



March 25, 2016



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

To whom it may concern

Number of Subscribers under Hikari Collaboration Model Surpasses 200 Thousand in the Communications Business

TOKAI Communications Corporation (Headquarters: Shizuoka City, Shizuoka; President & CEO: Katsuhiko Tokita; “TOKAI Communications”), a wholly owned subsidiary of TOKAI Holdings that handles the Group’s information and communications business, has surpassed 200 thousand subscribers (as of the end of February 2016) under the Hikari Collaboration model¹. TOKAI Communications has been aggressively rolling out this model since February 2015 as the most important initiative for strengthening sales and profits in the broadband business.

1. Progress of Hikari Collaboration

Customer transfers to Hikari Collaboration contracts are proceeding at a moderate pace owing to factors including a lack of consumer recognition and strict transfer procedures that increase the burden for customers (we estimate the average national transfer rate² at 19.0%).

Amid this business environment, TOKAI Communications has surpassed 200 thousand subscribers as of the end of February 2016, and its 26.2% transfer rate is higher than the national average. Although the pace is slightly behind the initial target, progress is generally in line with plan.

2. Upfront Sales Promotion Expenses for Hikari Collaboration Should be Limited to the Present Term

The consolidated earnings forecast for the fiscal year ending March 31, 2016 that was released on May 8, 2015 included 3.0 billion yen in sales promotion costs for Hikari Collaboration, so operating profit forecast is 7.8 billion yen, a year-on-year decline of 1.2 billion yen.

That said, our profit targets for the fiscal year ending March 31, 2016 looks achievable given that Hikari Collaboration progressed in line with plan, profit growth in the LP gas business (which provides the most stable cash flow of our business portfolio), and steady progress is being made on improving profitability in the Aqua business (bottled water delivery), which we expect to be a core sales and profit generator in the future. We also believe our targets for the fiscal year ending March 31, 2017, the final year of the current medium-term plan, look achievable.

3. Further Progress

Sales operations for transferring customers to Hikari Collaboration are in full swing following the establishment of a sales structure over the past year and a leveling out of acquisition costs. Growth in new customer acquisitions through major consumer electronics retailers, our main channel for acquiring broadband customers, is also brisk. We expect to reach 224 thousand subscribers by the end of the fiscal year ending March 31, 2016.

We plan to continue promotions toward our target of winning 380 thousand customers by the end of next year (fiscal year ending March 31, 2017).

Beginning in January 2016 we also started winning customers through TOKAI Smart Plus, bundled services combining Tokyo Electric Power Company's new electricity rate plans with Hikari Collaboration (with a 300 yen discount per month).

With the broadband market saturating, we expect Hikari Collaboration to improve ARPU and gross profit, as well as deter cancellations through bundling fiber optic services with other products. As such, TOKAI Communications should contribute to Group-wide sales and profit growth. From a strategic standpoint, considering the medium- to long-term, our customer base of over one million households (including Hikari Collaboration customers) can also be expected to become customers in the new field of IoT³ services, which is expected to be a profitable area.

4. Impact on Earnings

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

- 1 Hikari Collaboration model: ISPs and other companies use the fiber-optic lines of NTT to provide fiber-optic services to customers under their own brands.
- 2 Transfer rate: Percentage of Flet's customers that have transferred.
- 3 IoT: Internet of Things

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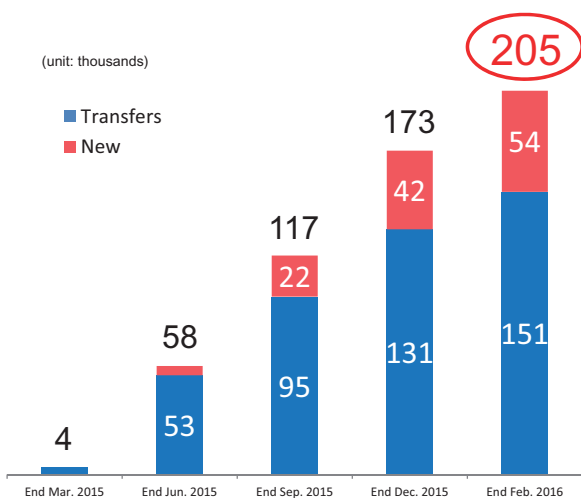
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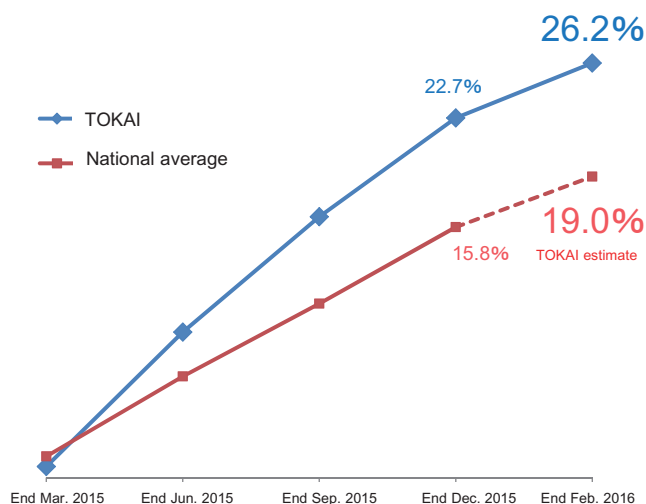
Number of "Hikari Collaboration" customers surpasses 200 thousand, as company attracts customers via established sales channels

- As of the end of February 2016, total Hikari Collaboration customers (new subscribers + transfers) exceeded 200 thousand.
- TOKAI's transfer rate is 26.2%, substantially higher than the national average of 19.0%.

Number of Hikari Collaboration subscribers (new + transfers)



Rate of transfer to Hikari Collaboration



※1 Transfer rate: Percentage of Flet's customers that have transferred.
 ※2 National average transfer rate: based on Q3 FY03/16 results supplementary materials released by NTT on February 5, 2016

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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