COMPANY UPDATE

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Tech Team

Minha Choi
Senior Analyst
minha22.choi@samsung.com

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Dear U (376300)

Focus on new growth drivers

- We believe Dear U will report a 1Q26 consolidated operating profit of KRW9.4b—9% shy of consensus due to higher costs from overseas subsidiaries.
- Growth momentum should keep growing thanks to new business additions and the QQ Music Bubble's gradual expansion.

WHAT'S THE STORY?

1Q preview: We now estimate Dear U's 1Q consolidated sales at KRW23.6b (up 34.2% y-y but down 1% q-q; in line with our estimate) and operating profit at KRW9.4b (up 72.2% y-y but down 3.3% q-q; missing consensus and slightly short of our forecast due to higher costs at overseas subsidiaries). Still, operating margin likely came in at 40.1% (up 8.8%pts y-y), maintaining its robust profitability above the 40% mark. The average number of Bubble subscribers likely fell 30,000 q-q to 2.01m, reflecting the impact of some artists leaving the platform—including a few to fulfil military service obligations. Nevertheless, topline growth likely remained solid on subscription fee hikes and favorable forex rate movements. From 1Q26, in accordance with a new accounting policy, royalties from the QQ Music-Bubble platform (China) should be recognized in the quarter it is generated—for reference, royalties from the platform for both 3Q25 and 4Q25 were booked all at once in 4Q25 results

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW48,000	45.5%
Current price	**KRW33,000**	
Market cap	KRW783.37b/USD533.45m	
Shares (float)	23,738,406 (49.7%)	
52-week high/low	KRW62,200/KRW28,850	
Avg daily trading value (60-day)	KRW7.6b/ USD5.1m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Dear U (%)	-7.6	-12.0	-20.1
Vs Kosdaq (%pts)	-8.9	-34.9	-51.5

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	48,000	48,000	0.0%
2026E EPS	1,763	1,775	-0.7%
2027E EPS	2,067	2,101	-1.6%

SAMSUNG vs THE STREET

No of estimates	12
Target price	50,833
Recommendation	4.0

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	84	97	105	118
Operating profit (KRWb)	31	46	55	64
Net profit (adj) (KRWb)	19	42	49	56
EPS (adj) (KRW)	785	1,763	2,067	2,373
EPS (adj) growth (% y-y)	-23.6	124.6	17.2	14.8
EBITDA margin (%)	40.8	49.8	54.0	55.7
ROE (%)	9.2	18.3	18.4	18.3
P/E (adj) (x)	51.1	18.7	16.0	13.9
P/B (x)	4.5	3.2	2.7	2.4
EV/EBITDA (x)	23.0	12.3	9.7	7.8
Dividend yield (%)	0.8	1.2	1.5	1.6

Source: Company data, Samsung Securities estimates

Growth momentum expanding and business model diversified: In 2Q, popular new artists are likely to become active on Dear U. YH Entertainment's new boy group—scheduled to debut in May—is likely to join the platform, which launched a dedicated app for YH Entertainment in late March. Meanwhile, popular Chinese performers have been steadily signing up to the QQ Music-Bubble service, which recently rolled out a 'Bubble Mode' interface to enhance user engagement and overall experience. The Chinese operation should show steady growth based on its growing local artist lineup and ongoing service upgrades. Meantime, Dear U is preparing to expand into new business areas. Its recent shareholders' meeting confirmed an amendment to its business purpose, signaling high likelihood of launching IP-based commerce initiatives (eg, physical merchandise), marking a strategic shift from a subscription-only model toward diversified revenue streams.

Table 1. Quarterly results and forecasts

(KRWb)	1Q25	4Q25	1Q26E	Chg (% q-q)	Chg (% y-y)	Consensus	Diff (%)
Sales	17.5	23.8	23.6	-1.0	34.2	23.8	-1.1
Operating profit	5.5	9.8	9.4	-3.3	72.2	10.4	-9.2
Operating margin (%)	31.2	41.0	40.1	-0.9	8.8	43.6	-3.6
Pre-tax profit	6.8	12.8	12.1	-5.0	78.9	11.2	8.2
Net profit (controlling)	5.2	10.3	9.4	-8.6	80.5	9.6	-2.1

Source: Company data, FnGuide, Samsung Securities

Table 2.

Table 3. Results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2023	2024	2025E	2026E
Operating revenues	**20.3**	**19.1**	**17.7**	**17.8**	**17.5**	**20.2**	**22.3**	**23.8**	**23.6**	**23.6**	**24.3**	**25.1**	**74.9**	**83.8**	**96.6**	**105.5**
Bubble	20.2	19.0	17.7	17.6	17.4	19.8	22.0	23.1	22.9	22.9	23.4	23.8	74.5	82.3	93.0	98.4
Bubble China (TME)	-	-	-	-	0.0	0.0	0.0	0.7	0.6	0.7	1.0	1.3	0.4	1.5	3.6	7.1
Others	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.4	0.3	0.5	0.7	0.9	-	0.4	2.4	4.8
Operating expenses	13.1	12.0	11.4	12.9	12.1	12.7	13.6	14.0	14.1	12.2	12.2	12.1	49.5	52.4	50.6	50.2
Operating profit	**7.2**	**7.1**	**6.3**	**4.9**	**5.5**	**7.4**	**8.7**	**9.8**	**9.4**	**11.4**	**12.1**	**13.1**	**25.4**	**31.4**	**46.0**	**55.2**
Operating margin (%)	35.3	37.0	35.8	27.4	31.2	36.9	39.1	41.0	40.1	48.2	49.9	52.0	33.9	37.4	47.6	52.4
Non-operating gains (losses)	4.3	1.5	-2.3	2.2	1.3	-14.1	2.7	3.0	2.7	0.3	2.1	1.4	5.7	-7.1	6.5	6.6
Pre-tax profit	11.5	8.6	4.1	7.1	6.8	-6.7	11.5	12.8	12.1	11.7	14.3	14.5	31.1	24.3	52.5	61.8
Net profit (controlling)	8.9	6.9	3.1	5.5	5.2	-6.6	9.7	10.3	9.4	9.2	11.6	11.6	24.4	18.6	41.8	49.1
Chg (% y-y)																
Operating revenues	**24.0**	**-0.1**	**-8.5**	**-14.8**	**-13.5**	**5.8**	**25.8**	**33.9**	**34.2**	**16.9**	**9.0**	**5.5**	**-1.1**	**12.0**	**15.2**	**9.2**
Bubble	25.9	1.2	-7.5	-15.0	-14.1	4.3	24.9	31.1	32.1	15.3	5.9	3.1	-0.2	10.5	12.9	5.8
Bubble China (TME)	-	-	-	-	-	-	-	333.8	235.1	111.6	272.9	82.9	-64.6	297.9	140.6	96.4
Others	-78.4	-80.2	-72.5	17.7	176.3	461.6	202.8	-	-	-	-	142.8	-	-	527.9	103.2
Operating expenses	23.7	-2.6	-5.7	7.4	-8.1	6.0	19.3	8.9	17.0	-4.1	-10.4	-14.1	5.1	6.1	-3.6	-0.7
Operating profit	**24.6**	**4.5**	**-13.1**	**-44.9**	**-23.4**	**5.5**	**37.4**	**100.4**	**72.2**	**53.0**	**39.3**	**33.8**	**-11.2**	**23.5**	**46.6**	**20.1**
Operating margin (%p)	0.2	1.6	-1.9	-15.0	-4.0	-0.1	3.3	13.6	8.8	11.4	10.8	11.0	-3.9	3.5	10.2	4.7
Non-operating gains (losses)	34.0	48.4	nm	nm	-70.1	nm	nm	37.2	107.3	nm	-22.0	-52.2	42.4	-223.4	-192.2	0.6
Pre-tax profit	28.0	10.3	-55.4	3.1	-40.9	nm	182.2	80.8	78.9	nm	24.6	13.6	-4.6	-21.9	116.1	17.7
Net profit (controlling)	-0.1	44.5	-52.5	-8.8	-41.7	nm	215.2	87.8	80.5	nm	19.5	12.8	-6.9	-23.6	124.6	17.2

Note: Dear U International became a consolidated subsidiary in 2Q24, thus is recognized on a consolidated basis from 2024

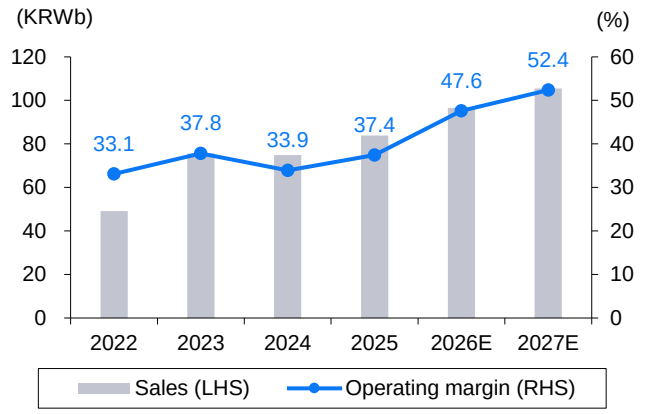
Non-operating expenses in 2Q25 including amortization of the minimum guarantee amount paid upfront to artists at the start of the contract—KRW7.1b by the US subsidiary and KRW4.8b by the parent

Bubble china (launching with Tencent Music Entertainment) launched from Jun 30, 2025

QQ Music bubble revenue recognition changed; 4Q25 revenue reflects cumulative results from 3Q~4Q25, with quarterly recognition from 2026 onward

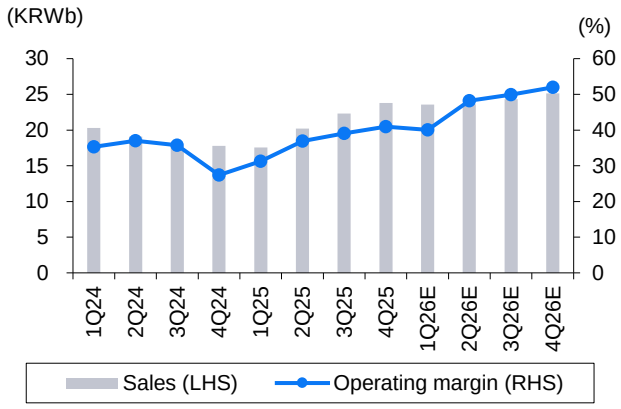
Source: Company data, Samsung Securities

Chart 1. Annual sales and operating margin



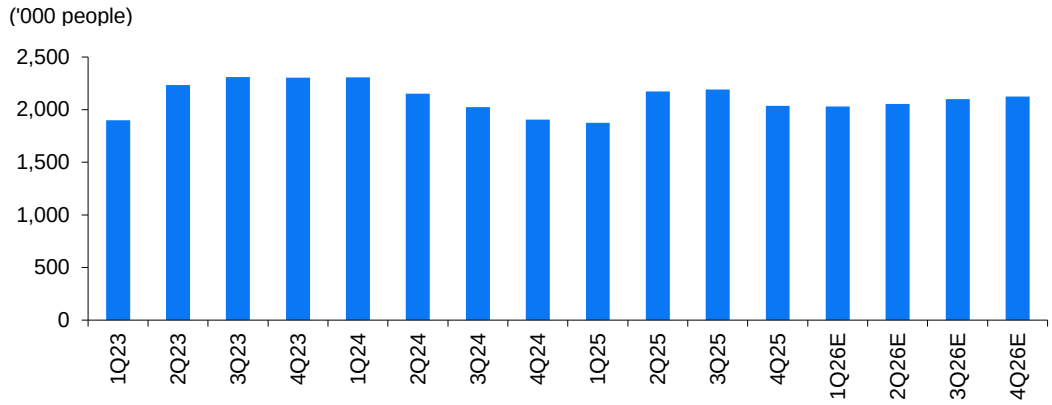
Source: Company data, Samsung Securities

Chart 2. Quarterly sales and operating margin



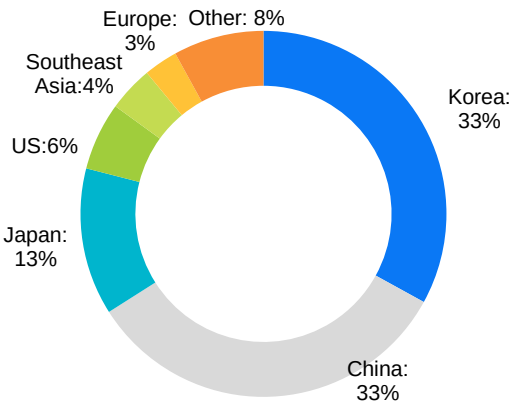
Source: Company data, Samsung Securities

Chart 3. Bubble subscribers: Trends and forecasts



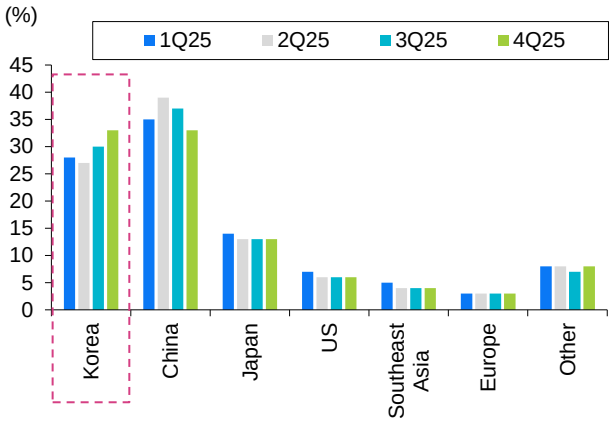
Note: Shows only subscribers to Korean app and does not include subscribers to Bubble for Japan, The Bubble, and Bubble China
Source: Company data, Samsung Securities

Chart 4. User breakdown, by region (2025)



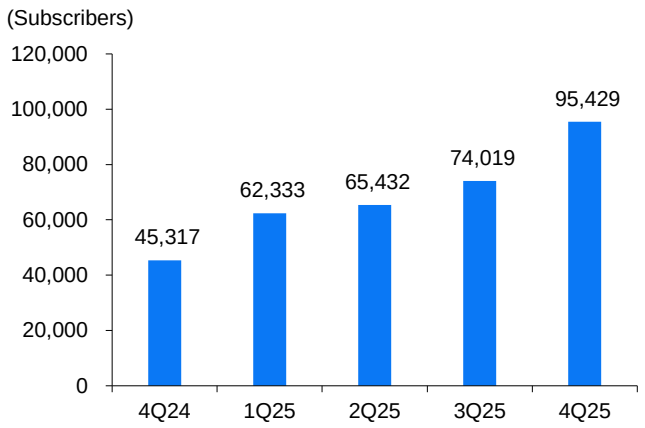
Source: Company data, Samsung Securities

Chart 5. User breakdown, by region and quarter



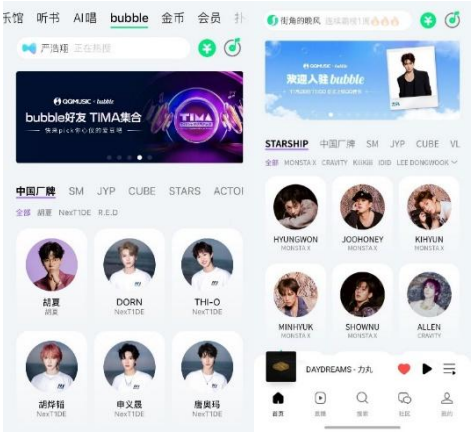
Source: Company data, Samsung Securities

Chart 6. Bubble for Japan: Number of subscribers



Note: Launched service on Jun 2024
Source: Company data, Samsung Securities

Chart 7. QQ Music Bubble



Note: Launched service on Jun 30, 2025. Chinese artists joined on Aug 19
Source: Company data, Samsung Securities

Table 4. QQ Music Bubble's Chinese local artists

Joined date	Artists	Category	Person
Aug 19	Hu Xia (胡夏)	Male solo	1
	NexT1DE	Boy group	7
	R.E.D	Girl group	7
Nov 3	门尼MONEY	Male solo	1
Nov 11	Galaxy Express	Coed band	5
Nov 20	Yamy (郭颖)	Female solo	1
Nov 22	Jianchao Deng	Male solo	1
Nov 23	Reno Wang	Male solo	1
Dec 2	Ya Sen	Male solo	1
Dec 3	Rikimaru	Male solo	1
Dec 25	Yuan Yiqi	Female solo	1
Dec 26	Chen Tian Run	Male Solo	1
Jan 16, 2026	Yu Haoming	Male solo	1
Jan 21	Lu Keran	Female solo	1
Jan 29	Nineone	Female solo	1
Feb 14	Wang Yun Chen (王允宸)	Female solo	1
	Wang Jing Xuan (王敬轩)	Male Solo	1
Mar 15	TSH48	Girl group	18
Mar 21	Su Ruiqi (苏芮琪)	Female solo	1
Apr 3	Yao Xiao Tang (姚晓棠)	Female solo	1

Note: Local Chinese artists have been joined on Aug 19
As of 1Q26, Chinese 98 artists joined in QQ Music bubble (include Honkong 39 artists)
Yu Ni (Virtual IP), Capaybara piggy (Character IP) joined in QQ Music Bubble
Source: Company data, Samsung Securities

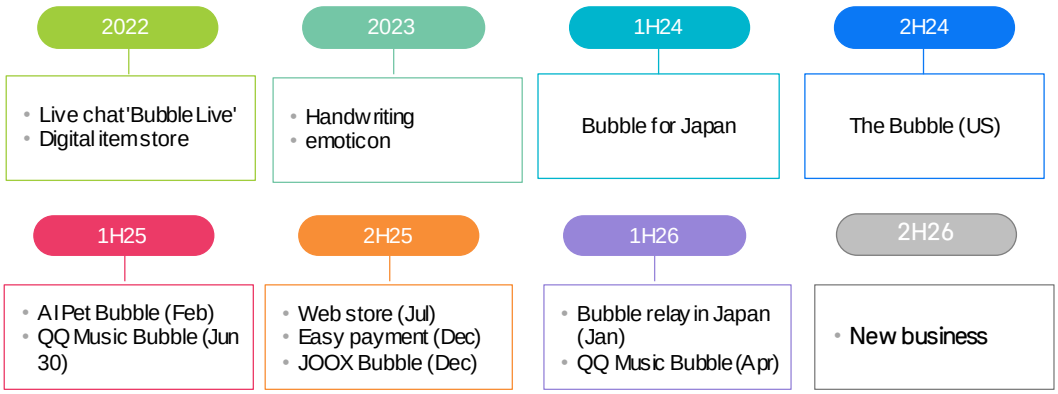
Chart 8. Tencent Music: Bubble service launches on JOOX

Note: JOOX is a music streaming platform operated by Tencent Music Entertainment, operating in Southeast Asian regions such as Hong Kong, Thailand, Malaysia, and Indonesia;
Bubble service launched on JOOX on Dec 29, 2025
As of end-1Q26, 53 K-pop artists and 39 Hongkong artists joined in JOOX
Source: Factset, company data, Samsung Securities

Chart 9. QQ Music bubble- 'Bubble' launched (Apr 2026)

Note: Available on QQ Music application
Source: Company data, Samsung

Chart 10. Service expansion plans



Source: Company data, Samsung Securities

Table 5. Bubble: Subscription fee increases for users paying through Google Play/App Store

	Before		After	
	KRW	USD	KRW	USD
1 person	4,500	3.99	5000	4.49
2 people	8,000	6.99	9,800	8.49
3 people	11,500	9.99	14,500	12.49
4 people	15,000	12.99	19,300	16.99
5 people	18,500	15.99	24,000	21.49
6 people	22,000	18.99	28,900	25.99
7 people	25,000	21.99	33,500	30.49
8 people	29,000	25.99	38,500	34.99
9 people	33,000	28.99	43,000	38.99

Note: Fees increased on Jul 7, 2025
Source: Company data, Samsung Securities

Chart 11. Added easy payment method to webstore

Source: Company data, Samsung Securities

Chart 12. Bubble for YH Launched (Mar 31, 2026)

Source: Company data, Samsung Securities

Table 6. AI Pet Bubble service

Category	Detail
Company	Dear U, Aiz Entertainment
Service	- Artists to design and commercialize product - Dear U to acquire 'big data' from fans - Fans and artists can look after pets together
Plans to add services	- To sell real goods based on the pet - To be able to add items/clothes to the pet
Launch date	Feb 13, 2025 (First artists to join were Taemin (SHINee) and Daeng, his cat)
Subscription fee	KRW2,400

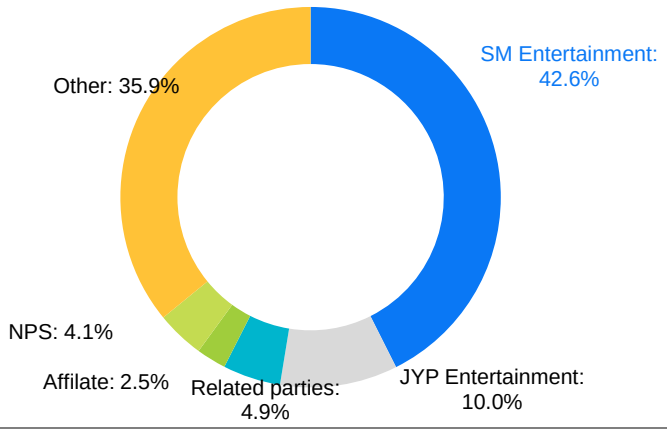
Source: Company data, Samsung Securities

Table 7. Addition of new business objectives (Mar 2026)

	Details
1	Manufacturing and distribution of cosmetic (including responsible sales of cosmetics)
2	Specialized wholesales of food products
3	Commission-based retail and related services
4	Manufacturing, consignment processing, and wholesale/retail of general goods, accessories, and daily necessities
5	Manufacturing and sale of clothing and miscellaneous goods
6	Production and domestic distribution of celebrity merchandise
7	General wholesale, import, and export of goods
8	Manufacturing and wholesale/retail of toys, hobbies, and entertainment products
9	Manufacturing and wholesale/retail of daily necessities
10	Manufacturing of dolls, toys, and entertainment products
11	Professional design services
12	Product design services
13	Character development and commercialization
14	Exhibition planning and management
15	Cultural content development
16	Cultural content planning and production
17	Export and wholesale/retail of cultural content products

Note: Business objective amendment approved at the 2025 AGM (Mar 24, 2026)
Source: Company data, Samsung Securities

Chart 13. Dear U: Shareholder breakdown



Note: NPS's stakes are as of Jan 2, 2026; Others are as of Jan 2
After SM entertainment absorbed SM Studios, Dear U's largest shareholder became SM Entertainment (Oct 17, 2025)
Source: Company data, Samsung Securities

Table 8. Revisions to 2026 and 2027 forecasts

(KRWb)	2026E			2027E		
	Old	New	Chg (%)	Old	New	Chg %
Sales	**97.9**	**96.6**	**-1.3**	**106.1**	**105.5**	**-0.6**
Operating profit	47.0	46.0	-2.1	55.7	55.2	-0.8
Operating margin (%, %pts)	48.0	47.6	-0.4	52.5	52.4	-0.1
Pre-tax profit	52.6	52.5	-0.2	62.4	61.8	-1.0
Net profit (controlling)	42.1	41.8	-0.7	49.9	49.1	-1.6

Source: Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**75**	**84**	**97**	**105**	**118**
Cost of goods sold	0	0	0	0	0
Gross profit	**75**	**84**	**97**	**105**	**118**
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A expenses	49	52	51	50	54
Operating profit	**25**	**31**	**46**	**55**	**64**
Operating margin (%)	33.9	37.4	47.6	52.4	54.4
Non-operating gains (losses)	**6**	**-7**	**7**	**7**	**7**
Financial profit	13	9	10	9	9
Financial costs	2	4	3	3	3
Equity-method gains (losses)	-0	0	0	1	1
Other	-4	-12	-1	-0	-0
Pre-tax profit	**31**	**24**	**53**	**62**	**71**
Taxes	7	6	11	13	15
Effective tax rate (%)	21.7	23.4	20.4	20.6	20.6
Profit from continuing operations	24	19	42	49	56
Profit from discontinued operations	0	0	0	0	0
Net profit	**24**	**19**	**42**	**49**	**56**
Net margin (%)	32.6	22.2	43.3	46.5	47.9
Net profit (controlling interests)	24	19	42	49	56
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	28	34	48	57	66
EBITDA margin (%)	37.3	40.8	49.8	54.0	55.7
EPS (parent-based) (KRW)	1,027	785	1,763	2,067	2,373
EPS (consolidated) (KRW)	1,027	785	1,763	2,067	2,373
Adjusted EPS (KRW)*	1,027	785	1,763	2,067	2,373

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**169**	**197**	**232**	**273**	**318**
Cash & equivalents	84	128	140	176	208
Accounts receivable	6	9	10	12	14
Inventories	0	0	0	0	0
Other current assets	79	60	82	85	97
Fixed assets	**51**	**46**	**49**	**51**	**53**
Investment assets	10	14	14	15	16
Tangible assets	3	3	2	2	2
Intangible assets	12	9	8	8	8
Other long-term assets	26	21	24	25	26
Total assets	**220**	**243**	**281**	**324**	**371**
Current liabilities	**21**	**28**	**29**	**33**	**35**
Accounts payable	0	0	0	0	0
Short-term debt	0	0	0	0	0
Other current liabilities	21	28	29	33	35
Long-term liabilities	**4**	**5**	**5**	**5**	**5**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	4	5	5	5	5
Total liabilities	**24**	**33**	**34**	**38**	**40**
Owners of parent equity	**196**	**210**	**247**	**286**	**331**
Capital stock	12	12	12	12	12
Capital surplus	162	162	162	162	162
Retained earnings	10	23	57	97	142
Other	12	13	15	15	15
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**196**	**210**	**247**	**286**	**331**
Net debt	-142	-166	-193	-229	-270

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**24**	**35**	**37**	**49**	**56**
Net profit	24	19	42	49	56
Non-cash profit and expenses	8	17	7	8	8
Depreciation	1	1	1	0	0
Amortization	1	1	1	1	1
Other	6	14	5	6	7
Changes in A/L from operating activities	-14	-0	-7	-2	-2
Cash flow from investments	**3**	**15**	**-20**	**-3**	**-12**
Change in tangible assets	-0	-1	0	0	0
Change in financial assets	8	17	-16	-0	-10
Other	-5	-1	-4	-3	-2
Cash flow from financing	**-1**	**-6**	**-7**	**-10**	**-11**
Change in debt	-0	1	0	0	0
Change in equity	0	0	0	0	0
Dividends	0	-5	-8	-10	-11
Other	-0	-2	0	0	0
Change in cash	27	44	13	36	32
Cash at beginning of year	57	84	128	140	176
Cash at end of year	84	128	140	176	208
Gross cash flow	**32**	**35**	**49**	**57**	**64**
Free cash flow	**23**	**35**	**37**	**49**	**56**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	-1.1	12.0	15.2	9.2	11.6
Operating profit	-11.2	23.5	46.6	20.1	16.0
Net profit	-6.9	-23.6	124.6	17.2	14.8
Adjusted EPS**	-7.0	-23.6	124.6	17.2	14.8
Per-share data (KRW)					
EPS (parent-based)	1,027	785	1,763	2,067	2,373
EPS (consolidated)	1,027	785	1,763	2,067	2,373
Adjusted EPS**	1,027	785	1,763	2,067	2,373
BVPS	8,258	8,842	10,389	12,046	13,939
DPS (common)	215	316	410	480	520
Valuations (x)					
P/E***	35.1	51.1	18.7	16.0	13.9
P/B***	4.4	4.5	3.2	2.7	2.4
EV/EBITDA	25.6	23.0	12.3	9.7	7.8
Ratios (%)					
ROE	13.3	9.2	18.3	18.4	18.3
ROA	11.9	8.0	16.0	16.2	16.2
ROIC	48.4	65.8	108.2	111.0	120.0
Payout ratio	20.9	40.3	23.3	23.2	21.9
Dividend yield (common)	0.6	0.8	1.2	1.5	1.6
Net debt to equity	-72.3	-79.0	-78.5	-80.2	-81.7
Interest coverage (x)	132.8	156.1	207.3	242.7	274.8

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

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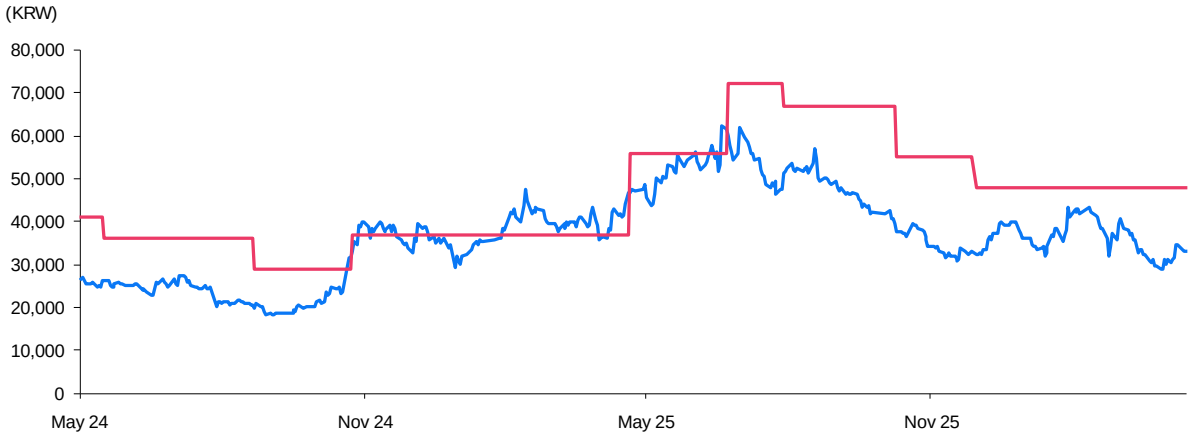
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/1/19	5/24	8/29	10/31	2025/4/29	7/1	8/6	10/17	12/8
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	41000	36000	29000	37000	56000	72000	67000	55000	48000
Gap* (average)	-27.60	-33.03	-25.75	3.38	-6.82	-25.43	-28.25	-36.80	
(max or min)**	-7.32	-23.47	8.79	28.92	11.07	-14.03	-14.63	-28.09	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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Company

BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
HOLD	Expected to increase/decrease in value by less than 15% within 12 months
SELL	Expected to decrease in value by 15% or more within 12 months

Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
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UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2026.03.31

BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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Samsung Securities

SAMSUNG SECURITIES

Samsung Electronics Bldg., 11, 74-gil,
Seochodae-ro, Seocho-gu, Seoul, Korea 06620
Tel: 02 2020 8000 / www.samsungpop.com

Family Center: 1588 2323

Voice Of Customer: 080 911 0900

For more information,
please call our sales representatives:

LONDON

Samsung Securities Europe Limited
1st Floor, 30 Gresham Street, London EC2V 7PG UK
Tel. 44-207-776-4311
Fax. 44-203-837-9219

NEW YORK

Samsung Securities America Limited
1330 Avenue of the Americas. 10th Floor. New York,
NY 10019
Tel: 1-212-972-2454
Fax: 1-212-972-2704

HONG KONG

Samsung Securities (Asia) Limited
Suite 4511, Two International Finance Center,
8 Finance Street, Central, Hong Kong
Tel: 852-3411-3608
Fax: 852-2114-0290

BEIJING

Samsung Securities Beijing Representative Office
Rm. 910, The Exchange Building No 118 JianGuo Lu, Chao Yang District, Beijing, China
Tel: 86-10-6522-1855 (extension 7891)
Fax: 86-10-6522-1855 (extension 7889)

TOKYO

Samsung Securities Tokyo Representative Office
#106-8532 19F, Roppongi T-Cube 3-1-1,
Roppongi Minato-ku Tokyo, Japan
Tel: 81-3-6333-2952
Fax: 81-3-6333-2953

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