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## ■ The numbers of customers and service subscribers are steadily growing

Tokai Holdings Corp., based in Shizuoka, is growing, led by its two main divisions: gas and petroleum products, which engages mainly in the sale of liquefied petroleum gas, and information communications services. Its vision is to become a total life concierge, i.e., a company offering a complete range of services for everyday life. In December 2012, the holding company started its TLC Customer Service through which members receive points for services provided companywide. The company is promoting value-added services to its approximately 2.50 million users while working to expand its customer numbers.

In the first half of FY3/14 (April-September), Tokai Holdings' consolidated sales increased 0.8% year-on-year (y-o-y), but its operating profit fell by 84.0%. Although these results are below initial FY3/14 targets, this is mainly due to the advanced accumulation of marketing and other costs intended to achieve future growth. The total of customers throughout the company grew steadily, totaling 2.50 million as of September 30, 2013 (2.45 million as of March 31). In addition, the number of new TLC Customer Service subscribers was 270,000, higher than initially foreseen. In the second half, the company projects stable earnings centered on gas upon entering the peak season; will take measures to increase profits by expanding its customer base; and will improve sales and profits mainly through the development of new services and rationalization. Based on these initiatives, the company aims to reach its initial targets for the full fiscal year: a 3.7% rise in sales y-o-y and a 2.5% improvement in operating profit.

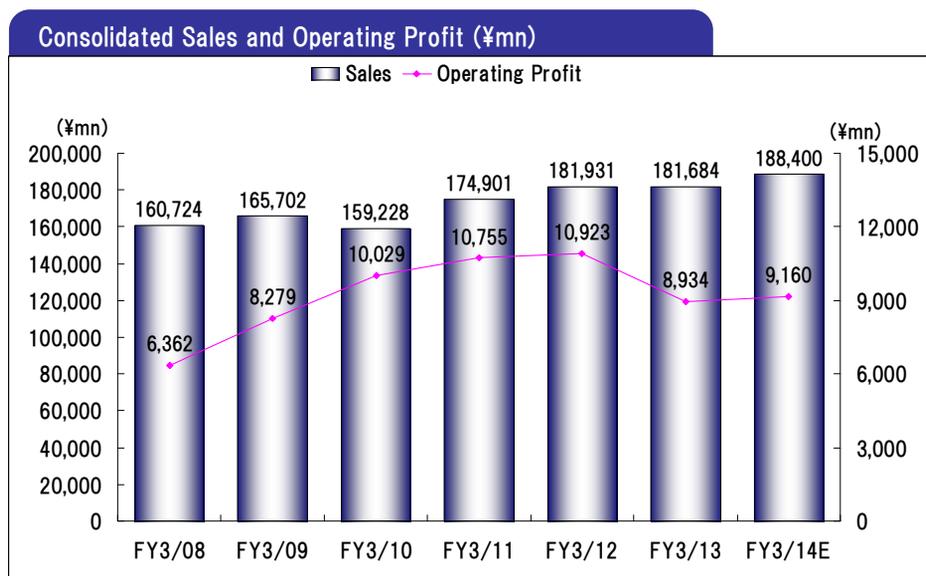
In October, Tokai Holdings entered into a capital/business alliance with TechFirm (3625), which excels in mobile software development, to enhance its mobile services within the company. The company also commenced the Com Pad tablet service with SIM cards. As part of its MVNO\* services, the company will commence sales of these devices for its information communications services using tablets, the market for which currently totals 830,000 broadband users.

FY3/14 is the final year of Tokai Holdings' Innovation Plan 2013. In terms of performance, the company expects to basically achieve its announced targets. In addition, the company is making steady progress to improve its balance sheet, with a greater-than-expected decrease in interest-bearing debt. In the next medium-term plan, which is expected to be announced in spring of 2014, the company foresees profitability in the aqua and nursing care businesses, its current focus. These areas are attracting attention.

\*MVNO (mobile virtual network operator): operators that provide services under original brands by borrowing wireless communication infrastructure such as mobile phones.

## ■ Check Points

- Lower profits in H1 due to the recording of accumulated marketing costs in advance
- The number TLC Customer Service subscribers exceeds expectations
- Achieve company's forecast by expanding customer numbers and new services
- Balance sheet is improving beyond expectations under the medium-term management plan



Note: Through FY3/11, figures show the consolidated results of Tokai Corp.

## Business Trends

### Lower profits in H1 due to the recording of accumulated marketing costs in advance

#### (1) Results for First half of FY3/14

On October 31, 2013, Tokai Holdings announced its consolidated results for first half of FY3/14 (April-September), i.e. H1 FY3/14. Sales increased 0.8% y-o-y to ¥84,315mn, operating profit dropped by 84.0% to ¥411mn, recurring profit fell by 85.9% to ¥303mn, and net loss came to ¥354mn (compared with net profit of ¥331mn recorded in the H1 FY3/13).

#### Consolidated Results for First Half FY3/14 (¥mn)

	H1 FY3/13		Forecast	H1 FY3/14		y-o-y	Change from Target
	Results	Sales ratio		Results	Sales ratio		
Sales	83,610	-	85,400	84,315	-	0.8%	-1.3%
Cost of sales	51,757	61.9%	-	53,567	63.5%	3.5%	-
SGA cost	29,279	35.0%	-	30,337	36.0%	3.6%	-
Operating profit	2,573	3.1%	1,080	411	0.5%	-84.0%	-61.9%
Recurring profit	2,155	2.6%	670	303	0.4%	-85.9%	-54.8%
Extraordinary gains/loss	-1,028	-	-	-242	-	-	-
Net profit	331	0.4%	-270	-354	-0.4%	-	-
Dividend per share	6.0	-	6.0	6.0	-	-	-

## ■ Business Trends

## Results by Segment for First Half FY3/14 (¥bn)

	H1 FY3/13	H1 FY3/14	YOY change
<b>Sales by segment (¥bn)</b>			
Gas and petroleum	42.6	4.2	-0.8
Information communications services	18.5	1.9	0.4
CATV	11.8	1.2	0.2
Building and real estate	6.5	7.3	0.7
Aqua	1.9	2.1	0.2
Other businesses	2.2	2.2	0.0
<b>Total</b>	<b>83.6</b>	<b>84.3</b>	<b>0.7</b>
<b>Operating profit by segment (¥bn)</b>			
Gas and petroleum	1.8	1.2	-0.6
Information communications services	2.6	2.0	-0.7
CATV	0.8	0.9	0.1
Building and real estate	0.1	0.2	0.2
Aqua	-0.4	-1.3	-0.9
Other businesses	-0.2	-0.1	0
Adjustment	-2.2	-2.4	-0.2
<b>Total</b>	<b>3</b>	<b>0.4</b>	<b>-2.2</b>

Note: operating profits are before deducting indirect costs

Operating profit decreased by approximately ¥2.2bn y-o-y. By segment, operating profit declined in the aqua business by ¥0.9bn, the information communications business by ¥0.7bn, and the gas and petroleum business by ¥0.6bn. The combined decreases in these three businesses accounts for the overall fall in operating profit. The main reasons for this were initial branding costs associated with the aqua business' entry into the Greater Tokyo market and TLC member service costs paid ahead of schedule in the first half. The decrease in operating profit exceeds the initial fiscal year target by approximately ¥0.7bn, which is broken down primarily into accumulated sales promotion costs of ¥0.2bn to rapidly expand the TLC Customer Service, accumulated aqua business marketing costs of ¥0.2bn, and a decrease in LP gas consumption per customer of approximately ¥0.2bn.

Non-operating profit improved by approximately ¥0.3bn y-o-y, which mainly comprised ¥0.15bn in financial gains from a reduction in interest-bearing debt, and reversal of allowance for doubtful accounts of ¥0.14bn. In addition, extraordinary profit improved by approximately ¥0.79bn mainly due to a contraction in loss on disposal of fixed assets and the elimination of loss on evaluation of investments in securities.

The performance by each division in FY3/14 is detailed below.

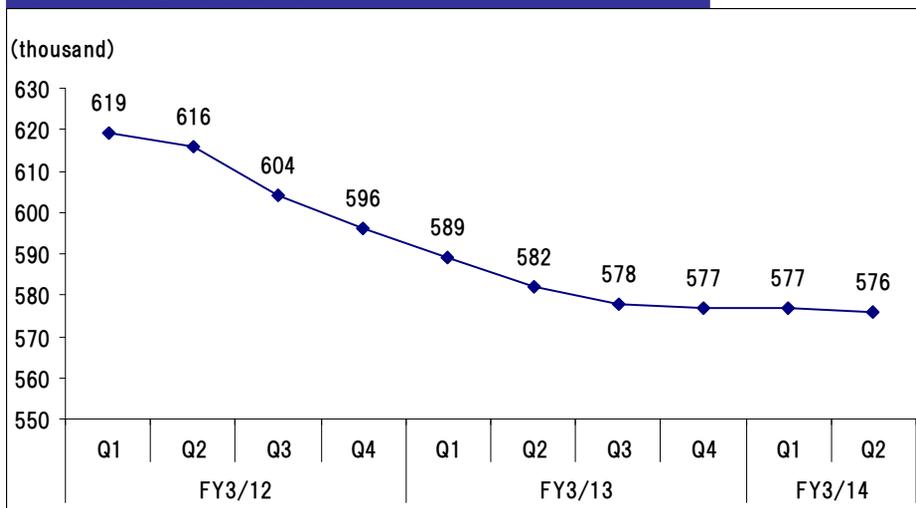
## The aqua business is making inroads into Greater Tokyo, with the number of customers steadily rising

### ○ Gas and Petroleum Division

In the first half of FY3/14, sales decreased by ¥0.8bn y-o-y to ¥41.8bn, and operating profit declined ¥0.6bn to ¥1.2bn. The number of LP gas customers, which decreased due to severe competition, totaled 576,000 as of September 30, ceasing a decline that had continued since the start of 2013 but remains in the red y-o-y. Moreover, the slight decline in consumption per customer caused by this year' s summer heat wave pushed down sales. Operating profit fell due to lower sales and the accumulation of approximately ¥0.2bn in customer maintenance and retention costs. However, buoyed by a positive turnaround in current customer numbers over last month, customer numbers in the second half may possibly remain the same or even improve y-o-y.

## ■ Business Trends

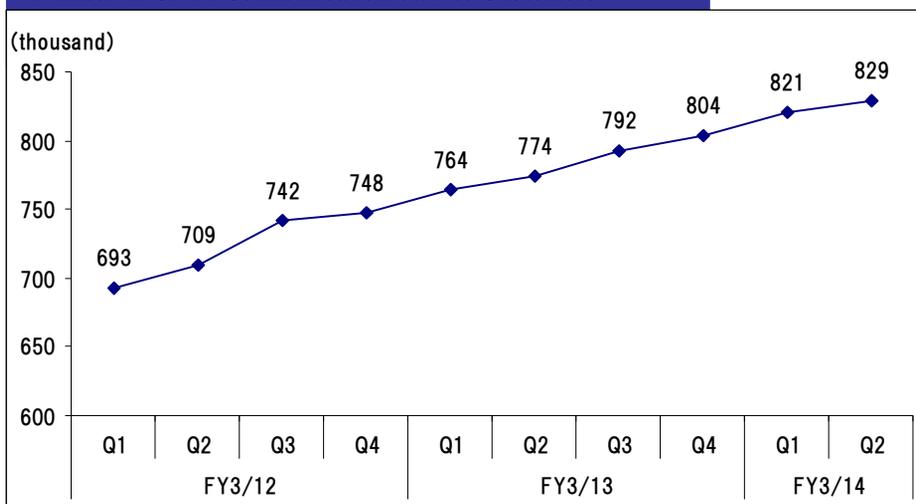
## Number of LP Gas Customers



## ○ Information Communications Services Division

In the first half of FY3/14, sales increased by ¥0.4bn y-o-y to ¥18.9bn, and operating profit declined ¥0.7bn to ¥2.0bn. In broadband communication services (the Internet service provision (ISP) business), which accounts for over 50% of the division's sales, the number of customers steadily increased to 829,000 as the number of new customer acquisitions among mass retailers of electronic goods steadily grew. Nevertheless, operating profit fell because of higher customer acquisition costs for certain mass retailers of electronic goods.

## Number of CATV Communication Service Customers

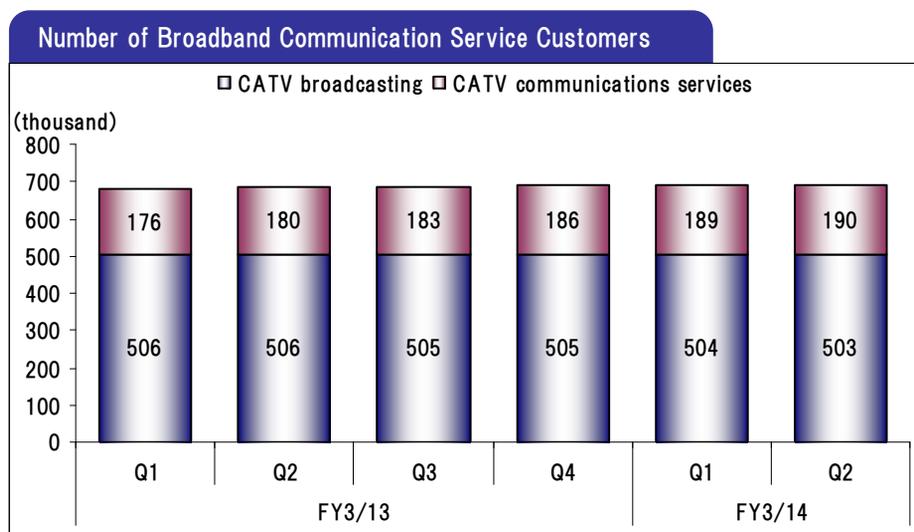


## ○ CATV Division

In the first half of FY3/14, sales rose by ¥0.2bn y-o-y to ¥12.0bn, and operating profit edged up ¥0.1bn to ¥0.9bn. Within Tokai Holdings group companies' CATV broadcast service areas, the number of broadcast service customers decreased by 3,000 y-o-y to 503,000 due to area expansion undertaken by major telecom carriers. However, the number of CATV communication service customers rose by 10,000 y-o-y to 190,000, a major factor contributing to higher sales and profits, thanks to the progression of bundled services and customer retention accompanying the introduction of discounts for long-term contracted customers.



## ■ Business Trends



### ○ Building and Real Estate Division

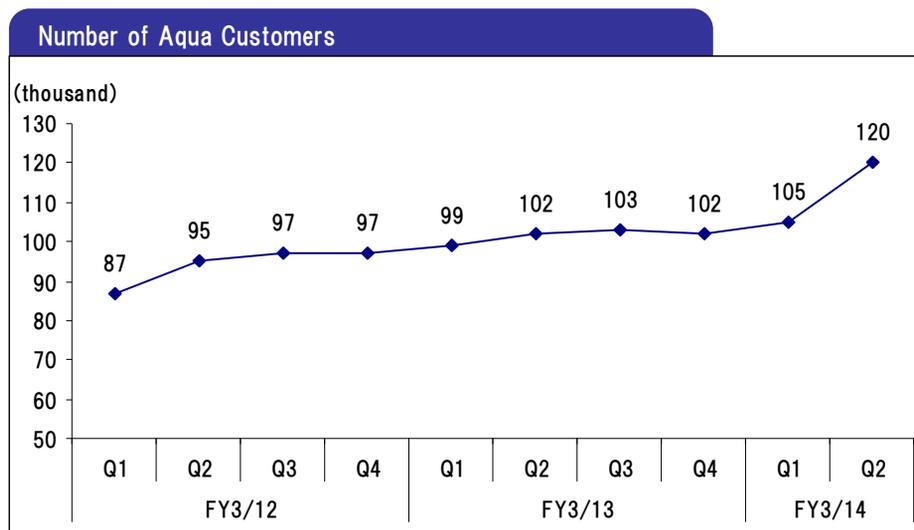
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### ○ Aqua Division

In the first half of FY3/14, sales increased steadily by ¥0.2bn y-o-y to ¥2.1bn, but operating loss came to ¥1.3bn, up from ¥0.4bn in the previous fiscal year, due to accumulated marketing costs following a full-scale entry in Greater Tokyo in May 2013. Marketing costs of the first half of FY3/14 rose by ¥0.7bn y-o-y to ¥1.0bn.

Regarding its entry in Greater Tokyo, the company worked to expand its one-way water delivery service under new brand name, "ulunom" and adopted the animation character Doraemon as a promotional figure. The company worked to expand its sales utilizing two main sales routes; its direct LP gas sales network and in-store sales primarily at large commercial facilities and mass retailers of electronic goods. Successfully targeting women with small children, the number of customers as of September 30, 2013 stood at 120,000, 10% more than initial expectations for registrations. Within this number, customers in Greater Tokyo were 36,000, an increase of 14,000 from the beginning of the fiscal year and 84,000 in Shizuoka Prefecture, a steady rise from 80,000. Shizuoka Prefecture is already generating an operating profit.

## ■ Business Trends



## ○ Other Businesses Division

In the first half of FY3/14, sales remained the same y-o-y at ¥2.2bn, and operating loss contracted slightly ¥0.1bn. In the service of caring for the aged, the division's focus area, sales were firm following the opening of the Refrea Shimizu Muramatsu (a day service facility) nursing home in August, its third such facility, while in the bridal events and hotel business, the number of weddings held increased. On the other hand, delays in orders caused a decline in ship repairing segment sales.

## The number TLC Customer Service subscribers exceeds expectations

### (2) TLC Customer Service Membership Subscription Status and Effect

Tokai Holdings maintains 2.50 million service subscribers. Until recently, however, the company did not possess strategic tools able to mutually link its numerous services that could attract subscribers. To solve this issue, the company introduced the TLC Customer Service in December 2012.

Customers who join the TLC Customer Service receive a TLC WAON Card that operates using WAON electronic money. Every time a member utilizes service provided by Tokai Holdings, the member receives TLC points depending on the transaction size. These TLC points can be freely converted into WAON points that can be used to buy goods at about 170,000 Aeon Group (8267) stores or businesses accepting the WAON card throughout Japan as of September 30, 2013.

The number of subscribers grew from 110,000 as of March 31, 2013 to 270,000 as of September 30, 2013, a higher pace than initially forecasted. The ¥0.3bn in sales promotion costs that the company invested mainly in the first half of FY3/14 has led to an increase in subscribers.

The company's introduction of the TLC Customer Service is boosting the average number of service subscriptions per member and is helping prevent contract cancellations. In fact, according to data up to September, TLC member average RGU (total number of service contracts) was 1.4, which exceeds 1.1 for non-members. In addition, the number of additional service contracts following membership subscription in the first half of FY3/14 stood at 7,000, which is approximately 8.4 times higher than that of non-members, making it clear that the attracting new members leads to more service contracts.



## ■ Business Trends

At the same time, the TLC Customer Service has been effective in preventing service contract cancellations, with the cancellation rate for members at 0.5%, over half compared with 1.1% for non-members. Retaining TLC Customer Service members prevents contract cancellations for the company's group services and, by extension, increases the number of customers across the group.

## The balance of interest-bearing debt is forecasted to shrink to ¥86.1bn by the end of the current FY

### (3) Financial Condition

Tokai Holdings' financial condition as of September 30, 2013 is shown in the table below. Compared with March 31, 2013, the balance of total assets decreased by ¥9.3bn to ¥168.3bn. This was attributable to declines in trade receivables, cash and cash equivalents, tangible fixed assets and goodwill totaling ¥4.8bn, ¥1.4bn, ¥1.6bn and ¥1.3bn, respectively. Turning to liabilities, interest-bearing debt (total of bonds and loans) fell by ¥2.9bn, while trade payables and current liabilities declined by ¥2.0bn and ¥3.5bn, respectively. Shareholders' equity decreased by ¥0.9bn due mainly to losses recorded during the fiscal period under review and the payment of dividends.

It is evident that the company on the whole will continue to promote reductions in interest-bearing debt and improvements in its balance sheet. The company expects to shrink the balance of interest-bearing debt to ¥86.1bn as of March 31, 2014 and plans to further improve its equity ratio to 20.0%.

### Balance Sheet (¥mn)

	FY3/10	FY3/11	FY3/12	FY3/13	H1 FY3/14
Current assets	51,236	49,744	41,093	40,351	33,842
(Cash and cash equivalents)	11,084	8,622	2,602	4,235	2,765
(Inventories)	8,885	9,568	8,051	8,141	8,063
Tangible fixed assets	107,778	110,613	110,207	106,602	104,923
Intangible fixed assets	14,810	16,654	17,266	14,906	13,582
(Goodwill)	13,186	15,022	15,540	12,632	11,307
Investments, etc.	17,138	15,996	14,995	15,638	15,832
Deferred assets	72	229	171	143	114
<b>Total assets</b>	<b>191,036</b>	<b>193,239</b>	<b>183,735</b>	<b>177,642</b>	<b>168,296</b>
Current liabilities	96,682	89,783	85,179	82,563	80,719
Fixed liabilities	74,804	81,866	71,374	61,068	54,263
(Interest-bearing debt)	127,686	122,156	104,238	92,707	89,754
<b>Total liabilities</b>	<b>171,487</b>	<b>171,650</b>	<b>156,553</b>	<b>143,631</b>	<b>134,983</b>
Shareholders' equity	13,851	15,425	26,424	32,096	31,109
<b>Total equity</b>	<b>19,549</b>	<b>21,589</b>	<b>27,181</b>	<b>34,011</b>	<b>33,313</b>
<b>Total liabilities &amp; equity</b>	<b>191,036</b>	<b>193,239</b>	<b>183,735</b>	<b>177,642</b>	<b>168,296</b>
(Measures of financial strength)					
Current ratio	53.0%	55.4%	48.2%	48.9%	41.9%
Equity ratio	7.2%	7.7%	14.3%	18.6%	19.3%
Debt-to-equity ratio	921.9%	791.9%	394.5%	288.8%	288.5%
(Measures of profitability)					
ROE	5.2%	5.6%	5.9%	5.0%	-
ROA	22.2%	14.0%	10.3%	9.6%	-
Operating profit margin	6.3%	6.1%	6.0%	4.9%	0.5%

Note: Through FY3/11, figures show the consolidated result of Tokai Corp.  
Interest-bearing debt=bond+debt



## Focus on promoting group-wide rationalization and introducing new services in the second half

### (4) Company Forecasts for FY3/14

For FY3/14, Tokai Holdings continues to project a 3.7% y-o-y rise in consolidated sales to ¥188,400mn, a 2.5% increase in operating profit to ¥9,160mn, a 3.8% upturn in recurring profit to ¥8,370mn, and a 14.4% rise in net profit to ¥3,530mn. Among targets not achieved in the first half, ¥0.2bn is accounted for by costs recorded in advance, which does not affect full-fiscal year targets. In order to possibly recover ¥0.2bn less by advanced costs in the aqua business and ¥0.2bn less by a drop in LP gas consumption per customer, the company will promote group-wide rationalization and introduce new services, which will enable the company to reach its initial targets.

The company is implementing the following four new measures during the second half currently underway.

- Commence the Com Pad tablet communication services with SIM cards
- Sell Pracla private cloud services
- Pursue collaboration based on the capital/business alliance with TechFirm
- Expand personnel dispatch services

#### ○ Tablet Communication Services with SIM Cards

Among these measures, Com Pad stands out for its impact on the current fiscal year's performance. This service provides users with a tablets with built-in SIM\* cards, enabling subscribers to use the wireless communication services attached to the company's provider email address for an initial fee of ¥5,250 and a monthly fee of ¥2,280 (which drops to ¥945 after the third year). This type of service using inexpensive SIM cards, which attracted attention in last year, is close to reaching mass acceptance. The company's sales target is approximately 830,000 subscribers among its ISP users as well as CATV communication and other casual users. The service is scheduled to commence on December 20, 2013.

#### ○ Private Cloud Computing Service

The company's private cloud computing service, Pracla, has introduced to Japan a cloud computing service jointly developed by the private and public sectors in Taiwan. Service on a trial basis began in July, and full-scale operation commenced in November. This service features highly secure private clouds as well as the industry's lowest service fees. Tokai Communications will be the exclusive sales agent in Japan for this service and install a cloud computing base at 18 regional data centers in Japan. Tokai Communications, which is targeting mid-sized businesses, is working to increase sales through these 18 affiliated data centers (consisting mainly of regional power and gas companies). These initiatives are expected to generate profits from the next fiscal year onward.

#### ○ Collaboration with TechFirm

In October, the company's subsidiary, Tokai Communications, entered into a capital/business alliance with TechFirm to facilitate business collaboration. This alliance is attracting attention for the promising synergies made possible in the diverse business-to-business and business-to-consumer fields. TechFirm boasts an impressive track record and technical prowess in the development of mobile systems, which is a business area that Tokai Communications wants to become stronger in. Leveraging TechFirm's development capabilities will enable Tokai Communications to propose business system solutions using mobile technology introduced in the front office (sales-related divisions) domain. Moreover, in the business-to-customer field, it is believed that various service developments will be put forth in the future using mobile tablets, which will help attract new customers to Tokai Communications' services.

\*SIM (Subscriber Identity Module): An IC card that records specific ID numbers to identify telephone numbers.

## ■ Business Trends

## ○ Expand Personnel Dispatch Services

Tokai Holdings internally established the Shared Service Center (SSC) in April 2012 in order to consolidate the back office department operations of its group companies, which has reduced costs and improved efficiency. Although the establishment of SSC resulted in a series of achievements, SSC was spun off in October 2013 to become TOKAI Management Service. As its initial mission, TOKAI Management Service will consolidate the direct management of 300 employees out of around 600 temporary workers currently working throughout the group with the aim of reducing costs to under ¥0.1bn. This initiative will commence in April 2014. Moving forward, the company is looking to dispatch personnel outside the group. To this end, the company established the joint venture, TOKAI Human Resource Evolve, (holding a 39% stake) in November in Shizuoka with the personnel dispatch company, Max Fields, in order to promote joint personnel dispatch businesses.

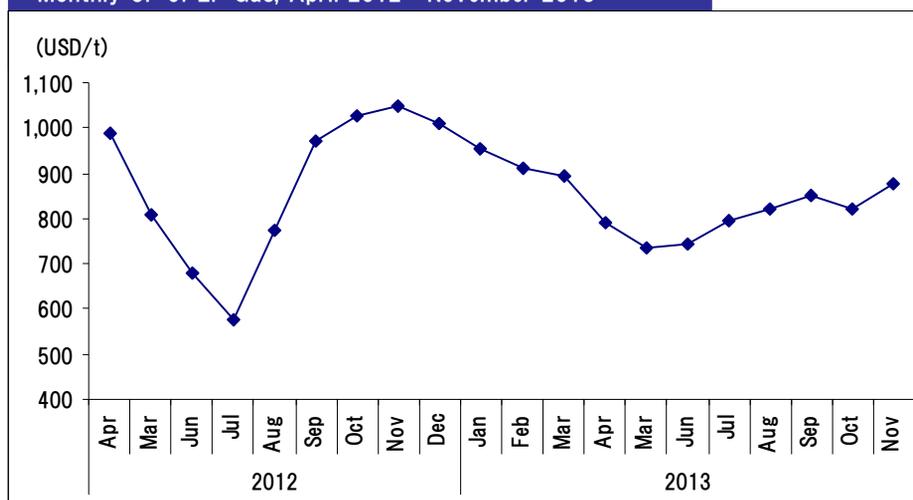
Full-year forecasts for key divisions are as follows.

## The aqua business and nursing services are projected to be in the black by FY3/16

## ○ Gas and Petroleum Division

For the gas and petroleum division, the company forecasts sales to increase by ¥0.5bn to ¥95.0bn. Within this, the mainstay LP gas business is working to further reduce costs and improve operational efficiency to maintain profitability. Gas sales volume, which is affected by seasonal temperatures, is expected to rebound in the second half due to long-term weather forecasts indicating lower-than-average temperatures this winter. As noted above, the bottoming out of contract cancellations and a positive turnaround in current customer numbers are positive factors. However, there are concerns over the recent upswing in the purchase cost of LP gas. This cost is linked to the contract price (CP) for LP gas, which is announced each month by Saudi Aramco, the Saudi Arabian Oil Company. Although the company has foreseen a y-o-y decline in CP during the current fiscal year, it is possible that the cost of LP gas may increase due to the weaker Japanese yen exchange rate against the US dollar. The impact of a rise in the purchase cost of LP gas on the company is minimal since this can easily be passed on by adjusting sales prices. However, raising sales prices could lead to sluggish sales volume as consumers respond by becoming thrifter. Therefore, attention must be paid to climatic changes and other factors with regard to future price trends.

Monthly CP of LP Gas, April 2012 - November 2013



Note: CP is contract price of Saudi Aramco  
Source: Japan LP Gas Association

## ■ Business Trends

## ○ Information Communications Services Division

In the information communications services division, the company foresees sales to increase by ¥0.9bn y-o-y to ¥39.4bn. Sales appear to have room to grow since the increase in customers has exceeded targets. The commencement of Com Pad services will contribute to this increase. On the other hand, profits remain basically in line with targets mainly due to an increase in customer acquisition costs.

## ○ CATV Division

In the CATV division, the company forecasts sales to remain unchanged y-o-y at ¥23.8bn. The division has maintained sales on target up to the second quarter, and this trend is expected to continue throughout the fiscal year.

## ○ Building and Real Estate Division

In the building and real estate division, the company projects sales to increase by ¥4.1bn y-o-y to ¥19.9bn. Before the Japanese government raises the consumption tax, rush demand is anticipated to boost the division's real estate, condominium sales and home renovation sales are projected to maintain steady growth.

## ○ Aqua Division

The aqua division is continuing to aggressively expand sales in Greater Tokyo, with losses expected to shrink as sales promotion costs run their course. As of March 31, 2014, the company forecasts the number of customers to be 130,000 and sales to increase ¥1.0bn y-o-y to ¥4.8bn.

The company aims to make the aqua business profitable by FY3/16, with the number of customers required to achieve this thought to be just under 200,000. The company expects primarily one way services in the Greater Tokyo to account for 83,000 of these customers and believes that current latent demand is more than sufficient to achieve this. The company's water is extracted from the base of Mt. Fuji and contains numerous minerals, so women with young children can rely on its safety from a health perspective. Furthermore, this water is the cheapest natural water available in unreturnable plastic bottles in Japan.

## ○ Other Businesses Division

In the other businesses division, the company expects sales to rise by ¥0.1bn y-o-y to ¥5.5bn. Regarding nursing homes, the division plans to expand fee-based elderly care facilities with nursing services along with day-service and short-stay facilities. Looking ahead, the company plans to aggressively expand these services as part of its efforts to differentiate its precise services. The company aims to increase its nursing homes from three in FY3/14 to 16 in FY3/19. As with the aqua business, the company has set FY3/16 as the period for its nursing homes to become profitable.

## Division Sales and Operating Profit (¥bn)

	FY3/11	FY3/12	FY3/13	FY3/14E	y-o-y
Gas and petroleum	95.6	98.3	98.2	99.8	1.5
Information communications services	34.7	37.9	38.4	39.4	0.9
CATV	22.6	24.2	23.7	23.8	0.0
Building and real estate	14.9	15.8	15.7	19.9	4.1
Other businesses	6.9	5.4	5.3	5.5	0.1
<b>Total</b>	<b>174.9</b>	<b>181.9</b>	<b>181.7</b>	<b>188.4</b>	<b>6.7</b>

Note: Through FY3/11, figures show the consolidated result of Tokai Corp.  
Gas and petroleum division includes aqua division

## ■ Business Trends

## Number of Customers (thousand) for Services of Tokai Holdings

	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14E
Gas total	679	674	648	629	635
LP gas	627	622	596	577	582
City gas	52	52	52	53	53
Security	22	21	20	20	20
Aqua	57	71	97	102	130
Information Communications total	614	684	758	816	836
Broadband communications	604	673	748	804	824
Mobile communications	145	171	193	213	228
CATV	685	740	722	691	698
CATV broadcasting	521	562	542	505	508
CATV communications services	164	178	180	186	190
<b>Total</b>	<b>2,190</b>	<b>2,343</b>	<b>2,415</b>	<b>2,445</b>	<b>2,521</b>

Note: Through FY3/11, figures show the consolidated result of Tokai Corp.

Total number of customers omits duplication such as FTTH (ISP) and CATV broadcasting (carrier)

## ■ Medium-term Plan

### Balance sheet is improving beyond expectations under the medium-term management plan

Management' s long-term concept goal for the company is to become a Total Life Concierge, i.e., a provider of comprehensive services for all aspects of daily life. FY3/14 is the final year of the company' s Innovation Plan 2013 for FY3/12-FY3/14. Excluding sales, profits are expected to be almost in line with revised forecasts announced in May 2012, while the balance sheet, as noted above, is improving beyond expectations.

In the next medium-term plan, which is scheduled to be announced in the spring of 2014, the company foresees profitability in the aqua and nursing care businesses, its current focus. These areas are attracting attention.

## Progress of Innovation Plan 2013 (¥bn)

	FY3/12 - FY3/14 cumulative		
	As of May 2011	As of May 2012	Forecasts
Sales	573.8	565.9	552.0
Operating profit	33.9	27.6	29.0
Recurring profit	27.6	24.0	26.3
Net profit	10.3	8.0	9.3
Free cash flow	42.9	47.1	47.3

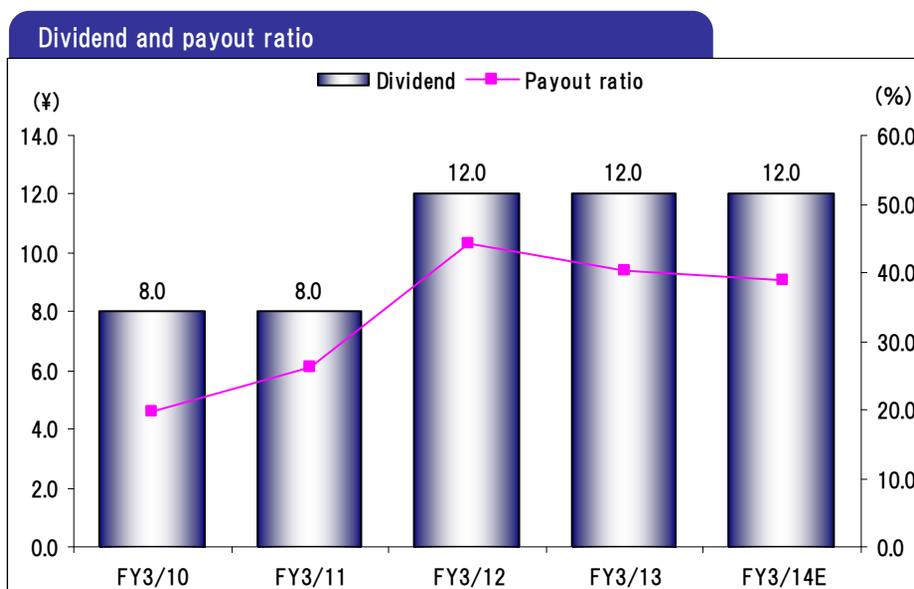
	FY3/14		
	As of May 2011	As of May 2012	Forecasts
Interest-bearing debt balance	99.6	90.9	86.1
Capital ratio	17.5%	16.7%	20.0%
ROA	2.5%	1.6%	2.0%



## Shareholder Return Policy

### Anticipate a slight rise in dividends based on a dividend payout ratio of 40%

The company's basic policy toward shareholder returns is to pay a steady dividend. Therefore, over the two fiscal years since shifting to a holding company structure, it has maintained a dividend payout ratio of more than 40%. If it maintains a similar ratio for FY3/14 and achieves its profit forecasts, it may well raise its dividend slightly. As a shareholder award, the company offers a bottle of Ulunom Fuji Natural Water and other aqua business products with a retail value of ¥1,750, or a Quo Card, restaurant gift certificate and TLC member service points valued at ¥500, ¥1,000 and ¥1,000, respectively. These awards are given twice per year, on March 31 and September 30. An investor holding the minimum lot of the company's shares therefore receives a total yield on investment, including dividend yield and award value, of more than 14% (in the case of Fuji Natural Water).



Note: Through FY3/11, figures show the consolidated result of Tokai Corp.

### Shareholder award

	100~999 shares	1,000~4,999 shares	Above 5,000 shares
<b>A Aqua product</b>	¥1,750 × 12 bottles OR × 1 bottle	¥3,500 × 24 bottles OR × 2 bottles	¥7,000 × 48 bottles OR × 4 bottles
<b>B QUO Card</b>	¥500	¥1,500	¥2,500
<b>C Meal tickets for Beauciel</b>	¥1,000	¥3,000	¥5,000
<b>D Service for internal sales TLC Points</b>	NEW ¥1,000 <a href="http://tlc.tokai.jp/">http://tlc.tokai.jp/</a>	¥2,000	¥4,000

**Choice from above and; + choice from above,**

Grandair Bouquet Tokai, Bouquet Tokai Mishima and Bouquet Tokai Gotemba

10% wedding discount ticket (Up to ¥100,000)

or

Beauciel

20% meal discount ticket (12 tickets)

Source: company



## Consolidated Income Statement (¥mn)

	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14E
Sales	159,228	174,901	181,931	181,684	188,400
y-o-y	-3.9	9.8	4.0	-0.1	3.7
Cost of sales	95,880	107,455	112,393	112,875	-
Cost-of-sales ratio	60.2	61.4	61.8	62.1	-
SGA cost	53,317	56,690	58,614	59,874	-
SGA cost ratio	33.5	32.4	32.2	33.0	-
Operating profit	10,029	10,755	10,923	8,934	9,160
y-o-y	21.1	7.2	1.6	-18.2	2.5
Margin	6.3	6.1	6.0	4.9	4.9
Non-operating income	3,266	973	1,095	983	-
Interest and dividends received	213	200	152	164	-
Other income	3,053	773	943	819	-
Non-operating expense	2,472	2,240	2,200	1,852	-
Interest and dividends paid	2,064	2,075	1,816	1,434	-
Other costs	408	165	384	418	-
Recurring profit	10,822	9,489	9,818	8,065	8,370
y-o-y	-	-12.3	3.5	-17.9	3.8
Margin	6.8	5.4	5.4	4.4	4.4
Extraordinary gains	130	265	270	59	-
Extraordinary losses	2,317	3,533	2,626	1,954	-
Pretax profit	8,635	6,221	7,463	6,170	-
y-o-y	-	-28.0	20.0	-17.3	-
Margin	5.4	3.6	4.1	3.4	-
Income taxes	4,546	3,015	4,695	3,073	-
Effective tax rate	52.6	48.5	62.9	49.8	-
Minority interest	1,008	1,054	52	11	-
Net profit	3,080	2,152	2,715	3,085	3,530
y-o-y	-	-30.1	26.2	13.6	14.4
Margin	1.9	1.2	1.5	1.7	1.9
Shares outstanding (thousand)	70,623	70,586	99,935	114,408	114,408
Earnings per share (¥)	43.5	30.5	27.2	29.9	30.9
Dividend per share (¥)	8.0	8.0	12.0	12.0	12.0
Book value per share (¥)	195.4	210.8	262.9	289.3	-
Dividend payout ratio	18.4	26.2	44.2	40.2	38.9

Note: Through FY3/11, figures show the consolidated result of Tokai Corp.

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