



New Medium-Term Management Plan 2025



Tuesday, May 9, 2023

TOKAI Holdings Corporation (Code: 3167)

Katsuo Oguri, Representative Director, President and CEO

Agenda

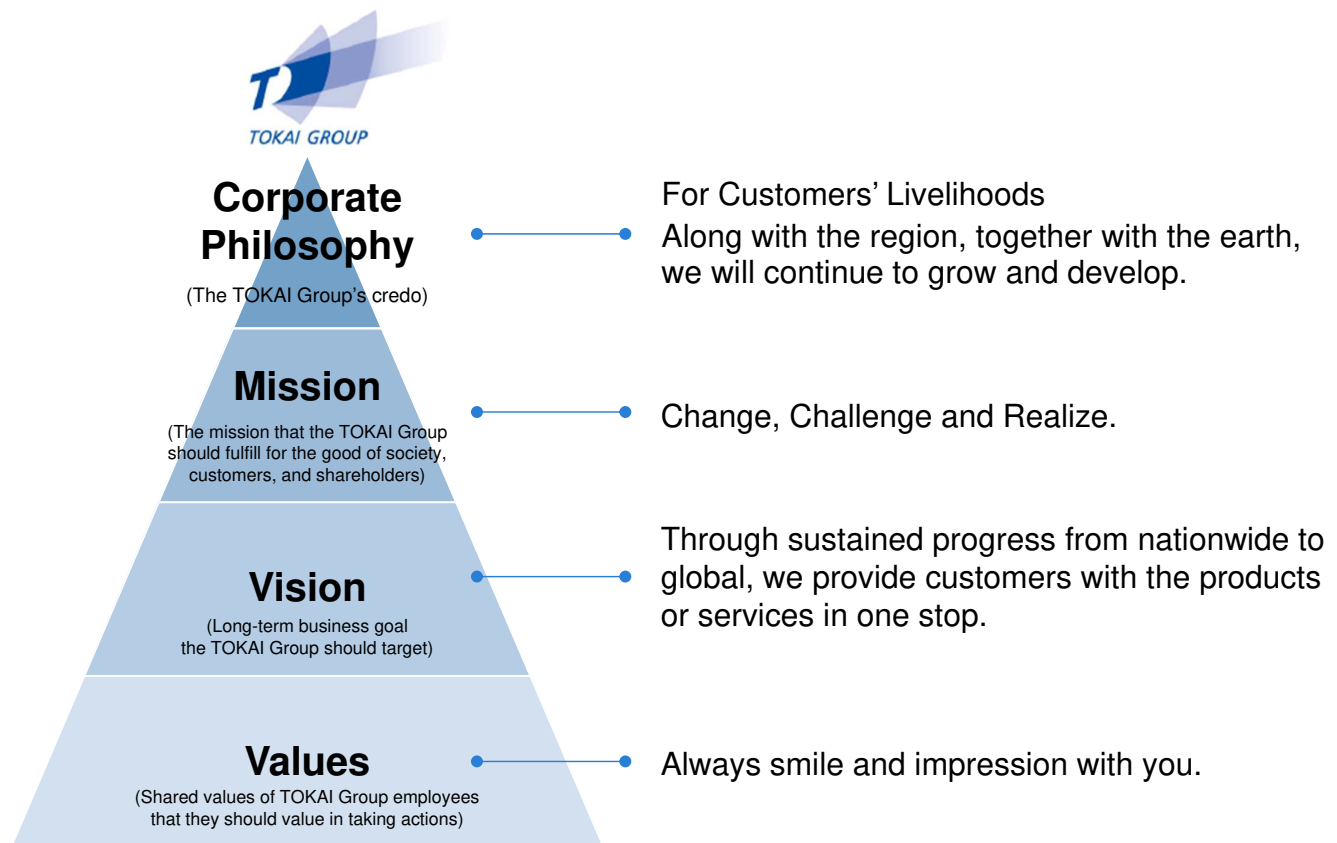
Introduction

1. Analysis of Future Trends in the Market Environment
2. 2030 Vision
3. Initiatives for 3-Year Period (Key Themes)
4. Core Strategy ❶ Growth of Business Profitability
5. Core Strategy ❷ Strengthening of Foundations for Sustainable Growth
6. Core Strategy ❸ Full Energization of Human Capital and Organizations
7. Pursuit of Optimization of Group's Organizational Structure
8. KPIs under Medium-Term Management Plan
9. Management Resources Allocation Policy and Shareholder Returns
10. Ensuring Compliance and Corporate Governance

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Corporate Philosophy of the TOKAI Group (TOKAI-WAY)

- The TOKAI Group provides Total Life Concierge services for customers' livelihoods.



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Summary of FY2022 (1)

- Net sales have increased for six consecutive years. The customer count increased by more than 100,000 from the end of FY2021, to 3.3 million.
- Excluding share of loss of an entity accounted for using the equity method in Vietnam, capital efficiency continued to live up to stock market expectations.

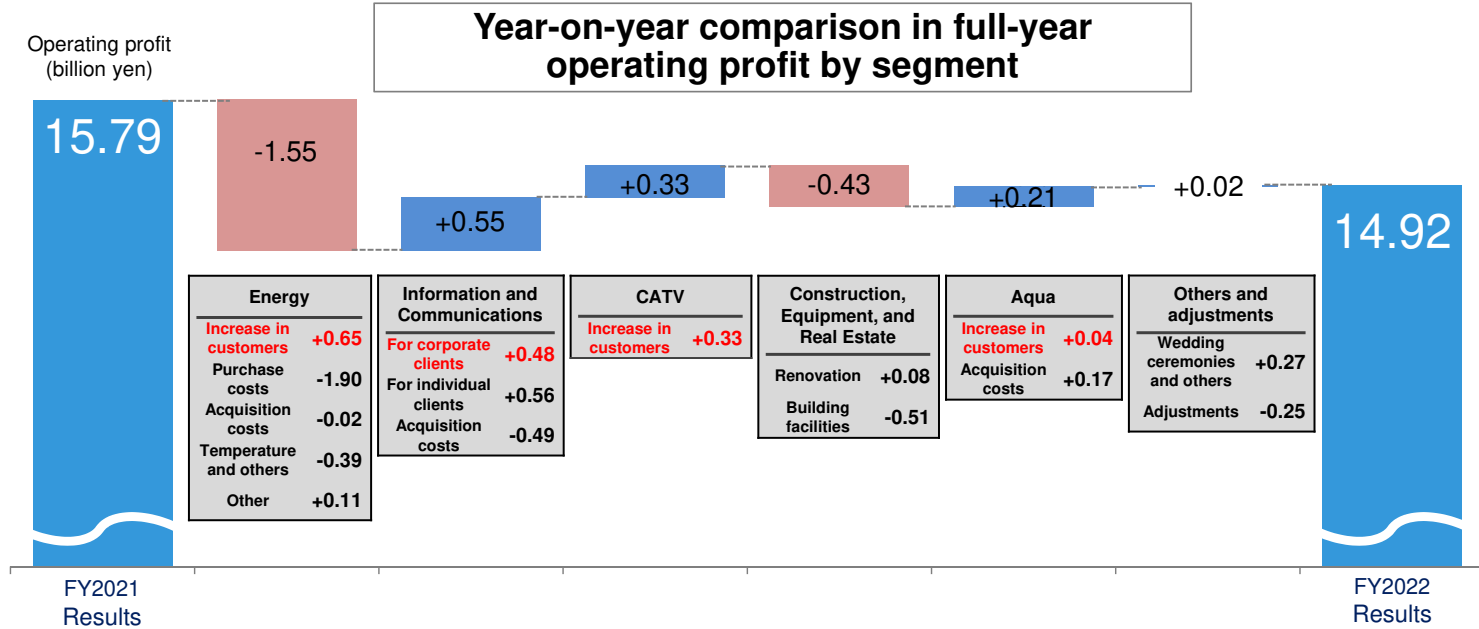
	FY2021 Results	FY2022 Results	YoY Change
Sales (billion yen)	210.7	230.2	+19.5
Operating profit (billion yen)	15.8	14.9	-0.9
Ordinary profit (billion yen)	15.9	13.3	-2.6
Profit attributable to owners of parent (billion yen)	9.0	6.5	-2.5
Cash flow from operating activities (billion yen)	20.8	21.2	+0.4
Customer numbers (millions)	3.19	3.30	+0.11
Payout ratio	46.7%	64.8%	+18.1%
ROE	11.8%	8.2%	-3.6%
ROIC	9.2%	8.3%	-0.9%
EPS (yen)	-68.5	49.4	-19.1

Strengthening the profit structure to enable Group to withstand changes in the environment is important for **medium-to-long-term growth** going forward.

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Summary of FY2022 (2)

- In the Energy, CATV and Aqua segments, customer gains pushed up profits, and Information and Communications for corporate clients was also strong.
- Decrease profit in the Energy business is due mainly to the rise in gas purchase costs (prioritization of competitiveness, with cost pass-through in some cases)
- In Information and Communications for individual clients, the customer count far exceeded the level a year earlier; however, acquisition costs were higher.



* Changes in operating profit disregard allocation of indirect costs

1. Analysis of Future Trends in the Market Environment

Global Environment

- Trend toward decarbonization
- Growing awareness of sustainability
- Sense crisis in face of natural disasters and increasing disaster management needs

Economy

- Actualization of currency fluctuation risks
- Rising inflation
- Increasing geopolitical risks such as Ukraine crisis
- Surging resource and electricity prices due to tight energy supplies

Society and Local Communities

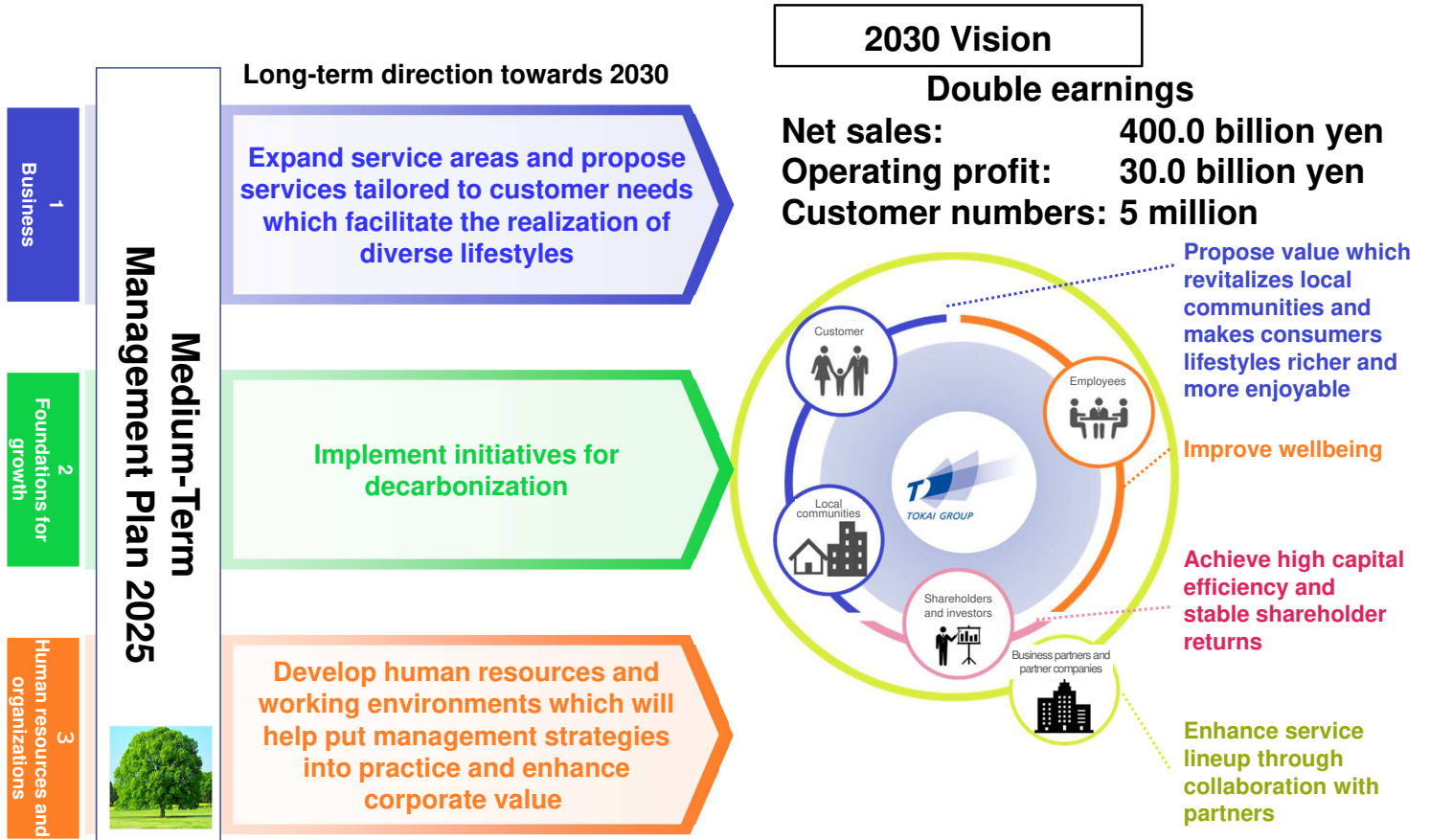
- Population decline/ Falling birthrate and aging population
- Necessity of diversity and wellbeing
- Expansion of new work styles
- Decline in working age population and intensification of competition to attract human resources
- Changes in lifestyles and consumer behavior post-COVID

Technology

- Accelerating DX including utilization of AI and robotics
- Spread of 5G services
- Shortage of engineers as a result of rapid changes in IT technology
- Expansion in customer contact points combining online and offline

Acceleration of environmental changes

Growing uncertainty of market environment, and acceleration of changes in customer values
Emergence of **need for action to address medium-to-long term issues** for the **sustainable growth** of society



3. Initiatives for 3-Year Period (Key Themes)



① Growth of business earning power ① - 1 Expansion of earnings base

Leverage sales strength to steadily expand the customer base based on an assessment of profitability

① - 1 Expansion of earnings base (Operating area/Customer count)

~ Expansion into new operating areas and intensification of operations in existing areas ~

Reexamine management resources and concentrate on core businesses.

~ Optimization of business portfolio from the viewpoint of capital efficiency ~

① Growth of business earning power ① - 2 Rollout of new services

Leverage the frontline capabilities of operating companies who know their customers to roll out new services in response to increasingly diverse lifestyles and values

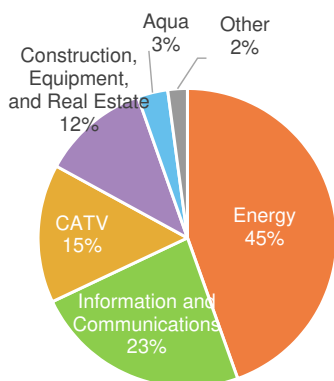
① - 2 Rollout of new services (Services that solve social issues)

~ Monetization of new services and business expansion ~



① Growth of business earning power Initiatives by segment

[Breakdown of FY2022 net sales]



Segment	① Expansion of earnings base (Operating areas/Customer count)	② Rollout of new services
Energy Sales 102.5 billion yen	<ul style="list-style-type: none"> • Further development of existing operating areas (Improvement of ARPU through cross-selling) • Expansion of sales capabilities in Western Japan and the Chūkyō region • Implementation of M&A and alliances in LP gas and city gas 	<ul style="list-style-type: none"> • Rollout of new services for regional revitalization • New services that solve social issues (Increased sales of PPA TOKAI ZERO SOLAR and other disaster management services)
Information and Communications Sales 53.9 billion yen	<ul style="list-style-type: none"> • Expansion of business areas in Japan 	<ul style="list-style-type: none"> • Overseas expansion of cloud services
CATV Sales 34.5 billion yen	<ul style="list-style-type: none"> • Acceleration of growth of two most recent acquisitions (Sendai and Okinawa) 	<ul style="list-style-type: none"> • Enhancement of internet access services and optional services • Development and provision of new businesses and new services through further development of regional business
Building facilities Real estate Sales 26.8 billion yen	<ul style="list-style-type: none"> • Business expansion in Chukyo region • Winning of combined orders (construction, equipment installation and industrial) through interdivisional cooperation 	<ul style="list-style-type: none"> • Expansion of lineup of types of work (construction, equipment installation, electrical work, repair and maintenance work) • Sale of water and energy self-sufficiency-type housing system (GQ System) • Energy-saving initiatives (solar and EV charging points)
Aqua Sales 7.5 billion yen	<ul style="list-style-type: none"> • Strengthening of sales in Shizuoka, Kanto and Chukyo (returnable/one-way) 	<ul style="list-style-type: none"> • Sales of mains-fed pure water dispenser nationwide

[Strategies by segment] Energy business ①

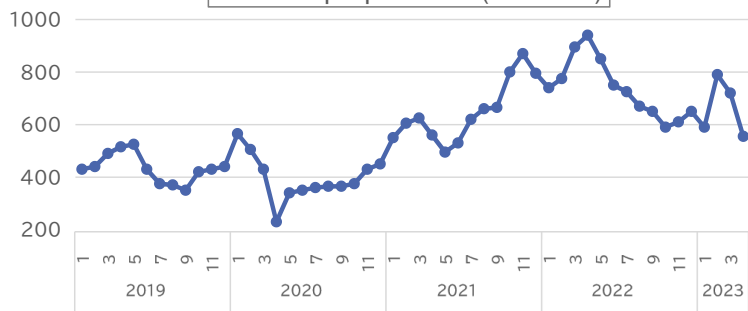
Environment surrounding the energy business

- Destabilization of gas purchase price and higher costs as a result of Russia-Ukraine conflict
- Decreased demand for household use against a backdrop of growing energy-saving awareness driven by surging energy prices, and population decline
- Carbon neutrality by 2050

Our Strengths

- Market leader in Shizuoka Prefecture, third largest LP gas supplier based on number of customers
- Proposals in line with regional characteristics
- Participation in regional cooperation and regional contribution-based urban development

Trend of propane CP (USD/ton)



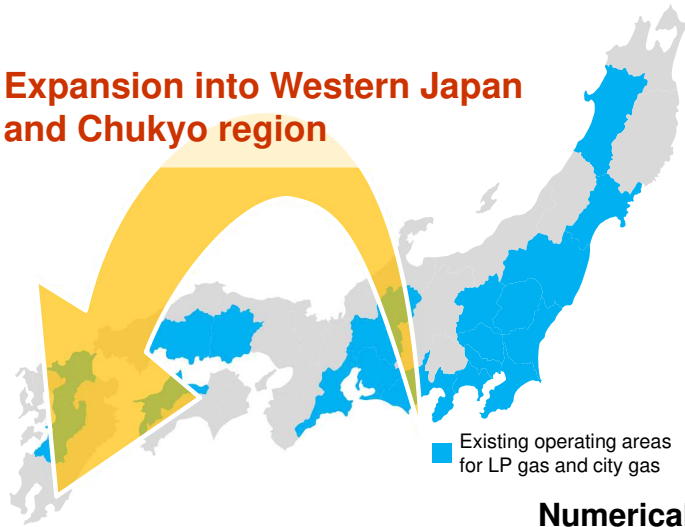
Policies for initiatives

- Expansion into highly efficient operating areas through intensification of sales (points → lines → planes)
- Improvement of business efficiency and customer satisfaction through DX ⇒ Differentiation from competitors
- Rollout of new services for regional revitalization

Expansion of operating areas

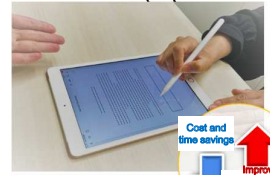
- Expand into Western Japan and Chukyo region
 - Establish 8 new bases over the three years from FY2023 to FY2025
- Pursue M&A and alliances in LP gas and city gas

Expansion into Western Japan and Chukyo region



Improvement of business efficiency and customer satisfaction through DX

- Shift to electronic approval based on data instead of paper documents and use LPWA* networks
 - Go paperless and increase business efficiency through use of tablets and electronic approval
 - Submission of electronic meter readings through mypage
 - Improvement of delivery forecast accuracy through real time communication with IoT equipment



LPWA: Low Power Wide Area

Rollout of new services for regional revitalization

- Make everyday life more convenient
 - Laundromat business
- Cooperate with local governments and contribute to regions
 - Camping grounds, roadside stations

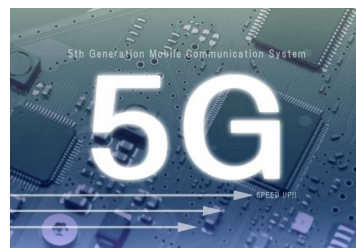


Numerical targets



Environment surrounding information and communications business (for corporate clients)

- Rapid advances in digital technologies globally
- Growing demand for DX, accelerated spread of computerization and digitization of governments
- Increase in demand for network expansion reflecting the spread of 5G
- Opportunities for businesses for new lifestyles, including workstyles



Our Strengths

- Track record of continuously undertaking development projects mainly for major system vendors
- Ownership of optical fiber network that extends from the northern Kanto area to the western Japan area and multiple data centers
- Proven track record as AWS advanced service partner achieved through expansion in volume of external sales and connection services



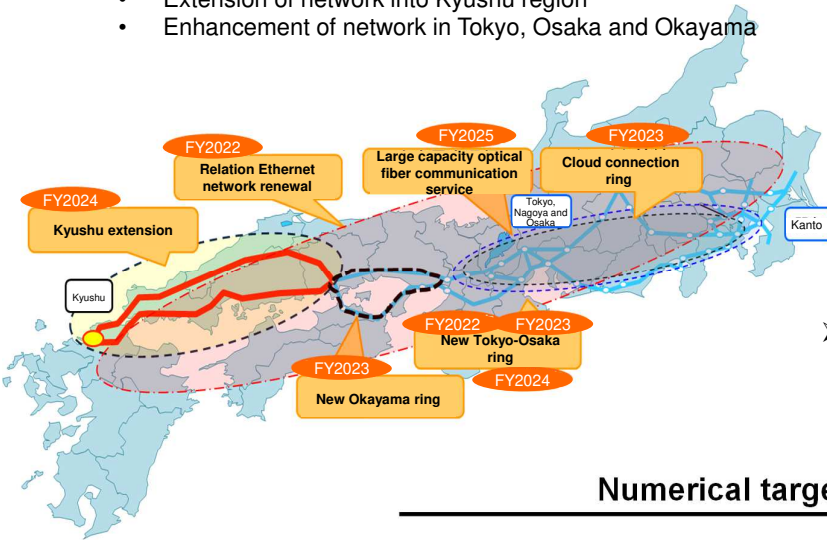
Policies for initiatives

- Expansion of business areas in Japan and overseas
- Strengthening of digital foundations supporting area expansion

[Strategies by segment] Information and Communications business (for corporate clients) ②

Expansion of business areas in Japan and overseas

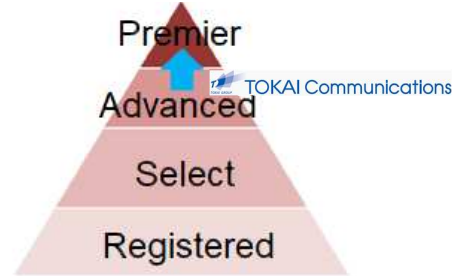
- Expand into Southeast Asia where the population is increasing and a shift to cloud computing is expected as a result of rapid digitalization
- Expansion of business areas in Japan
 - Extension of network into Kyushu region
 - Enhancement of network in Tokyo, Osaka and Okayama



Strengthening of digital foundations supporting area expansion

- Aim to become an AWS Premium Partner as a selling point for business expansion both in Japan and overseas

Aiming to be 13th company to upgraded to premier tier in Japan



- Cultivate digital human resources and strengthen the framework for meeting the DX needs of corporate clients

Numerical targets

Net sales
2022 29.5 billion yen → 2025 **39.0** billion yen

Operating profit
2022 4.7 billion yen → 2025 **5.1** billion yen

[Strategies by segment] CATV business ①

Environment surrounding the CATV business

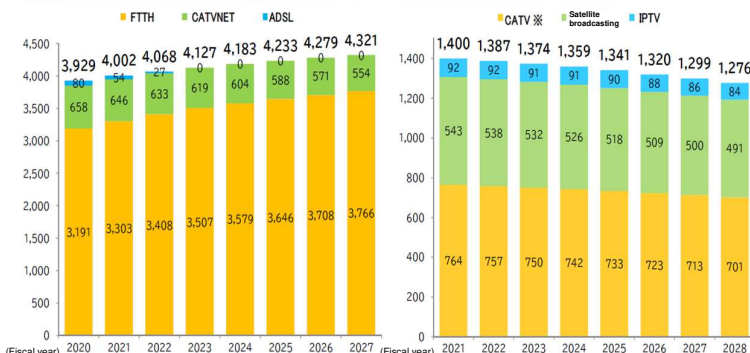
- The market for fixed-line broadband communication services has grown to some extent due to increased ICT use during the COVID pandemic
- The market for paid broadcasting services is shrinking but demand for CATV paid broadcasting services, which account for the majority of such services, is expected to remain unchanged.

Our Strengths

- Extensive lineup of community channels
- Close relationships with regions based on cooperation with government
- Reliable Internet services using our own optical fiber network

(1) Forecast of households subscribing to fixed-line broadband services (10 thousand households)

(2) Forecast of households subscribing to paid broadcasting platform (10 thousand households)



Source: <paid broadcasting>: IT Navigator 2023 published by Nomura Research Institute (NRI) in December 2022 <fixed-line broadband>: IT Navigator 2022



Policies for initiatives

- Expansion of customer base in existing and new areas and strengthening of contact points with customers
- Generation of new revenue streams through new businesses and new services

[Strategies by segment] CATV business ②

Expansion of customer base in new areas

- Get two most recent acquisitions (Sendai and Okinawa) on track for growth
 - Focus on improving customer density in Sendai and Okinawa, which are new operating areas, and develop two acquisitions into telecommunications carriers/broadcasters that support their local regions.

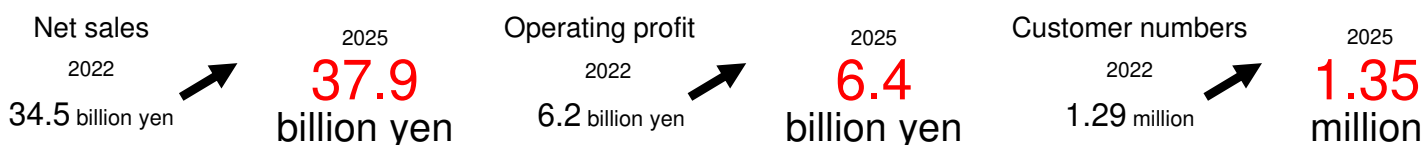
 SENDAI CATV キャットワイ	<ul style="list-style-type: none"> ✓ Business operations have been stable over the past three years and pace of customer gains is in line with expectations. ✓ Achieve profitability in FY2023 and continue growing
Okinawa みんなが願っていることを。 Okinawa Cable Network Inc. 沖縄ケーブルネットワーク株式会社	<ul style="list-style-type: none"> ✓ Brought in sales personnel from TCN in 2023 ✓ Prepare to accelerate customer gains focusing on areas where FTTH is already available

Generation of new revenue streams though new businesses and new services

- Enhancement of internet access services and optional services
 - Home visit support, remote support, Internet security and mesh Wifi
- Development and provision of new businesses and new services through further development of regional business
 - Home appliance subscription and empty house management services
 - Health businesses starting with fitness gym
 - Businesses that utilize locally produced electricity starting with bicycle sharing service
 - Businesses for communal living starting with house cleaning



Numerical targets



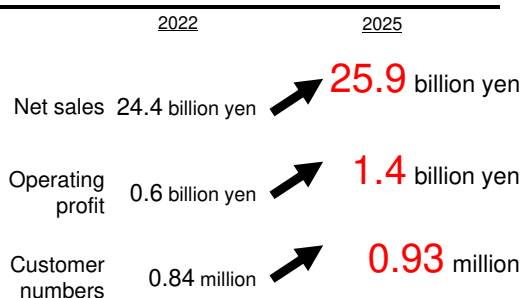
[Strategies by segment] Information and communications business (for individual consumers), construction, equipment, and real estate business, and aqua business

Policies for initiatives

Numerical targets

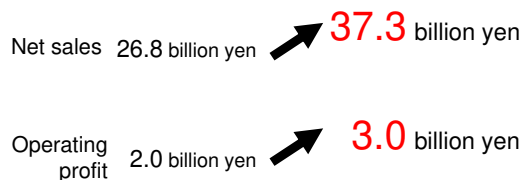
(For individual clients) Information and Communications business

- Increase in number of customers acquired through stronger cooperation among channels
- Enhance the lineup of services



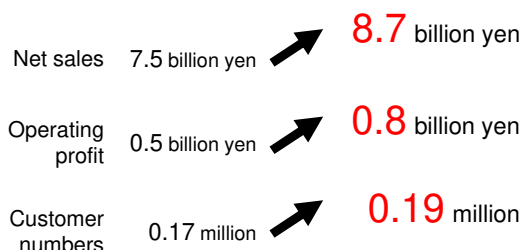
Building facilities Real Estate business

- Business expansion in Chukyo region
- Expansion of lineup of types of work
 - (construction, equipment installation, electrical work, repaid and maintenance work)
- Rollout of new services related to disaster management and energy conservation




Aqua business

- Strengthening of sales in Shizuoka, Kanto and Chukyo (returnable/one-way)
- Start of sales of mains-fed pure water dispensers
 - Expand sales mainly in Western Japan with a view to nationwide rollout



Low carbon/Decarbonization initiatives


Work together with communities, customers and suppliers to help reduce CO2 emissions and achieve carbon neutrality by 2050



Promote GX in clients' energy use

- **Encourage use of energy-saving devices**
 - (Home use) Encourage widespread use of high efficiency boilers and hybrid boilers
 - (Industrial use) Encourage widespread adoption of cogeneration
- **Encourage adoption of renewable energy**
 - Promote solar power generation (including PPA) and widespread use of storage batteries
- **Work with local communities to promote low carbon and decarbonization**
 - Promote public sector energy conservation and decarbonization
 - Promote local production of energy for local consumption
- **Action for the decarbonization of raw materials**
 - (~2030) Supply of carbon neutral gas*
 - (~2050) Supply of carbon-free fuel

* Carbon-neutral LPG/LNG with the carbon emissions from the supply chain offset through the purchase of carbon credits



Promote GX in our own business activities

- **KPIs for decarbonization**
 - Reduce emissions by more than 13,000 tons in 2030 and achieve carbon neutrality in 2050

Actual GHG emissions	Emissions target		
	2021	2030	2050
25,000 tons	At least -50%	-100%	
	At least 13,000 tons	-25,000 tons	

- **Key initiatives**
 - Improvement of delivery efficiency and shift to automated meter readings in the LP gas business through DX
 - Installation of our own solar power generation facilities
 - Switch to renewable energy-derived electricity at all business sites

Full energization of human capital and organizations

- Focus on fully energizing human capital and organizations including cultivating human resources and developing the working environment on the basis that investment in people is not a cost but investment to enhance corporate value



KPIs for human capital

		FY2022 results	FY2025 targets (Final fiscal year of Medium-term Management Plan)	FY2030 targets	
Human capital development	Strengths indicator*1	56.5%	65.0%	70.0%	*3
	Self-directed career management indicator*2	65.2%	70.0%	80.0%	*3
Development of internal environment	Psychological safety indicator	62.7%	70.0%	80.0%	*3
	WLB (internal environment development) indicator	62.2%	70.0%	80.0%	*3
	Ratio of health literate employees	68.1%	80.0%	85.0%	
	Ratio of female managers	1.4%	3.7%	10.0%	
Zero employees resigning for nursing care purposes					

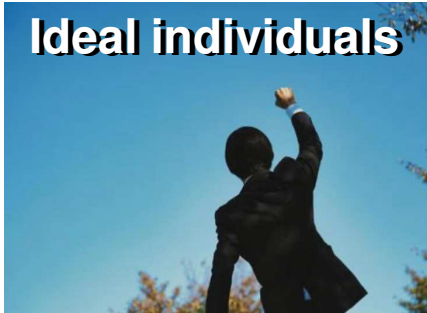
*1 Measures the extent to which employees can utilize their strengths in their work

*2 Measures the extent to which employees self-directed career management is translated into action

*3 The ratio of positive questionnaire responses is used as an indicator.

Specific measures for fully energizing human capital and organizations

Human resources who are self-directed and full of energy and enthusiasm and organizations which utilize their individuality (strengths)



- **Career development support system**
 - ✓ Support self-directed career development to develop human resources who can think and act for themselves
- **Reskilling**
 - ✓ Support employees in acquiring DX qualifications and developing their skills to help them continue learning in a self-directed manner and develop skills in response to the changing environment

- **Support for diverse work styles**
 - ✓ Promote the development of an environment and systems that allow employees to demonstrate their specific skills
- **Wage system that increases employees' job satisfaction**
 - ✓ Increased wages by 5% in real terms in FY2023
 - Will continue responding flexibly to labor market conditions going forward
 - ✓ Introduced performance-linked bonus system
- **Excellent health and productivity management**
 - ✓ Developed excellent working environments in which employees can continue working in good health

7. Optimization of Group's organizational structure

Transition to structure that allows each operating company to fully demonstrate their **frontline (gemba) strengths**, with **TOKAI HD** bringing the **operating companies together** as a group and implementing **groupwide strategies**

① **New organizations for development of foundations for sustainable growth**

Establishment of Sustainability Management Promotion Office and GX Promotion Office



8. KPIs under Medium-Term Management Plan

- Aim for sustainable growth in sales and profit throughout the three years, whilst balancing expansion and strengthening of earnings base and shareholder returns
- Maintain a level of capital efficiency (ROE and ROIC) that meets market expectations

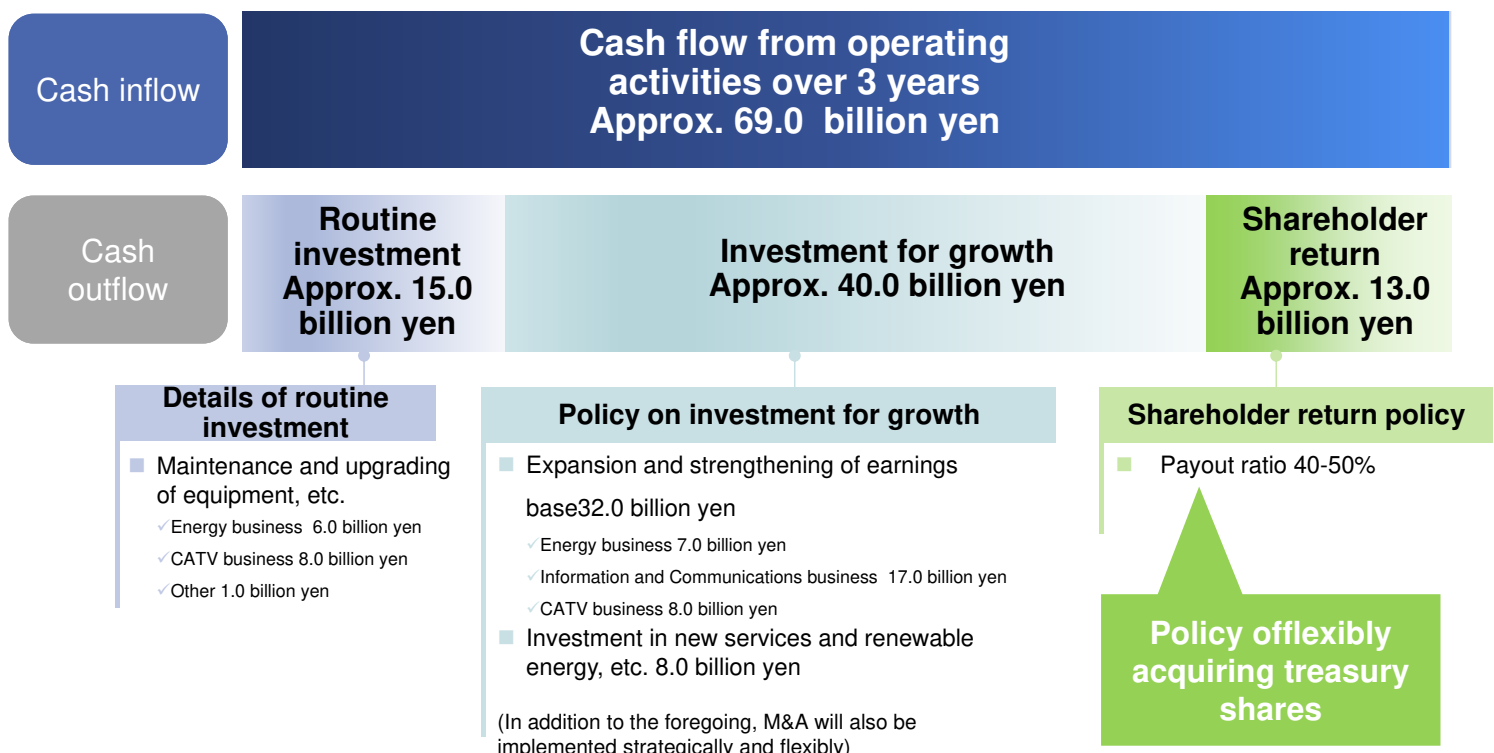
	FY2022 Results	FY2023 Plan	YoY	FY2024 Plan	YoY	FY2025 Plan	YoY
Net sales (billion yen)	230.2	240.0	+9.8	250.0	+10.0	260.0	+10.0
Operating profit (billion yen)	14.9	15.0	+0.1	16.0	+1.0	17.5	+1.5
Ordinary profit (billion yen)	13.3	15.0	+1.7	16.0	+1.0	17.5	+1.5
Profit attributable to owners of parent (billion yen)	6.5	8.5	+2.0	9.0	+0.5	10.0	+1.0
Cash flow from operating activities (billion yen)	21.2	21.7	+0.5	23.0	+1.3	24.4	+1.4
Customer numbers (millions)	3.30	3.38	+0.08	3.48	+0.1	3.57	+0.09
Payout ratio	64.8%	49.2%	-15.6%	40–50%			
ROE	8.2%	10.3%	+2.1%	10.4%	+0.1%	10.8%	+0.4%
ROIC	8.3%	8.0%	-0.3%	8.2%	+0.2%	8.7%	+0.5%
EPS (yen)	49.4	65.1 yen	+15.7	68.9	+3.8	76.6	+7.7

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9. Management resources allocation policy and shareholder returns

Allocation of Cash Flow

Prioritize the allocation of cash flows from operating activities in existing businesses to aggressive investment for further growth while also paying stable dividends



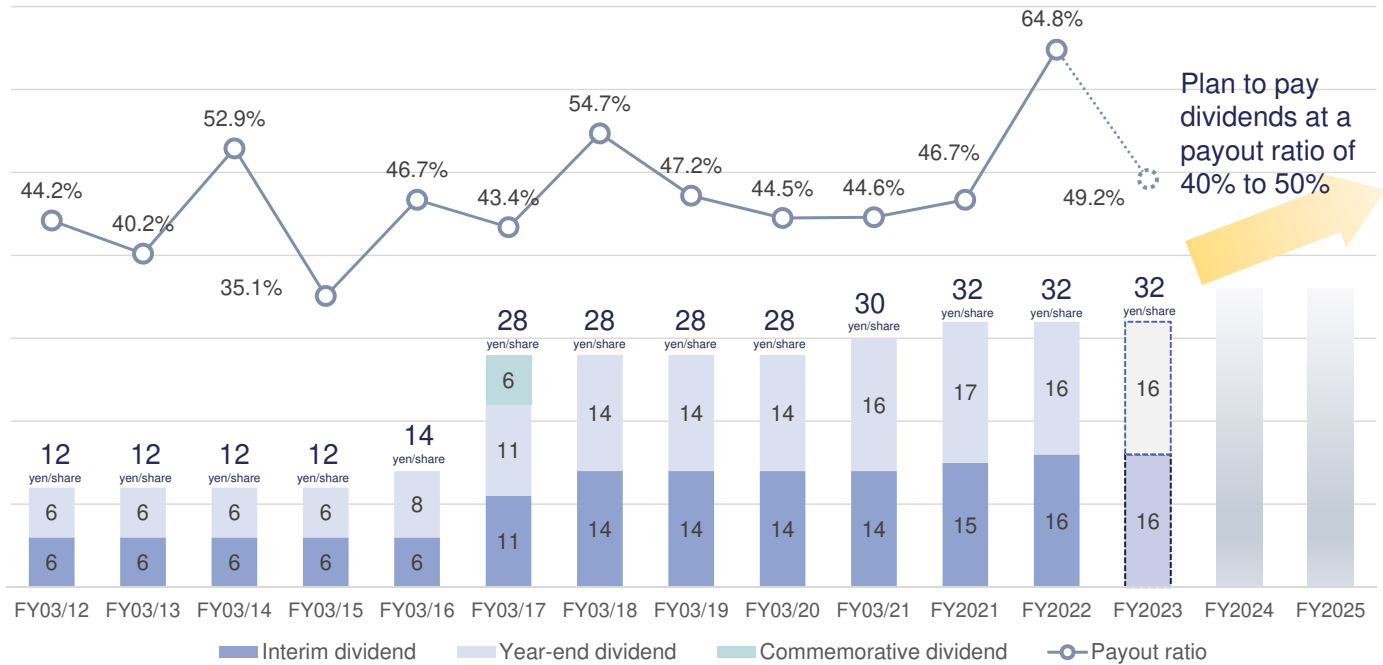
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Dividend policy

Dividend policy

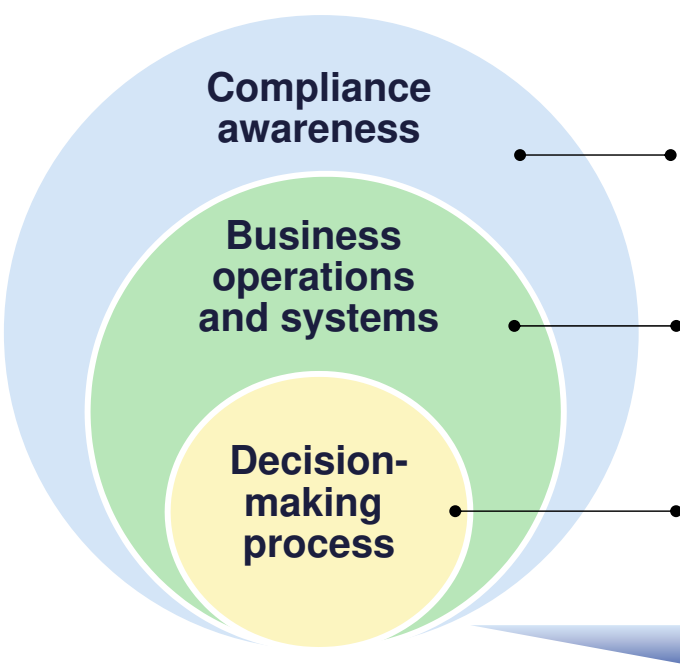
- Pay stable and continuous dividends to shareholders whilst also giving consideration to reinforcement of the management structure and future business expansion

⇒ Plan to pay dividends at a payout ratio of 40% to 50%



10. Ensure compliance and corporate governance

- Formulate effective recurrence prevention measures and implement the following measures to further ensure compliance and corporate governance with a view to strengthening internal control



Measures to further ensure compliance and corporate governance

- ✓ Strengthen training for officers to instill compliance awareness
- ✓ Review of processing of expenses
- ✓ Strengthen checks and balances in relation to officers
- ✓ Increase transparency and effectiveness of process

Aim to restore trust by firmly establishing corporate governance and ensuring compliance

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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