May 8, 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 Fiscal Year Ended March 31, 2018 and Earnings Forecast for the Fiscal Year Ending March 31, 2019

V-shaped Recovery to Drive First Record Profits in Two Years

TOKAI Holdings Corporation (hereinafter, the "Company") today announced its financial results for the fiscal year ended March 31, 2018, and its earnings forecast for the fiscal year ending March 31, 2019.

1. Customer Count Up Sharply by 310 Thousand from Start of the Year, Clearing 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 aggressively pursuing an 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 looks to roughly double the customer count, sales, and operating profit by the fiscal year ending March 31, 2021 versus the fiscal year ended March 31, 2017.

During the fiscal year, the Company conducted upfront spending and implemented an aggressive sales program to increase the customer count, which forms its earnings base, with a view to attaining its medium-term targets. **As a result, the "continuing customer" count reached 2,876 thousand as of March 31, 2018, increasing by 312 thousand (+12.2%) from March 31, 2017, and expanding the Company's earnings base.**

The net increase in the customer count at existing businesses (excluding M&A activity such as Tokyo Bay Network Co., Ltd. and TV Tsuyama Inc.) was over six times the net increase recorded in the fiscal year ended March 31, 2017.

The net increase in the customer count broken down by main services was as follows: Gas (LP and city gas) 19,109 (versus a net increase of 7,897 in the previous fiscal year); CATV 298,428 (versus a net increase of 23,607 in the previous fiscal year), reflecting 25,715 from existing service areas and 272,713 from M&A; and Aqua (bottled water delivery) 10,998 (versus a net increase of 1,836 in the previous fiscal year). The Information and Communications business also registered a net increase of 26,892 (versus a net increase of 1,732 in the previous fiscal year) in the LIBMO MVNO service launched in February 2017.

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

During the fiscal year, the Company conducted upfront spending on initiatives such as the acquisition of new customers and prevention of service cancellations, with an eye toward future growth. It expanded its customer base, and positioned the year as a period to put the Company on track for record profits in the next fiscal year and beyond. It also successfully conducted an aggressive sales program and achieved its customer count target, as noted above.

On the earnings side, operating profit was down 1.8 billion yen (-14.0%) year on year to 11.0 billion yen due to the abovementioned upfront cost burden, but sales were up 7.4 billion yen (+4.2%) year on year to 186.1 billion yen thanks to a higher customer count, M&A effects, and other factors.

(Millions of yen)

	FY03/18 Results (April 1, 2017 to March 31, 2018)	FY03/17 Results (April 1, 2016 to March 31, 2017)	Forecast	YoY	Versus Forecast
Sales	186,069	178,631	189,400	+7,438	-3,331
Operating profit	10,971	12,750	11,410	-1,779	-439
Recurring profit	11,191	12,775	11,360	-1,584	-169
Net income	6,620	7,337	6,450	-716	+170
EPS (Yen)	51.19	64.46	50.88	-13.28	+0.31

3. Ongoing Progress with Improvement of Financial Position

Turning to financial position, the Company improved its equity ratio by 1.8pp from 34.5% at the end of the previous fiscal year to 36.3% as a result of the booking of net income and progress with the conversion of convertible bonds with stock acquisition rights.

Free cash flow was down from the previous fiscal year due to upfront spending to aggressively expand the customer base and M&A investment, but the Company further reduced the balance of interest-bearing debt and maintained the interest-bearing debt/EBITDA ratio at the year-earlier level.

4. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2019 Anticipates First Record Profits in Two Years Supported by Successful Investments in Previous Fiscal Year

The Company expects a renewed upturn in profits in the fiscal year ending March 31, 2019. Aggressive investments to expand the customer base in the previous fiscal year have paid off, and the Company accordingly forecasts record profits across all profit categories.

In addition to an anticipated substantial increase in profits due to a higher customer count and other factors as a result of initiatives undertaken in the previous fiscal year, the Company also looks for effects from a partial decline in special upfront costs recorded in the previous fiscal year.

It will continue to conduct upfront spending to expand its customer base, and work to realize a transition to a profit growth track heading into the final year of its medium-term plan.

Under its policy of consistently providing stable dividends, the Company targets an annual dividend of 28 yen.

(Millions of yen)

	FY03/19 Forecast (April 1, 2018 to March 31, 2019)	FY03/18 Results (April 1, 2017 to March 31, 2018)	YoY	
			Change	Percent Change
Sales	195,600	186,069	+9,531	+5.1%
Operating profit	13,960	10,971	+2,989	+27.2%
Recurring profit	13,880	11,191	+2,689	+24.0%
Net income	7,920	6,620	+1,300	+19.6%
EPS (Yen)	60.48	51.19	+9.30	+18.2%

	FY03/19 (Forecast)	FY03/18	FY03/17
End of Q2 (Yen)	14.00	14.00	11.00
Year-end (Yen)	14.00	14.00	17.00
Annual dividend total (Yen)	28.00	28.00	28.00
Consolidated payout ratio	—	54.7%	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 Fiscal Year Ended March 31, 2018 and Earnings Forecast for the Fiscal Year Ending March 31, 2019."

Furthermore, for the Company's earnings announcement for the year ended March 31, 2018, please see the following URL.

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

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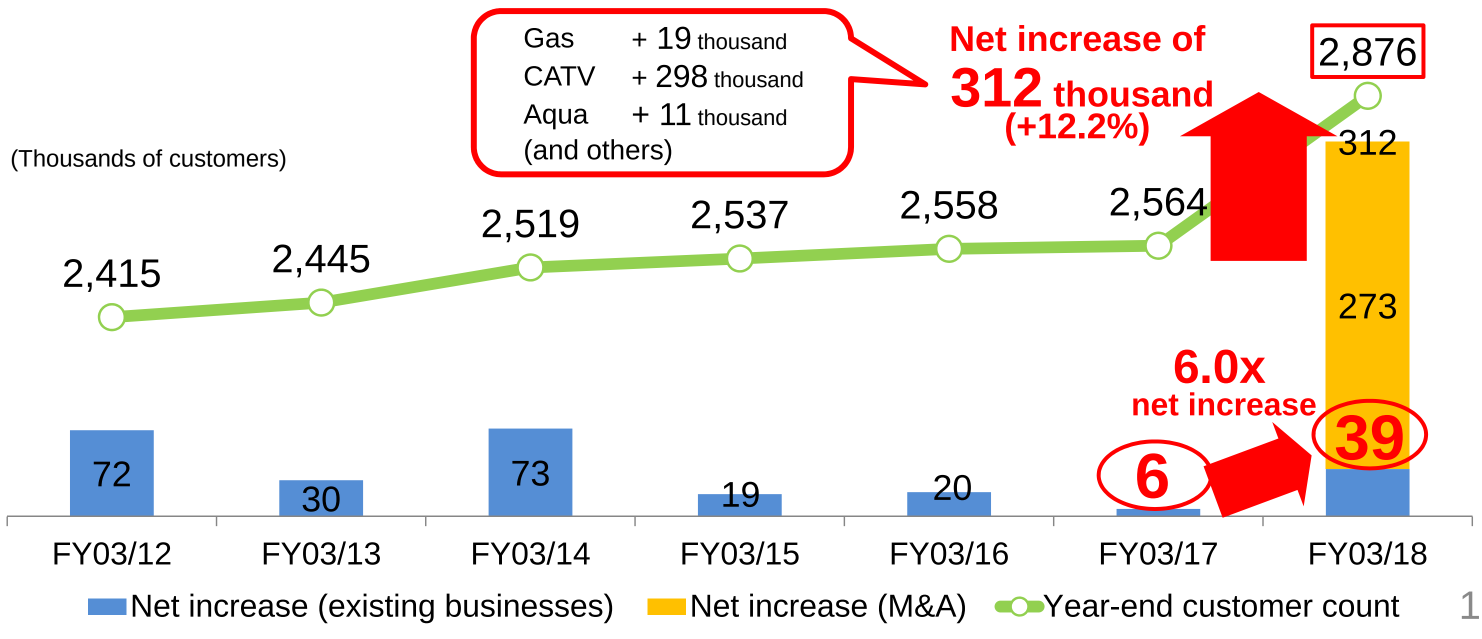
TOKAI Holdings Corporation
(Code: 3167)

May 8, 2018

Customer count up sharply by 310 thousand from start of year

- ◎ The net increase in the customer count in existing businesses (excluding M&A) was over six times the net increase recorded in the previous fiscal year, up 39 thousand versus 6 thousand in the previous fiscal year.
- ◎ In addition, M&A activity such as Tokyo Bay Network and TV Tsuyama added 273 thousand customers.
- ◎ Cleared customer count target as projected at the start of the year, and this will lead to profit growth driven by an increase in the number of customers paying monthly fees going forward.



Upfront spending and aggressive sales

◎ Actively stepped up activities to promote growth (such as the expansion of service areas, the launch of new communications services, and the upfront spending for prevention of service cancellations) with the aim of putting the Company on track for record profits in FY03/19 and beyond.

◎ The customer count, which is the group's earnings base, increased sharply as a result.

◎ On the profit side, the abovementioned upfront costs increased by 3.7 billion yen YoY, but a higher customer count boosted profits by 1.8 billion yen, establishing the foundation for earnings in FY03/19 and beyond.

(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	186,069	178,631	189,400	+7,438	+4.2	-3,331	-1.8
Operating profit	10,971	12,750	11,410	-1,779	-14.0	-439	-3.8
Recurring profit	11,191	12,775	11,360	-1,584	-12.4	-169	-1.5
Net income	6,620	7,337	6,450	-716	-9.8	+170	+2.6
EPS (Yen)	51.19	64.46	50.88	-13.27	-20.6	+0.31	+0.6

Taking advantage of strengthened equity capital to invest in growth

◎ Equity ratio further up 1.8pp on conversion of convertible bonds and the booking of net income.

◎ Free cash flow was temporarily down due to aggressive investments in growth including 3.7 billion yen in upfront costs for initiatives such as the acquisition of new customers and the launch of new services, and 1.2 billion yen in M&A investment. However, interest-bearing debt declined further and the interest-bearing debt/EBITDA ratio was maintained at the year-earlier level.

Equity ratio	**34.5** % As of March 31, 2017	➡	**36.3** % As of March 31, 2018
Balance of interest-bearing debt	**54.1** billion yen As of March 31, 2017	➡	**51.0** billion yen As of March 31, 2018
Operating cash flow	**26.7** billion yen FY03/17	➡	**20.9** billion yen FY03/18
Investment cash flow	**(11.0)** billion yen FY03/17	➡	**(11.5)** billion yen FY03/18
Free cash flow	**15.7** billion yen FY03/17	➡	**9.4** billion yen FY03/18
Interest-bearing debt/ EBITDA ratio	**1.9** x FY03/17	➡	**1.9** x FY03/18

Record profits in FY03/19 as investments in growth pay off

◎ Forecasts a 2.1 billion yen increase in profits due to a higher number of customers paying monthly fees and other effects accompanying customer growth in FY03/18 and FY03/19. Also expects upfront and other costs to decline by 800 million yen from the previous fiscal year in FY03/19, boosting profits by 2.9 billion yen.

◎ Plans to steadily increase the customer count through further upfront spending in FY03/19, and steadily establish the foundations for profit growth heading into FY03/20 and FY03/21.

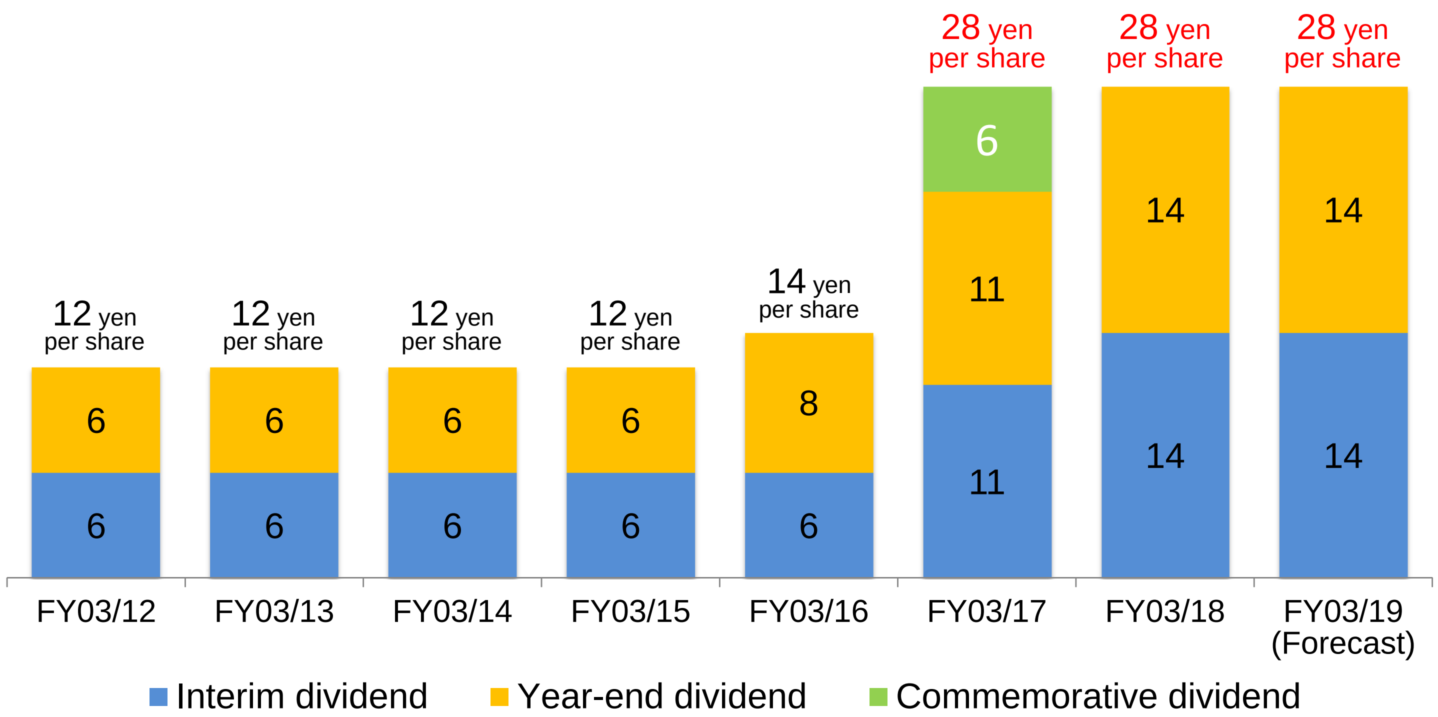
(Millions of yen)

	FY03/19 Forecast	FY03/18 Results	YoY	
			Change	Percent Change
Sales	195,600	186,069	+9,531	+5.1%
Operating profit	13,960	10,971	+2,989	+27.2%
Recurring profit	13,880	11,191	+2,689	+24.0%
Net income	7,920	6,620	+1,300	+19.6%
EPS (Yen)	60.48	51.19	9.30	+18.2%

Policy of consistently providing stable dividends

◎ As already publicly announced, the annual (ordinary) dividend for FY03/18 was maintained at 28 yen per share, putting it on par with the FY03/17 level that included a 6 yen commemorative dividend.

◎ Dividend target for FY03/19 also set at 28 yen per share.



Appendix

(1) Consolidated results

(Millions of yen)

	FY03/13	FY03/14	FY03/15	FY03/16	FY03/17	FY03/18
Sales	181,684	188,987	187,511	180,940	178,631	186,069
Operating profit	8,934	7,392	9,003	8,245	12,750	10,971
Recurring profit	8,065	7,013	8,549	8,150	12,775	11,191
Net income	3,085	2,598	3,934	3,458	7,337	6,620
EPS (Yen)	29.84	22.66	34.16	30.01	64.46	51.19

(2) Sales by segment

(Millions of yen)

	FY03/13	FY03/14	FY03/15	FY03/16	FY03/17	FY03/18
Gas and Petroleum	94,519	97,229	93,067	80,745	73,344	76,073
Information and Communications	38,497	38,803	40,118	44,246	49,508	50,894
CATV	23,786	24,187	24,359	24,608	25,396	28,386
Building and Real Estate	15,756	19,245	20,019	20,975	19,511	19,807
Aqua	3,750	4,378	4,959	5,487	5,762	6,200
Others	5,374	5,142	4,987	4,875	5,108	4,706
Total	181,682	188,984	187,509	180,936	178,631	186,069

(3) Operating profit by segment

(Millions of yen)

	FY03/13	FY03/14	FY03/15	FY03/16	FY03/17	FY03/18
Gas and Petroleum	7,358	6,506	7,679	8,991	9,161	7,364
Information and Communications	4,934	4,412	4,956	2,308	4,213	3,174
CATV	1,251	1,808	1,669	1,975	2,752	3,554
Building and Real Estate	633	1,386	1,029	1,266	1,098	1,330
Aqua	(926)	(2,001)	(1,313)	(1,119)	298	246
Others, adjustments	(4,318)	(4,720)	(5,016)	(5,175)	(4,775)	(4,699)
Total	8,934	7,392	9,003	8,245	12,750	10,971

* Prior to elimination of indirect expenses

(4) Consolidated financial indicators

(Millions of yen)

	FY03/13	FY03/14	FY03/15	FY03/16	FY03/17	FY03/18
Total assets	177,642	173,620	165,702	160,303	161,112	166,391
Total liabilities	143,631	135,291	122,234	118,332	104,665	104,940
Total net assets	34,011	38,329	43,467	41,970	56,446	61,450
Balance of interest-bearing debt	93,668	85,843	73,114	71,410	54,137	50,980
EBITDA	26,382	24,965	26,233	24,980	28,392	26,318
Equity ratio	18.6%	21.6%	25.7%	25.6%	34.5%	36.3%

(5) Consolidated cash flows

(Millions of yen)

	FY03/13	FY03/14	FY03/15	FY03/16	FY03/17	FY03/18
Operating cash flow	25,713	22,806	27,265	21,395	26,692	20,909
Investment cash flow	(9,983)	(9,664)	(8,851)	(11,015)	(10,985)	(11,488)
Free cash flow	15,730	13,141	18,414	10,379	15,706	9,421
Financing cash flow	(14,051)	(14,125)	(18,764)	(9,150)	(16,643)	(9,527)

(6) Group customer count

(Thousands of customers)

		FY03/13	FY03/14	FY03/15	FY03/16	FY03/17	FY03/18
Gas (LP and city gas)		629	628	626	634	642	661
Information and Communications	Previous ISP model, etc.	816	854	859	633	527	465
	Hikari Collaboration	—	—	4	219	299	323
	LIBMO	—	—	—	—	2	29
	Mobile	213	227	235	236	233	227
	Subtotal	1,029	1,082	1,099	1,088	1,061	1,044
CATV		691	693	690	710	733	1,032
Aqua		102	122	130	133	135	146
Security		19	19	18	18	17	17
Total		2,445	2,519	2,537	2,558	2,564	2,876

* Customer numbers under a thousand are rounded to the nearest thousand.
Information and Communications and CATV both offer communications services, and duplicated numbers are excluded from total figures.

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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