

IR Discussion Materials

About the TOKAI Group

We anticipate the needs of daily life and provide people with security and safety, convenience and comfort, and joyful and meaningful lives.



TOKAI Holdings Corporation
(Code: 3167)

Please visit our updated website:
tokaiholdings.co.jp/english/

Table of contents

Part1 Overview of TOKAI Group	P.2
□ Overview of TOKAI Holdings	P.3
□ Striving to Meet the Needs of Society and Customers	P.4
□ TOKAI Group Strengths	P.5
□ Trends in Group Customer Numbers	P.6
□ Our Fundamental Strength: (1) Customer Base	P.7
□ Our Fundamental Strength: (2) Comprehensive Services	P.8
□ Our Fundamental Strength: (3) Agility	P.9
□ Successful TLC Model Leveraging Regional Ties	P.10
□ Our TLC Vision and Expansion Scenario	P.11
□ The Group's Fiber Optic Network	P.12
Part2 Results of Holdings Company	P.13
□ Path to a Holding Company Structure	P.14
□ Holdings Structure Medium-term Management Plans	P.15
□ Holdings Structure Achievements	P.16

Part1 Overview of TOKAI Group

2

Overview of TOKAI Holdings

—Established in 1950. Decision to change to a holding company structure in 60th year, transition to new structure the following year. Currently in 6th year—

—Merger between TOKAI CORPORATION (First Section), a provider of LP gas, and VIC TOKAI (JASDAQ), a communications and CATV subsidiary—

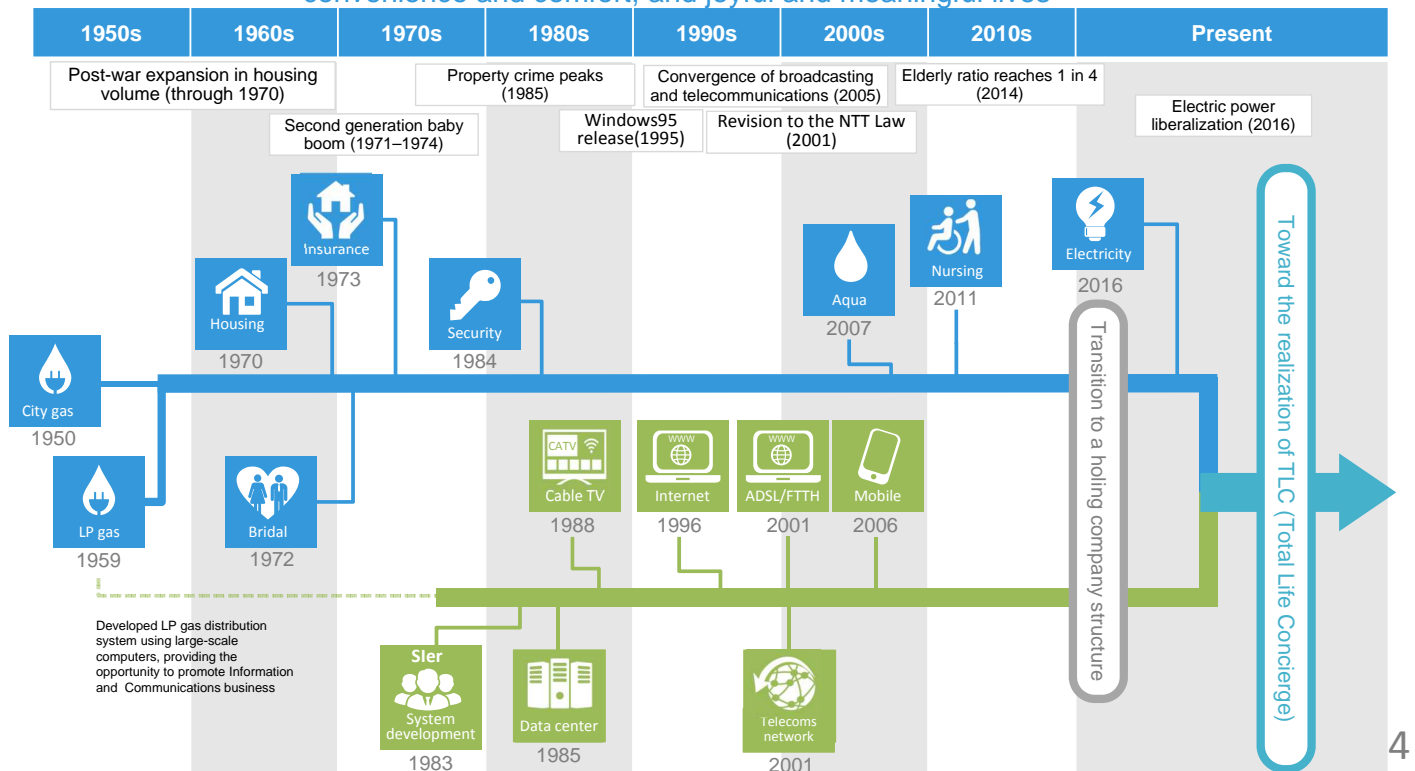
Company name	TOKAI Holdings Corporation				
President and CEO	Katsuhiko Tokita				
Stock market listing	First Section, Tokyo Stock Exchange (code no. 3167)				
Listing date	April 1, 2011				
Group companies	22 consolidated subsidiaries, 4 affiliates				
Sales, operating profit	¥180.9 billion, ¥8.2 billion (FY03/16)				
Employees	3,856				
Main businesses Note: Percentage figures indicate proportion of total sales	Gas and Petroleum	:	44.6%	(sales: ¥80.7 bn; operating profit: ¥9.0 bn)	TOKAI, TOKAI GAS
	Information and Communications	:	24.4%	(sales: ¥44.2 bn; operating profit: ¥2.3 bn)	TOKAI COM
	CATV	:	13.6%	(sales: ¥24.6 bn; operating profit: ¥2.0 bn)	TCN
	Building and Real Estate	:	11.6%	(sales: ¥21.0 bn; operating profit: ¥1.3 bn)	TOKAI
	Aqua	:	3.0%	(sales: ¥5.5 bn; operating profit: —¥1.1 bn)	TOKAI
	Other	:	2.7%	(sales: ¥4.9 bn; operating profit: —¥5.2 bn)	
Changes in management structure	1950 Established as Yaizu Gas Co., Ltd. 1987 Listed on First Section of Tokyo Stock Exchange, name changed to TOKAI CORPORATION 2011 TOKAI Holdings Corporation established				

3

Striving to Meet the Needs of Society and Customers

—Started in the gas business, then expanded infrastructure services to respond to social issues and demographic changes—

—Offering services that provide people security and safety, convenience and comfort, and joyful and meaningful lives—



4

TOKAI Group Strengths

- We continue to provide “lifeline services” essential for people’s lives for 2.56 million customers, starting with gas (from 1950) and subsequently moving into cable television (from 1988), Internet (from 1996), and Aqua (bottled water delivery) (from 2007).
- In Shizuoka Prefecture, we have a strong customer base of 1.15 million households in the gas, Internet, cable television, and Aqua segments. We also have 1.08 million customers in the Kanto region, and further nationwide expansion is in progress.
- Through these services, we have created a robust earnings base that yields monthly fee income on an ongoing basis.
- With stable revenue in gas at its base, we have expanded into growth businesses such as information and communications, Aqua, renovations, and nursing care.
- Cross-selling within the above product lineup makes further earnings expansion possible.

Trends in Group Customer Numbers

— An increase of 1.42 million customers (2.2x increase) between 2002 and 2015 —
 — Net increase of 70 thousand per year under IP13, but 20 thousand per year with IP16 —

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 Est.
LP gas	523	551	553	575	618	632	633	627	622	596	577	575	572	580	592
City gas	49	50	51	52	52	52	52	52	52	52	53	53	53	54	54
Total gas	572	601	604	627	670	685	685	679	674	648	629	628	626	634	646
Information and communications	278	375	440	471	471	501	556	614	684	758	816	854	864	852	826
CATV	271	307	333	360	378	410	433	685	740	722	691	693	690	710	734
Aqua	—	—	—	—	—	12	39	57	71	97	102	122	130	133	137
Mobile	—	—	—	—	38	79	115	145	171	193	213	227	235	236	238
Security	20	19	19	22	23	24	23	22	21	20	19	19	18	18	17
Total	1,141	1,301	1,396	1,480	1,580	1,710	1,849	2,190	2,343	2,415	2,445	2,519	2,537	2,558	2,575
Net increase	254	161	95	84	100	130	139	341	153	72	30	73	19	20	17

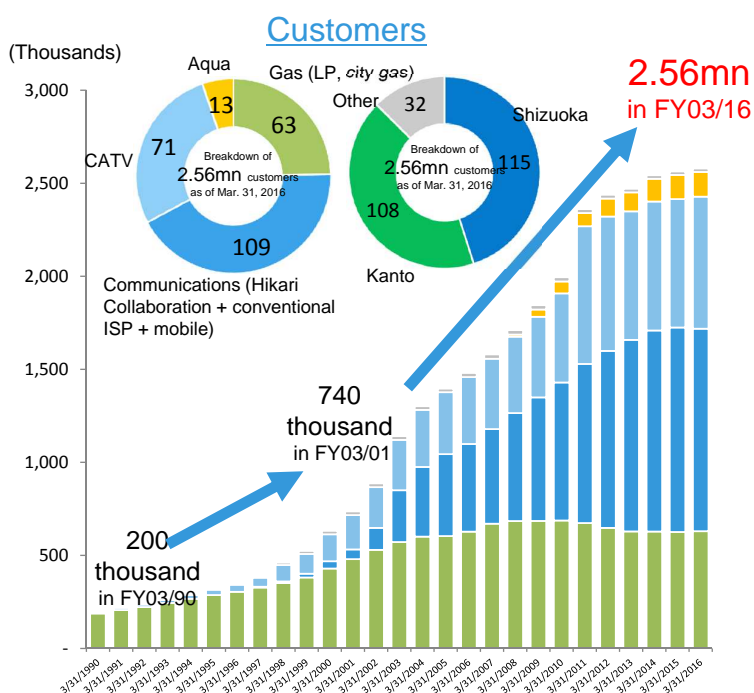
*Made LCV and KCT subsidiaries

*Made Toco Channel Shizuoka a subsidiary

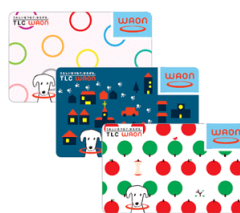
*Sold Kumagaya Cable

Our Fundamental Strength: (1) Customer Base

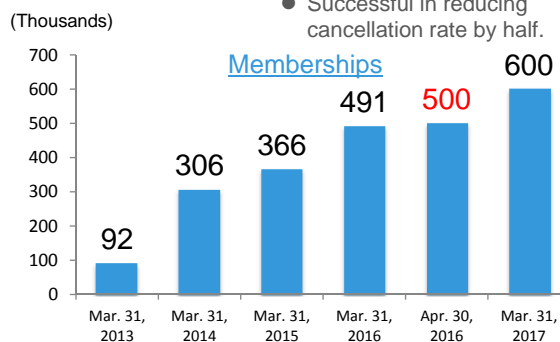
— 2.56 million customers use our products and services nationwide—
 — Strong connections with customers in Shizuoka Prefecture and the Kanto region, plus increasing customer count due to expansion into new areas—
 — Steady progress in increasing number of members as part of initiatives to secure earnings over a customer's lifetime and promote cross-selling—



Point Club Memberships to Exceed 500 thousand



- Points accrue based on monthly usage amounts. Users of multiple services receive additional bonus points.
- Can be used as e-money at 170 thousand affiliated shops, with links to other point services.
- Successful in reducing cancellation rate by half.



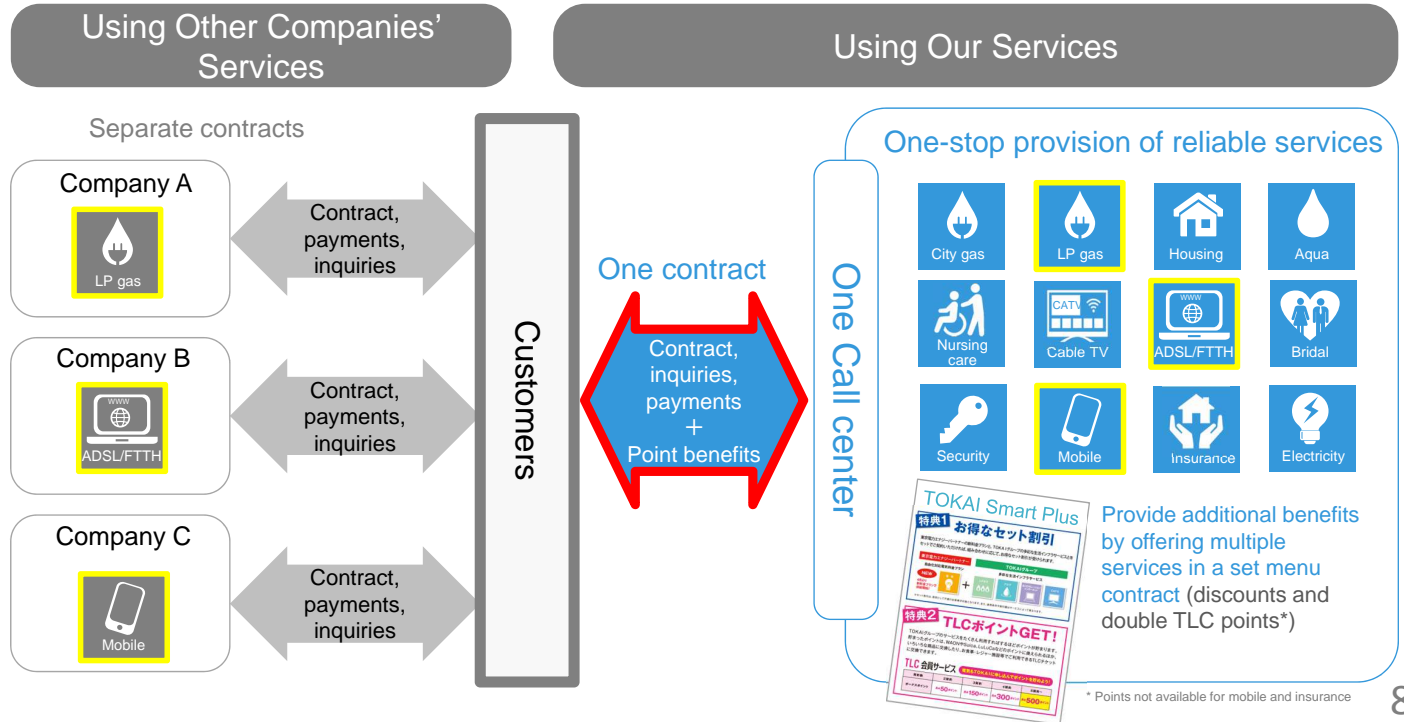
Our Fundamental Strength: (2) Comprehensive Services

—TLC (Total Life Concierge) is the core concept of our service provision—

—We offer customers convenience and economic benefits by combining multiple services in line with our strategy to increase ARPU—

—We offer competitive prices compared with other companies in our industries.

Our strength is the ability to provide services as a set—



Our Fundamental Strength : (3) Agility

—A total of 1,500 managers meet customers face-to-face and propose solutions—

—Call centers help reduce cancellations

and will proactively expand operations to support contract acquisitions—

127 sales locations*

* Including three overseas locations (Shanghai, China; Taipei, Taiwan; Yangon, Myanmar)

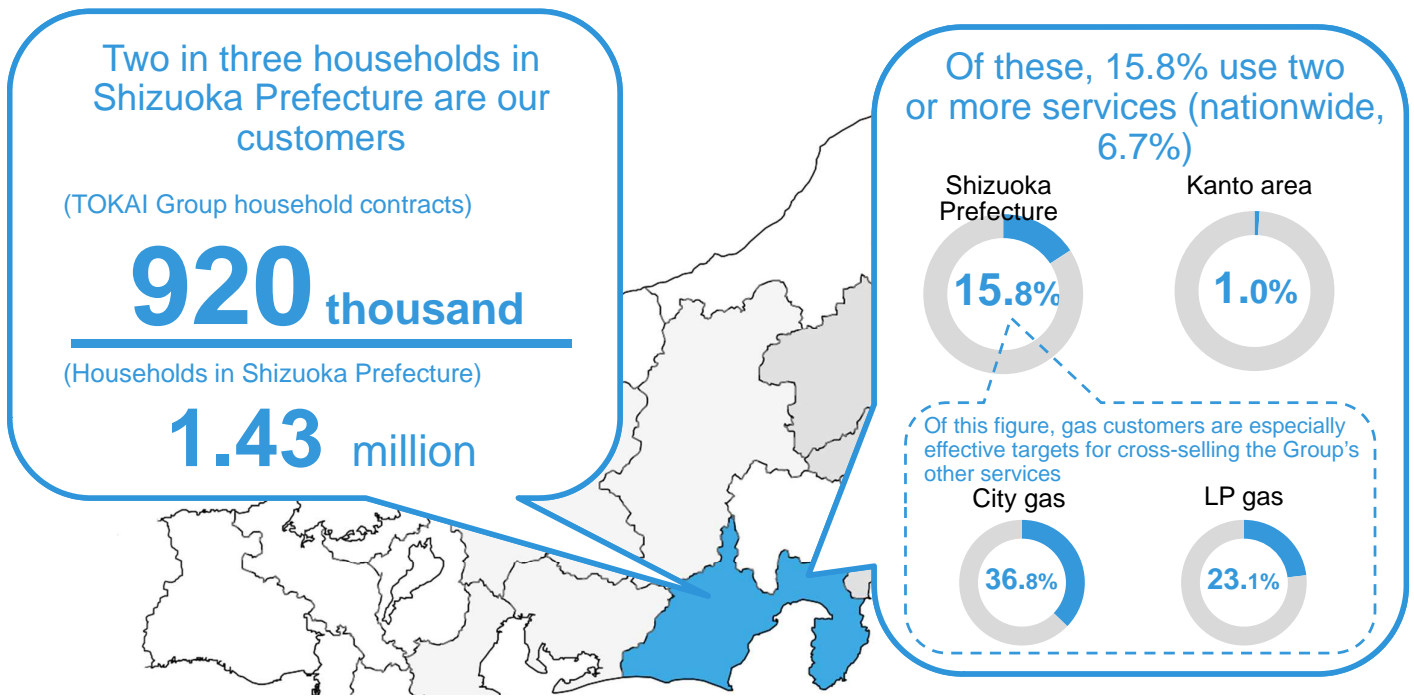


1,500 regional managers



Successful TLC Model Leveraging Regional Ties

- Our core strategy is to promote multiple service contracts through sales based on regional ties—
- The gas business is the basis for TLC because customer contact points are strong, providing a high rate of multiple service contracts—

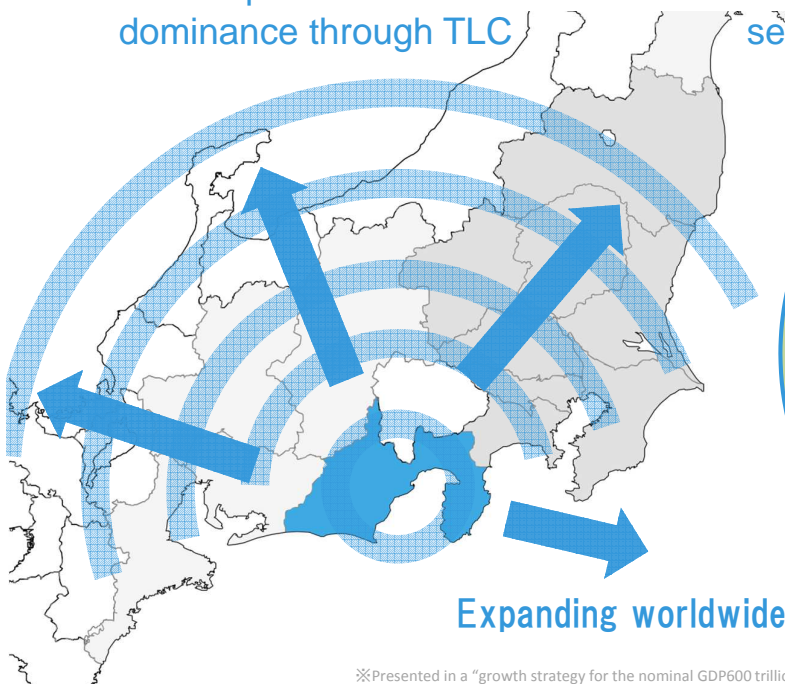


1 Contracts by the TOKAI Group as of March 31, 2016 (Gas: 230 thousand; CATV: 390 thousand; Information and Communications: 470 thousand, Aqua: 70 thousand)
 2 The number of households in Shizuoka Prefecture is as of April 1, 2016, according to "Shizuoka Prefecture Population Statistics, by City, Ward, Town, and Village," Shizuoka Prefectural Government. Calculations for monthly reporting of population statistics in Shizuoka Prefecture are based on preliminary national census figures (population as of October 1, 2016).

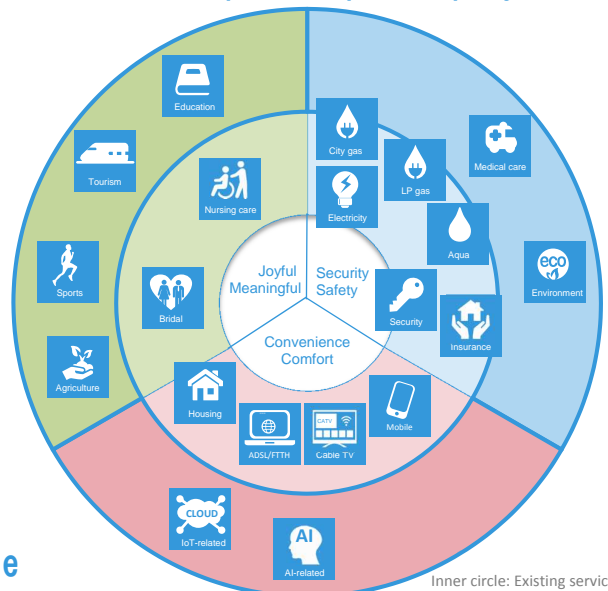
Our TLC Vision and Expansion Scenario

- Conduct a full-fledged rollout into other areas, under the TLC strategy of providing each customer household with multiple products and services—
- We intend to accelerate the expansion of new products and services by developing new businesses ourselves and through alliances with other companies—

Area expansion and dominance through TLC



Also looking at new businesses and services in the private/public project sector



※Presented in a "growth strategy for the nominal GDP600 trillion yen" announced on April 19, 2016 at the 26th industrial competitiveness conference

The Group's Fiber Optic Network

- Built a proprietary fiber optic network spanning 6,000 km —
- Constructed to connect the high-demand Kanto Region to Okayama, passing through Tokyo, Nagoya, and Osaka—
- Expanding the information and communications business and the CATV business underpinned by this fiber optic network—

Total network distance:
Approx. **6,000**km
*As of March 31, 2016



Part2 Results of Holdings Company

Path to a Holding Company Structure

- Through transitioning to a holding company in 2011, we created a system that can offer comprehensive proposals covering each group business
- Thorough strengthening of management structure in the first three years <IP13>
 - ➡ Expanding service areas for Aqua, Internet, and information and communications; new entry into renovations and nursing care; launch of TLC Membership System; unified fund management; consolidation of telecommunications business; spinoff of cable television; spinoff of personnel and accounting departments
- Enhancing profitability during the next three years <IP16>
 - ➡ Expanding LP gas into neighboring areas (Miyagi, Aichi, and Gifu Prefectures); new entry into Hikari Collaboration; achieving profitability in Aqua and nursing care; strengthening cross-selling initiatives via TLC
- All profit indicators achieved record highs in FY2016.
- Realized significant improvement in financial standing. Halved interest-bearing debt while the equity ratio increased fourfold.

Holdings Structure Medium-term Management Plans

◆ IP13 (2011 to 2013) Strengthening management structure

- Launched TLC (Total Life Concierge) concept (Launched TLC Membership Service / Point System)
- Expanded domestic and overseas service areas, made new entries
 - ✓ Nationwide expansion for Aqua; Expanded into Shanghai (Established TOKAI (Shanghai)/Fujishigen/Stylish server production)
 - ✓ Tohoku base for broadband, expanded into West Japan and Taiwan in the information and communications business
 - ✓ Entered nursing care and comprehensive renovations business
 - ✓ Strengthened CATV Community Channels (TOCO Channel, high school baseball, Shizuoka festival, street performance)
- Integrated the Group's telecommunications business into TOKAI Communications, spun off CATV business
- Launched CMS (Cash Management Service) to unify fund management
- Introduced personnel and accounting departments shared services (established TMS) to increase structural efficiency and strengthen personnel development

◆ IP16 (2014 to 2016) Enhancing business profitability

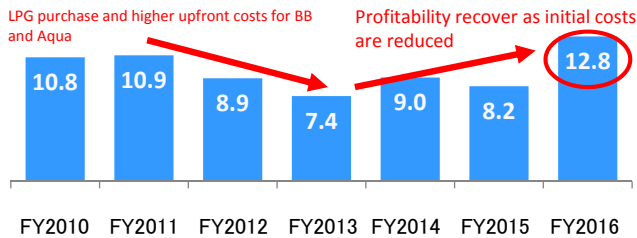
- Achieved record highs for all profit indicators during the final year
- Realized TLC concept (strengthened cross-selling)
- Recovery to net increase in customer numbers for LP gas and cable broadcasting
- New growth in the broadband business through Hikari Collaboration
- Achieved profitability in the Aqua and nursing care businesses
- Adjustments in the bridal business (Closing of Bouquet Mishima and Bouquet Gotemba)



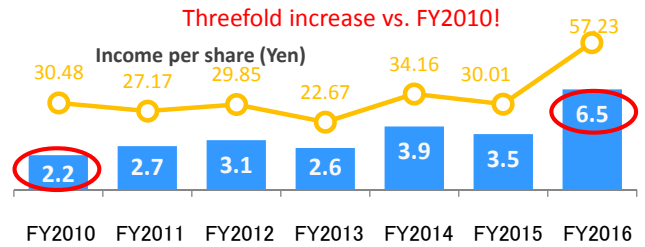
Results were progressing well and financial standing improved significantly

Holdings Structure Achievements

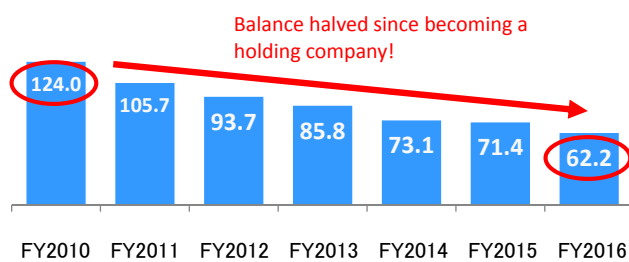
- For FY2016, forecast of ¥12.8bn in **operating profit, a record high**
- Net income increased by three times by ¥4.3bn (from ¥2.2bn to ¥6.5bn)
- Interest-bearing debt halved with a decrease of ¥61.8bn (from ¥124.0bn to ¥62.2bn)
- Equity ratio increased by four times (from 7.7% to 30.8%)



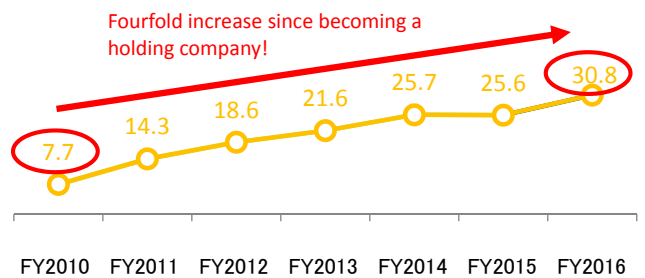
Operating profit (JPYbn)



Net income (JPYbn)



Balance of interest-bearing debt (JPYbn)



Equity ratio (%)