

**Financial Results Briefing for the First Half of the Fiscal Year Ending  
March 31, 2019 - Summary of Questions and Answers -**

Date and Time	Tuesday, November 6, 2018 10:30 a.m. - 11:30 a.m.		
Presenter	TOKAI Holdings Corporation	President & CEO	Katsuhiko Tokita
	TOKAI CORPORATION	Representative Director and President	Katsuo Oguri
	TOKAI Communications Corporation	Representative Director and President	Yasuhiro Fukuda
	TOKAI Cable Network Corporation	Representative Director and President	Mitsuhaya Suzuki
	TOKAI Holdings Corporation	Director and Managing Executive Officer	Kazuhiro Maruyama
	TOKAI Holdings Corporation	Director and Managing Executive Officer	Hidetsugu Mizoguchi
	TOKAI Holdings Corporation	Member of the Board and charge of Corporate Management Division	Toshinori Nakamura
Chairperson	TOKAI Holdings Corporation	Executive Officer and Head of Investor Relations Office	Yoshihiro Taniguchi

**Q. Capital and business alliance was concluded with Minna-Denryoku in August. What progress has been made afterwards?**

**A.** Approximately two months have passed since the conclusion of capital and business alliance with Minna-Denryoku. During this time, marketing activities have been conducted with various partner companies. Specifically, we visited about 15 companies, including those who sell renewable energy power and those who have their own electrical sources (To put it another way, companies from which we procure energy sources), and obtained various information. We also conducted hearings on views of local governments who raise the spread of renewable energy power as a major issue. Furthermore, hearings were made toward installation work companies previously installing photovoltaic power generation facilities to general households, and photovoltaic power generation manufacturers on the type of players they were intending to solicit and other matters. Presently, we are in the middle of reviewing our business model. The business plan is planned to be put together by the end of this year.

Minna-Denryoku has the highest renewable energy ratio in Japan, and therefore is an entity drawing attention. Since this company also has systems to certify energy source derivation by using blockchain technology, we are also intending to develop a business by utilizing them. As initially planned, a new company is planned to be established in April 2020.

Specifically into what area and in what way business is launched will be reported at the time the business

plan is released.

**Q. 100 billion yen M&A investment budget is allocated. Please explain the present status.**

**A.** Presently, as our M&A target list, we have 26 companies with deals amounting to 190 billion yen. Among them, we are focusing on and proceeding deals with 10 companies for the current fiscal year. Tokyo Head Office was established in November 2018, and deals are promoted by taking advantage of this location in Tokyo. Target businesses are city gas, CATV, LP gas, Information and Communications, and new service businesses. Since CATV and city gas businesses, in particular, have aspects of TLC where we can utilize our strengths, deals are worked out while appealing this point to counterparties.

Reviews are presently underway and as soon as we achieve results, we will make a report.

**Q. Please explain more in detail of the ABCIR+S Strategy and its future developments, if any.**

**A.** Presently, we are working on the creation of digital marketing platform. Various information is being gathered from customers through various businesses which we are conducting, and then accumulated in a customer database. The database is for marketing purposes only, used when sales staffs visit customers' homes to directly propose new products to them.

In the future, exchange of information will become important, such where customers will obtain various information via internet and then feedback them to us. We are thinking of analyzing and responding to the type of needs customers have by utilizing our website, TLC smartphone application and others.

Marketing tools will be necessary as a means to realize this. We intend to build a system incorporating such tools in the second half of the fiscal year. It will allow us to analyze types of customers' interests through their behavior over the internet using AI and others. In the future, digital marketing approaches such as e-mails and internet advertising will also be linked in addition to the door-to-door sales.

**Q. CATV business seems to be entering into a period with large business opportunities. Operators other than JCOM all seem to be the same and drastic industrial reorganization may proceed in the future. A group comparable to the nationwide-JCOM may appear. Previous style of M&A business may not be strong enough in terms of aggressiveness. How is the future M&A development viewed? Please also explain some more in detail on your strength in forming partnership utilizing fiber-optic network.**

**A.** While CATV business will experience a big wave in the course of time, currently, there still are operators relatively small in size whose business is stable. Under such situation, more companies are able to firmly view the future. Talks over cooperation and M&A with these companies are just underway nationwide.

The best region is where the Group's fiber-optic network can be utilized. Taking this point also into account, we are proceeding with the review under Group-wide cooperation.

We hope to report soon in a concrete way.

**Q. Hikari Collaboration seems to be almost at its final stage but without a conclusive factor. Please explain the current issue of the Information and Communications business and its future developments.**

**A.** Currently, Hikari Collaboration has progressed up to 70%. In regard to new countermeasures for this situation, our understanding is that Hikari Collaboration service was actually anticipated in the beginning to create a market for new players. It turned out, however, very few new entrants appeared. The present situation is that Softbank Hikari and Docomo Hikari, both regarded as cellphone collaboration, are making up 70% of the market. The existing ISP carriers will carry out business in the remaining 30%. In that sense, you seem to be absolutely right. That is, unless new countermeasures are implemented in the future, there will be no further growth. To respond to this, we launched the MVNO business and further entered into the L2 wireless sector last fiscal year. At the present, MVNO business is growing favorably. It continues to be working in order with chosen points where customer acquisition is possible in a style of providing L2 connection and fixed channels as a set. If time span is one to two years from now, we view this business model to be sufficiently acceptable.

Furthermore, although it is not clear as to what kind of actions Ministry of Internal Affairs and Communications will be taking in the future, we view that one of the countermeasures will be to what extent we will be able to enter into the 5G open network.

**Q. It was said that LP gas business was affected by temperature and rise in the price of raw materials. Are there any other structural changes?**

**A.** LP gas business is greatly influenced by temperature, procurement price, and exchange rate. These three may become major factors that are beyond expectation.

Moreover, in the overall LP gas industry, competition to acquire customers is becoming extremely severe with Japan's population decreasing.

We have advanced into Miyagi Prefecture in the east, Aichi Prefecture, Gifu Prefecture, and Okayama Prefecture in the west, and into Kyushu this year to expand our areas. Progress toward nationwide expansion is smooth, and customer acquisition is underway.

We view that the major issue of LP gas business is to continuously increase the number of customers.