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On **February 14, 2019**, Fujita Kanko Inc. announced earnings results for full-year FY12/19.

Cumulative (JPYmm)	FY12/18				FY12/19				FY12/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	15,808	33,591	49,819	69,285	15,896	33,605	50,035	68,960	100.0%	68,960
YoY	-1.1%	-0.7%	-2.0%	-1.9%	0.6%	0.0%	0.4%	-0.5%		-0.5%
Gross profit	559	2,270	3,051	5,744	465	2,040	2,590	4,733		
YoY	-32.2%	-8.2%	-19.3%	-13.6%	-16.8%	-10.1%	-15.1%	-17.6%		
GPM	3.5%	6.8%	6.1%	8.3%	2.9%	6.1%	5.2%	6.9%		
SG&A expenses	1,193	2,335	3,525	4,645	1,118	2,193	3,311	4,452		
YoY	1.0%	0.8%	2.0%	-0.2%	-6.3%	-6.1%	-6.1%	-4.2%		
SG&A ratio	7.5%	7.0%	7.1%	6.7%	7.0%	6.5%	6.6%	6.5%		
Operating profit	-633	-64	-474	1,099	-653	-153	-720	280	100.0%	280
YoY	-	-	-	-44.9%	-	-	-	-74.5%		-74.5%
OPM	-	-	-	1.6%	-	-	-	0.4%		0.4%
Recurring profit	-794	-29	-351	1,105	-769	-64	-593	401	100.3%	400
YoY	-	-	-	-46.0%	-	-	-	-63.7%		-63.8%
RPM	-	-	-	1.6%	-	-	-	0.6%		0.6%
Net income	-553	-32	-377	556	-595	-131	-421	-285	-	-285
YoY	-	-	-	-66.7%	-	-	-	-		-
Net margin	-	-	-	0.8%	-	-	-	-		-

  

Quarterly (JPYmm)	FY12/18				FY12/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	15,808	17,783	16,228	19,466	15,896	17,709	16,430	18,925
YoY	-1.1%	-0.3%	-4.7%	-1.6%	0.6%	-0.4%	1.2%	-2.8%
Gross profit	559	1,711	781	2,693	465	1,575	550	2,143
YoY	-32.2%	3.8%	-40.2%	-6.2%	-16.8%	-7.9%	-29.6%	-20.4%
GPM	3.5%	9.6%	4.8%	13.8%	2.9%	8.9%	3.3%	11.3%
SG&A expenses	1,193	1,142	1,190	1,120	1,118	1,075	1,118	1,141
YoY	1.0%	0.6%	4.5%	-6.7%	-6.3%	-5.9%	-6.1%	1.9%
SG&A ratio	7.5%	6.4%	7.3%	5.8%	7.0%	6.1%	6.8%	6.0%
Operating profit	-633	569	-410	1,573	-653	500	-567	1,000
YoY	-	10.7%	-	-5.8%	-	-12.1%	-	-36.4%
OPM	-	3.2%	-	8.1%	-	2.8%	-	5.3%
Recurring profit	-794	765	-322	1,456	-769	705	-529	994
YoY	-	7.4%	-	-8.4%	-	-7.8%	-	-31.7%
RPM	-	4.3%	-	7.5%	-	4.0%	-	5.3%
Net income	-553	521	-345	933	-595	464	-290	136
YoY	-	-3.5%	-	10.2%	-	-10.9%	-	-85.4%
Net margin	-	2.9%	-	4.8%	-	2.6%	-	0.7%

Source: Shared Research based on company data

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

**Quarterly fluctuation in business performance: Seasonal effects on consolidated results are diminishing, owing to the high profit composition of the WHG segment and change in its business structure. In the Resort and Luxury & Banquet segments, further progress with the change in business structures is expected to yield smoother distribution of results.**

**Performance by segment**

Cumulative (JPYmm)	FY12/18				FY12/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	15,808	33,591	49,819	69,285	15,896	33,605	50,035	68,960
YoY	-1.1%	-0.7%	-2.0%	-1.9%	0.6%	0.0%	0.4%	-0.5%
WHG	8,541	17,743	27,076	36,936	8,941	18,394	27,870	37,638
YoY	3.1%	3.9%	3.2%	3.7%	4.7%	3.7%	2.9%	1.9%
Resort	1,442	2,637	4,338	5,728	1,315	2,615	4,308	5,533
YoY	-1.9%	-13.8%	-21.1%	-24.3%	-8.8%	-0.8%	-0.7%	-3.4%
L&B	5,151	11,909	16,381	23,982	5,015	11,295	15,727	22,949
YoY	-7.8%	-3.8%	-4.1%	-3.1%	-2.6%	-5.2%	-4.0%	-4.3%
Other	1,347	2,681	4,084	5,409	1,283	2,651	4,171	5,579
Adjustments	-673	-1,380	-2,062	-2,771	-659	-1,351	-2,043	-2,740
Operating profit	-633	-64	-474	1,099	-653	-153	-720	280
YoY	-	-	-	-0.449123	-	-	-	-0.745223
WHG	290	1,116	1,784	2,842	329	1,015	1,282	1,969
YoY	-23.7%	7.9%	-5.5%	-1.3%	13.4%	-9.1%	-28.1%	-30.7%
Segment profit margin	3.4%	6.3%	6.6%	7.7%	3.7%	5.5%	4.6%	5.2%
Resort	-307	-706	-702	-896	-253	-493	-408	-695
YoY	-	-	-	-	-	-	-	-
Segment profit margin	-	-	-	-	-	-	-	-
L&B	-421	-39	-931	54	-488	-198	-966	-42
YoY	-	-	-	-87.9%	-	-	-	-
Segment profit margin	-	-	-	0.2%	-	-	-	-
Other	-164	-381	-547	-799	-228	-447	-584	-833
Company-wide, eliminations	-30	-54	-76	-100	-12	-29	-42	-117

  

Quarterly (JPYmm)	FY12/18				FY12/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	15,808	17,783	16,228	19,466	15,896	17,709	16,430	18,925
YoY	-1.1%	-0.3%	-4.7%	-1.6%	0.6%	-0.4%	1.2%	-2.8%
WHG	8,541	9,202	9,333	9,860	8,941	9,453	9,476	9,768
YoY	3.1%	4.5%	2.0%	5.3%	4.7%	2.7%	1.5%	-0.9%
Resort	1,442	1,195	1,701	1,390	1,315	1,300	1,693	1,225
YoY	-1.9%	-24.7%	-30.3%	-32.7%	-8.8%	8.8%	-0.5%	-11.9%
L&B	5,151	6,758	4,472	7,601	5,015	6,280	4,432	7,222
YoY	-7.8%	-0.5%	-4.7%	-0.9%	-2.6%	-7.1%	-0.9%	-5.0%
Other	1,347	1,334	1,403	1,325	1,283	1,368	1,520	1,408
Adjustments	-673	-707	-682	-709	-659	-692	-692	-697
Operating profit	-633	569	-410	1,573	-653	500	-567	1,000
YoY	-	10.7%	-	-5.8%	-	-12.1%	-	-36.4%
WHG	290	826	668	1,058	329	686	267	687
YoY	-23.7%	26.3%	-21.7%	6.8%	13.4%	-16.9%	-60.0%	-35.1%
Segment profit margin	3.4%	9.0%	7.2%	10.7%	3.7%	7.3%	2.8%	7.0%
Resort	-307	-399	4	-194	-253	-240	85	-287
YoY	-	-	-97.9%	-	-	-	-	-
Segment profit margin	-	-	0.2%	-	-	-	5.0%	-
L&B	-421	382	-892	985	-488	290	-768	924
YoY	-	-26.8%	-	-4.2%	-	-24.1%	-	-6.2%
Segment profit margin	-	5.7%	-	13.0%	-	4.6%	-	12.8%
Other	-164	-217	-166	-252	-228	-219	-137	-249
Company-wide, eliminations	-30	-24	-22	-24	-12	-17	-13	-75

Source: Shared Research, based on company data

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

**WHG segment: sales, earnings, and key operating performance indicators**

Cumulative	FY12/18				FY12/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ADR (YoY)		2.0%		2.0%		-0.1%		-2.0%
Greater Tokyo		1.0%		1.4%		1.5%		
Local regions		4.1%		3.1%		-1.9%		
Occupancy (YoY change)		+0.9pp		+0.6pp		-0.0pp		+0.5pp
Greater Tokyo		+1.9pp		+1.6pp		-0.6pp		
Local regions		-0.6pp		-1.0pp		+1.0pp		
Sales	8,541	17,743	27,076	36,936	8,941	18,394	27,870	37,638
YoY	3.1%	3.9%	3.2%	3.7%	4.7%	3.7%	2.9%	1.9%
Operating profit	290	1,116	1,784	2,842	329	1,015	1,282	1,969
YoY	-23.7%	7.9%	-5.5%	-1.3%	13.4%	-9.1%	-28.1%	-30.7%

  

WHG Quarterly (JPYmm)	FY12/18				FY12/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	8,541	9,202	9,333	9,860	8,941	9,453	9,476	9,768
YoY	3.1%	4.5%	2.0%	5.3%	4.7%	2.7%	1.5%	-0.9%
Operating profit	290	826	668	1,058	329	686	267	687
YoY	-23.7%	26.3%	-21.7%	6.8%	13.4%	-16.9%	-60.0%	-35.1%

Source: Shared Research, based on company data

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

**Resort segment: sales, earnings, and key operating performance indicators**

Cumulative (JPYmm)	FY12/18				FY12/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Ten-yu guest spend (YoY)		-		-2.7%		4.2%		3.1%
Ten-yu occupancy (YoY change)		-		+16.2pp		+4.0pp		-0.1pp
Yunessan visitor spend (YoY)		5.0%		-1.6%		-14.7%		-10.1%
Yunessan visitor count (YoY)		-27.9%		-22.3%		12.1%		1.2%
Sales	1,442	2,637	4,338	5,728	1,315	2,615	4,308	5,533
YoY	-1.9%	-13.8%	-21.1%	-24.3%	-8.8%	-0.8%	-0.7%	-3.4%
Accommodation	1,076	1,920	2,913	3,947	950	1,837	2,793	3,701
YoY	2.8%	-14.6%	-25.4%	-29.4%	-11.7%	-4.3%	-4.1%	-6.2%
Leisure	290	547	1,173	1,442	286	601	1,251	1,475
YoY	-15.7%	-14.1%	-12.9%	-12.1%	-1.4%	9.9%	6.6%	2.3%
Operating profit	-307	-706	-702	-896	-253	-493	-408	-695
YoY	-	-	-	-	-	-	-	-
Quarterly (JPYmm)	FY12/18				FY12/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	1,442	1,195	1,701	1,390	1,315	1,300	1,693	1,225
YoY	-1.9%	-24.7%	-30.3%	-32.7%	-8.8%	8.8%	-0.5%	-11.9%
Accommodation	1,076	844	993	1,034	950	887	956	908
YoY	2.8%	-29.8%	-40.0%	-38.8%	-11.7%	5.1%	-3.7%	-12.2%
Leisure	290	257	626	269	286	315	650	224
YoY	-15.7%	-12.3%	-11.7%	-8.5%	-1.4%	22.6%	3.8%	-16.7%
Operating profit	-307	-399	4	-194	-253	-240	85	-287
YoY	-	-	-97.9%	-	-	-	-	-

Source: Shared Research, based on company data

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

Note: Hakone Kowaki-en Ten-yu (150 rooms) was opened in April 2017; Hakone Hotel Kowaki-en (224 rooms) ceased operations in January 2018.

**Luxury & Banquet segment: sales, earnings, and key operating performance indicators**

Cumulative (JPYmm)	FY12/18				FY12/19				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Hotel Chinzanso Tokyo									
Accommodation	ADR (YoY)	-0.5%		1.2%		6.2%		7.2%	
	Occupancy (YoY change)	+2.4pp		-0.2pp		-0.2pp		-2.6pp	
Wedding	Visitor spend (YoY)	2.3%		1.4%		1.0%		0.5%	
	Wedding visitors (YoY)	-6.8%		-7.2%		-8.0%		-8.9%	
Banquet	Visitor spend (YoY)	-0.7%		0.0%		-1.7%		0.3%	
	Banquet visitors (YoY)	0.6%		-0.1%		-5.0%		-4.4%	
Taiko-en									
Wedding	Visitor spend (YoY)	4.7%		3.2%		7.8%		4.6%	
	Wedding visitors (YoY)	-4.3%		-8.6%		-17.1%		-3.1%	
Banquet	Visitor spend (YoY)	3.7%		3.1%		8.2%		5.9%	
	Banquet visitors (YoY)	-2.4%		-2.2%		-7.5%		-6.8%	
Sales		5,151	11,909	16,381	23,982	5,015	11,295	15,727	22,949
YoY		-7.8%	-3.8%	-4.1%	-3.1%	-2.6%	-5.2%	-4.0%	-4.3%
Accommodation		483	1,060	1,556	2,200	520	1,127	1,614	2,279
YoY		-13.0%	-6.9%	-4.5%	-4.1%	7.7%	6.3%	3.7%	3.6%
Wedding		2,000	5,282	7,263	11,003	1,922	4,864	6,807	10,320
YoY		-7.8%	-2.1%	-3.3%	-3.8%	-3.9%	-7.9%	-6.3%	-6.2%
Other		2,668	5,567	7,562	10,779	2,573	5,304	7,306	10,350
YoY		-6.8%	-4.7%	-4.7%	-2.1%	-3.6%	-4.7%	-3.4%	-4.0%
Operating profit		-421	-39	-931	54	-488	-198	-966	-42
YoY		-	-	-	-87.9%	-	-	-	-
Quarterly (JPYmm)	FY12/18				FY12/19				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Sales	5,151	6,758	4,472	7,601	5,015	6,280	4,432	7,222	
YoY	-7.8%	-0.5%	-4.7%	-0.9%	-2.6%	-7.1%	-0.9%	-5.0%	
Accommodation	483	577	496	644	520	607	487	665	
YoY	-13.0%	-1.2%	1.0%	-2.9%	7.7%	5.2%	-1.8%	3.3%	
Wedding	2,000	3,282	1,981	3,740	1,922	2,942	1,943	3,513	
YoY	-7.8%	1.8%	-6.4%	-4.8%	-3.9%	-10.4%	-1.9%	-6.1%	
Other	2,668	2,899	1,995	3,217	2,573	2,731	2,002	3,044	
YoY	-6.8%	-2.7%	-4.5%	4.5%	-3.6%	-5.8%	0.4%	-5.4%	
Operating profit	-421	382	-892	985	-488	290	-768	924	
YoY	-	-26.8%	-	-4.2%	-	-24.1%	-	-6.2%	

Source: Shared Research, based on company data

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

## Full-year FY12/19 results (out February 14, 2020)

Results for the 12-month period ending December 31, 2019

- ▷ Sales: JPY69.0bn (-0.5% YoY)
- ▷ Operating profit: JPY280mn (-74.5% YoY)
- ▷ Recurring profit: JPY401mn (-63.7% YoY)
- ▷ Net loss\*: JPY285mn (versus net income of JPY556mn in FY12/18)
- ▷ Operating profit before depreciation: JPY6.0bn (-7.9% YoY)

\*Net loss attributable to owners of the parent

For the year, the company reported a total of 1.9mn overseas guests (+1.6% YoY). The higher overseas guest count reflects contributions from the July 2019 opening of the 170-room Hotel Gracery Osaka Namba, the August 2019 opening of the 188-room Hotel Tavinós Hamamatsucho (a new brand under the WHG business), both of which are designed to appeal especially to tourists from abroad, plus the October 2018 opening of the 125-room Hotel Gracery Asakusa (in Tokyo).

The decline in sales reflected a mix of factors both positive and negative. On the plus side, during the first half of the year the company benefited from full-year contributions from the 336-room Hotel Gracery Seoul (opened in 2018) and the Hotel Gracery Asakusa and rising tourist traffic from overseas. On the minus side, during the second half of the year sales were depressed by a series of events, including the opening of new hotels by competitors (which put more pressure on ADR), a sharp drop in overnight guests from South Korea, and large typhoons, as well as ongoing weakness at its wedding and banquet business. On the earnings front, profit items from operating profit and below were down YoY, hurt by lower sales and upfront spending on new hotel openings and the launch of a new hotel brand. The after-tax loss reflected a total of some JPY1.2bn in extraordinary losses (versus JPY231mn in FY12/18), most of which stemmed from the large repair bills in the wake of the typhoons.

### WHG segment

- ▷ Sales: JPY37.6bn (+JPY701mn or 1.9% YoY)
- ▷ Segment profit: JPY2.0bn (-JPY873mn or 30.7% YoY)

During the year, the company focused its efforts on attracting more overnight guests from not only East and Southeast Asia, but also from the US, Europe, and Australia. In July 2019, the company opened the Hotel Gracery Osaka Namba in an effort to further expand its existing Hotel Gracery brand. It also opened the Hotel Tavinós Hamamatsucho in August 2019, the first hotel under its new Hotel Tavinós brand (designed to appeal especially to younger travelers from overseas). This was followed by the opening of a serviced apartment complex, the ISORAS CIKARANG, in the suburbs of Jakarta, Indonesia. On the minus side, existing hotels in Japan came under pressure from new hotel openings by competitors and the sharp drop in tourists from South Korea, both of which increased price competition as hotels rushed to fill the rooms that were previously expected to be occupied by tourists from Korea. To maintain sales, the company became more flexible on pricing and stepped up its marketing outreach to tourists from China, the US, Europe, Australia, and other countries, and with the help of this was able to limit the YoY decline in its ADR to 2.0% while increasing its average occupancy rate by 0.5pp.

Sales were further aided by the above-mentioned opening of the Hotel Gracery Osaka Namba and full-year contributions from the Hotel Gracery Seoul and Hotel Gracery Asakusa, which together helped to offset the loss of revenues from 260-room Fujita Kanko Washington Hotel Asahikawa, which was closed in September 2018.

The top-line gain notwithstanding, segment profit finished down, hurt by the heavy upfront spending in support of new hotel openings and the launch of its new Hotel Tavinós brand.

## Resort segment

- ▷ Sales: JPY5.5bn (-JPY194mn or 3.4% YoY)
- ▷ Segment loss: JPY695mn (versus loss of JPY896mn in FY12/18)

The segment's mainstay operations in the Hakone Kowaki-en area suffered a series of misfortunes during the year, starting in May with a prolonged hike in the volcanic activity alert level for the Hakone Owakudani area (from Level 1 to Level 2) that was not reversed until October, and damages from the large typhoons that hit the area during September and October.

At the accommodation division, sales of JPY3.7bn finished down JPY245mn or 6.2% YoY, the boost from the ongoing turnaround at the Hakone Kowaki-en Ten-yu resort being offset by the hit to sales from the series of natural disasters and the loss of revenues from the Hakone Hotel Kowaki-en, which ceased operations in January 2018. Still, the Hakone Kowaki-en Ten-yu succeeded in attracting more foreign tourists during weekdays and also kept its average occupancy rate flat versus the previous year, despite the spate of reservation cancellations triggered by the volcanic alert and the typhoons. The Hakone Kowaki-en Ten-yu also realized improvements in terms of resort operations as, aided by its push toward more multi-tasking on the part of staff, it scored higher guest satisfaction and quality rating and increased average spending per guest by 3.1% over the previous year.

At the day-trip/leisure division, sales of JPY1.5bn were up JPY32mn or 2.3% YoY. At Hakone Kowaki-en Yunessun (hot spring theme park for day-travelers), sales finished up 8.2% YoY as attendance was spurred by a combination of lower admission fees and successful efforts to attract more visitors by increasing exposure across various media and other publicity measures.

## Luxury & Banquet (L&B) segment

- ▷ Sales: JPY22.9bn (-JPY1.0bn or 4.3% YoY)
- ▷ Segment loss: JPY42mn (versus profit of JPY54mn in FY12/18)

- ▷ At the accommodation division, full-year sales of JPY2.3bn were up JPY79mn or 3.6% YoY, the gains driven by rising occupancy rates and ADRs at the Hotel Chinzanso Tokyo following successful promotional efforts to attract more domestic and overseas guests.
- ▷ At the banquet division, sales of JPY4.9bn were down JPY176mn or 3.5% YoY, despite efforts to improve the operational structure at the Hotel Chinzanso Tokyo by making an organizational changes and increasing staffing.
- ▷ At the wedding division, sales of JPY10.3bn were down JPY683mn or 6.2% YoY, the ongoing downtrend in both the number of weddings and guest count per wedding at Hotel Chinzanso Tokyo offsetting the boost to sales from the company's successful promotional efforts surrounding the 60-year anniversary of the opening of the Taiko-en (in Osaka Prefecture) and extra promotion for renovated wedding chapels.

## Full-year company forecast

Earnings (consolidated) (JPYmn)	FY12/19			FY12/20		
	1H Act.	2H Est.	FY Est.	1H Est.	2H Est.	FY Est.
Sales	33,605	35,355	68,960	32,000	39,000	71,000
YoY	0.0%	-0.9%	-0.5%	-4.8%	10.3%	3.0%
Operating profit	-153	433	280	-2,300	2,900	600
YoY	-	-62.8%	-74.5%	-	569.7%	114.3%
OPM	-0.5%	1.2%	0.4%	-7.2%	7.4%	0.8%
Recurring profit	-64	465	401	-2,300	2,900	600
YoY	-	-59.0%	-63.7%	-	523.7%	49.6%
RPM	-0.2%	1.3%	0.6%	-7.2%	7.4%	0.8%
Net income	-131	-154	-285	-1,600	2,000	400
YoY	-	-	-	-	-	-
Segment sales						
WHG	18,394	19,244	37,638			38,850
Resort	2,615	2,918	5,533			22,600
L&B	11,295	11,654	22,949			5,800
Other	2,651	2,928	5,579			3,750
Adjustments	-1,351	-1,389	-2,740			
YoY						
WHG	3.7%	0.3%	1.9%			3.2%
Resort	-0.8%	-5.6%	-3.4%			308.5%
L&B	-5.2%	-3.5%	-4.3%			-74.7%
Other	-1.1%	7.3%	3.1%			-
Segment operating profit						
WHG	1,015	954	1,969			2,450
Resort	-493	-202	-695			-50
L&B	-198	156	-42			-750
Other	-447	-357	-833			-1,050
Adjustments	-29	-88	-117			
Segment profit margin						
WHG	5.5%	5.0%	5.2%			6.3%
Resort	-18.9%	-6.9%	-12.6%			-0.2%
L&B	-1.8%	1.3%	-0.2%			-12.9%
Other	-16.9%	-12.2%	-14.9%			-28.0%
Adjustments						

Source: Shared Research based on company data

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

For FY12/20, the company is forecasting consolidated sales of JPY71.0bn (+3.0% YoY), operating profit of JPY600mn (+114.3% YoY), recurring profit of JPY600mn (+49.6% YoY), and net income attributable to owners of the parent of JPY400mn (versus loss of JPY285mn in FY12/19). The company expects the coronavirus outbreak to lead to fewer Chinese tourists visiting Japan in the January–March 2020 quarter. Accordingly, decreases of JPY1.2bn in sales, JPY1.0bn in operating profit, JPY1.0bn in recurring profit, and JPY700mn in net income have been factored into the company forecasts for the full year.

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

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