

About TOKAI Group

June, 2018
TOKAI Holdings Corporation
(Code: 3167)

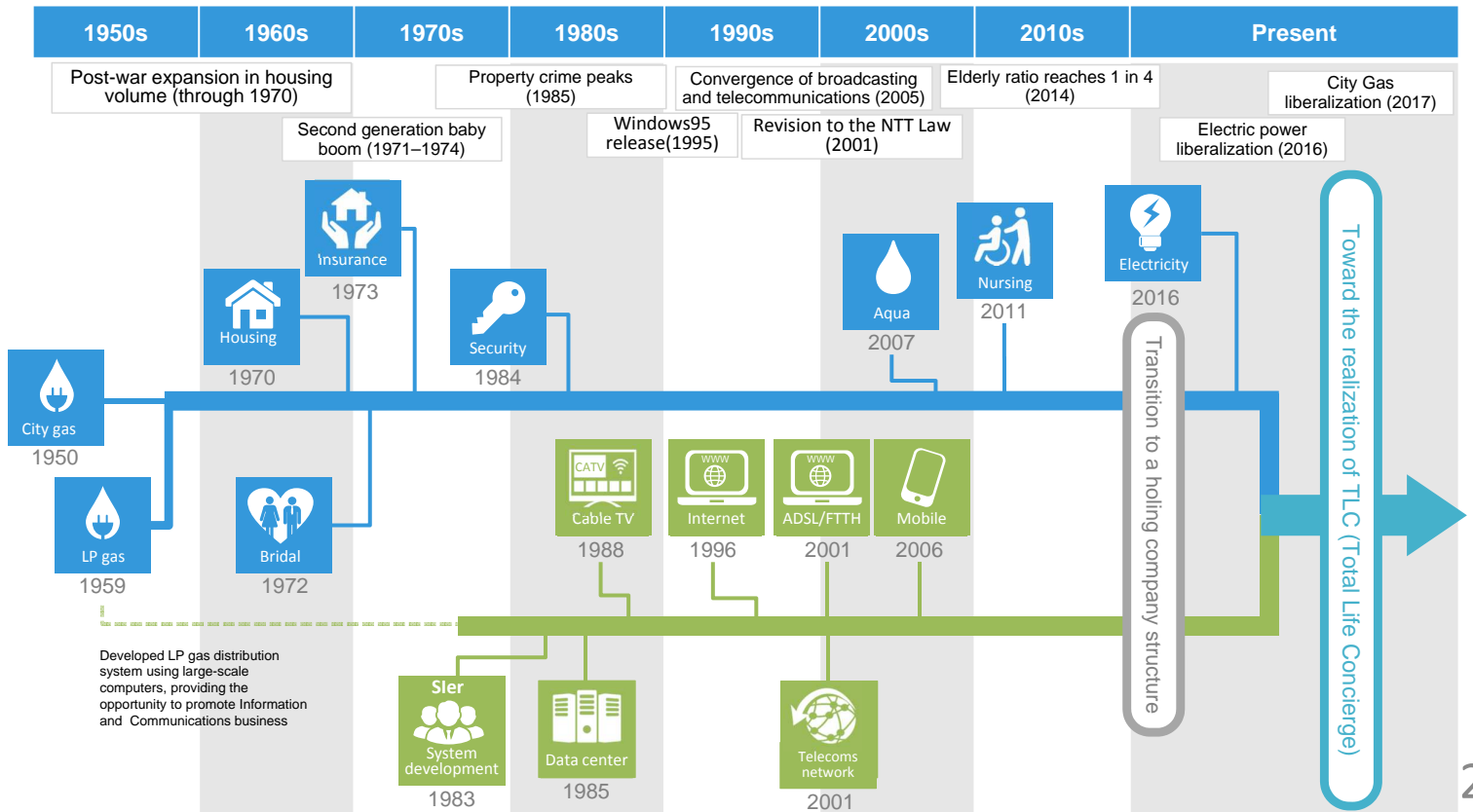
Overview of TOKAI Holdings

- Established in 1950. Decision to change to a holding company structure in 60th year, transition to new structure the following year. Currently in 8th 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	23 consolidated subsidiaries, 5 affiliates				
Sales, operating profit	¥186.1 billion, ¥11.0 billion (FY2017)				
Employees	3,870				
Main businesses (FY2017) Note: Percentage figures indicate proportion of total sales	Gas and Petroleum	:	40.9%	(sales: ¥76.1 bn; operating profit: ¥7.4 bn)	TOKAI, TOKAI GAS
	Information and Communications	:	27.4%	(sales: ¥50.9 bn; operating profit: ¥3.2 bn)	TOKAI COM
	CATV	:	15.3%	(sales: ¥28.4 bn; operating profit: ¥3.6 bn)	TCN
	Building and Real Estate	:	10.6%	(sales: ¥19.8 bn; operating profit: ¥1.3 bn)	TOKAI
	Aqua	:	3.3%	(sales: ¥6.2 bn; operating profit: ¥0.2 bn)	TOKAI
	Other	:	2.5%	(sales: ¥4.7 bn; operating profit: —¥4.7 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				

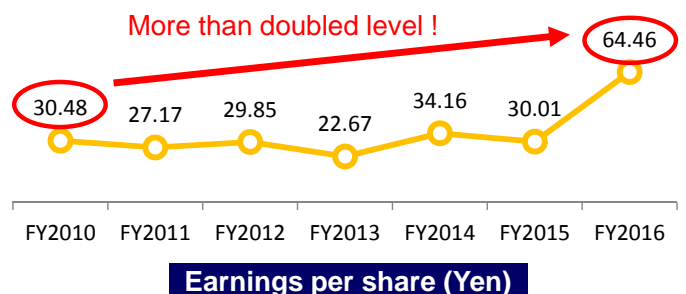
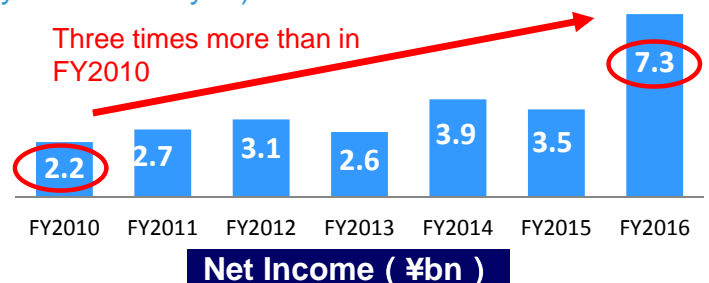
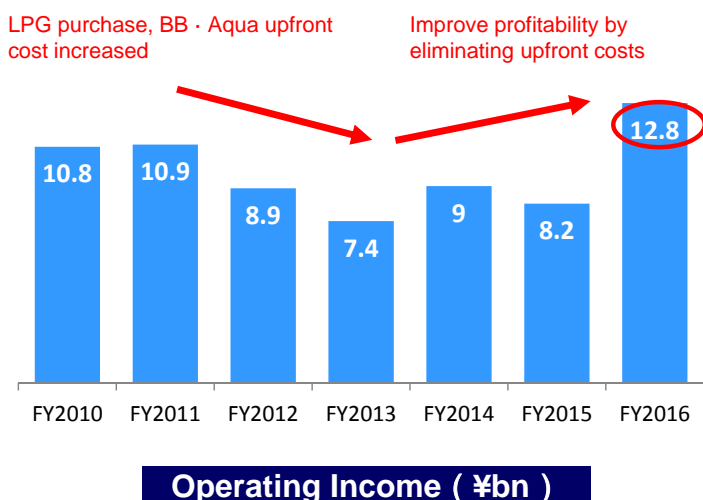
Diversify business related to living with gas as the starting point

- Expanded our own infrastructure services while responding to social issues, population structure change, consumer needs
- Provided "Energy" "Information and communication" "Housing equipment" "Security" "Insurance" "Nursing care" and others



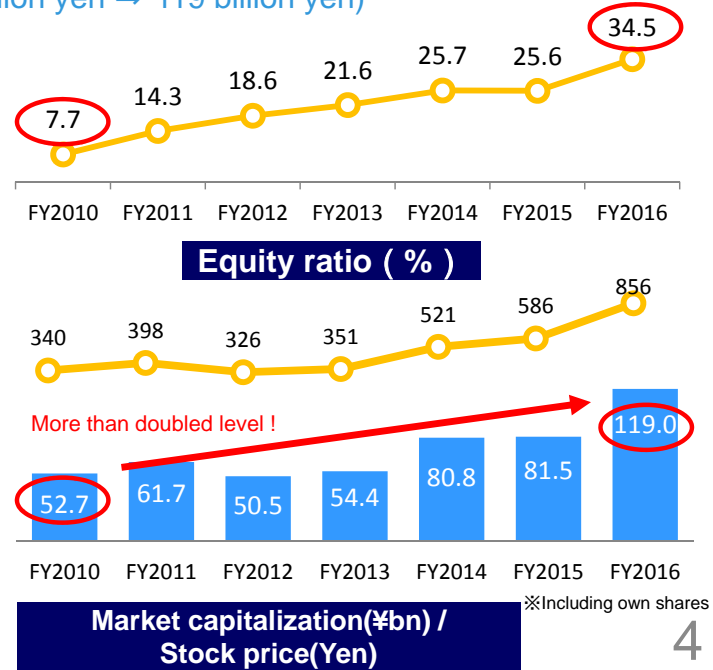
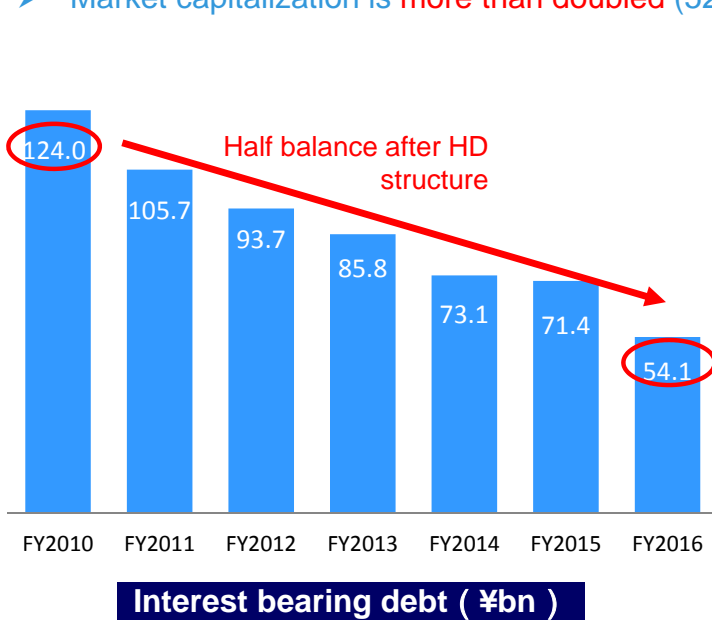
Achievements of IP13 and IP16 (PL)

- Transformed from "individual management" to "group management" by holdings structure.
- Made remarkable results through "improvement of finance" at IP13 and "strengthening of profitability" of IP16 "growing".
- Achieved operating income of 12.8 billion yen (record high) in FY 2016.
- Net income **tripled**. (5.1 billion yen increased) (2.2 billion yen ⇒ 7.3 billion yen)
- Earnings per share are more than **doubled** (30.48 yen ⇒ 64.46 yen)



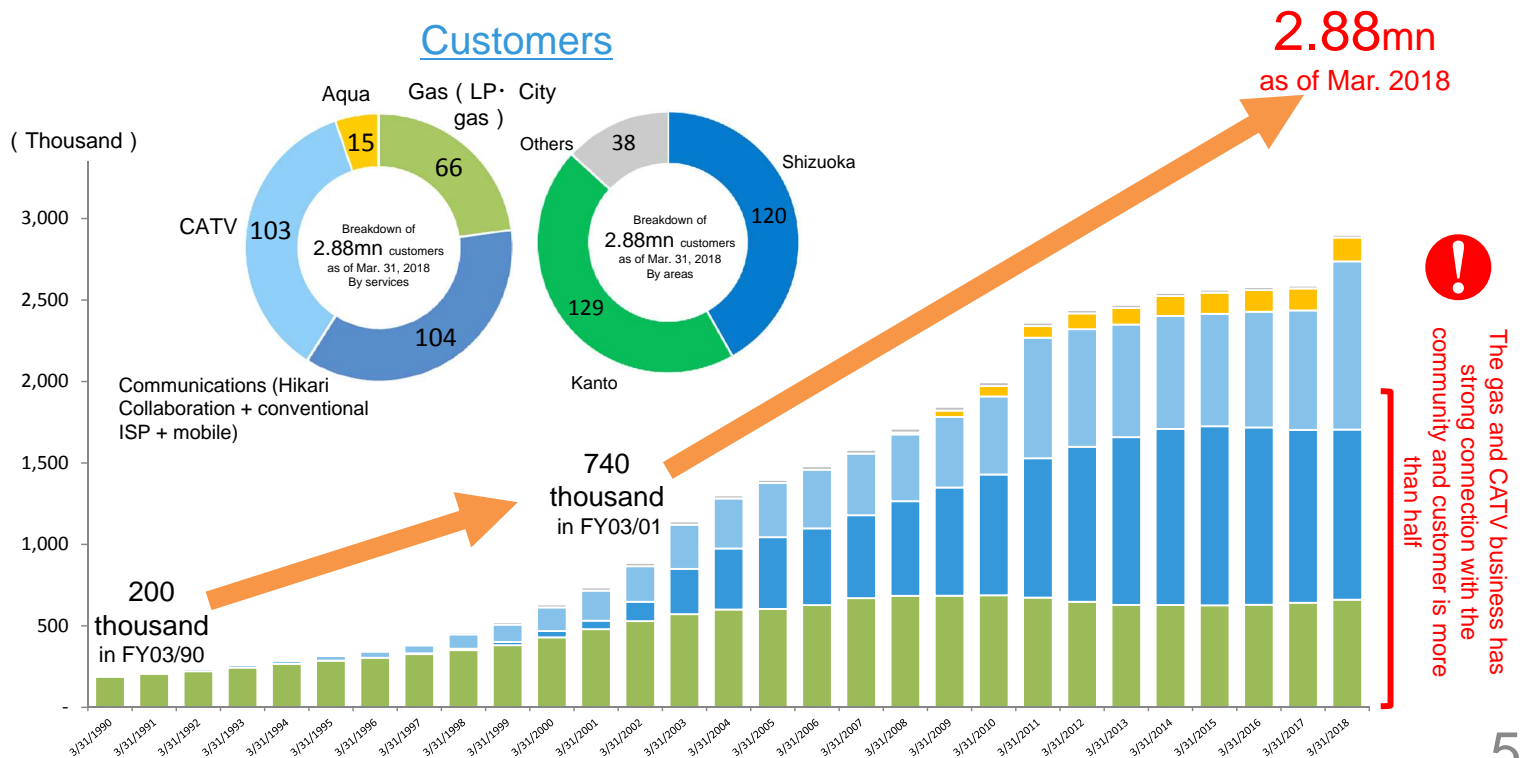
Achievements of IP13 and IP16 (BS)

- Transformed from "individual management" to "group management" by holdings structure.
- Made remarkable results through "improvement of finance" at IP13 and "strengthening of profitability" of IP16 "growing".
- Interest bearing debt **halved**. -69.9 billion yen (124 billion yen ⇒ 54.1 billion yen)
- Equity ratio **improved significantly** (7.7%⇒34.5%)
- Market capitalization is **more than doubled** (52.7 billion yen ⇒ 119 billion yen)



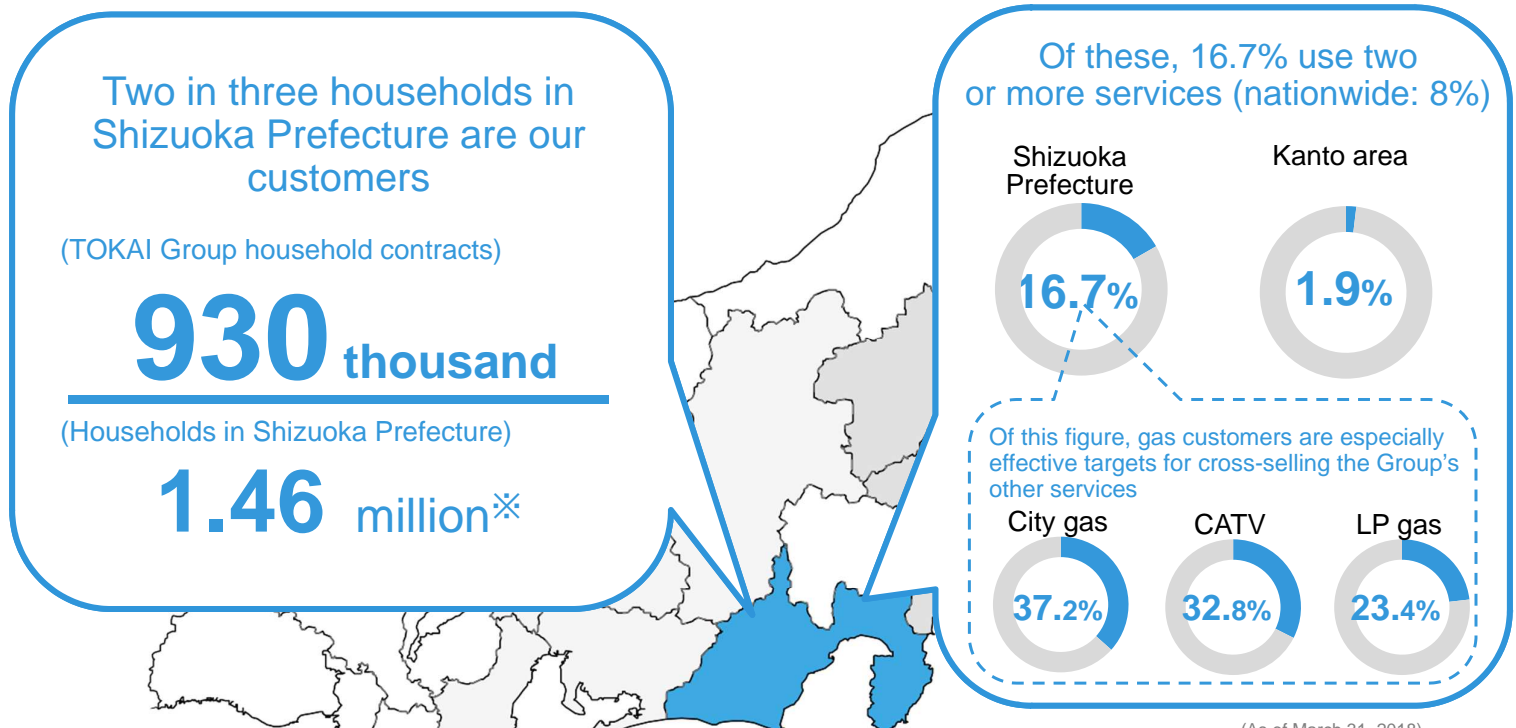
Stable revenue model with charge accumulation

- 2.88 million customers nationwide, customer share in Shizuoka prefecture overwhelming (3 households and 2 households are our customers)
- Gas and CATV business occupying more than half are strongly connected with customers and being foundation of stable earnings



TLC model which can be established in Shizuoka prefecture

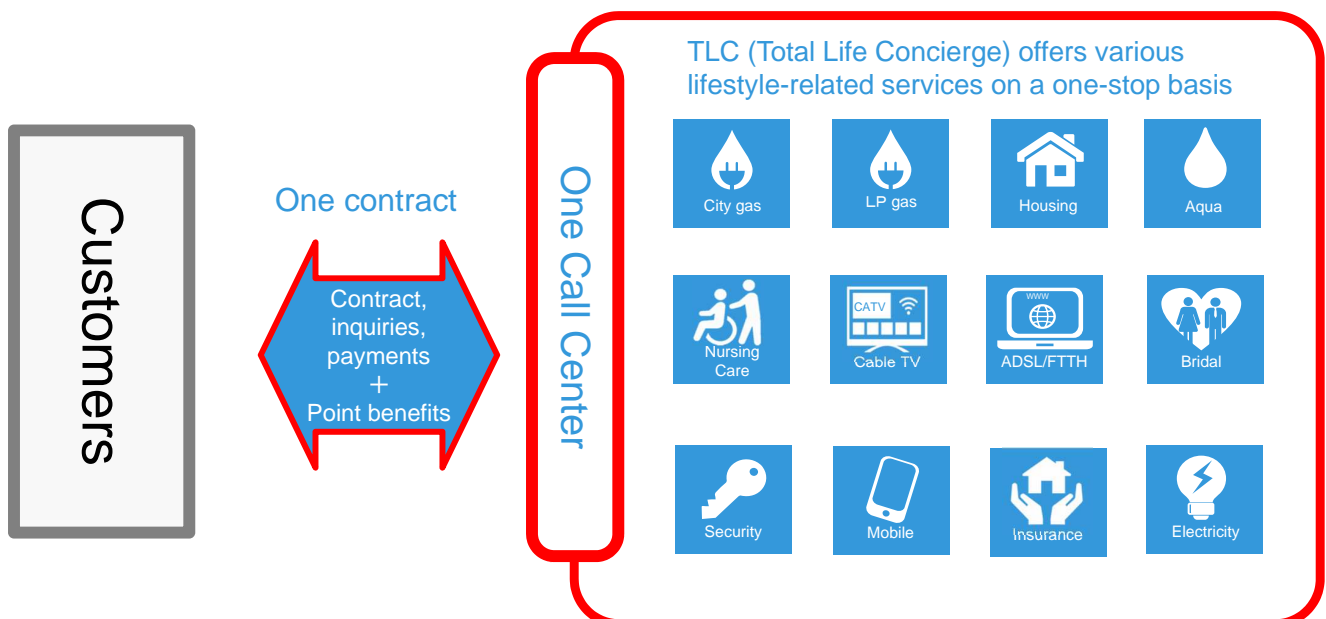
- It is our basic strategy to promote multiple contracts by community-based sales
- Gas and CATV business is the basis for TLC because customer contact points are strong, and providing a high rate of multiple service contracts



* The number of households in Shizuoka Prefecture is as of April 1, 2018 according to "Shizuoka Prefecture Population Statistics, by City, Ward, Town, and Village," Shizuoka Prefectural Government. Contracts by the TOKAI Group as of March 31, 2018

Group vision "TLC"

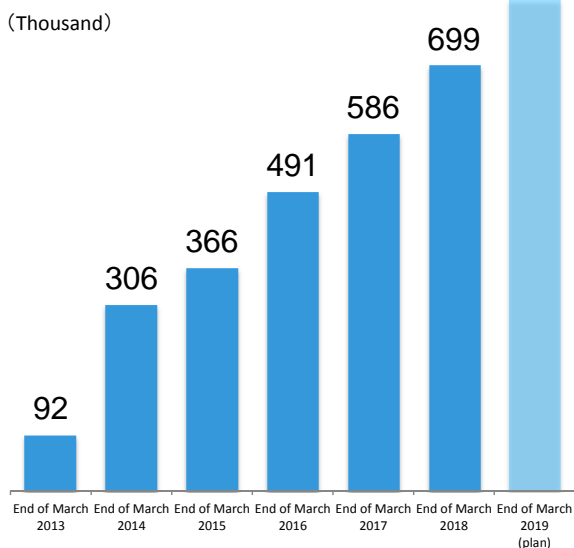
- Basic concept of service provision by TLC (Total Life Concierge)
- Provide diversified lifestyle related services at one stop · one contract · one call center



The TLC is effective for continuing transactions, multiple contracts

- Institutionalized in December 2012 to further promote long-term continuity and multiple transaction (cross-selling) measures for 2.88 million customer base.
- TLC points are awarded according to the usage fee of group service (1 point of basic point per monthly usage fee of 200 yen) and the number of contracts of service (bonus points 50 to 500 points according to the number of contracts).
- As a new cross-selling measure, TLC Kasatoku-plus, which provides customers with multiple incentives, started in May 2017

TLC Members exceeded 700,000



Group Services	LP Gas	City Gas	Electricity	Internet	LIBMO	CATV	Intelligent home	Aqua	Security	House Renovation
Basic points	◎	◎	—	◎	◎	◎	◎	◎	◎	—
*Give 1 TLC point per 200 yen of monthly usage fee for target 6 service (City gas requires two or more contracts including city gas and other designated services)										
Bonus points	◎	◎	◎	◎	◎	◎	◎	◎	◎	—
※ Receive TLC points according to the number of contracts of the target 9 service 2 contracts → 50 points - 4 contracts → 300 points 3 contracts → 150 points - 5 contracts → 500 points										
Kasatoku points * Started in May 2017	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎
※ Present TLC points if you newly subscribe to the target service of the group 200 points a month for each new contract										

8

By cross-selling, the cancel rate be halved

- The contribution to the cancel rate is a decrease of 50%, which is 5.8% for multi-trading customers, with a rate of 11.0% for single
- TLC members cancel rate is 8.3%, non-members are 11.0%, about 30% less. With TLC membership system, cancellation can be suppressed.

Cancel rate of multiple trading customers (Result of FY2017)

	Member	Not a member	Total
Multiple trading customers (a)	5.3%	7.0%	5.8%
Single trading customers (b)	9.9%	11.3%	11.0%
計	8.3%	11.0%	10.3%
(b / a)	<div style="border: 1px solid red; padding: 5px; display: inline-block;"> The cancel rate is reduced by about 30% </div>		- 50%

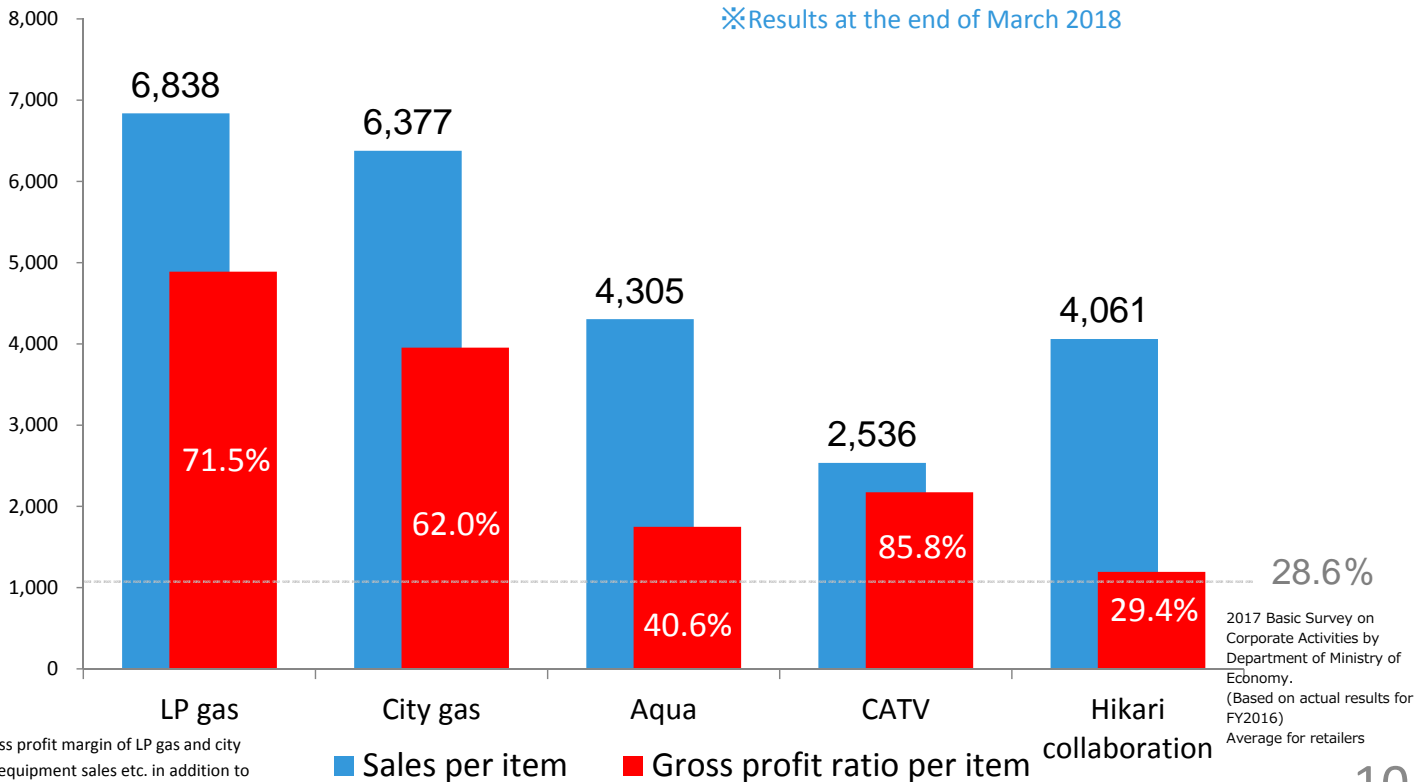
9

The main services are characterized by a high profit margin

- Monthly sales and gross profit ratio per one main service
- Our all major services are above retail average (28.6%).

(Yen/Month・Item)

※Results at the end of March 2018



* Sales and gross profit margin of LP gas and city gas include equipment sales etc. in addition to gas sales

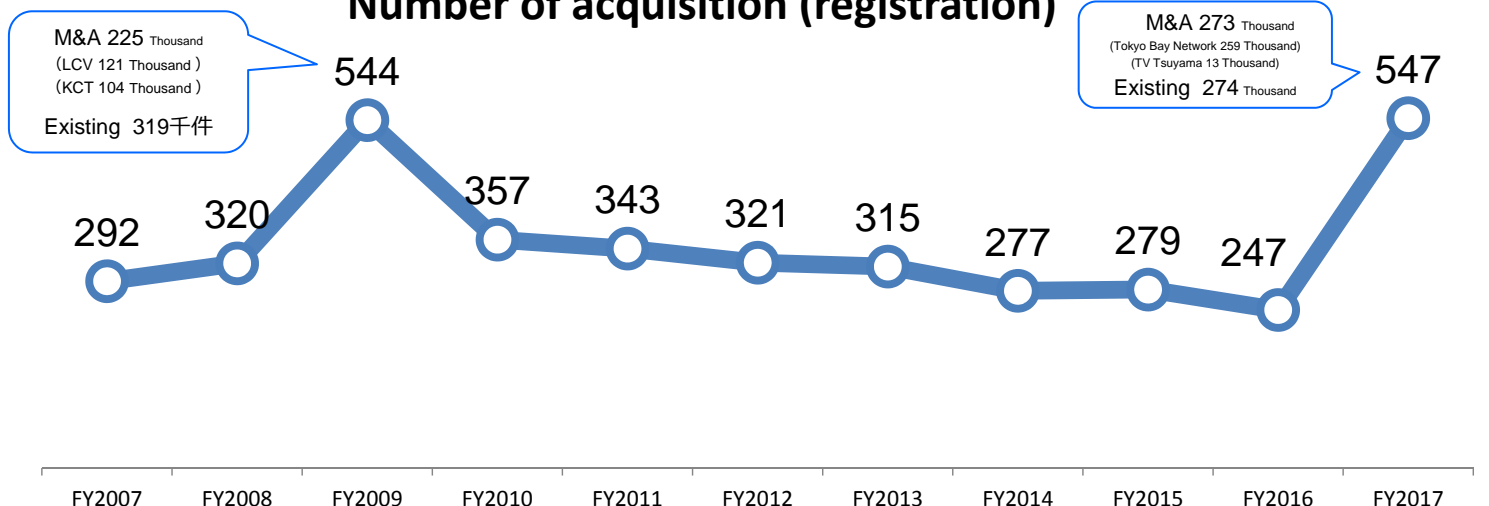
10

Direct sales capability to acquire 300,000 customers per year

- In the LP gas business, operate in existing areas and new areas.
- In the CATV and city gas business, operate around the service area.
- In the information and telecommunications business, mainly operate at our own booth in a major home electronics store.
- In the aqua business, operate at our own booth such as in Aeon (Facility of major retailers in Japan) and other large commercial facilities.

Number of acquisition (registration)

(Thousand)



11

Sales and service structure rooted in areas and customers

- A total of 1,500 managers meet customers face-to-face and propose solutions
- Call centers help reduce cancellations and proactively support contract acquisitions

129 sales locations*

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



1,600 regional managers

	LP gas	TG	CATV
Sales person	630	434	63
Delivery	239		
Meter reading/ Collection money	444		
Security	276		
Total	1,589		

40 million customer contact points



Headquarters

Branch sales offices

Call center

Around **400** operators at nine locations throughout Japan

12

Own competitive optical trunk line 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

The total distance of the optical trunk line, which is the backbone of the group's information and telecommunications business and CATV business:

Approx. **6,000**km

(Breakdown of total laying distance) *As of March 31, 2018

Telecommunication business	2,608 km
CATV business	3,527 km

※Including trunk and branch line (excluding lead-in line)



Okayama Data Center

Okayama

Nagoya

Osaka

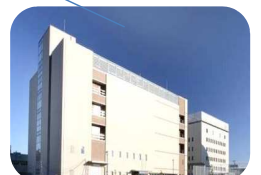
Yaizu

Atsugi

Otemachi



LCV Data Center



Shizuoka Data Center

13

Data Center Alliance

- Alliance with data center operators nationwide to realize a wide range of BCP and DR services
- There are 23 member companies

※ As of the end of March 2018

•BSN INET Co.

•**LCV CORPORATION**

• Hokuden Information System Service Company,Inc.

•Ryobi Systems co., ltd.

•Kyuden Infocom Company,Inc.

•Nishitetsu Information System Co.,Ltd

•SAKURA KCS Corporation

•MEIKO TECHNOS

•Okigin SPO

•Hokkaido Telecommunication Network Co., Inc.

•Tohoku Intelligent Telecommunication Co., Inc.

•LAC Co., Ltd

•Data Dock Inc.

•Ryomo Internet Data Center Co., Ltd.

•AGS Corporation

•ITOCHU Techno-Solutions Corporation

•INFOCOM CORPORATION

•Sakura Information Systems Co., Ltd.

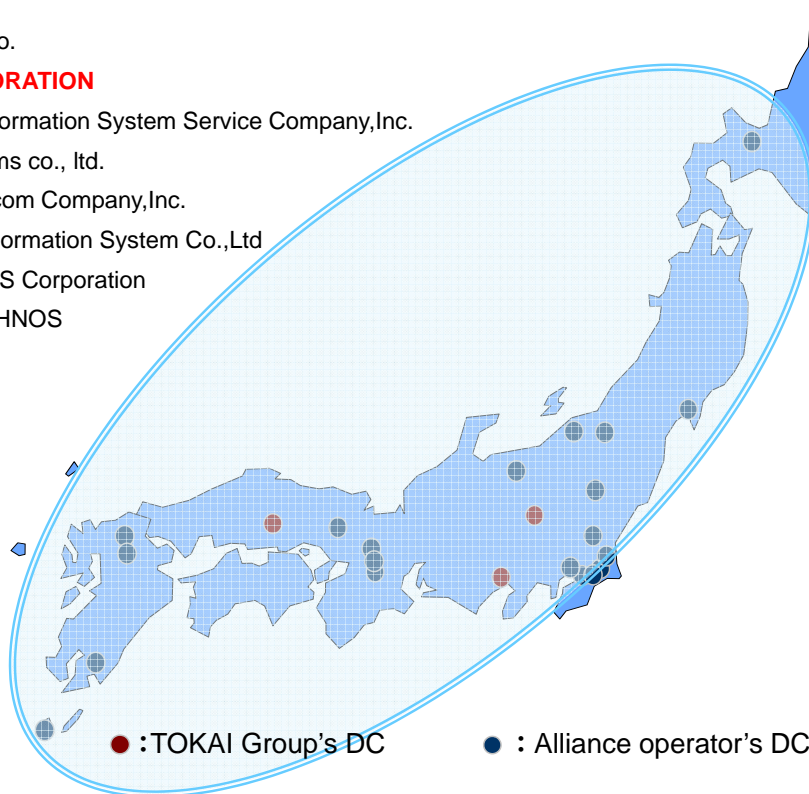
•NTT TechnoCross Corporation

•**TOKAI Communications Corporation**

•OGIS-RI Co.,Ltd.

•ITEC HANKYU HANSHIN CO.,LTD.

•GMO CLOUD K.K.



New Medium-Term Management Plan IP20 “JUMP”

Numerical targets include doubling sales in FY03/21 versus FY03/17

- Increase sales by 1.9 times compared with FY2016 to 339.3 billion yen, and operating profit grow to 22.5 billion yen 1.8 times. And the number of customers is also 1.7 times as high as 4.32 million.
- Target interest-bearing debt/EBITDA ratio of 2.6x, equity ratio of 31.6%, and ROE of 13% by management focused on capital efficiency.

(Billions of yen)	FY03/17 Result	FY03/18 Result	(Target)	FY03/19 Target	FY03/20 Target	FY03/21 Target
Sales	178.6	186.1	(189.4)	202.0	224.4	(+90%) 393.3
Operating profit	12.8	11.0	(11.0)	14.0	16.2	(+80%) 22.5
Net income	7.3	6.6	(6.4)	7.9	8.7	(+60%) 11.5
Total assets	161.1	166.4	(169.8)	173.8	191.2	(+80%) 283.4
Interest-bearing debt/EBITDA ratio	1.9x	1.9x	(2.0x)	1.7x	1.8x	2.6x
Equity ratio	34.5%	36.3%	(33.9%)	35.6%	34.9%	31.6%
ROE	15.2%	11.4%	(11.1%)	12.8%	13.0%	13.0%
Customer numbers (millions)	2.56	2.88	(2.88)	2.99	3.72	(+70%) Over 4.32

Note: () denotes increase versus FY03/17

16

M&A strategy in IP 20 "JUMP"

- In the four years from FY2017, we will carry out the following M&A strategy.

Investment fund of 100 billion yen for 4 years

Strengthen core business

Further expansion of the LP gas, city gas, CATV, information and communication businesses.
Expanding customer base through M&A and Alliance.

Acquisition of new service field

Acquire new services to promote future growth.
Not only acquisition but also viewing capital alliance.

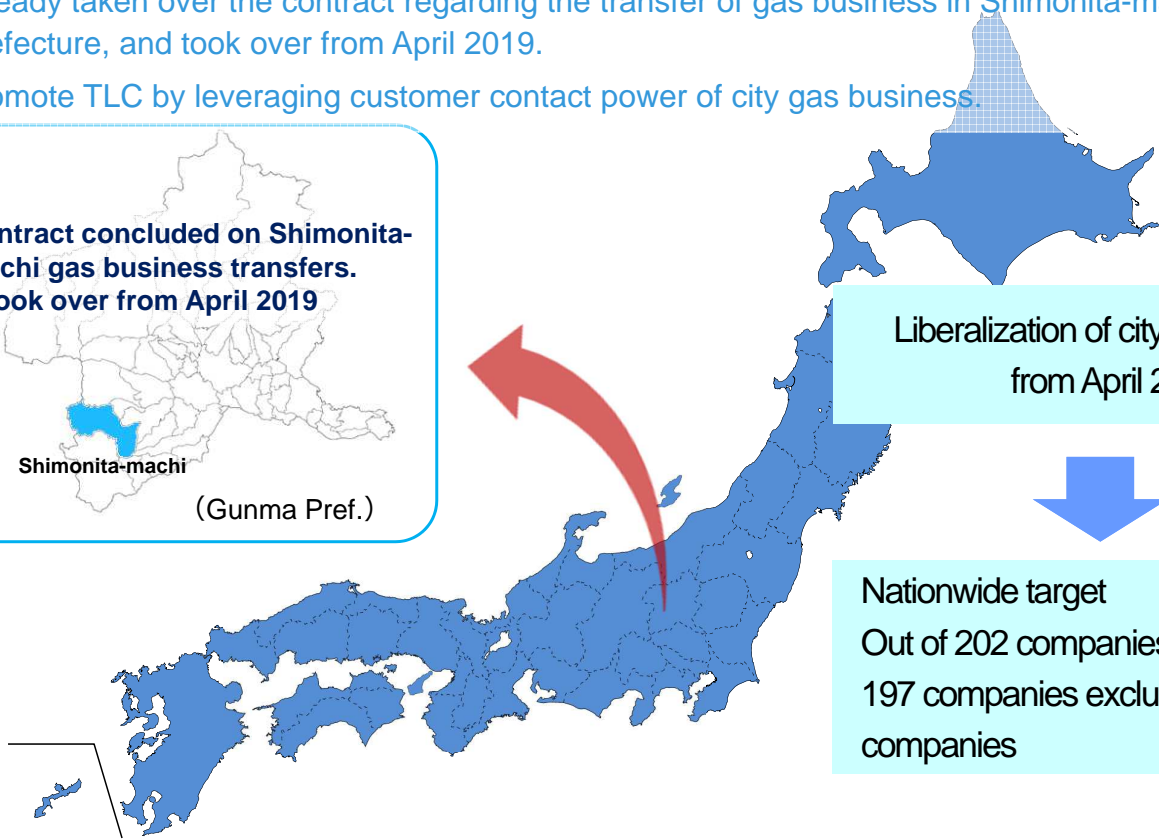
17

Promote M&A aggressively with liberalization of city gas

- Due to the liberalization of city gas, 197 companies excluding major companies out of 202 companies in the whole country are targeted.
- Already taken over the contract regarding the transfer of gas business in Shimonita-machi Gunma Prefecture, and took over from April 2019.
- Promote TLC by leveraging customer contact power of city gas business.

Contract concluded on Shimonita-machi gas business transfers. It took over from April 2019

Shimonita-machi
(Gunma Pref.)



Liberalization of city gas retailing from April 2017

Nationwide target
Out of 202 companies,
197 companies excluding major companies

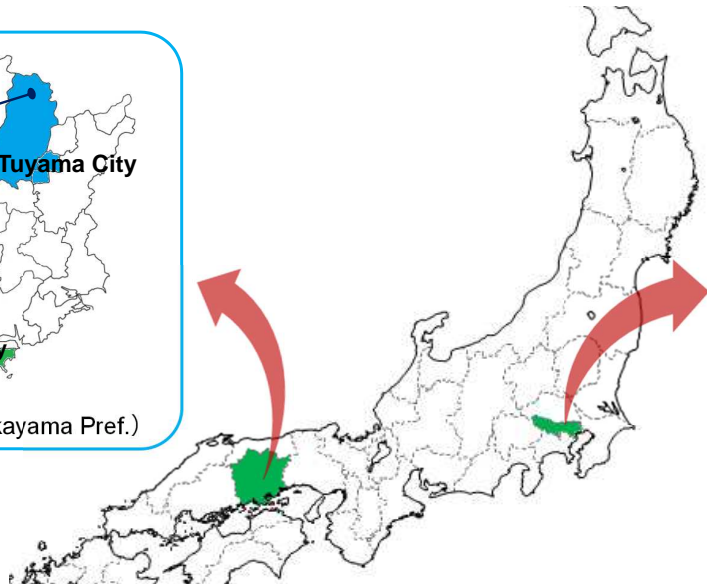
Continue to promote M&A to expand customer base

- In the previous fiscal year, Tokyo Bay Network Co., Ltd. and TV Tsuyama Co., Ltd. became consolidated subsidiaries.
- The number of businesses that can not respond with advanced broadcasting such as 4K and large capacity of communication contents is expected to increase.
- Among them, we will chose companies that can utilize our know-how and can expand TLC.

TV Tsuyama Co., Ltd
(Customers about 10,000)

Tuyama City

Kurashiki City
(Okayama Pref.)



Tokyo Bay Network Co., Ltd
(Customers about 260,000)

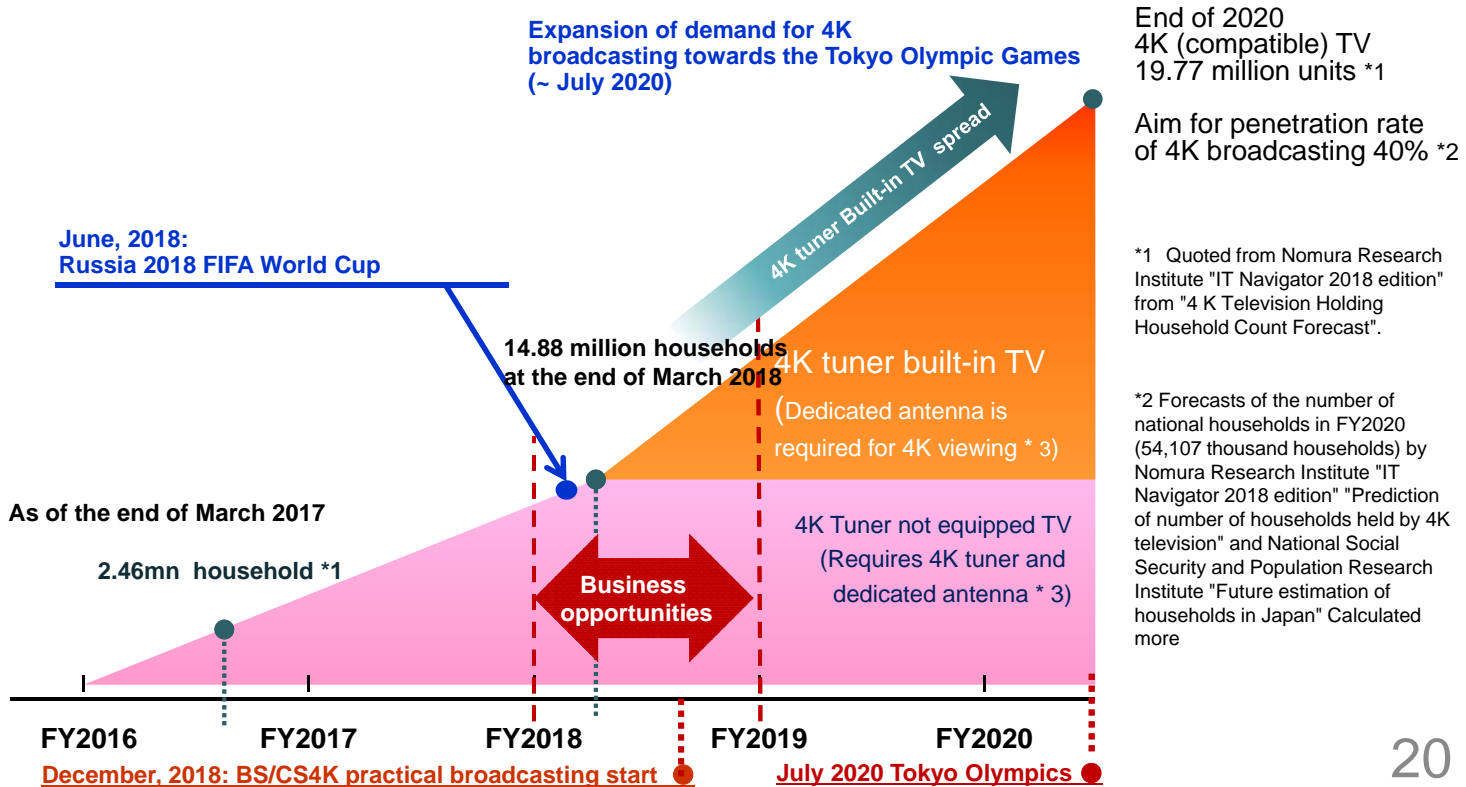
Chuo Ward

Koto Ward
(Tokyo 23 wards)

Continue selecting target company “Aggressively”

Advancement of Broadcasting in CATV (Toward optical line)

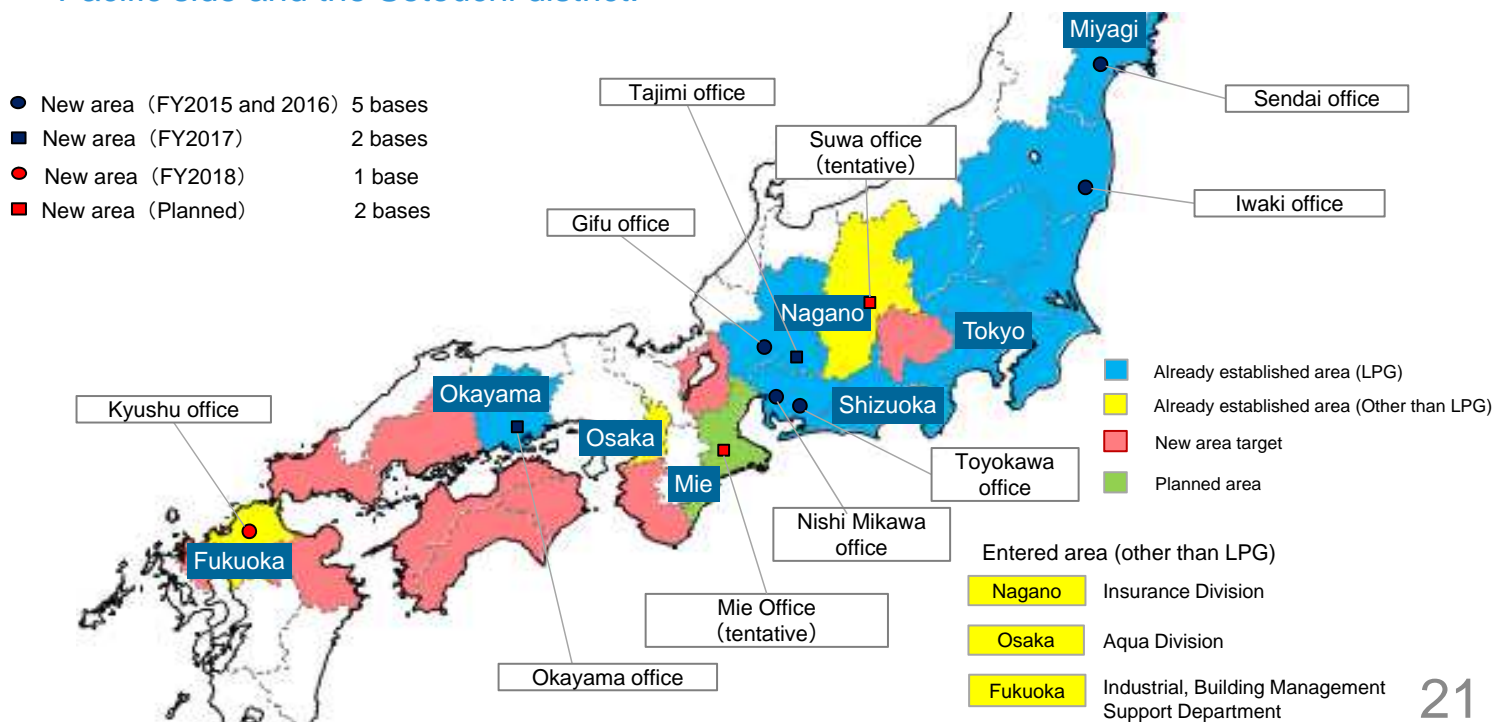
- The penetration rate of 4K broadcasting to 40% level by 2020 Tokyo Olympic Games
- In order to provide 4K broadcasting in the CATV infrastructure, it is necessary to optical line (FTTH), our Group have promoted change the line to optical from 2001 . →Cover almost the entire area in 2020.
- We assume that many small and medium-sized operators that can not make capital investment will come out in the near future.



20

Prioritize areas already expanded or neighboring

- Targeting operators in the areas already established in the neighboring of the LP gas advanced area (blue in the figure below) and group projects (other than insurance, aqua, industrial etc.) other than the LP gas business.
- From the viewpoint of population dynamics and consumption, priority is given to the Pacific side and the Setouchi district.



21

Disruptive Innovation

Sales capabilities
(existing strength)



- ABCIR+S**
- AI (A)
 - Big Data (B)
 - Cloud (C)
 - IoT (I)
 - Robotics (R)
- +
- Smartphones (S)

By leveraging ABCIR+S, TOKAI aims to build a **deeply connected relationship** with customers.

Established an organization dedicated to ABCIR+S

Established Next-Generation Management Strategy Department at TOKAI Holdings

TOKAI Holdings
Next-Generation
Management Strategy Dept.



Each TOKAI
group company

- Promote utilization of ABCIR+S across the group
- ❑ Launch new businesses
 - ❑ Improve customer contacts
 - ❑ Devise information utilization strategies

Improve efficiency in each business area

Advance businesses by utilizing ABCIR+S



Aims for transformation and growth by utilizing information and communications technology across the group.