



**FY2023** (Ending October 31, 2023)

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# **Second Quarter (Q2)**

**Material for Quarterly Financial Results Briefing**



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# Section 01

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## Corporate Overview

# Services

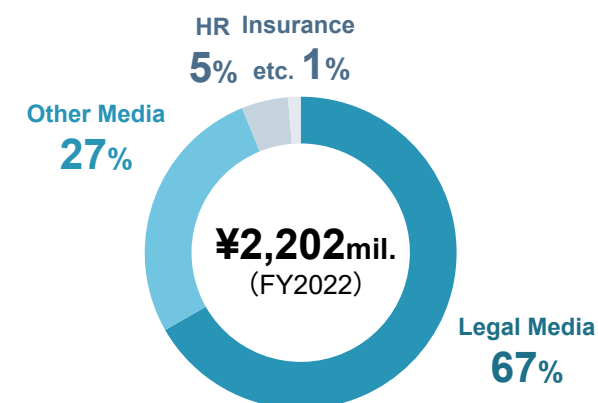
Our main business is the operation of Legal Media that provide legal information. We have been branding our Legal Media sites to increase recognition, and have recently completed the unification of the site names to "BenNavi. In addition, we completed the M&A of "Bikkore" as of March 31, 2023, and started consolidation as one business of Other Media from 2Q.

## Business category

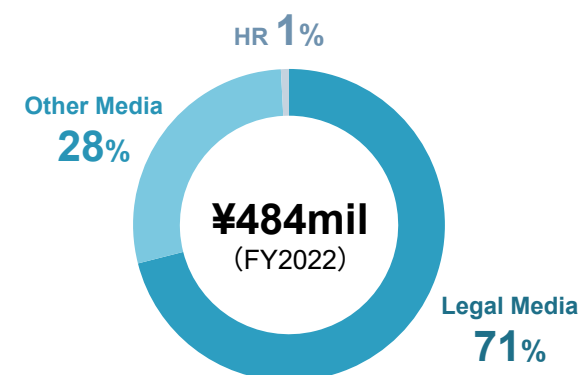
	Services	Main customers	Main services
Legal Media & Other	Legal Media (Started in 2012)	Operation of specialized sites for legal case fields	Law firms
	Other Media <sup>1</sup> (Started in 2014)	Affiliate Site "Carism" "Expert Search for Infidelity Investigation" "Hotline for Missing Person Search," "Bikkore"	Staffing companies, private detective offices, Securities company, Crypto asset exchange
Human Resources (HR) (Started in 2020)	HR recruitment business (placement of attorneys, certified public accountants, back-office personnel, etc.)	Professional firms, general companies	
Insurance <sup>2</sup> (Started in 2022)	Sale of small-amount short-term insurance	Individuals	

Note: 1 The Company acquired shares of "Bikkore" on March 31, 2023, and began consolidation from the 2Q of the fiscal year ending October 31, 2023.  
2 The Company acquired shares of ASIRO SSI Inc. (formerly Kailas Small Amount and Short term Insurance) on April 28, 2022, and began consolidation from the third quarter of the fiscal year ending October 31, 2022.

## Revenue Composition



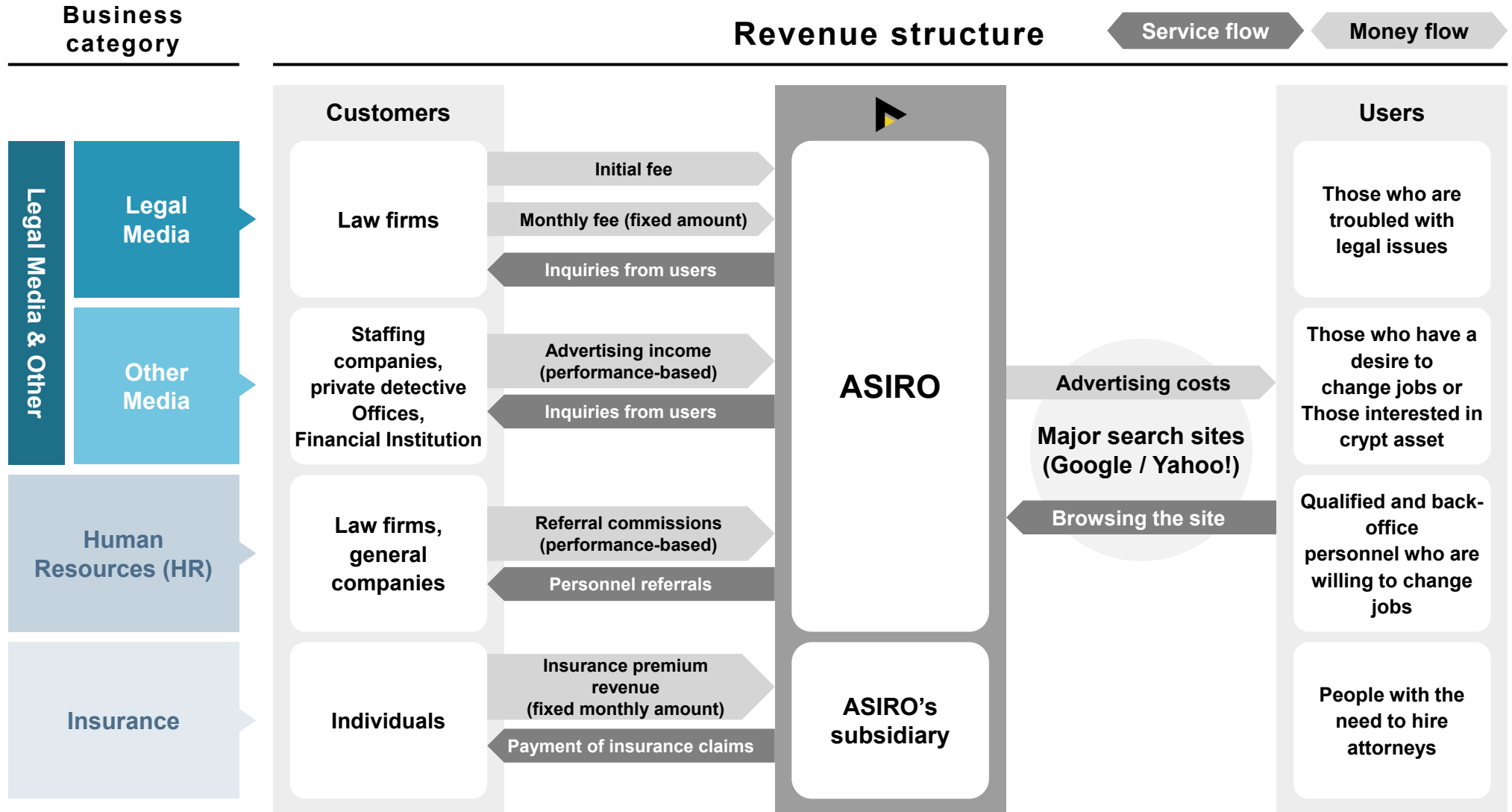
## Operating Profit Composition<sup>3</sup>



Note: 3 Divisions with negative operating profit (e.g. Insurance) are assumed to be zero and their composition ratios are calculated.

# Business model

Revenue from Legal Media and Insurance is basically made up of fixed monthly income in a model with increasing recurring revenue. Other Media and HR business adopt a performance-based business model based on the number of inquiries and the number of new employees.



# Section 02

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## Financial Results Summary

# Summary of Results for FY2023 Q2 (Feb. 2023-Apr. 2023)

Sales grew at a rate of approximately 50% YoY, growing steadily above the target of 30%. Operating profit decreased YoY due to this fiscal year being positioned as a “growth investment period” in the Medium-term Management Plan, but profit was higher than budgeted in Q2 since sales significantly exceeded budget.

(unit: million yen)	FY2023 Q2	FY2022 Q2	YoY	FY2023 Q1	QoQ
Revenue	800	536	49.2%	687	16.5%
Operating profit	41	160	-74.2%	79	-48.1%
Operating profit margin (%)	5.1	29.8	-24.6pt	11.5	-6.4pt
Profit attributable to owners of parent	21	108	-80.4%	45	-52.5%
Profit margin attributable to owners of parent (%)	2.6	20.2	-17.6pt	6.5	-3.8pt
Employees*	78(10)	55(6)	41.8%	60(9)	30.0%

Note: 1 The number of temporary employees is the average number of employees during the accounting period (working hours converted to 8 hours per day), which is shown in parentheses.

YoY and QoQ growth rates do not include the number of temporary employees.

# Summary by Business for FY2023 Q2 cumulative (Nov. 2022-Apr. 2023)

Revenue of business overall increased YoY, with an overall growth rate exceeding 40%. Operating profit decreased YoY due to proceeding with investment as planned to achieve the Medium-term Management Plan targets, but Q2 cumulative total revenue significantly exceeded budget, and profit higher than budget was generated.

<b>FY2023 Q2 cumulative results</b>	<p>All businesses grew, with revenue growth reaching a level exceeding 40% YoY. Operating profit decreased due to proceeding with investment as planned to achieve the Medium-term Management Plan targets. The profit budgeted for the fiscal year has already been exceeded.</p> <p>Revenue: <b>1,486</b> million yen <b>(45.6% increase YoY)</b>  Operating profit: <b>120</b> million yen <b>(60.2% decrease YoY)</b></p>
<b>Legal Media</b>	<p>Achieved 30% revenue growth. Profit increased YoY despite proceeding with investment such as branding.</p> <p>Revenue: <b>893</b> million yen <b>(30.8% increase YoY)</b>  Operating profit: <b>316</b> million yen <b>(5.7% increase YoY)</b></p>
<b>Other Media</b>	<p>Achieved a significant increase in revenue. Operating profit decreased due to investment in labor costs and outsourcing costs aimed at expansion of revenue.</p> <p>Revenue: <b>499</b> million yen <b>(75.7% increase YoY)</b>  Operating profit: <b>127</b> million yen <b>(12.9% decrease YoY)</b></p>
<b>HR</b>	<p>While revenue steadily grew, operating profit decreased due to upfront investment such as labor costs aimed at business expansion.</p> <p>Revenue: <b>64</b> million yen <b>(17.1% increase YoY)</b>  Operating profit: <b>-44</b> million yen <b>(69 million yen deterioration YoY)</b></p>
<b>Insurance and Other<sup>1</sup></b>	<p>Started including an insurance subsidiary in scope of P/L consolidation from Q3 of previous fiscal year. In the red at present due to being in the investment phase.</p> <p>Revenue: <b>31</b> million yen <b>(31 million yen increase YoY)</b>  Operating profit: <b>-70</b> million yen <b>(50 million yen deterioration YoY)</b></p>
<b>Company-wide</b>	<p>In addition to outsourcing costs associated with the Bikkore M&amp;A, labor costs and other expenses (office rent, etc.) also increased.</p> <p>Operating profit: <b>-209</b> million yen <b>(62 million yen deterioration YoY)</b></p>

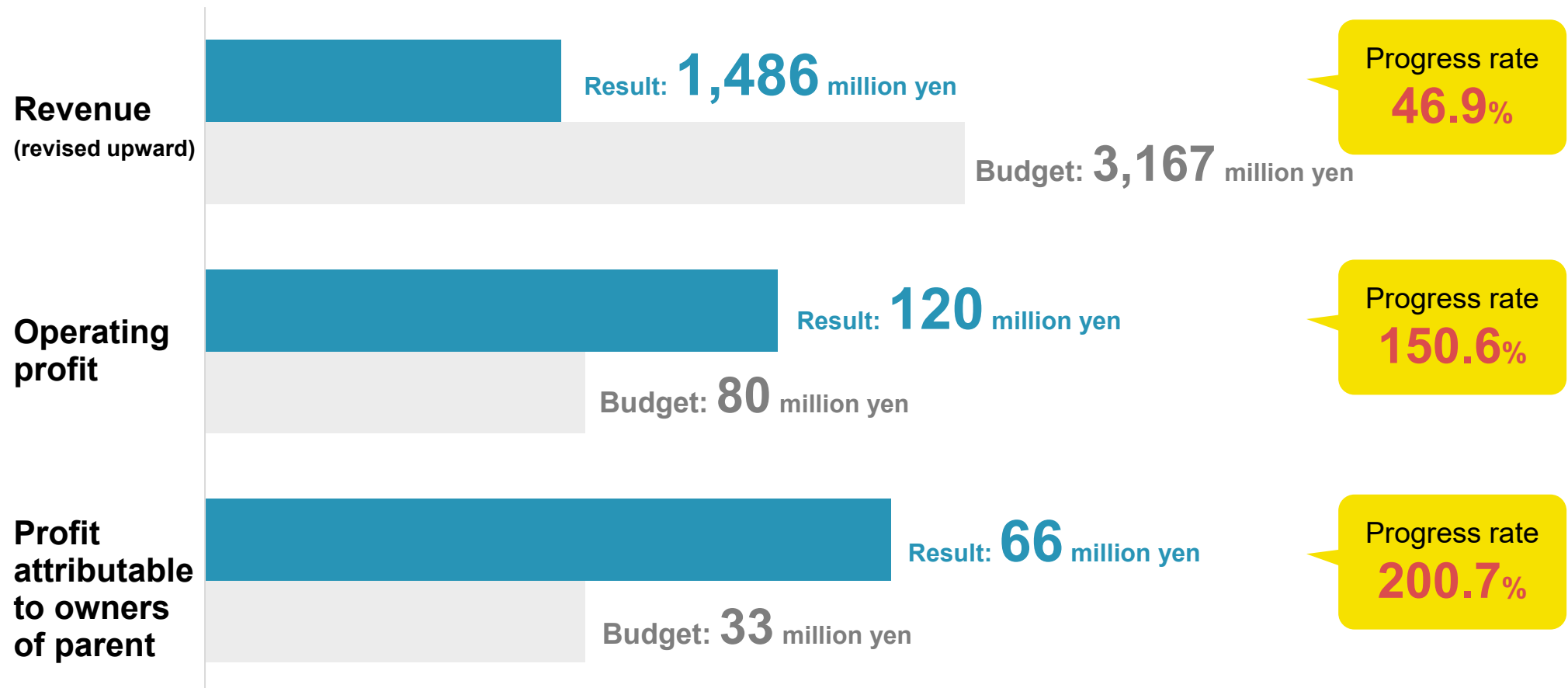
Note: 1 Figures for the Insurance business and other divisions.



# FY2023 Q2 Cumulative Results vs Full-year Targets

We announced an upward revision to earnings forecast today, in light of the fact that the progress rate for revenue has exceeded 50% of the earnings forecast before revision. Although profits have already exceeded the full-year forecast due to the sales revenue exceeding the budget, the profit forecast remains unchanged because we positioned the current fiscal year as a period for investment and continue to make investments in a flexible manner.

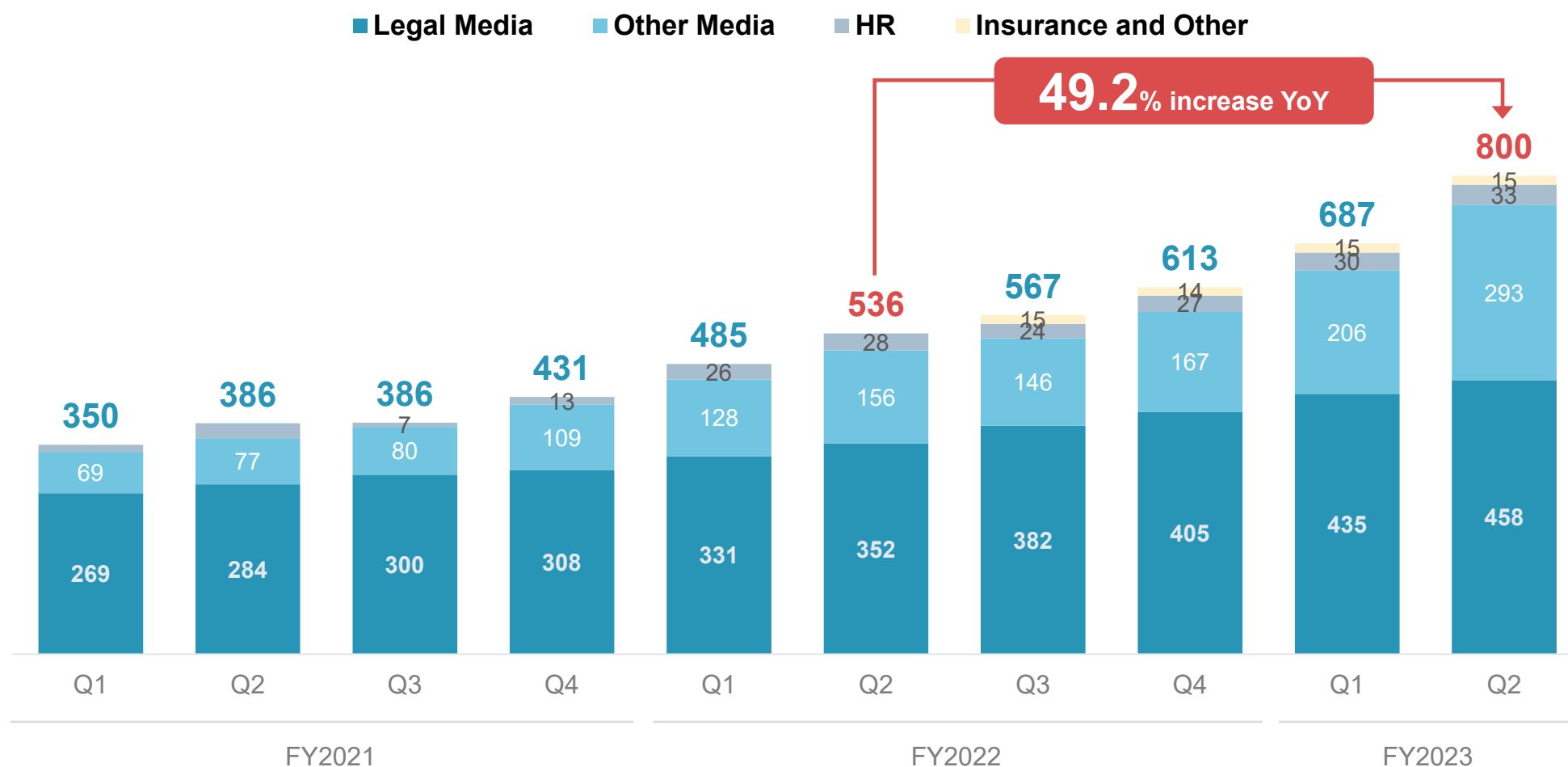
## Q2 Cumulative Results and Full-year Target Progress Rates



# Revenue (Quarterly Changes by Business Area)

In addition to sustained growth of Legal Media, Other Media, which has been susceptible to favorable seasonal effects in Q2 in previous years, grew significantly, and businesses including HR and Insurance posted record quarterly revenue, resulting in total revenue growth of almost 50%.

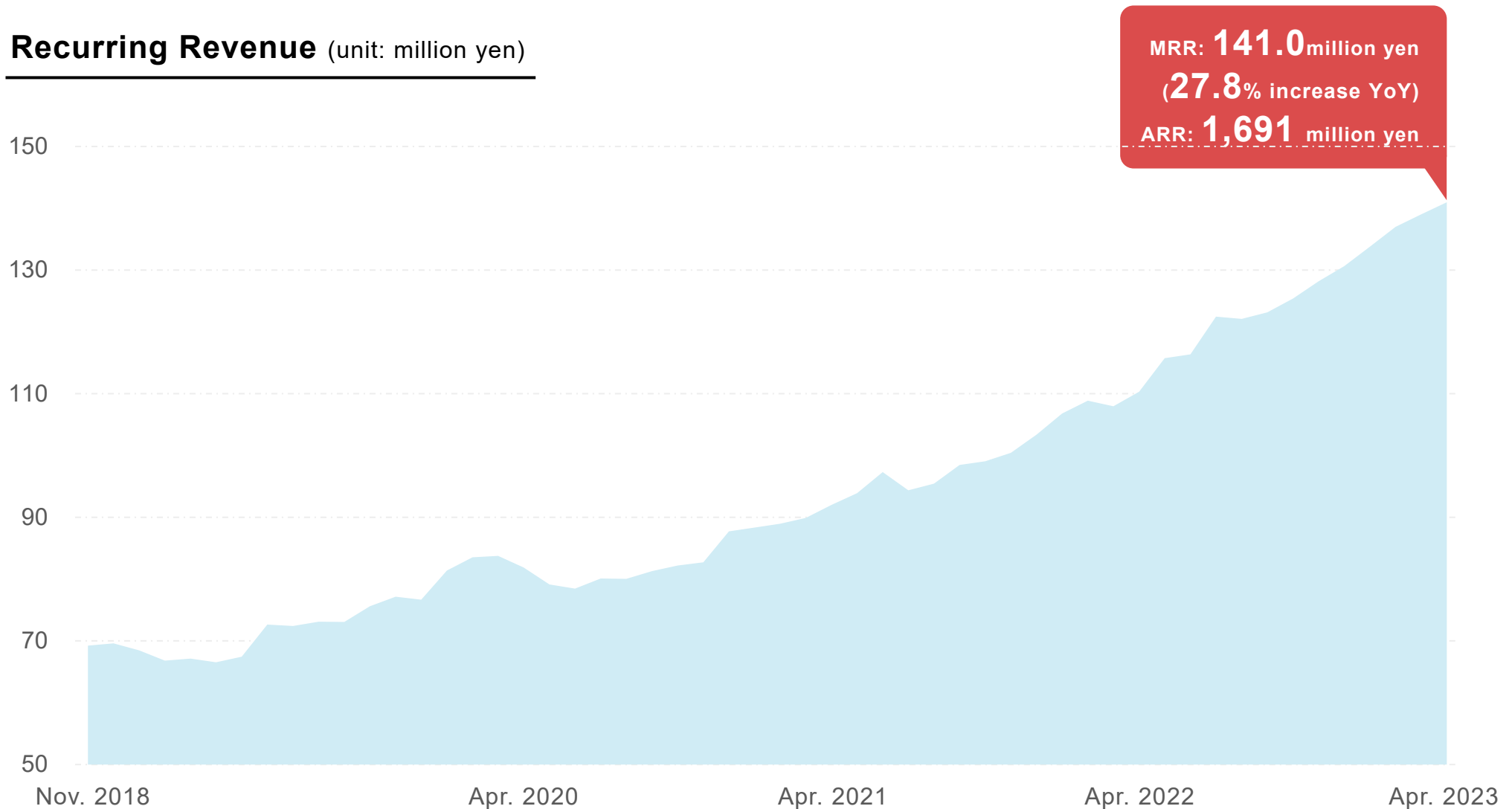
## Revenue by Business Area (unit: million yen)



# Reference: Recurring Revenue (Monthly Changes)

MRR for the recurring revenue for April 2023 (monthly fee income for Legal Media and insurance premium revenue of Insurance segment) grew steadily with a 27.8% increase YoY, and ARR is 1,691 million yen.

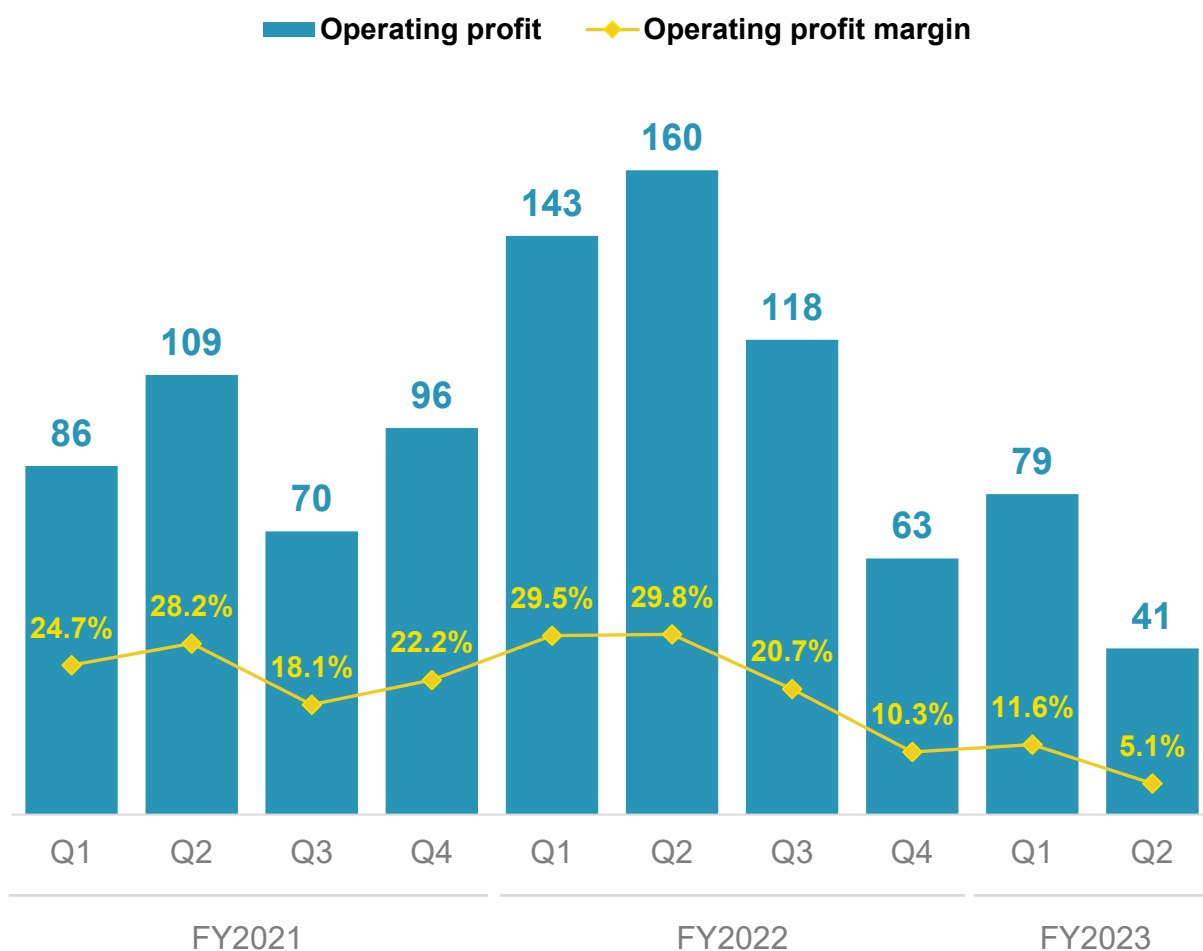
## Recurring Revenue (unit: million yen)



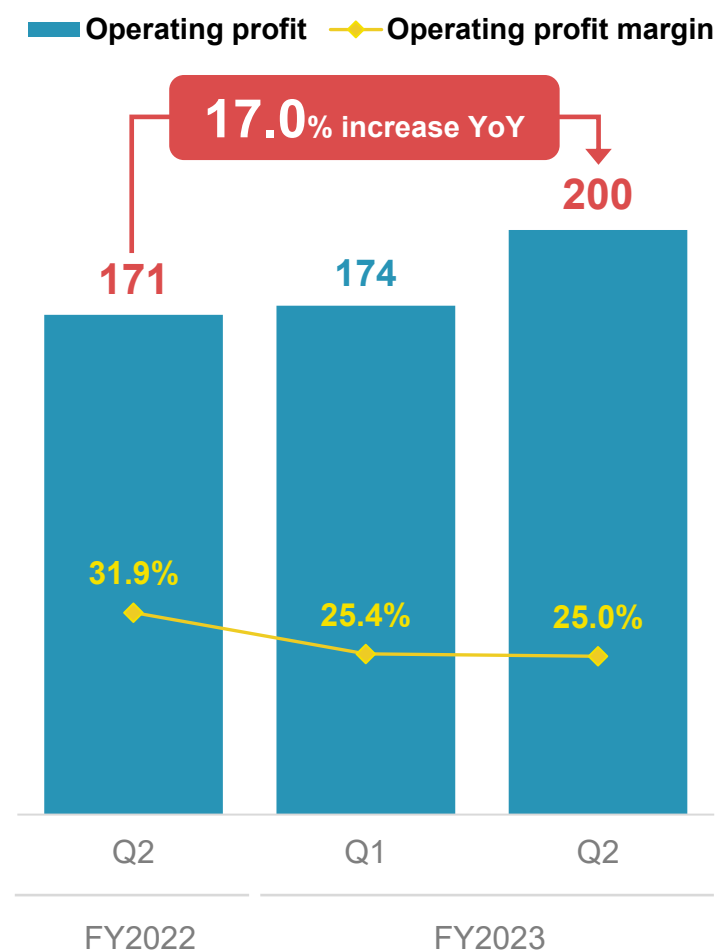
# Operating Profit (Quarterly Changes)

Due to actively proceeding with investment in Q2, quarterly operating profit was 41 million yen, and operating profit margin was 5.1%. Operating profit excluding investment amount increased by 17.0% YoY, absorbing the increase in costs due to the start of consolidation of the insurance subsidiary from Q3 of the previous fiscal year.

## Operating Profit (unit: million yen)



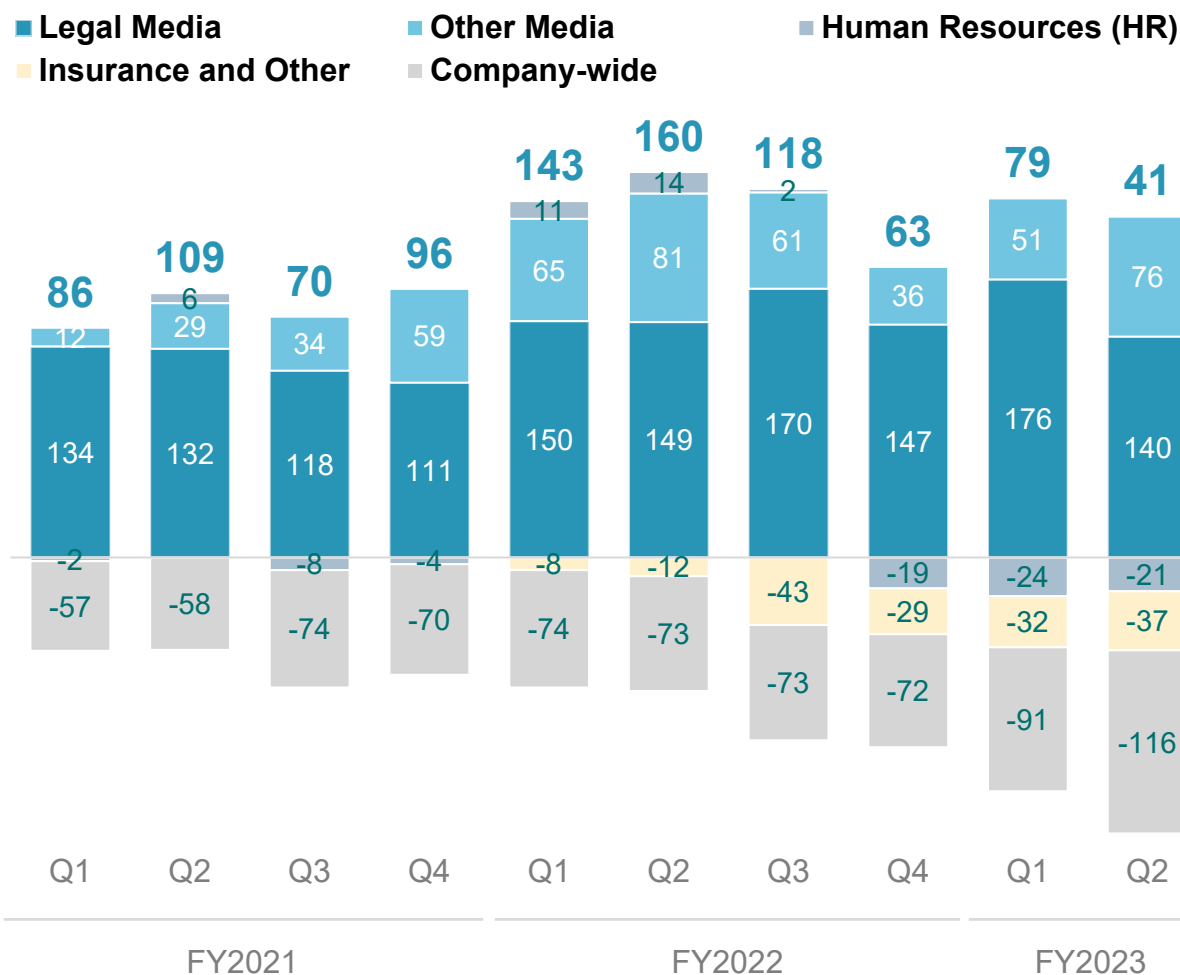
## Operating Profit Excluding Investment Amount (unit: million yen)



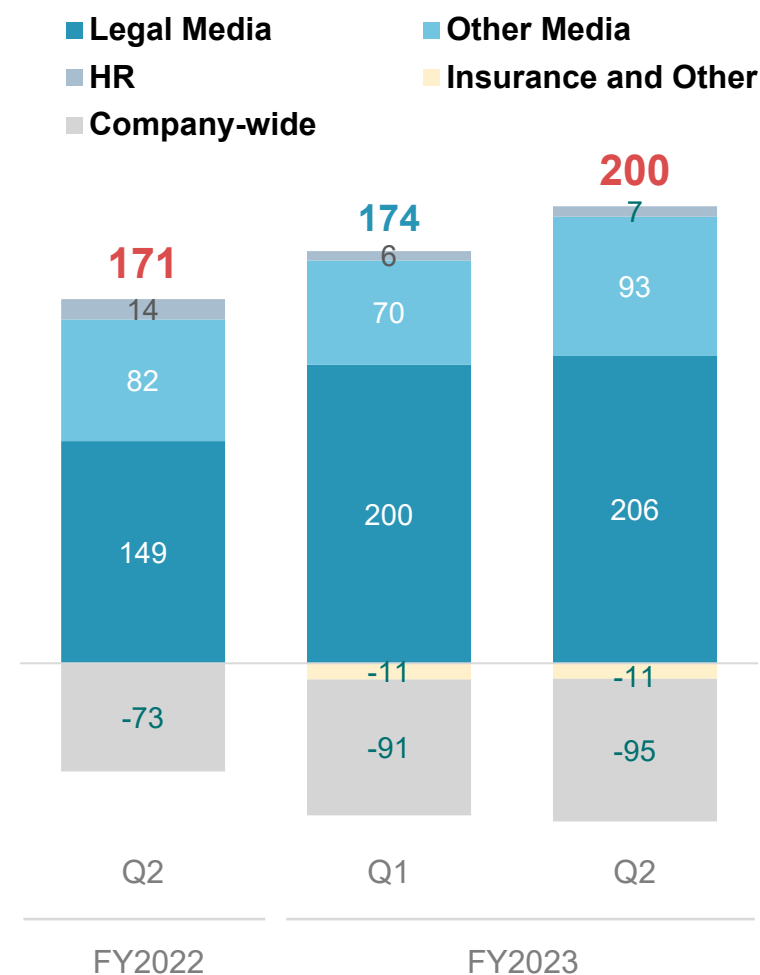
# Reference: Operating Profit (Quarterly Changes by Business Area)

Operating profit decreased YoY in Q2 due to active investment, but operating profit excluding investment amount in the two main businesses (Legal Media and Other Media) was the highest quarterly profit on record, resulting in the highest operating profit excluding investment amount.

## Operating Profit by Business Area (unit: million yen)



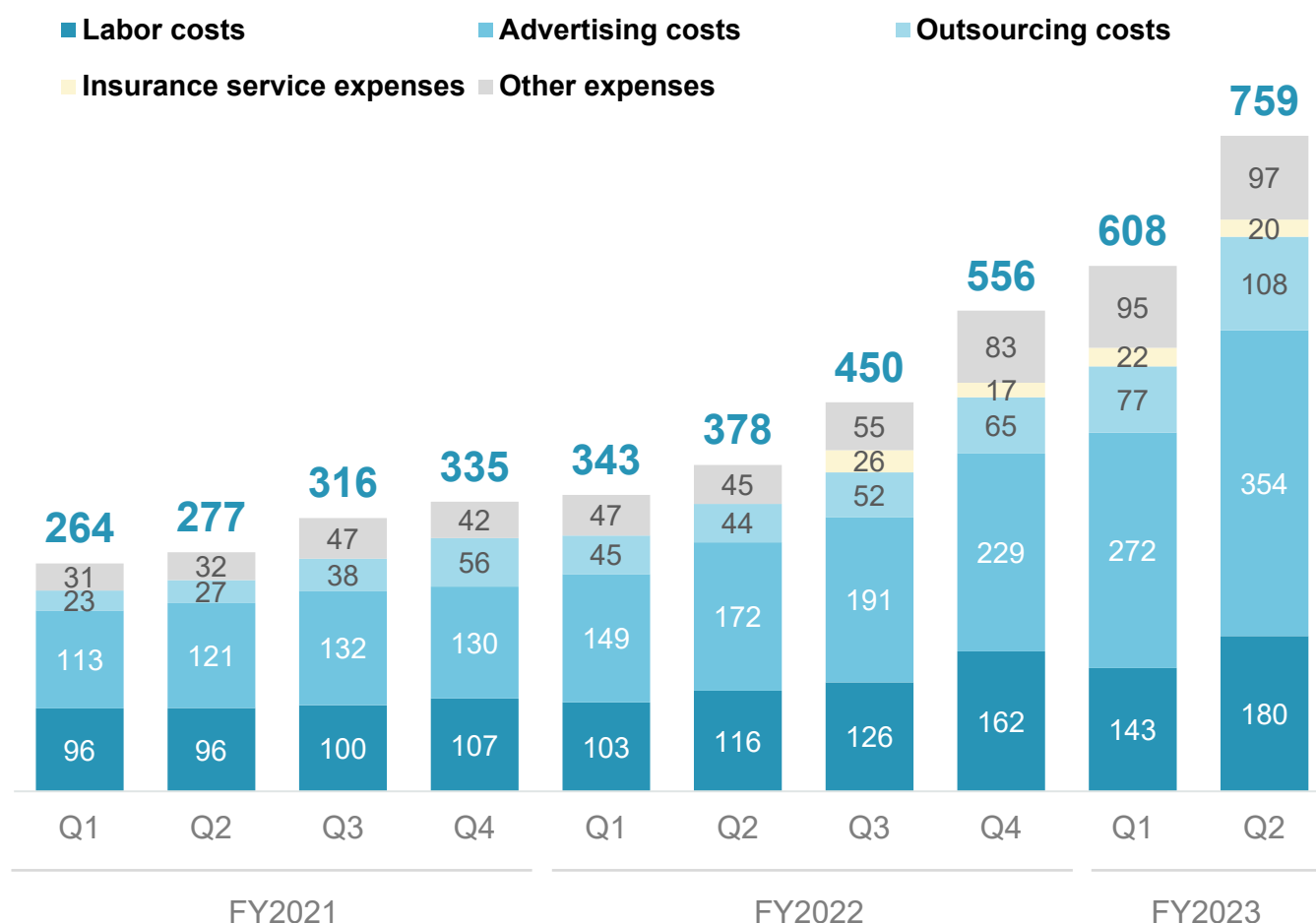
## Operating Profit by Business Area Excluding Investment Amount (unit: million yen)



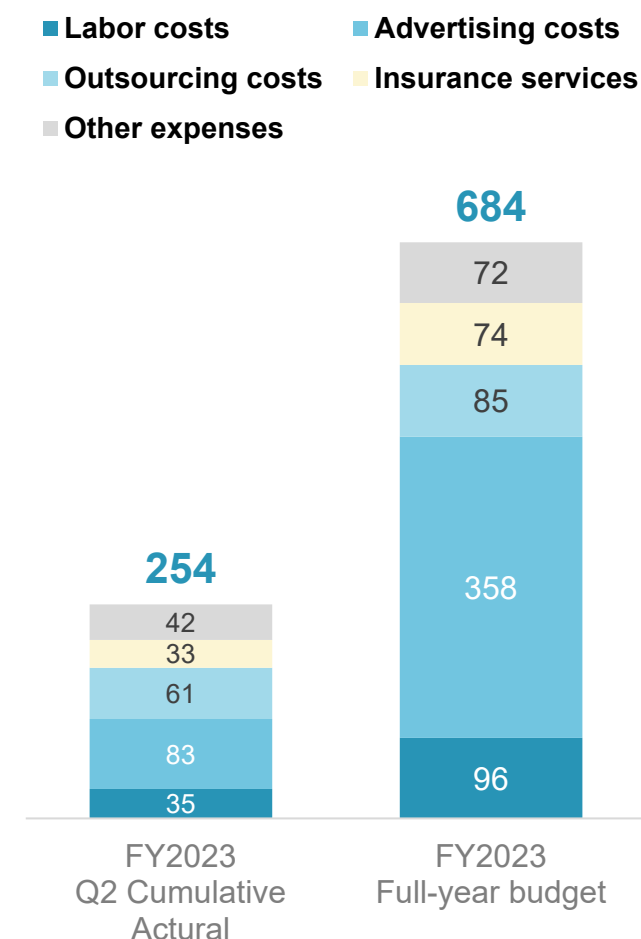
# Cost Structure (Quarterly Changes)

Total costs in Q2 increased by 151 million yen QoQ due to increases in advertising costs and labor costs aimed at business growth and outsourcing costs associated with M&A. The amount of investment used was generally in line with the plan. For branding of Legal Media, which is one of the main advertising investments this fiscal year, we invested 41 million yen in Q2, and plan to invest a total of 100 million yen in Q3 and Q4.

## Cost Structure<sup>1</sup> (unit: million yen)



## Usage of Investment<sup>1</sup> (unit: million yen)



Note: 1 Until now, insurance service expenses (or investment in insurance services) were presented to be included in other expenses (or investment in other expenses), but these are now presented separately.

Insurance service expenses are expenses based on IFRS17 including advertising costs and agency fees for acquiring policyholders, in addition to claims paid and reserves for the payment of claims.

# Reference: Explanation concerning Advertising Costs

In light of the increase in advertising expenses as described on the previous page, we explain nature of advertising expenses in each business and the image of their contribution to revenue as below. The backdrop to the increase in advertising costs is affected by investment, but also affected by the increase in revenue of Other Media, for which the ratio of advertising costs to revenue is set at a high level.

Legal Media	
Target	Site users
Purpose of advertising	The purpose is to attract site users and increase the number of inquiries to listing customers (attorneys, etc.).
Image of contribution to revenue	Due to revenue from listing customers being a fixed monthly amount, there is no direct impact on revenue even if inquiries increase as a result of advertising. However, reducing the churn rate by increasing the number of inquiries contributes to medium- to long-term revenue growth.
Ratio of advertising costs to revenue	Around 30%

Other Media	
Target	Site users
Purpose of advertising	The purpose is to attract site users and increase the number of inquiries to listing customers (staffing companies, etc.).
Image of contribution to revenue	Due to revenue from listing customers being performance-based, revenue directly increases if inquiries increase as a result of advertising. (A gain is obtained when the revenue from a single inquiry exceeds the advertising costs required to obtain one inquiry)
Ratio of advertising costs to revenue	Around 50% to 60%

HR	
Target	People seeking to change jobs
Purpose of advertising	The purpose is to encourage people seeking to change jobs register with ASIRO's service, and increase the number of successful career changes to companies seeking employees.
Image of contribution to revenue	Due to performance-based compensation based on conclusion of contracts (joining a company), people seeking to change jobs who have registered with service due to advertising signing a contract directly increases revenue. However, there is an impact on the correlation with sales depending on the contract rate, and a time lag from registration to contract.
Ratio of advertising costs to revenue	— <sup>1</sup>

Insurance	
Target	People considering purchase of insurance
Purpose of advertising	The purpose is to attract people considering the purchase of insurance, and increasing the number of insurance policyholders.
Image of contribution to revenue	Increasing the number of insurance policyholders through advertising directly increases revenue. However, due to revenue from insurance policies being a fixed monthly amount rather than one-off, the pace of revenue growth is gradual, and this contributes to medium- to long-term revenue growth.
Ratio of advertising costs to revenue	— <sup>1</sup>

Note: 1 At present, no guideline has been set for the ratio of advertising costs because the business is small and in the phase of up-front investment.

# Section 03

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## Business Highlights



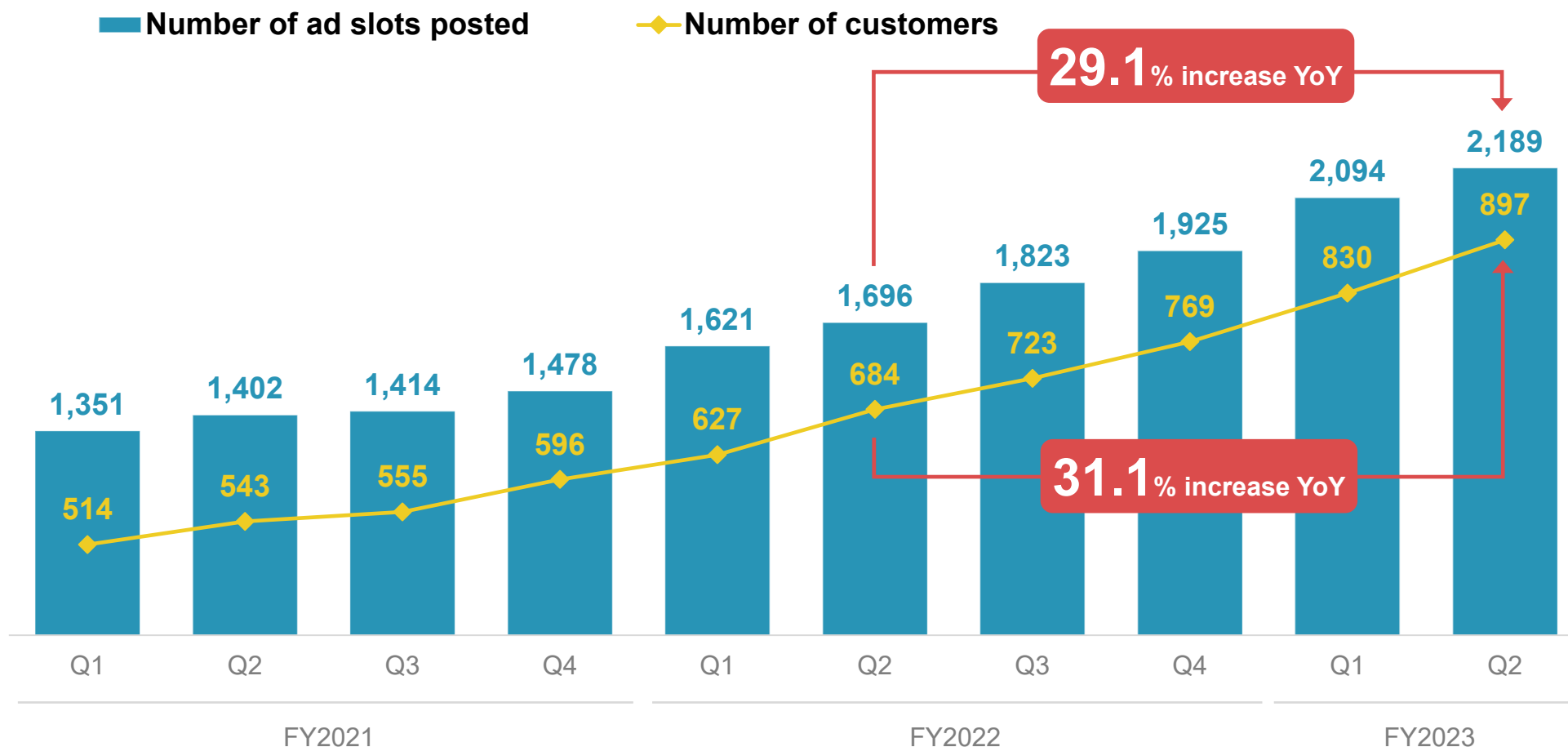
# FY2023 Q2 Business Highlights

Measures aimed at accelerating revenue growth and strengthening competitiveness of services progressed in each business, and measures continue to be implemented to achieve Medium-term Management Plan targets and reach 10 billion yen in revenue as soon as possible.

<b>Legal Media</b>	<ul style="list-style-type: none"> <li>● Due to steady progress in new acquisitions and the low cancellation rate, the number of ad slots posted increased by 29.1% YoY, and the number of customers grew by 31.1%, recording a stable high growth rate.</li> <li>● The transition of each service site to the new “BenNavi” brand was completed.</li> <li>● Creative production of advertising was completed in Q2. Television commercials and YouTube commercials are started from Q3.</li> </ul>
<b>Other Media</b>	<ul style="list-style-type: none"> <li>● Revenue of the mainstay “Carism,” career change media, continued to grow. Due to the start of spring being career change season, Q2 tends to be susceptible to favorable seasonal factors each year, and the highest revenue on record was posted due to strong performance of referrals for young people and high-value cases.</li> <li>● The Bikkore business came under the scope of consolidation from April through M&amp;A.</li> <li>● We continued active investment aimed at the launching new media.</li> </ul>
<b>HR</b>	<ul style="list-style-type: none"> <li>● We are proceeding to hire consultants engaged in the HR business as up-front investment, and this is expected to gradually contribute to figures from Q3.</li> <li>● There were constraints on consultant resources in Q2, and the number of new registrants with the service decreased QoQ due to curbing advertisements run. Due to the gradual increase in the number of consultants, we intend to increase the number of new registrants again from Q3.</li> </ul>
<b>Insurance</b>	<ul style="list-style-type: none"> <li>● Invited a new person in charge of business aimed at future acceleration of growth.</li> <li>● Continued to actively implement advertising investment and investment in sales personnel following on from Q1.</li> </ul>

The number of ad slots posted as of April 30, 2023 was 2,189, and the number of customers was 897, each growing by around 30% YoY.

### Number of ad slots posted number of customers (unit: ad slots)

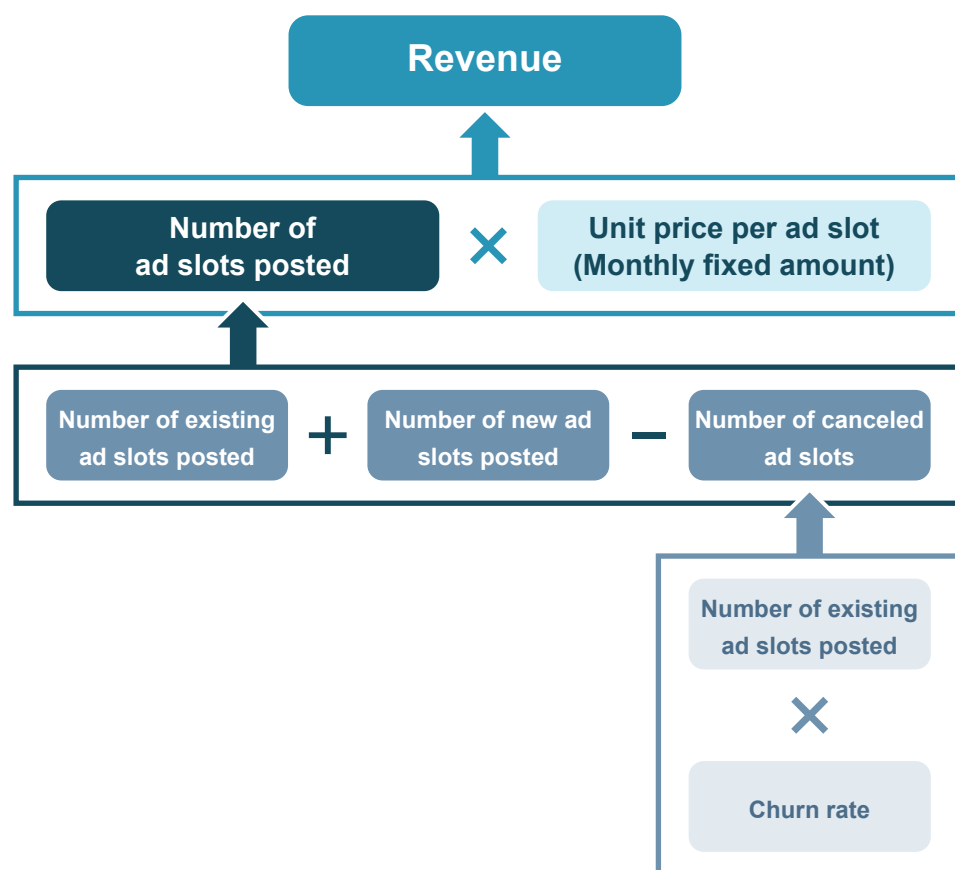


Note 1: The number of ad slots posted at the end of each quarter is shown.

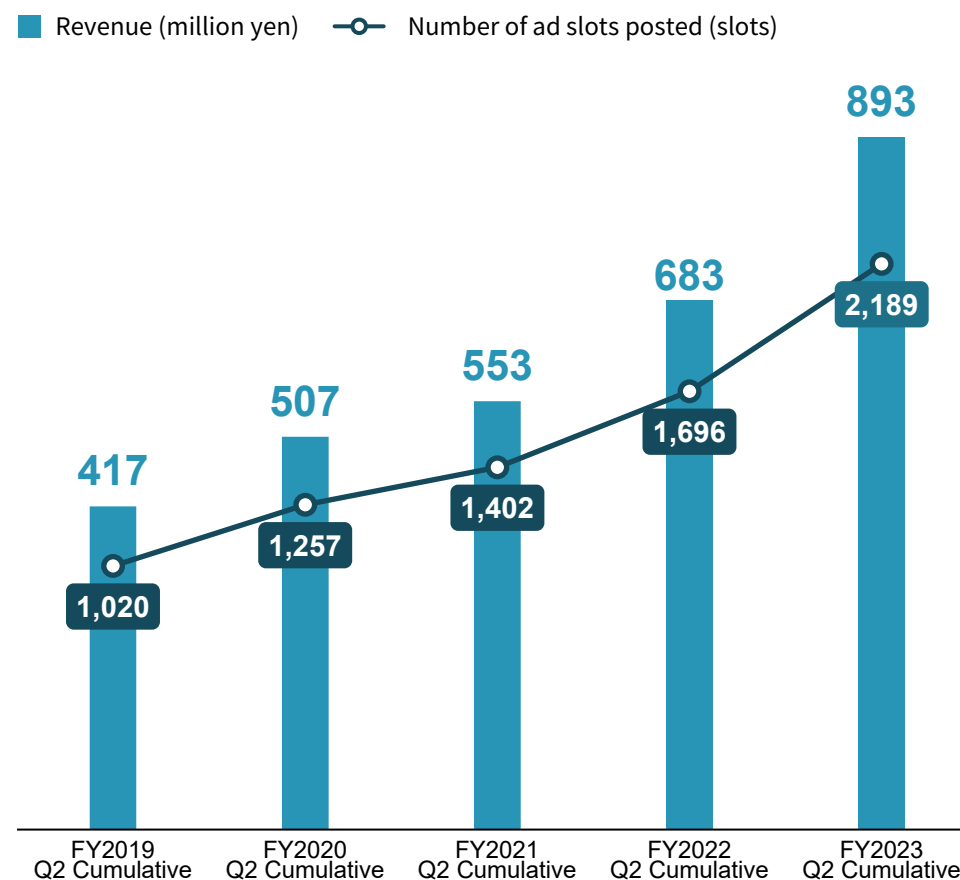
# Revenue Model

Since the unit price per legal media ad slot is a fixed monthly amount, revenue will increase in proportion to the increase in the number of ad slots posted. The number of ad slots posted has steadily increased even during the COVID-19 pandemic and we expect stable growth going forward.

## Revenue model (Legal Media)



## Revenue/Number of ad slots posted<sup>1</sup> (Legal Media)

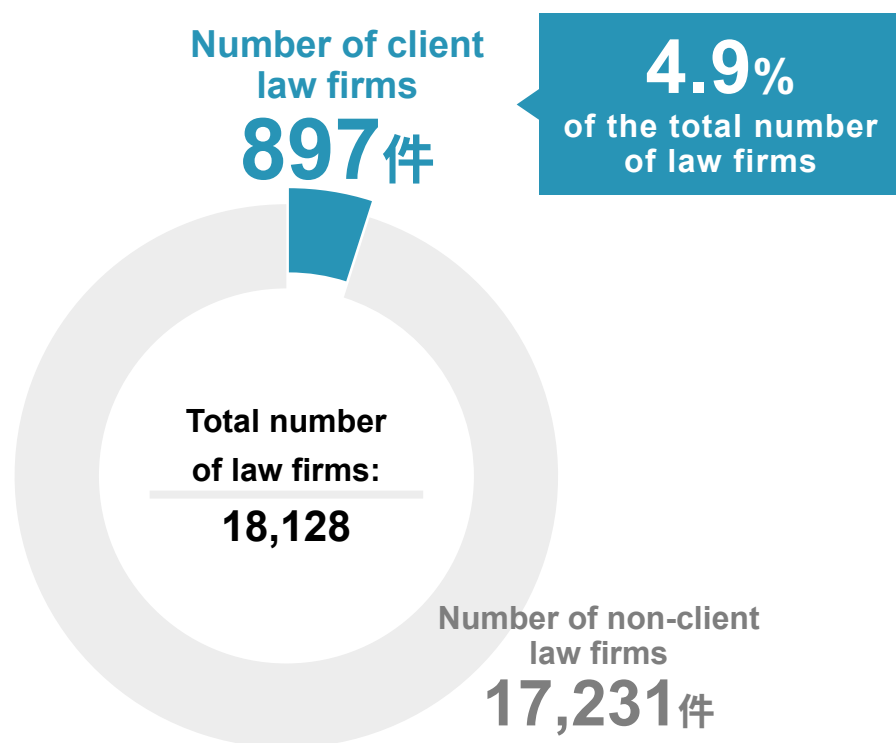


Note: 1 The number of ad slots posted is the total aggregated number of posted paid advertisements, and if the same customer places to multiple paid advertisement slots, those are counted as multiple slots. Although Legal Media does accept free posts, the number of ad slots posted does not include the number of slots for free posts.

## Reference: Our customer base and market potential<sup>1</sup>

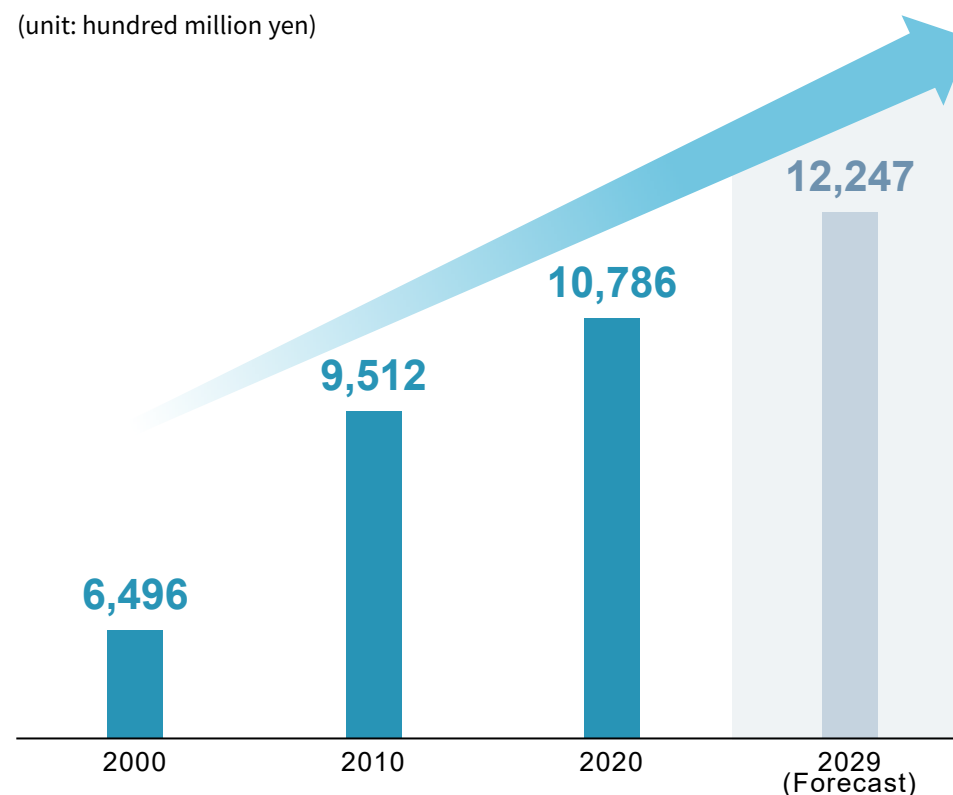
We have about 900 customers as of April 30, but that is only 4.9% of the total number of law firms in Japan, so there is a lot of room for growth. As the market size for attorneys' fees is also expanding making the environment more competitive, we anticipate an increase in advertising investment by law firms.

### Our customer base<sup>2</sup>



### Estimated market size for attorneys' fees<sup>3</sup>

(unit: hundred million yen)



Notes: 1 This calculation is not for the purpose of indicating the objective market size relating to the businesses operated as of June 2023. As shown in the note below, the information is based on external statistical data and published materials, but the actual market size may differ.

2 The number of our customer law firms is the number of customers who had placed paid ads as of the end of April 2023. The total number of law firms is the number of law firms in the Japan Federation of Bar Associations White Paper on Attorneys 2022.

3 The market size from 2000 to 2020 is calculated by multiplying the average income per attorney for each year by the number of attorneys.

In addition, the market size and average income in 2029 are estimated by applying the forecast value of the number of attorneys in 2029 based on the average income decrease rate with respect to the increase rate in the number of attorneys from 2010 to 2020.

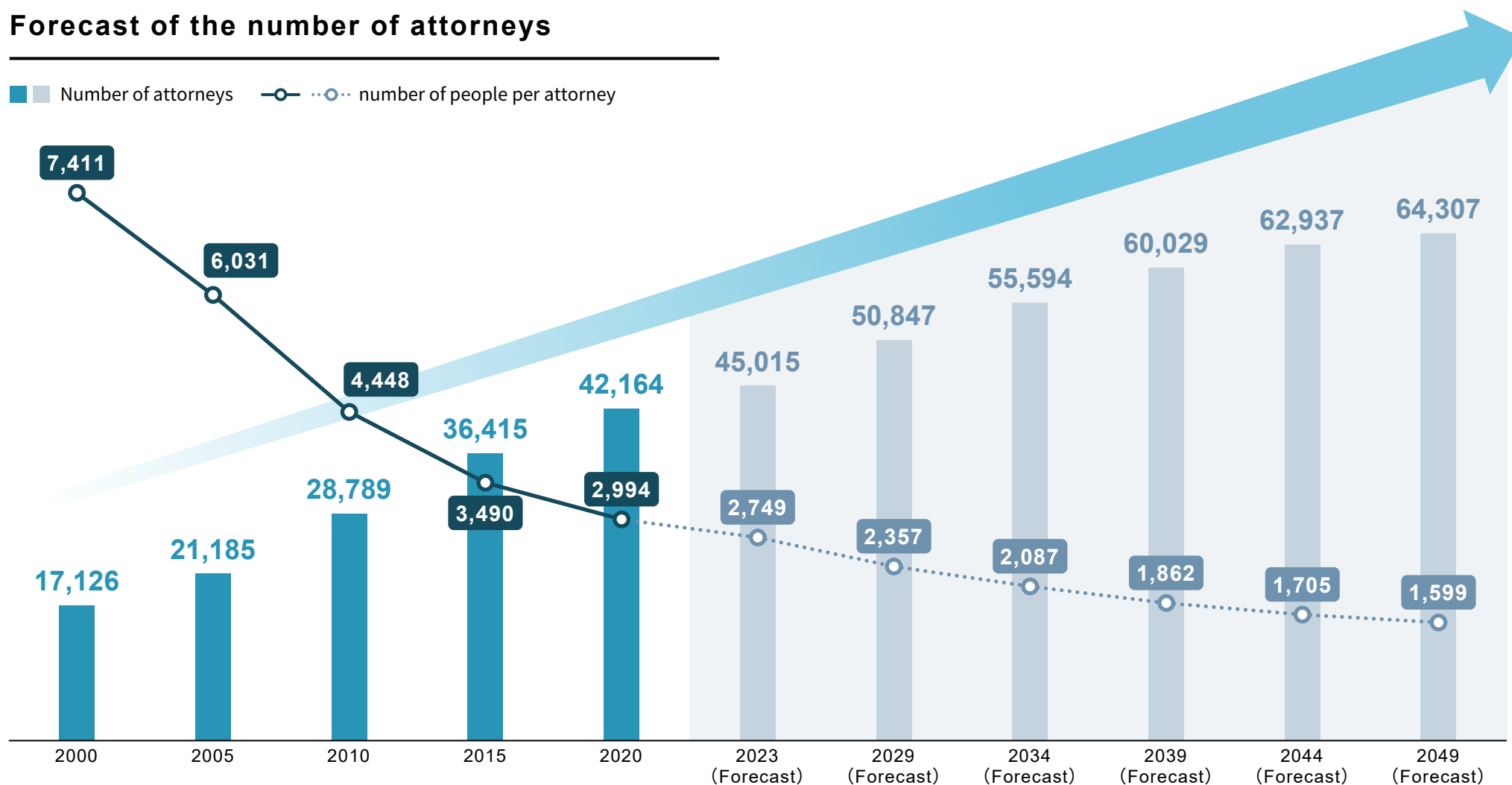
Source: ASIRO Inc., Japan Federation of Bar Associations White Paper on Attorneys 2022.

# Increase in the Number of Attorneys

The number of attorneys is expected to continue to increase, and due to the number of people per attorney decreasing as a result, the competitive environment between attorneys will intensify, leading to an increase in demand for advertising.

## Forecast of the number of attorneys

■ Number of attorneys    —○— number of people per attorney

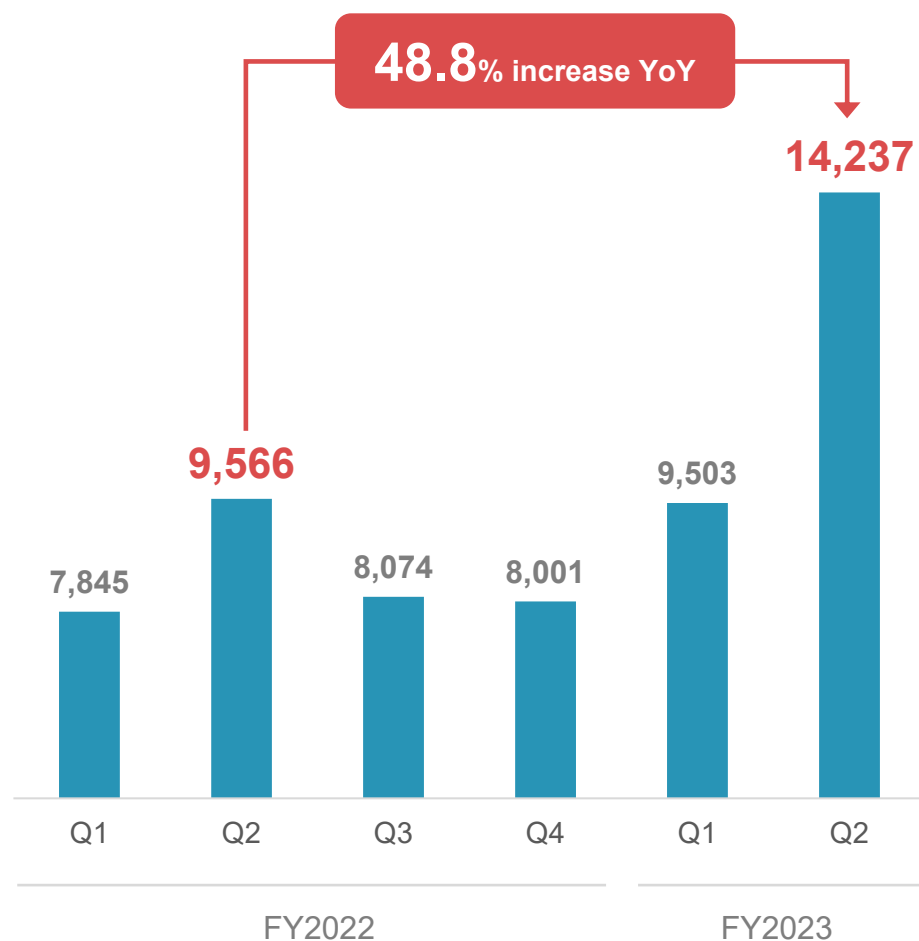


# Major KPIs:

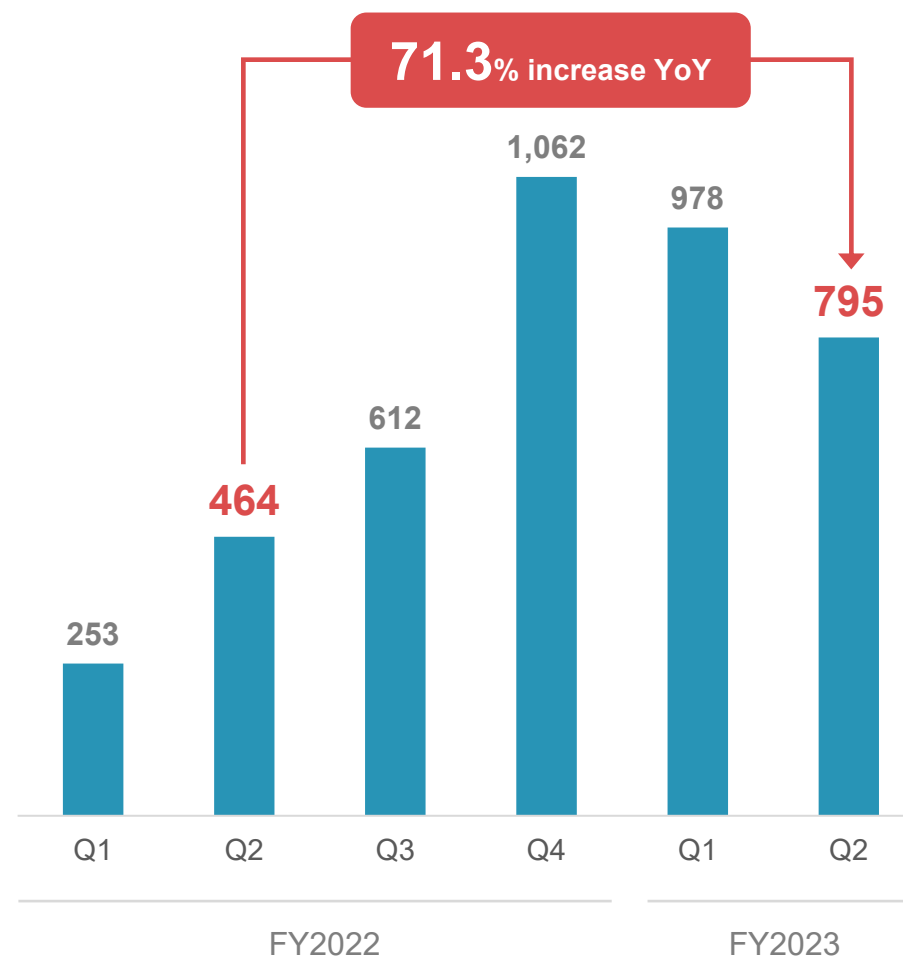
## Number of Inquiries/ Number of New Registrants

Q2 tends to be susceptible to favorable seasonal factors each year, and the number of inquiries in Other Media increased significantly by 48.8% YoY. Furthermore, although the number of new registrants in HR decreased QoQ as a result of curbing the volume of advertising run in consideration of consultant resources, the hiring and training of consultants are gradually progressing, and we will increase the number of new registrants again from Q3.

Other Media: Number of Inquiries<sup>1</sup> (unit: inquiries)



HR: Number of New Registrants (unit: people)

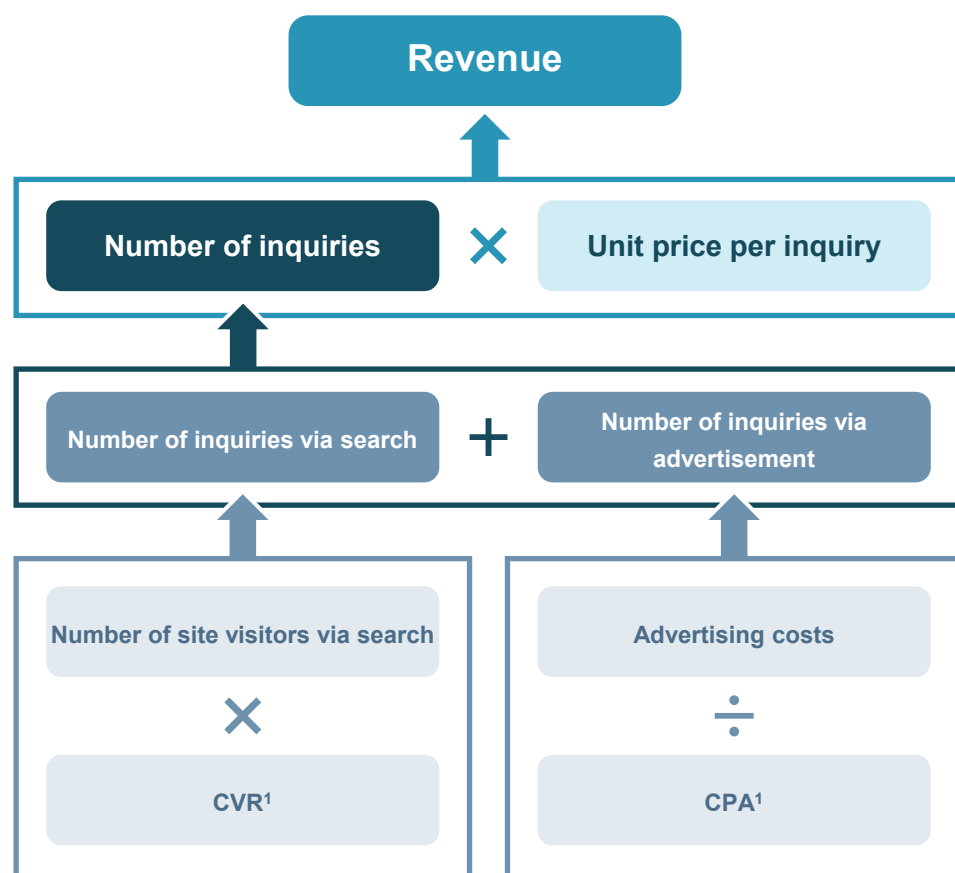


Note: 1 The total number of inquiries for main sites of Other Media (Carism, Expert Search for Infidelity Investigation, Hotline for Missing Person Search). The number of Bikkore inquiries is not included.

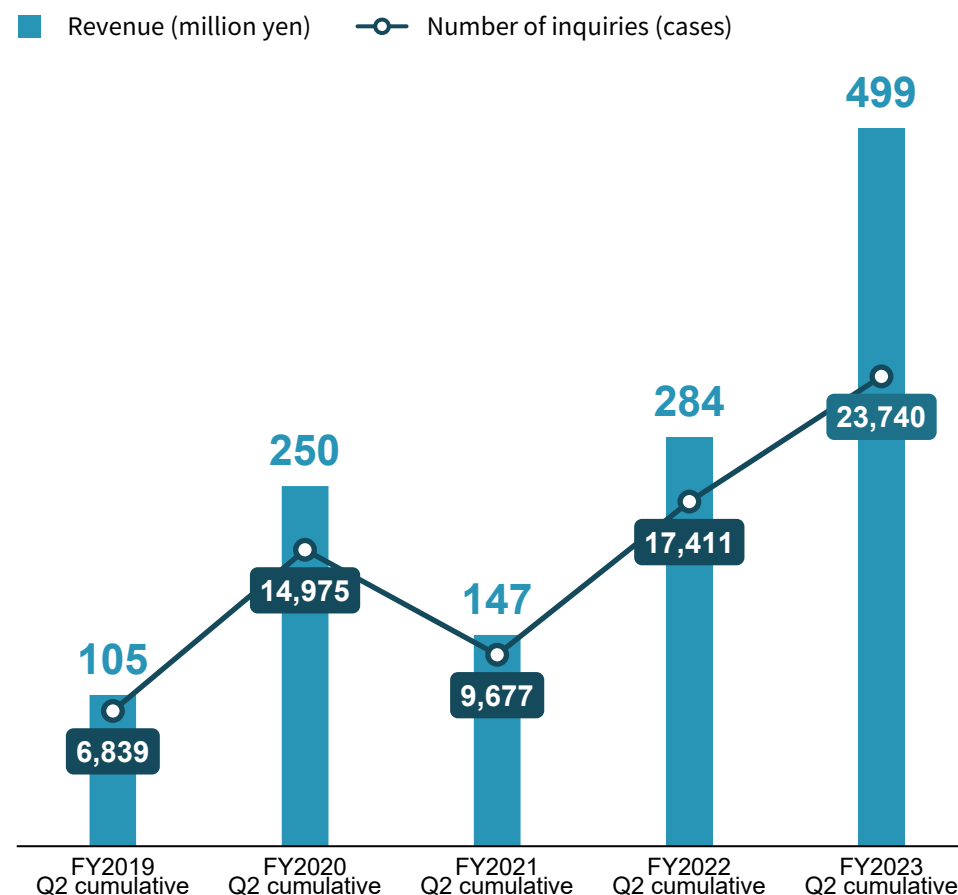
# Revenue Model

Other Media is a performance-based business based on the number of inquiries. Although the business declined in FY2021 due to the negative impact of the pandemic, the business environment has recovered as the economy has normalized, and is currently growing significantly.

## Revenue model (Other Media)



## Revenue/Number of inquiries<sup>2</sup> (Other Media)



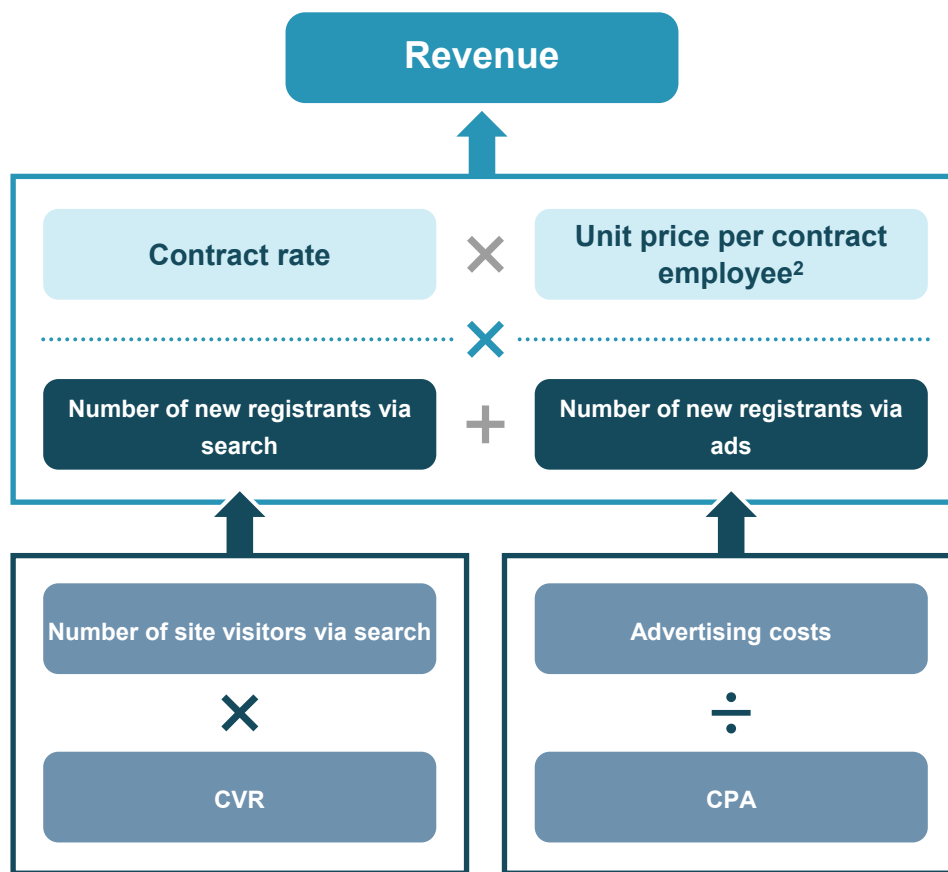
Notes: 1 CVR stands for "conversion rate," which is the number of inquiries divided by the number of site visitors. CPA is an abbreviation for Cost Per Acquisition, which is the inquiries acquisition cost by dividing advertising costs by the number of inquiries.

2 The total number of inquiries for main sites of Other Media (Carism, Expert Search for Infidelity Investigation, Hotline for Missing Person Search). The number of Bikkore inquiries is not included.

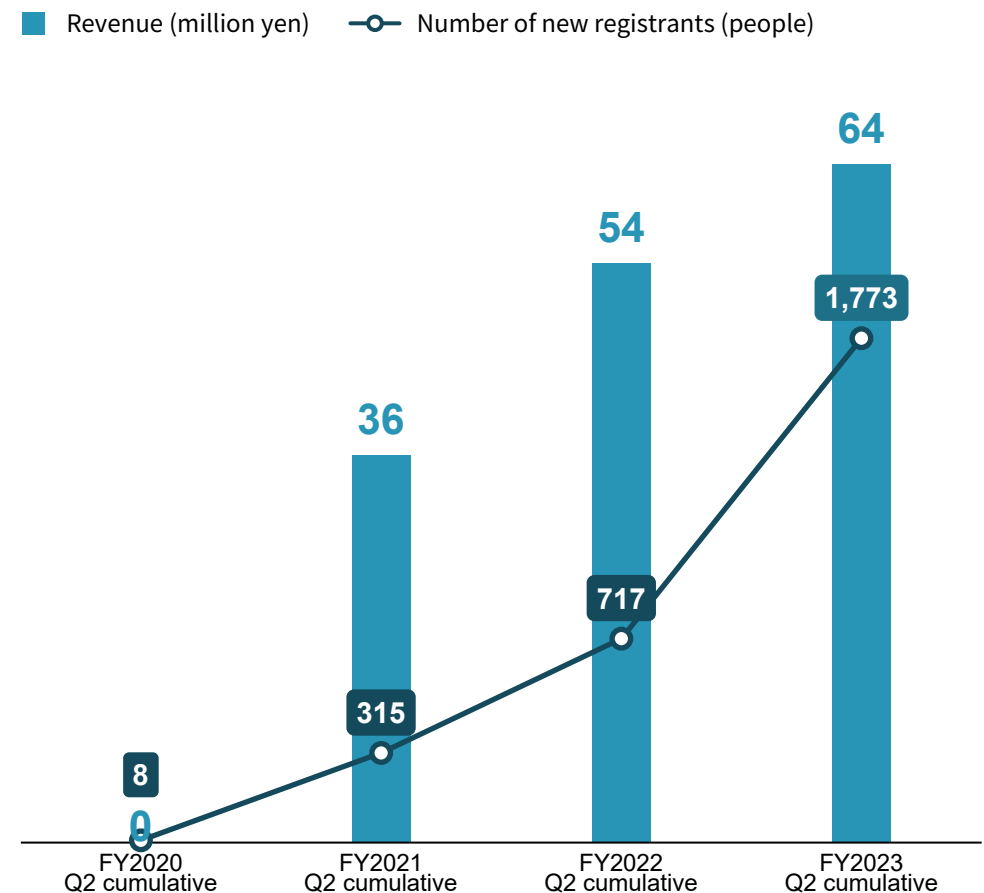
# Revenue Model

The HR business is a performance-based business based on the number of new hires (number of new registrants<sup>1</sup> x contract rate). In addition to the referral of attorneys to law firms, we also referral of professional and back-office personnel to general companies and the number of new registrants who are job seekers increase steadily.

## Revenue model (HR)



## Revenue/Number of new registrants (HR)



Notes: 1 Refers to the number of new registrations for the recruitment service from job seekers.

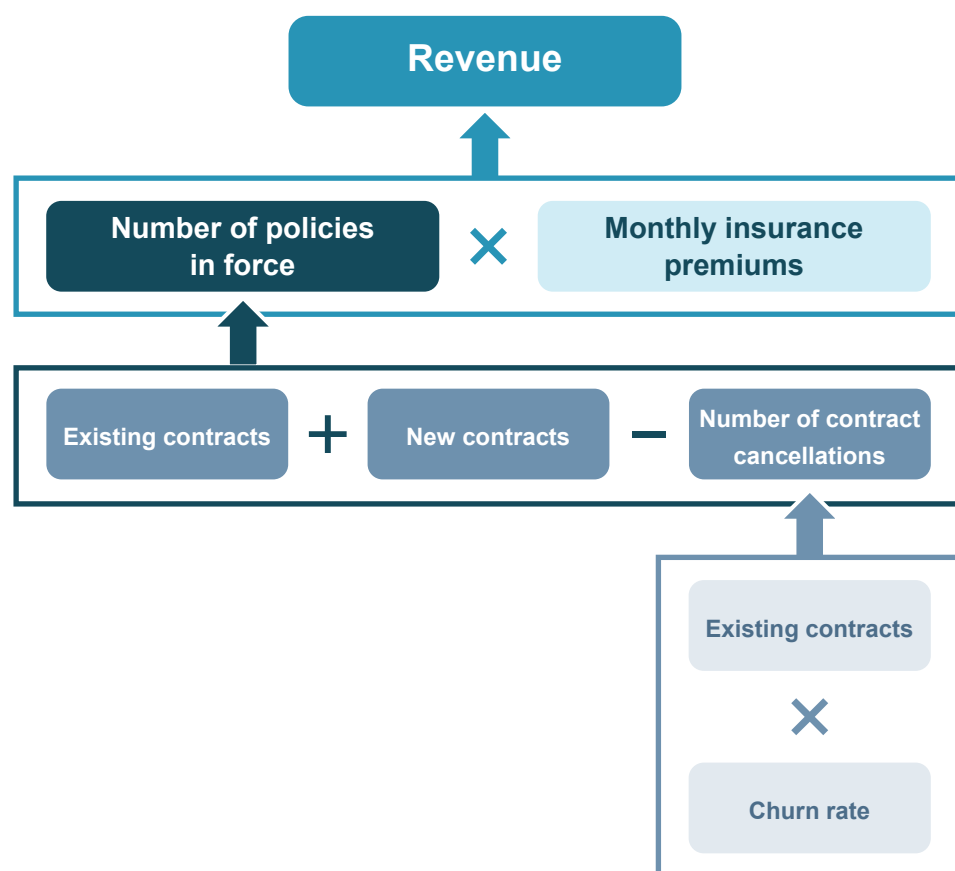
2 The contract unit price is the amount obtained by multiplying the estimated annual income of the new hires by the referral fee rate



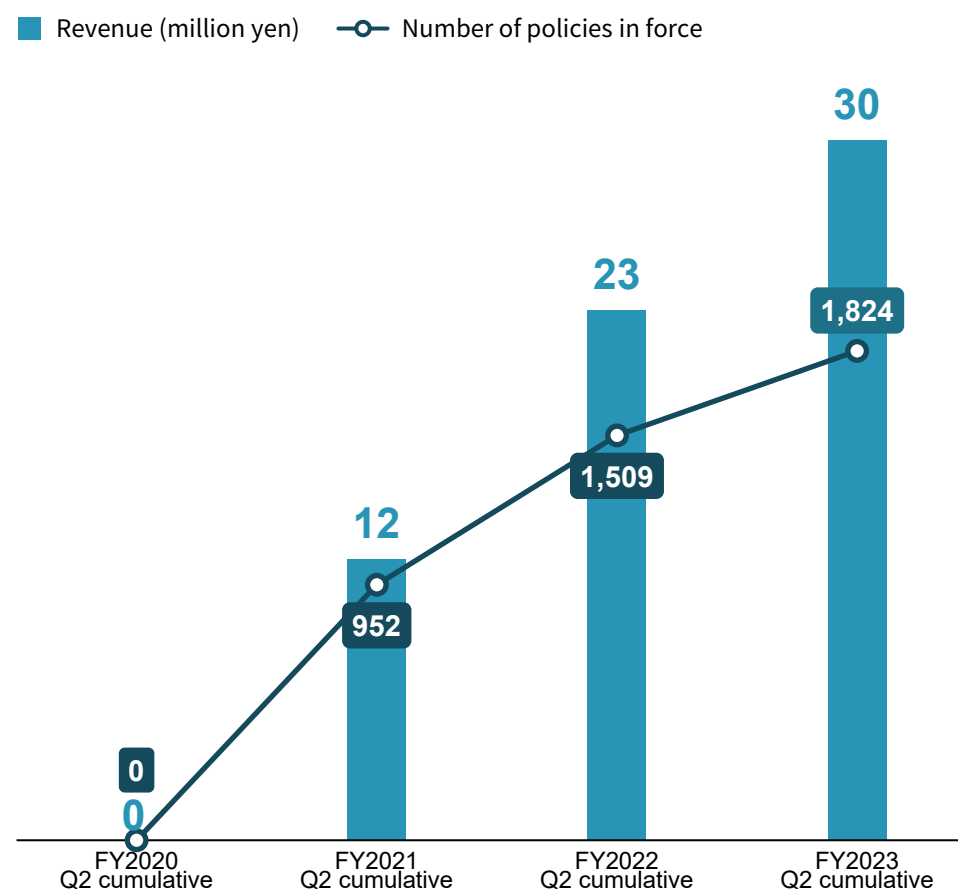
# Revenue Model

The insurance business is a recurring revenue business models in which revenue grows in proportion to the number of policies in force. The growth in the number of policies in force slowed temporarily due to a review of insurance products in March 2022, but is now steadily increasing.

## Revenue model (Insurance)



## Revenue / Number of policies in force<sup>1</sup> (Insurance)



Note: 1 Asiro Small Amount and Short Term Insurance Co., Ltd., a consolidated subsidiary that operates insurance business in the Group, has a fiscal year end of March, but the figures are aggregated according to the Company's fiscal year end. The company started the insurance business in April 2020, and figures for the fiscal year ending October 2020 are from April to October.

# Section 04

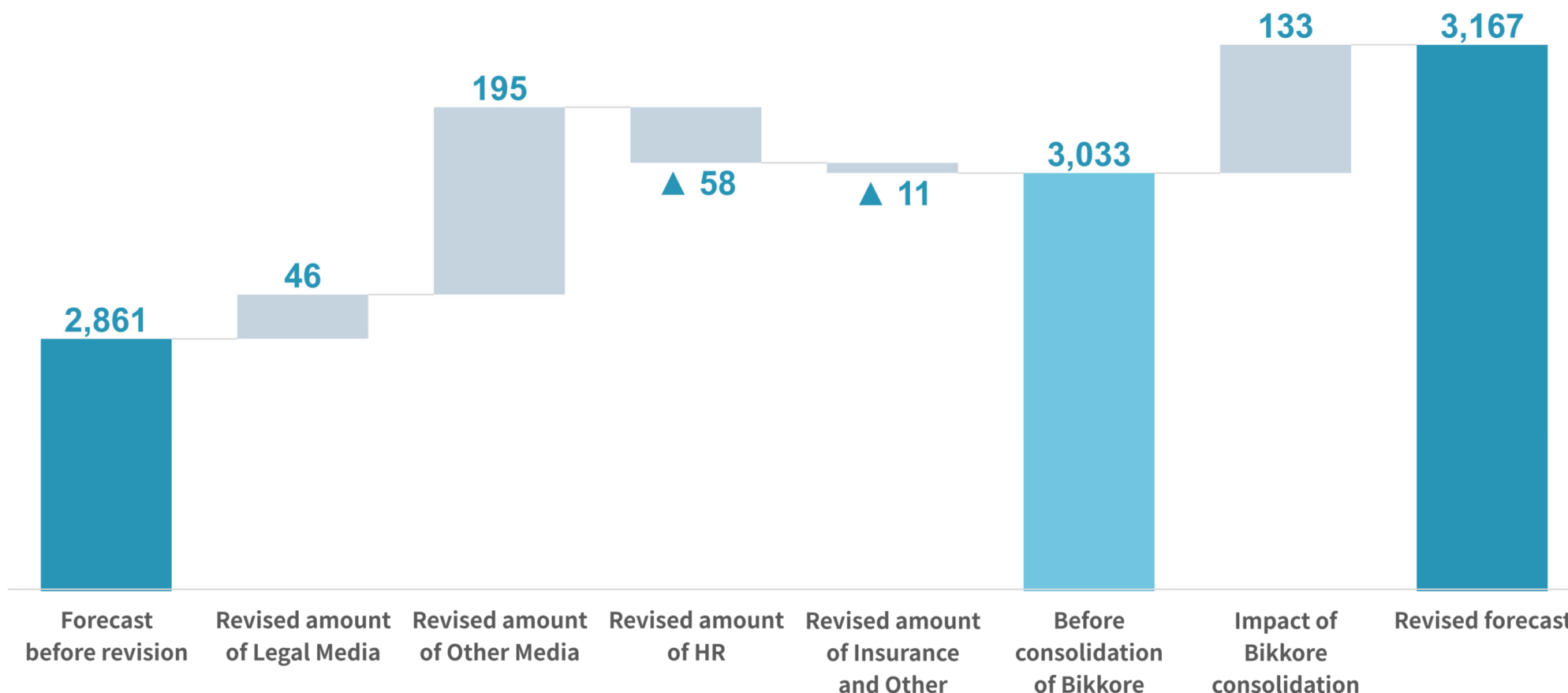
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## Topics

# Upward Revision of Earnings Forecasts

The sales forecast has been revised upward due to the better-than-expected performance of Legal Media and Other Media and the consolidation of Bikkore from April 2023. Although profits have already exceeded the full-year forecast as of 2Q, we have left the profit forecast unchanged because we will continue to invest flexibly in the current fiscal year, which we have positioned as a period for investment in growth.

## Factors for upward revision of sales revenue (unit: million yen)



# Changes to the Bikkore Share Transfer Agreement

With regard to Bikkore Co., Ltd. in which we acquired shares on March 31, 2023, the share transfer agreement were amended on May 31, 2023 to reduce the acquisition price from 300 million yen and net cash to 150 million yen and net cash. The absorption-type merger was completed on schedule on June 1, 2023.

## Developments leading to reduction in price

- After the acquisition of shares, it was found that the information related to future figures disclosed by the seller during due diligence differed from the facts.
- We were able to protect ASIRO in the share transfer agreement by properly conducting due diligence, and we agreed on a reduction in price as a result of consultation with the seller.

## Impact on performance

- The company came under the scope of consolidation from April 2023, Q2 of the current fiscal year. For the current fiscal year, we expect monthly sales revenue of about 20 million yen and monthly operating profit several million yen.
- Aim to further contribute to consolidated P/L by raising both revenue and operating profit.

## M&A approach

- M&A is positioned as an important growth strategy, and we will continue to actively consider such deals in future. We will continue to spend time on due diligence, and carefully work to be able to deal with risks.

# BenNavi Branding Measures

With regard to the unification into the BenNavi brand that we have gradually prepared for since last fiscal year, the renewal of all sites was completed in May. Fumiyo Kohinata was hired as an image character for the brand, and we released a commercial entitled “The BenNavi Song” on May 23, and television commercials and YouTube commercials are started from Q3.

## Key Visual of the BenNavi site



## Aims of the branding measures

- The level of recognition of ASIRO's Legal Media is low, and we have had the issue of a small number of searches using the service name.
- We aim to obtain recognition through the slogan “BenNavi for legal consultation” and have users envisage BenNavi when performing searches involving the law.
- Although the number of inquiries does not directly affect revenue because Legal Media uses a fixed monthly fees, reducing the churn rate will result in accumulation of stable recurring revenue, contributing to revenue growth in the long term.

## Reference: Commercial cuts



# Section 05

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## Appendix

# Quarterly Financial Results (P&L)

	Q2 FY2023	Q2 FY2022		Q1 FY2023		Q2 FY2023 cumulative total	Q2 FY2022 cumulative total	
(unit: million yen)	(Feb 2023- Apr 2023)	(Feb 2022- Apr 2022)	YoY	(Nov 2022- Jan 2023)	QoQ	(Nov 2022- Apr 2023)	(Nov 2021- Apr 2022)	YoY
Revenue	800	536	+49.2%	687	+16.5%	1,486	1,021	+45.6%
Cost of sales	466	252	+85.2%	404	+15.2%	870	471	+84.8%
Gross profit	334	284	+17.4%	282	+18.3%	616	550	+12.0%
<i>Gross profit margin</i>	41.7%	53.0%	-11.3pt	41.1%	+0.6pt	41.4%	53.9%	-12.4pt
Sales, general, and administrative expenses	293	126	+132.6%	203	+44.1%	497	250	+98.9%
Other revenues / expenses	0	1	-62.9%	1	-17.8%	1	2	-54.6%
Operating profit	41	160	-74.2%	79	-48.1%	120	303	-60.2%
<i>Operating profit margin</i>	5.1%	29.8%	-24.6pt	11.5%	-6.4pt	8.1%	29.6%	-21.5pt
Financial revenue / expenses	- 2	- 1	+76.7%	- 2	+4.2%	- 4	- 2	+89.4%
Profit before taxes	39	158	-75.4%	77	-49.6%	116	300	-61.4%
Tax expenses	25	50	-50.5%	40	-38.4%	65	95	-31.5%
Profit	14	108	-86.9%	37	-61.7%	51	206	-75.2%
<i>Profit margin</i>	1.8%	20.2%	-18.4pt	5.4%	-3.6pt	3.4%	20.1%	-16.7pt
Profit attributable to owners of parent	21	108	-80.4%	45	-52.5%	66	206	-68.1%
<i>Profit margin attributable to owners of parent</i>	2.6%	20.2%	-17.6pt	6.5%	-3.8pt	4.4%	20.1%	-15.7pt

# Quarterly Financial Results (BS/CF)

	Q2 FY2023	Q1 FY2023	
(unit: million yen)	(Apr 2023)	(Jan 2023)	Change
Current assets	1,964	1,807	+157
Cash and cash equivalents	1,350	1,308	+42
Accounts receivable	534	385	+148
Other	80	113	-34
Non-current assets	1,898	1,745	+153
Property, plant and equipment	86	89	-3
Right-of-use assets	178	197	-19
Goodwill	1,439	1,302	+137
Other	196	158	+38
Total assets	3,862	3,552	+310
Liabilities	1,551	1,168	+383
Interest-bearing debt	798	554	+244
Lease liabilities	153	170	-17
Other	600	444	+156
Total equity	2,311	2,384	-73
Total liabilities and equity	3,862	3,552	+310

	Q2 FY2023	Q1 FY2023	
(unit: million yen)	(Feb 2023-Apr 2023)	(Nov 2022-Jan 2023)	Change
Cash flow from operating activities	54	- 189	+243
Profit before tax	39	77	-38
Depreciation and amortization	30	33	-4
Income tax paid	0	- 104	+104
Other	- 14	- 195	+181
Cash flow from investment activities	- 148	- 43	-105
Purchase of property, plant and equipment	- 8	- 31	+23
Acquisition of investments in securities	- 131	0	-131
Other	- 9	- 12	+3
Cash flow from financing activities	136	- 335	+471
Purchase of treasury shares	- 95	- 207	+112
Proceeds from long-term borrowings	294	0	+294
Other	- 64	- 128	+64
Change in cash and cash equivalents	42	- 568	+610
Cash and cash equivalents at period end	1,350	1,308	+42
FCF	- 93	- 232	+139



# Cautions about this material

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