Shared Research Monthly Wrap - July 2014

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MONTHLY WRAP – July 2014

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Monthly musings

Market view from Sendagi

Greetings from Tokyo,

Last month I commented that the market looked bullish and warned you not to **miss the rally**. Well, I sort of missed it myself. The upward movement has indeed continued in the weeks that followed and the market is now up over 8% from what seems to be a firm support level at 1,150 for the Topix (and 14,000 for the Nikkei). However, I found it strangely **hard to have short-term conviction** in this move. It felt tentative and appeared to be driven by the strong US stock market rather than any domestic factors.

The **US rally is continuing** more or less unabated. On the strength of the chart alone, it is hard to see **why anyone would get excited about Japan**—the S&P500 advanced just under 7% over the same period and kept setting new highs with such stability that the daily and weekly charts of the index look like fractal twins.

In Japan's rally, the more **speculative small caps shone**. TSE Mothers index, the most volatile and speculative of the bunch, jumped about 40%. I confess that I was somewhat unprepared for this sprint.

(TSE Mothers Index. Source: Bloomberg)

The representative example of why I felt strange about this rally is CyberAgent, the largest component of the Mothers index at 12%. The stock has been roughly flat since December last year and delivered a very tentative—for a Mothers' component—14% gain from mid-May. This is despite a PE of 22x on FY09/14 estimates. The rule of this rally appears to be—**the less money you make and the less sustainable your cash flows are, the more your shares shall rally**.

The **champion** of this snap rally in Mothers is undoubtedly **Mixi Inc.** (2121). The stock has quadrupled after what has been a failing social media play became yet another **one-trick-pony** online gaming play. Biotechnology companies were waiting in the wings; punters find it easy to put their money in these companies thanks to promises of innumerable riches in the distant future.

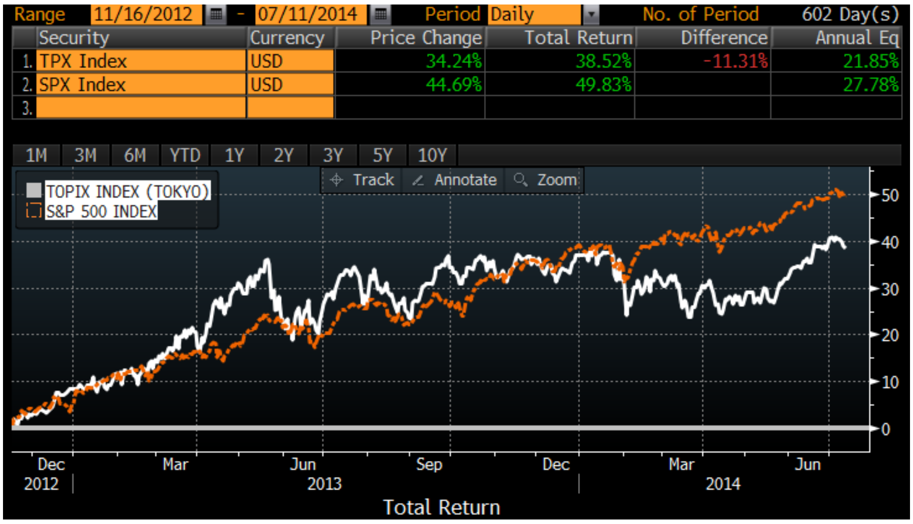
I'm not crying over spilled milk in the case of TSE Mothers. On the contrary, this rally—with rising volumes—may signal that we are getting ready to stage a **breakout from the 1,000 level (for**

Mothers) and…

Who knows what happens next? All I know is that in 2004-2005, market valuations were no less crazy and the reasons to buy no less non-fundamental. So, I won't call this bull market over until the Mothers goes above at least 2,000. Call me a fool if you wish.

(Source: Bloomberg)

The gap with the US market in the same currency—my favorite chart—has barely budged. This suggests that we cannot really call this Japanese uptick an independent rally. The **dog still wags the tail**. Nothing new here.



(Source: Bloomberg)

The strategy **announcement by Abe** in late June **didn't contain much new information**. The cornerstone of the "third arrow" of Abenomics is now firmly the corporate tax cut. This [government document] talks about **tax cuts "down to the twenties** in several years," adding that "the first phase reduction is going to be undertaken in the next fiscal year." Mr. Amari, the minister in charge of everything economy, reiterated the logic last week, saying that the tax cut must be at least 6% over the next five years to deliver on that promise. The most likely scenario now seems to be cuts of 1% or so each year, until the maximum statutory tax rate (in Tokyo) dips under 30%. Whatever the actual level and the implementation schedule are, I doubt the cuts have been fully priced in by the market.

Labor reform fell flat, with only the highest earners (those with salaried incomes of over 10 million yen p.a.) likely to see any material changes (I'll therefore skip the details). This is disappointing and will doubtless be fodder for numerous Abe-skeptics.

Overall there are **many good things** that the government is doing, from easing the visa regime for ASEAN tourists, to moving closer to allowing the use of mixed medical treatment (non-insured medical treatments mixed with insured ones; the existing practice is to void insurance benefits if non-insured treatments are used).

Another article in the list of government initiatives is the drafting of the **Corporate Governance Code**. This brings me back to the discussion of governance reform in Japan that I started last month. As promised, let me first review the newly introduced **Japan's Stewardship Code** and its UK namesake, which heavily influences the Japanese document.

The stewardship code defines the responsibilities of institutional investors in serving the needs of their ultimate asset owners. The Japanese version defines such stewardship responsibilities as those to "enhance the medium- to long-term investment return for their clients and beneficiaries by improving and fostering the investee companies' corporate value and sustainable growth through constructive engagement, or purposeful dialogue." This **echoes the UK Code's** "stewardship aims to promote the long term success of companies in such a way that the ultimate providers of capital also prosper."

Both codes mention "constructive engagement," "purposeful dialogue," and "constructive dialogue." When mentioning dialogue, **the Japanese version** talks about enhancing value and capital efficiency. It goes further by saying in the **footnotes** that "institutional **investors should not fall into formalism**, such as to regard having a dialogue itself as the aim." Given the tendency of the Japanese practices—both generally speaking and in relation to governance issues—to "fall into formalism," it is refreshing to see a specific warning against this danger.

The UK code defines engagement and dialogue more precisely: "Stewardship […] activities may include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration. Engagement is purposeful dialogue with companies on these matters…"

Overall, the definitions are close enough. The Japanese version emphasizes supporting the long-term sustainable growth of investee companies. The UK version speaks of "long-term success." Both codes operate under a **"comply or explain"** principle which states that it is up to investors to decide whether they want to follow the code, but if they choose not to follow it they're required to explain why. In practice, I expect most domestic institutional investors to automatically comply. As long as they don't "fall into formalism," it's a great thing.

Now let's take a look at the core of both stewardship codes—the principles. Japan's code has the same number of principles as its UK counterpart: seven. Let me compare these side by side, with commentary.

Japan's Code	The UK Code	Comment
Institutional investors should…		
…have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it.	…publicly disclose their policy on how they will discharge their stewardship responsibilities.	Identical.
…have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.	…have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.	Identical.
…monitor investee companies so that they can appropriately fulfill their stewardship responsibilities with an orientation towards the sustainable growth of the companies.	…monitor their investee companies.	Here the UK version is succinct; the Japanese one emphasizes "sustainable growth."
…*seek to arrive at an understanding in common* with investee companies and work to solve problems through constructive engagement with investee companies.	…establish *clear guidelines on when and how they will escalate* their stewardship activities.	Japan's code seeks harmony; definitions are open to interpretation. The UK code, in contrast, is more aggressive and specific—"say what you're going to do when companies don't listen!"
…have in-depth knowledge of the investee companies and their business environment and skills and resources needed to appropriately engage with the companies and make proper judgments in fulfilling their stewardship activities.	…be willing to act collectively with other investors where appropriate.	The UK code further says that investors should act collectively to achieve their stewardship goals. Japan eschews activism, instead demands that investors "know" their investees—not totally unreasonable but vague, leaving corporates with the opportunity to claim that they were not properly understood in case of a conflict.
…have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.	…have a clear policy on voting and disclosure of voting activity.	I moved this bit, very similar in both versions. The Japanese one is again longer because it once again emphasizes "sustainable growth."
…report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.	…report periodically on their stewardship and voting activities.	I moved this bit, identical in both versions.

This comparison tells volumes about both the progress and issues of implementing stronger governance in Japan. Japan started with a stewardship code, not a governance code, because institutional investors are more likely to support stronger governance measures in the first place, and because they have a strong regulator capable of demanding compliance (even if voluntary). The corporates, with Keidanren leading them, are likely to oppose the governance code and will probably try their best to remove any possibility of enforcing it.

Japan-based institutional investors now have the right and the tool to demand more from the companies they invest in. The companies can still ignore them, but the investors' voice has gained both volume and legitimacy.

At the same time, the new tool is not very sharp. After all, institutional investors are not encouraged to "escalate" or "act collectively" when they judge investor rights are being violated. Instead, they have to "seek to arrive at an understanding" and "make proper judgments."

Such is Japan. All changes are incremental—which is not to say they are not real. The first important step has been made.

Yours,

Oleg Zuravljov

MONTHLY WRAP – July 2014

TOPIX100 Portfolio

Return Comparison (%)	
TPX100	4.85
Portfolio	4.93
TPX100	**Points**
2014/5/2	781.43
2014/7/11	825.43

Start Date	Current Date
2014/5/2	2014/7/11

Weight Rel. To TPX100	
BIG OW	1.9
OW	1.5
MW	1.0
UW	0.0

Ticker	Name	Weight Rel. To TPX100	Total Return (%)	Wgt (%)
7203 JT Equity	Toyota Motor Corp	OW	6.22	11.0
8306 JT Equity	Mitsubishi UFJ Financial Group Inc	BOW	5.83	8.0
9984 JT Equity	SoftBank Corp	MW	-4.34	3.7
8316 JT Equity	Sumitomo Mitsui Financial Group Ir	BOW	-2.14	5.9
7267 JT Equity	Honda Motor Co Ltd	MW	1.87	3.0
8411 JT Equity	Mizuho Financial Group Inc	BOW	-1.47	4.9
9432 JT Equity	Nippon Telegraph & Telephone Co	OW	13.79	3.1
2914 JT Equity	Japan Tobacco Inc	UW	11.35	0.0
6954 JT Equity	FANUC Corp	UW	-3.43	0.0
7751 JT Equity	Canon Inc	MW	2.61	1.8
4502 JT Equity	Takeda Pharmaceutical Co Ltd	MW	0.47	1.8
6501 JT Equity	Hitachi Ltd	UW	0.13	0.0
9433 JT Equity	KDDI Corp	UW	9.96	0.0
8802 JT Equity	Mitsubishi Estate Co Ltd	MW	1.76	1.6
3382 JT Equity	Seven & I Holdings Co Ltd	MW	7.13	1.6
8801 JT Equity	Mitsui Fudosan Co Ltd	MW	6.86	1.4
8058 JT Equity	Mitsubishi Corp	MW	12.90	1.4
4503 JT Equity	Astellas Pharma Inc	UW	14.23	0.0
9020 JT Equity	East Japan Railway Co	MW	8.75	1.3
9437 JT Equity	NTT DOCOMO Inc	OW	6.57	1.9
8031 JT Equity	Mitsui & Co Ltd	OW	11.21	1.9
6752 JT Equity	Panasonic Corp	MW	8.59	1.2
8604 JT Equity	Nomura Holdings Inc	BOW	6.20	2.4
7201 JT Equity	Nissan Motor Co Ltd	MW	9.84	1.2
5108 JT Equity	Bridgestone Corp	MW	0.89	1.2
6503 JT Equity	Mitsubishi Electric Corp	UW	5.31	0.0
5401 JT Equity	Nippon Steel & Sumitomo Metal Co	MW	12.13	1.2
8766 JT Equity	Tokio Marine Holdings Inc	UW	4.61	0.0
6902 JT Equity	Denso Corp	UW	0.89	0.0
9022 JT Equity	Central Japan Railway Co	UW	16.18	0.0
4063 JT Equity	Shin-Etsu Chemical Co Ltd	MW	1.33	1.1
6301 JT Equity	Komatsu Ltd	MW	2.77	1.1
4452 JT Equity	Kao Corp	UW	8.37	0.0
6758 JT Equity	Sony Corp	MW	-7.00	1.0
7011 JT Equity	Mitsubishi Heavy Industries Ltd	MW	16.55	0.9
8830 JT Equity	Sumitomo Realty & Development (	UW	4.57	0.0
8591 JT Equity	ORIX Corp	BOW	4.21	1.8
6981 JT Equity	Murata Manufacturing Co Ltd	MW	6.81	0.9
7270 JT Equity	Fuji Heavy Industries Ltd	UW	5.86	0.0
8001 JT Equity	ITOCHU Corp	UW	11.16	0.0
6861 JT Equity	Keyence Corp	UW	8.68	0.0
8309 JT Equity	Sumitomo Mitsui Trust Holdings Inc	MW	3.00	0.8
6971 JT Equity	Kyocera Corp	MW	1.50	0.8
6367 JT Equity	Daikin Industries Ltd	MW	11.00	0.8
1605 JT Equity	Inpex Corp	OW	1.53	1.2
6502 JT Equity	Toshiba Corp	MW	16.75	0.8
8601 JT Equity	Daiwa Securities Group Inc	OW	7.75	1.1
8053 JT Equity	Sumitomo Corp	BOW	3.30	1.4
7741 JT Equity	Hoya Corp	MW	9.55	0.7
6273 JT Equity	SMC Corp/Japan	UW	8.51	0.0
6326 JT Equity	Kubota Corp	MW	3.44	0.7
8750 JT Equity	Dai-ichi Life Insurance Co Ltd/The	MW	-4.31	0.7
8725 JT Equity	MS&AD Insurance Group Holdings	OW	-0.93	1.0
7974 JT Equity	Nintendo Co Ltd	BOW	11.71	1.3
2503 JT Equity	Kirin Holdings Co Ltd	UW	7.03	0.0
6594 JT Equity	Nidec Corp	MW	8.65	0.6
9735 JT Equity	Secom Co Ltd	MW	6.03	0.6
6702 JT Equity	Fujitsu Ltd	MW	15.63	0.6
2502 JT Equity	Asahi Group Holdings Ltd	UW	16.31	0.0
9983 JT Equity	Fast Retailing Co Ltd	UW	2.54	0.0
9531 JT Equity	Tokyo Gas Co Ltd	MW	9.50	0.6
4578 JT Equity	Otsuka Holdings Co Ltd	OW	7.02	0.9
4901 JT Equity	FUJIFILM Holdings Corp	OW	10.61	0.9
5020 JT Equity	JX Holdings Inc	MW	-0.37	0.6
8002 JT Equity	Marubeni Corp	OW	5.81	0.8
8630 JT Equity	NKSJ Holdings Inc	OW	-1.79	0.8
5802 JT Equity	Sumitomo Electric Industries Ltd	MW	3.57	0.5
4568 JT Equity	Daiichi Sankyo Co Ltd	UW	9.29	0.0
7269 JT Equity	Suzuki Motor Corp	UW	24.20	0.0
1925 JT Equity	Daiwa House Industry Co Ltd	MW	21.56	0.5
8035 JT Equity	Tokyo Electron Ltd	MW	22.53	0.5
4523 JT Equity	Eisai Co Ltd	MW	6.66	0.5
3402 JT Equity	Toray Industries Inc	MW	1.65	0.5
5411 JT Equity	JFE Holdings Inc	OW	9.34	0.7
8308 JT Equity	Resona Holdings Inc	OW	10.73	0.7
8267 JT Equity	Aeon Co Ltd	BOW	-2.44	0.9
3407 JT Equity	Asahi Kasei Corp	OW	11.21	0.6
1878 JT Equity	Daito Trust Construction Co Ltd	UW	13.36	0.0
9202 JT Equity	ANA Holdings Inc	MW	8.41	0.4
4661 JT Equity	Oriental Land Co Ltd/Japan	UW	18.31	0.0
8795 JT Equity	T&D Holdings Inc	OW	5.50	0.6
9064 JT Equity	Yamato Holdings Co Ltd	MW	-7.77	0.4
5713 JT Equity	Sumitomo Metal Mining Co Ltd	OW	13.43	0.6
6988 JT Equity	Nitto Denko Corp	MW	1.05	0.4
2802 JT Equity	Ajinomoto Co Inc	UW	6.13	0.0
9532 JT Equity	Osaka Gas Co Ltd	UW	12.66	0.0
9502 JT Equity	Chubu Electric Power Co Inc	MW	3.58	0.4
1963 JT Equity	JGC Corp	MW	-9.48	0.4
8113 JT Equity	Unicharm Corp	MW	5.82	0.4
1928 JT Equity	Sekisui House Ltd	UW	9.03	0.0
9021 JT Equity	West Japan Railway Co	OW	10.96	0.5
9503 JT Equity	Kansai Electric Power Co Inc/The	OW	7.95	0.5
7752 JT Equity	Ricoh Co Ltd	BOW	-1.95	0.7
7202 JT Equity	Isuzu Motors Ltd	MW	13.83	0.3
4911 JT Equity	Shiseido Co Ltd	MW	2.70	0.3
8332 JT Equity	Bank of Yokohama Ltd/The	BOW	13.65	0.6
7731 JT Equity	Nikon Corp	BOW	-4.75	0.6
5201 JT Equity	Asahi Glass Co Ltd	BOW	2.56	0.6
7912 JT Equity	Dai Nippon Printing Co Ltd	OW	13.66	0.4
4188 JT Equity	Mitsubishi Chemical Holdings Corp	BOW	6.08	0.5

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

New Coverage

Anicom Holdings, Inc. (8715)

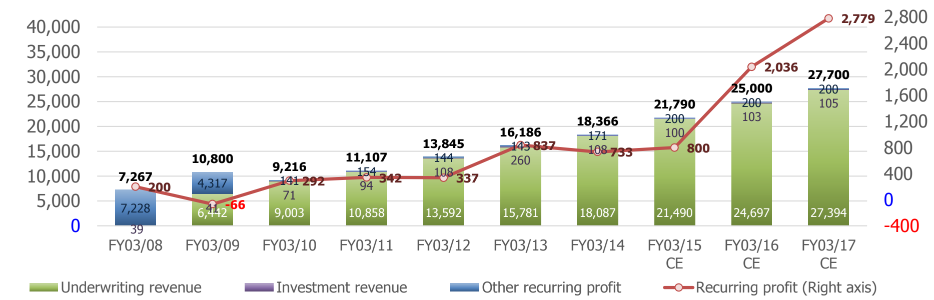
Largest provider of pet insurance in Japan and a pioneer in the business. Around 80% of Japanese veterinary clinics accept Anicom insurance. Over 70% of new contracts acquired through sales at pet shops.

99% of recurring revenue comes from Anicom Insurance Inc.

Three individuals, including Nobuaki Komori, established a mutual aid association for pets in July 2000 and named it anicom. They also set up a separate company in the same month to handle administrative duties for the mutual aid association. This company obtained a nonlife insurance license in 2007 and began operations in July 2008.

Anicom Holdings has under its umbrella Anicom Insurance Inc. (pet insurance), Anicom Pafe Inc. (animal hospital support), Anicom Frontier Inc. (insurance agent), and Japan Animal Specialty Medical Institute Inc. (JASMINE; an animal healthcare research center established in January 2014). Anicom Insuranc comprises 99% of the company's recurring revenue.

Performance (JPYmn)



Source: Company data, SR Research

Pioneer in pet insurance; market grew along with the company's business

Anicom is a pioneer in pet insurance. The company has contributed to an expansion of Japan's pet insurance market through the creation of a mechanism to assist the operation of pet shops and animal hospitals. The number of insurance policies has increased at an average annual rate of 15.9% over the past five years. The company had 505,000 contracts as of the end of FY03/14, and estimates that it controlled more than 60% of Japan's pet insurance market that year.

▪ Pet insurance: changes in net claims paid (JPYmn)

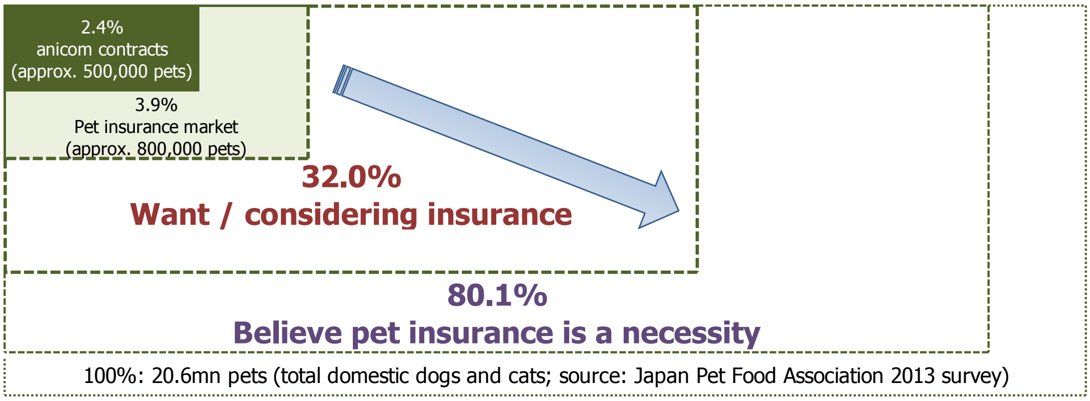
	FY03/05	FY03/06	FY03/07	FY03/08	FY03/09	FY03/10	FY03/11	FY03/12	FY03/13	FY03/14
Total contracts	**128,832**	**191,785**	**246,634**	**297,917**	**241,206**	**290,767**	**340,628**	**396,234**	**446,414**	**504,969**
YoY	-	48.9%	28.6%	20.8%	-19.0%	20.5%	17.1%	16.3%	12.7%	13.1%
New contracts	**-**	**-**	**-**	**-**	**60,189**	**86,904**	**91,666**	**101,014**	**99,504**	**109,170**
YoY	-	-	-	-	-	44.4%	5.5%	10.2%	-1.5%	9.7%
Net claims written	-	-	-	-	6,442	8,981	10,858	13,592	15,781	18,087
anicom mutual aid assoc. revenue	2,546	4,407	5,575	6,980	1,445	-	-	-	-	-
Subtotal	**2,546**	**4,407**	**5,575**	**6,980**	**7,887**	**8,981**	**10,858**	**13,592**	**15,781**	**18,087**
YoY	-	73.1%	26.5%	25.2%	13.0%	13.9%	20.9%	25.2%	16.1%	14.6%

Source: Company data, SR Research

Anicom in pet-related markets

Japan's pet insurance market: JPY28bn in FY2013; Ratio of coverage: 3.5%

Anicom estimates that the size of Japan's pet insurance market is JPY28bn and that the company controlled JPY18bn of the market in FY2013. While this already sounds sizable, the market still has great growth potential. Of the 21mn dogs and cats kept by Japanese households, only 3.9% were insured in FY2013, according to the company. In contrast, 22% of the 15.2mn dogs and cats in the UK were insured in FY2009, according to Datamonitor. Japan's market for pet insurance could expand to JPY160bn if the insurance ratio rises to the UK level.



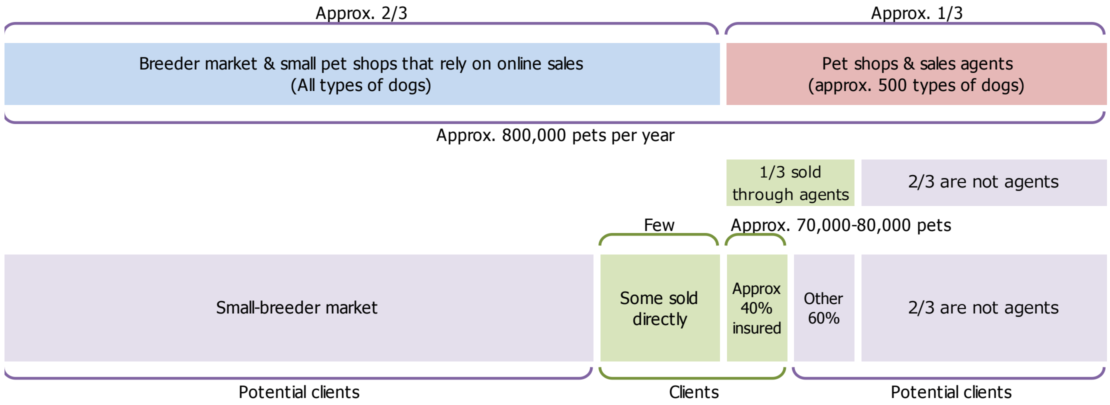
Source: Company estimates based on data from the Japan Pet Food Association and Fuji-Keizai, SR Research

Newborn market (800,000 pets) and family market (20mn pets)

The pet insurance market is classified into the "newborn market" and the "family market," which, according to Anicom estimates, have 800,000 pets and 20mn pets, respectively. The newborn market is for newly born pets, while the family market is for animals that are already part of the owner's family. The newborn market consists of pet shops and breeders. Anicom's strength lies in the family market and the pet shop portion of the newborn market.

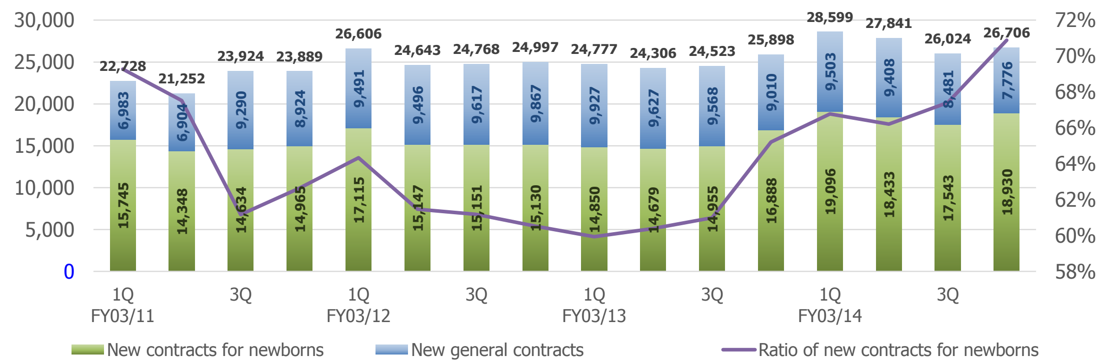
Of the 109,000 new policies sold by the company in FY03/14, 74,000, or 68%, came through pet shops. The remaining 32%, or 35,000 policies, mostly came from the family market.

Overview of newborn-pet market



Source: SR Research based on interview with the company

Composition of newly written policies



Source: Company data, SR Research

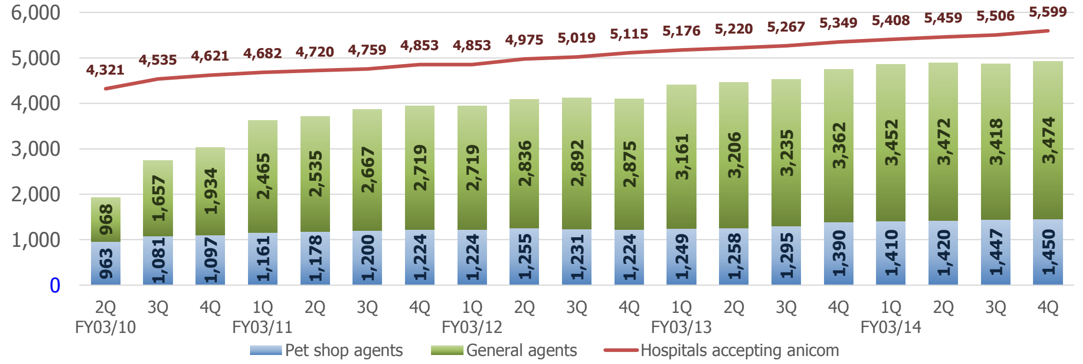
Approximately 80% of animal hospitals accept Anicom's animal health insurance card; the system is becoming an industry standard

There were 9,191 animal hospitals in Japan as of the end of December 2013, according to the Ministry of Agriculture, Forestry and Fisheries. Of those, 6,996 hospitals cater to pets. Anicom's pet insurance pays for treatment provided by any animal hospital in Japan. Furthermore, 5,591 institutions, or about 80% of all animal hospitals, accept insurance cards issued by the company (as of the end of March 2014).

This is how the system works: Anicom issues animal health insurance cards to policyholders, who show their card at hospitals when they bring in their pets for treatment. The pet owners who have insurance cards are only liable for copayments at hospital counters. This system is a key point of differentiation for Anicom's services in relation to its competitors.

The number of hospitals that accept the company's animal health insurance cards has increased by about 200–300 annually over the past five years. In Japan, there is an annual churn rate of around 200 to 300 animal hospitals, as older institutions close to be replaced by a similar number of new institutions. Anicom estimates that most of these new hospitals accept the company's insurance cards. Hospitals benefit from the company's settlement system since it improves the convenience for pet owners. The remaining 1,500 hospitals are also expected to soon start accepting the company's insurance cards.

Anicom's sales agents and hospitals that accept its animal health insurance cards



Source: Company estimates based on data from the Japan Pet Food Association and Fuji-Keizai, SR Research

Anicom's health insurance cards, and the sign displayed by hospitals that accept the card

Source: Company data, SR Research

About 70% of new policies come sourced through pet shops; company curbing online sales, which tend to have a higher risk

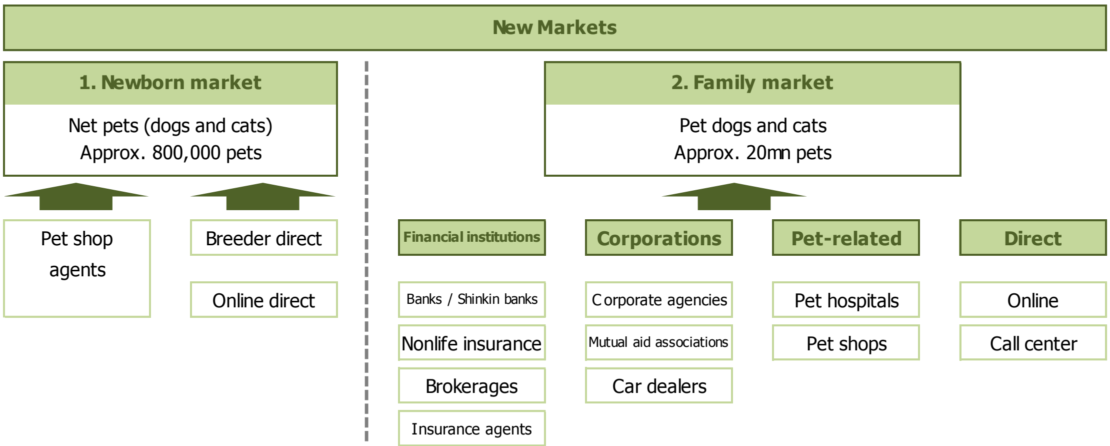
Likely to curb online sales for the next two-three years due to relatively high accident rate

Of the company's sales channels for new policies, pet shops comprise a little less than 70%, sales agents about 20%, and direct sales 10% (as of FY03/14). Direct sales do not require the company to pay agent commissions. However, the accident rate also tends to be higher. The company has been gradually reducing its online insurance sales since the summer of 2013. (The company only offers 50% payout plans and requires a one-month waiting period after application.) Anicom may continue to curb online sales for the next two to three years.

About one-third of pet shops in Japan are Anicom sales agents (according to company estimates)

Anicom estimates that there are about 4,500 pet shops in Japan. According to the government's 2012 Economic Census for Business Activity, there are 3,190 shops that sell pets and related goods. Anicom had agency contracts with 1,450 pet shops, or about a third of all pet shops in the country, at the end of March 2014. The company's other sales agents, such as financial institutions (banks, shinkin banks, nonlife insurance companies, and brokerages) and corporations and others (agencies affiliated with major corporations, mutual aid associations, car dealers), numbered 3,850 as of the end of March 2014.

Pet insurance market and sales channels



Source: Company estimates based on data from the Japan Pet Food Association and Fuji-Keizai, SR Research

View the full report.

Matsui Securities Co., Ltd. (8628)

Innovative online securities brokerage with focus on customer service. Strengths lie in Margin Trading Service for Day-trades and Premium short-selling service. Highest rated customer support in the industry and high system stability.

Industry innovator with a focus on earnings

Matsui has a track record of launching new services ahead of competitors. In 1998, Matsui became the first brokerage in Japan to launch internet stock trading services. In 1999, the company launched the "box rate" service, taking advantage of deregulated commissions. Box rate commissions depend on the total value of trades per day.

Matsui does not heedlessly diversify or engage in commission price wars. SG&A expense ratio is low and operating profit margin is high compared with competitors.

Domestic stock market movements affect earnings; equity brokerage commissions and interest and dividend income comprise about 90% of operating revenues as of March 2014.

Long term strategy hinges on avoiding commission price wars and shifting the focus of competition. The company plans to generate earnings through new services such as Margin Trading Service for Day-trades, launched in January 2013. This service is aimed at high-frequency day traders.

Matsui's share of equity trading value by individuals fell after peaking in FY03/05, as the company avoided commission price wars. From FY03/08 through FY03/13, it was around 8%. After the launch of Margin Trading Service for Day-trades in FY03/14, the company's share of equity trading value by individuals has begun increasing, suggesting success in efforts to capture day traders.

Services and customers

Matsui is a specialist online brokerage. Services include cash, margin, futures, and forex trading.

Brokerage commissions on equity transactions—cash and margin—comprise about 90% of brokerage commission revenue. Shared Research estimates that equity related revenues, including net interest income, account for about 90% of net operating revenues.

According to the company, Matsui's strengths include customer support, the stability of its system, and the development of revolutionary services ahead of competitors, such as box rates and unlimited margin trading.

The Margin Trading Service for Day-trades service does not charge commissions on transactions that last one day or less. The company views this service not as an earnings' driver, but as a long term strategy to redefine the competitive landscape.

Cash transactions

An attractive structure, despite relatively high commissions

Matsui offers box rates for equity trading. Box rate commissions are based on the total value of trades per day. There is no limit to the number of trades.

Box rates

Maximum value of trades per day (JPY)	Commission (pretax) (JPY)
100,000	0
300,000	300/0*
500,000	500
1,000,000	1,000
2,000,000	2,000
Commission increases by JPY1,000 per JPY1,000,000 value of trades	
100,000,000+	100,000 (max.)

Source: Company data

*Commissions are JPY0 for up to JPY300,000 in trades per day for the first six months after a margin trading account is opened.

The company does not participate in commission price wars, but it boosts customer appeal by waiving commissions in some cases. Box rate commissions are zero for customers with trades of JPY100,000 or less per day. According to Matsui surveys, the most frequent reason customers cite for choosing Matsui is low commissions.

However, proportion of trade JPY100,000 or less per day is quite limited, and the effect on brokerage commission rates is minimal. Brokerage commission rates were the highest of five online brokerages in FY03/13, but the introduction of Margin Trading Service for Day-trades during FY03/14 has lowered brokerage commission rates, placing Matsui in second place for FY03/14.

Brokerage commissions for spot trades at five major online brokerages

Brokerage		Brokerage commission	Trading value (JPY)							Average commission rate
		(Per day/Per trade)	100,000	200,000	300,000	500,000	1,000,000	2,000,000	3,000,000	
Matsui Securities		Per day	0	300		500	1,000	2,000	3,000	0.08%
SBI Securities	Standard Plan	Per trade	139	185	272		487	921		0.07%
	Active Plan	Per day	96	191	286	429	762	1,162	1,562	0.08%
Rakuten Securities	One Shot Course	Per trade	139	185	341		609	1,152		0.08%
	One Day Fixed Plan	Per day	429				858	2,000	3,000	0.09%
kabu.com Securities		Per trade	Value traded * 0.09% + JPY90 (max. JPY3,690)							0.12%
Monex Securities	Per Trade Plan	Per trade	100	180	250	450	1,500	3,000	4,500	0.12%
	One Day Fixed Plan	Per day	JPY2,500 per JPY3,000,000 traded							0.08%

Source: Various

Note, the average figure is a simple average of commission rates (commission divided by maximum value traded).

Commission for Monex Securities is JPY2,500 per JPY3,000,000 traded. Therefore, commission is worked out as JPY2,500 divided by JPY3,000,000.

Margin transactions

Matsui offers standardized, unlimited, and day-trading margin transactions.

Standardized and unlimited margin trading

Eligible stocks for standardized margin transactions are specified by stock exchanges.
Margin stocks are available for standardized margin trading. Lending stocks may only be bought on margin. Trades must be settled within six months. Unlimited margin trading allows margin purchasing of any listed stock, but selling of stocks are specified by Matsui. There is no time limit for settling the trades.

The **unlimited margin trading** service was developed by Matsui in 2003 taking advantage of the system for general margin transaction regulatory permitted in December 1998. There are no restrictions on settlement period, interest rate, premium charge and applicable securities.

Relatively high commissions on margin trading, as in cash trading

Competitors tend to set margin trading commissions lower than for cash transactions. Matsui's box rate commissions depend on the total value of trades per day, including both cash and margin transactions.

Brokerage commissions on margin trading at five major online brokerages

Brokerage		Brokerage commission (Per day/Per trade)	Amount traded (JPY) 100,000	200,000	300,000	500,000	1,000,000	2,000,000	3,000,000	Average commission rate
Matsui Securities		Per day	0	300/0		500	1,000	2,000	3,000	0.08%
SBI Securities	Standard Plan	Per trade	143		191		360			0.04%
	Active Plan	Per day	96	239			477	877	1,277	0.06%
Rakuten Securities	One Shot Course	Per trade	250			450				0.05%
	One Day Fixed Plan	Per day	429				858	2,000	3,000	0.09%
kabu.com Securities		Per trade	99	179	249	449	760	940	1,100	0.07%
Monex Securities	Per Trade Plan	Per trade	100	180	250	450	1,500	3,000	4,500	0.12%
	One Day Fixed Plan	Per day	JPY2,500 per JPY3,000,000 traded							0.08%

Source: Various

Note, the average figure is a simple average of commission rates (commission divided by maximum value traded).

Matsui Securities does not charge commissions on margin accounts opened within six months when the total value of trades per day is less than or equal to JPY300,000.

Commission for Monex Securities is JPY2,500 per JPY3,000,000 traded. Therefore, commission rate is worked out as JPY2,500 divided by JPY3,000,000.

High interest rates and stock lending fees

Matsui's annual interest rate for long positions on standardized margin transactions is 3.1%; 1.15% is charged for stock borrowing on sales. The rate is 4.1% on unlimited margin trading for long-position and 2.0% for stock borrowing on sales. The company's rates on standardized and unlimited margin trading are among the highest of five major online brokerages.

Interest and stock lending fees on margin trades at five major online brokerages

Brokerage	Standardized Interest	Standardized Stock lending fee	General Interest	General Stock lending fee	Margin	Margin (min.)	General shares available
Matsui Securities	3.10%	1.15%	4.10%	2.00%	31%	25%	679
SBI Securities	2.80%	1.15%	3.09%	-	33%	20%	-
Rakuten Securities	2.85%	1.10%	3.09%	-	30%	20%	-
kabu.com Securities	2.98%	1.15%	3.60%	1.50%	30%	25%	2,263
Monex Securities	2.80%	1.15%	3.47%	-	30%	25%	-

Source: Various

Note, shares available for general margin trading correct as of October 15, 2013 (source: kabu.com Securities).

Margin Trading Service for Day-trades

Deregulation of margin transactions

On 1 January 2013, the Cabinet amended an ordinance relating to article 161 of the Financial Instruments and Exchange Act covering trading and deposits. It became possible to carry out multiple margin trades per day with the same deposit, thanks to changes to calculation methods for customer margins on margin trading (see Systemic changes section). In response, Matsui launched Margin Trading Service for Day-trades in January 2013.

No commissions; annual interest and stock lending fees at 0% to 2%

There is no commission on trades and offsetting (position closing) trades made on the same day. However, when an offsetting trade is not completed by the close of trading or the appropriate security is not delivered, Matsui may close the position at its discretion. In that case, a 0.3% fee is applicable (minimum JPY20).

The annual interest rate (for long positions) and stock lending fee (for short positions) for each order under JPY3.0mn is 2.0%. There is no interest rate or stock lending fee for trades above JPY3.0mn. After the first day, regardless of the size of the trade, a 2.0% annual interest rate applies.

Stealing day traders from competition

Competitors depend on high-frequency day traders for profits. Matsui aims to lure them away with Margin Trading Service for Day-trades. Shared Research thinks Matsui may make profits from new services if it accumulates many active day trader customers.

Limited short term contribution to earnings

Margin Trading Service for Day-trades' contribution to earnings is minimal. Matsui earns 2.0% annual interest and stock lending fees on trades less than JPY3.0mn per order, commissions for closure on open positions, and commissions on stock delivery. Variable costs include stock exchange fees and clearing expenses, which move with trading value.

Premium short-selling service

In March 2014, Matsui launched a premium short-selling service as a value-added service to Margin Trading Service for Day-trades.

As of the end of May 2014, this service allows users to short-sell 58 stocks unavailable for short-selling by competitors. Shared Research understands these stocks are volatile and in demand by day traders, but delivery of stock lending is difficult. They are not components in any major indices, and specific shareholders often own a large proportion of shares. Positions in Margin Trading Service for Day-trades are only open for one day. Therefore Matsui is able to offer short-selling on these stocks with a relatively small inventory of shares for lending.

The premium short-selling service generates stock lending fees (2% annually on trades less than JPY3.0mn; no charge on trades above JPY3.0mn) and premium short-selling fees. Premium short-selling fees vary daily, capped at 1% of the previous day's closing price per stock. Per the company, they were between 0.1% and 0.2% as of April 2014.

Customer support and system stability

Matsui's customer support is highly rated

Matsui has a comprehensive customer support system, including online and call center support. According to the company, its ratio of call center employees to customers is among the highest of five online brokerages.

In FY02/13, HDI-Japan—a helpdesk industry body—awarded Matsui's customer support the top rating (three stars). Matsui also ranked first in the stock brokerage sector in an August 2013 Nikkei Business magazine survey on customer satisfaction. In October 2013, Matsui ranked first in the stockbroking industry for a third consecutive year in the JCSI (Japan Customer Satisfaction Index) survey.

System stability

According to the company, it experienced a service outage lasting for about half an hour in 1998, shortly after it began operations of its online securities business. Matsui has utilized this experience to strengthen countermeasures against system failures, and conducts frequent system maintenance on days where markets are closed.

The “Number of Online Trading System Failures” report, published by the Japan Securities Dealers Association (JSDA), the number of trading system failures in 2013 was higher than during the previous year. Shared Research postulates that this is the result of increased trading activity from a recovery in equity markets. Even in such conditions, Matsui did not have any material system issues in 2013.

Number of Online Trading System Failures

	Unable to login	Unable to buy/sell	Execution delay	Notification delay
2012	5	30	10	7
2013	15	49	9	8

Source: Japan Securities Dealers Association

*Totals of 14 companies that perform online transactions: Matsui Securities, Monex, kabu.com Securities, Naito Securities, Rakuten Securities, 8 Securities, GMO Click Securities, H.S. Securities, SBI Securities, Mizuho Securities, Marusan Securities, Nomura Securities, Daiwa Securities, and SMBC Nikko Securities

*Number of incidents are those that occur in Japanese stock exchange markets during trading hours of Japanese stock exchanges. Outages caused by factors other than membership systems, such as issues with stock exchange systems or communications infrastructure are not included.

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June 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 **June 25, 2014**, 3-D Matrix Ltd. announced details of an overseas offering of new shares, including the offer price and a change to the number of shares offered.

Changes to the number of shares (initial data in parentheses)

- Total new shares: 1.3mn (1.6mn)
- Total shares after the offering: 21.2mn (21.5mn)
- Approximate funding received (after deductions): JPY5.0bn (JPY6.3bn)
- Dilution: 4.84% (4.77%).

Details of the offering

- Offer price per share: JPY4,162
- Total offer value: JPY5.3bn
- Paid-in amount per share: JPY3,977.5
- Total paid-in amount: JPY5.1bn.

On **June 24, 2014**, the company announced an overseas offering of new shares.

The company intends to use funds raised by this offering to cover costs for R&D (primarily global application and clinical trial costs associated with attaining the CE marking for absorbent localized hemostatic agents), raw materials, and production evaluation.

Assuming that all shares are issued according to initial plans, dilution resulting from the offering is estimated to be 8.0% (19,914,800 shares have been issued as of May 31, 2014).

Funds to be raised from the offering will amount to an estimated JPY6.3bn. Of this, JPY3.0bn is scheduled to be used by FY04/18 for R&D, raw materials, and production evaluation. JPY800mn is earmarked for use to repay debts during FY04/15, and the balance is planned for use in operational costs through FY04/17. Costs to be covered by the balance are detailed below.

R&D for hemostatic agent: JPY2.8bn (August 2014 – April 2018)
R&D for wound-healing agent: JPY200mn (November 2014 – April 2016)
Debt repayment: JPY800mn (FY04/15)

Share offering details
Number of shares to be issued: 1.6mn common shares
Offering method: Overseas offering primarily targeting Europe and Asia
Paid-in amount: To be determined on a date between June 24 and June 26, 2014
Issue price: To be determined based upon demand and the market price on the Tokyo Stock Exchange as of the date which the issue price is set, multiplied by a factor of between 0.90 and 1.00.
Sponsor: Mizuho International Plc to purchase all shares
Payment deadline: July 9, 2014

On **June 20, 2014**, the company announced the approval for a patent regarding myocardial tissue regeneration properties of its self-assembled peptide technology.

According to the company, it was granted a Japanese patent for application of self-assembled peptide technology to myocardial tissue regeneration.

The patent covers both protection and regeneration of cardiac tissue via self-assembled peptide technology. Research has shown that delivering self-assembled peptides to damaged myocardial tissue resulting from an acute myocardial infarction has beneficial effects for cardiac function.

Myocardial tissue has significantly limited reproductive capacity, and the health of tissue that suffers damage from an acute myocardial infarction gradually declines. Regenerative treatments for such necrotic tissue harbor potential, and a significant amount of research is currently devoted to the subject. The self-assembled peptide treatment contained within the patent provides scaffolding to not only protect cardiac tissue, but also aid in regeneration of cells. This is a new approach to treatment for improving cardiac function, and the company anticipates that it will be able to contribute to treating acute myocardial infarctions.

- Invention title: Composition and method for protection and regeneration of cardiac tissue
- JP Patent No.: 5558104
- Patent holder: 3-D Matrix

On **June 17, 2014**, the company announced the establishment of a consolidated subsidiary in Brazil for R&D and arranging business partnerships in South America.

According to the company, the new subsidiary will focus on R&D, marketing and sales as the company develops the medical products business in South America. This segment is centered on the self-assembling peptide technology that the company is developing (pipelines for a locally absorbent hemostatic material and a dental bone reconstruction material).

<u>Overview of the new consolidated subsidiary</u>

- Name: 3-D Matrix Da America Latina Representação Comercial Ltda.
- Business description: medical products in South America, such as hemostatic materials
- Capital: BRL600,000 (approximately JPY27mn)
- Established: June 13, 2014
- Shareholders: 3-D Matrix Ltd. (99% stake)
  3-D Matrix Europe SAS (consolidated subsidiary; 1% stake)
- Personnel overlap: 3-D Matrix, Ltd. Chairman Keiji Nagano and Vice President Jun Okada will serve as directors.

On **June 12, 2014**, the company announced full-year earnings results for FY04/14.

Quarterly Performance	FY04/13				FY04/14				FY04/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Operating Revenue	0	0	0	32	48	1	7	51	101.1%	106
YoY	-	-	-	-95.5%	-	-	-	58.4%		-
R&D Expenses	92	91	90	123	146	136	145	171		
YoY	130.1%	93.8%	101.2%	2.9%	59.7%	50.0%	61.6%	39.1%		
SG&A	134	136	165	201	222	221	232	349		
YoY	-10.6%	30.1%	46.4%	52.3%	65.9%	62.6%	40.7%	73.2%		
OP	-226	-227	-254	-292	-321	-356	-372	-470		-1,464
YoY	-	-	-	-	-	-	-	-		-
OPM	-	-	-	-	-	-	-	-		-
RP	-232	-226	-238	-281	-341	-361	-357	-466		-1,475
YoY	-	-	-	-	-	-	-	-		-
RPM	-	-	-	-	-	-	-	-		-
NI	-232	-226	-239	-281	-341	-361	-357	-467		-1,476
YoY	-	-	-	-	-	-	-	-		-
NPM	-	-	-	-	-	-	-	-		-

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

3DM has begun working toward clinical research in influential facilities in Europe. The company is also working to have TDM-621 placed on lists of recommended products in different countries, and encouraging its increased use in medical institutions. The company is negotiating exclusive sales agreements with sales partners.

In May 2013, subsidiary 3-D Matrix Asia Pte. Ltd. (Singapore) agreed upon an exclusive sales agreement in Indonesia with PT. Tegushindo Lestaritama (Indonesia).

On **the same day**, the company announced revisions to its medium-term management plan.

On **June 5, 2014**, the company announced the approval of a patent for a transfection agent (for introducing nucleic acid [genes] into cells) using peptide technology.

According to the company, it was granted a European patent for the use of surfactant peptide technology as a transfection agent. The application was submitted jointly with Nippon Medical School (an incorporated educational institution).

The patent covers the transfection method and its application in suppressing gene expression in cells, which has been shown to be effective in cancer cells.

The company is collaborating with the National Cancer Center (an incorporated administrative agency) to prepare for investigator-initiated trials, with an eye toward a clinical application for this technology.

The use of cationic transfection agents—such as cationic polymers and cationic liposomes—to introduce genes into cells is well-established in basic research. However, these agents are known to be cytotoxic. Much research focuses on transfection agents with a high transfection rate and low cytotoxicity. Many such candidates for nucleic-acid carriers are being studied, but surfactant peptide technology may be approved for clinical use due to its low cytotoxicity.

On **June 4, 2014**, the company announced the application to register TDM-621, a locally absorbent hemostatic material, as a medical product in Singapore.

According to the company, its subsidiary in Singapore, 3-D Matrix Asia Pte. Ltd. submitted the application on June 3, 2014. Applications for registration as a medical product in Singapore use the CE marking system, which does not require clinical trials. Approval from the Health Sciences Authority in Singapore will make sales of the product possible in the near future.

3-D Matrix is making progress toward sales of this product in Europe. The company is also applying for registration in Indonesia, via 3-D Matrix Asia Pte. Ltd. Henceforth, the company intends to continue preparing for registration, with an eye to launching global sales of TDM-621 wherever the CE marking system is valid.

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Ai Holdings Corp. (3076)

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

On **May 27, 2014**, Ai Holdings Corp. briefed on its label printing operations, a new business announced on May 15, 2014.

Graphtec Corp., a consolidated subsidiary, will enter the industrial label printing business around September 2014 with the introduction of the LCX1000 series, which incorporates an electrographic printing and cutting technologies of Graphtec. According to Ai Holdings, LCX1000 is capable of quickly producing full-color labels that meet customer needs at low costs. In particular, LCX1000 meets the requirements for the production of labels for the globally harmonized system of classification and labeling of chemicals (GHS), which is attracting attention in the US and Europe. LCX1000 is the first full-color label printer for this purpose.

LCX1000 Series

▪ The LCX1000 series consists of LABELROBO DLP1000, a full-color digital label printer that incorporates an electrographic printing method, and LABELRBO DLC1000, a digital label-finishing cutter. The series comes with software for label production.

▪ The label printer, with its horizontal plate, can handle various types of paper. The label finishing cutter takes on the latter stage of label production and deals everything from roll media to sheet media.

▪ The label printer and label-finishing cutter are independent of each other. A single label printer can control up to eight label finishing cutters. Since the processing speed of label printers is fast, the use of multiple label-finishing printers will be useful in making the production more efficient.

▪ There are high-speed industrial printers that cost at least JPY10mn. The LCX1000 series is the first of its kind because it has all the necessary functions for label production and will be sold at only JPY3.8mn.

▪ It would normally take a printing company between three weeks and four weeks to create a pattern to print 500, A6-size labels. Prices for small-lot orders can also be high. However, the LCX1000 series can produce the same labels at one-twentieth the cost. The printing can begin within an hour if there is a matching design available.

▪ Competitors include Primera Technology, Inc., Allen Datagraph Systems, Inc. (ADSI), Afina, and D.P.R. LLC. These companies sell label printers and label-finishing printers separately. LCX1000 is the only product that has both functions.

▪ Ai Holdings plans to introduce a product with a maximum printing size of 6 inches starting in September 2014. In September 2015, the company plans to start selling 8.5-inch equipment. Afterward, the company will also develop machines that can print on a wide variety of materials.

Market, Sales Target

The company’s target clients are distributors and manufacturers. According to the company, the size of the market for labels for the distribution industry is about JPY100bn. The LCX1000 series is primarily marketed as a GHS label printing device for 206,000 facilities of global chemical companies nationwide. However, the company is considering selling the product for regular commercial labels, point-of-purchase labels, and barcode labels.

According to the company’s estimate, 1.7mn label printers were sold worldwide in 2013, of which 1.2mn, or two-thirds, were sold to distributors and manufacturers. At the same time, conventional office printers may also be used as label printers. The company, therefore, expects that there will be demand for label printers as replacements for these conventional printers.

> Globally harmonized system of classification and labeling of chemicals (GHS) refers to a labeling system that classifies chemical products based on the type and degree of their toxicity to ensure their safe use. Many countries are starting to adopt this system, which carries penalties for violation. The penalties differ from country to country.

Graphtec targets annual sales of JPY20bn from this business by FY2018, with cumulative sales of 10,000 units.

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Bell-Park Co., Ltd. (9441)

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

Bell-Park announced monthly sales estimate for May on **June 5, 2014** and for June on **July 4, 2014**.

Monthly Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014													
New	37,521	37,268	84,090	30,311	31,067	30,046							**250,303**
YoY	-15.8%	-4.7%	4.8%	-28.2%	-29.7%	0.4%							
ex-low ARPU handsets	28,160	27,016	57,329	18,514	17,990	16,776							**165,785**
(YoY)	24.8%	35.9%	41.8%	-20.2%	-25.2%	-12.0%							
Replacement	34,016	31,893	48,944	22,325	23,426	22,733							**183,337**
YoY	-8.9%	23.3%	5.7%	-32.4%	-41.9%	-14.2%							
Total	**71,537**	**69,161**	**133,034**	**52,636**	**54,493**	**52,779**							**433,640**
YoY	**-12.6%**	**6.4%**	**5.2%**	**-30.0%**	**-35.5%**	**-6.5%**							
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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Benefit One Inc. (2412)

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

On **June 11, 2014**, Shared Research updated comments on Benefit One Inc.'s full-year earnings results for FY03/14 following interviews with management.

Quarterly Performance (JPYmn)	FY03/13 Q1	Q2	Q3	Q4	FY03/14 Q1	Q2	Q3	Q4	FY03/14 % of FY	FY Est.
Sales	**3,886**	**4,290**	**4,526**	**4,908**	**4,552**	**4,884**	**5,283**	**5,637**	**92.5%**	**22,000**
YoY	-	-	-	19.2%	17.1%	13.8%	16.7%	14.9%		24.9%
GP	1,544	1,345	1,855	1,944	1,768	1,526	2,102	2,142		
GPM	39.7%	31.4%	41.0%	39.6%	38.8%	31.2%	39.8%	38.0%		
SG&A	1,075	934	953	994	1,218	1,050	1,005	1,095		
YoY	-	-	-	21.1%	13.3%	12.4%	5.5%	10.2%		
OP	**469**	**411**	**901**	**950**	**549**	**476**	**1,097**	**1,047**	**102.2%**	**3,100**
YoY	-	-	-	11.6%	17.2%	15.8%	21.8%	10.2%		13.5%
OPM	12.1%	9.6%	19.9%	19.4%	12.1%	9.7%	20.8%	18.6%		14.1%
RP	**470**	**406**	**888**	**950**	**530**	**456**	**1,102**	**1,057**	**102.4%**	**3,070**
YoY	-	-	-	6.5%	12.6%	12.3%	24.1%	11.3%		13.1%
RPM	12.1%	9.5%	19.6%	19.4%	11.6%	9.3%	20.9%	18.8%		14.0%
NI	**281**	**240**	**541**	**561**	**302**	**263**	**692**	**635**	**104.0%**	**1,820**
YoY	-	-	-	7.9%	7.6%	9.6%	27.9%	13.2%		12.1%
NPM	7.2%	5.6%	12.0%	11.4%	6.6%	5.4%	13.1%	11.3%		8.3%

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

In FY03/14, membership was up 210,000, due to ongoing sales activities targeting private and public sector clients, and an expanded range of services. Results underperformed targets, but this was because a large organization delayed the introduction of Benefit One services. According to the company, membership in the mainstay benefit business is once again trending upward.

View the full report.

Chiyoda Co., Ltd. (8185)

Retailer specializing in low-price shoes.

Chiyoda Co., Ltd. announced monthly sales data for May on **June 2, 2014** and for June on **July 1, 2014**.

Comparable Store Sales	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
FY02/10	-8.6%	-3.0%	-1.4%	-6.8%	-5.7%	-7.9%	-2.8%	-1.3%	-13.2%	2.7%	-3.7%	0.7%
FY02/11	-6.6%	-6.1%	-7.5%	-4.4%	-4.6%	-8.5%	-7.4%	2.2%	-5.4%	-3.2%	-0.1%	3.0%
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%	0.3%	-3.0%	-3.7%	-2.2%	-3.4%	-8.5%	17.3%
FY02/15	15.0%	-8.3%	-3.4%	-9.2%								

All Store Sales	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
FY02/10	-6.4%	-0.1%	2.3%	-3.7%	-3.4%	-4.8%	1.2%	2.8%	-10.0%	5.6%	-0.2%	4.6%
FY02/11	-2.5%	-2.8%	-4.4%	-1.3%	-2.0%	-6.1%	-5.9%	3.1%	-5.0%	-3.0%	0.1%	3.7%
FY02/12	-18.6%	1.8%	0.9%	0.3%	3.7%	-0.3%	0.3%	-1.5%	4.8%	1.3%	-1.9%	-0.1%
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%	-6.6%	1.9%	-1.5%	-2.4%	-1.1%	-2.5%	-7.5%	17.9%
FY02/15	16.1%	-8.0%	-3.2%	-9.5%								

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 **June 10, 2014**, Shared Research updated its report on Comsys Holdings Corporation after interviewing management.

Quarterly Performance	FY03/13				FY03/14				FY03/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	57,032	75,171	74,703	109,186	60,293	80,284	77,787	112,977	102.0%	325,000
YoY	*1.1%*	*-39.9%*	*7.4%*	*8.0%*	*5.7%*	*6.8%*	*4.1%*	*3.5%*		2.8%
GP	6,393	9,715	9,759	15,359	8,032	11,273	11,442	15,023		
YoY	*44.5%*	*-15.7%*	*39.9%*	*21.8%*	*25.6%*	*16.0%*	*17.2%*	*-2.2%*		
GPM	11.2%	12.9%	13.1%	14.1%	13.3%	14.0%	14.7%	13.3%		
SG&A	4,759	4,573	4,079	5,268	4,401	4,278	4,312	5,209		
YoY	*-2.4%*	*-51.7%*	*-9.8%*	*16.2%*	*-7.5%*	*-6.5%*	*5.7%*	*-1.1%*		
SG&A / Sales	8.3%	6.1%	5.5%	4.8%	7.3%	5.3%	5.5%	4.6%		
OP	1,634	5,141	5,680	10,092	3,630	6,995	7,131	9,814	114.9%	24,000
YoY	-	*149.7%*	*131.6%*	*24.9%*	*122.2%*	*36.1%*	*25.5%*	*-2.8%*		6.4%
OPM	2.9%	6.8%	7.6%	9.2%	6.0%	8.7%	9.2%	8.7%		7.4%
RP	1,873	5,217	5,684	10,140	3,793	7,179	7,198	9,908	114.6%	24,500
YoY	-	*122.8%*	*120.6%*	*26.0%*	*102.5%*	*37.6%*	*26.6%*	*-2.3%*		6.9%
RPM	3.3%	6.9%	7.6%	9.3%	6.3%	8.9%	9.3%	8.8%		7.5%
NI	1,057	2,761	3,302	6,164	2,386	3,777	4,569	5,657	109.3%	15,000
YoY	-	*244.3%*	*145.5%*	*22.6%*	*125.7%*	*36.8%*	*38.4%*	*-8.2%*		12.9%
NPM	1.9%	3.7%	4.4%	5.6%	4.0%	4.7%	5.9%	5.0%		4.6%

Source: Company data

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

Company forecasts are based on the most recent figures.

The company pressed ahead with its structural reform program—"COMSYS WAY a" ("a" for "advanced")—by growing its top line. This included orders linked to public investment and investment in IT, and participation in next-generation businesses such as solar parks and other renewable energy projects. The company also strived to make construction operations more efficient to keep up with a higher volume of orders. The company worked on a complete overhaul of behind-the-scenes operations and built a new IT platform to manage every aspect of construction orders—from when the orders come in to the construction itself.

Orders totaled JPY328.0bn (-2.3% YoY). Orders were robust in the IT solutions and social-systems related segments. However, they fell from a year before, when the company own a batch of mobile engineering orders. Still, sales increased because of the completion of projects carried over from the previous fiscal year. In particular, Mobile engineering and solar power construction orders were completed on schedule, leading to an increase in sales.

View the full report.

DIC Corporation (4631)

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

On **June 25, 2014**, Shared Research updated comments on DIC Corporation's Q1 FY12/14 earnings results following interviews with management.

Quarterly performance	FY03/13				FY12/13			FY12/14	FY12/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1	% of 1H	1H CE
Sales	176,119	173,721	180,641	173,300	186,503	198,452	320,692	201,564	49.2%	410,000
YoY	-8.0%	-7.3%	-1.1%	0.3%	5.9%	14.2%	-	-		-
GP	36,204	34,950	37,306	34,817	39,535	41,735	66,344	42,041		
GPM	20.6%	20.1%	20.7%	20.1%	21.2%	21.0%	20.7%	20.9%		
SG&A	26,532	25,990	26,113	26,158	29,164	29,325	48,944	32,644		
YoY	-7.3%	-6.9%	-2.3%	3.2%	9.9%	12.8%	-	-		
OP	9,672	8,960	11,193	8,659	10,371	12,410	17,400	9,397	44.7%	21,000
YoY	-6.5%	18.1%	23.3%	8.9%	7.2%	38.5%	-	-		-
OPM	5.5%	5.2%	6.2%	5.0%	5.6%	6.3%	5.4%	4.7%		
RP	8,421	8,120	10,810	7,806	9,710	10,949	16,464	8,410	44.3%	19,000
YoY	-5.6%	22.6%	26.6%	16.3%	15.3%	34.8%	-	-		-
NI	6,176	5,259	6,602	1,027	4,665	6,017	16,089	5,140	51.4%	10,000
YoY	-27.3%	30.4%	96.4%	-54.7%	-24.5%	14.4%	-	-		-
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1	% of FY	FY CE
Sales	176,119	349,840	530,481	703,781	186,503	384,955	705,647	201,564	23.7%	850,000
YoY	-77.4%	82.7%	40.0%	-4.2%	5.9%	10.0%	-	-		-
GP	36,204	71,154	108,460	143,277	39,535	81,270	147,614	42,041		
GPM	20.6%	20.3%	20.4%	20.4%	21.2%	21.1%	20.9%	20.9%		
SG&A	26,532	52,522	78,635	104,793	29,164	58,489	107,433	32,644		
YoY	-78.3%	83.6%	39.1%	-3.5%	9.9%	11.4%	-	-		
OP	9,672	18,632	29,825	38,484	10,371	22,781	40,181	9,397	18.8%	50,000
YoY	-74.0%	80.1%	66.3%	10.1%	7.2%	22.3%	-	-		-
OPM	5.5%	5.3%	5.6%	5.5%	5.6%	5.9%	5.7%	4.7%		5.9%
RP	8,421	16,541	27,351	35,157	9,710	20,659	37,123	8,410	18.3%	46,000
YoY	-73.4%	85.4%	75.9%	14.1%	15.3%	24.9%	-	-		-
NI	6,176	11,435	18,037	19,064	4,665	10,682	26,771	5,140	21.0%	24,500
YoY	-60.8%	34.6%	44.0%	5.0%	-24.5%	-6.6%	-	-		-

Source: Company data

Note: Figures may differ from company materials due to differences in rounding methods. Due to a change in accounting periods, FY12/13 is an irregular period of 9 months in Japan and 12 elsewhere.

Allowing for some extraordinary factors—such as clients adjusting their LC (liquid crystral) inventories—overall demand was strong. Volumes were up in most regions. Materials' costs increased as the yen weakened, but DIC reported favorable results, including over 25% YoY growth in operating profit. Operating profit appears to have outperformed DIC's internal target by about 5%, with sales also outperforming the plan.

On **the same day**, the company announced that allottee Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. had applied for all new shares in a third party share allotment.

The board of directors agreed upon a capital increase by public offering and overallotment on June 2, 2014.

The deadline for the public offering was June 12, 2014. The number of new common shares was 40.0mn (worth JPY9.4bn to the company), making the total number of common shares 959.4mn (+4.3% versus before the public offering).

Mitsubishi UFJ Morgan Stanley applied for the maximum number of shares available to it in the third party share allotment, 6.0mn (worth JPY1.4bn to the company). The company will issue the additional shares on June 27, 2014, bringing the total number of common shares up to 965.4mn (+0.6% versus before the public offering).

Use of funds
DIC expects JPY10.7bn after costs from the public offering and third party allotment. The company will allocate JPY10.0bn to purchasing its own first series unsecured debt (subordinated callable debt with deferrable interest, for qualified institutional investors only) by March 2015. The remainder will be used to repay commercial paper.

Further information
Per the midterm plan, DIC has repaid loans and made existing businesses more profitable. Results have outperformed targets. The company is also establishing new growth areas—an increasingly important part of its strategy. By repaying debt and bolstering its balance sheet with this capital increase, it appears the company intends to build financial firepower for investing in growth, including acquisitions.

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 **June 27, 2014**, Digital Garage Inc. revised its FY06/14 full-year earnings forecast.

Revised FY06/14 full-year earnings forecast (previous forecast in parentheses):
Sales: JPY33.6bn (JPY32.0bn)
Operating profit: JPY2.5bn (JPY1.8bn)
Recurring profit: JPY4.3bn (JPY3.5bn)
Net income: JPY2.8bn (JPY2.1bn)
EPS: JPY58.59 (JPY44.74)

Revision details
The IPO market has been highly active, and profits from investment and growth in venture companies led to significantly higher profits in the incubation business. In addition, performance-based advertising with an ROI focus was robust in affiliate marketing in the marketing business. This led to steady gains in profitability in the web marketing sector.

On **June 11, 2014**, Shared Research updated comments on the company's Q3 FY06/14 earnings results following interviews with management.

Quarterly results	FY06/13				FY06/14				FY06/13	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	5,307	8,539	6,482	7,636	7,273	8,350	8,271		-	-
YoY	55.2%	196.6%	24.6%	124.4%	37.0%	-2.2%	27.6%			
GP	1,050	2,063	1,342	1,977	1,393	2,102	1,725			
YoY	-6.2%	257.1%	-44.4%	318.2%	32.6%	1.9%	28.6%			
GPM	19.8%	24.2%	20.7%	25.9%	19.1%	25.2%	20.9%			
SG&A	1,101	1,539	1,191	1,278	1,306	1,376	1,351			
YoY	61.6%	116.0%	68.6%	48.2%	18.6%	-10.6%	13.5%			
SG&A / Sales	20.7%	18.0%	18.4%	16.7%	18.0%	16.5%	16.3%			
OP	-51	524	151	698	87	726	374		-	-
YoY	-	-	-91.1%	-	-	38.5%	147.4%			
OPM	-	6.1%	2.3%	9.1%	1.2%	8.7%	4.5%			
RP	167	1,000	719	1,192	474	1,214	811		-	-
YoY	-71.9%	1311.1%	-67.2%	-	183.4%	21.3%	12.7%			
RPM	3.2%	11.7%	11.1%	15.6%	6.5%	14.5%	9.8%			
NI	214	700	1,295	507	389	1,037	447		-	-
YoY	-59.9%	799.4%	-25.9%	-	82.3%	48.0%	-65.5%			
NPM	4.0%	8.2%	20.0%	6.6%	5.4%	12.4%	5.4%			
Cumulative	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**% of FY**	**FY Est.**
Sales	5,307	13,846	20,328	27,964	7,273	15,623	23,894		71.1%	33,600
YoY	55.2%	119.9%	76.8%	87.6%	37.0%	12.8%	17.5%			20.2%
GP	1,050	3,113	4,455	6,432	1,393	3,494	5,220			
YoY	-6.2%	83.5%	8.4%	40.3%	32.6%	12.2%	17.2%			
GPM	19.8%	36.5%	68.7%	84.2%	19.1%	41.9%	63.1%			
SG&A	1,101	2,641	3,831	5,110	1,306	2,682	4,033			
YoY	61.6%	89.4%	82.4%	72.5%	18.6%	1.6%	5.3%			
SG&A / Sales	20.7%	30.9%	59.1%	66.9%	18.0%	32.1%	48.8%			
OP	-51	473	624	1,322	87	812	1,187		48.4%	2,450
YoY	-	56.1%	-69.0%	-18.5%	-	71.8%	90.2%			85.3%
OPM	-	5.5%	9.6%	17.3%	1.2%	9.7%	14.3%			7.3%
RP	167	1,167	1,887	3,079	474	1,687	2,498		58.1%	4,300
YoY	-71.9%	75.5%	-34.0%	13.6%	183.4%	44.5%	32.4%			39.7%
RPM	3.2%	13.7%	29.1%	40.3%	6.5%	20.2%	30.2%			12.8%
NI	214	914	2,208	2,716	389	1,426	1,873		68.1%	2,750
YoY	-59.9%	49.6%	-6.4%	28.9%	82.3%	56.1%	-15.2%			1.3%
NPM	4.0%	10.7%	34.1%	35.6%	5.4%	17.1%	22.6%			8.2%

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

The IPO market picked up. In the incubation segment, profits from investment and growth in both domestic and foreign venture firms outperformed targets. In the marketing segment, online advertising sales were robust.

View the full report.

Don Quijote Co., Ltd. (7532)

Innovative and iconoclastic general discount retailer with a nationwide presence.

Don Quijote announced monthly sales figures for May on **June 10, 2014** and for June on **July 10, 2014**.

(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%	1.8%	8.2%	6.2%
# of Stores	200	201	200	203	208	211	212	212	212	215	216	217
Comparable Stores												
Sales	-0.5%	1.8%	-0.6%	0.0%	0.0%	-0.9%	-1.3%	-2.3%	16.7%	-4.5%	0.7%	-0.5%
# of Customers	0.0%	1.1%	-2.5%	-0.4%	-0.1%	-0.5%	-0.5%	-2.4%	5.7%	-2.7%	2.4%	0.9%
Avg. Spend per Customer	-0.5%	0.6%	2.0%	0.4%	0.1%	-0.5%	-0.8%	0.1%	10.4%	-1.8%	-1.6%	-1.4%
# of Comparable Stores	184	185	185	186	187	189	192	191	193	195	195	194
Electric Appliances	0.9%	3.7%	-2.4%	-0.6%	0.5%	-4.1%	-0.4%	-5.0%	14.9%	-11.5%	0.9%	2.1%
Household Goods	5.7%	10.0%	4.1%	8.2%	6.2%	8.0%	5.9%	5.4%	30.2%	1.5%	9.2%	5.9%
Foods	6.6%	9.6%	3.3%	5.1%	6.8%	9.4%	8.6%	9.9%	36.5%	7.2%	21.0%	18.8%
Watches & Fashion Merchandise	5.4%	9.1%	1.8%	4.4%	4.4%	4.2%	3.9%	0.0%	12.9%	-3.2%	0.3%	-1.7%
Sporting & Leisure Goods	8.6%	6.8%	0.4%	4.9%	5.5%	6.9%	7.0%	2.7%	11.2%	1.8%	6.8%	1.4%
Other Products	-13.3%	-12.0%	103.4%	7.9%	-5.7%	8.3%	5.1%	-7.2%	2.9%	91.8%	-12.8%	0.2%

(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.

On **June 27, 2014**, the company announced changes to responsibilities held by its executive management team (effective July 1). Takao Yasuda, who previously served as chairman, president, and CEO, will transfer the duties of president to Koji Ohara, who will act as president and COO. According to the company, the change was made to allow for quick decision making during the course of its expansion, and to more clearly split the roles of executive management and day-to-day operations in an effort to strengthen its operational structure.

View the full report.

Dream Incubator Inc. (4310)

Venture capital and business incubation, and strategy consulting company.

On **June 12, 2014**, Dream Incubator Inc. announced that it has offered the position of special advisor to Shigeo Maruyama, Shigeaki Saegusa, and Yasushi Akimoto.

Through making use of the unique strengths and personal networks of the above three advisors—who are all experts in the field of entertainment—the company is aiming to speed up investment and business producing activities in the mainstay digital media and entertainment sectors. Their terms are scheduled to begin on July 1, 2014.

View the full report.

en–japan Inc. (4849)

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

On **June 25, 2014**, en-japan Inc. announced that Innobase Co., Ltd. (tentative name) would become a wholly-owned subsidiary following a stock swap.

The company resolved to acquire Innobase in return for its own shares after Innobase is spun off from SOOL, Inc. in July 2014.

Founded in 2009, SOOL provides a variety of specialized recruitment services for new graduates. Over 100 companies—mainly venture companies—use the Iroots service, which offers graduate headhunting services for a fixed fee. This business will be inherited by Innobase following the split.

This acquisition is part of en-japan's plans to create a new business providing employment support to graduates after it closes the [en] Job Info for Student website in March 2015. The company also intends to take advantage of synergy with its existing client base, human resources, and expertise, as it grows Innobase further.

The stock swap

The stock swap is scheduled for mid-August 2014, at a ratio of 187.6 Innobase shares for every en-japan share. The company plans to allocate 93,800 shares.

Effect on earnings

According to the company, the acquisition will have little effect on FY03/15 earnings. The Iroot business brought in sales of JPY63mn and operating profit JPY29mn for SOOL between October 2013 and March 2014.

Innobase's track record with clients and database of student members provide the motivation for the acquisition. However, these intangible assets will not be recorded as financial data, and will not be reflected on the balance sheet.

On **June 12, 2014**, Shared Research updated the report following interviews with management.

Quarterly Performance	FY03/13				FY03/14				FY03/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	**3,297**	**3,138**	**3,801**	**3,327**	**3,652**	**3,835**	**4,595**	**4,674**	**102.8%**	**16,300**
YoY	-	-	-	-	10.7%	22.2%	20.9%	40.5%		*20.2%*
GP	2,824	2,687	3,300	2,820	3,219	3,401	4,096	4,118	104.3%	14,221
YoY	-	-	-	-	14.0%	26.5%	24.1%	46.0%		22.3%
GPM	85.7%	85.6%	86.8%	84.8%	88.2%	88.7%	89.1%	88.1%		87.2%
SG&A	2,101	2,129	2,265	2,353	2,506	2,497	2,918	3,470	103.4%	11,021
YoY	-	-	-	-	19.3%	17.3%	28.8%	47.5%		24.6%
SG&A / Sales	63.7%	67.8%	59.6%	70.7%	68.6%	65.1%	63.5%	74.2%		67.6%
OP	**724**	**558**	**1,034**	**467**	**713**	**903**	**1,177**	**648**	**107.5%**	**3,200**
YoY	-	-	-	-	-1.4%	61.8%	13.8%	38.6%		*15.0%*
OPM	21.9%	17.8%	27.2%	14.0%	19.5%	23.6%	25.6%	13.9%		19.6%
RP	**782**	**576**	**1,045**	**437**	**902**	**925**	**1,274**	**647**	**114.3%**	**3,280**
YoY	-	-	-	-	15.3%	60.6%	21.9%	47.9%		*15.5%*
RPM	23.7%	18.4%	27.5%	13.1%	24.7%	24.1%	27.7%	13.8%		20.1%
NI	**468**	**338**	**653**	**86**	**1,771**	**546**	**772**	**-300**	**103.7%**	**2,690**
YoY	-	-	-	-	278.6%	61.4%	18.1%	-448.4%		*74.0%*
NPM	14.2%	10.8%	17.2%	2.6%	48.5%	14.2%	16.8%	-		16.5%

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

In FY03/13, en-japan focused on the following two strategies: (1) improving the performance of incentive fee/success-based payment services to make them a growth driver; and (2) accelerating overseas businesses to form a foundation for global expansion. For FY03/14, the company stated that it would (1) continue to improve the performance of its incentive fee/success-based payment services and (2) expand overseas through M&As, particularly in Asia.

On **June 5, 2014**, the company announced an agreement regarding the acquisition of Indian recruitment consultancy firm New Era India Consultancy Pvt. Ltd. (New Era).

Schedule

The first stage of the acquisition will take place on June 11, 2014, when consolidated subsidiary en-Asia holdings Ltd. acquires 60% of New Era's outstanding shares from Arvind Sehgal, the top shareholder (the acquisition will be split 99.9999% to en-Asia holdings Ltd. and 0.0001% to en-japan). The total acquisition value will be JPY586mn (INR345mn at INR/JPY1.7).

The second stage is scheduled to take place in 2016, when en-Asia holdings Ltd. aims to acquire the remaining 40% of outstanding shares in New Era from shareholders, thus making New Era a wholly owned subsidiary.

Aim

Overseas expansion is a key part of en-japan's strategy. The company has a presence in eight countries in the Asia Pacific region. This acquisition marks the company's entry into India—the second most populous country in the world with the youngest average age in Asia at just 27, where 67.6% of the population are expected to be of working age by 2025. En-japan views opportunities for growth in recruitment services in India.

The strength of the new subsidiary, New Era, lies in IT related recruitment. The company counts many international firms among its clients. New Era specializes in recruitment for managerial positions, and has built a strong reputation in India. Headquartered in New Delhi, New Era has offices in major cities across the country, and plans to continue opening offices in the future.

With this capital alliance, en-japan is targeting further growth at New Era. The company hopes there will be synergies with the en-japan group's client base and expertise. The company particularly aims to expand New Era's business with Japanese companies.

New Era: key financial data

(JPYmn)	FY03/11	FY03/12	FY03/13	FY03/14 Est.
Sales	260	254	267	300
OP	90	67	51	70
OPM	34.6%	26.4%	19.1%	23.3%
Net Income	73	46	34	27
Net Assets	140	176	197	187
Total Assets	172	196	205	198

Source: Company data
Forex: INR/JPY1.7

View the full report.

Emergency Assistance Japan Co., Ltd. (6063)

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

On **June 23, 2014**, Emergency Assistance Japan (EAJ) announced that it had concluded a memorandum of understanding for a comprehensive business partnership with Assist Card International S.A. (ACI; headquartered in Geneva, Switzerland)

<u>Purpose</u>

Through global cooperation, EAJ and ACI will aim to expand the business reach of both companies via resource sharing for joint development and sales of new products. ACI views expansion in Asia as a key strategic initiative, and EAJ is aiming to bolster its assistance service offerings in Central and South America. The companies reached agreement after determining that there would be mutual benefit in light of these expansion strategies. EAJ believes that there is significant potential for expansion in the Central and South American regions.

The company currently operates a medical assistance service in Brazil through use of business resources provided by ACI. Within Japan, operations are also underway that utilize the company's medical assistance services to provide support to ACI clients.

<u>About Assist Card International</u>

Assistance company established in 1972. Provides a medical and travel assistance business in 116 countries worldwide. Particularly active in providing assistance services in Central and South America, with an emphasis on quality and stability. Notable initiatives include a 24 hour / 365 day Japanese language assistance centers in São Paulo, Brazil, and Lima, Peru, to suit the unique needs of Japanese clients.

On **June 10, 2014**, Shared Research updated the report after interviews with management.

Quarterly Performance	FY12/13				FY12/14		FY12/14		FY12/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	**548**	**447**	**473**	**515**	**627**	**-**	**54.5%~59.1%**	**1,060~1,150**	**25.5%~28.2%**	**2,220~2,460**
YoY	-1.0%	2.7%	5.7%	12.9%	14.3%	-		6.5%~15.5%		11.9%~24.0%
GP	114	88	106	127	105	-				
YoY	-17.6%	-18.6%	-13.0%	-7.8%	-7.6%	-				
GPM	20.7%	19.8%	22.4%	24.6%	16.8%	-				
SG&A	93	96	106	104	109	-				
YoY	10.0%	-6.0%	13.3%	33.3%	17.6%	-				
SG&A / Sales	16.9%	21.5%	22.3%	20.3%	17.4%	-				
OP	**21**	**-8**	**0**	**22**	**-4**	**-**	**-**	**-67~-5**	**-**	**15~110**
YoY	-61.1%	-	-98.7%	-62.4%	-	-				
OPM	3.8%	-1.7%	0.1%	4.3%	-0.6%	-				
RP	**18**	**-13**	**-1**	**21**	**-6**	**-**	**-**	**-72~-10**	**-**	**8~103**
YoY	-65.8%	-	-	-65.3%	-	-				
RPM	3.3%	-2.9%	-0.3%	4.2%	-1.0%	-				
NI	**12**	**-9**	**1**	**11**	**-5**	**-**	**-**	**-77~-12**	**-**	**0~50**
YoY	-63.6%	-	-93.7%	-67.9%	-	-				
NPM	2.1%	-2.1%	0.2%	2.2%	-0.8%	-				

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

As a goal for FY12/14, EAJ is aiming to complete its initiative for establishing a foundation for efficient long-term business expansion. To achieve this end, the company aggressively pursued measures such as hiring and training of employees with global abilities, constructing a network with medical institutions, and investing in new telephone systems at assistance centers.

View the full report.

Ferrotec Corp. (6890)

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

On **June 3, 2014**, Shared Research updated comments on Ferrotec Corp.'s FY03/14 earnings results following interviews with management.

Quarterly Performance	FY03/13				FY03/14				FY03/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	9,503	10,545	9,102	9,274	9,538	10,691	11,356	13,160	106.5%	42,000
YoY	-49.5%	-37.7%	-35.2%	-10.1%	0.4%	1.4%	24.8%	41.9%		9.3%
GP	2,023	1,612	1,776	1,566	2,322	2,718	2,585	3,195	110.2%	9,817
YoY	-64.2%	-63.4%	-54.9%	-38.4%	14.8%	68.6%	45.6%	104.1%		40.7%
GPM	21.3%	15.3%	19.5%	16.9%	24.3%	25.4%	22.8%	24.3%		23.4%
SG&A	2,494	3,295	2,269	2,527	2,380	2,501	2,496	2,645	113.7%	8,816
YoY	-23.6%	2.3%	-23.2%	-14.7%	-4.5%	-24.1%	10.0%	4.7%		-16.7%
SG&A / Sales	26.2%	31.2%	24.9%	27.2%	25.0%	23.4%	22.0%	20.1%		21.0%
OP	-471	-1,683	-493	-961	-58	217	89	550	79.8%	1,000
YoY	-	-	-	-	-	-	-	-		-127.7%
OPM	-	-	-	-	-	2.0%	0.8%	4.2%		*2.4%*
RP	-554	-2,157	-448	-306	480	50	-83	815	148.5%	850
YoY	-	-	-	-	-	-	-	-		-124.5%
RPM	-	-	-	-	5.0%	0.5%	-	6.2%		*2.0%*
NI	-664	-5,493	-1,513	1,137	418	276	-134	831	139.2%	1,000
YoY	-	-	-	-	-	-	-	-26.9%		-115.3%
NPM	-	-	-	12.3%	4.4%	2.6%	-	6.3%		2.4%

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

In 1H, Ferrotec faced strong pressure to maintain operations and lower prices, particularly in the equipment-related segment. However, earnings quickly recovered following an increase in short-term orders going into Q4. The company posted strong full-year results, with robust sales to auto manufacturers in the electronic device segment.

Ferrotec lowered the CoGS-to-sales ratio by drastically restructuring segments with a high CoGS-to-sales ratio. The company also curbed SG&A expenses by cutting fixed costs. As a result, the company moved into the black.

View the full report.

FreeBit Co., Ltd. (3843)

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

On **June 13, 2014**, Freebit Co., Ltd. announced results for full-year FY04/14.

Quarterly Performance	FY04/13				FY04/14				FY04/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	5,274	5,153	5,030	5,203	5,252	5,143	4,987	5,283	103.3%	20,000
YoY	5.5%	0.9%	-6.2%	-6.0%	-0.4%	-0.2%	-0.9%	1.5%		-3.2%
GP	1,781	1,884	1,840	2,001	1,950	1,982	2,012	2,054		
YoY	6.4%	19.2%	7.5%	2.7%	9.5%	5.2%	9.3%	2.7%		
GPM	33.8%	36.6%	36.6%	38.5%	37.1%	38.5%	40.3%	38.9%		
SG&A	1,628	1,670	1,632	1,640	1,643	1,673	1,720	1,642		
YoY	6.5%	13.1%	9.3%	3.3%	0.9%	0.2%	5.4%	0.1%		
SG&A / Sales	30.9%	32.4%	32.4%	31.5%	31.3%	32.5%	34.5%	31.1%		
Operating Profit	152	214	208	361	306	309	293	413	110.1%	1,200
YoY	4.7%	107.8%	-5.0%	-0.6%	100.7%	44.4%	40.9%	14.3%		28.2%
OPM	2.9%	4.2%	4.1%	6.9%	5.8%	6.0%	5.9%	7.8%		6.0%
Recurring Profit	113	133	45	189	276	260	300	384	122.0%	1,000
YoY	-40.5%	-15.3%	-80.3%	-47.9%	144.1%	95.5%	566.7%	103.2%		108.1%
RPM	2.1%	2.6%	0.9%	3.6%	5.3%	5.1%	6.0%	7.3%		5.0%
Net Income	-33	-125	-40	12	-64	114	117	69	235.8%	100
YoY	-	-	-	-94.3%	-	-	-	451.6%		-
NPM	-	-	-	0.2%	-	2.2%	2.3%	1.3%		0.5%

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

Sales reversed a recent trend of declines, and profits were significantly higher YoY. This was due to factors such as growth in the mobile business, which is an area of focus for the company, and expansion of advertising technology services, which makes use of group synergies.

View the full report.

Gamecard-Joyco Holdings, Inc. (6249)

Dominant pachinko machine prepaid-card system provider.

On **June 5, 2014**, Shared Research updated the report following interviews with management.

Quarterly Performance	FY03/13				FY03/14				FY03/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	10,101	10,002	11,034	8,408	8,684	8,645	9,861	7,002	104.9%	32,600
YoY	*4.1%*	*-6.5%*	*-13.5%*	*-19.3%*	*-14.0%*	*-13.6%*	*-10.6%*	*-16.7%*		*-17.6%*
GP	3,321	3,058	3,225	2,280	2,813	2,836	2,905	2,426		
YoY	*6.0%*	*-6.0%*	*-6.1%*	*-30.4%*	*-15.3%*	*-7.3%*	*-9.9%*	*6.4%*		
GPM	32.9%	30.6%	29.2%	27.1%	32.4%	32.8%	29.5%	34.6%		
SG&A	2,074	2,190	2,232	2,720	1,834	2,076	2,272	3,034		
YoY	*11.3%*	*9.1%*	*8.8%*	*0.4%*	*-11.6%*	*-5.2%*	*1.8%*	*11.5%*		
SG&A / Sales	20.5%	21.9%	20.2%	32.4%	21.1%	24.0%	23.0%	43.3%		
OP	1,247	868	993	-440	979	760	633	-608	410.2%	430
YoY	*-1.7%*	*-30.2%*	*-28.2%*	-	*-21.5%*	*-12.4%*	*-36.3%*	-		*-83.9%*
OPM	12.3%	8.7%	9.0%	-	11.3%	8.8%	6.4%	-		1.3%
RP	1,258	859	986	-411	1,006	777	662	-596	462.3%	400
YoY	*-3.0%*	*-30.0%*	*-29.9%*	-	*-20.0%*	*-9.5%*	*-32.9%*	-		*-85.1%*
RPM	12.5%	8.6%	8.9%	-	11.6%	9.0%	6.7%	-		1.2%
NI	708	603	611	-324	616	444	274	-434	529.4%	170
YoY	*-72.9%*	*-8.8%*	*-42.8%*	-	*-13.0%*	*-26.4%*	*-55.2%*	-		*-89.4%*
NPM	7.0%	6.0%	5.5%	-	7.1%	5.1%	2.8%	-		0.5%

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

According to the company, the business environment remains difficult for pachinko halls. With increasing sources of entertainment available, the population of young players is declining. Conventional four-yen pachinko is also stalling due to the entrenchment of low-price pachinko. Pachinko halls appear wary to invest, but there is some demand for investment that will increase profits and customer appeal. Sales of ball-counting systems—which are convenient and help lower costs—grew relatively favorably. Orders were down as new store openings fell and pachinko halls prepared for the consumption tax hike in April 2014. Competition heated up among rival companies.

View the full report.

Grandy House Corp. (8999)

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

On **June 12, 2014**, Shared Research updated the report following interviews with management.

Quarterly Performance (JPYmn)	FY03/13 Q1	FY03/13 Q2	FY03/13 Q3	FY03/13 Q4	FY03/14 Q1	FY03/14 Q2	FY03/14 Q3	FY03/14 Q4	FY03/14 % of FY	FY03/14 FY Est.
Sales	8,143	8,084	8,040	8,274	9,097	9,327	9,265	9,571	100.7%	37,000
YoY	8.1%	5.8%	21.7%	9.3%	11.7%	15.4%	15.2%	15.7%		13.7%
Gross Profit	1,554	1,486	1,506	1,509	1,733	1,781	1,799	1,739		
YoY	19.1%	14.4%	18.9%	9.9%	11.5%	19.9%	19.4%	15.2%		
Gross Profit Margin	19.1%	18.4%	18.7%	18.2%	19.1%	19.1%	19.4%	18.2%		
SG&A	889	980	933	937	973	1,088	1,023	1,036		
YoY	1.5%	8.1%	6.1%	3.5%	9.4%	11.0%	9.6%	10.6%		
SG&A / Sales ratio	10.9%	12.1%	11.6%	11.3%	10.7%	11.7%	11.0%	10.8%		
Operating Profit	664	506	574	573	759	694	776	703	101.1%	2,900
YoY	55.2%	29.1%	48.0%	22.3%	14.4%	37.1%	35.3%	22.7%		25.2%
Operating Profit Margin	8.2%	6.3%	7.1%	6.9%	8.3%	7.4%	8.4%	7.3%		7.8%
Recurring Profit	661	535	600	596	789	721	797	727	101.2%	3,000
YoY	51.7%	34.2%	52.1%	23.6%	19.3%	34.9%	32.8%	22.0%		25.4%
Recurring Profit Margin	8.1%	6.6%	7.5%	7.2%	8.7%	7.7%	8.6%	7.6%		8.1%
Net Income	384	288	360	329	477	447	475	364	104.9%	1,680
YoY	60.4%	29.7%	70.9%	22.2%	24.3%	54.9%	32.2%	10.5%		23.4%
Net Margin	4.7%	3.6%	4.5%	4.0%	5.2%	4.8%	5.1%	3.8%		4.5%

Source: Company data

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

Real Estate Sales

According to the company, in the new homes segment it built close relationships with landowners by focusing on its land procurement system and assigning dedicated staff to each area.

Pre-Cut Parts

Sales increased as Grandy House fortified its manufacturing system. Orders were robust, due to strong housing demand and growth in the company's housing division. However, segment profit fell as timber prices—a raw material cost—rose.

Real Estate Leasing

The company reassigned properties temporarily leased in FY03/13 (accountable for JPY64mn in revenue) to their original purpose—housing lots for sale (Moka Oyadai New Town). Therefore sales and segment profit fell.

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.

Gulliver International Co., Ltd. announced monthly sales data for May on **June 11, 2014** and for June on **July 10, 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%	-26.9%	-21.9%	-19.5%								

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 Dolphinet 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%	-30.0%	-18.5%	-2.9%								

Source: Company data, SR

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

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 **June 10, 2014**, Shared Research updated its report on Harmonic Drive Systems Inc. after interviewing management.

Quarterly Performance (JPYmn)	FY03/13 Q1	Q2	Q3	Q4	FY03/14 Q1	Q2	Q3	Q4	FY03/14 % of FY	FY Est.
Sales	**4,957**	**4,890**	**4,158**	**4,126**	**4,969**	**5,443**	**5,475**	**5,197**	**98.5%**	**21,400**
YoY	-11.8%	-10.9%	-8.0%	-9.0%	0.2%	11.3%	31.7%	26.0%		*18.0%*
GP	**2,119**	**2,070**	**1,665**	**1,515**	**2,172**	**2,430**	**2,436**	**2,080**		
YoY	-12.5%	-12.4%	-3.8%	-15.0%	2.5%	17.4%	46.3%	37.3%		
GPM	42.7%	42.3%	40.1%	36.7%	43.7%	44.6%	44.5%	40.0%		
SG&A	**976**	**996**	**1,037**	**924**	**1,079**	**1,118**	**1,102**	**1,151**		
YoY	-4.3%	0.2%	6.7%	-5.6%	10.6%	12.3%	6.3%	24.6%		
SG&A / Sales	19.7%	20.4%	24.9%	22.4%	21.7%	20.5%	20.1%	22.1%		
OP	**1,143**	**1,074**	**628**	**591**	**1,093**	**1,312**	**1,334**	**929**	**94.7%**	**4,930**
YoY	-18.4%	-21.6%	-17.2%	-26.5%	-4.3%	22.1%	112.2%	57.3%		*43.5%*
OPM	23.1%	22.0%	15.1%	14.3%	22.0%	24.1%	24.4%	17.9%		23.0%
RP	**1,183**	**1,025**	**698**	**670**	**1,196**	**1,362**	**1,364**	**902**	**94.0%**	**5,130**
YoY	-20.8%	-28.3%	-22.1%	15.9%	1.0%	32.8%	95.4%	34.7%		*43.5%*
RPM	23.9%	21.0%	16.8%	16.2%	24.1%	25.0%	24.9%	17.3%		24.0%
NI	**722**	**481**	**380**	**378**	**759**	**870**	**843**	**522**	**93.6%**	**3,200**
YoY	-4.6%	-34.9%	-23.6%	157.4%	5.2%	80.9%	121.8%	37.9%		*63.2%*
NPM	14.6%	9.8%	9.1%	9.2%	15.3%	16.0%	15.4%	10.0%		15.0%

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

The company stated that the results, which fell somewhat short of the company's target, were still within expectation. The results missed the target for the following reasons: 1)
While the company received more orders, the delivery of some products was delayed until FY03/15 because the size of the orders was large. 2) Production in the US, China, and South Korea declined in Q4, dragging down the earnings of the local subsidiaries.

The company has taken steps to deal with the delay, and the performance of the US unit has been recovering since January.

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 **June 5, 2014**, Shared Research updated comments on Intelligent Wave Inc. (IWI)'s Q3 FY06/14 earnings results following interviews with management.

Quarterly performance	FY06/13				FY06/14			
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	911	1,766	1,812	1,382	1,279	1,776	1,983	-
YoY	-16.8%	23.1%	35.5%	0.4%	40.4%	0.6%	9.4%	-
GP	-314	62	353	372	28	465	453	-
YoY	-	-84.4%	-3.1%	10.7%	-	647.4%	28.4%	-
GPM	-	3.5%	19.5%	26.9%	2.2%	26.2%	22.8%	-
SG&A	300	283	268	301	298	297	297	-
YoY	-10.2%	-9.1%	-9.0%	-0.9%	-0.5%	4.9%	10.9%	-
SG&A / Sales	32.9%	16.0%	14.8%	21.8%	23.3%	16.7%	15.0%	-
OP	-613	-221	85	72	-270	167	156	-
YoY	-	-	21.7%	119.2%	-	-	83.5%	-
OPM	-67.3%	-12.5%	4.7%	5.2%	-21.1%	9.4%	7.9%	-
RP	-617	-215	89	155	-268	180	162	-
YoY	-	-	28.9%	197.5%	-	-	82.8%	-
RPM	-	-	4.9%	11.2%	-21.0%	10.1%	8.2%	-
NI	-385	-450	94	392	-246	174	92	-
YoY	-	-	75.9%	827.0%	-	-	-1.5%	-
NPM	-	-	5.2%	28.4%	-	9.8%	4.6%	-
Cumulative	Q1	1H	Q3	2H	Q1	1H	Q3	2H
Sales	911	2,677	4,488	5,871	1,279	3,055	5,038	-
YoY	-16.8%	5.8%	16.1%	12.0%	40.4%	14.1%	12.2%	-
GP	-314	-252	101	473	28	492	945	-
YoY	-	-	-90.3%	-65.6%	-	-	835.0%	-
GPM	-34.4%	-9.4%	2.3%	8.1%	2.2%	16.1%	18.8%	-
SG&A	300	583	851	1,151	298	595	892	-
YoY	-10.2%	-9.6%	-9.4%	-7.4%	-0.5%	2.1%	4.9%	-
SG&A / Sales	32.9%	21.8%	19.0%	19.6%	23.3%	19.5%	17.7%	-
OP	-613	-834	-750	-678	-270	-103	53	-
YoY	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-	1.1%	-
RP	-617	-831	-742	-587	-268	-88	74	-
YoY	-	-	-	-	-	-	-	-
RPM	-	-	-	-	-	-	1.5%	-
NI	-385	-835	-741	-349	-246	-72	20	-
YoY	-	-	-	-	-	-	-	-
NPM	-	-	-	-	-	-	0.4%	-

Source: Company data
Figures may differ from company materials due to differences in rounding methods.
Company estimates based on most recent figures.

Results were poor in the Security systems and Others segments, which continue to present an issue for the company. However, in the credit card industry (the company's main business area), there was an increase in capex projects, both for the likes of system renewals and hardware replacements, and also for new offerings, such as prepaid cards. Overall sales were up due to strong growth in card related sales.

View the full report.

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.

Ito En, Ltd. announced monthly sales data for May on **June 6, 2014** and for June on **July 7, 2014**.

Monthly Sales (non-consolidated estimates; % change YoY)						FY04/15							
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	Total
Total Sales	-2.7%	0.5%											
Tea Leaf	-1.4%	1.0%											
Beverages	-2.7%	0.5%											
Breakdown by Beverage Category													
Japanese Tea Beverages	2.5%	0.2%											
Chinese Tea Beverages	-9.4%	-0.5%											
Vegetable Beverages	-19.9%	-10.9%											
Fruit Beverages	17.9%	18.9%											
Coffee Beverages	9.7%	23.9%											
Black Tea Beverages	7.1%	2.7%											
Functional Beverages	-32.8%	-15.3%											
Mineral Water	-13.7%	-8.2%											
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%	-1.6%	3.3%
Tea Leaf	3.9%	5.5%	8.4%	2.8%	3.1%	8.9%	4.7%	5.4%	9.6%	6.9%	16.0%	1.0%	6.4%
Beverages	7.8%	6.0%	3.6%	0.2%	-3.3%	3.9%	0.7%	4.2%	6.5%	4.0%	11.2%	-2.0%	3.1%
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%	0.8%	6.3%
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%	-7.6%	-3.5%
Vegetable Beverages	6.3%	-1.0%	1.8%	-2.6%	-1.6%	-1.0%	-6.4%	0.2%	-5.9%	-9.6%	9.6%	-16.4%	-1.6%
Fruit Beverages	7.4%	0.0%	6.5%	-7.0%	-23.7%	-7.6%	-6.3%	-1.3%	7.2%	29.8%	9.7%	31.7%	2.4%
Coffee Beverages	11.5%	1.7%	17.0%	-1.7%	12.9%	17.5%	22.2%	14.0%	11.2%	7.5%	21.6%	10.3%	11.7%
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%	-3.1%	-20.5%
Functional Beverages	18.5%	20.5%	11.8%	0.8%	-4.0%	-6.3%	3.1%	10.3%	6.2%	-2.0%	-16.0%	-4.1%	3.3%
Mineral Water	9.5%	25.0%	11.9%	-7.3%	-13.6%	-0.1%	-5.1%	0.2%	6.4%	-11.1%	0.7%	-15.7%	-0.2%

Source: Company data

On **June 4, 2014**, the company held its financial results briefing for FY04/14.

On **June 2, 2014**, the company announced full-year earnings results for FY04/14.

Quarterly Performance	FY04/13				FY04/14				FY04/14	
(JPYmn)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	106,236	110,232	90,782	96,707	119,193	119,791	94,926	103,845	-	-
YoY	3.4%	12.3%	13.4%	9.6%	12.2%	8.7%	4.6%	7.4%		
Gross Profit	49,224	52,317	43,452	47,095	55,809	58,135	46,199	51,661		
YoY	-2.7%	18.6%	12.1%	8.0%	13.4%	11.1%	6.3%	9.7%		
GPM	46.3%	47.5%	47.9%	48.7%	46.8%	48.5%	48.7%	49.7%		
SG&A Expenses	44,074	43,776	41,586	42,401	50,240	49,243	45,329	45,892		
YoY	0.5%	16.2%	11.5%	7.7%	14.0%	12.5%	9.0%	8.2%		
SG&A / Sales	41.5%	39.7%	45.8%	43.8%	42.2%	41.1%	47.8%	44.2%		
Operating Profit	5,149	8,541	1,866	4,694	5,568	8,893	870	5,769	-	-
YoY	-23.5%	32.6%	25.8%	10.5%	8.1%	4.1%	-53.4%	22.9%		
OPM	4.8%	7.7%	2.1%	4.9%	4.7%	7.4%	0.9%	5.6%		
Recurring Profit	4,890	8,483	1,866	4,675	5,426	8,692	835	5,565	-	-
YoY	-22.8%	38.3%	39.6%	11.8%	11.0%	2.5%	-55.3%	19.0%		
RPM	4.6%	7.7%	2.1%	4.8%	4.6%	7.3%	0.9%	5.4%		
Net Income	2,447	5,103	1,148	2,546	2,987	5,338	378	3,393	-	-
YoY	-27.6%	40.4%	5942.1%	14.9%	22.1%	4.6%	-67.1%	33.3%		
NM	2.3%	4.6%	1.3%	2.6%	2.5%	4.5%	0.4%	3.3%		
Cumulative data	**Q1**	**1H**	**Q3**	**2H**	**Q1**	**1H**	**Q3**	**2H**	**% of FY**	**Est.**
Sales	106,236	216,468	307,250	403,957	119,193	238,984	333,910	437,755	99.5%	440,000
YoY	3.4%	7.7%	9.3%	9.4%	12.2%	10.4%	8.7%	8.4%		8.9%
Gross Profit	49,224	101,541	144,993	192,088	55,809	113,944	160,143	211,804		-
YoY	-2.7%	7.2%	8.6%	8.5%	13.4%	12.2%	10.4%	10.3%		
GPM	46.3%	92.1%	159.7%	198.6%	46.8%	95.1%	168.7%	204.0%		
SG&A Expenses	44,074	87,850	129,436	171,837	50,240	99,483	144,812	190,704		
YoY	0.5%	7.8%	8.9%	8.6%	14.0%	13.2%	11.9%	11.0%		
SG&A / Sales	41.5%	79.7%	142.6%	177.7%	42.2%	83.0%	152.6%	183.6%		
Operating Profit	5,149	13,690	15,556	20,250	5,568	14,461	15,331	21,100	91.7%	23,000
YoY	-23.5%	3.9%	6.1%	7.1%	8.1%	5.6%	-1.4%	4.2%		13.6%
OPM	4.8%	12.4%	17.1%	20.9%	4.7%	12.1%	16.2%	20.3%		5.2%
Recurring Profit	4,890	13,373	15,239	19,914	5,426	14,118	14,953	20,518	95.4%	21,500
YoY	-22.8%	7.3%	10.4%	10.7%	11.0%	5.6%	-1.9%	3.0%		8.0%
RPM	4.6%	12.1%	16.8%	20.6%	4.6%	11.8%	15.8%	19.8%		4.9%
Net Income	2,447	7,550	8,698	11,244	2,987	8,325	8,703	12,096	98.3%	12,300
YoY	-27.6%	7.6%	23.7%	21.6%	22.1%	10.3%	0.1%	7.6%		9.4%
NM	2.3%	6.8%	9.6%	11.6%	2.5%	6.9%	9.2%	11.6%		2.8%

Source: Company data

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

Sales were up 8.4% YoY, as Ito En introduced new products. However, fierce competition meant SG&A expenses grew. This, coupled with poor weather and the consumption tax hike, limited operating profit growth to 4.2%.

Ito En, the parent company, posted operating profit of JPY16.1bn, down 4.6% YoY, due to an increase in sales expenses. However, operating profit rose at the consolidated level thanks to increasing earnings of Tully's Coffee, Chichiyasu, and other subsidiaries.

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J Trust Co Ltd (8508)

Active in financial, real estate, amusement, and international segments. Financial is the overwhelming revenue and profits contributor, consisting mostly of credit card and other consumer finance. Provides savings bank services in Korea, a long-term growth driver.

On **June 25, 2014**, J Trust Co., Ltd. announced the following:

- The establishment of a subsidiary by a subsidiary;
- Group restructuring, including a company split (absorption-type split);
- The transfer of a stake in a subsidiary of a subsidiary.

Subsidiary KC Card will establish a new subsidiary. Effective January 5, 2015, the new subsidiary will inherit some businesses—mainly the KC Card brand—via absorption-type split. On the same day, all shares in the new subsidiary will be transferred to Yahoo Japan Corporation and SoftBank Payment Service Corp. J Trust will also restructure its credit card business, with KC Card inheriting some businesses—mainly the NUCS brand—from subsidiary NUCS Corporation via absorption-type split. According to the company, the effect on FY03/15 earnings will be negligible.

The decision to restructure the group is based on a number of factors. First, the company anticipates that the KC Card brand will face fierce competition, as major internet companies become competitors. Yahoo also values the KC Card brand highly, and J Trust will be able to maintain its credit card business via the NUCS brand. In addition, this deal will bring in approximately JPY40.4bn (about JPY35.0bn from the transfer of shares and JPY5.4bn from the repayment of loans to KC Card); the company will be able to increase corporate value by using this money together with funds from the rights offering in July 2013 to fortify existing businesses and establish new businesses.

Following this restructuring, the company aims to acquire companies with potential for synergies with its credit card business, and form partnerships to offer more attractive products and services. The company also plans to secure more customers and grow its credit card business by acquiring competitors that are struggling because of competition from major credit card companies and declining regional economies.

On **June 16, 2014**, the company announced the acquisition of Standard Chartered Capital (Korea) Co., Ltd. (SC Capital) and Standard Chartered Savings Bank Korea Co., Ltd. (SC Savings Bank).

SC Capital and SC Savings Bank will become subsidiaries after the company acquires all their shares from Standard Chartered Korea Limited (SC Korea).

According to the company, these acquisitions will increase its loan receivables and revenue in Korea. Furthermore, the acquisition of SC Savings Bank together with existing subsidiary Chinae Savings Bank means the company will hold about 70% of the savings bank market across South Korea, allowing it to further boost its sales in the country.

Overview of the new subsidiaries

SC Capital

A financial firm specializing in credit finance. It was established in 2007, and began operating in January 2008. It has 20 branches in major cities across Korea.

- Trade name: Standard Chartered (Korea) Co., Ltd.
- Business description: installment finance, facilities leasing, other financial services
- Capital: KRW108.0bn (as of December 2013)
- Established: December 3, 2007.

SC Savings Bank
Formerly Yearum Mutual Savings Bank. Acquired by Standard Chartered in February 2008. Its head office is in Bundang-gu, Seongnam-si, Gyeonggi-do, and its operations are centered on Gyeonggi Province and Jeolla Province. Main offerings include consumer finance, mortgages, and deposit products.

- Trade name: Standard Chartered Savings Bank Korea Co., Ltd.
- Business description: savings banking
- Capital: KRW99.9bn (as of June 2013)
- Established: December 28, 2006.

Acquisition amount
- SC Capital common shares (estimated): JPY9.8bn
- SC Savings Bank common shares (estimated): JPY5.3bn
- Total (estimated): JPY15.1bn
- Note, assumes an exchange rate of KRW/JPY0.1.

Schedule
- Conclusion of share purchase agreement: June 16, 2014
- Transfer of shares (planned): late September, 2014.

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Japan Best Rescue System Co Ltd (2453)

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

On **June 25, 2014**, Japan Best Rescue announced revisions to earnings forecasts for FY09/14.

New forecasts

- Sales: JPY11.2bn (+7.2% YoY)
- Operating profit: JPY333mn (+75.7%)
- Recurring profit: JPY205mn (+44.4%)
- Net loss: JPY100mn (net loss of JPY486mn in FY09/13).

Reasons for the revisions

JBR expects an increase in sales in line with robust results across the membership segment. In the environmental maintenance segment, subsidiary Binos Corporation lost some decontamination orders and saw delays to others. This was the result of difficult hiring conditions as labor costs rose and workers left areas with decontamination work after Tokyo's successful bid for the 2020 Olympic Games. Rising labor costs also hurt profitability for orders already received.

The company also made the revisions in light of the findings of an independent committee. Differences between revised and initial forecasts are as follows:

- Sales: down JPY2.9bn
- Operating profit: down JPY645mn
- Recurring profit: down JPY719mn.

In addition, costs associated with twice establishing the committee (JPY155mn) resulted in the forecast net loss.

The company also announced that on June 19, 2014, Obayashi Corp. and Binos Corp. were selected as candidates for a subsidized project in the supplementary budget for fiscal year 2013. The project is the Demonstration Project for Seawater Purification Technologies (part of the Validation of technologies for contaminated water management project, under the Management Office for the Project of Decommissioning and Contaminated Water Management, Ministry of Economy, Trade and Industry). This project may result in upfront costs before sales are reported.

On **June 23, 2014**, the company announced the return of dividends from directors and corporate auditors.

After revision of past financial statements, the company has determined that year-end dividends paid for FY09/13 were in excess of amounts permissible under the Companies Act and Ordinance on Company Accounting. As a result, JBR has requested for directors and corporate auditors, including President Sakakibara, to return to the company a combined JPY57mn in year-end dividends, which were overpaid for FY09/13.

As of June 23, 2014, President Sakakibara has returned JPY56mn, and other directors and corporate auditors have returned dividends which they had received as shareholders of JBR. These efforts have resulted in the return of excess dividends attributable to all shareholders of the company. The returned dividends are planned to be booked as extraordinary income for FY09/14.

Upon return of the above dividends, all matters relating to the payment of excess dividends for FY09/13 have been resolved.

On **June 16, 2014**, the company announced that earnings forecasts for FY09/14 would be withdrawn (changed to "uncertain"). The company also announced that there would be no midterm distribution of profits (no dividend), and that it would book an allowance for provisions for bad debts (a non-operating cost). The company also submitted earnings results for Q2 FY09/14 to the Tokyo Stock Exchange.

On **June 14, 2014**, the company announced the reestablishment of an independent committee.

The reestablishment of the committee

On June 3, 2014, the company announced that it had received a report on the findings of an investigation by an independent committee regarding irregularities in sales reported by subsidiary Binos Corporation. Following an investigation by its accounting auditor, the company made clear its intention to correct previous years' earnings releases, and implement measures to prevent the reoccurrence of such an event. However, the auditor has expressed doubts about some aspects of the company's involvement.

In Q2 FY09/14, the company bought a stake in Japan Power Supply Technology Co., Ltd., which sells LEDs, and made it an affiliate. However, the company soon wrote down the value of this stake and reported an allowance for bad debt on loans to Japan Power Supply Technology. According to the auditor, it is impossible to dismiss doubts concerning the economic reasoning behind these transactions.

JBR resolved to establish an independent committee on June 13, 2014, to strengthen corporate governance in response to the auditor's misgivings. The company intends to correct quarterly financial statements if any new facts come to light in this investigation.

The aim of the committee

According to the company, its aim in reestablishing an independent committee is to conduct further investigations after broadening the scope of electronic communication covered in relation to sales reported by Binos Corporation. In addition, the committee will investigate and evaluate the concerns surrounding the investment in and loans to Japan Power Supply Technology.

On **June 13, 2014**, the company announced earnings results for Q2 FY09/14.

Quarterly Performance	FY09/12				FY09/13				FY09/14				FY09/14		FY09/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.	% of FY	FY Est.
Sales	**1,750**	**2,003**	**1,788**	**1,897**	**2,059**	**2,477**	**2,715**	**3,154**	**2,546**	**3,323**	**-**	**-**	**83.0%**	**7,073**	**41.8%**	**14,031**
Call Center	174	156	157	170	160	147	153	163	166	160	-	-			49.8%	653
Membership Business	468	694	569	543	605	981	811	685	749	1,232	-	-			62.0%	3,192
Corporate Tie-Ups Business	829	852	678	734	825	765	683	742	855	851	-	-			50.2%	3,399
Member Shop Business	43	42	41	41	46	45	40	42	36	37	-	-			42.4%	172
Small Amount Short Term Insurance	204	283	367	322	352	476	457	424	442	574	-	-			51.4%	1,976
Enviromental Maintenance	-	-	-	-	-	-	505	1,036	249	417	-	-			15.3%	4,364
Car Chintai Business and	98	39	35	33	30	34	143	155	148	152	-	-			39.9%	750
Others	1	1	-	111	108	101	108	107	104	99	-	-			50.4%	403
Eliminations / Company-wide	-66	-65	-57	-58	-65	-72	-186	-199	-203	-198	-	-			45.5%	-881
YoY	**-4.7%**	**-2.8%**	**7.9%**	**14.6%**	**17.7%**	**23.7%**	**51.8%**	**66.3%**	**23.6%**	**34.2%**	**-**	**-**		**55.9%**		**34.8%**
Call Center	-5.4%	-7.1%	-12.0%	1.5%	-8.2%	-5.9%	-2.5%	-4.0%	3.8%	8.8%	-	-				5.0%
Membership Business	-29.6%	-15.9%	14.9%	20.7%	29.3%	41.3%	42.7%	26.1%	23.8%	25.6%	-	-				3.5%
Corporate Tie-Ups Business	-12.7%	-13.4%	-12.1%	-4.8%	-0.5%	-10.2%	0.8%	1.1%	3.7%	11.3%	-	-				12.7%
Member Shop Business	-21.4%	-23.5%	-23.3%	-13.9%	6.7%	7.3%	-1.9%	0.6%	-20.7%	-18.5%	-	-				-0.4%
Small Amount Short Term Insurance	24.0%	49.0%	86.4%	72.9%	72.2%	68.2%	24.7%	31.5%	25.8%	20.4%	-	-				15.6%
Enviromental Maintenance	-	-	-	-	-	-	-	-	-	-	-	-				183.1%
Car Chintai Business and	196.8%	-4.2%	-47.7%	-70.1%	-69.4%	-13.6%	314.5%	367.8%	392.2%	346.3%	-	-				107.3%
Others	-29.9%	-27.3%	-100.0%	15,837.9%	15,552.6%	14,778.9%	-	-3.7%	-3.2%	-1.9%	-	-				-4.6%
GP	770	906	820	875	921	1,132	907	708	739	1,072	-	-				
GPM	44.0%	45.2%	45.9%	46.1%	44.7%	45.7%	33.4%	22.4%	29.0%	32.2%	-	-				
SG&A	633	644	701	786	774	829	897	978	940	946	-	-				
YoY	-13.6%	-12.5%	7.5%	21.6%	22.3%	28.8%	28.0%	24.5%	21.4%	14.1%	-	-				
OP	**137**	**262**	**119**	**89**	**147**	**303**	**9**	**-270**	**-201**	**125**	**-**	**-**	**-15.9%**	**476**	**-7.7%**	**978**
Call Center	58	41	21	43	41	30	28	27	35	38	-	-			59.5%	123
Membership Business	97	254	149	120	130	326	192	159	115	296	-	-			46.1%	891
Corporate Tie-Ups Business	51	63	25	41	67	61	44	19	63	97	-	-			88.8%	180
Member Shop Business	-78	-78	-62	-77	-67	-72	-66	-79	-85	-86	-	-			47.8%	-356
Small Amount Short Term Insurance	60	43	49	22	35	53	32	12	34	42	-	-			61.4%	124
Enviromental Maintenance	-	-	-	-	-	-	-186	-431	-341	-200	-	-			-832.2%	65
Car Chintai Business and	12	2	-0	-2	1	-15	46	46	34	16	-	-			25.0%	201
Others	-0	-0	-	1	-1	-12	-1	11	7	16	-	-			289.0%	8
Eliminations / Company-wide	-63	-64	-63	-57	-60	-68	-80	-35	-65	-93	-	-			60.5%	-261
YoY	**19.8%**	**-3.8%**	**2.4%**	**-32.2%**	**7.4%**	**15.8%**	**-92.3%**	**-**	**-**	**-58.6%**	**-**	**-**		**5.7%**		**415.9%**
Call Center	-25.9%	-33.9%	-64.8%	-15.6%	-29.6%	-26.6%	32.8%	-37.1%	-13.7%	24.3%	-	-				-2.4%
Membership Business	77.8%	35.1%	74.7%	26.9%	34.7%	28.6%	28.9%	32.4%	-11.9%	-9.3%	-	-				10.4%
Corporate Tie-Ups Business	-50.9%	-47.4%	-70.6%	12.3%	32.4%	-3.7%	76.0%	-52.7%	-6.7%	58.6%	-	-				-6.2%
Member Shop Business	-	-	-	-	-	-	-	-	-	-	-	-				25.2%
Small Amount Short Term Insurance	41.0%	-32.3%	-21.1%	-78.1%	-42.2%	24.0%	-34.6%	-43.2%	-1.3%	-21.8%	-	-				-6.5%
Enviromental Maintenance	-	-	-	-	-	-	-	-	-	-	-	-				-110.5%
Car Chintai Business and	320.8%	-11.4%	-	-	-92.4%	-	-	-	3,777.3%	-	-	-				157.8%
Others	-	-	-	-	-	-	-	1,524.6%	-	-	-	-				-512.2%
YoY	**7.8%**	**13.1%**	**6.7%**	**4.7%**	**7.1%**	**12.2%**	**0.3%**	**-8.6%**	**-7.9%**	**3.8%**	**-**	**-**		**6.7%**		**7.0%**
Call Center	33.6%	26.5%	13.4%	25.1%	25.7%	20.7%	18.2%	16.4%	21.4%	23.6%	-	-				18.8%
Membership Business	20.7%	36.5%	26.2%	22.1%	21.5%	33.2%	23.7%	23.2%	15.3%	24.0%	-	-				27.9%
Corporate Tie-Ups Business	6.1%	7.4%	3.7%	5.5%	8.2%	8.0%	6.5%	2.6%	7.4%	11.4%	-	-				5.3%
Member Shop Business	-181.0%	-186.2%	-151.1%	-186.3%	-146.7%	-161.2%	-163.7%	-188.8%	-233.0%	-233.4%	-	-				-207.0%
Small Amount Short Term Insurance	29.6%	15.2%	13.4%	6.7%	9.9%	11.2%	7.0%	2.9%	7.8%	7.3%	-	-				6.3%
Enviromental Maintenance	-	-	-	-	-	-	-36.8%	-41.6%	-136.7%	-47.9%	-	-				1.5%
Car Chintai Business and	11.8%	5.9%	-1.0%	-6.7%	2.9%	-45.3%	32.4%	29.8%	23.1%	10.6%	-	-				26.8%
Others	-9.6%	-21.2%	-	0.6%	-0.6%	-11.8%	-0.6%	10.6%	7.1%	15.9%	-	-				2.0%
RP	**59**	**324**	**97**	**64**	**127**	**288**	**29**	**-303**	**-223**	**10**	**-**	**-**	**-48.8%**	**437**	**-23.1%**	**924**
YoY	-38.5%	26.8%	-9.9%	-47.6%	115.1%	-11.3%	-69.8%	-	-	-96.5%	-	-		5.3%		551.0%
RPM	3.4%	16.2%	5.4%	3.4%	6.2%	11.6%	1.1%	-9.6%	-8.8%	0.3%	-	-		6.2%		6.6%
NI	**1**	**190**	**54**	**15**	**130**	**173**	**-70**	**-719**	**-233**	**-10**	**-**	**-**	**-102.3%**	**237**	**-48.8%**	**497**
YoY	-97.2%	271.9%	-77.4%	-84.0%	9,105.7%	-8.9%	-	-	-	-	-	-		-21.7%		-202.2%

Source: Company data

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

The operating loss (JPY75mn) was largely due to the operating loss of JPY541mn in the environmental maintenance segment. Provisions for the allowance for bad debts—a non-operating cost—drove up the recurring loss (JPY213mn).

In December 2013, JBR acquired a 70% voting stake in NET110, Inc. The internet agency business was added to the membership segment, and consolidated in Q1 FY09/14 (P&L contributions from Q2 onward). Goodwill is JPY181mn, set to amortize over five years.

On **the same day**, the company announced corrections to quarterly statements from Q2 FY09/13 onward.

There were significant downward revisions to earnings in the environmental maintenance segment in the corrected statements, with consequences for the income statement, balance sheet, and cash flow statement. Shared Research has updated the tables in this report to match the corrected statements. However, we have not adjusted figures used in text such as descriptions of historical financial statements. By 19:00 on June 13, 2014, the company had not submitted earnings results for Q2 FY09/14 to the Tokyo Stock Exchange, nor made revisions to its earnings targets.

View the full report.

JIN Co., Ltd. (3046)

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

JIN released monthly sales data for May on **June 5, 2014**, and for June on **July 4, 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%	-23.6%	-25.1%		

Source: Company data, SR Inc. Research

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Kenedix, Inc. (4321)

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

On **June 19, 2014**, Kenedix Inc. announced a transfer of property owned by subsidiary Chateldon Investors One Co., Ltd.

Chateldon will transfer ownership of gasoline stations to an undisclosed buyer.

Details of property transfer
Asset details: 19 gasoline stations (across Japan)
Initial purchase price: JPY3.6bn (book value: JPY3.4bn)
Sale price: JPY4.1bn
Profit on transfer: JPY672mn
Current use: Gasoline stations
Date of transfer: June 25, 2014

As part of its medium term plan, the company is focusing on restructuring its asset portfolio via asset sales. The above transaction is in line with this goal.

Although the company plans to book JPY600mn in operating profit during FY12/14 as a result of this sale, no revisions will be made to FY12/14 earnings forecasts at this time.

View the full report.

KLab Inc. (3656)

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

On **June 10, 2014**, Shared Research updated the report following interviews with management.

Quarterly Performance	FY12/13					FY12/14			
(JPYmn)	Q1	Q2	Q3	Q4	Q5	Q1	Q2	Q3	Q4
Sales	3,546	3,573	3,772	4,598	5,504	4,426	-	-	-
YoY	-	-	-	-	-	-	-	-	-
GP	990	660	841	1,136	1,207	1,164	-	-	-
YoY	-	-	-	-	-	-	-	-	-
GPM	27.9%	18.5%	22.3%	24.7%	21.9%	26.3%	-	-	-
SG&A	1,203	1,329	1,039	985	1,503	1,068	-	-	-
YoY	-	-	-	-	-	-	-	-	-
SG&A / Sales	33.9%	37.2%	27.6%	21.4%	27.3%	24.1%	-	-	-
OP	-212	-669	-198	152	-296	96	-	-	-
YoY	-	-	-	-	-	-	-	-	-
OPM	-	-	-	3.3%	-	2.2%	-	-	-
RP	-154	-573	-124	126	-217	106	-	-	-
YoY	-	-	-	-	-	-	-	-	-
RPM	-	-	-	2.7%	-	2.4%	-	-	-
NI	-160	-438	-173	51	-1,844	51	-	-	-
YoY	-	-	-	-	-	-	-	-	-
NPM	-	-	-	1.1%	-	1.2%	-	-	-

Source: Company data
Figures may differ from company materials due to differences in rounding methods.
FY12/13 is an irregular five-quarter year.
FY08/12 results for parent only.

Although sales during Q1 FY12/14 were lower due to cancellations of unprofitable and low profit games, Love Live! School Idol Festival continued to perform well and was a major contributor to sales. The above cancellations had a positive impact on profits, and the company has returned to profitability. Although results were largely in line with revised forecasts, KLab was able to meet its expectations, which was no small accomplishment.

As stated above, sales were up thanks to strong performance from mainstay title Love Live! School Idol Festival, but other projects also seem to be faring well.

View the full report

MONTHLY WRAP – July 2014

Mac-House Co., Ltd. (7603)

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

Mac House Co., Ltd. announced monthly sales data for May on **June 2, 2014** and for June on **July 1, 2014**.

Comparable Store Sales	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
FY02/10	-8.6%	-3.0%	-1.4%	-6.8%	-5.7%	-7.9%	-2.8%	-1.3%	-13.2%	2.7%	-3.7%	0.7%
FY02/11	-6.6%	-6.1%	-7.5%	-4.4%	-4.6%	-8.5%	-7.4%	2.2%	-5.4%	-3.2%	-0.1%	3.0%
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%	0.3%	-3.0%	-3.7%	-2.2%	-3.4%	-8.5%	17.3%
FY02/15	15.0%	-8.3%	-3.4%	-9.2%								

All Store Sales	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
FY02/10	-6.4%	-0.1%	2.3%	-3.7%	-3.4%	-4.8%	1.2%	2.8%	-10.0%	5.6%	-0.2%	4.6%
FY02/11	-2.5%	-2.8%	-4.4%	-1.3%	-2.0%	-6.1%	-5.9%	3.1%	-5.0%	-3.0%	0.1%	3.7%
FY02/12	-18.6%	1.8%	0.9%	0.3%	3.7%	-0.3%	0.3%	-1.5%	4.8%	1.3%	-1.9%	-0.1%
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%	-6.6%	1.9%	-1.5%	-2.4%	-1.1%	-2.5%	-7.5%	17.9%
FY02/15	16.1%	-8.0%	-3.2%	-9.5%								

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

View the full report.

Medinet Co., Ltd. (2370)

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

On **June 3, 2014**, MEDINET Co., Ltd. announced the establishment of joint research in partnership with Osaka University.

The company established the joint research as the Department of Immunology and Regenerative Medicine. The research is based in the Center of Medical Innovation and Translational Research attached to the Graduate School of Medicine, Osaka University (a national university corporation), and began on May 19, 2014.

In the joint research system, business and academia work together on research, with an eye to its practical use in business as soon as possible. Osaka University and the corporations stand on equal footing in the system. At present there are seven examples of such research in the Center of Medical Innovation and Translational Research, centered on immunology, regenerative medicine, and cell therapy.

Settling transferred cells in the body lies at the core of regenerative medicine, yet there is still no established medical technology for this purpose. The joint research aims to establish such a technology, in addition to uncovering the causes of the chronic inflammation that affects cultivated cells when they are transferred, and analyzing related substances. Furthermore, chronic inflammation occurs for many reasons—including lifestyle, stress, aging, and cancer—so the company hopes that by uncovering its causes and analyzing related substances, it may lead to new medical technologies for the treatment of previously incurable illnesses.

View the full report.

MIRAIT Holdings Corp. (1417)

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

On **June 5, 2014**, Shared Research updated the report following interviews with management.

Quarterly Performance	FY03/13				FY03/14				FY03/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales (Completed Construction Contracts)	52,263	64,239	62,107	92,409	56,780	62,966	66,072	91,902	97.4%	285,000
YoY	8.8%	21.2%	18.6%	11.8%	8.6%	-2.0%	6.4%	-0.5%		5.2%
GP (Completed Construction Contracts)	5,856	7,024	6,613	9,847	5,574	6,493	7,361	10,548		
YoY	34.3%	30.1%	38.6%	3.5%	-4.8%	-7.6%	11.3%	7.1%		
GPM	11.2%	10.9%	10.6%	10.7%	9.8%	10.3%	11.1%	11.5%		
SG&A	4,677	4,471	4,622	4,727	4,783	4,509	4,603	4,626		
YoY	-4.6%	-3.9%	1.9%	0.9%	2.3%	0.8%	-0.4%	-2.1%		
SG&A / Sales	8.9%	7.0%	7.4%	5.1%	8.4%	7.2%	7.0%	5.0%		
OP	1,179	2,552	1,992	5,119	791	1,983	2,758	5,922	95.5%	12,000
YoY	-	243.5%	751.3%	6.0%	-32.9%	-22.3%	38.5%	15.7%		10.7%
OPM	2.3%	4.0%	3.2%	5.5%	1.4%	3.1%	4.2%	6.4%		4.2%
RP	1,390	2,836	2,209	5,330	1,010	2,107	3,094	6,056	98.1%	12,500
YoY	-	214.4%	445.4%	5.1%	-27.3%	-25.7%	40.1%	13.6%		6.2%
RPM	2.7%	4.4%	3.6%	5.8%	1.8%	3.3%	4.7%	6.6%		4.4%
NI	-1,164	1,222	990	3,152	609	1,137	1,647	3,793	95.8%	7,500
YoY	-	127.1%	-	8.5%	-	-7.0%	66.4%	20.3%		78.6%
NPM	-	1.9%	1.6%	3.4%	1.1%	1.8%	2.5%	4.1%		2.6%

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

Operating profit fell 25.6% YoY in 1H and grew 22.1% in 2H. Similarly, GPM grew from 10.1% in 1H to 11.3% in 2H. Profitability fell in 1H as growth in the mobile segment caused delays in updates to construction frameworks. However, the company moved to solve the issue in 2H, and profitability improved.

View the full report.

mobcast inc. (3664)

Sports game developer and provider for mobile social platforms.

On **June 18, 2014**, mobcast Inc. announced the acquisition and cancellation of stock options and the recording of extraordinary profit.

At a board of directors meeting held on June 18, 2014, the company resolved to acquire stock options for which the exercising conditions were no longer valid. These stock options will be acquired at no cost, and subsequently canceled. As a result of this transaction, the company plans to book a profit on reversal of stock options in the amount of JPY205mn as extraordinary profit for Q2 FY12/14.

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 **June 26, 2014**, NanoCarrier announced that it had been granted a patent for NC-6004 Nanoplatin® in Taiwan.

NanoCarrier has identified NC-6004 as its most important pipeline, and it is currently performing Stage III clinical trials for use in pancreatic cancer across Asia, including in Taiwan. Patents have already been granted in the US and Europe, and now Taiwan.

In Taiwan, NC-6004 is a joint development with Orient Europharma (OEP). Phase III clinical trials are underway for the use of NC-6004 in combination with Gemcitabine, not only in Taiwan but in the greater Asian region as well. Through subsidiary OP Nano, OEP is constructing a factory in Taiwan to produce medications, scheduled for completion in 2016. NanoCarrier believes that this patent will provide additional strength to its future manufacturing and sales operations.

On **June 23, 2014**, the company announced that it had reached a licensing agreement with Eisai Co., Ltd. (TSE1: 4523) for exclusive global rights to develop and sell active compound E7974.

According to the company, a new technology, called Antibody / Drug-conjugated Micelles (ADCM), has been under development in which bodies such as antibodies act as sensors and are conjugated to micellar nanoparticle surfaces to improve target (antigen) selection capabilities as well as to enhance micelle accumulation in lesions, while reducing drug toxicity. However, NanoCarrier completed an animal study which shows that the therapeutic window can be significantly expanded by approximately 10 times through application of ADCM technology to E7974. Taking these results into account, the company concluded that further development toward incorporating this technology into a new product would be a viable endeavor, leading to NanoCarrier's decision to reach a licensing agreement and bring development in-house.

Under the terms of the agreement, the company will remit an upfront payment to Eisai upon entering into the agreement, and make milestone payments in accordance to progress in development. In addition, Eisai will also reserve the right to first refusal for licensing from NanoCarrier concerning development and sales of the new compound, which may be exercised at certain points during development.

On **June 10, 2014**, SR updated comments on the company's full-year FY03/14 results after interviewing management.

Quarterly Performance	FY03/13				FY03/14				FY03/14	
(million yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	10	90	102	173	150	176	119	28	100.3%	471
YoY	120.1%	-56.5%	6064.4%	28.3%	1430.2%	96.4%	16.7%	-83.9%		26.0%
GP	-30	40	62	28	98	125	53	14		
YoY	-	-79.1%	-	-65.6%	-	209.9%	-14.9%	-51.1%		
GPM	-	45.2%	61.4%	16.1%	65.2%	71.4%	44.8%	48.9%		
SG&A	149	128	157	194	375	349	336	352		
YoY	0.9%	-13.5%	21.7%	49.0%	151.8%	172.2%	114.6%	81.9%		
SG&A / Sales	1520.7%	143.3%	154.1%	112.1%	250.2%	198.7%	283.5%	1266.7%		
OP	-179	-88	-94	-166	-277	-224	-283	-339	-	-1,126
YoY	-	-	-	-	-	-	-	-		-
OPM	-	-	-	-	-	-	-	-		-
RP	-179	-87	-88	-77	-190	-246	-197	-462	-	-1,104
YoY	-	-	-	-	-	-	-	-		-
RPM	-	-	-	-	-	-	-	-		-
NI	-180	-88	-88	-128	-191	-246	-197	-479	-	-1,122
YoY	-	-	-	-	-	-	-	-		-
NPM	-	-	-	-	-	-	-	-		-

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

Source: Company data

In FY03/14, sales were JPY472mn (+26.3% YoY), attributable to milestone payments from license and co-development agreements with Orient Europharma Co., Ltd. (OEP) and revenue from supplying clinical trial medication to OEP (JPY195mn; JPY103mn in FY03/13), milestone payments from license and co-development agreements with Kowa Co., Ltd. (Kowa; JPY100mn; JPY233mn in FY03/13), and cosmetic material supply revenue based on a collaborative development agreement with Albion Co., Ltd. (JPY130mn).

In line with progress in the pipeline and clinical trials, R&D expenses were JPY926mn, up JPY688mn YoY. As a result, operating loss was JPY1.1bn (JPY527mn loss in FY03/13).

Recurring loss was JPY1.1bn (JPY432mn loss a year earlier), with the company booking an exchange rate gain of JPY225mn mainly on forex deposits, and a JPY211mn charge for stock delivery expense relating to a stock offering. Net loss was JPY1.1bn (JPY484mn loss a year earlier).

On **June 3, 2014**, the company announced that it had been granted a substance patent for nucleic acid carrier technology in China.

According to the company, the patent application relating to a carrier for delivering nucleic acid drugs—including siRNA—was approved by the Chinese Patent Office. NanoCarrier has been focusing on researching and developing NanoFect™, a next-generation platform technology. This patent approval means the company has secured substance patents in both Japan and China.

Nucleic acids such as siRNA have garnered attention as next-generation drugs. However, treatment is mainly by local injection, due to the extremely low stability of these drugs in the body. The use of a carrier is essential for delivering drugs to target cells that are difficult to inject locally. Global expectations are therefore high for an effective carrier. NanoCarrier's focus on developing the NanoFect™ system has resulted in three prototypes. The substance patent relates to system A, a proprietary technology. This revolutionary carrier system controls delivery to cells, penetration, and release.

The company intends to continue research and development on nucleic acid drugs that use NanoFect™ while informing pharmaceutical companies of the competitive advantages of the NanoFect™ technology. The company hopes to develop a groundbreaking pipeline drug based on nucleic acids that will both support future earnings and open up new possibilities for the treatment of cancer.

View the full report.

Nippon Parking Development (2353)

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

On **June 13, 2014**, Nippon Parking Development Co., Ltd (NPD) announced that it will establish a subsidiary in South Korea.

Purpose

The company has been expanding the presence of its parking lot business in Asia through establishing subsidiaries in Bangkok, Thailand (October 2010) and Shanghai, China (June 2011). However, in order to further accelerate its growth in the region, the company will establish a subsidiary in South Korea, NPD Korea Co., Ltd. The subsidiary is scheduled to begin operations in July 2014, with initial capital of KRW500mn (approximately JPY50mn), with NPD holding 100% of ownership. Representative Jung pil gyu was born in Seoul in 1982, and joined the company in 2010.

South Korean market

In South Korea, there are currently over 50,000 mechanical parking facilities, which is also the company's area of expertise. However, the country lacks a stable infrastructure to maximize the use of these facilities. Seeing this as a business opportunity, NPD plans to establish a base of operations in Seoul, the largest metropolitan area in South Korea, with a population of over 10mn people. The company will concentrate on the following three points:

1. Optimizing the balance between supply and demand of parking lots;
2. Improving safety;
3. Introducing high value added parking lot services.

Through the above initiatives, NPD hopes to contribute to the development of transportation infrastructure in South Korea.

Immediate impact

The company aims to manage the parking lots of 50 buildings within three years of founding the new subsidiary. The impact on FY03/15 earnings will be minimal, and the company thinks that this business will contribute to overall earnings within the medium to long term.

On **the same date**, Shared Research updated the report after interviews with management.

Quarterly Performance	FY07/13				FY07/14				FY07/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	**2,296**	**3,929**	**4,217**	**2,995**	**3,064**	**4,401**	**4,448**		**79.4%**	**15,000**
Parking Lot Business	2,258	2,291	2,348	2,504	2,474	2,563	2,524		72.0%	10,500
Ski Resort Business	38	1,638	1,869	492	590	1,838	1,924		96.7%	4,500
YoY	8.2%	35.3%	29.5%	29.7%	33.4%	12.0%	5.5%			11.6%
Parking Lot Business	7.8%	6.7%	6.8%	9.6%	9.6%	11.9%	7.5%			
Ski Resort Business	39.0%	116.6%	76.5%	1,891.8%	1,439.4%	12.2%	2.9%			
Gross Profit	807	1,820	2,026	1,105	1,238	2,188	2,063			
YoY	4.8%	36.8%	28.7%	28.7%	53.3%	20.2%	1.8%			
Gross Profit Margin	35.2%	46.3%	48.0%	36.9%	40.4%	49.7%	46.4%			
SG&A	610	1,099	1,093	935	926	1,295	1,063			
YoY	9.4%	42.1%	46.5%	47.3%	51.8%	17.9%	-2.8%			
SG&A / Sales	26.6%	28.0%	25.9%	31.2%	30.2%	29.4%	23.9%			
Operating Profit	**197**	**722**	**932**	**170**	**312**	**892**	**999**		**91.8%**	**2,400**
Parking Lot Business	536	519	543	571	543	605	564		95.1%	1,800
Ski Resort Business	-193	383	559	-245	-81	499	619		172.9%	600
YoY	-7.1%	29.4%	12.6%	-24.0%	58.1%	23.6%	7.2%			18.7%
Parking Lot Business	0.1%	-7.0%	-2.4%	-4.0%	1.4%	16.5%	3.8%			-19.5%
Ski Resort Business	-	147.3%	29.9%	-	-	30.1%	10.8%			-56.5%
Operating Profit Margin	8.6%	18.4%	22.1%	5.7%	10.2%	20.3%	22.5%			16.0%
Parking Lot Business	23.7%	22.7%	23.1%	22.8%	22.0%	23.6%	22.3%			17.1%
Ski Resort Business	-503.8%	23.4%	29.9%	-49.7%	-13.6%	27.1%	32.2%			13.3%
Recurring Profit	**214**	**819**	**982**	**220**	**354**	**989**	**1,058**		**98.0%**	**2,450**
YoY	6.0%	44.1%	7.7%	-1.6%	65.2%	20.8%	7.7%			9.6%
Recurring Profit Margin	9.3%	20.8%	23.3%	7.4%	11.6%	22.5%	23.8%			16.3%
Net Income	**115**	**539**	**646**	**79**	**199**	**670**	**656**		**101.7%**	**1,500**
YoY	21.6%	69.1%	-	-32.6%	73.5%	24.5%	1.6%			8.8%
Net Income Margin	5.0%	13.7%	15.3%	2.6%	6.5%	15.2%	14.8%			10.0%

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

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

View the full report.

MONTHLY WRAP – July 2014

NS TOOL Co., Ltd. (6157)

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

On **June 3, 2014**, Shared Research updated comments on NS Tool's FY03/14 earnings results after interviewing management.

Quarterly Performance	FY03/12				FY03/13				FY03/14				FY03/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	**1,457**	**1,458**	**1,489**	**1,377**	**1,570**	**1,533**	**1,482**	**1,413**	**1,538**	**1,531**	**1,632**	**1,718**	**101.2%**	**6,340**
End Mills (up to 6mm)	909	929	956	883	1,018	956	905	885	946	932	977	1,038		
End Mills (over 6mm)	201	184	196	167	190	185	185	177	194	195	219	217		
End Mills (Others)	228	238	226	217	251	278	289	253	291	302	319	352		
Other Products	117	105	108	108	108	112	101	96	105	101	114	115		
YoY	23.8%	18.3%	12.1%	11.1%	7.7%	5.1%	-0.4%	2.6%	-2.0%	-0.1%	10.1%	21.6%		
End Mills (up to 6mm)	-	-	-	-	12.0%	2.9%	-5.3%	0.2%	-7.1%	-2.5%	8.0%	17.3%		
End Mills (over 6mm)	-	-	-	-	-5.5%	0.5%	-5.6%	6.0%	2.1%	5.4%	18.4%	22.6%		
End Mills (Others)	-	-	-	-	10.1%	16.8%	27.9%	16.6%	15.9%	8.6%	10.4%	39.1%		
Other Products	-	-	-	-	-7.7%	6.7%	-6.5%	-11.1%	-2.8%	-9.8%	12.9%	19.8%		
Composition														
End Mills (up to 6mm)	62.4%	63.7%	64.2%	64.1%	64.9%	62.4%	61.1%	62.6%	61.5%	60.9%	59.9%	60.4%		
End Mills (over 6mm)	13.8%	12.6%	13.2%	12.1%	12.1%	12.1%	12.5%	12.5%	12.6%	12.7%	13.4%	12.6%		
End Mills (Others)	15.6%	16.3%	15.2%	15.8%	16.0%	18.1%	19.5%	17.9%	18.9%	19.7%	19.6%	20.5%		
Other Products	8.0%	7.2%	7.3%	7.8%	6.9%	7.3%	6.8%	6.8%	6.8%	6.6%	7.0%	6.7%		
GP	656	718	756	611	777	716	699	652	722	740	779	836		
YoY	26.8%	19.8%	18.6%	2.0%	18.5%	-0.3%	-7.5%	6.8%	-7.1%	3.3%	11.4%	28.2%		
GPM	45.0%	49.2%	50.8%	44.3%	49.5%	46.7%	47.1%	46.2%	46.9%	48.3%	47.7%	48.7%		
SG&A	425	418	421	515	470	472	529	451	493	488	498	528		
YoY	12.5%	15.5%	4.9%	23.2%	10.7%	13.0%	25.7%	-12.4%	4.8%	3.4%	-5.8%	17.1%		
SG&A / Sales	29.1%	28.6%	28.3%	37.4%	30.0%	30.8%	35.7%	31.9%	32.0%	31.9%	30.5%	30.7%		
OP	**231**	**300**	**335**	**96**	**307**	**244**	**170**	**201**	**229**	**252**	**280**	**308**	**106.9%**	**1,000**
YoY	65.3%	26.4%	41.7%	-46.9%	32.6%	-18.8%	-49.3%	109.4%	-25.4%	3.2%	65.2%	53.0%		8.5%
OPM	15.9%	20.6%	22.5%	7.0%	19.6%	15.9%	11.4%	14.3%	14.9%	16.4%	17.2%	17.9%		15.8%
RP	**244**	**312**	**360**	**116**	**320**	**248**	**177**	**206**	**247**	**253**	**286**	**321**	**108.5%**	**1,020**
YoY	62.9%	24.8%	45.2%	-37.9%	31.2%	-20.4%	-51.0%	78.2%	-22.9%	2.0%	62.0%	55.4%		7.2%
RPM	16.8%	21.4%	24.2%	8.4%	20.4%	16.2%	11.9%	14.6%	16.1%	16.5%	17.5%	18.7%		16.1%
NI	**139**	**179**	**215**	**3**	**185**	**146**	**98**	**98**	**142**	**181**	**175**	**196**	**112.0%**	**620**
YoY	64.3%	20.8%	45.8%	-94.4%	33.6%	-18.4%	-54.3%	3,648.0%	-23.4%	24.2%	78.5%	100.4%		17.5%
NPM	9.5%	12.3%	14.4%	0.2%	11.8%	9.5%	6.6%	6.9%	9.2%	11.8%	10.7%	11.4%		9.8%

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

<u>Domestic sales: JPY5.2bn, +8.4% YoY</u>
Aside from strong results for automotive parts due to the weaker yen and the introduction of new car models, electronic components also performed well from higher demand for smartphones and tablets. A rush in demand to beat the consumption tax hike was also seen toward the end of the term.

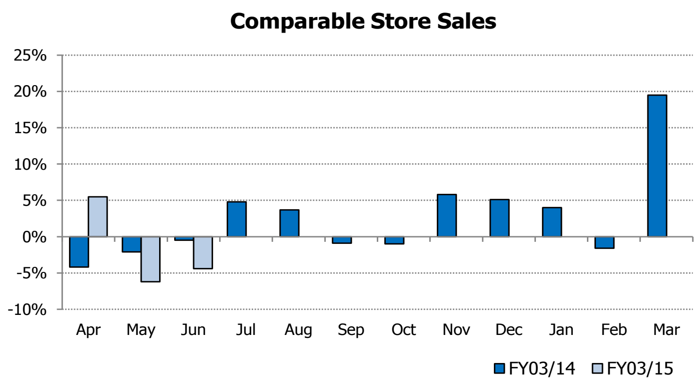
<u>Overseas sales: JPY1.3bn, +1.7% YoY</u>
Growth in overseas sales were held back by accounting changes associated with consolidation of NS Tool Hong Kong and difficult conditions for smartphone and tablet demand in China due to the effects of low-cost smartphones. The starting of operations at NS Tool Hong Kong has resulted in almost half of all Chinese transactions being conducted in foreign currencies.

View the full report.

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 May 2014 On **June 2** and for June on **July 1, 2014**.



Source: Company data, SR Inc. Research

On **June 12, 2014**, the company announced that subsidiary Paris Miki Co. has received a recommendation notice from the Japan Fair Trade Commission.

Content
The notice stated that Paris Miki Co. acted in violation of regulations set forth by the Act for Special Measures to Prevent and Correct Actions that Interfere with Shifting Consumption Taxes with Intent to Ensure the Smooth and Appropriate Price Pass-Through with regard to rental agreements with 127 property owners (out of a total of 831 rented properties). Prior to the consumption tax increase in April 2014, Paris Miki Co. notified property owners that despite the increase in the tax rate, it would not be paying any additional rent.

Paris Miki Co.'s response
As of the beginning of May 2014, the subsidiary has apologized to the property owners in question and sent notice that it will remit payment for the difference between the old and new consumption tax rates, retroactive to April 2014. Beginning with those property owners that have signed into updated rental agreements, Paris Miki Co. has begun to make these payments.

Reference information
As of the end of March 2014, the number of domestic stores was 867, and it appears that 831 of these stores were rented. Rental expenses for FY03/14 were JPY9.7bn, and the company is forecasting an operating profit of JPY1.1bn for FY03/15. Although specific rental fees to the above 127 property owners are not disclosed, the company estimates that there will be an impact of approximately JPY15mn on FY03/15 earnings.

However, the company's forecasts for rental expenses during FY03/15 are conservative and include the effects of store closings. Paris Miki believes that it will be able to compensate for the effects of this transaction. In addition, the company is taking this notice seriously, and will post a companywide notice regarding the incident, alongside increasing employee training and establishing a corporate structure to strengthen adherence to regulations.

View the full report.

Pigeon Corp. (7956)

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

On **June 26, 2014**, Shared Research updated the report following interviews with management.

Quarterly Performance	FY01/13				FY01/14				FY01/15	FY01/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	% of FY	FY Est.
Sales	14,346	16,862	16,778	17,090	16,896	19,726	20,919	19,925	18,859	-	-
YoY	*10.0%*	*9.6%*	*10.7%*	*9.9%*	*17.8%*	*17.0%*	*24.7%*	*16.6%*	*11.6%*		
GP	6,096	7,150	7,292	7,206	7,364	8,822	9,466	8,821	8,413		
YoY	*15.7%*	*13.6%*	*15.6%*	*11.5%*	*20.8%*	*23.4%*	*29.8%*	*22.4%*	*14.2%*		
GPM	42.5%	42.4%	43.5%	42.2%	43.6%	44.7%	45.3%	44.3%	44.6%		
SG&A	4,691	5,331	5,092	5,561	5,438	5,912	5,876	6,872	5,696		
YoY	*2.5%*	*9.1%*	*5.1%*	*12.0%*	*15.9%*	*10.9%*	*15.4%*	*23.6%*	*4.7%*		
SG&A / Sales	32.7%	31.6%	30.3%	32.5%	32.2%	30.0%	28.1%	34.5%	30.2%		
OP	1,408	1,817	2,205	1,656	1,913	2,901	3,607	1,944	2,684	-	-
YoY	*105.4%*	*29.6%*	*50.5%*	*11.1%*	*35.9%*	*59.6%*	*63.6%*	*17.4%*	*40.3%*		
OPM	9.8%	10.8%	13.1%	9.7%	11.3%	14.7%	17.2%	9.8%	14.2%		
RP	1,608	1,659	2,249	1,874	2,188	2,974	3,729	2,111	2,660	-	-
YoY	*119.0%*	*24.6%*	*65.2%*	*25.8%*	*36.1%*	*79.3%*	*65.8%*	*12.6%*	*21.6%*		
RPM	11.2%	9.8%	13.4%	11.0%	12.9%	15.1%	17.8%	10.6%	14.1%		
NI	1,051	860	1,538	1,125	1,328	1,793	2,517	1,347	1,773	-	-
YoY	*211.3%*	*-1.9%*	*75.7%*	*2.9%*	*26.4%*	*108.5%*	*63.7%*	*19.8%*	*33.5%*		
NPM	7.3%	5.1%	9.2%	6.6%	7.9%	9.1%	12.0%	6.8%	9.4%		
Cumulative	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**% of FY**	**FY Est.**
Sales	14,346	31,208	47,986	65,075	16,896	36,622	57,540	77,465	18,859	22.3%	84,500
YoY	*10.0%*	*9.8%*	*10.1%*	*10.0%*	*17.8%*	*17.3%*	*19.9%*	*19.0%*	*11.6%*		*9.1%*
GP	6,096	13,246	20,538	27,744	7,364	16,186	25,652	34,473	8,413		-
YoY	*15.7%*	*14.6%*	*14.9%*	*14.0%*	*20.8%*	*22.2%*	*24.9%*	*24.3%*	*14.2%*		
GPM	42.5%	78.6%	122.4%	162.3%	43.6%	82.1%	122.6%	173.0%	44.6%		
SG&A	4,688	10,021	15,108	20,658	5,450	11,372	17,231	24,107	5,729		
YoY	*2.3%*	*5.8%*	*5.5%*	*7.1%*	*16.3%*	*13.5%*	*14.1%*	*16.7%*	*5.1%*		
SG&A / Sales	32.7%	59.4%	90.0%	120.9%	32.3%	57.6%	82.4%	121.0%	30.4%		
OP	1,408	3,225	5,430	7,086	1,913	4,814	8,421	10,366	2,684	23.1%	11,600
YoY	*105.4%*	*54.5%*	*52.9%*	*40.5%*	*35.9%*	*49.3%*	*55.1%*	*46.3%*	*40.3%*		*11.9%*
OPM	9.8%	19.1%	32.4%	41.5%	11.3%	24.4%	40.3%	52.0%	14.2%		13.7%
RP	1,608	3,266	5,515	7,390	2,188	5,162	8,891	11,002	2,660	22.5%	11,800
YoY	*119.0%*	*58.2%*	*61.0%*	*50.3%*	*36.1%*	*58.0%*	*61.2%*	*48.9%*	*21.6%*		*7.3%*
RPM	11.2%	19.4%	32.9%	43.2%	12.9%	26.2%	42.5%	55.2%	14.1%		14.0%
NI	1,051	1,911	3,449	4,574	1,328	3,121	5,638	6,986	1,773	24.3%	7,300
YoY	*211.3%*	*57.3%*	*65.0%*	*43.7%*	*26.4%*	*63.3%*	*63.5%*	*52.7%*	*33.5%*		*4.5%*
NPM	7.3%	11.3%	20.6%	26.8%	7.9%	15.8%	27.0%	35.1%	9.4%		8.6%

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

In order to curb SG&A spending, the company has made drastic changes to its domestic business framework. In the Domestic Baby & Mother care segment, Pigeon moved subsidiary Pigeon Will to the Baby business, effective from February 2014. This led to higher efficiency in operations of product inventory and sales. In Health & Elder Care, functions were split between the parent (handled B2C transactions with retailers) and subsidiary Pigeon Tahira Corporation (handed B2B transactions). However, in order to concentrate on the Health & Elder Care segment, the company consolidated all matters related to Health & Elder care under one roof, and sent some employees to oversee the process.

View the full report.

MONTHLY WRAP – July 2014

Round One Corp. (4680)

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

Round One announced monthly sales data for May on **June 9, 2014** and for June on **July 10, 2014**.

Monthly Sales Trends FY03/15		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Sales (JPYmn)		**6,408**	**7,024**	**5,913**									
	Bowling	2,001	2,064	1,688									
	Game	2,686	3,070	2,652									
	Karaoke	641	711	625									
	SPO-CHA	878	956	745									
	Other	199	221	201									
Total Sales YoY		**-3.3%**	**0.1%**	**-6.0%**									
	Bowling	-13.2%	-14.7%	-20.4%									
	Game	3.4%	11.1%	3.2%									
	Karaoke	1.6%	6.5%	-0.4%									
	SPO-CHA	1.8%	4.2%	0.9%									
	Other	-12.2%	-9.6%	-12.8%									
Comparable Store Sales YoY		**-3.3%**	**0.1%**	**-0.6%**									
	Bowling	-13.2%	14.7%	-20.4%									
	Game	3.4%	11.1%	3.2%									
	Karaoke	1.6%	6.5%	-0.4%									
	SPO-CHA	1.8%	4.2%	0.9%									
	Other	-12.2%	-9.6%	-12.8%									
Monthly Sales Trends FY03/14		**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**
Total Sales (JPYmn)		**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%

Source: Company data, SR Inc. Research

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

View the full report.

Ryohin Keikaku Co., Ltd. (7453)

A global specialty retailer selling household goods, apparel and fashion items, and food under a single brand: MUJI (Mujirushi Ryohin). The bulk of sales come from Japan and increasingly, China.

Ryohin Keikaku Co., Ltd. announced monthly sales data for May on **June 3, 2014** and for June on **July 2, 2014**.

YoY sales changes

FY02/15	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Directly managed stores (comparable)	22.2%	-2.3%	1.6%	4.9%								
Directly managed total	28.4%	2.1%	5.6%	8.2%								
Licensed Stores (Inc. Seiyu) (comparable)	20.5%	-2.2%	0.7%	5.0%								
Licensed Stores (Inc. Seiyu) total	21.7%	-1.9%	2.0%	3.8%								
Instore (comparable)	21.9%	-2.2%	1.4%	5.0%								
Instore total	27.0%	1.3%	4.9%	7.3%								
Total	30.6%	12.0%	11.0%	13.6%								

FY02/14	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Directly managed stores (comparable)	9.2%	-4.2%	1.4%	3.0%	-2.8%	4.7%	-0.6%	8.0%	8.2%	6.8%	7.7%	3.1%
Directly managed total	11.0%	-2.1%	5.8%	8.1%	0.8%	7.7%	2.7%	11.2%	9.9%	10.1%	9.7%	3.4%
Licensed Stores (Inc. Seiyu) (comparable)	7.2%	-7.5%	-1.7%	0.9%	-1.1%	6.6%	-0.6%	9.2%	8.2%	8.2%	9.6%	6.3%
Licensed Stores (Inc. Seiyu) total	7.6%	-6.4%	-0.9%	1.8%	-1.4%	5.4%	-4.8%	6.1%	6.6%	6.7%	8.1%	9.9%
Instore (comparable)	8.8%	-4.8%	0.8%	2.6%	-2.5%	5.1%	-0.6%	8.2%	8.2%	7.1%	8.1%	3.7%
Instore total	10.3%	-3.0%	4.4%	6.8%	0.4%	7.3%	1.2%	10.1%	9.2%	9.4%	9.4%	4.6%
Total	10.4%	7.0%	8.0%	12.6%	6.4%	16.9%	7.2%	19.6%	14.8%	18.6%	15.7%	14.0%

FY02/13	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Directly managed stores (comparable)	14.4%	-1.0%	0.1%	-4.1%	0.5%	2.5%	2.9%	-1.8%	2.6%	-5.5%	-4.9%	1.3%
Directly managed total	18.7%	3.8%	2.9%	-1.8%	3.0%	5.8%	5.8%	1.1%	5.6%	-2.3%	-2.2%	3.7%
Licensed Stores (Inc. Seiyu) (comparable)	4.9%	-2.4%	-1.9%	-5.6%	-2.0%	-3.2%	-0.7%	-5.5%	-0.3%	-5.4%	-2.6%	-0.7%
Licensed Stores (Inc. Seiyu) total	5.5%	-1.4%	-2.2%	-6.8%	-3.3%	-3.7%	2.3%	-3.2%	1.8%	-4.1%	-3.6%	-2.6%
Instore (comparable)	12.1%	-1.3%	-0.3%	-4.4%	-	1.3%	2.2%	-2.6%	1.9%	-5.5%	-4.5%	0.9%
Instore total	15.7%	2.7%	1.8%	-2.9%	1.7%	3.8%	5.1%	0.2%	4.8%	-2.7%	-2.5%	2.4%
Total	17.6%	3.2%	5.7%	-0.7%	3.8%	4.8%	3.8%	2.2%	6.7%	-2.7%	4.2%	7.3%

Source: Company data
Figures may differ from company materials due to differences in rounding methods.
Comparable stores counted as those opened two years ago or earlier.
Note, licensed stores are wholesale client firms other than FamilyMart and com KIOSK stores.

View the full report.

Sanrio Co., Ltd. (8136)

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

On **June 18, 2014**, Shared Research updated the report based on interviews with management. In addition, Shared Research confirmed with management that the company would continue to seek growth with a focus on the licensing business, while also aiming to add strength to product sales.

Quarterly Performance	FY03/13				FY03/14				FY03/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	16,875	17,220	21,435	18,703	17,242	17,674	22,373	19,720	100.0%	77,000
YoY	3.2%	-4.1%	-3.6%	1.6%	2.2%	2.6%	4.4%	5.4%		
GP	11,205	11,723	13,670	12,856	11,957	12,930	15,021	13,451		
YoY	4.4%	-0.7%	-1.2%	9.5%	6.7%	10.3%	9.9%	4.6%		
GPM	66.4%	68.1%	63.8%	68.7%	69.3%	73.2%	67.1%	68.2%		
SG&A	7,097	7,335	7,286	7,537	7,278	7,851	8,058	9,153		
YoY	4.9%	-1.8%	-7.2%	5.9%	2.6%	7.0%	10.6%	21.4%		
SG&A / Sales	42.1%	42.6%	34.0%	40.3%	42.2%	44.4%	36.0%	46.4%		
OP	4,108	4,388	6,384	5,318	4,678	5,079	6,964	4,298	95.1%	22,100
YoY	3.5%	1.2%	6.8%	15.0%	13.9%	15.7%	9.1%	-19.2%		
OPM	24.3%	25.5%	29.8%	28.4%	27.1%	28.7%	31.1%	21.8%		
RP	4,296	4,643	5,749	4,958	4,133	4,915	6,593	4,539	95.6%	21,100
YoY	11.1%	14.1%	-6.1%	15.0%	-3.8%	5.9%	14.7%	-8.5%		
RPM	25.5%	27.0%	26.8%	26.5%	24.0%	27.8%	29.5%	23.0%		
NI	2,913	2,678	3,663	3,282	2,635	3,214	4,295	2,658	94.8%	13,500
YoY	1.7%	-0.7%	-36.6%	7.9%	-9.5%	20.0%	17.3%	-19.0%		
NPM	17.3%	15.6%	17.1%	17.5%	15.3%	18.2%	19.2%	13.5%		

*Reversal of allowance for sales returns is subtracted from gross profit; figures may differ from company materials due to differences in rounding methods

Source: Company data, SR Inc.

In the Domestic business, Domestic Licensing performance was weak, owing to inventory adjustments made by major apparel and gift item licensees. However, commercial licenses for restaurant and convenience store campaigns performed strongly. It appears that the company concentrated on commercial licenses for large domestic companies that are looking to gain a foothold overseas. During the January-March quarter, sales were up 17% YoY, due partly to exceptionally lower sales seen during the previous year.

For overseas figures, master license fees paid to the parent are returned to respective overseas subsidiaries. Although countries in southern Europe remained unstable due to debt crises in the region, there were signs that a turnaround was underway as some growth figures entered positive territory. Inventory adjustments continued for some major licensees, and there remained little activity for new licensed products. As a result, licensing sales on a local currency basis were down 20.2%, but the effects of the weaker yen ultimately yielded sales of JPY13.8bn (-1.5% YoY) and operating profit of JPY6.9bn (-5.3%).

View the full report.

MONTHLY WRAP – July 2014

Ship Healthcare Holdings Inc. (3360)

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

On **June 27, 2014**, Ship Healthcare Holdings Inc. announced changes to its executive management team.

On **June 9, 2014**, Shared Research updated comments on the company's full-year earnings results for FY03/14.

Quarterly Performance	FY03/13				FY03/14				FY03/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	**51,185**	**56,624**	**52,906**	**63,648**	**55,330**	**54,256**	**58,337**	**91,266**	**106.9%**	**242,500**
YoY	23.1%	43.2%	11.2%	5.8%	8.1%	-4.2%	10.3%	43.4%		*8.1%*
GP	7,484	8,030	6,716	8,731	7,255	6,966	7,549	11,787		
YoY	21.5%	40.4%	1.1%	2.0%	-3.1%	-13.3%	12.4%	35.0%		
GPM	14.6%	14.2%	12.7%	13.7%	13.1%	12.8%	12.9%	12.9%		
SG&A	4,361	4,401	4,635	5,020	4,744	4,632	4,924	5,399		
YoY	14.5%	17.3%	11.0%	-3.7%	8.8%	5.3%	6.2%	7.6%		
SG&A / Sales	8.5%	7.8%	8.8%	7.9%	8.6%	8.5%	8.4%	5.9%		
OP	**3,122**	**3,629**	**2,081**	**3,711**	**2,511**	**2,333**	**2,625**	**6,388**	**102.6%**	**13,500**
YoY	32.9%	84.5%	-15.7%	10.9%	-19.6%	-35.7%	26.1%	72.1%		*7.6%*
OPM	6.1%	6.4%	3.9%	5.8%	4.5%	4.3%	4.5%	7.0%		5.6%
RP	**3,460**	**3,824**	**2,282**	**4,023**	**2,779**	**2,534**	**2,859**	**6,582**	**101.8%**	**14,500**
YoY	30.9%	66.8%	-15.9%	11.7%	-19.7%	-33.7%	25.3%	63.6%		*6.7%*
RPM	6.8%	6.8%	4.3%	6.3%	5.0%	4.7%	4.9%	7.2%		6.0%
NI	**2,149**	**2,257**	**1,390**	**2,793**	**1,597**	**1,377**	**1,615**	**3,934**	**99.1%**	**8,600**
YoY	31.0%	65.1%	-6.4%	10.2%	-25.7%	-39.0%	16.2%	40.8%		*0.1%*
NPM	4.2%	4.0%	2.6%	4.4%	2.9%	2.5%	2.8%	4.3%		3.5%

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

Results were above forecasts in the mainstay total pack system segment, owing to expanded activity from projects, manufacturers, and recurring orders. Sales were higher due to factors including contributions from a company acquired via M&A which specializes in sales of medical devices and consumables, and new clients in the dispensing pharmacy segment. Steady performance in operating profit was aided by gains in the total pack system segment and increased management efficiency in the medical supply and dispensing pharmacy segments.

View the full report.

SMS Co., Ltd. (2175)

SMS provides recruitment services and managing professional community websites.

On **June 30, 2014**, SR updated the report following interviews with management.

Quarterly Performance	FY03/13				FY03/14				FY03/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 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

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. Additionally, Kaipoke Biz was renovated and renamed Kaipoke in Q4 as a business portal service to provide operational support for small- and medium-sized nursing care providers. The number of providers using the business portal services (Kaipoke) increased to 17,500, a gain of 4,500 compared with at the end of FY03/13.

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. The number of contracts signed per consultant rose to an average of 6.5 per month in FY03/14 from 6.0 in FY3/13. Earnings were also healthy in the company's Kaigo Job job information services business for nurses and social workers, thanks to increased orders for new services.

Medical care

Although sales for the Pure Nurse catalog sales business were on the same level as during the previous year, profits were below initial forecasts set during the acquisition, and SMS recorded an impairment loss in Q4 on intangible assets, including goodwill.

On **June 4, 2014**, the company announced that it had distributed more than 2,000 tablets within 53 days of the launch of the Kaipoke Tablet service for care managers in April 2014.

On **June 2, 2014**, the company announced that it would raise its stake in eChannelling PLC and turn the company into a subsidiary. SMS also revised its earnings forecasts for FY03/15.

SMS will raise its stake in eChannelling through wholly owned subsidiary Senior Marketing System Asia Pte. Ltd. SMS, which already has 29.9% of eChannelling, will make the company a consolidated unit through the purchase of more shares.

SMS will seek to expand operations in Sri Lanka, where eChannelling is based. The Sri Lankan company, which provides medical appointment services for patients, had consolidated sales of about JPY142mn and operating profit of JPY54mn for FY03/14. SMS will cooperate with eChannelling to bolster its services for medical professionals and patients.

Details of the share acquisition

- Number of shares: 16,060,003 shares from British American Technologies (Pvt) Limited (13.15% of the voting rights) and 1,369,201 shares from other holders (4.40% of the voting rights); SMS will also buy shares from the market through a mandatory offer.
- Purchase price: SMS has already paid about JPY175mn to British American Technologies. The mandatory offer will be 14 Sri Lankan rupees per share.
- Equity stake after acquisition: 57,946,497 shares, or 47.45% of the voting rights, from British American Technologies and other shareholders
- Date of share transfer: June 2, 2014

SMS revised its sales forecast for FY03/15 to reflect the acquisition of eChannelling shares. The company has left its operating profit and recurring profit forecasts unchanged because increased profits will be offset by the cost of goodwill. However, SMS has raised its net income forecast due to an increase in the value of shares in eChannelling that the Japanese company acquired in October 2013. The difference between the purchase price and the current market value will be booked as an extraordinary gain. The price of eChannelling shares has risen since October 2013 (as of June 2, 2014).

Forecasts for cumulative Q2 FY03/15

- Sales: JPY7.6bn (Previous forecast: JPY7.5mn)
- Operating profit: JPY842mn (Previous forecast: JPY842mn)
- Recurring profit: JPY1.2bn (Previous forecast: JPY1.2bn)
- Net income: JPY952mn (Previous forecast: JPY807mn)

Forecasts for FY03/15

- Sales: JPY15.7bn (Previous forecast: JPY15.6bn)
- Operating profit: JPY1.9bn (Previous forecast: JPY1.9bn)
- Recurring profit: JPY2.5bn (Previous forecast: JPY2.5bn)
- Net income: JPY1.7bn (Previous forecast: 1.6bn)

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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 **June 30, 2014**, Star Mica announced earnings results for Q2 FY11/14.

Quarterly Performance	FY11/13				FY11/14				FY11/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	2,602	3,565	4,006	3,371	3,118	3,215	-	-	44.4%	14,251
YoY	-18.0%	5.8%	24.9%	8.4%	19.8%	-9.8%	-	-		5.2%
GP	671	908	908	753	870	892	-	-		
YoY	-3.7%	18.6%	28.5%	24.9%	29.7%	-1.7%	-	-		
GPM	25.8%	25.5%	22.7%	22.3%	27.9%	27.7%	-	-		
SG&A	304	391	310	430	304	428	-	-		
YoY	5.5%	27.9%	7.3%	24.3%	-0.1%	9.3%	-	-		
SG&A / Sales	11.7%	11.0%	7.7%	12.8%	9.7%	13.3%	-	-		
OP	367	516	598	323	566	464	-	-	52.8%	1,951
YoY	-10.1%	12.4%	43.2%	25.8%	54.5%	-10.1%	-	-		8.2%
OPM	14.1%	14.5%	14.9%	9.6%	18.2%	14.4%	-	-		13.7%
RP	230	372	449	179	415	326	-	-	55.8%	1,330
YoY	-12.5%	15.2%	59.6%	47.4%	80.4%	-12.3%	-	-		8.1%
RPM	8.9%	10.4%	11.2%	5.3%	13.3%	10.1%	-	-		9.3%
NI	136	208	292	109	253	192	-	-	55.5%	802
YoY	-8.7%	21.6%	75.3%	107.9%	86.2%	-7.8%	-	-		7.7%
NPM	5.2%	5.8%	7.3%	3.2%	8.1%	6.0%	-	-		5.6%

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

Source: Company data

Sales in 1H fell short of the initial forecast mainly because revenue from the sale of properties fell. This was due to fewer properties for sale as renovations were delayed in the pre-owned condominium business. However, profits outperformed targets. Although the number of properties for sale was down, gross profit per sale was up due to a buoyant market. Fee revenue was also up in the advisory business, including brokerage commissions from a subsidiary.

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 May on **June 2, 2014**, and for June on **July 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%	-7.0%	-4.9%								
Domestic Department Stores (18 Stores)	31.7%	-13.5%	-6.5%	-4.9%								
Corporate Business	55.4%	-21.1%	-17.9%									
Cross-Media Business	5.4%	-33.8%	-36.0%									

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

On **June 27, 2014**, Takashimaya announced Q1 FY02/15 full-year earnings results.

Quarterly Performance	FY02/14				FY02/15				FY02/15		FY02/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.	% of FY	FY Est.
Sales	214,007	221,284	212,900	255,989	224,269				51.8%	433,000	24.9%	900,000
YoY	3.2%	4.1%	1.7%	6.2%	4.8%					-0.5%		-0.5%
GP	66,093	67,004	65,031	74,940	53,109							
YoY	2.5%	3.4%	2.0%	4.6%	-19.6%							
GPM	30.9%	30.3%	30.5%	29.3%	23.7%							
SG&A	59,999	61,941	59,725	62,304	60,743							
YoY	2.4%	2.3%	0.4%	2.9%	1.2%							
SG&A / Sales	28.0%	28.0%	28.1%	24.3%	27.1%							
OP	6,094	5,062	5,317	12,626	7,535				64.4%	11,700	24.3%	31,000
YoY	3.6%	19.4%	25.1%	13.8%	23.6%					4.9%		6.5%
OPM	2.8%	2.3%	2.5%	4.9%	3.4%					2.7%		3.4%
RP	7,715	5,777	6,151	13,707	8,552				65.8%	13,000	25.2%	34,000
YoY	21.0%	7.7%	13.0%	8.1%	10.8%					-3.7%		1.9%
RPM	3.6%	2.6%	2.9%	5.4%	3.8%					3.0%		3.8%
NI	4,016	3,598	2,995	8,107	4,551				53.5%	8,500	22.2%	20,500
YoY	4.0%	31.1%	19.8%	9.0%	13.3%					11.6%		9.5%
NPM	1.9%	1.6%	1.4%	3.2%	2.0%					2.0%		2.3%

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

In the domestic market, rush demand to beat the consumption tax hike caused a significant increase in sales prior to April 1, 2014. Products were focused on those independently procured overseas, and the company renovated its "Salon de Chic" sales floors at four of its large-scale stores. Salon de Chic is a unique sales floor for which Takashimaya is responsible for the product layout. At its Yokohama store, the company introduced the "Takashimaya Farm" food sales floor, which specializes in organic produce. By assigning purchasing agents to stores, the company also moved to provide a more localized approach to product selection. Concerning expenses, Takashimaya focused on reducing rental expenses associated with real estate purchases for the Shinjuku and Tachikawa stores.

Overseas, sales were up due to factors such as increased floor space at Takashimaya Singapore from fall 2013, but higher rental expenses ultimately resulted in lower profits.

View the full report.

Takihyo Co., Ltd. (9982)

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

On **June 26, 2014**, Takihyo announced earnings results for Q1 FY02/15.

Quarterly Perfo	FY02/13				FY02/14				FY02/15		FY02/15		FY02/15	
(million yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	**18,796**	**16,392**	**21,752**	**17,607**	**19,635**	**17,666**	**23,701**	**18,368**	**19,384**	**-**	**50.1%**	**38,700**	**23.6%**	**82,000**
YoY	15.4%	6.2%	6.2%	2.9%	4.5%	7.8%	9.0%	4.3%	-1.3%	-				
GP	4,695	3,660	5,020	3,424	4,110	3,522	4,897	3,486	4,068	-				
YoY	31.6%	17.5%	3.7%	-1.9%	-12.5%	-3.8%	-2.5%	1.8%	-1.0%	-				
GPM	25.0%	22.3%	23.1%	19.4%	20.9%	19.9%	20.7%	19.0%	21.0%	-				
SG&A	3,650	3,317	3,515	3,573	3,736	3,408	3,550	3,399	3,512	-				
YoY	13.2%	6.4%	8.0%	7.3%	2.4%	2.7%	1.0%	-4.9%	-6.0%	-				
SG&A / Sales	19.4%	20.2%	16.2%	20.3%	19.0%	19.3%	15.0%	18.5%	18.1%	-				
OP	**1,045**	**342**	**1,505**	**-148**	**373**	**115**	**1,347**	**86**	**555**	**-**	**92.5%**	**600**	**26.4%**	**2,100**
YoY	203.9%	-	-5.2%	-	-64.3%	-66.4%	-10.5%	-	48.8%	-				
OPM	5.6%	2.1%	6.9%	-	1.9%	0.7%	5.7%	0.5%	2.9%	-				
RP	**1,070**	**351**	**1,519**	**-65**	**453**	**105**	**1,367**	**85**	**605**	**-**	**94.5%**	**640**	**28.8%**	**2,100**
YoY	192.0%	-	-4.3%	-	-57.7%	-	-10.0%	-	33.6%	-				
RPM	5.7%	2.1%	7.0%	-	2.3%	0.6%	5.8%	0.5%	3.1%	-				
NI	**589**	**158**	**907**	**-210**	**271**	**79**	**854**	**-52**	**429**	**-**	**119.2%**	**360**	**35.8%**	**1,200**
YoY	-	-	-3.1%	-	-54.0%	-50.0%	-5.8%	-	58.3%	-				
NPM	3.1%	1.0%	4.2%	-	1.4%	0.4%	3.6%	-	2.2%	-				

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

The company worked to expand its market share through adding value to its products in the realms of quality, materials, design, and functionality. In order to deal with rising costs in the form of a weaker yen, higher raw materials costs, and higher personnel costs at its subcontract factories in China, Takihyo has been in the process of establishing manufacturing bases across Southeast Asia. In addition to improving efficiency at logistics centers, the company has also cut back on SG&A expenses in a variety of ways. As a result, although sales were 1.3% lower YoY, operating profit was significantly higher with a YoY increase of 48.9%.

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Tamagawa Holdings Co., Ltd. (6838)

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

On **June 30, 2014**, Tamagawa Holdings Co., Ltd. announced that it had secured financing from the Higashi-Nippon Bank.

Financing details:
Amount: JPY100mn
Effective date: June 30, 2014
Collateral: Unsecured, unguaranteed
Purpose: Long-term operating funds
Interest rate: 1.350%

On **June 26, 2014**, the company announced the dismissal of its CEO.

As a result of an internal investigation, CEO Setsuya Fukunaga was found to have been engaged in activities that went against the best interests of the company. Although the company has not suffered any direct material losses stemming from his conduct, the investigation concluded that there was a possibility that the company would incur future harm. In light of these facts, the company has removed Fukunaga from the post of CEO.

On **June 2, 2014**, the company announced the cancellation of a capital alliance agreement and the signing of a partnership agreement with ISE Power.

Cancellation of capital alliance agreement
Tamagawa Holdings announced that it canceled the capital alliance agreement announced on May 8, 2014, when the company said it formed a business and capital partnership and that it would issue shares through a third-party allocation. The company announced at that time that it would form business and capital alliances with Hikonobu Ise, president and chairman of Ise Foods Inc., and with Yukihiro Akimoto, president of Retail Branding Co., Ltd. However, Hikonobu Ise did not complete payment for new shares and forfeited the right to allotment. Therefore, the company canceled the agreement. As for Tamagawa's plan to acquire shares in ISE Power, the company said it would disclose its decision at a later date after discussing the matter with concerned parties.

Signing of business partnership agreement with ISE Power
Tamagawa Holdings on May 30, 3014 signed a business partnership agreement with ISE Power. Tamagawa will maintain a previously agreed-upon arrangement in which the company will operate solar-power businesses through ISE Power, of which Yukihiro Akimoto is the chief executive officer and Hikonobu Ise is the chairman. This partnership agreement was signed after discussion with Ise and Ise Foods Inc. concerning the company's relationship with Retail Branding Co., Ltd.

Under the newly signed agreement, Tamagawa and its subsidiaries will help ISE Power operate solar power businesses. Specifically, Tamagawa will provide ISE Power with information on companies that can plan, superviser, and construct solar power facilities.

View the full report.

TOKAI Holdings Corporation (3167)

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

On **June 27, 2014**, the company announced a new three-year midterm plan, Innovation Plan 2016 "Growing."

On **June 9, 2014**, Shared Research updated comments on the company's FY03/14 earnings results after interviewing management.

Quarterly Performance	FY03/13				FY03/14				FY03/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	43,339	40,271	47,269	50,805	43,038	41,277	48,644	56,028	-	-
YoY	3.9%	-1.4%	1.6%	-3.8%	-0.7%	2.5%	2.9%	10.3%		
GP	16,413	15,439	17,973	18,984	15,842	14,906	17,897	19,696		
YoY	0.7%	3.1%	-0.3%	-6.2%	-3.5%	-3.5%	-0.4%	3.8%		
GPM	37.9%	38.3%	38.0%	37.4%	36.8%	36.1%	36.8%	35.2%		
SG&A	14,695	14,584	14,855	15,740	15,194	15,143	15,112	15,500		
YoY	0.7%	0.7%	2.1%	4.9%	3.4%	3.8%	1.7%	-1.5%		
SG&A / Sales	33.9%	36.2%	31.4%	31.0%	35.3%	36.7%	31.1%	27.7%		
OP	1,718	855	3,117	3,244	648	-237	2,785	4,196	-	-
YoY	0.6%	73.4%	-10.5%	-38.1%	-62.3%	-	-10.7%	29.3%		
OPM	4.0%	2.1%	6.6%	6.4%	1.5%	-	5.7%	7.5%		
RP	1,494	661	2,793	3,117	549	-246	2,656	4,054	-	-
YoY	-0.7%	365.5%	-14.6%	-36.4%	-63.2%	-	-4.9%	30.1%		
RPM	3.4%	1.6%	5.9%	6.1%	1.3%	-	5.5%	7.2%		
NI	549	-218	1,436	1,318	149	-503	1,274	1,678	-	-
YoY	62.4%	-	18.0%	-14.2%	-72.7%	-	-11.3%	27.3%		
NPM	1.3%	-	3.0%	2.6%	0.3%	-	2.6%	3.0%		
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	43,339	83,610	130,879	181,684	43,038	84,315	132,959	188,987	100.3%	188,400
YoY	3.9%	1.2%	1.4%	-0.1%	-0.7%	0.8%	1.6%	4.0%		3.7%
GP	16,413	31,852	49,825	68,809	15,842	30,748	48,645	68,341		
YoY	0.7%	1.9%	1.1%	-1.0%	-3.5%	-3.5%	-2.4%	-0.7%		
GPM	37.9%	79.1%	105.4%	135.4%	36.8%	74.5%	100.0%	122.0%		
SG&A	14,695	29,279	44,134	59,874	15,194	30,337	45,449	60,949		
YoY	0.7%	0.7%	1.2%	2.1%	3.4%	3.6%	3.0%	1.8%		
SG&A / Sales	33.9%	72.7%	93.4%	117.9%	35.3%	73.5%	93.4%	108.8%		
OP	1,718	2,573	5,690	8,934	648	411	3,196	7,392	110.3%	6,700
YoY	0.6%	17.0%	0.1%	-18.2%	-62.3%	-84.0%	-43.8%	-17.3%		-25.0%
OPM	4.0%	6.4%	12.0%	17.6%	1.5%	1.0%	6.6%	13.2%		3.6%
RP	1,494	2,155	4,948	8,065	549	303	2,959	7,013	113.5%	6,180
YoY	-0.7%	30.9%	0.6%	-17.9%	-63.2%	-85.9%	-40.2%	-13.0%		-23.4%
RPM	3.4%	5.4%	10.5%	15.9%	1.3%	0.7%	6.1%	12.5%		3.3%
NI	549	331	1,767	3,085	149	-354	920	2,598	102.7%	2,530
YoY	62.4%	-	50.0%	13.6%	-72.9%	-	-47.9%	-15.8%		-18.0%
NPM	1.3%	0.8%	3.7%	6.1%	0.3%	-	1.9%	4.6%		1.3%

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

Sales were up, but profits were down YoY, due to higher promotional expenses and delays in passing on increased procurement costs of LP gas. However, results outperformed forecasts announced in January 2014.

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Verite Co., Ltd. (9904)

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

Verite Co. announced sales figures for May on **June 5, 2014**, for June on **July 4, 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%	-15.0%	-10.9%											
Customer Count	-38.7%	-24.9%	-18.2%											
Sales Per Customer	18.0%	13.2%	9.0%											
Stores	81	81	81											
Comparable Stores														
Sales	-21.8%	-8.6%	-11.1%											
Customer Count	-33.6%	-23.9%	-17.4%											
Sales Per Customer	17.7%	20.1%	7.7%											
Stores	76	79	79											
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.

WirelessGate Inc (9419)

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

On **June 23, 2014**, WirelessGate Inc. announced its participation in the Fujisan Free Wi-Fi Project, a joint project between the private and public sectors.

The Fujisan Free Wi-Fi Project will use WirelessGate's model for building Wi-Fi networks connected to outdoor advertising and digital signage. According to the company, the key points of this model are:

- It is inexpensive for companies building Wi-Fi networks, meaning they can quickly set up networks in target areas.
- It allows the analysis of big data on the flow of people over a wide area—likely to offer mutual benefits between sightseeing areas around Mt. Fuji., including sending customers from one to another.

The company intends to make this model compatible with 00000JAPAN (Five Zero Japan), a unified SSID, making the network a lifeline for tourists and local residents in the event of a disaster.

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

Yumeshin Holdings released announced monthly sales data for May on **June 9, 2014** and for June on **July 7, 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**	**945**	**964**	**1,000**				**8,501**
(YoY)	33.6%	43.5%	40.8%	40.4%	42.2%	53.1%	47.9%	52.0%	47.7%				
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	231	173	171				1,304
(Difference)	-3	4	-41	36	30	43	51	-7	-9				104

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

On **June 19, 2014**, the company announced the acquisition and cancellation of stock options (first to third series) issued via third-party allotment using treasury shares.

Details of the acquisition and cancellation

- Stock name: Yumeshin Holdings Co., Ltd. (first, second, and third series stock options)
- Number of stock options (potential shares in parentheses): first: 970 (970,000); second: 2,270 (2,270,000); third: 1,840 (1,840,000)
- Acquisition value: first: JPY1.3mn; second: JPY2.3mn; third: JPY1.2mn
- Acquisition date: June 18, 2014
- Cancellation date: June 19, 2014.

The company is taking this action because Credit Suisse Securities (Japan) Limited—the allotee of stock options—exercised its right to acquire stock options on June 16, 2014, as per the terms of the allotment. The company also resolved to cancel the acquired stock options.

View the full report.

MONTHLY WRAP – July 2014

ZAPPALLAS, INC. (3770)

A web-based business, mainly offering digital contents centered on fortune-telling.

On **June 30, 2014**, Shared Research updated comments on ZAPPALLAS, INC.'s full-year earnings results for FY04/14 and outlook.

Quarterly Performance (JPYmn)	FY04/13 Q1	FY04/13 Q2	FY04/13 Q3	FY04/13 Q4	FY04/14 Q1	FY04/14 Q2	FY04/14 Q3	FY04/14 Q4	FY04/14 % of FY	FY04/14 FY Est.
Sales	2,369	2,205	2,053	2,262	1,882	2,017	1,912	2,343	-	-
YoY	-16.8%	-9.9%	-15.0%	-4.9%	-20.6%	-8.5%	-6.9%	3.6%		
GP	1,658	1,520	1,411	1,530	1,295	1,371	1,331	1,398		
YoY	-12.8%	-7.4%	-14.1%	-8.8%	-21.9%	-9.8%	-5.6%	-8.6%		
GPM	70.0%	69.0%	68.7%	67.6%	68.8%	68.0%	69.6%	59.7%		
SG&A	1,049	1,229	1,122	1,306	1,120	1,275	1,138	1,123		
YoY	-7.5%	23.6%	10.2%	17.4%	6.7%	3.7%	1.5%	-14.0%		
SG&A / Sales	44.3%	55.8%	54.6%	57.7%	59.5%	63.2%	59.5%	47.9%		
OP	604	307	289	224	175	93	191	263	-	-
YoY	-21.3%	-52.6%	-54.2%	-58.6%	-70.9%	-69.7%	-33.9%	17.4%		
OPM	25.5%	13.9%	14.1%	9.9%	9.3%	4.6%	10.0%	11.2%		
RP	607	315	419	315	152	100	247	253	-	-
YoY	-21.1%	-51.4%	-33.8%	-42.2%	-74.9%	-68.1%	-41.1%	-19.7%		
RPM	25.6%	14.3%	20.4%	13.9%	8.1%	5.0%	12.9%	10.8%		
NI	348	247	299	22	86	72	161	56	-	-
YoY	-23.4%	-34.7%	-29.2%	-93.1%	-75.2%	-70.9%	-46.2%	151.2%		
Cumulative	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**% of FY**	**FY Est.**
Sales	2,369	4,574	6,628	8,890	1,882	3,899	5,812	8,155	99.5%	8,200
YoY	-16.8%	-13.6%	-14.0%	-11.9%	-20.6%	-14.8%	-12.3%	-8.3%		-7.8%
GP	1,658	3,178	4,589	6,118	1,295	2,666	3,997	5,396		
YoY	-12.8%	-10.3%	-11.5%	-10.8%	-21.9%	-16.1%	-12.9%	-11.8%		
GPM	70.0%	69.5%	69.2%	68.8%	68.8%	68.4%	68.8%	66.2%		
SG&A	1,049	2,279	3,400	4,706	1,120	2,395	3,533	4,656		
YoY	-7.5%	7.0%	8.1%	10.5%	6.7%	5.1%	3.9%	-1.1%		
SG&A / Sales	44.3%	103.3%	165.6%	208.0%	59.5%	118.7%	-	198.7%		
OP	604	910	1,199	1,423	175	268	459	722	103.1%	700
YoY	-21.3%	-35.6%	-41.3%	-44.9%	-70.9%	-70.5%	-61.7%	-49.2%		-50.8%
OPM	25.5%	41.3%	58.4%	62.9%	9.3%	13.3%	-	30.8%		8.5%
RP	607	921	1,340	1,655	152	253	500	752	106.0%	710
YoY	-21.1%	-35.0%	-34.6%	-36.2%	-74.9%	-72.6%	-62.7%	-54.5%		-57.1%
RPM	25.6%	41.8%	65.3%	73.2%	8.1%	12.5%	-	32.1%		8.7%
NI	348	596	895	917	86	158	319	376	98.9%	380
YoY	-23.4%	-28.5%	-28.7%	-41.9%	-75.2%	-73.4%	-64.3%	-59.0%		-58.6%

Source: Company data
Figures may differ from company materials due to differences in rounding methods.
Gross profit excludes provision for sales returns.

On a quarterly basis, sales grew significantly in Q4. This is due to strong sales in the commerce segment as subsidiary BxE introduced a new product. BxE sales were up 3x, following the launch of the new product, medel, in March 2014. CoGS also increased sharply quarter-on-quarter, in line with higher CoGS at BxE. Labor costs were also up, partly due to bonuses paid in Q4. Excluding these factors, the basic cost structure remains unchanged. Despite rising personnel expenses on the back of bonus costs, the company has kept SG&A expenses down by cutting advertising costs. As a result, operating profit was up YoY in Q4, despite having fallen YoY in Q1 through Q3.

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MONTHLY WRAP – July 2014

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Contact Details

http://www.sharedresearch.jp
Email: info@sharedresearch.jp

3-31-12 Sendagi ,
Bunkyo-ku Tokyo, Japan
Phone: +81 (0)3 5834-8787