COMPANY RESEARCH AND ANALYSIS REPORT

# TOKAI Holdings Corporation

## 3167

Tokyo Stock Exchange Prime Market

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# Contents

# Summary

## FY3/25 1Q results started off the year by surpassing the Company's forecasts, thanks to energy business strength

TOKAI Holdings Corporation <3167> (hereafter, also "the Company"), based in Shizuoka Prefecture, is a comprehensive lifestyle infrastructure company that is developing "energy and lifestyle-related business," primarily the provision of liquefied petroleum (LP) gas, and "information and communications business." Based on its strengths of customer power with roughly 3.38mn customers, comprehensive capabilities to provide a wide range of products and services in a one-stop manner, and marketing abilities to immediately address customer needs, it continues to steadily grow.

### 1. FY3/25 1Q results overview

In FY3/25 1Q (April–June 2024) consolidated results, sales and profits grew, with net sales increasing 4.1% year on year (YoY) to ¥56,205mn and operating profit increasing 33.6% to ¥3,319mn. Net sales increased for the fourth consecutive term and reached a record high, buoyed by sales growth in all business segments, mainly the energy business. On the profit front, customer acquisition costs increased in the Aqua business and personnel expenses rose alongside wage revisions, but growth in monthly charges accompanying a rise in the number of continuing customers as well as efforts to reduce and strategically review costs led to profit growth. In addition, operating profit was apparently about ¥600mn above the Company's forecast. This is because in the energy business, the Company had expected impact from discounting alongside escalating competition to acquire customers, but there was no such negative impact in 1Q, and consumption volume per customer household was slightly higher than plan since average temperatures were lower than anticipated. Aside from the energy business, progress was apparently broadly in line with plan. There were 3,384,000 continuing customers at the end of FY3/25 1Q, up 26,000 from the end of FY3/24.

### 2. Outlook for FY3/25

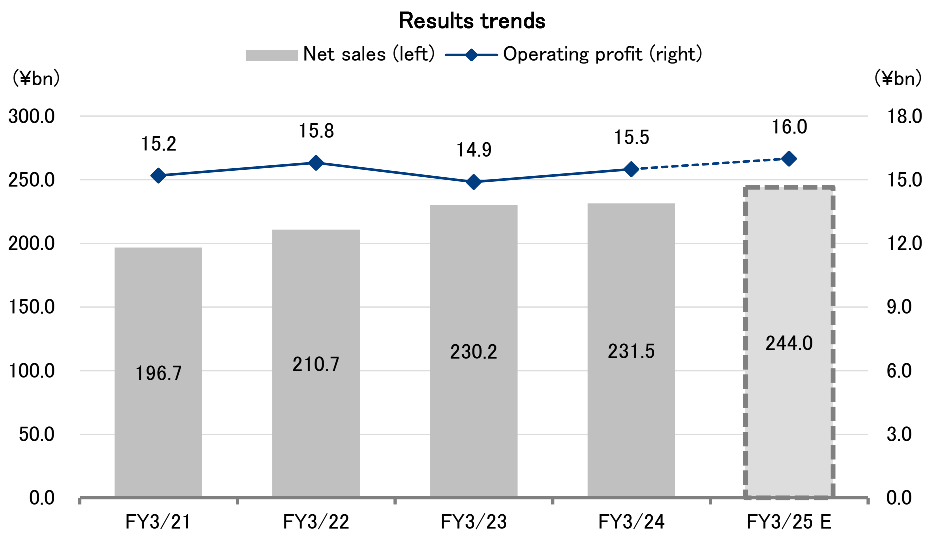
For its consolidated results in FY3/25, the Company has maintained its initial forecasts for net sales to rise 5.4% YoY to ¥244,000mn and operating profit to increase 3.2% to ¥16,000mn, for record-high profit for the first time in three terms. It envisions the number of continuing customers growing 94,000 YoY to 3,452,000 at the end of FY3/25, with an increase of 50,000 in the LP gas business. In the LP gas industry, a revised ministerial ordinance to rectify business practices that went into effect in July 2024 is expected to spur the weeding out of small and medium-sized operators, presenting a good opportunity for expanding market share through M&A. The Company is also steadily expanding its sales area, including by opening a new sales office in Kagoshima City in August 2024. In other businesses, the Company expects the information and communications business for corporate customers to sustain strong performance on tailwinds from cloud market expansion, and the construction equipment and real estate business to swing from lackluster performance in FY3/24 to sales and profit growth through the generation of Group synergies.

### 3. Progress on the medium-term management plan

In the Medium-Term Management Plan 2025, announced in May 2023, the Company set forth a policy of aiming for sustained growth by expanding the customer base while strengthening human capital investment and by providing services that contribute to diverse lifestyles and the realization of a carbon-free society. The numerical management targets for FY3/26, the last year of the plan, are net sales of ¥260.0bn, operating profit of ¥17.5bn (average annual growth rates of 4.1% for sales and 5.5% for profit), and continuing customers of 3.57mn. The Company exceeded targets on a profit basis in FY3/24, the first year of the plan, and is off to a solid start in FY3/25, the second year of the plan. In the mainstay energy business, it plans to open five more sales offices in the LP gas business, and expand market share including through M&A. In addition, it aims to expand both the information and communications business for corporate customers and the construction equipment and real estate business by sharing the resources of the subsidiaries that it has added to the Group through M&A to date to increase synergies. Regarding its policy on shareholder returns, it plans to pay a stable, ongoing dividend based on a payout ratio of around 40-50%. It also provides shareholder benefits. In FY3/25, the Company plans to pay a dividend per share of ¥34.0 (dividend payout ratio of 49.3%), which is an increase of ¥1.0 YoY. The total investment yield per share unit, including the gifts to shareholders, is 4-8% (converted based on closing price on August 7, 2024).

**Key Points**

- FY3/25 1Q results started off the year by topping plan, with sales and profit growth driven by the energy business
- Company maintained its initial FY3/25 results forecasts, but there is upside potential
- On track to attain the operating profit target of ¥17.5bn for FY3/26, the last year of the medium-term management plan
- Policy is to pay dividends targeting a dividend payout ratio of 40% to 50%, combined with perks and gifts to shareholders for a total investment yield level of 4% to 8%




Note: Figures rounded to the nearest billion
Source: Prepared by FISCO from the Company's financial results

# Result trends

## FY3/25 1Q results started off the year by topping plan, with sales and profit growth driven by the energy business

### 1. FY3/25 1Q results overview

In the FY3/25 1Q consolidated results, sales and profits grew, with net sales increasing 4.1% YoY to ¥56,205mn, operating profit increasing 33.6% to ¥3,319mn, recurring profit increasing 31.5% to ¥3,441mn, net income attributable to owners of the parent rising 39.9% to ¥1,872mn. Net sales increased for the fourth consecutive term and reached a record high, buoyed by sales growth in all business segments, mainly the energy business. Operating profit increased as growth in monthly charges accompanying a rise in the number of continuing customers as well as efforts to reduce and strategically review costs offset growth in personnel expenses (of about ¥300mn) due to wages being raised for the second consecutive year and growth in customer acquisition costs (of about ¥200mn) in the Aqua business. Operating profit increased in all business segments except the information and communications business, with energy business profit rising ¥938mn YoY to account for the bulk of overall profit growth*.

Also, operating profit was apparently about ¥600mn above the Company's forecast due to the energy business topping plan. This is because the initial plan had factored in impact from discounting alongside escalating competition to acquire LP gas customers, but there was no such negative impact in 1Q, and consumption volume per customer household slightly exceeded plan as average temperatures were lower than anticipated. Aside from the energy business, progress was apparently broadly in line with plan.

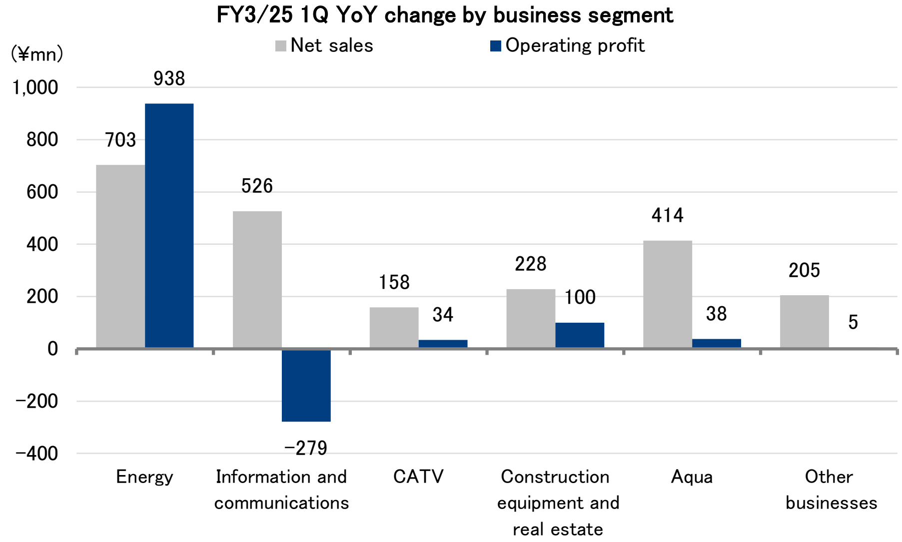
* Operating profit values are prior to allocating indirect costs and other costs.

FY3/25 1Q consolidated results

(¥mn)

| | FY3/24 1Q | | FY3/25 1Q | | |
|---|---|---|---|---|---|
| | Results | % of sales | Results | % of sales | YoY |
| Net sales | 53,971 | - | 56,205 | - | 4.1% |
| Cost of sales | 33,620 | 62.3% | 34,041 | 60.6% | 1.3% |
| SG&A expenses | 17,866 | 33.1% | 18,844 | 33.5% | 5.5% |
| Operating profit | 2,484 | 4.6% | 3,319 | 5.9% | 33.6% |
| Recurring profit | 2,617 | 4.8% | 3,441 | 6.1% | 31.5% |
| Extraordinary income/loss | -234 | - | -252 | - | - |
| Net income attributable to owners of the parent | 1,338 | 2.5% | 1,872 | 3.3% | 39.9% |
| Number of continuing customers (thousand) | 3,312 | | 3,384 | | 2.2% |

Source: Prepared by FISCO from the Company's financial results




Note: Operating profit values are prior to allocating indirect costs and other costs
Source: Prepared by FISCO from the Company's financial results briefing materials

There were 3,384,000 continuing customers at the end of FY3/25 1Q, solid growth of 72,000 YoY and 26,000 from the end of FY3/24. Growth compared with the end of FY3/24 is mostly attributable to an increase of 21,000 in the LP gas business due to M&A effects. In addition, the number of communications service contracts in the CATV business rose 4,000 from the end of FY3/24, and continuing customers increased by 6,000 in the Aqua business.

Number of customers by key service

(thousand)

| | FY3/22 1Q-end | FY3/23 1Q-end | FY3/24 1Q-end | FY3/25 1Q-end | YoY change amount | Change from previous FY-end |
|---|---|---|---|---|---|---|
| Energy | 752 | 791 | 830 | 874 | 44 | 21 |
| LP gas | 687 | 720 | 755 | 800 | 45 | 21 |
| City gas | 64 | 71 | 75 | 75 | 0 | -1 |
| Information and communications | 781 | 823 | 840 | 844 | 4 | -2 |
| Existing ISP and related services | 391 | 413 | 403 | 390 | -13 | -3 |
| Hikari Collaboration | 337 | 351 | 365 | 375 | 10 | 2 |
| LIBMO | 53 | 58 | 72 | 79 | 7 | -1 |
| CATV | 1,206 | 1,240 | 1,293 | 1,318 | 25 | 5 |
| Broadcasting services | 878 | 891 | 915 | 919 | 4 | 0 |
| Communications services | 328 | 349 | 379 | 398 | 19 | 4 |
| Aqua | 164 | 166 | 165 | 173 | 8 | 6 |
| Mobile | 201 | 187 | 176 | 166 | -10 | -4 |
| Security | 16 | 16 | 16 | 16 | 0 | 0 |
| Total | 3,108 | 3,213 | 3,312 | 3,384 | 72 | 26 |

Notes: The number of customers under a thousand are rounded to the nearest thousand. Information and Communications and CATV both offer communications services, and so their numbers are excluded from total figures.
Information and communications services (existing ISP and related services) include contracts for PC remote support service from FY3/22 4Q.
Source: Prepared by FISCO from the Company's financial results briefing materials

Results by business segments

(¥mn)

| Net sales | FY3/22 1Q | FY3/23 1Q | FY3/24 1Q | FY3/25 1Q | YoY |
|---|---|---|---|---|---|
| Energy | 18,998 | 23,274 | 23,966 | 24,669 | 2.9% |
| Information and communications | 12,619 | 12,873 | 13,468 | 13,994 | 3.9% |
| CATV | 7,996 | 8,239 | 8,820 | 8,978 | 1.8% |
| Construction equipment and real estate | 5,542 | 4,641 | 4,852 | 5,080 | 4.7% |
| Aqua | 1,921 | 1,860 | 1,871 | 2,285 | 22.1% |
| Other business | 1,319 | 915 | 992 | 1,197 | 20.6% |
| Total | 48,396 | 51,803 | 53,971 | 56,205 | 4.1% |

| Operating profit | FY3/22 1Q | FY3/23 1Q | FY3/24 1Q | FY3/25 1Q | YoY |
|---|---|---|---|---|---|
| Energy | 1,578 | 1,936 | 924 | 1,862 | 101.5% |
| Information and communications | 1,224 | 1,236 | 1,456 | 1,177 | -19.2% |
| CATV | 1,459 | 1,559 | 1,618 | 1,652 | 2.1% |
| Construction equipment and real estate | 263 | 53 | 126 | 226 | 79.4% |
| Aqua | 37 | 62 | 98 | 136 | 38.8% |
| Other business and adjustments | -1,337 | -1,494 | -1,739 | -1,734 | - |
| Total | 3,226 | 3,355 | 2,484 | 3,319 | 33.6% |

Note: Operating profit values are prior to allocating indirect costs and other costs
Source: Prepared by FISCO from the Company's financial results briefing materials

**(1) Energy business**

Net sales in the energy business increased 2.9% YoY to ¥24,669mn, and operating profit (operating profit before allocation of indirect costs, which is calculated differently than in the Company's financial results; the same applies below) rose 101.5% to ¥1,862mn.

Looking at the breakdown of net sales, net sales in the LP gas business sales rose 7.2% YoY to ¥20,574mn. The number of customers increased 45,000 YoY to 800,000 at the end of 1Q, owing partly to the acquisition of about 20,000 customers from FUJIPRO CORPORATION becoming a consolidated subsidiary in April 2024. In addition, the average sales unit price of residential gas increased 2%, which also contributed to sales growth. The amount of LP gas used per customer household declined 1.4%, but slightly exceeded plan (for a roughly 2% decline) partly because of a 0.2ºC decrease in the average temperature. Meanwhile, net sales in the city gas business decreased 11.5% YoY to ¥4,103mn. The number of customers was flat YoY at 75,000, but a decline in sales prices under the raw material cost adjustment system led to lower revenue. On the profit front, higher sales in the LP gas business and the effects of cost reductions led to significant profit growth.

**(2) Information and communications business**

In the information and communications business, sales grew but profits fell, with net sales increasing 3.9% YoY to ¥13,994mn and operating profit decreasing 19.2% to ¥1,177mn.

Of this, net sales from the consumer business declined 3.1% YoY to ¥5,845mn and operating profit decreased 34.9% to ¥177mn. The number of customers at the end of 1Q increased overall by 4,000 YoY. Customers for Hikari Collaboration service increased 10,000 to 375,000 and LIBMO increased 7,000 to 79,000, offsetting a decrease of 13,000 to 390,000 for existing ISP services. However, customer numbers were weak compared with the end of FY3/24, down 3,000 for existing ISP services, up 2,000 for Hikari Collaboration service, and down 1,000 for LIBMO. Despite offering a better value with bundled LIMBO and broadband service plans, new customer acquisitions were lower than anticipated, resulting in lower sales and profit.

Net sales from business for corporate customers rose 9.6% YoY to ¥8,149mn, while operating profit declined 15.5% to ¥1,000mn. Net sales remained strong as communication line services and cloud services continued to expand, but profit declined due to upfront costs to address robust demand including in the system consignment development division, and higher personnel expenses from raising wages.

**(3) CATV business**

Net sales in the CATV business increased by 1.8% to ¥8,978 and operating profit rose by 2.1% to ¥1,652mn, showing steady growth. As a provider with close ties to the community, the Company focuses on local information provision and program production. It also worked to enhance content by coordinating with major video streamers. Also, through investment in FTTH, the Company actively promoted sales activities for high-speed Internet services, which increased both sales and profit. At the end of 1Q, customers for broadcasting services were up 4,000 YoY to 919,000 and for communications services were up 19,000 to 398,000. Compared with the end of FY3/24, the number of customers was flat for broadcasting services but up 4,000 for communications services, which suggests that the Company is steadily acquiring contracts for communications services from existing customers for broadcasting services.

**(4) Construction equipment and real estate business**

Net sales in the construction equipment and real estate business increased 4.7% YoY to ¥5,080mn and operating profit rose by 79.4% to ¥226mn. Looking at the breakdown of net sales, momentum was solid for construction and equipment installation with 1.6% YoY growth to ¥3,107mn as well as for real estate sales and management with 5.9% growth to ¥1,574mn, and strong for engineering projects with 20.2% growth to ¥452mn. Progress was broadly in line with plan.

**(5) Aqua business**

The Aqua business performed well, with net sales increasing 22.1% YoY to ¥2,285mn and operating profit increasing 38.8% to ¥136mn. Customer acquisition costs rose about ¥200mn, but that was offset by the effects of sales growth. The number of customers at the end of 1Q increased by 8,000 YoY to 173,000. The rate of revenue growth relative to growth in customer numbers increased because sales rose sharply for Shizuclear, a water dispenser that filters tap water, which the Company began handling in April 2023. Whereas the existing home water delivery service's business model involves lending customers a water server free of charge and generating revenue through sales of natural water delivered regularly, Shizuclear's business model involves generating revenue through sales of water servers and maintenance service every six months.

For customers who want to cancel existing home water delivery services, the Company's proposal of Shizuclear with roughly 50% lower average monthly fees is helping to prevent service cancellations. There were 11,000 Shizuclear customers at the end of 1Q, up 6,000 from the end of FY3/24. The existing service is also making progress acquiring new customers, with its total customer numbers unchanged from the end of FY3/24 at 162,000. Shizuclear's net sales fluctuate according to trends in new contracts, but its profits seem to be largely unaffected by that compared with the existing service since Shizuclear does not incur costs for delivering water to homes.

**(6) Other businesses and adjustments**

Net sales from other businesses increased 20.6% YoY to ¥1,197mn. The nursing care business increased by 2.9% to ¥355mn due to an increase in day service users. The wedding ceremony business increased 9.9% to ¥310mn as a result of an increase in the number of banquets for companies and other general users. The shipbuilding and repairs business increased 63.5% to ¥309mn due to an increase in ship repairs. Including corporate expenses, the operating loss was ¥1,734mn, a decrease of ¥5mn.

## Company maintained its initial FY3/25 results forecasts, but there is upside potential

### 2. Outlook for FY3/25

For its consolidated results in FY3/25, the Company has maintained its initial forecasts for net sales to rise 5.4% YoY to ¥244,000mn, operating profit to increase 3.2% to ¥16,000mn, recurring profit to increase 3.0% to ¥16,000mn and net income attributable to owners of the parent to go up 6.1% to ¥9,000mn. Net sales are expected to rise for the eighth consecutive term and each of the profit levels is expecting to set a new record high for the first time in three terms. The Company aims to increase the number of continuing customers by 94,000 YoY to 3,452,000 at the end of FY3/25, and increase monthly billing revenue. Along with that, continued strong performance in the information and communications business for corporate customers and recovery in the construction equipment and real estate business, which did not perform well in the previous term, is expected to contribute to profit growth. As previously mentioned, cumulative 1Q results surpassed the plan, marking a solid start for the year, and we at FISCO believe the Company is likely to achieve its forecasts as long as there are no major changes in the market.

**Outlook for FY3/25**

(¥mn)

| | FY3/24 | | FY3/25 | | |
|---|---|---|---|---|---|
| | Results | % of sales | Company forecasts | % of sales | YoY |
| Net sales | 231,513 | - | 244,000 | - | 5.4% |
| Operating profit | 15,511 | 6.7% | 16,000 | 6.6% | 3.2% |
| Recurring profit | 15,531 | 6.7% | 16,000 | 6.6% | 3.0% |
| Net income attributable to owners of the parent | 8,481 | 3.7% | 9,000 | 3.7% | 6.1% |
| Net income per share (¥) | 64.94 | | 68.90 | | |
| Number of continuing customers (FY-end, thousand) | 3,358 | | 3,452 | | 2.8% |

Source: Prepared by FISCO from Company's financial results and financial results briefing materials

#### (1) Energy business

In the energy business, net sales are expected to rise approximately 2% YoY and operating profit to gain by about 1%, indicating steady results are anticipated. The city gas business is projected to be at the same level as the previous year, and the LP gas business is expected to grow. The number of customers in the LP gas business is expected to increase by 50,000 from the end of FY3/24 to 828,000. Given that there has been a net annual increase of around 30,000 over the past 2-3 years, this target is seen as achievable. In addition, sales volume of residential gas is projected to increase by 3-4%. Growth in customer numbers and other positive factors are expected to offset an assumed decline of about 2% in consumption volume per customer household due to the trend toward frugality. Also, the Company assumes sales unit price and purchase margin levels will be flat YoY. Although it expects personnel expenses to increase in FY3/25 due to wage revisions, since cumulative 1Q results topped plan, we at FISCO believe it is quite possible that results for the full term will also exceed plan if customer numbers steadily grow.

In the LP gas business, however, a revised ministerial ordinance to rectify LP gas business practices that was announced in April 2024 may result in small and medium-sized operators being eliminated and large companies increasing their market share. Under the revised ordinance, excessive sales activities practiced before while acquiring customers from leased condominiums, etc. involved providing goods and cash payments, will be limited (goes into force July 2024) and the three-level billing system will be rigorously enforced (goes into effect in April 2025). Providers not in compliance will be subject to penal provisions. Because of this, at leased condominiums, it will become difficult to acquire customers from other providers by switching the contract, and for acquiring new customers, the target will be narrowed down to new leased condominiums and detached houses. This may intensify competition to acquire customers, making it even more challenging for companies lacking management strength to continue operating. In fact, it seems that there have no longer been providers practicing excessive sales activities at leased condominiums since July 2024, and M&A proposals being brought to the Company are also increasing.

**Overview of revised ministerial ordinance to rectify LP gas business practices (promulgated April 2, 2024)**

| |
|---|
| (1) Limitation on excessive sales activities (goes into effect July 2, 2024)<br>• Banned from providing benefits that exceed normal business practices<br>• Banned conditioned contracts that would limit LP gas provider switchover that threaten to impede the choice of provider by consumers |
| (2) Rigorous enforcement of three-level billing system (goes into effect April 2, 2025)<br>• Rigorous enforcement of three-level billing system consisting of basic charges, metered charges and facilities charges (facilities charges must be displayed separately)<br>• Banned from listing facility expenses unrelated to LP gas, like electric air conditioners and Wi-Fi on LP gas charges<br>• Regarding LP gas charges for leased residences, banned from listing facility expenses for gas implements, etc. |
| (3) Information provision for LP gas charges, etc. (goes into effect July 2, 2024)<br>• Makes it mandatory of make efforts to provide LP gas charges in advance to prospective residents (provide directly to prospective residents or though the owner, real estate management company, or real estate broker, etc.) |

Note: When prospective residents request the LP gas provider to directly provide the information, the provider must respond to the request.
Source: Prepared by FISCO from METI's "Overview of LPG Act Revised Ordinance" (promulgated April 2, 2024)

Since this affects the Company's acquisition of replacement customers at leased condominiums but also lowers its risk of losing customers due to them switching to other providers, there will probably be hardly any overall direct impact. However, we at FISCO believe this will create good opportunities for the Company to expand its market share over the next several years by raising potential for increasing customer numbers through more M&A proposals and opportunities for commercial area acquisition than before. The Company is establishing new sales offices to expand its market share, and opened the Group's first sales office in Kagoshima City in August 2024. This is the third sales office opening since 2023, following those in Matsuyama City (Ehime Prefecture) and Ise City (Mie Prefecture). The Company plans to open five more sales offices by FY3/26. Its strategy is to expand its customer base while proceeding with new customer acquisitions and M&A and commercial area acquisitions in the areas it has expanded into.

**(2) Information and communications business**

The information and communications business expects net sales to rise by around 7% YoY and operating profit to increase around 5%. The consumer business in particular is expected to see sales decrease, although a slight increase in profit is projected. The number of broadband customers is anticipated to increase by 15,000 YoY and 16,000 for LIBMO. However, the number of customers at the end of 1Q was lower than anticipated, so the Company aims to attain its target by strengthening measures to acquire customers from 2Q onward.

At the same time, business for corporate customers is expecting to see net sales increase by around 12% YoY and operating profit to rise around 5%. Net sales will be led by communication line services and cloud services, sources of recurring revenue, due in part to capacity augmentation at data centers and in the communications infrastructure. Although operating profit for 1Q declined due to higher costs, profit growth for the full term looks attainable as demand is robust. Regarding a decline in the operating profit margin, this mainly reflects higher personnel costs from wage raises as in the previous fiscal year.

**(3) CATV business**

In the CATV business, net sales are expected to rise around 3% YoY and operating profit is expected to mark time. The number of customers is expected to increase by 19,000 compared to the end of the previous term, centering on communications services. Customers in communications services are steadily progressing with an increase of 4,000 at the end of 1Q, and the full-term target appears to be within reach. Operating profit is expected to be flat YoY, taking into account higher personnel expenses from higher wages and growth in customer acquisition costs.

**(4) Construction equipment and real estate business**

The construction equipment and real estate business is expected to see net sales increase by around 20% and operating profit by around 10%, resulting in a return to growth in both sales and profits. Despite higher personnel expenses, sales and profit growth are expected on the back of a recovery in sales from construction and equipment installation as well as engineering projects, which were lackluster in the previous fiscal year. In the Tokai area, further growth looks promising in the future as orders tend to be larger than before, owing to Group companies in the Tokai area that were merged and acquired leveraging their respective resources.

**(5) Aqua business**

In the Aqua business the Company is projecting around a 5% increase in net sales and operating profit will mark time due to higher personnel expenses and customer acquisition costs. The Company had aimed to increase the number of customers by 6,000 YoY, but additional growth is likely since there was an increase of 6,000 as of the end of 1Q. The Company plans to increase customers while leveraging the Group's networks. Its proposals to customers considering cancelling contracts for the existing home water delivery service to switch to the more affordable Shizuclear water server that filters tap water are succeeding. In addition, Shizuclear customers acquired through CATV subsidiaries and so forth are apparently also increasing.

## On track to attain the operating profit target of ¥17.5bn for FY3/26, the last year of the medium-term management plan

### 3. Progress on the medium-term management plan

In May 2023 the Company announced its Medium-Term Management Plan 2025, which covers a three-year period ending in FY3/26. The Company will engage in three key initiatives: "Growth of business earning power (expansion of earnings base and rollout of new services)," "Strengthening of foundations for sustainable growth to realize a decarbonized society," and "Full energization of human capital and organizations, the source of growth." Numerical management targets for FY3/26, the last year of the plan, are net sales of ¥260.0bn, operating profit of ¥17.5bn, net income attributable to owners of the parent ¥10.0bn, and continuing customers of 3,570,000.

Company forecasts for FY3/25 have downwardly revised net sales by ¥6.0bn compared to the figure set forth in the medium-term management plan, but profit forecasts were maintained. The Company revised down its outlook for net sales because synergy generation in the construction equipment and real estate business has been slower than expected, but expects to catch up in the future. Although system development investment, DX-related investment, and higher personnel expenses from wage increases push up costs, if the Company achieves its forecasts for FY3/25, there is seemingly a high likelihood that it will be able to reach the targets for FY3/26. In addition, the Company targets net sales of ¥400.0bn, operating profit of ¥30.0bn, and 5,000,000 continuing customers in FY2030. In FY3/27 and beyond, the Company intends to accelerate growth by promoting M&A strategy, along with organic growth.

### Management numerical targets and progress of the Medium-Term Management Plan 2025

(¥bn)

| | FY3/23 Results | FY3/24 Initial forecasts | FY3/24 Results | FY3/25 Initial forecasts | FY3/25 Company plan | FY3/26 Initial forecasts |
|---|---|---|---|---|---|---|
| Net sales | 230.2 | 240.0 | 231.5 | 250.0 | 240.0 | 260.0 |
| Operating profit | 14.9 | 15.0 | 15.5 | 16.0 | 16.0 | 17.5 |
| Net income attributable to owners of the parent | 6.5 | 8.5 | 8.5 | 9.0 | 9.0 | 10.0 |
| Number of continuing customers (FY-end, ten thousand) | 330 | 338 | 336 | 348 | 345 | 357 |
| Dividend payout ratio | 64.8% | 49.2% | 50.8% | 40~50% | 49.3% | 40~50% |
| ROE | 8.2% | 10.3% | 10.0% | 10.4% | | 10.8% |
| ROIC | 8.3% | 8.0% | - | 8.2% | | 8.7% |

Note: Figures rounded to the nearest unit
Source: Prepared by FISCO from the Company's financial results briefing materials

### Strategy by business segment and results targets

| | Expansion of earnings base (Area/ No. of customers) | Roll out new services | Results targets FY3/23 | | Results targets FY3/26 | |
|---|---|---|---|---|---|---|
| Energy business | • Further develop existing operating areas (raise ARPU via cross-selling)<br>• Expand sales capabilities in Western Japan and the Chukyo area<br>• Advance M&A and alliances in LP gas and city gas | • Roll out new services for regional revitalization<br>• Roll out new services for solving social issues (Expand sales of TOKAI ZERO SOLAR based on the power purchase agreement (PPA) model, other disaster preparedness services) | Net sales | ¥102.5bn | Net sales | ¥108.7bn |
| | | | Operating profit | ¥7.4bn | Operating profit | ¥7.8bn |
| | | | No. of customers | 0.82mn customers | No. of customers | 0.94mn customers |
| Information and communications business for corporate customers | • Expand business areas in Japan | • Expand cloud services overseas | Net sales | ¥29.5bn | Net sales | ¥39.0bn |
| | | | Operating profit | ¥4.7bn | Operating profit | ¥5.1bn |
| Information and communications business for individual customers | • Strengthen cooperation among channels to increase the number of customers | • Enhance the service lineup | Net sales | ¥24.4bn | Net sales | ¥25.9bn |
| | | | Operating profit | ¥0.6bn | Operating profit | ¥1.4bn |
| | | | No. of customers | 0.84mn customers | No. of customers | 0.93mn customers |
| CATV business | • Accelerate growth of two recent acquisitions (Sendai and Okinawa) | • Enhance internet access services and optional services<br>• Develop and provide new businesses and new services by further developing regional business | Net sales | ¥34.5bn | Net sales | ¥37.9bn |
| | | | Operating profit | ¥6.2bn | Operating profit | ¥6.4bn |
| | | | No. of customers | 1.29mn customers | No. of customers | 1.35mn customers |
| Construction equipment and real estate business | • Expand business in the Chukyo area<br>• Win combined orders through interdivisional and intercompany cooperation | • Expand the types of work offered (construction, equipment installation, electrical work, civil engineering work, repair and maintenance work)<br>• Sell GQ system, an off-grid housing system<br>• Implement energy-saving initiatives (solar power, EV charging points, etc.) | Net sales | ¥26.8bn | Net sales | ¥37.3bn |
| | | | Operating profit | ¥2.0bn | Operating profit | ¥3.0bn |
| Aqua business | • Strengthen sales in Shizuoka Prefecture and the Kanto and Chukyo areas (returnable/disposable bottles) | • Sell mains-fed purified water dispenser nationwide | Net sales | ¥7.5bn | Net sales | ¥8.7bn |
| | | | Operating profit | ¥0.5bn | Operating profit | ¥0.8bn |
| | | | No. of customers | 0.17mn customers | No. of customers | 0.19mn customers |

Source: Prepared by FISCO from the Company's New Medium-Term Management Plan 2025

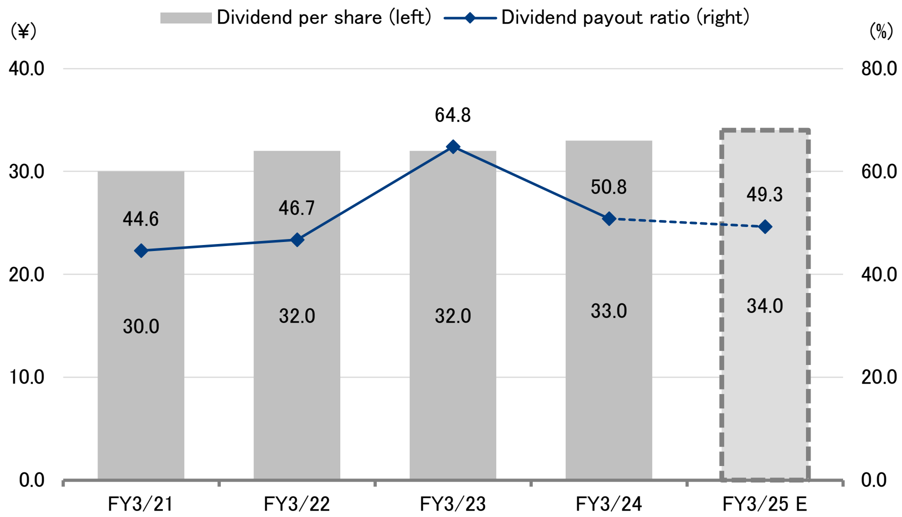
# Shareholder return policy

## Policy is to pay dividends targeting a dividend payout ratio of 40% to 50%, combined with perks and gifts to shareholders for a total investment yield level of 4% to 8%

As for the Company's shareholder return policy, it provides dividends and shareholder benefits. In addition, depending on the situation, it buys back its own shares. In this way, it is actively engaged in shareholder returns. Regarding dividends, the basic policy is to pay a stable and ongoing dividend with a target payout ratio of 40-50%, striving to enhance corporate competitiveness and maximize corporate value while strengthening the management structure and considering future business development. Based on this policy, in FY3/25, the Company plans to raise the dividend per share by ¥1.0 YoY to ¥34.0 (dividend payout ratio of 49.3%), for a second consecutive year of increase.

The Company also provides gifts such as QUO cards to shareholders owning 100 or more shares at the end of March and September, according to how many shares they own. The annual investment yield per share unit, including the gifts to shareholders, in an estimate using the current share price level (closing price of ¥931 on August 7, 2024), is in the range of 4.7% to 8.1% (in the case that the shareholder selects a QUO card or an Aqua product as the gift).

Dividend per share and dividend payout ratio




Source: Prepared by FISCO from the Company's financial results

Shareholder gifts

Shareholders on record at the end of March and September are presented with their choice of one of the following five type of gifts, if desired, as well as a 10% discount coupon for a standard wedding service at the Group's wedding halls, plus a discount of ¥100,000 (a maximum discount of ¥200,000) and a dining certificate with 20% discount coupon (a book of 12 certificates) for the Beau Ciel and Aoi restaurants.

| Shares held | 100-299 shares | 300-4,999 shares | Over 5,000 shares |
|---|---|---|---|
| Aqua product | ¥2,080 worth | ¥4,160 worth | ¥8,320 worth |
| QUO card | ¥500 worth | ¥1,500 worth | ¥2,500 worth |
| A Group restaurant dining certificate | ¥1,000 worth | ¥3,000 worth | ¥5,000 worth |
| TLC Points | ¥1,000 worth | ¥2,000 worth | ¥4,000 worth |
| LIBMO monthly usage fee | ¥2,100 worth | ¥5,100 worth | ¥11,280 worth |

Source: Prepared by FISCO from the Company website

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## Disclaimer



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