

**TAKARA LEBEN (8897 JP)**

RECORD CONDO DELIVERIES CONFIRM SOLID DEMAND FOR PERMANENT HOMES. NEW MED-TERM PLAN LAUNCHED

**FY20 RESULTS**

Takara Leben (8897 JP) reported FY20 GP of ¥29,928mil (-1.9% YoY) and OP of ¥10,789mil (-9.3% YoY) on sales of ¥148,397mil (-11.9% YoY). The result came in ahead of the upward revision to the full-year FY20 guidance at the time of Q3 results which were for GP of ¥26,900mil (-11.9% YoY) and OP of ¥7,300mil (-38.7% YoY) on sales of ¥141,900mil (-15.8% YoY). The overshoot was mainly due to better-than-expected performance of the Real Estate Sales Business sub-segment, New Built-for-Sale Condominium Segment, which reported record earnings thanks to a record number of condominiums delivered.

The total gross profit margin [GPM] improved from FY19's 18.1% to 20.2% in FY20, on the back of a significant improvement in the other Real Estate Sales Business sub-segment – the Liquidation business – as the segment GPM on rose from 12.8% in FY19 to 27.7% because of a sale of in-house developed residential properties. Moreover, condominium prices did not decline as the supply / demand conditions remained tight, which also led to better GPMs of the new built-for sale condominiums.

**SEGMENTS****Real Estate Sales Business**

The Real Estate Sales Business saw FY20 gross profits [GP] of ¥24,887mil (+10.0% YoY) on sales of ¥117,200mil (-9.6% YoY). The segment is further divided into five divisions – New Built-for-Sale Condominiums, New Detached Houses, Renewal Resale, Liquidation and Others. The two segments that have a relatively larger influence on the firm's earnings are discussed below:

**1. New Built-for-Sale Condominiums Segment**

In the New Built-for-Sale Condominiums Business – Takara Leben's core business – the firm reported FY20 GP of ¥17,339mil (+10.8% YoY) on sales of ¥79,435mil (+2.9% YoY). The firm planned to deliver 1,980 units (1,850 units excluding units under a joint venture [JV]) in FY20. By the end of Q3, 2,039 units were contracted, which produced a contract ratio of 103.0% vs 89.5% in Q2. As a result, the firm delivered a record 2,129 condominiums in FY20.

The company guidance for this business was revised from the previous FY20 GP forecast of ¥15,000mil on sales of ¥74,000mil to a GP of ¥15,900mil (+1.6% YoY) on sales of ¥76,400mil (-1.0% YoY) with Q3 results. FY20 results overshoot the upward revised guidance. The upward revision was partly because the forecast announced in September 2020 was on the conservative side and demand for permanent homes remained solid despite the pandemic.

During the first State of Emergency closures, the firm's show homes were temporarily closed. However, since July, not only did the monthly

**EXECUTIVE SUMMARY**

- Takara Leben (8897 JP) reported FY20 GP of ¥29,928mil (-1.9% YoY) and OP of ¥10,789mil (-9.3% YoY) on sales of ¥148,397mil (-11.9% YoY), coming in ahead of the revised guidance at the time of Q3 results. GPM improved +2.1ppt YoY.
- The New Built-for-Sale Condominium Segment saw record deliveries (2,129 units vs the planned 1,980). Demand for permanent homes were also solid.
- Takara Leben is guiding for FY21 GP of ¥29,100mil (-2.8% YoY), OP of ¥7,900mil (-26.8% YoY) on sales of ¥158,600mil (+6.9% YoY). The firm forecasts the Real Estate Sales Business GP to fall 23.3% YoY to ¥19,100mil on sales of ¥107,900mil (-7.9% YoY), reflecting an expected YoY decline of condominiums to be delivered and a fall in the Liquidation business GPM.
- FY21 is the first year of the four-year medium-term management plan. In the final year (FY24), the firm aims to achieve GP of ¥38,700mil (4-year CAGR of 6.6%) and OP of ¥15,700mil (4-year CAGR of 9.8%) on sales of ¥203,700mil (4-year CAGR of 8.2%).
- During the medium-term management plan, Takara Leben will also focus on the promotion of ESG initiatives, such as energy business, non-financial data disclosure and increasing ratios of external independent directors and female directors.
- Shareholder return policy will be primarily a dividend pay-out of 30~35%.

number of visitors increased on a YoY basis, the number of viewers on its website for new condominiums improved throughout the year and they also spent more time browsing. This sort of activity bodes well as it indicates real buying interest. The main target population for Takara Leben's condominiums is young families who tend to buy condominiums when their lifestyle changes, such as when their children start primary school. Unlike those who wish to invest in buy-to-let properties, the demand for permanent homes is relatively insensitive to the macroeconomic environment and has proved to be less affected by the current situation under COVID.

The firm reckons that demand for condominiums is supported by several factors such as the mortgage loan tax deductions provided by the Japanese government, the rise in dual income households, financial support from the elderly parents to their children, and ultra-low interest rates. Furthermore, the low supply of condominiums has helped support prices and not result in the need to reduce the price of a condominium to complete the sale. Consequently, the average unit price of a condominium in the Tokyo Metropolitan area remains well above ¥60mil/unit. Takara Leben's condominiums are on offer at an average price of ca. ¥40mil/unit – a much more affordable price zone for young families' permanent homes. The high contract ratio and tight supply-demand balance suggests that the firm will likely not have to offer discounts to clear inventory. The segment's FY20 GPM was 21.8%, +1.5pp YoY.

## 2. Liquidation Segment

The second largest division in the Real Estate Sales Business is Liquidation. The sub-segment reported FY20 GP of ¥6,204mil (+28.5% YoY) on sales of ¥22,376mil (-40.9% YoY). Both sales and segment GP overshot the revised guidance of GP of ¥5,800mil (+20.1% YoY) on sales of ¥20,700mil (-45.3% YoY). While the property liquidation market remained lacklustre during 1H, Takara Leben did not proactively invest in or sell properties. Properties sold in 2H included residential properties developed in-house, leading to an improved segment GPM. Out of the total properties sold during FY20, 73% were residential properties compared to 58% in FY19. As a result, the segment GPM hit 27.7%, compared to 12.8% in FY19.

Real Estate Sales Business Sales & GP by Division							
(¥mil)		FY19	FY20			MTP	
		FY	FYCE (New)	FY (Result)	YoY (%)	vs. CE (%)	FY20 Target
Segment Total	Sales	129,649	111,900	117,200	-9.6	4.7	129,950
	Gross profit	22,619	23,300	24,887	10.0	6.8	25,750
	GPM (%)	17.4	20.8	21.2	+3.8pp	+0.4pp	19.8
New Condos	Sales	77,171	76,400	79,435	2.9	4.0	84,500
	Gross profit	15,650	15,900	17,339	10.8	9.1	18,600
	GPM (%)	20.3	20.8	21.8	+1.5pp	+1.0pp	22.0
New Detached	Sales	7,808	5,700	5,329	-31.7	-6.5	14,850
	Gross profit	720	500	523	-27.3	4.7	1,950
	GPM (%)	9.2	8.8	9.8	+0.6pp	+1.0pp	13.1
Renewal Resale	Sales	3,431	4,200	3,866	12.7	-7.9	3,400
	Gross profit	421	700	613	45.7	-12.3	400
	GPM (%)	12.3	16.7	15.9	+3.6pp	-0.8pp	11.8
Liquidation	Sales	37,854	20,700	22,376	-40.9	8.1	24,000
	Gross profit	4,828	5,800	6,204	28.5	7.0	4,400
	GPM (%)	12.8	28.0	27.7	+14.9pp	-0.3pp	18.3
Others	Sales	3,382	4,900	6,193	83.1	26.4	3,200
	Gross profit	997	400	205	-79.4	-48.5	400
	GPM (%)	29.5	8.2	3.3	-26.2pp	-4.9pp	12.5

Source: Nippon-IBR based on Takara Leben's Medium-Term Management Plan (FY18~FY20) presentation material and FY20 Fact Book

### Segments other than Real Estate Sales Business

There are four other segments outside of Real Estate Sales – Real Estate Rental, Real Estate Management, Electric Power Generation (which includes Facility Sales and Electricity Sales) and Others.

- Real Estate Rental / Real Estate Management Business**

The Real Estate Rental Business earned FY20 GP of ¥1,183mil (-25.5% YoY) on sales of ¥5,753mil (-3.5% YoY), largely in line with the company estimate. The main business is to temporarily lease properties before they are sold through the Liquidation business.

The Real Estate Management Business reported FY20 GP of ¥518mil (-10.1% YoY) on sales of ¥5,446mil (+7.9% YoY). The number of condominiums under management rose by 6,290 units to 66,037 units, though 51.3% (33,859 units) of the condominiums under management are developed by other condominium developers. Resident associations are constantly looking to change property management agents, especially if it results in a lower property management service charge. This business has become more price competitive, hence the FY20 GPM fell to 9.5% from 11.4% in FY19.

- Electric Power Generation Business**

The Electric Power Generation Business is divided into two businesses: (1) the sale of facilities and (2) the sale of electricity generated at mega solar facilities owned by Takara Leben. In the Sales of Power Facilities division, the firm earned GP of ¥973mil (-67.8% YoY) on sales of ¥7,688mil (-51.9% YoY). Five mega solar facilities were sold to Takara Leben Infrastructure Inc. (9281 JP) during 2H, while no sales were made during 1H. On the other hand, the Sale of Electricity division reported a gross loss of ¥290mill on sales of ¥5,797mil (+16.0% YoY), resulting in the segment GP falling 78.2% YoY to ¥683mil on sales of ¥13,485mil (-35.7% YoY) and reducing the GPM from 15.0% in FY19 to 5.1% in FY20. This was due to a shortage of insolation and rising depreciation costs after completion of a large scale mega solar facility.

Sales & GP by Segment other than Real Estate Sales Business								
(¥mil)		FY19	FY20				MTP	
		Actual	1H	FYCE (New)	FY (Result)	YoY (%)	vs. CE (%)	FY20 Target
Real Estate Rental	Sales	5,965	2,815	5,500	5,753	-3.5	4.6	6,300
	Gross profit	1,589	575	1,000	1,183	-25.5	18.4	1,575
	GPM (%)	26.7	20.5	18.2	20.6	-6.1pp	+2.4pp	25.0
Real Estate Management	Sales	5,046	2,720	5,400	5,446	7.9	0.9	5,400
	Gross profit	576	264	400	518	-10.1	29.6	700
	GPM (%)	11.4	9.7	7.4	9.5	-1.9pp	+2.1pp	13.0
Sale of Power Facilities	Sales	15,983	0	7,450	7,688	-51.9	3.2	17,000
	Gross profit	3,020	0	750	973	-67.8	29.9	2,700
	GPM (%)	18.9	n/a	10.1	12.7	-6.2pp	+2.6pp	15.9
Sale of Electricity	Sales	4,999	2,903	5,650	5,797	16.0	2.6	4,200
	Gross profit	116	-189	-350	-290	-348.7	n/a	210
	GPM (%)	2.3	n/a	n/a	n/a	n/a	n/a	5.0
Others	Sales	6,850	2,951	6,000	6,512	-4.9	8.5	7,150
	Gross profit	2,593	1,051	1,800	2,655	2.4	47.5	3,565
	GPM (%)	37.9	35.6	30.0	40.8	+2.9pp	+10.8pp	49.9

Source: Nippon-IBR based on Takara Leben's Medium-Term Management Plan (FY18~FY20) presentation material and FY20 Fact Book

## FY21 GUIDANCE

Takara Leben is guiding for GP of ¥29,100 (-2.8% YoY) and OP of ¥7,900mil (-26.8% YoY) on sales of ¥158,600mil (+6.9% YoY). The firm is expecting a 23.3% YoY drop in the Real Estate Sales segment GP to ¥19,100mil on sales of ¥107,900mil (-7.9% YoY), to reflect the lower number of condominiums to be delivered compared to FY20 and a fall in the GPM of the Liquidation business.

FY19~FY20 Earnings Results & FY21 Guidance				
(¥mil)	FY19	FY20	FY21	YoY (%)
Sales	168,493	148,397	158,600	6.9
Real Estate Sales Business	129,649	117,200	107,900	-7.9
Real Estate Rental Business	5,965	5,753	5,400	-6.1
Real Estate Management Business	5,046	5,446	5,500	1.0
Energy Business	20,982	13,485	31,000	129.9
Sale of Energy Facilities	15,983	7,688	23,260	202.5
Sale of Electricity	4,999	5,797	7,740	33.5
Other Business	6,850	6,512	8,800	35.1
COGS	137,977	118,469	129,500	9.3
Gross Profit	30,516	29,928	29,100	-2.8
GPM (%)	18.1	20.2	18.3	-1.9pp
SG&A	18,614	19,139	21,200	10.8
OP	11,901	10,789	7,900	-26.8
RP	11,201	9,933	7,100	-28.5
NP attributed to the Parent's Shareholders	5,361	4,693	4,800	2.3

Source: Nippon-IBR based on Takara Leben's FY20 Earnings Results Presentation

### Real Estate Sales Business

Of the estimated ¥5,787mil decline in the Real Estate Sales Business GP, ¥3,339mil will likely stem from New Built-for-Sale Condominiums and ¥3,104mil from Liquidation Segment.

#### 1. New Built-for-Sale Condominiums Segment

FY21 guidance for the firm's core business – newly built condominium sales – calls for GP of ¥14,000mil (-19.3% YoY) on sales of ¥70,000mil (-11.9% YoY). Takara Leben plans to sell 1,800 units of condominiums (1,750 units excluding units under a JV) in FY21, down by 329 units YoY. Compared to the expected delivery of 1,800 units, 859 units (835 units ex-JV), or 47.7%, were contracted at the beginning of the year. While demand for permanent homes proved solid, Takara Leben admits that its estimate for the number of units to be delivered in FY21 is conservative, as any prolonged impact from COVID could delay customers' decision to buy or in the finalising of contracts. At the same time, there are only 1,500 units delivery schedule for FY22, 300 units less than estimated sales units in FY21. The firm would rather carry over unit sales into FY22 to even out the segment sales trend. The supply-demand balance of the condominium market will likely remain favourable for developers, thanks to tight supply of condominiums.

As of the end of FY20, the firm had a land bank equivalent of 6,536 condominiums. Due to a more diverse regional coverage, the urban areas (the Tokyo Metropolitan area, the Chubu and the Kinki areas) comprise 46.1% of the land bank compared to 52% a year ago. With the rise in remote working, permanent home buyers are now not as restricted to looking for property predominantly in urban areas. With that in mind, Takara Leben reckons that its portfolio of condominiums in diverse locations will cater to such demand.

## 2. Liquidation Segment

Takara Leben is guiding for FY21 segment GP of ¥3,100mil (-50.0% YoY) on sales of ¥22,000mil (-1.7% YoY). The firm plans to invest ¥25,000mil on properties for the Liquidation business, primarily focusing on residential properties.

Real Estate Sales Business Sales & GP by Division		FY19		FY20		FY21CE	
(¥mil)		1H	FY	1H	FY	FY	YoY (%)
Segment Total	Sales	46,102	129,649	40,190	117,200	107,900	-7.9
	Gross profit	9,872	22,619	8,678	24,887	19,100	-23.3
	GPM (%)	21.4	17.4	21.6	21.2	17.7	-3.5pp
New Condos	Sales	24,874	77,171	26,148	79,435	70,000	-11.9
	Gross profit	5,780	15,650	6,490	17,339	14,000	-19.3
	GPM (%)	23.2	20.3	24.8	21.8	20.0	-1.8pp
New Detached	Sales	2,092	7,808	2,268	5,329	8,900	67.0
	Gross profit	161	720	203	523	900	71.8
	GPM (%)	7.7	9.2	9.0	9.8	10.1	+0.3pp
Renewal Resale	Sales	1,578	3,431	1,920	3,866	5,900	52.6
	Gross profit	233	421	293	613	900	46.6
	GPM (%)	14.8	12.3	15.3	15.9	15.3	-0.6pp
Liquidation	Sales	16,491	37,854	5,360	22,376	22,000	-1.7
	Gross profit	3,044	4,828	1,355	6,204	3,100	-50.0
	GPM (%)	18.5	12.8	25.3	27.7	14.1	-13.6pp
Others	Sales	1,065	3,382	4,493	6,193	1,100	-82.2
	Gross profit	653	997	334	205	200	-2.9
	GPM (%)	61.3	29.5	7.5	3.3	18.2	+14.9pp

Source: Nippon-IBR based on Takara Leben's FY20 Earnings Results Presentation

### Segments other than Real Estate Sales Business (Non-sale Segments)

FY21 guidance for Segments other than real estate sales business in total is GP of ¥10,000mil (+98.4% YoY) on sales of ¥50,700mil (+62.5% YoY). The largest contributor to sales and profit growth will be Energy Business Segment (changed the name from Electric Power Generation Business Segment from this year), thanks to increase in facility sales.

- **Energy Business (formerly Electric Power Generation Business)**

Takara Leben changed the Electric Power Generation Business segment's name to Energy Business because of its plan to build a power purchasing agreement [PPA] model. Whereas the remaining mega solar facilities available for sale have lower FIT price, the shift to a PPA model will likely offer Takara Leben an opportunity to expand the Energy Business. The bilateral trade of electricity, in which a seller and a buyer directly trade electricity under a PPA, enables the seller to make profits without having to rely on FIT prices. To ensure the firm is able to participate in these trades, Takara Leben has acquired PPA model specialist ACA Clean Energy Co., Ltd. (currently named Leben Clean Energy Co., Ltd.) and it is registered as a consolidated subsidiary.

For FY21, the Sales of Power Facilities sub-segment is expected to generate a GP of ¥3,940mil (+304.6% YoY) on sales of ¥23,260mil (+202.5% YoY). The Sale of Electricity sub-segment will likely move into the black with a GP of ¥560mil (vs a loss of ¥290mil in FY20) on sales of ¥7,740mil (+33.5% YoY) from facilities under operation which have generated 250MW (+44MW YoY). The firm does not assume any earnings contribution from the PPA business subsidiary in the FY21 guidance.

- Real Estate Rental / Real Estate Management Business**

For FY21, this business is forecast to generate a GP of ¥1,600mil (+35.2% YoY) on sales of ¥5,400mil (-6.1% YoY) from rental properties before they are sold through the Liquidation business.

Takara Leben plans to increase the number of properties under management to 70,000 condominiums (+3,963 units YoY) in FY21, to earn ¥600mil (+15.8% YoY) in GP on sales of ¥5,500mil (+1.0% YoY). The Real Estate Management Business has become even more competitive in pricing as many new entrants, developers as well as companies from other industries, enter the market. Takara Leben aims to target properties from which it can earn other fee income, such as for insurance, and repairs and maintenance. The first major repair phase of properties completed prior to the Lehman crisis is about to commence – properties for which the firm is also aiming to obtain property management mandates.

Sales & GP by Segment - other than Real Estate Sales Business							
(¥mil)		FY19		FY20		FY21CE	
		1H	FY	1H	FY	FY	YoY (%)
Real Estate Rental	Sales	2,886	5,965	2,815	5,753	5,400	-6.1
	Gross profit	753	1,589	575	1,183	1,600	35.2
	GPM (%)	26.1	26.7	20.5	20.6	29.6	+9.0pp
Real Estate Management	Sales	2,468	5,046	2,720	5,446	5,500	1.0
	Gross profit	257	576	264	518	600	15.8
	GPM (%)	10.4	11.4	9.7	9.5	10.9	+1.4pp
Sale of Power Facilities	Sales	383	15,983	0	7,688	23,260	202.5
	Gross profit	172	3,020	0	973	3,940	304.6
	GPM (%)	45.0	18.9	n/a	12.7	16.9	+4.2pp
Sale of Electricity	Sales	2,928	4,999	2,903	5,797	7,740	33.5
	Gross profit	139	116	-189	-290	560	-292.8
	GPM (%)	4.8	2.3	n/a	n/a	7.2	n/a
Others	Sales	3,230	6,850	2,951	6,512	8,800	35.1
	Gross profit	1,294	2,593	1,051	2,655	3,300	24.3
	GPM (%)	40.1	37.9	35.6	40.8	37.5	-3.3pp

Source: Nippon-IBR based on Takara Leben's FY20 Earnings Results Presentation

### Shareholder return

The FY21 dividend will be ¥14/share (flat YoY). In the previous medium-term management plan ending in FY20, the firm met its target pay-out ratio of between 25%~30% per annum. In the new four-year medium-term management plan that commences from FY21 until FY24, the firm has committed to a 30~35% pay out of EPS annually. In FY21, the estimated pay-out ratio will be 31.7%.

## THE NEW FOUR-YEAR MEDIUM-TERM MANAGEMENT PLAN

FY21 is the start of the new medium-term management plan that lasts four years to FY24. During the previous three-year management plan (FY18~FY20), earnings overshot the targets in the first two years but fell short in the final year due to COVID.

In the Real Estate Sales Business, despite changes in lifestyle and living needs triggered by COVID, demand for permanent homes remained solid. To meet the demand, Takara Leben managed to establish an annual supply capacity of 2,000 condominiums. The second-hand condominium market has also remained strong, which has helped the firm see stable growth in the Renewal Resale Segment. In the Liquidation Segment, both investments and sales grew steadily over the three years, though FY20 levels were lacklustre given the weak market. The only business that fell short of the target was the New Detached Houses Business. Not only is the market saturated but Takara Leben's products are not differentiating enough to encourage sales.

For the Non-sale Segments, most were devoid of any impact from COVID, and earnings were largely in line with the plan. In the Energy Business, however, there was a delay in sale of facilities due the late completion of a solar facility.

The new plan is defined as part of a long-term (10 year) vision. In the final year of the current plan (FY24), the firm aims to achieve GP of ¥38,700mil (4-year CAGR of 6.6%) and OP of ¥15,700mil (4-year CAGR of 9.8%) on sales of ¥203,700mil (4-year CAGR of 8.2%). Takara Leben aims to achieve the following key performance indicators [KPIs] by further expanding its core Real Estate Sales Business, while aiming to establish fee-based businesses such PPA and real estate management. The firm has the following four KPIs:

1. Shareholder equity ratio of more than 30% at the end of FY24
2. LTV less than 60% at the end of each year
3. D/E ratio less than 2.5x at the end of each year
4. ROE above 13% after FY23

FY21~FY24 Medium-term Management Plan Earnings Target Summary						
(¥mil)	Previous Plan	Medium-term Management Plan				
	FY20	FY21	FY22	FY23	FY24	CAGR (%)
Sales	148,397	158,600	155,200	187,100	203,700	8.2
GP	29,928	29,100	28,400	35,200	38,700	6.6
GPM (%)	20.2	18.3	18.3	18.8	19.0	n/a
OP	10,789	7,900	8,000	13,200	15,700	9.8
OPM (%)	7.3	5.0	5.2	7.1	7.7	n/a
RP	9,933	7,100	7,400	12,500	15,000	10.9
NP for the parent's shareholders	4,693	4,800	5,000	8,500	10,000	20.8

Source: Nippon-IBR based on Takara Leben's Medium-term Management Plan FY21~24

KPIs under the medium-term management plan (FY21~24)				
	Prev plan target	FY20 result	New Target	Target
Shareholder equity ratio (%)	30.0	26.5	>30.0	30% (by the end of FY24)
LTV (%)	<60%	58.0	<60%	less than 60% (end of each year)
D/E Ratio (x)	<3x	2.2x	<2.5x	less than 2.5x (end of each year)
ROE (%)	15.0	9.0	>13.0	13% (after FY23)

Source: Takara Leben's Medium-term Management Plan FY21~24

Growth strategy at each core business are as follows:

- **New Built-for-Sale Condominiums**

In the new condominium business, Takara Leben aims to establish an annual supply capability of 2,500 units in the medium-term. In addition to condominium development, the firm is hoping to participate in redevelopment projects such as areas close to stations and the redevelopment of dilapidated condominiums. In FY24, the firm plans to sell 2,600 units of condominiums, earnings GP of ¥21,500mil (4-year CAGR of 5.5%) on sales of ¥101,500mil (4-year CAGR of 6.3%).

- **Renewal Resale Business**

In recent years, the second-hand condominium market has been active – the high prices of new condominiums have encouraged buyers to consider buying older properties in good locations. Takara Leben aims to establish a renewal business – where it primarily refurbishes old condominiums – in the Renewal Resale business with an inventory level 800~1,000 units/annum by the end of the medium-term management plan. In the final year, the firm forecasts a GP of ¥1,300mil (4-year CAGR of 20.7%) on sales of ¥8,500mil (4-year CAGR of 21.8%).

- **Liquidation Business**

Takara Leben will continue investing ¥30,000~¥50,000mil/annum for the Liquidation Business, with 70% of the portfolio in residential and office properties and will also invest in in-house developed residential properties that

come with a CASBEE (the green building management system in Japan) certification as a part of its ESG initiatives. In FY24, Liquidation will earn GP of ¥5,100mil (4-year CAGR of -4.8%) on sales of ¥36,000mil (4-year CAGR of 12.6%).

- **Energy Business**

Takara Leben is looking to establish a business model, such as the PPA model, to avoid relying on feed-in-tariffs [FIT]. The accumulated power generation capacity in FY20 was 240MW and it is expected to reach 360MW in FY24. Although there is increasing demand for renewable energy in Japan, regulations on bilateral energy trade such as the PPA and microgrid are not yet in place, hence any potential earnings contribution from the new business model is not included in the medium-term management plan figure. In FY24, the Energy Business GP is forecast at ¥1,300mil (4-year CAGR of 17.5%) on sales of ¥19,200mil (4-year CAGR of 9.2%).

- **Real Estate Management**

In the Real Estate Management, the firm plans to raise the number of condominiums under management to 83,000 units with the ratio of non-Takara Leben brand condos being 53.5%. In FY24, the firm is modelling for GP of ¥800mil (4-year CAGR of 11.5%) on sales of ¥6,700mil (4-year CAGR of 5.3%).

Medium-term Management Plan (FY21~FY24) by Business Segment														
(¥mil, March-yr end)	FY21~24 Medium-term management plan													
	FY21			FY22			FY23			FY24			4-yr CAGR (%)	
	Sales	GP	GPM (%)	Sales	GP	GPM (%)	Sales	GP	GPM (%)	Sales	GP	GPM (%)	Sales	GP
Real Estate Sales	107,900	19,100	17.7	114,400	20,200	17.7	149,800	27,600	18.4	160,500	30,000	18.7	8.2	4.8
New Condos	70,000	14,000	20.0	58,000	12,000	20.7	93,500	19,500	20.9	101,500	21,500	21.2	6.3	5.5
New Detached	8,900	900	10.1	11,000	1,500	13.6	12,200	1,600	13.1	13,500	1,800	13.3	26.2	36.2
Renewal Resale	5,900	900	15.3	6,400	1,000	15.6	7,100	1,100	15.5	8,500	1,300	15.3	21.8	20.7
Liquidation	22,000	3,100	14.1	38,000	5,400	14.2	36,000	5,100	14.2	36,000	5,100	14.2	12.6	-4.8
Others	1,100	200	18.2	1,000	300	30.0	1,000	300	30.0	1,000	300	30.0	-36.6	10.0
Real Estate Rental	5,400	1,600	29.6	6,500	2,000	30.8	7,100	2,200	31.0	8,100	2,600	32.1	8.9	21.7
Real Estate Mgmt	5,500	600	10.9	5,900	600	10.2	6,300	700	11.1	6,700	800	11.9	5.3	11.5
Energy	31,000	4,500	14.5	19,900	1,900	9.5	15,200	900	5.9	19,200	1,300	6.8	9.2	17.5
Facilities Sales	23,260	3,940	16.9	11,000	1,400	12.7	6,000	400	6.7	10,000	800	8.0	6.8	-4.8
Electricity Sales	7,740	560	7.2	8,900	500	5.6	9,200	500	5.4	9,200	500	5.4	12.2	n/a
Others	8,800	3,300	37.5	8,500	3,700	43.5	8,700	3,800	43.7	9,200	4,000	43.5	9.0	10.8

Source: Nippon-IBR based on Takara Leben's Medium-term Management Plan (FY21~FY24)

## ESG Initiatives

During the medium-term management plan period, Takara Leben aims to proactively engage with ESG initiatives. The four primary areas of focus are to:

1. Promote the Energy Business and disclosure of non-financial environmental information and data.
2. Implement various policies to realise a carbon neutral status within the group companies.
3. Increase the ratio of external independent directors and increase the number of female directors. The Board is made up of 12 directors and three external auditors. There are four external directors. Within the current Board, there are three female members.
4. Build robust risk management systems.

## Shareholder return

Takara Leben's shareholder return essentially comes in the form of a cash dividend. During the tenure of the medium-term management plan, the firm plans to pay out 30~35% of EPS in dividend payments.



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