COMPANY RESEARCH AND ANALYSIS REPORT

TOKAI Holdings Corporation

3167

Tokyo Stock Exchange Prime Market

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Contents

Summary

3Q FY3/25 cumulative results showed sales growth continuing in a fourth straight fiscal year, and double-digit profit growth

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 3.41 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 the 3Q FY3/25 cumulative results

In 3Q FY3/25 cumulative (April–December 2024) consolidated results, sales and profits grew, with net sales increasing 5.2% year on year (YoY) to ¥173,179mn and operating profit increasing 10.4% to ¥9,711mn. Net sales increased in the fourth consecutive fiscal year and reached a record high, supported by an increase in the number of Group customers, centered on the energy business, as well as an expansion of the recurring revenue business of the information and communications business for corporate customers. On the profit front, 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 in the energy business led to profit growth. In addition, overall profit was apparently several hundred million yen higher than the Company's forecast. This is because profit growth in the energy business offset slight shortfalls in the information and communications business, the construction equipment and real estate business. There were 3,415,000 continuing customers at the end of 3Q FY3/25, increases of 74,000 YoY and 56,000 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. This is because results slightly outpaced plan through 3Q, but high temperatures negatively impacting LP gas sales volumes in 4Q is a concern. However, the Company's forecasts are apparently within reach, calling for record-high profit for the first time in three fiscal years. In the LP gas industry, a revised ministerial ordinance to rectify business practices that went into effect in July 2024 is expected to spur increased domination by major operators. In fact, M&A involving not just small and medium-sized operators but also mid-sized corporations are apparently increasing, which presents a good opportunity for the Company to expand its market share through M&A over the next few years. With FY3/26 being the final fiscal year of the Medium-Term Management Plan 2025 and the achievement of results targets (net sales of ¥260.0bn, operating profit of ¥17.5bn) having come into reach, steady growth is expected to continue as customer numbers increase in the future.

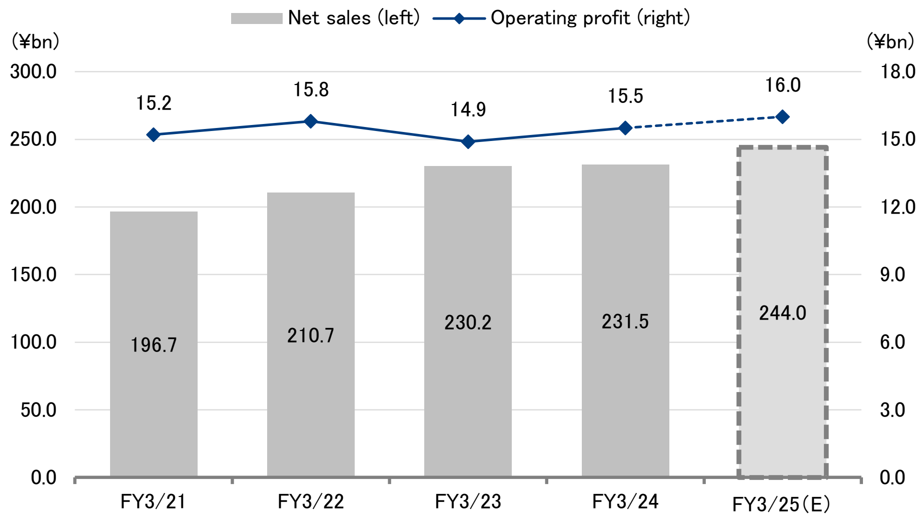
3. GX initiatives and shareholder return policy

The Company has designated strengthening the foundation for stable growth as one key strategy in its medium-term management plan. Its green transformation (GX) strategy aiming to realize a low or decarbonized society entails promoting GX in its own business activities and its customers' energy use. Regarding its own business activities, it is working on things like installing solar power generation systems at its own facilities as well as saving energy by promoting migration to optical cables in the CATV business. Regarding customers' energy use, it is working on things like selling energy-saving gas appliances and carbon offset gas, providing solar power generation system service using the PPA model, undertaking decarbonization activities together with local communities, and investing in renewable energy-related businesses. While continuing these initiatives, the Company looks to achieve carbon neutrality in 2050. As for returns to shareholders, the Company's policy is to provide ongoing stable dividends, targeting a dividend payout ratio of 40–50%. It also provides gifts to shareholders. It plans to increase the dividend per share by ¥1.0 YoY to ¥34.0 (dividend payout ratio of 49.3%) in FY3/25. That would bring the annual investment yield per share unit, including the gifts to shareholders, to 4.7–8.3% (calculated based on the stock's closing price on February 13, 2025).

Key Points

- 3Q FY3/25 cumulative results showed ongoing record-high net sales, and double-digit growth at all profit levels
- Record-high profit forecast in FY3/25 for the first time in three fiscal years
- Actively promoting GX initiatives looking to achieve carbon neutrality in 2050

Results trends



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

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Business overview

3Q FY3/25 cumulative results showed ongoing record-high net sales, and double-digit growth at all profit levels

1. Overview of the 3Q FY3/25 cumulative results

In 3Q FY3/25 consolidated results, net sales increased 5.2% YoY to ¥173,179mn, operating profit rose 10.4% to ¥9,711mn, recurring profit grew 13.0% to ¥10,136mn, and net income attributable to owners of the parent increased 14.4% to ¥5,644mn, achieving growth in both net sales and profit. Net sales increased in the fourth consecutive fiscal year and reached a record high, supported by an increase in net sales in all business segments, especially the energy business. Operating profit showed continued growth in the second consecutive fiscal year. Higher personnel expenses from wages being revised two years in a row were offset by growth in monthly charges accompanying a rise in the number of continuing customers, as well as efforts to reduce and strategically review costs in the energy business. Earnings also stayed on an uptrend in 3Q (October–December 2024), with net sales rising 4.4% YoY and operating profit growing 11.2%.

In addition, overall operating profit was apparently several hundred million yen higher than the Company's forecast as an overshoot in the energy business offset slight shortfalls in the information and communications business, the construction equipment and real estate business. Whereas the Company's plan factored in impact from discounting accompanying tougher competition for acquiring LP gas customers, there was almost no such impact through 3Q, which contributed to the above-target result.

3Q FY3/25 cumulative results (consolidated)

(¥mn)

	3Q FY3/24 cumulative results		3Q FY3/25 cumulative results			3Q FY3/24 results	3Q FY3/25	
	Results	% of sales	Results	% of sales	YoY		Results	YoY
Net sales	164,676	-	173,179	-	5.2%	59,450	62,091	4.4%
Operating profit	8,797	5.3%	9,711	5.6%	10.4%	4,543	5,051	11.2%
Recurring profit	8,968	5.4%	10,136	5.9%	13.0%	4,613	5,254	13.9%
Net income attributable to owners of the parent	4,934	3.0%	5,644	3.3%	14.4%	2,715	3,254	19.9%
Number of continuing customers (End-3Q, thousand)	3,341		3,415		2.2%			

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

Looking at the YoY changes by business segment, net sales increased in all business segments, while operating profit grew in the energy business, the CATV business, and the Aqua business, but declined in the information and communications business and the construction equipment and real estate business, and there was a loss in the others segment.

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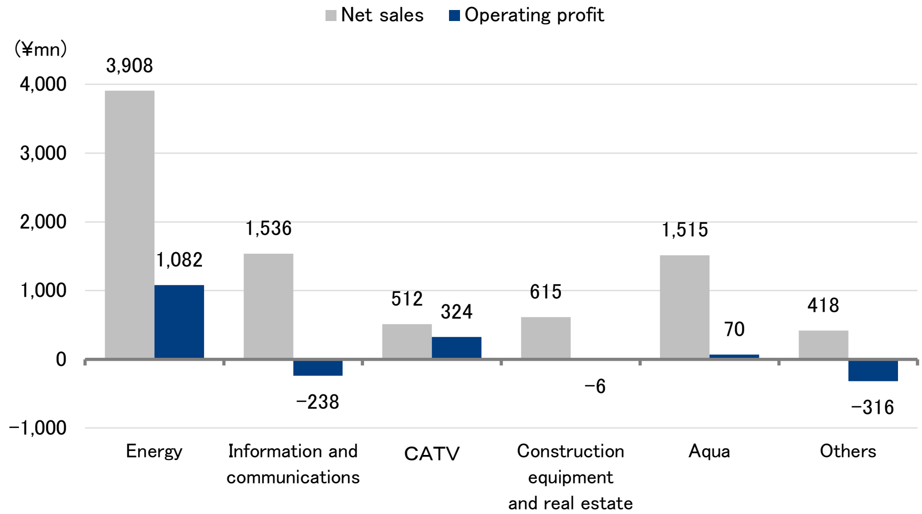
3Q FY3/25 cumulative YoY change by business segment



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

There were 3,415,000 continuing customers at the end of 3Q FY3/25, growth of 74,000 YoY and 56,000 from the end of FY3/24. Growth compared with the end of FY3/24 is mostly attributable to an increase of 29,000 customers in the LP gas business due to M&A effects. In addition, the number of customers increased by 16,000 in the CATV business, 20,000 in the Aqua business, and 9,000 for Hikari Collaboration. Meanwhile, there was a slight shortfall versus the Company's forecast due to a decline in existing ISP and related services as well as LIBMO, but it can be said that the customer base steadily expanded.

Number of customers by key service

(thousand)

	End-3Q FY3/23	End-3Q FY3/24	End-3Q FY3/25	YoY change	Change from previous FY-end
Energy	811	842	882	40	28
LP gas	737	767	808	41	29
City gas	73	75	74	-1	-1
Information and communications	838	844	843	-1	-3
Existing ISP and related services	411	396	383	-13	-9
Hikari Collaboration	362	372	382	10	9
LIBMO	65	77	78	1	-2
CATV	1,255	1,307	1,330	23	16
Broadcasting service	896	918	922	3	3
Communications service	359	389	408	19	14
Aqua	166	166	187	21	20
Mobile	182	172	163	-9	-7
Security	16	16	16	0	1
Total number of Group customers	3,258	3,341	3,415	74	56

Notes: Numbers 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.
Source: Prepared by FISCO from the Company's results briefing materials

Energy business and Aqua business profits grew by double digits

2. Trends by business segment

Results by segment

(¥mn)

<Net sales>	3Q FY3/23 cumulative total	3Q FY3/24 cumulative total	3Q FY3/25 cumulative total	YoY	3Q FY3/24	3Q FY3/25	YoY
Energy	71,069	69,271	73,179	5.6%	26,319	27,773	5.5%
Information and communications	39,662	41,822	43,358	3.7%	14,365	14,997	4.4%
CATV	25,510	26,673	27,185	1.9%	8,941	9,127	2.1%
Construction equipment and real estate	18,840	17,585	18,200	3.5%	6,642	6,256	-5.8%
Aqua	5,720	5,796	7,311	26.1%	1,913	2,527	32.1%
Others	3,446	3,526	3,944	11.9%	1,269	1,412	11.3%
Total	164,249	164,676	173,179	5.2%	59,450	62,091	4.4%

<Operating profit>	3Q FY3/23 cumulative total	3Q FY3/24 cumulative total	3Q FY3/25 cumulative total	YoY	3Q FY3/24	3Q FY3/25	YoY
Energy	3,552	3,754	4,836	28.8%	2,885	3,257	12.9%
Information and communications	3,563	4,025	3,787	-5.9%	1,197	1,396	16.6%
CATV	4,706	4,655	4,979	7.0%	1,520	1,746	14.9%
Construction equipment and real estate	1,195	1,057	1,051	-0.6%	479	280	-41.5%
Aqua	394	514	584	13.6%	150	252	68.0%
Others, adjustments	-4,947	-5,211	-5,527	-	-1,691	-1,880	-
Total	8,466	8,797	9,711	10.4%	4,543	5,051	11.2%

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

(1) Energy business

3Q cumulative net sales increased 5.6% YoY to ¥73,179mn, 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 28.8% to ¥4,836mn. In 3Q as well, sales rose 5.5% and profit grew 12.9%. Earnings stayed on an uptrend.

In the mainstay LP gas business, net sales increased 8.0% YoY to ¥61,018mn. The number of customers increased 41,000 YoY to 808,000 at the end of 3Q. In addition to the acquisition of 22,000 customers from FujiPro Co.,Ltd. becoming a consolidated subsidiary in April 2024, this owes to efforts to acquire new customers. A 3% increase in the amount of LP gas used per customer household alongside growth in customer numbers, as well as sales price increases linked to purchasing prices in gas for industrial use contributed to sales growth. The average sales unit price of residential gas was flat YoY, while the amount used per customer household declined 1% due to impact from the average temperature being slightly higher than in the previous year.

The number of customers rose 29,000 from the end of the previous fiscal year, with growth of 22,000 in existing areas (Shizuoka, Kanto area) and 7,000 in new areas. The number of customers in existing areas was flat, excluding FujiPro's contribution. However, that is because some major competitors rushed to get customers under the old rules before the new ones came into effect under a revised ministerial ordinance* to rectify LP gas business practices in July 2024, so that will probably be temporary. In fact, the number of customers in existing areas rose 2,000 from the end of 2Q. Since the revised ministerial ordinance has made sales activities targeting existing leased condominiums more difficult, growth in customer numbers going forward will be driven by contract acquisitions at new properties, sales area expansion, and M&A.

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

Net sales in the city gas business decreased 4.9% YoY to ¥12,160mn. The number of customers declined by 1,000 to 74,000, staying roughly flat, but a decline in sales prices under the system where raw material costs are adjusted to track procurement costs led to lower sales. Looking at 3Q alone, however, net sales rose 1.4%, turning up for the first time in six quarters, apparently since impact from a decline in sales prices ran its course.

Looking at the factors behind the change in operating profit, an increase in LP gas business customers buoyed profits by ¥0.5bn, and strategic expense reviews and reductions boosted profits by ¥0.6bn. Expenses declined mainly because of suppressed sales activities targeting existing condominiums spurred by the revised ministerial ordinance. Although the environment with regard to competition to acquire customers is unlikely to change much in 4Q, M&A involving small and medium-sized operators as well as mid-sized corporations has apparently increased, so competition to win customers, including through M&A by major operators, is expected to escalate going forward. The Company's strategy is to expand its market share through M&A and business development in new areas, while leveraging its strengths as a comprehensive lifestyle infrastructure company.

(2) Information and communications business

3Q cumulative net sales increased 3.7% YoY to ¥43,358mn, but operating profit decreased 5.9% to ¥3,787mn. Looking at 3Q alone, however, net sales rose 4.4% and operating profit grew 16.6%, turning up for the first time in five quarters.

In the consumer business, net sales declined 3.4% YoY to ¥17,597mn and operating profit was flat at ¥719mn. The number of customers at the end of 3Q decreased overall by 1,000 YoY. Customers increased for Hikari Collaboration service by 10,000 to 382,000 and for LIBMO by 1,000 to 78,000, but decreased for existing ISP and related services by 13,000 to 383,000—continuing to decline. Along with the decrease in customer numbers, an ongoing decline in ARPU for the Hikari Collaboration service (due to an increase in the ratio of contracts via mobile phone carriers) led to lower sales. Compared with the end of FY3/24, customer numbers increased 9,000 for Hikari Collaboration service but decreased 9,000 for existing ISP and related services. In addition, there was a 2,000 decline in the number of LIBMO customers, which had been steadily increasing up to FY3/24. This owed to impact from docomo shops, which had been the main sales channel, strengthening sales of their own "eximo" service. Regarding operating profit, a decline in LIBMO customer acquisition costs apparently offset lower profit from lower sales.

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Net sales from business for corporate customers rose 9.2% YoY to ¥25,761mn, while operating profit declined 7.2% to ¥3,068mn. Net sales reached a record high as communication line services and cloud services continued to expand, but profit declined due to higher personnel expenses from wage increases, as well as growth in depreciation alongside data center, communications infrastructure, and other equipment capacity enhancements. However, 3Q net sales rose 10.5% and operating profit swung to growth of 11.5%, and a turn to a profit uptrend is anticipated going forward. To reinforce its business structure, the Company acquired all of the shares of G&F Co., Ltd., which offers support for introducing IT infrastructure and cloud infrastructure, and made it into a consolidated subsidiary in December 2024. G&F (FY3/24 net sales of ¥711mn, operating profit of ¥27mn) is expected to contribute to earnings in the future.

(3) CATV business

3Q cumulative net sales rose 1.9% to ¥27,185 and operating profit grew 7.0% to ¥4,979mn, both continuing to head up. In 3Q alone, net sales grew 2.1% and operating profit rose 14.9%, the uptrend unchanged.

As a provider with close ties to the community, the Company focused on local information provision and program production. It also worked to enhance content, including by partnering with major video streamers. Further, it actively advanced sales activities for high-speed Internet services through investment in fiber optics. These initiatives drove sales and profit growth. At the end of 3Q, customers for broadcasting services were up 3,000 YoY to 922,000 and for communications services were up 19,000 to 408,000, with more cases of broadcasting service customers newly signing up for communications services. Despite higher personnel costs due to wage increases, profit grew on a boost from higher sales due to growth in the number of customers.

(4) Construction equipment and real estate business

3Q cumulative net sales increased 3.5% YoY to ¥18,200mn, while operating profit declined 0.6% to ¥1,051mn. In 3Q in particular, net sales declined 5.8% and operating profit decreased a sharp 41.5%. Profit was depressed by the posting of ¥0.1bn in maintenance costs for solar power generation facilities in 3Q, and orders trailing plan at Marco Polo Inc., which is mainly engaged in large-scale repair work for condominiums and other buildings in the Chukyo area.

(5) Aqua business

3Q cumulative results were strong, with net sales up 26.1% YoY to ¥7,311mn and operating profit up 13.6% to ¥584mn. Looking at the factors behind the change in operating profit, customer acquisition costs increased ¥0.8bn, but increased sales boosted profit by ¥0.9bn. Customer acquisition costs led through 2Q, but were topped by benefits from sales growth in 3Q. Looking at 3Q alone, net sales rose 32.1% and operating profit increased 68.0%, both growing by double digits.

The number of customers increased 21,000 YoY to 187,000 at the end of 3Q, with an increase of 23,000 for Shizuclear (a water dispenser that filters tap water, which the Company began offering in April 2023), but a decrease of 2,000 for the existing home water delivery service. For home water delivery service, this is because customers declined for Delicious Water Home Delivery offered within Shizuoka Prefecture, but that was mainly owing to customers switching to contracts for Shizuclear. The 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. In contrast, Shizuclear's business model involves generating revenue from sales of water servers or rental fees (inclusive of fees for maintenance service every six months). From the customer's point of view, Shizuclear is available for about half the monthly fee of the Company's home water delivery service. From the Company's point of view, proposing Shizuclear to customers who want to cancel home water delivery service helps prevent cancellations. Shizuclear's average sales per customer are lower for the water delivery service, but its profits per customer seem to be largely unchanged from the water delivery service since Shizuclear does not incur costs for delivering water to homes. The rate of growth for contract numbers is higher than that for sales. This is apparently because sales of water servers are growing.

(6) Other businesses and adjustments

3Q cumulative net sales increased 11.9% YoY to ¥3,944mn. Nursing care business net sales rose 0.7% to ¥1,066mn, reflecting growth in day service users. Shipbuilding and repairs business net sales increased 18.2% to ¥1,136mn, owing to an increase in ship repairs. Wedding ceremony business net sales rose 5.6% to ¥983mn, owing to an increase in the number of banquets for companies and other general users. On the other hand, the operating loss including corporate expenses widened to ¥5,527mn from ¥5,211mn in the same period of the previous year. This mainly owes to an increase in personnel expenses including for the head office management department, as well as growth in operating expenses related to new businesses.

Record-high profit forecast in FY3/25 for the first time in three fiscal years

3. 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 fiscal year and each of the profit levels is expecting to set a new record high for the first time in three fiscal years.

Profits in the information and communications business for corporate customers, the construction equipment and real estate business, and so forth seem likely to slightly trail the Company's targets. Also, even if gas sales volumes were to slump due to the average temperature trending high from late February into March, stronger-than-expected performance through 3Q should be able to offset that, so the plan looks attainable. The Company aims to increase the number of continuing customers by 94,000 YoY to 3,452,000 at the end of FY3/25. Although progress up to 3Q was a bit behind, the outcome depends on M&A trends going forward.

Outlook for FY3/25

(¥mn)

	FY3/24		FY3/25			3Q progress
	Results	% of sales	Company forecasts	% of sales	YoY	
Net sales	231,513	-	244,000	-	5.4%	71.0%
Operating profit	15,511	6.7%	16,000	6.6%	3.2%	60.7%
Recurring profit	15,531	6.7%	16,000	6.6%	3.0%	63.4%
Net income attributable to owners of the parent	8,481	3.7%	9,000	3.7%	6.1%	62.7%
Net income per share (¥)	64.94		68.90			
Number of continuing customers (thousand)	3,358		3,452		2.8%	

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

(1) Energy business

In the energy business, the Company had envisioned net sales growth of about 2% YoY and operating profit growth of about 1%, but stronger growth is likely based on progress through 3Q. In the LP gas business, there were 808,000 customers at the end of 3Q, which is somewhat behind plan for growth of 50,000 from the end of FY3/24 to 828,000, but it depends on trends in 4Q. From FY3/26, competition to acquire customers is likely to intensify further, with the weeding out of small and medium-sized operators and mid-sized corporations lacking management strength and increased domination by major companies. Although closing M&A deals often takes a long time, we believe there will be good opportunities for the Company to increase its market share through M&As over the next few years.

Additionally, the Company aims to increase its customer base by expanding its sales area. In August 2024, it opened the Group's first sales office in Kagoshima City. It plans to open five more sales offices by FY3/26. Its strategy is to expand its customer base by developing new business and pursuing 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 net sales decrease, although a slight increase in operating profit is projected. Regarding the struggling LIBMO, the Company aims to increase the number of contracts by strengthening new customer acquisition routes including by launching the "LIBMO x CATV set discount" service at the Group's three CATV companies* from late January 2025.

> * The three companies are ICHIHARA CABLE TELEVISION CORPORATION, ATSUGI ISEHARA CABLE NETWORK CORPORATION, and Tokyo Bay Network Co., Ltd. The offer is for a monthly discount of ¥220 (tax inclusive) per LIBMO line. The Company plans to successively offer it at other CATV companies as well.

Turning to business for corporate customers, the Company had expected net sales growth of about 12% YoY and operating profit growth of about 5%, but now expects operating profit of the same level as the previous fiscal year due to growth in personnel expenses. However, demand remains robust in areas such as cloud services, and the Company plans to continue to pursue business expansion while reinforcing its framework via M&A.

(3) CATV business

In the CATV business, the Company forecasts net sales growth of about 3% YoY and flat operating profit. The number of customers made solid progress through 3Q towards the target for growth of 19,000 driven by communications services, and results are likely to attain plan.

(4) Construction equipment and real estate business

In the construction equipment and real estate business, the Company had targeted net sales growth of about 20% YoY and operating profit growth of about 10%, but now expects growth to slightly trail plan due to subsidiary struggles mentioned earlier. However, there is substantial medium-term growth potential in the Tokai area where the Company's strategy is to expand its business scale by sharing the resources of Group companies that were merged or acquired and uniting to win orders for large-scale projects.

(5) Aqua business

In the Aqua business the Company is projecting around a 5% increase in net sales and operating profit is expected to remain flat due to higher personnel expenses and customer acquisition costs. However, we believe both net sales and operating profit are likely to exceed plan, given that the number of customers at the end of 3Q was up 20,000 from the end of the previous fiscal year, sharply surpassing plan for an increase of 6,000.

Status of GX initiatives

Actively promoting GX initiatives looking to achieve carbon neutrality in 2050

The Company has designated strengthening the foundation for stable growth as one key strategy in its medium-term management plan. Its GX strategy aiming to realize a low or decarbonized society entails promoting GX in its own business activities and its customers' energy use. It is currently advancing the initiatives below. Key initiatives include installing solar power generation systems at its own facilities, saving energy by promoting migration to optical cables in the CATV business, selling energy-saving gas appliances and carbon offset gas, providing solar power generation system service using the PPA model, uniting with local communities to work on low-carbon and decarbonization activities, and investing in renewable energy-related businesses. While continuing these initiatives, the Company looks to achieve carbon neutrality in 2050.

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Status of GX initiatives

Key GX Initiatives

1. Promoting GX in its own business activities

(1) Installing solar power generation systems at its facilities

The Company has installed solar power generation systems at 38 of the facilities (offices, plants, etc.) owned by the Group. Among them, the TOKAI Aqua Yaizu Plant (bottling plant for water delivery service) was equipped with a 100kW solar power generation system in 2022, and generates about 20% of its electricity from renewable energy. In addition, TOKAI GAS CORPORATION's Fujieda Headquarters was equipped with a 31.57kW solar power generation system in March 2024 using the on-site PPA model, with Group company TOKAI CORPORATION owning the system and selling the electricity generated by it to TOKAI GAS.

(2) Utilizing the environmental value of its solar power plants

The Company has launched an initiative to obtain non-fossil certificates with tracking for the solar power plants with total output of 10.3MW owned by the Group in Shizuoka Prefecture to achieve net-zero greenhouse gas (GHG) emissions for electricity used by the head office building and other facilities.

(3) Saving energy by promoting migration to optical cables in CATV business

In the CATV business, the Company aims to reduce electricity consumption and GHG emissions by promoting migration to optical cables for trunk lines since that eliminates the need for equipment to amplify electrical signals.

2. Promoting GX in customers' energy use

(1) Promoting sales of energy-saving gas appliances

In the energy business, the Company is working to reduce customers' utility bills and environmental impact by proposing gas appliances with outstanding energy-saving performance to them.

(2) Selling carbon offset gas

In August 2021, the Company started supplying carbon offset LP gas and city gas using the J-Credit program to local governments and corporations. In October 2024, it also began selling carbon offset city gas*1 for residential detached houses.

(3) Promoting solar power generation systems through PPA model

In October 2021, the Company launched TOKAI ZERO SOLAR. This solar power generation system service utilizing the PPA model has zero initial costs.

(4) Participating in the Ministry of the Environment's SHIFT Project

The Company was registered as an organization to support the development of plans to reduce GHG emissions under the Japanese Ministry of the Environment's SHIFT Project*2, and is working to reduce GHG emissions across society by supporting a shift to low-carbon and decarbonized plants, offices, and so forth.

(5) Promoting low-carbonization and decarbonization together with local communities

TOKAI GAS signed a "Collaboration Agreement Toward the Realization of Zero Carbon Cities" with Fujieda City, Shizuoka Prefecture in August 2021, and Shimonita Town, Gunma Prefecture in July 2022. In both of those places, TOKAI GAS is working to decarbonize public facilities and promote local production and consumption of energy. In addition, the Group is working with local governments and educational institutions in Shizuoka Prefecture to foster local decarbonization talent by dispatching lecturers for low-carbon and decarbonization education, offering tour facilities, and providing other support.

(6) Promoting GX by investing in renewable energy-related businesses

In July 2023, the Company invested in REPOWER ENERGY DEVELOPMENT CORPORATION (REDC), a hydroelectric power generation company in the Philippines. In February 2024, it made REDC into an equity-method affiliate through an additional investment. Through its involvement in REDC, it will strive for stable electricity supply in the Philippines, while working to promote the spread of renewable energy in ASEAN countries. Additionally, TOKAI Venture Capital & Incubation Corporation invested in Albatross Technology Inc., a startup company working on developing floating offshore wind turbines (vertical axis type) in Japan, in December 2023. Floating offshore wind power generation is attracting attention as next-generation renewable energy, and its technological development is expected to advance.

*1 A city gas contract offering in which greenhouse gas emissions from all or part of the process from extraction of raw gas, transportation, and consumption are offset by carbon credits, resulting in effectively zero greenhouse gas emissions.

*2 This is a project where the Ministry of the Environment provides subsidies to companies that develop plans for reducing GHG emissions, update energy-saving equipment, etc.

Source: Prepared by FISCO from the Company's materials

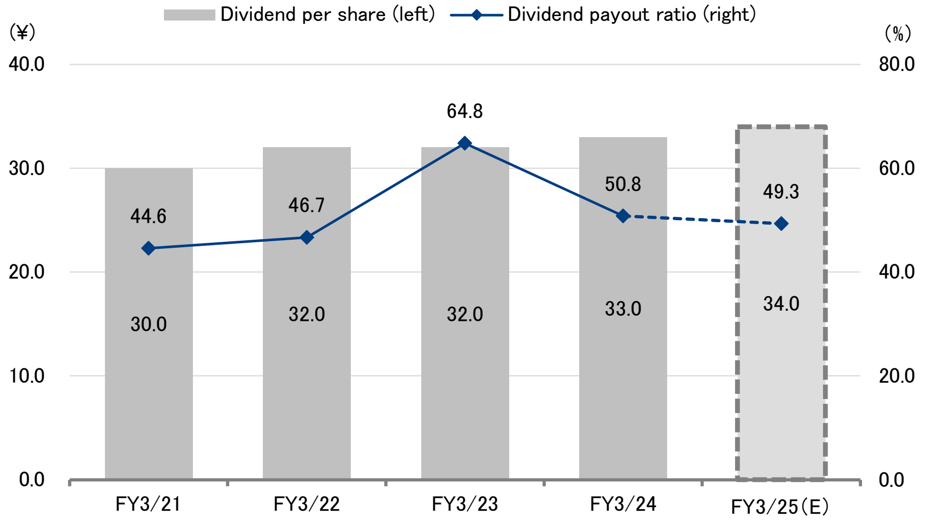
Shareholder return policy

Provides ongoing stable dividends, targeting a dividend payout ratio of 40–50%

TOKAI Holdings is a company that is proactive about shareholder returns. Its policy includes paying dividends, offering a shareholder benefits program, and buying back its own shares as appropriate. 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 fiscal 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 ¥933 on February 13, 2025), is in the range of 4.7%–8.3% (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	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 website

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