

November 1, 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 First Half of the Fiscal Year Ending March 31, 2019

Steady progress toward first record profits in two years driven by higher earnings on previous year's successful investments to grow business

TOKAI Holdings Corporation (hereinafter, the "Company") today announced its financial results for the first half of the fiscal year ending March 31, 2019 (April 1, 2018 to September 30, 2018).

1. Expanded earnings base with double-digit growth (+34.9% year on year) in the net increase in customer count

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 in the fiscal year ending March 31, 2021—the final year of the medium-term plan—versus the fiscal year ended March 31, 2017.

During the first half of the fiscal year ending March 31, 2019, the Company conducted upfront spending continuing from the previous fiscal year and implemented an aggressive sales program to increase customer count, which forms its earnings base, with a view to attaining its medium-term targets. **As a result, the continuing customer count reached 2,893 thousand as of September 30, 2018, up 17 thousand from 2,876 thousand at the beginning of the fiscal year (versus a net increase of 13 thousand in the first half of the previous fiscal year; +34.9% year on year).**

The net increase in the customer count broken down by main services was as follows (excludes the impacts of M&A): Gas (LP and city gas) 9,060 (versus a net increase of 6,149 in the first half of the previous fiscal year); CATV 14,357 (versus a net increase of 11,132); and Aqua (bottled water delivery) 9,466 (versus a net increase of 6,057). Overall, the net increase in the customer count exceeded the previous year's level.

2. A double-digit increase (+11.6% year on year) in operating profit

In the first half of the fiscal year ending March 31, 2019, **sales rose by 3.9 billion yen (+4.6%) year on year to 88.8 billion yen, record high for the first half of any fiscal year**, on growth in customer count and the impacts of M&A conducted in the previous fiscal year.

Profit was negatively affected by a decrease in sales volume of household LP gas due to higher temperatures compared with the first half of the previous fiscal year and a rise in LP gas procurement costs. However, profit growth on an increase in the number of monthly fee-paying customers accompanied by an overall rise in customer count offset the negative impacts and led to **a 400 million yen year-on-year increase (+11.6%) in operating profit to 3.5 billion yen**.

Higher-than-expected profit at CATV, Information and Communications, and Aqua businesses (positive impact of roughly 300 million yen) partly offset the impact of decline in household LP gas sales and the rise in LP gas procurement costs (negative impact of about 400 million yen), preventing operating profit from falling more than 200 million yen, or 6.1%, below forecast.

(Millions of yen)

	1H FY03/19 Results (April 1, 2018 to September 30, 2018)	1H FY03/18 Results (April 1, 2017 to September 30, 2017)	1H FY03/19 Forecasts (April 1, 2018 to September 30, 2018)	YoY Change	Versus Forecasts
Sales	88,840	84,911	90,100	+3,929	-1,260
Operating profit	3,475	3,114	3,700	+361	-225
Recurring profit	3,580	3,143	3,650	+437	-70
Net income	1,736	1,246	1,890	+490	-154
EPS (Yen)	13.26	9.76	14.43	+3.50	-1.17

3. Targets record profits for the fiscal year ending March 31, 2019

In its consolidated earnings forecasts announced on May 8, 2018, the Company revealed its plan to post first record profits for all profit categories in two years driven by the success of aggressive spending to increase customer count in the previous fiscal year.

The Company expects a 2.1 billion yen increase in profits on growth in the number of monthly fee-paying customers accompanied by efforts to increase customer count in the current and previous fiscal years. Based on the expected profit growth coupled with a partial decline in special upfront costs recorded in the previous fiscal year, the Company projects operating profit to increase by 3.0 billion yen year on year to 14.0 billion yen.

The Company has made no revisions to its full-year consolidated earnings forecasts nor dividend forecasts for the fiscal year ending March 31, 2019.

Under its policy of consistently providing stable dividends, the Company plans to pay an annual dividend of 28 yen per share.

(Millions of yen)

	FY03/19 Forecasts (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%

(Yen)

	FY03/19 (Forecast)	FY03/18
Interim (End of Q2)	14.00	14.00
Year-end	14.00	14.00
Annual dividend total	28.00	28.00
Consolidated payout ratio	—	54.7%

For details, please see the attached materials, entitled “Financial Results for the First Half of the Fiscal Year Ending March 31, 2019.”

Further, for the Company’s earnings announcement for the first half of the fiscal year ending March 31, 2019, please see the following URL: <http://tokaiholdings.co.jp/english/ir/library/earnings.html>.

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Financial Results for the First Half of the Fiscal Year Ending March 31, 2019

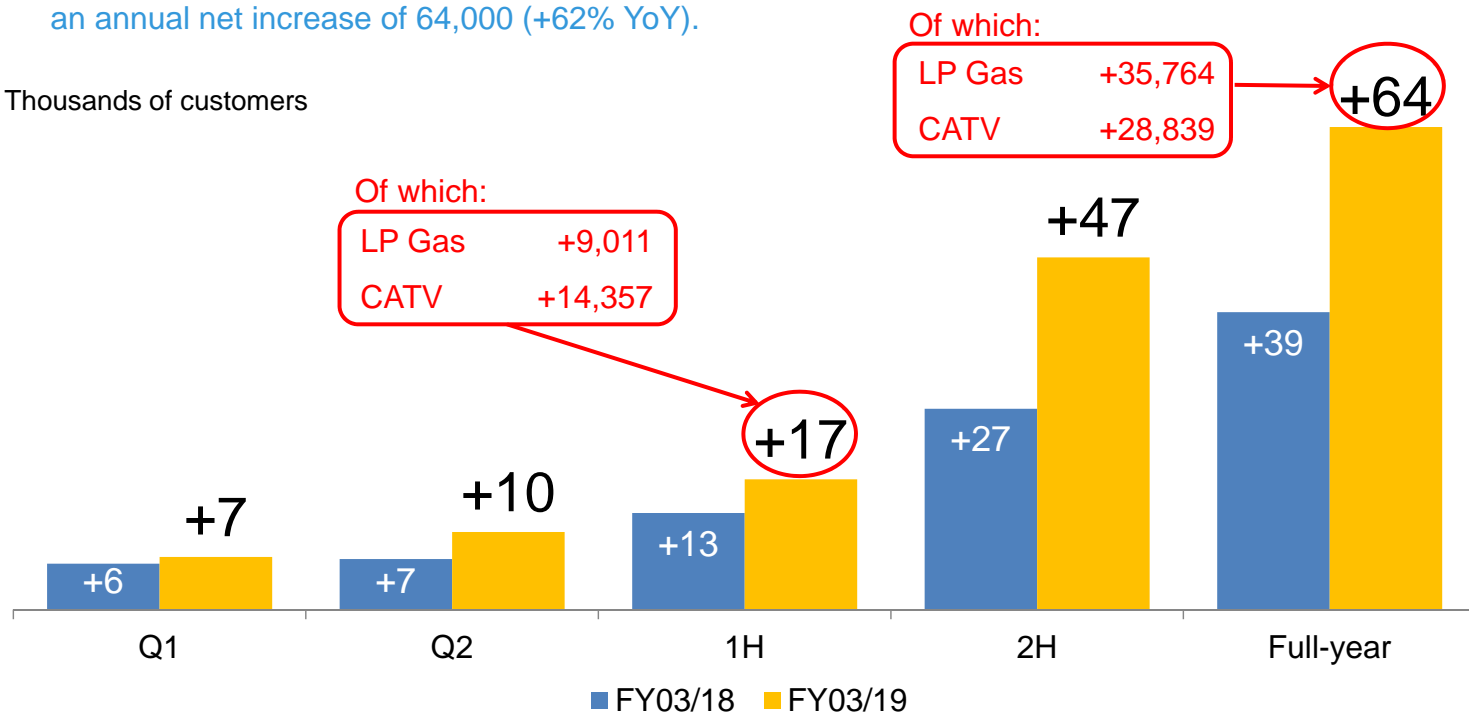
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(Code: 3167)

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Net increase in customer count up by double-digit YoY

- ◎ 1H saw a net increase in customer count of 17,303, up 34.9% YoY.
- ◎ Mainstay LP Gas and CATV businesses substantially contributed to the increase in customer count.
- ◎ From Q3 onward, TOKAI plans to accelerate the pace of net increase in customer count to achieve an annual net increase of 64,000 (+62% YoY).

Thousands of customers



*Excludes increases in customer count resulting from M&A

Double-digit increase YoY in all profit categories

- ◎ Posted record high 1H sales thanks to an increase in customer count and effects of M&A conducted in FY03/18
- ◎ Profit was up 400 million yen (+11.6%) YoY on greater number of monthly fee-paying customers accompanying an increase in customer count.
- ◎ Excluding the impact of lower LP gas sales volume due to higher temperatures and higher LP gas procurement costs, TOKAI made steady progress toward forecasts.

Millions of yen

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				Change	Percent Change	Change	Percent Change
Sales	88,840	84,911	90,100	+3,929	+4.6	-1,260	-1.4
Operating profit	3,475	3,114	3,700	+361	+11.6	-225	-6.1
Recurring profit	3,580	3,143	3,650	+437	+13.9	-70	-1.9
Net income	1,736	1,246	1,890	+490	+39.3	-154	-8.1
EPS (Yen)	13.26	9.76	14.43	+3.50	+35.9	-1.17	-8.1

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Targets record profits in FY03/19

- ◎ Plans to post first record profits for all profit categories in two years with the success of aggressive investments to expand customer base in FY03/18
- ◎ Expects a 2.1 billion yen increase in profits on an increase in the number of monthly fee-paying customers owing to efforts to increase customer count in the current and previous fiscal years, and projects a further increase of 3.0 billion yen in profits on reduced upfront spending

Millions of yen

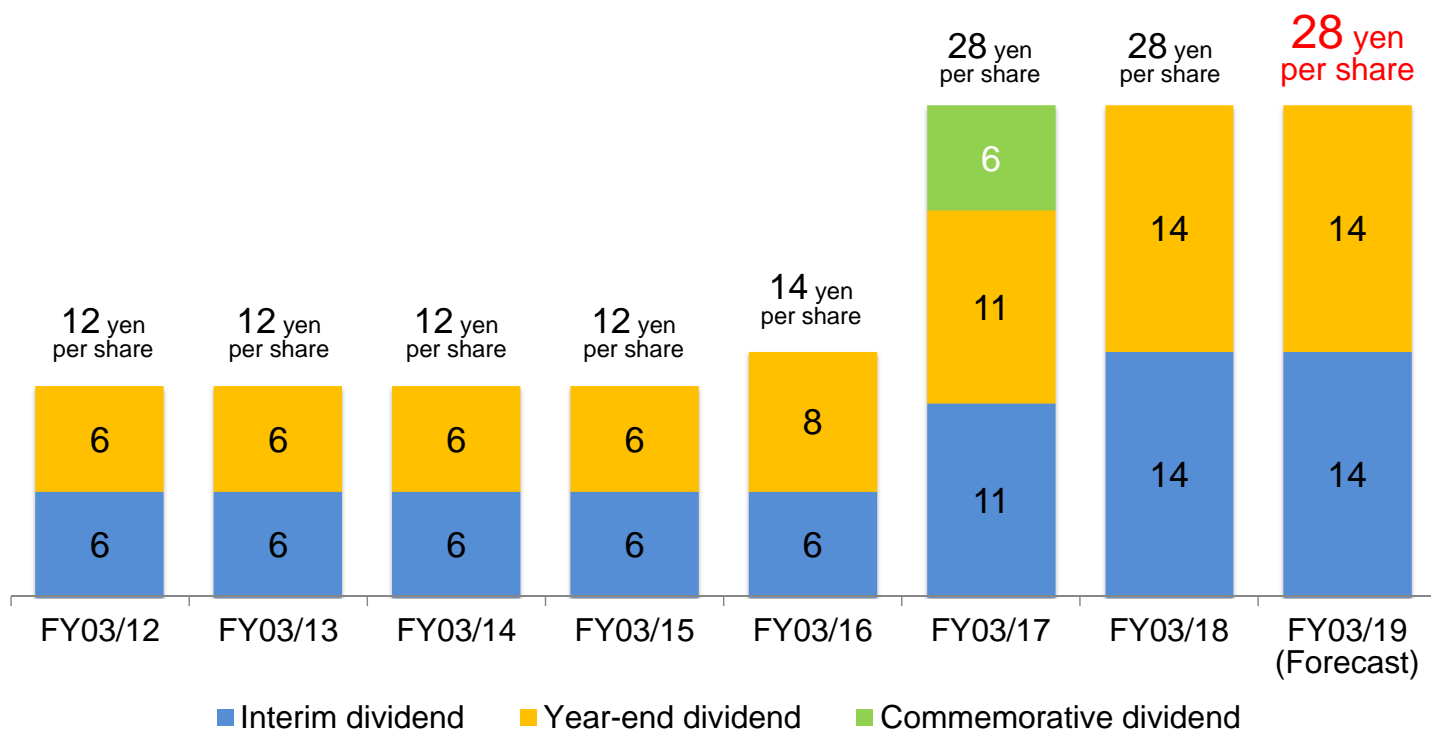
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EPS (Yen)	60.48	51.19	+9.30	+18.2%

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Policy of consistently providing stable dividends

◎ No change was made to the dividend forecasts (announced May 8, 2018).

◎ Plans to pay an annual dividend of 28 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)

	1H FY03/14 Results	1H FY03/15 Results	1H FY03/16 Results	1H FY03/17 Results	1H FY03/18 Results	1H FY03/19 Results
Sales	84,315	87,274	84,773	82,201	84,911	88,840
Operating profit	411	1,816	1,856	4,406	3,114	3,475
Recurring profit	303	1,585	1,779	4,428	3,143	3,580
Net income	-354	225	277	2,384	1,246	1,736
EPS (Yen)	-3.10	1.96	2.39	21.00	9.76	13.26

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(2) Sales by segment

(Millions of yen)

	1H FY03/14 Results	1H FY03/15 Results	1H FY03/16 Results	1H FY03/17 Results	1H FY03/18 Results	1H FY03/19 Results
Gas and Petroleum	41,846	42,754	37,958	32,496	32,777	33,948
Information and Communications	18,868	19,546	20,425	23,750	24,906	25,154
CATV	12,049	12,144	12,212	12,560	13,607	15,135
Building and Real Estate	7,250	8,197	9,301	8,040	8,349	8,987
Aqua	2,102	2,423	2,746	2,929	3,055	3,490
Others	2,196	2,207	2,128	2,423	2,214	2,123
Total	84,315	87,274	84,773	82,201	84,911	88,840

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(3) Operating profit by segment

(Millions of yen)

	1H FY03/14 Results	1H FY03/15 Results	1H FY03/16 Results	1H FY03/17 Results	1H FY03/18 Results	1H FY03/19 Results
Gas and Petroleum	1,173	2,028	2,661	2,838	1,562	1,084
Information and Communications	1,958	2,389	1,086	1,910	1,541	1,608
CATV	904	843	968	1,451	1,769	2,330
Building and Real Estate	249	143	347	324	388	554
Aqua	-1,318	-979	-616	201	135	291
Others, adjustments	-2,556	-2,608	-2,590	-2,318	-2,282	-2,393
Total	411	1,816	1,856	4,406	3,114	3,475

*Prior to elimination of indirect expenses

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(4) Consolidated financial indicators

(Millions of yen)

	1H FY03/14 Results	1H FY03/15 Results	1H FY03/16 Results	1H FY03/17 Results	1H FY03/18 Results	1H FY03/19 Results
Total assets	168,296	164,477	160,237	153,384	160,467	164,920
Total liabilities	134,983	125,521	117,722	109,380	101,644	102,493
Total net assets	33,313	38,956	42,514	44,004	58,822	62,426
Balance of interest-bearing debt	90,487	80,930	76,253	65,761	55,019	54,930
EBITDA	9,170	10,495	10,231	12,217	10,764	10,892
Equity ratio	19.3 %	23.1 %	25.9 %	28.2 %	36.0 %	37.1 %

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(5) Consolidated cash flows

(Millions of yen)

	1H FY03/14 Results	1H FY03/15 Results	1H FY03/16 Results	1H FY03/17 Results	1H FY03/18 Results	1H FY03/19 Results
Operating cash flow	10,043	11,476	4,412	12,039	7,888	7,193
Investment cash flow	-5,049	-4,515	-5,289	-4,668	-6,931	-6,964
Free cash flow	4,993	6,961	-876	7,370	957	229
Financing cash flow	-6,378	-8,021	236	-8,833	-1,427	58

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(6) Group customer count

(Thousands of customers)

	1H FY03/14 Results	1H FY03/15 Results	1H FY03/16 Results	1H FY03/17 Results	1H FY03/18 Results	1H FY03/19 Results	
Gas (LP and city gas)	629	626	627	634	648	670	
Information and Communications	Previous ISP model, etc.	841	861	742	565	492	440
	Hikari Collaboration	—	—	117	272	315	328
	LIBMO	—	—	—	—	13	36
	Mobile	221	231	234	234	231	223
	Subtotal	1,062	1,093	1,093	1,071	1,050	1,028
CATV	693	690	698	722	995	1,046	
Aqua	120	132	132	135	141	156	
Security	19	18	18	17	17	17	
Total	2,498	2,535	2,543	2,554	2,827	2,893	

*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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