

About TOKAI Group

June, 2019
TOKAI Holdings Corporation
(Code: 3167)

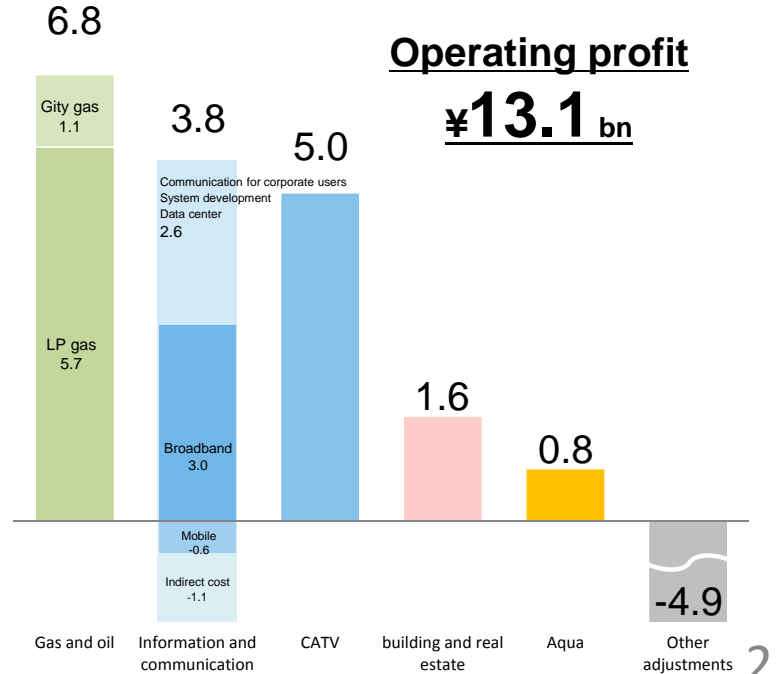
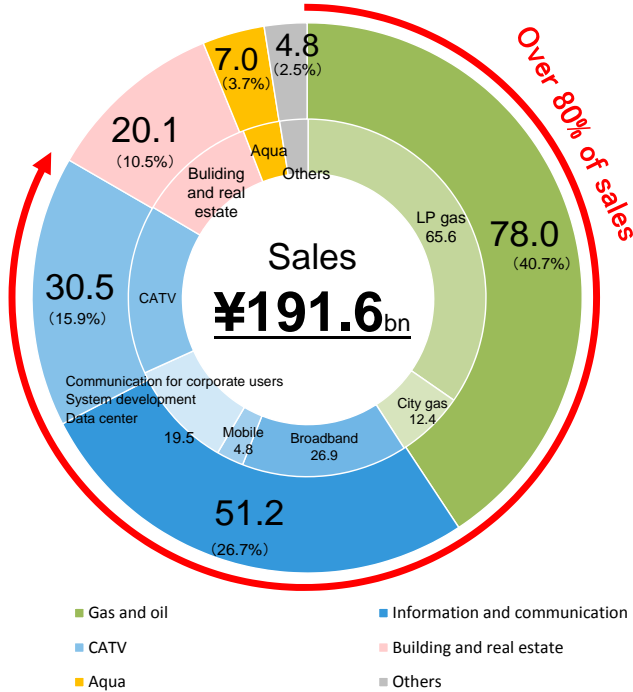
Overview of TOKAI Holdings

- Established in 1950. Decision to change to a holding company structure in 60th year, transition to new structure the following year. Currently in 9th 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	24 consolidated subsidiaries, 5 affiliates (as of March 2019)
Sales, operating profit	¥191.6 billion, ¥13.1 billion (FY2018)
Employees	4,001
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

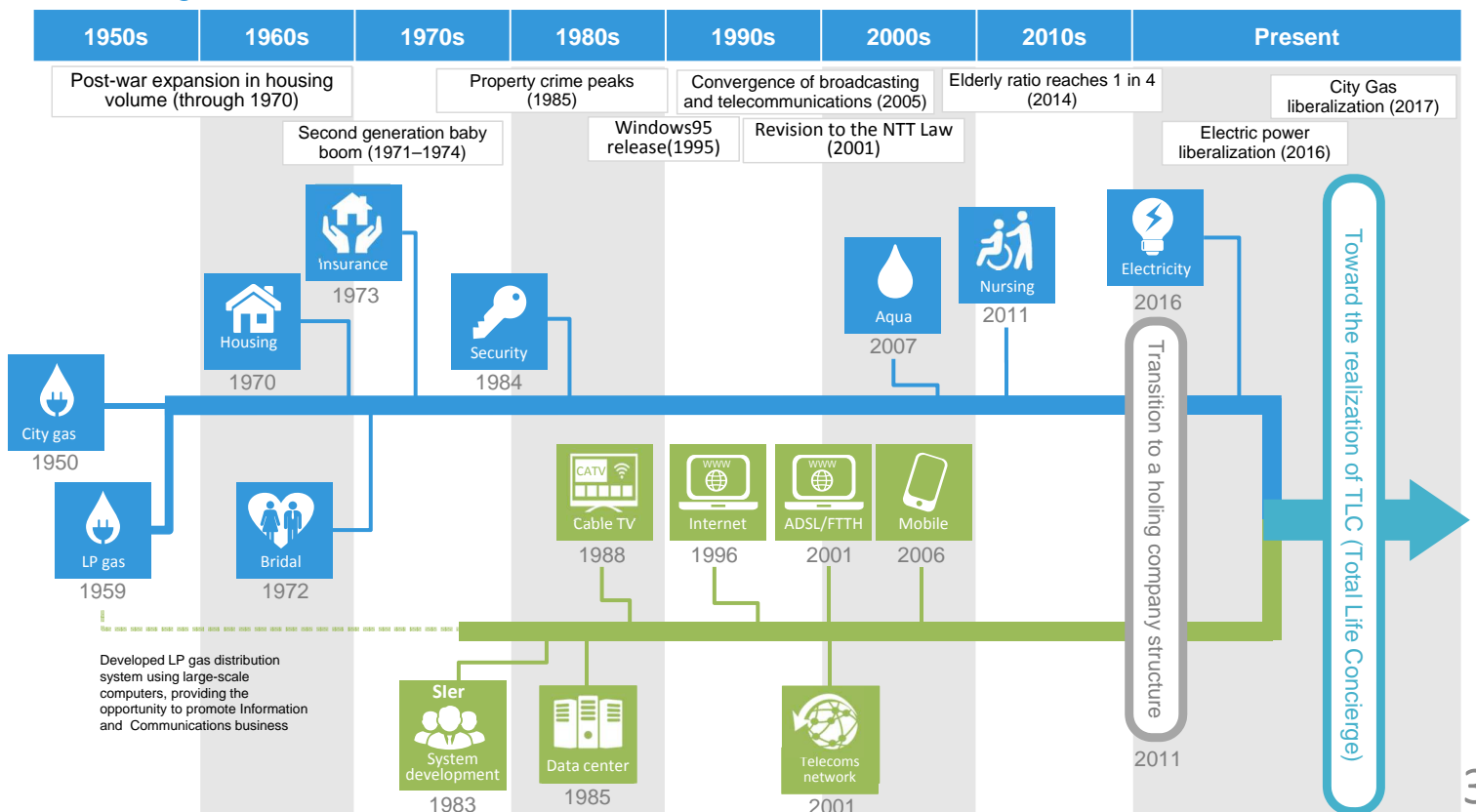
Performance of major business

- Classified into six segments: gas and oil, information and communication services, CATV, building and real estate, aqua, and others.
- The scale of the business is net sales of ¥191.6 billion and operating profit of ¥ 13.1 billion (FY2018 results)
- Gas and oil (40.7%) and information and communication services and CATV (42.6) account for over 80% of sales, and these are the mainstays of business



Diversify business related to living with gas as the starting point

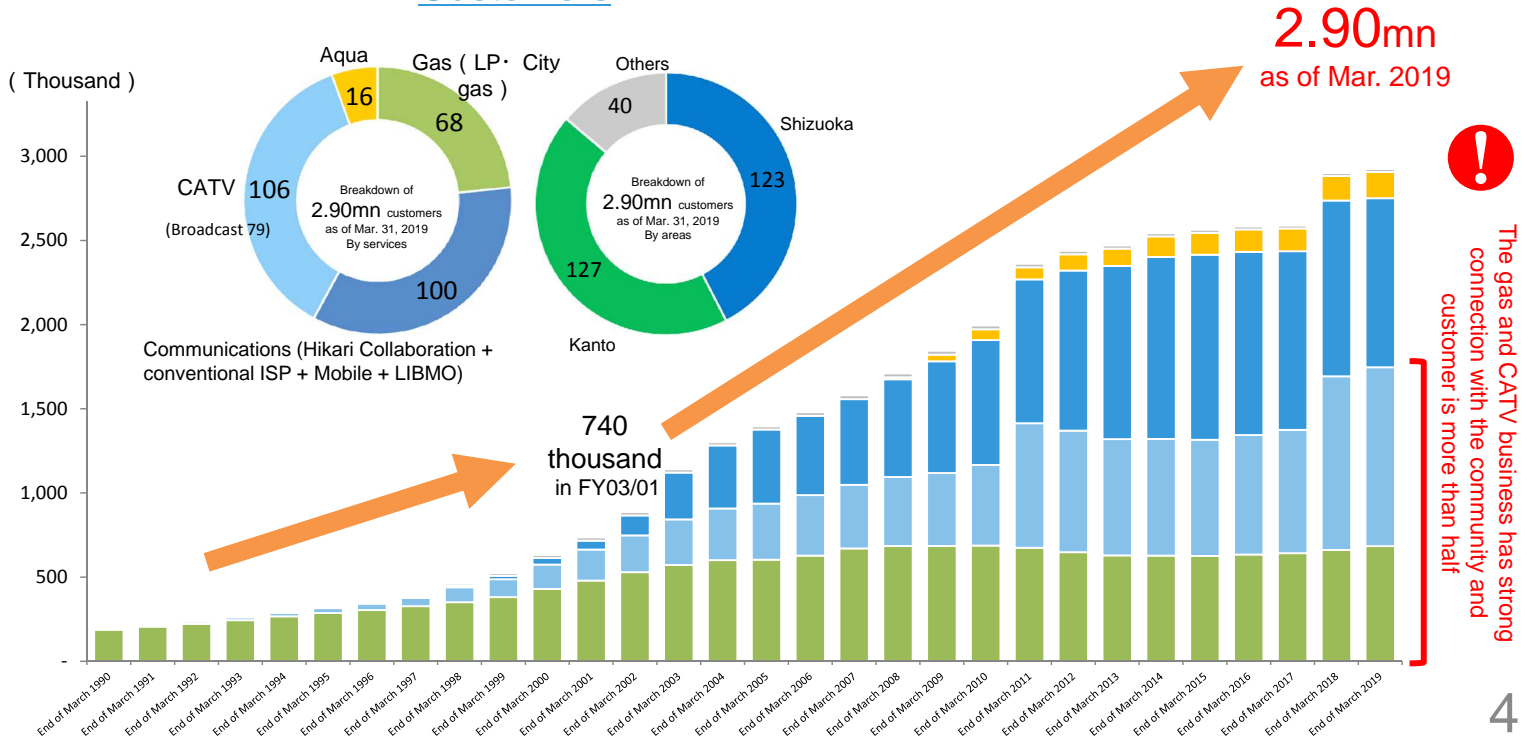
- Expanded our own infrastructure services while responding to social issues, population structure change, consumer needs
- Provided "Energy" "Information and communication" "Housing equipment" "Security" "Insurance" "Nursing care" and others



Stable revenue model with charge accumulation

- 2.90 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

Customers

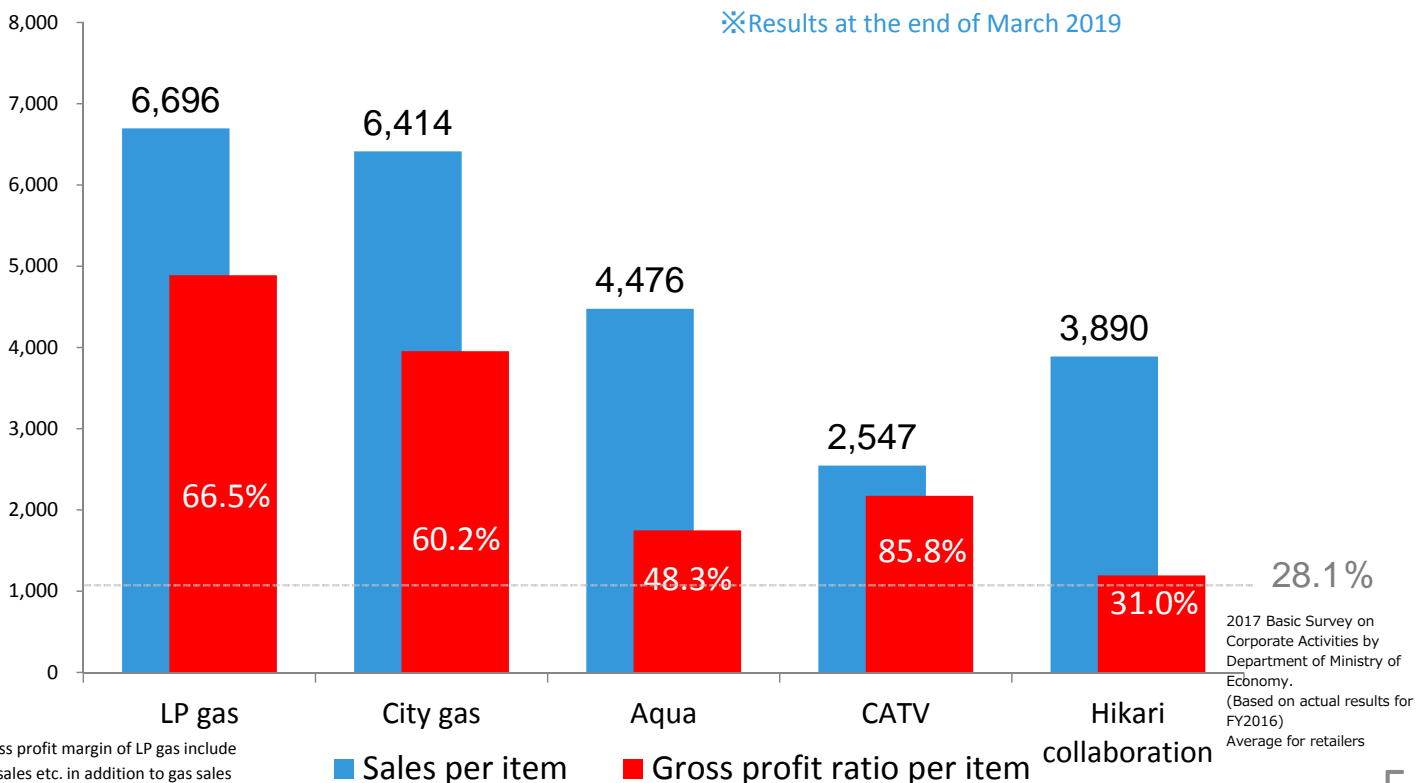


The main services are characterized by a high profit margin

- Monthly sales and gross profit ratio per one main service
- Our all major services are above retail average (28.1%).

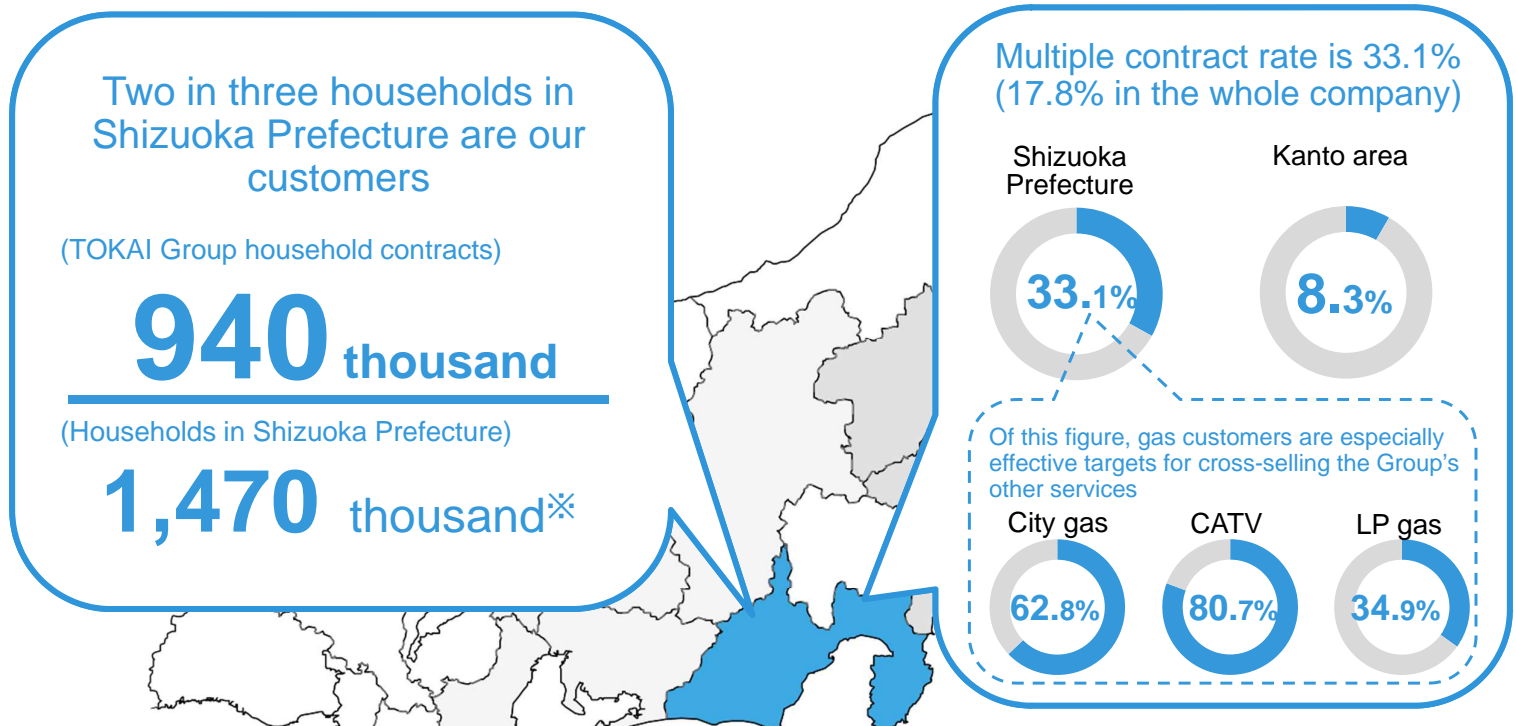
(Yen/Month・Item)

※Results at the end of March 2019



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

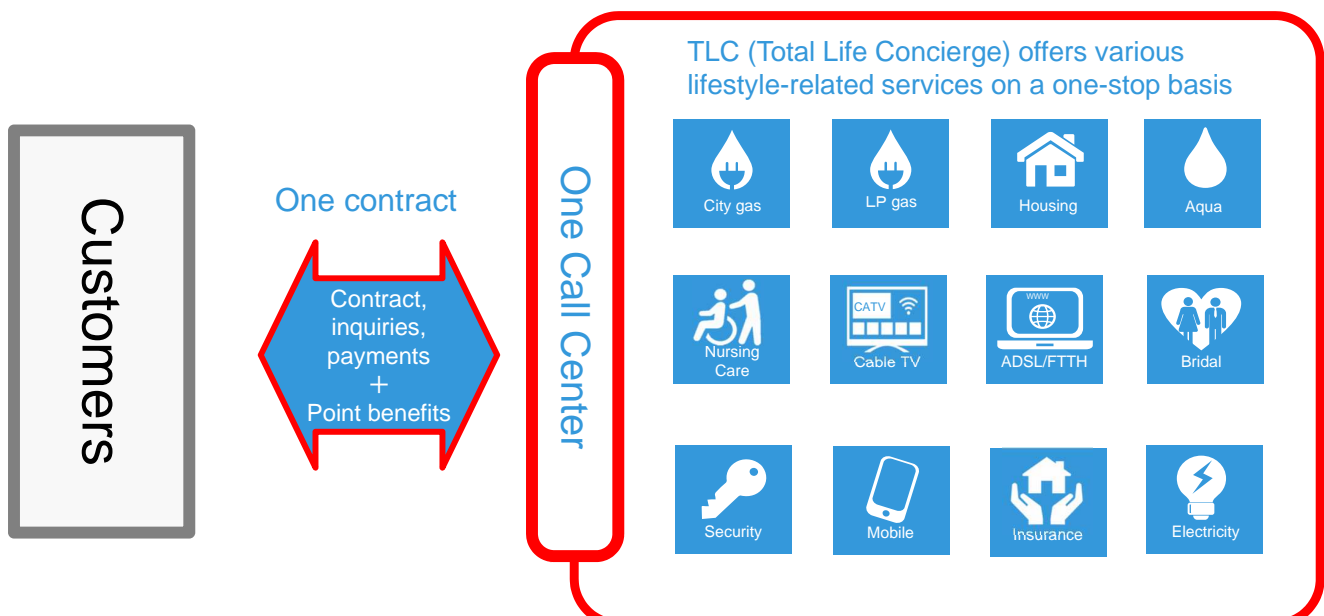


* The number of households in Shizuoka Prefecture is as of April 1, 2019 according to "Shizuoka Prefecture Population Statistics, by City, Ward, Town, and Village," Shizuoka Prefectural Government. Contracts by the TOKAI Group as of March 31, 2019

(As of March 2019)

Group vision "TLC"

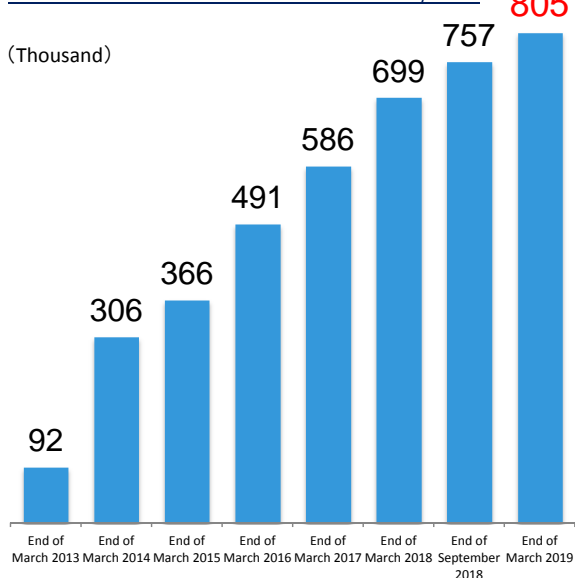
- Basic concept of service provision by TLC (Total Life Concierge)
- Provide diversified lifestyle related services at one stop · one contract · one call center



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 2.90 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 800,000



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										

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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.

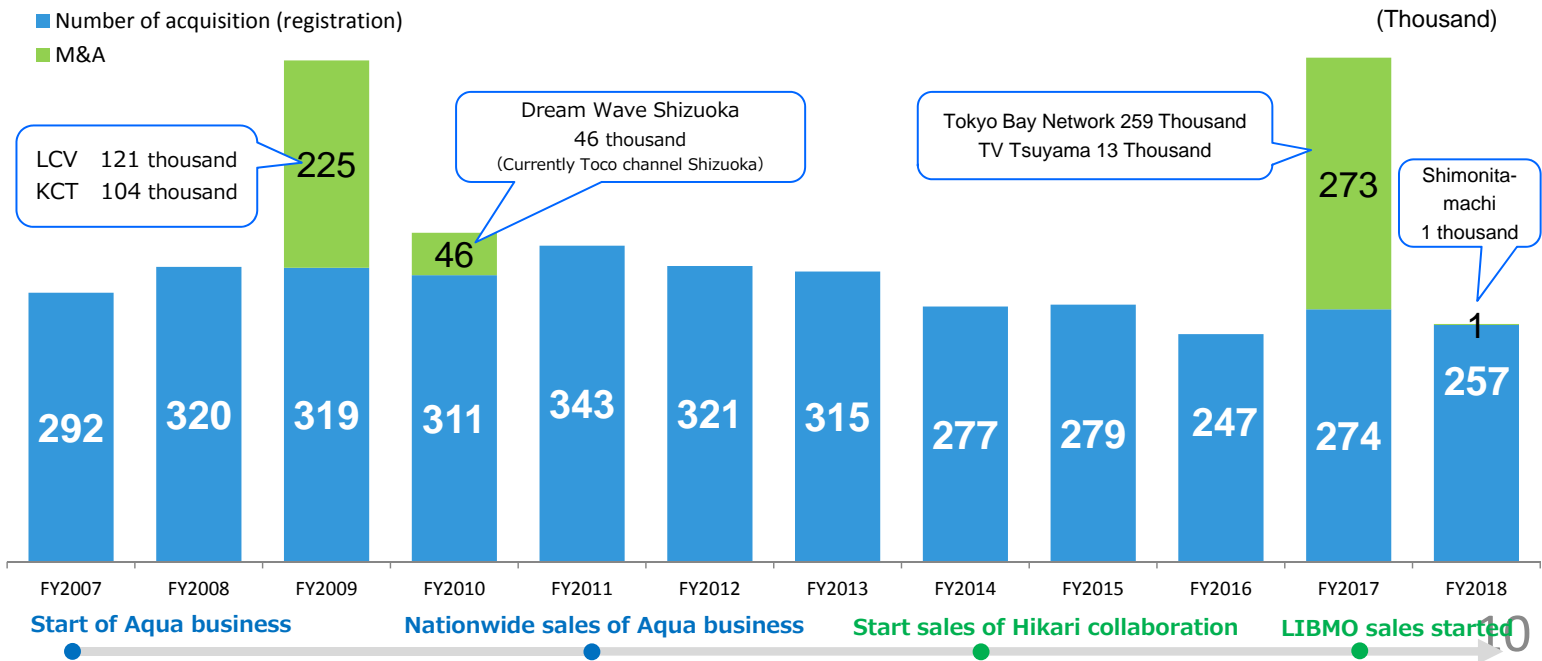
Cancel rate of multiple trading customers (Result of FY2017)

	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%

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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.



Sales and service structure rooted in areas and customers

- A total of 1,600 managers meet customers face-to-face and propose solutions
- Call centers help reduce cancellations and proactively support contract acquisitions

133 sales locations*

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



1,600 regional managers

Category	Count
Sales person	641
Delivery	236
Meter reading/ Collection money	444
Security	276
Total	1,597

(As of April 2019)

40 million customer contact points

- Headquarters
- Branch sales offices
- Call center

Around **400** operators at 9 locations throughout Japan

Own competitive optical trunk line network

- Built a proprietary fiber optic network spanning 7,000 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:

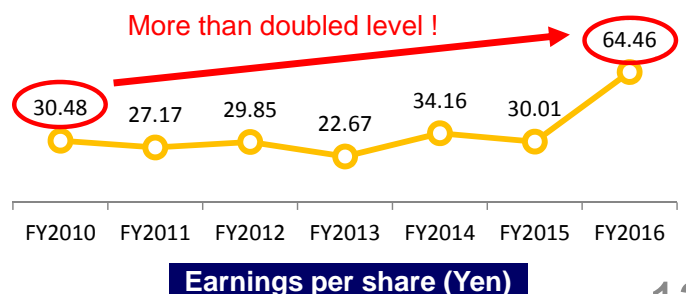
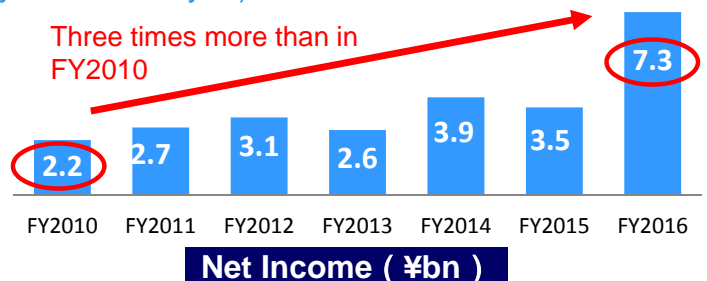
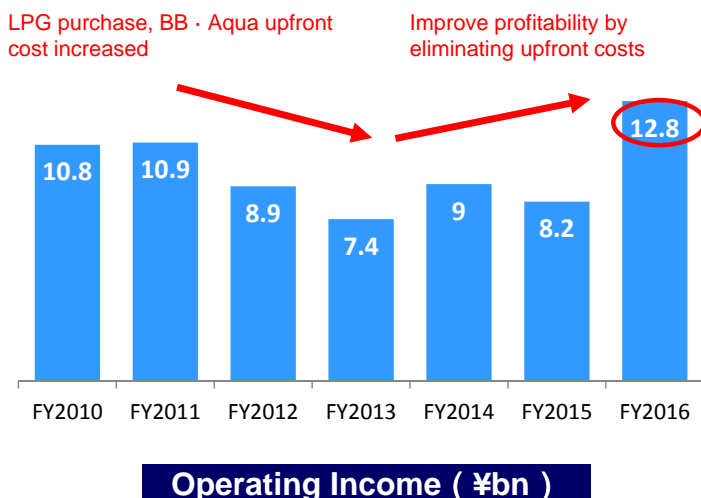
Approx. **7,000**km

(Breakdown of total laying distance) *As of March 31, 2019
 Telecommunication business 2,630 km
 CATV business 4,211 km
 ※Including trunk and branch line (excluding lead-in line)



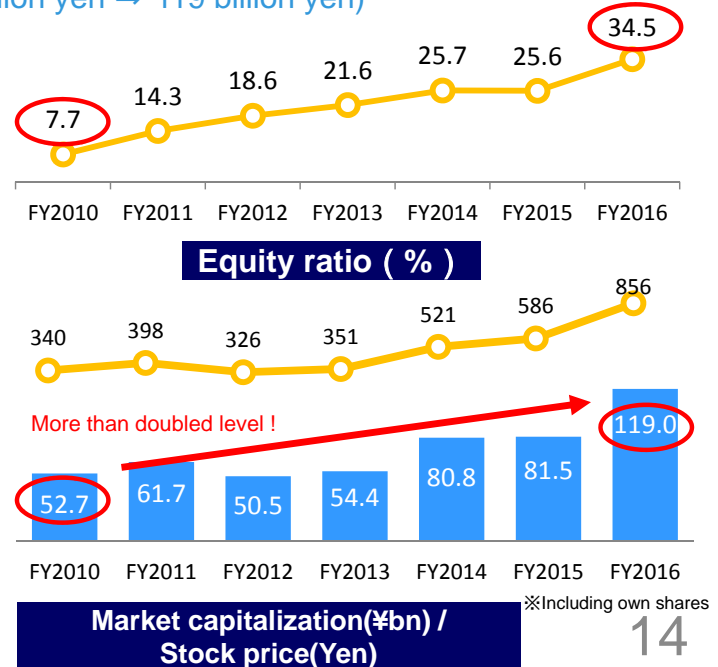
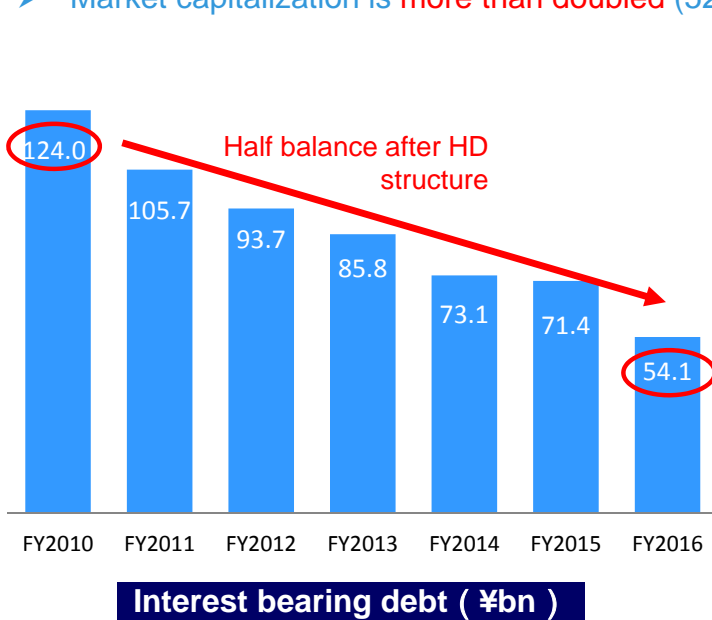
Achievements of IP13 and IP16 (PL)

- 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)



New Medium-Term Management Plan IP20 "JUMP"

Mid-term Plan to double the level versus FY2016 in four years

- 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		FY03/18		FY03/19		FY03/20		FY03/21
	Result	Result	(Traget)	Result	(Traget)	Forecast	(Target)	Target	
Sales	178.6	186.1	(189.4)	191.6	(202.0)	200.8	(224.4)	(+90%) 393.3	
Operating profit	12.8	11.0	(11.4)	13.1	(14.0)	14.2	(16.2)	(+80%) 22.5	
Net income	7.3	6.6	(6.4)	7.8	(7.9)	8.2	(8.7)	(+60%) 11.5	
Total assets	161.1	166.4	(169.8)	167.6	(173.8)	—	(191.2)	(+80%) 283.4	
Interest-bearing debt/EBITDA ratio	1.9x	1.9x	(2.0x)	1.8x	(1.7x)	—	(1.8x)	2.6x	
Equity ratio	34.5%	36.3%	(33.9%)	35.6%	(35.6%)	—	(34.9%)	31.6%	
ROE	15.2%	11.4%	(11.1%)	12.6%	(12.8%)	—	(13.0%)	13.0%	
Customer numbers (millions)	2.56	2.88	(2.88)	2.90	(2.99)	3.0	(3.72)	(+70%) Over 4.32	

* Effective from the beginning of the fiscal year under review, the Company has applied "Partial Changes in Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), and the consolidated financial indicators for the previous fiscal year have been adjusted retrospectively to reflect these accounting standards. Note: () denotes increase versus FY03/17

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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.

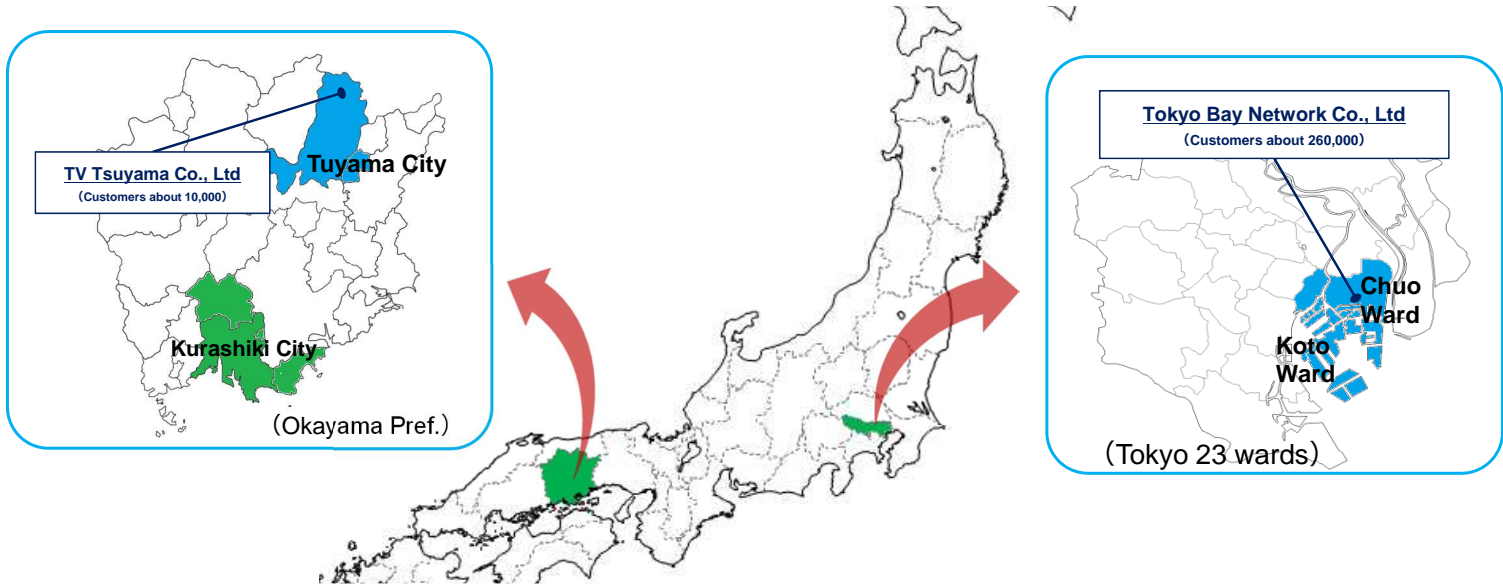
Acquisition of new service field

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

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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.

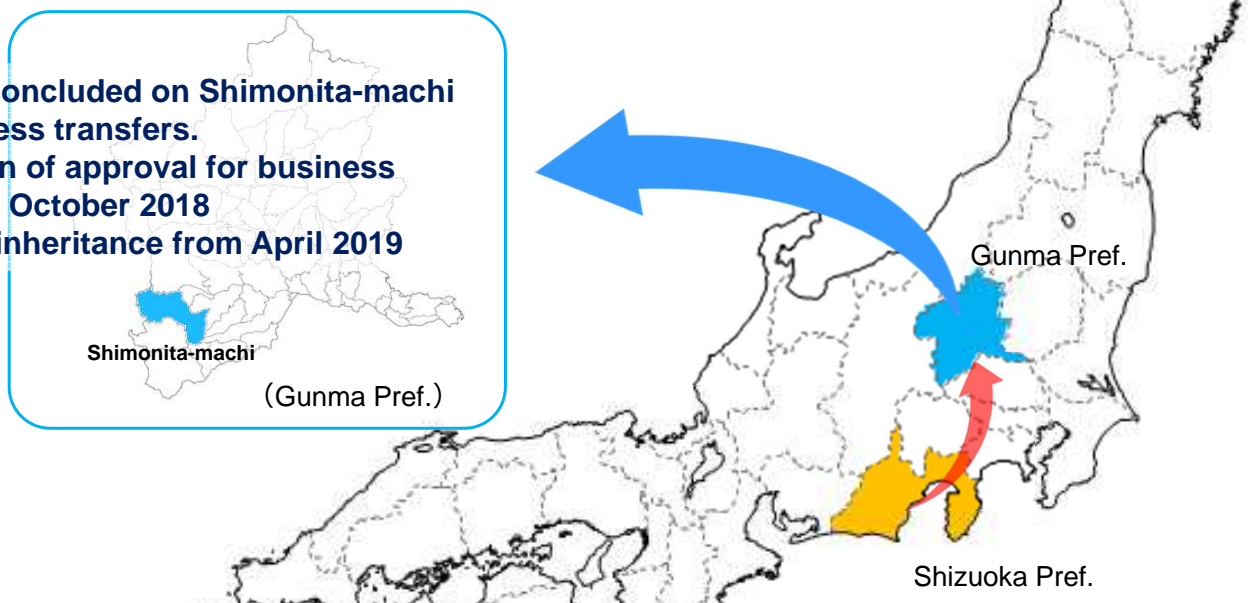


Continue selecting target company “Aggressively”

First step in the broadening of the city gas business

- In April 2018, we signed a contract on the transfer of the gas business operated by Shimoda-machi, Gunma Prefecture, and in October we acquired approval from the Kanto Bureau of Economy, Trade and Industry for business acquisition. Business inheritance from April 2019.
- We took the first step towards broadening the city gas business.

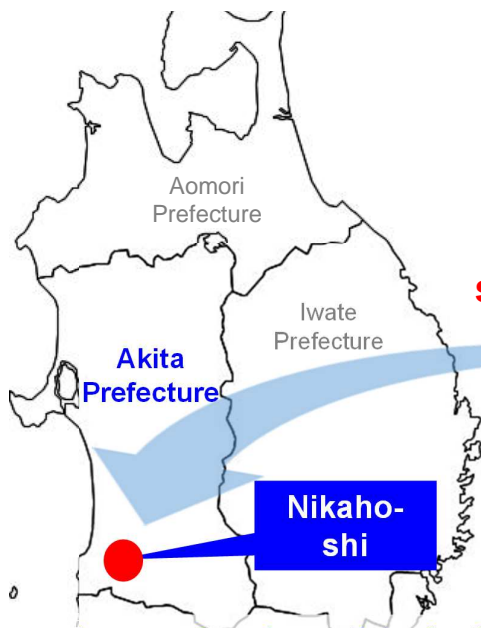
**Contract concluded on Shimoda-machi gas business transfers.
Acquisition of approval for business transfer in October 2018
Business inheritance from April 2019**



Broadening of the city gas business

Steady progress in wide-area development of city gas business

- In March 2019, acquired preferential negotiation rights on a gas business operated by Nikaho-shi, Akita Prefecture, and scheduled to succeed the business in April 2020.
- This will be the 2nd M&A case in the city gas business as a Group's first entry into Akita Prefecture.
- Based on the Group's TLC (Total Life Concierge) vision, we will also provide a variety of life-related services in order to contribute to the realization of a more affluent lifestyle.

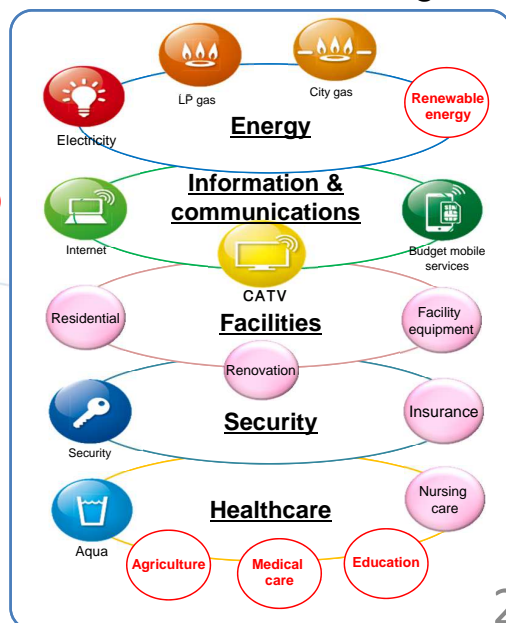


Providing various services of our Group

Realizing affluent lifestyles

Selected as a preferred negotiator for the transfer of Nikaho-shi gas business in March 2019.
Business succession scheduled in April 2020.

“Total Life Concierge”



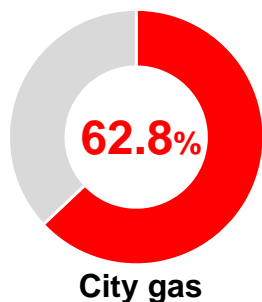
No. of contracts for continued service expected to increase by 2.5 times through promotion of TLC

- A cross-selling rate of city gas business in Shizuoka Prefecture is much higher at 62.8% than that of the whole Group, which is 17.8%, showing that the city gas business deeply associated with communities is optimal for the promotion of TLC.
- In Shimonitamachi, where a business is already launched, the number of contracts for continued service per month is also expected to increase by 2.5 times through active promotion of TLC

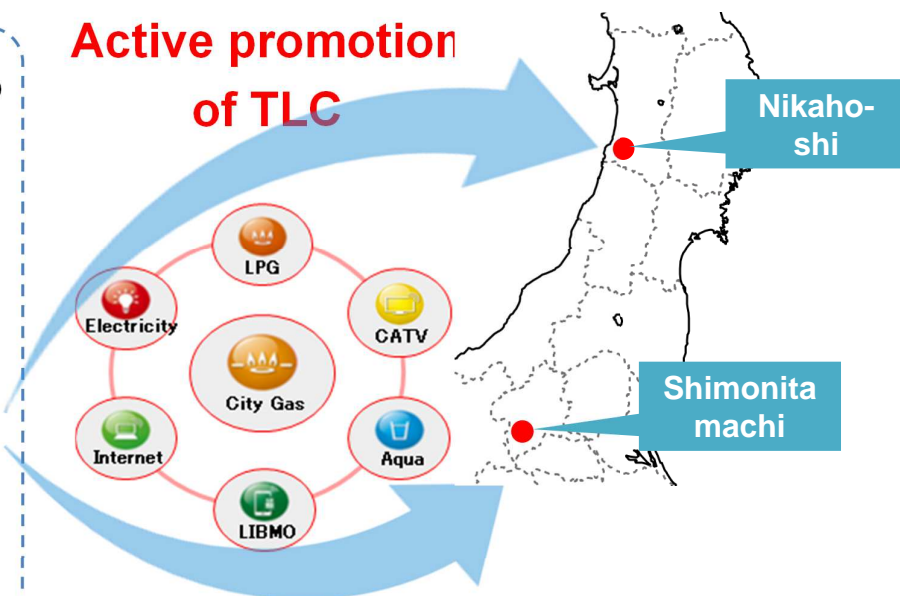
Cross-selling rate: 17.8% (for the entire Group)

Cross-selling rate of city gas business in Shizuoka Prefecture is as high as **62.8%**.

City gas business deeply associated with communities is a base business for TLC with a high cross-selling rate.



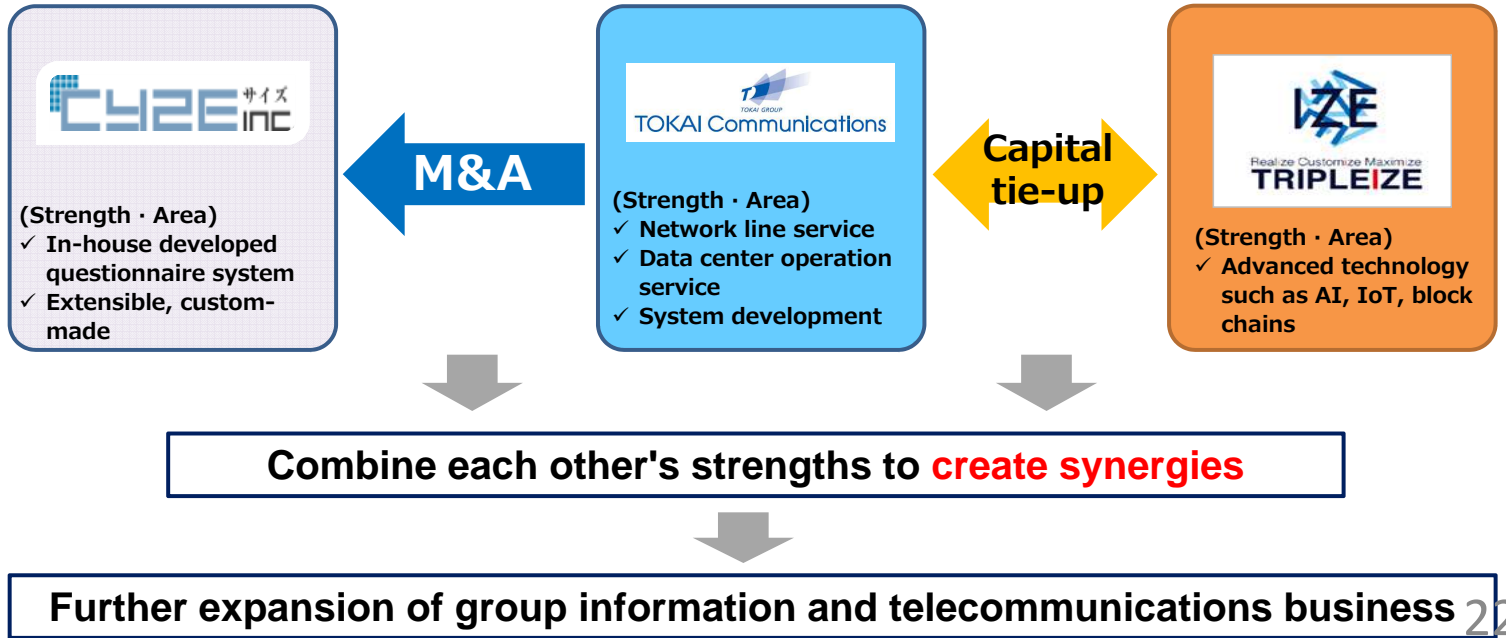
Active promotion of TLC



No. of contracts for continued service per month multiplies by **2.5 times**

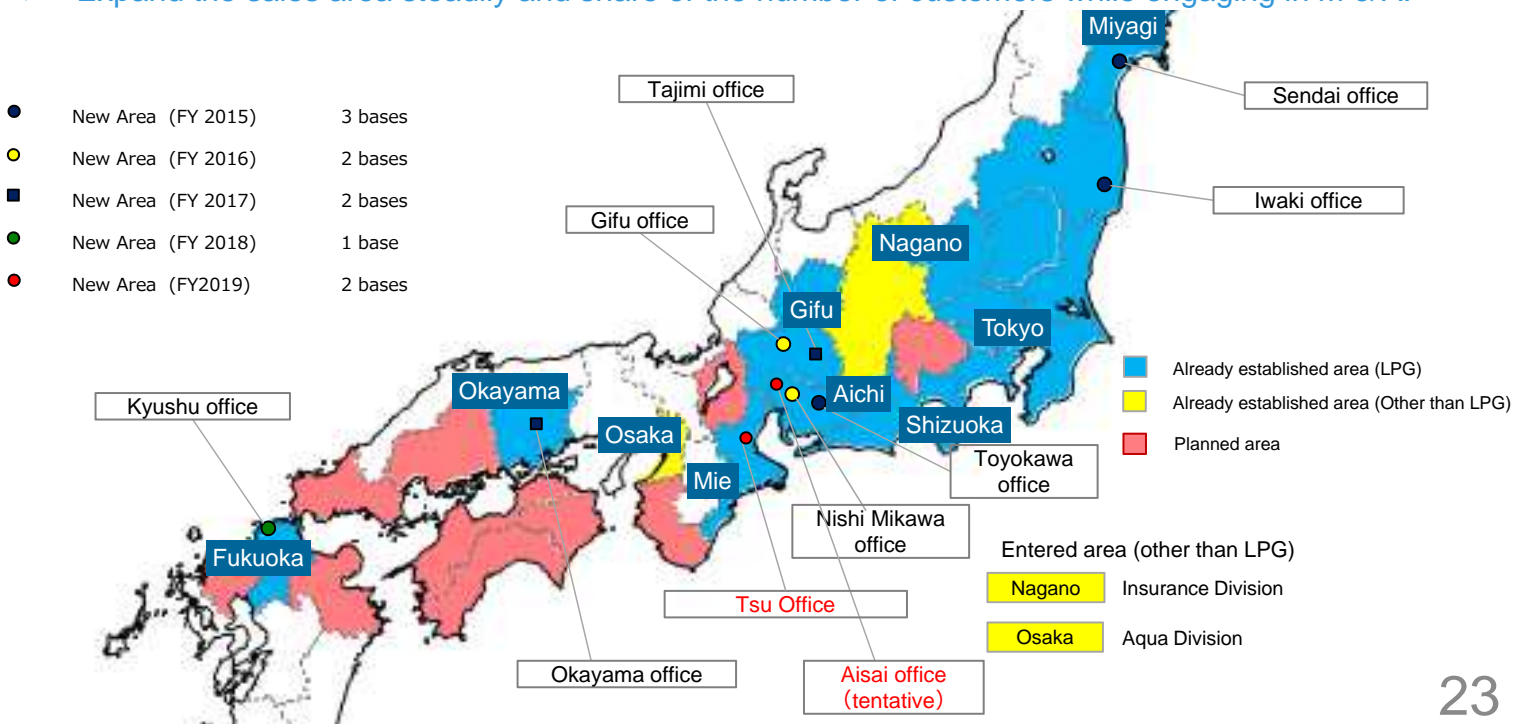
Create synergies in the information and telecommunications field

- Becoming a consolidated subsidiary company CYZE Co., Ltd., which is mainly engaged in the provision and development of questionnaire systems
- Concluded a capital and business alliance agreement with "TRIPLEIZE" company, which has strengths in advanced technology fields such as AI, IoT and block chains
- Combine each other's strengths to create synergies and further expand the group's information and telecommunications business



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.
- This term has already been in Mie Prefecture (Tsu City). Plans to enter Aichi Prefecture (Aisai City) during this term.
- Expand the sales area steadily and share of the number of customers while engaging in M & A.



Progress of "ABCIR + S" strategy

A(AI), B(Big Data) , C(Cloud) , I(IoT) , R(Robotics) + S(Smart Phone)

Strategies for the Group's technological innovation.

A coined word of each initial letter.

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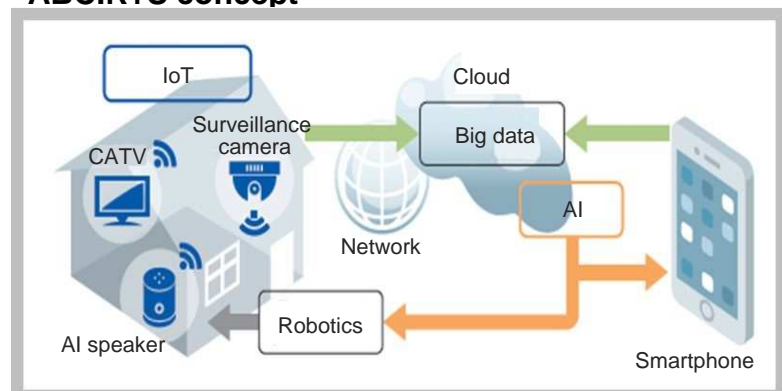
ABCIR+S strategy deliberation progress

- In addition to marketing capabilities accumulated since the Company was founded, the use of ABCIR+S to focus efforts on strengthening customer contact, developing new businesses, and improving operational efficiency will be an important strategy going forward.
- Deliberations are being advanced by a dedicated organization, the Head Office for Next-Generation Business Strategy.

Marketing capabilities
(traditional strength)



ABCIR+S concept



Focus on "expanding new customer base" "strengthening competitiveness"
"development of new service"

Strengthen the structure of the Next-Generation Business Strategy Headquarters,
a dedicated organization, and promote the construction of a
"Digital Marketing Platform"

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Customer approach using “Digital Marketing Platform”

- Digital Marketing Platform (Degima) derives individual trend by integrating data of our group customer DB and web browsing information on a per customer basis
- Based on this information, we will improve the efficiency and competitiveness of sales activities and anti-cancellation activities.

