

**TAKARA LEBEN (8897 JP)**

THE NEW CONDO PRICE IN THE TOKYO MET AREA HIT ANOTHER RECORD IN CY2021. TIGHT SUPPLY WILL LIKELY CONTINUE.

**FY21 Q3 RESULTS**

Takara Leben (8897 JP) reported FY21 Q1~Q3 gross profit [GP] of ¥21,372mil (+14.7% YoY) and operating profit [OP] of ¥6,403mil (+20.0% YoY) on sales of ¥100,042mil (+13.3% YoY). The revenue recognition method which has been applied as of this fiscal year primarily affects the New Built-for-Sale Condominium segment, whereby any optional services the firm offers to condominium buyers at the expense of Takara Leben will be recognised as a discount instead of an SG&A item. On an annualised basis, the impact to earnings will be small. Therefore, the YoY figures in this report are not based on a like for like comparison, however they do demonstrate the general earnings trend. Although the core Real Estate Sales Business saw Q1~Q3 earnings decline YoY due to fewer condominiums being delivered, the fall was offset by the Sale of Power Facilities in the Energy Business segment. As a result, Takara Leben has achieved 63.1% in sales and 81.1% in OP of its FY21 guidance. Delivery of new built-for-sale condominiums will be concentrated in the Q4 as initially planned, hence there is no revision in the full-year guidance.

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

The Real Estate Sales Business reported FY21 Q1~Q3 gross profits [GP] of ¥11,057mil (-27.5% YoY) on sales of ¥55,673mil (-14.9% 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**

Takara Leben's core business – New Built-for-Sale Condominiums – reported FY21 Q1~Q3 GP of ¥6,006mil (-26.4% YoY) on sales of ¥29,764mil (-13.9% YoY). The contract ratio of new condominiums achieved was 94.5% (1,701 units) of the FY21 planned delivery of 1,800 units, which compares to 103.0% contract ratio during the same period in FY20.

According to a 25 Jan 2022 report published by the Real Estate Economic Institute Co., Ltd. [REEI] on the market for newly-built condominiums in CY2021, the following trends were noted:

- Prices have remained extremely resilient throughout the year despite the supply of condominiums rising 23.5% YoY to 33,636 units and compares with REEI's estimate of 32,000 units.
- The average unit price of a condominium in the Tokyo Metropolitan area also rose 2.9% YoY to ¥62.6mil/unit, which generated an average price of ¥936,000/m<sup>2</sup> – both figures renewing the previous record last seen in CY1990.
- Moreover, the report concluded that in absolute terms, the low level of supply is unlikely to change any time soon, which will also support prices.

Taking these trends into account, the environment is such that condominium developers are less pressured to reduce prices just to complete a sale. Takara Leben is not concerned with the YoY decline in number of condominium units sold during the past three quarters. Instead, it prefers maintaining the segment GPM at 20.0%+ rather than selling at a reduced price just to move inventory.

**EXECUTIVE SUMMARY**

- Takara Leben (8897 JP) reported FY21 Q1~Q3 GP of ¥21,372mil (+14.7% YoY) and OP of ¥6,403mil (+20.0% YoY) on sales of ¥100,042mil (+13.3% YoY).
- The FY21 Q1~Q3 GP for the New Built-for-Sale Condominium segment, declined 26.4% YoY to ¥6,006mil on a 13.9% fall in sales to ¥29,764mil. The contract ratio for new condos hit 94.5% (1,701 units) of the FY21 planned delivery of 1,800 units. Delivery will be concentrated in Q4.
- In the Liquidation segment, the company has no intentions to actively buy properties and liquidate them in an already bullish market after the full-year target was achieved in 1H
- For FY21 targets are for GP of ¥29,100mil (-2.8% YoY), OP of ¥7,900mil (-26.8% YoY) on sales of ¥158,600mil (+6.9% YoY). The Real Estate Sales Business GP is expected to fall 23.3% YoY to ¥19,100mil on 7.9% YoY fall in sales to ¥107,900mil, which reflects an expected YoY fall in (1) the number of condominiums to be delivered and (2) the GP in the Liquidation business.
- The firm aims to establish another growth pillar with the PPA model in the Energy Business. Japan's PPA market is concentrated compared to the mega solar market that has many players. Takara Leben aims to cultivate the customer base among municipal governments.
- Potential earnings from the PPA business are not reflected in the current medium-term management plan. In Q3, the firm signed the first facilitation contract for an onsite solar power generation.

## 2. Liquidation Segment

The second largest division in the Real Estate Sales business is Liquidation. The sub-segment reported FY21 Q3 GP of ¥3,400mil (-41.1% YoY) on sales of ¥15,777mil (-14.8% YoY). Compared to last year's lacklustre performance, the liquidation market has returned to pre-COVID levels. During 1H, the firm sold five self-developed newly-built residential properties to its affiliated REIT.

As of 1H, the firm made investments totalling ¥17,770mil (40.7% of the planned investment of ¥25,000mil in FY21) and generated sales of ¥15,097mil, 68.6% of the planned sales for FY21. As a result, the Liquidation segment earned a GP equivalent to the full-year forecast in the H1 alone. The firm does not intend to buy properties and liquidate them in an already bullish liquidation market.

| Real Estate Sales Business Sales & GP by Segment (Cumulative) |              |        |         |        |        |        |         |         |         |
|---|--------------|--------|---------|--------|--------|--------|---------|---------|---------|
| (¥mil)  |              | FY20   |         | FY21   |        |        |         |         |         |
|   |              | Q3     | FY      | Q1     | 1H     | Q3     | YoY (%) | FYCE    | YoY (%) |
| New Condos  | Sales        | 34,579 | 79,435  | 4,985  | 14,549 | 29,764 | -13.9   | 70,000  | -11.9   |
|   | Gross profit | 8,157  | 17,339  | 865    | 2,839  | 6,006  | -26.4   | 14,000  | -19.3   |
|   | GPM (%)      | 23.6   | 21.8    | 17.4   | 19.5   | 20.2   | -3.4pp  | 20.0    | -1.8pp  |
| New Detached  | Sales        | 4,387  | 5,329   | 862    | 2,237  | 4,098  | -6.6    | 8,900   | 67.0    |
|   | Gross profit | 417    | 523     | 134    | 325    | 604    | 44.7    | 900     | 71.8    |
|   | GPM (%)      | 9.5    | 9.8     | 15.6   | 14.6   | 14.7   | +5.2pp  | 10.1    | +0.3pp  |
| Renewal Resale  | Sales        | 3,119  | 3,866   | 1,271  | 2,894  | 3,956  | 26.9    | 5,900   | 52.6    |
|   | Gross profit | 510    | 613     | 277    | 618    | 784    | 53.7    | 900     | 46.6    |
|   | GPM (%)      | 16.4   | 15.9    | 21.8   | 21.4   | 19.8   | +3.4pp  | 15.3    | -0.6pp  |
| Liquidation   | Sales        | 18,522 | 22,376  | 4,155  | 15,097 | 15,777 | -14.8   | 22,000  | -1.7    |
|   | Gross profit | 5,777  | 6,204   | 1,001  | 3,147  | 3,400  | -41.1   | 3,100   | -50.0   |
|   | GPM (%)      | 31.2   | 27.7    | 24.1   | 20.8   | 21.6   | -9.6pp  | 14.1    | -13.6pp |
| Others  | Sales        | 4,814  | 6,193   | 28     | 799    | 2,075  | -56.9   | 1,100   | -82.2   |
|   | Gross profit | 384    | 205     | 3      | 135    | 261    | -32.0   | 200     | -2.9    |
|   | GPM (%)      | 8.0    | 3.3     | 11.9   | 17.0   | 12.6   | +4.6pp  | 18.2    | +14.9pp |
| Segment Total   | Sales        | 65,422 | 117,200 | 11,302 | 35,578 | 55,673 | -14.9   | 107,900 | -7.9    |
|   | Gross profit | 15,247 | 24,887  | 2,281  | 7,066  | 11,057 | -27.5   | 19,100  | -23.3   |
|   | GPM (%)      | 23.3   | 21.2    | 20.2   | 19.9   | 19.9   | -3.4pp  | 17.7    | -3.5pp  |

Source: Nippon-IBR based on Takara Leben's FY20 and FY21 Q3 Fact Books

## Segments other than Real Estate Sales Business

There are four other segments outside of Real Estate Sales – Real Estate Rental, Real Estate Management, Energy and Others. The business in which the firm invested the most during the current medium-term management plan is the Energy business (which includes Facility Sales and Electricity Sales).

### Energy Business

During Q1~Q2, no mega solar facilities were sold. In Q3 alone, Takara Leben sold total of 59 mega solar power facilities, six of which – including one large-scale mega solar - were sold to Takara Leben Infrastructure Fund Inc (9281 JP). As a result, the subsegment in Energy Business, Sale of Power Facilities reported Q3 GP of ¥5,495mil (+684.7% YoY) on sales of ¥23,439mil (+293.7% YoY), both surpassing the full-year target of GP of ¥3,940mil (+304.6% YoY) and sales of ¥23,260mil (+202.5% YoY), respectively.

In the Sale of Electricity subsegment, the firm reported FY21 Q1~Q3 GP of ¥684mil (vs a gross loss of ¥360mil in FY20 Q3) on sales of ¥6,890mil (+69.2% YoY). Takara Leben acquired a specialist in the development of small- and medium-sized power generation facilities, ACA Clean Energy. Now named Leben Clean Energy, it is registered as a consolidated subsidiary and has contributed to Electric Power sales.

The subsidiary has been marketing clean energy as a main source of power to municipalities in Japan, which are now under pressure to become carbon neutral by 2050 by the central government. The firm has been marketing to approx. 700 municipalities, and already submitted proposals to 100 of those. Demand for onsite solar power facility is strong not just among municipalities but also schools and corporates. In Q3, the firm exchanged the first contract on facilitating onsite power facility.

| Sales & GP by Segment - other than Real Estate Sales Business (Cumulative) |              |       |       |       |       |        |         |        |         |
|--|--------------|-------|-------|-------|-------|--------|---------|--------|---------|
| (¥mil)   |              | FY20  |       | FY21  |       |        |         |        |         |
|  |              | Q3    | FY    | Q1    | 1H    | Q3     | YoY (%) | FYCE   | YoY (%) |
| Real Estate Rental   | Sales        | 4,278 | 5,753 | 1,441 | 2,979 | 4,466  | 4.4     | 5,400  | -6.1    |
|  | Gross profit | 896   | 1,183 | 272   | 698   | 1,121  | 25.1    | 1,600  | 35.2    |
|  | GPM (%)      | 20.9  | 20.6  | 18.9  | 23.4  | 25.1   | +4.2pp  | 29.6   | +9.0pp  |
| Real Estate Management   | Sales        | 4,087 | 5,446 | 1,438 | 2,911 | 4,363  | 6.7     | 5,500  | 1.0     |
|  | Gross profit | 383   | 518   | 144   | 326   | 454    | 18.5    | 600    | 15.8    |
|  | GPM (%)      | 9.4   | 9.5   | 10.1  | 11.2  | 10.4   | +1.0pp  | 10.9   | +1.4pp  |
| Sale of Power Facilities   | Sales        | 5,953 | 7,688 | 0     | 0     | 23,439 | 293.7   | 23,260 | 202.5   |
|  | Gross profit | 700   | 973   | 0     | 0     | 5,495  | 684.7   | 3,940  | 304.6   |
|  | GPM (%)      | 11.8  | 12.7  | n/a   | n/a   | 23.4   | +11.6pp | 16.9   | +4.2pp  |
| Sale of Electricity  | Sales        | 4,072 | 5,797 | 2,646 | 5,034 | 6,890  | 69.2    | 7,740  | 33.5    |
|  | Gross profit | -360  | -290  | 394   | 555   | 684    | n/a     | 560    | n/a     |
|  | GPM (%)      | n/a   | n/a   | 14.9  | 11.0  | 9.9    | n/a     | 7.2    | n/a     |
| Others   | Sales        | 4,457 | 6,512 | 1,508 | 3,594 | 5,209  | 16.9    | 8,800  | 35.1    |
|  | Gross profit | 1,772 | 2,655 | 678   | 1,761 | 2,559  | 44.4    | 3,300  | 24.3    |
|  | GPM (%)      | 39.8  | 40.8  | 45.0  | 49.0  | 49.1   | +9.3pp  | 37.5   | -3.3pp  |

Source: Nippon-IBR based on Takara Leben's FY20 and FY21 Q3 Fact Books

## 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 full-year guidance for each segment remains unchanged.

| FY19~FY20 Earnings Results & FY21 Guidance |         |         |         |         |
|--|---------|---------|---------|---------|
| (¥mil)                                     | FY19    | FY20    | FY21CE  | 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 Power 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**

Takara Leben is guiding for a 23.3% YoY decline in the Real Estate Sales segment GP to ¥19,100mil on sales of ¥107,900mil (-7.9% YoY), to reflect (1) fewer condominiums being delivered compared to FY20, and (2) a fall in the GPM of the Liquidation 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.

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

FY21 guidance for Takara Leben's core business – new built-for-sale condominium sales – calls for GP of ¥14,000mil (-19.3% YoY) on sales of ¥70,000mil (-11.9% YoY). For FY21, the company plans to sell 1,800 condominiums (-329 units YoY) – 1,750 units, excluding units under any JV. Though the contract ratio is at 94.5% as of Q3, the firm does not intend to aggressively sell condominiums during FY21. There are only 1,500 condominiums schedule for delivery FY22, down 300 units YoY. 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 the tight supply of condominiums. However, the number of condominiums to be supplied in the market will still be limited due to limited numbers of developers. With the price of condominiums remaining high, the firm will likely earn sufficient profit in the segment without the need to aggressively sell more units. Interestingly, while prices of raw materials such as steel products have rapidly surged in recent months, Takara Leben is yet to see an increase in construction costs – the extensive competition among the specialist contractors in the tight supply has seen them cut their own prices in order to win bids.

- **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. The segment has already surpassed the full-year target GP as of Q3; hence the segment earning's downside risk is likely to be limited. Additional sales of property during 2H will boost FY21 segment GP above the guidance, however, Takara Leben's focus is on profit rather than aggressively trade properties under the overheated market conditions.

### **Segments Other Than Real Estate Sales Business (Non-sale Segments)**

FY21 Segments other than the Real Estate Sales business is expected to generate a 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 the Energy Business segment (which underwent a name change from the 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 purchase agreement [PPA] model. Whereas the remaining mega solar facilities available for sale have a 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. Through a newly consolidated subsidiary, Leben Clean Energy Co., Ltd., the firm aims to offer both onsite and offsite electricity to prospective customers.

Unlike the mega solar market, the PPA market has less than handful of competitors in Japan. Moreover, unlike mega solar facilities that generate an output rate of more than 2,000kW (ultra-high voltage) for corporate customers such as manufacturers, the rate under the PPA model is less than 2,000kW.

Takara Leben plans to offer both onsite (electricity generation facilities are located at a customer's site) and offsite (electricity generation facilities are located outside a customer's site and supplied via grid) electricity supply primarily to municipal offices. There are approx. 1,700 municipal offices (prefectures, cities, and towns) in Japan which are under pressure from the central government to reduce carbon emissions in accordance with the government's zero carbon target by 2050. Takara Leben initially markets onsite electricity supply to those municipalities; however, onsite facilities will also require back-up power source.

For the offsite supply as a back-up, the firm is considering a tie-up with companies that have a Power Producer and Supplier (PPS, i.e., an independent non-utility power producer and supplier) business as they already have a client base. Takara Leben reckons that demand for the PPA business will become another growth pillar for the firm's business portfolio and will bring in long-term recurring revenue based on the 20-year supply contract.

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), which was already achieved as of Q3. 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 its FY21 guidance.

#### ***Real Estate Rental / Real Estate Management Business***

For FY21, the Real Estate Rental 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.

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. In such a competitive market, Takara Leben plans to raise the number of properties under management to 70,000 condominiums (+3,963 units YoY. As of Q3, total of 67,563 condominiums are under management) in FY21, with a target of ¥600mil (+15.8% YoY) in GP on sales of ¥5,500mil (+1.0% YoY), targeting 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.

#### ***Shareholder Return***

The FY21 dividend will be ¥14/share (flat YoY). In the previous medium-term management plan ending in FY20, Takara Leben met its target pay-out ratio of between 25~30% per annum. In the new four-year medium-term management plan (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%.

Takara Leben also decided to discontinue a shareholder incentive scheme specifically targeting retail investors who own more than 100 shares (minimal lot) in a company. As of the end of FY20, it had over 70,000 shareholders of which approx. 42,000 own a minimum round lot of 100 shares. The scheme, which saw Takara Leben provide minimum lot owners with a voucher that can be exchanged to a bag of rice, failed to boost the number of overseas shareholders. After the scheme was abolished, number of shareholders declined by 10,000. The firm reckons that it is important to improve fairness to shareholders by streamlining the allocation of its shareholder return budget. Therefore, by scrapping the vouchers and the resulting possible decrease in number of round lot shareholders, the firm estimates that it could improve the dividend to all shareholders.

#### ***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), revenues overshoot the company's targets in the first two years but fell short in the final year due to COVID. For the details of the Plan, please refer to our report published on 2 July 2021 via the following link: [https://www.leben.co.jp/en/pdf/press\\_210702\\_e.pdf](https://www.leben.co.jp/en/pdf/press_210702_e.pdf) Under the Plan, FY22 earnings will likely decline YoY due to a fall in number of condominiums to be delivered, although the New Built-for-Sale Condominiums segment GP will remain above 20%+ level. In Energy Business Segment, the firm is estimating approx. 36% drop in the revenue and accordingly more than 50% drop in the segment GP. Liquidation Business will partially offset those segments' trend.

| <b>Medium-term Management Plan (FY21~FY24) by Business Segment</b> |                                     |        |         |         |        |         |         |        |         |         |        |         |               |      |
|--|-------------------------------------|--------|---------|---------|--------|---------|---------|--------|---------|---------|--------|---------|---------------|------|
| (¥mil)   | 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          | 20.6 |
| 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         | 9.9  |
| 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 Management   | 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           | 17.4 |
| 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)

| <b>FY21~FY24 Medium-term Management Plan Earnings Target Summary</b> |               |                             |         |         |         |          |
|--|---------------|-----------------------------|---------|---------|---------|----------|
| (¥mil)   | FY20 (Result) | Medium-term Management Plan |         |         |         | CAGR (%) |
|  |               | FY21                        | FY22    | FY23    | FY24    |          |
| 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

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

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

## GENERAL DISCLAIMER AND COPYRIGHT

*This report has been commissioned by Takara Leben Co., Ltd (the Sponsor) and prepared and issued by Nippon Investment Bespoke Research UK Ltd (Nippon-IBR), in consideration of a fee payable by Takara Leben. Fees are paid on delivery of the report in cash without recourse. Nippon-IBR may seek additional fees for the provision of follow-up research reports and associated IR services for the Sponsor but does not get remunerated for any investment banking services. Nippon-IBR and its affiliates never take payment in stock, options, or warrants for any of their services.*

**Accuracy of content:** *All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however Nippon-IBR does not guarantee the accuracy or completeness of this report and has not sought for this information to be independently verified. Opinions contained in this report represent those of the Nippon-IBR analyst at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of their subject matter to be materially different from current expectations.*

**Exclusion of Liability:** *To the fullest extent allowed by law, Nippon-IBR shall not be liable for any direct, indirect, or consequential losses, loss of profits, damages, costs, or expenses incurred or suffered by investors arising out or in connection with the access to, use of or reliance on any information contained on this note.*

**No personalised advice:** *The information that Nippon-IBR provides should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Nippon-IBR's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.*

**Investment in securities mentioned:** *Nippon-IBR has a restrictive policy relating to personal dealing and conflicts of interest. It does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees, and contractors of Nippon-IBR may have a position in any or related securities mentioned in this report, subject to its policies on personal dealing and conflicts of interest.*

**Copyright:** *Copyright 2021 Nippon Investment Bespoke Research UK Ltd.*

For further enquiry, please contact:

Nippon Investment Bespoke Research UK Ltd  
118 Pall Mall  
London SW1Y 5EA  
TEL: +44 (0)20 7993 2583  
Email: [enquiries@nippon-ibr.com](mailto:enquiries@nippon-ibr.com)



*Nippon Investment Bespoke Research UK Ltd (formerly known as NIB Research UK Ltd.) is registered in England and Wales (9100028) and authorised and regulated by Financial Conduct Authority (FRN: 928332).*