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.”