COMPANY RESEARCH AND ANALYSIS REPORT

Relo Group, Inc.

8876

Tokyo Stock Exchange Prime Market

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Summary

Steady progress on the New Third Olympic Plan to build the foundation for long-term prosperity

1. Provides outsourced fringe benefits services for companies

Relo Group, Inc. <8876> (hereafter, also "the Company") provides outsourced fringe benefits services, targeting a wide range of companies, from small and medium-sized enterprises to large corporations. In addition to the Relocation Business, which provides comprehensive support for the movement of Japanese companies' personnel both domestically and overseas, the Company also operates a Fringe Benefit Business that enriches leisure time and supports lifestyles and work styles, and a Tourism Business that undertakes hotel management and improves the value of facilities. The Relocation Business is further divided into three parts: the leased corporate housing management business which takes on the management of unattended housing and leased corporate housing using the Company's own subleasing method; the residential property management business, which collects and brokers rental property fees, manages contracts, and handles problems on behalf of owners in major cities in Japan; and the global relocation support business, which provides a one-stop service, from total support at the local site from overseas assignments to returning home, as well as the complicated tasks involved in accepting foreign national personnel from overseas.

2. Each business has its unique strengths and creates synergies

Each business has its own strengths. For example, the leased corporate housing management business offers a unique, complete outsourced service called the subleasing method for company housing management, the residential property management business has the knowledge accumulated within the group, and the global relocation support business has a total support business model that is not available from other companies, as well as a group company that sells cost of living index data from around the world. In addition, the Fringe Benefit Business has strengths in the enhancement of regional services, as well as follow-up systems, groundwork to address demands, and continuous system investment, and is expanding its market share as an independent company. The Tourism Business has strengths in operational know-how specializing in small and medium-sized hotels in regional areas based on know-how on facility management and fringe benefits, and can set a path to profitability for facilities in an average of 90 days. With these strengths as a backdrop, each business demonstrates synergy, and the Company's growth is promoted by continuously accumulating revenue and profit as a recurring revenue business.

3. Disposed of equity method affiliate, but posted a large increase in operating profit in the core businesses

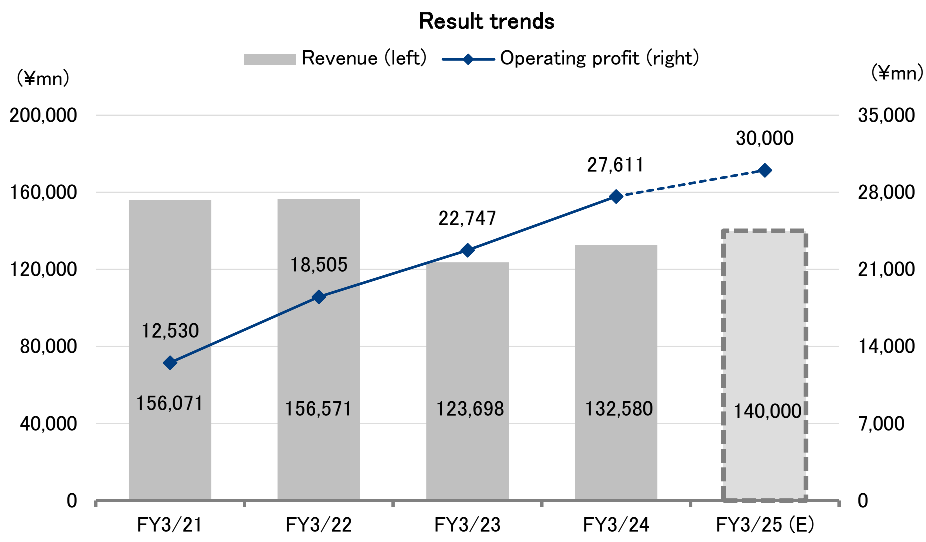
In 1H FY3/25 results, revenue was ¥70,073mn (up 10.9% year on year (YoY)) and operating profit was ¥15,664mn (up 25.1%). In addition to the focus on building up the stock base as usual, the sale of facilities in the Tourism Business was brought forward, resulting in especially strong growth in operating profit. Profit before income taxes was ¥37,899mn (up 190.6%), and profit attributable to owners of the parent was ¥32,972mn (up 273.6%), and especially large increase, but this was mainly due to one-time profits, including the disposal of equity method affiliates in Japan and overseas. Regarding the results outlook for FY3/25, based on strength in its core business the Company is forecasting revenue of ¥140,000mn (up 5.6%) and operating profit of ¥30,000mn (up 8.6%). For profit before income taxes and profit attributable to owners of the parent, the Company is expecting a big turn to profitability following the loss on the disposal of equity method affiliates posted in the previous fiscal year.

4. Steady progress on the New Third Olympic Plan, will pursue profit of ¥50.0bn in the Fourth Olympic Plan

The New Third Olympic Plan, which is the final stage of the Second Start-Up Stage of the first half of the long-term business framework, has been upgraded from the Third Olympic Plan due to the impact of the COVID-19 pandemic, and prioritizes building a foundation for long-term prosperity with themes such as the recurring revenue business, financial foundation, and bolstering services to client companies. As a result, during this period, the Company has been able to grow steadily by building up stock through strengthening sales and follow-up systems, maximizing profits generated from stock, digitalization and systemization, and promoting M&A. The Fourth Olympic Plan, which will be the gateway to long-term prosperity, will be officially announced in the future, but the general direction has been indicated to be to expand existing businesses in the first half in line with changes in the business environment, and to expand into new areas in the second half. On top of that, the Company will seek to achieve profit of ¥50.0bn in FY3/29, which is 10 times the amount at the start of the Second Start-Up Period.

Key Points

- Providing a wide range of outsourcing services for employee fringe benefits for a wide range of companies, from small and medium-sized enterprises to large corporations
- Mainly a recurring revenue business with profits accumulating year after year
- Profit fluctuates due to the disposal of equity method affiliates, but the core business is doing well operating profit continues to increase
- The New Third Olympic Plan is going well, and the Fourth Olympic Plan seeks to achieve ¥50.0bn in profit



Source: Prepared by FISCO from the Company's financial results

Company profile

Provides outsourced fringe benefits services for companies

1. Company profile

The Company provides outsourced fringe benefits services to a wide range of client companies, from small and medium-sized enterprises to large corporations. With the missions of “To support the non-core operations of Japanese companies, enabling them to concentrate on their core operations and compete on the world stage,” “To facilitate the global expansion of Japanese companies, empowering them to unleash their true potential.” and “To aid in the great transformation that awaits Japan,” the Company engages in a Relocation Business that comprehensively supports the movement of people at Japanese companies both domestically and overseas, a Fringe Benefit Business that supports the lifestyles and working styles of employees, and a Tourism Business that provides hotel management and improves the value of facilities. The Relocation Business consists of a leased corporate housing management business that uses a unique subleasing method to manage corporate housing leased by companies, a residential property management business that manages rental properties in major cities in Japan, and a global relocation support business that provides total support for complicated tasks from the time of overseas assignment to the time of returning home. Currently, the Company is in the final stages of its long-term framework, the Second Start-Up Period, and its medium-term management plan, the New Third Olympic Plan, is progressing smoothly.

Continuing to expand business through M&A and other means

2. History

The Company was established in 1967 with the objective of carrying out construction work such as new construction, expansion and renovation of housing for workers, as well as interior construction work. In 1978, the Company became a designated contractor for the maintenance of MITSUI & CO., LTD. <8031>’s company housing and dormitories, and in 1979, it began managing the homes of MITSUI & CO.’s employees who were transferred domestically and overseas, and in 1984, it launched the first unattended housing management system for transferees in Japan. Unattended housing management can be said to be the Company’s original business. In 1989, the Company expanded into the United States in collaboration with the MITSUI & CO. Group to accommodate Japanese employees who were transferred or sent on business trips, and in 1993 it launched the Relo Club, a fringe benefit program outsource service that provides comprehensive support for corporate employee welfare programs. In 1999, the Company’s shares were listed over the counter with the Japan Securities Dealers Association (currently listed on the Prime Market of the Tokyo Stock Exchange), and in 2002 it began full outsourcing services for corporate housing operations through subleasing. Since then, it has continued to expand its business through M&A and new business development, such as acquiring Tohto Co., Ltd. in 2010 and entering the residential property management business.

History

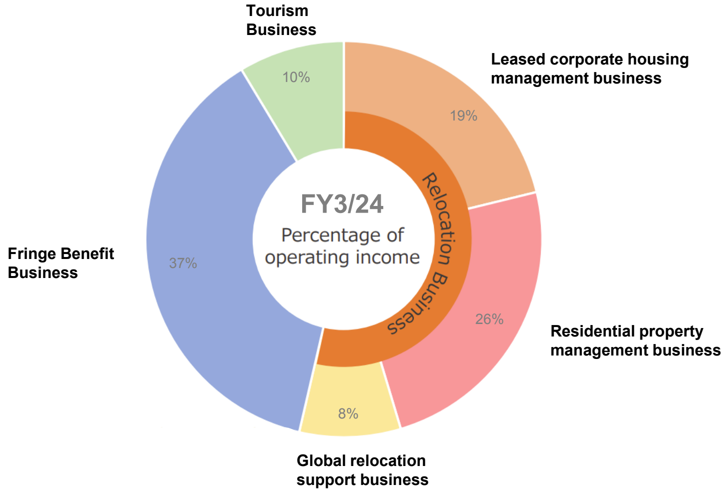
Date	Main events
March 1967	Nihonkensou, Inc. was established in Tsuwano-cho, Kashima-gun, Shimane Prefecture for the purpose of carrying out construction work such as new construction, additions and renovations of housing for workers, as well as interior work.
January 1969	Corporate name changed from Nihonkensou, Inc. to Nippon Juken, Inc.
September 1978	Became designated contractor for the maintenance of MITSUI & CO., LTD.'s corporate housing and dormitories
October 1979	Began managing the unattended housings of MITSUI & CO., LTD.'s employees who were transferred domestically and overseas
May 1984	Company's name changed from Nippon Juken, Inc. to Nihon Relocation Center, Inc. The Company begins the Relocation Business in earnest
June 1989	Company's name changed to Nihon Relocation, Inc. Established Relocation International (U.S.A.), Inc. as a joint venture with MITSUI & CO., LTD., Bussan Real Estate Co., Ltd., and Mitsui & Co. (U.S.A.), Inc. to facilitate the needs of Japanese people who are transferred or travelling to the United States.
May 1990	Relocation Finance, Ltd. (company name changed to Relo Financial Solutions Ltd. in July 2003) established
July 1992	Head office relocated to 3-23 Shinjuku 4-chome, Shinjuku-ku, Tokyo
September 1993	Launched the Relo Club fringe benefit program outsource service
September 1999	Shares listed on JASDAQ
October 1999	Established Fukurikosei Club Kyushu Co., Ltd. as a joint venture with ASO CEMENT Co., Ltd.
May 2000	Established Fukuri Kousei Club Chubu Co., Ltd. in a joint venture with Nagoya Railroad Co., Ltd.
July 2000	Launched Relo Net, a housing total solution service for companies and their employees Established Fukuri Kousei Club Chugoku Co., Ltd. as a joint venture with Chugoku Electric Power Company, Inc.
July 2001	Relocation Japan, Ltd. and Relo Club, Ltd. took over the Relocation Business and the Fringe Benefit Outsourcing Business through the establishment of these new companies and a split Transitioned to a holding company structure and Company name changed to Relo Holdings, Inc.
August 2001	Established Relo-X Communications, Ltd.
October 2004	Relo Vacations, Ltd. takes over the Company's membership-based resort business through a company split
June 2005	Established Relocation Expat Service, Ltd. (name changed to Relocation International, Inc. in October 2008)
June 2005	Made Redac, Inc. (name changed to Relo Redac, Inc. in February 2013) a consolidated subsidiary
October 2007	Absorption-type merger of Relo Club, Ltd. and Relo-X Communications, Ltd.
December 2008	Made Nihon Housing Co., Ltd. an affiliate
September 2009	Established ROI, Inc. (company name changed to World Resort Operation, Inc. in October 2009)
January 2010	Acquired all shares of Tohto Co., Ltd. and made it a consolidated subsidiary, entered the residential property management business
June 2010	Listed on the Second Section of the Tokyo Stock Exchange
November 2011	Listed on the First Section of the Tokyo Stock Exchange
December 2014	Made Panasonic Excel International Co., Ltd. (company name changed to ReloExcel, Inc. in April 2021) a consolidated subsidiary
March 2015	Established Relo Partners, Inc.
April 2015	Changed name of Relo-X Communications, Ltd. to Relo Club, Ltd.
July 2016	Changed name of Relo Holdings, Inc. to Relo Group, Inc.
September 2016	Made Associates for International Research, Inc. a consolidated subsidiary
April 2017	Executed a 1:10 stock split for common shares
March 2019	Made Hot House Co., Ltd. a consolidated subsidiary
June 2019	Made BGRS Limited a consolidated subsidiary
October 2021	Conducted an absorption-type merger of World Resort Operation, Inc. by Relo Vacations, Ltd.
October 2021	Relocation Japan, Inc. assumed via company split the unattended housing management business of Relocation International, Inc.
April 2022	Moved from the First Section of the Tokyo Stock Exchange to the Prime Market due to a change in the market classification of the Tokyo Stock Exchange
July 2022	SIRVA Group, owned by Global Relocation and Moving Services, LP, merged with BGRS Group to form the jointly managed SIRVA-BGRS Holdings, Inc.
March 2024	Established Relo Hotel Solutions, Ltd.
May 2024	Following the MBO of Nihon Housing Co., Ltd., Marcian Holdings GK accepted a tender offer and was removed from the list of equity method affiliates.
August 2024	Dissolved the capital tie-up with SIRVA-BGRS Holdings, Inc., and removed it from the list of equity method affiliates

Source: Prepared by FISCO from the Company's Securities Report, website, etc.

Business description

The Company supports the global expansion of companies by supporting their non-core business. The Company's three businesses are the Relocation Business, which consists of the leased corporate housing management business, residential property management business and global relocation support business, the Fringe Benefit Business and the Tourism Business. Each business has its own strengths, and by utilizing each other's strengths, the Company is able to create synergies. The Company is also characterized as a recurring revenue business, with earnings accumulating year after year, and as will be described later, it promotes growth as a company by accumulating stock such as the number of corporate housing units under management, the number of rental units under management, and members of the Fringe Benefit Business. Utilizing the foundation of these businesses, the Company is also expanding into finance-related businesses.

Multi-faceted portfolio



Source: Prepared by FISCO from the Company's 1H results briefing materials

Outsourcing of leased corporate housing, property management, and overseas relocation

1. Relocation Business

(1) Leased corporate housing management business

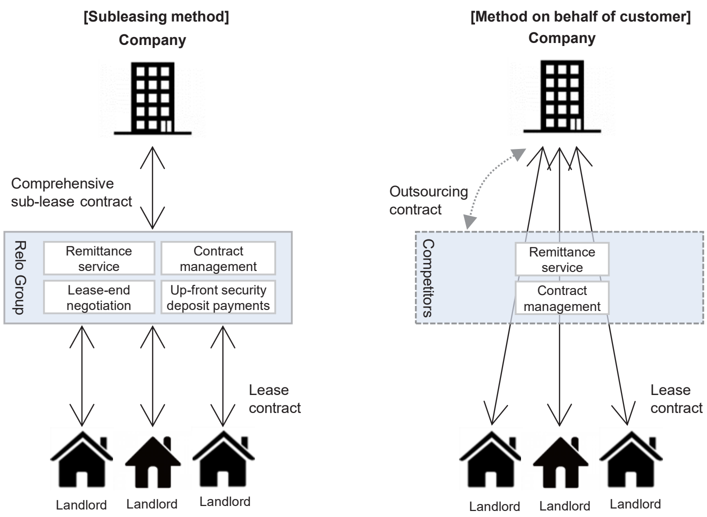
The leased corporate housing management business is a service that provides management of corporate housing on behalf of companies that outsource it to the Company. The main operations include rent remittance to land-lords, contract management, negotiations at the time of moving out, advance payment of security deposits, and trouble- handling. In return, the Company charges a fixed fee according to the number of units. Large companies that manage more than 1,000 leased corporate housing units are increasingly outsourcing indirect department work, including company housing management, to improve business efficiency. Other services related to corporate housing management include housing referrals and moving arrangements when employees are transferred or relocating, and dispatching property management staff to company-owned housing.

There are two types of company housing: company-owned and leased. Company-owned housing is used mainly by large companies, where employees live in properties owned by the company itself, while leased housing is used by companies to house employees in general rental properties that the company rents from real estate agents. In Japan, after the collapse of the asset bubble, the shift from company-owned housing to leased housing was promoted as part of efforts to improve management efficiency. However, leased housing management services outsourced by companies only to handle rent transfers and contract management, and many complicated tasks remained within the company. As a latecomer to the leased housing management service market, the Company developed a unique full outsourcing service called the subleasing method that not only handles transfers and contract management, but also handles all the complicated tasks related to company housing, from property contracts to negotiations at the time of moving out, managing homes while employees are living elsewhere on assignment, and consulting on company housing regulations, eliminating the complicated tasks that were left within companies that competitors were not able to solve.

Since starting its services in 2002, the Company has built up the number of units under management by leveraging its strength in high-value-added services using the subleasing method, but in 2013 it began offering inexpensive customized services while maintaining its high-value-added services, which have been well-received and led to the Company achieving the highest growth in the industry. As a result, the Company boasts the number one position in the market in terms of the number of leased corporate housing units it manages, despite being a latecomer. In addition, the companies ranked third and below are often companies whose main business is real estate, but which are operating in an ancillary position, and there has been a steady shift from these companies to the Company. At present, the labor shortage in Japan is becoming more serious, and the need for outsourcing leased corporate housing management is increasing, which is a tailwind for the Company.

A service related the leased corporate housing management business is the is the unattended housing management service. In home management, the Company takes care of the properties of people who are assigned to work abroad and own their own homes, and while they are assigned to work abroad, the Company rents the properties out to tenants on the open market. In addition, the Company handles complicated tasks such as collection of money and contract management, and receives a management fee from the property owner. In addition, the Company offers a variety of related services, such as Relo Net, an online system that can arrange housing and moving to meet the needs of people transferring or relocating, and Relo's Furnished Rental, a serviced leasing arrangements that allows furniture and home appliances to be leased and installed in any unit and used as company housing.

Difference in contract format



Source: Materials provided by the Company

(2) Residential property management business

The residential property management business is centered in major cities throughout Japan and provides management services for rental property owners in each region. In addition to collecting and managing monthly rents paid by tenants, the Company also handles contract management, tenant placement, and responds to inquiries and problems. In return, the Company receives a management fee based on the rent multiplied by a certain rate according to the number of properties managed. The residential property management business began in 2010 with the acquisition of Tokyo's Tohto Co., Ltd., and has steadily increased the number of rental units under management by continuing to acquire small and medium-sized rental property management companies. The Company has now expanded its area of operations to include not only the Tokyo metropolitan area but also Miyagi Prefecture, Fukuoka Prefecture, Osaka Prefecture, and other areas. The regional subsidiaries that joined the corporate group through M&A are able to share the Company's know-how, and organic growth has been continuing.

The strength of the residential property management business is the relationships of trust with property owners, as well as the ability to share within the group the unique knowledge and know-how of each subsidiary in areas such as collection, brokerage, construction, and troubleshooting. The number of local companies acquired through M&A is now over 50, with over 120,000 units under management, and their know-how is diverse. In addition, by establishing Relo Partners, an intermediate holding company that oversees the residential property management business in 2015, the sharing of such knowledge and know-how has been accelerated, and a more efficient management system has been established, including the consolidation of back-office operations and overlapping operations between each company. In 2017, the unification of the residential property management business under the brand name Relo's Rental has also become a strength for the entire group, including the local companies.

Due to the market situation and the M&A environment, the growth potential of the Company's residential property management business has maintained a certain degree of momentum. It is said that there are more than 15 million rental management units, about 50% of which are outsourced, and the market is a place where multiple rental property management companies manage rental properties in each region. On the other hand, many of the top companies in terms of the number of rental units under management are developers, and they manage properties they have developed by subleasing them. For this reason, there are few top companies with a business model like the Company's, which involves outsourcing from existing owners, and especially as the Company expands its market share to the top 10 in the industry, it seems that the number of owners outsourcing to the Company is increasing. The M&A environment, which is the growth driver of the residential property management business, is characterized by many owners approaching retirement age and facing challenges in business succession. The Company is promoting "coexistence and mutual prosperity type M&A," and by taking over businesses from businesses that have challenges with business succession, it has built a model in which both companies can grow together even after joining the group. For this reason, the number of M&A transactions due to business succession is currently on the rise, which is a tailwind for the Company.

(3) Global relocation support business

In the global relocation support business, the Company provides one-stop services for complicated tasks related to overseas assignments, such as applying for work visas, medical examinations, vaccinations, and overseas relocations, for companies with headquarters in Japan, from the time of assignment to the time of return. After signing a contract with the client company, the Company receives a fee according to the services provided each time an assignment occurs. The Company also provides related services such as arranging air tickets for business trips, creating overseas assignment rules, and pre-assignment training. In addition, at each of the Company's offices, mainly in North America, it provides total support services necessary for living in the local area, such as arranging housing and service apartments, housing management, as well as a "mobility management service" that packages 24-hour telephone interpretation, insurance that is difficult to obtain overseas, and car leasing, for expatriates of Japanese companies. Furthermore, the Company is expanding the area where it provides its services, such as opening new offices in areas where Japanese companies are strengthening their presence.

Associates for International Research, Inc. (AIRINC), headquartered in Boston, joined the group in September 2016 and provides consulting services related to overseas assignments, in addition to researching and selling data such as the cost of living index used to calculate the salaries of expatriates. The city data of over 2,500 cities in 190 countries that the company has accumulated over its 65-year history is continuously used by many clients, not only by global companies but also as basic data for AMS*. In addition, consulting specialized in overseas assignments is a highly specialized service, and there is strong customer demand for it. This can also be said to be one of the Company's strengths.

* AMS (Assignment Management System): A system that automates the process of allocating tasks related to relocation on a technology platform for providing relocation management services.

The current situation with global relocation support services is that companies are not making much progress in outsourcing. However, the Company is using its services, such as one-off visa arrangements, pre-assignment training, and air ticket arrangements, which are easy for companies to implement, as door-knocking tools to expand transactions with companies for whom assignment-related tasks seem to be a burden, and is working to build relationships. In addition, for companies that only use one-off services, the Company is working on upselling by proposing other services that will streamline operations. In recent years, an increasing number of companies are accepting foreign personnel with skills and knowledge from overseas. For these foreign personnel, the Company provides a one-stop "inbound support" service in English that provides all kinds of support, from arranging housing to opening bank accounts, accompanying personnel when carrying out necessary government procedures, to signing contracts for mobile phone service, and these seem to have been well received.

Entering the business for large companies, based on the foundation with small and medium-sized companies and in regional areas

2. Fringe Benefit Business

The Company's Fringe Benefit Business was started with the aim of providing outsourcing services to small and medium-sized enterprises, regional companies, and other companies that are unable to provide comprehensive fringe benefits themselves due to their small size. Specifically, in addition to leisure and accommodation options to enrich employees' leisure time, the Company offers a wide range of living support options to support employees' lifestyles and work styles, such as skill development, health checkups, and childcare/elderly care options, and provides services at low prices to employees working for companies, including those who have already received job offers but have not yet started working, as well as company alumni. Many companies have introduced the Company's services to improve employee satisfaction and strengthen recruitment, and the Company charges a fixed membership fee according to the number of employees who use the services. The Company also provides preferential services for corporate customers using the employee benefits service menu platform, and emergency home care service using its call center know-how.

The Company's Fringe Benefit Business has strengths in its follow-up system that satisfies many companies and its ability to respond to requests and is currently used by approximately 10,000 companies. For this reason, the Company has opened offices throughout the country, developed proposal-based sales that meet the needs of companies based in rural areas, and is working to expand the menu of services available to each company by introducing service options that are in high demand in each region on an ongoing basis. In addition, the Company has divided the country into nine areas and published the industry's first regional newsletter that summarizes the services available in each area. Such detailed services for small and medium-sized enterprises and regional companies are a strength of the Company and a major differentiating factor from other companies. Another strength of the Company is its improvement of convenience and efficiency of operations through continuous system investment. In fact, the Company made a large system investment during the economic downturn after the 2008 financial crisis, and continued to upgrade the system afterwards, which resulted in significant progress in improving convenience and efficiency of operations, and the Company has seen the positive effects nearly every period, such as reduced call center costs and lower cancellation rates due to improved utilization rates, leading to an increase in the number of members and strong profit growth. The Company called these success stories its "second growth curve," and it marked a turning point for the Company to place importance on growth-oriented systems investment in areas its besides its Fringe Benefit Business.

Assuming that the number of employees in Japan is about 56 million, comparing the number of members of the 4 major fringe benefits service providers, including the Company, it is estimated that about one-third of employees are already members of one of the fringe benefits service providers. In particular, the adoption rate of large companies with headquarters in Tokyo or Osaka is said to be nearly 90%, so it is obvious that the adoption rate of medium-sized and small companies with less than 1,000 employees is low, and it can be said that there is a lot of room for growth in the market for small and medium-sized companies as well as regional companies, which are the Company's strengths. While many of its rival companies are tightly associated with large corporate groups, the Company has been independent since the launch of its business, with small and medium-sized companies as its main customers, and it has actively expanded into regional areas, so the Company's position in such a market with a lot of room for growth can also be said to be a strength. This is thought to be an advantage for the Company's future growth, and in such markets, inquiries for services seem to be stronger than ever due to the recent labor shortage and work style reforms. In order to acquire and retain customers in these various markets, the Company is strengthening its services related to its Fringe Benefit Business. For example, Relo Club provides comprehensive consulting to support the creation of fringe benefits and customer perks systems, while Relo Create provides on-site, emergency support for home life 24 hours a day, 365 days a year on behalf of real estate management companies and home builders.

Engages in business for hotel management, hotel revitalization, point system time shares

3. Tourism Business

In the Tourism Business, the Company is engaged in hotel management contracted services that utilize the member base of its Fringe Benefit Business and the management know-how of small and medium-sized hotels and inns in local areas, the facility value enhancement businesses such as revitalizing small and medium-sized hotels and inns in local areas by leveraging the Company's facility management know-how, and a points-based time-share business based on the concept of casually spending valuable time with family and friends. The Company's strength lies in its well-balanced portfolio revenue structure, which consists of hotel and inn management revenue based on operational know-how specialized in small and medium-sized hotels and inns in local areas with around 30 rooms per facility, revenue from the sale of facilities which the Company has added value to, and revenue from member-only resort management.

Most of the facilities that the Company has contracted to manage or revitalize have declining occupancy rates, and small and medium-sized hotels and inns in rural areas in particular have many problems, such as a lack of successors, aging facilities, delayed efforts with respect to IT and marketing strategies, and issues securing personnel. When the Company takes over the management or revitalization of such facilities, it uses the group's customer referral know-how to improve the facility's occupancy rate, and can set it on a path to profitability in an average of 90 days by jointly purchasing goods with multiple other facilities, consolidating operations, managing sales prices and the number of rooms based on sales data and demand trends, and leveraging IT. There are many successful cases of the Company revitalizing hotels and inns in rural areas, and as a result the Company is contributing to the revitalization of regional areas. In addition, the Company has developed an asset model in which it increases the value of a property based on an improved cash flow in conjunction with the property's revitalization, and then it sells the property and earns a capital gain, while continuing to manage the property thereafter. This secures profits without increasing the assets owned by the Company. In the points-based timeshare business, the Company sells memberships that allow timeshare use of approximately 50 facilities nationwide. Such memberships are normally expensive because they include real estate ownership rights, but the Company's strength is that its memberships are relatively inexpensive as they only include property usage rights.

Results trends

Significant growth in operating profit in excess of revenue

1. 1H FY3/25 results trends

In 1H FY3/25 results, revenue was ¥70,073mn (up 10.9% YoY), operating profit was ¥15,664mn (up 25.1% YoY), profit before income taxes was ¥37,899mn (up 190.6% YoY), and profit attributable to owners of the parent was ¥32,972mn (up 273.6% YoY). In addition to the focus on building up the stock base as usual, the sale of facilities in the Tourism Business was brought forward, resulting in strong growth in operating profit that exceeded revenue. In addition, due to the recording of reversal of foreign currency translation adjustments as investment gains accounted by the equity method due to the debt waiver of SIRVA-BGRS Holdings, Inc. and the reclassification of capital, such as the sale of Nihon Housing Co., Ltd., which resulted in a gain on the sale of investments accounted for using equity method, profit before income taxes and profit attributable to owners of the parent increased more than operating profit.

1H FY3/25 results

(¥mn)

	1H FY3/24		1H FY3/25		
	Results	% of net sales	Results	% of net sales	YoY change
Revenue	63,189	100.0%	70,073	100.0%	10.9%
Gross profit	28,881	45.7%	31,782	45.4%	10.0%
SG&A expenses	17,330	27.4%	19,099	27.3%	10.2%
Operating profit	12,524	19.8%	15,664	22.4%	25.1%
Profit before income taxes	13,043	20.6%	37,899	54.1%	190.6%
Profit attributable to owners of the parent	8,826	14.0%	32,972	47.1%	273.6%

Source: Prepared by FISCO from the Company's financial results

In an environment where Japanese companies are actively expanding overseas and global competition is intensifying, the Company has set the visions of “Creating an industry of comprehensive lifestyle support services that we provide globally” and “Becoming the No. 1 global relocation company” based on its corporate mission. To achieve this vision, the Company is working to further strengthen its domestic business to become the top domestic market share holder under its medium-term management plan, the New Third Olympic Plan, which ends in FY3/25. As a result, revenue increased by double digits due to a steady buildup of the stock base such as the number of units under management in the leased corporate housing management business and the number of members in the Fringe Benefit Business. Also, operating profit increased by more than 20% due to the recording of gains on the sale of facilities in the Tourism Business as other income. Although it was a temporary factor, the waiver of preferred stock-related claims resulted in a gain on reversal of foreign currency translation adjustments, resulting in approximately ¥3.0bn in gains in equity method investments, and there was a ¥18.7 gain on sale of investments accounted for using equity method accompanying the sale of shares of Nihon Housing, resulting in a near four-fold increase in the 1H profit attributable to owners of the parent. The progress rate against the initial forecast was 50.1% for revenue and 52.2% for operating profit, and it appears that overall business performance is progressing roughly in line with the Company's forecasts.

Increase in revenue and profit in all segments

2. Segment trends

In 1H FY3/25, the Relocation Business recorded revenue of ¥48,408mn (up 10.6%) and operating profit of ¥8,834mn (up 14.3%). The Fringe Benefit Business posted revenue of ¥13,384mn (up 9.6%) and operating profit of ¥5,952mn (up 7.6%), and the Tourism Business booked revenue of ¥7,720mn (up 14.9%) and operating profit of ¥2,899mn (up 146.3%), as all business segments saw an increase in both revenue and profit.

1H FY3/25 Segment Results

(¥mn)

Revenue	1H FY3/24		1H FY3/25		
	Results	% of net sales	Results	% of net sales	YoY change
Relocation Business	43,756	69.2%	48,408	69.1%	10.6%
Leased corporate housing management business	13,225	20.9%	15,822	22.6%	19.6%
Residential property management business	23,258	36.8%	24,085	34.4%	3.6%
Global relocation support business	7,273	11.5%	8,501	12.1%	16.9%
Fringe Benefit Business	12,214	19.3%	13,384	19.1%	9.6%
Tourism Business	6,717	10.6%	7,720	11.0%	14.9%
Other Business	500	0.8%	560	0.8%	12.0%

Segment profit	1H FY3/24		1H FY3/25		
	Results	Profit ratio	Results	Profit ratio	YoY change
Relocation Business	7,726	17.7%	8,834	18.2%	14.3%
Leased corporate housing management business	3,254	24.6%	3,518	22.2%	8.1%
Residential property management business	3,155	13.6%	3,604	15.0%	14.2%
Global relocation support business	1,316	18.1%	1,711	20.1%	30.0%
Fringe Benefit Business	5,530	45.3%	5,952	44.5%	7.6%
Tourism Business	1,177	17.5%	2,899	37.6%	146.3%
Other Business	-116	-23.2%	-86	-15.4%	

Note: Segment profits are prior to adjustments. Also, 1H FY3/24 segment profit is prior to adjustments due to changes in accounting methodology.
Source: Prepared by FISCO from the Company's financial results

(1) Relocation Business

The leased corporate housing management business, the residential property management business and the global relocation support business, which comprise the Relocation Business, all performed solidly, with the overall business posting double-digit growth in revenue and profit. Due to a change in accounting methodology for certain transactions, there were some adjustments to figures within the segment. After making adjustments to the results for 1H FY3/24 in line with the changes, the overall revenue in the Relocation Business was ¥44,745mn, while operating profit was unchanged. Adjusted revenue in the leased corporate housing management business was ¥14,050mn and operating profit was ¥3,091mn. Revenue in the residential property management business was ¥23,421mn and operating profit was ¥3,318mn. These adjustments are not large enough to result in significant impacts on how the results are viewed.

In the leased corporate housing management business, revenue in 1H FY3/25 was ¥15,822mn (up 19.6% YoY/up 12.6% YoY after adjustments), while operating profit was ¥3,518mn (up 8.1%/13.8%). The number of leased corporate housing units under management increased 9.3% to 267,113 units, as the stock base steadily expanded, and the management fee revenue thus grew. With respect to the management of unattended housing units, which was the Company's original business, due to the poor performance in this business in recent years, in FY3/20 the Company separated it from overseas relocation services and integrated it with the corporate housing management to bolster its foundation, which helped result in a 3.4% increase in the number of units under management to 9,687 units. The number of users of relocation support services such as property searches increased, and income from moves due to job transfers and rental brokerage also increased. In addition, while such management businesses basically handle individual houses or individual rooms, there are also cases where an entire building is subleased and used by a company as rented company housing. Recently, there was an owner change in such a property, and the Company recorded a spot profit of about ¥100mn.

In the residential property management business, revenue in 1H FY3/25 was ¥24,085mn (up 3.6% YoY/up 2.8% YoY after adjustments), while operating profit was ¥3,604mn (up 14.2%/8.6%). The number of rental units under management rose 3.7% YoY to 121,204 units, steadily building up a high occupancy rate stock base, and gross profit from real estate sales grew to ¥1,773mn (up 6.6% YoY). The reason the number of rental units under management only grew in the low single digits was due to a lack of M&A, but this is likely temporary, as the Company is one of the few listed companies that continues to engage in M&A, and as its market share expands, information becomes more readily available. Meanwhile, construction revenue appears to have grown more than expected.

In the global relocation support business, revenue was ¥8,501mn (up 16.9% YoY), and operating profit was ¥1,711mn (up 30.0%). The number of households supported for overseas assignment decreased due to a slump in the number of households supported in China, the second largest area after North America, but other areas are on the rise. Despite this, the Company achieved double-digit increases in revenue and profits due to favorable occupancy rates for serviced apartments in North America, as well as growth in inbound (foreign assignments in Japan) support and some price updates.

(2) Fringe Benefit Business

The Fringe Benefit Business saw an increase in both revenue and profit due to the acquisition of new members and the favorable performance of the emergency home care service. Demand remained strong, with the number of members increasing to 7.42 million (up 7.1% YoY), and the number of contracted companies steadily increasing to 13,191 companies, and stock membership fee income increased 11.4% YoY. Contract acquisition continued to be favorable, with new acquisitions from small and medium-sized businesses and local companies, which are strengths, and large companies switching from other companies. This trend is likely to continue in the future, as one of the factors is thought to be the impact of the acquisition of the industry leader by a major life insurance company. In addition, upselling of HR (human resources) related services also gradually increased. As a result, operating profit increased 7.6% YoY, but considering the one-off profit of about ¥100mn in the year-earlier period, it is actually an increase of 9.6%. However, while fringe benefits performed well, the CRM business, which supports customer marketing, fell short of expectations, due to the ongoing reevaluation of corporate marketing budgets in the wake of the COVID-19 pandemic.

(3) Tourism Business

The Tourism Business saw an increase in both revenue and profit due to the rise in average hotel room rates, the contribution to earnings from newly-opened facilities, and the sale of facilities. The Company owns and manages 20 to 30 properties with the intention of selling them, and this sale of facilities was the result of the sale of some of these facilities. This is revenue that is generated on an ongoing basis through the normal business activities of the Tourism Business, and under Japanese standards it should be recorded as real estate for sale in the balance sheet and as sales revenue in the income statement, but because of the IFRS standards it is recorded as property, plant and equipment on the balance sheet and as other income on the income statement. The sale of facilities had a significant impact on business results, but thanks to strong operations in the summer and the contribution of new facilities, operating profit increased by an extremely large 35.6% YoY, even excluding the impact of the sale of facilities. Occupancy this past autumn also appears to have remained robust.

Positive factors for restructuring funding allocation

3. Special factors

In 1H FY3/25, the growth in profit before income taxes and 1H profit attributable to owners of the parent were abnormally high compared to the growth in operating profit. This was due to special factors in a positive sense. In terms of business results, below operating profit, there was share of profit of investments accounted for using equity method of ¥3,577mn and a one-off gain on sale of investments accounted for using equity method of ¥18,724mn, but even excluding these, the core business can be said to be strong, with 1H profit before income taxes increasing 23.6% YoY and profit attributable to owners of the parent increasing 26.8% YoY.

SIRVA-BGRS, which recorded impairment loss of account receivables and investments accounted for using equity method of ¥47.6bn in FY3/24 as share of profit of investments accounted for using equity method, recorded reversal of foreign currency translation adjustments as investment gains accounted by the equity method of ¥3.0bn in FY3/25 due to the debt waiver. The background to this is as follows. With the aim of “Becoming the No. 1 global relocation company,” in 2019 the Company acquired shares in BGRS Limited, one of the world’s largest global relocation companies, making it a subsidiary. However, shortly thereafter, the entire relocation industry found itself in a challenging environment due to the impact of the global COVID-19 pandemic. For this reason, the Company restructured its business foundation by promoting restructuring and digitalization of BGRS, but as the uncertainty caused by the COVID-19 pandemic continued, the momentum for restructuring increased in the relocation industry with the aim of expanding scale and improving efficiency, and in July 2022, the merger of BGRS with SIRVA Holdings, Inc., one of the largest companies in the industry, was decided, and made SIRVA-BGRS an equity method affiliate by acquiring 23% of SIRVA-BGRS’ preferred shares (0% voting rights). Since then, the Company has continued to operate in collaboration with Global Relocation and Moving Services, LP, SIRVA-BGRS’ largest shareholder, but the relocation industry has not fully recovered from the COVID-19 pandemic, and the number of used home sales in North America has decreased due to a significant increase in interest rates in the United States, so the number of transactions for “moving support for home sales and purchases,” one of SIRVA-BGRS’ core businesses, has dropped sharply, and the interest on borrowings has increased significantly. As a result, investments and financial receivables related to SIRVA-BGRS have been treated as impairment losses.

The ¥18.7bn gain on sale of investments accounted for using equity method was generated by the sale of shares in of Nihon Housing, an equity method affiliate, in FY3/25. The background is as follows. The Company and Nihon Housing, which was listed on the Second Section of the Tokyo Stock Exchange at the time, entered into a business alliance agreement in 2008 with the aim of creating synergies in services related to housing and living environments, such as condominium management, maintained a good relationship with Nihon Housing as an equity method affiliate of the Company. However, the founding family of Nihon Housing recently offered to take the company private, and since the synergies had not been very large up until now and there was sufficient economic rationality for the sale, along with the fact that it was necessary to reorganize investments in preparation for the next medium-term management plan, the Fourth Olympic Plan, the Company accepted the proposal and decided to sell its shares in Nihon Housing. Nihon Housing will no longer be an equity method affiliate of the Company, but the Company plans to maintain the business alliance agreement and continue the business relationship as before.

Expecting strong performance again in 2H, full-year results to be in line with initial forecasts

4. FY3/25 results outlook

For FY3/25, the Company forecasts revenue of ¥140,000mn (up 5.6% YoY), operating profit of ¥30,000mn (up 8.7%), profit before income taxes of ¥48,000mn (pre-tax loss of ¥19,404mn in the previous fiscal year), and profit attributable to owners of the parent of ¥33,000mn (loss of ¥27,807mn in the previous fiscal year). As expected at the beginning of the fiscal year, revenue and operating profit are forecast to increase due to the solid performance of the core business, and profit before income taxes and profit lines below that are expected to turn significantly into the black due to the disposal of SIRVA-BGRS and the sale of Nihon Housing.

FY3/25 outlook

(¥mn)

	FY3/24		FY3/25		
	Results	% of net sales	Forecast	% of net sales	YoY change
Revenue	132,580	100.0%	140,000	100.0%	5.6%
Gross profit	60,540	45.7%	-	-	-
SG&A expenses	35,997	27.2%	-	-	-
Operating profit	27,611	20.8%	30,000	21.4%	8.7%
Profit before income taxes	-19,404	-14.6%	48,000	34.3%	-
Profit attributable to owners of the parent	-27,807	-21.0%	33,000	23.6%	-

Source: Prepared by FISCO from the Company's financial results

FY3/25 segment results forecast

(¥mn)

Revenue	FY3/24		FY3/25		
	Results	% of net sales	Forecast	% of net sales	YoY change
Relocation Business	92,459	69.7%	94,700	67.6%	2.4%
Leased corporate housing management business	28,917	21.8%	32,000	22.9%	10.7%
Residential property management business	48,964	36.9%	46,700	33.4%	-4.6%
Global relocation support business	14,576	11.0%	16,000	11.4%	9.8%
Fringe Benefit Business	24,971	18.8%	29,000	20.7%	16.1%
Tourism Business	14,081	10.6%	15,300	10.9%	8.7%
Other Business	1,066	0.8%	1,000	0.7%	-6.2%

Segment profit	FY3/24		FY3/25		
	Results	Profit ratio	Forecast	Profit ratio	YoY change
Relocation Business	16,773	18.1%	17,400	18.4%	3.7%
Leased corporate housing management business	6,039	20.9%	6,800	21.3%	12.6%
Residential property management business	8,298	16.9%	7,600	16.3%	-8.4%
Global relocation support business	2,435	16.7%	3,000	18.8%	23.2%
Fringe Benefit Business	11,509	46.1%	13,300	45.9%	15.6%
Tourism Business	3,110	22.1%	3,900	25.5%	25.4%
Other Business	-150	-14.1%	-	-	-

Note: Segment profits are prior to adjustments.
Source: Prepared by FISCO from the Company's results briefing materials

The results forecast for FY3/25 segment is for the Relocation Business to post revenue of ¥94,700mn (up 2.4% YoY) and operating profit of ¥17,400mn (up 3.7% YoY). Of this, the leased corporate housing management business is expected to see an increase in management revenue in 2H due to the high demand for outsourcing of leased corporate housing, with revenue of ¥32,000mn (up 10.7% YoY) and operating profit of ¥6,800mn (up 12.6%). The residential property management business aims for revenue of ¥46,700mn (down 4.6%) and operating profit of ¥7,600mn (down 8.4%) by accumulating the number of managed units as stock and strengthening rental brokerage. The global relocation support business is expected to achieve revenue of ¥16,000mn (up 9.8%) and operating profit of ¥3,000mn (up 23.2%) due to the increasing number of households supported for overseas assignments. In the Fringe Benefit Business, while the CRM business is challenging, the Company expects several large projects and upselling in 2H, so it expects revenue of ¥29,000mn (up 16%) and operating profit of ¥13,300mn (up 15.6%). In the Tourism Business, travel demand has shifted to autumn due to the extreme heat of summer, and occupancy rates and reservation prices are currently favorable, so it expects revenue of ¥15,300mn (up 8.7%) and operating profit of ¥3,900mn (up 25.4%). While the overall performance is expected to be solid, the CRM business of the Fringe Benefit Business is performing somewhat weakly, but the Company plans to make up for this by catching up in the CRM business, and construction revenue from the strong residential property management business, and the Tourism Business.

Medium- to long-term plan

From the Second Start-Up Stage to the Global Start-Up Stage

1. Long-term plan, the Second Start-Up Period

The Company has established a long-term business framework spanning more than 20 years, beginning with FY3/12, and has formulated a medium-term management plan called the Olympic Plan, with the first half positioned as the Second Start-Up Stage and the second half as the Global Start-Up Stage, as it carries out its growth strategy. In the first half, the Second Start-Up Stage, the Company aims to support companies' global expansion by taking over non-core business operations so that they can focus on their core businesses and demonstrate their true potential in order to compete on a global stage, in anticipation of the shrinking domestic market and the accelerating global expansion of Japanese companies. In the second half, the Global Start-Up Stage, the Company aims to realize its vision of "Becoming the No. 1 global relocation company." FY3/25 is the final year of the New Third Olympic Plan, which is the final stage of the Second Start-Up Stage and marks a turning point as a year of preparation for Fourth Olympic Plan, the first medium-term management plan of the Global Start-Up Stage.

Steady progress on the New Third Olympic Plan

2. Medium-term management plan, the New Third Olympic Plan

The First Olympic Plan was launched in FY3/12, and in the final year, FY3/15, the Company achieved ordinary profit ¥9.8bn, far exceeding the target. The Second Olympic Plan launched in FY3/16 also achieved the target of doubling ordinary profit to ¥20.0bn in four years. The New Third Olympic Plan currently being advanced is an upgraded version of the Third Olympic Plan, which was postponed by two years due to the impact of the COVID-19 pandemic, and prioritizes building a foundation for long-term prosperity while keeping the numerical target of profit before income taxes of ¥35.5bn unchanged, with the themes of recurring revenue business, financial foundation, and strengthening services to client companies. In line with the New Third Olympic Plan, the Company has promoted the accumulation of stock by strengthening sales power and follow-up systems, maximizing profits generated from stock, improving efficiency through digitalization and systemization, and M&A with other companies in the same industry. As a result, the Company's rental housing management business, although a latecomer, has gradually increased its market share through its unique subleasing method, and the employee welfare business has been able to survive on its own by beating its competitors. In the overseas business, the global relocation support business and the AIRINC consulting business have become stronger. In addition to the smooth progress of the business, the New Third Olympic Plan has also recorded gain on sale of investments accounted for using equity method, and as a result, the forecast for profit before income taxes for FY3/25 is ¥48.0bn, significantly exceeding the numerical target, so it can be said that the Company has made good progress.

Pursuing profit of ¥50.0bn in FY3/29

3. General aims of the Fourth Olympic Plan

The Fourth Olympic Plan, which will be the gateway to long-term prosperity, is expected to be officially announced when the FY3/25 full year results are released, but the general aims have been expressed. The challenges in the post-COVID business environment include labor shortages, reduced human movement, and a shrinking domestic market, but these are considered to be tailwinds for the Company as they will motivate companies to improve company housing and fringe benefits. In this environment, the Fourth Olympic Plan will aim to actively invest in human resources in the first half of the plan period and use the tailwinds to grow the profits of existing businesses. In the second half of the plan period, the Company plans to expand its business into new domains, and will support companies in solving problems that expand as the environment changes, such as companies' diagnoses of company housing systems and enhancement of fringe benefits offerings for accepted applicants, Core & Flex Relocation support for expatriates, BPO services for rental management, and M&A aimed at business succession. As a result, the Company will seek to achieve profit of ¥50.0bn in FY3/29, which is 10 times the amount at the start of the Second Start-up Period.

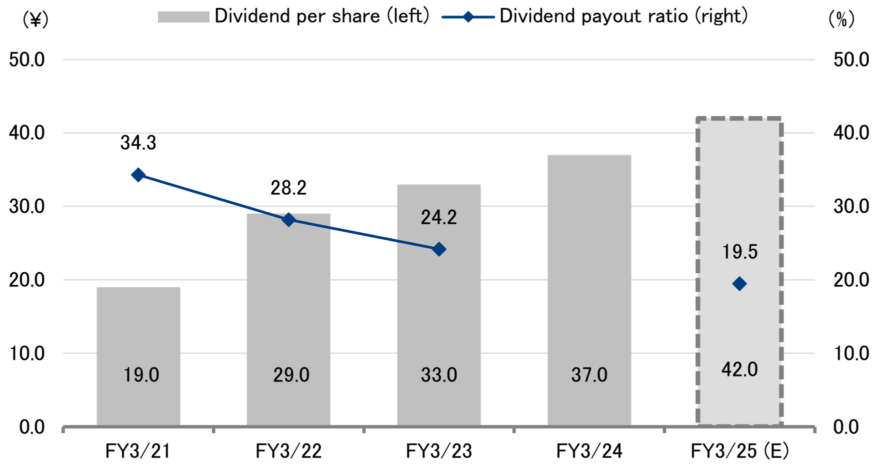
Shareholder return policy

Planning to pay dividend of ¥42.0, a ¥5.0 YoY increase

1. Dividend policy

The Company regards returning profits to shareholders as one of its most important issues. The basic policy of the Company is to pay dividends in line with its consolidated results, with a dividend payout ratio of around 30% as the target. In addition, the Company will strive to return profits stably by adjusting the impact of one-time special factors as necessary. Based on the above policy, share of profit of investments accounted for using equity method and gain on sale of investments accounted for using equity method booked this period are temporary profits and will not be taken into account when determining dividends, and the dividend per share is planned to be ¥42.0 for the end of FY3/25, an increase of ¥5.0 from the year-earlier dividend. Going forward, the Company plans to continue returning profits to shareholders while striking a balance between investments to achieve continuous growth and strengthening its financial position.

Trends in dividend per share and the dividend payout ratio



Note: The dividend payout ratio is not shown for FY3/24 due to the fact that the Company posted a one-off loss. For FY3/25, the Company posted a one-off profit, so the dividend payout ratio is lower than most years.
Source: Prepared by FISCO from the Company's financial results

Able to use Relo Group Shareholder Benefits Club Off at preferential prices

2. Shareholder benefits system

As a shareholder benefit, the Company offers the Relo Group Shareholder Benefits Club Off, which allows use of 20,000 accommodation facilities in Japan and over 200,000 services both domestically and internationally at preferential prices. The Relo Group Shareholder Benefits Club Off is a service that allows use of accommodation facilities in Japan and overseas at discounted member prices, as well as discounts at leisure facilities, movies, theaters, and restaurants, and shareholders as of the end of March are presented with information about their shareholder benefit services according to the number of shares they hold. Standard members who own between 100 and 999 shares can enjoy preferential prices compared to normal prices, while VIP members who own at least 1,000 shares can enjoy preferential services at even more favorable prices than the standard member prices.

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