COMPANY RESEARCH AND ANALYSIS REPORT

TOKAI Holdings Corporation

3167

Tokyo Stock Exchange Prime Market

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Summary

Results set new first-quarter record in 1Q FY3/26

TOKAI Holdings Corporation <3167> (hereafter, also "the Company"), based in Shizuoka Prefecture, is a comprehensive lifestyle infrastructure company developing "energy and lifestyle-related business," primarily the provision of liquefied petroleum (LP) gas, and "information and communications business." The Company will celebrate its 75th anniversary in December 2025. Based on its strengths of customer power with roughly 3.44 million 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. Overview of 1Q FY3/26 results

In 1Q FY3/26 (April–June 2025), consolidated net sales increased 3.4% year on year (YoY) to ¥58,128mn and operating profit rose 18.7% to ¥3,941mn, resulting in higher sales and profits and setting a new first-quarter record. Net sales increased in all business segments, led by the energy business, marking the fifth consecutive period of sales growth. Despite higher personnel expenses, profits rose for the second consecutive quarter, supported by the increase in Group customer numbers and a review of customer acquisition costs mainly in the energy business. By segment, the energy business made the largest contribution to profit growth. At end-1Q, the number of continuing customers stood at 3,441 thousand, up 1.7% YoY, representing steady accumulation. Operating profit also appears to have exceeded the Company's plan, mainly due to the energy business. The upside factors were average temperatures trending below assumptions, which boosted gas sales volumes, and customer acquisition costs that were lower than expected. Other business segments also generally trended favorably.

2. FY3/26 forecasts

For FY3/26, the Company forecasts net sales of ¥253,000mn, up 3.9% YoY, and operating profit of ¥17,500mn, up 3.9% YoY, projecting continued revenue and profit growth. While the energy business is expected to remain flat, profit growth is expected in the information and communications and CATV businesses. In the information and communications business, the Company aims to improve profitability by streamlining sales agents with high cancellation rates in the consumer segment, while also projecting profit growth on the back of steady expansion of corporate carrier services and cloud services. Although extreme heat since 2Q could weigh on gas sales volumes, the upside in 1Q is expected to offset the impact, making it highly likely that full-year results will achieve the Company's plan. At end-FY, the Company targets 3,462 thousand continuing customers, up 39 thousand from end-FY3/25.

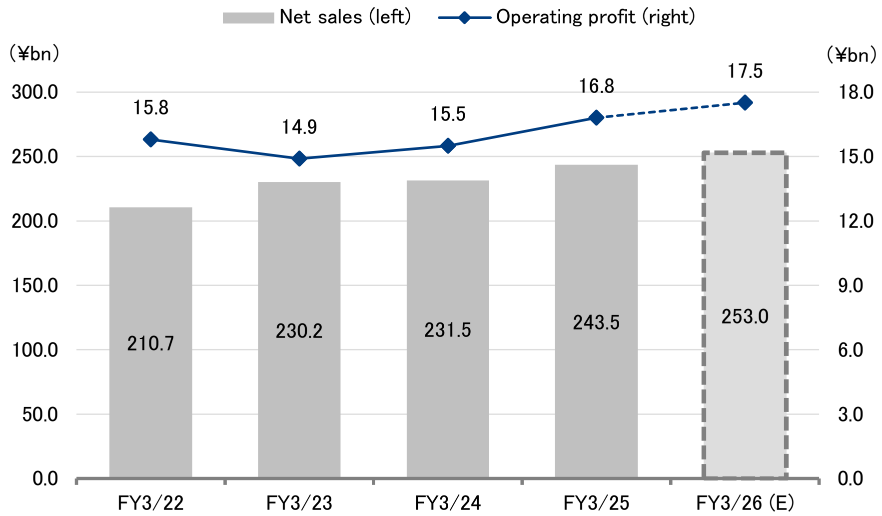
3. Progress on the medium-term management plan

In Medium-Term Management Plan 2025, which started in FY3/24, the Company has 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. Against the FY3/26 final-year numerical management targets (net sales of ¥260.0bn, operating profit of ¥17.5bn, and 3.57 million continuing customers), net sales and customer numbers may fall short, whereas operating profit is expected to be achieved. From FY3/27, under the next medium-term management plan, the Company is expected to continue its current business strategy while managing with an emphasis on ROE, aiming for steady growth. Regarding its policy on shareholder returns, the Company plans to pay a stable, ongoing dividend based on a consolidated payout ratio of around 40–50%. It will also provide shareholder benefits. For FY3/26, DPS is planned at ¥34.0 (payout ratio 44.4%), unchanged from FY3/25. The total yield including shareholder benefits is estimated at about 4–7% (based on the closing share price on September 9, 2025).

Key Points

- In 1Q FY3/26, results showed higher sales and profits, led by the energy business
- FY3/26 outlook: Record-high profits for a second consecutive year
- Medium-Term Management Plan 2025 is broadly on track
- Targeting a dividend payout ratio of 40–50%, leading to a total investment yield (including shareholder benefits) of 4–7%

Results trends



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

Results trends

In 1Q FY3/26, results showed higher sales and profits, led by the energy business

1. Overview of 1Q FY3/26 results

In 1Q FY3/26, consolidated net sales increased 3.4% YoY to ¥58,128mn, operating profit rose 18.7% to ¥3,941mn, recurring profit increased 19.5% to ¥4,112mn, and net income attributable to owners of the parent rose 31.9% to ¥2,469mn, marking a new first-quarter record. Sales increased for the fifth consecutive quarter, driven by growth in Group customer numbers, expansion in corporate information and communications, and steady orders in the construction equipment and real estate business. Despite higher personnel expenses, profits grew for the second consecutive quarter due to higher customer numbers and a review of customer acquisition costs. By segment, all businesses posted higher net sales and all but information and communications increased operating profit, with the energy business accounting for most of the profit growth.

Operating profit appears to have exceeded the Company's plan, mainly in the energy business, while the other segments were generally in line with the plan. The outperformance in energy reflected lower-than-planned customer acquisition costs and higher per-household consumption volumes due to average temperatures running below assumptions.

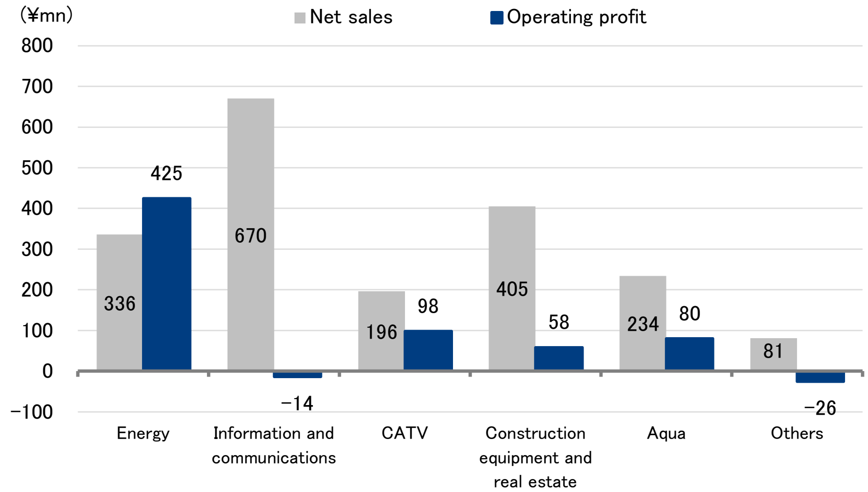
1Q FY3/26 consolidated results

(¥mn)

	1Q FY3/25		1Q FY3/26		
	Results	% of net sales	Results	% of net sales	YoY
Net sales	56,205	-	58,128	-	3.4%
Cost of sales	34,041	60.6%	35,148	60.5%	3.3%
SG&A expenses	18,844	33.5%	19,038	32.8%	1.0%
Operating profit	3,319	5.9%	3,941	6.8%	18.7%
Recurring profit	3,441	6.1%	4,112	7.1%	19.5%
Extraordinary income/loss	-252	-	-388	-	-
Net income attributable to owners of the parent	1,872	3.3%	2,469	4.2%	31.9%
Number of continuing customers (thousand)	3,384		3,441		1.7%

Source: Prepared by FISCO from the Company's financial results and financial results for 1Q FY3/26

Ratio of net sales by business segment in 1Q FY3/26
(YoY change)



Note: Operating profit values are prior to allocating indirect costs and other costs.
Source: Prepared by FISCO from the Company's financial results for 1Q FY3/26

At end-1Q FY3/26, the number of continuing customers was 3,441 thousand, up 18 thousand from end-FY3/25, representing a solid start toward the full-year net increase target of 39 thousand. By segment, LP gas customers increased by 5 thousand, information and communications by 3 thousand, CATV by 5 thousand, and Aqua by 6 thousand.

Number of customers by key service

(thousand)

	End-1Q FY3/23	End-1Q FY3/24	End-1Q FY3/25	End-1Q FY3/26	YoY change	Change from previous FY-end
Energy	791	830	874	886	12	6
LP gas	720	755	800	812	12	5
City gas	71	75	75	74	-1	1
Information and communications	715	736	747	756	9	3
Broadband	657	665	668	676	8	2
LIBMO	58	72	79	80	1	1
CATV	1,240	1,293	1,318	1,339	21	5
Broadcasting service	891	915	919	922	3	1
Communications service	349	379	398	417	19	4
Aqua	166	165	173	198	25	6
Mobile	187	176	166	161	-5	-1
Other	124	120	113	106	-7	-1
Total number of Group customers	3,213	3,312	3,384	3,441	57	18
(Number of TLC members)	1,106	1,175	1,229	1,282	53	15

Note: The number of customers under a thousand are rounded to the nearest thousand. Information and communications and CATV both offer communications services, so their numbers are excluded from total figures.
Source: Prepared by FISCO from the Company's financial results and financial results for 1Q FY3/26

Results by business segments

(¥mn)

Net sales	1Q FY3/23	1Q FY3/24	1Q FY3/25	1Q FY3/26	YoY
Energy	23,274	23,966	24,669	25,005	1.4%
Information and communications	12,873	13,468	13,994	14,664	4.8%
Individual customers	5,961	6,035	5,845	5,688	-2.7%
Corporate customers	6,911	7,433	8,149	8,976	10.1%
CATV	8,239	8,820	8,978	9,174	2.2%
Construction equipment and real estate	4,641	4,852	5,080	5,485	8.0%
Aqua	1,860	1,871	2,285	2,519	10.3%
Other business and adjustments	915	992	1,197	1,278	6.8%
Total	51,803	53,971	56,205	58,128	3.4%

Operating profit	1Q FY3/23	1Q FY3/24	1Q FY3/25	1Q FY3/26	YoY
Energy	1,936	924	1,862	2,287	22.8%
Information and communications	1,236	1,456	1,177	1,163	-1.2%
Individual customers	-	272	177	289	63.3%
Corporate customers	-	1,184	1,000	874	-12.6%
CATV	1,559	1,618	1,652	1,750	5.9%
Construction equipment and real estate	53	126	226	284	25.7%
Aqua	62	98	136	216	58.8%
Other business and adjustments	-1,494	-1,739	-1,734	-1,760	-
Total	3,355	2,484	3,319	3,941	18.7%

Note: Operating profit values are prior to allocating indirect costs and other costs.
Source: Prepared by FISCO from the Company's financial results for 1Q FY3/26

(1) Energy business

Net sales in the energy business increased 1.4% YoY to ¥25,005mn, and operating profit (operating profit before allocation of indirect costs and other costs, which is calculated differently than in the Company's financial results; the same applies below) rose 22.8% to ¥2,287mn. The main drivers of profit growth were an increase in customer numbers in the LP gas business and a reduction in customer acquisition costs.

By breakdown, LP gas sales rose 1.8% YoY to ¥20,949mn. Both sales volume and the average selling price were roughly flat. By customer category, volumes were up 1% for households, flat for commercial, and down 1% for industrial/wholesale. For households, per-household consumption was roughly flat, but the increase in customer numbers (812 thousand up 1.5%) lifted volumes; customer numbers were up 5 thousand versus end-FY3/25. The revised ministerial ordinance to rectify LP gas business practices*, enforced in July 2024, reduced both new acquisitions and suspensions/cancellations versus the prior year; however, promotion of M&A and trading-area purchases more than offset the impact. City-gas sales decreased 1.0% to ¥4,056mn. Customer numbers decreased by 1 thousand to 74 thousand; household volumes were roughly flat, while lower industrial volumes drove the sales decline.

* Under the revised ordinance, excessive sales activities practiced before while acquiring customers from leased condominiums, etc. involving the provision of goods and cash payments, is limited.

(2) Information and communications business

In the information and communications business, sales grew but profits fell, with net sales increasing 4.8% YoY to ¥14,664mn and operating profit decreasing 1.2% to ¥1,163mn, resulting in a slight decrease in profit.

Within consumer services, net sales fell 2.7% YoY to ¥5,688mn while operating profit rose 63.3% to ¥289mn. At end-1Q, broadband customers increased by 8 thousand to 676 thousand and LIBMO low-cost smartphone customers increased 1 thousand to 80 thousand (compared with end-FY, up 2 thousand and 1 thousand, respectively). However, the continued rise in the share of contracts via major mobile carriers within broadband—where ARPU is lower—was a headwind to sales (no impact on gross profit). Operating profit increased thanks to a review of sales agents, including streamlining agents with high cancellation rates to improve acquisition costs.

In corporate services, net sales increased 10.1% YoY to ¥8,976mn, but operating profit fell 12.6% to ¥874mn. Stock-type businesses such as connectivity and cloud services expanded steadily with the extension of fiber-optic lines* (In May 2025, the number of dedicated AWS connectivity lines reached 2,000.), increasing both the number of AWS-adopting companies and usage amounts. However, higher personnel expenses stemming from wage revisions and reinforcement of staffing contributed to the profit decline.

* In April 2025, the fiber-optic network was extended to Fukuoka Prefecture, expanding the service area from North Kanto to Kyushu.

(3) CATV business

In the CATV business, net sales increased 2.2% YoY to ¥9,174mn and operating profit rose 5.9% to ¥1,750mn, expanding steadily. As a provider with close ties to the community, the Company focused on local information provision and program production. Customers for broadcasting services were up 3 thousand to 922 thousand, while proactive sales efforts for high-speed internet lifted communications-service customers by 19 thousand to 417 thousand, which drove top-line growth. Although personnel expenses increased, the larger customer base absorbed the impact, resulting in higher profit.

(4) Construction equipment and real estate business

Net sales in the construction equipment and real estate business increased 8.0% YoY to ¥5,485mn and operating profit rose 25.7% to ¥284mn as orders expanded steadily, mainly in the equipment-construction business in the Chukyo area.

(5) Aqua business

In the Aqua business, net sales increased 10.3% YoY to ¥2,519mn and operating profit jumped 58.8% to ¥216mn, maintaining high growth. Although customer acquisition costs increased, higher customer numbers more than offset the impact.

The Company actively expanded its customer base via promotional events at large commercial facilities, as well as via web and telemarketing. At end-1Q, customers increased by 25 thousand YoY to 198 thousand (+14.5%). The growth rate of sales exceeded that of customer numbers thanks to the increase in contracts for the Shizuclear plumbed-in water-purification dispenser launched in April 2023. Whereas the conventional delivery-water model earns revenue from recurring sales of natural water with free server rentals, Shizuclear earns revenue from server sales and maintenance services every six months. As a result, sales are more sensitive to new contract trends, while profit levels are expected to be broadly comparable to the existing service, given the absence of delivery costs for bottled water.

The Company proposes Shizuclear to customers wishing to cancel its conventional delivery-water service, lowering the average monthly user fee to roughly half and helping to prevent cancellations.

(6) Other businesses and adjustments

In other businesses, net sales rose 6.8% YoY to ¥1,278mn. The nursing care business saw sales decrease 2.8% to ¥346mn due to a decline in day service users, while the weddings and events business increased 8.1% to ¥312mn on higher unit prices for weddings; the ship-repair business was steady at ¥311mn, up 0.5%. Including head-office expenses, the operating loss was ¥1,760mn (vs a ¥1,734mn loss in the prior-year period).

For FY3/26, record-high profits are expected for a second consecutive year

2. FY3/26 forecasts

For the consolidated results in FY3/26, the Company left its initial forecasts unchanged for net sales to rise 3.9% YoY to ¥253,000mn, operating profit to increase 3.9% to ¥17,500mn, recurring profit to increase 0.7% to ¥17,500mn, and net income attributable to owners of the parent to go up 8.5% to ¥10,000mn. Net sales are expected to rise for the ninth consecutive fiscal year and each of the profit levels is expected to set a new record high for the second consecutive fiscal year. The Company envisioned the number of continuing customers growing 39 thousand to 3,462 thousand at the end of FY3/26. In addition to increasing monthly subscription income, the Company expects a recovery in the corporate information and communications business, which saw a decline in profit due to upfront investments in FY3/25. M&A in core businesses continues to be considered, and there is a possibility that earnings could be even higher depending on whether M&A deals are successfully closed.

Outlook for FY3/26

(¥mn)

	FY3/25		FY3/26		
	Results	% of net sales	Company forecasts	% of net sales	YoY
Net sales	243,482	-	253,000	-	3.9%
Operating profit	16,841	6.9%	17,500	6.9%	3.9%
Recurring profit	17,370	7.1%	17,500	6.9%	0.7%
Net income attributable to owners of the parent	9,216	3.8%	10,000	4.0%	8.5%
Net income per share (¥)	70.55		76.55		
Number of continuing customers (thousand)	3,423		3,462		1.1%

Source: Prepared by FISCO from the Company's financial results for 1Q FY3/26

(1) Energy business

In the energy business, net sales are expected to be flat YoY and operating profit is expected to rise by ¥100mn. While operating profit in 1Q was above the Company's plan, the ongoing extreme heat in 2Q is expected to have a slight negative impact on household demand. Even so, we at FISCO expect the full-year plan to be achieved.

Net sales in the LP gas business are expected to increase due to growth in the number of residential contracts and higher sales of gas appliances, however this will be offset by the decline in commercial and wholesale sales, so the level is expected to be flat YoY. For industrial/wholesale, volumes are expected to be flat, but selling prices—linked to procurement prices—are projected to fall slightly. Operating profit is forecast to rise, as a ¥300mn increase in customer acquisition costs will be more than offset by a ¥400mn profit contribution from the increase in contract numbers.

The number of residential contracts increased by 5 thousand at end-1Q, showing steady progress. Domestic residential and commercial LP gas market continues to show a gradual decline, and the number of operators fell to 15,181 in 2024, to just under 70% of the 2010 level. In recent years, in addition to a tough operating environment due to labor shortages and rising prices, the aging of business owners has advanced, and M&A and trading-area purchase deals are expected to increase further. For the Company, the next several years are likely to present a favorable opportunity to expand market share and grow earnings.

(2) Information and communications business

The Company expects operating profit in the information and communications business to increase ¥600mn YoY. Net sales in the consumer business are expected to be flat, but the Company expects a ¥300mn increase in profit due to the revision of its customer acquisition sales channels. Contract numbers for both broadband and LIBMO are expected to edge up; for LIBMO, there is upside potential after NTT DOCOMO stopped accepting new contracts for competing irumo/eximo plans in June 2025.

On the other hand, in the business for corporate customers, the Company expects operating profit to increase by ¥300mn. With the extension of fiber-optic lines to Kyushu, strong growth is expected to continue in stock-type businesses such as connectivity services and cloud services. System development is also projected to remain steady amid active IT investment by companies. In terms of profits, profit margins will decline due to increases in fixed costs such as labor costs and depreciation, but this will be absorbed by increased sales. Furthermore, the AWS installation support service and cloud human resource development business, which were launched at a subsidiary (the Company's ownership stake: 60%) established in Indonesia as a joint venture with a local IT company in the previous fiscal year, are off to a good start, and the aim is to achieve profitability soon.

(3) CATV business

In the CATV business, operating profit is expected to continue to steadily grow, increasing by ¥200mn. The number of customers is expected to increase in communications services, with the number of customers for broadcasting services remaining flat. First-quarter results progressed generally in line with the plan; the Company will continue strengthening sales to build customer numbers. Despite the higher personnel expenses, operating profit is expected to maintain a growth rate in the low single digits, as these higher personnel costs will be absorbed by the increase in sales.

(4) Construction equipment and real estate business

The construction equipment and real estate business is expected to post slight increases in both sales and profit. By pooling the resources of subsidiaries acquired in the Tokai area (Nissan Tri Star Construction, Inc., Chuo Denki Construction Co., Ltd., and Marco Polo Inc.), the scope of work the Company can undertake has expanded, enabling orders for larger projects. The Company will continue to leverage Group synergies to expand share in the Tokai area and drive earnings growth.

(5) Aqua business

In the Aqua business, the Company is projecting a ¥20mn increase in operating profit. By utilizing the network of group companies, centered on the Shizuclear water purification server, the Company plans to further build the customer base. Also, as a cost-reduction measure, the Company has begun in-house production of bottle containers to be used in its one-way water delivery system (service area: Shizuoka Prefecture), and it has factored in the initial costs of in-house production. The bottle container production line is scheduled for completion at end-March 2026.

Medium-Term Management Plan 2025 is broadly on track

3. Progress on the medium-term management plan

The Company is implementing its Medium-Term Management Plan 2025 (FY3/24–FY3/26). The plan focuses on 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 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 3.57 million.

Looking at the progress up to FY3/25, net sales are running slightly below the initial target, mainly due to a decline in the number of continuing customers from the slump in the consumer information and communications business, but operating profit is progressing at a rate higher than the target as the energy business expanded at a faster pace than expected. The results forecast for FY3/26 was formulated taking into account progress through the previous fiscal year and the recent market environment; against the initial targets, net sales fell ¥7.0bn, while the initial targets for each profit line item have been maintained.

There is a good chance that operating profit will exceed the plan, but, as the Company considers it important to focus on expanding the customer base in preparation for the next medium-term management plan starting from FY3/27, it is possible that the excess profit will be allocated to customer acquisition costs.

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

(¥bn)

	FY3/23	FY3/24		FY3/25		FY3/26	
	Results	Initial forecasts	Results	Initial forecasts	Results	Initial forecasts	Results
Net sales	230.2	240.0	231.5	250.0	243.5	260.0	253.0
Operating profit	14.9	15.0	15.5	16.0	16.8	17.5	17.5
Net income attributable to owners of the parent	6.5	8.5	8.5	9.0	9.2	10.0	10.0
Number of continuing customers (FY-end, ten thousand)	33.0	33.8	33.6	34.8	34.2	35.7	34.6
Dividend payout ratio	64.8%	49.2%	50.8%	40–50%	48.2%	40–50%	40–50%
ROE	8.2%	10.3%	10.0%	10.4%	10.1%	10.8%	10.8%
ROIC	8.3%	8.0%	8.2%	8.2%	8.4%	8.7%	8.7%

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

To enhance corporate value, the Company is building portfolio management that optimizes the Group across two axes—capital efficiency and growth. Specifically, it classifies businesses into four segments—growth (Energy, corporate Information and communications, Construction equipment and real estate), expectation (renewables/GX, overseas, regional collaboration, new businesses, etc.), mature (consumer Information and communications, CATV, Aqua), and reform (businesses targeted for earnings improvement or withdrawal/sale)—and promotes expansion and efficiency in line with their portfolio positions to improve ROIC and ROE. By further strengthening collaboration among businesses and Group companies, and by utilizing AI technologies and the TLC member app, it also aims to curb churn and raise cross-sell rates (use of multiple services per customer).

The next medium-term management plan beginning in FY3/27 is currently being formulated. The Company expects to continue its basic strategy while advancing management with an eye to ROE and ROIC. Under its long-term vision for FY3/31, it targets net sales of ¥400.0bn, operating profit of ¥30.0bn, and 5.0 million continuing customers, and is therefore expected to further strengthen its M&A strategy from FY3/27 onward.

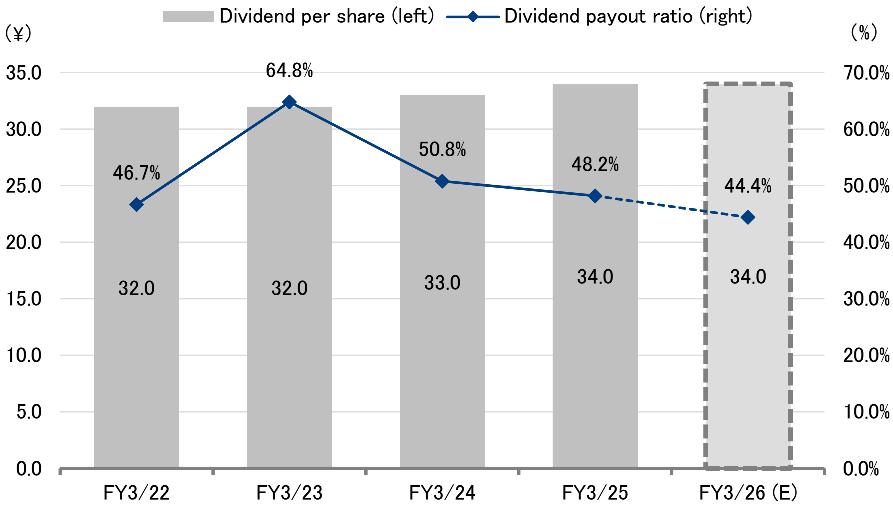
Shareholder return policy

Targeting a dividend payout ratio of 40–50%, with a total investment yield including dividends and benefits to shareholders in the 4–7% range

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% while strengthening the management structure and considering future business development. Based on this policy, in FY3/26, the Company plans to pay a dividend of ¥34.0 (dividend payout ratio of 44.4%), the same amount as the previous fiscal year.

The Company also provides benefits 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 total yield including dividends and shareholder benefits, estimated using the current share price level (closing price of ¥1,056 on September 9, 2025), is in the range of 4.2–7.3% (if 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 benefits

Shareholders on record at the end of March and September are presented with their choice of one of the following five types of benefits, 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	5,000 or more shares
Aqua product	¥2,170 worth	¥4,340 worth	¥8,680 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's website

Disclaimer

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