



Fast Fitness Japan

TSE Prime 7092 Industry: Leisure & amusement

Reiterate Buy while lowering TP on model adjustment. Anytime Fitness to become Japan's leading fitness club

New TP at 2,650 yen. Reiterate Buy

We update our earnings forecast and valuation model for Fast Fitness Japan (7092, FFJ, the company) and lower our target price to 2,650 yen. However, we maintain our Buy rating based on 1) expected recovery of the fitness market from the COVID-19 pandemic, 2) the stability of FFJ's earnings structure based on its franchise business, and 3) the high growth potential of Anytime Fitness over the medium to long term. We believe that the current share price has been sufficiently adjusted and is at an attractive entry point.

In its FY3/22 guidance announced in May 2021, the company set an ambitious goal of opening 180 new fitness clubs. However, the plan was revised downward each quarter: to 160 stores in August, 120 stores in November, and 100 stores in February. This seems to have had a negative impact on the stock price, as market participants did not feel that the company had run out of bad news.

Nevertheless, its ability to open 100 fitness clubs per year (equivalent to 11% of the store count at end-FY3/21) under the pandemic indicates that Anytime Fitness is an excellent franchise business format. It may be compared to a person who set an optimistic but extremely high goal for training and has been steadily gaining a muscular body, even if he or she has not achieved the targeted muscle mass.

Mita Securities' earnings forecast update

We changed our OP forecasts from 2.8bn yen to 2.9bn yen (+26.5% YoY; OPM 22.6%; company guidance 2.6bn yen) for FY3/22, 3.4bn yen to 3.1bn yen for FY3/23, and 4.0bn yen to 3.6bn for FY3/24. We lowered the total store count assumptions from 1,063 to 1,000 at end-FY3/22, 1,237 to 1,097 at end-FY3/23, and 1,423 to 1,221 at end-FY3/24.

We believe that the company opened only 83 franchise stores in FY3/22, but that the worst is over. We expect the company to gradually accelerate the pace of new store openings, with 100 stores in FY3/23 and 120 stores in FY3/24. Since Anytime Fitness' customers are mainly relatively young men who are active even under the pandemic, it is highly likely that the membership per store will recover relatively quickly.

Valuations and risk factors

In calculating our target price of 2,650 yen, we used a residual income model (RIM) with a cost of equity of 7.0% (previously 5.5%) and a terminal growth rate of 3.0% (previously 3.5%), based on our earnings forecasts for FY3/22-FY3/27 (updated due to progress of the term). The significant reduction in our target price is primarily due to the reduction in our cost of equity assumption, which reflects greater than expected volatility in the company's stock price. Our new target price is equivalent to 25.3x our FY3/24 EPS forecast of 104.75 yen.

Risk factors to our view include a significant decrease in new store openings, a significant decline in the number of members per store, intensified price competition due to the overcrowding of small-scale gyms, occurrence of cannibalization, and a deteriorating relationship with the U.S. franchise headquarters.

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Forecast change

Rating
Buy

Target price (JPY)	2,650 ← 5,600
Stock price (JPY) (Apr 1)	1,836
Market cap (JPYbn)	34.3

Key changes

Rating	No
Target price	Yes
Earnings forecast	Yes

Stock price (JPY)



Source: Bloomberg Finance LP

Earnings

		3/20	3/21	3/22E	3/23E	3/24E
Sales	JPYbn	11.3	11.2	12.9	14.6	16.9
OP	JPYbn	2.8	2.3	2.9	3.1	3.6
RP	JPYbn	2.8	2.3	2.9	3.1	3.6
NP	JPYbn	1.6	0.9	1.4	1.7	2.0
EPS	JPY	112.8	49.2	77.2	89.2	104.8
BPS	JPY	230.0	434.7	503.6	581.8	674.5
DPS	JPY	1.9	7.1	11.0	12.0	14.0
PER	x	NA	59.8	23.8	20.6	17.5
PBR	x	NA	6.8	3.6	3.2	2.7
Div. yield	%	NA	0.2	0.6	0.7	0.8
ROA	%	12.3	5.0	6.8	7.3	7.6
ROE	%	64.6	16.1	16.4	16.4	16.7

Source: Company data, Mita Securities

Company profile

Fast Fitness Japan operates the 24-hour machine-focused fitness club Anytime Fitness mainly through a franchise system, with 975 stores and 622,000 members at the end of December, 2021.

Investment thesis

Outlook

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

JPYm	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26	3/27	3/22
	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	CoE
Earnings										
Sales	8,024	11,334	11,164	12,854	14,621	16,877	19,001	21,267	23,277	13,000
(YoY, %)	191.8	41.2	-1.5	15.1	13.8	15.4	12.6	11.9	9.4	
Operating profit	1,675	2,831	2,294	2,901	3,083	3,572	4,207	4,901	5,471	2,600
(YoY, %)	NA	69.0	-19.0	26.5	6.3	15.8	17.8	16.5	11.6	
OPM (%)	20.9	25.0	20.5	22.6	21.1	21.2	22.1	23.0	23.5	
Recurring profit	1,671	2,829	2,256	2,902	3,077	3,562	4,194	4,886	5,454	2,500
(YoY, %)	329.5	69.3	-20.3	28.7	6.0	15.8	17.7	16.5	11.6	
Net profit	928	1,628	921	1,441	1,666	1,957	2,324	2,722	3,057	1,100
(YoY, %)	NA	75.4	-43.4	56.6	15.6	17.5	18.8	17.1	12.3	
Depreciation	548	839	1,029	1,169	1,274	1,376	1,531	1,740	1,955	
Capital expenditure	1,565	3,146	1,893	1,400	50	1,020	1,550	2,090	2,150	
Free CF	796	-1,297	-218	797	703	1,875	1,817	2,006	2,611	
KPI										
Number of stores (EOP)	502	736	907	1,000	1,097	1,221	1,369	1,530	1,690	1,002
(YoY, %)	57.9	46.6	23.2	10.3	9.7	11.3	12.1	11.8	10.5	
FC stores	414	604	756	835	900	1,016	1,151	1,295	1,438	837
(YoY, %)	63.6	45.9	25.2	10.4	7.8	12.9	13.3	12.5	11.0	
Directly-owned stores	88	132	151	165	197	205	218	235	252	165
(YoY, %)	35.4	50.0	14.4	9.3	19.4	4.1	6.3	7.8	7.2	
New store openings	184	234	177	98	133	130	155	170	170	100
FC stores	161	192	157	83	100	120	140	150	150	85
Directly-owned stores	23	42	20	15	33	10	15	20	20	15
Number of members (EOP, 000)	411	582	565	630	722	853	1,010	1,190	1,361	
(YoY, %)	NA	41.6	-2.9	11.5	14.6	18.1	18.5	17.8	14.3	
FC stores	348	487	476	534	603	721	863	1,023	1,179	
(YoY, %)	NA	40.0	-2.3	12.3	12.8	19.6	19.7	18.5	15.3	
Directly-owned stores	63	94	89	96	119	131	147	167	181	
(YoY, %)	NA	48.6	-5.3	7.5	24.5	10.1	12.2	13.4	8.7	
Per share indicators (adjusted for stock splits)										
EPS (JPY)	64.33	112.81	49.23	77.15	89.17	104.75	124.41	145.68	163.61	58.84
BPS (JPY)	119.10	229.99	434.72	503.58	581.75	674.51	784.91	914.60	1,078.21	
DPS (JPY)	1.92	1.92	7.05	11.00	12.00	14.00	16.00	18.00	20.00	NA
Valuation, profitability, etc.										
PER (x)	NA	NA	59.8	23.8	20.6	17.5	14.8	12.6	11.2	
PBR (x)	NA	NA	6.8	3.6	3.2	2.7	2.3	2.0	1.7	
Dividend payout ratio (%)	3.0	1.7	14.0	14.3	13.5	13.4	12.9	12.4	12.2	
Dividend yield (%)	NA	NA	0.2	0.6	0.7	0.8	0.9	1.0	1.1	
ROA (%)	13.9	12.3	5.0	6.8	7.3	7.6	8.0	8.3	8.3	
ROE (%)	78.1	64.6	16.1	16.4	16.4	16.7	17.0	17.1	16.4	
Financial soundness indicators										
Shareholders' equity ratio (%)	16.0	21.2	38.5	43.7	44.7	45.9	47.6	49.5	51.9	
Net D/E ratio (%)	0.6	0.7	-0.2	-0.2	-0.2	-0.3	-0.4	-0.4	-0.5	

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast change (consolidated)

JPYm	3/22	3/22	3/22	3/23	3/23	3/24	3/24
	CoE	Old Mita E	New Mita E	Old Mita E	New Mita E	Old Mita E	New Mita E
Sales	13,000	13,050	12,854	14,908	14,621	17,021	16,877
Operating profit	2,600	2,825	2,901	3,379	3,083	3,991	3,572
Recurring profit	2,500	2,825	2,902	3,367	3,077	3,978	3,562
Net profit	1,100	1,395	1,441	1,840	1,666	2,207	1,957
EPS (JPY)	58.84	74.64	77.15	98.44	89.17	118.08	104.75

Source: Company data, Mita Securities

Valuations

Stock valuation based on residual income model (RIM)

In calculating our target price of 2,650 yen, we used a residual income model (RIM) with a cost of equity of 7.0% (previously 5.5%) and a terminal growth rate of 3.0% (previously 3.5%), based on our earnings forecasts for FY3/22-FY3/27 (updated due to progress of the term). Our target price is equivalent to 25.3x our FY3/24 EPS forecast of 104.75 yen.

Background for TP reduction

The increase in our cost of equity assumption is based on an increase in our beta assumption (from 1.0 to 1.3). This reflects greater than expected volatility in the company's stock price. Also, the reduction in our terminal growth rate assumption reflects the considerable downward revision of the company's new store opening guidance for FY3/22. The significant reduction in our target price is primarily due to the reduction in our cost of equity assumption.

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)	9.4	10.9	12.6	14.7	17.1	20.1	
Net profit		1.7	2.0	2.3	2.7	3.1	
Cost of equity		0.7	0.8	0.9	1.0	1.2	
Residual income		1.0	1.2	1.4	1.7	1.9	
PV of residual income		0.9	1.0	1.2	1.3	1.3	
PV of terminal value							34.2

Beta	1.30						
Risk free rate (%)	0.50						
Risk premium (%)	5.00						
Cost of equity (%)	7.00						
Terminal growth rate (%)	3.00						
					Total equity value	49.4	
					Number of shares O/S (m)	18.7	
					Target share price	2,650	

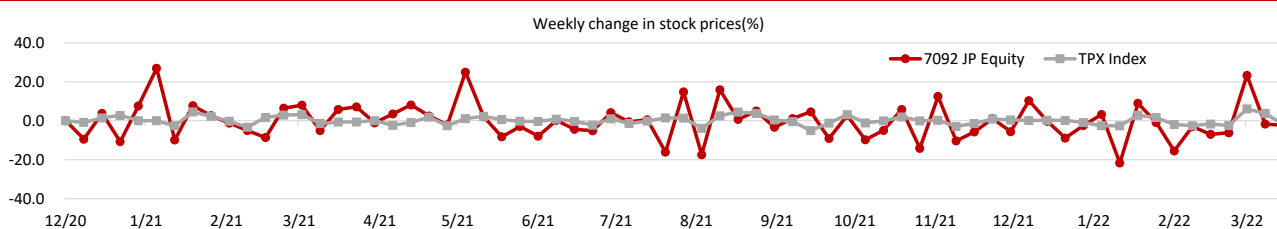
Source: Company data, Mita Securities

Figure: Sensitivity of target price to terminal growth rate

Terminal growth rate	2.40	2.50	2.60	2.70	2.80	2.90	3.00	3.10	3.20	3.30	3.40	3.50	3.60
Target price	2,400	2,450	2,450	2,500	2,550	2,600	2,650	2,700	2,750	2,800	2,850	2,900	3,000

Source: Mita Securities

Figure: Weekly change in stock prices



Source: Bloomberg Finance LP data, Mita Securities

Comparison of valuations with peers (reference)

Figure: Comparison of valuations for fitness club operators

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
		1-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
RENAISSANCE INC	2378	986	21.1	1.7	13.5	-4.1	-37.0	4.8	NA	NA	37.2	20.7	1.8	NA	1.0	0.6	-3.2	-12.4	-16.1
RIZAP GROUP INC	2928	150	83.4	1.4	-1.5	8.6	13.2	NA	NA	29.7	NA	NA	2.9	NA	NA	NA	-5.7	-11.8	-29.9
CENTRAL SPORTS CO LTD	4801	2,382	27.3	0.3	4.4	10.1	6.6	NA	NA	18.0	NA	NA	1.2	NA	NA	NA	0.0	-2.6	-3.4
CURVES HOLDINGS CO LTD	7085	716	67.2	0.8	8.3	NA	19.3	NA	NA	42.3	NA	NA	7.3	NA	NA	NA	7.2	-10.7	-28.8
FAST FITNESS JAPAN INC (TP 2,650 Buy)	7092	1,836	34.3	-0.2	NA	29.0	21.5	15.9	18.0	19.1	24.6	18.7	3.6	NA	2.5	0.5	11.1	-33.0	-43.8
TOSHIO CO LTD (TP 3,300 Buy)	8920	1,737	66.6	0.4	-24.0	21.6	2.2	4.4	6.8	86.0	28.8	30.3	1.9	12.0	2.9	0.3	1.3	4.4	-5.4
Average				0.7	0.2	13.1	4.3	8.4	12.4	39.0	30.2	23.2	3.1	12.0	2.1	0.5	1.8	-11.0	-21.2
Median				0.6	4.4	10.1	9.9	4.8	12.4	29.7	28.8	20.7	2.4	12.0	2.5	0.5	0.6	-11.2	-22.5

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 franchise business operators

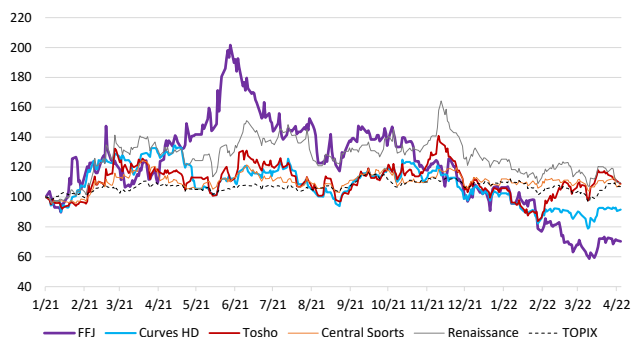
Company name	Ticker	PX	Mkt cap	Net D/E	Sales YoY	EBITDA Mgn	ROE	ROE	ROE	PER	PER	PER	PBR	EV/EBITDA	EV/Sales	Div yield	1M	3M	1YR
		1-Apr	JPYbn	Last	LTM	LTM	LTM	Cur E	Nxt E	LTM	Cur E	Nxt E	Last	Cur E	Cur E	Cur E	Chg	Chg	Chg
KOBE BUSSAN CO LTD	3038	3,685	1,008.2	-0.3	8.6	8.5	28.7	25.3	25.2	39.8	38.6	33.4	10.1	27.7	2.5	0.6	-7.3	-14.8	22.8
KOMEDA HOLDINGS CO LTD (TP 3,000 Buy)	3543	2,059	95.1	1.5	10.0	24.0	13.3	13.6	13.6	20.3	19.1	17.8	2.6	15.5	4.2	2.5	-0.7	-0.1	2.8
IBJ INC (TP 1,450 Buy)	6071	803	33.7	-0.1	7.7	15.3	18.4	20.9	21.1	30.5	22.6	18.8	5.2	14.7	2.0	1.1	10.2	-12.3	-15.9
CURVES HOLDINGS CO LTD	7085	716	67.2	0.8	8.3	NA	19.3	NA	NA	42.3	NA	NA	7.3	NA	NA	NA	7.2	-10.7	-28.8
FAST FITNESS JAPAN INC (TP 2,650 Buy)	7092	1,836	34.3	-0.2	NA	29.0	21.5	15.9	18.0	19.1	24.6	18.7	3.6	NA	2.5	0.5	11.1	-33.0	-43.8
WORKMAN CO LTD	7564	5,000	409.2	-0.4	10.2	24.5	19.4	NA	NA	22.6	22.4	21.1	4.1	NA	NA	1.4	-5.3	-9.3	-38.5
Average				0.2	9.0	20.3	20.1	18.9	19.5	29.1	25.5	22.0	5.5	19.3	2.8	1.2	2.5	-13.4	-16.9
Median				-0.1	8.6	24.0	19.4	18.4	19.6	26.6	22.6	18.8	4.7	15.5	2.5	1.1	3.3	-11.5	-22.4

Source: Bloomberg Finance LP data, Mita Securities

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

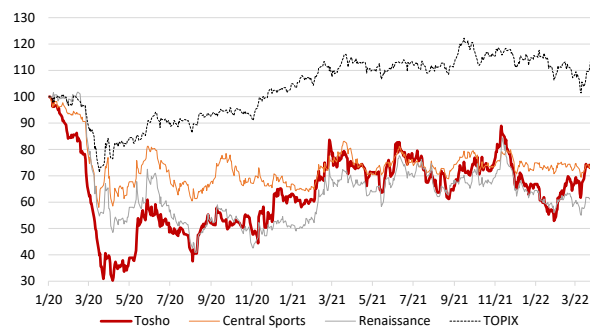
Comparison of stock price trends (reference)

Figure: Stock price trends for fitness club companies



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

Figure: Stock price trends for fitness club companies



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

Risk factors

Risk factors to our view include a significant decrease in new store openings, a significant decline in the number of members per store, intensified price competition due to the overcrowding of small-scale gyms, occurrence of cannibalization, and a deteriorating relationship with the U.S. franchise headquarters.

Mita Securities' earnings forecast

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

Various indicators	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26	3/27	5-yr growth (CAGR, %)
	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	
Sales growth (%)	191.8	41.2	-1.5	15.1	13.8	15.4	12.6	11.9	9.4	
OP growth (%)	NA	69.0	-19.0	26.5	6.3	15.8	17.8	16.5	11.6	
RP growth (%)	329.5	69.3	-20.3	28.7	6.0	15.8	17.7	16.5	11.6	
NP growth (%)	NA	75.4	-43.4	56.6	15.6	17.5	18.8	17.1	12.3	
Gross profit margin (%)	47.4	46.4	40.6	43.1	43.0	43.2	43.4	43.6	43.8	
OP margin (%)	20.9	25.0	20.5	22.6	21.1	21.2	22.1	23.0	23.5	
EBITDA margin (%)	27.8	32.5	30.0	31.9	30.5	30.5	31.2	32.2	32.8	
ROA (%)	13.9	12.3	5.0	6.8	7.3	7.6	8.0	8.3	8.3	
ROE (%)	78.1	64.6	16.1	16.4	16.4	16.7	17.0	17.1	16.4	

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	5-yr growth (CAGR, %)
	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	
Consolidated, JPY										
Sales	8,024	11,334	11,164	12,854	14,621	16,877	19,001	21,267	23,277	12.6
FC sales	3,027	4,235	4,545	5,045	5,511	6,236	7,123	7,926	8,598	11.3
Store sales	4,396	6,200	5,915	7,203	8,381	9,765	10,856	12,246	13,583	13.5
Other revenues	600	899	703	606	730	876	1,022	1,095	1,095	12.6
COGS	4,218	6,078	6,630	7,314	8,334	9,586	10,754	11,995	13,081	
Gross profit	3,807	5,256	4,534	5,540	6,287	7,291	8,246	9,273	10,195	13.0
SGA	2,131	2,424	2,240	2,639	3,204	3,719	4,040	4,371	4,724	
Operating profit	1,675	2,831	2,294	2,901	3,083	3,572	4,207	4,901	5,471	13.5
Non-operating income	43	56	46	76	67	68	70	74	77	
Non-operating expenses	47	58	84	75	74	79	84	89	94	
Recurring profit	1,671	2,829	2,256	2,902	3,077	3,562	4,194	4,886	5,454	13.4
Extraordinary gains	1	0	108	0	0	0	0	0	0	
Extraordinary losses	133	123	775	500	300	300	320	350	360	
Pre-tax profit	1,539	2,705	1,590	2,402	2,777	3,262	3,874	4,536	5,094	16.2
Corporate taxes	611	1,077	669	961	1,111	1,305	1,549	1,814	2,038	
Net profit attributable to minorities	0	0	0	0	0	0	0	0	0	
Net profit	928	1,628	921	1,441	1,666	1,957	2,324	2,722	3,057	16.2
EBITDA	2,234	3,684	3,345	4,094	4,457	5,148	5,937	6,841	7,626	13.2
Shares outstanding (m)	0.0	9.3	12.0	18.7	18.7	18.7	18.7	18.7	18.7	
EPS	50,179.46	175.98	76.80	77.15	89.17	104.75	124.41	145.68	163.61	
BPS	92,899.08	358.78	678.16	503.58	581.75	674.51	784.91	914.60	1,078.21	
DPS	1,500.00	3.00	11.00	11.00	12.00	14.00	16.00	18.00	20.00	
Payout ratio (%)	3.0	1.7	14.0	14.3	13.5	13.4	12.9	12.4	12.2	

Source: Company data, Mita Securities

Note: Per share indicators in the past are not adjusted for stock splits, and therefore do not match the figures on pages 1 and 2

Figure: Mita Securities' earnings forecast (number of stores and membership)

Number of stores and membership	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26	3/27	5-yr growth (CAGR, %)
	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	
Number of stores (end-FY)	502	736	907	1,000	1,097	1,221	1,369	1,530	1,690	11.1
(YoY, %)	57.9	46.6	23.2	10.3	9.7	11.3	12.1	11.8	10.5	
FC stores	414	604	756	835	900	1,016	1,151	1,295	1,438	11.5
(YoY, %)	63.6	45.9	25.2	10.4	7.8	12.9	13.3	12.5	11.0	
Directly-owned stores	88	132	151	165	197	205	218	235	252	8.8
(YoY, %)	35.4	50.0	14.4	9.3	19.4	4.1	6.3	7.8	7.2	
New store openings	184	234	177	98	133	130	155	170	170	
FC stores	161	192	157	83	100	120	140	150	150	
Directly-owned stores	23	42	20	15	33	10	15	20	20	
Number of members (end-FY, '000)	411	582	565	630	722	853	1,010	1,190	1,361	16.6
(YoY, %)	NA	41.6	-2.9	11.5	14.6	18.1	18.5	17.8	14.3	
FC stores	348	487	476	534	603	721	863	1,023	1,179	17.1
(YoY, %)	NA	40.0	-2.3	12.3	12.8	19.6	19.7	18.5	15.3	
Directly-owned stores	63	94	89	96	119	131	147	167	181	13.6
(YoY, %)	NA	48.6	-5.3	7.5	24.5	10.1	12.2	13.4	8.7	
Number of members per store (end-FY)	819	791	623	630	658	698	738	778	805	
FC stores	840	806	630	640	670	710	750	790	820	
Directly-owned stores	719	712	589	580	605	640	675	710	720	

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	5-yr growth (CAGR, %)
Consolidated, JPYm	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	
Assets										
Total current assets	4,817	6,503	11,328	10,922	10,134	12,850	15,408	18,095	21,357	
Cash and deposits	3,535	4,709	9,333	8,964	9,961	12,112	14,168	16,375	19,486	
Accounts receivable	865	1,220	1,159	1,250	1,506	1,807	2,108	2,259	2,259	
Inventories	146	140	166	179	216	259	302	324	324	
Other	271	434	669	528	-1,549	-1,328	-1,170	-862	-712	
Total fixed assets	5,929	9,121	9,766	10,616	14,175	14,601	15,377	16,426	17,464	
Fixed assets	3,818	6,319	6,614	7,228	8,629	8,980	9,549	10,294	11,038	
Intangibles	178	215	233	200	1,739	1,659	1,615	1,591	1,556	
Investment and other	1,933	2,587	2,918	3,189	3,807	3,962	4,213	4,542	4,870	
Total assets	10,746	15,624	21,094	21,538	24,310	27,451	30,785	34,521	38,821	12.5
Liabilities										
Total current liabilities	3,763	4,570	4,853	6,157	6,634	7,442	8,207	9,009	9,731	
Accounts payable	70	77	173	40	46	52	59	66	72	
Short-term debt	1,139	1,927	2,680	2,310	2,250	2,400	2,550	2,700	2,850	
Other	2,555	2,565	2,001	3,807	4,338	4,990	5,598	6,243	6,809	
Total long-term liabilities	5,264	7,736	8,112	5,973	6,808	7,408	7,914	8,425	8,947	
Long-term debt	3,414	5,125	5,325	4,690	5,250	5,600	5,950	6,300	6,650	
Other	1,850	2,611	2,787	1,283	1,558	1,808	1,964	2,125	2,297	
Liabilities	9,028	12,306	12,965	12,130	13,441	14,850	16,121	17,434	18,677	9.0
Net assets										
Shareholders' equity	1,719	3,319	8,129	9,408	10,869	12,602	14,664	17,087	20,144	
Warrants	0	0	0	0	0	0	0	0	0	
Minorities	0	0	0	0	0	0	0	0	0	
Total net assets	1,719	3,319	8,129	9,408	10,869	12,602	14,664	17,087	20,144	16.4
Debt										
Debt	4,552	7,052	8,005	7,000	7,500	8,000	8,500	9,000	9,500	
Net debt	1,017	2,342	-1,329	-1,964	-2,461	-4,112	-5,668	-7,375	-9,986	
Net debt/EBITDA (x)	0.5	0.6	-0.4	-0.5	-0.6	-0.8	-1.0	-1.1	-1.3	
Net D/E ratio (x)	0.6	0.7	-0.2	-0.2	-0.2	-0.3	-0.4	-0.4	-0.5	
Shareholders' equity ratio (%)	16.0	21.2	38.5	43.7	44.7	45.9	47.6	49.5	51.9	

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	5-yr growth (CAGR, %)
Consolidated, JPYm	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E	
Operating CF	2,670	2,328	1,950	2,397	2,753	3,195	3,717	4,496	5,211	
Net profit	928	1,628	921	1,441	1,666	1,957	2,324	2,722	3,057	
Depreciation and amortization	559	853	1,051	1,193	1,374	1,576	1,731	1,940	2,155	
Other	1,183	-153	-21	-237	-287	-338	-338	-165	0	
Investing CF	-1,874	-3,625	-2,168	-1,600	-2,050	-1,320	-1,900	-2,490	-2,600	
Capital expenditure	-1,565	-3,146	-1,893	-1,400	-50	-1,020	-1,550	-2,090	-2,150	
Disposal of fixed assets	-16	-13	-4	0	0	0	0	0	0	
Other	-293	-466	-271	-200	-2,000	-300	-350	-400	-450	
Financing CF	1,089	2,472	4,842	-1,167	295	276	238	201	500	
Debt issuance/repayment	1,117	2,499	953	-1,005	500	500	500	500	500	
Share capital issuance/buy-back	0	0	3,917	-33	0	0	0	0	0	
Dividends paid	-28	-28	-28	-129	-206	-224	-262	-299	0	
Other	0	0	0	0	0	0	0	0	0	
Cash and cash equivalents	3,535	4,709	9,333	8,964	9,961	12,112	14,168	16,375	19,486	
Free CF	796	-1,297	-218	797	703	1,875	1,817	2,006	2,611	

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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