

## Tosho (8920)

Unconsolidated FY (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)	ROE (%)	Equity Ratio (%)
FY03/09		10,901	2,238	1,954	1,087	65.8	10.0	304.2	26.2%	19.3%
FY03/10		10,597	2,335	2,087	1,106	65.4	10.0	369.5	21.9%	25.8%
FY03/11CoE		10,815	2,415	2,200	1,200	68.2	11.0	-	18.5%	-
FY03/10 YoY		(2.8%)	+4.3%	+6.8%	+1.7%	-	-	-	-	-
FY03/11CoE YoY		+2.1%	+3.4%	+5.4%	+8.5%	-	-	-	-	-
Unconsolidated Half Year (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)	ROE (%)	Equity Ratio (%)
Q1 to Q3 FY03/09		8,259	1,700	1,481	809	-	-	-	-	-
Q1 to Q3 FY03/10		7,922	1,751	1,538	859	-	-	-	-	-
Q3 to Q4 FY03/11CoE		8,027	1,699	1,552	842	-	-	-	-	-
Q1 to Q3 FY03/10 YoY		(4.1%)	+3.0%	+3.8%	+6.2%	-	-	-	-	-
Q1 to Q3 FY03/11CoE YoY		+1.3%	(3.0%)	+0.9%	(2.0%)	-	-	-	-	-
Unconsolidated Quarters (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)	ROE (%)	Equity Ratio (%)
Q1 FY03/11		2,674	616	576	277	-	-	-	-	-
Q2 FY03/11		2,672	602	550	307	-	-	-	-	-
Q3 FY03/11		2,681	481	426	258	-	-	-	-	-
Q4 FY03/11CoE		2,788	716	648	358	-	-	-	-	-
Q1 FY03/11 YoY		+1.9%	+20.8%	+25.2%	+9.4%	-	-	-	-	-
Q2 FY03/11 YoY		+0.8%	+1.2%	+11.3%	+7.7%	-	-	-	-	-
Q3 FY03/11 YoY		+1.2%	(25.7%)	(27.1%)	(19.4%)	-	-	-	-	-
Q4 FY03/11CoE YoY		+4.2%	+22.6%	+18.0%	+44.9%	-	-	-	-	-

Source: Company Data, WRJ Calculation

### 1.0 Executive Summary (8 April 2011)

#### Front-Loaded Investments and Earnings Growth Potential

Tosho, mainly in charge of running “Holiday Sports Club” or health club, has a long-term growth potential. This is in line with a prospect that a series of new center openings for “Holiday Sports Club” is expected to feed through in a long-term view. However, short-term, earnings with the Company (Tosho) are under pressure, given increasing front-loaded investments associated with new center openings. In Q3 (Oct to Dec) FY03/2011, the Company had two new center openings with “Holiday Sports Club”, while some of costs associated with three new center openings in Q4 (Jan to Mar) also had been incurred. Such front-loaded investments are essential for the Company to see future earnings growth, with the Company’s business model. Meanwhile, the impacts from “Tohoku Region Pacific Ocean Earthquake” are currently under investigations. The operations of some centers have been restricted due to unstable supply of fuels and for the sake of saving power to date, although the Company’s facilities have not been effectively damaged. Here could it be a concern this may negatively affect the number of members with such centers.

A trend of costs for regular released lands coming down gave good opportunities for the Company to open new centers, and thus the Company has made a decision to aggressively open new centers since H2 FY03/2010, bringing concentration of new center openings with the Company most recently. The strength of

the Company is that it is heavily involved with operations as “a service provider with capability of engineering works & construction”, which is the Company’s key characteristics that can never be seen among peers. Originally, the Company started with engineering works & construction, and it has just applied the resources in building own health club facilities, having resulted in far higher profit margins than any other peers. Meanwhile, the Company is a late comer in the market for health club, having had entered the market in 1996. The collective number of its health club centers stood at only 39 as of the end of Q3 (Oct to Dec) FY03/2011. While the peers have a tendency to pursue efficiency in the middle of metropolitan areas with their centers, the Company holds a strategy to cultivate new demand (from those who have never been a member of any health clubs) mainly based in mid-sized cities across Japan. In such areas, peers have a tendency to keep away from opening new centers due mainly to the insufficient concentration of populations, while the Company has a capability to set up own centers that cope with the levels of the concentration of populations, together with its expertise for engineering works & construction, and this is expected to be implemented in reality. Still, the Company suggests that it may enter the market in metropolitan and suburban areas, although it used to avoid doing so, together with a new business model it is currently developing.

According to its long-term target, the Company is to achieve operations with 74 centers as of the end of FY03/2015 and 100 centers as of the end of FY03/2018. The Company is also involved with Hotels and Apartments, but the Company may reduce its exposure to them when opportunities available so that it should make the best progress in its strategy to focus upon the operations of “Holiday Sports Club” where the Company is so competitive and cultivates new demand in the future. According to the Company’s long-term target, sales and recurring profit are expected to be, respectively, ¥17.5bn and ¥4.4bn (RPMs of 25.1%) in FY03/2015. When compared with sales of ¥10.6bn and recurring profit of ¥2.1bn (RPMs of 19.7%) in FY03/2010, the net increases are, respectively, ¥6.9bn and ¥2.3bn, both almost all attributable to increasing contributions from Health Club. Thus, the increases in recurring profit margins (19.7% to 25.1%) are also attributable to the prospective performance of Health Club. In FY03/2011 and FY03/2012, however, front-loaded investments associated with new openings for “Holiday Sports Club” will remain as a drag on earnings, and thus prospective improvements of profit margins are expected to be limited. In FY03/2013 and onward, the Company is expected to see steady improvements with recurring profit margins.

## 2.0 Company Profile

### Running “Holiday Sports Club”

<b>Company Name</b>	TOSHO CO., LTD. Company Information (English, <a href="#">Japanese</a> ) IR Information (English, <a href="#">Japanese</a> ) Share Price ( <a href="#">English</a> , <a href="#">Japanese</a> )	 
<b>Established</b>	1 March 1979	
<b>Listing</b>	4 February 2004 (OSE JASDAQ : 8920)	
<b>Capital</b>	¥498m (as of the end of December 2010)	
<b>No. of Shares</b>	17,592,351 shares, including 1,786 treasury shares (as of the end of December 2010)	
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● Running “Holiday Sports Club”. Focus on operations in mid-sized cities across Japan, while pursuing high profit margins</li> <li>● No further investments in Hotels and Apartments</li> </ul>	
<b>Businesses</b>	I . Health Club II . Hotels III . Apartments	
<b>Top Management</b>	CEO Toshihiro Kutsuna	
<b>Shareholders</b>	Toshihiro Kutsuna 60.0%, Yuichiro Kutsuna 11.9% (as of the end of September 2010)	
<b>Headquarters</b>	Anjo-city, Aichi-pref. JAPAN	
<b>No. of Employees</b>	Unconsolidated 161 (as of the end of December 2010)	

Source: Company Data

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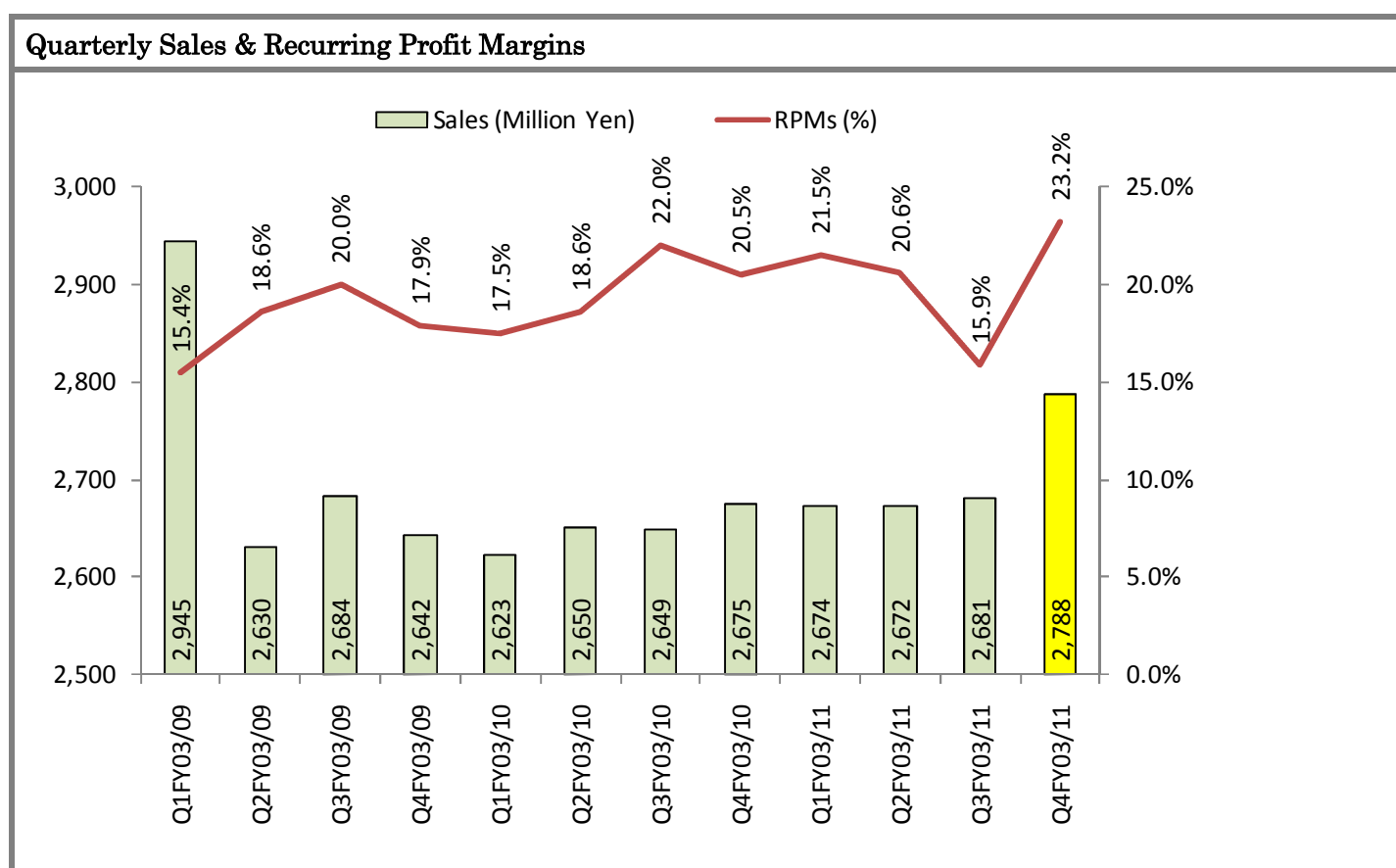
## 3.0 Recent Trading & Prospects

### Q1 to Q3 FY03/2011 Results

In Q1 to Q3 FY03/2011, sales came in at ¥8.0bn (up 1.3% YoY), operating profit ¥1.7bn (down 3.0%), recurring profit ¥1.6bn (up 0.9%) and net profit ¥0.8bn (down 2.0%). The Company saw decreases with its operating profit, albeit not much, which is mainly accounted for by the fact that the mainstay health club (79% of sales and 75% of gross profit) suffered from decreasing earnings. Sales were enhanced by four new center openings, while sales per member had a tendency to get almost stabilized. Nevertheless, does it seem that decreases of members with existing centers and burdens of pre-opening expenses, associated with center openings, worked negatively to earnings of Health Club. The number of members, on a comparable basis, came down 1.3% YoY as of the end of Q1 (Apr to Jun), down 2.4% as of the end of Q2 (Jul to Sep) and down 2.5% as of the end of Q3 (Oct to Dec). The Company estimates that the operations of Health Club have been negatively affected by general trends of sluggish consumption in Japan, but most recently does it suggest a trend of bottoming out, leading to a recovery after hitting the bottom at some stage in the foreseeable future.

Pre-opening expenses are some ¥50m per center, booked as a part of SG&A expenses. The Company starts getting charged with such expenses for some six months prior to the opening, while the charges start with small amounts and get larger gradually towards the timing of the opening. For example, the Company has

to start paying for charges of regular leased lands prior to the opening, while it needs to spend on advertising for member acquisition just before the timing of the opening. All such expenses are parts of “pre-opening expenses”. In Q3 (Oct to Dec), pre-opening expenses associated with Sapporo Kiyota (opened in November 2010) and Akita (opened in December 2010) saw the timing of peaking, while some parts of pre-opening expenses associated with three new centers to be opened in Q3 (Jan to Mar) were also charged. On top of this, some parts of those associated with a new center opening in Q1 FY03/2012 also appear to have gotten charged. In Hotels, the Company saw improving earnings in line with increasing capacity utilization rates, while capacity utilization rates came down in Apartments, having led to earnings corrections, albeit not much. In Q1 to Q3 results, the Company saw net inflow ¥189m (in our estimates) in terms of free cash flow, in spite of net increases of fixed assets as a result of new center openings with “Holiday Sports Club”. Nevertheless, in Q3 (Oct to Dec) results, the Company saw net outflow ¥791m, having sequentially increased both interesting bearing debts and net debts, to 199.0% as of the end of Q3 (Oct to Dec) from 196.1% as of the end of Q3 (Jul to Sep) in terms of net-debt-equity ratio.



Source: Company Data, WRJ Calculation

### FY03/2011 Company Forecasts

In FY03/2011, the Company is going for prospective sales ¥10.8bn (up 2.1% YoY), operating profit ¥2.4bn (up 3.4%), recurring profit ¥2.2bn (up 5.4%) and net profit ¥1.2bn (up 8.5%). Meanwhile, the Company is trying to return more profits with the shareholders by increasing cash dividends by ¥1.0 from the levels in FY03/2010 to ¥11.0 per share (payout ratio: 16.1%). When prospective numbers in Q3 (Jan to Mar) are calculated by full-year numbers minus Q1 to Q3 results, sales are expected to be ¥2.8bn and recurring profit margins 23.2%, implying substantial increases with sales and profit margins sequentially. The key driver here is, again, the performance of the mainstay Health Club. An assumption is that the number of members

comes down 1.5% YoY on a comparable basis, as of the end of FY03/2011. Still, it came in at down 2.5% as of the end of Q3 (Oct to Dec), as mentioned earlier, and thus the case is that recent trading has been below expectations.

In Q4 (Jan to Mar), there are three new center openings, and thus sales should rise sequentially, which is a reasonable expectation. Nevertheless, collective pre-opening expenses could be even larger than the levels in Q3 (Oct to Dec), making Company Forecasts look too optimistic in a respect that a substantial recovery of profit margins is expected in Q4 (Jan to Mar). On the Hotel side, the assumptions for FY03/2011 had been already exceeded at the stage of Q1 to Q3 results, due to higher-than-expected capacity utilization rates, while Apartments have been suffering from shortfalls when compared with assumptions in FY03/2011. More importantly, full-year Company Forecasts in FY03/2011 have remained unchanged since the beginning of FY03/2011, while there were some shortfalls at the stage of H1 results. This could lead to an idea that H2 prospective numbers have been upgraded. In particular, it can be calculated the net profit in H2 has been upgraded by 12.6%. Nevertheless, this is basically attributable to the fact that it has not been reflected in full-year prospective numbers that there were larger-than-expected costs, stemming from the adoption of “future assets devaluation accounting standards” in H1. On top of these issues, there may be some negative impacts to earnings from the earthquake.

#### Changes in Company Forecasts

Unconsolidated FY (Million Yen)	Date	Event	Sales	OP	RP	NP
FY03/11CoE	6-May-10	Q4 Results	11,500	2,630	2,300	1,200
FY03/11CoE	29-Oct-10	Q1 Results	11,500	2,630	2,300	1,200
FY03/11CoE	29-Oct-10	Q2 Results	11,500	2,630	2,300	1,200
FY03/11CoE	28-Jan-11	Q3 Results	11,500	2,630	2,300	1,200
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
Unconsolidated Half Year (Million Yen)	Date	Event	Sales	OP	RP	NP
Q1 to Q2 CoE	6-May-10	Q4 Results	5,301	1,257	1,155	653
Q1 to Q2 CoE	30-Jul-10	Q1 Results	5,301	1,257	1,155	653
Q1 to Q2 Act	29-Oct-10	Q2 Results	5,346	1,218	1,126	584
		Amount of Gap	45	(39)	(29)	(69)
		Rate of Gap	0.8%	(3.1%)	(2.5%)	(10.6%)
Unconsolidated Half Year (Million Yen)	Date	Event	Sales	OP	RP	NP
Q3 to Q4 CoE	6-May-10	Q4 Results	6,199	1,373	1,145	547
Q3 to Q4 CoE	30-Jul-10	Q1 Results	6,199	1,373	1,145	547
Q3 to Q4 CoE	29-Oct-10	Q2 Results	6,154	1,412	1,174	616
		Amount of Gap	(45)	39	29	69
		Rate of Gap	(0.7%)	2.8%	2.5%	12.6%

Source: Company Data, WRJ Calculation

### Sales and Gross Profit by Business (Cumulative, Quarterly)

Sales and GP by Business	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.CoE
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4
	03/2010	03/2010	03/2010	03/2010	03/2011	03/2011	03/2011	03/2011
Health Club	2,069	4,095	6,183	8,301	2,134	4,238	6,358	8,715
Hotels	182	364	553	736	192	420	643	700
Apartments	372	813	1,185	1,560	346	688	1,025	1,400
<b>Sales</b>	<b>2,623</b>	<b>5,273</b>	<b>7,922</b>	<b>10,597</b>	<b>2,674</b>	<b>5,346</b>	<b>8,027</b>	<b>10,815</b>
Health Club	610	1,202	1,832	2,437	650	1,266	1,863	2,636
Hotels	7	28	64	90	28	89	146	113
Apartments	130	331	518	700	156	317	475	683
<b>Gross Profit</b>	<b>747</b>	<b>1,562</b>	<b>2,415</b>	<b>3,227</b>	<b>835</b>	<b>1,673</b>	<b>2,485</b>	<b>3,432</b>
Health Club	29.5%	29.4%	29.6%	29.4%	30.5%	29.9%	29.3%	30.2%
Hotels	3.8%	7.7%	11.6%	12.2%	14.6%	21.2%	22.7%	16.1%
Apartments	34.9%	40.7%	43.7%	44.9%	45.1%	46.1%	46.3%	48.8%
<b>Gross Profit Margins</b>	<b>28.5%</b>	<b>29.6%</b>	<b>30.5%</b>	<b>30.5%</b>	<b>31.2%</b>	<b>31.3%</b>	<b>31.0%</b>	<b>31.7%</b>
Health Club	79%	78%	78%	78%	80%	79%	79%	81%
Hotels	7%	7%	7%	7%	7%	8%	8%	6%
Apartments	14%	15%	15%	15%	13%	13%	13%	13%
<b>Sales</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Health Club	82%	77%	76%	76%	78%	76%	75%	77%
Hotels	1%	2%	3%	3%	3%	5%	6%	3%
Apartments	17%	21%	21%	22%	19%	19%	19%	20%
<b>Gross Profit</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Sales and GP by Business	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.CoE
(Quarterly)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
(Million Yen)	03/2010	03/2010	03/2010	03/2010	03/2011	03/2011	03/2011	03/2011
Health Club	2,069	2,026	2,088	2,118	2,134	2,104	2,120	2,357
Hotels	182	182	189	183	192	228	223	57
Apartments	372	441	372	375	346	342	337	375
<b>Sales</b>	<b>2,623</b>	<b>2,650</b>	<b>2,649</b>	<b>2,675</b>	<b>2,674</b>	<b>2,672</b>	<b>2,681</b>	<b>2,788</b>
Health Club	610	592	630	605	650	616	597	773
Hotels	7	21	36	26	28	61	57	(33)
Apartments	130	201	187	182	156	161	158	208
<b>Gross Profit</b>	<b>747</b>	<b>815</b>	<b>853</b>	<b>812</b>	<b>835</b>	<b>838</b>	<b>812</b>	<b>947</b>
Health Club	29.5%	29.2%	30.2%	28.6%	30.5%	29.3%	28.2%	32.8%
Hotels	3.8%	11.5%	19.0%	14.2%	14.6%	26.8%	25.6%	(57.9%)
Apartments	34.9%	45.6%	50.3%	48.5%	45.1%	47.1%	46.9%	55.5%
<b>Gross Profit Margins</b>	<b>28.5%</b>	<b>30.8%</b>	<b>32.2%</b>	<b>30.4%</b>	<b>31.2%</b>	<b>31.4%</b>	<b>30.3%</b>	<b>34.0%</b>
Health Club	79%	76%	79%	79%	80%	79%	79%	85%
Hotels	7%	7%	7%	7%	7%	9%	8%	2%
Apartments	14%	17%	14%	14%	13%	13%	13%	13%
<b>Sales</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Health Club	82%	73%	74%	75%	78%	74%	74%	82%
Hotels	1%	3%	4%	3%	3%	7%	7%	(3%)
Apartments	17%	25%	22%	22%	19%	19%	19%	22%
<b>Gross Profit</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Company Data, WRJ Calc

### Income Statement (Cumulative, Quarterly)

Income Statement	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.CoE
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4
(Million Yen)	03/2010	03/2010	03/2010	03/2010	03/2011	03/2011	03/2011	03/2011
<b>Sales</b>	<b>2,624</b>	<b>5,273</b>	<b>7,923</b>	<b>10,597</b>	<b>2,674</b>	<b>5,347</b>	<b>8,027</b>	<b>10,815</b>
CoGS	1,877	3,711	5,508	7,370	1,839	3,673	5,542	7,383
Gross Profit	747	1,562	2,415	3,227	835	1,674	2,486	3,432
SG&A	237	458	664	892	219	455	787	1,017
<b>Operating Profit</b>	<b>510</b>	<b>1,104</b>	<b>1,751</b>	<b>2,336</b>	<b>616</b>	<b>1,219</b>	<b>1,699</b>	<b>2,415</b>
Non Operating Balance	(50)	(149)	(213)	(248)	(40)	(92)	(147)	(215)
<b>Recurring Profit</b>	<b>460</b>	<b>955</b>	<b>1,538</b>	<b>2,087</b>	<b>576</b>	<b>1,126</b>	<b>1,552</b>	<b>2,200</b>
Extraordinary Balance	(3)	(1)	(1)	(89)	(113)	(112)	(112)	0
Pretax Profit	458	954	1,537	1,999	464	1,015	1,441	2,200
Tax Charges etc.	204	414	678	893	186	431	598	1,000
<b>Net Profit</b>	<b>254</b>	<b>540</b>	<b>860</b>	<b>1,106</b>	<b>278</b>	<b>584</b>	<b>843</b>	<b>1,200</b>
Sales YoY	-	-	-	-	+1.9%	+1.4%	+1.3%	+2.1%
Operating Profit YoY	-	-	-	-	+20.8%	+10.4%	(3.0%)	+3.4%
Recurring Profit YoY	-	-	-	-	+25.2%	+18.0%	+0.9%	+5.4%
Net Profit YoY	-	-	-	-	+9.4%	+8.2%	(1.9%)	+8.5%
Gross Profit Margins	28.5%	29.6%	30.5%	30.5%	31.2%	31.3%	31.0%	31.7%
(SG&A/Sales)	9.0%	8.7%	8.4%	8.4%	8.2%	8.5%	9.8%	9.4%
Operating Profit Margins	19.4%	20.9%	22.1%	22.0%	23.0%	22.8%	21.2%	22.3%
Recurring Profit Margins	17.5%	18.1%	19.4%	19.7%	21.5%	21.1%	19.3%	20.3%
Net Profit Margins	9.7%	10.2%	10.8%	10.4%	10.4%	10.9%	10.5%	11.1%
Tax Charges etc. / Pretax Profit	44.5%	43.4%	44.1%	44.7%	40.0%	42.4%	41.5%	45.5%

Income Statement (Quarterly)	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.CoE
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
(Million Yen)	03/2010	03/2010	03/2010	03/2010	03/2011	03/2011	03/2011	03/2011
<b>Sales</b>	<b>2,624</b>	<b>2,650</b>	<b>2,649</b>	<b>2,675</b>	<b>2,674</b>	<b>2,673</b>	<b>2,681</b>	<b>2,788</b>
CoGS	1,877	1,834	1,797	1,862	1,839	1,834	1,869	1,841
Gross Profit	747	815	853	813	835	838	812	946
SG&A	237	221	206	228	219	236	332	230
<b>Operating Profit</b>	<b>510</b>	<b>594</b>	<b>647</b>	<b>585</b>	<b>616</b>	<b>603</b>	<b>480</b>	<b>716</b>
Non Operating Balance	(50)	(99)	(64)	(35)	(40)	(52)	(54)	(68)
<b>Recurring Profit</b>	<b>460</b>	<b>495</b>	<b>583</b>	<b>549</b>	<b>576</b>	<b>550</b>	<b>426</b>	<b>648</b>
Extraordinary Balance	(3)	2	(0)	(88)	(113)	1	0	112
Pretax Profit	458	496	583	462	464	551	426	759
Tax Charges etc.	204	210	264	215	186	245	167	402
<b>Net Profit</b>	<b>254</b>	<b>286</b>	<b>320</b>	<b>247</b>	<b>278</b>	<b>306</b>	<b>259</b>	<b>357</b>
Sales YoY	-	-	-	-	+1.9%	+0.9%	+1.2%	+4.2%
Operating Profit YoY	-	-	-	-	+20.8%	+1.4%	(25.8%)	+22.5%
Recurring Profit YoY	-	-	-	-	+25.2%	+11.2%	(27.0%)	+17.9%
Net Profit YoY	-	-	-	-	+9.4%	+7.1%	(19.0%)	+44.7%
Gross Profit Margins	28.5%	30.8%	32.2%	30.4%	31.2%	31.4%	30.3%	33.9%
(SG&A/Sales)	9.0%	8.3%	7.8%	8.5%	8.2%	8.8%	12.4%	8.3%
Operating Profit Margins	19.4%	22.4%	24.4%	21.9%	23.0%	22.5%	17.9%	25.7%
Recurring Profit Margins	17.5%	18.7%	22.0%	20.5%	21.5%	20.6%	15.9%	23.2%
Net Profit Margins	9.7%	10.8%	12.1%	9.2%	10.4%	11.5%	9.7%	12.8%
Tax Charges etc. / Pretax Profit	44.5%	42.4%	45.2%	46.6%	40.0%	44.5%	39.2%	53.0%

Source: Company Data, WRJ Calculation

## Balance Sheet (Quarterly)

Balance Sheet (Quarterly)	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.CoE
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
(Million Yen)	03/2010	03/2010	03/2010	03/2010	03/2011	03/2011	03/2011	03/2011
Cash & Deposit	1,319	660	1,653	1,639	1,511	1,922	1,842	-
Accounts Receivables	14	18	14	20	17	23	19	-
Inventories	0	0	0	0	0	0	0	-
Other	336	754	732	363	334	382	577	-
<b>Current Assets</b>	<b>1,668</b>	<b>1,433</b>	<b>2,399</b>	<b>2,022</b>	<b>1,862</b>	<b>2,327</b>	<b>2,437</b>	-
Tangible Assets	21,476	21,318	21,107	20,963	20,910	21,025	21,446	-
Intangible Assets	31	32	32	31	30	29	29	-
LT Investment Securities etc.	2,096	2,091	2,172	2,170	2,246	2,269	2,336	-
<b>Fixed Assets</b>	<b>23,603</b>	<b>23,441</b>	<b>23,310</b>	<b>23,164</b>	<b>23,186</b>	<b>23,323</b>	<b>23,811</b>	-
Deferred Assets	34	32	36	34	32	29	27	-
<b>Total Assets</b>	<b>25,305</b>	<b>24,906</b>	<b>25,746</b>	<b>25,220</b>	<b>25,080</b>	<b>25,679</b>	<b>26,275</b>	-
Accounts Payable	4	3	9	6	7	22	15	-
Short Term Debt	6,760	6,673	6,804	5,230	5,198	4,804	5,472	-
Other	864	1,132	915	1,210	965	1,426	1,256	-
<b>Current Liabilities</b>	<b>7,628</b>	<b>7,808</b>	<b>7,728</b>	<b>6,447</b>	<b>6,170</b>	<b>6,252</b>	<b>6,744</b>	-
Long Term Debt	11,341	10,377	10,548	10,926	10,755	10,840	10,612	-
Other	1,117	1,216	1,216	1,346	1,464	1,591	1,760	-
<b>Fixed Liabilities</b>	<b>12,458</b>	<b>11,593</b>	<b>11,764</b>	<b>12,272</b>	<b>12,219</b>	<b>12,431</b>	<b>12,372</b>	-
<b>Total Liabilities</b>	<b>20,086</b>	<b>19,401</b>	<b>19,492</b>	<b>18,719</b>	<b>18,389</b>	<b>18,683</b>	<b>19,116</b>	-
<b>Shareholders' Equity</b>	<b>5,218</b>	<b>5,504</b>	<b>6,253</b>	<b>6,500</b>	<b>6,690</b>	<b>6,996</b>	<b>7,158</b>	-
Other	1	1	1	1	1	1	1	-
<b>Net Assets</b>	<b>5,219</b>	<b>5,505</b>	<b>6,254</b>	<b>6,501</b>	<b>6,691</b>	<b>6,997</b>	<b>7,159</b>	-
<b>Total Liabilities &amp; Net Assets</b>	<b>25,305</b>	<b>24,906</b>	<b>25,746</b>	<b>25,220</b>	<b>25,080</b>	<b>25,679</b>	<b>26,275</b>	-
Interest Bearing Debt	18,101	17,050	17,352	16,156	15,953	15,644	16,084	-
Net Debt	16,782	16,389	15,700	14,517	14,443	13,722	14,243	-
Tangible Assets / Total Assets	84.9%	85.6%	82.0%	83.1%	83.4%	81.9%	81.6%	-
Quick Ratio	17.5%	8.7%	21.6%	25.7%	24.8%	31.1%	27.6%	-
Current Ratio	21.9%	18.4%	31.0%	31.4%	30.2%	37.2%	36.1%	-
Equity Ratio	20.6%	22.1%	24.3%	25.8%	26.7%	27.2%	27.2%	-
Net-Debt-Equity Ratio	321.6%	297.8%	251.1%	223.4%	215.9%	196.1%	199.0%	-

Source: Company Data, WRJ Calculation



### Cash Flow Statement (Cumulative, Quarterly)

Cash Flow Statement (Million Yen)	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.CoE
	Q1 03/2010	Q1 to Q2 03/2010	Q1 to Q3 03/2010	Q1 to Q4 03/2010	Q1 03/2011	Q1 to Q2 03/2011	Q1 to Q3 03/2011	Q1 to Q4 03/2011
Operating Cash Flow	124	672	1,091	2,370	404	1,302	1,529	-
Investment Cash Flow	(21)	(27)	(147)	(217)	(257)	(642)	(1,269)	-
<b>Operating CF + Investment CF</b>	<b>103</b>	<b>645</b>	<b>944</b>	<b>2,153</b>	<b>147</b>	<b>660</b>	<b>260</b>	-
Financing Cash Flow	(605)	(1,708)	(1,018)	(2,244)	(308)	(428)	(121)	-
Pretax Profit	458	954	1,537	1,999	464	1,015	1,441	-
Depreciation	320	642	976	1,319	306	614	928	-
Working Capital Changes	(1)	(417)	(415)	(32)	(6)	(6)	(205)	-
Tax Charges	(463)	(462)	(867)	(867)	(495)	(142)	(938)	-
Capital Expenditure	(170)	(354)	(464)	(512)	(150)	(502)	(1,039)	-
<b>Free Cash Flow</b>	<b>144</b>	<b>365</b>	<b>768</b>	<b>1,907</b>	<b>120</b>	<b>980</b>	<b>189</b>	-

Cash Flow Statement (Quarterly) (Million Yen)	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.CoE	
	Q1 03/2010	Q2 03/2010	Q3 03/2010	Q4 03/2010	Q1 03/2011	Q2 03/2011	Q3 03/2011	Q4 03/2011
Operating Cash Flow	124	548	419	1,279	404	898	227	-
Investment Cash Flow	(21)	(5)	(120)	(70)	(257)	(385)	(628)	-
<b>Operating CF + Investment CF</b>	<b>103</b>	<b>542</b>	<b>299</b>	<b>1,209</b>	<b>147</b>	<b>513</b>	<b>(400)</b>	-
Financing Cash Flow	(605)	(1,103)	690	(1,226)	(308)	(120)	307	-
Pretax Profit	458	496	583	462	464	551	426	-
Depreciation	320	322	334	342	306	308	315	-
Working Capital Changes	(1)	(415)	2	383	(6)	(0)	(199)	-
Tax Charges	(463)	2	(406)	(0)	(495)	353	(796)	-
Capital Expenditure	(170)	(184)	(110)	(48)	(150)	(352)	(537)	-
<b>Free Cash Flow</b>	<b>144</b>	<b>221</b>	<b>403</b>	<b>1,139</b>	<b>120</b>	<b>859</b>	<b>(791)</b>	-

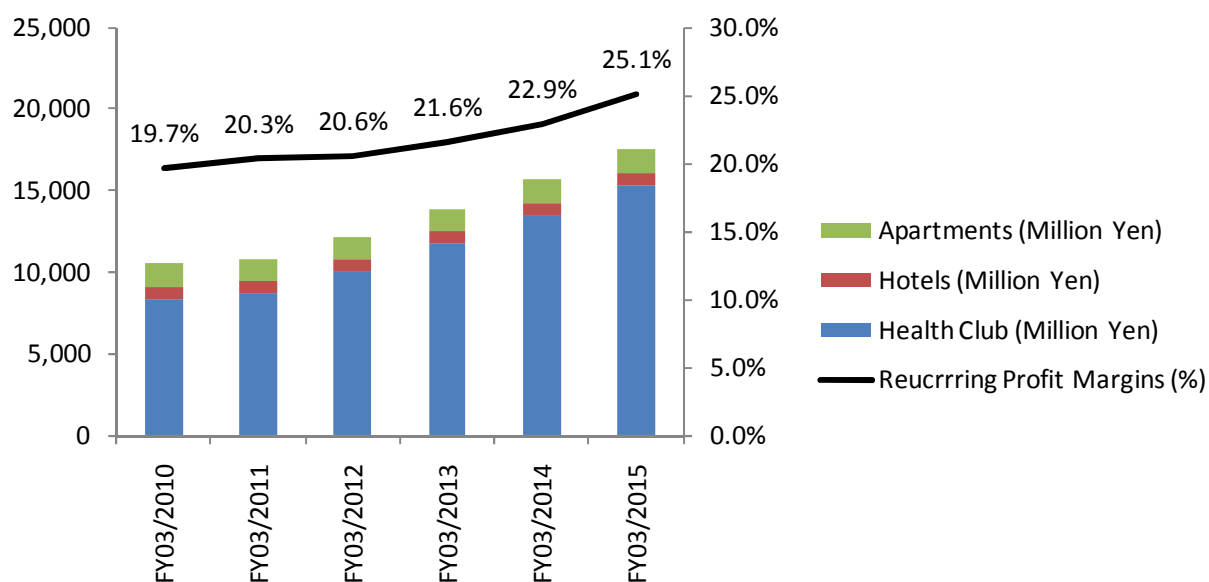
Source: Company Data, WRJ Calc

### Long-Term Prospects

The Company calls for prospective sales ¥17.5bn, recurring profit ¥4.4bn (RPMs of 25.1%) in FY03/2015, with its long-term target. Meanwhile, the Company saw sales ¥10.6bn, recurring profit ¥2.1bn (RPMs of 19.7%) in FY03/2010. The key factor for the robust growth in sales and recurring profit towards FY03/2015 is that the Company is planning to increase the number of centers for “Holiday Sports Club” operations during the same period, to as many as 74 (versus 37 as of the end of FY03/2010), and then eventually to 100 as of the end of FY03/2018. The target could look unrealistic at a glance, but it is reasonable in a respect that the Company is to create new demand in mid-sized cities, across Japan, where peers hesitate to open new centers due to concerns that the concentration of populations is not good enough, by introducing new centers with reduced capacity. Thus, the Company will be hardly exposed to any competition with the peers.

On the other hand, it has been planned for a while to set up a new business model and to start opening new centers in metropolitan and suburban areas. The costs for regular leased lands used to range from ¥3.0m to ¥4.0m per month for a center, but they are currently as low as ¥1.5m to ¥2.5m, while lots of such objects, at more advantageous locations than before, are available for the Company in reality. The other thing to be presumed is that the Company has been accumulated its expertise as “a service provider with capability of engineering works & construction” through building 39 facilities for own centers (as of the end of December 2010), and thus the Company should be able to build and run new facilities more efficiently than before.

### Company Target Sales and Recurring Profit Margins



Source: Company Data, WRJ Calculation

### Developments for “Holiday Sports Club” Centers

It was May 1996 when the Company opened “Holiday Sports Club, Mikawa-Anjo”, the first center with the Company, having entered the market for health club. The number of new openings per year once peaked at 8 centers in FY03/2007, having come down to 7 centers in FY03/2008, to three centers in FY03/2009 and to two centers in FY03/2010, comprising Nagano, opened in October 2009 and Asahikawa in February 2010. Effectively, the Company has never closed down any centers. The only exceptional issue with the Company here is that it suspended its operations over the Yamaguchi Center in FY03/2009 in line with the termination of a consigned operation contract. This reduced the number of the centers by one, and thus the Company opened three new centers in FY03/2009 although the net increases were two. Thus, the Company had been reduced the number of new openings, towards the end of FY03/2010, while five new openings are expected in FY03/2011. The Company suspended making any decision to open new centers, given uncertainty due to “Lehman Shock” for some time after autumn 2008. More recently, however, the Company has decided to restart opening new centers, given that the costs for regular leased lands, suitable for “Holiday Sports Club”, coming down sharply, while a lot of objects available for the Company in reality, as a result of “Lehman Shock” (it takes some 16 months to actually open a new center after a decision making). As a result of a series of decision-making to open new centers at a time, presumably in order to avoid any opportunity losses, the Company sees a meaningful concentration of new center openings in terms of timing in FY03/2011.

As for new openings in FY03/2012, it has been disclosed that Sapporo-Higashi (May 2011), Izumo (October 2011), Tomakomai (November 2011), Ueda (January 2012) and Yonago (February 2012) are to be opened. Izumo Center is the first one based on the Company’s “2,000-person model”, and Tomakomai, Ueda and Yonago are all based on the same model. On top of these five centers, the Company is planning to open more centers, calling for collective eight centers to be opened, calling for collective 50 centers as of the end of FY03/2012. Even on a longer-term, such levels for new openings are expected to continue. The introduction of “2,000-person model” makes it possible to open new centers in smaller cities than before, with net

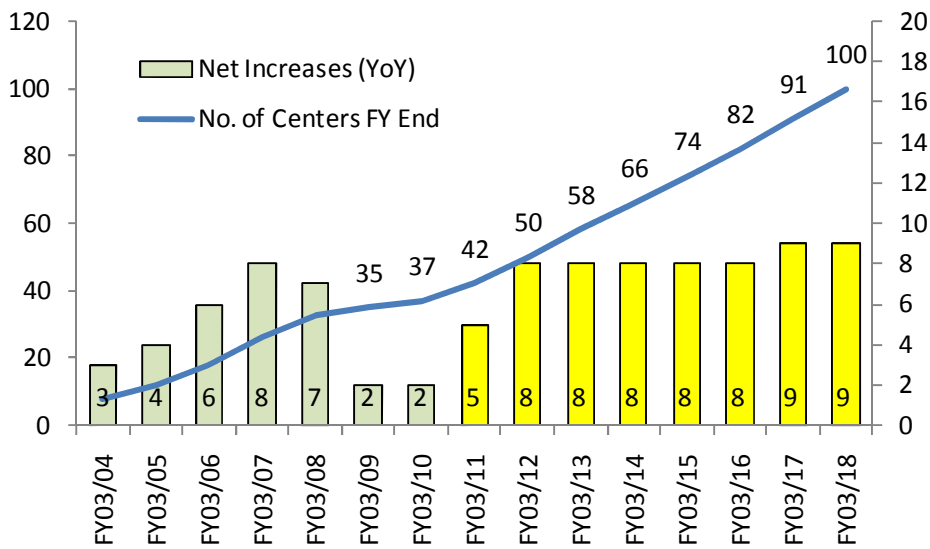
deceases in the expected number of the members by 500 from 2,500. So far, the Company has been in charge of picking up the best sites for opening new centers out of 298 cities, across Japan, with populations some 150,000 or more. On top of this, 123 cities, with populations some 100,000, are added as new candidates for the Company to open new centers, in line with the introduction of “2,000-person model”. Given such expansion of candidate sites, it makes sense to call for collective 100 centers as of the end of FY03/2018 versus 37 centers as of the end of FY03/2010.

**“Holiday Sports Club”: New Center Openings, Capacity per Center and Total Number of Centers**

Month, Year	New Centers	Current State	Capacity (Persons)	Total
April-09	-	-	-	-
May-09	-	-	-	-
June-09	-	-	-	-
July-09	-	-	-	-
August-09	-	-	-	-
September-09	-	-	-	-
October-09	Nagano (Nagano pref.)	Opened	2,500	36
November-09	-	-	-	-
December-09	-	-	-	-
January-10	-	-	-	-
February-10	-	-	-	-
March-10	Asahikawa (Hokkaido)	Opened	2,500	37
April-10	-	-	-	-
May-10	-	-	-	-
June-10	-	-	-	-
July-10	-	-	-	-
August-10	-	-	-	-
September-10	-	-	-	-
October-10	-	-	-	-
November-10	Sappprp Kiyota (Hokkaido)	Opened	2,500	38
December-10	Akita (Akita pref.)	Opened	2,500	39
January-11	Nagoya Naruo (Aichi pref.)	Opened	2,500	40
February-11	Nagaoka (Niigata pref.)	Opened	2,500	41
March-11	Ohata (Gunma pref.)	Opened	2,500	42
April-11	-	-	-	-
May-11	Sapporo Higashi (Hokkaido)	To be opened	2,500	43
June-11	-	-	-	-
July-11	-	-	-	-
August-11	-	-	-	-
September-11	-	-	-	-
October-11	Izumo (Shimane pref.)	To be opened	2,000	44
November-11	Tomakomai (Hokkaido)	To be opened	2,000	45
December-11	-	-	-	-
January-12	Ueda (Nagano)	To be opened	2,000	46
February-12	Yonago (Tottori pref.)	To be opened	2,000	47
March-12	-	-	-	-

Source: Company Data

## “Holiday Sports Club”: Prospects for Openings of New Centers



Source: Company Data

## 4.0 Business Model

### Health Club, Hotels and Apartments

The Company’s businesses comprise Health Club, Hotels and Apartments. Health Club relates to operations of “Holiday Sports Club” as well as those of “Holiday Golf Garden”; and the numbers of centers, respectively, stood at 39 and two as of the end of December 2011. In the operations of “Holiday Sports Club”, the Company intends to cultivate new demand out of beginners mainly based in mid-sized cities, across Japan, as the key strategy. Still, it seems that the Company is trying to enter the market in metropolitan and suburban areas in the near future. Hotels relate to the operations of five hotels (as of the end December 2011) called “AB Hotel” and Apartments mainly to operations of “A・City” apartment houses 48 buildings or 1,988 rooms (ditto).

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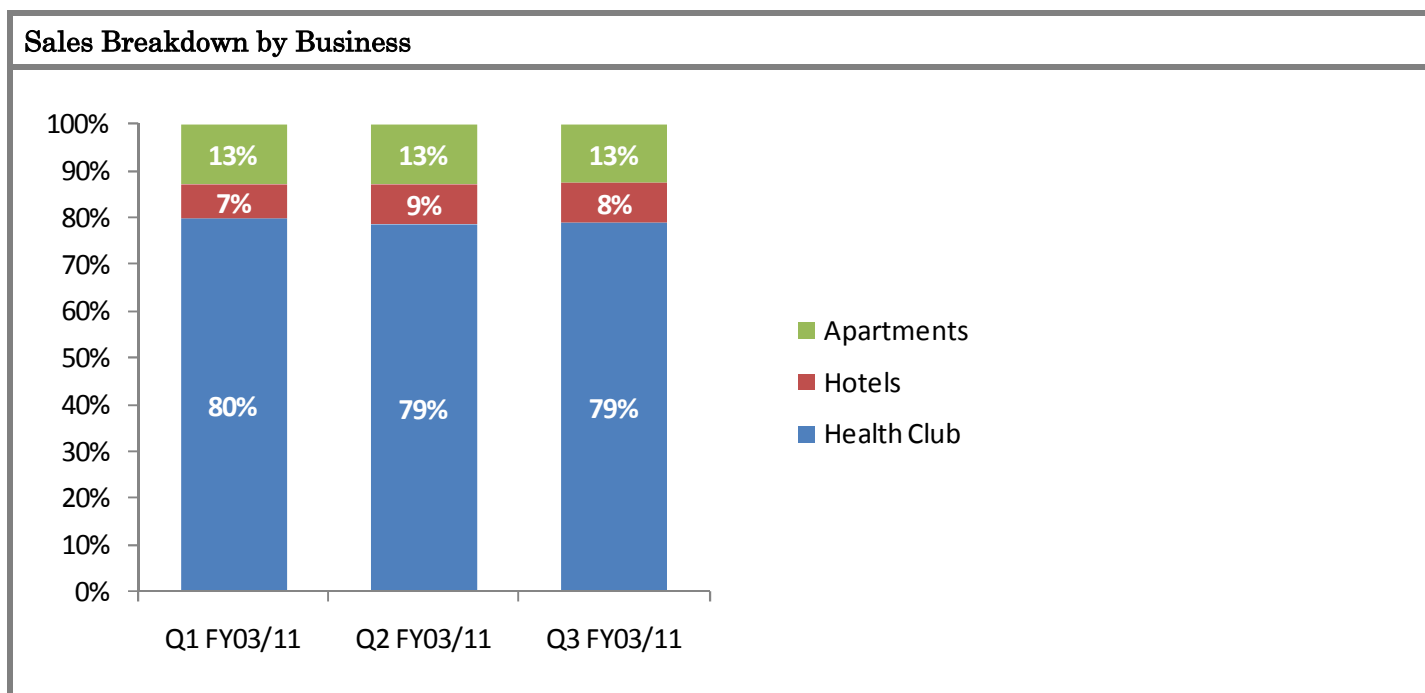
“Holiday Sports Club”	“AB Hotel”	“A・City”

Source: Company Data

### “A Service Provider with Capability of Engineering Works & Construction”

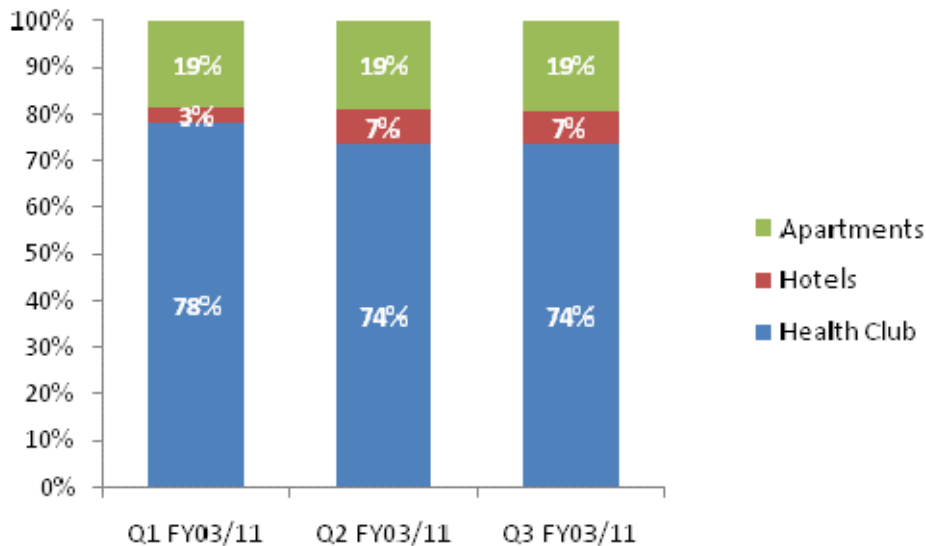
The basis for the Company’s business model is being “a service provider with capability of engineering works

& construction”, having started as an operator of engineering works & construction. This issue relates to a case that the provider of the services incorporate capability to set up facilities etc. for the services and is actually in charge of setting them up, so that the provider should offer high quality services to customers at reasonable prices. This idea worked so well with the operations of “Holiday Sports Club”, the core of Health Club that accounted for 79% of sales and 74% of gross profit with the Company, in Q3 (Oct to Dec) FY03/2011 results. Apartments include the same old engineering works & construction and the operations of “A · City” apartments, while the Company has been gradually pulling out of the former due to its low profit margins etc. As a result, sales are rather coming down here, while profit margins are rather going up. At present, Apartments mainly relate to the rest of the business, i.e., the operations of “A · City” apartments, in which some 60% of business is accounted for by decade-fixed-income contracts with real estate management companies, and thus this makes income and earnings here almost stable. Currently, however, the rates of utilization on the remaining 40% of business appear coming down. Now, Hotels used to suffer from extended period of low utilization rates due to low business trip demand etc., but the rates have started to pick up most recently.



Source: Company Data, WRJ Calculation

## Gross Profit by Business



Source: Company Data, WRJ Calculation

### Introduction of “New Earnings Model”

It is indicated, in the “New Earnings Model” for “Holiday Sports Club” claimed by the Company, that this business should see recurring profit margins of 30% in a center (excluding pre-opening expenses some ¥50m per center). It has been disclosed that recurring profit margins for Health Club were 25.4% in FY03/2010, and thus the introduction of “New Earnings Model” is expected to lead to increases of recurring profit margins with the Company. In “New Earnings Model”, it seems that the Company intends to make a change in a recent trend of lowering capacity utilization rates by reducing capacity from the current 2,500-person to 2,000-person. In such model, investments per center are ¥350m, the average monthly fees per member ¥7,000, the annual costs ¥118m. When compared with the existing 2,500-person model, both lot area and floor space are smaller and thus the investment efficiency is inevitably lower too. It seems, however, the achievement of higher capacity utilization rates is expected to bring higher profit margins with the new model. Another assumption of the average monthly fees ¥7,000 is a touch optimistic when compared with the most recent results, but the Company does see higher-than-average fees in its new centers by introducing simplified member type, where the Company achieves almost ¥7,000 per member. Overall, it should be said that the assumptions with the new model make sense.

Still, the capacity utilization rates (the number of members divided by capacity) for “Holiday Sports Club”, in our estimates, are currently below 100%. It is taken for granted that the new model cannot just achieve the assumed profit margins when capacity utilization rates 100% are not achievable. Indeed, it should be the case that the business model of “Holiday Sports Club” has a very high ratio of marginal profits, and thus certain levels of capacity utilization rates are indispensable for the Company to make money. In this respect, the introduction of the new earnings model, where capacity is reduced, should work as a good tool to avoid suffering from low capacity utilization rates.

## Details of “New Earnings Model”

### “Holiday Sports Club”: 2,000-Person Model

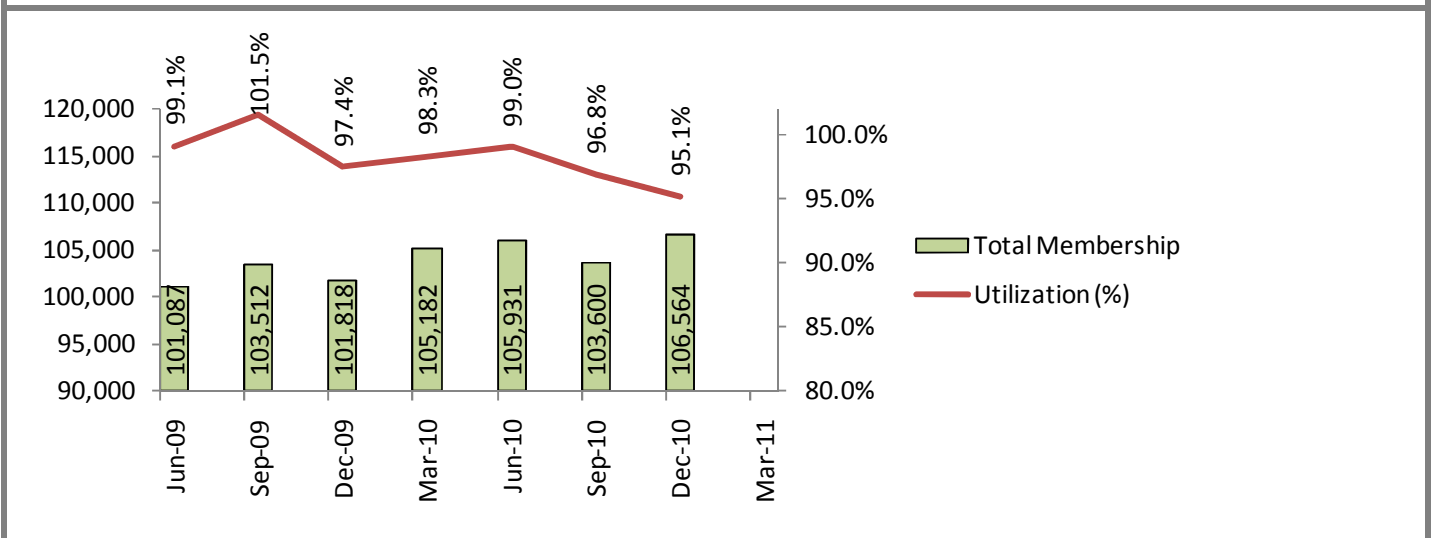
Investments	(Million Yen)	350
Lot Area	(m <sup>2</sup> )	5,000
Floor Space	(m <sup>2</sup> )	1,700
Number of Members	(Persons)	2,000
Monthly Fees per Member	(Yen)	7,000
Monthly Turnover	(Million Yen)	14.0
Annual Turnover	(Million Yen)	168.0
Collective Annual Expenses	(Million Yen)	117.6
Annual Recurring Profit	(Million Yen)	50.4
Recurring Profit Margins	(%)	30.0%

Source: Company Data, WRJ Calculation

### Total Membership 106,564

Total membership for “Holiday Sports Club” stood at 106,564 persons as of the end of December 2010. Compared with the weighted-average capacity per center of 2,872 persons, the results were 2,732 persons, and thus the rates of utilization could be estimated at 95.1%. The basis for the weighted-average capacity 2,872 persons per center equates to weighted average for capacity of collective 39 centers comprising 10 centers with capacity of 2,500 persons and 29 centers with capacity of 3,000 persons (as of the end of December 2010). Originally, the Company started with 2,500-person model when it introduced “Holiday Sports Club” for the first time, but the number of members in reality well exceeded the capacity in those days, having made the Company to move on to 3,000-person model for its new centers. More recently, however, it was found out that 3,000-person model could have some excess capacity, having made the Company to come back to 2,500-person model for the openings of new centers. To add to this, the Company is also planning to further reduce capacity and to introduce 2,000-person model, which is called “New Earnings Model”.

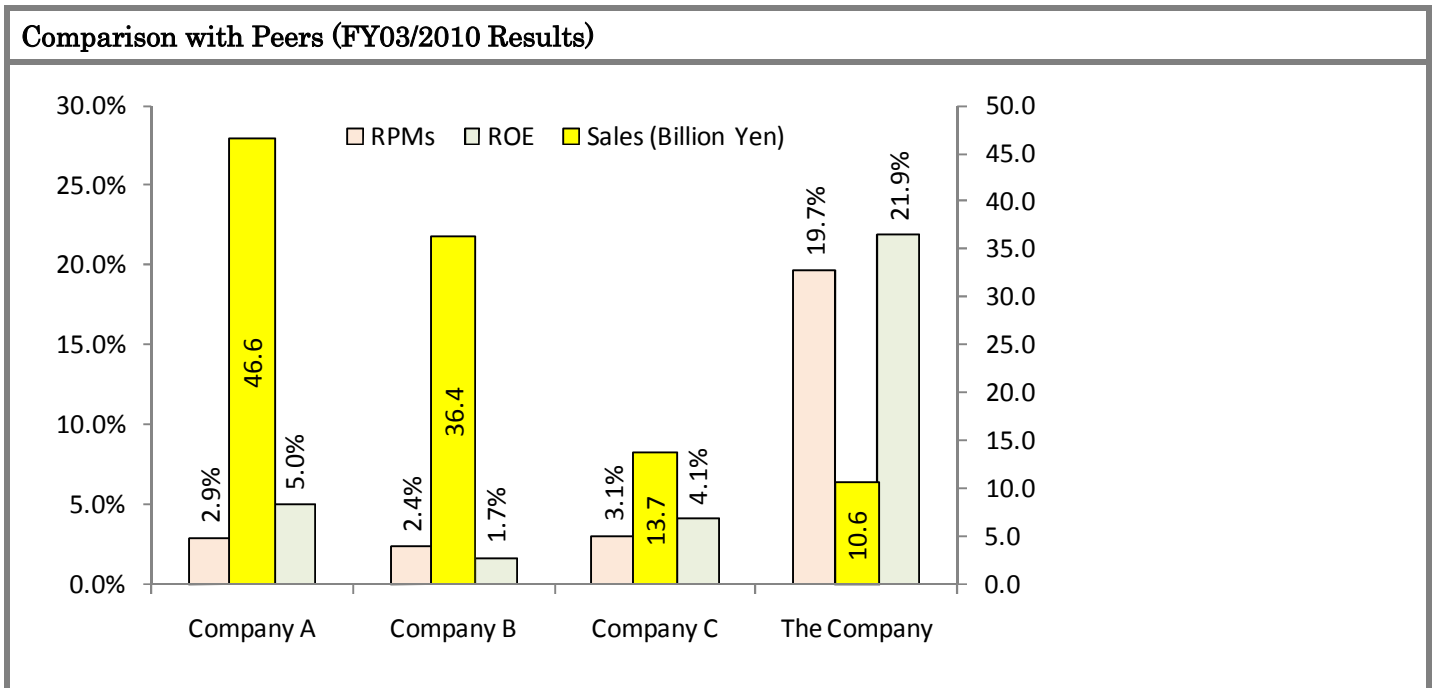
### “Holiday Sports Club” : Total Membership, Rates of Capacity Utilization



Source: Company Data, WRJ Calculation

### Comparison with Peers

Among the peers mainly in charge of running health club centers, the Company's annual turnover is small, mainly because of the fact that the Company is the late comer in the market. However, the Company has overwhelmingly higher profitability than the peers pursuing earnings simply as "a service provider". Meanwhile, does the Company do so, under its insistent cost reduction measures, as "a service provider with capability of engineering works & construction". No peers are pursuing earnings with the same manner while there are effective no moves among the operators of engineering works & construction to enter the market for health club. Moreover, the Company will aggressively open new centers based on "New Earnings Model", and thus the profitability with the Company is set to get even more enhanced. There are substantial gaps between the Company and peers in terms of profitability at present, and the gaps should even expand in the future. In terms of results in FY03/2010, the Company saw recurring profit margins and ROE, respectively, 19.7% and 21.9% versus, respectively, 3.1% and 5.0% for the highest levels among the peers listed.



Source: Each company, WRJ Calculation



## 5.0 Financial Statements

### Income Statement

Income Statement (Million Yen)	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.CoE	YoY
	FY	FY	FY	FY	FY	FY	Net Chg.
	03/2006	03/2007	03/2008	03/2009	03/2010	03/2011	
<b>Sales</b>	<b>6,767</b>	<b>9,177</b>	<b>10,808</b>	<b>10,901</b>	<b>10,597</b>	<b>10,815</b>	<b>+218</b>
CoGS	4,439	6,293	7,737	7,678	7,370	7,383	+13
Gross Profit	2,328	2,884	3,071	3,224	3,227	3,432	+205
SG&A	1,131	1,155	1,177	985	892	1,017	+125
<b>Operating Profit</b>	<b>1,196</b>	<b>1,729</b>	<b>1,894</b>	<b>2,239</b>	<b>2,336</b>	<b>2,415</b>	<b>+79</b>
Non Operating Balance	(284)	(306)	(290)	(284)	(248)	(215)	-
<b>Recurring Profit</b>	<b>913</b>	<b>1,424</b>	<b>1,604</b>	<b>1,955</b>	<b>2,087</b>	<b>2,200</b>	<b>+113</b>
Extraordinary Balance	(4)	3	1	(77)	(89)	0	-
Pretax Profit	909	1,427	1,605	1,878	1,999	2,200	+201
Tax Charges etc.	389	624	719	790	893	1,000	-
<b>Net Profit</b>	<b>520</b>	<b>803</b>	<b>886</b>	<b>1,088</b>	<b>1,106</b>	<b>1,200</b>	<b>+94</b>
Sales YoY	+34.9%	+35.6%	+17.8%	+0.9%	(2.8%)	+2.1%	-
Operating Profit YoY	+50.5%	+44.5%	+9.5%	+18.2%	+4.3%	+3.4%	-
Recurring Profit YoY	+35.4%	+56.0%	+12.7%	+21.9%	+6.8%	+5.4%	-
Net Profit YoY	+32.7%	+54.6%	+10.3%	+22.8%	+1.7%	+8.5%	-
Gross Profit Margins	34.4%	31.4%	28.4%	29.6%	30.5%	31.7%	-
(SG&A/Sales)	16.7%	12.6%	10.9%	9.0%	8.4%	9.4%	-
Operating Profit Margins	17.7%	18.8%	17.5%	20.5%	22.0%	22.3%	-
Recurring Profit Margins	13.5%	15.5%	14.8%	17.9%	19.7%	20.3%	-
Net Profit Margins	7.7%	8.8%	8.2%	10.0%	10.4%	11.1%	-
Tax Charges etc. / Pretax Profit	42.8%	43.7%	44.8%	42.1%	44.7%	45.5%	-

Source: Company Data, WRJ Calculation

### Sales and Gross Profit by Business

Sales and GP by Business	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
	03/2006	03/2007	03/2008	03/2009	03/2010	03/2011	Net Chg.
Health Club	4,369	6,341	7,552	8,154	8,301	8,715	+414
Hotels	488	486	604	976	736	700	(36)
Apartments	1,910	2,350	2,652	1,771	1,560	1,400	(160)
<b>Sales</b>	<b>6,767</b>	<b>9,177</b>	<b>10,808</b>	<b>10,901</b>	<b>10,597</b>	<b>10,815</b>	<b>+218</b>
Health Club	1,721	2,007	2,068	2,287	2,437	2,636	+199
Hotels	151	213	140	275	90	113	+23
Apartments	456	664	863	661	700	683	(17)
<b>Gross Profit</b>	<b>2,328</b>	<b>2,884</b>	<b>3,071</b>	<b>3,224</b>	<b>3,227</b>	<b>3,432</b>	<b>+205</b>
Health Club	39.4%	31.7%	27.4%	28.1%	29.4%	30.2%	-
Hotels	31.0%	43.8%	23.1%	28.2%	12.2%	16.1%	-
Apartments	23.9%	28.3%	32.6%	37.3%	44.9%	48.8%	-
<b>Gross Profit Margins</b>	<b>34.4%</b>	<b>31.4%</b>	<b>28.4%</b>	<b>29.6%</b>	<b>30.5%</b>	<b>31.7%</b>	<b>-</b>
Health Club	65%	69%	70%	75%	78%	81%	-
Hotels	7%	5%	6%	9%	7%	6%	-
Apartments	28%	26%	25%	16%	15%	13%	-
<b>Sales</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>-</b>
Health Club	74%	70%	67%	71%	76%	77%	-
Hotels	6%	7%	5%	9%	3%	3%	-
Apartments	20%	23%	28%	21%	22%	20%	-
<b>Gross Profit</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>-</b>

Source: Company Data, WRJ Calculation

### Per Share Data

Per Share Data	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.CoE	
(Before Adjustments for Split)	FY	FY	FY	FY	FY	FY	YoY
(Yen)	03/2006	03/2007	03/2008	03/2009	03/2010	03/2011	Net Chg.
No. of Shares (Thousand) FY End	10,388	13,713	16,592	16,592	17,592	-	-
Net Profit / EPS (Thousand)	10,922	13,711	16,537	16,528	16,919	17,593	-
Treasury Stocks (Thousand) FY	2	4	127	1	2	-	-
Earnings Per Share	47.6	58.6	53.6	65.8	65.4	68.2	-
Earnings Per Share (Fully	47.6	58.6	-	-	-	-	-
Book Value Per Share	269.1	254.8	252.6	304.2	369.5	-	-
Dividend Per Share	10.0	10.0	12.0	10.0	10.0	11.0	-
Payout Ratio	21.0%	17.1%	22.4%	15.2%	15.3%	16.1%	-
Per Share Data	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.CoE	
(After Adjustments for Split)	FY	FY	FY	FY	FY	FY	YoY
(Yen)	03/2006	03/2007	03/2008	03/2009	03/2010	03/2011	Net Chg.
Stock Split Factor	1.92	1.33	1.10	1.00	1.00	-	-
Earnings Per Share	24.8	44.0	48.7	65.8	65.4	-	-
Book Value Per Share	140.4	191.4	229.6	304.2	369.5	-	-
Dividend Per Share	5.2	7.5	10.9	10.0	10.0	-	-

Source: Company Data, WRJ Calculation

## Cash Flow Statement

Cash Flow Statement (Million Yen)	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.CoE	
	FY 03/2006	FY 03/2007	FY 03/2008	FY 03/2009	FY 03/2010	FY 03/2011	YoY Net Chg.
Operating Cash Flow	1,535	1,568	2,116	2,659	2,370	-	-
Investment Cash Flow	(5,783)	(4,718)	(5,240)	(1,956)	(217)	-	-
<b>Operating CF + Investment CF</b>	<b>(4,248)</b>	<b>(3,150)</b>	<b>(3,123)</b>	<b>703</b>	<b>2,153</b>	-	-
Financing Cash Flow	4,493	3,230	2,535	101	(2,244)	-	-
Pretax Profit	909	1,427	1,605	1,878	1,999	-	-
Depreciation	519	842	1,136	1,322	1,319	-	-
Working Capital Changes	63	(417)	35	114	(32)	-	-
Tax Charges	(340)	(483)	(814)	(710)	(867)	-	-
Capital Expenditure	(5,753)	(4,231)	(4,962)	(1,892)	(512)	-	-
<b>Free Cash Flow</b>	<b>(4,602)</b>	<b>(2,862)</b>	<b>(3,000)</b>	<b>713</b>	<b>1,907</b>	-	-

Source: Company Data, WRJ Calculation

## Balance Sheet

Balance Sheet (Million Yen)	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.CoE	
	FY 03/2006	FY 03/2007	FY 03/2008	FY 03/2009	FY 03/2010	FY 03/2011	YoY Net Chg.
Cash & Deposit	1,443	1,535	958	1,817	1,639	-	-
Accounts Receivables	77	80	86	22	20	-	-
Inventories	199	606	511	0	0	-	-
Other	405	384	471	388	363	-	-
<b>Current Assets</b>	<b>2,123</b>	<b>2,604</b>	<b>2,025</b>	<b>2,227</b>	<b>2,022</b>	-	-
Tangible Assets	13,562	17,133	20,744	21,796	20,963	-	-
Intangible Assets	13	13	16	32	31	-	-
LT Investment Securities etc.	1,379	1,905	2,117	2,101	2,170	-	-
<b>Fixed Assets</b>	<b>14,954</b>	<b>19,051</b>	<b>22,876</b>	<b>23,929</b>	<b>23,164</b>	-	-
Deferred Assets	0	0	0	35	34	-	-
<b>Total Assets</b>	<b>17,077</b>	<b>21,656</b>	<b>24,901</b>	<b>26,192</b>	<b>25,220</b>	-	-
Accounts Payable	53	57	67	3	6	-	-
Short Term Debt	3,395	5,755	7,914	6,564	5,230	-	-
Other	1,456	1,924	1,616	1,473	1,210	-	-
<b>Current Liabilities</b>	<b>4,904</b>	<b>7,735</b>	<b>9,596</b>	<b>8,041</b>	<b>6,447</b>	-	-
Long Term Debt	7,722	9,098	10,050	12,001	10,926	-	-
Other	1,630	1,330	1,095	1,102	1,346	-	-
<b>Fixed Liabilities</b>	<b>9,352</b>	<b>10,428</b>	<b>11,145</b>	<b>13,103</b>	<b>12,272</b>	-	-
<b>Total Liabilities</b>	<b>14,256</b>	<b>18,163</b>	<b>20,742</b>	<b>21,144</b>	<b>18,719</b>	-	-
<b>Shareholders' Equity</b>	<b>2,821</b>	<b>3,492</b>	<b>4,159</b>	<b>5,047</b>	<b>6,500</b>	-	-
Other	0	0	1	1	1	-	-
<b>Net Assets</b>	<b>2,821</b>	<b>3,492</b>	<b>4,159</b>	<b>5,048</b>	<b>6,501</b>	-	-
<b>Total Liabilities &amp; Net Assets</b>	<b>17,077</b>	<b>21,655</b>	<b>24,901</b>	<b>26,192</b>	<b>25,220</b>	-	-
Interest Bearing Debt	11,117	14,852	17,964	18,565	16,156	-	-
Net Debt	9,674	13,317	17,006	16,748	14,517	-	-
ROA (Net Profit / Total Assets)	4.5%	4.7%	4.1%	4.4%	4.2%	4.8%	-
ROE (Net Profit / Equity)	22.0%	28.5%	25.4%	26.2%	21.9%	18.5%	-
Tangible Assets / Total Assets	79.4%	79.1%	83.3%	83.2%	83.1%	-	-
Total Assets Turnover	0.40	0.42	0.43	0.42	0.42	-	-
Quick Ratio	31.0%	20.9%	10.9%	22.9%	25.7%	-	-
Current Ratio	43.3%	33.7%	21.1%	27.7%	31.4%	-	-
Equity Ratio	16.5%	16.1%	16.7%	19.3%	25.8%	-	-
Net-Debt-Equity Ratio	342.9%	381.3%	408.9%	331.8%	223.4%	-	-

Source: Company Data, WRJ Calculation

## 6.0 Other

### Founded in 1979

In 1979, the current CEO of the Company, Mr. Toshihiro Kutsuna (born in 1951) established Towa Construction Co., Ltd. with an attempt to be in charge of engineering works & construction, and this is the former entity of the Company. He is still the overwhelming top shareholder with a 60.0% ownership with the Company as of the end of September 2010. He started his career as an employee with a landscape gardening company run by his father. After a while, he found it was not easy to remain positive for its future prospects, and thus he founded his own company. He started with engineering works & construction and then,

developments of apartment houses, running golf driving ranges etc., eventually having had opened the first center for “Holiday Sports Club” in Anjo, Aichi, in 1996, while company name changed to “Tosho Co. Ltd.” in April 1999. The Company was listed on JASDAQ market in February 2004, being classified as a company in “Real Estate” sector. Since then, the Company has had massively increased its exposure to health club operations, having had resulted in a changeover to “Service” sector in October 2006. Nevertheless, the Company has a limited exposure to operations just as “A Service Provider” while mainly to those as “a service Provider with capability of engineering works & construction” for the sake of relentless pursuit for high profit margins.

## Company History

Date	Events
March 1979	Towa Construction Co., Ltd., established with an attempt to be in charge of engineering works & construction.
December 1986	Shofuku Real Estate Co., Ltd., established with an attempt to be in charge of condominium business as well as leasing of apartments (former operation for “A・City”).
August 1989	Started with management of apartments business.
December 1989	Started with operations of gold driving ranges, with an opening of no. one “Holiday Golf Garden” center.
March 1995	Consigned construction for leasing apartment house, started.
May 1996	Health Club operations, started with the first center of “Holiday Sports Club” in Mikawa-Anjo.
May 1997	2×4 order house business, started (pulled out in March 2002).
April 1999	Corporate identification, changed to “Tosho Co., Ltd”. Completed “Tosho Building” in the site adjacent to Mikawa-Anjo Station, and headquartered there in the building.
November 1999	Started running hotels, together with the first hotel “AB Hotel Mikawa-Anjo The Main”.
January 2003	Planned and sold the first aseismatic high rise apartment in the Mikawa region.
February 2004	Listed on JASDAQ market.
April 2004	Started full-fledged developments for “A・City” apartment houses.
October 2006	Classified as a company belonging to “Service” sector versus “Real Estate” prior to this changeover.

### Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

Company name: Walden Research Japan Incorporated

Headquarters : #1110 4-12-4 Hatchobori, Chuo-Ku, Tokyo 104-0032

URL: [www.walden.co.jp](http://www.walden.co.jp)

E-mail: [info@walden.co.jp](mailto:info@walden.co.jp)

Phone : +81 3 3553 3769