



January 29, 2016

TOKAI Holdings Corporation
Katsuhiko Tokita, President & CEO
(Code No. 3167 Tokyo Stock Exchange First Section)

To whom it may concern

Results for the Third Quarter of the Fiscal Year Ending March 31, 2016 and Full-Year Outlook

TOKAI Holdings Corporation (Headquarters: Shizuoka City, Shizuoka; President & CEO: Katsuhiko Tokita; “the Company”) on January 29, 2016 announced cumulative results for the third quarter of the fiscal year ending March 31, 2016 (the nine month period from April to December 2015).

1. (Consolidated) Third Quarter Results (P/L)

Growth in customer numbers led to a 3.7 billion yen revenue increase for Hikari Collaboration,¹ and a 400 million yen revenue increase for Aqua (bottled water delivery), but this was not enough to offset the 8.2 billion yen in distributions to customers (6.4 billion yen distributed for LP gas; 1.6 billion yen for city gas) resulting from price revisions in line with the fall in crude oil prices, and overall sales declined.

In terms of operating profit, LP gas profits rose by 800 million yen, and Aqua (bottled water delivery) profits recovered by 200 million yen due to the increase in customers. As a result, overall operating profit was lower by only 900 million yen compared to the same period last year (-17.7% year-on-year), despite 2.4 billion yen in upfront costs for Hikari Collaboration, a business the Company has been focusing on this year.

(Unit: billion yen)

	Results	Third quarter of previous year	Year-on-year	
Sales	130.1	136.0	-5.9	-4.3%
Operating profit	4.0	4.9	-0.9	-17.7%
Recurring profit	3.9	4.5	-0.6	-13.2%
Quarterly net income	1.4	1.8	-0.4	-23.3%

2. Full-Year Outlook for the Fiscal Year Ending March 31, 2016

Operating profit at the end of the first half of the fiscal year (April to September 2015) was 1.9 billion yen, 1.0 billion yen above the initial forecast of 0.9 billion yen.

For the second half, in the third quarter (October to December 2015), the pace of winning new customers (larger profit margins than existing ISP customers who switch) for Hikari

Collaboration via mass retailer channels outpaced initial forecasts. The resulting growth in upfront costs, etc. has led to a 400 million yen drag on initial operating profit forecast. For the fourth quarter, there is some uncertainty, such as the impact of fluctuating temperatures on the gas business, but at this point the Company expects full-year operating profit to meet initial forecasts.

3. Progress of Hikari Collaboration

Hikari Collaboration had 173 thousand customers as of the end of the third quarter of the fiscal year ending March 31, 2016. The Company booked a 1.0 billion yen gross profit in this business, but with customer acquisition costs being booked ahead of revenue, operating loss was 2.4 billion yen.

The Company expects this business to have 224 thousand customers by the end of the fiscal year ending March 31, 2016. The Company forecasts 1.7 billion yen in gross profit, and an operating loss of 3.1 billion yen after factoring in customer acquisition costs. This is roughly in line with initial forecasts.

The Company is targeting 380 thousand customers by the end of the fiscal year ending March 31, 2017. With the growth in customer numbers this year and the resulting increase in gross profit, the Company expects earnings for Hikari Collaboration to recover significantly and come back into balance with expenditures, in line with the initial plan.

4. Changes in Contract Price for LP Gas

Prices of raw materials for LP gas have declined with the fall in crude oil prices.

The Company expects the average LP gas price this year to be about 47,000 yen/ton, which is about 25,000 yen/ton (34%) lower than the previous year.

Currently major LP gas suppliers are forecasting the contract price to remain low during the next year, at around 330 to 390 US dollars/ton. The Company's initial plan assumes a contract price of 500 US dollars/ton for the fiscal year ending March 31, 2017, so lower procurement costs are projected.

A fall in procurement costs is a major tailwind for gas-related businesses, and can be anticipated to improve both competitiveness and profitability.

5. Shareholder Returns for Fiscal Year Ending March 31, 2016

For the fiscal year ending March 31, 2016, the Company forecasts the total amount of annual dividends at 1.4 billion yen, with an interim dividend of 6 yen per share and a year-end dividend of 6 yen per share, for a total annual dividend of 12 yen per share.

In addition, on November 6, 2015 the Company cancelled treasury shares equivalent to 10% of the total issued shares, and also began a share buyback from October 30, 2015 (maximum: 1.8 billion yen), with the aim of providing a 100% return to shareholders when combining dividends and share buybacks.

With earnings remaining solid going into the last year of the Company's medium-term business plan IP16² for FY2014 through FY2016, which was announced in June 2014, we are also considering additional share buybacks next year.

6. Impact on Earnings

No changes have been made to the most recent consolidated earnings forecasts for the fiscal year ending March 31, 2016.

For details, please refer to the “Q3 FY03/16 Earnings Highlights.”

1 “Hikari Collaboration” is a service where internet service providers, etc. are able to use NTT fiber-optic lines to provide fiber-optic services under their own corporate branding.

2 “IP16” stands for Innovation Plan 2016, the Company’s medium-term business plan.

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Q3 FY03/16

(Third quarter of fiscal year ending March 31, 2016)

Earnings Highlights

TOKAI Holdings CO., LTD.
(Code: 3167)

January 29, 2016

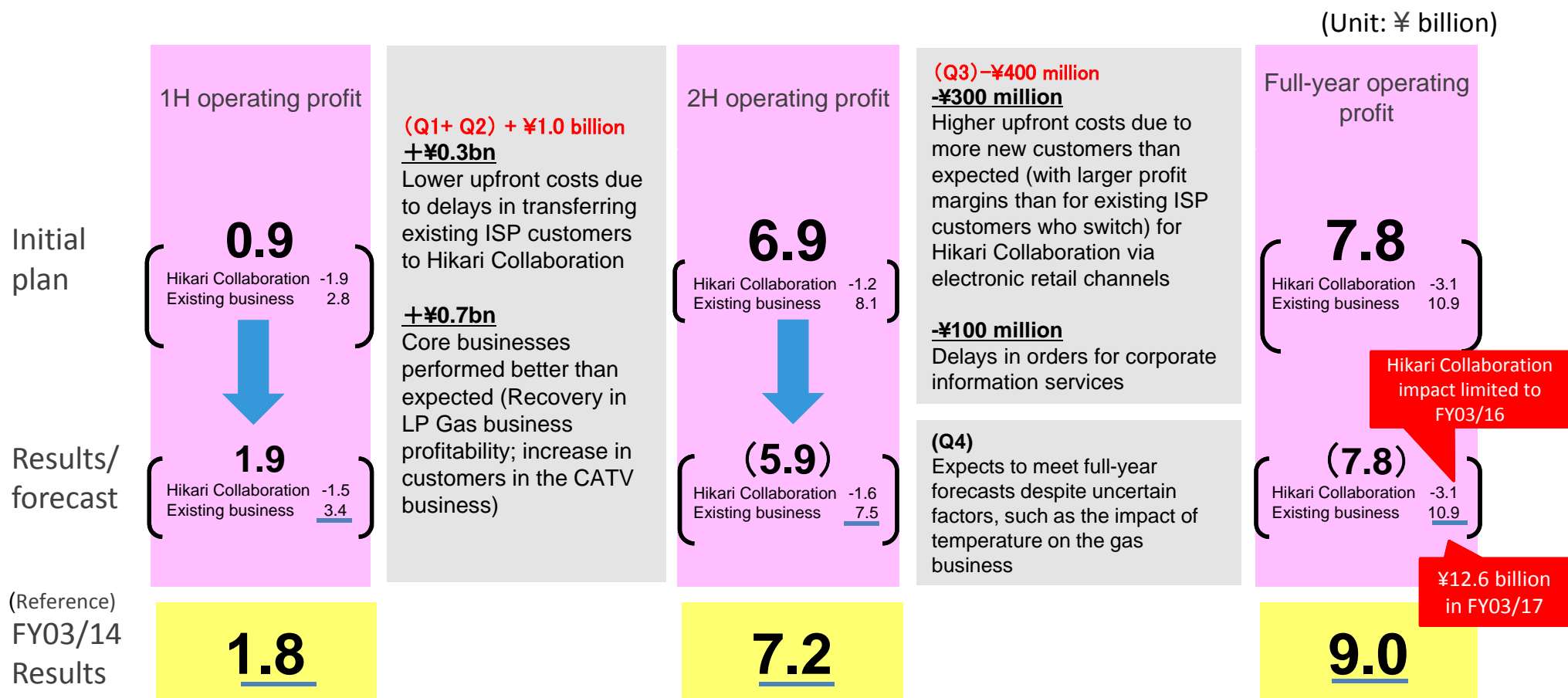
(Consolidated) Q3 Earnings (P/L)

- Growth in customer numbers led to a ¥3.7 billion revenue increase in “Hikari Collaboration,”¹ and a ¥400 million revenue increase for Aqua (bottled water delivery), but this was not enough to offset the ¥8.2 billion in distributions to customers (¥6.4 billion for LP gas; ¥1.6 billion for city gas) resulting from price revisions in line with the fall in prices of raw materials for gas (negative impact of 4.9%), and overall sales declined.
- In terms of operating profit, LP gas profit rose by ¥800 million, and Aqua (bottled water delivery) profit recovered by ¥200 million due to the increase in customers. As a result, overall operating profit was lower by only ¥900 million compared the same period last year (-17.7% YoY), despite ¥ 2.4 billion in upfront costs for Hikari Collaboration, a business the company has been focusing on this period.

(Unit: ¥ billion)	Actual	Previous Year	Year-on-year	
	(April 1 to December 31, 2015)	(April 1 to December 31, 2014)		
Sales	130.1	136.0	-5.9	-4.3%
Operating profit	4.0	4.9	-0.9	-17.7%
Recurring profit	3.9	4.5	-0.6	-13.2%
Quarterly net income	1.4	1.8	-0.4	-23.3%

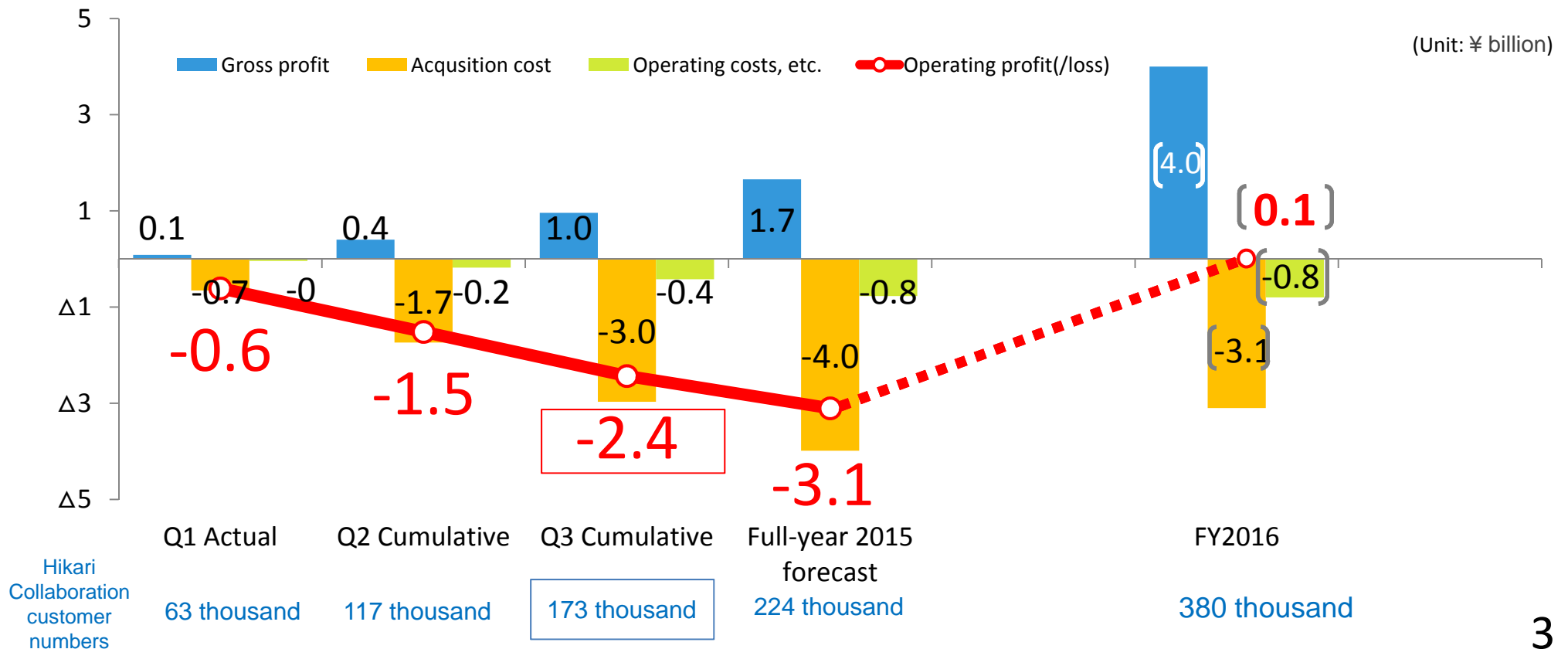
Full-year FY03/16 Outlook

- 1H operating profit finished ¥1.0 billion above initial 1H forecast (result: ¥1.9 billion vs initial forecast of ¥0.9 billion).
- At the end of Q3, operating profit was ¥400 million behind initial forecasts (for 2H).
- There is some uncertainty for Q4 such as the impact of temperatures on the gas business, but at this point full-year operating profit is expected to meet initial forecasts.



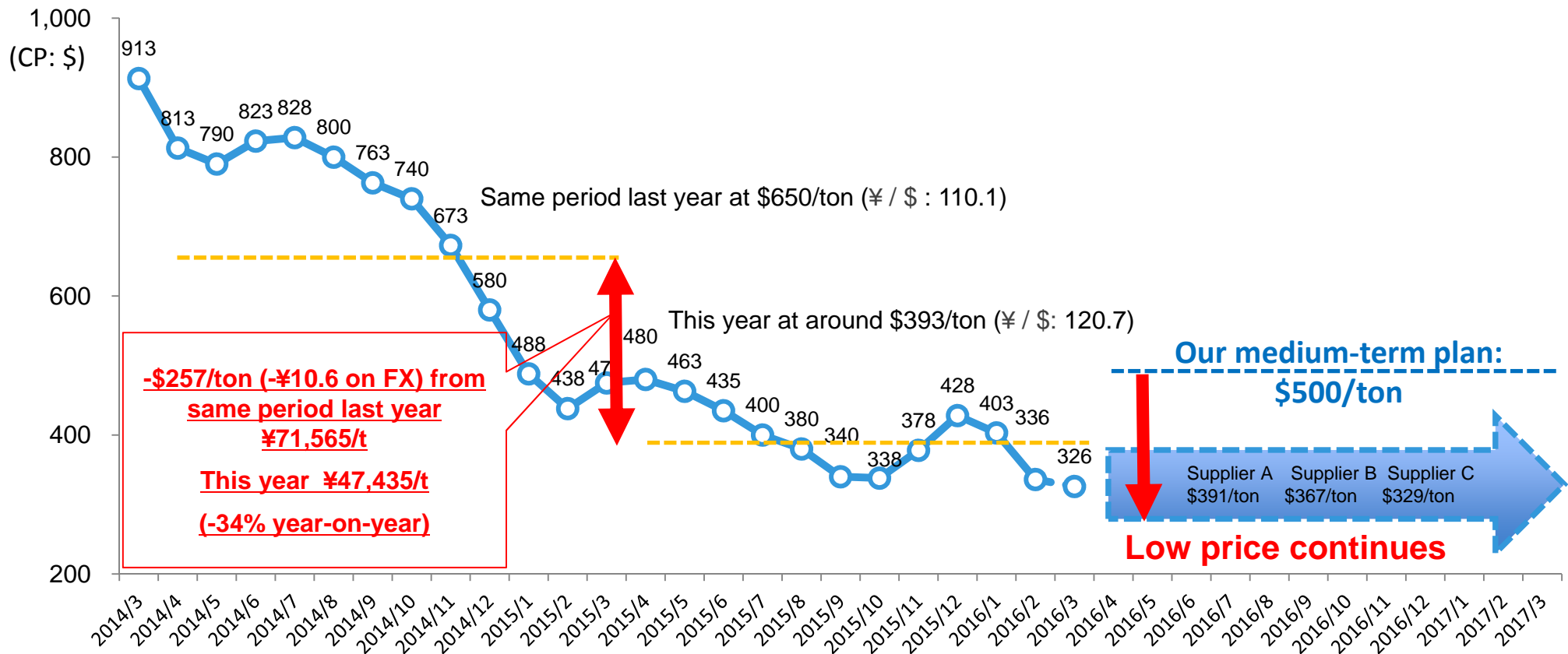
Progress of Hikari Collaboration

- Hikari Collaboration had 173 thousand customers as of the end of Q3. It booked a ¥1.0 billion gross profit, but with customer acquisition costs running ahead of revenue, operating profit was down by ¥2.4 billion.
- TOKAI Holdings forecasts 224 thousand customers by the end of FY03/16 (¥1.7 billion in gross profit; factoring in customer acquisition costs, we expect an operating loss of ¥3.1 billion, which is roughly in line with initial forecasts.
- TOKAI Holdings is targeting 380 thousand customers by the end of FY03/17. With the growth in customer numbers in FY03/16 and the resulting increase in gross profit, we expect earnings to recover significantly and come back into balance with expenditures. in line with initial forecasts.



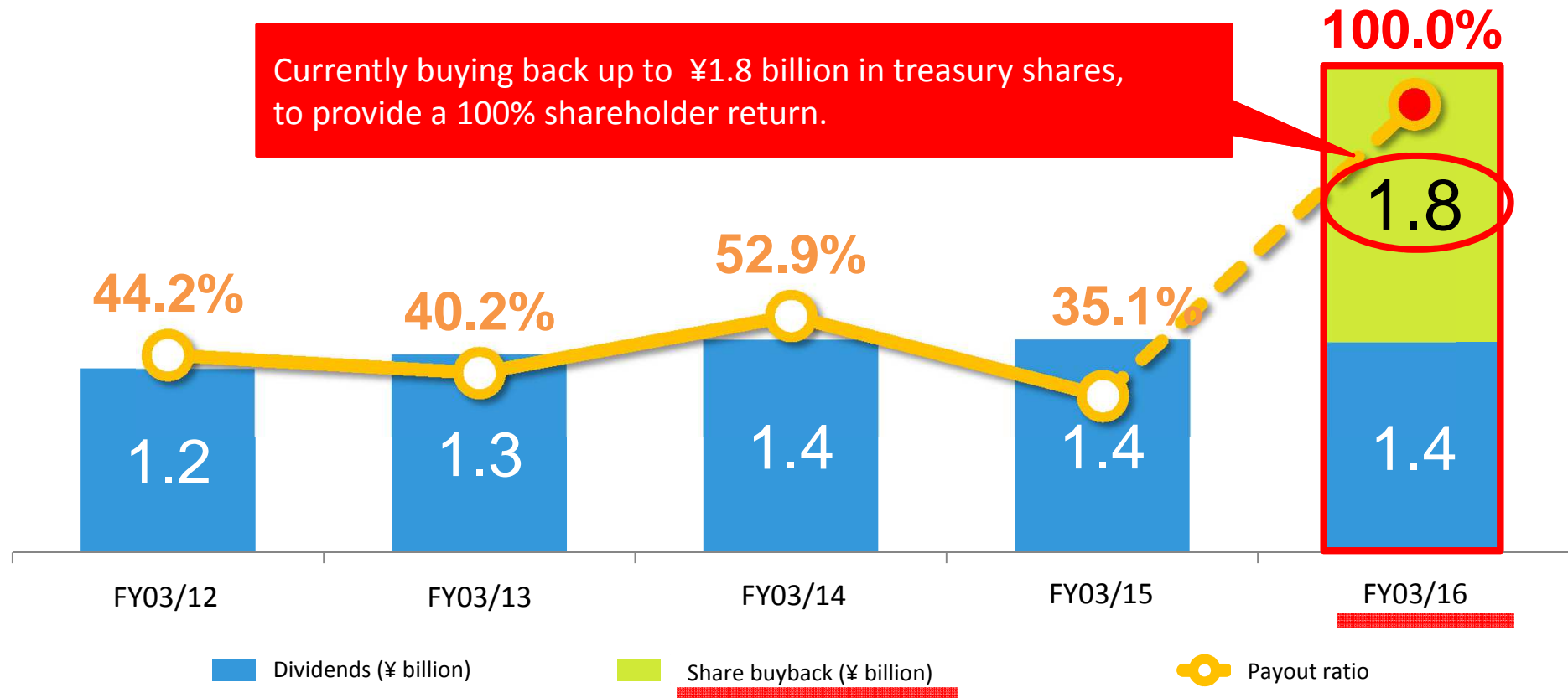
LP Gas Contract Price Trends

- ❑ The price of raw materials for LP gas has fallen, in line with the drop in crude oil prices.
- ❑ The average LP gas procurement cost this year is expected to be about ¥47,000/ton, about ¥25,000/ton (34%) lower than last year.
- ❑ Currently major suppliers are forecasting prices will remain low next year at around \$330 to \$390/ton (TOKAI Holdings' FY03/17 medium-term plan assumes \$500/ton).
- ❑ This is a major tailwind for gas-related businesses, and should improve both competitiveness and profitability.



Shareholder returns for FY03/16

- Expected annual dividends to total ¥1.4 billion (¥6 interim dividend at the end of 1H, and ¥6 year-end dividend at the end of FY03/16 for a total annual dividend of ¥12 per share).
- This year, TOKAI Holdings plans to cancel treasury shares equivalent to 10% of its total issued shares, and to buyback an additional ¥1.8 billion in treasury shares, providing a 100% of profits to shareholders, when combined with dividends.
- With performance remaining solid going into the last year of the IP16 plan, we are also considering additional share buybacks next year.



The performance forecasts and forward-looking statements in this material are calculated according to currently available information, and include potential risks and uncertainty. Please be aware that due to the changes in various factors, there is a possibility that actual results may differ materially from projections and other forward-looking statements made within these materials.

For inquiries regarding these materials, please contact us at the following.

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