

暮らしに社会にもっと笑顔を。
More smiles for a better life



May 23, 2024

For Immediate Release

TOKAI Holdings Corporation
Katsuo Oguri, Representative Director, President and CEO
(Code No. 3167, TSE Prime Market)

Regarding Initiatives for Implementing Management Focused on Capital Costs and Stock Prices

We wish to inform you that our company has presented to the board of directors, at the meeting held on May 23, 2024, our initiatives for implementing management focused on capital costs and stock prices. After analyzing and evaluating the current situation, we have established a policy aimed at enhancing future corporate value.

For more details, please refer to the attached document titled "Policy for Initiatives towards Implementing Management Focused on Capital Costs and Stock Prices".

Contact: Toshinori Nakamura
Managing Executive Officer and Head of Business Administration Division
TEL: +81-(0)54-275-0007

Policy for Initiatives towards Implementing Management Focused on Capital Costs and Stock Prices

TOKAI Holdings Corporation
(Code No. 3167)

May 23, 2024

©2023 TOKAI Holdings Corporation. All Rights Reserved.

Contents

1. Current Situation Analysis
 - (1) Trends in our PBR (Price Book Ratio)
 - (2) Trends in our ROE (Return on Equity)
 - (3) Trends in our PER (Price Earnings Ratio)
 - (4) Our positioning compared to competitors

2. Initiatives for Enhancing Corporate Value
 - (1) Overall picture of the initiatives
 - (2) Initiatives towards business portfolio management
 - (3) Promotion of expansion and efficiency in each business
 - (4) Initiatives towards ESG management

Additional Notes



©2023 TOKAI Holdings Corporation. All Rights Reserved.

1. Current Situation Analysis

(1) Trends in our PBR (Price Book Ratio)

- Since our establishment, our PBR (Price Book Ratio) has been consistently exceeding the level of 1.0.

Comprehensive Market Evaluation

PBR

(Price Book Ratio)

=

Current Profitability

ROE

(Return on Equity)

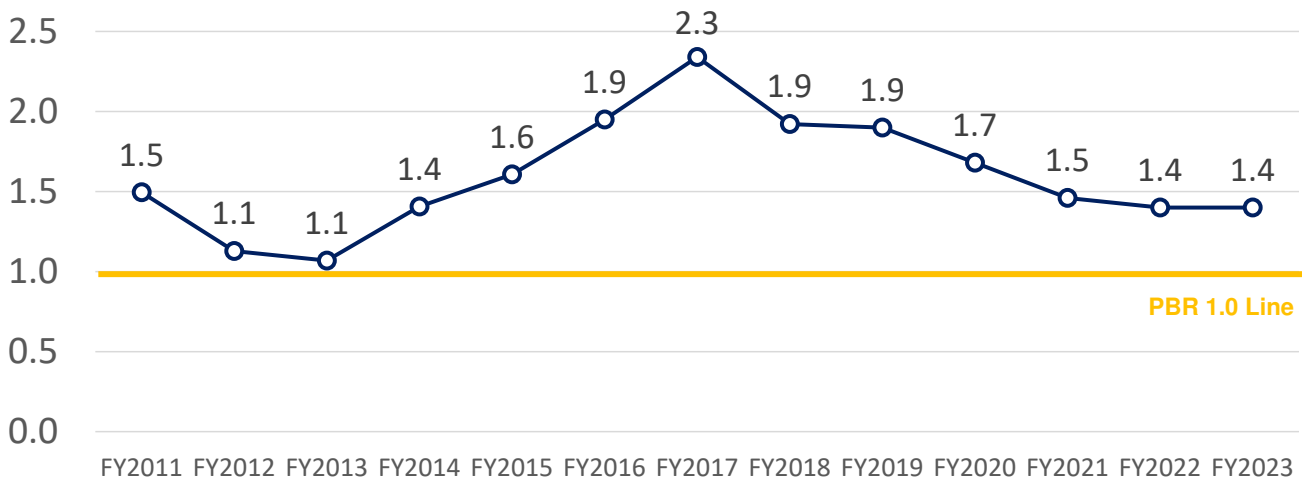
×

Future Growth Potential

PER

(Price Earnings Ratio)

PBR Trends



(2) Trends in our ROE (Return on Equity)

- Our company's ROE has been consistently exceeding the estimated cost of equity capital.

Comprehensive Market Evaluation

PBR

(Price Book Ratio)

Current Profitability

ROE

(Return on Equity)

Future Growth Potential

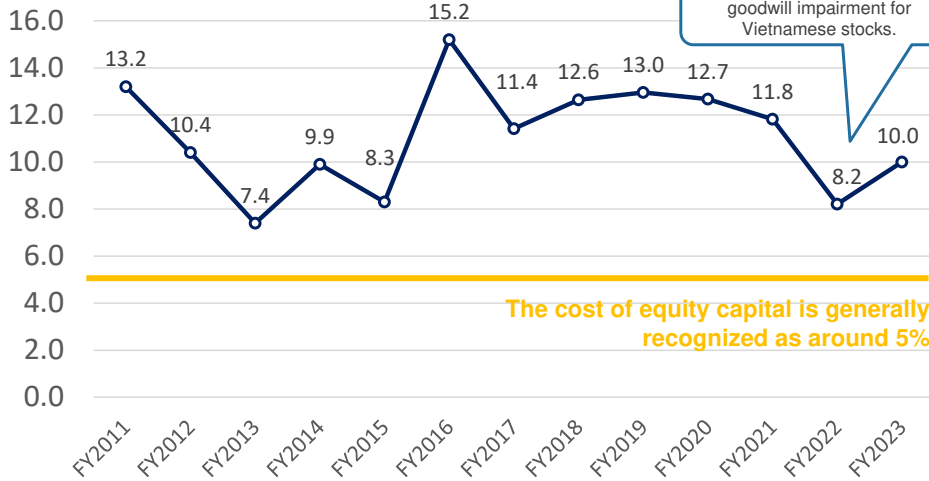
PER

(Price Earnings Ratio)

=

×

ROE Trends



- ✓ The cost of equity capital is estimated using the CAPM (Capital Asset Pricing Model) approach.

Risk-Free Rate

... Using 10-year government bond yield (around 0.6%)

+

Market Risk Premium

... Calculated based on TOPIX including dividends

×

β Value

... Using our company's 5-year weekly beta value (around 0.7)

||

Cost of Equity Capital

... Around 5%

4

(3) Trends in our PER (Price Earnings Ratio)

- The PER has been fluctuating around 15 times, contributing to the improvement of our PBR.

Comprehensive Market Evaluation

PBR

(Price Book Ratio)

Current Profitability

ROE

(Return on Equity)

Future Growth Potential

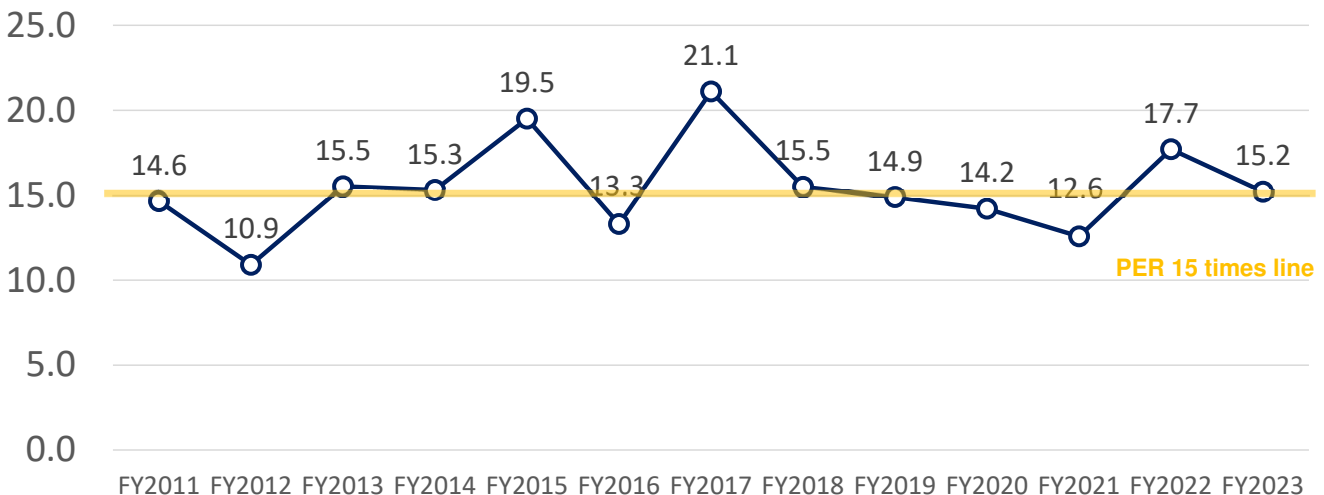
PER

(Price Earnings Ratio)

=

×

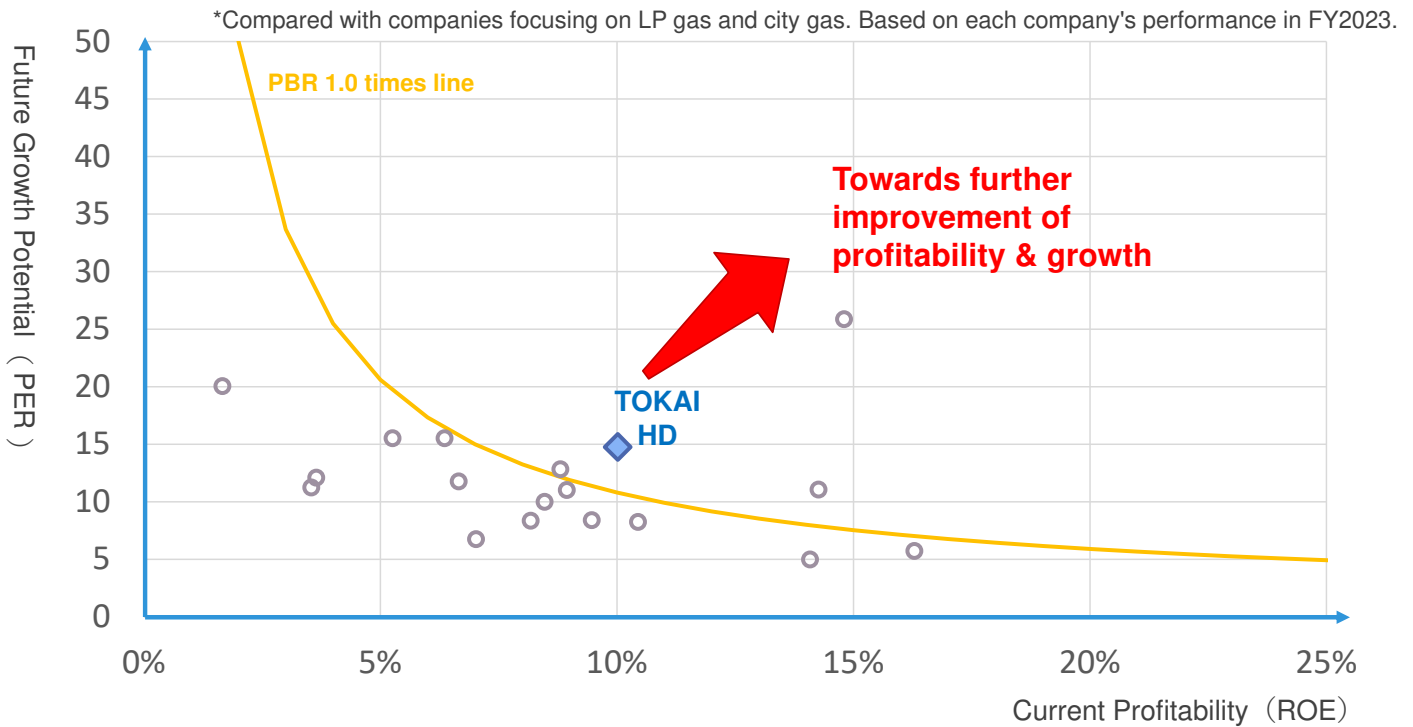
PER Trends



5

(4) Our positioning compared to competitors

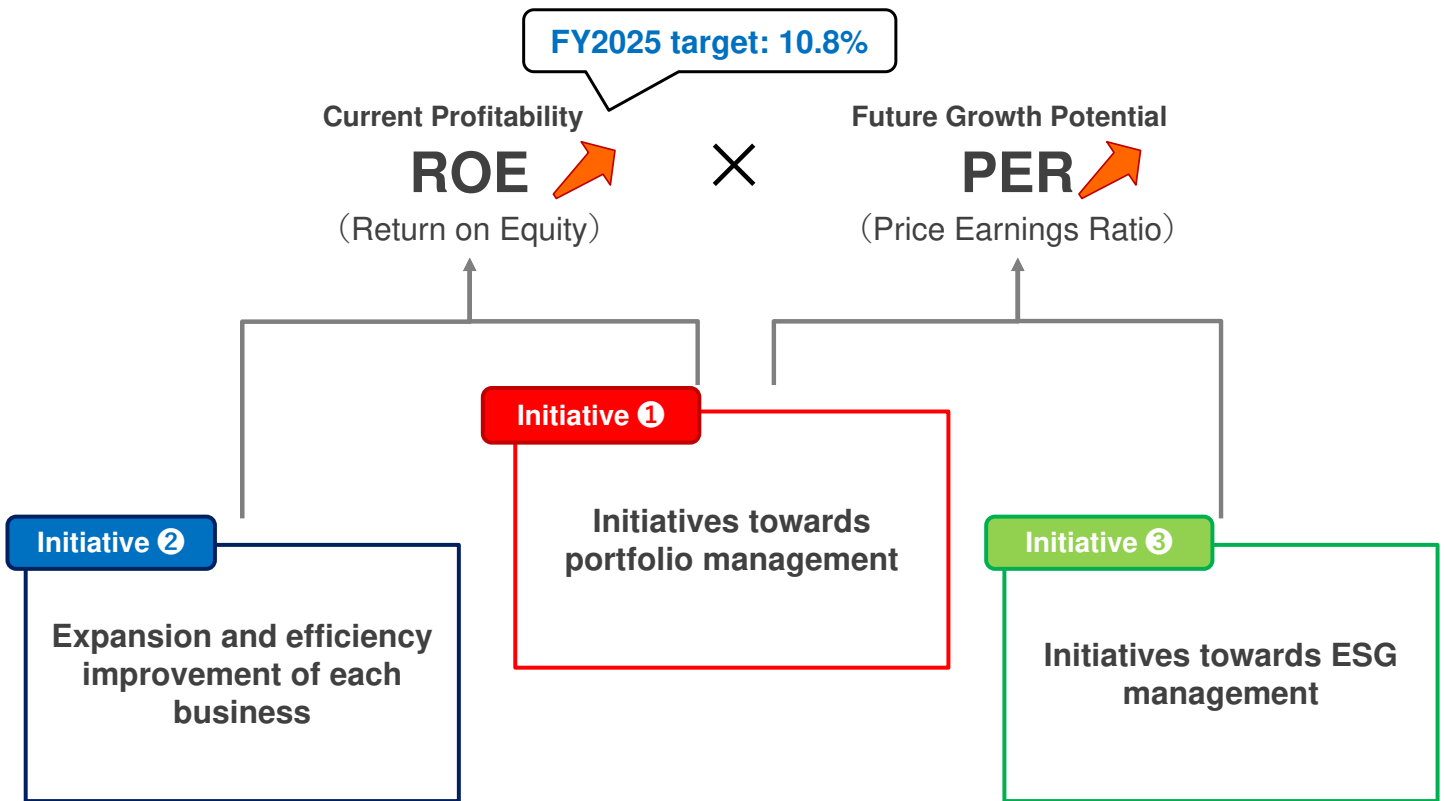
- Our company's ROE × PER positioning is at a higher level compared to our competitors.
- We will continue to improve profitability and growth, meeting the expectations of our shareholders.



2. Initiatives for Enhancing Corporate Value

(1) Overall picture of the initiatives

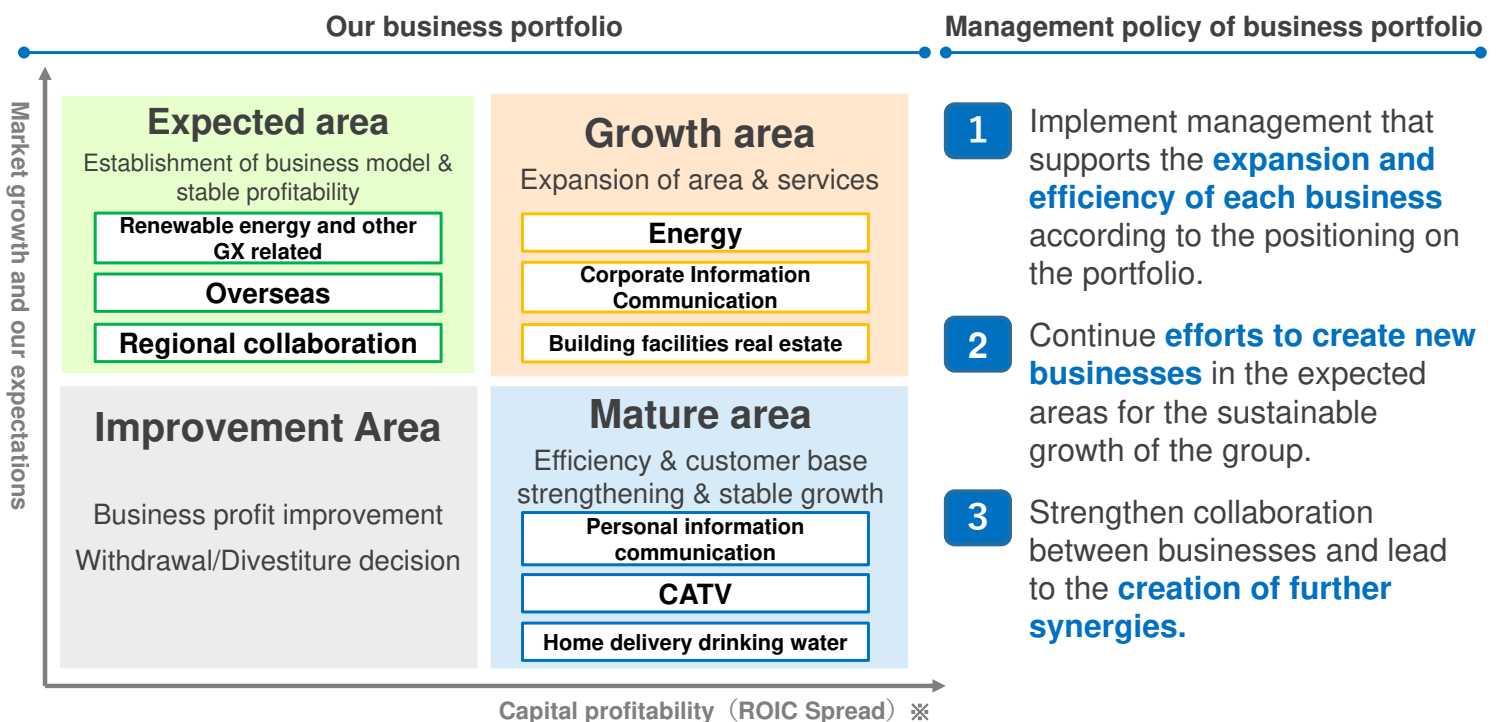
- We will promote three initiatives to improve profitability and growth.



8

(2) Initiatives towards business portfolio management

- We will strengthen management towards building a portfolio that realizes group-wide optimization, understanding the business portfolio on two axes: capital profitability and growth.



※Capital profitability for each business is calculated by the ROIC Spread for each business (ROIC for each business - WACC for each business).

ROIC for each business is calculated as "NOPAT ÷ (operating capital + fixed assets)". WACC for each business is calculated based on the risk of each business, according to our own standards.

9

(3) Promotion of expansion and efficiency in each business



- We will promote expansion and efficiency measures for each business, based on their positioning in the business portfolio.

Area and Policy

Main Business Initiative Policy

Growth Area

- Actively invest and promote area & service expansion

Energy

Improve nationwide share through investment for customer base expansion

- Promote share increase through M&A and area expansion, aiming for sustainable growth
- Promote cost reduction through business efficiency improvement by DX

Corporate Information Communication

Expand area & services through active investment, leading growth

- Business area expansion through infrastructure investment
- Strengthen digital foundation for growth by acquiring AWS Premier Partner and expanding DX personnel

Expected Area

- Establishment of business model and stable profitability

Renewable & GX-related

- Promote the spread of solar power generation (including PPA) and storage batteries
- Investment in renewable energy business

Overseas

- Business expansion mainly in Vietnam and the Philippines for energy, and Indonesia and Taiwan for information communication

Regional Collaboration

- Promote community-based services and public-private collaboration

10

(4) Initiatives towards ESG management



- By accelerating our efforts towards ESG that lead to sustainable growth, we aim to further improve our PER.

Environment

- **Promotion of low-carbon and decarbonization towards 2050 carbon neutrality**
 - **Promotion of GX in customer's energy use**
 - ✓ Promotion of energy-saving equipment
 - ✓ Promotion of renewable energy introduction
 - ✓ Promotion of renewable energy introduction
 - ✓ Decarbonization of raw materials
 - **Promotion of GX in our own business activities**
 - ✓ Efficiency improvement and automatic meter reading of LP gas business by DX promotion
 - ✓ Installation of solar power generation in-house
 - ✓ Renewable energy for electricity used in business establishments

Society

- **Maximization of human resources and organizational vitality**
Improvement of employee well-being
 - **Realization of "Odeal Individual"**
 - ✓ Autonomous career support system, reskilling support, etc.
 - **Realization of "Ideal Organization"**
 - ✓ Realization of diverse work styles
 - ✓ System revision to enhance job satisfaction (base salary Increase, promotion personnel, etc.)
 - ✓ Practice of Executive-level Health Management
 - Psychological Safety Training and Coaching Training for Managers

Governance

- **Thorough compliance and governance**
 - **Cultivate an organizational culture where compliance and governance enhancement are established**
 - ✓ Strengthen executive and manager training to further enhance the organization's compliance awareness
 - ✓ Strengthen internal controls and permeate governance throughout the organization

11



©2023 TOKAI Holdings Corporation. All Rights Reserved.

Additional Notes

More smiles for a better life.

- Under our new corporate message and corporate slogan, our group will unite as one to aim for the enhancement of corporate value and sustainable growth.

We face challenges with open minds to bring more smiles to life and joy in society.

Since our establishment in December 1950, we, the TOKAI Group, have always been committed to providing a wide range of services that ensure safety, convenience, and comfort from the perspective of our customers.

These services are underpinned by the 'innovative thinking' and 'challenge' of our group employees.

Through new proposals born from these driving force, we will continue to create a better life and a better society.

We aim to spread 'smiles' that make life brighter and more enjoyable to our communities and society, contributing to the realization of a sustainable society where hope can be held for tomorrow.



More smiles for a better life.

人を笑顔にするのは、
やっぱり人だから。
暮らしに社会に
笑顔を広げるために。
TOKAIグループ全社員、
決意の笑顔です。



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.

Amounts are rounded down to the nearest million yen, and all other figures are rounded to the nearest whole number.

Please contact us with any questions regarding these materials.

Head of Business Administration Division
TOKAI Holdings Corporation
1-2-20 Kaigan, Minato-ku, Tokyo
Phone: +81- (0)54-275-0007
<https://www.tokaiholdings.co.jp/english/>
e-mail : hd-info@tokaigroup.co.jp

暮らしに社会にもっと笑顔を。
More smiles for a better life

