

COMPANY RESEARCH AND ANALYSIS REPORT

TOKAI Holdings Corporation

3167

Tokyo Stock Exchange Prime Market

13-Jan.-2026

FISCO Ltd. Analyst

Yuzuru Sato



FISCO Ltd.

<https://www.fisco.co.jp>

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Summary

Clear path toward achieving record-high results in 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 celebrated its 75th anniversary in December 2025. Based on its strengths of customer power with roughly 3.45 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 1H FY3/26 results

The consolidated results for 1H FY3/26 (April-September 2025) recorded higher net sales and operating profit, with net sales up 3.0% year on year (YoY) to ¥114,458mn and operating profit up 34.1% to ¥6,249mn. All business segments achieved higher net sales and operating profit, marking a new record-high for a 1H. Operating profit benefited from growth in the number of group customers (up 1.7% to 3,457 thousand accounts), a review of customer acquisition expenses in the energy business and consumer information and communications business, and higher net sales in the corporate information and communications business and the construction equipment and real estate business. It appears results beat the Company’s plan as customer acquisition costs were contained, and due to the occurrence of projects recognized ahead of schedule in the construction equipment and real estate business, among other factors.

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%, projecting continued revenue and profit growth. The 1H operating profit progress rate was 35.7%, running ahead of the recent three-year average progress rate of 27.9%*, raising expectations for an upside to the plan. While the Company left its initial plan unchanged given uncertainty over winter temperatures during the LP gas peak-demand season, FISCO expects a high likelihood of the Company to achieve the plan as the information and communications business and CATV business are forecast to remain solid in the 2H. For the end of the fiscal year, the Company targets 3,462 thousand continuing customers, up 39 thousand from the end of FY3/25.

| * Progress rate of cumulative results for FY3/23-FY3/25

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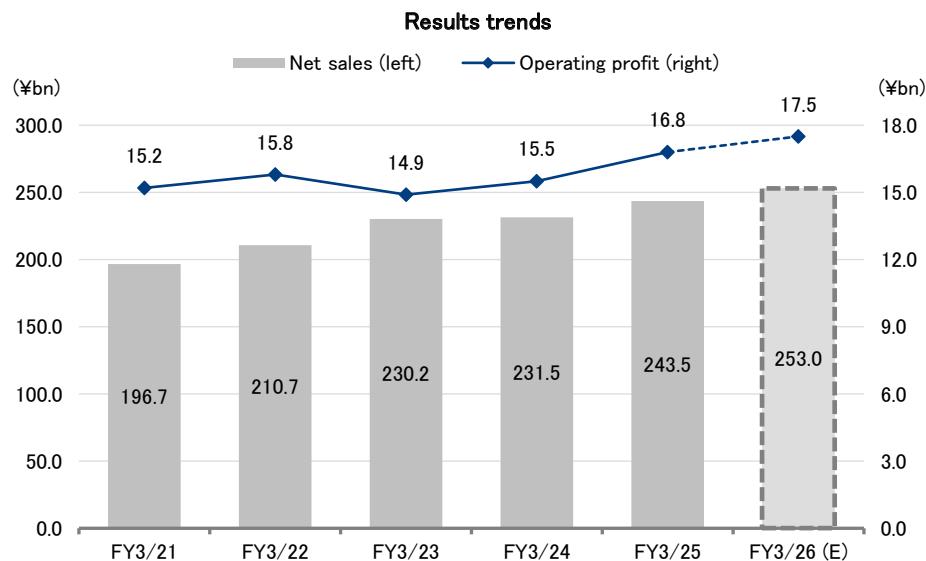
Summary

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 numerical management targets (net sales of ¥260.0bn, operating profit of ¥17.5bn, and 3.57 million continuing customers) for FY3/26, the final year, net sales and customer numbers may fall short, whereas operating profit is expected to be achieved. From FY3/27 onward, the Company is expected to continue its existing business strategy, aiming for steady growth while building a portfolio that achieves group-wide optimization through the two axes of capital efficiency and growth. In particular, for the core LP gas business, it is seen as a favorable opportunity to expand market share through M&A and acquisition of sales territories, and future developments bear watching. 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 of ¥1,066 on November 21, 2025).

Key Points

- The results for 1H FY3/26 set a new record high, with higher net sales and operating profit across all business segments
- For FY3/26, record-high profits are expected for a consecutive year
- Pursuing overall optimization of the business portfolio through the two axes of capital efficiency and growth
- Targeting a dividend payout ratio of 40–50%, with a total investment yield including dividends and benefits to shareholders in the 4–7% range



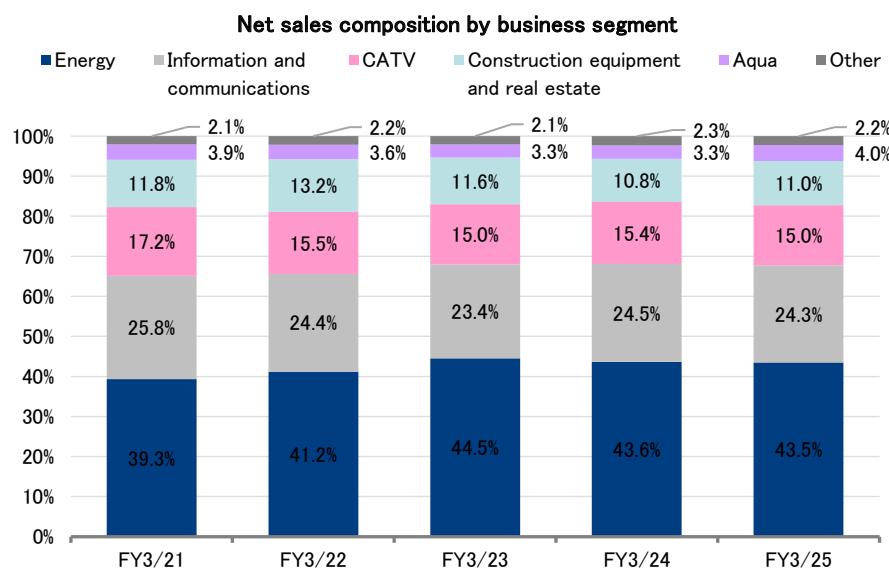
Note: Figures rounded to one decimal place
 Source: Prepared by FISCO from the Company's financial results

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Business overview

In addition to lifestyle infrastructure service, the Company is also developing corporate information and communications service and the construction equipment and real estate business

The Company Group, starting from Shizuoka Prefecture, operates lifestyle infrastructure service centered on LP gas, corporate information and communications service, and the construction equipment and real estate business. Currently, the business segments are disclosed in six categories: energy business, information and communications business, CATV business, construction equipment and real estate business, Aqua business, and others. Looking at the net sales composition by business segment (FY3/25), its foundational energy business accounts for 43.5%, the information and communications business 24.3%, and the CATV business 15.0%; these three businesses exceed 80% of the total, and trends over the past five years show no major change.



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

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Business overview

1. Energy business

In the energy business, a little over 80% of net sales come from the LP gas business and just under 20% from the city gas business. The core LP gas business is handled by TOKAI CORPORATION, which primarily sells household and industrial use gases, and also engages in some wholesale sales. The main service areas are Shizuoka and the Kanto region, but since 2015, the Company has progressively entered new areas such as southern Tohoku, Chubu, Tokai, Chugoku, Shikoku, and Kyushu, expanding its customer base. As of the end of September 2025, the number of customers was 813 thousand accounts, placing the Company third in direct sales after Iwatani Corporation <8088> and NIPPON GAS CO., LTD. <8174>. Its market share is about 20% and No. 1 in its home base of Shizuoka Prefecture, and just under 10% and No. 2 even in the highly competitive Kanto region. The number of households using LP gas is estimated at about 21 million nationwide; the Company's nationwide share is just under 4%, but its strategy is to continue expanding operating areas via M&A and acquisition of sales territories to increase share. In Japan's LP Gas distribution business, many players are small and micro businesses, and consolidation under major capital has been advancing year by year against a backdrop of labor shortages and successor scarcity*; FISCO sees ample room for the Company to expand its share.

* The number of LP gas sales operators has been declining year by year, from about 21,000 in 2012 to about 15,000 in 2023.

In the city gas business, TOKAI GAS CORPORATION sells city gas in Yaizu City, Fujieda City, and Shimada City in Shizuoka Prefecture, and since the gas retail liberalization in April 2017, it has expanded its operating area by taking over city gas businesses that had been run by municipalities. Specifically, it took over city gas businesses from Shimonita Town, Gunma Prefecture (since April 2019), and Nikaho City, Akita Prefecture (since April 2020). As of the end of September 2025, the number of customers stood at 75 thousand accounts. There are 190 city gas operators nationwide (172 private, 18 public), and excluding the four major companies, most are regional small- to medium-sized operators; the Company's policy is to consider M&A opportunities as they arise going forward.

2. Information and communications business

In the information and communications business operated by TOKAI Communications Corporation, the Company provides consumer-facing ISP (Internet service provider) business and mobile communications business (mobile phone sales agency business), as well as corporate services including telecommunication line provision service, data center service, cloud system design and implementation support, and contract system development business. In FY3/25, the net sales composition was roughly 40% consumer and 60% corporate, with the corporate ratio trending upward in recent years. For operating profit, a little over 80% is now generated by corporate.

The Internet service provider (ISP) business operates under two brands: @T COM (At T COM), which serves customers nationwide, and TOKAI Network Club (TNC), which serves Shizuoka Prefecture. Within Shizuoka Prefecture, it holds the top share at around 20%. Since 2015, it has procured wholesale optical fiber lines from NTT, Inc. <9432> and launched Hikari collaboration services bundled with its own fiber Internet access services (@T COM Hikari and TNC Hikari). It also offers bundled plans combined with major mobile carriers' services. Since 2017, it has also begun selling the budget SIM/smartphone offering LIBMO, which uses an MVNO*. As of the end of September 2025, the number of customers totaled 674 thousand in the broadband business (including Hikari collaboration) and 83 thousand for LIBMO.

* MVNO (Mobile Virtual Network Operator): An operator that provides services by leasing wireless communications infrastructure such as mobile networks from other companies.

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Business overview

In the mobile communications business, as an agency for SoftBank Corp. <9434>, it operates 14 mobile shops mainly in Shizuoka Prefecture; however, the number of customers was 159 thousand at the end of September 2025 and has been on a gradual decline since peaking at 236 thousand at the end of March 2016. It also operates eight iCracked Store locations in Shizuoka Prefecture that provide iPhone repair services.

3. CATV business

In the CATV business, it has gradually expanded its service area through an M&A strategy, most recently bringing Okinawa Cable Network Co., Ltd. into the Group in October 2022. As of the end of September 2025, it operates across Tokyo and seven prefectures—Shizuoka, Kanagawa, Chiba, Nagano, Okayama, Miyagi, and Okinawa—through 10 group companies, with 1,346 thousand customers in total (924 thousand for broadcasting services and 422 thousand for communications services), continuing a gradual uptrend. As of the end of FY2023, the number of CATV service subscriber households in Japan was 31.84 million, and it continues to trend upward gradually. In the industry, the JCOM Co., Ltd. Group has established the top share at just over 50% based on viewing households. All other players, including the Company, each hold only a few percent share, making for a crowded field, and the Company aims to expand its share through M&A.

4. Construction equipment and real estate business

In the construction equipment and real estate business, TOKAI engages in the design and construction of detached houses, multi-unit residences, retail stores, and office buildings; building management services; sales of residential equipment; and real estate development and transactions, while TOKAI and TOKAI GAS operate renovation businesses. Starting with the 2019 acquisition of Nissan Tri Star Construction, Inc., a general contractor based in Gifu Prefecture, it subsequently made the following companies subsidiaries: in 2020, Chuo Denki Construction Co., Ltd., which conducts electrical installation work in Aichi Prefecture, and Inoue Technica Co., Ltd., which runs building maintenance operations in Shizuoka Prefecture; in 2021, Marco Polo Inc., which performs large-scale repair and renovation work for condominiums and other buildings in the Tokai area; and in 2022, Wood Recycle Inc., which handles industrial waste processing and manufactures wood chips in Gifu Prefecture. Going forward, its strategy is to pool the resources of these Group companies to expand the scale of operations in the Tokai area.

5. Aqua business

In the Aqua business (home water delivery business), TOKAI launched the returnable-bottle Home Water Delivery Service in Shizuoka Prefecture in 2007, and since 2011, has offered services outside Shizuoka under the one-way (single-use bottle) Ururon Premium Bottled Water Delivery Service brand. In April 2023, it also began selling the plumbed-in water purifier server Shizuclear*, which filters tap water with an internal filter. As of the end of September 2025, it had 207 thousand customers, equivalent to just under a 4% share of the industry's 5.71 million customers at the end of 2024 (about a 50% share within Shizuoka Prefecture).

* The water server rental fee is ¥2,640/month, ¥3,300/month, or ¥2,970/month (tax included), and the filters are provided free of charge.

6. Others

Other operations include the day service of TOKAI Life Plus Corporation, the weddings and events business of TOKAI City Service Corporation, and the ship-repair business of Tokaizosen-nyu Corporation. The day service began in 2011; and as of the end of September 2025, it operates six day service facilities in Shizuoka Prefecture, as well as one short-stay facility and one fee-based nursing care home, and it has opened one care plan center. In the weddings and events business, it operates GRANDAIR Bouquet TOKAI, located in Aoi Tower (in front of JR Shizuoka Station).

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Results trends

The results for 1H FY3/26 set a new record high, with higher net sales and operating profit across all business segments

1. Overview of 1H FY3/26 results

For the consolidated results in FY3/26, the Company left its initial forecasts unchanged for net sales to rise 3.0% YoY to ¥114,458mn, operating profit to increase 34.1% to ¥6,249mn, recurring profit to increase 32.6% to ¥6,475mn, and net income attributable to owners of the parent to go up 51.1% to ¥3,611mn. Net sales increased across all business segments, driven by growth in the Group's customer count and the expansion of the corporate information and communications business, as well as steady orders in the construction equipment and real estate business, marking the fifth consecutive 1H increase and a new record high. On the profit front as well, all business segments posted higher profits—supported by profit growth accompanying the increase in the Group's customer count, the review of customer acquisition costs in the LP gas business and the consumer information and communications business, and higher revenue in the corporate information and communications business and the construction equipment and real estate business—setting new record highs across each profit line item.

It also appears that operating profit exceeded the Company's plan. By business segment, the main drivers of the upside appear to have been: greater-than-expected profit gains from reviewing customer acquisition costs in the energy business and the consumer information and communications business; strong sales of cloud services in the corporate information and communications business; and the recognition of revenue earlier than planned for some projects in the construction equipment and real estate business. As a result, all business segments appear to have exceeded the plan.

1H FY3/26 results (consolidated)

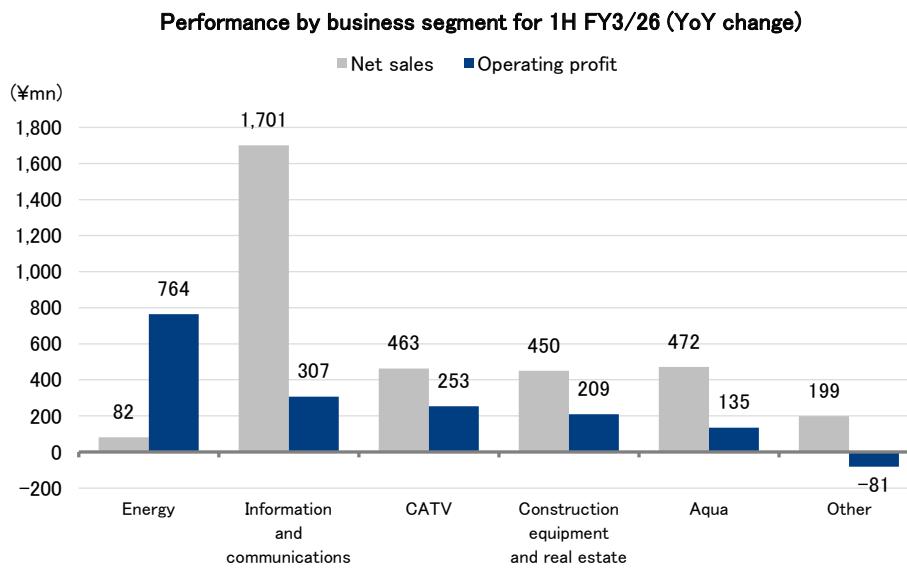
	1H FY3/25			1H FY3/26	
	Results	% of net sales	Results	% of net sales	YoY
Net sales	111,088	-	114,458	-	3.0%
Cost of sales	68,535	61.7%	69,931	61.1%	2.0%
SG&A expenses	37,892	34.1%	38,277	33.4%	1.0%
Operating profit	4,660	4.2%	6,249	5.5%	34.1%
Recurring profit	4,882	4.4%	6,475	5.7%	32.6%
Net income attributable to owners of the parent	2,390	2.2%	3,611	3.2%	51.1%
Number of continuing customers (thousand)	3,399		3,457	-	1.7%

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

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Results trends



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

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

At the end of 1H FY3/26, the number of continuing customers was 3,457 thousand, up 58 thousand YoY, representing steady accumulation. By business segment, the LP gas business increased by 9 thousand customers, the information and communications business by 10 thousand, the CATV business by 22 thousand, and the Aqua business by 27 thousand, with core services growing steadily. Among them, the Aqua business increased at a pace surpassing expectations thanks to strong sales of purification-type water dispensers. In addition, registrations for TLC members, who earn points by using services, increased by 53 thousand to 1,295 thousand, continuing to grow steadily.

Number of customers by key service

	End of 1H FY3/23	End of 1H FY3/24	End of 1H FY3/25	End of 1H FY3/26	(thousand) YoY change
Energy	804	837	878	887	9
LP gas	731	762	804	813	9
City gas	72	75	74	75	1
Information and communications	725	741	747	757	10
Broadband	663	666	670	674	4
LIBMO	62	75	78	83	5
CATV	1,247	1,300	1,324	1,346	22
Broadcasting service	894	916	920	924	4
Communications service	354	384	403	422	19
Aqua	167	166	180	207	27
Mobile	185	174	165	159	-6
Other	115	109	105	101	-4
Total number of Group customers	3,242	3,328	3,399	3,457	58
(Number of TLC members)	1,123	1,188	1,242	1,295	53

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 results briefing materials

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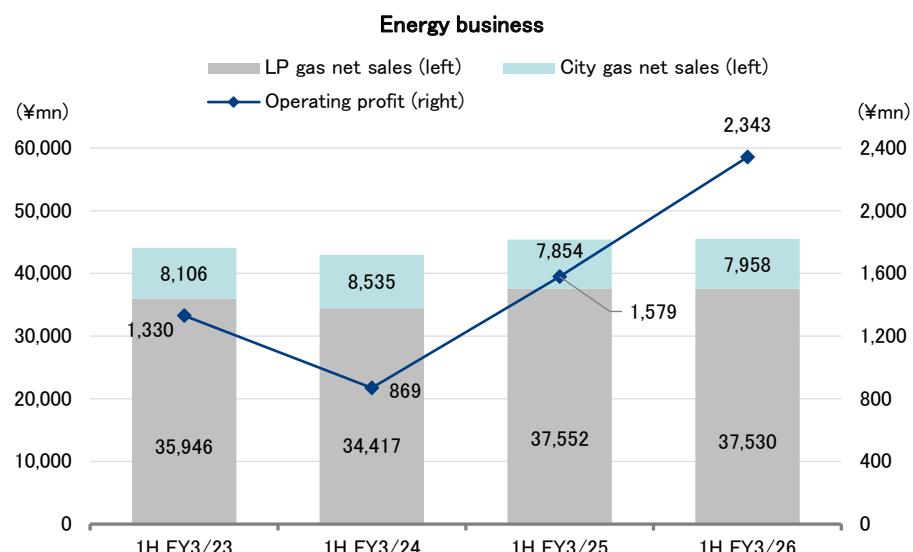
Results trends

2. Trends by business segment

(1) Energy business

Net sales in the energy business increased 0.2% YoY to ¥45,489mn, 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 significantly by 48.4% to ¥2,343mn. The main drivers of the increase in operating profit were: ¥200mn increase from growth in customer count in the LP gas business, ¥360mn increase from revising customer acquisition costs, and ¥200mn increase from lower purchase prices, etc. Regarding customer acquisition costs, the enforcement in July 2024 of the revised ministerial ordinance to rectify LP gas business practices* effectively made it difficult to market to existing apartment buildings (contracted with other companies), which contributed to the 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.



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

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

By breakdown, LP gas sales fell 0.1% YoY to ¥37,530mn. Although the number of customers increased by 9 thousand to 813 thousand, per-household gas consumption decreased 1.5% amid growing awareness of energy conservation, keeping residential gas sales volumes roughly flat. In addition, industrial gas sales declined 3.9% due to lower selling prices linked to purchase costs, which weighed on results. Average temperature during the 1H was almost the same as in the prior-year period.

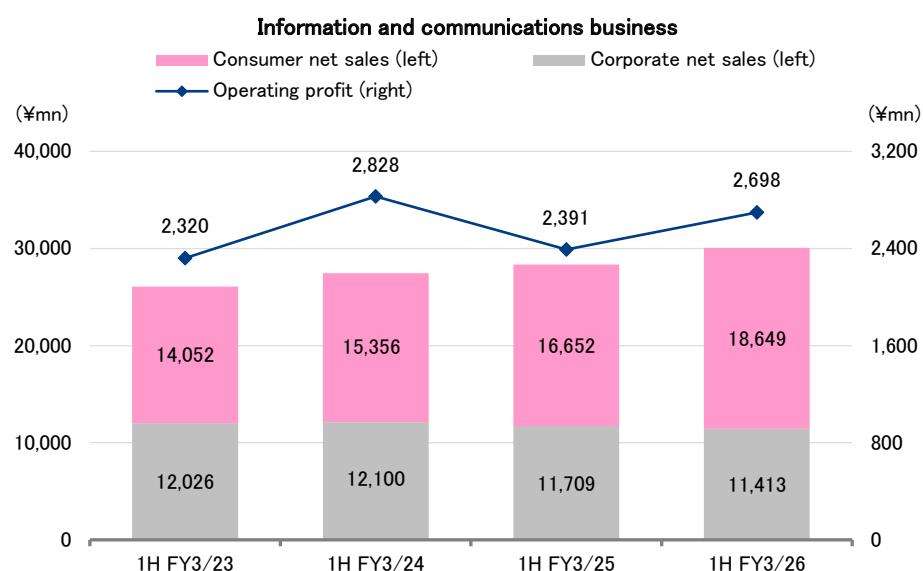
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Results trends

Compared with the end of the prior-year period, the number of customers increased by 6 thousand. Breakdown: 8 thousand increase from new acquisitions, 8 thousand increase from M&A/market-area purchases, and 9 thousand decrease from suspensions/cancellations. New acquisitions slightly decreased from 9 thousand in the prior-year period due to the ordinance revision, while suspensions/cancellations also fell from 12 thousand to 9 thousand. Viewed solely in terms of counts, the effect of the ordinance revision was almost neutral. On the other hand, in terms of profit and loss, it has led to lower customer acquisition costs. As for M&A/market-area purchases, in July 2025, the Company acquired an LP gas business operator whose service area is Matsuyama City, Ehime Prefecture. Going forward, the Company will build its own logistics network centered on the acquired filling station and aim to expand its share in the Shikoku area, primarily within Ehime Prefecture. Meanwhile, the city gas business saw customers increase by 1 thousand YoY to 75 thousand, and net sales rose 1.3% to ¥7,958mn, turning slightly to revenue growth.

(2) Information and communications business

Net sales for the information and communications business increased 6.0% YoY to ¥30,063mn, and operating profit grew 12.8% to ¥2,698mn, returning to profit growth for the first time in two periods.



Within consumer services, net sales fell 2.5% YoY to ¥11,413mn while operating profit rose 45.4% to ¥621mn, returning to profit growth for the first time in two periods. Customer numbers increased, with the broadband business up 4 thousand to 674 thousand and the low-cost smartphone business LIBMO up 5 thousand to 83 thousand. However, in the broadband business, contracts via major carriers—which have lower ARPU—are trending up, which was a factor in lower revenue (no impact on gross profit). Meanwhile, operating profit benefited from revising sales agents, which was a driver of profit growth. Specifically, the Company streamlined sales agents with high service cancellation rates and worked to improve customer acquisition costs.

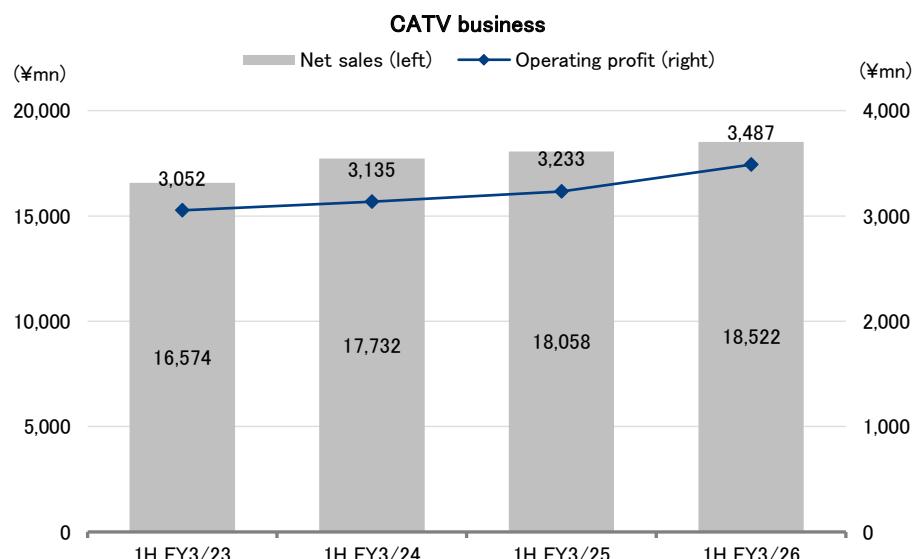
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Results trends

In corporate services, net sales increased 12.0% YoY to ¥18,649mn, but operating profit rose 5.8% to ¥2,077mn. Helped by extending the Company's fiber-optic network to Fukuoka Prefecture in April 2025, corporate high-speed communication services grew, cloud services also expanded steadily, and other stock-type businesses contributed to revenue growth. Contract system development remained flat. On the profit side, the Company absorbed higher personnel costs from wage revisions and headcount increases with revenue growth in stock-type businesses, turning to profit growth for the first time in two periods.

(3) CATV business

Net sales in the CATV business increased 2.6% YoY to ¥18,522mn, and operating profit rose 7.9% to ¥3,487mn, marking consecutive increases in sales and profits and setting a new record high. By focusing on community-rooted information dissemination and program production as a community-based operator, broadcasting services customers increased by 4 thousand to 924 thousand. Additionally, by actively cross-selling Internet services to broadcasting customers at high quality and competitive prices, communication services also increased steadily by 19 thousand to 422 thousand, which drove revenue growth. On the profit side, SG&A expenses, mainly personnel costs, increased by ¥190mn, but this was offset by a ¥440mn positive impact from customer growth.



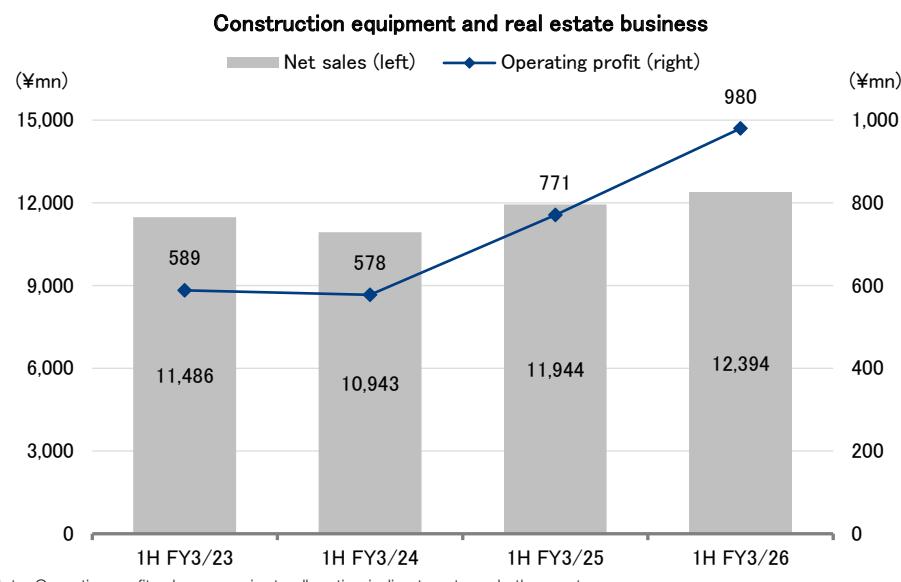
(4) Construction equipment and real estate business

Net sales in the construction equipment and real estate business increased 3.8% YoY to ¥12,394mn, and operating profit rose 27.1% to ¥980mn, marking higher sales and profits for the second consecutive fiscal period.

Although net sales in the Civil Engineering Construction Business operated by Nissan Tri Star Construction, Inc. fell 27.8% YoY due to delays in the execution of public budgets, etc., building and equipment construction projects by TOKAI and others rose 6.8% and the real estate sales and management business rose 4.5%, both contributing to higher revenue. On the profit side, higher revenue at TOKAI contributed to double-digit profit growth.

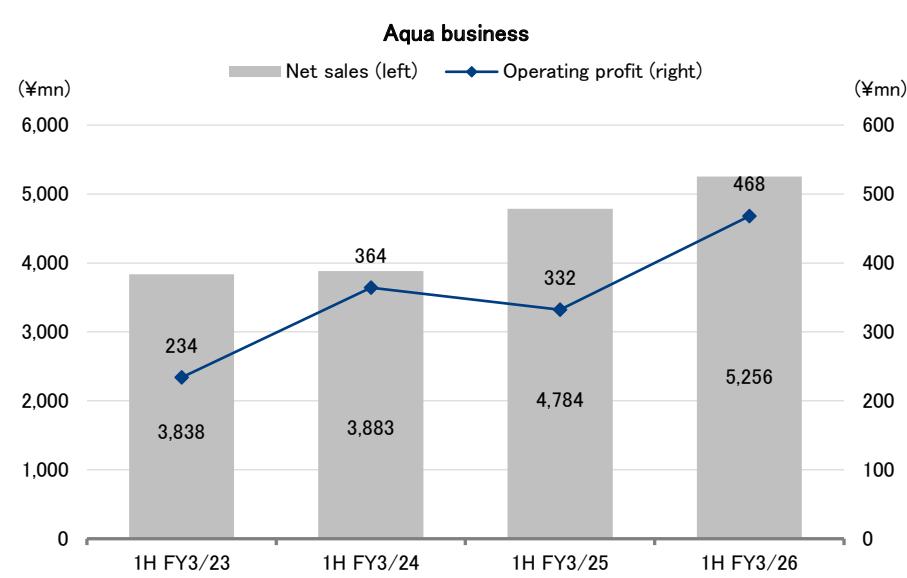
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Results trends



(5) Aqua business

Net sales in the Aqua business increased 9.9% YoY to ¥5,256mn, and operating profit rose 40.8% to ¥468mn, resulting in higher sales and profits and setting a new record high.



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Results trends

By focusing on event sales at large commercial facilities and non-face-to-face sales such as via the web and telemarketing, the number of customers increased by 27 thousand YoY to 207 thousand, growing at a pace above the Company's plan and driving higher revenue. Sales of the plumbed-in water purification water dispenser Shizuclear, launched in 2023, were strong and accounted for most of the increase in the number of customers. The Company is preventing cancellations by proposing "Shizuclear," which lowers the average monthly fee to about half, to customers who wish to cancel the existing home-delivery water service, and it appears that about 10% of new contracts for "Shizuclear" are replacements from the existing service. On the profit side, although increases in customer acquisition costs, etc. were a ¥100mn negative factor, they were absorbed by a ¥240mn profit increase from the growth in the number of customers.

(6) Other businesses and adjustments

In other businesses, net sales rose 7.9% YoY to ¥2,731mn. While the day service decreased 2.6% to ¥701mn due in part to a decline in the number of day service users, the ship-repair business increased 10.8% to ¥867mn on higher orders, and the weddings and events business also performed steadily, rising 1.9% to ¥556mn on increased demand for general banquets from corporations and various groups. Including head-office expenses, the operating loss was ¥3,729mn (vs a ¥3,647mn loss in the prior-year period).

Outlook

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

1. 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. Through 1H, progress rates were 45.2% for net sales and 35.7% for operating profit; as these are running ahead of both the average cumulative progress rates over the past three years (net sales 45.4%, operating profit 27.9%) and the Company's plan, FISCO believes there is a strong likelihood of the Company to exceed the plan, unless large expenses are booked in 2H.

Outlook for FY3/26

	(\$mn)					
	FY3/25		FY3/26		1H progress rate	Three-year average progress rate
	Results	% of net sales	Company forecasts	% of net sales	YoY	
Net sales	243,482	-	253,000	-	3.9%	45.2%
Operating profit	16,841	6.9%	17,500	6.9%	3.9%	35.7%
Recurring profit	17,370	7.1%	17,500	6.9%	0.7%	37.0%
Net income attributable to owners of the parent	9,216	3.8%	10,000	4.0%	8.5%	36.1%
Net income per share (¥)	70.55		76.55			18.1%
Number of continuing customers (thousand)	3,423		3,462		1.1%	

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Outlook

The Company cites three reasons for leaving operating profit unchanged from the initial plan: 1) in the construction equipment and real estate business, some projects were booked ahead of schedule in 1H; 2) average temperatures in October to November 2025 were about 1°C above normal, which could negatively affect LP gas sales volume depending on winter temperatures during the peak demand season; and 3) it is factoring in higher costs (customer acquisition and retention costs) in preparation for intensified customer-acquisition competition in the LP gas business and the CATV business. However, even including these factors, FISCO views the Company's plan as conservative and sees a high likelihood of upside.

The number of continuing customers is expected to increase by 39 thousand from the end of the previous fiscal year to 3,462 thousand, but by the end of 1H, it had already increased by 34 thousand, and the strong performance of the Aqua business has put it ahead of plan. With the promotion of its M&A strategy centered on the LP gas business continuing in 2H, there is a high likelihood that full-year results will exceed the plan.

(1) Energy business

In the energy business, although net sales are expected to be flat from the prior-year period, operating profit is forecast to increase by ¥100mn. Although customer acquisition costs are expected to increase by ¥300mn, this will be absorbed by a ¥400mn profit contribution from the increase in contract numbers. As average temperatures in 3Q have been trending slightly above normal, LP gas consumption per household is expected to decline, making how much the number of customers can be increased the key to achieving the net sales plan. The Company's strategy is to develop customers for newly built homes while also strengthening efforts in M&A and trade-area acquisitions. On the profit side, given that a ¥760mn increase was achieved in 1H, FISCO believes that if the increase in average temperatures versus normal is contained to around 1°C, the full-year plan can be achieved.

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

In the information and communications business, operating profit is expected to increase by ¥600mn YoY. 1H saw a ¥310mn increase in profit, and considering that further growth is expected in the corporate business in 2H, progress can be considered smooth.

Consumer net sales are expected to be flat, but a ¥300mn increase in profit is expected through a review of customer acquisition channels (a ¥200mn increase in 1H). As for the number of contracts, the Company aims for a slight increase in both broadband and LIBMO; for LIBMO, contract numbers are rising in part because NTT DOCOMO ended new applications for competing services irumo/eximo in June 2025, and from 2H, the CATV subsidiaries TOKAI Cable Network Corporation and Toco Channel Shizuoka Co., Ltd. have begun offering bundled discount plans with CATV, strengthening sales activities that leverage group capabilities, so upside in contract numbers is expected.

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Meanwhile, for corporate, a ¥300mn YoY increase in operating profit is planned (a ¥110mn increase in 1H). With the extension of fiber-optic lines to Kyushu, inquiries for enterprise telecom circuit services are increasing, and demand for cloud services continues to be strong; 2H is expected to progress smoothly as well. 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. While 1H saw a ¥250mn increase in profit and is running ahead of plan, the Company is factoring in higher customer acquisition costs in 2H due to intensifying competition. Especially in the Shizuoka and Kanagawa areas, competitors' sales offensives appear to be intensifying, so it is necessary to conservatively assume higher customer retention costs. That said, given that the number of contracts for communications services is steadily accumulating, stable growth is expected to continue. In addition, against the backdrop of rising security awareness, the Company began offering a cloud-based AI security camera service in August 2025. It allows footage to be checked in real time even when away from home, and also features push notifications when anomalies are detected. While the net sales target three years out is ¥100mn and the earnings impact is small, the number of contracts appears to be increasing steadily.

(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. The civil engineering construction business may continue to slump in 2H partly due to delays in the government's supplemental budget formulation, but it is expected to be offset by expansion of TOKAI's building equipment construction business and real estate sales and management businesses.

(5) Aqua business

In the Aqua business, the Company had expected a ¥20mn increase in operating profit, but 1H saw a ¥140mn increase, making it highly likely to exceed plan for the full year as well. By utilizing the network of Group companies, centered on the Shizuclear water purification server, the Company plans to further build the customer base. As a cost-reduction measure, the Company had begun in-house production of bottle containers used for one-way home-delivery water (service area is within Shizuoka Prefecture), and the production line is expected to be completed as scheduled by the end of March 2026, contributing to cost reductions from FY3/27.

Medium-Term Management Plan 2025: Profit and ROE are expected to meet the initial targets

2. 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.

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

	FY3/23 Results	FY3/24		FY3/25		FY3/26	
		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 one decimal place

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

Looking at the progress up to now, 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. In FY3/26, the final year, although the performance plan lowered net sales by ¥7.0bn versus the initial target, it is highly likely that each profit metric and ROE and ROIC will achieve the original target values.

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.

Working to optimize the business portfolio holistically along two axes: capital efficiency and growth potential

3. Initiatives to enhance corporate value

The Company is working on three areas to enhance corporate value: 1) business portfolio management, 2) promoting expansion and efficiency of each business, and 3) ESG-oriented management.

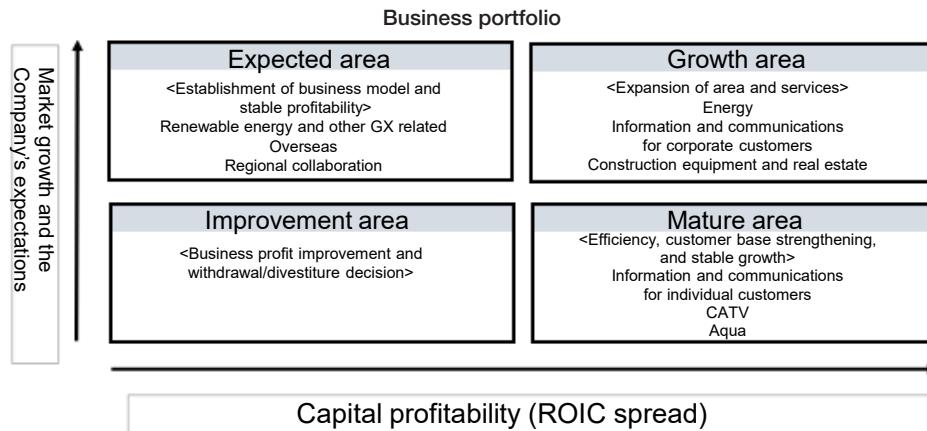
(1) Initiatives for business portfolio management

As part of business portfolio management, the Company is working to build a portfolio 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, and regional collaboration), 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 its business portfolio positions to improve ROIC and ROE. The expectation segment also includes initiatives for new businesses that lead to the Group's sustainable growth.

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In addition, by further strengthening collaboration among businesses and companies, the Company will work to maximize Group synergies. For consumer-targeted services such as LP gas, information and communications, CATV, and the Aqua business, the Company promotes cross-selling by offering discounted bundled pricing plans to customers who use multiple services and by increasing point reward rates, aiming to maximize LTV (lifetime value).



Source: Prepared by FISCO from the Company's "Policy for Initiatives towards Implementing Management Focused on Capital Costs and Stock Prices"

(2) Promoting expansion and efficiency of each business

a) Growth segment

In the energy business, the Company aims for sustainable growth by expanding the customer base through M&A and expansion of service areas. It is also working on streamlining operations and improving productivity through a DX strategy to maintain and improve profitability. Specifically, the Company is promoting the introduction of automatic metering and aims to reach 100% by the end of March 2026 (installation rate rises from 70% as of the end of March 2024 to 99% by the end of September 2025). In addition to cutting costs for meter-reading operations, by understanding customers' consumption in real time, deliveries can be made at optimal timing, improving logistics efficiency. From FY3/27 onward, it plans to reduce fixed costs by reducing the number of meter readers (currently about 400).

In the corporate information and communications business, in addition to expanding scale through investments in communications infrastructure and enhancing data center capacity, the Company is strengthening digital talent through an M&A strategy to meet strong DX demand. Furthermore, in the construction equipment and real estate business, by sharing resources owned by Group companies across building and real estate, civil engineering, and equipment works, the Company will win large projects and aim to expand its share in the Tokai area as a comprehensive building and real estate group.

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b) Expectation segment

In the renewable energy and other GX-related businesses, the Company is promoting the adoption of solar power (including PPAs) and storage battery systems, and while investing in companies engaged in energy creation businesses, it aims to achieve carbon neutrality by 2050. As an investment track record, in 2023, TOKAI acquired shares of REPOWER ENERGY DEVELOPMENT CORPORATION, a hydroelectric power business company in the Philippines, and in February 2024, made it an affiliate accounted for by the equity method (ownership stake 20%). In December 2023, the Company also invested in Albatross Technology Inc., a venture company working on the development of floating vertical-axis offshore wind turbines* for power generation. The investment in Albatross Technology Inc. is intended to gather information and accumulate expertise in the GX domain as a Group.

* Floating vertical-axis offshore wind turbines are a technology expected to reduce manufacturing and operating costs compared with conventional (horizontal-axis) turbines, by enabling miniaturization of the floating portion placed in the sea and through innovations in turbine manufacturing methods. Collaborative research with various companies and organizations has already begun.

With respect to overseas business, in the energy business, the Company has LP gas-related companies in Vietnam and a hydroelectric power company in the Philippines as affiliates accounted for by the equity method, while in the information and communications business, it is developing operations such as AWS adoption support mainly in Indonesia and Taiwan. Regarding the overseas business, the short-term impact on performance is minimal, and the rollout is intended to contribute to earnings over the medium to long term.

c) Regional collaboration

Regarding regional collaboration efforts, each Group company promotes community-based services and public-private partnership initiatives. As specific initiatives, a cable TV subsidiary operates a fitness gym, and the subsidiary TOKAI GAS operates two campsites in Shizuoka Prefecture.

(3) Initiatives for ESG-oriented management

a) Environment

As part of efforts to achieve carbon neutrality by 2050, the Company promotes GX in customers' energy use as well as in its own business activities. For customers, it is working on promoting the adoption of energy-saving gas equipment, selling carbon offset gas, facilitating the introduction of renewable energy, promoting low-carbon and decarbonization in partnership with local communities, and decarbonizing feedstocks. In its own business activities, it is promoting initiatives such as improving delivery efficiency and automating meter reading in the LP gas business through DX, installing solar power systems, and switching the electricity used at offices to renewable energy.

b) Society

As measures to strengthen human capital, the Company is working to maximize the vitality of talent and organizations and improve employee well-being. To realize "the ideal individual," it has established systems such as autonomous career support and re-skilling support; to realize "the ideal organization," it is pursuing initiatives such as enabling diverse work styles, revising HR systems to enhance engagement, practicing top-level health management, providing psychological safety training for managers, and conducting coaching training.

c) Governance

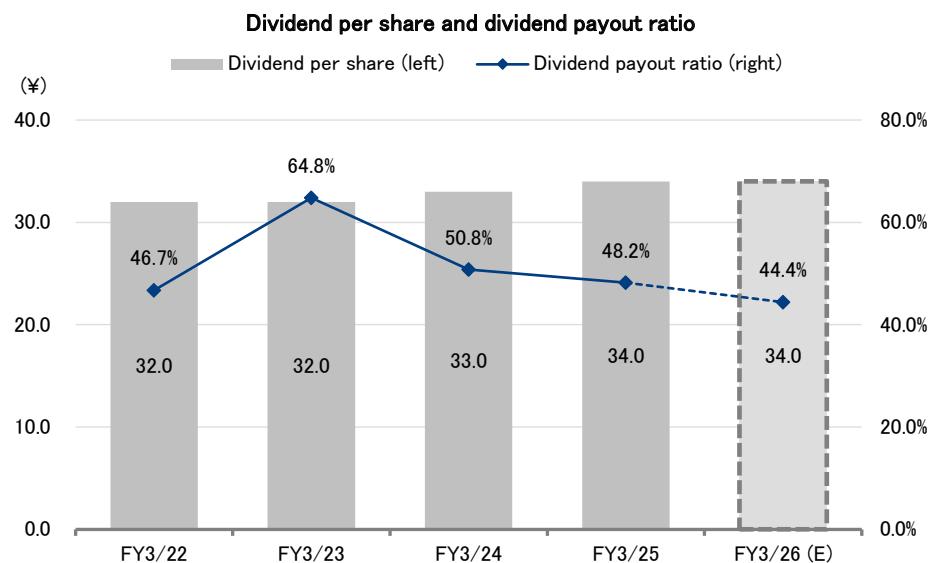
To strengthen compliance and governance, the Company is rigorously training executives and managers and promoting initiatives to further raise the organization's compliance awareness.

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

The Company, as part of its shareholder return policy, has implemented dividends and a shareholder benefits program and, depending on the situation, conducts share repurchases; it can be cited as one of the companies that are proactive in returning value to shareholders. 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 ¥1,066 on November 21, 2025), is in the range of 4.1–7.3% (if the shareholder selects a QUO card or an Aqua product as the gift).



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

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■ 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