

Financial Results for the Six Months Ended September 30, 2010 and Medium-term Management Plan



November 4, 2010 Presentation for Institutional Investors



President Toshihiro Kutsuna

Code: 8920

Trade name

TOSHO Co., Ltd.



Representative

Toshihiro Kutsuna

Head office

1-16-5 Mikawa-anjomachi, Anjo-shi, Aichi Pref.

Stock code

8920

Listing

JASDAQ Stock Exchange

Business category

Service sector

Established

March 1979 (fiscal year ends March 31)

Capital

497, 914thousand yen

Employees

163 (as of Sep 30, 2010)

Shares outstanding

17, 592, 351shares

Shareholders

4,774 (as of Sep 30, 2010)

1unit

100 shares

Financial Results for the Six Months Ended September 30, 2010

Ordinary income 18.0%UP Ordinary income margin 21.3% (Improved 3points)

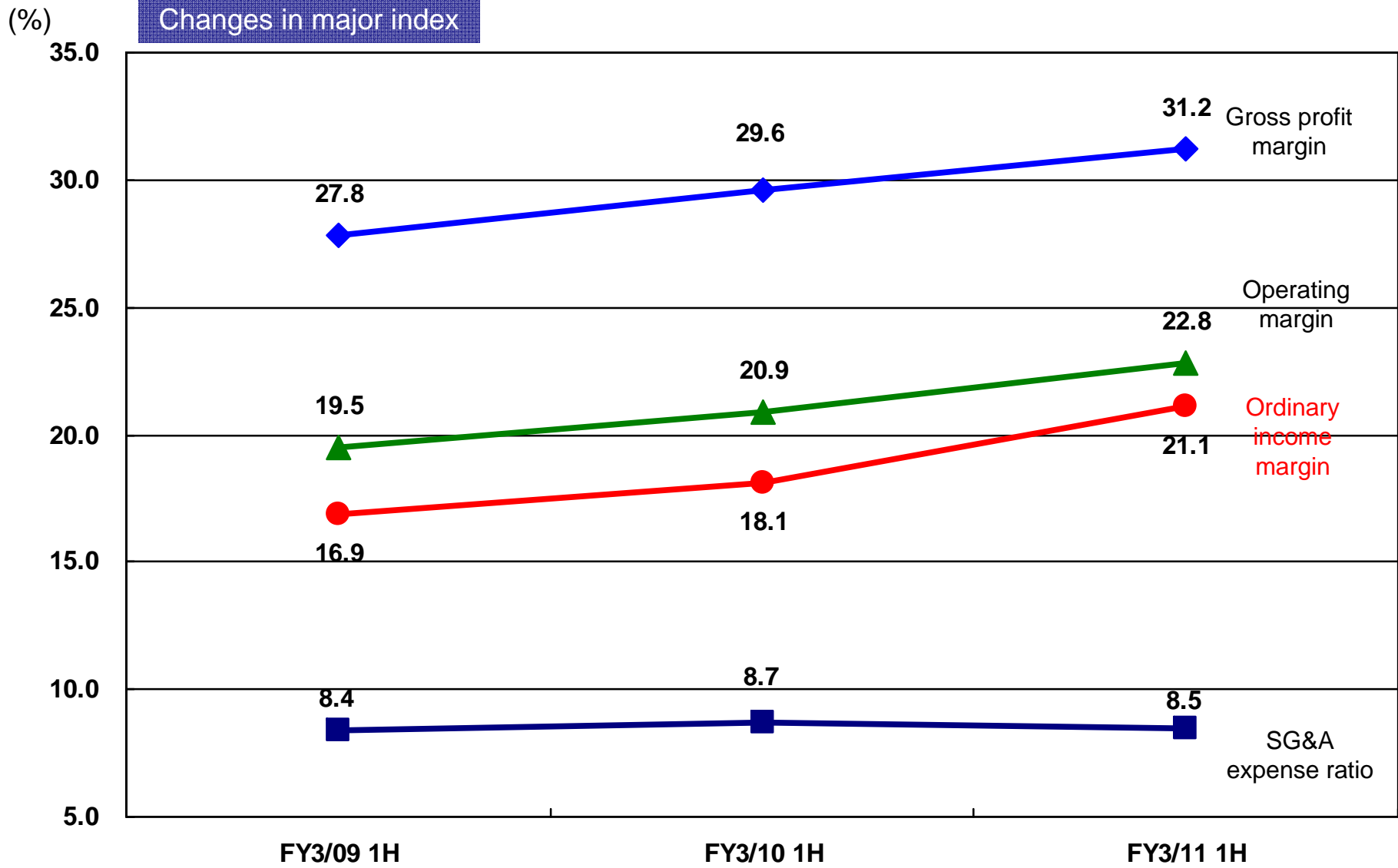
P/L VS FY3/10

(Million yen)

	FY3/10 1H (April 2009~September 2009)			FY3/11 1H (April 2010~September 2010)			YoY	
	Results	% of net sales	YoY%	Results	% of net sales	YoY%	Change	Change In % of net sales
Net sales	5,273	100.0	94.6	5,346	100.0	101.4	+73	-
Sports Club business	4,095	77.7	100.9	4,238	79.3	103.5	+143	+1.6
Hotel business	364	6.9	70.2	420	7.9	115.4	+56	+1.0
Leasing business	813	15.4	81.7	688	12.9	84.6	-125	-2.5
Gross profit	1,562	29.6	100.7	1,673	31.2	107.1	+111	+1.7
Sports Club business	1,202	(29.4)	109.3	1,266	(29.9)	105.3	+64	(+0.5)
Hotel business	28	(7.7)	18.4	89	(21.2)	317.9	+61	(+13.5)
Leasing business	331	(40.8)	110.9	317	(46.1)	95.8	+14	(+5.3)
SG&A	458	8.7	98.3	454	8.5	99.1	-4	-8.5
Operating income	1,104	20.9	101.8	1,218	22.8	110.4	+114	+1.9
Sports Club business	1,012	(24.7)	-	1,091	(25.8)	107.8	+79	+1.1
Hotel business	8	(2.2)	-	78	(18.6)	975.0	+70	+16.4
Leasing business	298	(36.7)	-	295	(42.9)	99.0	-3	+6.2
Adjustments	-215	-	-	-246	-	117.2	-31	-
Ordinary income	954	18.1	101.3	1,126	21.1	118.0	+172	+3.0
Net income	539	10.2	105.3	584	10.9	108.2	+45	+0.7

Profit margins improved due to sales increase and cost reduction

Changes in major index



Factors for change in sales

Sports club business

103.5% YoY (up 143 million yen)
No. of sports clubs: 37
Strong sales for introducing new programs

- ◆ Effect of increase in sales of sports clubs opened in FY10
 - Opened in Oct. 2009: Holiday Sports Club Nagano
 - Opened in Feb. 2010: Holiday Sports Club Asahikawa
- ◆ New programs started from May
 - Withdrawal reduced, pct. of members increased
 - New free programs
“Beauty Queen”
“Boxing King”
“Target ABS3”
 - Fee-based programs
“MyTraining”

Hotel business

115.4% YoY (up 56 million yen)
No. of sports clubs: 5
Sales increased due to higher operating rate

- ◆ Increased use due to periphery firms’ favorable performance
- ◆ Increase in family demand
 - Operating rate of 53.7% for the full-year in FY3/10
 - In 1Q, operating rate recovered to 60%
 - In 2Q, operating rate recovered to 70%
- ◆ Strengthening of website
 - Increase in searches due to SEO measures
 - Expansion of sales site
 - Respond to increase in nonsmokers (increase nonsmoking floors)
Change smoking floor to nonsmoking floor

Leasing business

84.6% YoY (down 125 million yen)
Owns 48 buildings, 1,988 rooms
Stable revenues with rental guarantee

- ◆ In FY10, sold 1 “A·City” apartment; no sales expected in FY11
- ◆ Earned stable revenues by managing rental apartment buildings with rental guarantee

Factors for change in operating income

107.8% YoY (up 79 million yen)
Operating margin 24.7%→25.8%

35 existing sports clubs Margin improved by 2.6%

- ◆ Earnings increased due to strong sales
- ◆ Cost-cutting effect
 - Utilities cost
 - Reduced burden associated with lease expiration, etc.

975% YoY (up 70 million yen)
Operating margin 2.2%→18.6%

Increase in profits associated with rise in operating rate

- ◆ Earnings increased due to strong sales
- ◆ Cost-cutting effect
 - Utilities cost
 - Reduced depreciation cost and other burden of expenses

99.0% YoY (down 3 million yen)
Operating margin 36.7%→42.9%

Reduced costs associated with suspension of development

- ◆ Stable revenues from rental apartment buildings
- ◆ Cost-cutting effect
 - Tax and public dues
 - Depreciation cost
 - Reduced supplies and other burden of expenses

Increase in sales and earnings Also maintained profit margins as planned

Quarterly performance (corporate)

(Million yen)

	FY3/11 1Q (Apr 2010~Jun 2010)		FY3/11 2Q (Jul 2010~Sep 2010)		FY3/11 1H (Apr 2010~ Sep 2010)		FY3/11 Plan	
	Actual (YoY)	Profit margin	Actual (YoY)	Profit margin	Actual (YoY)	Profit margin	Actual (YoY)	Profit margin
Net sales	2,674 (101.9%)	—	2,672 (100.9%)	—	5,346 (101.4%)	—	10,815 (102.1%)	—
Operating income	616 (120.8%)	23.0%	602 (101.4%)	22.5%	1,218 (110.4%)	22.8%	2,415 (103.4%)	22.3%
Ordinary income	576 (125.2%)	21.5%	550 (111.2%)	20.6%	1,126 (118.0%)	21.1%	2,200 (105.4%)	20.3%
Net income	277 (109.4%)	10.4%	306 (107.1%)	11.5%	584 (108.2%)	10.9%	1,200 (108.5%)	11.1%

Extraordinary loss: Posted ¥109 million in asset retirement obligation

Quarterly performance (by business sector)

(Million yen)

	FY3/11 1Q Actual (Apr 2010~Jun 2010)		FY3/11 2Q Actual (Jul 2010~Sep 2010)		FY3/11 1H Actual (Apr 2010~ Sep 2010)		FY3/11 Annual plan	
	Actual	% of net sales	Actual	% of net sales	Actual	% of net sales	Actual	% of net sales
Net sales	2,674	100.0	2,672	100.0	5,346	100.0	10,815	100.0
Sports Club business	2,134	79.8	2,103	78.7	4,238	79.3	8,715	80.6
Hotel business	192	7.2	227	8.5	420	7.9	700	6.5
Leasing business	346	12.9	341	12.8	688	12.9	1,400	12.9
Gross profit	835	31.2	838	31.4	1,673	31.3	3,432	31.7
Sports Club business	650	30.5	616	29.3	1,266	29.9	2,636	30.2
Hotel business	28	14.6	61	26.9	89	21.2	113	16.1
Leasing business	156	45.3	160	47.1	317	46.1	683	48.8
SG&A	219	8.2	235	8.8	454	8.5	1,017	9.4
Operating income	616	23.0	602	22.5	1,218	22.8	2,415	22.3
Sports Club business	580	27.2	511	24.3	1,091	25.8	2,151	24.7
Hotel business	22	11.9	55	24.6	78	18.6	89	12.7
Leasing business	145	42.0	150	44.0	295	42.9	645	46.1
Adjustments	-132	—	-114	—	-246	—	-470	—
Ordinary income	576	21.5	550	20.6	1,126	21.1	2,200	20.3
Net income	277	10.4	306	11.5	584	10.9	1,200	11.1

Management without inventories and accounts receivable

BS VS FY3/2010

(Million yen)

	FY3/2010 (Apr 2009 – Mar 2010)		FY3/2011 1H (Apr 2010 – Sep 2010)			YoY	
	Actual	Share %	Actual	Share %	YoY%	Change	Pct. change
Current assets	2,022	8.0	2,327	9.1	115.1	+305	+1.1
Fixed assets	23,197	92.0	23,352	90.9	100.7	+155	-1.1
Total assets	25,219	100.0	25,679	100.0	101.7	+460	-
Current liabilities	6,446	25.6	6,251	24.3	97.0	-195	-1.3
Fixed liabilities	12,272	48.7	12,430	48.4	101.3	+158	-0.3
Total liabilities	18,719	74.2	18,682	72.8	99.8	-37	-1.4
Total net assets	6,500	25.8	6,996	27.2	107.6	+496	+1.4
Total liabilities and net assets	25,219	100.0	25,679	100.0	101.8	+460	-

Capital investment with in operating cash flow

Cash Flow

(Million yen)

	FY3/09	FY3/10	FY3/10 1H	FY3/11 1H
Operating Cash Flow	2,658	2,370	671	1,302
Investment Cash Flow	-1,956	-216	-26	-641
Financing Cash Flow	100	-2,243	-1,708	-428

Increase of New Facilities

	FY3/09	FY3/10	FY3/10 1H	FY3/11 1H
Sports Club business	Opened 3 sports clubs	Opened 2 sports clubs	-	-
Hotel business	-	-	-	-
Leasing business (Apartments)	7 buildings, 307 rooms	2 buildings, 95 rooms	-	-

Aim to increase earnings for the 7th period since our stock listing

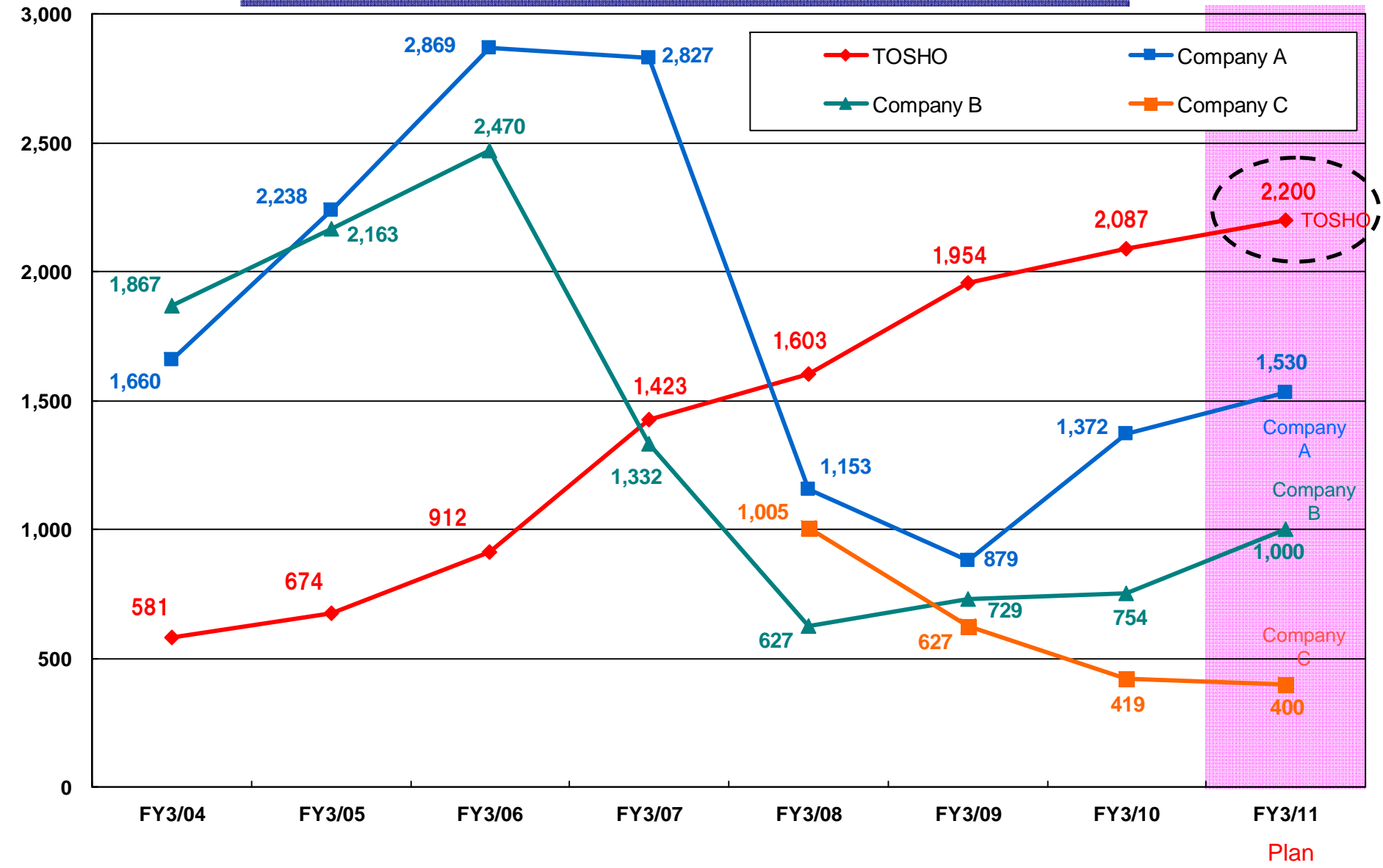
P/L vs. FY3/10

(Million yen)

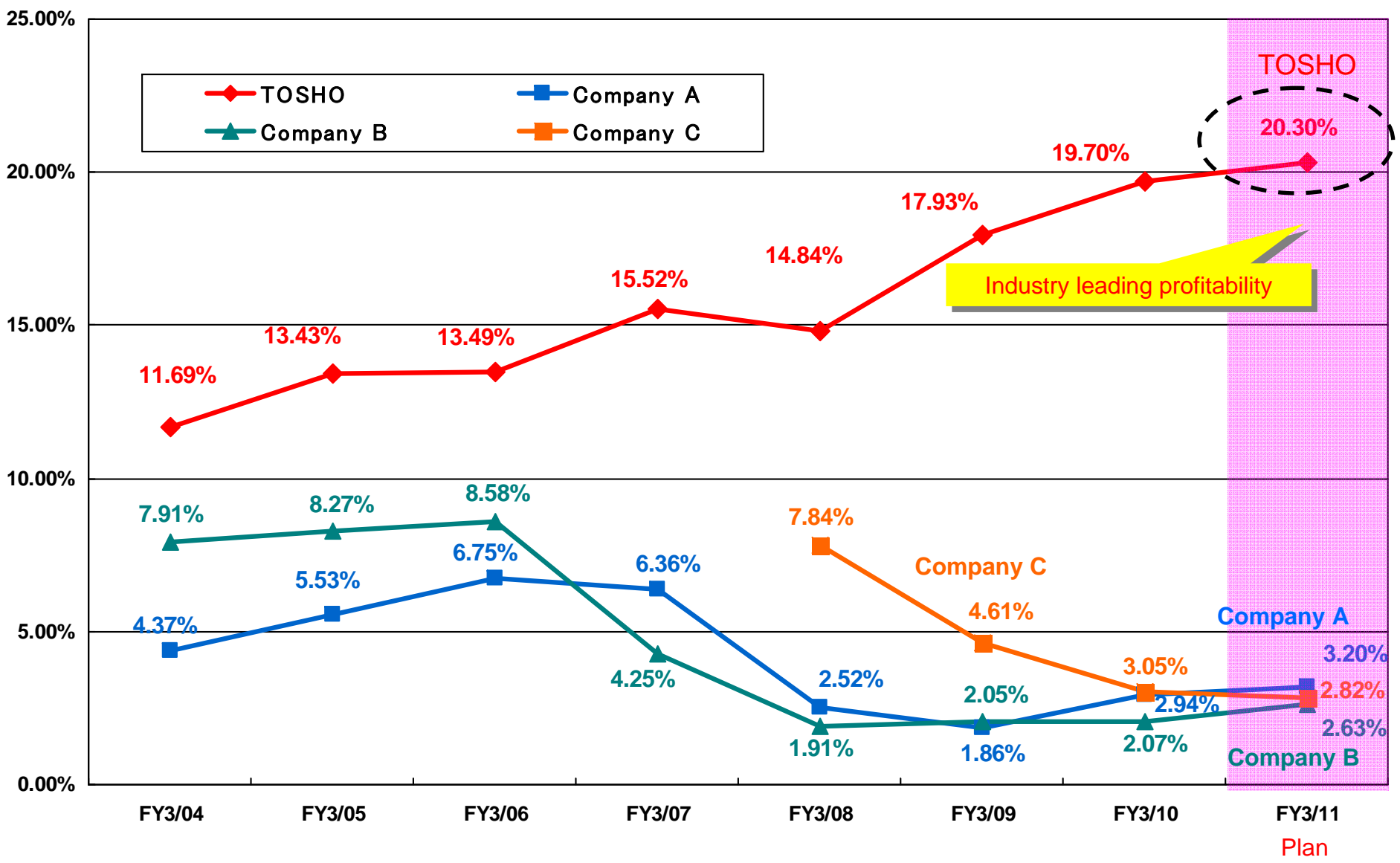
	FY3/10 (Apr 2009 – Mar 2010)			FY3/2011 (Apr 2010 – Mar 2011)			YoY	
	Actual	% of net sales	YoY%	Actual	% of net sales	YoY%	Change	Change In % of net sales
Net sales	10,597	100.0	97.2	10,815	100.0	101.4	+218	—
Sports Club business	8,301	78.3	101.8	8,715	80.6	103.5	+414	+2.3
Hotel business	736	6.9	75.4	700	6.5	115.4	-36	-0.4
Leasing business	1,560	14.7	88.1	1,400	12.9	84.6	-160	-1.8
Gross profit	3,227	30.5		3,432	31.7	107.1	+205	+1.2
Sports Club business	2,437	(29.4)	106.6	2,636	(30.2)	105.3	+199	(+0.8)
Hotel business	90	(12.2)	32.7	113	(16.1)	317.9	+23	(+3.9)
Leasing business	700	(44.9)	106.1	683	(48.8)	95.8	-17	(+3.9)
SG&A	891	8.4	90.5	1,017	9.4	99.1	+126	+1.0
Operating income	2,336	22.0	104.4	2,415	22.3	110.3	+79	+0.3
Sports Club business	2,111	(25.4)		2,151	(24.7)	101.9	+40	(-0.7)
Hotel business	54	(7.3)		89	(12.7)	164.8	+35	(+5.4)
Leasing business	644	(41.3)		645	(46.1)	100.2	+1	(+4.8)
Adjustments	-475	—		-470	—	—	+5	—
Ordinary income	2,087	19.7	106.8	2,200	20.3	118.0	+113	+0.6
Net income	1,106	10.4	101.7	1,200	11.1	108.3	+94	+0.7

Listed competitors Ordinary income Actual・Plan

(Million yen)



Listed competitors Ordinary income margin Actual・Plan



Medium-term Management Plan

(FY3/11 ~ FY3/15)

Become a company to respond to changing times

1. Market situation

	Total population	0~14years old	15~64years old	Over 65 years old
2000 (pct.)	126.93 million people	18.51 million people (14.6%)	86.38 million people (68.0%)	22.04 million people (17.4%)
2010 change (pct.)	127.43 million people	16.94 million people	81.23 million people	29.26 million people
	+500 thousand people	-1.57 million people (13.3%)	-5.15 million people (63.7%)	+7.22 million people (23.0%)
2015 change (pct.)	126.27 million people	16.22 million people	77.28 million people	32.77 million people
	+1.16 million people	-720 thousand people (12.8%)	-3.95 million people (61.2%)	+3.51 million people (26.0%)

- Demand will grow even more even if the age composition changes
- Holiday Sports Club will operate with more than 100 thousand people

Citation data: *Population Census, MIC*
Elderly Population Estimates, MIC

2. Japan's economic trends

- Worsening economic environment will remain severe for a while
- Easier to obtain land information

3. Rapidly changing times

- Create new products and stimulate potential demand
- Company that can adapt to changing times can grow

Business Strategy

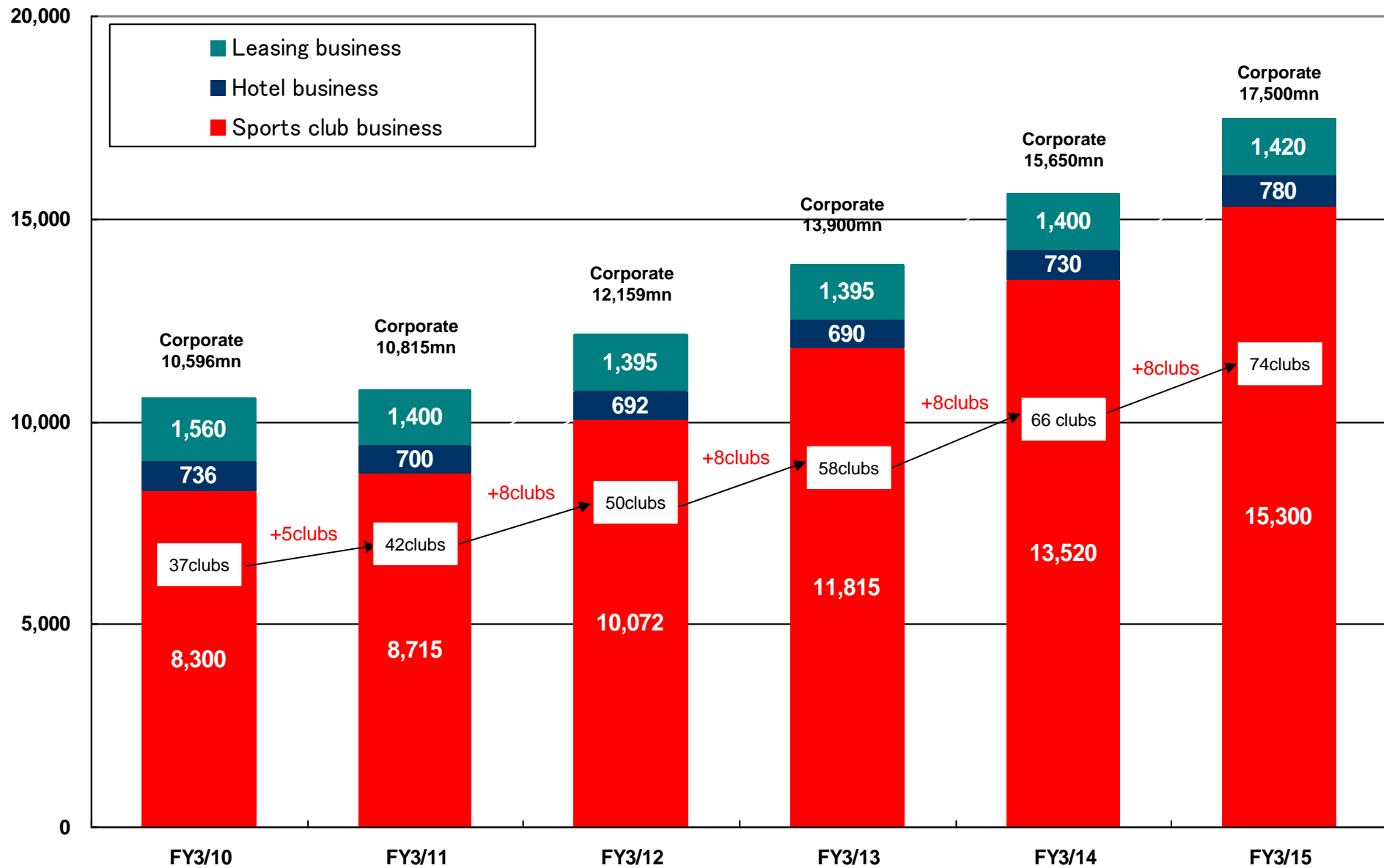
Concentrate management resources
on the Holiday Sports Club business
Accelerate the opening of Holiday Sports Clubs

Business Plan

◆ Final Fiscal Year (FY3/15) Target

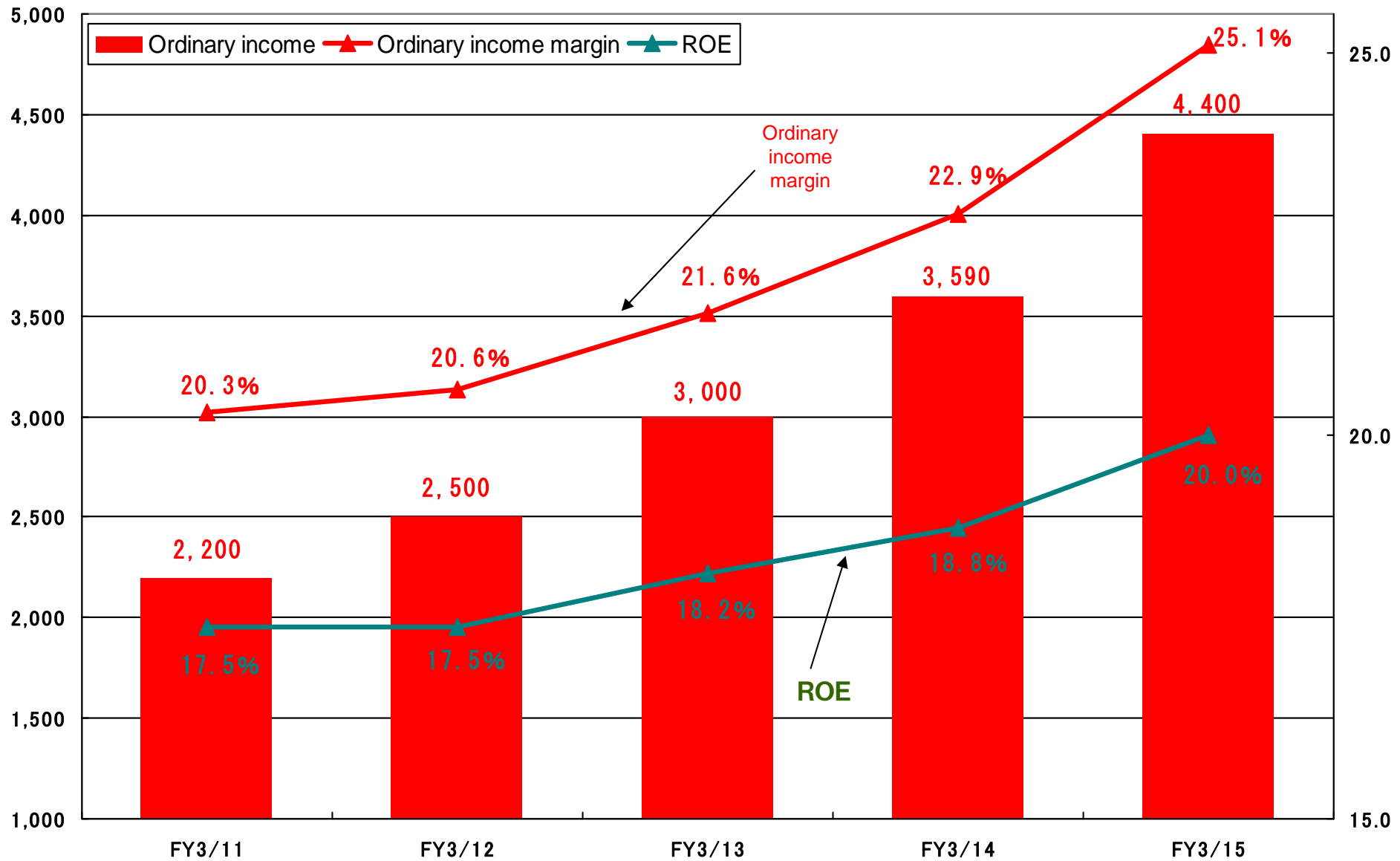
• Sales	¥17.5bn	Up 65%	(vs.FY3/10)
• Ordinary income	¥4.4bn	Up 110%	(vs.FY3/10)
• Ordinary income margin	25%	Up 5 pts.	(vs.FY3/10)
• EPS	¥140	Up 114%	(vs.FY3/10)
• ROE	20%	Same	(vs.FY3/10)
• Dividend payout ratio	20%	Up 4.7 pts.	(vs.FY3/10)

Sales (Million yen)



Ordinary income (Million yen)

Ordinary income margin · ROE (%)



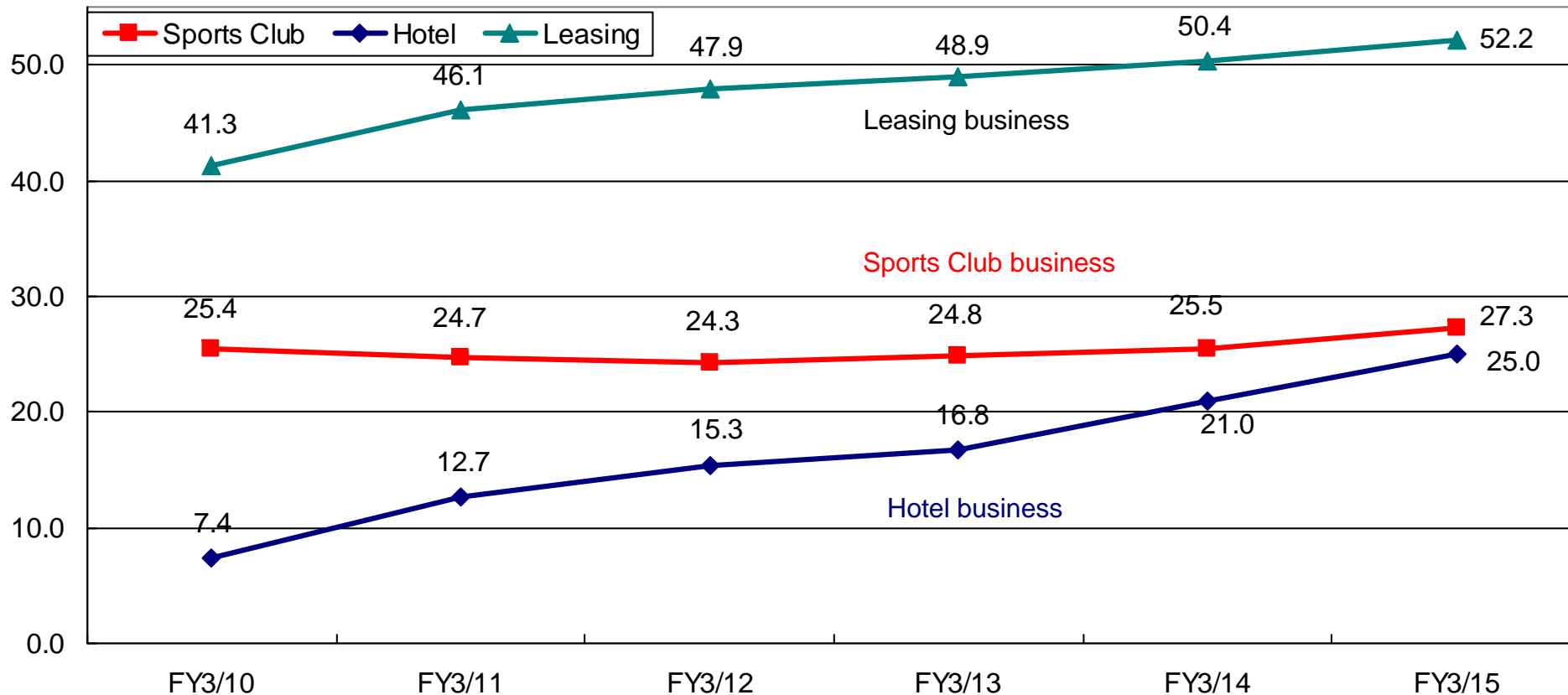
◆ Hotel business、Leasing business

- Improve efficiency by maintaining the current scale of operations
- Profit margin improves every year as a result of reduced depreciation

◆ Sports Club business

- Increase in the number of sports clubs raises development costs but maintains high profits
- The pct. of new business model sports clubs will rise leading to a more profitable structure

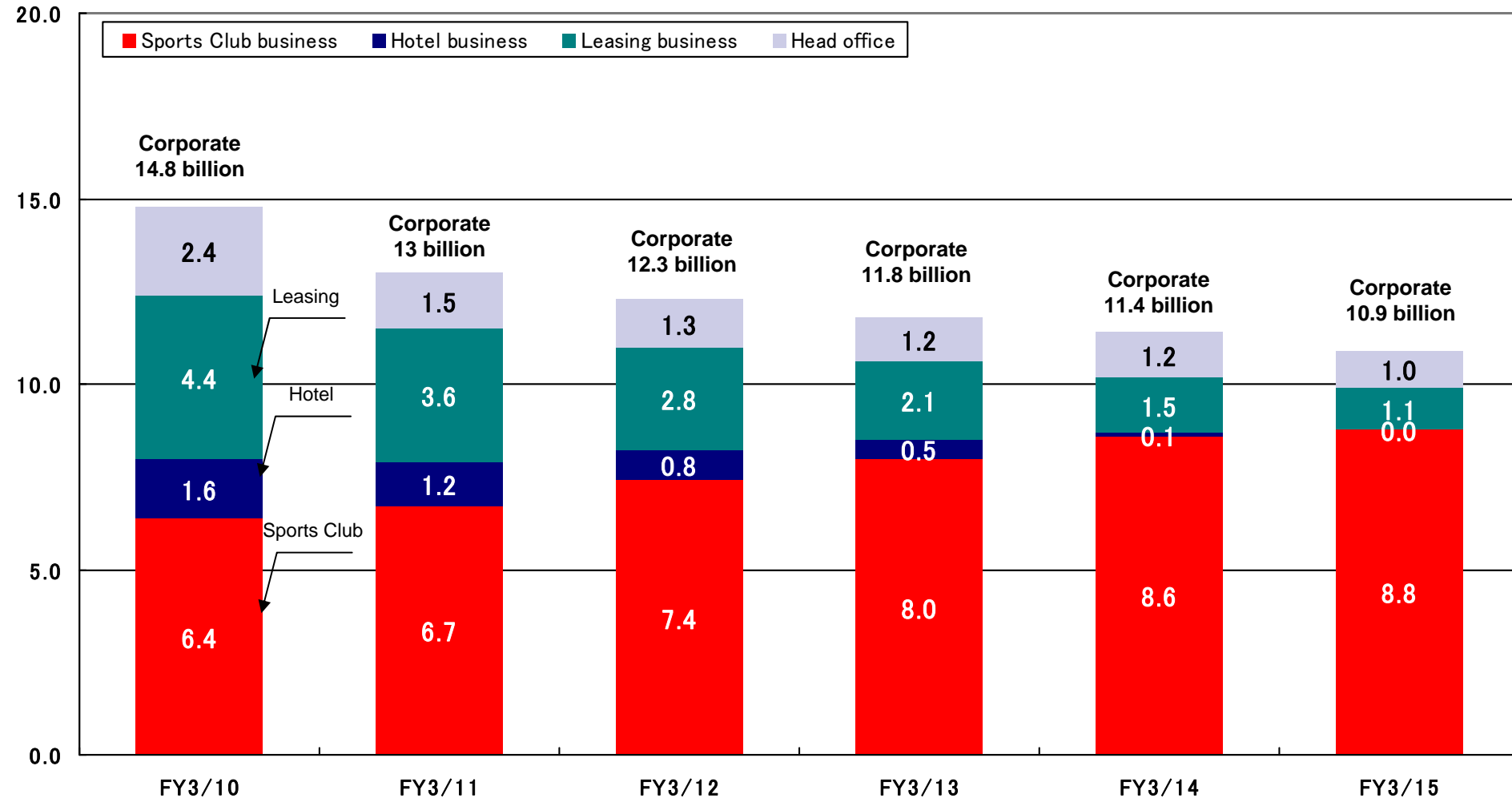
Ordinary income margin (%)



- ◆ Sports club business・・・Demand for funds for capital investments will increase
- ◆ Hotel business, leasing business・・・Balance of loans will be reduced every year

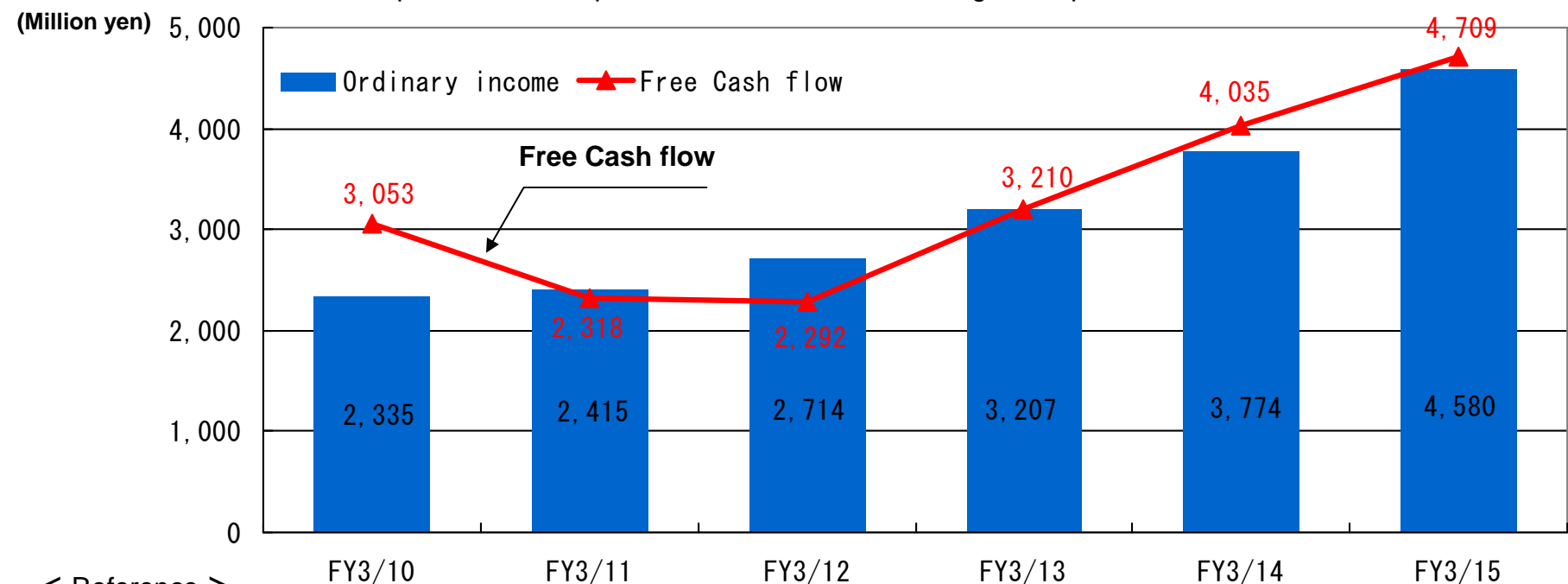
Balance of loans
(billion)

Company-wide balance of loans will be reduced every year



- ◆ FY3/15 free cash flow 4.7 billion yen
- ◆ “Cash-creating company”, a business model that earns cash

- ✓ Accelerate the opening of sports clubs from FY3/10 to FY3/12; free cash flow will temporarily decrease
- ✓ “Depreciation \approx Capital investment” Cash management plan

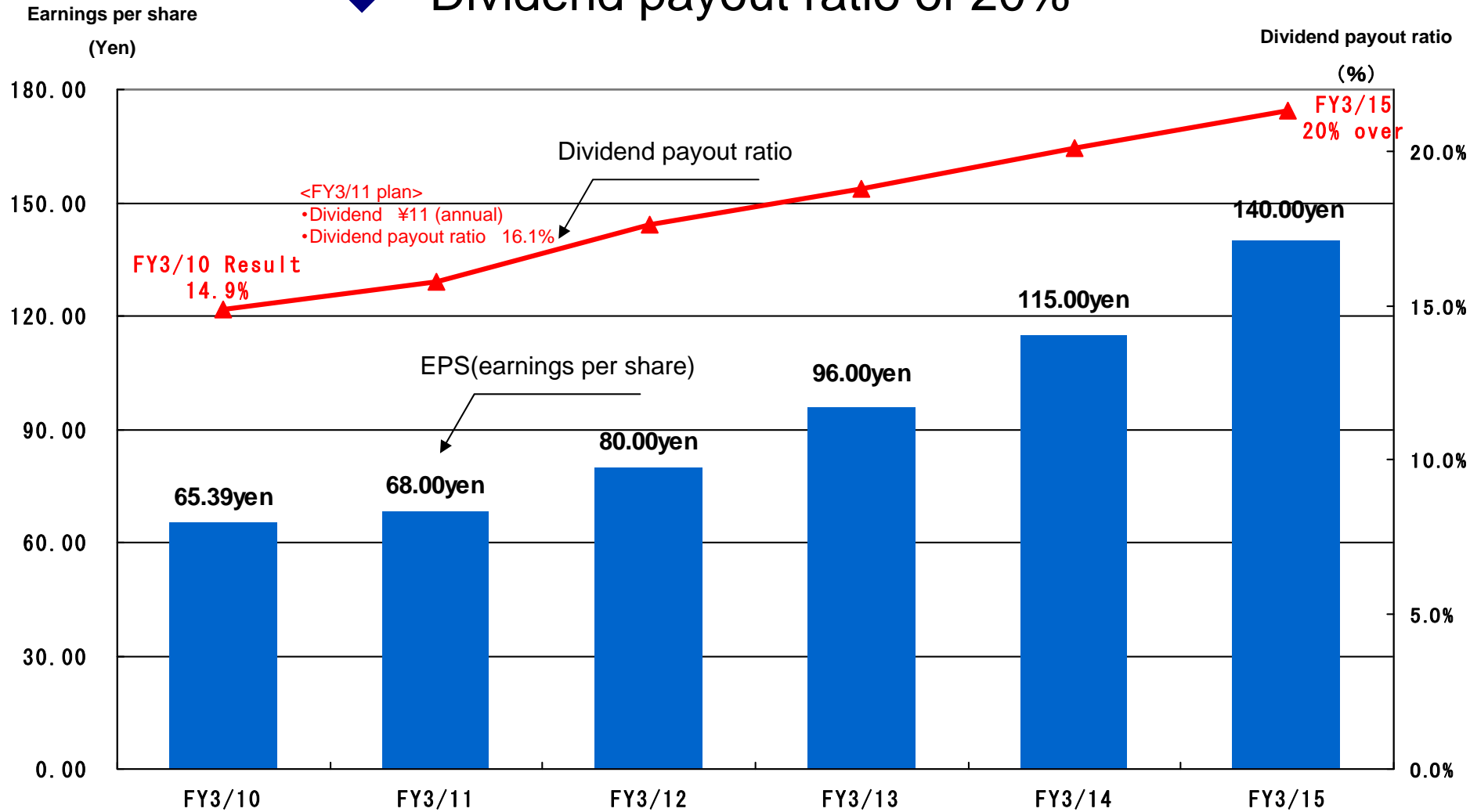


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	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15
Estimated depreciation	1,316(mn)	1270	1429	1671	1781	1864
Capital investment (est.)	512(mn)	1,500	2,000	2,000	2,000	2,000
New sports clubs (plan) (Partly use leasing from FY3/11)	2 clubs	5 clubs	8 clubs	8 clubs	8 clubs	8 clubs

◆ Linked to profit growth

◆ Dividend payout ratio of 20%



Become a company that can achieve consistent growth

1. A reputation as a partner in leading a healthy life
2. A company that develops new products
3. A provider of services for facilities
4. Customers who are end users
5. Able to grow with no procurement activities or sales team
6. A highly profitable company (ordinary income ratio of 30%)
7. Business activities based on cash
8. A small workforce made up of highly talented individuals
9. Nationwide coverage
10. Goal is ordinary income of 10 billion yen (long-term vision)

Business model for 2,500 members

City size More than 150 thousand people
"298 regions"

Item	Per year	Pct.	Monthly	Description
Total investment	¥400 million			
Sales	¥210,000,000		¥17,500,000	2,500 members × ¥7,000 per month
Expenses	¥136,500,000	65%	¥11,375,000	Personnel expenses, utilities cost, land lease, leases, depreciation, selling expenses, maintenance, etc.
Ordinary income	¥ 73,500,000	35%	¥6,125,000	
Ordinary income margin	35%		35%	

New model

Business model for 2,000 members

City size More than 100 thousand people
"421 regions"

First business model for 2,000 members in 2012

- ◆ Izumo-shi, Shimane (to be opened in Oct. 2011)
- ◆ Tomakomai-shi, Hokkaido (to be opened in Oct. 2011)

Item	Per year	Pct.	Monthly	Description
Total investment	¥350 million			
Sales	¥168,000,000		¥14,000,000	2,000 members × ¥7,000 per month
Expenses	¥117,600,000	70%	¥ 9,800,000	Personnel expenses, utilities cost, land lease, leases, depreciation, selling expenses, maintenance, etc.
Ordinary income	¥50,400,000	30%	¥4,200,000	
Ordinary income margin	30%		30%	

✳️ Position in the industry

Middle-aged

Holiday Sports Club

(Competitors)

Countryside /roadside

City center/in front of the station

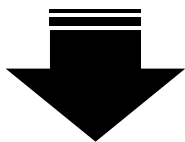
Children

Business model highlights	Holiday Sports Club	(Competitors)
Competitive situation	Blue ocean	Red ocean
Location	Countryside/roadside	City center/in front of the station
Target age group	At least 16 years old: adults only	Children to adults: all age groups
Low-cost operation	Possible	Difficult
Method of opening centers	Mainly company-owned	Mainly leased buildings
Personnel expenses	Low	High
Promotion cost	Low	High
Merchandise sales	None	Yes
Swimming school for children	None	Yes

Open in local cities

No. of clubs at the end of March 2010

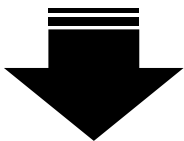
37 clubs



No. of clubs at the end of March 2015

Target: 74 clubs

(final year of the mid-term plan)

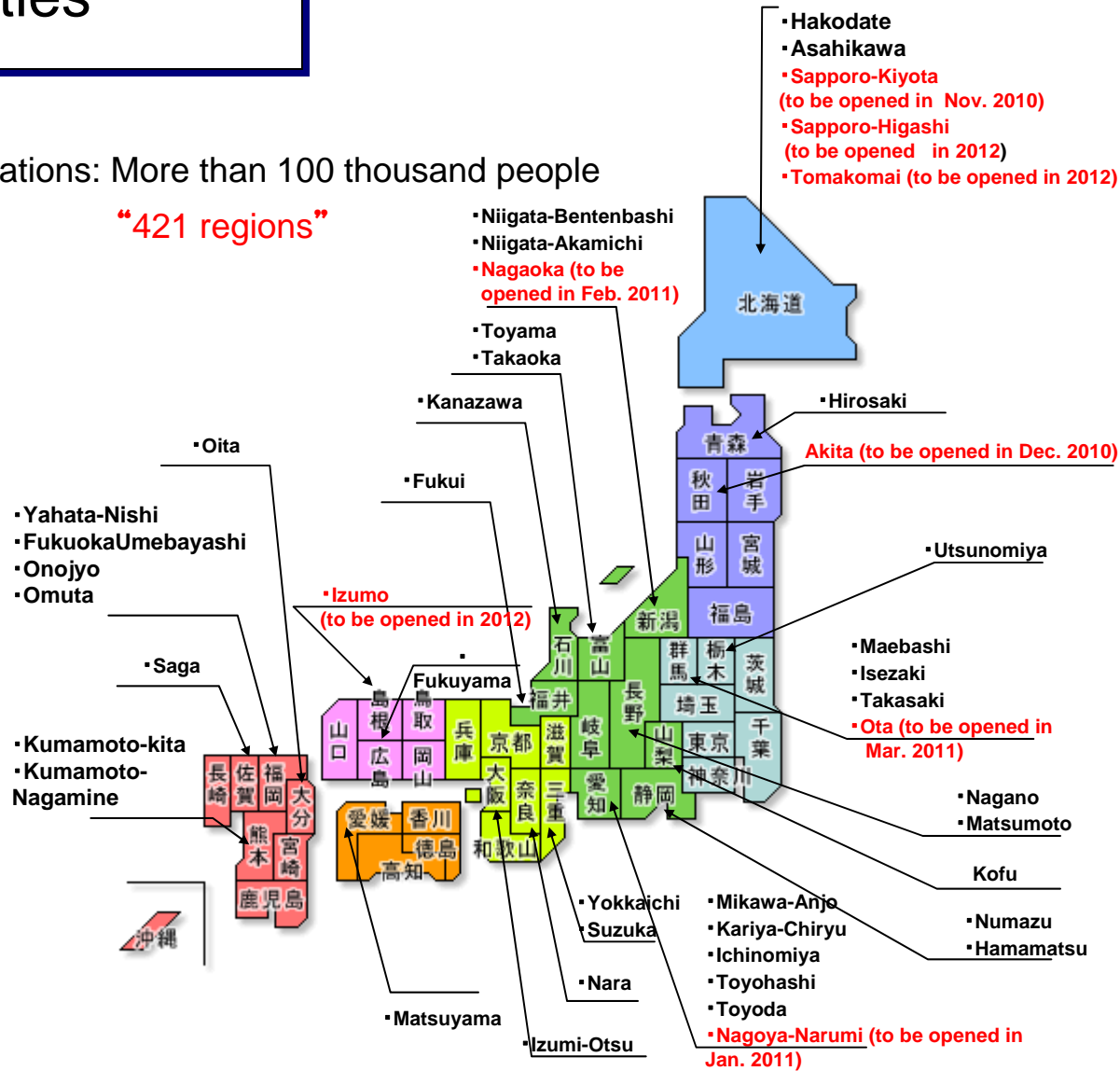


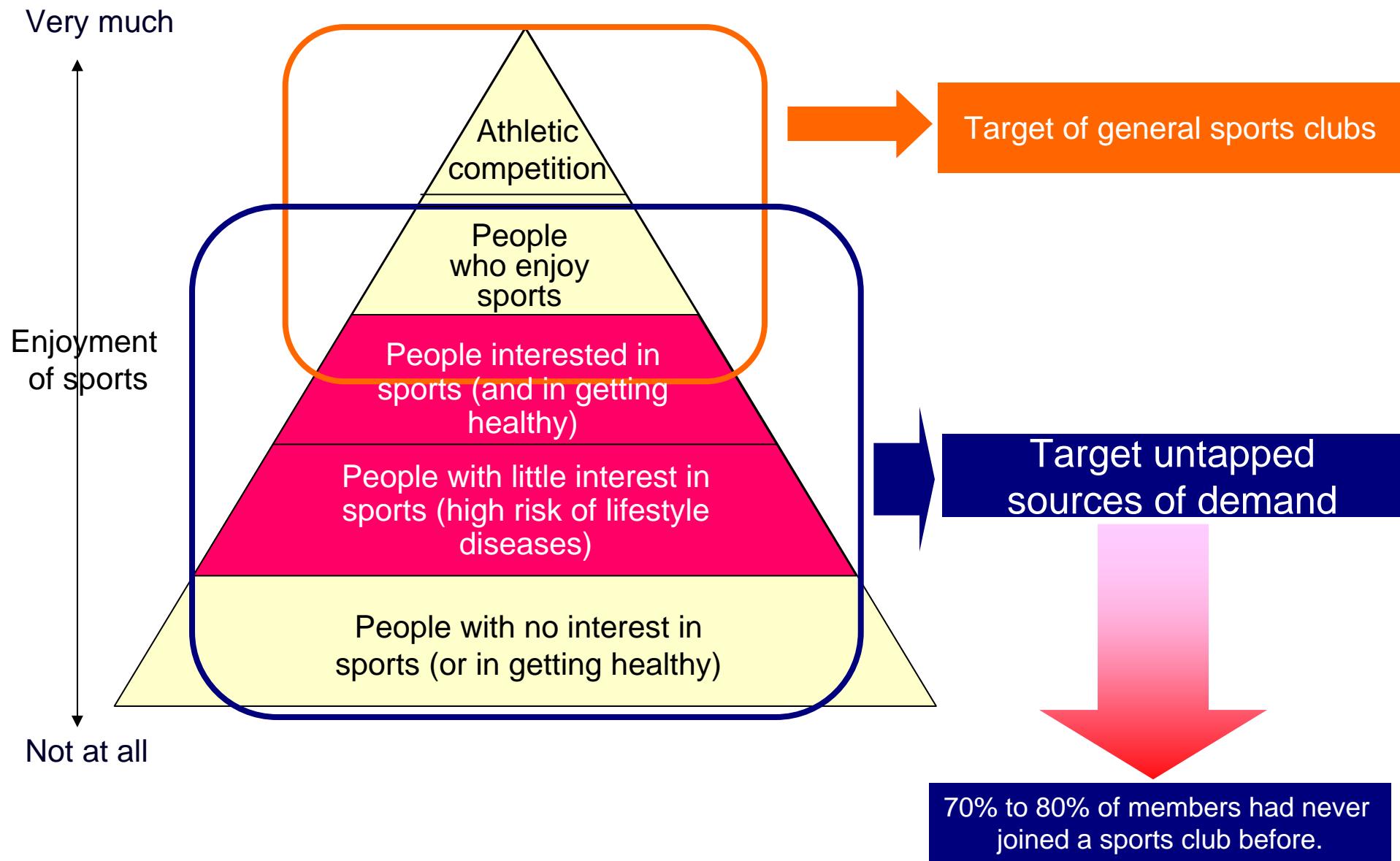
No. of clubs at the end of March 2018

Target: 100 clubs

Target locations: More than 100 thousand people

“421 regions”





A new type of sports club centered on the theme of
“healthy living for adults”

Membership only for adults

◆ At least 16 years old

Comprehensive sports club

◆ Gymnasium, exercise studio, swimming pool

For beginners

◆ Welcome people starting an
exercise program for the first time

Enhanced relaxation services

◆ Open-air bath, large indoor tub, sauna,
massage equipment

Free-parking

◆ Large parking area with space
for 200 vehicles

New product development

Beauty Queen



For women

Beauty Queen Tahitian Style



autumn

New program for 2010

Boxing King



Simple movement

Boxing King Autumn Menu



autumn

Target ABS3



Abdominal muscle strengthening

Target ABS3 Extreme



autumn

Charged programs

Swimming Lesson



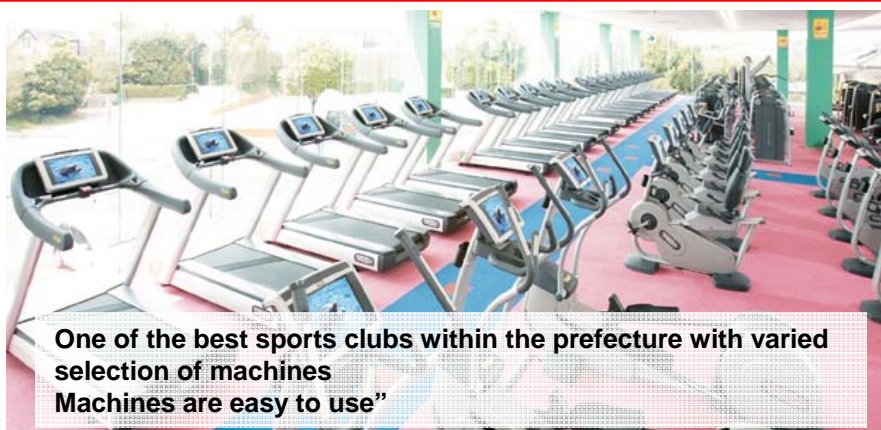
Crawl stroke
Breast stroke

My Training

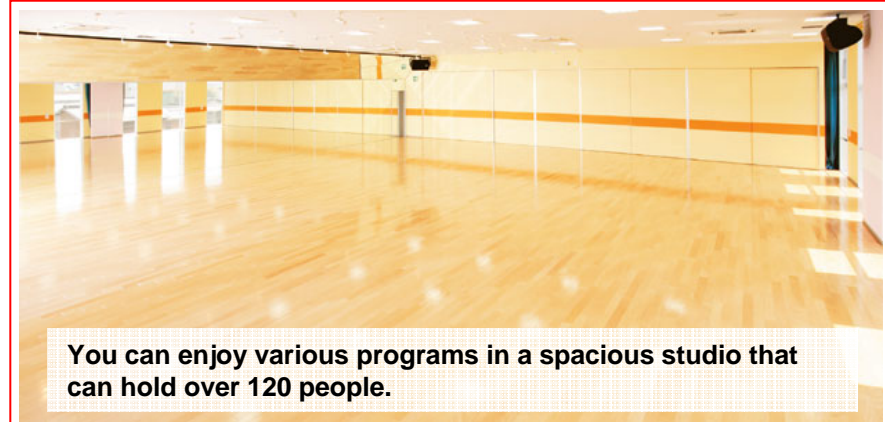


Dedicated staff

“Easy-to-use training machines” and “easy-to-participate studio programs” for “beginners”



One of the best sports clubs within the prefecture with varied selection of machines
Machines are easy to use”



You can enjoy various programs in a spacious studio that can hold over 120 people.



Running machines



Bikes



Joba



Machine with TV

Examples of programs

Name of programs	Exercise volume
Balance Ball	★
Slow Yoga	★
J-Pop Dance	★★
Step 30	★★
Rakuraku Aero	★★
Beauty Queen	★★
Shape The Boxing	★★★
Zumba	★★★★
Target ABS	★★★★
Boxing King	★★★★★



Balance Ball



Slow Yoga



J-Pop Dance



Step 30



Shape The Boxing



Rakuraku Aero

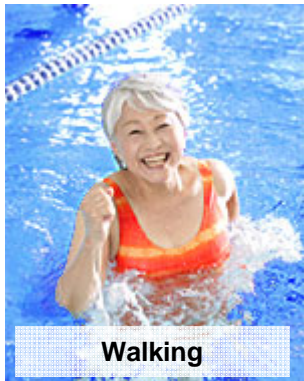
“Relaxation facilities that will relieve the weariness” and “a swimming pool to swim at a slow pace” for “adults”



In the swimming pool, you can enjoy aqua dance and aqua walking to the music as well as swimming!



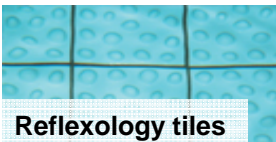
Provides sauna and cold-water bath which are good for health” It is worthwhile to just have a bath.



Walking



Jacuzzi



Reflexology tiles



Handrai



Swimming lesson



Sauna with TV



Locker room



Powder room



Washing place with a partition

Massage

Introduced the very best massage equipment that will reduce stiffness and relieve the weariness!












How to join

Admission and fees



Please note that the type of member, etc. may differ from other Holiday Sports Clubs.

Type of member	Upper part: Admission fee (tax excluded) Lower part: " (tax included)	Upper part: Monthly fee (tax excluded) Lower part: " (tax included)	Utility time	Description	
 Master member	¥10,000 (¥10,500)	¥ 8,500 (¥8,925)	Mon.~Thurs.·Sat.10am~12pm Sun.·Holiday 10am~7pm	Members can use all facilities and programs for free any time during opening hours.	
 Pair member (a group of 2)		¥ 8,000 (¥8,400)			
 Group member (a group of 3 to 5)		¥ 7,000 (¥7,350)			
 Daytime member		¥ 5,700 (¥5,985)	Mon.~Thurs.·Sat.10am~5pm (Sun.·Holiday excluded)		Members can use all facilities and programs for free within the utility period.
 Night time member		¥ 4,700 (¥4,935)	Mon.~Thurs.·Sat. 9pm~12pm (Sun.·Holiday excluded)		
 Weekend member		¥ 4,700 (¥4,935)	Sat.10am~12pm Sun.·Holiday 10am~7pm		
Type of member	Upper part: Admission fee (tax excluded) Lower part: " (tax included)	Upper part: Monthly fee (tax excluded) Lower part: " (tax included)	Utility time	Description	
 Corporate member	¥10,000 (¥10,500)	¥10,000 (¥10,500)	Mon.~Thurs.·Sat.10am~12pm Sun.·Holiday 10am~7pm	Members can use all facilities and programs for free any time during opening hours.	

*Corporate member is a company or an organization with corporate status. At least one person can join the club.

*A membership card will be issued to each corporate member. Or, members can choose to receive 10 tickets every month.

March 1979	Towa Construction Co., Ltd. established as a civil engineering construction company
December 1986	Established Shofuku Real Estate Co., Ltd. to conduct a condominium sales and leasing apartments (predecessor of “A·City”)
August 1989	Started with management of condominium business
December 1989	Started with operations of golf driving ranges Opened the first “Holiday Golf Garden”
March 1995	Consigned construction for leasing apartment house
May 1996	Started the health club operation Opened the first club: Holiday Sports Club Mikawa-Anjo
May 1997	Started taking orders for the construction of 2x4 houses (Terminated this business in March 2002)
April 1999	Changed company name to “Tosho Co., Ltd.” Constructed “Tosho Building” near Mikawa-Anjo Station to serve as the company’s head office
November 1999	Started the hotel operation Opened the first hotel, the current “AB Hotel Mikawa-Anjo Honkan”
January 2003	Planned and sold the first ultra-high-rise condominium in the Mikawa region with a seismic isolation for protection against earthquakes
February 2004	Listed on the JASDAQ market
April 2004	Full-scale launch of the A City series of company-owned leasing condominiums
October 2006	Reclassified the company’s industry for business activities from “real estate” to “services”
March 2010 (present)	“Holiday Sports Clubs” – 37 clubs “Holiday Golf Gardens” – 2 clubs “AB Hotels” – 5 clubs “A City apartments” – 48 buildings, 1,988 rooms

This presentation contains plans, outlooks, strategies and other information associated with expectations for future results of operations. This information is based on the judgments of management in accordance with information that is currently available.

Actual results of operations may differ from these forward-looking statements for a number of reasons.

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Thank you for your interest in Tosho.
Everyone at our organization has a strong commitment to achieving our goals.