

TOKAI Holdings Medium-Term Management Plan

Innovation Plan 2024

“Design the Future Life”



Tuesday, May 11, 2021

TOKAI Holdings Corporation (Code: 3167)

Katsuhiko Tokita, President & CEO

Agenda

- I. FY03/21 results summary
- II. Review of 10 years since the establishment of Tokai Holdings Corporation
- III. Basic concept for the next ten years
- IV. Basic policy for Innovation Plan 2024 “Design the Future Life”
- V. Capital policy
- VI. Management indicators
- VII. Message for the coming ten years

(Contact for inquiries)

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I. FY03/21 results summary

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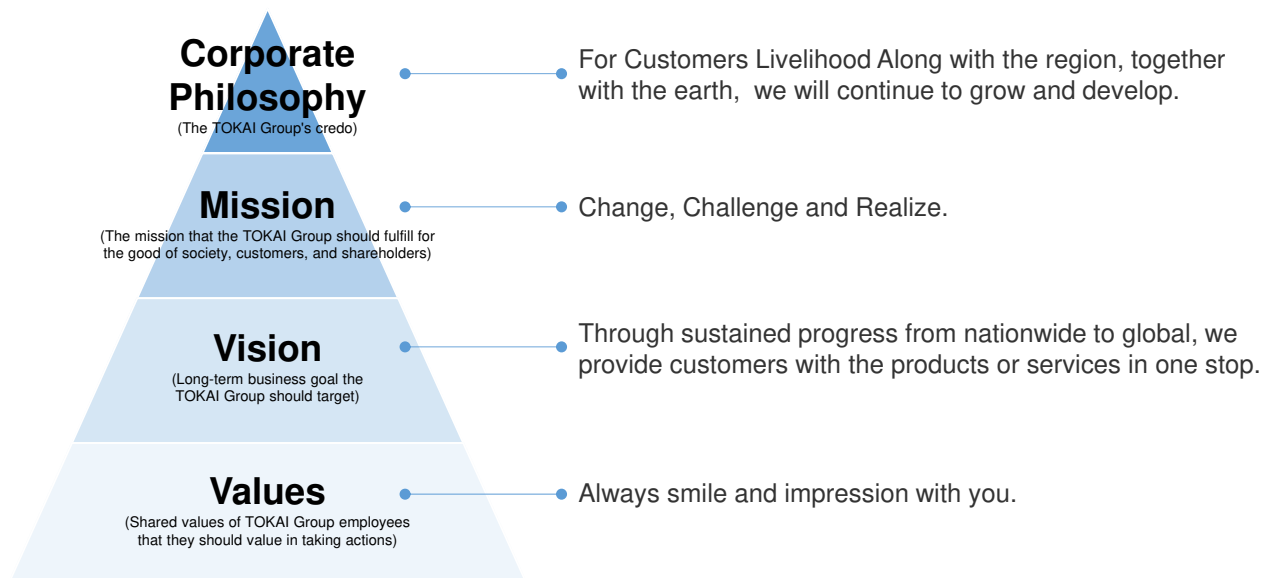
- Sales increased for the fourth consecutive year and operating profit increased for the third. Both reached record-high levels for the third consecutive fiscal year.
- In addition to an improvement in its financial position, the Company achieved customer numbers exceeding the 3 million mark at the end of FY03/20.

	FY03/18 Result	FY03/19 Result	FY03/20 Result	FY03/21 Result
Sales (billion yen)	186.1	191.6	196.0	196.7
Operating profit (billion yen)	11.0	13.1	14.2	15.2
Net income (billion yen)	6.6	7.8	8.2	8.8
Interest-bearing debt/EBITDA	1.9X	1.8X	1.6X	1.4X
Equity ratio	36.3%	37.4%	38.0%	41.6%
ROE	11.4%	12.6%	13.0%	12.7%
Customer numbers (millions)	2.88	2.90	3.00	3.10

II. Review of 10 years since the establishment of Tokai Holdings Corporation

II. Review of 10 years since the establishment of Tokai Holdings Corporation 1. Corporate Philosophy of the TOKAI Group (TOKAI-WAY)

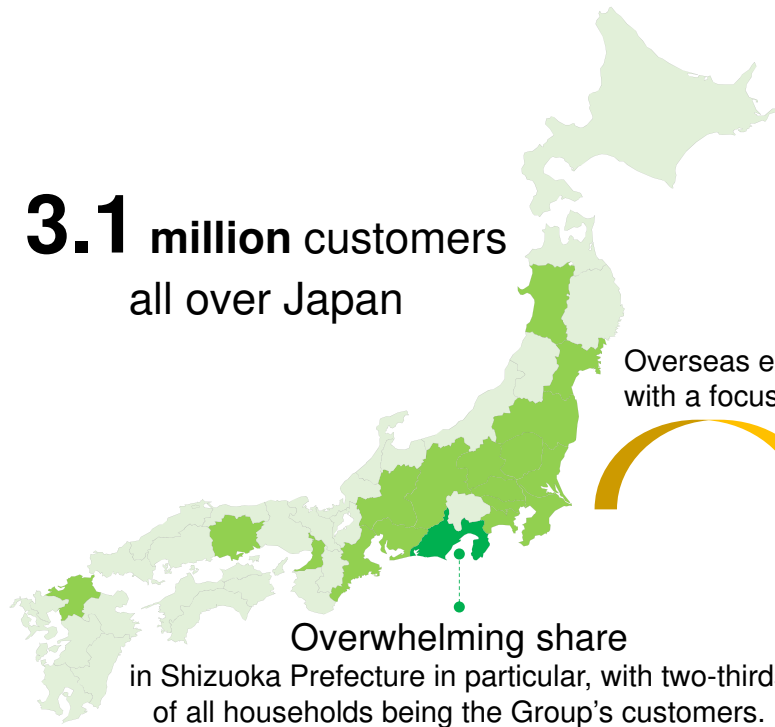
- The TOKAI Group provides Total Life Concierge services for customers' livelihoods.



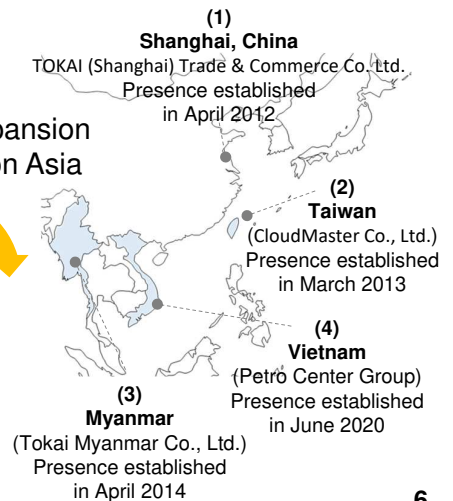
2. The TOKAI Group's growth achieved in a community-based manner

- The Group has expanded its regional networks, which are rooted in each area, to the entire country. Further, the Group is accelerating overseas expansion with a focus on Asia.

3.1 million customers
all over Japan

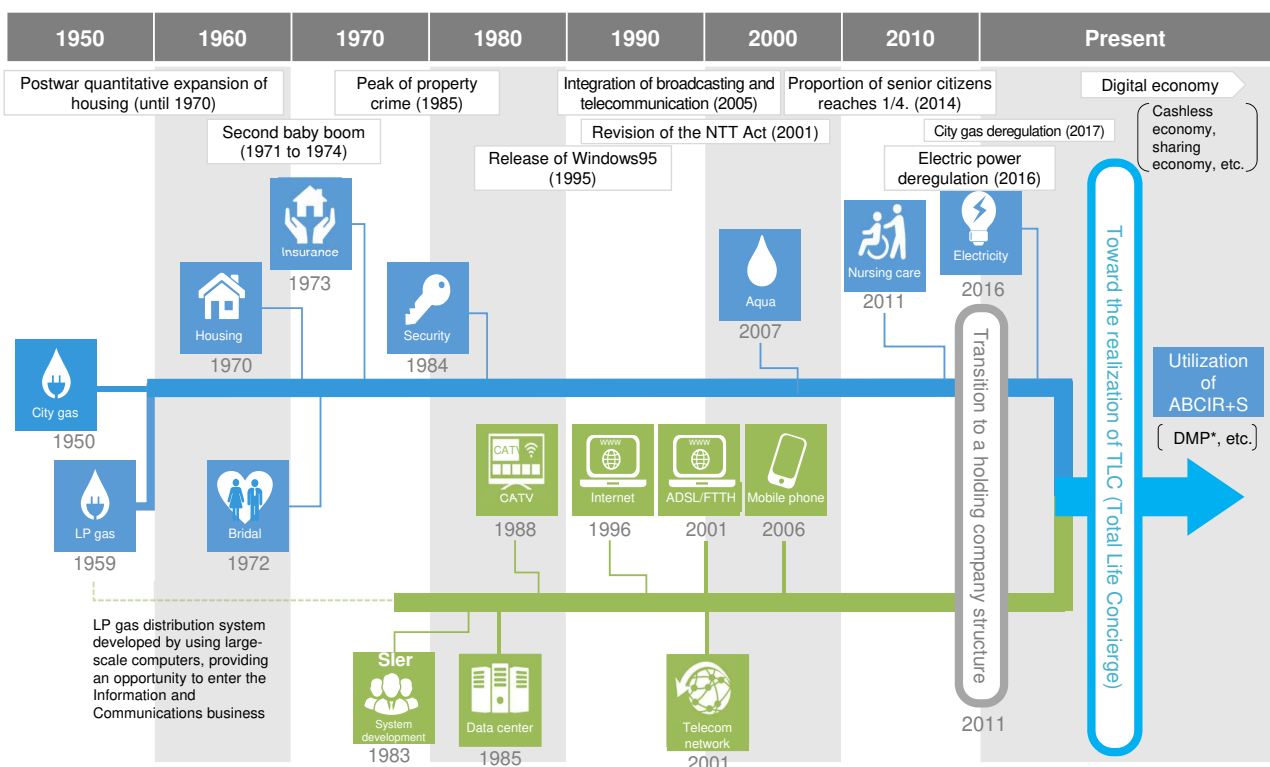


Overseas expansion
with a focus on Asia



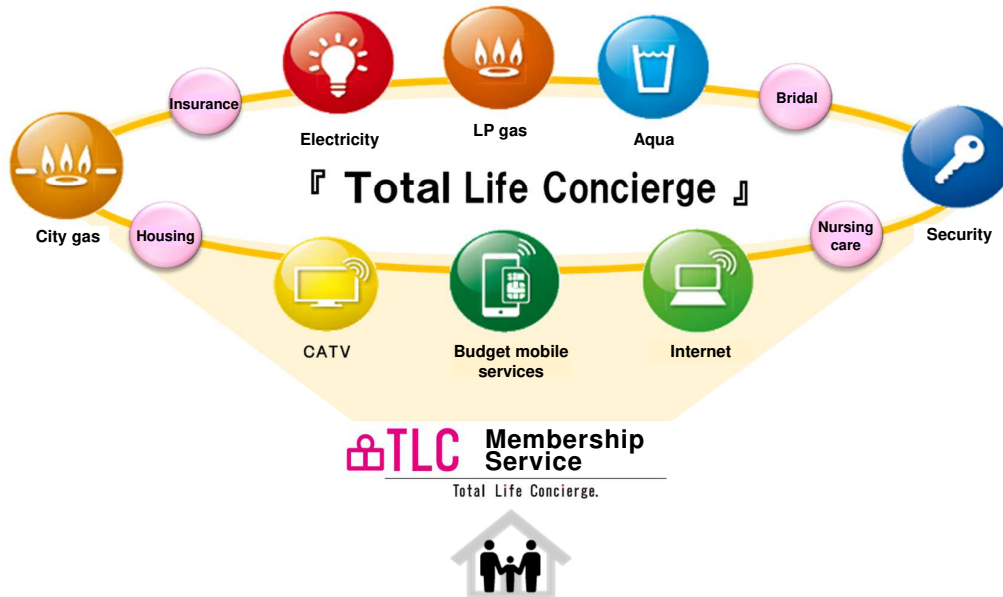
3. History of the TOKAI Group's enhancement of its lifestyle services

- Lineup of life infrastructure services enhanced in response to social issues and consumer needs



4. Taking on challenges to realize TLC (Total Life Concierge)

- At the base of the Group's growth is the challenges it takes on to realize the TLC concept, in which it provides comprehensive, meticulous support for the life of diverse customers.

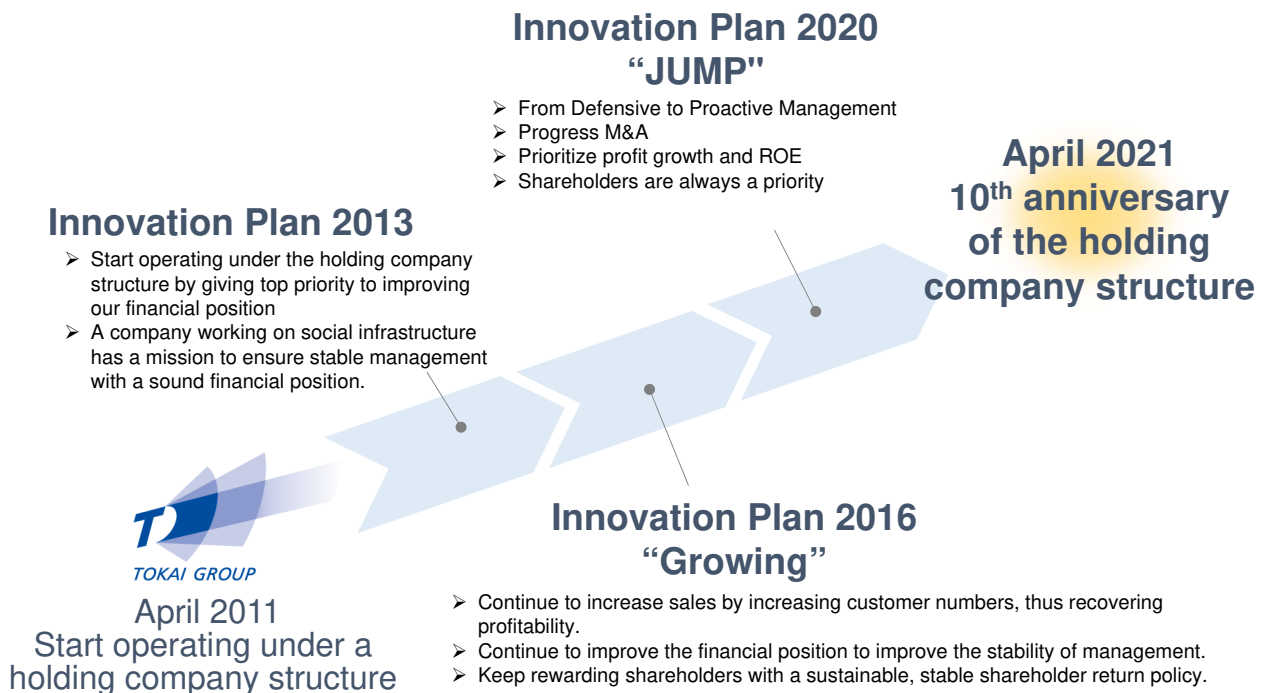


Number of TLC members: **980,000**

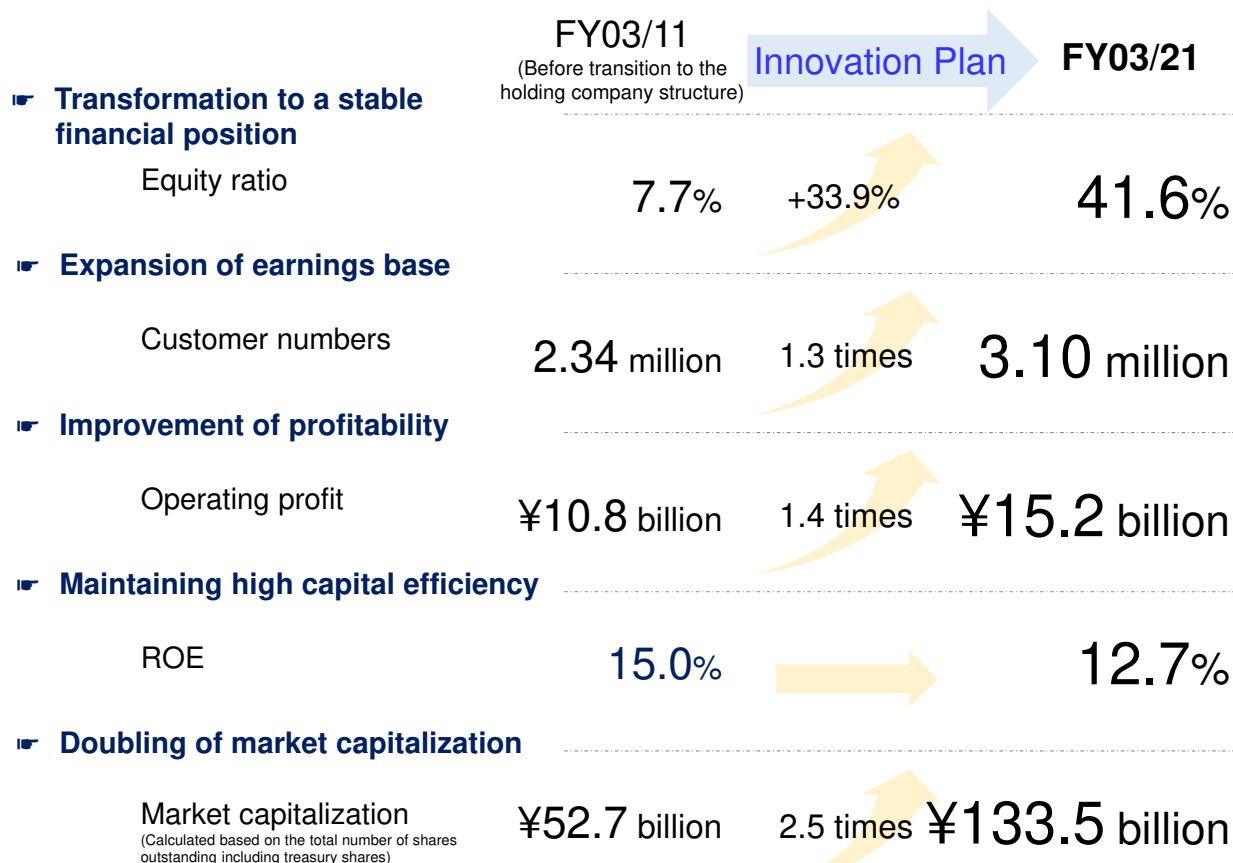
(As of the end of FY03/21)

5. History of Innovation Plans: 1/2

- Commencement of group management with top priority given to improving its financial position



5. History of Innovation Plans: 2/2

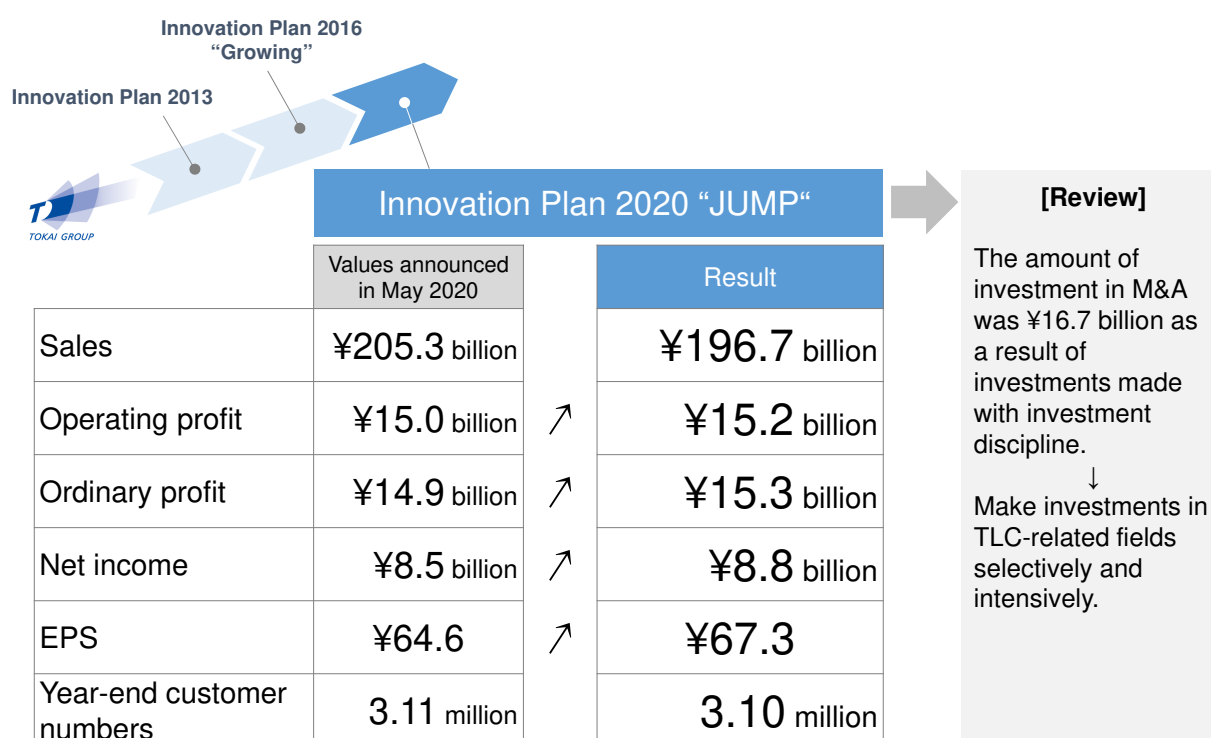


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6. Achievements from the Innovation Plan 2020 “JUMP”

- Innovation Plan 2020 “JUMP” was carried forward steadily with a focus on profits.



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III. Basic concept for the next ten years

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1. Outlook on the market environment

- The COVID-19 pandemic has caused environmental changes related to Life, including changes in customers' lifestyles and acceleration of social changes, such as ones related to SDGs.

New lifestyles established due to COVID-19

- Growth of demand related to the stay-at-home lifestyle
- Social distancing, etc.



Global moves to demand and expect contributions to achieving SDGs seriously



Environmental changes

Acceleration of lifestyle changes associated with COVID-19

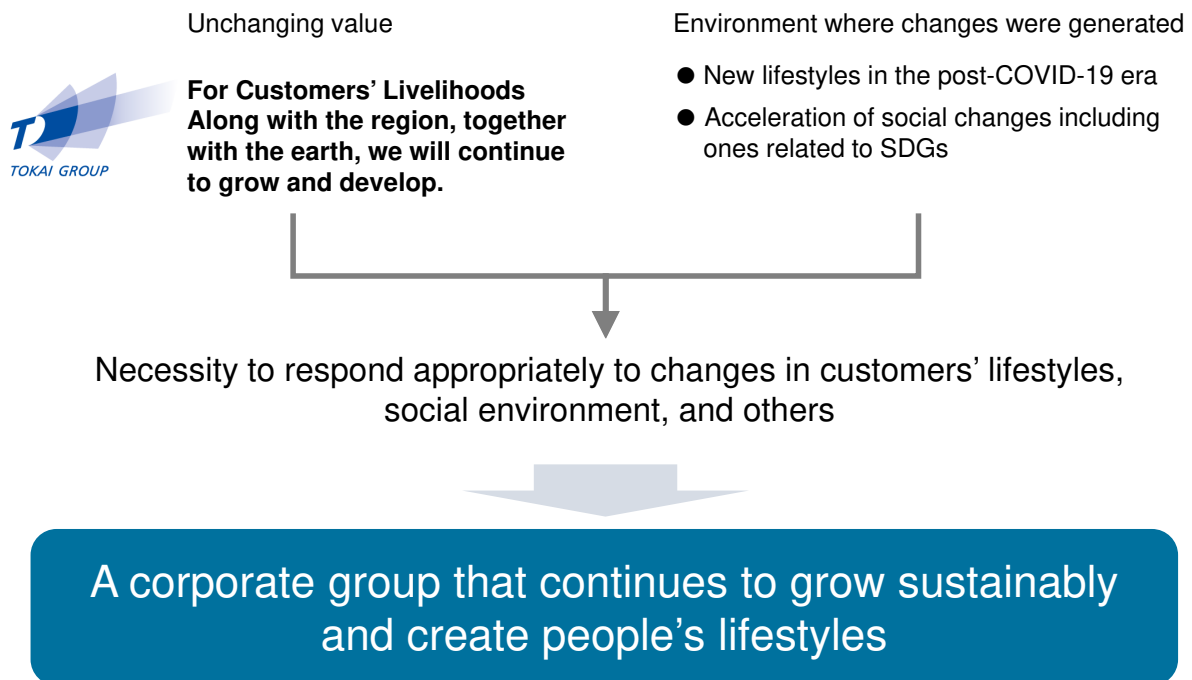
- Shift to online shopping
- Encouragement of teleworking and staggered work times, etc.
- Growing health awareness
- Emerging regional challenges
- Enhanced services provided at home
- Evolution of experience-based services

Progress in social changes surrounding businesses

- Trend toward clean energy
- Energy deregulation
- Digitalization
- Workstyle reforms
- Population decline/ Falling birthrate and aging population

2. Future vision of the TOKAI Group

- The TOKAI Group will determine its direction in response to prevailing needs and aim to be a corporate group that continues to grow sustainably and create people's lifestyles.



3. The TOKAI Group's ten year vision

- Aim to be a "Life Design Group" ten years from now, toward enhancing TLC

TOTAL LIFE CONCIERGE

A corporate group that continues to grow sustainably and create people's lifestyles

The Group ten year vision

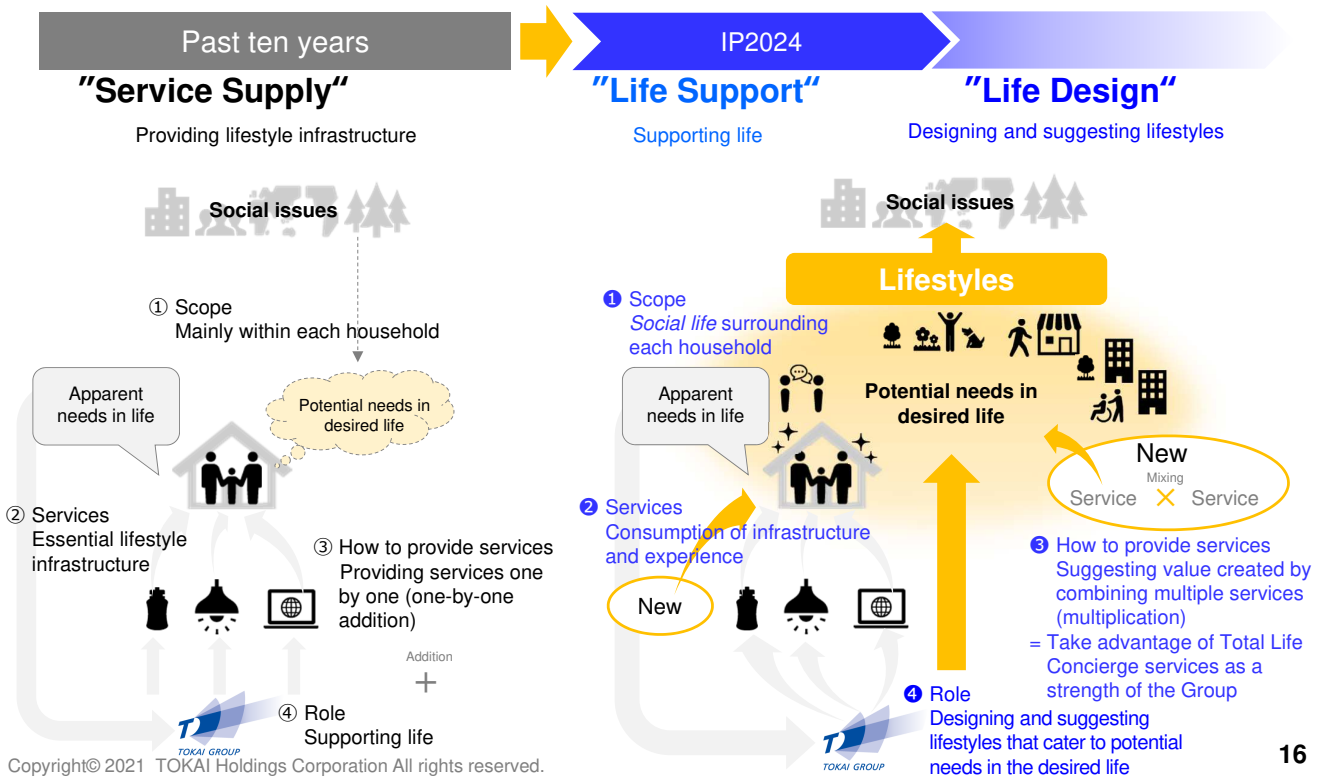
"Life Design Group"

Contribute to solving social issues by designing and suggesting lifestyles desired by customers.

Take the first step in this stance toward further enhancement of TLC.

4. A turning point towards the Group's vision

- Aim to evolve from the provision of lifestyle infrastructure into life support and further into lifestyle design and suggestion.



(Reference) Illustration of *Life Design* initiatives

- Combining multiple services to consider initiatives to suggest experience-based value

E.g., Household energy solutions

Gas x Electricity x Power generation x Power storage, etc.

- ➔ Suggesting eco-friendly lifestyles with the best energy mix that combines gas, electricity, renewable energy, storage batteries, and ENE-FARM



E.g., Online services

Internet x Life support services x Something extra, etc.

- ➔ Comprehensive life support provided by using the internet Suggesting the comfort of enjoying various lifestyle services, such as ones for working from home, healthcare, and education



EVs

Senior citizens

Illustration of *Life Design* initiatives

Medicine and healthcare
 (Search for nearby clinics providing house call services, online medical services)

Education

Agriculture

E.g., Home delivery services

Aqua x Recipe suggestions x Ingredient delivery x Cooking classes given in showrooms x Internet (social media and video distribution) x Mobile app, etc.

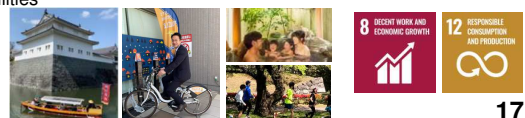
- ➔ Suggesting ways of enjoying convenience and diet, including the provision of information via social media and video distribution services and experience of cooking in classes given in showrooms, based on recipe suggestions and ingredient delivery, in addition to Aqua



E.g., Services for regional revitalization

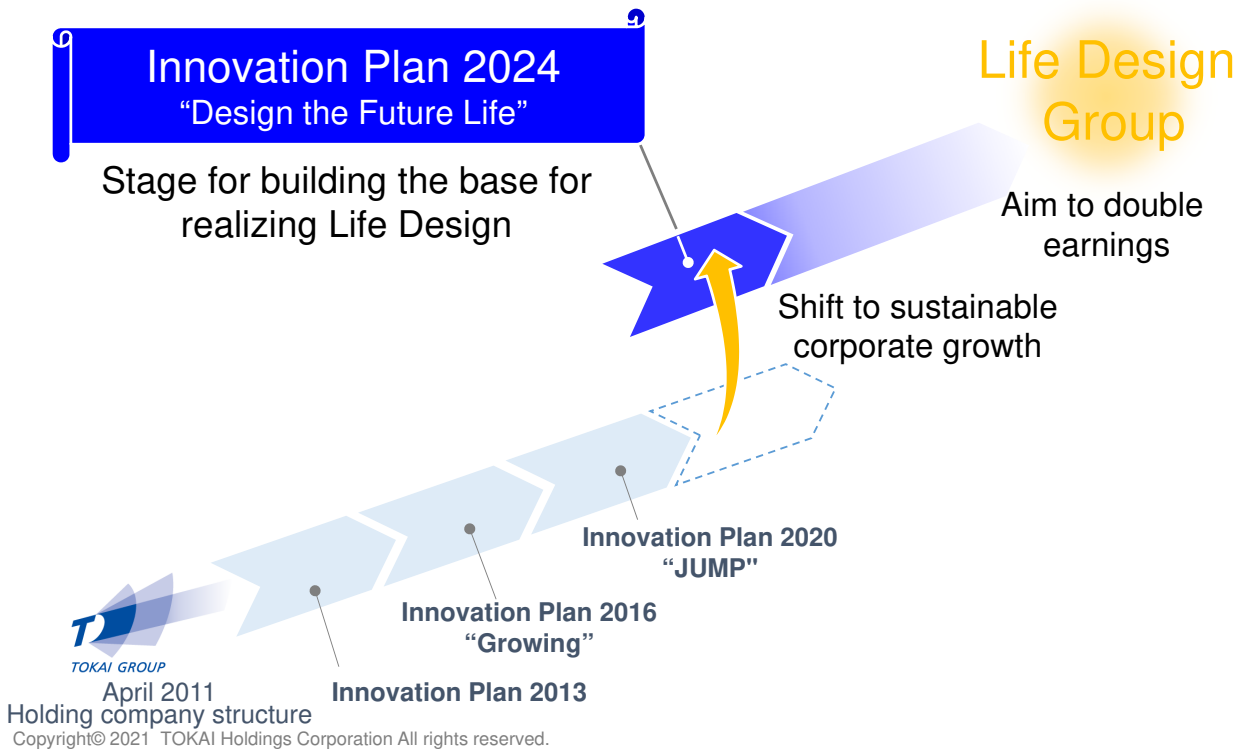
Regional tourism x Bicycle sharing service x Health promotion x Outdoor activities x Warm bath facilities x Community channel x Internet (real-time distribution), etc.

- ➔ Suggesting outdoor, experience-based services to be provided by taking advantage of the characteristics of each area, including tourism such as the operation of Aoi Bune boats, health promotion through sports, and management of outdoor facilities and warm bath facilities



5. Position of this medium-term management plan

- Position the coming four years as a stage for building the base for realizing Life Design, under the slogan Innovation Plan 2024 “Design the Future Life”



IV. Basic policy for Innovation Plan 2024 “Design the Future Life”

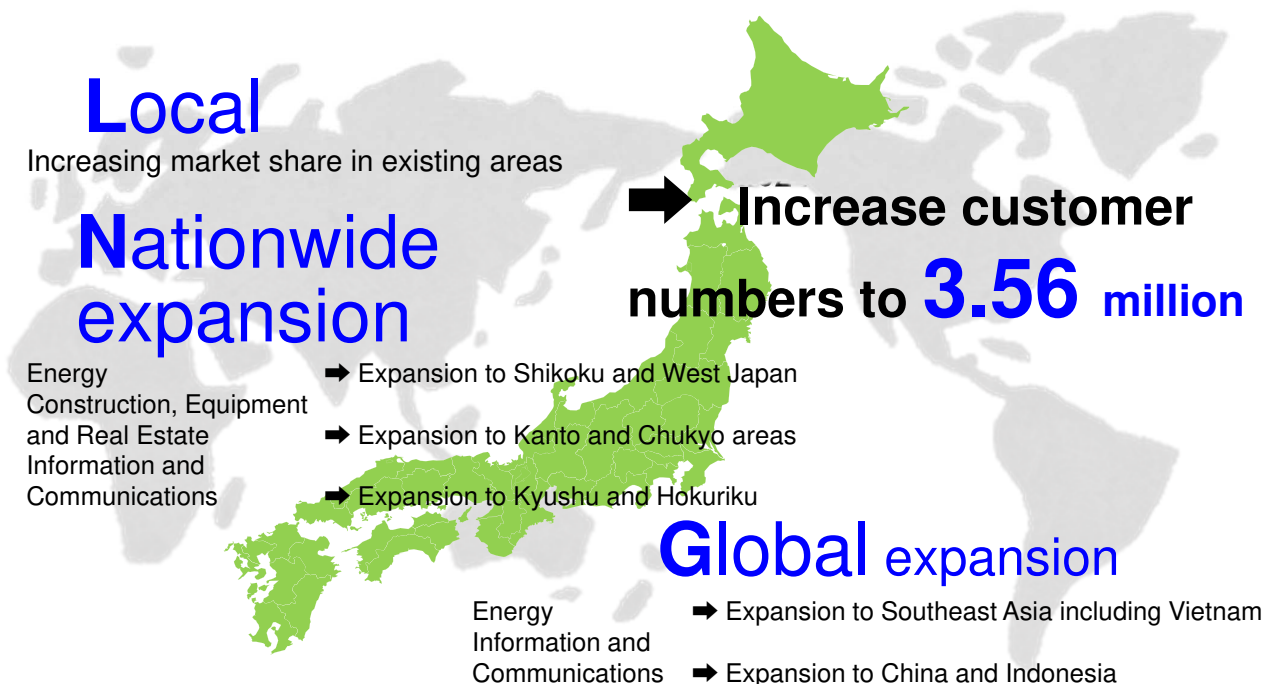
1. Key messages of the Innovation Plan 2024 "Design the Future Life"

■ Five key messages of the Innovation Plan 2024 "Design the Future Life"

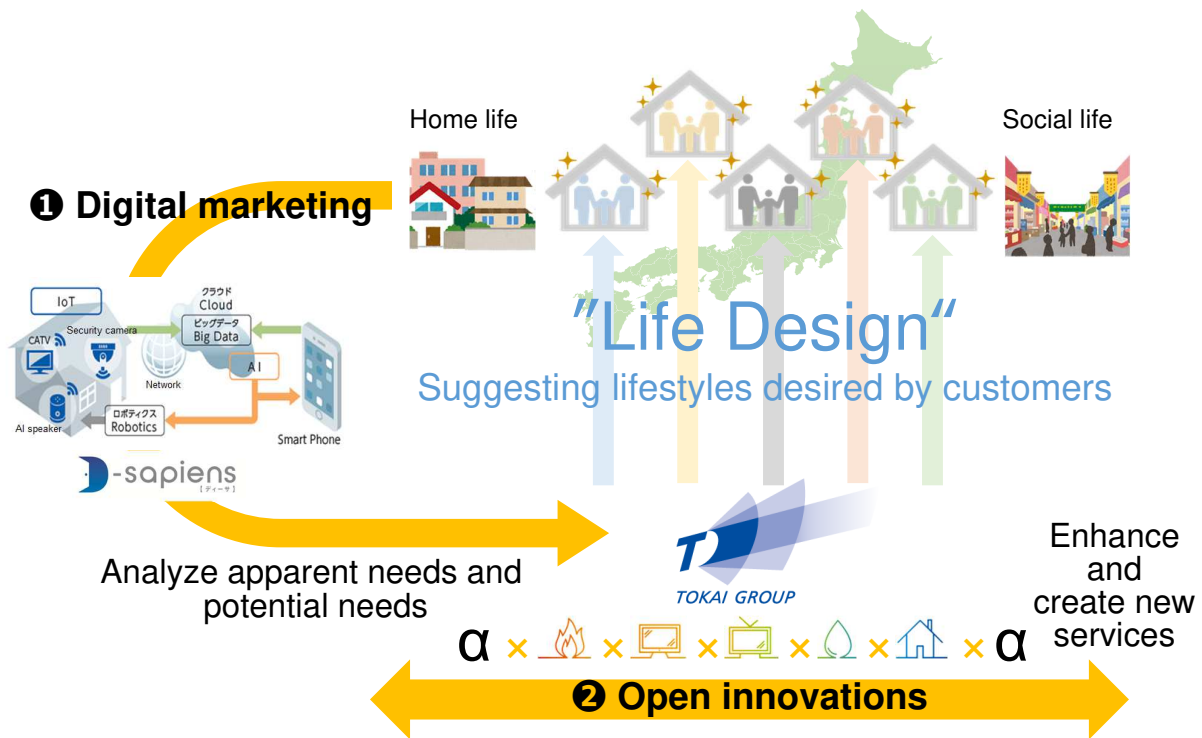
- ☛ ① Implementation of the LNG strategy
- ☛ ② Evolution of TLC Concept
 - (1) Digital marketing
 - (2) Open Innovation
- ☛ ③ Stepping up of DX strategy
- ☛ ④ Optimal allocation of management resources
- ☛ ⑤ Strengthening of SDG initiatives

2. Priority strategies: ① Implementation of the LNG strategy

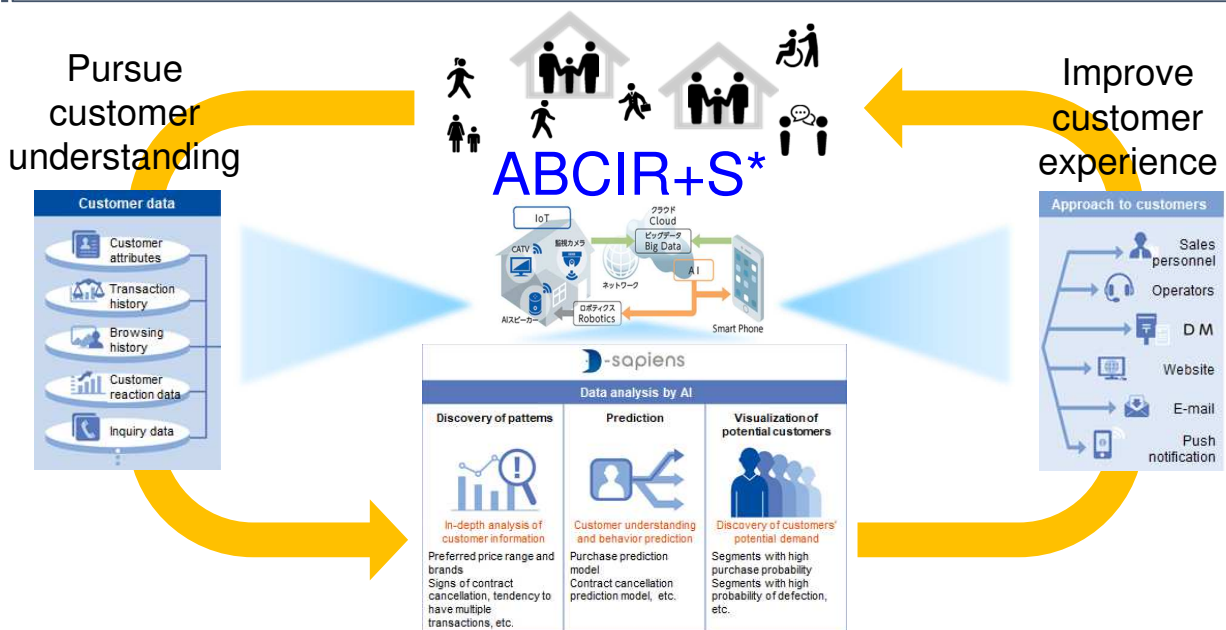
- Expand business area steadily from Shizuoka & Kanto area → Japan → World
- Support growth by increasing customer numbers from the perspective of selection and consolidation with importance attached to profitability



■ Promote two strategies as engines in a strategic move for designing and suggesting lifestyles desired by customers



■ Upgrading digital marketing, with which D-sapiens data analysis infrastructure is used to appeal to customer needs

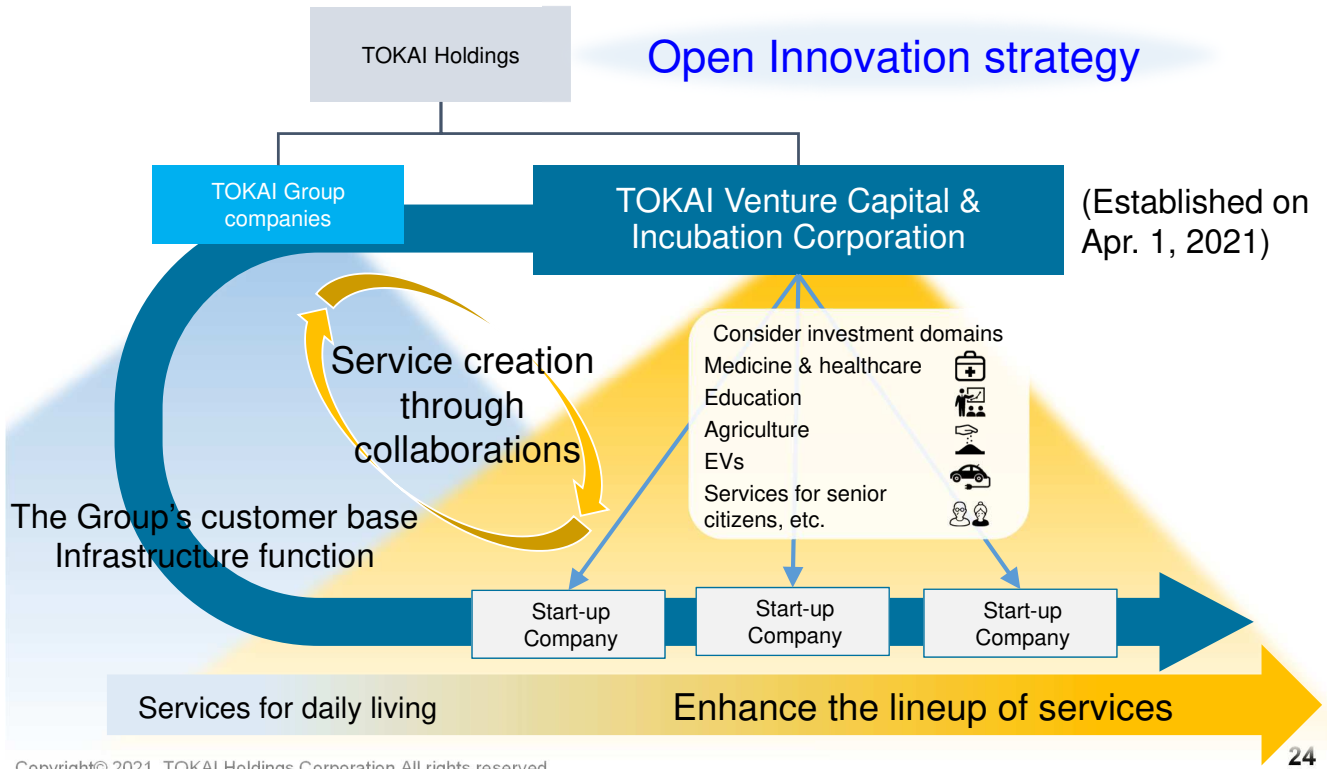


Centralized management of data on 3 million customers all over Japan
 ➔ Strategic use of customer data

* Term coined by combining A for AI, B for Big Data, C for Cloud, I for IoT, R for Robotics, and (+) S for Smartphone. It is the Group's strategy for digital technology innovation.

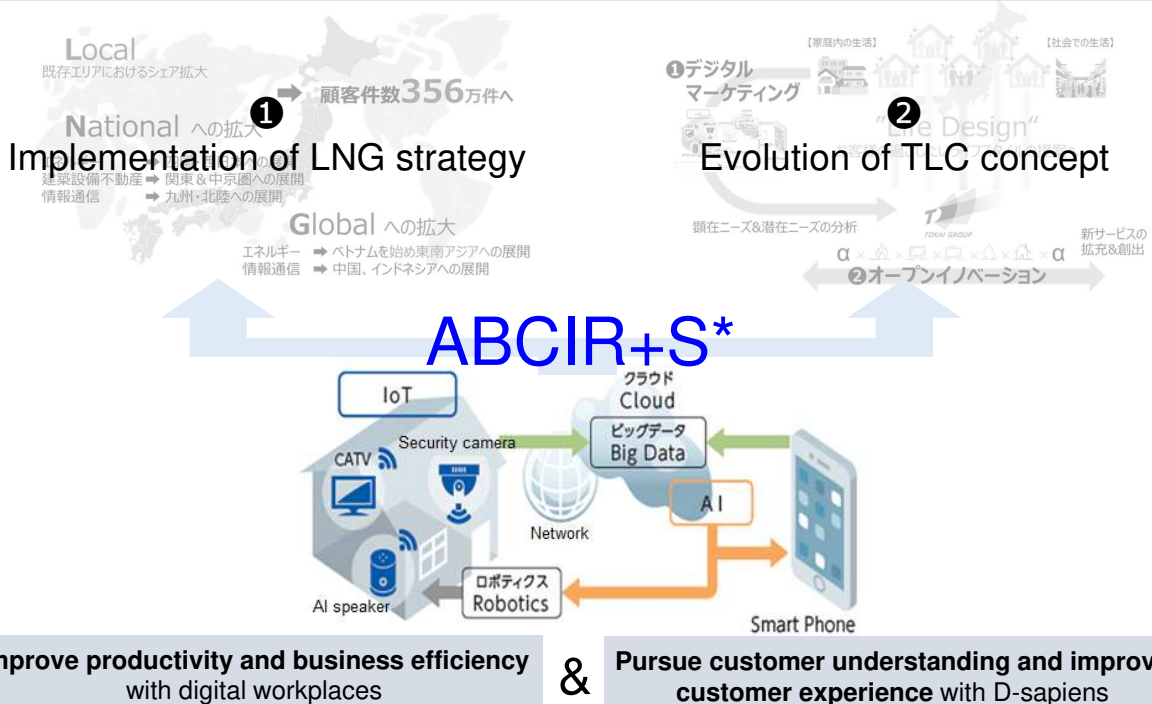
2. Priority strategies: ② Evolution of TLC Concept (2) Open Innovation

Start exploring and building a new business of acquiring new technologies, ideas, and human resources through investments in start-ups, based on corporate venture capital.



2. Priority strategies: ③ Stepping up of DX strategy

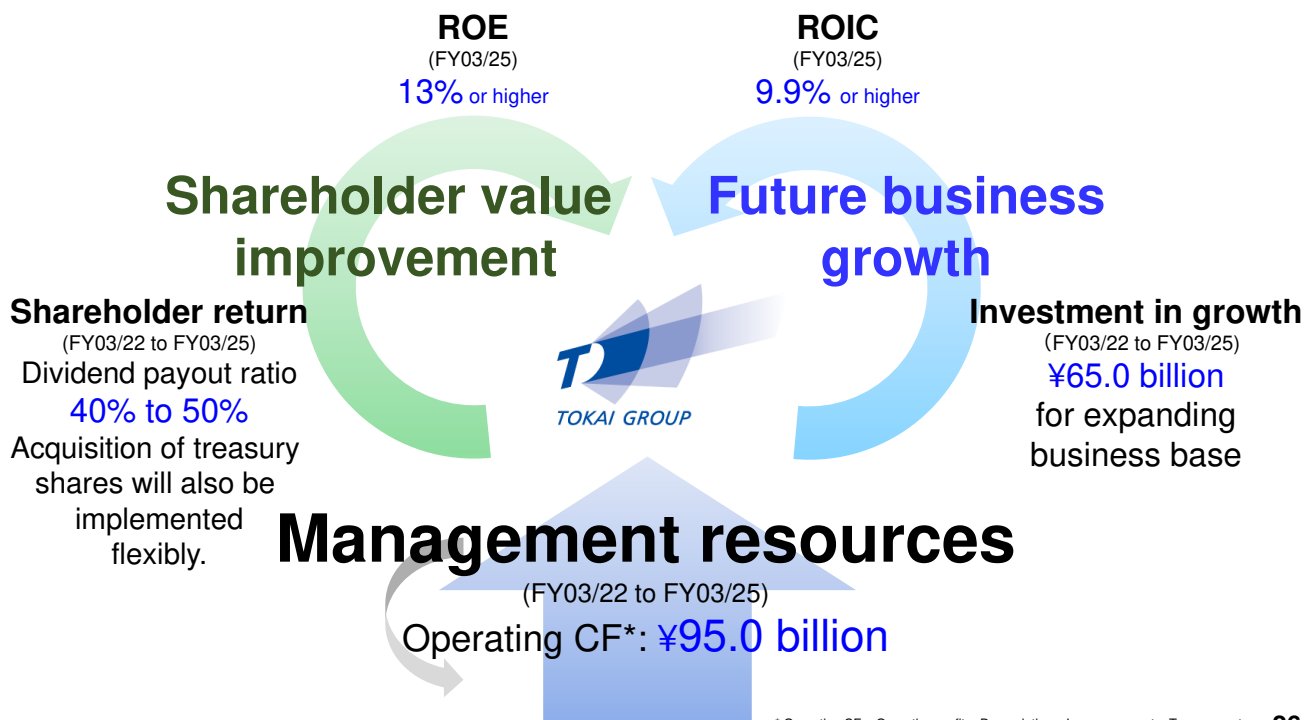
Implement a DX strategy using ABCIR+S to lead initiatives for the future, including the LNG strategy and evolution of TLC, in a cross-sectoral manner.



* Term coined by combining A for AI, B for Big Data, C for Cloud, I for IoT, R for Robotics, and (+) S for Smartphone. It is the Group's strategy for digital technology innovation.

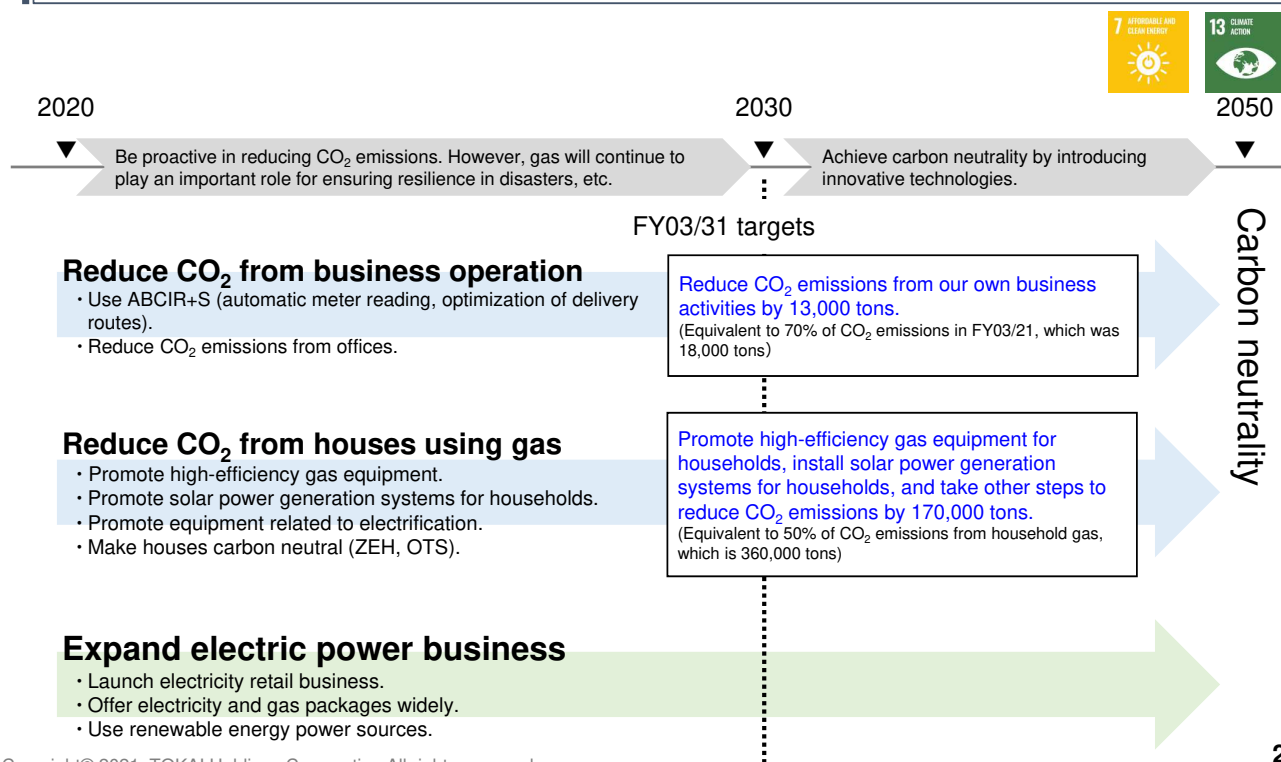
2. Priority strategies: ④ Optimal allocation of management resources

- Try to ensure an optimal allocation of cash flows generated from businesses and other management resources, aiming for future business growth and improved shareholder value.



2. Priority strategies: ⑤ Strengthening of SDG initiatives (1) Green strategy

- Procure and sell carbon-neutral gas and decarbonize gas we sell by 2050, thus achieving carbon neutrality by 2050.



■ Promote workstyle reforms to enable the active participation of diverse human resources with flexible workstyles.

**Introduced teleworking in April 2021, in addition to flexible working hours, aiming to reduce the attendance rate by 50% and office floor area by 40%.
Introduce remote working for all employees in FY03/25.**

(Excluding essential workers)



Active participation of diverse human resources with flexible workstyles

- Create employment opportunities for women and people with disabilities.
→ **Increase the number of female managers by ten times by 2030.**
- Balance work with nursing care, childcare, etc.
→ **Reduce the rate of employees who leave the company for nursing care to 0% by 2030.**



- Improved work time efficiency and richer life, enabled by saving the trouble of commuting
- BCP measure with diversified working styles
- Going paperless and improving the efficiency of the approval process
- Enabling joint work and collaboration with no constraints on space

■ Strengthen the governance system to improve the corporate value over the medium to long terms.



V. Capital policy

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1. Shareholder return

- Return profits to shareholders proactively in accordance with the TOKAI Group's growth and improvement of the level of consolidated net income, based on the shareholder return policy.

Shareholder return policy

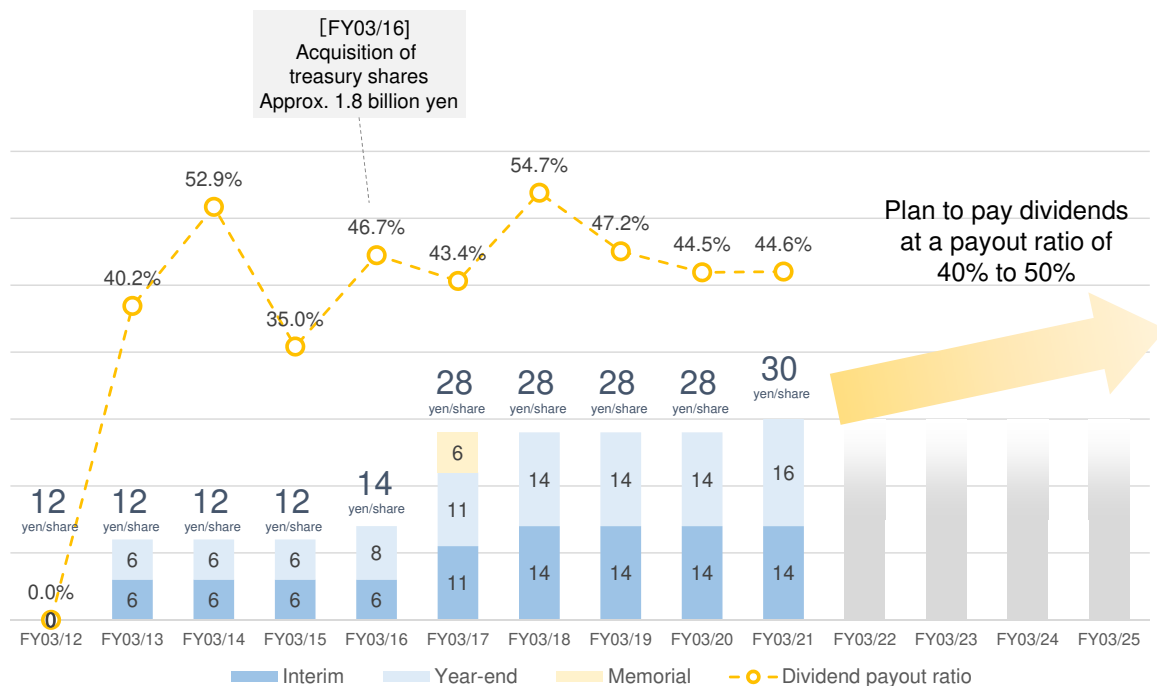
Share business achievements with shareholders with continuous, stable return of profits.



Pay dividends at a dividend payout ratio of 40% to 50%.

Acquisition of treasury shares will also be carried out flexibly.

- Plan to pay dividends at a payout ratio of 40% to 50% from FY03/22 onward, based on the annual amount for FY03/21, which was increased to 30 yen/share.



VI. Management indicators

VI. Management indicators

- Maintain a level of capital efficiency (ROE and ROIC) that meets market expectations.
- Aim to achieve sustainable growth in sales and profit throughout the four years, although profit will remain flat in FY03/22 due to enhanced measures to acquire LP gas customers and implementation of workstyle reforms.

(Billion yen)	FY03/21 Result	FY03/22 Target	FY03/23 Target	FY03/24 Target	FY03/25 Target
Sales	196.7	207.0	221.0	232.0	245.0
Operating profit	15.2	15.2	15.6	16.5	18.6
Net income	8.8	8.8	9.0	9.5	11.0
Operating CF*	22.4	21.8	23.0	24.0	26.0
Customer numbers (millions)	3.10	3.20	3.32	3.44	3.56
Dividend payout ratio	44.6%	40% - 50%			
ROE	12.7%	→			13% or higher
ROIC	9.2%	→			9.9% or higher
Equity ratio	41.6%	→			Around 40%

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* Operating CF = Operating profit + Depreciation – Lease payment – Tax payment **34**

VII. Message for the coming ten years

VII. Message for the coming ten years

From Service Supply to “Life Design.”

The social environment has gone through changes, such as those related SDGs, clean energy, and digitalization, not to mention changes in lifestyle reflecting the COVID-19 pandemic.

People’s lifestyles will also change.

To determine our direction in response to prevailing needs, we will also accelerate our efforts to be a corporate group that continues to achieve sustainable growth.

To achieve this, we need to upgrade our activities, from the *provision* of lifestyle infrastructure to *support* for customers’ lives, and further to *designing and suggesting* lifestyles, aiming to realize TLC.

We will contribute to solving social issues by designing and suggesting lifestyles desired by customers.

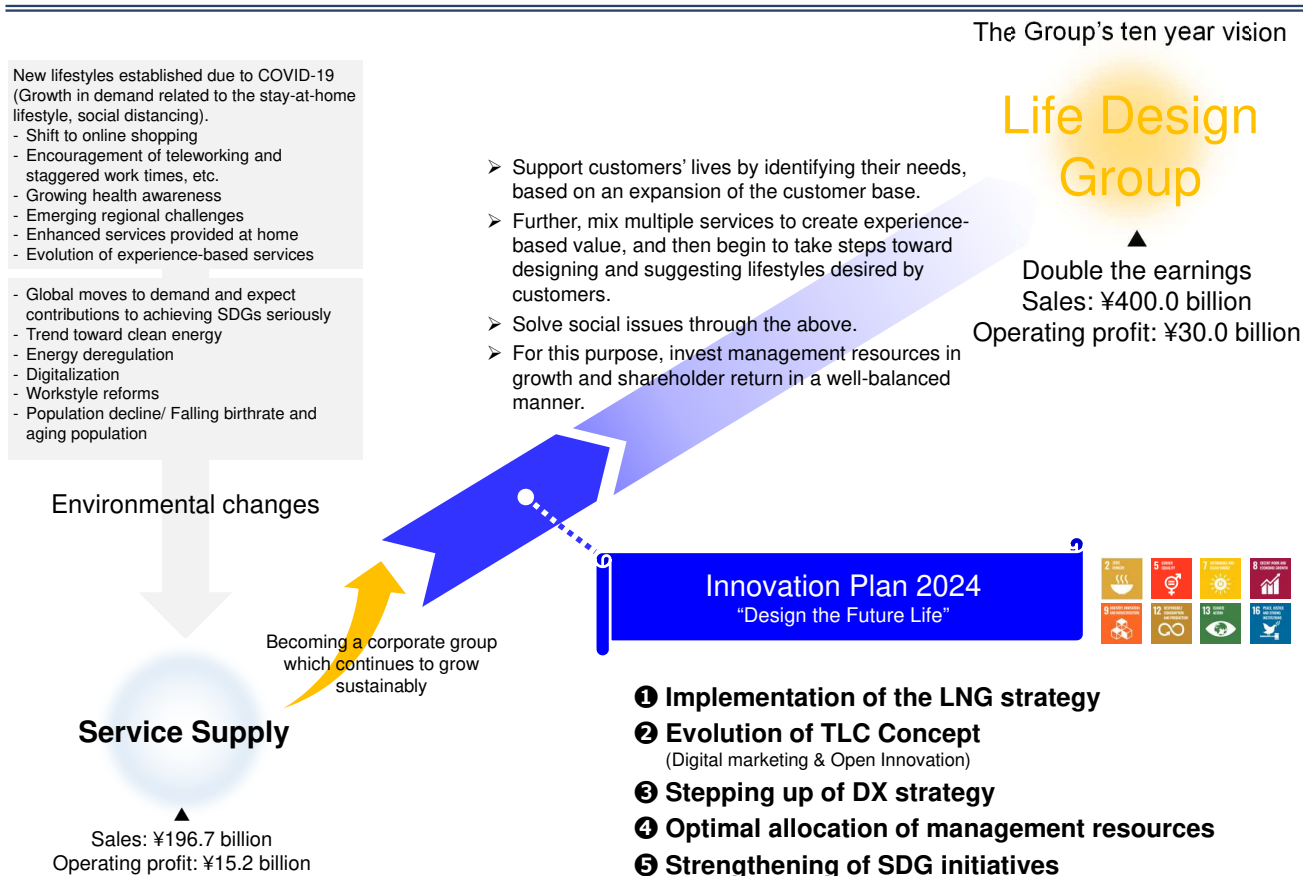
We will invest our management resources in a balanced manner to achieve further growth based on efforts to increase customer numbers in areas that have expanded to all over Japan, and then the world.

And we will continue to follow our corporate philosophy:
**“To improve the lives of our customers,
 we will continue to grow and develop together
 with local communities and the earth.”**

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(Reference) Story for the coming ten years



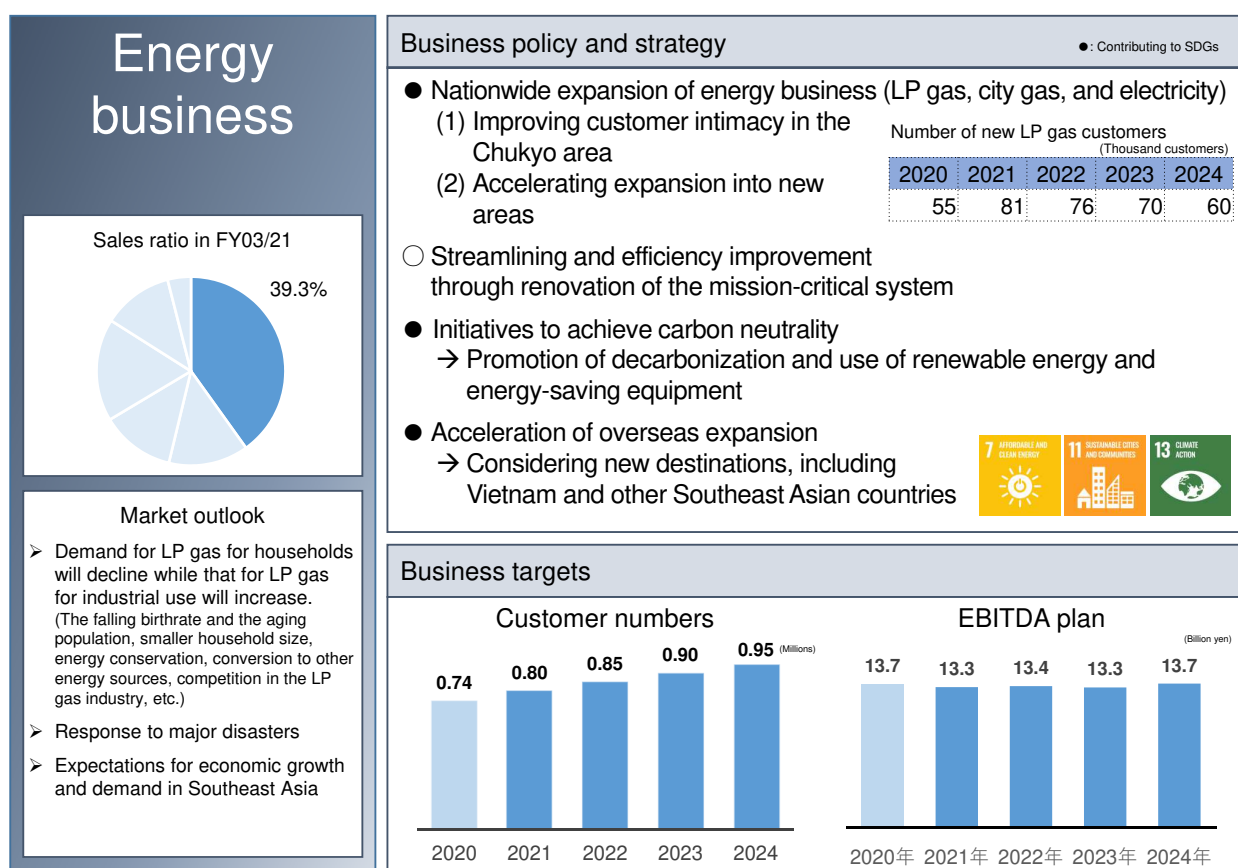
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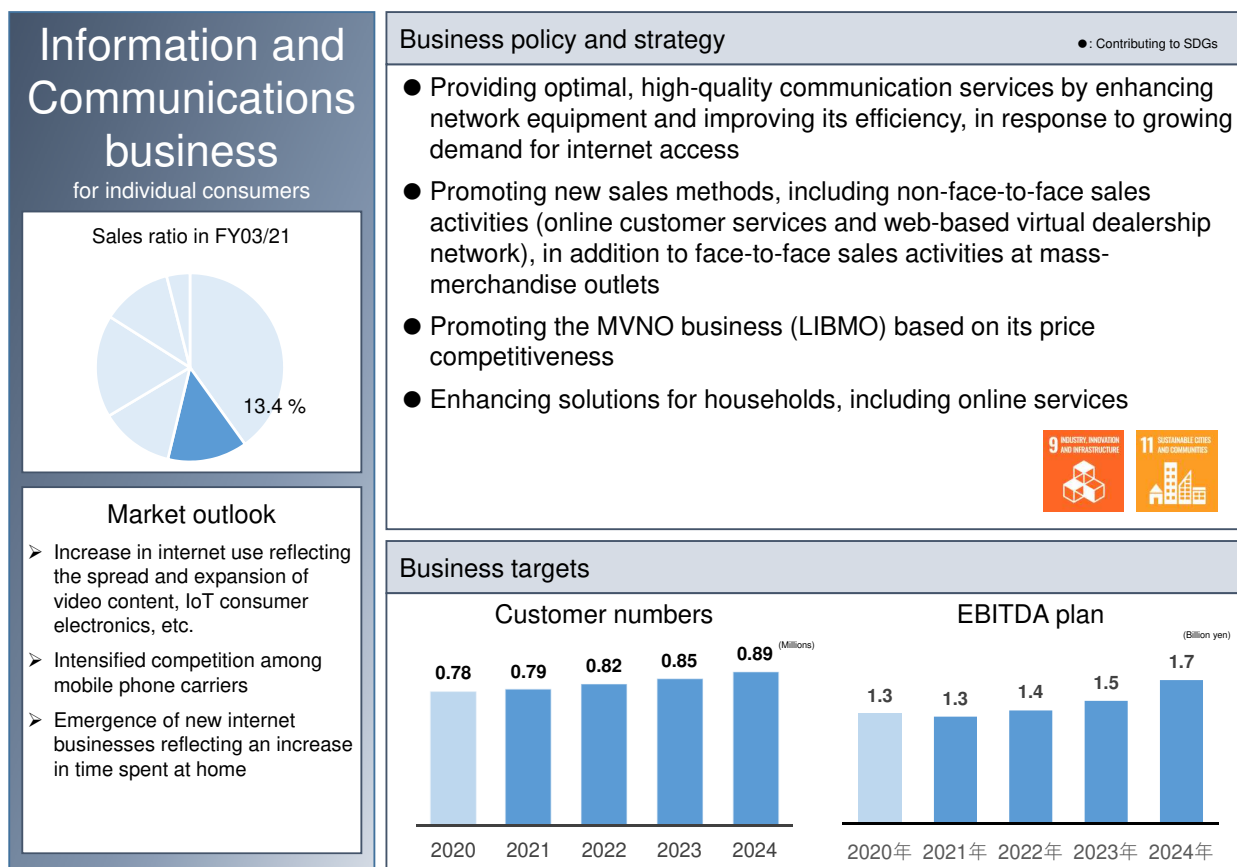
(Reference) Strategy by business

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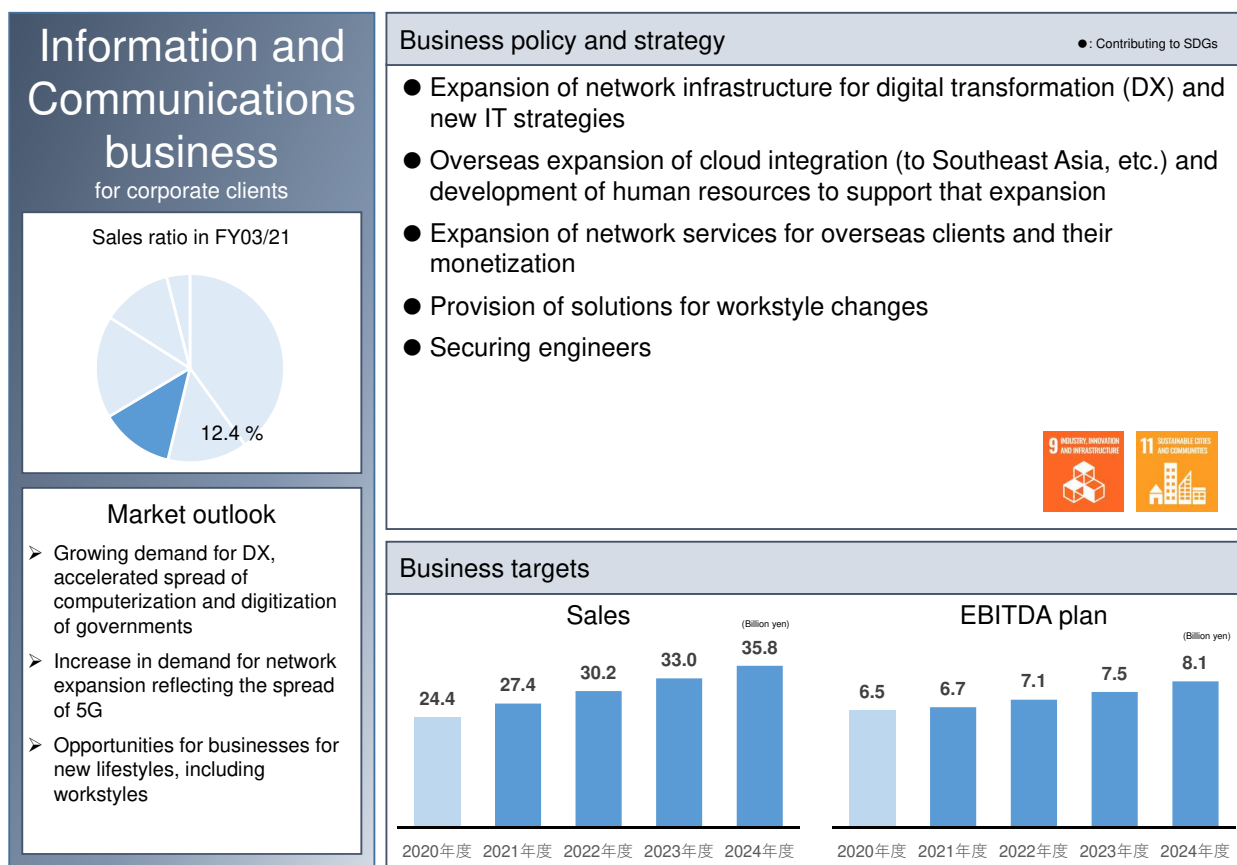
1. Energy business



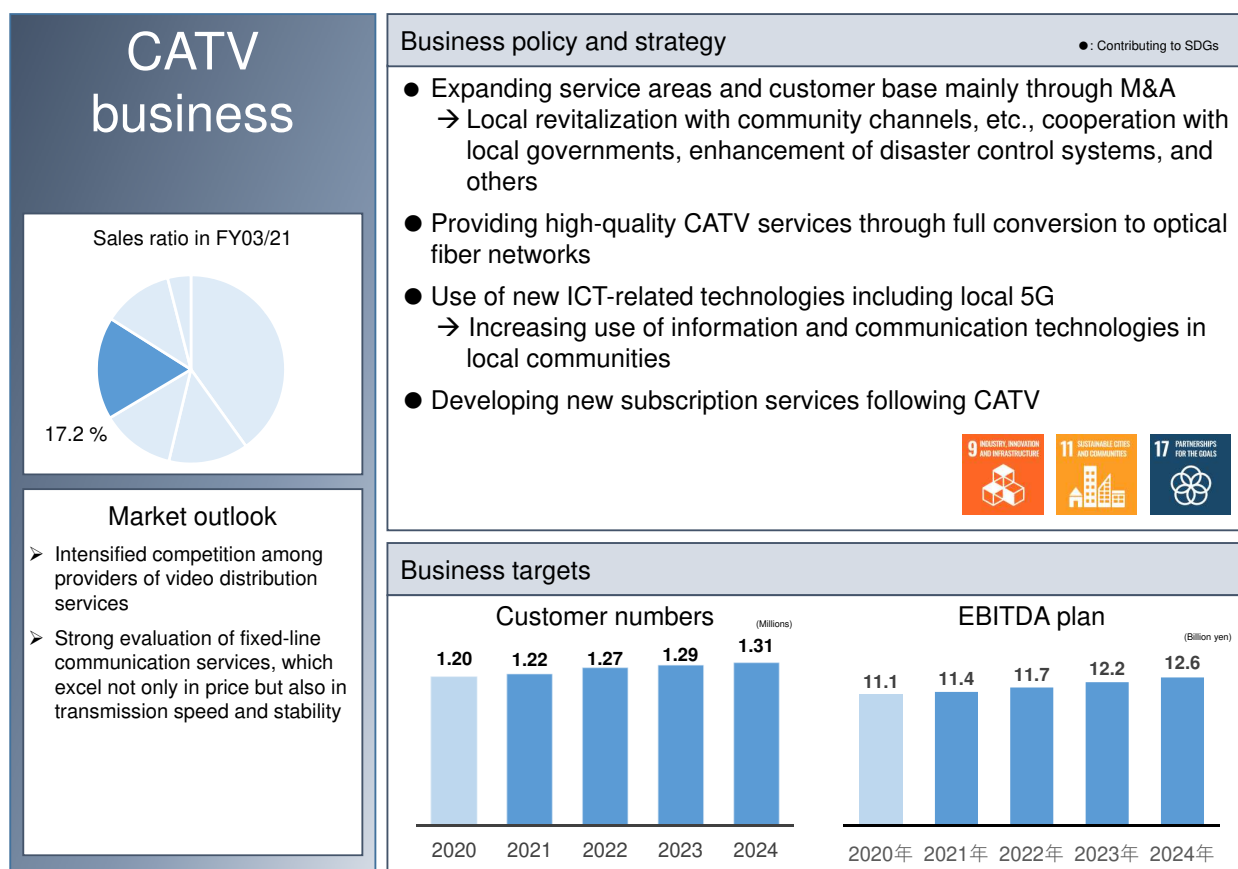
2. Information and Communications business (for individual consumers)



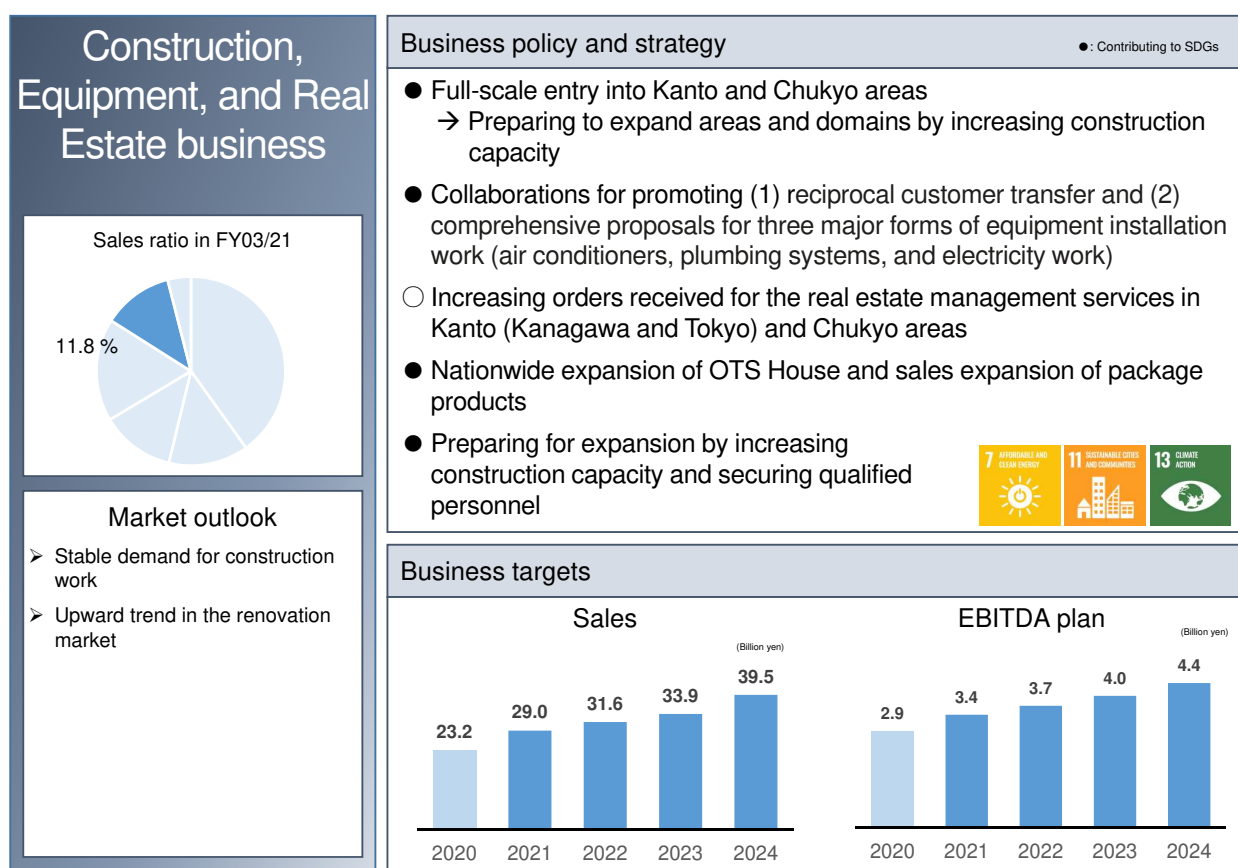
3. Information and Communications business (for corporate clients)



4. CATV business



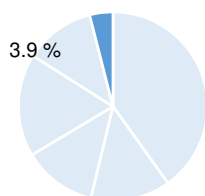
5. Construction, Equipment, and Real Estate business



6. Aqua business

Aqua business

Sales ratio in FY03/21



Market outlook

- Modest growth of the bottled water delivery market expected
- Higher evaluation of bottled water delivery service reflecting increase in time spent at home and growing demand for the package drop (contactless) service
- Concern over rising distribution cost

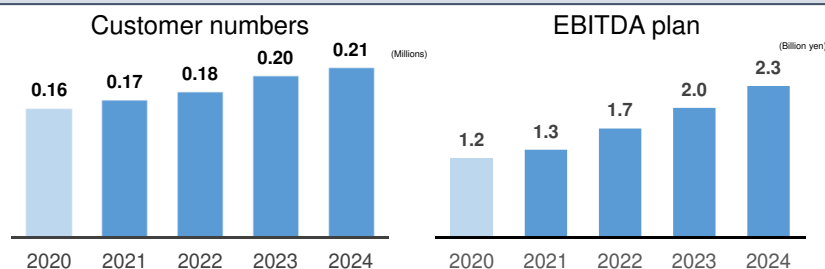
Business policy and strategy

● Contributing to SDGs

- Expanding the customer base
 - (1) Nationwide expansion of the one-way bottle service
 - (2) Retaining the customer base of the returnable bottle service
 - Promoting event-based sales activities, expanding non-face-to-face sales activities such as telemarketing and web-based sales promotion
- Efficiency improvement and streamlining of distribution
- Thorough quality control and productivity improvement



Business targets



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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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