

For new Japanese and overseas investors

IR Discussion Materials

About the TOKAI Group

We anticipate the needs of daily life and provide people with security and safety, convenience and comfort, and joyful and meaningful lives.



TOKAI Holdings Corporation
(Code: 3167)

Please visit our updated website:
www.tokaigroup.co.jp/

(1) Introduction of the TOKAI Group

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 6th year—

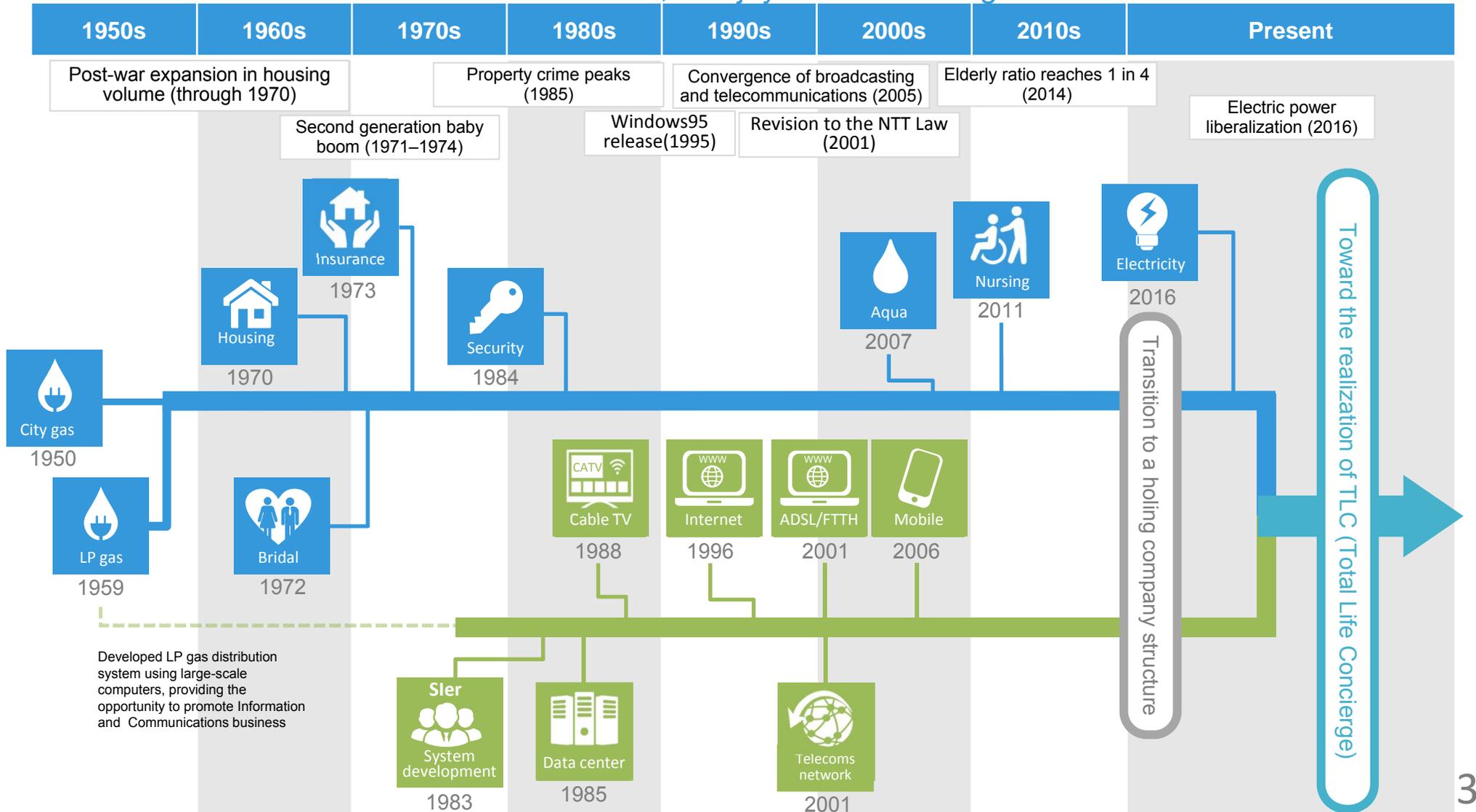
—Merger between TOKAI CORPORATION (First Section), a provider of LP gas,

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	22 consolidated subsidiaries, 4 affiliates			
Sales, operating profit	¥180.9 billion, ¥8.2 billion (FY03/16)			
Employees	3,856			
Main businesses Note: Percentage figures indicate proportion of total sales	Gas and Petroleum	:	44.6%	(sales: ¥80.7 bn; operating profit: ¥9.0 bn) TOKAI, TOKAI GAS
	Information and Communications	:	24.4%	(sales: ¥44.2 bn; operating profit: ¥2.3 bn) TOKAI COM
	CATV	:	13.6%	(sales: ¥24.6 bn; operating profit: ¥2.0 bn) TCN
	Building and Real Estate	:	11.6%	(sales: ¥21.0 bn; operating profit: ¥1.3 bn) TOKAI
	Aqua	:	3.0%	(sales: ¥5.5 bn; operating profit: —¥1.1 bn) TOKAI
	Other	:	2.7%	(sales: ¥4.9 bn; operating profit: —¥5.2 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			

Striving to Meet the Needs of Society and Customers

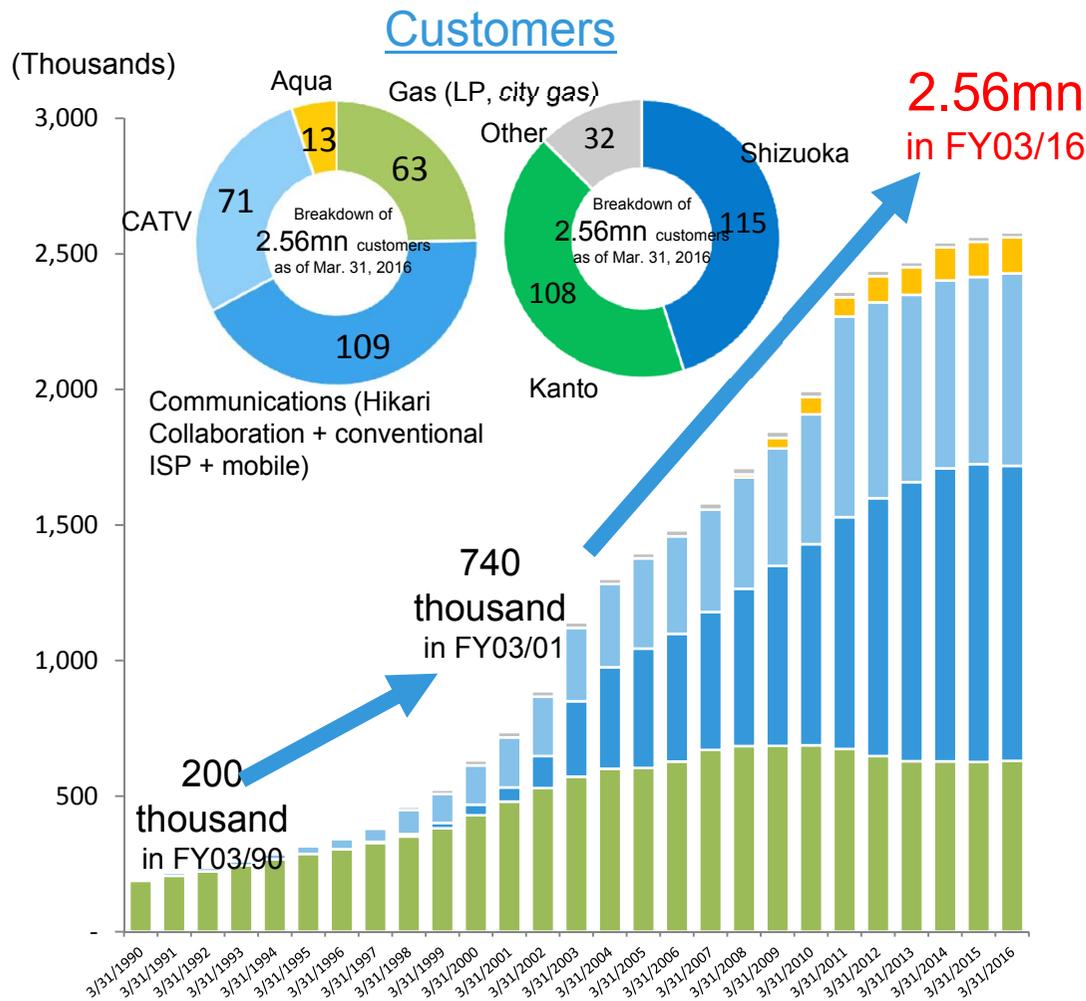
—Started in the gas business, then expanded infrastructure services to respond to social issues and demographic changes—

—Offering services that provide people security and safety, convenience and comfort, and joyful and meaningful lives—

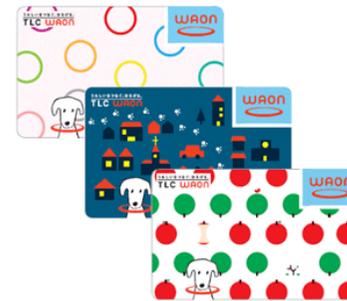


Our Fundamental Strength: (1) Customer Base

- 2.56 million customers use our products and services nationwide—
- Strong connections with customers in Shizuoka Prefecture and the Kanto region, plus increasing customer count due to expansion into new areas—
- Steady progress in increasing number of members as part of initiatives to secure earnings over a customer’s lifetime and promote cross-selling—



Point Club Memberships to Exceed 500 thousand



- Points accrue based on monthly usage amounts. Users of multiple services receive additional bonus points.
- Can be used as e-money at 170 thousand affiliated shops, with links to other point services.
- Successful in reducing cancellation rate by half.



Our Fundamental Strength: (2) Comprehensive Services

—TLC (Total Life Concierge) is the core concept of our service provision—

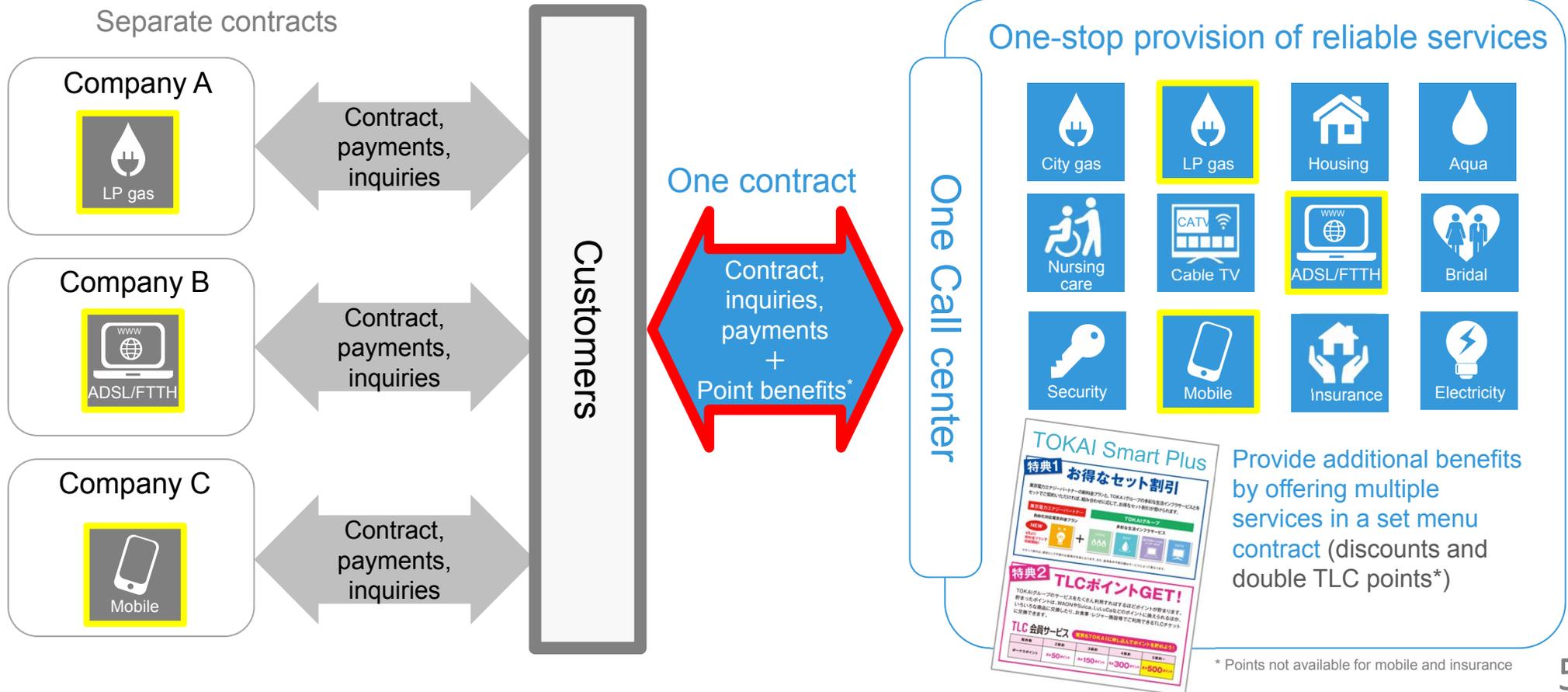
—We offer customers convenience and economic benefits by combining multiple services in line with our strategy to increase ARPU—

—We offer competitive prices compared with other companies in our industries.

Our strength is the ability to provide services as a set—

Using Other Companies' Services

Using Our Services



Our Fundamental Strength : (3) Agility

—A total of 1,500 managers meet customers face-to-face and propose solutions—
—Call centers help reduce cancellations
and will proactively expand operations to support contract acquisitions—

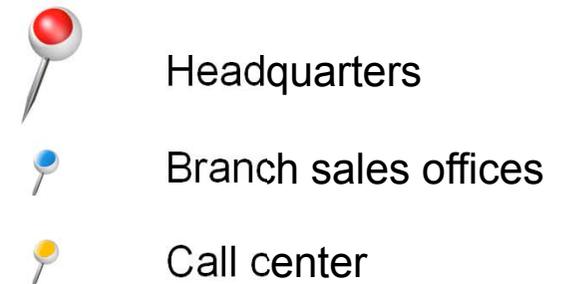
127 sales locations*

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



1,500
regional managers

40 million
customer contact points



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

Successful TLC Model Leveraging Regional Ties

- Our core strategy is to promote multiple service contracts through sales based on regional ties—
- The gas business is the basis for TLC because customer contact points are strong, providing a high rate of multiple service contracts—

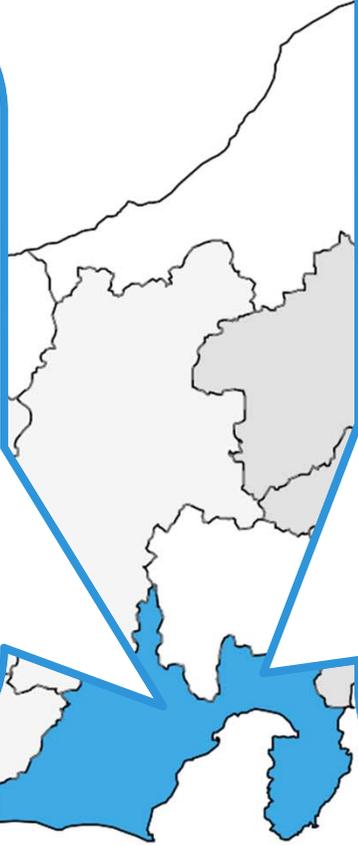
Two in three households in Shizuoka Prefecture are our customers

(TOKAI Group household contracts)

920 thousand

(Households in Shizuoka Prefecture)

1.43 million



Of these, 15.8% use two or more services (nationwide, 6.7%)

Region	Percentage
Shizuoka Prefecture	15.8%
Kanto area	1.0%

Of this figure, gas customers are especially effective targets for cross-selling the Group's other services

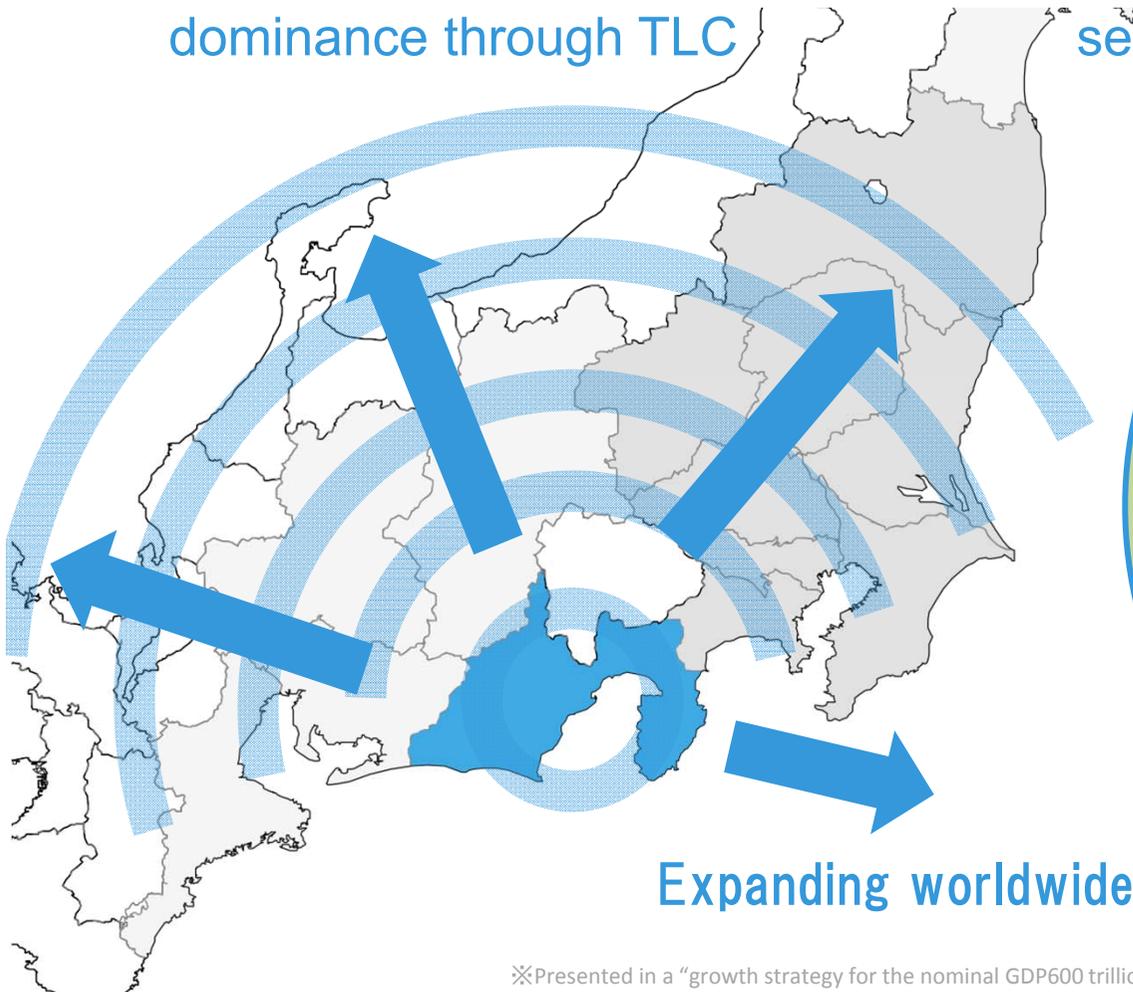
Gas Type	Percentage
City gas	36.8%
LP gas	23.1%

1 Contracts by the TOKAI Group as of March 31, 2016 (Gas: 230 thousand; CATV: 390 thousand; Information and Communications: 470 thousand, Aqua: 70 thousand)
 2 The number of households in Shizuoka Prefecture is as of April 1, 2016, according to "Shizuoka Prefecture Population Statistics, by City, Ward, Town, and Village," Shizuoka Prefectural Government. Calculations for monthly reporting of population statistics in Shizuoka Prefecture are based on preliminary national census figures (population as of October 1, 2016).

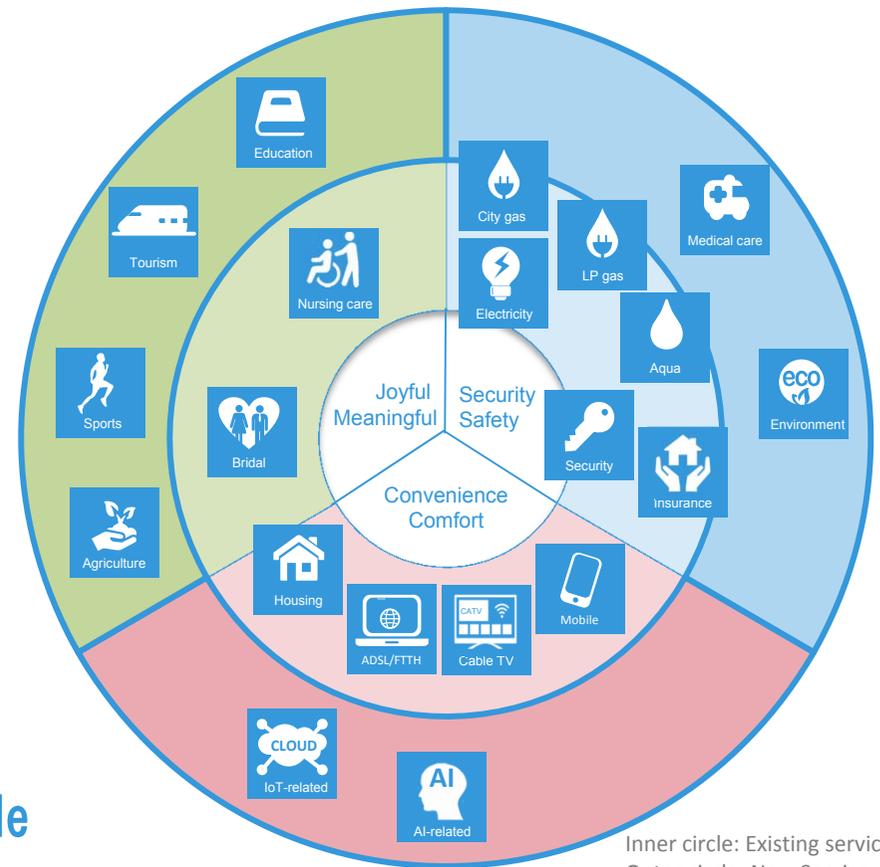
Our TLC Vision and Expansion Scenario

- Conduct a full-fledged rollout into other areas, under the TLC strategy of providing each customer household with multiple products and services—
- We intend to accelerate the expansion of new products and services by developing new businesses ourselves and through alliances with other companies—

Area expansion and dominance through TLC



Also looking at new businesses and services in the private/public project sector

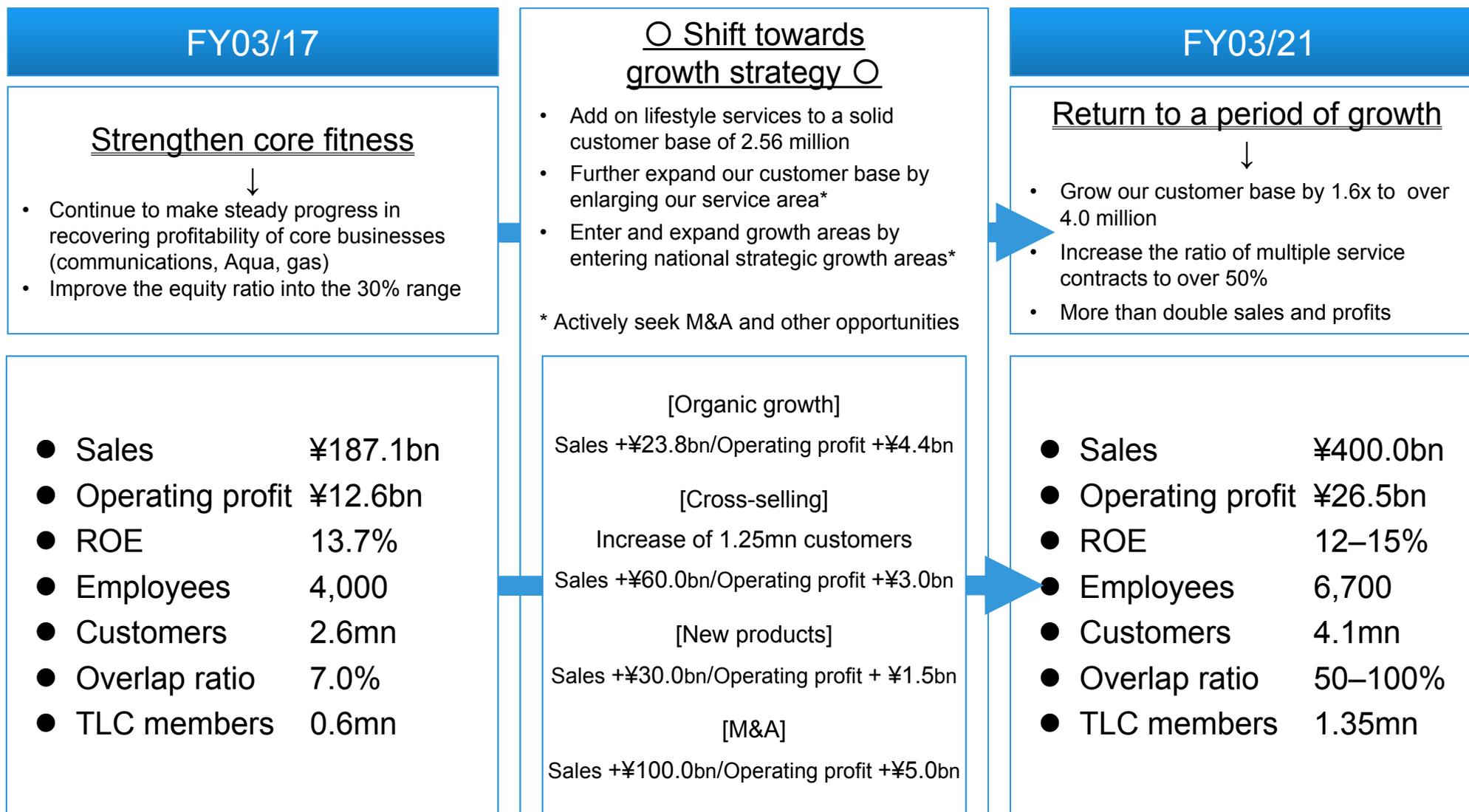


※Presented in a “growth strategy for the nominal GDP600 trillion yen” announced on April 19, 2016 at the 26th industrial competitiveness conference

Overview of the Next Medium-Term Management Plan

—FY3/17: Formulate a new medium-term management plan for FY03/18–FY03/21—

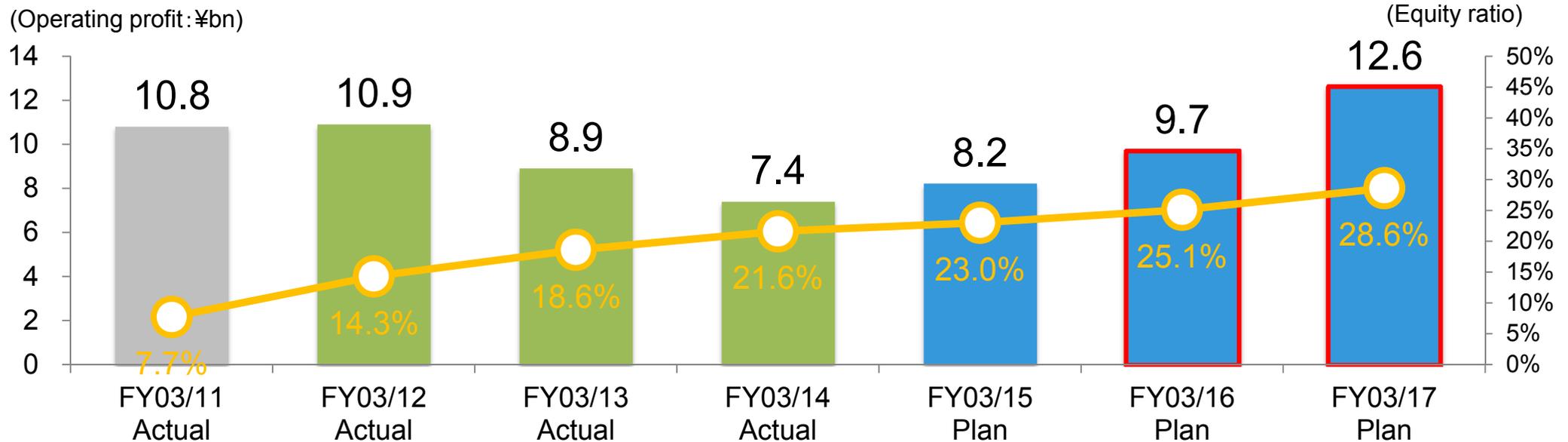
—Shift towards a growth strategy based on the core fitness strengthened in the six years from FY03/12 to FY03/17—



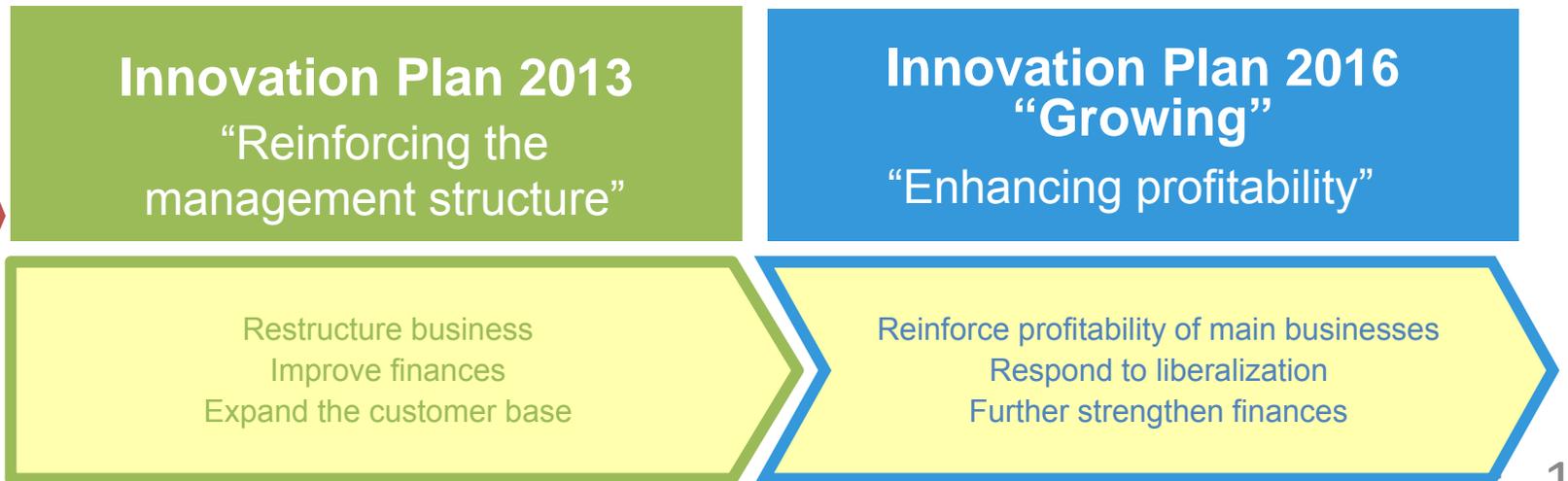
(2) Progress on “Enhancing Profitability”
Earnings Highlights for FY03/16
(Fiscal Year Ended March 31, 2016)
and Performance Forecast for FY03/17
(Fiscal Year Ending March 31, 2017)

Innovation Plan 2016 “Growing”

—Under IP16 “Growing,” prioritize enhancing profitability in core businesses, an issue seen with IP13—
 —By the end of the plan’s final year, boost operating profit to ¥12.6 billion and the equity ratio to 30% (plan calls for 28.6%)—



Holding company structure



FY03/16 Performance Highlights

1. “Real” sales increase

- Price decline due to fall in LP gas contract prices (FY03/15:\$699→FY03/16:\$396) had ¥10.3 billion impact
 - ➡· Basically neutral impact on gross profit (although improved margins on household and industrial use boosted profit)
- Improvements in all segments except Gas and Petroleum, boosting sales by ¥3.7 billion

2. Strategic expenditures of ¥3.0 billion, otherwise profits up

- Customer shift to Hikari Collaboration (transfer rate of 27.8%) outpaced the national average (20.6%), progressed to 219 thousand
 - ➡· Aggressively promoted shift to high-profit services ➡· Major profit growth factor in FY03/17
- Improved profits in all segments except Information and Communications led to higher profits
 - ➡· Gas and Petroleum segment +¥1.3 billion (including improved margin due to lower contract prices)
 - ➡· CATV segment +¥0.3 billion
 - ➡· Aqua segment +¥0.2 billion
 - ➡· Building and Real Estate segment +¥0.2 billion

3. Achieved “provision of 100% of profits to shareholders”

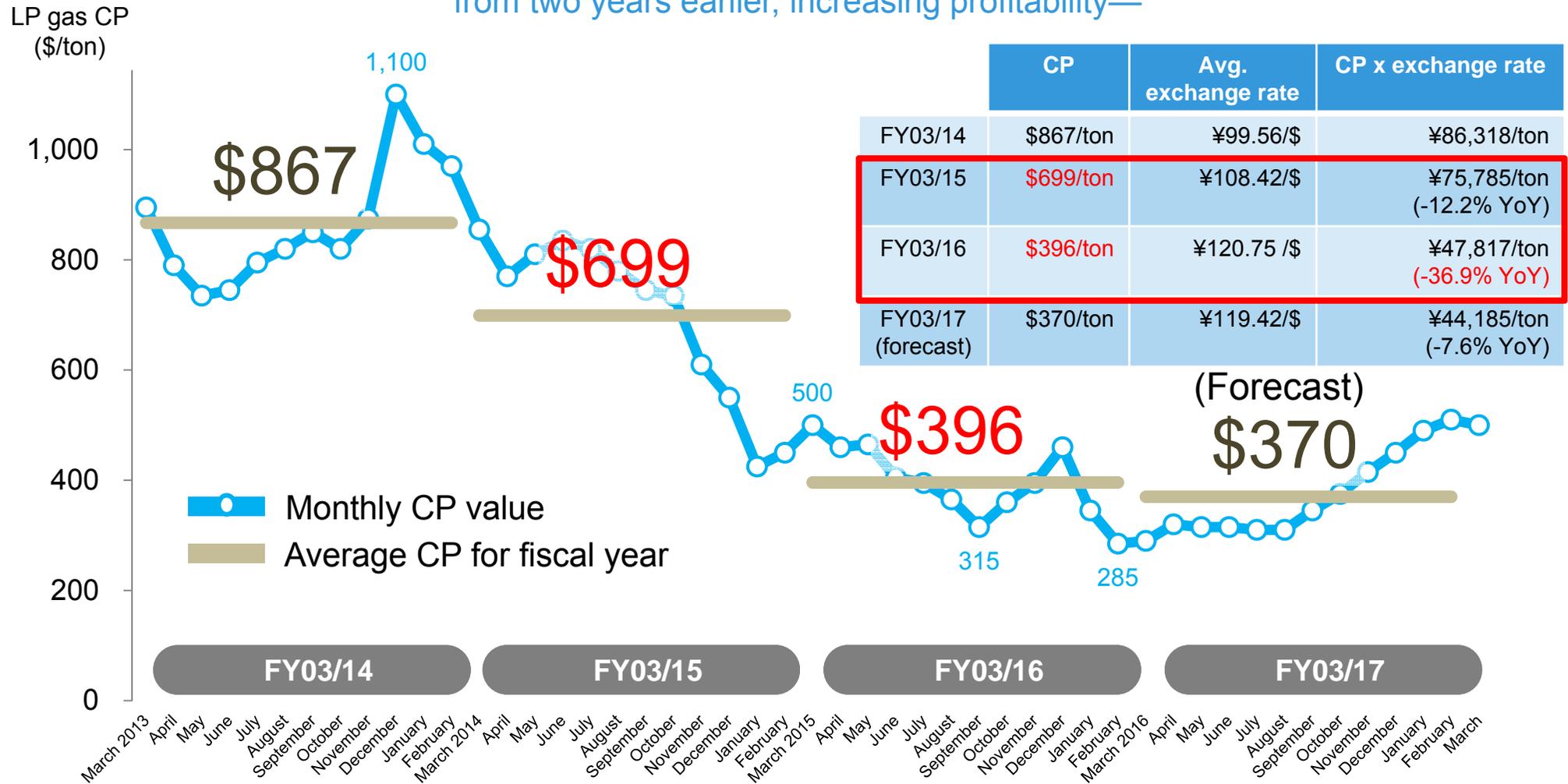
- In line with financial improvement, introduced YoY dividend increase and share buyback in FY03/16
 - ➡· Also raised year-end dividend to reflect higher-than-expected profits
- Considering same stance regarding returns in FY03/17

Lower Sales on Price Fall Linked to Contract Prices (CP) in LP Gas Business

—Raw materials price down approximately 40% YoY, impact of approximately

¥28/kg x selling price of over 300 thousand tons/year led to sales impact of minus ¥10.3 billion—

—For household use, margins on difference between selling and procurement prices improved ¥2.1 billion from two years earlier, increasing profitability—



Generally in Line with Expectations on the Earnings and Financial Fronts

—All profit items outperformed forecast, improvement in interest-bearing debt,
real improvement in equity ratio—

—Net customer increase at 20 thousand from prioritizing profitability,
and major increase in Hikari Collaboration contract acquisitions, at 219 thousand—

	FY03/15	FY03/16	YoY change	Forecast Announced in May 2015
Sales	¥187.5bn	¥180.9bn	-¥6.6bn	¥192.2bn
Operating profit	¥9.0bn	¥8.2bn	-¥0.8bn	¥7.8bn
Recurring profit	¥8.5bn	¥8.2bn	-¥0.4bn	¥7.4bn
Net income	¥3.9bn	¥3.5bn	-¥0.5bn	¥3.2bn
Income per share	¥34.16	¥30.01	-¥4.15	¥28.04
Dividend per share	¥12	¥14	+¥2	¥12
Interest-bearing debt	¥73.1bn	¥71.4bn	-¥1.7bn	¥72.5bn
Equity ratio	25.7%	* 25.6%	-0.1%	26.1%
Customers	2,537k	2,558k	+20k	2,611k

* Excluding impact of devaluation of investment securities, 26.3% above forecast figure



Net Customer Increase by Prioritizing Profitability

—Promoting customer acquisition by prioritizing profitability during IP2016 “Growing” period, FY03/16 achieved YoY increase of 20 thousand customers—

—In communications, proactive shift in investment from conventional ISP to highly profitable Hikari Collaboration—

—In Aqua, revising sales method in response to slower market growth an issue this year—

		Mar. 31, 2014	Mar. 31, 2015	Mar. 31, 2016	YoY
Gas (LP, city gas)		628k	626k	634k	+8k
Information and Communications	Conventional ISP, etc.	854k	859k	633k	-227k
	Hikari Collaboration	—	4k	219k	+215k
	Mobile	227k	235k	236k	+1k
	Subtotal	1,082k	1,099k	1,088k	-11k
CATV		693k	690k	710k	+20k
Aqua		122k	130k	133k	+3k
Security		19k	18k	18k	-0k
Total		2,519k	2,537k	2,558k	+20k

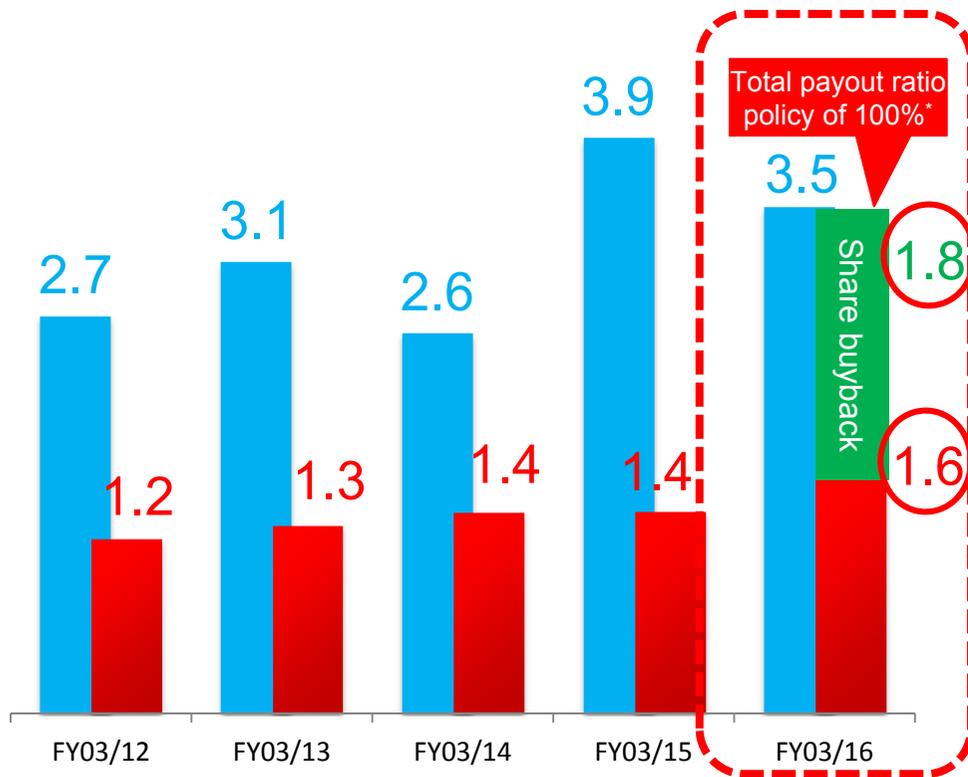
Achieved Commitment to Provide 100% of Profits to Shareholders

—During the year, announced return policy of ¥1.4 billion in dividends + share buyback of ¥1.8 billion (forecast net income of ¥3.2 billion)—

—Implemented share buyback (¥1.8 billion: 3 million shares) and decided to raise year-end dividend by ¥2/share on higher-than-expected profits

Note: Of treasury stock held (39.19 million shares on Sep. 30, 2015: 25.3%), cancelled 15.2 million shares, or 10% of issued shares.

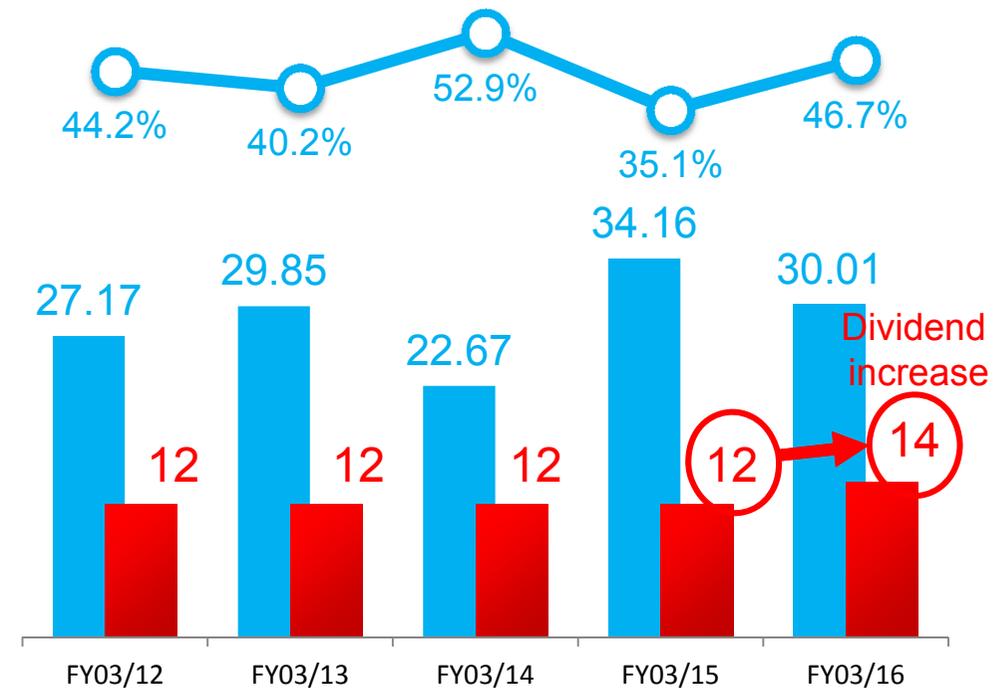
Net Income (¥bn) and Dividends (¥bn)



■ Net income ■ Dividends ■ Share buyback

* (Total dividends (excluding subsidiaries) + share buyback price) ÷ net income = 98.35%

Income per Share (¥/share), Dividends (¥/share) and Payout Ratio (%)



■ Income per share ■ Dividend per share ● Payout ratio

Highlights of FY03/17 Performance Forecast

1. Forecast increased sales and profits (record highs in all profit categories)

- Incorporating ¥4.9 billion reduction due to price decreases linked with falling contract prices, but neutral impact on gross profit expected this year
- ¥8.7 billion increase in Hikari Collaboration, plus ¥2.4 billion rise from higher monthly fees in other businesses

2. Develop strategy prioritizing efficiency in Hikari Collaboration, profitability in Aqua

- In communications, continue promoting shift from conventional ISP to highly profitable Hikari Collaboration
 - ➡ Acquisitions to fall YoY and achieve a “cruising pace,” earnings to improve considerably
- In Aqua business, change sales method, adopt a strategy prioritizing profitability to secure profits
 - ➡ Shift from previous focus on expanding the base to emphasis on profitability, dramatically improve expenditures

3. Expect to reach financial targets in final year of IP16 “Growing”

4. Plan major dividend increase, maintain policy emphasizing shareholder returns in FY03/17

- Forecast dividend increase from ¥14/share per year in FY03/16 to ¥22/share per year in FY03/17 (interim and year-end dividends of ¥11/share each)
 - ➡ Dividend policy targeting payout ratio of 40%
- Consider same stance as in FY03/16 for other returns (such as share buybacks)

Final Year of Current Medium-Term Plan (Enhance Profitability)

—Expect to meet all profit targets under IP2016 “Growing” in FY03/17—

—On financial front, also expect to meet all indicator targets under IP2016 “Growing”—

—Expect to double net customer increase YoY and promote shift of approximately 140 thousand customers to Hikari Collaboration—

	FY03/16	FY03/17	YoY change	FY03/17 under IP16 “Growing”
Sales	¥180.9bn	¥187.1bn	+¥6.2bn	¥209.5bn
Operating profit	¥8.2bn	¥12.6bn	+¥4.3bn	¥12.6bn
Recurring profit	¥8.2bn	¥11.8bn	+¥3.7bn	¥11.8bn
Net income	¥3.5bn	¥6.2bn	+¥2.8bn	¥6.2bn
Income per share	¥30.01	¥55.13	+¥25.12	¥54.06
Dividend per share	¥14	¥22	+¥8	¥12
Interest-bearing debt	¥71.4bn	¥62.2bn	-¥9.2bn	¥64.7bn
Equity ratio	* 25.6%	30.8%	+5.2%	28.6%
Customers	2,558k	2,604k	+46k	2,730k

* Excluding impact of devaluation of investment securities, 26.3% above forecast figure



Increase Customers with Ongoing Focus on Profitability

- In LP gas, net customer count to double, including expansion into new areas—
- In communications, proactively shift to highly profitable Hikari Collaboration, achieve a “cruising pace” of Hikari Collaboration acquisitions this year—
- In Aqua, change sales strategy, with fewer customer acquisitions but a focus on profitability, quickly moving into the black—

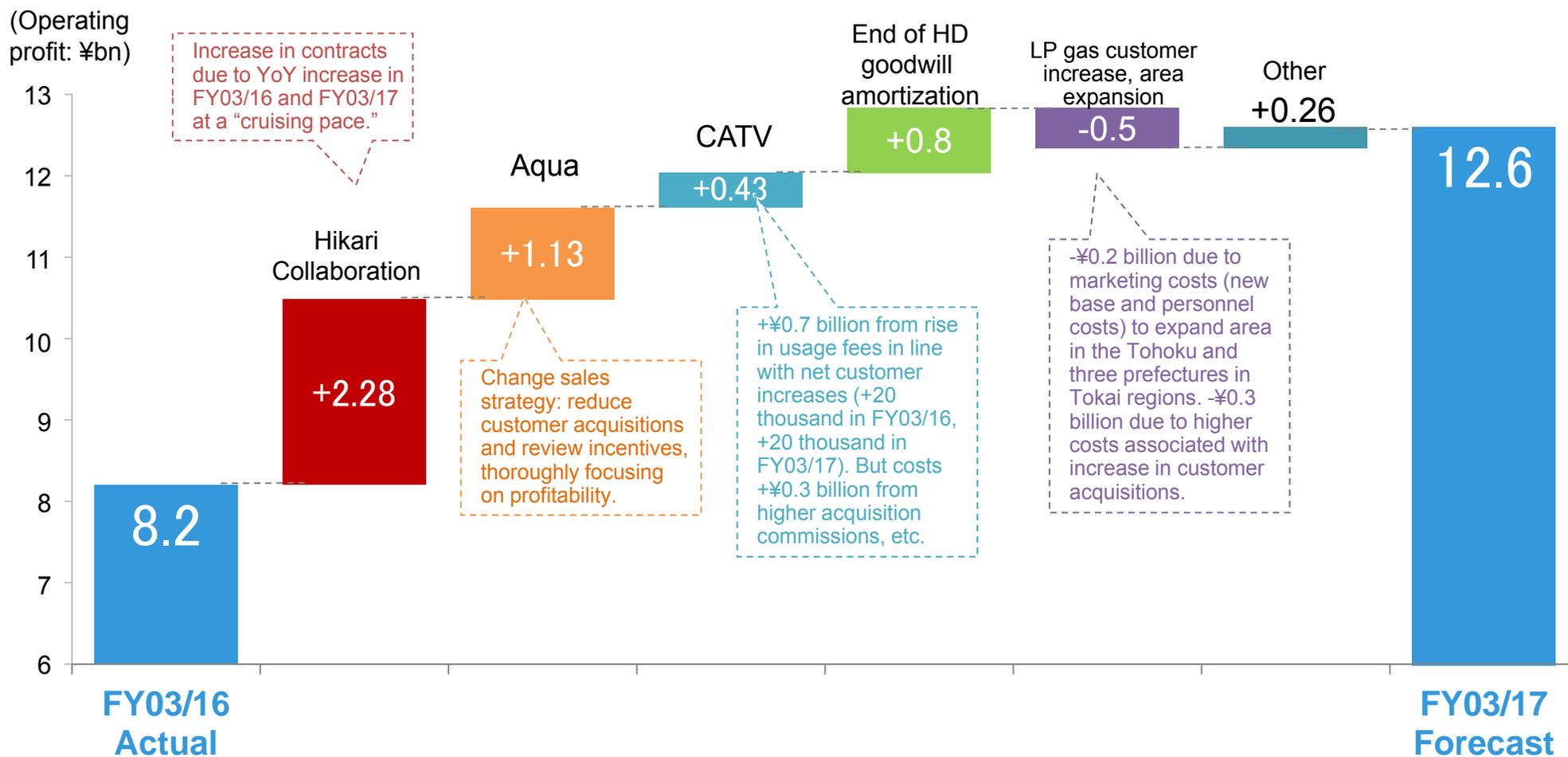
		Mar. 31, 2015	Mar. 31, 2016	Mar. 31, 2017	YoY
Gas (LP, city gas)		626k	634k	650k	+16k
Communications and Information	Conventional ISP, etc.	859k	633k	499k	-133k
	Hikari Collaboration	4k	219k	357k	+138k
	Mobile	235k	236k	237k	+1k
	Subtotal	1,099k	1,088k	1,094k	+6k
CATV		690k	710k	730k	+20k
Aqua		130k	133k	138k	+5k
Security		18k	18k	18k	+0k
Total		2,537k	2,558k	2,604k	+46k

Essentially All Factors in Place to Support Profit Increase This Year

—In Hikari Collaboration, rise in number of contracts accumulated last year and this year—

—In Aqua, quickly move into the black due to changes in sales methods:
fewer acquisitions, and prioritizing profitability—

—In the LP gas business, invest in
marketing and expanding within the range of profit growth—



The performance forecasts and forward-looking statements in these materials are calculated according to currently available information, 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。

