

May 9, 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 Fiscal Year Ended March 31, 2019 and Earnings Forecast for the Fiscal Year Ending March 31, 2020

Earnings recovered to hit record highs; 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

TOKAI Holdings Corporation (hereinafter, the “Company”) today announced its financial results for the fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019) and earnings forecast for the fiscal year ending March 31, 2020 (April 1, 2019 to March 31, 2020).

1. Expanded earnings base on a net increase in customer count of 26 thousand 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 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, 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 fiscal year ended March 31, 2019, the Company conducted upfront spending 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 2,902 thousand as of March 31, 2019, up 26 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 impact of M&A): LP Gas 21,787 (versus a net increase of 18,561 in the previous fiscal year); CATV 30,682 (versus a net increase of 25,715); and Aqua (bottled drinking water delivery) 10,224 (versus a net increase of 10,998). Overall, mainstay businesses drove the expansion of earnings base.

2. Earnings made a V-shaped recovery, with all profit categories reaching record highs for the first time in two years

In the fiscal year ended March 31, 2019, **sales rose 5.5 billion yen (+3.0%) year on year to a record high of 191.6 billion yen** on an increase in customer count and the impact of M&A conducted in the previous fiscal year.

In terms of profit, thanks to the success of aggressive measures aimed at expanding earning base implemented since the fiscal year ended March 31, 2018, **operating profit increased 2.1 billion yen (+19.0%) year on year to 13.1 billion yen, making a V-shaped recovery. All profit categories reached record highs for the first time in two years.**

This was mainly due to an increase in the number of monthly fee-paying customers accompanied by an overall rise in customer count, with the Gas, CATV, Information and Communications (Hikari Collaboration, etc.), Aqua, and home renovation businesses contributing a total profit increase of 3.4 billion yen. Other factors included improved earnings (200 million yen) from the TOKAI-brand MVNO service LIMBO following its launch in the previous year and sales activities, including curtailment of customer acquisition costs and cancellation prevention costs (900 million yen), which led to operating profit growth totaling 4.5 billion yen.

On the other hand, non-sales factors included a decrease in sales volume of household LP gas (600 million yen) due to higher temperatures compared with the previous fiscal year and a rise in LP gas procurement costs (1.8 billion yen), having an overall effect equivalent to 2.4 billion yen.

(Millions of yen)

	FY03/19 Results (April 1, 2018 to March 31, 2019)	FY03/18 Results (April 1, 2017 to March 31, 2018)	Forecast	YoY	Versus Forecast
Sales	191,600	186,069	195,600	+5,530	-4,000
Operating profit	13,057	10,971	13,960	+2,086	-903
Recurring profit	13,259	11,191	13,880	+2,068	-621
Net income	7,772	6,620	7,920	+1,151	-148
EPS (Yen)	59.36	51.19	60.48	+8.17	-1.12

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 innovations of ABCIR+S^{*1} 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.

(Millions of yen)

	FY03/20 Forecasts (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)	FY03/19	FY03/18
Interim (End of Q2)	14.00	14.00	14.00
Year-end	14.00	14.00	14.00
Annual dividend total	28.00	28.00	28.00
Consolidated payout ratio	44.6%	47.2%	54.7%

For details, please see the attached materials, entitled "Financial Results for the Fiscal Year Ended March 31, 2019 and Earnings Forecast for the Fiscal Year Ending March 31, 2020."

Further, for the Company's earnings announcement for the fiscal year ended March 31, 2019, please see the following URL:

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

*1 ABCIR+S refers to the Company group's strategies toward technological innovation; the term is formed from the first letters of AI, Big Data, Cloud, IoT, Robotics, and Smartphones.

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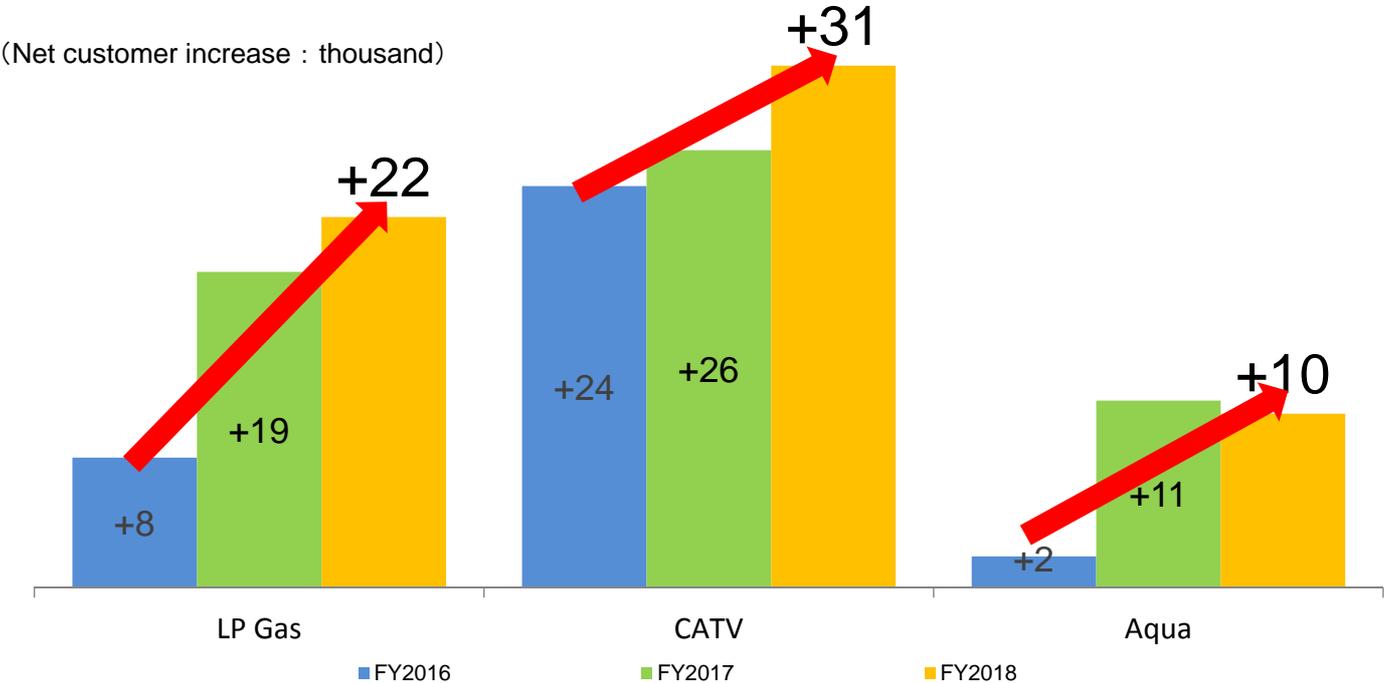
Financial Results for the Fiscal Year Ended March 31, 2019 and Earnings Forecast for the Fiscal Year Ending March 31, 2020

TOKAI Holdings Corporation
(Code: 3167)

May 9, 2019

Customer count increased by 26,000 net since the beginning of the fiscal year

- ◎ The continuing customer count reached 2,902 thousand as of March 31, 2019, up 26 thousand from 2,876 thousand at the beginning of the fiscal year.
- ◎ The mainstay businesses such as LP gas, CATV and Aqua(bottled drinking water delivery) drove the expansion of earnings base.



※Excluding customer increase by M & A

Earnings made a V-shaped recovery, with all profit categories reaching record highs

- Net sales reached a record high due to an increase in customer count and the impact of M & A conducted in the previous fiscal year.
- Operating profit also increased by double digits due to an increase in monthly fee-paying as a result of an increase in customer count and curbing on upfront spending such as customer acquisition costs, etc.
- Excluding the impact of high temperatures and a rise in LP gas procurement costs, operating activities made steady progress against forecasts.

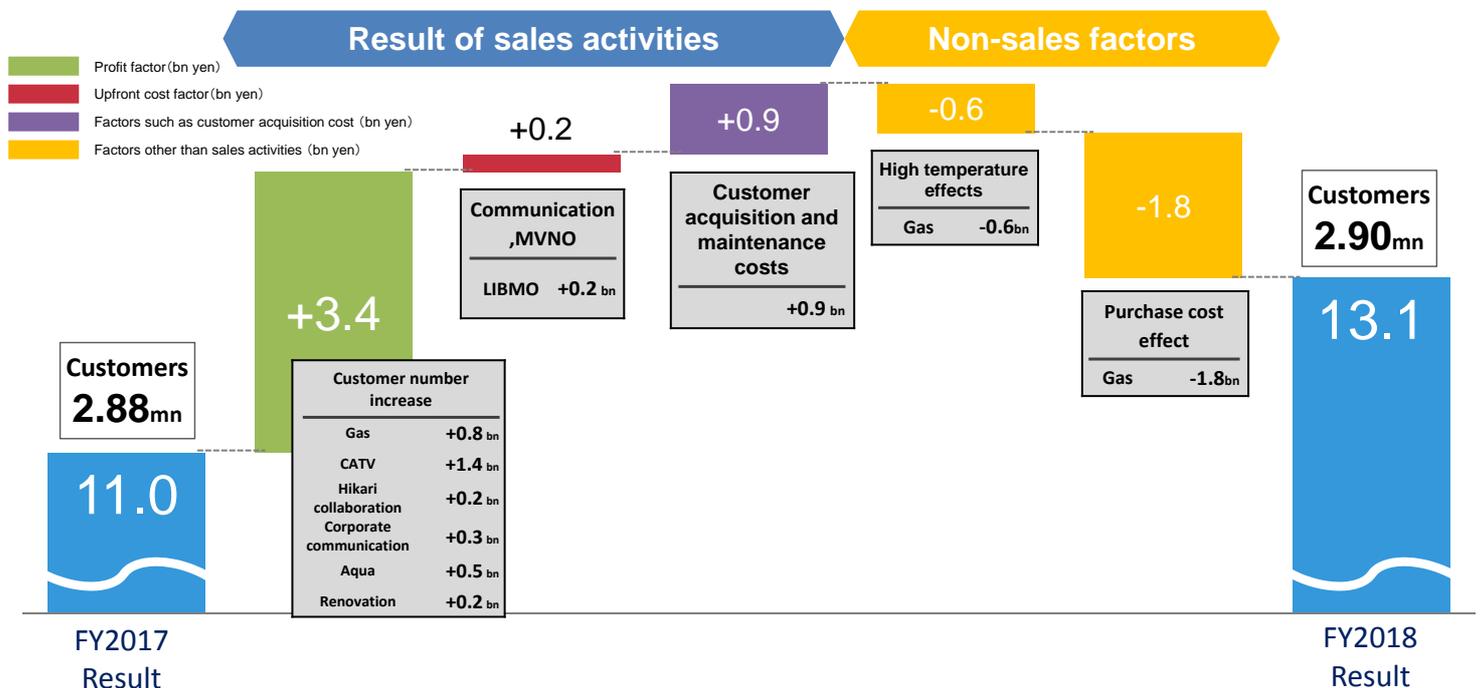
(Sales and profits: Millions of yen; EPS: Yen)

	FY03/18 Results	FY03/17 Results	Initial Forecasts	YoY		Versus forecast	
				Change	Percent Change	Change	Percent Change
Sales	191,600	186,069	195,600	+5,530	+3.0	-4,000	-2.0
Operating profit	13,057	10,971	13,960	+2,086	+19.0	-903	-6.5
Recurring profit	13,259	11,191	13,880	+2,068	+18.5	-621	-4.5
Net income	7,772	6,620	7,920	+1,151	+17.4	-148	-1.9
EPS (Yen)	59.36	51.19	60.48	+8.17	+16.0	-1.12	-1.9

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Points of double-digit increase in operating profit

- As a result of the increase in customer count, the number of monthly fee-paying increased, resulting in an increase of ¥ 3.4 billion. LIBMO also improved ¥ 200 million and increased ¥ 4.5 billion due to the result of sales activities.
- On the other hand, non-sales factors included a decrease in sales volume of household LP gas due to higher temperatures compared with the previous fiscal year and a rise in LP gas procurement costs, having an overall effect equivalent to 2.4 billion yen.



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Targets record high profits for the second year in a row to enter the phase of earnest profit growth

- Record high profit will be recorded for the second year in a row following fiscal 2018, and earnest profit growth phase will start, and we will ensure the substantial growth in fiscal 2020, the final year of the medium-term plan.
- Continuing to expand the customer base, promote M & A and expand the service areas, and pioneer new overseas markets.

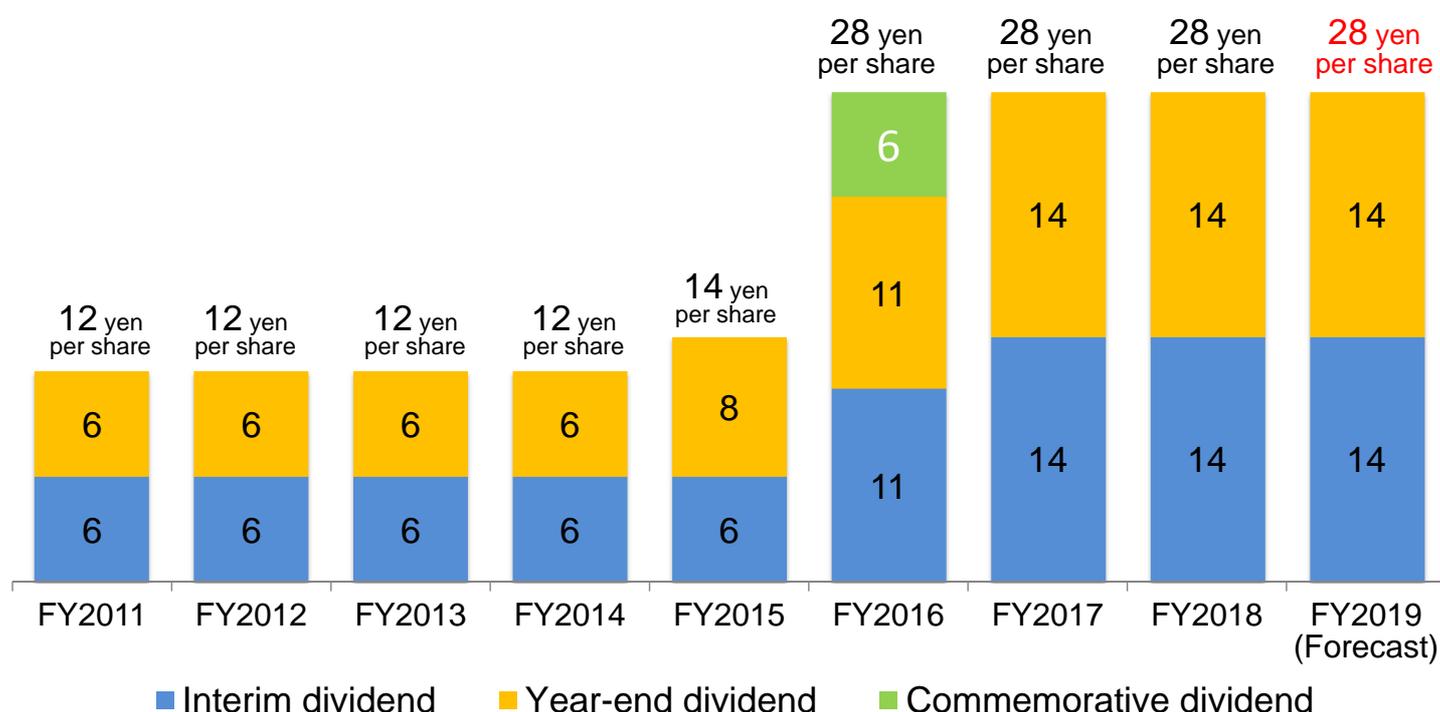
(Millions of yen)

	FY2019 Forecast	FY2018 Results	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%
FY ended number of customers	3,002 ^{thousand}	2,902 ^{thousand}	+100 ^{thousand}	+3.4%

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Policy of consistently providing stable dividends

- Under our policy of consistently providing stable dividends, planning 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)

	FY2014	FY2015	FY2016	FY2017	FY2018
Sales	187,511	180,940	178,631	186,069	191,600
Operating profit	9,003	8,245	12,750	10,971	13,057
Recurring profit	8,549	8,150	12,775	11,191	13,259
Net income	3,934	3,458	7,337	6,620	7,772
EPS (Yen)	34.16	30.01	64.46	51.19	59.36

(2) Sales by segment

(Millions of yen)

	FY2014	FY2015	FY2016	FY2017	FY2018
Gas and Petroleum	93,067	80,745	73,344	76,073	77,977
Information and Communications	40,118	44,246	49,508	50,894	51,234
CATV	24,359	24,608	25,396	28,386	30,511
Building and Real Estate	20,019	20,975	19,511	19,807	20,090
Aqua	4,959	5,487	5,762	6,200	7,004
Others	4,987	4,875	5,108	4,706	4,781
Total	187,509	180,936	178,631	186,069	191,600

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(3) Operating profit by segment

(Millions of yen)

	FY2014	FY2015	FY2016	FY2017	FY2018
Gas and Petroleum	7,679	8,991	9,161	7,364	6,815
Information and Communications	4,956	2,308	4,213	3,174	3,827
CATV	1,669	1,975	2,752	3,554	4,953
Building and Real Estate	1,029	1,266	1,098	1,330	1,615
Aqua	-1,313	-1,119	298	246	762
Others, adjustments	-5,016	-5,175	-4,775	-4,699	-4,916
Total	9,003	8,245	12,750	10,971	13,057

* Prior to elimination of indirect expenses

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(4) Consolidated financial indicators

(Millions of yen)

	FY2014	FY2015	FY2016	FY2017	FY2018
Total assets	165,702	160,303	161,112	165,993	167,606
Total liabilities	122,234	118,332	104,665	104,543	103,711
Total net assets	43,467	41,970	56,446	61,450	63,894
Balance of interest-bearing debt	73,114	71,410	54,137	50,980	50,604
EBITDA	26,233	24,980	28,392	26,318	28,148
Equity ratio	25.7 %	25.6 %	34.5 %	36.3 %	37.4 %

※※ Effective from the beginning of the fiscal year under review, the Company has applied "Partial Changes in Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), and the consolidated financial indicators for the previous fiscal year have been adjusted retrospectively to reflect these accounting standards.

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(5) Consolidated cash flows

(Millions of yen)

	FY2014	FY2015	FY2016	FY2017	FY2018
Operating cash flow	27,265	21,395	26,692	20,909	21,605
Investment cash flow	-8,851	-11,015	-10,985	-11,488	-12,443
Free cash flow	18,414	10,379	15,706	9,421	9,161
Financing cash flow	-18,764	-9,150	-16,643	-9,527	-8,147

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(6) Group customer count

(Thousands of customers)

		FY2014	FY2015	FY2016	FY2017	FY03/18
Gas (LP and city gas)		626	634	642	661	684
Information and Communications	Previous ISP model, etc.	859	633	527	465	419
	Hikari Collaboration	4	219	299	323	327
	LIBMO	—	—	2	29	41
	Mobile	235	236	233	227	217
	Subtotal	1,099	1,088	1,061	1,044	1,004
CATV		690	710	733	1,032	1,063
Aqua		130	133	135	146	156
Security		18	18	17	17	17
Total		2,537	2,558	2,564	2,876	2,902

* Customer numbers under a thousand are rounded to the nearest thousand.

Information and Communications and CATV both offer communications services, and duplicated 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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