COMPANY RESEARCH AND ANALYSIS REPORT

Toho Gas Co., Ltd.

9533

Tokyo Stock Exchange Prime Market

10-Jul.-2025

FISCO Ltd. Analyst
Hideo Kakuta

FISCO Ltd.
https://www.fisco.co.jp

Contents

Summary

A comprehensive energy provider based in the three Tokai prefectures, engaged in city gas, LPG, electricity, and peripheral businesses. Under the new Medium-Term Management Plan, aims for consolidated ordinary income of ¥30.0bn, primarily through growth in strategic businesses. Targets a total payout ratio exceeding 100%, including share buybacks

1. Company profile

Toho Gas Co., Ltd. <9533> (hereafter, also “the Company”) is a comprehensive energy provider based in Aichi, Gifu, and Mie prefectures, engaged in city gas, LPG, electricity and peripheral businesses. Its Corporate Mission is “We, together with our Group companies, are dedicated to the creation of a rich and exciting life and the development of attractive and vital communities by setting our greatest value on the trust placed in us.” Guided by this Corporate Mission, the Company has been contributing to local communities. It is a long-established company that marked its 100th anniversary in 2022. In step with the changing times, the Company has undergone repeated transformations, shifting its raw materials for energy from coal to petroleum and then to natural gas. Under the Group Vision and Medium-Term Management Plan currently underway, the Company is also planning to drive growth in the electricity and overseas businesses, as well as in fields that go beyond the traditional energy sector. In the city gas business, the Company is one of the industry’s top three companies, alongside Tokyo Gas <9531> and Osaka Gas <9532>. The Company stands out for its substantial commercial sales volume in the three Tokai prefectures, which are home to a thriving manufacturing industry. As of the end of FY3/25, the Company had 32 subsidiaries, 40 affiliates, and 6,074 employees, and provided energy via city gas, LPG, and electricity to a total of approximately 3.08 million customer accounts in the region.

2. Business overview

The Company’s business segments are the Gas business, LPG and other Energies business, Electricity business, and Others business. In the Gas business, the Company conducts a wide range of operations primarily in Aichi, Gifu, Mie, and Okayama prefectures, including the manufacture and sale of city gas, the sale of gas equipment, the entrusted transportation and supply of gas, and gas supply piping work. This segment accounts for 62.4% of Group-wide net sales (FY3/25), and 70.7% of segment income, serving as the foundation of Group-wide performance. The LPG and other Energies business includes the sale of LPG and LPG equipment, as well as the sale of LNG and the heat supply business. It accounts for 14.8% of Group-wide net sales and 8.9% of segment income. The Electricity business is engaged in the sale of electricity. It accounts for 14.0% of Group-wide net sales and 1.2% of segment income. Although its current earnings contribution is small, the business has high growth potential. The Others business engages in a wide range of activities, including real estate management and leasing, plant and equipment design and construction, the CNxP (Carbon Neutrality x Professional/Package/Partner) business (carbon neutrality support business), information processing services, leasing of vehicles and equipment, and overseas development and investment related to natural gas and other resources. It accounts for 8.9% of Group-wide net sales and 19.2% of segment income, making a significant contribution to earnings.

3. Results trends

In the consolidated results for FY3/25, net sales increased but profits decreased, with net sales increasing 3.6% year on year (YoY) to ¥656,010mn, operating income decreasing 8.1% to ¥30,887mn, ordinary income decreasing 20.6% to ¥32,412mn, and net income attributable to owners of the parent decreasing 6.8% to ¥25,454mn. Net sales in the mainstay Gas business remained strong, rising 2.4% to ¥429,299mn. Net sales in the LPG and other Energies business were mostly flat, edging up 0.1% to ¥101,601mn. The Electricity business recorded steady growth, with net sales up 8.4% to ¥96,018mn. Net sales in the Others business grew 12.4% to ¥61,112mn, driven by factors such as an increase in orders for air conditioning equipment installation work. On the profit front, one main factor behind the decrease in operating income was a decline of approximately ¥8,500mn in the Gas business, due to the effect of market fluctuations, etc. related to procurement costs for raw materials, including a time lag on the cost adjustment system (gain on timing difference between raw material costs and net sales). Meanwhile, in the Electricity business, positive segment income was achieved, supported by an improvement of approximately ¥6,000mn in cost of sales, supported by factors such as lower procurement costs.

In the consolidated forecast for FY3/26, the Company expects decreases in both net sales and profits. It forecasts net sales to decrease 7.0% to ¥610,000mn, operating income to decrease 22.3% to ¥24,000mn, ordinary income to decrease 7.4% to ¥30,000mn, and net income attributable to owners of the parent to decrease 1.8% to ¥25,000mn.

The Company expects net sales to decrease ¥46,000mn YoY in FY3/26, reflecting a decrease in city gas sales prices due to lower raw material costs, as well as a planned decrease in sales volume in the Electricity business based on the assumption that temperatures will not rise as high as they did during the previous summer (with forecasts of 17.7°C in FY3/25 and 17.1°C in FY3/26). Regarding operating income, while the Gas business is expected to benefit from positive factors such as an approximately ¥8,000mn increase from the positive effect of the time lag on the cost adjustment system and a roughly ¥3,000mn reduction in costs, these will be outweighed by negative factors, including an approximately ¥2,000mn decrease due to the difference between purchase price and consumption price and other negative effects from market fluctuations, etc. related to the procurement cost for raw materials. Overall, operating income is expected to decline by approximately ¥7,500mn. As for ordinary income, although a ¥6,887mn decrease in operating income is anticipated, non-operating income is expected to improve, resulting in a projected decline of ¥2,412mn, or 7.4%, from FY3/25. As in FY3/25, the Company plans to continue selling cross-shareholdings and is therefore expected to record gains on sales of investment securities as extraordinary income. FISCO believes that the Company is fully capable of achieving its results forecasts for FY3/26, considering factors such as the high accuracy of its planning, and the fact that recent energy price trends are within the expected range.

4. Growth strategy

The Company announced a new Medium-Term Management Plan in March 2025. This three-year plan, covering FY3/26 to FY3/28, marks the first half of the second step toward achieving the Group Vision (announced in 2022), which the Company aims to realize in the mid-2030s. Under the Group Vision, the Company seeks to be a provider of diverse forms of energy as a “Reliable energy operator in the region,” along with being a “Life and business partner beyond the boundary of energy services.” To this end, the Company aims to carry out deeper cultivation of problem-solving businesses and expand its business areas through collaboration with other sectors. Its basic strategy is to accelerate the review of management resource allocation and promote the transformation of the business structure. The Company plans to strengthen the profitability of core businesses and actively reinvest the cash generated into strategic businesses to support further growth. The profit target under the new Medium-Term Management Plan is consolidated ordinary income of ¥30.0bn in FY3/28. Based on an assumed current normalized base income of ¥25.0bn, the plan calls for an increase of ¥5.0bn. Although various cost increases (such as increases in prices, wages, and interest payments) are anticipated during the Medium-Term Management Plan period, the Company aims to enhance overall profitability by continuing to improve efficiency and strengthen profitability in core businesses, while also increasing profits in its strategic businesses (including the electricity, overseas, and region-based problem-solving businesses).

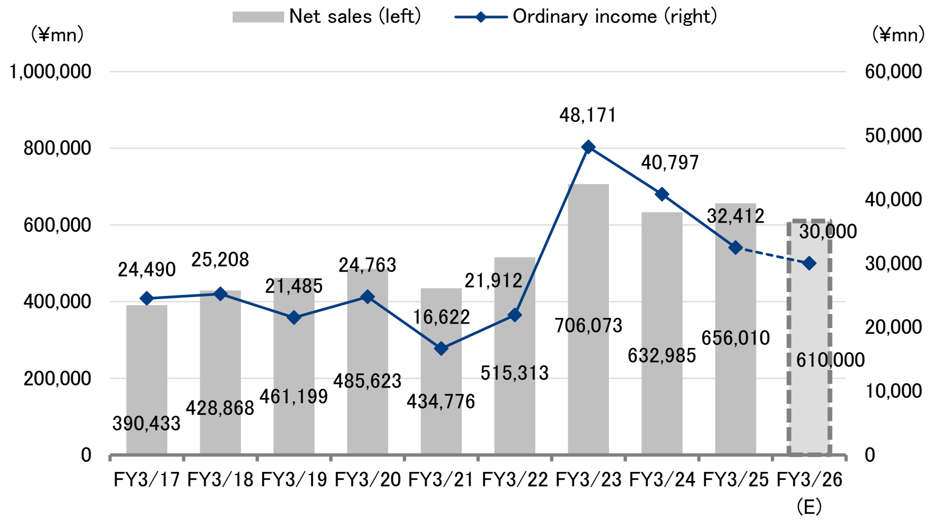
5. Shareholder return policy

The Company’s basic policy on profit distribution is to strengthen its management foundation and provide stable dividends. During the period of the new Medium-Term Management Plan (FY3/26 to FY3/28), the Company aims to increase dividends progressively in line with profit growth. It also plans to continue share buybacks and strive for optimization, aiming for equity capital of ¥400.0bn by the end of FY3/28. For FY3/25, the annual dividend was ¥80 per share (an increase of ¥10; interim dividend of ¥40 (already paid) and year-end dividend of ¥40), bringing the dividend payout ratio to 31.3%. It also conducted share buybacks of ¥30.0bn during the fiscal year. Including those share buybacks, the total payout ratio exceeded 100%. For FY3/26, the Company is forecasting an annual dividend of ¥90 per share (an increase of ¥10; interim dividend of ¥45 and year-end dividend of ¥45), for a dividend payout ratio of 35.1%. A share buyback of ¥15.0bn (announced in March 2025) has been authorized, with an acquisition period through the end of September 2025. As a result, the total payout ratio is expected to increase further.

Key Points

- A comprehensive energy provider based in the three Tokai prefectures, engaged in the city gas, LPG, electricity, and peripheral businesses
- The core businesses are the Company’s mainstay Gas business and LPG and other Energies business. The Electricity business and Others business (including peripheral and overseas operations) offer high growth potential. The Company’s strengths lie in its ability to propose solutions
- Higher net sales but lower profits in FY3/25. Profits decreased mainly due to a contraction in gains from timing differences between raw material costs and net sales. The Electricity business, a key area of focus, achieved profitability
- Under the new Medium-Term Management Plan, the Company aims for consolidated ordinary income of ¥30.0bn (FY3/28), driven mainly by growth in strategic businesses
- The Company plans to progressively increase dividends. The total payout ratio, including share buybacks, exceeds 100%. For FY3/25, the annual dividend was ¥80 per share, up ¥10 YoY (interim dividend of ¥40 (already paid) and year-end dividend of ¥40). For FY3/26, it forecasts an annual dividend of ¥90 per share, up ¥10

Consolidated results trends



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

Company profile

A comprehensive energy provider based in the three Tokai prefectures, engaged in the city gas, LPG, electricity, and peripheral businesses

1. Company profile

The Company is a comprehensive energy provider based in Aichi, Gifu, and Mie prefectures, engaged in city gas, LPG, electricity, and peripheral businesses. Its Corporate Mission is "We, together with our Group companies, are dedicated to the creation of a rich and exciting life and the development of attractive and vital communities by setting our greatest value on the trust placed in us." Guided by this Corporate Mission, the Company has been contributing to local communities. It is a long-established company that marked its 100th anniversary in 2022. In step with the changing times, the Company has undergone repeated transformations, shifting its raw materials for energy from coal to petroleum and then to natural gas. Under the Group Vision and Medium-Term Management Plan currently underway, the Company is also planning to drive growth in the electricity and overseas businesses, as well as in fields that go beyond the traditional energy sector. In the city gas business, the Company is one of the industry's top three companies, alongside Tokyo Gas and Osaka Gas. The Company stands out for its substantial commercial sales volume in the three Tokai prefectures, which are home to a thriving manufacturing industry. As of the end of FY3/25, the Company had 32 subsidiaries, 40 affiliates, and 6,074 employees, and provided energy via city gas, LPG, and electricity to a total of approximately 3.08 million customer accounts in the region.

2. History

The Company was founded more than 100 years ago, in 1922. Its first president, Mr. Sakura Okamoto, started the city gas business, using coal as the raw material at the time. The Company expanded its operating area through new company establishments and mergers, solidifying its base in the three Tokai prefectures and Okayama Prefecture. In 1949, its shares were listed on bourses in Tokyo, Nagoya, and Osaka. In 1959, it commenced its LPG business and began expanding its operating areas. From the 1960s onward, the Company gradually shifted the raw material for gas from coal to petroleum, and by the early 1990s, had completed the transition to natural gas. In 2012, the Company joined the Ichthys LNG Project in Australia, marking the launch of its overseas business development. Currently, the Company has bases in Australia and Singapore and is advancing projects primarily in Asia and North America. In 2016, it entered the Electricity business in step with the liberalization of electricity retailing, and the business has since grown into a core pillar for the future. As part of the 2022 market reorganization of the Tokyo Stock Exchange and the Nagoya Stock Exchange, the Company transitioned to the Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market.

History

Date	Main events
July 1922	Established the Company and acquired Nagoya Gas Co., Ltd., starting the gas business
May 1925	Established Gifu Gas Co., Ltd.
August 1930	Established Godo Gas Co., Ltd.
December 1936	Acquired the shares of Okazaki Gas Co., Ltd. (established in April 1910) and participated in its management
January 1940	Began operations at Atsuta Works, in addition to Nagoya Works (formerly Sakurada Works)
April 1942	Established Mizushima Gas Co., Ltd.
May 1949	Listed the Company's shares on bourses in Tokyo, Nagoya, and Osaka
November 1959	Established Toho Liquefied Fuel Co., Ltd. (now Toho Liquefied Gas Co., Ltd.) and began the LPG business
October 1970	Began operations at Sorami Works
October 1974	Exceeded 1 million city gas customer accounts (total for 5 companies in the Gas business)
November 1976	Began operations at Chita Works (now the Chita Calorific Value Adjustment Center)
September 1977	Commenced operations at the Chita LNG Terminal and received first LNG vessel
June 1978	Began shifting to natural gas
October 1991	Began operations at Yokkaichi Works
May 1993	Completed shift to natural gas
May 2001	Began operations at Chita-Midorihama Works (full-scale operations began in November)
April 2003	Merged Godo Gas Co., Ltd., Gifu Gas Co., Ltd., and Okazaki Gas Co., Ltd.
October 2009	Completed circular transportation trunk line
January 2012	Entered into an interest transfer agreement for the Ichthys LNG Project in Australia
September 2013	Began operation of the Ise Bay Crossing Gas Pipeline
April 2016	Entered the retail electricity business
April 2021	Established Toho Gas Network Co., Ltd.
April 2022	Following the market reorganization of the Tokyo Stock Exchange and the Nagoya Stock Exchange, the Company transitioned from the First Section of each to the Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

Source: Prepared by FISCO from the Company's annual securities report and Integrated Report 2024

3. Business description

The Company's business segments are the Gas business, LPG and other Energies business, Electricity business, and Others business. In the Gas business, the Company conducts a wide range of operations primarily in Aichi, Gifu, Mie, and Okayama prefectures, including the manufacture and sale of city gas, the sale of gas equipment, the entrusted transportation and supply of gas, and gas supply piping work. This segment accounts for 62.4% of Group-wide net sales (FY3/25), and 70.7% of segment income, serving as the foundation of Group-wide performance. The LPG and other Energies business includes the sale of LPG and LPG equipment, as well as the sale of LNG and the heat supply business. It accounts for 14.8% of Group-wide net sales and 8.9% of segment income. The Electricity business is engaged in the sale of electricity. It accounts for 14.0% of Group-wide net sales and 1.2% of segment income. Although its current earnings contribution is small, the business has high growth potential. The Others business engages in a wide range of activities, including real estate management and leasing, plant and equipment design and construction, the CNxP (Carbon Neutrality x Professional/Package/Partner) business (carbon neutrality support business), information processing services, leasing of vehicles and equipment, and overseas development and investment related to natural gas and other resources. It accounts for 8.9% of Group-wide net sales and 19.2% of segment income, making a significant contribution to earnings.

Segment overview

Segment	Overview	Main companies	Results (FY3/25)			
			Net sales (¥mn)	Net sales composition	Segment income (¥mn)	Segment income composition
Gas	Manufacture and sale of city gas, sale of gas equipment, entrusted transportation and supply of gas, gas supply piping work, sale of residential equipment, and call center and billing operations, primarily in Aichi, Gifu, Mie, and Okayama prefectures	The Company Toho Gas Network Co., Ltd. Mizushima Gas Co., Ltd. Toho Gas Life Solutions Co., Ltd. Toho Gas Customer Service Co., Ltd. Toho Gas Techno Co., Ltd. Toho Gas Communications Co., Ltd.	429,299	62.4%	20,549	70.7%
LPG and other Energies	Sales of LPG, LPG equipment, and LNG; heat supply business; and sales of coke and related products	The Company Toho Liquefied Gas Co., Ltd.	101,601	14.8%	2,591	8.9%
Electricity	Sale of electricity	The Company	96,018	14.0%	342	1.2%
Others	Contracted LNG processing, real estate management and leasing, design and construction of plants and facilities, CNxP business, sales of residential equipment, information processing, leasing, and development and investment related to natural gas and other resources	The Company Toho Gas Real Estate Development Co., Ltd. Toho Gas Energy Engineering Co., Ltd. Toho Gas Information System Co., Ltd. Toho Service Co., Ltd. Toho Gas Safety Life Co., Ltd. Toho Gas Australia Pty Ltd	61,112	8.9%	5,594	19.2%
Total			688,031	100.0%	29,077	100.0%

Source: Prepared by FISCO from the Company's annual securities report and financial results

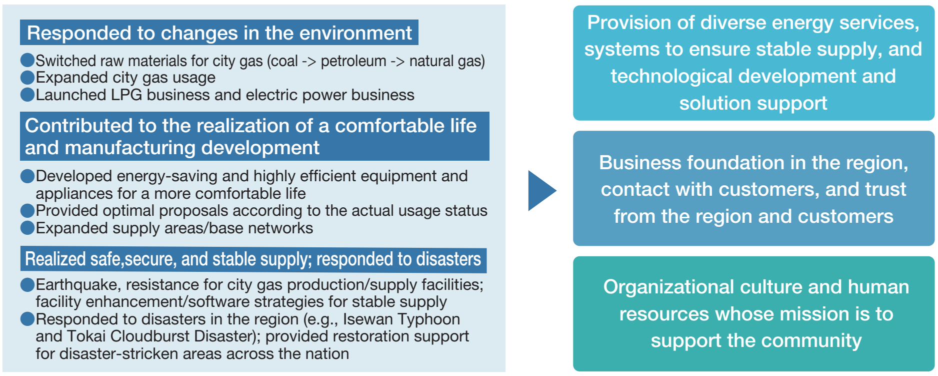
Business overview

The core businesses are the Company's mainstay Gas business and LPG and other Energies business. The Electricity business and Others business (including peripheral and overseas operations) offer high growth potential. The Company's strengths lie in its ability to propose solutions

1. The Company's strengths

The Company's strengths include proposing and providing diverse energy services, maintaining contact and relationships of trust with regional customers, and having human resources that enable stable energy supply. These strengths have been cultivated through the Company's history and accumulated experience. As society moves into an era demanding carbon neutrality, the Company emphasizes that its ability to provide customers with specific solution proposals leveraging its expertise in various energy types and technologies has become a significant strength. In addition, the Company's customer base in the Gas business serves as a major strength in its efforts to develop customers in new businesses such as the Electricity business.

Initiatives to date and strengths



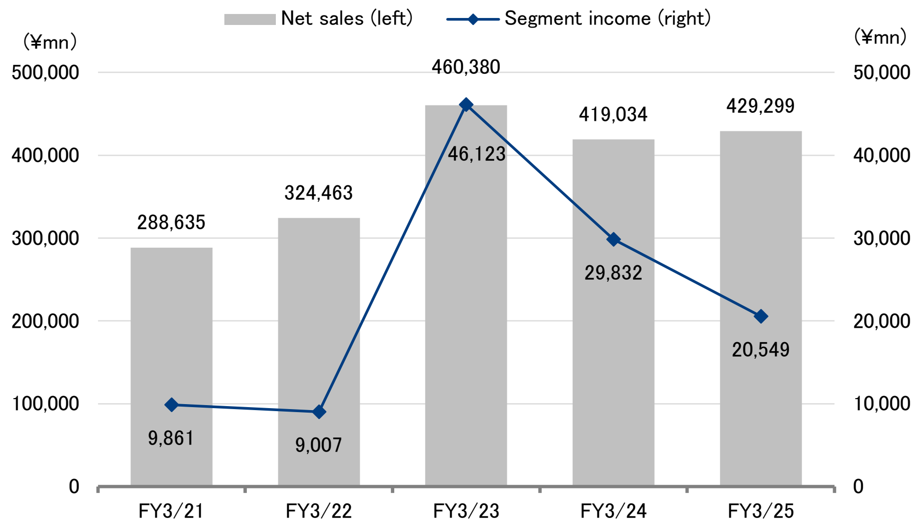
Source: The Company's Integrated Report 2024

2. Gas business: Features and results trends

The Gas business, which encompasses a range of operations related to the supply of city gas, has continued since the Company's founding and forms the backbone of its operations. In Aichi, Gifu, and Mie prefectures, the Company conducts the manufacture and sale of gas, as well as the sale of gas equipment. Through its subsidiaries, it also carries out entrusted gas transportation and supply, gas supply piping work, call center operations, and billing services. In addition, its subsidiary Mizushima Gas Co., Ltd. is engaged in the manufacture, supply, and sales of gas and in related businesses in Okayama Prefecture.

Net sales in the Gas business have remained relatively stable since FY3/21. While sales volume in the gas business has been on a slight downward trend since FY3/19, the increase in net sales appears to have been caused by higher selling prices arising from rising procurement costs for raw materials. In recent years, in an environment in which temperatures have remained above average, gas usage for water heating has tended to decline. Segment income has shown relatively large fluctuations, also largely due to the impact of the time lag associated with changes in raw material prices. In terms of annual sensitivity, a $1 per barrel increase in crude oil prices reduces operating income by approximately ¥0.1bn, while a ¥1 appreciation in the yen-dollar exchange rate similarly reduces operating income by about ¥0.1bn. For FY3/25, while the number of customers and sales volume remained mostly flat, net sales in the Gas business increased slightly, up 2.4% YoY to ¥429,299mn. Segment income was negatively impacted by approximately ¥8,500mn due to the effect of market fluctuations, etc. related to procurement costs for raw materials, including a time lag on the cost adjustment system (gain on timing difference between raw material costs and net sales). Overall, segment income decreased 31.1% to ¥20,549mn.

Results trends in the Gas business



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

Trend in the number of customers and sales volume in the Gas business

	Unit	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	CAGR
Total number of customers at fiscal year-end	Thousands of accounts	1,793	1,756	1,741	1,747	1,750	-0.6%
Total sales volume	Millions of m^3	3,610	3,613	3,454	3,370	3,350	-1.9%
Sales volume (residential)	Millions of m^3	659	640	583	563	562	-3.9%
Sales volume (commercial, etc.)	Millions of m^3	2,951	2,973	2,871	2,806	2,788	-1.4%

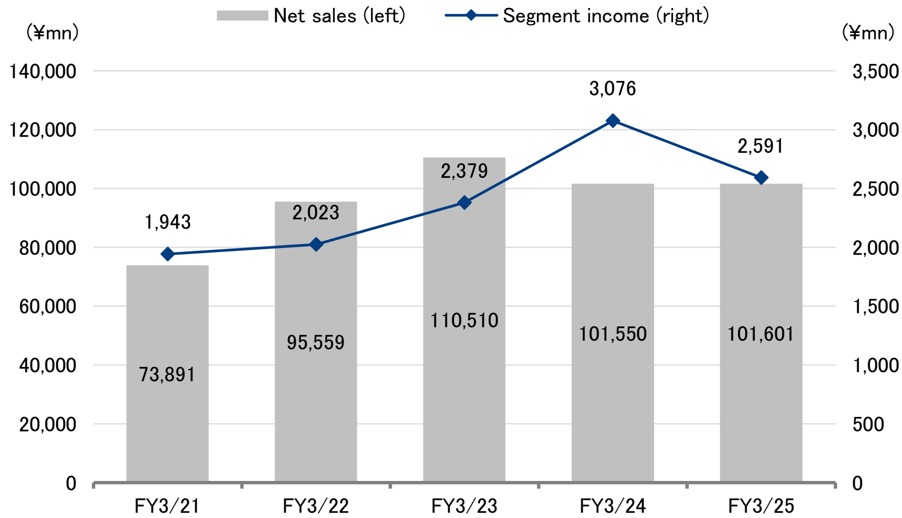
Source: Prepared by FISCO from the Company's financial results

3. LPG and other Energies business: Features and results trends

The LPG and other Energies business was launched in 1959. The Company conducts this business over a wide area that includes not only the areas of Aichi, Gifu, and Mie prefectures, but also Shizuoka and Nagano prefectures, the Hokuriku area, and certain other locations. Subsidiaries such as Toho Liquefied Gas Co., Ltd. conduct the sale of LPG and LPG equipment, LPG pipe construction work, as well as the sale of coke, petroleum products and other items. A feature of this business is that it involves logistics operations such as delivery and collection.

Net sales in the LPG and other Energies business have been on an upward trend since FY3/21. The number of customers, which underpins this growth, has increased at a CAGR of 2.1%, and sales volume has remained largely stable in line with this trend. Changes in segment income have been gradual and stable. Meanwhile, the segment income margin remains low, standing at 2.6% (FY3/25). For FY3/25, net sales in the LPG and other Energies business increased 0.1% to ¥101,601mn. Segment income decreased 15.7% to ¥2,591mn.

Results trends in the LPG and other Energies business



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

Trend in the number of customers and sales volume in the LPG business

	Unit	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	CAGR
Total number of customers at fiscal year-end	Thousands of accounts	594	603	604	615	645	2.1%
Total sales volume	Thousands of tons	462	486	475	465	474	0.6%

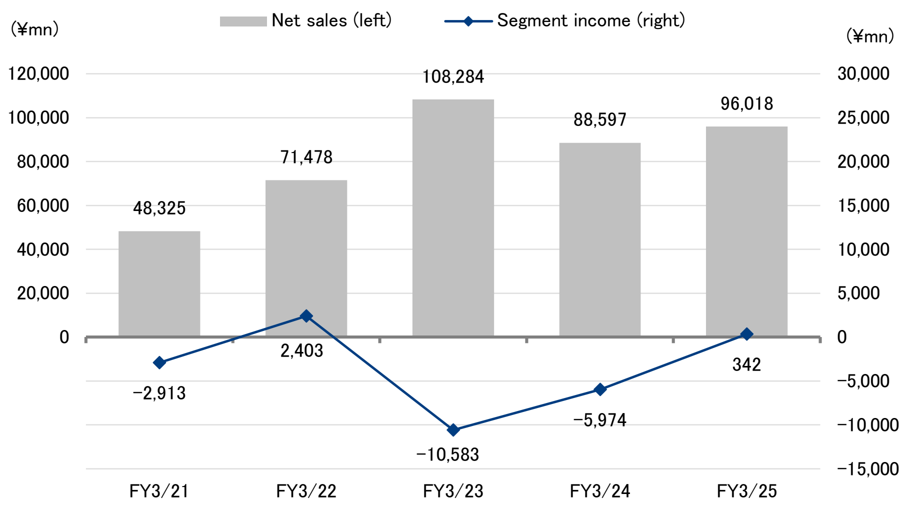
Source: Prepared by FISCO from the Company's financial results

4. Electricity business: Features and results trends

With the liberalization of electricity retailing for general households in 2016, the Company entered the Electricity business. Now in its 10th year, the business has grown to a scale comparable to the long-established LPG business, with net sales of approximately ¥100.0bn and around 700 thousand customer accounts. The Electricity business' strengths in sales lie in its customer contacts cultivated through city gas and LPG operations, and in its ability to offer bundled proposals that combine gas and electricity.

Net sales in the Electricity business have been on an overall uptrend since FY3/21, despite some fluctuations. The number of customers, the underlying driver of this growth, has been increasing at a CAGR of 12.1% and sales volume has been trending upward in line with this trend. Operating income has fluctuated significantly in the past. For example, in FY3/23, market prices surged due to factors such as the Russia-Ukraine conflict, pushing up electricity procurement costs and causing a sharp decline in the Company's operating income. The Company has strengthened initiatives to improve profitability, such as conducting diversified procurement from multiple companies, staggering contract years and durations, and combining bilateral contracts and spot procurement. For FY3/25, net sales in the Electricity business rose 8.4% YoY to ¥96,018mn. Segment income returned to profitability at ¥342mn, compared with a segment loss of ¥5,974mn in the previous fiscal year.

Results trends in the Electricity business



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

Trend in the number of customers and sales volume in the Electricity business

	Unit	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	CAGR
Total number of customers at fiscal year-end	Thousands of accounts	438	514	576	638	691	12.1%
Total sales volume	Millions of kWh	1,602	2,126	2,369	2,579	2,815	15.1%

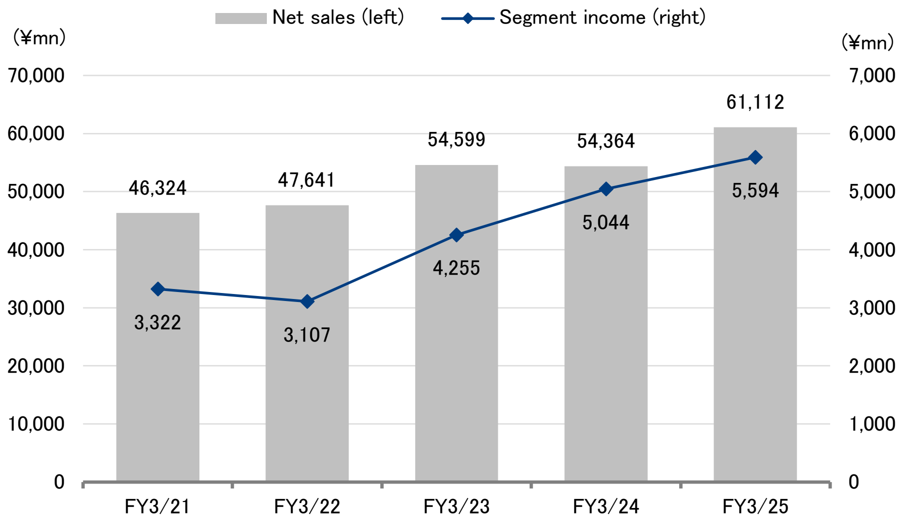
Source: Prepared by FISCO from the Company's financial results

5. Others business: Features and results trends

As one part of its vision for the mid-2030s, the Company seeks to become a “Life and business partner beyond the boundary of energy services.” Under the Medium-Term Management Plan currently underway, the Company has identified “Deeper cultivation of region-based businesses” as a non-energy strategy. It has established the following five specific fields: 1) lifestyle and administrative support; 2) engineering; 3) town development and real estate development; 4) information services; and 5) agri-food. The Company is targeting ¥5.0bn in business profits from its community-based value creation businesses in FY3/28. The key players in this business are Toho Gas Real Estate Development Co., Ltd., which manages and leases real estate; Toho Gas Energy Engineering Co., Ltd., which designs and constructs plants and equipment; Toho Gas Information System Co., Ltd., which provides information processing and related services. In addition, the overseas business is also included in this segment.

In the Others business, net sales have been on an upward trend since FY3/21. Another feature of this business is its high profitability, with the segment income margin reaching 9.2% in FY3/25, exceeding that of the energy-related businesses. For FY3/25, net sales in the Others business increased 12.4% YoY to ¥61,112mn. Segment income rose 10.9% to ¥5,594mn, reflecting a steady expansion in business scale.

Results trends in the Others business



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

Results trends

Higher net sales but lower profits in FY3/25. Profits decreased mainly due to a contraction in gains from timing differences between raw material costs and net sales. The Electricity business, a key area of focus, achieved profitability

1. Overview of FY3/25 results

In the FY3/25 consolidated results, net sales increased but profits decreased, with net sales increasing 3.6% YoY to ¥656,010mn, operating income decreasing 8.1% to ¥30,887mn, ordinary income decreasing 20.6% to ¥32,412mn, and net income attributable to owners of the parent decreasing 6.8% to ¥25,454mn.

Net sales in the mainstay Gas business remained strong, rising 2.4% YoY to ¥429,299mn. The number of city gas customer accounts increased by 3 thousand from the previous fiscal year-end to 1.75 million, while sales volume decreased 0.6% to 3,350 million m^3. The slight decrease in sales volume was attributable to factors such as the impact of higher summer temperatures on residential use, and lower capacity utilization of customer facilities for commercial use. Net sales in the LPG and other Energies business were mostly flat, edging up 0.1% to ¥101,601mn. The number of LPG customer accounts increased by 30 thousand from the previous fiscal year-end, and sales volume rose 1.9% to 474 thousand tons. The Electricity business recorded steady growth, with net sales up 8.4% to ¥96,018mn. The number of electricity customer accounts rose by 53 thousand from the previous fiscal year-end, and sales volume increased 9.2% to 2,815 million kWh. Net sales in the Others business grew 12.4% to ¥61,112mn, driven by factors such as an increase in orders for air conditioning equipment installation work.

On the profit front, one main factor behind the decrease in operating income was a decline of approximately ¥8,500mn YoY in the Gas business, due to the effect of market fluctuations, etc. (such as the effect of crude oil prices and exchange rates) related to procurement costs for raw materials, including a time lag on the cost adjustment system (gain on timing difference between raw material costs and net sales). Meanwhile, in the Electricity business, positive segment income was achieved, supported by an improvement of approximately ¥6,000mn in cost of sales, driven by factors such as lower procurement costs. Selling, general and administrative expenses (SG&A) expenses were kept under control, with the SG&A expense ratio declining 0.2 of a percentage point (pp) to 21.6%. Ordinary income was affected by recording equity in losses of affiliates, which increased ¥5,642mn.

FY3/25 results

(¥mn)

	FY3/24		FY3/25		
	Results	% of net sales	Results	% of net sales	YoY
Net sales	632,985	100.0%	656,010	100.0%	3.6%
Cost of sales	461,449	72.9%	483,165	73.7%	4.7%
Gross profit	171,535	27.1%	172,844	26.3%	0.8%
SG&A expenses	137,938	21.8%	141,957	21.6%	2.9%
Operating income	33,597	5.3%	30,887	4.7%	-8.1%
Ordinary income	40,797	6.4%	32,412	4.9%	-20.6%
Net income attributable to owners of the parent	27,304	4.3%	25,454	3.9%	-6.8%

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

A sound and stable financial base, with an equity ratio of 59%

2. Financial position and management indicators

At the end of FY3/25, total assets were up ¥24,241mn from the previous fiscal year-end to ¥758,765mn. This was mainly due to a ¥17,083mn increase in non-current assets, and a ¥14,105mn increase in investments and other assets. Current assets were up ¥7,158mn. This was primarily due to an increase of ¥16,975mn in cash and deposits.

Total liabilities were up ¥32,699mn from the previous fiscal year-end to ¥310,370mn. Of this amount, non-current liabilities increased by ¥5,451mn, mainly due to a ¥20,000mn increase in bonds payable, while there was a ¥16,561mn decrease in long-term loans payable. Current assets were up ¥27,248mn from the previous fiscal year-end. This was mainly due to a ¥16,667mn increase in current portion of long-term liabilities. Interest-bearing debt increased ¥20,106mn from the previous fiscal-year end to a balance of ¥153,388mn at the end of FY3/25.

In terms of management indicators (as of the end of FY3/25), the Company has maintained a sound financial base, with an equity ratio of 59.1% (62.2% in FY3/24). ROE (return on equity) was 5.6% (6.4% in FY3/24), indicating stability, although there remains room to improve profitability and management efficiency.

Consolidated balance sheets and management indicators

(¥mn)

	End of FY3/24	End of FY3/25	Change
Non-current assets	553,957	571,040	17,083
Investments and other assets	241,491	255,596	14,105
Current assets	180,567	187,725	7,158
Cash and deposits	29,774	46,749	16,975
Total assets	734,524	758,765	24,241
Non-current liabilities	184,626	190,077	5,451
Bonds payable	67,500	87,500	20,000
Long-term loans payable	60,283	43,722	-16,561
Current liabilities	93,045	120,293	27,248
Current portion of non-current liabilities	5,499	22,166	16,667
Total liabilities	277,671	310,370	32,699
Total net assets	456,852	448,394	-8,458
Total liabilities and net assets	734,524	758,765	24,241
<Stability>			
Current ratio (Current assets ÷ Current liabilities)	194.1%	156.1%	-
Equity ratio (Shareholders' equity ÷ Total assets)	62.2%	59.1%	-
<Profitability>			
ROE (Net income ÷ Shareholders' equity)	6.4%	5.6%	-
ROA (Ordinary income ÷ Total assets)	3.8%	3.4%	-
ROS (Operating income ÷ Net sales)	5.3%	4.7%	-

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

Outlook

In the FY3/26 forecast, ordinary income is forecast to decrease 7.4% YoY to ¥30.0bn

In the consolidated forecast for FY3/26, the Company expects decreases in both net sales and profits. It forecasts net sales to decrease 7.0% YoY to ¥610,000mn, operating income to decrease 22.3% to ¥24,000mn, ordinary income to decline 7.4% to ¥30,000mn, and net income attributable to owners of the parent to decrease 1.8% to ¥25,000mn.

The Company expects net sales to decrease ¥46,000mn YoY, reflecting a decrease in city gas sales prices due to lower raw material costs, as well as a planned decrease in sales volume in the Electricity business based on the assumption that temperatures will not rise as high as they did during the previous summer (with forecasts of 17.7°C in FY3/25 and 17.1°C in FY3/26). The number of city gas customer accounts is expected to increase by 7 thousand from the previous fiscal year-end to 1.757 million, while sales volume is forecast to decrease by 2.4% to 3,270 million m^3. The number of LPG customer accounts is forecast to increase by 2 thousand to 648 thousand and sales volume is expected to increase 1.9% to 483 thousand tons. The number of electricity customer accounts is projected to grow by 15 thousand from the previous fiscal year-end to 706 thousand, while sales volume is forecast to decrease 4.8% to 2,680 million kWh.

Regarding operating income, while the Gas business is expected to benefit from positive factors such as an approximately ¥8,000mn increase from the positive effect of the time lag on the cost adjustment system and a roughly ¥3,000mn reduction in costs, these will be outweighed by negative factors, including an approximately ¥2,000mn decrease due to the difference between purchase price and consumption price and other negative effects from market fluctuations, etc. related to the procurement cost for raw materials. Overall, operating income is expected to decline by approximately ¥7,500mn. The Company is forecasting an external environment that is slightly favorable for generating profits, with a crude oil forecast for FY3/26 of $70, down $12.4 YoY, and an exchange rate forecast of ¥145.0 to the U.S. dollar, an appreciation of ¥7.6 from FY3/25. As for ordinary income, although a ¥6,887mn decrease in operating income is anticipated, non-operating income is expected to improve, resulting in a projected decline of ¥2,412mn, or 7.4%, from FY3/25. As in FY3/25, the Company plans to continue selling cross-shareholdings and is therefore expected to record gains on sales of investment securities as extraordinary income. FISCO believes that the Company is fully capable of achieving its results forecasts for FY3/26, considering factors such as the high accuracy of its planning, and the fact that recent energy price trends are within the expected range.

FY3/26 forecast (consolidated)

(¥mn)

	FY3/25		FY3/26		
	Results	% of net sales	Forecast	% of net sales	YoY
Net sales	656,010	100.0%	610,000	100.0%	-7.0%
Operating income	30,887	4.7%	24,000	3.9%	-22.3%
Ordinary income	32,412	4.9%	30,000	4.9%	-7.4%
Net income attributable to owners of the parent	25,454	3.9%	25,000	4.1%	-1.8%

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

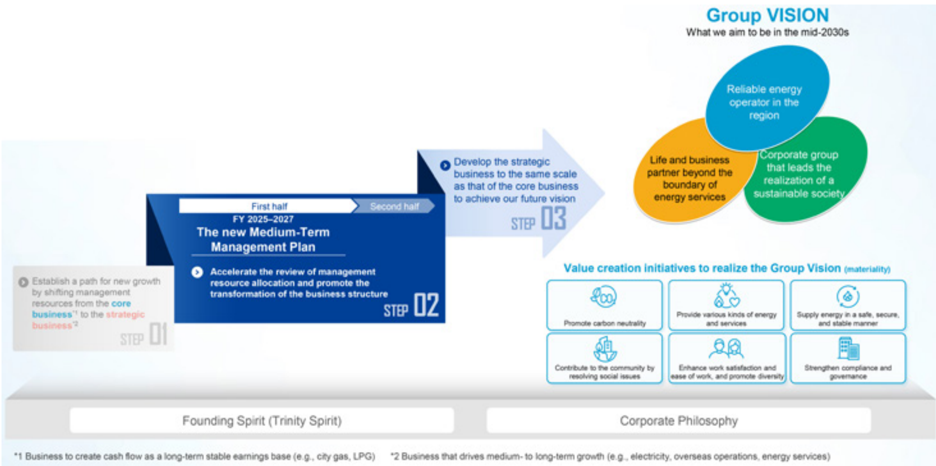
Growth strategy and topics

Under the new Medium-Term Management Plan, the Company aims for consolidated ordinary income of ¥30.0bn (FY3/28), driven mainly by growth in strategic businesses

1. Aims for ordinary income of ¥30.0bn under the new Medium-Term Management Plan (ending FY3/28)

The Company announced a new Medium-Term Management Plan in March 2025. This three-year plan, covering FY3/26 to FY3/28, marks the first half of the second step toward achieving the Group Vision (announced in 2022), which the Company aims to realize in the mid-2030s. Under the Group Vision, the Company seeks to be a provider of diverse forms of energy as a “Reliable energy operator in the region,” along with being a “Life and business partner beyond the boundary of energy services.” To this end, the Company aims to carry out deeper cultivation of problem-solving businesses and expand its business areas through collaboration with other sectors. Its basic strategy is to accelerate the review of management resource allocation and promote the transformation of the business structure. The Company plans to strengthen the profitability of core businesses and actively reinvest the cash generated into strategic businesses to support further growth.

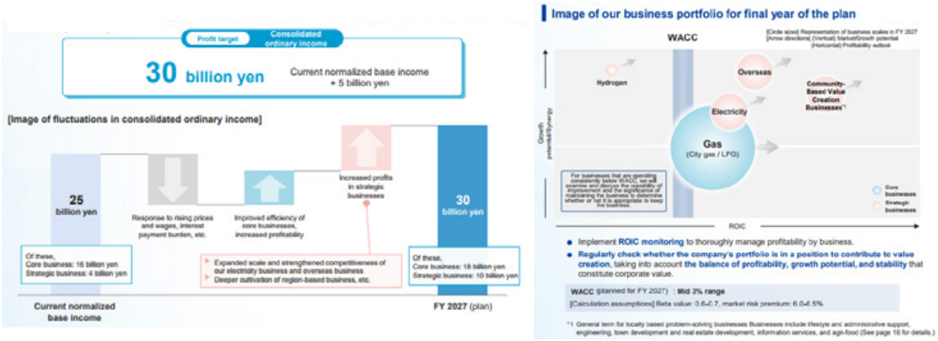
Vision



Source: The Company’s Medium-Term Management Plan

The profit target under the new Medium-Term Management Plan is consolidated ordinary income of ¥30.0bn in FY3/28. Based on an assumed current normalized base income of ¥25.0bn, the plan calls for an increase of ¥5.0bn. Although various cost increases (such as increases in prices, wages, and interest payments) are anticipated during the Medium-Term Management Plan period, the Company aims to enhance overall profitability by continuing to improve efficiency and strengthen profitability in core businesses, while also increasing profits in its strategic businesses (including the electricity, overseas, and region-based problem-solving businesses).

Profit and profitability



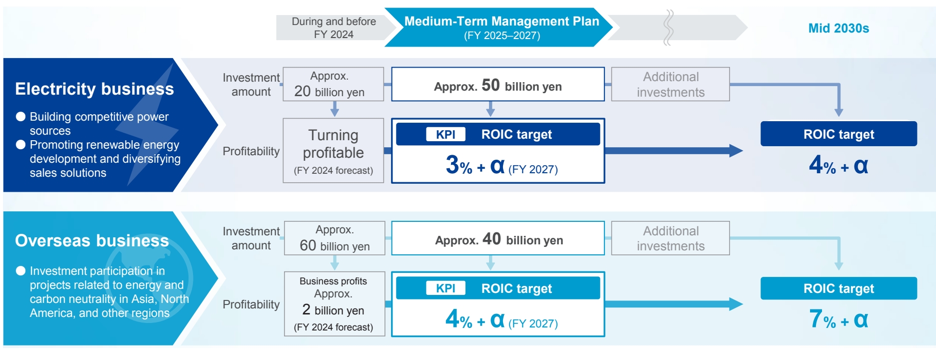
Source: The Company's Medium-Term Management Plan

2. Aims for profit growth by generating cash from core businesses and investing in strategic businesses

The Company's core businesses, the city gas business and the LPG business, are promoting initiatives at each stage of the supply chain, with the aim of generating stable cash flows. The Company will continue to enhance and raise the efficiency of its operations by harnessing its past track record, advanced technologies, and digital transformation (DX). At the same time, it will strengthen its LNG procurement capabilities and step up initiatives to drive sustainable growth in the LPG business. In its core businesses, the Company is targeting operating cash flow of ¥45.0bn in FY3/28.

The Company has identified its strategic businesses as the electricity, overseas, and region-based problem-solving businesses. In particular, the electricity and overseas businesses, which can fully leverage the Company's strengths (infrastructure, technologies, and knowledge) that it has cultivated in the gas business, will serve effectively as the driving force for profit growth in the next era. The Electricity business has already reached net sales of around ¥100.0bn, achieved profitability in FY3/25, and has been performing strongly. During the Medium-Term Management Plan period, the Company will implement initiatives such as establishing competitive power sources, promoting the development of renewable energy, and diversifying sales solutions. It will actively invest approximately ¥50.0bn, with the aim of achieving profitability of 3% + α in terms of return on invested capital (ROIC). In the overseas business, the Company has so far implemented initiatives that contribute to low carbon and decarbonization in each region by promoting the widespread adoption of natural gas and renewable energy. Notably, in Asia and Australia, it has invested and participated in projects not only in Australia and Singapore, where it already has bases, but also in Vietnam, Taiwan, Indonesia, and Thailand, among other locations. Additionally, in Europe and the Americas, it is investing and participating in projects in the U.S., Canada, the U.K., and Portugal. During the Medium-Term Management Plan period, the Company plans to establish new bases in Vietnam, Indonesia, and the U.S. It intends to invest approximately ¥40.0bn, targeting profitability of 4% + α in terms of ROIC.

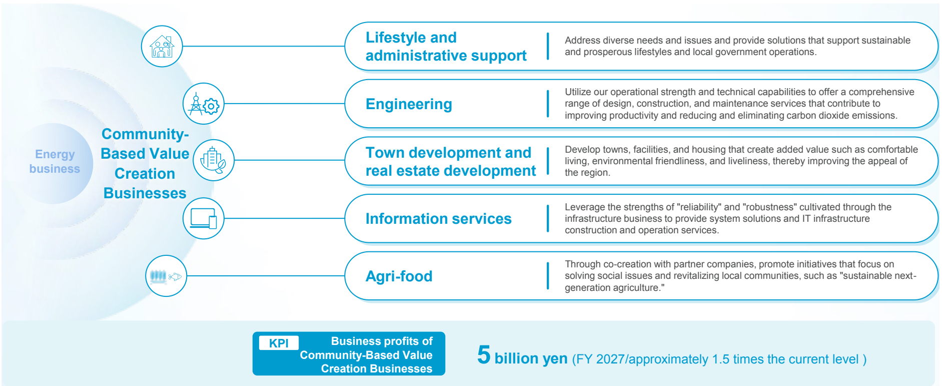
Nurturing the driving forces of growth



Source: The Company's Medium-Term Management Plan

The region-based problem-solving businesses are primarily classified under "Others" in the Company's segment categories. Leveraging its strengths in the five fields of lifestyle and administrative support, engineering, town development and real estate development, information services, and agri-food, the Company is striving for deeper cultivation of problem-solving businesses that lead to win-win relationships and harmonious coexistence with local communities, businesses, local governments and other partners. Examples of such initiatives include COMTEC PORTBASE (Minato AQULS phase II area) in town development and real estate development, and land-based salmon farming in agri-food. The Company has set a business profits target of ¥5.0bn for this area in FY3/28, aiming to raise profits to approximately 1.5 times the current level.

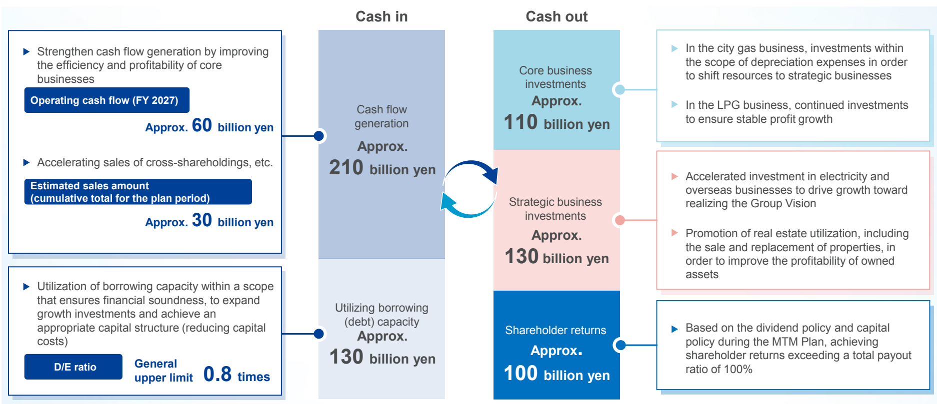
Deeper cultivation of region-based businesses



Source: The Company's Medium-Term Management Plan

The Company has also clarified the outlook for its financial strategy for implementing the strategies in its Medium-Term Management Plan. Regarding cash inflows, it expects to generate approximately ¥210.0bn in total, comprising operating cash flow (around ¥180.0bn over 3 years) and proceeds from the sale of cross-shareholdings (around ¥30.0bn over 3 years). In addition, eyeing a reduction in capital costs, the Company plans to borrow approximately ¥130.0bn, utilizing its borrowing capacity within a scope that ensures financial soundness. The general upper limit for the D/E ratio is around 0.8 times. Regarding cash outflows, the Company plans to allocate approximately ¥110.0bn to core businesses (within the scope of depreciation expenses in the city gas business), approximately ¥130.0bn to strategic businesses (accelerate investment in the electricity and overseas businesses), and approximately ¥100.0bn to shareholder returns (provide shareholder returns exceeding a total payout ratio of 100%).

Cash allocation



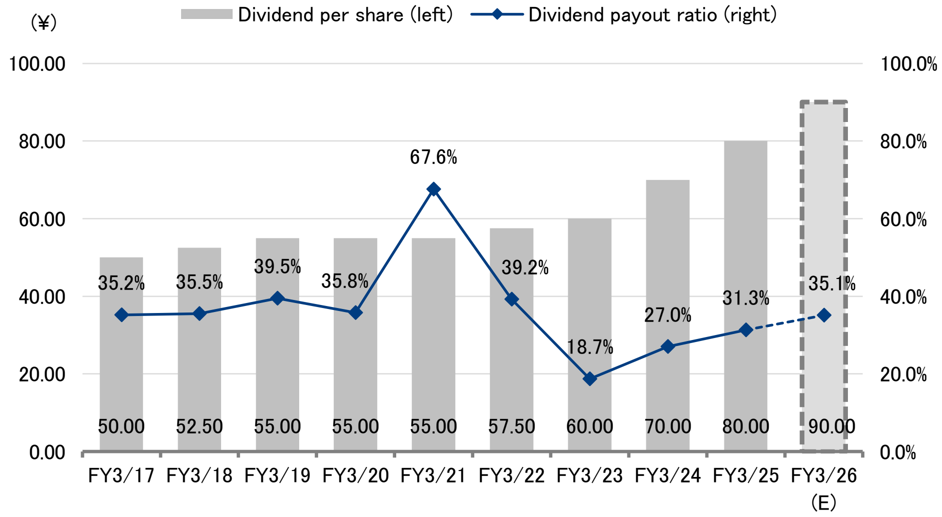
Source: The Company's Medium-Term Management Plan

Shareholder return policy

The Company plans to progressively increase dividends. The total payout ratio, including share buybacks, exceeds 100%. For FY3/25, the annual dividend was ¥80 per share, up ¥10 YoY (interim dividend of ¥40 (already paid) and year-end dividend of ¥40)

The Company's basic policy on profit distribution is to strengthen its management foundation and provide stable dividends. During the period of the new Medium-Term Management Plan (FY3/26 to FY3/28), the Company aims to increase dividends progressively in line with profit growth. It also plans to continue share buybacks and strive for optimization, aiming for equity capital of ¥400.0bn by the end of FY3/28. (Net assets as of the end of FY3/25 were ¥448.3bn.) For FY3/25, the annual dividend was ¥80 per share (an increase of ¥10; interim dividend of ¥40 (already paid) and year-end dividend of ¥40), bringing the dividend payout ratio to 31.3%. It also conducted share buybacks of ¥30.0bn during the fiscal year. Including those share buybacks, the total payout ratio exceeded 100%. For FY3/26, the Company is forecasting an annual dividend of ¥90 per share (an increase of ¥10; interim dividend of ¥45 and year-end dividend of ¥45), for a dividend payout ratio of 35.1%. In FY3/26, a share buyback of ¥15.0bn (announced in March 2025) has been authorized. As a result, the total payout ratio is expected to increase further.

Dividend per share and dividend payout ratio



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

The Company has a shareholder benefit program under which shareholders who have held 100 or more shares continuously for at least 6 months as of the end of March are awarded shareholder benefit points based on the number of shares held and the length of the holding period. These points can be used to redeem local specialty products from regions associated with the Company or applied toward the payment of the Company's gas and electricity bills. The shareholder benefit program has been expanded for the second consecutive year. In FY3/25, the number of shareholder benefit points awarded increased by 3,000–6,000.

Shareholder benefit point table (1 point = equivalent to ¥1)

Number of shares held	Shareholding period		
	More than 6 months but less than 3 years	More than 3 years but less than 5 years*	5 years or more*
100 shares to less than 200 shares	4,000 points	6,000 points	8,000 points
200 shares to less than 300 shares	5,000 points	7,500 points	10,000 points
300 shares to less than 400 shares	6,000 points	9,000 points	12,000 points
400 shares to less than 500 shares	7,000 points	10,500 points	14,000 points
500 shares or more	8,000 points	12,000 points	16,000 points

* Shareholders who have held shares for 3 years or more are those who have been continuously listed or recorded under the same shareholder number in the Company's shareholder register as of March 31 each year for at least 3 consecutive years. Likewise, shareholders who have held shares for 5 years or more are those who have been continuously listed or recorded for at least 5 years in the same manner.
Source: Prepared by FISCO from the Company's website

Disclaimer

■ For inquiries, please contact: ■
FISCO Ltd.
5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062
Phone: 03-5774-2443 (IR Consulting Business Division)
Email: support@fisco.co.jp