TOKAI GROUP

May 10, 2016

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, 2016 and Earnings Forecast for the Fiscal Year Ending March 31, 2017

Record-High Profits in All Categories and Sharply Higher Dividends Forecast for the Upcoming Year

TOKAI Holdings Corporation (Headquarters: Shizuoka, Shizuoka Prefecture; President & CEO: Katsuhiko Tokita; hereinafter, the "Company") today announced its earnings for the fiscal year ended March 31, 2016, and forecast for the fiscal year ending March 31, 2017.

(Billions of yen, unless otherwise stated)

	Fiscal Year Ended March 31, 2016				Forecast for Fiscal Year Ending March 31, 2017	
	Actual	Previous Year	YoY Change	Comparison with Forecast	Forecast	YoY Change
Sales	180.9	187.5	-6.6	-11.3	187.1	+6.2
Operating profit	8.2	9.0	-0.8	+0.4	12.6	+4.3
Recurring profit	8.2	8.5	-0.4	+0.8	11.8	+3.7
Net income	3.5	3.9	-0.5	+0.3	6.2	+2.8
EPS (Yen)	30.01	34.16	-4.15	+1.97	55.13	+25.12

I. Financial Results for the Fiscal Year Ended March 31, 2016

(1) Consolidated Performance (Income Statement) Outpace Forecast

Sales fell by 6.6 billion yen year-on-year, mostly because of price reductions stemming from a drop in prices of raw materials, which had a negative 10.3 billion yen impact on sales. Upfront costs of 3.0 billion yen for Hikari Collaboration sales promotion reduced profits. This fall was partly absorbed by an increase in customer numbers and a time lag on gas price reductions. These factors had a 2.2 billion yen positive impact on profit, holding the operating profit decline to 0.8 billion yen.

Operating profit, recurring profit, and net income all exceeded the forecasts the Company announced in May 2015.

(2) Number of Group Customers Reaches 2.56 Million

During the year, the Company made progress in redirecting 215 thousand customers to Hikari Collaboration (reaching 219 thousand customers as of March 31, 2016). The number of gas and CATV customers also rose, driving up the total number of customers to 2.56 million (net increase of 20 thousand).

(3) Further Financial Improvement

The Company continued to reduce interest-bearing debt (124.0 billion yen on March 31, 2011→71.4 billion yen on March 31, 2016).

(4) Total Return Ratio of 100% (Acquisition of Treasury Stock + Dividend Increase)

The Company achieved total return ratio of 100% through dividends and share buybacks. To mark its better-than-forecast profits, the Company decided to raise dividends for the first time since its transition to a holding company (12 yen/year→14 yen/year).

II. Forecast for the Year Ending March 31, 2017

(1) Consolidated Performance (Income Statement) Expected to Reach Record Highs

Despite last year's decline, this year we expect operating profit to reach a record high of 12.6 billion yen (+4.3 billion yen year-on-year). We also expect recurring profit and net income to grow substantially. In the year ending March 31, 2017, we expect to meet all profit targets under IP16 "Growing."

Despite the negative impact on sales of the previous year's fall in gas prices (-6.1%), the Company expects overall sales to grow, thanks to increased customer numbers in the gas (+16 thousand), Hikari Collaboration (+138 thousand), CATV (+21 thousand), and Aqua (+5 thousand) businesses.

We expect profits to rise significantly thanks to growth in customer numbers in the communications (Hikari Collaboration) and CATV businesses, and a move into the black in the Aqua business. Specifically, we anticipate profit increases of approximately 2.3 billion yen in Hikari Collaboration, 1.1 billion yen in the Aqua business, and 0.4 billion yen in the CATV business. In addition, amortization of goodwill generated at the time of our transition to a holding company structure will fall by 0.8 billion yen. These factors should all boost profits.

Absent any major changes in the market environment, we expect to achieve these targets.

(2) Hikari Collaboration Sales and Profits to Improve Significantly

A year has passed since the launch of "TNC Hikari" (within Shizuoka Prefecture) and "@TCOM Hikari" (nationwide), providing one-stop service, support, and billing by bundling ISP and NTT fiber optic lines.

Customer transfers are expected to move into the black this fiscal year. Higher fee revenues from the previous year's increase in customer numbers combined with the current year's rise should boost profits, outpacing the rise in selling costs and leading to a significant improvement in profits.

(3) Aqua Business to Move into the Black

The environment surrounding the water delivery business has changed over the past few years. Following double-digit growth until 2014, market expansion slowed to single-digit increases, continuing for the past three fiscal years. The Company's customer growth has exceeded that of the market, but also remains in the single digits. Against this backdrop, the Company's balance between revenues and expenses has suffered for the past two fiscal years, fiscal 2015 and fiscal 2016. Falling customer acquisition efficiency and the burden of acquisition costs have put the brakes on earnings improvements.

Since we entered the Aqua business in 2007, we have expanded our service area to meet demand as the market has expanded. However, fixed selling costs have risen in line with a slowing rate of customer growth. In this environment, we have decided to shift toward prioritizing efficiency.

From the current fiscal year, we will work to improve earnings, boosting profit as customer numbers increase. We will also identify areas where acquisition efficiency is poor, concentrating our sales capabilities instead on more promising areas. Along with area realignment, we will revise the sales personnel structure from the standpoint of efficiency. As a result of these efforts, we expect the revenue/expense balance to improve and aim to move into the black this fiscal year.

(4) Number of Group Customers to Reach 2.6 Million

Chiefly in our mainstay gas and CATV businesses, we expect net year-on-year customer growth to double, driving up overall customer numbers to 2.6 million (net increase of 40 thousand). This fiscal year, we anticipate making headway with around 140 thousand customers for Hikari Collaboration (18 thousand customers/month last year→11.5 thousand customers/month this year).

(5) Financial Plans in Place to Exceed IP16 Targets

We will further improve our financial profile, bolstering management soundness and stability (interest-bearing debt: 124.0 billion yen on March 31, 2011→62.2 billion; equity ratio: 7.7% on March 31, 2011→30.8%).

(6) Sharp Dividend Increase Expected in Line with Higher Profits

For the fiscal year ending March 31, 2017, we forecast record levels of profits in all categories, with operating profit of 12.6 billion yen, recurring profit of 11.8 billion yen, and net income of 6.2 billion yen. Accordingly, we plan to raise dividends substantially.

Our dividend policy targets a payout ratio of 40%. We plan to increase annual dividends from the previous level of 12 yen/share (an increase of 2 yen/share in the year ended March 31, 2016, to 14 yen/share) to 22 yen/share (interim and year-end dividends of 11/share each). We will also consider share buy backs, as in the previous year.

For details, please refer to the attached materials, entitled “Financial Results for the Fiscal Year Ended March 31, 2016 and Earnings Forecast for the Fiscal Year Ending March 31, 2017.”

Note: IP16 “Growing” refers to the Company’s medium-term management plan, Innovation Plan 2016 “Growing.”

Financial Results for the FYE March 31, 2016 and Earnings Forecast for the FYE March 31, 2017

TOKAI Holdings Corporation
(Code: 3167)

May 10, 2016

FY03/16 Consolidated Performance

Consolidated Performance in FY03/16

- The sales decrease was attributable partly to falling gas prices (a combined ¥10.3 billion for city gas and LP gas).
- We spent ¥3.0 billion on sales expansion of Hikari Collaboration, but an increase in retail customers and income generated through a lag in the timing of gas price reductions kept the drop in operating profit to ¥800 million. All profit categories exceeded the initial forecast announced in May 2015.

	FY03/15	FY03/16	YoY	Forecast Announced in May 2015
Sales	¥187.5bn	¥180.9bn	-¥6.6 bn	¥192.2bn
Operating profit	¥9.0bn	¥8.2bn	-¥0.8 bn	¥7.8bn
Recurring profit	¥8.5bn	¥8.2bn	-¥0.4bn	¥7.4bn
Net income	¥3.9bn	¥3.5bn	-¥0.5bn	¥3.2bn
Income per share	¥34.16	¥30.01	-¥4.15	¥28.04

Segment Performance in FY03/16 (YoY Comparison)

- Sales decreased in the Gas and Petroleum segment due to falling gas prices (negative 11.1% impact). However, sales rose due to customer increases in the Information and Communications (Hikari Collaboration up by 215 thousand), CATV (up by 20 thousand), and Aqua (up by 3 thousand) segments.
- These customer increases boosted profit, as did a contribution from the time lag on LP gas (¥2.1 billion).

	Sales		Operating Profit	
	FY03/16	YoY	FY03/16	YoY
Gas and Petroleum	¥80.7bn	-13.2%	¥9.0bn	+¥1.3bn
Information and Communication	¥44.2bn	+10.3%	¥2.3bn	-¥2.6bn (Of which, -¥2.8bn for Hikari Collaboration)
CATV	¥24.6bn	+1.0%	¥2.0bn	+¥0.3bn
Construction/ Real estate	¥21.0bn	+4.8%	¥1.3bn	+¥0.2bn
Aqua	¥5.5bn	+10.7%	-¥1.1bn	+¥0.2bn
Others/ Adjustments	¥4.9bn	- 2.2%	¥-5.2bn	-¥0.2bn
Total	¥180.9bn	-3.5%	¥8.2bn	-¥0.8bn

Note: Stated operating profit is before the allocation of indirect expenses.

Group Customers

- In fixed-line communications, we made progress on transitioning 215 thousand customers to Hikari Collaboration, and customers increased by a combined 20 thousand in the Gas and CATV businesses.

(Unit: thousand customers)	Mar. 31, 2014	Mar. 31, 2015	Mar. 31, 2016	YoY
Gas (LP/city gas)	628	626	634	+8
Information and communications (fixed-line/wireless)	854	864	852	-12
<Of which, Hikari Collaboration>	—	<4>	<219>	<215>
Information and communications (mobile)	227	235	236	+1
CATV	693	690	710	+20
Aqua	122	130	133	+3
Security	19	18	18	-0
Total	2,519	2,537	2,558	+20

Note: Numbers below 1,000 have been rounded. Overlaps in communication services between Information and Communications (fixed-line/wireless) and CATV have been eliminated from the total.

Consolidated Financial Indicators

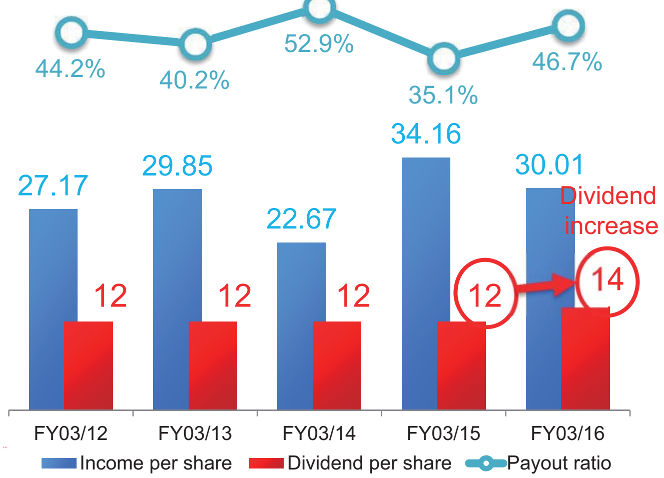
- Interest-bearing debt was ¥71.4 billion, continuing to improve YoY. Although negatively affected by the devaluation of investment securities (down ¥1.2 billion YoY), the equity ratio remained essentially unchanged.
- We maintained EBITDA at ¥25.0 billion, down YoY due to a ¥3.0 billion investment in Hikari Collaboration.

	Mar. 31, 2014	Mar. 31, 2015	Mar. 31, 2016	YoY
Total assets	¥173.6bn	¥165.7bn	¥160.3bn	-¥5.4bn
Total liabilities	¥135.3bn	¥122.2bn	¥118.3bn	-¥3.9bn
Total net assets	¥38.3bn	¥43.5bn	¥42.0bn	-¥1.5bn
Interest-bearing debt	¥85.8bn	¥73.1bn	¥71.4bn	-¥1.7bn
Equity ratio	21.6%	25.7%	25.6%	-0.1%
EBITDA	¥24.9bn	¥26.2bn	¥25.0bn	-¥1.3bn

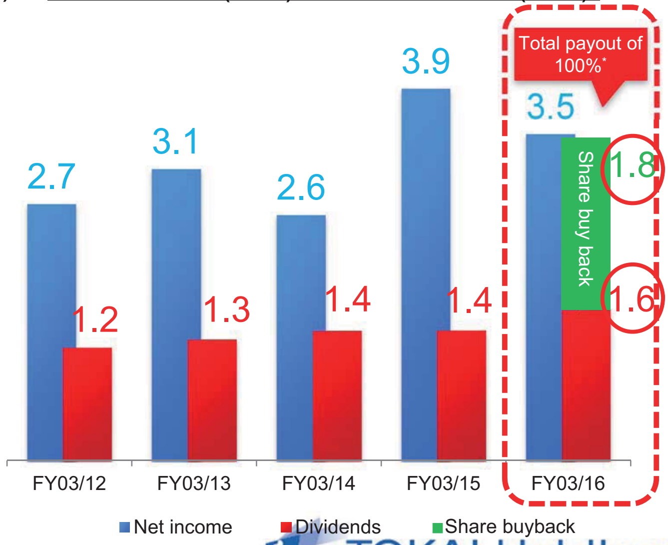
Provision of 100% of Profits to Shareholders (Dividends + Share Buyback)

- In line with the policy of paying back 100% of profits to shareholders in FY03/16, in addition to paying dividends the Company bought back an additional ¥1.8 billion in treasury shares (3.3 million shares).
- Also, as income was higher than initially forecast, the Company decided to increase dividends for the first time since its transition to a holding company (¥12/year→¥14/year).
- Furthermore, to dispel shareholder concern about future share dilution, the Company cancelled 10% of its treasury stock, or 15.52 million shares (down from 39.19 million shares, or 25.3%, on September 30, 2015).

Income per Share (¥/share), Dividends (¥/share) and Payout Ratio (%)



Net Income (¥bn) and Dividends (¥bn)



* (Total dividends (excluding subsidiaries) + treasury share purchases)÷ net income = 98.35%

Performance Forecast for FY03/17

Consolidated Performance Forecast for FY03/17

- In FY03/17, we anticipate increase in sales and profits (with all profit categories reaching historic highs). We expect sales to grow for the first time in three years and profit to increase for the first time in two, leading to major increases in all profit categories.
- In the final year of IP16 "Growing" (announced in May 2014), we expect to achieve the plan's final-year profit targets.

	FY03/16	FY03/17	YoY	FY03/17 under IP16 "Growing"
Sales	¥180.9bn	¥187.1bn	+¥6.2bn	¥209.5bn
Operating profit	¥8.2bn	¥12.6bn	+¥4.3bn	¥12.6bn
Recurring profit	¥8.2bn	¥11.8bn	+¥3.7bn	¥11.8bn
Net income	¥3.5bn	¥6.2bn	+¥2.8bn	¥6.2bn
Income per share	¥30.01	¥55.13	+¥25.12	¥54.06

Segment Performance in FY03/17 (YoY)

- These figures incorporate the impact of gas price decreases in the previous year (-6.1%), but sales are forecast to rise due to more customers in the Gas (16 thousand), Hikari Collaboration (138 thousand), CATV (21 thousand) and Aqua (5 thousand) segments.
- Profit is forecast to rise thanks to higher profits due to increased customers in the Communications (Hikari Collaboration) and CATV businesses, with a move into the black in the Aqua segment also contributing.

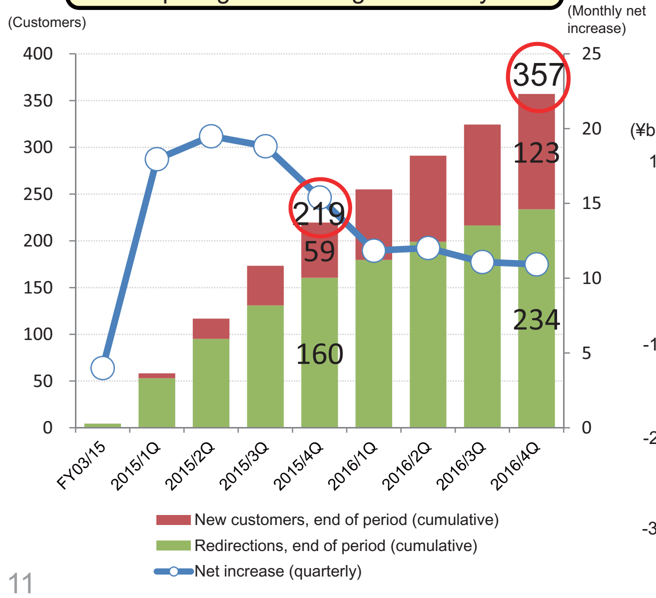
	Sales		Operating profit	
	FY03/17	YoY	FY03/17	YoY
Gas and Petroleum	¥75.9bn	- 6.0%	¥9.0bn	+¥0bn
Information and Communications	¥51.8bn	+17.1%	¥4.2bn	+¥1.9bn
CATV	¥25.4bn	+3.1%	¥2.4bn	+¥0.4bn
Construction and Real estate	¥22.5bn	+7.2%	¥1.5bn	+¥0.2bn
Aqua	¥5.8bn	+6.4%	¥0bn	+¥1.1bn
Others	¥5.7bn	+16.9%	-¥4.6bn	+¥0.6bn
Total	¥187.1bn	+3.4%	¥12.6bn	+¥4.3bn

Note: Stated operating profit is before the allocation of indirect expenses.

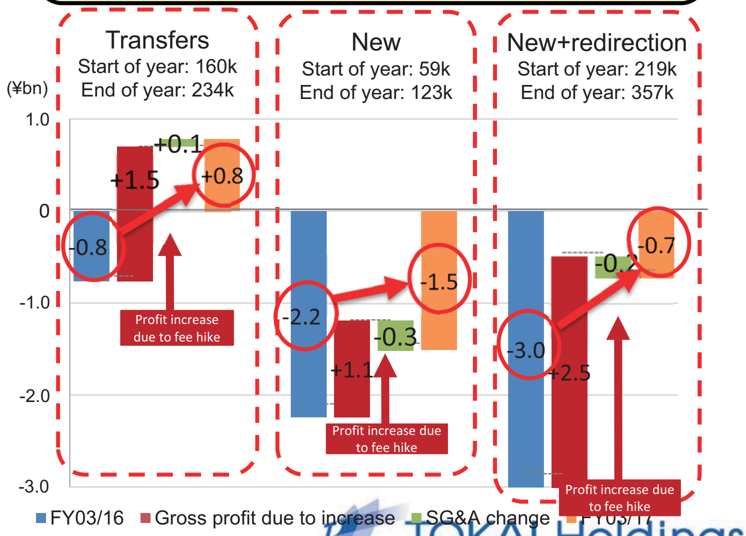
Promotion of the Hikari Collaboration Model

- In the ISP and NTT Hikari line portions, we will enjoy a full year of operations since the start of TNC Hikari (Shizuoka Prefecture) and @T COM Hikari (nationwide), as a one-stop provider of service, support, and billing.
- We expect customer transfers to move into the black in FY03/17. Higher profits due to a fee hike should overcome the increase in expenses to expand sales, resulting in a major improvement.

Anticipating stable net growth this year



Covering acquisition costs in eight months for transferring customers, 24 months for new customers



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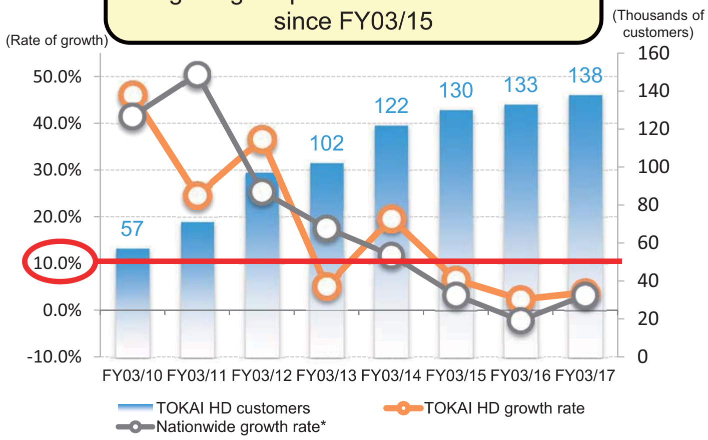
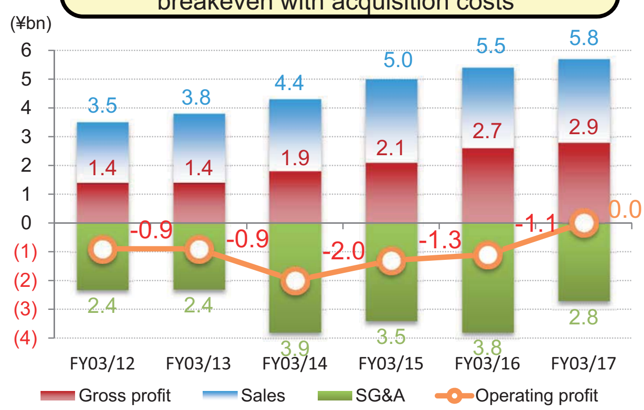
Aqua Business Moving into the Black with Efficiency Focus

Single-digit expansion in customer base since FY03/15



Improved sales and profits to result in breakeven with acquisition costs



Against a backdrop of the growing market, we have sought to reach demand by expanding our sales area, but with the customer growth rate slowing and fixed selling costs rising, we will shift toward prioritizing efficiency

Improve sales and profits through higher profits resulting from customer increases

Identify areas where acquisition efficiency is low, concentrating sales capabilities on more promising areas

Along with area realignment, revise the sales personnel structure from the standpoint of efficiency

* According to a study by the Japan Delivery Water & Server Association (JDSA)

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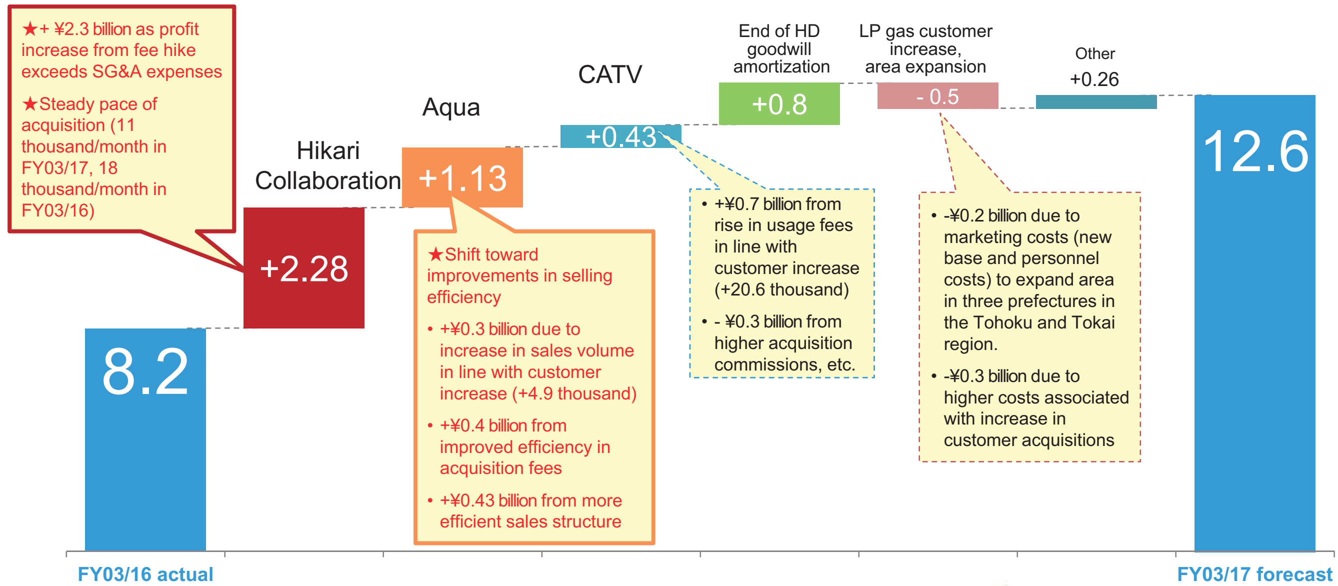
Profit Growth Factors (YoY Changes in Operating Profit)

➢ We anticipate profit increase of around ¥2.3 billion for Hikari Collaboration and ¥1.1 billion for the Aqua business. We also expect ¥0.4 billion in profit in the CATV business, and a ¥0.8 billion decrease in goodwill amortization from the transition to a holdings structure. Essentially all the expected factors support an increase in profit.

➢ Absent any major changes in the market environment, we expect to achieve these targets.



Group Customer Count Forecast

➢ We plan to boost our overall number of customers by around 47 thousand, mainly through growth in the Gas and CATV businesses (Hikari Collaboration to also progress toward around 140 thousand).

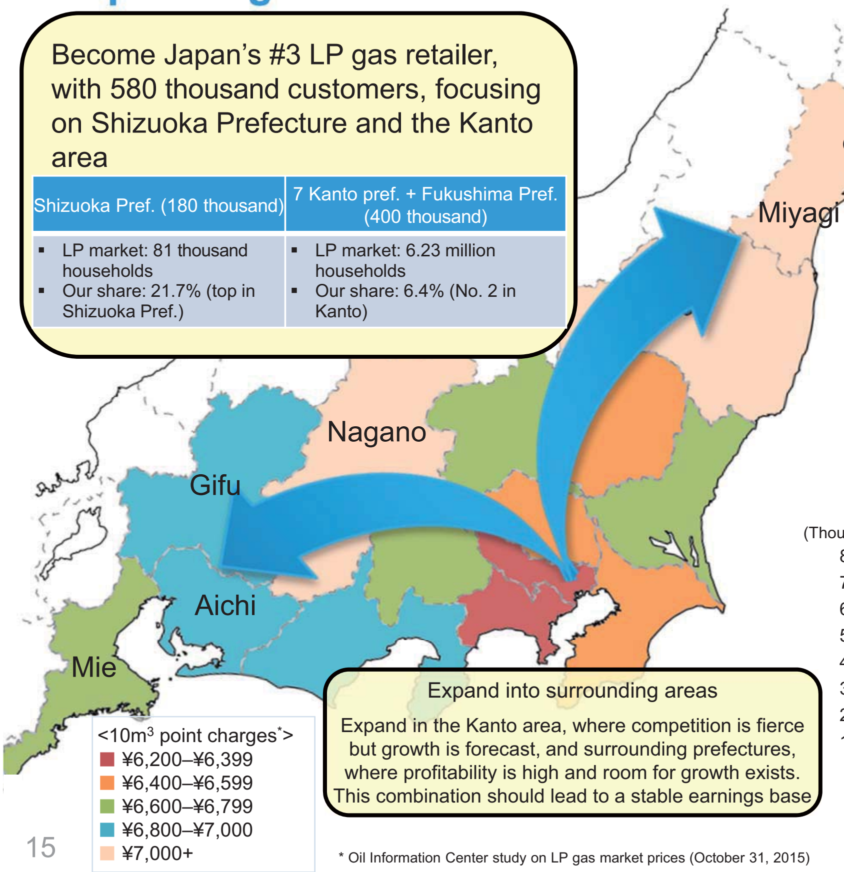
(Unit: thousand customers)	Mar. 31, 2016	Mar. 31, 2017	YoY
Gas (LP gas, city gas)	634	650	+16.2
Information and Communications (fixed-line/wireless)	852	857	+4.2
<Of which, Hikari Collaboration>	<219>	<357>	<138>
Information and Communications (mobile)	236	237	+1.3
CATV	710	730	+20.6
Aqua	133	138	+4.9
Security	18	18	+0.0
Total	2,558	2,604	+46.6

Note: Numbers below 1,000 have been rounded. Overlaps in communication services between Information and Communications (fixed-line/wireless) and CATV have been eliminated from the total.

Expanding Service Area to Boost Earnings in the Gas Business

Become Japan's #3 LP gas retailer, with 580 thousand customers, focusing on Shizuoka Prefecture and the Kanto area

Shizuoka Pref. (180 thousand)	7 Kanto pref. + Fukushima Pref. (400 thousand)
▪ LP market: 81 thousand households ▪ Our share: 21.7% (top in Shizuoka Pref.)	▪ LP market: 6.23 million households ▪ Our share: 6.4% (No. 2 in Kanto)

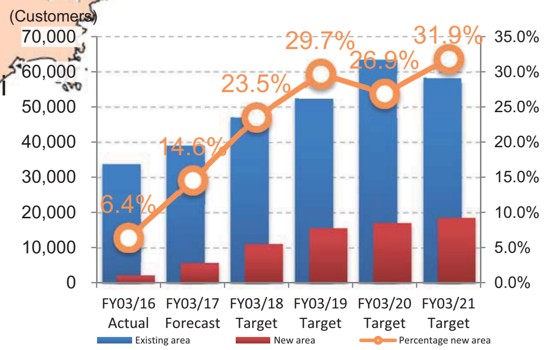


Expand into surrounding areas

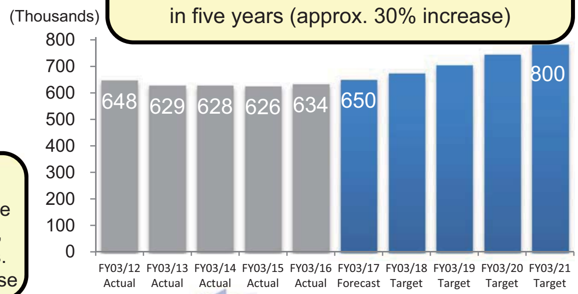
Expand in the Kanto area, where competition is fierce but growth is forecast, and surrounding prefectures, where profitability is high and room for growth exists. This combination should lead to a stable earnings base

Number of new customers (five years)

Increase new area proportion to 30%



Increase number of customers to 800 thousand in five years (approx. 30% increase)



* Oil Information Center study on LP gas market prices (October 31, 2015)

Key Consolidated Financial Indicators for FY03/17

➢ Through continued financial improvements, we plan to surpass FY03/17 targets under the Innovation Plan 2016 "Growing," with year-end interest-bearing debt of ¥62.2 billion and an equity ratio of 30.8%.

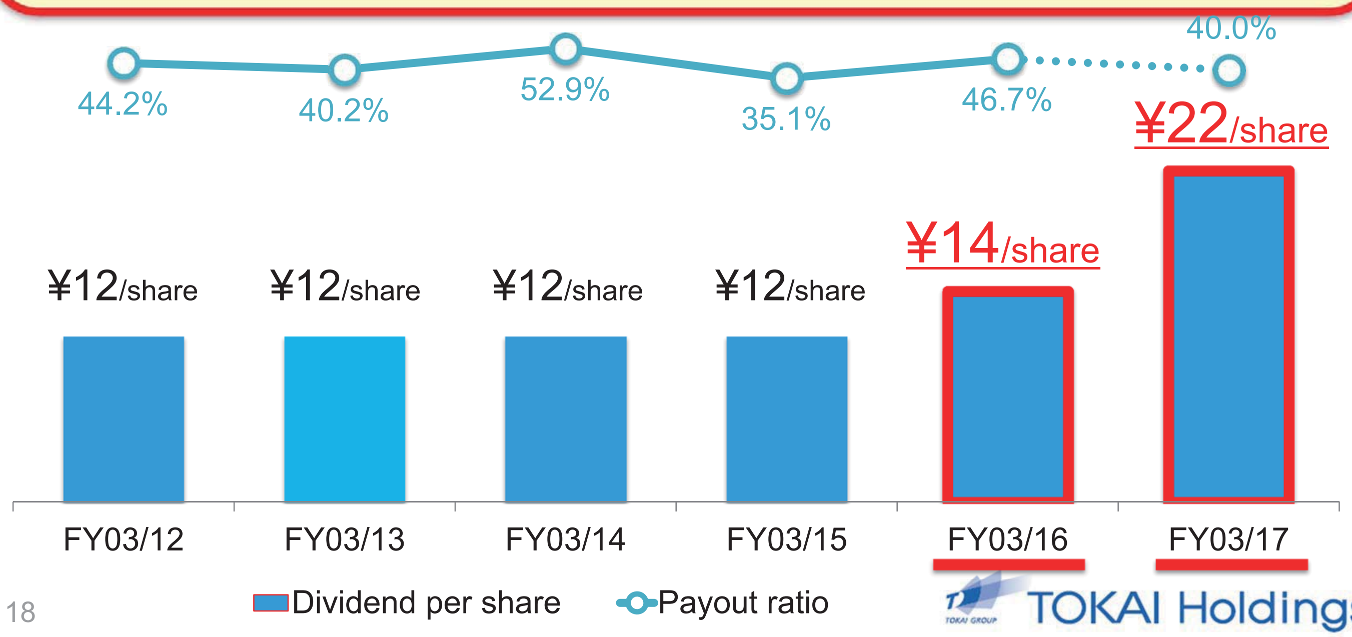
	Mar. 31, 2011	Mar. 31, 2016	Mar. 31, 2017	FY03/17 under IP16 "Growing"
Operating cash flow	¥23.5bn	¥21.4bn	¥24.4bn	¥25.5bn
Capital expenditure	¥18.7bn	¥14.2bn	¥17.9bn	¥13.2bn
Interest-bearing debt	¥124.0bn	¥71.4bn	¥62.2bn	¥64.7bn
Equity ratio	7.7%	25.6%	30.8%	28.6%
EBITDA	¥26.3bn	¥25.0bn	¥28.3bn	¥28.7bn

Note: Capital expenditure includes intangible assets.

Shareholder Returns in FY03/17

Shareholder Returns (Higher Dividends)

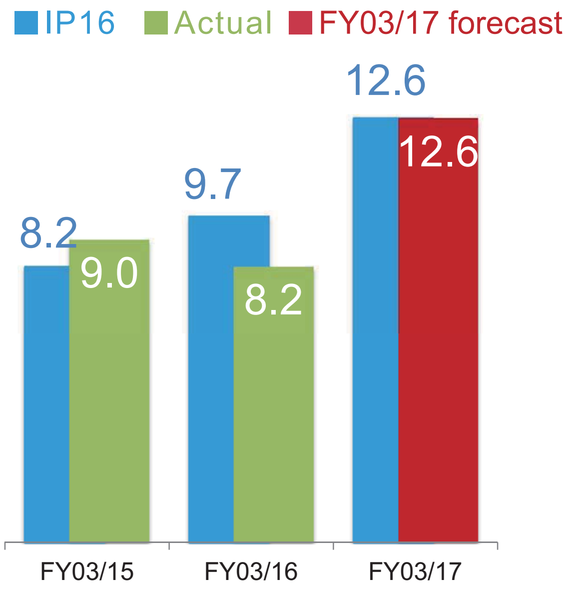
- In FY03/17, we forecast new historic highs for operating profit (¥12.6 billion) and net income (¥6.2 billion).
- With a dividend policy of attaining a 40% payout ratio, we plan to move from **past annual dividends of ¥12/share (+¥2 in FY03/16 to ¥14/share) to ¥22/share (interim and year-end dividends of ¥11/share each).**



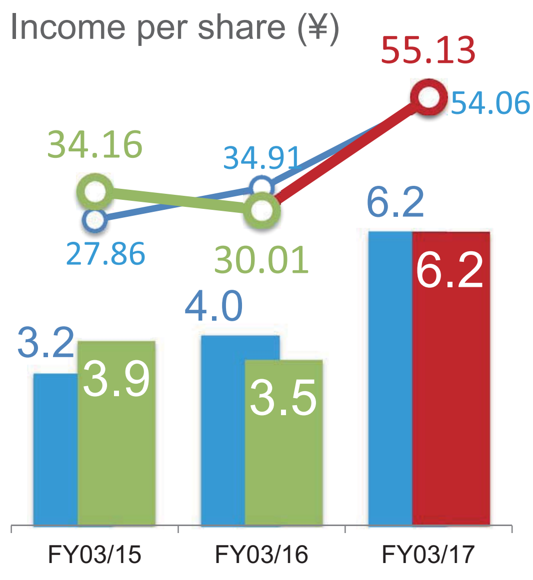
Expected Results of the Innovation Plan 2016 "Growing"

Profitability (Income Statement)

- The impact of Hikari Collaboration, which was not reflected in IP16, was limited to FY03/15. By the final year of the plan, FY03/17, we expect net income per share to rise to ¥55.13. This will equate to success on an issue under IP13: enhancing business profitability.



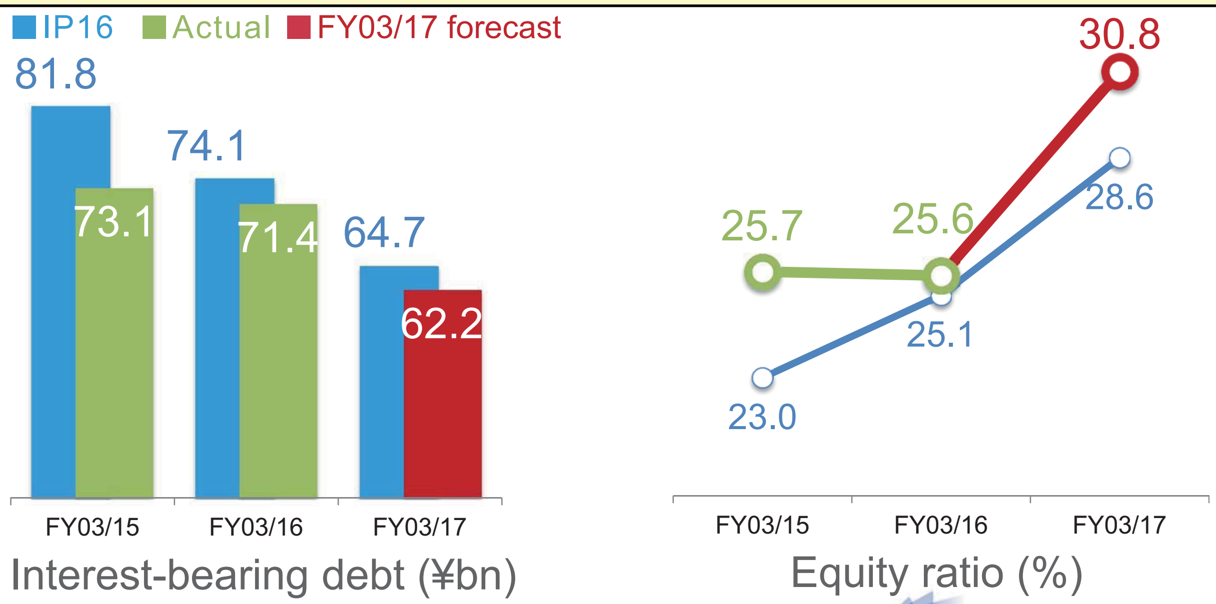
Operating profit (¥bn)



Net income (¥bn)

Financial Indicators (Balance Sheet)

- Just before our transition to a holding company, interest-bearing debt was ¥124.0 billion. We plan to halve this figure by the final year of the plan.
- In addition to lowering interest-bearing debt, through capital policies (such as disposal of treasury stock) and retained earnings, we expect to boost our equity ratio from 7.7% before our transition to a holding company to more than 30%.



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Moving to the Next Growth Phase

- Our current plan, IP16 "Growing," seeks to address an issue faced during our IP13 plan, namely enhancing business profitability. In the final year of the current plan, we expect to achieve record levels of performance.
- In the next year, we will formulate our next four-year plan, leading up to 2020. This will be a year of putting the Group on a path to future growth.

"Reinforcing the management structure" (2011–2013)	"Enhancing business profitability" (2014–2016)	"Implementing a growth strategy" (2017–2020)
Innovation Plan 2013	Innovation Plan 2016 Growing	Next Mid-Term Management Plan
Restructure business Improve finances Expand the customer base	Enhance profitability of main businesses Respond to liberalization Further strengthen finances	Expand area, pursue M&A Expand cross-selling Generate new services

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The performance forecasts and forward-looking statements in these materials are calculated according to currently available information, 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。

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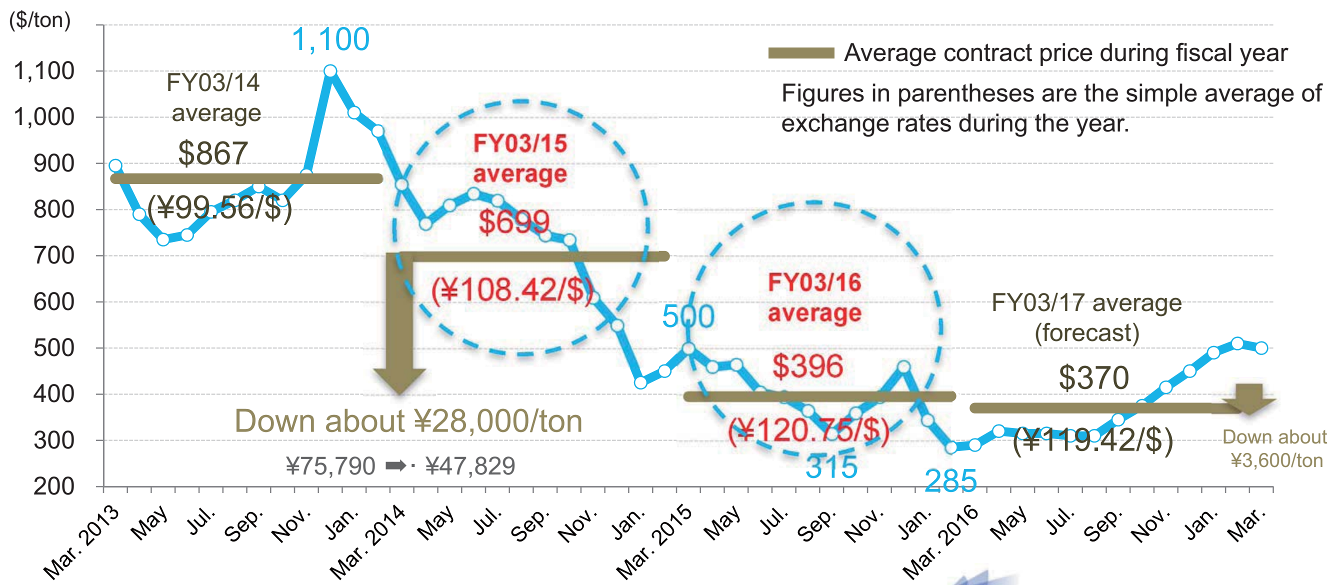
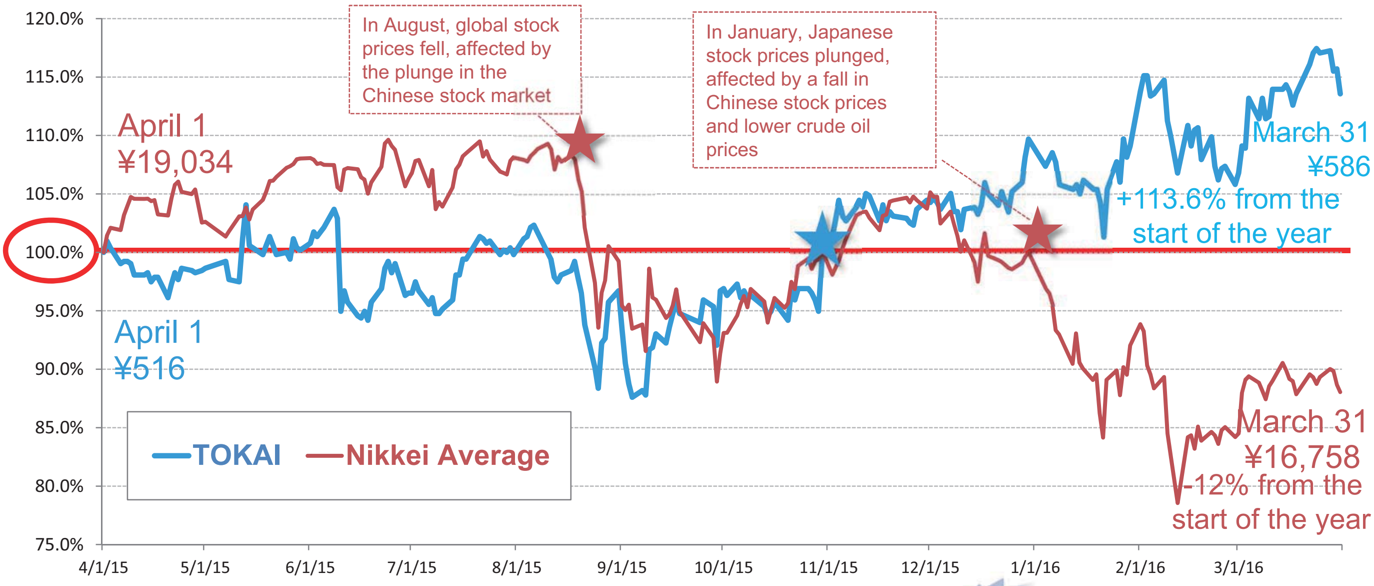
Reference) LP Gas Contract Prices, Past Three Years

- Two years ago, the average contract price when purchasing LP gas was $699/ton. Last year, the price fell to $396/ton (down $333/ton). Meanwhile, average exchange rates two years ago were ¥108.42/$, moving to ¥120.75/$.
- As a result, last year the average purchase price per ton of LP gas was ¥28,000 lower (down 37%) from two years ago.



Reference) Share Price in FY03/16 (April 2015 = 100)

- Last August and again early this year, Japanese stock market prices declined due to the effect of plunging Chinese stock prices, falling crude oil prices, and yen appreciation. The Nikkei Average consequently dropped by 12% from the beginning of the year into ¥16,000 territory.
- Despite this environment, the Company's share price sustained high growth levels of more than 10%. (On May 6, the Nikkei closed at ¥16,106, down 15% from the beginning of the year. Our stock price was ¥617, up 20%.)



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