

October 31, 2019

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

Financial Results for the First Six 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 six months of the fiscal year ending March 31, 2020 (April 1, 2019 to September 30, 2019).

1. Core businesses steadily expanded customer base

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 actively investing a total of 100 billion yen over the course of four years in M&A and forming business alliances, 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 six 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 2,918 thousand** as of September 30, 2019, **up 16 thousand from 2,902 thousand at the beginning of the fiscal year. With a net increase of 11,381 gas customers (LP gas and city gas), 13,911 CATV customers, and 2,843 Aqua customers (bottled drinking water delivery)**, the customer base has steadily expanded.

2. 1H sales and profits hit record highs

In the first six months of the fiscal year ending March 31, 2020, **sales increased by 4.2 billion yen (+4.7% year on year) to 93.0 billion yen, a record high for the second fiscal year in a row.** 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 5.5 billion yen, 1.6 times higher than 3.5 billion yen in the same period of the previous fiscal year, and each profit item reached a record high for the first time in three fiscal years since the first half of the fiscal year ended March 31, 2017.** 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.

Operating profit easily surpassed the 1H forecast of 4.4 billion yen by 1.1 billion yen (24.7% above target), making steady progress toward posting record annual profits for two consecutive fiscal years.

(Millions of yen)

	1H FY03/20 Results (April 1, 2019 to September 30, 2019)	1H FY03/19 Results (April 1, 2018 to September 30, 2018)	1H FY03/20 Forecast (April 1, 2019 to September 30, 2019)	YoY	Vs. forecast
Sales	93,015	88,840	92,500	+4,175	+515
Operating profit	5,500	3,475	4,410	+2,025	+1,090
Recurring profit	5,608	3,580	4,360	+2,027	+1,248
Net income	3,492	1,736	2,360	+1,755	+1,132
EPS (Yen)	26.67	13.26	18.02	+13.41	+8.65

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 intends to post record high profits for the second fiscal year in a row and enter a phase of substantial 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.

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 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 Six Months of the Fiscal Year Ending March 31, 2020.”

Further, for the Company’s earnings announcement for the first six 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 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 Second Quarter of the Fiscal Year Ending March 31, 2020

TOKAI Holdings Corporation
(Code: 3167)

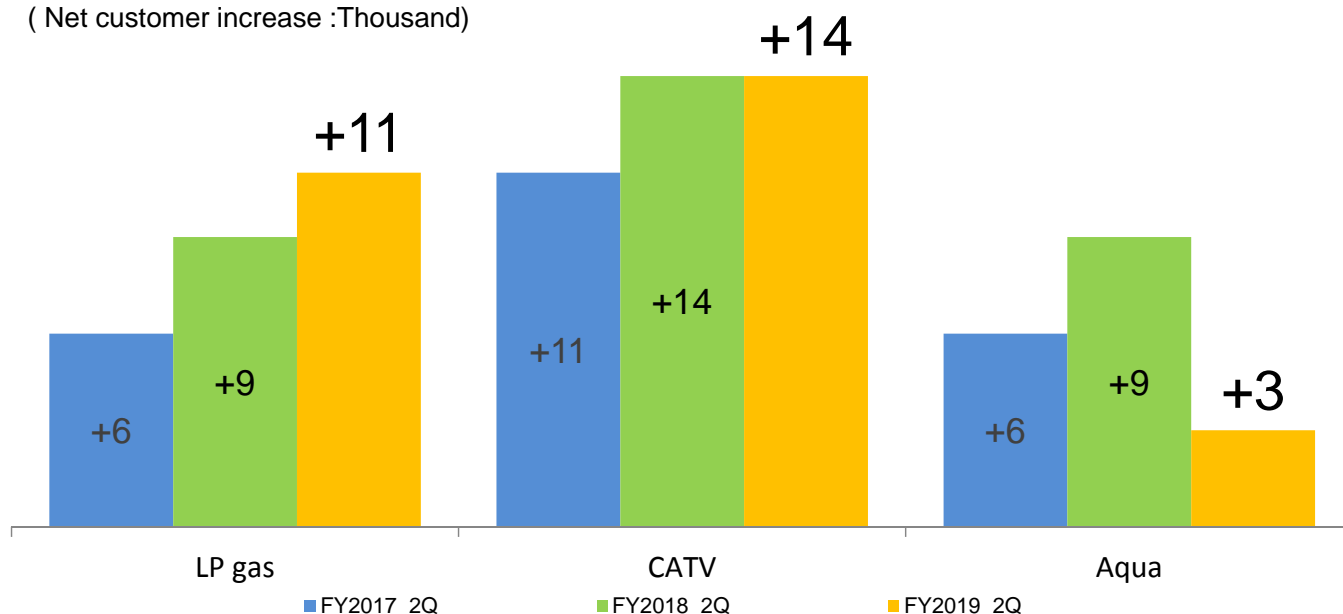
October 31, 2019

Main business steadily expands customer base

◎ The number of ongoing trading customers at the end of the second quarter was 2,918 thousand, an increase of 16,000 from 2,902 thousand at the beginning of the period

◎ Mainstay LP gas business, CATV business and Aqua business steadily expand

(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 ¥ 4.2 billion.
- ◎ Operating profit also increased sharply by ¥ 2 billion (58.3% 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.
- ◎ Each profit item significantly increased by 2 digits compared to the earnings forecast

(Million of yen)

	Q2 FY03/20 Results	Q2 FY03/19 Results	Forecast	YoY		Performance forecast ratio	
				Change	Percent Change	Change	Percent Change
Sales	93,015	88,840	92,500	+4,175	+4.7	+515	+0.6
Operating profit	5,500	3,475	4,410	+2,025	+58.3	+1,090	+24.7
Recurring profit	5,608	3,580	4,360	+2,027	+56.6	+1,248	+28.6
Net income	3,492	1,736	2,360	+1,755	+101.1	+1,132	+48.0
EPS (Yen)	26.67	13.26	18.02	+13.41	+101.1	+8.65	+48.0

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

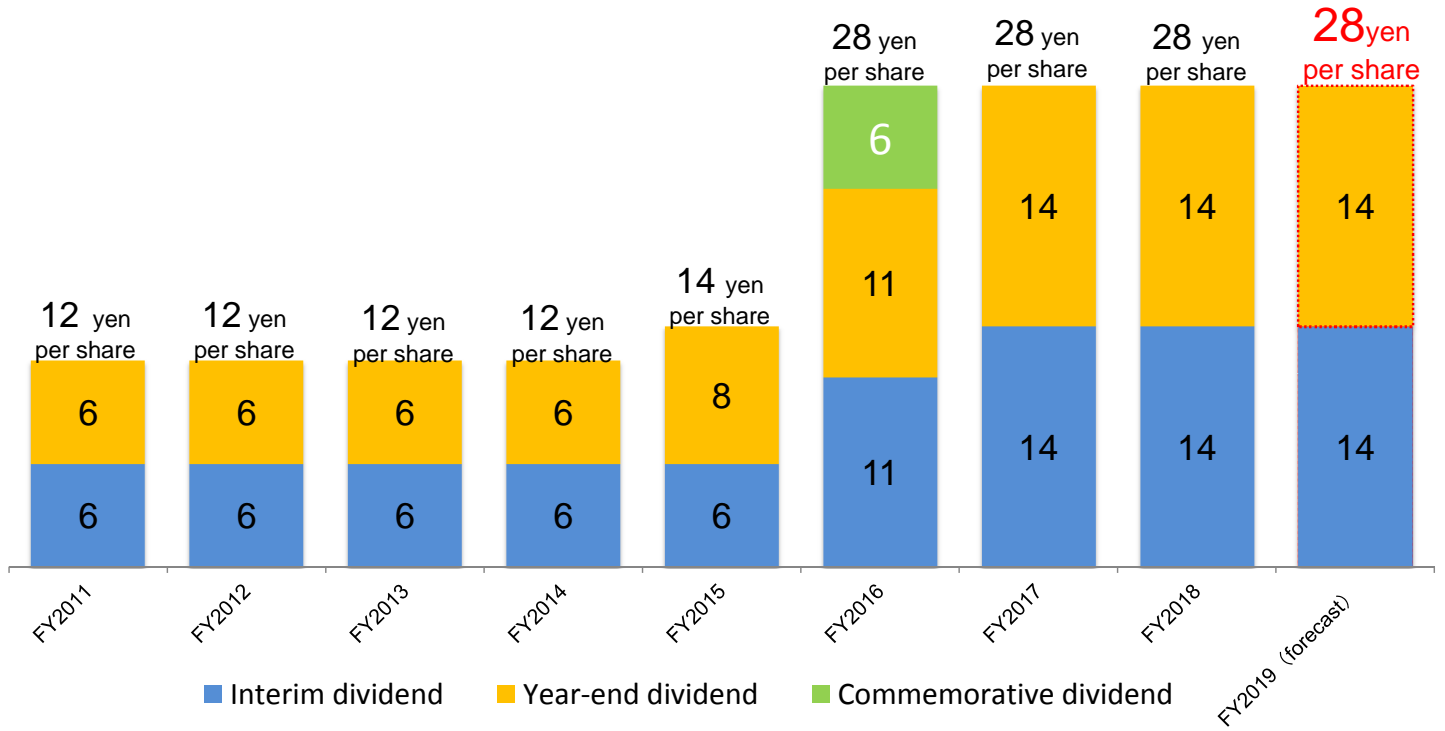
- ◎ It plans to renew its highest profit for the second consecutive year following fiscal 2018, enter into a full-fledged profit growth phase, and ensure the large growth of fiscal 2020, the final year of the medium-term plan.
- ◎ While continuing to expand the customer base, we will also promote M &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

(Million of yen)

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

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).



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)

	1H FY03/15 Results	1H FY03/16 Results	1H FY03/17 Results	1H FY03/18 Results	1H FY03/19 Results	1H FY03/20 Results
Sales	87,274	84,773	82,201	84,911	88,840	93,015
Operating profit	1,816	1,856	4,406	3,114	3,475	5,500
Recurring profit	1,585	1,779	4,428	3,143	3,580	5,608
Net income	225	277	2,384	1,246	1,736	3,492
EPS (Yen)	1.96	2.39	21.00	9.76	13.26	26.67

(2) Sales by segment

(Millions of yen)

	1H FY03/15 Results	1H FY03/16 Results	1H FY03/17 Results	1H FY03/18 Results	1H FY03/19 Results	1H FY03/20 Results
Gas and Petroleum	42,754	37,958	32,496	32,777	33,948	35,766
Information and Communications	19,546	20,425	23,750	24,906	25,154	25,911
CATV	12,144	12,212	12,560	13,607	15,135	15,593
Building and Real Estate	8,197	9,301	8,040	8,349	8,987	9,736
Aqua	2,423	2,746	2,929	3,055	3,490	3,752
Others	2,207	2,128	2,423	2,214	2,123	2,255
Total	87,274	84,773	82,201	84,911	88,840	93,015

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(3) Operating profit by segment

(Millions of yen)

	1H FY03/15 Results	1H FY03/16 Results	1H FY03/17 Results	1H FY03/18 Results	1H FY03/19 Results	1H FY03/20 Results
Gas and Petroleum	2,028	2,661	2,838	1,562	1,084	1,966
Information and Communications	2,389	1,086	1,910	1,541	1,608	2,269
CATV	843	968	1,451	1,769	2,330	2,539
Building and Real Estate	143	347	324	388	554	843
Aqua	-979	-616	201	135	291	400
Others, adjustments	-2,608	-2,590	-2,318	-2,282	-2,393	-2,519
Total	1,816	1,856	4,406	3,114	3,475	5,500

*Prior to elimination of indirect expenses

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(4) Consolidated financial indicators

(Millions of yen)

	1H FY03/15 Results	1H FY03/16 Results	1H FY03/17 Results	1H FY03/18 Results	1H FY03/19 Results	1H FY03/20 Results
Total assets	164,477	160,237	153,384	160,467	164,920	165,616
Total liabilities	125,521	117,722	109,380	101,644	102,493	100,633
Total net assets	38,956	42,514	44,004	58,822	62,426	64,982
Balance of interest-bearing debt	80,930	76,253	65,761	55,019	54,930	50,927
EBITDA	10,495	10,231	12,217	10,764	10,892	13,116
Equity ratio	23.1 %	25.9 %	28.2 %	36.0 %	37.1 %	38.4 %

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(5) Consolidated cash flows

(Millions of yen)

	1H FY03/15 Results	1H FY03/16 Results	1H FY03/17 Results	1H FY03/18 Results	1H FY03/19 Results	1H FY03/20 Results
Operating cash flow	11,476	4,412	12,039	7,888	7,193	10,706
Investment cash flow	-4,515	-5,289	-4,668	-6,931	-6,964	-6,859
Free cash flow	6,961	-876	7,370	957	229	3,846
Financing cash flow	-8,021	236	-8,833	-1,427	58	-3,659

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(6) Group customer count

(Thousands of customers)

		1H FY03/15 Results	1H FY03/16 Results	1H FY03/17 Results	1H FY03/18 Results	1H FY03/19 Results	1H FY03/20 Results
Gas (LP and city gas)		626	627	634	648	670	696
Information and Communications	Previous ISP model, etc.	861	742	565	492	440	403
	Hikari Collaboration	—	117	272	315	328	324
	LIBMO	—	—	—	13	36	43
	Mobile	231	234	234	231	223	215
	Subtotal	1,093	1,093	1,071	1,050	1,028	985
CATV		690	698	722	995	1,046	1,076
Aqua		132	132	135	141	156	159
Security		18	18	17	17	17	16
Total		2,535	2,543	2,554	2,827	2,893	2,918

*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。

