



November 2, 2023

Consolidated Financial Results for the Six Months Ended March 31, 2024 (Under Japanese GAAP)

Company name: TOKAI Holdings Corporation Listing: Tokyo Stock Exchange
 Securities code: 3167 URL: <https://www.tokaiholdings.co.jp/english/>
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 Scheduled date to file quarterly securities report: November 13, 2023
 Scheduled date to commence dividend payments: November 30, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2023	105,226	1.1	4,254	0.0	4,355	79.1	2,219	1,403.4
September 30, 2022	104,110	8.4	4,523	-18.6	2,432	-54.0	147	-93.5

Note: Comprehensive income For the six months ended September 30, 2023: ¥4,553 million [307.5%]
 For the six months ended September 30, 2022: ¥1,117 million [-65.6%]

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Six months ended				
September 30, 2023	17.00	-	-	-
September 30, 2022	1.13	-	-	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
September 30, 2023	190,820	84,800	42.3
March 31, 2023	193,339	82,304	41.5

Reference: Equity
 As of September 30, 2023: ¥82,608 million
 As of March 31, 2023: ¥80,184 million

2. Cash dividends

	Annual dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	16.00	-	16.00	32.00
Fiscal year ending March 31, 2024	-	16.00	-	-	-
Fiscal year ending March 31, 2024 (Forecast)	-	-	-	16.00	32.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated Earnings Forecasts for the Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of 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

*Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2023	139,679,977 shares
As of March 31, 2023	139,679,977 shares

(ii) Number of treasury shares at the end of the period

As of September 30, 2023	9,054,519 shares
As of March 31, 2023	8,819,780 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended March 31, 2024	130,591,637 shares
Six months ended March 31, 2023	130,871,825 shares

(Note) Board benefit trust shares (BBT) is included in the number of year-end treasury stock.(730,500 stocks at Q2 FYE3/2024, 782,100 stocks at FYE3/2023)

In addition, the treasury stock to be deducted in the calculation of the average number of shares during the period includes the Company's stock held by the Board Benefit Trust (BBT) (764,618 stocks at Q2 FYE3/2024, 485,109 stocks at Q2 FYE3/2023).

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* 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 six months of the fiscal year under review, the economy staged a mild recovery following the normalization of economic activities and the effects of various packages. However, the business circumstances surrounding the Group included the accelerated depreciation of the Japanese currency and a continued hike in energy prices amid the ongoing conflict in Ukraine. In addition, the outlook remained uncertain with an increasingly severe labor shortage and rising prices.

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 six months of the fiscal year under review, the Group saw the number of continuing customers rise by 28,000, to 3,328,000, compared with growth of 49,000 in the same period of the previous fiscal year. The number of TLC members rose 30,000 to 1,188,000. For the same period a year earlier, the figure surged 36,000. With the increase in the number of customers in the Group and other factors, net sales stood at 105,226 million yen to exceed the level attained in the same period a year earlier by 1.1%. Meanwhile, operating profit was almost unchanged year on year at 4,254 million yen, which is explained mainly by a decrease in household unit consumption under high air temperature conditions. Ordinary profit stood at 4,355 million yen, up 79.1% year on year, and profit attributable to owners of parent at 2,219 million yen, up 1,403.4% year on year. Significant increases resulted mainly from a decrease in the burden arising from the share of profit of entities accounted for using equity method.

Notable events during the first six months of the fiscal year under review include an investment made in July 2023 by TOKAI Corporation in the group led by Pure Energy Holdings Corporation, which operates a business of generating power from renewable energy sources in the Philippines, as part of the initiatives to achieve carbon neutrality.

Another event is the new opening of a sales office for LP gas sales in the city of Ise in Mie Prefecture in August 2023. The office is making steady progress in expanding the business base.

Performance by segment is indicated below. From the first quarter of the fiscal year under review onwards, a new order of statement of segments applies.

(Energy)

In the LP gas business, the number of customers increased 16,000 from the end of the previous fiscal year, to 762,000, reflecting sustained Group efforts to attract customers. Meanwhile, net sales were 34,417 million yen (down 4.3% year on year). This is attributable to a reduction in selling prices in associated with the purchase prices and a decrease in gas sales volume for households for reasons including high air temperatures.

In the city gas business, the number of customers remained at 75,000, the same level as the end of the previous fiscal year. Net sales reached 8,535 million yen (up 5.3%) due to the effects of the gas rate adjustment system.

In this segment, net sales stood at 42,952 million yen (down 2.5%) and operating loss at 740 million yen (operating loss of 216 million was posted for the same period in the previous fiscal year).

(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 increased 1,000 from the end of the previous fiscal year to 666,000, while the number of LIMBO customers rose 4,000 from end of the preceding fiscal year to 75,000. Net sales reached 12,100 million yen (up 0.6% year on year).

In the business for corporate clients, net sales came to 15,356 million yen, up 9.3% year on year, reflecting steady growth in career services and cloud services.

Net sales in this segment stood at 27,457 million yen (up 5.3%), and operating profit came to 2,125 million yen (up 32.0%).

(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 916,000, an increase of 3,000 from the end of the previous fiscal year. The communications services customer count increased to 384,000, a rise of 11,000 from the end of the previous fiscal year.

Net sales in this segment stood at 17,732 million yen (up 7.0%), and operating profit came to 2,795 million yen (up 2.6%).

(Construction, Equipment, and Real Estate)

In the Construction, Equipment and Real Estate business, net sales stood at 10,943 million yen (down 4.7% year on year), and operating profit at 203 million yen (down 10.6%). These results are attributable chiefly to delays in the receipt of orders for facility construction projects and for equipment sales.

(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 166,000.

Net sales in this segment stood at 3,883 million yen (up 1.2%), and operating profit came to 192 million yen (up 140.3%).

(Others)

Net sales in the nursing care business stood at 697 million yen (up 0.4%), reflecting an increase in the number of users. In the ship repair business, net sales amounted to 637 million (up 9.6%) as the number of ships that the Group repaired soared. In the bridal events business, net sales reached 549 million yen (up 37.9%), following a recovery in weddings and receptions.

As a consequence of these initiatives, net sales in this segment stood at 2,257 million yen (up 8.7% year on year) with an operating loss of 47 million yen (compared with an operating profit of 23 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 six months under review stood at 190,820 million yen, a decrease of 2,518 million yen from the end of the previous fiscal year. The decrease was attributable primarily to a decline of 7,677 million yen in notes and accounts receivable - trade and contract assets mainly for seasonal reasons, which was partially offset by an increase of 1,828 million in Other as part of current assets after a rise in derivative valuations, an increase of 1,463 million yen in Other as part of investments and other assets, an increase of 1,009 million yen in property, plant and equipment and an increase of 896 million yen in cash and deposits.

Total liabilities came to 106,020 million yen, a decrease of 5,014 million yen from the end of the previous fiscal year. This was due to a fall of 4,367 million yen in notes and accounts payable-trade due to seasonal and other factors and a decline of 2,643 million yen in other in current assets, which were partially offset by an increase of 1,756 million yen in short-term borrowings.

Total net assets were 84,800 million yen, an increase of 2,496 million yen from the end of the previous fiscal year. This was chiefly due to profit attributable to owners of the parent posted at 2,219 million yen, an increase of 1,490 million yen in deferred gains or losses on hedges and an increase of 760 million yen in the valuation difference on available-for-sale securities despite dividends of surplus of 2,101 million yen.

2) Cash Flows

Cash and cash equivalents ("cash") as of September 30, 2023 were 5,086 million yen, an increase of 1,058 million yen from the end of the previous fiscal year.

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

(Cash flows from operating activities)

Net cash provided by operating activities was 13,765 million yen (5,808 million yen higher year on year). Cash inflows were attributable primarily to decreases in profit before income taxes and in trade receivables and depreciation as a non-cash account title, which were partially offset by income taxes paid and a decrease in notes and accounts payable-trade, among other cash outflows.

Net cash used in operating activities increased substantially year on year. This is due mainly to a greater decrease in trade receivables and to contracting increase in inventories and of income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities 9,704 million yen (2,843 million yen less year on year). The cash outflows were attributable primarily to purchases of property, plant and equipment and intangible assets and to expenses for acquisition of securities.

(Cash flows from financing activities)

Net cash used in financing activities was 3,018 million yen (1,309 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 six 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.

1. Quarterly Consolidated Financial Statements and Notes
(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2023	Six Months Ended September 30, 2023
Assets		
Current assets		
Cash and deposits	4,359	5,256
Notes and accounts receivable - trade, and contract assets	29,899	22,222
Merchandise and finished goods	5,448	5,360
Work in process	1,130	1,572
Raw materials and supplies	1,589	1,522
Other	9,850	11,679
Allowance for doubtful accounts	-454	-440
Total current assets	51,824	47,172
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	36,188	36,563
Machinery, equipment and vehicles, net	26,038	26,067
Land	24,841	24,884
Other, net	23,316	23,878
Total property, plant and equipment	110,384	111,394
Intangible assets		
Goodwill	5,904	5,814
Other	4,588	4,404
Total intangible assets	10,492	10,219
Investments and other assets		
Net defined benefit asset	4,092	4,122
Other	16,785	18,248
Allowance for doubtful accounts	-243	-338
Total investments and other assets	20,634	22,032
Total non-current assets	141,511	143,645
Deferred assets	3	3
Total assets	193,339	190,820

(Millions of yen)

	Fiscal Year Ended March 31, 2023	Six Months Ended September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable–trade	19,801	15,434
Short-term borrowings	15,753	17,509
Income taxes payable	2,247	2,007
Other provisions	1,570	1,815
Other	21,673	19,029
Total current liabilities	61,046	55,796
Non-current liabilities		
Long-term borrowings	30,855	30,758
Other provisions	342	295
Retirement benefit liability	1,377	1,445
Other	17,412	17,723
Total non-current liabilities	49,988	50,223
Total liabilities	111,034	106,020
Net assets		
Shareholders' equity		
Capital stock	14,000	14,000
Capital surplus	25,566	25,566
Retained earnings	38,526	38,644
Treasury stock	-2,601	-2,561
Total shareholders' equity	75,492	75,650
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,458	2,218
Deferred gains or losses on hedges	—	1,490
Foreign currency translation adjustment	741	916
Remeasurements of defined benefit plans	2,492	2,332
Total accumulated other comprehensive income	4,692	6,958
Share acquisition rights	36	50
Non-controlling interests	2,083	2,141
Total net assets	82,304	84,800
Total liabilities and net assets	193,339	190,820

(2) Quarterly Consolidated Statements of Income, Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(Six-months Ended September 30, 2023)

(Millions of yen)

	Six Months Ended September 30, 2022 (April 1, 2022 to September 30, 2022)	Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)
Sales	104,110	105,226
Cost of sales	64,874	64,715
Gross profit	39,236	40,510
Selling, general and administrative expenses	34,982	36,255
Operating profit	4,253	4,254
Non-operating profit		
Interest income	10	5
Dividend income	122	133
Commission fee	14	13
Other	192	172
Total non-operating profit	339	325
Non-operating expenses		
Interest expenses	132	147
Share of loss of entities accounted for using equity method	1,963	37
Other	64	39
Total non-operating expenses	2,160	224
Recurring profit	2,432	4,355
Extraordinary income		
Gain on sales of non-current assets	27	167
Gain on sale of investment securities	64	—
Transmission line equipment subsidy	60	23
Subsidy income	3	2
Total extraordinary income	156	193
Extraordinary losses		
Loss on sales of non-current assets	0	—
Loss on retirement of non-current assets	401	597
Loss on valuation of investment securities	314	33
Total extraordinary losses	716	630
Quarterly net income before income taxes	1,873	3,918
Income taxes (current)	1,614	1,831
Income taxes (deferred)	22	-199
Total income taxes	1,637	1,632
Quarterly net income	236	2,286
Quarterly net income attributable to non-controlling interests	88	66
Quarterly net income attributable to owners of the parent	147	2,219

(Consolidated Statements of Comprehensive Income)
(Six-months Ended September 30, 2023)

(Millions of yen)

	Six Months Ended September 30, 2022 (April 1, 2022 to September 30, 2022)	Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)
Quarterly net income	236	2,286
Other comprehensive income		
Valuation difference on available-for-sale securities	516	760
Deferred gains (losses) on hedges	—	1,490
Foreign currency translation adjustment	-2	10
Remeasurements of defined benefit plans, net of tax	-161	-159
Share of other comprehensive income of entities accounted for using equity method	529	165
Total other comprehensive income	881	2,267
Quarterly comprehensive income	1,117	4,553
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent	1,025	4,486
Quarterly comprehensive income attributable to non-controlling interests	91	67

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six Months Ended September 30, 2022 (April 1, 2022 to September 30, 2022)	Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)
Cash flows from operating activities		
Quarterly net income before income taxes	1,873	3,918
Depreciation	7,498	7,800
Amortization of goodwill	489	483
Increase (decrease) in net defined benefit asset and liability	-204	-189
Interest and dividend income	-132	-139
Loss (gain) on sales of investment securities	-64	—
Interest expenses	132	147
Share of loss (profit) of entities accounted for using equity method	1,963	37
Loss (gain) on sale of property, plant and equipment	-27	-167
Loss (gain) on valuation of investment securities	314	33
Loss on retirement of non-current assets	401	597
Decrease (increase) in trade receivables	5,625	8,127
Decrease (increase) in inventories	-2,471	-26
Increase (decrease) in trade payables	-2,310	-4,377
Other	-1,992	-1,006
Subtotal	11,094	15,239
Income taxes paid	-3,137	-1,474
Net cash provided by (used in) operating activities	7,956	13,765
Cash flows from investing activities		
Interest and dividend income received	172	165
Purchase of securities	-1,150	-1,014
Proceeds from sales of securities	95	—
Purchase of tangible and intangible assets	-6,699	-8,663
Proceeds from sales of tangible and intangible assets	251	504
Loan advances	—	-560
Proceeds from collection of loans receivable	601	6
Other	-132	-142
Net cash provided by (used in) investing activities	-6,861	-9,704
Cash flows from financing activities		
Interest expenses paid	-135	-151
Net increase (decrease) in short-term loans payable	2,300	1,784
Repayments of lease obligations	-2,294	-2,417
Proceeds from long-term loans payable	5,950	5,400
Repayment of long-term loans payable	-5,288	-5,525
Payments for acquisition of treasury stock	-0	-0
Cash dividends paid	-2,231	-2,099
Other	-8	-9
Net cash provided by (used in) financing activities	-1,709	-3,018
Effect of exchange rate change on cash and cash equivalents	5	16
Net increase (decrease) in cash and cash equivalents	-608	1,058
Cash and cash equivalents at beginning of period	4,447	4,028
Cash and cash equivalents at end of period	3,838	5,086

(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.)

We have changed the order of the reporting segments from the first consolidated accounting period. As a result, we have also changed the order of the reporting segments for the second consolidated cumulative period in the same way.

[Segment Information]

I. Six Months Ended September 30, 2022 (April 1, 2022 to September 30, 2022)

Information on net sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments						Other *1	Total	Adjustments *2	Amount in quarterly consolidated statement of income *3
	Energy	Information and Communicat ions	CATV	Construction , Equipment, and Real Estate	Aqua	Subtotal				
Net sales										
Sales to external customers	44,053	26,078	16,574	11,486	3,838	102,033	2,077	104,110	—	104,110
Intra-segment sales and transfer	98	2,038	245	479	125	2,987	177	3,165	-3,165	—
Subtotal	44,152	28,117	16,820	11,966	3,964	105,021	2,254	107,276	-3,165	104,110
Segment profit (loss)	-216	1,609	2,724	227	80	4,425	23	4,449	-195	4,253

(Notes) 1. The "Others" 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 profit (loss) are eliminations due to intra-segment transactions.

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

II. Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)

Information on net sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments						Other *1	Total	Adjustments *2	Amount in quarterly consolidated statement of income *3
	Energy	Information and Communicat ions	CATV	Construction , Equipment, and Real Estate	Aqua	Subtotal				
Net sales										
Sales to external customers	42,952	27,457	17,732	10,943	3,883	102,968	2,257	105,226	—	105,226
Intra-segment sales and transfer	78	2,692	209	475	139	3,595	164	3,760	-3,760	—
Subtotal	43,030	30,150	17,941	11,419	4,022	106,564	2,422	108,986	-3,760	105,226
Segment profit (loss)	-740	2,125	2,795	203	192	4,576	-47	4,529	-274	4,254

(Notes) 1. The "Others" 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 profit (loss) are eliminations due to intra-segment transactions.

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