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

1. Core businesses steadily contributed to an expanded customer base

The Company is currently implementing its third medium-term management plan, Innovation Plan 2020 “JUMP,” which extends through the fiscal year ending March 31, 2021. Under this plan, the Company is actively applying strategies aimed at expanding its earnings base, including investing a total of 100 billion yen in M&A over the course of four years and forming business alliances. The Company also works to address an ongoing business objective by acquiring additional continuing customers, securing multiple contracts based on the Total Life Concierge (TLC) concept*¹, and expanding service areas.

In the nine months ended December 31, 2019, the Company aimed to attain its medium-term targets by implementing an aggressive sales program that targets an increase in the customer count that constitutes the Company’s earnings base. As a result, **the continuing customer count reached 2,933 thousand** as of December 31, 2019, **up 31 thousand from 2,902 thousand at the beginning of the fiscal year. With net increases of 18,886 (LP and city) gas customers, 25,869 CATV customers, and 3,815 Aqua customers (bottled drinking water delivery),** the customer base has steadily expanded.

2. Q3 sales and profits hit record highs

In the nine months ended December 31, 2019, **sales increased by 3.6 billion yen (+2.6% year on year) to 141.6 billion yen, a record high for the second consecutive year.** 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 to 9.3 billion yen, increasing 2.2 billion yen, or 31.8%, compared to the same period of the previous fiscal year, and each profit line reached a record high for the first time in three fiscal years dating back to the nine months ended December 31, 2016.** This reflected an increase in the number of monthly fee-paying customers that accompanied a higher customer count, as well as profit growth in the Information and Communications business for corporate clients.

(Millions of yen)

	Q3 FY03/20 Results (April 1, 2019 to December 31, 2019)	Q3 FY03/19 Results (April 1, 2018 to December 31, 2018)	YoY	
			Change	Percent Change
Sales	141,557	137,943	+3,614	+2.6%
Operating profit	9,278	7,038	+2,240	+31.8%
Recurring profit	9,478	7,247	+2,231	+30.8%
Net income	5,103	3,966	+1,136	+28.6%
EPS (Yen)	38.97	30.29	+8.67	+28.6%

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

In the fiscal year ending March 31, 2020, the Company is striving to post record high profits for the second consecutive year and enter a phase of substantial profit growth. It will work toward achieving the substantial growth it forecast for the fiscal year ending March 31, 2021, the final year of its medium-term management plan.

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

Further, the Company will work to cultivate a new customer base and develop new services by applying the technological innovations in ABCIR+S*2, which are geared toward accelerating 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 either its full-year consolidated earnings forecast or its 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	Percent 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)	FY03/20	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	—		47.2%

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

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

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

*1 Vision of becoming a TLC: The Group seeks to support the comfortable living of its customers in a comprehensive and detail-oriented way and enhance customer satisfaction through its wide range of services.

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

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

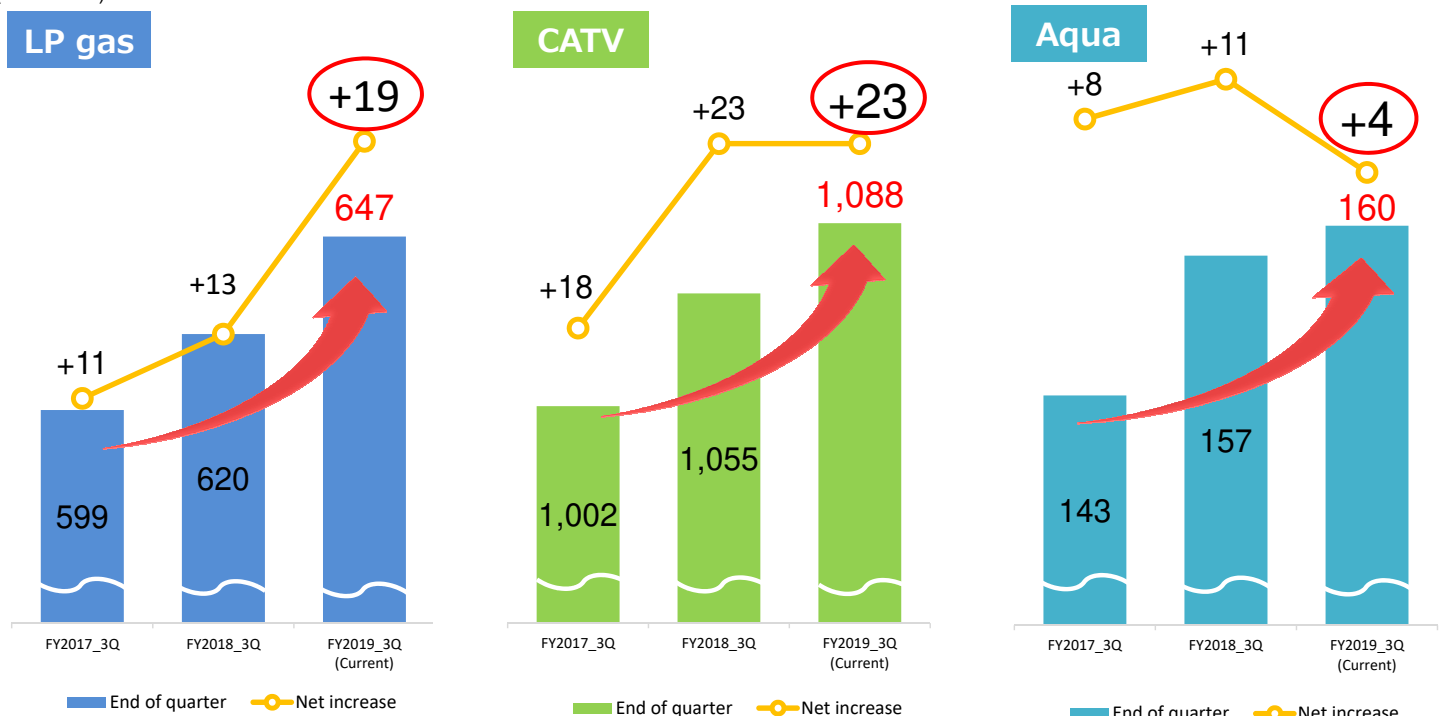
TOKAI Holdings Corporation
(Code: 3167)

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Main business steadily expands customer base

- ◎ The number of customers with ongoing transactions at the end of the current quarter was 2,933 thousand, an increase of 31,000 from 2,902 thousand at the beginning of the fiscal year
- ◎ Mainstay LP gas, CATV, and Aqua businesses steadily expand customer base

(Thousand)



※Round off less than 1,000

※Net increase exclude customer additions from M & A. (From April to December)

Sales and profit items are record highs

- ◎ Sales increased by 3.6 billion yen due to the increase in the number of customers and the strong performance of the corporate information and communications business.
- ◎ Operating profit also increased sharply by ¥ 2.2 billion (31.8% 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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EPS (Yen)	38.97	30.29	+8.67	+28.6%

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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.

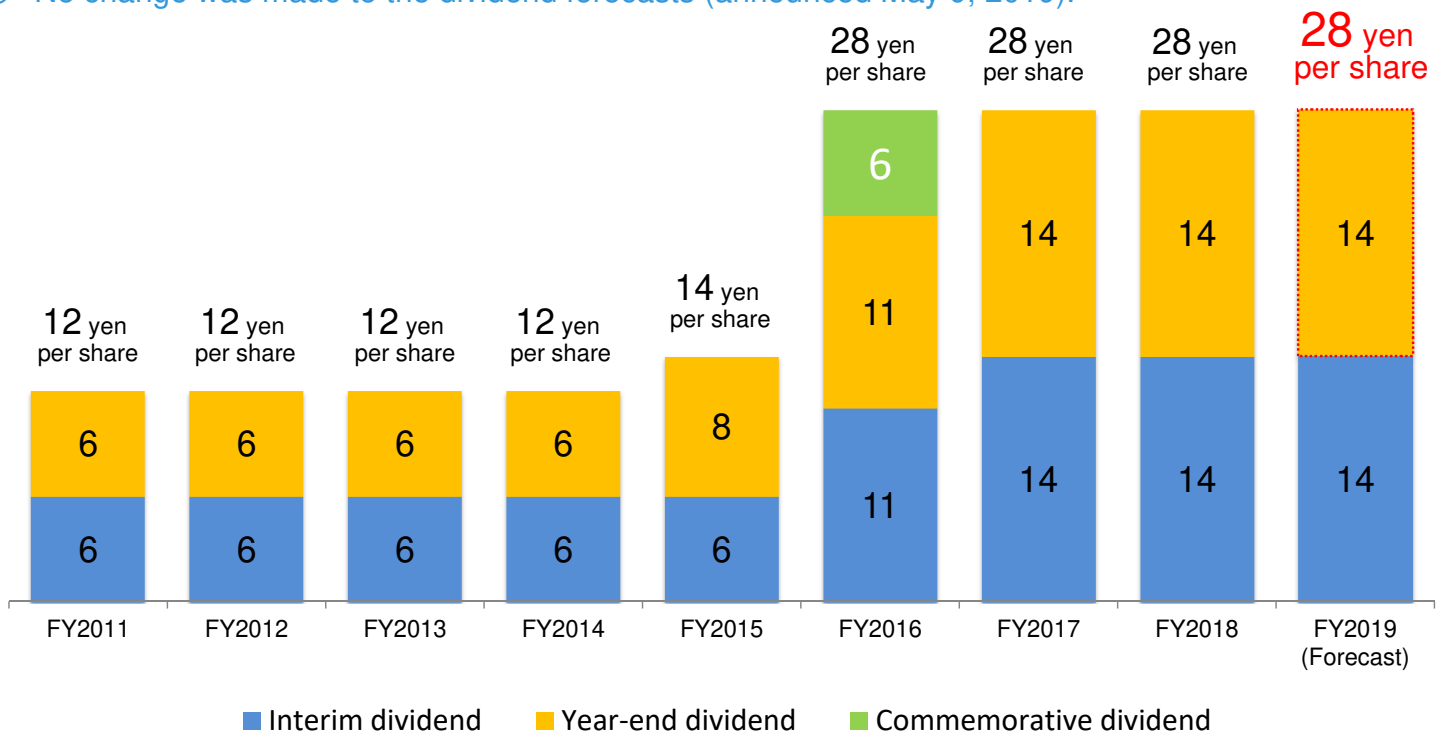
(Million of yen)

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Customer Number (Thousand)	3,002	2,902	+100	+3.4%

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Policy of consistently providing stable dividends

- © Based on the Company's dividend policy, which strives for continuous and stable dividends, the annual dividend is planned to be ¥ 28 / share.
- © No change was made to the dividend forecasts (announced May 9, 2019).



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 FY03/15 Results	Q3 FY03/16 Results	Q3 FY03/17 Results	Q3 FY03/18 Results	Q3 FY03/19 Results	Q3 FY03/20 Results
Sales	135,981	130,103	127,432	133,336	137,943	141,557
Operating profit	4,866	4,006	8,193	6,579	7,038	9,278
Recurring profit	4,517	3,921	8,246	6,662	7,247	9,478
Net income	1,819	1,395	4,850	3,435	3,966	5,103
EPS (Yen)	15.81	12.05	42.71	26.66	30.29	38.97

(2) Sales by segment

(Millions of yen)

	Q3 FY03/15 Results	Q3 FY03/16 Results	Q3 FY03/17 Results	Q3 FY03/18 Results	Q3 FY03/19 Results	Q3 FY03/20 Results
Gas and Petroleum	67,106	58,348	51,291	53,145	54,675	55,191
Information and Communications	30,020	31,988	36,212	37,760	37,959	38,834
CATV	18,207	18,345	18,901	20,871	22,829	23,433
Building and Real Estate	13,311	13,783	12,926	13,491	13,846	14,919
Aqua	3,707	4,130	4,391	4,652	5,279	5,603
Others	3,626	3,507	3,708	3,415	3,352	3,575
Total	135,981	130,103	127,432	133,336	137,943	141,557

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(3) Operating profit by segment

(Millions of yen)

	Q3 FY03/15 Results	Q3 FY03/16 Results	Q3 FY03/17 Results	Q3 FY03/18 Results	Q3 FY03/19 Results	Q3 FY03/20 Results
Gas and Petroleum	4,376	5,232	5,550	3,857	2,954	3,964
Information and Communications	3,716	1,472	2,993	2,410	2,595	3,366
CATV	1,309	1,453	2,125	2,758	3,568	3,790
Building and Real Estate	349	523	619	681	915	1,242
Aqua	- 1,166	- 933	299	221	444	597
Others, adjustments	- 3,718	- 3,741	- 3,396	- 3,350	- 3,442	- 3,682
Total	4,866	4,006	8,193	6,579	7,038	9,278

*Prior to elimination of indirect expenses

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(4) Consolidated financial indicators

(Millions of yen)

	Q3 FY03/15 Results	Q3 FY03/16 Results	Q3 FY03/17 Results	Q3 FY03/18 Results	Q3 FY03/19 Results	Q3 FY03/20 Results
Total assets	168,034	164,500	157,735	165,886	167,035	168,697
Total liabilities	128,808	122,228	111,007	106,661	107,404	102,972
Total net assets	39,225	42,272	46,728	59,224	59,631	65,724
Balance of interest-bearing debt	82,743	79,539	65,678	57,511	58,481	52,615
EBITDA	17,817	16,565	19,922	18,052	18,266	20,769
Equity ratio	22.8 %	25.1 %	29.1 %	35.0 %	35.0 %	38.2 %

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(5) Consolidated cash flows

(Millions of yen)

	Q3 FY03/15 Results	Q3 FY03/16 Results	Q3 FY03/17 Results	Q3 FY03/18 Results	Q3 FY03/19 Results	Q3 FY03/20 Results
Operating cash flow	15,111	8,505	17,082	12,295	9,813	15,476
Investment cash flow	- 6,909	- 8,750	- 6,929	- 9,655	-9,615	-9,683
Free cash flow	8,202	- 244	10,152	2,640	197	5,793
Financing cash flow	- 7,983	- 47	-11,261	- 2,081	762	-4,779

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(6) Group customer count

(Thousands of customers)

		Q3 FY03/15 Results	Q3 FY03/16 Results	Q3 FY03/17 Results	Q3 FY03/18 Results	Q3 FY03/19 Results	Q3 FY03/20 Results
Gas (LP and city gas)		624	629	635	653	674	703
Information and Communications	Previous ISP model, etc.	866	686	538	478	430	396
	Hikari Collaboration	—	173	288	319	328	324
	LIBMO	—	—	—	21	39	45
	Mobile	234	235	234	229	220	214
	Subtotal	1,099	1,094	1,060	1,047	1,017	979
CATV		689	704	728	1,002	1,055	1,088
Aqua		133	134	135	143	157	160
Security		18	18	17	17	17	16
Total		2,540	2,553	2,551	2,839	2,897	2,933

*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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