LIFULL Co., Ltd. (TSE 2120)
Edit Transcript
Earnings Briefing for the Fiscal Year Ended September 30, 2018
(October 1, 2017 to September 30, 2018)

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Corporate Participants:
Takashi Inoue, *President and CEO, General Manager of LIFULL HOME'S Business Department*
Takashi Yamada, *Director, Deputy General Manager of LIFULL HOME'S Business Department*
Kazuhiko Abe, *Managing Officer, General Manager of Group Company Business Development Department*
Keizo Tsutsui, *Managing Officer, Manager of President's Office*

Presentation

Takashi Inoue, *President and CEO*
Welcome and thank you for attending this earnings presentation for the fiscal year ended September 30, 2018.

[Key Points (Slide 2)]
In commenting on LIFULL's performance, I draw your attention to the six key points listed here on slide 2.
First, revenue climbed 7.6% compared with the previous fiscal year, to 34.5 billion yen. This represented a record high for a seventh consecutive period. In addition, EBITDA grew 37.8% year on year, to 5.3 billion yen.
Second, Trovit, our Spain-based subsidiary since 2014, is experiencing accelerated growth. In specific terms, results for the most recent July to September quarter increased 17.8% compared with the corresponding period of the previous fiscal year.
Third, we will work to further grow our business focusing mainly on initiatives aimed at increasing ARPA throughout the fiscal year ending September 30, 2019. I will comment further on this point later in the presentation.
Fourth, we have experienced a slight delay with efforts to acquire Mitula Group Limited. Again, I will elaborate in more detail later in this presentation.
Fifth, we anticipate that our Overseas Business will grow significantly after Mitula Group Limited has been fully included in our scope of consolidation as a subsidiary company.
And finally, sixth, I would like to report on a change in our dividend policy.

[Consolidated Results for FY2018/9 (Slide 3)]
Turning then to the first key point, I would like to comment on LIFULL's consolidated results for the fiscal year ended September 30, 2018 in more detail.

[Condensed Statements of Income and Loss IFRS (Slide 4)]
Looking at this condensed statement of income and loss, revenue rose across all segments. As I mentioned a moment

ago, revenue climbed 7.6% compared with the previous fiscal year, to 34 billion 564 million yen.

EBITDA grew 37.8% year on year, to 5 billion 382 million yen. The EBITDA margin improved 3.4 percentage points, to 15.6%.

Accounting for these and other factors, net profit came in at 2 billion 859 million yen, up 81.3% year on year.

[Expense-to-Revenue Ratio IFRS (Slide 5)]

Next, I would like to touch on the expense-to-revenue ratio. Despite an increase in the ratio of advertising expenses, the EBITDA margin improved thanks to a lower cost of sales ratio as well as other SG&A and personnel expenses.

[Sales by Segment IFRS (Slide 6)]

We provide details of our performance by segment. As you can see, revenue has continued to increase across the board.

While the growth rate of HOME'S-related revenue would appear to have stalled slightly, our plans, as I will explain shortly, are to accelerate the pace of growth. Notwithstanding these trends, revenue from the HOME'S Services Business came in at 28 billion 602 million yen, up 1 billion 695 million yen.

Revenue from the Overseas and Others are also expanding steadily, climbing 15.7% and 12.5%, respectively.

[Segment Income and Loss IFRS (Slide 7)]

As you can see from this slide, profit in the HOME'S Services Business increased substantially due to the downturn in temporary costs and successful efforts to control expenses.

Profit also increased significantly in the Overseas Business owing to cutbacks in costs after dissolving the overseas business division, set up in Japan to serve a back-office function and manage the Company's overseas operations.

In terms of specific amounts, profit from the HOME'S Services Business surged 1 billion 342 million yen, or 53.2%, year on year. Profit from the Overseas Business jumped 278 million yen, or 131.3%.

As far as the Others Business is concerned, we largely engage in the development of new activities. As a result, costs increased due mainly to the upswing in associated personnel expenses.

[Condensed Statements of Financial Position and Goodwill IFRS (Slide 8)]

Details of the Company's financial position and goodwill are provided on slide 8.

Current assets increased as a result of sales growth. After completing the repayment of short-term debt totaling 970 million yen as of the end of July, the Company is currently debt free.

Taking these and other factors into consideration, total assets, total liabilities, and total equity stood at 29 billion 181 million yen, 7 billion 185 million yen, and 21 billion 996 million yen, respectively, as of the end of the fiscal year under review. For your reference, current details of goodwill are provided in the note at the bottom of the slide.

[Condensed Statements of Cash Flows IFRS (Slide 9)]

Looking at the Company's cash flows, the balance of cash and cash equivalents stood at 7 billion 571 million yen as of September 30, 2018, up 2 billion and 61 million yen. I will refrain from making any further comments here.

[Progress of Business Forecasts for the FY2019/9 IFRS (Slide 10)]

As indicated in the note at the bottom of the slide, business forecasts for the fiscal year ending September 30, 2018 were revised downward on July 26. As far as the Company's actual results for the fiscal period under review are concerned, revenue came in 564 million yen higher, or 101.7% of the revised forecast.

In similar fashion, EBITDA was up 192 million yen, or 103.7% of the revised forecast.

At the right of the slide, we provide details of actual results by segment compared with full fiscal year forecasts. As you can see, the increase in revenue compared with forecasts was for the most part in the HOME'S Services Business, which was up 502 million yen.

[Growth Strategy (Slide 11)]

Moving on from slide 11, I would like to elaborate on the Group's growth strategy going forward.

[Company Slogan (Slide 12)]

Through a process of acquisition and accumulation, our overarching goal is to "become the best life-event database and solution company in the world." This slogan also encapsulates the Company's efforts to transform massive big data into solutions.

[DB + Technology (Slide 13]

We provide a conceptual image of this slogan here on slide 13.

The "life-event" data to which we refer encompasses the massive amount of mainly residential and real estate information in our possession, including related interior, used car, jobs, and other data.

Through the use of vanguard technology such as AI, our goal is to transform this massive life-event database into solutions that are in tune with people's interests, ideas as well as life stage including the needs of each community.

[Mid-to-Long Term Strategy Roadmap (Slide 14)]

Against this backdrop, we provide details of our mid-to-long term strategy roadmap in the real estate field.

As indicated by the orange arrow that runs across the top of the slide, we are taking various steps to transform the real estate industry over the mid-to-long term. Together with active measures aimed at stimulating real estate markets, we are implementing various initiatives with a view to further expansion while at the same time building a global platform. Continuing to plug away steadily at stimulating real estate markets since our foundation, we have worked diligently to build a massive database that encompasses both information and evaluations. As indicated in the Database section of the table on this slide, we have focused largely on property, pricing, rent, sales price, and related information as well as realtor ratings.

Directing your attention to the Network line directly below, efforts to expand the number of clients are progressing steadily.

Moreover, we will continue to enhance LIFULL HOME'S media power.

Meanwhile, and in order to further shore up the Group's activities, we plan to once again fine tune our products and expand sales in the services for realtors' domain.

Turning next to the column at the center of the table, and active measures aimed at stimulating real estate markets, we have set up a vacation rental website in conjunction with efforts to facilitate online real estate transactions. As a part of our new domain endeavors, we are developing uses for crowd-funding.

Drawing on the Group's success at introducing new technologies and utilizing big data to deliver solutions in Japan, we are looking to first build a global database, cultivate a network of real estate companies around the world, and then increase our profile in the global market in order to expand our operations overseas.

[Mid-Term Management Plan Quantitative Target (Slide 15)]

As indicated here on slide 15, our mid-term management plan quantitative targets remain unchanged.

We will continue to target revenue of 50+ billion yen and an EBITDA ratio of approximately 20% in the fiscal year ending September 30, 2020.

[Business Forecast for FY2019/9 (Slide 16)]

Looking at forecasts for the fiscal year ending September 30, 2019, revenue is projected to come in at 39 billion yen and EBITDA at 5.7 billion yen. We are then estimating revenue to total 50 billion yen or more in the following fiscal year.

[Business Forecast for FY2019/9 (Slide 17)]

As indicated here on slide 17, revenue is expected to grow 12.9%, to 39 billion and 22 million yen. EBITDA is anticipated to climb 7.6%, to 5 billion 791 million yen.

Contributions from Mitula Group Limited, which we are in the process of including in the Company's scope of consolidation as a subsidiary, have not been included in forecasts for the fiscal year ending September 30, 2019.

Again, at the right of the slide, we provide details of forecasts by segment compared with the fiscal year under review. As you can see, revenue in the HOME'S Services, Overseas, and Others businesses are anticipated to expand 11.7%, 22.1%, and 12.8%, respectively.

[Mitula Group Limited Acquisition Schedule (Slide 18)]

Moving on to the acquisition schedule on slide 18, delays in a part of the process aimed at including Mitula Group Limited in the Company's scope of consolidation as a subsidiary have emerged.

While steps taken to acquire Mitula Group Limited continue to progress in an amicable fashion, slight modifications to the overall scheme have been made along the way. In addition to obtaining the court's approval, the scheme entails completing several complex procedures. Currently, plans are in place to hold a general meeting of Mitula Group Limited shareholders from November and over December. Should the ensuing court hearing proceed according to plans, we expect to complete final acquisition in January of the New Year and commence steps to include Mitula Group Limited in the Company's scope of consolidation. As far as revising earnings forecasts are concerned, we intend to disclose all information in a timely manner once details are known.

[(ref.) Business Forecast – by simply adding Mitula Group Limited actual results (Slide 19)]

For your reference, we provide details of Mitula Group Limited results here on slide 19. LIFULL is projecting revenue of 39 billion yen in the fiscal year ending September 30, 2019. By simply adding Mitula Group Limited's most recent net sales of 3.7 billion yen, revenue for the current fiscal year is forecast to come in at 42.7 billion yen. By the same token, if we add the 1 billion yen from Mitula Group Limited, LIFULL's EBITDA is expected to total 6.7 billion yen. These figures are provided for reference purposes only, and I would ask that you also refer to the notes at the bottom of the slide.

[Roadmap to Achieve the Mid-term Plan 2020 (Slide 20)]

Turning to the next slide, we provide details of the gap between forecast results and the Mid-term Plan 2020. We also touch briefly on how we intend to address any discrepancies. Through parent company organic growth and the inclusion of Mitula Group Limited in the Company's scope of consolidation, we are projecting revenue of 42.7 billion yen in the fiscal year ending September 30, 2019. By expanding this revenue a further 17+%, we will come within sight of our revenue target of over 50 billion yen. In the immediate term, we are anticipating growth of 12.9%. Looking ahead, we will work to accelerate the pace of expansion going forward.

[HOME'S Services Business (Slide 21)]

Moving on, I would like to touch on the HOME'S Services Business.

[Expansion of HOME'S Services Business – Key of the business growth (Slide 22)]

Over the course of the past several presentations, we have conveyed our intention to expand revenue by increasing the number of clients multiplied by efforts aimed at increasing ARPA. As far as the current fiscal year is concerned, we aim to grow the HOME'S Services Business by working especially on initiatives to increase ARPA.

Realtors that utilize the HOME'S Services Business are spread across all 47 prefectures of Japan. For the most part, this network comprises all major, mid-, and small-sized operators. Under these circumstances, small-scale realtors in local regions will play a principal role in expanding the number of clients.

On this basis, clients will, for the most part, fall within the small-sized range from an average unit price perspective. Our thoughts on this matter are to therefore increase ARPA by expanding services and adding value for existing clients while working to organically boost client numbers.

[Comprehensive services to increase ARPA (Slide 23)]

We will increase ARPA by strengthening operation support services and products as well as media power and sales capabilities.

[Enhancement of HOME'S Services Business – Organizational Structure (Slide 24)]

Directing your attention to the next slide, we look at efforts to bolster the HOME'S Services Business by restructuring our organization. First, in addition to my role as president & CEO, I will double as Head of HOME'S Business Division. This is designed to accelerate the speed of business execution.

Second, we will enhance media capabilities. As far as I am concerned, I plan to pursue every avenue in order to capture a record number of inquiries. To this end, we are applying the full force of the organization and utilizing media on multiple levels.

Third, we have integrated the Rental Business Division, responsible for the media function, and the BS Division, in charge of operator support services, and put in place a revised structure that is capable of providing end-to-end services in order to expand sales of operational support services.

[Multi-dimensional initiative to strengthen media capability (Slide 25)]

We have continued to implement a variety of initiatives in a bid to strengthen media capabilities. We aim to become the absolute number one in the market while skillfully combining on- and off-line tools.

[(ref.) LIFULL HOME'S Ability to Attract Clients (Slide 26)]

As a reference, we present a graph that plots traffic in 2017 and 2018 on slide 26. Over the most recent August, September, and October period, traffic has been expanding. Conditions are robust with year-on-year trends on a growth trajectory.

[Enhance Sales in Operation Support Services – change in organizational structure (Slide 27)]

As far as operation support services are concerned, we provide details of the daily operational flow of realtors along the center of the slide. Among a host of daily activities, realtors engage largely in the procurement of properties, posting of information, while undertaking efforts to attract clients. As indicated by the orange boxes, the media function previously undertaken by the Rental Media Division and the HP creation and management as well as CRM functions undertaken by the Business Solution Division have been consolidated in a bid to provide end-to-end services. In this manner, we are looking to increase the number of clients and ARPA going forward.

[KPI – the Client Network • ARPA (Slide 28)]

As you can see here on slide 28, the number of clients stood at 27,388 and ARPA at 89,692 yen as of the end of the fiscal year under review.

[Overseas Business (Slide 29)]

Next, I would like to comment on our Overseas Business.

[(Slide 30)]

Trovit joined the LIFULL Group family in November 2014.

[Trovit growth - KPIs (Slide 31)]

Reflecting on performance as well as business scale trends since the time of Trovit's acquisition here on slide 31, the number of monthly site users has essentially doubled from 47 million to 90+ million. The number of countries in which Trovit operates has also expanded from 39 to 57 with the number of paying clients climbing from 600 to 811. Moreover, the volume of listed information has surged from 120 million to 200 million.

[Trovit growth – Revenue trend (Slide 32)]

As detailed here on slide 32, the pace of Trovit growth is accelerating. Since its acquisition, revenue has continued to climb nearly 30%. Just over the past 12 months, the pace of growth has picked up once again expanding 17.8%.

[(Slide 33)]

Meanwhile, we are currently in the process of acquiring Mitula Group Limited, which we plan to include in our scope of consolidation as a subsidiary.

[About Mitula – Revenue trend (Slide 34)]

Turning to Mitula Group Limited performance trends, here on slide 34, revenue is exhibiting steady growth climbing substantially by 49.4% compared with the previous year.

[Corporate History (includes plans) (Slide 35)]

As indicated here on slide 35, the integration of Trovit and Mitula into the LIFULL Group will result in the Top Three real estate aggregator websites in the world coming under the LIFULL Umbrella.

[Trovit x Mitula (Slide 36)]

To get a feel of the overall scale of operations, I direct your attention to slide 36. Looking at the Group's Overseas Business as a whole, the number of site visitors will exceed 170 million with a global footprint that will expand into 63 countries. Moreover, the volume of listed information will surpass 400 million.

[Trovit x Mitula – Trovit Growth Strategy (Slide 37)]

Touching on the Group's growth strategy going forward, the inclusion of Trovit and Mitula will allow us to employ a multiplier effect. This will in turn provide the LIFULL Group with an overwhelming advantage from both the traffic and data volume perspectives. Buoyed by this integration, we will follow the process numbered (1) to (3) at the right of the slide.

Currently, revenue is largely derived from charges per click, or CPC. We are expanding revenue through the use of various tools including Text Link, Google AdSense, and through Premium Advertisements.

Taking into consideration our dominant share of existing traffic levels, we will work to broaden this current business model while significantly expanding our business scope.

Upgrading our services to item (2) Advertisements, we plan to progressively introduce a series of higher value products including e-mail marketing, retargeting, and banners.While already active in such fields as banners, we will expand and upgrade efforts in this area.

As far as item (3) is concerned, we intend to expand and upgrade charges in accordance with each transaction.Under certain circumstances, the opportunity exists to impose charges in line with contract closing depending on the country. From a secondary market perspective, we will also look to direct client flows toward mortgage banks in the home loan field as well as life and casualty insurance companies. The goal is to further increase revenue in these and other fields.

[(ref.) Overseas Competitor (Slide 38)]

By comparison, while our market capitalization is yet to reach these levels, the potential exists to secure continuous growth. With the target to push EBITDA above 10 billion yen, our goal is to stand shoulder to shoulder with these global players in terms of our business scale.

[About Shareholder return (Slide 39)]

In closing, I would like to comment briefly on shareholder return.

[Partial change in the shareholder return policy (Slide 40)]

Our goal in the past was to progressively lift the payout ratio from 10 to 15 and then 20%. Taking into consideration our financial position, the fact that we are currently debt free, and efforts to build up the balance of cash and cash equivalents to 7.5 billion yen, we have decided to partially modify our shareholder return policy and target a dividend payout ratio of 25%.

[(Slide 41)]
This then concludes our earnings presentation and overview of business strategies going forward.

Questions and Answers

Q1. The Company has identified an EBITDA margin target of around 20% in the fiscal year ending September 30, 2020. With this in mind, what are your thoughts on current business EBITDA margin levels? Your EBITDA margin forecast for the fiscal year ending September 30, 2019 is 14.8%. What current business EBITDA margin are you looking at in order to achieve the target of around 20% in the fiscal year ending September 30, 2020?

A1. (Takashi Inoue) Working to expand profitability in certain areas as a part of efforts to secure an EBITDA margin of around 20% in the fiscal year ending September 30, 2020, we are looking to improve per capita sales and per capita EBITDA as well as our EBITDA margin from a personnel expense perspective. In specific terms, and as far as profitability on a daily basis is concerned, we are first pushing forward plans to adopt a system from October 1, 2018. This system will help measure the amount of per capita added value that is created by day and by hour. In this manner, we will increase per capita productivity.

Second, and in the context of the LIFULL Group's overseas operations, both Mitula and Trovit already boast high EBITDA margins. We will look to secure further improvements by lifting margins even higher.

Third, while currently undertaking investments aimed at expanding our market share, we will work to progressively lower the ratio of advertising expenses to sales. Taking into consideration the growth in revenue, and despite an upswing in the amount of advertising expenses, we are confident in our ability to steadily improve the EBITDA margin.

Q2. I have two questions, if I may. First, and turning to the breakdown of forecast expenses on slide 17, it looks a little like the fiscal year ending September 30, 2019 will result in a soft landing as far as efforts aimed at achieving EBITDA of 10 billion yen in 2020 are concerned. This is even after excluding the impact that Mitula will have on results. What should we make of the numbers?

Again, from slide 17, traffic continues to improve. This would suggest that there is little or no need to increase advertising expenses to any great extent. It would also appear that the high rates of growth in operating and other expenses are contributing factors to soft EBITDA growth in the current fiscal year. Can you provide details on what these expenses entail?

My second question concerns the Group's overseas business. With the delay in including Mitula in the Company's scope of consolidation, has there been any change over the past three months and what are the chances that synergies will emerge in the near future?As far as efforts to ramp up activities at Trovit are concerned, steps to include Mitula in the Group are already helping to reduce excessive competition while contributing to Trovit's immediate results. Can we have your thoughts on this as well?

A2. (Takashi Inoue) As far as the numbers are concerned, I will ask Mr. Abe to elaborate shortly. Our approach and plans are consistent with comments throughout this presentation.

As you have pointed out, the rate of advertising expense growth is under control. From an operating expenses perspective, we expect trends will to some extent follow a similar pattern to advertising expenses. We are, however, expecting to incur operating expenses including campaign costs aimed at attracting clients while also undertaking such outlays as cashback payments once tenants have decided to take up space and in the event contracts are closed. As a result, we equate variable expenses to the value that we provide to clients. The more this mechanism takes hold, expenses will serve to further increase revenue. I would now ask Mr. Abe to elaborate on the numbers.

(Kazuhiko Abe) As is always the case, and in similar fashion to the previous year, we look to manage expenses in the context of our operations as a whole. Other expenses for the most part comprise fixed costs including outsourcing expenses and costs related to the renovation of this office. In reality, a large portion remains unused. On this basis, we believe we can prudently control expenses.

We will review the allocation of expenses against the backdrop of our overall efforts. In this regard, management will control the amount and flow of all costs. That's about it.

(Takashi Inoue) To your second question, there has been no change over the past three months, with no synergies yet to have emerged as a result of efforts to integrate Mitula. We expect that benefits will accrue only after acquisition has been completed. Thereafter, we anticipate synergies will gradually emerge as a part of the integration process. As far as concrete contributions are concerned, we are looking at sometime after the New Year.

While the pickup in growth at Mitula is entirely in that company's own right, our progress especially in the past has derived from the acquisition of such businesses and aggregator websites as Nestoria, nuroa, Dot Property, and Fashiola, which was not identified in this presentation, given that company's focus on the fashion market. The growth exhibited by each acquisition has been properly incorporated into the Group's results, which in turn is helping to accelerate the pace of expansion.

Q3. Trovit is also showing signs of accelerated growth. Given that synergies are yet to emerge, and the absence of an increase in productivity attributable to reduced competition between Mitula and Trovit, is it safe to assume that Trovit's improved performance is being generated of its own accord?

A3. (Takashi Inoue) Synergies are indeed yet to emerge, and there has been no particular easing of competition as a result of any mutual restraint. Of course, both Trovit and Mitula have initiated communication and management from both sides are developing close-knit ties. Specific measures and results are not expected until integration has been completed.

Q4. I would like to inquire about the Group's overseas business, and in particular its activities in Asia. Which markets have you identified as especially important in terms of their scale? Which markets do you see as growing in importance five and 10 years in the future?

A4. (Keizo Tsutsui) We are currently operating in Indonesia. While the size of the market is currently small, we are convinced of its potential for growth given the country's population of 200 million.

After completing the acquisition of Mitula, we will leverage the activities of its subsidiary Dot Property. This company has initiated operations in Thailand, Indonesia, the Philippines, and also Vietnam. While we already sense signs of growth in Thailand, activities especially in the Philippines and Vietnam are only just beginning. We believe that these countries will grow at rates similar to that seen in Indonesia.

Q5. I have three questions, if I may. First, what do you see as the underlying factors behind improvements in HOME'S traffic in Japan, and how do you plan to link this improvement to revenue going forward?

Traffic has improved considerably in September and October. Looking back, what in fact were the problems and how were these problems overcome? Can we assume that this year-on-year increase will continue in the future?

As you previously mentioned, the Group has withdrawn from certain businesses. Technically speaking, the rate of HOME's business growth would appear to have declined if we look at the most recent fourth quarter. Against the backdrop of a projected increase in revenue of 10% for the current fiscal year, is it safe to assume a return to double-digit percentage growth as early as the next first quarter? What schedule do you have in mind when working to convert improvements in traffic to an increase in revenue?

Second, have you seen any positive synergy effects emerge from the Group's decision to adopt a process of selection and focus? As mentioned, the Group has withdrawn from certain activities overseas including the HOME'S business in Australia. I believe this has allowed the Group to concentrate highly capable human resources in Japan. What progress have you made, say in these past three months, to reflect this selection and focus approach in the Group's organizational structure and the development of its domestic business?

Finally, what are the conditions that will allow the pace of Trovit growth to increase? You mentioned that competition with Mitula is yet to ease. What then has changed? You are looking at growth in the current fiscal year of 22%. What factors do you see that will help bring about this rate of growth?

A5. (Takashi Inoue) In answer to your first question, the fact that traffic is again exhibiting an upward trajectory is due to the effects of search engine optimization, or SEO. In principle, our focus is on how to create a high-value site for users. This is also the reason for the emphasis placed on Google algorithms. With the growing attention on mobility, initiatives such as the updates are proving a sound fit for our ongoing activities.

As far as the effect on revenue is concerned, the impact expands as natural inflow trends increase. In this regard, both revenue and profit grow on a linear basis. Should this trend continue, we believe there is a chance for double-digit percentage growth from the current fiscal year as you have suggested.

To your second question, we have indeed continued to follow a policy of selection and focus. This has included the elimination of certain overseas businesses and the liquidation of LIFULL Remodel, which engaged in building and reconstruction mediation as well as contract work, following the decision to withdraw from renovation operations. Drawing on the pool of human resources that have become available with the close of each business, we have again adopted a policy of selection and focus while making sure to assign the right person to the right place. Rather than a single location, appointments are being made to a variety of departments across a wide range of growth domains. Every effort is being made to provide each individual with the opportunity to excel according to their ability and skills.

Finally, to your third question, the pace of Trovit growth has again picked up to 17.8%. The ability to attract clients, for the most part, is attributable to SEO-related organic inflows. In this sense, SEO is a factor not only in HOME'S, but also Trovit growth.

(Keizo Tsutsui) In addition to traffic, Trovit is engaging in targeted efforts to capture major clients in each country by strengthening its sales capability. This is proving to be extremely effective.

(Takashi Inoue) The company is largely distinguished for its engineers. While providing wide-ranging advice, we are seeing per capita client numbers as well as unit prices per client reach record highs. As Mr. Tsutsui has pointed out, the pickup in Trovit growth is due to a recovery in traffic and increased sales capabilities.

Q6. The Group is experiencing delays in including Mitula in its scope of consolidation as a subsidiary company. What are the reasons for this delay, and is there any risk that Mitula will not be included?

A6. (Kazuhiko Abe) From the outset, this was an extremely complex scheme, which has led to a delay. Moreover, certain approvals are required, over and above the local court mentioned by Mr. Inoue. Prior to submitting a proposal for the court's approval, we are looking at a lengthy approval process that requires authorization by the Australia Securities Commission, followed by the company's registration, and ratification at a general meeting of shareholders.

As a complex scheme, there has also been a lot of back-and-forth with the Australian Securities and Investments Commission which has asked us to consider modifications here and there. As a result, we have made slight adjustments to the scheme, which in turn has contributed to further delays.

After revising the acquisition agreement, or more specifically the scheme implementation deed, we have completed registration and expect the process to proceed without delay going forward.

(Takashi Inoue) Taking into consideration the exchange of shares between Mitula, which is publicly listed on the Australian Securities Exchange, and LIFULL, a company listed on the Tokyo Stock Exchange, this complex scheme has many legal aspects. For the most part, I believe this is the first time a scheme of this nature is being implemented in Japan. The scheme requires FAs and legal firms to work through a variety of procedures. On completion, a considerable amount of time is also required for confirmation.

Our allotted time is now up, and if there are no further questions, I would like to close today's presentation.
I thank you for your interest and attention.