



# IBJ

TSE Prime 6071 Industry: Consumer services

## Expecting reopening to trigger marriage demand; Reiterate Buy

### New TP at 1,300 yen. Reiterate Buy

We update our earnings forecast and valuation model for IBJ (6071, the company) and adjust our target price to 1,300 yen. We maintain our Buy rating on the stock. Our operating profit forecast is 1.9bn yen for FY12/22 (+23.6% YoY; company guidance: 1.7bn yen; our previous forecast: 2.5bn yen), 2.7bn yen for FY12/23, and 3.6bn yen for FY12/24. We expect the main factors behind profit growth through FY12/24 to be 1) growth in the directly-owned store business and the franchise store business, 2) recovery in the party business, and 3) profit improvement in the life design business following structural reforms.

### Striving to expand market share amid rising latent demand for marriages

The number of marriages has continued to decline over the past two years due to the pandemic, and we believe that latent demand for marriage among singles has been increasing. As consumer activity recovers, demand for dating services for people seeking marriage should increase, thus bringing a tailwind to marriage agencies such as IBJ. Given the chance, the company intends to accelerate acquiring new franchisees and aggressively expand its share of the matchmaking market. We believe that the company's competitive advantage should be further strengthened by rapid growth in the number of franchisees and members.

### Outlook for each business

Directly-owned stores and party business: As consumer activity recovers, the number of party participants, as well as the number of members and successful marriages at directly-owned stores, is expected to recover. Subsidiaries such as ZWEI are also expected to enter the stage of profit contribution.

Franchise opening support and franchise store business: We expect the company to accelerate the pace of new franchisee acquisitions through aggressive advertising and flexible adjustment of upfront sign-up fees paid by franchisees to IBJ. We also expect the company to benefit from its partnerships with regional banks. Going forward, the company's earnings structure should likely shift to stock earnings from the franchise store business rather than flow earnings from the franchise opening support business.

App business: As this is a highly competitive market, it should take time for the company to significantly improve its profitability.

Life design business: The company already sold low-profit businesses that are unlikely to recover. Going forward, the company can expect profit contribution from the remaining businesses, such as the Korean language school business, which are performing well.

### Valuations and risk factors

In calculating our target price of 1,300 yen, we used a residual income model (RIM) with a cost of equity of 7.5% (previously 7.0%) and a terminal growth rate of 3.0% (unchanged), based on our earnings forecasts for FY12/22-FY12/26 (updated due to progress of the term). Our target price is equivalent to 30.2x our FY12/23 EPS forecast of 43.02 yen.

Risk factors to our view include: 1) unexpected decrease in the number of new openings, number of franchisees, number of married couples, number of party participants, and number of paid app members; 2) occurrence of events related to reliability such as leakage of member information; and 3) failure of M&A.

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## Forecast Change

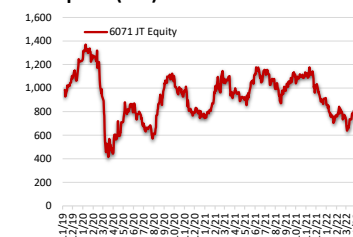
Rating  
**Buy**

Target price (JPY)	1,300 ← 1,450
Stock price (JPY) (Apr 26)	722
Market cap (JPYbn)	30.3

### Key changes

Rating	No
Target price	Yes
Earnings forecast	Yes

### Stock price (JPY)



Source: Bloomberg Finance LP

### Earnings

		12/20	12/21	12/22E	12/23E	12/24E
Sales	JPYbn	13.1	14.1	15.9	17.9	19.6
OP	JPYbn	1.6	1.5	1.9	2.7	3.6
RP	JPYbn	1.5	1.4	1.8	2.6	3.5
NP	JPYbn	0.7	1.1	1.2	1.7	2.4
EPS	JPY	17.1	26.3	28.8	43.0	58.7
BPS	JPY	131.4	154.1	176.9	212.0	260.7
DPS	JPY	6.0	6.0	8.0	10.0	14.0
PER	x	45.7	27.4	25.0	16.8	12.3
PBR	x	6.0	4.7	4.1	3.4	2.8
Div. yield	%	0.8	0.8	1.1	1.4	1.9
ROA	%	5.5	7.8	8.2	10.9	13.1
ROE	%	13.5	18.4	17.4	22.1	24.9

Source: Company data, Mita Securities

### Company profile

IBJ operates its marriage agency business both directly and through its franchisees. The Japan Marriage Consulting Federation, which the company manages, has over 70,000 members, making it one of the largest in Japan. As of the end of December 2021, the company had 3,039 franchisees. The company's strength lies in its counseling services that focus on marriage, and it is also active in M&As.

# Investment thesis

## Outlook

### Mita Securities' earnings forecast update

We lowered our OP forecast from 2.5bn yen to 1.9bn yen for FY12/22 (+23.6% YoY; OPM 11.8%; company guidance 1.7bn yen), 3.5bn yen to 2.7bn yen for FY12/23, and 4.2bn yen to 3.6bn yen for FY12/24. We expect that the lowering of upfront sign-up fees paid by franchisees to IBJ will accelerate the increase in the number of franchisees, while profits from the franchise opening support business will decline compared to our previous forecast. We revised up our franchise store count assumptions from 3,566 to 3,729 for end-FY12/22, 4,066 to 4,379 for end-FY12/23, and 4,441 to 5,044 for end-FY12/24 (see page 7 for our new assumptions for KPIs).

*IBJ lowered upfront sign-up fees paid by franchisees to accelerate acquisition of new franchisees*

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

JPYm	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/26	12/22	12/23	12/24	
	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	CoE	Consensus	Consensus	Consensus
<b>Earnings</b>												
Sales	15,282	13,072	14,081	15,868	17,890	19,628	21,169	22,664	16,004	16,000	18,150	20,300
(YoY, %)	29.3	-14.5	7.7	12.7	12.7	9.7	7.8	7.1				
Operating profit	2,339	1,620	1,516	1,874	2,686	3,583	4,380	5,175	1,701	1,763	2,273	2,890
(YoY, %)	58.4	-30.7	-6.4	23.6	43.3	33.4	22.2	18.2				
OPM (%)	15.3	12.4	10.8	11.8	15.0	18.3	20.7	22.8				
Recurring profit	2,346	1,518	1,427	1,795	2,627	3,544	4,361	5,140	1,680	1,743	2,253	2,870
(YoY, %)	59.7	-35.3	-6.0	25.8	46.3	34.9	23.1	17.9				
Net profit	1,523	686	1,054	1,155	1,723	2,352	2,912	3,450	1,334	1,333	1,403	1,810
(YoY, %)	44.9	-54.9	53.6	9.6	49.2	36.5	23.8	18.5				
Depreciation & amortization	445	541	622	721	732	743	759	775				
Capital expenditure	124	347	634	400	400	400	400	400				
Free CF	-422	-269	159	1,432	1,997	2,646	3,227	3,783				
<b>Segment earnings</b>												
<b>Matchmaking business</b>												
Sales	10,415	11,145	12,738	14,022	15,869	17,421	18,826	20,194				
(YoY, %)	38.4	7.0	14.3	10.1	13.2	9.8	8.1	7.3				
Franchise opening support business	997	1,073	951	918	969	1,080	1,134	1,188				
Franchise store business	758	878	1,058	1,259	1,508	1,753	1,992	2,215				
Directly-owned store business	3,347	4,865	6,818	7,594	8,353	9,021	9,653	10,232				
Party business	2,312	1,367	1,185	1,584	2,200	2,565	2,950	3,410				
App business	2,999	2,959	2,723	2,668	2,839	3,002	3,097	3,149				
Operating profit	3,290	2,639	2,463	2,791	3,567	4,426	5,200	5,973				
OPM (%)	31.6	23.7	19.3	19.9	22.5	25.4	27.6	29.6				
<b>Life design business</b>												
Sales	4,867	1,927	1,343	1,846	2,021	2,208	2,343	2,470				
(YoY, %)	13.3	-60.4	-30.3	37.4	9.5	9.3	6.1	5.4				
Operating profit	42	-69	42	292	327	365	393	420				
OPM (%)	0.9	-3.6	3.1	15.8	16.2	16.5	16.8	17.0				
<b>Per share indicators</b>												
EPS (JPY)	38.00	17.15	26.32	28.84	43.02	58.73	72.71	86.16	33.33	33.28	35.02	45.20
BPS (JPY)	123.14	131.43	154.10	176.94	211.96	260.69	319.40	387.56				
DPS (JPY)	9.00	6.00	6.00	8.00	10.00	14.00	18.00	22.00	NA			
<b>Valuation, profitability, etc.</b>												
PER (x)	32.7	45.7	27.4	25.0	16.8	12.3	9.9	8.4				
PBR (x)	10.1	6.0	4.7	4.1	3.4	2.8	2.3	1.9				
Dividend payout ratio (%)	23.6	35.0	22.8	27.7	23.2	23.8	24.8	25.5				
Dividend yield (%)	0.7	0.8	0.8	1.1	1.4	1.9	2.5	3.0				
ROA (%)	16.2	5.5	7.8	8.2	10.9	13.1	14.2	14.6				
ROE (%)	36.0	13.5	18.4	17.4	22.1	24.9	25.1	24.4				
<b>Financial soundness indicators</b>												
Shareholders' equity ratio (%)	43.7	37.9	46.3	47.9	50.7	54.5	58.2	61.7				
Debt/Equity (x)	0.6	1.0	0.6	0.5	0.4	0.3	0.3	0.2				

Source: Company data, QUICK data, Mita Securities Note: Consensus forecasts are by QUICK consensus

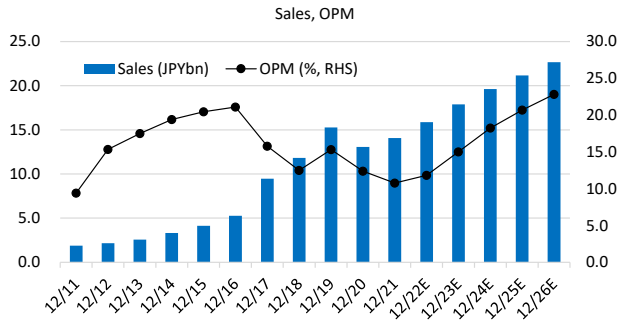
Figure: Mita Securities' earnings forecast change (consolidated)

JPYm	12/22	12/22	12/22	12/23	12/23	12/24	12/24
	CoE	Old Mita E	New Mita E	Old Mita E	New Mita E	Old Mita E	New Mita E
Sales	16,004	16,255	15,868	20,963	17,890	23,105	19,628
Operating profit	1,701	2,495	1,874	3,505	2,686	4,227	3,583
Recurring profit	1,680	2,402	1,795	3,432	2,627	4,174	3,544
Net profit	1,334	1,608	1,155	2,319	1,723	2,829	2,352
EPS (JPY)	33.33	40.16	28.84	57.91	43.02	70.64	58.73

Source: Company data, Mita Securities

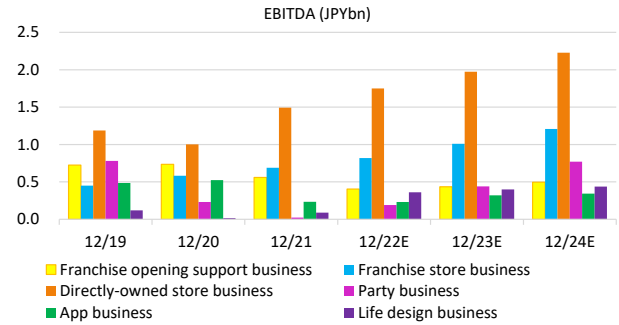
Mita Securities' earnings forecast

Figure: Sales, OPM (JPYbn, %)



Source: Company data, Mita Securities

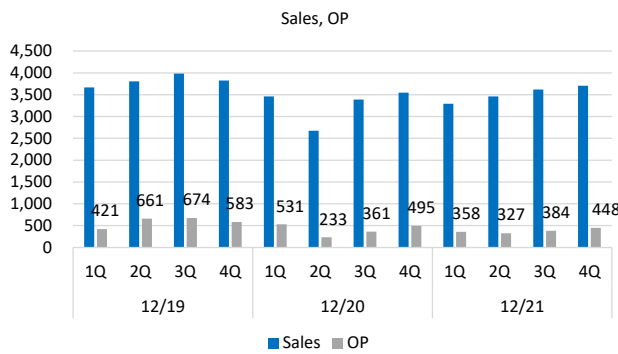
Figure: EBITDA by business (JPYbn)



Source: Company data, Mita Securities

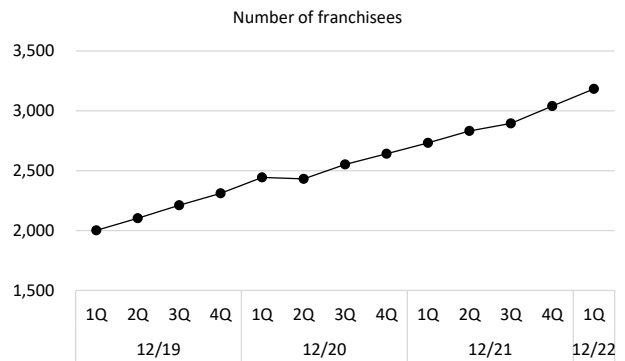
IBJ's quarterly earnings and KPIs

Figure: Quarterly earnings (JPYm)



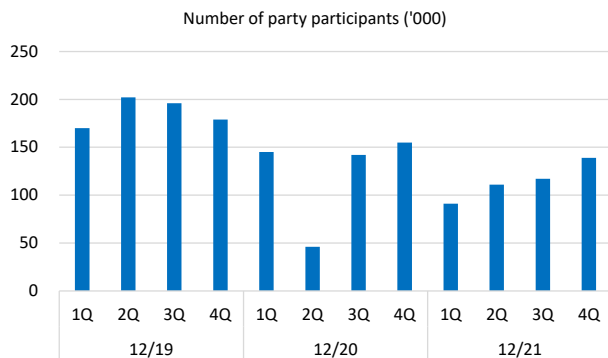
Source: Company data, Mita Securities

Figure: Number of franchisees



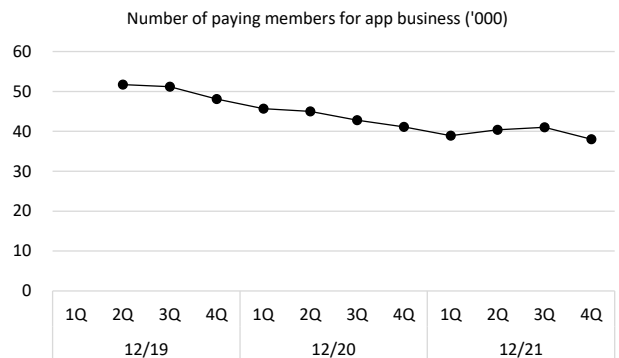
Source: Company data, Mita Securities

Figure: Number of party participants



Source: Company data, Mita Securities

Figure: Number of paying users for app business



Source: Company data, Mita Securities

## Valuations

### Stock valuation based on residual income model (RIM)

In calculating our target price of 1,300 yen, we used a residual income model (RIM) with a cost of equity of 7.5% (previously 7.0%) and a terminal growth rate of 3.0% (unchanged), based on our earnings forecasts for FY12/22-FY12/26 (updated due to progress of the term). Our target price is equivalent to 30.2x our FY12/23 EPS forecast of 43.02 yen.

TP 1,300 yen

The increase in our cost of equity assumption is based on an increase in our beta assumption (from 1.3 to 1.4). This reflects greater than expected volatility in the company's stock price. The reduction in our target price (from 1,450 to 1,300 yen) is primarily due to the increase in our cost of equity assumption.

Figure: Residual Income Model (RIM)

	Y0	Y1	Y2	Y3	Y4	Y5	Y6~
	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E
JPYbn	12/21	12/22	12/23	12/24	12/25	12/26	12/27
Shareholders' equity (EOP)	6.2	7.1	8.5	10.4	12.8	15.5	
Net profit		1.2	1.7	2.4	2.9	3.5	
Cost of equity		0.5	0.5	0.6	0.8	1.0	
Residual income		0.7	1.2	1.7	2.1	2.5	
PV of residual income		0.6	1.0	1.4	1.6	1.7	
PV of terminal value							39.7

Beta	1.40	Estimated equity value (JPYbn)	52.3
Risk free rate (%)	0.50	Number of shares O/S (m)	40.0
Risk premium (%)	5.00	Target price (JPY)	1,300
Cost of equity (%)	7.50		
Terminal growth rate (%)	3.00		

Source: Company data, Mita Securities

Figure: Sensitivity of target price to terminal growth rate

Terminal growth rate (%)	1.8	2.0	2.2	2.4	2.6	2.8	3.0	3.2	3.4	3.6	3.8	4.0	4.2
Target price	1,100	1,100	1,150	1,200	1,200	1,250	1,300	1,350	1,400	1,450	1,550	1,600	1,700

Source: Mita Securities

### Comparison of valuations with peers (reference)

Figure: Comparison of valuations for franchise business operators

Company name	Ticker	PX 26-Apr	Mkt cap JPYbn	Net D/E Last	Sales YoY LTM	EBITDA Mn 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
KOBE BUSSAN CO LTD	3038	3,300	902.9	-0.3	8.6	8.5	28.7	25.2	25.2	35.6	34.8	29.9	9.1	24.7	2.2	0.6	-14.3	-4.3	12.5
KOMEDA HOLDINGS CO LTD (TP 3,000 Buy)	3543	2,208	101.9	1.1	15.5	26.8	13.6	13.5	13.8	20.6	19.1	17.5	2.7	15.1	3.9	2.5	8.2	4.3	8.2
IBJ INC (TP 1,300 Buy)	6071	722	30.3	-0.1	7.7	15.3	18.4	20.9	21.1	27.5	20.3	16.9	4.7	13.2	1.8	1.2	-8.0	2.6	-22.0
CURVES HOLDINGS CO LTD	7085	755	70.9	0.8	16.4	NA	23.8	21.8	31.8	35.5	34.0	20.1	7.6	NA	3.0	1.1	5.0	17.4	-13.0
FAST FITNESS JAPAN INC (TP 2,650 Buy)	7092	1,833	34.3	-0.2	NA	29.0	21.5	16.4	16.4	19.1	23.7	20.5	3.6	7.9	2.5	0.6	-2.6	-10.9	-50.2
WORKMAN CO LTD	7564	4,430	362.6	-0.4	10.2	24.5	19.4	NA	NA	20.1	19.9	18.7	3.7	NA	NA	1.5	-14.1	-9.8	-38.8
Average				0.2	11.7	20.8	20.9	19.6	21.7	26.4	25.3	20.6	5.2	15.2	2.7	1.3	-4.3	-0.1	-17.2
Median				-0.1	10.2	24.5	20.5	20.9	21.1	24.0	22.0	19.4	4.2	14.1	2.5	1.1	-5.3	-0.9	-17.5

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus. Shading indicates stocks covered by Mita Securities

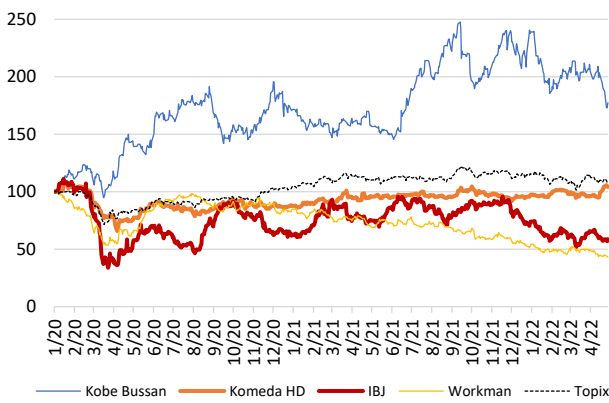
Figure: Comparison of valuations for matchmaking-related companies

Company name	Ticker	PX	Mkt cap	Net D/E	Sales YoY	EBITDA Mgn	ROE	ROE	ROE	PER	PER	PER	PBR	EV/EBITDA	EV/Sales	Div yield	1M	3M	1YR
		26-Apr	JPYbn	Last	LTM	LTM	LTM	Cur E	Nxt E	LTM	Cur E	Nxt E	Last	Cur E	Cur E	Cur E	Chg	Chg	Chg
BENEFIT ONE INC	2412	2,070	331.1	-0.9	1.5	35.0	42.7	38.2	37.7	38.1	37.7	35.4	14.5	24.3	7.9	1.8	-23.8	-38.7	-26.9
LINKBAL INC	6046	204	4.0	-1.0	-41.2	-59.3	-22.6	NA	NA	NA	NA	NA	2.4	NA	NA	NA	-9.7	-8.9	-31.1
IBJ INC (TP 1,300 Buy)	6071	722	30.3	-0.1	7.7	15.3	18.4	20.9	21.1	27.5	20.3	16.9	4.7	13.2	1.8	1.2	-8.0	2.6	-22.0
RECRUIT HOLDINGS CO LTD	6098	4,877	8,271.2	-0.1	21.3	16.9	21.7	25.6	22.2	30.4	27.0	25.5	5.9	16.1	2.8	0.6	-11.4	-4.2	-2.1
NET MARKETING CO LTD	6175	609	9.1	-1.1	-25.2	7.9	13.9	NA	NA	21.8	NA	NA	2.9	NA	NA	NA	20.8	52.3	3.7
TAMENY INC	6181	96	2.4	-9.6	10.6	-9.7	NA	NA	NA	NA	NA	NA	9.7	NA	NA	NA	4.3	12.9	-40.0
Average				-2.1	-4.2	1.0	14.8	28.2	27.0	29.4	28.3	26.0	6.7	17.9	4.1	1.2	-4.6	2.7	-19.7
Median				-0.9	4.6	11.6	18.4	25.6	22.2	28.9	27.0	25.5	5.3	16.1	2.8	1.2	-8.9	-0.8	-24.4

Source: Bloomberg Finance LP data, Mita Securities Note: Forecasts are based on Bloomberg consensus. Shading indicates stocks covered by Mita Securities

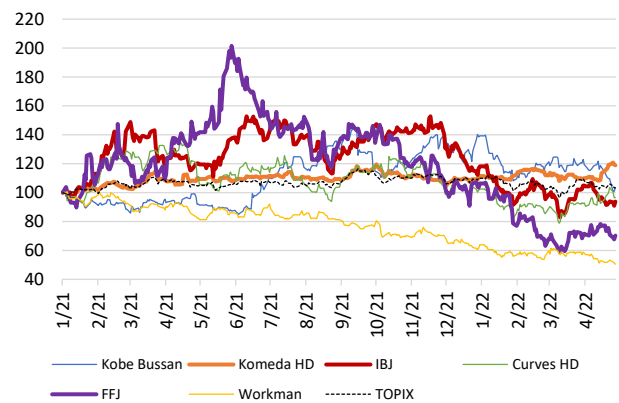
Comparison of stock price trends (reference)

Figure: Stock price trends for franchise business operators



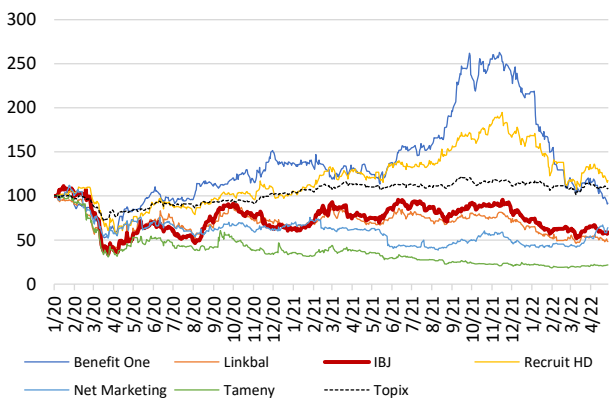
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

Figure: Stock price trends for franchise business operators



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

Figure: Stock price trends for matchmaking-related companies



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

Risk factors

Risk factors to our view include: 1) unexpected decrease in the number of new openings, number of franchisees, number of married couples, number of party participants, and number of paid app members; 2) occurrence of events related to reliability such as leakage of member information; and 3) failure of M&A.

## Mita Securities' earnings forecast

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

Various indicators	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	5y ave growth (CAGR, %)
	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/26	
Sales growth (%)	29.3	-14.5	7.7	12.7	12.7	9.7	7.8	7.1	
EBITDA growth (%)	59.1	-22.4	-1.1	21.4	31.7	26.6	18.8	15.8	
OP growth (%)	58.4	-30.7	-6.4	23.6	43.3	33.4	22.2	18.2	
RP growth (%)	59.7	-35.3	-6.0	25.8	46.3	34.9	23.1	17.9	
NP growth (%)	44.9	-54.9	53.6	9.6	49.2	36.5	23.8	18.5	
GPM (%)	73.5	91.2	96.5	97.3	97.4	97.5	97.5	97.6	
EBITDA margin (%)	18.2	16.5	15.2	16.4	19.1	22.0	24.3	26.3	
OPM (%)	15.3	12.4	10.8	11.8	15.0	18.3	20.7	22.8	
ROA (%)	16.2	5.5	7.8	8.2	10.9	13.1	14.2	14.6	
ROE (%)	36.0	13.5	18.4	17.4	22.1	24.9	25.1	24.4	

Source: Company data, Mita Securities

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

PL Consolidated, JPYm	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	5y ave growth (CAGR, %)
	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/26	
Sales	15,282	13,072	14,081	15,868	17,890	19,628	21,169	22,664	10.0
COGS	4,043	1,156	497	428	463	499	520	542	
Gross profit	11,239	11,916	13,584	15,440	17,426	19,130	20,649	22,123	
SGA	8,872	10,278	12,052	13,546	14,721	15,527	16,249	16,928	
Operating profit	2,339	1,620	1,516	1,874	2,686	3,583	4,380	5,175	27.8
Non-operating income	35	22	55	42	42	42	42	42	
Non-operating expense	28	125	145	121	101	81	61	77	
Recurring profit	2,346	1,518	1,427	1,795	2,627	3,544	4,361	5,140	29.2
Extraordinary income	5	273	187	0	0	0	0	0	
Extraordinary losses	9	475	199	0	0	0	0	0	
Pretax profit	2,342	1,317	1,414	1,795	2,627	3,544	4,361	5,140	29.5
Corporate taxes	724	587	258	539	788	1,063	1,308	1,542	
Minorities	95	43	102	102	116	129	141	148	
Net profit	1,523	686	1,054	1,155	1,723	2,352	2,912	3,450	26.8
EBITDA	2,784	2,162	2,138	2,595	3,418	4,326	5,139	5,950	22.7
Shares outstanding ( m )	40.082	40.028	40.045	40.045	40.045	40.045	40.045	40.045	
EPS	38.00	17.15	26.32	28.84	43.02	58.73	72.71	86.16	
BPS	123.14	131.43	154.10	176.94	211.96	260.69	319.40	387.56	
DPS	9.00	6.00	6.00	8.00	10.00	14.00	18.00	22.00	
Payout ratio (%)	23.6	35.0	22.8	27.7	23.2	23.8	24.8	25.5	

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (segment earnings, KPIs)

Segment earnings	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	5y ave growth
Consolidated, JPYm	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/26	(CAGR, %)
<b>Matchmaking business</b>									
Sales	10,415	11,145	12,738	14,022	15,869	17,421	18,826	20,194	9.7
(YoY, %)	38.4	7.0	14.3	10.1	13.2	9.8	8.1	7.3	
EBITDA	3,632	3,076	2,996	3,393	4,179	5,048	5,832	6,615	17.2
EBITDA margin (%)	34.9	27.6	23.5	24.2	26.3	29.0	31.0	32.8	
Operating profit	3,290	2,639	2,463	2,791	3,567	4,426	5,200	5,973	19.4
OPM (%)	31.6	23.7	19.3	19.9	22.5	25.4	27.6	29.6	
<b>Franchise opening support business</b>									
Sales	997	1,073	951	918	969	1,080	1,134	1,188	4.6
(YoY, %)	45.3	7.6	-11.4	-3.5	5.6	11.5	5.0	4.8	
EBITDA	726	736	559	404	436	497	527	558	0.0
EBITDA margin (%)	72.8	68.6	58.8	44.0	45.0	46.0	46.5	47.0	
Number of new openings	612	718	714	1,020	1,020	1,080	1,080	1,080	8.6
<b>Franchise store business</b>									
Sales	758	878	1,058	1,259	1,508	1,753	1,992	2,215	15.9
(YoY, %)	22.3	15.8	20.5	19.0	19.8	16.2	13.6	11.2	
EBITDA	451	583	688	818	1,010	1,209	1,414	1,617	18.6
EBITDA margin (%)	59.5	66.4	65.0	65.0	67.0	69.0	71.0	73.0	
Number of franchisees	2,310	2,641	3,039	3,729	4,379	5,044	5,664	6,244	15.5
Net increase	412	331	398	690	650	665	620	580	
<b>Directly-owned store business</b>									
Sales	3,347	4,865	6,818	7,594	8,353	9,021	9,653	10,232	8.5
(YoY, %)	70.2	45.4	40.1	11.4	10.0	8.0	7.0	6.0	
EBITDA	1,189	1,001	1,493	1,749	1,973	2,228	2,488	2,697	12.6
EBITDA margin (%)	35.5	20.6	21.9	23.0	23.6	24.7	25.8	26.4	
Number of marriages (IBJ Members)	1,838	1,809	1,734	1,907	2,098	2,266	2,425	2,570	8.2
<b>Party business</b>									
Sales	2,312	1,367	1,185	1,584	2,200	2,565	2,950	3,410	23.5
(YoY, %)	1.1	-40.9	-13.3	33.6	38.9	16.6	15.0	15.6	
EBITDA	781	232	23	190	440	770	1,033	1,364	126.3
EBITDA margin (%)	33.8	17.0	1.9	12.0	20.0	30.0	35.0	40.0	
Number of party participants ('000)	747	488	458	598	800	900	1,000	1,100	19.2
<b>App business</b>									
Sales	2,999	2,959	2,723	2,668	2,839	3,002	3,097	3,149	3.0
(YoY, %)	52.9	-1.3	-8.0	-2.0	6.4	5.7	3.2	1.7	
EBITDA	485	524	233	232	319	344	370	379	10.2
EBITDA margin (%)	16.2	17.7	8.6	8.7	11.2	11.5	12.0	12.0	
Number of paying members ('000)	48.1	41.1	38.0	40.0	43.0	44.0	45.0	45.5	3.7
<b>Life design business</b>									
Sales	4,867	1,927	1,343	1,846	2,021	2,208	2,343	2,470	13.0
(YoY, %)	13.3	-60.4	-30.3	37.4	9.5	9.3	6.1	5.4	
EBITDA	120	14	90	362	398	437	466	494	40.6
EBITDA margin (%)	2.5	0.7	6.7	19.6	19.7	19.8	19.9	20.0	
Operating profit	42	-69	42	292	327	365	393	420	58.5
OPM (%)	0.9	-3.6	3.1	15.8	16.2	16.5	16.8	17.0	

Source: Company data, Mita Securities

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

BS	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	5y ave growth
Consolidated, JPYm	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/26	(CAGR, %)
<b>Assets</b>									
Total current assets	5,763	7,589	7,441	8,988	11,143	13,803	16,744	20,182	22.1
Cash and deposits	4,359	5,937	4,361	5,609	7,286	9,532	12,198	15,260	
Accounts receivable	1,080	1,267	1,320	1,488	1,677	1,841	1,985	2,125	
Inventories	11	19	7	10	10	10	10	10	
Other	313	366	1,752	1,881	2,170	2,421	2,551	2,786	
Total fixed assets	5,526	6,299	5,874	5,805	5,592	5,369	5,234	4,978	-3.3
Tangible assets	523	722	1,193	1,238	1,272	1,295	1,302	1,293	
Intangible assets	1,086	2,478	2,207	1,967	1,720	1,473	1,232	985	
Investment and other	3,918	3,099	2,474	2,600	2,600	2,600	2,700	2,700	
Total assets	11,289	13,888	13,315	14,793	16,736	19,172	21,978	25,160	13.6
<b>Liabilities</b>									
Total current liabilities	3,966	6,864	4,363	4,327	4,693	5,009	5,288	5,559	5.0
Accounts payable	146	53	38	53	58	63	67	70	
Short-term debt	960	4,247	1,810	1,440	1,440	1,440	1,440	1,440	
Advances received	1,069	903	885	998	1,125	1,234	1,331	1,425	
Other	1,790	1,661	1,630	1,837	2,071	2,272	2,450	2,623	
Total long-term liabilities	1,959	1,359	2,328	2,826	2,884	2,923	2,959	2,992	5.2
Long-term debt	1,780	753	1,735	2,160	2,160	2,160	2,160	2,160	
Other	179	606	593	666	724	763	799	832	
Total liabilities	5,925	8,223	6,691	7,153	7,577	7,933	8,247	8,551	5.0
<b>Net assets</b>									
Shareholders' equity	4,936	5,261	6,171	7,085	8,488	10,439	12,790	15,520	20.3
Warrants	30	1	1	1	1	1	1	1	
Minorities	398	403	452	554	670	799	940	1,088	
Total net assets	5,364	5,665	6,623	7,640	9,159	11,239	13,731	16,608	20.2
Debt	2,740	4,999	3,545	3,600	3,600	3,600	3,600	3,600	
D/E (x)	0.6	1.0	0.6	0.5	0.4	0.3	0.3	0.2	
Shareholders' equity ratio (%)	43.7	37.9	46.3	47.9	50.7	54.5	58.2	61.7	

Source: Company data, Mita Securities

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

CF	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	5y ave growth
Consolidated, JPYm	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/26	(CAGR, %)
<b>Cashflow from operations</b>									
Net profit	1,523	686	1,054	1,155	1,723	2,352	2,912	3,450	
Depreciation and amortization	445	541	622	721	732	743	759	775	
Other	493	-185	-620	-44	-57	-48	-44	-43	
<b>Cashflow from investing</b>									
Capital expenditure	-124	-347	-634	-400	-400	-400	-400	-400	
Disposal of fixed assets	0	0	0	0	0	0	0	0	
Other	-2,758	-964	-262	0	0	0	0	0	
<b>Cashflow from financing</b>									
Debt issuance /repayment	1,020	2,258	-1,471	55	0	0	0	0	
Share issuance /buyback	166	0	0	0	0	0	0	0	
Dividend paid	-353	-361	-240	-240	-320	-400	-561	-721	
Other	104	-168	-40	0	0	0	0	0	
Cash and cash equivalents	4,385	5,954	4,362	5,609	7,286	9,532	12,198	15,260	
Free cashflow	-422	-269	159	1,432	1,997	2,646	3,227	3,783	

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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