COMPANY RESEARCH AND ANALYSIS REPORT

TOKAI Holdings Corporation

3167

Tokyo Stock Exchange Prime Market

16-Jul.-2024

FISCO Ltd. Analyst

Yuzuru Sato

FISCO Ltd.

https://www.fisco.co.jp

Index

Summary

By expanding the earnings base will lead to record high results in FY3/25 for the first time in three terms

TOKAI Holdings Corporation <3167> (hereafter, also "the Company"), based in Shizuoka Prefecture, is a comprehensive lifestyle infrastructure company that is developing "energy and lifestyle-related business," primarily the provision of liquefied petroleum (LP) gas, and "information and communications business." Based on its strengths of "customer power" with roughly 3.36mn 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. FY3/24 results overview

In FY3/24 consolidated results, net sales increased 0.6% year on year (YoY) to ¥231,513mn, while operating profit increased 4.0% to ¥15,511mn. Regarding net sales, despite declining revenue in the energy business and the construction equipment and real estate business, expansion in the information and communications and CATV businesses covered these decreases, resulting in increased net sales for the seventh consecutive term. On the profit front, the construction equipment and real estate business saw profit fall, but an increase in monthly charges accumulated in the energy business and an improved purchase margin led to the first profit increase in two terms. Compared to company forecasts (net sales of ¥240,000mn and operating profit of ¥15,000mn), the number of continuing customers fell slightly and per-customer residential gas consumption fell due to high temperatures, so net sales did not meet the target. However, the energy business beat the forecast primarily due to an improved purchase margin, and operating profit finished above the forecast. The number of continuing customers at year-end increased by 59,000 to 3,358,000.

2. Outlook for FY3/25

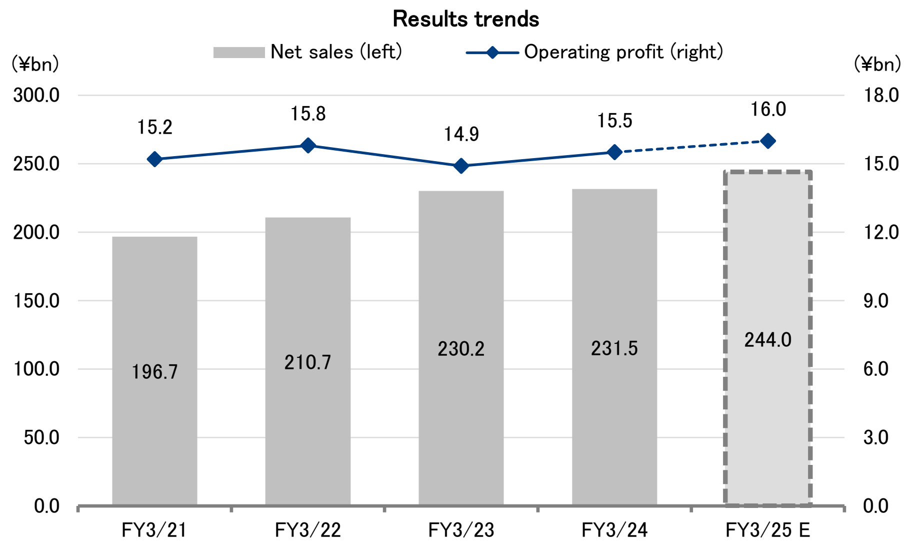
For its consolidated results in FY3/25, the Company is projecting net sales to rise 5.4% YoY to ¥244,000mn and operating profit to increase 3.2% to ¥16,000mn, for record-high profit for the first time in three terms. Along with increasing the number of continuing customers, the information and communications business for corporate customers is expected to continue to perform well, and even the construction equipment and real estate business, which underperformed the previous term, is expected to return to higher sales and profits by Group synergies. The number of continuing customers at the end of FY3/25 is projected to rise by 94,000 YoY to 3,452,000. Of these, 50,000 will be in the LP gas business. Due to a revised ministerial ordinance to rectify LP gas business practices that is scheduled to go into effect in July 2024, in the LP gas business, replacements for leased condominiums will be difficult, and competition is expected to intensify to acquire customers for newly built leased condominiums and detached housing, but this has the potential to weed out small and medium-sized operators, which FISCO believes will be an opportunity for the Company to increase its market share.

3. Progress on the medium-term management plan

In the Medium-Term Management Plan 2025, announced in May 2023, the Company 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. The numerical management targets for FY3/26, the last year of the plan, are net sales of ¥260.0bn, operating profit of ¥17.5bn (average annual growth rates of 4.1% for sales and 5.5% for profit), and continuing customers of 3.57mn. Net sales did not meet the target in FY3/24, the first year of the plan, but profit is above the target, so the plan has gotten off to a steady start. In FY3/25, to increase corporate value, in the energy business, the Company will expand area service, and in the information and communications business for corporate customers, the Company will focus on expanding its business area. It also plans to achieve its targets by cultivating “green transformation” (GX) related business and the overseas business. Regarding its policy on shareholder returns, it plans to pay a stable, ongoing dividend based on a payout ratio of around 40-50%. It also provides shareholder benefits. In FY3/25, the Company plans to pay a dividend per share of ¥34.0 (dividend payout ratio of 49.3%), which is an increase of ¥1.0 YoY. The total investment yield per share unit, including the gifts to shareholders, is 5-8% (converted based on closing price on May 31, 2024).

Key Points

- In FY3/24, first profit increase in two terms thanks to improved purchase margin in the energy business
- For FY3/25, expected record-high results for the first time in three terms
- Engaged in the expanding the customer base and aiming for net sales of ¥260.0bn and operating profit of ¥17.5bn in FY3/26
- Policy is to pay dividends targeting a dividend payout ratio of 40% to 50%, combined with perks and gifts to shareholders for an annual investment yield level of 5% to 8%



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

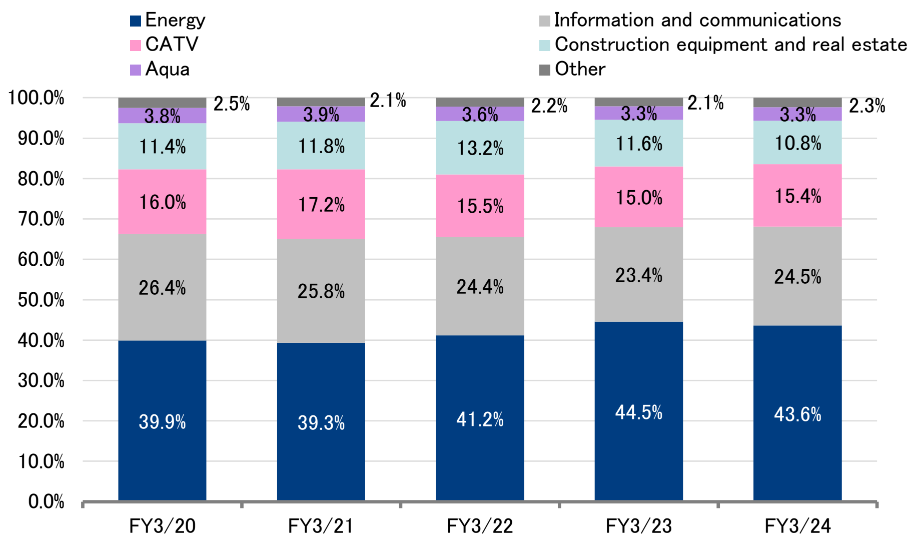
Business overview

Along with lifestyle and infrastructure services, including LP gas, information and communications, and CATV, also developing information and communication services for corporations and the construction equipment and real estate business

Based in Shizuoka Prefecture, the Company is expanding its two main businesses, "energy and lifestyle-related business," primarily the provision of liquefied petroleum (LP) gas, and "information and communications business." It provides a range of services for everyday life under a one stop 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 aims to grow into Japan's leading company for comprehensive lifestyle services.

Currently, the Company disclosures 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 FY3/24 results, the Company's original business, the energy business accounted for 43.6% of sales, the information and communications business for 24.5%, and the CATV business for 15.4%. These three mainstay businesses accounted for over 80% of net sales, and there have not been significant changes in trends over the past five years.

Ratio of net sales by business segment



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

1. Energy business

In this business, about 83% of net sales are provided by the LP gas business and about 17% by the city gas business. The mainstay LP gas business is developed by TOKAI Corporation, primarily for homes and businesses and wholesales some of its products. The service areas are mainly in the Shizuoka Prefecture and Kanto regions, but since 2015 it has also gradually expanded into new areas including the south Tohoku, Chubu/Tokai, Chugoku, and Kyushu areas, promoting expansion of its customer base. As of the end of March 2024, it had 778,000 contracts, trending toward increases in both existing and new areas. New areas are raising their composition ratio from approximately 4% in FY3/19 to approximately 13%. In industry position, it ranked third after Iwatani Corporation and Nippon Gas. 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 21 million households nationwide that use LP gas, its nationwide market share is still at the level of just over 3%, and going forward there remains room for it to grow its share, including by expanding sales areas and conducting M&A. As the LP gas distribution industry is dominated by MSMEs, which are increasingly being consolidated by large-cap companies* due to the hard business environment, we at FISCO believe the Company also has a lot of room to expand its market share.

* LP gas providers decreased by around 21,000 in 2012 to around 15,000 in 2023.

For the city gas business, TOKAI GAS CORPORATION sells city gas in Yaizu City, Fujieda City, and Shimada City in Shizuoka Prefecture, and with the liberalization of retail gas sales in April 2017, the Company has been expanding its sales area, taking over the city gas businesses previously run by municipalities. Specifically, it has taken over the city gas businesses in Shimonita Town, Gunma Prefecture (April 2019) and Nikaho City in Akita Prefecture (April 2020). The number of customers was 75,000 as of the end of March 2024. There are 190 city gas providers (172 private and 18 public) in Japan, and excluding the four major companies, all are small and medium-sized companies, and the Company intends to continue to consider M&A deals as they arise.

2. Information and communications business

The information and communications business, which is conducted by TOKAI Communications Corporation, is comprised of the consumer ISP (Internet service provider) business and mobile business (sales agents of mobile phones), and a business to provide communication lines, data center services, cloud services and consigned systems development for corporations. Looking at the percentages of total net sales for FY3/24 results, the percentage of corporate business is trending upward, with an approximately 43% contribution from consumer business and approximately 57% from corporate business. The majority of operating profit also comes from corporate customers.

The ISP business provides the “@T COM” brand for the nationwide service area and the TOKAI Network Club (TNC) brand 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 (@T COM 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 well as offering plans that include services from major mobile carriers. Also, in 2017 it also started sales of LIBMO, which is an inexpensive SIM / smartphone that uses MVNO*, and as of the end of March 2024, the Company had 393,000 customers that include those using its existing ISP service, 373,000 customers using its Hikari Collaboration service, and 80,000 customers using its LIBMO service. The number of customers is increasing, albeit slowly, due to the increase in Hikari Collaboration and other services.

* 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 2024, it had 170,000 customers, continuing the downward trend from the peak of 236,000 customers in FY3/16. It also operates seven 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. Recently, it made Okinawa Cable Network Inc. into a Group company in October 2022. It provides services in Tokyo and 7 prefectures: Shizuoka, Kanagawa, Chiba, Nagano, Okayama, Miyagi, and Okinawa (11 Group companies) as of the end of March 2024. The number of customers stood at 919,000 for broadcasting services and 394,000 for communications services, bringing the total to 1,313,000 customers, continuing a mild increasing trend. The number of contracts for CATV services in Japan has reached 27,120,000 in total (at the end of FY3/23, includes 7.77 million for channel services, 10.62 million for Internet services, and 8.73 million for telephone services). With Internet services leading the way, the number is gradually increasing. In the industry, the J:COM (JCOM 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. Therefore, the Company's strategy is to continue increasing its market share through M&A going forward.

4. Construction equipment and real estate business

In the construction equipment and real estate business, TOKAI designs and constructs detached houses, collective housing, stores, and office buildings, provides building management services, sells housing equipment and appliances, and develops, buys and sells real estate, while TOKAI and TOKAI GAS are engaged in the renovation business. The Company is also proactively promoting M&A. Starting with making Nissan Tri Star Construction, Inc., a general construction company located in Gifu Prefecture, a subsidiary in September 2019, the Company moved on to make additional moves, including making Chuo Denki Construction Co., Ltd., which is engaged in the electrical equipment construction business in Aichi Prefecture, a subsidiary in August 2020, making Inoue Technica Co., Ltd., which operates a building maintenance business in Shizuoka Prefecture, a subsidiary in November 2020, and making Marco Polo Inc., which engages in the large-scale repair and renovation business for buildings in the Tokai area, a subsidiary in April 2021, and making Wood Recycle Co., Ltd., which is engaged in industrial waste treatment and woodchip manufacturing business in Gifu Prefecture, a subsidiary in May 2022. By mobilizing these Group companies' resources, the Company's strategy is to expand its business scale further as a general construction company in the Tokai area moving ahead.

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 brand name water product Ulunom as a one-way (using disposable bottles) service in areas other than Shizuoka Prefecture. And, as a new initiative, the Company began sales of Shizuclear*, a water server that filters tap water with an internal filter, in April 2023. As of the end of FY3/24, it has 167,000 customers. The number of customers in the industry as a whole was 5.24mn in FY2023. The Company's share is around 3% (approximately 50% share in Shizuoka Prefecture).

* The water server rental fee is ¥2,640/month or ¥3,300/month (tax included) and filters are replaced free of charge around every half year.

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 2024, 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. In the wedding ceremony business, the Company operates GRANDAIR Bouquet TOKAI in the Aoi Tower in front of JR Shizuoka Station.

Result trends

In FY3/24, first profit increase in two terms thanks to improved purchase margin in the energy business

1. FY3/24 results overview

In the FY3/24 consolidated results, net sales increased 0.6% YoY to ¥231,513mn, operating profit increased 4.0% to ¥15,511mn, recurring profit increased 16.9% to ¥15,531mn, net income attributable to owners of the parent rose 31.2% to ¥8,481mn. Net sales fell in the energy business and construction equipment and real estate business, but this was offset by increases in the information and communications business and CATV business, resulting in seven consecutive terms of increased sales and a new record high. At the same time, on the profit front, profit declined in the construction equipment and real estate business, and there were increased personnel expenses from higher wages and increased DX-related investment, but this was covered by increases in the energy business, information and communications business, and Aqua business, so profit increased for the first time in two terms at all profit levels. In FY3/23, ¥1,977mn in share of loss of entities accounted for using the equity method was recorded due to impairment processing of goodwill related to an equity-method affiliate in Vietnam, but in FY3/24 this loss contracted significantly to ¥294mn, so recurring profit and net income attributable to owners of the parent increased by double-digits.

In addition, compared to the Company's forecasts, net sales was short by 3.5% due to decreases in the energy business and construction equipment and real estate business, but operating profit came in 3.4% above forecasts. Although the construction equipment and real estate business was short of the forecast and there were increased corporate expenses, including DX-related investment, this was more than offset by the energy business beating its forecast primarily due to an improved purchase margin.

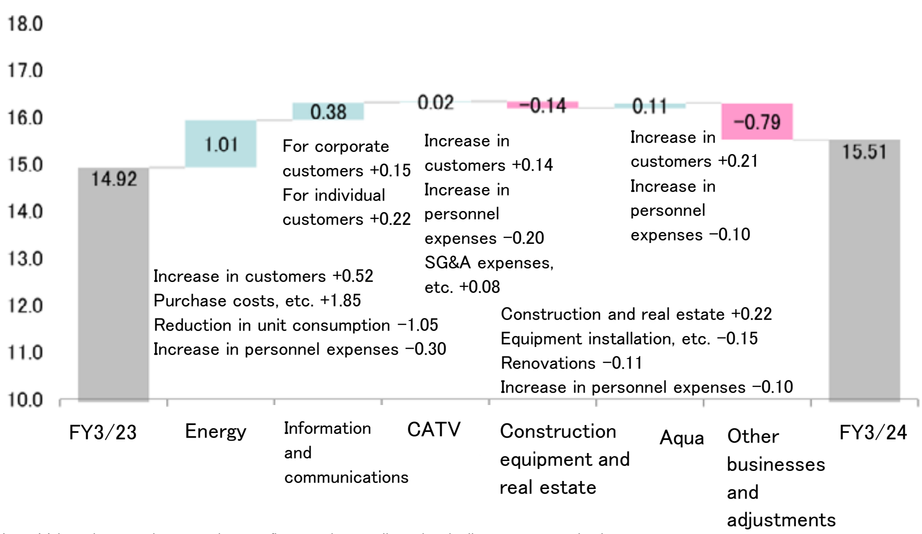
FY3/24 consolidated results

(¥mn)

	FY3/23		FY3/24				
	Results	% of sales	Company forecasts	Results	% of sales	YoY	vs. forecast
Net sales	230,190	-	240,000	231,513	-	0.6%	-3.5%
Cost of sales	144,129	62.6%	-	141,561	61.1%	-1.8%	-
SG&A expenses	71,141	30.9%	-	74,440	32.2%	4.6%	-
Operating profit	14,919	6.5%	15,000	15,511	6.7%	4.0%	3.4%
(Equity-method investment profit and loss)	-1,977	-		-294	-	-	-
Recurring profit	13,289	5.8%	15,000	15,531	6.7%	16.9%	3.5%
(Extraordinary income/loss)	-1,408	-		-1,699	-	-	-
Net income attributable to owners of the parent	6,465	2.8%	8,500	8,481	3.7%	31.2%	-0.2%
Number of continuing customers (FY-end, thousand)	3,299		3,384	3,358		1.8%	-0.8%

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

Operating profit factor analysis



Note: Value changes in operating profit are prior to allocating indirect costs and other costs
Source: Prepared by FISCO from the Company's financial results briefing materials

The number of continuing customers at the end of FY3/24 increased by 59,000 YoY to 3,358,000. They increased 33,000 in the LP gas business and 26,000 in the CATV business, which were the main factors. Against initial forecasts, due in part to protracted M&A negotiations in the LP gas business, the total figure fell short of the forecast by 26,000 but the customer base is steadily expanding. In addition, the membership of TLC services, in which points are accumulated for use of services, steadily increased by 56,000 to 1,214,000. Increasing membership is expected to reduce cancelation rates and increase cross-selling ratios.

Number of customers by key service

(thousand)

	End- FY3/21	End- FY3/22	End- FY3/23	End- FY3/24	Change from previous FY-end
Energy	744	785	821	853	33
LP gas	681	715	746	778	33
City gas	63	70	75	75	0
Information and communications	785	816	841	846	5
Existing ISP and related services	395	415	407	393	-14
Hikari Collaboration	337	346	363	373	10
LIBMO	53	55	71	80	9
CATV	1,198	1,231	1,287	1,313	26
Broadcast service	875	887	914	919	5
Communications service	322	344	373	394	21
Aqua	162	165	165	167	2
Mobile	206	191	179	170	-9
Security	16	16	16	16	0
Total	3,099	3,194	3,299	3,358	59
(Number of TLC members)	979	1,086	1,158	1,214	56

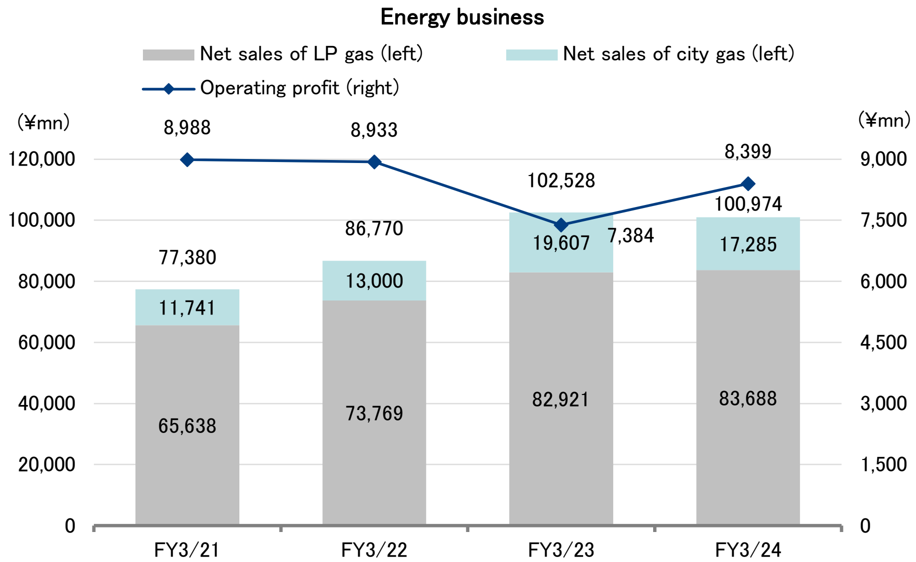
Notes: The number of customers under a thousand are rounded to the nearest thousand. Information and Communications and CATV both offer communications services, and so their numbers are excluded from total figures.
Information and communications services (existing ISP and related services, etc.) include contracts for PC remote support service from FY3/22 4Q.
Source: Prepared by FISCO from Company's financial results and results briefing materials

Energy business returns to double-digit profits thanks to an improved purchase margin

2. Trends by business segment

(1) Energy business

Net sales in the energy business declined 1.5% YoY to ¥100,974mn, and operating profit (operating profit before allocation of indirect costs, which is calculated differently than in the Company's financial results; the same applies below) rose 13.7% to ¥8,399mn. Looking at the factors behind the change in operating profit, the amount of consumption per customer decreased due to the impact of high temperatures (0.9°C increase YoY) and the increase in opportunities to go out of the house, which caused profit to decrease by ¥1.05bn, and an increase in personnel expenses (the impact of higher wages; the same applies below) decreased profit by ¥0.30bn. At the same time, an increase in monthly charges from accumulating customers increased profit by ¥0.52bn and improved margins from a decline in raw material purchase costs raised profit by ¥1.85bn.



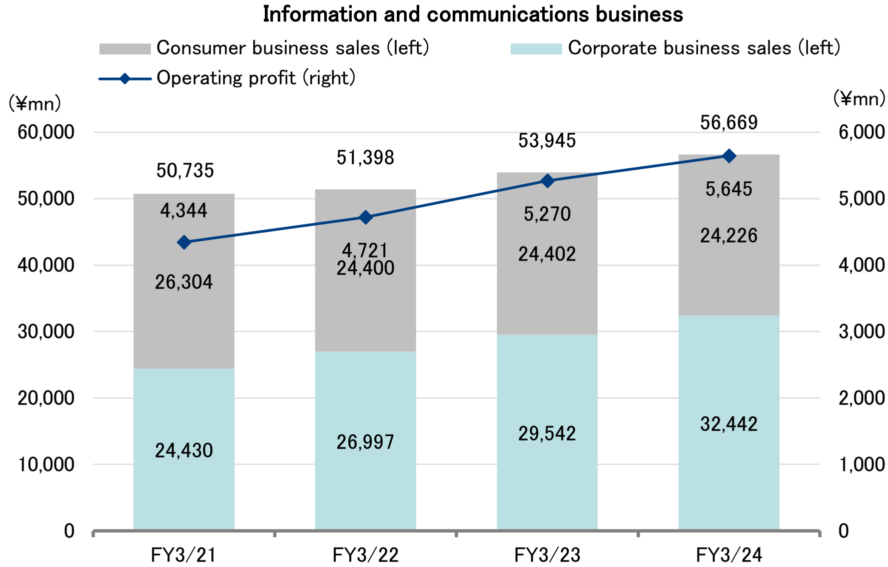
Note: profits are prior to allocating indirect costs and other costs
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Net sales in the LP gas business increased 0.9% YoY to ¥83,688mn. The number of customers at term-end increased by 33,000 to 778,000, and the average sales unit price of residential gas increased by 4%, which offset a decrease in the amount of sales per contracted household and the impact of a decline in the sales unit price for industrial use connected to purchase prices. Sales of residential gas decline by around 2%, but the LP gas business overall increased by around 4% thanks to orders for large bidding projects in industrial and wholesale gas. Looking at the breakdown of the 33,000 increase in the number of customers, new acquisitions, M&A and alliances added 55,000 customers while suspensions and cancellations totaled 23,000, so the trend was nearly that same as the previous year. By area, 14,000 were added in existing areas (Shizuoka Pref. and Kanto region) and 19,000 were added in new areas, so both steadily accumulated.

Net sales in the city gas business decreased 11.8% YoY to ¥17,285mn. The number of customers at term-end was 75,000, nearly the same as the previous year, but a lower sales price due to the raw material adjustment scheme linked to purchase costs was the main factor that caused revenue to decline. Last year, the sales price increased, which led to significant growth in sales. Therefore, the decrease appears to be in reaction to this.

(2) Information and communications business

In the information and communications business, net sales increased 5.0% YoY to ¥56,669mn, while operating profit increased 7.1% to ¥5,645mn. The segment's sales reached a record high and the results were generally in line with the Company's forecasts.



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

In the consumer business, net sales slightly decreased 0.7% YoY to ¥24,226, but operating profit increased 38.9% to ¥778mn. The number of customers at term-end increased overall by 5,000. Existing ISP services decreased 14,000 YoY to 393,000, but Hikari Collaboration service increased 10,000 to 373,000 and LIBMO increased 9,000 to 80,000.

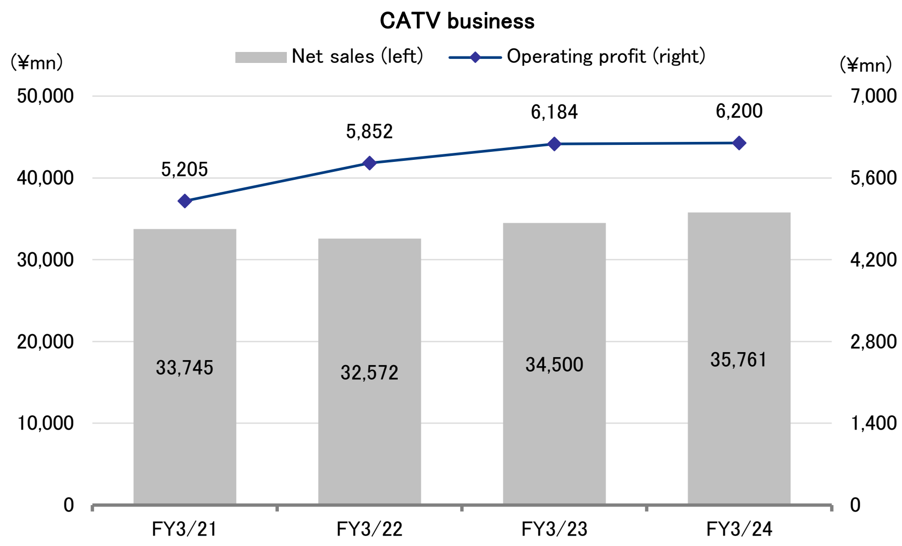
The factors behind the decrease in net sales included a decrease in customer numbers in existing ISP services. Along with this, the ARPU for the Hikari Collaboration service declined due to an increase in the new acquisition ratio through major mobile carriers, which caused revenue to decline. However, the Hikari Collaboration service had no impact on the gross margin and customer acquisition costs declined, so this is positive factor for profit. In operating profit, Broadband services including Hikari Collaboration and existing ISP services, etc. (existing ISP services, etc. + Hikari Collaboration service) increased profit by ¥0.08bn while LIBMO added ¥0.19bn to profit, which absorbed the increase in customer acquisition costs of ¥0.05bn, so overall operating profit increased by ¥0.22bn. Regarding LIBMO, service menu expansion and set plan installations with fixed lines steadily increased customer numbers, and profitability in FY3/25 is well within range.

Net sales from business for corporate customers rose 9.8% YoY to ¥32,442mn, maintaining its good performance, and operating profit increased 3.1% to ¥4,867mn, setting a consecutive record high. Communication line services and cloud services, which are recurring revenue businesses, expanded steadily, and the system consignment development division grew sales centering on support for AWS installation, where demand is booming. In October 2023, the Company became the 14th in Japan to acquire AWS Premier Tier Service Partner, the highest level in the AWS partner program. Going forward further expansion is expected. At the same time, operating profit increased ¥0.45bn on higher revenues, but personnel expenses increased ¥0.20bn and electricity charges, one of the costs of data center operations, increased by ¥0.10bn, causing the profit margin to decline somewhat.

(3) CATV business

Net sales in the CATV business increased by 3.7% to ¥35,761 and operating profit rose by 0.3% to ¥6,200mn, both reaching record highs and generally landing in line with the Company's plans. The effect of making Okinawa Cable Network Inc. a subsidiary in October 2022 was to be a factor in the increase of sales by ¥0.7bn, and decrease in operating profit of ¥0.1bn, and even when excluding these factors, sales and profits grew at just below 2%.

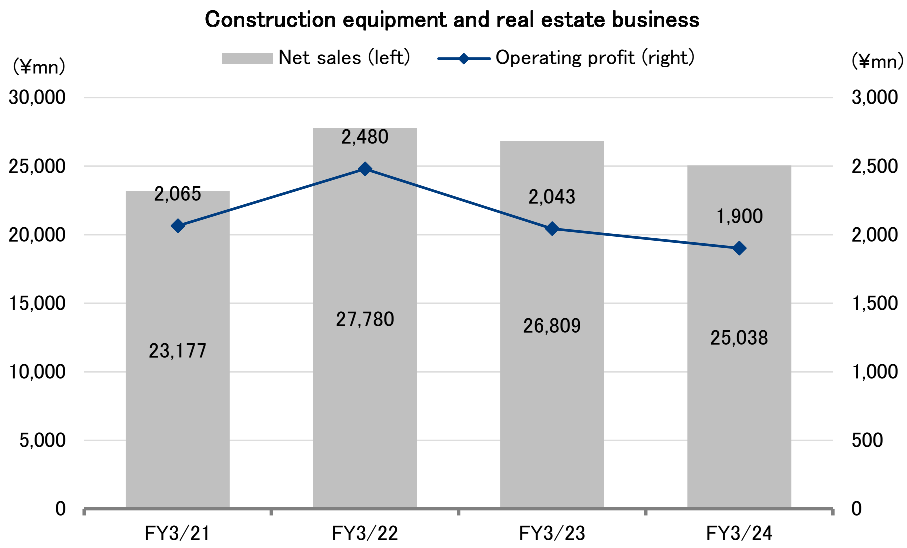
As a provider with close ties to the community, the Company focuses on local information provision and program production. It also worked to enhance content by coordinating with a major video streamers. Also, through investment in FTTH, the Company actively promoted sales activities for high-speed Internet services, which increased both sales and profit. The number of customers at term-end increased by 5,000 to 919,000 in broadcast services and increased by 21,000 to 394,000 in communication services for a total increase of 26,000 to 1,313,000. There were increased cases of existing customers for broadcasting services entering new contracts for communication services. Looking at the factors behind the change in operating profit, profit increased by ¥0.14bn from an increase in customers and increased by ¥0.08bn from a decline in SG&A expenses, which absorbed a ¥0.20bn increase in personnel expenses.



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

(4) Construction equipment and real estate business

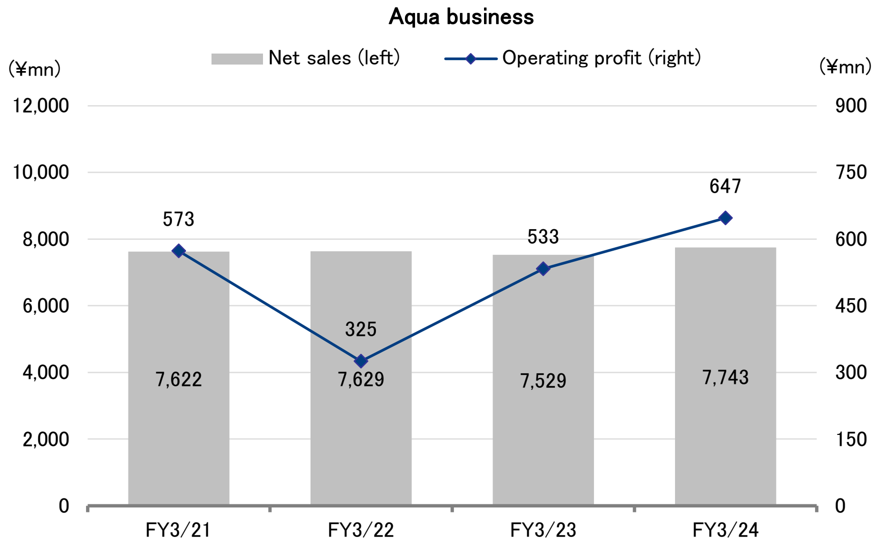
Net sales in the construction equipment and real estate business fell 6.6% YoY to ¥25,038mn while operating profit declined by 7.0% to ¥1,900mn, a second consecutive year of sales and profit declines. The figures also failed to meet the Company's forecasts. Sale of subdivisions proceeded steadily, but civil engineering projects, for which there was special demand last term, declined in reaction and equipment installation and renovations were also at a low level. Looking at the change in operating profit, construction and real estate sales boosted profit by ¥0.22bn, but civil engineering projects and equipment installation lowered it by ¥0.15bn, renovation by ¥0.11bn and the increase in personnel expenses by ¥0.10bn.



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

(5) Aqua business

Net sales from the Aqua business increased 2.8% YoY to ¥7,743mn and operating profit increased by 21.6% to ¥647mn, which were generally in line with the Company's forecasts. The number of customers at term-end increased by 2,000 YoY to 167,000. Shizuclear, a water disperser that filters tap water, which the Company began handling in April 2023, has acquired 5,000 customers, which is the main reason for the increase. The existing home water delivery service lost 3,000 customers, but the Company proposed Shizuclear to customers who wanted to cancel existing home water delivery services and a portion switched to Shizuclear; in addition, in the western Japan area, new customer acquisition proceeded. Switching to Shizuclear lowers the average monthly fee, but the delivery expenses of home delivered water are not incurred, so there is no negative impact on profit. Looking at the factors behind the change in operating profit, the increase in customers accounted for a ¥0.21bn boost which absorbed a ¥0.10bn increase in personnel expenses.



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

(6) Other businesses and adjustments

Net sales from other businesses increased 9.2% YoY to ¥5,325mn. The nursing care business increased by 3.6% to ¥1,411mn due to an increase in day service users. The wedding ceremony business increased 25.8% to ¥1,273mn as a result of an increase in customers for ceremonies and banquets. The shipbuilding and repairs business increased 5.3% to ¥1,800mn to due to an increase in ship repairs. Including corporate expenses, the operating loss was ¥7,283mn, an increase of ¥785mn, but this was mainly due to an increase in personnel expenses from raising wages and increases in system development investment and DX-related investment.

Financial position maintaining soundness, acquiring stable free cash from expanding number of continuing customers

3. Financial position

Looking at the Company's financial position as of the end of FY3/24, total assets increased ¥11,961mn from the previous year-end to ¥205,301mn. The main factors behind this change were an increase in cash and deposits of ¥1,399mn and increases in investment securities of ¥4,966mn, property, plant and equipment of ¥3,913mn and retirement benefit assets of ¥2,356mn.

Total liabilities increased by ¥2,965 to ¥114,000mn. Interest-bearing debt declined by ¥313mn, but lease obligations rose ¥417mn and income taxes payable increased ¥809mn. "Other" current liabilities, which includes accounts payable, increased by ¥802mn. In addition, total net assets increased ¥8,996mn YoY to ¥91,300mm. Dividend payments totaled ¥4,203mn, but ¥8,481mn in net income attributable to owners of the parent was recorded, and valuation difference on available-for-sale securities increased ¥1,905mn, remeasurements of defined benefit plans rose ¥1,281mn, and deferred gains or losses on hedges increased ¥1,143mn.

Regarding the equity ratio, which is a measure of financial soundness, it rose 1.9 percentage points YoY to 43.4%, and dependence on interest-bearing liabilities decreased from 24.1% to 22.5%, so the Company's financial position improved somewhat and soundness was maintained. Looking at cash flows, cash flow from operating activities was an inflow of ¥30,066mn, cash flow from investing activities was an outflow of ¥18,831, and free cash flow was ¥11,234mn, an increase of ¥4,194mn from the previous term. The Company is expanding its number of continuing customers each term, and income from monthly charges accumulates, generating stable free cash flow – a key strength of the Company. Going forward, the Company plans to use cash obtained from operating activities for growth investment, including M&A, and for shareholder returns.

Consolidated balance sheets

(¥mn)

	FY3/21	FY3/22	FY3/23	FY3/24	Change
Total assets	178,974	184,473	193,339	205,301	11,961
(Cash and deposits)	5,577	4,743	4,359	5,758	1,399
Total liabilities	102,917	105,527	111,034	114,000	2,965
(Interest-bearing debt)	42,128	44,148	46,608	46,295	-313
Total net assets	76,056	78,946	82,304	91,300	8,996
Equity ratio	41.6%	41.9%	41.5%	43.4%	1.9pt
Degree of reliance on interest-bearing debt	23.5%	23.9%	24.1%	22.5%	-1.5pt
Interest-bearing debt/EBITDA ratio	1.36	1.39	1.50	1.44	-0.06x
ROE	12.7%	11.8%	8.2%	10.0%	1.8pt

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

Cash flow conditions

(¥mn)

	FY3/21	FY3/22	FY3/23	FY3/24	Change
Cash flows from operating activities	32,223	20,808	21,193	30,066	8,872
Cash flows from investing activities	-17,068	-14,592	-14,152	-18,831	-4,678
Free cash flow	15,155	6,216	7,040	11,234	4,194
Cash flow from financing activities	-14,064	-6,905	-7,459	-9,669	-2,210
Cash and cash equivalents at end of period	5,136	4,447	4,028	5,604	1,576

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

Future outlook

For FY3/25, expected record-high results for the first time in three terms

1. Outlook for FY3/25

For its consolidated results in FY3/25, the Company is forecasting net sales to rise 5.4% YoY to ¥244,000, operating profit to increase 3.2% to ¥16,000mn, recurring profit to increase 3.0% to ¥16,000mn and net income attributable to owners of the parent to go up 6.1% to ¥9,000mn. Net sales is expected to rise for the eighth consecutive term and each of the profit levels is expecting to set a new record high for the first time in three terms. Along with adding to the number of continuing customers, the information and communications business for corporate customers is expected to continue to perform well, and the construction equipment and real estate business, which did not perform well the previous term, by utilizing Group synergies, is expected to turn it around and achieve higher revenue and profits. The Company is aiming to increase the number of continuing customers at term-end by 94,000 compared to the previous term-end to 3,452,000.

Outlook for FY3/25

(¥mn)

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

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

(1) Energy business

In the energy business, net sales are expected to rise approximately 2% YoY and operating profit to gain by about 1%, indicating steady results are anticipated. The city gas business is projected to be at the same level as the previous year, and the LP gas business is expected to grow. The number of customers in the LP gas business is expected increase by 50,000 to 828,000. Of this increase, approximately 20,000 is from FUJIPRO CORPORATION, which became a subsidiary in April 2024. The remainder will increase through new acquisitions and M&A. However, given that there has been a net annual increase of around 30,000 over the past 2-3 years, this target is seen as achievable. In addition, sales volume of residential gas is projected to increase by 3-4%. As for positive factors, an increase in the number of customers is expected along with an increase in the average temperature (assuming 0.3-0.4°C increase) for a 6% increase. Negative factors include consumption volume per customer declining by 2% due to an increasing practice by customers to conserve energy. Regarding the sales unit price and purchase margin, a level equivalent to the previous year is assumed. In FY3/25 as well, personnel expenses are expected to increase as wages are raised, but the Company plans to maintain profit increases by acquiring customers.

In the LP gas business, however, a revised ministerial ordinance to rectify LP gas business practices that was announced in April 2024 may change the business environment. Under the revised ordinance, excessive sales activities practiced before while acquiring customers from leased condominiums, etc. involved receiving goods and cash payments, will be limited (goes into force July 2024) and the three-level billing system will be rigorously enforced (goes into effect in April 2025). Providers not in compliance will be subject to fine provisions. Because of this, at leased condominiums, it will become difficult to switch the contract from another provider, and for acquiring new customers, the main targets will be new leased condominiums and detached houses, and this may intensify competition to acquire customers.

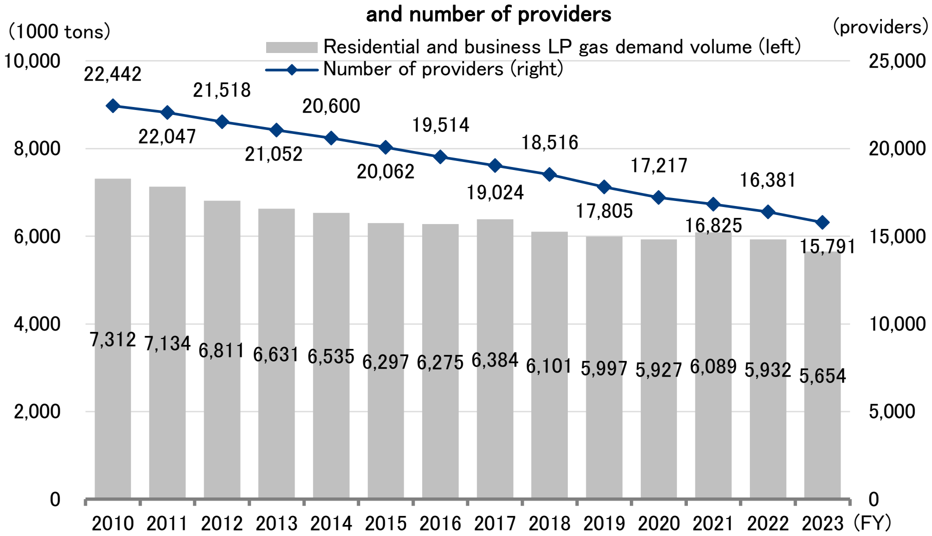
Overview of revised ministerial ordinance to rectify LP gas business practices (promulgated April 2, 2024)

(1) Limitation on excessive sales activities (goes into effect July 2, 2024) • Banned from providing benefits that exceed normal business practices • Banned conditioned contracts that would limit LP gas provider switchover that threaten to impede the choice of provider by consumers
(2) Rigorous enforcement of three-level billing system (goes into effect April 2, 2025) • Rigorous enforcement of three-level billing system consisting of basic charges, metered charges and facilities charges (facilities charges must be displayed separately) • Banned from listing facility expenses unrelated to LP gas, like electric air conditioners and Wi-Fi on LP gas charges • Regarding LP gas charges for leased residences, banned from listing facility expenses for gas implements, etc.
(3) Information provision for LP gas charges, etc. (goes into effect July 2, 2024) • Makes it mandatory of make efforts to provide LP gas charges in advance to prospective residents (provide directly to prospective residents or though the owner, real estate management company, or real estate broker, etc.)

Note: When prospective residents request the LP gas provider to directly provide the information, the provider must respond to the request.
Source: Prepared by FISCO from METI's "Overview of LPG Act Revised Ordinance" (promulgated April 2, 2024)

For the Company, new customer acquisition at leased condominiums will be impacted, but there is also less risk of cancellation caused by switching to another company, and the impact on customer numbers is expected to be almost non-existent. However, over the medium to long term, with competition to acquire customers intensifying, it is possible that small and medium-sized companies will be weeded out and this will provide a good opportunity for major companies like the Company to expand their share through M&A. Residential demand for LP gas in Japan has been declining at a pace of 2% per year since FY2010 as the number of contracts declines, the efficiency of gas implements goes up, and all-electric houses increase. The number of providers has also been declining at a pace of 2.7%. There were 22,442 providers in FY2010 and 15,791 in 2023. "Demand Outlook for Petroleum Products from FY2024–2028" announced by the Ministry of Economy, Trade and Industry on April 26, 2024 assumes at 1.6% decline per annum in residential and business LP gas from FY2023 to FY2028, and considering the increasing age of the management of small and medium-sized providers, in FISCO's view, M&A by major companies has an adequate possibility of accelerating going forward.

Residential and business LP gas demand volume and number of providers



Note: The calendar year is indicated for the number of providers from 2020 to 2023
Source: Prepared by Fisco from METI's "Number of Nationwide Providers and Safety Institutions" and Japan LP Gas Association's "Annual Supply and Demand Trends."

(2) Information and communications business

The information and communications business expects net sales to rise by around 7% YoY and operating profit to increase around 5%. The consumer business in particular is expected to see sales decrease, although a slight increase in profit is projected. The number of broadband customers is anticipated to increase by 15,000 YoY and 16,000 for LIBMO. While revenue from LIBMO is expected to rise, the Hikari Collaboration service will see a decline in ARPU, leading to an expected decline in broadband sales. Regarding operating profit, broadband will remain flat with the previous year and an increase in profit is projected as revenue from LIBMO grows.

At the same time, business for corporate customers is expecting to see net sales increase by around 12% YoY and operating profit to rise around 5%, leading to an increase in both sales and profit. Net sales will be led by communication line services and cloud services, sources of recurring revenue, due in part to capacity augmentation at data centers and in the communications infrastructure. Regarding operating profit, although increases in electricity charges will be factored into prices, personnel expenses are expected to rise just like last year. This is one of the reasons why the profit margin is expected to decline.

(3) CATV business

In the CATV business, net sales are expected to rise around 3% YoY and operating profit is expected to mark time. The number of customers is expected to increase by 19,000 compared to the end of the previous term, centering on communication services. Last year, customers in communication services increased by 5,000 per quarter, so the Company is expecting expansion at the same pace. Regarding operating profit, it is expected to remain flat compared to the previous year, taking into account increases in personnel expenses and customer acquisition costs.

(4) Construction equipment and real estate business

The construction equipment and real estate business is expected to see net sales increase by around 20% and operating profit by around 10%, resulting in increases in both sales and profits. Despite an increase in personnel expenses, there will be improvement in civil engineering, large-scale equipment installation projects, and construction real estate sales, so revenue and profit are expected to increase. In the Tokai area, synergies with subsidiaries acquired thorough M&A is projected to appear in results starting in FY3/25. By utilizing the respective resources of Group companies, it appears that there is a trend toward securing larger orders than before. Furthermore, continued growth through share expansion in the Tokai area is expected going forward.

(5) Aqua business

In the Aqua business the Company is projecting around a 5% increase in net sales and operating profit will mark time as personnel expenses are expected to increase. For the number of customers, the Company is aiming for an increase of 6,000 YoY. After the stay-at-home demand had run its course, the domestic water delivery business began to decline in 2023, and the market environment for the business remains challenging. However, the Company will proceed with customer acquisition, mainly through Shizuclear, a water dispenser that filters tap water. In particular, in the western Japan area, customer acquisition for Shizuclear through CATV subsidiaries, etc. is increasing, and the plan is to increase customer numbers by leveraging the Group network.

Engaged in expanding the earnings base, aiming for net sales of ¥260.0bn and operating profit of ¥17.5bn in FY3/26

2. Progress on the medium-term management plan

In May 2023 the Company announced its Medium-Term Management Plan 2025, which covers a three-year period ending in FY3/26. The Company will engage in 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, the last year of the plan, 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 3,570,000. As already mentioned, in FY3/24, the first year of the plan, although the performance of the business segments was mixed, operating profit exceeded the target by around ¥0.5bn. Thus, it can be said that the plan got off to a smooth start.

Company forecasts for FY3/25 have downwardly revised net sales by ¥6.0bn compared to the figure set forth in the medium-term management plan, but profit forecasts were maintained. Looking at the factors behind the change in profit, reflecting the results from FY3/24, the energy business increased, but the construction equipment and real estate business decreased, and shared corporate expenses, etc. increased. Regarding shared corporate expenses, it includes indirect expenses, system development investment, DX-related investment, and increased personnel expenses from wage hikes. If the Company achieves its forecasts for FY3/25, there is seemingly a high likelihood that it will be able to reach the targets for FY3/26 as well. As for its vision for FY2030, the Company has put forth net sales of ¥400.0bn, operating profit of ¥30.0bn and the number of continuing customers at 5.00 million. In FY3/27 and beyond, along with organic growth, the Company is expected to bolster M&A initiatives as well.

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

(¥bn)

	FY3/23 Results	FY3/24		FY3/25 Initial forecasts	FY3/25 Company plan	FY3/26 Initial forecasts
		Initial forecasts	Results			
Net sales	230.2	240.0	231.5	250.0	244.0	260.0
Operating profit	14.9	15.0	15.5	16.0	16.0	17.5
Net income attributable to owners of the parent	6.5	8.5	8.5	9.0	9.0	10.0
Number of continuing customers (FY-end, ten thousand)	330	338	336	348	345	357
Dividend payout ratio	64.8%	49.2%	50.8%	40-50%	49.3%	40-50%
ROE	8.2%	10.3%	10.0%	10.4%		10.8%
ROIC	8.3%	8.0%	-	8.2%		8.7%

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

Strategy by business segment and results targets

	Expansion of earnings base (Area/ No. of customers)	Roll out new services	Results targets			
			FY3/23		FY3/26	
Energy business	• Further develop existing operating areas (raise ARPU via cross-selling) • Expand sales capabilities in Western Japan and the Chukyo region • Advance M&A and alliances in LP gas and city gas	• Roll out new services for regional revitalization • Roll out new services for solving social issues (Expand sales of TOKAI ZERO SOLAR based on the power purchase agreement (PPA) model)	Net sales	¥102.5bn	Net sales	¥108.7bn
			Operating profit	¥7.4bn	Operating profit	¥7.8bn
			No. of customers	0.82mn customers	No. of customers	0.94mn customers
Information and communications business for corporate customers	• Expand business areas in Japan	• Expand cloud services overseas	Net sales	¥29.5bn	Net sales	¥39.0bn
			Operating profit	¥4.7bn	Operating profit	¥5.1bn
Information and communications business for individual customers	• Strengthen cooperation among channels to increase the number of customers	• Enhance the service lineup	Net sales	¥24.4bn	Net sales	¥25.9bn
			Operating profit	¥0.6bn	Operating profit	¥1.4bn
			No. of customers	0.84mn customers	No. of customers	0.93mn customers
CATV business	• Accelerate growth of two recent acquisitions (Sendai and Okinawa)	• Enhance internet access services and optional services • Develop and provide new businesses and new services by further developing regional business	Net sales	¥34.5bn	Net sales	¥37.9bn
			Operating profit	¥6.2bn	Operating profit	¥6.4bn
			No. of customers	1.29mn	No. of customers	1.35mn
Construction equipment and real estate business	• Expand business in the Chukyo region • Win combined orders through interdivisional cooperation	• Expand the types of work offered (construction, equipment installation, electrical work, civil engineering work, repair and maintenance work) • Sell GQ system, an off-grid housing system • Implement energy-saving initiatives (solar power, EV charging points, etc.)	Net sales	¥26.8bn	Net sales	¥37.3bn
			Operating profit	¥2.0bn	Operating profit	¥3.0bn
Aqua business	• Strengthen sales in the Shizuoka, Kanto and Chukyo areas (returnable/disposable bottles)	• Sell mains-fed purified water dispenser nationwide	Net sales	¥7.5bn	Net sales	¥8.7bn
			Operating profit	¥0.5bn	Operating profit	¥0.8bn
			No. of customers	0.17mn customers	No. of customers	0.19mn customers

Source: Prepared by FISCO from the Company's New Medium-Term Management Plan 2025

Aiming to enhance corporate value by building a business portfolio for realizing overall Group optimization on the two axes of capital profitability and growth potential

3. Initiatives for Enhancing Corporate Value

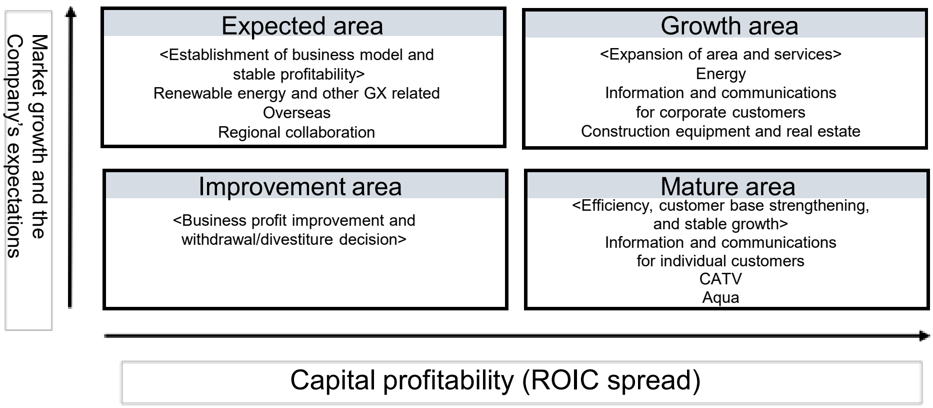
To enhance corporate value the Company intends to strengthen (1) Initiatives towards business portfolio management, (2) Expansion and efficiency improvement of each business, and (3) Initiatives towards ESG management.

Initiatives for priority policies in FY3/25 are as follows.

(1) Initiatives towards business portfolio management

The Company will strengthen management by building a portfolio that realizes group-wide optimization while understanding the business portfolio on the two axes of capital profitability and growth potential. Specifically, the Company has divided the business portfolio into four areas: the growth area (energy, corporate information and communications, construction equipment and real estate), an expected area (renewable energy and other GX related, overseas and regional collaboration), the mature area (individual information and communications, CATV, and Aqua business) and the improvement area (business profit improvement or withdrawal/divestiture decision), and the Company will aim to increase ROE by promoting expansion and greater efficiency for each business depending on their position in the portfolio. In the expected area, the Company plans to continue initiatives to create new businesses for the sustained growth of the Group. Also, by strengthening coordination between businesses, the Company will work to generate Group synergies. Regarding capital profitability for each business, it will be managed using ROIC Spread by business (ROIC for each business minus WACC for each business).

Business portfolio



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

(2) Expansion and efficiency improvement of each business

a) Growth area

In the energy business, the Company will work for sustained growth by expanding the customer base through M&A and area and service expansion. In addition, to maintain or increase profitability, it will promote cost-cutting measures such as improved business efficiency through DX. As for its DX strategy, it is proceeding to deploy meters with automated meter-reading. This will not only reduce the cost of meter reading operations, it will allow the Company to grasp consumption volume by customers in real time to make it possible to conduct sales with the optimal timing. It is also expected to make logistics more efficient. The smart meter installation rate is at around 70% as of the end of FY3/24. The Company aims to make this 100% by the end of FY3/26. Also, as a measure to strengthen customer contact, the Company is promoting the installation of a smartphone app among TLC members. Utilzing this app makes it possible to provide information to customers at the optimal timing, and it is expected to help reduce the cancellation rate and improve the cross-selling rate. As of the end of FY3/24, 375,000 of the 1,214,000 TLC members have installed the app, but the Company is aiming for installation by 1,000,000 members as of the end of FY3/26.

In information and communications for corporate customers, the Company will work to expand the business area through communications infrastructure investment and increasing capacity at data centers, and also expand recurring revenue. Along with this, the Company intends to capture rampant DX demand by expanding human resources specialized in digital partly by the use of M&A. In addition, in the construction equipment and real estate business, the Company will share Group resources, including construction and real estate, civil engineering projects, and equipment installation projects, and generate Group synergies to thereby expand market share in the Tokai region.

b) Expected area

In renewable energy and other green transformation (GX) related businesses, the Company is involved in promoting the spread of solar power (including PPAs) and battery storage systems, and has invested in a company involved in the energy creation business. While accumulating management know-how for the sustainable energy business, the Company is aiming to be carbon neutral by 2050. Regarding the Company's investments thus far, in July 2023, TOKAI participated in the IPO of REPOWER ENERGY DEVELOPMENT CORPORATION, a hydropower operating company in the Philippines, acquiring 65mn shares (10% stake, 5 Filippino pesos per share) for approximately ¥0.8bn. Additional shares were acquired subsequently such that in February 2024 the Company's ownership stake was 20% and the company became an equity-method affiliate. Additionally, in December 2023, TOKAI Venture Capital & Incubation Corporation invested in Albatross Technology Inc., which develops floating vertical axis wind turbines* for power generation. Investment in Albatross Technology is intended for the Group to gather information and knowledge in the GX area.

* The portion of offshore floating vertical axis wind turbines that floats in the ocean has been made compact, and through innovations in turbine manufacturing methods, manufacturing costs and operating cost are expected to be reduced compared to conventional turbines (horizontal axis). Joint research has already begun with various companies and groups.

Regarding the overseas business, in the energy business, the Company has made an LP gas suppliers in Vietnam and a hydropower company in the Philippines equity-method affiliates, and in the information and communications business, the Company will develop business including AWS installation and support primarily in Indonesia and Taiwan. In Indonesia, TOKAI Communications established PT TOKAICOM Mitra Indonesia (60% ownership stake), a joint venture with PT Sisnet Mitra Sejahtera, a local IT company, and has announced that it will develop a cloud service-related business and cloud personnel training business for the Indonesian market. The impact of the overseas business on short-term results is marginal, but it is being developed with the expectation that it will contribute to earnings over the medium to long term.

Regarding regional collaboration, the Company is promoting locally rooted services and initiatives via public-private coordination through its Group companies. Specifically, a subsidiary that handles the CATV business is operating three fitness gyms* and Tokai Gas operates two campgrounds within Shizuoka Prefecture. One is Mt. Bikuishi Quiet Night Campsite, which opened in March 2024. The site is intended to revitalize the low upland region of Fujieda City under its Fujieda Pottery Village Plan. The other campsite is Narakokonosato Camp Field, which was opened by Kakegawa City and features campsites and hot springs facilities (FY2022 users: 74,000 for the campsites, 63,000 for the hot springs lodge). This is a business that has been transferred to the Company. Kakegawa City held an open recruitment for its privatization and the Company was selected in October 2023 and began operations in April 2024.

* Retio Body Design, a 24-hour, year-round fitness gym, is developed as a franchise by KEIAI Link Ltd. TOKAI Cable Network operates two of the gyms and one is operated by Kurashiki Cable Television.

(3) Initiatives towards ESG management

The Company aims to further improve its PER by accelerating its ESG initiatives that lead to sustainable growth.

a) Environment

One initiative to achieve carbon neutrality by 2050 is promoting GX for energy used by customers and its own business activities. For energy use by customers, the Company is promoting the spread of energy-saving equipment, promoting the deployment of sustainable energy, promoting low and carbon-free initiatives together with local communities, and strengthening its response to decarbonizing raw materials. In addition, with regard to its own business activities, it intends to improve the efficiency of delivery in the LP gas business through DX promotion, automate meter-reading, install solar power facilities on its own sites, and work to transition to renewable energy for the electricity used at business offices.

b) Society

As for human capital investment, the Company will maximize human resource and organizational vitality and promote the improvement of employee well-being. Specifically, toward realization of the “ideal individual,” the Company will enhance autonomous career support and reskilling support. Further, toward realization of the “ideal organization,” the Company is involved in realizing diverse work styles, reforming systems to raise job satisfaction, practicing health and productivity management at a high level, and offering training for managers on the matter of psychological safety and coaching.

c) Governance

To ensure thorough compliance and governance, the Company will strengthen training for executives and managers and work to further raise the compliance awareness of the organization. Additionally, it will strengthen internal controls and entrench governance throughout the organization.

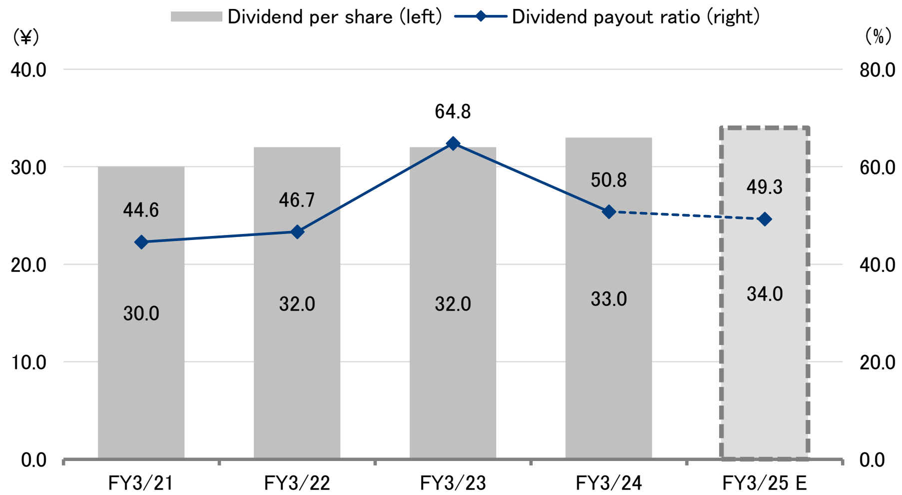
Shareholder return policy

Policy is to pay dividends targeting a dividend payout ratio of 40% to 50%, combined with perks and gifts to shareholders for an annual investment yield level of 5% to 8%

As for the Company's shareholder return policy, it provides dividends and shareholder benefits. In addition, depending on the situation, it buys back its own shares. In this way, it is actively engaged in shareholder returns. Regarding dividends, the basic policy is to pay a stable and ongoing dividend with a target payout ratio of 40-50%, striving to enhance corporate competitiveness and maximize corporate value while strengthening the management structure and considering future business development. Based on this policy, the dividend per share for FY3/24 was ¥33.0, a ¥1.0 increase YoY (payout ratio of 50.8%), reflecting the solid performance in line with the initial forecasts. For FY3/25 as well, the plan is for a per share dividend of ¥34.0, a ¥1.0 increase (payout ratio of 49.3%), for consecutive years of increases.

The Company also provides gifts such as QUO cards to shareholders owning 100 or more shares at the end of March and September, according to how many shares they own. The annual investment yield per share unit, including the gifts to shareholders, in an estimate using the current share price level (closing price of ¥963 on May 31, 2024), is in the range of 5% to 8% (in the case that the shareholder selects a QUO card or an Aqua product as the gift).

Dividend per share and dividend payout ratio



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

Shareholder gifts

Shareholders on record at the end of March and September are presented with their choice of one of the following five type of gifts, 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	¥2,080 worth	¥4,160 worth	¥8,320 worth
QUO card	¥500 worth	¥1,500 worth	¥2,500 worth
A Group restaurant dining certificate	¥1,000 worth	¥3,000 worth	¥5,000 worth
TLC Points	¥1,000 worth	¥2,000 worth	¥4,000 worth
LIBMO monthly usage fee	¥2,100 worth	¥5,100 worth	¥11,280 worth

Source: Prepared by FISCO from the Company website

Disclaimer

FISCO Ltd. ("FISCO") offers stock price and index information for use under the approval of the Tokyo Stock Exchange, the Osaka Stock Exchange and Nikkei Inc.

This report is provided solely for the purpose of offering information, and is not a solicitation of investment nor any other act or action.

FISCO prepared and published this report based on information which it considered reliable; however, FISCO does not warrant the accuracy, completeness, fitness nor reliability of the contents of this report or the said information.

The issuers' securities, currencies, commodities, securities and other financial instruments mentioned in this report may increase or decrease in value or lose their value due to influence from corporate activities, economic policies, world affairs and other factors. This report does not make any promises regarding any future outcomes. If you use this report or any information mentioned herein, regardless of the purpose therefor, such use shall be made based on your judgment and responsibility, and FISCO shall not be liable for any damage incurred by you as a result of such use, irrespective of the reason.

This report has been prepared at the request of the company subject hereto based on the provision of information by such company through telephone interviews and the like. However, the hypotheses, conclusions and all other contents contained herein are based on analysis by FISCO. The contents of this report are as of the time of the preparation hereof, and are subject to change without notice. FISCO is not obligated to update this report.

FISCO and its affiliated companies, as well as the directors, officers and employees thereof, may currently or in the future trade or hold the financial instruments or the securities of issuers that are mentioned in this report.

Please use the information in this report upon accepting the above points.

■ 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