COMPANY RESEARCH AND ANALYSIS REPORT

TOKAI Holdings Corporation

3167

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Index

Summary

Made a steady start in the FY3/19 1Q results toward achieving new record-high profits for the first time in 2 fiscal years

Based in Shizuoka Prefecture, Japan, TOKAI Holdings Corporation <3167> (hereinafter, "Tokai Holdings" or "the Company") is expanding its two main businesses, "energy and lifestyle-related services", primarily the provision of liquefied petroleum gas (LP gas), and "information and communication services". The Company aims to become a "Total Life Concierge*" (TLC), a company offering a complete range of services for everyday life. In its medium-term management plan, "Innovation Plan 2020 'JUMP'" (hereafter, "IP20"), which started in FY3/18, the Company intends to actively invest in M&A and alliances to realize high growth.

* The Total Life Concierge concept indicates the Company's aim to provide every type of lifestyle support service under a one contract, one stop, and one call-center model. While deepening its connection with customers, their local communities, society, and the global environment, the Company aims to enrich people's lives, assist in the development of local communities, and contribute to protecting the global environment.

1. FY3/19 1Q results

In the FY3/19 1Q (April to June 2018) consolidated results, net sales increased 4.8% year on year (YoY) to ¥44,553mn and operating profit rose 11.0% to ¥2,390mn. In the CATV business, sales increased 17.2% due to the effects of the M&A. Results also trended strongly in the building and real estate and the Aqua businesses, with both achieving double-digit increases in sales. Profits declined in the LP gas business due to the decrease in sales volume per unit (customer) because of the high temperatures, but they increased by double digits in each of the CATV, the building and real estate, and the Aqua businesses, which drove profits as a whole. The Company also made a strong start in comparison to its internal forecasts as operating profit was more than ¥100mn above forecast. At the end of FY3/19 1Q, the number of Group customers had steadily increased to 2,883,000, up 313,000 YoY and up 7,000 on the end of the previous fiscal year.

2. Started examination about launching a renewable energy business

On August 13, 2018, the Company announced that it had started examining the launch and commercialization of a renewable energy business by concluding a capital and business alliance with Minna-Denryoku, Inc., a PPS (power producer and supplier). In April 2019, the Company will establish a wholly owned subsidiary whose business will include selling electric power sourced from renewable energy power. From 2019, the Company will purchase electric power generated using photovoltaic power generation facilities that has been purchased under the electric power fixed price purchasing system called the Feed-in-Tariff (FIT) scheme for renewable energy. However, the FIT purchase period will expire, and sales transactions of electric power will instead take place through the newly established subsidiary. The Company plans to first sell electric power to corporations, individuals, public facilities and other customers in Shizuoka Prefecture, and subsequently to expand sales to areas in which the Company provides services. It is also considering actively utilizing sales of electric power sourced from renewable energy as a measure to form alliances with gas and CATV businesses nationwide.

3. FY3/19 earnings outlook

For the FY3/19 consolidated earnings, the Company is aiming for record highs for the first time in 2 fiscal years, of net sales to increase 5.1% YoY to ¥195,600mn and operating profit to rise 27.2% to ¥13,960mn. This will be an increase in profits of around ¥3bn compared to the previous fiscal year, and breaking this down, there will be increases of ¥2.1bn from the effects of the higher sales from the rise in the number of customers and of ¥800mn from the reduction in the upfront costs implemented in the previous fiscal year. Through M&A, the number of Group customers is expected to increase by 65,000 on the end of the previous fiscal year to 2,941,000. For profits, although it is possible that they will be below forecast in the LP gas business due to the reduction in sales volume per unit because of the high temperatures and also because of the rise in purchasing prices, at FISCO we think that the growth in the other businesses, mainly the CATV business, will be able to cover for this.

4. Medium-term management plan (IP20)

In the medium-term management plan (IP20), the Company is targeting net sales of ¥339.3bn and operating profit of ¥22.5bn in FY3/21. Its strategy to achieve this will be to increase the number of Group customers to more than 4,320,000 (1.5 times the number at the end of March 2018) and also to grow sales and profits per customer through raising the current customer cross-sales rate of 7% to 20%. To achieve these targets, it intends to actively utilize M&A in the future.

5. Shareholder return policy

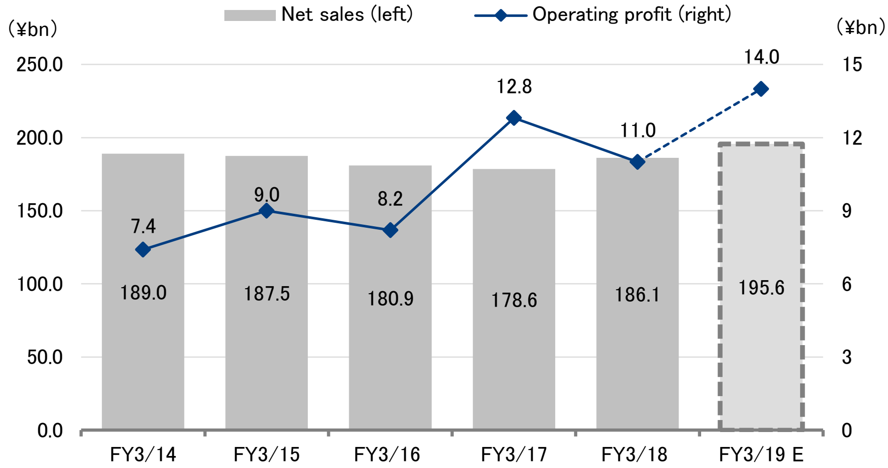
There has been no change to the policy of continuously and stably returning profits to shareholders. The forecast dividend per share for FY3/19 is ¥28.0 (dividend payout ratio, 46.3%), which is unchanged from the previous fiscal year. Going forward, the Company intends to pay dividends while observing profit trends and financing needs, with a benchmark dividend payout ratio of 40% to 50%. Also, at the end of March and the end of September, it presents one gift to shareholders from choices such as an Aqua product, a QUO card, and points for a TLC member service worth ¥1,000. When including the gifts to shareholders in an estimate of the total investment yield per share unit from the current share price level (closing price of ¥1,036 on August 16, 2018), it is in the range of 4% to 7%*.

* In the case of selecting either a QUO card or an Aqua product as the shareholder gift

Key Points

- A full-fledged examination about entering the renewable energy business field
- The outlook for FY3/19 is for record high profits for the first time in 2 fiscal years from the effects of the higher sales due to the expansion of the customer base and the cost reductions
- Considering 25 M&As to aim for more than 4,320,000 Group customers and consolidated operating profit of ¥22.5bn for FY3/21

Results trends



Source: Prepared by FISCO from the Company's financial results

Business overview

In FY3/19 1Q, profits increased above the internal forecasts on the strong performances of the CATV and the building and real estate businesses

1. Overview of FY3/19 1Q results

In the FY3/19 1Q consolidated results, net sales increased 4.8% YoY to ¥44,553mn, operating profit rose 11.0% to ¥2,390mn, recurring profit grew 12.9% to ¥2,487mn, and net income attributable to owners of the parent climbed 21.2% to ¥1,432mn. The main reason for the higher sales and profits was that at the end of 1Q, the number of Group customers had steadily increased by 313,000 YoY to 2,883,000 (up 7,000 on the end of the previous fiscal year) due to the effects of the M&A.

Looking by business segment*, sales increased but profits decreased YoY in the gas and petroleum and the information and communication services businesses. But each of the CATV, the building and real estate, and the Aqua businesses performed strongly and achieved double-digit increases in sales and profits, while within them, the CATV business drove the results as a whole. Compared to the internal forecasts, profits in the gas and petroleum business were below forecast due to the decrease in sales volume per customer. But profits increased more than anticipated in the CATV and the building and real estate businesses, and it seems that operating profit was around ¥150mn above forecast.

* Segment profit is before the deduction of indirect costs, and the calculation method is different to that in the financial results summary report.

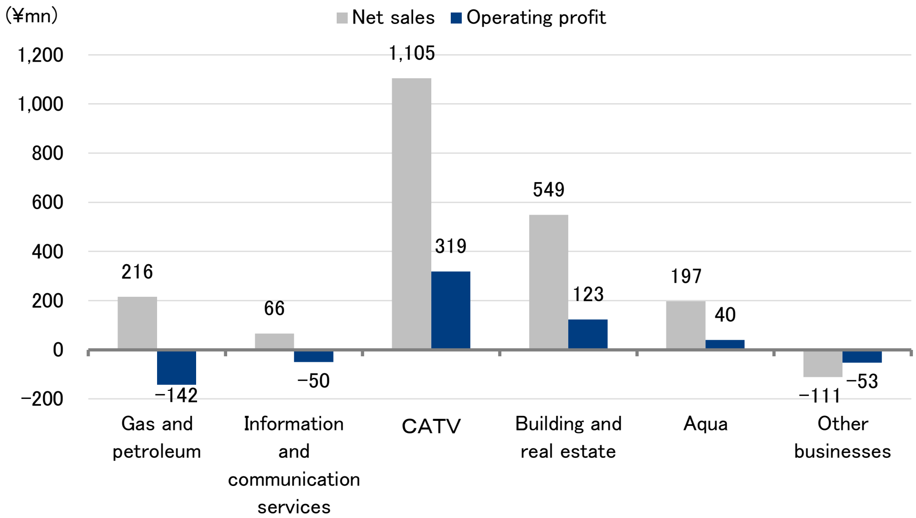
FY3/19 1Q consolidated results

(¥mn)

	FY3/18 1Q		FY3/19 1Q		
	Results	% of sales	Results	% of sales	YoY
Net sales	42,531	-	44,553	-	4.8%
Cost of sales	24,897	58.5%	26,587	59.7%	6.8%
SG&A expenses	15,481	36.4%	15,575	35.0%	0.6%
Operating profit	2,152	5.1%	2,390	5.4%	11.0%
Recurring profit	2,204	5.2%	2,487	5.6%	12.9%
Extraordinary income (loss)	-255	-	-136	-	-
Net income attributable to owners of the parent	1,182	2.8%	1,432	3.2%	21.2%

Source: Prepared by FISCO from the Company's financial results

YoY change by business segment in FY3/19 1Q



* Operating profit are prior to allocating indirect costs and other expenses
Source: Prepared by FISCO from the Company's financial results

The CATV business performed strongly and sales and profits increased by double digits

2. Trends by business segment

Net sales and Operating profit by segment

Net sales (¥mn)

	FY3/16 1Q	FY3/17 1Q	FY3/18 1Q	FY3/19 1Q	YoY
Gas and petroleum	20,288	17,479	17,392	17,608	1.2%
Information and communications services	9,826	11,780	12,447	12,513	0.5%
CATV	6,074	6,241	6,406	7,511	17.2%
Building and real estate	4,012	3,414	3,617	4,166	15.2%
Aqua	1,320	1,424	1,456	1,653	13.5%
Other businesses	1,149	1,277	1,211	1,100	-9.1%
Total	42,672	41,618	42,531	44,553	4.8%

Operating profit (¥mn)

	FY3/16 1Q	FY3/17 1Q	FY3/18 1Q	FY3/19 1Q	YoY
Gas and petroleum	1,865	2,197	1,324	1,182	-10.7%
Information and communications services	691	913	774	724	-6.5%
CATV	498	717	875	1,194	36.5%
Building and real estate	63	81	90	213	136.7%
Aqua	-227	19	56	96	71.4%
Other businesses and adjustments	-1,182	-1,060	-969	-1,022	-
Total	1,708	2,870	2,152	2,390	11.0%

*Values are prior to allocating indirect costs and other expenses
Source: Prepared by FISCO from the Company's financial results and the Company's results briefing materials

Customer numbers by key services

(thousand)

	FY3/16 1Q cumulative	FY3/17 1Q cumulative	FY3/18 1Q cumulative	FY3/19 1Q cumulative	YoY
Gas (LP and city gas)	625	634	645	664	19
LP gas	572	580	591	610	19
City gas	53	54	54	55	1
Information and communications services	1,095	1,081	1,057	1,035	-22
Previous ISP, etc.	802	595	507	451	-56
Hikari Collaboration	58	251	310	327	17
LIBMO	-	-	8	32	24
Mobile	235	235	232	225	-7
CATV	692	716	738	1,039	301
CATV broadcasting	492	501	510	778	268
CATV communications	200	215	229	261	32
Aqua	130	134	138	151	13
Security	18	17	17	17	0
Total	2,537	2,557	2,570	2,883	313
(Number of TLC members)	417	515	613	731	118
(% of TLC members)	16.4%	20.1%	23.9%	25.4%	1.5pt

* Figures of less than 1,000 are rounded-off. ISP and CATV both offer communications services, so total figures avoid duplication.
Source: Prepared by FISCO from the Company's results briefing materials

(1) Gas and petroleum business

In the gas and petroleum business, net sales increased 1.2% YoY to ¥17,608mn and operating profit decreased 10.7% to ¥1,182mn. Within this business, in the LP gas business, customer numbers increased by 19,000 on the end of the same period in the previous fiscal year to 610,000, as in addition to the measures to acquire customers and prevent contract cancellations in existing areas, the Company made steady progress in acquiring customers in new areas. Temperatures were higher than in the same period in the previous fiscal year, so sales volume per unit decreased for homes. But net sales still increased, if only slightly, up 0.4% YoY to ¥14,737mn due to the rise in sales prices alongside the higher prices of raw materials. Generally, it is said that when the temperature is 1°C higher, the volume of gas consumed by homes decreases by 3%, and the average temperature in FY3/19 1Q was 1.6°C higher and it seems that the sales volume per unit decreased by around 5%. On the other hand, in the city gas business, net sales increased 5.8% to ¥2,871mn, as the number of customers grew 1,000 YoY to 55,000 and also due to factors including the rise in sales unit prices through the system to adjust the costs of raw materials.

The main reason for the decline in operating profit was the decrease in the sales volume per unit. Meanwhile, the Kyushu Office was opened in Fukuoka Prefecture in June 2018 as a new sales area for LP gas, and it has started operations. In the Kyushu area, the Company has been deploying a building management support business, an industrial gas business, and the Aqua business, and it is now newly acquiring customers for the LP gas business.

(2) Information and communication services business

In this business, net sales increased 0.5% YoY to ¥12,513mn, while operating profit decreased 6.5% to ¥724mn. Within these amounts, net sales in the consumer business decreased 1.2% to ¥7,777mn. Although the number of customers for Hikari Collaboration, which has high monthly revenue, increased by 17,000 on the end of the same period in the previous fiscal year to 327,000, customer numbers for the existing ISP service and other services decreased by 56,000 to 451,000 due to the intensification of competition with major mobile carriers. The Company has been competing with the major mobile carriers by creating a sense of low cost through set sales with LIBMO, its inexpensive smartphone, but it has been unable to stop the downward trend. The number of LIBMO customers increased by 24,000 on the end of the same period in the previous fiscal year to 32,000.

Conversely, the corporate business performed steadily, with net sales increasing 3.5% YoY ¥4,736mn. Sales of data communication services grew against the backdrop of the expansion of the cloud services market, and also sales increased for outsourced systems development. However, the growth rates of both were sluggish compared to in the previous fiscal year.

Operating profit decreased in both the consumer and to corporate businesses. This was mainly because the NTT connection fees were increased from the spring of 2018 and the cost of sales ratio rose. However, the extents of the decreases were basically in line with the Company forecasts.

(3) CATV business

In the CATV business, net sales increased 17.2% YoY to ¥7,511mn and operating profit rose 36.5% to ¥1,194mn, and it was the only one of the three main businesses in which sales and profits increased. The main reasons for the higher sales and profits were that in FY3/18, the Company made subsidiaries of Tokyo Bay Network Co., Ltd., in 2Q and Cable Television Tsuyama Co., Ltd., in 4Q, thereby acquiring 273,000 customers (254,000 for broadcasting services and 18,000 for communication services), and also due to the steady growth in customer numbers in existing areas. At the end of FY3/19 1Q, the number of customers had risen by 301,000 on the end of the same period in the previous fiscal year to 1,039,000 (of who, 268,000 were for broadcasting services and 32,000 for communication services).

The operating profit margin rose from 13.7% YoY to 15.9%. The main factors behind this were the rise in the broadcasting and communication set contracts rate in the existing areas, which resulted in the increase in earnings per customer, and the ongoing decrease in depreciation costs.

(4) Building and real estate business
In the building and real estate business, net sales increased 15.2% YoY to ¥4,166mn and operating profit rose 136.7% to ¥213mn. The higher sales were due to the increase in projects for the renovation business and for building work. In particular, in the renovation business, the effects of strengthening the sales structure in the Shizuoka area are being realized. Most of the rise in operating profit was provided by the increase in sales in the renovation business.

(5) Aqua business
In this business, net sales increased 13.5% YoY to ¥1,653mn, while operating profit increased 71.4% to ¥96mn. The Company worked actively to acquire customers, including those at large-scale commercial facilities, and the customer numbers had increased 13,000 on the end of the same period in the previous fiscal year to 151,000 customers, which was the main reason for the higher sales and profits.

(6) Other businesses and adjustments
In the other businesses, net sales decreased 9.1% YoY to ¥1,100mn. Breaking this down, in the nursing care business, sales increased 6.5% to ¥261mn alongside the increase in the number of facility users, and its operating loss became smaller. In the wedding ceremony business, the number of wedding ceremonies declined and net sales fell 11.6% YoY to ¥336mn, while in the shipbuilding business, the volume of ship repair work fell and net sales decreased 17.2% to ¥325mn. So sales decreased by double digits in both these businesses and their operating profit also declined. This segment's operating loss, including internal adjustments, was ¥1,022mn (a loss of ¥969mn in the same period in the previous fiscal year).

Outlook

Will establish a subsidiary and launch a renewable energy business in April 2019

1. Measures for a renewable energy business

On August 13, 2018, the Company announced that it had started examining the launch and commercialization of a renewable energy business by concluding a capital and business alliance with Minna-Denryoku, a PPS (power producer and supplier). In April 2019, the Company will establish a wholly owned subsidiary whose business will include selling electric power sourced from renewable energy power. From 2019, the Company will purchase electric power generated using photovoltaic power generation facilities that has been purchased under the electric power fixed price purchasing system called the Feed-in-Tariff (FIT) scheme for renewable energy. However, the FIT purchase period will expire, and sales transactions of electric power will instead take place through the newly established subsidiary. It will also utilize sales agencies, including Group companies and local construction companies, for the actual sales.

The Company plans to first sell electric power to corporations, individuals, public facilities and other customers in Shizuoka Prefecture, and subsequently to expand sales to areas in which the Company provides CATV and other services. It is also considering actively utilizing sales of electric power sourced from renewable energy as a measure to form alliances with gas and CATV businesses nationwide, which can be expected to play a hook role for M&A.

Some special capabilities offered by Minna-Denryoku include that it can implement blockchain technology on its own electric power trading platform, that it can issue certificates on the source of the electric power (proof for the customer about the source of the power being purchased), and that it can provide advanced services, such as arranging direct electric power transactions between individuals and companies. In particular, it seems that demand for certification on the source of the electric power is high among corporations and individuals with high environmental awareness. Recently, an increasing number of companies are strengthening their efforts for ESG (Environment, Society, Governance), and the Company is considering creating an option for a premium plan with a 100% renewable energy rate for corporations and local governments that are highly environmental aware, such as RE100 member companies*. It intends to announce a specific business plan in November 2018.

* RE100: An international consortium in which member companies are committed to use electricity generated from 100% renewable energy. As of the end of May 2018, it had 132 member companies from around the world, of which, 7 are from Japan, including Ricoh <7752>, AEON <8267>, and ASKUL <2678>.

Results continue to be strong in FY3/19, including in the CATV business
Outlook is for record-high profits for the first time in 2 fiscal years

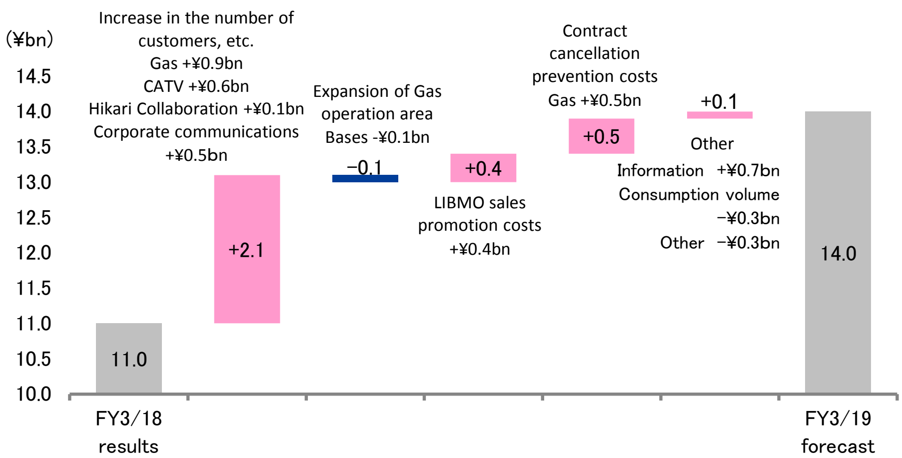
2.Outlook for consolidated FY3/19

For consolidated FY3/19, the Company has left its initial forecasts unchanged at net sales to increase 5.1% YoY to ¥195,600mn, operating profit to increase 27.2% to ¥13,960mn, recurring profit to increase 24.0% to ¥13,880mn, and net income attributable to owners of the parent to increase 19.6% to ¥7,920mn. Net sales are forecast to increase for the second consecutive fiscal year and to achieve a record high for the first time in five fiscal years, while profits are also expected to achieve a record high for the first time in two fiscal years.

Operating profit will increase by approximately ¥3bn. Breaking this down, the effects of the higher sales from the increase in customer numbers in FY3/18 will contribute ¥2.1bn, and the reduction in upfront costs, including the customer-acquisition costs spent in FY3/18, will contribute ¥800mn. The Company's policy for FY3/19 is to work to increase customer numbers and to create a foundation for growth toward FY3/21. The forecast for the number of customers at the end of FY3/19 is 2,941,000, which will be an increase of 65,000 customers on the end of the previous fiscal year.

A risk factor for 2Q is the risk of a worsening of profits in the LP gas business. Temperatures were high during the summer, so the sales volume per unit is expected to decline in 2Q. In addition, the prices of raw materials are continuing to increase and the cost of sales ratio is rising due to the time lag until these higher prices are transferred to sales prices. Therefore, there is a risk that profits will be below forecast in this business. However, the outlook is for the CATV business to continue its strong performance, the same as in 1Q, so at FISCO we think that the Company can achieve its full fiscal year forecasts.

Factors expected to impact operating profit in FY3/19



Source: Prepared by FISCO from the Company's results briefing materials

Looking at the outlook for results for the three main businesses, in the gas and petroleum business, the forecast is for net sales to increase 3% YoY due to the rise in the number of customers. For operating profit, on the one hand profits are expected to increase by ¥900mn due to the rise in the number of customers and by ¥500mn due to the reduction in costs to prevent contract cancellations, but on the other hand, they will decrease by ¥300mn from the fall in the unit consumption volume and by ¥100mn on the increase in base costs due to area expansion. Therefore, operating profit as a whole is forecast to increase ¥1bn. The Company is aiming to increase the number of newly acquired customers from 47,000 in the previous fiscal year to 60,000. It is expected to acquire customers in Okayama Prefecture and Gifu Prefecture, which it newly entered into in FY3/18, and in Fukuoka Prefecture, which it entered into in June 2018. It also plans to newly enter into Mie Prefecture and Nagano Prefecture in FY3/20.

In the information and communication services business, net sales are forecast to increase 3% YoY. It would seem that while sales to corporations will grow steadily, sales to consumers will be sluggish alongside the decline in customer numbers. On other hand, operating profit is expected to increase by double digits due to the reduction in sales promotion costs for LIBMO and the Hikari Collaboration, and also from the effects of the higher sales to corporations.

In the CATV business, the outlook is for net sales to grow 7% YoY and for operating profit to increase by double digits. The number of customers is forecast to rise by 29,000 on the end of the previous fiscal year. Profitability is also expected to improve from 2Q onwards, from the increase in the broadcasting and communication set contracts rate.

Aim for more than 4,320,000 Group customers and consolidated operating profit of ¥22.5bn for FY3/21

3. Medium-term management plan

(1) Basic policy

In the new medium-term management plan (IP20) launched in FY3/18, the Company sets out its basic strategy of prioritizing topline growth and switching from defensive to proactive management. By the end of FY3/21, it will proactively conduct M&A and form alliances that will lead to the expansion of its customer base, and it plans to conduct strategic investment worth a total of ¥100bn.

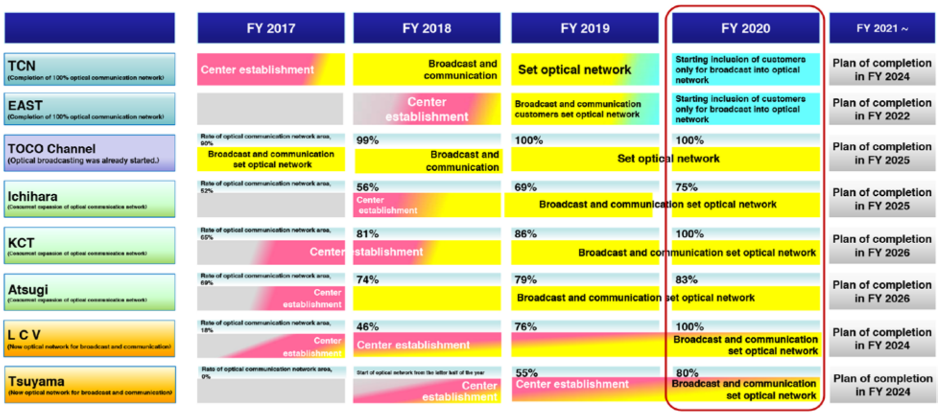
The candidates for M&A are companies that have a customer base in its core businesses, including gas, CATV, and information and communication services, and it is also targeting companies in areas peripheral to its existing lifestyle-related services. The Company is currently investigating several candidate companies. The Company is also working to create new businesses that utilize the advanced technologies of AI and Big Data, the cloud, IoT, and robotics. It has taken the first letters of these keywords and combined them with the first letter of smartphone, which will be the device that utilizes these technologies, to create the term ABCIR+S. As a specialist organization, it has established the Next Generation Management Strategy Headquarters to investigate a model to utilize ABCIR+S horizontally across the Group (including to create new businesses, to enhance its customer contact points, and a strategy to utilize information). For these advanced technologies, it is investigating using M&A to acquire resources that it does not possess itself.

(2) Targets for management indicators

The management targets in the medium-term management plan are to achieve consolidated net sales of ¥339.3bn, operating profit of ¥22.5bn, net income attributable to owners of the parent of ¥11.5bn, and ROE of 13.0% in FY3/21. Compared to FY3/18, the levels of these targets are 1.8 times of net sales, 2.0 times of operating profit, and 1.7 times of net income attributable to owners of the parent. While utilizing M&A, the Company is aiming to achieve these targets by increasing the number of Group customers by more than 1.5 times to in excess of 4.32 million, and also by increasing the cross-sales rate. There are no differences between the profit forecasts and the FY3/19 targets set at the time when the medium-term management plan was formulated, but the recent net sales forecast of ¥195.6bn is slightly lower than the initial target of ¥202.0bn. This is mainly because, within information and communication services, the number of customers for consumer services is expected to fall below the initial target due to the impact of the intensified competition.

Financially, interest-bearing debt is expected to increase through the Company conducting investment of ¥100bn for accelerating M&A and alliances. Looking at the interest-bearing debt / EBITDA (operating profit + amortization expenses, including goodwill expenses) ratio, although it will increase slightly, from 1.9 times in FY3/18 to 2.6 times in FY3/21, the equity ratio will be kept at the 30% level and financial soundness will be maintained. The Company conducted normal capital investment excluding M&A expenses of ¥12.6bn in FY3/18 and plans an annual level of ¥14bn from FY3/19 onwards. Within the capital investment, it will invest around ¥6bn to convert to a fiber-optics infrastructure in its CATV business. Its strategy is to maintain and improve the competitiveness of the CATV business by establishing an infrastructure that makes possible 4K and 8K high-definition broadcasting services. The Company's overall strategy is to expand its business scale while making those industry competitors without significant investment reserves into members of the Group by means of M&As.

Schedule for introduction of broadcast optical network



Source: The Company's results briefing materials

Financial targets in Innovation Plan 2020

	FY3/18 forecast	FY3/18 results	FY3/19 forecast	FY3/20 forecast	FY3/21	
					Targets	vs. FY3/18
Net sales (¥bn)	1,894	1,861	2,020	2,244	3,393	1.8x
Operating profit (¥bn)	114	110	140	162	225	2.0x
Net income attributable to owners of the parent (¥bn)	64	66	79	87	115	1.7x
Total assets (¥bn)	1,698	1,664	1,738	1,912	2,834	1.7x
Interest-bearing debt/EBITDA (ratio)	2.0	1.9	1.7	1.8	2.6	
Equity ratio (%)	33.9	36.3	35.6	34.9	31.6	
ROE (%)	11.1	11.4	12.8	13.0	13.0	
Number of customers (million contracts)	288	288	299	372	Over 4.32	Over 1.5x

Source: Prepared by FISCO from the Company's results briefing materials and the Company's Medium-Term Management Plan (May 9, 2017)

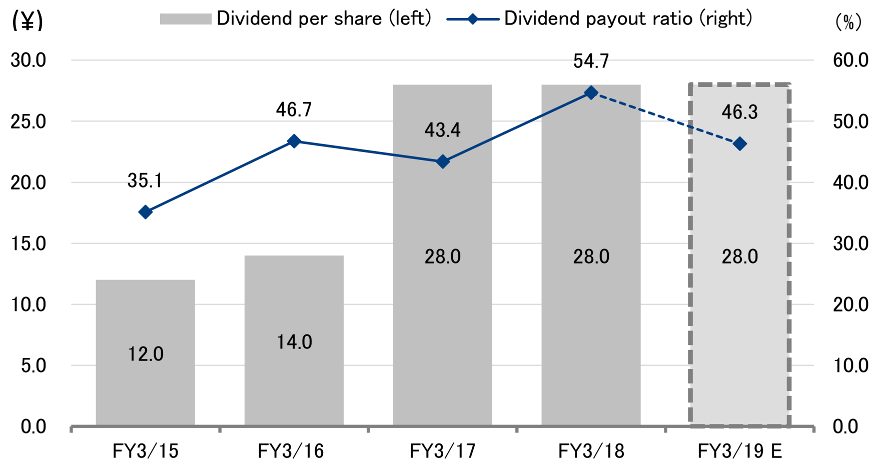
Shareholder return policy

Intends to continue to actively return profits to shareholders in the future

The Company returns profits to shareholders by paying dividends, presenting shareholders with gifts, and also purchasing treasury shares depending on conditions. Its basic policy is to continuously pay a stable dividend and it targets a dividend payout ratio of 40% to 50%.The FY3/19 dividend per share will be unchanged YoY at ¥28.0 (for a dividend payout ratio of 46.3%). But the Company will also determine the dividend while considering trends in results and its demand for capital.

The Company presents gifts to shareholders at the end of March and September depending on the number of shares held. For each unit of shares (100 shares) held, shareholders can receive one of the following gifts: an Aqua product worth ¥2,050 (such as the Ulunom) "Fuji-no-Tennensui Sarari" (Mt. Fuji natural water), a QUO card worth ¥500, food coupons worth ¥1,000, or ¥1,000 worth of TLC Membership Service points. When including the gifts to shareholders in an estimate of the total investment yield per share unit from the current share price level (¥1,036 on August 16, 2018), it is in the range of 4% to 7% (depending on the selection of either a QUO card or an Aqua product as the gift).

Dividend per share and dividend payout ratio



* Include a commemorative dividend of ¥6 in FY3/17
Source: Prepared by FISCO from the Company's financial results

Information security measures

As its information security measures, previously each Group company had separately managed the personal information held and conducted measures against system failures and cyber-attacks. Since FY3/18, it has established a Group-wide expert committee in order share information between all the Group companies and at the same time, to heighten awareness of its security measures.

Disclaimer