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■ Projecting sales and profit increases for FY3/14, led by two main businesses and rationalization

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 Member Service through which members receive points for services provided by the company. The company expects this service to solidify its base of 2.45 million customers.

In the fiscal year through March 2013, i.e., in FY3/13, Tokai Holdings' consolidated sales were essentially unchanged year-on-year (y-o-y) but its operating profit fell by 18.2% due to a one-time increase in the cost of acquiring customers and of some other costs. However, profits were larger than the company had forecast because the profitability of the liquefied petroleum (LP) gas business improved more than expected. Furthermore, the company reduced its interest-bearing debt in FY3/13 to a level it had targeted for FY3/14, strengthening its balance sheet ahead of schedule.

For FY3/14, Tokai Holdings forecasts a 3.7% y-o-y rise in consolidated sales and a 2.5% increase in consolidated operating profit. The company expects profits in its LP gas business to grow, and it foresees higher sales and profits from its CATV business, reflecting an increase in the number of its customers and savings from rationalization. If the company achieves its profit forecasts, it may raise its dividend for FY3/14 because it has maintained a dividend payout ratio of 40% or more in the past two fiscal years.

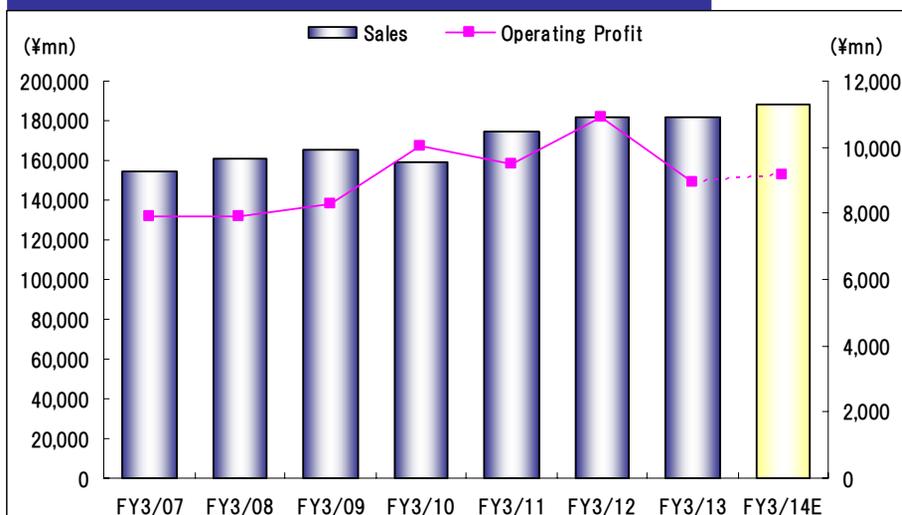
The company is concentrating on developing its new aqua business, the supply of bottled water to households. It recently changed the brand name of this water to "ulunom" and is promoting sales to housewives with children living in Greater Tokyo, aiming to increase the number of customers by 30% in FY3/14 to 130,000. As this business still requires substantial initial investment, the company does not expect it to turn profitable within this two years.

In the information communications services division, Tokai Communications recently established a joint venture with a Taiwanese company. Through this joint venture, Tokai Communications has started systems integration business in Taiwan and, using the technology of the Taiwanese company, it has started a private cloud computing service in Japan which offers high performance for its cost.

■ Check Points

- As the company invested more in its main businesses in FY3/13, its profits fell y-o-y
- For FY3/14, the company projects sales and profit growth as it expands its customer base
- Over the past two fiscal years, the company has maintained a dividend payout ratio of more than 40%, so it may raise its dividend if profits grow as forecast

Consolidated Sales and Operating Profit (¥mn) of Tokai Holdings, FY3/07 – FY3/14E



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

Business Trends

Reflecting increased investment in main businesses, sales increased y-o-y but profits fell

(1) FY3/13 Results

On May 9, 2013, Tokai Holdings announced its consolidated results in FY3/13. Sales declined by 0.1% y-o-y to ¥181,684mn, operating profit dropped by 18.2% to ¥8,934mn, and recurring profit fell by 17.9% to ¥8,065mn, but net profit grew by 13.6% to 3,085mn (see the table below). The declines in operating and recurring profits stemmed from several factors. The customer acquisition costs paid in the information communications business and in the CATV business increased temporarily, and the company invested heavily in two newer businesses, the aqua business and the home renovation business.

Although operating and recurring profits declined, all profits were larger than the company had forecast at the start of FY3/13 and higher than the company's upwardly revised forecasts of last July. Profits exceeded these forecasts because, in the LP gas business, savings from rationalization were greater than projected and procurement costs were reduced more than expected. Net profit grew in FY3/13 for two reasons: 1) the company's extraordinary loss declined by ¥672mn y-o-y, and 2) the company's effective tax rate fell to 49.8% in FY3/13 from 62.9% in FY3/12.

In March 2012, Tokai Holdings closed its Bouquet Tokai Numazu wedding hall, and in April 2012, it sold Kumagaya Cable Television. As a result of these divestitures, and others, sales in FY3/13 were lowered by about ¥1.4bn. Without these divestitures, sales would have risen y-o-y in FY3/13.

The performance by each division in FY3/13 is detailed below.



■ Business Trends

Consolidated Results (¥mn) of Tokai Holdings, FY3/13, Versus Original and Revised Company Forecasts

	Sales	YOY	Operating Profit	YOY	Recurring Profit	YOY	Net Profit	YOY	EPS (¥)	DPS (¥)
Original company forecast	189,200	4.0	6,990	-36.0	5,750	-41.4	1,980	-27.1	19.80	12.0
Company forecasts revised in July 2012	187,200	2.9	7,990	-26.9	6,750	-31.2	2,380	-12.3	23.82	12.0
Result	181,684	-0.1	8,934	-18.2	8,065	-17.9	3,085	13.6	29.85	12.0

New aqua business increased the number of customers

(a) Gas and Petroleum Division

In the gas and petroleum division, sales were basically unchanged y-o-y at ¥98,270mn, but operating profit declined by ¥425mn to ¥6,432mn. In the LP gas business, which accounted for 80% of division sales, the number of customers fell by 19,000 in FY3/13 to 577,000, and the average consumption of LP gas per household declined y-o-y. However, the LP gas business raised its selling price to reflect an increase in its purchase cost, and this rise kept sales at the FY3/12 level. In the city gas business, which accounted for 15% of division sales, sales volume decreased, but the division raised its selling price, so sales increased y-o-y.

In the aqua business, the number of customers increased by 5,000 in FY3/13, reaching 102,000. Of these, about 80,000 customers were in Shizuoka Prefecture, but the market for bottled water delivered to homes appears to be saturated in Shizuoka prefecture, so the business is concentrating its sales efforts on Greater Tokyo, where most of the customer growth occurred. In Shizuoka Prefecture, the aqua business was profitable in FY3/13, but in Greater Tokyo, it was unprofitable, as it invested heavily in business promotion. Overall, therefore, the aqua business remained unprofitable in FY3/13. In March 2013, the aqua business' s second water plant, the Aqua Fujisan Plant, began operations. This plant has an annual production capacity sufficient to supply 300,000 households in the future.

Sales and Operating Profit for Gas and Petroleum Division, FY3/11-FY3/13



Note: All operating profits are before deducting indirect costs. Figures for FY3/11 are for Tokai Corp.

■ Business Trends

Operating profit declined in the information communication services division, reflecting costs of acquiring new customers and lower sales subsidies from telecommunications carriers

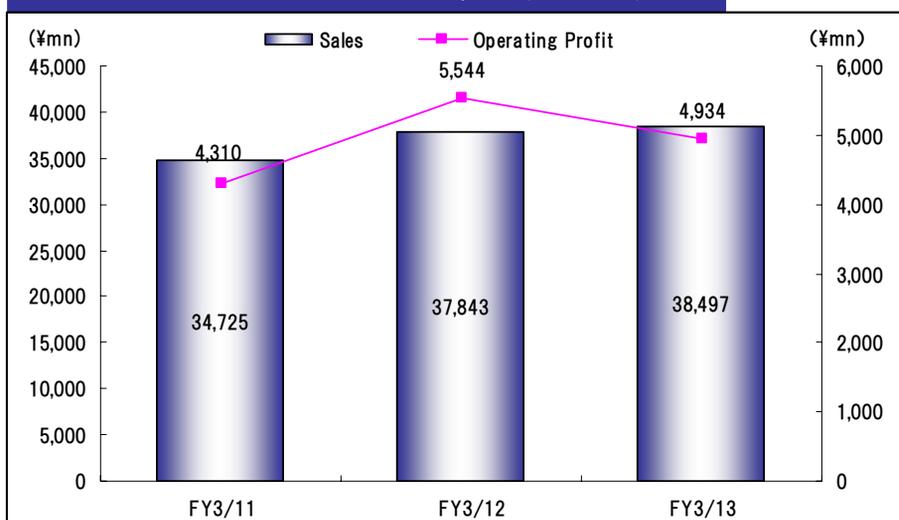
(b) Information Communications Services Division

In the information communications services division, sales grew by ¥554mn y-o-y to ¥38,497mn, but operating profit fell by ¥610mn to ¥4,934mn. The sales growth was attributable to the Internet service provision (ISP) business, which accounted for somewhat more than half of total division sales. In the northeastern part of Honshu, Japan's main island, the ISP business promoted sales of its fiberoptic communications service through mass retailers of electronic goods. In Shizuoka Prefecture, the business acquired the ISP business of Fujitsu Software Technologies, Web Shizuoka. "Mobile 4G", high-speed, mobile data service launched by the ISP business in November 2012 gained many new customers. As a result of these developments, the number of customers for the broadband communication services offered by the ISP business grew by 56,000 in FY3/13 to 804,000.

In the business of data processing services for companies, which accounted for somewhat more than 30% of sales in the information communications services division, sales advanced in FY3/13, led by sales of IT outsourcing services, such as data backup, security, and cloud computing service. These services were in demand as companies developed their business contingency plans.

Operating profit in the information communications services division declined because Japan's telecommunications carriers lowered their subsidies paid for sales of the fiber-to-the-home FTTH service.

Sales and Operating Profit for Information Communications Services Division, FY3/11-FY3/13



Note: All operating profits are before deducting indirect costs. Figures for FY3/11 are for Tokai Corp.

■ Business Trends

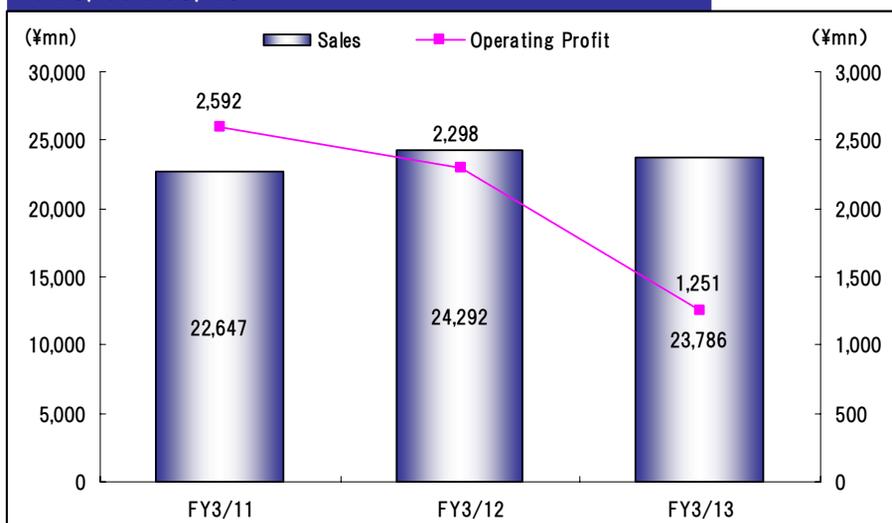
ISP service offered through CATV increased profit

(c) CATV Division

In the CATV division, sales decreased by ¥505mn y-o-y in FY3/13 to ¥23,786mn and operating profit fell by ¥1,047mn to ¥1,251mn. The number of customers for TV broadcasts declined by 37,000 in FY3/13 to 505,000, but the number of customers for communication services grew by 7,000 reaching 186,000, as more people accessed the Internet through CATV. The sale of Kumagaya Cable Television in April 2012 reduced the number of TV broadcast customers by 20,000, the number of communication services customers by 4,000, and sales by about ¥700mn. Furthermore, in FY3/13, the CATV division terminated service for 16,000 households that were not using the service. Excluding these terminations and the customers lost through the sale of Kumagaya Cable Television, the total number of customers would have increased in FY3/13.

Operating profit fell because the division's depreciation cost increased by ¥165mn y-o-y and the division introduced a long-term discount service campaign to acquire customers, thereby increasing its sales promotion cost.

Sales and Operating Profit for CATV Division,
FY3/11-FY3/13

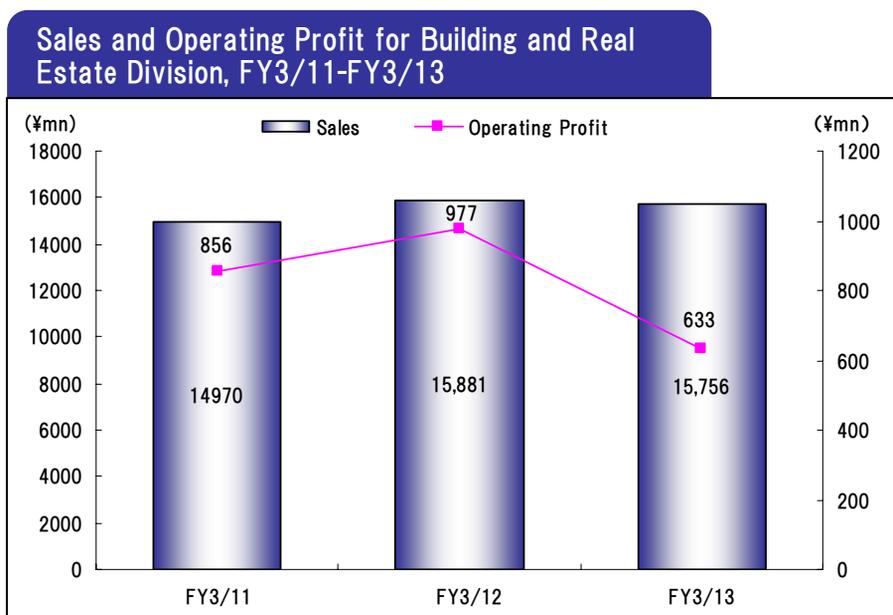


Note: All operating profits are before deducting indirect costs. Figures for FY3/11 are for Tokai Corp.

Total home renovation service brought to full scale

(d) Building and Real Estate Division

In the building and real estate division, sales fell by ¥124mn y-o-y to ¥15,756mn and operating profit declined by ¥344mn to ¥633mn. In April 2012, the division started a home renovation business under the Tokai Will (we will link life) Reform brand, and this business contributed to an 11% y-o-y sales rise in FY3/13 to ¥7.9bn. However, the division increased the number of its sales offices in Shizuoka Prefecture and Greater Tokyo from 14 to 21 in FY3/13. It also spent more on advertising and sales promotion to display its brand on TV programs. These outlays led to the operating profit decline.



Note: All operating profits are before deducting indirect costs. Figures for FY3/11 are for Tokai Corp.

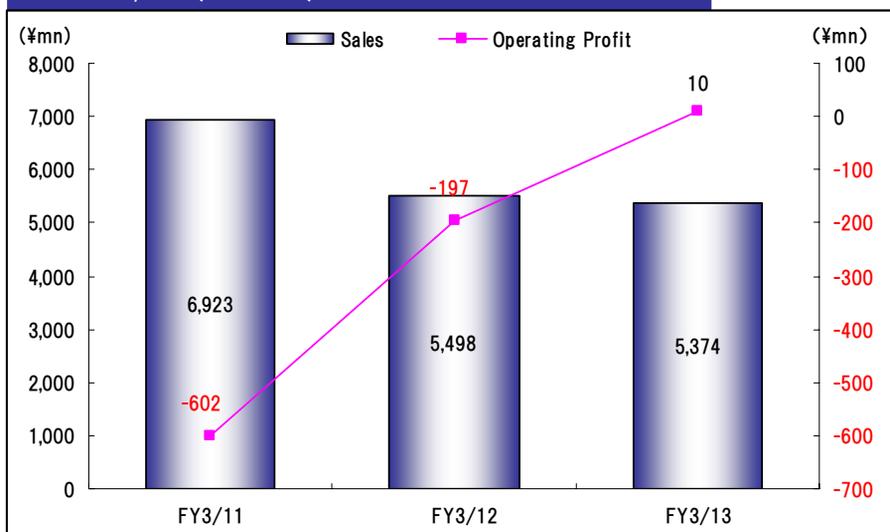
Second nursing home opened in new service of caring for the aged

(e) Other Businesses Division

In the other businesses division, sales declined by ¥124mn y-o-y to ¥5,374mn, but the division earned an operating profit of ¥10mn, after suffering an operating loss of ¥197mn in FY3/12. In the new service of caring for the aged, the company opened its second nursing home, in Shizuoka City, in May 2012, and both nursing homes attracted more residents. However, the closure of the Bouquet Tokai Numazu wedding hall at the end of March 2012 lowered division sales by about ¥700mn in FY3/13.

■ Business Trends

Sales and Operating Profit for Other businesses Division, FY3/11-FY3/13



Note: All operating profits are before deducting indirect costs. Figures for FY3/11 are for Tokai Corp.

Division Sales and Operating Profit (¥mn) at Tokai Holdings, FY3/12 - FY3/13

Sales	FY3/12	FY3/13
Gas and petroleum	98,316	98,270
Information communications services	37,943	38,497
CATV	24,292	23,786
Building and real estate	15,881	15,756
Other businesses	5,498	5,374
Total	181,931	181,684
Operating profit before indirect costs		
Gas and petroleum	6,857	6,432
Information communications services	5,544	4,934
CATV	2,298	1,251
Building and real estate	977	633
Other businesses	-197	10
Adjustment	-4,557	-4,328
Total	10,923	8,934
Note: operating profits are before deducting indirect costs		
Depreciation and amortization costs		
Gas and petroleum	7,073	6,435
Information communications services	3,000	2,918
CATV	7,095	7,260
Building and real estate	518	513
Other businesses	175	169
Adjustment	42	148
Total	17,907	17,447
Operating profit before depreciation, amortization and indirect costs		
	FY3/12	FY3/13
Gas and petroleum	13,930	12,867
Information communications services	8,544	7,852
CATV	9,393	8,511
Building and real estate	1,495	1,146
Other businesses	-22	179
Adjustment	-4,510	-4,174
Total	28,830	26,381
Note: operating profits are before deducting indirect costs		



Balance sheet improved notably due to better cash flow management and introduction of CMS

(2) Financial Condition

Even though Tokai Holdings' operating and recurring profits decreased in FY3/13, the company strengthened its balance sheet more than planned. The company's current plan for FY3/12-FY3/14 aimed to reduce interest-bearing debt to ¥99.6bn at the end of FY3/14, but this balance hit ¥93.7bn at the end of FY3/13, which was ¥30.3bn less than it had been at the end of FY3/11. The company lowered this balance by strengthening its cash flow management and introducing a cash management system (CMS) *, thereby improving funding efficiency, and by raising ¥3.7bn through the sale of treasury stock. As a result of these measures, the company's equity ratio rose from 7.7% at the end of FY3/11 to 18.6% at the end of FY3/13.

Note: A cash management system (CMS) manages the cash and other current assets of each member of the group and of the group as a whole, adjusting these assets as needed to increase the efficiency of fund use.

Summary Consolidated Balance Sheet (¥mn) for Tokai Holdings, FY3/11 – FY3/13

	FY3/11	FY3/12	FY3/13	YOY
Total assets	193,239	183,735	177,642	-6,092
Total liabilities	171,650	156,553	143,631	-12,922
Total equity	21,589	27,181	34,011	6,829
Interest-bearing debt	124,036	10,569	93,668	11,990
Equity ratio	7.7	14.3	18.6	4.3
Book value per share (¥)	210.78	262.92	289.34	26.42

Note: Figures for FY3/11 are for Tokai Corp.

■ Company Forecasts for FY3/14

Higher sales and profits projected due to increase in customers

For FY3/14, Tokai Holdings projects 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. The company foresees a drop in its net extraordinary loss, so its growth rate forecast for net profit is higher than its growth rate forecasts for operating and recurring profits.

■ Company Forecasts for
FY3/14

The company forecasts an approximately ¥600mn decline in operating profit due to a decrease in the amount of LP gas consumed by its customers. It expects to increase its spending by about ¥100mn to support the full-scale operation of facilities in western Japan, including the Okayama Data Center. It also plans to spend about an additional ¥700mn to market its aqua business. However, through rationalization and other measures to increase efficiency, the company expects to save about ¥900mn in its LP gas business. It predicts an increase in the number of customers for its CATV services, resulting in an approximately ¥400mn increase in operating profit, and it projects an operating profit rise of about ¥300mn from other factors.

The company's forecasts of changes in the number of customers for each of its services in FY3/14 are shown in the table below. It sees the largest rises in customer numbers for its aqua business, its ISP (FTTH) business, and its mobile communications business.

**Number of Customers (thousand) for Services of Tokai Holdings,
FY3/12 - FY3/14E**

Service	FY3/12	FY3/13	FY3/14E	YOY
Gas total	648	629	635	+5
LP gas	596	577	582	+5
City gas	52	53	53	0
Security	20	20	20	0
Aqua	97	102	130	+28
Information Communications total	758	816	836	+20
Broadband communications	748	804	824	+20
FTTH	573	655	696	+41
ADSL	148	115	93	-22
LTE・MVNO	27	34	35	0
Dial up	10	11	13	+1
Mobile communications	193	213	228	+15
CATV	722	691	698	+7
CATV broadcasting	542	505	508	+3
CATV communications services	180	186	190	+3
Total	2,415	2,445	2,521	+75

Note: Figures omit double counting (ascribing the same customer to more than one service)

Profitability of the LP gas business expected to improve due to cost cutting and improved efficiency

(a) Gas and Petroleum Division

For the LP gas business of the gas and petroleum division, the company forecasts a 1.6% y-o-y rise in sales to ¥99.8bn. The company projects a decline in sales of LP gas, reflecting a fall in the average amount of LP gas consumed per household, stemming in part from a decrease in the number of children in Japan. However, the company believes the LP gas business will be able to increase its profitability by lowering costs and improving efficiency, resulting in higher profit.



■ Company Forecasts for FY3/14

The business' s cost of LP gas is linked to the contract price i.e., CP for this gas announced each month by Saudi Aramco, the Saudi Arabian Oil Company. In FY3/13, this CP spiked, but the company projects that it will weaken in FY3/14. Although the company foresees a decline in CP, it also projects a weaker Japanese yen exchange rate against the US dollar, so it forecasts only an 8% drop in the cost of LP gas. Since April 2013, CP has been lower than US\$800 per ton, so it appears to be falling toward the company' s assumed average price for FY3/14 of US\$729.

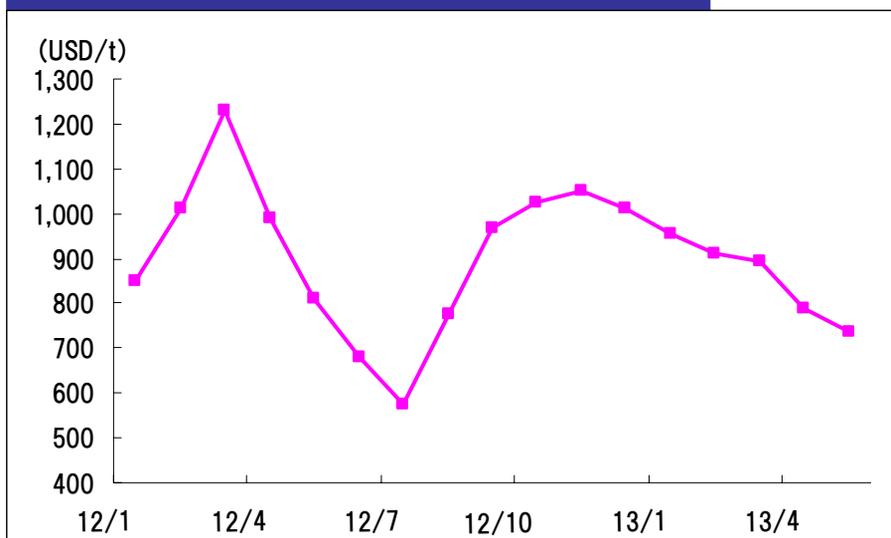
If Japan were to import shale gas, Saudi Aramco may be forced to lower the contract price of LP gas, making it more cost competitive with electricity.

Average Cost of Propane Gas in FY3/13 and Average Cost Projected for FY3/14

	FY3/13	FY3/14E
CP (US\$/ton)	948	729
Average ¥/US\$ exchange rate	82.6	99.0
Company' s average cost (¥/kg)	78.3	72.2

Note: CP is contract price of Saudi Aramco

Monthly CP (US\$/ton) of Propane Gas, January 2012 - May 2013



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



**■ Company Forecasts for
FY3/14**

For the aqua business of delivering bottled water to homes, the company intends to substantially increase marketing cost in FY3/14 to rapidly expand sales in Greater Tokyo. The company recently changed the brand name of its bottled water from One-way Home Delivery of Delicious Water (Oishi Mizu no Takuhaibin Oneway) to “ulunom”, which it considers more attractive to consumers. It has decided to target women with small children in its sales promotions and has adopted the animation character Doraemon as a promotional figure. It has begun to air TV commercials for its bottled water and plans to hold demonstration sales at mass retailers of electronic goods and at large commercial facilities. Through these efforts, the company hopes to increase the number of customers for its aqua business by 28,000 in FY3/14, making the total 130,000, and to increase sales by ¥1.0bn, to ¥4.8bn. However, because of the large increase in advertising and sales promotion expense planned, the company foresees an increase in the operating loss suffered by the aqua business in FY3/14.

The company aims to make the aqua business profitable within this two years and to raise the number of customers for this business to 200,000 within this five years. The market for bottled water delivered to households is about saturated in Shizuoka Prefecture, so the business will concentrate on the Greater Tokyo area to expand sales. The LP gas business has 400,000 customers in Greater Tokyo, so the company plans to use the route for direct sales of LP gas in the area to promote sales of bottled water as much as possible, as well as selling the water at large mass retailers of electronic goods and at large commercial facilities. 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.

Established joint venture with leading Taiwanese information services company

(b) Information Communications Services Division

In the information communications services division, the company foresees a 2.3% y-o-y rise in sales to ¥39.4bn, supported by an increase in the number of customers in the ISP business and in the number of projects in the systems integration services business, but in the business of communications services for companies, it will increase costs to bring to full operation facilities in western Japan, including the Okayama Data Center, which opened in April 2013.



In April 2013, subsidiary Tokai Communications and leading Taiwanese information services company Syscom Computer Engineering Co. established a joint venture called CloudMaster Co. in Taiwan, with each partner taking a 50% stake. CloudMaster Co. intends to provide a cloud computing service, a healthcare system business, a systems development business, and other businesses throughout Asia, centering on Taiwan, Japan and China.

Outline of Businesses Planned by CloudMaster Co.

Cloud Computing
<ul style="list-style-type: none"> • In cooperation with Taiwan's Institute for Information Industry, CloudMaster will optimize a cloud computing base for Japan and license this base to Tokai Communications. • Tokai Communications will install the cloud computing base at its 13 affiliated data centers and other data centers in Japan and offer a low-cost, private cloud computing environment to medium-sized companies.
Healthcare Information System
<ul style="list-style-type: none"> • CloudMaster will offer a healthcare information service to medical institutions in Taiwan. • CloudMaster will combine Syscom's experience and knowhow in providing healthcare information systems to national university hospitals in Taiwan with Tokai Communications' knowhow in operating information services to develop and market systems integration, systems building and systems operation services for healthcare information systems used by medical institutions in Taiwan.
Systems Development
<ul style="list-style-type: none"> • CloudMaster will undertake offshore operations for Tokai Communications' systems development business in Japan. • Tokai Communications will develop some of its information systems for Japanese customers with Syscom affiliate XI' an Langan Computer Co., making Tokai Communications more price competitive.
Electronic Data Interchange (EDI) / Enterprise Application Integration (EAI) Software as a Service (SaaS) Business
<ul style="list-style-type: none"> • Tokai Communications will convert its JFT brand of EDI middleware into SaaS format and sell it as an EDI/EAI service to Japanese companies operating in China. • In addition, Tokai Communications will develop software that links to the information systems of Chinese companies providing such services as distribution, transaction settlement, and storage and sell this software to Japanese companies entering the Chinese market to ease that process.

Note: EAI is the use of middleware to integrate the application programs, databases, and legacy systems involved in an organization's critical business processes.
EDI is the transfer of data between different companies using networks, such as VANs or the Internet.

Of the businesses planned by CloudMaster Co., cloud computing appears to offer the greatest growth potential for Tokai Communications. CloudMaster aims to sell in Japan a cloud computing service developed jointly by the public and private sectors of Taiwan. In Japan, this service will be sold as a "private cloud computing service", or, as a shortened version of the Japanese pronunciation, "Purakura". This service will be private, yet low-cost, and it will provide greater security than public cloud computing services. Tokai Communications estimates that this private cloud computing service can be sold in Japan for about one-third the cost of comparable services offered by Japanese companies. Tokai Communications will be the exclusive sales agent in Japan for this private cloud computing service, selling it wholesale to its 13 affiliated data centers (units of electric power companies, gas companies, etc.), which will then sell it to medium-sized companies in their respective service areas. CloudMaster intends to offer this service on a trial basis in Japan from July 2013 and to start commercial sales in October. Tokai Holdings has not estimated the sales likely to be generated by CloudMaster in FY3/14.

Improved efficiency seen supporting profit growth in the CATV division

(c) CATV Division

In the CATV division, the company foresees a 0.1% y-o-y rise in sales to ¥23.8bn. The company projects an increase in customers in this division, but discount sales are expected to restrict sales growth to a minimum. By increasing the efficiency of customer acquisition, the division is expected to increase its operating profit.

Rush demand for home innovation expected to spur sales and profit growth

(d) Building and Real Estate Division

In the building and real estate division, the company projects a 26.3% y-o-y rise in sales to ¥19.9bn. Before the Japanese government raises the consumption tax again, the demand for home renovation is likely to jump, supporting sales and profit growth.

■ Medium-term Plan

Aiming to expand its Total Life Concierge concept using its large customer base

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. As noted above, the company is ahead of this plan's goal for reducing interest-bearing debt. The balance of this debt hit ¥93,700mn at the end of FY3/13, and the company now aims to cut this balance to ¥86,100mn by the end of FY3/14. The debt-to-equity ratio declined to 2.8x at the end of FY3/13, and the company now plans to lower this to about 2.5x at the end of FY3/14. It also aims for an equity ratio of 20% at the end of FY3/14.

In May 2012, the company revised its targets for FY3/14, as detailed in the table below. The company's current sales forecast for FY3/14 is lower than the sales target set in May 2012 for two reasons: 1) following Japan's adoption of exclusively terrestrial digital television broadcasting in FY3/13, the number of subscribers to CATV services has declined, and 2) competition has intensified in some areas of communications services. The company's current forecast of operating profit for FY3/14 is also lower than the target set in May 2012, mainly because of the company's heavy investments in new growth businesses, such as the aqua business and the total home renovation business. However, the company projects modest operating profit growth for FY3/14.

■ Medium-term Plan

The growth of the information communications services division will depend on how much the division can increase the number of its customers, in part, by preventing the defection of its current customers. It is likely to be assisted to meet this goal by the TLC Customer Service organization started by Tokai Holdings in December 2012. Customers who join this organization receive a TLC WAON Card that operates using WAON electronic money. Every time a member uses this card for a 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 160,000 Aeon Group stores or businesses accepting the WAON card throughout Japan as of the end of FY3/13. At the end of 3/13, 110,000 TLC WAON Cards had been issued, and by the end of FY3/14, the company aims to have 500,000 cards outstanding. Over the longer term, it plans to issue 1.5 million cards.

The company expects the TLC Customer Service to encourage customers to keep their current services and use many of the group's other services, thereby raising the average revenue per user. The company also plans to allow TLC WAON Cardholders to use their points to buy high-quality life services provided by other companies.

By offering such services, Tokai Holdings should be able to increase the number of its long-term customers. At the same time, newer services with high growth potential, such as the aqua business and the total home renovation business, will probably contribute to stable earnings in future years.

Targets (¥bn) in Medium-term Plan versus Results and Forecasts

	FY3/12		FY3/13			FY3/14		
	Plan	Actual	Plan	Revised plan	Actual	Plan	Revised plan	Forecasts
Sales	185.4	181.9	191.1	187.2	181.7	197.2	194.8	188.4
Operating profit	8.5	10.9	11.7	8.0	8.9	13.7	9.7	9.2
Recurring profit	6.6	9.8	9.6	6.8	8.1	11.5	8.4	8.4
Net profit	1.6	2.7	3.8	2.4	3.1	4.9	3.3	3.5
Capital investment	17.0	11.9	12.2	12.8	11.4	9.0	9.6	11.8
Free cash flow	8.0	18.5	14.5	13.1	15.7	20.4	16.0	13.0
Interest-bearing debt balance	122.6	105.7	113.8	99.0	93.7	99.6	90.9	86.1
Capital ratio	12.5%	14.3%	14.0%	16.9%	18.6%	17.5%	16.7%	20.0%
ROA	0.8%	1.4%	1.9%	1.1%	1.7%	2.5%	1.6%	2.0%

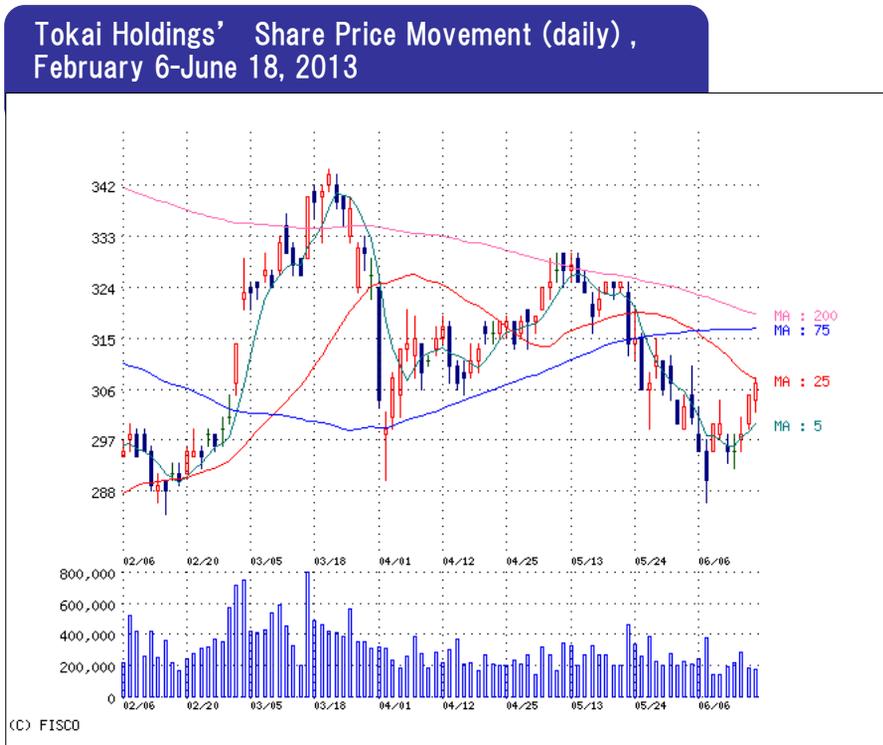
Note: Revised plan is as of May 2013

■ Shareholder Return Policy

Company may raise its dividend for FY3/14 if it achieves its profit forecasts

The company’s basic policy toward shareholder returns is to pay a steady dividend. However, over the past two fiscal years, 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 Fuji Natural Water with a retail value of ¥1,750 (*). 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 9%.

*Note: the retail value is estimated with the price of “Fuji Natural Water (Fuji no Tennensui)” of “ulunom”.



■ Business Trends

Consolidated Income Statement (¥mn) for Tokai Holdings,
FY 3/10 – FY3/14E

	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14E
Sales	159,228	174,901	181,931	181,684	188,400
(YOY)	-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
(YOY)	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 costs	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
(YOY)	-4310.9	-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	-
(YOY)	-910.8	-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
(YOY)	-240.8	-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.

■ Business Trends

Consolidated Balance Sheet (¥mn) for Tokai Holdings,
FY 3/09 – FY3/13

	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13
Current assets	52,715	51,236	49,744	41,093	40,351
(Cash and cash equivalents)	7,405	11,084	8,622	2,602	4,235
(Inventories)	9,340	8,885	9,568	8,051	8,141
Tangible fixed assets	88,356	107,778	110,613	110,207	106,602
Intangible fixed assets	8,795	14,810	16,654	17,266	14,906
(Goodwill)	7,490	13,186	15,022	15,540	12,632
Investments.etc.	18,653	17,138	15,996	14,995	15,638
Deferred assets	33	72	229	171	143
Total assets	168,554	191,036	193,239	183,735	177,642
Current liabilities	98,308	96,682	89,783	85,179	82,563
Fixed liabilities	53,513	74,804	81,866	71,374	61,068
(Interest-bearing debt)	112,608	127,686	122,156	104,238	92,707
Total liabilities	151,822	171,487	171,650	156,553	143,631
Shareholders' equity	11,604	13,851	15,425	26,424	32,096
Common stock	14,004	14,004	14,004	14,000	14,000
Additional paid-in capital	8,511	4,786	2,207	21,868	22,183
Retained earnings	-8,477	-2,239	-651	1,780	4,225
Treasury stock	-2,434	-2,700	-135	-11,224	-8,313
Other comprehensive income	-364	-51	-547	-149	1,006
Equity warrants & minority interest	5,492	5,749	6,710	905	908
Total equity	16,732	19,549	21,589	27,181	34,011
Total liabilities & equity	168,554	191,036	193,239	183,735	177,642
(Measures of financial strength)					
Current ratio	53.6%	53.0%	55.4%	48.2%	48.9%
Equity ratio	6.7%	7.2%	7.7%	14.3%	18.6%
Debt-to-equity ratio	970.4%	921.9%	791.9%	394.5%	288.8%
(Measures of profitability)					
ROE	-18.8%	22.2%	14.0%	10.3%	9.6%
ROA	-1.3%	1.6%	1.1%	1.5%	1.7%
Operating profit margin	5.0%	6.3%	6.1%	6.0%	4.9%

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

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