

TOKAI Holdings3167 Tokyo Stock Exchange
First Section

11-Aug.-15

Important disclosures
and disclaimers appear
at the end of this document.FISCO Ltd. Analyst
Yuzuru Sato

■ Considering entering the electricity retailing market with Tokyo Electric Power Co.

Based in Shizuoka Prefecture, Japan, TOKAI Holdings Corporation <3167> engages in two main businesses, energy and home services, primarily the provision of liquefied petroleum gas (LPG) in canisters, and information and telecommunications services. Aiming to become a “Total Life Concierge”(TLC), a company offering a complete range of services for everyday life, TOKAI Holdings just completed the first fiscal year of its three-year medium-term management plan, called Innovation Plan 2016 “Growing”. This plan targets consolidated net sales of ¥209.5bn and operating profit of ¥12.6bn for its final year, the fiscal year through March 2017, i.e., FY3/17.

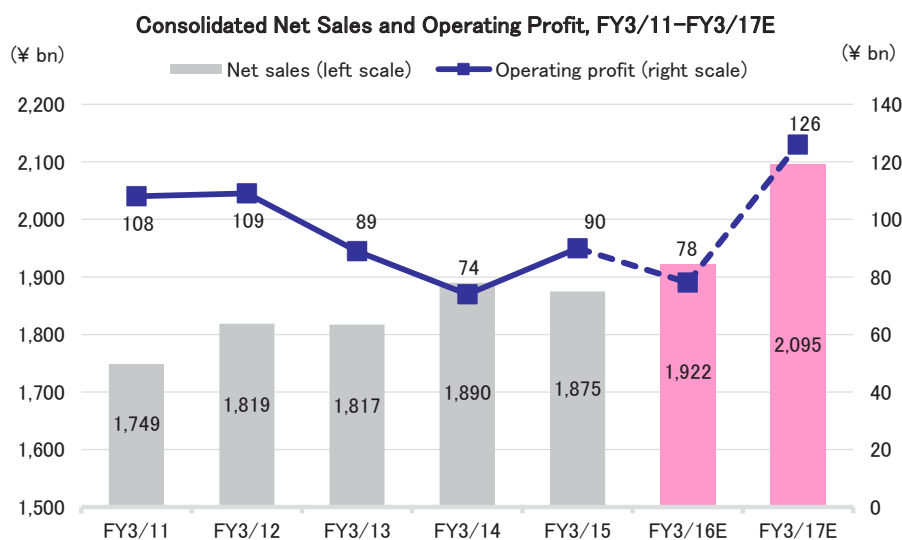
In FY3/15, the company’s consolidated net sales edged down by 0.8% year-on-year (y-o-y) to ¥187,511mn, but its operating profit grew 21.8% to ¥9,003mn, the first rise in three years. Profit growth was led by the gas and oil business, the information and telecommunications services business, and the water business, and the number of customers increased by 19,000 to 2,537,000 at the end of FY3/15. The company’s financial position continued to improve in FY3/15, as the balance of its interest-bearing debt fell faster than the company had projected.

For FY3/16, the company projects a 2.5% y-o-y upturn in consolidated net sales to ¥192.2bn, but a 13.8% decline in operating profit to ¥7.76bn. The company foresees an operating profit drop because it plans to increase its selling expenses by ¥3.0bn y-o-y to promote sales of its broadband communications services through fiber-optic cables in collaboration with telecommunications carriers and mass retailers of electronic goods. Nonetheless, the company forecasts a y-o-y drop in this cost in FY3/17, leading to a consolidated operating profit of ¥12.7bn for FY3/17, slightly higher than its original target.

On May 27, 2015, the company announced that it and Tokyo Electric Power Co., Ltd. <9501> were considering tying up to enter the Japanese market for electricity retailing. By providing electricity, the company hopes to expand its line of life infrastructure services and increase the number of its customers. The company is also preparing to introduce a menu of bundled services for its 2,537,000 customers, a strategy by which it plans to lift the proportion of customers that subscribe to many services, now only 7%, and increase the sales per subscriber.

■ Check Point

- In FY3/15, the company surpassed the goals for interest-bearing debt and equity ratio that it had targeted for FY3/16
- The company and Tokyo Electric Power Co. are considering tying up to sell electricity
- The company’s basic policy is to maintain steady dividends and a high dividend payout ratio



■ Business Trends

Net profit hit a record high in FY3/15, surpassing the last high of FY3/13

(1) FY3/15 results

In FY3/15, consolidated net sales decreased by 0.8% y-o-y to ¥187,511mn, but operating profit rose 21.8% to ¥9,003mn, recurring profit increased 21.9% to ¥8,549mn, and net profit jumped 51.4% to ¥3,934mn. Net sales were slightly lower than the company had planned, but profits were higher than planned. Net profit reached a record high, eclipsing the previous high of FY3/13.

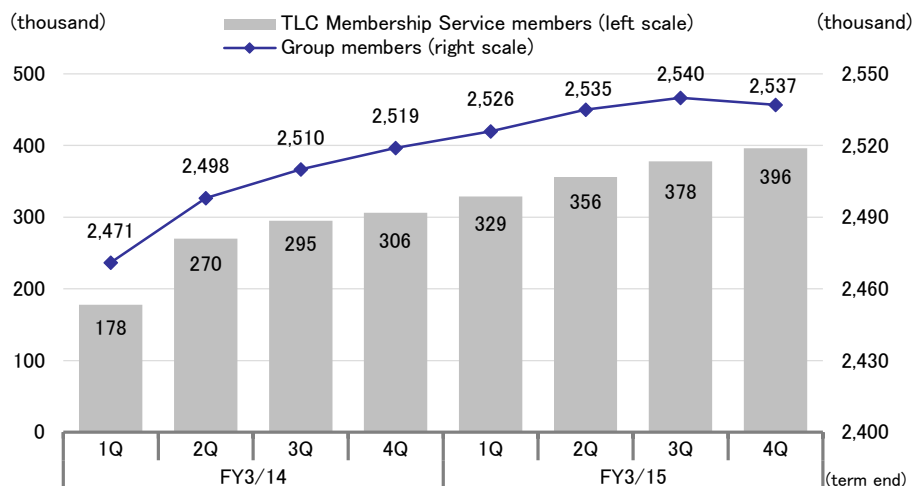
Profit improvement was led by the oil and gas business, the information and telecommunications services business, and the water business. The operating profit margin rose 0.9ppt y-o-y, reflecting a decline in the cost of sales ratio, a modest increase in selling costs, and a drop in SG&A expenses due to improved productivity in indirect administration. The company's effective tax rate fell to 47.8% in FY3/15 from 56.4% in FY3/14, lifting net profit substantially.

FY3/15 Consolidated Results

	FY3/14		FY3/15		
	Result	% of sales	Result	% of sales	y-o-y
Net sales	188,987	-	187,511	-	-0.8%
Sales cost	120,646	63.8%	118,579	63.2%	-1.7%
SG&A expenses	60,948	32.2%	59,928	32.0%	-1.7%
Operating profit	7,392	3.9%	9,003	4.8%	21.8%
Recurring profit	7,013	3.7%	8,549	4.6%	21.9%
Net profit	2,598	1.4%	3,934	2.1%	51.4%

At the end of FY3/15, TOKAI Holdings served 2,537,000 customers, which was 19,000 more than it served at the end of FY3/14. The numbers of customers for the LPG business, the cable TV broadcasting business and the security business declined slightly, but the numbers for broadband services, the cable TV telecommunications service, and the water service increased. In December 2012, the company launched its TLC Membership Service to build customer loyalty and increase the proportion of multi-service contracts with customers. At the end of FY3/15, this service had 396,000 members, which was 90,000 more than it had a year earlier.

Number of Customers in the TOKAI Holdings Group and in the TLC Membership Service



Number of Customers per Service

	FY3/12	FY3/13	FY3/14	FY3/15	Nominal change
Gas (LPG, utility gas)	648	629	628	626	-2
Security	20	19	19	18	-1
Water	97	102	122	130	+7
Information and telecommunications (fixed line and Wi-Fi)	758	816	854	864	+9
Broadband	748	805	840	846	+6
Information and telecommunications (mobile)	193	213	227	235	+7
Cable TV	722	691	693	690	-3
Broadcasting	542	505	502	493	-9
Telecommunications	180	186	191	197	+6
Total	2,415	2,445	2,519	2,537	+19

Gas and oil business lifted profit by rationalizing indirect support and improving administrative efficiency

(2) Business segment results

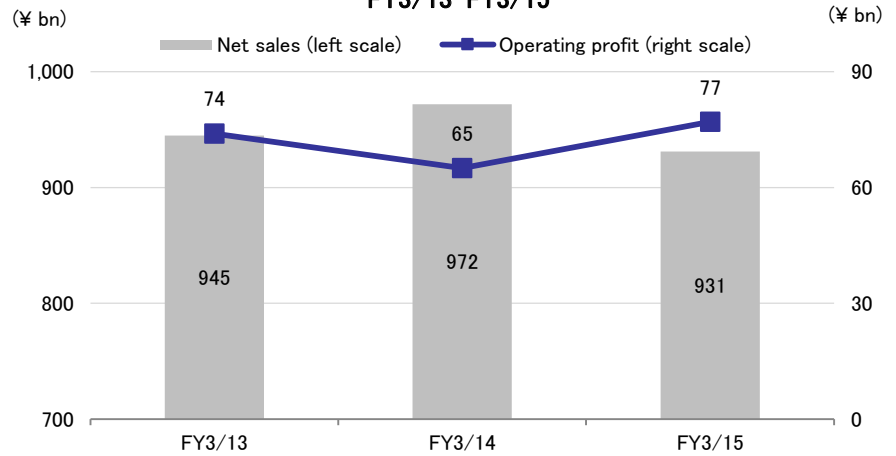
FY3/15 performances by business segment are explained below.

○Gas and Oil Business

In the gas and oil business, net sales fell 4.3% y-o-y to ¥93.1bn in FY3/15, but operating profit grew by ¥1.2bn to ¥7.7bn. The sales decline was due mainly to two factors in the company's mainstay LPG business: 1) the number of customers for the business dropped by 3,000 to 572,000, and the business lowered its sales price to reflect a decrease in its raw material cost.

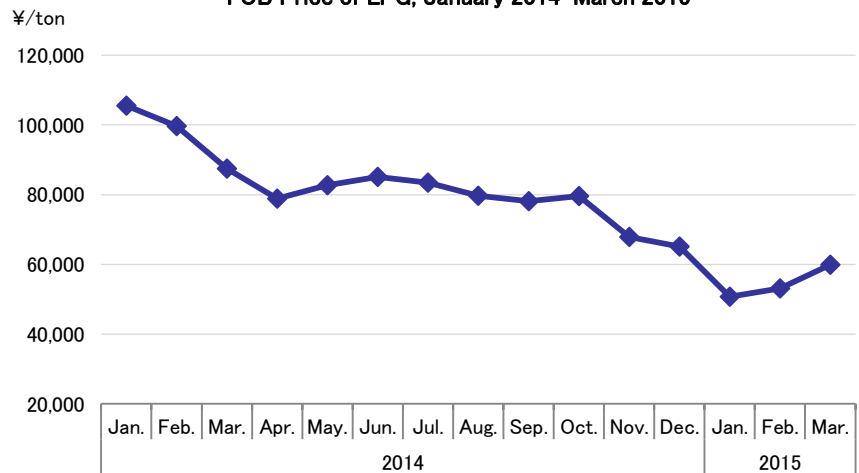
Of the ¥1.2bn improvement in segment operating profit, about ¥1.1bn resulted from a drop in SG&A expenses stemming from the rationalization of indirect support and an increase in administrative efficiency.

**Net Sales and Operating Profit in the Gas and Oil Business,
FY3/13–FY3/15**



Note: Operating profit is before the allocation of indirect corporate costs

FOB Price of LPG, January 2014–March 2015

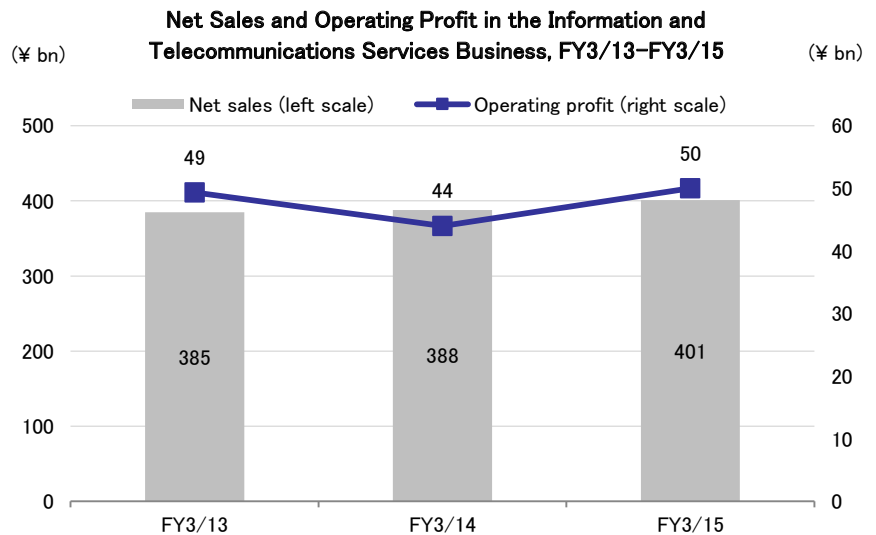


Source: Japan LP Gas Association

○ **Information and Telecommunications Services Business**

In the information and telecommunications services business, net sales increased by 3.4% y-o-y to ¥40.1bn and operating profit grew by ¥500mn to ¥5.0bn. A 6,000 increase in the number of customers for broadband services lifted operating profit by ¥300mn, customer acquisition costs were cut by ¥100mn, and an increase in sales of telecommunications services to companies raised operating profit by ¥200mn.

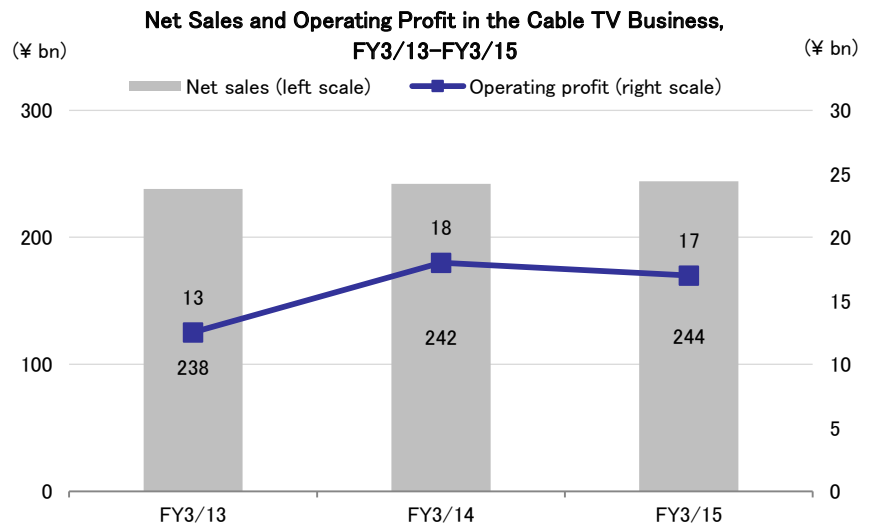
As part of its broadband services, in FY3/15, the company began selling the @ TCOM Hikari service and the TNC Hikari service in collaboration with Nippon Telegraph and Telephone Corp. (NTT), which provides the fiber-optic cables for these services. With an expansion of the Japanese market for cloud computing, corporate demand for the company's high-speed communications services and data centers increased, supporting the growth of its corporate telecommunications services.



Note: Operating profit is before the allocation of indirect corporate costs

○ **Cable TV Business**

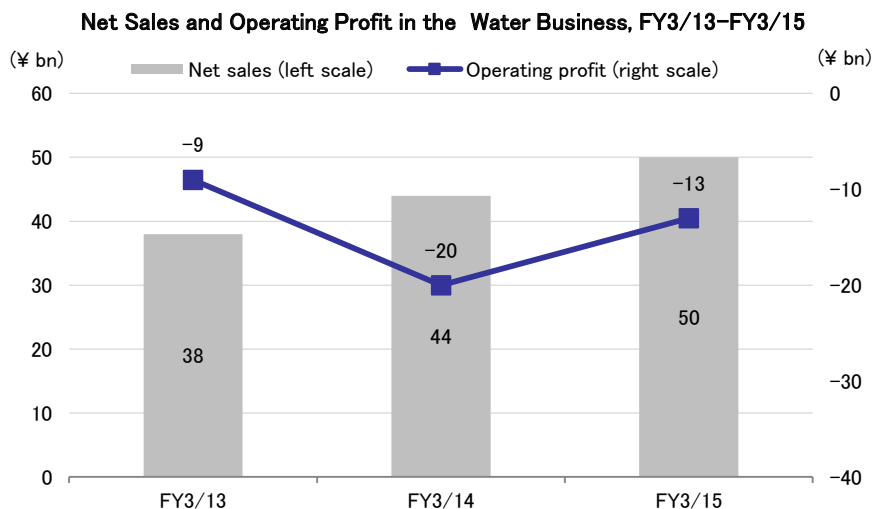
In the cable TV business, net sales rose 0.7% y-o-y in FY3/15 to ¥24.4bn, but operating profit edged down by ¥100mn to ¥1.7bn. The number of customers for the cable TV broadcasting service fell by 9,000 in FY3/15 because the service stopped the rebroadcasting of programs to areas not served by digital TV broadcasting from Tokyo. However, the number of customers for cable TV telecommunications services increased by 5,000, sustaining a slight increase in overall net sales in the business. Operating profit declined in the cable TV business primarily because the business increased its costs by ¥100mn to prevent the loss of customers for the broadcasting service.



Note: Operating profit is before the allocation of indirect corporate costs

○ **Water Business**

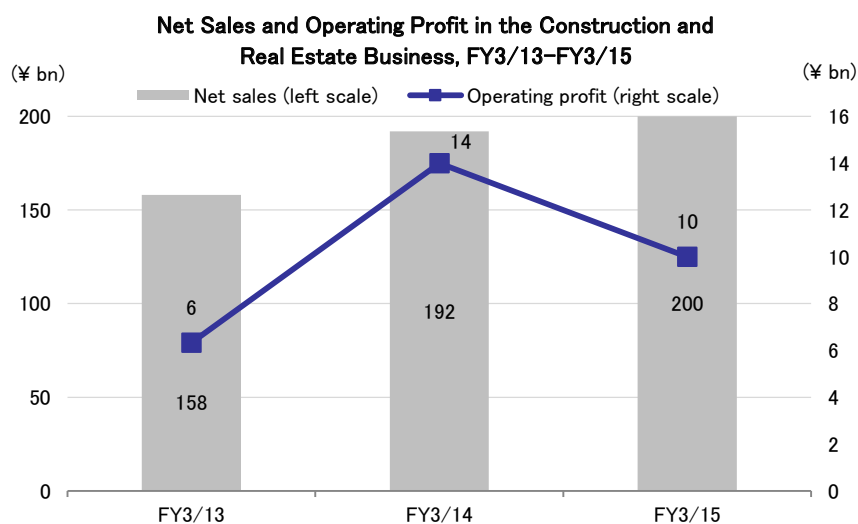
In the water business, sales grew 13.3% y-o-y to ¥5.0bn, and the operating loss suffered by this business shrank by ¥700mn to ¥1.3bn. The number of customers for this business increased by 7,000 to 130,000, reflecting sales promotions in the Greater Osaka area and other parts of Japan, as well as in the business's main markets of Shizuoka Prefecture and the Greater Tokyo region. The increase in the number of customers reduced the operating loss by ¥300mn, and the business cut its costs of customer acquisition, advertising and sales promotion by ¥500mn.



Note: Operating profit is before the allocation of indirect corporate costs

○ **Construction and Real Estate Business**

In the construction and real estate business, net sales increased by 4.0% y-o-y to ¥20.0bn, but operating profit decreased by ¥400mn to ¥1.0bn. The business sold all 12 units of a new condominium building in Shizuoka City, and the company merged its housing renovation business in Greater Tokyo into its construction and real estate business. These factors supported overall sales growth. In general, however, the demand for construction and real estate weakened in FY3/15 in reaction to rush demand in FY3/14 before Japan's consumption tax was raised to 8% from 5%. This downturn in demand was the main factor causing the operating profit decline.

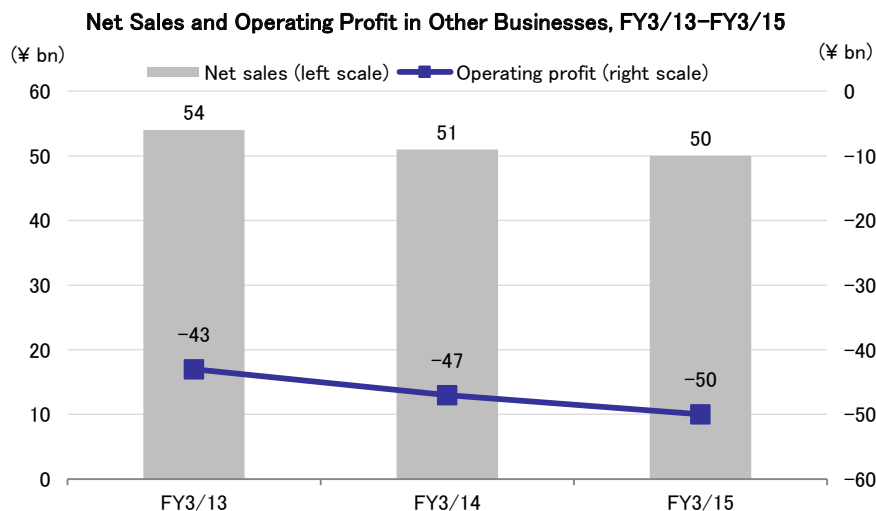


Note: Operating profit is before the allocation of indirect corporate costs

○ **Other Businesses, Adjustments**

In other businesses, after adjustments for all businesses, sales dropped 3.0% y-o-y to ¥5.0bn, and the operating loss expanded by ¥300mn to ¥5.0bn.

In the nursing care business, the company opened three new facilities in Shizuoka Prefecture, including day care facilities and nursing homes offering day care, bringing the total of such facilities to seven. The number of users of these facilities increased, supporting a rise in sales in this business, but the cost increase required to build the new facilities led to a drop in profit. In the wedding ceremony business, sales continued to decline y-o-y in FY3/15, reflecting a drop in the number of weddings. Therefore, the company closed one of its three wedding halls in Shizuoka Prefecture at the end of FY3/15.



Note: Operating profit is before the allocation of indirect corporate costs

Targets for interest-bearing debt and equity ratio achieved one year ahead of schedule

(3) Financial position

At the end of FY3/15, total assets came to ¥165.7bn, which was ¥7.9bn less than the total at the end of FY3/14. Sales receivable decreased by ¥2.0bn, inventories dropped by ¥1.5bn, and goodwill fell by ¥2.0bn. Total liabilities at the end of FY3/15 were ¥122.2bn, down ¥13.1bn y-o-y, due mainly to a ¥12.7bn drop in interest-bearing debt. Net assets increased by ¥5.1bn during FY3/15 to ¥43.5bn, due to additional retained earnings and valuation gains on other securities holdings.

Interest-bearing debt fell more in FY3/15 than the company had planned for. In its current three-year management plan, the company had targeted ¥74.1bn of interest-bearing debt for the end of FY3/16, but at the end of FY3/15, this debt stood at ¥73.1bn. Similarly, the company's equity ratio rose to 25.7% at the end of FY3/15, whereas the company had targeted an equity ratio of 25.1% for the end of FY3/16.

Summary Consolidated Balance Sheet at the End of FY3/11, FY3/14 and FY3/15

	FY3/11	FY3/14	FY3/15	change
Total assets	1,932	1,736	1,657	-79
Total liabilities	1,716	1,352	1,222	-131
Net assets	215	383	435	+51
Balance of interest-bearing debt	1,240	858	731	-127
Equity ratio (%)	7.7	21.6	25.7	+4.1pt

■ Business Outlook

To promote the conversion of current broadband customers to collaborative fiber-optic services and enroll new customers for these services

(1) Company forecasts for FY3/16

For FY3/16, the company forecasts consolidated net sales of ¥192.2bn, up 2.5% y-o-y, operating profit of ¥7.76bn, down 13.8%, recurring profit of ¥7.41bn, down 13.3%, and net profit of 3.24bn, down 17.7%. The company foresees profit declines mainly because it intends to increase its costs by ¥3.0bn to promote sales of its collaborative fiber-optic services in its broadband business.



TOKAI Holdings

3167 Tokyo Stock Exchange
First Section

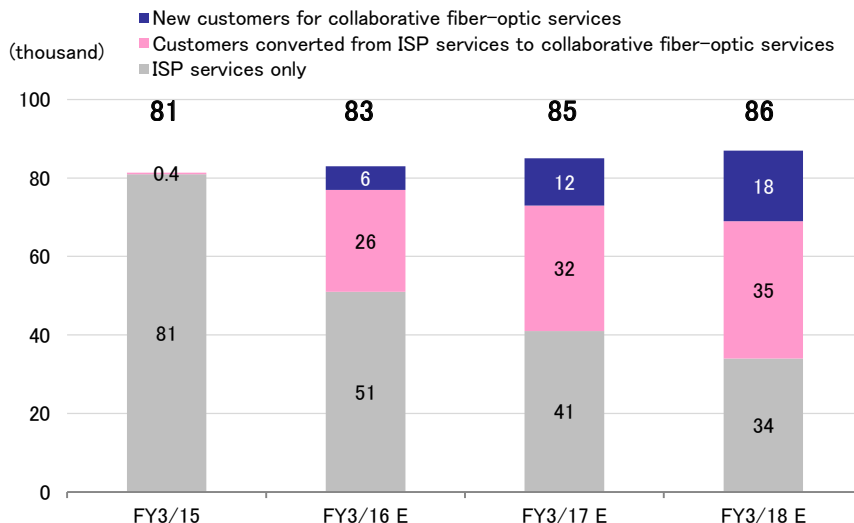
11-Aug.-15

Impact of collaborative fiber-optic services on profit

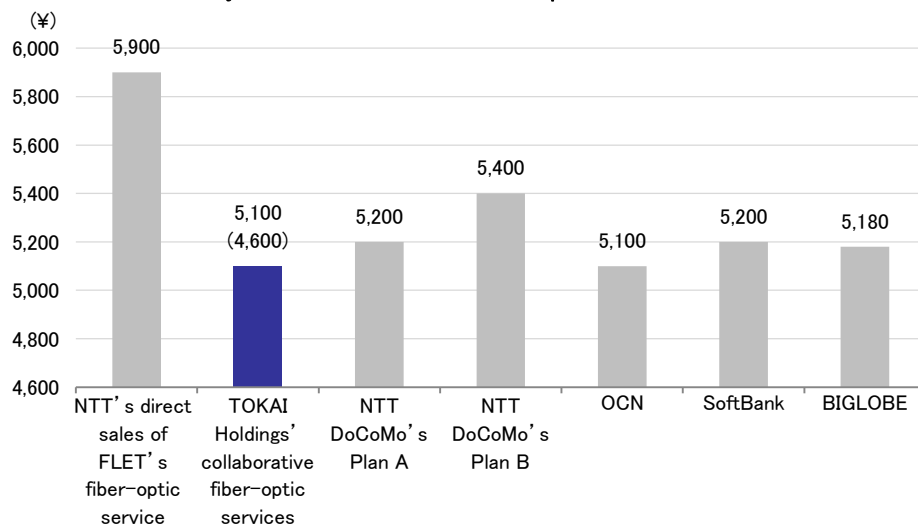
At the end of FY3/15, TOKAI Holdings had 81,000 broadband services customers throughout Japan. However, since the liberalization of wholesale sales of NTT's fiber-optic telecommunications circuits, in February 2015, telecommunications carriers have been able to expand their internet service provider (ISP) broadband services, and cell phone carriers, such as NTT DoCoMo, Inc., have entered the market for broadband services. Thus, the competition for broadband customers has intensified. Therefore, TOKAI Holdings will encourage its current broadband customers to convert to one of the company's collaborative fiber-optic broadband services and enroll new customers for these services. To do so, the company will increase its sales promotion expense by ¥3.0bn y-o-y in FY3/16.

For FY3/16, the company plans to convert 260,000 of its current ISP broadband customers to one of its collaborative fiber-optic broadband services and to attract 60,000 new customers for these services. However, the process of changing to collaborative fiber-optic services will be gradual. Thus, even by FY3/18, the company expects about 40% of its broadband customers to use ISP services only.

Number of Broadband Services Customers



Monthly Fees for Collaborative Fiber-optic Broadband Services





TOKAI Holdings

3167 Tokyo Stock Exchange
First Section

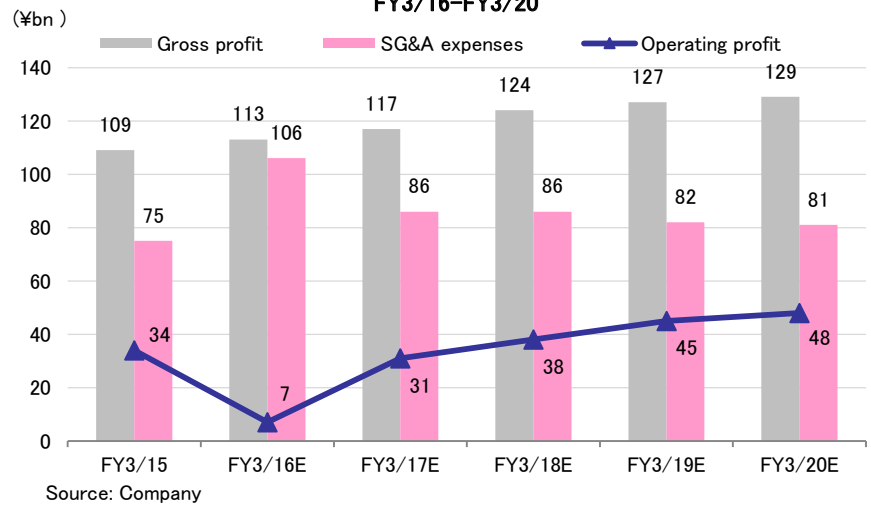
11-Aug.-15

TOKAI Holdings has set a monthly fee of ¥5,100 for its collaborative fiber-optic broadband services, matching the lowest fee charged in the industry. For new customers who sign up for one of these services before the end of June 2015, the monthly fee is only ¥4,600 for the first year of service. The company has been charging a monthly fee of ¥1,200 for its ISP broadband services, so a switch to one of its collaborative fiber-optic broadband services would increase its broadband sales by more than four times, having a significant impact on operating profit.

Of course, the company has to pay for access to fiber-optic circuits, but it estimates that its collaborative fiber-optic broadband services will yield 50% more gross profit than its ISP broadband services. Consequently, if the proportion of its broadband services provided through collaborative fiber-optic cables grows, its gross profit margin will decline, but its overall gross profit will increase. Assuming that the customer acquisition cost for the collaborative fiber-optic services is the same as that for the ISP services, the increase in the proportion of broadband services provided by collaborative fiber-optic services would expand profits substantially.

For FY3/16, the company projects a ¥2.7bn y-o-y drop in operating profit in the broadband services business to ¥700mn, because of the planned ¥3.0bn increase in sales promotion costs. However, for FY3/17, the company foresees a y-o-y drop in sales promotion costs, supporting a rise in business operating profit to ¥3.1bn.

Company Forecasts of Profits in the Broadband Business, FY3/16–FY3/20



○Company forecasts for FY3/16 by business segment

Business Segment Net Sales

	FY3/13	FY3/14	FY3/15	FY3/16E	Nominal change
Gas and oil	945	972	931	861	-70
Information and telecommunications services	385	388	401	472	+71
Cable TV	238	242	244	248	+4
Construction and real estate	158	192	200	227	+27
Water	38	44	50	58	+8
Other businesses and adjustments	54	51	50	55	+5
Total	1,817	1,890	1,875	1,922	+47

Business Segment Operating Profit

	FY3/13	FY3/14	FY3/15	FY3/16E	Nominal change
Gas and oil	74	65	77	79	+2
Information and telecommunications services	49	44	50	27	-23
Cable TV	13	18	17	18	+1
Construction and real estate	6	14	10	14	+4
Water	-9	-20	-13	-10	+3
Other businesses and adjustments	-43	-47	-50	-51	-1
Total	89	74	90	78	-12

Note: Operating profit is before the allocation of indirect corporate costs

Number of Customers (thousand) by Service

	FY3/13	FY3/14	FY3/15	FY3/16E	Nominal change
Gas (LPG, utility gas)	629	628	626	639	+13
Security	19	19	18	18	+0
Water	102	122	130	146	+16
Information and telecommunications services (fixed line and Wi-Fi)	816	853	864	881	+18
Information and telecommunications services (mobile)	213	227	235	240	+5
Cable TV	691	693	690	712	+22
Total	2,445	2,519	2,537	2,611	+73

For the gas and oil business, the company forecasts a 7.5% y-o-y drop in net sales to ¥86.1bn in FY3/16, but a ¥200mn rise in operating profit to ¥7.9bn. The business plans to expand its area of operations into the southern part of the Tohoku region (northeast Honshu) and into Aichi Prefecture. It also intends to merge or acquire smaller competitors. Therefore, it anticipates a 13,000 rise in the number of its customers to 639,000, the first rise in seven years.

In Japan's LPG industry, there are many small suppliers, but the industry has been consolidating, and the company foresees further consolidation due to changes in the operating environment, particularly increased price competition stemming from the package sale of many services, including electric power and telecommunications services. The business plans to merge or acquire smaller competitors to increase its customer base.

Despite its expectation of an increase in the number of customers for the gas and oil business, the company projects a net sales drop because the business plans to lower its prices to reflect a decline in its cost of raw materials. However, the company expects the business to cut costs by ¥1.1bn in FY3/16 through rationalization. This saving would account for more than half of the operating profit growth projected by the company.

For the information and telecommunications services business, the company forecasts a 17.7% y-o-y increase in net sales in FY3/16 to ¥47.2bn but a ¥2.3bn drop in operating profit to ¥2.7bn. As discussed previously, the company projects a ¥2.7bn y-o-y decline in operating profit in the broadband services business. However, it foresees an increase in corporate demand for telecommunication services and system development, supporting profit growth in this business. The company expects an 18,000 increase in the number of customers for its broadband services and a 5,000 increase in the number of customers for its mobile business.

For the cable TV business, the company forecasts a 1.8% y-o-y rise in net sales in FY3/16 to ¥24.8bn and a ¥100mn increase in operating profit to ¥1.8bn. By strengthening its sales of broadcasting and telecommunications services as a set, the company aims to increase the number of customers for its cable TV business by 22,000 to a total of 712,000, the first increase in two years.

For the water business, the company expects a 17.0% y-o-y upturn in net sales to ¥5.8bn and a ¥300mn decline in the operating loss to ¥1.0bn. As it did in FY3/15, the business will reinforce its sales organizations primarily in Greater Osaka, and in other areas including Hokuriku and Chugoku. The business anticipates a 16,000 increase in the number of its customers to a total of 146,000.

For the construction and real estate business, TOKAI Holdings foresees a 13.4% y-o-y increase in net sales in FY3/16 to ¥22.7bn and a ¥400mn rise in operating profit to ¥1.4bn. This business will stress the construction of new, detached homes in FY3/16, and it projects a recovery of its home renovation service. To acquire more orders for its home renovation service, the business will share customer information with the LPG business as that business expands its area of operations.

For other businesses, the company projects a 12.3% y-o-y rise in net sales to ¥5.6bn in FY3/16 but a ¥100mn increase in the operating loss to ¥5.1bn. The nursing care business is expected to lead sales growth again.

○Trends in key consolidated financial data

In FY3/16, the company's financial status is expected to continue to improve. The company plans capital investment of ¥15.2bn, which is ¥5.6bn more than its capital investment in FY3/15. This investment will be used to convert to fiber-optic cables in the cable TV business to strengthen facilities for the transmission of corporate telecommunications services, for which demand is strong, and to acquire operating rights for the LPG business. Accompanying the increase in capital investment, depreciation expense is projected to grow by about ¥300mn in FY3/16.

Despite the planned increase in capital investment, this investment will remain less than cash flow from operations, so free cash flow will remain positive. The company plans to use retained earnings to reduce its interest-bearing debt. Therefore, it projects that its equity ratio will rise by about 0.4ppt y-o-y to 26.1% at the end of FY3/16.

Key Consolidated Financial Data

	End of FY3/11	End of FY3/15	End of FY3/16E
Cash flow from operations	235	273	202
Capital investment	137	96	152
Balance of interest-bearing debt	1,240	731	725
Equity ratio	7.7%	25.7%	26.1%
EBITDA	263	262	253

Expanding TLC concept by selling electricity

(2) Preparing to sell electricity at the retail level

On May 27, 2015, TOKAI Holdings announced that it and Tokyo Electric Power Co. <9501> were considering tying up to sell electricity. The Japanese market for retail sales of electricity is scheduled to be completely liberalized as of April 1, 2016, and TOKAI Holdings hopes to establish a business relationship with Tokyo Electric Power Co. soon to exploit this growth opportunity. The Japanese markets for electricity for industrial and commercial uses have already been liberalized, and TOKAI Holdings has revealed that it plans to start selling electricity for these purposes in September 2015.

The addition of electric power to its service menu would expand TOKAI Holdings' ability to serve as a Total Life Concierge and allow the company to expand its customer base. For Tokyo Electric Power Co., which aims to increase its customer base outside its traditional area of operations, an alliance with TOKAI Holdings would give it access to the latter's sales organization, which serves a nationwide customer base. TOKAI Holdings now serves 2.54 million customers. Of these, 1.56 million live in Tokyo Electric Power's area of operations and 980,000 live outside that area. Tokyo Electric Power hopes to acquire the customers outside its area of operations.

A major strength of TOKAI Holdings is its nationwide force of about 800 sales personnel who acquire about 310,000 new customers each year and maintain direct, daily contact with the customers to support and manage service contracts. Each sales person knows all the company's life infrastructure services and can propose the ones appropriate to each customer.

By adding electric power to its service menu from April 2016 onwards, the company should be able to attract more new customers and retain existing customers more effectively. The direct profit impact of selling electricity on a retail basis would be small, but the knock-on effect of adding this service would be large.

An important issue facing the company is the low proportion of customers, 7%, who subscribe to more than one service. The company launched its TLC Membership Service in 2012 to raise this proportion, and the service has gradually had the desired effect, but there is still much room for improvement. Therefore, the company is preparing to establish new fees for services sold as a package and is considering other measures, such as increasing the points given to members of the TLC Membership Service for purchasing a service that may be applied to other services.

Aiming for a consolidated operating profit of ¥12.6bn in FY3/17

(3) Outline of Innovation Plan 2016 "Growing"

In June 2014, the company announced its medium-term plan, Innovation Plan 2016 "Growing" for the three fiscal years through FY3/17. This plan has three main objectives: 1) improved sales and profitability by building up the number of customers; 2) continued improvement of financial structure; and 3) delivery of steady and sustained returns to shareholders. The plan targets consolidated net sales of ¥209.5bn and operating profit of ¥12.6bn for FY3/17.

In FY3/15, the company earned a consolidated operating profit of ¥9.0bn, which was ¥800mn more than the target in its medium-term management plan. Because of a planned increase in costs for selling collaborative fiber-optic services, the company projects that its operating profit will fall to ¥7.8bn in FY3/16, which is ¥1.9bn less than targeted in its medium-term plan. However, the company now foresees a rebound in operating profit to ¥12.7bn in FY3/17, slightly exceeding the target in its medium-term plan.

TOKAI Holdings

3167 Tokyo Stock Exchange
First Section

11-Aug.-15

Financial Targets in Innovation Plan 2016 “Growing” versus FY3/15 Results and FY3/16 Forecasts

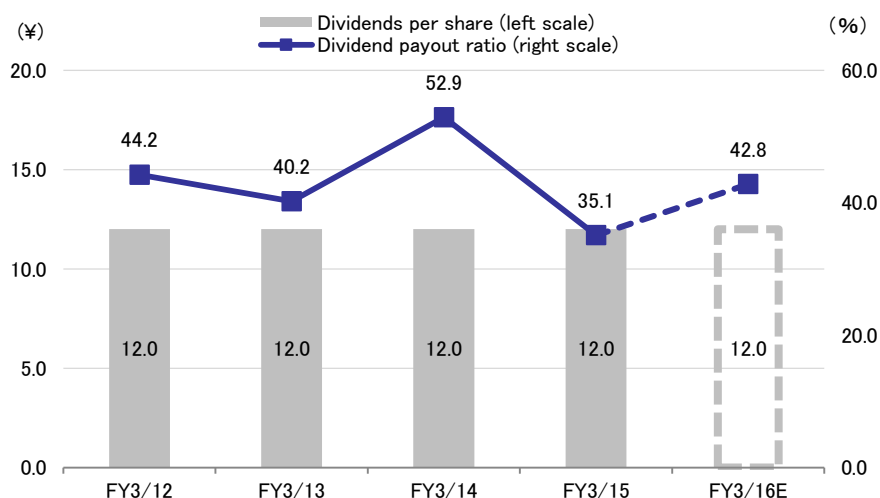
	FY3/14	FY3/15		FY3/16		FY3/17
	Result	Original plan	Result	Original plan	Current forecast	Original plan
Number of customers (thousand)	252	259	253	266	261	273
Net sales (¥bn)	1,890	1,969	1875	2,023	1,922	2,095
Operating profit (¥bn)	74	82	90	97	78	126
Earnings per share (¥)	22.67	27.86	34.16	34.91	28.04	54.06
EBITDA (¥bn)	249	252	262	267	253	287
Interest-bearing debt (¥bn)	858	818	731	741	725	647
Equity ratio	21.6%	23.0%	25.7%	25.1%	26.1%	28.6%

■ **Shareholder Return Policy**

Maintain stable dividends and high dividend payout ratio

The company’s basic policy toward shareholders is to pay stable dividends and maintain a dividend payout ratio of 40–50%. For FY3/16, the company plans to pay dividends of ¥12.0 per share, unchanged from its dividends for FY3/15. Based on the company’s EPS forecast for FY3/16, the planned dividends would yield a dividend payout ratio of 42.8%. The company also presents gifts to its shareholders at the end of every interim period, i.e., at the end of September, and at the end of each fiscal year. For each unit of shares held, a shareholder can receive one of the following gifts: ¥1,900 of bottled water products, such as the Urunon “Fuji-no-tennensui (Mt. Fuji natural water), a QUO card for ¥500, ¥1,000 of food coupons, or ¥1,000 worth of points in the TLC Membership Service.

Dividends Per Share and Dividend Payout Ratio, FY3/12–FY3/16E





TOKAI Holdings

3167 Tokyo Stock Exchange
First Section

11-Aug.-15

Consolidated Income Statement, FY3/12–FY3/16E

	(¥mn)				
	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16E
Net sales	181,931	181,684	188,987	187,511	192,200
y-o-y	4.0%	-0.1%	4.0%	-0.8%	2.5%
Sales cost	112,393	112,875	120,646	118,579	-
% of sales	61.8%	62.1%	63.8%	63.2%	-
SG&A expenses	58,614	59,874	60,948	59,928	-
% of sales	32.2%	33.0%	32.2%	32.0%	-
Operating profit	10,923	8,934	7,392	9,003	7,760
y-o-y	1.6%	-18.2%	-17.3%	21.8%	-13.8%
% of sales	6.0%	4.9%	3.9%	4.8%	4.0%
Non-operating income	1,095	983	1,006	747	-
Interest and dividends received	152	164	171	171	-
Other non-operating income	943	819	835	576	-
Non-operating expenses	2,200	1,852	1,385	1,201	-
Interest and discount paid	1,816	1,434	1,150	958	-
Other non-operating expenses	384	418	235	243	-
Recurring profit	9,818	8,065	7,013	8,549	7,410
y-o-y	3.5%	-17.9%	-13.0%	21.9%	-13.3%
% of sales	5.4%	4.4%	3.7%	4.6%	3.9%
Extraordinary gains	270	59	486	203	-
Extraordinary losses	2,626	1,954	1,508	1,210	-
Pretax profit	7,463	6,170	5,991	7,541	-
y-o-y	20.0%	-17.3%	-2.9%	25.9%	-
% of sales	4.1%	3.4%	3.2%	4.0%	-
Corporate taxes	4,695	3,073	3,381	3,573	-
Effective tax rate	62.9%	49.8%	56.4%	47.4%	-
Minority interests	52	11	10	33	-
Net profit	2,715	3,085	2,598	3,934	3,240
y-o-y	26.2%	13.6%	-15.8%	51.4%	-17.7%
% of sales	1.5%	1.7%	1.4%	2.1%	1.7%
Average number of shares outstanding (thousand)	99,935	103,372	114,627	115,163	115,562
EPS (¥)	27.17	29.85	22.67	34.16	28.04
DPS (¥)	12.0	12.0	12.0	12.0	12.0
BPS (¥)	262.92	289.34	325.75	368.15	-

Disclaimer

FISCO Ltd. (the terms "FISCO", "we", mean FISCO Ltd.) has legal agreements with the Tokyo Stock Exchange, the Osaka Exchange, and Nikkei Inc. as to the usage of stock price and index information. The trademark and value of the "JASDAQ INDEX" are the intellectual properties of the Tokyo Stock Exchange, and therefore all rights to them belong to the Tokyo Stock Exchange.

This report is based on information that we believe to be reliable, but we do not confirm or guarantee its accuracy, timeliness, or completeness, or the value of the securities issued by companies cited in this report. Regardless of purpose, investors should decide how to use this report and take full responsibility for such use. We shall not be liable for any result of its use. We provide this report solely for the purpose of information, not to induce investment or any other action.

This report was prepared at the request of its subject company using information provided by the company in interviews, but the entire content of the report, including suppositions and conclusions, is the result of our analysis. The content of this report is based on information that was current at the time the report was produced, but this information and the content of this report are subject to change without prior notice.

All intellectual property rights to this report, including copyrights to its text and data, are held exclusively by FISCO. Any alteration or processing of the report or duplications of the report, without the express written consent of FISCO, is strictly prohibited. Any transmission, reproduction, distribution or transfer of the report or its duplications is also strictly prohibited.

The final selection of investments and determination of appropriate prices for investment transactions are decisions for the recipients of this report.

FISCO Ltd.