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MONTHLY WRAP – February 2013

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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.

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Monthly Musings

Market View from Sendagi

What is experience? I have been asking myself this question over and over recently as I look at the Japanese stock market. Why is it so easy to understand? Is it because I have seen several bull and bear markets over my career? Or is it really the easiest nascent bull market ever?

It probably is. And, I must keep on insisting, we are only getting started. First, let me reproduce the same few charts that I have using and misusing over the past few months. To me they are the essence of what is going on. The essence of why it is all so easy. Risks? Short VIX options if you are afraid. Welcome to the bull market. (On a more serious note,

Look. Carefully. See. The upside.

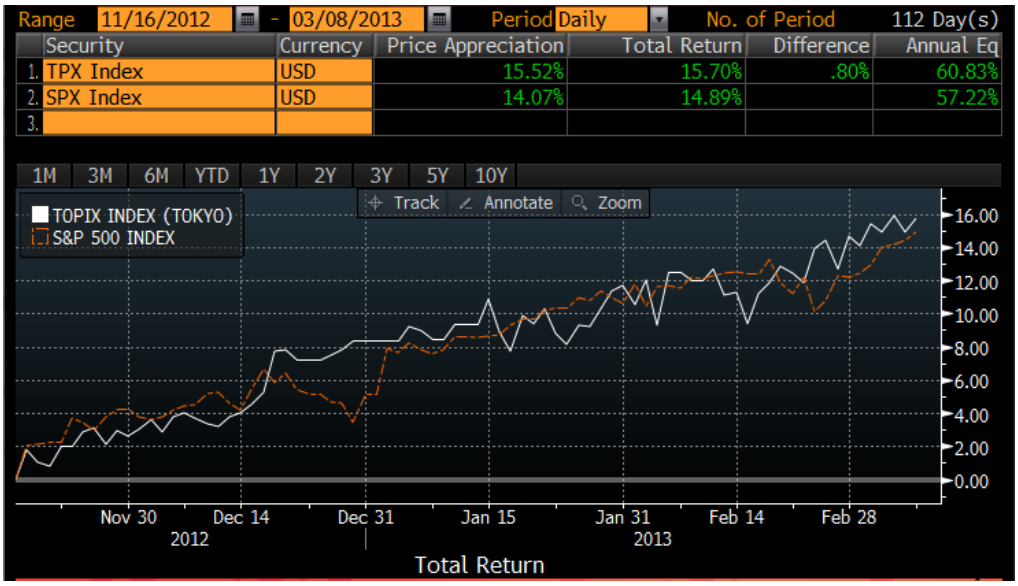
I think one thing that comes with experience—or is it being away from the markets for a while?—is understanding that things are really simple. The markets are cyclical. They go down and up. The economy is what drives it but there is also reflexivity. The feedback loop makes sure that the economy helps the market and the market helps the economy. The investor psychology affected by a prolonged bear market helps to create a delayed response. Otherwise known as a bull market.

What do you see? 1,200? Definitely? 1,400? Probably. 1,800? Why not.

Now to the second chart... My contention has been that the recent upward move in the market represents nothing more than a currency move combined with a "discount removal effect". What I mean by the latter is that the Japanese economy has been "welcomed back" by the global markets into the extreme close correlation that we have seen since the burst of the IT bubble in 2000. It is almost as if the investors have been seen the developed world as more or less the same. Only the extreme dislocations such as a substantial currency move (e.g. positive for Germany and negative for Japan) or a severe debt crisis (Italy) cause the performance—when measured in the same currency—to diverge. It is important to keep reminding ourselves of this simple reality.

The US is a "default" market. Japan got whacked in 2009 by the super-expensive yen. Italy borrowed too much from the wrong people. The logic of showing the markets in the same currency is obvious—currency gains can be obtained without buying risky assets such as equities.

Going back to Japan, the chart from the last month's Wrap has held astonishingly well—in the recent few months the Japanese and US markets moved in unison when expressed in same terms (daily performance).



What I am trying to argue is that at least on a short-basis (one year) there is no reason why Japan should not outperform the US enough to close the long-term gap. It seems a bit unfair, for the lack of a better word, that the positive impact that the cheap yen should have on the Japanese corporate earnings and competitiveness, is not being truly reflected in the stock market performance.

The world is no longer saying "Japan sucks" but it is not yet saying "Japan rocks" either.
In the December Wrap I suggested that Topix should go to 1,200 or so by the end of March or mid-April. I still believe that.

In order to go higher, we need earnings to start replacing euphoria when it comes to individual names. The exchange rate is the main factor that will be impacting corporate earnings forecasts in early May (for most Japanese companies March is the year end). The companies will still be confused or ambivalent about their fundamentals. They will start seeing better orders but coming out of the post-Lehman freeze most businesses will choose to stay conservative. The companies will most likely choose to be conservative in their forex assumptions. I would say they assume 95 yen/dollar rate if we get close to 100 yen/dollar by the end of April.

Sumco (3436), a January-end company, could be a good example of what is to come. They have just announced their forecasts on Friday, March 8th. The yen/dollar assumption is 90 and the company is looking for a recovery to start from Q2 saying the environment remains challenging. We at Shared Research have been hearing the same tune elsewhere—manufacturing businesses are yet to see any improvements in fundamentals. Many of them are scrambling to cope with the cheaper yen as sudden moves also impact materials costs and hedging decision among others. While most businesses will welcome a cheaper yen, sudden disruptions require time to adjust. In my view, this may mean relatively subdued earnings forecasts and cries of "disappointment" from the consensus crowd. This is exactly what seems to be happening with Sumco whose forecasts are below the consensus despite expectation for doubling EBIT. (Today, the market looked beyond that and took the stock higher. It's bullish.)

However, whatever Sumco does, I expect the market to grow weary by April. Large moves are exhausting for most professional investors. Against that backdrop, expect increased volatility of individual moves and 20-25% corrections. I would argue for taking some rest at that point.

Meanwhile, let me refresh the list of the top ten contributors to TOPIX 100 performance (index points) in February 2013 roughly follow the Topix weight ranking:

1. Toyota Motor (7203) (1 in January)
2. Mizuho FG (8411) (4)
3. NTT (9432) (New)
4. Bridgestone (5108) (New)
5. Mitsui Fudosan (8801) (New)
6. East Japan Railway (9020) (New)
7. Denso (6902) (New)
8. Kirin Holdings (2503) (New)
9. Kao Corp (4452) (New)
10. Asahi Group Holdings (New)

…Followed by JR Central, Sumitomo Realty, Softbank, Astellas, and Panasonic. What is fascinating about this list is the fact that we can see a fundamental change in the way the market has been moving. In January, the top contributors to the Topix100 were ranked roughly in the order of their index weights (see the February Wrap). That in itself obviously smells of futures or other similar index buying. In February, the buying is clearly based on something else—let's call it stock picking.
I wonder what March has in store for us. As investors get nervous about their larger outperformers and underperforms, will we see more rotation or gravitation towards index buying once again?

I would like to revisit the portfolio that I hastily concocted based on my vague understanding of fundamentals and intense chart gazing and presented in early January in our December Wrap. (Please note that our quant team had a bit of a bad hair day so the weights were done a bit funny, something we will may have to revisit.) As this is a casual portfolio, I will keep the recommendations till the end of the rally. For the rally to be officially over, let's say that we need to be in April and the market must have corrected more than 10% from the recent peak.

Shall We Rally?

	Topix	Return Topix	Return Portfolio
20130108	871.88		
20130308	1020.50	17.05%	19.04%

Weight	
BIG OW	1.120
OW	1.100
MW	1.000
UW	0.760

Ticker	Name	View	P/B	P/E	RSI 30D	Market Cap	Abs. Return	Rel. Return
7203	TOYOTA MOTOR	MW	1.3	18.0	75.9	14,688	19.76%	2.71%
8306	MITSUBISHI UFJ F	BIG OW	0.7	12.3	80.4	6,853	15.80%	-1.25%
7267	HONDA MOTOR CO	UW	1.3	17.7	70.7	5,923	14.38%	-2.67%
9437	NTT DOCOMO INC	MW	1.0	11.7	59.1	5,544	13.52%	-3.52%
2914	JAPAN TOBACCO	UW	2.8	12.2	58.6	5,042	19.82%	2.78%
9432	NIPPON TELEGRAPH	MW	0.6	9.8	51.0	4,876	15.43%	-1.62%
7751	CANON INC	MW	1.6	16.2	66.0	4,561	1.80%	-15.24%
8316	SMFG	BIG OW	0.8	8.2	80.2	4,560	23.17%	6.13%
6954	FANUC CORP	UW	3.2	24.6	70.3	3,961	-8.41%	-25.45%
8411	MIZUHO FINANCIAL	BIG OW	0.9	9.5	79.3	3,927	27.33%	10.28%
7201	NISSAN MOTOR CO	MW	1.1	10.6	61.6	3,861	14.25%	-2.79%
9984	SOFTBANK CORP	MW	3.4	12.9	55.0	3,485	21.58%	4.53%
4502	TAKEDA PHARMACEU	MW	1.6	29.0	68.0	3,139	26.84%	9.80%
8802	MITSUBISHI ESTAT	MW	2.5	40.4	78.4	2,935	32.30%	15.26%
8058	MITSUBISHI CORP	OW	0.8	7.1	66.9	2,827	8.30%	-8.75%
9433	KDDI CORP	OW	1.1	13.5	56.2	2,776	16.53%	-0.51%
6902	DENSO CORP	MW	1.2	17.3	67.7	2,727	37.71%	20.66%
6501	HITACHI LTD	MW	1.4	7.4	67.0	2,496	4.22%	-12.82%
8031	MITSUI & CO	MW	0.9	6.5	74.1	2,442	3.00%	-14.05%
9983	FAST RETAILING	UW	5.8	31.5	69.7	2,355	37.49%	20.45%
4063	SHIN-ETSU CHEM	MW	1.5	21.8	66.8	2,333	8.88%	-8.16%
6301	KOMATSU LTD	OW	2.2	15.8	73.6	2,251	-0.53%	-17.58%
9020	EAST JAPAN RAIL	UW	1.1	13.9	56.1	2,218	28.62%	11.58%
3382	SEVEN & I HOLDIN	MW	1.2	15.3	57.2	2,208	12.91%	-4.13%
5401	NSSMC	BIG OW	0.8		66.0	2,072	15.42%	-1.63%
8604	NOMURA HOLDINGS	BIG OW	0.9	43.0	85.4	2,003	16.15%	-0.90%
5108	BRIDGESTONE CORP	MW	1.5	15.1	76.1	1,943	42.61%	25.56%
8766	TOKIO MARINE HD	MW	1.1		69.0	1,910	14.52%	-2.52%
4503	ASTELLAS PHARMA	MW	1.9	22.1	51.4	1,886	28.01%	10.96%
8801	MITSUI FUDOSAN	MW	1.7	30.8	73.2	1,864	25.92%	8.87%
1605	INPEX CORP	MW	0.8	7.3	52.5	1,687	13.09%	-3.95%
6503	MITSUB ELEC CORP	MW	1.4	18.8	64.2	1,619	7.63%	-9.42%
6971	KYOCERA CORP	MW	1.0	25.5	64.3	1,542	5.34%	-11.70%
6861	KEYENCE CORP	UW	2.3	24.7	70.2	1,524	11.73%	-5.32%
8001	ITOCHU CORP	MW	1.1	5.3	72.8	1,499	25.90%	8.86%
6502	TOSHIBA CORP	BIG OW	1.8	19.2	69.4	1,483	35.03%	17.98%
9022	CENTRAL JAPAN RL	MW	1.0	8.5	61.1	1,463	33.29%	16.24%
7011	MITSUBISHI HEAVY	UW	1.2	378.2	71.0	1,451	29.22%	12.17%
8053	SUMITOMO CORP	OW	0.8	6.2	66.6	1,422	2.73%	-14.32%
8830	SUMITOMO REALTY	MW	2.5	25.1	78.0	1,416	25.27%	8.22%
4578	OTSUKA HOLDINGS	MW	1.1	15.0	55.8	1,382	26.04%	9.00%
7269	SUZUKI MOTOR	MW	1.4	21.3	81.5	1,358	-1.00%	-18.04%
6326	KUBOTA CORP	UW	1.9	19.6	74.8	1,322	24.02%	6.97%
6752	PANASONIC	OW	1.1		62.6	1,317	27.88%	10.84%
8309	SM TRUST HD	BIG OW	0.8	14.4	73.6	1,300	43.77%	26.73%
7974	NINTENDO CO LTD	MW	1.0		46.3	1,299	19.20%	2.15%
8750	DAI-ICHI LIFE	MW	1.4	35.1	78.5	1,281	6.51%	-10.54%
5020	JX HD	UW	0.7	17.5	67.7	1,245	11.11%	-5.93%
4452	KAO CORP	UW	2.1	20.8	54.9	1,205	34.92%	17.87%
6981	MURATA MFG CO	OW	1.4	50.0	65.3	1,187	30.66%	13.61%
8591	ORIX CORP	BIG OW	0.7	10.7	73.6	1,087	26.23%	9.19%
5411	JFE HOLDINGS INC	BIG OW	0.6		74.3	1,014	24.81%	7.76%
8308	RESONA HOLDINGS	BIG OW	1.0	3.5	72.8	1,011	19.74%	2.70%
8601	DAIWA SECS GRP	BIG OW	1.1		79.6	866	37.91%	20.86%
6702	FUJITSU LTD	BIG OW	1.0	29.7	67.6	768	22.94%	5.90%
7741	HOYA CORP	BIG OW	1.9	14.2	62.5	759	4.55%	-12.50%
9202	ALL NIPPON AIRWA	BIG OW	0.9	12.4	61.3	651	5.46%	-11.58%
9831	YAMADA DENKI	BIG OW	0.6	9.9	52.9	319	13.46%	-3.58%

The views above are random musings and not a recommendation to buy, sell, or look for a finance job.

Let's quickly review the winners. Among Topix100 top 50 stocks at the beginning of January the winner is Sumitomo Mitsui Trust (8309), one of our 15 "big overweights". I give myself a pat on the back but no champagne—I bought only a few of my own recommendations back then.

Other big winners on the list were marked as "market weights" and as such, no huge damage has been done. Some of the "underweights", particularly Fast Retailing, Mitsubishi Heavy, JR East, and Kao, have done very well. I would assume that a bit of loss cutting could have improved the overall performance here. Overall though, our improvised portfolio has outperformed the Topix by 2%. Despite my quants team who constructed the portfolio, going a bit haywire with the weights and definitions. This proves that one can do a portfolio manager's job working an hour a month. I mean a good portfolio manager. The one you are invested with. Not those who underperform. I digress.

How about the underperforming "big overweights"? I have a few and I stick by them. I am curious about what is going to happen in the next few weeks. I am particularly curious about Hoya (7741), a big underperformer. How many lens manufacturers are in the world? Does it matter? I remember somebody told me Hoya was a good company. The consensus says it won't grow. The dividend yield is 3.6%. People used to love it. Love is a cruel thing.

Speaking of love, I must mention Fast Retailing. It is not the first time when I see this stock defy gravity. I remember the time when I, then a young retail analyst, saw it double and double and double. It never got cheap, going up 30-fold or so, shrugging off 30%-40% corrections. Finally, Fast succumbed to internal problems and the bear market in 2002, falling around 80%. It took the stock seven year to regain the ground and the new high had not been set till 2009. It is now 10x higher than its 2002 low. The stock is trading at 35x FY08/13 consensus EPS and 18x EV/EBITDA. The love is not universal—the sell side has only 1-2 buys against 20 olds and sells. Who wins?

I looked at Inditex, the purveyor of ZARA clothing. Its market cap is more than twice as big as Fast. H&M is also bigger than Fast. Fast knows Asia and is as hungry as ever. So, is the market exuberant or the Japanese sell side forgot how to value growth? Incidentally, Inditex has 19 Buys versus eight Sells.

Meet the Clients

In this issue I continue to introduce our clients. I remind you that the companies in our Shared Research coverage (but not the names that we mention in our emerging Shared Research Alpha product) are paying us for the research. In the previous Wrap we started giving you really short summaries to peruse over the weekend. This edition starts at D and stops at F. No recommendations are given or intended.

Daiseki (9793)	The recycling specialist is well managed and well like by foreign investors. The biz, focused on liquid manufacturing waste, is driven by industrial production. Subs helped by recovering property and… lead markets.
Digital Garage (4819)	It is not only the Twitter stake! (Yes, they own it.) Garage has a global reach and is working hard at better defining its business model, focusing on marketing web promotions, e-commerce payments, and software.
Don Quijote (7532)	The discount retailer defies pigeonholing definitions and continues to grow. Donki should be opening profitable stores for years to come. Just don't imagine they are all like the one you know from Roppongi.
Elecom (6750)	Entrepreneurial, inventive firm prospering in intensely competitive market. They sell gadgets, from mice to headphone to iPhone cases. Elecom really know to manage the retail shelves and that's its "dirty little secret".
Emergency Assistance Japan (6063)	Manages emergency situations for travel insurers and the concierge desk for a large American credit card company which cards come in green, gold, and black. EAJ is waiting for a chance to expanding its client roster and is hoping to play an important role in the inbound medical tourism.
En-Japan (4849)	Online recruiter. Benefiting from strong growth in hiring of global hiring by the Japanese corporates (hiring foreigners and hiring for foreign firms).
Ferrotec (6890)	It used to be a solar play. Now the company is rebuilding itself but it still has all the solar expertise. The core competence however is in thermoelectrics and magnetic fluids. Elecom "did phoenix" few times before, it seems to be in the DNA.
Fields (2767)	Yes, pachinko is still really the only cash flow earner. The core business is still growing with up new strategic partners onboard. But it is the content where Fields wants to shine. Comics, television, movies, merchandising rights. This is the future according to Fields. Watch for their slow-moving Ultraman litigation for the upside risk.

February 2013 Client Updates

3-D Matrix Ltd (7777)

Medical technology company. Exclusively licensed from MIT, core technology is based on unique characteristics of self-assembling peptides.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
56.0	1,686.4 mn yen	155.5	125.3	18.2

Source: Bloomberg

On **February 4, 2013**, 3-D Matrix (3DM) announced that it filed an investigational device exemption (IDE) application for hemostatic agent TDM-621 to the US Food and Drug Administration (FDA).
(For original Japanese-only release in PDF format, please click here.)

According to the company, it filed for IDE to the US FDA on February 1, 2013 for hemostatic agent TDM-621 (development code in the US: TDM-621-US01).

Currently, the mainstream of surgical hemostatic agents is based on human-derived fibrin or bovine-derived collagen, and the US hemostatic agent market is estimated at around 100 billion yen. The company intends to promote its safe and unique hemostatic agent in new applications (e.g., endoscopic and laparoscopic surgery) and solidify its position in the market. The company said that to this end it would advance clinical testing and simultaneously search for sales partners in the US.

On **February 1, 2013**, the company lowered its full-year FY04/13 forecasts and revised its mid-term plan.
(For original Japanese-only release of forecast revisions in PDF format, please click here; for original release of mid-term plan revisions, please click here.)

1. **Full-Year FY04/13 Forecast Revisions**

Operating revenue: 1.9 billion yen (previous forecast: 2.5 billion yen)
Operating profit: 152 million yen (589 million yen)
Recurring profit: 160 million yen (583 million yen)
Net income: 130 million yen (529 million yen)

3DM submitted a manufacturing and marketing approval application in May 2011 to Japan's Pharmaceuticals and Medical Devices Agency (PMDA) for hemostatic agent TDM-621, and the PMDA was conducting related tests on TDM-621. The acquisition of the approval, however, was taking longer than expected, and TDM-621's inclusion in the national health insurance scheme's coverage and the manufacturing and marketing approval in South Korea and Taiwan were now pushed back to FY04/14.

In more specific terms, the company now expects to book related milestone revenues in FY04/14, instead of FY04/13, and accordingly lowered its FY04/13 forecasts. The company said that it was trying to cut costs (e.g., revising commission amounts). However, lowered operating revenue projection meant lower operating profit projection.

2. **Mid-Term Plan (FY04/13-FY04/15) Revisions**

FY04/14 Targets
Operating revenue: 4.5 billion yen (previous plan: 3.8 billion yen)
Operating profit 1.7 billion yen (1.1 billion yen)
Recurring profit: 1.7 billion yen (1.1 billion yen)
Net income: 1.4 billion yen (936 million yen)

FY04/15 Targets

Unchanged

As discussed above, the delay in booking related milestone revenues resulted in 3DM's midterm plan, i.e., upward revisions to FY04/14 estimates. The company maintained FY04/15 estimates.

Except the delayed booking of the milestone revenues, the company maintained other elements in its mid-term plan on the back of steady business development in the United States and Europe for TDM-621 and also of the company (its subsidiary in Singapore) pushing business efforts in Asia (particularly Southeast Asia).

Accretive Co Ltd (8423)

Don-Quijote affiliated receivables factoring and accounts payable outsourcing company, which is looking to expand its client roster beyond its traditional retailer and wholesaler base.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
6.1	17.0 mn yen	7.2	12.6	2.3

Source: Bloomberg

On **February 5, 2013**, Accretive Co., Ltd. released 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.
Operating Revenue	581	681	678	678	665	678	748	-	72.4%	2,889
YoY	*16.5%*	*15.9%*	*20.4%*	*18.2%*	*14.5%*	*-0.4%*	*10.4%*	-		10.3%
Funding Costs(Interest Expense)	79	80	80	80	76	77	75	-		
YoY	*-11.0%*	*-9.3%*	*-6.0%*	*2.6%*	*-3.9%*	*-3.5%*	*-5.4%*	-		
GPM	13.6%	11.7%	11.7%	11.8%	11.4%	11.3%	10.1%	-		
SG&A	357	346	324	519	354	344	524	-		
YoY	*6.2%*	*-2.0%*	*-5.8%*	*-0.3%*	*-1.0%*	*-0.9%*	*61.8%*	-		
SG&A / Sales	61.5%	50.8%	47.7%	76.5%	53.2%	50.6%	70.0%	-		
OP	145	255	275	79	236	258	150	-	72.9%	882
YoY	*96.9%*	*74.3%*	*103.1%*	-	*62.7%*	*1.1%*	*-45.6%*	-		16.9%
OPM	24.9%	37.5%	40.5%	11.7%	35.4%	38.0%	20.0%	-		30.5%
RP	149	260	292	83	250	325	155	-	81.1%	900
YoY	*74.5%*	*64.4%*	*103.5%*	-	*67.3%*	*25.0%*	*-47.0%*	-		14.7%
RPM	25.7%	38.2%	43.1%	12.3%	37.6%	47.9%	20.7%	-		31.2%
NI	153	244	249	62	232	273	116	-	75.3%	824
YoY	*84.0%*	-	*7.8%*	-	*51.7%*	*11.8%*	*-53.7%*	-		16.3%
NPM	26.3%	35.8%	36.8%	9.1%	34.9%	40.2%	15.4%	-		28.5%

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 February 5, 2013; please refer to table above)

The company maintained its forecasts.

In cumulative Q3, total transaction volume increased by 2.3% YoY to 104.2 billion yen, and operating revenue rose 7.8% YoY to 2.1 billion yen.

Operating profit dropped 4.7% YoY to 643 million yen. Despite higher operating revenue and lower funding costs YoY, SG&A expenses increased 61.8% YoY due to arrangement fees for the syndicated loan (13.0 billion yen) that the company signed an agreement for on December 28, 2012. In FY03/12, the company booked similar arrangement fees in Q4, but in FY03/13 the company signed the loan agreement earlier.

Although recurring profit rose 4.0% YoY to 729 million yen due to dividend income, net income was down 4.0% YoY at 620 million yen.

The company said that its cumulative Q3 results were largely in line with its estimates.

Factoring revenue was 1.3 billion yen, down 4.5% YoY, due to a decline in transaction value for clients in the construction/real estate sector. Still, total transaction volume increased YoY due to higher sales and purchases at existing clients and higher utilization rates at suppliers. Manufacturers were the main contributor to the increase in transaction value, which was as follows.

- Retailers/wholesalers: 84.3 billion yen (+2.9% YoY; 80.9% of total)
- Construction/real estate: 32 million yen (-99.5% YoY; 0.0% of total)
- Manufacturers: 17.0 billion yen (+49.9% YoY; 16.3% of total)

- Service Industry: 1.2 billion yen (+6.8% YoY; 1.1% of total)
- Others: 1.7 billion yen (+11.8% YoY; 1.7% of total)

Outsourcing revenue was up 11.6% YoY at 699 million yen due to expanded operations at existing clients and to contracts signed with and services offered to three new clients. Also of note, as part of its "customizable financial services," the company began providing lending services (for store renovation) to franchise chains in November 2012. The lending services use the company's proprietary scheme.

Funding costs were down 4.3% YoY mainly due to a 526 million yen YoY decline in the average balance of borrowings to 14.6 billion yen. As a result, the funding costs accounted for 11.7% of the operating revenue (12.3% a year earlier). SG&A expenses increased 18.8% YoY to 1.2 billion yen due to the earlier-than-planned signing of the syndicated loan agreement, as discussed above. Of the SG&A expenses, selling expenses were 376 million yen (-13.1% YoY); labor, 433 million yen (+11.2% YoY); administrative, 411 million yen (+100.9% YoY). The substantial YoY increase in administrative expenses was due to the aforementioned syndicated loan agreement. This means that SG&A expenses (administrative) will likely decrease in Q4 FY03/13 and be likely in line with company estimates for the full year.

To boost its FY03/14 performance, the company intends to expand the mainstay Flex Payment Service (FPS) offerings, establish new business models that can grow as earnings drivers like FPS, and launch the FPS business in Southeast Asia and other regions.

SR Inc. notes that the company's financial standing is steadily improving and funding and other costs could decrease further. Also, SR Inc. notes that growing the top line through the above-mentioned initiatives will likely be key to the company's future growth.

Ai Holdings Corp (3076)

Holding company built via acquisitions with subsidiaries dominant in security cameras, card-issuance equipment, cutting plotters and other niche businesses

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
46.9	247.8 mn yen	16.0	N/A	1.8

Source: Bloomberg

On **February 14, 2013**, Ai Holdings announced Q2 FY06/13 results.
(For original Japanese-only release in PDF format of earnings results, please click here.)

Quarterly Trends & Results

Quarterly Performance (Million Yen)	FY06/12 Q1	FY06/12 Q2	FY06/12 Q3	FY06/12 Q4	FY06/13 Q1	FY06/13 Q2	FY06/13 Q3	FY06/13 Q4	FY06/13 % of FY	FY06/13 FY Est.
Sales	7,291	6,674	8,243	5,948	8,481	7,598	-	-	51.9%	31,000
YoY	*7.5%*	*10.1%*	*8.6%*	*6.8%*	*16.3%*	*13.8%*	-	-		10.1%
Gross Profit	2,600	2,577	3,078	2,498	3,031	3,090	-	-		
YoY	*5.5%*	*10.8%*	*7.4%*	*4.8%*	*16.6%*	*19.9%*	-	-		
GPM	35.7%	38.6%	37.3%	42.0%	35.7%	40.7%	-	-		
SG&A	1,716	1,759	1,783	1,953	1,865	1,930	-	-		
YoY	*-1.8%*	*1.6%*	*1.4%*	*7.2%*	*8.7%*	*9.7%*	-	-		
SG&A / Sales	23.5%	26.4%	21.6%	32.8%	22.0%	25.4%	-	-		
Operating Profit	883	818	1,296	545	1,166	1,160	-	-	55.4%	4,200
YoY	*23.0%*	*37.9%*	*17.0%*	*-2.9%*	*32.0%*	*41.8%*	-	-		18.6%
OPM	12.1%	12.3%	15.7%	9.2%	13.7%	15.3%	-	-		13.5%
Recurring Profit	1,007	966	1,420	577	1,203	1,239	-	-	57.5%	4,250
YoY	*20.9%*	*35.3%*	*15.7%*	*-15.9%*	*19.5%*	*28.3%*	-	-		7.1%
RPM	13.8%	14.5%	17.2%	9.7%	14.2%	16.3%	-	-		13.7%
Net Income	589	545	966	306	765	562	-	-	53.1%	2,500
YoY	*14.4%*	*9.2%*	*36.6%*	*-42.5%*	*29.9%*	*3.1%*	-	-		3.9%
NPM	8.1%	8.2%	11.7%	5.1%	9.0%	7.4%	-	-		8.1%

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.
Company forecast figures are based on the most recently issued company forecast.

Q2 (1H) FY06/13 Results (Announced on February 14, 2013; please refer to preceding table.)

The company maintained its forecasts.

In this 1H, sales were 16.1 billion yen (+15.1% YoY), operating profit was 2.3 billion yen (+36.7% YoY), recurring profit was 2.4 billion yen (+23.8% YoY), and net income was 1.3 billion yen (+17.0% YoY). In 1H FY06/12, non-operating income included about 200 million yen gains on the amortization of negative goodwill, but 1H FY06/13 saw no such gains. Also, for this 1H, the company booked extraordinary losses of 286 million yen (135 million yen in 1H FY06/12), including a 263 million yen loss on the redemption of investment securities (in connection with the redeemed overseas corporate bonds).

Robust performance in the Security Equipment, Peripheral Computer Equipment sales, and Design segments drove 1H results. Also, driven by the Security Equipment segment, the 1H results were better than company estimates (sales: 15.0 billion yen; operating profit: 1.9 billion yen; recurring profit: 2.0 billion yen; and net income: 1.1 billion yen).

Results for the company's segments were as follows:

- **Security Equipment**

(Sales: 3.7 billion yen billion yen (+30.4% YoY); Segment profit: 1.1 billion yen (+158.3% YoY))
Both the condominium and corporate sectors saw strong sales of security systems, resulting in much higher sales and profit YoY. Condominium sector sales were 2.4 billion yen (+37.1% YoY), while

corporate sector sales were 1.3 billion yen (+19.8% YoY).

In the condominium sector, the number of Digital Video Recorders (DVRs) newly installed was better than expected, at 1,243 units. The number of replacements was at 337 units, largely in line with company estimate. In total, the company sold 1,580 DVRs during 1H FY06/13, 54.9% of its full-year estimate (2,880 units). The company said that existing 1,274 DVRs in operation would need to be replaced during FY06/13, adding that replacement demand should grow in the 2H.

In the corporate sector (serving general companies, financial institutions, securities firms, etc.), joint projects with Fuji Xerox Co. (a subsidiary of Fujifilm Holdings Corp.; TSE1: 4901) and other sales agents were steadily increasing, resulting in strong 1H performance. The company commented that it was seeing installations in new sectors (e.g., care facilities, factories).

- **Card Equipment and Other Office Equipment**

(Sales: 1.2 billion yen (-20.0% YoY); Segment profit: 262 million yen (-24.3% YoY))
Strong results a year earlier due to a large project for a financial institution meant lower sales and profit YoY. The company said, though, these results were largely in line with its estimates. The company pointed to some issues in this segment from FY06/13, including offering hospitals and clinics such new products as automatic outpatient reception machines, automatic payment machines, exam slips, patient number displays, and sample container labels.

- **Maintenance Service**

(Sales: 868 million yen (-1.8% YoY); Segment profit: 90 million yen (-29.9% YoY))
Spot maintenance, inspection, and refurbishment demand declined as companies engaged in cost cutting, resulting in lower sales and profit YoY.

- **Peripheral Computer Equipment Sales**

(Sales: 3.8 billion yen (+13.4% YoY); Segment profit: 366 million yen (+19.2% YoY))
Robust sales of new compact cutting machines for general consumer use made by overseas subsidiary Silhouette America Inc. contributed to higher sales and profit YoY.

Sales at Silhouette America were USD14.9 million (USD7.3 million in 1H FY06/12). About 70% of sales were from hardware (cutting plotters); 20% from consumables; and 10% from digital contents (material cutting designs).

SR Inc. understands that Silhouette America pursues an iTune-like business model. To draw a parallel with Apple's iPod, Silhouette America's cutting plotter is akin to an iPod, and the design materials distributed on its website are akin to the music and film downloads available on the iTunes store. Therefore, SR Inc. thinks that gauging the company's future growth potential requires looking at hardware sales trends.

In 1H FY06/13, hardware sales were 58,768 units (30,232 units in 1H FY06/12; 68,547 units in full-year FY06/12). Silhouette America released a new 12-inch CAMEO cutting tool, and CAMEO sales were strong. In November 2012, Silhouette America released another new cutting tool, PORTRAIT, with a lower price point, and this new product was selling well, according to the company.

- **Measuring and Environmental Testing Devices**

(Sales: 891 million yen (-8.5% YoY); Segment profit: 89 million yen (-18.4% YoY))
Despite strong sales of measuring devices, environmental testing device sales were negatively impacted by customers' lower capex, resulting in the decline in sales and profit.

- **Design**

(Sales: 2.2 billion yen (+11.2% YoY); Segment profit: 318 million yen (+25.4% YoY))

An increase in orders for earthquake-resistance diagnoses for buildings meant high-level sales and profit. The company said that the public-sector buildings were increasingly taking earthquake-resistance measures, adding that large-scale private-sector buildings need similar work. The company according believes that sales in the Design segment should stay at a high level for the time being.

- **Leasing and Installment**

(Sales: 3.1 billion yen (+42.0% YoY); Segment profit: 64 million yen (-21.5% YoY))

- **Others**

(Sales: 307 million yen (+19.4% YoY); Segment profit: 4 million yen (+476.3% YoY))

Bell-Park Co. (9441)

Differentiation through efficient stores and personnel investments. Growth through acquisitions.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
14.6	19.1 mn yen	12.0	7.8	2.4

Source: Bloomberg

On **February 13, 2013**, Bell-Park released FY12/12 results.
(For original Japanese-language only release in PDF format, please click here.)

On **the same day**, the company announced a change of its dividend policy (beginning of interim dividends) and a 20th founding anniversary dividend.
(For original Japanese-language only release in PDF format, please click here.)

The company decided to begin the payout of interim dividends (previously only year-end dividends) from FY12/13.

Also, to commemorate its 20th founding anniversary on February 2, 2013, the company decided to pay 40 yen per share (30 yen ordinary portion; 10 yen commemorative portion) for FY12/13.

On **the same day**, the company announced that it had signed a distributor agreement with KDDI Corporation (TSE1: 9433) and decided to launch a new business.
(For original Japanese-language release in PDF format, please click here.)

To date, the company has been an exclusive distributor for SoftBank Group products and worked to expand its sales network, increase unit sales, and improve performance. For further corporate growth, the company decided to work with KDDI. Through this new partnership, the company plans to handle KDDI's mobile handsets and provide new services.

The company released monthly sales data for January 2012 on **February 6** and for February on **March 6, 2013**.
(For original Japanese-language only data, please click here.)

Monthly Trends

Monthly Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2013													
New	44,561	39,207											**83,768**
YoY	15.8%	3.1%											
ex-low ARPU handsets	22,566	20,042											**42,608**
(YoY)	-23.0%	-31.9%											
Replacement	37,325	25,899											**63,224**
YoY	9.0%	9.6%											
Total	**81,886**	**65,106**											**146,992**
YoY	**12.6%**	**5.6%**											
2012													
New	38,486	38,021	66,756	42,082	42,326	30,195	35,674	31,269	38,421	46,557	49,301	41,326	**500,414**
YoY	37.2%	32.4%	62.2%	33.4%	9.6%	17.9%	15.4%	4.5%	29.4%	47.1%	22.3%	-1.3%	
ex-low ARPU handsets	29,300	29,441	51,923	31,981	31,414	20,214	24,285	20,705	23,935	24,759	23,720	21,964	**333,641**
(YoY)	15.9%	12.3%	46.4%	14.6%	-7.4%	-3.9%	-3.4%	-14.1%	11.6%	-6.9%	-33.9%	-32.4%	
Replacement	34,253	23,626	28,096	24,054	24,666	20,087	26,812	24,007	33,007	52,673	58,398	36,790	**386,469**
YoY	52.9%	11.9%	18.8%	10.0%	12.5%	-11.1%	3.8%	-4.8%	64.9%	14.2%	9.2%	-26.6%	
Total	**72,739**	**61,647**	**94,852**	**66,136**	**66,992**	**50,282**	**62,486**	**55,276**	**71,428**	**99,230**	**107,699**	**78,116**	**886,883**
YoY	**44.2%**	**23.7%**	**46.4%**	**23.8%**	**10.6%**	**4.3%**	**10.1%**	**0.3%**	**43.7%**	**27.6%**	**14.8%**	**-15.1%**	

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, and USIM

Quarterly Trends & Results

Quarterly Performance	FY12/11				FY12/12				FY12/12	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	16,435	16,008	15,360	22,770	19,599	15,466	15,599	23,806	98.0%	76,000
YoY	*2.1%*	*27.7%*	*-3.4%*	*45.8%*	*19.3%*	*-3.4%*	*1.6%*	*4.5%*		*7.7%*
GP	2,920	2,707	2,900	3,589	3,890	3,292	3,065	3,647		
YoY	*-1.1%*	*11.0%*	*7.5%*	*33.5%*	*33.2%*	*21.6%*	*5.7%*	*1.6%*		
GPM	*17.8%*	*16.9%*	*18.9%*	*15.8%*	*19.8%*	*21.3%*	*19.6%*	*15.3%*		
SG&A	2,188	2,195	2,321	2,561	2,852	2,629	2,523	2,767		
YoY	*16.9%*	*15.4%*	*17.9%*	*20.5%*	*30.3%*	*19.8%*	*8.7%*	*8.0%*		
SG&A / Sales	*13.3%*	*13.7%*	*15.1%*	*11.2%*	*14.6%*	*17.0%*	*16.2%*	*11.6%*		
OP	731	512	578	1,028	1,038	663	542	879	99.1%	3,150
YoY	*-32.2%*	*-4.7%*	*-20.5%*	*82.8%*	*41.9%*	*29.4%*	*-6.2%*	*-14.4%*		*10.5%*
OPM	*4.4%*	*3.2%*	*3.8%*	*4.5%*	*5.3%*	*4.3%*	*3.5%*	*3.7%*		*4.1%*
RP	727	491	532	1,031	1,085	632	520	964	101.0%	3,170
YoY	*-32.7%*	*-8.1%*	*-26.0%*	*84.4%*	*49.3%*	*28.7%*	*-2.3%*	*-6.5%*		*14.0%*
RPM	*4.4%*	*3.1%*	*3.5%*	*4.5%*	*5.5%*	*4.1%*	*3.3%*	*4.0%*		*4.2%*
NP	372	274	292	552	611	358	289	526	101.3%	1,760
YoY	*-39.4%*	*-15.4%*	*-29.3%*	*78.0%*	*64.2%*	*30.9%*	*-1.2%*	*-4.7%*		*18.1%*
NPM	*2.3%*	*1.7%*	*1.9%*	*2.4%*	*3.1%*	*2.3%*	*1.9%*	*2.2%*		*2.3%*

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

FY12/12 Results (Announced on February 13, 2013; please refer to preceding tables)

For the full-year, sales volume was 886,883 units (+17.9% YoY): 500,414 units in new handset sales (+25.7% YoY) and 386,469 units in replacement sales (+9.1% YoY). The full-year sales volume was 104.3% of the company's estimate (850,000 units).

During FY12/12, the company opened 13 new SoftBank directly operated shops, relocated three shops, and renovated 26 shops. As of the end of December 2012, 2,744 SoftBank shops operated nationwide. Of these, the company operated 208 shops: 154 directly operated and 54 franchise operations.

Full-year sales were 74.5 billion yen (+5.5% YoY) due to higher sales volume. Gross profit was 13.9 billion yen (+14.7% YoY) due to higher new handset sales and accessory sales as well as to higher stock commissions. SG&A expenses increased 16.2% YoY to 10.8 billion yen due to an increase in sales promotion costs (i.e., harsher competition) and to higher personnel and rent in connection with new store openings. Still, gross profit growth offset these cost increases, resulting in operating profit of 3.1 billion yen (+9.6% YoY).

Versus full-year company estimates, sales were 98.0%; operating profit, 99.1%; recurring profit, 101.0%; and net income, 101.3%.

The company highlighted the following points for FY12/12.

1. <u>Record-high sales volume and sales amount</u>

FY12/12 sales volume, sales, and operating profit were better than in FY12/11, and sales volume and sales were the highest ever. The operating profit was the second-highest ever following the 3.6 billion yen posted in FY12/09.

2. <u>The operating profit margin 0.2 percentage point higher YoY</u>

The operating profit margin was better than in FY12/11 despite an increase in SG&A expenses, helped by a rise in stock commissions and robust accessories sales.

3. <u>Unfavorable changes in the mix of products sold</u>

As discussed above, new handset sales were strong. However, the weight of relatively low average revenue per user (ARPU) products (e.g., general mobile terminals including iPad; Mimamori Mobiles, mobile phones with an anti-crime alarm function; PhotoVision digital photo frames) increased from

15.7% in FY12/11 to 33.3%. The company commented that it must improve the mix from FY12/13.

On **February 6, 2013**, the company announced January 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
2013													
New	44,667												**44,667**
YoY	16.1%												
ex-low ARPU handsets	31,585												**31,585**
(YoY)	-2.1%												
Replacement	37,342												**37,342**
YoY	9.0%												
Total	**82,009**												**82,009**
YoY	**12.7%**												
2012													
New	38,486	38,021	66,756	42,082	42,326	30,195	35,674	31,269	38,421	46,557	49,301	41,326	**500,414**
YoY	37.2%	32.4%	62.2%	33.4%	9.6%	17.9%	15.4%	4.5%	29.4%	47.1%	22.3%	-1.3%	
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	30,385	**393,198**
(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	36,790	**386,469**
YoY	52.9%	26.7%	1.0%	37.8%	40.0%	7.8%	2.0%	-15.3%	34.4%	108.6%	169.7%	63.4%	
Total	**72,739**	**61,647**	**94,852**	**66,136**	**66,992**	**50,282**	**62,486**	**55,276**	**71,428**	**99,230**	**107,699**	**78,116**	**886,883**
YoY	**44.2%**	**23.7%**	**46.4%**	**23.8%**	**10.6%**	**4.3%**	**10.1%**	**0.3%**	**43.7%**	**27.6%**	**14.8%**	**-15.1%**	

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).

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
47.3	3,014.5 mn yen	N/A	935.3	42.4

Source: Bloomberg

On **February 27, 2013**, Chiome Bioscience Inc. announced the status of Fully Human ADLib® System development.
(For original Japanese-language release in PDF format, please click here.)

According to the company, it prepared cell lines by crossing over human light- and heavy-chain antibody genes (see note below) to the antibody gene regions in avian B lymphoma-derived DT40 cells. Through verification tests using the cell lines, the company confirmed that gene conversion (homologous recombination) occurs in both the light- and heavy-chain antibody genes.

Note: Most antibodies share the same basic structure, which consists of four protein chains arranged in a Y-shaped structure (two of light and heavy polypeptide chains each).

In the press releases dated November 20, 2012 and December 12, 2012, the company announced that it had confirmed homologous recombination separately in cells with either of light- or heavy-chain antibody genes. In this time's tests, the company prepared cell lines by converting the psuedogene, Variable regions (V regions), and Constant regions (C regions) of light and heavy--chain antibody genes into human type genes. The test results confirmed that within the single cell line psuedogene was overwritten by V regions of both light- and heavy-chain antibody genes, in other word, homologous recombination occurred and Fully Human IgG antibody was created. The company said that the success of these tests eliminated the biggest risk in creating the prototype of Fully Human ADLib® System.

The company said that there are three major steps toward the completion of Fully Human ADLib® System, as follows:

1. Creation and selection of excellent Fully Human ADLib® cell lines (prototype) with superior diversification ability
2. Diversification and evaluation of Fully Human ADLib® System using selected, excellent cell lines
3. Verification of the practical use of antibody libraries through antibody selection based on existing antigens known as difficult to obtain antibodies from

On **February 15, 2013**, the company announced the issue of the Seventh Series Share Warrants (with option to revise exercise prices) through a third-party allotment and the signing of a third-party allotment agreement (with a commitment line clause).
(For original Japanese-language release in PDF format, please click here.)

The company's board decided to issue the Seventh Series Share Warrants (allottee: Milestone Capital Management, LLC; "MCM") and sign a third-party allotment agreement with MCM.

When exercised, these warrants would be equal to 426,000 shares, 10.0% of the 4,254,400 outstanding shares as of February 15, 2013. Exercise price revisions would not affect the number of dilutive shares.

Through the warrants issue, the company expected to raise 5,049 million yen (52 million yen from warrants issue; 4,997 million yen from the exercise of the warrants). The company plans to use the proceeds for the following purposes:

1. Analyses, evaluation, pre-clinical trials, and initial clinical trials of lead antibody candidates: 2,150 million yen (FY03/14-FY03/16)
2. Joint non-clinical trials with several overseas pharmaceutical companies: 800 million yen (FY03/14-FY03/16)
3. R&D (e.g., screening) to obtain new antibody candidates: 540 million yen (FY03/14-FY03/16)
4. Pursuit of synergy between new targets and ADLib® System: 500 million yen (FY03/14-FY03/16)
5. Establishment of overseas, business development, and R&D bases: 400 million yen (FY03/15-FY03/16)
6. Working capital: 634 million yen (FY03/14-FY03/16)

As listed above, the company intends to use the proceeds for R&D, technological development, tie-ups, pipeline development, license acquisitions, and operations. The company added that accelerating R&D would raise its corporate value over the medium and long term and accordingly better value for its existing shareholders.

The company explained that it chose this funding scheme because:
1. Its business was still in its infancy with continuous operating losses, and bank loans would be difficult due to the probability of a decline in its equity ratio.
2. Public and rights offerings would be more costly and time-consuming than the issue of new shares or share warrants through a third-party allotment with high probability of substantial dilution at one time.

Issue of Share Warrants
- Issue date: March 4, 2013
- Number of warrants to be issued: 426
- Number of dilutive shares: 426,000 shares (1,000 shares for a warrant)
- Proceeds: 5,049 million yen (net amount: 5,024 million yen)
- Initial exercise price: 11,730 yen
- Planned allottee: Milestone Capital Management, LLC

Features of the Equity Commitment Line (excerpts)
1. Exercise-order clause: After the date of allotment, the company can tell the allottee to exercise warrants (by the unit of one warrant) if the closing price on the Mothers market on the previous business day exceeded the predetermined minimum exercise price.
2. Exercise-restraining clause: The allottee is allowed to exercise warrants only if dilutive shares would be less than 10% (425,440 shares) of all outstanding shares as of February 15, 2013.
3. Limit on warrant sale

On **February 6, 2013**, the company announced Q3 FY03/13 results and revised its full-year forecasts. (For original Japanese-language release of earnings results in PDF format, please click here; for original release of forecast revision, please click here.)

On **the same day**, the company filed a patent application for humanized Anti-Semaphorin 3A antibody. (For original Japanese-language release in PDF format, please click here.)

The company has already announced that it obtained mouse model-based test results that suggest the strong efficacy of humanized Anti-Semaphorin 3A antibody for immunological and infectious diseases, more specifically, lipopolysaccharide (LPS)-induced sepsis syndrome. According to the company, the results of later tests using the single antibody at actual clinical sites suggested substantial improvements in patients' survival rates. Consequently, the company filed the patent application. Going forward, the company intends to file Patent Cooperation Treaty (PCT) applications in major countries.

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
66.3	218.0 mn yen	23.4	7.3	1.4

Source: Bloomberg

On **February 28, 2013**, Daiseki raised its year-end dividend forecast for FY02/13.
(For original PDF announcement in Japanese-language only, please click here.)

The company's board decided in a meeting held on the same day to raise the year-end dividend forecast by one yen (dividend commemorating the company's 55th founding anniversary) to 11 yen per share.

Digital Garage Inc (4819)

An online payment and marketing-support firm with a business incubation unit focused on early stage e-commerce investments. Also has a stake in Twitter.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
64.1	1,031.5 mn yen	24.3	20.3	2.8

Source: Bloomberg

On **February 12, 2013**, Digital Garage released Q2 FY06/13 results.
(For original Japanese-language release in PDF format, please click here.)

(Million Yen)	FY06/12 Q1	FY06/12 Q2	FY06/12 Q3	FY06/12 Q4	FY06/13 Q1	FY06/13 Q2	FY06/13 Q3	FY06/13 Q4	FY06/13 % of FY	FY06/13 FY Est.
Sales	3,419	2,879	5,203	3,403	5,307	8,539	-	-	51.3%	27,000
YoY	*52.9%*	*4.8%*	*92.0%*	*0.9%*	*55.2%*	*196.6%*	-	-		*144.0%*
GP	1,119	578	2,415	473	1,050	2,063	-	-		
YoY	*134.3%*	*-15.2%*	*368.8%*	*-57.5%*	*-6.2%*	*257.1%*	-	-		
GPM	32.7%	20.1%	46.4%	13.9%	19.8%	24.2%	-	-		
SG&A	681	713	706	863	1,101	1,539	-	-		
YoY	*0.2%*	*8.0%*	*10.5%*	*28.6%*	*61.6%*	*116.0%*	-	-		
SG&A / Sales	19.9%	24.8%	13.6%	25.3%	20.7%	18.0%	-	-		
OP	438	-135	1,709	-390	-51	524	-	-	28.6%	1,650
YoY	-	-	-	-	-	-	-	-		*1117.9%*
OPM	12.8%	-	32.8%	-	-	6.1%	-	-		6.1%
RP	594	71	2,194	-150	167	1,000	-	-	41.7%	2,800
YoY	*1565.8%*	*-60.2%*	*2045.4%*	-	*-71.9%*	*1311.1%*	-	-		*187.9%*
RPM	17.4%	2.5%	42.2%	-	3.2%	11.7%	-	-		10.4%
NI	533	78	1,747	-252	214	700	-	-	53.8%	1,700
YoY	*1543.3%*	*-38.2%*	*1397.1%*	-	*-59.9%*	*799.4%*	-	-		*88.7%*
NPM	15.6%	2.7%	33.6%	-	4.0%	8.2%	-	-		6.3%

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

Q2 (1H) FY06/13 Results (Announced on February 12, 2013; please refer to table above)

The company revised its 1H and full-year FY06/13 forecasts on February 4, 2013.

Sales in this 1H were 13.8 billion yen (+119.9% YoY), and operating profit was 473 million yen (+56.1% YoY). Strong results were due to the larger Payment segment (i.e., VeriTrans Inc. newly added to consolidation) and the robust Marketing segment performance centered on Internet advertising. After 567 million yen in equity in earnings of affiliates (452 million yen in 1H FY06/12) and 200 million yen forex gains (40 million yen loss in 1H FY06/12), recurring profit was 1.2 billion yen (+75.5% YoY), and net income was 914 million yen (+49.6% YoY).

The performance of its business segments was as follows:

Payment

In this 1H, sales were 8.0 billion yen (+331.2% YoY), and operating profit was 790 million yen (+179.5% YoY). Payment settlement volumes were 73.8 million (+16.7% YoY), and payment settlement value was about 344.8 billion yen (+21.1% YoY; 233.3 billion yen at VeriTrans; 111.4 billion yen at E-context Co., Ltd.). According to the company, it began cutting costs by consolidating sales operations and sourcing from common suppliers. These activities were aimed at generating integration synergies and winning new clients. In September 2012, the company established new subsidiary econtext Asia Limited in Hong Kong to localize its domestic business model in Asian countries, where the e-commerce (EC) market is rapidly growing. econtext Asia has begun localized EC settlement services in Indonesia.

Also of note, VeriTrans has changed its fiscal year end from March 31 to June 30 (i.e., the same as the parent). With this, the company's 1H results included nine-month (April 1, 2012-December 31, 2012) results at VeriTrans (including some VeriTrans subsidiaries).

Of the Payment segment sales, 3.8 billion yen came from VeriTrans (3.7 billion yen in 1H FY06/12); 2.2

billion yen from E-context; and 2.0 billion yen attributable to the change of the fiscal year end at VeriTrans.

Marketing

Sales were 5.1 billion yen (+32.9% YoY), and operating profit was 250 million yen (-11.4% YoY). At internal company DG&Ibex, which undertakes the Internet advertising and promotion business, sales were on a steady rise in the Web marketing field. DG&Ibex was increasing focus on specific industries (e.g., cosmetics, finance), which resulted in client numbers remaining flat YoY, at 236. However, high evaluation of its planning capability meant the per-client revenue of 19 million yen (+29% YoY). DG&Ibex sales were 4.6 billion yen (+29% YoY).

Subsidiary CGM Marketing, Inc. began providing in Japan a smartphone ad distribution platform, which many gaming applications by U.S.-based Kiip, Inc. use. In addition, CGM Marketing launched the advertising business using the Facebook and LinkedIn platforms, on top of the existing Twitter ad operations.

Incubation

Sales were 748 million yen (+24.7% YoY), and operating loss was 202 million yen (250 million yen profit in 1H FY06/12). Neo Innovation, Inc. (former New Context, Inc.; based in San Francisco; offices throughout the world) provides software development and design consulting services to corporate and government clients. According to the company, Neo Innovation has completed a series of acquisitions and is now ready to develop business globally. The operating loss was due to the pushback of stock sales and to Neo Innovation's deficit in connection with business establishment costs.

Topics

- **Capital and Business Tie-up with Dentsu Inc. (TSE1: 4324)**

In December 2012, the company formed a capital and business tie-up with Dentsu. The tie-up had two goals. First is to find and spread leading-edge marketing technologies. More specifically, the company and Dentsu aim to find promising marketing technologies particularly in the Silicon Valley of the United States and launch businesses based on such technologies in Japan and other Asian nations. In doing so, the company will be responsible for the settlement field, while Dentsu being in charge of the advertising field.

Another goal is to develop an "audience data business," which uses Dentsu's business knowledge and expertise and DG's settlement and media technologies. Through its settlement operations, the company owns shopping-related data worth 700 billion yen transactions annually. In addition, Kakaku.com, Inc. (TSE1: 2371; a DG equity-method affiliate) holds a substantial volume of shopping-related data, while the company obtains tweet data circulating on the Twitter platform based on the permission to use one of Twitter Inc.'s Application Programming Interfaces called "Site Stream." The company commented that it would utilize such database in product recommendations and targeted advertising and develop these activities into growth drivers in the Marketing segment.

On **February 4, 2013**, the company revised its 1H and full-year FY06/13 forecasts.
(For original Japanese-language release in PDF format, please click here.)

1H FY06/13 Forecast Revisions

- Sales: 13,840 million yen (previous forecast: 13,800 million yen)
- Operating profit: 470 million yen (350 million yen)
- Recurring profit: 1,150 million yen (850 million yen)
- Net income: 900 million yen (650 million yen)

Full-Year FY06/13 Forecast Revisions

- Sales: 27.0 billion yen (previous forecast: 25.0 billion yen)
- Operating profit: 1.7 billion yen (unchanged)
- Recurring profit: 2.8 billion yen (unchanged)
- Net income: 1.7 billion yen (unchanged)

The 1H forecast revisions were due to: (1) higher-than-expected e-commerce transactions toward the end of 2012; (2) better-than-lower costs and better-than-expected profitability after the integration of E-context Co., Ltd. and VeriTrans Inc.; and (3) forex gains on foreign currency-denominated asset holdings.

The full-year sales forecast revision was due to: (1) expectations for continued robust performance in each segment; and (2) consolidated subsidiary VeriTrans contributing 15-month results due to a change to fiscal year end. On the other hand, the company maintained its full-year profitability forecasts in expectation of expenses for business development and e-commerce-related market study at its intermediate holding company in Hong Kong (responsible for Payment segment operations in Asia).

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
278.7	1,075.9 mn yen	14.1	9.2	1.8

Source: Bloomberg

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

(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%	6.8%					
# of Stores	186	187	188	189	191	194	194					
Comparable Stores												
Sales	-5.4%	0.5%	0.6%	-1.3%	1.7%	-1.0%	-1.7%					
# of Customers	-4.3%	-0.1%	-0.1%	-1.5%	0.0%	-0.8%	-1.7%					
Avg. Spend per Customer	-1.2%	0.6%	0.7%	0.2%	1.6%	-0.2%	0.0%					
# of Comparable Stores	165	167	167	167	169.0%	172	173					
Electric Appliances	-16.6%	-0.7%	5.8%	3.2%	10.5%	4.5%	2.5%					
Household Goods	3.2%	7.2%	8.5%	7.4%	8.8%	6.3%	5.6%					
Foods	7.6%	8.9%	10.6%	7.0%	9.6%	9.1%	7.9%					
Watches & Fashion Merchandise	11.8%	13.6%	13.3%	10.8%	15.7%	9.8%	11.7%					
Sporting & Leisure Goods	1.6%	14.5%	11.1%	3.8%	5.4%	5.3%	5.6%					
Other Products	-32.8%	-17.3%	-15.5%	-12.5%	-10.2%	-13.0%	-16.9%					

(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.

January 2013

Comparable store sales in January were down 1.7% YoY. Fewer holidays YoY and bad weather negatively affected customer traffic. Sales of expensive jewelry under the watches and fashion merchandise category were robust, while sales of car-related goods (e.g., tire chains, snow-melting liquid) under the sporting and leisure goods category were strong.

On **February 5, 2013**, the company announced Q2 FY06/13 results.
(For original Japanese-language release in PDF format, please click here.)

(Million Yen)	FY06/12 Q1	FY06/12 Q2	FY06/12 Q3	FY06/12 Q4	FY06/13 Q1	FY06/13 Q2	FY06/13 Q3	FY06/13 Q4	FY06/13 % of 1H	FY06/13 1H Est.
Sales	134,863	142,076	131,353	131,963	140,379	149,265	-	-	100.9%	287,000
YoY	*8.1%*	*8.6%*	*3.4%*	*5.4%*	*4.1%*	*5.1%*	-	-		*3.6%*
GP	34,837	36,973	33,484	34,249	37,010	39,176	-	-		
YoY	*8.6%*	*9.4%*	*6.6%*	*7.8%*	*6.2%*	*6.0%*	-	-		
GPM	25.8%	26.0%	25.5%	26.0%	26.4%	26.2%	-	-		
SG&A	27,056	27,536	27,435	28,196	28,766	28,747	-	-		
YoY	*7.3%*	*4.0%*	*8.1%*	*5.7%*	*6.3%*	*4.4%*	-	-		
SG&A / Sales	20.1%	19.4%	20.9%	21.4%	20.5%	19.3%	-	-		
OP	7,781	9,437	6,049	6,053	8,244	10,429	-	-	107.3%	17,400
YoY	*13.1%*	*29.1%*	*0.3%*	*18.4%*	*6.0%*	*10.5%*	-	-		*1.1%*
OPM	5.8%	6.6%	4.6%	4.6%	5.9%	7.0%	-	-		
RP	7,405	9,046	6,376	6,456	8,366	10,709	-	-	112.2%	17,000
YoY	*15.3%*	*18.9%*	*6.0%*	*26.8%*	*13.0%*	*18.4%*	-	-		*3.3%*
RPM	5.5%	6.4%	4.9%	4.9%	6.0%	7.2%	-	-		
NI	6,674	5,261	3,971	3,939	5,069	6,708	-	-	107.1%	11,000
YoY	*116.3%*	*17.9%*	*57.4%*	*52.0%*	*-24.0%*	*27.5%*	-	-		*-7.8%*
NPM	4.9%	3.7%	3.0%	3.0%	3.6%	4.5%	-	-		

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

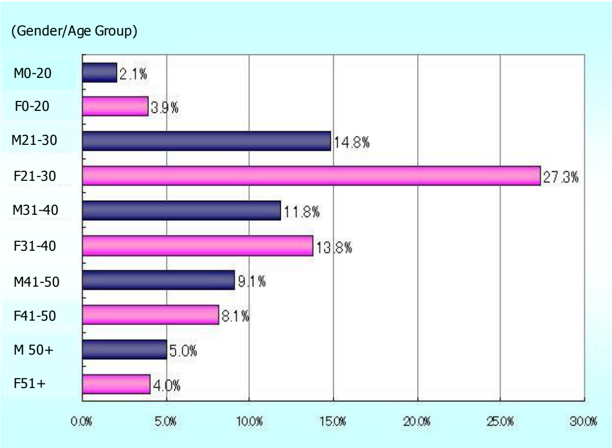
Q2 (1H) FY06/13 Results (Announced on February 5, 2013; please refer to table above)

Sales in this 1H were 289.6 billion yen (+4.6% YoY), operating profit was 18.7 billion yen (+8.5%), recurring profit was 19.1 billion yen (+16.0% YoY), and net income was 11.8 billion yen (-1.3% YoY). Versus company estimates, sales were 0.9% higher; operating profit 12.2% higher; and net income 7.1% higher.

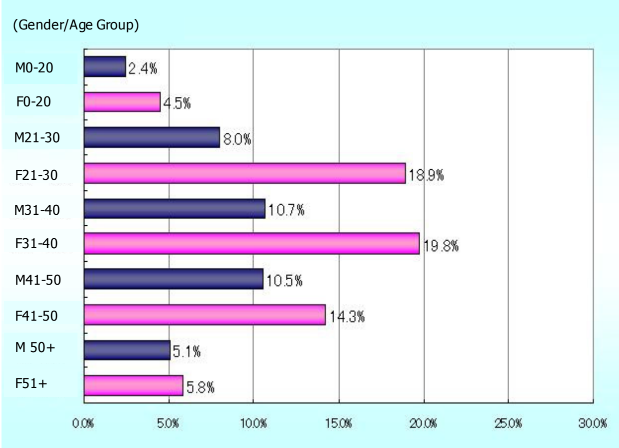
Group-level comparable store sales in this 1H were higher YoY due to contributions from new stores despite some weakness YoY on tough comps a year earlier when there was special demand for digital TV sets. Comparable store sales at the core Don Quijote store format dropped 1.0% YoY (customer counts decreased 1.2% while average spend per customer rose 0.2%). Lower customer counts YoY were due to fewer weekend days YoY (two fewer in October; one fewer in November). The company sought to increase gross profit by optimizing the mix of merchandise sold. Consequently, gross profit in this 1H was 76.2 billion yen (+6.1% YoY). Also, the company was making an appeal to customers with lower-priced household goods while strengthening sales of private-brand (PB) and other high-margin merchandise. These activities pushed up the gross profit margin to 26.3% in this 1H (25.9% in 1H FY06/12). The PB sales ratio was in the 11%-12% range (9.6% in 1H FY06/12), according to the company.

By merchandise category, electric appliances sales were 1.6% lower YoY. Household goods sales were 5.4% higher YoY due to the earlier promotion of Halloween- and Christmas-related merchandise. Foods sales were up 4.7% YoY due to robust sales of basic items. Sales of watches and fashion merchandise were up 10.3% YoY due to cold weather from October on. Also, at Don Quijote stores, 42.8% of customers were male, and the remainder was female; 36.7% male versus 63.3% female at New MEGA Don Quijote stores; 29.9% male versus 70.1% female at MEGA Don Quijote stores (as of December 31, 2012). These figures suggest an increase in repeat customers (e.g., female, family) on top of regular customers. Such customer diversification was contributing to sales growth in household goods and watches and fashion merchandise categories, in SR Inc.'s view.

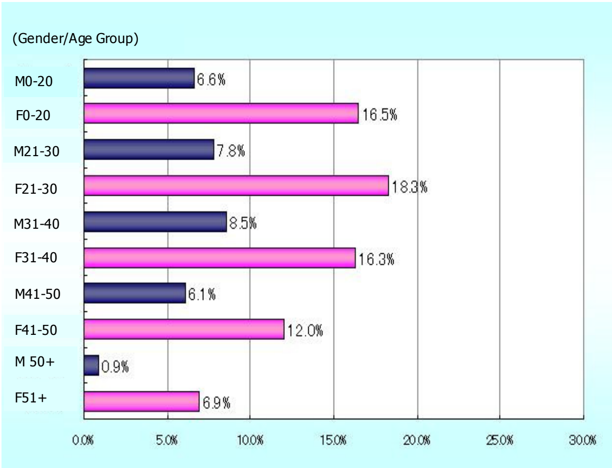
Don Quijote (Male: 42.8%; Female: 57.2%)



New MEGA (Male: 36.7%; Female: 63.3%)



MEGA (Male: 29.9%; Female: 70.1%)



Source: Company data processed by SR Inc.

SG&A expenses increased 5.3% YoY due to higher costs (e.g., store-opening, utilities) in connection with the development of new large stores in suburban regions.

Lower net income YoY was due to extraordinary gains a year earlier.

As of the end of Q2 FY06/13, the total store count was 249 stores for the consolidated group (vs. 242 stores as of the end of FY06/12). In this 1H, the company opened nine new stores: one Don Quijote store in the Tohoku region; four MEGA Don Quijote stores in Chubu; one Don Quijote store in Kinki; two Don Quijote stores in Chugoku; and one MEGA Don Quijote store in Kyushu. Of these new stores, the MEGA Don Quijote Joetsu Inter store and the Don Quijote Shimonoseki Chofu store were opened at the premises previously occupied by other store operators with the aim of revitalizing existing shopping centers. During the same period, the company closed two stores (one Nagasakiya store in Hokkaido and one Doit store in Chugoku).

On the back of strong 1H performance, the company raised its full-year forecasts.

(Million Yen)	Sales	Operating Profit	Recurring Profit	Net Income	EPS
Revised Forecast	562,000	31,000	31,000	20,100	260
Previous Forecast	560,000	30,500	30,300	20,000	259
Revised / Previous	0.4%	1.6%	2.3%	0.5%	-
Year Earlier Period	540,255	29,320	29,283	19,845	257
Revised / Year Earlier	4.0%	5.7%	5.9%	1.3%	-

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

Elecom Co Ltd (6750)

Designer and manufacturer of computer and smartphone peripheral devices/accessories; has a tie-up with French external hard drive maker La Cie to sell its products in Japan.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
30.9	51.9 mn yen	7.6	3.3	1.9

Source: Bloomberg

On **February 15, 2013**, Elecom announced a secondary offering of new shares.
(For original Japanese-language release in PDF format, please click here.)

The total dilution = 9.3% (7.3% from public offering; 2.0% from third-party allotment; based on the 20,498,699 outstanding shares on February 15, 2013). The company aimed to raise net proceeds of 2.6 billion yen via a public offering and a third party allotment with the funds to be used for the following purposes:

- Construction of East Japan Distribution Center No. 2 (tentative name; Sagamihara City, Kanagawa Prefecture): 1.1 billion yen (February 2013-February 2014)
- Repair of East Japan Distribution Center: 205 million yen (August 2013-September 2014)
- Investment in product development (e.g., mold purchases): 740 million yen (April 2013-March 2015)
- Investment in in-house IT systems: 660 million yen (April 2013-March 2015)

1. Public Offering of New Shares
- Number of shares to be issued: 1,500,000 common shares
- Total value of new share offering: To be determined between February 25, 2013 and February 28, 2013
- Underwriters: Daiwa Securities, Mitsubishi UFJ Morgan Stanley Securities, Nomura Securities, Ichiyoshi Securities, Kagawa Securities, Mizuho Securities, and SMBC Nikko Securities
- Subscription period: Up to two business days after issue price determined
- Payment date: March 7, 2013

2. Third Party Allotment of New Shares
- Number of shares to be issued: 400,000 common shares
- Subscriber: Daiwa Securities
- Subscription date: March 25, 2013
- Payment date: March 26, 2013

3. Secondary Offering (Sale of Shares by Underwriter)
- Number of shares to be sold: 1,200,000 common shares
- Seller: Junji Hada (600,000 shares), Justin Ltd. (420,000 shares), Shinpei Hada (180,000 shares)
- Delivery data: March 8, 2013

4. Over-Allotment Option
- Number of shares to be sold: 400,000 common shares
- Seller: Daiwa Securities
- Delivery data: March 8, 2013

On **the same day**, the company announced that it was approved for the stock listing on the Tokyo Stock Exchange.

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

Based on the approval, the company's stock was expected to be listed on either the First or Second Section of the TSE on March 8, 2013. From this date on, the company's stock can be traded on the TSE or the Osaka Securities Exchange (JASDAQ market).

On **the same date**, the company revised its dividend forecasts.
(For original Japanese-language release in PDF format, please click here.)

Following TSE's approval for the company's stock listing, the company decided to add 5 yen of commemorative dividend per share to the 15 yen of ordinary year-end dividend for FY03/13. With this, the annual dividend was expected to be 35 yen per share for FY03/13.

On **February 7, 2013**, the company released Q3 FY03/13 results: click here to go directly to the Q3 FY03/13 results section.
(For original Japanese-language release in PDF format, please click here.)

On **the same day**, the company revised its year-end dividend forecast for FY03/13.
(For original Japanese-language release in PDF format, please click here.)

The company raised the year-end dividend forecast by 3 yen to 15 yen per share. Accordingly, the company raised its annual per-share dividend forecast to 30 yen.

Quarterly Trends & Results

Quarterly Performance	FY03/12				FY03/13				FY03/13	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	14,537	14,348	17,598	16,064	15,289	14,901	17,615	-	74.7%	64,000
YoY	*21.0%*	*26.3%*	*18.0%*	*14.5%*	*5.2%*	*3.9%*	*0.1%*	-		*2.3%*
Gross Profit	5,063	5,167	6,390	5,285	5,061	4,889	6,005	-		
YoY	*15.2%*	*35.3%*	*12.1%*	*5.4%*	*0.0%*	*-5.4%*	*-6.0%*	-		
GPM	34.8%	36.0%	36.3%	32.9%	33.1%	32.8%	34.1%	-		
SG&A	3,548	3,700	3,877	3,973	3,761	3,498	3,740	-		
YoY	*10.8%*	*23.6%*	*14.7%*	*10.3%*	*6.0%*	*-5.5%*	*-3.5%*	-		
SG&A / Sales	24.4%	25.8%	22.0%	24.7%	24.6%	23.5%	21.2%	-		
Operating Profit	1,514	1,467	2,513	1,312	1,300	1,391	2,264	-	84.0%	5,900
YoY	*26.9%*	*77.9%*	*8.3%*	*-7.2%*	*-14.1%*	*-5.2%*	*-9.9%*	-		*-13.3%*
OPM	10.4%	10.2%	14.3%	8.2%	8.5%	9.3%	12.9%	-		9.2%
Recurring Profit	1,397	1,359	2,344	1,031	1,289	1,298	1,916	-	81.9%	5,500
YoY	*25.7%*	*81.7%*	*8.2%*	*-23.3%*	*-7.7%*	*-4.4%*	*-18.2%*	-		*-10.3%*
RPM	9.6%	9.5%	13.3%	6.4%	8.4%	8.7%	10.9%	-		8.6%
Net Income	486	492	1,149	1,186	510	864	1,112	-	87.2%	2,850
YoY	*1.5%*	*37.8%*	*-1.3%*	*52.6%*	*4.9%*	*75.6%*	*-3.2%*	-		*-14.0%*
NPM	3.3%	3.4%	6.5%	7.4%	3.3%	5.8%	6.3%	-		4.5%

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.
Company forecast figures are based on the most recently issued company forecast

Q3 FY03/13 Results (Announced on February 7, 2013; please refer to table above)

In cumulative Q3, sales were 47.8 billion yen (+2.8% YoY), operating profit was 5.0 billion yen (-9.8% YoY), recurring profit was 4.5 billion yen (-11.7% YoY), and net income was 2.5 billion yen (+16.9% YoY).

Lower operating profit YoY was due to: (1) intensified price competition in the storage and network segments; and (2) higher procurement costs for storage products due to the 2011 floods in Thailand.

Higher net income YoY was due to smaller extraordinary losses (184 million yen, including three European subsidiaries' liquidation-related losses) than the 413 million yen losses in cumulative Q3 FY03/12.

Performance at the segment-level was as follows.

- Supply: Sales, 18.6 billion yen (+13.2% YoY)

Strong results were due to robust sales of smartphone and tablet cases.

- Storage & Memory: Sales, 7.9 billion yen (-1.3% YoY)

Hagiwara Solutions Co. (established in July 2011) contributed some eranings by handling memory products (from August 2011). However, sales were down YoY for storage products used to record TV programs due to lower demand YoY for thin-screen TVs, which saw robust replacement demand in cumulative Q3 FY03/12 in connection with the start of terrestrial digital broadcasting.

- IO Devices: Sales, 3.9 billion yen (-16.0% YoY)

Steady sales of new products were offset by weak demand for input devices due to the spread of smartphones and tablets.

- Digital Home: Sales, 10.3 billion yen (-11.3% YoY)

Sales were robust for smartphone AV-accessories and Bluetooth-related products. But sales of products related to digital audio players, whose demand was declining due to the spread of smartphones, were down, while network products suffered intensified price competition.

- Others: Sales, 7.2 billion yen (+22.5% YoY)

While sales of various PC products were strong, those of rechargeable smartphone batteries, etc. were firm.

Ferrotec Corp (6890)

Engaged in the planning, development and distribution of machines to pachinko and pachislot halls.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
11.5	229.9 mn yen	N/A	14.1	0.4

Source: Bloomberg

On **February 28, 2013**, Ferrotec announced the extension of a short-term syndicated commitment line agreement.
(For original Japanese-only release in PDF format, please click here.)

The company extended the agreement term with the aim of enabling agile funding for pushing business restructuring and stabilizing business management through improved financials.

Overview of Extended Commitment Line Agreement
- Commitment line: 3.9 billion yen
- Commitment term: One year
- Arrangers: The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Sumitomo Mitsui Trust Bank, Ltd.
- Participating banks: The Bank of Tokyo-Mitsubishi UFJ, Sumitomo Mitsui Trust Bank, Kita-Nippon Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, The Chiba Bank, Ltd., Resona Bank, Ltd.

On **February 14, 2013**, the company announced Q3 FY03/13 results.
(For original Japanese-only release in PDF format of earnings results, please click here.)

	FY03/12				FY03/13				FY03/13	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	18,811	16,927	14,039	10,312	9,503	10,545	9,102	-	74.7%	39,000
YoY	*75.8%*	*29.5%*	*-12.2%*	*-43.1%*	*-49.5%*	*-37.7%*	*-35.2%*	-		*-35.1%*
GP	5,646	4,403	3,934	2,541	2,023	1,612	1,776	-		
YoY	*70.7%*	*4.7%*	*-23.1%*	*-56.9%*	*-64.2%*	*-63.4%*	*-54.9%*	-		
GPM	30.0%	26.0%	28.0%	24.6%	21.3%	15.3%	19.5%	-		
SG&A	3,265	3,220	2,954	2,961	2,494	3,295	2,269	-		
YoY	*40.6%*	*9.3%*	*-1.7%*	*-10.7%*	*-23.6%*	*2.3%*	*-23.2%*	-		
SG&A / Sales	17.4%	19.0%	21.0%	28.7%	26.2%	31.2%	24.9%	-		
OP	2,382	1,183	980	-420	-471	-1,683	-493	-	-	-3,400
YoY	*141.5%*	*-5.9%*	*-53.6%*	-	-	-	-	-		-
OPM	12.7%	7.0%	7.0%	-	-	-	-	-		-
RP	2,361	778	533	-384	-554	-2,157	-448	-	-	-4,400
YoY	*158.2%*	*-20.5%*	*-71.2%*	-	-	-	-	-		-
RPM	12.6%	4.6%	3.8%	-	-	-	-	-		-
NI	1,548	420	206	-459	-664	-5,493	-1,513	-	-	-8,300
YoY	*135.3%*	*-38.8%*	*-84.2%*	-	-	-	-	-		-
NPM	8.2%	2.5%	1.5%	-	-	-	-	-		-

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

Segment Sales, OP (Million Yen)	FY03/12 Q1	FY03/12 Q2	FY03/12 Q3	FY03/12 Q4	FY03/13 Q1	FY03/13 Q2	FY03/13 Q3	FY03/13	vs. FY Est.
Sales	**18,811**	**16,927**	**14,039**	**10,312**	**9,503**	**10,545**	**9,102**	**39,000**	**74.7%**
YoY	75.8%	29.5%	-12.2%	-43.1%	-49.5%	-37.7%	-35.2%	-38.1%	-
Equipment-Related Segment	7,175	7,521	5,451	4,739	4,454	5,056	4,673	18,770	75.6%
YoY	20.6%	6.6%	-24.7%	-36.4%	-37.9%	-32.8%	-14.3%	-26.0%	-
Vacuum Feedthroughs	2,225	2,127	1,430	981	1,250	1,177	1,094	4,430	79.5%
Quartz	1,713	1,552	1,228	1,016	823	920	848	3,700	70.0%
Ceramics	1,050	1,274	1,179	1,004	1,036	1,112	1,079	4,140	77.9%
EB-Gun & Others	922	1,340	796	1,020	515	768	555	2,430	75.6%
Silicon Wafer Processing	1,266	1,227	818	716	830	1,079	1,097	4,070	73.9%
Photovoltaic Segment	9,349	7,309	6,853	3,847	3,260	3,763	2,656	13,440	72.0%
YoY	220.2%	89.0%	12.7%	-53.5%	-65.1%	-48.5%	-61.2%	-55.4%	-
Si Growing Equipment	5,204	3,046	2,953	1,756	995	638	443	1,860	111.6%
Solar Silicon	2,248	2,434	1,755	983	870	1,686	1,266	6,260	61.1%
Quartz Crucibles	1,214	1,371	1,474	828	851	842	509	3,300	66.7%
Solar Cells & Others	683	458	671	279	544	597	438	2,020	78.2%
Electronic Device Segment	1,771	1,449	1,091	1,026	1,151	1,045	1,104	4,530	72.8%
YoY	23.2%	-10.2%	-48.4%	-41.4%	-35.0%	-27.9%	1.2%	-14.2%	-
Thermoelectric Modules	1,652	1,359	987	935	1,048	927	983	4,120	71.8%
Ferrofluid & Others	119	90	104	91	103	118	121	410	83.4%
Others	514	649	646	701	638	682	669	2,260	88.0%
YoY	31.1%	23.1%	16.4%	9.0%	24.1%	5.1%	3.6%	0.4%	-
Operating Profit	**2,382**	**1,183**	**980**	**-420**	**-471**	**-1,684**	**-491**	**-3,400**	**-**
YoY	141.5%	-5.9%	-53.6%	-	-	-	-	-	-
Equipment-Related Segment	765	1,113	551	70	36	104	72	-	-
Photovoltaic Segment	1,206	-222	301	-509	-550	-1,843	-637	-	-
Electronic Device Segment	327	199	49	-21	60	55	77	-	-
Others	104	114	101	49	2	18	19	-	-
Eliminations	-21	-22	-22	-9	-19	-18	-22	-	-

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 February 14, 2013; please refer to table above)

In cumulative Q3, sales were 29.2 billion yen (-41.4% YoY), operating loss was 2.6 billion yen (4.5 billion yen profit a year earlier), recurring loss was 3.2 billion yen (3.7 billion yen profit a year earlier), and net loss was 7.7 billion yen (2.2 billion yen income a year earlier).

In line with its restructuring plan announced on November 7, 2012, the company was working to clear inventories of own-brand photovoltaic (PV) silicon wafers and cells and executing processes post withdrawal from the quartz crucibles business in the United States. At the same time, the company was accelerating group-wide personnel restructuring, including lowering salaries for executives and managerial staff. Restructuring charges (3.4 billion yen) and the reversal of deferred tax assets meant a large net loss for the period.

The company commented that the electronics industry (e.g., semiconductor, flat panel display) showed weak capex spending drive and was in a manufacturing equipment supply-demand adjustment phase. The company added that the PV industry was seeing a persistent price decline due to over-supply and panel makers were suffering low facility utilization. Some makers were, in fact, forced to downsize or withdraw from their business, according to the company.

Performance for its business segments was as follows:

Equipment-Related Segment

- Sales were 14.2 billion yen (-29.6% YoY), and operating profit was 211 million yen (-91.3% YoY).
- Demand for vacuum feedthroughs was weak due to slow capex spending in the semiconductor, FPD, and LED sectors, resulting in lower sales YoY.
- The company sold quartz, ceramics, and other materials used in manufacturing processes mainly to smartphone-use semiconductor manufacturers. However, these customers were demanding lower prices, and selling prices fell accordingly.
- Silicon wafer processing sales were steady.

Photovoltaic Segment

- Sales were 9.7 billion yen (-58.8% YoY), and operating loss was 3.0 billion yen (1.3 billion yen profit a year earlier)
- The PV cell market stopped growing in Europe, while those in China, Japan, India, and the United States were expanding. Global PV installation was expected to be flat YoY. However, panel price declines persisted, and some companies in Europe and the United States went bankrupt. Also, the largest maker in China fell into the red, suggesting severe market conditions across the board.
- The above conditions led to frozen capex spending, and the company experienced weak sales of silicon growing equipment. In response, the company was selling abrasion and glass-processing equipment to other industries where demand was somewhat stronger.
- Sales of quartz crucible and square quartz vessels were weak due to production adjustments at users.
- The company provided some allowance for doubtful accounts receivable related to certain customers. In addition, the company booked inventory write-downs in connection with unused materials and unprofitable equipment and parts.

Electronic Device Segment

- Sales were 3.3 billion yen (-23.4% YoY), and operating profit was 191 million yen (-66.7% YoY).
- Sales of the company's mainstay thermoelectric modules used for automobile-seat temperature control were affected by weakening auto sales globally up until mid-2012 mainly due to European debt crises. Later on, auto sales were recovering, and sales of luxury cars, which use those modules, gradually recovered.
- Sales of thermoelectric modules for consumer electronics were down YoY, but largely in line with company estimate.
- Sales of ferrofluid, used in automotive speakers, were firm due to recovering auto sales.

In an interview with SR Inc. in late-February 2013, the company said that it was seeing signs of company-wide performance bottoming out, centered on the Photovoltaic segment. In the photovoltaic industry, the oversupply of photovoltaic panels persists, resulting in frozen capex spending industry-wide and weak sales of silicon crystal manufacturing equipment at the company. The company added, however, that some of the users of consumables (e.g., quartz crucibles) were likely to end their production adjustments soon.

Fields Corp (2767)

Engaged in the planning, development and distribution of machines to pachinko and pachislot halls.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
48.4	82.2 mn yen	18.1	4.6	1.0

Source: Bloomberg

On **February 5, 2013**, Fields Corporation released Q3 FY03/13 results.

(For original English-language announcement 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	17,635	15,717	9,709	49,134	21,145	7,973	18,627	-	44.6%	107,000
YoY	*-17.4%*	*-27.5%*	*-65.8%*	*52.8%*	*19.9%*	*-49.3%*	*91.9%*	-		*16.1%*
GP	5,076	6,907	4,343	15,004	5,566	3,258	6,239	-		
YoY	*-33.8%*	*-39.0%*	*-40.4%*	*69.6%*	*9.7%*	*-52.8%*	*43.7%*	-		
GPM	28.8%	43.9%	44.7%	30.5%	26.3%	40.9%	33.5%	-		
SG&A	5,302	5,099	5,903	6,499	5,282	5,402	5,535	-		
YoY	*-0.2%*	*13.4%*	*2.2%*	*1.4%*	*-0.4%*	*5.9%*	*-6.2%*	-		
SG&A / Sales	30.1%	32.4%	60.8%	13.2%	25.0%	67.8%	29.7%	-		
OP	-225	1,807	-1,560	8,505	283	-2,142	703	-	-	9,000
YoY	-	*-73.6%*	-	*249.0%*	-	-	-	-		*5.5%*
OPM	-	11.5%	-	17.3%	1.3%	-	3.8%	-		8.4%
RP	-266	1,979	-1,607	8,555	574	-2,312	763	-	-	9,000
YoY	-	*-71.7%*	-	*288.7%*	-	-	-	-		*3.9%*
RPM	-	12.6%	-	17.4%	2.7%	-	4.1%	-		8.4%
NI	-284	2,712	-1,296	4,859	342	-1,322	303	-	-	4,500
YoY	-	*-31.4%*	-	*363.2%*	-	-	-	-		*-24.9%*
NPM	-	17.3%	-	9.9%	1.6%	-	1.6%	-		4.2%

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 February 5, 2013; please refer to table above)

The company revised its full-year FY03/13 forecasts on February 1, 2013.

Cumulative Q3 sales were 47.7 billion yen (+10.9% YoY), operating loss was 1.2 billion yen (22 million yen profit a year earlier), recurring loss was 975 million yen (106 million yen profit a year earlier), and net loss was 677 million yen (1.1 billion yen income a year earlier).

Based on the "growth-oriented business model" (seamlessly synergistic business development involving Comics, Animation, Movie/TV, and Merchandising) announced in May 2012, the company was pushing efforts to maximize the value of its intellectual property (IP) portfolio.

In Merchandising (the main earnings driver), the company released major titles in the growing pachislot machine market, which resulted in higher pachislot machine sales YoY. Nevertheless, total machine sales were down YoY due to lower pachinko machine sales YoY.

The company has focused on social games in the fast-growing social media field since Q3 FY03/12. In cumulative Q3 FY03/13, social games were a solid performance contributor, according to the company.

Fields made the following comments on its initiatives in main businesses:

- **IP Acquisition, Creation, and Development; Comics; Animation; Movie/TV**

The comic "Heroes Monthly" marked the first anniversary in November 2012 since launch. The comic had 18 different manga titles as of February 2013. Fields launched separate volume comics "Heroes Comics" in September 2012 with the aim of promoting the cross-media utilization of "Heroes Monthly" content.

For the "BERSERK" animation film trilogy, Fields released the third film in February 2013. Also, it has been decided to air robot-themed animation work "Ginga Kikotai Majestic Prince"—a joint project with SOTSU Co., Ltd. (JASDAQ: 3711) and Toho Co., Ltd. (TSE1: 9602)—on TV from April 2013.

In addition to these activities, Fields was pushing a partnership strategy to jointly create various works with powerful IP holders over the long term.

- **Merchandising**

In interactive media, Fields was focusing on the high-growth social media field and advancing activities to increase its profitability in the field. The company's social games based on major IP assets in Japan were a solid performer, and Fields was pushing efforts to launch cafés, shops, and amusement facilities using one of Japan's most famous IP assets. Also, the company said that it was planning and developing various IP-based social games. As part of these efforts, Fields launched social game, "SOUTEN KOURO—Marching King," in December 2012.

In the pachinko/pachislot sales business, Fields released a new pachislot machine "Resident Evil 5" and a new pachinko machine in this Q3. Unit sales performance in cumulative Q3 was about 78,600 pachinko machine units (down 46,800 units YoY) and about 92,100 pachislot machine units (up 18,600 units YoY).

On **February 1, 2013**, the company lowered its full-year FY03/13 forecasts.
(For original English-language announcement in PDF format, please click here.)

Full-Year FY03/13 Forecast Revisions

- Sales: 107.0 billion yen (previous forecast: 115.0 billion yen)
- Operating profit: 9.0 billion yen (14.0 billion yen)
- Recurring profit: 9.0 billion yen (14.5 billion yen)
- Net income: 4.5 billion yen (7.3 billion yen)

According to the company, in the pachislot market, orders for major titles were concentered in the 2H due to the implementation of self-regulation. In the pachinko market, demand grew particularly for machines with high product competitiveness. In response, the company decided to conduct additional development activities for the three major titles that it initially planned to launch during the year and accordingly delayed the release of these titles through consultation with manufacturers.

Despite these situations, the company was expecting to meet its full-year forecasts because of the superior product competitiveness of the two titles (listed below) that were scheduled to go on sale in 2H. However, the company revised its full-year forecasts due to conditions below:

- "Resident Evil 5" (manufactured by Enterrise Co., Ltd.) released in December 2012 received more inquiries than any of the company's past titles. The company and Enterrise could not fully meet the strong demand despite their efforts to address issues in delivery date, parts procurement, and production capacity.
- Although "EVANGELION" (manufactured by Bisty Co., Ltd.) that the company is currently trying to sell has been highly acclaimed fir its models, other major titles released at the end of 2012 showed poor performance and lost the momentum for their large-scale introduction. Orders accordingly remained lower than expected.

The company maintained its year-end dividend forecast at 25 yen per share.

Gamecard-Joyco Holdings Inc (6249)

Dominant pachinko machine prepaid-card system provider.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
23.2	12.8 mn yen	5.1	0.6	0.6

Source: Bloomberg

On **February 6, 2013**, Gamecard-Joyco Holdings, Inc. released Q3 FY03/13 results.
(For original Japanese-language only announcement 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	9,702	10,697	12,757	10,419	10,101	10,002	11,034	-	77.8%	40,000
YoY	-	-	-	-	*4.1%*	*-6.5%*	*-13.5%*	-		*-8.2%*
GP	3,132	3,252	3,434	3,275	3,321	3,058	3,225	-		
YoY	-	-	-	-	*6.0%*	*-6.0%*	*-6.1%*	-		
GPM	32.3%	30.4%	26.9%	31.4%	32.9%	30.6%	29.2%	-		
SG&A	1,863	2,008	2,052	2,710	2,074	2,190	2,232	-		
YoY	-	-	-	-	*11.3%*	*9.1%*	*8.8%*	-		
SG&A / Sales	19.2%	18.8%	16.1%	26.0%	20.5%	21.9%	20.2%	-		
OP	1,268	1,244	1,383	564	1,247	868	993	-	135.1%	2,300
YoY	-	-	-	-	*-1.7%*	*-30.2%*	*-28.2%*	-		*-48.4%*
OPM	13.1%	11.6%	10.8%	5.4%	12.3%	8.7%	9.0%	-		5.8%
RP	1,297	1,228	1,407	611	1,258	859	986	-	134.9%	2,300
YoY	-	-	-	-	*-3.0%*	*-30.0%*	*-29.9%*	-		*-49.4%*
RPM	13.4%	11.5%	11.0%	5.9%	12.5%	8.6%	8.9%	-		5.8%
NI	2,613	661	1,069	230	708	603	611	-	137.3%	1,400
YoY	-	-	-	-	*-72.9%*	*-8.8%*	*-42.8%*	-		*-69.4%*
NPM	26.9%	6.2%	8.4%	2.2%	7.0%	6.0%	5.5%	-		3.5%

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 February 6, 2013; please refer to the table above)

In cumulative Q3, sales were 31.1 billion yen (-6.1% YoY). The breakdown of sales by segment was as follows.

- Equipment sales: 18.0 billion yen (-9.7% YoY)
- Card sales: 4.3 billion yen (+3.2% YoY)
- System-usage fees: 8.5 billion yen (-2.2% YoY)
- Others: 344 million yen (-8.4% YoY)

Sales of Nippon Game Card's mainstay B∞LEX unit were robust. Pachinko hall operators increased desire to keep costs down, driving brisk sales of ball-counting systems while sales of pachislot token dispensing units were also firm on the back of the popularity of pachislot as players shifted to pachislot from pachinko. As a result, equipment and card sales were higher than initial estimates.

According to the company, it released a new pachislot token dispensing unit with token-counting function, B∞LEX MCα ("alpha"), in December 2012. This release expanded the company's product offerings, and the company intended to better prepare itself for expected demand growth for pachislot token-counting systems. The company added that it was seeing strong demand for B∞LEX MCα.

Equipment sales were 169,234 units (-12.9% YoY) for the cumulative Q3 period. The number of sales per unit type is below (figures in parentheses are cumulative Q3 FY03/12 results).

- Ball-counting systems: 59,828 (56,208)
- Token dispensing units: 66,619 (71,846)

- JOYCO units: 4,986 (11,508)
- Other units: 37,801 (54,768)

Since the first release, the company has sold about 450,000 B∞LEX pachinko card units (all types). Of these, about 200,000 units (roughly 43%) were ball-counting systems.

Industry-wide, there were about 3,000 halls using ball-counting systems as of the end of FY03/12. The company expects this figure to increase to the 8,000-10,000 level in the future, helped by the spread of low-price pachinko and halls' needs to cut costs. As of the end of Q3 FY03/13, there were 1,134 halls using the company's B∞LEX ball-counting systems.

As of the end of Q3 FY03/13, there were a total 4,974 halls using the company's products (5,006 as of the end of FY03/12), of which 4,277 were halls using Nippon Game Card's products (4,252 as of the end of FY03/12), and 697 were halls using JOYCO SYSTEMS' products (754 as of the end of FY03/12). There were 262 new customers (halls) for the period, or 21 more YoY, although 294 halls ended their contracts with the company, up six halls YoY, due to closures.

Operating profit was 3.1 billion yen (-20.2% YoY) mainly due to higher SG&A expenses (at 6.5 billion yen, +9.7% YoY) on the back of higher R&D costs, with the SG&A-to-sales ratio rising 3.0 percentage points YoY. Still, R&D costs were lower than initially expected due to some costs being pushed back to Q4. In fact, the lower operating profit YoY was better than the company's initial estimate.

Recurring profit was 3.1 billion yen (-21.1% YoY), and net income was 1.9 billion yen (-55.7% YoY). The significant YoY decline in net income was due to 1.9 billion yen negative goodwill (an extraordinary gain) booked in cumulative Q3 FY03/12 in connection with the merger between Nippon Game Card and JOYCO SYSTEMS.

The company revised its full-year FY03/13 forecasts on October 18, 2012. The company said that the cumulative Q3 FY03/13 results were largely in line with its revised forecasts, except for the pushback of some R&D costs. Cumulative Q3 operating profit and recurring profit were higher than the full-year estimates, but the company expects 1.8 billion yen in R&D costs for Q4 FY03/13. R&D costs for the cumulative Q3 period were 1.7 billion yen, and the company expects full-year R&D costs to be 3.5 billion yen.

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
24.1	64.3 mn yen	19.3	10.3	3.8

Source: Bloomberg

On **February 14, 2013**, GCA Savvian Group Corporation (GSG) released FY12/12 results.
(For original English-language release in PDF format, please click here.)

Quarterly Performance	FY12/11				FY12/12				FY12/12	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Revenue	7,165	1,740	2,532	3,513	2,401	2,169	3,260	2,983	100.0%	10,813
YoY	404.2%	-13.6%	-54.3%	-41.2%	-66.5%	24.7%	28.8%	-15.1%		-27.7%
Gross Profit	2,466	588	1,128	2,236	1,152	887	1,511	1,726		
YoY	616.9%	-29.2%	-17.1%	13.3%	-53.3%	50.9%	34.0%	-22.8%		
SG&A	634	455	456	648	417	451	548	1,114		
YoY	3.1%	-12.5%	-31.0%	-22.1%	-34.2%	-0.9%	20.2%	71.9%		
OP	1,832	133	672	1,588	734	436	964	612	100.0%	2,746
YoY	-	-57.2%	-3.9%	39.2%	-59.9%	227.8%	43.5%	-61.5%		-35.0%
RP	1,844	141	647	1,591	790	419	956	630	100.0%	2,795
YoY	-	-53.0%	-4.3%	43.9%	-57.2%	197.2%	47.8%	-60.4%		-33.8%
NI	370	-95	157	101	302	99	251	607	100.0%	1,259
YoY	-	-	406.5%	-73.8%	-18.4%	-	59.9%	501.0%		136.2%
(Fund Unconsolidated)										
Revenue	2,283	1,387	2,181	2,121	2,145	1,959	2,700	2,751	99.7%	9,586
YoY	80.2%	-17.0%	15.5%	-35.2%	-6.0%	41.2%	23.8%	29.7%		20.2%
OP	641	-200	331	207	488	240	464	396	103.5%	1,535
YoY	-	-	171.3%	-60.3%	-23.9%	-	40.2%	91.3%		56.8%
OPM	28.1%	-	15.2%	9.8%	22.8%	12.3%	17.2%	14.4%		16.0%
NI	358	-99	154	86	300	97	245		100.1%	1,247
YoY	-	-	516.0%	-77.2%	-16.2%	-	59.1%	604.7%		149.9%
NPM	15.7%	-	7.1%	4.1%	14.0%	5.0%	9.1%			13.0%

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.
FY12/12 estimates raised on February 4, 2013

FY12/12 Results (Announced on February 14, 2013; please refer to the table above)

Full-year revenue was 10.8 billion yen (-27.7% YoY), operating profit was 2.7 billion yen (-35.0% YoY), recurring profit was 2.8 billion yen (-33.8% YoY), and net income was 1.3 billion yen (+136.2% YoY).

By segment (before eliminations), the company's advisory business generated full-year revenue of 8.8 billion yen (+20.3% YoY); the asset-management business generated 749 million yen (+15.3% YoY); and the fund business generated 2.0 billion yen (-73.8% YoY).

Increased cross-border M&A activities and growing M&A activities in the IT technology sector (the company's U.S. arm's focus) meant advisory revenue expanding double-digit YoY.

Japan advisory revenue was 4.4 billion yen (+25.1% YoY). A key factor in the revenue rise was a greater number of deals YoY, especially large ones worth 100 million yen or more. GSG was ranked ninth in the Japanese M&A market in 2012 (number of deals basis; Thomson Reuters data). The U.S. advisory segment posted full-year revenue of 4.1 billion yen (+19.8% YoY). In fact, the U.S. revenue recovered to the level in 2008 when it was the highest ever.

Decreases in YoY revenue, operating profit, and recurring profit were due to subpar performance of preferred shares held by the investment business's limited partnerships. However, external investors hold 99% of these funds. Net income, a better measure of the underlying business, rose sharply YoY due to a rise in asset-management revenue.

Excluding the three funds (GSG has a 1% stake in each), full-year revenue was 9.6 billion yen (+19.9% YoY), operating profit was 1.6 billion yen (+62.2% YoY), recurring profit was 1.6 billion yen (+67.4% YoY), and net income was 1.2 billion yen (+150.1% YoY).

On **February 4, 2013**, the company raised its full-year FY12/12 forecasts.
(For original English-language release in PDF format, please click here.)

Full-Year FY12/12 Forecast Revisions

- Revenue: 10,813 million yen (previous forecast: 10,500 million yen)
- Operating profit: 2,746 million yen (2,550 million yen)
- Recurring profit: 2,795 million yen (2,564 million yen)
- Net income: 1,259 million yen (1,040 million yen)
- Per-share dividend: 3,000 yen (2,500 yen)

The company cited strong performance in its M&A advisory business as a main reason for the upward revisions. More specifically, the company raised its full-year revenue forecast on higher revenue from transactions closed within FY12/12 and higher hourly base fees. The upward revision to the net income projection was due to higher revenue projection, lower costs, and the reversal of deferred tax liabilities in connection with the merger of two Japanese subsidiaries. On the back of strong performance, the company raise its annual dividend forecast to 3,000 yen per share in line with its 30% consolidated payout ratio rule.

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
9.5	33.9 mn yen	8.0	7.0	0.8

Source: Bloomberg

On **February 18, 2013**, Grandy House announced a stock split and dividend forecast revisions.
(For original Japanese-language release of stock split in PDF format, please click here; for original release of dividend forecast revisions, please click here.)

The company's board decided to execute a stock split and revise dividend forecasts in a meeting held on February 18, 2013.

Stock Split

With March 31, 2013 as the record date and April 1, 2013 as the effective date, the company will execute a 1-to-3 stock split. With this, the company's outstanding shares will increase from the current 10,274,400 shares to 30,823,200 shares.

Dividend Forecast Revisions

The company raised the year-end dividend forecast by 4 yen to 24 yen per share. The company added that year-end dividend payouts will be based on the number of shares held prior to the stock split.

On **February 4, 2013**, the company released 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	7,532	7,643	6,609	7,572	8,143	8,084	8,040	-	74.9%	32,400
YoY	*21.4%*	*5.5%*	*-5.0%*	*10.9%*	*8.1%*	*5.8%*	*21.7%*	-		*10.4%*
GP	1,305	1,299	1,267	1,373	1,554	1,486	1,506	-		
YoY	*17.8%*	*-6.9%*	*-2.3%*	*18.3%*	*19.1%*	*14.4%*	*18.9%*	-		
GPM	17.3%	17.0%	19.2%	18.1%	19.1%	18.4%	18.7%	-		
SG&A	877	907	879	905	889	980	933	-		
YoY	*7.2%*	*0.4%*	*-0.1%*	*5.9%*	*1.5%*	*8.1%*	*6.1%*	-		
SG&A / Sales	11.6%	11.9%	13.3%	11.9%	10.9%	12.1%	11.6%	-		
OP	428	392	388	468	664	506	574	-	81.9%	2,130
YoY	*48.0%*	*-20.4%*	*-6.9%*	*52.8%*	*55.2%*	*29.1%*	*48.0%*	-		*27.1%*
OPM	5.7%	5.1%	5.9%	6.2%	8.2%	6.3%	7.1%	-		6.6%
RP	436	399	395	482	661	535	600	-	81.7%	2,200
YoY	*56.2%*	*-19.9%*	*-7.1%*	*56.3%*	*51.7%*	*34.2%*	*52.1%*	-		*28.6%*
RPM	5.8%	5.2%	6.0%	6.4%	8.1%	6.6%	7.5%	-		6.8%
NI	240	222	210	269	384	288	360	-	84.6%	1,220
YoY	*60.1%*	*-23.1%*	*-13.6%*	*131.2%*	*60.4%*	*29.7%*	*70.9%*	-		*29.6%*
NPM	3.2%	2.9%	3.2%	3.6%	4.7%	3.6%	4.5%	-		3.8%

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

Housing Starts (YoY)	FY03/12 Q1	FY03/12 Q2	FY03/12 Q3	FY03/12 Q4	FY03/12 Full Year	FY03/13 Q1	FY03/13 Q2	FY03/13 Q3	FY03/13 Q4	FY03/13 Full Year
Ibaraki, Tochigi, Gunma										
Condominiums	50.2%	-50.7%	206.4%	-	95.5%	-30.1%	64.7%	-27.2%	-	-
Detached Homes	-12.4%	1.4%	0.6%	5.8%	-1.1%	17.8%	11.8%	3.9%	-	-
Kanto Region										
Condominiums	74.6%	33.4%	-6.4%	4.4%	21.7%	-3.3%	-4.0%	15.6%	-	-
Detached Homes	8.7%	0.2%	0.0%	4.0%	3.1%	-10.2%	11.5%	7.9%	-	-

Source: Ministry of Land, Transport, Infrastructure and Tourism data processed by SR Inc.

Housing Starts	FY03/12 Q1	FY03/12 Q2	FY03/12 Q3	FY03/12 Q4	FY03/12 Full Year	FY03/13 Q1	FY03/13 Q2	FY03/13 Q3	FY03/13 Q4	FY03/13 Full Year
Ibaraki										
Condominiums	77	0	169	303	669	180	71	82	-	-
Detached Homes	330	400	348	446	1,524	402	439	420	-	-
(YoY)	-24.0%	-17.9%	-13.2%	5.2%	-12.7%	21.8%	9.7%	20.7%	-	-
Tochigi										
Condominiums	135	133	70	71	409	52	148	0	-	-
Detached Homes	354	385	449	398	1,586	406	496	495	-	-
(YoY)	-10.8%	17.4%	6.7%	-0.3%	2.7%	14.7%	28.8%	10.2%	-	-
Gunma										
Condominiums	0	0	95	0	95	0	0	161	-	-
Detached Homes	313	392	371	392	1,468	366	381	299	-	-
(YoY)	2.0%	13.3%	9.4%	13.6%	9.8%	16.9%	-2.8%	-19.4%	-	-

Source: Ministry of Land, Transport, Infrastructure and Tourism data processed by SR Inc.

Q3 FY03/13 Results (Announced on February 4, 2013; please refer to preceding tables.)

Cumulative Q3 sales were 24.3 billion yen (+11.4% YoY), operating profit was 1.7 billion yen (+44.4% YoY), recurring profit was 1.8 billion yen (+46.2% YoY), and net income was 1.0 billion yen (+53.5% YoY).

The gross profit margin was 18.7%, up 0.9 percentage point YoY. This was due to the company's efforts to reduce the inventory of newly built, unsold homes. In FY03/12, the company began strengthening inventory controls, particularly for long-term inventories. In FY03/13, the company further strengthened inventory controls by changing the definition of long-term inventory from "unsold homes that are six or more months old" to "those that are five or more months old." As of the end of Q3 FY03/13, the company almost cleared such inventories.

The operating profit margin was 7.2% (5.5% a year earlier) due to a lower SG&A-to-sales ratio YoY. SR Inc. estimates that the lower SG&A-to-sales ratio was due to sales growth on a high weight of fixed costs.

Although the company maintained its forecasts, the cumulative Q3 operating profit was 81.9% of its full-year estimate. The figure was high compared to those in past years (72.1% in cumulative Q3 FY03/12; 79.6% in cumulative Q3 FY03/11; 63.3% in cumulative Q3 FY03/10).

The performance for each segment was as follows:

- **Real Estate Sales**: Sales: 22.5 billion yen, +12.3% YoY; Segment profit: 1.6 billion yen, +57.0% YoY

In new home sales, the company was strengthening selling power and plot procurement operations while differentiating itself through unique homes based on its comprehensive capabilities. New home sales were up by 70 units YoY at 725 units. Segment profitability improved due to more stringent inventory controls for unsold homes and lower costs YoY.

Performance in each prefecture where the company operates appeared to be unchanged from Q2, i.e., strong in Tochigi, steady in Ibaraki, and weak in Gunma. The company commented that in

Gunma Prefecture it was pushing efforts to strengthen procurement and sales operations. As part of these efforts, the company plans to relocate Gunma Grangy House subsidiary's head office to Takasaki City in February 2013.

Also, as announced on January 28, 2013, the company established new Chiba Grandy House subsidiary in Kashiwa City, Chiba Prefecture, on February 1, 2013. Given its established business network in Tochigi, Ibaraki, and Gunma prefectures, relaxed lending stance at financial institutions, and higher number of employees capable of executing managerial duties, the company intends to expand in Chiba Prefecture, which provides a large market. Chiba Grandy House plans to begin operation in May 2013. SR Inc. notes that the new subsidiary will likely begin really contributing to the company's performance from 2H FY03/14 due to the eight months generally required from plot procurement to the start of home sales.

In home resales, despite difficulties in purchasing pre-owned homes via auctions due to the SME Financing Facilitation Act, the company separated its sales and procurement functions, and the resultant powerful procurement team led to improvements in the quality and volume of the pre-owned homes it sells, according to the company. As a result, home resales were up by 10 units YoY at 141 units. SR Inc. notes that home resales were actually behind schedule, given the company's target of 200 units for full-year FY03/13.

- **Pre-Cut Parts**: Sales: 1.6 billion yen, -0.0% YoY; Segment profit: 129 million yen, +117.0% YoY

Sales to customers in this segment fell YoY due to the company's efforts to prioritize other segment operations. However, gains in facility utilization led to significantly higher operating profit YoY.

- **Real Estate Leasing**: Sales: 262 million yen, +9.5% YoY; Segment profit: 158 million yen, -3.6% YoY

Higher sales YoY were due to the company using some of its real estate holdings for sale for leasing. Segment profit was slightly lower YoY.

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
50.2	15.5 mn yen	26.5	9.4	2.1

Source: Bloomberg

On **February 13, 2013**, Harmonic Drive Systems Inc. (HDSI) announced Q3 FY03/13 results.
(For original Japanese-only release in PDF format, please click here.)

On **the same day**, the company announced the establishment of a joint venture in South Korea.
(For original Japanese-only release in PDF format, please click here.)

In a meeting held on February 13, 2013, the company' board decided to establish a joint venture with South Korea-based SAMICK HDS Co., Ltd. The company said that the new joint venture would manufacture and sell reducers based on the planetary gear mechanism (planetary gear reducers).

SAMICK HDS is a distributor of HDSI products in South Korea. The company decided on the joint venture establishment because expanding planetary gear reducer sales in South Korea, where the market is likely to grow further, would require a wider product lineup at SAMICK HDS and quicker delivery capabilities.

SAMICK HDS plans to sell the joint venture-made reducers exclusively in South Korea. In China, Taiwan, and other Asian countries, HDSI and its Chinese sales subsidiaries plan to sell those reducers. The joint venture was expected to become an HDSI consolidated subsidiary.

Overview of New Consolidated Subsidiary
Company name: SAMICK ADM Co., Ltd.
Location: Daegu-gwangyeoksi, South Korea
Establishment: February 19, 2013 (plan)
Operation starts: April 2013 (plan)
Shareholders: HDSI, 51.0%; SAMICK HDS, 49.0%
Sales estimate: Approx. 1.5 billion yen (2015)

Quarterly New Orders (Parent)	FY03/12				FY03/13			
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Semiconductor Production Equipment	634	450	527	576	491	351	337	-
YoY	-13.9%	-28.6%	-15.1%	-27.7%	-22.6%	-22.0%	-36.1%	-
Flat Panel Displays	470	251	162	200	243	183	239	-
YoY	-11.7%	-42.3%	-62.5%	-63.5%	-48.3%	-27.1%	47.5%	-
Industrial Robot Applications	2,083	1,634	1,138	1,547	1,853	1,370	1,349	-
YoY	38.2%	-0.1%	-31.9%	-12.6%	-11.0%	-16.2%	18.5%	-
Gear Heads (for Electric Motor Makers)	408	316	277	326	335	225	239	-
YoY	-10.3%	-15.5%	3.4%	1.9%	-17.9%	-28.8%	-13.7%	-
Machine Tools	315	336	316	329	272	304	320	-
YoY	9.8%	28.2%	14.1%	-11.8%	-13.7%	-9.5%	1.3%	-
Oil-Drilling Equipment	118	202	40	233	354	180	132	-
YoY	-73.7%	-38.4%	-79.8%	68.8%	200.0%	-10.9%	230.0%	-
Others	1,224	1,060	989	1157	1181	1094	1145	-
YoY	-10.1%	-6.1%	-10.7%	-18.0%	-3.5%	3.2%	15.8%	-
Total	**5,255**	**4,252**	**3,452**	**4,371**	**4,732**	**3,707**	**3,763**	**-**
YoY	-1.4%	-11.4%	-24.6%	-18.5%	-10.0%	-12.8%	9.0%	-

Source: Company data processed by SR Inc.

Quarterly Sales (Parent) (Million Yen)	FY03/12 Q1	Q2	Q3	Q4	FY03/13 Q1	Q2	Q3	Q4
Semiconductor Production Equipment	667	580	467	585	544	417	325	-
YoY	2.9%	-15.0%	-29.7%	-14.2%	-18.4%	-28.1%	-30.4%	-
Flat Panel Displays	547	309	208	194	229	201	191	-
YoY	-12.8%	-24.6%	-54.2%	-62.6%	-58.1%	-35.0%	-8.2%	-
Industrial Robot Applications	1,844	1,969	1,429	1,351	1,687	1,700	1,220	-
YoY	40.8%	26.9%	-18.9%	-14.8%	-8.5%	-13.7%	-14.6%	-
Gear Heads (for Electric Motor Makers)	372	351	278	311	331	267	220	-
YoY	-12.9%	-15.4%	-21.9%	-9.6%	-11.0%	-23.9%	-20.9%	-
Machine Tools	339	352	306	337	311	277	334	-
YoY	41.8%	18.9%	16.8%	13.9%	-8.3%	-21.3%	9.2%	-
Oil-Drilling Equipment	110	131	168	185	243	232	282	-
YoY	-38.5%	-59.1%	-39.4%	-50.3%	120.9%	77.1%	67.9%	-
Others	1,245	1,232	1,027	1162	1095	1143	1187	-
YoY	8.6%	-3.5%	-8.7%	-4.6%	-12.0%	-7.2%	15.6%	-
Total	**5,128**	**4,927**	**3,886**	**4,127**	**4,442**	**4,237**	**3,761**	**-**
YoY	12.0%	-0.5%	-20.7%	-17.8%	-13.4%	-14.0%	-3.2%	-

Source: Company data processed by SR Inc.

Quarterly Performance (Million Yen)	FY03/12 Q1	Q2	Q3	Q4	FY03/13 Q1	Q2	Q3	Q4	FY03/13 % of FY	FY Est.
Sales	5,618	5,486	4,519	4,536	4,957	4,890	4,158	-	75.7%	18,500
YoY	*9.2%*	*-1.5%*	*-20.2%*	*-19.4%*	*-11.8%*	*-10.9%*	*-8.0%*	-		*-8.2%*
GP	2,420	2,363	1,731	1,783	2,119	2,070	1,665	-		
YoY	*1.6%*	*-7.2%*	*-31.5%*	*-27.9%*	*-12.5%*	*-12.4%*	*-3.8%*	-		
GPM	43.1%	43.1%	38.3%	39.3%	42.7%	42.3%	40.1%	-		
SG&A	1,019	993	972	979	976	996	1,037	-		
YoY	*6.9%*	*-0.9%*	*-7.2%*	*-9.3%*	*-4.3%*	*0.2%*	*6.7%*	-		
SG&A / Sales	18.1%	18.1%	21.5%	21.6%	19.7%	20.4%	24.9%	-		
OP	1,401	1,370	759	804	1,143	1,074	628	-	80.8%	3,520
YoY	*-2.0%*	*-11.3%*	*-48.8%*	*-42.3%*	*-18.4%*	*-21.6%*	*-17.2%*	-		*-18.8%*
OPM	24.9%	25.0%	16.8%	17.7%	23.1%	22.0%	15.1%	-		19.0%
RP	1,494	1,431	896	578	1,183	1,025	698	-	82.3%	3,530
YoY	*-2.6%*	*-9.5%*	*-41.8%*	*-55.8%*	*-20.8%*	*-28.3%*	*-22.1%*	-		*-19.7%*
RPM	26.6%	26.1%	19.8%	12.7%	23.9%	21.0%	16.8%	-		19.1%
NI	757	739	497	147	722	481	380	-	79.9%	1,980
YoY	*-10.0%*	*-0.3%*	*-42.1%*	*-71.2%*	*-4.6%*	*-34.9%*	*-23.6%*	-		*-7.5%*
NPM	13.5%	13.5%	11.0%	3.2%	14.6%	9.8%	9.1%	-		10.7%

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 February 13, 2013; please refer to tables above)

The company maintained its full-year FY03/13 forecasts.

In cumulative Q3, sales were 14.0 billion yen (-10.4% YoY). The company commented that business conditions were steady at the beginning of the period, but from summer 2012 demand declined due to a slowdown in the Chinese economy and resultant slower capex spending.

Looking at sales by end application, sales of HDSI product for industrial robots were firm until summer but decline from autumn due to capex cutbacks at electronics manufacturers. Sales of products for semiconductor production equipment also declined from summer. Demand for products for flat panel display-related applications remained weak—an unfavorable condition since FY03/12.

Sales by product group were as follows:

- Reducers sales (80.2% of total) were down 10.5% YoY at 11.2 billion yen
- Mechatronics sales (19.8% of total) were down 9.6% YoY at 2.8 billion yen

It appeared that investment in its Hotaka production facility (Nagano Prefecture) meant better productivity at the production lines. However, this failed to offset sales decline, resulting in operating profit of 2.8 billion yen (-19.4% YoY). Recurring profit for the period was 2.9 billion yen (-23.9% YoY) due to weak performance at two equity-method affiliates (i.e., a decline in equity in earnings of affiliates). Net income was 1.6 billion yen (-20.6% YoY).

Infomart Corp (2492)

B2B e-commerce platform operator looking to become industry standard for the food sector. Branching out overseas and into other industry sectors with its online B2B platforms.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
14.3	38.6 mn yen	28.1	8.3	4.9

Source: Bloomberg

On **February 14, 2013**, Infomart Corp. announced FY12/12 results.
(For original Japanese-language only announcement in PDF format, please click here.)

Quarterly Performance	FY12/11				FY12/12				FY12/12	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	780	810	846	888	876	918	966	1,024	100.3%	3,774
YoY	*8.3%*	*8.7%*	*10.1%*	*9.7%*	*12.3%*	*13.4%*	*14.2%*	*15.3%*		13.5%
GP	513	532	583	617	558	593	631	696	100.8%	2,459
YoY	*2.0%*	*6.5%*	*13.5%*	*11.6%*	*8.9%*	*11.5%*	*8.2%*	*12.7%*		9.5%
GPM	65.8%	65.7%	69.0%	69.5%	63.8%	64.6%	65.3%	67.9%		65.2%
SG&A	382	389	419	405	401	419	429	414	99.1%	1,678
YoY	*19.7%*	*11.2%*	*10.6%*	*-2.4%*	*5.2%*	*7.6%*	*2.4%*	*2.1%*		5.2%
SG&A / Sales	48.9%	48.1%	49.5%	45.6%	45.8%	45.6%	44.4%	40.4%		44.5%
OP	131	142	165	211	157	174	202	282	104.5%	780
YoY	*-28.7%*	*-4.4%*	*21.8%*	*53.7%*	*19.9%*	*22.4%*	*22.9%*	*33.0%*		20.0%
OPM	16.8%	17.6%	19.5%	23.8%	17.9%	19.0%	20.9%	27.5%		20.7%
RP	132	140	163	210	159	169	198	289	105.9%	770
YoY	*-28.3%*	*-6.0%*	*21.2%*	*52.7%*	*20.6%*	*21.2%*	*21.7%*	*36.9%*		19.3%
RPM	17.0%	17.3%	19.2%	23.7%	18.2%	18.4%	20.5%	28.2%		20.4%
NI	73	79	93	115	92	88	47	270	134.2%	370
YoY	*-33.0%*	*-6.1%*	*19.1%*	*40.7%*	*26.0%*	*12.3%*	*-49.8%*	*132.0%*		2.6%
NPM	9.3%	9.7%	11.0%	13.0%	10.5%	9.6%	4.8%	26.3%		9.8%

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

Quarterly Performance	FY12/11				FY12/12			
(Million Yen)	1Q	1-2Q	1-3Q	1-4Q	1Q	1-2Q	1-3Q	1-4Q
Sales	**780**	**1,589**	**2,435**	**3,323**	**875**	**1,794**	**2,760**	**3,784**
YoY	8.3%	8.5%	9.0%	9.2%	12.3%	12.9%	13.4%	13.9%
ASP Ordering System	487	992	1,519	2,071	548	1,121	1,720	2,352
YoY	10.8%	10.0%	10.4%	10.1%	12.7%	13.1%	13.3%	13.6%
ASP Food Standards Database	83	170	262	362	102	212	331	459
YoY	18.3%	16.4%	13.6%	14.0%	23.0%	25.3%	26.4%	26.7%
ASP Matching & Transaction System	181	358	530	700	161	322	489	661
YoY	-12.6%	-12.5%	-11.8%	-11.5%	-11.1%	-9.9%	-7.8%	-5.6%
ASP Sales Promotion & Ordering System	24	64	114	173	56	122	191	268
Cloud Service	4	8	13	20	7	16	26	41
Overseas	0	0	0	2	0	2	8	15
Operating Profit	**131**	**273**	**438**	**649**	**157**	**331**	**533**	**815**
YoY	-28.7%	-17.8%	-6.4%	7.2%	19.9%	21.2%	21.8%	25.5%
OPM	16.8%	17.2%	18.0%	19.5%	17.9%	18.5%	19.3%	21.5%
ASP Ordering System	230	469	748	1,043	277	564	862	1,193
YoY	8.9%	9.1%	13.7%	14.8%	20.4%	20.4%	15.3%	14.3%
OPM	47.3%	47.3%	49.2%	50.4%	50.5%	50.3%	50.1%	50.7%
ASP Food Standards Database	5	13	24	34	4	13	27	44
YoY	-53.0%	-41.4%	-38.9%	-36.3%	-22.0%	7.5%	15.2%	30.0%
OPM	6.0%	7.6%	9.2%	9.4%	3.9%	6.1%	8.2%	9.6%
ASP Matching & Transaction System	42	77	102	136	-2	-3	0	11
ASP Sales Promotion & Ordering System	-94	-169	-262	-337	-74	-146	-215	-259
Cloud Service	-26	-51	-77	-101	-23	-46	-67	-81
Overseas	-27	-66	-96	-127	-24	-51	-74	-92

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

FY12/12 Result vs Plan (Million Yen)	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Plan	Q4 Actual	Q4 Diff	FY Plan	FY Actual	FY Diff
Sales	875	918	966	1,014	1,024	10	3,774	3,784	10
ASP Ordering System	548	573	598	623	631	8	2,343	2,352	9
ASP Food Standards Database	102	109	119	127	127	0	458	459	1
ASP Matching & Transaction System	161	161	166	168	171	3	657	661	4
ASP Sales Promotion & Ordering System	56	65	69	75	76	1	266	268	2
Cloud Service	7	8	10	17	15	-2	43	41	-2
Overseas	0	2	5	11	7	-4	19	15	-4
Gross Profit	558	593	630	677	695	19	2,459	2,478	19
ASP Ordering System	426	450	467	488	500	12	1,832	1,844	12
ASP Food Standards Database	69	76	85	91	96	5	323	329	6
ASP Matching & Transaction System	71	68	72	78	81	3	289	292	3
ASP Sales Promotion & Ordering System	5	11	14	19	20	1	50	52	2
Cloud Service	-5	-4	-3	2	0	-2	-12	-13	-1
Overseas	-7	-6	-2	1	-1	-3	-14	-16	-2
Operating Profit	157	174	202	247	281	35	780	815	35
ASP Ordering System	277	286	297	327	331	4	1,189	1,193	4
ASP Food Standards Database	4	9	14	8	16	8	35	44	9
ASP Matching & Transaction System	-2	0	4	2	10	8	2	11	9
ASP Sales Promotion & Ordering System	-74	-71	-68	-58	-44	14	-273	-259	14
Cloud Service	-23	-22	-21	-13	-14	-1	-80	-81	-1
Overseas	-24	-26	-23	-17	-17	0	-91	-92	-1
Recurring Profit	159	169	198	244	288	45	770	815	45
Net Income	91	88	46	144	269	126	370	496	126

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

Total Clients	FY12/11 1Q	FY12/11 1-2Q	FY12/11 1-3Q	FY12/11 1-4Q	FY12/12 1Q	FY12/12 1-2Q	FY12/12 1-3Q	FY12/12 1-4Q
ASP Ordering System								
No. of Sellers	17,761	18,294	18,995	19,502	19,991	20,751	21,177	21,842
No. of Buyers	812	846	874	906	951	999	1,044	1,082
Total Users	18,573	19,140	19,869	20,408	20,942	21,750	22,221	22,924
YoY Growth	2,106	2,141	2,447	2,307	2,369	2,610	2,352	2,516
Transaction Value (100 mn yen)	1,359	2,828	4,427	6,163	1,605	3,311	5,125	7,126
YoY	6.7%	7.8%	9.1%	9.7%	18.1%	17.1%	15.8%	15.6%
ASP Food Standards Database								
No. of Sellers	3,465	3,572	3,831	4,011	4,172	4,332	4,574	4,668
No. of Buyers	178	214	266	304	324	334	357	381
Total Users	3,643	3,786	4,097	4,315	4,496	4,666	4,931	5,049
YoY	307	316	566	669	853	880	834	734
ASP Matching & Transaction System								
No. of Sellers	1,997	1,953	1,938	1,899	1,892	1,926	2,002	2,024
No. of Buyers	2,873	3,098	3,371	3,654	4,157	4,805	5,926	6,540
Total Users	4,870	5,051	5,309	5,553	6,049	6,731	7,928	8,564
YoY	143	459	771	937	1,179	1,680	2,619	3,011
ASP Sales Promotion & Ordering System								
No. of Wholesalers (Sellers)	98	121	131	132	139	144	149	150
No. of Stores/Restaurants (Buyers)	5,188	9,429	12,936	12,384	13,771	15,341	17,623	17,946
Transaction Value (100 mn yen)	20.1	55.9	112.1	175.5	55.9	122.9	199.9	286.5
Total Clients								
No. of Sellers	20,027	20,537	21,348	21,938	22,466	23,358	24,031	24,775
No. of Buyers	2,955	3,191	3,495	3,797	4,313	4,959	6,085	6,704
Total Users	22,982	23,728	24,843	25,735	26,779	28,317	30,116	31,479
YoY	2,303	2,610	3,313	3,411	3,797	4,589	5,273	5,744

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

Seasonality: Infomart's core business is Business-to-business e-commerce (B2B e-commerce) for the food industry. Transaction volumes tend to be high in Q4 (particularly, December). Due to this seasonality the bulk of the company's earnings are generated in 2H of its financial year.

FY12/12 Results (Announced on February 14, 2013; please refer to preceding tables)

The Japanese B-to-B e-commerce (EC) market steadily expanded in 2012. Online B-to-B transactions totaled 171 trillion yen (+1.7% YoY), and EC transactions accounted for 16.1% of all B-to-B transactions (+0.5 percentage points YoY), according to Japan's Ministry of Economy, Trade and Industry.

A steady increase in client numbers for ASP Ordering System and ASP Food Standards Database and the expanded use of ASP Sales Promotion & Ordering System meant higher system usage fees. Consequently, full-year sales were 3.8 billion yen (+13.9% YoY). In line with its mid-term management plan, accelerated depreciation schedules for existing systems meant cost-of-goods-sold (COGS) rising 21.2% YoY to 1.3 billion yen. SG&A expenses were up 4.2% YoY at 1.7 billion yen due to higher personnel expenses from new hiring (particularly new graduates) aimed at future business growth and strengthening workforce. Higher sales offset all these cost increases, and operating profit and recurring profit were up 25.6% and 26.4% YoY, respectively, at 815 million yen and 815 million yen. Net income increased 2.2% YoY to 496 million yen due to 114 million yen in extraordinary losses (mainly impairment loss on goodwill, intangible, and other assets at subsidiary Infomart International Ltd.).

Versus company estimates revised on October 31, 2012, full-year sales were 10 million yen higher; recurring profit 45 million yen higher; and net income 126 million yen higher. The better-than-expected recurring profit was due to better-than-expected sales and cancellations of certain COGS and SG&A expenses. The better-than-expected net income was due to better-than-expected recurring profit and lower-than-expected income taxes in connection with changes in tax calculations related to extraordinary losses.

Steady increase of companies using the ASP Ordering System, coupled with campaigns targeting new buyers of ASP Matching & Transaction System, resulted in 31,479 companies using the company's systems, up 5,744 companies from the end of FY12/11.

The company explained the robust performance of ASP Ordering System was due to: (1) increased referrals from Alliance Partners (sellers and systems companies); (2) an increase in new customers (largely restaurant chains) acquired in western Japan in addition to existing customers in Tokyo, Nagoya and Osaka; and (3) expanding user base including operators of hotels, ryokan (Japanese-style inns), and catering services. According to the company, referrals from Alliance Partners accounted for about 40% of all new clients. This figures appeared to be rising each year as the company increased its market recognition and built track record in service offerings.

In FY12/12, system transaction volume on ASP Ordering System and ASP Sales Promotion & Ordering System was 739.4 billion yen (+16.7% YoY), probably exceeding a 10% share of the total ingredient procurement value in the restaurant industry (see note below). The company was seeing the 10% mark as the pivotal point where its market share would begin expanding more rapidly. SR Inc. believes that the next-generation B2B Platform will also contribute to a higher market share going forward. As of the end of FY12/12, the number of buyers using ASP Ordering System was 1,082, and the company commented that the figure could grow to the 3,000 level.

> Note: 2011 restaurant industry was 23.0 trillion yen (source: Foodservice Industry Research Institute). Assuming total ingredient procurement was 30% of the industry scale, the company's target market would be 6.9 trillion yen. The company's FY12/12 FOODS Info Mart system transaction volume was 739.4 billion yen, which equals the 10.7% share.

Sales of ASP Food Standards Database were steady as wholesalers and makers increased use as internal management systems.

Sales of ASP Matching & Transaction System showed signs of bottoming out. The number of sellers bottomed out in Q1 FY12/12 and has trended upward on an increase in sellers using the system and a decline in cancellations, both due to seminars. On the other hand, the number of new buyers using the system was increasing rapidly due to a promotional campaign offering the first year of use for free since FY12/11. The company intends to stimulate transactions using the optional Account Settlement System.

ASP Sales Promotion & Ordering System sales were off versus initial estimate. This system allows wholesalers to conduct sales and take orders from non-chain, small restaurants and retailers online. As of the end of FY12/12, the number of wholesalers using the system to take orders was 150. These 150 wholesalers collectively served roughly 350,000 restaurants and retailers. Of these, 38,000 restaurants and retailers were registered under the ASP Sales Promotion & Ordering System used by the wholesalers. 17,946 of these restaurants and retailers had actually placed orders via the system. Based on these figures, it can be said that future performance boost now depends on when the wholesalers themselves get used to the system and encourage the restaurants and retailers to order via the system or when the restaurants and retailers that have not placed orders via the system start using the system. Though difficult to know these whens, like the ASP Ordering System, the company was seeing strong potential that the number of ASP Sales Promotion & Ordering System users could suddenly increase.

Cloud Service sales were below initial estimate. The company began new services from July 2012, such as menu (recipe) development services. The company appeared to have high hopes for these new services contributing to its performance from FY12/13. In fact, Q4 FY12/12 saw a rapid increase of makers to 100 users. SR Inc. believes that the company's ongoing efforts have begun showing tangible outcome.

Overseas business stumbled in FY12/12. Group companies in Beijing and Shanghai were strengthening sales activities and encouraging clients in China to begin using the company's systems. The number of clients (mainly restaurant chains) using the company's systems to make orders was 465 with monthly system transaction volume totaling 7,878 thousand yuan (107 million yen). SR Inc. understands that the company is trying as many business options as possible amid heightening tension between Japan and China.

Topics

- **ASP Menu Management System Launched**

The company launched this new service on January 17, 2013 for restaurant operators. The ASP Menu Management system enables the central management of such information as costs, food allergy, and cooking processes while allowing for the sharing of such information within restaurant chains. According to the company, the system can automatically calculate menu's costs, cost-to-sales ratios, and allergy data for greater operational efficiency. In addition, the system supports flexible operations due to its staged authorization capability for each process, such as menu creation, viewing, and editing.

The ASP Menu Management System can link up with ASP Ordering System and ASP Food Standards Database. For example, in calculating cost-to-sales ratios, the system can retrieve purchasing and inventory data from ASP Ordering System, eliminating data input processes and enabling accurate calculations. Also, to retrieve data on food allergy and countries of origin, the system links up with ASP Food Standards Database, saving users' time and enabling accurate calculations.

For ASP Menu Management System, contracts are monthly, and initial system introduction costs 300,000 yen. Monthly system usage fees are 10,000 yen per ID at a headquarter, and 500 yen per ID at a restaurant (both prices without tax).

Intelligent Wave Inc (4847)

Software company strong in credit card front-end processing. Information security a next growth driver? Significant relationship with DNP.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
5.9	6.7 mn yen	N/A	N/A	1.5

Source: Bloomberg

On **February 6, 2013**, Intelligent Wave released Q2 FY06/13 results.
(For original PDF announcement in Japanese-language only, please click here.)

	FY06/12				FY06/13				FY06/13	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	1,094	1,434	1,337	1,376	911	1,766	-	-	46.1%	5,800
YoY	*56.7%*	*4.6%*	*0.4%*	*1.2%*	*-16.8%*	*23.1%*	-	-		*10.6%*
GP	275	399	364	336	-314	62	-	-		
YoY	*81.9%*	*-13.4%*	*-21.8%*	*-40.4%*	-	*-84.4%*	-	-		
GPM	25.2%	27.8%	27.2%	24.4%	-	-	-	-		
SG&A	333	312	294	304	300	283	-	-		
YoY	*2.9%*	*-11.0%*	*-7.1%*	*-7.9%*	*-10.2%*	*-9.1%*	-	-		
SG&A / Sales	30.5%	21.7%	22.0%	22.1%	-	-	-	-		
OP	-58	87	70	33	-613	-221	-	-	-	-550
YoY	-	*-21.1%*	*-53.0%*	*-86.1%*	-	-	-	-		*52.7%*
OPM	-	6.1%	5.2%	2.4%	-	-	-	-		-9.5%
RP	-56	90	69	52	-617	-215	-	-	-	-530
YoY	-	*-21.2%*	*-52.5%*	*-79.8%*	-	-	-	-		*42.9%*
RPM	-	6.3%	5.1%	3.8%	-	-	-	-		-9.1%
NI	-39	214	53	42	-385	-450	-	-	-	-530
YoY	-	*198.6%*	*-37.3%*	*-62.4%*	-	-	-	-		*-48.1%*
NPM	-	14.9%	4.0%	3.1%	-	-	-	-		-9.1%

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

New Orders by Segment	FY06/12				FY06/13			
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Retail Banking Online Systems	456	435	515	1,351	747	713		
YoY	-40.7%	-6.4%	-15.4%	60.0%	63.9%	64.0%		
System Solutions	677	288	436	954	428	459		
YoY	143.5%	43.8%	23.9%	15.5%	-36.8%	59.4%		
Security Systems	80	67	190	175	91	73		
YoY	-1.6%	-12.3%	31.2%	-17.9%	13.1%	8.2%		
Other	5	30	73	29	20	42		
YoY	-	-	-	-	310.8%	39.2%		

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

Order Backlog Trend	FY06/12				FY06/13			
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Retail Banking Online Systems	884	752	666	1,385	1,795	1,461		
YoY	-36.9%	-22.8%	-7.2%	49.8%	103.1%	94.3%		
System Solutions	1,013	530	452	913	877	727		
YoY	42.9%	2.8%	-11.4%	6.8%	-13.5%	37.2%		
Security Systems	58	50	94	42	50	37		
YoY	3.5%	8.4%	16.6%	-18.7%	-13.0%	-26.3%		
Other	-	11	6	11	6	26		
YoY	-	-	-	-	-	142.9%		

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

Q2 (1H) FY06/13 Results (Announced on February 6, 2013; please refer to the tables above)

The company has already revised its 1H and full-year FY06/13 forecasts.

In this 1H, sales were 2.7 billion yen (+5.8% YoY), operating loss was 834 million yen (29 million yen profit in 1H FY06/12), recurring loss was 831 million yen (33 million yen profit in 1H FY06/12), and net loss was 835 million yen (175 million yen income in 1H FY06/12).

In FY06/12, the company received an order for a large project in a new operational area, and it was accordingly advancing development work to expand its business domains and sales. However, the project became unprofitable in Q1 FY06/13 when the company booked costs larger than the order value. This led to a surge in development costs, and the company consequently recorded operating loss in the Q1.

In this 1H, the system in question began operating, but the system later experienced failure. Related corrective work increased development costs. In addition, the company provided some allowance for expected extra development costs, resulting in operating loss for the 1H. According to the company, the total effect of the unprofitable project was about 890 million yen (750 million yen losses from the project; 141 million yen provisions to cost increase allowance), which weighed on the operating line in the Retail Banking Online Systems segment.

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

- **Retail Banking Online Systems**: Sales of 1.4 billion yen (+30.2% YoY); Operating loss of 669 million yen (155 million yen profit in 1H FY06/12)

Segment sales were significantly higher YoY due to system development projects for credit card companies and online banking firms and to system maintenance and hardware sales. As discussed above, a large, unprofitable project meant segment operating loss.

In the credit card industry (the company's main business area), previously frozen capex spending (e.g., system renewal and hardware replacement projects) showed recovery due to improving performance industry-wide. Consequently, the company was seeing growing demand for system development projects (for functionality enhancements, etc.) using its products.

The company pointed out that on top of its NET+1 solution it would accelerate activities in new fields (e.g., point card system development). These activities are actually related to the DNP Mobile Wallet Service, which is discussed later in the System Solutions section (see Full-Year Outlook for details).

- **Systems Solutions**: Sales of 1.1 billion yen (-16.8% YoY); Operating loss of 39 million yen (97 million yen profit in 1H FY06/12)

The company mainly undertook system development projects for its main customers (i.e., credit card companies and securities brokerage firms).

In the credit card and other businesses, the company has been working to penetrate overseas markets with the ACE Plus credit card fraud detection system in recent years. The company has won an order for this system and begun introduction processes in Indonesia. Going forward, the company appeared to be planning to have multiple business bases in Southeast Asia.

The company aims for full-year sales of 1.2 billion yen on the synergy of working with Dai Nippon Printing Co. (DNP; TSE1: 7912). One of the core strategies here is the company's involvement in the DNP Mobile Wallet Service and related application development. In January 2013, DNP began Japan's first verification tests on a mobile wallet platform jointly with JCB Co., Ltd.

The securities and brokerage firm-related business was seeing better market conditions and better performance at securities and brokerage firms. However, according to the company, it has yet to see growth in demand from these firms.

- **Security Systems**: Sales of 169 million yen (+12.8% YoY); Operating loss of 53 million yen

(127 million yen loss in 1H FY06/12)

CWAT information security software platform sales and maintenance services as well as security system sales led to the above segment results.

A core issue in this segment is to win new clients, according to the company. Previously, the company has pushed efforts to lower the segment's break-even point and has seen tangible outcome from these efforts. Accordingly, the company intends to expand segment sales going forward. To this end, the company exhibited its CWAT platform with additional PC data management functions at the Information Security EXPO in October 2012 while strengthening CWAT sales activities targeting potential clients. In spring 2013, the company plans to release VeTracer (a virtual-desktop operational log management tool).

- **Others**: Sales of 47 million yen (+95.6% YoY); Operating loss of 72 million yen (96 million yen loss in 1H FY06/12)

The above results were mainly due to sales of CxSuite. Developed by Israel-based CheckMarx.com Ltd., CxSuite is a package product to detect source code vulnerability of various business applications.

In addition, the company began full-scale sales activities for FACE Concierge, a system tool to improve the information search function on corporate websites and mobile websites and increase these websites' added value through accurate user navigation. The company added that it received an order for FACE Concierge from one client.

On **February 1, 2013**, the company revised its 1H and full-year FY06/13 forecasts.
(For original PDF announcement in Japanese-language only, please click here.)

1H FY06/13 Forecast Revisions

- Sales: 2,676 million yen (previous forecast: 2,680 million yen)
- Operating loss: 834 million yen (600 million yen)
- Recurring loss: 831 million yen (600 million yen)
- Net loss: 834 million yen (370 million yen)

Full-Year FY06/13 Forecast Revisions

- Sales: 5,800 million yen (previous forecast: 5,500 million yen)
- Operating loss: 550 million yen (200 million yen profit)
- Recurring loss: 530 million yen (220 million yen profit)
- Net loss: 530 million yen (140 million yen income)

The company cited the following reasons for the downward revisions:

- The company was undertaking a large-scale development project for both mainstay front-end systems and back-end systems (new area) related to credit card online settlement.
- For this project, the company booked higher costs than the order amounts in Q1, and the project became unprofitable with development costs ballooning. This resulted in operating loss in Q1.
- In 1H, the system in question began operating. However, system failure led to additional costs for fixing it. This resulted in substantially higher-than-expected development costs and, consequently, the downward revisions.

The company raised its full-year sales forecast on the back of increasing demand for system updates, hardware replacement, and system development to meet ever-diversifying settlement methods from credit card companies (main customers for the company).

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
178.0	457.2 mn yen	24.8	6.9	2.2

Source: Bloomberg

Ito En announce announced monthly sales data for January on **February 7** and for February 2013 on **March 7, 2013.**

(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%	6.1%	1.9%	-	-	6.1%
Leaf	-3.5%	-1.7%	-3.5%	1.9%	1.9%	-0.4%	6.3%	2.4%	-1.9%	-2.3%	-	-	-1.6%
Beverage	5.0%	-0.4%	4.4%	17.9%	7.9%	12.0%	7.7%	0.9%	7.2%	2.4%	-	-	7.2%
Breakdown by Beverage Category													
Japanese Tea Beverages	-5.9%	-6.9%	-1.2%	12.1%	2.6%	2.2%	4.2%	-2.2%	-1.3%	-1.8%	-	-	0.5%
Chinese Tea Beverages	28.0%	24.2%	7.1%	4.7%	0.5%	22.1%	24.5%	-1.9%	14.6%	11.0%	-	-	13.5%
Vegetable Beverages	30.3%	14.6%	16.5%	23.4%	15.5%	25.9%	18.6%	14.5%	30.6%	9.5%	-	-	22.2%
Fruit Beverages	47.8%	20.6%	-19.8%	17.2%	-6.7%	30.5%	0.1%	-4.2%	6.3%	1.1%	-	-	1.1%
Coffee Beverages	-4.9%	10.7%	37.3%	46.6%	30.1%	10.9%	27.6%	23.2%	30.8%	27.1%	-	-	22.5%
Black Tea Beverages	26.3%	-9.5%	-11.9%	22.1%	1.2%	16.0%	4.0%	-18.0%	-21.6%	-34.1%	-	-	-4.5%
Functional Beverages	30.8%	-3.9%	-17.4%	0.5%	-3.5%	1.6%	-11.8%	0.2%	20.6%	24.2%	-	-	0.3%
Mineral Water	5.6%	-9.0%	-6.5%	5.9%	12.7%	20.9%	1.4%	-1.5%	12.8%	8.2%	-	-	4.1%

Source: Company data processed by SR Inc.

Japan Best Rescue System Co Ltd (2453)

The only listed provider of handyman services. Strong growth, healthy balance sheet. Operates nationwide.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
5.8	5.1 mn yen	20.9	5.0	1.9

Source: Bloomberg

On **February 20, 2013**, JBR announced that it would underwrite new shares issued through a third-party allotment by Binos Corporation and make Binos Corp. a subsidiary.
(For original Japanese-language only release in PDF format, please click here.)

The company's board made the decisions in a meeting held on the same day.

- **Reasons for Share Purchases**

JBR intends to enter the environmental maintenance business in a bid to help accelerate reconstruction efforts post the Great East Japan Earthquake. To this end, the company will use Binos Corp.'s expertise. Also, the company appeared to expect some group synergy after this acquisition because JBR Leasing (a subsidiary) will be making arrangements for necessary vehicles, etc.

- **Overview of Binos Corp.**

Binos Corps. is a bioventure originated in Tsukuba University. Using "binos," the new microalgae that it has discovered, Binos Corp. processes wastewater, waste chemical agents, and radioactive substances, as well as conducts related decontamination work.

According to JBR, the "binos" microalgae effectively captures radioactive substances and consequently reduce radioactive waste generation after decontamination work. JBR added that the microalgae has been successfully used in the treatment of wastewater containing radioactive matters.

In FY12/12, Binos Corp. had sales of 150 million yen, operating loss of 91 million yen, recurring loss of 95 million yen, and net loss of 83 million yen. As of the end of FY12/12, its total assets were 280 million yen, and negative net worth was 93 million yen.

JBR expected to acquire Binos Corp. on February 27, 2013 for the total acquisition costs of 350 million yen. Post the acquisition, JBR plans to hold 58.6% of Binos Corp.

On **February 13, 2013**, the company released Q1 FY09/13 results: click here to go direct to the Q1 FY09/13 results section.
(For original Japanese-language only release in PDF format, please click here.)

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
124.7	1,118.4 mn yen	101.7	36.3	14.3

Source: Bloomberg

On **February 27, 2013**, JIN president Hitoshi Tanaka gave an interview to Bloomberg. The summery translation is below:

JIN was initially targeting sales of 100 billion yen in FY08/20. Tanaka said that the company may achieve the sales target two years ahead of the original schedule, in FY08/18 due to the expansion of its store network both in Japan and overseas. The store count in Japan was 177 as of the end of January 2013, and JIN wants to increase the count to 500 by the end of FY08/18 mainly by opening new stores in shopping centers. In China, the company intends to grow the store network tenfold to 100 over the medium term.

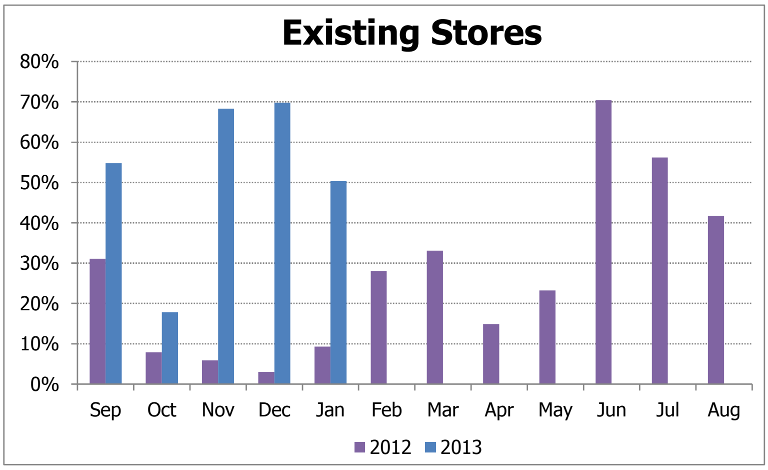
Tanaka said, "We are increasingly being asked open new stores in China and are seeing steady growth in comparable store sales there," adding that he is confident about meeting the sales target earlier. In China, the company aims to expand business with eyewear for PC users as a core product. JIN wants to enter the U.S. market as well as German and other European markets. In fact, the company plans to open its first U.S. store within the next three to five years. Tanaka said, "The U.S. has population of 300 million people, three times bigger than Japan's. Also, the size of personal assets is huge, and the country provides a wider variety of consumers, from the mass market to the affluent." By entering the U.S. and Europe, the company intends to grow bigger.

On **February 5, 2013**, the company announced monthly sales data for January 2013.
(For original PDF announcement in Japanese-language only, please click here.)

Monthly Trends (JINS)

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.

Kenedix, Inc. (4321)

Japan's largest, independent real estate fund manager. After rightsizing its balance sheet, now aiming to grow assets under management.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
66.4	7,126.4 mn yen	N/A	33.9	1.3

Source: Bloomberg

On **February 14, 2013**, Kenedix, Inc. (Kenedix) released FY12/12 results.
(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.
Revenue	4,980	4,744	5,062	4,700	4,719	5,167	3,745	7,326	100.3%	20,900
YoY	-4.1%	-73.6%	6.5%	-55.9%	-5.2%	8.9%	-26.0%	55.9%		7.3%
GP	2,405	2,761	2,873	2,570	2,290	3,074	2,371	1,666		
YoY	-5.8%	-43.5%	13.0%	79.5%	-4.8%	11.3%	-17.5%	-35.2%		
GPM	48.3%	58.2%	56.8%	54.7%	48.5%	59.5%	63.3%	22.7%		
SG&A	853	785	738	1,302	879	828	809	1,047		
YoY	-23.6%	-12.1%	-10.5%	4.6%	3.0%	5.5%	9.6%	-19.6%		
SG&A / Sales	17.1%	16.5%	14.6%	27.7%	18.6%	16.0%	21.6%	14.3%		
OP	1,552	1,975	2,136	1,268	1,411	2,245	1,563	618	102.4%	5,700
YoY	8.2%	-50.5%	24.3%	574.5%	-9.1%	13.7%	-26.8%	-51.3%		-17.8%
OPM	31.2%	41.6%	42.2%	27.0%	29.9%	43.4%	41.7%	8.4%		27.3%
RP	640	953	476	395	589	1,082	506	151	105.8%	2,200
YoY	1107.5%	-66.7%	8.7%	-	-8.0%	13.5%	6.3%	-61.8%		-10.7%
RPM	12.9%	20.1%	9.4%	8.4%	12.5%	20.9%	13.5%	2.1%		10.5%
NI	-105	767	390	261	-607	-554	-5,478	-3,489	-	-10,200
YoY	-	555.6%	2900.0%	-	-	-	-	-		-
NPM	-	16.2%	7.7%	5.6%	-	-	-	-		-

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

FY12/12 Results (Announced on February 14, 2013; please refer to the table above)

Full-year revenue was 21.0 billion yen (+7.5% YoY), operating profit was 5.8 billion yen (-15.8% YoY), recurring profit was 2.3 billion yen (-5.5% YoY), and net loss was 10.1 billion yen (1.3 billion yen income in FY12/11).

Kenedix listed Kenedix Residential Investment Corporation (TSE J-REIT: 3278), the first in the J-REIT market in the past four and a half years. Also, Kenedix added to its assets under management (AUM) an office building (former Shinsei Bank headquarters building) in Chiyoda Ward, Tokyo, the largest single property under management throughout its history. AUM grew also on additional properties under development in the logistics sector, where demand for facilities is rising due to a shift in the Japanese retailing structure. Such AUM increases were offset by the sale of properties (either by Kenedix or private funds) and the end of reorganization support for Pacific Holdings Inc. As a result, AUM totaled 1.12 trillion yen as of the end of FY12/12, up only 6.3 billion yen, or 0.6%, YoY.

Kenedix booked a 3.8 billion yen subsidiary/affiliate liquidation loss in connection with the sale of silent partnership investments (made to a consolidated subsidiary), 3.2 billion yen impairment losses on properties held in principal accounts, and 2.6 billion yen investment security write-downs related to certain property-backed bonds. These charges pushed the overall extraordinary losses to 12.4 billion yen.

As said above, Kenedix was downsizing its balance sheet. Consequently, its total assets decreased 64.2 billion yen YoY to 126.3 billion yen. Interest-bearing debt shrank 46.1 billion yen YoY to 63.6 billion yen; non-recourse loan balance shrank 38.8 billion yen YoY to 21.6 billion yen. Despite the full-year net loss, the equity ratio improved from 32.0% as the end of FY12/11 to 40.2%.

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
18.5	77.8 mn yen	7.2	3.7	1.2

Source: Bloomberg

On **February 1, 2013**, Lasertec Corp. (Lasertec) released Q2 FY06/13 results.
(For original Japanese-language release in PDF format, please click here.)

Quarterly Performance	FY06/12				FY06/13				FY06/13	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	1,508	3,390	2,939	4,501	3,678	2,889	-	-	59.7%	11,000
YoY	*111.3%*	*-2.8%*	*-21.3%*	*-5.9%*	*144.0%*	*-14.8%*	-	-		-13.5%
GP	787	1,590	1,600	2,573	1,889	1,520	-	-		
YoY	*928.3%*	*2.9%*	*-11.1%*	*25.3%*	*140.1%*	*-4.4%*	-	-		
GPM	52.2%	46.9%	54.5%	57.2%	51.4%	52.6%	-	-		
SG&A	850	793	915	904	839	762	-	-		
YoY	*23.8%*	*15.1%*	*11.7%*	*7.7%*	*-1.2%*	*-3.9%*	-	-		
SG&A / Sales	56.4%	23.4%	31.1%	20.1%	22.8%	26.4%	-	-		
OP	-63	797	685	1,669	1,050	758	-	-	90.4%	2,000
YoY	-	*-6.9%*	*-30.2%*	*37.5%*	-	*-4.9%*	-	-		-18.1%
OPM	-	23.5%	23.3%	37.1%	28.5%	26.2%	-	-		18.2%
RP	-147	784	680	1,658	1,014	938	-	-	90.8%	2,150
YoY	-	*-4.8%*	*-29.7%*	*39.7%*	-	*19.7%*	-	-		-6.4%
RPM	-	23.1%	23.1%	36.8%	27.6%	32.5%	-	-		19.5%
NI	-81	505	392	982	646	595	-	-	88.7%	1,400
YoY	-	*-0.5%*	*-41.5%*	*26.7%*	-	*17.8%*	-	-		-7.7%
NPM	-	14.9%	13.3%	21.8%	17.6%	20.6%	-	-		12.7%

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

Quarterly Performance by Product/Service	FY06/12				FY06/13			
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Orders								
Semiconductor Related Systems	1,052	7,753	1,598	1,961	1,681	1,383	-	-
YoY	23.5%	134.8%	-33.1%	7.6%	59.8%	-82.2%	-	-
FPD Related Systems	19	81	19	25	111	95	-	-
YoY	-98.1%	-89.8%	-89.5%	-80.2%	472.3%	16.7%	-	-
Confocal Scanning Laser Microscopes	133	290	152	149	75	136	-	-
YoY	110.5%	28.9%	8.6%	91.8%	-44.1%	-53.3%	-	-
Order Backlog								
Semiconductor Related Systems	3,099	8,227	8,255	6,686	5,136	4,201	-	-
YoY	54.2%	138.3%	98.0%	113.9%	65.7%	-48.9%	-	-
FPD Related Systems	1,366	1,143	381	24	120	98	-	-
YoY	-70.9%	-73.2%	-86.5%	-98.4%	-91.3%	-91.4%	-	-
Confocal Scanning Laser Microscopes	140	276	231	130	142	199	-	-
YoY	148.1%	46.7%	19.1%	-4.9%	1.2%	-28.1%	-	-
Sales								
Semiconductor Related Systems	1,078	2,625	1,570	3,530	3,231	2,319	-	-
YoY	3033.3%	41.2%	-6.0%	23.1%	199.7%	-11.7%	-	-
FPD Related Systems	96	304	781	382	16	116	-	-
YoY	-76.0%	-75.2%	-51.9%	-74.5%	-83.7%	-61.7%	-	-
Confocal Scanning Laser Microscopes	129	154	197	250	62	79	-	-
YoY	677.4%	65.1%	46.8%	85.2%	-51.9%	-48.8%	-	-

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

Q2 (1H) FY06/13 Results (Announced on February 1, 2013; please refer to the preceding table)

The company revised its forecasts on January 25, 2013.

In this 1H, sales were 6.6 billion yen (+34.1% YoY), operating profit was 1.8 billion yen (+146.2% YoY), recurring profit was 2.0 billion yen (+206.9% YoY), and net income was 1.2 billion yen (+192.3% YoY).

The semiconductor industry, where Lasertec mainly operates, enjoyed strong sales of advanced logic devices for smartphones and tablets at the beginning of the period. However, toward the end of 2012, sales were stagnant with large manufacturers postponing their capex spending. In the flat panel display (FPD) industry, sales remained weak for large panels, and somewhat strong demand for medium- and small-sized high-definition panels did not lead to the acceleration of capex spending. In the energy and environmental sectors, oversupply of photovoltaic (PV) cells meant slow investment for related manufacturing facilities. In contrast, the market of manufacturing equipment for silicon carbide (SiC)- and gallium nitride (GaN)-based power devices gradually expanded, according to Lasertec.

The 1H sales and operating profit were significantly higher YoY, helped by order backlog from FY06/12. Orders in the 1H were, however, substantially lower YoY due to weak market conditions. Lasertec's lead-time for photomask inspection systems is about six months. In response to a sudden decrease in orders, the company lowered its full-year FY06/13 forecasts on January 25, 2013.

By product category, for this 1H, Semiconductor Related Systems sales were 5.5 billion yen (+49.8% YoY), FPD Related Systems sales were 132 million yen (-67.0% YoY), and Confocal Scanning Laser Microscopes sales were 141 million yen (-50.3% YoY). Photomask inspection systems accounted for about 55% of Semiconductor Related Systems sales, mask blank inspection systems for slightly below 35%, and others for 10%.

Topics

Lasertec announced the following new products in this Q2.

- **Lithography Process Inspection System (WASAVI Series LX330; November 14, 2012)**

LX330 is a new lithography process inspection system designed to detect critical dimension (CD) non-uniformity, pattern shape variations, uneven resist thickness, and particle contamination distribution over entire wafer surface after resist coating and development.

LX330, a successor to LP300, features newly designed optics and signal processing circuit for enhanced detection sensitivity for extreme ultraviolet lithography (EUVL) and other leading-edge lithography processes. According to Lasertec, monitoring CD uniformity over entire wafer surface is increasingly becoming important for EUVL process because performance of new scanners and reflective-type photomasks used for the process has not been production-proven.

- **Mask Inspection System (MATRICS X810 Series; November 13, 2012)**

Lasertec developed the X810 high-speed mask inspection system and began receiving orders for this system in November 2012. The system can inspect photomasks and EUV masks for leading-edge semiconductor devices of 20 nm technology node and beyond.

Quality assurance of photomasks EUV masks is very important to achieve high yield in semiconductor device production. Periodic inspection of masks is indispensable for detection of "haze"—chemically grown particles by deep ultraviolet (DUV) exposure—which remains an unsolved problem for wafer fabs using argon fluoride (ArF) lithography. Furthermore, as finer design rules are applied to IC patterns, greater photomask inspection sensitivity is increasingly required. Also, EUV masks require high-sensitivity inspections at even shorter intervals because pellicles cannot be used to keep particles and contamination away from pattern surfaces. Therefore, mask inspection systems must be able to perform high-sensitivity inspection at a very high speed. According to Lasertec, it has developed MATRICS X810 Series to meet this requirement, making it an effective inspection tool for leading-edge wafer fabs and mask shops. The X810 Series is a successor of the MATRICS X700 Series (launched in 2009), which was compatible with 28 nm technology node. According to the company, the X810 Series with a brand-new design provides better inspection functions yet faster inspections.

SR Inc. understands that mainly logic foundries actively invested in facilities for 28 nm technology node in the first half of 2012. At the beginning, these facilities provided low yield, but through trial and error the yield of these facilities improved toward the end of the year. The company anticipates that investments will accelerate for facilities compatible with 20 nm technology node from 2013. Lasertec launched the MATRICS X810 Series based on such anticipation. Meanwhile, the company intends to meet demand in connection with investment in facilities for conventional 28 nm technology node with the high-throughput MATRICS X700 HiT Series.

Macromill Inc (3730)

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
34.3	198.4 mn yen	15.8	7.9	3.0

Source: Bloomberg

On **February 14, 2013**, Macromill released Q2 FY06/13 results.
(For original Japanese-language release in PDF format, please click here.)

Quarterly Performance (Million Yen)	FY06/12 Q1	FY06/12 Q2	FY06/12 Q3	FY06/12 Q4	FY06/13 Q1	FY06/13 Q2	FY06/13 Q3	FY06/13 Q4	FY06/13 % of FY	FY06/13 FY Est.
Sales	3,204	3,598	3,917	3,510	3,978	4,385	-	-	49.8%	16,800
YoY	*12.5%*	*4.7%*	*32.6%*	*18.0%*	*24.2%*	*21.8%*	-	-		18.1%
GP	1,584	1,901	2,108	1,493	1,877	2,117	-	-		
YoY	*15.3%*	*7.6%*	*46.4%*	*3.3%*	*18.5%*	*11.4%*	-	-		
GPM	49.4%	52.8%	53.8%	42.5%	47.2%	48.3%	-	-		
SG&A	942	995	963	1,102	1,006	1,138	-	-		
YoY	*17.0%*	*9.3%*	*25.2%*	*17.5%*	*6.8%*	*14.4%*	-	-		
SG&A / Sales	29.4%	27.6%	24.6%	31.4%	25.3%	26.0%	-	-		
OP	642	906	1,145	391	871	979	-	-	47.4%	3,900
YoY	*12.9%*	*5.7%*	*70.6%*	*-23.0%*	*35.8%*	*8.1%*	-	-		26.5%
OPM	20.0%	25.2%	29.2%	11.1%	21.9%	22.3%	-	-		23.2%
RP	662	915	981	418	881	1,051	-	-	49.5%	3,900
YoY	*13.7%*	*4.8%*	*40.2%*	*13.7%*	*33.1%*	*14.9%*	-	-		31.1%
RPM	20.7%	25.4%	25.0%	11.9%	22.1%	24.0%	-	-		23.2%
NI	343	457	565	161	649	614	-	-	60.1%	2,100
YoY	*21.0%*	*12.2%*	*50.5%*	*53.2%*	*89.1%*	*34.4%*	-	-		37.6%
NPM	10.7%	12.7%	14.4%	4.6%	16.3%	14.0%	-	-		12.5%

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

Key Indicator	FY06/12 Q1	FY06/12 Q2	FY06/12 Q3	FY06/12 Q4	FY06/13 Q1	FY06/13 Q2	FY06/13 Q3	FY06/13 Q4
Average Order Unit Price (Average for Quarter)	81.3	83.3	87.5	80.7	81.7	85.2	-	-
Average Order Unit Price (Average for Quarter, Automatic Research Only)	52.5	52.0	54.9	49.7	50.8	52.6	-	-
Number of Active Clients	985	1,371	1,711	1,924	996	1,465	-	-
Number of Active Contacts	2,485	3,988	5,382	6,327	2,672	4,290	-	-
Number of VIP Clients	254	256	251	249	281	295	-	-
Number of Research Participants (Macromill)	105.9	107.1	108.6	109.5	110.7	112.2	-	-
Number of Employees (Cons. As of End of Period)	566	594	735	768	788	790	-	-
Number of Employees (Par. As of End of Period)	541	550	560	582	567	579	-	-

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

Q2 (1H) FY06/13 Results (Announced on February 14, 2013; please refer to tables above)

The company maintained its forecasts.

In this 1H, sales were 8.4 billion yen (+22.9% YoY), operating profit was 1.9 billion yen (+19.6% YoY), recurring profit was 1.9 billion yen (+22.5% YoY), and net income was 1.3 billion yen (+57.9% YoY).

Sales and recurring profit grew double-digit, and they were record highs and largely in line with company estimates (8.2 billion yen and 1.9 billion yen, respectively).

In the domestic Internet Market Research segment (the main sales contributor), strong orders from the food sector and from such clients as companies in the information and telecommunication industry meant a substantial increase in sales.

More specifically, parent-level sales to the food sector were up 23.9% YoY, and those to the information and telecommunication industry were up 24.2% YoY. Sales to research and consulting firms were up a strong 31.2% YoY, although this increase was mainly due to the transfer of ad agency sector sales to sales to the research and consulting sector in connection with the establishment of Dentsu-Macromill Ltd., 60% of which is owned by Dentsu Marketing Insight Inc., a subsidiary of Dentsu Inc. (TSE1: 4324) and 40% by Macromill. Consequently, sales to the ad agency sector were down about 30% YoY.

In addition, the company noted that the integration of its research and database businesses in October 2012 meant operational efficiency gains, resulting in strong demand from corporates.

Segment sales were as follows. Qualitative Research, Global Research, and QPR™ services were strong performers.

- Automatic Research: 3.9 billion yen (+6.2% YoY)
- Tabulation: 464 million yen (+9.1% YoY)
- Analysis: 751 million yen (+18.6% YoY)
- Qualitative Research (Focus Group Interviews, etc.): 695 million yen (+21.4% YoY)
- Customized Research: 667 million yen (-4.0% YoY)
- Global Research: 315 million yen (+38.3% YoY)
- QPR™: 455 million yen (+43.3% YoY)
- Overseas: 896 million yen
- Others: 190 million yen (-12.3% YoY)

Despite sales growth in the core Automatic Research, sales expansion in other segments meant the proportion of parent-level Automatic Research sales sinking 1.9 percentage points YoY to 52.3%. SR Inc. understands that Automatic Research provides relatively high gross profit margins and Qualitative Research and Global Research provide lower margins. Concerns might loom that broader earnings sources mean lower profitability for the company. Historically, the company has sustained high staff utilization and profitability by clearly dividing internal functions (e.g., sales, operation, research). In response to sliding parent-level recurring profit margins (25.7% for 1H FY06/13; 27.4% a year earlier), the company mentioned that it might begin reforming its organizational and cost structures.

Many of the company's clients, corporates and so on, end their fiscal years at the end of March every year. As these clients generally make their budgets for the following year in January-March, the Q3 period tends to be the busiest quarter for the company. Testimony to this, the company commented that it was experiencing strong business performance up until late-February 2013.

In the overseas business, sales at Macromill Embrain Co., Ltd. (South Korea) were 800 million yen (+46.5% YoY) thanks to integrated management and efforts to strengthen its sales force. The South Korean arm contributed recurring profit of 126 million yen. In China, Macromill China Inc. had sales of 96 million yen (+624.6% YoY) and posted recurring loss of 300 million yen (74 million yen loss in 1H FY06/12). According to the company, Macromill China was in the black in September, October, and December 2012 due to its unique business scheme; conducting sales activities in Japan targeting Japanese companies and undertaking other business processes in China. In North America, the company continued to seek acquisition opportunities. As in Japan, research firms in the U.S. appeared to be facing issues as to who runs business after current presidents. The company accordingly said that it was seeing many potential targets there.

In 1H FY06/12, consolidated recurring profit was 1.6 billion yen, while parent-level figure was 1.9 billion yen, giving a negative 274 million yen difference. With performance at overseas and other subsidiaries improving in 1H FY06/13, the difference turned around to a positive 23 million yen on the consolidated recurring profit totaling 1,932 million yen and the parent-level recurring profit totaling 1,909 million yen.

In new businesses, the company was eyeing the launch of new, reasonably priced, smartphone-based marketing promotion services targeting a long-tail market. To this end, the company was accelerating related development and investment. The company said that it was planning to launch the services for Android smartphones at around March or April 2013. Details of the new services should be disclosed in a future press release, but the company commented the services would be structured so that client stores could distribute information updates, ads, and coupons to regular customers via smartphones. Such a service structure will likely lower promotion costs for the company and at the same time enable the company to reach out to client stores in the long-tail portion of the market, in SR Inc.'s view.

Another endeavor aims to create new markets. The company was studying the feasibility of "do-it-yourself (DIY) research" services with a plan to launch the services in autumn 2013. DIY research services enable client companies to create research forms themselves, distribute the forms to research participants (website members, etc.), and collect them. Research firms, like Macromill, would therefore provide the "framework" to enable client companies to conduct "self-serve" research. In the United States, the market of DIY research has been growing since the collapse of Lehman Brothers in 2008, and the main player in the market is SurveyMonkey Inc. The global DIY research market is estimated at around several tens of billions of yen.

Because DIY research is easier and quicker than conventional Internet-based research, like the above-mentioned marketing promotion services, it is expected to enable service offerings to clients in the long-tail portion of the market, in other words, clients different from those targeted through prevailing Internet research, according to the company. SR Inc. thinks that DIY research services will probably contribute to the company's future sales growth and likely provide high margins. The company added that it would expect only limited cannibalization to occur between its new DIY research services and existing businesses. Therefore, SR Inc. notes that future developments at Macromill in this regard require particular attention.

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
32.7	2,215.7 mn yen	N/A	N/A	5.9

Source: Bloomberg

On **February 5, 2013**, MEDINET released Q1 FY09/13 results.
(For original English-language release in PDF format, please click here.)

Quarterly Performance (Million Yen)	FY09/12 Q1	FY09/12 Q2	FY09/12 Q3	FY09/12 Q4	FY09/13 Q1	FY09/13 Q2	FY09/13 Q3	FY09/13 Q4	FY09/13 % of FY Est.	FY09/13 FY Est.
Sales	543	572	542	534	517	-	-	-	21.5%	2,400
YoY	-26.6%	-18.6%	-10.8%	-14.4%	-4.8%	-	-	-		
GP	293	321	270	268	241	-	-	-		
YoY	-40.2%	-23.0%	-29.6%	-31.0%	-17.8%	-	-	-		
GPM	54.0%	56.1%	49.8%	50.3%	46.6%	-	-	-		
SG&A	467	467	494	436	418	-	-	-		
YoY	6.7%	0.7%	-11.3%	-17.1%	-10.6%	-	-	-		
SG&A / Sales	86.0%	81.7%	91.0%	81.6%	80.8%	-	-	-		
OP	-174	-146	-224	-167	-177	-	-	-	-	-620
YoY	-	-	-	-	-	-	-	-		
OPM	-	-	-	-	-	-	-	-		
RP	-163	-148	-228	-171	-139	-	-	-	-	-620
YoY	-	-	-	-	-	-	-	-		
RPM	-	-	-	-	-	-	-	-		
NI	-166	-170	-116	-174	-141	-	-	-	-	-630
YoY	-	-	-	-	-	-	-	-		
NPM	-	-	-	-	-	-	-	-		

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 February 5, 2013; please refer to table above)

Q1 sales were 517 million yen (-4.8% YoY) due to lower sales YoY in the Immuno-Cell Therapy Total Support Service. In November 2012, MEDINET began providing its Contracted Medical Institutions with natural killer (NK)-cell therapy technology, which is expected to have synergistic efficacy with therapeutic antibody drugs. However, because the company has just begun providing the technology, the number of cell processing at its existing Contracted Medical Institutions remained largely unchanged from 2H FY09/12.

The gross profit margin dropped 7.4 percentage points YoY to 46.6% mainly due to lower sales YoY, and gross profit was 241 million yen (-17.8% YoY).

SG&A expenses were 418 million yen (-10.6% YoY). A 2.2% YoY decline in research and development costs and a decrease in expenses for system support (Enterprise Resource Planning, or ERP, system was introduced in October 2011 causing support costs to rise during the period until the new system was fully operational) resulted in general admin expenses decreasing 6.3% YoY. Lower sales expenses (-28.6% YoY) thanks to efficiency gains in marketing activities led to lower SG&A expenses YoY.

As a result, operating loss was 177 million yen (174 million yen loss in Q1 FY09/12). After non-operating expenses including a 33 million yen gain on revaluation of foreign exchange, recurring loss was 139 million yen (163 million yen loss in Q1 FY09/12). Net loss was 141 million yen (166 million yen loss in Q1 FY09/12).

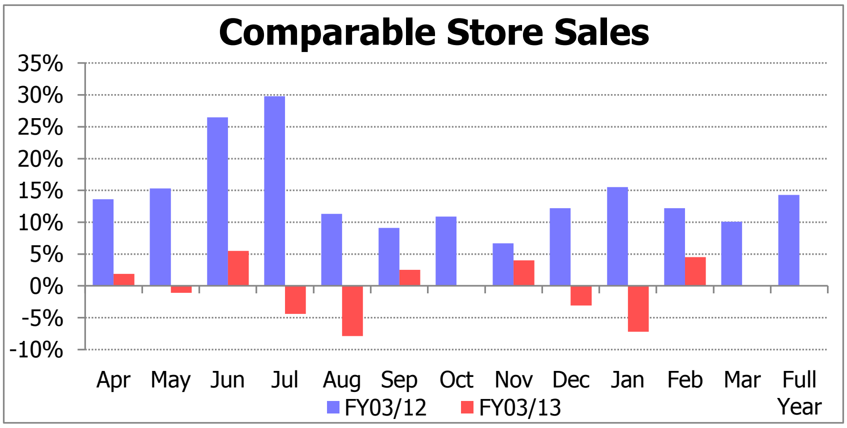
MEGANE TOP CO. (7541)

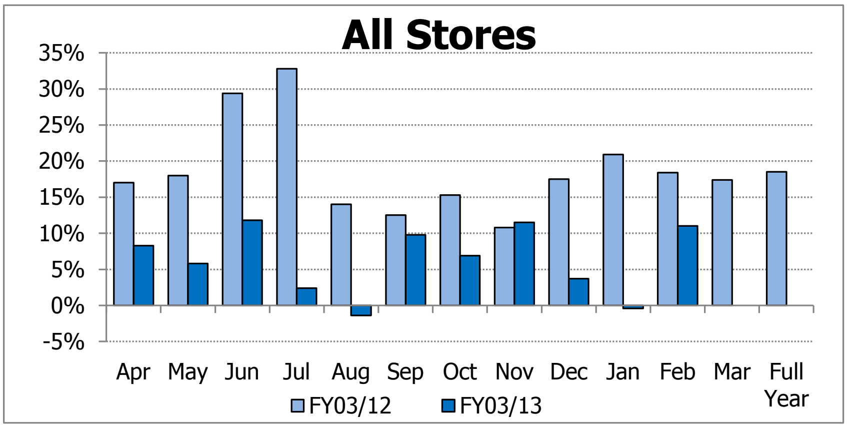
Eyeglass retailer that sells under the Megane Ichiba brand. Sold approximately 2 million pairs i FY03/10, more than competitors. Improving balance sheet

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
51.8	229.1 mn yen	22.1	9.5	3.7

Source: Bloomberg

Megane Top released monthly sales data for January on **February 1** and for January on **March 1, 2013.** . (For original English-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%	11.0%		

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%	4.5%		

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%	4.8%		
alook	-4.2%	0.2%	4.5%	-4.1%	-1.2%	2.5%	-2.6%	17.5%	14.3%	1.8%	7.0%		

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

MIRAIT Holdings Corp (1417)

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
73.4	285.3 mn yen	22.0	7.0	0.7

Source: Bloomberg

On **February 8, 2013**, MIRAIT Holdings Corp. (MIRAIT) released Q3 FY03/13 results.
(For original Japanese-language release in PDF format, please click here.)

Quarterly Trends & Results

Quarterly Performance (Million Yen)	FY03/12 Q1	FY03/12 Q2	FY03/12 Q3	FY03/12 Q4	FY03/13 Q1	FY03/13 Q2	FY03/13 Q3	FY03/13 Q4	FY03/13 % of FY	FY03/13 FY Est.
Sales (Completed Construction Contracts)	48,036	52,997	52,352	82,653	52,263	64,239	62,107	-	67.4%	265,000
YoY	-	-	*-8.4%*	*5.8%*	*8.8%*	*21.2%*	*18.6%*	-		12.3%
GP (Completed Construction Contracts)	4,362	5,397	4,773	9,512	5,856	7,024	6,613	-	71.1%	27,400
YoY	-	-	*-9.8%*	*22.0%*	*34.3%*	*30.1%*	*38.6%*	-		14.0%
GPM	9.1%	10.2%	9.1%	11.5%	11.2%	10.9%	10.6%	-		10.4%
SG&A	4,901	4,654	4,538	4,683	4,677	4,471	4,622	-	72.1%	19,100
YoY	-	-	*-3.7%*	*-4.2%*	*-4.6%*	*-3.9%*	*1.9%*	-		1.7%
SG&A / Sales	10.2%	8.8%	8.7%	5.7%	8.9%	7.0%	7.4%	-		7.2%
OP	-539	743	234	4,829	1,179	2,552	1,992	-	69.0%	8,300
YoY	-	-	*-59.8%*	*66.1%*	-	*243.5%*	*751.3%*	-		57.6%
OPM	-	1.4%	0.4%	5.8%	2.3%	4.0%	3.2%	-		3.1%
RP	-194	902	405	5,070	1,390	2,836	2,209	-	71.5%	9,000
YoY	-	-	*-39.7%*	*54.1%*	-	*214.4%*	*445.4%*	-		45.6%
RPM	-	1.7%	0.8%	6.1%	2.7%	4.4%	3.6%	-		3.4%
NI	47	538	-239	2,905	-1,164	1,222	990	-	31.8%	3,300
YoY	-	-	-	*4.4%*	-	*127.1%*	-	-		1.5%
NPM	0.1%	1.0%	-	3.5%	-	1.9%	1.6%	-		1.2%

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

Seasonality: Due to the nature of contracting at MIRAIT, project completion, delivery, and corresponding revenues tend to be high in the fourth quarter of the fiscal year.

Q3 FY03/13 Results (Announced on February 8, 2013; please refer to the preceding table)

In cumulative Q3, orders were 204.2 billion yen (+12.4% YoY), sales were 178.6 billion yen (+16.4% YoY), operating profit was 5.7 billion yen (+1,205.6% YoY), recurring profit was 6.4 billion yen (+478.1% YoY), and net income was 1.0 billion yen (+202.5% YoY).

In the telecom industry, the market of conventional fixed-line broadband services was reaching maturity. On the other hand, with the rapid spread of smartphones and tablets, telecom carriers were approaching a turning point, beginning new services to meet ever-diversifying consumer needs and responding to surging data communication volumes.

In such an environment, MIRAIT was expanding areas where it operates various facilities in the NTT segment. In the Mobile segment, the company was expanding coverage areas for long-term evolution (LTE) services, scrapping old facilities, and increasing mobile coverage between subway stations. In the ICT and Civil Engineering segments, MIRAIT was expanding operations in a variety of fields, such as design and construction of corporate intranet, server monitoring, nationwide Wi-Fi network projects, and mega-solar generation systems.

Orders in cumulative Q3 by segment were as follows: NTT, 85.0 billion yen (-3.9% YoY); Mobile, 59.6 billion yen (+29.0% YoY); ICT, 24.4 billion yen (+29.4% YoY); and Civil Engineering, 34.9 billion yen (+25.4% YoY). During the same period, sales by segment were as follows: NTT, 76.6 billion yen (+1.4% YoY); Mobile, 50.2 billion yen (+27.4% YoY); ICT, 22.2 billion yen (+27.4% YoY); and Civil Engineering, 29.4 billion yen (+41.2% YoY). MIRAIT said that order trends did not show significant changes in this Q3.

All segments saw higher sales YoY. Group-level operating profit was much higher YoY due to sales growth

YoY and also to higher gross profit margins YoY on better operational efficiency. Net income was relatively low due to 4.4 billion yen extraordinary losses (e.g., restructuring charges).

It appears that cumulative Q3 results were better than company estimates. However, the company maintained its full-year forecasts due to a high weight of construction completions and project handovers in Q4, adding that it had yet to see the end of these activities.

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
14.4	184.1 mn yen	19.8	10.9	7.7

Source: Bloomberg

On **February 20, 2013**, mobcast inc. (Mobcast) announced that it would issue new shares through a third-party allotment to Dentsu Inc.
(For original Japanese-language release in PDF format, please click here.)

The capital tie-up will bring together the company's social game development and operation capabilities and Dentsu's global business network and advertising and marketing expertise. The tie-up will enable Mobcast to accelerate its social game business overseas and corporate growth.

Proceeds from Share Issue

- Total amount: 20 million yen
- Stock issue cost: 0.5 million yen
- Net proceeds: 19.5 million yen

The company intends to use the proceeds of 19.5 million yen for advertisement and marketing to promote social game services in South Korea.

The ***issue price of*** 2,226 yen ***is the average closing price*** of the last 30 stock exchange trading days. Through the third-party allotment, the company will issue 9,000 common shares, and the dilution is 0.13% of the total outstanding shares (6,760,904 shares).

On **February 5, 2013**, the company released full-year FY12/12 results.
(For original Japanese-language release in PDF format, please click here.)

Quarterly Performance (Million Yen)	FY12/12 Q1	Q2	Q3	Q4	FY12/12 % of FY	FY Est.
Sales	1,082	1,201	1,250	1,399	109.6%	4,500
YoY	-	-	-	-		
GP	791	816	830	978		
YoY	-	-	-	-		
GPM	73.1%	67.9%	66.4%	69.9%		
SG&A	542	661	544	539		
YoY	-	-	-	-		
SG&A / Sales	50.1%	55.1%	43.6%	38.5%		
OP	249	155	286	438	100.2%	1,125
YoY	-	-	-	-		
OPM	23.0%	12.9%	22.8%	31.3%		
RP	248	147	284	438	100.2%	1,115
YoY	-	-	-	-		
RPM	22.9%	12.2%	22.8%	31.3%		
NI	143	84	167	254	96.9%	669
YoY	-	-	-	-		
NPM	13.2%	7.0%	13.4%	18.1%		

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

FY12/12 Results (Announced on February 5, 2013; please refer to the table above)

Sales were 4.9 billion yen (+143.9% YoY; +9.6% vs. forecast) for the year. Sales grew steadily on strong performance of existing mobile social game titles, such as "Mobapro" (professional baseball simulation card game) and "MobaDerby" (horse race simulation card game). New title "Mobasoccer" (professional soccer simulation card game) also contributed to robust results. In fact, the launch of "Mobasoccer" in late-July 2012 led to rapid membership growth. As of the end of FY12/12, Mobcast membership reached 2.8 million with paying members totaling 85,000 (79,000 as of the end of FY12/11).

COGS (mainly royalties related to social game development and operation) was 1.5 billion yen, and gross profit was 3.4 billion yen. SG&A expenses were 2.3 billion yen. As a result, full-year operating profit was 1.1 billion yen (+116.3% YoY), largely in line with forecast (+0.2% YoY). The operating profit margin for the year was 22.9%.

Full-year recurring profit was 1.1 billion yen (+119.0% YoY) after deduction of stock delivery expenses, and net income was 648 million yen (+33.8% YoY). Net income growth YoY was relatively small due to the effective tax rates leveling off.

In the Q4 (October-December 2012) alone, operating profit grew 54% on the previous quarter, climbing the highest level ever. "Mobapro," marking the second anniversary since launch, saw significant sales growth, while "MobaDerby," one year since launch, enjoyed a steady user increase. The operating profit margin in the Q4 was 31.3%, much higher than the 22.8% in the previous quarter, mainly due to solid performance of "Mobapro" and "MobaDerby" and contributions from new "Mobasoccer" and year-end promotional campaigns. Despite an increase toward the year end, advertising costs were 290 million yen, down from the 330 million yen in the previous quarter.

In mid-October 2012, Mobcast officially announced the beta-version platform opening to third parties. The company had plans to provide the beta-version platform (official name: "mbc connect") to only several partners (as of December 2012), and intends to start official platform operation in March 2013. On the beta-version, Konami Digital Entertainment Co., Ltd. (a subsidiary of Konami Corporation; TSE1: 9766) launched "J.LEAGUE Dream Legends" (Konami) as the first game on the platform. The new title was seeing a steady user increase, according to the company.

NAIGAI TRANS LINE LTD. (9384)

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
14.4	184.1 mn yen	19.8	10.9	7.7

Source: Bloomberg

On **February 8, 2013**, NAIGAI TRANS LINE LTD. (NTL) announced full-year FY12/12 results.
(For original Japanese-language release in PDF format, please click here.)

Quarterly Performance	FY12/11				FY12/12				FY12/12	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	2,909	3,295	3,164	3,170	2,982	3,503	3,377	3,544	100.0%	13,400
YoY	*14.5%*	*12.5%*	*9.1%*	*3.1%*	*2.5%*	*6.3%*	*6.7%*	*11.8%*		7.7%
GP	934	1,040	995	1,012	952	1,090	1,006	1,066		
YoY	*9.5%*	*10.1%*	*9.3%*	*1.0%*	*1.9%*	*4.8%*	*1.1%*	*5.3%*		
GPM	32.1%	31.6%	31.4%	31.9%	31.9%	31.1%	29.8%	30.1%		
SG&A	699	734	737	733	733	826	815	833		
YoY	*7.2%*	*10.0%*	*12.5%*	*4.1%*	*4.9%*	*12.5%*	*10.5%*	*13.6%*		
SG&A / Sales	24.0%	22.3%	23.3%	23.1%	24.6%	23.6%	24.1%	23.5%		
OP	236	305	257	281	220	263	192	233	96.6%	940
YoY	*17.4%*	*9.7%*	*0.8%*	*-5.4%*	*-6.8%*	*-13.8%*	*-25.5%*	*-16.8%*		14.0%
OPM	8.1%	9.3%	8.1%	8.9%	7.4%	7.5%	5.7%	6.6%		7.0%
RP	240	260	258	288	248	273	198	256	99.5%	980
YoY	*13.2%*	*-8.5%*	*3.2%*	*-0.7%*	*3.3%*	*5.0%*	*-23.1%*	*-11.0%*		17.6%
RPM	8.3%	7.9%	8.2%	9.1%	8.3%	7.8%	5.9%	7.2%		7.3%
NI	128	161	143	136	148	166	109	36	76.5%	600
YoY	*3.2%*	*-9.6%*	*-7.1%*	*-30.6%*	*15.6%*	*3.1%*	*-23.8%*	*-73.3%*		37.2%
NPM	4.4%	4.9%	4.5%	4.3%	5.0%	4.7%	3.2%	1.0%		4.5%

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

FY12/12 Results (Announced on February 8, 2013; please refer to the preceding table)

For the full year, consolidated sales were 13.4 billion yen (+6.9% YoY), operating profit was 908 million yen (-15.8% YoY), recurring profit was 975 million yen (-6.8% YoY), and net income was 459 million yen (-19.2% YoY).

The full-year sales, operating profit, and recurring profit were largely in line with company estimates despite 94 million yen goodwill impairment losses related to a U.S. subsidiary. During FY12/12, NTL was pushing various initiatives to grow into an international comprehensive freight forwarder under "NTL Next Stage—from Asia to the World," the current mid-term plan that runs from FY12/11 through FY12/13. These initiatives included the acquisition of UCI Airfreight Japan, Inc.

At the parent level, sales in less-than-container-load (LCL) exports, the company's mainstay business, dropped 7.7% YoY due to economic uncertainties. On the other hand, full-container-load (FCL) export sales grew 5.7% YoY. In addition, sales in new areas (e.g., freight forwarding, air cargo transportation operations) were up significantly YoY.

In Japan, cargo volume in LCL export was down 9.2% YoY. However, sales contributions from newly consolidated UCI Airfreight Japan and import sales growth meant domestic sales of 9.8 billion yen (+7.3% YoY). Operating profit in Japan was 638 million yen (-18.4% YoY) due to higher SG&A expenses YoY.

Overseas, despite stagnant world economy, NTL performed robustly in Asia. As a result, overseas sales were 3.6 billion yen (+5.8% YoY), and operating profit was 330 million yen (-3.4% YoY).

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
121.0	10,089.1 mn yen	N/A	N/A	58.0

Source: Bloomberg

On **February 18, 2013**, the company announced that it had obtained a patent in Europe for NC-6004 Nanoplatin®.
(For original Japanese-language release in PDF format, please click here.)

On **February 13, 2013**, the company announced that it had obtained a patent in the United States for NC-6004 Nanoplatin®.
(For original Japanese-language release in PDF format, please click here.)

On **February 12, 2013**, the company released Q3 FY03/13 results.
(For original Japanese-language release in PDF format, please click here.)

On **February 7, 2013**, the company announced that it had obtained a patent in China for NC-6004 Nanoplatin®.
(For original Japanese-language release in PDF format, please click here.)

Quarterly Trends & Results

	FY03/12				FY03/13				FY03/13	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	4	206	2	135	10	90	102	-	54.3%	370
YoY	*-57.0%*	*2435.4%*	*-95.8%*	*414.3%*	*120.1%*	*-56.5%*	*6064.4%*	-		*6.8%*
GP	-6	193	-47	81	-30	40	62	-		
YoY	-	*15316.1%*	-	*809.2%*	-	*-79.1%*	-	-		
GPM	-	94.0%	-	60.0%	-	45.2%	61.4%	-		
SG&A	148	148	129	130	149	128	157	-		
YoY	*3.7%*	*2.7%*	*-0.3%*	*-5.1%*	*0.9%*	*-13.5%*	*21.7%*	-		
SG&A / Sales	3318.6%	72.2%	7810.5%	96.5%	1520.7%	143.3%	154.1%	-		
OP	-154	45	-176	-49	-179	-88	-94	-	-	-812
YoY	-	-	-	-	-	-	-	-		-
OPM	-	21.9%	-	-	-	-	-	-		-
RP	-154	44	-178	-78	-179	-87	-88	-	-	-828
YoY	-	-	-	-	-	-	-	-		-
RPM	-	21.3%	-	-	-	-	-	-		-
NI	-155	44	-178	-109	-180	-88	-88	-	-	-831
YoY	-	-	-	-	-	-	-	-		-
NPM	-	21.5%	-	-	-	-	-	-		-

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 February 12, 2013; please refer to table above)

The company maintained its full-year forecasts.

In cumulative Q3, sales were 201 million yen (-5.1% YoY), which mainly came from supplying formulations to research partner Kowa Co. and receiving contract revenue from Taiwan-based Orient Europharma Co., Ltd. Mainly due to R&D costs, operating loss was 361 million yen (284 million yen loss a year earlier), recurring loss was 355 million yen (289 million yen loss a year earlier), and net loss was 356 million yen (289 million yen loss a year earlier).

In November 2012, the company signed a new global non-exclusive manufacturing licensing agreement with Orient Europharma in addition to the two parties' previous agreement for Cisplatin Guiding Micelle (NC-6004 Nanoplatin®) co-development and sales in Asia and Oceania ex-Japan, India, and China. In the same month, the company raised funds by issuing 12,000 new shares through a third-party allotment to Shin-Etsu Chemical Co., Ltd. (TSE1: 4063). Based on this capital partnership, the company has worked to build a collaboratvive relationship with Shinetsu Chemical to pursue R&D on polymer materials—a core of micellar nanoparticle technology.

Shinetsu Chemical has bought 12,000 shares owned by a fund that Whiz Partners Inc. manages as a general partner. Accordingly, Shinetsu Chemical has become the largest shareholder of NanoCarrier with 24,000 shareholdings.

Main Pipeline Update

Paclitaxel Micelle (NK105)

Asia licensee Nippon Kayaku Co. (TSE1: 4272) began Phase III trials in July 2012 for this anticancer drug to be used for the treatment of metastatic/recurrent breast cancer. The clinical trials appeared to be advancing smoothly.

Cisplatin Guiding Micelle (NC-6004 Nanoplatin®)

Together with Orient Europharma, with whom it has an Asia and Oceania ex-Japan, India, and China licensing agreement, the company was conducting Phase II progressive pancreatic cancer clinical trials for this anticancer drug, in Taiwan and Singapore. The company plans to move to clinical trials to expand this drug's applications and satisfy necessary approval requirements during the first half of 2013. The company began Japanese Phase I clinical trials in October 2012 for the drug as a treatment for solid tumor. Also, it was preparing for global activities with this drug and was planning to launch Phase II clinical trials in the United States during 2013.

DACH-Platin Guiding Micelle (NC-4016)

The company was preparing for (resuming) Phase I trials in the United States as early as possible. The company has decided on the facilities for these trials (The University of Texas MD Anderson Cancer Center).

Epirubicin Micelle (NC-6300)

The company and Kowa Co. (global licensee having signed a co-development agreement) were conducting preclinical trials for this drug. At the same time, the two parties were advancing preparations for the launch of Phase I trials in 2013, including IND preparations.

New Pipeline Status

According to the company, it was conducting joint research and feasibility study with research bodies and pharmaceitucal companies in Japan and overseas. At the same time, the company was advancing in-house research on the development of micellar drugs based on Docetaxel and VELCADE® (Bortezomib, molecular target drug).

Topics

- **The *Nature* Magazine Mentions NanoCarrier**

At the end of 2012, the *Nature* magazine (Vol. 491, S58-60, November 2012, Outlook: Physical Scientists Take on Cancer) included a general paper on nanotechnology-based drug development. The paper introduced the results of research conducted by Professor Kazunori Kataoka and the pipelines at NanoCarrier as the most advanced development projects. The company commented that the paper suggested the increased attention worldwide to micellar nanoparticle technology and future developments.

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
5.3	4.6 mn yen	9.7	2.3	0.8

Source: Bloomberg

On **February 12, 2013**, NS Tool Co. announced changes of representative directors.
(For original Japanese-language release in PDF format, please click here.)

Changes of Representative Directors (to be appointed on April 1, 2013)

- Isamu Goto (new post: director and chairman; current post: representative director and president)
- Hiroji Goto (new post: representative director and president; current post: representative director and vice president)
- Takashi Goto (new post: representative director and vice president; current post: managing director)

The company commented that these changes were aimed at having younger board members and strengthening management base toward further corporate growth.

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
132.5	609.6 mn yen	30.0	7.3	0.8

Source: Bloomberg

On **February 4, 2013**, Onward Holdings released January 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%	-6%		2%
Women's	24%	3%	8%	8%	-2%	3%	0%	5%	0%	10%	3%		6%
Children's	19%	3%	8%	12%	1%	2%	5%	-3%	1%	8%	4%		5%
Kimonos	22%	23%	17%	-6%	2%	-17%	0%	-4%	16%	18%	-1%		4%
Other	16%	1%	-2%	7%	-3%	2%	-10%	-15%	19%	0%	-7%		-4%
Total	**24%**	**4%**	**6%**	**7%**	**-2%**	**2%**	**-1%**	**0%**	**-1%**	**9%**	**0%**		**4%**
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.

PARIS MIKI HOLDINGS INC. (7455)

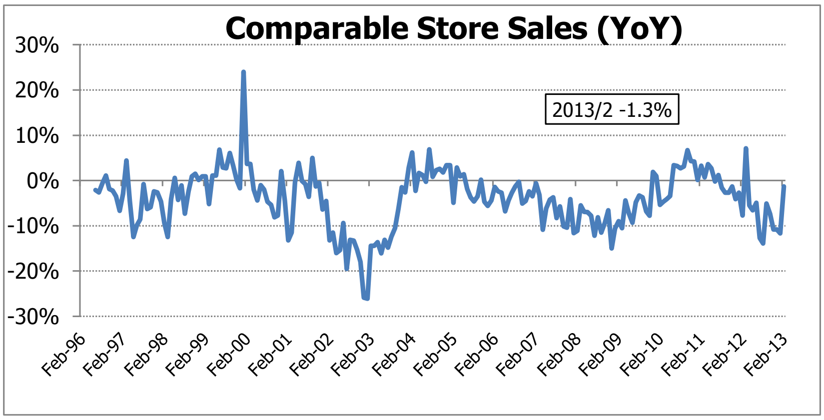
Eyeglass retailer focusing on depth of product offering and selling across the price spectrum. Largest store network in Japan. Strong financial position.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
28.2	12.6 mn yen	N/A	11.0	0.7

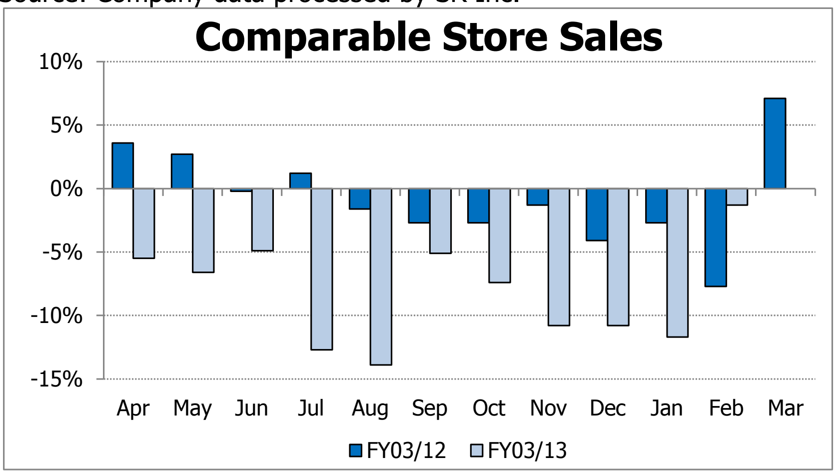
Source: Bloomberg

On **February 8, 2013**, the company announced Q3 FY03/13 results.
(For original Japanese-language only release in PDF format, please click here.)

Paris Miki Holdings released monthly sales data for January 2012 on **February 1** and for February on **March 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.

February 2013

Comparable store sales -1.3% YoY; all store sales -3.6% YoY.

	FY03/12				FY03/13				FY03/13	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	15,240	16,339	14,652	13,316	14,452	14,687	13,594	-	47.8%	60,907
YoY	*1.0%*	*-0.8%*	*-2.8%*	*-1.5%*	*-5.2%*	*-10.1%*	*-7.2%*	-		*2.3%*
GP	10,268	11,084	9,568	8,875	9,759	10,011	8,888	-		
YoY	*-2.9%*	*-3.4%*	*-7.0%*	*-5.4%*	*-5.0%*	*-9.7%*	*-7.1%*	-		
GPM	67.4%	67.8%	65.3%	66.6%	67.5%	68.2%	65.4%	-		
SG&A	10,258	10,349	10,099	9,204	9,319	9,484	9,400	-		
YoY	*1.6%*	*-0.6%*	*-3.1%*	*-5.4%*	*-9.2%*	*-8.4%*	*-6.9%*	-		
SG&A / Sales	67.3%	63.3%	68.9%	69.1%	64.5%	64.6%	69.1%	-		
OP	10	734	-530	-328	440	526	-511	-	38.0%	2,543
YoY	*-97.9%*	*-30.8%*	-	-	*4300.0%*	*-28.3%*	-	-		-
OPM	0.1%	4.5%	-	-	3.0%	3.6%	-	-		4.2%
RP	72	676	-509	-264	447	616	-333	-	40.0%	2,658
YoY	*-85.8%*	*-38.0%*	-	-	*520.8%*	*-8.9%*	-	-		-
RPM	0.5%	4.1%	-	-	3.1%	4.2%	-	-		4.4%
NI	-162	409	-676	-748	96	200	-292	-	24.4%	1,215
YoY	-	*-57.4%*	-	-	-	*108.3%*	-	-		-
NPM	-	2.5%	-	-	0.7%	1.4%	-	-		2.0%

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 February 8, 2013; please refer to table above)

The company maintained its forecasts.

In cumulative Q3, sales were 42.7 billion yen (-7.6% YoY), operating profit was 455 million yen (+112.6% YoY), recurring profit was 730 million yen (+204.5% YoY), and net income was 4 million yen (429 million yen loss a year earlier).

At main subsidiary Paris Miki Co., the company changed price displays (including basic lens prices) while promoting functional lens lines, such as the RakuRakuKun series. Despite such efforts, economic uncertainties meant weak sales toward the end of 2012, and comparable store sales were down 9.6% YoY for cumulative Q3. The gross profit margin was 67.1%, only a slight YoY improvement of 0.2 percentage point (full-year GPM target: 68.7%). Private brand sales (volume basis) were 78.4% (76%-77% a year earlier) of total sales. Lower SG&A expenses (-8.1% YoY at 28.2 billion yen) on lower salaries and advertising costs meant higher profitability YoY. The SG&A-to-sales ratio was 66.0%, down 0.4 percentage point YoY.

In the Q3 (October-December 2012), the company strengthened promotional campaigns (i.e., TV commercials) in western Japan. The small scale and trial nature of the campaigns led to limited appeal to consumers as of the end of Q3, according to the company. The company said, however, that it would consider launching more effective TV commercials than previous ones toward FY03/14.

Domestic

Sales were 38.4 billion yen (-7.6% YoY), and segment profit was 672 million yen (+67.9% YoY). On a retail sales basis, all store sales fell 10.1% YoY, though it was due to lower store counts, at 926 (as of the end of December 2012), after five new store openings and 28 store closures.

Domestic sales by product category were as follows:

- Frames: 12.7 billion yen (-6.6% YoY)
- Lenses: 17.7 billion yen (-14.3% YoY)
- Sunglasses: 1.6 billion yen (+6.2% YoY)
- Contact lenses: 1.2 billion yen (-13.3% YoY)
- Hearing aids: 4.1 billion yen (+1.9% YoY)

Unit price and sales volume growth rates were as follows:

- Unit prices: 29,416 yen (up 5.3% YoY) on all-store basis, 34,388 yen (up 9.5% YoY) for other than

Opt-LABEL, OPITQUE PARIS MIKI, and 12,135 yen (up 5.5% YoY) for Opt-LABEL, OPITQUE PARIS MIKI

- Number of eyeglasses sold: Down 16.9% YoY on all-store basis, down 18.4% YoY for other than Opt-LABEL, OPITQUE PARIS MIKI
- Number of customers: Down 8.4% YoY on all-store basis, down 8.6% YoY for other than Opt-LABEL, OPITQUE PARIS MIKI

Higher unit prices YoY were due to the company encouraging customers to buy frames, lenses, etc. separately for more fashionable appearance, rather than just selling prefixed sets of eyeglasses.

The company revised its store closure plan for FY03/13, from the previous 50 to 69 stores. In Q4 FY03/13, the company plans to close 41 stores. Because these are unprofitable stores, SR Inc. thinks that the company may see better profitability overall from FY03/14.

Overseas

Sales were 4.3 billion yen (-7.5% YoY), and segment loss was 220 million yen (vs. segment loss of 192 million yen in cumulative Q3 FY03/12). The company was focusing on streamlining its store network overseas.

As of the end of Q3 FY03/13, the company maintained its full-year forecasts. Because the company is usually less busy in Q4, SR Inc. thinks that it may be challenging for the company to meet its full-year forecasts.

Resorttrust, Inc.(4681)

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
113.4	282.0 mn yen	16.9	6.8	1.7

Source: Bloomberg

On **February 13, 2013**, Resorttrust released Q3 FY03/13 results.
(For original Japanese-language release in PDF format, please click here.)

Quarterly Performance (Million Yen)	FY03/12 Q1	FY03/12 Q2	FY03/12 Q3	FY03/12 Q4	FY03/13 Q1	FY03/13 Q2	FY03/13 Q3	FY03/13 Q4	FY03/13 % of FY	FY03/13 FY Est.
Sales	22,699	26,399	25,311	25,485	25,052	27,608	27,886	-	75.8%	106,200
YoY	*18.8%*	*18.3%*	*5.2%*	*-33.2%*	*10.4%*	*4.6%*	*10.2%*	-		
GP	18,394	21,540	20,681	20,057	20,501	22,532	22,724	-		
YoY	*18.7%*	*18.2%*	*6.9%*	*-8.6%*	*11.5%*	*4.6%*	*9.9%*	-		
GPM	81.0%	81.6%	81.7%	78.7%	81.8%	81.6%	81.5%	-		
SG&A	16,863	17,855	17,496	18,566	17,949	18,089	18,372	-		
YoY	*8.4%*	*16.2%*	*13.6%*	*6.1%*	*6.4%*	*1.3%*	*5.0%*	-		
SG&A / Sales	74.3%	67.6%	69.1%	72.9%	71.6%	65.5%	65.9%	-		
OP	1,530	3,685	3,185	1,491	2,552	4,443	4,351	-	106.0%	10,700
YoY	-	*28.8%*	*-19.3%*	*-66.5%*	*66.7%*	*20.6%*	*36.6%*	-		
OPM	6.7%	14.0%	12.6%	5.9%	10.2%	16.1%	15.6%	-		
RP	1,954	3,847	3,460	182	2,589	4,641	4,575	-	109.3%	10,800
YoY	-	*32.0%*	*-10.7%*	*-95.8%*	*32.5%*	*20.6%*	*32.2%*	-		
RPM	8.6%	14.6%	13.7%	0.7%	10.3%	16.8%	16.4%	-		
NI	1,283	2,289	2,064	-221	1,385	2,947	2,838	-	112.0%	6,400
YoY	-	*52.4%*	*-1.9%*	-	*7.9%*	*28.7%*	*37.5%*	-		
NPM	5.7%	8.7%	8.2%	-	5.5%	10.7%	10.2%	-		

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 February 13, 2013; please refer to preceding table)

In cumulative Q3, sales were 80.5 billion yen (+8.2% YoY), operating profit was 11.3 billion yen (+35.1% YoY), recurring profit was 11.8 billion yen (+27.5% YoY), and net income was 7.2 billion yen (+27.2% YoY).

The company maintained its full-year forecasts. However, its cumulative Q3 profitability was higher than full-year estimates. More specifically, cumulative Q3 operating profit was 11.2% higher than company estimate.

Membership Operations sales were 21.8 billion yen (+9.4% YoY), and segment profit was 4.0 billion yen (+73.8% YoY; +19.7% vs. estimate). Tokyo Baycourt Club membership sales were 7.9 billion yen, much better than estimate (3.4 billion yen).

Hotel & Restaurant Operations sales were 42.2 billion yen (+5.0% YoY), and segment profit was 4.8 billion yen (-2.1% YoY). The hotel occupancy rates were 55.6% (55.9% a year earlier) for XIV; 58.9% (56.9%) for Sun Members; 85.8% (83.7%) for Hotel Trusty; and 41.1% (35.6%) for Baycourt. In addition to the normal operation of the facilities that were closed a year earlier after the 2011 disaster, year-to-date operations of XIV Karuizawa PASEO, XIV Karuizawa Sanctuary Villa MUSEO, and Hotel Trusty Osaka Abeno (all opened in March 2012) contributed to segment results. Segment profit was slightly lower YoY mainly due to higher repair and maintenance costs and bonuses YoY.

Golf Operations sales were 7.2 billion yen (+17.1% YoY), and segment profit was 831 million yen (+90.5% YoY). Strong segment results were due to robust membership sales at Kansai Golf Club (joined the Resorttrust Group in September 2011) and to year-to-date operation of the Grandy Nasu-Shirakawa Golf Club (Fukushima Prefecture), which was closed a year earlier due to the disaster. Segment profit was 2.6% higher than estimate.

Medical Operations sales were 8.7 billion yen (+12.7% YoY), and segment profit was 1.5 billion yen (+142.6% YoY). Robust GRAND HIMEDIC CLUB membership sales and member increases for other services meant higher revenues from annual membership fees. Segment profit was 76.9% higher than estimate. Membership sales were strong in FY03/12, giving the company tough comps in this cumulative Q3. Still, the company saw steady increase in member numbers during the period.

Membership Indicators (Person)

	FY03/05	FY03/06	FY03/07	FY03/08	FY03/09	FY03/10	FY03/11	FY03/12	End-Dec. 2012
Tokyo Baycourt Club		1,163	2,017	2,839	3,331	4,659	6,286	7,095	7,979
XIV	45,541	48,911	52,898	57,145	59,443	60,659	62,127	64,800	66,649
Sun Members	41,927	41,444	40,927	40,306	39,522	38,839	38,192	37,429	36,838
Golf	18,807	20,657	22,237	23,674	25,114	25,585	25,798	27,428	28,407
HIMEDIC	3,657	4,279	4,703	5,136	5,782	5,964	6,328	6,983	7,634
Cruiser	377	427	466	489	494	496	472	490	485
Total	110,309	116,881	123,248	129,589	133,686	136,202	139,203	144,225	147,992

Source: Company data processed by SR Inc.

In Q3 alone (October-December 2012), operating profit growth YoY was 36.6%, better than the 20.6% in Q2 (July-September 2012). Also, the Q3 operating profit was 6.1% higher than company estimate mainly due to strong Tokyo Baycourt Club membership sales of 2.6 billion yen versus the estimate of 1.2 billion yen and to robust Medical Operations.

As of the end of Q3 FY03/13, real estate for sale decreased to 13.9 billion yen from the 19.7 billion yen as of the end of FY03/12 on the back of robust membership sales. In particular, contract rates were high for Tokyo Baycourt Club, and the company appears to expect four to five billion yen worth of contract signings for Q4 FY03/13. Also, by increasing facility utilization, the company intends to increase membership offerings in Medical Operations.

The company maintained its full-year forecasts. However, cumulative Q3 profitability exceeded full-year company estimates. In Q4 FY03/13, the company appears to expect to see an increase in repair costs in Hotel & Restaurant Operations and book valuation losses (i.e., higher COGS) in connection with delayed development of properties in Hota and Suzumejima, both in Chiba Prefecture (total book value: 1.6 billion yen) and a property in Gamagori, Aichi Prefecture (book value: 2.2 billion yen). Still, these projects will be developed from now on, meaning that after completion these properties will likely contribute sales with high margins due to book-value write-downs.

Despite the probability of write-downs in Q4, the robust cumulative Q3 performance likely means the company meeting its full-year estimates, in SR Inc.'s view.

The company plans to announce its next five-year mid-term plan in April 2013. For FY03/14—the first year of the new mid-term plan—the company expects to further expand Medical Operations and begin selling membership for XIV Toba ANNEX II, for which construction will start in the spring of 2014 and end in the spring of 2016. These will likely contribute to better profitability for the company. Other development projects are planned in Rokko (Hyogo Prefecture), Yugawara (Kanagawa Prefecture), Kinugawa (Tochigi Prefecture), among others (see Development Plans for details).

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
61.0	533.0 mn yen	25.3	5.2	0.7

Source: Bloomberg

On **February 8, 2013**, Round One released Q3 FY03/13 results.
(For original Japanese-language only release in PDF format, please click here.)

On **the same date**, the company released monthly sales data for January 2013.
(For original English-language release in PDF format, please click here.)

Monthly Trends

January 2013 sales figures were up 2.7% YoY, with comparable store sales down 2.7% 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**	**8,543**		
Bowling	2,425	2,612	2,208	2,193	2,923	2,400	2,016	1,861	2,424	3,118		
Game	2,725	3,119	2,557	2,794	3,443	2,811	2,601	2,451	2,860	3,315		
Karaoke	611	651	608	673	823	686	592	550	800	798		
SPO-CHA	779	914	670	716	1,297	849	671	628	753	1,043		
Other	235	257	236	237	276	250	221	209	235	267		
Total Sales YoY	**-7.0%**	**-10.1%**	**-2.0%**	**-7.7%**	**-4.1%**	**-4.4%**	**-8.2%**	**-5.7%**	**-4.6%**	**2.7%**		
Bowling	-10.6%	-15.6%	-5.0%	-11.5%	-9.2%	-8.2%	-13.8%	-11.4%	-3.1%	-1.5%		
Game	-7.5%	-7.6%	-4.3%	-9.2%	-6.2%	-8.1%	-8.0%	-4.4%	-11.6%	6.3%		
Karaoke	-6.2%	-9.0%	3.4%	-2.5%	1.7%	3.7%	-2.6%	-2.7%	4.9%	5.4%		
SPO-CHA	7.4%	-2.5%	15.6%	9.5%	13.8%	17.7%	7.1%	6.2%	11.8%	4.0%		
Other	-5.3%	-8.5%	-2.6%	-9.7%	-6.8%	-5.3%	-9.3%	-6.7%	-2.9%	-1.9%		
Comparable Store Sales YoY	**-9.1%**	**-15.1%**	**-7.4%**	**-12.7%**	**-9.2%**	**-8.4%**	**-11.6%**	**-9.2%**	**-9.4%**	**-2.7%**		
Bowling	-11.7%	-18.5%	-8.4%	-14.8%	-12.3%	-10.6%	-15.6%	-13.4%	-6.4%	-5.1%		
Game	-10.4%	-13.5%	-9.9%	-14.6%	-12.2%	-12.1%	-11.4%	-7.9%	-16.5%	-0.3%		
Karaoke	-7.8%	-12.7%	-0.9%	-6.7%	-2.6%	0.1%	-5.6%	-5.6%	0.5%	0.3%		
SPO-CHA	4.2%	-12.7%	0.6%	-2.9%	4.5%	6.2%	-3.6%	-4.1%	1.1%	-3.8%		
Other	-6.2%	-10.6%	-4.9%	-12.0%	-9.8%	-8.4%	-11.0%	-8.5%	-6.5%	-6.6%		
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.

Quarterly Trends & Results

	FY03/12				FY03/13				FY03/13	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	22,238	23,760	20,228	23,342	20,741	22,532	19,071	-	71.8%	86,800
YoY	*12.9%*	*8.7%*	*0.6%*	*3.1%*	*-6.7%*	*-5.2%*	*-5.7%*	-		*-3.1%*
GP	4,696	5,526	2,497	5,070	2,628	4,168	1,066	-		
YoY	*77.0%*	*46.3%*	*1.8%*	*15.5%*	*-44.0%*	*-24.6%*	*-57.3%*	-		
GPM	21.1%	23.3%	12.3%	21.7%	12.7%	18.5%	5.6%	-		
SG&A	390	435	472	456	423	408	457	-		
YoY	*-17.2%*	*-5.6%*	*-1.5%*	*2.5%*	*8.5%*	*-6.2%*	*-3.2%*	-		
SG&A / Sales	1.8%	1.8%	2.3%	2.0%	2.0%	1.8%	2.4%	-		
OP	4,305	5,091	2,026	4,614	2,204	3,760	610	-	56.2%	11,700
YoY	*97.3%*	*53.5%*	*2.6%*	*17.0%*	*-48.8%*	*-26.1%*	*-69.9%*	-		*-27.0%*
OPM	19.4%	21.4%	10.0%	19.8%	10.6%	16.7%	3.2%	-		13.5%
RP	3,177	3,773	1,010	3,521	1,007	2,804	26	-	48.0%	8,000
YoY	*222.5%*	*77.2%*	*16.9%*	*19.3%*	*-68.3%*	*-25.7%*	*-97.4%*	-		*-30.3%*
RPM	14.3%	15.9%	5.0%	15.1%	4.9%	12.4%	0.1%	-		9.2%
NI	1,821	609	42	309	439	1,580	-703	-	131.6%	1,000
YoY	-	-	-	*32.1%*	*-75.9%*	*159.4%*	-	-		*-64.0%*
NPM	8.2%	2.6%	0.2%	1.3%	2.1%	7.0%	-	-		1.2%

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 February 8, 2013; please refer to preceding table)

In cumulative Q3, sales were 62.3 billion yen (-5.9% YoY), operating profit was 6.6 billion yen (-42.4% YoY), recurring profit was 3.8 billion yen (-51.8% YoY), and net income was 1.3 billion yen (-46.8% YoY).

In April 2012, the company opened two new shops, one at the Divercity Tokyo Plaza multipurpose commercial complex in Tokyo and the other in Sennichimae, Osaka. In December 2012, the company opened a new shop in Ikebukuro, Tokyo, and it operated these facilities as flagship shops in eastern and western Japan. However, comparable store sales in cumulative Q3 dropped 10.3% YoY, resulting in lower sales YoY. SR Inc. estimates that weak results in this cumulative Q3 were due to tough comps a year earlier when consumers increased their preference for entertainment that satisfied the characteristics of being value-for-money, close-at-hand, and short as well as to shrinking consumer spending and other unfavorable conditions.

By segment, sales performance was as follows. Figures in parentheses indicate comparable store sales changes:

- Bowling: -9.9% YoY (-12.5%)
- Amusement: -7.5% YoY (-12.2%)
- Karaoke: -0.9% YoY (-4.6%)
- SPO-CHA: +9.4% YoY (-0.7%)

The company's high marginal profit ratio (SR Inc. estimated this at around 80%), coupled with lower sales, resulted in decreases in operating and other profits.

The sales, operating profit, and recurring profit were largely in line with cumulative Q3 company estimates (62.9 billion yen, 6.6 billion yen, and 3.7 billion yen, respectively). Factors behind the difference between the expected and actual recurring profit were as follows. To sum up, the lower-than-expected sales were offset by cost reductions.

- Decline in sales: -500 million yen
- Decline in labor costs: +200 million yen
- Decline in game-machine prize costs: +100 million yen
- Decline in leasing costs: +200 million yen

- Decline in other costs: +100 million yen

For full-year FY03/13, the company projects sale and leasebacks-related losses of 5.8 billion yen. For the cumulative Q3 period, the losses totaled only 1.2 billion yen. The company commented that it would see more sale and leasebacks toward the end of FY03/13, adding that depending on their timing some sale and leasebacks might be pushed back to FY03/14. The company also said that demand for properties (through sale and leasebacks) was growing stronger with potential buyers gradually increasing.

Ship Healthcare Holdings (3360)

Hospital design and supply solution specialist firm benefiting from structural change in the medical industry.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
123.1	1,300.5 mn yen	14.4	8.7	3.2

Source: Bloomberg

On **February 4, 2013**, Ship Healthcare Holdings released 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	41,565	39,551	47,582	60,141	51,185	56,624	52,906	-	73.7%	218,000
YoY	*16.0%*	*7.8%*	*18.4%*	*20.9%*	*23.1%*	*43.2%*	*11.2%*	-		*15.4%*
GP	6,159	5,718	6,644	8,560	7,484	8,030	6,716	-		
YoY	*27.6%*	*4.0%*	*24.1%*	*14.3%*	*21.5%*	*40.4%*	*1.1%*	-		
GPM	14.8%	14.5%	14.0%	14.2%	14.6%	14.2%	12.7%	-		
SG&A	3,810	3,752	4,174	5,212	4,361	4,401	4,635	-		
YoY	*8.3%*	*5.9%*	*9.2%*	*17.6%*	*14.5%*	*17.3%*	*11.0%*	-		
SG&A / Sales	9.2%	9.5%	8.8%	8.7%	8.5%	7.8%	8.8%	-		
OP	2,349	1,967	2,469	3,348	3,122	3,629	2,081	-	73.6%	12,000
YoY	*79.5%*	*0.6%*	*61.1%*	*9.4%*	*32.9%*	*84.5%*	*-15.7%*	-		*18.4%*
OPM	5.7%	5.0%	5.2%	5.6%	6.1%	6.4%	3.9%	-		5.5%
RP	2,644	2,293	2,713	3,603	3,460	3,824	2,282	-	75.0%	12,750
YoY	*59.7%*	*3.0%*	*53.2%*	*12.6%*	*30.9%*	*66.8%*	*-15.9%*	-		*13.3%*
RPM	6.4%	5.8%	5.7%	6.0%	6.8%	6.8%	4.3%	-		5.8%
NI	1,640	1,367	1,485	2,535	2,149	2,257	1,390	-	77.3%	7,500
YoY	*62.5%*	*-40.6%*	*35.4%*	*66.4%*	*31.0%*	*65.1%*	*-6.4%*	-		*6.7%*
NPM	3.9%	3.5%	3.1%	4.2%	4.2%	4.0%	2.6%	-		3.4%

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

Income Statement	FY03/12				FY03/13			
(Million Yen)	1Q	1Q-2Q	1Q-3Q	1Q-4Q	1Q	1Q-2Q	1Q-3Q	1Q-4Q
Total Pack System	14,636	26,545	41,049	66,935	17,912	39,568	53,940	-
Medical Supplies	20,972	42,991	67,217	92,583	24,643	50,828	78,971	-
Healthcare	1,961	3,802	8,397	12,938	4,622	9,264	13,932	-
Dispensing Pharmacy	3,768	7,261	11,245	15,202	3,802	7,636	13,022	-
Other	229	517	790	1,182	206	514	850	-
Sales	**41,565**	**81,117**	**128,699**	**188,840**	**51,185**	**107,809**	**160,715**	**-**
YoY	16.0%	11.9%	14.2%	16.3%	23.1%	32.9%	24.9%	-
Total Pack System	1,432	2,354	3,720	6,147	2,195	5,011	6,284	-
Medical Supplies	368	872	1,413	1,845	400	880	1,272	-
Healthcare	280	567	923	1,179	273	326	470	-
Dispensing Pharmacy	374	784	1,264	1,756	331	696	1,083	-
Other	36	76	100	143	31	78	129	-
Elimination	-141	-338	-635	-938	-107	-239	-405	-
Operating Profit	**2,349**	**4,316**	**6,785**	**10,133**	**3,122**	**6,752**	**8,833**	**-**
YoY	79.5%	32.2%	41.4%	29.0%	32.9%	56.4%	30.2%	-
Operating Profit Margins	5.7%	5.3%	5.3%	5.4%	6.1%	6.3%	5.5%	-
Recurring Profit	**2,644**	**4,936**	**7,649**	**11,252**	**3,460**	**7,284**	**9,567**	**-**
YoY	59.7%	27.2%	35.3%	27.1%	30.9%	47.6%	25.1%	-
Net Profit	**1,640**	**3,008**	**4,492**	**7,027**	**2,149**	**4,407**	**5,797**	**-**
YoY	62.5%	-9.2%	1.9%	18.5%	31.0%	46.5%	29.0%	-

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 February 4, 2013, please refer to tables above)

The company maintained its full-year forecasts.

Cumulative Q3 sales were 160.7 billion yen (+24.9% YoY), operating profit was 8.8 billion yen (+30.2% YoY), recurring profit was 9.6 billion yen (+25.1% YoY), and net income was 5.8 billion yen (+29.0% YoY).

The Total Pack System segment drove overall performance. This segment saw a continued increase in large projects and strong sales of the company's own products.

Details of the performance of its business units were as follows:

Total Pack System Segment
Sales in the Total Pack System segment were 53.9 billion yen (+31.4% YoY), operating profit was 6.3 billion yen (+68.9% YoY), and the operating profit margin was 11.7% (9.1% a year earlier). The segment saw higher-than-expected project numbers. Also, sales were strong for specialized bath equipment, shadowless lamps, operation room interiors, and medical gas equipment.

Medical Supplies Segment
Sales in the Medical Supplies segment were 79.0 billion yen (+17.5% YoY), operating profit was 1.3 billion yen (-10.0% YoY), and the operating profit margin was 1.6% (2.1% a year earlier). The company saw higher transaction volumes and gains in operating efficiency, such as receiving orders for in-hospital supply processing and distribution (SPD) systems from 26 Iwate prefectural hospitals. On the other hand, certain subsidiaries lost their clients. Also, lower redemption prices of special medical supplies used in cardiology and other specialized devices meant lower operating profit margin YoY.

Healthcare Segment (Elderly Care Business)
Sales in the Healthcare segment were 13.9 billion yen (+65.9% YoY), operating profit was 470 million yen (-49.0% YoY), and the operating profit margin was 3.4% (11.0% a year earlier). Much higher facility counts following the December 2011 acquisition of the AntCare Holdings Co., Ltd. subsidiary and more facilities providing food services led to higher sales YoY. On the other hand, goodwill write-offs in connection with the acquisition, ongoing restructuring efforts at acquired facilities, and upfront expenses related to the August 1, 2012, opening of Reha-Mode Villa Shiroi (a government-promoted, multifunction, small, residential complex for elderly people with high rehabilitation needs) resulted in lower operating profit margin and, consequently, lower operating profit YoY.

Dispensing Pharmacy Segment
Sales in the Dispensing Pharmacy segment were 13.0 billion yen (+15.8% YoY), operating profit was 1.1 billion yen (-14.4% YoY), and the operating profit margin was 8.3% (11.2% a year earlier). Through acquisitions, the number of dispensing pharmacies managed by SHIP increased by 17, and the company opened new pharmacies, which resulted in higher segment sales YoY. Meanwhile, the operating profit margin and operating profit decreased YoY due to pharmaceutical price revisions lowering drug prices. SHIP commented that it would continue negotiating for appropriate drug prices with drug wholesalers to secure earnings.

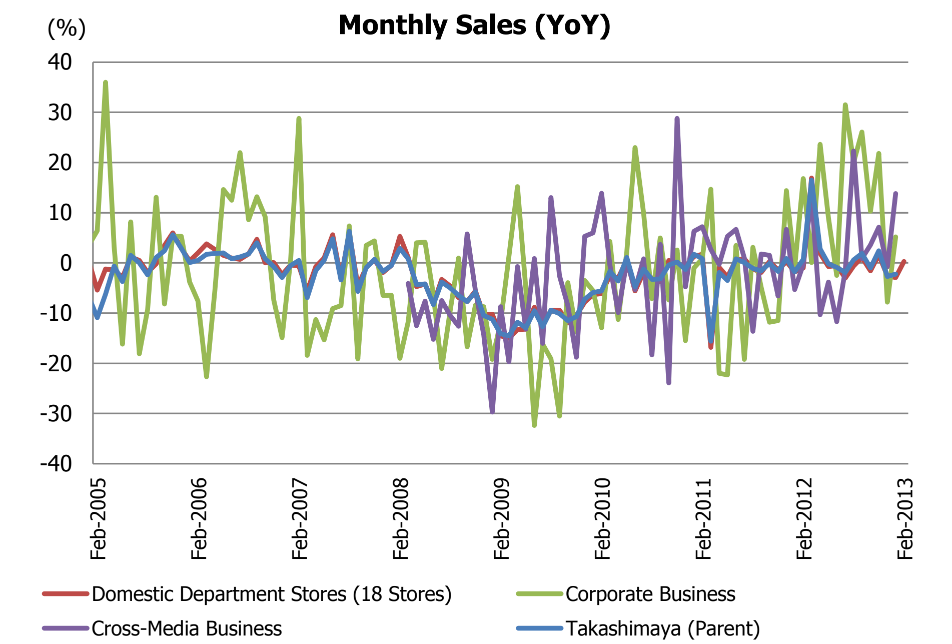
Takashimaya Co Ltd (8823)

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

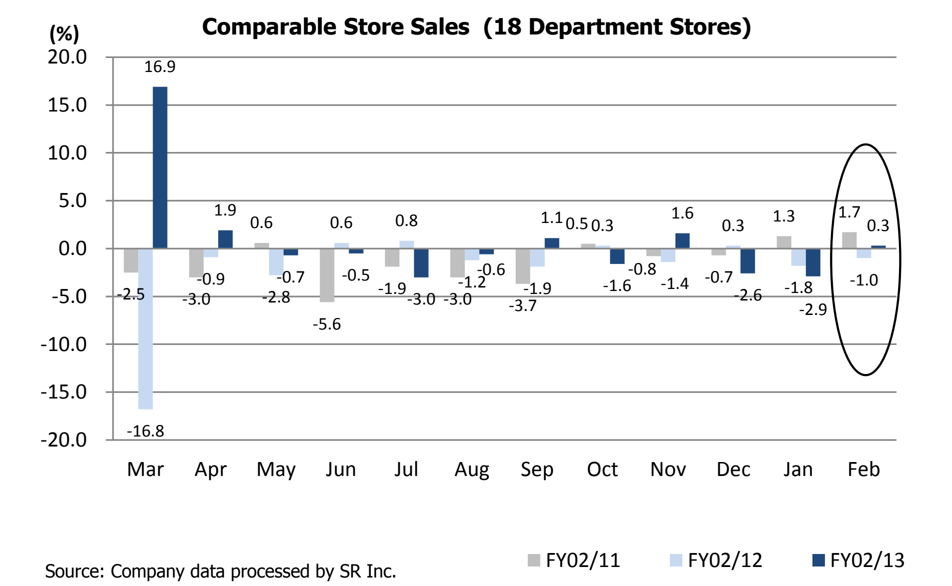
Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
264.7	1,285.3 mn yen	22.2	7.8	0.9

Source: Bloomberg

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

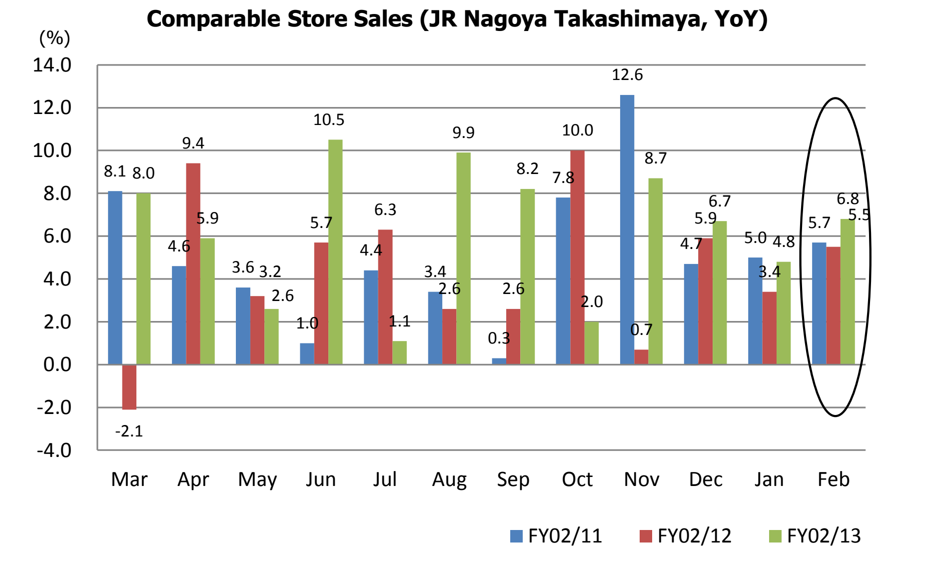


Source: Company data processed by SR Inc.



Source: Company data processed by SR Inc.

In February 2013, sales at Takashimaya (parent) and 18 domestic department stores were up 0.3% YoY, the first YoY increase since three months ago. Improving stock markets and a resultant increase in personal assets drove robust sales of luxury apparel, accessories, and men's clothing.



Source: Central Japan Railway Company data processed by SR Inc.

The company's monthly sales data does not include data on JR Nagoya Takashimaya, an equity-method affiliate. However, according to data of Central Japan Railway Company (TSE1: 9022), monthly sales at JR Nagoya Takashimaya have sustained a strong trend since 2010 without renovations or floor expansions thanks to the robust local economy. Based on the data, JR Nagoya Takashimaya has annual sales in the region of 104.0 billion yen.

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
2.5	5.1 mn yen	N/A	N/A	N/A

Source: Bloomberg

On **February 26, 2013**, Verite announced the termination of a PANDORA business franchise contract.
(For original Japanese-only release in PDF format, please click here.)

The company signed a franchise contract with PANDORA Jewelry Asia-Pacific Limited (PAP) on November 11, 2010. Since then, based on the franchiser's permission, the company has operated 20 PANDORA stores nationwide.

On the back of improving performance in its core Jewelry segment, the company has been discussing with PAP on the PANDORA business strategy. Following the discussions, the two parties agreed to terminate the contract on March 31, 2013.

The company said that this contract termination would have immaterial impact on its FY03/13 performance and accordingly maintained its full-year forecasts.

On **February 14, 2013**, the company announced Q3 FY03/13 results.
(For original Japanese-only release in PDF format of earnings results, please click here.)

On **February 8, 2013**, the company announced January 2013 sales figures.
(For original release in English-Japanese language PDF format, please click here.)

Monthly Trends

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%	-3.9%				-3.6%
Customer Count	-4.1%	-6.9%	2.6%	-8.7%	-0.1%	-5.5%	-12.4%	-7.4%	-6.8%	3.4%				-4.6%
Sales Per Customer	12.0%	16.6%	-14.3%	1.5%	4.1%	7.0%	11.8%	-5.7%	-4.3%	-7.0%				1.0%
Stores	100	100	101.0	101	101	102	103	104	104	102				102
Comparable Stores														
Sales	6.4%	9.8%	-11.3%	-4.2%	1.3%	-1.5%	-2.2%	-6.1%	-9.1%	-4.2%				-2.8%
Customer Count	-2.9%	-3.7%	1.0%	-8.6%	-2.4%	-8.2%	-14.8%	-5.3%	-5.2%	3.1%				-4.7%
Sales Per Customer	9.6%	14.0%	-12.2%	4.8%	3.8%	7.3%	14.8%	-0.8%	-4.1%	-7.1%				2.0%
Stores	81	81	82	84	85	90	92	96	96	95				95
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.

Quarterly Trends & Results

Quarterly Performance	FY03/12				FY03/13				FY03/13	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	2,056	2,361	2,727	2,947	2,095	2,277	2,469	-	70.4%	9,721
YoY	*-13.4%*	*-3.0%*	*7.1%*	*35.5%*	*1.9%*	*-3.6%*	*-9.5%*	-		*-3.7%*
GP	1,164	1,318	1,555	1,464	1,152	1,247	1,776	-		
YoY	*-3.8%*	*7.9%*	*19.0%*	*28.5%*	*-1.0%*	*-5.4%*	*14.2%*	-		
GPM	56.6%	55.8%	57.0%	49.7%	55.0%	54.8%	71.9%	-		
SG&A	1,263	1,385	1,419	1,430	1,371	1,333	1,368	-		
YoY	*7.4%*	*12.1%*	*20.6%*	*16.5%*	*8.6%*	*-3.8%*	*-3.6%*	-		
SG&A / Sales	61.4%	58.7%	52.0%	48.5%	65.4%	58.5%	55.4%	-		
OP	-99	-67	136	25	-218	-86	406	-	41.5%	246
YoY	-	-	*4.6%*	-	-	-	*198.5%*	-		-
OPM	-	-	5.0%	0.8%	-	-	16.4%	-		-
RP	-110	-120	118	22	-238	-105	378	-	13.8%	254
YoY	-	-	*34.1%*	-	-	-	*220.3%*	-		-
RPM	-	-	4.3%	0.7%	-	-	15.3%	-		-
NI	-126	-141	87	-32	-254	-202	354	-	-	112
YoY	-	-	*14.5%*	-	-	-	*306.9%*	-		-
NPM	-	-	3.2%	-	-	-	14.3%	-		-

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 February 14, 2013; please refer to tables above)

In cumulative Q3, sales were 6.8 billion yen (-4.2% YoY), operating profit was 102 million yen (30 million yen loss a year earlier), recurring profit was 35 million yen (112 million yen loss a year earlier), and net loss was 102 million yen (180 million yen loss a year earlier). Improved profitability was due to the company reorganizing its sales divisions, using customer relationship management (CRM) systems, and strengthening Christmas promotions and in-store and local events. During the Q3, the company opened one new store in the Brands segment and one new MiMiKaZaRi store with a focus on better market recognition and ever-diversifying consumer needs.

Performance by segment was as follows:
(Verite also recorded 638 million yen in group-level costs not related to the two segments below.)

Jewelry
Sales of 6.2 billion yen (-8.9% YoY); Segment profit of 903 million yen (-4.7% YoY)

Comparable store sales in cumulative Q3 were down 2.9% YoY (customer counts: -6.7% YoY; sales per customer: +4.0% YoY).

Brands
Sales of 622 million yen (+96.4% YoY); Segment loss of 163 million yen (338 million yen loss a year earlier)

Comparable store sales in cumulative Q3 for the Brands business were up 6.0% YoY (customer counts: +23.1% YoY; sales per customer: -13.9% YoY).

Store Counts (as of end-Q3 FY03/13)
The company had a total of 104 stores (+5 stores YoY). Breakdown by store format was as follows:

- Verite: 78 (+1 YoY)
- Maharaja Diamond: 4 (unchanged)
- PANDORA: 20 (+4 YoY)
- MiMiKaZaRi: 2 (+2 YoY); the first store opened at the Isetan Shinjuku store; and the second store opened at the Hankyu Umeda department store

In the Q3 (October-December 2012) alone, the gross profit margin was 71.9%, much higher than the 57.0% a year earlier, probably due to contributions from high-margin products (e.g., MiMiKaZaRi).

Under current assets, inventories were 5.6 billion yen, up 312 million yen from the end of FY03/12.

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.

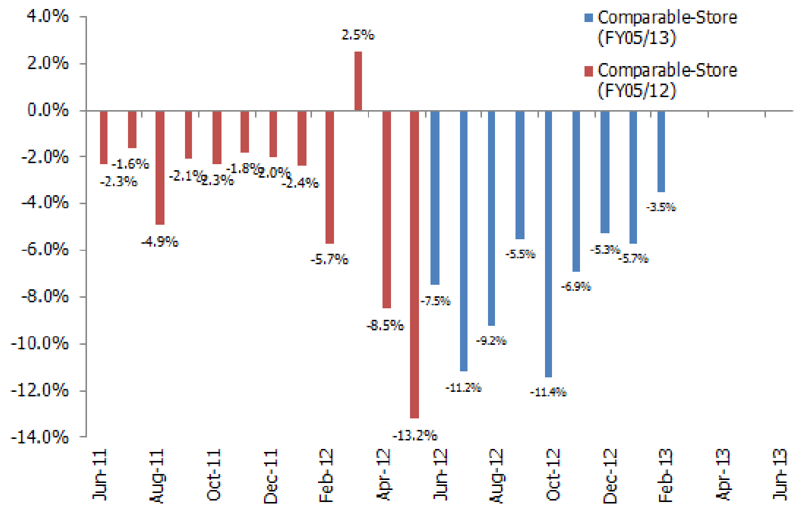
Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
9.8	36.5 mn yen	7.2	3.7	0.6

Source: Bloomberg

Village Vanguard released monthly sales data for January on **February 5** and for February on **March 5, 2013.**

(For original sales data in Japanese language only, please click here.)

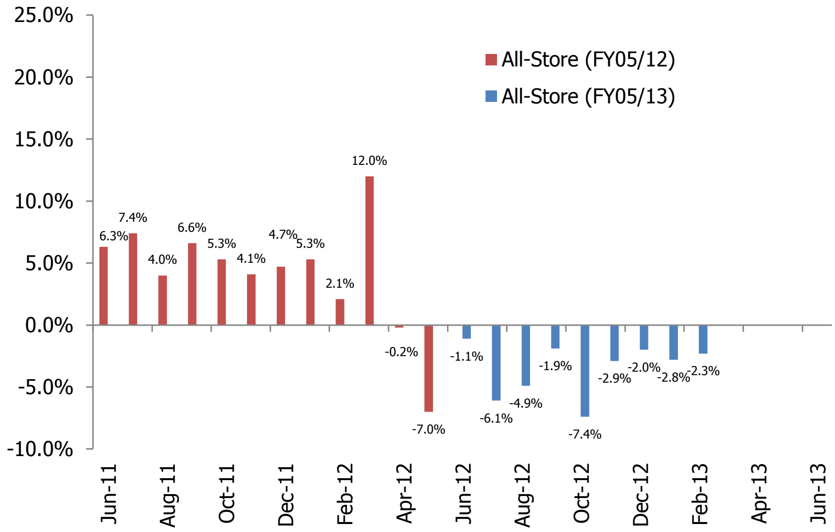
Trends of Comparable-Store Sales (YoY)



(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.)

WirelessGate Inc (9419)

Japan's first mobile virtual network operator (MVNO) and aggregator

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
11.6	468.9 mn yen	24.5	16.1	7.4

Source: Bloomberg

On **February 8, 2013**, WirelessGate, Inc. released full-year FY12/12 results.

Quarterly Performance	FY12/12				FY12/12	
(Million Yen)	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	1,232	1,331	1,423	1,515	98.5%	5,582
YoY	-	-	-	-		62.2%
GP	428	445	463	467		
YoY	-	-	-	-		
GPM	34.7%	33.4%	32.6%	30.8%		
SG&A	275	310	301	319		
YoY	-	-	-	-		
SG&A / Sales	22.3%	23.3%	21.2%	21.0%		
OP	153	134	162	148	107.0%	558
YoY	-	-	-	-		44.4%
OPM	12.4%	10.1%	11.4%	9.8%		10.0%
RP	153	132	144	147	104.9%	548
YoY	-	-	-	-		41.8%
RPM	12.4%	9.9%	10.1%	9.7%		9.8%
NI	153	102	84	85	102.7%	412
YoY	-	-	-	-		47.6%
NPM	12.4%	7.7%	5.9%	5.6%		7.4%

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

FY12/12 Results (Announced on February 8, 2013; please refer to the preceding table)

Full-year sales were 5.5 billion yen (+59.9% YoY), operating profit was 597 million yen (+54.5% YoY), recurring profit was 576 million yen (+49.0% YoY), and net income was 423 million yen (+51.7% YoY). Please note that the YoY comparison figures here are just for reference purposes as the company began consolidated accounting from FY12/12.

From January through December 2012, domestic shipments of smartphones (excluding foreign manufacturers) totaled 15.8 million units, exceeding the 10.9 million unit mark in calendar year 2011 (Source: Japan Electronics and Information Technology Industries Association; JEITA). This highlighted the burgeoning Japanese market for devices such as smartphones and tablets, which use wireless data-communications services. Against this backdrop, the company's broadband subscribers reached 350,000 (about 300,000 as of the end of FY12/11).

FY12/12 sales were 98.5% of full-year company estimate; operating profit, 107.0%; recurring profit, 104.9%; and net income, 102.7%. Lower-than-expected sales were due to the company offering WiMAX services for free during a limited period in a competitive environment. Still, the company was able to improve profitability YoY because of the campaign's profitable scheme.

The operating profit margin in the Q4 alone was 9.8%, somewhat lower than other quarters. The company said that this was due to an increase in sales promotion costs. Higher sales promotion costs came from increased flyers, etc. in connection with the Wi-Fi service fee plan standardized in December 2012. Previously, the company offered Wi-Fi services with three fee plans, but these were integrated into one plan (monthly fee of 380 yen for Wireless Gate Wi-Fi Services) for better customer understanding of the service. Also, the company said that the launch of "Wireless Gate Wi-Fi + LTE" service in December 2012 meant website development costs.

Sales came from the following services:

- **Wireless Broadband Services**

Public Wireless LAN Service (Sales: 821 million yen)
In December 2012, WirelessGate increased its Wi-Fi hotspots nationwide, from about 10,000 to 20,000 (30,000 as of February 2013). Also, the company worked to improve convenience for Wireless Gate Wi-Fi users by, for example, offering a smartphone application to access public wireless LANs. At electronics mass-retailer outlets, the company strengthened promotional activities, and in December 2012 it began selling Wireless Gate Wi-Fi service at mobile phone dealers in a bid to gain new subscribers.

Mobile Internet Service (Sales: 4.7 billion yen)
The company commented that new subscribers were increasing for Wireless Gate Wi-Fi + WiMAX service due to its aggressive promotional campaigns at electronics retailers. In December 2012, the company began offering Wireless Gate Wi-Fi + LTE service.

- **Wireless Platform Services** (Sales: 10 million yen)

Through this service, WirelessGate was providing corporate clients with public wireless LAN service authentication/charging systems—a core platform for its Wireless Broadband Services.

- **Other** (Sales: 2 million yen)

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

On **February 6, 2013**, the company announced that it would add "eo Mobile Wi-Fi Spot" areas to its service areas.
(For original Japanese-language release in PDF format, please click here.)

WirelessGate will begin offering its Wireless Gate Wi-Fi public wireless LAN service in the "eo Mobile Wi-Fi Spot" wireless LAN service areas of K-Opticom Corporation from February 12, 2013.

The Wireless Gate Wi-Fi service has been available at about 20,000 Wi-Fi hotspots nationwide. The addition of the "eo Mobile Wi-Fi Spot" areas will make WirelessGate's service available at about 30,000 Wi-Fi hotspots nationwide, including convenience stores, and amusement and commercial facilities in the Kansai region, where K-Opticom bases its operations.

Yellow Hat Ltd (9882)

Nationwide auto parts distributor. Restructured store network to clear the path for renewed growth. Financial condition improving.

Market cap (bn Yen)	Av. Daily 3-month volume	Trailing PE	Trailing EV/Ebitda	Current PB
35.5	76.9 mn yen	5.8	5.5	0.7

Source: Bloomberg

On **February 1, 2013**, Yellow Hat announced 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	23,619	24,725	32,730	22,036	28,346	27,229	38,743	-	78.2%	120,619
YoY	*12.3%*	*9.0%*	*6.5%*	*7.7%*	*20.0%*	*10.1%*	*18.4%*	-		*17.0%*
GP	5,921	6,376	7,344	7,296	7,560	8,384	9,825	-		
YoY	*16.0%*	*10.3%*	*6.4%*	*18.5%*	*27.7%*	*31.5%*	*33.8%*	-		
GPM	25.1%	25.8%	22.4%	33.1%	26.7%	30.8%	25.4%	-		
SG&A	4,612	4,749	5,015	6,323	6,759	6,592	6,957	-		
YoY	*-1.7%*	*0.2%*	*5.3%*	*18.4%*	*46.6%*	*38.8%*	*38.7%*	-		
SG&A / Sales	19.5%	19.2%	15.3%	28.7%	23.8%	24.2%	18.0%	-		
OP	1,308	1,627	2,330	973	800	1,793	2,868	-	82.4%	6,625
YoY	*215.9%*	*56.3%*	*8.7%*	*19.2%*	*-38.8%*	*10.2%*	*23.1%*	-		*6.2%*
OPM	5.5%	6.6%	7.1%	4.4%	2.8%	6.6%	7.4%	-		5.5%
RP	1,833	1,703	2,571	1,081	1,206	1,988	3,011	-	80.1%	7,749
YoY	*230.9%*	*60.2%*	*8.6%*	*-10.4%*	*-34.2%*	*16.7%*	*17.1%*	-		*7.8%*
RPM	7.8%	6.9%	7.9%	4.9%	4.3%	7.3%	7.8%	-		6.4%
NI	1,251	1,409	1,507	1,077	3,057	276	1,762	-	86.8%	5,872
YoY	-	*6.6%*	*-0.6%*	*213.1%*	*144.4%*	*-80.4%*	*16.9%*	-		*12.0%*
NPM	5.3%	5.7%	4.6%	4.9%	10.8%	1.0%	4.5%	-		4.9%

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 February 1, 2013; please refer to the table above)

The company maintained its full-year forecasts.

The cumulative Q3 period provided difficult conditions for the company, including lower demand YoY for electronics compatible with terrestrial digital broadcasting and for tires due to special demand for these products a year earlier as well as falling sales prices of car navigation systems. However, contributions from new subsidiaries Montecarlo Co. and Driver Stand Co., new store openings, and various sales initiatives drove cumulative Q3 sales up to 94.3 billion yen (+16.3% YoY) and gross profit to 25.8 billion yen (+31.2% YoY).

Higher store counts in connection with the addition of new subsidiaries meant SG&A expenses coming in 41.3% higher YoY at 20.3 billion yen. Still, operating profit was 5.5 billion yen (+3.7% YoY), and recurring profit was 6.2 billion yen (+1.6% YoY). After extraordinary gains of 2.2 billion yen and extraordinary losses of 1.2 billion yen, net income was 5.1 billion yen (+22.3% YoY).

Breaking down the top-line by the sales channel, Wholesale channel sales were 51.4 billion yen (-2.5% YoY), and Retail channel sales were 37.2 billion yen (+62.2% YoY). The company has increasingly cut back on its directly managed store network but meanwhile raised its groupwide store count. This has resulted in higher sales for the Wholesale channel and lower sales for the Retail channel. But the two new subsidiaries seemed to have push up Retail channel sales in the cumulative Q3 period.
The total store count as of the end of Q3 FY03/13 was 621 stores, of which the breakdown was:

Domestic

- Yellow Hat: 553
- Montecarlo: 13
- Drivers Stand: 5
- 2-Rin-Kan (motorcycle parts): 35

Overseas
Yellow Hat: 15

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
41.1	366.4 mn yen	43.3	30.9	15.2

Source: Bloomberg

On **February 28, 2013**, Yumeshin Holdings announced the issuance of share warrants through third-party allotment using treasury shares.
(For original Japanese-language PDF announcement, please click here.)

In a meeting held on the same day, the company's board decided to issue the Fourth-Sixth Series Share Warrants through third-party allotment. The planned allottee is Deutsche Bank AG (London Branch). At the same time, the company decided to sign a share warrant purchase ("target issue program," or TIP) agreement with the bank.

When exercised, dilutive shares would be 7,500 thousand shares, 10.1% of the outstanding shares (14,032 thousand shares) as of February 28, 2013. It should be noted, however, that the shares to be issued through the exercise of the warrants will be the treasury shares that the company owns. This means that the warrants' exercise will not change the total number of outstanding shares (including treasury shares).

The company cited the following as the use of proceeds:

- Working capital (mainly for technician hiring): 3.0 billion yen
- Debt repayments: 2.6 billion yen

Overview of Share Warrants Issue (Allotment)

- Issue date: March 18, 2013
- Number of warrants to be issued: 7,500 thousand (three series of 2,500 thousand each)
- Dilutive shares: 7,500 thousand (one share per one warrant)
- Proceeds: 5.6 billion yen
- Exercise price: Fourth Series: 500 yen; Fifth Series: 750 yen; Sixth Series: 1,000 yen
- Change of exercise price: Fourth Series: No; Fifth Series: No; Sixth Series: Yes (see below)
- Exercise request period: Three years for each series
- Planned allottee: Deutsche Bank (London Branch)
- Scheme's advantages: (1) fixed exercise prices (i.e., fixed fund raising amounts); (2) exercise permission option; (3) fixed maximum numbers of shares to be issued; (4) purchase cancellation option; (5) preparedness for equity financing
- Scheme's disadvantages: (1) inability to raise funds in full at once; (2) limited access by investors in general; (3) possibility of not being able to raise funds when stock prices are dropping; (4) possibility of stock prices falling with the exercise of warrants by the allottee; (5) possibility of not being able to raise funds with the allottee not exercising warrants.

Target Issue Program (TIP) with Exercise Permission Option

In this program, the company sets three target stock prices at which it desires to dispose of treasury shares. These prices are essentially the exercise prices for the share warrants. The allottee must get the permission from the company prior to the exercise of warrants. The exercise permission option means that the allottee must follow certain rules in exercising the warrants (i.e., limited number of warrants, limited period of time). The company said that it would give the permission in line with its funding needs and market conditions.

The exercise prices for the Fourth and Fifth Series Share Warrants are fixed at the target stock prices. For the Sixth Series Share Warrants, however, the company may change the exercise price by its board's decision from March 18, 2013. If the board makes that decision, the company must notify the allottee immediately. After the business day following the notification, the exercise price shall be changed to 92% of the closing price of the company's stock on the trading day preceding the effective date. The exercise price may be lowered down to 500 yen.

On **February 8, 2013**, the company released monthly sales and hiring data for January 2013.
(For original Japanese-language 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**	**664**									**2,544**
(YoY)	24.1%	22.1%	28.6%	35.1%									
Hired Numbers of Construction Staffing													
Est.	35	35	35	40									**800**
Act.	32	68	35	61									
(Difference)	-3	33	0	21									**51**

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

Shared Research provides an internet-based research and information sharing platform that aggregates user editable reports on Japanese companies. We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting continuously updated third party view of the business fundamentals, independent of investment biases. Shared Research can be found on the web at http://www.sharedresearch.jp.

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