



TOKAI Holdings Mid-Term Management Plan — Innovation Plan 2013 —

May 10, 2011



— Agenda

- 1 Overview of TOKAI Holdings
- 2 Innovation Realizing with the New System
- 3 Growth Strategy of Innovation Plan 2013
- 4 Dividend Policy
- 5 TOKAI WAY and New Corporate Logo



1 Overview of TOKAI Holdings

1-1 TOKAI Holdings and Core Business Company



TOKAI Holdings officially launched in April 2011

Outline of Holding Company

Company name	TOKAI Holdings Corporation		
Share transfer ratio	TOKAI : VIC TOKAI = 1 : 2.3		
Location	Shizuoka City, Shizuoka Prefecture	Established	April 1, 2011
CEO	Katsuhiko Tokita	Accounting period	March 31
Listed stock exchange	Tokyo Stock Exchange, First Section	Capital	14 billion yen
Group consolidation	Sales	¥174.9 bn	Operating profit ¥10.8 bn

Overview of TOKAI*		Overview of VIC TOKAI		Overview of TOKAI GAS	
Business	LP gas, Telecommunications etc.	Business	CATV, Telecommunications etc.	Business	General Gas Utility etc.
Sales	¥109.8 bn	Sales	¥49.5 bn	Sales	¥15.6 bn
Profit	¥3.5 bn	Profit	¥6.4 bn	Profit	¥0.9 bn
Employees	2,022	Employees	1,202	Employees	159

1-2 Business Summary



Gas and Petroleum	Information and communication services	CATV	Building and Real Estate	Others
Profit: ¥6.1 bn	¥4.3 bn	¥2.6 bn	¥0.9 bn	-¥0.3 bn
 <p>Energy</p> <p>The origin of the group. Stable supply of energy with low environmental load centered on LP gas and LNG.</p>	 <p>Broadband</p> <p>Supplying ADSL and FTTH (ISP only) with "TNC" and "@ T COM" brands.</p>	 <p>CATV</p> <p>Supplying Broadcast, Internet connection (COAX/FTTH) service mainly in Shizuoka prefecture.</p>	 <p>Real estate, Sales and Rental</p> <p>Acquired 61% of the floor area of "Aoi Tower" in front of Shizuoka station, lease stores and offices.</p>	 <p>Wedding</p> <p>Operating "Bouquet Tokai" in 3 locations in eastern Shizuoka prefecture, and "Grandair Bouquet Tokai" in AOI Tower.</p>
 <p>Aqua (bottled water delivery)</p> <p>Deliver delicious natural water at the foothill of Mt.Fuji to your home, making use of gas delivery know-how.</p>	 <p>System Integrator</p> <p>Develop application service combined with optical network and Data center.</p>	 <p>Mobile</p> <p>Cooperate with SOFTBANK Group and operate sales agency mainly in Shizuoka prefecture.</p>	 <p>Residential building and equipment sales</p> <p>Providing renovation, detached houses, rental housing, condominiums and office buildings. And also sales of housing equipment and facility construction.</p>	 <p>Nursing Care</p> <p>Operating "Refrea Shimizu Komagoe Day Care Service facility" aim to become a hybrid nursing care business in cooperation with other businesses.</p>

Page ■ 4 ※Operating profit as of the 2010 fiscal year settlement.
(Elimination by company and group transactions is not included)



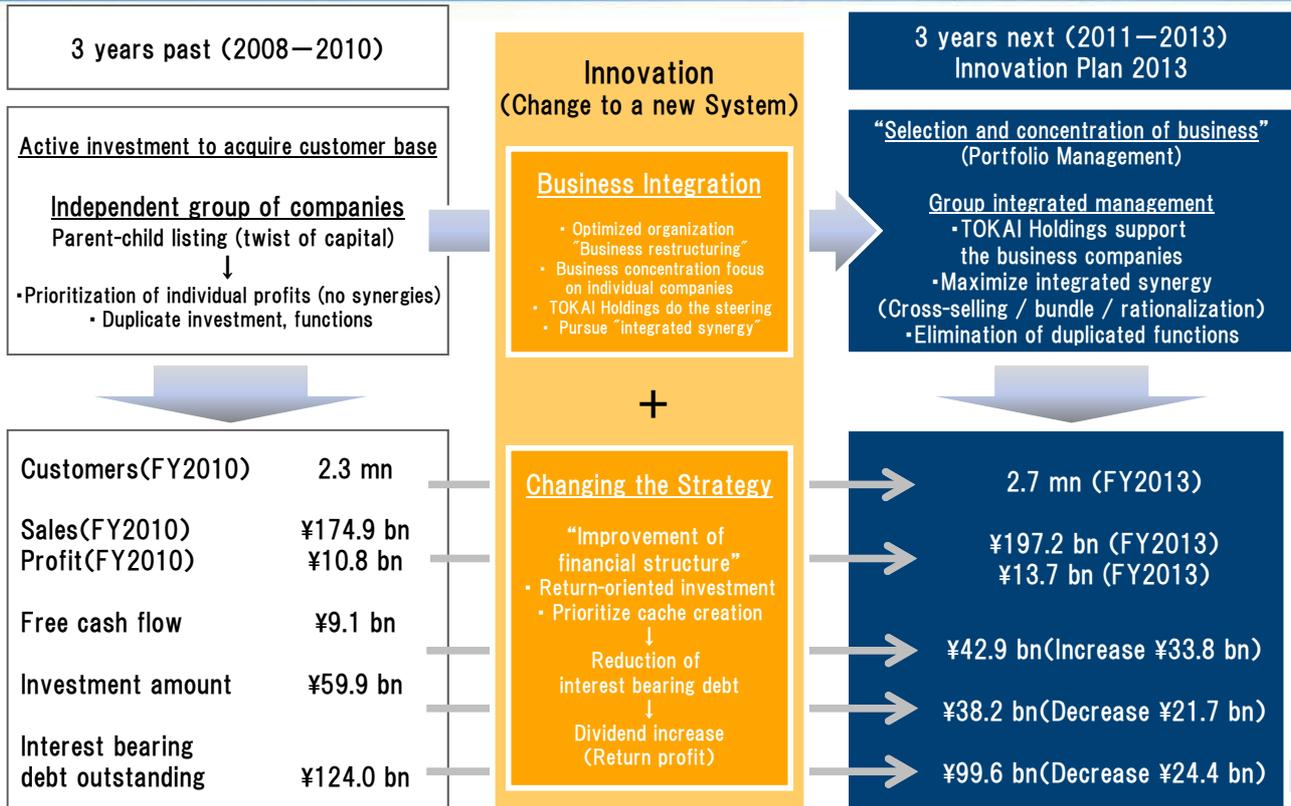
– Agenda



2 Innovation Realizing with the New System

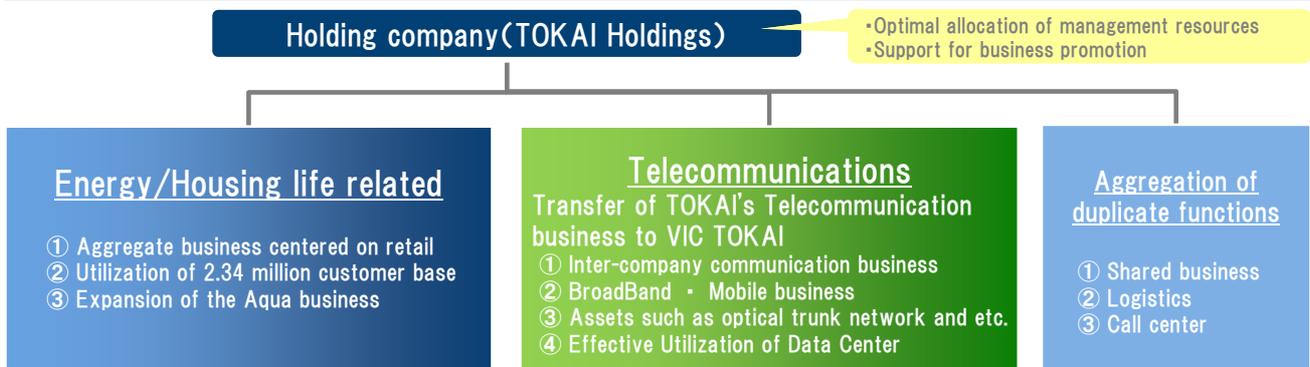


2-1 TOKAI Group's Innovation Philosophy



2-2 Business Restructuring and Integration Synergy

- Create the integrated synergies by reorganizing the business into "Energy/Housing life related" and "Telecommunications"
- TOKAI Holdings supports optimal allocation of management resources and management of operating companies





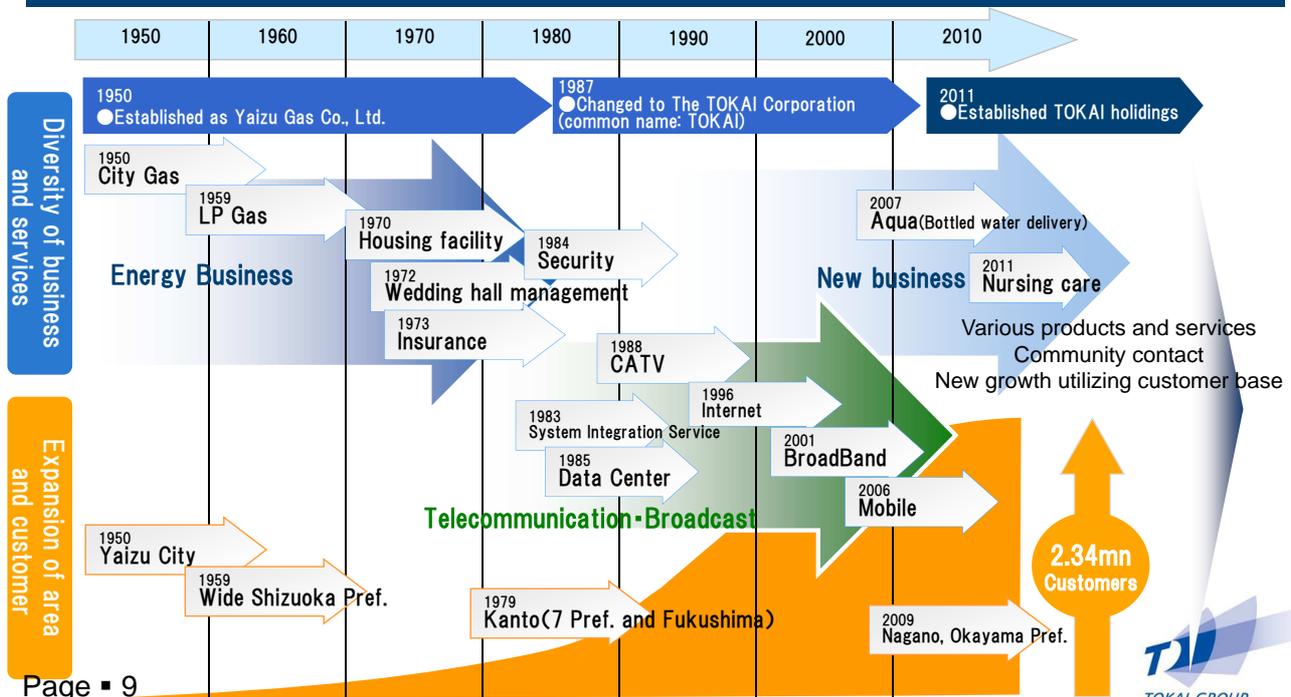
3 Growth strategy of Innovation Plan 2013



3-1 Our Strengths



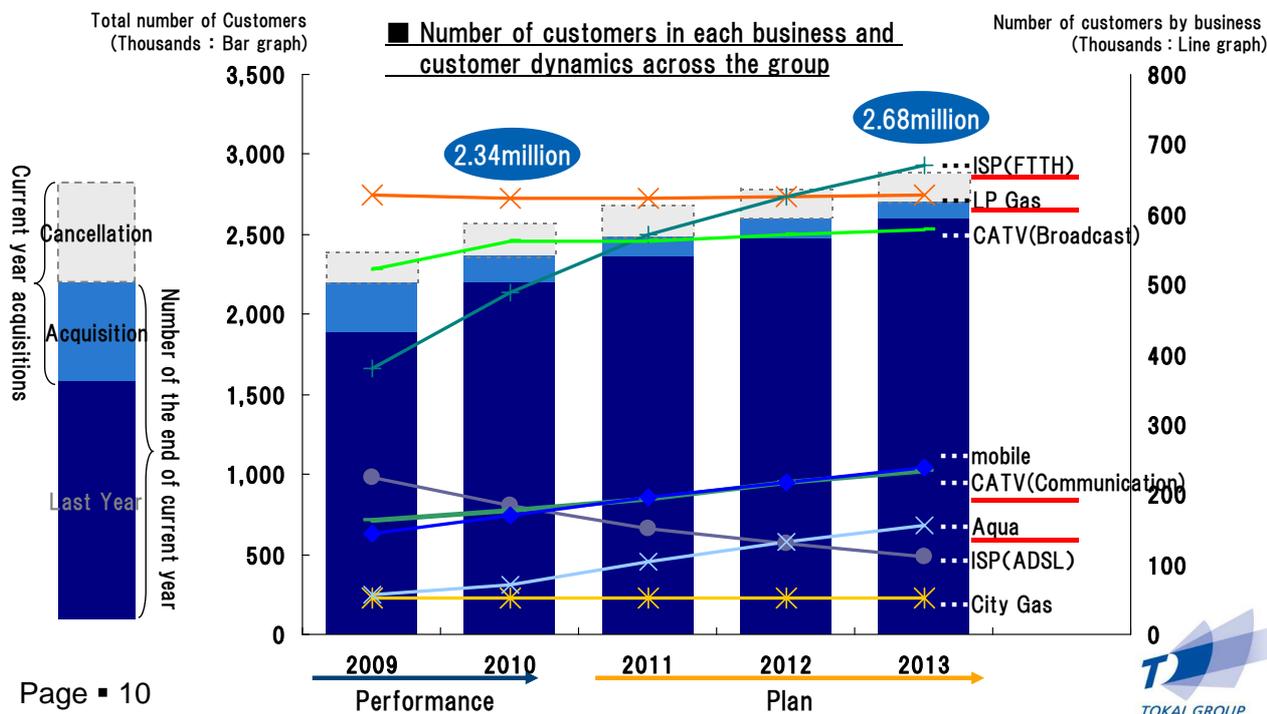
- Since launching the city gas business in 1950, the Group has made energy business as its core business, and has grown information and telecommunications business to become a new mainstay
- The Group's strength is not only to build close client base for local customers but also to provide a variety of products / services to customer and to achieve further growth



3-2-1

Premise of mid-term management plan Customer dynamics in retail business

- LP gas and City gas become constant by emphasizing the profit rate rather than customer acquisition, on the other hand we aim to increase the number of customer in ISP(FTTH), CATV communication, Aqua etc. Overall we are planning a steady growth.
- Despite fluctuations in cancellation in each business, we aim to increase the number of customers as in the past by strengthening measures to prevent cancellation.



3-2-2

Premise of mid-term management plan Assembling customer dynamics

- The number of acquisitions and cancellations is reflected in consideration of environmental changes and strategies of each company in each business
- As a result, the group as a whole plans to maintain the pace of the net increase in fiscal 2010 even after 2011

	Dynamics of FY2010 (Performance:Thousands)			Dynamics of FY2011to FY2013 (Plan:Thousands/year)			Net increment difference	Point
	Acquisition	Cancel (Ratio*)	(1) Net increase	Acquisition	Cancel (Ratio*)	(2) Net increase	(2)-(1)	
Energy (LP Gas/City Gas)	27	32 (4.9%)	-5	25	24 (3.6%)	2	7	• FY2010 includes 4,000 concession of long-paused customers • After FY2011, 2 thousand cancellations anticipated due to all-electric
Aqua	24	10 (18.0%)	14	41	13 (12.8%)	28	14	• Disposable bottled water delivery service + net increase by overseas expansion
ISP (FTTH/ADSL)	159	90 (14.8%)	69	143	108 (14.9%)	36	-33	• Decrease in acquisition accompanying slowing of FTTH increase pace
CATV (broadcast)	60	19 (3.9%)	41	19	14 (2.5%)	5	-36	• Net increase in FY2010 includes M&A results (44,000) • Including 5,000 cancellations by switching digitalization in FY2010
CATV (communication)	32	19 (10.7%)	14	39	20 (10.5%)	19	5	• Promote FTTH Switching
Whole group	338	185	153	308	195	113	-40	• Overall, the net increase is expected to be about the same pace

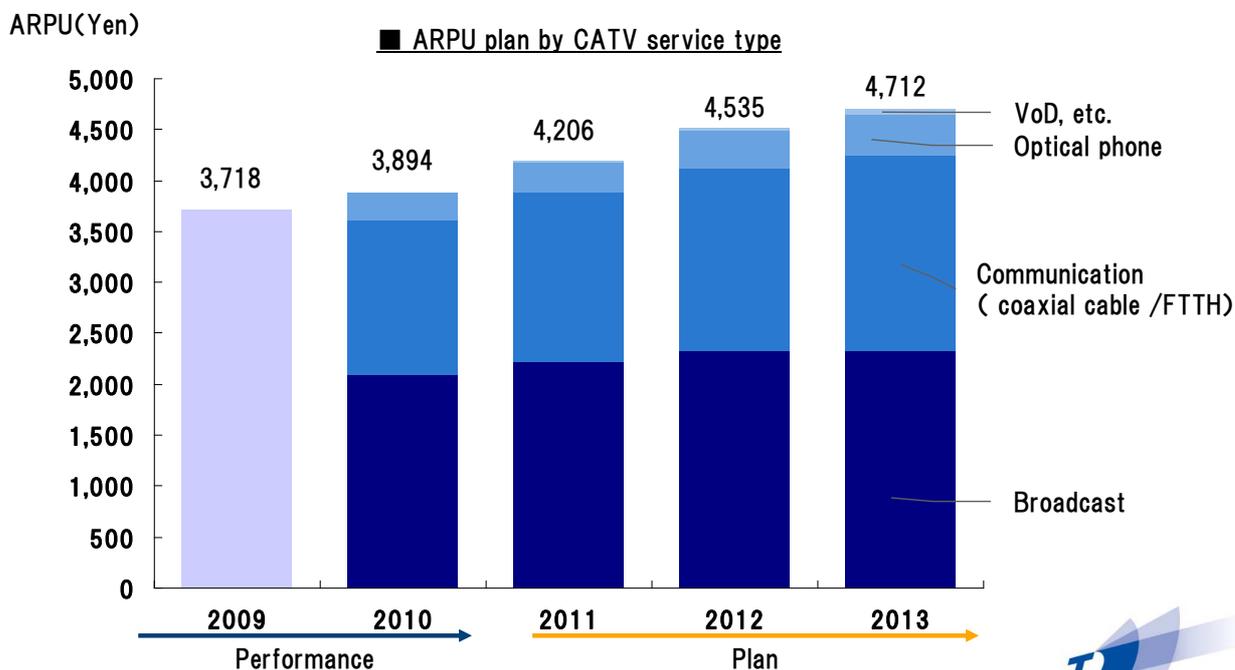
*Ratio: Number of cancellation/Number of customer at Last fiscal year

3-2-3

Premise of mid-term management plan Improvement of ARPU (example in CATV)

3167 TOKAI HD

- In addition to an customer increase, in the CATV business, we intend to enhance the ARPU* by strengthening FTTH and improving additional services such as optical phone or VoD
- In FY2013, we aim the ARPU to 4,700 yen, which is approximately 800 yen higher than FY2010.



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*ARPU: Average Revenue Per User (Average monthly sales per subscriber)



3-3

New mid-term management plan

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- We set interest-bearing debt outstanding, capital adequacy ratio and ROA as new management indicators and aim to achieve planned value three years later

	FY2009 (Performance)	FY2010 (Performance)	FY2011 (Budget)	FY2012 (Plan)	FY2013 (Plan)	FY2014 (Plan)	FY2015 (Plan)
Sales	159.2	174.9	185.4	191.1	197.2	204.4	210.9
Operating income	10.0	10.8	8.5	11.7	13.7	14.9	16.8
Ordinary income	10.8	9.5	6.6	9.6	11.5	12.6	14.5
Net income	3.1	2.2	1.6	3.8	4.9	5.8	6.8
Interest bearing debt outstanding	129.7	124.0	122.6	113.8	99.6	87.9	74.8
Equity Ratio	7.2%	7.7%	12.5%	14.0%	17.5%	20.7%	25.0%
Return on assets	1.6%	1.1%	0.8%	1.9%	2.5%	3.1%	3.9%

(JPY billion)

← Period of Innovation Plan 2013 →

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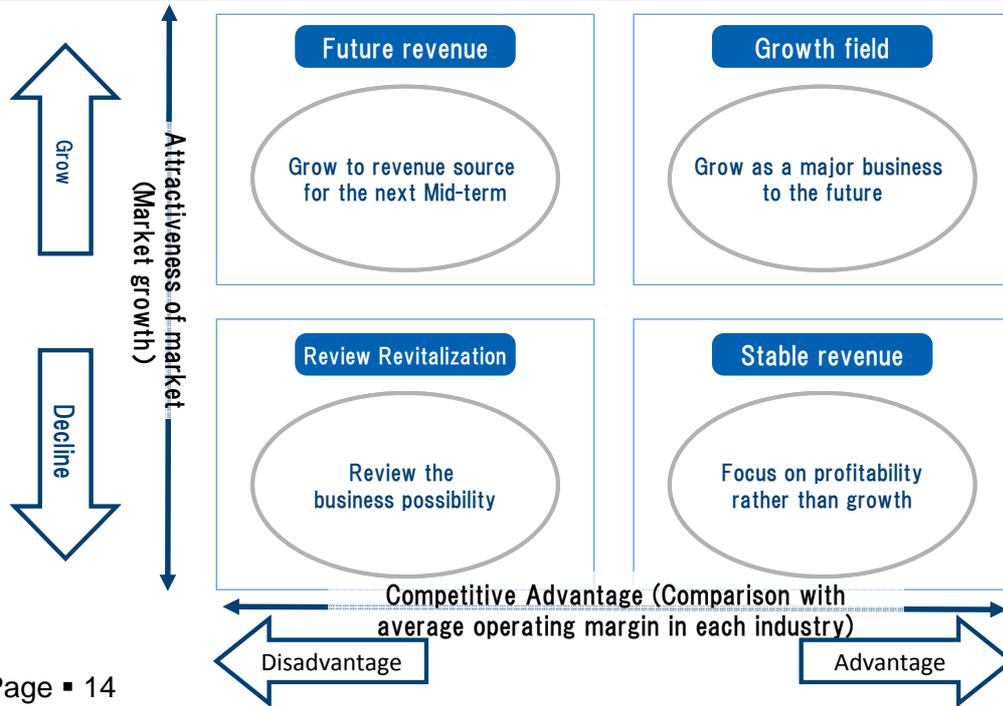


3-4-1

Business Selection and Concentration : "Selection and Concentration" by Business Portfolio



- We adopted the concept of business portfolio as a framework for making management decisions of "selection and concentration" against various group businesses
- We clarified the basic policy for each project based on the future market growth potential and profit ratio against competitors.

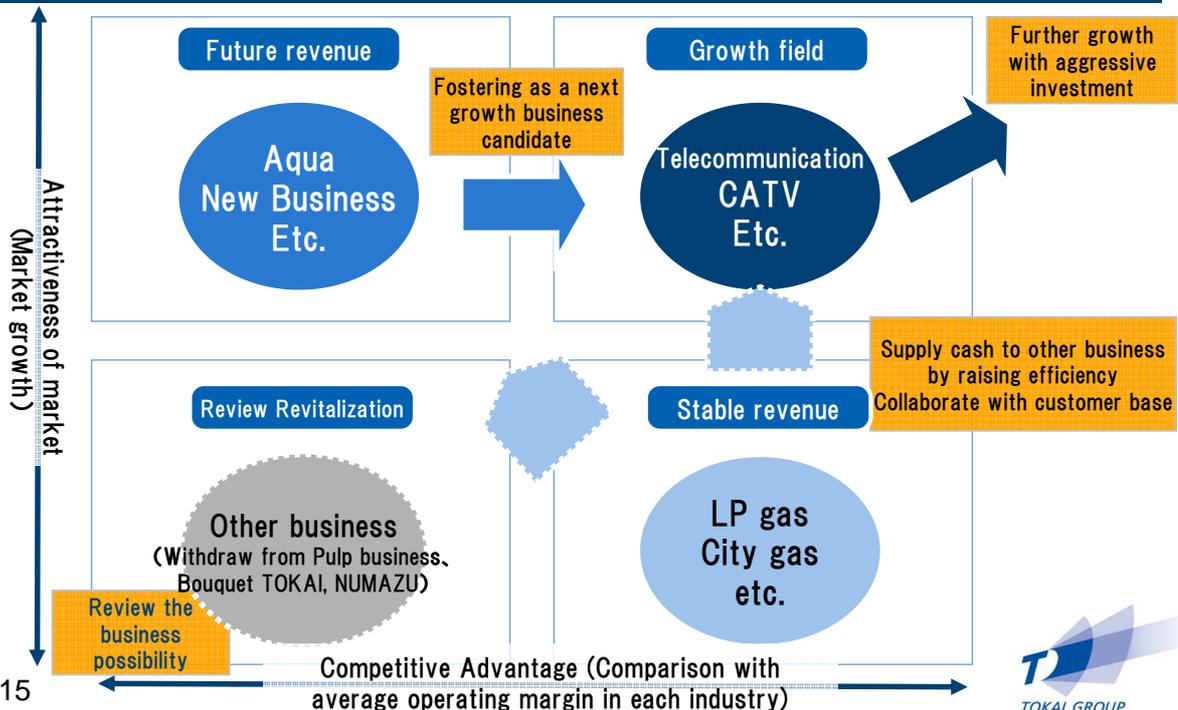


3-4-2

Business Selection and Concentration : Growth policy by business portfolio



- Regarding the gas business that has been responsible for the growth of our group, we will emphasize efficiency in the future in light of the market environment and provide cash and customer base stably to other businesses
- We will make information and telecommunications business a future growth field, aim for further growth by active investment
- Grow business that can become a pillar of the next group such as aqua, new business etc.

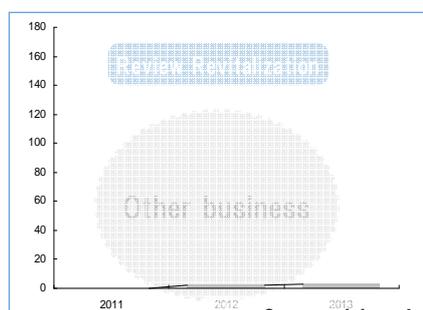
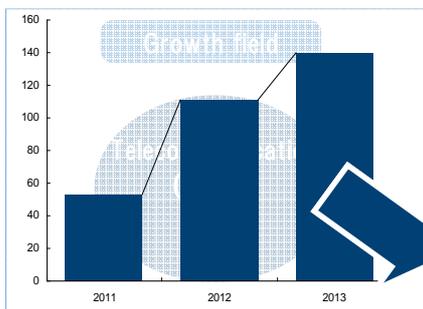
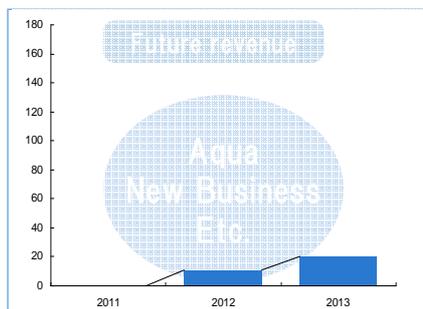


3-4-3 Business Selection and Concentration : Free cash flow plan by business portfolio



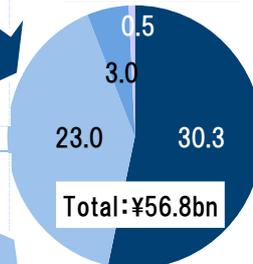
- Growth field accounts for most of free cash flow (FCF) creation in the future
- In the stable revenue field, focus on efficiency and supply stable cash to other business regardless of the growth potential of the market

Attractiveness of market (Market growth)



(JPY billion)

■ 3 years FCF creation amount *



Three years later, FCF of about 53 billion yen is created with growth field and stable revenue

* Head office indirect department and corporate tax, interest rate etc not included

Competitive Advantage (Comparison with average operating margin in each industry)

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3-5-1 Current Activities Strengthen home solution business



Significance of initiatives

- As a comprehensive energy company, in addition to gas equipment sales, we will work on home solution business, which is based on environmental products and renovations
- We fully understand customers and propose "Best Mix" optimization of energy
- Proposing energy saving, ecology, and comfortable living environment leads to gas service continuity

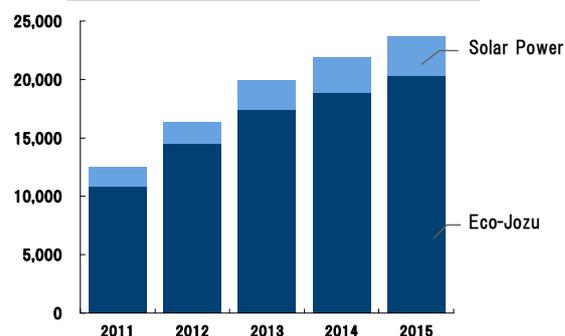
Customer's needs

- Power saving and energy saving tendency, heading towards a non-consuming society, low energy society
- Due to the impact of the earthquake, the review of all electrification was carried out and the demand for distributed energy such as solar power generation, Ene-Farm, Eco-Will, etc. increase

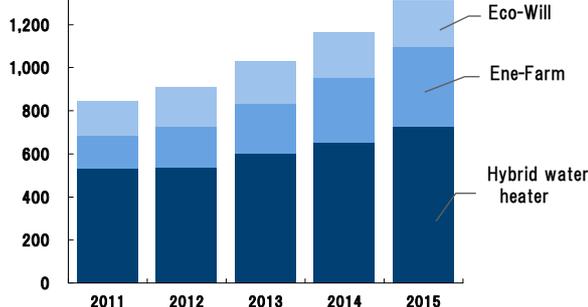
Our services and features

- Suggest energy saving, ecology and comfortable living environment together as a renovation
- In solar power system sales, there is a 10-year sunshine compensation service and long-term maintenance system that are not available from other companies
- Opened showroom "Clippy Plaza" to experience gas equipment, housing equipment and proposal of renovations

(Units) ■ Sales plan for Best Mix equipment



(Units) ■ Sales plan of energy-saving equipment focusing on W power generation



TOKAI GROUP

3-5-2

Current Activities Strengthening DataCenter Business



Significance of initiatives

- While the market for domestic data center outsourcing business is expected to expand to 1.2 trillion yen in 2014, we already owns two data centers and integrates with the provision of communications and SI services with one stop service
- We have already provided services that meet cloud service needs such as file server and virtual platform service

Customer's needs

- From the viewpoint of data preservation and cost reduction, needs for cloud services such as file server and remote backup service are increasing more and more
- Companies are considering migration of servers etc. to outside the region due to the fact that the supply of electricity in Tohoku and Kanto area will become unstable due to the Great East Japan Earthquake

Our services and features

- Provide a triple cloud service by integrating its own network, SI structuring power and data center
- Internet backbone connection capacity of our data center is 103 Gbps (*) which is the industry's top level so it is suitable for cloud services expected to expand in the future
- We plan to construct a third data center suitable for cloud services

(*) As of June 2010

Features and strengths of our service

As a data center operator

- Robust facility including isolation structure
- Industry's top floor load capacity, power supply capacity
- High quality cloud services

As a SI operator

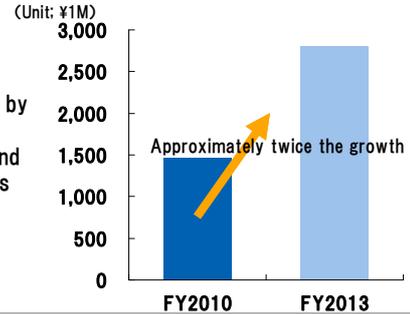
- Greater response by customer SE
- Comprehensive outsourcing that entrusts the operation of the entire system

As a telecommunications carrier

- Directly connected to various IX in our company network
- Connection line capacity is top industry level

Services provided by the Trinity, which are not found in other companies

Gross profit plan for data center business



3-5-3

Current Activities Aqua business nationwide and overseas expansion



Significance of initiatives

- Customer contacts and logistics know-how cultivated through gas business can be developed for the aqua business
- Operational efficiency can be improved by equalizing the work load in summer and winter (Aqua is busy in summer and gas is busy in winter)
- Although it is the Group's first manufacturing business, we have a water source which can procure water stably and inexpensively, so can expected growth compare to gas business which influenced by purchase price.

Customer's needs

- Due to the impact of the Great East Japan Earthquake, the need for stable water security (stockpiling consciousness) rises
- Also due to nuclear accident, needs for safe water also rise
- Also, especially in households with children or elderly people, they want heavy water to be delivered to home
- The market for home delivery water is 1,986 thousand nationwide, the penetration rate is still 3.7%, the future growth room is large

Our services and features

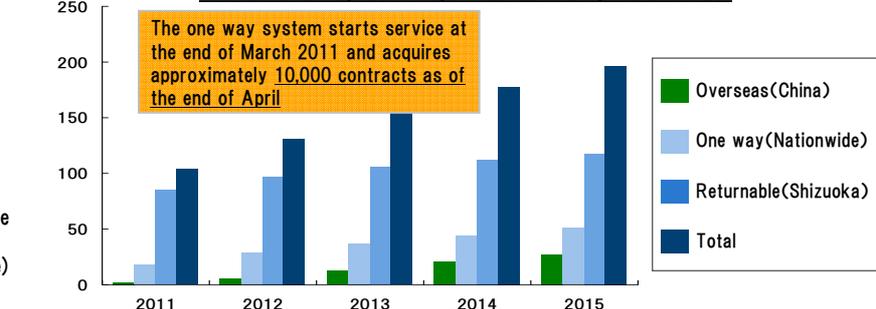
- Multiple water sources allow for future increase in demand
- "Fuji brand" that is accepted worldwide, and confirmed undetected of radioactive substances
- Both existing returnable and new one way systems deliver water to customers' residence
- With market share of 70,000 (share 5.1%) within Shizuoka prefecture in three and a half years from the start of business, sales area expanded nationwide and worldwide (initially from China)

Our group brand
"Asagiri no Shizuku" series



From a source of water secured at the foot of Mt. Fuji (Fujinomiya City, Shizuoka Prefecture)

Customer acquisition plan for the aqua business





Significance of initiatives

- It is a business that can utilize the diverse resources of the Group (reliability of security and safety, cultivated mainly in gas business, customer response and human resources, building and equipment know-how, information technology skills etc.)
- As one of the key business of the TLC concept, it is positioned as a area capable of providing a safe, convenient and comfortable service for users and their families while responding to social demands for a super aging society

Customer's needs

- One in four domestic already has become an elderly person, and the number of long-term care recipients is increasing
- The population waiting to get nursing care is going up to 420,000 people (10,000 people in Shizuoka prefecture) nationwide, and the use needs are high
- Although there is no need for nursing care, there are concerns about health, and there are also many needs for an environment to live in peace of mind and convenience
- Communication that connects peace of mind not only to users but also to their families and acquaintances is required

Our services and features

- Expand nursing care facilities (day care, short stay, pay nursing home with nursing care) to 20 facilities by the end of 2015
- Establishment of "aged apartments / malls" gathering group know-how in 2013
- Rental / sale nursing care products for 2.34 million customers in the group
- "Living diary service" that connecting residents and their families / acquaintaries by video or audio, and "Health Master Service" collecting vital and meal data to provide health advice etc. Further utilize information and communication technology, there is further spread development as TLC service

Long-term care business of "Unique to TOKAI" gathering group know-how

Group Know-How

- To combine the power of housing construction and security department, to design and construct facilities that are easy to use
- Utilizing information and communication technologies, we provide services that are not other companies, such as "services connecting users and family members" or "using terrestrial and crop growth with webcam"



Rifrea Shimizu Komagoe

- TOKAI brand of security, safety and trust
- Reliability and safety cultivated in gas business
- With 2.34 million customers, responsiveness and human resources



- Toward further growth, we aim to improve the financial structure for strengthening management stability (equivalent to BBB rating)
- We will work to reduce interest-bearing debt by creating cash flow and unification of financing functions to HD and thoroughly manage funds, and achieve the target at the end of 2013

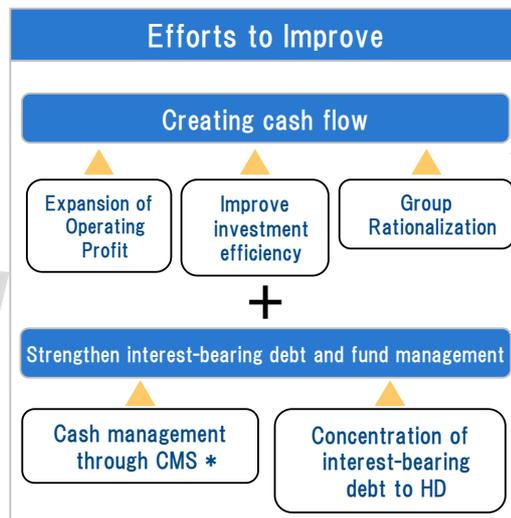
Background and Current Status

- Continued aggressive investment with top priority on improving profitability by expanding business scale
- On the other hand, the outstanding interest-bearing debt is high and the interest rate rise become a risk

【Financial Numbers】

- Interest-bearing debt ¥ 124.0 billion
- Capital ratio 7.7%

(Consolidated figures at the end of fiscal 2010)



*CMS: Cash Management System

Target (End of FY2013)

- To more stable financial structure ~ Aim for financial strength equivalent to BBB rating ~
- Various options for raising funds for further growth

【Financial Numbers】

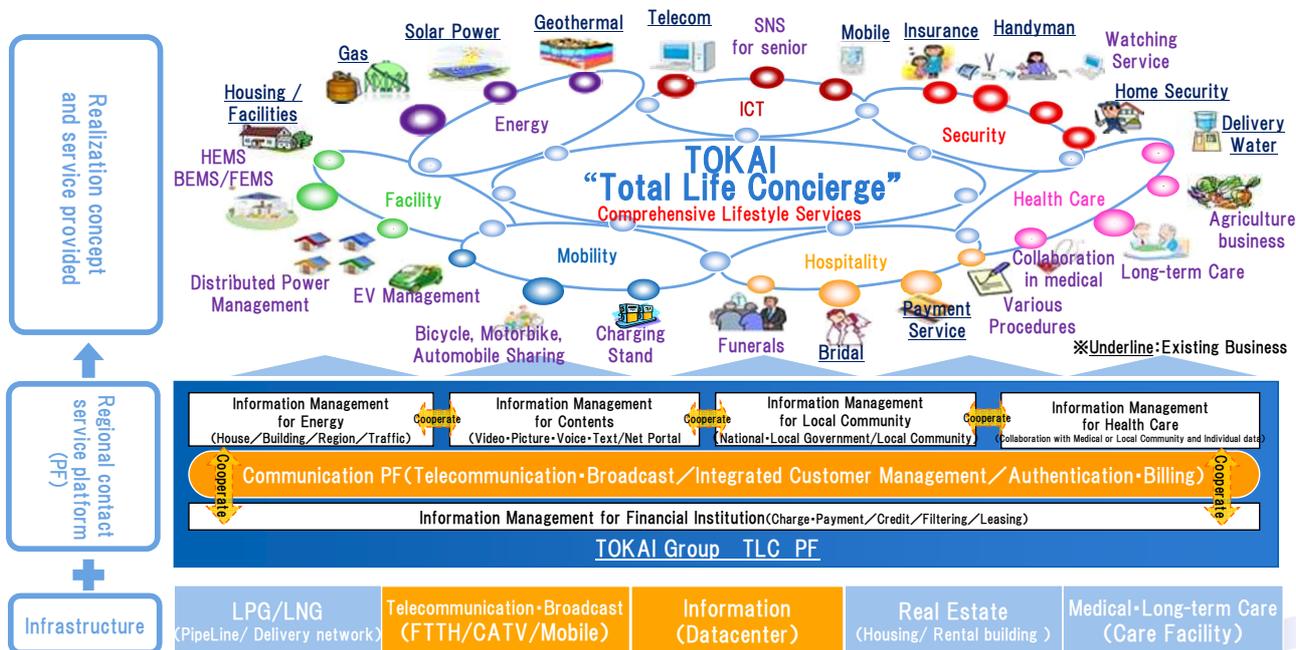
- Interest-bearing debt: Less than 100 billion yen
 - Capital ratio: 17% or more
- (Consolidated figure at end of 2013)

3-7-1

Development of TLC concept and new business The beginning of the TLC concept



- Tackle the TLC (Total Life Concierge) concept that delivers “Safety and Security”, “Convenience and Comfort” and “Joy and Fulfillment”
- We will develop new business and services by maximizing the information, communication, broadcasting infrastructure and communication platform (PF) held by VIC TOKAI

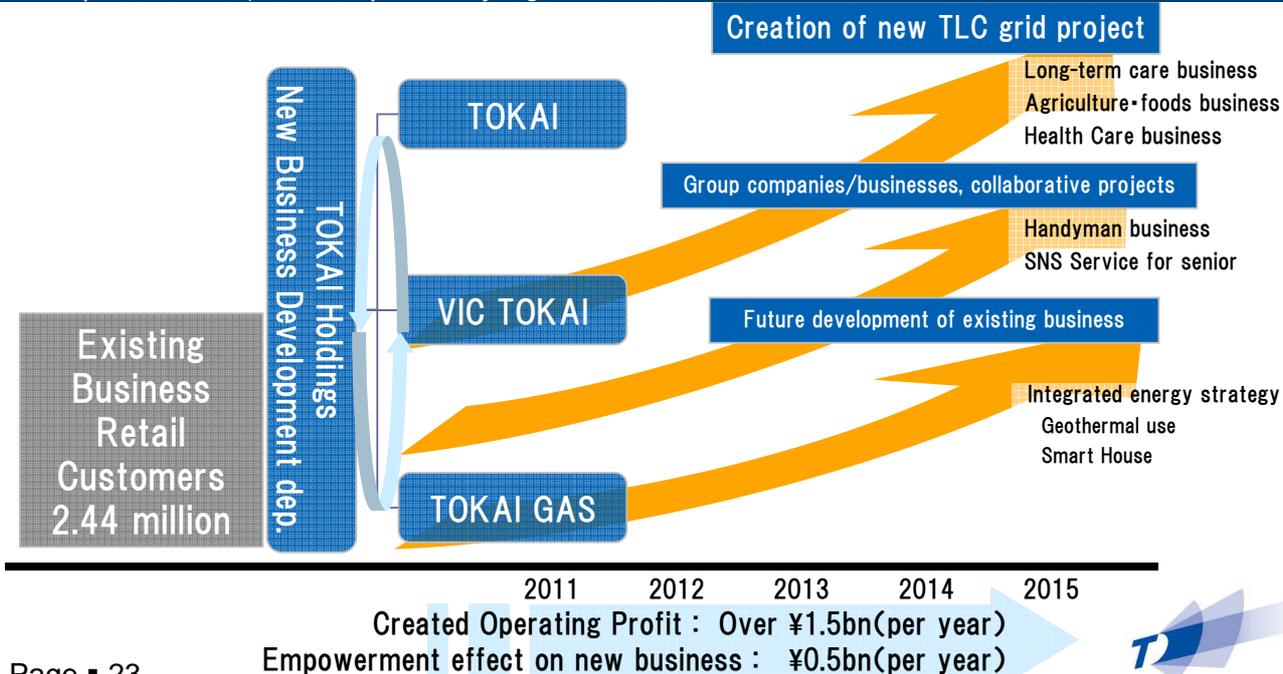


3-7-2

Development of TLC concept and new business Mid-Term Concept and Role of New Business Development Division



- In the midterm plan, we will advance into a new business area utilizing the 2.44 million retail customers of the TOKAI group, create collaborative businesses linking existing businesses, aim to utilize human resources within the group and create new profits
- The new business development department of TOKAI Holdings will research and develop the prospective fields of the group with the vision of the future, promote the planning of the collaborative fields, create the group's medium term development materials, and develop further synergistic effects



4 Dividend policy

4 Dividend policy



- The dividend for TOKAI Holdings is scheduled for ¥10/share
- Also, with the start of the Holdings structure, we will make a ¥2/share as a commemorative dividend at the time of the interim dividend for 2011

Basic Concept

- Based on comprehensive consideration of the performance in each period, payout ratio and future fund demand, the basic policy is to pay stable and continuous dividends

Ordinary dividend

- Dividend per share shall be ¥10

Commemorative dividend

- Issue a commemorative dividend for transition to the Holdings system
- Commemorative dividend amount is ¥2/share, and the implementation period is interim dividend for FY2011

5 TOKAI WAY and a new corporate mark

5-1 TOKAI WAY



New values created by management and employees together

Corporate philosophy

TOKAI Group's Faith

To improve the lives of our customers, we will continue to grow and develop together with local communities and the earth.

Mission

The mission that the TOKAI Group should fulfill for society, customers and shareholders

Transform, challenge, and implement.

Vision

The long-term business goals that the TOKAI group should aim

Through continued expansion throughout Japan and the world, we will strive to be a TLC (Total Life Concierge) as a one-stop provider of products and services requested by customers.

Corporate Value

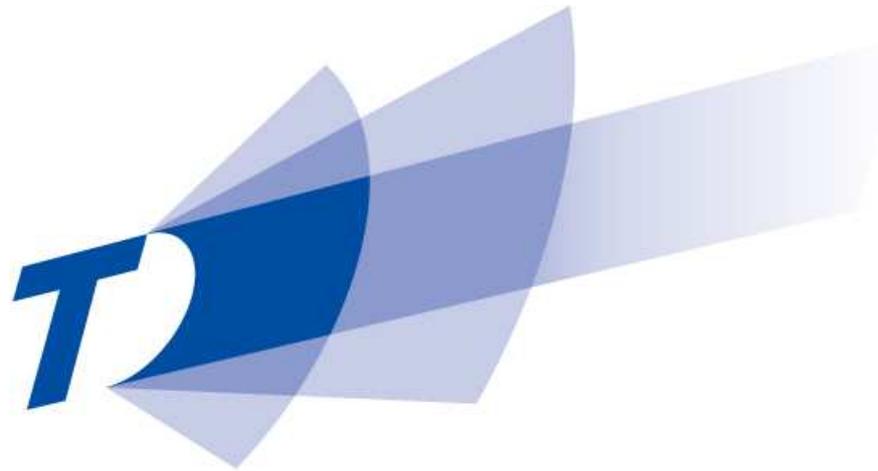
Common sense of values to be cherished when employees of TOKAI group act

Always sharing our joy and excitement with you.

- Communication that links us all.
- Giving you peace of mind, safety, and satisfaction.
- Always remembering the enthusiasm and pride of professionalism.
- Growing toward the future together with the communities we serve.



Expansion and transmission, deployment power, synergy



TOKAI GROUP

Innovation Plan 2013



TOKAI GROUP

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.

Public Relations and Investor Relations Office
TOKAI Holdings Corporation
2-6-8, Tokiwa-cho, Aoi-ku, Shizuoka 420-0034, Japan
Phone: +81- (0)54-669-7676
Fax: +81- (0)54-275-1110
<http://tokaiholdings.co.jp/english/>
e-mail: overseas_IR@tokaigroup.co.jp

うれしいをつなぐ。ひろげる。

