TOKAI Holdings Medium-Term Management Plan

Innovation Plan 2024

"Design the Future Life"





Tuesday, May 11, 2021
TOKAI Holdings Corporation (Code: 3167)
Katsuhiko Tokita, President & CEO

Agenda

- I. FY03/21 results summary
- II. Review of 10 years since the establishment of Tokai Holdings Corporation
- III. Basic concept for the next ten years
- IV. Basic policy for Innovation Plan 2024 "Design the Future Life"
- V. Capital policy
- VI. Management indicators
- VII. Message for the coming ten years

(Contact for inquiries)

Management Strategy Department, Management Strategy Division, TOKAI Holdings Corporation

E-mail: hd-info@tokaigroup.co.jp

Phone: +81-54-273-4804

I. FY03/21 results summary

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I. FY03/21 results summary

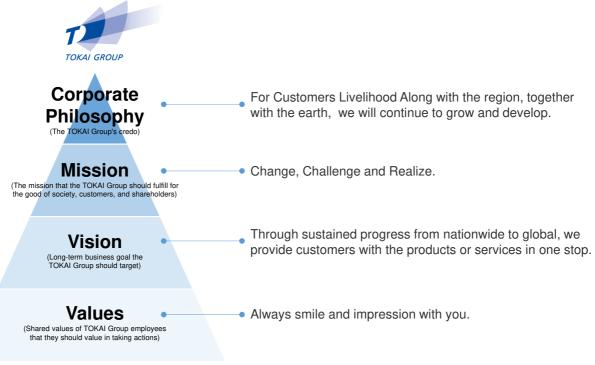
- Sales increased for the fourth consecutive year and operating profit increased for the third. Both reached record-high levels for the third consecutive fiscal year.
- In addition to an improvement in its financial position, the Company achieved customer numbers exceeding the 3 million mark at the end of FY03/20.

	FY03/18	FY03/19 FY03/20		FY03/21
	Result	Result	Result	Result
Sales (billion yen)	186.1	191.6	196.0	196.7
Operating profit (billion yen)	11.0	13.1	14.2	15.2
Net income (billion yen)	6.6	7.8	8.2	8.8
Interest-bearing debt/EBITDA	1.9X	1.8X	1.6X	1.4X
Equity ratio	36.3%	37.4%	38.0%	41.6%
ROE	11.4%	12.6%	13.0%	12.7%
Customer numbers (millions)	2.88	2.90	3.00	3.10

II. Review of 10 years since the establishment of Tokai Holdings Corporation

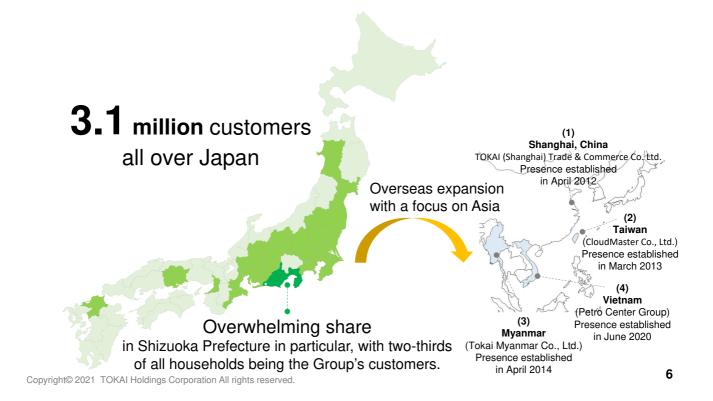
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- II. Review of 10 years since the establishment of Tokai Holdings Corporation
- 1. Corporate Philosophy of the TOKAI Group (TOKAI-WAY)
 - The TOKAI Group provides Total Life Concierge services for customers' livelihoods.

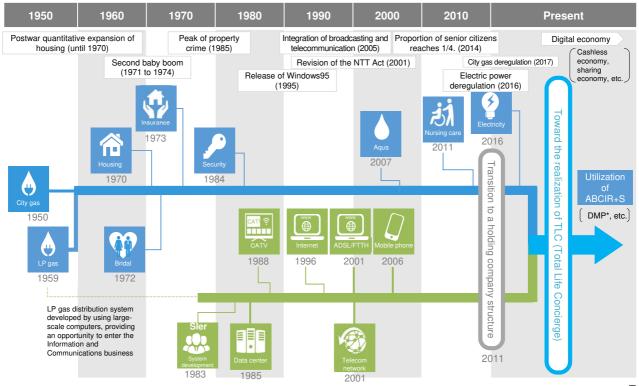


2. The TOKAI Group's growth achieved in a community-based manner

■ The Group has expanded its regional networks, which are rooted in each area, to the entire country. Further, the Group is accelerating overseas expansion with a focus on Asia.

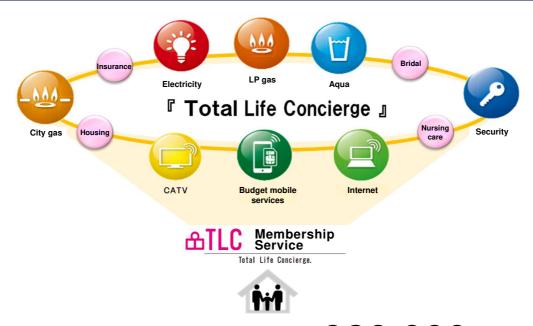


- II. Review of 10 years since the establishment of Tokai Holdings Corporation
- 3. History of the TOKAI Group's enhancement of its lifestyle services
 - Lineup of life infrastructure services enhanced in response to social issues and consumer needs



4. Taking on challenges to realize TLC (Total Life Concierge)

■ At the base of the Group's growth is the challenges it takes on to realize the TLC concept, in which it provides comprehensive, meticulous support for the life of diverse customers.



Number of TLC members: **980,000**(As of the end of FY03/21)

(As of the end of FY03/2

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- II. Review of 10 years since the establishment of Tokai Holdings Corporation
- 5. History of Innovation Plans: 1/2

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■ Commencement of group management with top priority given to improving its financial position

Innovation Plan 2020 "JUMP"

- > From Defensive to Proactive Management
- Progress M&A
- > Prioritize profit growth and ROE
- > Shareholders are always a priority

April 2021 10th anniversary of the holding company structure

Innovation Plan 2013

- Start operating under the holding company structure by giving top priority to improving our financial position
- A company working on social infrastructure has a mission to ensure stable management with a sound financial position.



April 2011 Start operating under a holding company structure

Innovation Plan 2016 "Growing"

- Continue to increase sales by increasing customer numbers, thus recovering profitability.
- Continue to improve the financial position to improve the stability of management.
- > Keep rewarding shareholders with a sustainable, stable shareholder return policy.

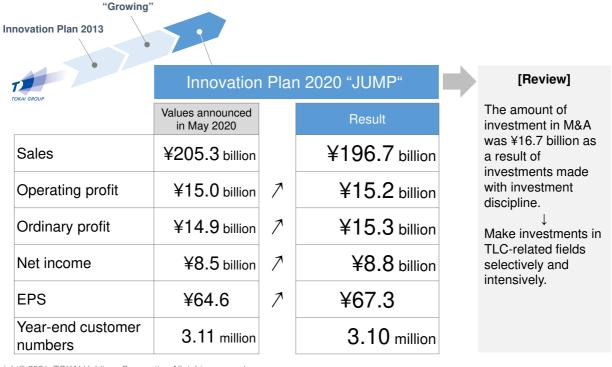
5. History of Innovation Plans: 2/2



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Innovation Plan 2016

- II. Review of 10 years since the establishment of Tokai Holdings Corporation
- 6. Achievements from the Innovation Plan 2020 "JUMP"
 - Innovation Plan 2020 "JUMP" was carried forward steadily with a focus on profits.



III. Basic concept for the next ten years

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- III. Basic concept for the next ten years
- 1. Outlook on the market environment
 - The COVID-19 pandemic has caused environmental changes related to Life, including changes in customers' lifestyles and acceleration of social changes, such as ones related to SDGs.

New lifestyles established due to COVID-19

- Growth of demand related to the stay-at-home lifestyle
- · Social distancing, etc.



Environmental changes

Global moves to demand and expect contributions to achieving SDGs seriously



Acceleration of lifestyle changes associated with COVID-19

- Shift to online shopping
- Encouragement of teleworking and staggered work times, etc.
- Growing health awareness
- Emerging regional challenges
- Enhanced services provided at home
- Evolution of experience-based services

Progress in social changes surrounding businesses

- Trend toward clean energy
- Energy deregulation
- Digitalization
- Workstyle reforms
- Population decline/ Falling birthrate and aging population

2. Future vision of the TOKAI Group

■ The TOKAI Group will determine its direction in response to prevailing needs and aim to be a corporate group that continues to grow sustainably and create people's lifestyles.

For Customers' Livelihoods
Along with the region, together with the earth, we will continue to grow and develop.

Environment where changes were generated

New lifestyles in the post-COVID-19 era

Acceleration of social changes including ones related to SDGs

Necessity to respond appropriately to changes in customers' lifestyles, social environment, and others

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

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- III. Basic concept for the next ten years
- 3. The TOKAI Group's ten year vision
 - Aim to be a "Life Design Group" ten years from now, toward enhancing TLC

TOTAL LIFE CONCIERGE

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

The Group ten year vision

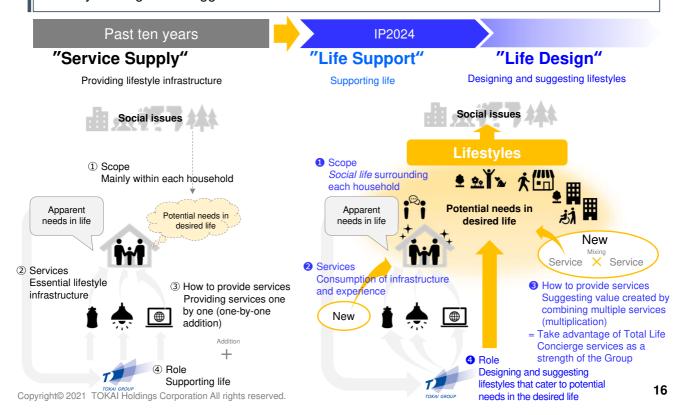
"Life Design Group"

Contribute to solving social issues by designing and suggesting lifestyles desired by customers.

Take the first step in this stance toward further enhancement of TLC.

4. A turning point towards the Group's vision

Aim to evolve from the provision of lifestyle infrastructure into life support and further into lifestyle design and suggestion.



(Reference) Illustration of Life Design initiatives

Combining multiple services to consider initiatives to suggest experience-based value

E.g., Household energy solutions

Gas x Electricity x Power generation x Power storage, etc.

Suggesting eco-friendly lifestyles with the best energy mix that combines gas, electricity, renewable energy, storage batteries, and ENE-FARM







E.g., Online services

Internet x Life support services x Something extra, etc.

Comprehensive life support provided by using the internet Suggesting the comfort of enjoying various lifestyle services, such as ones for working from home, healthcare, and education









Senior citizens

Illustration of *Life Design* initiatives



Medicine and healthcare





E.g., Home delivery services

Aqua x Recipe suggestions x Ingredient delivery x Cooking classes given in showrooms x Internet (social media and video distribution) x Mobile app, etc

Suggesting ways of enjoying convenience and diet, including the provision of information via social media and video distribution services and experience of cooking in classes given in showrooms, based on recipe suggestions and ingredient delivery, in addition to Aqua









E.g., Services for regional revitalization

Regional tourism x Bicycle sharing service x Health promotion x Outdoor activities x Warm bath facilities x Community channel x Internet (real-time distribution), etc.

→ Suggesting outdoor, experience-based services to be provided by taking advantage of the characteristics of each area, including tourism such as the operation of Aoi Bune boats, health promotion through sports, and management of outdoor facilities and warm bath facilities



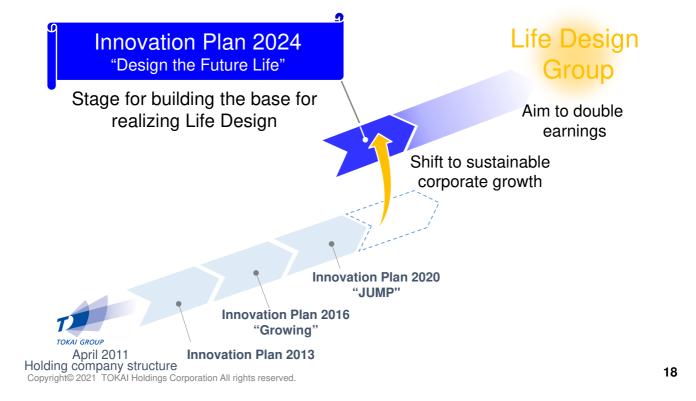








■ Position the coming four years as a stage for building the base for realizing Life Design, under the slogan Innovation Plan 2024 "Design the Future Life"



IV. Basic policy for Innovation Plan 2024 "Design the Future Life"

- 1. Key messages of the Innovation Plan 2024 "Design the Future Life"
 - Five key messages of the Innovation Plan 2024 "Design the Future Life"
 - Implementation of the LNG strategy
 - 2 Evolution of TLC Concept
 - (1) Digital marketing
 - (2) Open Innovation
 - Stepping up of DX strategy
 - Optimal allocation of management resources
 - Strengthening of SDG initiatives

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- IV. Basic policy for Innovation Plan 2024 "Design the Future Life"
- 2. Priority strategies: 1 Implementation of the LNG strategy
 - Expand business area steadily from Shizuoka & Kanto area → Japan → World
 - Support growth by increasing customer numbers from the perspective of selection and consolidation with importance attached to profitability

Local

Increasing market share in existing areas

Nationwide expansion

Increase customer numbers to 3.56 million

Energy
Construction, Equipment
and Real Estate
Information and
Communications

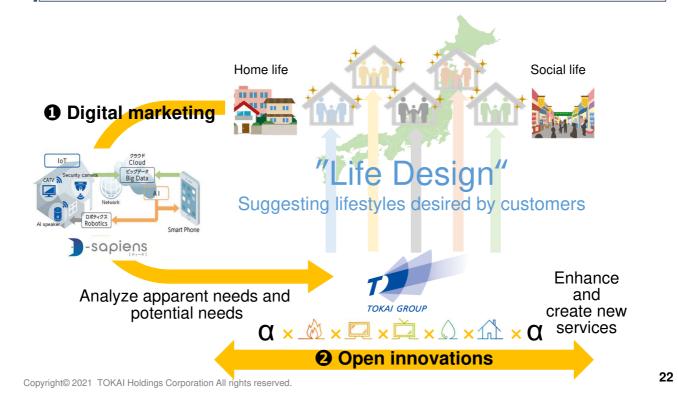
- → Expansion to Shikoku and West Japan
- → Expansion to Kanto and Chukyo areas
- → Expansion to Kyushu and Hokuriku

Global expansion

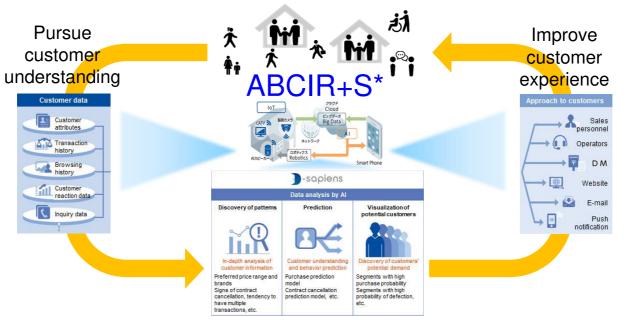
Energy
Information and

- ⇒ Expansion to Southeast Asia including Vietnam
- Communications → Expansion to China and Indonesia

- 2. Priority strategies: 2 Evolution of TLC Concept
 - Promote two strategies as engines in a strategic move for designing and suggesting lifestyles desired by customers



- IV. Basic policy for Innovation Plan 2024 "Design the Future Life"
- 2. Priority strategies: 2 Evolution of TLC Concept (1) Digital marketing
 - Upgrading digital marketing, with which D-sapiens data analysis infrastructure is used to appeal to customer needs

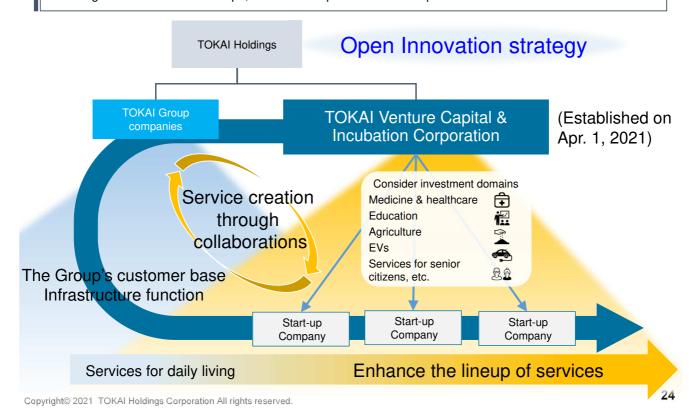


Centralized management of data on 3 million customers all over Japan

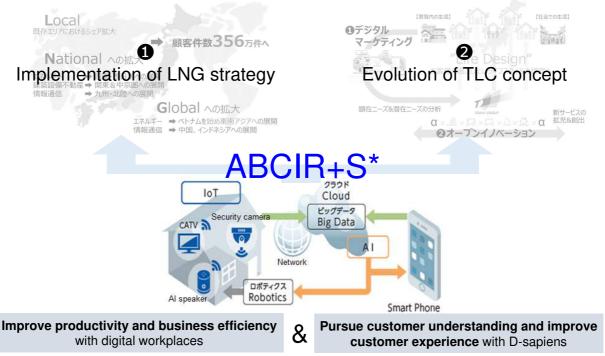
→ Strategic use of customer data

2. Priority strategies: 2 Evolution of TLC Concept (2) Open Innovation

Start exploring and building a new business of acquiring new technologies, ideas, and human resources through investments in start-ups, based on corporate venture capital.



- IV. Basic policy for Innovation Plan 2024 "Design the Future Life"
- 2. Priority strategies: 3 Stepping up of DX strategy
 - Implement a DX strategy using ABCIR+S to lead initiatives for the future, including the LNG strategy and evolution of TLC, in a cross-sectoral manner.



- 2. Priority strategies: 4 Optimal allocation of management resources
 - Try to ensure an optimal allocation of cash flows generated from businesses and other management resources, aiming for future business growth and improved shareholder value.



ROIC

(FY03/25) **9.9%** or higher

Shareholder value improvement

Future business growth

Shareholder return

(FY03/22 to FY03/25)
Dividend payout ratio
40% to 50%

Acquisition of treasury shares will also be implemented

flexibly.

TOKAI GROUP

Investment in growth

(FY03/22 to FY03/25) ¥65.0 billion for expanding business base

Management resources

(FY03/22 to FY03/25)
Operating CF*: ¥95.0 billion

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* Operating CF = Operating profit + Depreciation – Lease payment – Tax payment

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- IV. Basic policy for Innovation Plan 2024 "Design the Future Life"
- 2. Priority strategies: **5** Strengthening of SDG initiatives (1) Green strategy
 - Procure and sell carbon-neutral gas and decarbonize gas we sell by 2050, thus achieving carbon neutrality by 2050.





Carbon neutrality

2020

Be proactive in reducing ${\rm CO_2}$ emissions. However, gas will continue to play an important role for ensuring resilience in disasters, etc.

Achieve carbon neutrality by introducing innovative technologies.

Reduce CO₂ from business operation

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

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).

FY03/31 targets

2030

Reduce CO₂ emissions from our own business activities by 13,000 tons.

(Equivalent to 70% of ${\rm CO_2}$ emissions in FY03/21, which was 18,000 tons)

Promote high-efficiency gas equipment for households, install solar power generation systems for households, and take other steps to reduce CO_2 emissions by 170,000 tons. (Equivalent to 50% of CO_2 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.

- 2. Priority strategies: 5 Strengthening of SDG initiatives (2) Workstyle reforms
 - Promote workstyle reforms to enable the active participation of diverse human resources with flexible workstyles.

Introduced teleworking in April 2021, in addition to flexible working hours, aiming to reduce the attendance rate by 50% and office floor area by 40%. Introduce remote working for all employees in FY03/25.



(Excluding essential workers)

Three essential tools

- 1 Lending smartphones
- 2 Lending PCs
- 3 Free address office

Payment of work-from-home allowance

X

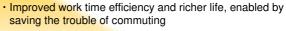
Establishing digital workplaces

An environment that permits employees to work comfortably and safely anytime, anywhere, through digitalization

Active participation of diverse human resources with flexible workstyles

- Create employment opportunities for women and people with disabilities.
 - → Increase the number of female managers by ten times by 2030.
- · Balance work with nursing care, childcare, etc.
- → Reduce the rate of employees who leave the company for nursing care to 0% by 2030.

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- BCP measure with diversified working styles
- Going paperless and improving the efficiency of the approval process
- Enabling joint work and collaboration with no constraints on space

- IV. Basic policy for Innovation Plan 2024 "Design the Future Life"
- 2. Priority strategies: **5** Strengthening of SDG initiatives (3) Strengthening of corporate governance
 - Strengthen the governance system to improve the corporate value over the medium to long terms.



V. Capital policy

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- V. Capital policy
- 1. Shareholder return
 - Return profits to shareholders proactively in accordance with the TOKAI Group's growth and improvement of the level of consolidated net income, based on the shareholder return policy.

Shareholder return policy

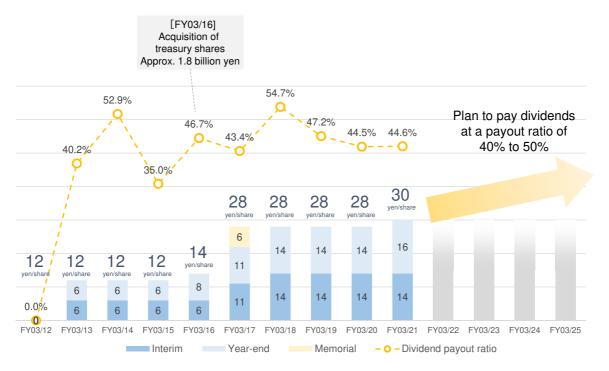
Share business achievements with shareholders with continuous, stable return of profits.



Pay dividends at a dividend payout ratio of 40% to 50%.

Acquisition of treasury shares will also be carried out flexibly.

■ Plan to pay dividends at a payout ratio of 40% to 50% from FY03/22 onward, based on the annual amount for FY03/21, which was increased to 30 yen/share.



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VI. Management indicators

VI. Management indicators

- Maintain a level of capital efficiency (ROE and ROIC) that meets market expectations.
- Aim to achieve sustainable growth in sales and profit throughout the four years, although profit will remain flat in FY03/22 due to enhanced measures to acquire LP gas customers and implementation of workstyle reforms.

(Billion yen)	FY03/21 Result	FY03/22 Target	FY03/23 Target	FY03/24 Target	FY03/25 Target	
Sales	196.7	207.0	221.0	232.0	245.0	
Operating profit	15.2	15.2	15.6	16.5	18.6	
Net income	8.8	8.8	9.0	9.5	11.0	
Operating CF*	22.4	21.8	23.0	24.0	26.0	
Customer numbers (millions)	3.10	3.20	3.32	3.44	3.56	
Dividend payout ratio	44.6%	44.6% 40% - 50%				
ROE	12.7%		\rightarrow			
ROIC	9.2%		\rightarrow			
Equity ratio	41.6%		\rightarrow			

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VII. Message for the coming ten years

^{*} Operating CF = Operating profit + Depreciation – Lease payment – Tax payment **34**

From Service Supply to "Life Design."

The social environment has gone through changes, such as those related SDGs, clean energy, and digitalization, not to mention changes in lifestyle reflecting the COVID-19 pandemic.

People's lifestyles will also change.

To determine our direction in response to prevailing needs. we will also accelerate our efforts to be a corporate group that continues to achieve sustainable growth.

To achieve this, we need to upgrade our activities, from the provision of lifestyle infrastructure to support for customers' lives, and further to designing and suggesting lifestyles, aiming to realize TLC.

> We will contribute to solving social issues by designing and suggesting lifestyles desired by customers.

We will invest our management resources in a balanced manner to achieve further growth based on efforts to increase customer numbers in areas that have expanded to all over Japan, and then the world.

> And we will continue to follow our corporate philosophy: "To improve the lives of our customers, we will continue to grow and develop together with local communities and the earth."

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(Reference) Story for the coming ten years

The Group's ten year vision New lifestyles established due to COVID-19 (Growth in demand related to the stay-at-home Life Design lifestyle, social distancing). Shift to online shopping - Encouragement of teleworking and > Support customers' lives by identifying their needs, staggered work times, etc. Growing health awareness based on an expansion of the customer base. Emerging regional challengesEnhanced services provided at home Further, mix multiple services to create experiencebased value, and then begin to take steps toward - Evolution of experience-based services designing and suggesting lifestyles desired by Double the earnings - Global moves to demand and expect customers. Sales: ¥400.0 billion contributions to achieving SDGs seriously > Solve social issues through the above. Operating profit: ¥30.0 billion Trend toward clean energy > For this purpose, invest management resources in - Energy deregulation Digitalization Workstyle reforms growth and shareholder return in a well-balanced manner. Population decline/ Falling birthrate and aging population Environmental changes Innovation Plan 2024 "Design the Future Life" Becoming a corporate group which continues to grow sustainably • Implementation of the LNG strategy Service Supply 2 Evolution of TLC Concept (Digital marketing & Open Innovation) Stepping up of DX strategy Optimal allocation of management resources Sales: ¥196.7 billion Operating profit: ¥15.2 billion Strengthening of SDG initiatives 37 Copyright© 2021 TOKAI Holdings Corporation All rights reserved.

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(Reference) Strategy by business

1. Energy business

Energy business Sales ratio in FY03/21 39.3% Market outlook Demand for LP gas for households will decline while that for LP gas for industrial use will increase. (The falling birthrate and the aging population, smaller household size, energy conservation, conversion to other energy sources, competition in the LP gas industry, etc.) Response to major disasters

Expectations for economic growth and demand in Southeast Asia

Business policy and strategy

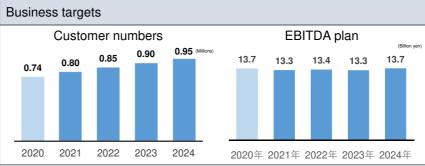
•: Contributing to SDGs

- Nationwide expansion of energy business (LP gas, city gas, and electricity)
 - (1) Improving customer intimacy in the Chukyo area
 - (2) Accelerating expansion into new areas



- Streamlining and efficiency improvement through renovation of the mission-critical system
- Initiatives to achieve carbon neutrality
 - → Promotion of decarbonization and use of renewable energy and energy-saving equipment
- Acceleration of overseas expansion
 - → Considering new destinations, including Vietnam and other Southeast Asian countries





Information and Communications business for individual consumers Sales ratio in FY03/21 13.4 % Market outlook > Increase in internet use reflecting the spread and expansion of video content, IoT consumer electronics, etc. Intensified competition among mobile phone carriers Emergence of new internet businesses reflecting an increase in time spent at home

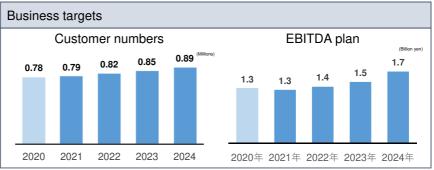
Business policy and strategy

•: Contributing to SDGs

- Providing optimal, high-quality communication services by enhancing network equipment and improving its efficiency, in response to growing demand for internet access
- Promoting new sales methods, including non-face-to-face sales activities (online customer services and web-based virtual dealership network), in addition to face-to-face sales activities at massmerchandise outlets
- Promoting the MVNO business (LIBMO) based on its price competitiveness
- Enhancing solutions for households, including online services







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(Reference) Strategy by business

3. Information and Communications business (for corporate clients)



- 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

Business policy and strategy

•: Contributing to SDGs

- Expansion of network infrastructure for digital transformation (DX) and new IT strategies
- Overseas expansion of cloud integration (to Southeast Asia, etc.) and development of human resources to support that expansion
- Expansion of network services for overseas clients and their monetization
- Provision of solutions for workstyle changes
- Securing engineers







CATV business Sales ratio in FY03/21 17.2 % Market outlook Intensified competition among providers of video distribution services Strong evaluation of fixed-line

communication services, which

excel not only in price but also in transmission speed and stability

Business policy and strategy

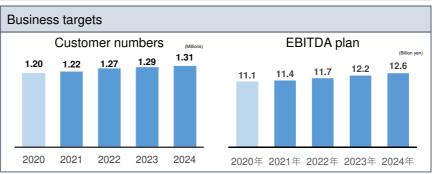
•: Contributing to SDGs

- Expanding service areas and customer base mainly through M&A
 - → Local revitalization with community channels, etc., cooperation with local governments, enhancement of disaster control systems, and others
- Providing high-quality CATV services through full conversion to optical fiber networks
- Use of new ICT-related technologies including local 5G
 - → Increasing use of information and communication technologies in local communities
- Developing new subscription services following CATV









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(Reference) Strategy by business

5. Construction, Equipment, and Real Estate business

Construction, Equipment, and Real Estate business Sales ratio in FY03/21 11.8 % Market outlook > Stable demand for construction work > Upward trend in the renovation market

Business policy and strategy

•: Contributing to SDGs

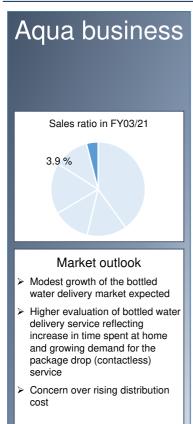
- Full-scale entry into Kanto and Chukyo areas
 - → Preparing to expand areas and domains by increasing construction capacity
- Collaborations for promoting (1) reciprocal customer transfer and (2) comprehensive proposals for three major forms of equipment installation work (air conditioners, plumbing systems, and electricity work)
- Increasing orders received for the real estate management services in Kanto (Kanagawa and Tokyo) and Chukyo areas
- Nationwide expansion of OTS House and sales expansion of package products
- Preparing for expansion by increasing construction capacity and securing qualified personnel











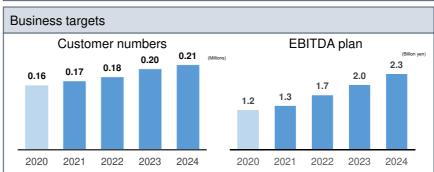
Business policy and strategy

•: Contributing to SDGs

- Expanding the customer base
 - (1) Nationwide expansion of the one-way bottle service
 - (2) Retaining the customer base of the returnable bottle service
 - → Promoting event-based sales activities, expanding non-face-toface sales activities such as telemarketing and web-based sales promotion
- Efficiency improvement and streamlining of distribution
- Thorough quality control and productivity improvement







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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.

Management Strategy Department, Management Strategy Division TOKAI Holdings Corporation 2-6-8 Tokiwa-cho, Aoi-ku, Shizuoka 420-0034, Japan

Phone: +81-(0)54-273-4804

Fax: +81-(0)54-275-1110 https://tokaiholdings.co.jp

e-mail: hd-info@tokaigroup.co.jp

