



Tosho

TSE 1st Section

8920

Industry: Leisure and amusement

MITA SECURITIES Co., Ltd.

Junichi Shimizu

Chief Analyst, Head of Research

jshimizu@mitasec.com

Earnings forecast update; Recovery in membership just beginning

Maintain our target price at 2,300 yen. Reiterate Buy

We updated our earnings forecast for Tosho (8920, the company) and maintained our target price at 2,300 yen. We reiterate our Buy rating.

3Q results and upward revision of full-year guidance

On February 3, the company announced 1-3Q (Apr-Dec) FY3/22 OP of 1.616bn yen (+55.0% YoY; OPM 10.6%).

3Q (Oct-Dec) OP was 890m yen (+52.8% YoY; +113.5% QoQ), and OPM was 16.2% (vs. 11.4% for 3Q FY3/21 and 8.4% for 2Q). Segment OP was 193m yen for the sports club business (-9.3% YoY; +228.5% QoQ; OPM 6.1%), 467m yen for the hotel business (+110.1% YoY; +184.2% QoQ; OPM 25.6%), and 228m yen for the real estate business (+57.4% YoY; +19.4% QoQ; OPM 42.4%). Sports club membership (excluding dormant memberships) was down 6.5% YoY and up 3.6% QoQ. The delay in membership recovery was offset by the evolution of its low-cost operations.

On the same day, the company announced a revision of its full-year guidance, raising its OP forecast from 2.0bn yen to 4.4bn yen. The main reason for the upward revision was a gain on sale of 16 rental condominiums in 4Q. The buyer is Tosho REIT.

Mita Securities' earnings forecast update

We changed our OP forecasts from 2.464bn yen to 4.403bn yen (+307.7% YoY; OPM 16.2%) for FY3/22, 4.466bn yen to 2.732bn yen (OPM 12.6%) for FY3/23, and 6.639bn yen to 4.451bn yen (OPM 18.1%) for FY3/24.

The breakdown of the changes in the FY3/22 OP forecast is as follows: 1.221bn yen to 411m yen for the sports club business, 681m yen to 929m yen for the hotel business, and 562m yen to 3.063bn yen for the real estate business. We have factored in a gain on sale of properties in the real estate business.

As for FY3/23 and beyond, we raised our OP forecast for the hotel business, while changing our scenario for the sports club business such that the pace of OP recovery will be delayed by about one year from our previous forecast. This is due to the lagged recovery in the membership of the sports clubs following the spread of the Delta and Omicron variants. Nevertheless, we believe it is only a matter of time before the number of memberships recovers, and there are no major changes to our medium- to long-term view on the company.

Valuations and risk factors

In calculating our target price, we used a residual income model (RIM) with a cost of equity of 5.5% (unchanged) and a terminal growth rate of 1.2% (unchanged), based on our earnings forecasts for FY3/22-FY3/27 (updated due to progress of the term). Our target price is equivalent to 40.3x our FY3/24 EPS forecast of 57.07 yen.

Risk factors to our view include: 1) a continuation of the significant decrease in sports club membership; 2) a considerable decline in hotel occupancy rates and room rates; 3) an unexpected drop in occupancy rates of real estate rental properties; and 4) a serious conflict among the management team from the founding families.

Forecast change

Rating

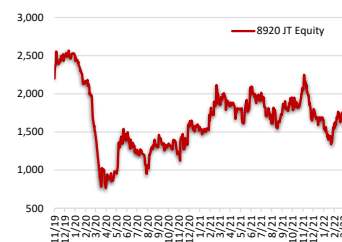
Buy

Target price (JPY)	2,300
Stock price (JPY) (Mar 18)	1,874
Market cap (JPYbn)	71.8

Key changes

Rating	No
Target price	No
Earnings forecast	Yes

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		3/20	3/21	3/22E	3/23E	3/24E
Sales	JPYbn	34.5	17.6	27.1	21.6	24.6
OP	JPYbn	9.7	1.1	4.4	2.7	4.5
RP	JPYbn	9.6	1.1	4.4	2.8	4.4
NP	JPYbn	5.8	0.2	2.5	1.3	2.2
EPS	JPY	151.5	5.7	65.4	33.9	57.1
BPS	JPY	904.9	903.8	963.1	991.0	1,038.1
DPS	JPY	15.0	2.0	6.0	6.0	10.0
PER	x	6.6	328.7	28.7	55.3	32.8
PBR	x	1.1	2.1	1.9	1.9	1.8
Div. yield	%	1.5	0.1	0.3	0.3	0.5
ROA	%	8.1	0.3	3.3	1.7	2.7
ROE	%	18.1	0.6	7.0	3.5	5.6

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 had 101 sports clubs and 32 hotels at the end of December 2021. 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.

Investment thesis

Outlook

Figure: Summary of Mita Securities' earnings forecast (consolidated)

JPYm	3/19	3/20	3/21	Mita E 3/22	Mita E 3/23	Mita E 3/24	Mita E 3/25	Mita E 3/26	Mita E 3/27	CoE 3/22	Consensus 3/22	Consensus 3/23	Consensus 3/24
Earnings													
Sales	27,240	34,466	17,625	27,142	21,631	24,600	28,142	31,270	33,930	27,300	24,115	24,685	29,445
YoY, %	12.8	26.5	-48.9	54.0	-20.3	13.7	14.4	11.1	8.5				
Operating profit	7,164	9,682	1,080	4,403	2,732	4,451	6,546	8,326	9,762	4,400	3,615	4,765	6,890
YoY, %	9.2	35.1	-88.8	307.7	-38.0	62.9	47.0	27.2	17.2				
OPM, %	26.3	28.1	6.1	16.2	12.6	18.1	23.3	26.6	28.8				
Recurring profit	7,304	9,580	1,150	4,426	2,774	4,438	6,543	8,333	9,779	4,400	3,690	4,785	6,910
YoY, %	10.6	31.2	-88.0	284.9	-37.3	60.0	47.4	27.4	17.3				
Net profit	4,023	5,804	218	2,504	1,299	2,186	3,321	4,312	5,129	2,000	2,220	2,640	3,880
YoY, %	6.8	44.2	-96.2	1,049.6	-48.1	68.3	51.9	29.9	18.9				
Depreciation	2,079	2,362	2,461	2,526	2,497	2,546	2,627	2,724	2,829				
Capital expenditure	8,335	7,129	3,881	1,501	3,390	4,815	5,959	6,289	6,643				
Free CF	-1,942	8,404	-5,376	11,125	250	167	388	1,324	2,079				
Segment earnings													
Sports club business													
Sales	20,111	19,424	11,437	12,212	13,252	15,413	17,953	20,237	22,184				
YoY, %	10.5	-3.4	-41.1	6.8	8.5	16.3	16.5	12.7	9.6				
Operating profit	5,144	4,139	560	411	710	1,856	3,290	4,588	5,673				
YoY, %	8.7	-19.5	-86.5	-26.6	72.8	161.5	77.2	39.5	23.6				
Hotel business													
Sales	5,506	6,281	4,708	6,337	7,066	7,705	8,537	9,211	9,755				
YoY, %	24.8	14.1	-25.0	34.6	11.5	9.0	10.8	7.9	5.9				
Operating profit	1,410	1,333	44	929	1,495	1,989	2,572	2,976	3,250				
YoY, %	17.0	-5.4	-96.7	1,995.4	60.9	33.1	29.3	15.7	9.2				
Real estate business													
Sales	1,622	8,761	1,480	8,593	1,313	1,482	1,652	1,821	1,990				
YoY, %	5.8	440.0	-83.1	480.5	-84.7	12.9	11.4	10.3	9.3				
Operating profit	601	4,198	463	3,063	527	606	684	762	840				
YoY, %	-2.9	598.8	-89.0	562.2	-82.8	14.9	12.9	11.4	10.2				
Per share indicators													
EPS (JPY)	105.03	151.51	5.69	65.37	33.90	57.07	86.69	112.58	133.89	52.21	57.95	68.92	101.29
BPS (JPY)	769.46	904.94	903.77	963.14	991.04	1,038.11	1,110.80	1,205.38	1,317.26				
DPS (JPY)	15.00	15.00	2.00	6.00	6.00	10.00	14.00	18.00	22.00	6.00			
Valuation, profitability, etc.													
PER (x)	29.2	6.6	328.7	28.7	55.3	32.8	21.6	16.6	14.0				
PBR (x)	4.0	1.1	2.1	1.9	1.9	1.8	1.7	1.6	1.4				
Dividend payout ratio (%)	14.3	9.9	34.9	9.2	17.7	17.5	16.1	16.0	16.4				
Dividend yield (%)	0.5	1.5	0.1	0.3	0.3	0.5	0.7	1.0	1.2				
ROA (%)	6.4	8.1	0.3	3.3	1.7	2.7	4.0	4.9	5.6				
ROE (%)	14.5	18.1	0.6	7.0	3.5	5.6	8.1	9.7	10.6				
Financial soundness indicators													
Capital ratio (%)	43.5	45.9	44.9	48.1	48.5	49.1	50.2	51.6	53.1				
Debt/Equity (x)	1.0	0.8	1.0	0.8	0.8	0.7	0.7	0.6	0.6				

Source: Company data, Mita Securities

Note: Consensus forecasts are by QUICK consensus

Figure: Mita Securities' earnings forecast change (consolidated)

JPYm	3/22 CoE	3/22 Old Mita E	3/22 New Mita E	3/23 Old Mita E	3/23 New Mita E	3/24 Old Mita E	3/24 New Mita E
Sales	27,300	21,763	27,142	25,028	21,631	28,667	24,600
Operating profit	4,400	2,464	4,403	4,466	2,732	6,639	4,451
Recurring profit	4,400	2,442	4,426	4,441	2,774	6,625	4,438
Net profit	2,000	1,369	2,504	2,445	1,299	3,696	2,186
EPS (JPY)	52.21	35.74	65.37	63.84	33.90	96.49	57.07

Source: Company data, Mita Securities

Valuations

Figure: Residual Income Model (RIM)

	Y0	Y1	Y2	Y3	Y4	Y5	Y6~
	MitaE	MitaE	MitaE	MitaE	MitaE	MitaE	MitaE
JPYbn	3/22	3/23	3/24	3/25	3/26	3/27	3/28
Shareholders' equity (EOP)	36.9	38.0	39.8	42.6	46.2	50.5	
Net profit		1.3	2.2	3.3	4.3	5.1	
Cost of equity		2.0	2.1	2.2	2.3	2.5	
Residual income		-0.7	0.1	1.1	2.0	2.6	
PV of residual income		-0.7	0.1	1.0	1.6	2.0	
PV of terminal value							46.6

Beta	1.00						
Risk free rate (%)	0.50						Total equity value 87.5
Risk premium (%)	5.00						Number of shares O/S (m) 38.306
Cost of equity (%)	5.50						Target share price 2,300
Terminal growth rate (%)	1.20						

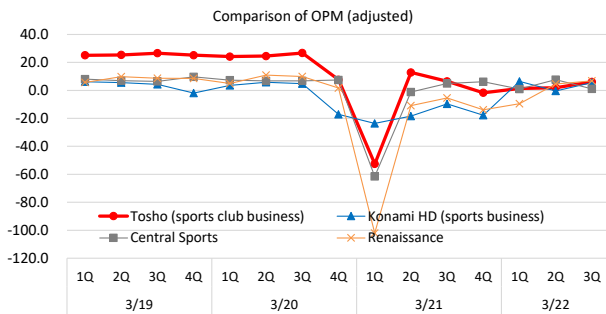
Source: Company data, Mita Securities

Figure: Sensitivity of target price to terminal growth rate

Terminal growth rate	0.60	0.70	0.80	0.90	1.00	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80
Target price	2,150	2,150	2,200	2,200	2,250	2,250	2,300	2,300	2,350	2,400	2,400	2,450	2,500

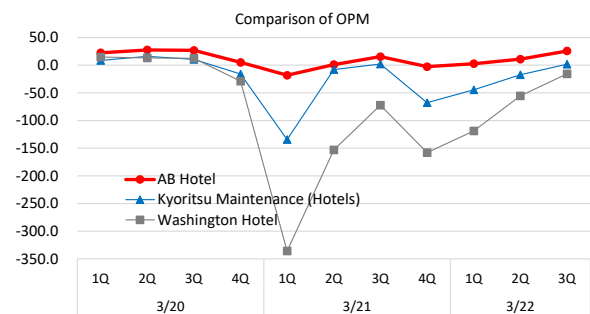
Source: Mita Securities

Figure: Quarterly OPM for fitness club business



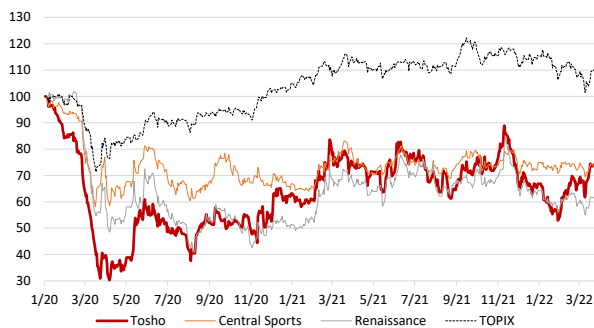
Source: Companies' data, Mita Securities

Figure: Quarterly OPM for hotel business



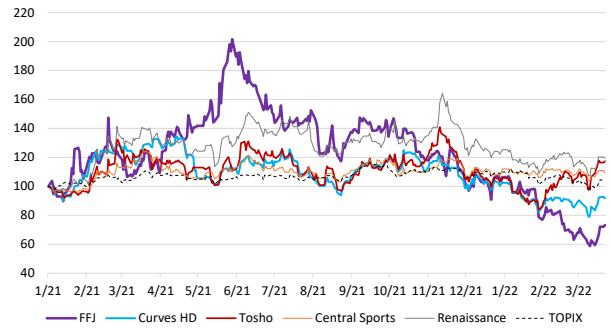
Source: Companies' data, Mita Securities

Figure: Stock price trends for fitness club operators



Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

Figure: Stock price trends for hotel operators



Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2020

Figure: Comparison of valuations for fitness club operators

Company name	Ticker	PX 18-Mar	Mkt cap JPYbn	Net D/E Last	Sales YoY LTM	EBITDA Mgn LTM	ROE LTM	ROE Cur E	ROE Nxt E	PER LTM	PER Cur E	PER Nxt E	PBR Last	EV/EBITDA Cur E	EV/Sales Cur E	Div yield Cur E	1M Chg	3M Chg	1YR Chg
RENAISSANCE INC	2378	1,076	23.0	1.7	13.5	-4.1	-37.0	4.8	NA	NA	40.6	22.6	2.0	NA	1.0	0.6	1.1	-2.9	-14.9
RIZAP GROUP INC	2928	156	86.8	1.4	-1.5	8.6	13.2	NA	NA	30.9	NA	NA	3.0	NA	NA	NA	2.0	13.0	-35.0
CENTRAL SPORTS CO LTD	4801	2,397	27.5	0.3	4.4	10.1	6.6	NA	NA	18.2	NA	NA	1.2	NA	NA	NA	1.1	0.3	-11.2
CURVES HOLDINGS CO LTD	7085	717	67.3	0.8	8.3	NA	19.3	21.8	31.8	42.4	32.3	19.1	7.3	NA	2.8	1.1	6.1	-9.8	-28.9
FAST FITNESS JAPAN INC (TP 5,600 Buy)	7092	1,913	35.8	-0.2	NA	29.0	21.5	15.9	18.0	19.9	25.6	19.4	3.8	NA	2.6	0.5	8.0	-30.4	-37.6
TOSHIO CO LTD (TP 2,300 Buy)	8920	1,874	71.8	0.4	-24.0	21.6	2.2	3.4	8.3	92.8	40.9	28.1	2.0	16.3	3.7	0.3	15.1	12.8	-3.7
Average				0.7	0.2	13.1	4.3	11.5	19.4	40.8	34.9	22.3	3.2	16.3	2.5	0.6	5.6	-2.8	-21.9
Median				0.6	4.4	10.1	9.9	10.4	18.0	30.9	36.5	21.0	2.5	16.3	2.7	0.5	4.0	-1.3	-21.9

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

Figure: Comparison of valuations for hotel operators

Company	Ticker	Share price 18-Mar	Mkt cap JPYbn	PER Last	PER LTM	PER Current E	PER Next E	PBR Last	EV/EBITDA Next E	EV/Sales Next E	ROE LTM	Sales growth LTM	EBITDA Mgn LTM	Div Yield Current E	1M Change	3M Change	1YR Change
RESORTTRUST INC	4681	2,121	230.2	NA	NA	32.5	28.5	2.2	11.6	1.7	-9.5	-6.0	-1.5	1.4	10.5	11.2	9.1
WASHINGTON HOTEL CORP	4691	636	7.7	NA	NA	NA	NA	2.1	NA	NA	-79.4	-2.1	-52.9	NA	-0.2	1.8	-21.0
AMAZE CO LTD	6076	752	11.4	29.3	29.3	NA	NA	1.0	NA	NA	3.3	4.5	19.2	NA	-8.4	-12.6	-14.1
GREENS CO LTD	6547	561	7.2	NA	NA	NA	NA	5.0	NA	0.6	-385.9	25.2	-34.1	0.0	12.9	3.9	-12.8
ABHOTEL CO LTD (TP 1,600 Buy)	6565	1,203	17.1	1,694.4	51.7	41.6	20.3	2.7	NA	3.7	5.3	22.8	23.4	0.3	-1.8	-1.3	10.7
ROYAL HOLDINGS CO LTD	8179	1,981	97.1	NA	NA	68.7	35.3	3.1	13.9	1.3	-11.8	-0.6	-0.3	0.4	1.4	6.3	-7.0
KYORITSU MAINTENANCE CO	9616	4,665	183.0	NA	NA	491.5	40.1	2.8	22.8	1.8	-12.0	5.5	-3.0	0.4	7.9	15.2	20.1
IMPERIAL HOTEL LTD	9708	1,806	107.3	NA	NA	NA	97.6	2.6	15.5	1.6	-21.1	-2.5	-19.4	0.2	-0.9	-4.2	-13.5
ROYAL HOTEL LTD/THE	9713	1,184	12.2	NA	NA	NA	NA	NA	NA	NA	NA	-19.5	-26.1	NA	4.3	2.1	-7.7
FUJITA KANKO INC	9722	2,417	29.5	2.3	2.3	NA	NA	2.1	15.8	1.2	170.8	6.7	81.4	0.0	5.4	-0.6	22.8
KYOTO HOTEL LTD/THE	9723	618	7.5	NA	NA	NA	NA	19.5	NA	NA	-167.3	-14.3	5.6	NA	1.3	-0.3	-3.1
Average				575.3	27.8	158.6	44.4	4.3	15.9	1.7	-50.7	1.8	-0.7	0.4	2.9	2.0	-1.5

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus

Risk factors

Risk factors to our view include: 1) a continuation of the significant decrease in sports club membership; 2) a considerable decline in hotel occupancy rates and room rates; 3) an unexpected drop in occupancy rates of real estate rental properties; and 4) a serious conflict among the management team from the founding families.

Mita Securities' earnings forecast

Figure: Mita Securities' earnings forecast (consolidated, various indicators)

Key indicators	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26	3/27	5y ave growth (CAGR, %)
	A	A	MitaE	MitaE	MitaE	MitaE	MitaE	MitaE	MitaE	
Sales growth (%)	12.8	26.5	-48.9	54.0	-20.3	13.7	14.4	11.1	8.5	
Operating profit growth (%)	9.2	35.1	-88.8	307.7	-38.0	62.9	47.0	27.2	17.2	
Recurring profit growth (%)	10.6	31.2	-88.0	284.9	-37.3	60.0	47.4	27.4	17.3	
Net profit growth (%)	6.8	44.2	-96.2	1,049.6	-48.1	68.3	51.9	29.9	18.9	
Gross profit margin (%)	36.1	36.6	16.3	26.2	25.0	30.2	35.0	37.9	39.7	
SG&A/Sales (%)	9.8	8.5	10.2	9.9	12.4	12.1	11.7	11.3	10.9	
Operating profit margin (%)	26.3	28.1	6.1	16.2	12.6	18.1	23.3	26.6	28.8	
Recurring profit margin (%)	26.8	27.8	6.5	16.3	12.8	18.0	23.2	26.6	28.8	
EBITDA margin (%)	33.9	34.9	20.1	25.5	24.2	28.4	32.6	35.3	37.1	

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (consolidated, PL, JPYm)

PL	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26	3/27	5y ave growth (CAGR, %)
	A	A	MitaE	MitaE	MitaE	MitaE	MitaE	MitaE	MitaE	
Consolidated (JPYm)										
Sales	27,240	34,466	17,625	27,142	21,631	24,600	28,142	31,270	33,930	4.6
COGS	17,396	21,838	14,746	20,038	16,216	17,162	18,296	19,425	20,473	
Gross profit	9,844	12,628	2,879	7,103	5,414	7,438	9,846	11,845	13,456	
SG&A	2,679	2,946	1,799	2,700	2,683	2,987	3,300	3,518	3,694	
Operating profit	7,164	9,682	1,080	4,403	2,732	4,451	6,546	8,326	9,762	17.3
Non-operating income	322	245	256	200	210	220	230	240	250	
Non-operating expense	183	346	186	177	167	233	233	233	233	
Recurring profit	7,304	9,580	1,150	4,426	2,774	4,438	6,543	8,333	9,779	17.2
Extraordinary gains	209	384	188	60	0	0	0	0	0	
Extraordinary losses	492	90	863	60	0	0	0	0	0	
Pre-tax profit	7,021	9,874	474	4,426	2,774	4,438	6,543	8,333	9,779	17.2
Corporate taxes	2,579	3,649	252	1,682	1,054	1,687	2,486	3,167	3,716	
Minority interests	419	421	5	240	421	566	736	854	934	
Net profit	4,023	5,804	218	2,504	1,299	2,186	3,321	4,312	5,129	15.4
EBITDA	9,243	12,045	3,541	6,929	5,229	6,997	9,172	11,050	12,591	12.7
Shares O/S (m)	38.3	38.3	38.3	38.3	38.3	38.3	38.3	38.3	38.3	
EPS	105.03	151.51	5.69	65.37	33.90	57.07	86.69	112.58	133.89	
DPS	15.00	15.00	2.00	6.00	6.00	10.00	14.00	18.00	22.00	
BPS	769.46	904.94	903.77	963.14	991.04	1,038.11	1,110.80	1,205.38	1,317.26	
Payout ratio (%)	14.3	9.9	34.9	9.2	17.7	17.5	16.1	16.0	16.4	
ROA (%)	6.4	8.1	0.3	3.3	1.7	2.7	4.0	4.9	5.6	
ROE (%)	14.5	18.1	0.6	7.0	3.5	5.6	8.1	9.7	10.6	

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (consolidated, segment earnings, JPYm)

Segment earnings (JPYm)	3/19 A	3/20 A	3/21 A	3/22 MitaE	3/23 MitaE	3/24 MitaE	3/25 MitaE	3/26 MitaE	3/27 MitaE	5y ave growth (CAGR, %)
Sports club business										
Sales	20,111	19,424	11,437	12,212	13,252	15,413	17,953	20,237	22,184	12.7
(YoY, %)	10.5	-3.4	-41.1	6.8	8.5	16.3	16.5	12.7	9.6	
Operating profit	5,144	4,139	560	411	710	1,856	3,290	4,588	5,673	69.1
(YoY, %)	8.7	-19.5	-86.5	-26.6	72.8	161.5	77.2	39.5	23.6	
Operating profit margin (%)	25.6	21.3	4.9	3.4	5.4	12.0	18.3	22.7	25.6	
Number of stores (EOP)	89	94	101	101	101	103	105	108	111	
Membership (EOP)	243,515	227,000	174,000	142,680	164,082	192,694	220,018	242,019	261,020	12.8
(YoY, %)	10.8	-6.8	-23.3	-18.0	15.0	17.4	14.2	10.0	7.9	
Hotel business										
Sales	5,506	6,281	4,708	6,337	7,066	7,705	8,537	9,211	9,755	9.0
(YoY, %)	24.8	14.1	-25.0	34.6	11.5	9.0	10.8	7.9	5.9	
Operating profit	1,410	1,333	44	929	1,495	1,989	2,572	2,976	3,250	28.5
(YoY, %)	17.0	-5.4	-96.7	1,995.4	60.9	33.1	29.3	15.7	9.2	
Operating profit margin (%)	25.6	21.2	0.9	14.7	21.2	25.8	30.1	32.3	33.3	
Number of stores (EOP)	23	27	31	32	33	34	36	38	40	4.6
Number of rooms (EOP)	3,029	3,586	4,101	4,229	4,333	4,433	4,633	4,833	5,033	3.5
(YoY, %)	29.3	18.4	14.4	3.1	2.5	2.3	4.5	4.3	4.1	
Sales/Ave number of rooms (JPY/day)	5,564	5,176	3,376	4,111	4,472	4,816	5,160	5,332	5,418	
(YoY, %)	0.1	-7.0	-34.8	21.7	8.8	7.7	7.1	3.3	1.6	
Real estate business										
Sales	1,622	8,761	1,480	8,593	1,313	1,482	1,652	1,821	1,990	-25.4
(YoY, %)	5.8	440.0	-83.1	480.5	-84.7	12.9	11.4	10.3	9.3	
Operating profit	601	4,198	463	3,063	527	606	684	762	840	-22.8
(YoY, %)	-2.9	598.8	-89.0	562.2	-82.8	14.9	12.9	11.4	10.2	
Operating profit margin (%)	37.0	47.9	31.3	35.7	40.1	40.9	41.4	41.8	42.2	
Number of properties (EOP)	61	53	57	43	49	55	61	67	73	
Number of units (EOP)	2,427	2,066	2,301	1,741	1,981	2,221	2,461	2,701	2,941	11.1
(YoY, %)	5.9	-14.9	11.4	-24.3	13.8	12.1	10.8	9.8	8.9	

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (consolidated, BS, JPYm)

BS	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26	3/27	5y ave growth
Consolidated (JPYm)	A	A	A	MitaE	MitaE	MitaE	MitaE	MitaE	MitaE	(CAGR, %)
Assets										
Total current assets	16,264	23,342	22,975	26,879	27,287	27,406	27,599	28,483	29,844	
Cash and deposits	15,201	22,413	21,900	26,382	26,382	26,279	26,230	26,951	28,260	
Accounts receivable	497	435	278	391	379	362	409	448	482	
Inventories	84	70	57	52	57	66	74	82	88	
Other	483	423	739	55	469	699	885	1,003	1,014	
Total fixed assets	51,457	52,119	54,100	49,883	50,988	53,531	57,167	61,067	65,216	
PP&E, net	47,746	47,686	49,676	44,383	45,270	47,534	50,861	54,422	58,231	
Intangibles	131	146	176	145	150	155	160	165	170	
Investments and other	3,580	4,287	4,247	5,355	5,568	5,842	6,146	6,481	6,815	
Deferred assets	6	2	26	0	0	0	0	0	0	
Total assets	67,727	75,463	77,100	76,762	78,276	80,937	84,766	89,551	95,060	4.4
Liabilities										
Total current liabilities	9,540	12,374	8,241	9,294	8,630	8,846	9,104	9,362	9,601	
Accounts payable	1	1	0	0	0	0	0	0	0	
Short-term debt	5,486	5,689	5,876	5,644	4,930	4,930	4,930	4,930	4,930	
Other	4,054	6,684	2,365	3,650	3,700	3,916	4,174	4,432	4,671	
Total long-term liabilities	26,228	25,561	31,411	27,506	28,193	28,270	28,320	28,370	28,420	
Long-term debt	22,611	21,782	27,322	23,356	24,070	24,070	24,070	24,070	24,070	
Other	3,617	3,778	4,089	4,150	4,123	4,200	4,250	4,300	4,350	
Total liabilities	35,768	37,934	39,652	36,800	36,823	37,116	37,424	37,732	38,021	0.7
Net assets										
Net assets	31,959	37,529	37,448	39,962	41,452	43,821	47,341	51,818	57,039	7.4
Shareholders' equity	29,475	34,665	34,620	36,894	37,963	39,766	42,550	46,173	50,459	6.5
Minorities	2,483	2,863	2,828	3,068	3,489	4,055	4,791	5,645	6,580	
Warrants	0	0	0	0	0	0	0	0	0	
Debt										
Debt	28,097	27,472	33,198	29,000	29,000	29,000	29,000	29,000	29,000	0.0
Debt/Equity (x)	1.0	0.8	1.0	0.8	0.8	0.7	0.7	0.6	0.6	
Net Debt/Equity (x)	0.5	0.2	0.4	0.1	0.1	0.1	0.1	0.0	0.0	
Shareholders' capital ratio (%)	43.5	45.9	44.9	48.1	48.5	49.1	50.2	51.6	53.1	
Debt/EBITDA (x)	3.0	2.3	9.4	4.2	5.5	4.1	3.2	2.6	2.3	

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (consolidated, CF, JPYm)

CF	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26	3/27	5y ave growth
Consolidated (JPYm)	A	A	A	MitaE	MitaE	MitaE	MitaE	MitaE	MitaE	(CAGR, %)
Cashflow from operations										
Cashflow from operations	6,386	13,964	-1,449	13,707	3,853	5,255	6,651	7,948	9,057	
Net profit	4,023	5,804	218	2,504	1,299	2,186	3,321	4,312	5,129	
Depreciation and amortization	2,079	2,362	2,461	2,526	2,497	2,546	2,627	2,724	2,829	
Other	284	5,797	-4,127	8,677	57	523	704	911	1,099	
Cashflow from investing										
Cashflow from investing	-8,328	-5,559	-3,927	-2,583	-3,603	-5,088	-6,263	-6,624	-6,978	
Capital expenditure	-8,335	-7,129	-3,881	-1,501	-3,390	-4,815	-5,959	-6,289	-6,643	
Disposal of fixed assets	334	3,042	0	0	0	0	0	0	0	
Other	-327	-1,472	-46	-1,082	-213	-274	-304	-335	-335	
Cashflow from financing										
Cashflow from financing	4,136	-1,884	4,905	-4,281	-250	-270	-437	-603	-770	
Dividends paid	-574	-613	-268	-76	-230	-230	-383	-536	-690	
Share capital issuance / (buy-back)	-1	0	0	0	0	0	0	0	0	
Debt issuance / (repayment)	4,744	-1,230	5,214	-4,198	0	0	0	0	0	
Other	-33	-40	-40	-7	-20	-40	-54	-67	-80	
Cash and cash equivalents										
Cash and cash equivalents	13,488	20,009	19,538	26,382	26,382	26,279	26,230	26,951	28,260	
Free cashflow	-1,942	8,404	-5,376	11,125	250	167	388	1,324	2,079	

Source: Company data, Mita Securities

APPENDIX

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The target price and ratings are based on our views for the next 12 months or so.

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