

About TOKAI Group

December, 2018
TOKAI Holdings Corporation
(Code: 3167)

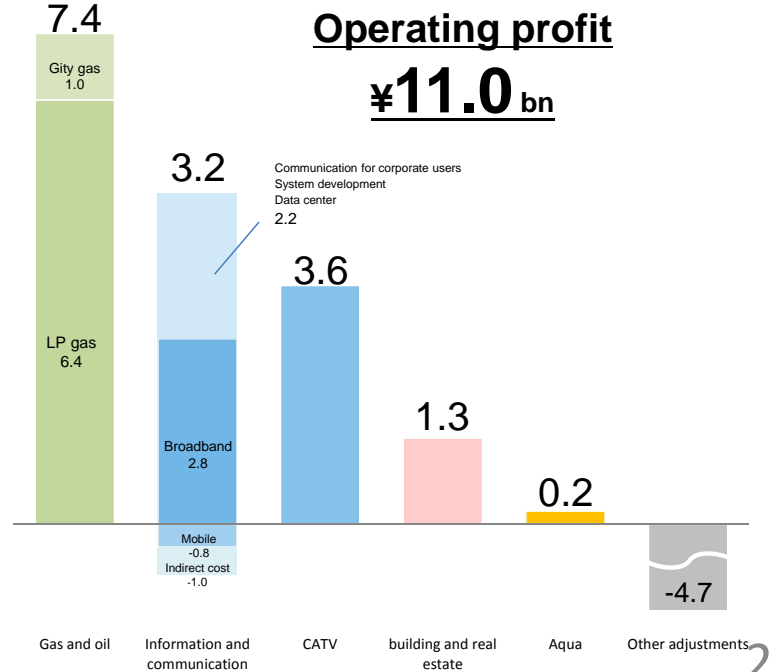
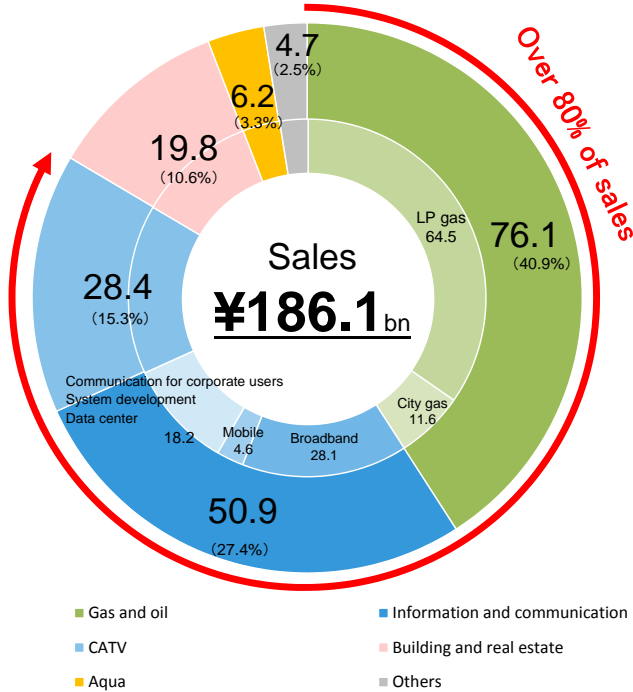
Overview of TOKAI Holdings

- Established in 1950. Decision to change to a holding company structure in 60th year, transition to new structure the following year. Currently in 8th 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 September 2018)			
Sales, operating profit	¥186.1 billion, ¥11.0 billion (FY2017)			
Employees	3,970			
Main businesses (FY2017) Note: Percentage figures indicate proportion of total sales	Gas and Petroleum	: 40.9%	(sales: ¥76.1 bn; operating profit: ¥7.4 bn)	TOKAI, TOKAI GAS
	Information and Communications	: 27.4%	(sales: ¥50.9 bn; operating profit: ¥3.2 bn)	TOKAI COM
	CATV	: 15.3%	(sales: ¥28.4 bn; operating profit: ¥3.6 bn)	TCN
	Building and Real Estate	: 10.6%	(sales: ¥19.8 bn; operating profit: ¥1.3 bn)	TOKAI
	Aqua	: 3.3%	(sales: ¥6.2 bn; operating profit: ¥0.2 bn)	TOKAI
	Other	: 2.5%	(sales: ¥4.7 bn; operating profit: —¥4.7 bn)	
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			

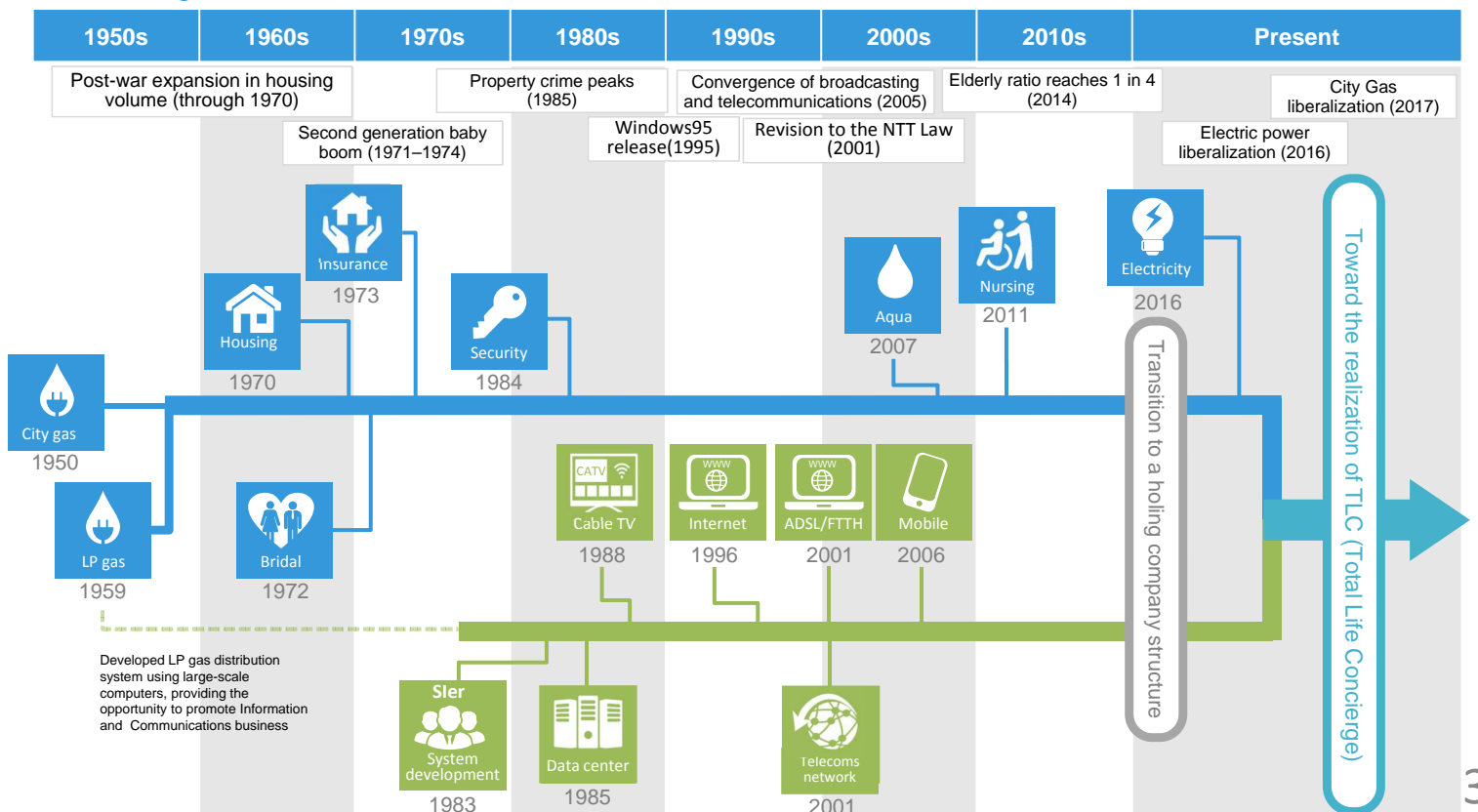
Performance of major business

- 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 ¥186.1 billion and operating profit of ¥ 11 billion (FY2017 results)
- Gas and oil (40.9%) and information and communication services and CATV (42.7) account for over 80% of sales, and these are the mainstays of business



Diversify business related to living with gas as the starting point

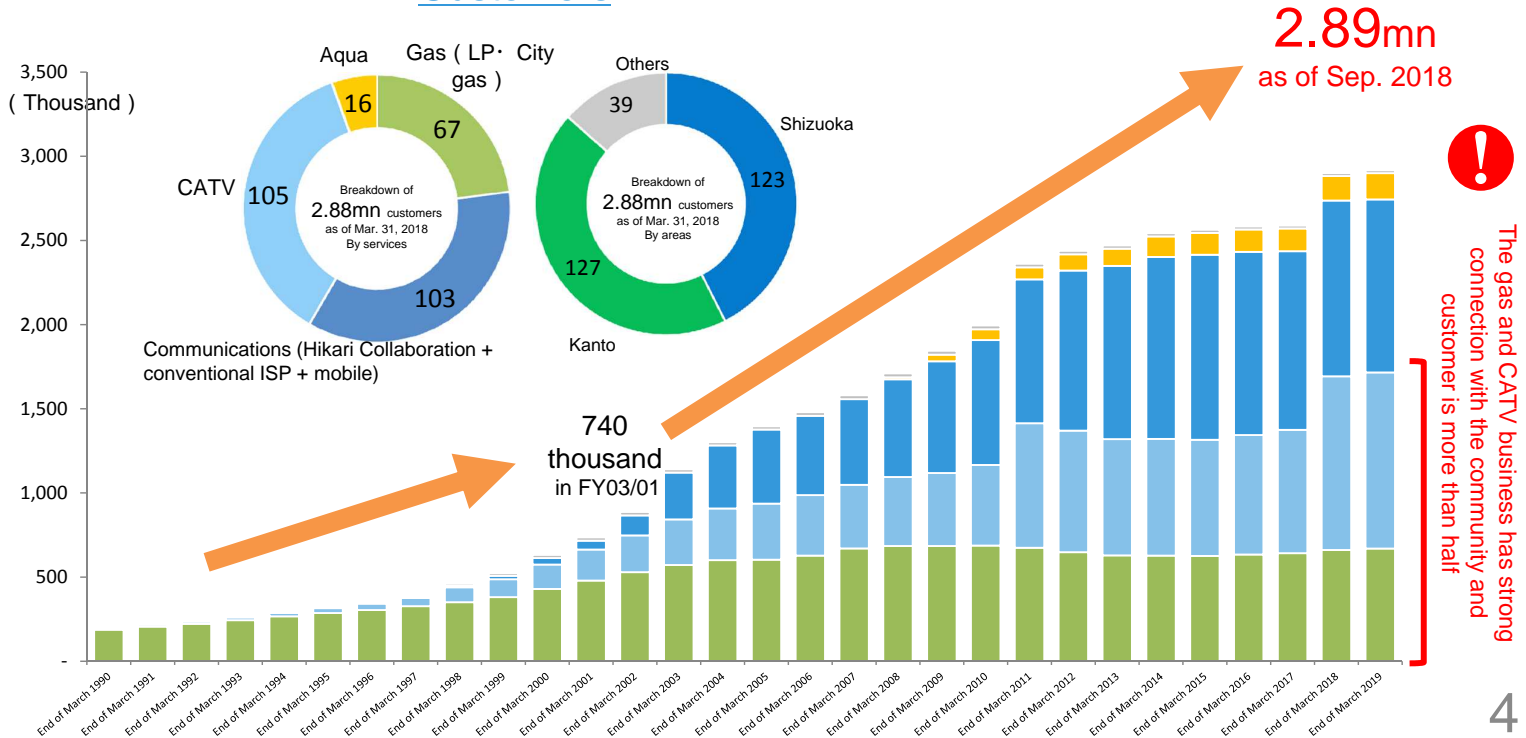
- Expanded our own infrastructure services while responding to social issues, population structure change, consumer needs
- Provided "Energy" "Information and communication" "Housing equipment" "Security" "Insurance" "Nursing care" and others



Stable revenue model with charge accumulation

- 2.88 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

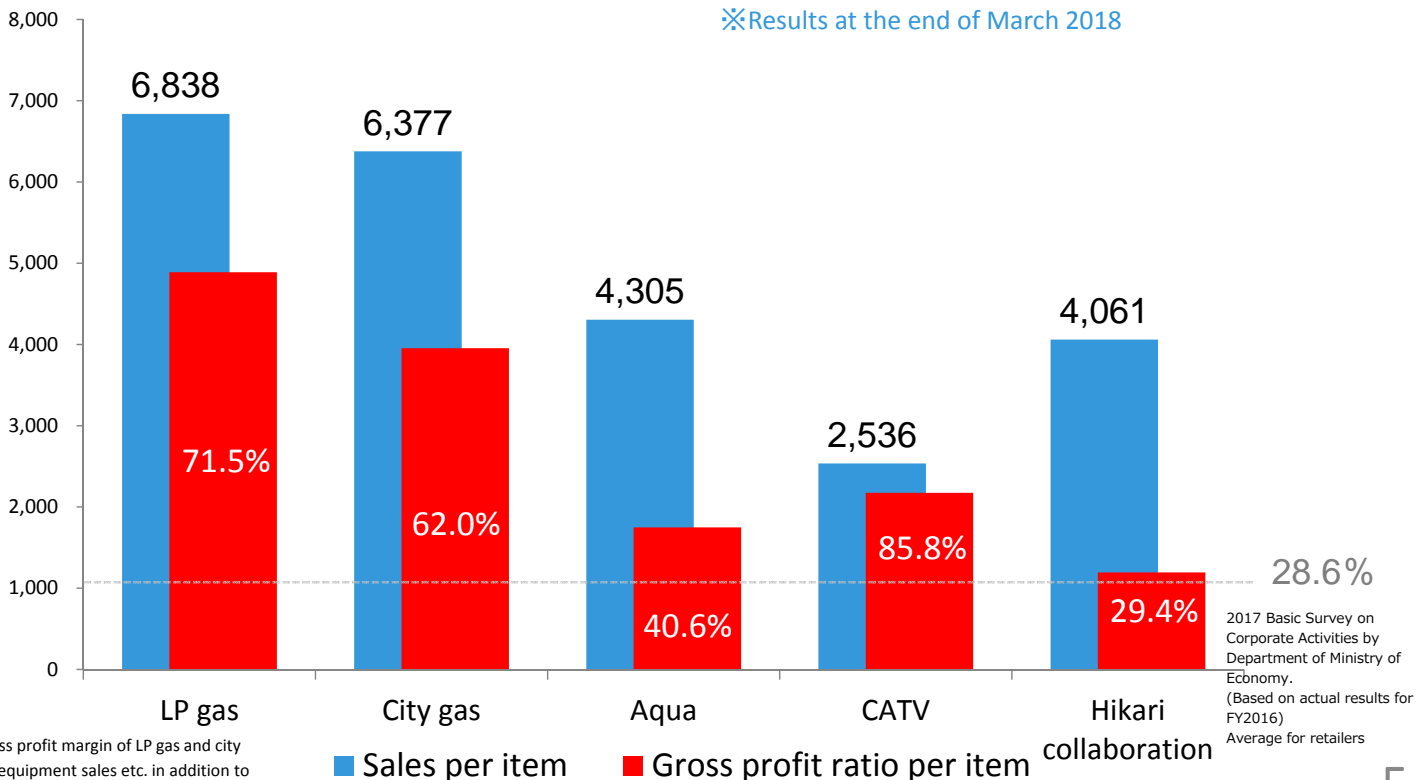


The main services are characterized by a high profit margin

- Monthly sales and gross profit ratio per one main service
- Our all major services are above retail average (28.6%).

(Yen/Month·Item)

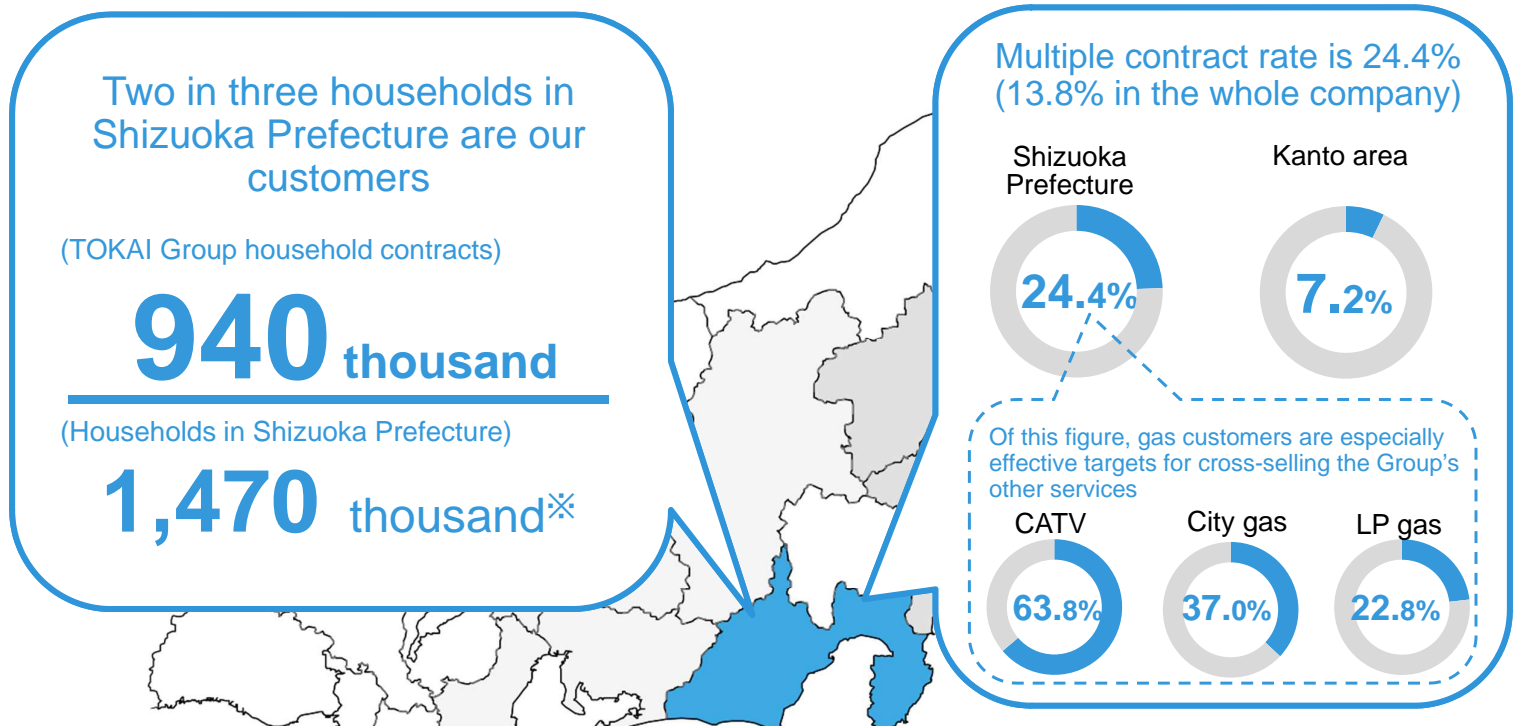
※Results at the end of March 2018



* Sales and gross profit margin of LP gas and city gas include equipment sales etc. in addition to gas sales

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

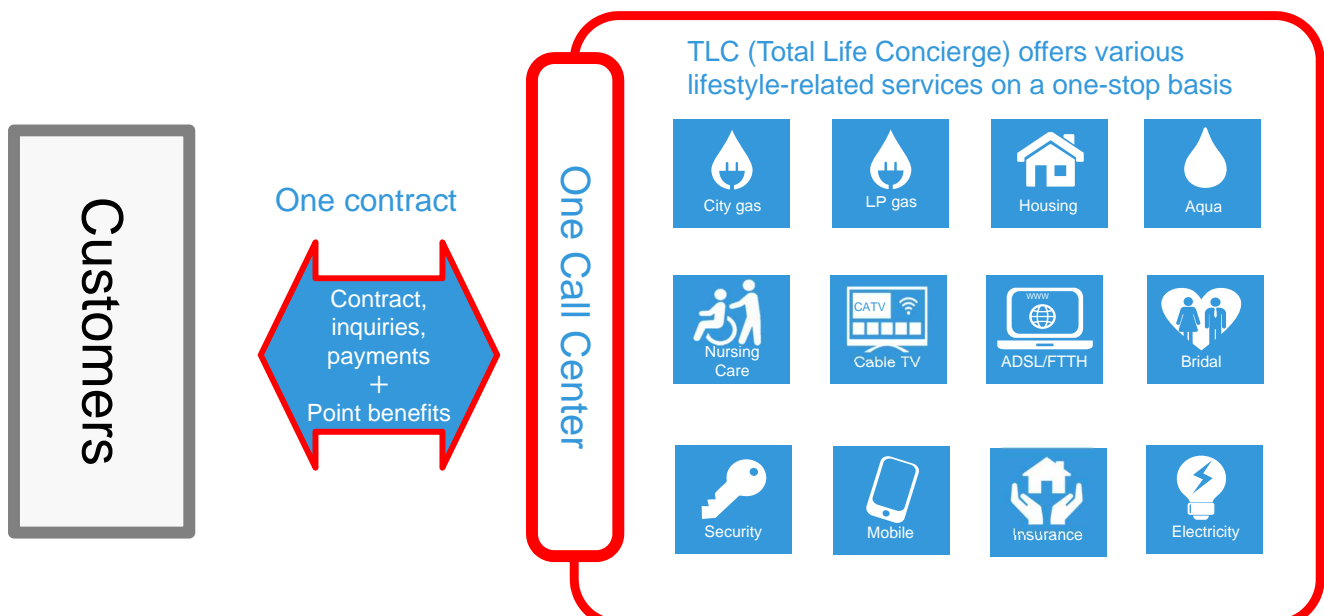


* The number of households in Shizuoka Prefecture is as of October 1, 2018 according to "Shizuoka Prefecture Population Statistics, by City, Ward, Town, and Village," Shizuoka Prefectural Government. Contracts by the TOKAI Group as of September 30, 2018

(As of September 2018)

Group vision "TLC"

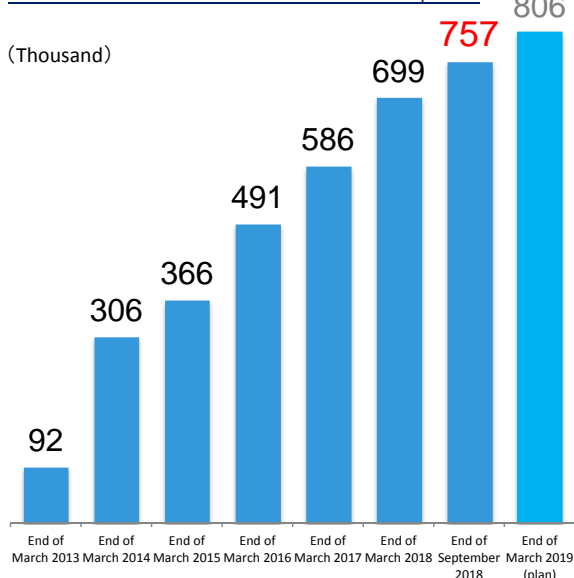
- Basic concept of service provision by TLC (Total Life Concierge)
- Provide diversified lifestyle related services at one stop · one contract · one call center



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 2.89 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 700,000



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.

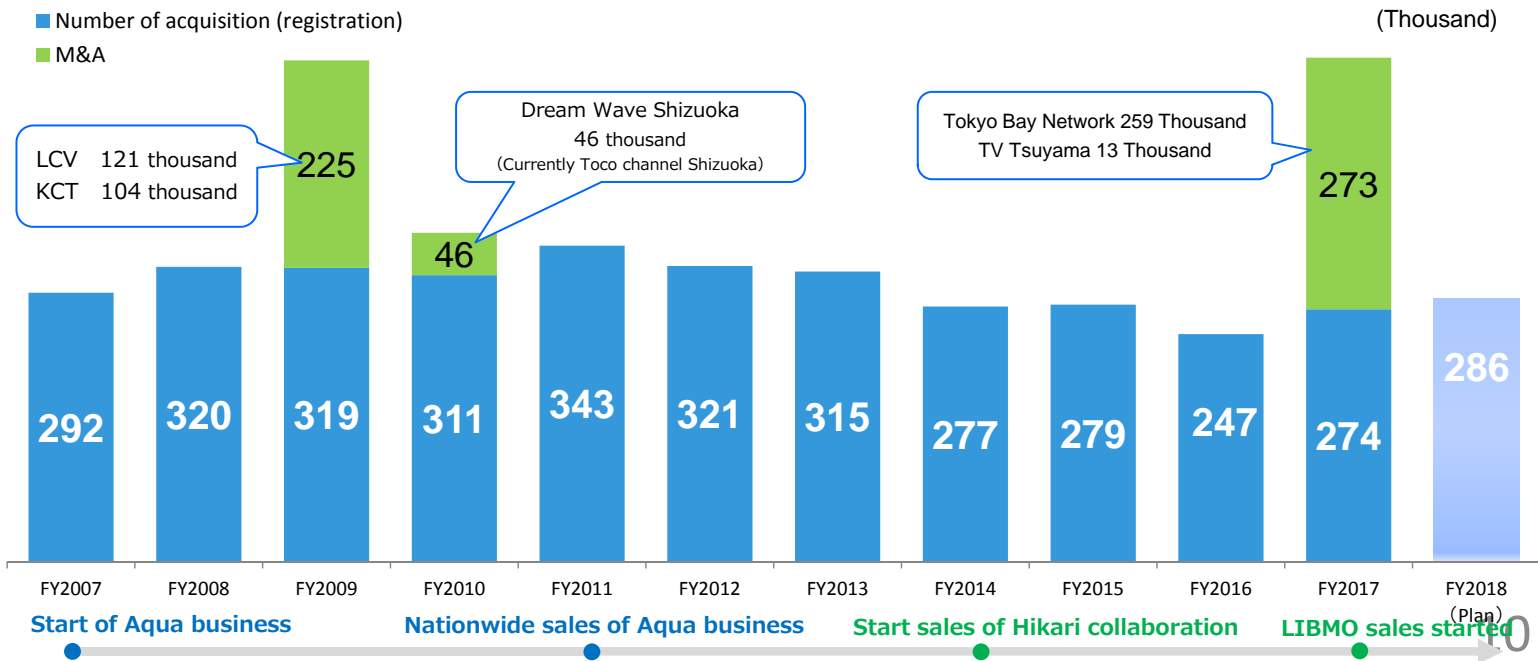
Cancel rate of multiple trading customers (Result of FY2017)

	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

129 sales locations*

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



1,600 regional managers

Category	Count
Sales person	630
Delivery	239
Meter reading/Collection money	444
Security	276
Total	1,589

40 million customer contact points

- Headquarters
- Branch sales offices
- Call center

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

Own competitive optical trunk line network

- Built a proprietary fiber optic network spanning 6,000 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. **6,000**km

(Breakdown of total laying distance) *As of March 31, 2018

Telecommunication business 2,608 km

CATV business 3,527 km

※Including trunk and branch line (excluding lead-in line)



Okayama Data Center

Okayama

Nagoya

Osaka

Yaizu

Atsugi

Otemachi



LCV Data Center



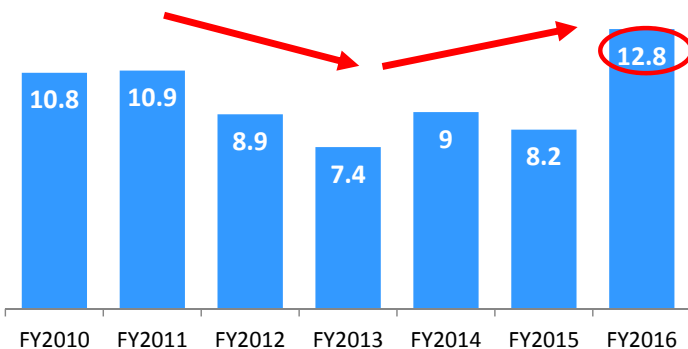
Shizuoka Data Center 12

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)

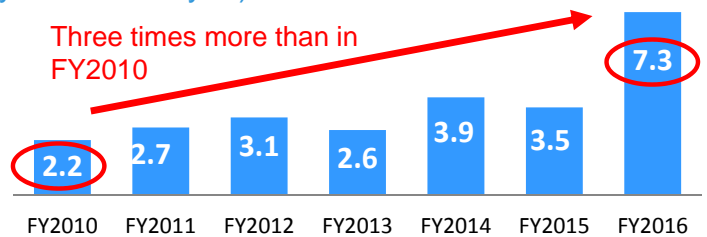
LPG purchase, BB - Aqua upfront cost increased

Improve profitability by eliminating upfront costs



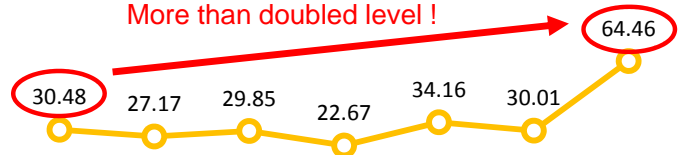
Operating Income (¥bn)

Three times more than in FY2010



Net Income (¥bn)

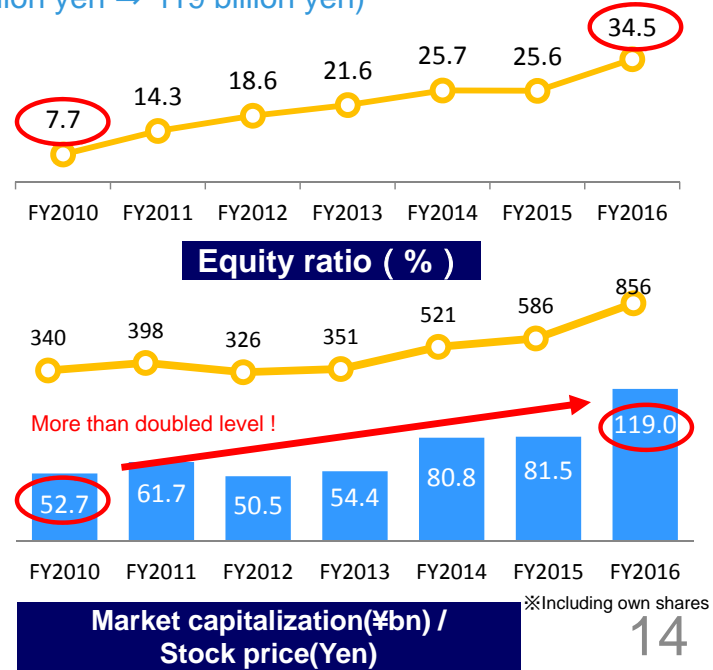
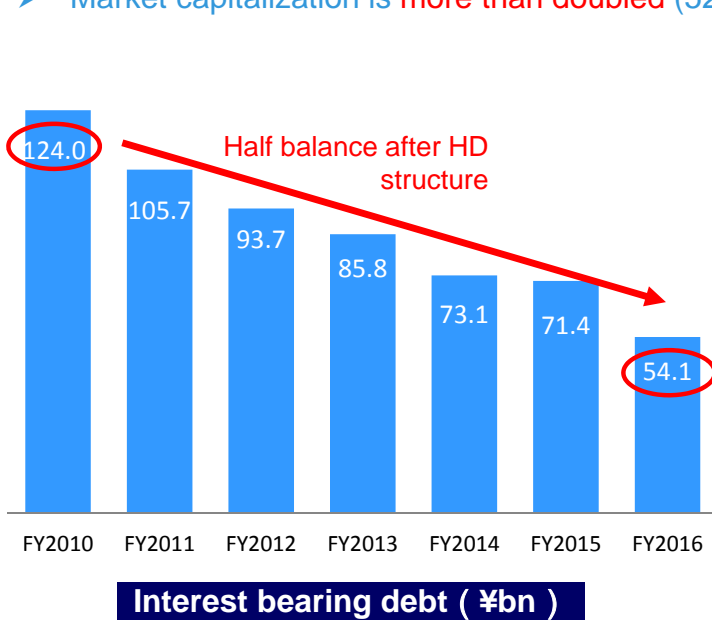
More than doubled level !



Earnings per share (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"

Numerical targets include doubling sales in FY03/21 versus FY03/17

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

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.

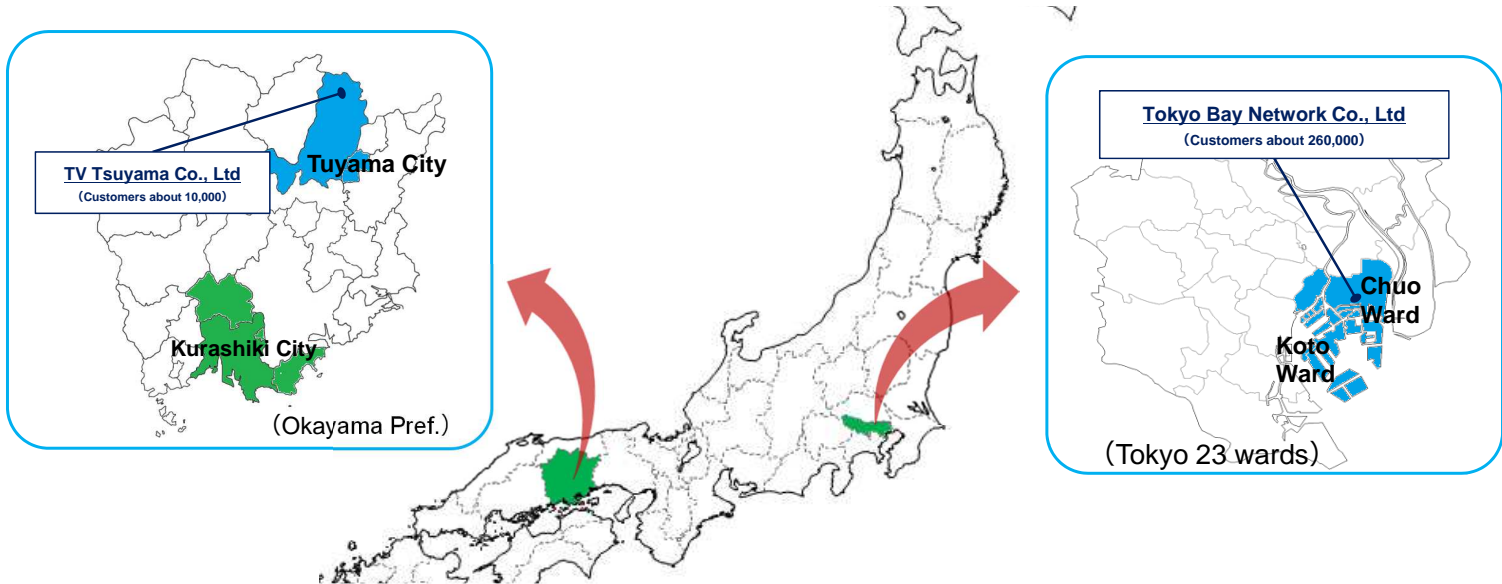
Acquisition of new service field

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.



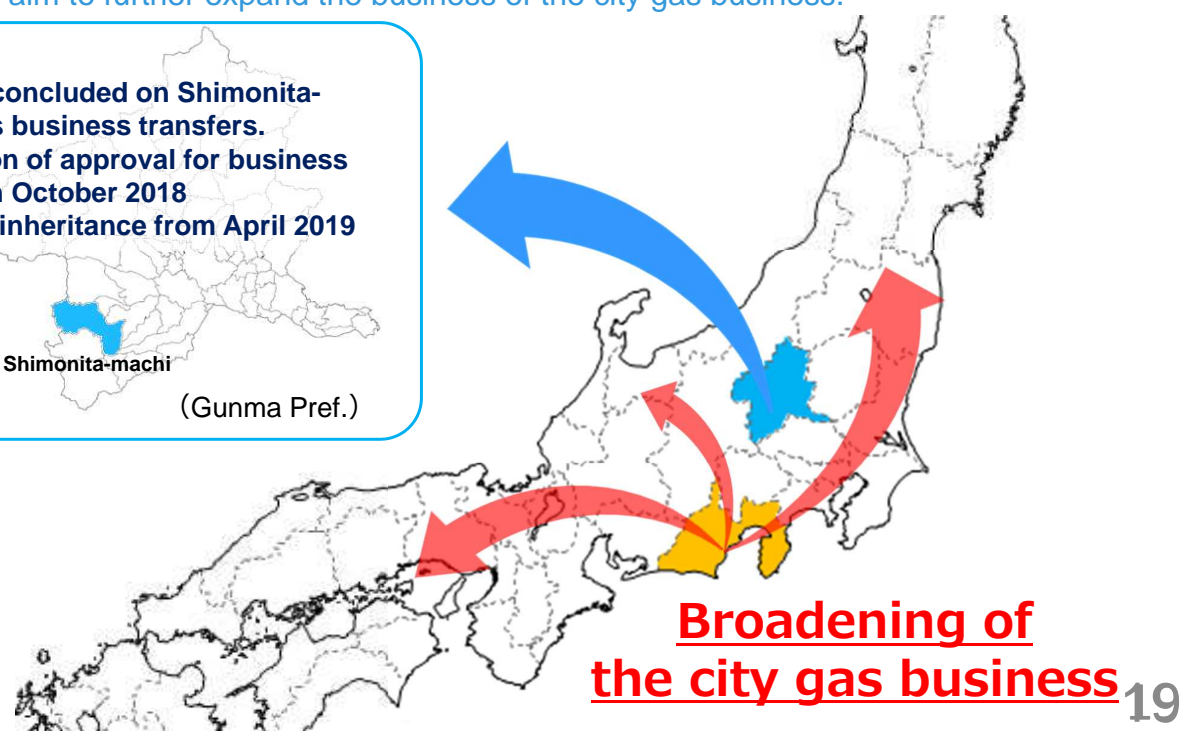
Continue selecting target company “Aggressively”

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 Town, 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.
- Based on this, we aim to further expand the business of the city gas business.

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

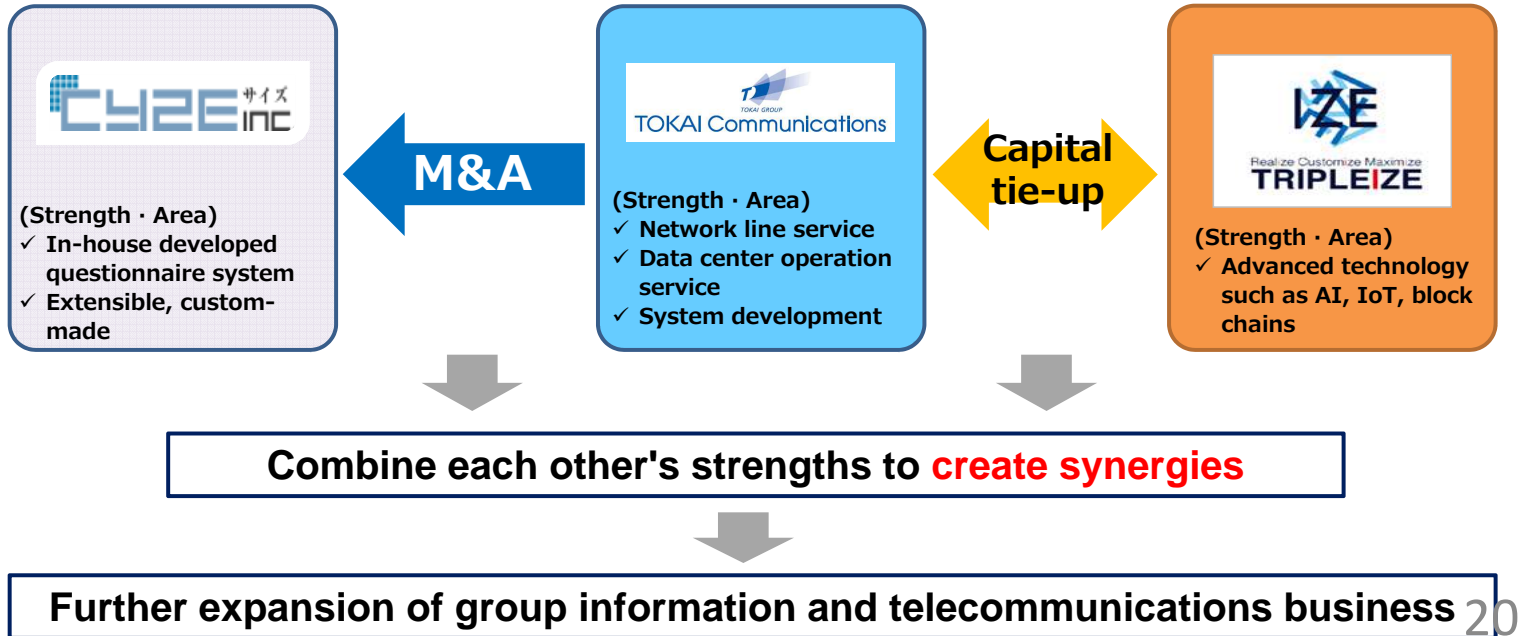
Shimonita-machi
(Gunma Pref.)



Broadening of the city gas business

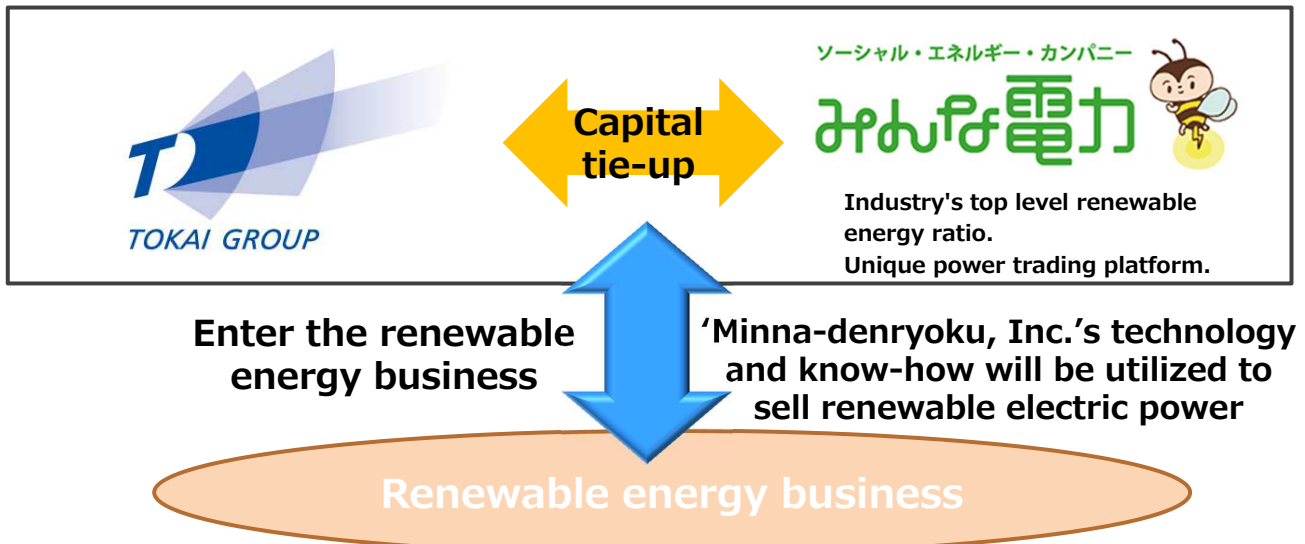
Create synergies in the information and telecommunications field

- Becoming a consolidated subsidiary company Size Co., Ltd., which is mainly engaged in the provision and development of questionnaire systems
- Concluded a capital and business alliance agreement with "Triple Eyes" 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



Started consideration for entry into a new business domain

- In August 2018, we concluded a capital and business alliance agreement with "Minna-denryoku, Inc." of a new power venture company entity and started full-fledged examination to enter the renewable energy field.
- From 2019 onwards, the number of photovoltaic power generation that will expire the Feed-in Tariff system (FIT) will increase, companies selecting renewable electric power will increase from the standpoint of RE100 *1, ESG *2, CSR.
- We will utilize "Minna-denryoku, Inc." technology and know-how and link it to our business.

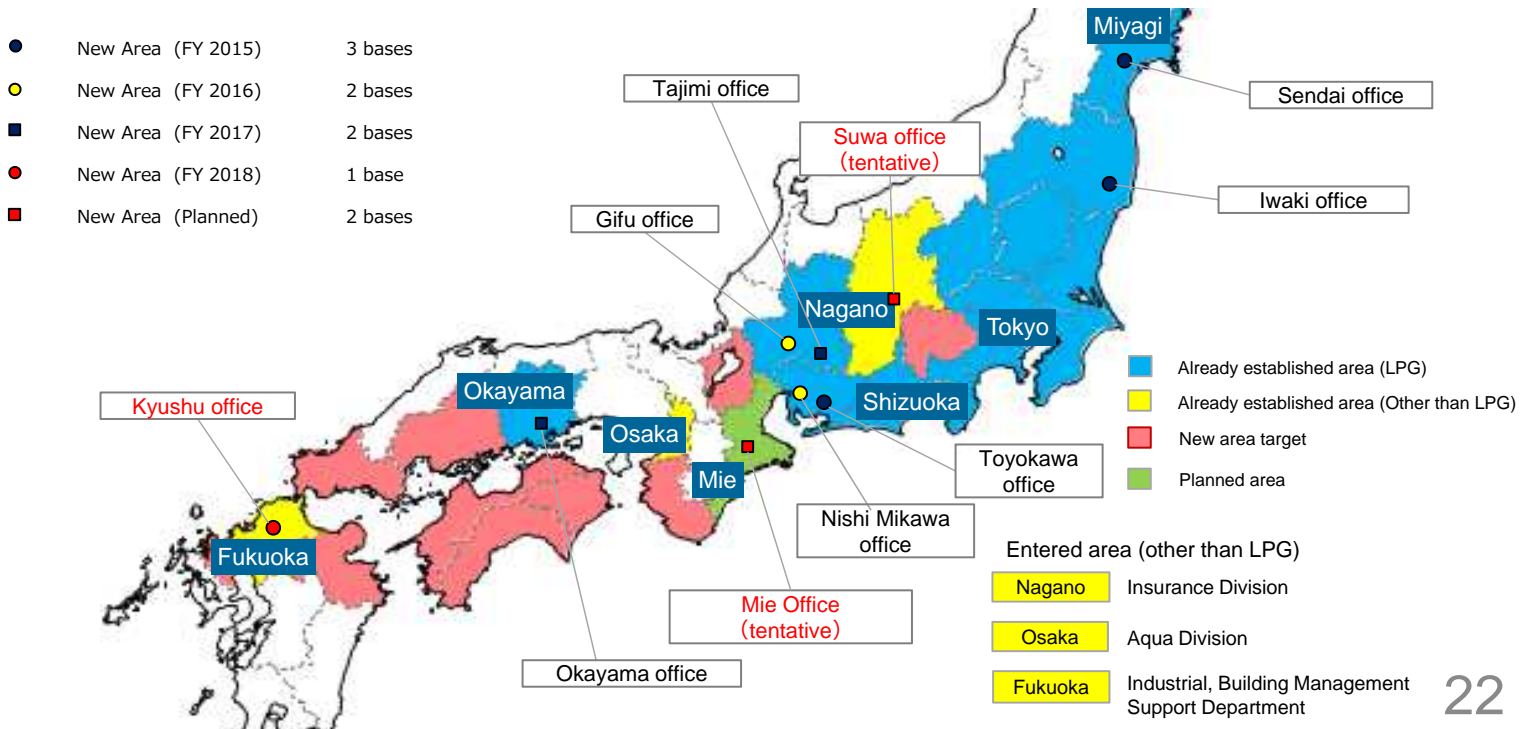


* 1. RE100: an international consortium in which member companies are committed to use electricity generated from 100% renewable energy

* 2. ESG: initials of indicators used to determine whether or not a company will be able to realize sustainable growth: Environment, Social, and Government

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.
- From the viewpoint of population dynamics and consumption, priority is given to the Pacific side and the Setouchi district.



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.

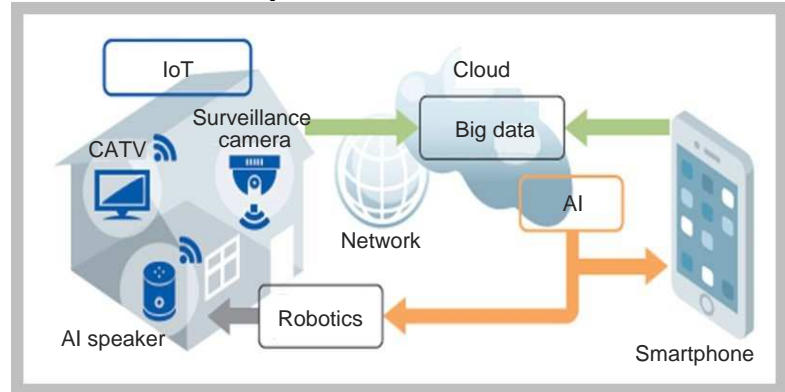
ABCIR+S strategy deliberation progress

- 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)



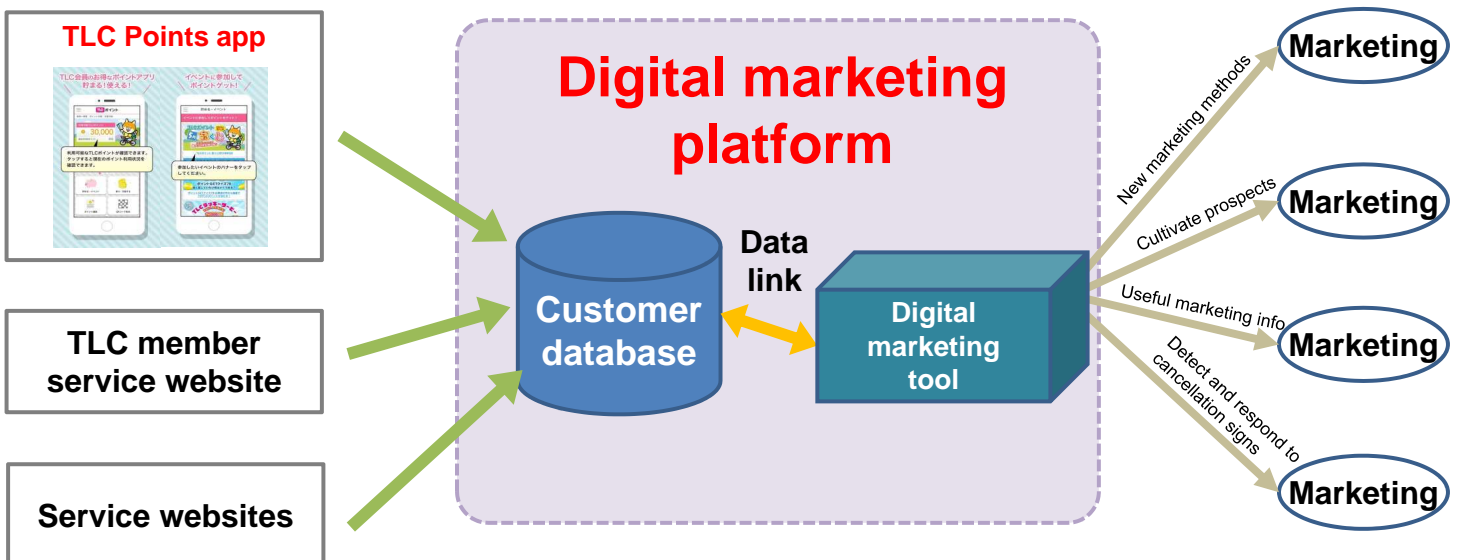
ABCIR+S concept



Dedicated organization “Head Office for Next-Generation Business Strategy” will use ABCIR+S to focus efforts on **strengthening customer contact, developing new businesses, and improving operational efficiency.**

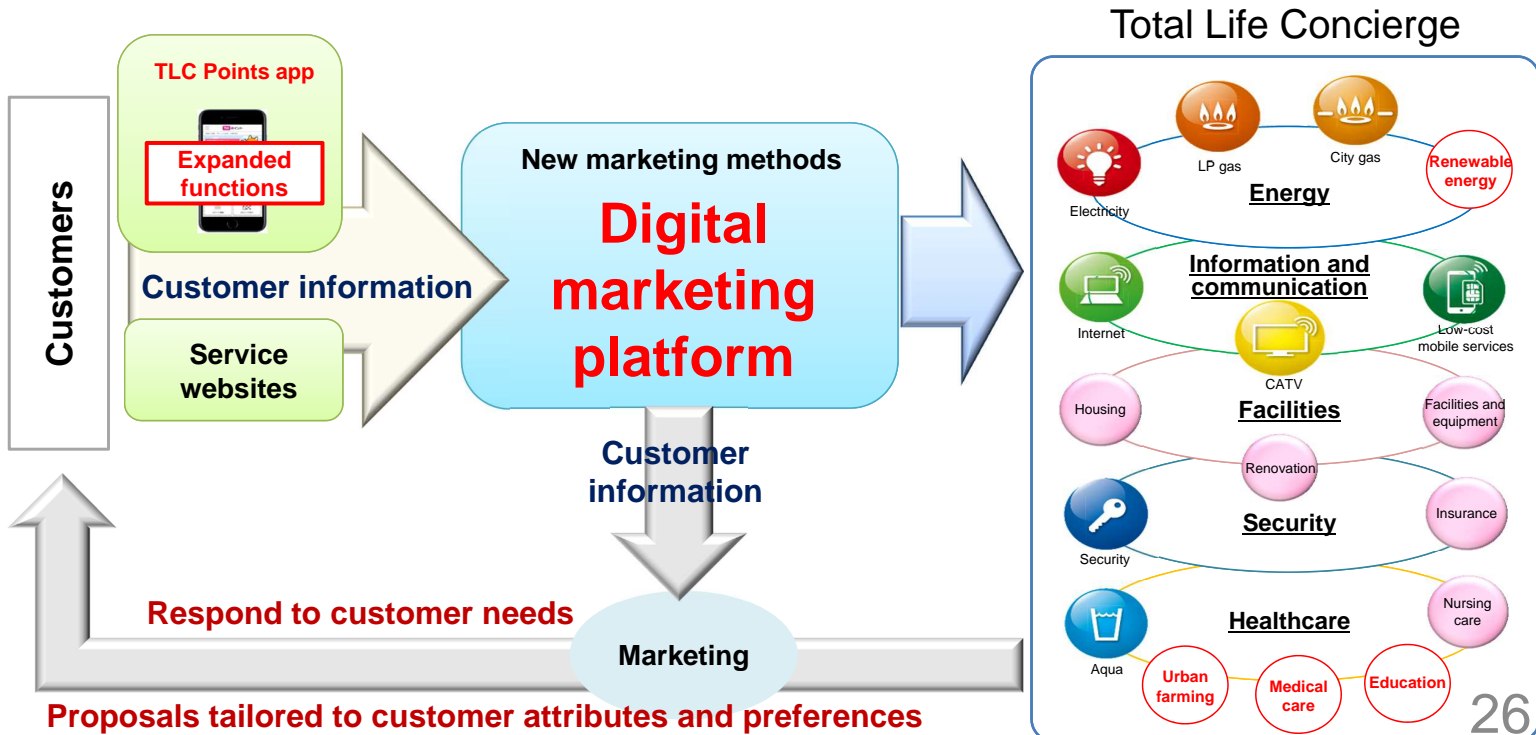
Creating new marketing methods

- Began distribution of the TLC Points app in October 2018
- Timely provision of the Group’s service, campaign, and event information to enhance TLC user convenience by enabling members to confirm and use their accumulated TLC points
- Started creation of digital marketing platform as base for converting customer behavior into big data within owned media and realizing marketing in line with customer attributes and preferences



Envisioned goals for ABCIR+S

- Develop new marketing methods based on digital marketing platform
- Expand functions of TLC smartphone app, capture customer data in digital marketing platform, and implement proposals tailored to customer attributes and preferences
- Also leverage the above in the development of new TLC services



Expansion of "TLC" service

Our group's new service enriching our customers' lives

- Based on the philosophy that provides customers "Safe and Secure" "Convenient and Comfortable" "Joy and Worth living"
- Consider entry the fields of agriculture, renewable energy, medical care and education, that are new business field and growing field.
- The basic concept of the new service is sharing and matching.

Safe and Secure

Full-scale entry into the renewable energy business by capturing the spread of distributed energy. Provide new service that shares the renewable energy electricity procured by our company utilizing IT system. Enhance supply of safe energy in addition to disaster-resistant LP gas and community-based city gas.

Convenient and Comfortable

Provide new convenience and comfort by adapting progress IT to living. In addition, provide new services to share skills or time such as housekeeping substitution etc utilizing IT system. Strengthen existing services even in response to the latest technology.

Joy and Worth living

Heading towards era of 100-years-life, healthy life expectancy further extends. We will develop new services in field that provide joy and worth living through health services, leisure services, and communication.

Sharing / matching basic concept (Things, Movements, Spaces, Skills)

Renewable energy

Share X Things (Electric)



After April 2019.
Provide new service related renewable energy.

The purpose

- Expand popularization of renewable energy
- FIT Expiration correspondence
- Self consumption
- Customer's cost merit

Livelihood support

Share X Skills

- Housekeeping substitution

Share X Movements

- Rental cycle

Share X Spaces

- Share space

Leisure fulfillment

Share X Spaces (Farmland)



After February 2019
Starting rental farm service

The purpose

- Enriching leisure time
- Human interaction

Medical care

Share X Skills (Medical technology)

- Health care services
- Health examination, exercise instruction
- Set of meal instruction

The purpose

- Extend healthy life
- Offering a worth living

Education

Share X Skills (Knowledge)



- Lifelong learning for seniors (video distribution service)
- Learning matching service

Existing business

Energy



City gas



LP gas



Electric power

Insurance



Life insurance



Property insurance



Machine security



Housing - Renovation



CATV

- Multi-channel broadcasting
- 4K/8K compatible broadcast



Mobile



Delivery water



Internet

- Hikari Collaboration
- CATV FTTH
- Smart house

- Completely self-sufficient housing

- Softbank
- Kakuyasu SIM



Rridal

- Wedding
- Restaurant



Nursing

- Day service
- Short stay
- Paid nursing home