

Annual Results for FY2018

May 10, 2019

TOKAI Holdings Corporation
(Securities Code: 3167)

Summary of FY2018 and points of FY2019

**Katsuhiko Tokita
President & CEO
TOKAI Holdings Corporation**

Key Points of FY2018 Financial Results

- Operating activities in LPG business progressed extremely well, apart from the effects of high temperatures and rising procurement cost.
- ⊙ The customer count (earnings base) increased by 26,000 (+0.9%) from the beginning of the fiscal year
 - The customer count at the end of the current term was 2.9 million, an increase of 26,000 (up 0.9%) from 2.88 million at the beginning of the fiscal year.
 - LPG, CATV, and Aqua(bottled drinking water delivery) businesses enjoyed a steady customer acquisition, mainstay business driving the expansion of earnings base.
- ⊙ Customer base expansion strategy taken in the previous period succeeded in a v-shaped recovery and recorded the highest business results ever
 - Sales of our core businesses, gas, information & telecommunications, and CATV, increased due to the expansion of customer base and the effects of M&A carried out in the previous fiscal year and recorded the highest results ever.
 - Despite the impact of high temperatures on LPG sales and a rise in LPG procurement cost, profits achieved a double-digit growth due to an increase in the number of monthly fee-paying services accompanying expansion of customer base. As a result, all profit items marked record highs.

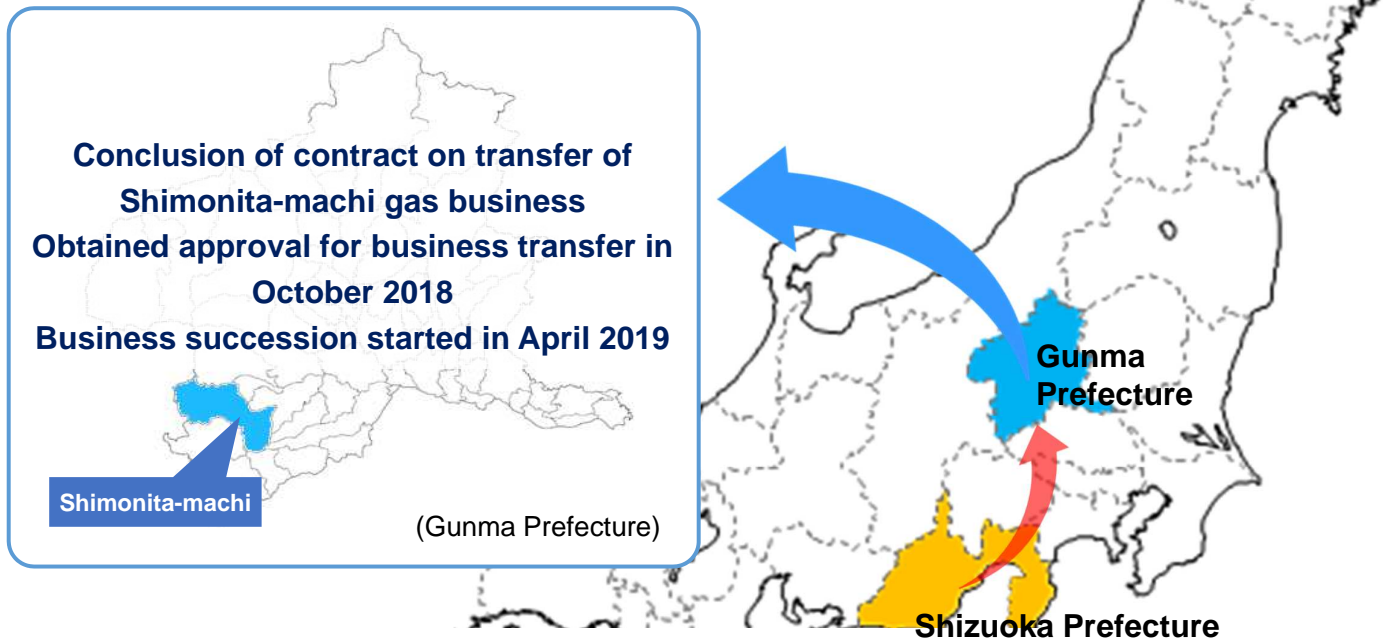
2

Results of M&A in FY2018

3

First step in wide-area development of gas business

- In April 2018, a contract was concluded on the transfer of a gas business operated by Shimonita-machi, Gunma Prefecture, and the business transfer was approved by the Kanto Bureau of Economy, Trade and Industry in October. Business succession is scheduled in April 2019.
- Took a first step in wide-area development and expansion of operation in the city gas business.

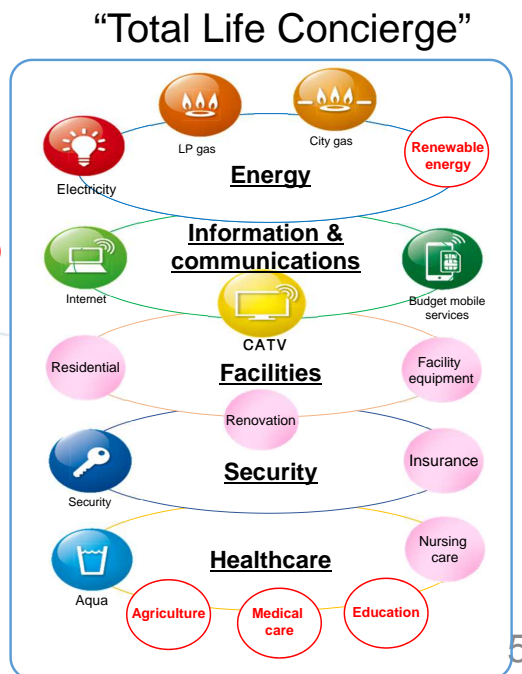
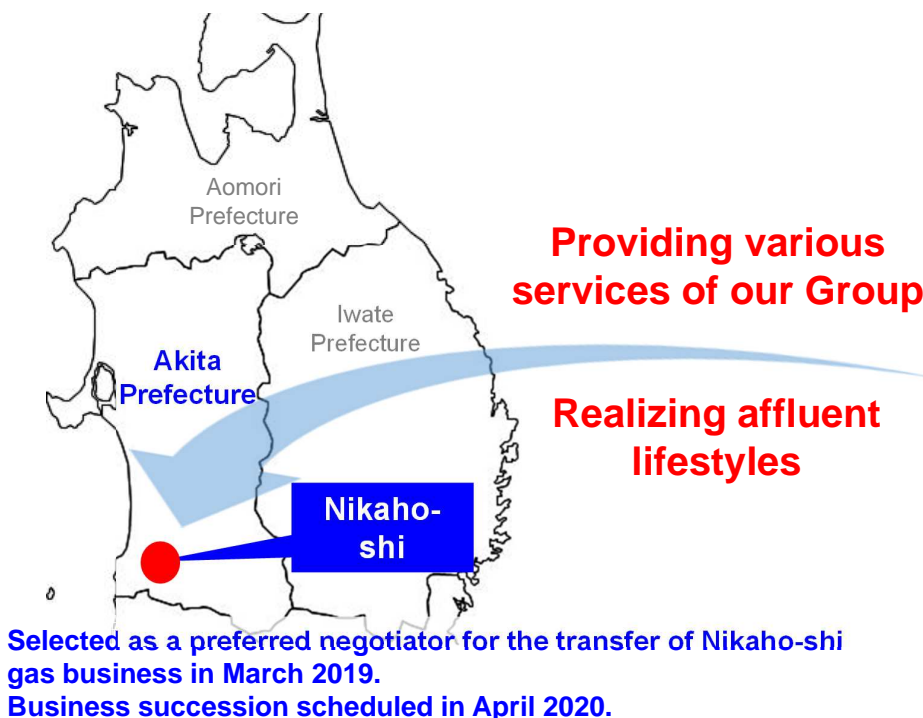


Wide-area development and expansion of operation in city gas business

4

Steady progress in wide-area development of city gas business

- In March 2019, acquired preferential negotiation rights on a gas business operated by Nikaho-shi, Akita Prefecture, and scheduled to succeed the business in April 2020.
- This will be the 2nd M&A case in the city gas business as a Group's first entry into Akita Prefecture.
- Based on the Group's TLC (Total Life Concierge) vision, we will also provide a variety of life-related services in order to contribute to the realization of a more affluent lifestyle.



5

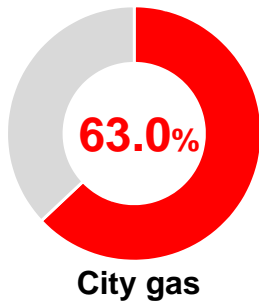
The continuing customer count expected to increase by 2.5 times through promotion of TLC

- A cross-selling rate of city gas business in Shizuoka Prefecture is much higher at 63.0% than that of the whole Group, which is 17.8%, showing that the city gas business deeply associated with communities is optimal for the promotion of TLC.
- In Shimonita-machi, where a business is already launched, the continuing customer count per month is also expected to increase by 2.5 times through active promotion of TLC

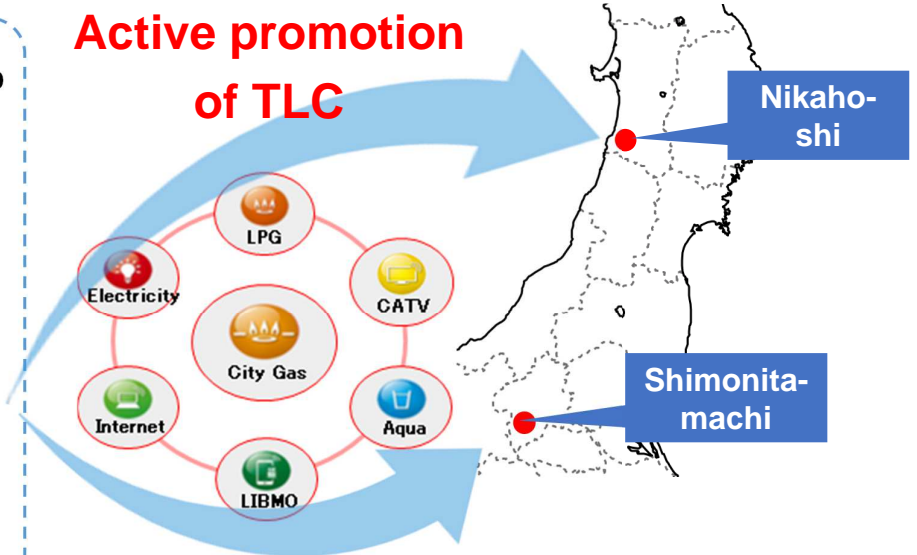
**Cross-selling rate: 17.8%
(for the entire Group)**

Cross-selling rate of city gas business in Shizuoka Prefecture is as high as **63.0%**.

City gas business deeply associated with communities is a base business for TLC with a high cross-selling rate.



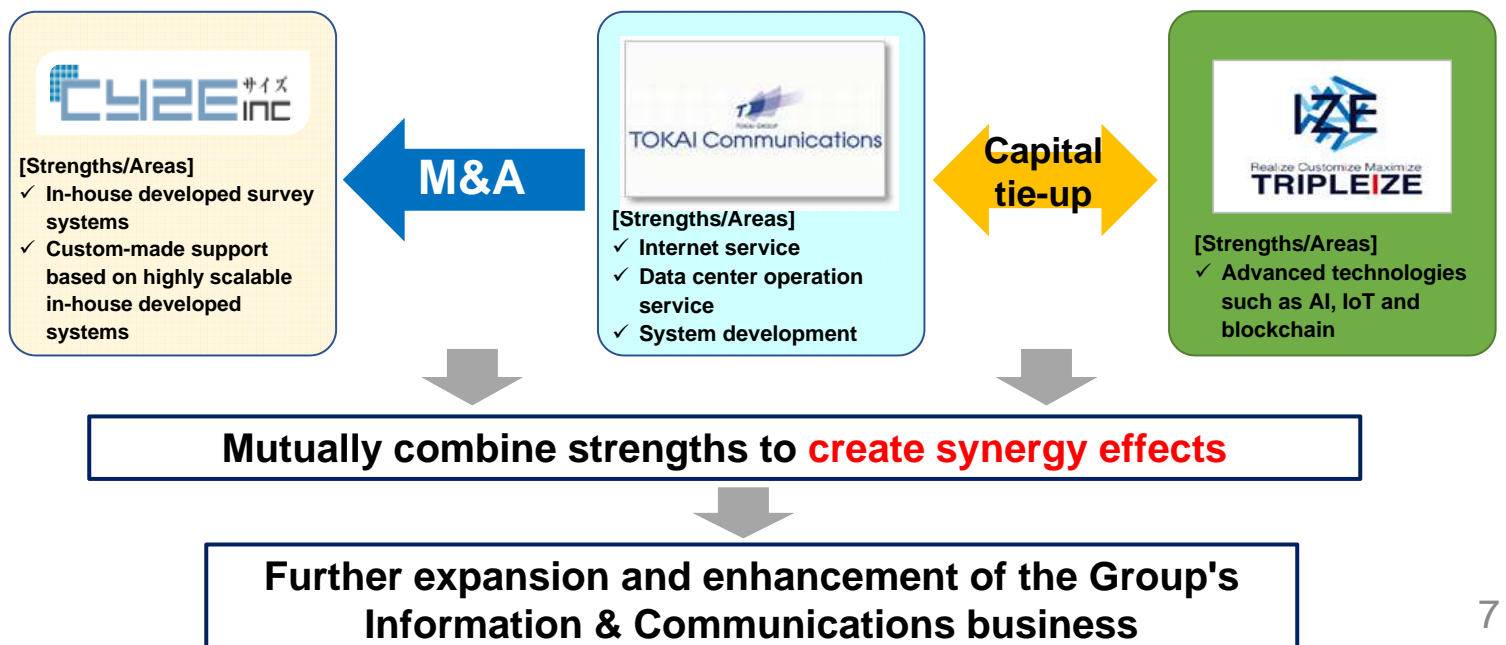
**Active promotion
of TLC**



The continuing customer count per month multiplies by 2.5 times 6

Creating synergies in Information & Communications

- Consolidation of a subsidiary, "CYZE Inc.", whose main business is provision and development of survey systems
- Signed a capital and business alliance agreement with "Tripleize Co., Ltd.", which offers strengths in advanced technology areas such as AI, IoT and blockchains.
- Mutually combine strengths to create synergy effects, and further expand and enhance the Group's Information & Communications business.



Summary of FY2018

- We were able to make steady progress toward FY2020 as a turning point for further growth.

(i) Steady expansion of the earnings base, including M&As

(ii) Achievement of a v-shaped recovery with the record high profits

8

Point of FY2019

9

Establish a full-scale profit growth phase

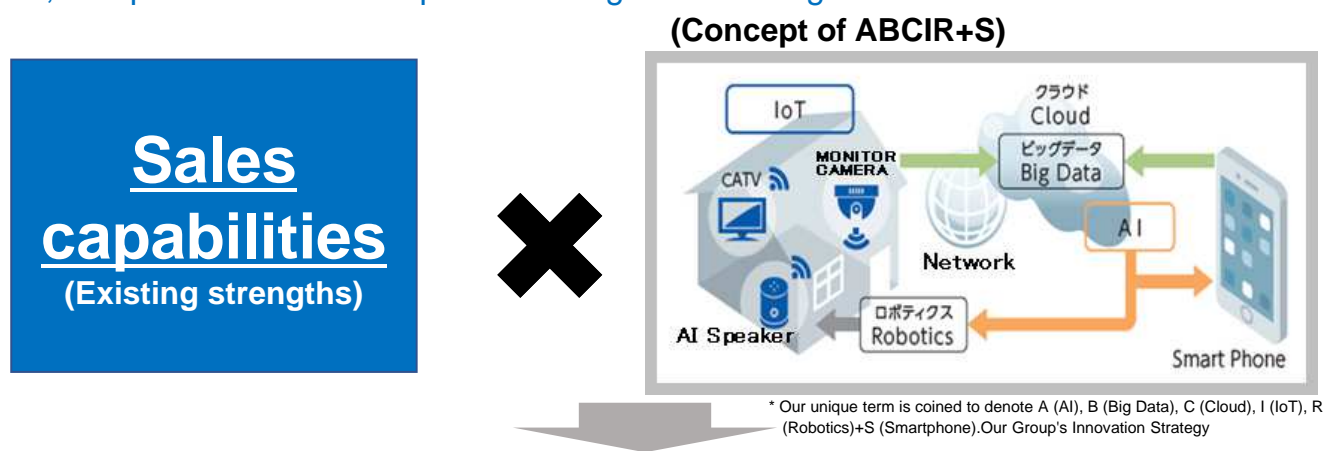
- Achieve record profits for the 2nd consecutive period and establish a full-scale profit growth phase, leading to the final year of IP20 "JUMP" (FY2020).
- We will continue to increase our customer base, promote M&As to expand our business area, and advance into new overseas bases.
- In FY2019, sales of 200.8 billion yen, operating profit of 14.2 billion yen, and the number of customers of 3 million are expected to be achieved.

(Unit: JPY 100 MM)	FY2017	FY2018	FY2019
	Result	Result	Forecast
Sales	1,861	1,916	2,008
Operating profit	110	131	142
Customer count (Unit: 10,000)	288	290	300

10

Progress in development of "ABCIR+S" strategy*

- In addition to the sales capabilities cultivated since our founding, a focus on the expansion of client base, enhancement of competitiveness, and development of new services based on "ABCIR+S" becomes the future key strategy.
- Strengthen the structure of a dedicated organization, "Next Generation Business Strategy HQ", and promote the development of "Digital Marketing Platform".



Focus on **“Expansion of new client base”, “Enhancement of competitiveness”, and “Development of new services”**

Strengthen the structure of a dedicated organization, "Next Generation Business Strategy HQ", and promote the development of **“Digital Marketing Platform”**

11

Approaching customers by "Digital Marketing"

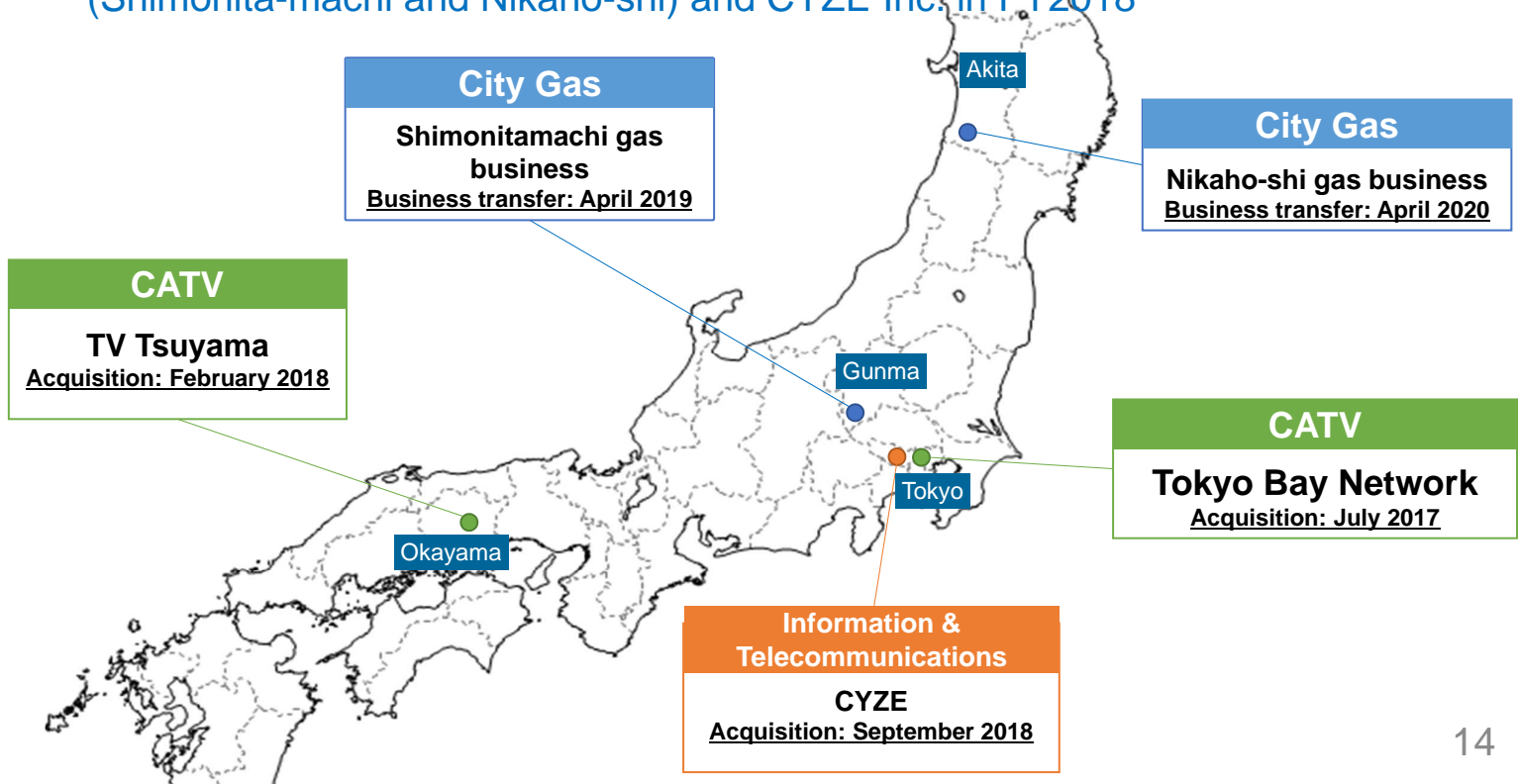
- Digital Marketing Platform develops trends of individuals by integrating data from our Group's customer database and web browsing information on a customer basis.
- Based on this information, efficiency and competitiveness are improved on our activities for sales and prevention of cancellation.



Progress of M&A investment plan

Results of M&As

- M&As carried out on 5 companies in total: 2 CATV companies (Tokyo Bay Network and TV Tsuyama) in FY2017; public gas operation in 2 municipalities (Shimonita-machi and Nikaho-shi) and CYZE Inc. in FY2018

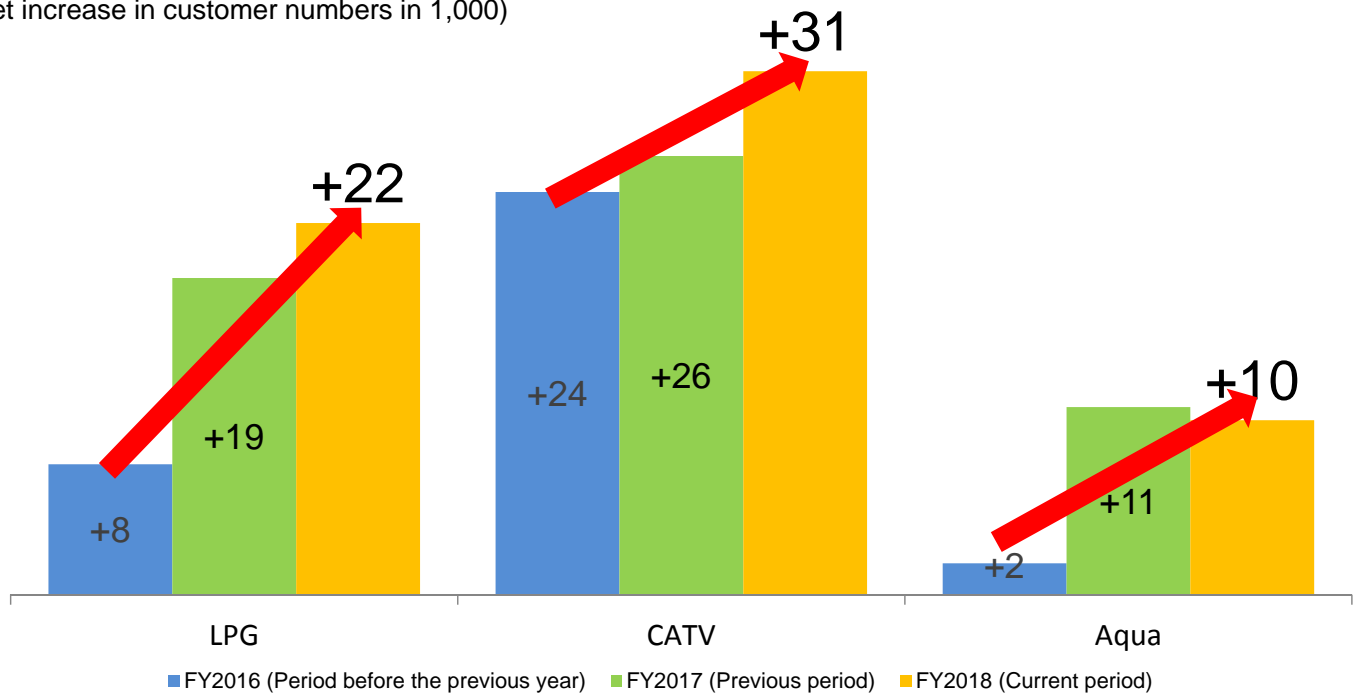


Points of Financial statement of FY2019

Net increase of customer count by 26,000 from the beginning of the fiscal year

- ⊙ The number of customers for continued service at the end of the current term was 2,902 thousand, an increase of 26,000 from 2,876 thousand at the beginning of the fiscal year.
- ⊙ Our core businesses in LPG, CATV, and Aqua led the expansion of earnings base.

(Net increase in customer numbers in 1,000)



*Excluding a customer increase by M&As

16

V-shaped recovery and record profits in all items

- ⊙ Sales rose to a record high due to an increase in the number of customers and the effects of M&A in the previous fiscal year.
- ⊙ Operating profit also grew by double-digit due to an increase in the number of monthly fee-based services accompanying expansion of client base and reduction in customer acquisition cost and other initial costs. As a result, it reached a record high for the first time in 2 years.
- ⊙ Apart from the effects of high temperatures and soaring LPG purchasing cost, the operating activities are progressing steadily in line with the business forecast.

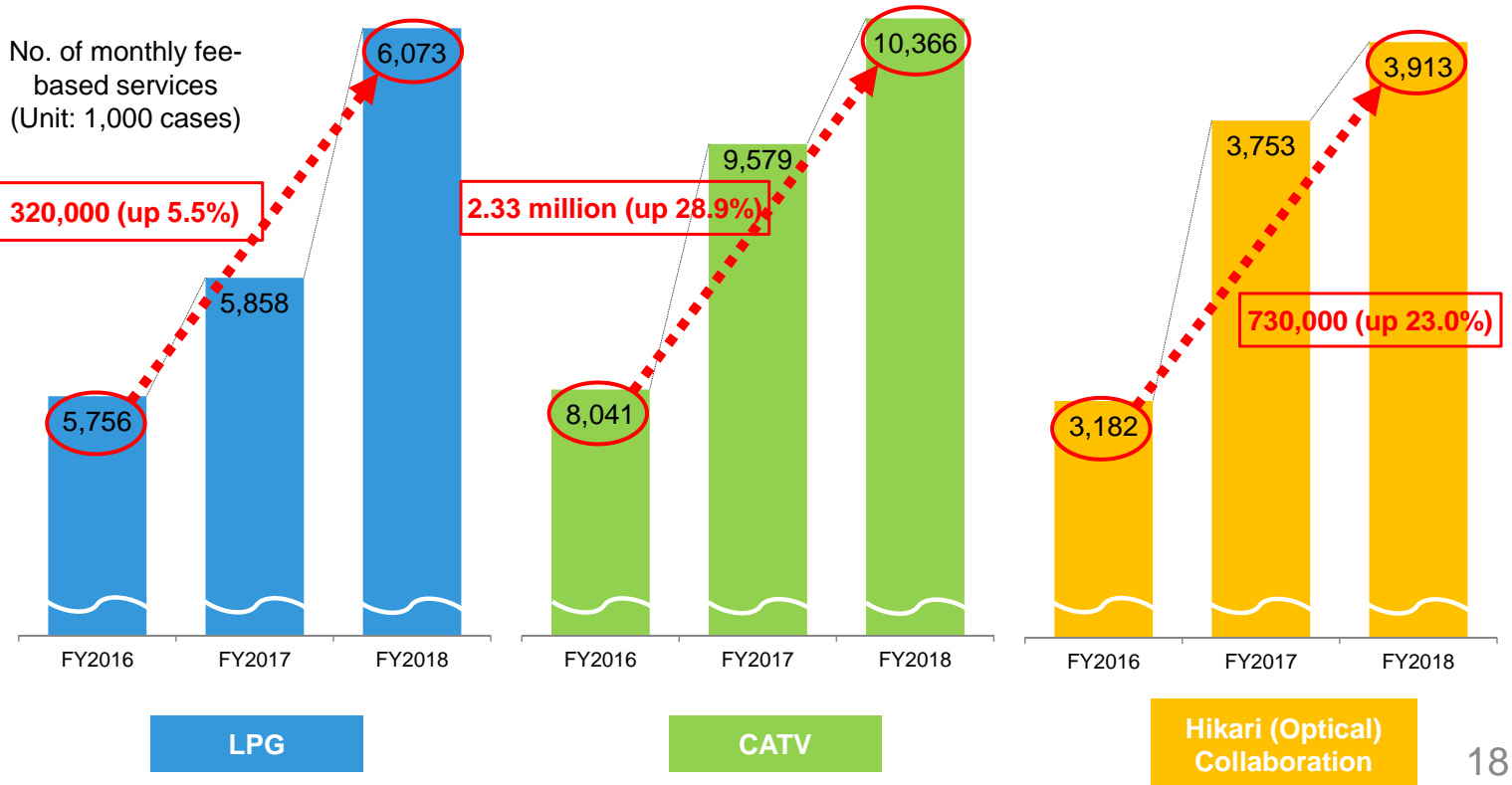
(Sales and profits: Millions of yen; EPS: Yen)

	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

17

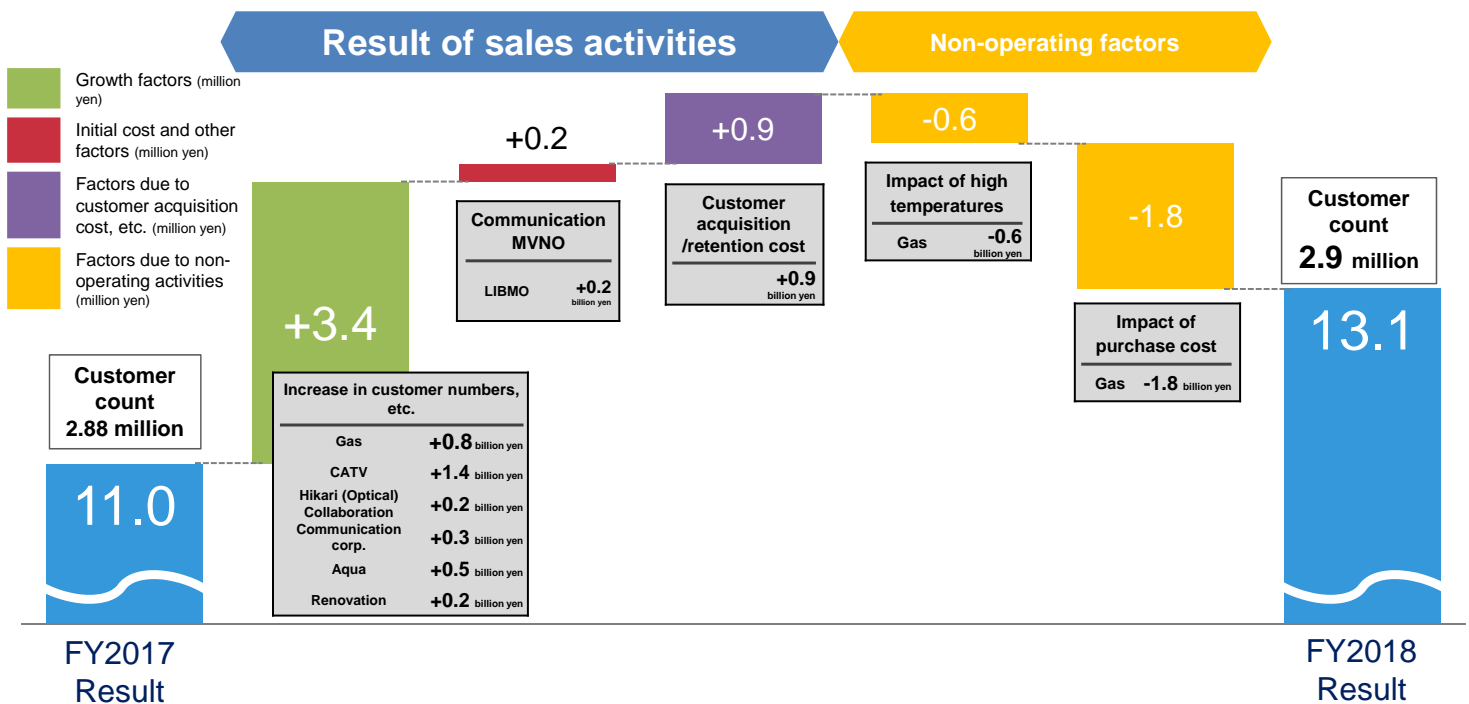
Substantial increase in the number of monthly fee-paying services of core businesses

- By expanding the number of customers (earnings base), increase in the number of monthly fee-paying services leads to increase in earnings.



Points on a double-digit growth of operating profit

- Profit from operating activities increased by 4.5 billion yen. Resulting from expansion in customer count, profits rose by 3.4 billion yen due to an increase in the number of monthly fee-paying services and 200 million yen in LIBMO.
- On the other hand, non-operating factors, such as high temperatures and rising purchasing costs totaling 2.4 billion yen negatively impacted.



Development of growth investments based on stronger capital base

- ⊙ Equity ratio improved further by 1.1 points.
- ⊙ While operating profit increased and income taxes were reduced, the ratio of interest-bearing debt to EBITDA improved to 1.8 times, despite the decline in free cash flow from the previous fiscal year due to active growth investments.

Equity ratio	36.3 % End of March 2018	➡	37.4 % End of March 2019
Interest-bearing debt balance	51.0 billion yen End of March 2018	➡	50.6 billion yen End of March 2019
Operating cash flow	20.9 billion yen End of March 2018	➡	21.6 billion yen End of March 2019
Investing cash flow	-11.5 billion yen End of March 2018	➡	-12.4 billion yen End of March 2019
Free cash flow	9.4 billion yen End of March 2018	➡	9.2 billion yen End of March 2019
Interest-bearing debt/EBITDA ratio	1.9 times End of March 2018	➡	1.8 times End of March 2019

20

Points of Business Performance forecast in FY 2019

Customer count reach 3 million with net increase by 100 thousand

- By the end of FY2019, it is expected to reach 3,002 thousand with a net increase of 100 thousand from 2,902 thousand as of the end of FY2018.
- In particular, a net increase in LPG will be focused, while CATV and Aqua are expected to see a net increase on par with the previous year.

(Unit: 1,000 cases)

		2015 Result	2016 Result	2017 Result	2018 Result	2019 Plan
Gas (LPG & City Gas)		634	642	661	684	745
Information & communications	Conventional ISP, etc.	633	527	465	419	384
	Hikari (Optical) Collaboration	219	299	323	327	345
	LIBMO	—	2	29	41	62
	Mobile	236	233	227	217	212
	Subtotal	1,088	1,061	1,044	1,004	1,003
CATV		710	733	1,032	1,063	1,090
Aqua		133	135	146	156	167
Security		18	17	17	17	17
Total		2,558	2,564	2,876	2,902	3,002

* Figures are rounded to the nearest 10,000. Duplication of communication services between Information & Communications and CATV is excluded from the total.

22

Achievement of record profits for the 2nd consecutive year aiming at a further growth

- The plan aims to ensure a great leap towards FY2020, which is a final year of the medium-term plan, by achieving record profits for the 2nd consecutive year following FY2018 and entering a full-scale profit growth period.
- We will continue to increase our client base, promote M&As to expand our business areas, and advance into new overseas bases.

(Unit: million yen)

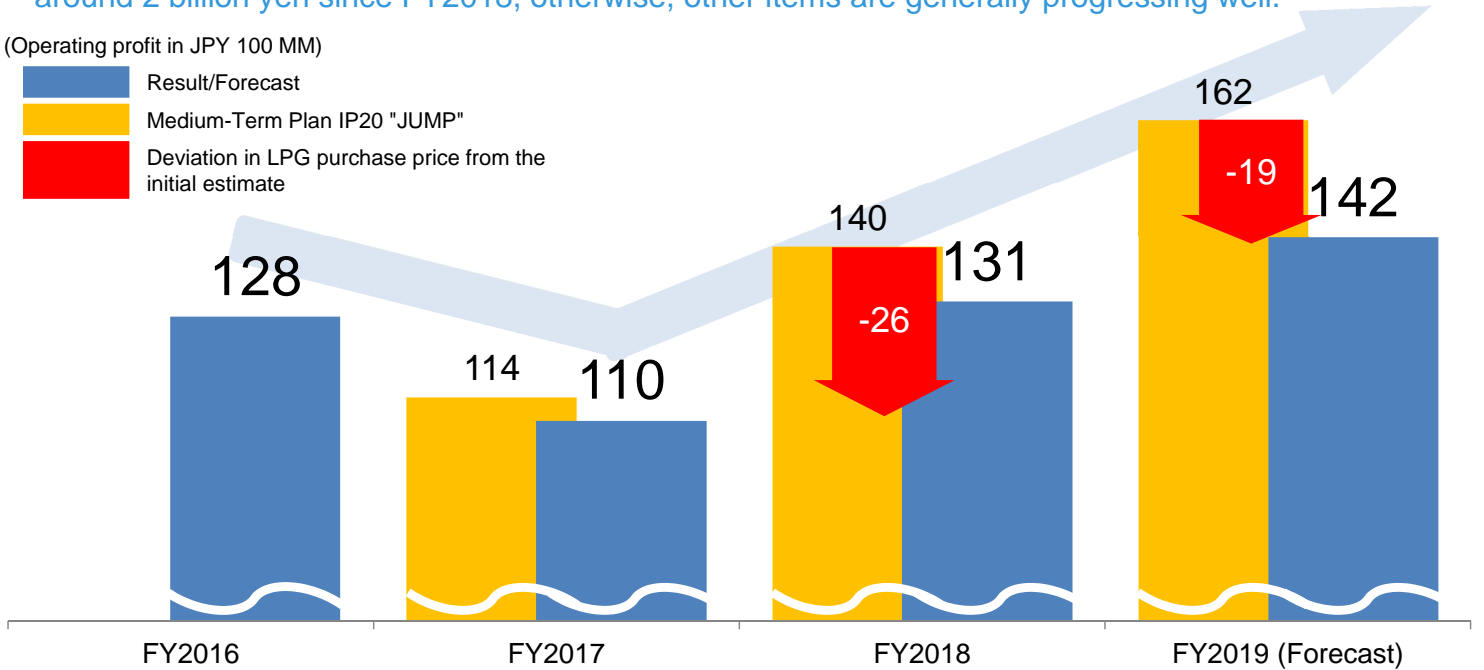
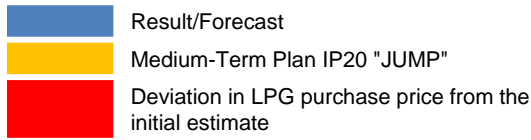
	Forecast on Current Period (FY2019)	Result of Previous Period (FY2018)	Year on Year	
			Changes	(%)
Sales	200,800	191,600	+9,200	+4.8%
Operating profit	14,170	13,057	+1,113	+8.5%
Ordinary income	14,040	13,259	+781	+5.9%
Net income	8,230	7,772	+458	+5.9%
Net income per share	62.85 yen	59.36 yen	+ 3.49 yen	+5.9%

23

Progress in IP20 "JUMP"

- ⊙ In FY2018, 13.1 billion yen operating profit was achieved, marking a record high by a v-shaped recovery.
- ⊙ In FY2019, we will achieve record profits for the 2nd consecutive period and enter a full-scale growth phase.
- ⊙ Compared with the IP20 JUMP, a purchase price of LPG has deviated from the initial estimate by around 2 billion yen since FY2018, otherwise, other items are generally progressing well.

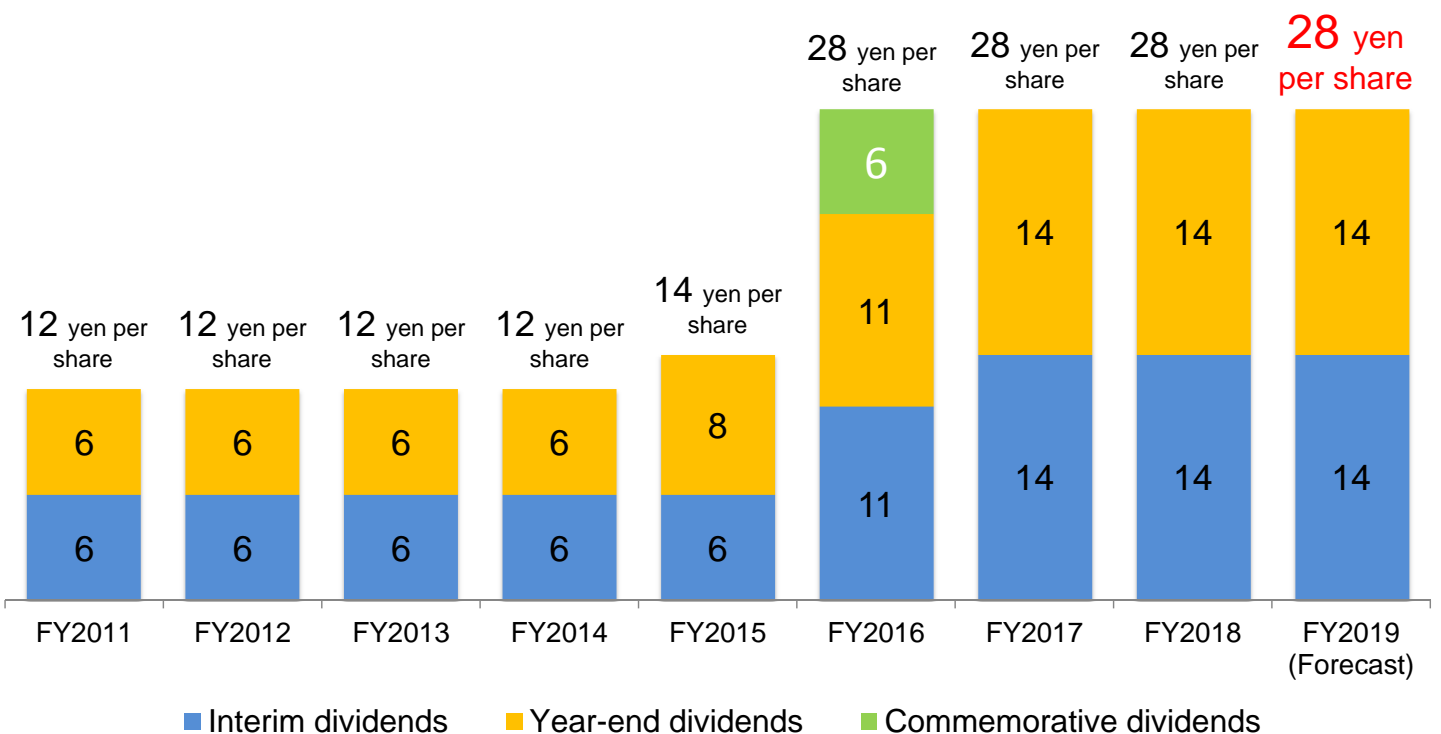
(Operating profit in JPY 100 MM)



24

Strive for continuous and stable dividends

- ⊙ Based on our corporate dividend policy, which calls for continuous and stable dividends, the annual dividends are planned to be 28 yen per share.



25

Prospect of business performance and future outlook described in this material are our estimation based on information available as of this moment, and potential risk and uncertainties are included. Therefore, please note that actual business performance is possibly very different from the described future outlook due to change of various factors.

For inquiry related to this material, please contact us as follows:

IR Office, TOKAI Holdings Corporation
11F Hamarikyu Intercity, Kaigan 1-9-1, Minato-ku, Tokyo 105-0022
TEL: (03)5404-2891
FAX: (03)5404-2786
<http://tokaiholdings.co.jp>
e-mail: overseas_ir@tokaigroup.co.jp

We create and spread
happiness.

