COMPANY RESEARCH AND ANALYSIS REPORT

Relo Group, Inc.

8876

Tokyo Stock Exchange Prime Market

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Contents

Summary

Planning to shift to a growth phase in FY3/27, aiming for a return to a double-digit operating profit growth pace

1. Developing Outsourcing Business for corporations and the Residential Property Management Business for consumers

The business of Relo Group, Inc. <8876> is divided into Outsourcing Business for corporations (B2B), Residential Property Management Business and Tourism Business, with consumers (B2C) as the ultimate beneficiaries. The Outsourcing Business consists of the Fringe Benefit Business, which enriches leisure time and supports lifestyles and work styles, the Leased Corporate Housing Management Business, which manages leased corporate housing through its unique subleasing method and manages vacant homes, and the Global Relocation Support Business, which provides total support for overseas assignment, from departure to return, handling complex tasks on behalf of clients. It targets a range of companies from small and medium-sized enterprises to large corporations, the Company supports their non-core internal operations on a global scale, with fringe benefits at its core. Meanwhile, in the consumer-facing Residential Property Management Business, the Company handles rent collection, brokerage, contract management, and troubleshooting for rental properties in major cities in Japan on behalf of owners, while in the Tourism Business, it undertakes hotel operations and enhances the value of facilities.

2. Maximizing synergies by combining the unique strengths of each business to maintain significant profit growth

The Fringe Benefit Business's strengths lie in its proposal-based sales tailored to needs, rich service offerings, and continuous usability improvements. Its status as an independent entity can also be considered a strength. The Leased Corporate Housing Management Business's strengths lie in its unique full-outsourcing service, the subleasing method, and its ability to respond to regulatory changes. The Global Relocation Support Business's strengths lie in its unparalleled rich track record and one-stop support. The Residential Property Management Business's strengths lie in its vacancy countermeasures, brokerage capabilities, and total support for owners. The Tourism Business's strengths lie in its expertise in operating and revitalizing small and medium-sized hotels and inns in regional areas. The Company maximizes synergies by having each business leverage each other's strengths, and has maintained high profit growth by steadily accumulating a stock of managed units and members each year.

3. In FY3/26, operating profit posted a slight increase despite the upfront investment phase of the medium-term management plan, while remaining at a record high

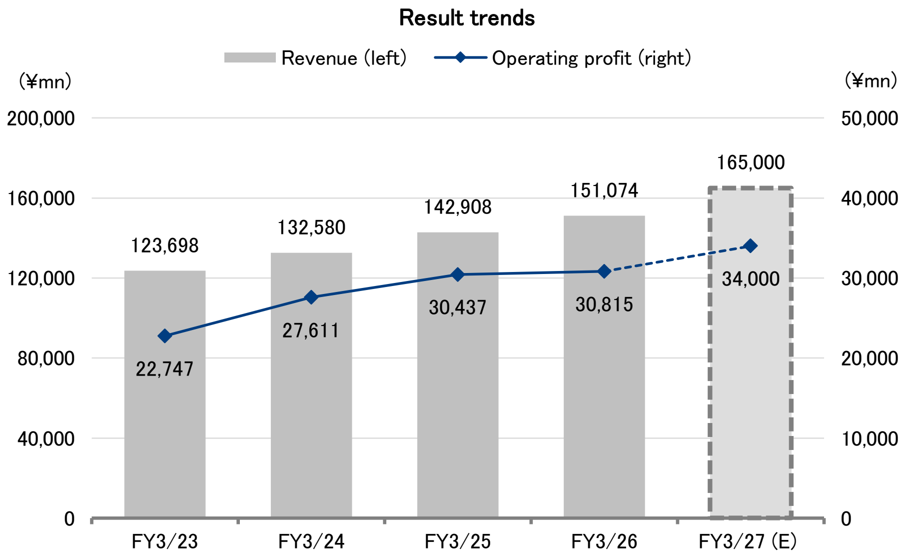
For FY3/26, revenue was ¥151,074mn (up 5.7% year on year (YoY)) and operating profit was ¥30,815mn (up 1.2%). Operating profit showed only a slight increase due to upfront investments for the medium-term management plan, the Fourth Olympic Plan, but still remained at a record high. By business, all businesses recorded revenue increases, and all except the Residential Property Management Business reported profit increases. In the Fringe Benefit Business, although targeted marketing by competitors had an impact, the trend toward outsourcing due to labor shortages provided a tailwind. In the Leased Corporate Housing Management Business, the subleasing method was well-received, leading to an increase in usage. In the Global Relocation Support Business, the number of contracts increased, partly due to the increasing complexity of visa application processes. In the Residential Property Management Business, the number of vacant properties decreased and people's mobility slowed, mainly due to rising real estate prices in the Tokyo metropolitan area, but the number of units under rental management grew through M&A and other means. In the Tourism Business, hotel occupancy rates were firm, and revenue from timeshares usage fees for vacation homes also increased.

4. In FY3/27, planning to shift to a growth phase and expecting operating profit to return to its pace of double-digit growth

For FY3/27, the Company forecasts expected revenue of ¥165,000mn (up 9.2% YoY) and operating profit of ¥34,000mn (up 10.3%). As the Company shifts from its upfront investment phase to a growth phase, the plan is for operating profit to return to its original pace of double-digit growth. As a key initiative, the Fringe Benefit Business and Tourism Business jointly invested to establish Relo Club Vacations, Ltd. The Company aims to evolve its cross-selling, which was previously limited to customer referrals, by combining the services of each business to provide new services. The Fourth Olympic Plan, which aims for operating profit of ¥50.0bn in FY3/29, has generally been progressing smoothly, but two unexpected factors emerged: targeted marketing by a competitor and a decline in people's mobility. The Company believes these unexpected factors from the first year can be absorbed during the medium-term management plan period and plans to address them through M&A and the strong performance of other businesses.

Key Points

- Maximizing synergies by leveraging the unique strengths of each business, and driving sustainable growth by accumulating stock
- In FY3/26, maintaining record-high operating profit despite a slight increase; increased revenue across all businesses
- Completing upfront investments, and planning to return to an original double-digit operating profit growth pace in FY3/27
- Progressing the Fourth Olympic Plan smoothly in general, and unexpected factors are expected to be absorbed within the medium-term management plan



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

Company profile

Developing the Outsourcing Business and other operations, with fringe benefits at the core

1. Company profile

With the mission of “supporting the non-core operations of Japanese companies, enabling them to concentrate on their core operations and compete on the world stage,” “facilitating the global expansion of Japanese companies, empowering them to unleash their true potential,” and “assisting in the great transformation that awaits Japan,” the Company develops the Outsourcing Business for corporations, ranging from small and medium-sized enterprises to large corporations. The Outsourcing Business, with fringe benefits at its core, supports non-core internal corporate operations on a global scale. It consists of the Fringe Benefit Business, which supports employees’ lifestyles and work styles; the Leased Corporate Housing Management Business, which manages companies’ leased corporate housing through its unique subleasing method; and the Global Relocation Support Business, which provides total support for complex tasks from overseas assignment to return. In addition, the Company operates businesses targeting consumers as end-beneficiaries. The Residential Property Management Business manages rental properties in major Japanese cities on behalf of owners, and the Tourism Business is engaged in hotel operation contracts and enhancing facility value.

Maintaining growth through M&A and new business development

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 US 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, the Company has continued to grow 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, Kanoashi-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	Company's 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	Established Relocation Finance, Ltd. (company name changed to Relo Financial Solutions Ltd. in July 2003)
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 Fukuri Kosei Club Kyushu Co., Ltd. as a joint venture with ASO CEMENT Co., Ltd.
May 2000	Established Fukuri Kosei 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 Kosei 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. (company name changed to Relocation International, Inc. in October 2008) Made Redac, Inc. (company 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.
September 2009	Established ROI, Inc. (company name changed to World Resort Operation, Inc. in October 2009)
December 2009	Made Nihon Housing Co., Ltd. an affiliate
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 10-for-1 stock split of its 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. 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.

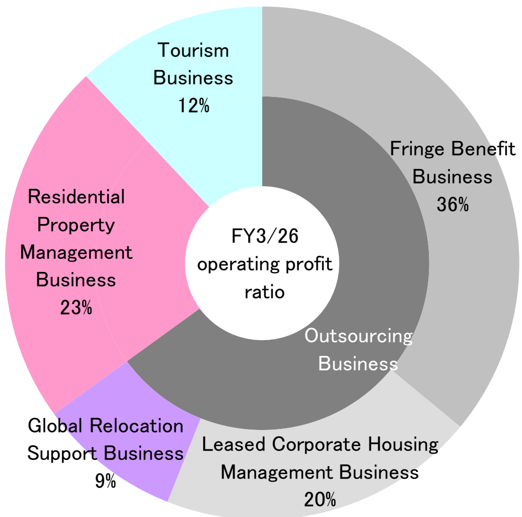
Business description

Developing the Fringe Benefit Business and Residential Property Management Business, among others

1. Business description

The Company's segments are classified as the Fringe Benefit Business, the Leased Corporate Housing Management Business, and the Global Relocation Support Business, which constitute the Outsourcing Business for corporations, as well as the Residential Property Management Business and Tourism Business for consumers. Each business has its own strengths, and by leveraging each other's strengths, they generate synergies. They also have the characteristics of recurring-revenue business, steadily accumulating stock such as the number of units managed in corporate, residential property management, and members in the Fringe Benefit Business, in turn promoting profit growth year after year.

A diversified portfolio



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

Outsourcing Business with significant mutual synergies

2. Outsourcing Business (B2B)

(1) Fringe Benefit Business

The Fringe Benefit Business is the Company's core business. It was started with the aim of providing fringe benefit outsourcing services primarily to companies that cannot offer comprehensive fringe benefits themselves due to their small size, such as small and medium-sized enterprises and regional companies. However, it now provides services to many enterprises and organizations, including large corporations. The main services include the fringe benefit program outsource service, preferential services for corporate customers (CRM), and emergency home support services. The fringe benefit program outsource service provides a platform that allows employees to use numerous menus supporting their lifestyles and work styles at discounted prices, including leisure and accommodation options, as well as skill development, health checkups, childcare, and nursing care. The preferential services for corporate customers offer this platform to corporate membership organizations, helping them retain members by providing access to various services at discounted rates. The emergency home support services provide membership-based customer support services that promptly resolve housing-related troubles 24 hours a day, 365 days a year.

The business's strengths include needs-based proposal sales that address each company's challenges and needs, rich service offerings tailored to the characteristics and needs of each region, and continuous system investment to improve usability and operational efficiency, resulting in high investment efficiency. Its status as an independent entity, in contrast to a competitor that has become affiliated with a major life insurance company, enables the Company to expand sales without limiting partners or target companies. The Company's strengths, such as its attentive follow-up sales and agility in fulfilling requests, give it a competitive advantage. The external environment is favorable. Due to a shrinking labor force, demand for fringe benefits to improve employee satisfaction and secure human resources is growing. Furthermore, the application of equal pay for equal work is expanding the scope of services to non-regular employees. As a result, the number of corporate clients has reached approximately 13,000.

(2) Leased Corporate Housing Management Business

The Leased Corporate Housing Management Business is a service that manages leased corporate housing on behalf of companies. The main services include leased housing management services, unattended housing management service, and Relo Net. The leased housing management services undertake various tasks related to leased corporate housing managed by companies, such as rent remittance to landlords, contract management, move-out negotiations, security deposit advances, and trouble response. In the unattended housing management service, the Company takes care of the properties of people who are assigned to work abroad and own homes, recruiting tenants for them as rental properties, and also handles complicated tasks such as collection of money and contract management. Relo Net is a web-based system that allows users to arrange housing brokerage and moving services when transferring or relocating.

The business's strengths lie in its total support for leased corporate housing management through its unique subleasing method scheme, and its swift response to industry changes such as legal revisions and digital transformation (DX). In particular, the subleasing method is a full outsourcing service developed by the Company that, unlike typical agency services which only handle rent remittance and contract management, undertakes all complex tasks related to corporate housing—from property contracts and move-out negotiations to consulting on corporate housing regulations. In addition to these strengths, the external environment is also providing tailwinds, including the increasingly serious labor shortages in Japan and the growing burdens on companies associated with the introduction of systems such as the My Number and invoice systems.

(3) Global Relocation Support Business

In the Global Relocation Support Business, the Company provides one-stop support services for complicated tasks, 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. Furthermore, the Company's US subsidiary, Relo Redac, Inc., provides total lifestyle support services for expatriates of Japanese companies, mainly in North America, including housing management, 24-hour interpretation, insurance, and car leasing. In addition, through a US subsidiary, Associates for International Research, Inc. (AIRINC), the Company conducts surveys and sells data like cost-of-living indices used in calculating salaries for overseas expatriates, as well as provides consulting services related to overseas assignments. Other services include training programs for expatriates and inbound support services for accepting foreign talent from overseas.

The business's strengths lie in its proven track record, including handling 7,000 overseas assignment households annually, covering 2,500 cities with its consulting data, arranging the relocation of 3,000 foreign employees per year, and maintaining a 24-hour support system for overseas and domestic business travel. Moreover, the Company provides a one-stop service for all arrangement tasks associated with overseas assignments and also offers consulting. As corporate activities become more active following the COVID-19 pandemic, the overseas expansion of Japanese companies and the influx of foreign talent due to labor shortages are accelerating. The resulting increase in various burdens on companies is providing a tailwind.

Development of Relo's Rental in urban areas

3. Residential Property Management Business

The Residential Property Management Business operates Relo's Rental not only in the Tokyo metropolitan area but also in urban areas such as Sendai, Osaka, and Fukuoka. It has steadily increased the number of units under rental management each fiscal year by continuously implementing coexistence and mutual prosperity type M&A*. The main services are rental management, construction/renovation, and other related services. In rental management, the Company handles tasks on behalf of rental property owners, including rent collection management, contract management, tenant placement, inquiry response, and trouble response. In construction/renovation, the Company supports optimal construction and renovation to achieve full occupancy based on owners' needs. In other related services, the Company provides services such as Relo's Parking, which utilizes idle land for parking lots; conversion of company housing and dormitories into share houses; and Relo's Sales, which supports property sales by leveraging the Company's network.

* A model in which, after M&A, the Company and the local rental management company grow together under the dual name of Relo's Rental and the local company, leveraging the Company's know-how and the local company's established trust.

The business's strengths are the relationship of trust with property owners, as well as the ability to share with the Group the unique knowledge and know-how of each subsidiary in areas such as rent collection, brokerage, construction, and trouble response. Building on this foundation, its strengths lie in vacancy countermeasures and brokerage capabilities, as well as detailed, total support that addresses owners' concerns, and the trust inherited from long-established companies through coexistence and mutual prosperity type M&A. In recent years, an increasing number of rental management companies face challenges in business succession due to the aging of society and succession planning. Amid this trend, psychological barriers to M&A have been declining, leading to an improvement in the external environment. The concentration of population in urban areas is also a tailwind for the Company, and the number of units under rental management has significantly surpassed 120,000.

Development of hotel management and revitalization, and timeshares

4. Tourism Business

In the Tourism Business, the Company engages in hotel management and point-based timeshares operations, among others. In hotel management, the Company undertakes hotel operation service contracts by leveraging its know-how in operating small and medium-sized hotels and inns in regional areas, each with about 30 rooms per facility. The Company also operates a unique asset model in which it improves cash flow and enhances real estate value using its know-how in attracting customers and implementing DX before selling the property, and then retains the operation contract even after the sale. In point-based timeshares, the Company sells memberships that provide timeshare access to more than 50 facilities nationwide, allowing members to stay according to the number of points they own. 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.

The business's strengths lie in its know-how in revitalizing and operating small and medium-sized regional hotels and inns, its expertise in maximizing business value through customer attraction and DX, and its high investment efficiency and growth cycle achieved by handling purchase, revitalization, sale, and operation as a single package. Of these, the greatest strength lies in its ability to attract customers, leveraging the member base of the Fringe Benefit Business. The external environment can be considered favorable, given the increasing number of small and medium-sized regional hotels facing business succession challenges such as a lack of successors and aging facilities, the growth of inbound demand and domestic travel, and the promotion of tourism industry policies and regional revitalization.

Results trends

Operating profit posted only a slight increase due to the upfront investment phase, but still reached a record high

1. FY3/26 results trends

In FY3/26, the first year of the Fourth Olympic Plan, revenue was ¥151,074mn (up 5.7% YoY), operating profit was ¥30,815mn (up 1.2%), profit before income taxes was ¥30,943mn (down 41.5%), and profit attributable to owners of the parent was ¥20,665mn (down 52.3%). While operating profit reached a record high, the increase was limited to a small margin because the period was an upfront investment phase. Compared to the initial forecast, revenue exceeded the forecast by ¥1,074mn, but operating profit fell short by ¥585mn. The shortfall is small, and given that it is the first fiscal year of the medium-term management plan, there is a high possibility that it can be covered going forward.

FY3/26 results

(¥mn)

	FY3/25		FY3/26		
	Results	Ratio	Results	Ratio	YoY
Revenue	142,908	-	151,074	-	5.7%
Gross profit	66,308	46.4%	70,306	46.5%	6.0%
SG&A expenses	39,894	27.9%	42,759	28.3%	7.2%
Operating profit	30,437	21.3%	30,815	20.4%	1.2%
Profit before income taxes	52,863	37.0%	30,943	20.5%	-41.5%
Profit attributable to owners of the parent	43,317	30.3%	20,665	13.7%	-52.3%

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

Revenue increased steadily due to the solid performance of the Outsourcing Business's recurring-revenue business, such as the number of members in the Fringe Benefit Business and the number of managed units in the Leased Corporate Housing Management Business. While unit prices rose overall due to service improvements and rising real estate prices, operating profit grew only slightly due to initial investments, particularly in personnel expenses and system costs, as this was the first year of the Fourth Olympic Plan. The decline in profit before income taxes and profit attributable to owners of the parent was due to the absence of the gain on the sale of shares of NIHON HOUSING CO., LTD. and foreign exchange translation adjustments, which had been recorded in the previous fiscal year. Excluding these factors, profit attributable to owners of the parent was flat YoY. People's mobility in the Residential Property Management Business was somewhat slow due to surging real estate prices, and the initial forecast for the Tourism Business was high to begin with. However, the reason revenue exceeded the initial forecast was solid growth across all segments of the Outsourcing Business. On the other hand, while the decline in people's mobility likely had an impact, the shortfall in operating profit is thought to be due to small shortfalls across each business.

FY3/26 segment results

(¥mn)

Revenue	FY3/25		FY3/26		
	Results	Ratio	Results	Ratio	YoY
Outsourcing Business	74,222	51.9%	80,769	53.5%	8.8%
Fringe Benefit Business	27,378	19.2%	30,416	20.1%	11.1%
Leased Corporate Housing Management Business	30,017	21.0%	32,737	21.7%	9.1%
Global Relocation Support Business	16,826	11.8%	17,615	11.7%	4.7%
Residential Property Management Business	51,759	36.2%	52,956	35.1%	2.3%
Tourism Business	15,771	11.0%	16,399	10.9%	4.0%
Other Business	1,154	0.8%	948	0.6%	-17.8%

Segment profit	FY3/25		FY3/26		
	Results	Profit ratio	Results	Profit ratio	YoY
Outsourcing Business	22,154	29.8%	22,899	28.4%	3.4%
Fringe Benefit Business	12,269	44.8%	12,726	41.8%	3.7%
Leased Corporate Housing Management Business	6,803	22.7%	7,042	21.5%	3.5%
Global Relocation Support Business	3,080	18.3%	3,131	17.8%	1.6%
Residential Property Management Business	8,166	15.8%	8,012	15.1%	-1.9%
Tourism Business	4,197	26.6%	4,344	26.5%	3.5%
Other Business	-166	-14.4%	-206	-21.7%	-

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

By segment, the Outsourcing Business recorded revenue of ¥80,769mn (up 8.8% YoY) and operating profit of ¥22,899mn (up 3.4%). The Residential Property Management Business recorded revenue of ¥52,956mn (up 2.3%) and operating profit of ¥8,012mn (down 1.9%). The Tourism Business recorded revenue of ¥16,399mn (up 4.0%) and operating profit of ¥4,344mn (up 3.5%). The Other Business, which develops finance-related services and other operations leveraging the foundation of the core businesses, recorded revenue of ¥948mn (down 17.8%) and an operating loss of ¥206mn (compared to a ¥166mn loss in the previous fiscal year).

(1) Outsourcing Business

Within the Outsourcing Business, the Fringe Benefit Business recorded revenue of ¥30,416mn (up 11.1% YoY) and operating profit of ¥12,726mn (up 3.7%). The Leased Corporate Housing Management Business recorded revenue of ¥32,737mn (up 9.1%) and operating profit of ¥7,042mn (up 3.5%). The Global Relocation Support Business recorded revenue of ¥17,615mn (up 4.7%) and operating profit of ¥3,131mn (up 1.6%).

In the field of fringe benefits, the trend of expanding fringe benefit programs to recruit and retain talent amid labor shortages has been strengthening. Non-statutory welfare expenses have been increasing at a pace of 4% to 5% since 2022, and this upward trend is expected to continue over the medium to long term. As a result, demand for outsourcing in the fringe benefits field has also grown, and the Company's Fringe Benefit Business saw a steady acquisition of new members. However, because a competitor that has become affiliated with a major life insurance company engaged in targeted marketing toward its investees and closely related business partners, the increase in the number of members (excluding OEM and CRM) was limited to a slight 0.6% YoY, reaching 7.32mn. The impact of the competitor's targeted marketing was particularly evident in March, the end of the fiscal year, and is expected to continue for at least one year. Despite this challenging environment, the Company developed unique products and services and leveraged the Group's overall strengths to provide them. This led to a 16% increase in usage-related revenue, resulting in double-digit overall revenue growth. On the other hand, operating profit did not grow as much as revenue due to upfront investments made in line with the medium-term management plan to build a foundation, such as human capital investment, product development and salesforce strengthening, call center expansion, application development, and data center restructuring.

In the Leased Corporate Housing Management Business, the Company's subleasing method was well-received. The number of managed corporate housing units increased to 298,141 (up 7.0% YoY), unattended managed units to 10,381 (up 4.3%), and furnished rental managed units to 12,599 (up 26.3%). This led to an increase in management fee income and the number of users of relocation support services, such as property searches on Relo Net. Furthermore, while providing value-added services like system function enhancements, the Company also aimed to substantially improve profitability through measures such as monetizing administrative services and revising fee structures. As a result, revenue grew by nearly double digits, but due to upfront investments and the absence of one-off profits recorded in the previous fiscal year, operating profit growth was limited to the low single digits.

In the Global Relocation Support Business, while the overseas expansion of Japanese companies remains robust, the visa application process is becoming increasingly complex. Consequently, there is a growing trend of companies outsourcing tasks previously handled in-house. As a specialist vendor with advanced know-how, the Company attracted a concentration of such projects. Although a temporary delay in visa issuance occurred when US immigration screening was tightened at the beginning of the period, the Company secured orders from major corporations both domestically and internationally, including several major domestic general trading companies with which it had no previous dealings. The number of households supported for overseas assignments reached 7,055 (up 3.1% YoY). Additionally, the unit price per completed assignment also increased by about 5%, due to the increased complexity of the process. Furthermore, the provision of services related to real estate transactions for Japanese-affiliated companies at overseas locations also remained firm. Meanwhile, the number of inbound support households decreased to 2,474 (down 13.6%). However, this was due to special factors, specifically the reaction to a large-scale project received in the previous fiscal year and a revision to the timing of recording completed inbound households (pushed back by one month). Excluding these special factors, the level remains consistently stable.

(2) Residential Property Management Business

The environment surrounding the rental market saw a decrease in the number of vacant properties as people's mobility slowed, against a backdrop of rising rents in the Tokyo area due to climbing real estate prices. The situation was particularly challenging for brokers, as a greater-than-expected shortage of properties occurred during the peak moving season in 4Q. On the other hand, the Company's earnings were relatively stable because it is a management company, and it was in a favorable position for brokerage as it could access relocation information at an early stage. In this environment, the Company continued to promote M&A to expand its stock base—although the deals were not large-scale—in addition to the growth of existing rental management companies. As a result, the number of units under rental management reached 125,535 (up 2.7% YoY). Gross profit from asset sales expanded steadily to ¥4,314mn (up 12.7%), driven by support for real estate transactions as a measure to address succession-related needs and prevent management contract cancellations. However, revenue growth was limited to the low single digits, and profit declined due to upfront investments such as personnel expenses.

(3) Tourism Business

Tourism demand in Western Japan declined due to factors such as the Osaka-Kansai Expo and disaster warnings. However, revenue increased, driven by firm hotel occupancy rates overall, the revenue contribution of newly opened facilities, and an increase in timeshares usage fee income from vacation homes. As the Company's inbound tourist ratio is low and its demand is primarily domestic, the impact of the decline in Chinese tourists was limited. In terms of profit, the Company saw an increase by promoting the use of AI and DX to address rising costs and reduce administrative and operational expenses. Profit from asset sales amounted to ¥1.4bn, up ¥90.0mn from the previous fiscal year, from the sale of two properties. The Company is promoting a high-profit project, the Relo Stay VILLA Concept, which involves expanding idle land at its over 50 hotels and other operated facilities by building additional wings to increase value. As acquisitions are increasing, the Company is accelerating sales and actively reshuffling its hotel portfolio.

Entering a growth phase, with a plan to return to the original double-digit operating profit growth pace

2. FY3/27 results outlook

For FY3/27, the Company forecasts revenue of ¥165,000mn (up 9.2% YoY), operating profit of ¥34,000mn (up 10.3%), profit before income taxes of ¥33,600mn (up 8.6%), and profit attributable to owners of the parent of ¥22,500mn (up 8.9%). As the Company shifts from the first year of its medium-term management plan, which was an upfront investment phase, to the second fiscal year, a growth phase, the plan is to return to its original double-digit profit growth pace.

FY3/27 forecast

(¥mn)

	FY3/26		FY3/27		
	Results	Ratio	Forecast	Ratio	YoY
Revenue	151,074	-	165,000	-	9.2%
Operating profit	30,815	20.4%	34,000	20.6%	10.3%
Profit before income taxes	30,943	20.5%	33,600	20.4%	8.6%
Profit attributable to owners of the parent	20,665	13.7%	22,500	13.6%	8.9%

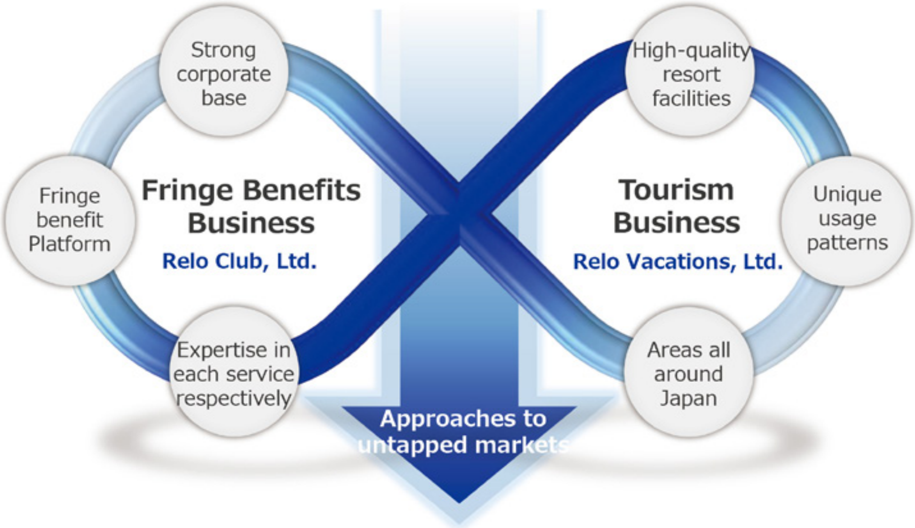
Source: Prepared by FISCO from the Company's financial results

Using the stock base built up in the previous fiscal year as a starting point, the Company will aim to expand its stock base, including the number of members in the Fringe Benefit Business and the number of managed units in the Leased Corporate Housing Management Business and Residential Property Management Business, through the growth of existing businesses and the introduction of new products and services. The Company also plans to accumulate earnings in the Global Relocation Support Business and Tourism Business. On the profit side, the Company anticipates a double-digit increase, as most of the significant upfront investments were completed in the previous fiscal year. No significant items are planned under other income and expenses. Consequently, both profit before income taxes and profit attributable to owners of the parent are forecast to increase in line with operating profit.

As a key initiative, and as part of cross-selling efforts that leverage the customer base to create synergies between businesses, the Company established Relo Club Vacations in April 2026. Whereas cross-selling was previously limited to referring customers, the Company aims to expand its customer base and increase customer unit prices by combining the services of the Fringe Benefit Business with those of other businesses to develop new services. Relo Club Vacations, a joint venture between the Fringe Benefit Business and the Tourism Business, is a membership-based resort service for small and medium-sized enterprises that combines a fringe benefits platform with a membership-based timeshares resort. It can be described as a unique hybrid service that only the Company can offer. Through this, the Company aims to establish a unique position in the small and medium-sized enterprise market. Other cross-selling initiatives that go beyond simple referrals include BPO* services for rental management companies and corporate housing management services for small and medium-sized enterprise clients of the Fringe Benefit Business, and these appear to be starting to yield results.

* Abbreviation for Business Process Outsourcing. It refers to outsourcing of a company's business processes to a specialized firm.

Evolution of cross-business cross-selling (Example of Relo Club Vacations)



Source: The Company's results briefing materials

FY3/27 segment forecast

(¥mn)

Revenue	FY3/26		FY3/27		
	Results	Ratio	Forecast	Ratio	YoY
Outsourcing Business	80,769	53.5%	87,500	53.0%	8.3%
Fringe Benefit Business	30,416	20.1%	32,500	19.7%	6.9%
Leased Corporate Housing Management Business	32,737	21.7%	36,000	21.8%	10.0%
Global Relocation Support Business	17,615	11.7%	19,000	11.5%	7.9%
Residential Property Management Business	52,956	35.1%	57,000	34.5%	7.6%
Tourism Business	16,399	10.9%	19,500	11.8%	18.9%

Segment profit	FY3/26		FY3/27		
	Results	Profit ratio	Forecast	Profit ratio	YoY
Outsourcing Business	22,899	28.4%	24,800	28.3%	8.3%
Fringe Benefit Business	12,726	41.8%	13,500	41.5%	6.1%
Leased Corporate Housing Management Business	7,042	21.5%	7,800	21.7%	10.8%
Global Relocation Support Business	3,131	17.8%	3,500	18.4%	11.8%
Residential Property Management Business	8,012	15.1%	8,900	15.6%	11.1%
Tourism Business	4,344	26.5%	5,600	28.7%	28.9%

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

By segment, the Outsourcing Business forecasts revenue of ¥87,500mn (up 8.3% YoY) and operating profit of ¥24,800mn (up 8.3%). The Residential Property Management Business forecasts revenue of ¥57,000mn (up 7.6%) and operating profit of ¥8,900mn (up 11.1%). The Tourism Business forecasts revenue of ¥19,500mn (up 18.9%) and operating profit of ¥5,600mn (up 28.9%).

Within the Outsourcing Business, the Fringe Benefit Business plans to sequentially introduce cafeteria plans and HR tech products and make combined proposals with peripheral services to drive an increase in the unit price per order and prevent membership cancellations. Additionally, the Company will aim for 7.8mn fringe benefit members (up 6.6% YoY) by acquiring customers on a nationwide scale through the development of new alliances and agencies and by developing regional menus and other measures to differentiate services and stimulate member usage. While the Company is conservatively factoring in the impact of competitors, it aims to secure the forecast revenue, as the unit price for usage fees is rising.

In the Leased Corporate Housing Management Business, the Company will aim to improve profitability through the stable expansion of stock revenue, an increase in the unit price of existing services, and business expansion into peripheral areas. Specifically, the Company will increase the number of managed corporate housing units to 325,000 (up 9.0% YoY) while also aiming to increase the unit price per unit through various upselling measures, such as improving the utilization rate of Relo Net, monetizing administrative tasks associated with regulatory changes, enhancing system functions, and revising fee structures in light of the financial environment. Furthermore, the Company will accelerate growth by expanding new and peripheral services, such as furnished rentals, corporate housing for small and medium-sized enterprises, EV parking lots, and store and office management.

In the Global Relocation Support Business, the Company will seek to firmly capture the tailwind of growing corporate outsourcing needs in the field of overseas assignment support, which has relatively little competition. For overseas assignments in particular, the Company will accelerate the acquisition of new customers by promoting the spread of CORE & FLEX, an HR system that achieves both HR efficiency and improved employee satisfaction by systematizing budgets that employees can use flexibly. The goal is to support 8,000 households for overseas assignments (up 13.4% YoY). The Company will also launch a self-service relocation service to support the increasing number of foreign nationals being hired, efficiently setting up their lives in Japan at low cost.

In the Residential Property Management Business, leveraging its high-occupancy, high-satisfaction earnings base, the Company plans to actively use consulting tools to improve both the quality and quantity of proposals for construction work and replacements. Moreover, as business succession needs increase, the Company will promote M&A and secondary management to further accumulate earnings, targeting 130,000 units under rental management (up 3.6% YoY). Regarding M&A, while there were no large deals in the previous fiscal year, deals for 4,000 to 5,000 units appear likely to be finalized during the first half of FY3/27. Asset-related income is expected to remain at the same level as in the previous fiscal year.

In the Tourism Business, the Company will leverage the large number of Japanese tourists and its strong group platform to diversify its customer acquisition channels and maximize customer attraction. It will also strengthen in-house customer attraction at Relo Hotels & Resorts, start accommodation benefits for members, and reduce commission fees paid to online travel agencies. Furthermore, following the acquisition of a staffing agency in the previous fiscal year, the Company acquired a cleaning company in April 2026, aiming to control costs by internalizing functions. Regarding the Relo Stay VILLA Concept, as a track record has been accumulated and its high efficiency has been demonstrated, the Company will accelerate the investment cycle and accelerate growth from the next fiscal year onward. In FY3/27, the Company expects to sell two to three properties and estimates a profit of ¥1.9bn.

Medium-term management plan

Aiming for operating profit of ¥50.0bn in FY3/29

1. The Fourth Olympic Plan

In May 2025, the Company has formulated the Fourth Olympic Plan (FY3/26–FY3/29) as its medium-term management plan. With the vision of "Creating an industry of comprehensive lifestyle support services that we provide globally," the Company will continue to support businesses facing various challenges and aims to evolve into a problem-solving company needed in Japan's era of major transformation. Specifically, in the B2B Outsourcing Business, the Company will contribute to enhancing fringe benefits as a solution to labor shortages, and in the B2C Residential Property Management Business and Tourism Business, it will support industries suffering from a lack of successors as a recipient for business succession. To this end, the Company plans to continue new business development, strategic investments, and the strengthening of existing businesses, with a strong focus on three key issues: human capital investment for core business growth, labor shortages where BPO is effective, and seniors and succession in the era of 100-year lifespans.

By executing the Fourth Olympic Plan, the Company aims to achieve revenue of ¥200.0bn and operating profit of ¥50.0bn in FY3/29. Although the target of operating profit is high—over 13% average annual growth rate (CAGR) for 4 years and 10 times the amount since the start of the Olympic Plan—FISCO believes that, based on the achievements of the First to Third Olympic Plans and the policies of each segment, the target is fully achievable. Because the Company operates many recurring-revenue business, it assumes that the operating profit ratio will improve over the medium term.

Forecasting double-digit growth for all businesses

2. Plans by business

In the Fringe Benefit Business, the Company will expand its fringe benefits platform to improve the satisfaction of all stakeholders (corporate members, suppliers, Company employees, etc.) and increase the total distribution value. Specifically, the Company will develop services for human capital investment for small and medium-sized enterprises, support for attracting customers, and services for non-regular employees to expand its stock base. It will also promote upselling measures and product enhancements, such as the fringe benefit program outsource service and cafeteria plans. Furthermore, the Company plans to open new markets through services targeting retirees, active seniors, and foreign talent. Through these measures, the Company aims for 10.0mn fringe benefit members and operating profit of ¥22.0bn (CAGR 15.7%) in FY3/29.

In the Leased Corporate Housing Management Business, the Company will work with all stakeholders to build a digital platform that improves convenience for real estate operators. Specifically, the Company plans to support human capital investment for core business growth by providing corporate housing management and corporate housing regulation consulting services for small and medium-sized enterprises, while also developing new services such as EV parking lots and store and office management. Through these measures, the Company aims for 344,000 managed corporate housing units, 13,000 unattended housing managed units, 83,000 furnished rental units, and operating profit of ¥11.0bn (CAGR 12.8%) in FY3/29.

In the Global Relocation Support Business, the Company will strengthen its comprehensive B2B business related to the movement of businesspeople across borders, including its “Leave all overseas HR to us” solution service. Specifically, in addition to promoting the spread of CORE & FLEX for overseas assignees and expanding overseas local services, the Company plans to proceed with the in-house development of service content and the development of new services like indices and data consulting. Through these measures, the Company aims for 15,000 supported households for overseas assignments, 15,000 inbound supported households, 60,000 overseas business trip dispatches, and operating profit of ¥5.0bn (CAGR 12.9%) in FY3/29.

In the Residential Property Management Business, the Company will solve the concerns of owners related to rental management and real estate, realizing its goal to enrich Japan’s housing culture and bring happiness to people through housing. Specifically, the Company will expand its stock base by accelerating M&A and expanding its business succession platform, strengthening contract sales for the real estate industry, and cross-selling emergency home support services with management contracts. In addition to strengthening services for real estate companies, such as growth support and BPO services, the Company plans to enhance its consulting function, which includes attracting not only landowners but also investor-owners, and providing succession planning support. Through these measures, the Company aims for 204,000 units under rental management and operating profit of ¥12.0bn (CAGR 10.1%) in FY3/29.

In the Tourism Business, the Company will work to create new value as a problem-solving company in the field of tourism. Specifically, the Company will contribute to addressing labor shortages and regional revitalization through hotel revitalization, expansion of business succession platforms, BPO services for small and medium-sized hotels and inns, and support for the implementation of DX. The Company also plans to develop new services for hotels and other facilities, such as a fringe benefit service for retirees, strategies to retain the senior demographic through timeshares, facility management, property management, and the revitalization of resort condominiums. Through these measures, the Company aims for operating profit of ¥7.0bn (CAGR 13.6%) in FY3/29.

Despite some unexpected developments in the first year, the impact can be absorbed during the medium-term management plan period

3. Progress on the Fourth Olympic Plan

In the first year of the medium-term management plan, two developments occurred that differed from expectations in the Fringe Benefit Business and the Residential Property Management Business. In the Fringe Benefit Business, a competitor that has become affiliated with a major life insurance company engaged in targeted marketing toward its investees and closely related business partners, which led to the loss of some existing customers and impacted the growth in the number of members. In the Residential Property Management Business, the number of people shifting from renting to purchasing declined due to surging real estate prices, resulting in an opportunity loss in the brokerage business, particularly due to an extreme decrease in vacant properties in the Tokyo metropolitan area. The impact of the competitor in the Fringe Benefit Business is expected to last for about one year. As brokerage is affected by real estate market conditions, an immediate solution appears difficult. However, in FY3/26, the Fringe Benefit Business ultimately secured higher revenue and profit by acquiring new customers, while the Residential Property Management Business increased both the number of units under rental management and gross profit from asset sales. Going forward, the Company will work to further promote M&A and strengthen support for construction work and succession planning. The Company views the unexpected factors at the start of the medium-term management plan as being absorbable within the plan period. It aims to resolve these concerns or offset them through other businesses.

Meanwhile, recurring revenue has grown steadily, bringing the medium-term management plan's target equity ratio of 30% within reach. Therefore, by aiming to further improve capital efficiency, the Company has decided to raise the ROE target for the medium-term management plan from the previous 20% or higher to a range of 25–30%. In line with this, the Company has also changed its dividend policy. Specifically, to further enhance shareholder returns, the Company raised the dividend payout ratio to 50% during the medium-term management plan period and introduced a policy of setting a total return ratio guideline of 60%, including share buybacks. Additionally, to expand opportunities for profit returns and provide more stable dividends, the Company introduced an interim dividend, with the policy of paying dividends twice a year, combined with a fiscal year-end dividend. Along with the change in dividend policy, the Company has also revised its capital allocation. It will utilize interest-bearing debt to increase working capital by approximately ¥10.0bn (bringing the total to ¥110.0bn). The allocation will be ¥50.0bn for shareholder returns (up from ¥35.0bn to ¥40.0bn), ¥30.0bn for M&A and strategic investments in existing fields and ¥10.0bn in new fields (compared to ¥30.0bn for both fields previously), ¥10.0bn for DX and human capital investments, and ¥10.0bn for incremental working capital.

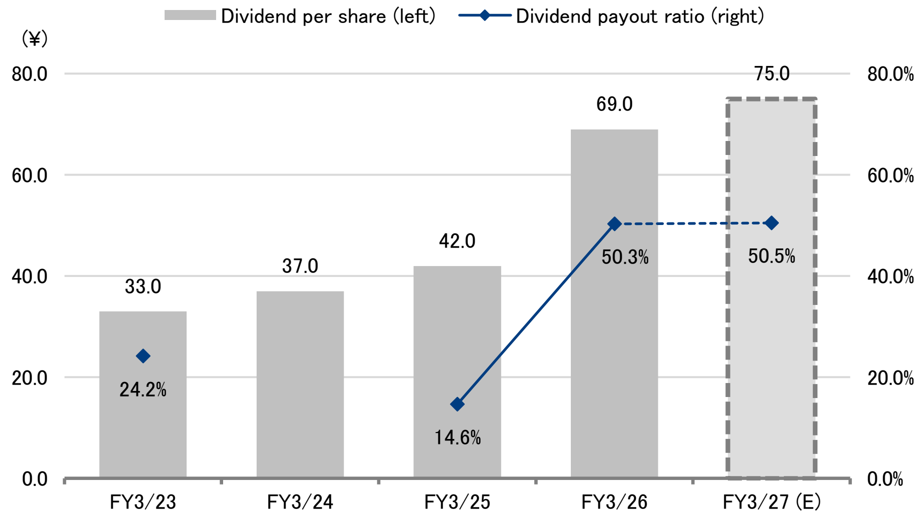
Shareholder return policy

Further enhancing shareholder returns, aiming for an annual dividend of ¥75

1. Dividend policy

The Company regards profit returns to shareholders as one of its key management priorities, with shareholder returns through dividends as the basic policy, aiming to increase dividends per share through profit growth. The Company has previously maintained a policy of continuous and stable dividends with a dividend payout ratio guideline of 35%. However, based on the decision to raise the ROE target to a range of 25–30% in the Fourth Olympic Plan, the Company has raised the dividend payout ratio to 50% during the medium-term management plan period. It has also set a total return ratio guideline of 60%, including share buybacks, and introduced an interim dividend. Consequently, the dividend per share for FY3/26 was set at ¥69.0 (fiscal year-end dividend only). For FY3/27, the Company plans a dividend of ¥75.0 (interim dividend of ¥34.5 and fiscal year-end dividend of ¥40.5).

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-time 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

2. Shareholder benefits system

The Company offers the Relo Group Shareholder Benefits Club Off as a shareholder benefit. This service provides shareholders with access to 20,000 accommodation facilities in Japan and over 200,000 leisure facilities, movie theaters, plays, and restaurants in Japan and overseas at preferential prices. The service is offered to shareholders as of the end of March, with the details guided according to the number of shares held. Standard members who hold between 100 and 999 shares can enjoy preferential prices compared to normal prices, while VIP members who hold at least 1,000 shares can enjoy preferential services at even more favorable prices than standard member prices.

FISCO

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