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MONTHLY WRAP – January 2013

Shared Research Inc. has produced this report to provide monthly updates on its coverage to investors. We at Shared Research Inc. make every effort to provide an accurate, objective, and neutral analysis.

In order to highlight any biases, we clearly attribute our data and findings. We will always present opinions from company management as such. Our views are ours where stated.

We appreciate your suggestions and feedback. Write to us at sr_inquiries@sharedresearch.jp or find us on Bloomberg.

TABLE OF CONTENTS

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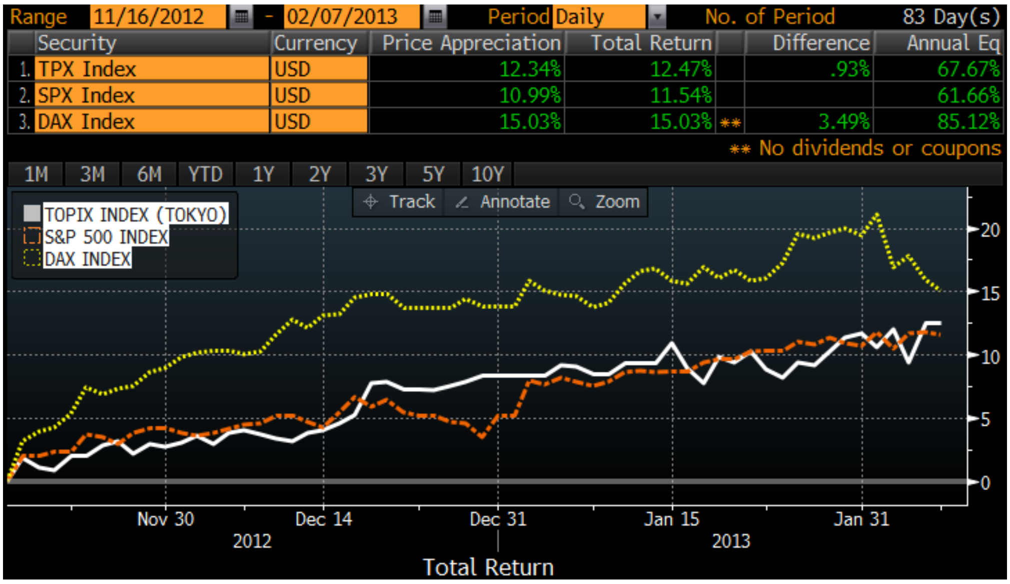
Monthly Musings

Market View from Sendagi

It is as nothing has ever happened. Are we continuing to go up? Well, yes...

That is what yen-based investors see—they have the right to be excited. However, on the same currency basis the total return gap between the three major markets—that I highlighted in the previous Wrap—has stayed unchanged as they all continue to perform pretty much in unison (adding the UK market to the chart below would produce strikingly similar results). This is how we did since the Diet dissolution announcement day—when everybody could see that the government and the policy would change…



The expansionary rhetoric and resulting yen move have clearly added zest to the Tokyo market. Let me repeat my view stated in the last Wrap—on a short-term (1-3 years) basis, the weak yen should help to restore competitiveness of the Japanese exporters. That should boost the market returns beyond the currency move. What's fascinating is that the market is currently disagreeing, failing to give the corporate Japan credit and close the total return gap highlighted above.

The top ten contributors to TOPIX 100 performance (index points) in January 2013 roughly follow the Topix weight ranking:

1. Toyota Motor (7203)
2. MUFJFG (8306)
3. SMFG (8316)
4. Mizuho FG (8411)
5. Takeda Pharma (4502)

6. Honda Motor (7267)
7. Japan Tobacco (2914)
8. Sony Corp (6758)
9. Nippon Steel &… (5401)
10. Astellas Pharma (4503)

Thinking you may be curious about what delivered the highest percentage gains in the broader Topix index over the same period, here are the winners:

1. *Hiramatsu (2764; high-end restaurant chain)*
2. *Agora Hospitality Group (9704; Japanese inn operator and developer)*
3. *Miyoshi Oil & Fat (4404; oils and fats manufacturer)*
4. *Izutsuya (8260; a small Kyushu-based department store operator)*
5. *Mitsui Matsushima (1518; a coal trader)*

Followed by an auto parts maker, cram school, chemicals company, leasing firm, and something that is described on Bloomberg as "manufactures and sells computer peripheral equipment such as floppy disks and CD-ROM"…

How about the period from November 16, 2012? The percentage gain leaders in the Topix100 are:

1. JFE (5411)
2. Nomura (8604)
3. Daiwa (8601)
4. Panasonic (6752)
5. Sony (6758)
6. Daikin (6367)
7. Nippon Steel &… (5401)
8. SMFG (8316)
9. Mizuho (8411)
10. Dai-ichi Life Insurance (8750)

(Followed by Mitsubishi Heavy, Ricoh, MUFJ, Denso, Toshiba, Honda Motor, Sumitomo Metal, MS&AD Insurance, Toyota Motor, and Fast Retailing.)

Buying any of those stocks just before that memorable day would have made you 50% or more. If you had owned Topix100 over the same period you would have made 32.3% (29.7% for Topix). The yen moved 15% versus the dollar. Beaten-down currency-sensitive stocks got bought up as did brokers and banks. We are failing to outperform Germans and Americans when seen on the same currency basis…

So here is the news for you—we haven't had a real rally yet.

Do you believe that the yen move is not just a fluke and will persist for at least few months? If you observe previous events when the yen moved down (unscientific, I know, my b-school professors!), they tended to last over 100 weeks each. So if this is a real one, we may have another 80-100 weeks before we reverse again.

I believe that barring a runaway hyperinflation and loss-of-control scenario, Japan is likely to have an expensive currency over the medium term. However, two years is a sufficient period to regroup and use this respite of renewed competiveness to restructure and relocate. The core of the Japanese industrial power has just received a gift. Investors seem not to have realized that yet.

In the previous Wrap I suggested that by some point in March or April we could possibly go all the way to 1,200 in a bullish scenario. In a less bullish one, the rest of the world corrects sharply. I don't want to think about it. Looking from Sendagi, I feel bullish.

What could be the upside beyond March-April (where maxing out at 1,100-1,200 seems reasonable)? I haven't started thinking about the summer rally yet but simply following the suit of the US market (why not?!) and approaching 2007 highs could easily get us to Topix 1,500-1,700 by the year-end. That's how it looks from Sendagi.

What the Heck is Sendagi?

I thought that by now some of you might be curious about what is Sendagi. This Wrap happens to be published on Friday so here is some weekend reading for you.

Sendagi is a small area in the Bunkyo ward, about three miles north of the Imperial Palace (roughly same distance as Hiroo if you know where that is). Relatively little known by foreigners living in Tokyo, Sendagi is a part of older and simpler Tokyo known as Shitamachi. Together with Yanaka and Nezu, it forms so called Yanesen, "an amalgam of the temple districts … in the city's east". The area was not destroyed neither by the Kanto Earthquake of 1923 nor by the bombs of WWII—hence the unique atmosphere of winding roads so narrow that Google street-view trucks can't get in, an occasional 100-year old wooden house (a massive fire hazard), and hundreds of temples and shrines. Here, Tokyo slows down for you and lets you hear the subtle sounds and notice small things. Or see the big picture.

From Sendagi, the market looks different than it does from Marunouchi or Canary Wharf. It is easier to see the fundamental logic of things and understand the simple paradoxes. Such as this bull market—obvious like a hangover after a big night in Roppongi and also similarly surprising—"What was I thinking? How did I get home? Who the f… is this?"

The simple truth is that earnings forecasts don't mean much and neither do share price targets. There is an intrinsic value in each business but it is sometimes hard to quantify and even harder to get one's hands on (O Activist, where art thou?). As we all know, it is about greed and fear. The fear dominated the Japanese market for many years now and those greedy often left it "feet first". The foreigners are not really back in Japan—they are simply covering their shorts and their underweights. As for the domestic investor, the fear has been replaced by indifference. It will be some time before the average individual investor is back to the market, although the Nikkei is reporting that many clients of online brokers are ringing the call centers and asking for their long-forgotten passwords.

Not all individuals are dormant. The active traders are... active. And they have just got a boost—a substantial deregulation of margin trading occurred starting January 4th this year. Now those trading on the margin can use the same collateral for multiple trades during the day which obviously allows for much more activity (before, the collateral was tied up for the rest of the trading day once a transaction was made, normally 30% of the transaction volume; now, once the stock is sold, the collateral is released). If the Abe government is as smart in their strategy as they are in their tactics, Japan is truly back!

The view from Sendagi is, the markets are really simple. The Japanese bull markets are also short like Estonian summers. So, get our your yen and do some Japanese equity investing. Happy hunting!

Meet the Clients

Shared Research clients are a pretty interesting bunch. As they—the companies we cover—are paying us for the research (unlike our Alpha research publications that some of you might be receiving), we religiously stay away from any judgment or recommendations in our reports. Even in this freewheeling Wrap I have to bite my fingernails and my tongue not to cross the line too much and too often.

Today, I want simply to give you really short summaries of companies, so that you can pick a couple to peruse over the weekend. I will start at A and stop at C. As always, this is not a recommendation of any kind—I simply want to help you understand where to start.

1st Holdings (3644)	Come on, Advantage Partners will not just dump it in the market. The existing business is an amazing cash cow and the CEO has a dream.
3-D Matrix (7777)	The blood freezes... Oh, and they've possibly got more Bain Capital grads than the team Romney.
Accretive (8423)	Don Quijote is looking after them for you. Still searching for the formula and a bit of money.
Ai Holdings (3076)	The CEO is a closest thing you have to Warren Buffett in the Japanese small cap space. Got a craft hobby? Buy one of those Cameos.
Anritsu (6754)	Data hungry applications mean new standards and network buildup won't stop any time soon.
Apamanshop Holdings (8889)	Why sleep if you have a company to save and grow?
Bals (Unlisted)	Sorry, too late. It already MBOed. See you in HK?
Bell-Park (9441)	Catalyst schmacalyst! It's gotta be more than just a pile of cash and Hikari Tsushin buying.
Benefit One (2412)	Pasona's subsidiary? I still don't get it. Just meet the CEO and let him talk.
Canon Marketing Japan(8060)	Get a small piece of Canon at 0.65x book.
Chiome Bioscience (4583)	Can a chicken be fully human?
Creek & River (4763)	Not just a staffing agency or book digitizer. C&R wants to be a true agency for professionals.

New Coverage

Apamanshop Holdings Co Ltd (8889)

Japan's leading rental property broker, offering comprehensive services through its proprietary real estate information network.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
4.8	29.0 mn yen	76.3	9.7	0.9

Source: Bloomberg

Apamanshop is one of the leading rental real estate brokers in Japan, with 1,000 agencies nationwide as of the end of FY09/12. The company offers a comprehensive suite of real estate services.

Main Business Segments

The company has four main segments: Brokerage, Property Management, Principal Investment and Fund Management, and Other. In FY09/11, the company merged its Principal Investment segment and Fund Management segment; it has reported them together since. The core segments are Brokerage (apartment and condominium rental brokerage) and Property Management (rental property management). The Principal Investment and Fund Management segments are frozen, and the company is working to dispose of its properties.

Segment Sales/OP (Million Yen)	FY09/08 Cons.	FY09/09 Cons.	FY09/10 Cons.	FY09/11 Cons.	FY09/12 Cons.
Sales	**59,218**	**52,520**	**47,307**	**42,583**	**38,616**
YoY	-7.9%	-11.3%	-9.9%	-10.0%	-9.3%
Brokerage	7,837	7,120	8,181	8,158	9,577
YoY	1.3%	-9.1%	14.9%	-0.3%	17.4%
% of Sales	13.2%	13.6%	17.3%	19.2%	24.8%
Property Management	25,303	32,226	29,819	27,889	26,075
YoY	55.1%	27.4%	-7.5%	-6.5%	-6.5%
% of Sales	42.7%	61.4%	63.0%	65.5%	67.5%
Principal Investment and Fund Management	19,040	6,801	4,866	3,714	2,496
YoY	-43.7%	-64.3%	-28.5%	-23.7%	-32.8%
% of Sales	32.2%	12.9%	10.3%	8.7%	6.5%
Construction	4,841	4,534	2,965	2,070	-
Other	3,945	3,276	2,757	1,971	1,633
YoY	-19.0%	-17.0%	-15.8%	-28.5%	-17.1%
% of Sales	6.7%	6.2%	5.8%	4.6%	4.2%
Adjustment (Elimination or Corporate)	-1,749	-1,439	-1,282	-1,219	-1,165
Operating Profit	**458**	**220**	**1,673**	**2,187**	**2,316**
YoY	-92.4%	-52.0%	660.5%	30.7%	5.9%
OPM	0.8%	0.4%	3.5%	5.1%	6.0%
Brokerage	-794	757	935	1,802	1,770
YoY	-	-	23.5%	92.7%	-1.8%
OPM	-	10.6%	11.4%	22.1%	18.5%
Property Management	-155	477	670	851	1,009
YoY	-	-	40.5%	27.0%	18.6%
OPM	-	1.5%	2.2%	3.1%	3.9%
Principal Investment and Fund Management	3,142	-36	757	215	114
YoY	-69.3%	-	-	-71.6%	-47.0%
OPM	16.5%	-	15.6%	5.8%	4.6%
Construction	15	126	44	148	-
Other	-759	-198	-47	40	-29
Adjustment (Elimination or Corporate)	-991	-906	-687	-870	-549

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.
Principal Investment and Fund Management figures for FY09/10 and prior years are the sum of Principal Investment and Fund Management businesses.

Brokerage Segment

The Brokerage segment offers rental brokerage services through its franchise network and directly managed agencies. According to the company's latest available data, the Apamanshop network (both directly managed and franchise agencies) brokered about 370,000 rental properties in FY09/08 and dealt with about 240,000 property owners as of the end of March 2009.

Brokerage	FY09/08	FY09/09	FY09/10	FY09/11	FY09/12
Number of Agencies					
Franchise Agencies	863	840	836	842	933
Directly Managed Agencies	72	63	64	70	67
Total	**935**	**903**	**900**	**912**	**1,000**
Directly Managed Agency Performance (Thousand Yen)					
Sales per Directly Managed Agency	36,200	49,300	53,753	54,577	57,487
OP per Directly Managed Agency	-4,300	7,100	11,202	13,475	16,275
(OPM)	-	14.5%	20.8%	24.7%	28.3%
Contract Closing Rates at Directly Managed Agencies	-	54.3%	59.2%	58.1%	56.6%
Number of Units under Semi-Management					
Number of Units	-	29,103	64,807	98,482	90,679
Related Services (Million Yen)					
Sales	438	559	903	1,151	1,575
Directly Managed Agencies	-	149	466	633	918
(Sales per Directly Managed Agency)	4	6.7	7.2	9.0	11
(GPM)	94.6%	94.7%	94.2%	94.1%	94.6%
Franchise Agencies, Other	-	410	437	517	657

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

- **Rental Brokerage Services**

The subsegment's directly managed offices offer rental brokerage services mainly in the Tokyo metropolitan area. Historically in Japan, the word "brokerage" refers to brokering in real estate transactions, but Apamanshop specializes in brokering residential rental properties.

Apamanshop initially developed the subsegment's activities through its franchise network (rental brokerages with which it had franchise contracts). Since 2006, the company has operated directly managed agencies without cannibalizing its franchisees.

- **Franchise Rental Brokerage Services**

This subsegment manages a rental-brokerage franchise network under the Apamanshop brand. It offers several types of services—training, branding, and information provision—under the umbrella name of Apamanshop (AS) System.

Training Services include bimonthly conferences for franchise representatives, office heads, and local staff in each prefecture. The company also has full-time operatives in each region—Staff Operation Field Counselors, or OFCs—who regularly visit franchise offices.

Branding Services dovetails nationwide advertising and local advertising campaigns to raise the profile of the Apamanshop brand. The nationwide advertising campaigns involve popular celebrities as brand ambassadors. The company also has around 1,000 separate websites designed to appeal to students, businesses, property owners, and particular regions, such as Hokkaido and Kyushu; the sites are also tailored for PCs, smartphones, and tablets for more precise customer segmentation. There were 1.35 million properties on the company's websites as of January 23, 2013.

Information Services offers bimonthly meetings in eight areas nationwide, delivering franchisees the latest information on sales rankings, compliance, and other topics. Additionally, the company regularly provides its franchises with information about sales rankings, best practices, and legal and compliance issues, as well as market data.

- **Information Infrastructure Services**

In this subsegment, the company offers Apamanshop Operation System (AOS) to franchisees, a centralized information that allows driving better efficiency across the entire franchisee network. The AOS, together with the Apamanshop Property Management System (APS), is the core of the Apamanshop Total System (ATS) that the company makes available to its franchisees.

The AOS supports the rental brokerage service by creating a database of information that was traditionally paper-based: rents, photographs, customers, business results, and staff activity plans. The database also helps clients rank properties by rent, distance to train stations, square footage, and so on. As of FY09/12, 8.9 million rental units were in the system.

The APS is management software that works with AOS to centralize data related to all the participants of the property rental process: tenants, owners, renovators, builders, and others. According to the company, this boosts productivity by centralizing and standardizing information related to building management and tenant management, contracts, cash management, and vacancies.

- **Related Services**

In this subsegment, Apamanshop acts as an agent for such operators as moving companies and Internet service providers. Tenants are offered various services packages when they sign rental contracts (and are most likely to be interested). Since 2010, Apamanshop has expanded the offering to include low-priced appliances and furniture sets working with electronics retailers. It also started providing a wide range of other services and products, such as renters insurance, room disinfection, NHK broadcast fee collection, and even fire extinguishers. As of FY09/12, renters insurance generated the highest sales, with about 350,000 new contracts annually.

In 2012, the company launched "Friends of Apaman," a dedicated website launched in April 2012 for tenants. In association with Benefit One Inc., (TSE2: 2412), the company offers over 150,000 special deals (e.g., discounts for hotel stays or daily necessities) for members nationwide. Also, Apamanshop offers "Worry-Free Friends of Apaman," which add key-, light plumbing-, and window glass-related trouble shooting services to the services provided through the "Friends of Apaman."

- **Semi-Management Service**

Here Apamanshop accepts certain work on consignment, such as date-management for landlords or renovations when tenants vacate premises. The scope of the services in this subsegment is more limited than the services offered in the Property Management segment. There were 90,679 units under semi-management as of the end of FY09/12.

Property Management Segment

This segment offers rental management services and subleasing services to 58,870 units (30,373 rental units and 28,497 subleased units) as of the end of FY09/12.

Property Management	FY09/08	FY09/09	FY09/10	FY09/11	FY09/12
Number of Units under Management					
Rental Management	36,640	37,167	36,633	34,895	30,373
(YoY Change)	4,281	527	-534	-1,738	-4,522
Subleasing	37,260	32,797	31,421	30,182	28,497
(YoY Change)	24,143	-4,463	-1,376	-1,239	-1,685
Total	**73,900**	**69,964**	**68,054**	**65,077**	**58,870**
(YoY Change)	28,424	-3,936	-1,910	-2,977	-6,207
Period-End Occupancy Rates					
Occupancy Rates (Rental Management/Subleasing)	-	-	-	91.5%	88.7%
Occupancy Rates (Subleasing, Nationwide Average)	-	88.3%	91.8%	92.9%	90.8%
Occupancy Rates (Subleasing, Tokyo Metropolitan Area)	-	93.3%	96.8%	95.1%	93.3%
Sales/OP per 1,000 Units (Million Yen)					
Sales	-	460	438	428	442
OP	-	6.8	9.9	13.1	17.2

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.
Occupancy rates for FY09/09 as of the end of October 2009.

- **Rental Management Services**

Apamanshop manages rental units on behalf of their owners. Rental management entails screening prospective tenants, executing rental contracts, renewing contracts, collecting rent, dealing with tenant complaints, dealing with vacant properties, renovating rooms, conserving buildings, and maintenance.

- **Subleasing Services**

The company leases properties from their owners and then rents the properties to tenants.

Principal Investment and Fund Management Segment

This segment has two subsegments: the principal investment business and the fund management business. In the principal investment business, Apamanshop used to directly purchase and manage real estate, while in the fund management business, it manages fee-based real estate funds (sometimes co-investing). The company stopped making new investments in FY09/09 and has been downsizing the segment.

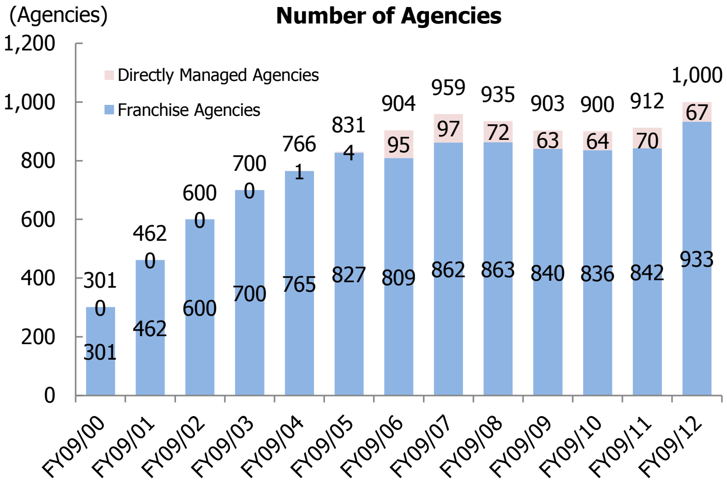
Principal Investment and Fund Management	FY09/08 Cons.	FY09/09 Cons.	FY09/10 Cons.	FY09/11 Cons.	FY09/12 Cons.
Group-Owned Real Estate					
Number of Properties	244	214	203	124	108
Book Value (Million Yen)	35,822	32,511	28,597	21,121	18,387
Rental Income (Million Yen)	2,730	2,340	2,192	1,914	1,966
Consolidated Funds-Owned Real Estate					
Number of Properties	28	28	12	0	0
Book Value (Million Yen)	19,864	19,867	9,373	0	0
Rental Income (Million Yen)	2,295	1,598	1,623	497	0
Total					
Number of Properties		242	215	124	108
Book Value (Million Yen)	55,686	52,378	37,970	21,121	18,387
Rental Income (Million Yen)	5,025	3,938	3,815	2,411	1,966

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

Other Business Segment

In this segment, the company primarily sells construction materials and offers other services to franchisees, and does system development work.

Agency Network



Source: Company data processed by SR Inc.

As of the end of FY09/12, the company operated 933 franchise agencies and 67 directly managed agencies, for a grand total of 1,000. The vast majority (995) was in Japan; five were overseas (in Shanghai, Guangzhou, Bangkok, Penang, and Kuala Lumpur).

The fact that franchisees—rather than directly managed offices—form the backbone of Apamanshop's network is explained by two factors. First, the company's original strategy was to rapidly achieve nationwide presence, and franchising allowed it to do just that. Second, Apamanshop sees itself as a "media company," not only a "real estate company." The company attracts franchisees primarily from local property management companies and employs an exclusive territory system. In each territory, the market is split so that each office has approximately 50,000 people living in its radius.

While the franchise system represents coordination and management challenges compared to running a directly managed network, Apamanshop has set a robust system to ensure smooth management and flow of information. The senior management led by the CEO visit every prefecture, holding more than 200 meetings a year to share information and receive local feedback. That feedback is then used to improve operational performance. According to the company, it sees attracting customers via the web a core priority, but it carefully listens to its franchisees when developing IT and marketing systems. Apamanshop headquarters receive near 1,000 requests and suggestions each year and prioritize the development based on that information.

Apamanshop also has directly managed agencies, mainly in Tokyo and Fukuoka Prefecture. When the company offers a new Related Service, it first does a trial run at its directly managed agencies before offering the service through franchisees. The number of directly managed agencies expanded to 95 in FY09/06 as the company was acquiring existing players with their own property management book (and properties which later dropped in value and almost dragged Apamanshop into an abyss). The number has been subsequently cut as the company streamlined operations. From FY09/13, Apamanshop plans to start increasing the number of directly managed agencies as it enters a new, healthier, growth stage.

On **January 31, 2013**, Apamanshop Holdings Co., Ltd. (Apamanshop) released Q1 FY09/13 results and revised its full-year FY09/13 forecasts due to extraordinary gains.
(For original Japanese-language release of earnings results in PDF format, please click here; for original release of forecast revisions, please click here.)

Quarterly Performance	FY09/12				FY09/13				FY09/13	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	9,694	10,274	9,479	9,169	9,000	-	-	-	23.7%	38,000
YoY	*-10.0%*	*-13.0%*	*-7.2%*	*-6.3%*	*-7.2%*	-	-	-		-1.6%
GP	2,443	2,677	2,489	2,425	2,192	-	-	-		
YoY	*-2.6%*	*-10.6%*	*-5.6%*	*-2.8%*	*-10.3%*	-	-	-		
GPM	25.2%	26.1%	26.3%	26.4%	24.4%	-	-	-		
SG&A	1,978	1,885	2,040	1,815	1,915	-	-	-		
YoY	*-7.5%*	*-8.5%*	*-5.1%*	*-13.5%*	*-3.2%*	-	-	-		
SG&A / Sales	20.4%	18.3%	21.5%	19.8%	21.3%	-	-	-		
OP	465	792	448	611	276	-	-	-	12.0%	2,300
YoY	*25.7%*	*-15.3%*	*-7.8%*	*54.3%*	*-40.6%*	-	-	-		-0.7%
OPM	4.8%	7.7%	4.7%	6.7%	3.1%	-	-	-		6.1%
RP	241	597	196	319	-32	-	-	-	-	1,300
YoY	*322.8%*	*9.7%*	*60.7%*	*134.6%*	-	-	-	-		-3.9%
RPM	2.5%	5.8%	2.1%	3.5%	-	-	-	-		3.4%
NI	-1,217	112	180	1,018	-425	-	-	-	-	2,200
YoY	-	*-80.2%*	*42.9%*	-	-	-	-	-		2265.6%
NPM	-	1.1%	1.9%	11.1%	-	-	-	-		5.8%

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

Q1 FY09/13 Results (Announced on January 31, 2013; please refer to the preceding table)

Apamanshop revised its full-year FY09/13 forecasts.

Sales for this Q1 were 9.0 billion yen (-7.2% YoY), operating profit was 276 million yen (-40.6% YoY), recurring loss was 32 million yen (241 million yen profit in Q1 FY09/12), and net loss was 425 million yen

(1.2 billion yen loss in Q1 FY09/12).

- **Brokerage**

Sales for the Q1 were 2.4 billion yen (+15.0% YoY), and operating profit was 294 million yen (-10.9% YoY). Segment sales were higher YoY due to an increase in agencies and higher sales per directly managed agency. However, the segment saw lower operating profit YoY due to upfront investment for promotional campaigns, etc.

As of the end of Q1 FY09/13, Apamanshop had 70 directly managed agencies, down two agencies YoY. Looking at performance per directly managed agency for the Q1, sales were 12.7 million yen (+7.3% YoY), operating profit was 2.8 million yen (+36.1% YoY), and the operating profit margin was 22.0% (+4.7 percentage points YoY). During the period, the company promoted and expanded its semi-management business (see Brokerage Segment for details), and as a result Apamanshop had 92,744 semi-managed units as of the end of Q1 FY09/13.

As of the end of Q1 FY09/13, the number of agencies in the franchise network (including directly managed agencies) was 1,004 (up 76 YoY). Also, the number of properties registered on the Apamanshop Operation Systems (AOS)—a system that supports the rental brokerage operations at the agencies—grew by 761,149 YoY to 9,164,527 units.

Sales in the Related Services subsegment were a robust 394 million yen (170 million yen at directly managed agencies and 223 million yen at franchises and others), up from 310 million yen (133 million yen at directly managed agencies and 177 million yen at franchises and others) in Q1 FY09/12. Apamanshop has been aggressively building this business, which offers moving-related services such as internet connections, insurance, and furniture movers, and products such as room deodorizers and fire extinguishers.

- **Property Management**

Sales in this segment were 6.0 billion yen for the Q1 (-10.2% YoY), and operating profit was 205 million yen (-3.1% YoY). Lower sales and profitability YoY were due to fewer units under management.

At the end of Q1 FY09/13, the segment had 60,639 units under management (32,287 rentals and 28,352 subleased), a drop of 2,603 units YoY. The decrease was due to transfers of about 2,500 units during restructuring. Despite the decrease, the company had 1,769 new units under management.

- **Principal Investment and Fund Management**

Sales for the Q1 were 472 million yen (-34.2% YoY), and operating profit was 28 million yen (+3.8% YoY). The sales decline was due to property sales in an effort to strengthen the balance sheet. Profitability improved, however, due to higher occupancy rates and lower costs.

- **Other**

Sales in this segment were 365 million yen (-27.6% YoY) for the Q1, and operating loss was 30 million yen (11 million yen loss in Q1 FY09/12).

GCA Savvian Group Corp (2174)

An independent M&A advisory firm, pushing "repeat-client model" and other unique initiatives toward winning more cross-border deals.

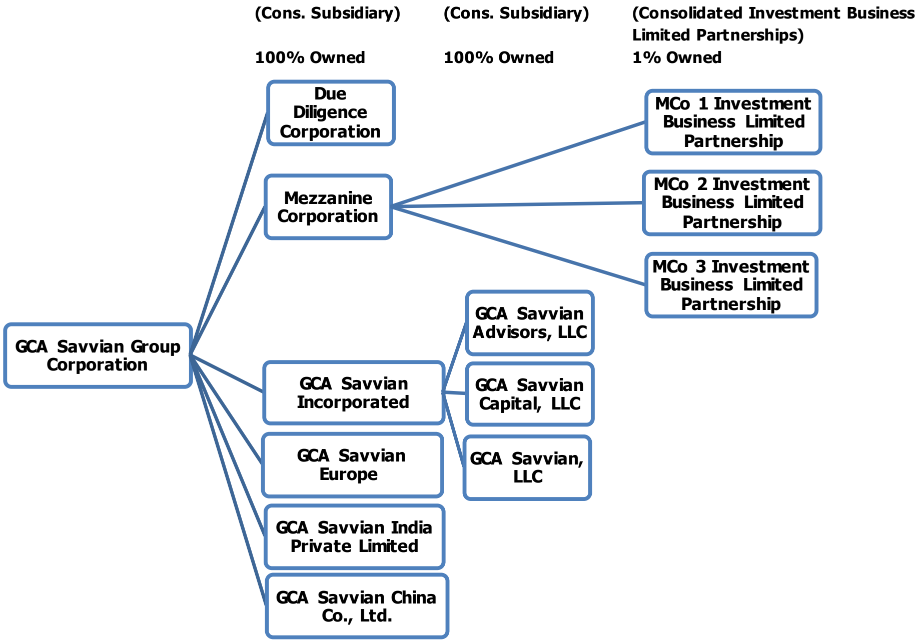
Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
30.8	58.8 mn yen	46.2	10.1	4.1

Source: Bloomberg

GCA Savvian Group Corporation (GSG) is an independent M&A advisory firm.

Businesses

The company's primary business is M&A advisory and ancillary services. It has three reportable segments: advisory, asset-management, and funds.



Source: Company data processed by SR Inc.

The main entities in the advisory business are GCA Savvian Group Corporation (formerly GCA Savvian Corporation); GCA Savvian Advisors, LLC; and Due Diligence Corporation (see Note below). Mezzanine Corporation, another important entity, operates the company's asset-management business; the company records earnings from its investment business limited partnerships (funds) in this segment. GSG has only a 1% stake in each of its funds but consolidates them as they are under the company's control.

Note: The above chart and discussions reflect GCA Holdings Corporation's absorption of GCA Savvian Corporation, and GCA Savvian Group Corporation's absorption of GCA Holdings Corporation, both effective on December 31, 2012.

(Million Yen)	FY12/08 Cons.	FY12/09 Cons.	FY12/10 Cons.	FY12/11 Cons.
Revenue				
Advisory	9,607	5,595	7,542	7,323
Japan	4,516	3,248	3,066	3,512
U.S.	4,590	1,634	3,821	3,378
Europe			11	15
Due Diligence	501	713	644	418
Asset Management	476	555	557	649
Fund Unconsolidated	**10,083**	**6,150**	**8,099**	**7,972**
Fund	861	3,993	7,390	7,627
Elimination	-368	-530	-542	-649
Fund Consolidated	**10,576**	**9,613**	**14,947**	**14,950**
Operating Profit				
Fund Unconsolidated	**3,460**	**-506**	**213**	**979**
Fund	423	850	1,667	3,246
Fund Consolidated	**3,883**	**344**	**1,880**	**4,225**
Net Income	**1,990**	**-467**	**38**	**533**

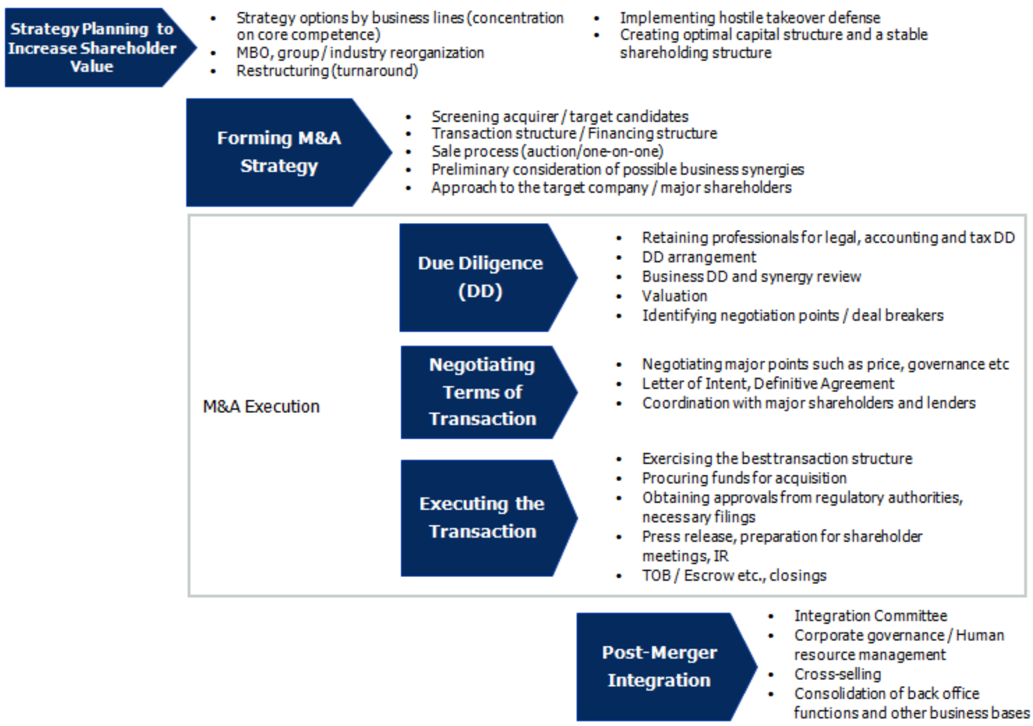
Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.
FY12/08 was an irregular 10-month period (March 3, 2008-December 31, 2008).

Advisory Business

- GCA Savvian Group Corporation (Advisory Segment, Japan)

GSG offers comprehensive advisory services to public and private companies, including divestitures, acquisitions, going-private transactions, takeover defense, restructurings, and turnarounds. The company provides expertise not only in deal execution, but also the entire process from upstream operations (e.g., strategic and M&A planning to maximize corporate value) to downstream post-merger integration.

Advisory Business Coverage



(Source: Company data)

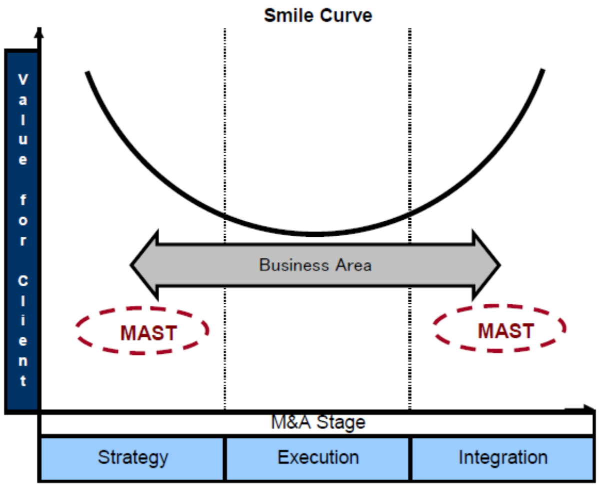
In M&A transactions, when a seller sells a business to a buyer that can strengthen it, the buyer adds corporate value. In theory, the seller and the buyer divide this value fairly, resulting in a win-win M&A deal. In reality, the buyer and seller are usually at odds, and must negotiate the terms and conditions of the deal.

To ensure post-purchase value accretion, the buyer must manage a prudent acquisition process (pre-deal research and adequate purchase contracts). The seller, meanwhile, wants to maximize the sale price. Ideally, and this is particularly relevant in the Japanese business environment, the seller also wants to ensure that employees of the divested business can enjoy continued employment and prosper. GSG serves as an advisor to either buyers or sellers. Because the company is focused on sustaining what it calls a "repeat-client model," it tends to advise buyers more frequently (satisfied buyers will come for more business).

Note: GSG does not act as a business broker that introduces buyer and seller and receives a fee from each.

Unlike some investment banks, the company does not have separate teams of bankers who compete against each other. Instead all deals are done by a single team with project members assigned as needed. While many an M&A advisory firm are reputed to rely on a few star players, GSG says that it managed to develop a system that allows most of its experienced staff to contribute actively and that in turn lowers its dependence on star performers (as of December 2012).

M&A Strategy Support Team (MAST) Involvement



(Source: Company data processed by SR Inc.)

In 2010, the company has formed MAST, M&A Strategy Support Team, to provide consulting both pre-deal and in post-merger integration. Prior to creating MAST, GSG was focused primarily on deal execution. However, many of its clients asked for help with both forming their M&A strategy and integrating their acquisitions. Successful post-merger integration in most cases determines deal success for a buyer. This is especially true for cross-border transactions. The company explains that by consulting in these areas, a time-consuming and involved task that many of its competitors (e.g., bulge-bracket investment banks) would prefer not to touch, it can earn client trust, leading to repeat business.

- <u>Due Diligence Corporation (Advisory Segment)</u>

Due Diligence Corp. provides services concerning accounting, finance, and tax due diligence in M&A deals.

- <u>GCA Savvian Advisors LLC (Advisory Segment, U.S.)</u>

Formed in 2003 with personnel from Morgan Stanley, Robertson Stephens, and other U.S. investment banks, this independent M&A advisory firm works with high-tech growth companies on the West Coast of the United States from its San Francisco headquarters. The segment's ability to support execution of cross-border deals between Japan and the U.S. make it a compelling proposition.

GCA Savvian Advisors employs sector specialists. It is strong in the high-tech sector and claims deep relationships with over 200 private equity funds in Silicon Valley. Considering the difficulty of becoming a

Silicon Valley insider, being able to offer Japanese clients the latest information from U.S. tech companies is useful for promoting Japan-U.S. cross-border deals. The firm is also broadening its coverage into healthcare and industrials.

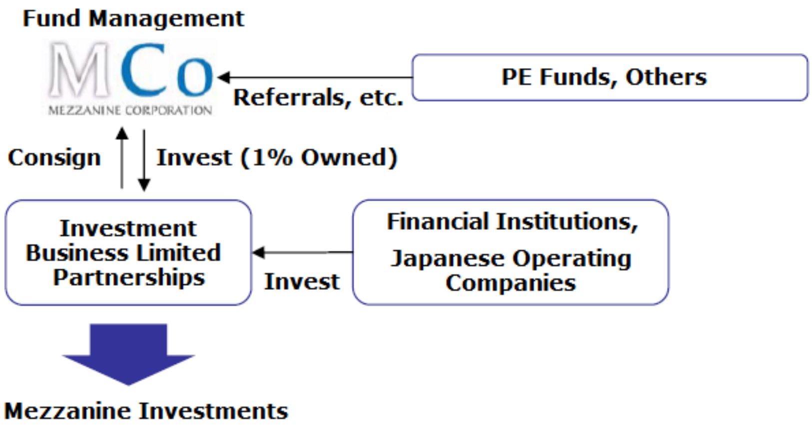
Asset Management Business

In this segment, the company offers mezzanine financing through specialized funds, usually in the form of convertible debt, senior subordinated debt, or securities involving non-voting preferred shares. Examples of situation when firm clients would find mezzanine useful include:

- Subordinated debt if an acquisition is too large to be funded through bank loans alone
- Non-voting shares to raise capital without diluting existing shareholders
- Preferred shares to fund a management buyout or management-employee buyout
- Balance sheet restructuring

Mezzanine Corp. ("MCo" in the chart below) creates limited partnerships with institutional investors and manages the funds. The segment limits its stake in each fund to 1%; therefore, its main sources of income are management fees and performance-linked fees.

Asset-Management and Fund Businesses



(Source: Company data processed by SR Inc.)

One challenge in the asset-management business is its conflict of interest with the advisory business. Specifically, advisory work involving mezzanine financing may jeopardize the company's neutrality, even if the advice benefits clients. According to the company, its target areas for advisory and asset management work do not overlap, substantially lowering risk of a conflict of interest (as of December 2012).

Fund Business

The company makes money by earning interest on subordinated loans, as well as dividends from and redemptions of preferred shares. None of the company's three funds (MCo 1-MCo 3) has ever incurred loss to principal since their inception.

What Makes GSG Different?

Akihiro Watanabe, the company's founder and managing director, has extensively researched the U.S. and European advisory boutiques prior to starting GSG and formed strong views about what he wants his firm to be. These views continue to form the basis of what the company stands for to this day.

- Independent M&A Specialist

This is the biggest factor differentiating GSG from its competitors (in Japan, mostly large banks and securities firms). The company believes that being independent allows it to give better, more impartial advice to its clients, as well as develop truly long-term relationships.

- Repeat-Client Model

GSG's policy is to pursue deals, even small ones, if they help clients maximize long-term growth opportunities. In that, SR Inc. believes that GSG differs from larger rivals, particularly bulge bracket investment banks who do exclusively very large deals. In 1H FY12/12, about 75% of the company's business came from repeat clients, likely a testament to the focus on putting the clients' interest first. GSG says that it would often advise its clients not to pursue a deal if it believes it does not maximize value.

In order to reinforce this culture throughout the company, GSG does not set individual sales quotas for any employees. This avoids the tendency to put numerical targets ahead of truly working for the customer. Instead, the company evaluates staff based on customer satisfaction and 360-degree assessments. Unusual in the industry, GSG conducts a customer satisfaction survey after each deal. The 360-degree evaluation process involves executives and employees assessing individual contributions to the company's business philosophy and goals. Employees may choose his or her assessors, but other directors and employees may participate. Employees receive bonuses based on these assessments.

Personnel turnover at the company is low. Other than the immediate aftermath of Lehman Brothers' collapse, the rate has been around 1%-2% per annum.

	FY12/08 Cons.	FY12/09 Cons.	FY12/10 Cons.	FY12/11 Cons.
Ratio of Large Deals to M&A Advisory Revenue (Fee Basis)				
Ratio of Large Deals (with 100 mil+ fees)	65%	40%	43%	41%
Others	35%	60%	57%	59%
Japan-U.S. Joint Deals (Million Yen)				
Revenue	937	572	1,011	1,224
No. of Deals	5	7	10	13
No. of Professionals (Average for Q4, Person)				
Advisory Japan	63	69	73	75
Advisory U.S.	70	65	63	68
Advisory Europe	-	4	5	2
Due Diligence	26	33	26	30
Mezzanine	11	11	11	11
Total	170	182	178	186

Source: Company data processed by SR Inc.
FY12/08 was an irregular 10-month period (March 3, 2008-December 31, 2008).

- Global Network

GSG, which anticipated a rise in globalization of Japanese firms since its founding, created a cross-border transaction platform when it merged with the former Savvian Advisors.

The firm has offices in Tokyo, Osaka, San Francisco, New York, Menlo Park (Silicon Valley), London, Mumbai, and Shanghai. These overseas offices are key because they provide deep knowledge of local firms and business environments in cross-border transactions. They also provide post-deal decision support. This approach creates repeat business.

In FY12/11, cross-border deal revenues accounted for 34% of GSG Tokyo team's revenues. In 2011, GSG topped the league table as the top advisor for Japan-U.S. cross-border M&A by number of deals.

As of December 2011, the company had 100 M&A specialists in Japan, 68 in the U.S., four in China, two in India, and one in each of Europe and Thailand.

On top of these overseas offices, GSG cooperates with 40-50 M&A firms overseas to gather information on potential M&A projects.

- GCA Savvian Advisors LLC's Business Model

GCA Savvian Advisors revolves around advising emerging-growth firms (sellers) that choose M&A as an exit strategy. It also advises buyers of emerging-growth firms. The founders of the firm were previously with Robertson Stephens and TMT (Telecommunications, Media and Technology) team of Morgan Stanley, bringing respectively strong ties to the Silicon Valley venture community and strong connections with the major traditional buyers of emerging businesses.

Impact of Including the Funds into Consolidated Accounts

The company consolidates fund performance in its financial statements. However, because GSG only has a 1% stake in these funds, the company's consolidated numbers do not necessarily accurately reflect its performance. Investors may therefore be advised to look at the non-consolidated (ex-fund) accounts to better grasp the true performance picture of GSG.

(Million Yen)	FY12/08 Cons.	FY12/09 Cons.	FY12/10 Cons.	FY12/11 Cons.
Income Statement				
Fund Consolidated				
Revenue	10,576	9,613	14,947	14,950
Operating Profit	3,883	344	1,880	4,225
Recurring Profit	3,915	385	1,818	4,223
Total Income Taxes	1,497	-75	119	471
Minority Interests	418	841	1,647	3,209
Net Income	1,990	-467	38	533
Fund Unconsolidated				
Revenue	10,083	6,150	8,099	7,972
Operating Profit	3,460	-506	213	979
Net Income	1,985	-476	20	499
Balance Sheet				
Cash and Equivalents	9,677	6,861	8,567	8,754
Accounts Receivable	907	626	847	929
Operational Invest. Securities*	14,035	16,535	11,734	10,731
Operational Invest. Loans*	6,118	6,689	16,853	13,667
Current Assets	32,221	31,912	38,762	34,622
Tangible Fixed Assets	363	330	346	265
Invest. Securities	1,163	2,364	176	243
Fixed Assets	1,909	3,267	1,059	1,470
Total Assets	34,130	35,180	39,821	36,093
Total Liabilities	1,851	1,308	2,447	1,930
Capital	12,104	10,373	6,852	7,100
Valuation and Translation Adjustments	-188	-130	-253	168
Minority Interests*	20,363	23,629	30,775	26,895
Total Net Assets (I)	32,279	33,871	37,373	34,163
Total Liabilities and Net Assets (II)	34,130	35,180	39,821	36,093
Fund Consolidated				
(I) / (II)	94.6%	96.3%	93.9%	94.7%
Equity Ratio	34.9%	29.1%	16.6%	18.8%
Fund Unconsolidated				
Total Assets (III)	13,769	11,541	9,013	9,141
Total Net Assets (IV)	11,916	10,242	6,598	7,213
Total Shareholders' Equity (V)	11,916	10,243	6,598	6,779
(IV) / (III)	86.5%	88.7%	73.2%	78.9%
(V) / (III)	86.5%	88.8%	73.2%	74.2%

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.
*Accounts affected by fund consolidation
**Shareholders' equity = Net assets - Minority interests - Share warrants
***FY12/08 was an irregular 10-month period (March 3, 2008-December 31, 2008).

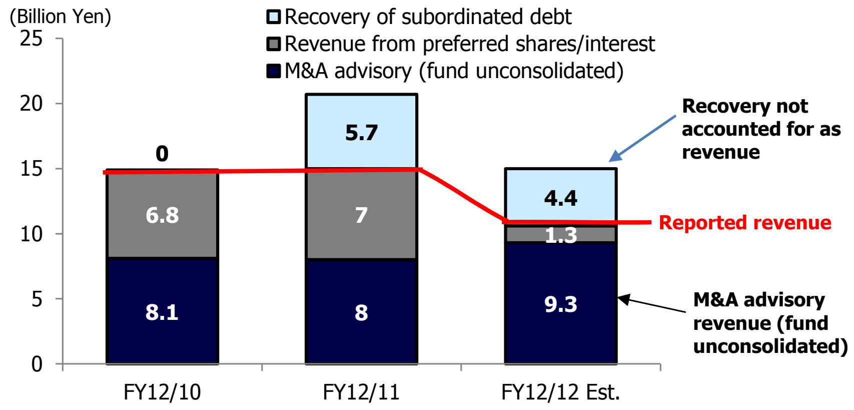
On the balance sheet, the company records fund investments as operational investment securities and operational investment loans. The company records the portion attributable to fund investors in minority interests. This accounting treatment artificially inflates total assets.

On the income statement, revenue, operating profit, recurring profit, and pretax profit also reflect fund consolidation. However, 99% of these consolidated earnings are attributable to external investors, and the company thus adjusts for these earnings or losses in the minority interest line. Therefore, net income is an accurate reflection of performance while other profit metrics are not. For other profit lines, the figures before fund consolidation give a more accurate picture of the underlying business.

Consolidated revenue also does not include the recovery of mezzanine fund investments in subordinated debt (although interest income is recognized). The company records redeemed preferred stock as revenue.

The following chart shows revenue under three different calculations: (1) fund-consolidated basis; (2) fund-consolidated, including recovery of investments in subordinated debt; and (3) fund-unconsolidated basis.

Impact of Mezzanine Fund Consolidation on Revenue



(Source: Company data processed by SR Inc.)

Pease refer to the Shared Research website http://www.sharedresearch.jp/english/newindex.php) to see a full version of Shared Research's report on the company.

MIRAIT Holdings Corp (1417)

A major telecom construction company, benefiting from telecom sophistication and expanding its earnings base.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
68.6	179.4 mn yen	21.3	6.1	0.7

Source: Bloomberg

MIRAIT is a major telecommunications construction company, and the firms that formed it have been operating for over half a century. The company was established in 2010 through an equity transfer of shares of Daimei Telecom Engineering Corp., Commuture Corp., and Todentsu Corp. These companies became wholly owned subsidiaries under the roof of MIRAIT Holdings.

Main Business Segments

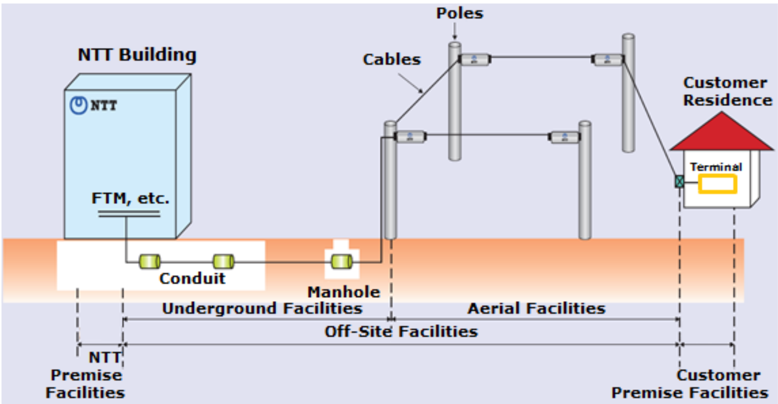
The company has four segments: NTT, Mobile, ICT, and Civil Engineering. In FY03/12, the NTT segment accounted for 47% of sales, followed by Mobile (26%). From FY03/13, accelerated development of high-speed mobile data communication infrastructure should drive sales in the Mobile segment.

Sales by Segment (Million Yen)	FY03/10	FY03/11	FY03/12 Cons.
Sales	**255,299**	**246,603**	**236,038**
YoY	-3.1%	-3.4%	-
NTT	116,600	110,000	111,400
YoY	-	-5.7%	-
% of Sales	45.7%	44.6%	47.2%
Mobile	75,000	68,100	60,300
YoY	-	-9.2%	-
% of Sales	29.4%	27.6%	25.5%
ICT	25,300	25,600	26,700
YoY	-	1.2%	-
% of Sales	9.9%	10.4%	11.3%
Civil Engineering	38,200	42,600	37,400
YoY	-	11.5%	-
% of Sales	15.0%	17.3%	15.8%

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.
Figures for FY03/11 or earlier years are the simple aggregate of the three integrated companies.

NTT

This segment focuses on the construction, maintenance, and operation of fixed-line telecoms facilities for subsidiaries of Nippon Telegraph and Telephone Corporation (TSE1: 9432, "NTT"), namely, Nippon Telegraph and Telephone East Corporation ("NTT East") and Nippon Telegraph and Telephone West Corporation ("NTT West"). The segment's main areas of operation are the Tokyo metropolitan area and the Kansai region. As shown below, the business spans the entire telecom infrastructure spectrum, from NTT's offices to customers' premises and all areas in between.



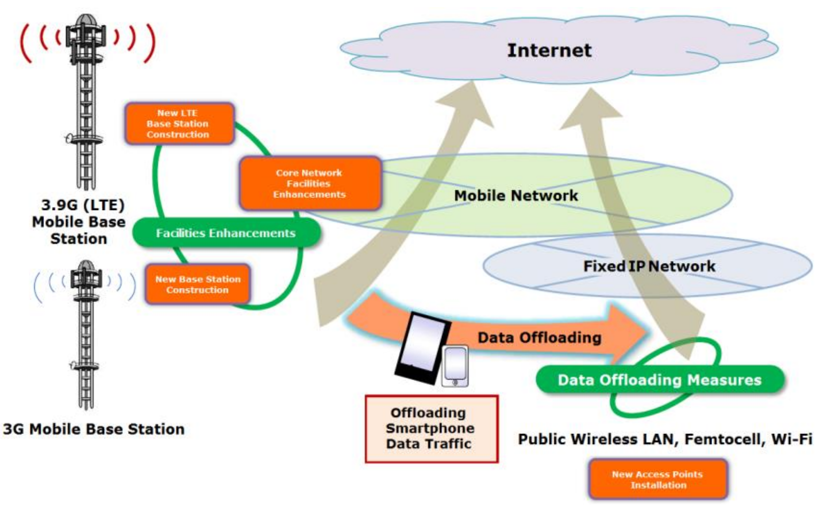
NTT's Telephone Network (Internal, External, Customer Premises)
(Source: NTT data processed by SR Inc.)

(Source: Company data processed by SR Inc.)

The core activity in this segment is laying fiber-optic cables (see specific tasks below). MIRAIT also replaces obsolete telephone poles and manages various telecom facilities (including repair and maintenance).

- Transmission-line construction for IP networks
  MIRAIT works with NTT to prepare, submit, and manage construction-application documents; installs and manages relay transmission and monitoring equipment; and conducts various operations related to transmission equipment.
- Transmission-line construction on NTT premises
  MIRAIT installs transmission equipment and builds power-supply facilities; connects optical fibers to other telecom operators' facilities; decommissions old facilities; and augments transmission-equipment modules and packages.
- Construction of outdoor facilities
  The company constructs aerial lines and underground facilities (e.g., manholes, conduit equipment, and common ducts for telecoms and electrical wires).
- Provision of network circuits to end users on customer premises
  MIRAIT installs fiber optics terminals, sets up routers, and trenches for incoming lines for telecom operators.

<u>Mobile</u>
In this segment, MIRAIT operates nationwide, covering everything from mobile telecommunications-related consulting to mobile network design, construction, conditioning, testing, and maintenance.



An Example of Measures to Accommodate Growing Data Traffic
(Source: Company data processed by SR Inc.)

(Source: Company data processed by SR Inc.)

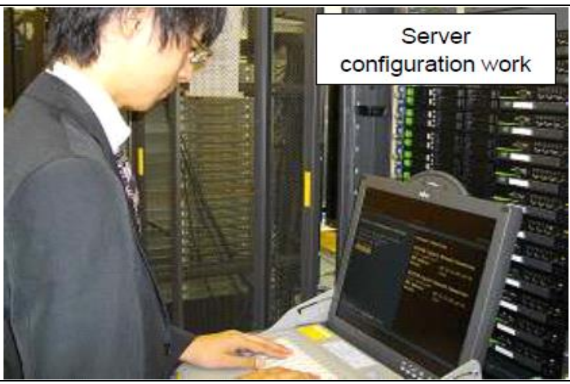
The key activities in the segment are:

- Construction of mobile phone base stations
  This includes detailed design, construction, and testing, as well as negotiations for obtaining necessary land, and consulting activities.
- In-building Mobile Communication System (IMCS) base stations
  Providing service covering tenders for facilities, as well as indoor wireless surveys through design, construction, and maintenance.
- Offloading-related work
  The company installs Wi-Fi access points, augments 3G capability, and provides construction for switchover to LTE services.

As mobile carriers try to cope with spiking traffic volumes, MIRAIT is involved in a wide range of projects and jobs related to building the mobile infrastructure, from setting up base stations to installing equipment to boost data handling capacity. In addition, the company is busy setting up Wi-Fi access points in an effort to offload data alleviating the burden on mobile networks. Also ongoing as of January 2013 were projects enabling wider use of mobile phones on trains across the Tokyo subway system.

ICT

In this segment, MIRAIT constructs, maintains, and operates data communications systems for businesses and the government. This segment began as an offshoot of equipment installation work in private residences within broader telecommunication construction. Today, MIRAIT builds IT infrastructure for customers and offers an end-to-end service including design, construction, operation, and maintenance of IP network layers. It also offers cloud computing and digital media solutions.



(Source: Company data processed by SR Inc.)

The key activities in the segment are:

- Voice communication systems
  The segment constructs private branch exchanges (PBXs), Internet-protocol PBXs (IP-PBXs), mobile centrex, and other systems.
- Data-related facilities
  The segment also constructs local area networks (LANs), wide-area networks (WANs), and wireless LANs. It installs and sets up network devices and builds information security systems while providing router setup and maintenance services.
- Software and other
  The segment also engages in systems-architecture design, application development, etc. The company intends to concentrate on cloud computing going forward, boost its product offerings in infrastructure as a service (IaaS) and managed services, as well as increase the activity in platform construction and operation necessary for these services.

Civil Engineering

In this segment, MIRAIT installs telecommunications infrastructure equipment and electrical systems for government agencies and private-sector companies. It also provides general construction services.

The key activities in the segment are:

- Electrical systems
  The segment builds electrical systems in buildings, power supply systems for telecommunication facilities, and high-voltage transmission facilities.
- Civil engineering
  The segment conducts civil engineering related to general infrastructure, telecommunication facilities, underground structures, and pavement.
- Air-conditioning/sanitation systems
  The segment builds air-conditioning as well as water-supply, sewage, and sanitation facilities.
- Environmental/energy facilities
  The segment installs photovoltaic generation sensors, electric energy monitoring systems, and electric vehicle (EV) chargers. In this segment, MIRAIT plans to expand its energy-management systems (EMS) business, as well as environmental and energy-related businesses (e.g., air-conditioning systems, sanitation facilities).

(Source: Company data processed by SR Inc.)

Corporate Structure

Prior to October 1, 2012, the company had three subsidiaries: the former Daimei Telecom Engineering Corp., Commuture Corp., and Todentsu Corp. The company now operates under two companies: MIRAIT Corporation (the former Daimei and Todentsu merged together, HQ in Tokyo) and MIRAIT Technologies Corporation (the former Commuture, HQ in Osaka).

The MIRAIT group had 7,202 employees as of March 2012: 2,500 at the NTT segment and 1,700 at the

Mobile segment.

Merger and Reorganization Benefits

The company conducted a three-way merger in order to gain financial and operational strength and counter the decline in capex spending at NTT East and West. The merger also aimed to strengthen the ICT and Civil Engineering businesses and thereby transform the MIRAIT group into a comprehensive engineering and service company.

For the overall organization, the synergies created by the merger were expected to allow the company to slim down existing businesses, optimize personnel allocation (e.g., putting more staff in exploring new businesses), and redeploy employees to rationalize shared services (e.g., accounting, personnel, and administration).

The cost reductions made possible by the merger are particularly pronounced in the NTT segment. There, as the investment in the fixed line infrastructure has been declining, specialty construction companies such as MIRAIT experience continuing pricing pressures. In addition, the trend is toward multiple smaller projects with shorter lead times and poorer long-term visibility. This dictates the need to improve productivity and cut costs while finely coordinating the business at the overall group level.

Concrete examples of integration benefits in this segment include: (1) lower construction costs thanks to optimizing geographic allocation of work and consolidating various business functions; (2) higher productivity due to standardized business processes among the primary contractor, subsidiaries, and partner companies; and (3) more effective use of resources.

The company has indicated that the NTT segment was the most fragmented and overlapping of its segments and thus is likely to benefit most from the synergies created by the merger and reorganization. One significant source of synergies is optimization of existing outsourcing partnerships.

In the Mobile segment, only one of the three parties, Daimei, focused on this activity, so there is less scope for efficiency gains. However, in FY03/12, the company united all of its Mobile employees under the former Daimei, enabling better personnel allocation and fewer missed business opportunities.

Office Network

As of November 2012, the number of company offices by region was as follows (including headquarters, branches, and sales offices): Hokkaido, 2; Tohoku, 2; Kanto, 15; Chubu, 4; Kansai, 10; Chugoku, 1; Kyushu, 3; for a total of 37. The former Daimei and Todentsu were strong in Kanto, and Commuture was strong in Kansai, so they have an accordingly large numbers of offices in these respective regions. SR Inc. believes that having offices nationwide is an advantage, especially in the Mobile segment (see Competition). MIRAIT also has overseas offices in the Philippines, Australia, and Sri Lanka.

Pease refer to the Shared Research website http://www.sharedresearch.jp/english/newindex.php) to see a full version of Shared Research's report on the company.

Pigeon Corp (7956)

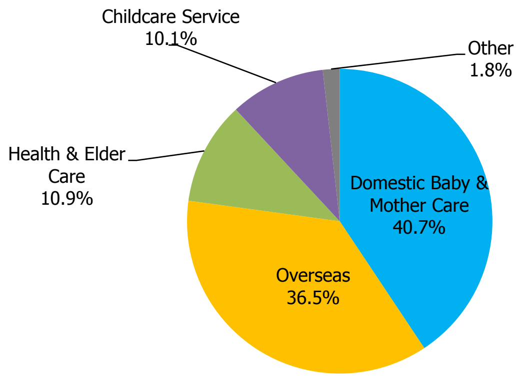
Manufacturer of baby bottles, nipples, and other baby goods, seeking a greater global presence.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
99.2	538.3 mn yen	25.5	12.3	3.5

Source: Bloomberg

Pigeon operates five business segments: Domestic Baby & Mother Care, Overseas, Health & Elder Care, Childcare Service, and Other. As overseas business represents baby and mother care products, this product group is overwhelmingly most important for the company.

Sales by Segment (FY01/12)



Source: Company data processed by SR Inc.

Domestic Mother & Baby Care

Sales in FY01/12 were 24.0 billion yen (-0.4% YoY), or 40.7% of the company's total sales. Gross profit margin stood at 46.5%. Operating profit was 3.7 billion yen (+3.7% YoY), an operating profit margin of 15.3%.

Domestic Baby & Mother Care Products

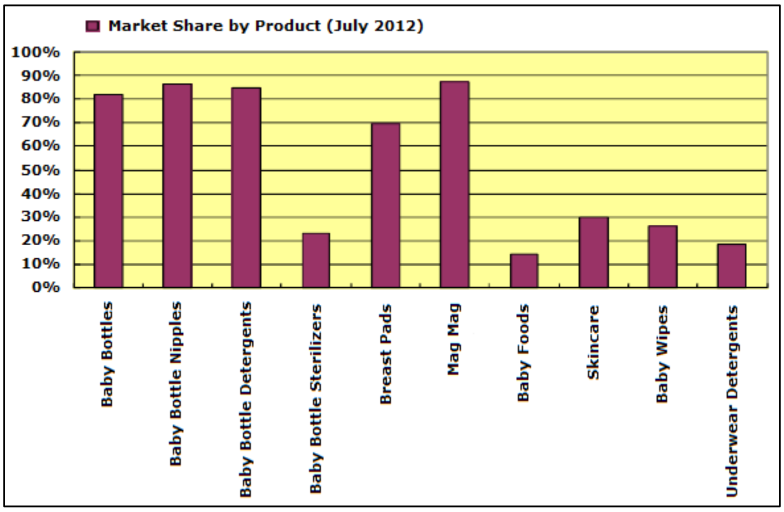
Source: Company data processed by SR Inc.

Pigeon's core products are baby bottles and nipples and its main market are mothers of babies 0-24 months old. About a half of the segment sales, these two product types therefore represent approximately 20% of domestic sales (SR Inc. understands the number to be about 25% of total consolidated sales), and their importance for both the brand and the bottom line cannot be underestimated. Apart from bottles and nipples, the product lineup includes breast pads, baby wipes, bottom wipes, skincare goods, maternity products, strollers, and electric breast pumps.

The product cycle is two to three years for baby food and about five years for other products. The product-renewal cycle offers a chance to secure shelf space and negotiate with store owners. Pigeon spent 2.5% of consolidated sales on R&D in FY01/12, a growing ratio that underlines the importance of innovation and change for the company's product strategy.

Pigeon products enjoy exceptional support of its Japanese consumers as illustrated by the market share chart below. The strong brand allows the company to maintain premium pricing and avoid discounting. This not only helps to perpetuate the brand image but contributes to high profitability.

Pigeon Core Products' Market Shares (July 2012)



Source: Company data

Pigeon makes about 60% of its products in house. The company did not have its own manufacturing facilities till mid-80s when it established Pigeon Home Products Corp. in Shizuoka Prefecture. Pigeon opened its first overseas factory in Thailand in 1996. As of FY01/13, the in-house manufacturing is carried out by several domestic and overseas manufacturing subsidiaries. The remaining 40% of the products are sourced from over 100 partner manufacturers.

Pigeon's end clients in Japan are major drugstores (about 50% of domestic sales), baby goods retailers (40%), and department stores and general merchandisers (10%). The company has three-way sales negotiations with a retailer and distributor in attendance. As an exception to this practice, Pigeon deals directly with baby goods retailers such as Toys "R" Us and Akachan Honpo.

The company also sells online, at third-party e-commerce sites such as Amazon.co.jp and at its own Pigeon Mall, which had roughly 300 million yen sales in FY01/12. The company also maintains the largest Japanese community website forum (Pigeon Info.) for exchanging information about pregnancy, birth, and child-rearing. As part of its broader marketing effort, Pigeon also hosts various events for expecting and new mothers as well as women who are planning pregnancies.

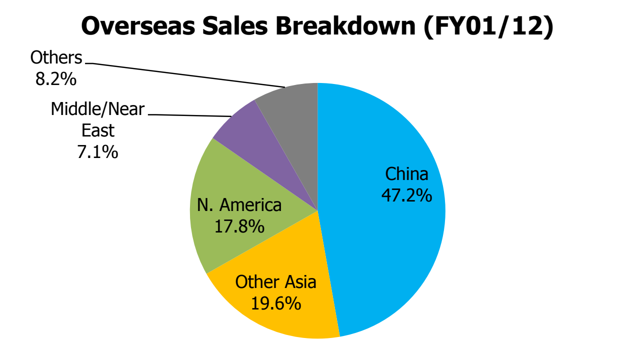
Mag Mag Baby Cups

Nipple Cup	Spout Cup	Straw Cup	Training Cup
			

Source: Company data processed by SR Inc.

Overseas Business

Sales in FY01/12 were 21.6 billion yen (+8.4% YOY), or 36.5% of the company's total sales. Gross profit margin was 48.1%, and operating profit was 3.9 billion yen (+4.4% YoY). As of January 2013, the overseas business only handled baby goods and was characterized by the high sales weight and growth in China.



Source: Company data processed by SR Inc.

China
Sales in FY01/12 were 10.2 billion yen (+11.9% YoY). The figures include Hong Kong, a minor contributor. China is Pigeon's fastest-growing overseas market.

Other Asia
Sales in this region for FY01/12 were 4.2 billion yen (+8.0% YoY). The biggest market is South Korea (1/4 of Other Asia sales), followed by Singapore, Malaysia, Taiwan, and Thailand.

North America
North American sales in FY01/12 were 3.8 billion yen (-0.3% YoY). In this market, the company depends on Lansinoh Laboratories, Inc., which sells Pigeon products under the Lansinoh brand.

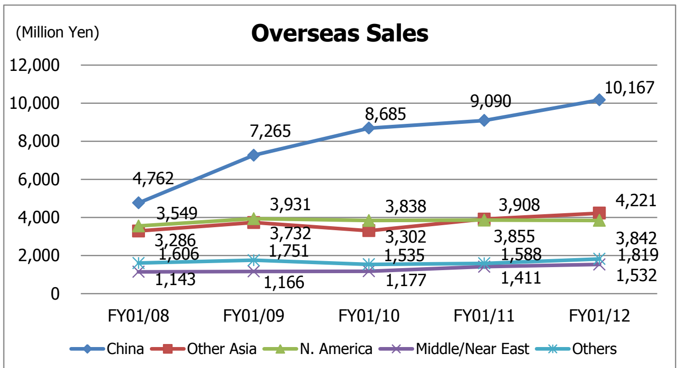
The Middle and Near East
Middle and Near East sales in FY01/12 were 1.5 billion yen (+8.6% YoY).

Other Regions
Sales in FY01/12 were 1.8 billion yen (+11.8% YoY). Other Regions include Europe and South Africa.

What are the factors that so far have been helping Pigeon to succeed overseas? Pigeon cites two reasons, its superior products and a skillful use of local partners.

According to the company, the product superiority is what drives its success not only in China but in all foreign markets where it sells under Pigeon brand. Pigeon's R&D effort (described in detail in the R&D section) in the baby product area, particularly in bottle and nipple design, is arguably second to none.

The second pillar of Pigeon's success overseas is its strong relationships with local partners. It has relied on local distributors to grow the Pigeon brand recognition and penetrate the market. That relatively early move has since won Pigeon brand recognition and deep market penetration thanks to its partners' selling power.



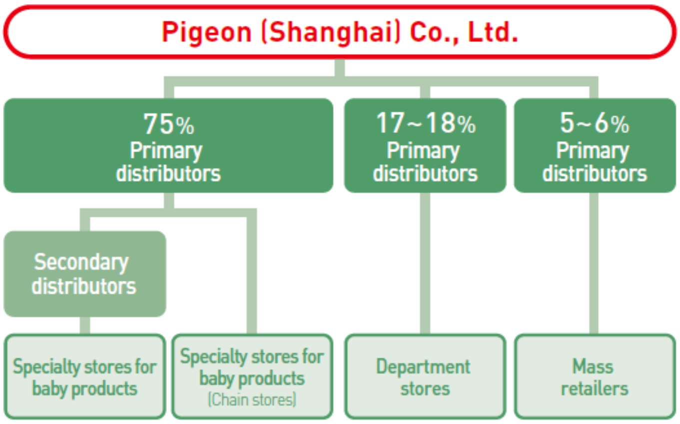
Source: Company data processed by SR Inc.

China

As of November 2012, China accounted for the largest proportion of the company's overseas business, and its growth rate is by far the highest.

Pigeon built strong relationships with local primary distributors since it began exporting to China in the 1990s. The company established a local subsidiary in China in 2002 when it saw the country as a final market rather than a manufacturing base. Through the subsidiary, the company has enhanced the Pigeon brand recognition and expanded its presence in this country.

Sales Organization in China



Percent of total sales
Source: Company data

At the end of FY01/12, 14,000 stores in China stocked Pigeon products. Pigeon has contracts with one primary distributor for each channel; baby specialty stores have contracts with secondary distributors (one for each province). Pigeon signs with one distributor per province as a rule to avoid distributor price wars that can damage Pigeon's brand. Pigeon targets wealthy Chinese families and is looking for retailers that also target this segment (annual household income of around 5,000 yuan).

At department and baby-goods stores in China, Pigeon set up "Pigeon shelves"—a space dedicated to Pigeon products—and pursuing recognition as a high-end brand.

Pigeon Shelves at a Chinese Store

Source: Company data processed by SR Inc.

Since building a factory in Changzhou in 2009, Pigeon has manufactured more products there for the Chinese market—about 50% of its products sold in China were made in Changzhou. The company forecast expected that percentage to rise to 60% in FY01/13 and 70% in FY01/14. The Changzhou factory (section completed in Phase I construction) began operating in March 2011, and Phase II construction is scheduled to start in FY01/13 with operations likely to launch in FY01/14.

According to the company, despite a large percentage of products being made locally, pricing is in line with Japan (or slightly higher), as is product quality.

North America

In April 2004, Pigeon brought Virginia-based Lansinoh under the group umbrella as a launching pad for expansion into the United States and Europe. Lansinoh makes nursing products, including nipple cream, breast pads, and breast pumps, which are stocked at over 40,000 stores in the United States. General merchandisers (e.g., Walmart, Target) are the main sales channels for Lansinoh products.

In January 2009, Lansinoh bought the rights to Soothies from Puronyx Inc. in order to bolster its product offerings and strengthen its sales distribution in maternity and general hospitals.

"Lansinoh" Brand

Source: Company data processed by SR Inc.

Lansinoh was founded in 1984 and was initially selling Pigeon products on an OEM basis (as of January 2013 it was only involved in sales and marketing). It procured a limited range of Pigeon products and sold it under Lansinoh brand name. Lansinoh management historically had strong convictions in favor of breastfeeding and has been marketing itself as such. This has made marketing Pigeon mainstay baby bottles and nipples in the United States somewhat of a challenge. Currently Lansinoh does offer these products, marketing them as a way to ensure the mother can provide her children with the breastmilk even when she is away.

In December 2010, Lansinoh acquired the mOmma brand (children's products in Europe) from Baby Solution SA and Baby Solution Italia Srl to expand its product categories. The mOmma brand is well-known for baby bottles and nipples, Mag Mag, baby utensils, etc. and had sales of about 300 million yen in FY01/12.

Europe

The company sells Lansinoh-branded products mainly in the United Kingdom and Germany through distributors. Main sales channels in Germany are drugstores, while in the United Kingdom main channels are general merchandisers, baby-goods stores, and drugstores. As discussed above, Lansinoh is in favor of breastfeeding, Pigeon sells Lansinoh-branded baby bottles and nipples under the mOmma brand (the mOmma brand was originally big in Italy and Switzerland). In Turkey, Lansinoh operates a breast-pump factory and accordingly sells the product under its namesake brand. In Russia, the company began selling Pigeon-brand products through distributors in 2010.

Other Asia

The company incorporated a Mumbai representative office of Pigeon Singapore Pte. Ltd. as Pigeon India Pvt. Ltd. in November 2009. The India subsidiary sets up "Pigeon shelves" in pharmacies and conducts other sales and marketing efforts. As of January 2013, India was primarily an export market (with some local procurement from 2010), but Pigeon is pushing for local production due to high import tariffs in India.

Meanwhile, not all of the country's wealthy consumers live in major cities such as New Delhi and Mumbai. Additionally, many of these wealthy consumers in regional areas tend to send housekeepers to do the shopping, so marketing to those who can't understand English is important.

In South Korea, the company operates under the Double Heart brand in cooperation with distributors. In Singapore and Malaysia, Pigeon has eventually bought out its local distributors making them subsidiaries Pigeon Singapore Pte. Ltd. and Pigeon Malaysia (Trading) Sdn. Bhd.

A large number of births in the Middle and Near East have created an attractive market, and Pigeon is mainly selling bottles and nipples in these markets. Historically, Pigeon has heavily relied on local distributors in Other Asia, causing its growth in this geographical segment to lag behind that in China. However, from 2012, Pigeon’s distributors in Other Asia began visiting Chinese distributors to learn from them.

"DoubleHeart" Brand in South Korea

Source: Company data processed by SR Inc.

For more information about the competitors in each market, see Competition.

Health & Elder Care

Sales in FY01/12 were 6.5 billion yen (-0.5% YoY), or 10.9% of the company’s total sales. Gross profit margin was 29.3%, and operating profit was 350 million yen (3.15 times YoY).

This segment offers two brands: Habinurse (nursing products) and Recoup (for active seniors). These brands cover products and services related to toilet use, bathing, hygiene, meals, sleeping, and mobility. Pigeon plans to use its expertise and quality control cultivated though its development of baby products to fulfill unmet needs in the senior market.

Recoup “Walking Support Shoes LU”

Habinurse “Comfort Assist”

Pigeon Manaka Day Service “SanSan”

Source: Company data processed by SR Inc.

Habinurse brand, born in 1975, sells to retailers, care facilities, and hospitals, while Pigeon sells the brand’s products to retailers. Pigeon Tahira Corporation, a Pigeon subsidiary since 2004, makes the company’s Habinurse-branded products. In 1991, Pigeon Tahira moved away from direct sales and introduced a distributor system (the first in the Japanese nursing industry). It has been a Pigeon subsidiary since 2004.

Pigeon Manaka Corporation sells in-home nursing support services and products in and around its home prefecture of Tochigi. The group offers housecall services, in-home bathing assistance, daycare, assisting devices, home renovation, and care consultation. Pigeon Manaka hires care workers with level 1 and 2 helper qualifications and standard driver's licenses. In August 2011, it opened centers in Ohira-machi, Tochigi City, and Kanuma City, offering home-visit nurses and in-home bathing services. In December 2011, it also opened adult daycare center "San San" in Tochigi City (on the premises of Pigeon Manaka's head office) where clients needing nursing or assistance can go to receive help with bathing and meals (including associated nursing) as well as advice, health checks, help with everyday living, and functional training.

Recoup, started in August 2007, mainly conducts catalog and TV sales.

Childcare Service

Sales in FY01/12 were 6.0 billion yen (+9.8% YoY), or 10.1% of the company's total sales. Gross profit margin was 11.5%, and operating profit was 152 million yen (+29.3% YoY).

Childcare Service Snapshots

Source: Company data processed by SR Inc.

This division operates licensed and certified childcare centers, including onsite company centers, contract centers, Kids World preschool, and a babysitter dispatch service. As of FY01/12, the division had 191 sites, including eight licensed and certified childcare centers, 116 hospital centers under the National Hospital Organization, and 41 onsite company centers.

A "licensed childcare center" is one approved under the provisions of the Child Welfare Act, which cover standards (e.g., facility size, number of caregivers, kitchen facilities, disaster management, and hygiene management) set by the national government and approved by the prefectural governor. In contrast, a "certified childcare center" is peculiar to Tokyo. The Tokyo prefectural government felt that that many of the requirements for "licensed" centers were not applicable to large cities (size being one—in densely populated Japanese cities, it is often impossible to secure enough space meeting the national standard).

Pigeon hires its own childcare workers and cooking staff, providing training where appropriate. Childcare staff receive training at Pigeon Heartner Open College to ensure safe and reliable care. Pigeon Hearts Corporation, a group company, offers licensed and certified childcare facilities, as well as in-house childcare services for companies. Kids World, a childcare center, offers childcare, English classes, and preschool activities and is primarily a franchise operation that generates royalty revenues for Pigeon. This labor-intensive business is not a high-margin one, but it does offer synergies with the Domestic Mother & Baby Care business, which targets babies 0-24 months unlike other general childcare centers to better support working mothers.

Pease refer to the Shared Research website http://www.sharedresearch.jp/english/newindex.php) to see a full version of Shared Research's report on the company.

January 2013 Client Updates

1st Holdings, Inc. (3644)

Provider of business reporting and business intelligence software, looking to further growth in the cloud computing era.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
21.1	68.3 mn yen	8.5	4.9	3.7

Source: Bloomberg

On **January 7, 2013**, 1st Holdings, Inc. (1st HD) released Q3 FY02/13 results.
(For original Japanese-language release in PDF format, please click here.)

Quarterly Performance (Million Yen)	FY02/12 Q1	FY02/12 Q2	FY02/12 Q3	FY02/12 Q4	FY02/13 Q1	FY02/13 Q2	FY02/13 Q3	FY02/13 Q4	FY02/13 % of FY	FY02/13 FY Est.
Sales	2,940	3,001	3,120	2,930	3,178	3,452	3,136	-	73.3%	13,320
YoY	-	*12.1%*	*42.8%*	*44.3%*	*8.1%*	*15.0%*	*0.5%*	-		
GP	2,407	2,355	2,439	2,309	2,556	2,710	2,382	-		
YoY	-	*3.3%*	*35.7%*	*42.6%*	*6.2%*	*15.1%*	*-2.3%*	-		
GPM	81.9%	78.5%	78.2%	78.8%	80.4%	78.5%	76.0%	-		
SG&A	1,174	1,274	1,198	1,662	1,379	1,570	1,480	-		
YoY	-	*33.0%*	*28.6%*	*30.8%*	*17.4%*	*23.2%*	*23.6%*	-		
SG&A / Sales	39.9%	42.5%	38.4%	56.7%	43.4%	45.5%	47.2%	-		
OP	1,233	1,081	1,241	647	1,178	1,140	903	-	73.2%	4,400
YoY	-	*-18.3%*	*43.4%*	*85.5%*	*-4.5%*	*5.5%*	*-27.3%*	-		
OPM	41.9%	36.0%	39.8%	22.1%	37.1%	33.0%	28.8%	-		
RP	1,329	1,071	1,231	637	1,161	1,120	896	-	73.0%	4,350
YoY	-	*-19.1%*	*41.8%*	*80.9%*	*-12.6%*	*4.6%*	*-27.2%*	-		
RPM	45.2%	35.7%	39.5%	21.7%	36.5%	32.5%	28.6%	-		
NI	714	566	718	319	625	537	536	-	72.2%	2,350
YoY	-	*-31.5%*	*36.8%*	*95.3%*	*-12.5%*	*-5.1%*	*-25.4%*	-		
NPM	24.3%	18.9%	23.0%	10.9%	19.7%	15.6%	17.1%	-		

Source: Company data processed by SR Inc. Figures may differ from company materials due to differences in rounding methods.

Q3 FY02/13 Results (Announced on January 7, 2013; please refer to table above)

The company maintained its full-year FY02/13 forecasts.

Sales and Gross Profit

In cumulative Q3, consolidated sales were 9.8 billion yen (+7.8% YoY). Business reporting software products sales were 3.5 billion yen (+8.8% YoY) due to ongoing large projects for government agencies and drove Software Business sales up to 8.4 billion yen (+7.4% YoY). BI software products sales were 942 million yen (-6.6% YoY) due to the company booking sales of large projects a year earlier. In BI software products, 1st HD appeared to be facing somewhat difficult conditions, despite the launch of the new Version 4.1 MotionBoard (information dashboard solution) and accelerated marketing activities (e.g., holding promotional events). Cumulative Q3 sales were 73.3% of the company's full-year estimate. Gross profit was 7.7 billion yen (+6.2% YoY), and gross profit margins were 78.3%, down from 79.5% a year earlier, due to an increase in outsourcing costs.

Operating Profit and Operating Profit Margin

Development and testing processes for the Version 4.1 MotionBoard and "MotionBoard for Salesforce" meant higher outsourcing and R&D costs YoY as planned under the company's mid-term plan. Also, strengthened marketing activities led to higher advertising costs YoY, also in line with the company's plan. As a result, operating profit in cumulative Q3 was 3.2 billion yen (-9.4% YoY) and was 73.2% of the company's full-year estimate. In Q4, marketing costs are likely to decrease due to plans for fewer events.

Recurring Profit

Lower operating profit YoY and lower insurance premium refunds YoY resulted in cumulative Q3 recurring profit of 3.2 billion yen (-12.5% YoY), which was 73.0% of the company's full-year estimate.

Net Income

Net income in cumulative Q3 was 1.7 billion yen (-15.0% YoY), which was 72.2% of the company's full-year estimate.

In this Q3, 1st HD was strengthening cooperation with third parties in big-data business and announced the following alliances.

- In October 2012, the company worked with Teradata Japan, Ltd. (a leading large-data warehouse company) and developed a dedicated adapter that seamlessly links its MotionBoard and the partner's Teradata Database (relational database engine).
- In November, the company began selling MotionBoard through business analytics product specialist BrainPad Inc. Also, 1st HD jointly developed a solution designed for marketing campaign applications that run on the Salesforce.com and Heroku platforms.
- Also in November, the company announced business tie-ups with social media analysis specialists Datasection Inc. and Hottolink, Inc.
- In December, the company announced a tie-up with U.S.-based Treasure Data, Inc. to link its MotionBoard and the Treasure Data Cloud Data Warehouse Service, which is based on the partner's Apache Hadoop tool capable of distributed large-data processing.

Although still in their infancy, these alliances represented a big step forward for 1st HD toward creating big-data solutions.

Anritsu Corp (6754)

Recognized global leader in mobile communications testing equipment.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
169.9	2,109.9 mn yen	12.0	7.8	3.1

Source: Bloomberg

On **January 31, 2013**, Anritsu announced Q3 FY03/13 results.
(For original Japanese-language release in PDF format, please click here.)

	FY03/12				FY03/13				FY03/13	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	19,622	25,067	21,514	27,419	21,602	24,660	21,393	-	71.6%	94,500
YoY	*16.6%*	*26.7%*	*24.3%*	*14.6%*	*10.1%*	*-1.6%*	*-0.6%*	-		*0.9%*
GP	10,471	12,974	12,106	13,674	11,815	13,470	11,171	-		
YoY	*36.9%*	*49.9%*	*47.1%*	*32.9%*	*12.8%*	*3.8%*	*-7.7%*	-		
GPM	53.4%	51.8%	56.3%	49.9%	54.7%	54.6%	52.2%	-		
Other Income/Expenses	7,674	8,264	7,749	11,538	7,828	8,708	8,326	-		
YoY	*14.0%*	*22.4%*	*15.0%*	*51.8%*	*2.0%*	*5.4%*	*7.4%*	-		
SG&A / Sales	39.1%	33.0%	36.0%	42.1%	36.2%	35.3%	38.9%	-		
OP	2,797	4,710	4,357	2,136	3,987	4,762	2,845	-	70.3%	16,500
YoY	*206.4%*	*147.2%*	*192.0%*	*-20.4%*	*42.5%*	*1.1%*	*-34.7%*	-		*17.9%*
OPM	14.3%	18.8%	20.3%	7.8%	18.5%	19.3%	13.3%	-		17.5%
Pre-tax profit	2,474	4,027	4,179	2,414	3,564	4,539	3,444	-	74.5%	15,500
YoY	*881.7%*	*167.6%*	*260.9%*	*-1.3%*	*44.1%*	*12.7%*	*-17.6%*	-		*18.4%*
RPM	12.6%	16.1%	19.4%	8.8%	16.5%	18.4%	16.1%	-		16.4%
NI	1,729	2,976	1,756	1,511	2,543	4,357	2,497	-	78.3%	12,000
YoY	*1842.7%*	*237.0%*	*44.4%*	*71.5%*	*47.1%*	*46.4%*	*42.2%*	-		*50.5%*
NPM	8.8%	11.9%	8.2%	5.5%	11.8%	17.7%	11.7%	-		12.7%

Source: Company data processed by SR Inc. Figures may differ from company materials due to differences in rounding methods.

Orders and Sales by Segment (Billion Yen)	Q1	Q2	Q3	Q4	FY
FY03/12					
Orders	**23.1**	**21.8**	**21.8**	**23.7**	**90.3**
Test and Measurement	18.0	16.2	16.0	17.4	67.6
Information and Communications	0.5	0.8	1.0	1.0	3.3
Industrial Automation	3.3	3.6	3.2	3.9	14.0
Services & Others	1.2	1.2	1.6	1.3	5.3
Sales	**19.5**	**25.1**	**21.4**	**27.6**	**93.6**
Test and Measurement	15.1	19.0	16.8	19.8	70.5
Information and Communications	0.5	0.5	0.5	1.8	3.3
Industrial Automation	2.8	4.4	2.8	4.3	14.2
Services & Others	1.1	1.3	1.4	1.8	5.6
FY03/13					
Orders	**24.2**	**23.1**	**22.3**		
(YoY)	4.8%	6.2%	2.0%		
Test and Measurement	18.9	17.5	16.2		
(YoY)	4.8%	8.1%	0.9%		
Industrial Automation	3.3	3.7	3.4		
(YoY)	1.0%	2.5%	8.2%		
Others	1.9	1.9	2.7		
(YoY)	12.0%	-2.6%	1.1%		
Sales	**21.6**	**24.7**	**21.4**		
(YoY)	10.7%	-1.8%	-0.1%		
Test and Measurement	17.0	18.4	16.3		
(YoY)	12.5%	-2.9%	-2.5%		
Industrial Automation	2.9	4.4	2.9		
(YoY)	1.3%	-0.3%	4.6%		
Others	1.8	1.9	2.2		
(YoY)	9.7%	6.4%	15.1%		

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.
FY03/12: Japanese GAAP; FY03/13: IFRS
Information and Communications included in Others from FY03/13

Q3 FY03/13 Results (Announced on January 31, 2013, please refer to table above)

Higher demand for mobile measurement equipment drove strong performance in the Test and Measurement segment. Orders were 69.6 billion yen (+4.3% YoY), sales were 67.7 billion yen (+2.2% YoY), operating profit was 11.6 billion yen (-2.3% YoY), pre-tax profit was 11.5 billion yen (+8.1% YoY), and net income was 9.4 billion yen (+23.0% YoY). The large net income growth YoY was due to some changes in estimates in connection with tax-effect accounting.

The company made the following comments on its business segments:

Test and Measurement (Sales: 51.7 billion yen (+1.7% YoY); Operating profit: 11.4 billion yen (-3.2% YoY))
In 1H FY03/13, Japan saw accelerated LTE-related capex spending, driving up demand for mobile terminal development- and manufacturing-related measurement systems. In North America, LTE-related R&D investment remained robust, while demand increased for test and measurement equipment used in communication network construction and maintenance. The company expanded R&D investment toward future growth and strengthened customer support activities, resulting in higher costs and lower segment operating profit YoY.

Industrial Automation (Sales: 10.1 billion yen (+1.4% YoY); Operating profit: 281 million yen (-16.5% YoY))
Demand was robust both in Japan and overseas for food-testing equipment (e.g., foreign-object detectors, weight sorters).

Others (Sales: 5.9 billion yen (+8.8% YoY); Operating profit: 444 million yen (+69.8% YoY))
From Q1 FY03/13, the Information and Communications segment (previously a reportable segment) was included in the Others segment. In the device business, the company was developing optical devices used in high-speed communication systems. The information and communications business has continued restructuring efforts since FY03/12. As a result, the Others segment saw higher sales and profitability YoY.

Bell-Park Co. (9441)

Independent mobile phone distributor focusing on SoftBank Mobile shops. Efficient stores, growth through acquisitions.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
12.2	20.3 mn yen	10.0	6.3	2.0

Source: Bloomberg

On **January 9, 2013**, Bell-Park announced December monthly sales estimates.
(For original Japanese-language only data, please click here.)

Monthly Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2012													
New	38,486	38,021	66,756	42,082	42,326	30,195	35,674	31,269	38,421	46,557	49,301	41,371	**500,459**
YoY	37.2%	32.4%	62.2%	33.4%	9.6%	17.9%	15.4%	4.5%	29.4%	47.1%	22.3%	-1.2%	
ex-low ARPU handsets	32,265	31,006	53,908	33,751	33,449	21,902	26,063	22,310	29,095	38,292	40,772	30,388	**393,201**
(YoY)	26.0%	17.0%	50.6%	19.6%	-2.4%	2.2%	2.3%	-8.8%	33.7%	42.3%	12.5%	-14.8%	
Replacement	34,253	23,626	28,096	24,054	24,666	20,087	26,812	24,007	33,007	52,673	58,398	36,826	**386,505**
YoY	52.9%	11.9%	18.8%	10.0%	12.5%	-11.1%	3.8%	-4.8%	64.9%	14.2%	9.2%	-26.5%	
Total	**72,739**	**61,647**	**94,852**	**66,136**	**66,992**	**50,282**	**62,486**	**55,276**	**71,428**	**99,230**	**107,699**	**78,197**	**886,964**
YoY	**44.2%**	**23.7%**	**46.4%**	**23.8%**	**10.6%**	**4.3%**	**10.1%**	**0.3%**	**43.7%**	**27.6%**	**14.8%**	**-15.0%**	
2011													
New	28,052	28,722	41,154	31,534	38,620	25,605	30,908	29,909	29,681	31,646	40,306	41,862	**397,999**
YoY	-5.1%	22.5%	-4.4%	15.7%	32.0%	7.8%	9.8%	-2.1%	-8.9%	0.9%	52.8%	30.3%	**11.3%**
ex-low ARPU handsets	25,607	26,503	35,786	28,231	34,256	21,434	25,488	24,471	21,756	26,911	36,237	35,678	**342,358**
(YoY)	3.5%	38.2%	5.8%	27.8%	49.2%	19.6%	22.9%	8.6%	-3.6%	8.2%	52.1%	27.0%	**20.8%**
Replacement	22,395	21,121	23,651	21,877	21,934	22,600	25,828	25,208	20,016	46,110	53,493	50,102	**354,335**
YoY	-6.1%	13.2%	-15.0%	25.3%	24.5%	21.3%	-1.7%	-11.1%	-18.5%	82.6%	147.1%	122.5%	**30.0%**
Total	**50,447**	**49,843**	**64,805**	**53,411**	**60,554**	**48,205**	**56,736**	**55,117**	**49,697**	**77,756**	**93,799**	**91,964**	**752,334**
YoY	**-5.6%**	**18.4%**	**-8.6%**	**19.4%**	**29.2%**	**13.8%**	**4.3%**	**-6.4%**	**-13.0%**	**37.3%**	**95.3%**	**68.3%**	**19.4%**

Source: Company data processed by SR Inc. Figures may differ from company materials due to differences in rounding methods.
Low ARPU handsets: Mimamori Mobile handsets, PhotoVision digital photo frames, etc.
October 2012 new handset sales include 13,804 USIM cards, newly issued in line with a new SoftBank Mobile policy (not included in low ARPU handset sales).

Benefit One Inc (2412)

Pasona Group Inc. affiliate growing into a new type of "service distribution" business through a variety of new ventures based on its Benefit Service business

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
25.9	35.7 mn yen	16.2	N/A	2.7

Source: Bloomberg

On **January 30, 2013**, Benefit One Inc. released Q3 FY03/13 result.
(For original Japanese-language release in PDF format, please click here.)

Quarterly Performance	FY03/12				FY03/13				FY03/13	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	3,428	3,639	3,773	4,119	3,886	4,290	4,526	-	70.9%	17,910
YoY	*0.7%*	*-0.6%*	*2.3%*	-	-	-	-	-		19.7%
GP	1,334	1,225	1,670	1,671	1,544	1,345	1,855	-		
YoY	*4.4%*	*5.2%*	*4.8%*	-	-	-	-	-		
GPM	38.9%	33.7%	44.3%	40.6%	39.7%	31.4%	41.0%	-		
SG&A	967	832	809	821	1,075	934	953	-		
YoY	*-0.2%*	*4.8%*	*-0.7%*	-	-	-	-	-		
SG&A / Sales	28.2%	22.9%	21.4%	19.9%	27.7%	21.8%	21.1%	-		
OP	367	392	861	851	469	411	901	-	63.6%	2,800
YoY	*18.8%*	*5.9%*	*10.5%*	-	-	-	-	-		13.3%
OPM	10.7%	10.8%	22.8%	20.7%	12.1%	9.6%	19.9%	-		15.6%
RP	371	386	863	892	470	406	888	-	63.1%	2,796
YoY	*19.7%*	*2.4%*	*10.6%*	-	-	-	-	-		11.3%
RPM	10.8%	10.6%	22.9%	21.7%	12.1%	9.5%	19.6%	-		15.6%
NI	213	222	492	520	281	240	541	-	62.4%	1,702
YoY	*27.5%*	*-2.6%*	*7.9%*	-	-	-	-	-		17.7%
NPM	6.2%	6.1%	13.0%	12.6%	7.2%	5.6%	12.0%	-		9.5%

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

Seasonality: COGS are highly seasonal due to the publishing of guidebooks and booking of large levels of rebate-related costs in Q1 and Q2, resulting in a difference between 1H and 2H COGS. Operating profit consequently tends to be concentrated in 2H.

Q3 FY03/13 Results (Announced on January 30, 2013; please refer to the preceding table)

In cumulative Q3, sales were 12.7 billion yen, operating profit was 1.8 billion yen, recurring profit was 1.8 billion yen, and net income was 1.1 billion yen. The company started preparing consolidated financial statements in Q4 FY03/12, meaning YoY comparison is difficult. However, in simplified comparison, the cumulative Q3 sales were up 17.2% YoY, while operating profit was up 9.9%.

The company maintained its full-year forecasts, adding that the cumulative Q3 results were largely in line with its estimates.

The membership numbers at the beginning of each financial year generally determine the mainstay Benefit Service sub-segment's sales (i.e., the company usually sees a substantial increase in membership on April 1 each year). However, during the cumulative Q3, the membership numbers rose unusually, resulting in the sub-segment sales coming in higher than expected. The company appears to expect a significant membership increase on April 1, 2013 due to expanded transactions with a large mutual aid society.

The Incentive business (offering services to track and manage the points with which client companies reward their employees in lieu of cash) showed strong results during the period. In fact, the company said that the value of points granted (the company's important sales performance indicator) was climbing more rapidly than it anticipated for the full year. The company was strengthening sales activities through the network of the Pasona Group (TSE1: 2168) and accelerating cross-selling companywide (e.g., staff in the Benefit Service sub-segment were selling services provided through the Incentive and Healthcare businesses). The company commented that these initiatives were producing tangible outcome. It is noteworthy that sales in the Incentive business move in line with the members exchanging their accumulated points for goods and services. In other words, Incentive sales are somewhat out of the company's control. Such a nature of business appeared to be behind Incentive sales falling slightly short of company estimates.

The Personal business gained new corporate clients in FY03/12. Based on the bigger customer base, the company was trying to gain new personal members (i.e., customers of corporate clients) in FY03/13 through campaigns targeting corporate clients. The company commented that results in the Personal business were largely in line with its estimates.

The Customer Relationship Management (CRM) business saw results largely as expected, according to the company. The company was focusing on sales activities targeting large customers (e.g., securities firms, credit card companies) and was in the process of building a strategy to secure corporate clients and end users.

In the Healthcare business, the company offers one-stop services, from medical checkup reservation and medical checkup results management to specific health guidance provision through newly consolidated Benefit One Health Care Co., Ltd. Healthcare business results were somewhat underwhelming, according to the company, mainly due to the business still being in its infancy, meaning that budgeting and sales activities required more time than expected. Still, the company maintained that it has one of the richest service menus in the industry and it was receiving many inquiries for its services. Also, because the company cross-sells in the Healthcare business, there appear to be many customers applying for services that combine Benefit Service and specified health exams/guidance services. Based on company estimates, the company expects its Healthcare business to become the biggest in industry in terms of membership for specified health guidance services due to new, large transactions with government bodies, etc.

Canon Marketing Japan Inc. (8060)

Domestic sales arm of Canon group. Ambition to grow "Beyond CANON, Beyond JAPAN" centered on IT services.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
192.3	412.9 mn yen	16.5	2.5	0.7

Source: Bloomberg

On **January 28, 2013**, Canon Marketing Japan Inc. (CMJ) released full-year FY12/12 results and raised its year-end dividend forecasts.
(For original English-language release in PDF format, please click here.)

Quarterly Performance (Million Yen)	FY12/11 Q1	Q2	Q3	Q4	FY12/12 Q1	Q2	Q3	Q4	FY12/12 % of FY	FY Est.
Sales	151,533	142,795	156,085	182,004	167,554	165,290	159,328	189,062	98.9%	688,500
YoY	*-10.9%*	*-13.0%*	*-0.6%*	*-0.5%*	*10.6%*	*15.8%*	*2.1%*	*3.9%*		
GP	51,682	51,633	55,558	64,018	58,485	59,981	57,076	67,358		
YoY	*-7.1%*	*-8.4%*	*3.8%*	*3.2%*	*13.2%*	*16.2%*	*2.7%*	*5.2%*		
GPM	34.1%	36.2%	35.6%	35.2%	34.9%	36.3%	35.8%	35.6%		
SG&A	50,456	51,628	54,208	58,157	54,944	55,706	54,993	60,455		
YoY	*-5.7%*	*-7.2%*	*-0.1%*	*3.1%*	*8.9%*	*7.9%*	*1.4%*	*4.0%*		
SG&A / Sales	33.3%	36.2%	34.7%	32.0%	32.8%	33.7%	34.5%	32.0%		
OP	1,225	5	1,350	5,860	3,540	4,275	2,083	6,904	98.8%	17,000
YoY	*-41.9%*	*-99.3%*	-	*4.4%*	*189.0%*	-	*54.3%*	*17.8%*		
OPM	0.8%	0.0%	0.9%	3.2%	2.1%	2.6%	1.3%	3.7%		
RP	1,369	1,551	1,513	6,234	3,678	5,017	2,285	7,128	100.6%	18,000
YoY	*-39.5%*	*-15.4%*	-	*5.6%*	*168.7%*	*223.5%*	*51.0%*	*14.3%*		
RPM	0.9%	1.1%	1.0%	3.4%	2.2%	3.0%	1.4%	3.8%		
NI	-572	2,477	489	4,368	1,958	2,730	1,113	4,777	105.8%	10,000
YoY	-	*266.4%*	-	*27.4%*	-	*10.2%*	*127.6%*	*9.4%*		
NPM	-	1.7%	0.3%	2.4%	1.2%	1.7%	0.7%	2.5%		

Source: Company data processed by SR Inc. Figures may differ from company materials due to differences in rounding methods.

FY12/12 Results (Announced on January 28, 2013; please refer to the preceding table)

Full-year sales were 681.2 billion yen (+7.7% YoY), operating profit was 16.8 billion yen (+99.0% YoY), recurring profit was 18.1 billion yen (+69.7% YoY), and net income was 10.6 billion yen (+56.4% YoY). Full-year results were largely in line with company estimates. CMJ increased its annual dividend per share from 20 yen to 24 yen.

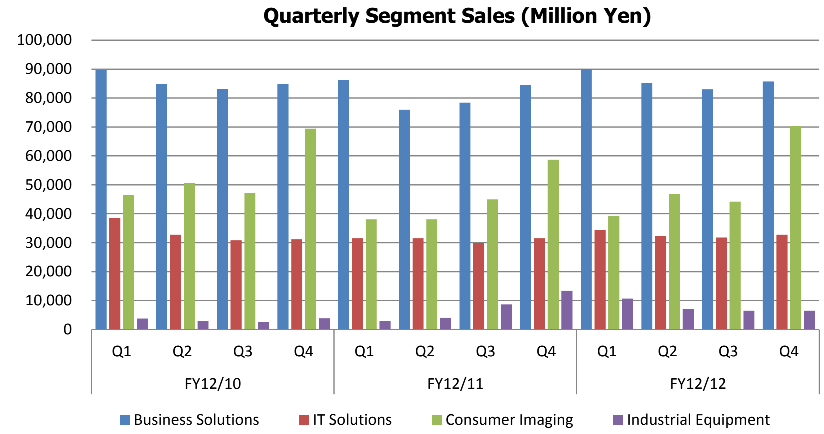
In the Business Solutions segment, CMJ strengthened sales activities for the second-generation imageRUNNER ADVANCE—specifically, 13 new models from the five different series of monochrome or color MFPs. With contributions from newly consolidated subsidiary Showa Information Systems Co., Ltd., segment sales were 344.0 billion yen (+5.8% YoY). Operating profit was 6.3 billion yen (+80.6% YoY) due to higher gross profit margins YoY and ongoing cost reductions.

In the IT Solutions segment, the system integration business saw better results, and the product business performed well. As a result, segment sales were 131.3 billion yen (+5.5% YoY), and operating profit was 195 million yen (3.1 billion yen loss in FY12/11) due to higher sales and lower costs YoY. Also, CMJ's new Nishi-Tokyo Data Center began operating in October 2012, and the company was strengthening outsourcing services through this center.

In the Consumer Imaging segment, entry models (e.g., EOS Kiss X5, EOS Kiss X6i) gained high market shares. Also, sales of mid-range models, such as EOS 5D Mark III launched in March 2012 and EOS 6D launched in November, were robust. With the EOS M mirrorless camera gaining new users, segment sales were 200.6 billion yen (+10.2% YoY), and operating profit was 10.9 billion yen (+29.0% YoY).

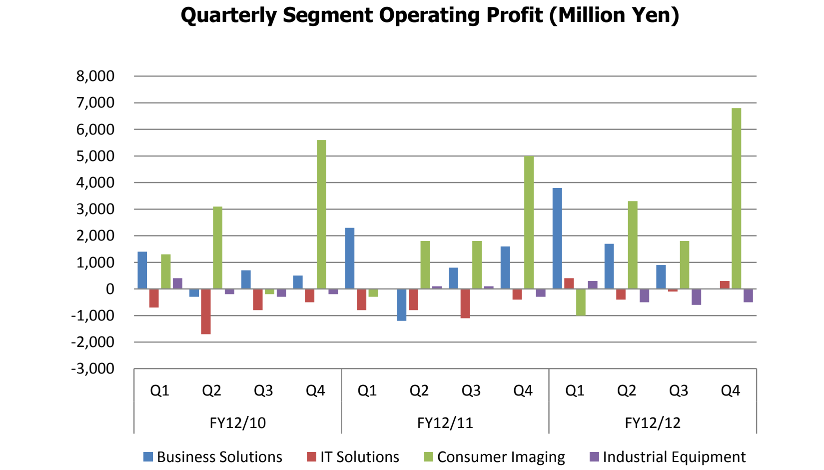
In the Industrial Equipment segment, sales were 30.7 billion yen (+13.7% YoY) due to contributions from newly consolidated subsidiary Canon Lifecare Solutions Inc. (former ELK Corporation). However, weak capex spending in the domestic semiconductor industry meant segment operating loss of 1.2 billion yen (320 million yen loss in FY12/11). For FY12/12, Canon Lifecare Solutions sales were 20.4 billion yen, and operating loss was 340 million yen (370 million yen loss in FY12/11).

Note that FY12/11 figures reflected changes in reportable segments (i.e., broadcasting equipment business was transferred from Industrial Equipment to Consumer Imaging). Also, IT Solutions figures included intersegment sales.



* Figures for FY12/11 were restated, reflecting the transfer of the broadcasting equipment business from the Industrial Equipment segment to the Consumer Imaging segment in FY12/12.
Source: Company data processed by SR Inc.

In Q4 (October-December) alone, the Business Solution posted 26 million yen operating loss (1.6 billion yen profit in Q4 FY12/11) due to economic slowdown from autumn and resultant weak sales of core products as well as to CMJ's aggressive IT investments. The IT Solutions segment booked 300 million yen operating profit (400 million yen loss in Q4 FY12/11) due to strong performance in system integration and products businesses and to higher sales and lower costs YoY. Unprofitable projects during Q2 have wound up by Q4, so the company appeared to have no additional costs related to these projects. In the Consumer Imaging segment, higher sales YoY of interchangeable lens digital cameras and inkjet printers and strong sales of high-margin, middle-range interchangeable lens digital cameras meant segment operating profit of 6.8 billion yen (+34.7% YoY). The Industrial Equipment segment posted operating loss of 500 million yen (400 million yen loss in Q4 FY12/11) due to weak capex spending in the domestic semiconductor industry. Also, six-month results at Canon Lifecare Solutions were included in Q4 FY12/11 consolidated accounting, which pushed down Industrial Equipment sales by about 5.0 billion yen YoY. As a result, consolidated operating profit was 6.9 billion yen (+17.8% YoY) in the Q4.



* Figures for FY12/11 were restated, reflecting the transfer of the broadcasting equipment business from the Industrial Equipment segment to the Consumer Imaging segment in FY12/12.
Source: Company data processed by SR Inc.

Chiome Bioscience Inc (4583)

Independent private sector corporation involved in biotech drug discovery, having its roots in the independent administrative institution Riken. Holding joint ownership and exclusive commercialization rights for ADLib® system, a cutting edge platform technology, Chiome pursues the discovery of "made-to-order drugs."

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
69.5	1,758.6 mn yen	N/A	1395.0	65.6

Source: Bloomberg

On **January 29, 2013**, the company signed a co-development and exclusive option agreement with Biotecnol Inc.
(For original English-language release in PDF format, please click here.)

Based on the agreement, the company and Biotecnol intend to develop Tribody (multi-specific T-cell engager antibody) against cancer antigen by combining Chiome's ADLib® System and Biotecnol's Tribody® technology. Furthermore, the two parties intend to promote an international joint project aimed at evaluating the antibody for therapeutic purposes and undertaking non-clinical testing and clinical development. The company says that the agreement signing is part of its growth strategy, adding that it expects to create new high-value-added antibody drugs through the combination of its proprietary, innovative antibody development technology and third parties' advanced technologies that improve antibody functions, such as that owned by Biotecnol.

- **Tribody® Technology**

Tribody molecules are multi-specific antibodies, produced by established recombinant DNA technology methods, which utilize the natural in vivo heterodimerization of Fab fragments to form a scaffold, upon which additional functionality can be incorporated. This results in Tribodies having unsurpassed versatility: they can incorporate up to three different binding sites—one antibody Fab region (binds to an antigen) and two single-chain variable fragments (ScFv, also binds to antigens)—and can combine different functions. Other potentials include better efficacy and lighter side effects than existing antibody drugs, according to the company.

For example, Tribodies can be designed to engage and redirect potent immune-effector cells (e.g., T-cells, NK-cells) and to target more than one epitope in a tumor target, or more than one target in the same tumor, all in one single molecule.

- **About Biotecnol Inc.**

Biotecnol is a biotechnology company based in New Jersey, the United States. It develops next-generation antibody-based therapeutics in wide-ranging therapeutic fields by using its Tribody® technology. According to Chiome, Biotecnol is capable of running and effectively managing the entire drug development program, from antibody selection to "clinic proof of concept" testing.

On **January 7, 2013**, Chiome Bioscience Inc. announced the extension of its joint research agreement with Chugai Pharmaceutical Co. (TSE1: 4519).
(For original Japanese-only release in PDF format, please click here.)

According to the company, the term of the joint research agreement, which was signed on November 1, 2008, will be extended for one year for expiration on December 31, 2013. The two parties intend to decide on further term extension through additional discussions.

Creek & River Co Ltd (4763)

A staffing company strong in the creative and professional fields. Pursuing growth by expanding into outsourcing and rights management.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
10.0	284.1 mn yen	26.8	7.4	2.7

Source: Bloomberg

On **January 31, 2013**, Creek & River announced a stock split and the adoption of a stock trading unit. (For original Japanese-language release in PDF format, please click here.)

The company will conduct a 1-to-100 stock split and adopt a stock trading unit of 100 shares. In effect, the trading unit will remain unchanged.

- Stock Split

With February 28, 2013 as the record date and March 1, 2013 as the effective date, the company will split its one common share into 100 shares. The number of outstanding shares will increase from 226,090 to 22,609,000.

- Stock Trading Unit

The company will adopt the stock trading unit of 100 shares with March 1, 2013 as the effective date.

On **January 16, 2013**, Creek & River announced the launch of an architectural agency business.

(For original Japanese-language release in PDF format, please click here.)

The company plans to establish a new company in the spring of 2013, and the new company will be responsible for the new architectural agency business. According to the company, it has already formed an office in charge of developing the business and begun marketing activities targeting the construction industry. It appears that the company intends to build a website that provides information related to architectural and construction work.

Services through the architectural agency business were expected to include: (1) architectural and construction project coordination in Japan and overseas (e.g., undertaking projects or providing information on projects); and (2) architect information offering and staffing. For overseas projects, the company intends to gather project information through its subsidiaries in Shanghai, Beijing, and Seoul as well as through affiliates in Taiwan and Southeast Asia, and later provide such information to architects active in Japan. A substantial amount of information on architectural and construction projects that the company obtained even before opening the office appears to have led to the decision to launch the new business. In fact, the company formed a project team with four renowned Japanese architects, and the team joined an urban development project in Taiwan in 2010 to complete the phase I basic design.

On **January 10, 2013**, the company released Q3 FY02/13 results.

At the same time, the company raised its full-year FY02/13 forecasts.
(For original Japanese-language release of earnings results in PDF format, please click here; for original release of forecast revisions, please click here.)

Daiseki Co Ltd (9793)

Environmental services company with strength in industrial waste disposal. Growing organically and through M&A. Strong balance sheet and cash flow generation.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
60.4	194.4 mn yen	21.4	6.2	1.3

Source: Bloomberg

On **January 10, 2013**, Daiseki released Q3 FY02/13 results and full-year FY02/13 forecast revisions. (For original PDF announcement of earnings results in Japanese-language only, please click here; for original announcement of forecast revisions, please click here.)

	FY02/12				FY02/13				FY02/13	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	9,127	10,041	9,281	8,064	9,435	8,782	9,089	-	75.9%	36,000
YoY	*21.9%*	*33.4%*	*10.4%*	*0.2%*	*3.4%*	*-12.5%*	*-2.1%*	-		*-1.4%*
GP	2,796	3,026	2,556	2,124	2,866	2,462	2,613	-	77.1%	10,300
YoY	*10.4%*	*30.3%*	*-0.9%*	*-5.7%*	*2.5%*	*-18.6%*	*2.2%*	-		*-1.9%*
GPM	30.6%	30.1%	27.5%	26.3%	30.4%	28.0%	28.7%	-		28.6%
SG&A	1,164	1,191	1,150	1,247	1,218	1,224	1,182	-	77.1%	4,700
YoY	*15.5%*	*16.4%*	*3.7%*	*7.9%*	*4.6%*	*2.8%*	*2.8%*	-		*-1.1%*
SG&A / Sales	12.8%	11.9%	12.4%	15.5%	12.9%	13.9%	13.0%	-		13.1%
OP	1,632	1,834	1,407	877	1,647	1,238	1,431	-	77.1%	5,600
YoY	*7.1%*	*41.1%*	*-4.3%*	*-20.0%*	*0.9%*	*-32.5%*	*1.7%*	-		*-2.6%*
OPM	17.9%	18.3%	15.2%	10.9%	17.5%	14.1%	15.7%	-		15.6%
RP	1,663	1,880	1,442	916	1,684	1,281	1,465	-	77.7%	5,700
YoY	*6.6%*	*40.4%*	*-3.8%*	*-23.0%*	*1.3%*	*-31.9%*	*1.6%*	-		*-3.4%*
RPM	18.2%	18.7%	15.5%	11.4%	17.8%	14.6%	16.1%	-		15.8%
NI	942	1,023	788	441	915	693	803	-	77.8%	3,100
YoY	*5.1%*	*33.2%*	*-6.9%*	*-27.0%*	*-2.9%*	*-32.3%*	*1.9%*	-		*-2.9%*
NPM	10.3%	10.2%	8.5%	5.5%	9.7%	7.9%	8.8%	-		8.6%

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

(Million Yen)	FY02/12 Q3 Act.	FY02/13 Q3 Est.	Q3 Act.	YoY
Daiseki Co.				
Sales	18,475	19,379	18,330	-0.8%
Gross Profit	6,630	7,027	6,584	-0.7%
GPM	35.9%	36.3%	35.9%	
Operating Profit	4,368	4,648	4,297	-1.6%
OPM	23.6%	24.0%	23.4%	
Daiseki Eco. Solutions				
Sales	5,761	5,893	5,708	-0.9%
Gross Profit	884	991	1,038	17.4%
GPM	15.3%	16.8%	18.2%	
Operating Profit	397	410	451	13.6%
OPM	6.9%	7.0%	7.9%	
Daiseki MCR				
Sales	2,479	2,036	1,733	-30.1%
Gross Profit	375	293	177	-52.8%
GPM	15.1%	14.4%	10.2%	
Operating Profit	112	71	-79 -	
OPM	4.5%	3.5% -		
System Kikou				
Sales	2,246	2,225	1,798	-19.9%
Gross Profit	423	410	176	-58.4%
GPM	18.8%	18.4%	9.8%	
Operating Profit	187	152	-72	-
OPM	8.3%	6.8% -		

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

Q3 FY02/13 Results (Announced on January 10, 2013; please refer to preceding tables)

The company lowered its full-year FY02/13 forecasts (see Topics below).

In cumulative Q3, sales were 27.3 billion yen (-4.0% YoY), operating profit was 4.3 billion yen (-11.4% YoY), recurring profit was 4.4 billion yen (-11.1% YoY), and net income was 2.4 billion yen (-12.4% YoY).

Sales were lower YoY at all of the five group companies. Although Daiseki Eco. Solutions and Hokuriku Daiseki saw higher operating profit YoY, Daiseki Co., Daiseki MCR, and System Kikou suffered lower operating profit YoY.

The cumulative Q3 sales fell 8.2% short of company estimate (29.8 billion yen), and operating profit was 13.7% below company estimate (5.0 billion yen). Operating profit at Daiseki Eco. Solutions were higher than expected; however, Daiseki Co., Daiseki MCR, and System Kikou had lower-than-expected operating profit.

Performance for each company during the period was as follows:

Daiseki Co.
Higher market shares in the Kanto and other regions led to about 300 higher customer numbers YoY. However, the slumping domestic industrial output meant a decline in orders per customer, resulting in lower sales and profit YoY.

Sales by Facility
- Nagoya recycling works: 5.8 billion yen (-3.1% YoY)
- Kanto recycling works: 3.8 billion yen (-2.5% YoY)
- Chiba recycling works: 567 million yen (-7.0% YoY)
- Kansai recycling works: 3.3 billion yen (+2.3% YoY)
- Kyushu recycling works: 2.8 billion yen (+6.1% YoY)
- Hokuriku recycling works: 2.1 billion yen (-2.6% YoY)

Kansai and Kyushu facilities saw higher sales YoY, while other facilities suffered lower sales. It should be noted, however, that sales at Nagoya and Kanto facilities were actually up YoY, excluding the impact of special factors last year (disaster-related and soil treatment projects).

The company attributed lower-than-expected cumulative Q3 operating profit to the greater-than-expected impact of external factors (e.g., macroeconomic deterioration), rather than internal factors. Meanwhile, it appeared that performance at the company's facilities, except the Kanto facilities, fell slightly short of estimates. SR Inc. understands that although these facilities were expanding market shares, they were under the negative impact of market contraction. According to Japan's Ministry of Economy, Trade and Industry (METI), the monthly industrial output index peaked out in March 2012 and has been on a weak note until November the same year. In its FY02/13 estimates, the company was expecting the index to remain flat for that period. With the index unexpectedly showing some weakness, the company's performance fell short of estimates, in SR Inc.'s view.

On the other hand, the METI's Survey of Production Forecast anticipated the indices of production forecasts to rise in December 2012 and January 2013. If the indices actually go up, the monthly industrial output index should have bottomed out in November 2012. SR Inc. accordingly estimates that Daiseki Co.'s sales may consequently hit the bottom in Q4 FY02/13.

Daiseki Co. began strengthening sales activities for a centralized waste management system from FY02/13, and the company commented that these activities were showing steady development (also see Topics of previous quarterly results sections). As of October 2012, Daiseki Co. has signed contracts with the Osaka Petroleum Dealers Association (OPDA) and the Hyogo Petroleum Dealers Association, among others, for industrial waste processing (recycling). Based on these contracts, Daiseki Co. has encouraged the service stations that are members of these associations to join the centralized waste management framework. The company estimates that it should have about 600 service-station members (from both associations) by February 2013. Also, Daiseki Co.'s sales activities were targeting car dealers, car parts sellers, and taxi companies. The company expects its efforts centered on the centralized waste management system to push up FY02/14 sales by 500 million yen to 1.0 billion yen.

Daiseki Eco. Solutions

Cumulative Q3 sales were down YoY, though this was mainly due to strong results a year earlier on large-scale projects. On the other hand, the gross profit margin was up YoY due to Daiseki Eco. Solutions' efforts to cut costs and win orders for projects involving waste and materials difficult to process (these projects provide relatively high unit prices and margins). As a result, operating profit for the period was up YoY and higher than estimate.

Daiseki MCR

In cumulative Q3, Daiseki MCR posted operating loss due to low LME lead prices and the strong yen (cumulative Q3 average: USD1=JPY79.83; cumulative Q3 average LME lead price: 2,028 dollars/ton).

Nevertheless, Daiseki MCR returned to profitability in the Q3 alone, helped by a recovery in the LME lead market and the weakening yen. Accordingly, this subsidiary intends to return to the black for the full year.

System Kikou

System Kikou posted operating loss in 1H FY02/13 due to weaker-than-usual orders. In addition, cumulative Q3 operating profit was lower than expected. Entering the 2H, however, System Kikou was seeing steady growth in orders and greater synergy of working with group companies. Accordingly, this subsidiary returned to profitability in the Q3 alone. System Kikou expects to remain in the black for the full year.

Topics

Downward Revisions to Full-Year FY02/13 Forecasts

- Sales: 36.0 billion yen (vs. previous forecast of 39.4 billion yen)
- Operating profit: 5.6 billion yen (6.5 billion yen)
- Recurring profit: 5.7 billion yen (6.6 billion yen)
- Net income: 3.1 billion yen (3.6 billion yen)

Behind the downward revisions were: (1) Daiseki Co. lowering forecasts due to weak domestic industrial output (i.e., a decline in industrial waste generation); (2) lower-than-expected results at System Kikou due to a delay in orders for tank cleaning; and (3) Daiseki MCR lowering forecasts due to the stagnant lead market and the strong yen.

Don Quijote Co. (7532)

Innovative and iconoclastic general discount retailer with a nationwide presence.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
278.3	1,269.8 mn yen	14.1	9.1	1.8

Source: Bloomberg

On **January 10, 2013**, Don Quijote announced sales figures for December 2012.
(For original Japanese-only release in PDF format, please click here.)

Monthly Trends

(YoY)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Total Stores												
Sales	2.2%	8.4%	9.5%	7.0%	10.3%	7.3%						
# of Stores	186	187	188	189	191	194						
Comparable Stores												
Sales	-5.4%	0.5%	0.6%	-1.3%	1.7%	-1.0%						
# of Customers	-4.3%	-0.1%	-0.1%	-1.5%	0.0%	-0.8%						
Avg. Spend per Customer	-1.2%	0.6%	0.7%	0.2%	1.6%	-0.2%						
# of Comparable Stores	165	167	167	167	169.0%	172						
Electric Appliances	-16.6%	-0.7%	5.8%	3.2%	10.5%	4.5%						
Household Goods	3.2%	7.2%	8.5%	7.4%	8.8%	6.3%						
Foods	7.6%	8.9%	10.6%	7.0%	9.6%	9.1%						
Watches & Fashion Merchandise	11.8%	13.6%	13.3%	10.8%	15.7%	9.8%						
Sporting & Leisure Goods	1.6%	14.5%	11.1%	3.8%	5.4%	5.3%						
Other Products	-32.8%	-17.3%	-15.5%	-12.5%	-10.2%	-13.0%						

(YoY)

(Fiscal Year Ending)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total Stores												
Sales	29.6%	22.2%	37.6%	20.3%	19.8%	11.8%	7.2%	6.5%	5.9%	6.1%	5.9%	6.2%
# of Stores	33	53	70	93	107	122	135	148	150	162	169	185
Comparable Stores												
Sales	-2.0%	-1.4%	-1.8%	-2.4%	2.0%	2.9%	0.4%	-3.3%	0.5%	-1.5%	3.4%	0.5%
# of Customers	0.4%	1.2%	0.5%	-2.8%	0.3%	-0.4%	-0.7%	-2.2%	4.5%	3.8%	3.1%	-0.8%
Avg. Spend per Customer	-2.4%	-2.5%	-2.3%	0.4%	1.7%	3.3%	1.1%	-1.2%	-3.8%	-5.1%	0.3%	1.3%
# of Comparable Stores	27	31	48	70	89	104	117	123	144	149	158	164
Electric Appliances	28.1%	18.5%	29.4%	17.1%	17.0%	12.2%	4.0%	-2.7%	-4.8%	-3.6%	5.1%	-2.2%
Household Goods	31.0%	22.6%	37.4%	15.1%	15.5%	12.9%	10.4%	8.2%	9.8%	9.1%	7.9%	6.7%
Foods	28.6%	27.7%	42.0%	25.6%	23.1%	9.2%	5.1%	10.9%	20.8%	14.4%	4.5%	7.3%
Watches & Fashion Merchandise	28.1%	28.0%	48.1%	25.6%	23.4%	14.0%	7.0%	6.3%	0.0%	1.7%	4.3%	11.9%
Sporting & Leisure Goods	31.8%	10.6%	24.8%	18.6%	14.1%	7.2%	13.3%	5.5%	4.1%	5.5%	8.2%	2.0%
Other Products	27.2%	8.9%	28.1%	6.0%	19.4%	-7.8%	-1.3%	0.1%	10.4%	21.7%	29.7%	10.9%

Source: Company data processed by SR Inc. Figures may differ from company materials due to differences in rounding methods.

December 2012

Comparable store sales in December were down 1.0% YoY. Fewer holidays YoY and bad weather negatively affected customer traffic. Still, foods and other staples were selling well. Strong sales of electric appliances for winter use and smartphone-related merchandise drove overall sales.

Grandy House (8999)

Dominant local builder of detached homes headquartered in Tochigi.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
8.6	17.1 mn yen	6.9	6.6	0.7

Source: Bloomberg

On **January 28, 2013**, the company announced the establishment of a new subsidiary.
(For original Japanese-language release in PDF format, please click here.)

New Subsidiary Overview

- Company name: Chiba Grandy House
- Business: Sale of detached homes, etc.
- Date of establishment: February 1, 2013
- Shareholder (stake): Grandy House (100.0%)

Grandy House has mainly operated in Tochigi, Ibaraki, and Gunma prefectures, selling newly built detached homes. Up to date, the company operated in Chiba Prefecture through its branch office in Kashiwa City of this prefecture. However, Grandy House decided to launch full-scale operations in Chiba with the aim of further expanding business in the large market of the Tokyo metropolitan area. The establishment of the subsidiary aimed to clarify responsibilities for regional operations and facilitate more efficient decision making. Chiba Grandy House plans to begin operation in May 2013.

Harmonic Drive Systems Inc (6324)

World leading manufacturer of Harmonic Drive® compact speed reducers mainly used in industrial robots and precision equipment.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
56.2	15.5 mn yen	29.7	10.7	2.4

Source: Bloomberg

On **January 16, 2013**, Harmonic Drive Systems Inc. (HDSI) released quarterly orders and sales data for Q3 FY03/13.
(For original Japanese-only release in PDF format, please click here.)

Q3 orders increased 9.0% YoY and 1.5% QoQ to 3.8 billion yen mainly due to higher orders YoY for industrial robot and oil-drilling equipment applications and to higher orders QoQ for flat panel display-related equipment applications.

The export was higher YoY but was down QoQ. Almost all regions, including Europe, North America, and China, saw higher orders YoY. Orders in Europe and North America were higher QoQ, while those in China were down QoQ. According to the company, orders and sales in China were affected by transactions with certain customers, which were previously included in domestic results but were accounted for as export to China from FY03/13 in connection with changes in sales channels.

Q3 sales were down 3.2% YoY and down 11.2% QoQ at 3.8 billion yen.

Ito En Ltd (2593)

Beverage company specializing in green tea beverages, such as its flagship "Oi Ocha" brand, as well as vegetable and coffee drinks.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
159.1	401.7 mn yen	22.3	6.2	2.0

Source: Bloomberg

On **January 10, 2013**, Ito En announced monthly sales data for December 2012.
(For original English announcement in PDF format, please click here.)

Monthly Sales (Non-Consolidated Estimates; YoY % Change)	FY04/13												
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	Total
Total Sales	4.1%	-0.7%	3.7%	16.7%	7.3%	10.6%	7.4%	0.9%	-	-	-	-	6.5%
Leaf	-3.5%	-1.7%	-3.5%	1.9%	1.9%	-0.4%	6.3%	2.4%	-	-	-	-	-0.6%
Beverage	5.0%	-0.4%	4.4%	17.9%	7.9%	12.0%	7.7%	0.9%	-	-	-	-	7.5%
Breakdown by Beverage Category													
Japanese Tea Beverages	-5.9%	-6.9%	-1.2%	12.1%	2.6%	2.2%	4.2%	-2.2%	-	-	-	-	0.8%
Chinese Tea Beverages	28.0%	24.2%	7.1%	4.7%	0.5%	22.1%	24.5%	-1.9%	-	-	-	-	13.4%
Vegetable Beverages	30.3%	14.6%	16.5%	23.4%	15.5%	25.9%	18.6%	14.5%	-	-	-	-	22.4%
Fruit Beverages	47.8%	20.6%	-19.8%	17.2%	-6.7%	30.5%	0.1%	-4.2%	-	-	-	-	0.5%
Coffee Beverages	-4.9%	10.7%	37.3%	46.6%	30.1%	10.9%	27.6%	23.2%	-	-	-	-	21.0%
Black Tea Beverages	26.3%	-9.5%	-11.9%	22.1%	1.2%	16.0%	4.0%	-18.0%	-	-	-	-	1.0%
Functional Beverages	30.8%	-3.9%	-17.4%	0.5%	-3.5%	1.6%	-11.8%	0.2%	-	-	-	-	-1.8%
Mineral Water	5.6%	-9.0%	-6.5%	5.9%	12.7%	20.9%	1.4%	-1.5%	-	-	-	-	3.1%

Source: Company data processed by SR Inc.

On **January 4, 2013**, "The Nikkei Business Daily" ran a story on Ito En. SR Inc.'s summary translation of the article is below:

"Ito En will close its existing coffee-bean roasting plant in Shizuoka Prefecture and build a new plant there at a reported cost of about 1.5 billion yen. The new plant will handle most of Ito En's bean roasting processes, including dark bean roasting for espresso drinks, something that the previous plant could not provide. The annual bean-roasting capacity is expected to double to roughly 3,000 tons.

Previously, the company outsourced most of its coffee-bean roasting processes. Doing so made it difficult to adjust roasting levels (light to dark), especially for small lots, or the amount of beans roasted to meet changing demand. In-house roasting should solve these problems.

The in-house roasting will improve the quality of the coffee beans that Ito En uses for its canned coffee beverages and that subsidiary Tully's Coffee Japan Co. uses for drinks at their stores. Ito En says that roasting beans in-house should directly lead to better beverage development capabilities.

Ito En's main brand of canned coffee beverages is *Tully's Coffee*. *Tully's Coffee* sales have been growing, centered on *Barista's Black* in bottle-shaped cans. Ito En plans to launch new canned coffee products using new crop coffees from Brazil or developed exclusively for offering during the summer.

Ito En had coffee beverages sales of 22.9 billion yen in FY04/12, representing only a 2% share of the market where it competes with Coca-Cola (Japan) Co. and others. In FY04/14, the company aims to increase canned coffee beverage sales by 10% versus FY04/13 to 28.5 billion yen with planned sales of 11.5 million cases, also up 10% YoY.

As of November 2012, Tully's Coffee Japan operated 490 stores nationwide. In-house bean roasting should also bring production-marketing synergy in selling canned coffees and running these stores.

Store Network Ranking (store counts as of November 30, 2012)

1. DOUTOR・NICHIRES Holdings Co., Ltd. (1,264; including both DOUTOR and EXCELSIOR CAFFÉ

formats)
2. Starbucks Coffee Japan, Ltd. (968)
3. Tully's Coffee Japan Co., Ltd. (490)
4. Komeda Co., Ltd. (465)
5. UCC Foodservice Systems Inc. (340)

Behind Ito En's decision this time might be the influence of two competitors operating in Nagoya. Komeda Co. runs cafés and had 465 shops as of November 2012, sneaking up behind Tully's Coffee Japan. It is highly likely that Komeda will overtake Tully's Coffee Japan in terms of store numbers in the first half of 2013.

Pokka Sapporo Food & Beverage Ltd. (former Pokka Corp.), another player based in Nagoya, focuses on ready-to-drink (RTD) soft drinks. In FY04/13, Ito En projects its canned coffee beverage sales to exceed Pokka Sapporo's thanks to effective TV advertising, which led to a 50% YoY increase in sales of *Tully's Coffee* products, mainly through the convenience store channel.

Convenience stores quickly change products on their shelves, and it is vital for manufacturers to quickly develop and deliver new products. At cafés, developing differentiated products is a must, given more customers showing specific preferences. Ito En, with its new in-house roasting strategy, is being put to test on these two fronts."

JIN Co. (3046)

Mall-based eyewear retailer, aggressive growth strategy using private-label retailing model.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
88.8	1,041.2 mn yen	71.3	26.8	10.0

Source: Bloomberg

On **January 25, 2013**, JIN announced that it would begin selling JINS Pollen Cut (packaged Functional Eyewear products with no corrective lenses) from February 5, 2013 at 35 LOFT variety-goods stores mainly in the Tokyo metropolitan area.
(For original PDF announcement in Japanese-language only, please click here.)

The spring is the big hay-fever season in Japan. Before the season arrived, The LOFT Co., Ltd.—LOFT store operator—began strengthening the offering of eyewear that prevents pollen from getting into eyes. Accordingly, JIN decided to sell goggle-like JINS Pollen Cut eyewear displayed in dedicated fixtures at LOFT stores.

On **January 10, 2013**, the company released Q1 FY08/13 results and 1H and full-year FY08/13 forecast revisions.

At the same time, the company announced a change in its stock trading unit.
(For original PDF announcement of earnings results in Japanese-language only, please click here; for original announcement of forecast revisions, please click here.)

	FY08/12				FY08/13				FY08/13	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	4,209	5,277	5,614	7,513	7,800	-	-	-	48.3%	16,140
YoY	*41.2%*	*40.0%*	*49.6%*	*84.5%*	*85.3%*	-	-	-		*139.1%*
GP	3,222	3,915	4,336	5,543	5,909	-	-	-		
YoY	*47.4%*	*45.0%*	*52.9%*	*86.9%*	*83.4%*	-	-	-		
GPM	76.5%	74.2%	77.2%	73.8%	75.8%	-	-	-		
SG&A	3,040	3,062	3,779	4,500	4,532	-	-	-		
YoY	*27.2%*	*43.6%*	*50.4%*	*75.1%*	*49.1%*	-	-	-		
SG&A / Sales	72.2%	58.0%	67.3%	59.9%	58.1%	-	-	-		
OP	182	853	556	1,043	1,378	-	-	-	57.4%	2,400
YoY	-	*50.2%*	*71.9%*	*162.9%*	*658.7%*	-	-	-		*561.0%*
OPM	4.3%	16.2%	9.9%	13.9%	17.7%	-	-	-		
RP	170	819	564	998	1,302	-	-	-	57.9%	2,250
YoY	-	*45.2%*	*81.3%*	*157.6%*	*664.1%*	-	-	-		*535.8%*
RPM	4.0%	15.5%	10.1%	13.3%	16.7%	-	-	-		
NI	67	352	204	466	766	-	-	-	67.2%	1,140
YoY	-	*15.1%*	*29.2%*	*216.8%*	-	-	-	-		*1340.0%*
NPM	1.6%	6.7%	3.6%	6.2%	9.8%	-	-	-		

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

Q1 FY08/13 Results (Announced on January 10, 2013; please refer to the above table)
In this Q1, sales were 7.8 billion yen (+85.3% YoY) thanks to strong comparable eyewear store sales (+45.6% YoY). Also, under the Air frame brand, a strategic core product line, JIN released the brand's first Japan-made frames, Air frame alpha, in September 2012, followed by clear lens-type JINS PC in November. These new products essentially cultivated demand in the new category of "eyewear not for vision correction." New store openings and online sales also contributed to higher Q1 sales YoY. On the other hand, gross profit margins dropped 0.8 percentage points YoY to 75.8% due to the launch of domestic frame production and the weakening yen.

Aggressive promotional activities resulted in advertising costs of 969 million yen (+37.2% YoY). However, JIN streamlined overall SG&A expenses in line with higher comparable store sales YoY and more efficient store operations. Consequently, the SG&A-to-sales ratio in this Q1 decreased 14.1 percentage points YoY to 58.1%.

Operating profit in this Q1 was 1.4 billion yen (+658.7% YoY), recurring profit was 1.3 billion yen (+664.1% YoY), and net income was 766 million yen (67 million yen in Q1 FY08/12).

During the Q1, JIN opened 12 new JINS stores and two new Cours de Couleur stores (women's accessories). As of the end of Q1 FY08/13, domestically there were 172 JINS stores, eight Naughtiam stores (men's accessories), and 19 Cours de Couleur stores.

JIN raised its 1H and full-year FY08/13 forecasts based on the strong Q1 results.

1H Forecast Revisions (Million Yen)	Sales	Operating Profit	Recurring Profit	Net Income	EPS
Revised Forecast	16,140	2,400	2,250	1,140	47.6
Previous Forecast	13,580	1,500	1,480	670	27.9
Revised / Previous	18.9%	60.0%	52.0%	70.1%	-
Year Earlier Period	9,486	1,034	989	419	20.5
Revised / Year Earlier	70.1%	86.0%	127.5%	120.3%	-

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

Full-Year Forecast Revisions (Million Yen)	Sales	Operating Profit	Recurring Profit	Net Income	EPS
Revised Forecast	32,340	4,900	4,730	2,400	100.1
Previous Forecast	29,400	3,900	3,860	1,800	75.1
Revised / Previous	10.0%	25.6%	22.5%	33.3%	-
Year Earlier Period	22,613	2,633	2,551	1,089	52.7
Revised / Year Earlier	43.0%	86.0%	85.4%	120.3%	-

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

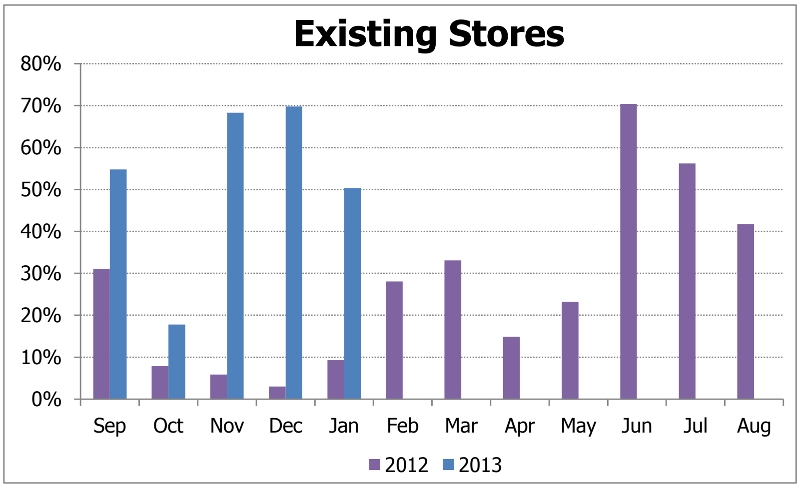
For full-year FY08/13, the company previously expected to see 4.7% higher comparable store sales YoY. In the wake of strong Q1 results, JIN now expects to see 15.0% higher comparable store sales YoY. More specifically, JIN raised 1H FY08/13 comparable store sales assumptions from previous +13.0% to +37.5% YoY. The company maintained its 2H assumptions at -1.3% YoY.

In light of strong performance, JIN raised its year-end dividend forecast from 15 yen to 20 yen per share. Also, to increase the liquidity of its stock in the market and expand its shareholder base, JIN decided to reduce its stock trading unit from the previous 1,000 shares to 100 shares. The new trading unit was scheduled to take effect on February 1, 2013.

JIN released monthly sales data for December on **January 4** and for January on **February 5, 2013**. (For original PDF announcement in Japanese-language only, please click here.)

All Stores	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
2007	45.8%	59.3%	45.6%	38.9%	41.0%	48.3%	40.4%	41.5%	45.6%	49.8%	32.9%	39.0%
2008	55.1%	27.1%	43.5%	58.1%	40.3%	36.7%	40.8%	26.0%	23.6%	26.6%	27.3%	26.2%
2009	5.5%	21.2%	41.5%	21.9%	44.0%	18.6%	16.0%	14.6%	26.8%	21.8%	38.4%	40.2%
2010	60.4%	67.9%	45.3%	45.7%	46.6%	52.5%	50.7%	69.6%	54.4%	48.0%	33.1%	36.7%
2011	23.9%	61.4%	35.3%	40.1%	24.8%	26.0%	31.3%	49.7%	39.9%	44.4%	50.8%	52.2%
2012	79.5%	42.3%	34.2%	34.3%	42.2%	67.7%	64.8%	46.0%	51.0%	108.1%	96.2%	75.0%
2013	94.8%	44.7%	111.4%	113.5%	87.7%							

Source: Company data processed by SR Inc.



Existing Stores	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
2007	9.5%	5.3%	0.4%	2.3%	5.0%	6.2%	3.7%	2.5%	3.4%	6.8%	-6.7%	-5.3%
2008	2.4%	-1.0%	-5.8%	4.0%	-6.6%	-8.8%	0.1%	-8.8%	-10.7%	-7.8%	-5.6%	-7.5%
2009	-20.6%	-11.1%	-1.5%	-13.2%	3.8%	-8.3%	-7.8%	-5.1%	6.0%	2.9%	9.9%	15.9%
2010	33.5%	51.1%	36.1%	40.7%	41.1%	42.5%	35.3%	50.4%	36.1%	29.6%	20.2%	21.2%
2011	9.4%	30.3%	8.4%	15.1%	3.1%	5.7%	1.2%	12.7%	3.3%	5.9%	12.9%	14.7%
2012	31.1%	7.9%	5.9%	3.0%	9.3%	28.1%	33.1%	14.9%	23.2%	70.4%	56.2%	41.7%
2013	54.8%	17.8%	68.3%	69.8%	50.3%							

Source: Company data processed by SR Inc.

Lasertec Corp (6920)

Japan's leader in applied optics technology, with high market shares in semiconductor mask blank and photomask inspection systems. Accelerating semiconductor wafer-related new businesses.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
18.8	64.0 mn yen	6.9	3.7	1.2

Source: Bloomberg

On **January 25, 2013**, the company revised its forecasts for 1H and full-year FY06/13 performance and year-end dividends.
(For original Japanese-language release in PDF format, please click here.)

1H FY06/13 Forecast Revisions

- Sales: 6,566 million yen (previous forecast: 7,500 million yen)
- Operating profit: 1,807 million yen (1,800 million yen)
- Recurring profit: 1,951 million yen (1,800 million yen)
- Net income: 1,241 million yen (1,200 million yen)

Full-Year FY06/13 Forecast Revisions

- Sales: 11.0 billion yen (previous forecast: 14.0 billion yen)
- Operating profit: 2.0 billion yen (3.1 billion yen)
- Recurring profit: 2.2 billion yen (3.1 billion yen)
- Net income: 1.4 billion yen (2.1 billion yen)
- Per-share dividend: 38.0 yen (55.0 yen)

Lasertec lowered its 1H sales forecast due to significantly lower-than-expected orders. On the other hand, the company slightly raised profitability forecasts due to better cost controls.

The company lowered its full-year forecasts due to the semiconductor industry likely continuing to slash capex spending, a persistent trend since the second half of 2012, on the back of global economic slowdown.

Medinet Co Ltd (2370)

Pioneer company in the immuno-cell therapy support service.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
21.8	1,412.9 mn yen	N/A	N/A	4.4

Source: Bloomberg

On **January 31, 2013**, MEDINET announced that it had obtained a Japanese and South Korean patent related to dendritic cells (DC).

(For original Japanese-language release in PDF format, please click here.)

The company has pushed efforts to create a series of platform technologies that enhance DC functions and obtain related patents. The company previously obtained the DC-related patent in 11 countries in Europe and Australia. According to the company, it additionally obtained the patent in Japan and South Korea.

The patent covers the DC preparation technology that the company has already provided to third parties. This technology enhances DC functions through the use of bisphosphonate agents while enabling the development of more powerful DC vaccines, according to the company.

The company commented that it would use this platform technology to promote open innovation, including providing the technology to corporations and academic bodies in Japan and overseas that are involved with DC vaccine development. The company added that in this way it would aim to create a new market.

On **January 11, 2013**, the company announced that it would record an extraordinary gain on sale of investment securities.
(For original English-language release in PDF format, please click here.)

According to the company, it sold a portion of the investment securities it held on January 11, 2013 in a bit to raise asset efficiency. With this, the company will recognize a 618 million yen extraordinary gain and book this amount in Q2 FY09/13. The company commented that it would disclose FY09/13 forecast revisions when available and necessary.

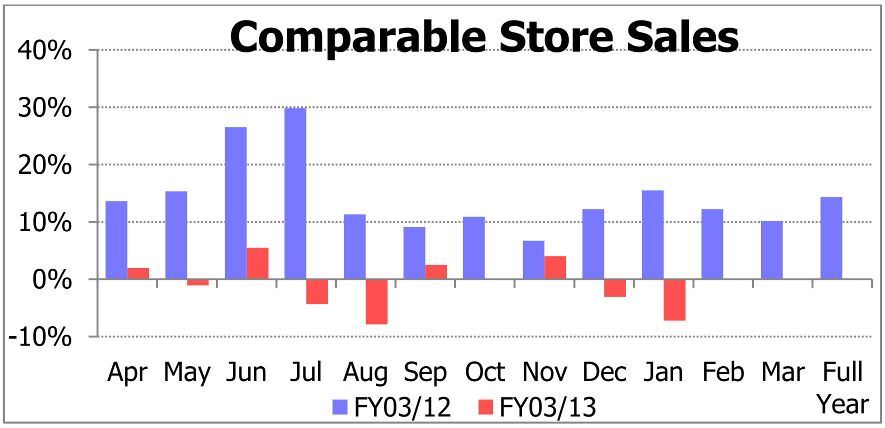
MEGANE TOP CO. (7541)

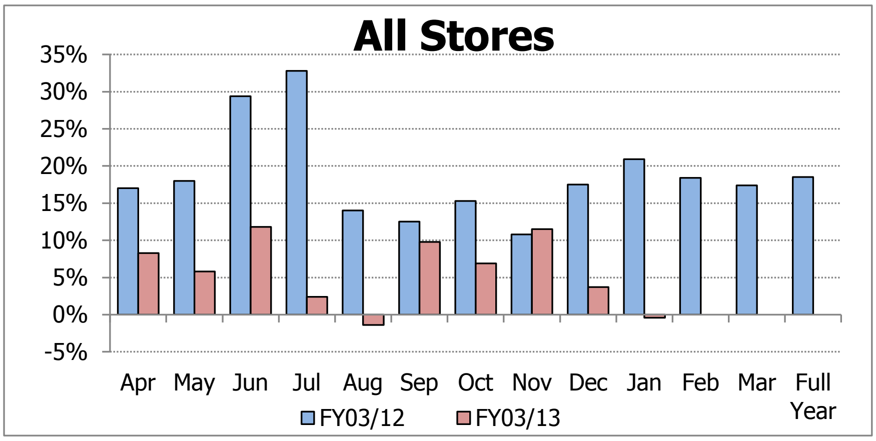
Eyeglass retailer that sells under the Megane Ichiba brand. Sold approximately 2 million pairs i FY03/10, more than competitors. Improving balance sheet

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
48.3	201.0 mn yen	20.3	9.0	3.4

Source: Bloomberg

Megane Top released monthly sales data for December on **January 4** and for January on **February 1, 2013.** .
(For original Japanese-language release in PDF format, please click here.)





All Stores	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Full Year
FY03/11	10.0%	1.8%	-3.6%	-0.2%	9.3%	15.9%	24.8%	11.0%	-7.1%	5.8%	19.6%	12.1%	7.4%
FY03/12	17.0%	18.0%	29.4%	32.8%	14.0%	12.5%	15.3%	10.8%	17.5%	20.9%	18.4%	17.4%	18.5%
FY03/13	8.3%	5.8%	11.8%	2.4%	-1.4%	9.8%	6.9%	11.5%	3.7%	-0.4%			

Comparable Store Sales	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Full Year
FY03/11	-2.2%	-8.7%	-13.5%	-7.9%	0.5%	7.1%	15.6%	4.5%	-10.7%	1.1%	14.6%	7.5%	-0.2%
FY03/12	13.6%	15.3%	26.5%	29.8%	11.3%	9.1%	10.9%	6.7%	12.2%	15.5%	12.2%	10.1%	14.3%
FY03/13	1.9%	-1.1%	5.5%	-4.4%	-7.9%	2.5%	0.0%	4.0%	-3.1%	-7.2%			

By Store Format	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Full Year
FY03/12													
Megane Ichiba	14.9%	17.8%	29.8%	33.2%	12.9%	10.1%	11.5%	7.9%	13.6%	17.1%	13.6%	11.3%	16.0%
alook	6.7%	-5.0%	4.9%	6.3%	-4.6%	2.9%	7.8%	-4.4%	-3.3%	1.7%	0.0%	0.5%	1.0%
FY03/13													
Megane Ichiba	2.5%	-0.9%	5.7%	-4.5%	-8.3%	2.6%	0.2%	3.4%	-4.1%	-8.0%			
alook	-4.2%	0.2%	4.5%	-4.1%	-1.2%	2.5%	-2.6%	17.5%	14.3%	1.8%			

Source: Company data processed by SR Inc. Figures may differ from company materials due to differences in rounding methods.

mobcast inc. (3664)

Sports game developer and provider for mobile social platforms.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
15.6	225.2 mn yen	22.3	11.8	8.7

Source: Bloomberg

On **January 7, 2013**, mobcast inc. (Mobcast) announced the acquisition of EnterCrews Co., Ltd. through a stock swap.
(For original Japanese-language release in PDF format, please click here.)

The company intends to accelerate growth through the acquisition of EnterCrews, which excels in game development and has development bases in South Korea and Indonesia. EnterCrews was scheduled to become a wholly owned subsidiary of Mobcast on February 1, 2013.

Mobcast planned to allocate its 11.88 common stock to one common stock of EnterCrews while allocating its 41.72 common stock to one Class-A preferred stock of EnterCrews. In connection with this stock swap, Mobcast planned to issue new 279,404 shares (potential dilution of 4.2%). EnterCrews had operating profit of 11 million yen in FY08/12.

NanoCarrier Ltd (4571)

Biotech pharmaceutical company. Developer of new therapeutic drugs using micellar nanoparticle technology for drug targeting and delivery.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
82.7	5,397.7 mn yen	N/A	N/A	40.9

Source: Bloomberg

On **January 16, 2013**, NanoCarrier announced that it had obtained a patent in Japan for the method of manufacturing DACH-Platin Guiding Micelle (NC-4016).
(For original Japanese-language only release in PDF format, please click here.)

NS Tool Co (6157)

Leading Japanese maker of carbide miniature end mills with sound financials, aiming for growth by keeping with the miniaturization trend of end products.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
5.5	3.7 mn yen	9.9	2.5	0.8

Source: Bloomberg

On **January 31, 2013**, NS Tool Co. announced Q3 FY03/13 results.
(For original Japanese-language release in PDF format, please click here.)

Quarterly Performance	FY03/12				FY03/13				FY03/13	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	1,457	1,458	1,489	1,377	1,570	1,533	1,482	-	74.1%	6,190
YoY	*23.8%*	*18.3%*	*12.1%*	*11.1%*	*7.7%*	*5.1%*	*-0.4%*	-		7.1%
GP	656	718	756	611	777	716	699	-		
YoY	*26.8%*	*19.8%*	*18.6%*	*2.0%*	*18.5%*	*-0.3%*	*-7.5%*	-		
GPM	45.0%	49.2%	50.8%	44.3%	49.5%	46.7%	47.1%	-		
SG&A	425	418	421	515	470	472	529	-		
YoY	*12.5%*	*15.5%*	*4.9%*	*23.2%*	*10.7%*	*13.0%*	*25.7%*	-		
SG&A / Sales	29.1%	28.6%	28.3%	37.4%	30.0%	30.8%	35.7%	-		
OP	231	300	335	96	307	244	170	-	70.6%	1,020
YoY	*65.3%*	*26.4%*	*41.7%*	*-46.9%*	*32.6%*	*-18.8%*	*-49.3%*	-		5.9%
OPM	15.9%	20.6%	22.5%	7.0%	19.6%	15.9%	11.4%	-		16.5%
RP	244	312	360	116	320	248	177	-	71.0%	1,050
YoY	*62.9%*	*24.8%*	*45.2%*	*-37.9%*	*31.2%*	*-20.4%*	*-51.0%*	-		1.7%
RPM	16.8%	21.4%	24.2%	8.4%	20.4%	16.2%	11.9%	-		17.0%
NI	139	179	215	3	185	146	98	-	71.6%	600
YoY	*64.3%*	*20.8%*	*45.8%*	*-94.4%*	*33.6%*	*-18.4%*	*-54.3%*	-		12.1%
NPM	9.5%	12.3%	14.4%	0.2%	11.8%	9.5%	6.6%	-		9.7%

Source: Company data processed by SR Inc. Figures may differ from company materials due to differences in rounding methods.

Q3 FY03/13 Results (Announced on January 31, 2013, please refer to table above)

Cumulative Q3 sales were 4.6 billion yen (+4.1% YoY), operating profit was 720 million yen (-16.9% YoY), recurring profit was 745 million yen (-18.7% YoY), and net income was 430 million yen (-19.4% YoY).

Sales grew steadily until Q2 FY03/13. Sales in Q3 alone, however, dropped 0.4% YoY mainly due to weak sales to the automobile sector. Higher SG&A expenses YoY meant lower operating profit YoY.

The cumulative Q3 sales and operating profit were 74.1% and 70.6% of the company's full-year estimates, respectively. Entering Q4, the company was seeing recovery in sales and expects SG&A expenses for the quarter to decrease YoY. Accordingly, the company maintained its full-year forecasts.

Performance at the company's customers in the automobile industry was strong mainly due to government subsidies for eco-car purchases. From summer, however, the subsidies' termination and worsening Japan-China relationships forced them to reduce output. In the electronics sector, sales of smartphones and tablets were robust. Nevertheless, weak sales of thin-screen TVs, audio visual devices, and PCs meant stagnant performance of large electronic appliance manufacturers, resulting difficult conditions for the company.

Sales of End Mills (up to 6mm) sub-segment were 2.9 billion yen (+3.0% YoY); sales of End Mills (over 6mm) were 561 million yen (-3.7% YoY); sales of End Mills (Others) were 819 million yen (+18.2% YoY); and sales in the category of Other Products were 322 million yen (-2.8% YoY). The increase in End Mills (Others) sales was thanks to robust demand for custom-made items. On the other hand, the percentage of sales attributed to small-diameter end mills was 62.8%, down 0.7 percentage points YoY.

Sales in Japan were 3.6 billion yen (+2.2% YoY), and overseas sales were 946 million yen (+12.2% YoY) for an overseas sales ratio of 20.6%. Overseas sales in the Q3 alone were 316 million yen (+25.8% YoY), the highest ever. The company said that sales of its products to Japanese users operating domestically or overseas decreased due to the impact of Japan-China political frictions on finished products (e.g., automobiles). Still, the company maintained that the situation did not significantly affect sales to local users. Sales in Taiwan and China remained strong, while other regions showed solid results.

The gross profit margin was 47.8%, down 0.6 percentage points YoY, due to the company's efforts to push small-lot production in a bid to avoid product defect.

SG&A expenses in the cumulative Q3 period were 1.5 billion yen (+16.5% YoY) due to new consolidated subsidiary NS Engineering Co., Ltd., higher personnel costs (i.e., higher sales staff counts), and higher advertising costs related to exhibitions, etc.

On **January 16, 2013**, the company announced the establishment of an overseas subsidiary in Hong Kong.
(For original Japanese-language release in PDF format, please click here.)

The company's board of directors made the decision in a meeting held on January 16, 2013 with an eye to more quickly responding to user needs and strengthening sales activities in China, where market growth is likely. The new Hong Kong subsidiary will act as a logistics and sales base.

Overview of Hong Kong Subsidiary
- Company name: NS TOOL HONG KONG LIMITED
- Location: Hong Kong Special Administrative Region, China
- Establishment: January 2013 (plan)
- Operation launch: April 2013 (plan)
- Shareholder: NS Tool Co. (100%)

Onward Holdings Co Ltd (8016)

Major apparel manufacturer. Strong presence in Japanese department stores. Ambition to grow worldwide via acquired JOSEPH and Jil Sander brands. Strong financials

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
120.7	424.0 mn yen	27.8	6.7	0.7

Source: Bloomberg

On **January 11, 2013**, Onward Holdings announced Q3 FY02/13 results.
(For original PDF announcement in Japanese-language only, please click here.)

At the same time, the company released November and December monthly sales data.

Onward Kashiyama Monthly Sales													
FY02/13 (YoY)	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**FY**
Men's	27%	8%	0%	5%	-2%	3%	-2%	-7%	-2%	6%			3%
Women's	24%	3%	8%	8%	-2%	3%	0%	5%	0%	10%			6%
Children's	19%	3%	8%	12%	1%	2%	5%	-3%	1%	8%			5%
Kimonos	22%	23%	17%	-6%	2%	-17%	0%	-4%	16%	18%			5%
Other	16%	1%	-2%	7%	-3%	2%	-10%	-15%	19%	0%			-3%
Total	**24%**	**4%**	**6%**	**7%**	**-2%**	**2%**	**-1%**	**0%**	**-1%**	**9%**			**5%**
FY02/12 (YoY)													
	Mar	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**FY**
Men's	-24%	2%	-2%	-3%	-1%	2%	4%	4%	4%	-1%	3%	-4%	-1%
Women's	-22%	4%	-2%	-4%	-4%	-5%	-2%	1%	6%	-3%	3%	-9%	-3%
Children's	-12%	13%	-3%	-5%	-1%	-5%	2%	5%	-1%	0%	2%	-4%	-1%
Kimonos	-37%	-37%	0%	-15%	-14%	-24%	-18%	-20%	0%	-13%	-3%	-37%	-20%
Other	-20%	-2%	15%	-7%	-1%	-6%	7%	0%	-9%	-9%	9%	10%	-6%
Total	**-22%**	**3%**	**-2%**	**-4%**	**-3%**	**-5%**	**0%**	**2%**	**5%**	**-3%**	**3%**	**-10%**	**-3%**
FY02/11 (YoY)													
	Mar	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**FY**
Men's	-7%	-2%	-8%	-10%	-2%	-5%	-16%	9%	-1%	1%	-1%	0%	-3%
Women's	-4%	-1%	10%	-8%	-4%	-2%	-12%	6%	7%	0%	-1%	6%	0%
Children's	-7%	-7%	6%	-9%	-2%	-5%	-11%	13%	-5%	4%	-2%	5%	-1%
Kimonos	-25%	-13%	4%	-29%	-20%	-20%	-21%	-8%	-25%	-11%	-33%	8%	-18%
Other	-10%	1%	-9%	-9%	-5%	-5%	-5%	20%	17%	-8%	-3%	23%	-7%
Total	**-6%**	**-1%**	**4%**	**-9%**	**-4%**	**-3%**	**-12%**	**8%**	**4%**	**0%**	**-2%**	**3%**	**-2%**

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

Quarterly Trends & Results

	FY02/12				FY02/13				FY02/13	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	61,361	52,332	68,791	59,918	67,581	53,305	70,479	-	71.8%	266,600
YoY	*-4.8%*	*0.7%*	*3.2%*	*-2.5%*	*10.1%*	*1.9%*	*2.5%*	-		*10.0%*
GP	30,415	23,117	36,148	25,433	33,886	23,863	36,649	-		
YoY	*-3.5%*	*0.5%*	*5.4%*	*-5.8%*	*11.4%*	*3.2%*	*1.4%*	-		
GPM	49.6%	44.2%	52.5%	42.4%	50.1%	44.8%	52.0%	-		
SG&A	25,737	26,196	26,377	25,849	27,669	26,923	29,102	-		
YoY	*-4.7%*	*1.0%*	*-3.0%*	*-3.5%*	*7.5%*	*2.8%*	*10.3%*	-		
SG&A / Sales	41.9%	50.1%	38.3%	43.1%	40.9%	50.5%	41.3%	-		
OP	4,678	-3,079	9,771	-417	6,216	-3,059	7,547	-	77.6%	13,800
YoY	*4.0%*	-	*37.0%*	-	*32.9%*	-	*-22.8%*	-		*26.0%*
OPM	7.6%	-	14.2%	-	9.2%	-	10.7%	-		5.2%
RP	5,372	-2,901	9,726	1,132	6,029	-2,307	8,038	-	76.4%	15,400
YoY	*1.5%*	-	*31.2%*	*155.5%*	*12.2%*	-	*-17.4%*	-		*15.5%*
RPM	8.8%	-	14.1%	1.9%	8.9%	-	11.4%	-		5.8%
NI	2,159	-2,083	4,282	-829	2,815	-2,293	4,114	-	92.7%	5,000
YoY	*-16.7%*	-	*21.7%*	-	*30.4%*	-	*-3.9%*	-		*41.7%*
NPM	3.5%	-	6.2%	-	4.2%	-	5.8%	-		1.9%

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

Q3 FY02/13 Results (Announced on January 11, 2013; please refer to the preceding tables)

In cumulative Q3, sales were 191.4 billion yen (+4.9% YoY), operating profit was 10.7 billion yen (-5.9% YoY), and recurring profit was 11.8 billion yen (-3.6% YoY). Net income was 4.6 billion yen (+6.4% YoY) on the back of smaller extraordinary losses YoY (in cumulative Q3 FY02/12, the company booked 2.9 billion yen extraordinary losses, including 1.1 billion yen in connection with the implementation of accounting standards related to asset retirement obligations and 1.3 billion yen related to headquarters rebuilding).

The company maintained its full-year forecasts. However, SR Inc. thinks that the company's overseas performance in Europe, Asia, etc. was somewhat disappointing in the cumulative Q3 period. Accordingly, SR Inc. estimates that although its domestic performance will be largely in line with estimates, Onward will likely undershoot its full-year FY02/13 operating profit target due to weaker-than-expected overseas performance.

According to the company, cumulative Q3 performance highlights were as follows.

Consolidated operating profit was down by 666 million yen YoY and breaking this down at the subsidiary level:

- Operating profit at Onward Trading rose YoY by 443 million yen; by 236 million yen at Onward Resort Group; by 6 million yen at Onward Holdings and Onward Kashiyama; and by 1 million yen at Jil Sander.
- Operating profit at JOSEPH dropped YoY by 436 million yen; by 419 million yen at GIBO'Co; and by 276 million yen in Asia.

- Onward Holdings and Onward Kashiyama

Sales of 117.7 billion yen (up 3.9% YoY); operating profit of 9.7 billion yen (up 0.1% YoY)

- Onward Trading

Sales of 11.6 billion yen (up 5.1% YoY); operating profit of 998 million yen (up 79.8% YoY)

- Chacott

Sales of 8.1 billion yen (up 4.3% YoY); operating profit of 683 million yen (up 0.7% YoY)

- Island

Sales of 6.4 billion yen (up 4.7% YoY); operating profit of 1.1 billion yen (down 2.8% YoY)

- Creative Yoko

Sales of 5.1 billion yen (down 1.9% YoY); operating profit of 277 million yen (down 6.1% YoY)

- Across Transport

Sales of 8.8 billion yen (up 1.7% YoY); operating profit of 192 million yen (down 2.0% YoY)

- Onward Resort Group

Sales of 2.9 billion yen (up 20.3% YoY); operating profit of 199 million yen (vs. an operating loss of 37 million yen YoY)

- JOSEPH

Sales of 6.0 billion yen (down 3.4% YoY); operating loss of 630 million yen (vs. an operating loss of 194 million yen YoY)

- GIBO'Co

Sales of 10.5 billion yen (down 11.8% YoY); operating profit of 743 million yen (down 36.1% YoY)

- Jil Sander

Sales of 7.3 billion yen (down 3.7% YoY); operating loss of 295 million yen (vs. an operating loss of 296 million yen YoY)

- Asia

Sales of 4.7 billion yen (up 5.8% YoY); operating profit of 66 million yen (down 80.7% YoY)

Domestic

Onward Kashiyama saw higher sales and profitability YoY although the sales fell short of its estimate.

Sales in cumulative Q3 at core brands were as follows: +8.3% YoY for Nijyusanku; +4.3% for Kumikyoku; -0.6% for ICB; and +7.3% for Jiyuku. In the Q3 alone, sales rose 5.3% YoY for Nijyusanku; +11.3% for Kumikyoku; -3.5% for ICB; and +0.7% for Jiyuku. As these figures show, ICB faced difficulties, while Kumikyoku performed well. The company has been rebuilding its product strategy and refurbishing its retail spaces for Kumikyoku. In the Q3, the company began airing TV commercials—the first in the past ten years—featuring Japanese actress Satomi Ishihara. These initiatives bore fruit, according to the company, with the brand's recognition increasing among younger customer groups on top of core customers in their 30s, and the company believes that this led to robust results at Kumikyoku.

In cumulative Q3, sales in new distribution channels were steady as well (e.g., anyFAM sales: +9.8% YoY; anySiS: +9.7% YoY; field/dream: +12.1% YoY). In the Q3 alone, sales at anyFAM rose 5.8% YoY; 4.9% YoY at anySiS; and 1.9% YoY at field/dream.

The company's performance in the Q3 alone was under the negative impact of lingering summer heat in September and mid-October 2012 as well as of a "family sale" event that was pushed back from November to December (i.e., Q4 FY02/13). Still, the company maintained that its December performance was robust even when leaving out the positive impact of the "family sale" event and it saw steady sales at the beginning of January 2013.

At subsidiaries, Creative Yoko suffered intensified competition. However, better-than-expected performance at Onward Trading, Chacott, etc. drove overall results, according to the company.

Overseas

Weak consumer spending in Europe and Asia due to economic slowdown and political instability meant lower-than-expected overseas sales and profitability YoY.

Lower sales and profitability YoY at GIBO'Co were due to economic slowdown in Europe and higher costs in connection with new-brand sample production and showrooms, things that can be viewed as upfront investments. GIBO'Co has been working to expand wholesale sales through stronger partnerships with licensors (i.e., designers) and pursue group-wide synergy. On top of these ongoing efforts, GIBO'Co was accelerating the development of a new retail business (e.g., strengthening consignment sales at European department stores) through these investments.

Sales at Jil Sander were lower YoY. Although Jil Sander Navy saw higher retail and wholesale sales YoY, Collection Line sales were weak due to stagnant consumer spending in Europe. The brand founder, Jil Sander, had returned as a creative director from the 2013 Spring & Summer collection. The change of designers, however, caused a delay in planning work on the Collection Line, highly likely pushing back some products' launches originally scheduled within FY02/13 to FY02/14 (see Note below). SR Inc. estimates that the company's future outlook depends on the pace of Jil Sander Navy's growth going forward and the Collection Line's profitability improvements.

> Note: Onward's subsidiaries in Europe close a book in November each year. So, for Jil Sander alone, some of its products initially scheduled for release within FY11/12 will now be launched in FY11/13. Sales and profits at European subsidiaries during their Q4 (September-November) are included in Onward's consolidated results in Q4 (December-February).

JOSEPH saw a higher operating loss YoY due to weak sales of JOSEPH-branded items and period-end inventory write-downs. In Q4, JOSEPH appears to be experiencing similar trends. Still, the company seems confident about improving profitability from FY02/14 through better product planning capabilities and more accurate product output adjustments.

Onward's substantially lower profitability YoY in Asia was due to weak sales in China. In addition, although the company slowed down the pace of new store openings, Onward was not able to effectively adjust its production output, resulting in inventory write-downs. As the Chinese economy was slowing down, department stores in general (a distribution channel for Onward) appeared to be facing difficult conditions. The company stated it would need to tackle the Chinese market through strategies similar to those in Japan, i.e., maintaining strong presence in the department store channels and at the same time expanding operations through new distribution channels. The company added that it would strengthen the "rosebullet" brand for young customers and accelerate low-cost production in Asia.

Panasonic IS Co Ltd (4283)

Integrated IT services company with a focus on system services, looking to further grow its customer base through close relationship with Panasonic Group companies.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
120.7	424.0 mn yen	27.8	6.7	0.7

Source: Bloomberg

On **January 25, 2013**, Panasonic Information Systems Co., Ltd. announced Q3 FY03/13 results. (For original PDF announcement in English, please click here.)

Quarterly Performance (Million Yen)	FY03/12 Q1	Q2	Q3	Q4	FY03/13 Q1	Q2	Q3	Q4	FY03/13 % vs. Est.	FY Est.
Sales	8,290	9,925	8,400	9,758	7,843	9,021	8,098	-	65.7%	38,000
YoY	*7.2%*	*11.3%*	*7.6%*	*-0.1%*	*-5.4%*	*-9.1%*	*-3.6%*	-		*4.5%*
GP	1,618	1,858	1,513	2,145	1,509	1,996	1,853	-		
YoY	*7.8%*	*2.0%*	*-1.9%*	*-0.4%*	*-6.7%*	*7.4%*	*22.5%*	-		
GPM	19.5%	18.7%	18.0%	22.0%	19.2%	22.1%	22.9%	-		
SG&A	758	721	729	671	789	693	740	-		
YoY	*-0.1%*	*9.9%*	*4.9%*	*-4.7%*	*4.1%*	*-3.9%*	*1.5%*	-		
SG&A / Sales	9.1%	7.3%	8.7%	6.9%	10.1%	7.7%	9.1%	-		
OP	860	1,136	784	1,474	719	1,304	1,112	-	72.9%	4,300
YoY	*16.1%*	*-2.5%*	*-7.7%*	*1.7%*	*-16.4%*	*14.8%*	*41.8%*	-		*1.1%*
OPM	10.4%	11.4%	9.3%	15.1%	9.2%	14.5%	13.7%	-		11.3%
RP	878	1,151	797	1,467	725	1,308	1,113	-	73.2%	4,300
YoY	*15.7%*	*-2.9%*	*-7.9%*	*0.5%*	*-17.4%*	*13.6%*	*39.6%*	-		*0.2%*
RPM	10.6%	11.6%	9.5%	15.0%	9.2%	14.5%	13.7%	-		11.3%
NI	524	664	420	619	438	796	672	-	73.3%	2,600
YoY	*32.0%*	*-8.8%*	*-13.8%*	*-36.1%*	*-16.4%*	*19.9%*	*60.0%*	-		*16.7%*
NPM	6.3%	6.7%	5.0%	6.3%	5.6%	8.8%	8.3%	-		6.8%

Source: Company data processed by SR Inc. Figures may differ from company materials due to differences in rounding methods.

Q3 FY03/13 Results (Announced on January 25, 2013; please refer to the preceding table)

The company maintained its full-year forecasts.

Cumulative Q3 sales were 25.0 billion yen (-6.2% YoY), operating profit was 3.1 billion yen (+12.7% YoY), recurring profit was 3.1 billion yen (+11.3% YoY), and net income was 1.9 billion yen (+18.5% YoY). Despite the company's efforts to win new projects from both the General Market and the Panasonic Group, sales were down YoY due to less-than-expected project counts. Higher operating profit YoY was due to lower development costs and restructuring efforts.

Sales to the Panasonic Group were down 6.1% YoY at 20.3 billion yen, while sales to the General Market were down 6.7% YoY at 4.6 billion yen. Breaking down cumulative Q3 sales by customer, 81.4% came from the Panasonic Group (81.3% a year earlier), the remainder from the General Market (18.7% a year earlier).

The order backlog as of the end of Q3 FY03/13 was 4.5 billion yen, up 99.7% from the end of FY03/12. The order backlog in the System Services segment was down 17.2% YoY at 634 million yen, but the System Solutions segment saw a 161.2% rise in order backlog to 3.8 billion yen.

Performance of the company's business segments was as follows:

System Services:
Sales were 16.3 billion yen (-1.6% YoY), and the gross profit margin was 23.2% (19.9% a year earlier). Improved utilization rates at the company's Osaka Central Data Center led to higher sales to the General

Market. However, this was offset by persistent service price declines for existing customers, resulting in lower segment sales YoY. GPM was up YoY as streamlining of operational management systems and cost reductions offset a fall in service pricing.

System Solutions:
Sales were 5.0 billion yen (-16.4% YoY), and the gross profit margin was 18.4% (16.9% a year earlier). Main projects during the cumulative Q3 period included a ticketing system at aquariums and an ERP system for a specialized trading company and a staffing company. The segment launched some new projects (centered on system development for the Panasonic Group), but project numbers did not increase as expected during the period. Accordingly, segment sales were lower YoY. Despite lower segment sales YoY, better development cost controls meant higher GPM YoY.

System and Communications Equipment:
Sales were 3.6 billion yen (-10.2% YoY), and the gross profit margin was 17.9% (16.8% a year earlier). Lower sales YoY of systems and equipment led to the lower segment sales YoY. Still, GPM was higher YoY.

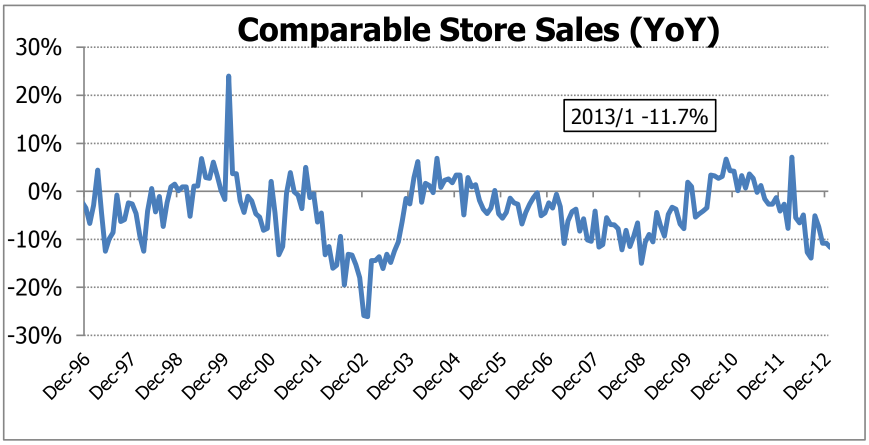
PARIS MIKI HOLDINGS INC. (7455)

Eyeglass retailer focusing on depth of product offering and selling across the price spectrum. Largest store network in Japan. Strong financial position.

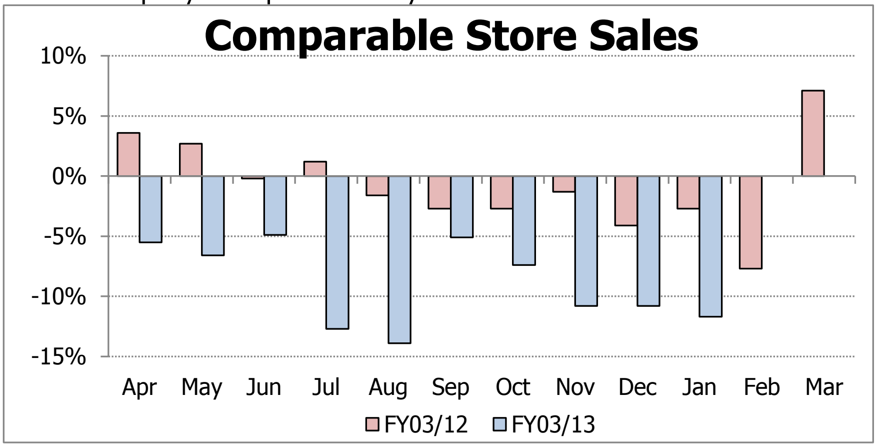
Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
26.9	10.0 mn yen	N/A	10.0	0.6

Source: Bloomberg

Paris Miki Holdings released monthly sales data for December 2012 on **January 4** and for January on **February 1, 2013**.
(For original, Japanese-language only data, please click here.)



Source: Company data processed by SR Inc.



Source: Company data processed by SR Inc.

January 2013
Comparable store sales -11.7% YoY; all store sales -12.8% YoY.

December 2012
Comparable store sales -10.8% YoY; all store sales -11.6% YoY.

November 2012
Comparable store sales -10.8% YoY; all store sales -11.1% YoY.

October 2012
Comparable store sales -7.4% YoY; all store sales -7.6% YoY.

September 2012
Comparable store sales -5.1% YoY; all store sales -5.7% YoY.

ROUND ONE CORP. (4680)

Nationwide operator of amusement complex centers with bowling at their core.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
50.2	335.2 mn yen	21.2	4.8	0.6

Source: Bloomberg

On **January 11, 2013,** Round One released monthly sales data for December.
(For original English-language release in PDF format, please click here.)

December 2012 sales figures were down 4.6% YoY, with comparable store sales down 9.4% YoY. The total number of reported locations was 111 shops.

Monthly Sales Trends FY03/13	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Sales (Million Yen)	**6,777**	**7,555**	**6,281**	**6,615**	**8,764**	**6,997**	**6,102**	**5,700**	**7,075**			
Bowling	2,425	2,612	2,208	2,193	2,923	2,400	2,016	1,861	2,424			
Game	2,725	3,119	2,557	2,794	3,443	2,811	2,601	2,451	2,860			
Karaoke	611	651	608	673	823	686	592	550	800			
SPO-CHA	779	914	670	716	1,297	849	671	628	753			
Other	235	257	236	237	276	250	221	209	235			
Total Sales YoY	**-7.0%**	**-10.1%**	**-2.0%**	**-7.7%**	**-4.1%**	**-4.4%**	**-8.2%**	**-5.7%**	**-4.6%**			
Bowling	-10.6%	-15.6%	-5.0%	-11.5%	-9.2%	-8.2%	-13.8%	-11.4%	-3.1%			
Game	-7.5%	-7.6%	-4.3%	-9.2%	-6.2%	-8.1%	-8.0%	-4.4%	-11.6%			
Karaoke	-6.2%	-9.0%	3.4%	-2.5%	1.7%	3.7%	-2.6%	-2.7%	4.9%			
SPO-CHA	7.4%	-2.5%	15.6%	9.5%	13.8%	17.7%	7.1%	6.2%	11.8%			
Other	-5.3%	-8.5%	-2.6%	-9.7%	-6.8%	-5.3%	-9.3%	-6.7%	-2.9%			
Comparable Store Sales YoY	**-9.1%**	**-15.1%**	**-7.4%**	**-12.7%**	**-9.2%**	**-8.4%**	**-11.6%**	**-9.2%**	**-9.4%**			
Bowling	-11.7%	-18.5%	-8.4%	-14.8%	-12.3%	-10.6%	-15.6%	-13.4%	-6.4%			
Game	-10.4%	-13.5%	-9.9%	-14.6%	-12.2%	-12.1%	-11.4%	-7.9%	-16.5%			
Karaoke	-7.8%	-12.7%	-0.9%	-6.7%	-2.6%	0.1%	-5.6%	-5.6%	0.5%			
SPO-CHA	4.2%	-12.7%	0.6%	-2.9%	4.5%	6.2%	-3.6%	-4.1%	1.1%			
Other	-6.2%	-10.6%	-4.9%	-12.0%	-9.8%	-8.4%	-11.0%	-8.5%	-6.5%			
FY03/12	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**
Total Sales (Million Yen)	**7,285**	**8,408**	**6,407**	**7,163**	**9,140**	**7,321**	**6,644**	**6,048**	**7,417**	**8,317**	**6,427**	**8,498**
Bowling	2,712	3,096	2,324	2,479	3,220	2,616	2,338	2,101	2,503	3,165	2,440	3,335
Game	2,947	3,375	2,672	3,076	3,673	3,058	2,828	2,565	3,234	3,118	2,541	3,036
Karaoke	651	716	588	691	810	661	607	565	762	757	565	756
SPO-CHA	725	938	579	654	1,139	721	626	591	674	1,004	646	1,100
Other	248	281	243	262	296	264	243	224	242	272	233	268
Total Sales YoY	**11.5%**	**13.8%**	**10.8%**	**8.7%**	**7.8%**	**8.7%**	**0.6%**	**1.8%**	**-0.2%**	**1.1%**	**0.1%**	**8.1%**
Bowling	9.6%	12.5%	10.5%	8.0%	8.0%	6.7%	-1.3%	0.3%	-4.4%	-1.4%	-0.2%	6.8%
Game	10.2%	12.9%	8.1%	4.6%	4.6%	6.9%	-0.7%	-2.0%	-2.3%	-1.2%	-3.1%	0.8%
Karaoke	34.1%	27.6%	29.9%	29.2%	29.2%	22.8%	15.5%	17.2%	16.0%	12.1%	13.3%	29.2%
SPO-CHA	5.8%	11.7%	4.7%	7.9%	7.9%	9.4%	-2.3%	6.8%	5.8%	5.8%	-2.1%	20.4%
Other	16.1%	16.8%	21.9%	24.3%	24.3%	17.5%	12.3%	16.0%	15.9%	15.4%	22.4%	21.1%
Comparable Store Sales YoY	**6.5%**	**9.0%**	**5.8%**	**4.3%**	**4.2%**	**4.1%**	**-4.0%**	**-2.9%**	**-4.8%**	**-2.9%**	**-4.3%**	**5.4%**
Bowling	4.7%	7.6%	5.4%	3.5%	4.3%	2.4%	-5.6%	-4.2%	-8.5%	-5.2%	-4.5%	3.9%
Game	5.5%	8.1%	3.5%	0.6%	0.4%	2.3%	-5.5%	-6.5%	-6.8%	-5.4%	-7.3%	-1.8%
Karaoke	26.2%	20.5%	22.3%	22.8%	16.7%	16.7%	9.6%	11.0%	9.5%	6.6%	7.2%	24.8%
SPO-CHA	5.8%	11.7%	4.7%	7.9%	8.9%	9.4%	-2.3%	6.8%	5.8%	5.8%	-2.1%	20.4%
Other	-2.0%	0.0%	3.4%	6.6%	5.3%	0.3%	-5.0%	-2.3%	-2.0%	-1.9%	2.8%	8.6%

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

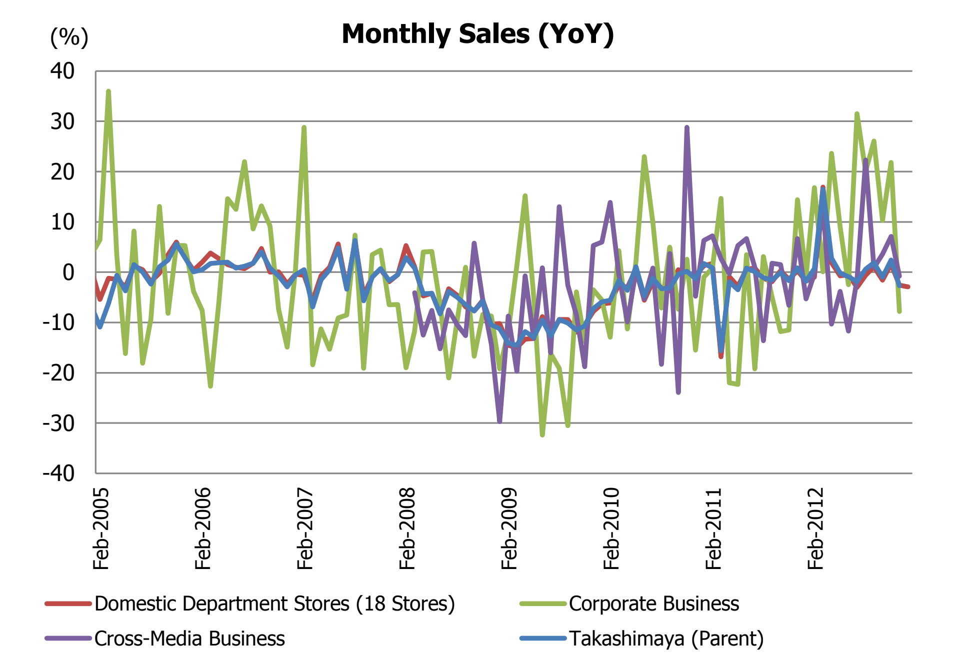
Takashimaya Co Ltd (8823)

Major Japanese department store operator aiming for further growth driven by greater presence in the shopping center sector and in Asia

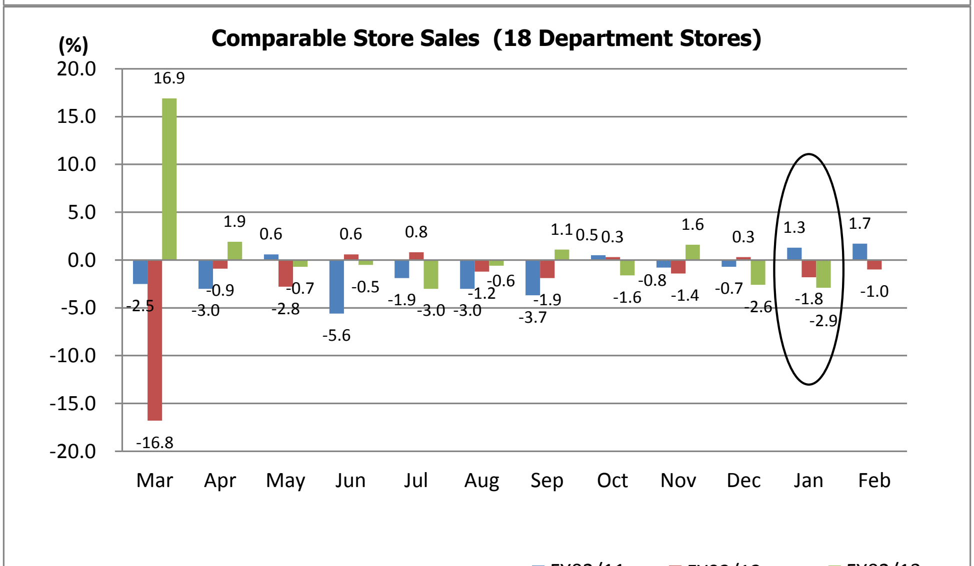
Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
223.6	905.9 mn yen	18.6	6.7	0.7

Source: Bloomberg

The company released monthly sales data for December on **January 4** and for January on **February 1, 2013.**
(For original sales data in Japanese language only, please click here.)



Source: Company data processed by SR Inc.



Source: Company data processed by SR Inc.

In January 2013, sales at Takashimaya (parent) and 18 domestic department stores were down 2.9% YoY. Sales were robust for luxury items (e.g., select apparel, accessories). However, unusual snowfall in the Kanto region resulted in weak sales of food items and general apparel, etc.

VERITE CO. (9904)

Jewelry retailer acquired by Indian jewelry conglomerate specializing in diamond rings and sole Japan distributor for PANDORA brand of bracelets.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
2.6	3.9 mn yen	N/A	N/A	N/A

Source: Bloomberg

On **January 11, 2013**, Verite announced December 2012 sales figures.
(For original release in English-Japanese language PDF format, please click here.)

Monthly Sales (YoY) FY03/13	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	1H	FY
All Stores														
Sales	7.4%	8.6%	-12.1%	-7.3%	4.0%	1.1%	-2.0%	-12.7%	-10.9%					-3.6%
Customer Count	-4.1%	-6.9%	2.6%	-8.7%	-0.1%	-5.5%	-12.4%	-7.4%	-6.8%					-5.5%
Sales Per Customer	12.0%	16.6%	-14.3%	1.5%	4.1%	7.0%	11.8%	-5.7%	-4.3%					2.1%
Stores	100	100	101.0	101	101	102	103	104	104					104
Comparable Stores														
Sales	6.4%	9.8%	-11.3%	-4.2%	1.3%	-1.5%	-2.2%	-6.1%	-9.1%					-2.6%
Customer Count	-2.9%	-3.7%	1.0%	-8.6%	-2.4%	-8.2%	-14.8%	-5.3%	-5.2%					-5.6%
Sales Per Customer	9.6%	14.0%	-12.2%	4.8%	3.8%	7.3%	14.8%	-0.8%	-4.1%					3.2%
Stores	81	81	82	84	85	90	92	96	96					96
FY03/12	**Apr.**	**May**	**Jun.**	**Jul.**	**Aug.**	**Sep.**	**Oct.**	**Nov.**	**Dec.**	**Jan.**	**Feb.**	**Mar.**	**1H**	**FY**
All Stores														
Sales	-14.7%	-19.7%	0.6%	-12.2%	0.8%	-10.4%	-3.2%	-6.2%	1.9%	3.9%	24.5%	39.3%	-11.1%	-1.0%
Customer Count	-3.8%	-0.6%	-1.2%	-4.8%	-8.9%	-14.5%	-5.6%	-4.0%	-5.3%	-3.8%	2.2%	6.6%	-5.9%	3.9%
Sales Per Customer	-11.7%	-19.2%	1.8%	-7.8%	10.7%	4.8%	2.5%	-2.2%	7.6%	8.0%	21.8%	30.7%	-5.5%	3.0%
Stores	90	89	89	91	90	92	94	98	99	99	98	100	92	100
Comparable Stores														
Sales	-11.5%	-15.9%	-1.3%	-7.4%	7.9%	-6.7%	2.4%	-8.2%	2.2%	2.9%	18.9%	46.6%	-7.7%	1.3%
Customer Count	-4.2%	0.4%	1.1%	0.7%	-5.3%	-10.4%	2.0%	0.1%	-2.3%	-4.1%	4.1%	15.0%	-3.0%	-0.5%
Sales Per Customer	-18.1%	-16.2%	-2.4%	-8.1%	13.9%	4.1%	0.4%	-8.3%	4.6%	7.3%	14.2%	27.5%	-4.8%	1.8%
Stores	82	80	80	80	77	77	79	79	79	79	78	80	77	80
FY03/11	**Apr.**	**May**	**Jun.**	**Jul.**	**Aug.**	**Sep.**	**Oct.**	**Nov.**	**Dec.**	**Jan.**	**Feb.**	**Mar.**	**1H**	**FY**
All Stores														
Sales	34.0%	17.0%	16.1%	4.6%	14.9%	15.3%	0.7%	11.7%	-1.8%	-0.9%	-0.2%	-24.3%	15.8%	5.3%
Customer Count	15.4%	-21.9%	-15.2%	-8.5%	1.6%	15.9%	14.2%	17.0%	18.1%	16.5%	11.4%	-11.4%	-4.2%	2.6%
Sales Per Customer	16.1%	49.9%	36.9%	14.3%	13.1%	-0.5%	-11.8%	-4.6%	-16.9%	-15.0%	-10.3%	-14.6%	20.9%	2.6%
Stores	94	94	93	93	90	91	91	88	88	89	89	89	91	89
Comparable Stores														
Sales	32.5%	19.1%	17.8%	11.1%	14.4%	22.9%	5.7%	11.1%	0.5%	4.1%	4.4%	-11.3%	19.0%	8.5%
Customer Count	20.6%	-22.4%	-16.2%	-3.0%	4.9%	17.2%	11.7%	10.3%	17.8%	16.3%	7.5%	-14.0%	-2.4%	2.4%
Sales Per Customer	9.9%	53.5%	40.6%	14.6%	9.1%	4.9%	-5.4%	0.7%	-14.7%	-10.5%	-2.9%	-8.5%	21.9%	6.0%
Stores	88	90	89	89	87	87	84	81	81	81	82	81	87	81

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

VILLAGE VANGUARD CO. (2769)

Specialty and novelty item retailer that evolved out of a book store chain; operated 385 stores as of end-FY05/10.

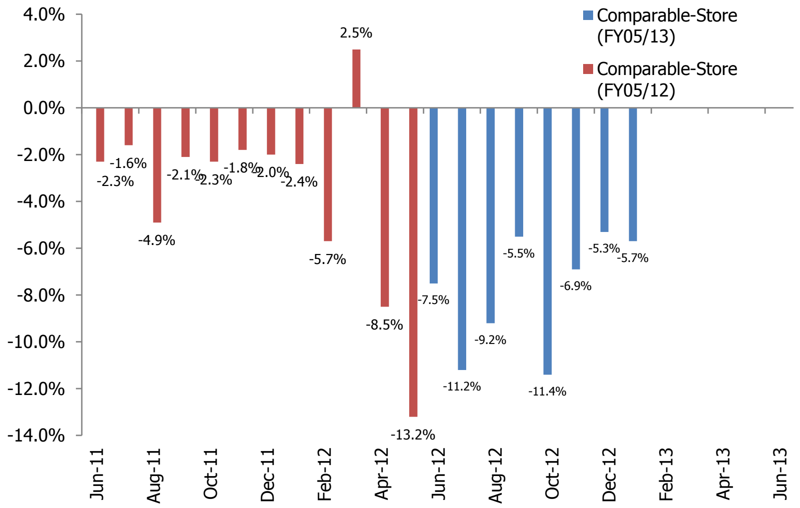
Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
9.0	53.4 mn yen	6.5	3.5	0.5

Source: Bloomberg

On **January 7, 2013**, Village Vanguard released Q2 FY05/13 results and raised its full-year FY05/13 forecasts.
(For original Japanese-language release of earnings results in PDF format, please click here; for original release of forecast revisions, please click here.)

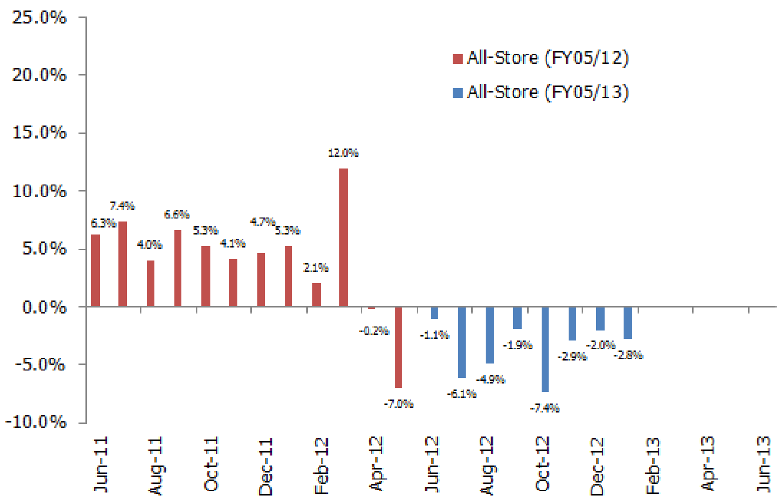
The company released monthly sales data for December on **the same day** and for January on **February 5, 2013.**
(For original sales data in Japanese language only, please click here.)

Trends of Comparable-Store Sales (YoY)



(Source: Company data processed by SR Inc.)
Note: Village Vanguard uses stores that have been in operation for 13 months for comparable store sales data.

Trends of All-Store Sales (YoY)



(Source: Company data processed by SR Inc.)

Quarterly Trends

Quarterly Performance (Million Yen)	FY05/12 Q1	Q2	Q3	Q4	FY05/13 Q1	Q2	Q3	Q4
Sales	10,158	10,005	12,279	10,499	10,167	10,232	-	-
YoY	*8.5%*	*9.7%*	*7.7%*	*5.8%*	*0.1%*	*2.3%*	-	-
GP	4,313	4,235	5,181	4,358	4,291	4,456	-	-
YoY	*10.5%*	*9.0%*	*8.6%*	*5.0%*	*-0.5%*	*5.2%*	-	-
GPM	42.5%	42.3%	42.2%	41.5%	42.2%	43.5%	-	-
SG&A	3,461	3,593	3,806	3,826	3,665	3,991	-	-
YoY	*10.9%*	*10.0%*	*11.9%*	*11.6%*	*5.9%*	*11.1%*	-	-
SG&A / Sales	34.1%	35.9%	31.0%	36.4%	36.0%	39.0%	-	-
OP	853	643	1,375	532	627	464	-	-
YoY	*9.1%*	*3.2%*	*0.4%*	*-26.2%*	*-26.5%*	*-27.7%*	-	-
OPM	8.4%	6.4%	11.2%	5.1%	6.2%	4.5%	-	-
RP	878	676	1,404	557	648	504	-	-
YoY	*11.0%*	*5.3%*	*0.9%*	*-25.5%*	*-26.2%*	*-25.4%*	-	-
RPM	8.6%	6.8%	11.4%	5.3%	6.4%	4.9%	-	-
NI	404	347	734	68	323	264	-	-
YoY	*50.9%*	*16.1%*	*0.1%*	*-82.1%*	*-20.0%*	*-24.0%*	-	-
NPM	4.0%	3.5%	6.0%	0.6%	3.2%	2.6%	-	-

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

Q2 (1H) FY05/13 Results (Announced on January 7, 2013; please refer to tables above)

Sales in this 1H were 20.4 billion yen (+1.2% YoY), operating profit was 1.1 billion yen (-27.0% YoY), recurring profit was 1.2 billion yen (-25.9% YoY), and net income was 586 million yen (-21.9% YoY). Compared to company estimates, 1H sales, operating profit, recurring profit, and net income were 1.9%, 57.2%, 57.4%, and 63.1% higher, respectively. Also, parent-level operating profit was 89.9% higher than estimate, while Titicaca operating profit was 29.7% higher than estimate.

Village Vanguard (Parent-level)
Sales in this 1H were 17.5 billion yen (-3.7% YoY), gross profit was 6.8 billion yen (-5.5% YoY), and operating profit was 604 million yen (-47.6% YoY).

New store openings meant higher store counts YoY. However, comparable store sales sank 8.7% YoY. Still, after bottoming in May at -13.2% YoY, comparable store sales were improving in recent months: -5.5% in September; -11.4% in October; -6.9% in November; and -5.3% in December. Also, parent-level comparable store sales for the 1H were better than company estimate (-10.8% YoY). The company was working to increase sales by encouraging each store to improve product offering and actively introducing new merchandise, rather than relying on selling hot-selling items, something that a store chain operator would do. These activities resulted in about 6.5 million yen higher inventory than at the beginning of FY05/13.

Lower parent-level operating profit YoY was due to a 402 million yen decline in operating profit at existing stores and inventory write-downs of 119 million yen, among other factors. Still, the operating profit was 89.9% higher than company estimate thanks to higher-than-expected sales as well as to better-than-expected gross profit margin on the back of sales of high-margin SPICE (general variety merchandise) accounting for 81.1% (80.1% a year earlier). In addition, the company was controlling SG&A expenses better (-0.7% vs. estimate), centered on labor costs.

Titicaca Results
Sales were 2.9 billion yen (+46.1% YoY), gross profit was 1.9 billion yen (+43.6% YoY), and operating profit was 534 million yen (+39.3% YoY). New store openings and strong comparable store sales contributed to robust results. Comparable store sales at Titicaca were better YoY for consecutive 21 months after the earthquake disaster in March 2011. The gross profit margin was 67.3%, significantly higher than company estimate (63.3%) due to the company's conservative estimates for foreign exchange rates and lower-then-expected sales of discounted items.

Store Network

At Village Vanguard (parent), the company opened 12 new stores in 1H FY05/13 and closed four stores and three franchise stores. Total store-count at the end of 1H FY05/13 came to 395 stores of which 380 were directly run and 15 franchise stores.

At Titicaca, the company opened 13 new stores during the period, and closed one store. Total store-count at the end of 1H FY05/13 came to 94 stores of which 92 were directly run and two franchise stores.

The consolidated group store count as of the end of 1H FY05/13 was 489 of which 472 were directly run and 17 were franchise stores.

Upon the 1H results announcement, the company raised its full-year FY05/13 forecasts. The company's 2H forecasts appeared to be conservative, and the company seemed confident about meeting the full-year forecasts.

(Million Yen)	Sales	Operating Profit	Recurring Profit	Net Income	EPS
Revised Forecast	43,184	2,344	2,437	1,230	15,977.75
Previous Forecast	42,782	1,943	2,012	977	12,706.92
Revised / Previous	0.9%	20.6%	21.1%	25.9%	-
Year Earlier Period	42,942	3,402	3,514	1,553	20,187.77
Revised / Year Earlier	0.6%	-31.1%	-30.6%	-20.8%	-

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.

Yumeshin Holdings Co Lte (2362)

Staffing company focused on the construction industry. Expanding into other areas to secure long-term growth

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
37.8	355.2 mn yen	39.4	27.8	13.8

On **January 11, 2013**, Yumeshin Holdings released monthly sales and hiring data for December 2012. (For original Japanese-language only PDF announcement of monthly sales data, please click here. For PDF announcement of monthly hiring data, please click here.)

Monthly Sales FY09/13	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
Sales (Million Yen)	**614**	**621**	**645**										**1,879**
(YoY)	24.1%	22.1%	28.6%										
Hired Numbers of Construction Staffing													
Est.	35	35	35										**800**
Act.	32	68	35										
(Difference)	-3	33	0										**30**

Source: Company data processed by SR Inc. Figures may differ from company materials due to differences in rounding methods.

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