

TOKAI Holdings

3167 Tokyo Stock Exchange
First Section

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■ In FY3/16 TOKAI Enters the Electricity Retailing Business, Aiming for a Major Increase in Operating Profit in the Final Year of the Medium-Term Management Plan

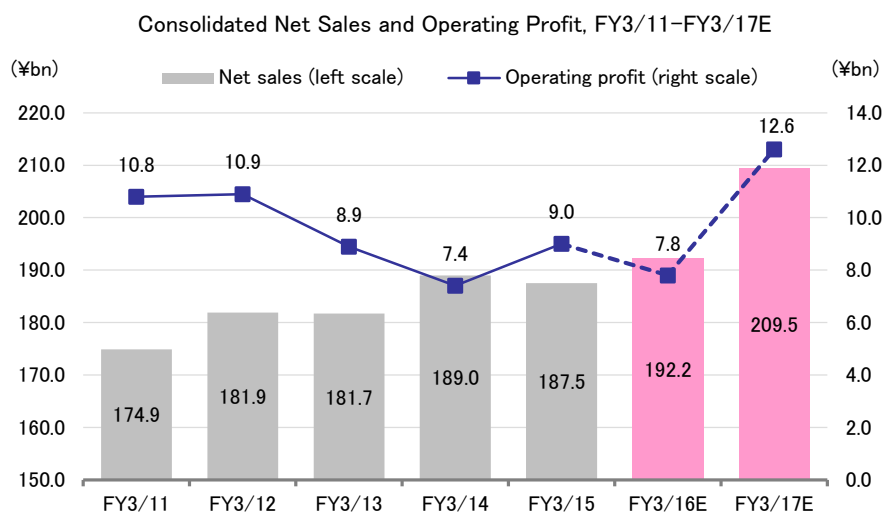
Based in Shizuoka Prefecture, Japan, TOKAI Holdings Corporation <3167> engages in two main businesses, energy and lifestyle-related services, primarily the provision of liquefied petroleum gas (LPG) in canisters, and information and telecommunications services. Aiming to become a "Total Life Concierge" (TLC), a company offering a complete range of services for everyday life, TOKAI Holdings has 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 the results for Q1 FY3/16 (April-June, 2015), announced on July 30, the company's net sales were ¥42,672 million, down 3.7% year on year ("y-o-y"), and its operating profit was ¥1,708mn, up 3.1%. Net sales increased mainly because of lower procurement prices, improving administrative efficiency, and improved earnings in the water business, despite a decline in sale prices for LPG. Operating income exceeded the company's plan by around ¥500mn. The number of customers in the Group at the end of June 2015 was up 11,000 y-o-y to 2,537,000. Moreover, the number of subscribers to the collaborative fiber-optic broadband service was 58,000, a steady increase, if somewhat slower than expected.

The company has left its projection for full-year results for FY3/16 unchanged from the initial plan, with 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 the optical-fiber collaboration service. Furthermore, FY3/16 is also the year when the company will enter the electricity retail business. The company plans to start sales to large-scale customers in September 2015 and begin servicing household customers from January 2016. Along with electricity sales, the company also plans to offer a menu of bundled services provided within the group, and will promote a strategy of increasing the proportion of customers that subscribe to multiple services from 7% currently to further retain its customers. The company is projecting a major increase in operating profit in FY3/17, mainly due to the end of promotion expenses for the collaborative fiber-optic service, improved earnings in the water business, and the start of the electricity sales business.

■ Check Point

- Recent Q1 results show increased operating profit, at a level higher than company plan
- Entry into electricity retail service business is a new growth opportunity
- The company will continue to pay a stable dividend, based on a dividend payout ratio in the 40% level, with a ¥12 dividend forecast



■ Business Trends

Recent Q1 Results Show Increased Operating Profit, at a Level Higher Than Company Plan

(1) Q1 FY3/16 results

In the results for Q1 FY3/16 (April – June, 2015) announced on July 30, consolidated net sales decreased 3.7% y-o-y to ¥42,672mn, operating profit increased 3.1% to ¥1,708mn, recurring profit increased 6.6% to ¥1,649mn, and net profit increased 0.2% to ¥714mn. Net sales were mainly in line with the company's plan, but operating profit exceeded the plan by about ¥500mn. The main reason for the increase was slower-than-expected pace of conversion to the collaborative fiber-optic service, which kept sales promotion expenses lower by about ¥300mn, as well as a ¥200mn increase in earnings attributable to companywide improving administrative efficiency.

Q1 FY3/16 Consolidated Results

	Q1 FY3/15		Q1 FY3/16		
	Result	% of sales	Result	% of sales	y-o-y
Net sales	44,302	-	42,672	-	-3.7%
Sales cost	27,789	62.7%	26,251	61.5%	-5.5%
SG&A expenses	14,855	33.5%	14,713	34.5%	-1.0%
Operating profit	1,657	3.7%	1,708	4.0%	3.1%
Recurring profit	1,547	3.5%	1,649	3.9%	6.6%
Extraordinary income and loss	-169	-	-245	-	-
Net profit	713	1.6%	714	1.7%	0.2%

At the end of June 2015, TOKAI Holdings served 2,537,000 customers, which was 11,000 more than it served at the end of June 2014. Looking at the numbers of customer for the main services, the numbers of customers for the gas business and broadband services declined slightly, but the numbers for the water business and mobile business 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 June, this service had 417,000 members, expanding steadily by 88,000 compared to a year earlier.

Number of Customers in Main Services

	(thousand)			
	Q1 FY3/15	Q3 FY3/15	Q4 FY3/15	Q1 FY3/16
Gas (LPG, utility gas)	627	624	626	625
Information and telecommunications (fixed line and Wi-Fi)	858	866	864	861
(Conversion to collaborative fiber-optic)	(0)	(0)	(4)	(53)
Mobile	229	234	235	235
Cable TV	692	689	690	692
Water	126	133	130	130
Group Total	2,526	2,540	2,537	2,537
(TLC Membership Service members)	329	378	396	417

Mainstay Gas and Oil Business Achieves Major Profit Increase
(2) Business segment results
Business Segment Results

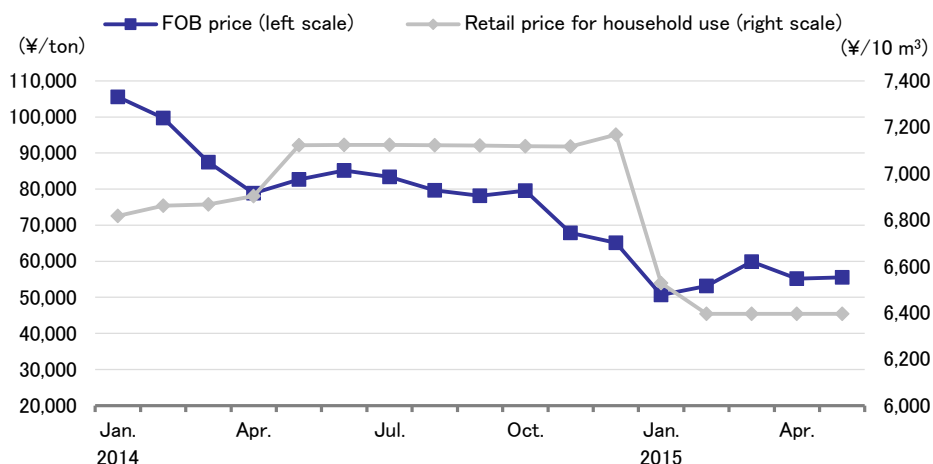
	Net sales			Operating profit		
	Q1 FY3/15	Q1 FY3/16	Growth rate	Q1 FY3/15	Q1 FY3/16	Growth rate
Gas and oil	22.5	20.3	-9.9%	1.5	1.9	24.9%
Information and telecommunications	9.7	9.8	1.7%	1.3	0.7	-48.1%
Cable TV	6.1	6.1	0.1%	0.5	0.5	-1.1%
Construction and real estate	3.7	4.0	7.6%	0.0	0.1	103.5%
Water	1.1	1.3	17.5%	-0.5	-0.2	-
Other businesses and adjustments	1.2	1.1	-4.8%	-1.2	-1.2	-
Total	44.3	42.7	-3.7%	1.7	1.7	3.1%

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

○Gas and Oil Business

In the gas and oil business, net sales fell 9.9% y-o-y to ¥20.3bn, but operating profit grew by 24.9% to ¥1.9bn. Although sales volume in the mainstay LPG business was level y-o-y, sales declined by ¥2.1bn due to a fall in sales prices due to a decline in the purchase price. Operating profit increased due to rationalization effect of ¥300mn due to improving administrative efficiency and inventory valuation gain of ¥100mn.

The number of customers in the LPG business was ¥572,000, level with the end of FY3/15, as the declining trend was halted. Continuous efforts to stem cancellations were successful, and the company made progress in acquiring new customers through the expansion of the sales area, such as the North Kanto Area.

FOB Price and Retail Price of LPG, January 2014–May 2015


Source: Japan LP Gas Association

* In March 2015, the company began selling the @ TCOM Hikari service and the TNC Hikari service, which bundle the company's ISP service with Nippon Telegraph and Telephone Corp.'s (NTT) fiber-optic cables for these services.

○Information and Telecommunications Services Business

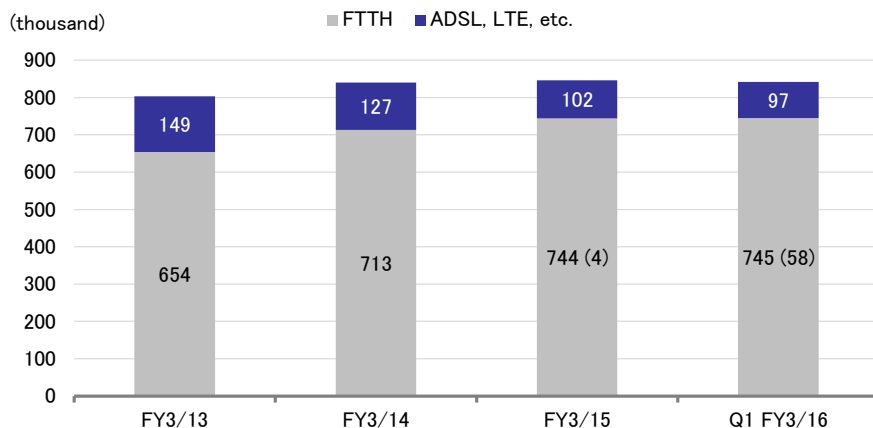
In the information and telecommunications services business, net sales increased by 1.7% y-o-y to ¥9.8bn and operating profit declined by 48.1% to ¥700mn. The main factor in the decline in operating profit was a decline of ¥600mn due to increase in sales promotion expenses associated with efforts for the collaborative fiber-optic service* to acquire new customers and encourage existing customers to convert. Discounting this effect, operation profit was about level y-o-y.

The number of fiber-optic collaboration service customers at the end of June was 58,000, consisting of 53,000 conversions by existing customers and 5,000 newly acquired customers. The result is lower than the initial targets (85,000 conversions and 7,000 new customers). One reason is that recognition of the service did not increase, and another is that the conversion required a procedure for acquiring a new conversion number. Nevertheless, the new business appears to be advancing steadily, with the rate of collaborative fiber-optic use among the company's broadband customers at 7.2%, higher than the national average of 5%.

The overall number of broadband service customers was 842,000, down 1,000 y-o-y, and down 4,000 from the end of FY3/15. Looking at the numbers by service, FTTH customers increased by 6,000 from the end of FY3/15 to 756,000, while the number of ADSL and LTE customers decreased.

Meanwhile, in services for corporate customers, demand for fiber-optic lines and datacenter services grew steadily with the expanding market for cloud services, driving a y-o-y sales increase of ¥100mn.

Number of Customers for Broadband Services

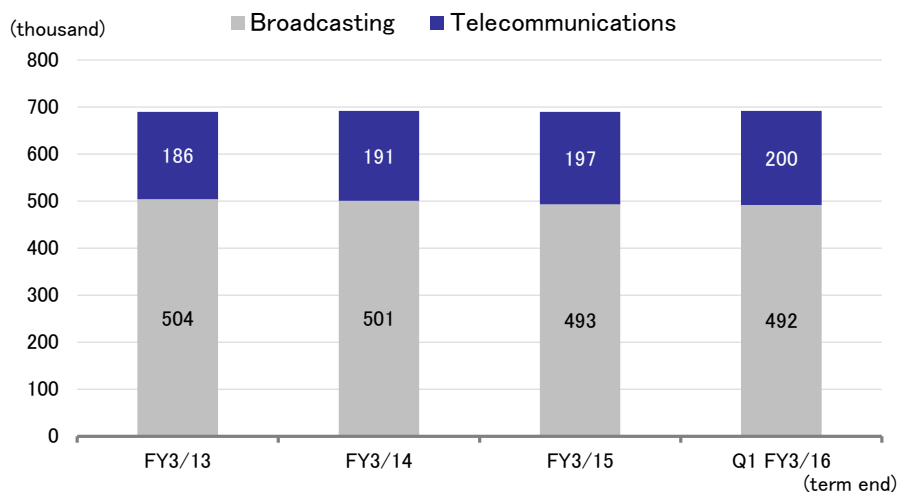


Note: Bracketed figures in the FTTH column indicate the number of collaborative fiber-optic service customers (term end)

○Cable TV Business

In the cable TV business, net sales rose 0.1% y-o-y to ¥6.1bn, but operating profit edged down by 1.1% to ¥500mn. The number of customers for the cable TV broadcasting service fell by 300 from the end of FY3/15 to 492,000. However, the number of customers for cable TV telecommunications services rose steadily, increasing by 3,000 to 200,000. The total number of customers in the cable TV business overall was level y-o-y at 692,000. Since the full roll-out of terrestrial digital broadcasts, the number of customers for the cable TV broadcasting service had been declining due to increased competition from major telecommunications carriers; however, the decline seems finally to be showing signs of stopping. The company has made efforts to retain customers by offering long-term continuation discounts to customers living in detached housing, while starting bulk services for customers in condominiums. These measures have begun to produce results.

Number of Customers for Cable TV Services



○ **Construction and Real Estate Business**

In the construction and real estate business, net sales increased by 7.6% y-o-y to ¥4.0bn, and operating profit increased by 103.5% to ¥100mn. Sales in the condominium business fell back to ¥100mn from ¥500mn in Q1 FY3/15, when the company completed the sale of a large project. However, in the housing renovation business, sales increased from ¥800mn to a little less than ¥1bn, mainly in the Shizuoka area, while in “the Reception Service” (building management support) sales were firm at ¥400mn, mainly due to an increase of lease contracts.

The number of customers in “the Reception Service” was approximately 570,000 as of June 30, centered on the Kanto and Fukuoka areas. The company has the fourth largest share of the market at around 11% (the market leader is Daito Building Management Co., Ltd.)

○ **Water Business**

In the water business, sales grew 17.5% y-o-y to ¥1.3bn, and the operating loss shrank to ¥200mn (¥500mn in Q1 FY3/15). In Q1 FY3/16, the company commenced sales activities at large commercial facilities in Kansai, Hokuriku, and Tohoku, in addition to Shizuoka and Kanto regions, resulting in 6,000 new customer acquisitions (4,000 in Q4 FY3/15), for a net increase of 4,000 customers y-o-y to 130,000 as of June 30, 2015. The increase in profits was attributable to increased sales due to the increase in sales volume, as well as a cut in the cost of advertising by ¥100mn y-o-y.

○ **Other Businesses, Adjustments**

In other businesses, after adjustments for all businesses, sales dropped 4.8% y-o-y to ¥1.1bn, and the operating loss was level y-o-y at ¥1.2bn.

In the nursing care business, the company saw sales expand steadily atop an increase in user numbers at the day care facilities and nursing homes that it opened in Shizuoka Prefecture during FY3/15. However, the burden of upfront investment was a factor in the slight decline in earnings. Meanwhile, the wedding ceremony business saw sales decline as one wedding hall was closed at the end of FY3/15, leaving the business with two facilities.

Interest-bearing Debt Reduced as the Company Further Improves its Financial Structure

(3) Financial position

At the end of June 2015, total assets came to ¥164.2bn, which was ¥1.5bn less than the total at the end of FY3/15. Looking at the main factors in the decline, sales receivable decreased by ¥2.5bn, property, plant and equipment by ¥800mn, and goodwill by ¥400mn. Meanwhile, total liabilities were ¥120.1 bn, down ¥2.1bn from the end of FY3/15. Accounts payable decreased by ¥1.4bn, reserves by ¥1.3bn, and income taxes payable by ¥1.0bn. Interest-bearing debt increased by ¥400mn to ¥73.4bn, including the company's issue of convertible bonds in the amount of ¥10.0bn in June. Since the bonds are zero-coupon bonds, their issue caused the company's interest-bearing debt to decline by ¥9.6bn in real terms, which helped to improve its financial standing. Net assets increased by ¥0.6 bn to ¥44.1bn, due to recording ¥500mn for valuation gains on other securities holdings as the payment of dividends and net income roughly cancelled each other out.

Of the ¥10.0bn procured through the issuance of convertible bonds, ¥3.0bn was used for capital expenditure on communications facilities and data centers in the information and telecommunication business, ¥3.0bn was used for capital expenditure on facilities including FTTH in the cable TV business. The remainder was used to repay debt. Moreover, the conversion price of the bonds was ¥585, and they amount to 11% of the company's potential shares. Looking ahead, if the share price rises and the bonds are converted, the equity ratio, which stood at 26.3% on June 30, is expected to rise further.

Summary Consolidated Balance Sheet at the End of FY3/11, FY3/14, FY3/15 and Q1 FY3/16

	(¥bn)				
	FY3/11	FY3/14	FY3/15	Q1 FY3/16	change
Total assets	193.2	173.6	165.7	164.2	-1.5
Total liabilities	171.7	135.3	122.2	120.1	-2.1
Net assets	21.6	38.3	43.5	44.1	0.6
Balance of interest-bearing debt	124.0	85.8	73.1	73.4	0.4
Convertible bonds	-	-	-	10.0	10.0
Equity ratio (%)	7.7	21.6	25.7	26.3	4.1
Reliance on interest-bearing debt	52.7	49.4	44.1	44.7	0.3

Note: Figures for the equity ratio and reliance on interest-bearing debt are rounded to whole numbers below.

■ Business Outlook

Full-year Forecasts for FY3/16 Unchanged from the Start of the Year

(1) Company forecasts for FY3/16

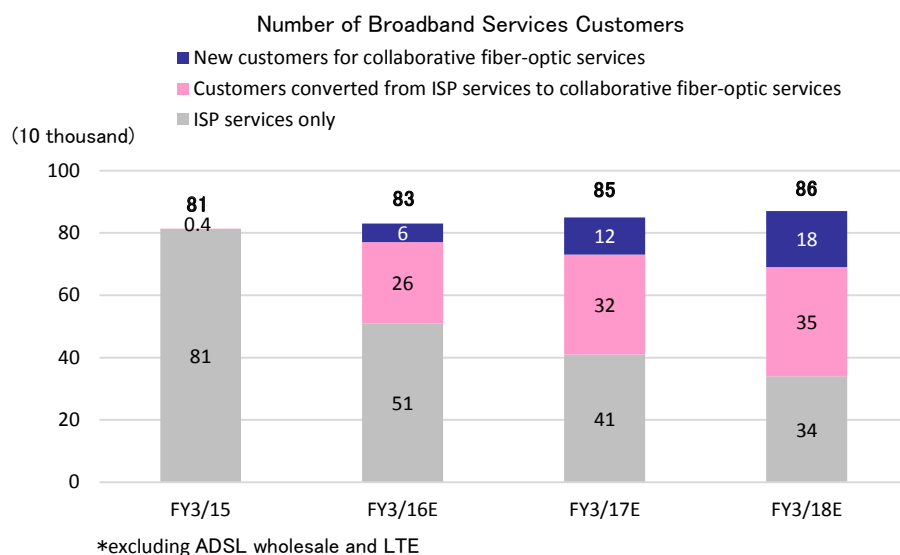
For FY3/16, the company's full-year forecasts have remained unchanged from the start of the year, with consolidated net sales of ¥192.2bn, up 2.5% y-o-y, operating profit of ¥7.76bn, down 13.8%, recurring profit of ¥7.41bn, down 13.3%, and net profit of 3.24bn, down 17.7%. The company foresees profit 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, and the target for the number of collaborative fiber-optic customers has also remained unchanged (new acquisitions: 64,000; conversions: 262,000).

○ Impact of collaborative fiber-optic services on profit

The lifting of the ban on wholesale sales of NTT's fiber-optic communication lines has opened the door to collaborative fiber-optic services where major mobile telecommunications carriers and ISPs offer their own services bundled with fiber-optic service, and companies are working to retain existing customers and acquire new ones. The company has therefore also started offering a collaborative fiber-optic service bundled with its Internet service since March 2015.

To achieve its plan, the company needs to convert customers to the new service at a pace of around 15,000 per month. If the process continues at the pace seen in May and June, the plan appears to be achievable. However, the number of cancellations for FTTH is undeniably increasing. During the Q1, the number of cancellations reached 33,000, an increase from both 27,000 in Q1 FY3/15 and 32,000 in Q4 FY3/15. The company believes the customers are flowing to major mobile telecommunications carriers. The company's policy is to strive to attain its initial full-year targets by stepping up its efforts to increase recognition, and introducing a menu of services provided as a bundle with other services.

By March 31, 2018, the company expects to have 860,000 customers in its broadband services, and aims to increase the number of collaborative fiber-optic service customers among these to 520,000, or 60%. The company expects to achieve a lower churn rate on collaborative fiber-optic services compared to independent ISP services. It also expects to expand profits with sales of bundled services with fiber-optic access.

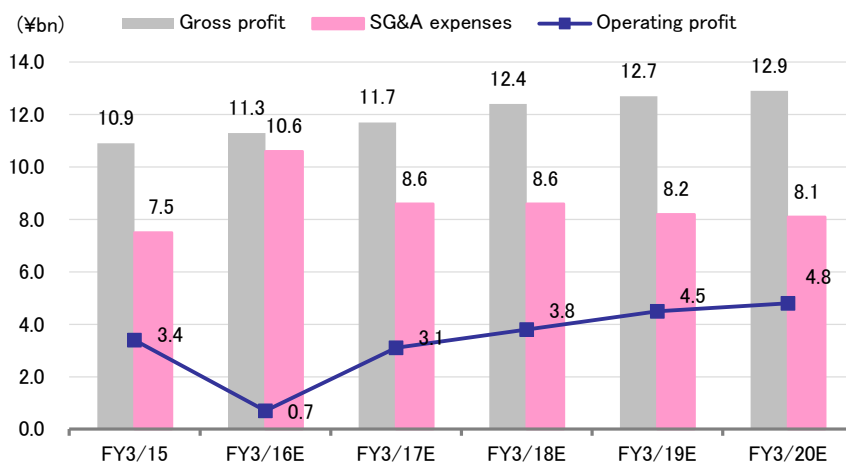


* For detached houses, the two-year value pack price is ¥5,100 per month, while for customers living in condominiums, the monthly price is ¥3,800. Moreover, customers living in condominium housing can receive the price of ¥3,700 per month for one year if they joined before the end of August.

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 August 2015, the monthly fee is only ¥4,800 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 ¥700 million, 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 recovery in business operating profit to ¥3.1bn, and a significant increase in overall business performance.

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


Source: The company

○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	94.5	97.2	93.1	86.1	-7.0
Information and telecommunications services	38.5	38.8	40.1	47.2	7.1
Cable TV	23.8	24.2	24.4	24.8	0.4
Construction and real estate	15.8	19.2	20.0	22.7	2.7
Water	3.8	4.4	5.0	5.8	0.8
Other businesses and adjustments	5.4	5.1	5.0	5.5	0.5
Total	181.7	189.0	187.5	192.2	4.7

Business Segment Operating Profit

	FY3/13	FY3/14	FY3/15	FY3/16E	Nominal change
Gas and oil	7.4	6.5	7.7	7.9	0.2
Information and telecommunications services	4.9	4.4	5.0	2.7	-2.3
Cable TV	1.3	1.8	1.7	1.8	0.1
Construction and real estate	0.6	1.4	1.0	1.4	0.4
Water	-0.9	-2.0	-1.3	-1.0	0.3
Other businesses and adjustments	-4.3	-4.7	-5.0	-5.1	-0.1
Total	8.9	7.4	9.0	7.8	-1.2

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 (fixed line and Wi-Fi)	816	853	864	881	18
Information and telecommunications (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 ¥200 million rise in operating profit to ¥7.9bn. Net sales are expected to contract due to the impact of a reduction in the sale price in line with a drop in procurement prices, but improving administrative efficiency is expected to bring significant rationalization benefits (¥1.1bn). 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.

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. The main factor is a projected ¥2.7bn y-o-y decline in operating profit in the broadband services business, as discussed above. However, the company foresees a continuing increase in demand for corporate services (telecommunication services, data centers, and system development). 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 ¥100 million 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 construction and real estate business, the company is projecting a 13.4% y-o-y increase in net sales in FY3/16 to ¥22.7bn and a recovery in operating profit with a ¥400 million increase 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. Furthermore, “the Reception Service” is also projected to perform strongly.

For the water business, the company expects a 17.0% y-o-y upturn in net sales to ¥5.8bn and a ¥300 million improvement in the operating loss to ¥1.0bn. The business will reinforce its sales organizations primarily in Greater Osaka, and in other areas including Tohoku, Hokuriku and Chugoku. As a result, the business anticipates an increase of 16,000 in the number of its customers for a total of 146,000. The company’s break-even point for customer numbers is 170,000, and it expects to reach this level in FY3/18 at the current rate of growth.

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

Entry into Electricity Retail Service Business is a New Growth Opportunity

(2) Preparing to sell electricity at the retail level

In May, 2015, TOKAI Holdings announced that it was starting talks with Tokyo Electric Power Co. <9501> regarding an alliance to sell electricity, eyeing the complete liberalization of the Japanese market for retail sales of electricity scheduled to happen in April 1, 2016. The company has started making preparations for entering the electricity retail service business. As TOKAI Holdings pursues a Total Life Concierge concept, the addition of electricity retail services to the line-up will bear watching as a step to further growth opportunities.

The Japanese markets for electricity for industrial and commercial uses have already been liberalized, and TOKAI Holdings plans to start providing these services to existing customers of LPG and other projects in September 2015. Moreover, the company will launch PR activities for household services in October 2015*, and plans to start receiving “switching” applications to change contracts in January 2016. The company will initially target its 2.54 million existing customers as prospective customers, and expects to increase the number of customers by offering a menu of various existing services bundles with electric power.

A major strength of TOKAI Holdings is its nationwide force of about 800 sales personnel, who acquire about 310,000 new customers each year. Another strength is the company’s ability to propose various lifestyle infrastructure services in accordance with customers’ characteristics, by maintaining direct contact with the customers to support and manage service contracts

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.

* Every autumn, the Group holds thank-you festivals at exhibition spaces within its main service areas and plans to hold coordinated PR activities. In Shizuoka, the event has been known to attract 120,000 visitors in a single weekend.

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. In tandem with the launch of electric power services, the company plans to promote effective measures such as offering new fee plans for services sold as a package and other measures and increasing the points awarded. By implementing these measures, the company is expected to increase the amount of net sales per customer.

Medium-term Operating Profit Target of ¥12.6bn for FY3/17 Expected to Be Achieved

(3) Outline of Innovation Plan 2016 “Growing”

In June 2014, the company announced its medium-term management 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 FY3/16, the company projects that its operating profit will fall to ¥7.8bn, ¥1.9bn lower than the initial plan, because of a planned increase in costs for selling collaborative fiber-optic services. However, the company foresees a rebound in operating profit to ¥12.7bn in FY3/17, meeting the target in its medium-term management plan.

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

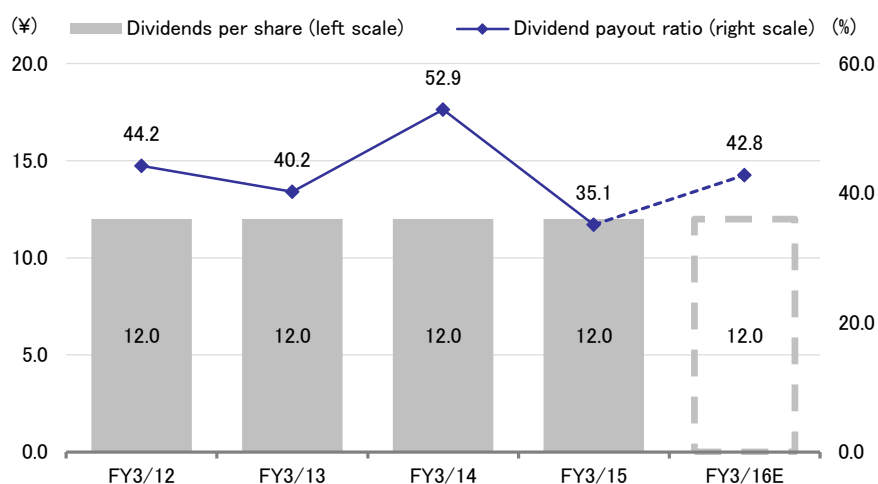
	FY3/14	FY3/15		FY3/16		FY3/17
	Result	Original plan	Result	Original plan	Current forecast	Original plan
Number of customers (10 thousand)	252	259	253	266	261	273
Net sales (¥bn)	189.0	196.9	187.5	202.3	192.2	209.5
Operating profit (¥bn)	7.4	8.2	9.0	9.7	7.8	12.6
Earnings per share (¥)	22.67	27.86	34.16	34.91	28.04	54.06
EBITDA (¥bn)	24.9	25.2	26.2	26.7	25.3	28.7
Interest-bearing debt (¥bn)	85.8	81.8	73.1	74.1	72.5	64.7
Equity ratio	21.6%	23.0%	25.7%	25.1%	26.1%	28.6%

■ Shareholder Return Policy

The Company Will Continue to Pay a Stable Dividend, Based on a Dividend Payout Ratio in the 40% Level, with a ¥12 Dividend Forecast

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 a dividend of ¥12.0 per share (payout ratio of 42.8%), unchanged from its dividend for FY3/15. 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



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	-

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