

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

November 1, 2019
TOKAI Holdings Corporation
(Securities Code: 3167)

Overview of 1H FY03/20

Katsuhiko Tokita
President & CEO
TOKAI Holdings Corporation

Key Points of 1H FY03/20 Financial Results

Core businesses steadily expanded customer base

Achieved record high growth and plans to enter a phase of substantial profit growth

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M&A strategy under Innovation Plan 2020 “JUMP”

Invest ¥100 billion over four-year period

Strengthen core businesses

Further expand LP gas, city gas, CATV, and Information and Communications businesses

Acquire new services

Acquire new services to drive future growth

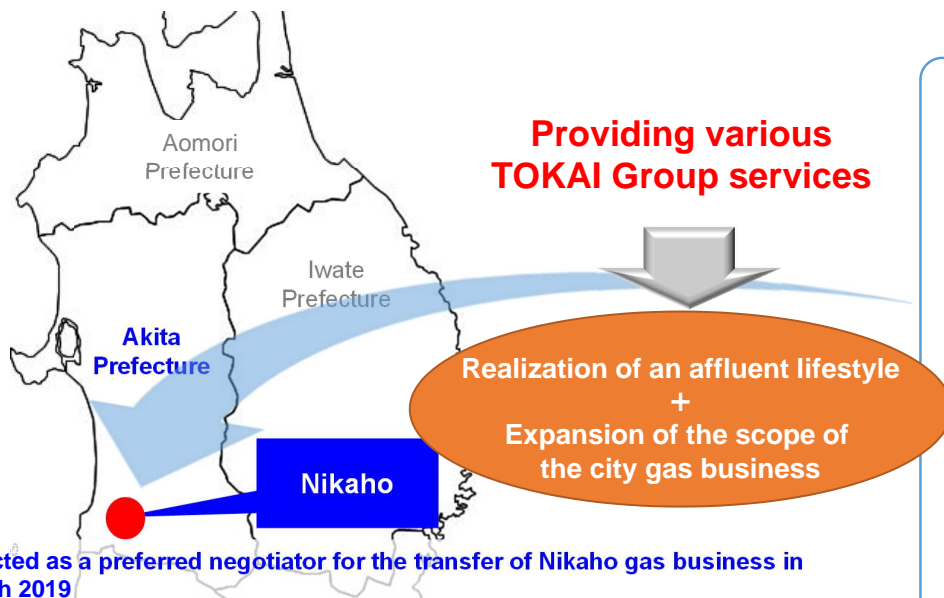
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Results of M&A in 1H FY03/20

(Four acquisitions and two business alliances)

Steady progress in wide-area development of city gas business

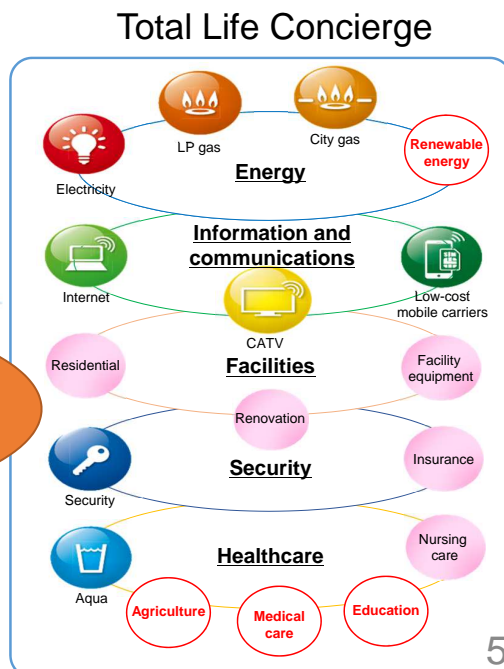
- In March 2019, acquired preferential negotiation rights on a gas business operated by the city of Nikaho, Akita Prefecture; concluded a business transfer contract for the gas business in May 2019; and scheduled to take over the business in April 2020
- This was the second M&A in the city gas business and the Group's first entry into Akita Prefecture
- Based on the Group's Total Life Concierge (TLC) vision, we will provide a variety of life-related services in order to contribute to the realization of a more affluent lifestyle. We also aim to further expand the scope of our city gas business



Selected as a preferred negotiator for the transfer of Nikaho gas business in March 2019

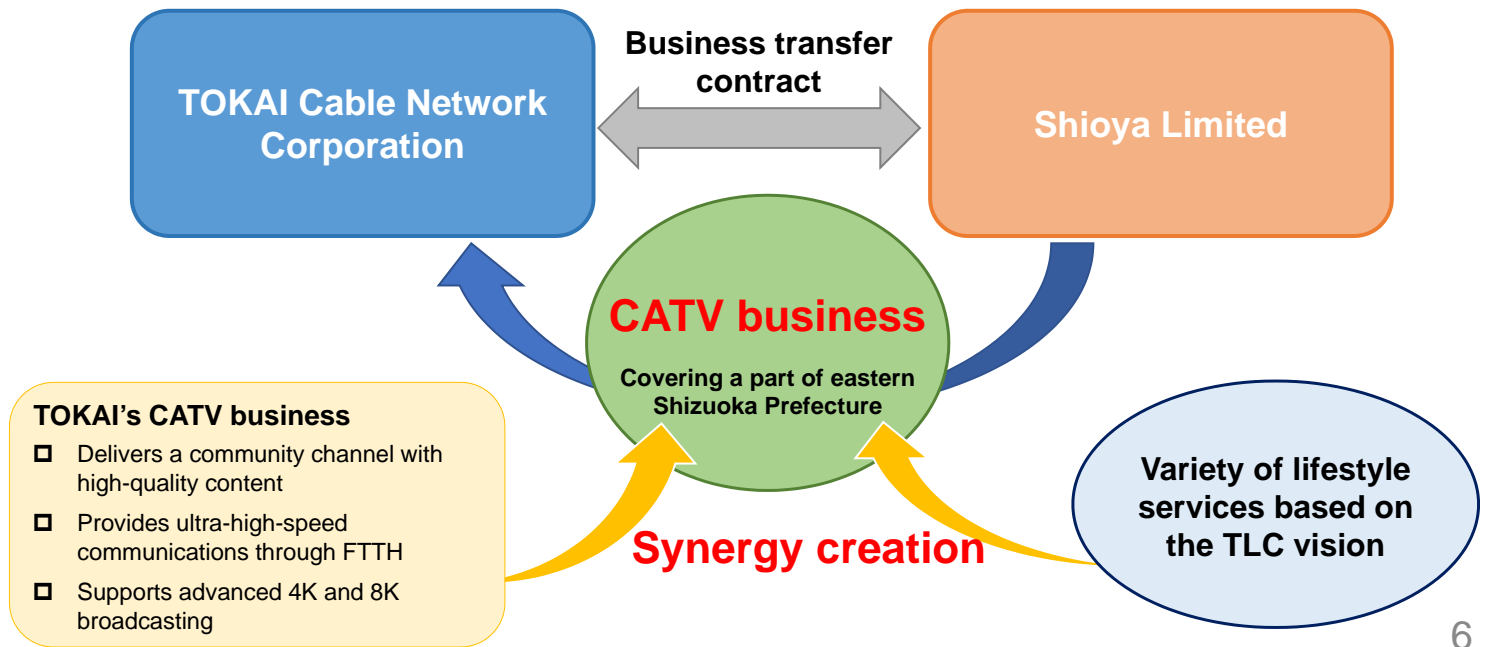
Concluded a business transfer contract for the gas business in May 2019

Business takeover scheduled for April 2020



Creating synergy in CATV business

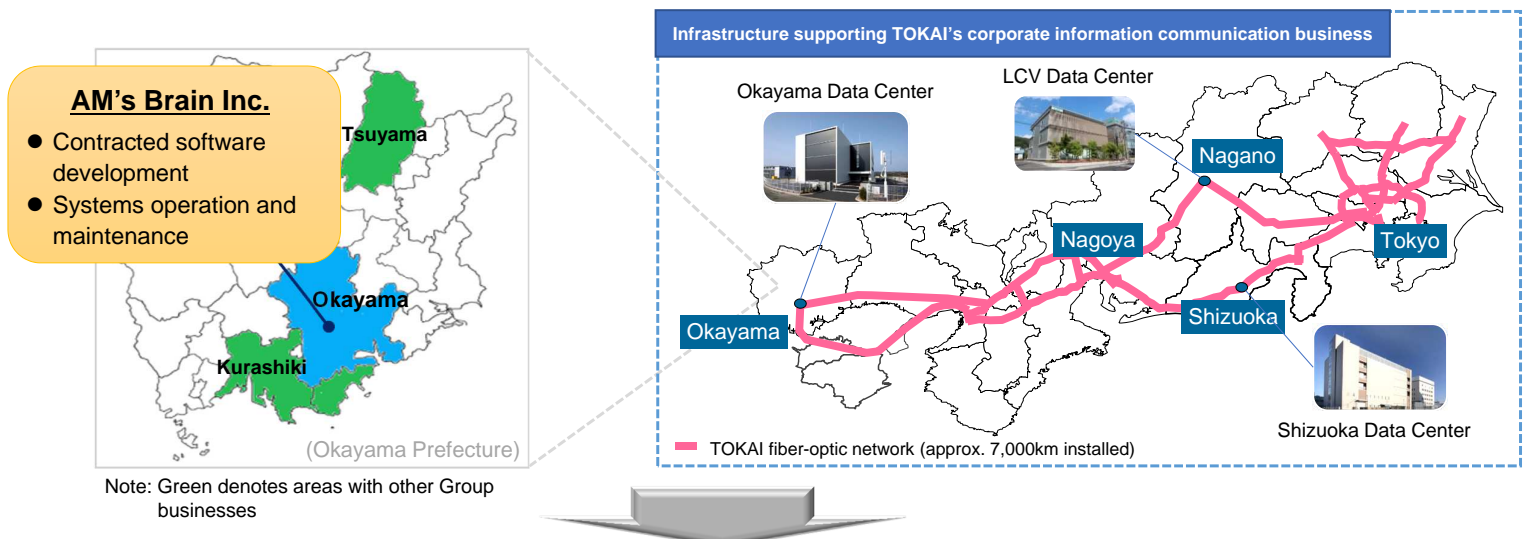
- Acquired a CATV business covering a part of eastern Shizuoka Prefecture operated by Shioya Limited in April 2019 (took over the business in October)
- TOKAI's CATV business has been transitioning to FTTH since 2006, anticipating a trend toward the integration of broadcasting and communications. FTTH supports advanced 4K and 8K broadcasting, which will likely become widespread in the next few years
- TOKAI expects to create synergy with other businesses based on the Total Life Concierge (TLC) concept while providing advanced CATV services



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Creating synergy in Information and Communications business

- Acquired AM's Brain Inc. in July 2019, which offers information services such as contracted software development and systems operation and maintenance
- TOKAI provides one-stop optimized solutions for corporate clients by embracing cutting-edge technology such as AI and IoT and leveraging its data centers and fiber-optic networks
- Create synergy by combining strengths to expand the scale of our Group's Information and Communications business and increase the variety of its offerings

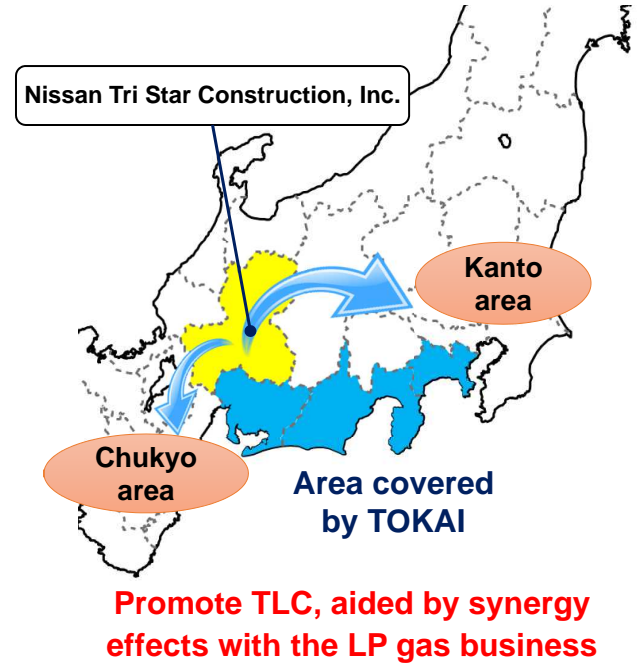
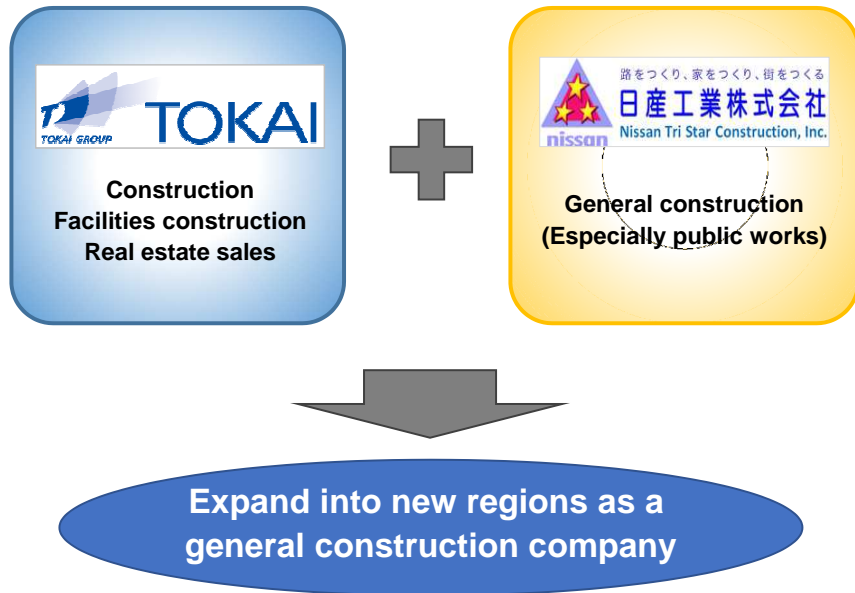


Mutually combine strengths to create synergy effects
Further expand and enhance the Group's Information and Communications business

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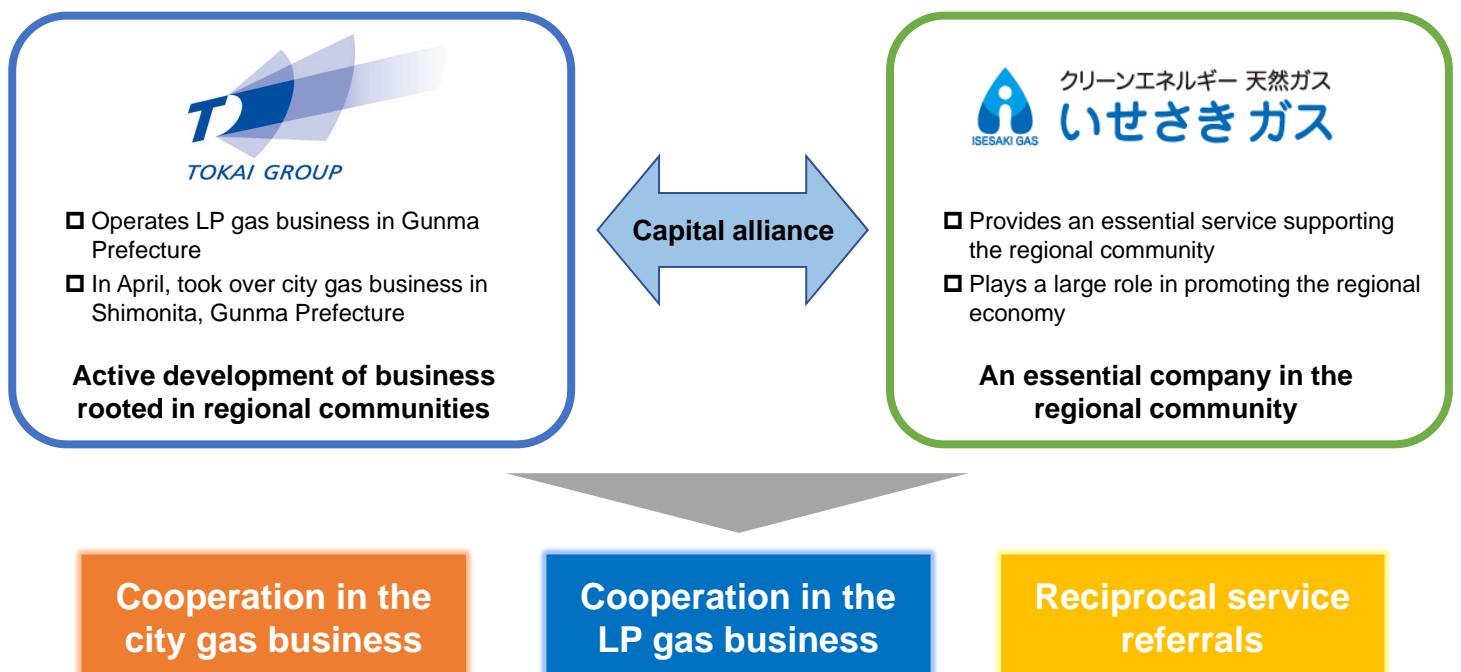
Expand into new regions as a general construction company

- Acquired Nissan Tri Star Construction, Inc., which operates a community-based general construction business in Gifu Prefecture
- Nissan Tri Star exhibits strength in public works projects in particular. It has a large number of highly qualified personnel and a solid reputation earned over many years
- TOKAI will leverage Nissan Tri Star's technical prowess to expand as a general construction company into Shizuoka Prefecture and the Chukyo and Kanto areas



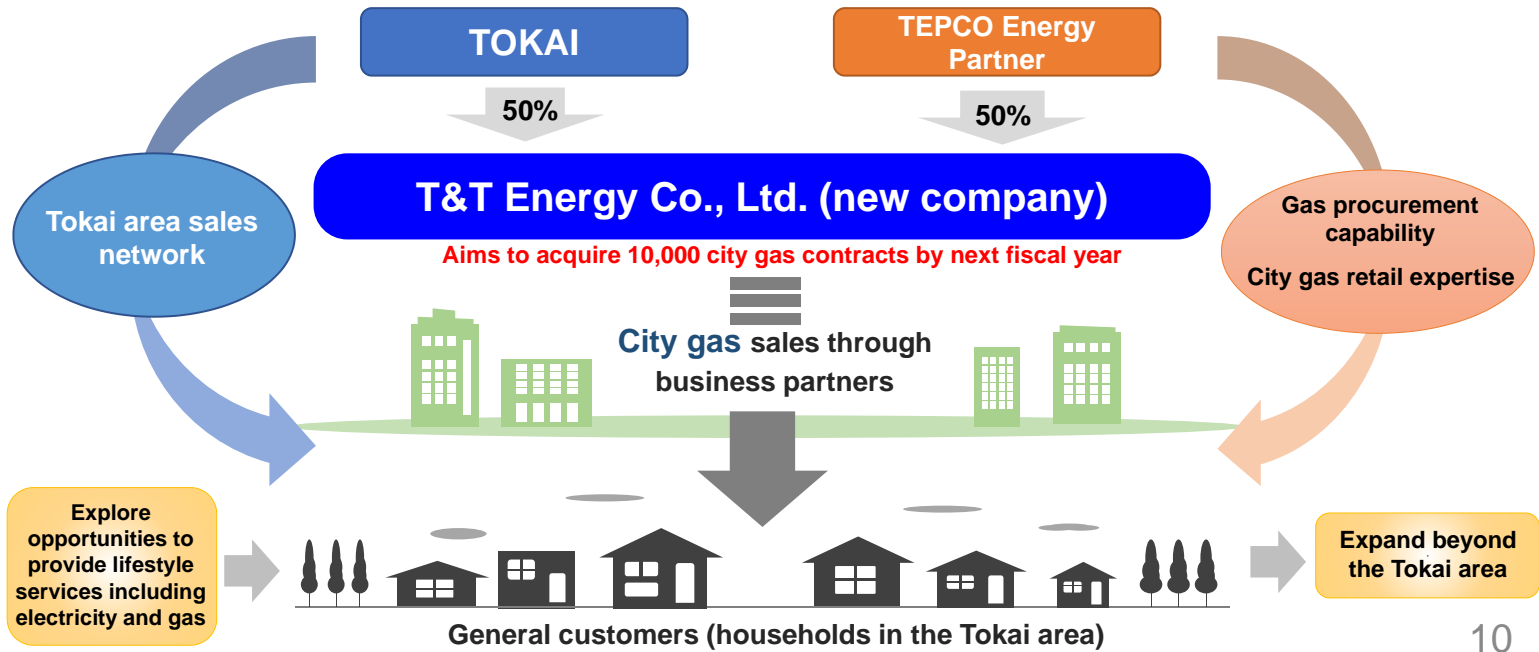
A model business alliance with a community-based business

- Concluded a capital and business alliance agreement with city gas supplier Iseasaki Gas Co., Ltd. (covering Iseasaki, Gunma Prefecture)
- TOKAI seeks benefits from partnering with community-based businesses. TOKAI and Iseasaki Gas will cooperate in the city gas and LP gas businesses by sharing management resources and expertise, and promoting the utilization of each other's services



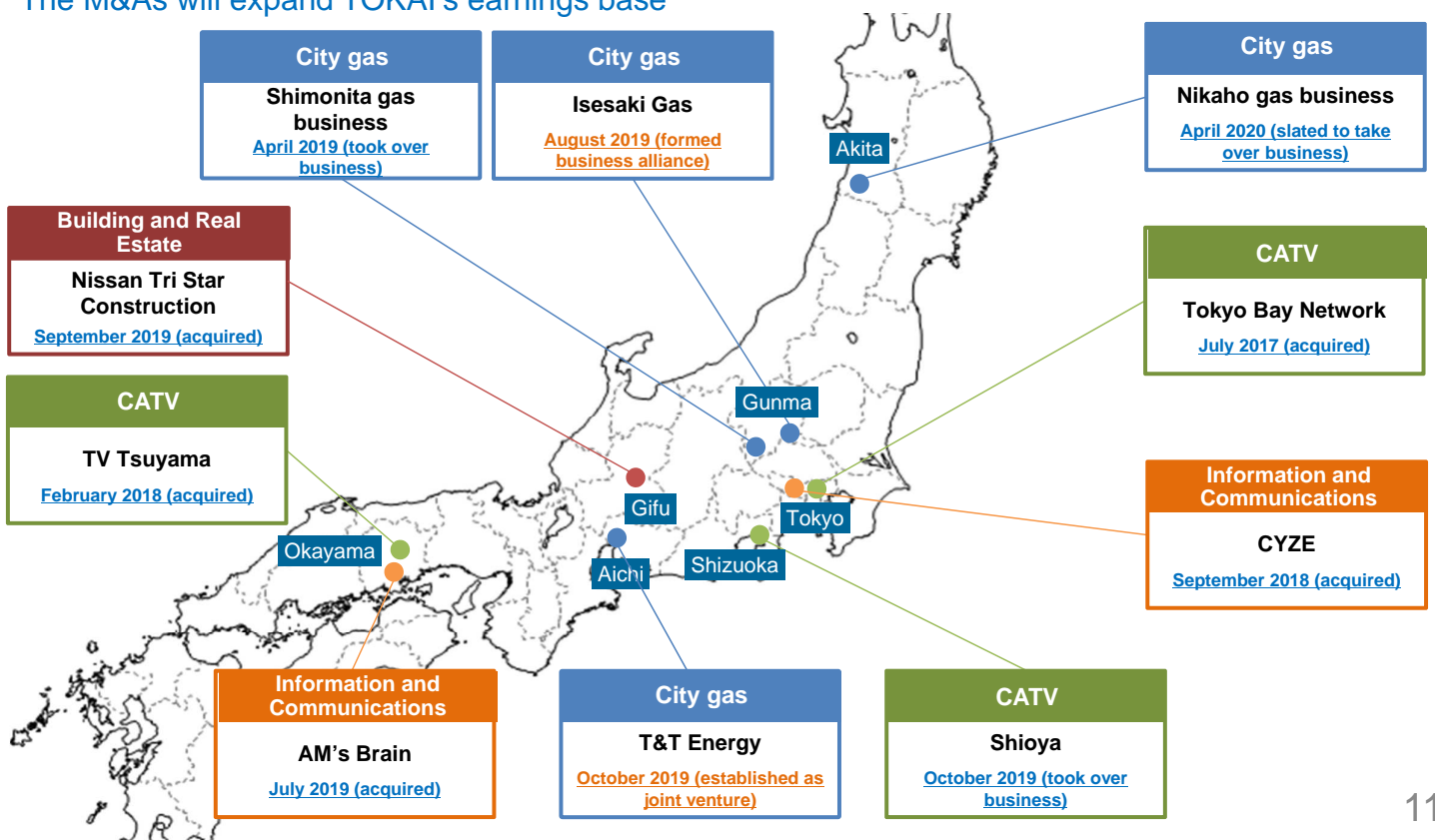
New business established to expand city gas sales area

- In October 2019, TOKAI established T&T Energy Co., Ltd. with TEPCO Energy Partner, Inc.
- The companies will develop a city gas retail business in the Tokai area (Aichi, Gifu, and Mie prefectures) by leveraging TEPCO Energy Partner's city gas retail expertise (especially gas procurement capability) and TOKAI's sales network in the Tokai area
- The new business aims to acquire 10,000 city gas contracts by next fiscal year while exploring opportunities to provide various lifestyle services (including electricity and gas) and expanding beyond the Tokai area



Ten M&As (acquisitions and business alliances) completed

- Ten M&As (acquisitions and business alliances) completed as part of the M&A strategy under the Innovation Plan 2000 "JUMP" medium-term plan
- The M&As will expand TOKAI's earnings base



Successful track record of past M&As

<p>Tokyo Bay Network (CATV) Acquired July 2017</p>	<ul style="list-style-type: none">● Business development rooted in regional particularities (regional BWA service)<ul style="list-style-type: none">✓ Provide free Wi-Fi networks reaching large developed areas✓ Provide high-speed internet services in areas where FTTH installation is difficult
<p>TV Tsuyama (CATV) Acquired February 2018</p>	<ul style="list-style-type: none">● Contributing to the achievement of an advanced information society in regional communities<ul style="list-style-type: none">✓ Build fiber-optic infrastructure (FTTH) and provide new services utilizing it
<p>CYZE (Information and Communications) Acquired September 2018</p>	<ul style="list-style-type: none">● Synergy creation by mutually leveraging customer bases and business expertise<ul style="list-style-type: none">✓ Expand operations area through active personnel exchange
<p>Shimonita gas business (City gas) Took over business in April 2019</p>	<ul style="list-style-type: none">● A model case of the privatization of a public gas utility<ul style="list-style-type: none">✓ Capture large users by strengthening marketing capabilities✓ Promote Total Life Concierge (TLC) concept through the city gas business

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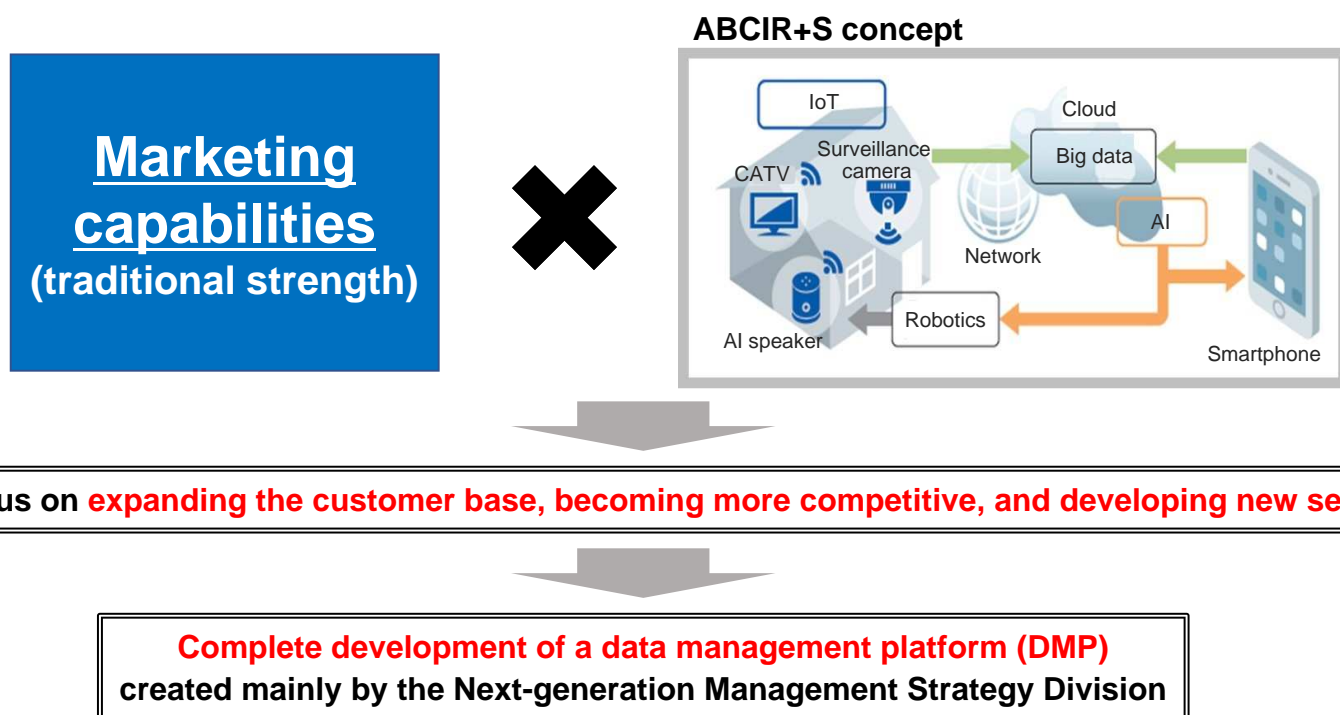
ABCIR+S Strategy Progress

An acronym formed by the first letters of AI, big data, cloud, IoT, robotics, and smartphones. It refers to the Group's strategy toward technological innovation.

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Data management platform (DMP) completed

- TOKAI's key ABCIR+S strategy focuses on developing new services and a new customer base while increasing competitiveness and continuing to leverage the marketing capabilities it has cultivated since its founding
- TOKAI completed the development of a data management platform (DMP) conducted mainly by the Next-generation Management Strategy Division



Group DMP “D-sapiens”

TOKAI Group DMP



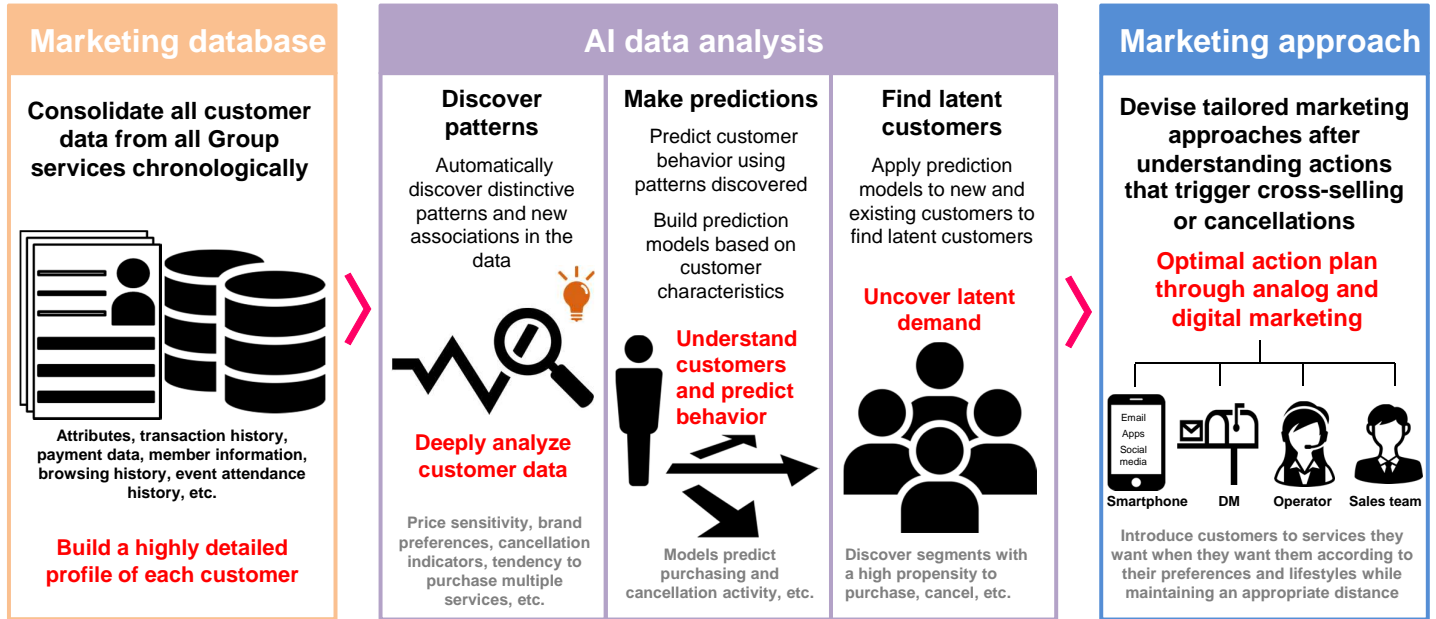
From homo sapiens (intelligent humans)
to data sapiens (intelligent data)

Achieve a deeper and more multifaceted understanding of customers
by analyzing customer data using digital tools

A data management platform (DMP) that continuously actualizes
the Total Life Concierge concept through AI and big data

D-sapiens: Enhance analog and digital marketing

- Real data allowing the creation of a highly detailed customer profile based on communication with the customer
- Deeply analyze customer data using AI to better understand customers and uncover latent demand
- Formulate an action plan tailored to customers based on both analog and digital marketing



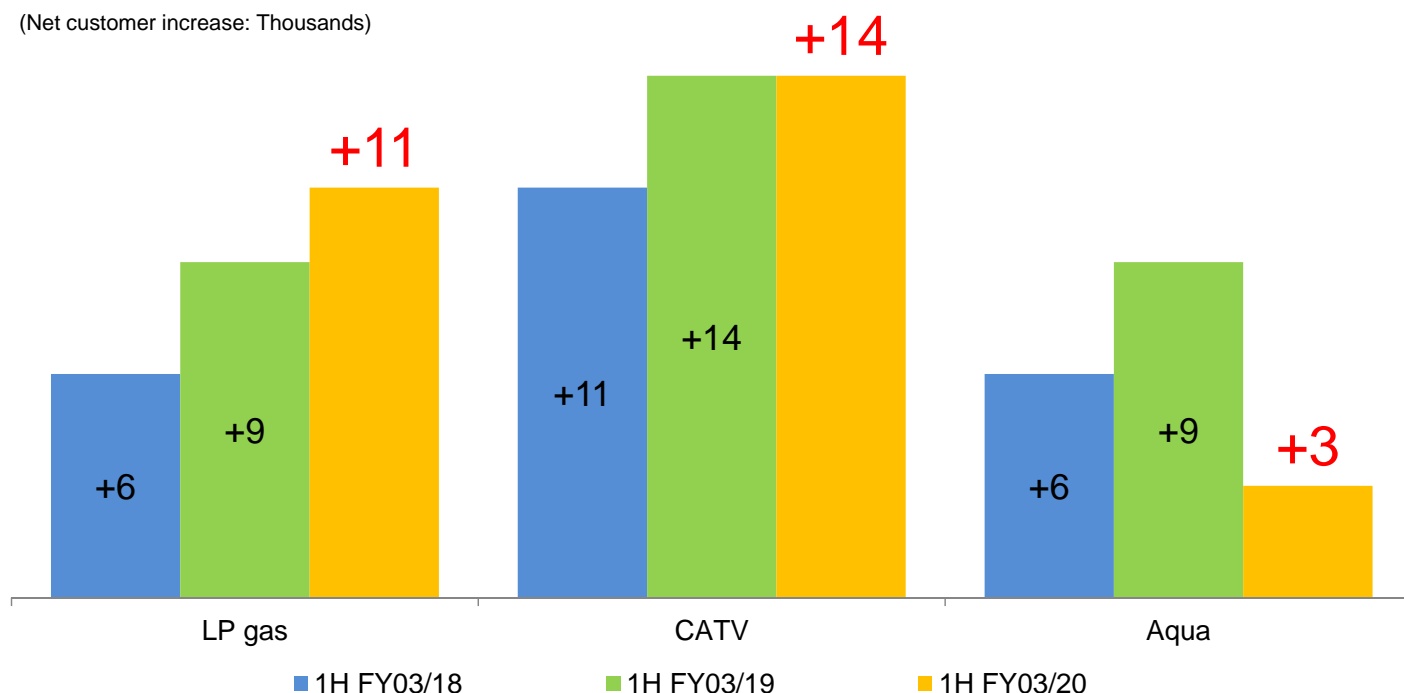
Automate all parts of the process from pattern discovery to approach formulation
Combine analog and digital means to optimize marketing and maximize sales

Essential Points of 1H FY03/20 Financial Results

Core businesses steadily expanded customer base

- ◎ The number of continuing customers at end-1H was 2,918 thousand, an increase of 16 thousand from 2,902 thousand at the beginning of the period.
- ◎ Mainstay LP gas business, CATV business, and Aqua business steadily expanded customer base.

(Net customer increase: Thousands)



Note: Rounded to the nearest thousand; Excluding customer growth from M&A

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Sales and all profit categories hit record highs

- ◎ Sales rose by ¥4.2 billion YoY, supported by a higher customer count and favorable results in the information and communications business for corporate clients.
- ◎ Operating profit also increased sharply by ¥2.0 billion (+58.3% YoY), reflecting an increase in monthly fee-paying customers associated with higher customer count, as well as profit growth in the information and communications business for corporate clients.
- ◎ All profit categories far surpassed earnings forecasts with double-digit growth.

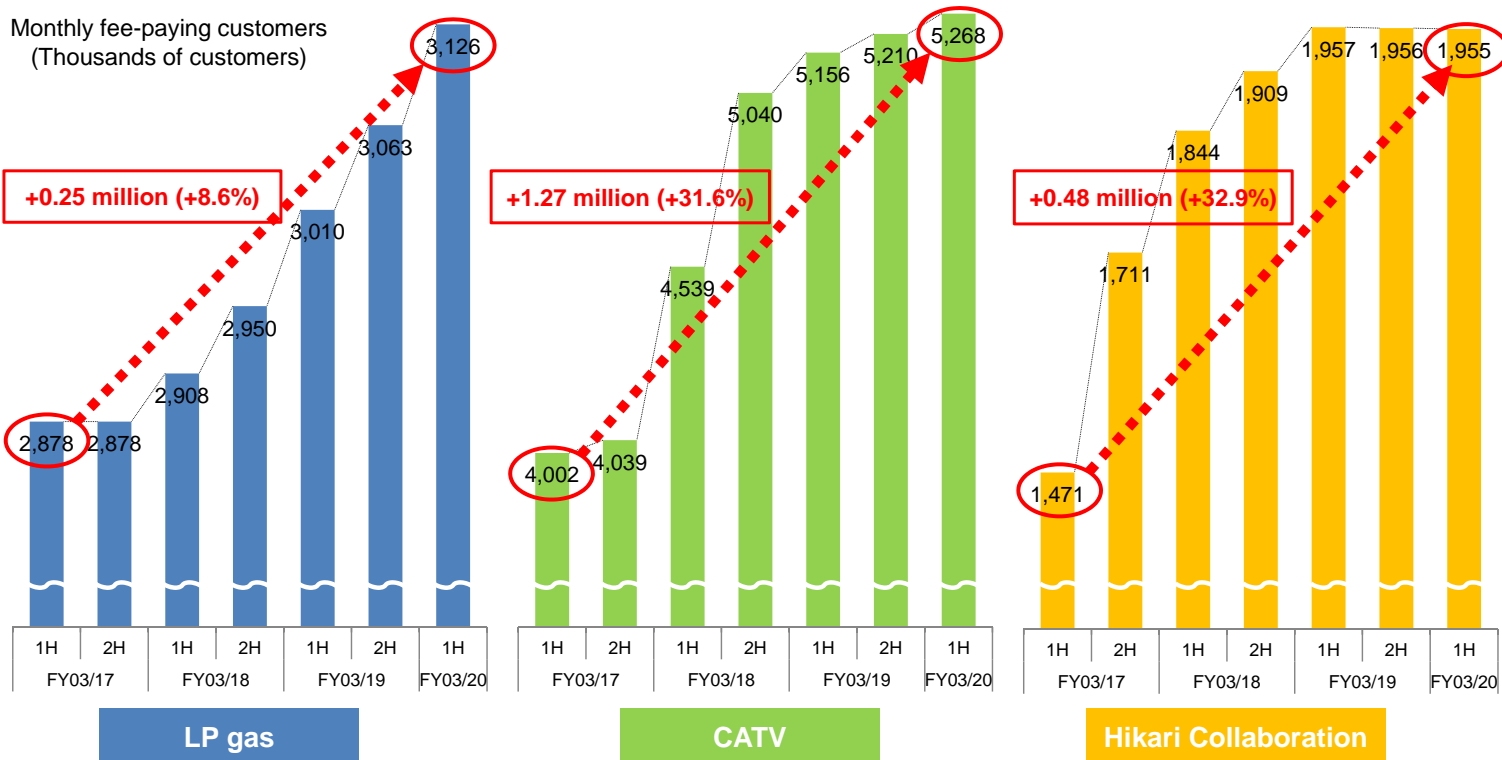
(Millions of yen)

	1H FY03/20 Results	1H FY03/19 Results	1H FY03/20 Forecast	YoY		Versus Forecast	
				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%

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Large increase in monthly fee-paying customers in core businesses

◎ Earnings grew on an increase in monthly fee-paying customers due to rising customer count, which forms the Company's earnings base.



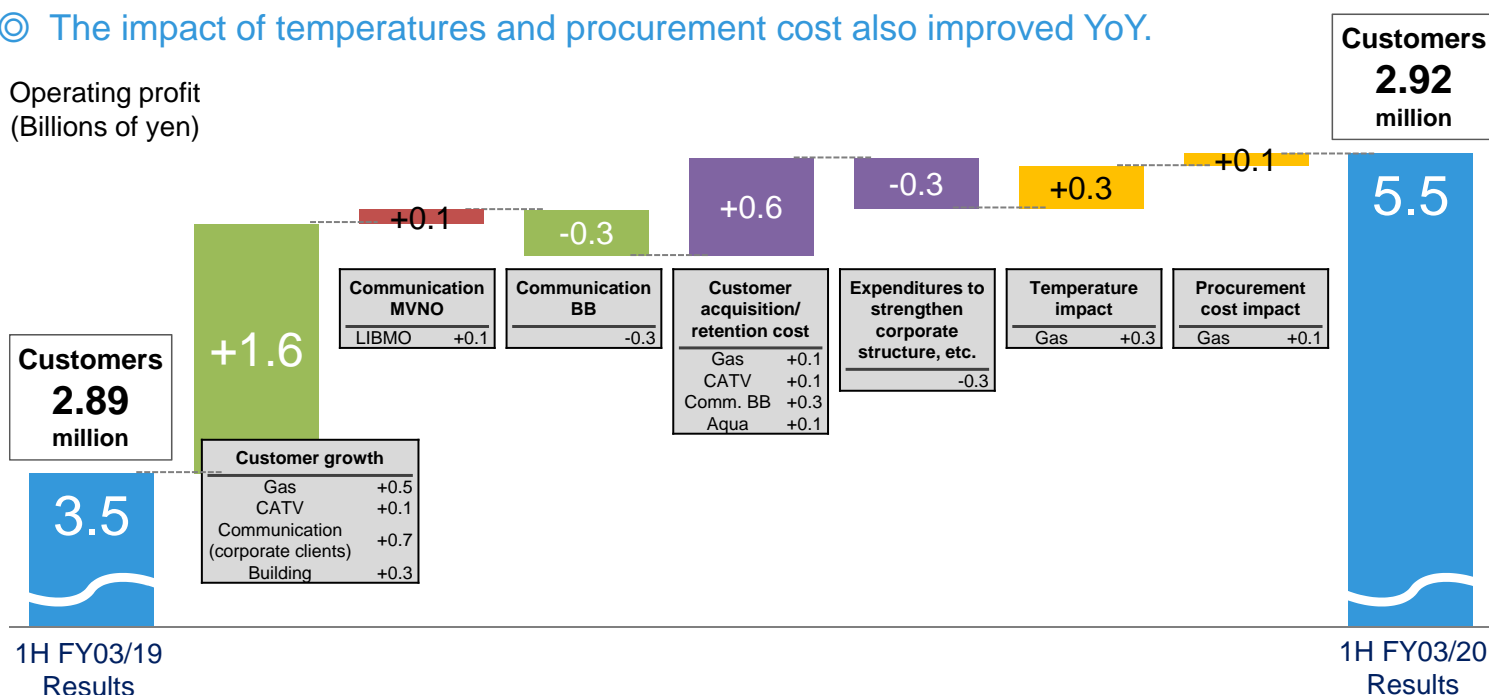
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Factors causing operating profit increase in 1H

◎ Customer count grew from 2.89 million at end-1H FY03/19 to 2.92 million at end-1H FY03/20, an increase of 20,000 customers. A growth in monthly fee-paying customers pushed up operating profit by ¥1.6 billion and LIBMO (TOKAI-brand MVNO service) improved ¥100 million.

◎ The impact of temperatures and procurement cost also improved YoY.

Operating profit (Billions of yen)



1H FY03/19 Results

1H FY03/20 Results

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Expand investment on solid shareholders' equity

- Equity ratio further improved by 1.0pp.
- Free cash flow grew rapidly YoY and the interest-bearing debt/EBITDA ratio improved on an increase in operating profit and collection of receivables and decrease in trade payables.

Equity ratio	37.4 % As of March 31, 2019	➡	38.4 % As of September 30, 2019
Interest-bearing debt balance	50.6 billion yen As of March 31, 2019	➡	50.9 billion yen As of September 30, 2019
Operating cash flow	7.2 billion yen 1H FY03/19	➡	10.7 billion yen 1H FY03/20
Investing cash flow	(7.0) billion yen 1H FY03/19	➡	(6.9) billion yen 1H FY03/20
Free cash flow	0.2 billion yen 1H FY03/19	➡	3.8 billion yen 1H FY03/20
Interest-bearing debt/EBITDA ratio	1.8 Times FY03/19	➡	1.7 times 1H FY03/20

Note: Interest-bearing debt/EBITDA ratio for 1H FY03/20 is based on the full-year EBITDA forecast.

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Full-year earnings forecast left unchanged

- TOKAI has left full-year forecast unchanged despite 1H operating profit outstripping forecasts by ¥1.1 billion (24.7%).

Initial forecasts factored in profit growth in 2H due to an increase in customer count, as well as expenditures to strengthen the corporate structure targeting further growth

Expects expenditures stemming from the pursuit of the M&A strategy and plans to review progress in the acquisition of new customers

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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:

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happiness.

