

May 9, 2017

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, 2017 Significantly Higher Profits Led to Record Profits

TOKAI Holdings Corporation (hereinafter, the “Company”) today announced its financial results for the fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017).

(Millions of yen)

	FY03/17 results (April 1, 2016 to March 31, 2017)	FY03/16 results (April 1, 2015 to March 31, 2016)	Forecast	YoY change	Versus forecast
Sales	178,631	180,940	179,700	-2,309	-1,069
Operating profit	12,750	8,245	12,750	+4,504	+0
Recurring profit	12,775	8,150	12,360	+4,625	+415
Net income	7,337	3,458	6,500	+3,878	+837
EPS (Yen)	64.46	30.01	57.23	+34.45	+7.23

### 1. Significantly Higher Profits Led to Record Profits

Consolidated results for the fiscal year ended March 31, 2017 were sales of 178.6 billion yen, operating profit of 12.8 billion yen, recurring profit of 12.8 billion yen, and net income of 7.3 billion yen.

Operating profit increased by a sharp 4.5 billion yen (up 54.6%) compared to 8.2 billion yen during the fiscal year ended March 31, 2016, and all profit indicators posted historic highs.

Active sales promotion activities conducted for Hikari Collaboration\*—an area of focus during FY03/17—during the previous fiscal year were successful, resulting in a 2.9 billion yen improvement, and the Aqua (bottled water delivery) business also showed a 1.4 billion yen improvement and achieved profitability for two consecutive half-year periods owing to factors such as a shift in sales strategy.

All consolidated profit indicators attained the forecasts revised up in October 2016.

## **2. Information and Communications, Aqua, and CATV Segments Post Operating Profit Growth**

Sales declined 9.2% in the Gas and Petroleum segment due to a 6.5 billion yen negative impact of sales price adjustment related to lower gas procurement prices. However, overall sales were little changed from the previous year due to sales growth in the Information and Communications, CATV, and Aqua segments as a result of an increase in retail customers and promotion activities for Hikari Collaboration as discussed above.

Profit growth resulting from the increase in retail customers was the main reason for the sharp increase in profits.

## **3. Net Increase of Group Customers Continues**

The number of customers in the mainstay Gas and Petroleum and CATV businesses increased for the second consecutive fiscal year due to a rise in new customer registrations.

In the Aqua business, the number of customers showed a steady increase despite switching to a sales structure with more emphasis on cost efficiency.

The number of customers fell in the Information and Communications business as a result of promoting the transition to Hikari Collaboration and traditional ISP services switching to Hikari Collaboration.

Accordingly, the Group customer count at the end of the fiscal year ended March 31, 2017 increased by 6,000 from the end of the previous fiscal year to 2,564 thousand customers.

## **4. Further Progress with Balance Sheet Improvement**

Since management integration in April 2011, the Company has focused on improving the financial position over six fiscal years, continuing to make progress in the fiscal year ended March 31, 2017.

Interest-bearing debt was reduced to 54.1 billion yen, due in part to, in addition to repayment, conversion of convertible bonds issued in June 2015 into equity, and the Company's equity ratio improved to 34.5%. EBITDA also recovered to the 28 billion yen level thanks to substantial profit growth.

## **5. Dividend Per Share Doubles on Two Consecutive Years of Dividend Increase**

The fiscal year ended March 2017 was the final year of the Company's second medium-term management plan "Innovation Plan 2016 'Growing'" (IP16). All profit indicators posted historic highs and attained plan targets.

As announced in the upward revision on October 31, 2016, the annual dividend for the fiscal year ended March 31, 2017 shall be 28 yen per share, a twofold increase from 14 yen for the fiscal year ended March 31, 2016, including a commemorative dividend of 6 yen to mark the achievement of the IP16 medium-term management plan.

(Yen)

	FY03/17	FY03/16
End of Q2	11.00	6.00
Year-end	17.00 (Ordinary dividend: 11.00) (Commemorative dividend: 6.00)	8.00
Annual dividend total	28.00	14.00
Total dividend payout	3,416 million	1,601 million
Consolidated payout ratio	43.4%	46.7%
Consolidated ROE	7.0%	3.8%

For details, please see the attached materials, entitled “Financial Results for the Fiscal Year Ended March 31, 2017.”

\* ISPs that provide self-branded optical broadband service via fiber optic lines provided by NTT.

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# Financial Results for the Fiscal Year Ended March 31, 2017

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## Record profits on sharp profit growth

- ◎ Mostly attained earnings forecasts revised up in October 2016
- ◎ Steady progress with earnings improvement totaling 4.4 billion yen in focus areas of Hikari Collaboration and Aqua led to sharp profit growth. The Aqua business turned profitable for the first time.
- ◎ Price revision due to fall in procurement prices of raw materials for gas lowered sales by 6.5 billion yen from previous fiscal year

(Millions of yen)

	FY03/17 result	FY03/16 result	Forecast	YoY change		Versus forecast	
				Amount of change	Percent change (%)	Amount of change	Percent change (%)
Sales	178,631	180,940	179,700	-2,309	-1.3	-1,069	-0.6
Operating profit	12,750	8,245	12,750	+4,504	+54.6	+0	+0.0
Of which, Hikari Collaboration	-67	-3,007	-442	+2,940	-	+375	-
Of which, Aqua	298	-1,119	301	+1,417	-	-3	-1.1
Recurring profit	12,775	8,150	12,360	+4,625	+56.7	+415	+3.4
Net income	7,337	3,458	6,500	+3,878	+112.1	+837	+12.9
EPS (Yen)	(64.46)	(30.01)	(57.23)	(+34.45)	(+114.8)	(+7.23)	(+12.6)

\* Operating profit of Hikari Collaboration and Aqua businesses are prior to elimination of indirect expenses.

# Results by segment (YoY change)

- ◎ Sales were flat YoY, with higher revenue from paying customers offset by negative effect of gas price cut (-3.6%)
- ◎ Information and Communications segment profit up by 1.9 billion yen on promotion of Hikari Collaboration to consumers
- ◎ Aqua business turned profitable for the full year, improving balance sheet by 1.4 billion yen by switching to a strategy that emphasizes cost efficiency
- ◎ CATV business profit up by 800 million yen on increased customer count and operating expense cuts

(Millions of yen)

	Sales		Operating profit	
	FY03/17 results	YoY change	FY03/17 results	YoY change
Gas and Petroleum	73,344	-9.2%	9,161	+170
Information and Communications	49,508	+11.9%	4,213	+1,905
CATV	25,396	+3.2%	2,752	+777
Building and Real Estate	19,511	-7.0%	1,098	-168
Aqua	5,762	+5.0%	298	+1,417
Others, adjustments	5,108	+4.8%	-4,774	+403
Total	178,631	-1.3%	12,750	+4,504

\* Prior to elimination of indirect expenses

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## Group customer count

- ◎ Group customer count up by six thousand from previous year to 2.56 million customers
- ◎ Net increase for two consecutive fiscal years in gas and CATV businesses due to a rise in new registrations, expanding their customer base
- ◎ Solid increase in customers of Aqua business despite new emphasis on cost efficiency
- ◎ Information and Communications business promote switch to Hikari Collaboration while previous ISP business declines

(Thousands of customers)

		End-FY03/12	End-FY03/13	End-FY03/14	End-FY03/15	End-FY03/16	End-FY03/17
Gas (LP and city gas)		648	629	628	626	634	642
Information and Communications	Previous ISP model, etc.	758	816	854	859	633	528
	Hikari Collaboration	—	—	—	4	219	299
	Mobile	193	213	227	235	236	233
	Subtotal	951	1,029	1,082	1,099	1,088	1,061
CATV		722	691	693	690	710	733
Aqua		97	102	122	130	133	135
Security		20	19	19	18	18	17
Total		2,415	2,445	2,519	2,537	2,558	2,564

\* The number of customers below a thousand are rounded to the nearest thousand. Information and Communications and CATV both offer communications services, so total figures avoid duplication.

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# Further progress with improvement of financial indicators

- Further progress in financial position improvement, which the Company has focused on over six fiscal years since management integration
- Interest-bearing debt reduced to 54.1 billion yen and equity ratio improved to 35%
- EBITDA increases to 28.4 billion on steady progress with earnings performance

(Millions of yen)

	End-FY03/12	End-FY03/13	End-FY03/14	End-FY03/15	End-FY03/16	End-FY03/17
Total assets	183,735	177,642	173,620	165,702	160,303	161,112
Total liabilities	156,553	143,631	135,291	122,234	118,332	104,665
Total net assets	27,181	34,011	38,329	43,467	41,970	56,446
Interest-bearing debt	105,659	93,668	85,843	73,114	71,410	54,137
EBITDA	28,826	26,382	24,965	26,233	24,980	28,392
Equity ratio	14.3 %	18.6 %	21.6 %	25.7 %	25.6 %	34.5 %

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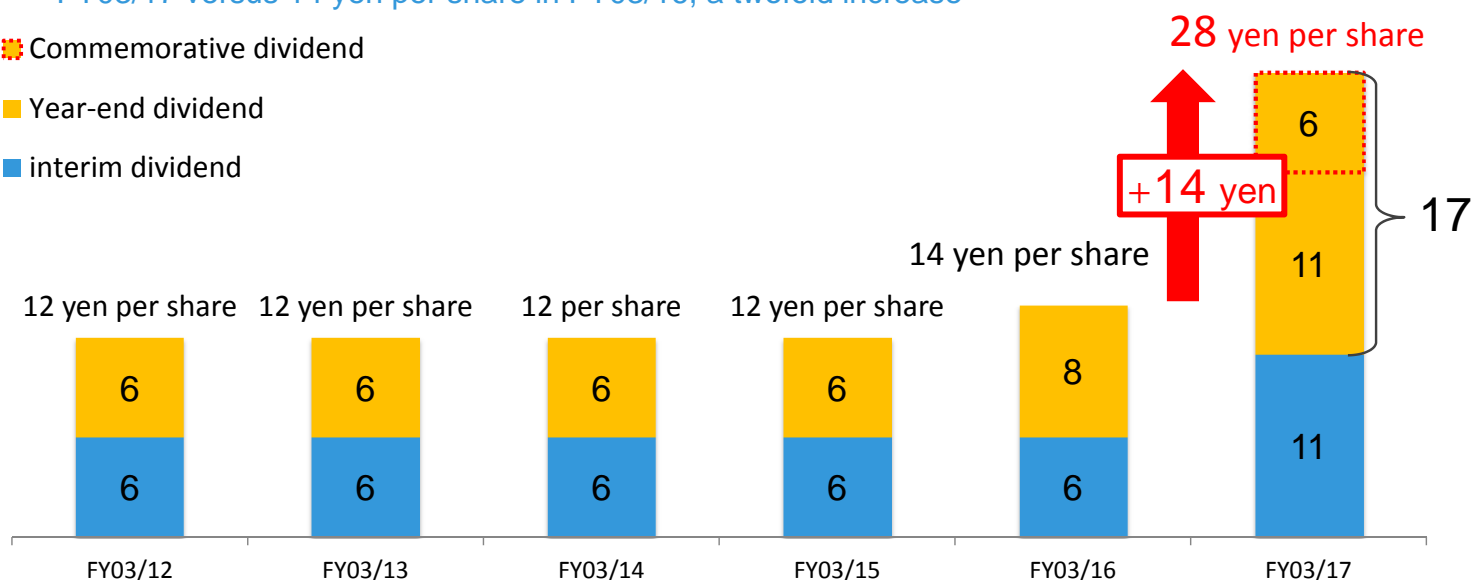
## Dividend increase over two consecutive fiscal years, doubling in FY03/17

- Posted record profits in FY03/17 and attained final-year targets of second medium-term management plan IP16
- To pay annual dividend of 28 yen per share, including IP16 achievement commemorative dividend of 6 yen per share as announced in October 2016
- Two consecutive fiscal years of dividend increase and an annual dividend of 28 yen per share in FY03/17 versus 14 yen per share in FY03/16, a twofold increase

■ Commemorative dividend

■ Year-end dividend

■ interim dividend



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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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