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On July 29, 2021, TOKAI Holdings Corporation announced earnings results for Q1 FY03/22.

Quarterly (JPYmn)	FY03/20				FY03/21				FY03/22				FY03/22	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Est.	FY Est.
Sales	45,804	47,211	48,542	54,395	45,113	44,723	49,956	56,934	48,396	-	-	-		
YoY	2.8%	6.6%	-1.1%	1.4%	-1.5%	-5.3%	2.9%	4.7%	7.3%	-	-	-		
Gross profit	18,706	18,459	20,137	21,987	19,651	18,580	21,414	23,225	19,718	-	-	-		
YoY	4.1%	7.8%	4.6%	0.7%	5.1%	0.7%	6.3%	5.6%	0.3%	-	-	-		
Gross profit margin	40.8%	39.1%	41.5%	40.4%	43.6%	41.5%	42.9%	40.8%	40.7%	-	-	-		
SG&A expenses	15,475	16,189	16,360	17,042	15,868	16,911	16,964	17,900	16,491	-	-	-		
YoY	-0.6%	1.0%	4.3%	7.8%	2.5%	4.5%	3.7%	5.0%	3.9%	-	-	-		
SG&A ratio	33.8%	34.3%	33.7%	31.3%	35.2%	37.8%	34.0%	31.4%	34.1%	-	-	-		
Operating profit	3,231	2,269	3,778	4,946	3,783	1,669	4,449	5,325	3,226	-	-	-		
YoY	35.2%	109.1%	6.0%	-17.8%	17.1%	-26.4%	17.8%	7.7%	-14.7%	-	-	-		
Operating profit margin	7.1%	4.8%	7.8%	9.1%	8.4%	3.7%	8.9%	9.4%	6.7%	-	-	-		
Recurring profit	3,351	2,257	3,870	5,001	3,830	1,669	4,430	5,383	3,353	-	-	-		
YoY	34.7%	106.5%	5.5%	-16.8%	14.3%	-26.1%	14.5%	7.6%	-12.5%	-	-	-		
Recurring profit margin	7.3%	4.8%	8.0%	9.2%	8.5%	3.7%	8.9%	9.5%	6.9%	-	-	-		
Net income	2,239	1,253	1,611	3,138	2,445	834	2,657	2,879	1,870	-	-	-		
YoY	56.4%	312.2%	-27.8%	-17.6%	9.2%	-33.4%	64.9%	-8.3%	-23.5%	-	-	-		
Net margin	4.9%	2.7%	3.3%	5.8%	5.4%	1.9%	5.3%	5.1%	3.9%	-	-	-		
<b>Cumulative</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>% of Est.</b>	<b>FY Est.</b>
Sales	45,804	93,015	141,557	195,952	45,113	89,836	139,792	196,726	48,396	-	-	-	23.4%	207,000
YoY	2.8%	4.7%	2.6%	2.3%	-1.5%	-3.4%	-1.2%	0.4%	7.3%	-	-	-		5.2%
Gross profit	18,706	37,165	57,302	79,289	19,651	38,231	59,645	82,870	19,718	-	-	-		
YoY	4.1%	5.9%	5.5%	4.1%	5.1%	2.9%	4.1%	4.5%	0.3%	-	-	-		
Gross profit margin	40.8%	40.0%	40.5%	40.5%	43.6%	42.6%	42.7%	42.1%	40.7%	-	-	-		
SG&A expenses	15,475	31,664	48,024	65,066	15,868	32,779	49,743	67,643	16,491	-	-	-		
YoY	-0.6%	0.2%	1.6%	3.1%	2.5%	3.5%	3.6%	4.0%	3.9%	-	-	-		
SG&A ratio	33.8%	34.0%	33.9%	33.2%	35.2%	36.5%	35.6%	34.4%	34.1%	-	-	-		
Operating profit	3,231	5,500	9,278	14,224	3,783	5,452	9,901	15,226	3,226	-	-	-	21.2%	15,240
YoY	35.2%	58.3%	31.8%	8.9%	17.1%	-0.9%	6.7%	7.0%	-14.7%	-	-	-		0.1%
Operating profit margin	7.1%	5.9%	6.6%	7.3%	8.4%	6.1%	7.1%	7.7%	6.7%	-	-	-		7.4%
Recurring profit	3,351	5,608	9,478	14,479	3,830	5,499	9,929	15,312	3,353	-	-	-	21.9%	15,320
YoY	34.7%	56.6%	30.8%	9.2%	14.3%	-1.9%	4.8%	5.8%	-12.5%	-	-	-		0.1%
Recurring profit margin	7.3%	6.0%	6.7%	7.4%	8.5%	6.1%	7.1%	7.8%	6.9%	-	-	-		7.4%
Net income	2,239	3,492	5,103	8,241	2,445	3,279	5,936	8,815	1,870	-	-	-	21.2%	8,830
YoY	56.4%	101.2%	28.7%	6.0%	9.2%	-6.1%	16.3%	7.0%	-23.5%	-	-	-		0.2%
Net margin	4.9%	3.8%	3.6%	4.2%	5.4%	3.6%	4.2%	4.5%	3.9%	-	-	-		4.3%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

**Quarterly performance by segment (segment operating profits are before allocation of overhead expenses)**

Segments (quarterly) (JPYmm)	FY03/20				FY03/21				FY03/22
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<b>Total sales</b>	<b>45,804</b>	<b>47,211</b>	<b>48,542</b>	<b>54,395</b>	<b>45,113</b>	<b>44,723</b>	<b>49,956</b>	<b>56,934</b>	<b>48,396</b>
YoY	2.8%	6.6%	-1.1%	1.4%	-1.5%	-5.3%	2.9%	4.7%	7.3%
Energy	18,577	17,189	19,425	22,963	17,634	15,796	20,007	23,943	18,998
YoY	5.5%	5.2%	-6.3%	-1.5%	-5.1%	-8.1%	3.0%	4.3%	7.7%
Information and Communications	12,795	13,116	12,923	12,919	12,650	12,481	12,700	12,904	12,619
YoY	2.3%	3.8%	0.9%	-2.7%	-1.1%	-4.8%	-1.7%	-0.1%	-0.2%
CATV	7,738	7,855	7,840	7,952	8,226	8,264	8,504	8,751	7,996
YoY	3.0%	3.0%	1.9%	3.5%	6.3%	5.2%	8.5%	10.0%	-2.8%
Construction, Equipment, and Real Estate	3,777	5,959	5,183	7,464	3,819	5,255	5,741	8,362	5,542
YoY	-9.3%	23.6%	6.7%	19.5%	1.1%	-11.8%	10.8%	12.0%	45.1%
Aqua	1,798	1,954	1,851	1,813	1,896	1,984	1,898	1,844	1,921
YoY	8.8%	6.4%	3.5%	5.1%	5.5%	1.5%	2.5%	1.7%	1.3%
Other	1,116	1,139	1,320	1,283	885	943	1,106	1,131	1,319
YoY	1.5%	11.3%	7.4%	-10.2%	-20.7%	-17.2%	-16.2%	-11.8%	49.0%
<b>Operating profit</b>	<b>3,231</b>	<b>2,269</b>	<b>3,778</b>	<b>4,946</b>	<b>3,783</b>	<b>1,669</b>	<b>4,449</b>	<b>5,325</b>	<b>3,226</b>
YoY	35.2%	109.1%	6.0%	-17.8%	17.1%	-26.4%	17.8%	7.7%	-14.7%
Operating profit margin	7.1%	4.8%	7.8%	9.1%	8.4%	3.7%	8.9%	9.4%	6.7%
Energy	1,489	477	3,964	3,488	1,972	410	2,652	3,954	1,578
YoY	26.0%	-	34.2%	-9.7%	32.4%	-14.0%	-33.1%	13.4%	-20.0%
OPM	8.0%	2.8%	20.4%	15.2%	11.2%	2.6%	13.3%	16.5%	8.3%
Information and Communications	1,217	1,052	3,366	860	1,110	926	1,045	1,263	1,224
YoY	68.1%	19.0%	29.7%	-30.2%	-8.8%	-12.0%	-69.0%	46.9%	10.3%
OPM	9.5%	8.0%	26.0%	6.7%	8.8%	7.4%	8.2%	9.8%	9.7%
CATV	1,286	1,253	3,790	1,234	1,367	1,266	1,469	1,103	1,459
YoY	7.7%	10.3%	6.2%	-10.9%	6.3%	1.0%	-61.2%	-10.6%	6.7%
OPM	16.6%	16.0%	48.3%	15.5%	16.6%	15.3%	17.3%	12.6%	18.2%
Construction, Equipment, and Real Estate	213	630	1,242	874	233	388	473	971	263
YoY	0.0%	84.8%	35.7%	24.9%	9.4%	-38.4%	-61.9%	11.1%	12.9%
OPM	5.6%	10.6%	24.0%	11.7%	6.1%	7.4%	8.2%	11.6%	4.7%
Aqua	169	231	597	77	271	175	132	-5	37
YoY	76.0%	18.5%	34.5%	-75.8%	60.4%	-24.2%	-77.9%	-	-86.3%
OPM	9.4%	11.8%	32.3%	4.2%	14.3%	8.8%	7.0%	-	1.9%
Other and adjustments	-1,145	-1,374	-3,682	-1,589	-1,171	-1,496	-1,321	-1,961	-1,337
<b>Segments (cumulative)</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>
<b>Total sales</b>	<b>45,804</b>	<b>93,015</b>	<b>141,557</b>	<b>195,952</b>	<b>45,113</b>	<b>89,836</b>	<b>139,792</b>	<b>196,726</b>	<b>48,396</b>
YoY	2.8%	4.7%	2.6%	2.3%	-1.5%	-3.4%	-1.2%	0.4%	7.3%
Energy	18,577	35,766	55,191	78,154	17,634	33,430	53,437	77,380	18,998
YoY	5.5%	5.4%	0.9%	0.2%	-5.1%	-6.5%	-3.2%	-1.0%	7.7%
Information and Communications	12,795	25,911	38,834	51,753	12,650	25,131	37,831	50,735	12,619
YoY	2.3%	3.0%	2.3%	1.0%	-1.1%	-3.0%	-2.6%	-2.0%	-0.2%
CATV	7,738	15,593	23,433	31,385	8,226	16,490	24,994	33,745	7,996
YoY	3.0%	3.0%	2.6%	2.9%	6.3%	5.8%	6.7%	7.5%	-2.8%
Construction, Equipment, and Real Estate	3,777	9,736	14,919	22,383	3,819	9,074	14,815	23,177	5,542
YoY	-9.3%	8.3%	7.7%	11.4%	1.1%	-6.8%	-0.7%	3.5%	45.1%
Aqua	1,798	3,752	5,603	7,416	1,896	3,880	5,778	7,622	1,921
YoY	8.8%	7.5%	6.1%	5.9%	5.5%	3.4%	3.1%	2.8%	1.3%
Other	1,116	2,255	3,575	4,858	885	1,828	2,934	4,065	1,319
YoY	1.5%	6.2%	6.7%	1.6%	-20.7%	-18.9%	-17.9%	-16.3%	49.0%
<b>Operating profit</b>	<b>3,231</b>	<b>5,500</b>	<b>9,278</b>	<b>14,224</b>	<b>3,783</b>	<b>5,452</b>	<b>9,901</b>	<b>15,226</b>	<b>3,226</b>
YoY	35.2%	58.3%	31.8%	8.9%	17.1%	-0.9%	6.7%	7.0%	-14.7%
Operating profit margin	7.1%	5.9%	6.6%	7.3%	8.4%	6.1%	7.1%	7.7%	6.7%
Energy	1,489	1,966	3,964	7,452	1,972	2,382	5,034	8,988	1,578
YoY	26.0%	81.4%	34.2%	9.3%	32.4%	21.2%	27.0%	20.6%	-20.0%
OPM	8.0%	5.5%	7.2%	9.5%	11.2%	7.1%	9.4%	11.6%	8.3%
Information and Communications	1,217	2,269	3,366	4,226	1,110	2,036	3,081	4,344	1,224
YoY	68.1%	41.1%	29.7%	10.4%	-8.8%	-10.3%	-8.5%	2.8%	10.3%
OPM	9.5%	8.8%	8.7%	8.2%	8.8%	8.1%	8.1%	8.6%	9.7%
CATV	1,286	2,539	3,790	5,024	1,367	2,633	4,102	5,205	1,459
YoY	7.7%	9.0%	6.2%	1.4%	6.3%	3.7%	8.2%	3.6%	6.7%
OPM	16.6%	16.3%	16.2%	16.0%	16.6%	16.0%	16.4%	15.4%	18.2%
Construction, Equipment, and Real Estate	213	843	1,242	2,116	233	621	1,094	2,065	263
YoY	0.0%	52.2%	35.7%	31.0%	9.4%	-26.3%	-11.9%	-2.4%	12.9%
OPM	5.6%	8.7%	8.3%	9.5%	6.1%	6.8%	7.4%	8.9%	4.7%
Aqua	169	400	597	674	271	446	578	573	37
YoY	76.0%	37.5%	34.5%	-11.5%	60.4%	11.5%	-3.2%	-15.0%	-86.3%
OPM	9.4%	10.7%	10.7%	9.1%	14.3%	11.5%	10.0%	7.5%	1.9%
Other and adjustments	-1,145	-2,519	-3,682	-5,271	-1,171	-2,667	-3,988	-5,949	-1,337

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Segment operating profits are before allocation of overhead expenses.

Note: Beginning in Q1 FY03/21, the company revised the names of some of its segments, with the Gas and Petroleum segment becoming the Energy segment and the Building and Real Estate segment becoming the Construction, Equipment, and Real Estate segment. The name changes have no impact on actual earnings in the segments.

## Q1 FY03/22 results (out July 29, 2021)

- ▷ Q1 FY03/22 results: The company posted sales of JPY48.4bn (+7.3 YoY), operating profit of JPY3.2bn (-14.7% YoY), recurring profit of JPY3.4bn (-12.5% YoY), and net income attributable to owners of the parent of JPY1.9bn (-23.5% YoY). Sales grew for the first time in two quarters in Q1, setting a new record high.
- ▷ Progress: Versus full-year FY03/22 company forecast, sales were 23.4% (22.9% in FY03/21), operating profit 21.2% (24.8%), recurring profit 21.9% (25.0%), and net income 21.2% (27.7%).
- ▷ Sales up 7.3% YoY: The increase in revenue was mainly due to an increase in the number of customers in the energy and CATV sectors, as well as the growth of recurring revenues for information and communications companies, and the impact of M&A in the Building and Real Estate segment.
- ▷ Operating profit -14.7% YoY: An increase in the monthly billing count due to an increase in the number of customers, and an increase in profit in information and communication-related business for corporate customers, were positive factors for profit. However, the decrease in LP gas sales volumes to households, mainly due to warmer temperatures compared to the previous year, and higher customer acquisition costs associated with acquiring customers at a faster rate than in the previous year in the LP gas and Aqua businesses had a negative impact on profits. The gross profit margin fell 2.9% YoY to 40.7%, the SG&A ratio declined 1.1% YoY to 34.1%, and the operating profit margin declined 1.7% YoY to 6.7%.
- ▷ Net income -23.5% YoY: Accumulated other comprehensive profit/loss was -JPY119mn (JPY1.6bn in Q1FY03/21) due to a negative valuation difference on other securities and a decline in deferred hedge gains and losses.
- ▷ Number of continuing customers: Increased 95,000 since end-FY03/21 to 3,108,000. Subscribers to TLC Membership Service increased 19,000 to 998,000.
- ▷ Topics: The company established TOKAI Venture Capital & Incubation in April 2021. This business will promote the TLC concept through synergies with existing businesses and the creation of new lifestyle-related services. In the same month, the company acquired shares in Marco Polo Co., Ltd., which is engaged in large-scale repair work for condominiums and other facilities in the Building and Real Estate business, and Query Co., Ltd., which is engaged in systems development in the information and communication business, and made these companies consolidated subsidiaries.

## Customer count

The number of continuing customers was 3,108,000, up 9,000 from end-FY03/21. Compared with end-FY03/20, the gas (LP, city gas) business had a net increase of 8,000 customers, the CATV business had a net increase of 8,000 customers, and the Aqua business had a net increase of 2,000 customers.

### Change in customer numbers, by service segment

Number of customers ('000)	FY03/13	FY03/14	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	YoY Change
	Q4	Q4	Q4	Q4	Q4	Q4	Q4	Q4	Q4	
<b>Gas (LP gas, city gas)</b>	<b>629</b>	<b>628</b>	<b>626</b>	<b>634</b>	<b>642</b>	<b>661</b>	<b>684</b>	<b>713</b>	<b>744</b>	<b>31</b>
Conventional ISP	816	854	859	633	528	465	419	389	395	6
Hikari Collaboration			4	219	299	323	327	324	337	13
LIBMO					2	29	41	48	53	5
<b>Information and Communications</b>	<b>816</b>	<b>854</b>	<b>863</b>	<b>852</b>	<b>829</b>	<b>817</b>	<b>787</b>	<b>761</b>	<b>785</b>	<b>24</b>
<b>CATV</b>	<b>691</b>	<b>693</b>	<b>690</b>	<b>710</b>	<b>733</b>	<b>1,032</b>	<b>1,063</b>	<b>1,154</b>	<b>1,198</b>	<b>44</b>
<b>Aqua</b>	<b>102</b>	<b>122</b>	<b>130</b>	<b>133</b>	<b>135</b>	<b>146</b>	<b>156</b>	<b>161</b>	<b>162</b>	<b>1</b>
<b>Mobile</b>		<b>227</b>	<b>235</b>	<b>236</b>	<b>233</b>	<b>227</b>	<b>217</b>	<b>212</b>	<b>206</b>	<b>-6</b>
<b>Security</b>	<b>19</b>	<b>19</b>	<b>18</b>	<b>18</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>16</b>	<b>16</b>	<b>0</b>
<b>Total</b>	<b>2,445</b>	<b>2,519</b>	<b>2,537</b>	<b>2,558</b>	<b>2,564</b>	<b>2,876</b>	<b>2,902</b>	<b>3,003</b>	<b>3,099</b>	<b>96</b>

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Customer numbers are duplicated for Information and Communications and CATV segments when shown separately, but not in the totals.

\* Mobile virtual network operator (MVNO): Business offering self-branded mobile communication services for mobile phones and PHS devices without building or operating wireless communication facilities, and instead leasing communication lines from major mobile communication carriers.

\*\* The company is actively promoting LIBMO (<http://www.libmo.jp/>) as not only a method to capture new customers in mobile communication, but also as a strategic measure to acquire more contracts and prevent contract termination of fixed-line services, by packaging it with products such as Hikari Collaboration. Specifically, TOKAI is working in partnership with major electronics mass retailers to gain new customers. The company is also

working to expand sales to its existing customers by awarding loyalty points in addition to its TLC membership services, and by utilizing flyers and email newsletters.

## Results by segment

Segment results as reported by the company reflect allocated overhead expenses. Beginning in Q1 FY03/21, the company revised the names of some its segments, with the Gas and Petroleum segment becoming the Energy segment and the Building and Real Estate segment becoming the Construction, Equipment, and Real Estate segment. The name changes have no impact on actual earnings in the segments.

### Energy

Sales: JPY19.0bn (+7.7% YoY), Operating profit: JPY910mn (-30.7% YoY)

- ▷ The LP gas business reported sales of JPY16.2bn (+9.5% YoY). As a result of continued customer acquisition initiatives, the number of customers expanded by 6,000 from end-FY03/21 to 687,000. Sales increased due to higher sales prices linked to purchase prices.
- ▷ The city gas business reported sales of JPY2.8bn (-1.3% YoY). Customer count was up by 2,000 from end-FY03/21 to 64,000, but sales declined due primarily to a downturn in sales prices associated with the material cost adjustment system.
- ▷ Operating profit declined due to an increase in customer acquisition costs.

### Information and Communications

Sales: JPY12.6bn (-0.2% YoY), Operating profit: JPY913mn (+14.6% YoY)

- ▷ In the Information and Communications business, services for consumers business generated sales of JPY6.2bn (-6.1% YoY). In the ISP business, the service offering was expanded through a partnership with a major mobile carrier, with mobile services offered at the lowest price in the industry. In addition, the company made progress on new customer acquisition through offering an ISP and mobile set fee. The number of customers decreased by 4,000 from end-FY03/21 to 781,000 (ISP customers decreased by 4,000 to 728,000 and LIBMO customers remained unchanged at 53,000). Although the trend of net customer decline has ceased, sales declined due to the decline in unit prices.
- ▷ Sales to corporate clients rose to JPY6.4bn (+6.1% YoY). Growth was centered on recurring revenue services, with steady progress in cloud services and SI projects.

### CATV

Sales: JPY8.0bn (-2.8% YoY), Operating profit: JPY1.3bn (+5.9% YoY)

- ▷ During the COVID-19 pandemic, as a community-based operator, the company focused on delivering local information and program production, as well as working with major video distribution companies to enhance its content offerings, striving to help customers enjoy staying at home. Cautious yet constant and sustained sales activities in each area enabled the company to acquire new customers, with the number of broadcasting services customers increasing by 2,000 from end-FY03/21 to 878,000, while communications services customers increased by 6,000 to 328,000.

### Construction, Equipment, and Real Estate

Sales: JPY5.5bn (+45.1% YoY), Operating profit: JPY82mn (-0.2% YoY)

- ▷ In addition to the benefits of progress with M&A, orders for renovation and building work also increased, resulting in a significant increase in sales YoY. Profit remained broadly unchanged due to an increase in goodwill amortization.

### Aqua

Sales: JPY1.9bn (+1.3% YoY), Operating loss: JPY33mn (operating profit of JPY194mn in FY03/21 )

- ▷ Sales from events at large commercial facilities were strong compared to the previous year which had been affected by restraint on activities due to the pandemic. Sales were also helped by non-face-to-face sales activity, including telemarketing. The number of customers increased by 2,000 from end-FY03/21 to 164,000. In terms of the P&L, an operating loss was recorded due to an increase in customer acquisition costs.

**Others**

Sales: JPY1.3bn (+49.0% YoY), Operating loss JPY4mn (versus operating loss of JPY70mn in FY03/21)

- ▷ The nursing care business reported sales of JPY317mn (-1.8% YoY), with user numbers impacted by the pandemic.
- ▷ In the shipbuilding business, higher volume in ship repairs led to sales of JPY580mn (+79.0% YoY).
- ▷ In the bridal events business, sales were JPY161mn (+484% YoY) reflecting recovery in wedding ceremonies and banquets.

This note is the most recent addition to the [full report](#).

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