



February 5, 2018

TOKAI Holdings Corporation
Katsuhiko Tokita, President & CEO
(Code No. 3167 Tokyo Stock Exchange First Section)

To whom it may concern

Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2018

Close to Attaining Target Customer Count of 2.88 Million Announced in May by Spending Upfront to Acquire Customers

TOKAI Holdings Corporation (hereinafter, the “Company”) today announced its financial results for the third quarter of the fiscal year ending March 31, 2018 (April 1, 2017 to December 31, 2017).

1. Customer Numbers Up Sharply by 270 Thousand; Close to Full-Year Target of 2.88 Million

In May 2017, the Company announced its third medium-term management plan Innovation Plan 2020 “JUMP” and growth strategies to attain plan targets. This entails investing a total of 100 billion yen over four years in M&A and pursuing an aggressive alliance strategy 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, and expanding service areas. The plan targets roughly double the number of customers, sales, and operating profit in the fiscal year ending March 31, 2021 versus the fiscal year ended March 31, 2017.

In the third quarter of the fiscal year ending March 31, 2018, the Company spent upfront costs to implement an aggressive sales program to increase the number of customers, which forms its earnings base, with a view to attaining medium-term management plan targets. **As a result, the customer count reached 2,839 thousand as of December 31, 2017, increasing by 275 thousand (+10.7%) from March 31, 2017, and expanding the Company’s earnings base.**

The net increase in customer count at existing businesses (not including the newly acquired Tokyo Bay Network Co., Ltd.) progressed at four times the pace of net increase during the fiscal year ended March 2017.

The net increase in customer count broken down by main services is as follows: Gas (LP and city gas) 11,447 (versus a net increase of 1,499 in the first nine months of the previous fiscal year); CATV 268,187 (versus a net increase of 18,080), due in part to the effect of acquiring Tokyo Bay Network; and Aqua 8,320 (versus a net increase of 1,936). The net decrease in customers of the Information and Communications business was limited to approximately 50% year-on-year owing to the contribution of new customers of the LIBMO MVNO service launched in February 2017.

2. Upfront Spending to Expand Earnings Base by Aggressive Sales Program

In the third quarter of the fiscal year ending March 31, 2018, sales were up by 5.9 billion yen (+4.6%) year-on-year to 133.3 billion yen due to an increase in customer numbers and Tokyo Bay Network M&A effect, although operating profit was down by 1.6 billion yen (-19.7%) to 6.6 billion yen due to the expected increase in costs to acquire new customers and prevent service cancellations.

(Millions of yen)

	Q3 FY03/18 (April 1, 2017 to December 31, 2017)	Q3 FY03/17 (April 1, 2016 to December 31, 2016)	YoY	
			Change	Percent Change
Sales	133,336	127,432	+5,903	+4.6%
Operating profit	6,579	8,193	-1,614	-19.7%
Recurring profit	6,662	8,246	-1,584	-19.2%
Quarterly net income	3,435	4,850	-1,415	-29.2%
EPS (Yen)	26.66	42.71	-16.05	-37.6%

3. Ongoing Progress with Improvement of Financial Position

The Company improved its equity ratio by 0.5 percentage point from 34.5% at the end of the previous fiscal year to 35.0% as a result of booking quarterly net income and progress with the conversion of convertible bonds with stock acquisition rights.

Free cash flow was down year-on-year, because of upfront spending to aggressively build up the customer base, but the balance of interest-bearing debt has only increased marginally since the start of the fiscal year ending March 31, 2018 owing to the conversion of convertible bonds with stock acquisition rights. The Company has maintained an interest-bearing debt/EBITDA ratio at around 2.1x, the same level as the previous fiscal year.

4. Consolidated Earnings and Dividend Forecasts for the Fiscal Year Ending March 31, 2018

As announced on May 9, 2017, forecasts for the fiscal year ending March 31, 2018 anticipate operating profit of 11.4 billion yen (down 1.3 billion yen year-on-year) on investment to increase the earnings base for future growth, such as LP gas service area expansion, promotion of new services in the Information and Communications business, and measures to prevent retail customer cancellations. The Company has made no changes to the consolidated earnings and dividend forecasts for the fiscal year ending March 31, 2018.

The Company plans to maintain an annual dividend total of 28 yen per share (the annual dividend total in the fiscal year ended March 31, 2017 was 28 yen per share, including a commemorative dividend of six yen per share).

(Millions of yen)

	FY03/18 Forecast (April 1, 2017 to March 31, 2018)	FY03/17 Results (April 1, 2016 to March 31, 2017)	YoY	
			Change	Percent Change
Sales	189,400	178,631	+10,769	+6.0%
Operating profit	11,410	12,750	-1,340	-10.5%
Recurring profit	11,360	12,775	-1,415	-11.1%
Net income	6,450	7,337	-887	-12.1%
EPS (Yen)	50.88	64.46	-13.58	-21.1%

	FY03/18 (Forecast)	FY03/18	FY03/17
End of Q2 (Yen)		14.00	11.00
Year-end (Yen)	14.00		17.00
Annual dividend total (Yen)	28.00		28.00
Consolidated payout ratio	55.0%		43.4%

Note: The year-end dividend for FY03/17 was an ordinary dividend of 11.00 yen plus a commemorative dividend of 6.00 yen.

For details, please see the attached materials, entitled “Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2018.”

Furthermore, for the Company’s third quarter earnings announcement for the year ending March 31, 2018, please see the following URL.

<http://tokaiholdings.co.jp/english/ir/library/earnings.html>

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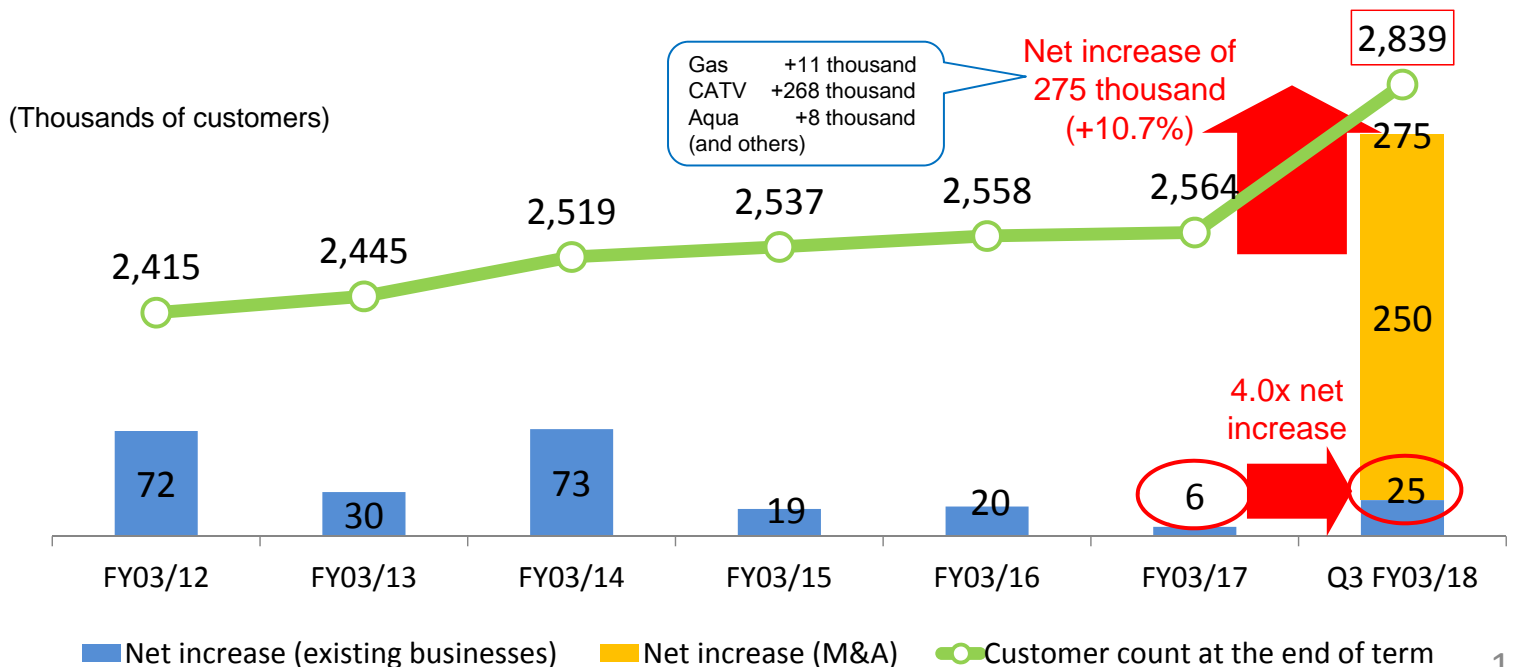
Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2018

TOKAI Holdings Corporation
(Code: 3167)

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Customer count up sharply; earnings base expands

- Customer count up 275 thousand (net), mainly in CATV business, due in part to M&A of Tokyo Bay Network
- Net increase of customer count in existing businesses (excluding M&A) progressing at 4.0x the pace of previous fiscal year, up 25 thousand in cumulative Q3 versus 6 thousand in FY03/17



Upfront spending on aggressive sales policy

- ◎ Policy for FY03/18 is upfront spending for future growth, such as expanding service areas, launching new communications services, preventing service cancellations and aggressive sales program to grow customer base
- ◎ Operating profit down due to 3.0 billion yen in upfront spending to acquire new customers and launch new services

(Millions of yen)

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EPS (Yen)	26.66	42.71	-16.05	-37.6%

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Taking advantage of strengthened equity capital to invest for growth

- ◎ Equity ratio up on progress with conversion of convertible bonds and sustained quarterly net profit growth
- ◎ Cash flow down on 3.0 billion yen upfront spending to acquire new customers and launch new services, and aggressive investment in business expansion such as 1.2 billion on Tokyo Bay Network M&A. Maintained interest-bearing debt/EBITDA ratio close to FY03/17 level

Equity ratio	34.5 % As of March 31, 2017	➔	35.0 % As of December 31, 2017
Balance of interest-bearing debt	54.1 billion yen As of March 31, 2017	➔	57.5 billion yen As of December 31, 2017
Operating cash flow	17.1 billion yen Q3 FY03/17	➔	12.3 billion yen Q3 FY03/18
Investment cash flow	-6.9 billion yen Q3 FY03/17	➔	-9.7 billion yen Q3 FY03/18
Free cash flow	10.2 billion yen Q3 FY03/17	➔	2.6 billion yen Q3 FY03/18
Interest-bearing debt/EBITDA ratio	2.0 x FY03/17	➔	2.1 x Q3 FY03/18

* EBITDA target for full-year FY03/18 was applied to calculate interest-bearing debt/EBITDA ratio for Q3 FY03/18.

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Full-year forecast

- ⊙ Forecasts 1.3 billion yen year-on-year operating profit decline in FY03/18 due to upfront spending on expanding service areas, sales promotion of new information services, and preventing service cancellations by retail customers with a view to expanding earnings base for future growth
- ⊙ No change to full-year consolidated earnings forecast announced on May 9, 2017

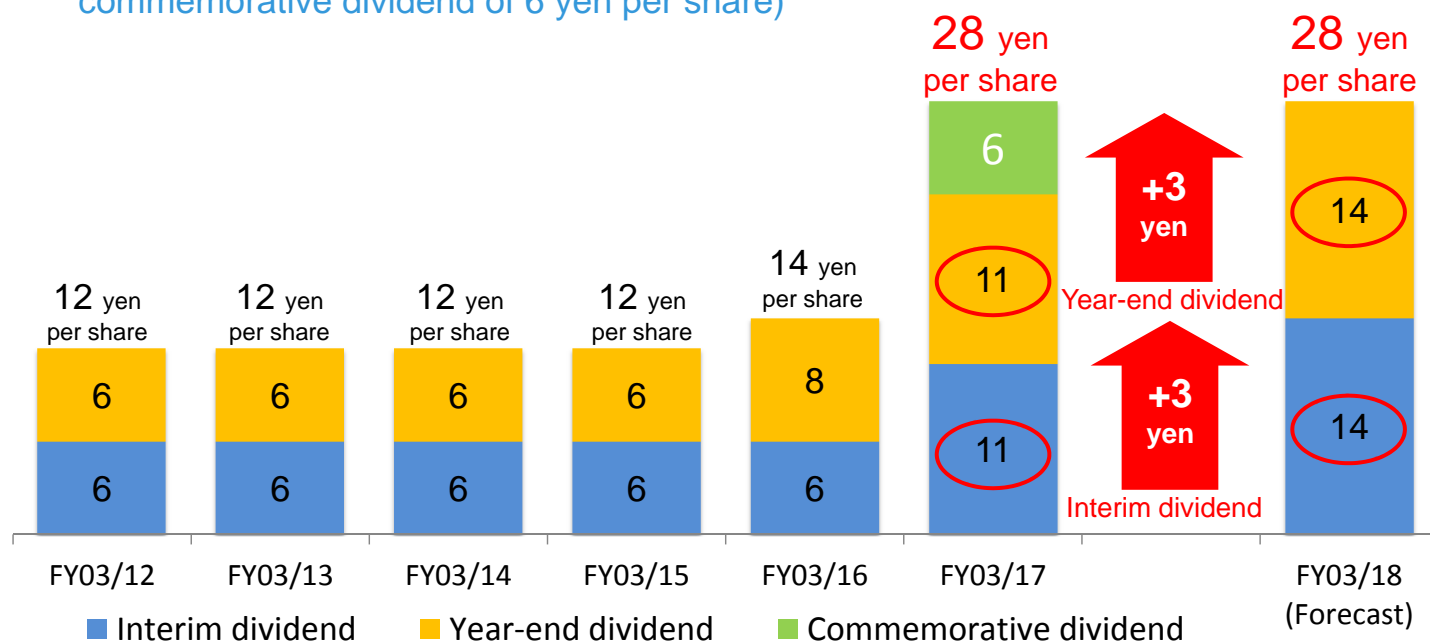
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Recurring profit	11,360	12,775	-1,415	-11.1%
Net income	6,450	7,337	-887	-12.1%
EPS (Yen)	50.88	64.46	-13.58	-21.1%

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Dividend forecast

- ⊙ Interim dividend is 14 yen per share, up 3 yen from 11 yen per share in previous fiscal year
- ⊙ Year-end dividend unchanged from initial forecast of 14 yen per share to maintain previous fiscal year's annual dividend of 28 yen per share (previous fiscal year's year-end dividend of 17 yen per share was ordinary dividend of 11 yen per share + commemorative dividend of 6 yen per share)



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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)

	Q3 FY03/13 Results	Q3 FY03/14 Results	Q3 FY03/15 Results	Q3 FY03/16 Results	Q3 FY03/17 Results	Q3 FY03/18 Results
Sales	130,879	132,959	135,981	130,103	127,432	133,336
Operating profit	5,690	3,196	4,866	4,006	8,193	6,579
Recurring profit	4,948	2,959	4,517	3,921	8,246	6,662
Net income	1,767	920	1,819	1,395	4,850	3,435
EPS (Yen)	17.68	8.03	15.81	12.05	42.71	26.66

(2) Sales by segment

(Millions of yen)

	Q3 FY03/13 Results	Q3 FY03/14 Results	Q3 FY03/15 Results	Q3 FY03/16 Results	Q3 FY03/17 Results	Q3 FY03/18 Results
Gas and Petroleum	67,174	66,964	67,106	58,348	51,291	53,145
Information and Communications	28,375	28,628	30,020	31,988	36,212	37,760
CATV	17,800	18,093	18,207	18,345	18,901	20,871
Building and Real Estate	10,846	12,379	13,311	13,783	12,926	13,491
Aqua	2,883	3,271	3,707	4,130	4,391	4,652
Others	3,798	3,621	3,626	3,507	3,708	3,415
Total	130,879	132,959	135,981	130,103	127,432	133,336

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(3) Operating profit by segment

(Millions of yen)

	Q3 FY03/13 Results	Q3 FY03/14 Results	Q3 FY03/15 Results	Q3 FY03/16 Results	Q3 FY03/17 Results	Q3 FY03/18 Results
Gas and Petroleum	4,493	3,297	4,376	5,232	5,550	3,857
Information and Communications	3,785	3,227	3,716	1,472	2,993	2,410
CATV	1,205	1,398	1,309	1,453	2,125	2,758
Building and Real Estate	247	591	349	523	619	681
Aqua	-616	-1,695	-1,166	-933	299	221
Others, adjustments	-3,423	-3,623	-3,718	-3,741	-3,396	-3,350
Total	5,690	3,196	4,866	4,006	8,193	6,579

*Prior to elimination of indirect expenses

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(4) Consolidated financial indicators

(Millions of yen)

	Q3 FY03/13 Results	Q3 FY03/14 Results	Q3 FY03/15 Results	Q3 FY03/16 Results	Q3 FY03/17 Results	Q3 FY03/18 Results
Total assets	176,147	172,863	168,034	164,500	157,735	165,897
Total liabilities	144,838	138,724	128,808	122,228	111,007	106,672
Total net assets	31,308	34,139	39,225	42,272	46,728	59,224
Balance of interest-bearing debt	98,447	91,032	82,743	79,539	65,678	57,511
EBITDA	18,771	16,333	17,817	16,565	19,992	18,052
Equity ratio	17.3 %	19.2 %	22.8 %	25.1 %	29.1 %	35.0 %

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(5) Consolidated cash flows

(Millions of yen)

	Q3 FY03/13 Results	Q3 FY03/14 Results	Q3 FY03/15 Results	Q3 FY03/16 Results	Q3 FY03/17 Results	Q3 FY03/18 Results
Operating cash flow	17,521	14,535	15,111	8,505	17,082	12,295
Investment cash flow	-7,554	-7,672	-6,909	-8,750	-6,929	-9,655
Free cash flow	9,967	6,863	8,202	-244	10,152	2,640
Financing cash flow	-8,628	-7,625	-7,983	-47	-11,261	-2,081

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(6) Group customer count

(Thousands of customers)

		Q3 FY03/13 Results	Q3 FY03/14 Results	Q3 FY03/15 Results	Q3 FY03/16 Results	Q3 FY03/17 Results	Q3 FY03/18 Results
Gas (LP and city gas)		631	629	624	629	635	653
Information and Communications	Previous ISP model, etc.	803	848	866	686	538	499
	Hikari Collaboration	-	-	-	173	288	319
	Mobile	207	225	234	235	234	229
	Subtotal	1,010	1,073	1,099	1,094	1,060	1,047
CATV		688	694	689	704	728	1,002
Aqua		103	121	133	134	135	143
Security		20	19	18	18	17	17
Total		2,427	2,510	2,540	2,553	2,551	2,839

*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。

