

Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2021

November 4, 2020
TOKAI Holdings
Corporation
(Securities Code: 3167)

Agenda

- 1. Summary of financial results for the second quarter of the fiscal year ending March 2021**
- 2. Points for the second quarter of the fiscal year ended March 31, 2021**

Summary of financial results for the second quarter of the fiscal year ending March 2021

Katsuhiko Tokita
President & CEO
TOKAI Holdings Corporation

2

Points for the second quarter of the fiscal year ended March 31, 2021

Steady growth of customer base in core businesses

- Net increase of 39,000 from 3 million cases at the beginning of the fiscal year
- Although it was affected by restrictions on face-to-face sales in the first quarter, it recovered in 2Q after the resumption of economic activity and achieved the internal plan.
- Net increase significantly exceeding 16,000 cases in the same period of the previous year

Minimize the impact of corona, landing on par with the same period of the previous year and exceeding the plan

- Despite the impact of corona on some businesses, such as weddings and banquets, operating profit was flat YoY, offset by an increase in profits associated with an increase in the number of customers in core businesses.
- All profit items exceeded internal targets and progressed

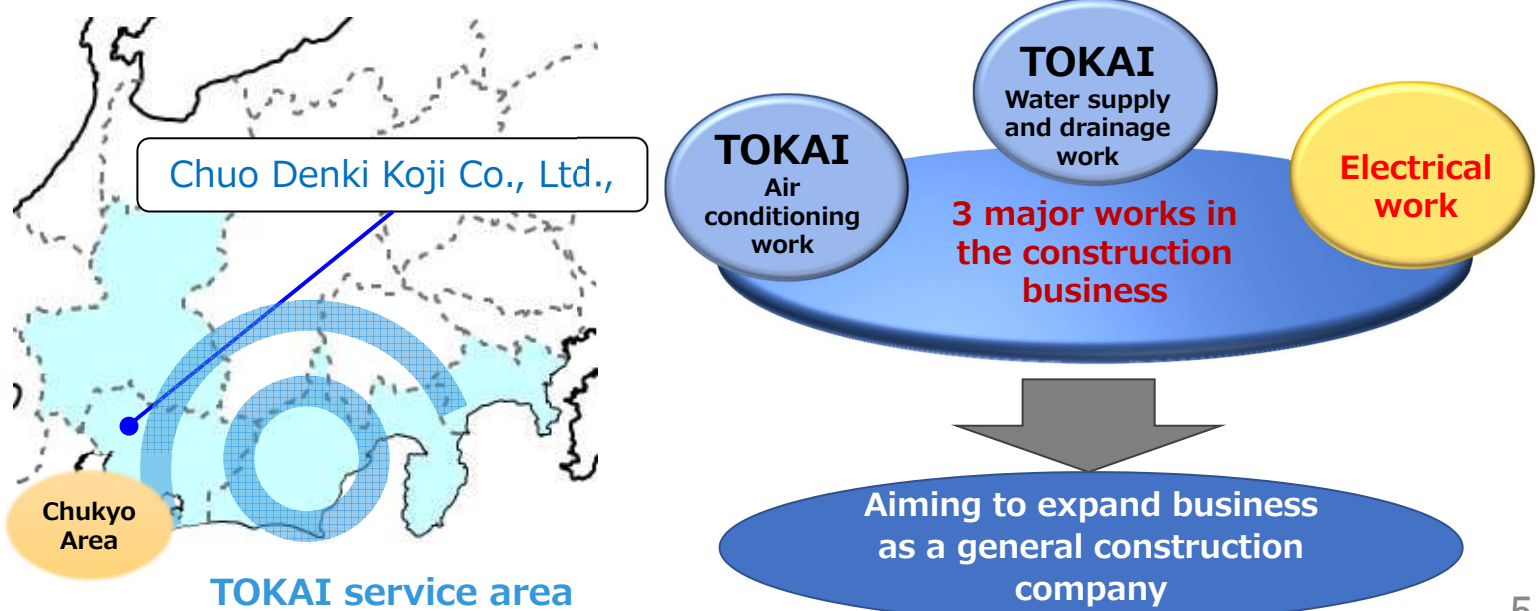
3

Second Quarter of Fiscal Year Ending March 2021 M&A Progress

(1 M&A and 1 alliance)

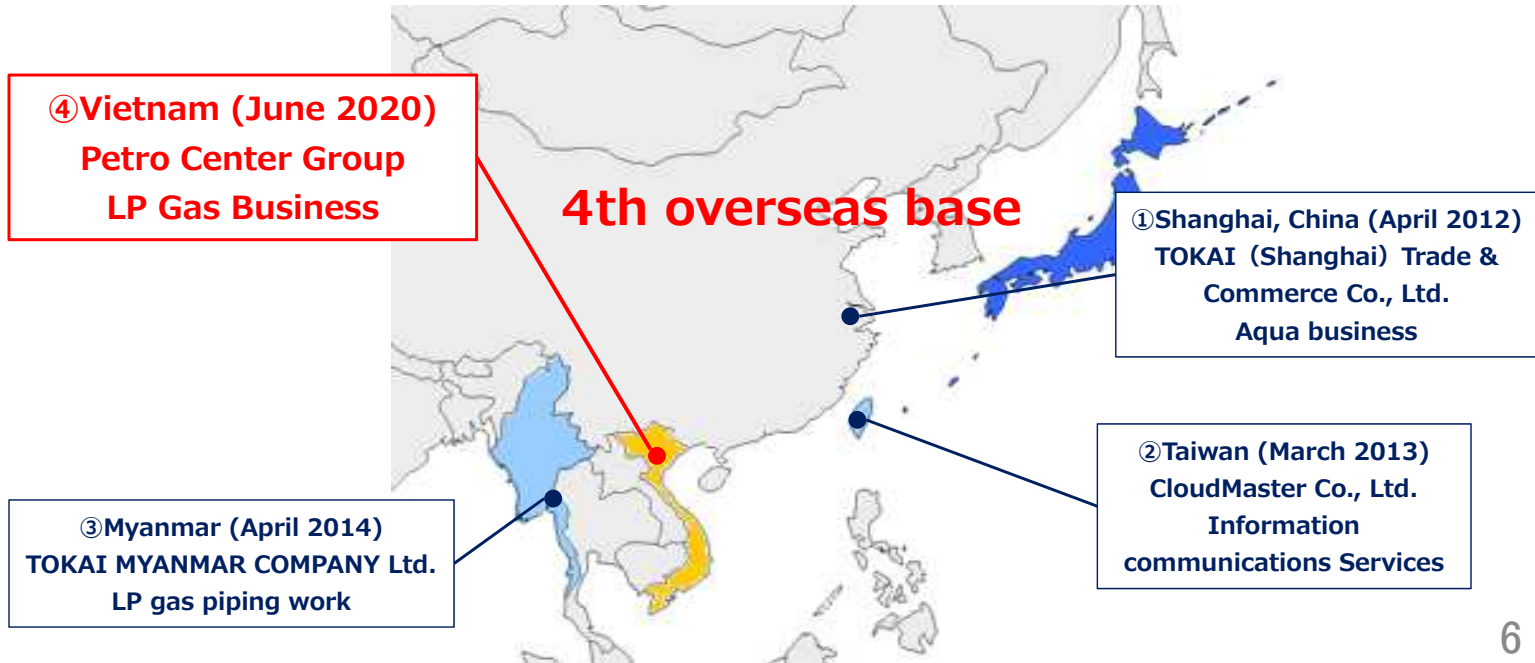
Further business expansion as a comprehensive construction company

- In August 2020, Chuo Denki Koji Co., Ltd., which operates an electrical engineering business, became a consolidated subsidiary in Aichi Prefecture
- Based on our technological capabilities and trust-based relationships cultivated through the development of our lifestyle infrastructure services, the Group designs and installs large-scale buildings and also develops air-conditioning and water supply and drainage sanitation businesses.
- Through this project, we aim to further expand our business as a comprehensive construction company by building a system for receiving orders for three major construction projects, consisting of air-conditioning work, water supply and drainage work, and electrical work in the construction industry.



Entering the LP gas market in Vietnam

- Entered the LP gas market in Vietnam by acquiring the shares of two subsidiaries under the Petro Center Group, a major Vietnamese LP gas distributor, in June 2020.
- Our Group's overseas bases are the fourth new overseas base after ① Shanghai, China, ② Taiwan, and ③ Myanmar.



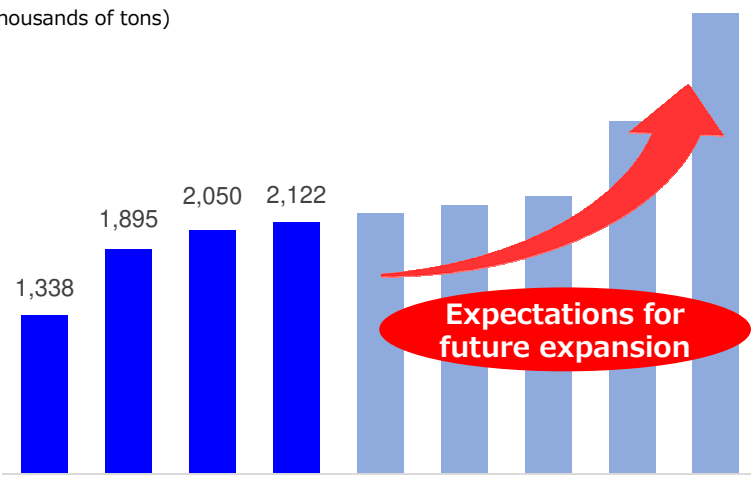
6

Aim to expand the LP gas business

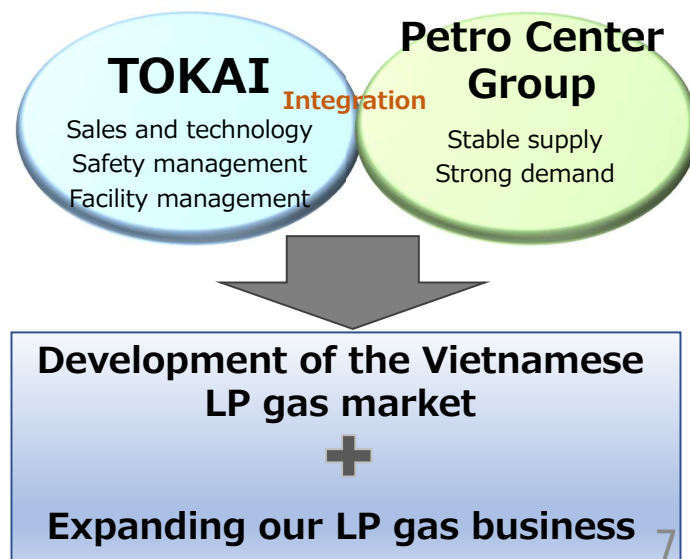
- Vietnam, which maintains the top growth rate among ASEAN member countries, is expected to continue to grow steadily against the backdrop of an abundant working population and an increase in foreign direct investment.
- The LP gas market in Vietnam is also expected to expand in the future, and a promising market that is extremely attractive to our group as well
- Combine the LP gas business expertise that our Group has cultivated over many years to contribute to the development of the Vietnamese LP gas market, and aim to expand the scope of our Group's LP gas business

Trends in demand for LP gas in Vietnam

(Thousands of tons)



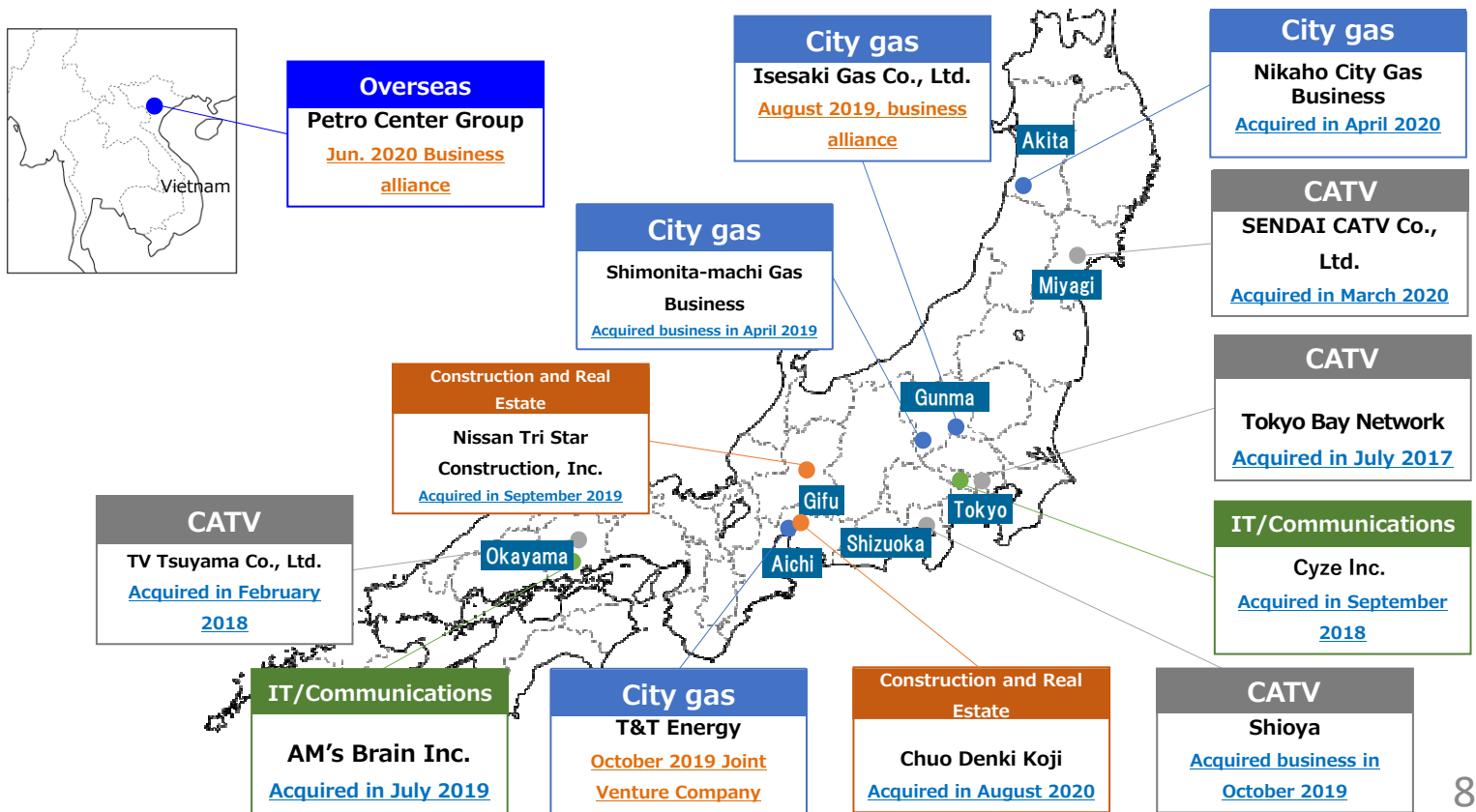
※Figures up to FY2017 are actual figures based on IEAs. Estimates after FY2018



7

13 M&A deals have been completed.

- In the M & A strategy of the medium-term management plan IP20 "JUMP", a total of 13 deals were completed with 10 M & A deals and 3 alliance deals.



Carefully select projects that contribute to growth and complete them at an early

- The 13 projects were completed, resulting in net sales of ¥8.5 billion, operating income of ¥600 million, and the addition of 350,000 customers, expanding the Group's business earnings base

[M&A and alliance results]

(Millions of yen, thousands)

Business	Number of companies	Investment amount	Net sales	Operating income	Number of customers
City gas	4	1,953	626	42	6
CATV	4	3,997	4,769	221	344
IT/Communications	2	655	398	67	—
Construction and Real Estate	2	3,394	2,735	288	—
Overseas	1	2,992	—	—	—
Total	13	12,989	8,528	618	350

※City Gas includes two alliances

Currently considering 37 M&A deals worth ¥116.4 billion

(*Including the above results)

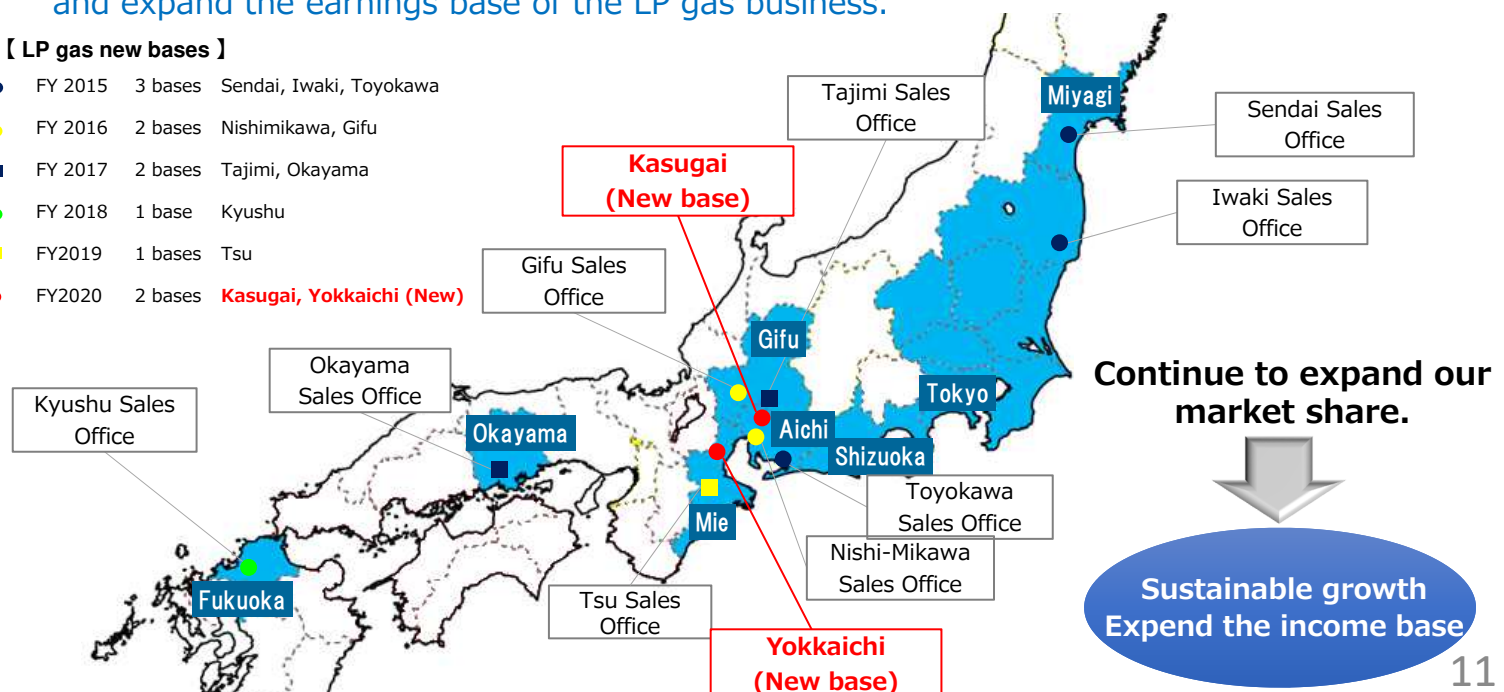
Progress of Area Expansion Strategy

Expanding the Earnings Base through Area Expansion Strategy

- Opened new sales offices in Kasugai City, Aichi Prefecture and Yokkaichi City, Mie Prefecture in June 2020
- Expand the Group's share by expanding into new sales areas and realize sustainable growth in the Group LP gas business
- Opened a total of 11 sales offices since 2015. We will continue to expand our market share and expand the earnings base of the LP gas business.

【 LP gas new bases 】

- FY 2015 3 bases Sendai, Iwaki, Toyokawa
- FY 2016 2 bases Nishimikawa, Gifu
- FY 2017 2 bases Tajimi, Okayama
- FY 2018 1 base Kyushu
- FY2019 1 bases Tsu
- FY2020 2 bases **Kasugai, Yokkaichi (New)**



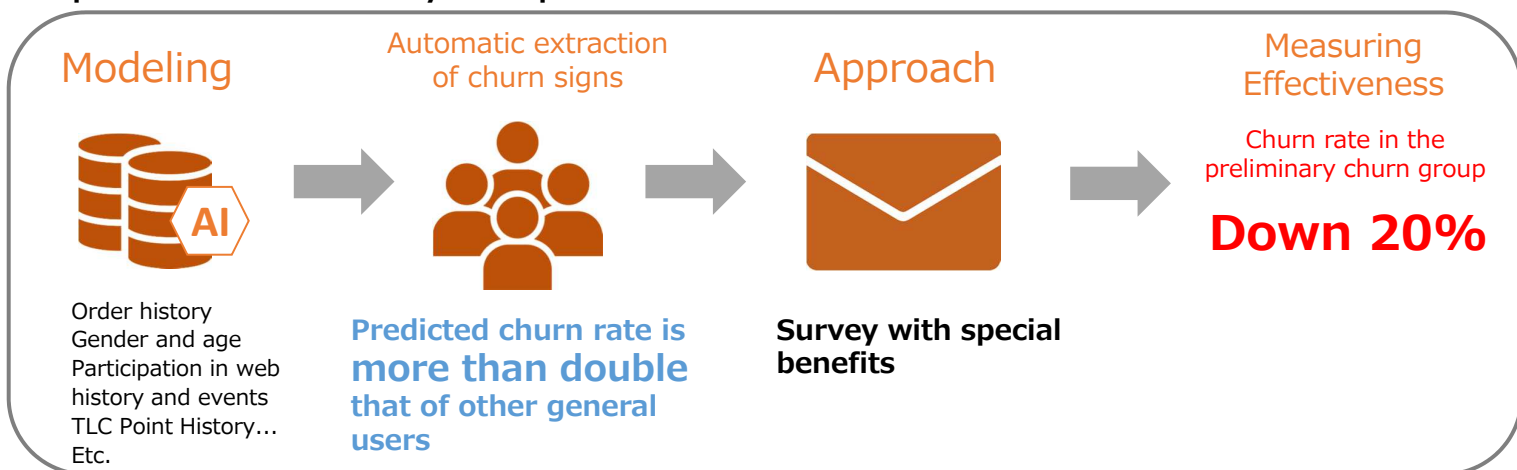
“ABCIR+S” Strategy Progress

An acronym formed by the first letters of **A**I, **B**ig data, **C**loud, **I**oT, **R**obotics, and **S**martphones. It refers to the Group’s strategy toward technological innovation.

Strengthen marketing through real × digital

- D-sapiens highly predicts customers' behavior patterns by analyzing BigData and AIs.
- In the first half of the fiscal year, we found signs of cancellation of Aqua and implemented measures to deter cancellations.

〈 Automated identification of customers who are likely to cancel their subscriptions and implementation of a survey with special benefits 〉

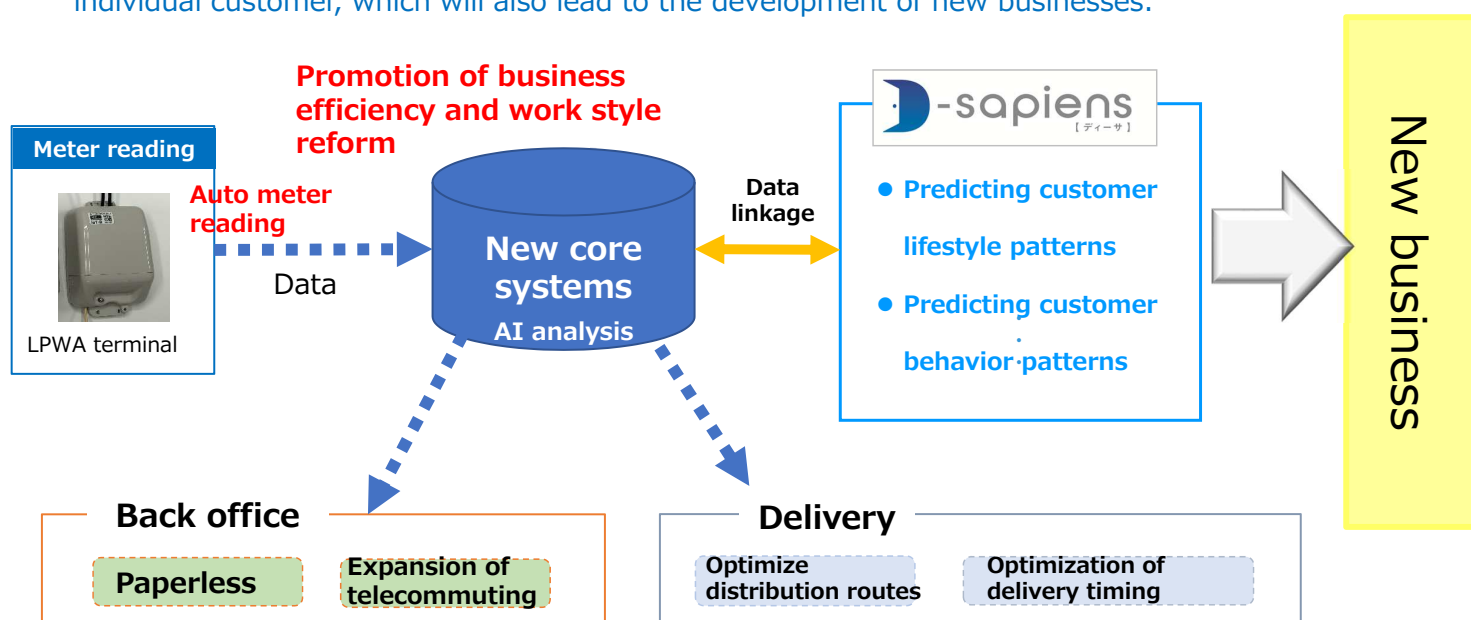


In the second half, we will implement dozens of cross-selling retention measures that combine **D-sapiens** and **TLC membership services** in earnest.

Efforts to Improve Business Efficiency

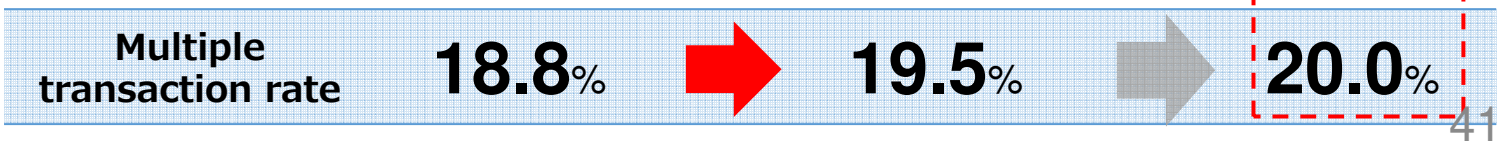
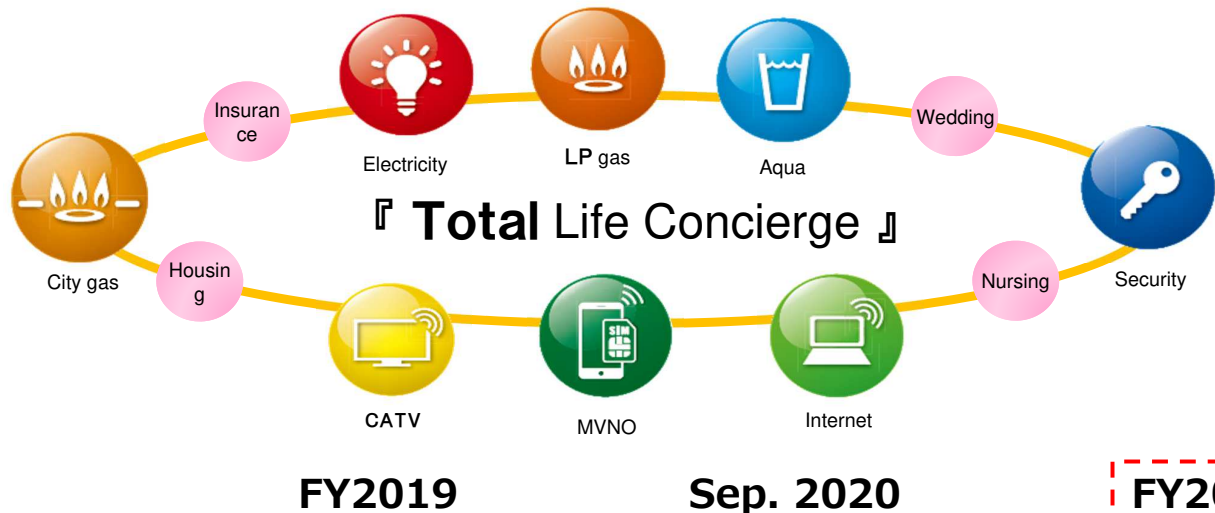
Promotion of work efficiency and work style reform using ICT

- Promote operational efficiency and work style reforms by utilizing a new core system utilizing the latest ICT
- In the LP gas business, we will promote automated meter reading using LPWA terminals and pursue more efficient delivery operations by analyzing acquired meter reading data through AI, such as optimizing delivery timing and distribution routes.
- By linking acquired data with D-sapiens, we will predict lifestyles and behavioral patterns of each individual customer, which will also lead to the development of new businesses.



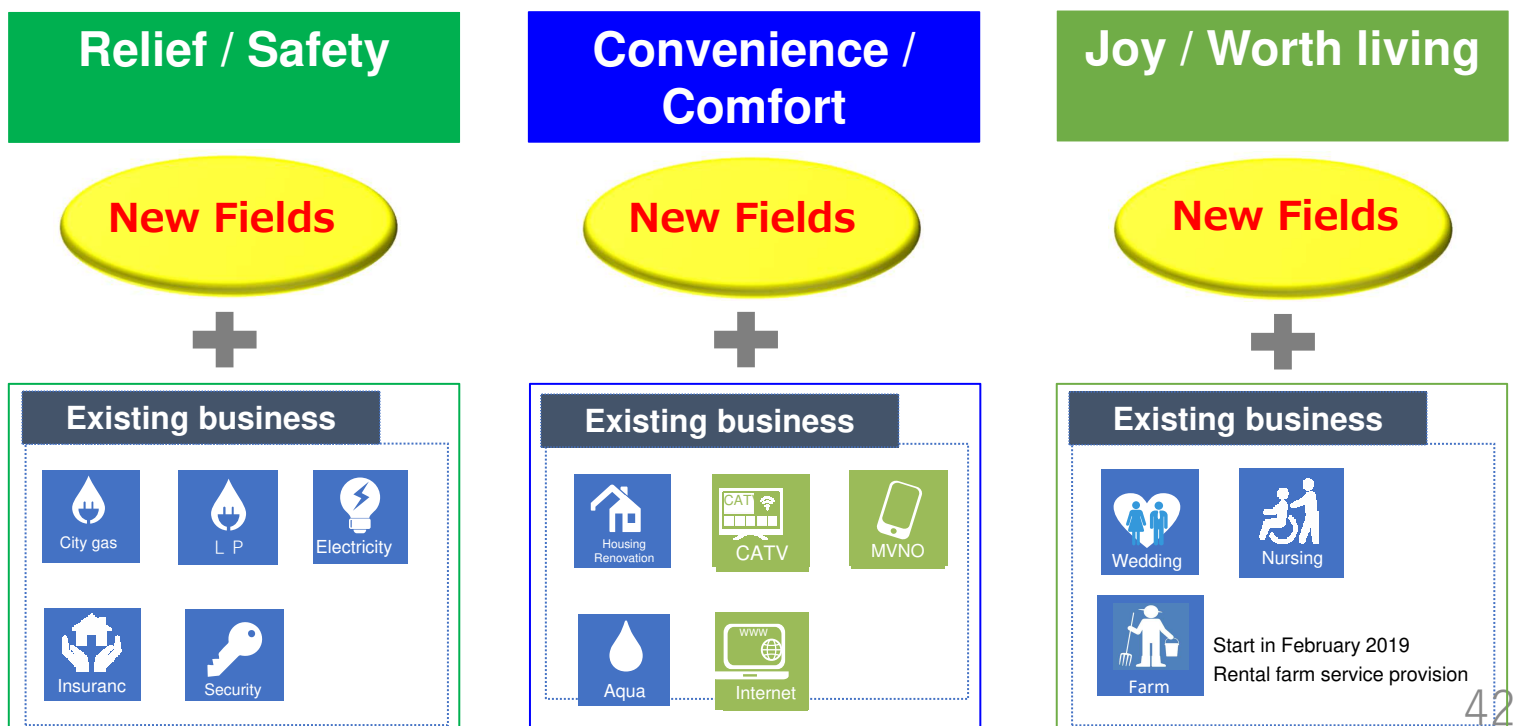
Multiple transaction rate is over 20% by the end of FY03/21

- 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



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



Consideration of healthcare services also progressed

Based on health, future life will be richer and more rewarding

Services aimed at preventing cancer and lifestyle-related diseases and improving health

Build a collaborative business model with businesses that have a proven track record in the healthcare field

18

Finally

- In addition to completing the medium-term management plan IP20"JUMP as the final year, this fiscal year is a key phase that combines both the creation of a foundation for the next medium-term plan

① Promoting M&A and ② Implementing ABCIR + S, ③ Deepening of TLC and progress of each

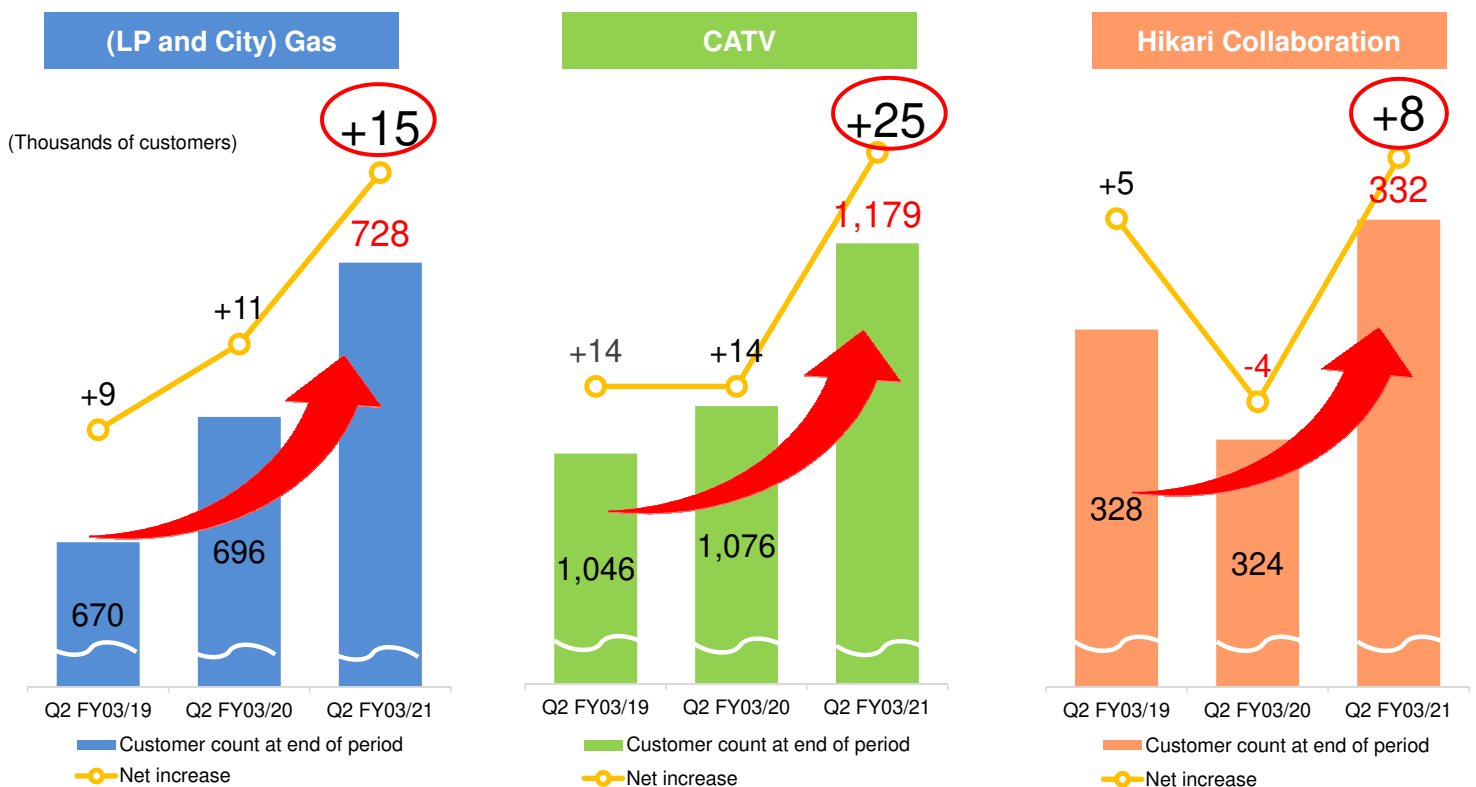
Directing group growth from a medium- to long-term perspective

19

Key points for the second quarter financial results for the fiscal year ending March 2021

Steady growth of customer base in core businesses

- Continuing customer count reached 3,042,000 at the end of Q2, up 39,000 from 3,003,000 at the beginning of the year.
- Earnings base further expanded for mainstay gas, CATV, and Hikari Collaboration businesses.



Note: Figures are rounded to the nearest thousand.

Points of net increase in core business

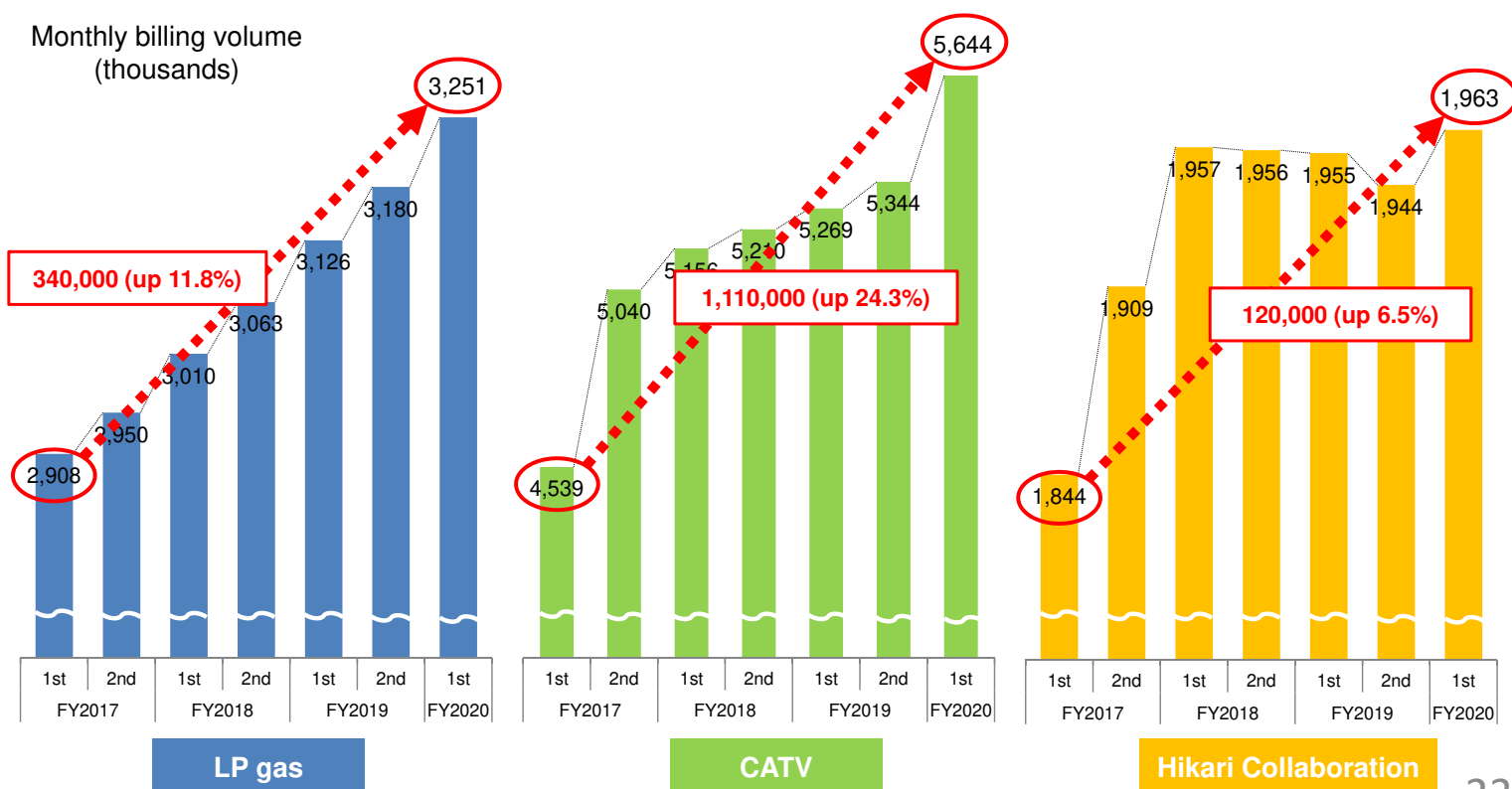
- ◎ In the gas business, acquisitions of trade areas increased by 30% year-on-year, and market share expanded in new areas.
- ◎ In CATV business, telecommunications services rose 2.2 times year on year, a substantial increase
- ◎ The telecommunications business was halted by a net decline in the sum of ISPs and LIBMO.
- ◎ The aqua business recovered the pace of net increase on a par with the same period of the previous fiscal year after resuming economic activities.

Net increase (Thousands)	FY2020_2Q (Current)	FY2019_2Q	YoY	Points
Gas (LP and City Gas)	+15	+11	+4	<ul style="list-style-type: none"> • Increase of 3000 LP gas acquisitions in commercial areas • 11 new LP gas sites added +4000 sites
(Acquisition of market area)	(+12)	(+9)	(+3)	
CATV	+25	+14	+11	<ul style="list-style-type: none"> • Communications services increased 2.2 times year-on-year
(of which, communication services)	(+19)	(+9)	(+10)	
ICT	+1	-17	+18	<ul style="list-style-type: none"> • ISP improved by 17,220 due to an increase of 9309 new subscribers and a decrease of 7911 cancelled subscribers
(of which, ISP)	(-3)	(-20)	(+17)	
Aqua	-0	+3	-3	<ul style="list-style-type: none"> • Despite a net decrease of 1561 in 1Q, net increase of 1314 in 2Q recovered at the same pace as in the same period of the previous fiscal year

22

Significant increase in monthly billing volume in core businesses

- ◎ By expanding the number of customers, which is the earnings base, it will lead to an increase in revenues from an increase in the number of monthly billings



23

Remained the same level as the same period of the previous fiscal year and exceeded the plan

- ⊙ Despite an increase in sales due to an increase in the number of customers and an expansion of the information and communications business for corporations, sales decreased due to a decrease in selling prices resulting from a drop in the purchase price of gas and a delay in sales activities in the aftermath of Corona.
- ⊙ In terms of profits, some businesses were affected by Corona, but operating profits landed at the same level as the same period of the previous year, supplemented by an increase in profits due to an increase in monthly billing due to an increase in the number of customers and an increase in the information and communications business for corporations.
- ⊙ Exceeded the internal plan and the progress rate (36%) against the full-year plan is also higher than the historical level

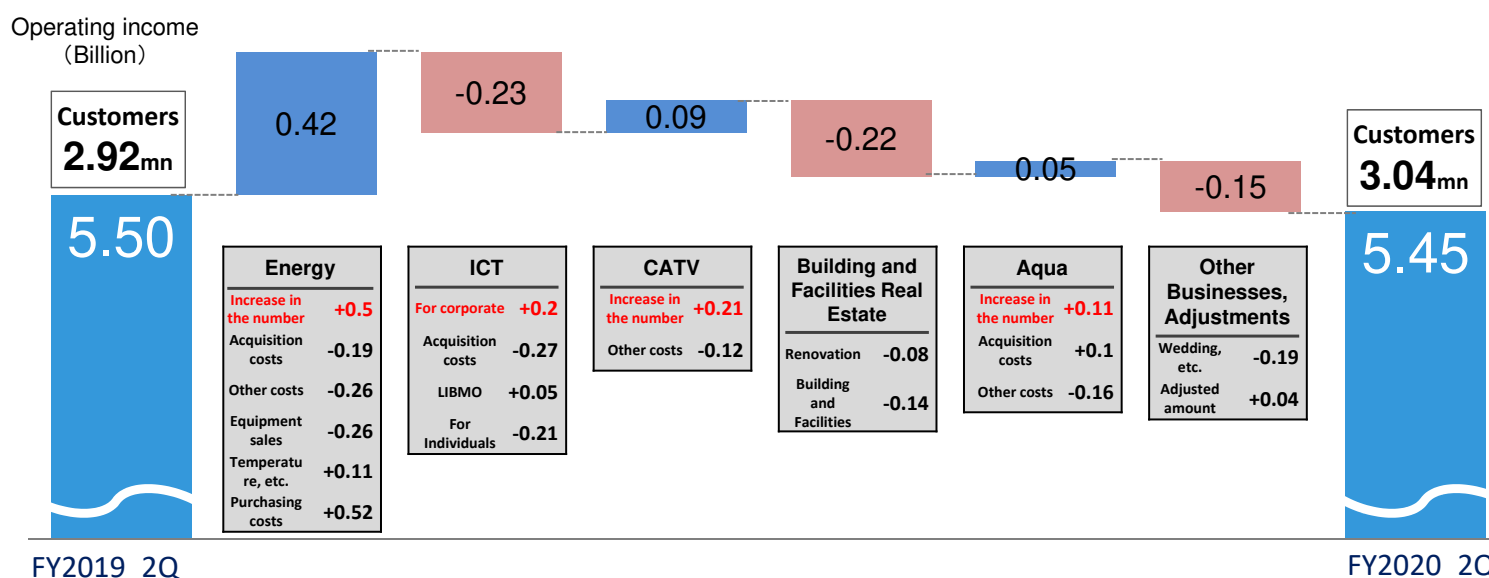
(Millions of yen)

	Q2 FY03/21 results (April 1, 2020–September 30, 2020)	Q2 FY03/20 results (April 1, 2019–September 30, 2019)	YoY	
			Change	% change
Sales	89,836	93,015	-3,179	-3.4%
Operating profit	5,452	5,500	-48	-0.9%
Recurring profit	5,499	5,608	-109	-1.9%
Net income	3,279	3,492	-212	-6.1%
EPS (yen)	25.04	26.67	-1.63	-6.1%

24

YoY comparison of operating income by segment

- ⊙ Energy, CATV, and Aqua recorded higher profits due to increased customer numbers, and information/communications for corporations also performed well
- ⊙ The decline in the number of customers for information and communications for individuals has been halted.
- ⊙ Impact of delayed sales activities due to the collapse of Corona on weddings and building facilities and real estate



※ Changes are before allocation of indirect costs.

25

Developing Growth Investments on the Backdrop of Strengthening Equity Capital

- ◎ Capital adequacy ratio further improved by 2.5 points
- ◎ Operating cash flow increased by 4.1 billion yen due to an increase in working capital such as collection of receivables.
- ◎ Investing cash flow increased due to aggressive growth investments, and free cash flow remained unchanged from the same period of the previous fiscal year.

Equity Ratio	38.0 % End of March 2020	➡	40.5 % End of September 2020
Interest-bearing Debt	48.3 Bn End of March 2020	➡	48.3 Bn End of September 2020
Operating cash flow	10.7 Bn End of September 2019	➡	14.8 Bn End of September 2020
Investing cash flow	-6.9 Bn End of September 2019	➡	-10.7 Bn End of September 2020
Free cash flow	3.8 Bn End of September 2019	➡	4.1 Bn End of September 2020
Interest-bearing debt/ EBITDA ratio	1.6 Times End of March 2020	➡	1.5 Times End of September 2020

※ Interest-bearing debt to EBITDA ratio for the year ending September 2020 is based on annual prospective EBITDA

26

Maintain growth trend with higher sales and profits

- ◎ Fourth consecutive year of sales growth and third consecutive year of record earnings, continuing the growth trend
- ◎ In addition to completing the Medium-Term Management Plan IP20"JUMP, we will continue to focus on expanding our customer base for medium-to long-term growth, while laying the groundwork for growth in the next Medium-Term Management Plan.
- ◎ Working on the themes of "Further promotion of M&A," "Implementation of ABCIR + S," and "Deepening TLC"

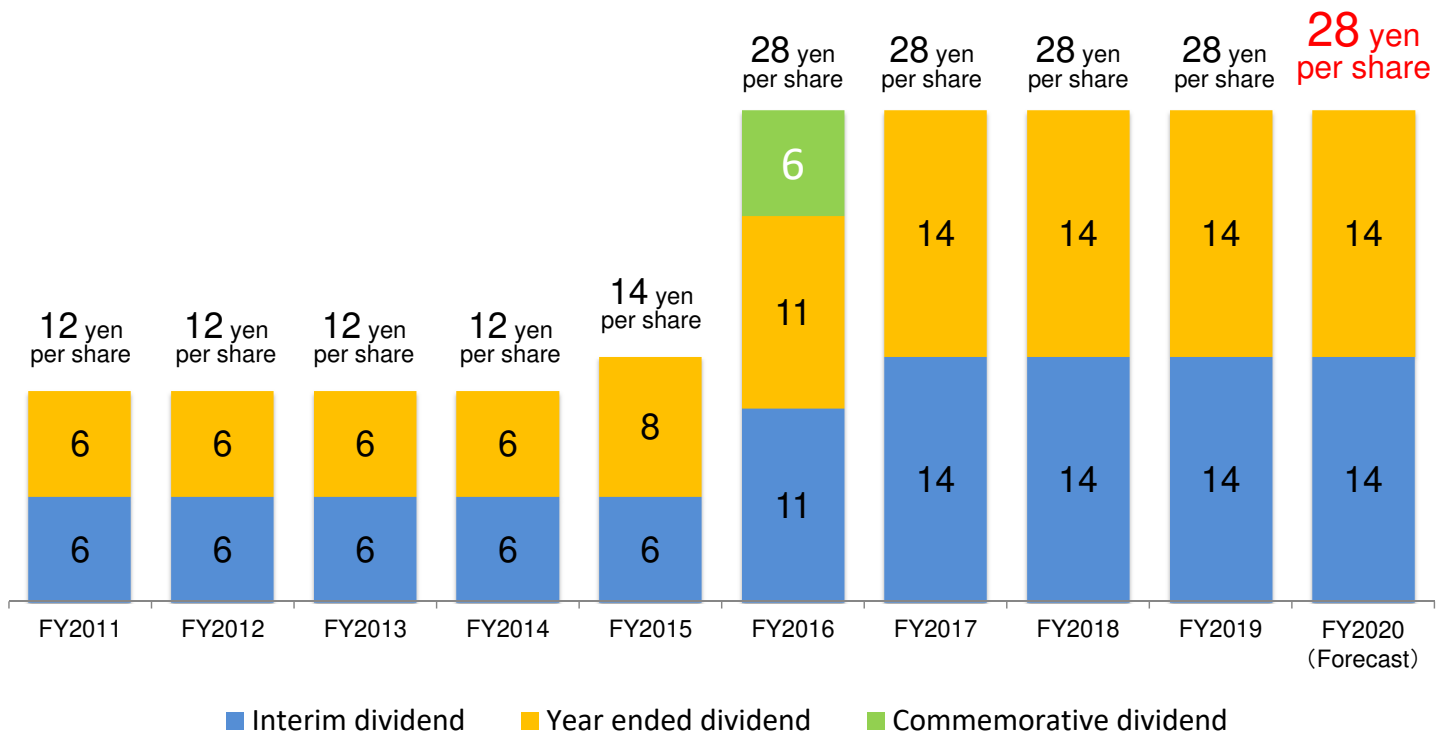
(Millions of yen)

	FY03/21 forecast (April 1, 2020–March 31, 2021)	FY03/20 results (April 1, 2019–March 31, 2020)	YoY	
			Change	% 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 count at end of fiscal year	3,105,000	3,003,000	+102,000	+3.4%

27

Policy of consistently providing stable dividends

- ◎ We plan to pay an annual dividend of ¥28/share under our dividend policy of striving for continuous and stable dividends.
- ◎ No change was made to the dividend forecasts (announced May 8, 2020).



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:

IR Office, TOKAI Holdings Corporation
 11F Hamarikyu Intercity, Kaigan 1-9-1, Minato-ku, Tokyo 105-0022
 TEL: (03)5404-2891
 FAX: (03)5404-2786
<http://tokaiholdings.co.jp>
 e-mail: hd-info@tokaigroup.co.jp

