

Impact HD Inc.

Tokyo Stock Exchange Growth code:6067

2022/9/30

2.4x upside potential based on GCC Management™ analysis

Emergency hearings were held with management. Factors behind the plunge after the second quarter results are only temporary. Zerorisk in Indian convenience store business.

Update to the June 2, 2022 GCC Management™ Analysis Report

This report is a partial update of the previous report issued on June 2, 2022

https://j-phoenix.com/wp-content/uploads/2022/06/6067_ImpactHD_AnalystReport_JPR_20220602.pdf

Strength in "Store DB," sales promotion proposals based on store site data & AI

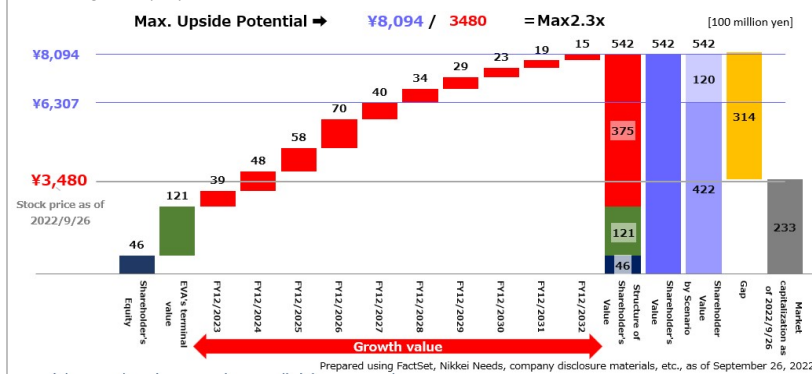
After working for a bank and 7-Eleven, President Fukui founded the company's predecessor, Media Flag Corporation, in 2004. The company achieved high growth in the undercover survey business, which involves observing store sites, and the rounder business, which supports manufacturers in planning sales promotions to boost sales, and was listed on Mothers in 2012; in 2019, the company entered the Indian convenience store business, but the investment was impaired due to difficulties in commercializing the business, and the stock price slumped significantly. Then also in 2019, the company started to develop its business around its "store DB," which proposes sales promotion plans based on AI analysis of store field data accumulated since its inception to combine with POS data to build highly accurate hypotheses of sales promotion plans.

This Update: Q&A answers to factors that investors are concerned about

In this follow-up report, in addition to an explanation of the Indian business, which has been a factor in pushing down the share price, we asked Impact HD's management about factors that investors may be concerned about based on the most recent Q2 disclosure and added the results of that questioning. In addition, we added news related to SDGs promotion as one of the initiatives of the store DB, which is the core of Impact HD's growth. The Investment Summary has been completely reorganized for clarity.

Maximum upside potential of 2.4x due to realization of growth scenario

Many IT companies that utilize databases, contribute to SDGs, etc., and achieve high growth and high return on invested capital may have share price formation that incorporates the cash flow to be generated in 10 years. We estimated shareholder value from this perspective to be 2.4 times the current market capitalization of the company, which is estimated to be in excess of 50 billion yen. There is a good chance that the company will realize a significant share price upside over the next year as it is recognized as a high-growth, high-earning, SDGs-contributing IT company.



Basic report

Written and Edited by
J-Phoenix Research Inc.
Osamu Miyashita, Yosuke Kashiwao
<https://www.j-phoenix.com/>

Corporate Profile

Headquarters	2-12-19 Shibuya, Shibuya-ku, Tokyo
President & CEO	Yasuo Fukui
Established	2004/2/19
Capital	1818 million yen
Listed	2012/9/28
URL	https://impact-h.co.jp
Industry	Service industry

Key Indicators (as of Sep. 26, 2022)

Stock price	3480 yen
Highest in 52 weeks	4,705 yen
Lowest in 52 weeks	2,287 yen
Outstanding Shares	6,703,994 stocks
Trading Units	100 stocks
Market Capitalization	23330 million yen
Prospective Dividend	20 yen
Estimated EPS	210.96 yen
Estimated PER	16.5 times
Actual BPS (Dec 2021)	698.55 yen
Actual PBR	4.98 times

Performance Trends	Sales	YoY	Operating Income	YoY	Ordinary Income	YoY	Net income	YoY	EPS	Stock price (JPY)	
	JPY 1 mil.	%	JPY 1 mil.	%	JPY 1 mil.	%	JPY 1 mil.	%	JPY	High price	Low price
FY12/2018 result	6,277	3.8%	406	46.6%	405	59.2%	330	△32.2	66.85	2,250	665
FY12/2019 result	7,909	26.0%	514	26.6%	△306	-	△1,581	-	△288.62	6,220	1,242
FY12/2020 result	11,074	40.0%	1,029	100.2%	28	-	△187	-	△30.08	4,035	928
FY12/2021 result	13,333	20.3%	1,678	62.9%	1,648	58.9%	1,208	-	184.91	4,705	1,961
FY12/2022 2Q result	6,963	16.5%	865	26.8%	859	27.8%	573	29.9%	86.88	3,770	2,287
FY12/2022 plan	16,000	20.0%	2,200	31.1%	2,000	21.3%	1,400	0.158	210.96	-	-

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1. Investment Summary

Shareholder value analysis

**Maximum Upside
2.4x in Market
Capitalization
Estimated**

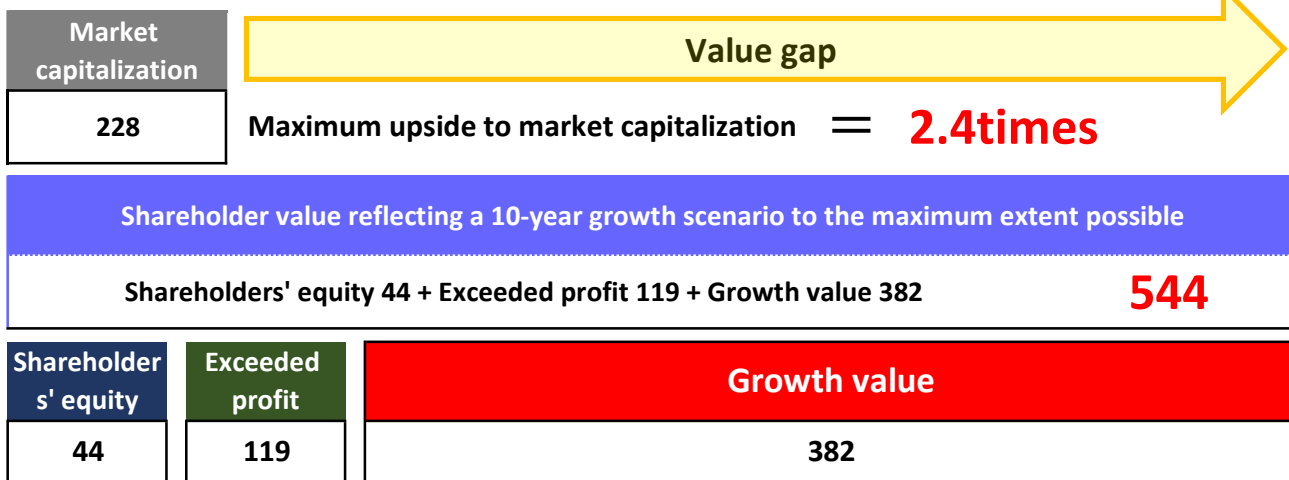
Estimate using the excess profit method

Maximum upside 2.4x depending on the realization of growth scenario

Shareholder value was estimated using the "Excess Profit Method" (see "2. Reference Materials") based on the GCC Management™ framework. The following chart visualizes the results of the estimation. The assumptions are explained on the next page and in more detail on page 6, but in many cases, companies that have achieved high growth through the use of marketing-related databases have factored in growth over the next 10 years. However, in the case of our company, the growth value has hardly been factored in.

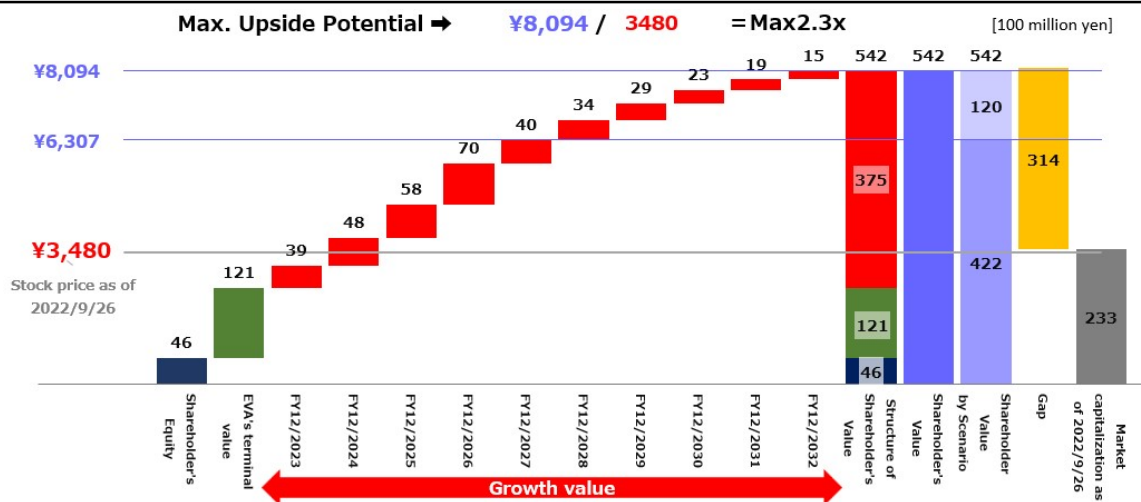
Shareholder Value Analysis

100 mil. Yen



Source: Compiled by JPR Auxiliary note: Totals will not sum up to each value due to rounding.

Shareholder Value Structure and Value Gap Analysis Using the Excess Profit Method



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TSE Growth Market Impact HD Inc. [6067] September 30, 2022

[¥100mn]	Current Year 2022.12	1 year later 2023.12	2 years later 2024.12	3 years later 2025.12	4 years later 2026.12	5 years later 2027.12	6 years later 2028.12	7 years later 2029.12	8 years later 2030.12	9 years later 2031.12	10 years later 2032.12	Terminal Value
Sales	160	187	219	256	300	346	388	426	460	489	513	
Operating income	22.0	28.3	36.3	46.7	60.0	69.2	77.7	85.3	92.0	97.7	102.6	
Operating margin	13.8%	15.1%	16.6%	18.2%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	
Sales growth rate	20.0%	17.0%	17.0%	17.0%	17.0%	15.3%	12.3%	9.8%	7.8%	6.3%	5.0%	
NOPAT margin	9.5%	10.4%	11.5%	12.6%	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%	
Invested capital turnover ratio	43.2%	43.2%	43.2%	43.2%	43.2%	43.2%	43.2%	43.2%	43.2%	43.2%	43.2%	
WACC	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
ROIC = NOPAT margin ÷ invested capital net sales ratio	22.0%	24.2%	26.5%	29.2%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%	
ROIC / WACC (value created with the original hand of 1 yen)	¥2.7	¥3.0	¥3.3	¥3.6	¥4.0	¥4.0	¥4.0	¥4.0	¥4.0	¥4.0	¥4.0	
NOPAT	15.21	19.55	25.12	32.28	41.48	47.84	53.70	58.96	63.59	67.57	70.97	
Invested capital × WACC	5.54	6.49	7.59	8.88	10.39	11.99	13.45	14.77	15.93	16.93	17.78	
EVA	9.67	13.06	17.53	23.40	31.09	35.85	40.25	44.19	47.66	50.64	53.19	
EVA = NOPAT - invested capital × WACC	9.67	13.06	17.53	23.40	31.09	35.85	40.25	44.19	47.66	50.64	53.19	
Value created in each year	121	42	56	73	96	59	55	49	43	37	32	
Discount Rate	100%	93%	86%	79%	73%	68%	63%	58%	54%	50%	46%	
Present value of EVA	121	39	48	58	70	40	34	29	23	19	15	
Invested capital ① Origin	69											
Over profit value (Permanent value of EVA of this term)	121											
Growth value (Present value of increase in EVA) ②	375											
Non-business asset value ④	6											
Corporate value = ① + ② + ③ + ④	571											
Interest-bearing debt, etc.	-29											
Shareholder value	542											

Source: Compiled by JPR from FactSet and other sources. Market capitalization is based on the closing price on August 26.

Quantitative Shareholder Value Analysis Assumptions

Sales growth for 10 years
2x with Organic
+ Alliances

ROIC improvement
through scale expansion
and efficiency
improvement

WACC low maintained

Assumptions made by GCC Management™ analysys

Growth: Various policies flourish, and sales grew about 3 times in 10 years

Impact HD's sales target of 30 billion yen for FY12/2026 is 20% growth over the previous year's target, and further growth is expected in subsequent years, but we conservatively assume that the same growth at 20% will continue in subsequent years.

Connection: ROIC improvement through scale expansion and efficiency improvement

As with sales, the operating profit margin was conservatively fixed at 20% for FY12/2026 and thereafter. The ratio of invested capital to sales was assumed to be fixed at 43.8%, the same size as the current level since no large investments are expected to be required in the future. However, a decrease in the ratio is also assumed due to economies of scale.

Confidence: WACC remains low

Although it is possible that the WACC will decline if the scale of the company expands sufficiently, we conservatively maintained the status quo, taking into account the WACC levels of competitors and other factors.

Summary of Financial Analysis of 10-Year Future Story with GCC Management™ Analysis

Growth	Connection	Confidence
Sales	ROIC	WACC
16 bil. Yen → 53.4bil. Yen	21.7% → 31.6%	8.1%
	NOPAT	
	9.5% → 13.8%	
	Ratio of invested capital to sales	
	43.8%	

Source: Compiled by JPR *Comparison between the plan for FY2023 and JPR's 10-year forecast.

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Shareholder Value from Future Story

Energize the sales floor, energize Japan, and energize the world!

The company strength is our store observation database based on 8.6 million surveys since its founding.

AI analysis based on "cause" data from store floors proposes highly accurate sales promotion measures

In 2019, the Company launched AI-based sales promotion proposals based on its store database (store DB), which is data accumulated since its founding in 2004 on the behavior of stores in the field and has achieved high growth, with sales increasing 1.69 times and operating profit 3.3 times from FY12/2019 to FY12/2021. The Company has set a goal of 30 billion yen in sales and 6 billion yen in operating income for the fiscal year ending December 31, 2026. Based on these figures, we estimated shareholder value at 54.4 billion yen. The potential upside is 2.4 times the current market capitalization of 20 billion yen. The table below summarizes the future story of creating this shareholder value. Assumptions and other details are explained on the next page. For a company such as theirs that has achieved high growth in its business, even the cash flow 10 years from now is included in the share price.

Maximum Upside 2.4x in Market Capitalization Estimated

Circular cycle of future story based on dialogue with management and shareholder value

Growth	Connection	Sustainability
Values	Strategies and Business Models	Sustainability
When stores improve, customers are happy. By contributing to the development of the retail industry, they are creating socially responsible businesses	Utilizing store DB, AI analysis, and efficient and effective sales promotion planning	Create socially responsible businesses that contribute to efficiency, elimination of waste, and development of the retail industry through SDGs sales promotion, and build a humanity-oriented organization
Energizing the sales floor, energizing Japan, and energizing the world!	Utilizing Store DB and promoting SDGs sales promotion contributing to cost reductions and increased profits for our business partners	Development of retail industry and information technology society Realization of Smart Cities Challenge to create a sustainable society Embodying diversity and inclusion
Continuing to take on the challenge of bringing new life to the retail industry	Active investment in human resources and hiring to strengthen store DB and AI analysis	Propose, plan, draft, and execute sales promotions using data utilization, encouraged by customer satisfaction. Strengthening the sustainable growth cycle to verify the effectiveness of such proposals and plans
Sales Growth	Return on invested capital	Business Risks
Consolidated net sales of 30 billion yen in FY12/2026 Operating income: 6 billion yen Growth in stable period at around 10% thereafter	Concentrate management resources (human, material and financial resources) on businesses in high demand due to the Corona disaster Achieve ROIC of 30% through high value-added, synergy, and business structure efficiency	Business risks to decline in the future Growth both in the corona vortex and in stable periods due to stable growth cycles and accumulation of contracts for stockpiling
Estimation of Shareholder Value	Feasibility Conditions	Investment risk
53.3 billion yen	Spreading understanding of the business model to investors	Low WACC expected to fall from 7% to 6% range

Source: Compiled by JPR based on company interviews.

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Comparison comparable companies analysis

Companies that have achieved high growth and high profitability through database-based marketing support, the value created in 10 years is reflected in the current share price.

Compared with 6 listed companies that utilize databases for marketing support

The company most undervalued

In many cases, companies similar to the company that has achieved high growth and high profitability (high return on invested capital) by utilizing databases in marketing related fields are factoring in growth over the next 10 years. We have selected six such companies as shown in the table below. The graphs on the following pages and the reference materials provide detailed information on the financial basis of these companies. The visualized graphs show that the value of cash flow in 10 years due to high growth has been factored into the current market capitalization of these companies. This leads to high P/E ratios of 20x to 50x. It is expected that the company will eventually change to this type of valuation.

Comparison with similar marketing-related companies

CODE	Company name	Business
2130	Members Co., Ltd.	The company provides support to major Japanese companies in the areas of digital marketing, including strategic planning, corporate website development and operation, and social media utilization, as well as product and service development and growth support to venture companies.
6067	Impact HD Inc.	With a large number of registered personnel under outsourcing contracts nationwide, the company supports its customers with in-store marketing and in-store research by leveraging its in-store and out-store sales expertise and in-store database.
4499	Speee, Inc.	Consumer behavior is becoming more complex, and the data handled by companies is becoming more diverse. The company provides expertise in collecting, integrating, analyzing, and utilizing data for marketing activities that are becoming increasingly difficult. The company's strength lies in its ability to respond flexibly to customer situations.
6533	Orchestra Holdings Inc.	With its core Internet advertising agency business providing total solutions for client companies' digital marketing initiatives, the company supports the digital transformation of companies, municipalities, and other organizations.
3655	BrainPad Inc.	The company is involved in big data utilization services and digital marketing services (marketing methods that utilize the Internet, information technology, and other digital technologies).
3983	ORO Co., Ltd.	Supports corporate management efficiency through the development and sale of ERP packages (integrated enterprise resource planning systems) provided via cloud services. The company also provides digital-based corporate marketing support.
9246	ProjectCompany	The company provides comprehensive support for the realization of digital transformation (DX) in companies through its three pillars consulting services, marketing services, and UI/UX (user interface/user experience) services.

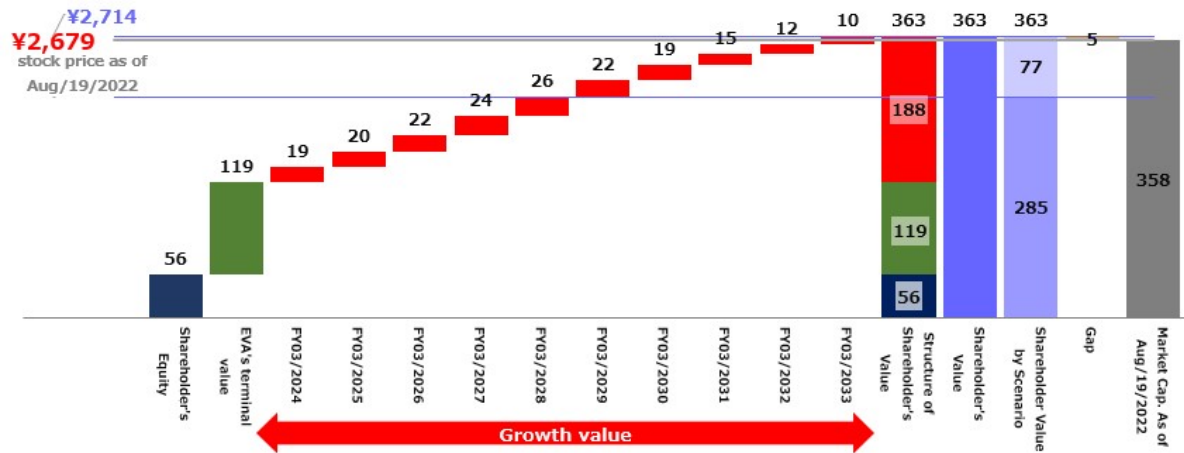
Company name	Sales		Operating income		ROIC	Net income	Market capitalization	PER
	Current term company plan	CAGR over the past two years	Current term company plan	CAGR over the past two years	Current Term (JPR estimate based on company plan)	Current term company plan		
	millions of yen	years	millions of yen	years		millions of yen		
Members Co., Ltd.	18,200	31.0%	2,200	33%	45.8%	1,573	35,793	22.5
Impact HD Inc.	16,000	42.2%	2,200	107%	25.3%	1,400	21,352	15.0
Speee, Inc.	12,485	29.7%	1,501	175%	35.3%	977	30,193	30.8
Orchestra Holdings Inc.	10,000	3.5%	1,670	78%	37.6%	950	27,413	28.9
BrainPad Inc.	8,600	23.1%	1,210	7%	30.4%	800	26,092	32.1
ORO Co., Ltd.	6,180	10.9%	2,050	24%	87.7%	1,435	26,674	18.6
ProjectCompany	3,500	129.6%	670	331%	88.4%	470	36,855	59.0

Source: Compiled by JPR from FactSet and other sources. Market capitalization is based on the closing price on Aug 19.

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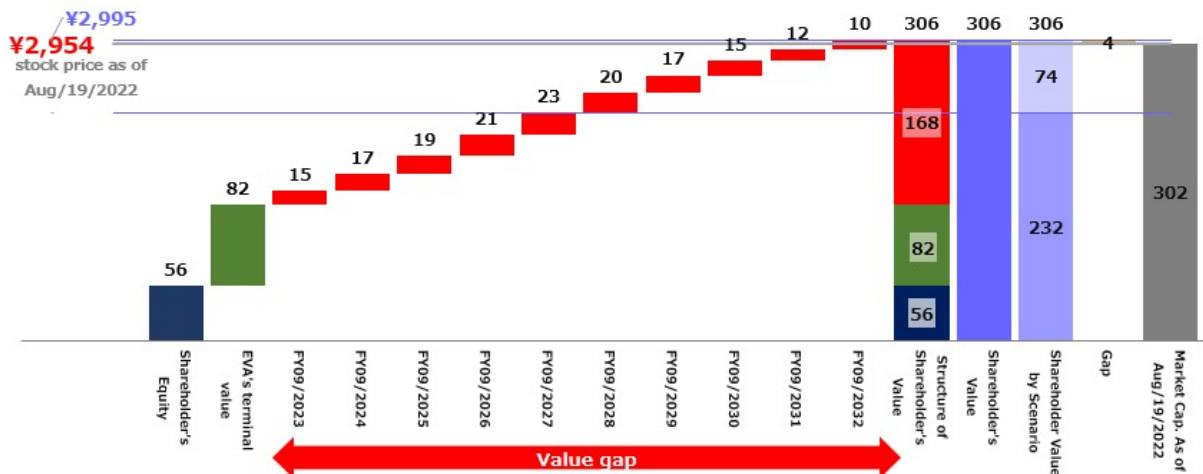
2130: Members

100 mil. Yen

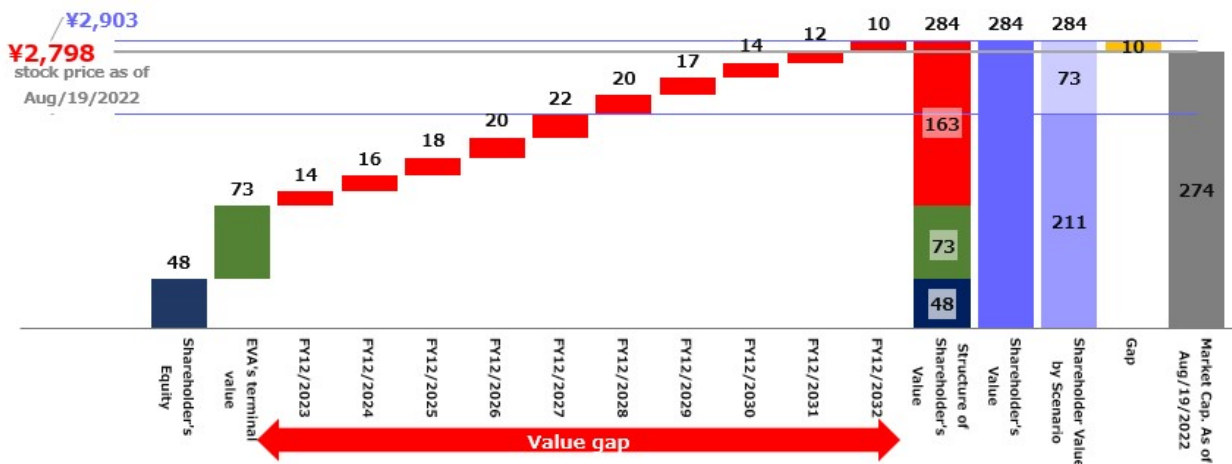


Source: Compiled by JPR from FactSet and other sources. Market capitalization is based on the closing price on May 27. The same applies hereafter.

4499: Speee



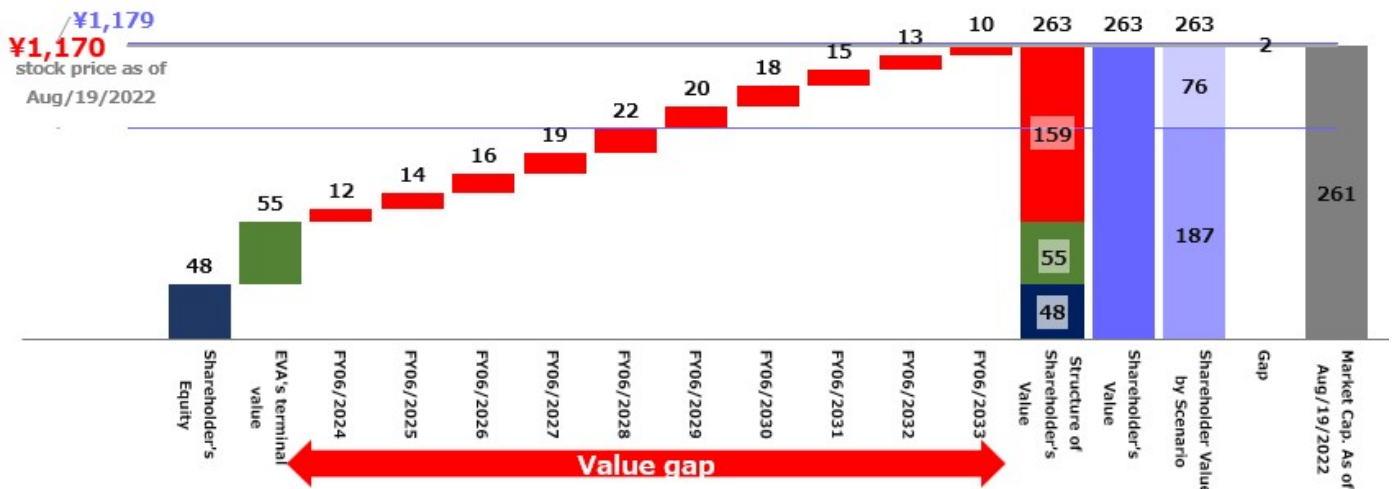
6533: Orchestra Holdings



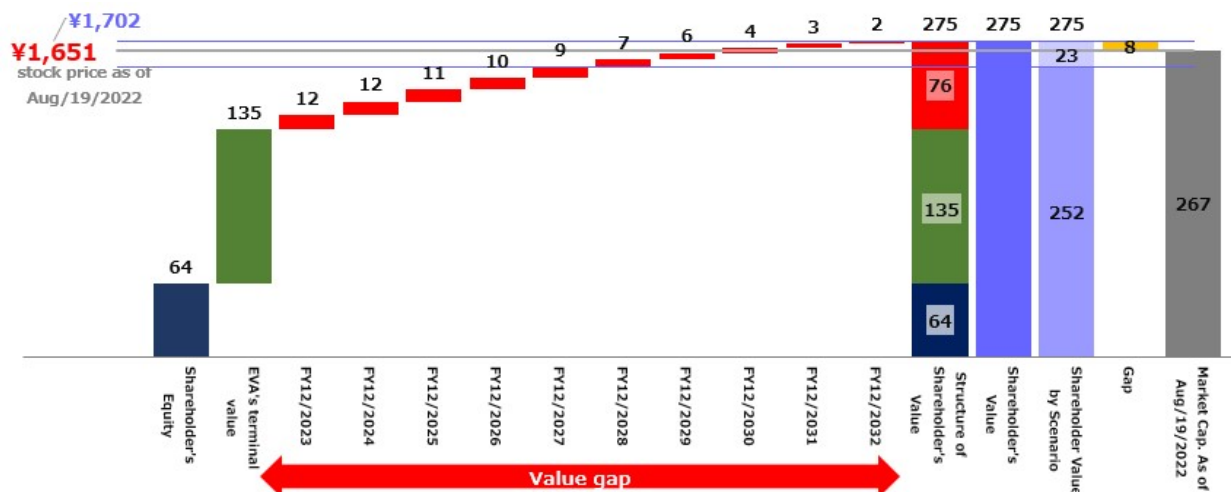
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3655:Brain putt

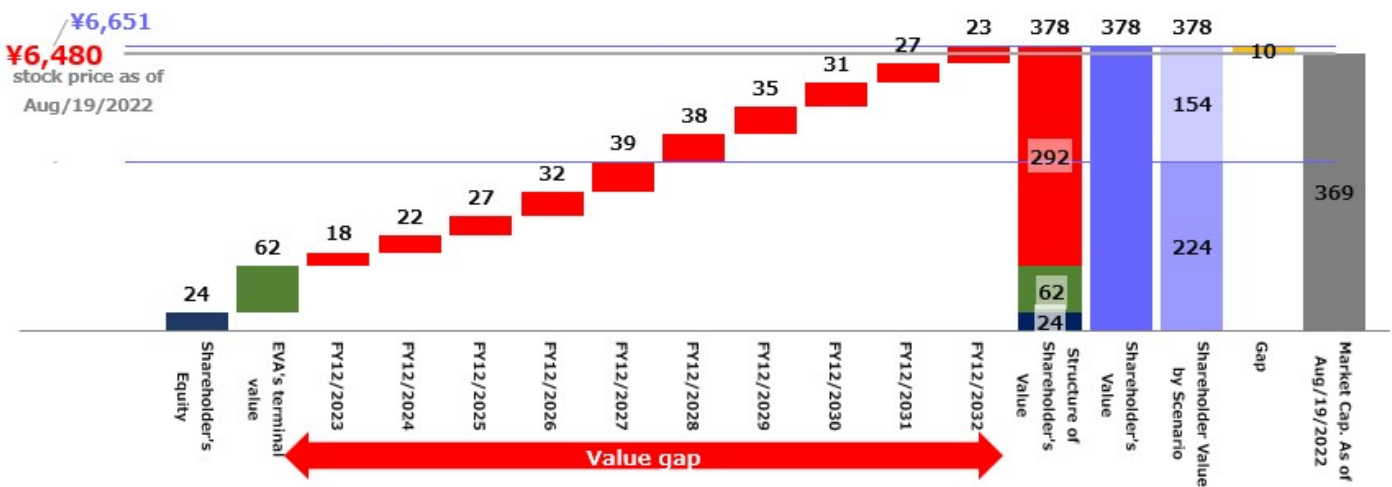
100 mil. Yen



3983: Oro



9246: Project Company



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Why is the stock price undervalued?

The significant upside is expected to be realized if investors widely recognize that the Indian convenience store business has rather only an upside.

Are the uncertainties in the Indian convenience store business still affecting the company?

Convenience store business in India expected to have positive effects

In 2019, the company entered the Indian convenience store business, but has yet to commercialize the business and took a significant impairment loss. As shown in the graph below, the company's stock price was significantly positive when it first entered the market, but conversely, it was significantly negative at the time of the impairment. On the other hand, although the core business, in-store sales promotion support business, has been performing well in terms of quarterly sales, the recovery of the stock price has not kept pace with the increase in sales. This can be predicted as a negative impact on the stock price due to the uncertainty in the Indian convenience store business. However, there is no risk of impairment in the Indian convenience store business in the future. Since the company has not withdrawn from the business, there is only upside. If investors become more aware of this fact, we can expect a stock price formation in which growth over the next 10 years is honestly reflected in the stock price.

Share price and quarterly sales



Source: Compiled by JPR from FactSet and other sources.

**Q&A with
management on
causes of stock price
spike**

**Store DB continues to
drive growth**

**Customized products
are affected by rapid
yen depreciation
No problem, as it is
only temporary and
all future effects of
yen depreciation can
be passed on to
customers.**

**No impact on
shareholder value of
Indian operations
Low
upside/downside
potential in the near
term**

**Answers to questions about the results for the second quarter of
FY2022**

Hearings with Impact HD on items that the market is concerned about

Since the securities analyst report by JPR was issued on June 2, 2022, Impact HD's share price has risen from 3055 yen at the time of publication to a maximum of 3790 yen, and the market had a certain appreciation of Impact HD's growth potential, but after the Q2 earnings announcement on August 12, 2022, the price was at its lowest at 3040 yen, down to the price at the time of the report's publication. Therefore, JPR presented three factors that the market seemed to be concerned about and asked Impact HD's management to respond. The following is a summary of the results of that interview.

Q: Don't the Q2 results indicate a slowdown in growth?

A: IoT business declined due to yen depreciation, but the mainstay HR business is doing very well.

The factors of the IoT business will be explained in the section below, but the slowdown in the IoT business has apparently reduced the rate of progress in the current fiscal year. On the other hand, JPR believes that the HR Solution business, which has a store DB as a growth driver, has been making better-than-planned progress, as this business is the most notable in Impact HD, driving sales up 17.4% YoY and operating profit up 47.0% YoY.

Q: What are the factors behind the decline in operating income, particularly in the IoT business?

A: Although customized special machinery was affected by the exchange rate, we are basically passing on the cost of such machinery.

The IoT business, which handles equipment manufactured overseas, is affected by foreign exchange rates, but in principle, the company passes on the cost of such equipment to customers. Since standard inventory products are procured in advance based on sales plans, the company is able to achieve its sales plan for the current fiscal year without being affected by not only exchange rate fluctuations but also semiconductor shortages. On the other hand, customized special devices are vulnerable to rapid exchange rate fluctuations, and the yen's depreciation was a factor that pushed down profits this time. This is only a temporary factor, and there will be limited movement toward achieving the full-year budget.

Q: There is no explanation of the India business in the briefing materials, is it being hidden?

A: Progress is neither positive nor negative.

The India business is not mentioned in the financial results presentation materials as there are no special items to mention. As mentioned repeatedly, the Indian business has no further negative factors as its book value is zero due to impairment. Despite the impairment, the business base invested in is apparent, and if new opportunities arise, the upside of the business opportunity can be pursued with zero additional investment. In addition, although the company intends not to withdraw from the business as long as there are possibilities, its core business is steering toward store DB, and no new investments are planned in India. Therefore, while there is no downside at all, including in the future, the company will disclose any upside moves as soon as they occur.

Topics: New topics since the last report

Topics

SDGs販促

To further increase awareness of "SDGs sales promotion" and promote its introduction

Promoting SDGs Sales Promotion

Developed logo for "SDGs sales promotion"

Impact HD developed a logo for "SDGs sales promotion" in conjunction with "Environment Month" on the occasion of World Environment Day on 5th of June. 17 colored squares represent the "17 goals" that form the SDGs, and combined with the SDGs sales promotion text, the logo expresses a simple yet sustainable image at a glance.

Renewal of mini showroom at Shibuya head office

Due to the Corona disaster and the fact that in-store sales promotion measures are also in a variable situation and the acceleration of the trend toward sales promotion and store DX, inquiries about sales promotion solutions to the Impact HD Group, including sales promotion measures using digital signage, are increasing. However, digital signage and sales promotion fixtures have been difficult to visualize in terms of installation and operation in stores.

Against this backdrop, a mini showroom at the Shibuya headquarters office was renovated to allow visitors to experience how sales promotions are actually conducted on the sales floor. The 900-mm gondola is equipped with products, signage, POP, etc., to reproduce the actual sales floor. In addition to reproducing an actual sales floor, the showroom displays a variety of products and case studies, including online signage demos and products that utilize sensors.

Mini showroom at the Shibuya head office



[Source]Impact HD website

2. Company Profile

Company Profile

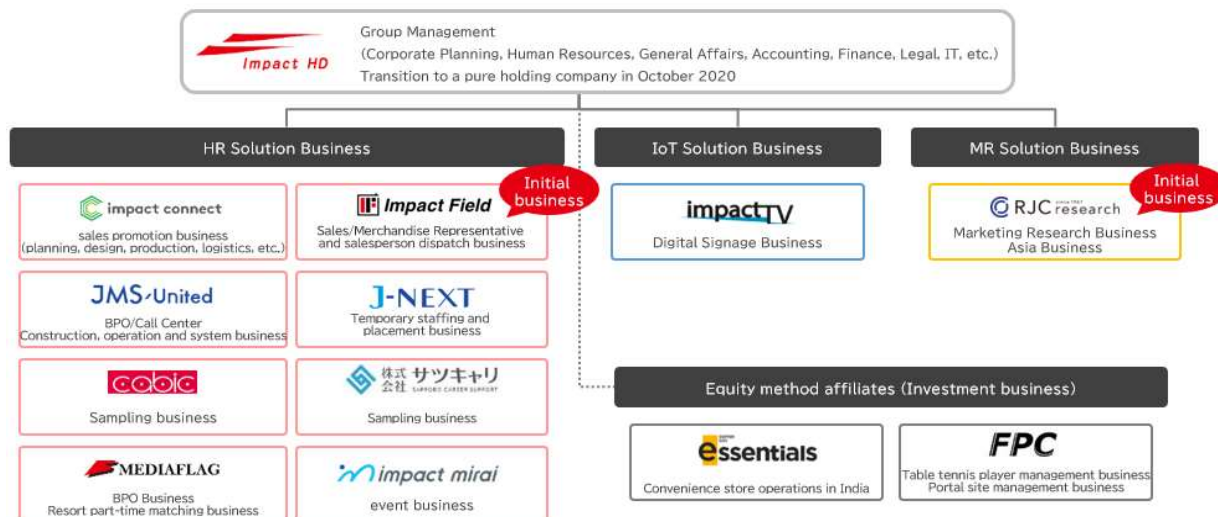
Company Profile

Summary

Company Name	Impact HD Inc.
Date of Establishment	19-Feb-04
Representative director	Yasuo Fukui
Head Office Location	6F Token International Building, 2-12-19 Shibuya, Shibuya-ku, Tokyo
Capital stock	JPY 1,818,121 thousand
Employee	381 people
Accounting period	December
Main Business	HR Solutions, IoT Solutions, MR Solutions
Listing Date	28-Sep-12
Stock Exchange Listings	Tokyo Stock Exchange Growth Market

Source: Prepared by JPR based on company data, etc. *As of December 31, 2021

Business Chart



Source: March 29, 2022 Business Plan and Growth Potential Explanatory Material

History

Month	Year	Events
2	2004	Media Flag (currently Impact HD Inc.; Komaba, Meguro-ku, Tokyo; capital: 3 million yen) established
10		Started ASP business
3	2005	Launched Mystery Shopper business and Sales/Merchandise Representative business.
9	2006	Head office relocated to Dogenzaka, Shibuya-ku, Tokyo
12	2007	Capital participation by Hakuodo DY Holdings Inc. and Sumitomo Corporation
8	2008	Obtained Privacy Mark (JISQ15001:2006 compliant)
9	2012	Listed on the Mothers market of the Tokyo Stock Exchange
10		Establishes MEDIAFLAG OKINAWA (currently MEDIAFLAG) Establishes Meidiaflag (Shanghai)
8	2013	Acquisition of shares of cabic (made a subsidiary)
11		Acquisition of shares of Tokachi (currently Tokachi Tachibana) (made a subsidiary)
7	2014	Acquisition of shares of Sears (currently impactTV Inc.) (made a subsidiary)
8	2017	Transfer of all shares of Tokachi Tachibana and discontinuation of Japanese confectionery manufacturing and sales business
1	2018	Acquisition of shares of Sapporo Career Support (currently satsucari inc.) (made a subsidiary)
2		Established INSTORE LABO
10		Capital and business alliance with Kyodo Printing Co., Ltd.
1	2019	Acquisition of shares of Shinwa Planning
4		Change of trade name from Media Flag to Impact HD Inc. Start of convenience store business in India Acquisition of shares in RJC Research Inc. (made a subsidiary)
1	2020	Acquisition of shares of JMS-United Co., Ltd. and its subsidiary J-NEXT Co., Ltd. (making them subsidiaries)
8		Mystery Shopper business from the beginning is transferred to RJC Research Inc. through a corporate split-off.
10		Established Impact Field Corporation and transferred the business from the beginning as Sales/Merchandise Representative to Impact Field Corporation through a corporate split. Transitioned Impact Holdings Corporation to a pure holding company.
11		Formed capital and business alliance with Sojitz Corporation
8	2021	Shinwa Planning is merged with INSTORE LABO as the surviving company, and the company name is changed to impact connect Inc.
1	2022	Established impact mirai Inc. and the event business of cabic is transferred to the new company through a corporate split.

Source: Prepared by JPR based on company data.

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Major Consolidated Subsidiaries and Group Companies

Business system	Company Name	Business Overview	Capital stock	Investment Ratio
HR Solutions	impact connect, inc.	Specializing in stores and storefronts, One-stop proposal from planning to realization of in-store sales promotions by utilizing group solutions	JPY 80 million	100%
	impact Field	Provide one-stop field marketing services at retail stores (real stores)	JPY 10 million	100%
	JMS-United Co.,Ltd.	Provides call center and other business solution services	JPY 100 million	100%
	J-NEXT Co.,Ltd.	Our main business is human resource services. Developing placement and temporary staffing services.	JPY 150 million	100%
	cabic	Human resource services company specializing in sales promotions	JPY 88 million	100%
	satsucari inc.	Recruitment agency specializing in Hokkaido	JPY 10 million	100%
	MEDIAFLAG	Established mainly for the group's BPO and field marketing businesses. Later started its own business as an Okinawan company.	JPY 10 million	100%
	impact mirai Inc.	Providing a better event experience for event participants and visitors through the science of the three elements of "event efficiency x waste reduction x DX	JPY 10 million	100%
IoT Solutions	impactTV Inc.	Provide total solutions for point-of-sale sales promotion, including product offerings centered on electronic POP and digital signage	JPY 360 million	100%
MR Solutions	RJC Research Inc.	Independent marketing research firm	JPY 12 million	100%
Equity method companies (investment business)	Coffee Day Econ Private Limited	Located in Bengaluru, Karnataka, India, and engaged in convenience store operations	103.67 Crore	49%
	FPC, Inc.	Negotiate with sponsors, negotiate appearances on TV programs and other various media, manage athlete-related SNS, and develop branding business	JPY 6 million	33%

Source: Prepared by JPR based on company data.

Main M&A

Months and years	Target Company	Investment Ratio	Background and Purpose of Acquisition
Aug. 1, 2013	cabic	51% →100%	The company aims to improve the efficiency of its recommended sales business and expand nationwide by utilizing the expertise of Cavic, which is involved in sales promotions and event campaign staffing in the Kansai region.
Nov. 1, 2013	Tokachi (currently Tokachi Tachibana)	100% →0%	Tokachi manufactures and sells Japanese confectionery. The company sought to expand synergies with various marketing operations by expanding consumer contact points and channels. The company was sold on July 31, 2017 to concentrate management resources.
Jul. 1, 2014	Sears (currently impactTV Inc.)	100.0%	Since the inception of the Company, the Company has had a contractual relationship with Sears to install and manage its digital signage in stores. By making it a wholly owned subsidiary, Impact Group aims to further expand the field marketing business by strengthening cooperation.
Jun. 31, 2018	Sapporo Career Support (currently satsucari Inc.)	100.0%	Since its establishment in 1957, Sapporo Career Support has built up a track record as an in-store sales staffing agency. The company expects to enhance its recommended sales business in Hokkaido and aims to build a foundation for sustainable growth.
Dec. 1, 2018	FPC, Inc.	33.4%	The table tennis market is expanding with the opening of the T. League (T.LEAGUE), Japan's professional table tennis league, from 2018 and the Tokyo 2020 Olympic and Paralympic Games, and is expected to continue to grow in the future. This is part of the company's aggressive investment in new growth areas.
Dec. 1, 2018	Shinwa Planning (currently impact connect Inc.)	100.0%	In the sales promotion business, by combining the high-value-added services provided by Shinwa Kikaku with the know-how and management resources of Impact Group, the group aims to further improve services to customers and further develop both companies.
Apr. 1, 2019	RJC Research Inc.	100.0%	In the research and consulting business, Impact Group aims to further improve services to clients and further develop both companies by combining the high value-added services provided by RJC Research with the know-how and management resources of the group.
Apr. 1, 2019	Coffee Day Econ Private Limited	49.0%	Converting café stores into convenience stores through a joint venture with Coffee Day Enterprises Limited, the largest operator of coffee chains in India.
Dec. 1, 2019	JMS-United Co.,Ltd.	100.0%	In the HR Solution business, by utilizing the high value-added services provided by JMS and its abundant resources such as human resources, the two companies aim to further improve services to customers and further develop two companies.

Source: Prepared by JPR based on company data.

List of Major Business Alliances

Months and years	The other party	Outline of the Partner	Purpose of the Partnership
Jun, 2018	unerry	Operates Beacon Bank®, an offline behavior data platform centered on Japan's largest Beacon network.	unerry, Japan's No. 1 Beacon infrastructure owner, forms Friendly Partnership to work more closely together
Jul, 2018	Fulltech INC.	sales agent	Aiming to jointly develop and market FixGuard signage
Aug, 2018	Nextremer Co., Ltd.	AI Solutions	Aiming to jointly develop and market interactive AI signage solutions
Oct, 2018	Kyodo Printing Co.,Ltd.	general printing	Aiming to enhance solution services in the area of in-store sales promotion
Nov, 2018	Kachiko	Video Business	Collaboration in video supply business and digital signage business
Jan, 2019	FLY HORSES	Local company with over 3,000 clients throughout China, providing business consulting services, training, lectures, and other services.	At the time, FLY-HORSES was providing consulting services to the largest fruit sales chain in China, and both parties were aiming to further expand their service areas in China.
Mar, 2019	GMO-Z.com RUNSYSTEM	Software development company in Hanoi, Vietnam	Aiming to build a business model that will become the de facto standard for digital solutions in the Vietnamese retail industry
Nov, 2020	Sojitz Corporation	general trading company	Create mutual sales synergies in retail-related business, IoT business, DX business, etc.
Apr, 2020	PBsystems,Inc.	Computer software development company	Expansion of sales channels and mutual complementation in telework introduction support services
Apr, 2021	Japan Commercial Real Estate Guarantee Co. Medical Net, Inc	Real estate credit business Dental care platform business	Provide support measures that enable smooth opening of business with low initial costs and support for medical practitioners

Source: Prepared by JPR based on company data.

3. Future Story

History of Value Formation from inception

Founded in 2004, leveraging experience at 7-Eleven

Entering the "people" and "IT" businesses directly related to store sales promotions, which have been closely connected to store sites since the company's founding, and building a store DB from a long-term perspective.

History of Value Formation from inception

History of building a store database with a long-term perspective

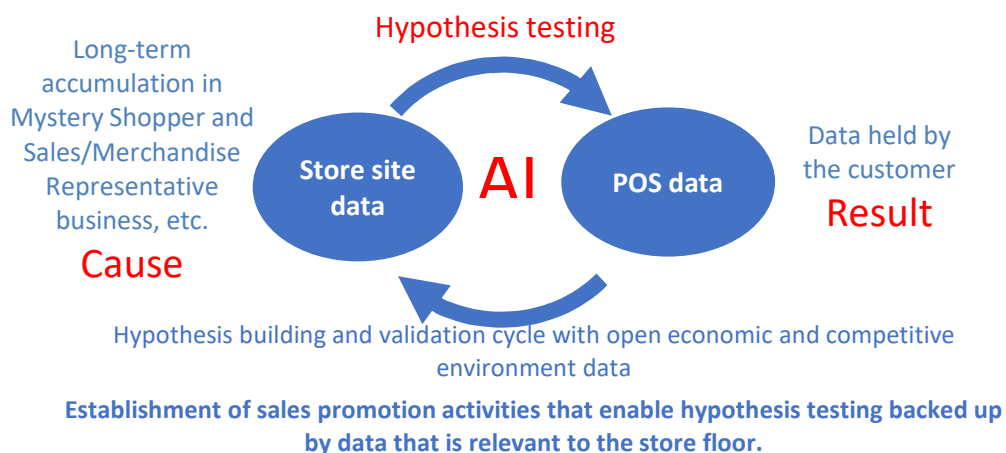
Background of establishment: Utilization of POS data + on-site data

The founder of the company, Mr. Fukui joined Sanwa Bank, and after working for 7-Eleven, he started his own business in 2004 at the age of 35 and established the company. Seven & i Holdings, from which Mr. Fukui graduated, makes extensive use of POS data, but POS data only shows the results of human purchasing behavior. In order to create hypotheses about purchasing behavior, data from real storefront experience and human observation of customers are necessary. However, this part depends on the intuition and experience of the store manager, and there has been no movement to create a database of such data.

Aware of the importance of data since its inception, the company aims to build a store DB

Under these circumstances, Mr. Fukui thought that it would be possible to commercialize store sales promotion support by accumulating store observation data in a database over a long period of time, and in 2004, he founded the Mystery Shopper business. The company achieved high growth through data analysis capabilities cultivated at 7-Eleven and management that makes the most of people and was listed on Mothers within eight years of its founding. Mystery Shopper's business portfolio at the time of listing centered on the Mystery Shopper business, but after listing, the company shifted its focus to the in-store sales promotion support business and expanded its digital signage business, tasting and tasting sales business, sales promotion business, and BPO business through M&A and the launch of new businesses. The company has expanded its business domain to contribute to the development of the retail industry, "becoming a sales promotion partner that works side-by-side with clients on their issues, rather than just a contracted service provider. At the same time, the company has been accumulating store observation data as a database (store DB) over a long period of time. Based on this accumulation, from FY12/2020, the company began proposing sales promotion measures by adding store DB, POS data, and open data such as economic environment and regional store opening information.

■ Long-term concept of store DB needed to build store sales promotion hypothesis



Source: Compiled by JPR

Value Perspectives

Total optimization of retail industry

When stores improve, customers are happy. By contributing to the development of the retail industry, the company creates a socially responsible business.

Their company's motto, "Energize the sales floor, energize Japan, and energize the world! This is based on President Fukui's awareness of the challenges of sales promotion that he experienced during his retailing days. In the retail and distribution industry, which is susceptible to deflation and economic fluctuations, it is essential to optimize overall sales promotion so that the necessary sales promotion measures are delivered to the necessary stores and sales areas at the necessary timing and in the necessary quantity, and more efficient and effective sales promotion is required. The goal is to create such a virtuous cycle in which good products are known to consumers and purchased by them through appropriate sales activities by good stores.

The current state of the retail and sales promotion industry in Japan

Customer base and clientele change with the Corona disaster.



- The Corona disaster has changed the face of the store dramatically.
- Change in clientele and number of customers
- Changes in inbound demand
- Data before the Corona disaster is not reliable.

Rise of e-commerce, store showrooms



- EC users increase due to Corona disaster
- increased number of stores not selling
- The role of real stores is changing
- Manpower saving and non-contact sales promotion demand is also expanding

overstore



- Many distribution and retail stores are being renovated or closed.
- There is a limit to the budget for sales promotion.
- Promotional effectiveness is always in question.
- Population decline due to low birthrate and aging population

Inefficiency and waste in sales promotion



- Development in stores with misaligned targets
- Use of tools with low promotional effectiveness
- About 40% of tools are discarded unused
- Large quantities of tools to be disposed of
- Various tools delivered in pieces

Source: 2022.04.06 Online Company Information Meeting for Individual Investors

Focus on employee happiness

Build an organization that emphasizes human nature. An organization in which each individual achieves personal growth along with the company's growth. Management always considers the happiness of employees.

While the source of their value lies in their store DB, it is the 280,000 people, mainly media crews nationwide, who support field marketing that contribute to the collection of this information. To have them play an active role, the company aims "to pursue the happiness of their employees and to do work that is useful to the world". The company defines "Employee happiness" as "to feel a sense of contribution to society, to continue personal growth, and to be rewarded for it". The company defines "useful work" as "providing inspiring services that exceed customers' expectations and energize society. The company defines "useful to the world" as "providing inspiring services that exceed customer expectations and energize society".

**Leveraging Real
Information to
Become a Champion
in the AI Era**

Continuing to take on the challenge of bringing a new style to the retail industry

Since the company started its business with Mystery Shopper, the company may have an image of a company that supports new products and brand changes in real stores, but the company has also begun to support repeat purchases online. Although there are many companies that provide online sales promotion support such as OMO (Online Merges with Offline), companies that are strong in real information, which is not yet IT-enabled, may be the winners in the future AI age. the company is trying to create a new wave in the retail industry by utilizing data accumulated in the real world.

Strategy Business Model

Collecting and accumulating data on the store floor that only their company, which is in contact with the shop floor, can provide.

Utilizing store DB, AI analysis, and Efficient and effective sales promotion planning

What is their store DB, the key to their growth?

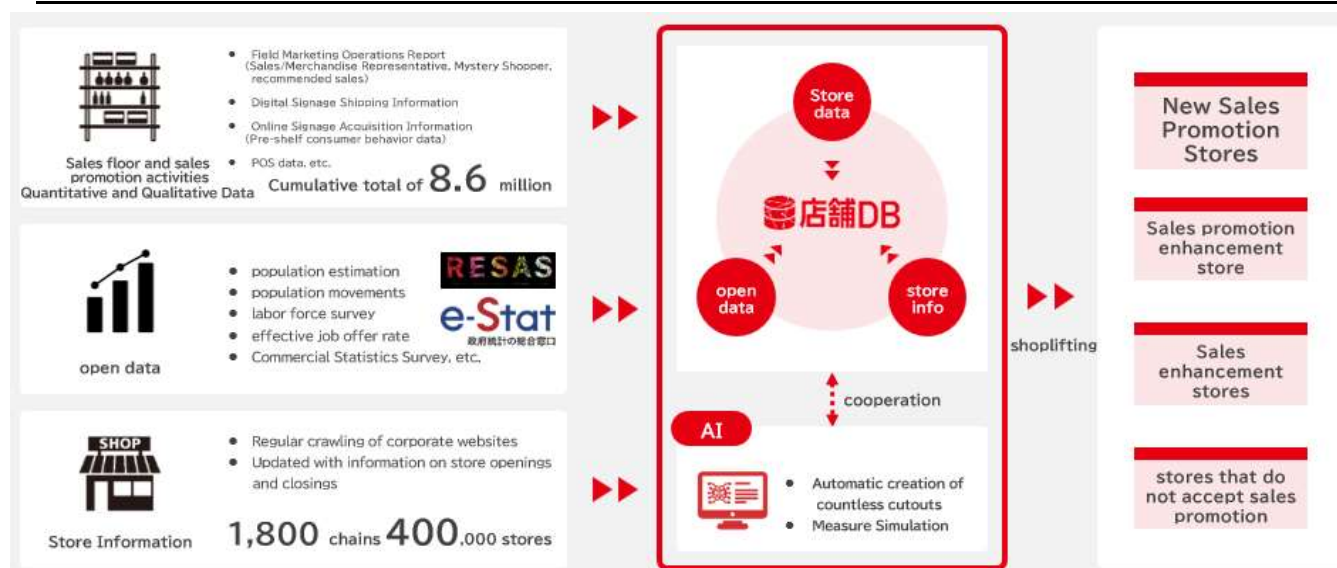
Store DB: Gathers data from the field that can only be obtained by their company, which is in contact with the field.

Store DB refers to a database of on-site store information collected through field operations since the company's inception. The AI analysis will formulate hypotheses on "what" and "where" to sell the products. Based on these hypotheses, optimal sales promotion plans are formulated and implemented, contributing to increased customer sales. Their store DB has been attracting attention in the retail industry because of its tremendous effectiveness.

No other company has yet to compare its business model.

The company's business model can be developed by those who understand the essence of major retail companies such as 7-Eleven, but since no company has ventured outside of the major retail companies to embody the model, the company has succeeded so far without becoming a competitive environment. On the other hand, with the evolution of IT and the development of AI in recent years, major sales promotion companies are beginning to follow suit, but they have a significant advantage because they cannot retroactively obtain real data accumulated over the past 10 years or more.

Process for developing sales promotion plans with the store database as the core



Source: March 29, 2022 Business Plan and Growth Potential Explanatory Material

Digital signage used in retail sales areas



The store DB allows for a higher degree of accuracy and the ability to manipulate the three inference methods at will.

Detailed explanation of store DB, a treasure trove in sales promotion planning

The source of information for the store DB is in the company's business activities themselves. The company has over 1,500 business partners, mainly in the manufacturing and retail industries. The company is expanding its field operations closely related to store sales promotions, centered on its founding business of Sales/Merchandise representatives and in-store surveys, and recently, digital signage in its IoT solutions business has also been performing the company, providing over 1.6 million services annually. The store DB is a collection of real information on store sites obtained through these field operations.

Enables proposal activities to freely manipulate the three methods of reasoning

History of building a store database with a long-term perspective

There are three methods of reasoning: (1) deduction, (2) induction, and (3) hypothesis testing. Deduction consists of three components: A. cause/minor premise, B. mechanism/major premise (hypothesis), and C. result (prediction/observation). The deduction is the method of analyzing the unknown A, induction is the method of analyzing the unknown B, and hypothesis testing is the method of analyzing the unknown C. By combining these three methods, it is possible to obtain reproducible and useful knowledge by analyzing all of A, B, and C with a high degree of accuracy. However, the A. cause of purchasing behavior cannot be obtained as a database without actually interviewing consumers about their purchasing motives. In the store DB, there is structured data based on 8.6 million survey cases with high accuracy on the causes of A. By using the store DB, it will be possible to create more accurate sales promotion measures. The store DB allows the free and flexible use of the three inference methods with high accuracy.

Three inference methods and the role of the store DB

Reasoning Methods	A. Causes Minor premise	B. Mechanism Major premise (Hypothesis)	C. Results/Predictions Observations
① Deduction	already known	already known	unknown
② Induction	already known	unknown	already known
③ Hypothesis testing method (Abduction)	unknown	Constructed as a hypothesis	What you want
Store Database Role	Store Database Role	Constructed as a hypothesis	POS data and other data provided

Source: Prepared by JPR.

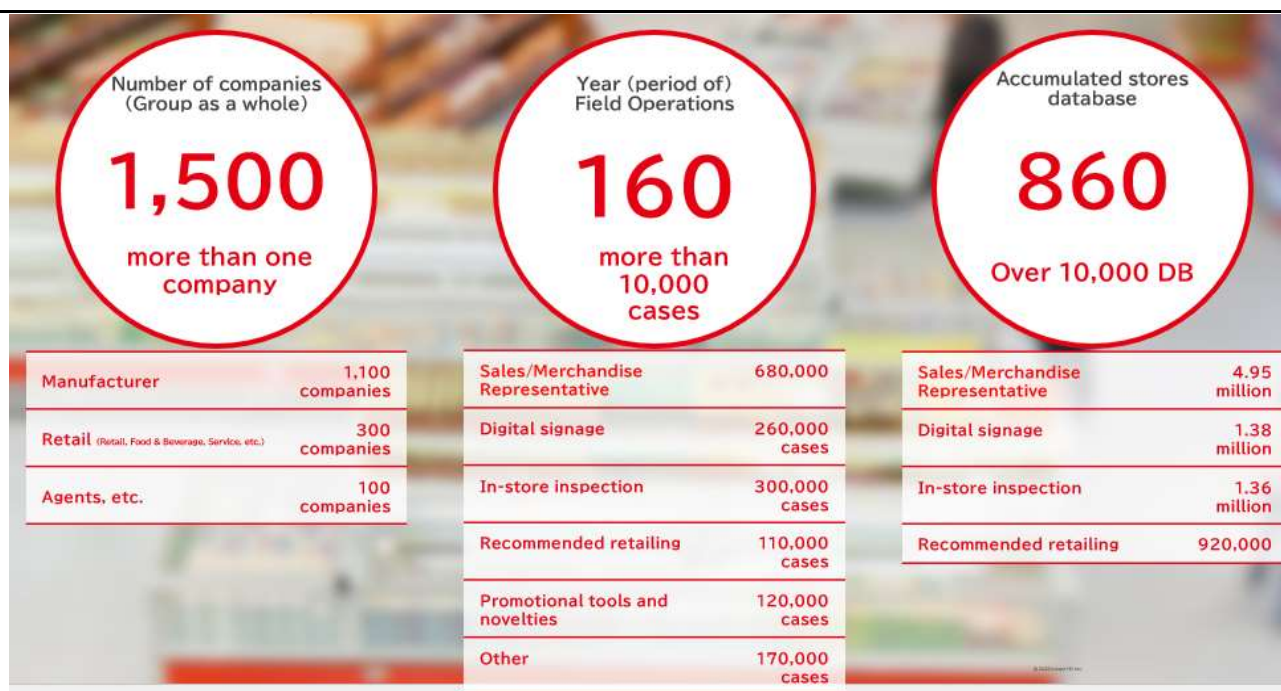
Competitive advantages that are difficult to imitate

The company's ability to propose proposals that utilize a combination of these three inferences, and furthermore, to execute them on site and run the PDCA cycle by combining the three inferences, gives us an extremely high competitive advantage. This is a competitive advantage that is difficult to imitate compared to other marketing support companies that do not have store site data.

History of building a store database with a long-term perspective

For the time being, the company is providing the store DB free of charge on the condition that the existing solution is ordered. While avoiding risk based on existing solutions, the company is focusing on sowing the seeds for future growth, expanding the number of companies using the solution, and improving the accuracy of data and hypotheses.

Field Marketing Industry Experience



Source: March 29, 2022 Business Plan and Growth Potential Explanatory Material

The number of companies using the store DB and the number of projects is expected to continue to grow.



Source: May 12, 2022 Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2022

Also works with open data

It is also linked to open data on statistics disclosed by ministries and agencies, such as industrial structure, demographics, population estimates, and census data from "RESAS," a regional economic analysis system, and "e-Stat," a government statistics portal site. Since open data is historical data, it is used only as a supplement to the assumptions used in sales promotion planning. Although the company has now built up the trust of its customers, at the stage when the company had a limited track record and with new customers, trust in open data, POS data, and other store information is relatively high. Once the entrance is breached, customers will be able to experience the effects of their store DB. This is how the company has built up its track record.



- 人口推計
- 人口動態
- 労働力調査
- 有効求人倍率
- 商業統計調査 等



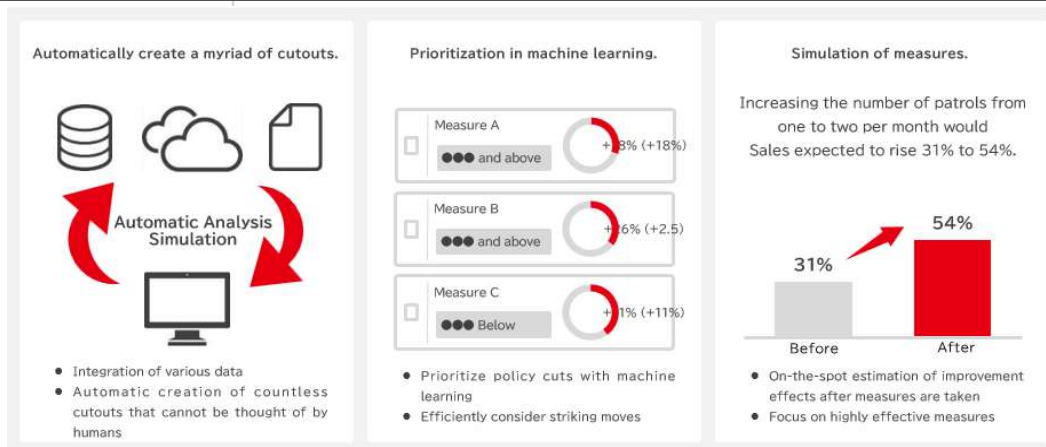
AI analysis of collected data

Promising store DB with high affinity to the latest AI trends

Efficient and effective prototyping of sales promotion is possible through the use of AI

Based on the store DB, the system analyzes it in conjunction with AI and extracts stores for efficient and effective in-store sales promotion planning. In addition, machine learning prioritizes sales promotion prototypes, which enables efficient and effective sales promotions.

AI-powered automatic analysis and simulation functions



Source: May 12, 2022 Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2022

Store DB is their own data

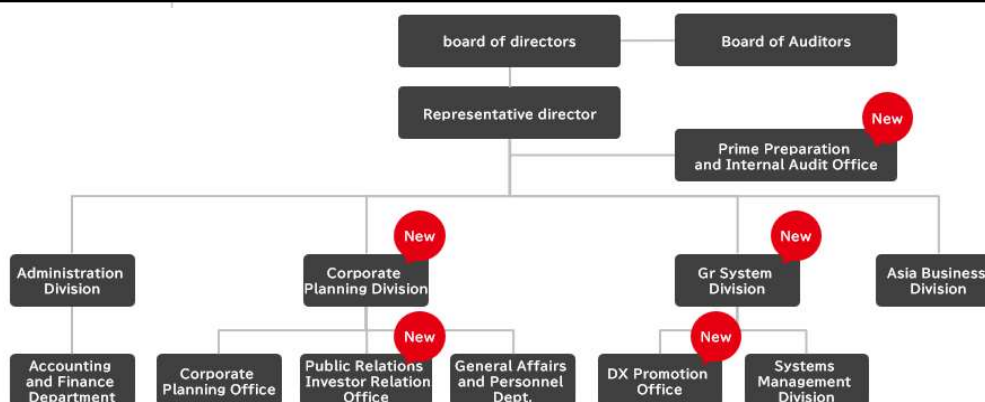
Store DB information is proprietary data that cannot be obtained even by platformers or large companies

AI has traditionally focused on data that can be verbalized and mathematized, but in this field, financial strength is key, so Google and other platforms are strong. On the other hand, the qualitative and quantitative data such as sales floor images and shelf occupancy rates held by the Company are proprietary data that cannot be obtained by Google or major the company marketing companies, and thus represent a treasure trove of data and the key to a leap forward.

preparation For prime migration

Currently listed on the TSE Growth Market, the company has changed its organizational structure with a view to transitioning to prime. In conjunction with the organizational changes, the Group System Headquarters and the DX Promotion Office were established. This is expected to promote the further utilization of the store DB discussed above, as well as AI analysis of the treasure trove of proprietary data discussed in the previous section.

Organizational structure changes with a view to reassignment to the prime market



Source: May 12, 2022 Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2022

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Narrow down their
search by location

Planning and
execution are
integrated

Utilizing Store DB and promoting SDGs sales promotion contributing to cost reductions and increased profits for our business partners

Store DB that contributes to cost reduction and profit increase of business partners

Many "inefficiencies" and "wastes" exist in sales promotion - Store DB to identify "what" and "where" in addition to "what".

"Inefficiency" and "waste" in sales promotions are caused by sales promotions that are based on planning, such as relying on past sales promotion results and conducting similar sales promotions this time. In this respect, their store DB can narrow down the "where. In most cases, their competitors mainly plan sales promotions based on "what," giving us an overwhelming advantage.

The strategy developed can be implemented by a single company - further accumulation of information

A further point is that the company can not only plan but also execute. While most major companies provide planning and proposals but separate execution from other companies, the company is able to provide total support because the company are a single company. This not only eliminates "inefficiency" and "waste," but also strengthens the company's superiority through the accumulation of on-site data.

One company to complete "what" and "where" strategy planning and execution



Source: Financial results for the fiscal year ended December 31, 2021

Environment- and worker-friendly

Promotion of SDGs Sales Promotion

The above efforts will enable environment- and worker-friendly "SDGs" sales promotion that eliminates "inefficiency" and "waste."

SDGs sales promotion that overturns the conventional wisdom of sales promotion



Source: May 12, 2022 Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2022

Corona disaster, high prices, and market uncertainty make this a necessary sales promotion.

When business conditions worsen, companies are tempted to cut back on spending, but if goods do not sell, it is a matter of life and death, so sales promotion expenses remain stable. For example, in a deflationary environment, when a company is forced to raise prices due to soaring material costs, it will make an effort to prevent a decline in sales by focusing on sales promotion. However, under such adverse conditions, sales promotion expenses cannot be spent indiscriminately. It is precisely because of this environment that the company is sought for its support of efficient and effective sales promotion, eliminating "inefficiency" and "waste."

Establish a system to provide total support for sales promotion

From its inception to the time of its listing, the Company's primary business was Mystery Shopper and Sales/Merchandise Representative business, but it has now expanded its business domain to include IoT solutions and MR solutions and has built a business portfolio that allows the Company to provide on-site sales promotion support almost entirely on its own.

Field Marketing Industry Experience

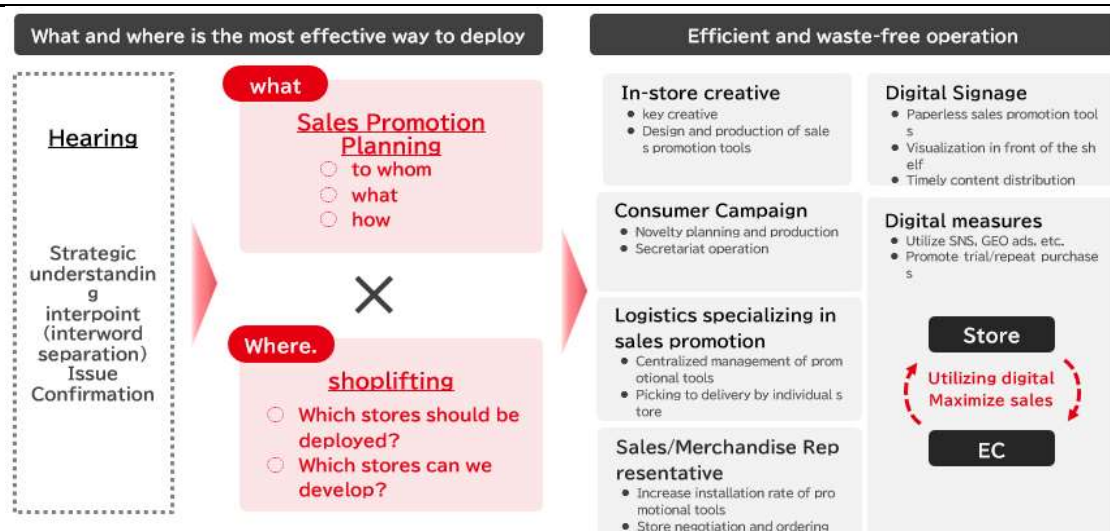
Company Name	HR Solution Business						IoT Solution Business		MR Soshuion Business		
	In-store Promotion	lounder	Tasting & Tasting sales	Store Operations	Temporary employee placement	BPO	Digital signage	In-store activities system	Undercover investigation	In-store inspection	Consumer survey
Impact HD	○	○	○	○	○	○	○	○	○	○	○
SP Company L	○			○							
Advertising agency Company D	○	○	○				○				○
Advertising agency Company H	○	○	○				○				○
Printing Company T	○	○	○				○				
Rounder Dispatch Company S		○	○		○			○	○	○	
Temporary staffing agency Company B	○	○	○		○						
Temporary staffing agency Company H		○	○		○				○	○	
BPO Company T						○					
IT equipment development and manufacturing company Company J							○				
Signage development and manufacturing company Company G							○				
Undercover investigation company M								○	○		○
Marketing Research Company C										○	○
Marketing Research Company I									○	○	○
Marketing Research Company M										○	○

Source: March 29, 2022 Business Plan and Growth Potential Explanatory Material

Supporting effective sales promotions by adding "where" to "what" in sales promotions

Usually, sales promotion support companies propose "what" to be done. Clients have also been implementing sales promotions, using past sales promotions as examples, and focusing on planning for similar promotions this time around. The effects of such sales promotions are difficult to predict. In this respect, the addition of their "where to" approach enables pinpointed sales promotions that eliminate waste and proactively aim for positive effects.

One company to complete "what" and "where" strategy planning and execution



Source: Financial results for the fiscal year ended December 31, 2021

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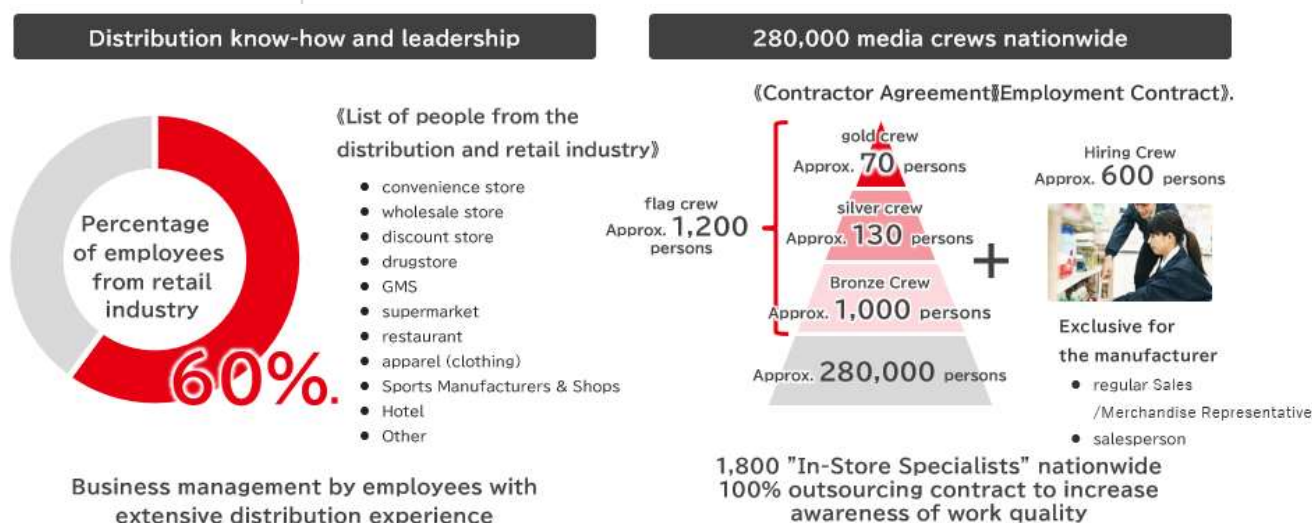
Active investment in human resources and hiring to strengthen store DB and AI analysis

Unique business model brings together talent from the distribution industry

Gathering of talented people who want to spread effective sales promotion methods to the retail industry

According to the company, a virtuous cycle seems to be forming in which talented people with the same values join the company, rather than becoming independent from the major players, although it is not impossible for people with major distribution experience to take on similar initiatives as the company.

60% of employees come from the retail industry; 280,000 media crews nationwide



Source: March 29, 2022 Business Plan and Growth Potential Explanatory Material

Initiatives to enhance the sense of belonging of media crews under outsourcing contracts

Maintaining crew motivation is important.

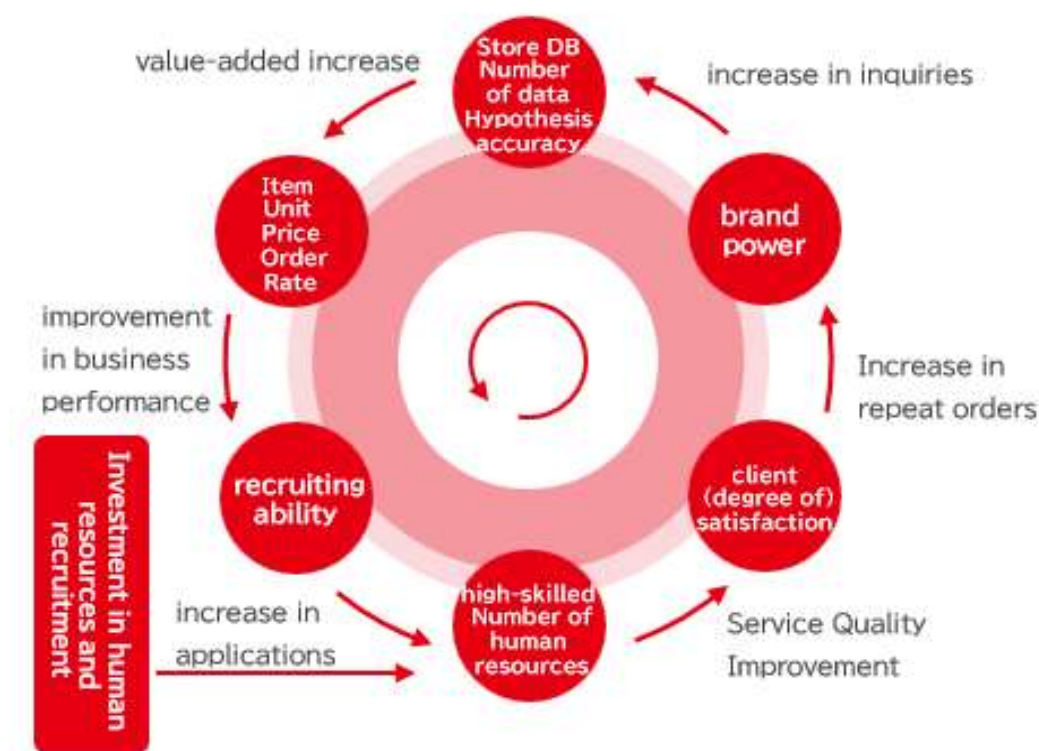
Since the company's founding, the company has placed great importance on maintaining the motivation of its 280,000 media crew members nationwide. Since 2009, President Fukui has regularly visited each area to hold get-togethers and training sessions and has built a "philosophy-sharing" network to ensure that the media crew understands the company's approach. This approach has led to an increased sense of belonging to the company and has led to the creation of an "organization where people do not quit."

Enables flexible placement of human restheirces

Human restheirce management to enable horizontal development

Normally, we would expect to see cases of excess personnel due to business boom and bust. Mystery Shopper's media crews, however, often start out as Sales/Merchandise Representatives, but they can also be transferred to other areas, such as rounders, depending on their interests. This allows the company to optimize its workforce according to the business environment and business stage, which contributes to the company's high profitability.

Virtuous cycle of sustainable growth through investment in human restheirces



Source: March 29, 2022 Business Plan and Growth Potential Explanatory Material

Sustainability (ESG)

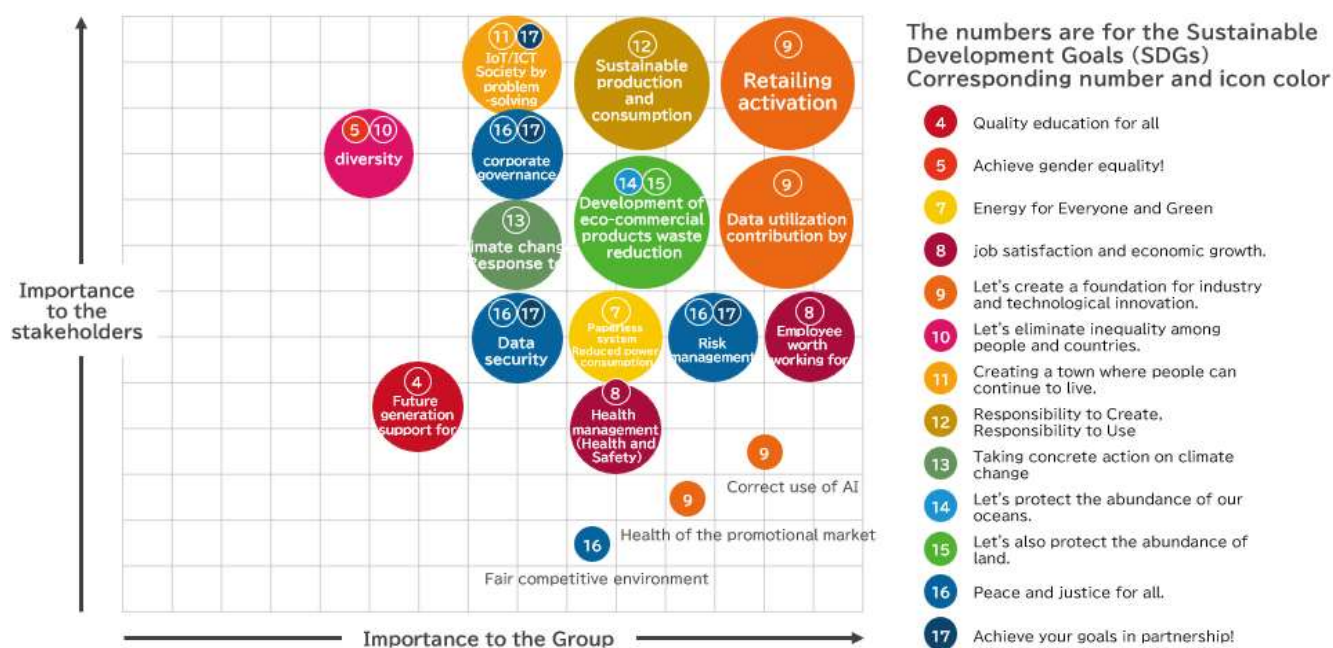
Their core business is directly related to the SDGs

Creation of socially responsible businesses

Business activities based on their management philosophy themselves contribute to the realization of a sustainable society.

The company's management philosophy of "Creation of Socially Responsible Businesses" has been incorporated into their corporate activities with the desire to "do work that is useful to the world" and "pursue the happiness of their employees". As a member of Japanese society and the entire planet, the company are promoting ESG/SDGs initiatives in order to realize a sustainable society.

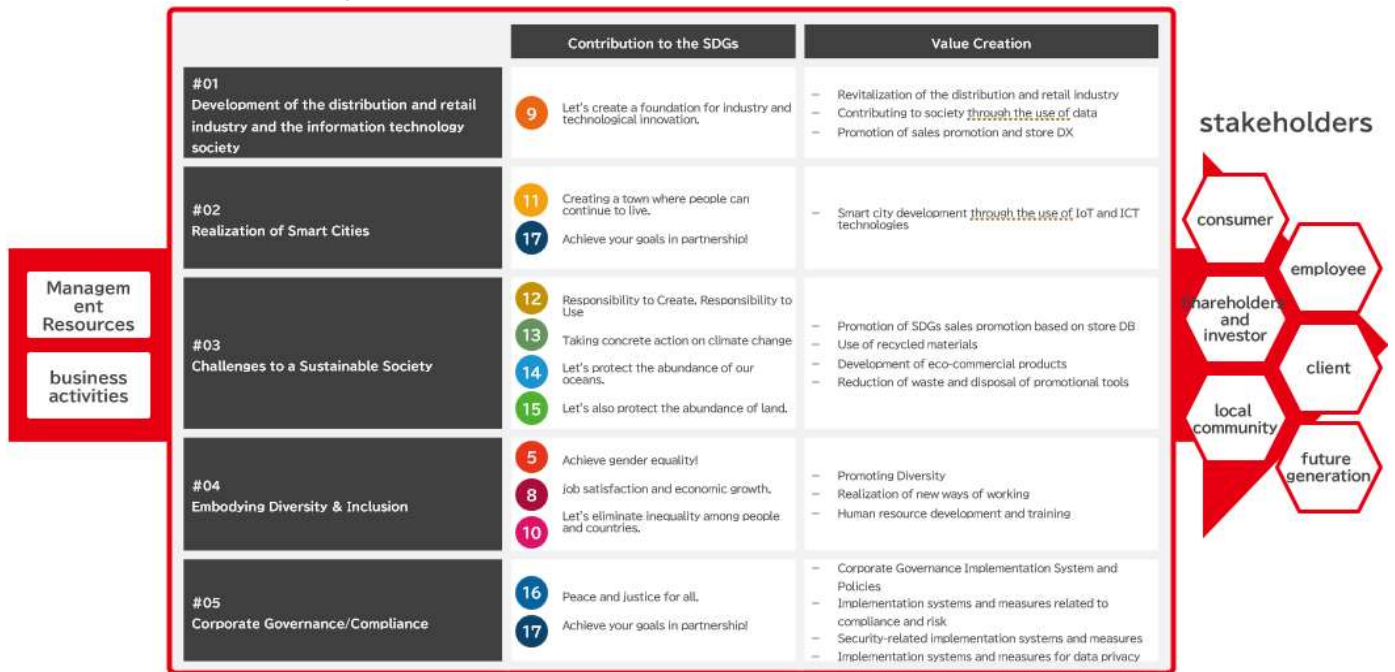
Their identified materialities



Large circles are those identified as areas of particular importance to the Group and its stakeholders that should be focused on.

Source: Their the company's site

Five Initiatives the company Want to Realize



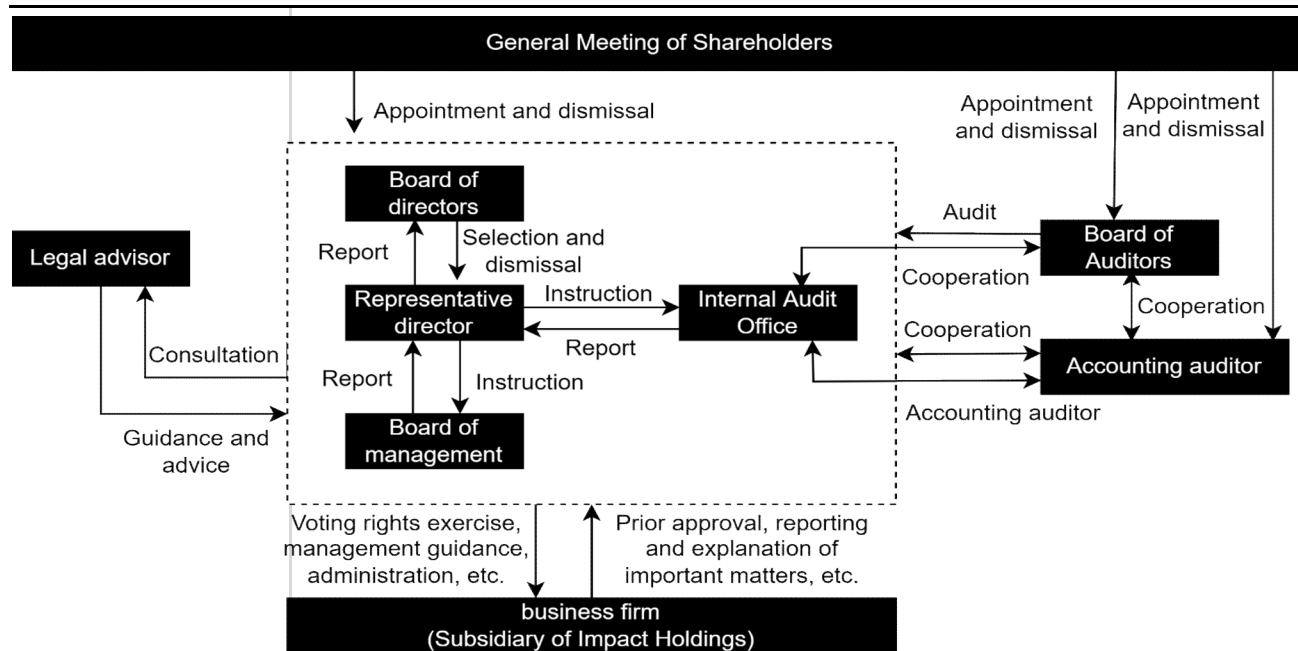
Source: their the company's site

Company with a board of corporate auditors

Corporate Governance Structure

The Company's basic policy on corporate governance is to establish an organization and functions that enable accurate decision-making and risk management in response to changes in the social and economic environment. The Company also aims to further strengthen corporate governance by increasing the fairness, efficiency, and transparency of management, enhancing the compliance system, and strengthening accountability.

Corporate Governance Structure



Source: their the companybsite

4. Trends in Return on Invested Capital

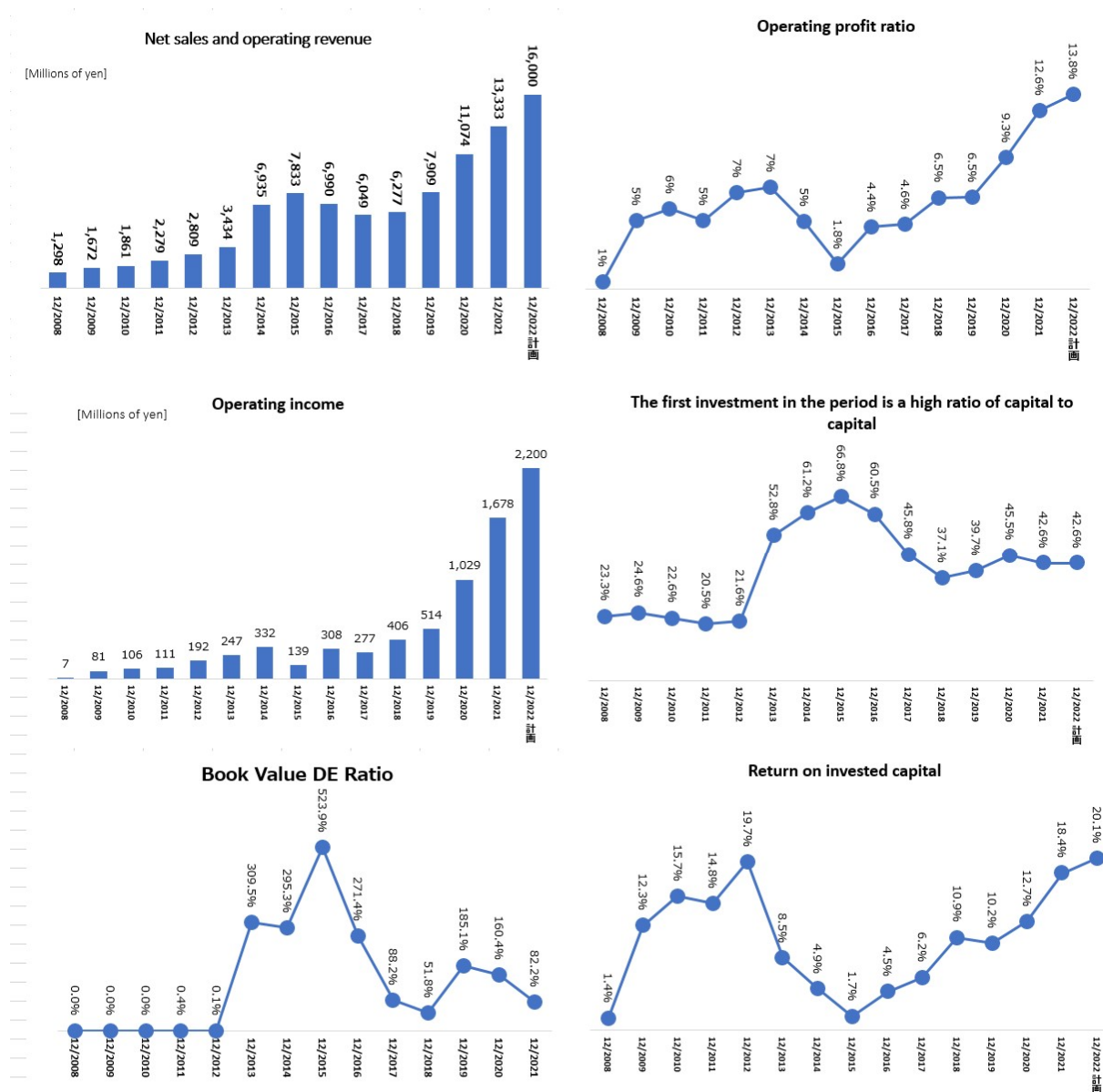
20% Return on Invested Capital

Growth through full-scale use of store DB

All indicators to better numbers

All indicators related to return on invested capital (ROIC) have been improving since FY12/09, when the full-scale use of the store DB began. ROIC is extremely high at 20%.

ROIC-related indicators



Source: Compiled by JPR from FactSet and other sources.

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5. Business Segments

HR Solution Business

Leading to optimal sales promotion from the back office to the storefront

Business Overview

The company select the most suitable personnel from its nationwide field network of 280,000 people and dispatch them as Sales/Merchandise Representative, mannequins, and sales representatives. The company also provide one-stop in-store sales promotion support services, including store management, POP fixture production, novelty production, and logistics.

Main Services

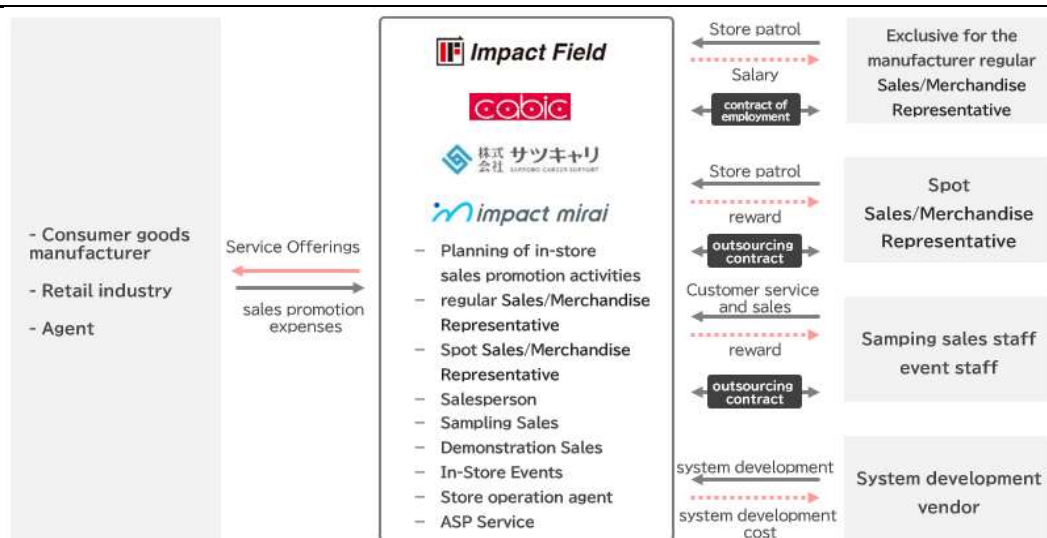
Sales/Merchandise Representative

Sales/Merchandise Representative visit drugstores, variety stores, GMS, supermarkets, electronics retailers, apparel stores, and other stores to build sales areas in accordance with decisions made by the head office. In addition, the employee builds relationships with store managers, product category managers, and store management personnel, and conducts sales support activities as a route sales representative, such as negotiating advantageous product displays, planning in-store sales promotions to expand product sales, and sharing sales targets.

Sales/Merchandise Representative provide feedback on requests received from the field and information on competitors through store patrols, and visualize the status of storefronts in real time. They also support the installation of sales promotion materials and promotional fixtures and the launch of pop-up stores in a short period of time in response to campaigns and new product launches.

Sales/Merchandise Representative business

Sales/Merchandise Representative business and Sampling sales business Revenue model



Source: March 29, 2022 Business Plan and Growth Potential Explanatory Material

Sampling sales

A type of sales promotion activity conducted in drugstores, variety stores, GMS, supermarkets, electronics retailers, etc. It is a sales technique in which sales staff actually use and show products to customers, appealing directly to consumers about the product's functions, performance, usage, and comfort, etc., in order to lead them to make a purchase. Also called mannequin sales, demonstration sales, demonstration sales, etc. It is often used for food, beverages, cooking utensils, home appliances, cosmetics, etc.

Sales/Merchandise Representative Business, Sampling sales Business Case Study

Regular Sales/Merchandise Representative Fruit and vegetable manufacturer



- Negotiations during store visits to reduce opportunity loss and increase orders
- Conducted business negotiations to introduce distribution measures
- Improve relationships through store communication

900 stores per month

New product launch spot Sales/Merchandise Representative Health food manufacturer



- Realization of sales floor construction linked to commercials
- Reduction of unused promotional materials when shipped directly to stores
- Acquisition of database of sales areas where the company's products are deployed

5,000 Shops

Sampling event staff Beverage manufacturer



- Manual unification to be implemented at the same level throughout the country
- Ordering system introduced to centrally manage orders, invoices, reports, etc. at headquarters.
- Shorten verification and reporting after tasting event implementation

6,000 stores per year

In-store event Toy manufacturer x Character copyright company



- Expanding fan base through events
- Thorough pre-event training ensures high quality and inexpensive events without assigning a director.

Simultaneous **50** stores nationwide

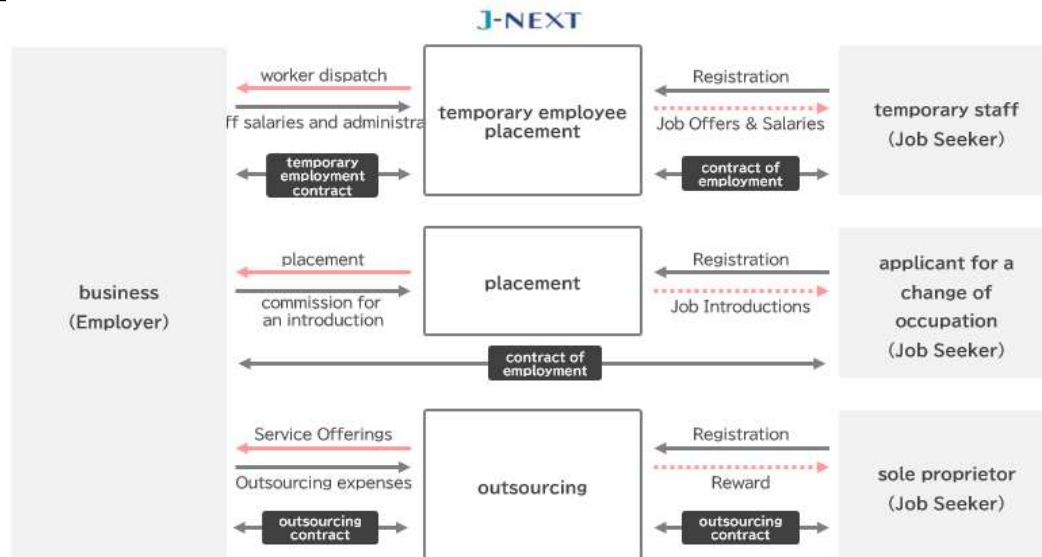
Source: March 29, 2022 Business Plan and Growth Potential Explanatory Material

Temporary staffing and placement business

Temporary staffing and placement business

Specializes in human resource services, including temporary staffing, placement, and outsourced contracting (factory, product sales, and event-related).

Temporary Staffing / Placement / Recruiting Business Revenue Model



Source: March 29, 2022 Business Plan and Growth Potential Explanatory Material

Sales promotion business

Sales promotion business

We produce and supply a variety of novelty goods such as sewing products, molded plastic products, ceramics, electronic products, etc., according to the contents of in-store sales promotion plans, as well as sales promotion tools, etc. that match product characteristics and the sales floor environment, and we consistently produce and supply them until delivery.

Sales Promotion Business Revenue Model



Source: March 29, 2022 Business Plan and Growth Potential Explanatory Material

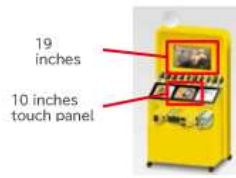
Sales Promotion Business Case Study

Logistics x Sales/Merchandise Representative Health food manufacturer



- Integrated management of sales promotion tools used for new product launches and campaign launches
- Management in conjunction with visiting stores and visited dates
- Reduce waste (lost, unused, etc.) of promotional tools

Sales promotion fixtures x Signage x Rounder Electronics manufacturer



- Digital signage built into fixtures
- Design and functional design with high visibility and appeal
- Addressing the need to reduce the number of store staff
- Integrated support for installation of fixtures at storefronts

Sampling x Research Daily miscellaneous manufacturer



- Create talk scripts that resonate precisely with customers based on group interviews
- Improved average customer service skills of staff through in-depth training

Campaign x Mystery shopper Major restaurant chain



- Integrated services including planning, production of premiums and announcements, logistics, etc.
- Conduct undercover survey during the campaign period
- Gathering Customer Feedback
- Connect to improvements in planning, store operations, etc.

Source: March 29, 2022 Business Plan and Growth Potential Explanatory Material

BPO Business

BPO (call center, debugging, etc.)

We provide BPO (Business Process Outsourcing) including call centers with a long track record. We provide total support to resolve issues such as "cost reduction," "business improvement and efficiency," and "manpower shortage" for our clients.

BPO Business Profit Model



Source: March 29, 2022 Business Plan and Growth Potential Explanatory Material

BPO Business Case Studies

Campaign office management Seasoning manufacturer



- Integrated service from application to contact point and prize delivery
- Reduce administrative man-hours by centrally managing operations
- Outsourcing the secretariat from application to results analysis without access to personal information

Thousands of store applicants, 200 winners

Event management office for raffles, hero shows, etc. Commercial facilities



- Responding to various patterns based on our experience in operating a large number of commercial facilities.
- Smooth operation in cooperation with assigned chiefs
- Responds to sudden event staff vacancies, etc.

Call center system "Infinitalk" Information equipment manufacturer



- Establish an operational system that enables a shift to telecommuting
- Work is leveled through a combination of status management for each member and an automatic incoming call distribution system.
- Reduces response time per case by approximately 2 minutes

Seminar and Certification Examination Administration Office Seminar Organizers



- Flexible response to irregularities on the day of the event based on our experience in running various seminars and examinations
- Smooth operation of seminars and certification examinations through advance training on the content of the examinations and the assignment of experienced personnel

Source: March 29, 2022 Business Plan and Growth Potential Explanatory Material

HR Solution Business Related Group Companies

Company Name	Business Overview	capital stock	Investment Ratio
IMPACT CONNECT, Inc.	Specializing in stores and storefronts. One-stop proposal from planning to realization of in-store sales promotions by utilizing group solutions.	80 million yen	100%
Impact Field Corporation	Provide one-stop field marketing services at retail stores (real stores)	10 million yen	100%
cabic Corporation	Human resource services company specializing in sales promotions	88 million yen	100%
Satsukari Corporation	Recruitment agency specializing in Hokkaido	10 million yen	100%
MEDIAFLAG Corporation	Established mainly for the group's BPO and field marketing businesses. Later started its own business as an Okinawan company.	10 million yen	100%
JMS United Corporation	Provides call center and other business solution services	100 million yen	100%
J-Next Corporation	Our main business is human resource services. Developing placement and temporary staffing services.	100 million yen	100%
IMPACT MIRAI Corporation	Providing a better event experience for event participants and visitors through the science of the three elements of "event efficiency × waste reduction × DX". Aiming to plan and operate sustainable events that are friendly to the global environment.	10 million yen	100%

Source: Prepared by JPR based on company data.

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IoT Solution Business

Growing business with 50% share of small digital signage market

Business Overview

The IoT Solutions business provides approximately 260,000 small digital signage units annually to the retail industry. The main services in this business can be divided into the following four categories

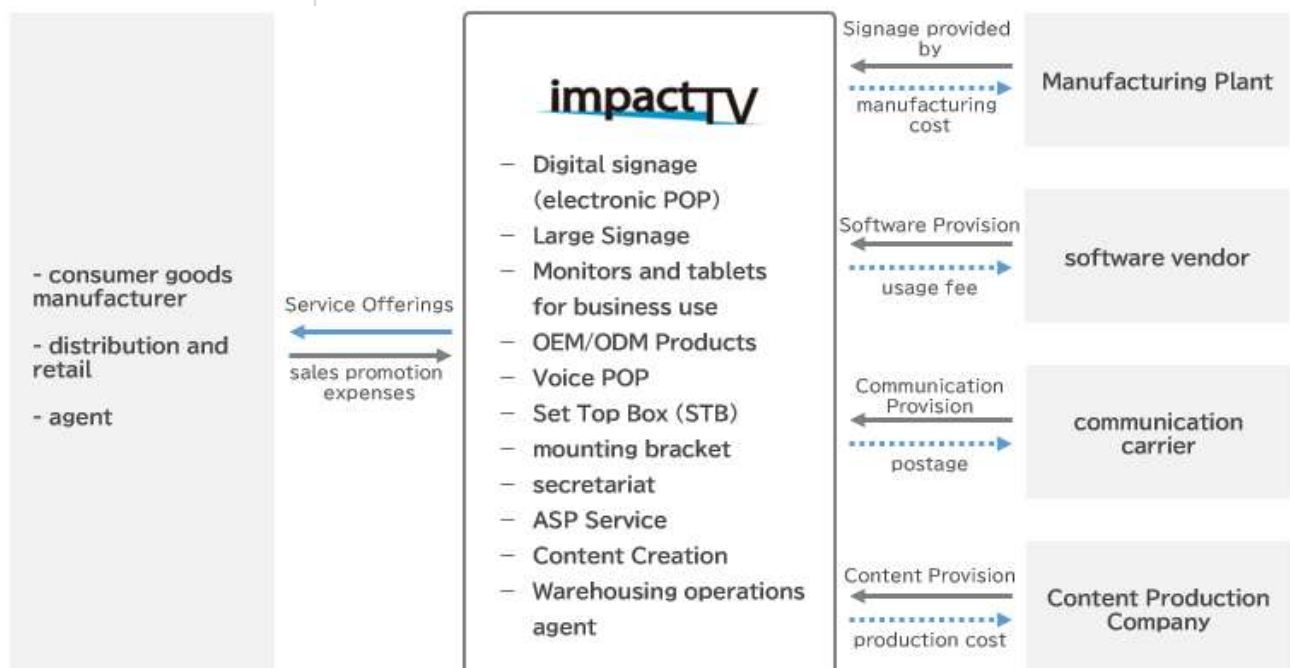
Main Services

digital signage

Provided by our subsidiary, impactTV, which has been proposing "creating a sales environment that sells" for about 30 years. Our digital signage is used for sales promotions to promote actual sales by providing product information and increasing visibility with sound and images to consumers in front of the product. In addition to digital signage, we provide one-stop services including video production, fixture production, installation support, and post-introduction operation services.

As a fables manufacturer of digital signage, provides small signage for sales promotion mainly to consumer goods manufacturers. Expanding its business domain into non-sales promotion areas such as signage advertising media infrastructure operated by advertising media companies and table top order terminals for restaurant chains. Also, as an ODM/OEM development vendor, flexibly develops and provides original products in small lots.










Digital Signage Business Profit Model



Source: March 29, 2022 Business Plan and Growth Potential Explanatory Material

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Digital Signage Business Product Lineup

Small signage for in-store sales promotion	Large Signage	Original signage (special equipment)
 <p>4" Electronic POP</p>  <p>10" PISTA (Online signage)</p>  <p>Digital divider POP</p>  <p>4" Multi SlimPOP (Synchronized signage)</p>  <p>19-inch Display Signage</p>	 <p>43" Vertical navigation system</p>  <p>55-inch large signage</p>	 <p>Advertising media signage for beauty salons</p>  <p>Table-top ordering terminal for restaurants</p>

Source: March 29, 2022 Business Plan and Growth Potential Explanatory Material

Digital Signage Business Case Study

Online Signage Food Manufacturer <ul style="list-style-type: none"> Promote DX for in-store sales promotion On-time video content updates Increased viewership through original in-store video content that effectively utilizes motion sensors Terminal fee + ASP service fee <p>1,000 units</p>	Media signage with security camera function Elevator management company <ul style="list-style-type: none"> Distributes basic information on date, time, and weather, elevator inspection information, and other useful information for users Delivering a variety of content to provide extra value to your daily boarding time Terminal fee + ASP service fee <p>6,800 units</p>
Table Top Ordering Terminal (TTO) Major restaurant chain <ul style="list-style-type: none"> Reduce human costs and streamline the ordering process Reduce order errors by allowing customers to place their own orders from a terminal Immediate switching and reflection by time of day, limited time period, new menus, etc. Terminal fee only <p>22,000 units</p>	Display in front of cash register Major café chain <ul style="list-style-type: none"> Planning, design and manufacturing to original specifications Adjust the color, size, screen brightness, etc. of the enclosure to match the store's spatial design Promoting products, campaign information, etc. in front of the cash register Terminal fee only <p>3,500 units</p>

Source: March 29, 2022 Business Plan and Growth Potential Explanatory Material

IoT Solution Business Related Group Companies

Company Name	Business Overview	capital stock	Investment Ratio
impactTV Inc.	Provide total solutions for point-of-sale sales promotion, including product offerings centered on electronic POP and digital signage	360 million yen	100%

Source: Prepared by JPR based on company data.

MR Solution Business

Helping Real Stores

Grandfathering for creating a sales floor and customer service that is competitive with EC

Business Overview

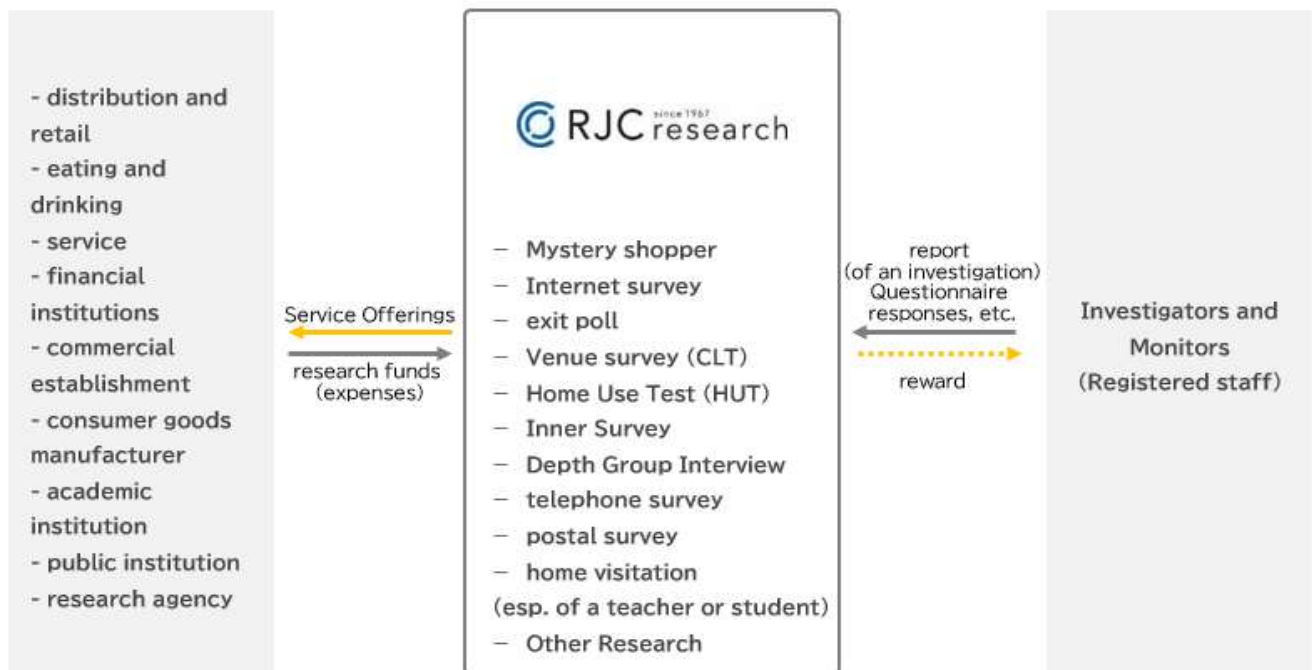
Provides a menu of surveys tailored to your needs, including in-store surveys such as Mystery Shopper, exit, and compliance surveys, as well as various types of marketing research. For issues identified here, we support problem-solving by conducting participatory seminars, including work, with specific knowledge. In addition, under the theme of "Spreading Japanese Hospitality to the World," we provide business support consulting services to local companies and also develop investment business.

Main Services

Marketing research (including Mystery Shopper)

Providing scientific research and analysis services to support effective decision making for all marketing issues of child companies.

MR Solution Business Profit Model



Source: March 29, 2022 Business Plan and Growth Potential Explanatory Material

MR Solution Business Case Studies

Compliance survey Mobile carrier store



- Check for correct rate plan explanations, illegal contracts, etc.
- Checking from a third-party perspective to ensure the fairness of the survey.

1,500 Shops

Home use test Cosmetics manufacturer



- The prototypes are used for a certain period of time to check for irritation, skin problems, and other issues.
- Utilizing our accumulated know-how in research planning, such as subject management methods, we flexibly respond to our clients' wishes in terms of scheduling, etc.

150 Samples

Group interview, sports club



- Identify business strengths and weaknesses, identify unmet needs of existing customers, and identify issues for business expansion
- Conducted management improvement workshops for area managers and store managers based on the survey report
- Program development for new demand is also underway.

24 samples (4G x 6 persons)

Online research (LINE Research) Character business company



- Analyze users by various statuses, such as app usage, character merchandise purchases, etc.
- Utilized as basic data on goods development

screening 12,000 Samples main survey 400 Samples

Source: March 29, 2022 Business Plan and Growth Potential Explanatory Material

MR Solution Business Related Group Companies

Company Name	Business Overview	capital stock	Investment Ratio
RJC Research Inc.	Independent marketing research firm	12 million yen	100%

Source: Prepared by JPR based on company data.

Investment business

Convenience store operations in India

Affiliated company

Business Overview

Modernize "Kirana", which has 14 million stores, and promote further revitalization of consumption and the digital economy in India. While utilizing its network of real stores, the company is strengthening its efforts to serve as a bridge between Japan and India for Japanese companies considering expansion into the Indian market.

Overview of Business in India (Convenience Stores)

Modernization of traditional small stores in Kirana.



Characteristics of Kirana

- Estimated 14 million stores throughout the country
- Old-fashioned analog management system
- Many stores are going out of business.
- IT challenges remain



Modernization of Kirana

(Indian distribution and retail industry)

- Mobile Order
- smart payment
- Delivery, take-out
- digital device

Bridging Japan and India for Japanese companies



Otsuka Foods India, Inc.
(Otsuka Foods Co., Ltd.)



Dear Maruchan Ajinomoto India
(Joint venture between Ajinomoto Co., Ltd.
and Toyo Suisan Kaisha, Ltd.)



Dear KAI Manufacturing India
(Kaijirushi Co., Ltd.)



Source: May 12, 2022 Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2022

Other businesses: Companies accounted for by the equity method

Company Name	Business Overview	capital stock	Investment Ratio
Coffee Day Econ Private Limited	Equity-method affiliate of Impact Holdings in Bengaluru, Karnataka, India, engaged in convenience store operations	103.67 Crore	49%
FPC Corporation	Negotiate with sponsors, negotiate appearances on TV programs and other various media, manage athlete-related SNS, and develop branding business	25 million yen	33%

Source: Prepared by JPR based on company data.

6. Review of the second quarter of the fiscal year ending December 31, 2022

Consecutive
Highest ProfitProfit structure
reforms are
proceedingOverall segment sales
and income increasedForeign exchange
impact on sales
increase but income
decreaseSignificant increase in
profit mainly due to
improved
profitability

Record-high consolidated net sales and operating income

Steady growth based on store DB

Both consolidated net sales and operating income reached record highs consecutively. Steady growth continues based on the store database (store DB), and profit structure reforms are underway to achieve high profitability. Steady growth based on the store DB, which was fully launched in 2021. Consolidated net sales were 6,963 million yen and operating income was 865 million yen in the first half of the year, largely in line with plans. Profit structure reforms to achieve higher profitability have progressed, and the operating profit margin is approximately 1.8 times higher than in FY2021.

HR Solution Business

Expanding business base in epidemic

Rounder services and sales promotion tool production saw an increase in the added value of services due to proposals for sales promotion measures based on store DB, resulting in orders for large projects and higher earnings.

Improved profitability due to intra-group synergy effects

The management, operational, and awareness integration of JMS United Corporation, which provides call center, BPO, and debugging services, and J Next Corporation, which provides temporary staffing and placement services, into the J Trust Group has increased intra-group synergy effects in terms of sales and operations, and improved profitability. This has resulted in increased synergies within the Group in terms of sales and operations, and improved profitability.

IoT Solutions Business

High semiconductor component prices absorbed by price pass-through

Successfully increased added value of products by utilizing store DB and absorbed high semiconductor material costs by passing on higher prices.

Foreign exchange fluctuation due to rapid depreciation of the yen was a factor in lower operating income

Sales increased 9.3% YoY, partly due to increased shipments of high-unit-price terminals such as online signage systems, table-top order terminals, and large-size signage. However, operating income declined 20.2% y-o-y due to the impact of the yen's depreciation on some of the terminals for which orders were received in the second half of the previous fiscal year to manufacture original products in response to customers' requests.

MR Solution Business

Profitability of undercover surveys improved.

Sales and profits increased due to growth in internal audit agency services and compliance surveys for the goods sales and service industries, and improved profitability due to the replacement of a major customer base for undercover surveys at Corona Disaster.

Results by Segment

Segment	Net sales (Thousands of yen)	Year on year (%)	Operating income (thousand yen)	Y-on-Y (%)
HR Solutions Business	4,793,584	17.9	626,963	47.0
IoT Solutions Business	1,573,154	9.3	325,222	△20.2
MR Solution Business	661,863	27.9	176,093	82.3
Corporate	6,963,110	16.5	865,553	26.8

Source: Compiled by JPR from securities reports

Comparison with the previous period

Steady growth based on store database, +16.5% in sales and +26.8% in operating profit in YoY. Profit structure reforms are progressing toward higher profitability, and operating margin is about 1.8x compared to FY2020.

Millions of yen (Composition ratio)	FY2020 2Q Total	FY2021 2Q Total	FY2022 2Q Total	YoY
Net sales	4,596	5,976	6,963	16.50%
Operating income	315 (6.9%)	682 (11.4%)	865 (12.4%)	26.80%
Ordinary income	142 (3.1%)	672 (11.2%)	859 (12.3%)	27.90%
Net income	67 (1.5%)	441 (7.4%)	573 (8.2%)	29.90%

Business Plan Ratio

2Q cumulative results compared to plan: Net sales and operating income both progressed as planned, while ordinary income and net income were higher than expected.

Millions of yen (Composition ratio)	FY2022 2Q Earnings Plan	FY2022 2Q Total	Performance Plan Ratio
Net sales	6,800	6,963	2.3%
Operating income	800 (11.7%)	865 (12.4%)	8.0%
Ordinary income	780 (11.4%)	859 (12.3%)	10.2%
Net income	500 (7.3%)	573 (8.2%)	14.5%

Rate of progress

First half generally progressed as planned
(Progress in the first half of the previous year was 44.8% for net sales and 40.7% for operating income)

Millions of yen (Composition ratio)	FY2022 Full Year Forecast	FY2022 2Q Total	rate of progress
Net sales	16,000	6,963	43.5%
Operating income	2,200 (13.7%)	865 (12.4%)	39.3%
Ordinary income	2,000 (12.5%)	859 (12.3%)	42.9%
Net income	1,400 (8.7%)	573 (8.2%)	40.9%

[Source] 2022.08.12 Online Company Information Meeting for Individual Investors

7. Market Environment

PEST Analysis¹

Choose better
products and services
Protect the
environment

Regulations
pertaining to labeling
and premiums

Stricter regulations
have been in place
since the
establishment of the
Consumer Affairs
Agency in 2009.

Politics & Law

Act against Unjustifiable Premiums and Misleading Representations

1: PEST analysis is a framework for analyzing the external environment surrounding a company based on four factors: Politics, Economy, Society, and Technology.

Objective

Consumer seek better products and services, but there are cases in which products and services are misrepresented as better than they actually are or sold with excessive premiums. The Law for Preventing Unjustifiable Premiums and Misleading Representations strictly regulates misrepresentation of the quality, content, and price of products and services, and limits the maximum amount of premiums to prevent excessive premiums, thereby protecting an environment in which consumers can voluntarily and reasonably select better products and services.

summary

The Act against Unjustifiable Premiums and Misleading Representations has two major prohibitions. The first is the prohibition of misrepresentation. One is "misrepresentation of superior quality," such as by misrepresenting the product's place of origin, and the other is "misrepresentation of advantage," such as by hiding comparative conditions and claiming that the product is cheaper or contains more content than other companies when in fact it is almost the same. The other is "restriction and prohibition of premiums," which prohibits the provision of excessive premiums to prevent consumers from being disadvantaged by being lured by premiums into purchasing poor quality or overpriced products or services.

Outline of the Law Against Unjustifiable Premiums and Misleading Representations

Consumer Affairs Agency and others	Prohibition of unreasonable customer inducement
Prohibition of Misleading <ul style="list-style-type: none"> Representations prohibition of misrepresentation of superiority Prohibition of misrepresentation of advantage Prohibition of other misleading representations 	Restriction and prohibition of premiums <ul style="list-style-type: none"> Restrictions on Premiums offered for general sweepstakes (maximum amount and total value) Restrictions on premiums offered in joint sweepstakes (maximum amount and total value) Restrictions on premiums offered in joint sweepstakes (maximum amount and total value)

[Source] Consumer Affairs Agency website: https://www.caa.go.jp/policies/policy/representation/fair_labeling/

Status of Recent Amendments

The Law for Preventing Unjustifiable Premiums and Misleading Representations has changed dramatically over the past decade in terms of consumer protection. The Act against Unjustifiable Premiums and Misleading Representations used to be a part of the Antimonopoly Act, regulating unfair trade both B-to-B and B-to-C. However, with the establishment of the Consumer Affairs Agency in 2009, it was transferred from the jurisdiction of the Fair Trade Commission and redefined as the Consumer Law. This did not alter the law, but rather brought matters related to consumers more into focus.

Strict regulatory compliance requires data-based evidence

More evidence is needed.

The Value of Store DB to Increase

In-store promotion market approx. 820 billion yen

The Value of a Reliable DB Increases in Times of Rapid Change

Furthermore, the Law for Preventing Unjustifiable Premiums and Misleading Representations was amended in 2016 to establish a compliance system for businesses, strengthen the monitoring and guidance system, and introduce a surcharge system; the first two went into effect the same year, while the surcharge system went into effect in 2018. These amendments resulted in stricter regulations as well as the need to establish a monitoring system. Therefore, companies must pay more attention to labeling than ever before, or risk liability for overlooking labeling errors, even if they were unintentional.

Unfair Competition Prevention Law

The purpose of the Unfair Competition Prevention Law is to contribute to the sound development of the economy by maintaining fair competition among businesses. The act of misrepresentation includes, for example, selling or using in advertisements a product that imitates the logo, shape, etc. of a famous brand.

Impact on our company

Laws and regulations related to sales promotions will continue to become stricter from the perspective of consumer protection, but in the retail sector, which has an extremely large number of products, the effort required to respond is enormous, and there is a risk of violating laws and regulations due to unintentional omissions. In such an environment, the processing and response capabilities of the Company's store database and 280,000 media crews responsible for execution will be more effective. The store database is expected to be highly effective not only in terms of aggressive sales promotion but also in terms of risk reduction.

Economy

Sales promotion industry less affected by economic fluctuations

Sales promotion needed to support the sales floor even under adverse conditions

The domestic in-store promotion market is worth approximately 820 billion yen, according to our calculations. At first glance, it would appear that sales promotion expenses spent by companies are influenced by the economic environment, but in reality, there is little fluctuation. For example, advertising costs are likely to be reduced in response to corporate performance, but if sales promotion costs are lowered, the sales floor is likely to be affected and there is a risk that sales will decline further. This is why the sales promotion market recovered relatively quickly even in situations such as the Great East Japan Earthquake, when all of Japan was suffering, and the situation was similar for the Corona Disaster.

Sales promotion is needed in times of change, such as inflation

In Japan, where deflation has been in place for a long time, even when material costs soar, price hikes rarely occur due to consumer sentiment. However, there are situations in which a company's efforts reach a limit and it is forced to raise prices. In such cases, sales promotion measures are taken to prevent consumers from leaving the company. Even if a company is in a difficult situation, it may be strangling itself if it cuts back on sales promotion expenses, so sales promotion is required to maintain sales.

SDGs promotion
contributes to
dematerialization
and de-technology

Advances in IoT/AI
are positive for the
Company

Community

Trends toward de-commoditization and de-technologization also add to sales promotion.

Dematerialism" refers to the idea of seeking quality of life rather than material abundance, respecting individual independence, choosing a lifestyle, and preferring to express and be recognized for that lifestyle. De-technologization" refers to the idea that technology is not the primary concern, but rather the betterment of people, cities, and society. If manufacturers, retail industry, and other providers of goods and services do not follow these major changes in consumer thinking and provide their own sense of value, they will be left behind. In order to respond to these changes, our sales promotions, which are based on direct contact with and excellent analysis of consumer behavior patterns at store sites, can be a more effective means of responding to these changes.

Technology

Advances in IoT/AI will give us an advantage

While advances in AI will contribute to the accuracy of analysis of our core store DB, the IoT will also further enhance the execution of field service development at store sites, especially in digital signage. For example, we explained that sales promotion costs did not fluctuate significantly in the Corona disaster, but there were cases where Sampling sales were not possible due to regulations in the execution of sales promotions. In such cases, digital signage supported the sales promotion. As the IoT progresses in this way, the diversification of sales promotion methods and the sophistication of their contents will enable us to devise more diverse methods for sales promotion planning, which will expand our superiority in this area.

IoT Market Environment



※ Source: IoT market from "IoT Market Trend Research Report" by the Information & Telecommunications Network Association of Japan (IOTA). Forecasts for FY2021. The digital signage market is calculated by us based on "Digital Signage Market Research 2021" by Fuji Chimera Research Institute. Forecasts for FY2021.
 ※ The market for small signage for sales promotion is calculated by us on the basis of business sales.

[Source] March 29, 2022 Business Plan and Growth Potential Explanatory Material

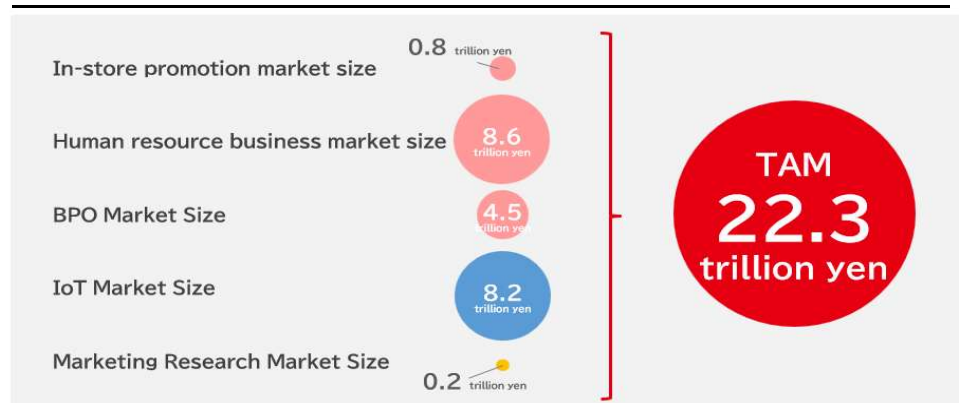
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5-Force Analysis

5-Force Analysis

Unique and almost no competition exists.

Markets targeted by the Group



※ Sources: Listed on p. 18-22.

[Source] March 29, 2022 Business Plan and Growth Potential Explanatory Material

No competition in
quality and quantity
in store field-based
databases

Competition in the industry

No company from a major retail industry background like ours has established a business model to utilize store information such as store DB for sales promotion, and there is no competitive environment on the same scale as ours. In the sales promotion support industry, there are usually separate companies that execute in sales promotion planning and sales promotion operation, and major advertising companies and major printing companies receive orders for the major source of sales promotion planning. While our future competitors will be such large companies, the company will have an advantage in terms of uniqueness because we can propose "where" through the use of store DBs, as opposed to competitors who focus on "what". In addition, while major companies usually outsource sales promotion operations to a separate company, the company has the advantage of being able to provide one-stop service for sales promotion operations. By being directly involved in the operation, the company are able to collect real information from the store floor, which strengthens our store database. This cycle has the potential to make us one of the best in the industry.

Threat of Substitution

In sales promotion planning, the company have a large number of photos of stores and sales floors that are not being utilized, and there is potential to add to them through AI analysis. Similarly, we have real data that is still dormant, and if a new analysis method could be developed, it could be used as a substitute, but at present we are the only company that has found such a method. In sales promotion operations, new sales promotion methods such as digital signage are possible with the evolution of IoT. In addition, with the expansion of e-commerce, the diversification of online sales promotion methods and OMOs that are linked to offline sales promotion will continue to progress.

substitution difficult

Difficult for new entrants due to the need to analyze trends in a wide range of activities in the field

Build a close relationship with the buyer

The company is attractive from a contractor's point of view

Threat of new entrants

New entrants, like us, can do so by collecting data from store sites, compiling it into a database, and conducting AI analysis, and activities like ours are attracting attention due to the advancement of AI and other technologies. However, there are a large number of stores, and collecting data on the analog behavior of store visitors requires considerable labor and store cooperation. In addition, while the company have accumulated data for more than a decade since their founding, new entrants are forced to purchase past data from the holders, but do not even know whether the data exists or not. Therefore, in most cases, new entrants need to collect data from scratch, and the hurdles to entry are very high because they are very behind the company by more than 10 years.

Buyer's bargaining power

Sales and operating profit rather increased before and after Corona, showing the usefulness of the one and only store DB. Detailed selling prices are unknown, but estimates based on high return on invested capital of 30% on average show no impact of price-cutting negotiations. In the future, if AI analysis of the dormant on-site data progresses, there will be an additional factor that will make it an even higher value-added business model.

Seller's bargaining power

Procurement in our company is contract personnel like Mystery Shopper and Sales/Merchandise Representative. Our 280,000 registered employees are proof of this. Procurement of digital signage is not a particular advantage, and furthermore, procurement of semiconductors, the main material, depends on sellers as demand is currently tight. The company has secured enough inventory for the current fiscal year, but the next fiscal year will depend on the market environment and procurement efforts.

8. Reference Materials - Financial Forecasts of Comparable Companies

2130: Members Co., Ltd.

[¥100mn]	Current Year 2023.03	1 year later 2024.03	2 years later 2025.03	3 years later 2026.03	4 years later 2027.03	5 years later 2028.03	6 years later 2029.03	7 years later 2030.03	8 years later 2031.03	9 years later 2032.03	10 years later 2033.03	11 years later 2034.03	12 years later 2035.03	Terminal Value
Sales	182	213	249	291	341	399	453	503	546	584	617	617	617	
Operating income	22.0	25.7	30.1	35.2	41.2	48.2	54.8	60.8	66.0	70.6	74.6	74.6	74.6	
Operating margin	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	
Sales growth rate	21.8%	17.0%	17.0%	17.0%	17.0%	17.0%	13.6%	10.9%	8.7%	7.0%	5.6%	0.0%	0.0%	
NOPAT margin	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	
Invested capital turnover ratio	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	
WACC	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
ROIC = NOPAT margin ÷ invested capital net sales ratio	23.9%	23.9%	23.9%	23.9%	23.9%	23.9%	23.9%	23.9%	23.9%	23.9%	23.9%	23.9%	23.9%	
ROIC / WACC (value created with the original hand of 1 y	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	
NOPAT	15.21	17.80	20.82	24.36	28.50	33.35	37.88	42.01	45.66	48.84	51.56	51.56	51.56	
Invested capital × WACC	5.29	6.19	7.24	8.47	9.91	11.59	13.17	14.60	15.87	16.98	17.92	17.92	17.92	
EVA	9.92	11.61	13.58	15.89	18.60	21.76	24.72	27.41	29.79	31.87	33.64	33.64	33.64	
EVA = NOPAT - invested capital × WACC	9.92	11.61	13.58	15.89	18.60	21.76	24.72	27.41	29.79	31.87	33.64	33.64	33.64	
Value created in each year	119	20	24	28	33	38	36	32	29	25	21	0	0	
Discount Rate	100%	92%	85%	79%	73%	67%	62%	57%	53%	49%	45%	42%	38%	
Present value of EVA	119	19	20	22	24	26	22	19	15	12	10	9	0	
Invested capital ① Origin	64													
Over profit value (Permanent value of EVA of this ten	119													
Growth value (Present value of increase in EVA) ③	188													
Non-business asset value ④	0													
Corporate value = ① + ② + ③ + ④	371													
Interest-bearing debt, etc.	-8													
Shareholder value	363													

Source: Compiled by JPR from FactSet and other sources. Source] Compiled by JPR from FactSet and other sources.

4499: Speee

[¥100mn]	Current Year 2022.09	1 year later 2023.09	2 years later 2024.09	3 years later 2025.09	4 years later 2026.09	5 years later 2027.09	6 years later 2028.09	7 years later 2029.09	8 years later 2030.09	9 years later 2031.09	10 years later 2032.09	11 years later 2033.09	12 years later 2034.09	Terminal Value
Sales	125	150	180	216	259	311	360	407	448	485	517	517	517	
Operating income	15.0	18.0	21.6	25.9	31.1	37.3	43.3	48.9	53.9	58.3	62.1	62.1	62.1	
Operating margin	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	
Sales growth rate	-1.6%	20.0%	20.0%	20.0%	20.0%	20.0%	16.0%	12.8%	10.2%	8.2%	6.6%	0.0%	0.0%	
NOPAT margin	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	
Invested capital turnover ratio	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	37.1%	
WACC	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%
ROIC = NOPAT margin ÷ invested capital net sales ratio	22.4%	22.4%	22.4%	22.4%	22.4%	22.4%	22.4%	22.4%	22.4%	22.4%	22.4%	22.4%	22.4%	
ROIC / WACC (value created with the original hand of 1 year	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	
NOPAT	10.38	12.45	14.94	17.93	21.52	25.82	29.96	33.79	37.25	40.30	42.94	42.94	42.94	
Invested capital × WACC	3.76	4.51	5.41	6.49	7.79	9.35	10.84	12.23	13.48	14.59	15.54	15.54	15.54	
EVA	6.62	7.95	9.54	11.44	13.73	16.48	19.11	21.56	23.77	25.71	27.40	27.40	27.40	
EVA = NOPAT - invested capital × WACC	6.62	7.95	9.54	11.44	13.73	16.48	19.11	21.56	23.77	25.71	27.40	27.40	27.40	
Value created in each year	82	16	20	24	28	34	33	30	27	24	21	0	0	
Discount Rate	100%	93%	86%	79%	73%	68%	63%	58%	54%	50%	46%	42%	39%	
Present value of EVA	82	15	17	19	21	23	20	17	15	12	10	9	0	
Invested capital ① Origin	46													
Over profit value (Permanent value of EVA of this ten	82													
Growth value (Present value of increase in EVA) ③	168													
Non-business asset value ④	20													
Corporate value = ① + ② + ③ + ④	317													
Interest-bearing debt, etc.	-10													
Shareholder value	306													

6533: Orchestra Holdings

[¥100mn]	Current Year 2022.12	1 year later 2023.12	2 years later 2024.12	3 years later 2025.12	4 years later 2026.12	5 years later 2027.12	6 years later 2028.12	7 years later 2029.12	8 years later 2030.12	9 years later 2031.12	10 years later 2032.12	11 years later 2033.12	12 years later 2034.12	Terminal Value
Sales	100	121	146	177	214	259	303	344	381	413	442	442	442	
Operating income	16.7	20.2	24.5	29.6	35.8	43.3	50.6	57.4	63.6	69.0	73.8	73.8	73.8	
Operating margin	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	
Sales growth rate	-39.9%	21.0%	21.0%	21.0%	21.0%	21.0%	16.8%	13.4%	10.8%	8.6%	6.9%	0.0%	0.0%	
NOPAT margin	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	
Invested capital turnover ratio	69.9%	69.9%	69.9%	69.9%	69.9%	69.9%	69.9%	69.9%	69.9%	69.9%	69.9%	69.9%	69.9%	
WACC	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%
ROIC = NOPAT margin ÷ invested capital net sales ratio	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	
ROIC / WACC (value created with the original hand of 1 y	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	
NOPAT	11.55	13.97	16.91	20.46	24.75	29.95	34.98	39.68	43.95	47.73	51.01	51.01	51.01	
Invested capital × WACC	5.65	6.83	8.27	10.00	12.11	14.65	17.11	19.41	21.49	23.34	24.95	24.95	24.95	
EVA	5.90	7.14	8.64	10.45	12.65	15.30	17.87	20.27	22.45	24.38	26.06	26.06	26.06	
EVA = NOPAT - invested capital × WACC	5.90	7.14	8.64	10.45	12.65	15.30	17.87	20.27	22.45	24.38	26.06	26.06	26.06	
Value created in each year	73	15	19	22	27	33	32	30	27	24	21	0	0	
Discount Rate	100%	93%	86%	79%	73%	68%	63%	58%	54%	50%	46%	43%	39%	
Present value of EVA	73	14	16	18	20	22	20	17	14	12	10	9	0	
Invested capital ① Origin	70													
Over profit value (Permanent value of EVA of this ten	73													
Growth value (Present value of increase in EVA) ③	163													
Non-business asset value ④	-0													
Corporate value = ① + ② + ③ + ④	306													
Interest-bearing debt, etc.	-22													
Shareholder value	284													

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3655:Brain putt

[¥100mn]	Current Year 2023.06	1 year later 2024.06	2 years later 2025.06	3 years later 2026.06	4 years later 2027.06	5 years later 2028.06	6 years later 2029.06	7 years later 2030.06	8 years later 2031.06	9 years later 2032.06	10 years later 2033.06	11 years later 2034.06	12 Years later 2035.06	Terminal Value
Sales	103	128	158	196	244	302	360	415	466	512	552	552	552	
Operating income	11.0	13.6	16.9	21.0	26.0	32.2	38.4	44.3	49.8	54.7	59.0	59.0	59.0	
Operating margin	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	
Sales growth rate	20.3%	24.0%	24.0%	24.0%	24.0%	24.0%	19.2%	15.4%	12.3%	9.8%	7.9%	0.0%	0.0%	
NOPAT margin	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	
Invested capital turnover ratio	41.6%	41.6%	41.6%	41.6%	41.6%	41.6%	41.6%	41.6%	41.6%	41.6%	41.6%	41.6%	41.6%	
WACC	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
ROIC = NOPAT margin ÷ invested capital net sales ratio	17.8%	17.8%	17.8%	17.8%	17.8%	17.8%	17.8%	17.8%	17.8%	17.8%	17.8%	17.8%	17.8%	
ROIC / WACC (value created with the original hand of 1 y	¥2.3	¥2.3	¥2.3	¥2.3	¥2.3	¥2.3	¥2.3	¥2.3	¥2.3	¥2.3	¥2.3	¥2.3	¥2.3	
NOPAT	7.61	9.43	11.69	14.50	17.98	22.30	26.58	30.66	34.43	37.81	40.78	40.78	40.78	
Invested capital × WACC	3.31	4.11	5.09	6.32	7.83	9.71	11.58	13.36	15.00	16.47	17.77	17.77	17.77	
EVA	4.29	5.32	6.60	8.18	10.15	12.58	15.00	17.30	19.43	21.34	23.02	23.02	23.02	
EVA = NOPAT - invested capital × WACC	4.29	5.32	6.60	8.18	10.15	12.58	15.00	17.30	19.43	21.34	23.02	23.02	23.02	
Value created in each year	55	13	16	20	25	31	31	30	27	25	22	0	0	
Discount Rate	100%	93%	86%	80%	74%	69%	64%	59%	55%	51%	47%	44%	41%	
Present value of EVA	55	12	14	16	19	22	20	18	15	13	10	4	0	
Invested capital ÷ Origin	43													
Over profit value (Permanent value of EVA of this term)	55													
Growth value (Present value of increase in EVA) ③	159													
Non-business asset value ④	7													
Corporate value = ① + ② + ③ + ④	264													
Interest-bearing debt, etc.	-1													
Shareholder value	263													

3983: Oro

[¥100mn]	Current Year 2022.12	1 year later 2023.12	2 years later 2024.12	3 years later 2025.12	4 years later 2026.12	5 years later 2027.12	6 years later 2028.12	7 years later 2029.12	8 years later 2030.12	9 years later 2031.12	10 years later 2032.12	11 years later 2033.12	12 Years later 2034.12	Terminal Value
Sales	62	68	74	81	87	93	98	103	106	109	112	112	112	
Operating income	20.5	22.5	24.6	26.7	28.8	30.8	32.6	34.0	35.2	36.2	37.1	37.1	37.1	
Operating margin	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	
Sales growth rate	11.7%	9.0%	9.0%	8.6%	7.8%	7.0%	5.6%	4.5%	3.6%	2.9%	2.3%	0.0%	0.0%	
NOPAT margin	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	
Invested capital turnover ratio	62.1%	62.1%	62.1%	62.1%	62.1%	62.1%	62.1%	62.1%	62.1%	62.1%	62.1%	62.1%	62.1%	
WACC	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%
ROIC = NOPAT margin ÷ invested capital net sales ratio	36.9%	36.9%	36.9%	36.9%	36.9%	36.9%	36.9%	36.9%	36.9%	36.9%	36.9%	36.9%	36.9%	
ROIC / WACC (value created with the original hand of 1 y)	¥4.5	¥4.5	¥4.5	¥4.5	¥4.5	¥4.5	¥4.5	¥4.5	¥4.5	¥4.5	¥4.5	¥4.5	¥4.5	
NOPAT	14.17	15.53	17.02	18.49	19.92	21.32	22.51	23.52	24.36	25.05	25.63	25.63	25.63	
Invested capital × WACC	3.15	3.45	3.78	4.10	4.42	4.72	5.00	5.22	5.41	5.56	5.69	5.69	5.69	
EVA	11.03	12.08	13.24	14.39	15.50	16.59	17.51	18.30	18.95	19.49	19.94	19.94	19.94	
EVA = NOPAT - invested capital × WACC	11.03	12.08	13.24	14.39	15.50	16.59	17.51	18.30	18.95	19.49	19.94	19.94	19.94	
Value created in each year	135	13	14	14	14	13	11	10	8	7	5	0	0	
Discount Rate	100%	92%	85%	79%	73%	67%	62%	58%	53%	49%	45%	42%	39%	
Present value of EVA	135	12	12	11	10	9	7	6	4	3	2	0	0	
Invested capital ÷ Origin	38													
Over profit value (Permanent value of EVA of this term)	135													
Growth value (Present value of increase in EVA) ③	76													
Non-business asset value ④	33													
Corporate value = ① + ② + ③ + ④	282													
Interest-bearing debt, etc.	-7													
Shareholder value	275													

9246: Project Company

[¥100mn]	Current Year 2022.12	1 year later 2023.12	2 years later 2024.12	3 years later 2025.12	4 years later 2026.12	5 years later 2027.12	6 years later 2028.12	7 years later 2029.12	8 years later 2030.12	9 years later 2031.12	10 years later 2032.12	11 years later 2033.12	12 Years later 2034.12	Terminal Value
Sales	42	54	71	94	123	160	200	240	278	313	345	345	345	
Operating income	9.1	11.9	15.6	20.5	26.8	35.1	43.8	52.5	60.8	68.6	75.5	75.5	75.5	
Operating margin	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%	
Sales growth rate	94.4%	31.0%	31.0%	31.0%	31.0%	31.0%	24.8%	19.8%	15.9%	12.7%	10.2%	0.0%	0.0%	
NOPAT margin	15.1%	15.1%	15.1%	15.1%	15.1%	15.1%	15.1%	15.1%	15.1%	15.1%	15.1%	15.1%	15.1%	
Invested capital turnover ratio	45.3%	45.3%	45.3%	45.3%	45.3%	45.3%	45.3%	45.3%	45.3%	45.3%	45.3%	45.3%	45.3%	
WACC	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
ROIC = NOPAT margin ÷ invested capital net sales ratio	33.4%	33.4%	33.4%	33.4%	33.4%	33.4%	33.4%	33.4%	33.4%	33.4%	33.4%	33.4%	33.4%	
ROIC / WACC (value created with the original hand of 1 y	¥4.3	¥4.3	¥4.3	¥4.3	¥4.3	¥4.3	¥4.3	¥4.3	¥4.3	¥4.3	¥4.3	¥4.3	¥4.3	
NOPAT	6.29	8.24	10.80	14.14	18.53	24.27	30.29	36.30	42.07	47.41	52.22	52.22	52.22	
Invested capital × WACC	1.46	1.91	2.51	3.28	4.30	5.64	7.03	8.43	9.77	11.01	12.13	12.13	12.13	
EVA	4.83	6.33	8.29	10.86	14.23	18.64	23.26	27.87	32.30	36.40	40.10	40.10	40.10	
EVA = NOPAT - invested capital × WACC	4.83	6.33	8.29	10.86	14.23	18.64	23.26	27.87	32.30	36.40	40.10	40.10	40.10	
Value created in each year	62	19	25	33	43	57	60	60	57	53	48	0	0	
Discount Rate	100%	93%	86%	80%	74%	69%	64%	59%	55%	51%	47%	44%	41%	
Present value of EVA	62	18	22	27	32	39	38	35	31	27	23	4	0	
Invested capital ÷ Origin	19													
Over profit value (Permanent value of EVA of this term)	62													
Growth value (Present value of increase in EVA) ③	292													
Non-business asset value ④	8													
Corporate value = ① + ② + ③ + ④	381													
Interest-bearing debt, etc.	-3													
Shareholder value	378													

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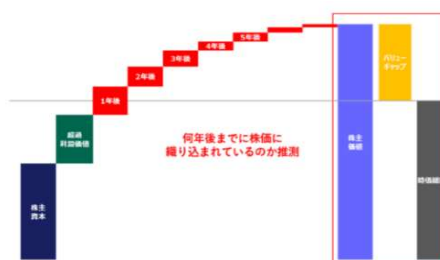
Reference

Corporate value
estimated by use of ROIC
and excess return

Excess return analysis framework

Excess profit or economic value added is globally used as an indicator to estimate corporate value, evidenced by its adoption by Kao Corporation, a Grand Prix winner of the Tokyo Stock Exchange Fifth Corporate Value Improvement Award (FY2016). In the calculation of excess return, corporate value can be broken down into four elements: invested capital, excess return value, growth value, and non-business assets. This facilitates a better understanding of the structure that creates corporate value. A company might be overvalued or undervalued when its market cap is higher or is lower than its theoretical corporate value, respectively. The contribution of each year's corporate value can be visualized in the following figure, wherein shareholders' equity is simply represented as a sum of invested capital and non-business asset, subtracting interest-bearing debts. The figure below allows us to estimate how many years of growth might be incorporated into the stock price.

Breakdown of corporate value using excess return



[source] JPR

Estimated excess return is profit that exceeds investors' return expectations against invested capital. Its present value is "excess return value," while a potentially growing portion of excess return is "growth value." Moreover, assets not used in business are added as non-business asset value in estimating a theoretical corporate value. Theoretically, the estimated corporate value using excess return should be the same as the value estimated using the discount cash flow (DCF) model. This report calculates excess return by using the following figures in a simplified manner.

- ① Excess return = NOPAT – Invested capital X WACC
- ② Net Operating Profit After Tax (NOPAT) = Operating profit X (1 - Effective tax rate)
- ③ Invested capital = Total assets – Non-business assets – Current liabilities excluding Interest-bearing debt
- ④ Non-business assets = Cash and deposits exceeding 10% of sales + Short-term investment securities + Investment securities + Deferred gains or losses on hedges + Land revaluation difference + Foreign currency translation adjustments
- ⑤ Weighted average cost of capital (WACC) = After-tax interest rate of interest-bearing debt X (D / (E+D)) + Cost of shareholders' equity X (E / (E+D))
- ⑥ Cost of shareholders' equity = 0.5% + 5% X β
- ⑦ β = Slope of a linear regression line of five-year daily returns of TOPIX and the stock price of the target company
- ⑧ E = Market cap at the time of calculation
- D = Short-term interest-bearing debt + Long-term liabilities + Minority interests in the latest financial statements at the time of calculation

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