Kitanotatsujin Corporation

(2930, TSE 1st Section/Sapporo Securities Exchange) August 24, 2020

Customer Acquisition Department Reform to Re-energize Growth Remains a Work in Progress

Update Report

QUICK Corp.
Daisuke Harada

Key benchmarks as of August 20, 2020	
Share price	¥524
High since last year	¥777 (January 10, 2020)
Low since last year	¥388 (March 13, 2020)
Shares outstanding	141,072,000 shares
Trading units	100 shares
Market capitalization	¥73,922 million
Projected dividend (Company)	¥3.00
Projected EPS (Analyst)	¥11.51
PBR (Results)	16.43

Issuance date of preceding reports	
Basic	June 24, 2020
Update	February 12, 2020

Net sales decreased 5% in the first quarter of FY2020. The number of new customer acquisitions also decreased.

Net sales decreased by 5% year-on-year to ¥2,268 million, while operating profit rose by 1% to ¥561 million in the non-consolidated financial results for the three months ended May 31, 2020. Affected by weak consumer sentiment due to the consumption-tax hike and the spread of COVID-19, the number of new customer acquisitions decreased, resulting in a drop in revenue. In profits, a higher operating profit margin, on the back of decreased advertising expenses, secured operating profit at around the same level, year-on-year.

Behind the struggle with new customer acquisition lies an inability to conduct active advertising due to the underdeveloped system in the customer acquisition department that is responsible for advertisements, in addition to weak consumer sentiment. In the first quarter, the Company has taken initiatives to energize advertisement, along with advances toward reforming the customer acquisition department. However, they ended up worsening the cost effectiveness of advertisement, upon which the Company places an emphasis.

The Research Center's forecast remains unchanged. A recovery in sales is expected in the second half or later.

Regarding the non-consolidated full-year financial results for the fiscal year ending February 28, 2021, the QUICK Corporate Valuation Research Center ("the Research Center") expects net sales of ¥9,000 million, an 11% year-on-year decrease from the previous fiscal year, and an operating profit of ¥2,400 million, an 18% decrease. The previous forecast made in June 2020 remains unchanged. The number of new customer acquisitions will recover only temporarily, and the struggle for new customer acquisition is expected to continue during the first half. Meanwhile, the Research Center expects the number of new customer acquisitions to recover to a certain extent in the second half, on the back of an expected improvement in consumer sentiment. However, the recovery is expected to fall short of compensating for the struggle in the first half. Similarly, the Research Center maintains its forecast for the Company's full-year financial results for the fiscal year ending February 28, 2022, which indicates a 7% year-on-year rise in net sales to ¥9,600 million and a 13% drop in operating profit to ¥2,100 million. While revenue is expected to increase due to the recovery in new customer acquisitions, the need for upfront advertising expenses will result in a continued decline in operating profit.

In order to re-energize growth, the Company needs to advance the reform in the customer acquisition department, and develop a system that enables effective advertisement for more products. In the first quarter, initiatives aimed at activating advertisement ended up worsening the cost effectiveness of advertisement. Accordingly, the reform of the customer acquisition department remains a work in progress.

Results			Net sales Millions of yen	YoY %	Operating profit Millions of yen	YoY %	Ordinary profit Millions of yen	YoY %	Profit Millions of yen	YoY %	EPS Yen
FY2019	1st quarter (March to May)	Results	2,387	25.2	553	22.3	553	22.2	385	22.1	2.77
FY2020	1st quarter (March to May)	Results	2,268	-5.0	561	1.4	560	1.3	389	1.0	2.80
FY2019	Full year	Results	10,093	21.4	2,915	56.6	2,923	57.1	1,974	52.7	14.21
FY2020	Full year	Company estimates (Announced in April 2020)	8,227	-18.5	2,006	-31.2	2,007	-31.4	1,357	-31.2	9.77
		Analyst estimates (Announced in June 2020)	9,000	-10.8	2,400	-17.7	2,400	-17.9	1,600	-19.0	11.51
FY2021	Full year	Analyst estimates (Announced in June 2020)	9,600	6.7	2,100	-12.5	2,100	-12.5	1,400	-12.5	10.07

Performance

A 5% drop in net sales in the first quarter. The number of new customer acquisitions also decreased.

■ Results for the three months ended May 31, 2020 (March 1, 2020 to May 31, 2020)

Net sales decreased by 5% year-on-year to ¥2,268 million, while operating profit rose by 1% to ¥561 million in the non-consolidated financial results for the three months ended May 31, 2020. Affected by weak consumer sentiment due to the consumption-tax hike and the spread of novel coronavirus (hereinafter referred to as "COVID-19"), the number of new customer acquisitions decreased, resulting in a drop in revenue. In profits, although the gross profit margin deteriorated due to a higher sales composition ratio of products with a relatively higher cost ratio, the ratio of selling, general and administrative expenses significantly improved due to a decrease in advertising expenses. The operating profit margin rose, securing operating profit at around the same level, year-on-year (see Table 1).

Table 1. Non-consolidated business results

(Millions of yen)

	First quarter of the fiscal year ended February 29, 2020		First quarter of the fiscal year ending February 28, 2021			
		(Ratio to net sales)		(Ratio to net sales)	YoY Change/%	
Net sales	2,387	(100.0%)	2,268	(100.0%)	-119	-5%
Gross profit	1,832	(76.7%)	1,708	(75.3%)	-124	-7%
Selling, general and administrative expenses	1,278	(53.6%)	1,147	(50.6%)	-131	-10%
Operating profit	553	(23.2%)	561	(24.7%)	+8	+1%
Ordinary profit	553	(23.2%)	560	(24.7%)	+7	+1%
Profit	385	(16.1%)	389	(17.2%)	+4	+1%

(Note 1) The first quarter is from March 1 to May 31.
(Note 2) Amounts less than one million yen are rounded down. Ratios to net sales and year-on-year changes are calculated in thousands of yen.
(Note 3) Gross profit includes provision for sales returns.
(Source) Prepared by the Research Center based on the Company's materials.

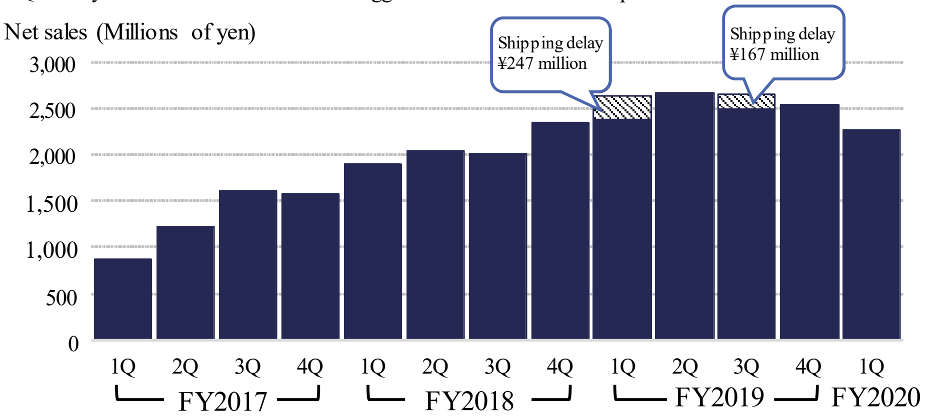
The rate of decline in quarterly sales worsened

The quarterly net sales trend (after adjustments for the effect of shipping delays of HYALO DEEP PATCH*) shows a large quarter-to-quarter rise of 12% in the first quarter of the previous fiscal year ended February 29, 2020, but also shows a slowdown in the second and third quarters, with a 1% rise and no change, respectively. In the fourth quarter, net sales reversed to a 4% drop, which subsequently worsened to 11% in the first quarter of the fiscal year ending February 28, 2021. The continued struggle with new customer acquisitions since the second half of the previous fiscal year is having a ripple effect, resulting in larger decreases in quarterly net sales (see Figure 1).

* Shipping delays of the hit product HYALO DEEP PATCH occurred in the first and third quarters of the fiscal year ended February 29, 2020. Sales for products that were ordered by new customers, but not shipped and therefore not recorded in these quarters amounted to ¥247 million and ¥167 million in the first quarter and third quarter, respectively (the Company's estimates). Quarterly net sales were adjusted, assuming that these orders were processed and shipped normally.

Performance

Figure 1. Quarterly net sales
- Quarterly net sales decreased due to struggles with new customer acquisition

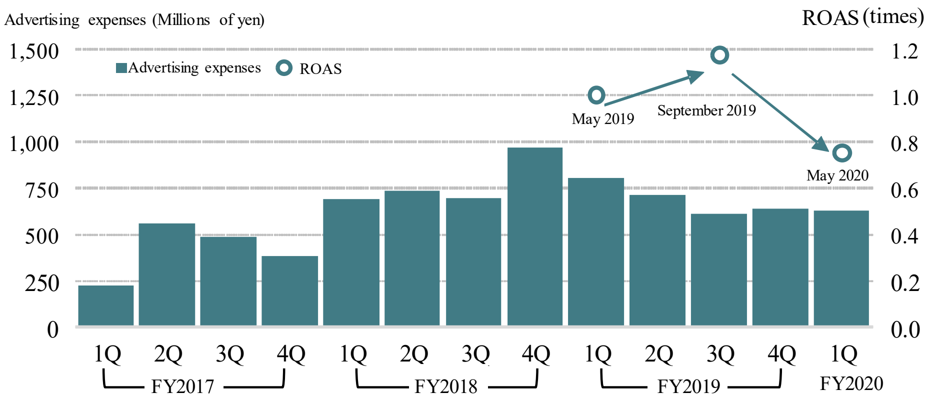


(Source) Prepared by the Research Center based on the Company's materials.

Underdeveloped systems hindered active advertising

Behind the struggle with new customer acquisition lies an inability to conduct active advertising due to an underdeveloped system in the customer acquisition department that is responsible for advertisements, in addition to weak consumer sentiment due to the consumption-tax hike and the spread of COVID-19. The trend in quarterly advertising expenses shows a peak in the fourth quarter of the fiscal year ended February 28, 2019, followed by the onset of a decline thereafter. Expenses have remained nearly flat, at ¥0.6 billion since the third quarter of the fiscal year ended February 29, 2020. In the first quarter of the previous fiscal year, shipping delays of HYALO DEEP PATCH forced a reduction in advertising of the product. Since that time, although the Company has attempted to increase advertising for products other than HYALO DEEP PATCH, it has been unable to implement active advertising, due to the underdeveloped system in the customer acquisition department, resulting in a lack of appropriate production and updating of advertisement content (products such as advertisements and sales promotion websites that can raise users' appetites for purchases) (see Figure 2).

Figure 2. Advertising expenses and ROAS
-Advertising expenses continue to remain at low levels



(Source) Prepared by the Research Center based on the Company's materials and information obtained by interviews.

Performance

Energizing advertisement resulted in lower cost effectiveness

To address these issues, with the aim of strengthening its production capability for advertisement content, the Company has pursued reforms in the customer acquisition department, such as system development and human resource development, during the fiscal year ending February 28, 2021. Along with these efforts, the Company also raised the upper limit for advertising expenses per new customer acquisition in the first quarter (i.e., relaxed the standards for advertisement placement), in order to energize advertisement. This initiative helped to increase advertisement in the single month of May, and the number of new customer acquisitions recovered to the level recorded prior to the consumption-tax hike. Meanwhile, as the effect of these initiatives did not become apparent until May, advertising expenses remained at low levels on a quarterly basis, and the number of new customer acquisitions continued to decrease. In addition, although the number of new customer acquisitions recovered in May, this did not translate into an acquisition of new customers that was commensurate with the advertising expenses. As a result, ROAS*, an indicator that shows the cost effectiveness of advertisement, and which the Company places an emphasis on, declined more than anticipated.

*ROAS, an abbreviation for Return On Advertising Spend, is an indicator that measures the amount of sales resulting from advertising. If ¥1 million of advertising expenses generates sales of ¥0.9 million, the ROAS is 0.9. In the case of the Company, although many first-time purchases result in negative revenue (ROAS is less than 1), the continued generation of sales from regular purchases moves revenue into positive territory.

Performance

The Company's plan remains unchanged

■ The Company's plan for the fiscal year ending February 28, 2021 (March 1, 2020 to February 28, 2021)

The Company's plan for the non-consolidated full-year financial results for the fiscal year ending February 28, 2021 is an 18% year-on-year decrease in net sales to ¥8,227 million and a 31% year-on-year decrease in operating profit to ¥2,006 million. The Company maintained its forecasts announced at the beginning of the fiscal year. In the fiscal year ending February 28, 2021, the Company expects the number of new customer acquisitions to decrease by roughly 20% until the end of the first half, due to the impact of weak consumer sentiment due to the spread of COVID-19, among other factors. In addition, without taking into account the effects of ongoing reforms in the customer acquisition department and the contribution from new products, the Company expects decreases in both revenue and profit.

The Research Center also maintains its forecasts. Decreases in both revenue and profit are expected in FY2020.

■ The Research Center's forecast for the fiscal year ending February 28, 2021

The QUICK Corporate Valuation Research Center expects the Company's non-consolidated full-year financial results for the fiscal year ending February 28, 2021 to be an 11% year-on-year drop in net sales to ¥9,000 million, and an 18% drop in operating profit to ¥2,400 million. Thus, the previous forecast made in June 2020 remains unchanged. Although the Company secured operating profit in the first quarter at around the same level, year-on-year, the Research Center also expects the Company's struggle with new customer acquisitions to continue during the first half. A double-digit percentage decline in full-year operating profit is expected due to decreases in sales, among other factors.

Compared to the Company's plan, the Research Center's forecasts are approximately ¥800 million higher for net sales and approximately ¥400 million higher for operating profit. Similar to the Company, the Research Center did not take into account the effects of reforms in the customer acquisition department ongoing in the fiscal year ending February 28, 2021. However, it expects a contribution to revenue from new products. The Company has already launched two new products in the first quarter of the fiscal year ending February 28, 2021.

Table 2. Forecast of non-consolidated financial results for the full year (Millions of yen)

	Results	The Company's plan		The Research Center's forecast			
	FY2019 full year	FY2020 full year	(YoY %)	FY2020 full year	(YoY %)	FY2021 full year	(YoY %)
Net sales	10,093	8,227	-18%	9,000	-11%	9,600	+7%
Gross profit	7,645	-	-	6,700	-12%	7,100	+6%
(Gross profit margin)	(75.7%)	-	-	(74.4%)	-	(74.0%)	-
Selling, general and administrative expenses	4,730	-	-	4,300	-9%	5,000	+16%
(Ratio of selling general and administrative expenses)	(46.9%)	-	-	(47.8%)	-	(52.1%)	-
Operating profit	2,915	2,006	-31%	2,400	-18%	2,100	-13%
(Operating profit margin)	(28.9%)	(24.4%)	-	(26.7%)	-	(21.9%)	-
Ordinary profit	2,923	2,007	-31%	2,400	-18%	2,100	-13%
Profit	1,974	1,357	-31%	1,600	-19%	1,400	-13%

(Note 1) The full year (fiscal year) is from March 1 to the end of February of the following year.
(Note 2) Amounts less than one million yen are rounded down. Ratios to net sales and year-on-year changes are calculated in thousands of yen.
(Note 3) Gross profit includes provision for sales returns.
(Source) Prepared by the Research Center based on the Company's materials. Forecasts by the Research Center.

Performance

The recovery in new customer acquisition will be temporary. A recovery in sales is expected to begin in the second half.

As for sales, the weak consumer sentiment due to the spread of COVID-19 will continue in the first half, and advertising will not be activated. Advertisement increased temporarily in single month of May, triggering a recovery in the number of new customer acquisitions. However, the Company will tighten the standards again for advertisement placement in order to deal with the worsened cost effectiveness of advertisement. Consequently, the number of new customer acquisitions will continue to remain at low levels. In the second half onward, economic activities that slowed down due to the spread of COVID-19 will gradually begin to return to normal, and consumer sentiment is expected to improve. The Research Center expects that both the number of new customer acquisitions and sales will recover to a certain extent. However, the recovery will fall short of compensating for the Company's struggle with new customer acquisitions in the first half.

In profits, the ratio of products with a relatively higher cost ratio in sales is expected continue to increase, pushing down the gross profit margin. While advertising expenses are expected to decrease in selling, general and administrative expenses, personnel expenses will increase in association with system reinforcement, and the ratio of selling, general and administrative expenses is not expected to improve. The Research Center expects that operating profit will consequently decrease by a double-digit percentage, due to a decrease in sales and a lower gross profit margin.

■ The Research Center's forecast for the fiscal year ending February 28, 2022 (March 1, 2021 to February 28, 2022)

A decrease in operating profit expected in FY2021, due to up-front advertising expenses

The Research Center expects the Company's non-consolidated full-year financial results for the next fiscal year ending February 28, 2022 to be a 7% year-on-year rise in net sales to ¥9,600 million and a 13% drop in operating profit to ¥2,100 million. It also expects that the number of new customer acquisitions will recover to a certain extent from the second half of the fiscal year ending February 28, 2021, and that revenue will begin to increase. Meanwhile, in expenses, operating profit is expected to continue to decrease due to increases in advertising expenses. While the effects of the reforms in the customer acquisition department are not reflected in the Research Center's forecast at this time, the Research Center expects advertising to increase as new customer acquisition becomes easier due to improved consumer sentiment. The Company's profit structure relies on continued sales from regular purchases, in order to recover advertising expenses. Advertising expenses are therefore first necessary when beginning to activate advertisement, which tend to reduce operating profit.

Reform of the customer acquisition department remains a work in progress

The Research Center believes that, in order for the Company to re-energize growth, it needs to advance the reforms in the customer acquisition department, and develop a system that enables effective advertisement for more products. In the first quarter, the effect of initiatives aimed at activating advertisement helped the recovery of the number of new customer acquisitions temporarily. However, these initiatives ended up worsening the cost effectiveness of advertisement. The reform of the customer acquisition department remains a work in progress.

A full-scale approach to existing customers, to increase revenue

In the first quarter, the Company strengthened its approach to existing customers, which had previously been less of a focus. Product recommendations based on purchase history were stepped up, along with reinforced telephone support for customers considering cancellations. The effects of these initiatives are not reflected in the forecast of financial results, as they have just been launched. However, if these initiatives translate into increases in sales per customer or the customer retention rate for regular purchases, these increases will become a new factor for the expansion of revenue, in addition to new customer acquisitions. The Research Center will continue to closely monitor progress in this regard.

Performance

Table 3. Products available on the online shopping site, "J NORTH FARM" (as of May 31, 2020, excluding discontinued products)

Launch	Item	Description
Before FY2013	KAITEKI OLIGO	A food with functional claims, which contains five types of ingredients that improve bowel movements
	MINNANO HADAJUNTO~ATO CARE TYPE~	A 100% plant-derived moisturizing-care product, with sugar made from sugar beet produced in Hokkaido as its main ingredient
	KOJUKAN	A health food containing low molecular weight polyphenols as its main ingredient, and supplemented with hyaluronic acid, vitamin C, and L-citrulline (the Company's first food with functional claims)
	KAITEKI DOKA SLIM CHA	A health food formulated using a unique blend of natural herbs developed by researching the peristaltic motion of the intestine, along with other natural plant-derived ingredients
	20NEN HOIPPU	A facial cleanser that removes skin dullness, with whey as the moisturizing compound; Made using a manufacturing method called direct flame pot kneading.
	MINNANO HADAJUNTO~CLEAR TYPE~	An acne-prevention skin care product with sugar made from sugar beet produced in Hokkaido as its main ingredient, and coated with plant oils including lavender oil
	EZOSHIKI SU-SU-CHA	A tea leaf-containing health food made by blending *kuma* bamboo grass and red perilla, which have long been used as traditional herbal remedies, with tea leaves of *tian cha*, a family of rose
	KITANO DAICHINO YUMESHIZUKU	A food with functional claims that increases sleep-enhancing hormones and improves sleep quality
FY2014	ZUKI SHIRAZUNO MI	A health food with a blend of feverfew, giant knotweed, and bittern as ingredients
	MINNANO HADAJUN LOTION	A lotion with sugar made from sugar beet produced in Hokkaido as its main ingredient, with a blend of moisturizing compounds such as lipidure
FY2015	MINNANO HADAJUNBURO	A moisture-care bath additive made with an extract of the *yunohana* hot spring component, sugar made from sugar beet, and *Saji* sea buckthorn as its main ingredients
	EYE KIRARA	A cream for under the eyes made from a blend of ingredients including MGA, a derivative of vitamin C, and plant oil rich in natural vitamin K
FY2016	NO ! NO ! SMELL !	A deodorant cream that addresses foot odor (the Company's first quasi-drug)
	CLEAR FOOT VEIL	A foot care product for those who suffer from athlete's foot, formulated as a blend of CPL (cyclic poly lactate), which protects and smooths the skin, and bamboo pyroligneous acid
	KUROUMEBIYORI	A health food for those who have loose passage, with *ume* plum extract, zedoary, and aronia extract as its main ingredients
	CLEAR NAIL SHOT α	A foot nail care oil with bamboo pyroligneous acid and polyamine (which includes soybean germ extract) as its main ingredients
	CARE NANO PACK	A face pack for treating pores by simply applying a cream to the skin
	HYALO DEEP PATCH	A patch with microneedles containing hyaluronic acid, which helps to intensively replenish moisture to fine wrinkles around the eyes (injectable cosmetics series)
	MAYME WHITE 60	A skin whitening cream-type pack containing a water-soluble placenta extract (quasi-drug)
FY2017	LUMINAPEEL	An anti-spot peeling gel for whitening the back of the hand (quasi-drug)
	WRINKY FLAT	An anti-wrinkle beauty gel
	LID KIRARA	A beauty gel exclusively for the upper eyelids
	BUILD MAKE 24	Protein containing HMB (3-Hydroxy 3-MethylButyrate)
FY2018	RIMO SAVON	A laundry detergent that makes pet hair easy to remove, and also makes it difficult for pet hair to stick to clothes
	HANDPURENA	A care cream for aging hands, formulated with ingredients that enhance skin firmness
	NECK ESTHE MIST	An aging-care mist for the neck that enhances skin tightness and firmness
	MEN's EYE KIRARA	A cream for under the eyes for men
	OKOSAMAYOU KAITEKI OLIGO	KAITEKI OLIGO with ingredients adjusted for children
FY2019	MIKEN DEEP PATCH	An aging-care cosmetic specifically for the area between the eyebrows, which softens stiff skin and enhances skin rejuvenation (second product from injectable cosmetics series)
	ODEKO DEEP PATCH	An aging-care cosmetic specifically for the forehead, which enhances skin firmness and radiance (third product from injectable cosmetics series)
	ASESUCARE	A supplement product specifically for men who are troubled with dripping sweat that keeps running, made from ingredients that support autonomic nerve balance
FY2020	CHEEK PORE PATCH	A microneedle cosmetic product that focuses on problems in area where cheek pores are concentrated, made from ingredients that refine the pores (fourth product from injectable cosmetics series)
	PEEL SHOT	An anti-spot peeling gel focusing specifically on men's skin type (quasi-drug)

(Source) Prepared by the Research Center based on news releases and other materials.

(Source) QUICK Corp.
The above chart shall not be distributed to any third party, either in whole or in part, by any method, and irrespective of charge.
QUICK Corp. and the Tokyo Stock Exchange shall assume no responsibility for any errors in the above chart.
Duplication, alteration, and redistribution of the above chart to any third party are strictly prohibited.

			FY2017	FY2018	FY2019	FY2020 forecast (Analyst)
Share price	Share price (52-week high)	Yen	1,021.7	1,105	794	-
	Share price (52-week low)	Yen	50.9	315	400	-
	Average monthly volume	Hundreds of shares	975,544	317,366	339,709	-
Results	Net sales	Millions of yen	5,292	8,312	10,093	9,000
	Operating profit	Millions of yen	1,403	1,861	2,915	2,400
	Ordinary profit	Millions of yen	1,403	1,861	2,923	2,400
	Profit	Millions of yen	948	1,293	1,974	1,600
	EPS	Yen	7.21	9.30	14.21	11.51
	ROE	%	48.8	48.9	54.2	32.4
Main items of balance sheets	Total current assets	Millions of yen	3,406	3,958	5,521	-
	Total non-current assets	Millions of yen	74	281	380	-
	Total assets	Millions of yen	3,481	4,240	5,902	-
	Total current liabilities	Millions of yen	1,060	1,298	1,554	-
	Total non-current liabilities	Millions of yen	74	0	0	-
	Total liabilities	Millions of yen	1,135	1,298	1,554	-
	Total shareholders' equity	Millions of yen	2,344	2,942	4,347	-
	Total net assets	Millions of yen	2,345	2,942	4,347	-
Main items of statements of cash flows	Cash flows from operating activities	Millions of yen	1,035	1,193	2,142	-
	Cash flows from investing activities	Millions of yen	(2)	(184)	(100)	-
	Cash flows from financing activities	Millions of yen	(281)	(829)	(643)	-
	Cash and cash equivalents at end of period	Millions of yen	2,508	2,687	4,088	-

Risk Analysis

Business risks

● System risks

The Company's business utilizes computer systems and the Internet, and may suffer a system failure due to a temporary overload of the Company's server, etc., for any reason, unauthorized access to its server from outside of the Company, or errors made by its officers and employees. Such failures, if they occur, may affect the Company's financial results.

● Personal information management

The leakage of personal information held by the Company to outside of the Company for any reason may directly lead to a decline in creditworthiness, triggering cancellations of membership by existing customers and a decrease in the number of newly acquired customers. A leakage of personal information may also result in claims for damages and affect the Company's financial results.

Industry risks

● Intensification of competition

The online sales business is facing intensifying competition due to lower barriers to entry. The Company has been selling its own brand of products in order to avoid competition. If competitors handling similar products follow the Company's business model, as well as its product and sales strategies, the Company's financial results may be affected.

● Safety of foods and beauty products

Troubles regarding the safety, etc., of foods and beauty products, and inadequate responses to such troubles may affect the Company's financial results. In addition, a chain of reputational damage caused by the inadequacies of other companies, consumer distrust of the quality and safety of materials, and various hygiene and quality issues in society, in general may affect the Company's financial results.

● Health foods and cosmetics

Claiming effects on diseases or physical functions in product labels and advertisements of a health product is considered to represent the sale of an unapproved and unauthorized pharmaceutical under the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (former Pharmaceutical Act), and may become subject to penalty. In the future, an incident such as a case that raises doubts regarding the appropriateness of articles and advertisements for a health product, as well as media reporting of such doubts may lead to a decline in creditworthiness, and affect the Company's business development and financial results.

Disclaimer

1. This report in English (hereinafter referred to as the "English Report") is a translation of a report in Japanese (hereinafter referred to as the "Original Report") that has been prepared by QUICK Corp., a Nikkei group company (hereinafter referred to as the "Report Preparation Company"). However, the Report Preparation Company was not engaged in the translation of the English Report.
2. The Original Report was prepared using the Analyst Report Platform operated by Tokyo Stock Exchange, Inc. (hereinafter referred to as "TSE"). The report was not prepared by TSE.
3. The Original Report was prepared under the promise that the company covered by the Original Report would pay the cost of preparation. The full amount of the preparation cost paid to TSE by the covered company has been paid to the Report Preparation Company from TSE.
4. The Original Report has not been reviewed or approved by TSE. (However, this shall not preclude TSE from pointing out obvious errors or inappropriateness in this report to the Report Preparation Company.)
5. There is no material conflict of interest between the Report Preparation Company and the analyst responsible for this report and the company stated in this material, other than that described in the Original Report.
6. The Original Report has been prepared solely for the purpose of providing reference information for making investment decisions, and is not intended to solicit or attract interest in securities trading and other transactions. Securities trading may incur losses due to market fluctuations and other factors. In addition, the company covered by the Original Report may not be uniformly suitable for investment for all investors, due to their diverse investment knowledge and experience, financial situations, and investment objectives. Investors must make the final decisions regarding stock selection and investment based on their own judgement.
7. In preparing the Original Report, the Report Preparation Company has received information from the company covered by the Original Report, through interviews and by other means. However, all hypotheses and conclusions in the Original Report have been made through the analysis and evaluation by the Report Preparation Company, and not by the covered company. In addition, the entire content of the Original Report is as of the date of preparation, and is subject to change without notice.
8. The Original Report has been prepared based on information deemed reliable by the Report Preparation Company. However, TSE and the Report Preparation Company cannot guarantee or approve the credibility or accuracy of the content of the Original Report, the nonexistence of omissions of material matters, or the value of the securities issued by the company stated in this material. The Original Report and the information contained therein shall be used at the sole discretion of, and under the responsibility of the investors, regardless of purpose. In no event will TSE or the Report Preparation Company be held liable for any investment results caused by the use of the Original Report or any information contained therein.
9. The Report Preparation Company owns copyright to the Original Report and has granted TSE the exclusive license to use the copyright thereto. Therefore, the reproduction, sale, use, publication, or distribution of the information contained in the Original Report, without obtaining the permission of TSE, is prohibited by law.

<Explanation regarding benchmarks>
The explanation regarding benchmarks stated in the Original Report is posted on the TSE's website.
For further details, visit: https://www.jpx.co.jp/listing/ir-clips/analyst-report/index.html