



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 Quarter of the Fiscal Year Ending March 31, 2018 Lower Profits on Upfront Costs to Acquire Customers, but Steady Progress with Earnings Base Expansion

TOKAI Holdings Corporation (hereinafter, the "Company") today announced its financial results for the first quarter of the fiscal year ending March 31, 2018 (April 1, 2017 to June 30, 2017).

(Millions of yen)

	Q1 FY03/18	Q1 FY03/17	Year-on-year	
	(April 1, 2017 to June 30, 2017)	(April 1, 2016 to June 30, 2016)	Change	Percent Change
Sales	42,531	41,618	+912	+2.2%
Operating profit	2,152	2,870	-717	-25.0%
Recurring profit	2,204	2,900	-696	-24.0%
Quarterly net	1,182	1,766	-584	-33.1%
income				
EPS (Yen)	9.33	15.60	-6.28	-40.2%

1. Upfront Spending to Expand Earnings Base and Implemented Aggressive Sales Program

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 and 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 this first quarter, sales rose by 900 million yen year-on-year (up 2.2%) to 42.5 billion yen due mainly to an increased customer count, although operating profit fell by 700 million yen (down 25%) year-on-year because of additional costs to acquire new customers and prevent contract cancellations. These costs were expected, because the Company invested in aggressive sales strategies to expand the customer count, which forms its earnings base, to attain plan targets.

Earnings results exceeded initial forecasts because progress in the increase of fee-paying accounts and indirect cost savings was greater than expected. The first quarter operating profit was 79% of the Company's first half forecast of 2.7 billion yen, surpassing the 65% progress rate in the first quarter of the previous fiscal year.

2. Net Increase in Customer Count in First Quarter Same as Annual Net Increase in Fiscal Year Ended March $31,\,2017$

As a result of pursuing the aggressive sales strategy outlined above, the number of continuing customers at the end of the first quarter was 2,570 thousand, increasing by six thousand from the end of March 2017 and expanding the Company's earnings base. The increase equates to the annual net increase in customers recorded in the fiscal year ended March 31, 2017.

The net increase in customer count broken down by main services is as follows: Gas (LP and city gas) 2,879 versus 131 in the first quarter of the previous fiscal year; CATV 4,930 (5,924); and Aqua 2,732 (947). The net decrease in customers of the Information and Communications business was limited to approximately 40% year-on-year thanks to the contribution of new customers of the LIBMO MVNO service launched in February 2017.

3. Progress of 81% toward Customer Count Target of 2.88 Million at End of Fiscal Year Ending March 31, 2018 in First Quarter

As the first step of the aggressive M&A strategy described above, on July 20, 2017, the Company acquired additional shares in Tokyo Bay Network Co., Ltd., an equity method affiliate of the Company, and made it a consolidated subsidiary as disclosed on the same day. Tokyo Bay Network operates a CATV business in Tokyo with 250 thousand customers. Making it a consolidated subsidiary has increased the number of the Company's continuing customers to 2.82 million*. The substantial addition to the customer base is a big step forward in strengthening the Company's earnings base. As a result, progress toward the target of 2.88 million customers at the end of the fiscal year ending March 31, 2018 reached 81%.

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	FY03/17 Results	YoY	
	(April 1, 2017 to March 31, 2018)	(April 1, 2016 to March 31, 2017)	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)	FY03/17				
End of Q2	14.00	11.00				
Year-end	14.00	17.00				
Annual dividend total	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 First Quarter of the Fiscal Year Ending March 31, 2018."

Furthermore, for the Company's first 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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^{*} Simple total of customers at the end of the first quarter of 2,570 thousand and Tokyo Bay Network's customer count of 250 thousand.

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

TOKAI Holdings Corporation (Code: 3167)

August 4, 2017

Aggressive sales program with upfront spending

- In anticipation of future growth, in this term we plan to make upfront spending to expand the customer base by such as expand the sales area and introducing new communication service and prevent contract cancellations.
- Although an increase of 300 million yen as a result of an increase in the number of customers, due to the addition of upfront spending of 1 billion yen, the operating profit decrease of 0.7 billion yen year-on-year.
 (Millions of yen)

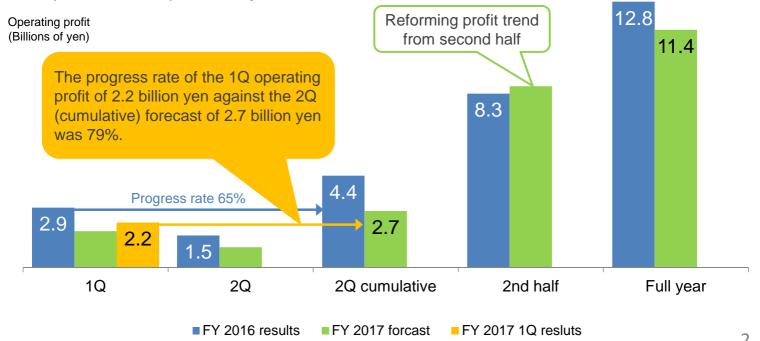
	Q1 FY03/18	Q1 FY03/17	YoY		
	(April 1, 2017 to June 30, 2017)	(April 1, 2016 to June 30, 2016)	Amount of Change	Percent Change	
Sales	42,531	41,618	+912	+2.2%	
Operating profit	2,152	2,870	-717	-25.0%	
Recurring profit	2,204	2,900	-696	-24.0%	
Net income	1,182	1,766	-584	-33.1%	
EPS (Yen)	9.33	15.60	-6.28	-40.2%	

Performance result in outpace internal expectations

The increase in the number of billing and the reduction of indirect costs progressed more than the internal expectation at the beginning of the year.

yen in the 2nd quarter was 79%, progressing at a pace exceeding the same

period of the previous year.

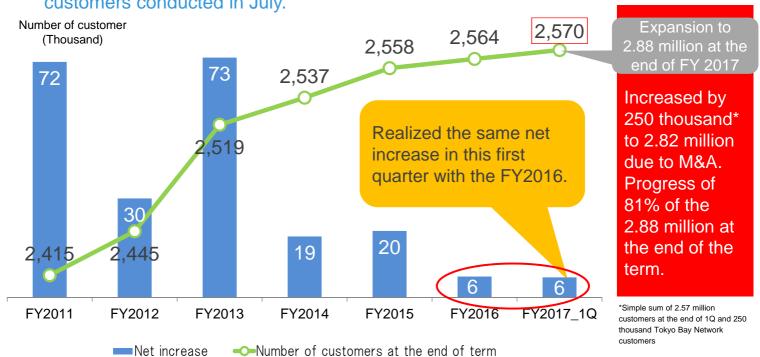


Achieve net increase of last year in 3 months of 1Q

from the previous term, and the earnings base expanded.

Steady progress toward the achievement of the target of 2.88 million at the end of FY 2017, including M & A of Tokyo Bay Network Co., Ltd. with 250,000

customers conducted in July.



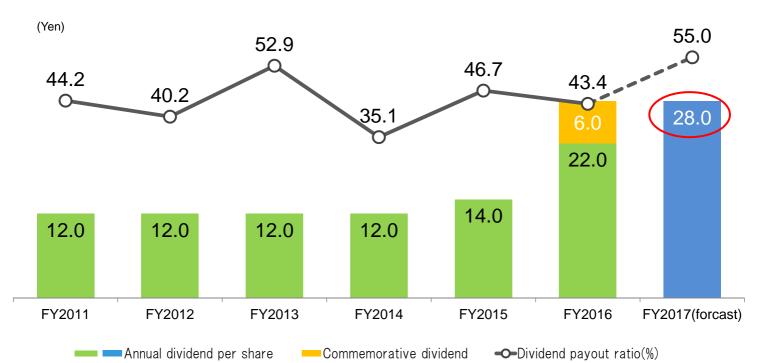
Full-year forecast

- The earnings forecast for the fiscal year ending March 31, 2018 included the advance expenses such as expanding the area, promoting information new services, preventing cancellation of retail customers, etc., in order to expand the earnings base for future growth, so anticipate a 1.3 billion yen decline from the previous year.
- There is no change to the full-year consolidated performance forecast (announced on May 9, 2017) at this time.
 (Millions of yen)

	Q1 FY03/18	FY03/17	YoY		
	(April 1, 2017 to March 31, 2018)	(April 1, 2016 to March 31, 2017)	Amount of Change	Percent Change	
Sales	189,400	178,631	+10,769	+6.0%	
Operating profit	11,410	12,750	-1,340	-10.5%	
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Net income	6,450	7,337	-887	-12.1%	
EPS (Yen)	50.88	64.46	-13.58	-21.1%	

Dividend forecast

- There is no change to the dividend forecast (announced on May 9, 2017).
- The annual dividend per share plans to maintain 28 yen in the previous term (FY 2016 includes a commemorative dividend of 6 yen).



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)

	Q1 FY2012 Results	Q1 FY2013 Results	Q1 FY2014 Results	Q1 FY2015 Results	Q1 FY2016 Results	Q1 FY2017 Results
Sales	43,339	43,038	44,302	42,672	41,618	42,531
Operating profit	1,718	648	1,657	1,708	2,870	2,152
Recurring profit	1,494	549	1,547	1,649	2,900	2,204
Quarterly net income	549	149	713	714	1,766	1,182
EPS (Yen)	5.50	1.31	6.21	6.18	15.60	9.33

(2) Sales by segment

(Millions of yen)

	Q1 FY2012 Results	Q1 FY2013 Results	Q1 FY2014 Results	Q1 FY2015 Results	Q1 FY2016 Results	Q1 FY2017 Results
Gas and Petroleum	23,365	21,940	22,513	20,288	17,479	17,392
Information and Communications	9,167	9,414	9,659	9,826	11,780	12,447
CATV	5,888	5,970	6,070	6,074	6,241	6,406
Building and Real Estate	2,806	3,419	3,728	4,012	3,414	3,617
Aqua	891	942	1,123	1,320	1,424	1,456
Others	1,220	1,350	1,207	1,149	1,277	1,211
Total	43,339	43,038	44,302	42,672	41,618	42,531

(3) Operating profit by segment

(Millions of yen)

	1					(Millions of yen
	Q1 FY2012 Results	Q1 FY2013 Results	Q1 FY2014 Results	Q1 FY2015 Results	Q1 FY2016 Results	Q1 FY2017 Results
Gas and Petroleum	1,345	1,049	1,494	1,865	2,197	1,324
Information and Communications	1,371	826	1,333	691	913	774
CATV	421	377	503	498	717	875
Building and Real Estate	-7	135	31	63	81	90
Aqua	-212	-523	-511	-227	19	56
Others, adjustments	-1,201	-1,216	-1,193	-1,182	-1,060	-969
Total	1,718	648	1,657	1,708	2,870	2,152

*Prior to elimination of indirect expenses

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(4) Consolidated financial indicators

(Millions of yen)

	Q1 FY2012 Results	Q1 FY2013 Results	Q1 FY2014 Results	Q1 FY2015 Results	Q1 FY2016 Results	Q1 FY2017 Results
Total assets	176,864	171,202	167,262	164,163	155,595	157,848
Total liabilities	149,684	137,619	128,734	120,110	113,074	102,337
Total net assets	27,180	33,582	38,528	44,053	42,521	55,511
Balance of interest-bearing debt	103,218	90,176	81,168	73,461	67,061	54,966
EBITDA	6,082	5,040	6,030	5,898	6,760	5,948
Equity ratio	14.9 %	19.1 %	22.5 %	26.3 %	26.8 %	34.6 %

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(5) Consolidated cash flows

(Millions of yen)

						(Willions of year)
	Q1 FY2012 Results	Q1 FY2013 Results	Q1 FY2014 Results	Q1 FY2015 Results	Q1 FY2016 Results	Q1 FY2017 Results
Operating cash flow	6,703	7,725	8,080	4,285	8,242	4,851
Investment cash flow	-2,237	-3,407	-1,844	-3,162	-2,454	-2,870
Free cash flow	4,466	4,318	6,235	1,123	5,787	1,981
Financing cash flow	-3,925	-5,368	-6,449	-1,261	-6,216	-2,262

(6) Group customer count

(Thousands of customers)

		Q1 FY2012 Results	Q1 FY2013 Results	Q1 FY2014 Results	Q1 FY2015 Results	Q1 FY2016 Results	Q1 FY2017 Results
Gas (LP and city gas)		642	629	627	625	634	645
	Previous ISP model, etc.	775	833	857	800	593	507
情 量 報	Hikari Collaboration	_	_	_	58	251	310
通	MVNO	_	1	2	2	2	8
信	Mobile	198	217	229	235	235	232
	Subtotal	972	1,049	1,087	1,095	1,081	1,057
CAT	V	682	693	692	692	716	738
Aqua	a	99	105	126	130	134	138
Secu	urity	20	19	18	18	17	17
	Total	2,392	2,471	2,526	2,537	2,557	2,570

^{*}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.

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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TOKAL GROUP

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