



Shared Research Monthly Wrap - March 2014

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Monthly musings

Market view from Sendagi

For Japan, February 2014 was an uneventful month apart from the Sochi Olympics, where Japan performed reasonably well, and failing to agree with the US at the Singapore round of TPP talks.

I guess I have to mention Ukraine. Instead of supplying my opinions, let me just refer you to VIX. Rightly or wrongly, the markets just said—“yawn”.

The February market action was boring. Electric machinery, telcos, and pharma outperformed. Financials, property, and retail underperformed. Topix plunged in the first few days, then recovered a bit but failed to rally. The performance gap with the US market has remained (where VIX has spiked on Argentine and other debt concerns but then calmed down again).

The scenario that to me looks most likely is that Japanese equities will remain rather directionless until first the BOJ (further easing) and then the government (further initiatives and reforms) come up with enough material for optimism, to overcome the real or perceived negative impact of the consumption tax hike. Therefore, my best seasonal guess for 2014 is that the summer rally will last until (a) late July when Abe fails to further impress with his growth agenda, or (b) November-December if Abe does impress and the next catalysts are both Q2-Q3 earnings and GDP numbers.

Meanwhile, I keep my Topix 100 portfolio unchanged. If I was trading any of the initial positions, I would probably have exercised a stop loss on such detractors as Astellas, KDDI, JFE and Fujitsu. But I don't trade and don't see much point in significantly shifting the weights. If this is a bull market and financials don't move strongly sooner or later, I would be surprised.



Rather than staying on a topic that I have very little to say about, let me move on to Part II of the productivity discussion that I started in the previous edition of Market View.

We stopped at the point where it became clear that at least some of the lower productivity challenges for Japan lie in the fact that the country lowered its “economic metabolism” in the 1990s to protect its aging baby boomers. Essentially, productivity growth may have been, to some extent, sacrificed to protect labor welfare. The economy overproduced during the bubble stage of the late 1980s but failed—or refused—to purge the labor overcapacity once the bubble had burst.

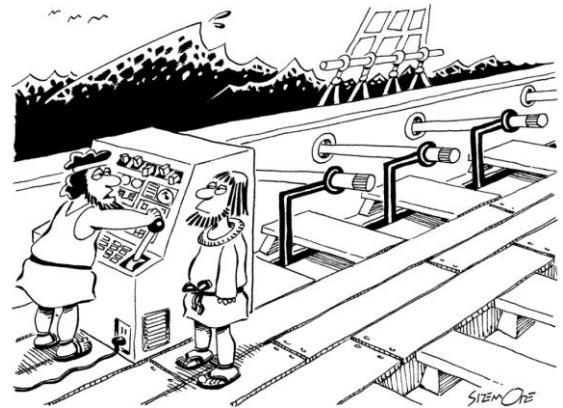


I suspect that this in turn hurt the incentives for the private sector to innovate and improve capital productivity. Indeed, private firms already had too many factor inputs—ample aging employees and capital stock (to keep those employees working)—on their hands and were restricted in their ability to rapidly shift their business structure to more productive setups by investing in IT and exiting low-return businesses.

[A paper by Kohsaka et al.](#) on Japanese productivity growth highlights an interesting phenomenon. While the relative slowdown in productivity growth in Japan compared with the US has been pronounced and well-documented, the source of the slowdown is less well understood. The general perception—which I believe includes many market participants—can be summarized as “Japanese industry is losing its competitiveness”, with the statement arguably extending to productivity.

In fact, says Kohsaka, the manufacturing and communication sectors of the economy continued to drive productivity growth, on par with the US. It is the cycle-prone industries of construction, finance and trade that are to blame. These industries are much more exposed to the domestic demand cycle and less subject to competition.

When you think about it, it all makes sense. The construction industry in Japan has been traditionally a massively inefficient sector, supported by strong political interests, and historically an intersection where legitimate and illegitimate economies met. When the pork barrel politics and overflow from the Japanese economic growth of the 1970-80s created strong cash flows for the construction industry, it supported productivity gains and masked inefficiencies. Once the gravy train stopped, productivity declined. Whether or not this is irreversible for the construction sector remains to be seen. If, in the face of strong cyclical demand through 2020, the construction industry is able to raise prices in excess of labor cost increases, the outcome should count as rising productivity.



Productivity is up, but I miss my whip.”

The finance industry is even simpler. In the US, the mortgaging of America was probably one of the drivers of lifting “productivity” in the sector. On a practical level, it is hard to see how one of the few industries that doesn’t *produce* anything at all, can be more or less *productive*. As interest rates collapse, getting a cut for itself gets mathematically more difficult for lenders. This, combined with a general reluctance of both businesses and consumers in Japan to leverage up (some would say in stark contrast with the US of the early 2000s), would generally produce visible productivity declines.

Finally, trade. Here I would simply blame deflation, or looked at differently, the adjustment of real prices across the board to the level reflecting the real state of the economy and consumer demand. The effect on trade is similar to the one discussed for financials—with downward pressure on prices, trade must be more efficient but in the presence of near-perfect competition all the gains will be taken away and given to the consumer.

Looking at all this, my conclusion is... Apart from the negative impact of labor force shrinkage, productivity in Japan has almost nowhere to go but up.

Let’s think about it together. What matters in any dynamic process, be it the stock market or a mechanical system, is incremental change. We all know that bad companies often show sustained outperformance versus good companies near the middle of the bull market phase. When things start getting better in the real economy, the incremental positive change (in most cases of a cyclical nature) at



structurally weak firms tends to be bigger than that for stronger players. In many cases, not getting worse is a big enough incremental change to drive temporary outperformance.

I wonder if the story of Japanese productivity will follow similar logic in the coming few years. By the way, I'm not implying that Japan is a "bad company". I simply wanted to emphasize the extreme importance of incremental change. In Japan, this incremental change is likely to be overwhelmingly positive for productivity growth.

In finance, with interest rates at zero for such a long time, there is nowhere to go but up (or at least stay flat). In trade, the efficiencies were squeezed out and transferred to consumers for almost 20 years. At the same time, we have been witnessing an increasing concentration of players, both in wholesale and retail trade. One could argue that while the sector will remain competitive, competition will be increasingly about innovation and differentiation—positively impacting productivity. The list goes on. No matter where I look, I see *incremental* positives.

The fundamental point is that we are talking about cyclical factors of productivity enhancement, not structural ones. I argue that the current government policies started happening in the sweet spot—the bottom—of the economic cycle and thus are likely to have a prolonged positive cyclical effect on the economy. If and when it becomes clear that the up-cycle will be long enough, higher confidence and leaner corporate structures should lead to incremental investment, resulting both in higher TFP (total factor productivity) and capital deepening.

This cyclical recovery in productivity growth, and the economic growth itself, should buy Japan time to address its structural productivity issues. As we discussed in the previous edition of Market View, the only way this mature economy can do it is through innovation.

An interesting side note: the role of the service sector. When services start playing a larger role in developed economies, this is detrimental to productivity growth. This is due to the fact that it is harder to increase productivity in the industries where people service people. Smiling harder will do little to increase output per restaurant waiter (although it may not be so in the night shift of the service economy).

The great promise of inbound tourism for Japan is that it will hopefully reallocate people who currently contribute nothing to productivity gains, and make them contribute something. This includes stay-at-home moms, who can only accept part-time opportunities, and low-skilled workers. The incremental change will be positive and read as structural productivity gains. Further gains will be obtained from spillover effects, impacting trade and niche manufacturing (which we may call "arts and crafts" but in France mean high fashion and Louis Vuitton).

Back to innovation. Here, there are no set recipes. I am personally a strong believer in free enterprise. In that light, I believe that the way to boost innovation is to provide entrepreneurs with incentives to develop businesses and technologies (lower taxes, simpler procedures, less regulation) and remove disincentives (red tape, artificial barriers to entry, difficulties in obtaining credit etc). With Abenomics, I'm somewhat concerned with government attempts to impact innovation via grants and subsidies. I'm afraid that this may in the end result in nothing more than economic dislocations and *loss* of innovation. The biotechnology revolution in the US, for instance, is primarily driven not by FDA policies but by the presence of the deep pool of private venture capital and the business culture that encourages risk taking.

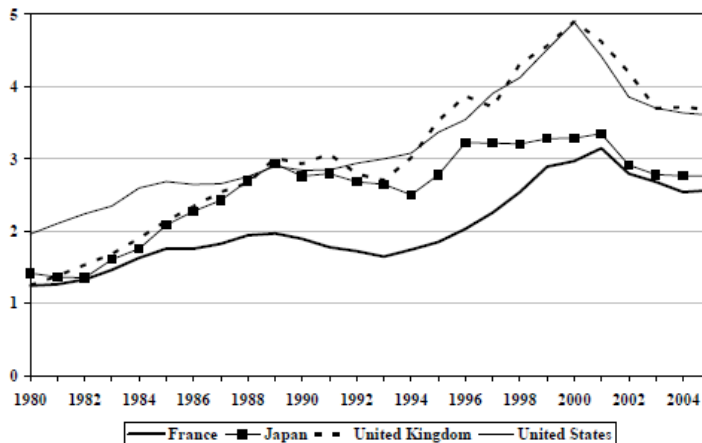
We should not forget the fact that the sectors that still define Japan's industrial profile, from autos to electronics, emerged not as a result of industrial policies but entrepreneurship.

Fostering entrepreneurship and boosting new business creation also helps innovation in a major but subtle way. Remember the comparison statistics for business entry and exits between the US and Japan? In Japan fewer businesses are born each year and fewer die. It is logical to assume that new



entrepreneurial organizations will be keener users of new productive-boosting technologies. Why? Simply because by virtue of being new, they don't have legacy systems and organizations. Without necessarily being smarter than existing businesses, new firms use the newest available techniques and technologies. Could this be the reason why countries with a higher enterprise metabolism rate, such as the UK and the US, have a higher percentage of ICT investment-to-GDP ratio compared with Japan and, say, France? Can you think of any other similarities between the latter two countries?

ICT investment –GDP ratio in France, the United Kingdom, the United States and Japan for 1980-2005
In percentage points



[Click here to see the source.](#)

Some of the structural rigidity will go away without much reform. I mentioned in the previous edition of the Market View that one of the likely structural reasons for lower productivity growth in Japan was the social contract, the trade-off decision made by the country to protect its aging workers.

The good news is, these workers are in the process of exiting the workforce. Actually, in most cases they don't stop working, so the previous sentence is incorrect. Instead, the baby boomers leave their stable lifetime jobs and go into various forms of pre-retirement employment, be it tinkering with their own marginal businesses or, more commonly, switching to one-year contracts at their previous employers, with fewer benefits and lower salaries but the same desk. This lowers the cost and finally removes the clot in the system that we were discussing last month. The benefits of baby boomers don't stop here.

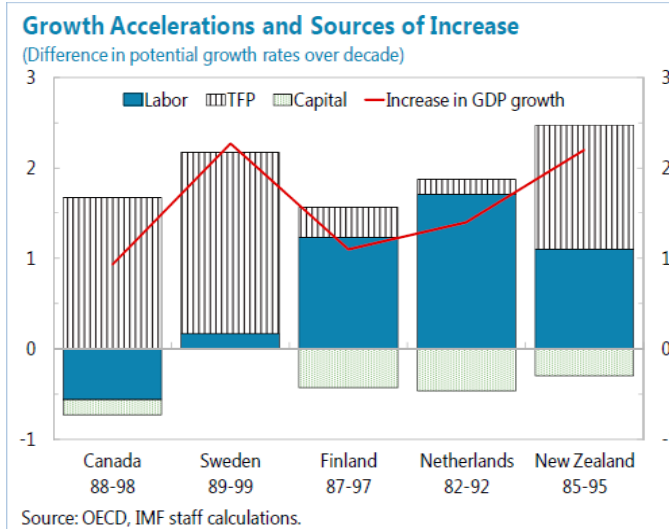
Another great thing is that the junior baby boomers, now in their forties, are entering the management echelon. Those employees who joined their companies at age 22-25 and are now 42-45 years old, are very different from their predecessors. Joining the company in 1993 must have felt very different from doing the same in 1973. I believe that the junior baby boomers have a slightly different set of assumptions about the social contract. They didn't have the opportunity to see the stunning growth and the economic world conquest that their fathers witnessed and participated in. The sons and daughter had fewer things they could take for granted. This will likely profoundly affect the way Japanese companies run their business in the coming years—once the junior baby boomers come to dominate the CEO lists.

I think that in itself should bring the dynamism that many observers think has left Japan. The new management teams also have additional reasons to be aggressive and pro-growth. Unlike the previous generation of leaders, the new generation so far has nothing to brag about. Who do you want to run an army—an elderly general with fond memories of his cavalry running over the enemy's positions, or a much younger one, with no track record but (hopefully) hunger for action. On an individual basis, the latter represents more risk to his army. But when the armies (business firms) are a multitude, it is probably better to have dynamic leadership. The averages and passage of time will take care of the rest. This is probably a good place to stop. But first let me preview a few points that I want to discuss further in



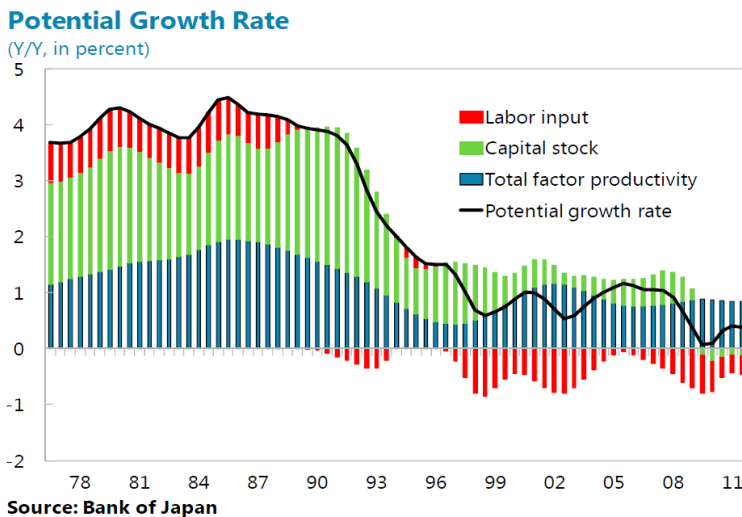
the next installment of the Market View.

Please take a look at the graph below. It shows the potential growth rates calculated by economists for several countries during the period when those countries were coming out of a prolonged slump.



It is obvious that there were two distinct sources of growth—the much discussed TFP and labor. Next time I want to look at some of those cases and see what lessons might lie there—bringing us back to the topics of regulatory reform and... immigration.

Meanwhile, let me finish with one more chart, looking at the same data as the one above, but for Japan. I have used it before.



Enjoy the coming spring!

Oleg Zuravljov



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Fall 2013 TOPIX100 Portfolio

Return Comparison (%)		Start Date	Current Date
TPX100	3.19	2013/10/11	2014/3/7
Portfolio	2.74		
TPX100 Points			
2013/10/11	797.18		
2014/3/7	821.73		

Weight Rel. To TPX100	
BIG OW	2.0
OW	1.5
MW	1.0
UW	0.5
BIG UW	0

Ticker	Name	Weight Rel. To TPX100	Total Return (%)	Wgt (%)	Ticker	Name	Weight Rel. To TPX100	Total Return (%)	Wgt (%)
7203	Toyota Motor Corp	UW	-8.13	4.1	6273	SMC Corp/Japan	MW	13.20	0.7
8306	Mitsubishi UFJ FG	BIG OW	-5.35	9.2	2503	Kirin Holdings	OW	-1.37	1.0
8316	Sumitomo Mitsui FG	OW	-3.81	5.2	5411	JFE Holdings	BIG OW	-18.72	1.3
9984	Softbank Corp	UW	11.12	1.7	7974	Nintendo	MW	10.55	0.6
7267	Honda Motor	UW	-2.23	1.7	9735	Secom	OW	-2.01	0.9
8411	Mizuho Financial Group	OW	1.93	3.8	9531	Tokyo Gas	UW	-4.65	0.3
9432	NTT	UW	12.29	1.1	1605	Inpex Corp	OW	14.37	0.9
2914	Japan Tobacco	MW	-7.94	2.1	2502	Asahi Group Holdings	MW	2.44	0.6
8802	Mitsubishi Estate	OW	-7.87	2.8	8002	Marubeni Corp	MW	-2.64	0.6
4502	Takeda Pharmaceutical	MW	5.19	1.8	4568	Daichi Sankyo	UW	-0.67	0.3
7751	Canon	MW	3.31	1.7	7741	Hoya Corp	OW	32.92	0.8
6954	FANUC Corp	MW	6.31	1.7	1925	Daiwa House Industry	MW	5.71	0.5
8801	Mitsui Fudosan	MW	-1.80	1.5	4578	Otsuka Holdings	MW	16.67	0.5
9020	East Japan Railway	MW	-7.75	1.5	5020	JX Holdings	OW	13.96	0.8
8058	Mitsubishi Corp	BIG OW	-1.40	3.0	8630	NKSJ Holdings	UW	7.36	0.3
8604	Nomura Holdings	MW	-6.46	1.5	5802	Sumitomo Electric	MW	7.64	0.5
3382	Seven & I Holdings	MW	7.88	1.5	9503	Kansai Electric Power	UW	-9.30	0.3
5401	NSSMC	MW	-11.73	1.5	4901	FUJIFILM Holdings Corp	BIG OW	26.61	1.0
6501	Hitachi	MW	32.10	1.4	4661	Oriental Land/Japan	MW	-5.36	0.5
9433	KDDI Corp	BIG UW	17.50	0.0	4523	Eisai	UW	3.78	0.3
9437	NTT DOCOMO	OW	7.64	1.8	3402	Toray Industries	MW	13.23	0.5
7201	Nissan Motor	UW	-10.90	0.6	7269	Suzuki Motor Corp	UW	15.68	0.2
8031	Mitsui &	BIG OW	14.05	2.3	8267	Aeon	UW	-6.12	0.2
6758	Sony Corp	UW	-3.91	0.6	6988	Nitto Denko Corp	UW	-11.84	0.2
8766	Tokio Marine Holdings	MW	-2.46	1.2	8308	Resona Holdings	MW	7.48	0.5
6902	Denso Corp	UW	12.01	0.6	6594	Nidec Corp	MW	49.29	0.5
6301	Komatsu	MW	-5.37	1.1	3407	Asahi Kasei Corp	BIG UW	2.37	0.0
5108	Bridgestone Corp	MW	9.19	1.1	8035	Tokyo Electron	MW	13.86	0.4
4503	Astellas Pharma	BIG UW	29.07	0.0	1878	Daito Trust Construction	UW	-1.23	0.2
4063	Shin-Etsu Chemical	OW	-1.68	1.6	1928	Sekisui House	UW	5.18	0.2
8830	Sumitomo Realty	UW	-4.08	0.6	9502	Chubu Electric Power	OW	-7.02	0.6
9022	Central Japan Railway	MW	-9.48	1.1	1963	JGC Corp	UW	-0.98	0.2
6752	Panasonic Corp	MW	36.23	1.1	9202	ANA Holdings	MW	6.48	0.4
6503	Mitsubishi Electric Corp	OW	17.13	1.5	9532	Osaka Gas	MW	0.24	0.4
7011	Mitsubishi Heavy Industries	MW	8.36	1.0	8795	T&D Holdings	OW	10.53	0.6
8309	Sumitomo Mitsui Trust HD	OW	-4.17	1.4	9064	Yamato Holdings	MW	2.23	0.4
8591	ORIX Corp	OW	-4.10	1.4	7202	Isuzu Motors	MW	-1.72	0.4
8001	ITOCHU Corp	MW	9.46	0.9	2802	Ajinomoto	UW	16.67	0.2
6861	Keyence Corp	OW	18.73	1.3	6702	Fujitsu	UW	66.32	0.2
8601	Daiwa Securities Group	OW	7.59	1.2	9021	West Japan Railway	MW	0.19	0.4
6502	Toshiba Corp	BIG OW	7.75	1.6	5713	Sumitomo Metal Mining	UW	2.45	0.2
6971	Kyocera Corp	UW	-3.93	0.4	8113	Unicharm Corp	UW	-6.67	0.2
4452	Kao Corp	BIG UW	16.37	0.0	7731	Nikon Corp	OW	3.24	0.5
6981	Murata Manufacturing	OW	28.63	1.1	8332	Bank of Yokohama/The	MW	-4.35	0.3
6326	Kubota Corp	BIG UW	-2.27	0.0	7752	Ricoh	UW	20.67	0.2
8053	Sumitomo Corp	BIG OW	2.31	1.5	4911	Shiseido	BIG UW	7.45	0.0
9983	Fast Retailing	BIG UW	15.27	0.0	7912	Dai Nippon Printing	OW	0.96	0.5
8725	MS&AD Insurance Group HD	MW	-1.20	0.7	5201	Asahi Glass	MW	-4.58	0.3
6367	Daikin Industries	MW	9.18	0.7	4188	Mitsubishi Chemical HD	MW	4.91	0.3
8750	Dai-ichi Life Insurance	MW	15.40	0.7	9831	Yamada Denki	MW	24.91	0.1

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



New Coverage

DIC Corporation (4631)

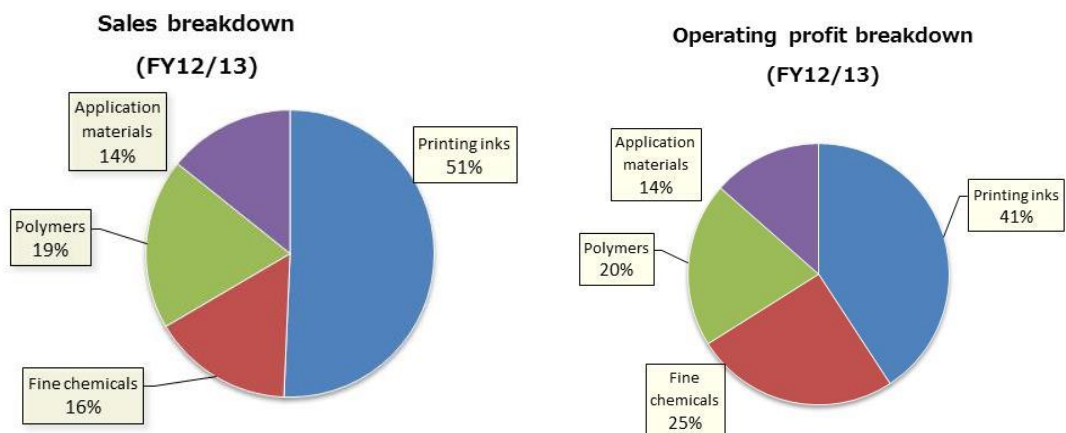
DIC has four business segments: printing inks, fine chemicals, polymers, and application materials.

Ink accounts for around 40% of operating profits as diversification efforts pay off

DIC was established in 1908 as a printing ink manufacturer and marketer. Since then it has diversified into a wide range of businesses based on organic pigments and synthetic resins—the main raw materials for printing ink. As of March 2013, the company had more than 180 group companies operating in more than 60 countries and territories. In FY03/13, overseas sales accounted for 52% of the total, and foreign employees comprised 71% of its more than 20,000 workers.

The company is an industry leader, with a 30% global share of the printing ink market (FY03/13). Printing ink is on a downtrend due to the rise of digital media. According to the company, it is often viewed as a mature printing ink manufacturer. Yet **DIC's printing ink business produces many inks that are used in product packaging, a market which is growing steadily.** The company said that packaging ink sales have already outstripped printing ink sales. Packaging ink composed 53% of sales in the ink segment during FY03/13, but this number grew to 56% during FY12/13.

DIC is diversifying to develop products that suit the needs of the digital media and automotive markets. As a result, as shown in the charts below, the ink business comprises only around half of the company's sales and about 40% of profits. The company is not only a leader in printing ink. It has a global share of around 20% in the organic pigment market and around 25% of the PPS compound market. (We discuss market share of key products later in this report.)



Source: SR based on company materials

Note: Includes intersegment sales.



Segments

DIC has **four business segments**: printing inks, fine chemicals, polymers, and application materials, which house seven product divisions grouped by product characteristics.

1. Printing inks

The product division in this segment is printing inks. The business makes and sells offset ink, gravure ink and newspaper ink.

2. Fine chemicals

This segment houses the fine chemicals product division. It makes and sells pigments and liquid crystal (LC) materials.

3. Polymers

This segment houses the general polymer and specialty polymer product divisions. It makes and sells acrylic resin, urethane resin, epoxy resin and polystyrene.

4. Application materials

This segment houses three product divisions: liquid compounds, solid compounds and processed products. It makes and sells polyphenylene sulfide (PPS) compounds, resin colorants, and industrial adhesive tape.

Segment results by region (JPYbn)	Sales		Operating profit		OPM (%)	
	FY03/13	FY12/13	FY03/13	FY12/13	FY03/13	FY12/13
	Actual	Actual	Actual	Actual	Actual	Actual
Printing inks	333.9	373.6	14.9	18.4	4.4%	4.9%
Japan	67.2	66.2	5.3	4.9	7.9%	7.4%
Europe/America	218.6	254.9	4.0	7.2	1.8%	2.8%
Asia ex. Japan	59.5	68.2	5.5	6.3	9.2%	9.2%
Fine chemicals	96.5	116.9	10.3	11.4	10.7%	9.7%
Japan	35.6	37.5	6.4	6.7	17.9%	17.7%
Overseas	63.9	82.8	4.0	4.8	6.2%	5.8%
Polymers	123.8	141.2	9.8	9.2	7.9%	6.5%
Japan	96.2	105.3	7.5	6.0	7.8%	5.7%
Overseas	31.5	40.2	2.4	3.3	7.5%	8.2%
Application materials	102.6	105.2	4.0	6.1	3.9%	5.8%
Japan	79.4	79.2	2.1	3.9	2.6%	4.9%
Overseas	30.5	38.1	1.9	2.2	6.1%	5.8%
Others/elimination of intra-group trades	-31.4	-31.3	-4.2	-4.9	-	-
Consolidated total	625.4	705.6	34.8	40.2	5.6%	5.7%

Source: Company data

Note: For comparison purposes, figures for FY2012 have been adjusted to the same basis as FY2013 (a 9 month financial year in Japan, 12 months elsewhere).

With **DIC105** the company renamed its segments and reclassified some products starting in FY12/13. The four old segments: printing inks & supplies; neo-graphic arts materials; synthetic resins; and chemical solution materials. **New segments**: printing inks (the old printing inks & supplies); polymers (the old synthetic resins); fine chemicals (the old neo-graphic arts materials minus liquid compounds); and application materials (the old chemical solution materials plus liquid compounds).

Business overview

Raw material procurement, production and sales for the key products in the four segments:

Printing ink

FY12/13: 51% of sales and 41% of operating profit



Main products: offset ink, gravure ink, flexographic ink, can coatings, newspaper ink, packaging adhesives, printing plates, printing consumables and printing equipment.

DIC has been in the printing ink business since its founding. It is a stable core business. **DIC is a global leader, producing around 30% of the world's ink.** Since differences in temperature and humidity affect ink quality, it is necessary to have production facilities near the customer. The company has factories around the world producing a range of products from printing ink through packaging ink and adhesives.

DIC produces the raw materials for this business, including synthetic resin (varnish) and organic pigments in-house. The company can use its scale to buy other raw materials on a global basis, giving it an edge over rivals.

The main products in this business are printing ink and packaging ink. The rise of digital media means that printing ink is in a secular downtrend, but packaging ink is growing as demand in Asia expands and the number of applications rises. Printing ink was formerly the core product in this segment, but packaging ink sales have outstripped printing ink sales starting in FY03/13. While DIC has not disclosed details, it appears that margins are higher in packaging ink as well.

DIC aims to restore its profit base as a global player by shifting its focus from printing ink to packaging ink, and from mature regions to growth regions. Under DIC105, the company's priority in packaging ink was to bolster its production system in Asia. In its printing ink operations, rationalization was the focus.

Printing (lithographic) ink. DIC has built a worldwide production and supply system with factories in numerous countries serving small and large customers. The Americas & Europe ink operations have been struggling since the onset of the 2008 global financial crisis. The company is urgently restructuring the business to boost profitability amid declining demand.

Packaging (liquid) ink. As this ink enables fine gradations it has many uses, including candy, food, detergent and cigarette packaging. Globally, DIC provides gravure and flexographic ink products for local markets.

Fine chemicals

FY12/13: 16% of sales and 25% of operating profit

Main products: ink pigments, pigments for coatings and plastics, pigments for color filters, thin film transistor (TFT) LCs, super-twisted nematic (STN) LCs, alkylphenols, metal soaps, and sulfurized oils.

The fine chemicals business supplies materials vital for digital devices, such as LC materials and organic pigments for color filters. **A growth engine, this product range is high value added and high margin.**

This segment's products can be divided into those used in ink and those used in other applications, with margins for the latter group generally high. Thus the division's strategy towards 2015 is to wean itself from dependence on ink. DIC is expanding its range of high value-added products through corporate acquisitions and new factories.

Pigments. This division has secured stable sources of key raw material supply by investments in carboxylic acid manufacturers. Production is concentrated at several key plants, with about 40% of output used in-house. Major uses: ink, coatings and plastics, and other (specialty and digital). Ink pigments account for 55% of sales (including that used in-house); coatings and plastics 28%; and other 17% (FY03/13). This division produces green organic pigment for color filters, where the company has a global

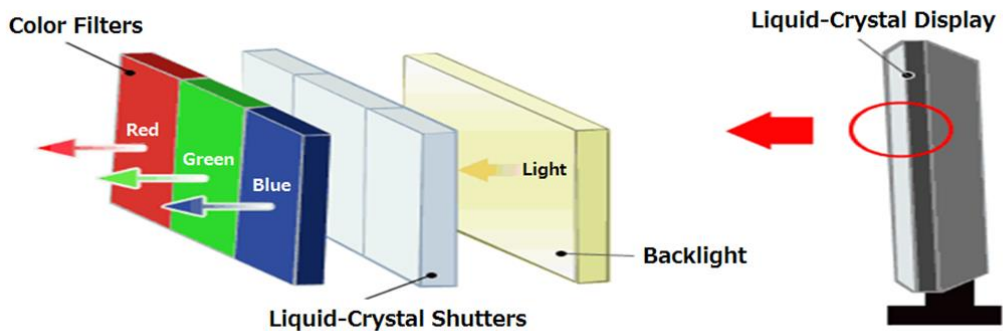


market share of more than 70%.

DIC's products in this area were traditionally organic pigments, but it has moved into inorganic pigments to boost profits. In 2012, DIC bought an Austrian aluminum pigment maker, Benda-Lutz Werke, to bolster its inorganic portfolio.

How liquid-crystal displays (LCDs) work

First, the liquid-crystal shutters adjust the amount of light from the backlight, then the color filters add color.



Source: SR research, based on various materials

Liquid crystal materials. The company has been involved in liquid crystal production for around 40 years. Its products were used in the world's first LCD calculator in the early 1970s. The company entered the TFT LC market in 2007. Producing TFT LCs requires sophisticated technology, including the ability to design LC molecules, synthesis technology and compound design technology, as well as purification techniques which screen for trace impurities. DIC joined Merck and Chisso as one of only three companies globally that can make TFT LCs. It enjoyed a global share of around 8% in FY03/13.

Demand is growing, with a number of major panel manufacturers using DIC's products. A new factory in Qingdao (China) began operating in fall 2013. The company planned to use the fully ramped up factory to boost business with Chinese panel manufacturers.

Polymers

FY12/13: 19% of sales and 20% of operating profit

Main products: synthetic resins (urethane, epoxy, polystyrene, polyester, acrylic, phenol, and modifiers) for production of ink, coatings, molding, adhesives and fibers. Also produces paper-making chemicals.

DIC uses its world-class resin design capabilities to offer synthetic resins and related products to a range of industries. The polymers business has a two-pronged strategy: pursuing scale economies in the general polymer division; and adding more value in niche markets in the specialty polymer division. The polymer business has been traditionally focused on Japan, where its high value-added polymers meet demand for top-quality products. DIC plans to attack overseas markets by locally manufacturing products that have become commoditized in Japan, and expanding its range of middle and high range products to address the demands of overseas customers.

General polymers. Core products are general purpose resins such as coating resins and polyester resins. Styrene monomers and other petrochemical products are the key raw materials. DIC said that it is good at producing customized polymers according to customers' particular needs. In its medium-term plan for this division, DIC aims to cut costs and increase the proportion of total sales from overseas markets by shifting production overseas.



Specialty polymers. Core products are high value-added items such as epoxy resins and fluorochemicals used in electrical and electronic materials. The company's strategy is to differentiate itself through technical prowess. DIC said that it can buy key raw materials on more attractive pricing than its rivals by leveraging its global buying power. The key focus of DIC's medium-term strategy is to expand sales of strategic high value-added products such as heat-resistant epoxy resin, non-halogenated epoxy curing agents and precision synthetic fluorine, which it hopes will boost margins.

Application materials

FY12/13: 14% of sales and 14% of operating profit

Main products: **liquid compound division**—coating and bonding materials for optical disks, jet ink, and building paint; **solid compound division**—resin colorant, PPS compounds, optical building materials, high-performance compounds, multi-layer film, and toner; **processed products division**—veneer, interior building products, industrial tape, labels, stickers, label stock for printing, specialty magnetic foils, plastic pallets, containers, hollow fiber membranes, modules, bathtubs, terrazzo, and sheet molding compounds.

The application materials business supplies a range of products using DIC's fundamental technology in synthesizing, dispersion, coating and molding. These include jet ink, engineering plastic, and industrial tape. The supply chain differs according to product. While DIC has not disclosed details, it appears that its share of products used in smartphones and car manufacture is high. As these are high value-added products, margins are high.

PPS compounds. DIC is involved in the entire production process from neat resins through compounds. Neat resin production is concentrated in Japan, with compounds produced in Japan, Malaysia and Europe. The main raw materials are petrochemicals. There is growing demand for super engineered plastics which can substitute for metals in environmentally friendly vehicles and water heaters.

Industrial adhesive tape. This product exploits the polymer division's expertise in adhesive resins. DIC has strengths in niche high value-added areas such as shatterproof film and waterproof tape for smartphones. Applications for office automation equipment and automobile interiors are also growing.

Inkjet ink. DIC has the highest global market share in pigmented inkjet inks, with many printer manufacturers among its customers. The firm boasts a wide lineup of products spanning consumer, commercial and office users. Traditionally, the company and its subsidiary Sun Chemical had strengths in different inkjet products, so ran their businesses separately. In September 2013, DIC integrated the two companies' product lines to be marketed under Sun Chemical's well known SunJet brand. DIC said it would focus on the high-growth emerging markets.

Sales by segment for each region (FY03/13)

(%)	Japan	Europe/America	Asia ex. Japan
Printing inks	24	77	49
Fine chemicals	13	19	9
Polymers	35	1	23
Application materials	28	3	19
Total	100	100	100

Source: Company data

Product characteristics in domestic and overseas markets

Printing inks. Japan is a special market. Certain top-quality products are only used in Japan. There are no huge differences in product quality by region, but DIC is focusing on high value-added products.



Fine chemicals. High value-added products such as LCs and digital printing pigments are produced in Japan. Pigments for ink and coatings are diffused overseas.

Polymers. High value-added specialty polymers are mainly produced in Japan. General polymer production uses Japanese technology transferred overseas.

Application materials. This division also makes high value-added products in Japan and commodity products overseas.

View the [full report](#).



SMS Co., Ltd. (2175)

SMS provides recruitment services and managing professional community websites.

SMS is in the business of providing recruitment services and managing professional community websites. It focuses on nursing care, medicine, and active seniors. Its mission is to continue to create value and contribute to society by building information infrastructure suitable for an ageing society.

The company defines active seniors as senior citizens who maintain an active interest in work, hobbies, active participation in society, and avid consumption.

Business model

Recruitment Services

SMS introduces prospects (nurses, care managers) who have registered via its web site to employers (hospitals, nursing care and service providers). The company screens the applicants by experience, certifications, technology skills, knowledge, reason for wanting to change jobs, and other factors. If an applicant is successfully placed, it receives a commission equivalent to 20% of the estimated annual salary for the position from the hiring company. For the most part, applicants find their way to the SMS web site through search ads.

Revenues for the company's recruitment services:

Sales = Number of Consultants x Productivity x Commission - pre-cancellations - refunds

- Sales: recorded on the day the applicant starts the job
- Commission: average referral commission
- Pre-cancellations: agreements that fail before the applicant starts the job; these commissions are booked as orders, but later subtracted
- Refunds: SMS refunds a client if applicants leave it within a certain period after starting the job.

The company opened its Care Personnel Bank, a recruitment service for care managers, in 2003, its Nurse Personnel Bank, a recruitment service for nurses, in 2005, and its PT/OT Personnel Bank, a recruitment service for physical therapists, occupational therapists and speech therapists, in 2008.

SMS specifically acts as a recruitment agency for medical nurses, senior nursery care managers, physical therapists, and occupational therapists. According to data from the Ministry of Health, Labour and Welfare's 2012 Basic Survey of Wage Structure, the average annual income for nurses was JPY4.71mn, for care managers JPY3.67mn, and for physical therapists/occupational therapists JPY3.94mn. By introducing nurses and care managers, the company will get the low commission rates of 20%.

SR Inc. believes that recruitment agencies will introduce general management and high-salary specialists whose average annual income is more than JPY6mn to receive the commission rates of 30%, or at least JPY1.8mn per arrangement, while the commission will be JPY600,000 to JPY1.0mn by introducing nurses and care managers. According to the company, the barriers to entry are not high in the recruitment services business. But productivity of consultants and reduction in advertisement costs matter in order to make profits.

One major difference in recruitment services for nurses and care managers compared to those for high-income specialists is the amount of time and effort that consultants must expend for each successful contract. In most cases, it can be determined whether nurses and care managers fulfill the basic requirements that employers are seeking in terms of certifications and experience. In addition, the



time given to job decision-making is short, given that in nursing recruitment services there is a standard ratio of seven patients per nurse (see Note below), and there is a need for a certain minimum number of care managers per site. Also, in recruitment services for high-income professionals, consultants must usually interview applicants in person, but for nurses and care managers, telephone interviews suffice. For SMS, increasing the number of contracts signed per consultant (productivity) is key to increasing profitability.

Seven per nurse: the more nurses, the greater the benefits paid by health insurance to hospitals. Hospitals are grouped into four categories based on the ratio of patients to nurses: 15-to-one, 13-to-one, 10-to-one and seven-to-one. In 2006, seven-to-one was established as part of diagnostic compensation reform. The more nurses a patient requires the higher the compensation.

The main costs in the recruitment services business are personnel costs for consultants and advertising costs to attract customers. As described, in recruitment services for nurses and care managers, revenues per contract signed may be low, but by increasing productivity it is possible to keep down the ratio of personnel costs per unit of sales. In SMS' case, personnel costs as a percentage of sales are about 30%.

Advertising costs associated with the registration of a single vendor are little different in recruitment services for nurses and care managers than they are for high-income professionals, so keeping these costs down is important. The company was early in engaging in its own SEM (search engine marketing), and by building up expertise in this area, it has succeeded in securing registrants while keeping advertising costs down to about 20% of sales, establishing a model for profitability in this business.

SEM: A marketing technique used with the objective of increasing the number of visitors to a company's web site via search engines. It includes SEO (Search Engine Optimization), which involves optimizing the web site's content to increase the ranking the site receives in keyword search results, as well as the use of pay-per-click keyword advertising and paid listings.

In the long term SMS wants to encourage nurses and care managers to make use of its community sites on a daily basis. It hopes that an increase in contact frequency with potential job seekers would lead to more people registering as job candidates without being prompted by the advertising. Thus, by increasing the number of nurses and care managers regularly using its community sites, the company hopes to keep down overall advertising costs (see Main Businesses).

Job Information Services

In job information services, clients place ads on SMS-operated web sites to interact with prospective job applicants. The company earns job-ad revenues, equal to the number of applicants who respond to an ad, times a set amount per applicant. As of September 2013, the company was receiving on average 2,000 to 3,000 responses on nursing care per month.

SMS started its Kaigo Job information service for nursing care in 2004, and its Nurse Senka Kyujin Navi job information service for nurses in 2006. SR Inc. understands that the bulk of the business is in Kaigo Job service.

Help want ads are the standard practice for finding and hiring nursing care aides. According to the Ministry of Health, Labour and Welfare's 2012 Basic Survey of Wage Structure, home helpers, on average, earned JPY2.79mn per year, and employees in care facilities earned JPY3.1mn. At this level of wages, it would be difficult for a personnel referral company to earn a profit if consultants were used. Also, nursing care providers need to minimize hiring costs. As a result, employers in care facilities are the main user of



the company's job information service.

Community Websites

The community websites that SMS operates are intended to provide a platform for professionals (nurses, care managers) and end users (users of medical and nursing care services) to exchange information about the industry and related news. The websites also provide tools for business improvement, such as electronic forms, to professionals.

The company receives advertising revenues from advertisers for this service. SMS operates several community sites: Keatomo, founded in 2005 and aimed at home health care aides and nurses, Keamane.com, founded in 2006 and aimed at care managers, Anshinkaigo, founded in 2009 and aimed at nurses, Nurse Senka Community, founded in 2006 and aimed at nurses and nursing students, Kokoyaku, founded in 2009 and aimed at pharmacists and pharmacy students and Eichie, founded in 2011 and aimed at nutritionists..

The company's main aim in operating these community sites is not only earning advertising revenues but by keeping in touch with customers of the sites on an everyday basis, utilizing their influence in developing new businesses and speeding up inception of new businesses by conducting sales promotion to community site customers (For example, care managers have an influence on nursing care providers because of their position to choose providers and on end users because they are consulted by patients and their family members. With their influence on end users, care managers also have an influence on nursing care-related companies such as diaper makers, whose customers are end users). Another main aim in operating the community sites is lowering advertising costs in its recruitment services business over the long run.

In the recruitment services business, the amount of revenue per contract signed is limited to a certain ratio of annual revenues of successful applicants, and it costs to advertise to attract job applicants. The company realizes that it is important to keep those costs down, in order to maintain or increase profitability. It hopes that job applicants and prospective job applicants will develop a habit of using its community sites regularly, to create an avenue so that when it comes time for them to switch jobs they will move naturally from the community site to registration with the recruitment services that the company operates. This helps to keep down advertising costs it incurs in registering job applicants. For SMS, these community sites are still in their early days. The company aims to boost the value of these assets.

Software for Nursing Care Insurance Billing

Kaipoke Biz provides software for nursing care insurance billing via ASP for small and medium-size nursing care providers. The software assists nursing care providers to create care plans and transmit requests for compensation to the National Health Insurance Organization. Kaipoke Biz receives usage fees (on average JPY3,000 per month) from nursing care services providers that use these services.

SMS attracts small and medium-size nursing care providers who seek software for nursing care insurance billing mainly on internet advertisements and have such providers use its software for free for several months. The providers are to pay monthly usage fees when they continue to use the software beyond the period for free trial. Monthly usage fees depend on kinds of services and the number of service units, such as JPY1,980 for nursing care support service providers, JPY3,980 for home-visit care service providers or service providers for people in need for nursing care services at day care service centers, and when there are multiple services, JPY3,000 per service unit.

SMS said the monthly fees for Kaipoke Biz are very low in comparison to services of competitive companies. The main reasons are as follows: the company attracts customers only on internet advertisements without placing sales personnel, entrusts substantial parts of development to an affiliate in Vietnam where costs



are low, and does not aim at high revenue from the software for nursing care insurance billing alone but at contacting customers on a daily basis.

After establishing contact with small and medium-size nursing care providers through the software for nursing care insurance billing, the company, as stated in "Future Outlook," plans to add functionality that will lower costs and increase operating efficiency and to raise prices for this product in the medium term. Details of the planned price hike are yet to be determined, but SMS said that it does not plan additional fees for additional services, but it plans to set fixed fees by packaging almost all services, including the software for nursing care insurance billing.

Main Businesses

SMS operates recruitment services, job information services, and community sites for recruitment, job search, and information for certifications courses, for active seniors. Recruitment services, job ads and job-changing information services in the nursing care and medical fields accounted for roughly 90% of the company's sales in FY03/13. SR Inc. believes that the daily use of the company's Kaipoke Biz portal site for nursing care providers has strong growth potential in the medium term.

Sales Breakdown

In FY03/13, the nursing care accounted for 19% of total sales, medical care 80%, and overseas business 1%. In the medical care segment, recruit services for nurses accounted for about 60% of consolidated sales. The second largest weighting was recruitment services and job information services for nursing care, which accounted for about 10% of sales.

The company does not disclose detailed earnings data by segment, but it does release sales figures for each business segment. Until FY03/10, the company disclosed its breakdown of sales for recruitment services, media and new businesses in three areas: nursing care, medical care, and active seniors. Since FY03/11, it has divided its nursing care, medical care and overseas businesses into daily use and non-daily use business, and disclosed its sales data on that basis. Even since FY03/11, however, it has also continued to disclose sales data based on the earlier categorization.

FY03/13 Sales Breakdown (Current Segmentation)

	Nursing Care 1.9 billion yen (19%)	Medical 8.1 billion yen (80%)	Overseas 100 million yen (1%)
Daily Use 1.2 billion yen (12%)	400 million yen (4%) 90% from nursing care insurance invoicing software sales	800 million yen (8%) 80% from catalog sales for nurses	100 million yen (1%) 70% from S. Korean nurse online
Non-Daily Use 8.9 billion yen (88%)	1.5 billion yen (15%) 80% from personnel referral/job info	7.3 billion yen (72%) 90% from nurse referral sales	communities sales No stable revenues from other operations due to their infancy

* Figures in Parentheses indicate percent of total sales.

Source: Company data, SR Inc.



Sales Breakdown (Earlier Segmentation)		(million yen)				
		FY03/09	FY03/10	FY03/11	FY03/12	FY03/13
Nursing Care	Personnel Referral	392	451	431	495	578
	YoY	39.5%	15.0%	-4.3%	14.7%	16.8%
	% of total	7.6%	6.3%	5.7%	5.7%	5.7%
	Media	1,078	704	705	752	955
	YoY	29.2%	-34.7%	0.2%	6.7%	26.9%
	% of total	20.8%	9.8%	9.3%	8.7%	9.5%
	New Businesses	49	87	110	211	390
	YoY	2.5%	77.1%	26.3%	92.2%	84.6%
	% of total	1.0%	1.2%	1.4%	2.4%	3.9%
	Total		1,519	1,241	1,246	1,459
	YoY	30.6%	-18.3%	0.4%	17.1%	31.9%
	% of total	29.3%	17.3%	16.4%	16.9%	19.1%
Medical	Personnel Referral	3,238	4,927	5,155	5,921	6,265
	YoY	159.2%	52.2%	4.6%	14.9%	5.8%
	% of total	62.5%	68.7%	67.7%	68.4%	62.2%
	Media	413	997	1,204	972	1,211
	YoY	42.6%	141.2%	20.7%	-19.3%	24.6%
	% of total	8.0%	13.9%	15.8%	11.2%	12.0%
	New Businesses	2	4	11	303	660
	YoY	-	51.2%	201.1%	2567.0%	117.8%
	% of total	0.0%	0.1%	0.1%	3.5%	6.5%
	Total		3,654	5,928	6,370	7,195
	YoY	137.4%	62.2%	7.5%	13.0%	13.1%
	% of total	70.6%	82.6%	83.6%	83.1%	80.7%
Overseas		-	-	0	37	106
Active Senior		4	3	2	1	16
	New Businesses	4	3	2	1	16
Total		5,177	7,172	7,618	8,655	10,075

Source: Company data, SR Inc.

Medical Care (80% of consolidated sales FY03/13)

Recruitment services and job information services make up the bulk of the company's business in the medical care segment. In FY03/13, recruitment services accounted for about 77% of sales in this segment, job information about 15%, and new businesses about 8%.

Medical Care			
Daily Use Business	Community	Nurse Senka Community	Online community for nurses and nursing students
		Kokoyaku	Online community for pharmacists and pharmacy students
		Eichie	Online community for registered dietitians and nutritionists
	Catalog Sales	PURE NURSE	Catalog sales for nurses (subsidiary Pure Nurse)
	Seminar Info	Medication	Medical, nursing care, social welfare seminar info search
Non-Daily Use Business	Magazines & Books	Nurse Senka [Magazine]	Books and general information magazines on nursing
	Recruitment	Nurse Personnel Bank	Personnel referral service specialized in nurses
	Job Information	Nurse Sneak [Kyujin Navi]	Job ad information service for nurses, career fair and other events for nurses
		Nurse Senka [Shushoku Navi]	Job ad information service for nursing students (Web, magazines, career fairs)
Other		Solution services for hospitals, including recruitment of nurses	

Source: Company data, SR Inc.

Nurse personnel bank

The company's Nurse Personnel Bank is a recruitment service specializing in nurses, and started in 2005. This service supports the matching of job applicants with job opportunities, using the consulting services of specialized consultants. About 100,000 job applicants register each year, and resulted in nearly 10,000 employment contracts in FY03/13.

The jobs are offered by primary health care providers, such hospitals and, to a lesser degree, clinics. As of September 2013, the company did business with about 60% of the approximately 9,000 hospitals in Japan. Applicants typically reach the company's web site through search ads.

Revenues earned in this segment correspond to the number of contracts signed multiplied by the commission per contract. When an applicant is placed, the company receives a commission of about 20% of the estimated annual salary for the position from the hired company. According to the Ministry of



Health, Labour and Welfare's 2012 Basic Survey of Wage Structure, the average gross annual income for nurses is JPY4.71mn.

The number of contracts can be deduced by looking at the number of consultants and the average number of contracts per consultant (productivity). The number of consultants is a variable that the company adjusts depending on the business environment. The average number of contracts signed per consultant is a variable that is affected by the competitive environment and the company's efforts to enhance efficiency.

Cost of revenues is mainly personnel expenses for consultants and advertising costs. SR Inc. estimates that these two costs combined accounted for about 50% of sales in FY03/13. Advertising costs are the costs the company incurs to place search-linked ads aimed at prompting prospective job applicants to register. Its advertising costs tend to rise in parallel with the growth of the personnel recruitment services market. The company strives to keep down its advertising costs by optimizing search engine keywords and using the community sites it operates to attract applicants. SR Inc. estimates that the company's operating margin in this segment is 20% to 30%.

Medical Care: Number of Consultants & Contract Rate

	FY03/09 Act.	FY03/10 Act.	FY03/11 Act.	FY03/12 Act.	FY03/13 Act.
a) Annual average number of consultants (people)	102	150	180	200	210
b) Number of contracts signed per consultant (people/month)	5.0	5.0	4.0	4.0	4.0
(Reference) Annual contract signings = a)*b)	6,138	9,000	8,640	9,600	10,080

Source: Company data, SR Inc.

According to the company, each year about 10% of the 1.4 million nurses in Japan change jobs. Of this number, about 25% use recruitment services. SMS is the leading player, with a market share of 25% to 30% (SMS estimate). However, the company's share of employment contracts for all nurses who change jobs is only 7%, and therefore, it believes it has potential to increase market share. Japan has a shortage of nurses and demand for nurses is likely to grow as the average age of Japan's population rises.

Nurse Senka

The company operates the job information services Nurse Senka Kyujin Navi and Nurse Senka Shushoku Navi in the medical care segment.

Nurse Senka Kyujin Navi is a job information service for nurses, operating via the internet and through job fairs and handling about 100,000 employment opportunity ads.

Nurse Senka Shushoku Navi is a job information service for nursing students, operating via the internet, job fairs, and promotional publications.

Nurse Senka Community

Nurse Senka Community is a members-only community site for nurses, offering bulletin boards, news, and various other information tips. The business segment also provides applications for calendars, ways to pass examinations for certifications, and other features. This community site was established in 2006. As of end-March 2013, this community had 325,000 members, or about 20% of nurses in Japan.

Medical Care: Nursecape Community Services for Nurses

	FY03/09 Act.	FY03/10 Act.	FY03/11 Act.	FY03/12 Act.	FY03/13 Act.
Membership (people)	77,000	92,000	189,000	248,000	325,000

Source: Company data, SR Inc.



To encourage use, the community site offers bulletin boards, and calendar applications for nurses to input their shift schedules. The community site is designed to encourage nurses to use it on a regular basis, to create an avenue for leading users from the community site to register with the company's recruitment services, and help lower its advertising costs for recruitment services for nurses, and for leading them to other related services, such as mail-order service. SR Inc. estimates that in FY03/13, advertising revenues in this area were several million yen, and an average of about 500 applicants per month was referred from the community site to the company job ads sites.



Source: Company website

Solution Services for Hospitals

This segment provides services to help hospitals solve their management tasks, such as recruitment of nurses. Its services cover a wide area, depending on requests from individual hospitals. A major part of the services resembles consulting business, such as large-scale recruitment of over 10 nurses, improvement of overall recruitment processes from job offerings to interviews with applicants, and enhancement of operating efficiency at hospitals.

In the recruitment service specializing in nurses (the Nurse Personnel Bank), SMS does business with about 60% of all hospitals in Japan. Henceforth, the company plans to utilize its wide customer base and make efforts to offer solutions for hospitals that will lead to establishing deeper and more continuous relations with them.

SR Inc. estimates that revenue from the business exceeded JPY100mn in FY03/13, a sharp increase from the previous year, and believes that the growth will continue in FY03/14 and later

View the [full report](#).



February 2014 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.

On **February 13, 2014**, 3-D Matrix (3DM) announced it was granted a US patent for self-assembling peptide technology for pancreatic cell culturing.

The company was granted a US patent for the application of self-assembling peptide technology to pancreatic cell culturing, which was submitted jointly with Okayama University.

The patent covers the method of culturing cells using self-assembling peptides as scaffolds and the application of this method. More specifically, the patent explains the method is effective in culturing islets of Langerhans (groups of cells that secrete chemicals such as insulin in the pancreas) in three-dimensional self-assembling peptide scaffolds.

During organ transplantation, maintaining the physiological functions of cells and tissue are a dominant issue, and the development of a method to allow culturing islets of Langerhans would be beneficial in the field of islet transplants for diabetic patients. It is known that repeating two-dimensional cell culturing promotes dedifferentiation and results in the loss of cell functions. As a result, it is believed to be difficult to culture liver and pancreatic cells while maintaining cell functions in a two-dimensional setting, and much research is being conducted in this field. According to the company's announcement, the patent's three-dimensional cell culturing method could become one method to maintain the functions of islet cells, and the company hopes that this method can contribute to the establishment of islet transplantation technology and treatment of diabetes.

View the [full report](#)



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.

On **February 12, 2014**, SR updated Accretive Co., Ltd.'s Q3 FY03/14 results following an interview with management.

Quarterly Performance (Million Yen)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Operating Revenue	665	678	748	716	712	720	759	-	76.4%	2,867
YoY	14.5%	-0.4%	10.4%	5.6%	7.1%	6.1%	1.4%	-	-	2.1%
Funding Costs(Interest Expense)	76	77	75	61	53	52	51	-	-	-
YoY	-3.9%	-3.5%	-5.4%	-23.9%	-29.6%	-32.3%	-32.9%	-	-	-
GPM	11.4%	11.3%	10.1%	8.5%	7.5%	7.2%	6.7%	-	-	-
SG&A	354	344	524	369	387	361	367	-	-	-
YoY	-1.0%	-0.9%	61.8%	-28.9%	9.5%	5.0%	-29.9%	-	-	-
SG&A / Sales	53.2%	50.6%	70.0%	51.5%	54.4%	50.1%	48.4%	-	-	-
OP	236	258	150	287	272	307	341	-	97.0%	948
YoY	62.7%	1.1%	-45.6%	261.1%	15.3%	18.9%	127.8%	-	-	2.0%
OPM	35.4%	38.0%	20.0%	40.0%	38.1%	42.6%	44.9%	-	-	33.1%
RP	250	325	155	250	274	336	346	-	95.3%	1,003
YoY	67.3%	25.0%	-47.0%	199.5%	9.6%	3.4%	123.0%	-	-	2.4%
RPM	37.6%	47.9%	20.7%	34.9%	38.5%	46.7%	45.5%	-	-	35.0%
NI	232	273	116	233	244	374	303	-	99.1%	930
YoY	51.7%	11.8%	-53.7%	276.2%	5.3%	37.2%	162.2%	-	-	8.9%
NPM	34.9%	40.2%	15.4%	32.6%	34.3%	52.0%	39.9%	-	-	32.4%

Source: Company data, SR Inc. Research

Figures may differ from company materials due to differences in rounding methods.

The company maintains its FY03/14 forecasts. However, the company has already achieved 97% of its operating profit target. Syndicated loan arrangement fees will be booked in Q4 (probably around JPY100mn). Even so, SR believes that the company will still be able to post operating profit of about JPY1.1bn.

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Ai Holdings Corp. (3076)

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

On **February 14, 2014**, Ai Holdings Corp (Ai Holdings) announced earnings results for Q2 FY06/14.

Quarterly Performance (million yen)	FY06/13				FY06/14				FY06/14 % of FY	Est. FY Est.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Sales	8,481	7,598	9,546	6,764	8,564	9,249	-	-	50.0%	35,600
YoY	16.3%	13.8%	15.8%	13.7%	1.0%	21.7%	-	-		9.9%
Gross Profit	3,031	3,090	3,714	3,208	3,673	3,879	-	-		
YoY	16.6%	19.9%	20.7%	28.4%	21.2%	25.5%	-	-		
GPM	35.7%	40.7%	38.9%	47.4%	42.9%	41.9%	-	-		
SG&A	1,865	1,930	2,010	2,264	2,188	2,356	-	-		
YoY	8.7%	9.7%	12.7%	15.9%	17.3%	22.1%	-	-		
SG&A / Sales	22.0%	25.4%	21.1%	33.5%	25.5%	25.5%	-	-		
Operating Profit	1,166	1,160	1,704	944	1,484	1,523	-	-	50.1%	6,000
YoY	32.0%	41.8%	31.5%	73.2%	27.3%	31.3%	-	-		20.6%
OPM	13.7%	15.3%	17.9%	14.0%	17.3%	16.5%	-	-		16.9%
Recurring Profit	1,203	1,239	1,679	959	1,513	1,577	-	-	50.7%	6,100
YoY	19.5%	28.3%	18.2%	66.2%	25.8%	27.3%	-	-		20.1%
RPM	14.2%	16.3%	17.6%	14.2%	17.7%	17.1%	-	-		17.1%
Net Income	765	562	1,052	595	929	994	-	-	51.3%	3,750
YoY	29.9%	3.1%	8.9%	94.4%	21.4%	76.9%	-	-		26.1%
NPM	9.0%	7.4%	11.0%	8.8%	10.8%	10.7%	-	-		10.5%

Figures may differ from company materials due to differences in rounding methods.

Company forecast figures are based on the most recently issued company forecast.

Source: Company data, SR Inc. Research

The company revised its forecasts upward in light of 1H FY06/14 results exceeding expectations, as shown above.

FY06/14 full-year earnings forecast

Sales: JPY35.6bn (previous forecast: JPY35.3bn)

Operating profit: JPY6bn (JPY5.5bn)

Recurring profit: JPY6.1bn (JPY5.5bn)

Net income: JPY3.8bn (JPY3.4bn)

EPS: JPY79 (JPY72)

Annual dividend: JPY24 (JPY24)

In 1H FY06/14, sales were JPY17.8bn (+10.8% YoY), operating profit was JPY3bn (+29.3%), recurring profit was JPY3.1bn (+26.5%), and net income was JPY1.9bn (+44.8%).

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MONTHLY WRAP – March 2014



Anritsu Corp (6754)

Recognized global leader in mobile communications testing equipment.

On **February 12, 2014**, SR updated comments on Anritsu's Q3 FY03/14 earnings results after interviewing management.

Quarterly Performance (Million Yen)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	21,602	24,659	21,394	27,030	22,365	25,688	23,055	-	69.7%	102,000
YoY	10.1%	-1.6%	-0.6%	-1.4%	3.5%	4.2%	7.8%	-	-	7.7%
GP	11,809	13,462	11,165	14,540	11,857	14,209	12,589	-	-	-
YoY	12.8%	3.8%	-7.8%	6.3%	0.4%	5.5%	12.8%	-	-	-
GPM	54.7%	54.6%	52.2%	53.8%	53.0%	55.3%	54.6%	-	-	-
Other Income/Expenses	7,843	8,722	8,341	10,334	9,391	10,350	10,026	-	-	-
YoY	2.2%	5.5%	7.6%	-10.4%	19.7%	18.7%	20.2%	-	-	-
SG&A / Sales	36.3%	35.4%	39.0%	38.2%	42.0%	40.3%	43.5%	-	-	-
OP	3,966	4,740	2,824	4,206	2,466	3,859	2,563	-	62.2%	14,300
YoY	41.8%	0.6%	-35.2%	96.9%	-37.8%	-18.6%	-9.2%	-	-	8.2%
OPM	18.4%	19.2%	13.2%	15.6%	11.0%	15.0%	11.1%	-	-	14.0%
Pre-tax profit	3,543	4,517	3,423	4,678	2,681	3,885	2,726	-	65.0%	14,300
YoY	43.2%	12.2%	-18.1%	93.8%	-24.3%	-14.0%	-20.4%	-	-	2.2%
RPM	16.4%	18.3%	16.0%	17.3%	12.0%	15.1%	11.8%	-	-	14.0%
NI	2,528	4,337	2,479	4,545	1,621	2,675	1,770	-	63.9%	9,500
YoY	46.2%	45.7%	41.2%	200.8%	-35.9%	-38.3%	-28.6%	-	-	-17.2%
NPM	11.7%	17.6%	11.6%	16.8%	7.2%	10.4%	7.7%	-	-	9.3%

The company has adopted International Financial Reporting Standards (IFRS) from FY03/13; Q1 FY03/13 results are presented under such standards.
 Result from Q2 FY03/13 to Q4 FY03/13 are not presented under IFRS; figures may differ from company materials due to differences in rounding methods.
 Company forecasts are based on most recent figures.
 Source: Company data, SR research

The company stated that it has taken possible risks into account when revising its forecasts, but these risks may be deferred to a later year. Thus the results may come in either above or below its earnings forecasts. The steep drop in demand from measuring instruments for use in manufacturing mobile devices and continuing low levels of demand for measuring instruments for use in development have led to flat domestic demand for measuring instruments. However, the company stated that the lack of demand appears to be bottoming. The company will aim to maintain steady year-on-year earnings going into FY03/15 and beyond.

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Apamanshop Holdings Co., Ltd. (8889)

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

On **February 28, 2014**, Apamanshop Holdings Co., Ltd. announced a share repurchase.

The company has resolved to repurchase 119,000 shares of Class-A preferred shares (as of December 31, 2013, 47.61% of the 1,374,806 total shares issued are Class-A preferred shares). According to the company, this will be done in order to increase shareholder value for holders of common shares. Specifically, the repurchase will lower the available number of Class-A preferred shares that could be converted into common shares. It will also prevent the shares from diluting shareholder value should those shares enter the market.

Share repurchase details:

Type of shares to be repurchased: Class-A preferred shares

Total number of shares to be repurchased: 119,000 shares (18.18% of the total number of preferred shares issued)

Total value of repurchase: JPY818,125,000 (JPY6,875 per share)

Repurchase date: March 7, 2014

Seller: Integral 1 Limited Partnership

As a result of this share repurchase, shareholders' equity will be reduced by JPY818mn in the form of treasury shares. Net assets will also decrease by the same amount, but the company stated that this will be immaterial to its earnings results.

On **February 3, 2014**, the company announced that it will make BETTER HOUSE Property Consultants (Shanghai) Limited (henceforth Better House) a subsidiary.

The company announced that it had begun deliberations with Stasia Capital Holding Limited (Stasia) and had agreed upon the basic terms of Better House becoming a subsidiary (Stasia is Better House's current parent company). Better House is building a real estate business in China, and is primarily a rental agency for Japanese expatriates. It has agencies in Shanghai, Guangzhou, and Shenzhen.

Since its founding in 2002, Better House has been developing a real estate agency, investment consulting, and property management business in China. Its area of operations covers the above three cities in China. Since September 2013, the Shanghai and Shenzhen shops have been a part of the Apamanshop franchise, and have provided rental agency services to Japanese expatriates in China.

The company sees this as an opportunity to bolster the development of its rental real estate business in China, by combining the contacts and rental agency expertise of its Apamanshop brand with Better House's track record and expertise in providing rental agency services to Japanese people in China.

Stasia will acquire 70% of Better House's outstanding shares through a new company that it will establish in Hong Kong. Then, around May 2014, Stasia will transfer all of the new company's shares to Apamanshop. Stasia and the company have yet to decide on the details of the transfer of shares.

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Axell Corporation (6730)

Fabless semiconductor maker specializing in image-processing large-scale integration devices (LSI) mainly used in pachinko and pachislot machines. The company is highly profitable.

On **February 3, 2014**, SR updated comments on Axell Corporation's Q3 FY03/14 results after interviewing management.

Quarterly Performance (JPYmn)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	4,114	5,407	3,550	3,646	3,154	2,521	3,265	-	81.3%	11,000
YoY	111.7%	171.8%	29.2%	116.8%	-23.3%	-53.4%	-8.0%	-	-	-34.2%
GP	2,031	1,612	1,807	1,192	1,190	1,209	1,696	-	-	-
YoY	86.3%	66.0%	30.9%	43.8%	-41.4%	-25.0%	-6.1%	-	-	-
GPM	49.4%	29.8%	50.9%	32.7%	37.7%	48.0%	51.9%	-	-	-
SG&A	604	903	718	1,157	668	833	883	-	-	-
YoY	-18.6%	27.2%	-4.4%	30.9%	10.6%	-7.8%	23.0%	-	-	-
SG&A / Sales	14.7%	16.7%	20.2%	31.7%	21.2%	33.0%	27.0%	-	-	-
OP	1,427	708	1,089	36	521	377	813	-	92.5%	1,850
YoY	311.2%	171.3%	73.1%	-	-63.5%	-46.8%	-25.3%	-	-	-43.3%
OPM	34.7%	13.1%	30.7%	1.0%	16.5%	15.0%	24.9%	-	-	19.5%
RP	1,431	711	1,095	35	518	378	817	-	92.6%	1,850
YoY	305.4%	153.0%	72.7%	-	-63.8%	-46.8%	-25.4%	-	-	-43.5%
RPM	34.8%	13.1%	30.8%	1.0%	16.4%	15.0%	25.0%	-	-	19.6%
NI	936	482	728	-75	338	234	257	-	87.3%	950
YoY	411.5%	155.0%	68.9%	-	-63.9%	-51.5%	-64.7%	-	-	-54.1%
NPM	22.8%	8.9%	20.5%	-	10.7%	9.3%	7.9%	-	-	12.4%

Source: Company data, SR.

Figures may differ from company materials due to differences in rounding methods.

Company forecasts are the most recent figures.

According to the company, various factors have made the amusement machines market—typified by pachinko and pachislot machines—less forgiving. Demand for pachinko machines has stuttered, while the usage rates of pachislot machines are waning. The company had estimated the number of amusement machines it would sell in FY03/14 at about 3.8mn units, but there is now a possibility that number will be around 3.5mn units.

Gross profit margin was four percentage points higher than the previous year, at 45.8%. This was due to the fact that graphic LSI devices—which have a relatively high profit margin—formed a larger proportion of total sales. SG&A expenses rose to JPY2.4bn (+7.1% YoY). Research and development costs rose by approximately JPY200mn over the previous year, due to the booking of costs to develop prototypes of next generation (LSI) products AG5, and AG903 for the embedded systems market.

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Bell-Park Co., Ltd. (9441)

Independent mobile phone distributor focusing on SoftBank Mobile shops. Differentiation through efficient stores and personnel investments. Growth through acquisitions

On **February 12, 2014**, Bell-Park Co., Ltd. announced its full-year FY12/13 results.

Quarterly Performance (Million Yen)	FY12/12				FY12/13				FY12/13	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	19,599	15,466	15,599	23,806	22,553	18,992	18,854	23,828	97.7%	86,200
YoY	19.3%	-3.4%	1.6%	4.5%	15.1%	22.8%	20.9%	0.1%		15.8%
GP	3,890	3,292	3,065	3,647	4,520	3,840	3,847	4,287		
YoY	33.2%	21.6%	5.7%	1.6%	16.2%	16.7%	25.5%	17.6%		
GPM	19.8%	21.3%	19.6%	15.3%	20.0%	20.2%	20.4%	18.0%		
SG&A	2,852	2,629	2,523	2,767	3,311	3,040	3,305	3,598		
YoY	30.3%	19.8%	8.7%	8.0%	16.1%	15.7%	31.0%	30.0%		
SG&A / Sales	14.6%	17.0%	16.2%	11.6%	14.7%	16.0%	17.5%	15.1%		
OP	1,038	663	542	879	1,209	800	542	689	101.2%	3,200
YoY	41.9%	29.4%	-6.2%	-14.4%	16.5%	20.7%	-0.1%	-21.7%		2.5%
OPM	5.3%	4.3%	3.5%	3.7%	5.4%	4.2%	2.9%	2.9%		3.7%
RP	1,085	632	520	964	1,285	846	531	764	103.5%	3,310
YoY	49.3%	28.7%	-2.3%	-6.5%	18.5%	33.8%	2.0%	-20.7%		3.4%
RPM	5.5%	4.1%	3.3%	4.0%	5.7%	4.5%	2.8%	3.2%		3.8%
NP	611	358	289	526	709	476	283	411	102.7%	1,830
YoY	64.2%	30.9%	-1.2%	-4.7%	16.1%	32.8%	-1.9%	-21.8%		2.6%
NPM	3.1%	2.3%	1.9%	2.2%	3.1%	2.5%	1.5%	1.7%		2.1%

Source: Company data, SR Inc. Research

Figures may differ from company materials due to differences in rounding methods.

Company forecasts are the most recent figures.

On **February 6, 2014**, the company announced January monthly sales estimate.

Monthly Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014													
New	37,239												37,239
YoY	-16.4%												
ex-low ARPU handsets (YoY)	28,193												28,193
Replacement	34,050												34,050
YoY	-8.8%												
Total	71,289												71,289
YoY	-12.9%												
2013													
New	44,561	39,123	80,207	42,188	44,188	29,921	31,772	33,596	34,022	37,766	39,479	36,492	493,315
YoY	15.8%	2.9%	20.1%	0.3%	4.4%	-0.9%	-10.9%	7.4%	-11.4%	-18.9%	-19.9%	-11.7%	
ex-low ARPU handsets (YoY)	22,566	19,882	40,417	23,187	24,066	19,059	21,191	24,508	22,890	22,919	25,087	26,119	291,891
Replacement	37,325	25,865	46,305	33,039	40,335	26,499	29,059	30,075	36,832	46,110	49,021	40,749	441,214
YoY	9.0%	9.5%	64.8%	37.4%	63.5%	31.9%	8.4%	25.3%	11.6%	-12.5%	-16.1%	10.8%	
Total	81,886	64,988	126,512	75,227	84,523	56,420	60,831	63,671	70,854	83,876	88,500	77,241	934,529
YoY	12.6%	5.4%	33.4%	13.7%	26.2%	12.2%	-2.6%	15.2%	-0.8%	-15.5%	-17.8%	-1.1%	

Source: Company data, SR Inc. Research

Figures may differ from company materials due to differences in rounding methods.

Low ARPU handsets: Mimamori Mobile handsets, PhotoVision digital photo frames, and USIM

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Benefit One Inc. (2412)

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

On **February 13, 2014**, SR updated Benefit One Inc's Q3 FY03/14 results based on an interview with the company.

Quarterly Performance (million yen)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	3,886	4,290	4,526	4,908	4,552	4,884	5,283		66.9%	22,000
YoY	-	-	-	19.2%	17.1%	13.8%	16.7%			24.9%
GP	1,544	1,345	1,855	1,944	1,768	1,526	2,102			
YoY	-	-	-	16.3%	14.5%	13.5%	13.3%			
GPM	39.7%	31.4%	41.0%	39.6%	38.8%	31.2%	39.8%			
SG&A	1,075	934	953	994	1,218	1,050	1,005			
YoY	-	-	-	21.1%	13.3%	12.4%	5.5%			
SG&A / Sales	27.7%	21.8%	21.1%	20.3%	26.8%	21.5%	19.0%			
OP	469	411	901	950	549	476	1,097		68.5%	3,100
YoY	-	-	-	11.6%	17.2%	15.8%	21.8%			13.5%
OPM	12.1%	9.6%	19.9%	19.4%	12.1%	9.7%	20.8%			14.1%
RP	470	406	888	950	530	456	1,102		68.0%	3,070
YoY	-	-	-	6.5%	12.6%	12.3%	24.1%			13.1%
RPM	12.1%	9.5%	19.6%	19.4%	11.6%	9.3%	20.9%			14.0%
NI	281	240	541	561	302	263	692		69.1%	1,820
YoY	-	-	-	7.9%	7.6%	9.6%	27.9%			12.1%
NPM	7.2%	5.6%	12.0%	11.4%	6.6%	5.4%	13.1%			8.3%

Figures may differ from company materials due to differences in rounding methods.

Source: Company data, SR Inc. Research

The company maintained its full-year plan. It is 68.5% of the way toward its full-year operating profit target (against 65.2% at this time last year), 68.0% toward its recurring profit target (against 65%), and 69.1% toward its net income target (against 65.4%). SR believes that the company's profits will exceed its forecasts because of the strong performance of its mainstay Benefit Service segment and the Healthcare operations during Q4.

For FY03/15, the Benefit Service business may continue to drive the company's performance. Benefit One plans to increase the number of its members to 4.0mn at the end of April 2014 (from 3.3mn a year earlier). The company has signed a contract with a public sector client to serve 1mn people during three years until 2016. As of February 2014, 150,000 of these people have become members. The company expects the remaining 850,000 people to also become members over the next two years.

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Canon Marketing Japan Inc. (8060)

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

On **February 17, 2014**, SR updated comments on Canon Marketing Japan Inc. (CMJ) FY12/13 earnings results after interviewing management.

Quarterly Performance (million yen)	FY12/12				FY12/13				FY12/13	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	163,038	160,005	154,456	181,717	150,210	159,222	159,190	188,593	99.7%	659,300
YoY	7.6%	12.1%	-1.0%	-0.2%	-7.9%	-0.5%	3.1%	3.8%		
GP	53,969	54,696	52,203	60,014	49,276	53,927	55,215	61,791		
YoY	4.4%	5.9%	-6.0%	-6.3%	-8.7%	-1.4%	5.8%	3.0%		
GPM	33.1%	34.2%	33.8%	33.0%	32.8%	33.9%	34.7%	32.8%		
SG&A	50,428	50,421	50,121	53,110	48,873	50,263	50,913	53,148		
YoY	-0.1%	-2.3%	-7.5%	-8.7%	-3.1%	-0.3%	1.6%	0.1%		
SG&A / Sales	30.9%	31.5%	32.5%	29.2%	32.5%	31.6%	32.0%	28.2%		
OP	3,540	4,275	2,082	6,903	403	3,663	4,302	8,644	100.7%	16,900
YoY	189.0%	-	54.2%	17.8%	-88.6%	-14.3%	106.6%	25.2%		
OPM	2.2%	2.7%	1.3%	3.8%	0.3%	2.3%	2.7%	4.6%		
RP	3,678	5,017	2,285	7,128	536	4,331	4,473	8,870	101.2%	18,000
YoY	168.7%	223.5%	51.0%	14.3%	-85.4%	-13.7%	95.8%	24.4%		
RPM	2.3%	3.1%	1.5%	3.9%	0.4%	2.7%	2.8%	4.7%		
NI	1,958	2,730	1,113	4,777	-35	2,008	2,711	5,483	95.9%	10,600
YoY	-	10.2%	127.6%	9.4%	-	-26.4%	143.6%	14.8%		
NPM	1.2%	1.7%	0.7%	2.6%	-	1.3%	1.7%	2.9%		

From FY12/13, some of sales promotion costs, previously booked under SG&A, are directly deducted from sales.

Comparison with a prior-year period has been adjusted to reflect the accounting change.

Comparison between FY12/12 and FY12/11 does not reflect accounting change.

Source: Company data, SR Inc. Research; Figures may differ from company materials due to differences in rounding methods.

Full-year sales were JPY657.2bn (-0.3% YoY), operating profit was JPY17.0bn (+1.3% YoY), recurring profit was JPY18.2bn (+0.6% YoY), and net income was JPY10.2bn (-3.9% YoY). Sales and profit were largely in line with the company's forecasts.

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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.”

On **February 14 2014**, Chiome Bioscience Inc. announced results for Q3 FY03/14.

Quarterly Performance (million yen)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	64	57	110	93	99	131	105	-	45.2%	740
YoY	-	-	-33.0%	-54.5%	53.9%	129.9%	-	-	-	128.3%
GP	44	40	69	51	59	91	69	-	-	-
YoY	-	-	-34.0%	-64.7%	32.2%	126.4%	-	-	-	-
GPM	68.9%	70.9%	63.0%	54.6%	59.2%	69.8%	65.1%	-	-	-
SG&A	154	156	158	150	201	230	237	-	-	-
YoY	-	-	-58.9%	37.9%	30.4%	47.5%	-	-	-	-
SG&A / Sales	239.9%	274.5%	143.3%	161.4%	203.3%	176.1%	224.7%	-	-	-
OP	-110	-116	-88	-99	-143	-139	-168	-	-	-522
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-	-	-	-	-
RP	-110	-116	-89	-109	-155	-127	-167	-	-	-596
YoY	-	-	-	-	-	-	-	-	-	-
RPM	-	-	-	-	-	-	-	-	-	-
NI	-111	-117	-90	-109	-209	-128	-168	-	-	-599
YoY	-	-	-	-	-	-	-	-	-	-
NPM	-	-	-	-	-	-	-	-	-	-

Figures may differ from company materials due to differences in rounding methods.

Source: Company data, SR Inc. Research

YoY figures are not shown as the company transitioned to consolidated accounting in Q3 FY03/14.

R&D Status

Fully Human ADLib® System

In June 2013, the company reported that it had replaced both functional antibody gene locus and pseudo gene locus with human genes, and succeeded in producing a fully human antibody library prototype, which includes homologous recombination capabilities. Since then, by introducing many new antibody genes into the new cell lines, the company has been building a more practical library. The company is striving to complete the Fully Human ADLib System by conducting additional research toward a practical library composed of antigens for which it was difficult to obtain antibodies, alongside the growing variety of libraries such as the one above.

Anti-Semaphorin 3A Antibody

The company confirmed the efficacy of both chimeric and humanized antibodies on animal models with sepsis syndrome. The company has been conducting additional research into relations between the Anti-Semaphorin 3A molecules and various diseases for obtaining efficacy data to demonstrate new effectiveness.

View the [full report](#).



Chiyoda Co., Ltd. (8185)

Retailer specializing in low-price shoes.

Chiyoda Co., Ltd. announced monthly sales data for January 2014 on **February 3, 2014** and for February 2014 on **March 3, 2014**.

Comparable Store Sales	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
FY02/10	-8.5%	-2.8%	-1.3%	-6.7%	-5.7%	-7.9%	-2.8%	-1.2%	-13.2%	2.8%	-3.7%	0.8%
FY02/11	-6.5%	-6.1%	-7.5%	-4.4%	-4.6%	-8.5%	-7.4%	2.2%	-5.4%	-3.2%	-0.1%	3.1%
FY02/12	-17.3%	4.1%	2.4%	1.9%	5.4%	1.0%	1.5%	-0.5%	6.3%	3.0%	-0.4%	1.4%
FY02/13	15.7%	2.2%	-4.6%	-0.6%	-3.8%	-3.5%	-0.2%	-8.9%	1.5%	-2.8%	-1.7%	-6.9%
FY02/14	2.8%	-11.4%	-2.1%	1.3%	-8.4%	0.2%	-3.2%	-3.9%	-2.2%	-3.4%	-8.5%	17.0%

Source: Company data processed by SR Inc.

Figures may differ from company materials due to differences in rounding methods.

All Store Sales	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
FY02/10	-4.7%	1.5%	3.2%	-3.3%	-3.0%	-4.6%	1.4%	3.0%	-9.8%	5.9%	0.1%	5.0%
FY02/11	-2.2%	-2.6%	-4.2%	-1.2%	-1.6%	-5.8%	-5.7%	3.3%	-4.8%	-2.7%	0.4%	4.0%
FY02/12	-18.5%	2.1%	1.2%	0.5%	3.9%	-0.1%	0.5%	-1.3%	4.9%	1.5%	-1.8%	0.0%
FY02/13	14.3%	0.8%	-6.1%	-1.7%	-4.9%	-4.7%	-1.2%	-9.4%	2.0%	-2.5%	-1.5%	-6.6%
FY02/14	3.6%	-8.3%	-0.5%	3.3%	-6.7%	1.8%	-1.7%	-2.6%	-1.2%	-2.5%	-7.6%	17.7%

Source: Company data processed by SR Inc.

Figures may differ from company materials due to differences in rounding methods.

On **February 12, 2014**, the company announced a revision to its FY02/14 earnings forecast.

Revised FY02/14 consolidated earnings forecast:

Sales: JPY146bn (previous forecast: JPY151.5bn)

Operating profit: JPY9.7bn (JPY12bn)

Recurring profit: JPY10bn (JPY12.5bn)

Net income: JPY5.6bn (JPY6.7bn)

Revised FY02/14 non-consolidated earnings forecast:

Sales: JPY105.9bn (previous forecast: JPY110.5bn)

Recurring profit: JPY9.6bn (JPY11bn)

Net income: JPY6bn (JPY6.5bn)

Sales and profits for the winter sales period were much lower than the company's initial forecasts, leading to a decline for both consolidated and non-consolidated forecasts. Particularly, subsidiary Mac-House Co., Ltd. (JASDAQ: 7603) announced a revision to its forecasts, and as the parent company, the company did the same. It should be noted that according to Mac-House, the revised forecasts for Mac-House are very conservative.

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Comsys Holdings Corporation (1721)

Major telecommunications construction company, with over fifty years of history

On **February 24, 2014**, SR Inc. updated comments on Comsys Holdings Corporation (Comsys)'s Q3 FY03/14 earnings results after interviewing management.

Quarterly Performance (JPYmn)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	57,032	75,171	74,703	109,186	60,293	80,284	77,787	-	67.2%	325,000
YoY	1.1%	-39.9%	7.4%	8.0%	5.7%	6.8%	4.1%	-	-	-
GP	6,393	9,715	9,759	15,359	8,032	11,273	11,442	-	-	2.8%
YoY	44.5%	-15.7%	39.9%	21.8%	25.6%	16.0%	17.2%	-	-	-
GPM	11.2%	12.9%	13.1%	14.1%	13.3%	14.0%	14.7%	-	-	-
SG&A	4,759	4,573	4,079	5,268	4,401	4,278	4,312	-	-	-
YoY	-2.4%	-51.7%	-9.8%	16.2%	-7.5%	-6.5%	5.7%	-	-	-
SG&A / Sales	8.3%	6.1%	5.5%	4.8%	7.3%	5.3%	5.5%	-	-	-
OP	1,634	5,141	5,680	10,092	3,630	6,995	7,131	-	74.0%	24,000
YoY	-	149.7%	131.6%	24.9%	122.2%	36.1%	25.5%	-	-	6.4%
OPM	2.9%	6.8%	7.6%	9.2%	6.0%	8.7%	9.2%	-	-	7.4%
RP	1,873	5,217	5,684	10,140	3,793	7,179	7,198	-	74.2%	24,500
YoY	-	122.8%	120.6%	26.0%	102.5%	37.6%	26.6%	-	-	6.9%
RPM	3.3%	6.9%	7.6%	9.3%	6.3%	8.9%	9.3%	-	-	7.5%
NI	1,057	2,761	3,302	6,164	2,386	3,777	4,569	-	71.5%	15,000
YoY	-	244.3%	145.5%	22.6%	125.7%	36.8%	38.4%	-	-	12.9%
NPM	1.9%	3.7%	4.4%	5.6%	4.0%	4.7%	5.9%	-	-	4.6%

Source: Company data, SR Inc. Research

Figures may differ from company materials due to differences in rounding methods.

Company forecasts are based on the most recent figures.

On the same date, the company announced a stock repurchase.

Type of stock to be repurchased: common stock

Number of shares: maximum of 2.3mn shares (1.92% of outstanding shares as of December 31, 2013)

Total value of repurchased stock: maximum of JPY3bn

Repurchase period: February 7, 2014 – March 31, 2014

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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.

On **February 13, 2014**, Digital Garage Inc. announced Q2 FY06/14 results.

(Million Yen)	FY06/13				FY06/14				FY06/13	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	5,307	8,539	6,482	7,636	7,273	8,350			26.1%	32,000
YoY	55.2%	196.6%	24.6%	124.4%	37.0%	-2.2%				14.4%
GP	1,050	2,063	1,342	1,977	1,393	2,102				
YoY	-6.2%	257.1%	-44.4%	318.2%	32.6%	1.9%				
GPM	19.8%	24.2%	20.7%	25.9%	19.1%	25.2%				
SG&A	1,101	1,539	1,191	1,278	1,306	1,376				
YoY	61.6%	116.0%	68.6%	48.2%	18.6%	-10.6%				
SG&A / Sales	20.7%	18.0%	18.4%	16.7%	18.0%	16.5%				
OP	-51	524	151	698	87	726			40.3%	1,800
YoY	-	-	-91.1%	-	-	38.5%				36.1%
OPM	-	6.1%	2.3%	9.1%	1.2%	8.7%				5.6%
RP	167	1,000	719	1,192	474	1,214			34.7%	3,500
YoY	-71.9%	1311.1%	-67.2%	-	183.4%	21.3%				13.7%
RPM	3.2%	11.7%	11.1%	15.6%	6.5%	14.5%				10.9%
NI	214	700	1,295	507	389	1,037			49.4%	2,100
YoY	-59.9%	799.4%	-25.9%	-	82.3%	48.0%				-22.7%
NPM	4.0%	8.2%	20.0%	6.6%	5.4%	12.4%				6.6%

Source: Company data, SR Inc. Research; Figures may differ from company materials due to differences in rounding methods.

In 1H FY06/14, the IPO market took a positive turn and profits stemming from investments and growth in both domestic and foreign venture firms exceeded forecasts in the incubation segment. Also due to strong results from the marketing and payment segments, sales for 1H were JPY15.6bn (+12.8% YoY) and operating profit was JPY812mn (+71.8%).

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Don Quijote Co., Ltd. (7532)

Innovative and iconoclastic general discount retailer with a nationwide presence.

On **February 25, 2014**, SR Inc. updated comments on Don Quijote's 1H FY06/14 results after interviewing management.

(Million Yen)	FY06/13				FY06/14				FY06/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	140,379	149,265	138,426	140,307	146,514	156,808			50.9%	596,300
YoY	4.1%	5.1%	5.4%	6.3%	4.4%	5.1%				
GP	37,010	39,176	36,888	36,733	39,880	41,195				
YoY	6.2%	6.0%	10.2%	7.3%	7.8%	5.2%				
GPM	26.4%	26.2%	26.6%	26.2%	27.2%	26.3%				
SG&A	28,766	28,747	29,423	30,502	29,740	30,831				
YoY	6.3%	4.4%	7.2%	8.2%	3.4%	7.2%				
SG&A / Sales	20.5%	19.3%	21.3%	21.7%	20.3%	19.7%				
OP	8,244	10,429	7,465	6,231	10,140	10,364			60.0%	34,200
YoY	6.0%	10.5%	23.4%	2.9%	23.0%	-0.6%				
OPM	5.9%	7.0%	5.4%	4.4%	6.9%	6.6%				
RP	8,366	10,709	7,653	6,473	10,433	10,702			60.0%	34,800
YoY	13.0%	18.4%	20.0%	0.3%	24.7%	-0.1%				
RPM	6.0%	7.2%	5.5%	4.6%	7.1%	6.8%				
NI	5,069	6,708	4,556	4,808	6,416	6,608			59.7%	21,800
YoY	-24.0%	27.5%	14.7%	22.1%	26.6%	-1.5%				
NPM	3.6%	4.5%	3.3%	3.4%	4.4%	4.2%				

Source: Company data, SR Inc. Research

Figures may differ from company materials due to differences in rounding methods.

On **February 10, 2014**, the company announced sales figures for January.

(YoY)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Total Stores												
Sales	5.2%	8.2%	4.3%	5.1%	4.9%	5.4%	5.2%					
# of Stores	200	201	200	203	208	211	212					
Comparable Stores												
Sales	-0.5%	1.8%	-0.6%	0.0%	0.0%	-0.9%	-1.3%					
# of Customers	0.0%	1.1%	-2.5%	-0.4%	-0.1%	-0.5%	-0.5%					
Avg. Spend per Customer	-0.5%	0.6%	2.0%	0.4%	0.1%	-0.5%	-0.8%					
# of Comparable Stores	184	185	185	186	187	189	192					
Electric Appliances	0.9%	3.7%	-2.4%	-0.6%	0.5%	-4.1%	-0.4%					
Household Goods	5.7%	10.0%	4.1%	8.2%	6.2%	8.0%	5.9%					
Foods	6.6%	9.6%	3.3%	5.1%	6.8%	9.4%	8.6%					
Watches & Fashion Merchandise	5.4%	9.1%	1.8%	4.4%	4.4%	4.2%	3.9%					
Sporting & Leisure Goods	8.6%	6.8%	0.4%	4.9%	5.5%	6.9%	7.0%					
Other Products	-13.3%	-12.0%	103.4%	7.9%	-5.7%	8.3%	5.1%					

(YoY)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Stores												
Sales	22.2%	37.6%	20.3%	19.8%	11.8%	7.2%	6.5%	5.9%	6.1%	5.9%	6.2%	7.1%
# of Stores	53	70	93	107	122	135	148	150	162	169	185	200
Comparable Stores												
Sales	-1.4%	-1.8%	-2.4%	2.0%	2.9%	0.4%	-3.3%	0.5%	-1.5%	3.4%	0.5%	-0.1%
# of Customers	1.2%	0.5%	-2.8%	0.3%	-0.4%	-0.7%	-2.2%	4.5%	3.8%	3.1%	-0.8%	-0.5%
Avg. Spend per Customer	-2.5%	-2.3%	0.4%	1.7%	3.3%	1.1%	-1.2%	-3.8%	-5.1%	0.3%	1.3%	0.4%
# of Comparable Stores	31	48	70	89	104	117	123	144	149	158	164	179
Electric Appliances	18.5%	29.4%	17.1%	17.0%	12.2%	4.0%	-2.7%	-4.8%	-3.6%	5.1%	-2.2%	-0.5%
Household Goods	22.6%	37.4%	15.1%	15.5%	12.9%	10.4%	8.2%	9.8%	9.1%	7.9%	6.7%	7.9%
Foods	27.7%	42.0%	25.6%	23.1%	9.2%	5.1%	10.9%	20.8%	14.4%	4.5%	7.3%	8.9%
Watches & Fashion Merchandise	28.0%	48.1%	25.6%	23.4%	14.0%	7.0%	6.3%	0.0%	1.7%	4.3%	11.9%	11.2%
Sporting & Leisure Goods	10.6%	24.8%	18.6%	14.1%	7.2%	13.3%	5.5%	4.1%	5.5%	8.2%	2.0%	8.3%
Other Products	8.9%	28.1%	6.0%	19.4%	-7.8%	-1.3%	0.1%	10.4%	21.7%	29.7%	10.9%	-22.6%

Source: Company data, SR Inc. Research

Figures may differ from company materials due to differences in rounding methods.

View the [full report](#).



Dream Incubator Inc. (4310)

Venture capital and business incubation, and strategy consulting company.

On **February 5, 2014**, SR updated comments on Dream Incubator Inc.'s Q3 FY03/14 results following our meeting with the company.

Quarterly Performance (million yen)	FY03/13				FY03/14			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	1,687	2,126	1,774	2,106	1,889	2,496	2,120	-
YoY	29.1%	33.9%	-12.6%	31.4%	12.0%	17.4%	19.5%	-
GP	890	1,032	831	958	912	1,209	1,102	-
YoY	59.8%	44.1%	-22.2%	66.0%	2.5%	17.2%	32.6%	-
GPM	52.8%	48.5%	46.8%	45.5%	48.3%	48.4%	52.0%	-
SG&A	725	708	719	790	780	821	888	-
YoY	66.3%	60.2%	70.8%	52.5%	7.6%	16.0%	23.5%	-
SG&A / Sales	43.0%	33.3%	40.5%	37.5%	41.3%	32.9%	41.9%	-
OP	164	325	112	167	132	387	214	-
YoY	36.9%	18.2%	-82.7%	187.9%	-19.7%	19.1%	91.1%	-
OPM	9.7%	15.3%	6.3%	7.9%	7.0%	15.5%	10.1%	-
RP	155	319	112	173	154	383	228	-
YoY	35.8%	16.8%	-82.6%	134.4%	-0.9%	20.1%	103.6%	-
RPM	9.2%	15.0%	6.3%	8.2%	8.2%	15.3%	10.8%	-
NI	80	240	48	303	86	355	160	-
YoY	5.8%	-12.7%	-91.1%	-	7.8%	47.9%	233.3%	-
NPM	4.7%	11.3%	2.7%	14.4%	4.6%	14.2%	7.5%	-

Figures may differ from company materials due to difference in rounding methods.

Source: Company data, SR Inc. Research

Sales were JPY6.5bn (+16.4% YoY), operating profit was JPY733mn (+22.1%), recurring profit was JPY765mn (+30.5%), and net income was JPY601mn (+63.1%). Application of International Financial Reporting Standards (IFRS) accounting principles to items specific to the insurance business resulted in consolidated operating profit of JPY848mn, an increase from JPY537mn (+57.9%) in the previous year.

Cumulative Q3 orders totaled JPY5.7bn (+3.4% YoY), broken down as follows: consulting, JPY1.3bn (-32.1%); insurance, JPY3.7bn (+20.0%); and others, JPY604mn (+46.8%).

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Elecom Co. (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.

On **February 28, 2014**, SR updated comments on Elecom Co.'s Q3 FY03/14 results after interviewing management.

Quarterly Performance (JPYmn)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	15,289	14,901	17,615	14,836	14,936	15,099	19,391		72.7%	68,000
YoY	5.2%	3.9%	0.1%	-7.6%	-2.3%	1.3%	10.1%			8.6%
Gross Profit	5,061	4,889	6,005	4,865	5,159	5,164	6,700			
YoY	0.0%	-5.4%	-6.0%	-7.9%	1.9%	5.6%	11.6%			
GPM	33.1%	32.8%	34.1%	32.8%	34.5%	34.2%	34.6%			
SG&A	3,761	3,498	3,740	3,756	3,647	3,694	3,926			
YoY	6.0%	-5.5%	-3.5%	-5.5%	-3.0%	5.6%	5.0%			
SG&A / Sales	24.6%	23.5%	21.2%	25.3%	24.4%	24.5%	20.2%			
Operating Profit	1,300	1,391	2,264	1,109	1,503	1,408	2,846		89.6%	6,424
YoY	-14.1%	-5.2%	-9.9%	-15.5%	15.6%	1.2%	25.7%			5.9%
OPM	8.5%	9.3%	12.9%	7.5%	10.1%	9.3%	14.7%			9.4%
Recurring Profit	1,289	1,298	1,916	1,004	1,312	1,795	1,975		80.6%	6,308
YoY	-7.7%	-4.4%	-18.2%	-2.6%	1.8%	38.3%	3.1%			14.5%
RPM	8.4%	8.7%	10.9%	6.8%	8.8%	11.9%	10.2%			9.3%
Net Income	510	864	1,112	613	622	1,205	1,188		82.3%	3,663
YoY	4.9%	75.6%	-3.2%	-48.3%	22.0%	39.4%	6.8%			18.2%
NPM	3.3%	5.8%	6.3%	4.1%	4.2%	8.0%	6.1%			5.4%

Quarterly Performance (JPYmn)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Supply	5,347	5,839	7,378	5,409	6,002	5,578	7,230		71.9%	26,162
Storage/Memory	2,737	2,364	2,811	2,368	2,498	2,987	3,923		83.3%	11,300
IO Device	1,308	1,210	1,352	1,313	1,217	1,277	1,506		83.8%	4,774
Digital Home	3,510	3,180	3,614	3,328	2,970	2,993	4,494		70.5%	14,828
Others	2,387	2,305	2,460	2,420	2,247	2,259	2,242		61.7%	10,933
(YoY)										
Supply	12.9%	15.5%	11.5%	1.4%	12.2%	-4.5%	-2.0%			
Storage/Memory	19.1%	-6.0%	-12.2%	-27.5%	-8.7%	26.4%	39.6%			
IO Device	-15.4%	-18.2%	-14.5%	-16.1%	-7.0%	5.5%	11.4%			
Digital Home	-13.1%	-5.7%	-14.0%	-8.5%	-15.4%	-5.9%	24.3%			
Others	24.6%	19.8%	23.2%	6.9%	-5.9%	-2.0%	-8.9%			

Figures may differ from company materials due to differences in rounding methods

Estimates are the latest forecasts announced by the company

Source: Company data, SR Inc.

On the same date, the company announced a revision to its FY03/14 year-end dividend forecasts.

The company revised its FY03/14 year-end dividend forecasts from JPY15 (full-year dividend: JPY33) to JPY22 (full-year dividend: JPY40). The JPY22 year-end dividend comprises a normal dividend of JPY17 and a special dividend of JPY5.

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Emergency Assistance Japan Co., Ltd. (6063)

Japan's sole independent provider of global medical assistance services. Expanding businesses related to medical tourism.

On **February 14, 2014**, Emergency Assistance Japan Co., Ltd. (EAJ) announced results for FY12/13.

Quarterly Performance (Million Yen)	FY12/12				FY12/13				FY12/13	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	554	435	448	456	548	447	473	515	99.2%	2,000
YoY	-	-	-	-	-1.0%	2.7%	5.7%	12.9%		5.7%
GP	138	109	122	137	114	88	106	127		
YoY	-	-	-	-	-17.6%	-18.6%	-13.0%	-7.8%		
GPM	24.9%	24.9%	27.2%	30.1%	20.7%	19.8%	22.4%	24.6%		
SG&A	84	102	93	78	93	96	106	104		
YoY	-	-	-	-	10.0%	-6.0%	13.3%	33.3%		
SG&A / Sales	15.2%	23.5%	20.8%	17.2%	16.9%	21.5%	22.3%	20.3%		
OP	54	6	29	59	21	-8	0	22	119.2%	30
YoY	-	-	-	-	-61.1%	-	-98.7%	-62.4%		12.0%
OPM	9.7%	1.5%	6.4%	12.9%	3.8%	-	0.1%	4.3%		1.5%
RP	53	-11	25	62	18	-13	-1	21	115.4%	22
YoY	-	-	-	-	-65.8%	-	-	-65.3%		20.3%
RPM	9.6%	-	5.6%	13.5%	3.3%	-	-	4.2%		1.1%
NI	32	-6	15	35	12	-9	1	11	118.8%	12
YoY	-	-	-	-	-63.6%	-	-93.7%	-67.9%		26.0%
NPM	5.7%	-	3.4%	7.6%	2.1%	-	0.2%	2.2%		0.6%

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

A steady increase in providing medical assistance services led to sales that were up 4.8% YoY to JPY2bn, but operating profit fell 75.8% YoY to JPY35mn because of investments for future growth, increased costs at overseas offices, and accounting costs incurred from a weaker yen. However, it should be noted that in comparison to forecasts released by the company on July 16, 2013, operating profit was JPY5mn higher, recurring profit was JPY3mn higher, and net income was JPY2mn higher.

View the [full report](#).



en-japan Inc. (4849)

Pioneer of online recruitment information websites, with a particular focus on mid-career and experienced worker hiring. Now looking to expand into Asia and bilingual staff recruiting.

On **February 24, 2014**, the company revised its earnings forecast for FY03/14.

Earnings forecast revision for FY03/14

Sales: JPY16.3bn (Previous forecast: JPY16.3bn)
Operating profit: JPY3.2bn (Previous forecast: JPY3.2bn)
Recurring profit: JPY3.3bn (Previous forecast: JPY3.3bn)
Net income: JPY2.7bn (Previous forecast: JPY2.9bn)
EPS: JPY120.72 (Previous forecast: JPY130.68)

The company revised its net income forecast for FY03/14 as it will record a JPY360mn extraordinary loss for the planned closure of the [en] Job Info for Student website and the start of a new service. The charge includes impairment losses and maintenance expenses. The company maintained its dividend payout forecast.

On **the same date**, the company announced the closure of the [en] Job Info for Student website and the start of a new service.

Business results for new graduate hiring:

FY03/13: Sales of JPY1.5bn ([en] Job Info for Student website: JPY1.3bn), Operating profit of JPY133mn
FY03/14 forecast: Sales of JPY1.5bn ([en] Job Info for Student website: JPY1.3bn), Operating profit of JPY90mn

In line with the closure of the above website and the start of a new service, the company will end service for its job info website, which is a part of the new graduate hiring business. Service for the website will end on March 31, 2015. Background information concerning this closure is as follows.

Service for the [en] Job Info for Student website began in FY03/05. From FY03/13 onward, the website was focused on job information for promising small- and medium-sized companies and startups.

The environment surrounding new graduate hiring and job searching has undergone numerous changes in recent years. There is less reliance on job searching websites, and more emphasis placed on communities forged via channels such as social networking services. As a result, in February 2014, the company made the decision to alter its business model.

en-japan will continue to offer new services to aid new graduates in their search for employment. In response to demand from students for information regarding career paths, the company will also look into providing career support services. Employees currently affiliated with the new graduate hiring business will be reassigned to new services within the same business or to other businesses. A JPY360mn extraordinary loss for impairment losses and maintenance expenses associated with closing the website will be incurred in FY03/14.



On **February 7, 2014**, the company announced Q3 FY03/14 results.

Quarterly Performance (million yen)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY Est.	FY Est.
Sales	3,297	3,138	3,801	3,327	3,652	3,835	4,595	-	74.1%	16,300
YoY	-	-	-	-	10.7%	22.2%	20.9%	-	-	20.2%
GP	2,824	2,687	3,300	2,820	3,219	3,401	4,096	-	-	-
YoY	-	-	-	-	14.0%	26.5%	24.1%	-	-	-
GPM	85.7%	85.6%	86.8%	84.8%	88.2%	88.7%	89.1%	-	-	-
SG&A	2,101	2,129	2,265	2,353	2,506	2,497	2,918	-	-	-
YoY	-	-	-	-	19.3%	17.3%	28.8%	-	-	-
SG&A / Sales	63.7%	67.8%	59.6%	70.7%	68.6%	65.1%	63.5%	-	-	-
OP	724	558	1,034	467	713	903	1,177	-	87.3%	3,200
YoY	-	-	-	-	-1.4%	61.8%	13.8%	-	-	15.0%
OPM	21.9%	17.8%	27.2%	14.0%	19.5%	23.6%	25.6%	-	-	19.6%
RP	782	576	1,045	437	902	925	1,274	-	94.5%	3,280
YoY	-	-	-	-	15.3%	60.6%	21.9%	-	-	15.5%
RPM	23.7%	18.4%	27.5%	13.1%	24.7%	24.1%	27.7%	-	-	20.1%
NI	468	338	653	86	1,771	546	772	-	114.8%	2,690
YoY	-	-	-	-	278.6%	61.4%	18.1%	-	-	74.0%
NPM	14.2%	10.8%	17.2%	2.6%	48.5%	14.2%	16.8%	-	-	16.5%

Figures may differ from company materials due to differences in rounding methods.

Source: Company data, SR Inc. Research

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Ferrotec Corp. (6890)

Supplies cutting-edge materials to semiconductor and other electronics manufacturers. Searching for new growth businesses based on its long-nurtured core technologies.

On **February 26, 2014**, SR updated comments on Ferrotec Corp.'s Q3 FY03/14 results after interviewing management.

Quarterly Performance (JPYmn)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	9,503	10,545	9,102	9,274	9,538	10,691	11,356	-	75.2%	42,000
YoY	-49.5%	-37.7%	-35.2%	-10.1%	0.4%	1.4%	24.8%	-	-	9.3%
GP	2,023	1,612	1,776	1,566	2,322	2,718	2,585	-	-	-
YoY	-64.2%	-63.4%	-54.9%	-38.4%	14.8%	68.6%	45.6%	-	-	-
GPM	21.3%	15.3%	19.5%	16.9%	24.3%	25.4%	22.8%	-	-	-
SG&A	2,494	3,295	2,269	2,527	2,380	2,501	2,496	-	-	-
YoY	-23.6%	2.3%	-23.2%	-14.7%	-4.5%	-24.1%	10.0%	-	-	-
SG&A / Sales	26.2%	31.2%	24.9%	27.2%	25.0%	23.4%	22.0%	-	-	-
OP	-471	-1,683	-493	-961	-58	217	89	-	24.8%	1,000
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	2.0%	0.8%	-	-	-	-
RP	-554	-2,157	-448	-306	480	50	-83	-	52.6%	850
YoY	-	-	-	-	-	-	-	-	-	-
RPM	-	-	-	-	5.0%	0.5%	-	-	-	-
NI	-664	-5,493	-1,513	1,137	418	276	-134	-	56.0%	1,000
YoY	-	-	-	-	-	-	-	-	-	-
NPM	-	-	-	12.3%	4.4%	2.6%	-	-	-	-

Figures may differ from company materials due to differences in rounding methods.

Source: Company data, SR Inc.

SR believes that sales for FY03/14 will come in above the full-year estimates provided by the company, owing to factors within the equipment-related and electronic device segments. The equipment-related segment is expected to see increased sales stemming from a recovery in demand for semiconductor manufacturing equipment, and it is likely that sales will rise in the electronic device segment, due to increased sales for thermoelectric modules. However, as of the end of cumulative Q3, progress toward achieving the full-year operating profit forecast stood at 24.8%, and even in the case that sales targets for Q4 are met, SR believes that it will be difficult for the company to achieve its operating profit forecast.

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Fields Corp. (2767)

Pachinko and pachislot planning, development and sales specialist firm. Largest independent distributor in Japan.

On **February 4, 2014**, the company announced results for Q3 FY03/14.

Quarterly Performance (million yen)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	21,145	7,973	18,627	60,396	5,748	30,637	17,819		45.2%	120,000
YoY	19.9%	-49.3%	91.9%	22.9%	-72.8%	284.3%	-4.3%			11.0%
GP	5,566	3,258	6,239	18,216	2,027	11,621	5,709			
YoY	9.7%	-52.8%	43.7%	21.4%	-63.6%	256.7%	-8.5%			
GPM	26.3%	40.9%	33.5%	30.2%	35.3%	37.9%	32.0%			
SG&A	5,282	5,402	5,535	6,745	5,856	5,615	5,849			
YoY	-0.4%	5.9%	-6.2%	3.8%	10.9%	3.9%	5.7%			
SG&A / Sales	25.0%	67.8%	29.7%	11.2%	101.9%	18.3%	32.8%			
OP	283	-2,142	703	11,470	-3,829	6,005	-140		16.3%	12,500
YoY	-	-	-	34.9%	-	-	-			21.2%
OPM	1.3%	-	3.8%	19.0%	-	19.6%	-			10.4%
RP	574	-2,312	763	11,243	-3,759	5,903	-78		16.5%	12,500
YoY	-	-	-	31.4%	-	-	-			21.7%
RPM	2.7%	-	4.1%	18.6%	-	19.3%	-			10.4%
NI	342	-1,322	303	5,397	-2,290	3,724	-207		19.5%	6,300
YoY	-	-	-	11.1%	-	-	-			33.5%
NPM	1.6%	-	1.6%	8.9%	-	12.2%	-			5.3%

Source: Company data, SR Inc.; figures may differ from company materials due to differences in rounding methods

In cumulative Q3, sales accounted for 45.2%, and operating profit stood at 16.3% of the company's full-year FY03/14 estimates. In Q4 FY03/14, the company is scheduled to release two pachinko machines and four pachislot machines (see below), which will be close to the same number of releases conducted in the first nine months of FY03/14 combined. SR believes that this will cause significant changes in the company's results.

View the [full report](#).



Gamecard-Joyco Holdings, Inc. (6249)

Dominant pachinko machine prepaid-card system provider.

On **February 21, 2014**, SR updated comments on Gamecard-Joyco Holdings, Inc.'s Q3 FY03/14 after interviewing management.

Quarterly Performance (million yen)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	10,101	10,002	11,034	8,408	8,684	8,645	9,861	-	83.4%	32,600
YoY	4.1%	-6.5%	-13.5%	-19.3%	-14.0%	-13.6%	-10.6%	-	-	-17.6%
GP	3,321	3,058	3,225	2,280	2,813	2,836	2,905	-	-	-
YoY	6.0%	-6.0%	-6.1%	-30.4%	-15.3%	-7.3%	-9.9%	-	-	-
GPM	32.9%	30.6%	29.2%	27.1%	32.4%	32.8%	29.5%	-	-	-
SG&A	2,074	2,190	2,232	2,720	1,834	2,076	2,272	-	-	-
YoY	11.3%	9.1%	8.8%	0.4%	-11.6%	-5.2%	1.8%	-	-	-
SG&A / Sales	20.5%	21.9%	20.2%	32.4%	21.1%	24.0%	23.0%	-	-	-
OP	1,247	868	993	-440	979	760	633	-	551.6%	430
YoY	-1.7%	-30.2%	-28.2%	-	-21.5%	-12.4%	-36.3%	-	-	-83.9%
OPM	12.3%	8.7%	9.0%	-	11.3%	8.8%	6.4%	-	-	1.3%
RP	1,258	859	986	-411	1,006	777	662	-	611.3%	400
YoY	-3.0%	-30.0%	-29.9%	-	-20.0%	-9.5%	-32.9%	-	-	-85.1%
RPM	12.5%	8.6%	8.9%	-	11.6%	9.0%	6.7%	-	-	1.2%
NI	708	603	611	-324	616	444	274	-	1022.9%	170
YoY	-72.9%	-8.8%	-42.8%	-	-13.0%	-26.4%	-55.2%	-	-	-89.4%
NPM	7.0%	6.0%	5.5%	-	7.1%	5.1%	2.8%	-	-	0.5%

Figures may differ from company materials due to differences in rounding methods. Company forecasts refer to most recent figures.
Source: Company data, SR Inc.

Operating profit was JPY2.4bn (-23.7% YoY). Gross profit fell JPY1.1bn, affected by sluggish equipment sales and a fall in unit prices, as well as a decline in card sales and a drop in system-usage fees. SG&A expenses declined JPY314mn due to a reduction in R&D expenses, which partially offset the decrease in gross profit.

Recurring profit was JPY2.4bn (-21.2% YoY), and net income was JPY1.3bn (-30.6%).

According to the company, results for cumulative Q3 FY03/14 are in line with initial plans.

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GCA Savvian Corp. (2174)

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

On **February 24, 2014**, SR Inc. updated comments on GCA Savvian Corporation’s FY12/13 results after interviewing management.

Quarterly Performance (million yen)	FY12/12				FY12/13			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenues	2,401	2,169	3,260	2,983	10,719	4,739	3,091	3,832
YoY	-66.5%	24.7%	28.8%	-15.1%	346.4%	118.5%	-5.2%	28.5%
Gross Profit	1,152	887	1,511	1,726	3,026	820	1,336	1,056
YoY	-53.3%	50.9%	34.0%	-22.8%	162.7%	-7.6%	-11.6%	-38.8%
SG&A	417	451	548	1,114	443	475	499	633
YoY	-34.2%	-0.9%	20.2%	71.9%	6.2%	5.3%	-8.9%	-43.2%
OP	734	436	964	612	2,583	345	836	423
YoY	-59.9%	227.8%	43.5%	-61.5%	251.9%	-20.9%	-13.3%	-30.9%
RP	790	419	956	630	2,616	372	838	480
YoY	-57.2%	197.2%	47.8%	-60.4%	231.1%	-11.2%	-12.3%	-23.8%
NI	302	99	251	607	5	145	686	289
YoY	-18.4%	-	59.9%	501.0%	-98.3%	46.5%	173.3%	-52.4%
(Fund non-consolidated)								
Sales	2,145	1,959	2,700	2,751	1,485	2,096	3,373	2,618
YoY	-6.0%	41.2%	23.8%	29.7%	-30.8%	7.0%	24.9%	-4.8%
OP	488	240	464	396	-68	237	1,133	435
YoY	-23.9%	-	40.2%	91.3%	-	-1.3%	144.2%	9.8%
OPM	22.8%	12.3%	17.2%	14.4%	-	11.3%	33.6%	16.6%
NI	300	97	245	606	-24	160	697	289
YoY	-16.2%	-	59.1%	604.7%	-	64.9%	184.5%	-52.3%
NPM	14.0%	5.0%	9.1%	22.0%	-	7.6%	20.7%	11.0%

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

By segment (before intragroup eliminations), the company’s advisory business generated full-year revenue of JPY8.3bn (-5.2% YoY); the asset-management business generated JPY1.2bn (+63.7%); and the fund business generated JPY14bn (+603.2%).

Decreased cross-border M&A activities meant advisory revenue declined YoY.

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Grandy House Corp. (8999)

Homebuilder in Tochigi, Gunma, Ibaraki prefectures. Commands dominant share in Tochigi.

On **February 7, 2014**, SR Inc. updated comments on Grandy House's Q3 FY03/14 results after interviewing management.

Quarterly Performance (million yen)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	8,143	8,084	8,040	8,274	9,097	9,327	9,265		74.8%	37,000
Growth YoY	8.1%	5.8%	21.7%	9.3%	11.7%	15.4%	15.2%			13.7%
Gross Profit	1,554	1,486	1,506	1,509	1,733	1,781	1,799			
Growth YoY	19.1%	14.4%	18.9%	9.9%	11.5%	19.9%	19.4%			
Gross Profit Margin	19.1%	18.4%	18.7%	18.2%	19.1%	19.1%	19.4%			
SG&A	889	980	933	937	973	1,088	1,023			
Growth YoY	1.5%	8.1%	6.1%	3.5%	9.4%	11.0%	9.6%			
SG&A / Sales ratio	10.9%	12.1%	11.6%	11.3%	10.7%	11.7%	11.0%			
Operating Profit	664	506	574	573	759	694	776		76.9%	2,900
Growth YoY	55.2%	29.1%	48.0%	22.3%	14.4%	37.1%	35.3%			25.2%
Operating Profit Margin	8.2%	6.3%	7.1%	6.9%	8.3%	7.4%	8.4%			7.8%
Recurring Profit	661	535	600	596	789	721	797		76.9%	3,000
Growth YoY	51.7%	34.2%	52.1%	23.6%	19.3%	34.9%	32.8%			25.4%
Recurring Profit Margin	8.1%	6.6%	7.5%	7.2%	8.7%	7.7%	8.6%			8.1%
Net Income	384	288	360	329	477	447	475		83.3%	1,680
Growth YoY	60.4%	29.7%	70.9%	22.2%	24.3%	54.9%	32.2%			23.4%
Net Margin	4.7%	3.6%	4.5%	4.0%	5.2%	4.8%	5.1%			4.5%

Source: Company data, SR Inc. Research

Figures may differ from company materials due to differences in rounding methods. Company forecasts are the most recent figures.

The company stated that its current and cumulative Q3 progress shows that it is on track to meet its targets. It also wants to aim for a double-digit increase in earnings in FY03/15, propelled by growth in Chiba Prefecture (where the company will target 100 new home sales). However, it must pay heed to the effects of the rise in consumption tax.

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Harmonic Drive Systems (6324)

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

On **February 27, 2014**, SR updated comments on Harmonic Drive Systems Inc.'s Q3 FY03/14 earnings results after interviewing management.

Quarterly New Orders (Parent) (Million Yen)	FY03/13				FY03/14			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Semiconductor Production Equipment	491	351	337	449	510	597	629	
YoY	-22.6%	-22.0%	-36.1%	-22.0%	3.9%	70.1%	86.6%	
Flat Panel Displays	243	183	239	379	471	381	289	
YoY	-48.3%	-27.1%	47.5%	89.5%	93.8%	108.2%	20.9%	
Industrial Robot Applications	1,853	1,370	1,349	1,179	1,478	1,609	1,463	
YoY	-11.0%	-16.2%	18.5%	-23.8%	-20.2%	17.4%	8.5%	
Gear Heads (for Electric Motor Makers)	335	225	239	241	344	375	354	
YoY	-17.9%	-28.8%	-13.7%	-26.1%	2.7%	66.7%	48.1%	
Machine Tools	272	304	320	311	271	319	364	
YoY	-13.7%	-9.5%	1.3%	-5.5%	-0.4%	4.9%	13.8%	
Oil-Drilling Equipment	354	180	132	377	233	178	174	
YoY	200.0%	-10.9%	230.0%	61.8%	-34.2%	-1.1%	31.8%	
Others	1,181	1,094	1,145	1,137	1,349	1,231	1,261	
YoY	-3.5%	3.2%	15.8%	-1.7%	14.2%	12.5%	10.1%	
Total	4,732	3,707	3,763	4,077	4,647	4,693	4,537	
YoY	-10.0%	-12.8%	9.0%	-6.7%	-1.8%	26.6%	20.6%	

Source: Company data, SR Inc. Research

Quarterly Sales (Parent) (Million Yen)	FY03/13				FY03/14			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Semiconductor Production Equipment	544	417	325	404	483	538	635	
YoY	-18.4%	-28.1%	-30.4%	-30.9%	-11.2%	29.0%	95.4%	
Flat Panel Displays	229	201	191	315	462	364	355	
YoY	-58.1%	-35.0%	-8.2%	62.4%	101.7%	81.1%	85.9%	
Industrial Robot Applications	1,687	1,700	1,220	1,276	1,278	1,629	1,521	
YoY	-8.5%	-13.7%	-14.6%	-5.6%	-24.2%	-4.2%	24.7%	
Gear Heads (for Electric Motor Makers)	331	267	220	261	285	377	350	
YoY	-11.0%	-23.9%	-20.9%	-16.1%	-13.9%	41.2%	59.1%	
Machine Tools	311	277	334	310	304	280	351	
YoY	-8.3%	-21.3%	9.2%	-8.0%	-2.3%	1.1%	5.1%	
Oil-Drilling Equipment	243	232	282	86	285	273	255	
YoY	120.9%	77.1%	67.9%	-53.5%	17.3%	17.7%	-9.6%	
Others	1,095	1,143	1,187	1,063	1,315	1,211	1,383	
YoY	-12.0%	-7.2%	15.6%	-8.5%	20.1%	5.9%	16.5%	
Total	4,442	4,237	3,761	3,717	4,416	4,673	4,853	
YoY	-13.4%	-14.0%	-3.2%	-9.9%	-0.6%	10.3%	29.0%	

Source: Company data, SR Inc. Research

The company commented that business conditions were steady overall, aided by a continuing trend toward economic recovery in Japan and the US, despite suppressed recoveries in emerging economies such as China. Improvements in EU economies were also seen from the summer onward.

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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.

On **February 14, 2014**, the company announced results for FY12/13.

Quarterly Performance (million yen)	FY12/12				FY12/13				FY12/13	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	876	918	966	1,024	1,006	1,060	1,110	1,163	98.9%	4,388
YoY	12.3%	13.4%	14.2%	15.3%	14.9%	15.5%	14.9%	13.6%		15.9%
GP	558	593	631	696	679	718	742	710	101.2%	2,816
YoY	8.9%	11.5%	8.2%	12.7%	21.6%	21.0%	17.7%	2.1%		13.6%
GPM	63.8%	64.6%	65.3%	67.9%	67.5%	67.7%	66.9%	61.1%		64.2%
SG&A	401	419	429	414	432	434	442	447	96.5%	1,818
YoY	5.2%	7.6%	2.4%	2.1%	7.6%	3.5%	3.1%	7.9%		9.3%
SG&A / Sales	45.8%	45.6%	44.4%	40.4%	42.9%	40.9%	39.8%	38.4%		41.4%
OP	157	174	202	282	247	284	300	263	109.8%	997
YoY	19.9%	22.4%	22.9%	33.0%	57.3%	62.9%	48.5%	-6.5%		22.3%
OPM	17.9%	19.0%	20.9%	27.5%	24.6%	26.8%	27.1%	22.6%		22.7%
RP	159	169	198	289	253	286	297	270	112.0%	988
YoY	20.6%	21.2%	21.7%	36.9%	58.8%	69.1%	50.0%	-6.4%		21.2%
RPM	18.2%	18.4%	20.5%	28.2%	25.2%	27.0%	26.8%	23.2%		22.5%
NI	92	88	47	270	155	167	177	133	106.2%	594
YoY	26.0%	12.3%	-49.8%	132.0%	69.0%	88.5%	278.2%	-50.8%		19.6%
NPM	10.5%	9.6%	4.8%	26.3%	15.4%	15.7%	15.9%	11.4%		13.5%

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

Sales were largely in line with the company's forecast (JPY4.4bn). However, operating profit exceeded the company's forecast (JPY997mn) by 9.8%. This was mainly attributable to the later release of the next-generation B2B Platform (September instead of May), which meant amortization was put back, and lower expenses due to such factors as the sales promotion budget not being fully used.

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Intelligent Wave Inc. (4847)

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

On **February 5, 2014**, Intelligent Wave announced earnings results for Q2 FY06/14.

Quarterly Performance (JPYmm)	FY06/13				FY06/14				FY06/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	911	1,766	1,812	1,382	1,279	1,776	-	-	50.9%	6,000
YoY	-16.8%	23.1%	35.5%	0.4%	40.4%	0.6%	-	-		2.2%
GP	-314	62	353	372	28	465	-	-		
YoY	-	-84.4%	-3.1%	10.7%	-	647.4%	-	-		
GPM	-	-	19.5%	26.9%	2.2%	-	-	-		
SG&A	300	283	268	301	298	297	-	-		
YoY	-10.2%	-9.1%	-9.0%	-0.9%	-0.5%	4.9%	-	-		
SG&A / Sales	-	-	14.8%	21.8%	23.3%	-	-	-		
OP	-613	-221	85	72	-270	167	-	-	-	400
YoY	-	-	21.7%	119.2%	-	-	-	-		
OPM	-	-	4.7%	5.2%	-	-	-	-		6.7%
RP	-617	-215	89	155	-268	180	-	-	-	400
YoY	-	-	28.9%	197.5%	-	-	-	-		
RPM	-	-	4.9%	11.2%	-	-	-	-		6.7%
NI	-385	-450	94	392	-246	174	-	-	-	250
YoY	-	-	75.9%	827.0%	-	-	-	-		
NPM	-	-	5.2%	28.4%	-	-	-	-		4.2%

Source: Company data, SR Research. Figures may differ from company materials due to differences in rounding methods. Company forecasts are based on the most recent figures.

In the credit card industry (the company's main business area) there was an increase in capex projects, both for the likes of system renewals and hardware replacements, and also for new offerings, such as prepaid cards and mobile payment terminals. The company seized upon this opportunity to conduct sales activities, resulting in an increase in sales.

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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.

On **February 7, 2014**, the company announced monthly sales data for January 2014.

Monthly Sales (non-consolidated estimates; % change YoY)	FY04/14												Total
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	
Total Sales	7.2%	6.0%	3.8%	0.3%	-3.0%	4.2%	1.2%	4.4%	6.4%				2.9%
Tea Leaf Beverages	3.9%	5.5%	8.4%	2.8%	3.1%	8.9%	4.7%	5.4%	9.6%				5.5%
Breakdown by Beverage Category													
Japanese Tea Beverages	9.4%	11.7%	7.3%	3.6%	-2.7%	8.9%	3.0%	6.7%	11.3%				5.9%
Chinese Tea Beverages	-4.8%	-1.8%	-8.3%	-0.9%	0.1%	-1.6%	-5.6%	-1.9%	-0.7%				-3.5%
Vegetable Beverages	6.3%	-1.0%	1.8%	-2.6%	-1.6%	-1.0%	-6.4%	0.2%	-5.9%				-0.4%
Fruit Beverages	7.4%	0.0%	6.5%	-7.0%	-23.7%	-7.6%	-6.3%	-1.3%	7.2%				-3.5%
Coffee Beverages	11.5%	1.7%	17.0%	-1.7%	12.9%	17.5%	22.2%	14.0%	11.2%				11.8%
Black Tea Beverages	-34.0%	-31.3%	-22.5%	-3.9%	-24.2%	-25.3%	-22.8%	-22.6%	-23.3%				-24.1%
Functional Beverages	18.5%	20.5%	11.8%	0.8%	-4.0%	-6.3%	3.1%	10.3%	6.2%				5.6%
Mineral Water	9.5%	25.0%	11.9%	-7.3%	-13.6%	-0.1%	-5.1%	0.2%	6.4%				2.4%

Monthly Sales (non-consolidated estimates; % change YoY)	FY04/13												Total
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	
Total Sales	4.1%	-0.7%	3.7%	16.7%	7.3%	10.6%	7.4%	0.9%	6.1%	1.9%	5.4%	4.1%	5.9%
Tea Leaf Beverages	-3.5%	-1.7%	-3.5%	1.9%	1.9%	-0.4%	6.3%	2.4%	-1.9%	-2.3%	-2.5%	3.4%	-1.2%
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%	1.2%	0.2%	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%	5.0%	-9.7%	9.9%
Vegetable Beverages	30.3%	14.6%	16.5%	23.4%	15.5%	25.9%	18.6%	14.5%	30.6%	9.5%	6.3%	12.3%	18.4%
Fruit Beverages	47.8%	20.6%	-19.8%	17.2%	-6.7%	30.5%	0.1%	-4.2%	6.3%	1.1%	32.8%	-2.6%	2.5%
Coffee Beverages	-4.9%	10.7%	37.3%	46.6%	30.1%	10.9%	27.6%	23.2%	30.8%	27.1%	9.7%	22.4%	21.5%
Black Tea Beverages	26.3%	-9.5%	-11.9%	22.1%	1.2%	16.0%	4.0%	-18.0%	-21.6%	-34.1%	4.2%	-23.4%	-5.5%
Functional Beverages	30.8%	-3.9%	-17.4%	0.5%	-3.5%	1.6%	-11.8%	0.2%	20.6%	24.2%	47.8%	21.5%	3.6%
Mineral Water	5.6%	-9.0%	-6.5%	5.9%	12.7%	20.9%	1.4%	-1.5%	12.8%	8.2%	5.1%	35.4%	5.6%

Source: Company data, SR Inc. Research

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Japan Best Rescue System Co Ltd (2453)

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

On **February 27, 2014**, SR Inc. updated comments on earnings results by Japan Best Rescue (JBR) for Q1 FY09/14 after interviewing management.

Quarterly Perform (million yen)	FY09/13				FY09/14		FY09/14	
	Q1	Q2	Q3	Q4	Q1	Q2	% of FY	1H Est.
Sales	2,059	2,477	3,192	2,945	2,959		41.8%	7,073
YoY	17.7%	23.7%	78.5%	55.2%	43.7%			
GP	921	1,132	1,145	1,015	996			
YoY	19.6%	25.0%	39.6%	16.0%	8.1%			
GPM	44.7%	45.7%	35.9%	34.5%	33.6%			
SG&A	774	829	896	976	951			
YoY	22.3%	28.8%	27.8%	24.3%	22.8%			
SG&A / Sales	37.6%	33.5%	28.1%	33.2%	32.1%			
OP	147	303	249	38	45		9.5%	476
YoY	7.4%	15.8%	109.1%	-57.0%	-69.4%			
OPM	7.1%	12.2%	7.8%	1.3%	1.5%			
RP	127	288	269	6	23		5.2%	437
YoY	115.1%	-11.3%	176.2%	-91.1%	-82.0%			
RPM	6.2%	11.6%	8.4%	0.2%	0.8%			
NI	130	173	92	-13	7		2.9%	237
YoY	9,105.7%	-8.9%	70.8%	-	-94.6%			
NPM	6.3%	7.0%	2.9%	-	0.2%			

Source: Company data, SR Inc. Research

Figures may differ from company materials due to differences in rounding methods; latest company forecast.

The company did not meet its Q1 forecasts for sales (JPY3.3bn) or operating profit (JPY184mn). The main shortfall items were the environmental maintenance segment underperforming sales and operating profit forecasts by JPY298mn and JPY68mn, respectively, and the membership segment underperforming operating profit forecast by JPY83mn.

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JIN Co., Ltd. (3046)

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

On **February 5, 2014**, JIN made revisions to its 1H FY08/14 earnings forecasts, FY08/14 full-year earnings forecasts, and dividend forecasts.

The company revised full-year comparable store sales to -22.0% YoY (previous forecast: -11.7% YoY), in light of a fallback in sales of JINS PC glasses in its core eyewear business, following the extraordinary level of demand seen during FY08/13. Also, on the same day the company released January figures for comparable store sales that showed they had fallen 22.2% YoY (-20.8% YoY on a cumulative basis).

According to the company, the revised earnings forecast has been estimated conservatively in order to avoid repeated downward revisions. Monthly sales for January were much lower than the company anticipated, and the revised forecast is a worst case scenario that would occur if the January trend continues. January is also a month that sees increased discounts, particularly in high-price products, which led to a 2% drop in sales per customer. The revised earnings forecast also appears to assume that a similar situation will arise during the summer sale season.

SG&A expenses are expected to overshoot the company's initial forecast by 3.6% to reach JPY24.2bn in order to improve staff training and store operations. The company stated that although the number of visitors to its stores has not changed, the purchase rate is on a downward trend. Of the 1,600 persons employed in its stores, 60% have been hired within the last two years, and the company believes this to be the root cause. In order to combat this issue, the company is planning to increase staff training expenses, which will increase personnel expenses to JPY7.6bn, a JPY150mn increase from previous forecasts. An additional JPY100mn has also been earmarked for expenses surrounding the launch of new products.

1H FY08/14 earnings forecasts

- Sales: JPY17.9bn (previous forecast: JPY18.8bn)
- Operating profit: JPY900mn (JPY2.9bn)
- Recurring profit: JPY865mn (JPY2.9bn)
- Net income: JPY430mn (JPY1.6bn)

FY08/14 full-year earnings forecasts

- Sales: JPY36.6bn (previous forecast: JPY40.6bn)
- Operating profit: JPY2.5bn (JPY6.8bn)
- Recurring profit: JPY2.5bn (JPY6.9bn)
- Net income: JPY1.2bn (JPY3.9bn)

The company also revised its year-end dividend forecast to JPY10 per share (a decrease of JPY22 from the previous forecast of JPY32).

On the **same day**, the company released monthly sales data for January 2014; please see the Monthly Trends section for further details.

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Kenedix, Inc. (4321)

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

On **February 14, 2014**, Kenedix, Inc. announced FY12/13 earnings results.

Quarterly Performance (Million Yen)	FY12/12				FY12/13				FY12/13	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Revenue	4,719	5,167	3,745	7,326	4,645	3,444	3,992	10,375	100.3%	22,400
YoY	-5.2%	8.9%	-26.0%	55.9%	-1.6%	-33.3%	6.6%	41.6%		6.9%
GP	2,290	3,074	2,371	1,666	2,732	2,394	2,580	3,371		
YoY	-4.8%	11.3%	-17.5%	-35.2%	19.3%	-22.1%	8.8%	102.3%		
GPM	48.5%	59.5%	63.3%	22.7%	58.8%	69.5%	64.6%	32.5%		
SG&A	879	828	809	1,047	889	881	961	1,431		
YoY	3.0%	5.5%	9.6%	-19.6%	1.1%	6.4%	18.8%	36.7%		
SG&A / Sales	18.6%	16.0%	21.6%	14.3%	19.1%	25.6%	24.1%	13.8%		
OP	1,411	2,245	1,563	618	1,843	1,513	1,619	1,939	100.2%	6,900
YoY	-9.1%	13.7%	-26.8%	-51.3%	30.6%	-32.6%	3.6%	213.8%		18.2%
OPM	29.9%	43.4%	41.7%	8.4%	39.7%	43.9%	40.6%	18.7%		30.8%
RP	589	1,082	506	151	1,398	1,235	793	1,452	100.2%	4,870
YoY	-8.0%	13.5%	6.3%	-61.8%	137.4%	14.1%	56.7%	861.6%		109.2%
RPM	12.5%	20.9%	13.5%	2.1%	30.1%	35.9%	19.9%	14.0%		21.7%
NI	-607	-554	-5,478	-3,489	1,148	945	180	-288	100.3%	1,980
YoY	-	-	-	-	-	-	-	-		-
NPM	-	-	-	-	24.7%	27.4%	4.5%	-		-

Figures may differ from company materials due to differences in rounding methods

Source: Company data

On **the same day**, the company announced the establishment of a property management subsidiary and the transfer of business thereof.

The company established Kenedix Property Management, Inc. (KPM) in order to perform property management operations. KPM will take over the building management businesses of INF Building Management Co., Ltd. and other affiliated companies ('the handover companies').

- Businesses to be transferred: the property and building management businesses of the handover companies.
- Earnings results of the businesses to be transferred: JPY600mn (revenue).
- Transfer date: February 28, 2014.

On **February 4, 2014**, the company announced a revision to its FY12/13 earnings forecast.

On November 18, 2013, the company completed the sale of the DNI Mita Building to the Kenedix Office Investment Corp (TSE J-REIT: 8972). Note: J-REIT refers to Japanese Real Estate Investment Trust. In previous forecasts, the company had booked the total sale amount to operating profit and COGS. However, in order to more accurately reflect the nature of the transaction, the company has instead posted the net value to operating profit, leading to a decrease in operating profit. The sale price of the property was higher than expected, reducing the amount of extraordinary loss and minority interests in the loss, and increasing net income.

- Sales: JPY22.4bn (previous forecast JPY25.4bn).
- Operating profit: JPY6.9bn (JPY7.0bn).
- Recurring profit: JPY4.9bn (JPY4.9bn).
- Net income: JPY2.0bn (JPY1.5bn).

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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.

On **February 21, 2014**, SR updated comments on Lasertec Corp's Q2 FY06/14 earnings results after interviewing management.

Quarterly Performance (million yen)	FY06/13				FY06/14				FY06/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	1 H Est.
Sales	3,678	2,889	2,381	2,449	971	4,505	-	-	40.9%	13,400
YoY	144.0%	-14.8%	-19.0%	-45.6%	-73.6%	56.0%	-	-		5.3%
GP	1,889	1,520	1,419	526	269	2,182	-	-		
YoY	140.1%	-4.4%	-11.3%	-79.5%	-85.8%	43.6%	-	-		
GPM	51.4%	52.6%	59.6%	21.5%	27.7%	48.4%	-	-		
SG&A	839	762	806	798	778	827	-	-		
YoY	-1.2%	-3.9%	-11.9%	-11.7%	-7.3%	8.5%	-	-		
SG&A / Sales	22.8%	26.4%	33.8%	32.6%	80.1%	18.3%	-	-		
OP	1,050	758	614	-272	-509	1,355	-	-	37.6%	2,250
YoY	-	-4.9%	-10.5%	-	-	78.8%	-	-		-7.8%
OPM	28.5%	26.2%	25.8%	-	-	30.1%	-	-		16.8%
RP	1,014	938	757	-172	-511	1,434	-	-	41.0%	2,250
YoY	-	19.7%	11.4%	-	-	52.9%	-	-		-2.0%
RPM	27.6%	32.5%	31.8%	-	-	31.8%	-	-		16.8%
NI	646	595	451	-82	-326	935	-	-	42.0%	1,450
YoY	-	17.8%	15.1%	-	-	57.2%	-	-		-4.4%
NPM	17.6%	20.6%	18.9%	-	-	20.8%	-	-		10.8%

Figures may differ from company materials due to differences in rounding methods.

This was the first time in five quarters that both sales and operating profit increased YoY on a quarterly basis.

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MONTHLY WRAP – March 2014



Mac-House Co., Ltd. (7603)

Low-cost specialty retailer of everyday casual wear with nationwide appeal.

Mac House Co., Ltd. announced monthly sales data for January on **February 3, 2014** and for February on **March 3, 2014**.

Comparable Store Sales	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
FY02/09	3.3%	-13.7%	-7.0%	-11.9%	-6.1%	-6.7%	-1.0%	-8.8%	1.5%	-12.0%	-9.2%	-14.9%
FY02/10	-18.2%	-11.0%	-9.6%	-18.6%	-11.4%	-13.2%	-17.6%	-16.8%	-26.2%	-11.8%	-11.7%	-10.9%
FY02/11	-17.5%	-15.3%	-11.9%	-8.3%	-10.1%	-12.1%	-17.3%	-0.9%	-8.0%	-13.7%	-6.3%	1.5%
FY02/12	-18.1%	7.4%	-6.7%	1.9%	-1.4%	-1.6%	7.5%	-0.9%	1.2%	7.5%	-2.1%	-0.9%
FY02/13	23.2%	3.8%	-1.3%	-2.2%	-4.0%	1.8%	-7.3%	-9.3%	8.4%	-3.2%	-5.8%	-5.3%
FY02/14	5.8%	-11.4%	-2.8%	2.9%	-8.9%	-4.1%	-6.2%	-14.3%	-9.0%	-8.5%	1.8%	10.5%

Source: Company data processed by SR Inc.

Figures may differ from company materials due to differences in rounding methods.

All Store Sales	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
FY02/09	10.9%	-8.4%	-2.0%	-5.4%	-0.1%	-0.1%	5.5%	-3.4%	7.9%	-6.4%	-2.6%	-8.4%
FY02/10	-15.4%	-7.6%	-5.0%	-16.4%	-9.7%	-11.6%	-16.2%	-15.2%	-25.9%	-12.6%	-11.9%	-11.9%
FY02/11	-18.8%	-17.3%	-14.6%	-10.7%	-12.2%	-14.2%	-19.2%	-5.1%	-12.0%	-17.5%	-10.9%	-3.1%
FY02/12	-21.4%	1.4%	-11.3%	-2.5%	-5.9%	-5.7%	3.1%	-4.8%	-3.1%	3.6%	-6.1%	-5.5%
FY02/13	17.0%	-1.4%	-6.2%	-7.0%	-8.8%	-3.2%	-11.7%	-12.6%	4.9%	-5.3%	-7.9%	-6.9%
FY02/14	4.9%	-11.8%	-2.5%	2.9%	-8.8%	-3.9%	-6.0%	-14.2%	-9.1%	-8.2%	0.9%	9.2%

Source: Company data processed by SR Inc.

Figures may differ from company materials due to differences in rounding methods.

On **February 12, 2014**, the company announced a revision to its FY02/14 earnings forecast.

Revised FY02/14 earnings forecast:

Sales: JPY36.7bn (previous forecast: JPY37.3bn)

Operating profit: JPY980mn (JPY1.9bn)

Recurring profit: JPY1.1bn (JPY2.0bn)

Net income: JPY430mn (JPY1.1bn)

Sales are forecast to be JPY650mn lower due to growing competition and unfavorable weather conditions. Delays in beginning sales of autumn and winter products led to increased price adjustments and discount sales to eliminate unsold inventory, which will also weigh on profits.

The company stated that figures for the revised forecast are extremely conservative in order to avoid repeated revisions. On an operating profit basis, progress toward achieving revised FY02/14 targets in cumulative Q3 was 91.8% (progress was 69.5% in the previous year).

View the [full report](#).



Medinet Co., Ltd. (2370)

Biotech company that enables medical institutions to provide immuno-cell therapy

On **February 27, 2014**, MEDINET Co., Ltd announced the liquidation of its Chinese subsidiary, MEDINET (Beijing) Co., Ltd.

The company established MEDINET (Beijing) as a wholly-owned Chinese subsidiary in an effort to break into the Chinese market. The company conducted a preliminary investigation into the market and regulation, but the business failed to achieve the milestones initially set. The company decided to liquidate the subsidiary in light of this fact, and the fact that the chance of regulation moving in the direction initially forecast now does not seem high.

The liquidation of this subsidiary marks the temporary cessation of the company's business in China. However, it stated that it will look at the possibility of reentering the Chinese market with a revised business model.

On **February 5, 2014**, the company announced that the company will start joint clinical tests with the University of Fukui and the Seta Clinic group on combination therapy of local injection treatment of dendritic cells and transcatheter arterial embolization (TAE) for patients with inoperable hepatocellular carcinoma.

(Click here to link to the company's release).

There are several treatments for hepatocellular tumor, which accounts for 90% of liver cancer, including local treatments like surgery, TAE and radiofrequency ablation (RFA), as well as chemotherapy using anticancer agents. With the number of deaths from the disease exceeding 30,000 a year in Japan, more effective treatments are being sought.

Aiming at the additional effect to TAE for advanced, inoperable hepatocellular carcinoma, the planned joint clinical tests will evaluate the safety and efficacy of cases when TAE is combined with local injection treatment of dendritic cells. TAE is cutting off the blood supply to the hepatic artery, which carries nutrients to tumor cells, by inserting catheters into the artery and injecting pharmaceuticals through them. Professor Yasunari Nakamoto of the University of Fukui, the chief researching doctor for the clinical tests, has conducted research into combination therapy of local injection of dendritic cells and TAE. MEDINET will launch the joint clinical tests with the Seta Clinic group in reaction to the enactment in November 2013 of two Japanese laws, the law to ensure the safety of regenerative medicine and the other to ensure the quality, efficacy, and safety of drugs, medical devices and others (the amended Pharmaceutical Affairs Law).



On **February 5, 2014**, the company announced earnings results for Q1 FY09/14.

Quarterly Performance (Million Yen)	FY09/13				FY09/14				FY09/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY Est.	FY Est.
Sales	517	508	536	549	527				23.2%	2,270
YoY	-4.8%	-11.1%	-1.1%	2.8%	1.9%					7.6%
GP	241	240	273	272	265					
YoY	-17.8%	-25.3%	1.3%	1.3%	9.8%					
GPM	46.6%	47.1%	51.0%	49.5%	50.2%					
SG&A	418	484	511	490	552					
YoY	-10.6%	3.7%	3.5%	12.5%	32.1%					
SG&A / Sales	80.8%	95.2%	95.3%	89.4%	104.8%					
OP	-177	-245	-238	-219	-287				-	-965
YoY	-	-	-	-	-					-
OPM	-	-	-	-	-					-
RP	-139	-347	-246	-220	-273				-	-965
YoY	-	-	-	-	-					-
RPM	-	-	-	-	-					-
NI	-141	254	-235	-227	-283				-	-975
YoY	-	-	-	-	-					-
NPM	-	-	-	-	-					-

Source: Company data, SR Inc. Research

Figures may differ from company materials due to differences in rounding methods.

Q1 sales were 527 million yen (+1.9% YoY) due to higher sales YoY in the Immuno-Cell Therapy Total Support Service. In December 2013, the company entered into a license agreement with Argos Therapeutics Inc. concerning AGS-003, an immuno-cell medicinal product that the US company is developing for metastatic renal cell cancer. Under the agreement, Argos granted MEDINET an exclusive, royalty-free license to develop and manufacture AGS-003 in Japan. Along with the agreement, MEDINET made lump sum payments to Argos. Research and development costs in Q1 increased JPY89mn (75.8%) YoY due mainly to a development pipeline concerning AGS-003.

View the [full report](#).



MIRAIT Holdings Corp. (1417)

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

On **February 18, 2014**, SR updated comments on MIRAIT Holdings Corp.'s Q3 FY03/14 results after interviewing management.

Quarterly Performance (million yen)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales (Completed Construction Contracts)	52,263	64,239	62,107	92,409	56,780	62,966	66,072		65.2%	285,000
YoY	8.8%	21.2%	18.6%	11.8%	8.6%	-2.0%	6.4%			5.2%
GP (Completed Construction Contracts)	5,856	7,024	6,613	9,847	5,574	6,493	7,361		70.9%	27,400
YoY	34.3%	30.1%	38.6%	3.5%	-4.8%	-7.6%	11.3%			-6.6%
GPM	11.2%	10.9%	10.6%	10.7%	9.8%	10.3%	11.1%			10.4%
SG&A	4,677	4,471	4,622	4,727	4,783	4,509	4,603			
YoY	-4.6%	-3.9%	1.9%	0.9%	2.3%	0.8%	-0.4%			
SG&A / Sales	8.9%	7.0%	7.4%	5.1%	8.4%	7.2%	7.0%			
OP	1,179	2,552	1,992	5,119	791	1,983	2,758		46.1%	12,000
YoY	-	243.5%	751.3%	6.0%	-32.9%	-22.3%	38.5%			10.7%
OPM	2.3%	4.0%	3.2%	5.5%	1.4%	3.1%	4.2%			4.2%
RP	1,390	2,836	2,209	5,330	1,010	2,107	3,094		49.7%	12,500
YoY	-	214.4%	445.4%	5.1%	-27.3%	-25.7%	40.1%			6.2%
RPM	2.7%	4.4%	3.6%	5.8%	1.8%	3.3%	4.7%			4.4%
NI	-1,164	1,222	990	3,152	609	1,137	1,647		45.2%	7,500
YoY	-	127.1%	-	8.5%	-	-7.0%	66.4%			78.6%
NPM	-	1.9%	1.6%	3.4%	1.1%	1.8%	2.5%			2.6%

Source: Company data, SR Inc.; figures may differ from company materials due to differences in rounding methods

MIRAIT has achieved 65.2% of its FY03/14 sales target as of end cumulative Q3, and 46.1% of its operating profit target. However, it should be kept in mind that the company's quarterly performance is affected by seasonal factors, and the company usually completes a major portion of its construction projects in Q4. SR believes that the company can hit its FY03/14 sales targets since the number of orders has been rising. Even so, the company needs to increase productivity, which declined as a result of sales expansion in 1H FY03/14, to meet its earnings target.

On **February 6, 2014**, the company announced a stock repurchase.

Type of stock to be repurchased: common stock.

Total number of shares: maximum of 1.3mn shares (1.52% of outstanding shares).

Total value of repurchased stock: maximum JPY1.0bn.

Repurchase period: February 7, 2014 – September 30, 2014.

View the [full report](#).



mobcast inc. (3664)

Sports game developer and provider for mobile social platforms.

On **February 7, 2014**, mobcast inc. released full-year FY12/13 consolidated results.

Quarterly Performance (million yen)	FY12/12 (Parent)				FY12/13 (Consolidated)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	1,082	1,201	1,250	1,399	1,303	1,297	1,308	1,271
YoY	-	-	-	-	-	-	-	-
GP	791	816	830	978	817	771	702	503
YoY	-	-	-	-	-	-	-	-
GPM	73.1%	67.9%	66.4%	69.9%	62.7%	59.5%	53.7%	39.5%
SG&A	542	661	544	539	707	821	908	803
YoY	-	-	-	-	-	-	-	-
SG&A / Sales	50.1%	55.1%	43.6%	38.5%	54.3%	63.3%	69.4%	63.2%
OP	249	155	286	438	110	-49	-206	-301
YoY	-	-	-	-	-	-	-	-
OPM	23.0%	12.9%	22.8%	31.3%	8.5%	-3.8%	-15.7%	-23.7%
RP	248	147	284	438	110	-57	-164	-293
YoY	-	-	-	-	-	-	-	-
RPM	22.9%	12.2%	22.8%	31.3%	8.5%	-4.4%	-12.6%	-23.1%
NI	143	84	167	254	46	-44	-138	-521
YoY	-	-	-	-	-	-	-	-
NPM	13.2%	7.0%	13.4%	18.1%	3.5%	-3.4%	-10.5%	-41.0%

Note: Consolidated data from FY12/13

Figures may differ from company materials due to differences in rounding methods

Source: Company data, SR Inc.

As in FY12/12, the company concentrated on enhancing features of its proprietary mobcast mobile platform, along with development and operations of mobile social game titles.

Development of new game titles was behind schedule, and sales were below company forecasts.

View the [full report](#).



NAIGAI TRANS LINE LTD. (9384)

Non-vessel operating common carrier (NVOCC) providing international ocean freight transport services.

On **February 10, 2014**, Naigai Trans Line Ltd. (NTL) announced full-year FY12/13 results.

Quarterly Performance (million yen)	FY12/12				FY12/13				FY12/13	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	2,982	3,503	3,377	3,544	3,465	4,034	4,494	4,803	101.8%	16,500
YoY	2.5%	6.3%	6.7%	11.8%	16.2%	15.1%	33.1%	35.5%		
GP	952	1,090	1,006	1,066	1,014	1,215	1,270	1,344		
YoY	2.0%	4.8%	1.1%	5.3%	6.4%	11.5%	26.2%	26.0%		
GPM	31.9%	31.1%	29.8%	30.1%	29.3%	30.1%	28.3%	28.0%		
SG&A	733	826	815	833	837	921	960	961		
YoY	4.8%	12.6%	10.5%	13.6%	14.2%	11.5%	17.9%	15.4%		
SG&A / Sales	24.6%	23.6%	24.1%	23.5%	24.1%	22.8%	21.4%	20.0%		
OP	220	263	192	233	176	293	311	361	103.9%	1,100
YoY	-6.8%	-13.7%	-25.5%	-16.7%	-19.5%	11.5%	62.4%	162.4%		
OPM	7.4%	7.5%	5.7%	6.6%	5.1%	7.3%	6.9%	7.5%		
RP	248	273	198	256	201	308	330	364	104.7%	1,150
YoY	3.5%	5.0%	-23.3%	-11.0%	-18.7%	13.0%	66.6%	42.3%		
RPM	8.3%	7.8%	5.9%	7.2%	5.8%	7.6%	7.3%	7.6%		
NI	148	166	109	36	117	191	202	220	100.0%	730
YoY	15.7%	3.1%	-23.8%	-73.4%	-20.8%	14.8%	86.1%	503.3%		
NPM	5.0%	4.7%	3.2%	1.0%	3.4%	4.7%	4.5%	4.6%		

Figures may differ from company materials due to differences in rounding methods.

Source: Company data, SR Inc. Research

Domestic sales in less-than-container-load (LCL) exports at the parent company fell 2.4% YoY, but there were definite signs of recovery compared to the slump that this business saw in 1H (it was down 3.4% in Q3). However, full-container-load (FCL) sales at the parent company—which the company has been focusing its management policies on—grew by 11.4%. Import sales at the parent level were up 14.3%. Overall, full-year domestic sales were up to JPY11.8bn (+20.7%), due to the factors listed above and an increase in sales across the group—such as new business by Flying Fish Co., Ltd. (from July 2013), and the contribution to full-year earnings of UCI Airfreight Japan, Inc., which the company acquired the previous year.

However, domestic operating profit dropped slightly to JPY630mn (-1.2% YoY), due to the amortization of goodwill and business start-up costs related to the acquisition of Flying Fish.

View the [full report](#).



NanoCarrier Co. (4571)

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

On **February 12, 2014**, NanoCarrier Co., Ltd. announced results for Q3 FY03/14 and revised its FY03/14 earnings forecasts.

Quarterly Performance (million yen)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	10	90	102	173	150	176	119	-	95.4%	466
YoY	120.1%	-56.5%	6064.4%	28.3%	1430.2%	96.4%	16.7%	-	-	24.7%
GP	-30	40	62	28	98	125	53	-	-	-
YoY	-	-79.1%	-	-65.6%	-	209.9%	-14.9%	-	-	-
GPM	-	45.2%	61.4%	16.1%	65.2%	71.4%	44.8%	-	-	-
SG&A	149	128	157	194	375	349	336	-	-	-
YoY	0.9%	-13.5%	21.7%	49.0%	151.8%	172.2%	114.6%	-	-	-
SG&A / Sales	1520.7%	143.3%	154.1%	112.1%	250.2%	198.7%	283.5%	-	-	-
OP	-179	-88	-94	-166	-277	-224	-283	-	-	-1,174
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-	-	-	-	-
RP	-179	-87	-88	-77	-190	-246	-197	-	-	-1,176
YoY	-	-	-	-	-	-	-	-	-	-
RPM	-	-	-	-	-	-	-	-	-	-
NI	-180	-88	-88	-128	-191	-246	-197	-	-	-1,198
YoY	-	-	-	-	-	-	-	-	-	-
NPM	-	-	-	-	-	-	-	-	-	-

Figures may differ from company materials due to differences in rounding methods

Source: Company data

In cumulative Q3, sales were JPY444mn (+121.1% YoY), attributable to milestone and clinical trial medication payment from license and co-development agreements with Orient Eurpharma Co., Ltd. (OEP) and Kowa Co., Ltd. (Kowa), as well as cosmetic material supply and lump-sum payment from a collaborative development agreement with Albion Co., Ltd. Mainly due to R&D costs, operating loss was JPY785mn (JPY361mn loss a year earlier), recurring loss was JPY633mn (JPY355mn loss a year earlier), and net loss was JPY633mn (JPY356mn loss a year earlier).

The company revised its FY03/14 sales forecast from JPY416mn to JPY466mn due to higher than anticipated sales of cosmetics materials to Albion.

On the same date, the company announced a stock split and adoption of a share trading unit system.

The company will execute a 100-for-1 share split with March 31, 2014 as the record date. The number of total issued shares before the split will be 402,632 shares, and the number of total issued shares after the split will be 40,263,200 shares. The number of shares constituting one trading unit of stock will be raised from one share to 100 shares.

View the [full report](#).



Nippon Parking Development (2353)

Operator of legally mandated parking lots in office buildings. High ROE based on its unique business model.

On **February 27, 2014**, Nippon Parking Development Co Ltd (NPD) announced earnings results for Q2 FY07/14 and an increase in its year-end dividend forecast.

The year-end dividend forecast for FY07/14 has been increased from JPY2.5 per share to JPY2.7 per share.

Quarterly Performance (million yen)	FY07/13				FY07/14				FY07/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	2,296	3,929	4,217	2,995	3,064	4,401	-	-	49.8%	15,000
Growth YoY	8.2%	35.3%	29.5%	29.7%	33.4%	12.0%	-	-	-	11.6%
Gross Profit	807	1,820	2,026	1,105	1,238	2,188	-	-	-	-
Growth YoY	4.8%	36.8%	28.7%	28.7%	53.3%	20.2%	-	-	-	-
Gross Profit Margin	35.2%	46.3%	48.0%	36.9%	40.4%	49.7%	-	-	-	-
SG&A	610	1,099	1,093	935	926	1,295	-	-	-	-
Growth YoY	9.4%	42.1%	46.5%	47.3%	51.8%	17.9%	-	-	-	-
SG&A / Sales	26.6%	28.0%	25.9%	31.2%	30.2%	29.4%	-	-	-	-
Operating Profit	197	722	932	170	312	892	-	-	50.2%	2,400
Growth YoY	-7.1%	29.4%	12.6%	-24.0%	58.1%	23.6%	-	-	-	18.7%
Operating Profit Margin	8.6%	18.4%	22.1%	5.7%	10.2%	20.3%	-	-	-	16.0%
Recurring Profit	214	819	982	220	354	989	-	-	54.8%	2,450
Growth YoY	6.0%	44.1%	7.7%	-1.6%	65.2%	20.8%	-	-	-	9.6%
Recurring Profit Margin	9.3%	20.8%	23.3%	7.4%	11.6%	22.5%	-	-	-	16.3%
Net Income	115	539	646	79	199	670	-	-	58.0%	1,500
Growth YoY	21.6%	69.1%	-	-32.6%	73.5%	24.5%	-	-	-	8.8%
Net Income Margin	5.0%	13.7%	15.3%	2.6%	6.5%	15.2%	-	-	-	10.0%

Figures may differ from company materials due to differences in rounding methods.

Company forecasts are most recently announced figures

Source: Company data, SR Inc. Research

All four of the above indicators exceeded company forecasts, and were record highs for 1H.

Operating income was higher as a result of an increase in both the number and size of parking lots in the domestic parking lot business. Improvements in profitability of the overseas parking lot business as well as a jump in visitors in the ski resort business were also contributing factors. Recurring profit was bolstered by sales of investment securities and receipt of dividends.

View the [full report](#).



NS TOOL Co., Ltd. (6157)

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

On **February 21, 2014**, SR Inc. updated comments on NS Tool's Q3 FY03/14 earnings results after interviewing management.

Quarterly Performance (Million Yen)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	1,570	1,533	1,482	1,413	1,538	1,531	1,632	-	74.1%	6,340
YoY	7.7%	5.1%	-0.4%	2.6%	-2.0%	-0.1%	10.1%	-	-	5.7%
GP	777	716	699	652	722	740	779	-	-	-
YoY	18.5%	-0.3%	-7.5%	6.8%	-7.1%	3.3%	11.4%	-	-	-
GPM	49.5%	46.7%	47.1%	46.2%	46.9%	48.3%	47.7%	-	-	-
SG&A	470	472	529	451	493	488	498	-	-	-
YoY	10.7%	13.0%	25.7%	-12.4%	4.8%	3.4%	-5.8%	-	-	-
SG&A / Sales	30.0%	30.8%	35.7%	31.9%	32.0%	31.9%	30.5%	-	-	-
OP	307	244	170	201	229	252	280	-	76.1%	1,000
YoY	32.6%	-18.8%	-49.3%	109.4%	-25.4%	3.2%	65.2%	-	-	8.5%
OPM	19.6%	15.9%	11.4%	14.3%	14.9%	16.4%	17.2%	-	-	15.8%
RP	320	248	177	206	247	253	286	-	77.1%	1,020
YoY	31.2%	-20.4%	-51.0%	78.2%	-22.9%	2.0%	62.0%	-	-	7.2%
RPM	20.4%	16.2%	11.9%	14.6%	16.1%	16.5%	17.5%	-	-	16.1%
NI	185	146	98	98	142	181	175	-	80.4%	620
YoY	33.6%	-18.4%	-54.3%	3,648.0%	-23.4%	24.2%	78.5%	-	-	17.5%
NPM	11.8%	9.5%	6.6%	6.9%	9.2%	11.8%	10.7%	-	-	9.8%

Source: Company data, SR research.

Figures may differ from company materials due to differences in rounding methods.

Full-year estimates are the most recent figures released by the company.

On a single-quarter basis, sales reached a new record high. Earnings growth was underpinned by solid domestic sales to the automobile sector, which was boosted by investment in new models. Overseas, sales to the US were healthy, and sales to Europe began to pick up. Sales to the electronics sector also began trending upward, thanks to new smartphone products.

View the [full report](#).

Onward Holdings Co Ltd (8016)

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

On **February 4, 2013**, Onward Holdings released January monthly sales data.

Onward Kashiyama Monthly Sales													
FY02/14 (YoY)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	FY
Men's	2%	-8%	1%	1%	-11%	7%	4%	-3%	0%	8%	3%	0%	0%
Women's	10%	1%	6%	10%	0%	8%	2%	-5%	0%	5%	7%	4%	4%
Children's	9%	-7%	-3%	4%	2%	9%	2%	-2%	0%	4%	-1%	2%	2%
Kimonos	-11%	-11%	19%	-12%	-23%	-6%	-14%	-23%	-14%	-17%	-15%	-12%	-12%
Other	-1%	-8%	-9%	2%	0%	11%	-1%	-11%	0%	5%	-1%	-2%	-2%
Total	7%	-2%	4%	7%	3%	8%	2%	-5%	0%	5%	5%	2%	2%
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%	-6%	2%
Women's	24%	3%	8%	8%	-2%	3%	0%	5%	0%	10%	3%	1%	5%
Children's	19%	3%	8%	12%	1%	2%	5%	-3%	1%	8%	4%	2%	5%
Kimonos	22%	23%	17%	-6%	2%	-17%	0%	-4%	16%	18%	-1%	-30%	1%
Other	16%	1%	-2%	7%	-3%	2%	-10%	-15%	19%	0%	-7%	-13%	-2%
Total	24%	4%	6%	7%	-2%	2%	-1%	0%	-1%	9%	0%	0%	4%

Figures may differ from company materials due to differences in rounding methods.

Source: Company data, SR Inc. Research

View the [full report](#).



Panasonic Information Systems Co., Ltd. (4283)

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

On **February 4, 2014**, SR Inc. updated comments on Panasonic Information Systems Co., Ltd.'s Q3 FY03/14 business results following our meeting with the company.

Quarterly Performance (million yen)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% vs. Est.	FY Est.
Sales	7,843	9,021	8,098	10,216	8,309	8,753	8,082	-	69.8%	36,000
YoY	-5.4%	-9.1%	-3.6%	4.7%	5.9%	-3.0%	-0.2%	-		2.3%
GP	1,509	1,996	1,853	2,016	1,962	1,983	1,420	-		
YoY	-6.7%	7.4%	22.5%	-6.0%	30.0%	-0.7%	-23.4%	-		
GPM	19.2%	22.1%	22.9%	19.7%	23.6%	22.7%	17.6%	-		
SG&A	789	693	740	727	702	722	743	-		
YoY	4.1%	-3.9%	1.5%	8.3%	-11.0%	4.2%	0.4%	-		
SG&A / Sales	10.1%	7.7%	9.1%	7.1%	8.4%	8.2%	9.2%	-		
OP	719	1,304	1,112	1,289	1,259	1,261	678	-	71.9%	4,450
YoY	-16.4%	14.8%	41.8%	-12.6%	75.1%	-3.3%	-39.0%	-		0.6%
OPM	9.2%	14.5%	13.7%	12.6%	15.2%	14.4%	8.4%	-		12.4%
RP	725	1,308	1,113	1,265	1,262	1,267	680	-	72.1%	4,450
YoY	-17.4%	13.6%	39.6%	-13.8%	74.1%	-3.1%	-38.9%	-		0.9%
RPM	9.2%	14.5%	13.7%	12.4%	15.2%	14.5%	8.4%	-		12.4%
NI	438	796	672	795	789	765	390	-	71.5%	2,720
YoY	-16.4%	19.9%	60.0%	28.4%	80.1%	-3.9%	-42.0%	-		0.7%
NPM	5.6%	8.8%	8.3%	7.8%	9.5%	8.7%	4.8%	-		7.6%

Source: Company data, SR Inc.; figures may differ from company materials due to differences in rounding methods

Sales increased thanks to growth in orders from existing customers in the general market (non-Panasonic), and the launch of an overall growth strategy within the Panasonic Group. Profits also rose due to rationalization and efficiency drives, even as the company made investments and strengthened its business base in preparation for the future.

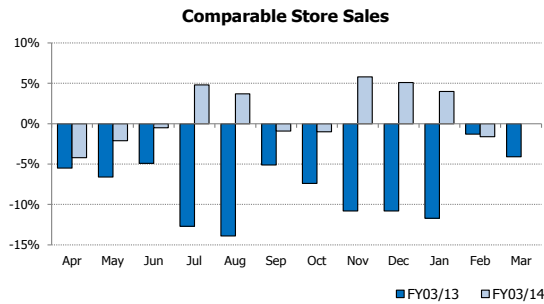
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Paris Miki Holdings Inc. (7455)

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

Paris Miki Holdings announced sales figures for January 2014 On **February 3** and for February on **March 3, 2014**.



Source: Company data, SR Inc. Research

On **February 28, 2014**, SR Inc. updated comments on the company's Q3 FY03/14 earnings results after interviewing management.

Quarterly Performance (million yen)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	14,452	14,687	13,594	12,686	14,121	15,253	13,910		74.1%	58,413
YoY	-5.2%	-10.1%	-7.2%	-4.7%	-2.3%	3.9%	2.3%			5.4%
GP	9,759	10,011	8,888	9,053	9,529	10,250	9,324			
YoY	-5.0%	-9.7%	-7.1%	2.0%	-2.4%	2.4%	4.9%			
GPM	67.5%	68.2%	65.4%	71.4%	67.5%	67.2%	67.0%			
SG&A	9,319	9,484	9,400	9,080	9,325	9,332	9,314			
YoY	-9.2%	-8.4%	-6.9%	-1.3%	0.1%	-1.6%	-0.9%			
SG&A / Sales	64.5%	64.6%	69.1%	71.6%	66.0%	61.2%	67.0%			
OP	440	526	-511	-28	203	919	9		87.5%	1,293
YoY	-	-28.3%	-	-	-53.9%	74.7%	-			202.5%
OPM	3.0%	3.6%	-	-	1.4%	6.0%	0.1%			2.2%
RP	447	616	-333	336	302	958	67		91.1%	1,456
YoY	514.7%	-8.9%	-	-	-32.4%	55.5%	-			36.5%
RPM	3.1%	4.2%	-	2.6%	2.1%	6.3%	0.5%			2.5%
NI	96	200	-292	99	263	600	32		136.0%	658
YoY	-	-51.1%	-	-	173.6%	200.0%	-			533.8%
NPM	0.7%	1.4%	-	0.8%	1.9%	3.9%	0.2%			1.1%

Figures may differ from company materials due to differences in rounding methods
Source: Company data

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Resorttrust, Inc. (4681)

The pioneer and leader in Japan's membership-based resort industry.

On **February 13, 2014**, the company announced Q3 FY03/14 results. The company also announced a revision to its full-year FY03/14 earnings forecasts.

Quarterly Performance (million yen)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	25,052	27,608	27,886	24,765	27,342	30,401	30,787	-	77.4%	114,400
YoY	10.4%	4.6%	10.2%	-2.8%	9.1%	10.1%	10.4%	-		
GP	20,501	22,532	22,724	19,559	22,369	25,059	25,024	-		
YoY	11.5%	4.6%	9.9%	-2.5%	9.1%	11.2%	10.1%	-		
GPM	81.8%	81.6%	81.5%	79.0%	81.8%	82.4%	81.3%	-		
SG&A	17,949	18,089	18,372	18,851	19,330	19,729	19,066	-		
YoY	6.4%	1.3%	5.0%	1.5%	7.7%	9.1%	3.8%	-		
SG&A / Sales	71.6%	65.5%	65.9%	76.1%	70.7%	64.9%	61.9%	-		
OP	2,552	4,443	4,351	708	3,039	5,330	5,957	-	99.5%	14,400
YoY	66.7%	20.6%	36.6%	-52.5%	19.1%	20.0%	36.9%	-		
OPM	10.2%	16.1%	15.6%	2.9%	11.1%	17.5%	19.3%	-		
RP	2,589	4,641	4,575	1,171	4,188	5,366	6,159	-	99.4%	15,800
YoY	32.5%	20.6%	32.2%	543.4%	61.8%	15.6%	34.6%	-		
RPM	10.3%	16.8%	16.4%	4.7%	15.3%	17.7%	20.0%	-		
NI	1,385	2,947	2,838	-43	1,623	3,289	3,754	-	102.0%	8,500
YoY	7.9%	28.7%	37.5%	-	17.2%	11.6%	32.3%	-		
NPM	5.5%	10.7%	10.2%	-	5.9%	10.8%	12.2%	-		

Figures may differ from company materials due to differences in rounding methods

Source: Company Data, SR Inc. Research

Against company forecasts, sales were 1.1% greater and operating profit was 2.3% higher. Due to strong growth in sales of memberships, the company revised its full-year earnings forecast as follows.

FY03/14 full-year earnings forecast

- Sales: JPY114.4bn (previous forecast: JPY112.1bn);
- Operating profit: JPY14.4bn (JPY14bn);
- Recurring profit: JPY15.8bn (JPY15.1bn);
- Net income: JPY8.5bn (JPY8.4bn).

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Round One Corp. (4680)

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

On **February 20, 2014**, SR updated comments on Round One's Q3 FY03/14 earnings results after interviewing management.

Quarterly Performance (million yen)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	20,741	22,532	19,071	23,559	20,165	21,706	18,715		70.4%	86,000
YoY	-6.7%	-5.2%	-5.7%	0.9%	-2.8%	-3.7%	-1.9%			0.1%
GP	2,628	4,168	1,066	5,466	2,665	3,051	632			
YoY	-44.0%	-24.6%	-57.3%	7.8%	1.4%	-26.8%	-40.7%			
GPM	12.7%	18.5%	5.6%	23.2%	13.2%	14.1%	3.4%			
SG&A	423	408	457	474	409	398	465			
YoY	8.5%	-6.2%	-3.2%	3.9%	-3.3%	-2.5%	1.8%			
SG&A / Sales	2.0%	1.8%	2.4%	2.0%	2.0%	1.8%	2.5%			
OP	2,204	3,760	610	4,991	2,256	2,652	168		43.8%	11,600
YoY	-48.8%	-26.1%	-69.9%	8.2%	2.4%	-29.5%	-72.5%			0.3%
OPM	10.6%	16.7%	3.2%	21.2%	11.2%	12.2%	0.9%			13.5%
RP	1,007	2,804	26	4,380	1,642	1,970	-278		39.7%	8,400
YoY	-68.3%	-25.7%	-97.4%	24.4%	63.1%	-29.7%	-			2.2%
RPM	4.9%	12.4%	0.1%	18.6%	8.1%	9.1%	-			9.8%
NI	439	1,580	-703	-715	631	-11,371	-3,681		-	-16,000
YoY	-75.9%	159.4%	-	-	43.9%	-	-			-
NPM	2.1%	7.0%	-	-	3.1%	-	-			-18.6%

Source: Company data, SR Inc. Research; figures may differ from company materials due to differences in rounding methods.

On **February 10, 2014**, the company announced results for Q3 FY03/14. The company also announced revisions to its full-year earnings forecasts.

On the **same day**, the company released monthly sales data for January 2014.

Monthly Sales Trends												
FY03/14	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Sales (Million Yen)	6,625	7,015	6,291	6,168	8,597	6,611	5,586	5,522	7,284	8,596		
Bowling	2,306	2,420	2,122	1,922	2,713	2,110	1,795	1,727	2,237	2,708		
Game	2,598	2,763	2,571	2,719	3,502	2,756	2,379	2,380	3,145	3,621		
Karaoke	630	667	627	639	838	631	538	537	816	824		
SPO-CHA	862	918	738	668	1,278	881	668	684	880	1,205		
Other	227	245	231	219	264	231	203	192	204	235		
Total Sales YoY	-2.2%	-7.1%	0.2%	-6.7%	-1.9%	-5.5%	-8.5%	-3.1%	2.9%	0.6%		
Bowling	-4.9%	-7.3%	-3.9%	-12.3%	-7.2%	-12.1%	-10.9%	-7.2%	-7.7%	-13.2%		
Game	-4.7%	-11.4%	0.5%	-2.7%	1.7%	-2.0%	-8.6%	-2.9%	9.9%	9.2%		
Karaoke	3.2%	2.5%	3.2%	-5.2%	1.8%	-8.0%	-9.0%	-2.3%	2.0%	3.2%		
SPO-CHA	10.7%	0.4%	10.2%	-6.7%	-1.4%	3.7%	-0.3%	8.9%	16.9%	15.5%		
Other	-3.5%	-4.7%	-2.4%	-7.5%	-4.2%	-7.5%	-8.2%	-8.2%	-13.2%	-11.9%		
Comparable Store Sales YoY	-7.1%	-8.9%	-2.0%	-8.8%	-3.7%	-7.7%	-10.7%	-5.5%	1.8%	0.6%		
Bowling	-8.6%	-8.9%	-5.7%	-14.1%	-8.6%	-14.2%	-13.2%	-9.5%	-9.0%	-13.2%		
Game	-10.0%	-13.9%	-2.5%	-5.4%	-0.9%	-4.8%	-11.3%	-5.9%	8.6%	9.2%		
Karaoke	-1.7%	0.4%	1.0%	-7.2%	-0.1%	-10.3%	-11.3%	-4.9%	0.4%	3.2%		
SPO-CHA	-3.9%	0.4%	10.2%	-6.7%	-1.4%	3.7%	-0.3%	8.9%	16.9%	15.5%		
Other	-7.4%	-7.0%	-4.6%	-9.9%	-6.5%	-10.1%	-10.9%	-10.3%	-13.6%	-11.9%		
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	6,405	8,363
Bowling	2,425	2,612	2,208	2,193	2,923	2,400	2,016	1,861	2,424	3,118	2,298	3,134
Game	2,725	3,119	2,557	2,794	3,443	2,811	2,601	2,451	2,860	3,315	2,516	2,915
Karaoke	611	651	608	673	823	686	592	550	800	798	600	771
SPO-CHA	779	914	670	716	1,297	849	671	628	753	1,043	757	1,277
Other	235	257	236	237	276	250	221	209	235	267	232	263
Total Sales YoY	-7.0%	-10.1%	-2.0%	-7.7%	-4.1%	-4.4%	-8.2%	-5.7%	-4.6%	2.7%	-0.3%	-1.1%
Bowling	-10.6%	-15.6%	-5.0%	-11.5%	-9.2%	-8.2%	-13.8%	-11.4%	-3.1%	-1.5%	-5.8%	-6.0%
Game	-7.5%	-7.6%	-4.3%	-9.2%	-6.2%	-8.1%	-8.0%	-4.4%	-11.6%	6.3%	-1.0%	-4.0%
Karaoke	-6.2%	-9.0%	3.4%	-2.5%	1.7%	3.7%	-2.6%	-2.7%	4.9%	6.1%	2.0%	2.0%
SPO-CHA	7.4%	-2.5%	15.6%	9.5%	13.8%	17.7%	7.1%	6.2%	11.8%	4.0%	17.1%	16.1%
Other	-5.3%	-8.5%	-2.6%	-9.7%	-6.8%	-5.3%	-9.3%	-6.7%	-2.9%	-1.9%	-0.4%	17.5%
Comparable Store Sales YoY	-9.1%	-15.1%	-7.4%	-12.7%	-9.2%	-8.4%	-11.6%	-9.2%	-9.4%	-2.7%	-6.4%	-6.9%
Bowling	-11.7%	-18.5%	-8.4%	-14.8%	-12.3%	-10.6%	-15.6%	-13.4%	-6.4%	-5.1%	-10.0%	-9.9%
Game	-10.4%	-13.5%	-9.9%	-14.6%	-12.2%	-12.1%	-11.4%	-7.9%	-16.5%	-0.3%	-7.7%	-10.6%
Karaoke	-7.8%	-12.7%	-0.9%	-6.7%	-2.6%	0.1%	-5.6%	-5.6%	0.3%	0.2%	-3.5%	-3.5%
SPO-CHA	4.2%	-12.7%	0.6%	-2.9%	4.5%	6.2%	-3.6%	-4.1%	1.1%	-3.8%	5.6%	6.4%
Other	-6.2%	-10.6%	-4.9%	-12.0%	-9.8%	-8.4%	-11.0%	-8.5%	-6.5%	-6.6%	-5.1%	11.8%

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

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Sanix Incorporated (4651)

Commercial solar power generation and environmental resources development (i.e., power generation and waste recycling)

On **February 28, 2014**, SR Inc. updated comments on Sanix Incorporated's earnings results for Q3 FY03/14 after interviewing management.

Quarterly Performance (million yen)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	8,823	9,362	9,218	15,964	15,753	15,939	19,841	-	61.0%	84,500
YoY	17.6%	17.8%	16.0%	98.1%	78.6%	70.3%	115.2%	-	-	94.9%
GP	2,554	3,292	2,902	4,622	4,631	4,372	5,065	-	-	-
YoY	11.2%	6.3%	9.6%	92.4%	81.3%	32.8%	74.5%	-	-	-
GPM	28.9%	35.2%	31.5%	29.0%	29.4%	27.4%	25.5%	-	-	-
SG&A	2,670	2,652	3,260	2,918	3,666	3,842	4,140	-	-	-
YoY	2.1%	5.6%	33.5%	18.4%	37.3%	44.8%	27.0%	-	-	-
SG&A / Sales	30.3%	28.3%	35.4%	18.3%	23.3%	24.1%	20.9%	-	-	-
OP	-116	640	-358	1,704	966	530	925	-	38.4%	6,300
YoY	-	-	-	-	-	-17.2%	-	-	-	236.8%
OPM	-	6.8%	-	10.7%	6.1%	3.3%	4.7%	-	-	7.5%
RP	-116	625	-424	1,705	925	518	743	-	36.4%	6,000
YoY	-	-	-	-	-	-17.0%	-	-	-	235.4%
RPM	-	6.7%	-	10.7%	5.9%	3.3%	3.7%	-	-	7.1%
NI	-171	550	-505	1,701	779	273	249	-	36.1%	3,600
YoY	-	-	-	-	-	-50.3%	-	-	-	128.6%
NPM	-	5.9%	-	10.7%	4.9%	1.7%	1.3%	-	-	4.3%

Figures may differ from company materials due to differences in rounding methods.

Source: Company data, SR Inc. Research

The Commercial Photovoltaic Solution (CPS) segment saw increases in sales in the solar power system wholesale business and in the commercial solar power systems business—which began full operations in Q4 FY03/13. However, sales decreased in the Home Sanitation (HS) segment as the company moved employees to the CPS segment. In the Establishment Sanitation (ES) segment, sales of solar power systems increased to the operators of multistory buildings and residential properties. In the Environmental Resource Development (ERS) segment, sales increased in plastic fuel, electricity sales from the Tomakomai Power Plant, and organic waste liquid processing services.

Sales of solar power systems and wholesale sales in the CPS segment contributed to increases in profits.

On **February 10, 2014**, the company announced monthly sales data for January 2014.

FY03/14 Consolidated Monthly Sales	Apr.	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
	Total Sales	5,521	5,091	5,141	5,274	5,349	5,316	6,184	6,631	7,429	7,810		
YoY	107.9%	68.6%	71.7%	63.8%	92.8%	57.8%	124.8%	134.8%	104.0%	77.8%			
Sales by Category													
Commercial Photovoltaic (PV) Solution	-	2,401	2,450	2,604	2,634	2,380	3,620	3,949	5,391	5,562			30,991
YoY	-	-	-	-	-	-	-	-	633.6%	161.8%			
Home Sanitation (HS)	3,842	1,091	1,059	1,079	971	917	824	797	723	688			11,991
YoY	179.0%	-26.1%	-25.4%	-28.2%	-21.2%	-39.9%	-27.4%	-27.7%	-35.6%	-5.7%			
Establishment Sanitation (ES)	398	311	491	408	411	619	431	437	445	328			4,279
YoY	70.1%	31.8%	93.8%	64.6%	88.1%	135.3%	125.8%	57.3%	26.8%	-7.0%			
Environmental Resources Development	1,281	1,288	1,407	1,183	1,333	1,344	1,309	1,448	1,446	1,232			13,271
YoY	22.7%	8.8%	2.7%	-8.2%	13.1%	-0.2%	14.3%	32.7%	0.9%	3.8%			

Source: Company data, SR Inc. Research

Figures in the category breakdown are preliminary and their sums may differ from finalized monthly sales figures.

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Sanrio Co., Ltd. (8136)

Character management company. Owns Hello Kitty. Growing worldwide licensing business.

On **February 10, 2014**, Sanrio Co., Ltd. announced results for Q3 FY03/14.

Quarterly Performance (million yen)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	16,875	17,220	21,435	18,703	17,242	17,674	22,373		74.4%	77,000
YoY	3.2%	-4.1%	-3.6%	1.6%	2.2%	2.6%	4.4%			
GP	11,205	11,723	13,670	12,856	11,957	12,930	15,029			
YoY	4.4%	-0.7%	-1.2%	9.5%	6.7%	10.3%	9.9%			
GPM	66.4%	68.1%	63.8%	68.7%	69.3%	73.2%	67.2%			
SG&A	7,097	7,335	7,286	7,537	7,278	7,851	8,058			
YoY	4.9%	-1.8%	-7.2%	5.9%	2.6%	7.0%	10.6%			
SG&A / Sales	42.1%	42.6%	34.0%	40.3%	42.2%	44.4%	36.0%			
OP	4,108	4,388	6,384	5,318	4,678	5,079	6,964		75.7%	22,100
YoY	3.5%	1.2%	6.8%	15.0%	13.9%	15.7%	9.1%			
OPM	24.3%	25.5%	29.8%	28.4%	27.1%	28.7%	31.1%			
RP	4,296	4,643	5,749	4,958	4,133	4,915	6,593		74.1%	21,100
YoY	11.1%	14.1%	-6.1%	15.0%	-3.8%	5.9%	14.7%			
RPM	25.5%	27.0%	26.8%	26.5%	24.0%	27.8%	29.5%			
NI	2,913	2,678	3,663	3,282	2,635	3,214	4,295		75.1%	13,500
YoY	1.7%	-0.7%	-36.6%	7.9%	-9.5%	20.0%	17.3%			
NPM	17.3%	15.6%	17.1%	17.5%	15.3%	18.2%	19.2%			

*Reversal of allowance for sales returns is subtracted from gross profit; figures may differ from company materials due to differences in rounding methods
Source: Company data, SR Inc.

The company maintained its full-year forecasts. The cumulative Q3 sales and operating profit were 74.4% and 75.7% of full-year estimates, respectively.

For the period, the Overseas business had sales of JPY32.9bn (+15.0% YoY) and operating profit of JPY16.0bn (+18.3%). The Domestic business posted sales of JPY37.1bn (-0.8% YoY) and operating profit of JPY700mn (-46.9%).

The Domestic Licensing business saw sales of JPY7.0bn (-5.9% YoY) and operating profit of JPY4.8bn (-7.7%). Sales in the Domestic Product Sales sub-segment were JPY15.6bn (-1.0%), and operating profit was JPY1.4bn (+0.1%). Theme Parks business sales were JPY4.9bn (+3.2%), and operating loss was JPY200mn (JPY200mn loss a year earlier). Concerning Domestic Licensing, the company states that effects of a large-scale collaborative project implemented in the previous year led to reduced sales, and unfavorable weather conditions held back growth in sales of outerwear and toys. General and administrative expenses associated with the Domestic business were JPY5.9bn (JPY5.6bn a year earlier).

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SATO Holdings Corp. (6287)

Provider of comprehensive solutions based on auto-ID technology.

On **February 5, 2014**, Sato Holdings Corp. announced results for Q3 FY03/14 and revisions to its full-year forecast.

Quarterly Performance (million yen)	FY03/13				FY03/14				FY03/13	
	Q1	Q2	Q3	Q4	Q1	2Q	3Q	4Q	% of FY	FY Est.
Sales	21,208	21,458	22,288	22,302	22,619	23,494	24,589		73.6%	96,000
YoY	8.3%	8.9%	8.3%	7.9%	6.7%	9.5%	10.3%			
GP	8,829	8,904	9,306	9,371	9,655	9,825	10,403			
YoY	-21.9%	69.0%	6.2%	5.5%	9.4%	10.3%	11.8%			
GPM	41.6%	41.5%	41.8%	42.0%	42.7%	41.8%	42.3%			
SG&A	7,761	7,581	7,912	7,704	8,362	8,171	8,547			
YoY	5.3%	3.4%	9.0%	1.4%	7.7%	7.8%	8.0%			
SG&A / Sales	36.6%	35.3%	35.5%	34.5%	37.0%	34.8%	34.8%			
OP	1,068	1,323	1,394	1,667	1,292	1,655	1,856		72.8%	6,600
YoY	18.1%	37.8%	-8.0%	31.0%	21.0%	25.1%	33.1%			
OPM	5.0%	6.2%	6.3%	7.5%	5.7%	7.0%	7.5%			
RP	714	1,105	1,727	1,883	1,425	1,764	1,984		75.0%	6,900
YoY	-10.5%	124.6%	8.8%	45.6%	99.4%	59.6%	14.9%			
RPM	3.4%	5.1%	7.7%	8.4%	6.3%	7.5%	8.1%			
NI	224	505	868	1,129	845	1,048	1,393		80.1%	4,100
YoY	-52.0%	119.6%	198.3%	17.0%	276.6%	107.5%	60.5%			
NPM	1.1%	2.4%	3.9%	5.1%	3.7%	4.5%	5.7%			

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

In Q3, overall production activities gradually recovered, led by consumption. The company, actively engaging in sales promotion in response to the recovery trend, steadily succeeded in finding demand for new uses of products, with orders for mechatronics products, such as electronic printers, turning active and demand for supplies recovering.

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Ship Healthcare Holdings Inc. (3360)

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

On **February 4, 2014**, the company announced results for Q3 FY03/14.

Quarterly Performance (million yen)	FY03/13				FY03/13				FY03/13	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	51,185	56,624	52,906	63,648	55,330	54,256	58,337	-	69.2%	242,500
YoY	23.1%	43.2%	11.2%	5.8%	8.1%	-4.2%	10.3%	-	-	8.1%
GP	7,484	8,030	6,716	8,731	7,255	6,966	7,549	-	-	-
YoY	21.5%	40.4%	1.1%	2.0%	-3.1%	-13.3%	12.4%	-	-	-
GPM	14.6%	14.2%	12.7%	13.7%	13.1%	12.8%	12.9%	-	-	-
SG&A	4,361	4,401	4,635	5,020	4,744	4,632	4,924	-	-	-
YoY	14.5%	17.3%	11.0%	-3.7%	8.8%	5.3%	6.2%	-	-	-
SG&A / Sales	8.5%	7.8%	8.8%	7.9%	8.6%	8.5%	8.4%	-	-	-
OP	3,122	3,629	2,081	3,711	2,511	2,333	2,625	-	55.3%	13,500
YoY	32.9%	84.5%	-15.7%	10.9%	-19.6%	-35.7%	26.1%	-	-	7.6%
OPM	6.1%	6.4%	3.9%	5.8%	4.5%	4.3%	4.5%	-	-	5.6%
RP	3,460	3,824	2,282	4,023	2,779	2,534	2,859	-	56.4%	14,500
YoY	30.9%	66.8%	-15.9%	11.7%	-19.7%	-33.7%	25.3%	-	-	6.7%
RPM	6.8%	6.8%	4.3%	6.3%	5.0%	4.7%	4.9%	-	-	6.0%
NI	2,149	2,257	1,390	2,793	1,597	1,377	1,615	-	53.4%	8,600
YoY	31.0%	65.1%	-6.4%	10.2%	-25.7%	-39.0%	16.2%	-	-	0.1%
NPM	4.2%	4.0%	2.6%	4.4%	2.9%	2.5%	2.8%	-	-	3.5%

Figures may differ from company materials due to differences in rounding methods

Source: Company data, SR Inc. Research

In Q3, new orders for Supply Processing and Distribution (SPD) facilities remained on track, and together with dispensing pharmacy operations acquired in FY03/13, the company saw higher sales. However, operating profit declined due to the company's expectations that; large-scale projects will be concentrated in the end of the financial year, coupled with a number of projects concentrated in 2H of the previous year, and delays in improving occupancy rates at nursing care facilities.

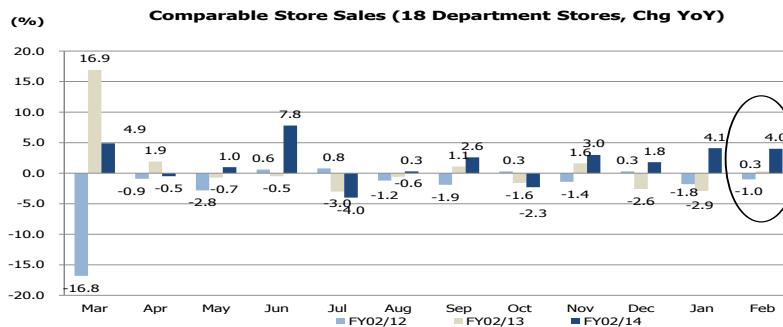
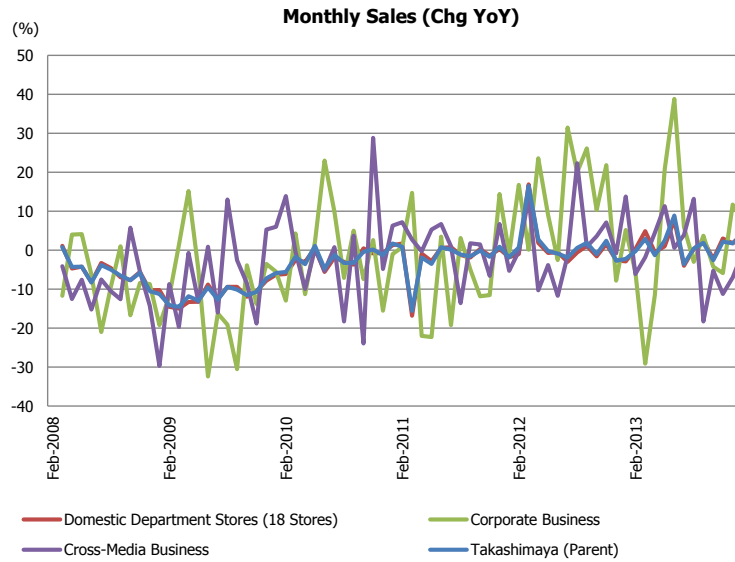
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Takashimaya Co., Ltd. (8233)

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

Takashimaya released monthly store sales data for January on **February 3, 2014**, and for February on **March 3, 2014**,



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Tamagawa Holdings Co., Ltd. (6838)

Tamagawa has two business segments: 1) the electronics and telecoms equipment business, which it has been involved in since the founding of consolidated subsidiary Tamagawa Electric Co Ltd in 1968; and 2) the solar business, launched in FY03/12.

On **February 12, 2014**, Tamagawa Holdings Co., Ltd. announced results for Q3 FY03/14.

Quarterly Performance (million yen)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY Est.	FY Est.
Sales	738	852	950	1,131	914	906	918	-	60.8%	4,504
YoY	49.0%	40.7%	-4.4%	11.8%	23.9%	6.3%	-3.4%	-		22.7%
GP	168	235	334	312	253	293	301	-		
YoY	68.7%	71.7%	92.2%	73.6%	51.0%	24.7%	-9.6%	-		
GPM	22.7%	27.6%	35.1%	27.6%	27.7%	32.4%	32.8%	-		
SG&A	149	160	175	191	164	167	200	-		
YoY	9.5%	13.1%	-2.5%	17.8%	10.2%	4.5%	14.1%	-		
SG&A / Sales	20.2%	18.8%	18.5%	16.9%	17.9%	18.5%	21.8%	-		
OP	19	75	158	121	89	126	101	-	64.2%	493
YoY	-	-	-	581.8%	371.9%	68.0%	-35.9%	-		32.0%
OPM	2.6%	8.8%	16.7%	10.7%	9.8%	13.9%	11.0%	-		10.9%
RP	10	73	158	134	95	124	100	-	65.3%	488
YoY	-	-	-	563.1%	847.7%	69.1%	-36.6%	-		30.2%
RPM	1.4%	8.6%	16.6%	11.8%	10.4%	13.7%	10.9%	-		10.8%
NI	9	83	156	92	90	101	114	-	68.0%	449
YoY	-	-	-	415.9%	939.0%	22.0%	-26.8%	-		32.1%
NPM	1.2%	9.7%	16.5%	8.1%	9.8%	11.1%	12.5%	-		10.0%

Source: Company data, SR Inc. Research

Figures may differ from company materials due to differences in rounding methods.

Cumulative Q3 sales (consolidated) rose 7.8% YoY to JPY2.7bn, due to an increase in sales in the Solar System Sales business. Gross profit rose 15.1% to JPY848mn, in line with the increase in sales.

Operating profit was JPY317mn (+25.6% YoY), recurring profit was JPY319mn (+32.3%), and net income was JPY305mn (+23.2%).

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TOKAI Holdings Corporation (3167)

Natural gas supplier that has successfully diversified operations to include information and communications, CATV, building and real estate, and bottled water delivery.

On **February 27, 2014**, SR Inc. updated comments on TOKAI Holdings Corporation's Q3 FY03/14 earnings results after interviewing management.

Quarterly Performance (million yen)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	43,339	40,271	47,269	50,805	43,038	41,277	48,644		70.6%	188,400
YoY	3.9%	-1.4%	1.6%	-3.8%	-0.7%	2.5%	2.9%			3.6%
GP	16,413	15,439	17,973	18,984	15,842	14,906	17,897			
YoY	0.7%	3.1%	-0.3%	-6.2%	-3.5%	-3.5%	-0.4%			
GPM	37.9%	38.3%	38.0%	37.4%	36.8%	36.1%	36.8%			
SG&A	14,695	14,584	14,855	15,740	15,194	15,143	15,112			
YoY	0.7%	0.7%	2.1%	4.9%	3.4%	3.8%	1.7%			
SG&A / Sales	33.9%	36.2%	31.4%	31.0%	35.3%	36.7%	31.1%			
OP	1,718	855	3,117	3,244	648	-237	2,785		47.7%	6,700
YoY	0.6%	73.4%	-10.5%	-38.1%	-62.3%	-	-10.7%			-38.7%
OPM	4.0%	2.1%	6.6%	6.4%	1.5%	-	5.7%			3.6%
RP	1,494	661	2,793	3,117	549	-246	2,656		47.9%	6,180
YoY	-0.7%	365.5%	-14.6%	-36.4%	-63.2%	-	-4.9%			-37.1%
RPM	3.4%	1.6%	5.9%	6.1%	1.3%	-	5.5%			3.3%
NI	549	-218	1,436	1,318	149	-503	1,274		36.4%	2,530
YoY	62.4%	-	18.0%	-14.2%	-72.7%	-	-11.3%			-6.8%
NPM	1.3%	-	3.0%	2.6%	0.3%	-	2.6%			1.3%

Figures may differ from company materials due to differences in rounding methods.

Source: Company data, SR Inc.

There were a number of reasons for the sharp fall in profits. Sales fell in the Gas and Petroleum business due to the temperature, while yen weakness meant procurement costs rose. The company also spent strategically, with future growth in mind.

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MONTHLY WRAP – March 2014



Verite Co., Ltd. (9904)

Jewelry retailer acquired by Indian jewelry conglomerate specializing in diamond rings.

On **February 13, 2014**, Verite announced Q3 FY03/14 results. The company maintained its full-year earnings forecasts.

Quarterly Performance (million yen)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	2,217	2,392	2,589	3,367	2,251	2,296	2,505	-	82.0%	8,600
YoY	-	-	-	-	1.5%	-4.0%	-3.2%	-	-	-
GP	1,162	1,257	1,783	1,521	1,127	1,200	1,280	-	-	-
YoY	-	-	-	-	-25.9%	-4.5%	-28.2%	-	-	-
GPM	52.4%	52.6%	68.9%	45.2%	50.1%	52.3%	51.1%	-	-	-
SG&A	1,371	1,333	1,368	1,446	1,169	1,148	1,140	-	-	-
YoY	-	-	-	-	-19.2%	-13.9%	-16.7%	-	-	-
SG&A / Sales	61.8%	55.7%	52.8%	42.9%	51.9%	50.0%	45.5%	-	-	-
OP	-209	-75	414	79	-42	52	140	-	38.5%	390
YoY	-	-	-	-	-	-169.3%	-66.2%	-	-	-
OPM	-	-	16.0%	2.3%	-	2.3%	5.6%	-	-	-
RP	-238	-105	378	39	-66	-1	81	-	5.8%	240
YoY	-	-	-	-	-	-99.0%	-78.6%	-	-	-
RPM	-	-	14.6%	1.2%	-	-	3.2%	-	-	-
NI	-254	-202	354	215	-58	-16	69	-	-	130
YoY	-	-	-	-	-	-92.1%	-80.5%	-	-	-
NPM	-	-	13.7%	6.4%	-	-	2.8%	-	-	-

Figures may differ from company materials due to differences in rounding methods
Source: Company data

"Qireini", a new brand that is part of the company's new business strategy, "Beauty for everyone" launched in Q1, gained increasing customer awareness and contributed to sales to new customer segments. The company also continued to focus on a multi-brand strategy, maximizing lifetime customer value through customer relationship management (CRM), and improving its supply chain. Comparable store sales for Q3 (October-December) were up 8.0% YoY (customer count: -2.6% YoY; sales per customer: +10.9% YoY), and sales for cumulative Q3 (April-December) were up 3.1% (customer count: -0.5%; sales per customer: +3.6%).

On **February 6, 2014**, the company announced January 2014 sales figures.

Monthly Sales (YoY)	FY03/14												1H	FY	
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.			
All Stores															
Sales	8.5%	-8.7%	-7.4%	-0.8%	-9.8%	-1.9%	-7.0%	4.2%	2.3%	8.4%	-	-	-	-3.8%	-1.3%
Customer Count	17.4%	2.5%	-9.5%	-7.2%	-14.2%	-11.6%	-9.4%	-8.9%	-12.6%	-14.6%	-	-	-	-4.3%	-7.4%
Sales Per Customer	-7.6%	-11.0%	2.4%	6.9%	5.1%	11.0%	2.6%	14.4%	17.0%	26.9%	-	-	-	0.5%	6.6%
Stores	87	84	83	83	83	82	82	84	84	82	-	-	-	82	82
Comparable Stores															
Sales	7.7%	-9.0%	6.7%	0.5%	-4.0%	2.4%	-0.2%	12.2%	11.8%	18.7%	-	-	-	0.4%	4.7%
Customer Count	18.6%	1.8%	-1.6%	-0.6%	-8.0%	-4.6%	-0.1%	-3.5%	-3.6%	-7.6%	-	-	-	0.6%	-1.3%
Sales Per Customer	-9.2%	-10.7%	8.5%	1.2%	4.4%	7.3%	-0.1%	16.3%	16.0%	28.4%	-	-	-	-0.2%	6.2%
Stores	81	78	78	77	77	76	77	78	79	79	-	-	-	76	79
	FY03/13														
All Stores															
Sales	7.4%	8.6%	-12.1%	-7.3%	4.0%	1.1%	-2.0%	-12.7%	-10.9%	-3.9%	0.7%	-7.1%	-0.5%	-3.7%	
Customer Count	-4.1%	-6.9%	2.6%	-8.7%	-0.1%	-5.5%	-12.4%	-7.4%	-6.8%	3.4%	3.2%	5.5%	-3.9%	-3.1%	
Sales Per Customer	12.0%	16.6%	-14.3%	1.5%	4.1%	7.0%	11.8%	-5.7%	-4.3%	-7.0%	-2.4%	-12.0%	3.5%	-0.6%	
Stores	100	100	101	101	101	102	103	104	104	102	99	97	97	97	
Comparable Stores															
Sales	6.4%	9.8%	-11.3%	-4.2%	1.3%	-1.5%	-2.2%	-6.1%	-9.1%	-4.2%	2.3%	-2.8%	-0.4%	-2.4%	
Customer Count	-2.9%	-3.7%	1.0%	-8.6%	-2.4%	-8.2%	-14.8%	-5.3%	-5.2%	3.1%	6.1%	9.5%	-4.3%	-2.7%	
Sales Per Customer	9.6%	14.0%	-12.2%	4.8%	3.8%	7.3%	14.8%	-0.8%	-4.1%	-7.1%	-3.6%	-11.3%	4.0%	0.3%	
Stores	81	81	82	84	85	90	92	96	96	95	90	90	90	90	
	FY03/12														
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%	-1.2%	-4.5%	-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	

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

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WirelessGate Inc (9419)

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

On **February 20, 2014**, SR updated WirelessGate Inc.'s FY12/13 results with information disclosed at an earnings briefing.

Quarterly Performance (million yen)	FY12/12				FY12/13				FY12/13	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	1,232	1,331	1,423	1,515	1,617	1,729	1,811	1,898	100.5%	7,017
YoY	-	-	-	-	31.3%	29.9%	27.3%	25.3%		27.6%
GP	428	445	463	467	502	529	564	571		
YoY	-	-	-	-	17.4%	19.0%	21.6%	22.3%		
GPM	34.7%	33.4%	32.6%	30.8%	31.0%	30.6%	31.1%	30.1%		
SG&A	275	310	301	319	326	339	354	361		
YoY	-	-	-	-	18.7%	9.2%	17.5%	13.2%		
SG&A / Sales	22.3%	23.3%	21.2%	21.0%	20.2%	19.6%	19.6%	19.0%		
OP	153	134	162	148	176	190	210	210	98.2%	800
YoY	-	-	-	-	15.1%	41.8%	29.3%	41.9%		34.0%
OPM	12.4%	10.1%	11.4%	9.8%	10.9%	11.0%	11.6%	11.1%		11.4%
RP	153	132	144	147	176	190	209	210	98.1%	800
YoY	-	-	-	-	15.1%	44.2%	45.1%	42.4%		38.9%
RPM	12.4%	9.9%	10.1%	9.7%	10.9%	11.0%	11.5%	11.0%		11.4%
NI	153	102	84	85	108	117	129	129	104.4%	463
YoY	-	-	-	-	-29.0%	14.5%	53.2%	52.4%		9.3%
NPM	12.4%	7.7%	5.9%	5.6%	6.7%	6.8%	7.1%	6.8%		6.6%

Figures may differ from company materials due to differences in rounding methods

The company began reporting consolidated earnings from Q4 FY12/12. Figures shown for Q1 and Q3 FY12/12 are reported on a non-consolidated basis and YoY comparison figures are shown for reference purposes only

Source: Company data, SR Inc.

Gross profit margin declined by 2.1 percentage points from FY12/12 to 30.7% mainly because of an increase in the sales composition of high-speed mobile service WirelessGate Wi-Fi+WiMAX 2+, which is less profitable than public wireless LAN service WirelessGate Wi-Fi.

The company expects gross profit margin to continue to decline in the short run since the percentage of sales derived from Wi-Fi+WiMAX 2+ is likely to rise. However, the company stated that the cost as a percentage of sales may eventually decline as subscribers increase.

View the [full report](#).



Yumeshin Holdings Co., Ltd. (2362)

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

On **February 21, 2014**, SR updated comments on Yumeshin Holdings' Q1 FY09/14 after interviewing management.

Quarterly Performance (million yen)	FY09/13				FY09/13				FY09/13	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	3,006	3,127	3,029	3,376	3,780	-	-	-	21.0%	18,000
YoY	12.8%	13.0%	11.9%	18.8%	25.8%	-	-	-	-	63.9%
GP	894	951	754	852	1,004	-	-	-	-	-
YoY	20.9%	15.7%	-5.4%	6.3%	12.4%	-	-	-	-	-
GPM	29.7%	30.4%	24.9%	25.2%	26.6%	-	-	-	-	-
SG&A	499	573	539	608	699	-	-	-	-	-
YoY	6.3%	15.2%	9.2%	20.9%	40.1%	-	-	-	-	-
SG&A / Sales	16.6%	18.3%	17.8%	18.0%	18.5%	-	-	-	-	-
OP	394	378	215	243	305	-	-	-	-	-
YoY	46.1%	16.5%	-29.1%	-18.3%	-22.7%	-	-	-	-	-
OPM	13.1%	12.1%	7.1%	7.2%	8.1%	-	-	-	-	-
RP	477	479	268	546	365	-	-	-	-	3,200~4,200
YoY	68.7%	34.7%	-17.7%	65.1%	-23.4%	-	-	-	-	80.7%~137.1%
RPM	15.9%	15.3%	8.9%	16.2%	9.7%	-	-	-	-	-
NI	311	273	182	622	299	-	-	-	-	2,100~2,600
YoY	75.0%	26.4%	0.7%	279.6%	-3.9%	-	-	-	-	51.2%~87.2%
NPM	10.3%	8.7%	6.0%	18.4%	7.9%	-	-	-	-	-

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

General contractors were increasingly feeling the effects of an aging technician workforce while experiencing a shortage of young technicians, resulting in strong demand for temporary staffing. Also, the company strengthened hiring activities in expectation of higher demand for construction nationwide, disaster reconstruction efforts, and construction in preparation for the 2020 Tokyo Olympics. The increase in demand led the company to hire 275 new employees in Q1. Thus, the company fell short of its hiring target of 350 technicians during Q1. However, it appears on track to meet its full-year target (1,600 technicians) over the course of Q2 and beyond, thanks to changes in its hiring strategy. The company's average number of technicians across Q1 was 1,825, compared with an average of 1,143 technicians for the same period in FY09/13.

On **February 6, 2014**, the company released monthly sales and hiring data for January 2014.

Monthly Sales	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
FY09/14													
Sales (Million Yen)	821	890	908	933									3,552
(YoY)	33.6%	43.5%	40.8%	40.4%									
Hired Numbers of Construction Staffing													
Est.	100	100	115	115	115	115	180	180	180	170	115	115	1,600
Act.	97	104	74	151									426
(Difference)	-3	4	-41	36									-4

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

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