

Tameny Inc.

6181

Tokyo Stock Exchange Growth Market

26-Jan.-2024

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<https://www.fisco.co.jp>

Index

Summary	01
1. Strengths are its high levels of reliability and brand recognition in matching and casual wedding areas	01
2. In 1H FY3/24, reduced losses both YoY and relative to targets, EBITDA in the black	01
3. FY3/24 results forecasts remain unchanged and profit likely for the full year amid an upward trajectory in 2H	02
4. Short-term recovery in performance achieved as a result of rebuilding the management foundation	02
5. Possibility of heightened momentum in restoring profitability by shifting to bold management initiatives	02
Company outline	03
1. Company outline	03
2. History	03
Business description	06
1. Summary of services	06
2. Matching Business	06
3. Casual Wedding Business	09
4. Life and Tech Business	11
5. Regional Revitalization Business	13
6. Features and strengths	13
7. Risk factors, earnings characteristics, and issues and measures in response to them	14
Business trends	15
1. Summary of 1H FY3/24 results	15
2. Trends by business	16
3. Financial position	18
Outlook	19
● Summary of the FY3/24 full-year non-consolidated results forecasts	19
Growth strategy	22
Shareholder return policy	23
Initiatives for ESG	23

■ Summary

Provides high-quality services in four strategic areas, focusing on the Matching Business and Casual Wedding Business

Tameny Inc. <6181> (hereinafter, “Company”) focuses on the matching and casual wedding business based on its corporate philosophy of “For your fine life.” and with its Purpose as “We value creativity, kindness and dedication to fulfill people’s heart, and to be a basis of forming a lively society.”

1. Strengths are its high levels of reliability and brand recognition in matching and casual wedding areas

The Company’s businesses of origin are the Matching Business, which includes the matching support agency, online matching support, matching parties and online matching services, etc., and the Casual Wedding Business, which includes mainly the production of casual weddings and receptions, photo weddings and after-parties. Peripheral areas include the Life and Tech Business, which offers a platform for mutual introductions between members of matching businesses’ services, a matching support agency association, after engagement support and insurance agency, and the Regional Revitalization Business, which includes matching support for local governments and commissioned operation of matching support centers. The Company’s features and strengths are that it provides a comprehensive range of high-quality, high-value-added services in four business fields, and it has established a high level of reliability and brand recognition, including the highest engagement rate in the industry.

2. In 1H FY3/24, reduced losses both YoY and relative to targets, EBITDA in the black

In 1H FY3/24 results (transitioned to non-consolidated financial statements), the Company recorded net sales of ¥2,583mn, operating loss of ¥119mn, ordinary loss of ¥149mn, and net loss of ¥129mn. As for a comparative assessment of consolidated results in the same period of the previous fiscal year, net sales decreased by ¥109mn but operating loss narrowed by ¥32mn, ordinary loss narrowed by ¥27mn, and net loss narrowed by ¥63mn. On the revenue side, whereas net sales were lower particularly due to effects of corporate business divestiture, on the profit side the Company narrowed its losses in part as a result of it having slashed SG&A expenses. EBITDA (= operating income + depreciation and amortization + amortization of goodwill) remained in the black, yet decreased by ¥2mn to ¥70mn. As for a comparative assessment of forecasts, net sales were ¥109mn lower than the forecast but operating loss was ¥20mn less, ordinary loss was ¥20mn less, and net loss was ¥13mn less. Meanwhile, the Company narrowed its losses across each of the profit categories both relative to the same period of the previous fiscal year and relative to forecasts.

Summary

3. FY3/24 results forecasts remain unchanged and profit likely for the full year amid an upward trajectory in 2H

The FY3/24 results forecasts remain unchanged from the initial targets projecting net sales of ¥5,780mn, operating income of ¥50mn, ordinary income of ¥0mn, and net income of ¥20mn. In comparison with FY3/23 consolidated results, forecasts project net sales up ¥175mn, operating income up ¥201mn, ordinary income up ¥230mn, and net income up ¥257mn. On the revenue side, the Company anticipates higher sales of the Casual Wedding Business in 2H. On the profit side, it projects further reduction in SG&A expenses in 2H. When it comes to SG&A expenses, effects of reducing rent expenses on land and buildings as a result of integrating and closing bases in particular will become more prominent starting from 2H. In the Casual Wedding Business, the number of events held with respect to the Sma-Kon series of production services for casual weddings and receptions and the Nijikai-Kun wedding after-party production service is expected to increase significantly in 2H. In the Regional Revitalization Business, the Company anticipates that a majority of its earnings associated with its matching support system will be recorded in 4Q. Earnings are on an upward trajectory. At FISCO, we deem there to be further upside potential amid a scenario where it is conceivable that the Company will achieve its forecasts given various factors that include: the Company's targets were skewed toward 2H as of the outset of the fiscal year; the Company exceeded its target in terms of narrowing its losses in 1H; the number of events handled by the Casual Wedding Business is expected to increase in 2H, and; proceeds from handling such events have been increasing.

4. Short-term recovery in performance achieved as a result of rebuilding the management foundation

Until FY3/22, the Company prioritized management rationalization measures, including curbing advertising investment and reducing fixed costs, as a means of achieving a short-term recovery in performance to eliminate excess debt. The Company has advanced efforts from FY3/23 onward to rebuild its management base with an eye to medium- to long-term growth, including by establishing a high earnings structure, enhancing its product competitiveness and strengthening its financial base. In FY3/24, the Company plans to continue structural reforms toward returning to a growth trajectory from FY3/25 onward. Furthermore, the Company has defined its Purpose, which is to serve as the key to its medium- to long-term strategy. The Company plans to further promote its strategy for medium- to long-term growth in the course of achieving recovery in performance over the short term.

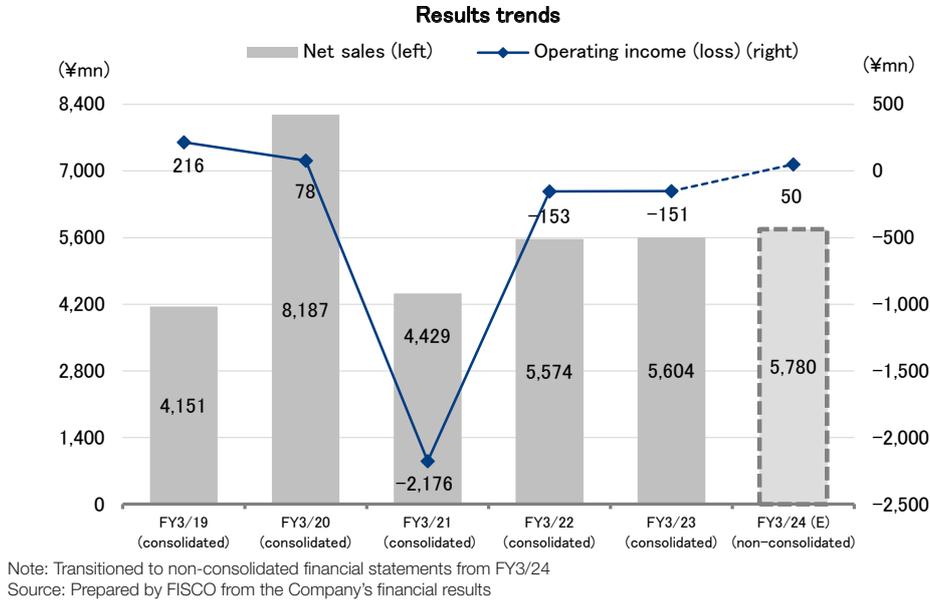
5. Possibility of heightened momentum in restoring profitability by shifting to bold management initiatives

Although the Company encountered a brief but substantial setback in earnings along with significant deterioration of its balance sheet due to the COVID-19 pandemic, it is poised to return to profitability in FY3/24 thanks in part to effects of reducing fixed costs as a result of having implemented management rationalization measures. We at FISCO deem that the Company has emerged from the worst phase as a result of it having prioritized management rationalization measures and achieved short-term recovery in performance. Whereas the prospect of increasing profitability to improve the balance sheet will pose challenges going forward, we are hopeful in regard to the possibility of the Company gaining momentum toward restoring profitability as a result of it shifting to bold management initiatives leveraging its distinctive features and strengths amid a scenario of the business environment tracking an upward trajectory.

Key Points

- Provides high-quality services in four strategic areas, focusing on the Matching Business and Casual Wedding Business
- In 1H FY3/24, reduced losses both YoY and relative to targets, EBITDA in the black
- FY3/24 forecasts remain unchanged and profit likely for the full year amid an upward trajectory in 2H
- Short-term recovery in performance achieved as a result of rebuilding the management foundation
- Possibility of heightened momentum in restoring profitability by shifting to bold management initiatives

Summary



Company outline

The corporate philosophy is “For your fine life.”

1. Company outline

The Company creates and provides high quality services required by its customers, including in peripheral areas, with a focus on matching and casual wedding services, and develops business, based on its corporate philosophy of “For your fine life.” and with its Purpose as “We value creativity, kindness and dedication to fulfill people’s heart, and to be a basis of forming a lively society.” The Company’s head office is in Shinagawa-ku, Tokyo. As of 1H FY3/24, total assets were ¥4,586mn, net assets were ¥16mn, equity ratio 0.4% and total number of issued shares (including 129 treasury shares) was 26,265,100.

2. History

The Company was established as the former Partner Agent Inc., a wholly owned subsidiary of Take and Give Needs Co., Ltd. <4331>. In September 2006, it launched the Matching Business (matching support agency). In May 2008, it became independent of Take and Give Needs and then the new Partner Agent Inc. (Dream Door Inc., which was established in June 2004, changed its company name in May 2008 and currently is the surviving company) acquired the business of the former Partner Agent Inc.

Company outline

In June 2013, the Company launched the OTOCON matching party service and then in June 2017, it launched CONNECT-ship, which is a platform for mutual introductions between members of matching businesses' services; in April 2019, casual wedding company Mation Inc. joined the Group (absorption merger with the Company in October 2020); in March 2020, photo wedding company M Creative Works Inc. (which became Tameny Art Works Inc. after changing its trade name, and was merged into the Company through an absorption merger in March 2023) joined the Group; and in April 2020, the wedding after-party venue introduction company pma Inc. (which became Tameny Party Agent Inc. after changing its trade name, and was merged into the Company through an absorption merger in March 2022) joined the Group. In such ways, the Company has expended its business areas.

The Company changed its name to Tameny, Inc. in October 2020. In December 2021, the Company concluded business and capital alliances with FOUR SIS & CO., IKK Holdings Inc. <2198>, and TMS Holdings, respectively. In March 2023, the Company strengthened its capital and business alliance by issuing new shares to TMS Holdings through a third-party allotment. In terms of its share listing, the Company was newly listed on the Tokyo Stock Exchange (TSE) Mothers market in October 2015. In April 2022, its listing transferred to the TSE Growth market following the TSE's reorganization of its market categories.

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Company outline

History

Date	Event
June 2004	The new Partner Agent Inc., was established (the company name of the former Dream Door Inc., was changed in May 2008, and it acquired the business and is currently the surviving company)
September 2006	The former Partner Agent Inc., was established (a wholly-owned subsidiary of Take and Give Needs Co., Ltd. <4331>)
December 2006	Opened the Shinjuku store as the first store
August 2007	Acquired information security management standard ISO (JIS Q) 27001 certification
May 2008	The new Partner Agent became independent of Take and Give Needs and acquired the business of the former Partner Agent
June 2008	Acquired the Privacy Mark
September 2010	Established the advertising agency PA Marketing Inc. (currently Tameny Agency Inc.) Established the wedding information service provider Anniversary Wedding Inc. (absorption merger with the Company in April 2013)
May 2011	Opened the first store in the Kansai area (Osaka store)
November 2011	Opened the first store in the Tokai area (Nagoya store)
April 2012	Opened the first store in the Kyushu area (Fukuoka store)
June 2013	Launched the OTOCON matching party service
October 2013	Opened the first store in the Hokkaido area (Sapporo store) Established a call center to increase member numbers and to improve customer satisfaction
October 2015	Newly listed on the TSE Mothers market
June 2017	Started providing CONNECT-ship, a platform for mutual introductions between members of matching businesses' services
September 2017	Acquired the Institute of Matchmaking Service's marriage referral service certification
April 2018	Established joint venture ichie Inc. to manage a matching party information website
July 2018	Established IROGAMI Inc., to provide wedding-peripheral services
April 2019	Casual wedding company Mation Inc. joined the Group en-konkatsu agent inc., became an equity-method affiliate
March 2020	Photo wedding company M Creative Works Inc., joined the Group
April 2020	IROGAMI, ichie, and M Creative Works were integrated and the company name was changed to M Creative Works Inc. pma Inc., which introduces venues for wedding after-parties, joined the Group
July 2020	Opened the first store in the Tohoku area (Sendai store)
October 2020	Conducted an absorption merger of Mation and changed the company name to Tameny Inc. Changed the company name of Sync Partners to Tameny Agency Inc. Changed the company name of M Creative Works to Tameny Art Works Inc. Changed the company name of pma to Tameny Party Agent Inc. Concluded business alliance with Broad-minded Co., Ltd.
November 2020	Tameny Art Works Inc. concluded a business alliance with ESCRIT INC. <2196>
January 2021	Launched the completely app-based Sma-Kon Enmusubi matching support agency
March 2021	Started providing Partner Agent ONLINE, a new service for DX matching
December 2021	Concluded capital and business alliances with FOUR SIS & CO., IKK Holdings Inc., and TMS Holdings
March 2022	Conducted an absorption merger of consolidated subsidiary Tameny Party Agent
April 2022	Established Matching Alliance Partners, a matching support agency association Changed to the TSE Growth market in conjunction with the reorganization of TSE's markets
July 2022	Launched CONNECT-ship Party matching party service using platform for connecting members of matching businesses' services
August 2022	Sma-Kon ranked number one in the overall rankings of "Inexpensive Weddings" in the 2022 Oricon Customer Satisfaction® Survey
September 2022	Introduced the matching party industry's first system based on an agency fee for successful formation of couples
March 2022	Conducted an absorption merger of consolidated subsidiary Tameny Party Agent and handed over corporate event production business to V-cube, Inc. <3681>
June 2023	Entered into alliance with Resally, Japan's first provider of the Resally partner introduction service for the LGBT community
July 2023	Began offering matching support plans for corporations
August 2023	CONNECT-ship platform for mutual introductions between members of matching businesses' services partnered with Zexy Consultation Counter of Recruit Co., Ltd.
September 2023	Selected as a contractor by Nippon Travel Agency Co., Ltd., which serves as the project promoter of the Tokyo Metropolitan Government's match making support project

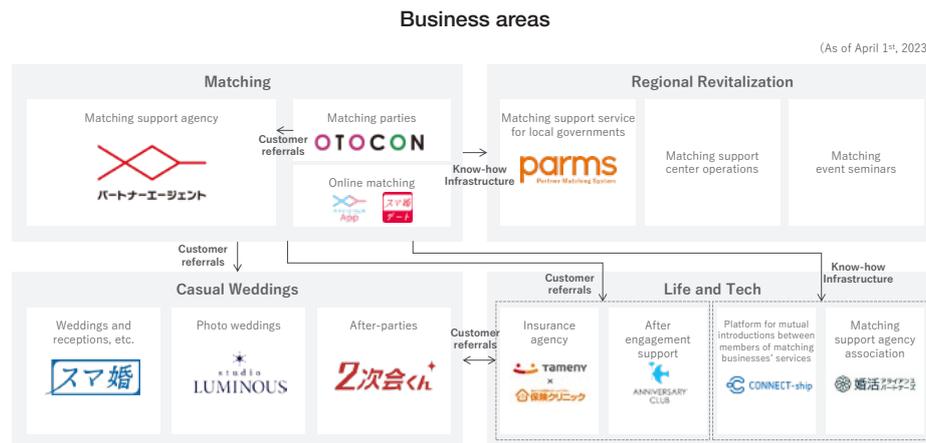
Source: Prepared by FISCO from Company materials

Business description

With the Matching Business and Casual Wedding Business as starting points, also developing services in peripheral areas

1. Summary of services

The Company's main businesses of origin are the Matching Business, which includes the matching support agency, online matching support, matching parties and online matching services, etc., and the Casual Wedding Business, which mainly includes the production of casual weddings and receptions, photo weddings and after-parties. Peripheral areas include the Life and Tech Business, which offers a platform for mutual introductions between members of matching businesses' services, a matching support agency association, after engagement support and insurance agency, and the Regional Revitalization Business, which includes matching support for local governments and commissioned operation of matching support centers. The Company's features and strengths are that it provides a comprehensive range of high-quality, high-value-added services in four business fields, and it has established a high level of reliability and brand recognition, including the highest engagement rate in the industry.



Source: Prepared by FISCO from the Company's business plan and materials relating to growth potential

A strength of the matching support agency is its high-quality services, and it boasts the top rank in the industry for the engagement rate

2. Matching Business

In the Matching Business, the main services are the Partner Agent matching support agency for members; Partner Agent ONLINE, an online matching support agency; the Partner Agent App, a completely app-based matching support agency (the service name changed in February 2022 from what was the online matching support agency Sma-Kon Enmusubi series launched in January 2021) and the OTOCON matching party service.

Business description

The matching support agency Partner Agent offers intermediary services to support matching up to engagement with its dedicated concierge services provided by highly skilled specialist counsellors and proprietary matching system mainly to members who want to find a marriage partner within a year. Members' average period of enrollment is approximately 18 months, and the average total cost per person (including registration fee, initial fee, monthly membership fee, optional fees, and matching fee) is around ¥370,000. With the dedicated concierge services system, PDCA-based support and a matching pool (number of members) exceeding 70,000, it ranks top in the industry for the engagement rate, according to a survey conducted in February 2023 by Digital Rights Consulting INC. (Engagement rate = number of annual membership withdrawals due to becoming engaged / the annual average number of enrolled members multiplied by 100. The Company's rate was about 27.0% in FY3/20, the average rate for the two major matchmaking agencies about 12.0%, and the average engagement rate for Japan in general is about 5.9%, according to the Company's calculation based on the Population Census). In January 2023, the Company changed eligibility requirements for membership to 20 years of age or older (previously, men had been 22 to 64 and women 20 to 54) to provide marriage opportunities to a wider range of customers.

In March 2021, the Company launched Partner Agent ONLINE as a DX matching support agency to realize a more efficient and reasonable matching service, while maintaining the same service quality of service as the one that ranks number one in the industry for the engagement rate. This service produced its first marriage just three months after it was launched.

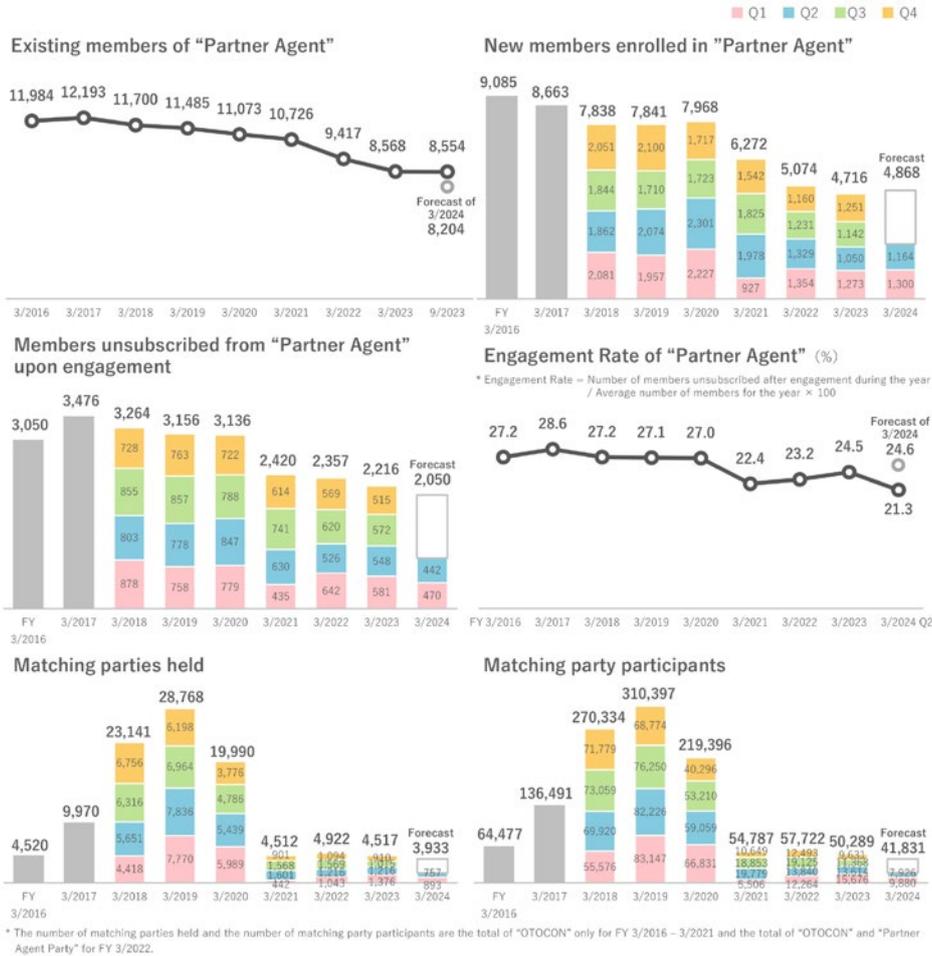
Partner Agent App, the completely app-based matching support agency, was developed against the backdrop of the increased need for online meeting places, based on expertise the Company had cultivated in managing the Sma-Kon Date matching support app. It also provides a light plan that is the least expensive in the industry (a monthly fee of ¥1,000, with standard plans starting from ¥9,800 a month).

The OTOCON matching party service serves as entry-level service to the Partner Agent matching support agency, providing matching parties for men and women who genuinely want to marry and who want to feel at ease attending with participation fees averaging about ¥2,000. The number of OTOCON parties held and the number of participants steadily increased until FY3/19, exceeding a cumulative total of more than 1.30mn people, but in FY3/20, the Company decided to strategically decrease the number of parties held in order to optimize management and to improve service quality. Following a revision to the Civil Code dated April 1, 2022, the legal age of adulthood in Japan was lowered to 18, and based on this, the age at which people can attend matching parties was lowered from the previous 22 years to 18 years. In the Partner Agent matching support agency, the ages of enrolling members have also been seen to be trending downward, so it is responding to the earlier start timings of matchings and to the increasing needs of the younger age group.

The conditions of the business KPI in the Matching Business are described below. The number of new members of the Partner Agent matching support agency had been on a downward trend as a result of the Company's restrained investment in advertising in light of the impact of COVID-19, but the number of new members bottomed out at 1,050 in 2Q FY3/23 (down 21% YoY), and trended to recovery with 1,142 in 3Q (down 7.2% YoY), 1,251 in 4Q (up 7.8% YoY), 1,300 in 1Q FY3/24 (up 2.1% YoY) and 1,164 in 2Q (up 10.9% YoY). There is expected to be a recovery in the number of new members, although there will be a time lag due to the withdrawal of members who have not achieved results after a long period of time, and the number of enrolled members is expected to begin to recover in FY3/25 after bottoming out in FY3/24. Even though it felt the impact of COVID-19, the engagement rate remains in the 20% range, which is a level higher than the industry average. The forecast is to continue for the time being holding about the same number of OTOCON matchmaking parties, which had been strategically reduced since FY3/20, even before COVID-19, to optimize operations and improve service quality.

Business description

The business KPI in the Matching Business



Source: Reprinted from the Company's FACTBOOK

As new option services for members, in June 2020, the Company launched Partner Agent Coordination (PAC) as a styling service for matching that draws out the appeal of members to the greatest possible extent through total coordination. In March 2021, in response to diversifying matching needs, the Company launched Video Profile, an option service to communicate members' profiles by video. In August 2021, in order to further improve the precision, the Company introduced "goo AI" provided by NTT Resonant Inc., and it started operating the new AI matching system under the name "sieger."

In September 2021, the matching support agency Partner Agent connected to SCRUM (approximately 43,000 members), which is the platform service provided by SCRUM Inc., to link the data of nationwide matching support agencies. SCRUM was jointly created in February 2021 by TMS, which manages the Total Marriage Support Association, and Nihon Nakodo Renmei, and it is a service that connects nationwide matching support agencies by linking their data. Through this connection, the total number of people who can be introduced to each other through Partner Agent (the number of active members), when combined with the number of registered members of CONNECT-ship (around 30,000 people), the platform for mutual introductions between members of matching businesses' services described below, was more than 70,000 people, largest number in the matching support agency industry. It also concluded business and capital alliances with TMS Holdings and IKK Holdings Inc. in December 2021, thereby building a strong cooperative relationship.

We encourage readers to review our complete legal statement on "Disclaimer" page.

Business description

In April 2022, the Company established Matching Alliance Partners, a matching support agency association. It enables not only mutual introductions of members of the multiple support agencies that are its alliance partners, including the Company's own Partner Agent matching support agency with approximately 8,500 members, but also enables connections to CONNECT-ship, the platform for mutual introductions between members of matching businesses' services. Acquiring as many matching support agencies as alliance partners as possible will lead to as many as possible opportunities for matches among their members and a rise in the engagement rate. It will produce many marriages and help to resolve the social problems of the decline in the lifetime unmarried rate and the declining population, thereby contributing to the sound development of the matching industry. In addition, in April 2022, it opened a marriage support center exclusively for those who come of age.

In July 2022, the Company also launched CONNECT-ship Party, matching parties utilizing the CONNECT-ship platform for mutual introductions between members of matching businesses' services. In September 2022, the OTOCON matching party service introduced the industry's first system for no-fee matching party participation based on an agency fee for successful formation of couples. In July 2023, the matching support agency Partner Agent began offering matching support plans for corporations, which was introduced by Khansei Corporation CO., LTD.

Ranked number one in the overall rankings of “Inexpensive Weddings” in the 2022 Oricon Customer Satisfaction® Survey

3. Casual Wedding Business

The main services in the Casual Wedding Business are Sma-Kon, a production service for casual weddings and receptions; LUMINOUS, a photo wedding production; and Nijikai-Kun, a wedding after-party production service.

In Sma-Kon, which is a production service for casual weddings and receptions, the Company responds to requests for a high-quality wedding ceremony within a certain budget to produce an inexpensive, beautiful, casual wedding that is tailored to requirements. The Company produces wedding receptions at the approximately 250 collaborating venues nationwide, and management on the day is carried out by professional staff at the venue. The Company is able to keep down prices, including by effectively utilizing empty slots within the schedules of the collaborating venues and ordering items in bulk or manufacturing them in-house. Therefore, compared to the cost of a typical wedding reception of around ¥3.271mn (according to the Zexy 2023 marriage trend survey), the average cost of a Sma-Kon reception is only approximately ¥2mn. In August 2022, Sma-Kon won first place in the 2022 Oricon Customer Satisfaction Survey “Inexpensive Wedding” overall ranking.

Moreover, the Company is advancing the planning, development, and provision of new plans and services in response to the increasing needs of brides and grooms, from the previous form of a wedding and reception with many guests to a small-scale wedding to convey feelings to the people who are truly important. In November 2021, it began accepting orders for the Sma-Kon Small Wedding Light Plan, which is a plan for a wedding with only a small number of people, and then in February 2022, it began accepting orders for Sma-Kon photos + weddings, a set plan of the Sma-Kon small wedding ceremony and family photos (photos in kimonos taken after the ceremony). In January 2023, the Company began offering Sma-flower & table coordinate, which fulfills the bride and groom's vision of beauty and hospitality. Going forward, the Company's policy is to expand its various plans and services to respond to diversifying needs.

Business description

The LUMINOUS photo wedding production involves holding photo shoots at six locations nationwide to commemorate the marriage. To meet the need of customers wanting photos showing ideal bridal images, the service utilizes sophisticated studio sets and authentic locations, such as highly elegant chapels and homes, and uses the most advanced retouching technologies to realize beautiful bridal images. The average produce and photography cost is approximately ¥300,000. Customers can experience a ceremony more “wedding-like” than a real wedding, but for less than approximately one tenth of the cost of a typical wedding reception. In addition, it appears that the average sales price is rising through the addition of high-value-added services, including a special plan for photos in kimonos prior to the actual ceremony.

Tameny Art Works Inc. (absorbed into the Company in March 2023), which operates the LUMINOUS photo wedding production, concluded a business alliance with bridal company ESCRIT INC. <2196>. With the addition of ESCRIT’s high-quality chapels and venues, the Company is now able to develop this business nationwide, as LUMINOUS photo wedding produced venues had previously been limited to metropolitan Tokyo. In December 2021, the Company entered into a capital and business alliance with FOUR SIS & CO., which is engaged in the planning, manufacture, and sale of wedding costumes (73 dress stores nationwide, including high-quality wedding dresses from the UK). In December 2022, the Company began offering “the Anniversary Photo Plan” and “the Once More Photo Plan,” providing a way to continually memorialize in photos the evolution of a family over time. It intends to attract groups of customers who wish to keep a commemorative photo for each stage of their lives and those who would like to enjoy a second photo shoot wearing a dress again.

The Company will strengthen measures to raise the operation rate and increase prices for the LUMINOUS photo wedding production due to the impact of intensified competition, a recovery in the wedding and reception style and other factors. For the time being, the Company plans to hold off on opening new bases by itself, and will instead provide expertise, consulting and joint operations to hotels, wedding halls and other businesses that wish to bolster their wedding photo services. In June 2023, the studio LUMINOUS photo wedding brand entered into an alliance with Resally, which operates Resally, Japan’s first* partner introduction service for the LGBT community. In July 2023, the LUMINOUS Odaiba photo wedding studio was reopened following renovation with the addition of three new studio sets that enable photography of subjects in traditional Japanese attire. As a result, the number of inquiries increased by 20.2% relative to the number prior to the studio’s renovation.

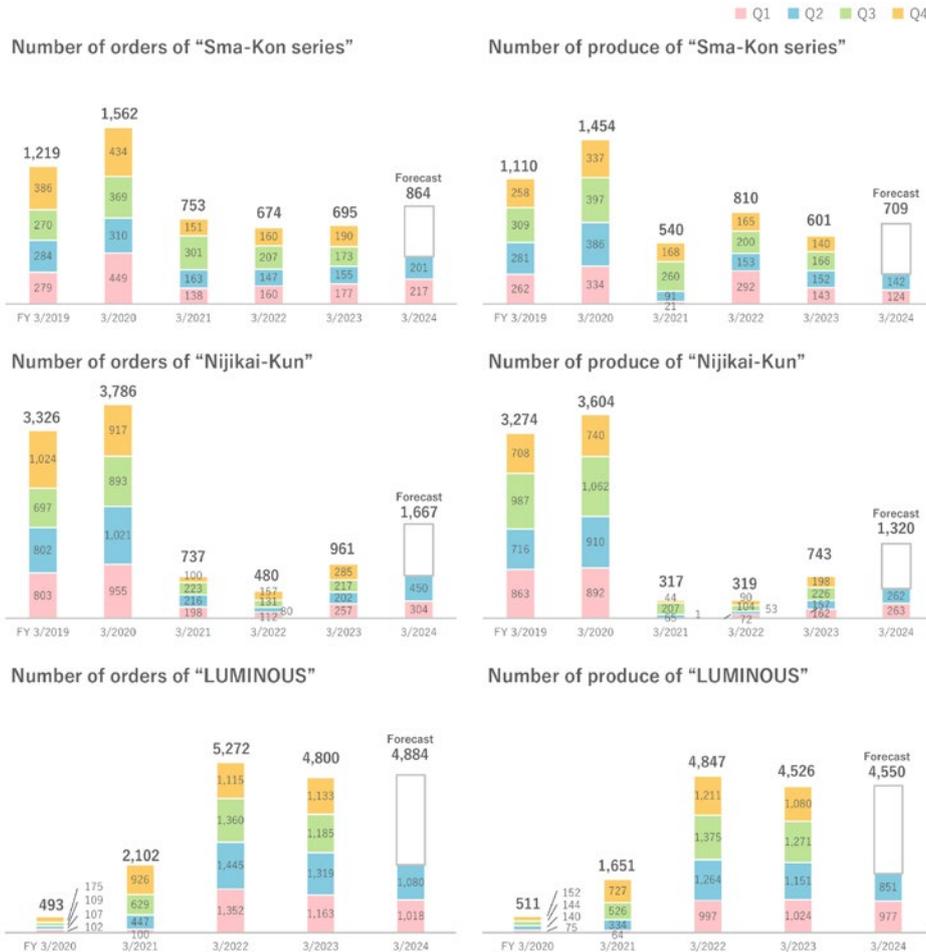
| According to Resally data |

Nijikai-Kun is an agency service to produce wedding after-parties. The party is produced by professional planners and the planner introduce venues that meet the customers’ needs from over 480 partner venues nationwide, such as restaurants. On the day itself, professional managers and staff are dispatched to the venue (the food and drink are outsourced to the venue). The average cost is approximately ¥400,000.

The conditions of the business KPI in the Casual Wedding Business are as follows. For the Sma-Kon series for casual weddings and receptions, the impact of COVID-19 caused the numbers of contracts concluded and weddings held to slump significantly, but as the influence of the pandemic abated in FY3/23, the service made a turnaround, increasing the number of contracts concluded by 21 YoY to reach 695. Nijikai-Kun after-parties production similarly felt the impact of the COVID-19 pandemic, but the number of contracts concluded in FY3/23 increased by 481 YoY to 961, tending to recover faster than Sma-Kon. Growth was sluggish for the LUMINOUS photo wedding production due to fiercer competition and a return to wedding receptions.

Business description

Business KPI Casual Wedding Business



Source: Reprinted from the Company's FACTBOOK

Life and Tech Business includes mutual introductions between members of matching businesses' services

4. Life and Tech Business

The main services of the Life and Tech Business include the CONNECT-ship platform for mutual introductions between members of matching businesses' services, the Matching Alliance Partners matchmaking support agency association, the Anniversary Club after engagement support service, and real estate information services and financial planning services such as those offered by the Tameny x Hoken Clinic insurance agency. In October 2020, in order to create new services, the Company concluded a business alliance with Broad-minded Co., Ltd., which provides financial partner services. In August 2023, the CONNECT-ship platform for mutual introductions between members of matching businesses' services partnered with Zexy Consultation Counter of Recruit Co., Ltd.

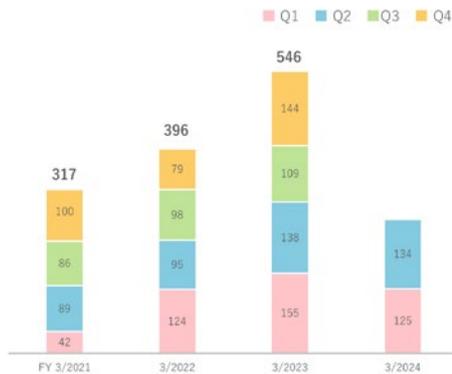
Business description

CONNECT-ship was launched as an industry-first service in June 2017, with the aim of being an open platform that would create the most matches in Japan; it is the industry’s first platform for mutual introductions between members of matching businesses’ services. Its goals are to increase opportunities for members to meet and to maximize engagements through mutual introductions between members of matching businesses’ services. As of the end of FY3/24 1H, the platform was being used by 12 companies, including the Partner Agent matching support agency, and by 30,467 people (the total number of members of the businesses using the platform is more than 95,000 people). In FY3/23, the total number of matches arranged grew to 286,593 and the cumulative total in 1H FY3/24 was 129,158. With regards to the monetization of CONNECT-ship, it previously obtained fees for arranging a match, but since FY3/22, it has lowered the fee for matches arranged and instead changed to a new monthly usage fee.

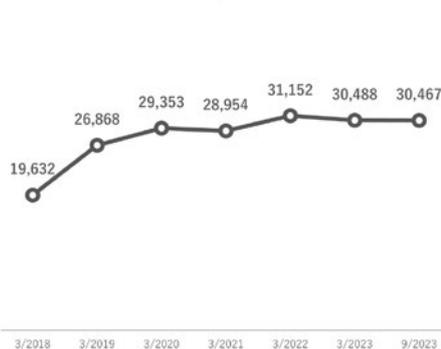
The number of new insurance contracts issued by the insurance agency Tameny x Hoken Clinic increased from 317 in FY3/21 and 396 in FY3/22 to 546 in FY3/23. Going forward, the policy is to pursue synergies by utilizing the contact point of brides and grooms, namely the approximately 7,400 couples matched annually in the Matching Business and the Casual Wedding Business (in FY3/23, approximately 1,600 couples became engaged in the Matching Business and weddings were produced for around 5,800 couples in the Casual Wedding Business).

Business KPI Life and Tech Business

Number of new insurance policies in “Hoken Clinic”



Users of “CONNECT-ship”



Initial meetings via “CONNECT-ship”



Source: Reprinted from the Company’s FACTBOOK

Commissioned to Undertake the Assistance for Match Making Support Project of the Tokyo Metropolitan Government

5. Regional Revitalization Business

In the Regional Revitalization Business, the Company provides the parms matching support service for local governments and operates marriage activity support centers for local governments on consignment, etc. In March 2023, the Company handed over (business transfer) its Evemon (Event Monster) corporate event production business to V-cube, Inc. <3681>.

In the parms matching support service for local governments, the Company customizes the matching support system developed in-house to support the matching conducted by local governments. As of the end of FY3/24 1H, the service has been introduced in 12 prefectural governments (in order of contracts concluded, Fukushima Prefecture, Kyoto Prefecture, Saitama Prefecture, Akita Prefecture, Fukui Prefecture, Ibaraki Prefecture, Miyagi Prefecture, Aomori Prefecture, Shiga Prefecture, Oita Prefecture, Hyogo Prefecture and Tokyo). Of the prefectures (34 as of October 2023) with a matching system in place, the Company's system has been adopted by 35.3% of them. In addition, the matching support centers operate in five prefectures (in order of contracts concluded, Miyagi Prefecture, Kyoto Prefecture, Shiga Prefecture, Hokkaido, Tokyo). In September 2023, the Company was selected as a contractor based on its proposal in response to an open call for submissions by Nippon Travel Agency Co., Ltd., which serves as the project promoter of the Assistance for Match Making Support Project. This is seemingly attributable to the Company's substantial expertise and reliability when it comes to its matching support system.

In addition, the Company is seeing an increase in requests from local governments to plan and hold events and seminars. In 1H FY3/24, the Company gained 57 new event and seminar contracts and held 24 events and seminars. Most recently, in September 2023, the Company was commissioned by Akita Prefecture to undertake the Matrimonial Supporter Skill Enhancement and Matchmaking Skill Improvement Project. In October 2023, the Company was commissioned by Izumisano-shi, Osaka Prefecture to undertake the Project for Creating Opportunities to Meet Others.

Has established high levels of reliability and brand recognition

6. Features and strengths

With the matching support agency as the starting point, the Company is developing a comprehensive range of high-quality, high-value-added services, from the Matching Business through to the Casual Wedding Business and the area of services to support new lifestyles following engagement in the Life and Tech Business, and its features and strengths include its high levels of reliability and brand recognition.

The Partner Agent matching support agency realizes the highest engagement rate in the industry through dedicated concierge services provided by highly skilled specialist counsellors and a matching system that the Company itself developed, and it has established a brand as a high added-value matching support service. In the Casual Wedding Business, based on its abundant track record and expertise in producing weddings, it is developing new photo wedding and after-party production services. Furthermore, it is aiming to maximize marriages through the CONNECT-ship platform for mutual introductions between members of matching businesses' services, and Matching Alliance Partners, a newly established matching agency alliance.

Business description

Particularly in the Matching Business, customers prioritize social reliability and name recognition with regards to safety and soundness. For these aspects, the Company has been a pioneer in its industry, acquiring the information security management standard ISO (JIS Q) 27001 certification, the Privacy Mark, and the Institution for Matchmaking Service's marriage referral service certification. The Company was listed in 2015. It is establishing a position as a safe and secure matching support company that people in society need. Going forward also, utilizing its strengths of being highly reliable and having high brand recognition, it intends to build a structure to provide multi-directional services that meet all customer's needs and to develop its businesses.

7. Risk factors, earnings characteristics, and issues and measures in response to them

The general risk factors in the matching and wedding industries include market trends, legal regulations, information management including of personal information, responding to complaints. Earnings characteristics include seasonal-variation factors.

In terms of market trends, the Company has been encountering growing needs among couples who want to have a casual wedding with only a few guests or a photo wedding, which aligns with the Company's strengths, rather than conventional, expensive wedding ceremonies and receptions with many guests in attendance. Further, when considering factors such as that it has been a pioneer in the industry for acquiring international standard certification, including the information security management standard ISO (JIS Q) 27001, that it has achieved the top rank in the industry for the engagement rate by providing high quality and high added-value services, and that it is securing high levels of reliability and brand recognition, the we at FISCO believe the Company seems likely to demonstrate its superiority even within the market competition.

In terms of seasonal factors in earnings, the tendency is for wedding receptions to be held concentrated in the spring (March to May) and the fall (September to November), so the Company's results in the Casual Wedding Business tend to be affected by this seasonal factor. For this reason, it is strengthening measures to promote receptions during the quiet season. Also, because many weddings and receptions involve long periods of time—in general, averaging seven months from engagement to wedding—this creates a time lag between the engagement and when actual sales are recorded.

As the business environment has deteriorated due to the impact of COVID-19, in FY3/21 and FY3/22, the Company conducted various measures, including integrating and closing bases, optimizing allocations of personnel, and strategically keeping down advertising and sales-promotion costs. The impact of COVID-19 has gradually lessened and results are recovering, so its policy is to resume investment towards growth.

Business trends

In 1H FY3/24, reduced losses both YoY and relative to targets, EBITDA in the black

1. Summary of 1H FY3/24 results

The Company transitioned to non-consolidated financial statements effective from FY3/24, due to the absorption merger of Tameny Art Works Inc. and as a result of having made Tameny Agency Inc. a non-consolidated subsidiary on March 31, 2023. In 1H FY3/24 results, the Company recorded net sales of ¥2,583mn, operating loss of ¥119mn, ordinary loss of ¥149mn, and net loss of ¥129mn. As for a comparative assessment of consolidated results in the same period of the previous fiscal year, net sales decreased by ¥109mn but operating loss narrowed by ¥32mn, ordinary loss narrowed by ¥27mn, and net loss narrowed by ¥63mn. On the revenue side, whereas net sales were lower particularly due to effects of corporate business divestiture, on the profit side the Company narrowed its losses in part as a result of it having slashed SG&A expenses. Gross profit decreased by ¥95mn, but SG&A expenses declined by ¥127mn. As for the breakdown of SG&A expenses, whereas personnel expenses increased by ¥17mn, advertising and sales promotion costs decreased by ¥69mn, depreciation and amortization decreased by ¥34mn, rent expenses on land and buildings decreased by ¥9mn, and other expenses decreased by ¥31mn. EBITDA decreased by ¥2mn to ¥70mn, but remained in the black. Under extraordinary income, subsidy income of ¥134mn recorded in the same period of the previous fiscal year has been fully accounted for. Under extraordinary losses, loss on temporary business closure of ¥152mn recorded in the same period of the previous fiscal year has also been fully accounted for. As for a comparative assessment of forecasts, net sales were ¥109mn lower than the forecast but operating loss was ¥20mn less, ordinary loss was ¥20mn less, and net loss was ¥13mn less. Meanwhile, the Company narrowed its losses across each of the profit categories both relative to the same period of the previous fiscal year and relative to forecasts.

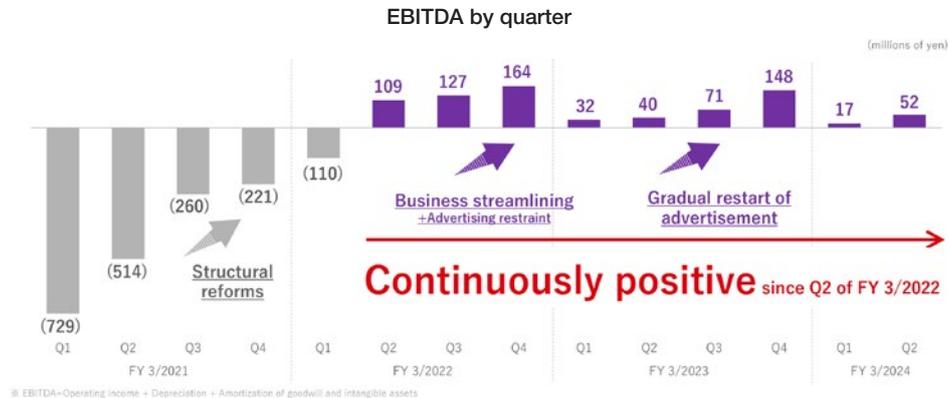
Summary of 1H FY3/24 results

	1H FY3/23 (consolidated)	1H FY3/24 (non-consolidated)	YoY change	Initial target	Vs. target
	(¥mn)				
Net sales	2,692	2,583	-109	2,693	-109
Gross profit	1,963	1,867	-95	-	-
SG&A expenses	2,115	1,987	-127	-	-
Operating income (loss)	-152	-119	32	-140	20
EBITDA	73	70	-2	-	-
Ordinary income (loss)	-177	-149	27	-169	20
Net income (attributable to owners of parent)	-193	-129	63	-142	13

Note: Transitioned to non-consolidated financial statements from FY3/24

Source: Prepared by FISCO from the Company's financial results and results supplemental materials

Business trends



2. Trends by business

Looking at the results by business, the Matching Business had net sales of ¥1,089mn and operating income of ¥284mn. The Casual Wedding Business had net sales of ¥1,310mn and operating loss of ¥158mn. The Life and Tech Business had net sales of ¥122mn and operating income of ¥25mn. The Regional Revitalization Business had net sales of ¥75mn and operating income of ¥8mn. From FY3/24, the Company has reorganized its reporting segments into four segment classifications in part due to divestment of the corporate business. The former Tech Business and Lifestyle Business were merged into the Life and Tech Business, and the Corporates and Local Governments Business was renamed to the Regional Revitalization Business.

Summary of 1H FY3/24 results by reporting segment

(¥mn)

	1H FY3/23 (consolidated)	1H FY3/24 (non-consolidated)	Change
Net sales			
Matching Business	1,168	1,089	-79
Casual Wedding Business	1,276	1,310	34
Life and Tech Business	117	122	5
Regional Revitalization Business	140	75	-65
Operating income (loss)			
Matching Business	295	284	-11
Casual Wedding Business	-133	-158	-25
Life and Tech Business	44	25	-19
Regional Revitalization Business	-14	8	22

Note: Effective from FY3/24, the Tech Business and Lifestyle Business have been merged into the Life and Tech Business, and the Corporates and Local Governments Business has been renamed to the Regional Revitalization Business.

Source: Prepared by FISCO from the Company's results supplemental materials

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 6181 Tokyo Stock Exchange Growth Market | <https://tameny.jp/ir/>

Business trends

The main indicators in each business

	1H FY3/23	1H FY3/24	Change
Matching Business			
Partner Agent matching support agency			
Number of new members	2,323	2,464	141
Number of members at end of period	8,962	8,554	-408
Number of withdrawals due to becoming engaged	1,129	912	-217
Engagement rate	24.4%	21.3%	-3.1%
OTOCON matching party service			
Number of parties held	2,592	1,650	-942
Number of participants	29,290	17,806	-11,484
Casual Wedding Business			
Total number of contracts concluded			
Sma-Kon series	327	320	-7
(Of which, wedding ceremonies and receptions)	153	184	31
LUMINOUS	2,482	2,098	-384
Nijikai-Kun	459	754	295
Number of events held			
Sma-Kon series	295	266	-29
(Of which, wedding ceremonies and receptions)	105	123	18
LUMINOUS	2,175	1,828	-347
Nijikai-Kun	319	525	206
Life and Tech Business			
Life sector			
Number of new insurance contracts	293	259	-34
Tech sector			
Number of CONNECT-ship members at end of period	31,217	30,467	-750
Number of CONNECT-ship matchmakings arranged	149,881	129,158	-20,723
Number of companies using CONNECT-ship	13	12	-1

Source: Prepared by FISCO from the Company's financial results

In the Matching Business, net sales decreased by ¥79mn YoY and operating income decreased by ¥11mn due to the decline in net sales and an increase in personnel expenses. The Partner Agent matching support agency gained 2,464 new members, which is 141 more new members gained than in the same period of the previous fiscal year. It had 8,554 members at the end of the period for a decrease of 408 members. Whereas the number of new members increased, in addition to withdrawals due to becoming engaged, the number of members at end of the period decreased as a result of membership withdrawals by those who had not achieved successful outcomes despite long periods of enrollment. However, current membership enrollment largely seems to be on the low side given the upturn in the number of new members. Both the number of new members and the number of enrolled members exceeded the Company's targets. As for matching parties, although the number of parties held and the number of participants decreased as a result of the agency having strategically reduced the number of parties held in order to optimize management and improve service quality, customer referrals to matching support agencies remained stable.

Business trends

In the Casual Wedding Business, whereas net sales rose by ¥34mn YoY, operating loss increased by ¥25mn in part due to higher advertising and sales promotion costs and personnel expenses. With the impact of the COVID-19 pandemic having subsided, wedding ceremonies and receptions held with respect to the Sma-Kon series of production services for casual weddings and receptions increased by 18 YoY to 123 such events and events held with respect to the Nijikai-Kun wedding after-party production service increased by 206 to 525 such events. However, events held with respect to the LUMINOUS photo wedding production decreased by 347 to 1,828 such events amid intensifying competition and a resurgence of wedding ceremonies and receptions. With respect to the Sma-Kon series of production services for casual weddings and receptions and the Nijikai-Kun wedding after-party production service, the number of contracts concluded is on a trajectory toward recovery and the number of events held is expected to increase significantly in 2H.

The Life and Tech Business achieved strong results in terms of net sales, which increased by ¥5mn YoY, but operating income decreased by ¥19mn as a result of the Company having made upfront investment toward enhancing the structure of the CONNECT-ship platform for mutual introductions between members of matching businesses' services. In the Regional Revitalization Business, net sales decreased by ¥65mn YoY and operating income increased by ¥22mn. Net sales decreased due to divestment of the corporate business, but operating income increased amid favorable results of matching support service for local governments.

3. Financial position

At the end of 2Q FY3/24, total assets were ¥4,586mn, total liabilities were ¥4,570mn, total net assets were ¥16mn, and the equity ratio was 0.4%. The balance of interest-bearing liabilities (total short- and long-term borrowings) was ¥3,922mn. Because the Company recorded a net loss in 2Q FY3/24, total net assets decreased to ¥16mn and the equity ratio fell to 0.4%. However, the Company anticipates a net profit in 2H, amid a scenario where it achieves a significant increase in the number of events held with respect to both the Sma-Kon series of production services for casual weddings and receptions and the Nijikai-Kun wedding after-party production service. Although the prospect of restoring stability of the financial base remains an issue, we at FISCO believe that financial risk incurred by the Company will decrease amid a high likelihood that its results have reached their lowest point as of the end of 2Q FY3/24.

Business trends

Balance sheet and statement of cash flows (summarize version)

	(¥mn)				
	FY3/20 (consolidated)	FY3/21 (consolidated)	FY3/22 (consolidated)	FY3/23 (consolidated)	FY3/24 end-2Q (non-consolidated)
Total assets	5,478	5,067	5,332	5,016	4,586
(Current assets)	1,999	1,479	2,065	2,311	2,081
(Non-current assets)	3,477	3,587	3,266	2,705	2,505
Total liabilities	4,452	5,467	5,095	4,865	4,570
(Current liabilities)	1,873	2,464	2,045	2,255	2,227
(Non-current liabilities)	2,579	3,002	3,049	2,610	2,343
Total net assets	1,025	-399	237	150	16
(Shareholders' equity)	1,027	-400	237	150	16
(Share capital)	263	684	44	44	44
Equity ratio	18.7%	-7.9%	4.5%	3.0%	0.4%

	FY3/20 (consolidated)	FY3/21 (consolidated)	FY3/22 (consolidated)	FY3/23 (consolidated)	FY3/24 end-2Q (non-consolidated)
Cash flows from operating activities	232	-1,514	-22	69	159
Cash flows from investing activities	-1,861	-447	-134	71	-101
Cash flows from financing activities	1,462	1,483	841	-67	-143
Balance of cash and cash equivalents at the end of the quarter	1,040	562	1,246	1,319	1,232

Note: Transitioned to non-consolidated financial statements from FY3/24
 Source: Prepared by FISCO from the Company's financial results

Outlook

FY3/24 forecasts remain unchanged and profit likely for the full year amid an upward trajectory in 2H

● Summary of the FY3/24 full-year non-consolidated results forecasts

The FY3/24 results forecasts remain unchanged from the initial targets projecting net sales of ¥5,780mn, operating income of ¥50mn, ordinary income of ¥0mn, and net income of ¥20mn. In comparison with FY3/23 consolidated results, forecasts project net sales up ¥175mn, operating income up ¥201mn, ordinary income up ¥230mn, and net income up ¥257mn. On the revenue side, the Company anticipates higher sales of the Casual Wedding Business in 2H. On the profit side, it projects further reduction in SG&A expenses in 2H. When it comes to SG&A expenses, effects of reducing rent expenses on land and buildings as a result of integrating and closing bases in particular will become more prominent starting from 2H.

Outlook

In the Matching Business, the Company expects to mount a stable recovery in the number of new members beginning in 2H amid efforts to promote initiatives to increase awareness among the younger age group in part by fully supporting projects of multiple YouTube social media influencers. The Company is poised to begin mounting a full-scale recovery in its number of enrolled members in FY3/25 amid a rebound in its number of enrolled members. In the Casual Wedding Business, the number of events held with respect to the Sma-Kon series of production services for casual weddings and receptions and the Nijikai-Kun wedding after-party production service is expected to increase significantly in 2H. The LUMINOUS photo wedding production has been encountering sluggish growth amid intensifying competition and a resurgence of wedding ceremonies and receptions, and the Company plans to strengthen measures to increase operation rate and prices. In the Regional Revitalization Business, the Company anticipates that a majority of its earnings associated with its matching support system will be recorded in 4Q.

Earnings are on an upward trajectory. At FISCO, we deem there to be further upside potential amid a scenario where it is conceivable that the Company will achieve its forecasts given various factors that include: the Company's targets were skewed toward 2H as of the outset of the fiscal year; the Company exceeded its target in terms of narrowing its losses in 1H; the number of events handled by the Casual Wedding Business is expected to increase in 2H, and; proceeds from handling such events have been increasing.

Summary of the FY3/24 full-year consolidated results forecasts

	FY3/23 (consolidated)		FY3/24 forecast		
	Results	Non-consolidated Full year	Vs. previous year consolidated results		
			Change	1H results	Initial 2H targets
Net sales	5,604	5,780	175	2,583	3,087
Operating income (loss)	-151	50	201	-119	190
Ordinary income (loss)	-230	0	230	-149	170
Net income (attributable to owners of parent)	-237	20	257	-129	162

Note: Loss on debt forgiveness of ¥650mn was recorded for FY3/23 in the non-consolidated financial statements for Tameny Art Works Inc.
 Source: Prepared by FISCO from the Company's financial results and its results briefing materials

Outlook

FY3/24 forecasts by segment

(billions of yen)

Former segments		FY 3/2023 Result		New segments	FY 3/2024 Forecast
Matching Business	Net sales	2.27		Matching Business	2.22
	Operating income	0.58			0.54
Casual Wedding Business	Net sales	2.69		Casual Wedding Business	3.21
	Operating income	(0.22)			0.00
Tech Business	Net sales	0.16	Integration	Life and Tech Business	0.25
	Operating income	0.06			0.03
Lifestyle Business	Net sales	0.07		Regional Revitalization Business	0.15
	Operating income	0.02	Demerger of the corporates business		0.02
Corporates and Local Governments Business	Net sales	0.42			
	Operating income	0.07			

* In Life and Tech Business and Matching Business, intersegment transactions (brokerage commissions for customer referral arrangements from Matching Business to Life and Tech Business) occurs from FY 3/2024

Source: Reprinted from the Company's results briefing materials

FY3/24 business KPI targets

	FY3/23 results	FY3/24 targets	Difference
Matching Business			
Number of new members	4,716	4,868	152
Number of members at end of period	8,568	8,204	-364
Number of withdrawals due to becoming engaged	2,216	2,050	-166
Engagement rate	24.5%	24.6%	0.1%
Casual Wedding Business			
Total number of contracts concluded			
Sma-Kon series	695	864	169
LUMINOUS	4,800	4,884	84
Nijikai-Kun	961	1,667	706
Total number of events held			
Sma-Kon series	601	709	108
LUMINOUS	4,526	4,550	24
Nijikai-Kun	743	1,320	577

Source: Prepared by FISCO from the Company's FACTBOOK

■ Growth strategy

Short-term recovery in performance achieved as a result of rebuilding the management foundation

As part of its basic strategy for growth, the Company aims to shift to a flexible business structure capable of responding rapidly to trends and societal changes, and to build a corporate structure that maintain its footing in the face of COVID-19. Until FY3/22, the Company prioritized management rationalization measures, including curbing advertising investment and reducing fixed costs, as a means of achieving a short-term recovery in performance to eliminate excess debt. The Company has advanced efforts from FY3/23 onward to rebuild its management base with an eye to medium- to long-term growth, including by establishing a high earnings structure, enhancing its product competitiveness and strengthening its financial base. Furthermore, in FY3/24 the Company plans to continue structural reforms to return to a growth path from FY3/25. In terms of its management structure, the Company implemented a change in representative directors as of October 1, 2022, upon it having reached a certain level of recovery in short-term performance. Furthermore, the Company has defined its Purpose as “We value creativity, kindness and dedication to fulfill people’s heart, and to be a basis of forming a lively society,” which is to serve as the key to its medium- to long-term strategy. The Company plans to further promote its strategy for medium- to long-term growth in the course of achieving recovery in performance over the short term.

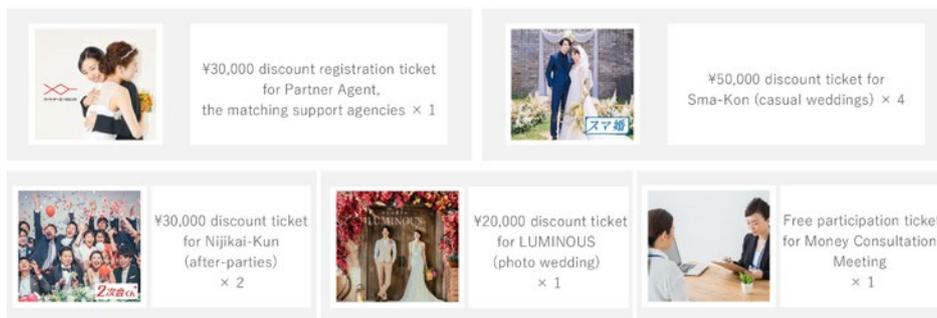
Although the Company encountered a brief but substantial setback in earnings along with significant deterioration of its balance sheet due to the COVID-19 pandemic, it is poised to return to profitability in FY3/24 thanks in part to effects of reducing fixed costs as a result of having implemented management rationalization measures. We at FISCO deem that the Company has emerged from the worst phase as a result of it having prioritized management rationalization measures and achieved short-term recovery in performance. Whereas the prospect of increasing profitability to improve the balance sheet will pose challenges going forward, we are hopeful in regard to the possibility of the Company gaining momentum toward restoring profitability as a result of it shifting to bold management initiatives leveraging its distinctive features and strengths amid a scenario of the business environment tracking an upward trajectory.

Shareholder return policy

In the shareholder benefits program, gives gifts coupons

Regarding a shareholder return policy, as the Company is still at the point of investing for the future, it does not currently pay a dividend. However, it does offer a shareholder benefits program for shareholders holding at least one unit (100 shares) as of September 30 of each year. Depending on the number of shares held, shareholders receive gift coupons that can be used for various services offered by the Company.

Shareholder benefits program



Source: Reprinted from the Company's FACTBOOK

Initiatives for ESG

Contributing to realizing a sustainable society through business activities

In order to contribute to realizing a sustainable society through all of its business activities, the Company's initiatives for the Environment, Society, and Governance (ESG) and include appointing women to managerial positions as part of human resources development (one outside director); conducting 360 degree evaluations for management positions; introducing a flex-time system; building trust through acquiring various types of certifications, including the ISO (JIS Q) 27001 information security management standard and the Privacy Mark; strengthening the corporate governance structure; in regional revitalization, providing the parms matching support service to local governments and collaborating with local governments (holding seminars and events); for health and welfare, supporting employees' childcare and nursing care and employing the elderly and people with disabilities; and for the environment and nature, both reducing its environmental burden and maintaining the efficiency of business activities by shifting to paperless operations, etc. The Company's entire business can probably also be said to contribute to society as a whole through measures to address the declining birthrate and regional revitalization.



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