



Tosho

TSE 1st Section

8920

Industry: Leisure and amusement

No surprises for FY3/21 results

No surprises at 1.08bn yen in OP for FY3/21. Guidance undecided

OP for FY3/21 was 1.08bn yen (-88.8% YoY). This was slightly short of the company's guidance of 1.15bn yen and our forecast of 1.209bn yen, but there were no surprises. OP for 4Q was in the black at 38m yen (vs. 582m yen in 3Q).

The breakdown of full-year OP by segment is as follows: sports club business 560m yen (-86.5% YoY), hotel business 44m yen (-96.7% YoY), real estate business 463m yen (-89.0% YoY). 4Q OP by segment was as follows: sports club business: -39m yen (vs. 212m yen in 3Q), hotel business: -34m yen (vs. 222m yen in 3Q), real estate business: 107m yen (vs. 145m yen in 3Q). Despite the extension of the state of emergency, we believe that the company did well.

The company opened 7 new sports clubs for the full year (but no new stores were opened in 4Q), for a total of 101 stores at the end of 4Q.

The full-year occupancy rate for hotels (23 existing stores) was 69.0%, which is quite high for the hotel industry, and we estimate that the occupancy rate for 4Q alone was over 70%. 4 new hotels were opened in FY3/21 (but no new hotels were opened in 4Q), for a total of 31 hotels at the end of 4Q.

In the real estate business, the number of properties owned as of the end of 4Q was 57 buildings with 2,301 rooms (an increase of 2 buildings from the end of 3Q).

Guidance for FY3/22 has not yet been determined in light of the state of emergency. The OP guidance for AB Hotel (6565) was announced as 900m yen. This is significantly higher than our forecast of 681m yen and gives a positive impression.

The current business environment for the sports club business

Following the declaration of a state of emergency on April 23, Tokyo, Osaka, Kyoto, and Hyogo prefectures have requested that sports facilities over 1,000 square meters be closed. Currently, nine of the company's facilities (9% of the total) are temporarily closed. The COVID-19 pandemic has led to a general deterioration in the finances of sports club companies, but there are some disparities. In our view, the company's strength in low-cost operations will allow it to maintain financial stability and quickly return to a growth path.

On May 7, the morning edition of the Nikkei reported on 1) the extension of the state of emergency (until May 31), 2) the expansion of the target areas (Aichi and Fukuoka prefectures to be added), and 3) the easing of the request for large commercial facilities (from requesting closure to allowing business until 8:00 p.m.) (we have not confirmed the accuracy of the report). Under the measures taken up to May 11, large sports clubs were requested to close in the same way as large commercial facilities. We are watching whether the request will be changed from a request for closure to a request for shorter hours, and whether the content of the request will differ by region.

Please refer to the report dated April 21, 2021 for the rationale of the rating and target price.

MITA SECURITIES Co., Ltd.

Junichi Shimizu

Chief Analyst, Head of Research

Update

Rating

Buy

Target price (JPY)	2,300
Stock price (JPY) (May 7)	1,811
Market cap (JPYbn)	69.4

Key changes

Rating	No
Target price	No
Earnings forecast	No

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		3/19	3/20	3/21E	3/22E	3/23E
Sales	JPYbn	27.2	34.5	17.7	21.8	25.0
OP	JPYbn	7.2	9.7	1.2	2.5	4.5
RP	JPYbn	7.3	9.6	1.3	2.4	4.4
NP	JPYbn	4.0	5.8	0.4	1.4	2.4
EPS	JPY	105.0	151.5	9.4	35.7	63.8
BPS	JPY	769	905	912	942	994
DPS	JPY	15.0	15.0	2.0	6.0	12.0
PER	x	29.2	6.6	199.5	48.8	27.3
PBR	x	4.0	1.1	2.0	1.9	1.8
Div. yield	%	0.5	1.5	0.1	0.3	0.7
ROA	%	6.4	8.1	0.5	1.7	3.0
ROE	%	14.5	18.1	1.0	3.9	6.6

Source: Company data, Mita Securities

Company profile

Tosho is based in Aichi Prefecture and operates Holiday Sports Club, AB Hotel, and real estate leasing business. The company has 101 sports clubs and 31 hotels. The company is actively involved in the store design stage to reduce initial investment, and also achieves low-cost operations through its own store management.

APPENDIX

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