

# FY03/22

## Financial Results Briefing for the Fiscal Year Ended March 31, 2022



Wednesday, May 11, 2022  
TOKAI Holdings Corporation  
(Code No. 3167)

### Summary of Consolidated Financial Results for Fiscal Year Ended March 31, 2022 and Progress of Medium-Term Management Plan

TOKAI Holdings  
Katsuhiko Tokita, President & CEO

# Summary of Consolidated Financial Results for Fiscal Year Ended March 31, 2022

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2

## Summary of Consolidated Financial Results for Fiscal Year Ended March 31, 2022

### **Net sales reached 210.7 billion, surpassing the 200 billion yen mark.**

- ❑ The figure represented a new record high for the fourth consecutive fiscal year, despite the negative impact of the application of the Accounting Standard for Revenue Recognition.
- ❑ In addition to increases in the number of customers and in selling prices in line with the energy purchase prices and expansion of the Information and Communications business for corporate clients, M&A in the Construction, Equipment, and Real Estate business contributed to the growth.

### **Operating profit hit a record high at 15.8 billion yen.**

- ❑ Expenses for winning customers soared, reflecting the fact that such activities were carried out at a more intensive pace than in the previous fiscal year.
- ❑ This rise was more than offset by profit increases associated with growth in customer numbers, as well as in the Information and Communications business for corporate clients. The figure rose 0.6 billion yen year on year to achieve a new record high for the fourth consecutive fiscal year.

### **Core businesses saw an expansion in continuing customer numbers**

- ❑ The continuing customer count reached 3,194,000, up 95,000 from 3,100,000 at the beginning of the year
- ❑ The number of TLC members topped 1 million, rising 107,000 to 1,086,000

3

# Consolidated Financial Forecast for Fiscal Year Ending March 31, 2023

4

## Consolidated Financial Forecast for Fiscal Year Ending March 31, 2023

- Net sales are forecast to increase 12.3 billion yen, or 5.8% year on year, to reach a new record high for the fifth consecutive fiscal year. This is chiefly attributable to growth in customer numbers and increases in orders received from corporate clients in the Information and Communications business and in the Construction, Equipment and Real Estate business.
- Operating profit is expected to fall 1.3 billion yen year on year, taking into account an impact of 5.1 billion yen from rising LP gas purchase prices.
- The LP gas business will continue to drive the active attraction of customers on the basis of pricing measures that will maintain price competitiveness.
- The number of customers in the overall Group will rise 100,000 from 3.19 million at the end of the previous fiscal year, to 3.30 million.

(100 million yen)

	FY03/23 forecast (FY2022)	FY03/22 results (FY2021)	YoY		Plan IP24 (FY2022)	From Plan IP	
			Change	% change (%)		Change	% change (%)
Net sales	2,230	2,107	+123	+5.8	2,210	+20	+0.9
Operating profit	145	158	-13	-8.2	156	-11	-7.1
Recurring profit	143	159	-16	-10.1	—	—	—
Net income	83	90	-7	-7.5	90	-7	-7.8
Customer count at end of fiscal year	3.30 million	3.19 million	+0.1 million	+3.2	3.32 million	-0.02 million	-0.6

5

# Progress of IP24 "Design the Future Life"

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6

Announcement of new Medium-Term Management Plan,  
IP24 "Design the Future Life"

**April 2021 10th Anniversary of Start of  
Operations under Holding Company Structure**



First Step Towards Next 10 Years

**May 2021  
New Medium-Term Management Plan  
Announcement of  
IP24 "Design the Future Life"**

7

# Future Vision of the Group

- The environment surrounding businesses is changing dramatically, with lifestyle changes associated with COVID-19, global pressure to contribute to the SDGs, the trend towards clean energy, and digitalization.
- In response to these environmental changes, the Group aims to become a Life Design Group (LDG), a corporate group that continues to grow sustainably and create people's lifestyles over the next 10 years.

## Environmental changes

Lifestyle changes associated with COVID-19

Global pressure to contribute to SDGs

Trend toward clean energy

Digitalization



A corporate group that continues to grow sustainably and create people's lifestyles

The Group ten year vision

## Life Design Group

8

## Past Efforts towards LDG

- Towards the LDG, the Group has expanded services for enriching lifestyles in addition to the infrastructure essential to life.

### Leisure

#### Aoi-bune (Aoi boat)

Touring the moat around Sumpu Castle  
The tour gives you a view of the magnificent Sumpu Castle ruin combined with the cityscape of Shizuoka.



#### Yoga

A trial workshop was held on the grass of the Sumpu Castle Park.



### Healthcare

#### Fitness

A gym specializing in machine exercise will commence 24-hour operation.



#### Food trucks

Meals prepared by leading chefs are provided at offices and event venues.



#### PULCLE

A bicycle sharing service is operated as a new transport system in Shizuoka.



#### Delivery service

The service delivering items handled by the JA Group's Mansaikan as well as frozen food, high quality bread and other products meets the demand of elderly people and others without access to supermarkets, as well as the need for time saving of families raising children.



#### Laundromat

A laundromat will be launched inside the showroom.

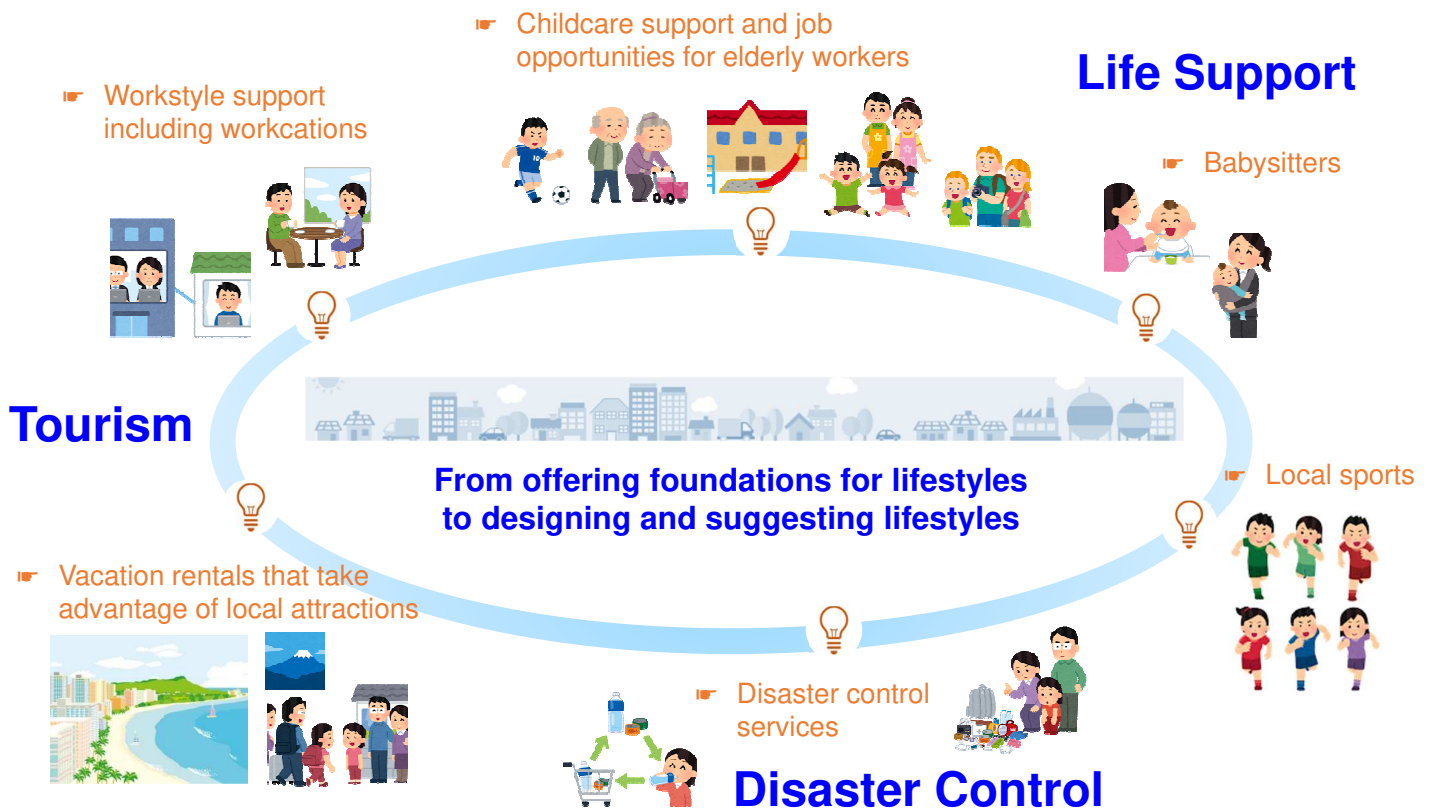


### Life Support

9

# Ideas of Attractive Life-Related Services in LDG

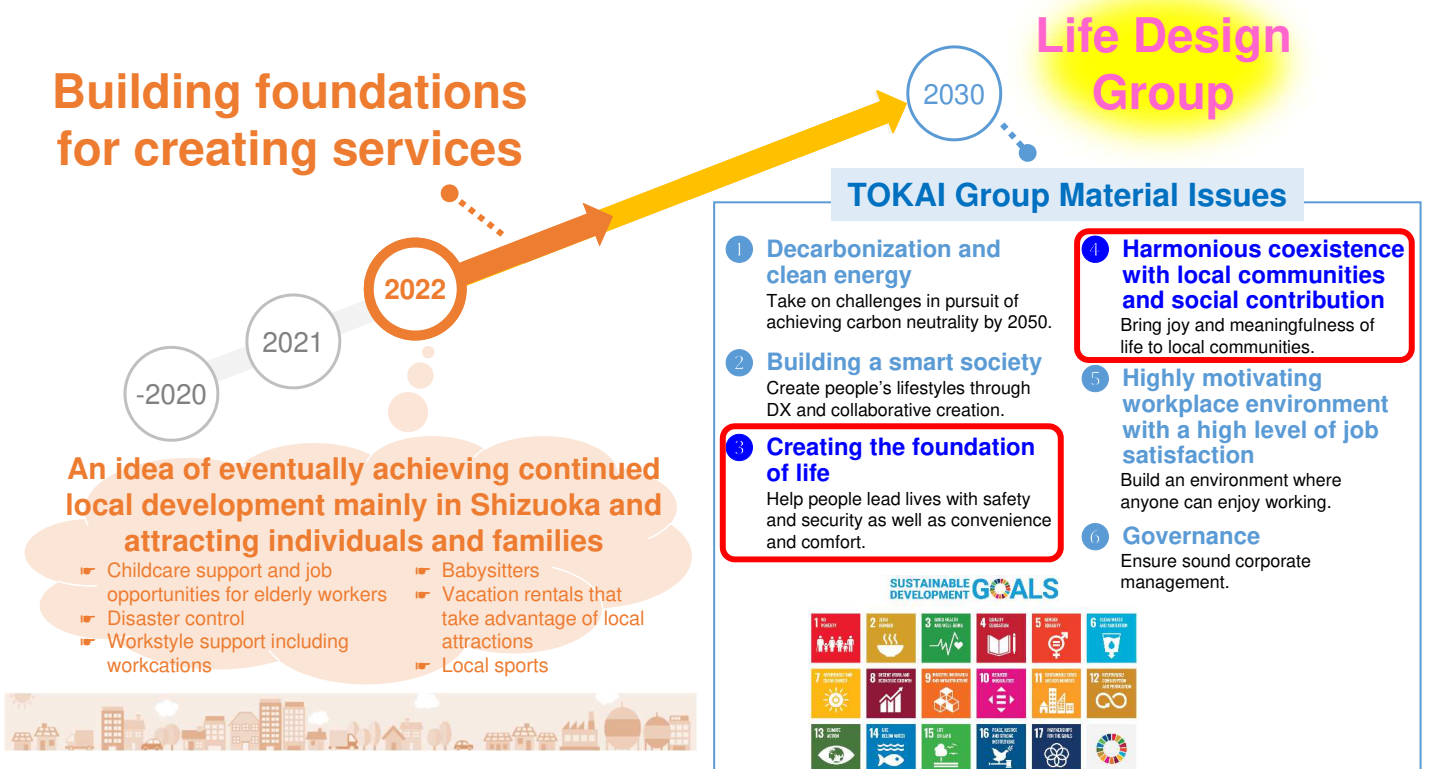
- Start consideration from the perspectives of life support, disaster control, tourism and other aspects to make further strides towards the LDG



10

## Addressing TOKAI Group Material Issues

- Solidify the foundations for creating services from new perspectives with a focus on 10 years from now and with a view to the LDG
- Give deeper consideration in accordance with an idea of eventually achieving continued local development and attracting people and families



11

# Five Key Messages under IP24

➤ Five Key Message under IP24 "Design the Future Life"

- 1. Implementation of the LNG strategy**
- 2. Evolution of TLC (Digital Marketing & Open Innovation)**
- 3. Stepping up of DX strategy**
- 4. Optimal allocation of management resources**
- 5. Strengthening of SDG initiatives**

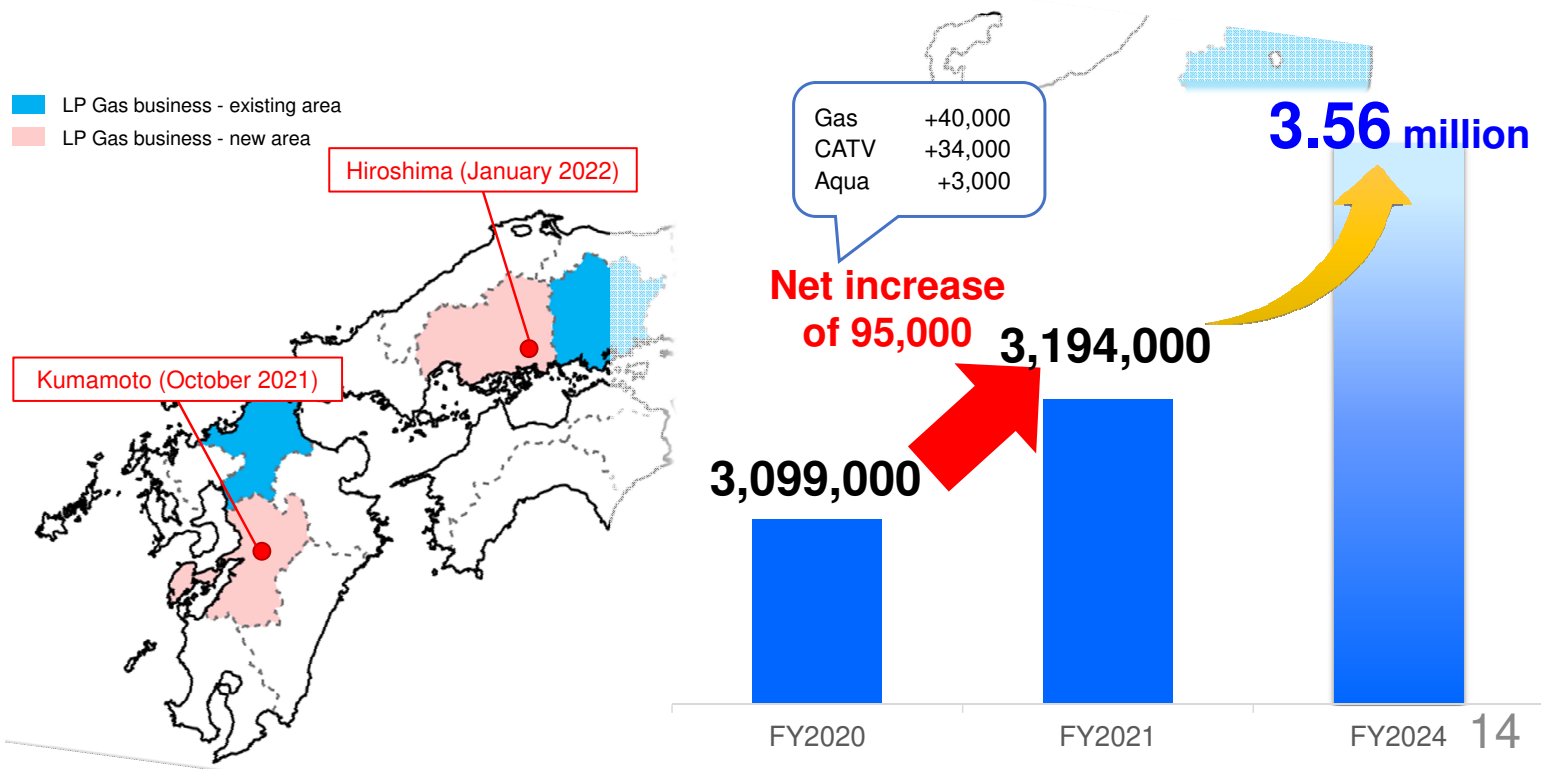
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Implementation of the LNG strategy

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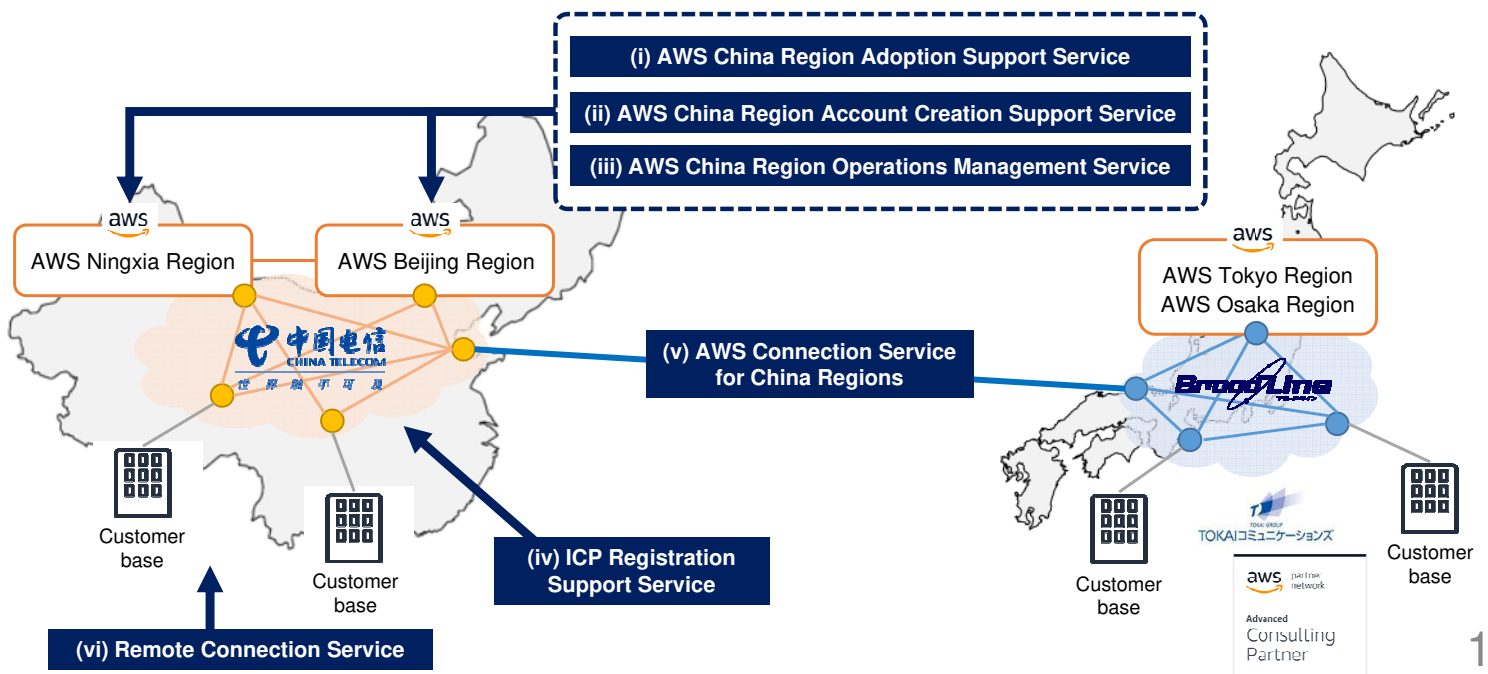
# Steady Expansion of Customer Base in Core Businesses

- Customer numbers, which underpin earnings in the core gas, CATV and Aqua businesses, will increase by 95,000
- The LP gas business was expanded to Kumamoto-shi in Kumamoto Prefecture in October 2021 and to Hiroshima-shi in Hiroshima Prefecture in January 2022.
- Further increases in customer numbers will be made, aiming to achieve goal of 3.56 million at the end of FY2024



## New Direction in ICT Business

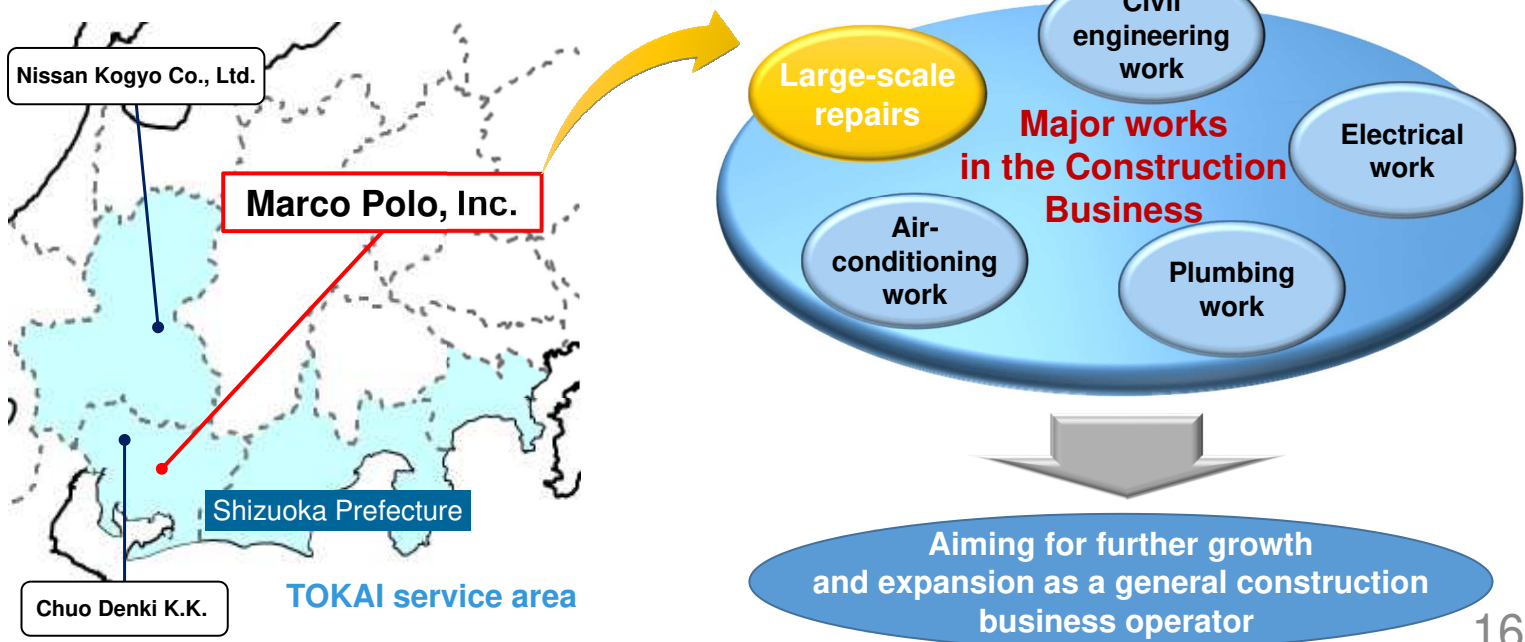
- Offering a one-stop shop for Amazon Web Services (AWS) covering all processes from consulting to design, construction, connection, monitoring and operation, in the ICT business for corporate customers
- Already provided cloud computing support to many customers since achieving AWS certification
- Leveraging this track record and experience to begin offering AWS Solution for China Region to support use of AWS by Japanese businesses with a local subsidiary in China from September 2021





# Further Growth and Expansion as an General Construction Business Operator

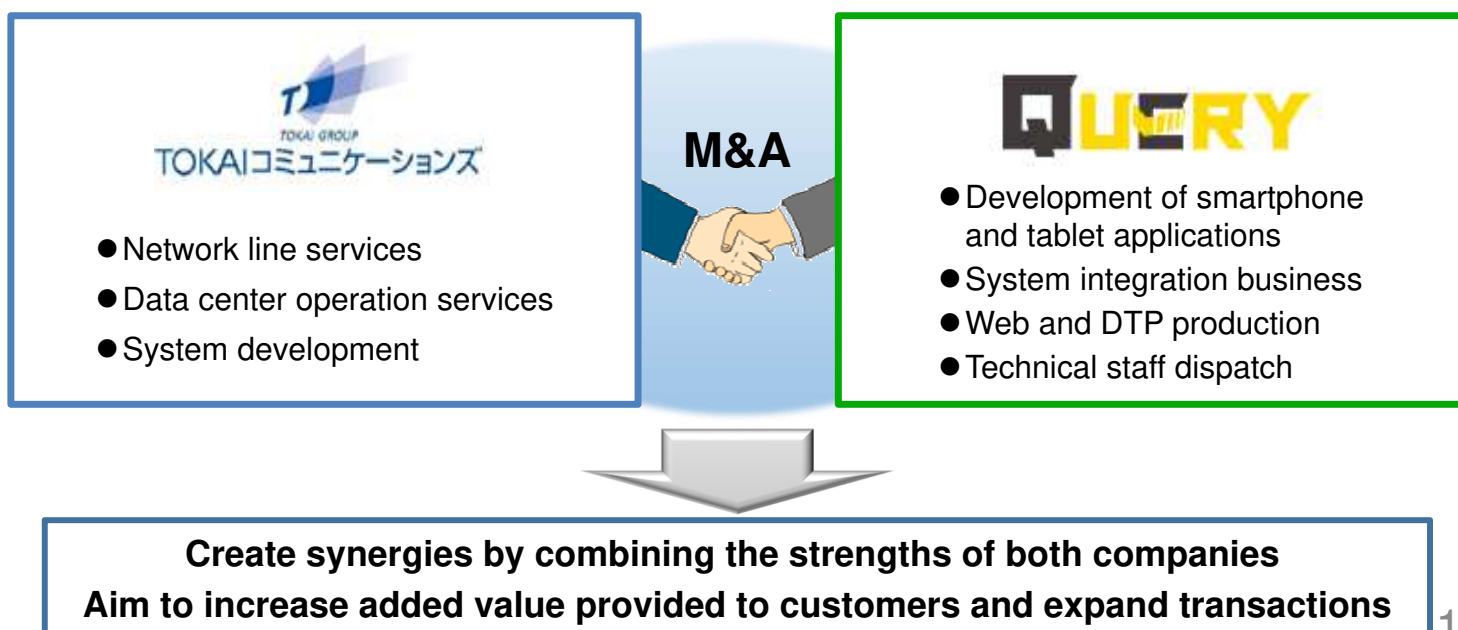
- Made Marco Polo, Inc., which is engaged in the large-scale repairs business in Aichi Prefecture, into a consolidated subsidiary in April 2021
- Enhanced the structure for winning orders for major construction work in the Construction Business of the Construction, Equipment and Real Estate Segment by making civil engineering company Nissan Kogyo and electrical contractor Chuo Denki Koji into consolidated subsidiaries in 2019 and 2020 respectively
- Drawing on the strengths of each to create synergies, aiming for further growth and expansion as general construction business operator



16

## Further Expansion of ICT Business

- Made Query Co., Ltd., which is engaged in the system development business, into a consolidated subsidiary in April 2021
- QUERY's strengths are its technological capabilities that can flexibly respond to customer needs and the long-standing relationships of trust with major customers, built through its numerous development and operation results
- Aiming to provide added value to customers and expand transactions by creating synergies through the combination of QUERY's technological capabilities and relationships of trust with integration of the cloud and networking areas, which is TOKAI's strength



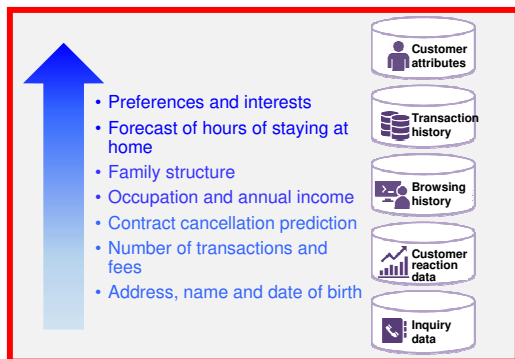
17

# Evolution of TLC

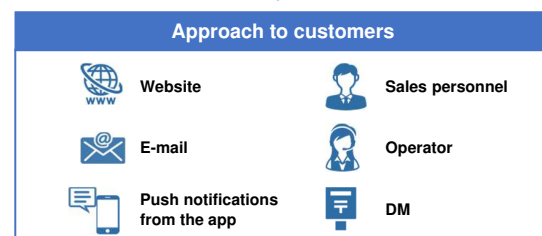
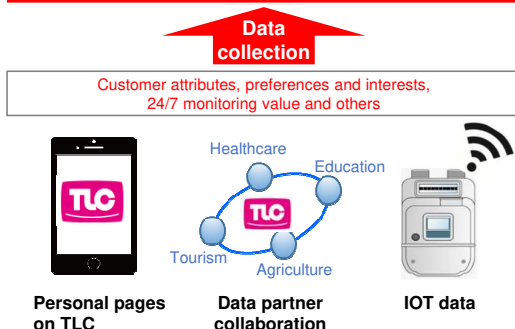
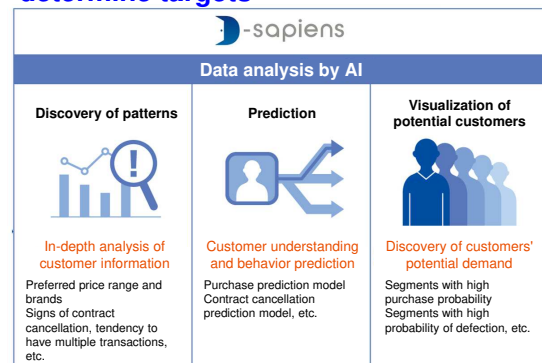
## Collection and Utilization of Customer Attributes

- Collect more and more advanced attributes of customers step by step
- Make an AI-assisted forecast of customers' behavior with D-sapiens and use it to determine the targets of new services and to approach potential customers

### Collect more advanced customer attributes data



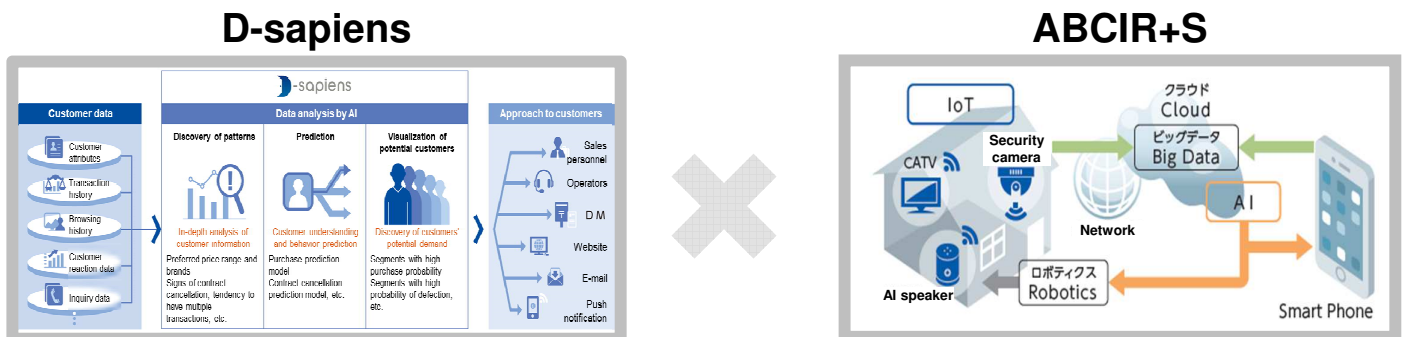
### Forecast customer behavior and determine targets



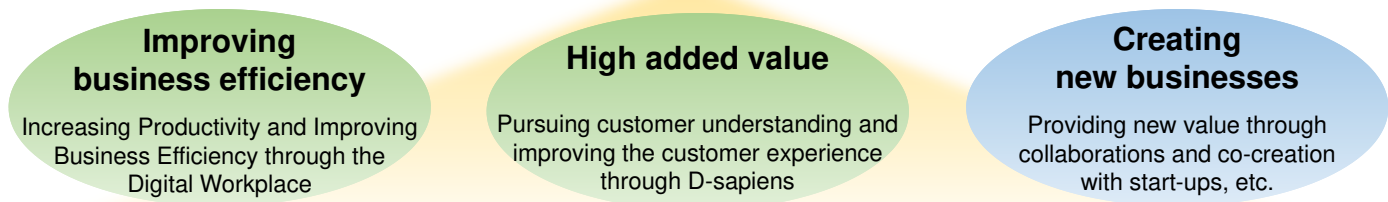
# Stepping up of DX strategy

## Implementation of DX Strategy

- Formulated Digital Transformation (DX) Strategy to coincide with announcement of IP24
- For the DX Strategy, fully utilize data of more than 3.2 million customers nationwide accumulated through business activities and ABCIR+S\*
- Planning to further advance the optimization of existing business models and achieve improvement in business efficiency and high added value in our services. Also intending to take on challenges to create new businesses.



\* Term coined by combining A for AI, B for Big Data, C for Cloud, I for IoT, R for Robotics, and (+) S for Smartphone. It is the Group's strategy for technology innovation.



# Optimal allocation of management resources

## Optimal Allocation of Management Resources in Line with Plan

- Appropriated 16 billion yen out of the 21.8 billion yen in cash flows provided by operating activities in FY2021 for investments in future growth including investments in existing businesses and acquisitions of new subsidiaries
- Regarding returns to shareholders, annual dividends will be increased for the second consecutive fiscal year to 32 yen per share for sharing the results of growth with shareholders.
- Plan to continue striving for optimal allocation of management resources with a view to actively investing in growth and improving shareholder value

### Shareholder return

FY2020 year-end dividend + FY2021 interim dividend

4.1 billion yen

Improvement of shareholder value



Future business growth

Investment in growth

Existing businesses: 13.3 billion yen  
M&A: 2.7 billion yen

16.0 billion yen

Management resources

Operating CF\*: 21.8 billion yen

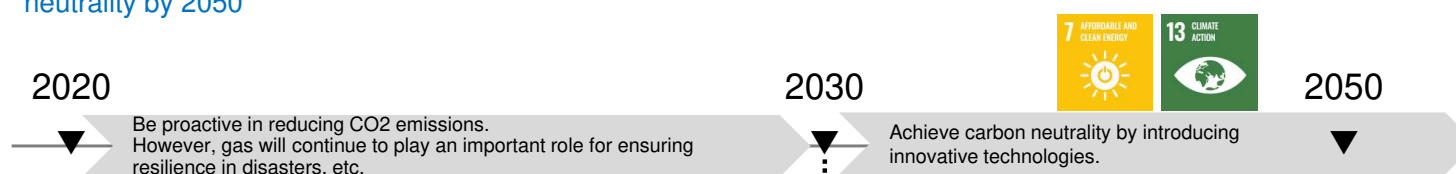
(FY2022) 21.2 billion yen (projection)

\* Operating CF has been calculated in the following manner.  
Operating CF = Operating profit + Depreciation - Lease payment - Tax payment

# Strengthening of SDG initiatives

## Carbon Neutrality Vision

- Announced TOKAI Group Carbon Neutrality Vision in May 2021
- The Group will further promote the use of environmentally friendly energy equipment and also utilize renewable energy and electric vehicles in its business activities to reduce CO2 emissions and aims to achieve carbon neutrality by 2050



### FY2030 targets

#### Reduce CO2 from business operation

- Use ABCIR+S (automatic meter reading, optimization of delivery routes).
- Reduce CO2 emissions from offices.

Reduce CO2 emissions from our own business activities by 13,000 tons.  
(Equivalent to 70% of CO2 emissions in FY2020, which was 18,000 tons)

#### Reduce CO2 from houses using gas

- Promote high-efficiency gas equipment.
- Promote solar power generation systems for households.
- Promote equipment related to electrification.
- Make houses carbon neutral (ZEH, OTS).

Promote high-efficiency gas equipment for households, install solar power generation systems for households, and take other steps to reduce CO2 emissions by 170,000 tons.  
(Equivalent to 50% of CO2 emissions from household gas, which is 360,000 tons)

#### Expand electric power business

- Launch electricity retail business.
- Offer electricity and gas packages widely.
- Use renewable energy power sources.

Carbon neutrality

# Start of Sales of Carbon Neutral Gas

- Started selling carbon neutral gas in the City Gas Business in August 2021. Carbon neutral gas achieves net zero emissions by using the J-Credit Scheme to offset CO2 emissions
- Supporting the efforts of local governments and businesses to reduce GHG emissions through the sale of carbon neutral gas, aiming to help local communities reduce their environmental impact and achieve more widespread use of carbon neutral gas
- Concluded a Collaboration Agreement for the Realization of Zero Carbon City with Fujieda City (Shizuoka Prefecture), which has declared its intention to become a Zero Carbon City



Fujieda City, Shizuoka Prefecture

**Conclusion of Collaboration Agreement for Realization of Zero Carbon City**

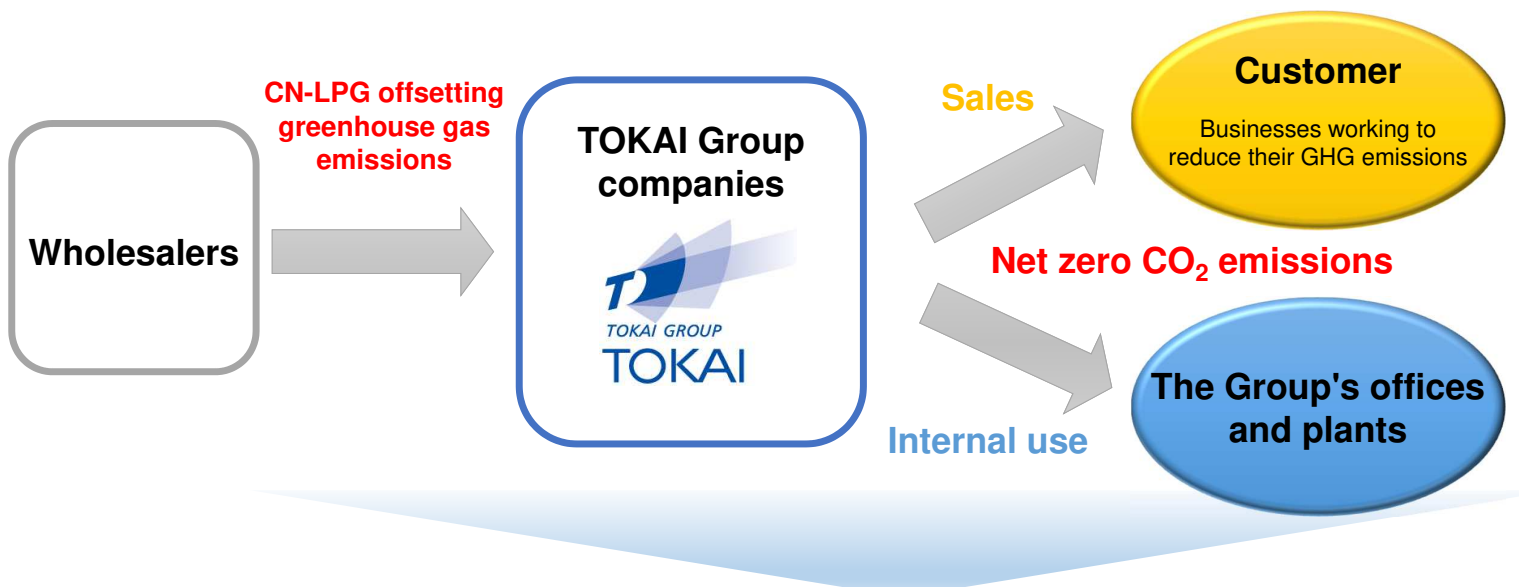
- Promotion of decarbonization and energy conservation
- Encouragement of widespread use of carbon neutral gas

\* Scheme under which the government certifies the amount of greenhouse gas emissions reduced through the introduction of energy-saving devices or the use of renewable energy or the amount of greenhouse gas emissions absorbed through proper forest management, as "credit."

26

# Release of Carbon Neutral LPG

- In January 2022, we released carbon neutral LPG (CN-LPG)\* in the LP gas business.
- As a gas retailer, we play an active role in the decarbonization efforts of the gas industry.
- We will sell it corporate clients working on decarbonization and use it in the Group's offices and plants to help promote CN-LPG and achieve decarbonization.



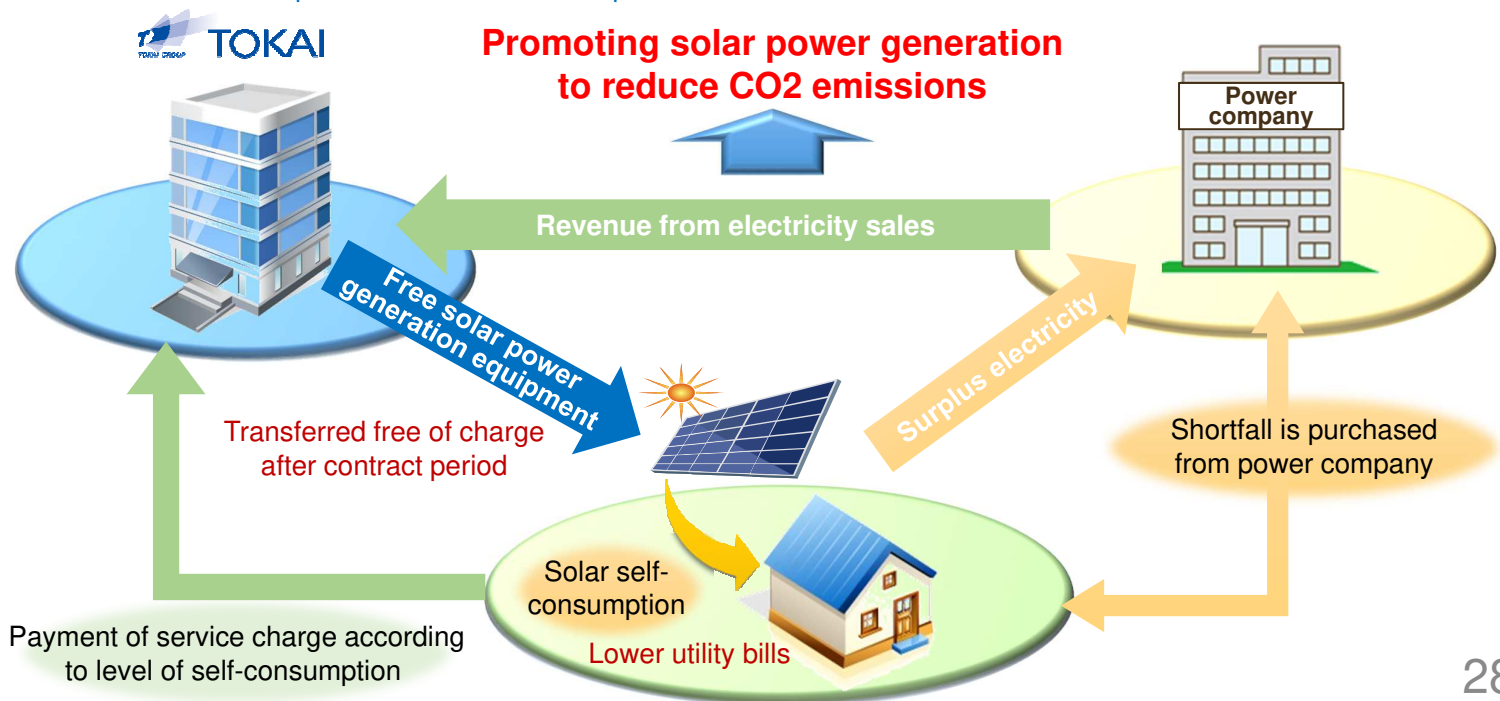
\* LPG characterized in that greenhouse gas emissions from its entire value chain including production and transport for consumption are offset by the recognized carbon credit

**Helping spread CN-LPG and achieve decarbonization**

27

# Start of Provision of TOKAI ZERO SOLAR

- Began offering TOKAI ZERO SOLAR, which allows solar power generation systems to be installed at an upfront cost of ¥0, in October 2021.
- The widespread adoption of solar power generation is important to improve energy self-sufficiency and realize a low-carbon society.
- TOKAI bears all the initial installation cost and service users benefit from lower utility bills for the duration of the service. Another benefit to customers is that ownership of all the equipment is transferred to them free of charge at the end of the contract period and the service helps reduce CO2 emissions.

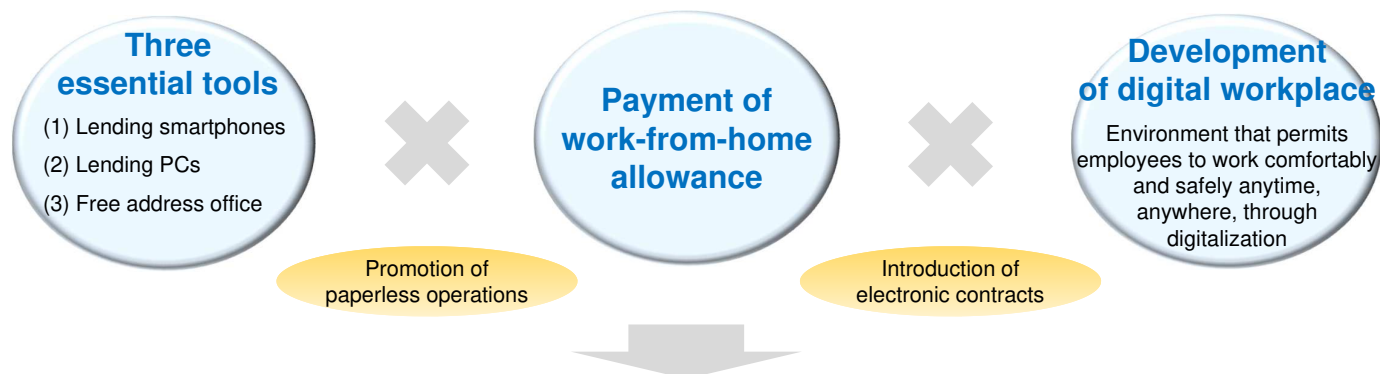


28

## Realization of Flexible Ways of Working through Work Style Reform

- Introduced new ways of working, consisting mainly of teleworking, in April 2021, with the payment of work-from-home allowance and development of the digital workplace in addition to the provision of equipment (smartphones and computers)
- Made steady progress towards achievement of targets of 50% office attendance rate and 40% reduction in office floor area Progress was made in improving the operation process, including the acceleration of a shift to paperless operation and introduction of electronic contracts, or electronic documents with electronic signatures.
- Plan to implement work style reform, aiming to realize flexible ways of working and achieve the career advancement of diverse human resources

**Introduced teleworking from April 2021, aiming to have 50% of employees working in the office and to reduce office floor space by 40%**



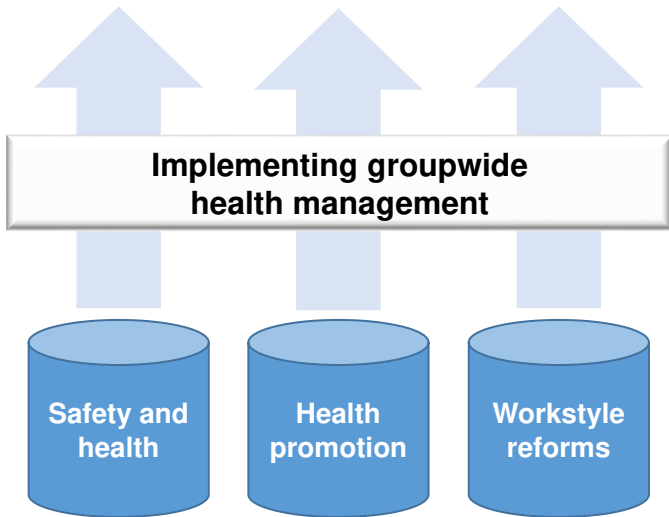
**Implementing work style reform to realize flexible ways of working and achieve the career advancement of diverse human resources**

29

# Pushing Ahead Positively with Health Management

- In March 2022, we were selected in the Health and Productivity Stock Selection jointly run by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange.
- We have established the TOKAI Group Health Management Charter with three pillars of safety and health, health promotion, and workstyle reforms to move ahead positively with groupwide health management.
- We will strive to create flexible workstyles through workstyle reforms and to build an environment where employees can work without stress or constraints and in good health by actively encouraging them to improve their health.

## TOKAI Group Health Management Charter established



## High marks earned from outsiders



**Selected in the Health and Productivity Stock Selection** jointly run by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange

**Working to create flexible workstyles through workstyle reforms and to build an environment where employees can work without stress or constraints and in good health**

30

# Strengthening the Governance System

- Strengthened the governance system to achieve sustainable growth and improve the corporate value over the medium to long term
- Established Nomination and Compensation Committee in February 2021 in addition to governance framework already developed, to further strengthen the independence, objectivity, and accountability of the functions of the Board of Directors
- Independent directors make up at least one third of the Board and female directors are also appointed.



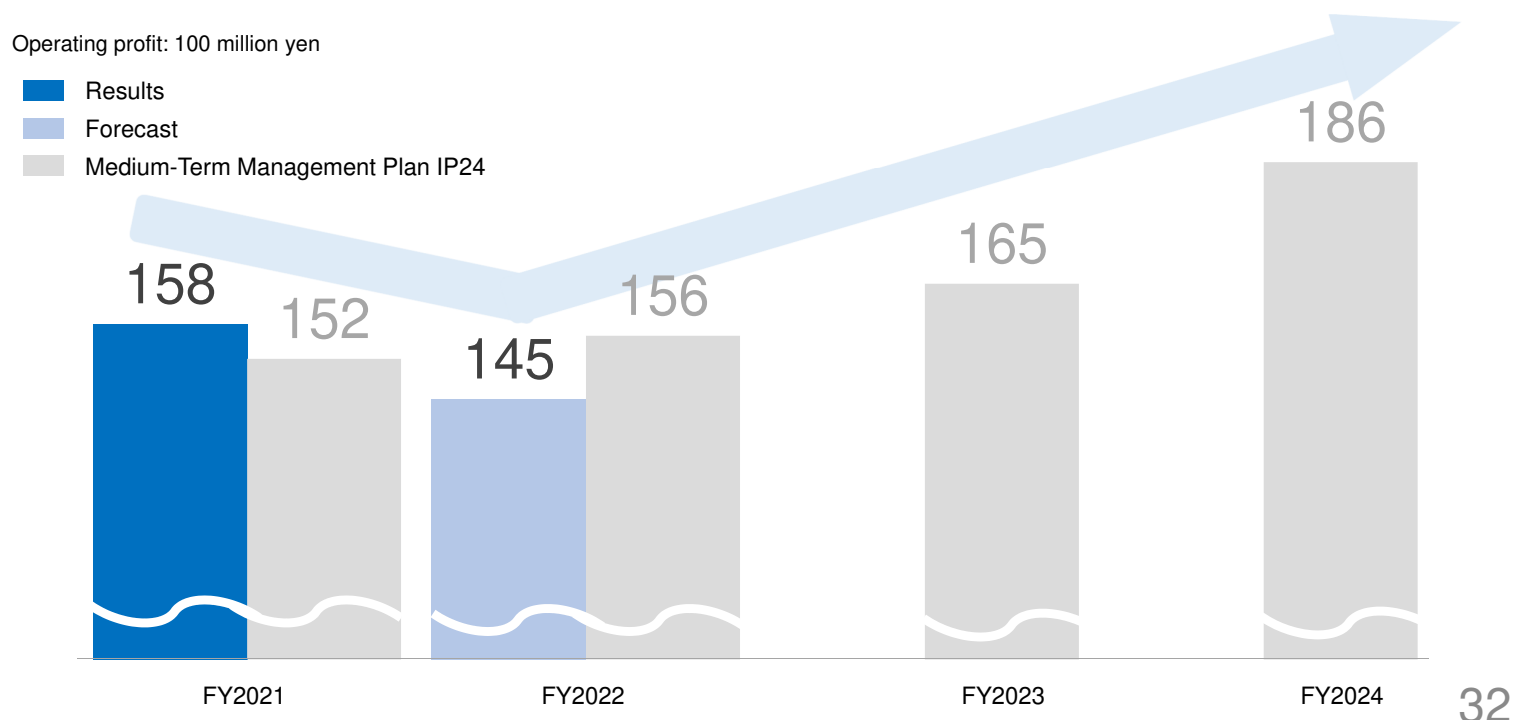
- Independent directors make up at least one third
- Female directors are also appointed

31



# Good Progress in Medium-Term Management Plan IP24

- We are making good progress in the Medium-Term Management Plan IP24 "Design the Future Life."
- For FY03/23, profit will decline due to the hike in LP gas purchase prices. For FY03/24 and beyond, we will restore the upward trend in sales and profit with a view towards achieving the Medium-Term Management Plan IP24.



32

The performance forecasts and forward-looking statements in these materials are based on information currently available to the Company, and include potential risks and uncertainties. Please be aware that due to changes in a variety of factors, actual results may differ materially from the projections and other forward-looking statements in these materials.

Please contact us with any questions regarding these materials.

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うれしいをつなぐ。ひろげる。

