

TOKAI Holdings3167 Tokyo Stock Exchange
First Section

8-Jul.-14

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at the end of this document.FISCO Ltd. Analyst
Yuzuru Sato

■ Increase in number of customers, mainly for information and communication services division and aqua business, supported sales rise in FY3/14

Tokai Holdings Corp., based in Shizuoka, has two main divisions: gas and oil products, which engages mainly in the sale of liquefied petroleum gas, and information and 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 Membership Service through which members receive points for any service provided by the company. Through this service, the company presents the attractions of its supplementary services to its more than 2.5 million customers and attracts new customers.

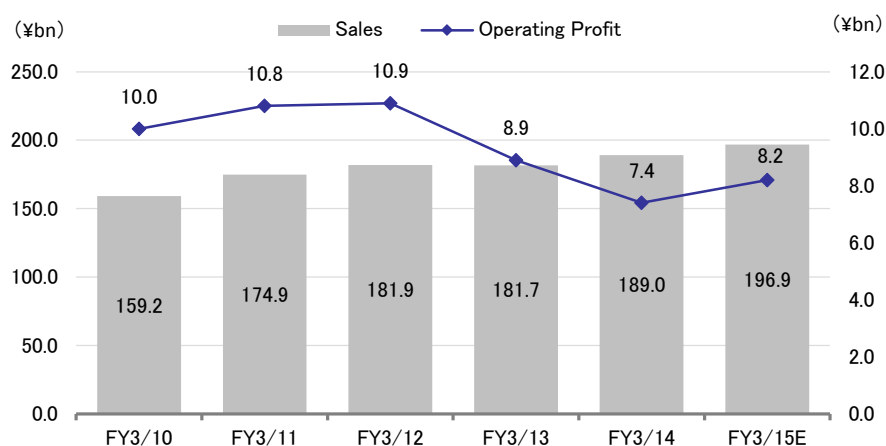
In the fiscal year through March 2014, i.e., in FY3/14, Tokai Holdings' consolidated sales grew by 4.0% year-on-year (y-o-y) to ¥189.0bn, but its operating profit fell by 17.3% to ¥7.4bn. The number of customers in its information and communication services division and in its aqua business increased, supporting the sales rise. However, the cost of acquiring new customers and retaining existing customers increased by ¥2.3bn y-o-y and the cost of liquefied petroleum (LP) gas increased. These cost increases depressed profits.

For FY3/15, Tokai Holdings forecasts a 4.3% y-o-y rise in consolidated sales and an 11.1% rise in consolidated operating profit, its first such increase in three fiscal years. The company expects to increase the number of its customers, thereby expanding sales, and it plans to cut its cost of acquiring new customers and retaining existing customers by ¥500mn y-o-y. At the end of June 2014, it intends to announce a new three-year business plan with the goals of rationalizing its cost of acquiring new customers and of providing a lifetime increase in value to its customers, thereby transforming its profit structure.

In the second half (H2) of FY3/15, the company plans to start the bundled sales of its life infrastructure services on a full scale. It expects this sales approach to increase sales efficiency and to lower the number of customers who stop using its services. Currently, only 12% of its customers use more than one of its services, but bundled service sales should raise this proportion notably. In the government's fiscal 2016, which ends in March 2017, the government plans to liberalize retail sales of electricity. This could enhance competition for the company's gas and oil products division. Thus, the company plans to expand its service sales before the liberalization to grow in the future.

■ Check Point

- Sales and profits in FY3/14 surpassed the company's forecasts made in January 2014
- Profits in the three fiscal years through FY3/14 undershot the company's forecasts, but the company's financial condition improved more than projected
- Over the past three fiscal years, the company has maintained a dividend payout ratio of more than 40%, so it is likely to maintain its FY3/14 dividend in FY3/15

Consolidated Sales and Operating Profit (¥bn)


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

Financial Results

Sales and profits exceeded company forecasts

(1) FY3/14 Results

On May 8, 2014, Tokai Holdings announced its consolidated results in FY3/14. On May 29, the company amended some of these results. Sales grew by 4.0% y-o-y to ¥189bn, operating profit dropped by 17.3% to ¥7.4bn, recurring profit fell by 13.0% to ¥7.0bn, and net profit declined by 15.8% to 2.6bn (see the table below). Sales growth was led by the gas and oil products division and the construction and real estate division. However, in the information and communications services division and the aqua business, the cost of acquiring new customers increased by ¥1.8bn y-o-y, and in the gas and oil products division, the cost of LP gas rose by ¥300mn y-o-y. These factors contributed to the operating profit decrease. The non-operating expenses decreased by ¥500mn y-o-y because the company lowered its interest-bearing debt, thereby reducing its interest payments. Sales and profits were larger than the company had projected in January 2014.

Consolidated Results of Tokai Holdings, FY3/13 – FY3/14

	FY3/13		Co. f	FY3/14			
	Result	vs. sales		result	vs. sales	y-o-y	vs. Co. f
Sales	181.7	–	188.4	189.0	–	4.0%	0.3%
Cost of goods sold	112.9	62.1%	–	120.6	63.8%	6.9%	–
SGA costs	59.9	33.0%	–	60.9	32.2%	1.8%	–
Operating profit	8.9	4.9%	6.7	7.4	3.9%	–17.3%	10.3%
Recurring profit	8.1	4.4%	6.1	7.0	3.7%	–13.0%	13.5%
Net extraordinary loss	–1.9	–	–	–1.0	–	–	–
Net profit	3.1	1.7%	2.5	2.6	1.4%	–15.8%	2.7%

Note: Company forecasts are as of January 2014



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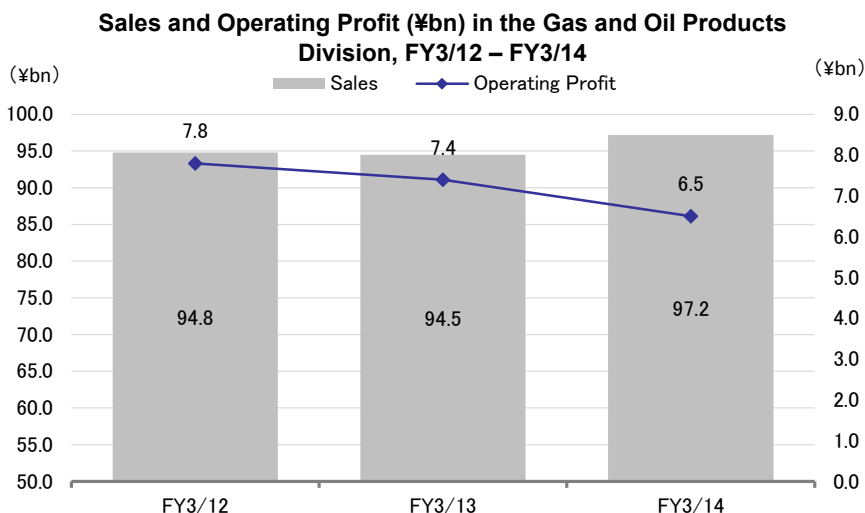
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The performance by each division in FY3/14 is detailed below.

Gas and oil products

The gas and oil products division sells LP gas in canisters in Shizuoka Prefecture, Tokyo, six prefectures near Tokyo, and Fukushima Prefecture. In the four fiscal years through FY3/13, the number of customers for LP gas declined y-o-y, but in FY3/14, the number remained constant y-o-y at 575,000. The division also pipes gas to homes and businesses in Yaizu City, Fujieda City and Shimada City, in Shizuoka Prefecture. The number of customers for this business has remained static at 53,000 for the past several years. This division also supplies home security equipment. In FY3/14, the number of customers for this equipment remained unchanged y-o-y at 19,000.

In FY3/14, sales in the gas and oil products division grew by ¥2.7bn y-o-y to ¥97.2bn, but operating profit declined by ¥900mn to ¥6.5bn. Because of a hot summer in 2013, the division sold less quantity of LP gas in FY3/14 than it did in FY3/13. The LP gas business raised its selling price to offset most of a ¥10 per kilogram y-o-y increase in its average purchase cost and this resulted in, after all, an increase in its sales. However this could not cover all the cost increase, contributing to the ¥300mn decline in its profit. To counter intense competition, the business spent more in FY3/14 to attract new customers and retain existing customers than it did in FY3/13, and this cost increase also lowered its operating profit. In the piped gas business, sales volume remained unchanged y-o-y in FY3/14, but the business raised its selling price, so its sales increased y-o-y.



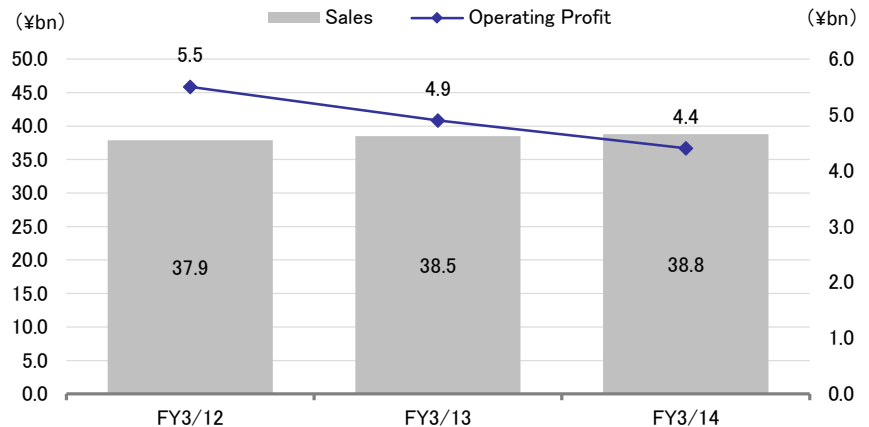
Note: All operating profits are before deducting indirect costs.

Information and communication services

The information and communication services division sells broadband Internet connection services and mobile telephones to individuals and provides information and communication services, including systems integration service, to companies. Most of the division's sales come from the sale of broadband internet services to individuals. The division offers three broadband services: the @T COM service is offered nationwide, but most of its customers are in the Greater Tokyo area; in Shizuoka Prefecture, the division offers the Tokai Network Club service and the Web Shizuoka service. The number of customers for these broadband communication services grew by 36,000 in FY3/14 to 840,000. In Shizuoka Prefecture, the division holds the leading share of the market for these services, of about 25%.

In FY3/14, sales in the information and communication services division grew by ¥300mn y-o-y to ¥38.8bn, but operating profit fell by ¥500mn to ¥4.4bn. Accompanying the increase in the number of customers for broadband communication services, sales of these services grew, but this business increased its sales commissions paid to mass retailers of electronic goods for new customers by ¥500mn y-o-y, leading to the operating profit decline. In the business of communications services for companies, the division opened its Okayama Data Center in western Japan in April 2013 and started offering cloud computing service and other services in the area. Thus, sales and operating profit from this business grew y-o-y in FY3/14.

Sales and Operating Profit (¥bn) in the Information and Communication Services Division, FY3/12 – FY3/14

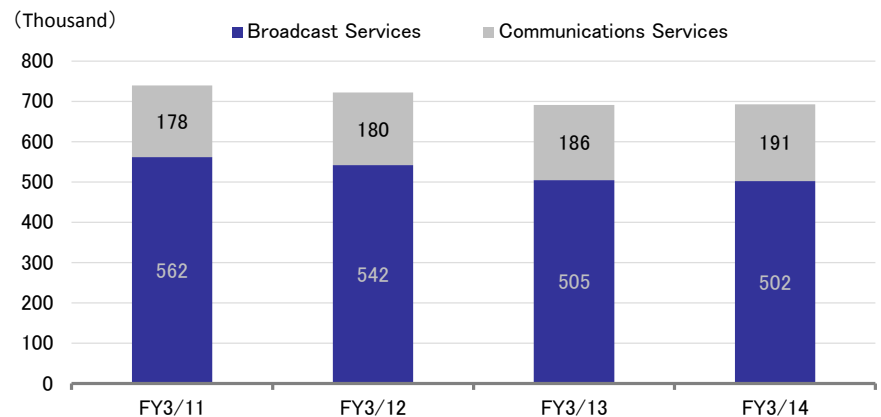


Note: All operating profits are before deducting indirect costs.

OCATV

The CATV division provides broadcast and communications services through seven subsidiaries to customers in five prefectures: Shizuoka, Kanagawa, Chiba, Nagano, and Okayama. In FY3/14, the number of customers for TV broadcasts declined by 3,000 to 502,000, but the number of customers for communication services grew by 5,000 to 191,000, of which, 134,000 subscribed to services through fiber-optic lines to the home.

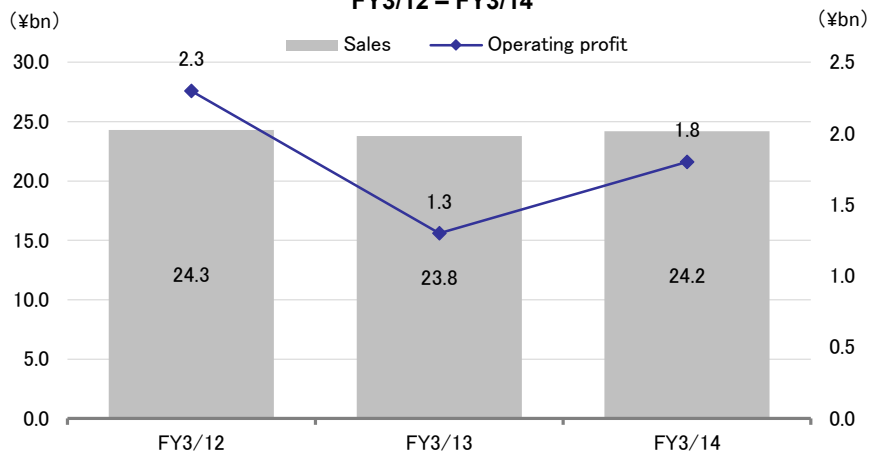
Number of Customers for CATV Broadcast and Communications Services, FY3/11 – FY3/14



Note: In FY3/13, the number of customers for both services fell by 40,000 due to the sale of Kumagaya Cable Television and the division's termination of service for some households.

In FY3/14, sales in the CATV division grew by ¥400mn y-o-y to ¥24.2bn and operating profit rose by ¥600mn to ¥1.8bn. The sales increase was the first in two years, and the operating profit rise was the first in three years. Due to intense competition with large communications companies, the number of customers for the broadcast service has declined in recent years. On the other hand, the number of customers for communications services has increased steadily, reflecting the promotion of bundled services and the introduction of discounts for long-term contracts. Furthermore, the average revenue per user (ARPU) rose in FY3/14, supporting the increases in sales and profit.

Sales and Operating Profit (¥bn) in the CATV Division, FY3/12 – FY3/14



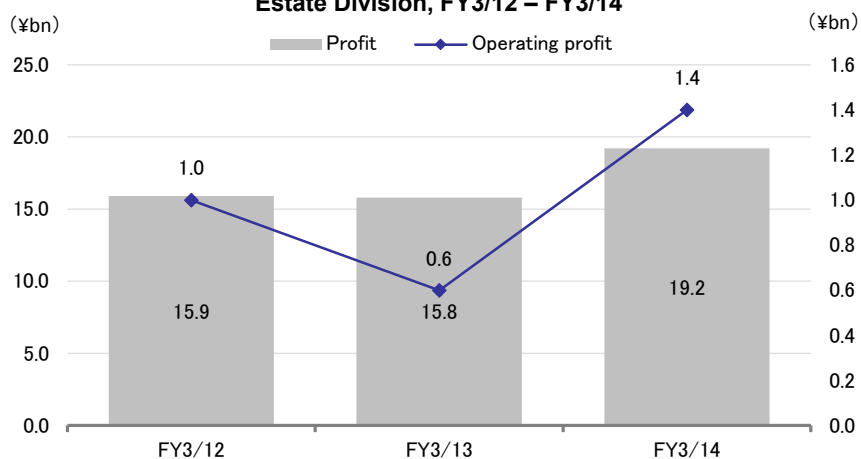
Note: All operating profits are before deducting indirect costs.

Construction and real estate

The construction and real estate division builds detached, owner-occupied homes, homes for rent, stores, office buildings, and condominium buildings in Shizuoka Prefecture. In April 2012, the division started a home renovation business.

In FY3/14, division sales grew by 22% y-o-y to ¥19.2bn and operating profit jumped by 119% to ¥1.4bn. Reflecting a pickup in economic growth in Japan, the division received increased orders for the construction of new stores, sales of equipment, and home renovation, and its sales of condominium buildings advanced. Home renovation sales surged by 40% y-o-y because the business improved its sales organization and its brand recognition.

Sales and Operating Profit (¥bn) in the Construction and Real Estate Division, FY3/12 – FY3/14

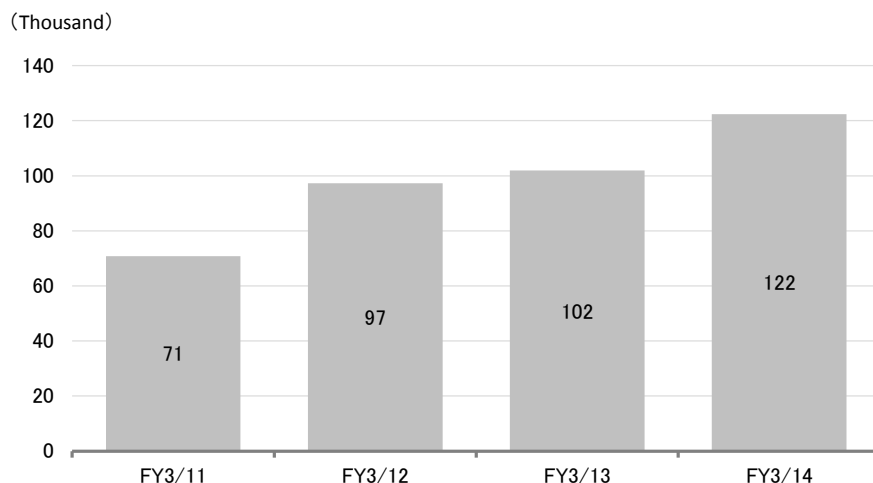


Note: All operating profits are before deducting indirect costs.

○Aqua

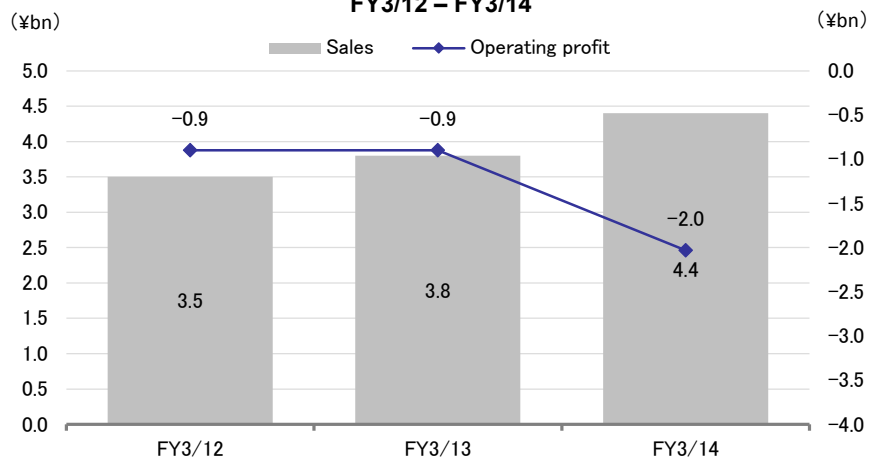
The aqua business of supplying water in returnable bottles to homes and businesses was started in Shizuoka Prefecture in 2007 under the brand name Home Delivery of Delicious Water. In FY3/12, The business started selling water in disposable bottles nationwide, but with business concentrated in the Greater Tokyo area. In 2013, the business changed its brand name to Ulunom, adopted the animation character Doraemon as a promotional figure, and targeted women with small children in its sales promotions. In June 2012, it started selling its Fuji Shigen brand of bottled water to well-to-do households in Shanghai, China. The aqua business has two plants, both in Shizuoka Prefecture, one in Yaizu City, the other in Fujinomiya City. Together, these plants produce enough water to supply 300,000 homes and offices. In FY3/14, the number of customers in the aqua business increased by 21,000 to 122,000. The bar chart below shows an increase of 20,000 in the number of customers from FY3/13 to FY3/14.

Number of Customers for the Aqua Business, FY3/11 – FY3/14



In FY3/14, sales in the aqua business grew by ¥600mn y-o-y to ¥4.4bn, reflecting the appeal of the new Ulunom brand name and the adoption of the animation character Doraemon as a promotional figure. However, the business increased its cost of acquiring new customers by ¥900mn y-o-y and its advertising and promotion cost by ¥400mn. These cost increases raised the business's operating loss to ¥2.0bn in FY3/14 from ¥900mn in FY3/13. In Shizuoka Prefecture, the number of customers grew by 3,000 to 83,000, and in Greater Tokyo and other parts of Japan, the number increased by 18,000 to 39,000. In the Shizuoka area, the business is profitable, and management foresees overall profitability when the total number of customers reaches about 200,000, most likely in FY3/17. In the Greater Tokyo area, profitability is projected for FY3/18.

Sales and Operating Profit (¥bn) in the Aqua Business, FY3/12 – FY3/14



Note: All operating profits are before deducting indirect costs.

Other products

The other products division operates wedding halls and nursing homes, repairs ships, and engages in insurance and travel agency businesses. The division is concentrating on expanding its nursing home business. In August 2013, it opened its third nursing home, called Refrea Shimizu Muramatsu, and in March 2014, it opened its fourth nursing home, Refrea Kusanagi.

In FY3/14, sales in the other products division declined by ¥200mn y-o-y to ¥5.1bn, reflecting a sales drop in the ship repair business due to the postponement of orders. This sales drop more than offset sales increases in the nursing home and wedding hall businesses. The division earned a small operating profit, but less than the ¥10mn operating profit earned in FY3/13.

Company aims for 1.5mn members ultimately

(2) TLC Membership Service

Although Tokai Holdings offers a wide variety of life infrastructure services, including gas supply, information and communications services, and CATV services, to more than 2.5 million customers, only 12% of these customers use more than one of the company's services. One growth strategy the company is pursuing is to increase this proportion.

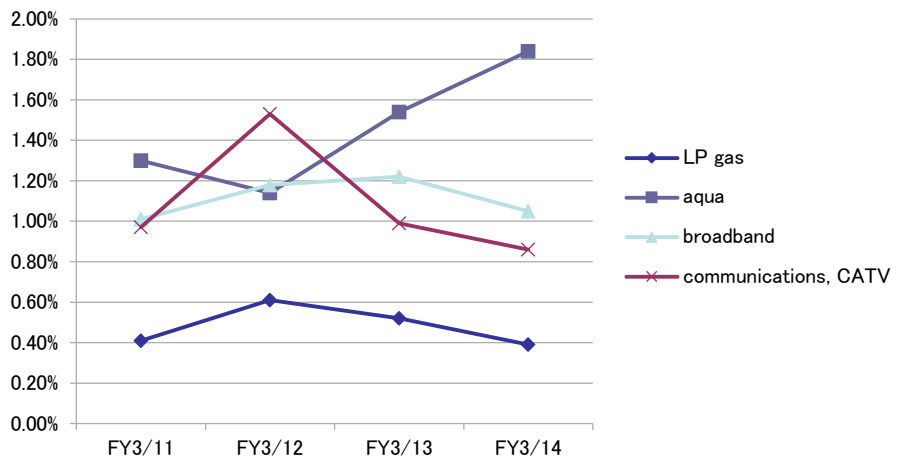
Toward this end, it established the TLC (Total Life Concierge) Membership Service in December 2012. Membership in this service increased from 105,000 at the end of FY3/13 to 306,000 at the end of FY3/14, equivalent to 12% of the company's customer base.

Customers who join this service 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 180,000 Aeon Group stores or businesses accepting the WAON card throughout Japan as of the end of FY3/14. Members who use more than one service provided by Tokai Holdings receive additional points that lower the overall cost of the services. The company expected the TLC Membership Service to encourage customers to keep their current services and to use many of the group's other services, thereby raising the average revenue per user.

In fact, the service has had the desired impacts. Based on data available through September 2013, members of the TLC Membership Service subscribed to an average of 1.4 services, or had a revenue-generating unit (RGU) of 1.4, whereas non-members had an RGU of 1.1. Members as of that date had subscribed to 12,000 additional services after becoming members. The service cancellation rate for non-members was 1.15% per month, while the cancellation rate for members was 0.64% per month.

As shown in the graph below, the cancellation rates for all the company's main businesses except the aqua business are trending down. Probably, the growth in the TLC Membership Service has contributed to these trends. The rise in the cancellation rate for the aqua service most likely reflects the small size of the customer base and the rapid increase in the number of subscribers in Greater Tokyo in FY3/14, which led to some cancellations. In Shizuoka Prefecture, where the aqua service was launched and where most of the customers reside, the cancellation rate is declining. Given the positive effects of the TLC Membership Service, the company plans to expand it.

Monthly Cancellation Rates for Main Businesses, FY3/11 – FY3/14



Medium-term Plan through FY3/14 and Future Strategy

Fell short of profit targets, but improved financial condition more than planned

(1) Medium-term Plan through FY3/14

FY3/14 was the final year of the company's Innovation Plan 2013 for FY3/12 – FY3/14, announced in May 2011. This plan had two main objectives: 1) to improve the company's financial condition through better cash flow management, and 2) to increase sales and profits by aggressively investing in new businesses with growth potential, being more selective in choosing businesses to pursue, and combining those businesses. As detailed in the table below, the company surpassed its goals for financial condition but fell short of its growth targets.

In FY3/12 – FY3/14, the company invested about ¥15bn per year in plant and equipment while claiming about ¥17.6bn per year in depreciation cost and the cost of amortizing goodwill. It also accumulated retained earnings and procured about ¥3.7bn from the sale of treasury shares. Using these funds, the company reduced its interest-bearing debt by ¥13.8bn more than planned over the three years. As a result, its interest payments dropped from ¥1.9bn in FY3/11 to ¥0.95bn in FY3/14, its ratio of interest-bearing debt to EBITDA fell from 4.7x to 3.4x over the same period, and its equity ratio rose from 7.7% to 21.6%.

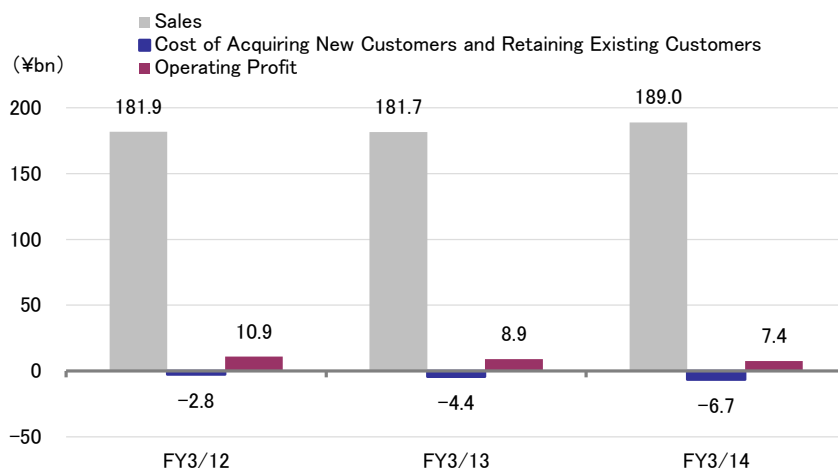
However, FY3/14 sales were slightly lower than targeted in the medium-term plan, and operating profit that year was just over half the target. This underperformance was attributable to two main factors: 1) the company increased its customer base to 2.52 million, which was less than the target of 2.68 million, and 2) to combat growing market competition, the company spent more than planned to acquire new customers and retain existing customers. Competition was particularly intense in the aqua business and the broadband communications business. In FY3/14, the company increased its spending to acquire new customers and retain existing customers by ¥2.3bn y-o-y. Of this increase, ¥1.3bn was used in the aqua business and ¥0.5bn was used in the broadband communications business. Without this increased spending, the company may have expanded its operating profit in FY3/14. The challenge for management now is to increase the number of customers while managing marketing costs more efficiently.

Targets in Innovation Plan 2013 versus Results

	FY3/11	FY3/14	
	Result	Target	Result
No. of customers (mn)	2.34	2.68	2.52
Sales (¥bn)	174.9	197.2	189.0
Operating profit (¥bn)	10.8	13.7	7.4
Free cash flow (¥bn)	8.9	42.9 (3 years)	47.4 (3 years)
EBITDA (¥bn)	26.3	-	24.9
Interest-bearing debt (¥bn)	124.0	99.6	85.8
Interest-bearing debt/EBITDA (times)	4.7	-	3.4
Equity ratio	7.7%	17.5%	21.6%
Return on assets (net profit/total assets)	1.1%	2.5%	1.5%
BPS (¥)	210.78	-	325.75

Note: Figures for FY3/10 – FY3/11 are for Tokai Corp.

Sales, Cost of Acquiring New Customers and Retaining Existing Customers, and Operating Profit (¥bn), FY3/12 – FY3/14





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Aims to maximize sales per customer

(2) Strategy from FY3/15

Tokai Holdings is scheduled to release a plan of operations for FY3/15 – FY3/17 at the end of June 2014. The main objective of this plan will be to strengthen its profit structure, and this objective will be pursued by acquiring new customers more efficiently and increasing value over a customer's lifetime. By increasing value over a customer's lifetime, the company hopes to extend the duration of its service contracts, to reduce service cancellations, and to induce customers to subscribe to more than one service, thereby maximizing sales per customer.

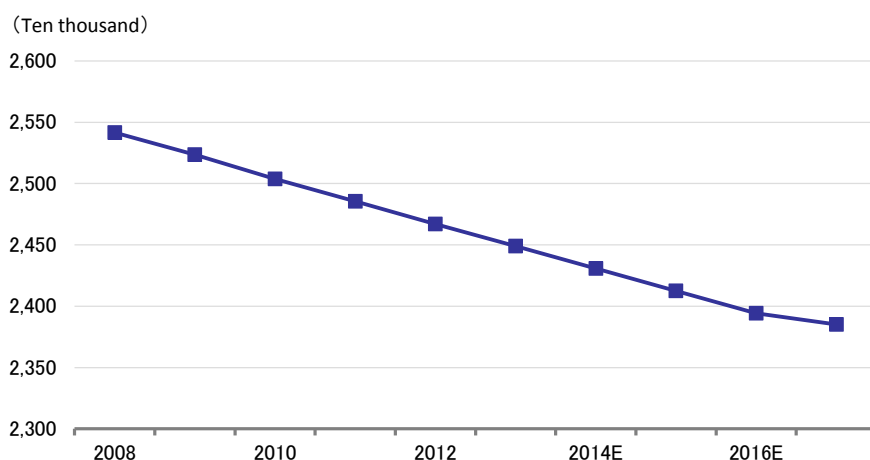
To achieve these goals, the company plans to change its management strategy from FY3/15. Specifically, it will introduce the sales of bundled products and services. Bundled sales provide an opportunity for customers to buy many goods and services through one transaction. They are also expected to improve sales efficiency, lower service cancellation rates, and increase the value received by a customer over his or her lifetime. Among the company's current goods and services, gas service, internet provider service, CATV broadcasting, the aqua business, and the home security business are candidates for bundled sales.

By bundling its products, the company will be able to lower their prices. It is also considering supplementing product packages with additional services to make them more attractive. The TLC Membership Service will also offer incentives for members to extend their service contracts, such as additional points. From the summer of 2014, the company plans to test market bundled sales in the areas of Shizuoka Prefecture where it provides CATV services. After grasping customer needs for such sales and adjusting its products accordingly, it aims to launch full-scale bundled sales in H2 FY3/15.

The company's sales force appears qualified to implement a bundled sales strategy smoothly. It has more than 800 local representatives for household services, including 400 sales people for gas service and 100 for CATV services. This sales force acquires more than 300,000 new customers every year. The adoption of bundled sales should also limit or reduce the cost of acquiring new customers.

One reason that Tokai Holdings has decided to adopt a bundled sales strategy is that the Japanese government will liberalize retail sales of electricity in FY3/17. The government is also considering liberalizing the sale of piped gas. The provision of communications services has already been substantially liberalized. Tokai Holdings plans to supply electricity to homes, and more companies are likely to offer packages of communications, electricity supply and gas supply services in the future, increasing competition for Tokai Holdings. Before this happens, Tokai Holdings plans to fortify its hold on its customer base.

Tokai Holdings is open to acquiring or merging any other company operating businesses with which there may be synergy with the company's businesses or that could increase the company's customer base. About 24 million Japanese households now use LP gas, but this number has been declining accompanying a drop in Japan's population and an increase in the displacement of gas by electricity. Somewhat more than 20,000 companies supply LP gas in Japan, but this number is shrinking and is likely to shrink more as the larger suppliers increase their market shares. Tokai Holdings is Japan's third-largest supplier of LP gas, after Nippon Gas Co. (8174) and Iwatani Corp. (8088). Thus, it is well positioned to absorb smaller suppliers.

Household Demand for LP Gas in Japan, 2008 – 2017E


Source: Japan LP Gas Association

Broadband communications business and aqua business to lead sales and profit growth
(3) Company Forecasts for FY3/15

For FY3/15, Tokai Holdings projects a 4.2% y-o-y rise in consolidated sales to ¥196.9bn, an 11.1% increase in operating profit to ¥8.2bn, a 5.0% upturn in recurring profit to ¥7.4bn, and a 23.2% rise in net profit to ¥3.2bn.

These forecasts are based on the assumption that the company expands its customer base by 68,000 to 2,586,000. Most of the growth is expected from the broadband communications business and the aqua business. In July 2014, leading TV broadcasters in Tokyo, other than TV Tokyo Corp., will stop transmitting broadcasts. Thus, the company foresees a 6,000 y-o-y drop in the number of customers for its CATV broadcasting service in FY3/15. However, the company projects a large increase in the number of customers for communications through fiber-optic cables to the home, large enough to more than offset the drop in CATV broadcasting service customers. The company also anticipates increases in the number of customers for its aqua service in Greater Tokyo and Shizuoka Prefecture, and a drop in the cancellation rate for gas services.

**Number of Customers (thousand), Sales and Operating Profit (¥bn)
 by Division and Business, FY3/12 – FY3/15E**
Number of customers (thousand)

	FY3/12	FY3/13	FY3/14	FY3/15E	absolute change
Gas and oil products	648	629	628	634	6
Home security	20	19	19	19	0
Aqua business	97	102	122	143	20
Information and communication services (Broadband services)	758	816	854	876	22
CATV	722	691	693	700	7
Mobile communication services	193	213	227	238	11
Total	2,415	2,445	2,519	2,586	68

Note: Total figures omit double counting (ascribing the same customer to more than one service) – confirm



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Sales

					(¥bn)
	FY3/12	FY3/13	FY3/14	FY3/15E	absolute change
Gas and oil products	94.8	94.5	97.2	97.8	0.6
Information and communication services	37.9	38.5	38.8	41.5	2.7
CATV	24.3	23.8	24.2	24.6	0.4
Construction and real estate	15.9	15.8	19.2	21.8	2.6
Aqua	3.5	3.8	4.4	5.4	1.0
Other businesses	5.5	5.4	5.1	5.8	0.7
Total	181.9	181.7	189.0	196.9	7.9

Operating profit before indirect costs

					(¥bn)
	FY3/12	FY3/13	FY3/14	FY3/15E	absolute change
Gas and oil products	7.8	7.4	6.5	6.8	0.3
Information and communication services	5.5	4.9	4.4	5.2	0.8
CATV	2.3	1.3	1.8	1.4	-0.4
Construction and real estate	1.0	0.6	1.4	1.3	-0.1
Aqua	-0.9	-0.9	-2.0	-1.4	0.6
Other businesses + indirect costs	-4.7	-4.3	-4.7	-5.0	-0.4
Total	10.9	8.9	7.4	8.2	0.8

Note: All operating profits are before deducting indirect costs.

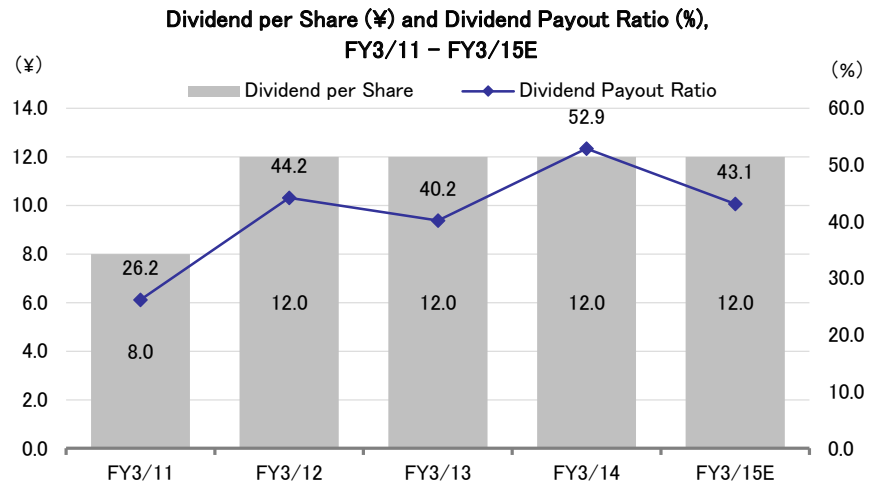
For the gas and oil products division, the company forecasts a slight y-o-y rise in sales and a ¥6 per kilogram drop in the average cost of propane gas, resulting in a ¥300mn increase in operating profit before the deduction of indirect costs. For the information and communications services division, the company aims to lower the cost of acquiring new customers for broadband services by ¥300mn by concentrating the sale of these services in channels with lower customer acquisition costs. Thus, it foresees a ¥300mn increase in operating profit before the deduction of indirect costs in this division, too. For the aqua business of delivering bottled water to homes, the company forecasts a rise of ¥600mn in operating profit before the deduction of indirect costs. By increasing the capacity utilization rates at its two water-bottling plants, it aims to cut the cost of water sold by ¥400mn. It will also lower the costs of advertising, sales promotion and new customer acquisitions in this business. In the CATV division, the company foresees a ¥400mn y-o-y drop in operating profit, mainly because of the cessation of broadcasting by leading Tokyo TV stations from July 2014. In the construction and real estate division, the company projects a ¥100mn drop in operating profit before the deduction of indirect costs because of weak demand at the start of FY3/15, in reaction to unusually strong demand at the end of FY3/14, before Japan's consumption tax was raised.

The company plans to continue interest-bearing debt reduction by ¥4bn, reaching the balance at ¥81.8bn. It also expects the capital adequacy ratio to improve by 1.4% to 23.0% at the end of FY3/15.

Shareholder Return Policy

Over the past three fiscal years, the company has maintained a dividend payout ratio of more than 40%, so it is likely to maintain its FY3/14 dividend in FY3/15

The company's basic policy toward shareholder returns is to pay a steady dividend. However, over the past three fiscal years, it has maintained a dividend payout ratio of more than 40%, so it is likely to keep a ratio of at least 40% for FY3/15. Thus, it will probably pay a full-year dividend of ¥12 again. As awards to holders of 100 – 999 of its shares, the company offers 12 bottles of Fuji Natural Water with a retail value of ¥1,800 each, Quo cards worth ¥500 each, food coupons worth ¥1,000 each, or ¥1,000 worth of points to members of the TLC Membership Service at the interim and end of a fiscal year. An investor holding the minimum lot of the company's shares therefore receives a total yield on investment, including dividend yield and the value of 12 bottles of Fuji Natural Water, of about 13%, relative to the company's current share price.



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

Shareholder awards

Intended for all stockholders

Grandair Bouquet Tokai, Bouquet Tokai Mishima and Bouquet Tokai Gotemba

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

AND

Beauciel

20% meal discount ticket (12 tickets)

Number of shares owned

	100~999 shares	1,000~4,999 shares	Above 5,000 shares
A Aqua product	¥1,800 × 12 bottles OR × 1 bottle	¥3,600 × 24 bottles OR × 2 bottles	¥7,200 × 48 bottles OR × 4 bottles
B QUO Card	¥500	¥1,500	¥2,500
C Meal tickets for Beauciel	¥1,000	¥3,000	¥5,000
D Service for internal sales TLC Points http://tlc.tokai.jp/	¥1,000	¥2,000	¥4,000

Choice from the following;

Bottled Ulunom Fuji Natural Water 500ml OR All bottled products of Ulunom, Home Delivery of Delicious Water (Oishi Mizu no Takuhaibin Oneway) 12L

Source: Company

Consolidated Income Statement, FY3/11 – FY3/15E

	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15E
Sales	174,901	181,931	181,684	188,987	196,900
y-o-y	9.8	4.0	-0.1	4.0	4.2
Cost of sales	107,455	112,393	112,875	120,646	-
Cost-of-sales ratio	61.4	61.8	62.1	63.8	-
SGA cost	56,690	58,614	59,874	60,948	-
SGA cost ratio	32.4	32.2	33.0	32.2	-
Operating profit	10,755	10,923	8,934	7,392	8,210
y-o-y	7.2	1.6	-18.2	-17.3	11.1
Margin	6.1	6.0	4.9	3.9	4.2
Non-operating income	973	1,095	983	1,006	-
Interest and dividends received	200	152	164	171	-
Other income	773	943	819	835	-
Non-operating costs	2,240	2,200	1,852	1,385	-
Interest and dividends paid	2,075	1,816	1,434	1,150	-
Other costs	165	383	418	235	-
Recurring profit	9,489	9,818	8,065	7,013	7,380
y-o-y	-12.3	3.5	-17.9	-13.0	5.2
Margin	5.4	5.4	4.4	3.7	3.7
Extraordinary gains	265	270	59	486	-
Extraordinary losses	3,533	2,626	1,954	1,508	-
Pretax profit	6,221	7,463	6,170	5,991	-
y-o-y	-28.0	20.0	-17.3	1.8	-
Margin	3.6	4.1	3.4	3.3	-
Minority interest	1,054	52	11	10	-
Net profit	2,152	2,715	3,085	2,598	3,200
y-o-y	-30.1	26.2	13.6	-15.8	23.2
Margin	1.2	1.5	1.7	1.5	1.6
Shares outstanding (thousand)	70,586	99,935	114,408	114,879	114,879
Earnings per share (¥)	30.48	27.17	29.85	22.67	27.86
Dividend per share (¥)	8.00	12.00	12.00	12.00	12.00
Book value per share (¥)	210.78	262.92	289.34	325.75	343.84
Dividend payout ratio	26.2	44.2	40.2	52.9	43.1

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

Source: Company



TOKAI Holdings

3167 Tokyo Stock Exchange
First Section

8-Jul.-14

Consolidated Cash Flow Statement, FY3/10 – FY3/14

	(¥mn)			
	FY3/11	FY3/12	FY3/13	FY3/14
Operating cash flow	23,521	28,584	25,713	22,806
Pretax profit	6,221	7,463	6,170	5,911
Costs of depreciation, amortization of goodwill & asset impairment losses	17,063	18,307	17,978	17,611
Investment cash flow	-14,601	-10,037	-9,983	-9,664
Purchases of tangible and intangible fixed assets	-13,845	-11,193	-10,747	-10,083
Financial cash flow	-11,278	-24,255	-14,051	-14,125
Change in interest-bearing debt	-6,256	-17,918	-11,379	-7,366
Dividend payments	-565	-980	-1,098	-1,385
Term-end balance of cash & cash equivalents	8,141	2,432	4,116	3,150

Note: Figures for FY3/10 – FY3/11 are for Tokai Corp.

Consolidated Balance Sheet, FY3/10 – FY3/14

	(¥mn)			
	FY3/11	FY3/12	FY3/13	FY3/14
Current assets	49,744	41,093	40,351	40,606
Cash and deposits	8,622	2,602	4,235	3,182
Tangible fixed assets	143,265	142,470	137,146	132,928
Goodwill	15,022	15,540	12,632	10,241
Total assets	193,239	183,735	177,642	173,620
Current liabilities	89,783	85,179	82,563	78,905
Fixed liabilities	81,866	71,374	61,068	56,385
Interest-bearing debt	122,156	104,238	92,707	85,340
Total liabilities	171,650	156,553	143,631	135,291
Total equity	21,589	27,181	34,011	38,329
Total liabilities & equity	193,239	183,735	177,642	173,620
(Measures of financial strength)				
Equity ratio	7.7%	14.3%	18.6%	21.6%
Debt-to-equity ratio	791.9%	394.5%	288.8%	255.3%
(Measures of profitability)				
Return on assets (recurring profit ÷ total assets)	1.1%	1.4%	1.7%	1.5%
Return on equity (net profit ÷ total equity)	14.0%	10.3%	9.6%	7.8%
Operating profit margin	6.1%	6.0%	4.9%	3.9%

Note: Figures for FY3/10 – FY3/11 are for Tokai Corp.

Source: Company

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