



## Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2021 [Japanese GAAP]

July 30 2020

Company name: TOKAI Holdings Corporation      Stock listing: Tokyo Stock Exchange  
 Stock code: 3167      URL: <https://tokaiholdings.co.jp>  
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 Scheduled date of dividend payment: -  
 Supplementary materials on quarterly financial results: Yes  
 Quarterly financial results briefing: No

(Figures are rounded to the nearest million yen)

### 1. Consolidated Financial Results for the Three-months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)

#### (1) Consolidated Operating Results (cumulative)

(% figures represent year-on-year changes)

	Sales		Operating Profit		Recurring Profit		Quarterly Net Income Attributable to Owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three-months Ended June 30, 2020	45,113	-1.5	3,783	17.1	3,830	14.3	2,445	9.2
Three-months ended June 30, 2019	45,804	2.8	3,231	35.2	3,351	34.7	2,239	56.3

(Note) Comprehensive income: 4,091 million yen in the Three-months Ended June 30, 2020 (98.6%)  
 2,060 million yen in the Three-months ended June 30, 2019 (52.1%)

	Quarterly Net Income per Share	Quarterly Net Income per Share (Diluted)
	Yen	Yen
Three-months Ended June 30, 2020	16.68	-
Three-months ended June 30, 2019	17.10	-

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Three-months Ended June 30, 2020	168,253	68,228	39.7
Year ended March 31, 2020	169,972	65,982	38.0

(Reference) Equity: 66,813 million yen for the Three-months Ended June 30, 2020  
 64,595 million yen for the year ended March 31, 2020

### 2. Dividends

	Annual Dividend				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2020	—	14.00	—	14.00	28.00
Year ending March 31, 2021	—	—	—	—	—
Year ending March 31, 2021 (Forecast)	—	14.00	—	14.00	28.00

(Note) Revisions to most recently announced dividend forecasts: No

3. Consolidated Earnings Forecasts for the Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)  
 (% figures represent year-on-year changes)

	Sales		Operating Profit		Recurring Profit		Net Income Attributable to Owners of the Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2021	205,300	4.8	15,000	5.5	14,870	2.7	8,460	2.7	64.60

(Note) Revisions to most recently announced earnings forecasts: No

\*Notes

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries affecting the scope of consolidation): No

(2) Application of special accounting procedures in the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, estimates, and restatements

1) Changes in accounting policies accompanying revisions in accounting standards, etc.: No

2) Changes in accounting policies other than 1): No

3) Changes in accounting estimates: No

4) Restatements: No

(4) Number of shares issued (common stock)

1) Shares issued at the end of each period (including treasury stock):

Q1 FY3/2021	139,679,977 shares	FY3/2020	139,679,977 shares
Q1 FY3/2021	8,722,355 shares	FY3/2020	8,722,345 shares
Q1 FY3/2021	130,957,632 shares	Q1 FY3/2020	130,948,486 shares

2) Number of shares of treasury stock at the end of each period:

3) Average number of shares during the period (cumulative):

(Note) Board benefit trust shares(BBT) is included in the number of year-end treasury stock.(400,700 stocks at Q1 FY3/2021, 410,800

stocks at Q1 FY3/2020) And the company shares held in ESOP trust accounts are included in the treasury stock, which is

subtracted from calculations of the average number of shares during the period (400,700 shares for the Three-months Ended June

31, 2020; 410,800 shares for the Three-months ended June 30, 2019).

\* Quarterly financial results not covered by quarterly review

\* Explanation regarding the Appropriate Uses of Earnings Forecasts and Other Notes

All earnings forecasts provided within this document are based on the most accurate information available at the time of the release of this document. Actual results may differ from forecasts due to various factors going forward.

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## 1. Qualitative Information on Financial Results for the Period Under Review

### (1) Explanation of Consolidated Operating Performance

In the first three months of the fiscal year ending March 31, 2021, the Japanese economy rapidly deteriorated due to impact from the novel coronavirus disease (COVID-19) pandemic, and domestic and foreign demand both declined substantially. Voices in the economy are now calling for social and economic activities to be incrementally leveled up while implementing measures aimed at preventing the spread of COVID-19. However, future trends remain clouded by profound uncertainty.

Under these conditions, the TOKAI Group entered the fourth and final year of its medium-term management plan, Innovation Plan 2020 “JUMP.” The Group’s primary earnings base rests on its ongoing business with general consumers. Furthermore, we strive to provide daily life-related infrastructure to all households and have assumed direct responsibility for customer contact points. Consistent with these efforts, we regard business continuity and preventing the spread of COVID-19 through appropriate countermeasures and policies that protect customer and employee safety as top-priority issues. Accordingly, we have endeavored to handle these issues through meticulous and careful response.

We modified our operating activities by utilizing communication tools, including online conferencing systems that meet the needs of our customers, making appointments in advance when visiting for in-person meetings, and thoroughly implementing measures aimed at preventing the spread of COVID-19. As of June 30, 2020, the number of continuing customers rose by 9,000 from March 31, 2020, to 3,012,000, and members of the TLC Membership Service increased by 22,000 to 917,000.

As a result of these circumstances, the Group booked sales of 45,113 million yen (-1.5% year on year) in the three months ended June 30, 2020. The decline in sales occurred despite an increase in customer count due in part to a decrease in gas selling prices associated with a drop in procurement prices. Meanwhile, we achieved first-quarter increases in all profit categories for the third straight period as all three profit lines reached record highs. Operating profit came to 3,783 million yen (+17.1% year on year), recurring profit was 3,830 million yen (+14.3% year on year), and net income attributable to owners of the parent finished at 2,445 million yen (+9.2% year on year).

Through our LP gas business, we established new sales bases during June 2020 in Kasugai, Aichi Prefecture and Yokkaichi, Mie Prefecture with the goal of expanding our share in the Chukyo metropolitan area. During the same month, we acquired stakes of 45% in MIEN TRUNG GAS JOINT STOCK COMPANY and V-GAS PETROLEUM CORPORATION, two companies located in the Socialist Republic of Vietnam. Through these acquisitions, we converted these companies into equity-method affiliates.

Performance by segment is indicated below. Effective from the start of the fiscal year ending March 31, 2021, we have changed the names of our reportable segments as follows: the “Gas and Petroleum” segment has become the “Energy” segment, and the “Building and Real Estate” segment has been renamed the “Construction, Equipment, and Real Estate” segment. These name changes do not accompany any impact on segment performance.

(Energy)

In the LP gas business, customer count rose by 5,000, reaching a total of 657,000 during the three months ended June 30, 2020. Despite this growth, sales were 14,796 million yen (-4.2% year on year), declining due primarily to a decrease in selling prices that was linked to a drop in procurement prices.

In the city gas business, the number of customers was 61,000, mostly unchanged from its level at the end of the previous fiscal year. However, sales fell to 2,837 million yen (-9.4% year on year) due in part to a decline in selling prices associated with the gas rate adjustment system.

As a result, segment sales were 17,634 million yen (-5.1% year on year) and segment operating profit was 1,312 million yen (+47.4% year on year).

(Construction, Equipment, and Real Estate)

In the Construction, Equipment, and Real Estate segment, sales were 3,819 million yen (+1.1% year on year) and operating profit was 82 million yen (+10.4% year on year), thanks to contributions from Nissan Tri Star Construction, Inc., which became a consolidated subsidiary during the previous fiscal year.

(CATV)

Through its CATV business, the Group carefully and steadily maintained its sales activities as a local service provider amid the COVID-19 crisis. As a result, our broadcasting services customer count increased to 864,000, up 2,000 from its level as of March 31, 2020, and our communications services customer count rose by 5,000 to 297,000.

Consequently, segment sales amounted to 8,226 million yen (+6.3% year on year) and segment operating profit was 1,246 million yen (+6.4% year on year).

(Information and Communications)

In the Information and Communications business for individual customers, the Group responded to intensifying competition from major mobile phone carriers and increasing communications services demand associated with the COVID-19 pandemic by enhancing set plans accompanying the Hikari Collaboration, actively expanding sales channels, and acquiring customers. These efforts involved the launch of a high 30 GB storage capacity plan for LIBMO, a TOKAI-brand MVNO service. Consequently, the Group put a stop to the trend of net decrease in individual customers, as the total number of individual customers finished at 760,000, on par with its level as of March 31, 2020 (conventional ISP customers fell by 2,000 to 711,000, and LIBMO customers rose by 2,000 to 50,000). As a result, sales were 6,586 million yen (-9.7% year on year).

Through its Information and Communications business for corporate clients, the Group made progress in rolling out existing cloud services and expanded its recurring-revenue businesses by acquiring

demand related to remote working and teleworking. Consequently, sales were 6,063 million yen (+10.2% year on year).

As a result of these factors, segment sales were 12,650 million yen (-1.1% year on year) and segment operating profit was 797 million yen (-13.3% year on year).

#### (Aqua)

The number of customers in the Aqua (bottled drinking water delivery) business decreased to 159,000, down 2,000 from its level as of March 31, 2020. This decline was primarily due to stagnation in event-based sales and marketing caused by self-imposed operational limitations at shopping malls and other commercial facilities. At the same time, the number of bottles sold per customer rose as a result of demand from consumers who refrained from going outdoors in response to the COVID-19 pandemic.

Consequently, segment sales were 1,896 million yen (+5.4% year on year) and segment operating profit was 194 million yen (+85.6% year on year).

#### (Others)

Turning to other businesses, sales in the nursing care business totaled 323 million yen (+13.1% year on year) thanks to contributions from Tender Co., Ltd. (Gero, Gifu Prefecture), which became a consolidated subsidiary during the previous fiscal year. Sales in the shipbuilding business were 324 million yen (-9.1% year on year), declining due to a decrease in the number of vessels repaired. Meanwhile, sales in the bridal events business came to 27 million yen (-89.9% year on year). The substantial decline was primarily due to the temporary closure of GRANDAIR Bouquet TOKAI implemented in response to the declaration of a state of emergency issued by the Japanese government.

As a result of these factors, segment sales were 885 million yen (-20.7% year on year) and segment operating loss was 70 million yen (versus operating profit of 24 million yen in the same period of the previous fiscal year).

## (2) Explanation of Consolidated Financial Position

### 1) Assets, Liabilities, and Net Assets

As of June 30, 2020, total assets amounted to 168,253 million yen, down 1,719 million yen from March 31, 2020. This mainly reflected a decline of 5,372 million yen in notes and accounts receivable—trade stemming from seasonal factors, partially offset by an increase of 1,325 million yen in property, plant and equipment mainly caused by business acquisition and a rise of 2,277 million yen in the “other” account under “investments and other assets” that was primarily due to the acquisition of shares in affiliated companies.

Total liabilities stood at 100,025 million yen, down 3,964 million yen from March 31, 2020. This was primarily due to a decrease of 2,011 million yen in notes and accounts payable—trade stemming from seasonal factors and a decline of 993 million yen in income taxes payable caused by income tax

payments.

Net assets totaled 68,228 million yen, up 2,245 million yen from March 31, 2020. This mainly reflected the booking of 2,445 million yen in net income attributable to owners of the parent, partially offset by a decline of 1,839 million yen due to dividends of surplus.

## 2) Cash Flows

As of June 30, 2020, cash and cash equivalents stood at 4,273 million yen, up 226 million yen from March 31, 2020.

Cash flows from all activities during the period under review and the factors behind them are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was 10,837 million yen, up 4,591 million yen from the same period of the previous fiscal year. Cash inflows stemming primarily from net income before income taxes, a decrease in trade receivables, and depreciation (a non-cash item) exceeded cash outflows caused mainly by income taxes paid and a decrease in trade payables.

(Cash flows from investing activities)

Net cash used in investing activities was 7,579 million yen, down 4,352 million yen from the same period of the previous fiscal year. The primary uses of cash were the purchase of property, plant and equipment and intangible assets, the purchase of shares of subsidiaries and associates, and payments for the acquisition of businesses.

(Cash flows from financing activities)

Net cash used in financing activities was 3,022 million yen, 188 million yen less than was used during the same period of the previous fiscal year. The primary uses of cash were repayments of borrowings and lease obligations and payments of dividends.

## (3) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information

Earnings results for the three months ended June 30, 2020 were generally in line with forecast, and the Group maintains its consolidated earnings forecast for the fiscal year ending March 31, 2021, which was announced on May 8, 2020.

The earnings forecast is based on information currently available to the Company. Actual results may differ from the forecast due to a variety of factors.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2020	Three Months Ended June 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	4,629	4,811
Notes and accounts receivable–trade	25,859	20,486
Merchandise and finished goods	3,679	3,408
Work in process	944	1,309
Raw materials and supplies	930	938
Other	8,623	8,161
Allowance for doubtful accounts	-399	-387
Total current assets	44,268	38,728
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	34,256	34,332
Machinery, equipment and vehicles, net	23,773	24,154
Land	23,068	23,770
Other, net	17,254	17,421
Total property, plant and equipment	98,353	99,678
Intangible assets		
Goodwill	5,125	5,442
Other	5,705	5,620
Total intangible assets	10,831	11,062
Investments and other assets		
Net defined benefit asset	1,601	1,600
Other	15,294	17,571
Allowance for doubtful accounts	-377	-389
Total investments and other assets	16,518	18,781
Total non-current assets	125,703	129,523
Deferred assets	1	1
Total assets	169,972	168,253



(Millions of yen)

	Fiscal Year Ended March 31, 2020	Three Months Ended June 30, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable–trade	15,034	13,022
Short-term loans payable	19,921	20,152
Current portion of bonds	118	108
Income taxes payable	2,244	1,251
Provision for loss on litigation	1,161	1,173
Other provision	1,782	205
Other	20,354	21,110
Total current liabilities	60,617	57,025
Non-current liabilities		
Bonds payable	112	112
Long-term loans payable	28,121	27,754
Other provision	238	197
Net defined benefit liability	876	882
Other	14,024	14,053
Total non-current liabilities	43,372	43,000
Total liabilities	103,989	100,025
<b>Net assets</b>		
Shareholders' equity		
Capital stock	14,000	14,000
Capital surplus	25,542	25,542
Retained earnings	26,426	27,033
Treasury stock	-2,221	-2,221
Total shareholders' equity	63,746	64,353
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	290	822
Deferred gains or losses on hedges	-883	211
Foreign currency translation adjustment	-7	-10
Remeasurements of defined benefit plans	1,449	1,435
Total accumulated other comprehensive income	848	2,459
Non-controlling interests	1,387	1,414
Total net assets	65,982	68,228
Total liabilities and net assets	169,972	168,253

(2) Quarterly Consolidated Statements of Income, Consolidated Statements of Comprehensive Income  
(Quarterly Consolidated Statements of Income)  
(Three Months Ended June 30, 2020)

	(Millions of yen)	
	Three Months Ended June 30, 2019 (April 1, 2019 to June 30, 2019)	Three Months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)
Sales	45,804	45,113
Cost of sales	27,097	25,461
Gross profit	18,706	19,651
Selling, general and administrative expenses	15,475	15,868
Operating profit	3,231	3,783
Non-operating profit		
Interest income	2	2
Dividend income	108	96
Commission fee	11	8
Share of profit of entities accounted for using equity method	43	—
Other	53	75
Total non-operating profit	219	182
Non-operating expenses		
Interest expenses	78	74
Share of loss of entities accounted for using equity method	-	30
Other	21	30
Total non-operating expenses	99	135
Recurring profit	3,351	3,830
Extraordinary income		
Gain on sales of non-current assets	0	4
Gain on donation of non-current assets	-	111
Transmission line facility subsidies	38	31
Gain on sales of investment securities	49	-
Total extraordinary income	87	146
Extraordinary losses		
Loss on sales of non-current assets	0	-
Loss on retirement of non-current assets	248	146
Loss on valuation of investment securities	-	61
Provision for loss on litigation	-	11
Total extraordinary losses	248	219
Quarterly net income before income taxes	3,191	3,757
Income taxes (current)	1,360	1,552
Income taxes (deferred)	-476	-276
Total income taxes	883	1,276
Quarterly net income	2,307	2,481
Quarterly net income attributable to non-controlling interests	68	35
Quarterly net income attributable to owners of the parent	2,239	2,445

(Consolidated Statements of Comprehensive Income)  
(Three Months Ended June 30, 2020)

	(Millions of yen)	
	Three Months Ended June 30, 2019 (April 1, 2019 to June 30, 2019)	Three Months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)
Quarterly net income	2,307	2,481
Other comprehensive income		
Valuation difference on available-for-sale securities	-193	532
Deferred gains (losses) on hedges	-6	1,095
Foreign currency translation adjustment	-1	0
Remeasurement of defined benefit plans, net of tax	-46	-13
Share of other comprehensive income of entities accounted for using the equity method	0	-3
Total other comprehensive income	-247	1,610
Quarterly comprehensive income	2,060	4,091
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent	1,992	4,056
Quarterly comprehensive income attributable to non- controlling interests	68	35

## (3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Three Months Ended June 30, 2019 (April 1, 2019 to June 30, 2019)	Three Months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)
<b>Cash flows from operating activities</b>		
Quarterly net income before income taxes	3,191	3,757
Depreciation	3,525	3,643
Amortization of goodwill	267	298
Increase (decrease) in provision for bonuses	-1,260	-1,331
Increase (decrease) in net defined benefit asset and liability	-50	-11
Interest and dividend income	-111	-99
Loss (gain) on sales of investment securities	-49	—
Interest expenses	78	74
(Gain) loss on sales of non-current assets	-0	-4
Loss (gain) on valuation of investment securities	-	61
Loss on retirement of non-current assets	248	146
(Increase) decrease in notes and accounts payable	4,305	5,665
(Increase) decrease in inventories	-477	-95
Decrease (increase) in guarantee deposits	-99	1,476
Increase (decrease) in notes and accounts payable – trade	-1,685	-2,014
Increase (decrease) in accrued consumption taxes	-80	-352
Increase (decrease) in deposits received	2,764	2,774
Other	-821	-753
Subtotal	9,844	13,235
Income taxes paid	-3,599	-2,397
Net cash provided by (used in) operating activities	6,245	10,837
<b>Cash flows from investing activities</b>		
Interest and dividend income received	123	110
Purchase of securities	-2	-3
Proceeds from sales of securities	97	60
Purchase of tangible and intangible assets	-3,201	-4,229
Proceeds from sales of tangible and intangible assets	35	56
Purchase of shares of subsidiaries and associates	-248	-2,112
Payments for transfer of business	-180	-1,630
Collection of loans receivable	3	3
Other	145	166
Net cash provided by (used in) investing activities	-3,227	-7,579
<b>Cash flows from financing activities</b>		
Interest expenses paid	-76	-74
Net increase (decrease) in short-term loans payable	1,850	225
Repayments of lease obligations	-973	-1,035
Proceeds from long-term loans payable	-	1,886
Repayment of long-term loans payable	-2,216	-2,246
Payments for acquisition of treasury stock	-0	-0
Proceeds from disposal of treasury shares	0	—
Cash dividends paid	-1,755	-1,759
Other	-38	-17
Net cash provided by (used in) financing activities	-3,210	-3,022
Effect of exchange rate change on cash and cash equivalents	-1	-8
Net increase (decrease) in cash and cash equivalents	-194	226
Cash and cash equivalents at beginning of period	4,018	4,046
Cash and cash equivalents at end of period	3,824	4,273

(4) Notes on Quarterly Consolidated Financial Statements  
(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

[Segment Information]

I. Three Months Ended June 30, 2019 (April 1, 2019 to June 30, 2019)

Sales and Income of Losses by Reportable Segment

(Millions of yen)

	Reportable segments						Other <sup>1</sup>	Total	Adjustments <sup>2</sup>	Amount in quarterly consolidated statements of Income <sup>3</sup>
	Energy	Construction, Equipment Real estate	CATV	Information and Communications	Aqua	Subtotal				
Sales										
Sales to external customers	18,577	3,777	7,738	12,795	1,798	44,687	1,116	45,804	—	45,804
Intersegment sales and transfers	39	235	174	899	6	1,356	46	1,402	-1,402	—
Subtotal	18,617	4,013	7,913	13,694	1,805	46,044	1,163	47,207	-1,402	45,804
Segment income (loss)	890	74	1,171	919	104	3,161	24	3,186	45	3,231

(Notes) 1. The "Other" category is a business segment not included in the reportable segments. This category includes businesses such as weddings, ship repair, insurance, and nursing care.

2. Adjustments to segment income (loss) are mainly eliminations due to intersegment transactions.

3. Segment income (loss) is adjusted to match operating profit in the quarterly consolidated statements of income.

II. Three Months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)

Sales and Income of Losses by Reportable Segment

(Millions of yen)

	Reportable segments						Other <sup>1</sup>	Total	Adjustments <sup>2</sup>	Amount in quarterly consolidated statements of Income <sup>3</sup>
	Energy	Construction, Equipment Real estate	CATV	Information and Communications	Aqua	Subtotal				
Sales										
Sales to external customers	17,634	3,819	8,226	12,650	1,896	44,227	885	45,113	—	45,113
Intersegment sales and transfers	60	222	155	825	5	1,269	29	1,299	-1,299	—
Subtotal	17,694	4,042	8,382	13,475	1,901	45,497	915	46,412	-1,299	45,113
Segment income (loss)	1,312	82	1,246	797	194	3,633	-70	3,562	220	3,783

- (Notes)
1. The "Other" category is a business segment not included in the reportable segments. This category includes businesses such as weddings, ship repair, insurance, and nursing care.
  2. Adjustments to segment income (loss) are mainly eliminations due to intersegment transactions.
  3. Segment income (loss) is adjusted to match operating profit in the quarterly consolidated statements of income.