

LIFULL Co., Ltd. (TSE 2120)

Edited Transcript

Earnings Briefing for the Fiscal Year Ended September 30, 2019 (October 1, 2018 to September 30, 2019)

Date/time: November 14, 2019 / 11:00 a.m. JST

Venue: LIFULL Headquarters

Corporate Participants:

Takashi Inoue, *President and CEO*,

Takashi Yamada, *Director Manager of AI Strategy Office*

Hidekazu Fukuzawa, *Managing Officer, General Manager of Group Company Business Development Department*

Yuji Ito, *Managing Officer, General Manager of LIFULL HOME'S Business Department*

Yukihiro Hada, *Managing Officer, General Manager of Human Resources Department*

Kohei Kawasaki, *Managing Officer, General Manager of Creative Department*

Presentation

Takashi Inoue, *President and CEO*

Welcome and thank you for attending this earnings presentation for the fiscal year ended September 30, 2019.

LIFULL continues to operate in an environment that is subject to ongoing change. I was surprised, for example, to learn that Yahoo Japan and the online free messaging app provider, LINE, are considering business integration, a move that will create the biggest internet service group in Japan. Despite the internet's widespread proliferation over the last 20 years, it is both exciting and pleasing to see that online services and technologies continue to evolve.

Turning to the principal topic at hand, I draw your attention to slide 2 of the presentation materials. Here, we list three key points of the fiscal year ended September 30, 2019.

[Key Points (Slide 2)]

First, revenue climbed 13.7% year on year, to 39.2 billion yen. This represents an eighth consecutive fiscal period of record high results. EBITDA, on the other hand, edged down 0.4%, to 5.3 billion yen. This largely reflects the impact of temporary expenses, which include investments with respect to the acquisition of Mitula.

Second, we undertook steps to revise LIFULL HOME'S prices for rental and sale listings in October 2019, an initiative in which many of you have expressed considerable interest. As a part of other activities undertaken to secure business growth, plans are in place to establish LIFULL CONNECT in November 2019. This initiative is expected to facilitate the smooth integration of Trovit and Mitula management. Turning to the Rural Revitalization Business, the seeds sown through proactive forward-looking investments are also beginning to bear fruit.

Third, we are looking to further improve our profit margin. In specific terms, we are endeavoring to lift our EBITDA margin by 4.4 percentage points in the fiscal year ending September 30, 2020.

[Highlights (Slide 3)]

Moving on, we provide a brief overview of earnings highlights for the fiscal year under review. Without wishing to

expand on comments made a moment ago, LIFULL's EBITDA margin decreased 1.9 percentage points due to the incidence of temporary expenses. As a result, net profit declined 17.5%.

In our HOME'S Services Business, revenue grew 3.7% compared with the previous fiscal year. Both our client network and ARPA continue to steadily expand.

As far as our overseas businesses are concerned, revenue and segment profit jumped 98.9% and 94.1%, respectively. This is largely due to the acquisition of Mitula.

Turning to Consolidated Financial Results for the Fiscal Year Ended September 30, 2019, I direct you to slide 5.

[Condensed Statements of Income and Loss IFRS (Slide 5)]

While I will refrain from repeating comments made from earlier in this presentation, I would like to elaborate on notes 3, 4, 5 and 6 to the condensed financial statements.

As indicated in Note 3, the increase in personnel expenses is attributable to the inclusion of Mitula in the Company's scope of consolidation.

Turning to Note 4, higher advertising expenses reflect the upswing in branding costs, which are designed to enhance recognition, as well as the inclusion of Mitula in the Company's scope of consolidation.

As expressed in Note 5, LIFULL incurred an increase in other SG&A expenses as a result of temporary expenditures relating to the acquisition of Mitula.

Directing your attention to Note 6, LIFULL posted other income from the sale of shares in LHL Co., Ltd., which engaged in insurance business and advertising agency operations. The amount of total other income and expenses is after accounting for a goodwill impairment loss. This follows the review of plans regarding LIFULL Social Funding Co., Ltd.

[Quarterly Performance History (Slide 6)]

Here on slide 6, we plot trends in quarterly performance. As you can see, LIFULL has enjoyed substantial growth, with consolidated revenue climbing 16.3% year on year in the 4Q of the fiscal year ended September 30, 2019.

Please turn to slide 7.

[Temporary Effects from Growth Investments —YoY Analysis— (Slide 7)]

LIFULL incurred temporary expenses of approximately 1.2 to 1.3 billion yen in the fiscal year under review.

M&A as well as PMI-related expenses account for a large portion of roughly 700 million yen, followed by other expenses which underwent detailed adjustment. As indicated in the note at the bottom of the slide, advertising expenses increased compared with the previous fiscal year due to proactive steps to increase investments. As a result, total expenses climbed 110 million yen after taking into account such factors as fiscal year-end profit adjustments.

[Revenue by Segment, Segment Income and Loss IFRS (Slide 8)]

Looking at revenue, income and loss by segment, I ask that you turn to slide 8.

Despite incurring M&A-related expenses as a part of our Overseas Business activities, revenue increased substantially thanks to higher contributions from Trovit and the inclusion of Mitula in the Company's scope of consolidation.

In the HOME'S Services Business, results were largely in line with plans, despite a downturn in income due to investments in advertising and other expenses.

As for consolidated revenue, results were negatively impacted by withdrawal from the non-profitable Reform and

Remodel Business. On a positive note, revenue increased on the back of an upswing in the number of inquiries. This was mainly due to the implementation of various search engine optimization, or SEO, measures.

With an eye to the fiscal year ending September 30, 2020, efforts to promote such initiatives as alterations to our pricing model are progressing smoothly.

From an earnings perspective, in addition to proactive steps aimed at promoting the HOME'S Services Business, LIFULL incurred one-off expenses in its Overseas operations.

[Condensed Statements of Financial Position and Goodwill IFRS (Slide 9)]

Commenting on LIFULL's financial position and goodwill here on slide 9, goodwill increased 10.4 billion yen as a result of Mitula's inclusion in the Company's scope of consolidation. At the same time, short-term debt climbed 3.2 billion yen to cover expenditures in connection with the acquisition of Mitula.

[Condensed Statements of Cash Flow IFRS (Slide 10)]

As indicated here on slide 10, the balance of cash and cash equivalents came in at 9.2 billion yen, up 1.6 billion yen compared with the previous fiscal year-end.

[LIFULL Group Growth Strategy (Overview) (Slide 11)]

From here on, I would like to comment on the LIFULL Group's growth strategy.

[Slogan (Slide 12)]

Rallying to the call of our medium-term slogan, the LIFULL Group is committed to building the biggest life-event database in the world while utilizing AI and a host of other social innovation tools to become a solutions company.

[Medium-Term Business Plan 2020 (Slide 13)]

To this end, we have identified two broad targets under our 2020 Medium-Term Business Plan: to expand our business scale and strengthen our management platform.

[Progress on Medium-Term Business Plan —Business Expansion— (Slide 14)]

Here on slide 14, we provide an overview of the various measures used to expand our business scale. For the most part, each measure continues to progress smoothly.

As far as our mainstay HOME'S Services Business is concerned, we are working to create new user experience and interface designs that allow home seekers to look for places to live based on their lifestyle of choice. In this manner, we hope to support users in their search for a place to live, whether they are looking for a home with an ocean view, surrounded by cherry blossoms, or even in an area where they do their own farming. Through a wide range of unprecedented proposals, our goal is to satisfy the lifestyle needs of each individual.

Moreover, every effort is being made to enhance the visibility of housing information and to actively improve the accuracy of listings.

Beginning with property viewings through to contract execution, we are also putting in place a housing rental system that can be completed entirely online.

As a part of efforts to promote an omnichannel strategy, we are working to increase points of customer contact through the establishment of *Sumai no Madoguchi* and other service counters.

We are also putting forward an AI-backed property recommendation feature.

Taking into consideration the considerable expense when registering the transfer of vacant rural and other properties, we are promoting the experimental transfer of property ownership on an alternative blockchain basis.

In our Overseas Business, we are leveraging the status of Trovit and Mitula as the top two operators in their field, while promoting a process of integration, to form the number one company in the online real estate aggregation industry.

In addition to Mitula, we have also included RESEM, a real estate portal operator in Central and South America, in the Company's scope of consolidation.

[Progress on Medium-Term Business Plan —Strengthening Group Administration— (Slide 15)]

Drawing your attention to slide 15, we outline measures aimed at strengthening Group administration.

In specific terms, we have made steady strides toward forming a specialized management team in a bid to boost the administration of Group subsidiaries.

Currently, the LIFULL Group is comprised of more than 20 companies. In addition to closely monitoring individual company operations, we are adhering strictly to a PDCA cycle.

While bolstering the internal control function, we have implemented a host of complementary measures, which include increasing the number of outside directors and promoting robotic process automation, or RPA. Through our introduction of RPA, we have dramatically increased the productivity of our back-office.

In setting the foundation for a Group that comprises 100 subsidiary companies, we are working to visualize daily productivity per person, in similar fashion to the amoeba management system adopted by KYOCERA Corporation. Despite the short period of 12 months employed to institutionalize this system, there are clear signs that our efforts are taking root.

We created the position of CxO to cover the duties of CDO and CFO as and when required.

Energies were also directed toward boosting the functionality of subsidiaries while taking various other measures including the establishment of the AI Strategy Department. Steps are also being taken to reinforce overseas development locations by strengthening the system development offshore base in Vietnam. In progressing our Medium-Term Business Plan, we are making steady progress with efforts to upgrade and expand our CVC, new business proposals and other support programs.

[Medium-Term Business Plan 2020 (Slide 16)]

When announcing details of our Medium-Term Business Plan in 2017, we identified the revenue target of 50-plus billion yen for the fiscal year ending September 30, 2020. Over the ensuing period, we have made changes to this target as a result of our withdrawal from certain activities, the sale of LHL, and other factors.

A list of the primary changes to our Medium-Term Business Plan is provided at the right of the slide. In addition to our reform and remodeling operations, we have withdrawn from all renovation building as well as reconstruction and remediation work. We have also abandoned efforts to engage in interior activities.

In line with our selection and focus approach, we have sold our insurance marketing business to Nippon Life Insurance Company.

From an overall scale perspective, and at the start of the Medium-Term Business Plan, we initially projected that these

four primary changes would contribute several billions of yen in revenue.

[Increase Profitability During FY2020/9 (Slide 17)]

Moving on, the challenge now is to increase profitability during the fiscal year ending September 30, 2020.

[Business Forecast for FY2020/9 (Slide 18)]

Looking at the summary of business forecasts on this slide, revenue is projected to reach 45.1 billion yen, for a year-on-year increase of 15%. On the earnings front, EBITDA is expected to climb 51.5%, to 8.1 billion yen. This translates to a forecast improvement in our EBITDA margin from 13.6% to 18%.

Turning to the breakdown of SG&A expenses, plans are in place to increase staff on the back of Trovit and Mitula integration in the Group's Overseas Business and the establishment of LIFULL CONNECT. As a result, personnel expenses are anticipated to increase substantially. We will leverage this increase in staff to expand revenue in the Overseas Business.

By business segment, revenue in the HOME'S Services, Overseas, and Other Businesses sectors are forecast to climb 12%, 18.1% and 49%, respectively.

[HOME'S Services (Slide 19)]

I would now like to elaborate on HOME'S Services.

[Comparison with Same Period in Previous Year —Effects of Business Withdrawals— (Slide 20)]

Revenue in the HOME'S Services Business in the fiscal year under review climbed 4.6% year on year after excluding the effects of the previously mentioned withdrawal from the Reform Business.

[Key Performance Indicators —Client Network and ARPA— (Slide 21)]

Looking at key indicators, both the number of clients and ARPA continue to grow steadily.

[Measures to improve ARPA —Strengthening media presence— (Slide 22)]

Moving on, we are placing considerable emphasis on strengthening our media presence. Without going into too much detail, efforts to upgrade and expand content and to promote a variety of campaigns are proving to be extremely effective.

We have vigorously promoted the LIFULL HOME'S and LIFULL corporate brands.

Through improvements in both user experience and interface design, we are also in the process of significantly increasing conversion rates.

Thanks largely to our focus on SEO, we are witnessing growth in organic traffic.

As far as paid online marketing is concerned, efforts to promote various initiatives, including automatic bidding that employs cutting-edge technologies, are helping to increase efficiency through optimization at the same cost while having a positive effect across-the-board.

[Effects from the Price Structure Revision —Rental and Sale Listings— (Slide 23)]

Revisions to the LIFULL HOME'S pricing structure for rental and sale properties took effect from October 2019.

Previously, clients selected various paid options based on their individual needs. Under the revised pricing structure, clients now have unlimited-use of all major options.

In the period since the revised pricing structure took effect, cancellation rates have been held to a much lower level than originally anticipated. In specific terms, the cancellation rate came in around 1.4 points higher compared with regular membership cancellation rates.

At the same time, the usage rate for optional services has expanded from 40% to roughly the 60% mark.

The underlying intent for revising the LIFULL HOME'S pricing structure stems from a desire to enhance the convenience of realtors, users and sales staff. By removing the need for realtors to select which optional services should be attached to which properties, they are able to create listings and update information in a uniform manner.

With access to more detailed information including panorama photos and comments, users can limit their inquiries to properties better attuned to their individual needs before visits.

Meanwhile, sales staff, who had previously been promoting optional services, can more effectively put forward proposals. This is in turn expected to alleviate workloads and allow staff to direct their energies toward other consulting.

[Overseas Businesses (Slide 24)]

Next, I would like to touch briefly on our overseas businesses.

[Overseas Businesses —Results— (Slide 25)]

The LIFULL Group's Overseas Business has exhibited substantial growth following the inclusion of Mitula in the Company's scope of consolidation.

As you can see from the graph at the right of the slide, actual segment profit climbed 94% compared with the previous fiscal year, from 490 million yen to 951 million yen.

Looking at the estimate for the fiscal year under review, marked with an asterisk, segment profit grew more than 200% year on year, exceeding 1.5 billion yen, after excluding acquisition-related costs.

[LIFULL CONNECT —Quarterly Performance Trend— (Slide 26)]

Directing your attention to the graph on slide 26, LIFULL CONNECT performance trends continue to expand steadily from quarter to quarter.

[Overseas Businesses Results —Segment Profit and Loss (Quarterly Trend)— (Slide 27)]

Turning to segment profit and loss trends in the Group's Overseas businesses, we are enjoying an increase in profitability, despite the incidence of one-off expenses.

We are currently taking steps to evaluate PPA depreciation costs associated with the acquisition of Mitula, which we expect will occur from the fiscal year ending September 30, 2020. We are committed to disclosing all appropriate details as and when calculations have been finalized.

[LIFULL CONNECT (Slide 28)]

Plans are in place to establish LIFULL CONNECT in November 2019, under the dual leadership of CEO Mauricio Silber, who serves in a similar capacity at Trovit, and COO Simon Bray from Mitula.

[Growth Strategy —Profitability by Region— (Slide 29)]

Despite overlapping with comments provided earlier in this presentation, I will once again touch on the Group's growth strategy. In broad terms, our growth strategy encompasses the three-tier mature, developing and potential markets, which take into account the characteristics of individual regions.

[Growth Strategy —Mature Markets— (Slide 30)]

The focus of our growth strategy in mature markets, is to roll-out the exceptional capabilities and know-how of Trovit as a technology company to Mitula, through the current process of integration, as well as nestoria, Dot Property and RESEM. In this manner, we will work to increase profit on sales.

[Growth Strategy —Developing Markets— (Slide 31)]

In developing markets, we are looking to engage mainly in real estate portal activities in a bid to directly support users in their search for housing. Operating portals in nine Southeast Asian countries, Dot Property was brought under the umbrella of the Mitula Group in 2016. Incorporated into the LIFULL Group in May 2019, RESEM operates portals in 11 Central and South American countries. Working through each of these Group companies, we plan to expand Overseas businesses.

[Other Businesses (Slide 32)]

In closing, I would like to comment briefly on the Other Businesses segment.

[Other Businesses —Segment Sales Revenue (Quarterly)— (Slide 33)]

While falling short with efforts to achieve significant growth, the scale of our Other Business operations continues to exhibit steady growth after excluding the impact of LHL's sale, an insurance marketing company.

[Other Businesses —Segment Profit and Loss (Quarterly)— (Slide 34)]

Trends in the quarterly segment profit and loss of existing businesses also continue to remain steady after excluding the impact from the sale of LHL. The negative quarterly data plotted below the line represents investments in the Rural Revitalization Business.

[Other Businesses —Regional Revitalization— (Slide 35)]

Working through LIFULL HOME'S *Akiya Bank*, a service contracted by the Ministry of Land, Infrastructure, Transport and Tourism, the LIFULL Group is moving quickly in its Rural Revitalization Business activities to address the growing number of vacant properties in rural Japan, a social issue that continues to plague the nation.

Among a host of complementary measures, we are promoting programs that foster producers and other entrepreneurs, providing them with the skills to repurpose vacant properties, while taking preparatory steps to put in place a mechanism that matches people in rural areas with local companies as a part of a regional development corps. In addition to the use of crowdfunding as a means to provide buyers interested in repurposing vacant lots or homes with the necessary funds, we are also utilizing Rakuten LIFULL STAY, a joint venture with the Rakuten Group, to promote the use of vacant houses as vacation rental properties.

[Other Businesses —Regional Revitalization— (Slide 36)]

In line with the many initiatives that continue to progress in each region, we have recently entered into a regional development agreement with Koshu City in Yamanashi Prefecture and initiated steps to establish a regional revitalization fund with Takamatsu City in Kagawa Prefecture.

Local cooperation work also continues to advance with the municipalities of Kamaishi, Sabae, Soja and Nichinan, as do the LIVING ANYWHERE COMMONS facilities established in Izushimoda and Aizubandai. As many of these seeds sown begin to bear fruit, each project is transitioning to the next phase of income generation.

[Other Businesses —Regional Revitalization Fund— (Slide 37)]

As one example, we have launched an apartment hotel development project in Takamatsu City, Kagawa Prefecture through investments from the LIFULL Regional Revitalization Fund.

[Our Worldview —LIFULL Group— (Slide 38)]

During the fiscal year under review, we established the AI Strategy Department. Staffed by more than 10 people, energies are being directed toward steadily promoting both simulated and actual projects on how to effectively utilize AI. Looking ahead, we will continue to expand these endeavors, rolling out projects to overseas and local areas, in a bid to become the best life-event database and solution company in the world.

[Change in IR Procedures (Beginning in FY2020/9) (Slide 39)]

Finally, I would like to provide details of changes in IR procedures from the fiscal year ending September 30, 2020. We have decided to amend our earnings presentation cycle from quarterly to semi-annual.

This then concludes this presentation of LIFULL's earnings for the fiscal year ended September 30, 2019. I thank you for your interest and attention.

Questions and Answers

Q. I would like to ask two questions.

First, after identifying an EBITDA margin target of around 20% under the Medium-Term Business Plan, I thought the Company would achieve a slightly better result given the withdrawal from unprofitable businesses, the absence of any future M&A and other one-off costs, and revisions to LIFUL HOME'S pricing structure. What are the reasons for the gap between this anticipated and actual EBITDA margin result?

Second, the rate of growth in the HOME'S Services Business came in at 4.6% after excluding the impact of business withdrawal for the fiscal year ended September 30, 2019. Taking into consideration the target of 12% growth in the fiscal year ending September 30, 2020, what are your thoughts on ARPA as well as affiliated real estate business growth? Can you also provide us with a breakdown, including the degree of pricing structure revision contribution?

A. (Takashi Inoue) Personnel expenses in the Group's Overseas Business portal operations will increase. In addition, while LIFULL Marketing Partners continues to generate substantial revenue, profit margins are inevitably low given the nature of its business as an advertising agency. Initially, we had planned to raise profit margins by expanding the role of LIFULL Marketing Partners from an advertising agency to encompass other activities including digital marketing

consulting to major companies in the development, housing construction and other sectors. Regrettably, our endeavors in this area have been delayed.

Despite working diligently to enhance the efficiency of advertising expenses, another factor behind the gap between anticipated and actual EBITDA margin results is the difficulty in lowering TV commercial and other branding expenses from a competitive strategy perspective. I would ask Mr. Fukuzawa, our CFO, to elaborate shortly.

As far as ARPA is concerned, two factors are expected to help drive LIFULL HOME'S growth. First, contributions for the full fiscal year from the increase in our basic fee structure from 10,000 yen to 15,000 yen, and second, through higher fee margins. While we are projecting an improvement thanks to the upswing in fee margins even at current inquiry levels, we will work diligently to further boost inquiries in a bid to increase income.

However, revisions to our pricing structure have only recently taken effect from October. Rather than a conservative approach, we have adopted a neutral stance toward evaluating the degree to which an increase in inquiries will have an impact. Accordingly, we are yet to fully factor in any benefits.

Before asking Mr. Ito, who has recently been appointed General Manager of the HOME'S Business, for his thoughts, I would ask Mr. Fukuzawa to comment on our EBITDA margin.

A. (Hidekazu Fukuzawa) To elaborate, our service profit margins are inherently high.

When setting the revenue target of 50-plus billion yen under the Medium-Term Business Plan, we believed that the ratio of advertising expenses to revenue would decline even in the event of an increase in expenditure so long as we secured an upswing in revenue. Unable to lift revenue to the level initially anticipated, the advertising expenses ratio exceeded our original plan. In the event that we are able to generate revenue of around 50 billion yen, we are more than confident in our ability to achieve the 20% EBITDA margin target.

A. (Takashi Inoue) Mr. Ito, would you like to comment.

A. (Yuji Ito) In answer to the question whether we will expand our client network or increase ARPA, our focus is largely on ARPA.

Turning to slide 21 of the presentation materials, it would appear that client network expansion has slightly stalled. After revising our pricing structure, which took effect from October, we are shifting the focus of marketing from option sales to a much broader client network. While we anticipate growth in both our client network and ARPA as membership numbers increase, we believe that the contribution to revenue and profit from ARPA will be greater.

Q. I also have two questions that I would like to ask. You have not as yet clarified when you expect to achieve revenue of 50-plus billion yen. From your presentation today, it would appear that this milestone will likely be reached in the fiscal year ending September 30, 2021. Is there any reason why you are unable to clarify a schedule? Do you have any concerns regarding the Group's ability to generate revenue going forward?

My second question is also about your outlook for the future. While gaining a general understanding of the Group's direction for the fiscal year ending September 30, 2020, what can you tell us about your new Medium-Term Business Plan from the fiscal year ending September 30, 2021? Can we assume that the Group is channeling its energies toward a new phase that will allow it to make ongoing improvements in its profit margins thereby achieving its EBITDA target of 20%? Or, will the contents of the new plan differ from the direction previously indicated? If you indeed do have a new

plan in mind, when can we expect it to begin?

A. (Takashi Inoue) At our current pace, we believe the likelihood of revenue surpassing 50 billion yen in the fiscal year ending September 30, 2021, is quite good. We do not hold any specific concerns at this time.

We are now in the process of considering our next Medium-Term Business Plan. If indeed we do disclose details, including our thoughts on the next fiscal year, we would most likely make an announcement in conjunction with the Group's earnings presentation for the first half of the fiscal year ending September 30, 2020. Taking into consideration competitive forces, just how much we will be able to disclose is subject to question. Currently, we are taking into consideration a number of important factors, including whether or not to make a disclosure.

Q. My question has two parts. First, referring again to slide 21 of the presentation materials, and calculating backwards from client network trends to date, it would appear that growth in the fourth quarter has fallen. Can you provide us with any background information?

My second question is about the Group's Overseas Business plans in the fiscal year ending September 30, 2020. Taking into consideration contributions from Mitula for a full fiscal year, your projection regarding the rate of revenue growth would seem a little conservative. What are your thoughts on current market conditions and rates of market growth in Overseas businesses?

A. (Takashi Inoue) Following on from Mr. Ito's earlier comments regarding efforts to expand our client network, we have put in place a dedicated organization from the current fiscal year. We anticipate this organization will contribute for the entire period. As far as the decline in the fourth quarter is concerned, we have already identified the effects of pricing structure revision, which led to a cancellation rate that was roughly 1.4 percentage points higher than the regular membership cancellation rate.

As you have correctly pointed out, we are looking to further expand Overseas businesses. We are currently promoting the integration of Trovit and Mitula and plan to establish the new company, LIFULL CONNECT, in November. While we have not as yet identified any specific problems or risks, we are unable to quantify expectations regarding a number of key factors including the increase in unit prices, client network expansion and new product sales growth. As a result, we have refrained from taking into account any of these factors.

Meanwhile, changes in traffic inflows as a result of changes in the Google algorithm remain a constant. In the case of LIFULL CONNECT, which offers services in 63 countries, the impact is therefore consequential. For this reason, we have adopted a conservative approach.

Q. In the context of the Group's future growth strategy, are you considering the purchase of treasury stock as an investment option?

A. (Takashi Inoue) Mr. Fukuzawa, as CFO can we have your thoughts?

A. (Hidekazu Fukuzawa) We generally look at which investment will provide the greatest return when making a specific selection. While we have largely engaged in business-related investments in the past, the purchase of treasury stock has not been totally discarded. Should the need arise, we will disclose details in a timely fashion.

(Takashi Inoue) If there are no further questions, I would like to bring this presentation to a close. I thank you for your interest and attention.
