

# TOKAI Holdings Corporation

**3167**

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## Summary

### Announced the new medium-term management plan “Innovation Plan 2024” and is working to build a foundation toward becoming a “Life Design Group”

Based in Shizuoka Prefecture, TOKAI Holdings Corporation <3167> (hereafter, also “the Company”) is a comprehensive lifestyle infrastructure company that is developing “energy and lifestyle-related services,” primarily the provision of liquefied petroleum (LP) gas, and “information and communications services.” In addition to realizing the Total Life Concierge (TLC; comprehensive services for living) concept\*<sup>1</sup>, it began measures under the new ABCIR+S\*<sup>2</sup> theme in FY3/19, and is aiming to take a further leap forward while advancing an M&A strategy.

\*<sup>1</sup> Total Life Concierge concept: a vision that aims to improve customer satisfaction by providing comprehensive and detailed support for customers’ comfortable lifestyles through the various services provided by the TOKAI Group.

\*<sup>2</sup> ABCIR+S: the TOKAI Group’s strategy for technological innovation. It is the acronym of AI (A), Big Data (B), Cloud (C), IoT (I), Robotics (R), and Smartphone (S), and the Group will focus on creating and developing new services related to these.

#### 1. FY3/21 results

In the FY3/21 consolidated results, despite being impacted by the novel coronavirus pandemic (hereafter, COVID-19), net sales increased 0.4% year-on-year (YoY) to ¥196,726mn and operating profit rose 7.0% to ¥15,226mn, for the fourth consecutive period of higher sales and the third consecutive period of record high profits. At the end of the period, the number of continuous-transaction customers had steadily increased, rising 95,000 on the end of the previous fiscal period to 3,099,000 customers. For net sales, sales decreased in the energy business (LP gas and city gas business) and the information and communications business, but these decreases were covered by the sales increases in the CATV business, the construction equipment and real estate business, and the Aqua business (home water delivery business). For operating profit, profits increased by double digits in the energy business due to nesting demand and the fall in purchase unit prices, while the CATV business and the information and communications business also contributed to the increase in profits. Results in the information and communications business were driven by the corporate business, mainly cloud services.

#### 2. Outlook for FY3/22

The outlook for the FY3/22 consolidated results is for net sales to increase 5.2% YoY to ¥207,000mn and operating profit to rise 0.1% to ¥15,240mn. Sales are forecast to increase in every business segment except the CATV business. Sales will decline in the CATV business due to a decrease from a change to the standard for recording sales, but on an actual basis, they will increase by around 2%. The reason why operating profit will be basically unchanged YoY is that the forecast includes the active investment in costs to acquire customers, particularly in the LP gas business, and also environment equipment costs of approximately ¥500mn for workstyle reforms. The number of continuous-transaction customers is forecast to increase by 96,000 on the end of the previous fiscal period to 3,195,000 customers.

Summary

**3. The medium-term management plan “Innovation Plan 2024”**

The Company recently announced “Innovation Plan 2024,” which is its new medium-term management plan to run until FY3/25. Its “Life Design Group” (a corporate group that contributes to solving societal problems through designing and proposing the lifestyles that customers want to have) is the image the Group wants to be in 10 years’ time, and it has positioned the plan’s period as the period to build the foundation toward realizing this image. It is aiming for sustainable growth by widening the business areas to not only providing lifestyle infrastructure services, but also to providing services that “support people’s lives” and “designing and proposing lifestyles.” The numerical management targets for the plan’s final fiscal year are net sales of ¥245bn, operating profit of ¥18.6bn, and 3.56mn continuous-transaction customers. The average annual growth rates for the next 4 years are 5.6% for net sales and 5.2% for operating profit, so steady growth is forecast. Also, the number of customers will increase by 460,000 on the end of the previous period. Of these, approximately 200,000 will be from the growth of the LP gas business, while for the remainder, 110,000 will be acquired in the information and communications business, 90,000 in the CATV business, and 50,000 in the Aqua business. The Company’s policy is also to continue to positively consider M&A.

**4. Shareholder return policy**

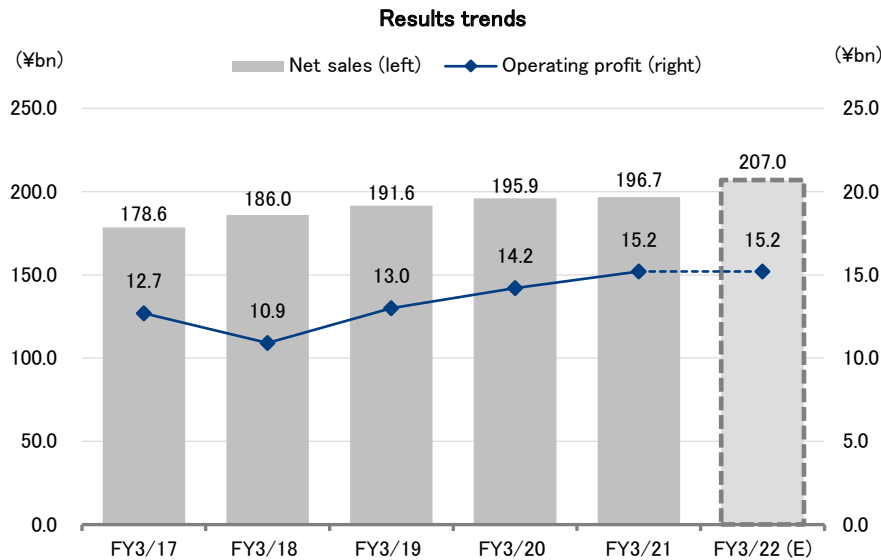
The Company has clarified that its shareholder return policy is to pay a dividend within the range of a dividend payout ratio of 40% to 50%, and also that it will consider acquisitions of treasury shares and other measures as appropriate. In FY3/22, it plans to pay a dividend per share unchanged YoY of ¥30.0 (dividend payout ratio, 44.5%). It also presents gifts to shareholders at the end of March and September, of one gift from among the choices including an Aqua product, QUO card, and points for “TLC member services.” When including the gifts to shareholders in the estimate of the total investment yield per share from the current share price level (closing price of ¥878 on May 27, 2020), it is in the range of 4.6% to 8.1%\*.

| \* In the case of selecting either a QUO card or an Aqua product as the shareholder gift |

**Key Points**

- Despite being impacted by COVID-19, in FY3/21 sales increased for the fourth consecutive period and profits were record highs for the third consecutive period
- In FY3/22, operating profit is forecast to be basically unchanged YoY due to upfront costs to grow the customer base and for workstyle reforms
- Is aiming to change from being companies providing lifestyle infrastructure services to a corporate group that “support people’s lives” and “designs and proposes lifestyles”
- Policy is to pay a dividend targeting a dividend payout ratio of 40% to 50% and also to flexibly acquire treasury shares

## Summary



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

## Business overview

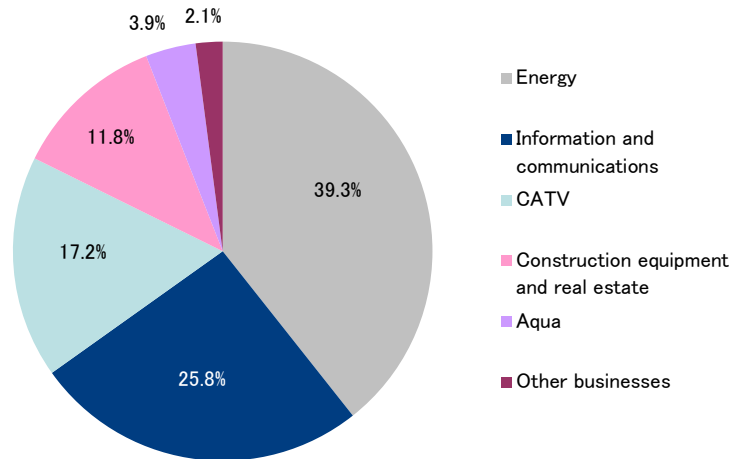
### Provides various lifestyle-infrastructure services, including LP gas, Internet, and CATV services, toward realizing its management vision of the Total Life Concierge concept

Based in Shizuoka Prefecture, Japan, the Company is expanding its two main businesses, “energy and lifestyle-related services,” primarily the provision of liquefied petroleum (LP) gas, and “information and communications services,” and it is aiming to achieve its management vision of being a “Total Life Concierge” (TLC). It provides a complete range of services for everyday life under a one contract, one stop, and one call-center model and while deepening its connections with its customers, their local communities, society, and the global environment, it is striving to enrich people’s lives and to contribute to the development of local communities and to the conservation of the global environment, and also to a grow as a comprehensive provider of life services that represents Japan.

Currently, the Company discloses results for six business segments: the energy business, the information and communications business, the CATV business, the construction equipment and real estate business, the Aqua business, and other businesses. Looking at the sales structure by segment for FY3/21 results, the Company’s original business, the energy business accounted for 39.3% of sales, the information and communications business for 25.8%, and the CATV business for 17.2%. These three mainstay businesses accounted for over 80% of sales. The details by business segment are as follows.

Business overview

Sales composition by business segment (FY3/21)



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

1. Energy business

In this business, 84.8% of net sales are provided by the LP gas business and 15.2% by the city gas business. The mainstay LP gas business is developed by TOKAI Corporation, primarily for homes and businesses. The service areas are mainly in the Shizuoka and Kanto regions, but since 2015 it has also gradually expanded into other areas including the south Tohoku, Chubu/Tokai, Chugoku, and Kyushu areas. As of the end of March 2021, it had 681,000 contracts, and in direct sales, it ranked third after Iwatani Corporation <8088> and Nippon Gas <8174>. In terms of market share, it is the leader in Shizuoka, its home territory, with around 20%, while it has a share of just under 10% in the highly competitive Kanto region, putting it in second place. As there are approximately 20 million households nationwide that use LP gas, its nationwide market share is still at the level of around 3%, and going forward there remains room for it to grow its share, including by expanding sales areas and conducting M&A. There are many LP gas companies in Japan, approximately 17,000 companies, including medium, small, and micro companies. Going forward, consolidation will likely progress through major capital players in this industry.

In the city gas business, TOKAI GAS CORPORATION supplies city gas in Yaizu City, Fujieda City, and Shimada City in Shizuoka Prefecture. In addition, it acquired the city gas businesses operated by the respective local governments of Shimonita Town, Gunma Prefecture, in April 2019, and of Nikaho City, Akita Prefecture, in April 2020, and it has started supplying city gas in these areas. The number of contracts was 63,000 at the end of March 2021. There are approximately 193 operators (173 private, 20 public) nationwide in the city gas market, but with the exception of the four largest companies, most are small- to medium-sized operators with limited service areas. Following the liberalization of the retail city gas market in April 2017, the Company has been implementing a strategy of increasing customer numbers by bringing operators in various regions into the Group through M&A.

Business overview

## 2. Information and communications business

The information and communications services business, which is conducted by TOKAI Communications Corporation, is comprised of the consumer ISP (Internet service provider) business and mobile business (sales of mobile phones), and a business to provide communication lines, data center services, cloud system development and consigned systems development for corporations. Looking at the percentages of total net sales for FY3/21 results, the percentage of corporate business is trending upward, with a 51.8% contribution from consumer business and 48.2% from corporate business (corporate business contributed 35% in FY3/17.)

The ISP business provides the “@ T COM” service for the nationwide service area and the TOKAI Network Club (TNC) service for the Shizuoka Prefecture service area, and it has the leading share within Shizuoka Prefecture of approximately 20%. In addition, from February 2015 it launched the Hikari Collaboration service (@TCOM Hikari and TNC Hikari services), in which it receives wholesale provision of optical lines from NTT <9432> and provides its own optical (hikari) Internet connection service. As of the end of March 2021, the Company had 395,000 customers using its existing ISP service and 337,000 customers using its Hikari Collaboration service and customers are shifting toward Hikari Collaboration in the past few years. Also, in 2017 it also started sales of LIBMO, which is an inexpensive SIM / smartphone that uses MVNO\*, and at the end of FY3/21, it had 53,000 customers.

\* MVNO (Mobile Virtual Network Operator): Operators who provide services by borrowing other companies' wireless communication infrastructure, such as for mobile phones.

The mobile business operates 14 mobile phone stores, mainly within Shizuoka Prefecture, as a sales agency of Softbank Corp. <9434>, and as of the end of March 2021, it had 206,000 customers. It also operates 7 iCracked Store stores, which provide iPhone repair services, in Shizuoka Prefecture.

## 3. CATV business

In the CATV business, the Company has gradually expanded the service area through its M&A strategy. It provides services in Tokyo and six prefectures: Shizuoka, Kanagawa, Chiba, Nagano, Okayama and Miyagi. Currently, the CATV business is undertaken by nine Group companies. As of the end of March 2021, the number of customers stood at 875,000 for broadcasting services and 322,000 for communications services, bringing the total to 1,198,000 customers. In the CATV industry, the J:COM (Jupiter Telecommunications Co., Ltd.) Group holds a market share of just over 50% based on the number of subscribing households. The second-largest CATV company and smaller players have market shares in the single digits and are locked in a tight race for market share. The Company has around 3% of shares, and its strategy is to continue increasing its market share through proactive M&As going forward.

## 4. Construction equipment and real estate business

In the construction equipment and real estate business, TOKAI conducts operations including the design and construction of detached housing, apartment complexes, stores, office buildings, and other buildings. It also provides construction management services, sells housing equipment, and develops and sells real estate, while TOKAI and TOKAI Gas carry out a renovation business. The Company is progressing M&A and it made consolidated subsidiaries of Nissan Tri-Star Construction, Inc., which is a comprehensive construction company based in Gifu Prefecture, in September 2019; Chuo Denki Koji Co., Ltd., which conducts electrical equipment construction projects in Aichi Prefecture, in August 2020; and Inoue Technica Co., Ltd., which conducts a building maintenance business in Shizuoka Prefecture, in November 2020.

## Business overview

## 5. Aqua business

In the Aqua business (bottled water home delivery business), TOKAI launched the Delicious Water Home Delivery returnable (using returnable bottles) service in 2007 in Shizuoka Prefecture, and since 2011, it has been providing its water product Ulunom as a one-way (using disposable bottles) service in areas other than Shizuoka Prefecture. It has two bottle manufacturing plants within Shizuoka Prefecture for Mt. Fuji natural water, and at the end of March 2021, it had 162,000 customers. At the end of 2020, the number of customers in the industry as a whole was 4.43 million, so the Company's share is around the 4% level (approximately 50% share in Shizuoka Prefecture).

## 6. Other businesses

Other businesses include a nursing care business operated by TOKAI LIFE PLUS CORPORATION, a wedding ceremony business by TOKAI City Service Corporation, and a shipbuilding and repairs business by Tokaizosen-unyu Corporation. The Company launched the nursing care business in 2011, and as of March 2021, it operated six day-service facilities, a short-stay facility, and a paid-for nursing home in Shizuoka Prefecture. In addition, it has opened two care plan centers. For its wedding ceremony business, it operates one facility in Shizuoka Prefecture.

# Result trends

**Despite being impacted by COVID-19, in FY3/21 sales increased for the fourth consecutive period and profits were record highs for the third consecutive period**

## 1. Review of FY3/21 results

In the FY3/21 consolidated results, net sales increased 0.4% YoY to ¥196,726mn, operating profit rose 7.0% to ¥15,226mn, recurring profit grew 5.8% to ¥15,312mn, and net income attributable to owners of the parent increased 7.0% to ¥8,815mn, for the fourth consecutive period of higher sales and the third consecutive period of record high profits. Compared to the Company's forecasts, net sales were slightly less than forecast as some businesses were impacted by COVID-19, but all of the profit items were higher than forecast, including from the effects of keeping down costs.

### FY3/21 consolidated results

	FY3/20		Forecast	FY3/21		YoY change	Vs. forecast
	Results	% of sales		Results	% of sales		
Net sales	195,952	-	205,300	196,726	-	0.4%	-4.2%
Cost of sales	116,662	59.5%	-	113,856	57.9%	-2.4%	-
SG&A expenses	65,065	33.2%	-	67,643	34.4%	4.0%	-
Operating profit	14,224	7.3%	15,000	15,226	7.7%	7.0%	1.5%
Recurring profit	14,479	7.4%	14,870	15,312	7.8%	5.8%	3.0%
Net income attributable to owners of the parent	8,241	4.2%	8,460	8,815	4.5%	7.0%	4.2%

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



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Result trends

The factors behind the higher sales include the increase in monthly billing revenue alongside the rise in the number of continuous-transaction customers, the continued strong sales in the corporate information and communications services business, and the effects of M&A in the construction equipment and real estate business. The number of continuous-transaction customers increased by 95,000 on the end of the previous fiscal period to 3,099,000 customers. By business, the increases were particularly noticeable in the CATV business (up 44,000 customers), the LP gas business (up 30,000), and Hikari Collaboration (up 13,000). The number of TLC members increased by 83,000 to 979,000 customers, while the cross-selling rate\* also rose steadily, up from 18.8% at the end of the previous period to 20.0%.

\* Cross-selling rate = (total number of service contracts ÷ total number of customers) - 1.

**Number of customers by key service**

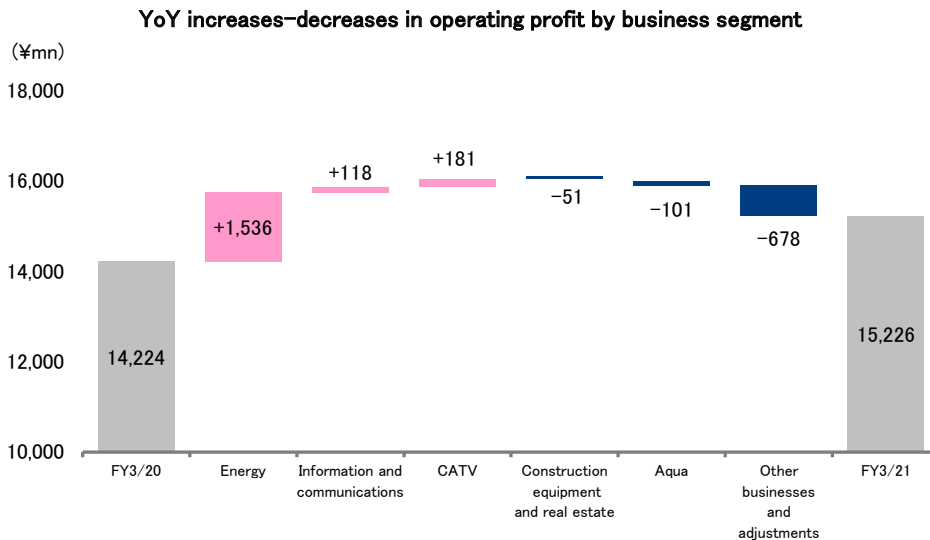
	(thousand)				
	FY3/18	FY3/19	FY3/20	FY3/21	YoY change
<b>Energy</b>	661	684	713	744	31
LP gas	606	628	652	681	30
City gas	55	56	61	63	2
<b>Information and communications</b>	817	787	761	785	24
Existing ISP and related services	465	419	389	395	6
Hikari Collaboration	323	327	324	337	13
LIBMO	29	41	48	53	5
<b>CATV</b>	1,032	1,063	1,154	1,198	44
Broadcast service	775	789	862	875	14
Communications service	257	274	292	322	30
<b>Aqua</b>	146	156	161	162	1
<b>Mobile</b>	227	217	212	206	-6
<b>Security</b>	17	17	16	16	0
<b>Total</b>	2,876	2,902	3,003	3,099	95
(no. of TLC members)	699	805	896	979	83

Note: numbers of less than 1,000 have been rounded-off. Duplicates from information and communications and communication services in CATV have been excluded from the total. From FY3/21, contracts from ISP added services, including existing ISP services, were added.

Source: Prepared by FISCO from results briefing materials

Looking at the increases and decreases in operating profit by business segment, it decreased ¥678mn in other businesses and adjustments, which includes the wedding ceremony business that has been strongly impacted by COVID-19. It also decreased in the Aqua business and the construction equipment and real estate business, but these decreases were covered by the increases in the energy business, the information and communications business, and the CATV business. In particular, the energy business contributed greatly to the increase in operating profit.

## Result trends



Note: segment profit is before allocating indirect costs and other costs  
 Source: Prepared by FISCO from the Company's results briefing materials

## Profits increased significantly in the LP gas business due to the rise in the number of contracts and the effects of reducing purchase costs

### 2. Trends by business segment

#### Net sales by segment

	(¥mn)				
	FY3/18	FY3/19	FY3/20	FY3/21	YoY
Energy	76,073	77,977	78,154	77,380	-1.0%
Information and communications	50,894	51,234	51,753	50,735	-2.0%
CATV	28,386	30,511	31,385	33,745	7.5%
Construction equipment and real estate	19,807	20,090	22,383	23,177	3.5%
Aqua	6,200	7,004	7,416	7,622	2.8%
Other businesses	4,706	4,781	4,858	4,065	-16.3%
<b>Total</b>	<b>186,069</b>	<b>191,600</b>	<b>195,952</b>	<b>196,726</b>	<b>0.4%</b>

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

#### Operating profit by segment

	(¥mn)				
	FY3/18	FY3/19	FY3/20	FY3/21	YoY
Energy	7,364	6,815	7,452	8,988	20.6%
Information and communications	3,174	3,827	4,226	4,344	2.8%
CATV	3,554	4,953	5,024	5,205	3.6%
Construction equipment and real estate	1,330	1,615	2,116	2,065	-2.4%
Aqua	246	762	674	573	-15.0%
Other businesses and adjustments	-4,699	-4,916	-5,271	-5,949	-
<b>Total</b>	<b>10,971</b>	<b>13,057</b>	<b>14,224</b>	<b>15,226</b>	<b>7.0%</b>

Note: Values are prior to allocating indirect costs and other costs  
 Source: Prepared by FISCO from the Company's financial results

Result trends

**(1) Energy business**

In the energy business, net sales decreased 1.0% YoY to ¥77,380mn and operating profit (operating profit is prior to the allocation of indirect costs and other costs, which is a different calculation method than that used in the financial results. Same below) increased 20.6% to ¥8,988mn. Net sales decreased slightly due to the effect of the fall in sales unit prices. However, operating profit increased significantly because of the rise in the number of customers and the decline of purchase costs, and also due to the increase in the volume of energy consumed per household because of the fall of the average temperature (down 0.3 °C YoY) and the nesting phenomenon. Looking at the breakdown of factors causing profits to increase and decrease, the increase factors were ¥1.19bn due to the rise in the number of customers, ¥860mn due to the decline in purchase costs (includes ¥700mn of negative effects from the decline in residential sales unit prices), and ¥510mn from the increase in the volume of energy consumed per household (of which, ¥150mn due to the lower temperatures and ¥360mn from the effects of nesting). These increases covered for the decrease factors, of ¥550mn from an increase in customer-acquisition costs and ¥470mn from an increase in other costs.

In the LP gas business, net sales increased for the first time in two fiscal periods, rising 0.6% YoY to ¥65,638mn. The number of customers increased 30,000 on the end of the previous fiscal period to 681,000, which was the main reason for the higher sales. Due to the impact of COVID-19, negotiations for M&A and alliances were delayed and customer numbers did not reach the Company's initial forecast (703,000 customers). But even so, the net increase was higher than that in the previous period of 24,000 customers. Breaking this down, there was an increase of 19,000 customers in the existing areas (an increase of 8,000 in the previous period), including Kanto and Shizuoka Prefecture, and an increase of 11,000 customers in the new areas\* (an increase of 16,000).

\* In terms of new areas, the Company opened a total of 11 sales sites including Sendai, Iwaki and Toyokawa in 2015, Nishimikawa and Gifu in 2016, Tajimi and Okayama in 2017, Fukuoka in 2018, Tsu in 2019, and Kasugai and Yokkaichi in June 2020.

On the other hand, in the city gas business, net sales declined 9.1% YoY to ¥11,741mn. The main factors were that sales unit prices declined due to the system to adjust the prices of raw materials, and also the fall in equipment sales. The number of customers increased 2,000 on the end of the previous fiscal period to 63,000 customers, which was due to the rise in the number of contracts in the existing areas. Sales also declined in the city gas business, but it seems profits still increased by around ¥300mn due to the decrease in purchase costs.

**(2) Information and communications business**

In the information and communications business, net sales decreased 2.0% YoY to ¥50,735mn, but operating profit increased 2.8% to ¥4,344mn. Sales decreased for the first time in 11 periods due to the slump in the consumer business, but operating profit still increased for the third consecutive period because of the growth of earnings in the corporate business.

#### Result trends

In the consumer business, net sales decreased 8.0% YoY to ¥25,805mn. The number of customers increased 24,000 on the end of the previous fiscal period to 785,000, but sales still decreased because ARPU declined. Looking at the breakdown, the number of customers for existing ISP services and other services increased 6,000 on the end of the previous fiscal period to 395,000 customers and also rose 13,000 for the Hikari Collaboration to 337,000 customers. The Group conducted sales campaigns at major electronics retail stores and succeeded in capturing home working-related demand. For ISP services, including the Hikari Collaboration, the numbers of new contracts and contract cancellations are both improving, and looking overall, the sense is that results have bottomed-out and are improving. The number of customers for the LIBMO inexpensive smartphone service increased 5,000 to 53,000 customers. The Group is providing proposals that are optimized to meet customer needs, such as starting to offer new fee plans, and it has strengthened online promotions, which led to this increase. Operating profit decreased ¥510mn YoY. Looking at the decrease and increase factors, the increase factor was ¥110mn from LIBMO, but the decrease factors were ¥420mn from the decline in sales of ISP services and ¥200mn from the increase in customer-acquisition costs.

In the corporate business, net sales increased 5.5% YoY to ¥24,430mn. Companies are progressing measures for digital transformation (DX), and in this situation, the number of companies introducing cloud services increased, so results for systems construction for Amazon Web Services (AWS) and the number of contracts for Cloud connection lines trended strongly. Results for consigned systems development were also solid. As a result of the higher sales, operating profit increased ¥630mn YoY.

#### (3) CATV business

In the CATV business, net sales increased 7.5% YoY to ¥33,745mn and operating profit rose 3.6% to ¥5,205mn, for the eighth consecutive period of higher sales and the sixth consecutive period of higher profits. At the end of the period, the number of customers had increased by 14,000 on the end of the previous fiscal period to 875,000 customers for broadcast services, and by 30,000 to 322,000 customers for communications services. An increase factor was net sales of approximately ¥1bn from SENDAI CATV Co., Ltd., which was made a subsidiary at the end of the previous period (no effect on operating profit, based on after the amortization of goodwill), while it seems that on an existing-businesses basis, sales increased by around 4%.

The Group is focusing on community-based information dissemination and program production, while it is aiming to collaborate with major video distribution businesses to enhance content and to actively progress investment in optical conversion, including in 4K broadcasts, and these measures are leading to the increase in the number of contracts. It is considered that expanding the areas to which it provides high-speed communication services through converting to optical is leading to the increase in the number of communications contracts. Looking at the operating profit increase-decrease factors, it increased ¥370mn from the rise in the number of customers, which absorbed the decreases, including the increase in depreciation.

Result trends

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

In the construction equipment and real estate business, net sales increased 3.5% YoY to ¥23,177mn, but operating profit decreased 2.4% to ¥2,065mn. The effect of the M&As, including of Nissan Tri-Star Construction\*1, which was made a subsidiary in September 2019, and of Chuo Denki Construction\*2 and Inoue Technica\*3, which were made subsidiaries in 2020, were to increase net sales by ¥1.6bn and operating profit by more than ¥200mn. On an existing-businesses basis after excluding them, it appears that net sales decreased 4% and operating profit declined around 12%. The main factors behind the lower sales were that due to the impact of COVID-19, sales activities were restricted and construction projects and equipment sales declined, and also the completion of an air conditioning project for schools that contributed to sales in FY3/20.

\*1 Nissan Tri-Star Construction, Inc., is engaged in public works, general construction and other business in Gifu Prefecture, and has annual sales of around ¥2bn.

\*2 Chuo Denki Construction Co., Ltd. engages in the electrical construction business in Aichi Prefecture with just under 30 employees.

\*3 Inoue Technica Co., Ltd. provides building maintenance services in the eastern part of Shizuoka Prefecture, and has annual sales of approximately ¥500mn.

Through M&A, the Company is building a system able to comprehensively provide services, from civil engineering and construction work and internal projects, including for air conditioning, hygiene, and electrical, through to building maintenance. Going forward, its strategy is to increase the business scale in the Tokai region, while consolidating the Group's power.

**(5) Aqua business**

In the Aqua business, net sales increased 2.8% YoY to ¥7,622mn, but operating profit decreased 15.0% to ¥573mn. In the 1H of FY3/21, sales activities were restricted due to the impact of COVID-19, including at large-scale commercial facilities, and the business struggled. But there was a recovery in the 2H and at the end of the period, the number of customers had increased by 1,000 on the end of the previous fiscal period to 162,000 customers. Looking at the operating profit increase-decrease factors, the increase factors were ¥180mn from the rise in the volume of energy consumed per household due to nesting demand, and ¥10mn from the reduction in customer-acquisition costs, while the decrease factor was ¥290mn from the increase in other costs, mainly logistics costs.

**(6) Other businesses**

In other businesses, net sales decreased 16.3% YoY to ¥4,065mn. Breaking this down, in the nursing care business, sales increased 5.8% to ¥1,314mn due to Tender Co., Ltd, which operates a serviced senior residence (19 rooms), being made a subsidiary in the previous period, while in the shipbuilding business, sales rose 1.7% to ¥1,506mn because of the increase in the volume of ship repair projects. Conversely, in the wedding ceremony business, sales declined significantly, down 69.3% to ¥417mn, mainly because wedding ceremonies were postponed and the self-restraint on holding banquets and other events due to COVID-19. The segment's operating loss, including internal adjustments, grew to ¥5,949mn (a loss of ¥5,271mn in the previous period), mainly due to the decline in sales in the wedding ceremony business and also as in-company shared costs increased ¥200mn.

## Result trends

## Is strengthening the financial structure and going forward also, intends to actively invest in growth, including in M&A

### 3. Financial position

Looking at the financial position at the end of FY3/21, total assets were up ¥9,001mn on the end of the previous fiscal period to ¥178,974mn. The main change factors were that investment securities increased ¥3,860mn, mainly due to the acquisition of affiliates' shares, and the increase in the value of shares held, and also that property, plant and equipment rose ¥3,447mn and cash and deposits increased ¥948mn.

Total liabilities were down ¥1,071mn on the end of the previous fiscal period to ¥102,917mn. There were increases of notes and accounts payable of ¥2,192mn and current liabilities "other" of ¥2,407mn, including due to an increase in deposits for hedge transactions. Conversely, interest-bearing debt decreased ¥6,144mn. Total net assets rose ¥10,073mn on the end of the previous fiscal period to ¥76,056mn. Dividend payments decreased ¥3,678mn, but net income attributable to owners of the parent of ¥8,815mn was recorded, while there were increases of the deferred hedge gain-loss of ¥2,802mn, the valuation difference on other available-for-sale securities of ¥926mn, and remeasurements of defined benefit plans of ¥1,005mn.

The equity ratio, which shows financial stability, rose from 38.0% at the end of the previous period to 41.6%, while the degree of reliance on interest-bearing debt fell from 28.4% to 23.5%, and in such ways financial stability is improving each year. In cash flow conditions, cash flow from operating activities was ¥32,223mn, cash flow used in investing activities was ¥17,068mn, and free cash flow was ¥15,155mn, and the Company continues to stably generate free cash flow. It uses free cash basically for purposes such as supplementing dividend payments and repaying interest-bearing debt. During the COVID-19 pandemic, financial conditions are deteriorating at an increasing number of companies, so it is worth noting that even in this situation, the Company has built an earnings foundation capable of stably generating free cash flow. Going forward also, its policy is to use free cash flow to invest in growth, including in M&A, and for returns to shareholders.

#### Consolidated balance sheets

	(¥mn)				
	FY3/18	FY3/19	FY3/20	FY3/21	YoY
<b>Total assets</b>	165,993	167,606	169,972	178,974	9,001
(Cash and deposits)	3,143	4,164	4,629	5,577	948
<b>Total liabilities</b>	104,543	103,711	103,989	102,917	-1,071
(Interest-bearing debt)	50,980	50,604	48,272	42,128	-6,144
<b>Net assets</b>	61,450	63,894	65,982	76,056	10,073
<b>Equity ratio</b>	36.3%	37.4%	38.0%	41.6%	3.6pt
<b>Degree of reliance on interest-bearing debt</b>	30.7%	30.2%	28.4%	23.5%	-4.9pt

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

#### Cash flow conditions

	(¥mn)			
	FY3/18	FY3/19	FY3/20	FY3/21
<b>Cash flows from operating activities</b>	20,909	21,605	22,535	32,223
<b>Cash flows from investing activities</b>	-11,488	-12,443	-12,131	-17,068
<b>Free cash flow</b>	9,421	9,161	10,403	15,155
<b>Cash flow from financing activities</b>	-9,527	-8,147	-10,375	-14,064

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

## ■ Outlook

### In FY3/22, will incur upfront costs to grow the customer base and for workstyle reforms, so operating profit is forecast to be at the same level YoY

#### 1. Outlook for FY3/22 consolidated performance

For the FY3/22 consolidated results, the Company is forecasting that net sales will increase 5.2% YoY to ¥207,000mn, operating profit will rise 0.1% to ¥15,240mn, recurring profit will grow 0.1% to ¥15,320mn, and net income attributable to owners of the parent will increase 0.2% to ¥8,830mn. Sales will increase due to the rise in the number of continuous-transaction customers and the growth of ordered projects. But the outlook is that profits will be at the same level as in FY3/21, mainly because the Company's policy is to actively invest in growth, such as in costs to strengthen acquisitions of LP gas customers and to establish an environment for workstyle reforms (approximately ¥500mn), and also because depreciation will increase ¥500mn alongside the growth of capital investment.

#### Outlook for FY3/22

	FY3/21		FY3/22		YoY
	Results	% of sales	Forecast	% of sales	
Net sales	196,726	-	207,000	-	5.2%
Operating profit	15,226	7.7%	15,240	7.4%	0.1%
Recurring profit	15,312	7.8%	15,320	7.4%	0.1%
Net income attributable to owners of the parent	8,815	4.5%	8,830	4.3%	0.2%
Net income per share (¥)	67.32		67.42		0.1%
Number of continuous-transaction customers (thousands)	3,099		3,195		3.1%

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

The number of continuous-transaction customers is forecast to rise by 97,000 on the end of the previous fiscal period to 3,195,000 customers. The main increases are expected to be 57,000 customers in the LP gas business, 25,000 customers in the CATV business, 9,000 customers in the Aqua business, and 8,000 customers in the LIBMO business. The change to the standard for recognizing earnings in FY3/22 will be a factor negatively affecting net sales by more than ¥3bn, so actually, the sales-increase rate will be approximately 7% (it will have no effect on operating profit). When the Company provides its own services, there are cases when it sells them as a set with the services of other companies, and the fees for these other-company services are deducted from net sales. Looking at the monetary effects of this by business segment, it will be a sales-decrease factor of ¥2bn in the CATV business and ¥1.5bn in the energy business. Also, in the information and communications business, it will cause sales to decrease by ¥250mn in the consumer business, but sales to increase by ¥650mn in the corporate business.

#### (1) Energy business

The forecasts for the energy business are for sales to increase but profits to decrease, with net sales to rise 4.0% YoY and operating profit to fall 5.6%. On a monetary basis, net sales will increase ¥3.1bn and operating profit will decrease ¥500mn. But as the reduction to net sales from the change of standard will be ¥1.5bn, in actuality sales are forecast to increase 6%. It is anticipated that sales unit prices will be unchanged YoY and the annual average temperate will fall 0.1 °C, so the rise in the number of customers will be a sales-increase factor.

#### Outlook

The number of customers in the LP gas business will increase by 57,000 on the end of the previous fiscal period to 738,000 customers and will be unchanged in the city gas business at 63,000 customers. The net increase in the number of LP gas customers was 30,000 in FY3/21, so the forecast is for the increase to accelerate on an acquisitions basis. Breaking this down, new acquisitions will be 43,000 customers, contract cancellations will be 23,000 customers, and M&A and alliances will be 368,000 customers. Compared to the FY3/21 results (new acquisitions 32,500 customers, contract cancellations 25,000 customers, M&A and alliances 22,300 customers), the targets are to increase customers by 10,500 from new acquisitions and by 14,500 from M&A and alliances. For M&A and alliances, the Company is consolidating the various negotiations it is conducting, including for projects that were delayed in FY3/21 due to the impact of COVID-19. For new acquisitions, in addition to acquisitions in the existing areas, in FY3/22 it plans to newly open two bases in the West Japan area, so its policy is to increase acquisitions in the new areas as well.

Thereasons why operating profit will decrease ¥500mn include the increase in costs for new acquisitions. The costs to increase the number of newly acquired customers will be a costs-increase factor of approximately ¥700mn. Due to the soaring market prices after the new year, the purchase price of propane is expected to rise, but the Company has already completed all reservation hedges for residential use up to FY3/21, and in fact in FY3/22 also, the improvement to the margin is expected to be a profit-increase factor of around ¥1bn. If sales prices rise above their level in FY3/21, the margin will improve even more, but the Company's policy is to invest in costs to acquire customers and to prevent contract cancellations. Whatever the case, at FISCO we think that the profit forecasts are conservative. Conversely, in the city gas business, in the 4Q of FY3/21 the number of contracting customers increased by around 2,000 customers, and the forecasts are for strong results in FY3/22 as well.

#### (2) Information and communications business

In the information and communications business, the outlook is for net sales to increase 3.2% YoY and operating profit to be at the same level YoY. On a monetary basis, net sales will increase ¥1.6bn, but because the change to the standard for recognizing earnings will be an increase factor of ¥400mn, in actuality, the forecast is for sales to increase by around 2%.

In the consumer business, the number of customers for ISP services (including the Hikari Collaboration) is expected to be at around the same level as at the end of the previous fiscal period, while for LIBMO, customer numbers are forecast to increase by 8,000 to 61,000 customers. For LIBMO, competition is set to intensify with the inexpensive smartphones of the major carriers, so the Company is aiming to increase customer numbers by measures including reviewing the fee plan and strengthening online promotions. As the number of customers for ISP services will be at the same level YoY, net sales will increase slightly, but operating profit is forecast to decline due to the increases in customer-acquisition costs and other costs. Conversely, in the corporate business, progress will continue to be made in accumulating recurring-income revenue, such as from cloud services, while results for consigned developments will also be strong, so the outlook is for sales and profits to increase by a single digit.

At the end of April 2021, the Company acquired all of the shares and made a subsidiary of QUERY Co., Ltd., which conducts the consigned development of IT systems and smartphone apps, and a systems-development business, including website production and management. Leveraging the synergies from QUERY's technological capabilities and TOKAI Communications' strength in integration for the Cloud and network areas will strengthen systems and expand the service-provision areas in the corporate information and communications business.



## Outlook

**(3) CATV business**

The outlook for the CATV business is for sales to decrease but profits to increase, with net sales to decline 3.5% YoY, but operating profit to rise 7.7%. On a monetary basis, net sales will decrease ¥1.2bn and operating profit will increase ¥400mn. For net sales, the change to the standard for recognizing earnings will be a decrease factor of ¥2bn, so in actuality, sales are forecast to increase by around 2%.

The number of customers is forecast to increase by 25,000 on the end of the previous fiscal period to 1,223,000 customers. Of these, they are forecast to increase by 8,000 to 883,000 customers for broadcast services and by 18,000 to 340,000 customers in communications services. The outlook is that alongside the rise in the optical conversion rate, the number of customers contracting to both broadcast services and to communications services will trend upward, so profitability will improve from the rise in the sales unit price per customer. The capital investment amount will increase from ¥5.7bn in FY3/21 to ¥6.6bn, including to invest in optical conversion and on area-strengthening projects. But this will be the peak of annual investment and it is expected to trend at the same level YoY from FY3/23 onwards, if there are no M&A projects.

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

The outlook for the construction equipment and real estate business is for sales and profits to increase by double digits, with net sales rising 25.2% YoY and operating profit growing 14.5%. On a monetary basis, net sales will increase ¥5.9bn and operating profit will grow ¥300mn. In addition to the increase as a reaction to the decline in FY3/21 due to COVID-19, the main factors will be the full fiscal year contributions of the two companies that were made subsidiaries in FY3/21 (Chuo Denki Construction and Inoue Technica), and the addition of the results of Marco Polo Inc., which was made a subsidiary in April 2021. Marco Polo Inc. is advancing large-scale repair construction projects for apartment buildings and government facilities in Aichi Prefecture, and going forward, it will absorb into TOKAI the sales and technological expertise for the large-scale repair work business, whose market is expected to grow in the future, and progress business growth in the Chukyo area. This company has 35 full time employees, but it has built a network of 105 partner companies and 250 engineers, and in FY4/20 recorded net sales of approximately ¥2.2bn. The net sales of TOKAI's facilities construction work business are around ¥3bn, and further growth is expected through Group synergies in the future.

**(5) Aqua businesses**

The outlook for the Aqua business is for net sales to increase 4.3% YoY and operating profit to be basically unchanged. The number of customers is forecast to increase by 9,000 on the end of the previous fiscal period to 171,000 customers. The assumption is that average sales per customer will decline slightly, including as a reaction to the nesting demand in FY3/21. It seems that operating profit will remain unchanged YoY due to the increase in customer-acquisition costs, mainly for promotions activities at commercial facilities and other locations.

**(6) Other businesses**

In other businesses, the outlook is that net sales will increase 14.6% YoY or by ¥600mn on a monetary basis. The negative impact of COVID-19 will come to an end, so results will trend strongly in the nursing care business, while they are also forecast to recover in the wedding ceremony business. Conversely, the operating loss, including internal adjustments, is forecast to grow by around ¥300mn. This is because, alongside the workstyle reforms, costs of around ¥400mn are expected to purchase information devices in response to the teleworking system and to review offices. As the percentage of employees attending offices is around the 50% level, the plan is to gradually contract the office floor space and finally to reduce it by around 40%.

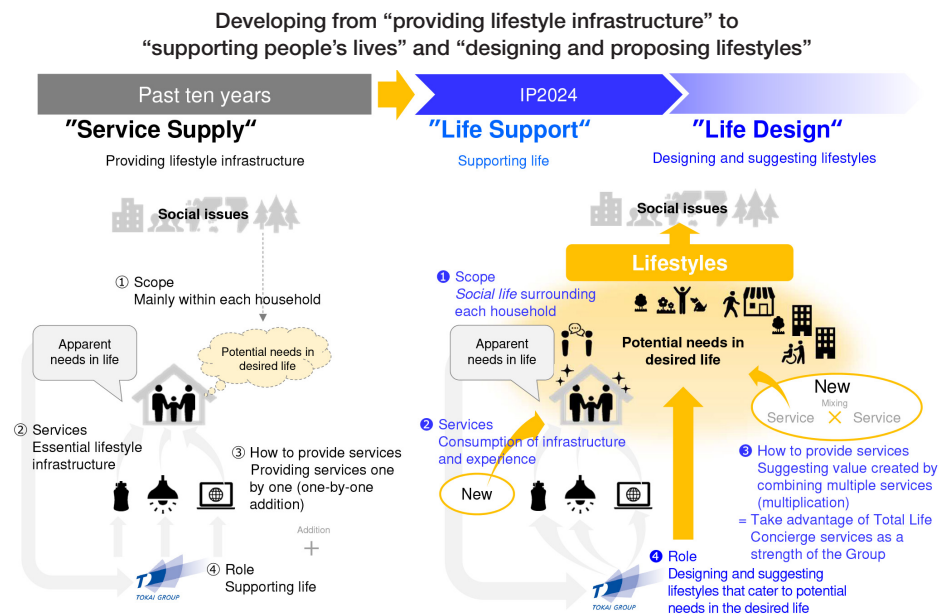
## From companies providing lifestyle infrastructure services to a corporate group that “support people’s lives” and “designs and proposes lifestyles”

### 2. The Medium-term management plan

#### (1) Basic concept for the next 10 years

The Company has announced “Innovation Plan 2024 ‘Design the Future Life’,” which is its four-year medium-term management plan starting from FY3/22. Spurred-on by COVID-19, the forms that lifestyles take are changing greatly and measures for SDGs and related are attracting attention across the whole of society. In this situation, the image that the Company is aiming to become in the future is a corporate group that responds with the direction required by the times and continues to grow “sustainably,” by creating lifestyles for people. Also, “Life Design Group,” which is the image of the Group for 10 years in the future, refers to its policy of “contributing to solving societal problems through designing and proposing the lifestyles that customers want to have,” and based on this approach, the Company is working to enhance its TLC (Total Life Concierge) management vision.

Previously, as companies that provided lifestyle infrastructure services, mainly for within the home, the Group continued to grow by providing and accumulating individual services, such as in the gas, communications, and broadcasting areas. However, for the future, it is widening its target markets from the previous “societal lifestyles relating to the home,” and the services it will provide will not only be lifestyle infrastructure services, but will widen to include areas such as services relating to the consumption of experiences. By combining these services, it is aiming to develop to become a corporate group providing comprehensive lifestyle services that “support people’s lives” to meet their potential needs for the ways that want to live and that “designs and proposes lifestyles.” It has positioned the four years of the recently announced medium-term management plan as the period to build the management foundation toward realizing its vision of becoming a “Life Design Group.”



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Outlook

**(2) Numerical management targets**

The medium-term management plan's numerical management targets for FY3/25 are net sales of ¥245bn, operating profit of ¥18.6bn, and net income attributable to owners of the parent of ¥11bn, and the plan is to achieve steady growth with a four-year annual average growth rate of around 5%. In terms of profits, profit growth will be low in the first two years of the medium-term management plan, its first half, as the Company will actively conduct upfront investment. But the outlook is that the effects of these investments will contribute to profits in the second half. Its policy is also to carry out management with an awareness of capital efficiency, and it is aiming to increase ROE from 12.7% in FY3/21 to 13% or above, and similarly to increase ROIC from 9.2% to 9.9% or above. As it will continue to conduct investment, the equity ratio is forecast to be around 40%, which is the same level as in FY3/21.

**The medium-term management plan's (IP24) numerical management targets (announced May 2021)**

	FY3/21 Results	FY3/22 Target	FY3/23 Target	FY3/24 Target	FY3/25 Target	Average annual growth rate
Net sales (¥bn)	196.7	207.0	221.0	232.0	245.0	5.6%
Operating profit (¥bn)	15.2	15.2	15.6	16.5	18.6	5.2%
Net income attributable to owners of the parent (¥bn)	8.8	8.8	9.0	9.5	11.0	5.7%
Cash flow from operating activities* (¥bn)	22.4	21.8	23.0	24.0	26.0	3.8%
No. of customers (10,000 customers)	310	320	332	344	356	3.5%
Dividend payout ratio	44.6%		40% to 50%			
ROE	12.7%		→		13% or above	
ROIC	9.2%		→		9.9% or above	
Equity ratio	41.6%		→		Around 40%	

\* Cash flow from operating activities = operating profit + depreciation – lease payments – tax payments  
 Source: Prepared by FISCO from results briefing materials

The number of continuous-transaction customers is forecast to increase from 3,099,000 in the previous period to 3,558,000 customers. The greatest increase will be in LP gas, up 199,000 customers, followed by ISP services including the Hikari Collaboration, up 73,000 customers; CATV communications services, up 64,000 customers; Aqua, up 52,000 customers; and LIBMO, up 41,000 customers. Customer numbers are forecast to decrease only in mobile, down 16,000 customers. The Company's policy is to increase the number of LP gas customers while also actively expanding the service areas and conducting M&A and other measures. For city gas and CATV as well, customer numbers may further increase if it decides to conduct M&A.

**No. of customers**

(unit: 10,000 customers)

	FY3/21	FY3/25	Change	Change %
LP gas	68.1	88.1	20.0	29.2%
City gas	6.3	7.3	1.0	15.9%
ISP, etc. (including Hikari Collaboration)	73.2	80.5	7.3	10.0%
LIBMO	5.3	9.4	4.1	77.4%
CATV (broadcast)	87.5	90.3	2.8	3.2%
CATV (communications)	32.2	38.6	6.4	19.9%
Aqua	16.2	21.4	5.2	32.1%
Mobile	20.6	19.0	-1.6	-7.8%
Security	1.6	1.8	0.2	12.5%
<b>Total</b>	<b>309.9</b>	<b>355.8</b>	<b>45.9</b>	<b>15.0%</b>

Source: Prepared by FISCO from an interview with the Company

## Outlook

**(3) Priority strategies**

The Company has set the following five points as its priority strategies in order to achieve the targets.

**a) Progress the LNG strategy**

The LNG strategy is from the first letters of Local (grow share in existing areas), National (expand new areas in Japan), and Global (develop the overseas business). It is aiming for growth by steadily expanding the business areas, and at the same time, increasing the number of customers from the viewpoint of “selection and concentration” that prioritizes profitability.

To expand new areas in Japan, the Company plans to develop the energy business in West Japan (establish 2 new bases for the LP gas business in FY3/22), while in the construction equipment and real estate business, it is aiming to expand the business to the Kanto and the Chukyo areas through the M&A strategy it has progressed in the last 1 or 2 years. For overseas business development as well, it will establish footholds for the energy business in Vietnam and elsewhere in South East Asia by investing in local companies, and for the information and communications business, it plans to develop the AWS introduction-support business, for which it has an abundant track record in Japan, in China and Indonesia.

**b) Evolve TLC**

As the first move toward designing and proposing lifestyles that customers want to have, the Company is aiming to utilize open innovation to enhance and create new services, while using digital marketing to analyze actualized needs and potential needs.

For digital marketing, by using D-sapiens, which is the foundation of the data analysis that began fully fledged operations in FY3/21, the Company can quickly discover customer needs and signs that customers are about to cancel a contract through the integrated management and analysis of data on 3 million customers nationwide. It then conducts marketing measures based on this, including to propose the optimal services and to prevent contract cancellations, which leads to the growth of the customer base.

Also, as the open innovation strategy, TOKAI Venture Capital & Incubation Corporation was established in April 2021, and through investing in start-up companies, it has started to search for and construct new businesses to acquire new technologies and ideas, and human resources. As its investment targets, it is considering areas including medical care and healthcare, education, agriculture, electrical vehicles, and senior services. It anticipates providing various services, including services that will promote health in the medical care and healthcare field, and sharing services that utilize idle land in urban areas in the agriculture field. It is considered possible to quickly develop new businesses by combining the ideas and technologies possessed by the start-up companies with the Company's expansive customer base and lifestyle infrastructure services and other services.

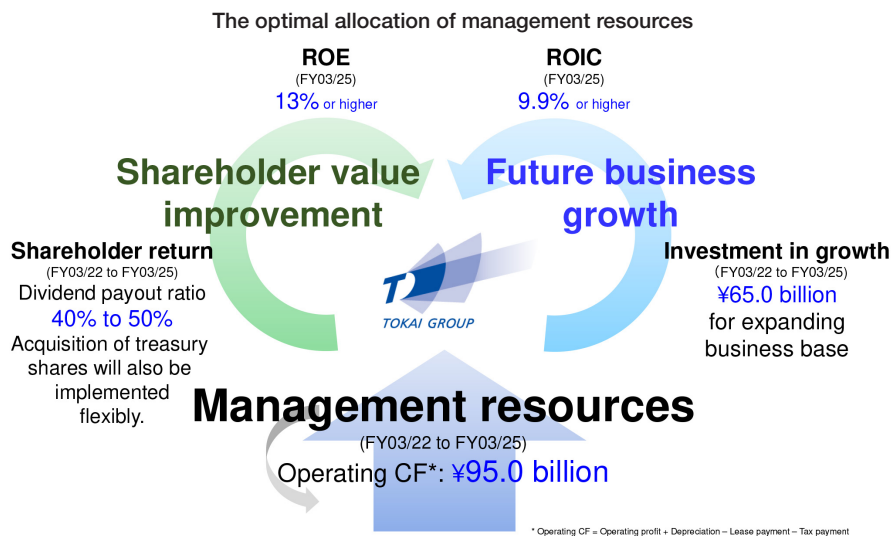
**c) Fully fledged DX strategy**

Through the DX strategy that utilizes ABCIR+S, the Company is horizontally and efficiently progressing measures for the future, including the LNG strategy and to evolve TLC. One part of this is improving productivity and work efficiency through digital workplaces, and it seems possible to accelerate the measures for these priority strategies by progressing the DX of management.

Outlook

**d) The optimal allocation of management resources**

In the next 4 years, the Company expects to generate cash flow from operating activities (a management resource) of ¥95bn in total. For the optimal allocation of these funds, it will invest ¥65bn in growth to expand the business infrastructure, aiming for ROIC of 9.9% or above in FY2024. For returns to shareholders, it will pay a dividend with a dividend payout ratio in the 40% to 50% range and also flexibly acquire treasury shares. Through the optimal allocation of management resources, it is aiming to both grow the businesses in the future and improve shareholder value.



Source: The Company's results briefing materials

**e) Strengthening initiatives for SDGs**

As its initiatives for SDGs, the Company intends to work on three priority policies of the Green strategy, workstyle reforms, and strengthening governance.

**1) The Green strategy**

In the Green strategy, the Company will work to procure and sell carbon-neutral gas with the aim of decarbonizing the gas it sells and achieving carbon neutrality by 2050. As the stage before this up to 2030, it is working on 2 measures to reduce CO<sub>2</sub>, of reducing CO<sub>2</sub> in business management and reducing CO<sub>2</sub> in homes that use gas.

For the part relating to business management, it is working to reduce CO<sub>2</sub> by utilizing ABCIR+S (sales on the optimal timing through automated meter readings and optimized delivery routes) and on measures to reduce the volume of CO<sub>2</sub> emitted at each business establishment, targeting reducing the CO<sub>2</sub> emitted by its own business activities by 13,000 tons by FY2030 (corresponds to 70% of the 18,000 tons emitted in FY2020). Also, to reduce CO<sub>2</sub> in homes using gas, it will reduce CO<sub>2</sub> emissions by 170,000 tons (corresponds to half of the 360,000 tons of CO<sub>2</sub> emitted by gas for homes) by FY2030, including through installations of highly efficient gas equipment and solar power generation equipment. From 2030, it is thought it will aim to achieve carbon neutrality by introducing innovative technologies.

## Outlook

**2) Workstyle reforms**

The Company is working on workstyle reforms to facilitate the activities of diverse human resources through flexible workstyles. In addition to the previously implemented flextime system, since April 2021 it has been aiming for 50% as the percentage of employees attending offices and to reduce the office floor space by 40%. For this, it has already fully established a teleworking system and will introduce remote working for all employees by FY2024 (excluding essential workers). To establish an environment in which employees can work comfortably and safely regardless of the time or place, it is lending them smartphones and PCs, while it has also started providing a working-from-home allowance.

In addition, with the aim of creating employment opportunities for women, people with disabilities and others, by 2030 it will increase by 10 times the number of women employed in management positions. It will also put in place an environment enabling both work and non-work aspects, such as nursing care and childcare, aiming to achieve a percentage of employees leaving the company due to nursing-care reasons of 0% by 2030.

**3) Strengthen governance**

As the measures to strengthen governance toward improving medium- to long-term enterprise value, the Company is reviewing the composition of directors and establishing various committees, including a nominating committee, a remuneration committee, an investment committee, and a group compliance risk management committee.

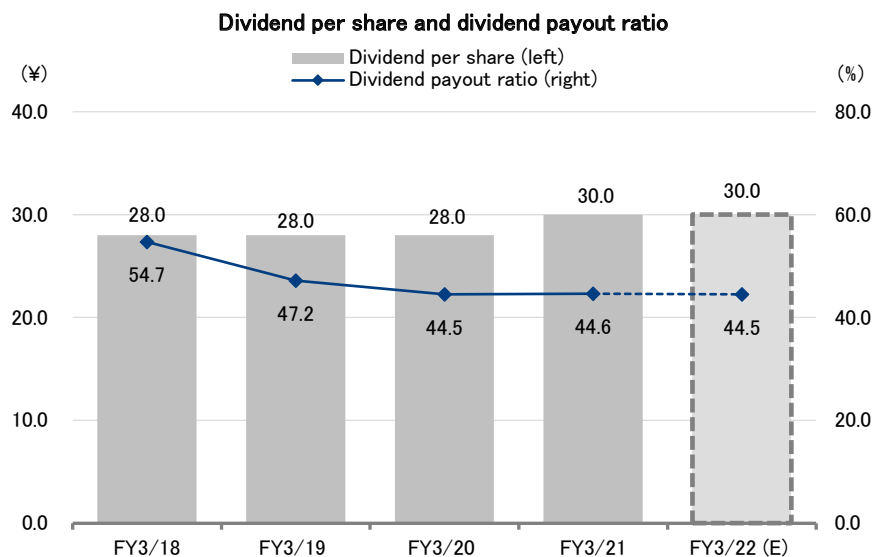
## Shareholder return policy

### Policy is to pay dividends targeting a dividend payout ratio of 40% to 50%, and also to flexibly acquire treasury shares

Since the past, the Company has actively returned profits to shareholders by paying dividends and presenting gifts, and also by acquiring treasury shares according to the circumstances. Its shareholder return policy is to continuously and stably return profits to shareholders at the same time as achieving business results, and recently it newly clarified that it will pay a dividend targeting a dividend payout ratio in the range of 40% to 50%. In FY3/22, it plans to pay a dividend per share unchanged YoY of ¥30.0 (dividend payout ratio of 44.5%).

The Company presents gifts to shareholders at the end of March and September depending on the number of shares held. For each unit of shares (100 shares) held, shareholders can receive one of the following gifts: an Aqua product worth ¥2,050 (such as the Ulunom “Fuji-no-Tennensui Sarari” (natural water from Mt. Fuji), etc.), a QUO card worth ¥500, meal coupons worth ¥1,000, TLC Membership Service points worth ¥1,000, or a ¥2,100 discount on LIBMO usage fees (¥350 a month x 6 months). When including the gifts to shareholders in an estimate of the total investment yield per share unit from the current share price level (closing price of ¥878 on May 27, 2021), it is in the range of 4.6% to 8.1% (depending on the selection of either a QUO card or an Aqua product as the gift).

## Shareholder return policy



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, as well as a 10% discount coupon for a standard wedding service at the Group's wedding halls, plus a discount of ¥100,000 (a maximum discount of ¥200,000) and a dining certificate with 20% discount coupon (a book of 12 certificates) for the Beau Ciel and Aoi restaurants.

Shares held	100-299 shares	300-4,999 shares	Over 5,000 shares
Aqua product	¥2,050 worth	¥4,100 worth	¥8,200 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
LIMBO monthly usage fee	¥2,100 worth	¥5,100 worth	¥11,280 worth

Source: Prepared by FISCO from the Company website



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