

# Financial Results for the Fiscal Year Ending March 31, 2020

May 11, 2020  
TOKAI Holdings Corporation  
(Securities Code: 3167)

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## Agenda

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- 1 . FY03/20 Summary and FY03/21 Initiatives
- 2 . Key points for FY03/20 financial results and FY03/21 financial forecasts

# Countermeasures for COVID-19 infection

- ◎ Promote infection control under high risk management so that no one person is infected
- ◎ Responding to requests from the government by focusing on working and service systems that give top priority to ensuring the health and safety of customers and employees
- ◎ As a business operator that provides services related to maintaining social functions, we will make even more thorough compliance with BCP and make every effort to provide stable service and ensure site safety.

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## FY03/20 Summary and FY03/21 Initiatives

**Katsuhiko Tokita**  
**President & CEO**  
**TOKAI Holdings Corporation**

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## Key Points of FY03/20 Financial Results

Achieved 3 million customers

Record high business performance for the  
second consecutive year

Entering full-scale profit growth phase

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## Results of M&A in FY03/20

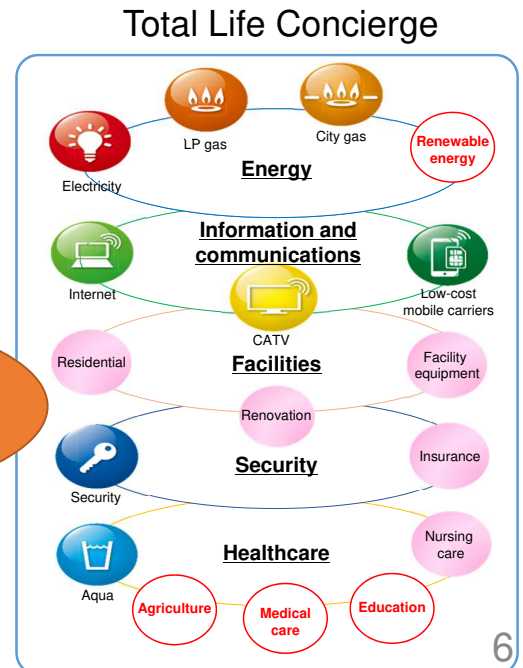
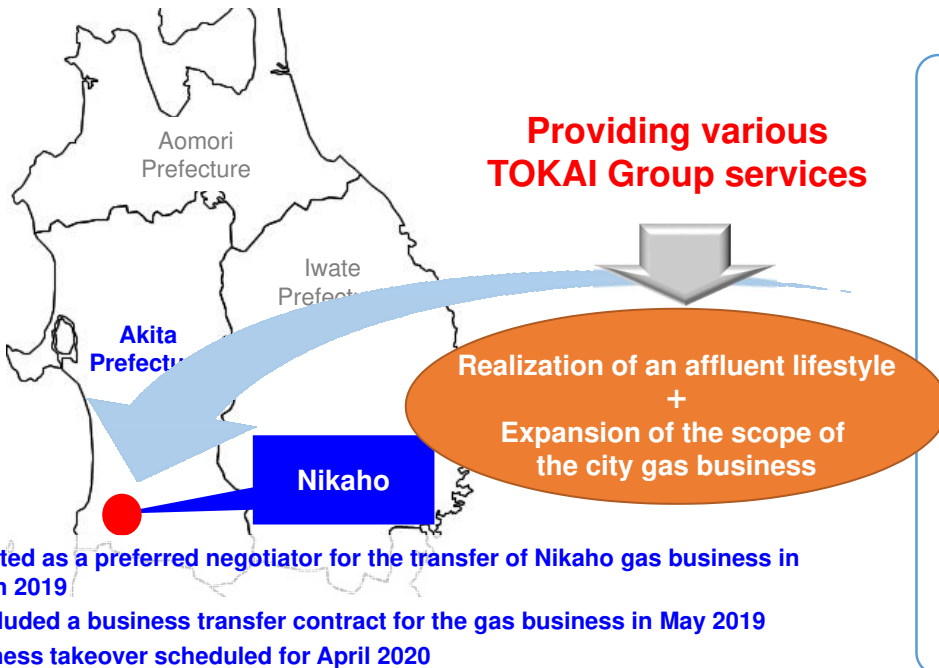
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**(Five acquisitions and two business alliances)**

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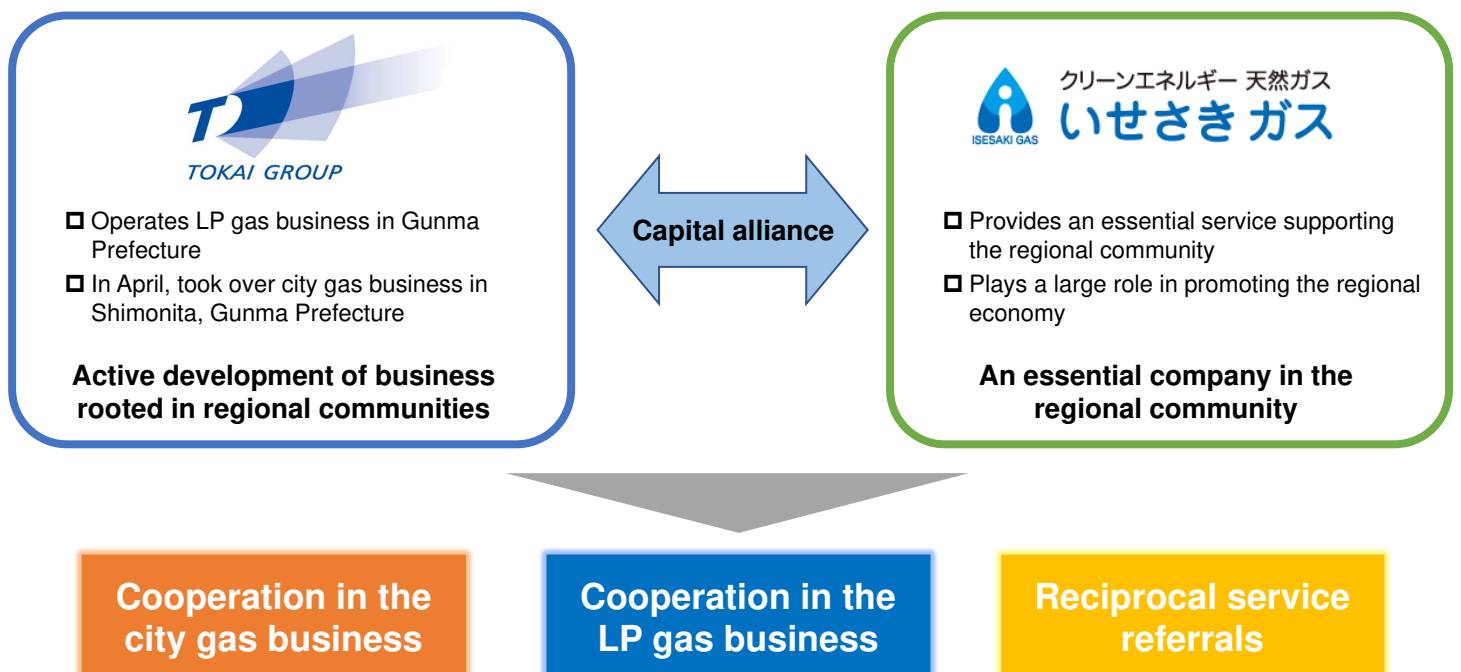
# Steady progress in wide-area development of city gas business

- In March 2019, acquired preferential negotiation rights on a gas business operated by the city of Nikaho, Akita Prefecture; concluded a business transfer contract for the gas business in May 2019; and scheduled to take over the business in April 2020
- This was the second M&A in the city gas business and the Group's first entry into Akita Prefecture
- Based on the Group's Total Life Concierge (TLC) vision, we will provide a variety of life-related services in order to contribute to the realization of a more affluent lifestyle. We also aim to further expand the scope of our city gas business



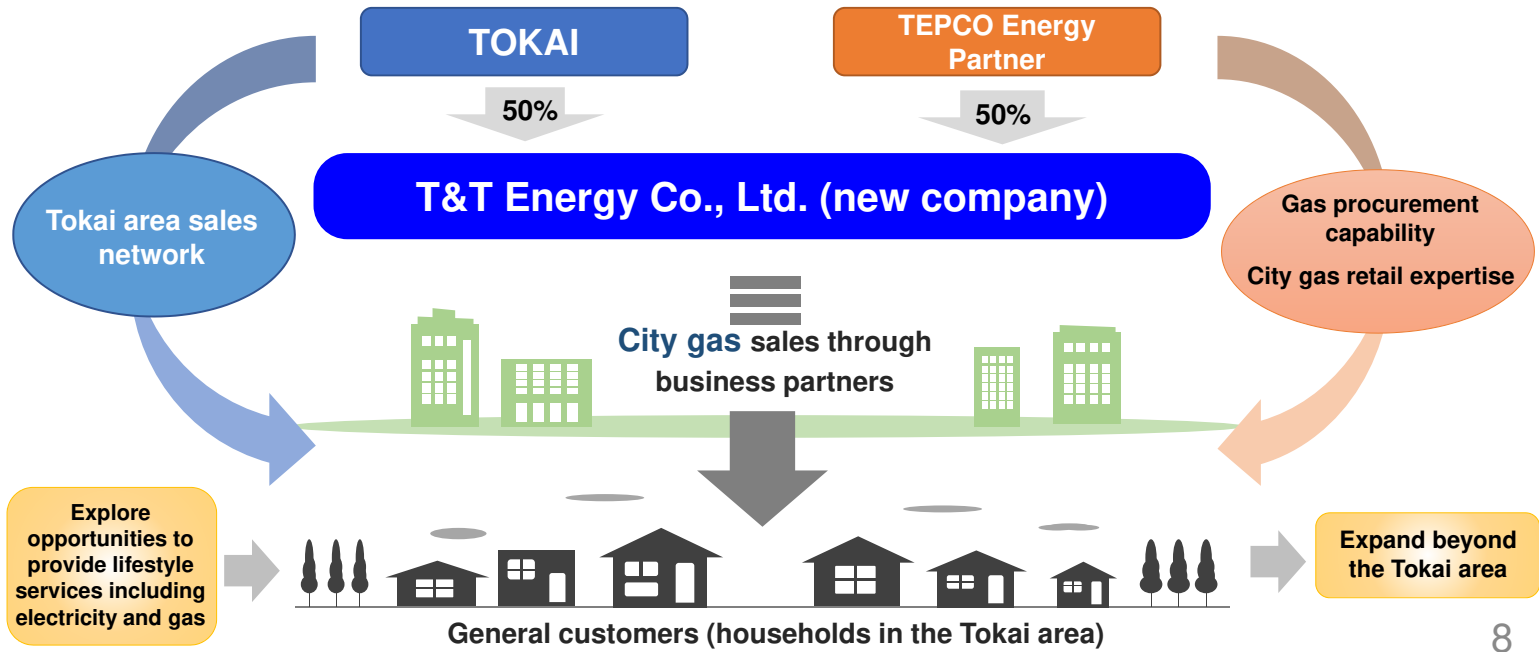
# Model case of new collaboration of community-based companies

- In April 2019, it acquired shares in Iseasaki Gas Co., Ltd., a city gas company in Iseasaki City, Gunma Prefecture, making it an equity-method affiliate, and concluded a capital and business alliance agreement in August of the same year.
- TOKAI seeks benefits from partnering with community-based businesses. TOKAI and Iseasaki Gas will cooperate in the city gas and LP gas businesses by sharing management resources and expertise, and promoting the utilization of each other's services



## Expand city gas sales area to Chukyo area

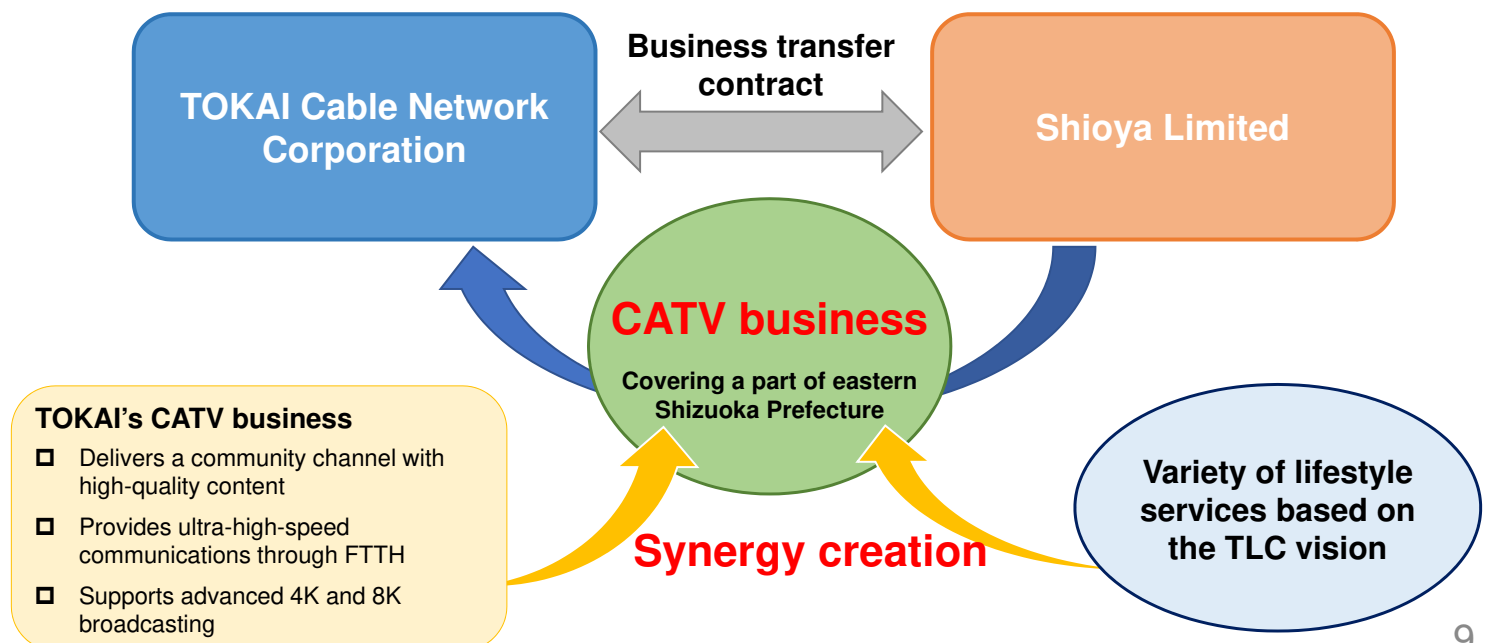
- In October 2019, TOKAI established T&T Energy Co., Ltd. with TEPCO Energy Partner, Inc.
- The companies will develop a city gas retail business in the Tokai area (Aichi, Gifu, and Mie prefectures) by leveraging TEPCO Energy Partner's city gas retail expertise (especially gas procurement capability) and TOKAI's sales network in the Tokai area
- We will also consider providing various life-related services such as electricity and gas, and expanding the sales area outside the three Tokai prefectures.



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## Creating synergy in CATV business

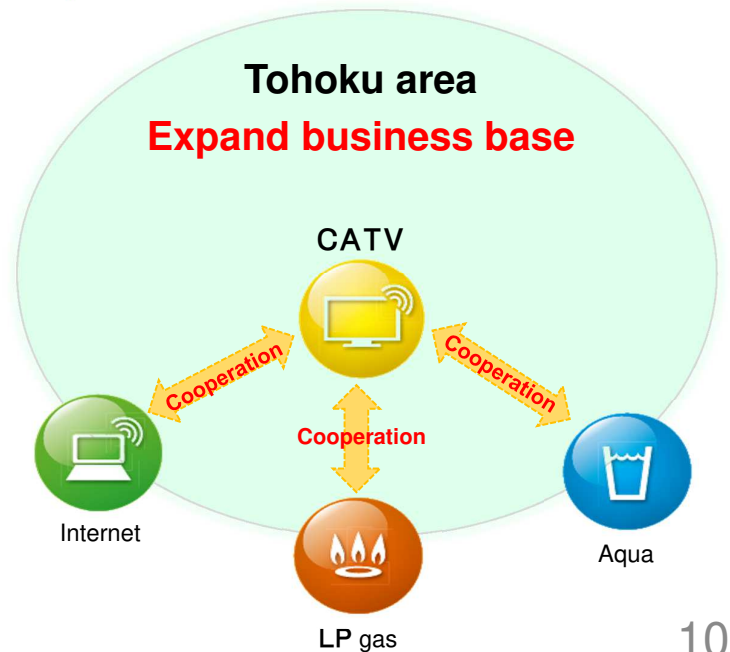
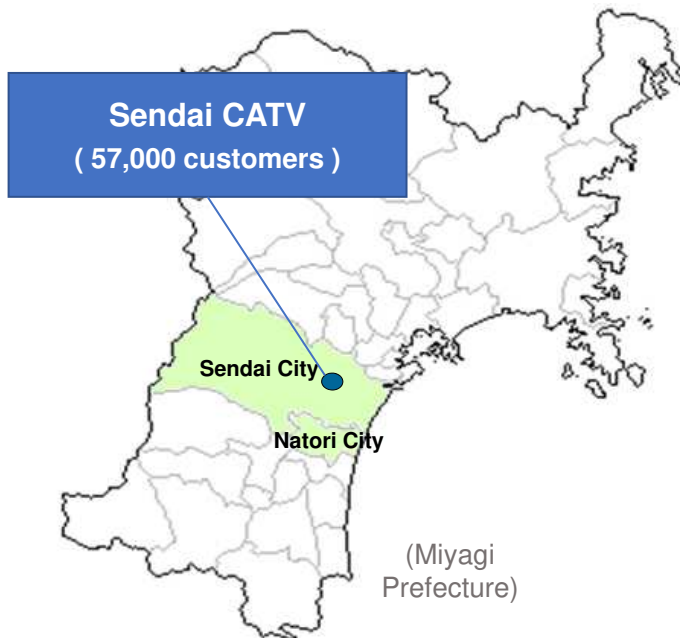
- Acquired the CATV business operated by Shioya Co., Ltd. in October 2019, which covers part of the eastern part of Shizuoka prefecture
- Providing advanced CATV services through regional-based channels and FTTH networks, which are the characteristics of the Group's CATV business, and aim to create synergies with other businesses based on the TLC vision.



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# Expanding the group business base in the Tohoku area

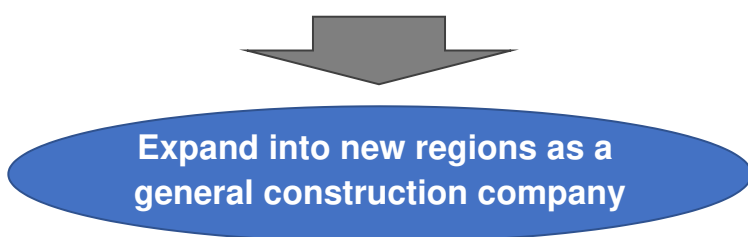
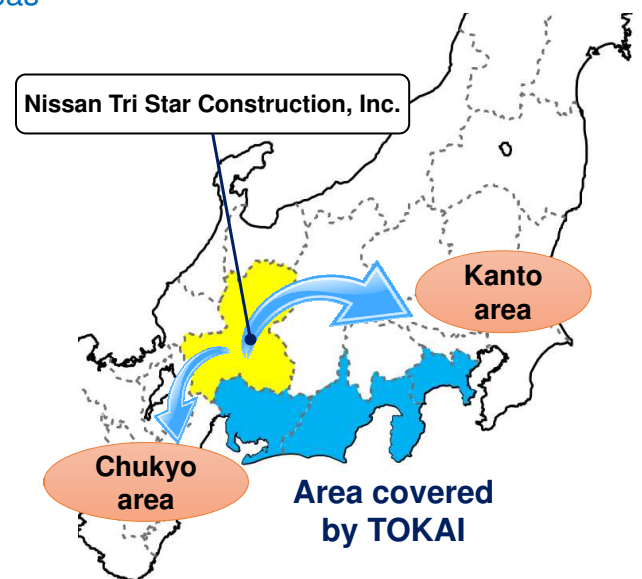
- In March 2020, Sendai CATV, which serves the areas of Sendai and Natori in Miyagi Prefecture, became a consolidated subsidiary
- This area is centered on Sendai City, the only city designated by government ordinance in the Tohoku region, and is expected to see population growth and economic growth in the future.
- Aim to achieve great growth by instilling the technology and know-how of the Group's CATV business and strengthen cooperation with other businesses to expand the business base in the area.



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## Expand into new regions as a general construction company

- Acquired Nissan Tri Star Construction, Inc., which operates a community-based general construction business in Gifu Prefecture
- Nissan Tri Star exhibits strength in public works projects in particular. It has a large number of highly qualified personnel and a solid reputation earned over many years
- TOKAI will leverage Nissan Tri Star's technical prowess to expand as a general construction company into Shizuoka Prefecture and the Chukyo and Kanto areas

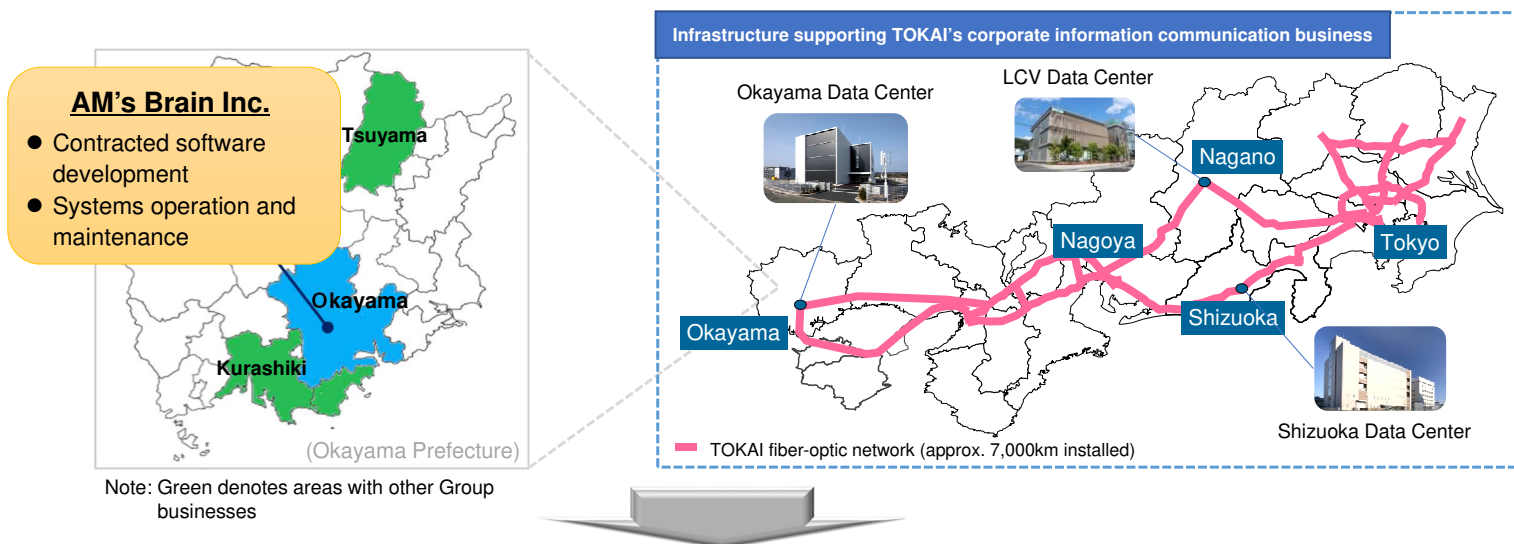


Promote TLC, aided by synergy effects with the LP gas business

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# Creating synergy in Information and Communications business

- Acquired AM's Brain Inc. in July 2019, which offers information services such as contracted software development and systems operation and maintenance
- TOKAI provides one-stop optimized solutions for corporate clients by embracing cutting-edge technology such as AI and IoT and leveraging its data centers and fiber-optic networks
- Strengthen the development system in the western Japan area to expand customer base and create synergies centered on our own data center



**Strengthen system development capabilities in western Japan**

**Expand customer base and create synergies centered on our own data center**

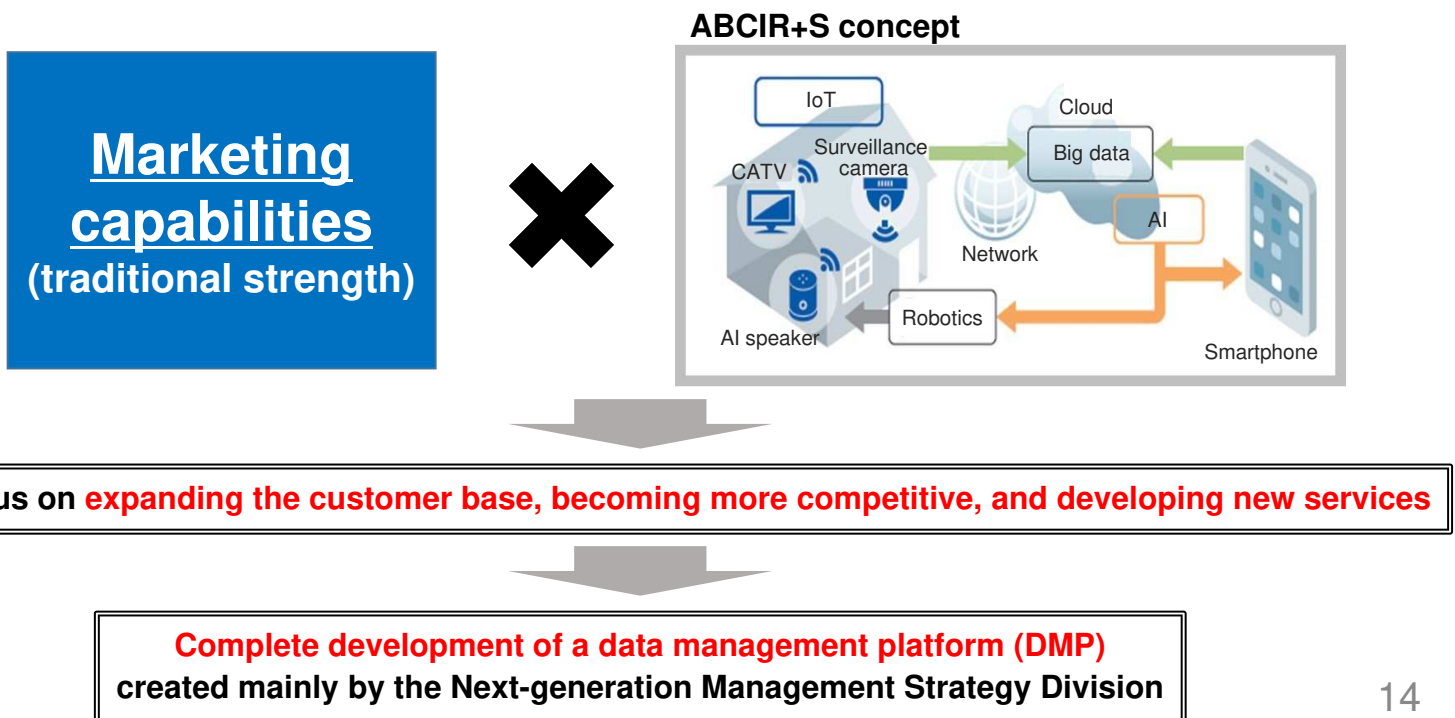
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## ABCIR+S Strategy Progress

An acronym formed by the first letters of AI, big data, cloud, IoT, robotics, and smartphones. It refers to the Group's strategy toward technological innovation.

# TOKAI Group DMP named "D-sapiens" completed

- TOKAI's key ABCIR+S strategy focuses on developing new services and a new customer base while increasing competitiveness and continuing to leverage the marketing capabilities it has cultivated since its founding
- TOKAI completed the development of a data management platform (DMP) conducted mainly by the Next-generation Management Strategy Division



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## FY03/20 Summary

- Steady progress toward the final year of the mid-term management plan IP20 "JUMP"

① Record high business performance for the second consecutive year

② Expansion of business profit base including M & A

③ Progress of "ABCIR + S" strategy

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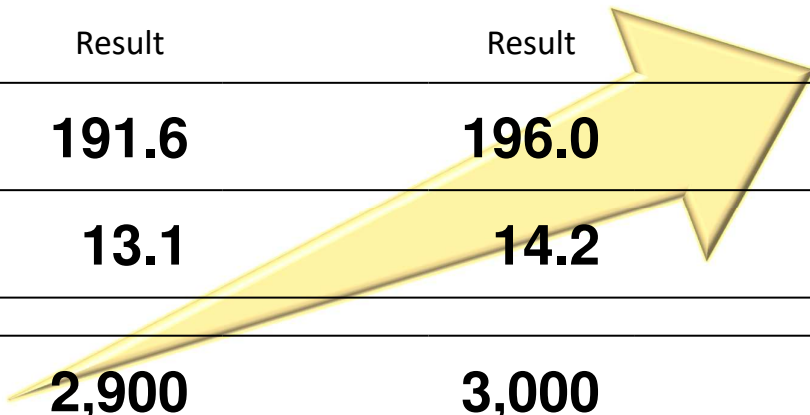


# FY03/21 Initiatives

## FY03/21 is an important phase

- In fiscal 2020, in addition to the overall finishing of the mid-term management plan IP20 “JUMP”, an important phase to lay the foundation for the next mid-term plan
- We believe that expanding the customer base will lead to the expansion of the top line and the expansion of the profit base, and will lead to the growth of the Group in the medium to long term, so we will continue to actively pursue growth strategies.
- As concrete measures, 1) promotion of M & A, 2) practice of ABCIR + S, and 3) efforts to promote the deepening of TLC are planned, and as a result, sales of 205.3 billion yen, operating income of 15 billion yen, and 3.11 million customers are planned.

(Billions of yen)	FY03/19 Result	FY03/20 Result	FY03/21 Forecast
Sales	<b>191.6</b>	<b>196.0</b>	<b>205.3</b>
Operating profit	<b>13.1</b>	<b>14.2</b>	<b>15.0</b>
Customers (Thousand)	<b>2,900</b>	<b>3,000</b>	<b>3,110</b>



# Impact of COVID-19

◎ Since the Group provides infrastructure services that are essential to customers' lives, **it is difficult to be affected by the decline in consumer activity** due to the spread of new-type coronavirus infections. However, depending on the future situation, **some businesses such as corporate services may be affected**.

◎ The impact of the spread of new-type coronavirus infectious diseases on the business results of the Group is **difficult to reasonably calculate at this time, so it is not included in the business forecast**.

◎ In the future, it will be possible to reasonably calculate the amount of impact on business performance due to the spread of new-type coronavirus infectious diseases, and if there is a need for disclosure, information will be disclosed promptly.

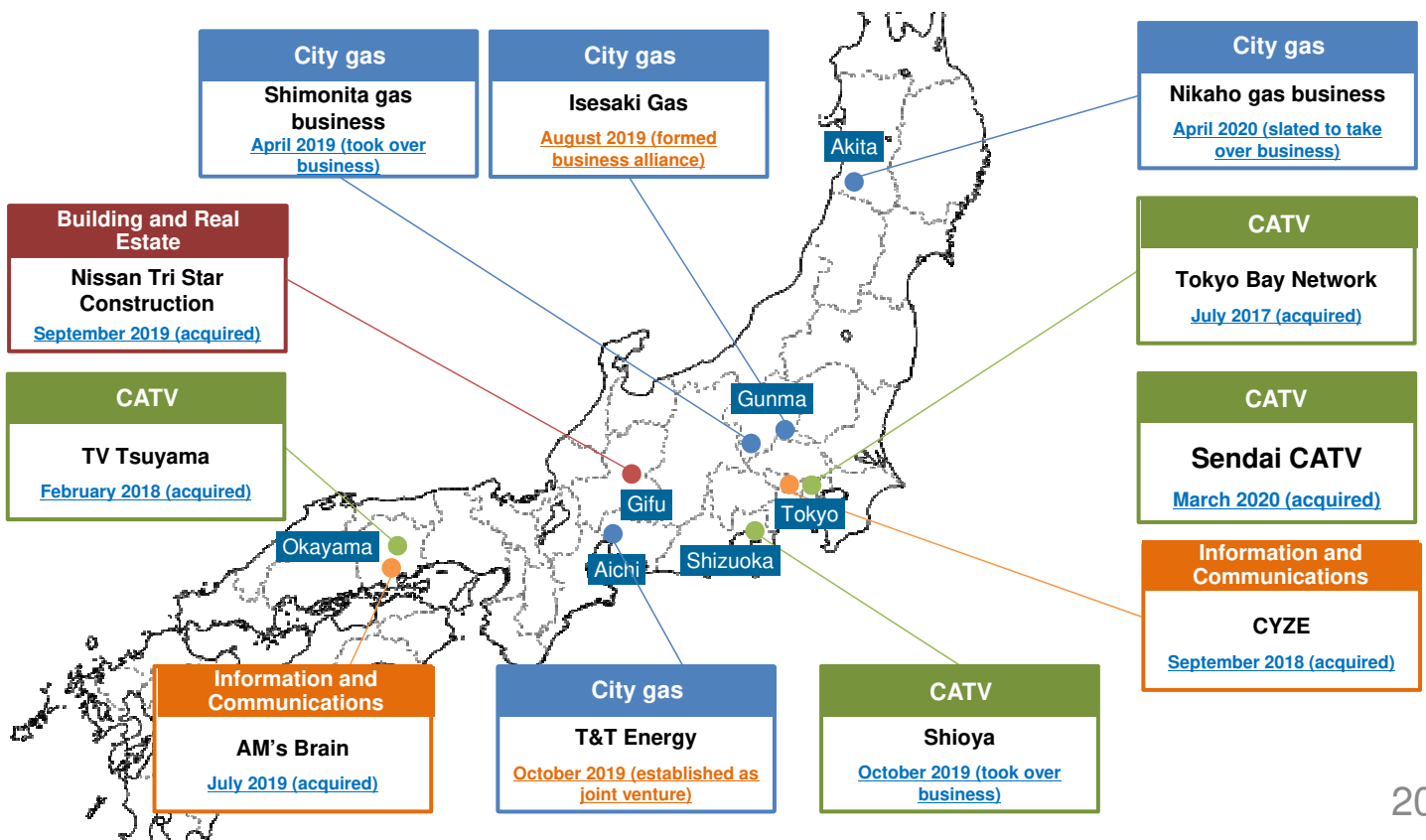
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## 1. Further promotion of M & A

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# Eleven M&As completed

- Under the M & A strategy of the mid-term business plan IP20 “JUMP”, we completed 9 M & A projects and 2 alliance projects, for a total of 11 projects



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Carefully select projects that contribute to growth and finish them early

- With 11 projects completed, sales of 7.7 billion yen, operating profit of 600 million yen, and 350,000 customers are added, expanding the Group's business profit base

## 【M & A, Alliance Result】

(Millions of yen)

Business	Number of companies	Investment amount	Sales	Operating profit	Customers (thousand)
City gas	4	1,953	622	41	6
CATV	4	3,997	4,624	265	344
Telecommunications	2	655	385	52	—
Architecture / real estate	1	2,024	2,046	197	—
<b>Total</b>	<b>11</b>	<b>8,629</b>	<b>7,677</b>	<b>555</b>	<b>350</b>

※City gas includes two alliance companies

**Currently considering 37 projects and 111.5 billion yen M&A projects**

(※ Including the above results )

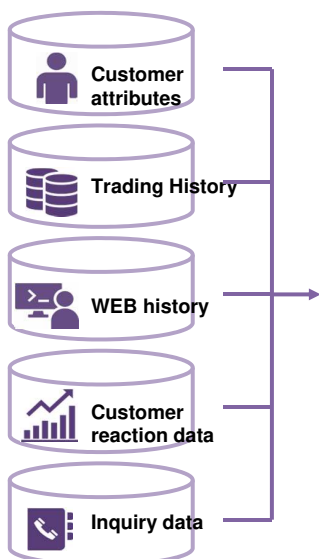
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## 2. Practice of ABCIR + S

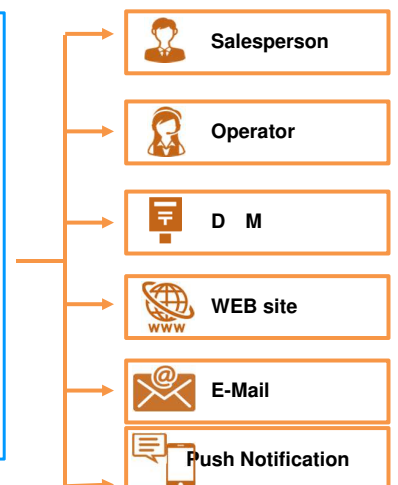
### D-sapiens ~ Strengthen marketing by “Real” x “Digital” ~

- Centrally manage customer data built up through communication with customers
- AI analysis accurately predicts customer behavior patterns such as “Uncovering potential demand” and “Price orientation and sign of cancellation”
- A customer approach that delivers the desired service at an appropriate distance according to the customer’s lifestyle

( Customer data )



( Customer approach )

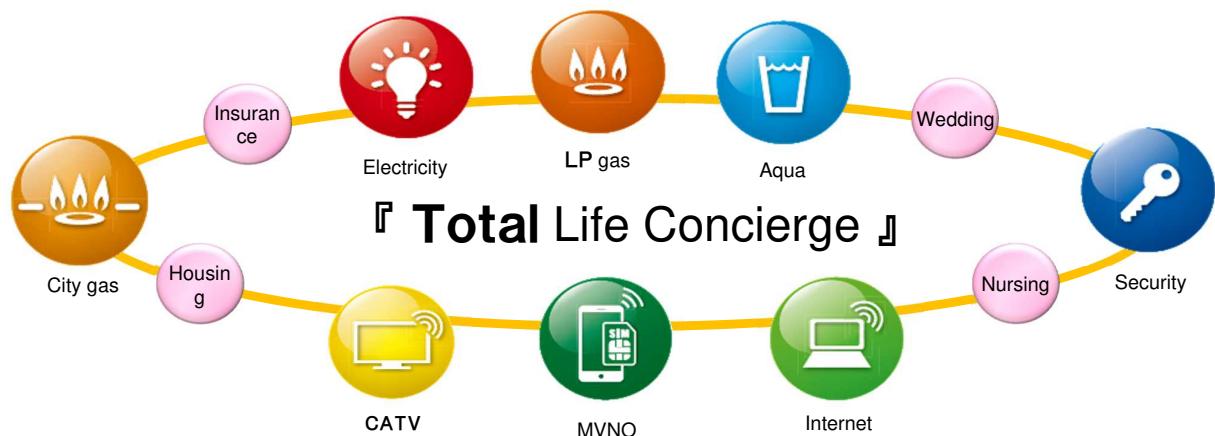


We will strive to improve sales efficiency and strengthen marketing by using “D-sapiens”, and “Face To Face proposal by a total of 1,600 regional personnel”, which is our strength.

# 3. Deepening of TLC

Multiple transaction rate is over 20% by the end of FY03/21

- With TLC (Total Life Concierge) as our group vision, we provide comprehensive and delicate support for our customers' comfortable lives through various services provided by our group.
- Improve multiple transaction rate to realize TLC vision and increase customer lifetime value
- Plan to increase the multiple transaction rate to over 20% by the end of FY03/21



FY03/20

FY03/21

**Multiple transaction rate**

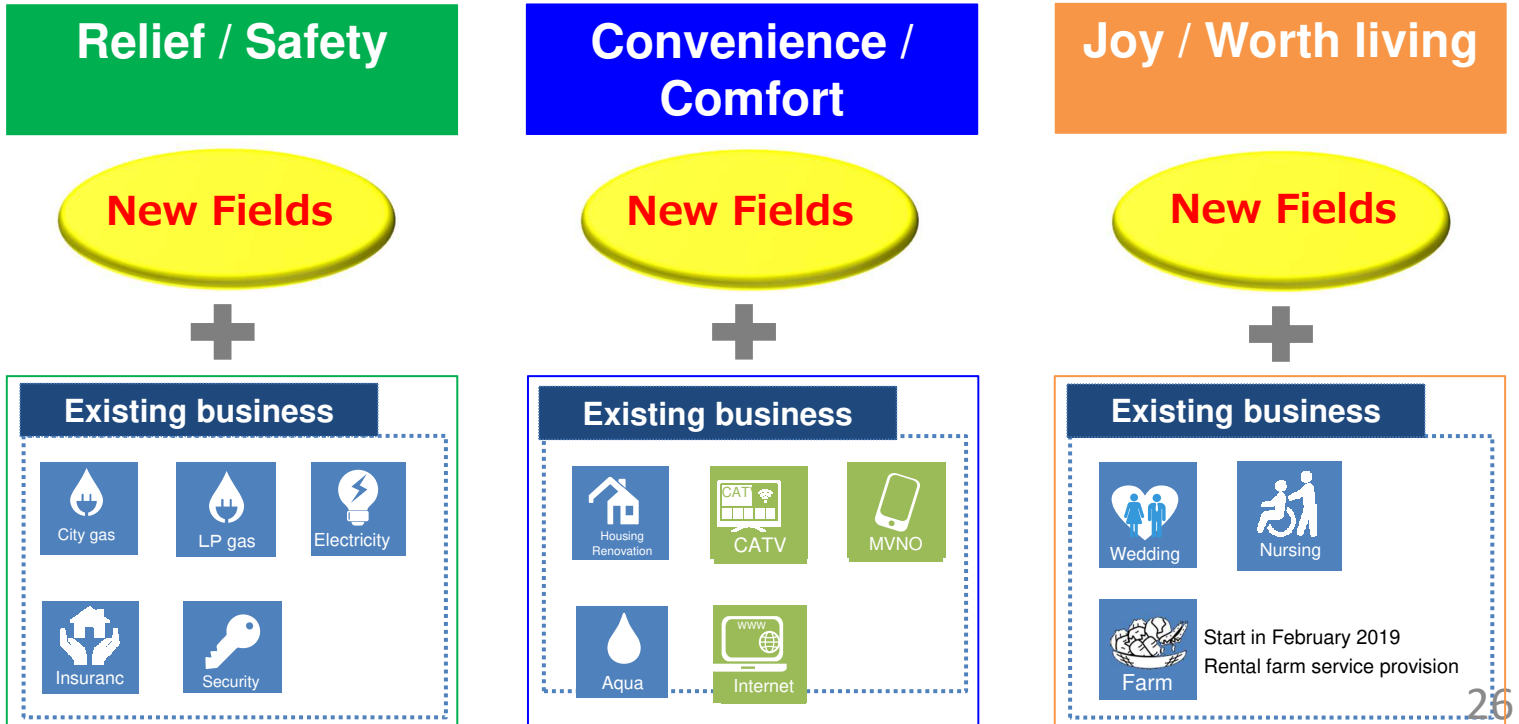
**18.8%**



**20.0%**

# Advance into new fields toward the realization of TLC

- Realizing the provision of "Relief / Safety", "Convenience / Comfort", and "Joy / Worth living" that anticipate the needs of daily life, which is useful for customers' lives
- Enter into new service fields to realize TLC vision



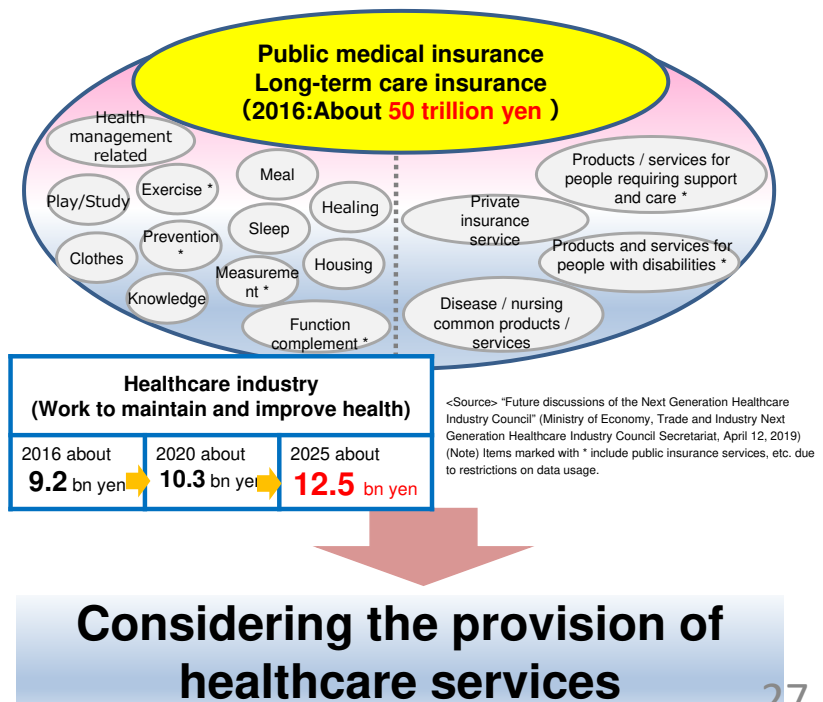
## Future growth services will be preventive medicine

- Preventive medicine is taken up by the Future Investment Council and included in the Growth Strategy Execution Plan decided by the Cabinet in June last year, which is expected as a future growth service field.
- The preventive medicine service market is expected to expand from 9.2 trillion yen (2016) to 12.5 trillion yen by 2025
- Considering such needs, we are considering providing healthcare services to prevent diseases from the pre-ill stage.

### Growth strategy execution plan

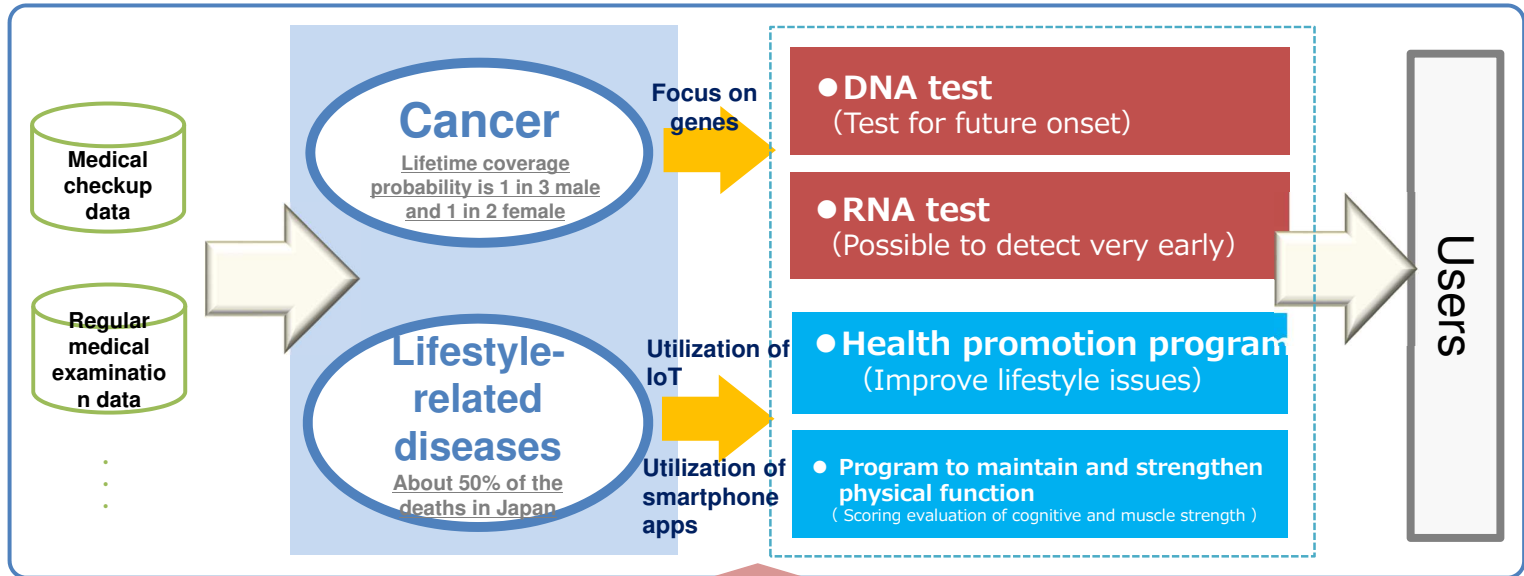
- Realization of Society 5.0
- **Reform to all-generation social security**
  - Public funding for preventive medicine
  - Promotion of private prevention services
- Strengthening local policies under population decline

Expected as a future growth service field



# Started full-scale business modeling

- Consider providing DNA and RNA tests for cancers that have a high probability of being affected throughout life
- Regarding lifestyle-related diseases, which account for about 50% of the deaths in Japan, we analyze risk factors based on physical examinations and medical examination data, and provide health promotion programs as well as physical function maintenance / strengthening programs.
- Established a specialized organization "Healthcare Business Planning Office" and started full-scale business model



Established a dedicated organization "Healthcare Business Planning Office" and started full-scale business model

## Finally

Supporting the post-corona age

Striving for the final year of the mid-term management plan IP20 "JUMP"

One year to set the direction of group growth from the medium- to long-term perspective of the next medium-term management plan

# Key points for FY03/20 financial results and FY03/21 financial forecasts

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# Key points for FY03/20 financial results

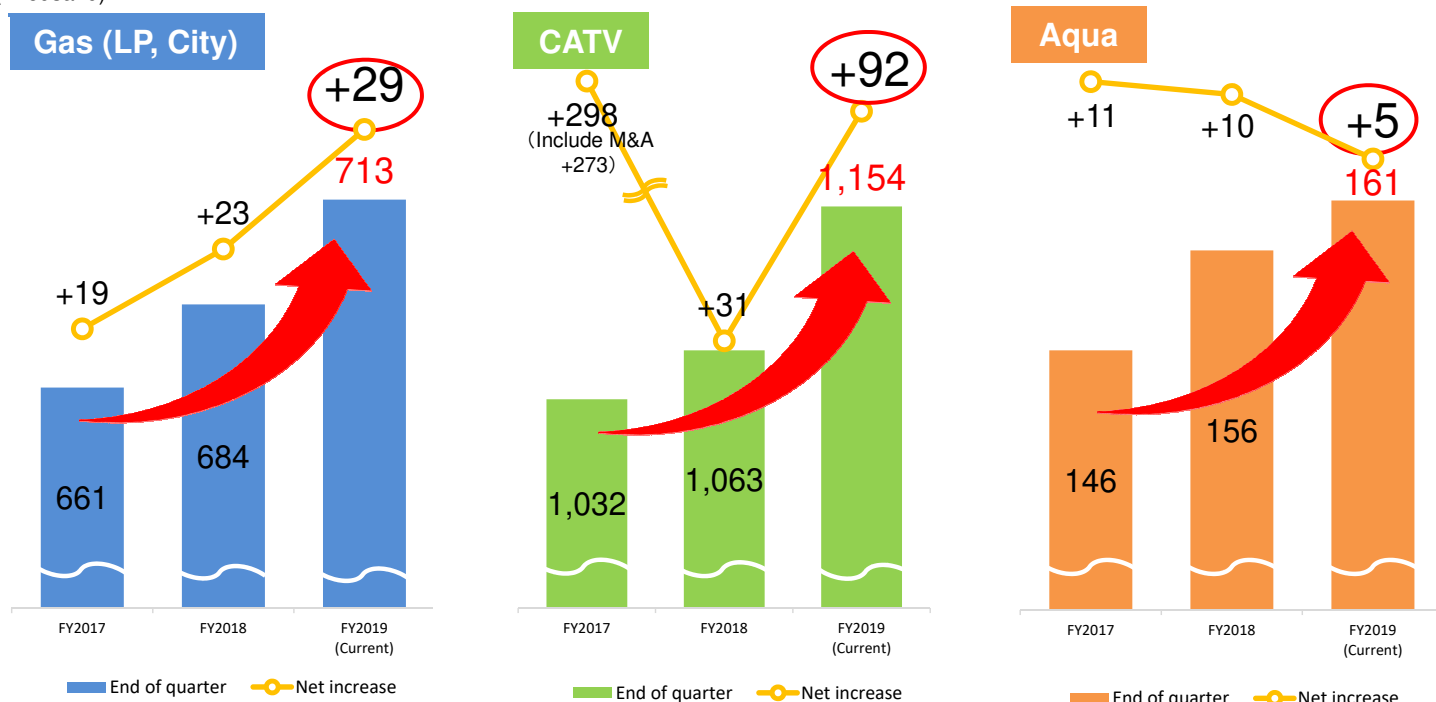
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# Achieved 3 million continuous trading customers at the end of the period at the end of the period

◎ A net increase of 101,000 from 2,902 thousand at the beginning of the period, including an increase of 65,000 through M & A (net increase of 26,000 in the previous term)

◎ Mainstay LP gas, CATV, and Aqua businesses steadily expand customer base  
(Thousand)



※Round off less than 1,000  
※Net increase include customer additions from M & A.

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## Sales and profit items are record highs

◎ Sales increased by 4.4 billion yen due to an increase in the number of customers, the favorable information and telecommunications business for corporations and M & A

◎ Operating profit also increased by ¥ 1.2 billion (8.9% increase) mainly due to an increase in monthly charges due to an increase in the number of customers, and an increase in profit from the corporate information communication business and M & A.

◎ Each profit item also outperformed the earnings forecast.

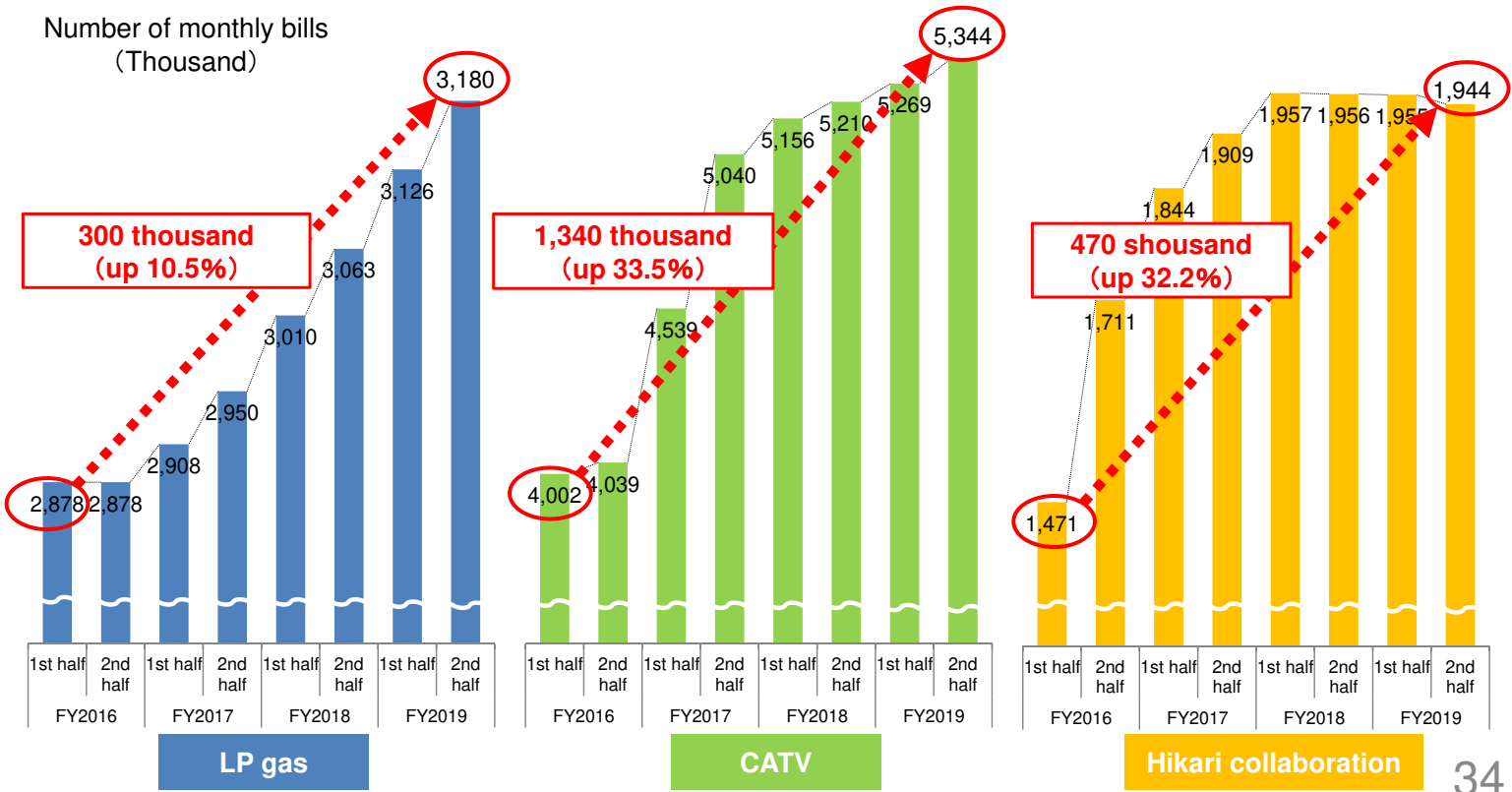
(Million of yen)

	FY2019 Results	FY2018 Results	Initial Forecasts	YoY		Versus forecast	
				Change	Percent Change	Change	Percent Change
Sales	195,952	191,600	200,800	+4,352	+2.3	-4,848	-2.4
Operating profit	14,224	13,057	14,170	+1,166	+8.9	+54	+0.4
Recurring profit	14,479	13,259	14,040	+1,219	+9.2	+439	+3.1
Net income	8,241	7,772	8,230	+468	+6.0	+11	+0.1
EPS (Yen)	62.93	59.36	62.85	+3.57	+6.0	+0.08	+0.1

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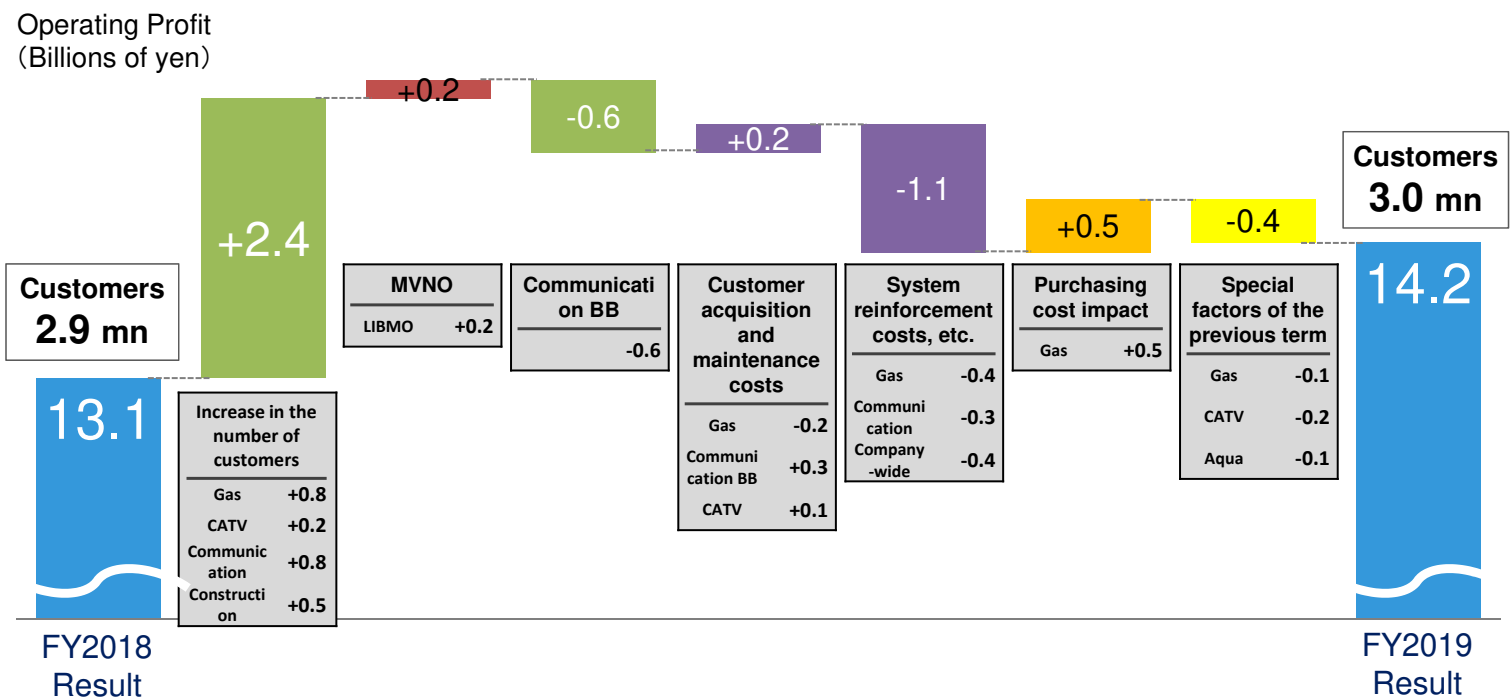
# Significant increase in monthly charges for core businesses

- Expand the number of customers, which is the revenue base, and increase the number of monthly bills, leading to increased profits



# Points for operating income increase

- As a result of the increase in the number of customers (2.9 million at the end of 2018, 3 million at the end of 2019, thus increasing by 100,000), the increase in profit due to the monthly number of billing etc. improved by 2.4 billion yen and LIBMO improved by 200 million yen.
- The impact of purchasing costs, which was affected in the previous term, also improved.



## Develop growth investments against the backdrop of strengthening equity capital

- ◎ Equity ratio further improved by 0.6 points.
- ◎ Operating cash flow increased due to an increase in operating profit, an increase in debt collection and a decrease in trade payables.
- ◎ Actively invest in growth, increase free cash flow, and improve interest-bearing debt / EBITDA ratio.

Equity ratio	<b>37.4</b> % End of March 2019	➔	<b>38.0</b> % End of March 2020
Interest-bearing liabilities	<b>50.6</b> Bn yen End of March 2019	➔	<b>48.3</b> Bn yen End of March 2020
Operating cash Flow	<b>21.6</b> Bn yen End of March 2019	➔	<b>22.5</b> Bn yen End of March 2020
Investment cash flow	<b>-12.4</b> Bn yen End of March 2019	➔	<b>△12.1</b> Bn yen End of March 2020
Free cash flow	<b>9.2</b> Bn yen End of March 2019	➔	<b>10.4</b> Bn yen End of March 2020
Interest-bearing debt/EBITDA ratio	<b>1.8</b> Times End of March 2019	➔	<b>1.6</b> Times End of March 2020

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## Key points for FY03/21 financial forecast

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# Expand customer base with net increase of 100,000 cases

- ◎ A net increase of 102,000 from 3,003 thousand at the end of the previous fiscal year is expected to reach 3,105 thousand at the end of FY2020.
- ◎ In particular, focused on net increase of LP gas, CATV net increase over the previous fiscal year (excluding M & A), and aqua net recovery of pace.
- ◎ Information and communications also stopped due to a net decline in BB customers and a net increase in LIBMO.

(Thousand)

		FY2016 Results	FY2017 Results	FY02018 Results	FY2019 Results	FY2020 Plan
Gas (LP and city gas)		642	661	684	713	764
Information and Communications	Previous ISP model, etc.	527	465	419	389	368
	Hikari Collaboration	299	323	327	324	337
	LIBMO	2	29	41	48	63
	Mobile	233	227	217	212	207
	Subtotal	1,061	1,044	1,004	973	975
CATV		733	1,032	1,063	1,154	1,191
Aqua		135	146	156	161	172
Security		17	17	17	16	17
Total		2,564	2,876	2,902	3,003	3,105

\* Rounded to the nearest thousand. Information services and CATV have overlapping communication services, and are excluded from the total

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## Continued growth trend with increased sales and profits

- ◎ Continued growth trend with 4th consecutive year of sales increase and 3rd consecutive year of highest profit.
- ◎ In addition to completing the mid-term business plan IP20 "JUMP," we will continue to focus on expanding our customer base for medium- to long-term growth, while also providing a foundation for the growth of the next mid-term plan.
- ◎ The theme is "further promotion of M & A", "practice of ABCIR + S", and "deepening of TLC".

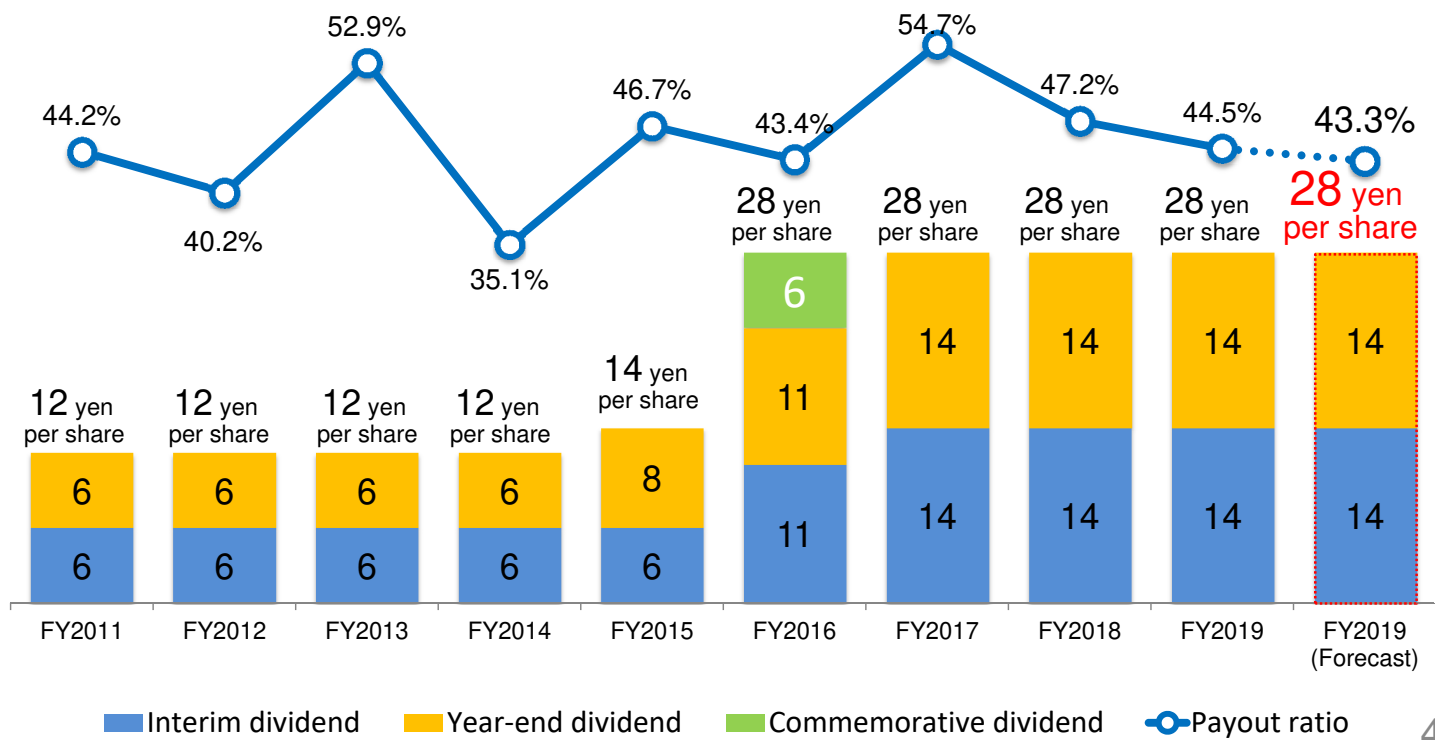
(Million of yen)

	FY03/21 Forecasts (April 1, 2020 to March 31, 2021)	FY03/20 Results (April 1, 2019 to March 31, 2020)	YoY	
			Change	Percent Change
Sales	205,300	195,952	+9,348	+4.8%
Operating profit	15,000	14,224	+776	+5.5%
Recurring profit	14,870	14,479	+391	+2.7%
Net income	8,460	8,241	+219	+2.7%
EPS (Yen)	64.60	62.93	+1.67	+2.7%
Customer Number (Thousand)	3,105	3,003	+102	+3.4%

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# Policy of consistently providing stable dividends

- ◎ Based on the Company's dividend policy, which strives for continuous and stable dividends, the annual dividend is planned to be ¥ 28 / share.
- ◎ The dividend payout ratio remains high.



Prospect of business performance and future outlook described in this material are our estimation based on information available as of this moment, and potential risk and uncertainties are included. Therefore, please note that actual business performance is possibly very different from the described future outlook due to change of various factors.

For inquiry related to this material, please contact us as follows:

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