

Financial Results for the Year Ended March 2011 and Medium-term Management Plan

かんばろう東北
がんばろう日本
ひとつの日本

Tosho will provide "health and beauty."

「健康づくりの東祥」
皆様の健康づくりを応援します。



May 10, 2011 Presentation for Institutional Investors



株式会社 東祥



President Toshiro 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

OSE JASDAQ (Standard)

Business category

Service sector

Established

March 1979 (fiscal year ends March 31)

Capital

497,914 thousand yen

Employees

200 (as of April 1, 2011)

Shares outstanding

17,592,351 shares

Shareholders

4,994 (as of March 31, 2011)

1 unit

100 shares

Financial Results for FY3/11 (April 2010 – March 2011)

Opened 5 sports clubs

Nov:Sapporo-Kiyota club

Dec:Akita club

Jan:Nagoya-Narumi club

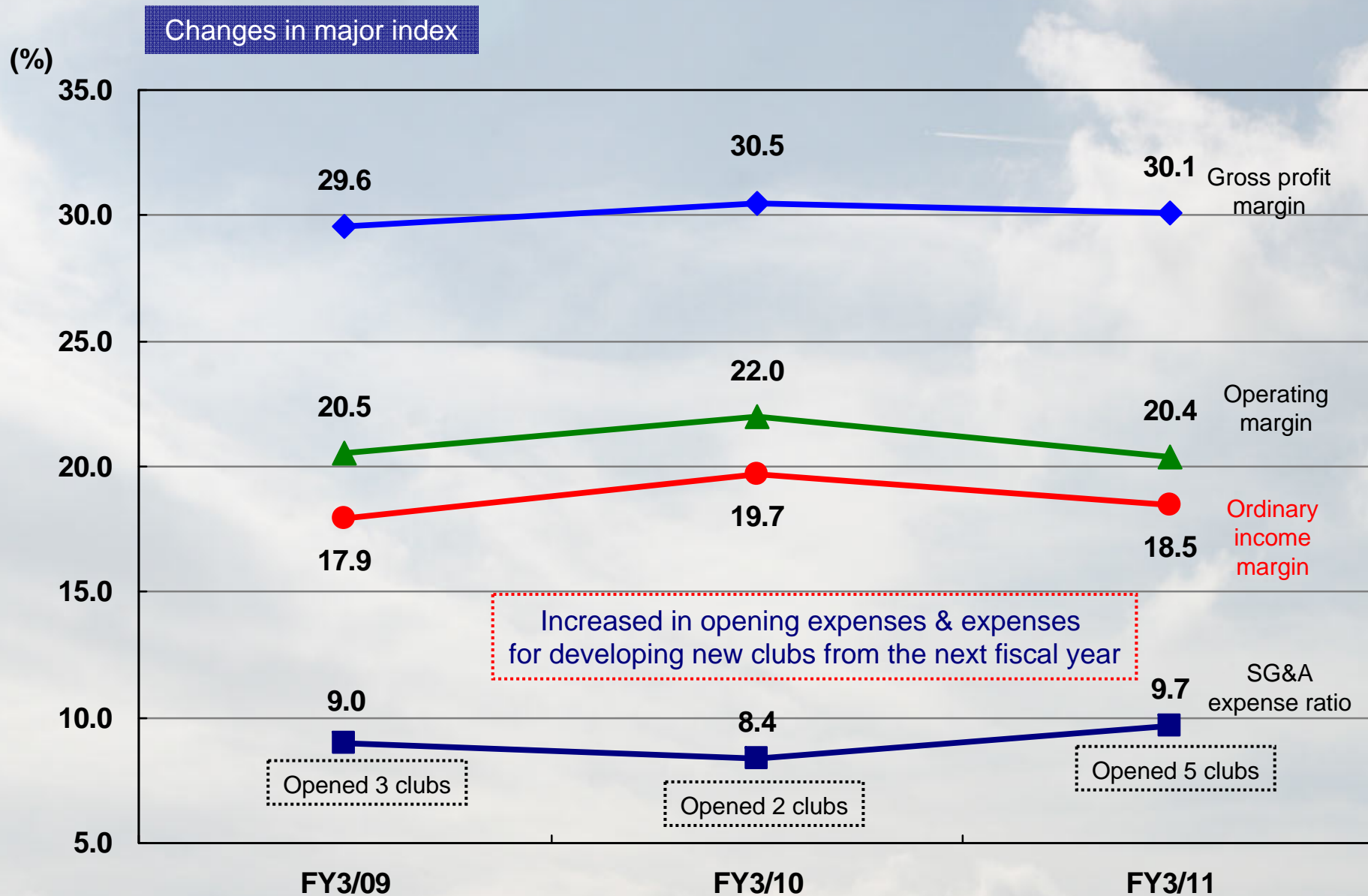
Feb:Nagaoka club

Mar:Ota club

P/L VS FY3/10

(Million yen)

	FY3/10 (April 2009~March 2010)			FY3/11 (April 2010~March 2011)			YoY	
	Results	% of net sales	YoY%	Results	% of net sales	YoY%	Change	Change In % of net sales
	Net sales	10,597	100.0	97.2	10,803	100.0	101.9	+206
Sports Club business	8,301	78.3	101.8	8,580	79.4	103.4	+280	+1.1
Hotel business	736	6.9	75.4	862	8.0	117.1	+126	+1.1
Leasing business	1,560	14.7	88.1	1,360	12.6	87.2	-200	-2.1
Gross profit	3,227	30.5		3,248	30.1	100.7	+21	-0.4
Sports Club business	2,437	(29.4)	106.6	2,426	(28.3)	99.5	-11	(-1.1)
Hotel business	90	(12.2)	32.7	195	(22.7)	218.0	+105	(+10.5)
Leasing business	700	(44.9)	106.1	626	(46.1)	89.6	-72	(+1.2)
SG&A	891	8.4	90.5	1,050	9.7	117.8	+159	+1.3
Operating income	2,336	22.0	104.4	2,198	20.4	94.1	-136	-1.6
Sports Club business	2,111	(25.4)	—	1,939	(22.6)	91.8	-172	(-2.8)
Hotel business	54	(7.3)	—	175	(20.3)	321.3	+120	(+13.0)
Leasing business	644	(41.3)	—	579	(42.6)	90.0	-64	(+1.3)
Adjustments (mainly head office expenses)	-475	—	—	-495	—	104.3	-20	—
Ordinary income	2,087	19.7	106.8	2,000	18.5	95.8	-87	-1.2
Net income	1,106	10.4	101.7	1,071	9.9	96.8	-35	-0.5



Sports club business

103.4% YoY (up 280 million yen)**No. of sports clubs: 42****Effect of increase in sales due to newly opened clubs**

- ◆ FY3/10: Opened 2 clubs
Nagano (Oct.), Asahikawa (Mar.)
- ◆ FY3/11: Opened 5 clubs
Sapporo-kiyota (Nov.), Akita (Dec.),
Nagoya-Narumi (Jan.), Nagaoka (Feb.),
Ota (Mar.)
- ◆ Existing clubs: 35 Decreased 2.0% YoY
(Annual plan was prepared at 1.5% less)
- Now taking measures to increase the no.
of members
Reduce withdrawal
Raise the pct. of members

Hotel business

117.1% YoY (up 126 million yen)**No. of hotels: 5****Sales increased due to higher operating rate**

- ◆ Increased use due to periphery firms' favorable performance
- ◆ Increase in family demand
 - FY3/10 operating rate ⇒ 53.7%
 - FY3/11 operating rate ⇒ 69.3%
- ◆ Strengthening of website
 - Increase in searches due to SEO measures
 - Expansion of sales site
Increased from 4 sites to 15 sites
 - Started share room trial operation
 - Remodeled for families

Leasing business

87.2% YoY (down 200 million yen)**Owns 48 buildings. 1,988 rooms****Stable revenues with rental guarantees**

- ◆ In FY10, sold 1 "A・City" apartment; no sales expected in FY11
- ◆ Earned stable revenues by managing rental apartment buildings with rental guarantees
 - Lowered vacancy rate by increasing the management company from 1 company to 4 companies

91.8% YoY (down 172 million yen)**Operating margin 25.4% → 22.6%****Lower profit due to increased development cost**

- ◆ Development costs of newly opened clubs increased
⇒ Rise in expense
Development costs (posted 300 million yen)
⇒ FY3/11 250 million yen
⇒ FY3/12 50 million yen
- ◆ Continued cost-cutting
 - Reduced burden associated with lease expirations (down 90 million yen)

321.3% YoY (up 120 million yen)**Operating margin 7.3% → 20.3%****Increase in profits associated with rise in operating rate**

- ◆ Earnings increased due to strong sales
- ◆ Continued cost-cutting
 - Supplies, tax and public dues
 - Reduced depreciation cost and other burden of expenses

90.0% YoY (down 64 million yen)**Operating margin 41.3% → 42.6%****Reduced costs associated with suspension of development**

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

Factors for change in sales

Factors for change in operating income

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 3Q Actual (Oct2010~Dec2010)		FY3/11 4Q Actual (Jan2011~Mar2011)		FY3/11 Actual(Annual)	
	Actual	% of net sales	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	2,680	100.0	2,776	100.0	10,803	100.0
Sports Club business	2,134	79.8	2,103	78.7	2,120	79.1	2,222	80.0	8,580	79.4
Hotel business	192	7.2	227	8.5	222	8.3	219	7.9	862	8.0
Leasing business	346	12.9	341	12.8	337	12.6	335	12.1	1,360	12.6
Gross profit	835	31.2	838	31.4	811	30.3	763	27.5	3,248	30.1
Sports Club business	650	(30.5)	616	(29.3)	596	(28.1)	563	(25.3)	2,426	(28.3)
Hotel business	28	(14.6)	61	(26.9)	57	(25.8)	49	(22.4)	195	(22.7)
Leasing business	156	(45.3)	160	(47.1)	157	(46.8)	151	(45.1)	626	(46.1)
SG&A	219	8.2	235	8.8	331	12.4	264	9.5	1,050	9.7
Operating income	616	23.0	602	22.5	480	17.9	499	18.0	2,198	20.4
Sports Club business	580	(27.2)	511	(24.3)	403	(19.0)	445	(20.0)	1,939	(22.6)
Hotel business	22	(11.9)	55	(24.6)	52	(23.4)	45	(20.5)	175	(20.3)
Leasing business	145	(42.0)	150	(44.0)	144	(42.8)	139	(41.5)	579	(42.6)
Adjustments	-132	—	-114	—	-119	—	-129	—	-495	—
Ordinary income	576	21.5	550	20.6	425	15.9	448	16.1	2,000	18.5
Net income	277	10.4	306	11.5	258	9.7	229	8.2	1,071	9.9
No. of clubs	-		-		2clubs		3clubs		5clubs	

Reduced debts while employing aggressive strategy
for opening sports clubs

BS VS FY3/2010

(Million yen)

		FY3/10 (April 2009~March 2010)		FY3/11 (April 2010~March 2011)			YoY	
		Actual	Share %	Actual	Share %	YoY%	Change	Pct. change
Current assets		2,022	8.0	2,051	7.9	115.1	+29	-0.1
Fixed assets	Tangible fixed assets	20,962	83.1	21,449	82.7	102.3	+487	-0.4
	Other fixed assets	2,234	8.9	2,431	9.4	108.8	+197	+0.5
	Total	23,197	92.0	23,880	92.1	94.7	+683	+0.1
Total assets		25,219	100.0	25,932	100.0	102.8	+713	-
Current liabilities		6,446	25.6	5,931	22.9	92.1	-515	-2.7
Fixed liabilities		12,272	48.7	12,613	48.6	102.8	+341	-0.1
Total liabilities		18,719	74.2	18,545	71.5	99.1	-174	-2.7
Total net assets		6,500	25.8	7,386	28.5	113.6	+886	+2.7
Total liabilities and net assets		25,219	100.0	25,932	100.0	102.8	+713	-

Capital investment with in operating cash flow

Cash Flow

(Million yen)

	FY3/09	FY3/10	FY3/11
Operating Cash Flow	2,658	2,370	2,410
Investment Cash Flow	-1,956	-216	-1,224
Financing Cash Flow	100	-2,243	-1,297

Increase of New Facilities

	FY3/09	FY3/10	FY3/11
Sports Club business	Opened 3 sports clubs	Opened 2 sports clubs	Opened 5 sports clubs
Hotel business	—	—	—
Leasing business (Apartments)	7 buildings, 307 rooms	2 buildings, 95 rooms	—

Plan to open 8 sports clubs

◆ 「Comprehensive 2,500 model」 ⇒ May : Sapporo-kita Nijyuyonjyo club

◆ 「Comprehensive 2,000 model」 ⇒ Nov : Izumo clube & Tomakomai club Jan.: Ueda club & Yonago club

P/L vs. FY3/11

(Million yen)

	FY3/11 (Apr 2010 – Mar 2011)			FY3/12 (Apr 2011 – Mar 2012)			YoY	
	Actual	% of net sales	YoY%	Actual	% of net sales	YoY%	Change	Change In % of net sales
	Net sales	10,803	100.0	101.9	11,900	100.0	110.2	+1,097
Sports Club business	8,580	79.4	103.4	9,698	81.5	113.0	+1,118	+2.1
Hotel business	862	8.0	117.1	861	7.2	99.9	-1	-0.8
Leasing business	1,360	12.6	87.2	1,341	11.3	98.6	-19	-1.3
Gross profit	3,248	30.1	100.7	3,710	31.2	114.2	+462	+1.1
Sports Club business	2,426	(28.3)	99.5	2,853	(29.4)	117.6	+427	(+1.1)
Hotel business	195	(22.7)	218.0	219	(25.4)	112.3	+24	(+2.7)
Leasing business	626	(46.1)	89.6	638	(48.8)	101.9	+12	(+2.7)
SG&A	1,050	9.7	117.8	1,190	10.0	113.3	+140	+0.3
Operating income	2,198	20.4	94.1	2,520	21.2	114.6	+322	+0.8
Sports Club business	1,939	(22.6)	91.8	2,249	(23.2)	116.0	+310	(+0.6)
Hotel business	175	(20.3)	321.3	198	(23.0)	113.1	+23	(+2.7)
Leasing business	579	(42.6)	90.0	598	(44.6)	103.3	+19	(+2.0)
Adjustments (mainly head office expenses)	-495	—	104.3	-525	—	—	-30	—
Ordinary income	2,000	18.5	95.8	2,300	19.3	115.0	+300	+0.8
Net income	1,071	9.9	96.8	1,220	10.3	113.9	+149	+0.4

Sports club business

113.0% YoY (up 1,118 million yen)
No. of clubs at the end of period:
50 (up 8 clubs)

- ◆ Effect of increase in sales of newly opened clubs in FY3/11 and FY3/12
 - Plan a 2.5% decrease YoY at existing sports clubs
 - Clubs opened in FY3/11: 5
 - Plan to open 8 clubs in FY3/12
 “Comprehensive 2,500 model” ⇒ 1 club
 “Comprehensive 2,000 model” ⇒ 5 clubs
 “No swimming pool 2,000” model ⇒ 2 clubs
- ◆ Based on the theme “health and beauty, we will introduce new programs in April and May to increase customer satisfaction and reduce withdrawal

Hotel business

99.9% YoY (down 1 million yen)
No. of hotels at the end of period: 5

- ◆ Operating rate planned at 70% (unchanged from FY3/11)
- ◆ Establish a share room (four-bedroom)
- ◆ Raise operating rate by offering accommodation package highly-value added services
 - ① Free breakfast
 - ② Free dinner
 - ③ Free parking
 - ④ Free Internet
 - ⑤ With a big bath

Leasing business

9836% YoY (down 19 million yen)
Owns 48 buildings. 1,988 rooms

- ◆ Vacancy rate planned at 4.5%
 - Aim for full occupancy
- ◆ Because the management company’s rental condominiums with 10-year rental guarantee accounts for about 60%, sales associated with vacancy will decrease slightly but we expect decrease in sales of non-guaranteed real right.

Sales

116.0% YoY (up 130 million yen)
Operating margin 22.6%→23.2%

- ◆ Absorb development costs from FY3/12 by fully operating the sports clubs opened in FY3/11
- ◆ Reduce existing-sports clubs’ lease and depreciation
- ◆ Reduce selling expenses by reducing withdrawals and increasing the pct. of members
- ◆ Continue to improve costs to raise profitability and increase profit margin

113.1% YoY (up 23 million yen)
Operating margin 20.3%→23.0%

- ◆ Reduce depreciation of existing sports clubs and will continue to raise operating rate while reviewing selling expenses, food cost, cost of linen and other expenses to secure profits.
- ◆ Reduce personnel expenses by simplifying reservation services through increasing websites for reservations, broaden information distribution and strengthen website reservations.

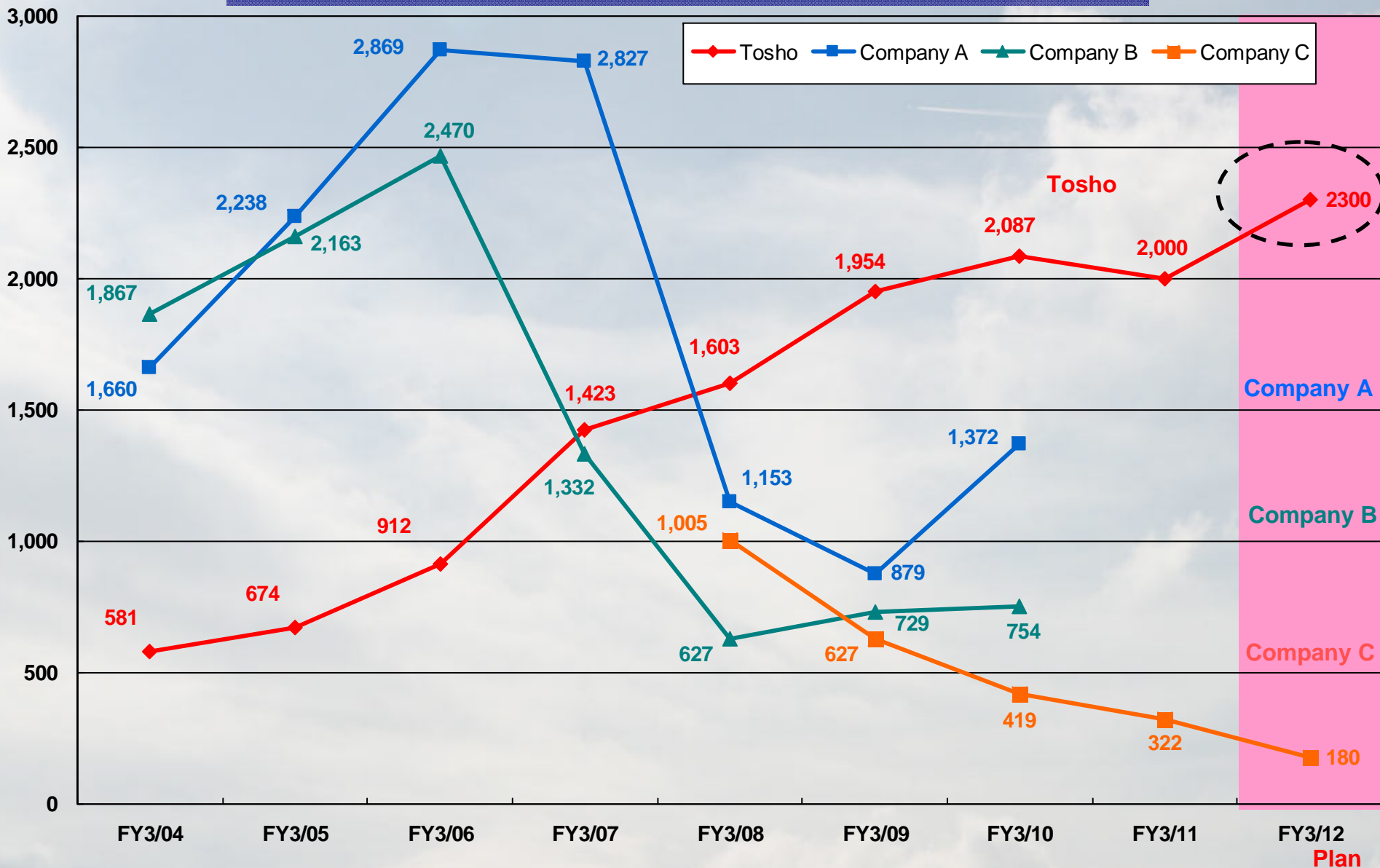
103.3% YoY (up 19 million yen)
Operating margin 42.6%→44.6%

- ◆ Depreciation of existing properties will be reduced because new investment is not included in the plan
- ◆ Because we do not plan to sell the building, only the future income from lease will increase profit margin.

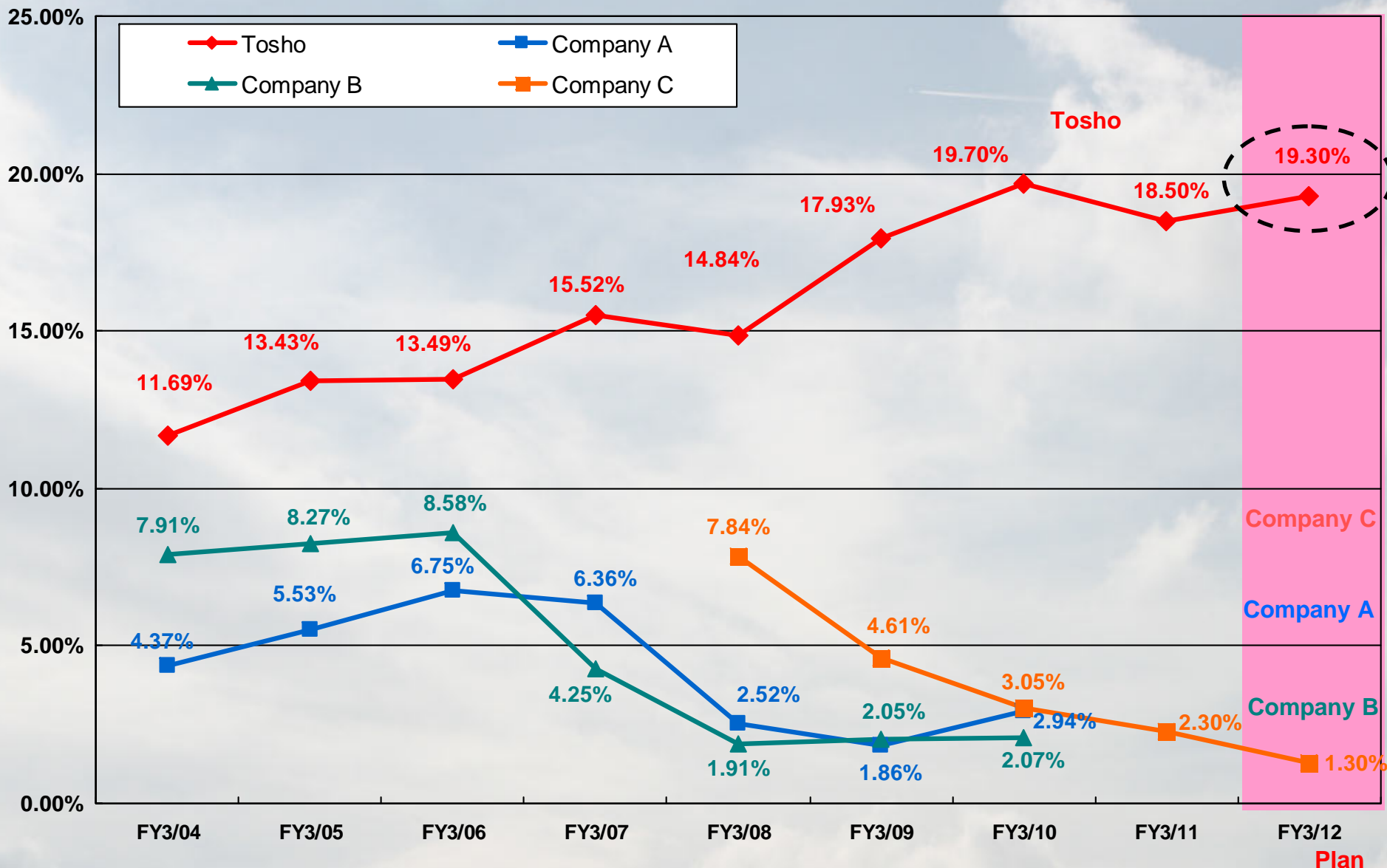
Operating income

(Million yen)

Listed competitors Ordinary income Actual·Plan



Listed competitors Ordinary income margin Actual・Plan



Medium and Long Term Strategy

Accelerate the openings of new business models “Comprehensive 2,000” and “No swimming pool 2,000”

Business model	「Comprehensive 2,000」	「No swimming pool 2,000」
Location	Region & urban area	Urban area
Site area	About 4,959 square meters	About 3,306 square meters
Total floor space	About 1,700 square meters	About 1,300 square meters
Swimming pool	Yes	Yes
Target cities	421 regions (178 regions are target “No swimming pool 2000” areas)	
Market population	5km radius 100 thousand people	3km radius 100 thousand people
Assumed members	More than 2,000 members	
Planned opening	①Sapporo-kita Nijyuyonjyo club Opened on May 1, 2011 ②Izumo club (November 2011) ③Tomakomai club (November 2011) ④Ueda club (January 2011) ⑤Yonago club (January 2011)	

Thousand yen

“Comprehensive 2,000” business model (region and urban area)

Item	Per year	Pct.	Monthly	Description
Amount of investment	¥350 million			Construction ¥300 million, design ¥150 million+ opening expenses ¥350 million
Sales	168,000	100%	14,000	2,000 members × ¥7,000
Ordinary income	55,200	33%	4,600	
Expenses	112,800	67%	9,400	Personnel expenses, utilities cost, land lease, leases, depreciation, selling expenses, maintenance, etc.

Artist's rendering



Two-story type

One-story type



Thousand yen

“No swimming pool 2,000” business model (urban area)

Item	Per year	Pct.	Monthly	Description
Amount of investment	¥250 million			Construction ¥210 million, design ¥10 million+ opening expenses ¥30 million
Sales	144,000	100%	12,000	2,000 members × ¥6,000 (aim for ¥6,500)
Ordinary income	48,000	33%	4,000	
Expenses	96,000	67%	8,000	Personnel expenses, utilities cost, land lease, leases, depreciation, selling expenses, maintenance, etc.

Artist's rendering



Two-story type

Price strategy

(Before-tax price)

Type of member	Region & urban "Comprehensive 2,000" model	Urban "No swimming pool 2,000" model
◆ Master member	¥8,500/month	¥7,000/month
◆ Pair member	¥8,000/month	¥6,500/month
◆ Group member	¥7,000/month	¥6,000/month
◆ Daytime member	¥5,700/month	¥5,500/month
◆ Night time member	¥4,700/month	¥4,500/month
◆ Weekend member	¥4,700/month	¥4,500/month
Average price	¥7,000/month	¥6,000/month

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

Introduction



GYM
ジムエリア

One of the best sports clubs within the prefecture with varied selection of machines



Walking & running machines



Machine with TV

Machines are easy to use!

Easy line



Sit-up machine



Muscle training machine



STUDIO
スタジオ

A spacious studio that can hold over 120 people

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	★★★★★



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



You can enjoy aqua dance and aqua walking to the music as well as swimming!



Many aqua programs

Clear water



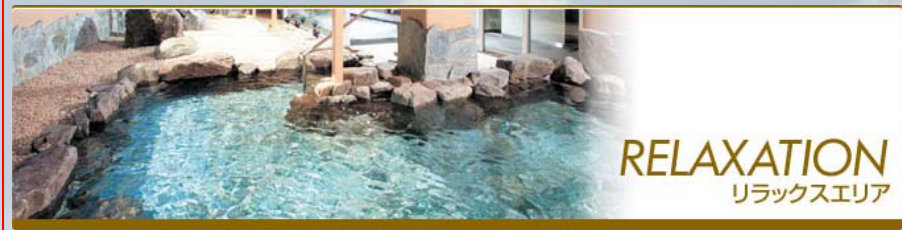
Stairs with handrails



Walking in the pool



Swimming lesson



Please note that the facilities may differ depending on the sports clubs.

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

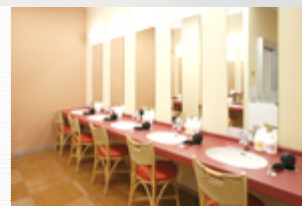


Natural ore radium hot spring

Sauna



Powder room



Washing place



Locker room



Massage



Opening of Holiday College

Purpose

- ◆ Human resource development & education
- ◆ Training for instructors and trainers
- ◆ Training on facilities and machine maintenance
- ◆ Training on operational management
- ◆ Training on customer service skills
- ◆ Training for outside instructors
- ◆ New product development, new program development

Teachers

Chairman: Mayumi Kutsuna

Principal: Takashi Inagaki

Teachers : Outside teachers, university professors, skilled managers

Overview of training facilities

Location	6F & 7F No. 2 Tosho Bldg., 1-9-0 Mikawa-anjomachi, Anjo-shi, Aichi Pref.	
Total floor space	746 square meters	
Class room (lecture room)	168 square meters	60 seats
Studio	180 square meters	Capacity of 60 people
Gym	102 square meters	18 machines
Has changing rooms for men and women, lockers, small meeting room		

During a lecture



Program training



Train using the same
Machines as the ones
at our clubs



Accommodation facility

Location	1-16-5 Mikawa-anjomachi, Anjo-shi, Aichi Pref. “A City” Apartments (reinforced concrete rental condominium)
	50 single rooms as accommodation facilities (furniture, household appliances, bedclothes)

◆ Final Fiscal Year (FY3/15) Target

• Sales	¥17.5bn	Up 65%	(vs. FY3/10)
• Ordinary income	¥4.4bn	Up 110%	(")
• Ordinary income margin	25%	Up 5.3 points	(")
• EPS	¥140	Up 114%	(")
• ROE	20%	Same	(")
• Dividend payout ratio	20%	Up 4.7 points	(")

FY3/11 – FY3/15

Holiday Sports Club

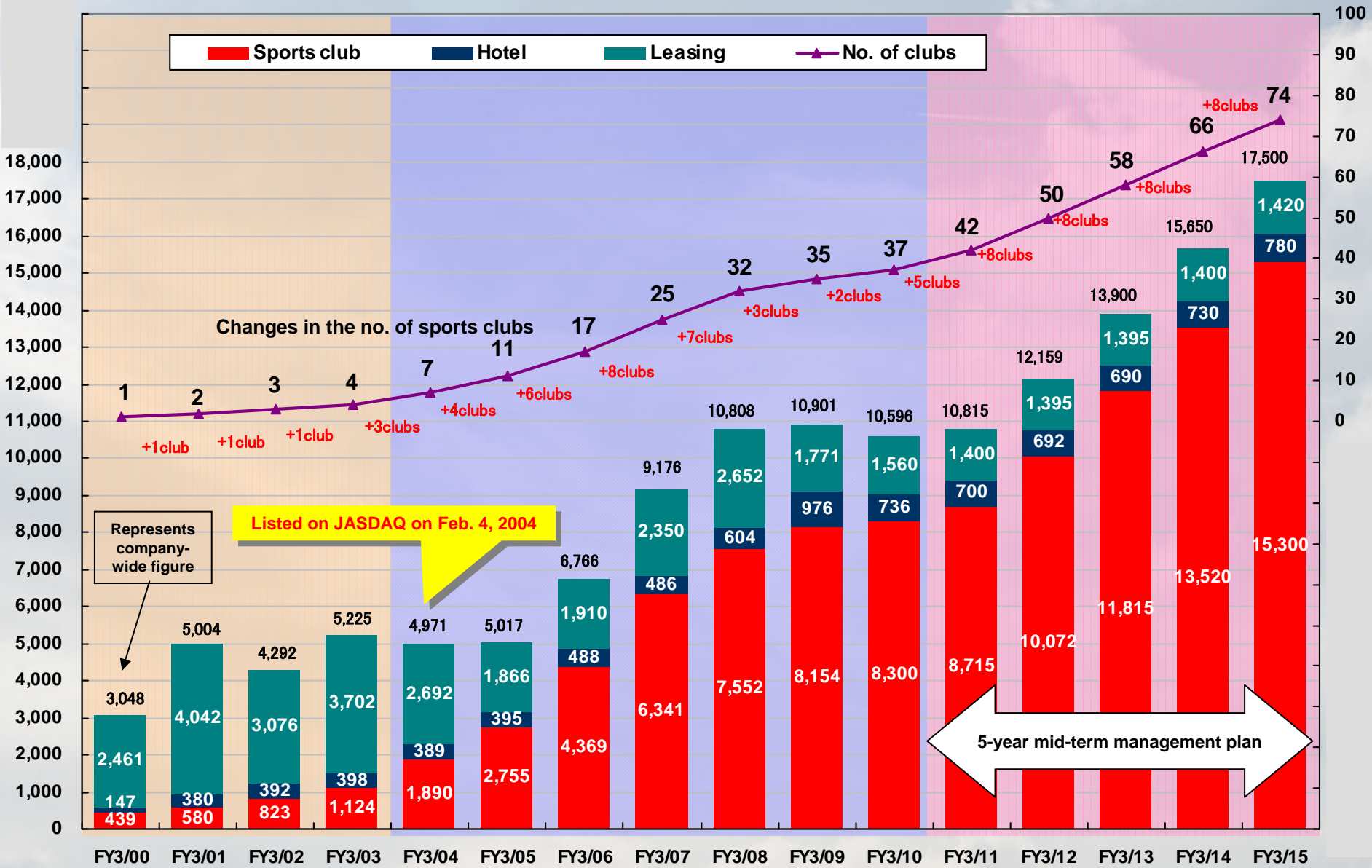
		Own properties	Lease property	Annual total	Midterm total
2011.3	Development clubs	4 clubs	1 clubs	5 clubs	42 clubs
	Investment	¥1.3 billion	¥100 million	¥1.4 billion	¥1.4 billion
2012.3	Development clubs	6 clubs	2 clubs	8 clubs	50 clubs
	Investment	¥1.8 billion	¥200 million	¥2.0 billion	¥3.4 billion
2013.3	Development clubs	6 clubs	2 clubs	8 clubs	58 clubs
	Investment	¥1.8 billion	¥200 million	¥2.0 billion	¥5.4 billion
2014.3	Development clubs	6 clubs	2 clubs	8 clubs	66 clubs
	Investment	¥1.8 billion	¥200 million	¥2.0 billion	¥7.4 billion
2015.3	Development clubs	6 clubs	2 clubs	8 clubs	74 clubs
	Investment	¥1.8 billion	¥200 million	¥2.0 billion	¥9.4 billion

FY3/15 target

①Holiday Sports Club	74 clubs × ¥210 million = ¥15 billion
②AB Hotel	5 clubs × ¥180 million = ¥900 million
③A City	50 buildings × ¥28 million = ¥1.4 billion
④Holiday Golf Garden	2 clubs × ¥100 million = ¥200 million
Total sales	¥17.5 billion
Total profit	¥17.5 billion × 25% = ¥4.4 billion

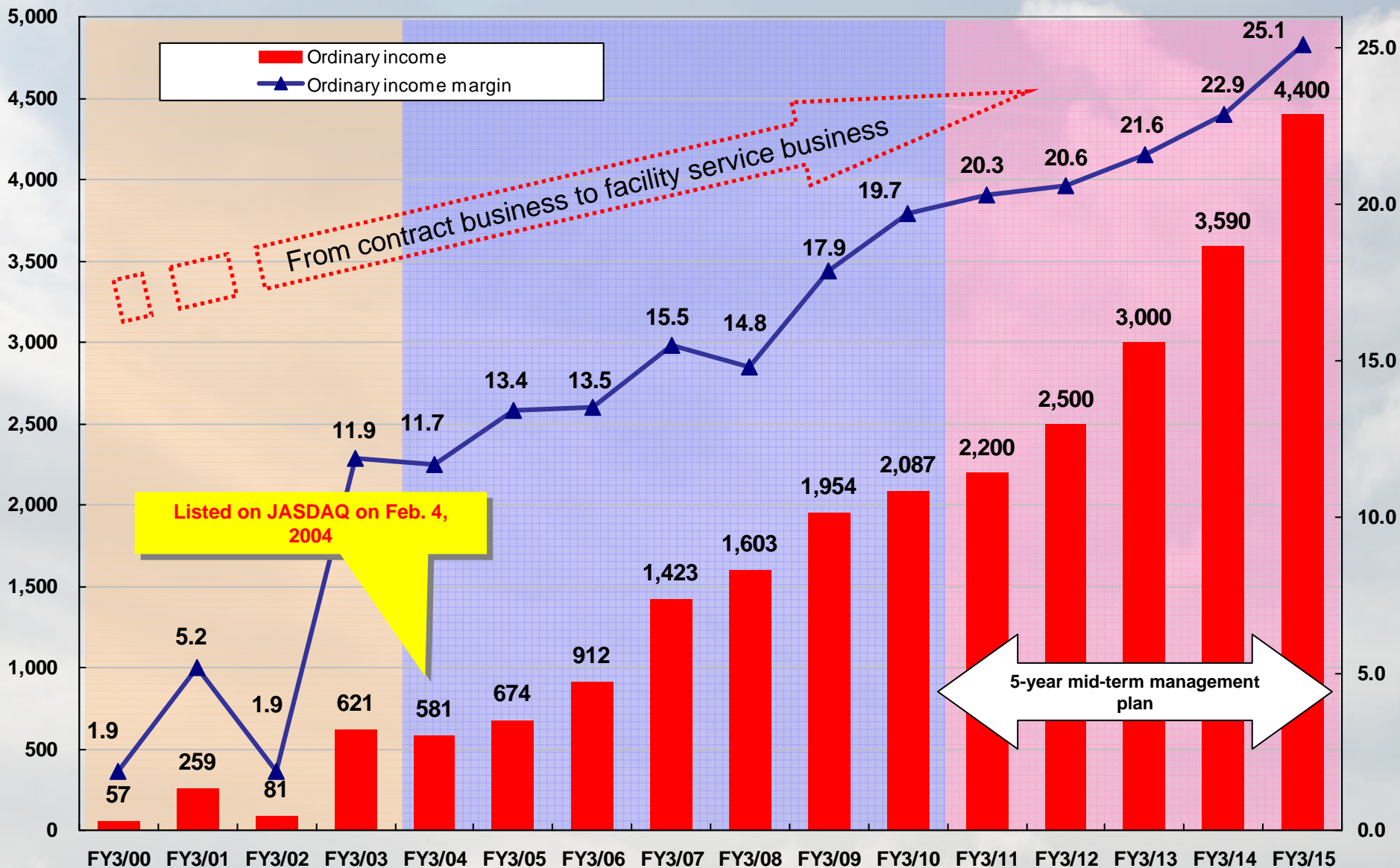
Net sales (Million yen)

No. of clubs



Ordinary income (Million yen)

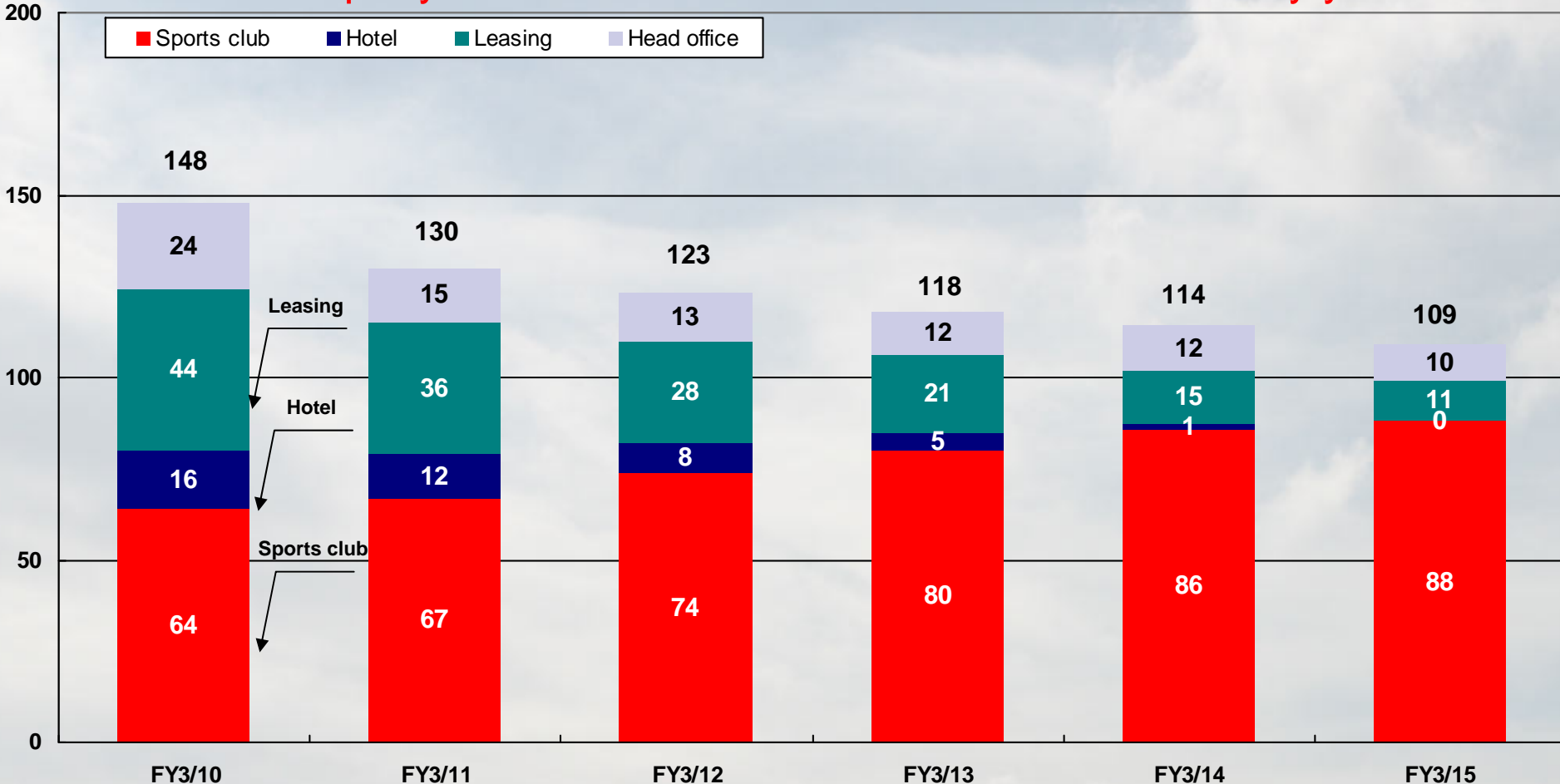
Ordinary income (%)



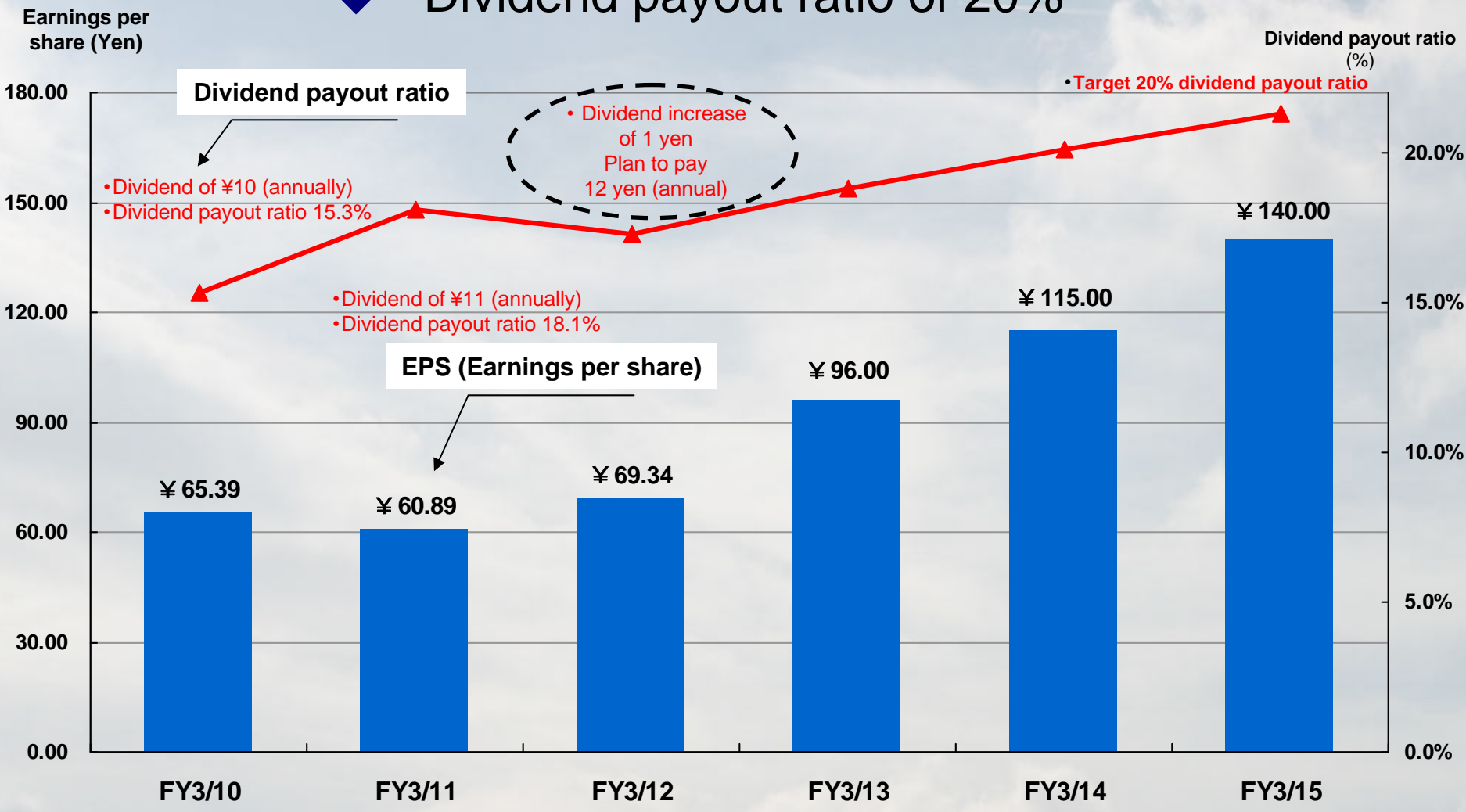
- ◆ Sports club business...Demand for funds for capital investments will increase
- ◆ Hotel business, leasing business...Balance of loans will be reduced every year

Balance of loans
(billion yen)

Company-wide balance of loans will be reduced every year



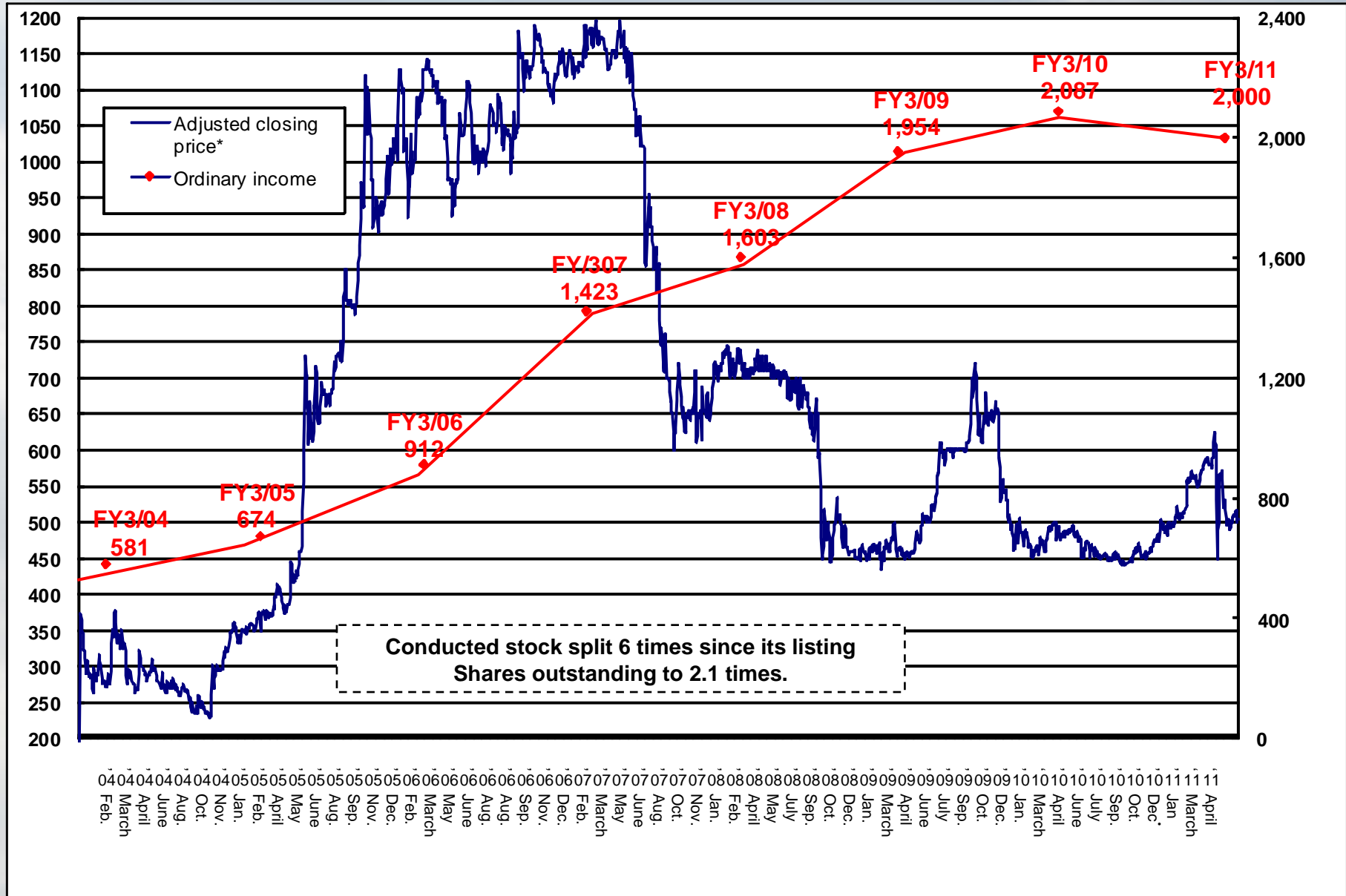
- ◆ Linked to profit growth
- ◆ Dividend payout ratio of 20%



TOSH Stock Information Change in Stock Price (February 2004~) Wellness Life TOSH

Stock price (Yen)

Ordinary income (Million yen)



Price-earnings Ratio (PER) (as of January 31)

JASDAQ average	22.68 times
Avg. of TSE1 (all stocks)	21.68 times
Avg. of TSE2 (all stocks)	26.73 times

Comparison with other sports clubs

	Market	Stock price	PER actual
Tosho	JASDAQ	¥520	8.54 times
Central Sports	TSE1	¥902	16.36 times
Renaissance	TSE1	¥301	45.13 times
Megalos	JASDAQ	¥999	52.86 times

Previous fiscal year's EPS is used for "PER"

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 2011 (present)	“Holiday Sports Clubs” – 42 “Holiday Golf Gardens” – 2 “AB Hotels” – 5 “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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For more information

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Thank you for your interest in Tosho.

Everyone at our organization has a strong commitment to achieving our goals.