



Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2024 [Japanese GAAP]

August 3 2023

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Stock code: 3167	URL: https://tokaiholdings.co.jp
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Scheduled date of dividend payment:	-
Supplementary materials on quarterly financial results:	Yes
Quarterly financial results briefing:	No

(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the Three-months Ended June 30, 2023 (April 1, 2023 to June 30, 2023)

(1) Consolidated Operating Results (cumulative)

(% figures represent year-on-year changes)

	Sales		Operating Profit		Recurring Profit		Quarterly Net Income Attributable to Owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three-months Ended June 30, 2023	53,971	4.2	2,484	-26.0	2,617	-22.8	1,338	-25.4
Three-months Ended June 30, 2022	51,803	7.0	3,355	4.0	3,389	1.1	1,795	-4.0

(Note) Comprehensive income: 1,916 million yen in the Three-months ended June 30, 2023 (-24.7%)
2,544 million yen in the Three-months Ended June 30, 2022 (42.0%)

	Quarterly Net Income per Share	Quarterly Net Income per Share (Diluted)
	Yen	Yen
Three-months Ended June 30, 2023	10.25	-
Three-months ended June 30, 2022	13.72	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Three-months Ended June 30, 2023	188,637	82,117	42.4
Year ended March 31, 2023	193,339	82,304	41.5

(Reference) Equity: 79,960 million yen for the Three-months Ended June 30, 2023
80,184 million yen for the year ended March 31, 2023

2. Dividends

	Annual Dividend				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2023	—	16.00	—	16.00	32.00
Year ending March 31, 2024	—				
Year ending March 31, 2024 (Forecast)		16.00	—	16.00	32.00

(Note) Revisions to most recently announced dividend forecasts: No

3. Consolidated Earnings Forecasts for the Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)
 (% figures represent year-on-year changes)

	Sales		Operating Profit		Recurring Profit		Net Income Attributable to Owners of the Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2024	240,000	4.3	15,000	0.5	15,000	12.9	8,500	31.5	65.10

(Note) Revisions to most recently announced earnings forecasts: No

*Notes

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries affecting the scope of consolidation): No

(2) Application of special accounting procedures in the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, estimates, and restatements

1) Changes in accounting policies accompanying revisions in accounting standards, etc. : No

2) Changes in accounting policies other than 1) : No

3) Changes in accounting estimates : No

4) Restatements : No

(Note) For details, refer to Attachment P. 10 See "2. Quarterly Consolidated Financial Statements and Main Notes (4) Notes on Quarterly Consolidated Financial Statements (Changes in Accounting Policy)".

(4) Number of shares issued (common stock)

1) Shares issued at the end of each period (including treasury stock):

Q1 FY3/2024	139,679,977 shares	FY3/2023	139,679,977 shares
Q1 FY3/2024	9,105,857 shares	FY3/2023	9,105,687 shares
Q1 FY3/2024	130,860,135 shares	Q1 FY3/2023	130,860,135 shares

2) Number of shares of treasury stock at the end of each period:

3) Average number of shares during the period (cumulative):

(Note) The number of treasury shares at the end of the period includes the Company's shares held by the Board Benefit Trust (BBT) (782,100 shares at at Q1 FY3/2024, 782,100 shares at at Q1 FY3/2023). In addition, the treasury stock to be deducted in the calculation of the average number of shares during the period will include the Company's stock held by the Board Benefit Trust (BBT) (782,100 shares at at Q1 FY3/2024, 496,900 shares at at Q1 FY3/2023).

* Quarterly financial results not covered by quarterly review

* Explanation regarding the Appropriate Uses of Earnings Forecasts and Other Notes

All earnings forecasts provided within this document are based on the most accurate information available at the time of the release of this document. Actual results may differ from forecasts due to various factors going forward.

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1. Qualitative Information on Financial Results for the Period under Review

(1) Explanation of Consolidated Operating Results

During the first three months of the fiscal year under review, the Japanese economy grappled with persistently high energy prices caused by the sustained depreciation of the yen and the war in Ukraine. However, a turnaround in consumer spending and an economic recovery are anticipated, driven by substantial pay increases and increased corporate investment in growth.

In this environment, the Group developed Medium-Term Management Plan 2025 and announced it in May 2023. Aimed at achieving sustained growth, this plan has set out three key themes. The first is growth of earning power, the second is strengthening of the foundations for sustainable growth, and the third is the full energization of human capital and organizations.

For the first three months of the fiscal year under review, the Group saw the number of continuing customers rise by 13,000, to 3,312,000, compared with growth of 19,000 in the same period of the previous fiscal year. The number of TLC members rose 17,000 to 1,175,000. For the same period a year earlier, the figure surged 19,000. With the growth of its customers and other factors, the Group posted new record net sales of 53,971 million yen, up 4.2% year on year. However, soaring expenses to gain customers and an increase in personnel expenses following pay increases resulted in operating income of 2,484 million yen (down 26.0% year on year), ordinary profit of 2,617 million yen (down 22.8% year on year) and profit attributable to owners of parent of 1,338 million yen (down 25.4% year on year).

Performance by segment is indicated below.

(Energy)

In the LP gas business, the number of customers increased 9,000 from the end of the previous fiscal year, to 755,000, reflecting sustained Group efforts to attract customers. On the other hand, the gas sales volume for households contracted for reasons including high air temperatures. Net sales stood at 19,336 million yen (almost unchanged year on year).

In the city gas business, the number of customers grew 1,000 from the end of the previous fiscal year, to 75,000. Net sales reached 4,629 million yen (up 17.5%), due to the effects of the gas rate adjustment system.

Net sales in this segment stood at 23,966 million yen (up 3.0%). Operating profit came to 62 million yen (down 94.4%), reflecting an increase in expense for gaining customers, among other factors.

(Information and Communications)

In the business for consumers, it worked to gain customers in collaboration with major telecommunications carriers in the ISP business. In the mobile business, the Group broadened the LIBMO service lineup and introduced package plans with fixed lines. As a result of these measures, the number of broadband customers remained almost unchanged from the end of the previous fiscal year at 665,000, while the number of LIMBO customers rose 1,000 from end of the preceding fiscal year to 72,000. Net sales reached 6,034 million yen (up 1.2% year on year).

In the business for corporate clients, net sales came to 7,433 million yen, up 7.5% year on year, mainly reflecting steady growth in career services and cloud services and an increase in the contract development projects.

Net sales in this segment stood at 13,468 million yen (up 4.6%), and operating profit came to 1,107 million yen (up 25.6%).

(CATV)

In the CATV business, the Group focused on providing local information and the production of programs as a community-based service provider. The Group collaborated with major video distributors and made other efforts to enhance content. Due to aggressive sales activities, the broadcasting services customer count rose to 915,000, an increase of 1,000 from the end of the previous fiscal year. The communications services customer

count increased to 379,000, a rise of 5,000 from the end of the previous fiscal year.

Net sales in this segment stood at 8,820 million yen (up 7.1%), and operating profit came to 1,451 million yen (up 4.0%).

(Construction, Equipment, and Real Estate)

In the Construction, Equipment and Real Estate business, net sales stood at 4,852 million yen (up 4.5% year on year), with an operating loss of 40 million yen (as opposed to of operating loss of 98 million yen in the same period a year earlier).

(Aqua)

In the Aqua (bottled drinking water delivery) business, the Group began dealing with pure water dispensers in an effort to continuously expand its customer base. The Group also conducted marketing activities at events in large commercial facilities as well as non-face-to-face sales activities, including online promotion and telemarketing. The number of customers grew 1,000 from the end of the previous fiscal year to 165,000.

In this segment, net sales stood at 1,871 million yen (up 0.6%) and operating profit at 20 million yen (while operating loss of 9 million was posted for the same period in the previous fiscal year).

(Others)

Net sales in the nursing care business stood at 345 million yen (down 3.8%), reflecting an decrease in the number of users. In the ship repair business, net sales amounted to 189 million (up 51.0%) as the number of ships that the Group repaired soared. In the bridal events business, net sales reached 260 million yen (up 20.2%), following a recovery in weddings and receptions.

As a consequence of these initiatives, net sales in this segment stood at 992 million yen (up 8.5% year on year) with an operating loss of 37 million yen (compared with an operating profit of 38 million yen in the same period of the previous fiscal year), reflecting a rise in costs associated with the ship repair business.

(2) Explanation of Consolidated Financial Position

1) Assets, Liabilities, and Net Assets

Total assets at the end of the first three months under review stood at 18,637 million yen, a decrease of 4,702 million yen from the end of the previous fiscal year. The decrease was attributable primarily to a decline of 6,585 million yen in notes and accounts receivable - trade and contract assets, attributable to seasonal factors, among other factors, which was partially offset by an increase of 1,028 million in Other as part of investments and other assets and an increase of 666 million yen in work in process.

Total liabilities came to 106,520 million yen, a decrease of 4,514 million yen from the end of the previous fiscal year. This was due to a decrease of 3,818 million yen in notes and accounts payable - trade for seasonal and other reasons, a contraction of 2,328 million yen in long-term borrowings, which were partially offset by an increase of 1,965 million yen in short-term borrowings.

Total net assets were 82,117 million yen, a decrease of 187 million yen from the end of the previous fiscal year. This was chiefly due to posting of profit attributable to owners of parent of 1,338 million yen and to increases in valuation difference on available-for-sale securities by 499 million yen and in foreign currency translation adjustment by 118 million yen despite dividends of surplus of 2,101 million yen.

2) Cash Flows

Cash and cash equivalents ("cash") as of June 30, 2023 were 4,516 million yen, an increase of 487 million yen from the end of the previous fiscal year.

Cash flows in the first three months under review and major contributing factors are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 8,414 million yen (2,364 million yen higher year on year). Cash inflows were attributable primarily to net income before income taxes, a

decrease in notes and accounts payable, and depreciation, a non-cash account, which were partially offset by income taxes paid and a decrease in notes and accounts payable-trade, among other cash outflows.

(Cash flows from investing activities)

Net cash used in investing activities 4,252 million yen (10 million yen higher year on year). The cash outflows were attributable primarily to purchases of property, plant and equipment and intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities was 3,678 million yen (1,610 million yen less year on year). Loans payable and other cash inflows were more than offset by cash outflows, including repayment of loans payable, repayments of lease obligations and payment of cash dividends.

(3) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information

Results in the first three months of the fiscal year under review were roughly as forecast. The earnings forecasts for the fiscal year ending March 31, 2024 announced on May 9, 2023 remain unchanged.

The earnings forecasts are based on information available at the time of publication. Actual results may differ from the forecasts due to a variety of factors.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	Fiscal Year Ended March 31, 2023	Three Months Ended June 30, 2023
Assets		
Current assets		
Cash and deposits	4,359	4,842
Notes and accounts receivable - trade, and contract assets	29,899	23,313
Merchandise and finished goods	5,448	5,156
Work in process	1,130	1,796
Raw materials and supplies	1,589	1,589
Other	9,850	10,279
Allowance for doubtful accounts	-454	-457
Total current assets	51,824	46,520
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	36,188	35,912
Machinery, equipment and vehicles, net	26,038	25,844
Land	24,841	24,591
Other, net	23,316	23,780
Total property, plant and equipment	110,384	110,129
Intangible assets		
Goodwill	5,904	5,882
Other	4,588	4,458
Total intangible assets	10,492	10,341
Investments and other assets		
Net defined benefit asset	4,092	4,101
Other	16,785	17,813
Allowance for doubtful accounts	-243	-273
Total investments and other assets	20,634	21,642
Total non-current assets	141,511	142,112
Deferred assets	3	3
Total assets	193,339	188,637

(Millions of yen)

	Fiscal Year Ended March 31, 2023	Three Months Ended June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable–trade	19,801	15,982
Short-term borrowings	15,753	17,719
Income taxes payable	2,247	1,449
Other provisions	1,570	88
Other	21,673	23,460
Total current liabilities	61,046	58,700
Non-current liabilities		
Long-term loans payable	30,855	28,527
Other provision	342	345
Net defined benefit liability	1,377	1,409
Other	17,412	17,538
Total non-current liabilities	49,988	47,819
Total liabilities	111,034	106,520
Net assets		
Shareholders' equity		
Capital stock	14,000	14,000
Capital surplus	25,566	25,566
Retained earnings	38,526	37,763
Treasury stock	-2,601	-2,601
Total shareholders' equity	75,492	74,729
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,458	1,958
Foreign currency translation adjustment	741	860
Remeasurements of defined benefit plans	2,492	2,412
Total accumulated other comprehensive income	4,692	5,230
Share acquisition rights	36	43
Non-controlling interests	2,083	2,113
Total net assets	82,304	82,117
Total liabilities and net assets	193,339	188,637

(2) Quarterly Consolidated Statements of Income, Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(Three Months Ended June 30, 2023)

	(Millions of yen)	
	Three Months Ended June 30, 2022 (April 1, 2022 to June 30, 2022)	Three Months Ended June 30, 2023 (April 1, 2023 to June 30, 2023)
Sales	51,803	53,971
Cost of sales	31,267	33,620
Gross profit	20,536	20,350
Selling, general and administrative expenses	17,181	17,866
Operating profit	3,355	2,484
Non-operating profit		
Interest income	5	1
Dividend income	100	111
Commission fee	8	7
Other	112	100
Total non-operating profit	227	222
Non-operating expenses		
Interest expenses	65	73
Share of loss of entities accounted for using equity method	99	—
Other	28	15
Total non-operating expenses	193	88
Recurring profit	3,389	2,617
Extraordinary income		
Gain on sales of non-current assets	8	3
Gain on donation of non-current assets	—	—
Transmission line facility subsidies	21	14
Gain on sales of investment securities	31	2
Total extraordinary income	61	20
Extraordinary losses		
Loss on sale of non-current assets	0	—
Loss on retirement of non-current assets	187	254
Loss on valuation of investment securities	302	—
Total extraordinary losses	490	254
Quarterly net income before income taxes	2,960	2,383
Income taxes (current)	1,269	1,388
Income taxes (deferred)	-151	-382
Total income taxes	1,117	1,006
Quarterly net income	1,842	1,377
Quarterly net income attributable to non-controlling interests	47	38
Quarterly net income attributable to owners of the parent	1,795	1,338

(Consolidated Statements of Comprehensive Income)
(Three Months Ended June 30, 2023)

(Millions of yen)

	Three Months Ended June 30, 2022 (April 1, 2022 to June 30, 2022)	Three Months Ended June 30, 2023 (April 1, 2023 to June 30, 2023)
Quarterly net income	1,842	1,377
Other comprehensive income		
Valuation difference on available-for-sale securities	411	499
Foreign currency translation adjustment	0	2
Remeasurement of defined benefit plans, net of tax	-80	-79
Share of other comprehensive income of entities accounted for using the equity method	370	117
Total other comprehensive income	702	539
Quarterly comprehensive income	2,544	1,916
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent	2,495	1,877
Quarterly comprehensive income attributable to non- controlling interests	49	39

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Three Months Ended June 30, 2022 (April 1, 2022 to June 30, 2022)	Three Months Ended June 30, 2023 (April 1, 2023 to June 30, 2023)
Cash flows from operating activities		
Quarterly net income before income taxes	2,960	2,383
Depreciation	3,731	3,893
Amortization of goodwill	244	244
Increase (decrease) in provision for bonuses	-1,424	-1,490
Increase (decrease) in net defined benefit asset and liability	-102	-91
Interest and dividend income	-106	-113
Loss (gain) on sales of investment securities	-21	—
Interest expenses	65	73
(Gain) loss on sales of non-current assets	-8	-3
Loss (gain) on valuation of investment securities	302	—
Loss on retirement of non-current assets	187	254
(Increase) decrease in notes and accounts payable	6,312	6,952
(Increase) decrease in inventories	-2,427	-115
Increase (decrease) in trade payables	-2,592	-3,821
Increase (decrease) in accrued expenses	3,028	3,168
Other	-953	-414
Subtotal	9,197	10,919
Income taxes paid	-3,147	-2,505
Net cash provided by (used in) operating activities	6,049	8,414
Cash flows from investing activities		
Interest and dividends received	116	128
Purchase of securities	-729	-2
Proceeds from sale of securities	32	—
Purchase of property, plant and equipment and intangible assets	-3,761	-4,616
Proceeds from sale of property, plant and equipment and intangible assets	162	290
Proceeds from collection of loans receivable	5	1
Other	-88	-53
Net cash provided by (used in) investing activities	-4,262	-4,252
Cash flows from financing activities		
Interest expenses paid	-65	-75
Net increase (decrease) in short-term loans payable	3,850	2,309
Repayments of lease obligations	-1,157	-1,210
Repayment of long-term loans payable	-2,546	-2,671
Payments for acquisition of treasury stock	-0	-0
Cash dividends paid	-2,140	-2,020
Other	-8	-9
Net cash provided by (used in) financing activities	-2,067	-3,678
Effect of exchange rate change on cash and cash equivalents	3	4
Net increase (decrease) in cash and cash equivalents	-277	487
Cash and cash equivalents at beginning of period	4,447	4,028
Cash and cash equivalents at end of period	4,170	4,516

(4) Notes on Quarterly Consolidated Financial Statements
(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

[Segment Information]

I. Three Months Ended June 30, 2022 (April 1, 2022 to June 30, 2022)

Sales and Income of Losses by Reportable Segment

(Millions of yen)

	Reportable segments						Other ¹	Total	Adjustments ²	Amount in quarterly consolidated statements of Income ³
	Energy	Construction, Equipment Real estate	CATV	Information and Communications	Aqua	Subtotal				
Sales										
Sales to external customers	23,274	12,873	8,239	4,641	1,860	50,888	915	51,803	—	51,803
Intersegment sales and transfers	50	971	122	210	5	1,360	94	1,454	-1,454	—
Subtotal	23,324	13,844	8,362	4,851	1,865	52,249	1,009	53,258	-1,454	51,803
Segment income (loss)	1,125	881	1,396	-98	-9	3,295	38	3,333	21	3,355

(Notes) 1. The "Other" category is a business segment not included in the reportable segments. This category includes businesses such as weddings, ship repair, insurance, and nursing care.

2. Adjustments to segment income (loss) are mainly eliminations due to intersegment transactions.

3. Segment income (loss) is adjusted to match operating profit in the quarterly consolidated statements of income.

II. Three Months Ended June 30, 2023 (April 1, 2023 to June 30, 2023)

Sales and Income of Losses by Reportable Segment

(Millions of yen)

	Reportable segments						Other ¹	Total	Adjustments ²	Amount in quarterly consolidated statements of Income ³
	Energy	Construction, Equipment Real estate	CATV	Information and Communications	Aqua	Subtotal				
Sales										
Sales to external customers	23,966	13,468	8,820	4,852	1,871	52,979	992	53,971	—	53,971
Intersegment sales and transfers	42	1,561	106	214	6	1,931	85	2,016	-2,016	—
Subtotal	24,008	15,029	8,926	5,066	1,878	54,910	1,077	55,987	-2,016	53,971
Segment income (loss)	62	1,107	1,451	-40	20	2,601	-37	2,564	-80	2,484

(Notes) 1. The "Other" category is a business segment not included in the reportable segments. This category includes businesses such as weddings, ship repair, insurance, and nursing care.

2. Adjustments to segment income (loss) are mainly eliminations due to intersegment transactions.

3. Segment income (loss) is adjusted to match operating profit in the quarterly consolidated statements of income.