



Shared Research Monthly Wrap - May 2014

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Shared Research



Monthly musings

Market view from Sendagi

One of the best seasons in Tokyo is underway. Early May weather is mild and comfortable and even the occasional rain is not altogether unpleasant.

For investors, May is far from comfortable. Here in Japan, it is marked by the flood of corporate results that keeps everyone busy. Members of the brokerage and investment community resemble herding wildebeest as they migrate from one results presentation to another. Japanese companies generally eschew teleconferencing technology, preferring to rent a large room and present to a live audience.

The results meetings can actually be quite useful sources of information. This is despite the time-consuming ritual of CFOs reading aloud their latest performance numbers and comments from handouts as everybody listens politely and waits for the CEO presentation 20-30 minutes into the show. Toward the end, the Q&A session ensues—several sell-side people and an occasional buy-side person ask questions, generally starting from the highest-ranked street analyst (Nikkei and Institutional Investor rankings).

May can also be frustrating in terms of market action. In the US, the famous adage “sell in May and go away” points to the seasonality challenge in the world’s largest stock market—performance becomes choppy and clear market direction tends to emerge mid-summer or even later. In Japan, the stock market tends to **follow the direction of the preceding 2-3 months**. Perhaps the logic is that earnings consensus is already firmly formed in April; May—when the majority of March-end companies report—is more about a few individual surprises.

At the same time, **May**, with its hundreds and hundreds of results meetings, also **sets the tone of investor sentiment**. As investors digest the results, they form assumptions of things to come. These assumptions are confirmed and **reinforced by mid-June**, when most investors finish their one-on-one meetings with management.

This time, what investors are hearing is relatively bullish, despite the cautious forecasts that many companies are likely to put out. Things are getting better. Even without the help of further yen depreciation. However, there is also a palpable—and unsurprising—**concern that things are not getting better fast enough**. As I have discussed multiple times in earlier editions of the Market View, arguably the biggest risk for this economic cycle and all Abenomics comes from Q3 and Q4 GDP numbers (I may have incorrectly referred to these GDP quarters as Q2 and Q3 in earlier Market Views, thinking of the Japanese budgetary year, which starts in April).

The consensus forecast for Q3 real GDP growth is 2% (per Bloomberg). I’m not an economist and won’t attempt to comment on the number itself. However, missing this number would set an alarming tone for many companies and consumers alike going into Q4. My bet is that the government is keen to pre-empt and will try to reassure the public prior to the Q2 GDP announcement in August (when growth is likely to be negative in the aftermath of the consumption tax hike). Ideally, we also want to see more yen weakness following any policy pronouncements.

As I always point out, **the US market must be supportive for Japan to go up**. If the S&P500 is roughly flat through the summer, we could start rallying in Japan as early as June. However, midterm elections represent an uncertainty for the US stock market. On top of this, we do have an ongoing Ukrainian situation. It appears irrelevant to the markets at the moment, but that could change if Russia is provoked and decides to move its troops into Eastern Ukraine and split the country.



The performance gap in my favorite chart, shown below, remains wide. I sense the US should correct before it continues its bull ride. In Japan, we will then simply rally when the US starts going up again, and probably rally hard. In the absence of US correction, Japanese stocks will probably start their anxious rise sometime in late-May or June.



How about the stock selection? I think this may be the time to revisit our “lazy long-only manager” portfolio, last set in October 2013 without much conviction.

I readily admit that the performance and accuracy of large bets was not exactly glorious. However, it was not inglorious either. If a long-short portfolio was built out of my best ideas, the results would have been rather sad. But that was not the purpose of the exercise. In October last year I more or less decided to index-hug, without much conviction in either direction. I simply thought overstretched names would correct and financials would rally. Among large names, autos did correct, saving the portfolio from disgrace. Others didn't, most notably Fujitsu and Astellas. Financials—still cheap—failed to perform. Overall, my improvised portfolio—composed in a three-hour session—has slightly underperformed the roughly flat TOPIX 100 index. Mega cap bets did worse than the rest.

Let me **reset. The new portfolio**—although still not very high conviction—represents the positioning I want to have around the time we (hopefully) rally. As before, I won't change positions or stop-loss them. The portfolio stays the same, rain or shine. This is definitely not how I run my money, but simply an attempt to make sense of the large-cap space over the following few months.

This time, the portfolio is structured in a less index-hugging way. All positions tagged Underweight are assigned zero weight. Doing this removes the need for defining Big Underweights, so there are only Underweights, Marketweights, Overweights, and Big Overweights.

Good luck investing,

Oleg Zuravljov



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TOPIX100 Portfolio

Return Comparison (%)	
TPX100	-0.96
Portfolio	-1.63
TPX100	Points
2013/10/11	797.18
2014/5/1	780.39

Start Date	Current Date
2013/10/11	2014/5/1

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	-10.49	4.1	6273	SMC Corp/Japan	MW	9.74	0.7
8306	Mitsubishi UFJ FG	BIG OW	-11.77	9.2	2503	Kirin Holdings	OW	-1.86	1.0
8316	Sumitomo Mitsui FG	OW	-12.44	5.2	5411	JFE Holdings	BIG OW	-24.51	1.3
9984	Softbank Corp	UW	7.01	1.7	7974	Nintendo	MW	-4.10	0.6
7267	Honda Motor	UW	-11.33	1.7	9735	Secom	OW	1.12	0.9
8411	Mizuho Financial Group	OW	0.27	3.8	9531	Tokyo Gas	UW	0.59	0.3
9432	NTT	UW	10.99	1.1	1605	Inpex Corp	OW	32.77	0.9
2914	Japan Tobacco	MW	-3.69	2.1	2502	Asahi Group Holdings	MW	2.84	0.6
8802	Mitsubishi Estate	OW	-15.85	2.8	8002	Marubeni Corp	MW	-7.29	0.6
4502	Takeda Pharmaceutical	MW	0.83	1.8	4568	Daichi Sankyo	UW	-1.61	0.3
7751	Canon	MW	5.84	1.7	7741	Hoya Corp	OW	34.83	0.8
6954	FANUC Corp	MW	8.80	1.7	1925	Daiwa House Indus	MW	-3.20	0.5
8801	Mitsui Fudosan	MW	-8.22	1.5	4578	Otsuka Holdings	MW	12.72	0.5
9020	East Japan Railway	MW	-12.52	1.5	5020	JX Holdings	OW	13.08	0.8
8058	Mitsubishi Corp	BIG OW	-5.44	3.0	8630	NKSJ Holdings	MW	8.58	0.3
8604	Nomura Holdings	MW	-16.39	1.5	5802	Sanyo Electric	MW	-0.02	0.5
3382	Seven & I Holdings	MW	11.27	1.5	9503	Fansai Electric Power	UW	-28.99	0.3
5401	NSMCM	MW	-18.76	1.5	4901	FUJIFILM Holdings Corp	BIG OW	13.16	1.0
6501	Hitachi	MW	19.90	1.4	4661	Orion Land/Japan	MW	-5.54	0.5
9433	KDDI Corp	BIG UW	8.20	0.0	523	Daifuku	UW	3.57	0.3
9437	NTT DOCOMO	OW	6.06	1.8	3402	Asahi Indus	MW	9.51	0.5
7201	Nissan Motor	UW	-10.21	0.6	7201	Suzuki Motor Corp	UW	13.45	0.2
8031	Mitsui & Co	BIG OW	5.17	2.3	3207	Aeon	UW	-10.71	0.2
6758	Sony Corp	UW	-5.68	0.6	6988	Nitto Denko Corp	UW	-13.91	0.2
8766	Tokio Marine Holdings	MW	-0.70	0.0	8306	Resona Holdings	MW	7.39	0.5
6902	Denso Corp	UW	-2.03	0.0	3407	Nidec Corp	MW	40.08	0.5
6301	Komatsu	MW	-2.77	1.1	3407	Asahi Kasei Corp	BIG UW	-1.14	0.0
5108	Bridgestone Corp	MW	5.55	1.1	8035	Tokyo Electron	MW	9.24	0.4
4503	Astellas Pharma	BIG UW	0.00	0.0	1878	Daito Trust Construction	UW	1.00	0.2
4063	Shin-Etsu Chemical	MW	1.00	1.6	1928	Sekisui House	UW	-1.91	0.2
8830	Sumitomo Realty	MW	-13.20	0.6	9502	Chubu Electric Power	OW	-15.02	0.6
9022	Central Japan Railway	MW	-2.09	1.1	1963	JGC Corp	UW	-9.95	0.2
6752	Panasonic Corp	MW	-0.86	1.1	9202	ANA Holdings	MW	6.06	0.4
6503	Mitsubishi Electric Corp	OW	-4.03	1.5	9532	Osaka Gas	MW	-7.02	0.4
7011	Mitsubishi Heavy Industries	MW	-6.02	1.0	8795	T&D Holdings	OW	7.35	0.6
8309	Sumitomo Mitsui Trust HD	OW	-13.53	1.4	9064	Yamato Holdings	MW	5.04	0.4
8591	ORIX Corp	OW	-4.24	1.4	7202	Isuzu Motors	MW	-5.77	0.4
8001	ITOCHU Corp	MW	-1.03	0.9	2802	Ajinomoto	UW	12.89	0.2
6861	Keyence Corp	OW	9.96	1.3	6702	Fujitsu	UW	67.66	0.2
8601	Daiwa Securities Group	OW	-8.86	1.2	9021	West Japan Railway	MW	-1.28	0.4
6502	Toshiba Corp	BIG OW	-4.99	1.6	5713	Sumitomo Metal Mining	UW	16.89	0.2
6971	Kyocera Corp	UW	-4.07	0.4	8113	Unicharm Corp	UW	-3.51	0.2
4452	Kao Corp	BIG UW	29.39	0.0	7731	Nikon Corp	OW	-9.41	0.5
6981	Murata Manufacturing	OW	20.34	1.1	8332	Bank of Yokohama/The	MW	-4.78	0.3
6326	Kubota Corp	BIG UW	-6.53	0.0	7752	Ricoh	UW	13.14	0.2
8053	Sumitomo Corp	BIG OW	0.20	1.5	4911	Shiseido	BIG UW	6.82	0.0
9983	Fast Retailing	BIG UW	-3.64	0.0	7912	Dai Nippon Printing	OW	-7.25	0.5
8725	MS&AD Insurance Group HD	MW	-4.86	0.7	5201	Asahi Glass	MW	-3.08	0.3
6367	Daikin Industries	MW	13.88	0.7	4188	Mitsubishi Chemical HD	MW	-6.75	0.3
8750	Dai-ichi Life Insurance	MW	9.72	0.7	9831	Yamada Denki	MW	44.35	0.1

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



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Spring 2014 TOPIX Portfolio

Start Date
2014/5/2

TPX100 Index Points
2014/5/2 781.43

Weight Rel. To TPX100	
OW	1.9
BOW	1.4
MW	1.0
UW	0

Ticker	Name	Weight Rel. To TPX100	Wgt (%)	Price May 2nd
7203 JT Equity	Toyota Motor Corp	OW	14.1	5,631
8306 JT Equity	Mitsubishi UFJ Financial Group Inc	BOW	5.8	566
9984 JT Equity	SoftBank Corp	MW	3.7	7,819
8316 JT Equity	Sumitomo Mitsui Financial Group Inc	BOW	4.3	4,208
7267 JT Equity	Honda Motor Co Ltd	MW	3.0	3,472
8411 JT Equity	Mizuho Financial Group Inc	BOW	3.6	204
9432 JT Equity	Nippon Telegraph & Telephone Corp	OW	4.0	5,756
2914 JT Equity	Japan Tobacco Inc	BUW	0.0	3,340
6954 JT Equity	FANUC Corp	UW	0.0	17,940
7751 JT Equity	Canon Inc	MW	1.8	3,253
4502 JT Equity	Takeda Pharmaceutical Co Ltd	MW	1.8	4,641
6501 JT Equity	Hitachi Ltd	UW	0.0	752
9433 JT Equity	KDDI Corp	UW	0.0	5,643
8802 JT Equity	Mitsubishi Estate Co Ltd	MW	1.6	2,438
3382 JT Equity	Seven & I Holdings Co Ltd	MW	1.6	4,051
8801 JT Equity	Mitsui Fudosan Co Ltd	MW	1.4	3,148
8058 JT Equity	Mitsubishi Corp	MW	1.4	1,860
4503 JT Equity	Astellas Pharma Inc	UW	0.0	1,181
9020 JT Equity	East Japan Railway Co	MW	1.3	7,409
9437 JT Equity	NTT DOCOMO Inc	OW	2.4	1,645
8031 JT Equity	Mitsui & Co Ltd	OW	2.4	1,463
6752 JT Equity	Panasonic Corp	MW	1.2	1,118
8604 JT Equity	Nomura Holdings Inc	BOW	1.7	629
7201 JT Equity	Nissan Motor Co Ltd	MW	1.2	884
5108 JT Equity	Bridgestone Corp	MW	1.2	3,698
6503 JT Equity	Mitsubishi Electric Corp	UW	0.0	1,205
5401 JT Equity	Nippon Steel & Sumitomo Metal Corp	MW	1.2	272
8766 JT Equity	Tokio Marine Holdings Inc	UW	0.0	3,081
6902 JT Equity	Denso Corp	UW	0.0	4,628
9022 JT Equity	Central Japan Railway Co	UW	0.0	12,765
4063 JT Equity	Shin-Etsu Chemical Co Ltd	MW	1.1	5,995
6301 JT Equity	Komatsu Ltd	MW	1.1	2,240
4452 JT Equity	Kao Corp	UW	0.0	3,901
6758 JT Equity	Sony Corp	MW	1.0	1,800
7011 JT Equity	Mitsubishi Heavy Industries Ltd	MW	0.9	550
8830 JT Equity	Sumitomo Realty & Development Co Ltd	UW	0.0	4,111
8591 JT Equity	ORIX Corp	BOW	1.3	1,544
6981 JT Equity	Murata Manufacturing Co Ltd	MW	0.9	8,945
7270 JT Equity	Fuji Heavy Industries Ltd	UW	0.0	2,713
8001 JT Equity	ITOCHU Corp	UW	0.0	1,165
6861 JT Equity	Keyence Corp	UW	0.0	39,700
8309 JT Equity	Sumitomo Mitsui Trust Holdings Inc	MW	0.8	434
6971 JT Equity	Kyocera Corp	MW	0.8	4,735
6367 JT Equity	Daikin Industries Ltd	MW	0.8	6,035
1605 JT Equity	Inpex Corp	OW	1.5	1,501
6502 JT Equity	Toshiba Corp	MW	0.8	400
8601 JT Equity	Daiwa Securities Group Inc	OW	1.4	787
8053 JT Equity	Sumitomo Corp	BOW	1.0	1,304
7741 JT Equity	Hoya Corp	MW	0.7	3,057
6273 JT Equity	SMC Corp/Japan	UW	0.0	24,790

Ticker	Name	Weight Rel. To TPX100	Wgt (%)	Price May 2nd
6326 JT Equity	Kubota Corp	MW	0.7	1,337
8750 JT Equity	Dai-ichi Life Insurance Co Ltd/The	MW	0.7	1,461
8725 JT Equity	MS&AD Insurance Group Holdings	OW	1.2	2,354
7974 JT Equity	Nintendo Co Ltd	BOW	0.9	10,970
2503 JT Equity	Kirin Holdings Co Ltd	UW	0.0	1,379
6594 JT Equity	Nidec Corp	MW	0.6	5,928
9735 JT Equity	Secom Co Ltd	MW	0.6	5,856
6702 JT Equity	Fujitsu Ltd	MW	0.6	659
2502 JT Equity	Asahi Group Holdings Ltd	UW	0.0	2,818
9983 JT Equity	Fast Retailing Co Ltd	UW	0.0	32,040
9531 JT Equity	Tokyo Gas Co Ltd	MW	0.6	537
4578 JT Equity	Otsuka Holdings Co Ltd	OW	1.1	2,991
4901 JT Equity	FUJIFILM Holdings Corp	OW	1.1	2,591
5020 JT Equity	JX Holdings Inc	MW	0.6	534
8002 JT Equity	Marubeni Corp	OW	1.1	689
8630 JT Equity	NKSJ Holdings Inc	OW	1.1	2,688
5802 JT Equity	Sumitomo Electric Industries Ltd	MW	0.5	1,427
4568 JT Equity	Daiichi Sankyo Co Ltd	UW	0.0	1,700
7269 JT Equity	Suzuki Motor Corp	UW	0.0	2,640
1925 JT Equity	Daiwa House Industry Co Ltd	MW	0.5	1,735
8035 JT Equity	Tokyo Electron Ltd	MW	0.5	5,807
4523 JT Equity	Eisai Co Ltd	MW	0.5	3,951
3402 JT Equity	Toray Industries Inc	MW	0.5	667
5411 JT Equity	JFE Holdings Inc	OW	0.9	1,895
8308 JT Equity	Resona Holdings Inc	OW	0.9	531
8267 JT Equity	Aeon Co Ltd	BOW	0.6	1,188
3407 JT Equity	Asahi Kasei Corp	OW	0.8	696
1878 JT Equity	Daito Trust Construction Co Ltd	UW	0.0	10,480
9202 JT Equity	ANA Holdings Inc	MW	0.4	226
4661 JT Equity	Oriental Land Co Ltd/Japan	UW	0.0	15,400
8795 JT Equity	T&D Holdings Inc	OW	0.8	1,254
9064 JT Equity	Yamato Holdings Co Ltd	MW	0.4	2,252
5713 JT Equity	Sumitomo Metal Mining Co Ltd	OW	0.7	1,519
6988 JT Equity	Nitto Denko Corp	MW	0.4	4,664
2802 JT Equity	Ajinomoto Co Inc	UW	0.0	1,484
9532 JT Equity	Osaka Gas Co Ltd	UW	0.0	379
9502 JT Equity	Chubu Electric Power Co Inc	MW	0.4	1,174
1963 JT Equity	JGC Corp	MW	0.4	3,365
8113 JT Equity	Unicharm Corp	MW	0.4	5,840
1928 JT Equity	Sekisui House Ltd	UW	0.0	1,252
9021 JT Equity	West Japan Railway Co	OW	0.7	4,132
9503 JT Equity	Kansai Electric Power Co Inc/The	OW	0.7	893
7752 JT Equity	Ricoh Co Ltd	BOW	0.5	1,182
7202 JT Equity	Isuzu Motors Ltd	MW	0.3	593
4911 JT Equity	Shiseido Co Ltd	MW	0.3	1,815
8332 JT Equity	Bank of Yokohama Ltd/The	BOW	0.5	520
7731 JT Equity	Nikon Corp	BOW	0.4	1,622
5201 JT Equity	Asahi Glass Co Ltd	BOW	0.4	581
7912 JT Equity	Dai Nippon Printing Co Ltd	OW	0.5	937
4188 JT Equity	Mitsubishi Chemical Holdings Corp	BOW	0.4	411

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



New Coverage

Kenko.com Inc. (3325)

Industry leader in sales of health-related products over the internet. Strength is long-tail strategy. Focus on product range, pricing, and customer service.

The company's core business is the online sale of pharmaceuticals, health foods and daily necessities. Kenko.com is the largest seller of health-related products over the internet. The company aims to differentiate itself from competitors in three respects: product range, pricing, and service quality. Its forte is its long-tail strategy, which entails stocking a large number of products. Kenko.com stocks more than 180,000 stock keeping units (SKUs). This gives it an advantage over a typical drugstore which stocks between 10,000 and 20,000 items. In addition, to make up for the shortfalls involved in selling products online, the company aims to keep its customers satisfied by speedy delivery and offering consultation.

The retail segment accounts for 91% of sales, but the drop shipping segment provides 23% of operating profit

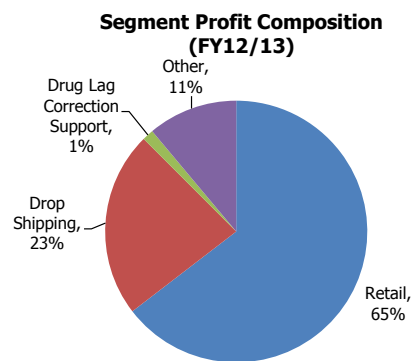
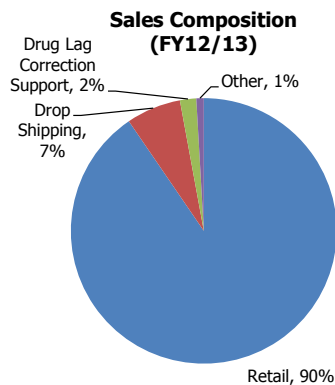
Kenko.com has four business segments: retail, drop shipping, drug lag remedy support, and other. The retail business is the key revenue generator, with a share of 91% of sales during FY03/13. However, competition with industry rivals is tough and margins are low, so the segment only contributes 65% of group profits. The next most important business is drop shipping, which accounts for 7% of sales and 23% of profits. The drug lag remedy support business and media business—the core of the other business—make small contributions to sales, but have relatively high margins. In May 2012, Kenko.com agreed to form a capital and business alliance with internet giant Rakuten. As of December 2013, Rakuten directly and indirectly controlled 50.8% of the company as of December 2013.

Performance by Segment

(JPYmn)	Sales		Segment Profit		Segment Profit Margin		Segment Assets	
	FY03/13	FY12/13	FY03/13	FY12/13	FY03/13	FY12/13	FY03/13	FY12/13
Retail	16,039	12,844	111	192	0.7%	1.5%	3,432	3,259
Drop Shipping	1,414	944	76	68	5.4%	7.2%	274	245
Drug Lag Correction Support	356	281	25	4	7.1%	1.5%	60	83
Other	132	129	28	33	21.3%	25.6%	31	45
Subtotal	17,941	14,198	240	298	1.3%	2.1%	3,796	3,633
Adjusted for intragroup trades	-38	-30	-373	-272	-	-	1,386	1,271
Total (consolidated)	17,902	14,168	-133	26	-	0.2%	5,182	4,903

Source: Company data

FY12/13 is an irregular period of nine months due to a change in the company's financial year.



Source: Company data, SR Inc. research

Figures are not adjusted for intragroup trades.

Long-tail strategy: the core of Kenko.com's business

Ten times as many items as a typical drugstore

Online shops, which do not have display space limitations, can offer many more items than brick-and-mortar stores. They can also take orders 24 hours a day, 365 days a year. Customers who have access to the internet can order products easily regardless of time or place. In addition, many internet users access Google or Yahoo! search engines to find the information they need. If a company handles a lot of products that others do not, its website receives an increased number of hits from internet searches, boosting customer drawing power.

Kenko.com handles a wide variety of items to maximize the advantages of selling online. The company is aiming to maximize profits by employing a long-tail strategy that offers a large selection of goods online. In light of this, the company is developing management systems to handle large numbers of products. In FY12/13 Kenko.com culled unprofitable items, resulting in a decline in the number of SKUs handled. Even so, it had 186,000 SKUs.

In contrast, the largest drugstore, Matsumoto Kiyoshi, only stocks 13,000 SKUs in its online shop. Including physical stores, it only handles about 20,000 items. Due to space limitations, a typical drugstore handles around 10,000 to 20,000 SKUs.

Don Quijote (the key store format of Don Quijote Holdings) is a major discount store operator and has around 45,000 SKUs. The Mega Don Quijote format, launched in 2008, has more than 100,000 items.

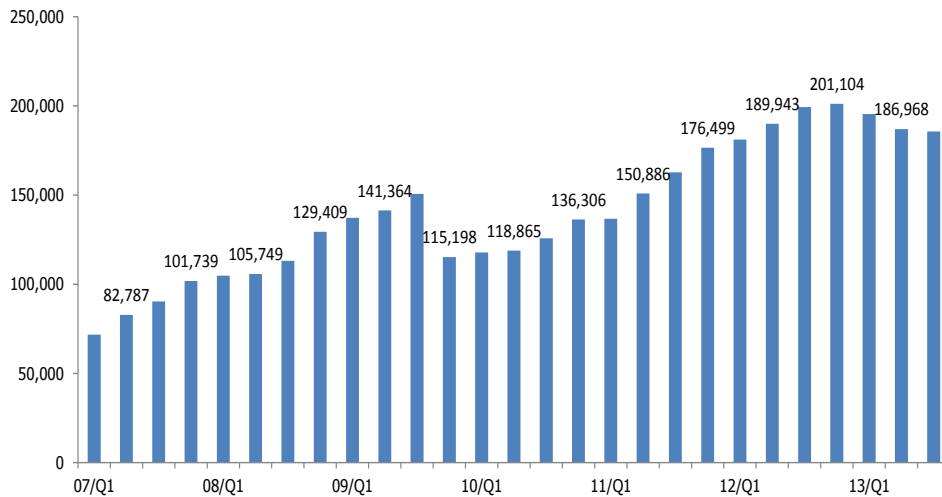


Inventory turnover for Kenko.com was 1.0 month in FY03/13, compared with 2.2 months for Matsumoto Kiyoshi (FY03/13) and 2.4 months for Don Quijote Holdings (FY06/13). Kenko.com’s inventory turnover is low, despite the company’s long-tail strategy, because internet stores do not have to maintain inventory. The company also employs the following measures to manage inventory:

- Proprietary logic for inventory order placement (using probabilities, calculates optimal inventory levels based upon order history and fulfillment conditions)
- Distribution center controls (store optimal amounts of inventory in Kanto and Kyushu to minimize storage and shipping costs)
- Cooperation with suppliers (Place orders and receive shipments in small quantities; receive outsourced inventories from suppliers; have suppliers hold inventory equivalent to approximately 30% of that held by the company)

(No. of products)

Variety of products sold (Domestic)



Source: Company materials, SR Inc. research

Concentrating on speedy delivery and customer support to boost customer satisfaction

One disadvantage of a net shop is that customers would have to wait for products to be delivered and that sales people may not be immediately available to answer questions. Kenko.com seeks to deliver merchandise quickly offers customer support through email and call centers. The company also has a call center in Los Angeles to swiftly respond to customers’ questions.

View the [full report](#).



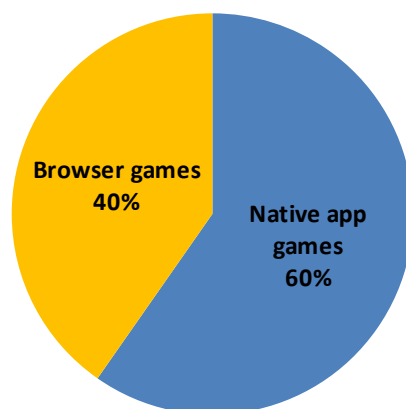
KLab (3656)

Developer and operator of social game apps. Taking advantage of industry trends by moving from browser games to native app games.

KLab (pronounced club) develops, sells, and operates social game apps. The company, which was a provider of system integration services, entered the game business in December 2009 using its server-control technology that allowed games to run smoothly online. KLab went on to release a series of titles and expanded operations as a game developer.

Game Business comprised 95% of sales in FY12/13. The company sold its system integration division during that year. As a result, the company derived almost 100% of its sales from the Game Business at end December 2014. Native app games for smartphones accounted for 60% of Game Business, and browser games for the remainder (end FY12/13).

Sales Composition in the Game Business (FY12/13)



Source: Company data

The company provides games for free and charges fees for premium services. It is desirable to have a high percentage of paying users. However, an argument can be made that non-paying users provide a form of free labor to help enhance the user experience. Take, for instance, a golf game. The game would not be as fun if all the users were equally proficient. Non-paying players, who use a free golf club with limited functions, raise the value of the premium golf club since some users may become paying players so that they can get a better golf club and win. In other words, some users pay because others do not. Thus, the business can be viable even if many users do not pay.

In the past five years, the mobile gaming industry has undergone two fundamental paradigm shifts. First came the rise of the mobile platform. Although not household names outside of Japan, DeNA (TSE1: 2432), GREE (TSE1: 3632) and mixi (TSE Mothers: 2121) exercised a firm grip on the Japanese mobile gaming arena. During the period from 2009 to 2012, the three companies recorded YoY sales gains in double and triple digits (source: data from the respective companies; see table below). KLab's first hit, *Koi-Shite-Kyaba-Jyo*, was distributed on the mixi platform in 2009. Release on DeNA's mobage platform followed in spring 2010, and the GREE version in summer 2010. Similarly, *Captain Tsubasa* was released for mobage in summer 2011, followed by a mixi release in fall 2011. KLab's sales grew in proportion to growth in the platform providers, ultimately leading to a nearly threefold jump in sales between FY08/11



and FY08/12.

Mobile platforms are a method for publishers to distribute games and other content to a wide audience. Installing custom applications on Japanese feature phones was a process that required custom apps to be written for each individual device type. To combat this, many game developers made their games web-based, such that any phone with a web browser could access the same, universal content. Mobile platforms arrange these games in an intuitive directory, and in exchange for exposure, receive a percentage of sales.

It was around 2012 that a new movement was picking up steam. According to statistics published by eMarketer, smartphone penetration in Japan was 18.0% of mobile phone users in 2011, but doubled in two years to 49.0% in 2013. Penetration is further expected to climb to 70.0% in 2014, after which it is projected to level off. Although mobile platform games are, by their web-based nature, also playable on smartphone web browsers, inherent limitations exist. Graphics and sounds are not as rich, and gameplay can be prone to stuttering due to the constant need to load separate web pages for different aspects of the game. These games can also be problematic in areas with poor or no cellular signal, since they rely on an internet connection for content.

With the proliferation of smartphones, consumers were in search of richer content. Armed with bigger screens and faster processors, smartphones were now capable of delivering gameplay that could previously be found only on dedicated gaming devices such as those manufactured by Nintendo and Sony. This, coupled with new distribution channels via the Apple App Store and Google Play, allowed developers such as KLab, GungHo and COLOPL to leverage their development expertise, distributing games with smoother graphics and more complex challenges.

Sales compositions for KLab for the five quarters of FY12/13 illustrate this second paradigm shift (see Business description). At the beginning of Q1, native app games accounted for 16.0% of sales, but by the end of Q5, this number had increased to almost 60%. The company appears to be shifting its focus to match trends in the industry, but SR believes that KLab is experiencing some difficulties in its transition.

App analytics website App Annie reported that during the period between October 2012 and October 2013, combined Apple App Store and Google Play monthly app revenue for games increased by a factor of four in the Japanese market. While competitors GungHo and COLOPL were able to capitalize on increased spending activity, KLab saw only a marginal increase in sales during the above period. SR believes that a lack of standout titles was a key factor.

A unique characteristic of native app publishers is the potential for one hit app to catapult overall earnings. For instance, as of the end of December 2013, 91.1% of GungHo's earnings are dependent on the *Puzzle & Dragons* franchise (source: GungHo). Smartphone adoption will continue to grow rapidly for several years, and SR believes that if KLab is able to produce one or more new hit titles, there is opportunity for additional growth.

As of December 2013

Sales (JPYmn)	FY09	FY10	FY11	FY12	FY13	FY14 Est.
Platform providers						
DeNA (FY end March)	37,607	48,105	112,728	146,501	202,467	182,600
GREE (FY end June)	13,945	35,231	64,178	158,231	152,238	-
mixi (FY end March)	9,187	10,293	13,229	13,334	12,632	11,500
Native app publishers						
GungHo (FY end December)	10,294	9,240	9,608	25,822	163,060	-
COLOPL (FY end September)	363	1,515	2,283	5,072	16,767	45,000
KLab (FY end December*)	2,365	2,953	5,665	15,210	15,745	-

Source: Company data of the respective companies, SR Inc. research

GREE, GungHo, and KLab have not published FY14 forecasts.

*FY12/13 is an irregular year of 16 months (five quarters). For the purpose of comparison, figures for FY13 are calculated by multiplying the figure for the 16 months (JPY20,993mn) by 0.75.

Business description

At end Q4 FY12/13, native app games accounted for 60% of Game Business sales, and browser games for the remainder.

Sales Composition	FY12/13				
	1Q	2Q	3Q	4Q	5Q
Native app games	16.0%	27.0%	39.0%	55.8%	59.7%
Browser games	84.0%	73.0%	61.0%	44.2%	40.3%

Source: Company data

FY12/13 is an irregular year of 16 months (five quarters).

The company began to focus on native app games in FY12/13. Their share of sales surged.

FY12/13	Native app games	Browser games
Percent of sales	60%	40%
Number of games	20	46
ARPPU of typical game (JPY '000)	10~20	5~10
Percentage of users paying	10%	15%
Monetization method	Item monetization	Item monetization
Game genres	Casual, casual-core, mid-core	Mid-core
Revenue per month per game (JPYmn)	40	1.4
Development cost per game (JPYmn)	100~300	30~80

Source: Company data

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

Note, 'ARPPU of typical game', 'Percentage of users paying', 'Revenue per month per game', and 'Development cost per game' are all SR estimates.

Mid-core: a genre with high ARPPU and a limited number of users.

Casual core: a popular genre with constant users and a certain level of ARPPU.

Casual: a genre with many daily active users.

Browser Games, as mentioned above, are played online and require users to perform tasks with a web browser. For this reason, games distributed on this format tend to be "social games" that involve the



raising of virtual creatures or the playing of virtual battle cards (simple contests played with cards). Such games are compatible with this format.

In contrast, native app games are downloaded and installed. The company seeks to develop games that take full advantage of smartphones' latest image-processing technology. The company strives to create popular graphics, resulting in high development costs.

Native Apps

Native Apps sales of JPY8.5bn accounted for 60% of Game Business sales in FY12/13. SR estimates that this segment comprises some 43% of overall sales. The percentage rose significantly during the year.

ARPPU differs depending on the game, but SR estimates that the average is JPY10,000-20,000 per month. SR believes that aggressive purchases by some heavy users are pushing up ARPPU. As of Q4 FY12/13, the company had 20 native apps, bringing simple average monthly sales per game to about JPY40mn. As of November 2013, KLab's native apps had an estimated 9mn users. KLab sets a revenue benchmark for each game, and when revenues remain lower than the benchmark for several months, the company tries to increase revenues by tuning the game. If this does not improve revenues the game is scrapped.

At end FY12/13, 29% of Game Business sales came from App Store, and 30% from Google Play.

Sales Composition	FY12/13				
	1Q	2Q	3Q	4Q	5Q
Google Play	4.0%	7.0%	8.0%	24.7%	30.4%
App Store	12.0%	20.0%	31.0%	31.1%	29.3%

Source: Company data
FY12/13 is an irregular year of 16 months (five quarters).

Native apps are subject to the approval of online marketplace operators. In the case of App Store, users begin by downloading KLab games, typically free of charge. During the gameplay, users will be invited to pay for certain in-game items. Each native app uses different coins (currencies). At the time of purchase, the proceeds from coins are entered as deposits received (a liability) and are recognized as revenues when users use the coins to buy in-game items. KLab is required to return the unused balance of coins to a user when the user ceases to play a game. Twice a year (end of March and September), KLab is obliged to deposit at least half of the balance of unused coins at a deposit office (Legal Affairs Bureau etc) as stipulated under the law.

Browser Games

Browser Games comprised 40% of Game Business sales at end FY12/13. SR estimates that sales were JPY11.4bn for FY12/13, or 57% of the company's overall sales. The composition declined during the year because the company turned its focus to native app games.

Although ARPPU varies depending on the game, SR estimates that it is about JPY5,000-10,000 per month. At end Q4 FY12/13, the company had 46 browser games, bringing simple average monthly sales per game to about JPY14mn. By platform at end FY12/13, Mobage comprised 20% of sales, GREE 8% and mixi 6%. Prior to 1H FY08/12, Mobage consistently comprised 70% of game sales. The ratio fell to 20% at end FY12/13. The company probably had 2,500 cumulative users as of February 2014.



	FY08/12				FY12/13				
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	5Q
mixi	-	11.0%	12.0%	10.0%	8.0%	11.0%	9.0%	6.7%	5.8%
GREE	-	7.0%	9.0%	9.0%	11.0%	12.0%	15.0%	8.2%	8.3%
Mobage	-	68.0%	60.0%	59.0%	52.0%	40.0%	31.0%	23.4%	20.2%
Others	-	14.0%	19.0%	13.0%	11.0%	10.0%	6.0%	5.9%	6.0%

Source: Company data

FY12/13 is an irregular year of 16 months (five quarters).

After gaining approvals from platform operators, browser games are offered by connecting applicable platforms to the company's servers. In case of the Mobage platform, users must purchase "Moba Coins" to obtain in-game items. Moba Coins can be used in all the games offered on the Mobage platform. Similar systems apply to other platforms. KLab books revenues when users pay for items in KLab's browser games.

Jointly Developed Games

KLab develops some games jointly with other developers. Examples include *Tales of Kizna* (character collection simulation game) and *Cinderella Eleven* (girls' soccer simulation game). There are two types of joint-development games—those developed by KLab using third-party intellectual property (IP) and those developed by third parties but branded as KLab games. In the former case, KLab receives a share of revenues and recognizes that share as its own sales. In the latter case, the company would recognize the entire revenue as sales and then pay out the partner's share, booking it as cost of sales.

View the [full report](#).



SBS Holdings, Inc. (2384)

General logistics specialist: logistics accounts for 93% of sales and 30% of operating profit. Over 60% of operating profit from property management.

SBS business is logistics and logistics support. The logistics business primarily offers company-to-company general logistics, food logistics and specialty logistics services. The main logistics support service is in property management—SBS develops, rents and sells logistics facilities. Logistics accounts for the bulk of sales and profits: 93% of sales and 31% of operating profit in FY12/13.



Source: Company materials, SR

After just 26 years in business, SBS has grown to annual sales of over JPY130bn in an industry full of players with more experience. By the end of FY12/13, the company conducted investments of JPY29.7bn in 25 companies. Companies acquired via M&A include businesses in fields such as food, apparel and consumables, small lot deliveries, and long distance transport.

Between FY12/05 and FY12/13, the company developed 12 facilities spanning a combined 330 square kilometers, investing a total of JPY50bn. The company also securitized and transferred five facilities for JPY40.3bn, allowing for reinvestment without affecting its balance sheet. According to the company, it is constantly keeping track of private funds, new securitization methods, and changes to logistics-related regulations. As a result, SBS has been able to make use of its financial expertise in areas such as utilizing the Act on Advancement of Integration and Streamlining of Distribution Business in logistics facilities development. Other fields where this knowledge proves effective are formation of special purpose companies and transfers to private funds. SBS employs staff with backgrounds in finance to give it an edge in the above types of activities. Employing persons with finance experience allows the company to take a leading role in initiatives such as: acquisition of land for development; supervision of construction outsourced to major general contractors; facilities management after commencement of operations; securitization of logistics facilities. SBS can conduct due diligence, make use of laws and regulations, and ensure stable returns on its investment, all without having to rely on outside help. This type of comprehensive in-house environment is not found elsewhere, and SR believes that this is a factor that grants the company a strong position in facilities development.

The Act on Advancement of Integration and Streamlining of Distribution Business.

According to the Ministry of Land, Infrastructure, Transport and Tourism, this law set the parameters for certification of and support mechanisms for certain business plans. The idea was to encourage plans that lowered distribution costs and reduced the burden on the environment in



a comprehensive and efficient manner. The MLIT certifies projects that increase logistics efficiency overall, ie, those that bundle transport, storage, cargo handling and distribution processing; streamline logistics centers and locate near expressways, harbors and airports; and rationalize the distribution network with shared transportation and delivery. Authorities take the above into account when considering permit applications for developing a special logistics business facility in an urbanization control zone.

Main business segments

SBS is a pure holding company. The companies in the group are involved in logistics and ancillary support businesses. SBS has three segments: logistics, property management and other. Logistics is the core segment and accounted for 91% of sales in FY12/13 and 31% of operating profit. Property management comprised 4% of sales but 64% of operating profit.

- **Logistics**
This segment comprises truck and rail transport, low-temperature and international logistics, logistics facility operation, distribution processing, corporate express deliveries, and home deliveries. The company also offers all of these activities under third-party logistics (3PL) contracts. This segment also covers logistics consulting and ancillary businesses.
- **Property Management**
This segment rents company-owned property for office, residential and warehouse use, and also undertakes logistics facility development and sales.
- **Other**
Staffing of personnel for logistics facilities and factories, collection and processing of industrial waste, marketing businesses, and solar power generation.



Business overview

Logistics: 91% of sales, 31% of operating profit (FY12/13)

In this core segment the company offers business-to-business transportation of materials, products and merchandise as well as storage, cargo handling, packaging, distribution processing and information management. While SBS does not disclose the exact breakdown, SR understands that the truck transportation accounts for roughly one half of segment sales. The main services in the logistics business are listed below.

Services	Service description and related subsidiaries/affiliates
Truck transport	The company delivers nationwide, with a fleet of 3,000 vehicles. The company will transport anything from an entire train carriage to a single component. → SBS Logicom, SBS Freight Service
Railway transport	Long-distance container transport by rail → SBS Logicom
Food logistics	A specialist food transport service with three temperature bands (dry, chilled, frozen) → SBS Flec, SBS Zentsu, SBS Freight Service, SBS Transport
Logistics center operation	Comprehensive management contracts for logistics centers (both on an on-site and off-site basis) → SBS Logicom, SBS Flec, SBS Zentsu, Nippon Record Center
International logistics	Integrated international logistics services, from customs clearance to onward arrangements and local logistics → SBS Logicom, SBS Global Network, Atlas Logistics
Distribution processing	Processing such as assembly, labels, grouping, and wrapping → SBS Logicom, SBS Flec, SBS Zentsu, Nippon Record Center
Corporate express deliveries	Same day delivery of packages collected from within Tokyo Metropolis before noon to anywhere in Tokyo Metropolis and the three surrounding prefectures (Saitama, Chiba, Kanagawa). → SBS Sokuhai
Same day home delivery (individuals)	Delivery of products to co-operative union members and online shoppers → SBS Zentsu, SBS Sokuhai, SBS Flec
Corporate and individual removals	Removal services for offices, public agencies, universities, libraries and others, plus individuals → SBS Logicom, SBS Freight Service, SBS Transport
Onsite logistics	Focusing on vehicles and goods entering and exiting large buildings, and making them more efficient through a unique system of collaborative delivery → SBS Logicom, SBS Transport
Consulting	Investigation, analysis, and solutions for cost-cutting, lead time reduction, and streamlining → SBS Logicom
3PL (Third party logistics)	Taking on the entirety of clients' logistics operations → SBS Logicom, SBS Flec

Source: Company data, SR

SBS is focusing on two areas as growth drivers: 3PL, which the company offers its customers as a comprehensive service to overhaul and improve their logistics activities, and food logistics, the transport of food across the three temperature zones—frozen, chilled and room temperature—which is one of the company's strengths, is resistant to economic swings, and provides a stable source of revenue.

3PL: short for 3rd Party Logistics. An outsourcing business involving a third party that is neither a manufacturer nor a retailer taking over all the logistics functions from the freight owner, including proposing new logistical structures for ordering, optimization, and efficiency. SBS defines 3PL as direct long-term contracts with the freight owner for terms of at least three years to carry out at least two of the five major logistics functions: transport and delivery, storage, handling, packaging, and distribution processing.



Cargo handling: Refers to the process of loading/unloading goods from a truck etc and moving them in and out of logistics facilities.

Distribution processing: In addition to general work such as attaching price tags to apparel, packing New Year's and midsummer gifts in boxes, and replacing labels on imported goods, it can involve outsourcing some tasks that are often handled on the production line, such as simple assembly and finishing of products and shrink wrapping.

- 3PL business

The 3PL business accounts for around 40% of SBS's logistics revenue, of which about 80% is from comprehensive contracts where SBS performs all of the five major logistics functions (FY12/13). SBS entered the 3PL market in 2006, and is aiming for JPY48.0bn in sales in FY12/14 (+4.1% YoY). The 3PL clients tend to be new relationships rather than early existing customers (as of February 2013).

3PL Sales

	FY12/10	FY12/11	FY12/12	FY12/13	FY12/13
JPYbn	35.4	42.3	44.3	46.1	48.0
YoY	10.5%	19.5%	4.7%	4.1%	4.1%

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

Source: Company data, SR

SBS maintains that its expertise is in achieving greater efficiencies of warehouse processes. The company won the Logistics Rationalization Award for three years running through 2010 at the All-Japan Logistics Improvement Case Study Convention by the Japan Institute of Logistics Systems. It also won the Rationalization Endeavor Award in 2011. In 2008, the institute praised improvements in SBS's food distribution in-warehouse work flow as "improved work flow due to layout changes and increased productivity due to product quality improvements." In 2010, the institute presented the company with an award for "reducing inventory held in storage for just-in-time shipments."

The key customers in this segment are BALS Corp Inc (since June 2009), with annual revenue of around JPY1.8bn (FY12/12) and Shimachu Co., Ltd. (since June 2013, TSE1: 8184), with annual revenue of around JPY1.3bn (FY12/13).

The items in BALS' Francfranc and other brands' lineup are mainly interior accessories and furniture made in China. The merchandise is delivered, inspected and temporarily stored at SBS's logistics centers. It is subsequently sorted, prepared for distribution and packed on order for delivery to over 100 domestic stores. For Shimachu, SBS created a logistics center specifically for Shimachu products and sorts, prepares for distribution and packs (on a per-store basis by delivery time) furniture, interior goods and DIY materials from vendors which it then distributes to around 50 Shimachu stores nationwide. Targets for new 3PL customers will be focused on the following categories: catalog sales; internet sales; household goods; drinks; chilled and frozen.

- Food distribution business

SBS does not disclose sales of the food distribution business, but it composes over 60% of sales of the distribution business overall. Food distribution, which is highly specialized, is divided into frozen food, chilled food, and room-temperature food. Frozen food encompasses instant rice and noodles dishes, ice cream, cakes and other confectionery, and frozen meat and fish. Chilled food is primarily composed of cheeses, butter, and other dairy products; beverages and yogurt; soy-based products; ham and sausages; and other foods typically consumed on a regular basis. The core subsidiary engaged in this business is SBS Flec (FY12/12 sales: JPY41.9bn, 33% of group sales; formerly a logistics subsidiary of



Snow Brand). SBS Flec has a nationwide sales network that can deliver large-lot simultaneous shipments of dairy products anywhere in Japan, but it is also capable of handling frequent small-lot deliveries through its delivery network, which is capable of all three temperature schemes. Concerning the frozen and chilled foods distribution sector, SBS Flec consistently ranks within the top 5 players. SBS Zentsu (FY12/12 sales: JPY14.3bn, 11% of group sales) has strength in delivering goods to consumer co-ops. Serving as the main artery connecting the co-op logistics centers with delivery depots, it also delivers fresh meats and produce directly to co-op member homes. SBS Zentsu is also a unique distribution company in that it has acquired certification for subdivision of organic produce, allowing it to process and distribute food as well. As food demand is insensitive to the ups and downs in the economic cycle, shipment volumes tend to be stable.

Consumer cooperatives: collectives formed, owned, and managed by their members. Many cooperatives exist to supply members with everyday goods—such as food and drink, cleaning products, and clothing—but there are also cooperatives working in areas such as health, insurance, and housing. As of 2012, 586 co-ops were members of the Japanese Consumers' Co-Operative Union (source: The CO-OP Facts and Figures 2012, Japanese Consumers' Co-operative Union).

- Fee structure in logistics

SBS charges fees in three different ways. The first is a per-load fee charging a certain amount per load handled; second is a per-truck fee, where the customer is charged for the use of a whole truck; and third is a value-based fee. For instance, under a per-truck contract, a two-ton truck with driver costs JPY25,000/day; a four-ton truck, JPY32,000; and a 10-ton truck, JPY43,000 (February 2014). Fees may vary with length of contract and distance travelled. The value-based fees are typically 3-5% of the retail sales value of the goods that pass through SBS's logistics facilities.

In the 3PL business, value-based fees are the norm. This is because it is easy for the shippers to understand and because different industries have different logistics patterns (large one-off deliveries, small frequent deliveries, store route deliveries and so on). Also the lot quantities vary, so it is possible to display common prices across the shipping customer base with value-based fees. Since the shippers dislike having distribution costs (including transport) becoming fixed costs, it is easy to get their agreement for charges that rise with sales. However, in the 3PL business, some customers employ a mix of per-load and per-truck fees for deliveries and value-based fees in the warehouse. Outside the 3PL business, it appears that there are slightly more contracts on a per-truck basis than a per-load basis.

- Major customers

In FY12/13 SBS had approximately 8,000 logistics customers. Food and beverage manufacturers and wholesalers accounted for around 45% of the group's sales. Megmilk Snow Brand is the main customer, with sales of JPY13.2bn, or 12.6% of logistics segment sales. This was followed by consumer co-ops with JPY9.9bn in sales, 9.4% of the segment total.



Sales by Industry

	FY12/11	FY12/12
Food & Beverage Manufactures	27.8%	27.3%
Chemical	8.0%	8.8%
Cosmetics and Toiletries	2.5%	2.1%
Others	5.9%	7.2%
Food & Food Wholesalers	18.8%	18.3%
Other Wholesalers	2.5%	2.7%
co-op	9.5%	9.4%
Supermarkets	3.4%	3.7%
DIY Stores	3.5%	3.4%
Department Stores	2.5%	2.4%
Other retailers	4.6%	3.8%
Services	4.7%	4.6%
Real Estate	0.0%	0.0%
Others	6.2%	6.2%

Source: Company data, SR

- Company-owned trucks; drivers

Almost all SBS trucks are leased by SBS Finance to other group companies. Of the 2,700 trucks in the group as of December 2013, around 75% were on five- to eight-year leases, with the remaining 25% owned. Thirty-five percent were small (under five tons); 45% were medium (four tons) and 20% were large. Small trucks under two tons are depreciated over three years; the rest over four years. Around 70% of SBS's trucks are five years old or older (FY12/12). With measures to for greater environmental regulation in the industry, there is a trend for truck ages to fall.

The group as a whole hires 4,000-5,000 trucks every month, accounted for in vehicle-hire expenses. Vehicle hire involves hiring a truck with driver from other transport companies. SBS Flec is uses about 3,000 trucks per month under long-term (units are years) contracts.

SBS's truck drivers are either regular employees or contract employees. Contract employees are under long-term contracts lasting several years. Under transport regulations set by the Road Transportation Act, the employment of day laborer truck drivers is prohibited, as it is impossible to manage safety. In line with other industry players, most of SBS's drivers are over 40 years of age. The number of drivers is gradually declining and there appears to be a shortage.

	FY12/10	FY12/11	FY12/12
Number of Drivers	2,104	2,081	2,033

Source: Company data, SR

On **April 11, 2014**, SBS Holdings, Inc. announced a stock split and dividend forecast revision.

On the record date of May 31, 2014, and the effective date of June 1, 2014, the company will execute a three-for-one stock split. With this, the number of shares outstanding will increase from 13,204,400 to 39,613,200.

The company also revised its year-end dividend forecast for FY12/14 from JPY40 per share to JPY14 per share. This represents an effective increase of JPY2 after the stock split (the former dividend of JPY40 per share has been divided by three and rounded up).

View the [full report](#).



April 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 **April 1, 2014**, 3-D Matrix announced that its patent on the use of self-assembling peptide technology for skin-tissue regeneration has been approved in Japan.

The patent relates to self-assembling peptide technology for skin-tissue generation. The company has demonstrated that self-assembling peptides, when applied to wounds, can restore the skin to its original condition without leaving a scar. The company is developing wound-healing agent TDM-511 in the US based on this technology.

According to the company, the approval is not likely to affect its earnings for FY04/14 or thereafter.

View the [full report](#).



Aeon Delight Co., Ltd. (9787)

Leading comprehensive facility management service company belonging to the Aeon group.

On **April 23, 2014**, SR updated comments on Aeon Delight Co., Ltd.'s FY02/14 full-year earnings based on interviews with management.

Quarterly Performance (JPYmn)	FY02/13				FY02/14			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	58,584	68,187	65,620	56,485	66,711	66,841	61,256	62,435
YoY	10.6%	19.7%	19.0%	3.2%	13.9%	-2.0%	-6.7%	10.5%
GP	6,984	7,998	7,790	7,455	8,173	8,808	7,984	8,749
YoY	3.0%	3.5%	10.5%	5.3%	17.0%	10.1%	2.5%	17.4%
GPM	11.9%	11.7%	11.9%	13.2%	12.3%	13.2%	13.0%	14.0%
SG&A	3,890	3,979	4,500	3,957	4,782	4,624	4,589	4,604
YoY	5.4%	2.1%	16.8%	15.5%	22.9%	16.2%	2.0%	16.4%
SG&A / Sales	6.6%	5.8%	6.9%	7.0%	7.2%	6.9%	7.5%	7.4%
OP	3,093	4,020	3,289	3,499	3,390	4,185	3,395	4,145
YoY	0.2%	5.0%	2.9%	-4.1%	9.6%	4.1%	3.2%	18.5%
OPM	5.3%	5.9%	5.0%	6.2%	5.1%	6.3%	5.5%	6.6%
RP	3,102	4,022	3,288	3,480	3,403	4,168	3,411	4,110
YoY	-1.2%	4.9%	2.4%	-3.3%	9.7%	3.6%	3.7%	18.1%
RPM	5.3%	5.9%	5.0%	6.2%	5.1%	6.2%	5.6%	6.6%
NI	1,786	2,158	1,561	2,004	1,858	2,289	1,657	2,357
YoY	4.8%	7.3%	-1.0%	23.7%	4.0%	6.1%	6.1%	17.6%
NPM	3.0%	3.2%	2.4%	3.5%	2.8%	3.4%	2.7%	3.8%

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

The company worked to expand its services lineup and start new businesses with a focus on urban areas, ecology and environmental market, and Asia outside Japan as its main market and business focal points. As a result, Aeon Delight was able to expand its businesses via measures such as housekeeping agency services to meet the complex needs of urban living, and facilities management geared toward small retail facilities. The company also conducted administrative management support for businesses through business process outsourcing (BPO).

On **April 8, 2014**, the company announced FY02/14 results and its medium-term plan. The framework for the plan will be centered on:

1. Establish a dominant position in comprehensive FMS and competitiveness (strengthen the cleaning services segment and the energy solutions segment)
2. Develop the Asian market
3. Build an organizational base (organizational restructuring, human resource development, IT investment)

Year	Sales	Operating income	Net income
FY02/14	JPY257.2bn	JPY15.1bn	JPY8.2bn
FY02/15	JPY270.0bn	JPY16.0bn	JPY8.6bn
FY02/17	At least JPY330.0bn	At least JPY21.0bn	At least JPY11.0bn

Sales for FY02/17 will consist of 35% outside of the Aeon group, and 10% to overseas.

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Anritsu Corp (6754)

Recognized global leader in mobile communications testing equipment.

On **April 24, 2014**, Anritsu announced full-year earnings results for FY03/14.

Quarterly Performance (JPYmn)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	21,602	24,659	21,393	27,029	22,365	25,687	23,055	30,745	99.9%	102,000
YoY	10.1%	-1.6%	-0.6%	-1.4%	3.5%	4.2%	7.8%	13.7%		7.7%
GP	11,809	13,462	11,164	14,532	11,857	14,208	12,588	16,300		
YoY	12.8%	3.8%	-7.8%	6.3%	0.4%	5.5%	12.8%	12.2%		
GPM	54.7%	54.6%	52.2%	53.8%	53.0%	55.3%	54.6%	53.0%		
Other Income/Expenses	7,843	8,722	8,341	10,349	9,391	10,349	10,026	11,066		
YoY	2.2%	5.5%	7.6%	-10.4%	19.7%	18.7%	20.2%	6.9%		
SG&A / Sales	36.3%	35.4%	39.0%	38.2%	42.0%	40.3%	43.5%	36.0%		
OP	3,966	4,740	2,823	4,183	2,466	3,859	2,562	5,234	98.8%	14,300
YoY	41.8%	0.6%	-35.2%	96.9%	-37.8%	-18.6%	-9.2%	25.1%		8.2%
OPM	18.4%	19.2%	13.2%	15.6%	11.0%	15.0%	11.1%	17.0%		14.0%
Pre-tax profit	3,543	4,517	3,423	4,655	2,681	3,884	2,725	4,947	99.6%	14,300
YoY	43.2%	12.2%	-18.1%	93.8%	-24.3%	-14.0%	-20.4%	6.3%		2.2%
RPM	16.4%	18.3%	16.0%	17.3%	12.0%	15.1%	11.8%	16.1%		14.0%
NI	2,528	4,334	2,487	4,546	1,614	2,668	1,778	3,244	98.1%	9,500
YoY	46.2%	45.6%	41.6%	200.8%	-36.2%	-38.4%	-28.5%	-28.6%		-17.2%
NPM	11.7%	17.6%	11.6%	16.8%	7.2%	10.4%	7.7%	10.6%		9.3%

Source: Company data

Due to a change in accounting standards under revision to IAS No. 19, FY03/13 figures are retroactively restated.

Company forecasts are based on most recent figures.

During FY03/14, overseas demand was strong for test and measurement equipment used in the network and infrastructure market and the mobile market, particularly in North America. However, test and measurement equipment demand was subdued domestically, especially in the Japanese mobile sector.

View the [full report](#).



Apamanshop Holdings Co., Ltd. (8889)

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

On **April 28, 2014**, Apamanshop Holdings announced earnings results for Q2 FY09/14.

Quarterly Performance (million yen)	FY09/13				FY09/14				FY09/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	9,000	9,734	9,105	8,803	8,872	9,962	-	-	50.9%	37,000
YoY	-7.2%	-5.3%	-3.9%	-4.0%	-1.4%	2.3%	-	-		1.0%
GP	2,192	2,583	2,573	2,566	2,199	2,856	-	-		
YoY	-10.3%	-3.5%	3.4%	5.8%	0.3%	10.6%	-	-		
GPM	24.4%	26.5%	28.3%	29.1%	24.8%	28.7%	-	-		
SG&A	1,915	1,807	1,963	1,918	1,911	1,967	-	-		
YoY	-3.2%	-4.1%	-3.8%	5.7%	-0.2%	8.9%	-	-		
SG&A / Sales	21.3%	18.6%	21.6%	21.8%	21.5%	19.7%	-	-		
OP	276	777	610	647	288	888	-	-	49.0%	2,400
YoY	-40.6%	-1.9%	36.2%	5.9%	4.3%	14.3%	-	-		3.9%
OPM	3.1%	8.0%	6.7%	7.3%	3.2%	8.9%	-	-		6.5%
RP	-32	677	458	305	126	762	-	-	52.2%	1,700
YoY	-	13.4%	133.7%	-4.4%	-	12.6%	-	-		20.7%
RPM	-	7.0%	5.0%	3.5%	1.4%	7.6%	-	-		4.6%
NI	-425	1,878	75	685	929	248	-	-	58.9%	2,000
YoY	-	1576.8%	-58.3%	-32.7%	-	-86.8%	-	-		-9.6%
NPM	-	19.3%	0.8%	7.8%	10.5%	2.5%	-	-		5.4%

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

Source: Company data processed by SR Inc.

Sales in the Related Services subsegment were a robust JPY1.1bn (JPY644mn at directly managed agencies and JPY465mn at franchises and others), up from JPY1.1bn yen (JPY598mn yen at directly managed agencies and JPY465mn yen at franchises and others) in 1H FY09/13. Apamanshop has been aggressively building this business as its third main earnings source, acting as a sales agent for services such as internet connections, insurance, and furniture movers, and products such as room deodorizers and fire extinguishers.

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ArtSpark Holdings Inc. (3663)

Joint holding company formed by the merger of Celsys Inc. and HI Corp. Known for ComicStudio, software to produce manga and an e-book distribution solution for mobile phones, and 3D rendering software for mobile phones. Mainstay products hold top market shares in Japan.

On **April 25, 2014**, ArtSpark Holdings Inc. announced earnings results for Q1 FY12/14.

Quarterly Performance (JPYmn)	FY12/13				FY12/14				FY12/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY I	FY Est.
Sales	1,152	706	905	921	813				21.5%	3,775
YoY	-	-3.8%	-8.7%	1.6%	-0					2.4%
GP	562	81	223	281	220					
GPM	48.8%	11.5%	24.6%	30.5%	0					
SG&A	327	300	315	269	285					
YoY	-	-15.6%	-12.3%	-25.9%	-					
OP	236	-218	-98	12	-66				-	63
YoY	-	-	-	-	-					-
OPM	20.5%	-	-	1.3%	-0					1.7%
RP	232	-204	-102	5	-74				-	36
YoY	-	-	-	-	-					-
NI	203	-186	-107	133	-64				-	26
YoY	-	-	-	-	-					-39.3%
Cumulative Figures	Q1	1H	Q3	2H					% of FY I	FY Est.
Sales	1,152	1,859	2,764	3,685	813				21.5%	3,775
YoY	-	153.1%	60.1%	40.0%	-29.5%					2.4%
GP	562	643	866	1,147	220					
GPM	48.8%	34.6%	31.3%	31.1%	27.1%					
SG&A	327	627	942	1,212	285					
YoY	-	76.4%	31.8%	12.3%	-12.9%					
OP	236	17	-81	-69	-66				-	63
YoY	-	-	-	-	-128.0%					-
OPM	20.5%	0.9%	-	-	-					1.7%
RP	232	28	-74	-68	-74				-	36
YoY	-	-	-	-	-131.9%					-
NI	203	17	-90	43	-64				-	26
YoY	-	-	-	-	-131.6%					-39.3%

Source: Company data, SR

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

Amid a shift in the core cell phone market towards smartphones, the company has been restructuring. In FY12/13, the company strengthened its solution business, one of the fruits of its strategic investment, while trying to decrease costs and increase profitability. The company reinforced sales promotions in all segments. Structural reform cut COGS, plus selling and administrative expenses. Headcount was cut using a voluntary retirement plan, and depreciation was reduced.

On **April 11, 2014**, the company announced that a subsidiary, HI Corp would acquire a stake in U'eyes Design Inc. U'eyes Design will therefore become a subsidiary of HI Corp.

The company held an extraordinary meeting of the board of directors on April 11, 2014, where it decided that HI Corp would acquire U'eyes Design, thereby making U'eyes Design a subsidiary of a consolidated subsidiary. On April 15, 2014, HI Corp will subscribe to U'eyes Design's capital increase by third-party allotment of shares (JPY40mn; 2,000 shares). HI Corp's stake will comprise 60.6% of the voting rights in U'eyes Design (HI Corp held no voting rights in U'eyes Design prior to the acquisition).

In June 2013, HI Corp arranged a strategic business alliance with U'eyes Design, with the aim of focusing on solutions for developing software for embedded devices. HI Corp's acquisition of a stake in U'eyes Design will further boost this relationship, and allow the companies to share their expertise and customer bases. U'eyes Design booked sales of JPY591mn in FY09/13, and operating profit of JPY32mn. Net assets were JPY73mn. Details regarding the impact of this acquisition upon ArtSpark's earnings results are still being confirmed, and will be released at a later date.



On **April 10, 2014**, the company announced that BS Reader for Browser, e-book reader software created by subsidiary CELSYS, Inc., has been chosen by SoftBank Mobile Corp. to be used in the Smart Bookstore e-book service.

View the [full report](#).

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 **April 24, 2014**, Axell Corporation announced results for Full-year FY03/14.

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	2,103	100.4%	11,000
YoY	111.7%	171.8%	29.2%	116.8%	-23.3%	-53.4%	-8.0%	-42.3%		-34.2%
GP	2,031	1,612	1,807	1,192	1,190	1,209	1,696	1,111		
YoY	86.3%	66.0%	30.9%	43.8%	-41.4%	-25.0%	-6.1%	-6.8%		
GPM	49.4%	29.8%	50.9%	32.7%	37.7%	48.0%	51.9%	52.8%		
SG&A	604	903	718	1,157	668	833	883	884		
YoY	-18.6%	27.2%	-4.4%	30.9%	10.6%	-7.8%	23.0%	-23.6%		
SG&A / Sales	14.7%	16.7%	20.2%	31.7%	21.2%	33.0%	27.0%	42.0%		
OP	1,427	708	1,089	36	521	377	813	227	104.8%	1,850
YoY	311.2%	171.3%	73.1%	-	-63.5%	-46.8%	-25.3%	530.6%		-43.3%
OPM	34.7%	13.1%	30.7%	1.0%	16.5%	15.0%	24.9%	10.8%		19.5%
RP	1,431	711	1,095	35	518	378	817	227	104.9%	1,850
YoY	305.4%	153.0%	72.7%	-	-63.8%	-46.8%	-25.4%	548.6%		-43.5%
RPM	34.8%	13.1%	30.8%	1.0%	16.4%	15.0%	25.0%	10.8%		19.6%
NI	936	482	728	-75	338	234	257	169	105.1%	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%	8.0%		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. Although sales of select machines that have proved popular in the past have been stable, the environment surrounding amusement halls has remained harsh. Sales of amusement machines were down by 200,000 units YoY to 3.6mn units.

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MONTHLY WRAP – May 2014



Bell-Park Co., Ltd. (9441)

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

Bell-Park announced monthly sales data for March on **April 4, 2014** and for April on **May 8, 2014**.

Monthly Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014													
New	37,521	37,268	84,090	29,947									188,826
YoY	-15.8%	-4.7%	4.8%	-29.0%									
ex-low ARPU handsets	28,160	27,016	57,329	18,564									131,069
(YoY)	24.8%	35.9%	41.8%	-19.9%									
Replacement	34,016	31,893	48,944	22,371									137,224
YoY	-8.9%	23.3%	5.7%	-32.3%									
Total	71,537	69,161	133,034	52,318									326,050
YoY	-12.6%	6.4%	5.2%	-30.5%									
2013													
New	44,561	39,123	80,207	42,188	44,188	29,921	31,772	33,596	34,022	37,766	39,479	36,245	493,068
YoY	15.8%	2.9%	20.1%	0.3%	4.4%	-0.9%	-10.9%	7.4%	-11.4%	-18.9%	-19.9%	-12.3%	
ex-low ARPU handsets	22,566	19,882	40,417	23,187	24,066	19,059	21,191	24,508	22,890	22,919	25,087	25,944	291,716
(YoY)	-23.0%	-32.5%	-22.2%	-27.5%	-23.4%	-5.7%	-12.7%	18.4%	-4.4%	-7.4%	5.8%	18.1%	
Replacement	37,325	25,865	46,305	33,039	40,335	26,499	29,059	30,075	36,832	46,110	49,021	40,700	441,165
YoY	9.0%	9.5%	64.8%	37.4%	63.5%	31.9%	8.4%	25.3%	11.6%	-12.5%	-16.1%	10.6%	
Total	81,886	64,988	126,512	75,227	84,523	56,420	60,831	63,671	70,854	83,876	88,500	76,945	934,233
YoY	12.6%	5.4%	33.4%	13.7%	26.2%	12.2%	-2.6%	15.2%	-0.8%	-15.5%	-17.8%	-1.5%	

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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Canon Marketing Japan Inc. (8060)

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

On **April 22, 2014**, Canon Marketing Japan Inc. (CMJ) announced earnings results for Q1 FY12/14.

Quarterly Performance (JPYmm)	FY12/13				FY12/14				FY12/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	150,210	159,222	159,190	188,593	182,697				+27.1%	673,200
YoY	-7.9%	-0.5%	+3.1%	+3.8%	+21.6%					
GP	49,276	53,927	55,215	61,791	61,046					
YoY	-8.7%	-1.4%	+5.8%	+3.0%	+23.9%					
GPM	32.8%	33.9%	34.7%	32.8%	33.4%					
SG&A	48,873	50,263	50,913	53,148	51,814					
YoY	-3.1%	-0.3%	+1.6%	+0.1%	+6.0%					
OP	403	3,663	4,302	8,644	9,231				+49.1%	18,800
YoY	-88.6%	-14.3%	+106.6%	+25.2%	-					
OPM	0.3%	2.3%	2.7%	4.6%	5.1%					
RP	536	4,331	4,473	8,870	9,369				+47.1%	19,900
NI	-35	2,008	2,711	5,483	5,707				+47.6%	12,000
YoY	-	-26.4%	+143.6%	+14.8%	-					
NPM	-	1.3%	1.7%	2.9%	3.1%					

Performance in Q1 was boosted by one-time factors, particularly replacement demand driven by the termination of support for Windows XP and extra demand ahead of the rise in the consumption tax rate, as well as a recovery in demand due to an improvement in personal consumption and corporate capital investments. While there is likely to be a pullback in the absence of these factors from Q2 onward, it is worth noting that some segments outperformed the company's forecast.

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Chiyoda Co., Ltd. (8185)

Retailer specializing in low-price shoes.

On **April 10, 2014**, Chiyoda Co., Ltd. announced FY02/14 full-year earnings results and details of its medium term plan.

Quarterly Performance (JPYmn)	FY02/13				FY02/14				FY02/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	40,237	35,806	37,252	37,028	39,297	35,423	35,856	36,847	100.9%	146,043
YoY	2.4%	-4.3%	-4.0%	-4.0%	-2.3%	-1.1%	-3.7%	-0.5%		
GP	19,847	17,159	18,707	17,728	19,821	17,160	17,773	17,287		
YoY	4.8%	-2.2%	-0.6%	-0.3%	-0.1%	0.0%	-5.0%	-2.5%		
GPM	49.3%	47.9%	50.2%	47.9%	50.4%	48.4%	49.6%	46.9%		
SG&A	15,608	14,989	15,587	14,940	15,679	15,265	15,624	14,942		
YoY	-1.5%	-2.2%	-1.1%	-2.9%	0.5%	1.8%	0.2%	0.0%		
SG&A / Sales	38.8%	41.9%	41.8%	40.3%	39.9%	43.1%	43.6%	40.6%		
OP	4,238	2,171	3,119	2,788	4,141	1,896	2,149	2,345	109.1%	9,653
YoY	36.8%	-1.4%	2.4%	16.8%	-2.3%	-12.7%	-31.1%	-15.9%		
OPM	10.5%	6.1%	8.4%	7.5%	10.5%	5.4%	6.0%	6.4%		
RP	4,437	2,388	3,308	2,975	4,255	1,978	2,247	2,547	109.4%	10,077
YoY	37.3%	0.0%	4.0%	17.1%	-4.1%	-17.2%	-32.1%	-14.4%		
RPM	11.0%	6.7%	8.9%	8.0%	10.8%	5.6%	6.3%	6.9%		
NI	2,404	1,391	1,420	1,936	2,221	1,084	1,187	1,355	104.7%	5,586
YoY	389.6%	13.0%	-21.3%	47.4%	-7.6%	-22.1%	-16.4%	-30.0%		
NPM	6.0%	3.9%	3.8%	5.2%	5.7%	3.1%	3.3%	3.7%		

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

Source: Company Data, SR Inc. Research

Gross profit margin improved 0.6 percentage point, driven by an increase of six percentage points in private brands' share of total sales. The company also increased profits by controlling expenses. The ratio of PB and NPB products rose 6 percentage points to 41.3% (PB: 33.3%; NPB: 8.0%). The company began to increase purchases of global brands (GB) other than PB products as a means of attracting more shoppers. The composition ratio of GB was 12% (unchanged from a year earlier).

On **April 1, 2014**, the company announced monthly sales data for March 2014.

Comparable Store Sales	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
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%
FY02/15	14.7%											

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
FY02/11	-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%
FY02/15	15.5%											

Source: Company data processed by SR Inc.

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

View the [full report](#).



Comsys Holdings Corporation (1721)

Major telecommunications construction company, with over fifty years of history

On **April 11, 2014**, Comsys Holdings Corporation (Comsys) announced that a consolidated subsidiary, Nippon COMSYS Corporation would acquire Ecosystem Japan Co., Ltd., thereby making Ecosystem Japan a subsidiary.

Overview of Ecosystem Japan Co., Ltd. (as of end March 2013)

- Description: Sales and installation of solar power generating systems, and related businesses.
- Capital: JPY372mn
- Consolidated sales: JPY15.6bn.

Details of the acquisition

- Number of shares: 6,125
- Planned acquisition date: May 1, 2014
- Stake after the acquisition: 82.66%.

View the [full report](#).



Creek & River Co Ltd (4763)

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

On **April 24, 2014**, SR updated comments on Creek & River's FY02/14 full-year earnings based on interviews with management.

(Million Yen)	FY02/13				FY02/14				FY02/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	4,054	4,485	4,619	4,375	4,805	5,701	4,780	5,327	103.1%	20,000
YoY	9.1%	12.0%	18.1%	14.4%	18.5%	27.1%	3.5%	21.8%		14.1%
GP	1,311	1,658	1,673	1,351	1,639	1,727	1,491	1,534		
YoY	16.2%	12.6%	28.3%	10.8%	25.0%	4.2%	-10.9%	13.6%		
GPM	32.3%	37.0%	36.2%	30.9%	34.1%	30.3%	31.2%	28.8%		
SG&A	1,149	1,218	1,405	1,230	1,253	1,371	1,344	1,331		
YoY	5.2%	9.2%	27.2%	4.7%	9.1%	12.6%	-4.3%	8.2%		
SG&A / Sales	28.3%	27.1%	30.4%	28.1%	26.1%	24.0%	28.1%	25.0%		
OP	163	440	268	121	386	356	147	204	91.0%	1,200
YoY	342.6%	23.1%	34.6%	177.6%	137.2%	-19.1%	-45.3%	68.5%		20.9%
OPM	4.0%	9.8%	5.8%	2.8%	8.0%	6.2%	3.1%	3.8%		6.0%
RP	163	440	313	119	387	356	148	201	91.0%	1,200
YoY	209.6%	21.8%	35.8%	157.6%	136.7%	-19.0%	-52.7%	69.4%		15.9%
RPM	4.0%	9.8%	6.8%	2.7%	8.1%	6.3%	3.1%	3.8%		6.0%
NI	46	135	152	0	158	173	63	98	89.3%	550
YoY	3343.4%	-13.9%	62.2%	-	239.8%	27.4%	-58.8%	20995.7%		64.4%
NPM	1.1%	3.0%	3.3%	0.0%	3.3%	3.0%	1.3%	1.8%		2.8%

Source: Company data, SR Inc Research

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

Sales and profits reached a record even as the company spent JPY250mn on the launch of a new business.

The percentage increase in net income surpassed that of recurring profit in the absence of extraordinary losses posted a year earlier, when the company took a JPY36mn charge due to office relocation and set aside JPY105mn in loan-loss provision.

According to the company, earnings were driven by the performance of Creative & Technical (Japan).

On **April 3, 2014**, the company raised its FY02/14 year-end dividend forecast to JPY5 a share from JPY4.

View the [full report](#).



Daiseki Co Ltd (9793)

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

On **April 25, 2014**, SR updated comments on Daiseki's FY02/14 full-year earnings based on interviews with management.

	FY02/13 Results	FY02/14 Initial CE	YoY	FY02/14 Latest CE	YoY	FY02/14 Results	YoY	vs. initial CE	vs. latest CE
Sales	36,013	39,500	9.7%	41,300	14.7%	42,100	16.9%	6.6%	1.9%
Daiseki Co.	23,808	25,500	7.1%	25,500	7.1%	25,074	5.3%	-1.7%	-1.7%
Daiseki Eco. Solution	7,509	8,129	8.3%	10,300	37.2%	10,586	41.0%	30.2%	2.8%
Daiseki MCR	2,790	2,605	-6.6%	2,605	-6.6%	3,112	11.5%	19.5%	19.5%
System Kikou	2,244	2,679	19.4%	2,679	19.4%	2,963	32.0%	10.6%	10.6%
Other, eliminations	-338	587	-	216	-	365	-	-37.8%	69.2%
OP	5,404	6,600	22.1%	7,200	33.2%	7,298	35.0%	10.6%	1.4%
Daiseki Co.	5,263	6,030	14.6%	6,030	14.6%	5,866	11.5%	-2.7%	-2.7%
Daiseki Eco. Solution	592	662	11.9%	1,224	106.9%	1,298	119.4%	96.0%	6.0%
Daiseki MCR	21	118	461.9%	118	461.9%	241	1,047.6%	104.2%	104.2%
System Kikou	-95	142	-	142	-	121	-	-14.8%	-14.8%
Other, eliminations	-377	-352	-	-314	-	-228	-	-	-

Source: Company data

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

All group companies recorded their highest sales figures to date. Profits were also up across the group. Daiseki Co. (parent) was the only company not to achieve its targets, due to underperformance at the Kansai recycling works, where a large amount of sales come from the home appliance industry.

View the [full report](#).



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 **April 28, 2014**, Digital Garage Inc. announced the project commencement of CIWorks, a specialized service that supplies knowledge for cancer treatment.

Through CIWorks, a joint venture with News Service Center Co., Ltd., the company will launch a specialized service that supplies knowledge for cancer treatment entitled "CIWorks" in May 2014. The new CIWorks service will aim to establish a platform for dispersing the latest knowledge to aid in clinical cancer treatment to the widest possible audience of medical professionals. By rigidly defining information that will prove most helpful in the clinical treatment environment from among research results published both in Japan and in the Western World, the company will carry content that describes treatment in an easy-to-understand manner.

On **April 24, 2014**, the company announced that subsidiary Veritrans has entered into an alliance with Sumitomo Mitsui Card to provide payment services for multiple currencies.

In alliance with Sumitomo Mitsui Card Co Ltd, Veritrans has launched a multiple-currency payment service for domestic e-commerce (EC) companies. This service allows customers to conduct credit card payments in their own local currencies. The service is available for 16 different currencies. By utilizing this service, EC vendors can provide online products and services to a wide range of overseas customers in terms of the same type of currency they use on a daily basis.

View the [full report](#).



MONTHLY WRAP – May 2014



Don Quijote Co., Ltd. (7532)

Innovative and iconoclastic general discount retailer with a nationwide presence.

On **April 10, 2014**, Don Quijote announced sales figures for March.

(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%	3.5%	23.5%			
# of Stores	200	201	200	203	208	211	212	212	212			
Comparable Stores												
Sales	-0.5%	1.8%	-0.6%	0.0%	0.0%	-0.9%	-1.3%	-2.3%	16.7%			
# of Customers	0.0%	1.1%	-2.5%	-0.4%	-0.1%	-0.5%	-0.5%	-2.4%	5.7%			
Avg. Spend per Customer	-0.5%	0.6%	2.0%	0.4%	0.1%	-0.5%	-0.8%	0.1%	10.4%			
# of Comparable Stores	184	185	185	186	187	189	192	191	193			
Electric Appliances	0.9%	3.7%	-2.4%	-0.6%	0.5%	-4.1%	-0.4%	-5.0%	14.9%			
Household Goods	5.7%	10.0%	4.1%	8.2%	6.2%	8.0%	5.9%	5.4%	30.2%			
Foods	6.6%	9.6%	3.3%	5.1%	6.8%	9.4%	8.6%	9.9%	36.5%			
Watches & Fashion Merchandise	5.4%	9.1%	1.8%	4.4%	4.4%	4.2%	3.9%	0.0%	12.9%			
Sporting & Leisure Goods	8.6%	6.8%	0.4%	4.9%	5.5%	6.9%	7.0%	2.7%	11.2%			
Other Products	-13.3%	-12.0%	103.4%	7.9%	-5.7%	8.3%	5.1%	-7.2%	2.9%			

(YoY)

(Fiscal Year Ending)	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](#).



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 **April 30, 2014**, Elecom Co. announced that it will make Japan Data System a wholly owned unit.

For FY05/13, Japan Data System posted sales of JPY635mn (+2.8% YoY), operating profit of JPY11mn (JPY161mn loss a year earlier), recurring profit of JPY89mn (+100% YoY) and net income of JPY57mn (+13.8% YoY). The company's assets totaled JPY565mn at the end of FY05/13, with net assets of JPY298mn. Nippon Data system expects its FY05/14 earnings to be almost unchanged from a year earlier.

The acquisition of Japan Data System is part of Elecom's plan to expand into the industrial machinery industry. Japan Data System specializes in the production of equipment for embedded computers, especially personal computers. The company is a "fabless" manufacturer, meaning that it outsources production without maintaining its own facilities. Elecom's Logitec INA Solutions unit already has similar operations and generates annual sales of JPY1bn. Elecom wants to double this amount with the acquisition of Japan Data System. Details concerning the merger of offices have not been determined at this time. (Click here for Japan Data System.)

The share transfer is scheduled to take May 12, 2014. SR expects Japan Data System to be included in Elecom's consolidated earnings for FY03/15.

View the [full report](#).



Fields Corp. (2767)

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

On **April 30 2014**, Fields Corporation announced results for Full-year FY03/14.

Quarterly Performance (JPYmn)	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	60,700	100.8%	114,000
YoY	19.9%	-49.3%	91.9%	22.9%	-72.8%	284.3%	-4.3%	0.5%		5.4%
GP	5,566	3,258	6,239	18,216	2,027	11,621	5,709	14,455		
YoY	9.7%	-52.8%	43.7%	21.4%	-63.6%	256.7%	-8.5%	-20.6%		
GPM	26.3%	40.9%	33.5%	30.2%	35.3%	37.9%	32.0%	23.8%		
SG&A	5,282	5,402	5,535	6,745	5,856	5,615	5,849	6,700		
YoY	-0.4%	5.9%	-6.2%	3.8%	10.9%	3.9%	5.7%	-0.7%		
SG&A / Sales	25.0%	67.8%	29.7%	11.2%	101.9%	18.3%	32.8%	11.0%		
OP	283	-2,142	703	11,470	-3,829	6,005	-140	7,755	102.0%	9,600
YoY	-	-	-	34.9%	-	-	-	-32.4%		-6.9%
OPM	1.3%	-	3.8%	19.0%	-	19.6%	-	12.8%		8.4%
RP	574	-2,312	763	11,243	-3,759	5,903	-78	7,699	94.8%	10,300
YoY	-	-	-	31.4%	-	-	-	-31.5%		0.3%
RPM	2.7%	-	4.1%	18.6%	-	19.3%	-	12.7%		9.0%
NI	342	-1,322	303	5,397	-2,290	3,724	-207	4,143	103.3%	5,200
YoY	-	-	-	11.1%	-	-	-	-23.2%		10.2%
NPM	1.6%	-	1.6%	8.9%	-	12.2%	-	6.8%		4.6%

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

In the pachinko/pachislot business, profit increased YoY thanks to steady selling activities though the company spent more to strengthen the sales structure and expand sales promotion activities. The company strengthened development of new machines in cooperation with its subsidiaries in a bid to broaden its product line-up for the medium and long term.

View the [full report](#).



MONTHLY WRAP – May 2014

FreeBit Co., Ltd. (3843)

FreeBit provides Internet-based infrastructure services that it terms Smart Infrastructure services.

On **April 23, 2014**, Freebit Co., Ltd. announced a version update and retail distribution of freebit mobile, its mobile phone service.

Main points of the version update to freebit mobile are:

1. Launch of the "flat pack", which includes 60 minutes of mobile-to-mobile talk time and a 45 minute high speed video ticket (a combined JPY1,510 value) for JPY500 per month;
2. A 50% increase in standard speeds, from 150Kbps-200Kbps to 250Kbps-300Kbps;
3. Online updates to Panda Soft 2.0 "Cloud" software.

Concerning its retail network, test marketing in the Fukuoka area for the freebit mobile O2O strategy has concluded, and the nationwide launch of ATELIER stores will begin in May.

On **April 16, 2014**, the company announced a major version update to its SIM card service.

In collaboration with subsidiary Dream Train Internet Inc. (DTI; headquartered in Tokyo), freebit announced a major version update to ServersMan SIM LTE, a JPY500 SIM service provided by DTI. The version update encompasses increased data transfer speeds, compatibility enhancements for iPhone, and improved voice call quality. Voice calls and unlimited data are now available for JPY767 per month (excluding tax) for both Android and iPhone users.

View the [full report](#).



Gulliver International Co., Ltd. (7599)

Core business in buying and wholesaling used vehicles. Japan's largest buyer of used vehicles and the first to introduce nationwide unified purchase prices. Pioneer in use of computers to showcase and sell used vehicles.

On **April 25, 2014**, SR updated comments on Gulliver International Co., Ltd.'s FY02/14 full-year earnings based on interviews with management.

Quarterly Performance (JPYmn)	FY02/13				FY02/14				FY02/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	38,755	32,544	37,870	34,248	45,729	37,672	45,236	40,761	100.1%	169,300
YoY	4.3%	-1.9%	14.7%	16.0%	18.0%	15.8%	19.5%	19.0%		
GP	7,736	7,927	8,819	9,407	9,053	8,710	9,494	9,297		
YoY	-17.7%	-4.9%	14.2%	24.9%	17.0%	9.9%	7.7%	-1.2%		
GPM	20.0%	24.4%	23.3%	27.5%	19.8%	23.1%	21.0%	22.8%		
SG&A	7,038	7,035	7,090	7,649	7,157	7,049	7,139	8,115		
YoY	8.2%	7.2%	6.3%	9.3%	1.7%	0.2%	0.7%	6.1%		
SG&A / Sales	18.2%	21.6%	18.7%	22.3%	15.7%	18.7%	15.8%	19.9%		
OP	697	892	1,730	1,758	1,896	1,661	2,355	1,182	99.9%	7,100
YoY	-76.0%	-49.5%	64.6%	231.7%	172.0%	86.2%	36.1%	-32.8%		
OPM	1.8%	2.7%	4.6%	5.1%	4.1%	4.4%	5.2%	2.9%		
RP	747	971	1,759	1,775	1,913	1,745	2,354	1,189	100.0%	7,200
YoY	-74.3%	-45.0%	66.4%	200.3%	156.1%	79.7%	33.8%	-33.0%		
RPM	1.9%	3.0%	4.6%	5.2%	4.2%	4.6%	5.2%	2.9%		
NI	348	520	1,084	1,028	1,227	1,071	1,409	653	100.2%	4,350
YoY	-77.2%	-64.9%	77.7%	519.3%	252.6%	106.0%	30.0%	-36.5%		
NPM	0.9%	1.6%	2.9%	3.0%	2.7%	2.8%	3.1%	1.6%		

Source: Company data, SR

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

Full-year sales for FY02/14 were JPY169.4bn (+18.1% YoY), operating profit was JPY7.1bn (+39.7%), recurring profit was JPY7.2bn (+37.1%), and net income was JPY4.4bn (+46.3%). Thus the company enjoyed growth in sales and profits.

The company's results were in line with forecasts, after the company made upward revisions to its forecasts on March 28, 2014.

On **April 14, 2014**, the company announced a new medium term management plan (FY02/15-FY02/18).

The new mid-term plan calls for annual retail sales of 150,000 vehicles in FY02/18, and consolidated operating profit of JPY20.0bn (JPY13.0bn more than FY02/14).

On **the same day**, the company announced monthly sales data for March 2014.

Total car sales at directly operated stores

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
FY02/11	27.5%	31.4%	5.0%	6.0%	-5.8%	-12.4%	9.8%	-19.1%	-14.6%	-11.8%	-7.1%	-3.1%
FY02/12	-3.8%	-12.7%	-10.7%	9.5%	5.4%	2.3%	-4.1%	3.2%	-3.1%	17.1%	-11.5%	-6.5%
FY02/13	8.0%	15.1%	1.8%	-5.0%	-7.1%	16.5%	-1.0%	11.0%	29.6%	-7.8%	18.6%	21.5%
FY02/14	12.3%	3.2%	14.3%	10.4%	13.2%	6.6%	9.8%	24.6%	13.2%	29.3%	11.2%	10.3%
FY02/15	-7.1%											

Source: Company data, SR

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

Note, Total car sales here refers to the total number of cars sold at directly operated stores. It is the sum of wholesale unit sales and retail unit sales, and includes various sales channels, such as auctions and the Dolphin system.

Retail car sales at directly operated stores

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
FY02/11	6.7%	2.3%	-14.2%	-11.0%	-23.1%	-10.7%	-6.9%	-24.4%	-9.6%	-15.7%	-17.0%	-15.1%
FY02/12	-19.2%	10.8%	-23.9%	-17.5%	-7.5%	-21.8%	-17.3%	-3.9%	-9.8%	5.6%	15.6%	12.2%
FY02/13	59.1%	14.1%	42.6%	62.5%	44.3%	52.1%	57.5%	40.7%	40.0%	11.2%	17.8%	11.9%
FY02/14	14.5%	18.8%	11.7%	1.1%	-0.3%	-7.4%	3.9%	12.2%	30.1%	32.1%	2.5%	16.7%
FY02/15	6.3%											

Source: Company data, SR

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

View the [full report](#).



Happinet Corporation (7552)

Leading intermediary distributor for toys, DVDs, CDs and video games, with a 60% market share in capsule toys and card games. Manages inventories and handles orders/shipments.

On **April 14, 2014**, Happinet Corp. announced a revision to its FY03/14 full-year earnings forecast.

FY03/14 full-year earnings forecast

Sales: JPY207.0bn (previous forecast: JPY205.0bn)

Operating profit: JPY3.8bn (JPY3.4bn)

Recurring profit: JPY3.9bn (JPY3.5bn)

Net income: JPY2.4bn (JPY2.0bn)

Earnings per share: JPY106.53 (JPY88.88)

Revision details

According to the company, although it recorded write-downs on excess inventory of products such as video game merchandise, the toy and amusement businesses outperformed expectations. Particularly strong sales of products from Bandai franchises Kamen Rider Giam, Aikatsu!, and Youkai Watch paved the way for higher sales, operating profit, recurring profit, and net income compared to previous forecasts.

View the [full report](#).



Harmonic Drive Systems (6324)

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

On **April 10, 2014**, Harmonic Drive Systems Inc. released quarterly orders and sales data for Q4 FY03/14 (parent level).

Quarterly New Orders (Parent) (Million Yen)	FY03/12				FY03/13				FY03/14			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total	5,255	4,252	3,452	4,371	4,732	3,707	3,763	4,077	4,647	4,693	4,537	5,966
Semiconductor Production Equipment	634	450	527	576	491	351	337	449	510	597	629	565
Flat Panel Displays	470	251	162	200	243	183	239	379	471	381	289	276
Industrial Robot Applications	2,083	1,634	1,138	1,547	1,853	1,370	1,349	1,179	1,478	1,609	1,463	2,685
Gear Heads (for Electric Motor Makers)	408	316	277	326	335	225	239	241	344	375	354	351
Machine Tools	315	336	316	329	272	304	320	311	271	319	364	334
Oil-Drilling Equipment	118	202	40	233	354	180	132	377	233	178	174	370
Others	1,224	1,060	989	1,157	1,181	1,094	1,145	1,137	1,349	1,231	1,261	1,382
YoY	-1.4%	-11.4%	-24.6%	-18.5%	-10.0%	-12.8%	9.0%	-6.7%	-1.8%	26.6%	20.6%	46.3%
Semiconductor Production Equipment	-13.9%	-28.6%	-15.1%	-27.7%	-22.6%	-22.0%	-36.1%	-22.0%	3.9%	70.1%	86.6%	25.8%
Flat Panel Displays	-11.7%	-42.3%	-62.5%	-63.5%	-48.3%	-27.1%	47.5%	89.5%	93.8%	108.2%	20.9%	-27.2%
Industrial Robot Applications	38.2%	-0.1%	-31.9%	-12.6%	-11.0%	-16.2%	18.5%	-23.8%	-20.2%	17.4%	8.5%	127.7%
Gear Heads (for Electric Motor Makers)	-10.3%	-15.5%	3.4%	1.9%	-17.9%	-28.8%	-13.7%	-26.1%	2.7%	66.7%	48.1%	45.6%
Machine Tools	9.8%	28.2%	14.1%	-11.8%	-13.7%	-9.5%	1.3%	-5.5%	-0.4%	4.9%	13.8%	7.4%
Oil-Drilling Equipment	-73.7%	-38.4%	-79.8%	68.8%	200.0%	-10.9%	230.0%	61.8%	-34.2%	-1.1%	31.8%	-1.9%
Others	-10.1%	-6.1%	-10.7%	-18.0%	-3.5%	3.2%	15.8%	-1.7%	14.2%	12.5%	10.1%	21.5%

Source: Company data, SR Inc. Research

Quarterly Performance (million yen)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	4,957	4,890	4,158	4,126	4,969	5,443	5,475	-	74.2%	21,400
YoY	-11.8%	-10.9%	-8.0%	-9.0%	0.2%	11.3%	31.7%	-	-	18.0%
GP	2,119	2,070	1,665	1,515	2,172	2,430	2,436	-	-	-
YoY	-12.5%	-12.4%	-3.8%	-15.0%	2.5%	17.4%	46.3%	-	-	-
GPM	42.7%	42.3%	40.1%	36.7%	43.7%	44.6%	44.5%	-	-	-
SG&A	976	996	1,037	924	1,079	1,118	1,102	-	-	-
YoY	-4.3%	0.2%	6.7%	-5.6%	10.6%	12.3%	6.3%	-	-	-
SG&A / Sales	19.7%	20.4%	24.9%	22.4%	21.7%	20.5%	20.1%	-	-	-
OP	1,143	1,074	628	591	1,093	1,312	1,334	-	75.8%	4,930
YoY	-18.4%	-21.6%	-17.2%	-26.5%	-4.3%	22.1%	112.2%	-	-	43.5%
OPM	23.1%	22.0%	15.1%	14.3%	22.0%	24.1%	24.4%	-	-	23.0%
RP	1,183	1,025	698	670	1,196	1,362	1,364	-	76.4%	5,130
YoY	-20.8%	-28.3%	-22.1%	15.9%	1.0%	32.8%	95.4%	-	-	43.5%
RPM	23.9%	21.0%	16.8%	16.2%	24.1%	25.0%	24.9%	-	-	24.0%
NI	722	481	380	378	759	870	843	-	77.3%	3,200
YoY	-4.6%	-34.9%	-23.6%	157.4%	5.2%	80.9%	121.8%	-	-	63.2%
NPM	14.6%	9.8%	9.1%	9.2%	15.3%	16.0%	15.4%	-	-	15.0%

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

Total orders in Q4 FY03/14 were JPY6.0bn (+46.3% YoY; +31.5% QoQ), marking the company's largest total orders for a single quarter to date.

Orders for industrial robots increased significantly on both a YoY (+128%) and QoQ basis (+84%). As orders increased across different applications, orders for industrial robots were strong thanks to large contracts for Chinese customers. Export orders were JPY1.5bn (+38.9% YoY; +60.0% QoQ), with orders up across all territories, and particularly in China.

Sales in Q4 were JPY4.6bn (+24.8% YoY; -4.4% QoQ); total exports were JPY1.0bn (+3.7% YoY; -2.9% QoQ).

View the [full report](#).



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 **April 30, 2014**, Infomart announced results for Q1 FY12/14.

Quarterly Performance (million yen)	FY12/13				FY12/14	FY12/14		FY12/14	
	Q1	Q2	Q3	Q4	Q1	% of 1H	1H Est.	% of FY	FY Est.
Sales	1,006	1,060	1,110	1,163	1,157	48.7%	2,378	22.2%	5,212
YoY	14.9%	15.5%	14.9%	13.6%	15.1%		15.1%		20.1%
GP	679	718	742	710	886	48.6%	1,824	21.9%	4,053
YoY	21.6%	21.0%	17.7%	2.1%	30.5%		30.6%		42.3%
GPM	67.5%	67.7%	66.9%	61.1%	76.6%		76.7%		77.8%
SG&A	432	434	442	447	463	46.7%	990	22.9%	2,017
YoY	7.6%	3.5%	3.1%	7.9%	7.2%		14.4%		15.0%
SG&A / Sales	42.9%	40.9%	39.8%	38.4%	40.0%		41.6%		38.7%
OP	247	284	300	263	424	50.9%	832	20.8%	2,035
YoY	57.3%	62.9%	48.5%	-6.5%	71.3%		56.7%		85.9%
OPM	24.6%	26.8%	27.1%	22.6%	36.6%		35.0%		39.0%
RP	253	286	297	270	419	50.6%	829	20.7%	2,026
YoY	58.8%	69.1%	50.0%	-6.4%	65.7%		53.6%		83.0%
RPM	25.2%	27.0%	26.8%	23.2%	36.2%		34.9%		38.9%
NI	155	167	177	133	244	49.2%	495	20.1%	1,214
YoY	69.0%	88.5%	278.2%	-50.8%	56.9%		53.8%		92.4%
NPM	15.4%	15.7%	15.9%	11.4%	21.0%		20.8%		23.3%

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

Sales in Q1 were JPY1.2bn (+15.1% YoY), driven by increased domestic use of the company's ASP Ordering System and other systems. Operating profit was JPY423mn (+71.3% YoY). This rise reflected the increase in sales along with a decrease in software amortization (CoGS) due to the conclusion of a shortened amortization schedule in FY12/13 for existing platforms.

View the [full report](#).



Intelligent Wave Inc. (4847)

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

On **April 23, 2014**, Intelligent Wave Inc. announced revisions to its full-year FY06/14 forecasts.

Full-year FY06/14 forecasts

Sales: JPY6.5bn (previous forecast: JPY6.0bn)

Operating profit: JPY170mn (JPY400mn)

Recurring profit: JPY190mn (JPY400mn)

Net income: JPY90mn (JPY250mn)

In the credit card industry, which is the company's primary area of business, demand has been strong for capex such as system updates and hardware replacement. Software development and hardware sales to key customers is having a positive effect on sales, and the company has revised its sales forecast figure upward from JPY6.0bn to JPY6.5bn.

However, Intelligent Wave stated that sales for security systems and other new businesses are forecast to come in below initial estimates, causing a downward revision of operating profit, recurring profit, and net income.

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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 **April 7, 2014**, ITO EN, Ltd. announced monthly sales data for March 2014.

Monthly Sales (non-consolidated estimates; % change YoY)	FY04/14												
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	Total
Total Sales	7.2%	6.0%	3.8%	0.3%	-3.0%	4.2%	1.2%	4.4%	6.4%	4.3%	11.7%		3.7%
Tea Leaf Beverages	3.9%	5.5%	8.4%	2.8%	3.1%	8.9%	4.7%	5.4%	9.6%	6.9%	16.0%		6.7%
Beverages	7.8%	6.0%	3.6%	0.2%	-3.3%	3.9%	0.7%	4.2%	6.5%	4.0%	11.2%		3.5%
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%	9.0%	13.7%		6.7%
Chinese Tea Beverages	-4.8%	-1.8%	-8.3%	-0.9%	0.1%	-1.6%	-5.6%	-1.9%	-0.7%	-9.5%	14.0%		-2.7%
Vegetable Beverages	6.3%	-1.0%	1.8%	-2.6%	-1.6%	-1.0%	-6.4%	0.2%	-5.9%	-9.6%	9.6%		-0.2%
Fruit Beverages	7.4%	0.0%	6.5%	-7.0%	-23.7%	-7.6%	-6.3%	-1.3%	7.2%	29.8%	9.7%		-0.2%
Coffee Beverages	11.5%	1.7%	17.0%	-1.7%	12.9%	17.5%	22.2%	14.0%	11.2%	7.5%	21.6%		12.2%
Black Tea Beverages	-34.0%	-31.3%	-22.5%	-3.9%	-24.2%	-25.3%	-22.8%	-22.6%	-23.3%	17.5%	-33.1%		-22.4%
Functional Beverages	18.5%	20.5%	11.8%	0.8%	-4.0%	-6.3%	3.1%	10.3%	6.2%	-2.0%	-16.0%		3.7%
Mineral Water	9.5%	25.0%	11.9%	-7.3%	-13.6%	-0.1%	-5.1%	0.2%	6.4%	-11.1%	0.7%		1.4%
Monthly Sales (non-consolidated estimates; % change YoY)	FY04/13												
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	Total
Total Sales	4.1%	-0.7%	3.7%	16.7%	7.3%	10.6%	7.4%	0.9%	6.1%	1.9%	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%
Beverages	5.0%	-0.4%	4.4%	17.9%	7.9%	12.0%	7.7%	0.9%	7.2%	2.4%	6.2%	4.6%	6.7%
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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JIN Co., Ltd. (3046)

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

JIN released monthly sales data for March on **April 4, 2014**, and for April on **May 2, 2014**.

Comparable Stores Sales Growth (YoY)												
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
2008	2.4%	-1.0%	-5.8%	4.0%	-6.6%	-8.8%	0.1%	-8.8%	-10.7%	-7.8%	-5.6%	-7.5%
2009	-20.6%	-11.1%	-1.5%	-13.2%	3.8%	-8.3%	-7.8%	-5.1%	6.0%	2.9%	9.9%	15.9%
2010	33.5%	51.1%	36.1%	40.7%	41.1%	42.5%	35.3%	50.4%	36.1%	29.6%	20.2%	21.2%
2011	9.4%	30.3%	8.4%	15.1%	3.1%	5.7%	1.2%	12.7%	3.3%	5.9%	12.9%	14.7%
2012	31.1%	7.9%	5.9%	3.0%	9.3%	28.1%	33.1%	14.9%	23.2%	70.4%	56.2%	41.7%
2013	54.8%	17.8%	68.3%	69.8%	50.3%	51.9%	41.3%	23.8%	33.7%	6.1%	-3.5%	13.3%
2014	-18.6%	-8.1%	-24.5%	-26.3%	-22.2%	-25.1%	-1.9%	-28.4%				

Source: Company data, SR Inc. Research

On **April 24, 2014**, SR updated comments on the company's Q2 FY08/14 earnings based on interviews with management.

Quarterly Earnings (JPYmn)	FY08/13				FY08/14				FY08/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	7,800	9,861	9,182	9,711	8,169	9,463	-	-	48.2%	36,600
YoY	85.3%	86.9%	63.6%	29.3%	4.7%	-4.0%	-	-		0.1%
GP	5,909	7,479	6,943	7,113	5,918	6,770	-	-		
YoY	83.4%	91.0%	60.1%	28.3%	0.1%	-9.5%	-	-		
GPM	75.8%	75.8%	75.6%	73.3%	72.4%	71.5%	-	-		
SG&A	4,532	4,892	5,868	5,930	5,669	6,047	-	-		
YoY	49.1%	59.8%	55.3%	31.8%	25.1%	23.6%	-	-		
SG&A / Sales	58.1%	49.6%	63.9%	61.1%	69.4%	63.9%	-	-		
OP	1,378	2,587	1,076	1,183	249	723	-	-	38.9%	2,500
YoY	658.7%	203.3%	93.3%	13.4%	-81.9%	-72.0%	-	-		-59.8%
OPM	17.7%	26.2%	11.7%	12.2%	3.1%	7.6%	-	-		6.8%
RP	1,302	2,405	904	1,258	219	702	-	-	36.9%	2,495
YoY	664.1%	193.8%	60.1%	26.0%	-83.2%	-70.8%	-	-		-57.5%
RPM	16.7%	24.4%	9.8%	13.0%	2.7%	7.4%	-	-		6.8%
NI	766	1,388	502	764	70	316	-	-	31.4%	1,230
YoY	-	-294.2%	146.3%	63.7%	-	-77.2%	-	-		-64.0%
NPM	9.8%	14.1%	5.5%	7.9%	0.9%	3.3%	-	-		3.4%

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

Source: Company data, SR Inc. Research

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

Consolidated sales for 1H FY08/14 totaled JPY17.6bn (-0.2% YoY). Comparable store sales in the mainstay eyewear business fell 21.5% YoY (-17.6% in Q1 and -24.5% in Q2), partly due to a fall back from a large increase in sales the previous year (+51.9%).

Regarding the current situation, the company said that extra demand in March ahead of the increase in the consumption tax rate saw comparable store sales in March improve to -1.9% YoY. However, April sales are likely to be around -20% YoY, reflecting the post-tax increase pullback.

On **April 21, 2014**, SR updated comments on the company's Q2 FY08/14 earnings based on the company's results briefing.

View the [full report](#).



Kenedix, Inc. (4321)

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

On **April 28, 2014**, Kenedix Inc. announced the establishment of a healthcare REIT company.

Kenedix has reached an agreement with Haseko Corporation, Mitsubishi UFJ Trust and Banking Corporation, LIXIL Group Corporation, Sompo Japan Insurance Inc. (Sompo Japan), and Shinsei Bank Limited to create a REIT that specializes in investment in senior healthcare and nursing facilities (Healthcare REIT). The companies established Japan Senior Living Partners Co., Ltd. on April 18, 2014 to manage the Healthcare REIT.

Japan Senior Living Partners, incorporated by Shinsei Bank, will receive a total of JPY400mn by the six companies. Kenedix and Haseko will put up 60% and 20% of the capital, respectively. Mitsubishi UFJ Trust and Banking, LIXIL Group, Sompo Japan, and Shinsei Bank will contribute 5% each. Takashi Fujimura, general manager of the Healthcare Finance Division at Shinsei Bank, became representative of the management company.

Japan Senior Living Partners will establish an investment corporation to acquire fee-paying nursing homes, service-outfitted housing for the elderly, hospitals and other assets to be incorporated into the Healthcare REIT. The management company will take the Healthcare REIT public by the latter half of 2014 and expand the amount of assets it manages to approximately JPY100bn at an early stage.

On **the same day**, the company announced the establishment of Senior Living Pre-REIT fund.

The company will establish a pre-REIT fund to invest in nursing homes and service-outfitted housing for the elderly.

Overview of the fund

Asset size: Approximately JPY100bn

Investors: Kenedix and institutional investors in Japan and abroad

Investment period: Approximately five years

Investment plan: Investment in existing properties and those that are being developed, and acquisitions of stakes in such properties

Investment target: nursing homes, service-outfitted housing for the elderly, hospitals, "clinic malls," and other properties.

View the [full report](#).



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 March on **April 1, 2014** and for April on **May 1, 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%
FY02/15	-4.5%	-6.7%										

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%
FY02/15	-3.3%	-5.8%										

Source: Company data processed by SR Inc.

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

On **April 30, 2014**, SR updated comments on the company's FY02/14 full-year earnings based on interviews with management.

Quarterly Performance (JPYmn)	FY02/13				FY02/14				FY02/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	9,730	8,733	9,901	10,294	9,383	8,438	8,878	10,050	100.3%	36,650
YoY	1.6%	-6.7%	-5.8%	-6.4%	-3.6%	-3.4%	-10.3%	-2.4%		
GP	4,777	4,069	4,966	4,733	4,643	3,941	4,242	4,279		
YoY	4.1%	-3.8%	-1.9%	-1.8%	-2.8%	-3.1%	-14.6%	-9.6%		
GPM	49.1%	46.6%	50.2%	46.0%	49.5%	46.7%	47.8%	42.6%		
SG&A	3,964	3,833	4,126	3,907	3,938	3,877	4,110	4,040		
YoY	-5.0%	-3.7%	-3.5%	-7.1%	-0.7%	1.1%	-0.4%	3.4%		
SG&A / Sales	40.7%	43.9%	41.7%	38.0%	42.0%	45.9%	46.3%	40.2%		
OP	812	237	839	827	704	64	132	240	116.3%	980
YoY	95.0%	-4.0%	6.9%	34.3%	-13.3%	-73.0%	-84.3%	-71.0%		
OPM	8.3%	2.7%	8.5%	8.0%	7.5%	0.8%	1.5%	2.4%		
RP	858	268	883	893	747	88	140	276	116.9%	1,070
YoY	105.4%	-3.6%	9.0%	47.4%	-12.9%	-67.2%	-84.1%	-69.1%		
RPM	8.8%	3.1%	8.9%	8.7%	8.0%	1.0%	1.6%	2.7%		
NI	528	148	499	1,295	428	20	32	69	127.7%	430
YoY	-	-8.1%	-38.6%	11.5%	-19.0%	-86.5%	-93.6%	-94.7%		
NPM	5.4%	1.7%	5.0%	12.6%	4.6%	0.2%	0.4%	0.7%		

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

Source: Company data, SR Inc. Research

FY02/14 sales were JPY36.8bn (-4.9% YoY), and comparable store sales were down by 4.8% (the number of customers fell by 3.9%; spending per customer was down by 1.0%). The number of customers was down due to factors such as the particularly strong effects of unfavorable weather conditions, intense competition from both foreign and domestic apparel brands, and decreased demand for medium-priced jeans.

On **April 10, 2014**, the company announced the details of its medium term plan.

Mac-House in April 2014 released a medium-term management plan that covers a period through FY02/17. The plan calls for sales of JPY41.5bn and operating profit of JPY2bn for that year. That would be an increase of 12.9% and 53.9%, respectively, from FY02/14. The company targets a private brand (PB) ratio of 60% for FY02/17 (compared with 50.9% for FY02/14) and gross profit margin of 48.5%



(compared with 46.5% for FY02/14).

The company plans to open 30 stores and close another 30 in FY02/15. For FY02/17, the company will open 30 outlets and close 20. As a result, the number of stores is expected to be about 500 at the end of FY02/17.

The company stated that it would be able to achieve the FY02/17 target if the target for FY02/15 is attained through Navy Store and other operations.

View the [full report](#).

Medinet Co., Ltd. (2370)

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

On **April 1, 2014**, MEDINET Co., Ltd. announced that a partner medical institution will start providing MACS[®]GMP PepTivator[®]WT1 -pulsed dendritic cell vaccines.

KOSHIKAI, a Non-Profit Medical Corporation of the Seta Clinic Group, will offer MACS[®]GMP PepTivator[®]WT1 -pulsed dendritic cell vaccines (WT1PepTivator), an artificial antibody peptide, starting April 1, 2014.

According to the company, WT1 antibody appears in various types of cancer. WT1 peptide (a type of artificially created anti-peptide) is therefore considered a promising treatment. WIT peptide is offered to many cancer patients since it can be used in dendritic cell vaccine therapy as a replacement for a cancer tissue that must be extracted through surgery.

The conventional WT1 peptide is made up of eight to ten amino acids. When used in dendritic cell vaccine therapy, it must be tested whether it matches the patient's human leukocyte antigen (HLA) type.

Germany's Miltenyi Biotech GmbH has developed WT1 PepTivator, which has multiple peptides composed of 15 amino acids encompassing all the protein sequences. WT1 PepTivator can be used in dendritic cell vaccine therapy (WT1 peptide sensitization) without regard to the patient's HLA type. Dendritic cell vaccine therapy with WT1 PepTivator is expected to be more effective than the conventional method because it induces both Cytotoxic T Cells (CTLs or T-killer cells), which directly attack cancer cells, and T helper cells, which help T-killer cells.

Miltenyi Biotech provided this technology to KOSHIKAI, which conducted studies with the help of MEDINET.

View the [full report](#).



mobcast inc. (3664)

Sports game developer and provider for mobile social platforms.

On **April 23, 2014**, mobcast inc. announced the release of LEAGUE 11, the overseas version of its popular Mobasoccer game, and a soccer world tournament to be held in June via the internet, the world's first such undertaking for a social game.

In collaboration with Dutch firm BoosterMedia BV, mobcast released mobile online soccer game Mobasoccer (European title: LEAGUE 11) in the United Kingdom at 5PM on April 22, 2014 (local time). BoosterMedia is entrusted with local operations and promotional activities.

LEAGUE 11 was released first in the United Kingdom, the birthplace of soccer, and plans call for it to be released in additional markets in the near future. Through local carriers, media companies, and game portal sites, LEAGUE 11 will be released in 25 countries, including France, Germany, Italy, and Spain. Additionally, for these new territories, the "mobcast Global Cup" will be held in June, the world's first global soccer tournament for a social game.

About BoosterMedia BV

Headquartered in Amsterdam, BoosterMedia also has offices in Tokyo, Singapore, and Sao Paolo. It is one of the global market leaders in HTML5 mobile game distribution. With an international development studio of over 50 developers specializing in HTML5, BoosterMedia's list of games spans over 400 titles.

Name: BoosterMedia BV
Headquarters: Amsterdam, the Netherlands
Established: 2009
Representative: Laurens Rutten
Website: <http://www.boostermedia.com>

View the [full report](#).



NAIGAI TRANS LINE LTD. (9384)

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

On **April 30, 2014**, Naigai Trans Line Ltd. (NTL) announced Q1 FY12/14 results and new medium-term management plan.

Quarterly Performance (million yen)	FY12/13				FY12/13				FY12/13	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	3,465	4,034	4,494	4,803	4,604				51.2%	9,000
YoY	16.2%	15.1%	33.1%	35.5%	32.8%					20.0%
GP	1,014	1,215	1,270	1,344	1,242					
YoY	6.4%	11.5%	26.2%	26.0%	22.5%					
GPM	29.3%	30.1%	28.3%	28.0%	27.0%					
SG&A	837	921	960	961	1,006					
YoY	14.2%	11.5%	17.9%	15.4%	20.2%					
SG&A / Sales	24.1%	22.8%	21.4%	20.0%	21.8%					
OP	176	293	311	361	235				39.3%	600
YoY	-19.5%	11.5%	62.4%	162.4%	33.4%					27.6%
OPM	5.1%	7.3%	6.9%	7.5%	5.1%					
RP	201	308	330	364	233				38.9%	600
YoY	-18.7%	13.0%	66.6%	42.3%	15.9%					17.6%
RPM	5.8%	7.6%	7.3%	7.6%	15.7%					
NI	117	191	202	220	125				31.3%	400
YoY	-20.8%	14.8%	86.1%	503.3%	6.9%					29.9%
NPM	3.4%	4.7%	4.5%	4.6%	2.7%					

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

Source: Company data, SR Inc. Research

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 **April 2, 2014**, NanoCarrier Co., Ltd. revised earnings forecasts for FY03/14.

FY03/14 full-year consolidated earnings forecasts:

Sales: JPY471mn (Previous forecast: JPY466mn)
 Operating profit: JPY1.1bn loss (Previous forecast: JPY1.2bn loss)
 Recurring profit: JPY1.1bn loss (Previous forecast: JPY1.2bn loss)
 Net income: JPY1.1bn loss (Previous forecast: JPY1.2bn loss)
 EPS: JPY30.67 loss (Previous forecast: JPY 32.75 loss)

Reason for the revision:

Sales may have exceeded forecast after the company received payments from Orient Europharma Co., Ltd. in connection with NC-6004 Nanoplatin® and NC-6300 (pH-responsive Epirubicin Micelle). These payments were licensing fees, milestone revenues based on a joint development agreement, and sales of investigational agents. The company also received payments from Kowa Co., Ltd. in the form of licensing fees and milestone revenues based on a joint development agreement. Revenues also came from ALBION Co., Ltd., which made payments for cosmetics materials and other payments based on a contract between the two companies.

Operating loss may have been narrower than forecast because development expenses were smaller than initially estimated. The company pursued a variety of research and development projects, including clinical trials of NC-6004 and NC-4016 (DACH-Platin Guiding Micelle) in the US and Japan. The company also conducted studies on ADCM (Antibody/Drug-Conjugated Micelles) and siRNA (small interfering RNA), which enhance selective targeting.

The company's non-operating expenses increased after it took a JPY211mn one-time charge for fees associated with the global sale of new shares, overallotment, and third-party share allocations that took place during the fiscal year. However, the company expects JPY224mn gains due to exchange-rate fluctuations and the reassessment of its deposits denominated in foreign currencies. Therefore, recurring loss may have been narrower than forecast.

The company may also post a narrower net loss than forecast due to the narrower recurring loss, despite JPY16mn losses incurred after writing down the value of fixed assets.

On **the same day**, NanoCarrier also released earnings forecasts for FY03/15.

FY03/15 consolidated earnings forecasts:

Sales: JPY330mn (Forecast for FY03/14: JPY471mn)
 Operating profit: JPY2.0 loss (Forecast for FY03/14: JPY1.1bn loss)
 Recurring profit: JPY1.9bn loss (Forecast for FY03/14: JPY1.1bn loss)
 Net income: JPY2.0bn loss (Forecast for FY03/14: JPY1.1bn loss)
 EPS: JPY53.85 loss (Forecast for FY03/14: JPY30.67 loss)

NanoCarrier expects sales from investigational agents and cosmetics materials based on existing agreements, as well as revenue from other contracts, as in the case of FY03/14. The company did not take into account possible sources of revenue that may be created as a result of future business development activities.



As for research and development, the company plans to start Phase I clinical trials in Japan and Phase Ib/II trials in the US for NC-6004 (Nanoplatin[®]) and Phase I trials for NC-4016 (DACH-Platin Guiding Micelle) in the US, using the funds raised through the global share sale that took place in FY03/14, as part of an effort to accelerate product development in Japan, the US, and Asia. Nano Carrier has started feasibility studies on ADC and nucleic-acid drugs, which the company considers promising next-generation products, jointly with other companies in Japan and overseas. The company is seeking to release the results of the studies as soon as possible with a view to forming a business alliance, including a development tie-up. The company plans research and development spending of JPY1.6bn for FY03/15

NanoCarrier is seeking to hire capable employees in an effort to quickly enhance its research and development activities and bolster its organizational strength. The company will expand the function of its research centers to promote the cooperation among research teams within the company and to strengthen management and organizational structures. A plan is under way to relocate the corporate headquarters to Kashiwa City, Chiba Prefecture in June 2014. The new headquarters will combine the development, administrative, and research functions of the current Tokyo office.

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 **May 7, 2014**, Onward Holdings Co Ltd. released April monthly sales data.

Onward Kashiya Monthly Sales													
FY02/15 (YoY)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	FY
Men's	16%	-7%											4%
Women's	9%	-9%											1%
Children's	10%	1%											6%
Kimonos	-17%	-49%											-32%
Other	8%	-7%											1%
Total	10%	-8%											2%
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%	3%	0%
Women's	10%	1%	6%	10%	0%	8%	2%	-5%	0%	5%	7%	0%	3%
Children's	9%	-7%	-3%	4%	2%	9%	2%	-2%	0%	4%	-1%	0%	1%
Kimonos	-11%	-11%	19%	-12%	-23%	-6%	-14%	-23%	-14%	-17%	-15%	-17%	-12%
Other	-1%	-8%	-9%	2%	0%	11%	-1%	-11%	0%	5%	-1%	-3%	-2%
Total	7%	-2%	4%	7%	3%	8%	2%	-5%	0%	5%	5%	1%	2%

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

Source: Company data, SR Inc. Research

On **April 21, 2014**, SR Inc. updated comments on the company's FY02/14 full-year earnings and FY02/15 earnings forecasts based on interviews with management.

(million yen)	FY02/13				FY02/14				FY02/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	67,581	53,305	70,479	67,004	72,174	60,145	73,122	73,632	100.7%	277,000
YoY	10.1%	1.9%	2.5%	11.8%	6.8%	12.8%	3.8%	9.9%		7.2%
GP	33,886	23,863	36,649	30,092	35,561	26,884	36,413	31,101		
YoY	11.4%	3.2%	1.4%	18.3%	4.9%	12.7%	-0.6%	3.4%		
GPM	50.1%	44.8%	52.0%	44.9%	49.3%	44.7%	49.8%	42.2%		
SG&A	27,669	26,923	29,102	29,604	29,170	29,943	29,621	31,803		
YoY	7.5%	2.8%	10.3%	14.5%	5.4%	11.2%	1.8%	7.4%		
SG&A / Sales	40.9%	50.5%	41.3%	44.2%	40.4%	49.8%	40.5%	43.2%		
OP	6,216	-3,059	7,547	488	6,390	-3,059	6,792	-701	73.0%	12,900
YoY	32.9%	-	-22.8%	-	2.8%	-	-10.0%	-		15.3%
OPM	9.2%	-	10.7%	0.7%	8.9%	-	9.3%	-		4.7%
RP	6,029	-2,307	8,038	1,645	7,184	-2,413	7,100	340	82.5%	14,800
YoY	12.2%	-	-17.4%	45.3%	19.2%	-	-11.7%	-79.3%		10.4%
RPM	8.9%	-	11.4%	2.5%	10.0%	-	9.7%	0.5%		5.3%
NI	2,815	-2,293	4,114	-133	3,841	-2,190	4,106	-1,099	93.2%	5,000
YoY	30.4%	-	-3.9%	-	36.4%	-	-0.2%	-		11.0%
NPM	4.2%	-	5.8%	-	5.3%	-	5.6%	-		1.8%

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

Source: Company data, SR Inc. Research

Performance at the company's mainstay business, Onward Kashiya and domestic subsidiaries underperformed full-year targets due to poor weather and because the rush to beat the consumption tax hike fell below the company's expectations. Consolidated operating profit in the overseas segment also underperformed the forecast by 3.5 billion yen, due to sluggish demand in Asia and delayed sales of Jil Sander in Europe.

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 **April 22, 2014**, Panasonic Information Systems Co., Ltd. announced results for FY03/14.

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	11,189	98.2%	37,000
YoY	-5.4%	-9.1%	-3.6%	4.7%	5.9%	-3.0%	-0.2%	9.5%		5.2%
GP	1,509	1,996	1,853	2,016	1,962	1,983	1,420	2,028		
YoY	-6.7%	7.4%	22.5%	-6.0%	30.0%	-0.7%	-23.4%	0.6%		
GPM	19.2%	22.1%	22.9%	19.7%	23.6%	22.7%	17.6%	18.1%		
SG&A	789	693	740	727	702	722	743	762		
YoY	4.1%	-3.9%	1.5%	8.3%	-11.0%	4.2%	0.4%	4.8%		
SG&A / Sales	10.1%	7.7%	9.1%	7.1%	8.4%	8.2%	9.2%	6.8%		
OP	719	1,304	1,112	1,289	1,259	1,261	678	1,266	99.2%	4,500
YoY	-16.4%	14.8%	41.8%	-12.6%	75.1%	-3.3%	-39.0%	-1.8%		1.7%
OPM	9.2%	14.5%	13.7%	12.6%	15.2%	14.4%	8.4%	11.3%		12.2%
RP	725	1,308	1,113	1,265	1,262	1,267	680	1,289	100.0%	4,500
YoY	-17.4%	13.6%	39.6%	-13.8%	74.1%	-3.1%	-38.9%	1.9%		2.0%
RPM	9.2%	14.5%	13.7%	12.4%	15.2%	14.5%	8.4%	11.5%		12.2%
NI	438	796	672	795	789	765	390	741	97.6%	2,750
YoY	-16.4%	19.9%	60.0%	28.4%	80.1%	-3.9%	-42.0%	-6.8%		1.8%
NPM	5.6%	8.8%	8.3%	7.8%	9.5%	8.7%	4.8%	6.6%		7.4%

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

Sales were up owing to increased orders for cloud services to the General Market. Growth in the number of projects for upgrades and installation of IT systems at the Panasonic Group was also a positive contributor. Despite forward investment for future business expansion focused on facilities and presales, as well as quality upgrades to existing systems, both operating profit and recurring profit increased due to advances in rationalization and efficiency. Net income was down due to increased tax expenses.

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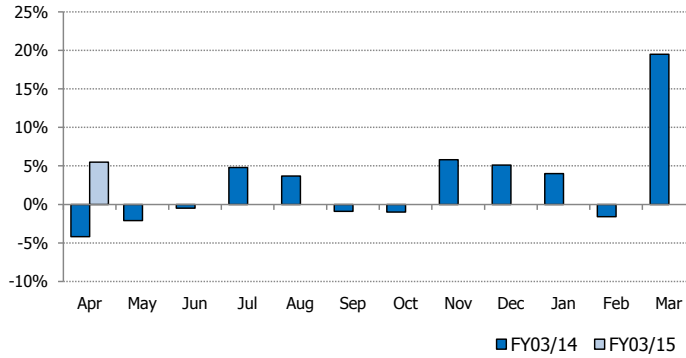


Paris Miki Holdings Inc. (7455)

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 March 2014 On **April 1** and for April on **May 1, 2014**.

Comparable Store Sales



Source: Company data, SR Inc. Research

View the [full report](#).



MONTHLY WRAP – May 2014



Round One Corp. (4680)

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

On **April 10, 2014**, Round One released monthly sales data for March 2014.

Monthly Sales Trends												
PY03/14	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	6,146	8,548
Bowling	2,306	2,420	2,122	1,922	2,713	2,110	1,795	1,727	2,237	2,708	1,965	2,908
Game	2,598	2,763	2,571	2,719	3,502	2,756	2,379	2,380	3,145	3,621	2,580	3,239
Karaoke	630	667	627	639	838	631	538	537	816	824	601	812
SPO-CHA	862	918	738	668	1,278	881	668	684	880	1,205	802	1,355
Other	227	245	231	219	264	231	203	192	204	235	197	231
Total Sales YoY	-2.2%	-7.1%	0.2%	-6.7%	-1.9%	-5.5%	-8.5%	-3.1%	2.9%	0.6%	-4.0%	2.1%
Bowling	-4.9%	-7.3%	-3.9%	-12.3%	-7.2%	-12.1%	-10.9%	-7.2%	-7.7%	-13.2%	-14.5%	-7.5%
Game	-4.7%	-11.4%	0.5%	-2.7%	1.7%	-2.0%	-8.6%	-2.9%	9.9%	9.2%	2.5%	11.1%
Karaoke	3.2%	2.5%	3.2%	-5.2%	1.8%	-8.0%	-9.0%	-2.3%	2.0%	3.2%	0.3%	5.3%
SPO-CHA	10.7%	0.4%	10.2%	-6.7%	-1.4%	3.7%	-0.3%	8.9%	16.9%	15.5%	5.9%	6.0%
Other	-3.5%	-4.7%	-2.4%	-7.5%	-4.2%	-7.5%	-8.2%	-8.2%	-13.2%	-11.9%	-15.3%	-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%	-4.0%	2.1%
Bowling	-8.6%	-8.9%	-5.7%	-14.1%	-8.6%	-14.2%	-13.2%	-9.5%	-9.0%	-13.2%	-14.5%	-7.5%
Game	-10.0%	-13.9%	-2.5%	-5.4%	-0.9%	-4.8%	-11.3%	-5.9%	8.6%	9.2%	2.5%	11.1%
Karaoke	-1.7%	0.4%	1.0%	-7.2%	-0.1%	-10.3%	-11.3%	-4.9%	0.4%	3.2%	0.3%	5.3%
SPO-CHA	-3.9%	0.4%	10.2%	-6.7%	-1.4%	3.7%	-0.3%	8.9%	16.9%	15.5%	5.9%	6.0%
Other	-7.4%	-7.0%	-4.6%	-9.9%	-6.5%	-10.1%	-10.9%	-10.3%	-13.6%	-11.9%	-15.3%	-11.9%
PY03/13	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%	5.4%	6.1%	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%	0.5%	0.3%	0.2%	-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.

On **April 4, 2014**, SR updated the company's business section after interviewing management.

View the [full report](#).



Sanix Incorporated (4651)

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

On **April 25, 2014**, Sanix Incorporated announced that it will take over sales and installation of PV systems from subsidiary Sanix Engineering Inc. via a company split.

The record date for the company split is scheduled to be June 1, 2014. Sanix will take over sales and installation of PV systems that are currently handled by wholly-owned subsidiary Sanix Engineering Inc. via a company split (simplified absorption-type company split).

As part of an organizational restructuring to strengthen the commercial PV business and establish a direct sales and installation framework in the East Japan region, the company had decided to split and assume control of the PV systems business. Through this change, Sanix aims to better equip its organization and further business expansion.

On **April 8, 2014**, the company announced monthly sales data for March 2014.

FY03/14 Consolidated Monthly Sales													Total
	Apr.	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
Total Sales	5,521	5,091	5,141	5,274	5,349	5,316	6,184	6,631	7,025	7,810	8,460	16,534	84,337
YoY	107.9%	68.6%	63.3%	63.8%	92.8%	57.8%	124.8%	134.8%	92.9%	77.8%	58.2%	165.8%	
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	6,109	12,683	49,783
YoY	-	-	-	-	-	-	-	-	633.6%	161.8%	125.7%	403.3%	
Home Sanitation (HS)	3,842	1,091	1,059	1,079	971	917	824	797	723	688	727	942	13,660
YoY	179.0%	-26.1%	-25.4%	-28.2%	-21.2%	-39.9%	-27.4%	-27.7%	-35.6%	-5.7%	-31.1%	-24.6%	
Establishment Sanitation (ES)	398	311	491	408	411	619	431	437	445	328	501	1,270	6,050
YoY	70.1%	31.8%	93.8%	64.6%	88.1%	135.3%	125.8%	57.3%	26.8%	-7.0%	30.6%	32.6%	
Environmental Resources Development	1,281	1,288	1,407	1,183	1,333	1,344	1,309	1,448	1,446	1,232	1,123	1,639	16,033
YoY	22.7%	8.8%	2.7%	-8.2%	13.1%	-0.2%	14.3%	32.7%	0.9%	3.8%	-6.7%	9.7%	

Source: Company data, SR Inc. Research

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

View the [full report](#).



SATO Holdings Corp. (6287)

Provider of comprehensive solutions based on auto-ID technology.

On **April 30, 2014**, SATO Holdings Corp. announced results for Full-year FY03/14.

Quarterly Performance (million yen)	FY03/13				FY03/14				FY03/14	
	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	26,071	100.8%	96,000
YoY	8.3%	8.9%	8.3%	7.9%	6.7%	9.5%	10.3%	16.9%		
GP	8,829	8,904	9,306	9,371	9,655	9,825	10,403	11,297		
YoY	-21.9%	69.0%	6.2%	5.5%	9.4%	10.3%	11.8%	20.6%		
GPM	41.6%	41.5%	41.8%	42.0%	42.7%	41.8%	42.3%	43.3%		
SG&A	7,761	7,581	7,912	7,704	8,362	8,171	8,547	9,341		
YoY	5.3%	3.4%	9.0%	1.4%	7.7%	7.8%	8.0%	21.2%		
SG&A / Sales	36.6%	35.3%	35.5%	34.5%	37.0%	34.8%	34.8%	35.8%		
OP	1,068	1,323	1,394	1,667	1,292	1,655	1,856	1,955	102.4%	6,600
YoY	18.1%	37.8%	-8.0%	31.0%	21.0%	25.1%	33.1%	17.3%		
OPM	5.0%	6.2%	6.3%	7.5%	5.7%	7.0%	7.5%	7.5%		
RP	714	1,105	1,727	1,883	1,425	1,764	1,984	1,911	102.7%	6,900
YoY	-10.5%	124.6%	8.8%	45.6%	99.4%	59.6%	14.9%	1.5%		
RPM	3.4%	5.1%	7.7%	8.4%	6.3%	7.5%	8.1%	7.3%		
NI	224	505	868	1,129	845	1,048	1,393	1,009	104.8%	4,100
YoY	-52.0%	119.6%	198.3%	17.0%	276.6%	107.5%	60.5%	-10.6%		
NPM	1.1%	2.4%	3.9%	5.1%	3.7%	4.5%	5.7%	3.9%		

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

Source: Company data, SR Inc. Research

In Japan, sales were JPY68.4bn (+5.4% YoY) and operating profit was JPY5.1bn (+8.0% YoY). The company aggressively sought to increase sales as the economy began to pick up. Rationalization efforts, which were mostly limited to non-manufacturers, such as logistics companies in the first half of the business year, began to spread to manufacturing companies in the latter half. Demand for mechatronic products, such as printers, as well as for industrial supply products rose. Sales of products related to the consumption tax increase also contributed to the company's earnings.

In the Americas, sales were JPY9.2bn (+25.9% YoY; +4.2% excluding exchange rate effects). Operating profit was JPY432mn (+24.9% YoY). The company continued to increase sales to logistics operators.

Sales of use-by-date management systems for food manufacturers, as well as laser printers for apparel makers also rose. In South America, ACHERNAR S.A. (based in Argentina), which SATO acquired in March 2012, contributed to robust regional sales.

On **April 17, 2014**, SR updated comments on the company's medium term plan following the company's Mid-Term Strategy Briefing.

At the FY03/12 results meeting, the company announced its three-year mid-term plan, which runs through FY03/15, as well as its long-term plan through FY03/21. Under these plans, the overseas business will be the focus for future growth. SATO would like to elevate the overseas sales ratio, which was at 25.6% in FY03/13, to 30% in FY03/15 and more than 40% by FY03/21. The company is planning to leverage synergies with Argox to grow sales in emerging countries. In each of these countries, the company will define strategic targets (markets, industries, and customers) and transfer its expertise in "DCS (Data Collection Systems) & Labeling" that it has nurtured in Japan, aiming to succeed in meeting these targets. More specifically, SATO will focus on the promising seven countries of China, India, Indonesia, Vietnam, Thailand, Brazil, and Argentina. In addition, the company has expectations for generating synergies through cross-selling with Argox.

View the [full report](#).



SMS Co., Ltd. (2175)

SMS provides recruitment services and managing professional community websites.

On **April 25, 2014**, SMS Co., Ltd. announced results for FY03/14 and revised its year-end dividend forecast.

Quarterly Performance (JPYmn)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY Est.	FY Est.
Sales	3,237	2,204	1,962	2,779	3,823	2,598	2,300	3,326	96.6%	12,475
YoY	17.1%	17.2%	23.2%	13.1%	18.1%	17.9%	17.2%	19.7%		22.5%
GP	3,056	2,077	1,824	2,524	3,634	2,417	2,071	2,971		
YoY	12.4%	14.4%	21.6%	13.4%	18.9%	16.4%	13.5%	17.7%		
GPM	94.4%	94.2%	93.0%	90.8%	95.0%	93.1%	90.1%	89.3%		
SG&A	2,019	2,035	1,982	1,875	2,300	2,412	2,318	2,333		
YoY	24.4%	19.7%	14.1%	11.6%	14.0%	18.6%	16.9%	24.4%		
SG&A / Sales	62.4%	92.3%	101.1%	67.5%	60.2%	92.9%	100.8%	70.1%		
OP	1,038	42	-158	648	1,333	5	-246	638	97.2%	1,780
YoY	-5.4%	-63.2%	-	18.8%	28.5%	-88.9%	-	-1.5%		13.3%
OPM	32.1%	1.9%	-	23.3%	34.9%	0.2%	-	19.2%		14.3%
RP	1,141	109	-77	818	1,552	94	-189	883	103.4%	2,263
YoY	-2.4%	-23.6%	-	20.8%	36.0%	-12.9%	-	8.0%		13.7%
RPM	35.2%	4.9%	-	29.4%	40.6%	3.6%	-	26.5%		18.1%
NI	734	64	-55	484	1,022	59	-149	448	100.8%	1,369
YoY	2.7%	-29.5%	-	27.1%	39.2%	-6.7%	-	-7.5%		11.6%
NPM	22.7%	2.9%	-	17.4%	26.7%	2.3%	-	13.5%		11.0%

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

Source: Company data, SR

Nursing Care

In its daily use business within the nursing care segment, where the company offers business portal services (Kaipoke Biz), earnings were healthy, thanks to an increase in membership for nursing care insurance invoicing software.

In the non-daily use nursing care business, where the company offers its Care Personnel Bank recruitment services for care managers, and its PT/OT Personnel Bank for physical therapists, occupational therapists and speech therapists, earnings were robust, as the number of contracts signed per consultant (productivity) rose to a record level.

On the same date, SMS announced that the year-end dividend forecast for FY03/14 to be JPY10, a figure that the company had previously left unannounced.

On **April 24, 2014**, the company announced that it would collaborate with Mitsui Sumitomo Insurance Co., Ltd. (a subsidiary of MS&AD Insurance Group, Inc. [TSE1: 8725]) to offer insurance products to meet the needs of nursing care providers, and commence programs to help such providers reduce and prevent accidents.

The company and its subsidiary, SMS Financial Services Co., Ltd., will become insurance agents of Mitsui Sumitomo Insurance (MSI), and will begin selling a range of insurance products to small and medium-sized nursing care providers that use the Kaipoke Management Support Service offered by SMS. The company will also begin offering accident prevention and reduction programs for such providers.

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Star Mica (3230)

Purchaser and reseller of pre-owned condominiums. Buys pre-owned individual condominium units that are being rented, renovates these apartments when the tenants move out, and sells them for a profit.

On **April 8, 2014**, SR updated Star Mica's earnings results for Q1 FY11/14 based on an interview with management.

Quarterly Performance (JPYmn)	FY11/13				FY11/14				FY11/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY Est.	1H Est.
Sales	2,602	3,565	4,006	3,371	3,118	-	-	-	43.6%	7,159
YoY	-18.0%	5.8%	24.9%	8.4%	19.8%	-	-	-	-	16.1%
GP	671	908	908	753	870	-	-	-	-	-
YoY	-3.7%	18.6%	28.5%	24.9%	29.7%	-	-	-	-	-
GPM	25.8%	25.5%	22.7%	22.3%	27.9%	-	-	-	-	-
SG&A	304	391	310	430	304	-	-	-	-	-
YoY	5.5%	27.9%	7.3%	24.3%	0.0%	-	-	-	-	-
SG&A / Sales	11.7%	11.0%	7.7%	12.8%	9.7%	-	-	-	-	-
OP	367	516	598	323	566	-	-	-	56.9%	996
YoY	-10.1%	12.4%	43.2%	25.8%	54.5%	-	-	-	-	12.8%
OPM	14.1%	14.5%	14.9%	9.6%	18.2%	-	-	-	-	13.9%
RP	230	372	449	179	415	-	-	-	59.9%	693
YoY	-12.5%	15.2%	59.6%	47.4%	80.4%	-	-	-	-	15.1%
RPM	8.9%	10.4%	11.2%	5.3%	13.3%	-	-	-	-	9.7%
NI	136	208	292	109	253	-	-	-	60.7%	417
YoY	-8.7%	21.6%	75.3%	107.9%	86.2%	-	-	-	-	21.2%
NPM	5.2%	5.8%	7.3%	3.2%	8.1%	-	-	-	-	5.8%

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

Source: Company data

As for the company's progress toward its FY11/14 target, Q1 sales were somewhat short of forecast. However, the company stated that profits exceeded the target. The company does not rush to sell properties in part because prices of pre-owned condominiums may rise in the near future. The company now sells properties at high prices. Thus, SR believes that a failure of Q1 sales to meet the target is not a major concern for the company.

One factor that could affect the company's earnings target is the heavy snow that fell in the Kanto area in February 2014. The snow damaged a factory belonging to a major housing equipment manufacturer, delaying product shipments. As a result, the sales of pre-owned apartments in Q2 may also be delayed, according to the company.

View the [full report](#).



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 March on **April 1, 2014**, and for April on **May 1, 2014**,

All Store Sales	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
FY02/12												
Takashimaya (Parent)	-15.6%	-1.9%	-3.5%	0.8%	0.1%	-1.1%	-1.6%	-0.1%	-1.7%	0.9%	-1.8%	0.7%
Domestic Department Stores (18 Stores)	-16.8%	-0.9%	-2.8%	0.6%	0.8%	-1.2%	-1.9%	0.3%	-1.4%	0.3%	-1.8%	-1.0%
Corporate Business	14.7%	-22.0%	-22.3%	3.5%	-19.2%	3.1%	-4.9%	-11.8%	-11.5%	14.4%	-0.9%	16.8%
Cross-Media Business	2.7%	-0.3%	5.3%	6.7%	1.0%	-13.6%	1.8%	1.5%	-6.6%	6.7%	-5.3%	-0.3%
FY02/13												
Takashimaya (Parent)	16.5%	2.8%	-0.2%	-0.9%	-1.9%	0.6%	1.9%	-1.0%	2.4%	-2.7%	-2.2%	-0.3%
Domestic Department Stores (18 Stores)	16.9%	1.9%	-0.7%	-0.5%	-3.0%	-0.6%	1.1%	-1.6%	1.6%	-2.6%	-2.9%	0.3%
Corporate Business	0.1%	23.6%	9.0%	-2.5%	31.5%	20.0%	26.1%	10.3%	21.8%	-7.8%	5.2%	-5.6%
Cross-Media Business	13.4%	-10.3%	-3.8%	-11.7%	-1.4%	22.3%	0.9%	3.6%	7.1%	-0.8%	13.8%	-6.1%
FY02/14												
Takashimaya (Parent)	2.9%	-1.3%	2.5%	8.9%	-3.6%	0.4%	1.9%	-2.6%	2.2%	1.8%	4.1%	3.7%
Domestic Department Stores (18 Stores)	4.9%	-0.5%	1.0%	7.8%	-4.0%	0.3%	2.6%	-2.3%	3.0%	1.8%	4.1%	3.9%
Corporate Business	29.1%	-11.5%	20.7%	38.8%	6.0%	-3.0%	3.7%	-4.2%	-5.9%	11.7%	7.5%	3.0%
Cross-Media Business	-1.8%	4.5%	11.3%	0.6%	3.9%	13.2%	-18.3%	-5.3%	-11.2%	-7.0%	-0.7%	-5.8%
FY02/15												
Takashimaya (Parent)	32.3%	-13.2%										
Domestic Department Stores (18 Stores)	31.7%	-13.6%										
Corporate Business	55.4%											
Cross-Media Business	5.4%											

Source: Company data processed by SR Inc.

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

On **April 22, 2014**, SR updated comments on the company's FY02/14 full-year earnings based on interviews with management.

Quarterly Performance (JPYmn)	FY02/13				FY02/14				FY02/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	207,348	212,482	209,350	241,153	214,007	221,284	212,900	255,989	100.0%	904,000
YoY	6.5%	-1.3%	2.3%	-0.9%	3.2%	4.1%	1.7%	6.2%		3.9%
GP	64,459	64,786	63,734	71,667	66,093	67,004	65,031	74,940		
YoY	6.7%	-1.0%	1.5%	-0.4%	2.5%	3.4%	2.0%	4.6%		
GPM	31.1%	30.5%	30.4%	29.7%	30.9%	30.3%	30.5%	29.3%		
SG&A	58,574	60,547	59,482	60,566	59,999	61,941	59,725	62,304		
YoY	2.9%	1.1%	0.0%	-4.2%	2.4%	2.3%	0.4%	2.9%		
SG&A / Sales	28.2%	28.5%	28.4%	25.1%	28.0%	28.0%	28.1%	24.3%		
OP	5,884	4,240	4,251	11,092	6,094	5,062	5,317	12,626	100.3%	29,000
YoY	68.7%	-24.0%	28.1%	27.3%	3.6%	19.4%	25.1%	13.8%		13.9%
OPM	2.8%	2.0%	2.0%	4.6%	2.8%	2.3%	2.5%	4.9%		3.2%
RP	6,374	5,366	5,445	12,681	7,715	5,777	6,151	13,707	102.6%	32,500
YoY	47.0%	-16.8%	36.5%	32.4%	21.0%	7.7%	13.0%	8.1%		8.8%
RPM	3.1%	2.5%	2.6%	5.3%	3.6%	2.6%	2.9%	5.4%		3.6%
NI	3,860	2,744	2,501	7,435	4,016	3,598	2,995	8,107	106.9%	17,500
YoY	125.6%	-25.1%	71.3%	83.2%	4.0%	31.1%	19.8%	9.0%		5.8%
NPM	1.9%	1.3%	1.2%	3.1%	1.9%	1.6%	1.4%	3.2%		1.9%

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

Source: Company data

Sales of lifestyle goods such as furniture and high-end items such as select apparel/accessories and jewelry were robust, thanks partly to a rise in personal assets caused by a buoyant stock market (wealth effect). The company worked to attract customers through fall and spring promotions across its store network and television advertising in December 2013.

View the [full report](#).



Takihyo Co., Ltd. (9982)

Textiles and apparel trading house with over 260 years of history.

On **April 9, 2014**, SR updated comments on Takihyo's FY02/14 earnings results after interviewing management.

Quarterly Performance (million yen)	FY02/13				FY02/14				FY02/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	18,796	16,392	21,752	17,607	19,635	17,666	23,701	18,368	99.2%	80,000
YoY	15.4%	6.2%	6.2%	2.9%	4.5%	7.8%	9.0%	4.3%		
GP	4,698	3,652	5,041	3,397	4,111	3,519	4,914	3,464		
YoY	31.8%	17.4%	3.7%	-2.6%	-12.5%	-3.6%	-2.5%	2.0%		
GPM	25.0%	22.3%	23.2%	19.3%	20.9%	19.9%	20.7%	18.9%		
SG&A	3,650	3,317	3,515	3,573	3,736	3,408	3,550	3,399		
YoY	13.2%	6.4%	8.0%	7.3%	2.4%	2.7%	1.0%	-4.9%		
SG&A / Sales	19.4%	20.2%	16.2%	20.3%	19.0%	19.3%	15.0%	18.5%		
OP	1,045	342	1,505	-148	373	115	1,347	86	109.8%	1,750
YoY	203.9%	-	-5.2%	-	-64.3%	-66.4%	-10.5%	-		
OPM	5.6%	2.1%	6.9%	-	1.9%	0.7%	5.7%	0.5%		
RP	1,070	351	1,519	-65	453	105	1,367	85	105.8%	1,900
YoY	192.0%	-	-4.3%	-	-57.7%	-	-10.0%	-		
RPM	5.7%	2.1%	7.0%	-	2.3%	0.6%	5.8%	0.5%		
NI	589	158	907	-210	271	79	854	-52	96.0%	1,200
YoY	-	-	-3.1%	-	-54.0%	-50.0%	-5.8%	-		
NPM	3.1%	1.0%	4.2%	-	1.4%	0.4%	3.6%	-		

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

Cumulative sales to the Shimamura group increased to JPY21.1bn (+16.5% YoY), accounting for 29.1% of total sales (26.6% the previous year). Sales to major apparel retailers also increased thanks to an upturn in consumer attitudes—sales to Onward Kashiwama were JPY2.9bn (+7.6%), and sales to Itokin were JPY1.3bn (+23.1%). Sales to mail-order companies were also robust. In particular, sales to Belluna were up 26.4%, to JPY3.5bn, and sales to Cecile were up 7.6%, to JPY1.3bn. However, sales to Aeon (including the Topvalu private-brand range) fell to JPY6.5bn (-5.1%).

Sales of womenswear—particularly bottoms—increased by 3.5% to major specialist retailers and mail-order companies. Sales of loungewear and nightwear increased 10.6%. Textile sales were up 5.8%, driven by healthy sales of fabrics to well-known European and American brands.

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MONTHLY WRAP – May 2014



Verite Co., Ltd. (9904)

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

Verite announced monthly sales data for March on **April 7, 2014** and for April on **May 8, 2014**.

Monthly Sales (YoY)														
FY03/15	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	1H	FY
All Stores														
Sales	-27.6%													
Customer Count	-38.7%													
Sales Per Customer	18.0%													
Stores	81													
Comparable Stores														
Sales	-21.8%													
Customer Count	-33.6%													
Sales Per Customer	17.7%													
Stores	76													
FY03/14	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	1H	FY
All Stores														
Sales	8.5%	-8.7%	-7.4%	-0.8%	-9.8%	-1.9%	-7.0%	4.2%	2.3%	8.4%	-10.8%	-0.3%	-3.8%	-2.0%
Customer Count	17.4%	2.5%	-9.5%	-7.2%	-14.2%	-11.6%	-9.4%	-8.9%	-12.6%	-14.6%	-30.0%	-19.4%	-4.3%	-10.3%
Sales Per Customer	-7.6%	-11.0%	2.4%	6.9%	5.1%	11.0%	2.6%	14.4%	17.0%	26.9%	27.4%	23.7%	0.5%	9.3%
Stores	87	84	83	83	83	82	82	84	84	82	81	80	82	80
Comparable Stores														
Sales	7.7%	-9.0%	6.7%	0.5%	-4.0%	2.4%	-0.2%	12.2%	11.8%	18.7%	-4.1%	0.7%	0.4%	3.6%
Customer Count	18.6%	1.8%	-1.6%	-0.6%	-8.0%	-4.6%	-0.1%	-3.5%	-3.6%	-7.6%	-23.9%	-12.8%	0.6%	-4.1%
Sales Per Customer	-9.2%	-10.7%	8.5%	1.2%	4.4%	7.3%	-0.1%	16.3%	16.0%	28.4%	26.0%	15.5%	-0.2%	8.0%
Stores	81	78	78	77	77	76	77	78	79	79	76	77	76	77
FY03/13	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	1H	FY
All Stores														
Sales	7.4%	8.6%	-12.1%	-7.3%	4.0%	1.1%	-2.0%	-12.7%	-10.9%	-3.9%	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

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

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 **April 30, 2014**, Yumeshin Holdings announced results for Q2 FY09/14.

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	4,186	-	-	44.3%	18,000
YoY	12.8%	13.0%	11.9%	18.8%	25.8%	33.9%	-	-		63.9%
GP	894	951	754	852	1,004	1,245	-	-		
YoY	20.9%	15.7%	-5.4%	6.3%	12.4%	30.9%	-	-		
GPM	29.7%	30.4%	24.9%	25.2%	26.6%	29.7%	-	-		
SG&A	499	573	539	608	699	678	-	-		
YoY	6.3%	15.2%	9.2%	20.9%	40.1%	18.3%	-	-		
SG&A / Sales	16.6%	18.3%	17.8%	18.0%	18.5%	16.2%	-	-		
OP	394	378	215	243	305	567	-	-		
YoY	46.1%	16.5%	-29.1%	-18.3%	-22.7%	50.1%	-	-		
OPM	13.1%	12.1%	7.1%	7.2%	8.1%	13.6%	-	-		
RP	477	479	268	546	365	1,612	-	-		3,200~4,200
YoY	68.7%	34.7%	-17.7%	65.1%	-23.4%	236.2%	-	-		80.7%~137.1%
RPM	15.9%	15.3%	8.9%	16.2%	9.7%	38.5%	-	-		
NI	311	273	182	622	299	1,119	-	-		2,100~2,600
YoY	75.0%	26.4%	0.7%	279.6%	-3.9%	310.0%	-	-		51.2%~87.2%
NPM	10.3%	8.7%	6.0%	18.4%	7.9%	26.7%	-	-		

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

Source: Company data, SR Inc.

Cumulative sales in the construction technician temporary staffing operations rose 42.9% in Q2 from a year earlier, reaching a record on a half-year basis, due to aggressive hiring. Profitability declined after the company lowered the unit price for the dispatch of newly hired workers in 3Q FY09/13, but has been improving since Q4 FY09/13. In fact, the price reduction led to an improvement in gross profit margin. Recurring profit increased 106.7% from a year earlier in part because of a gain from the sale of investment securities.

On **April 7, 2014**, the company released monthly sales and hiring data for March 2014.

Monthly Sales FY09/14	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
Sales (Million Yen)	821	890	908	933	983	1,058							5,592
(YoY)	33.6%	43.5%	40.8%	40.4%	42.2%	53.1%							
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	145	158							729
(Difference)	-3	4	-41	36	30	43							69

Source: Company data, SR Inc. Research

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

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