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Shared Research



Monthly musings

Market view from Sendagi

残暑お見舞い申し上げます。

Natsubate (summer fatigue) is a Japanese word for feeling tired and lethargic due to the summer heat and rapid changes in temperature—from humid swelter outside to air-conditioned cold inside.

Is the market experiencing an onset of *natsubate*? Europe has been correcting since the beginning of July (Ukraine?). The US looks like it might have a break too. Japan was the only market to stay up in the month of July—only to have an **unnerving dive to end the first week of August**. The headlines in Japan blamed the US bombings in Iraq. The US market later went up—allegedly because “Russia is moving to de-escalate the Ukraine crisis.”¹ It is **disappointing**. Despite strong corporate earnings and cheaper yen, the Japanese stock market has struggled to break out and set new highs.

I feel apprehensive. Watching the tape on a daily basis, it seems to me that here in Japan, left alone, equities “want to go up.” But at the same time, as we go through the results season, everything gets “priced in.” Will we find ourselves at the end of the rope with no short-term catalysts and get DAXed down and CACed away? Last Friday suggested just that.

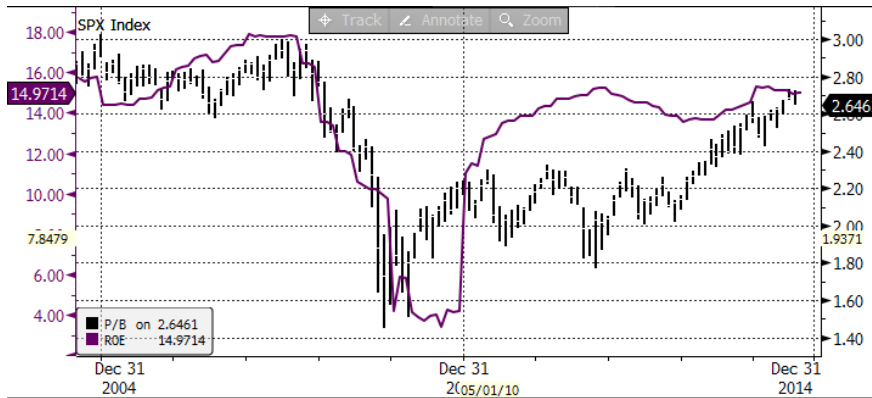
Focusing on a **longer-term** horizon, things still look **bullish**. Despite already being close to the previous cycle’s peak ROE, the Topix’s **PBR** is still hovering near the level seen at the very **bottom of the previous cycle**—amid then-persisting concerns that the Japanese banking system would go into a tailspin. It appears likely that given the ongoing strength in corporate earnings, the peak ROE in this cycle will be above last cycle’s. Will the Ps in the PBR follow?



(Source: Bloomberg)

It is interesting to compare Japanese price performance with the US equity market. Japanese companies are often criticized for their low ROEs. However, in terms of trough-to-peak stock market returns, the criticism misses the point. While it is obvious that higher returns should lead to higher valuations, this fact is reflected in lower equity valuation bands. However, as the chart on the next page shows, in the US, corporate returns recovering to the pre-crisis level have led to PBRs doing the same.

¹Adam Shell, “Pre-market Dow reversal illustrates Ukraine sway over markets,” *USA Today Money*, August 8, 2014, <http://americasmarkets.usatoday.com/2014/08/08/pre-market-dow-reversal-illustrates-ukraine-sway-over-markets/>



(Source: Bloomberg)

Not in Japan. Here, a **persistent gap** has developed. The fair value is determined by the cost of capital and expected earnings growth. Did something happen to Japan so that the market now believes that either the former has gone up or the latter has gone down? If so, this becomes a very complex discussion. If not, Japan is undervalued and should go up at least 30%.

Let me throw in a few similar charts—showing the same relationship with the stock indices of Germany, France, and the UK.



(Source: Bloomberg)



(Source: Bloomberg)



(Source: Bloomberg)

I don't know what you think, but to me **Japan looks underappreciated**. Come on, we can't be much worse than the French who seem to have even lower ROEs. *C'est clair, n'est-ce pas?*

Discussion of ROEs brings me back to corporate governance issues in Japan. In the previous installment of the Market View I discussed the differences between the Japanese and British Stewardship Codes. I showed that while Japan's Stewardship Code heavily borrows from the UK original, it **watered down** the demands for institutional investors to act—and to do so together—if investee companies don't deliver good governance.

Arguably, that can be explained away by both a non-confrontational culture and a higher tendency to comply with non-binding regulations in Japan. The latter is important—one could expect Japanese companies to behave more or less in line with the generally prescribed guidelines, and thus investors may not have to conduct proxy fights and try to oust management.

Maybe all we **need is a good set of guidelines**. And this is where the next battle for better governance of corporate Japan will be fought: the Corporate Governance Code.

I believe that the **introduction of the Code** in Japan **matters** more than it would in almost any other developed market. The reason is the unique Japanese management incentive system. I'm talking about the vexing and persistent issue that makes it so hard to align the interests of managements and investors in Japan—comparatively low levels of senior management compensation and lack of share price performance-based options. Simply speaking, the top managers in Japan are paid dramatically less than their US or European counterparts.

In Japan, **wealth** has traditionally been **frowned upon**. Greed is bad. Explicitly going after money is simply not what executives do. As a result, while performance pay has been in place for years, the difference in compensation between low-level and senior employees is laughable by US or UK standards. And while there has been some talk about the **need for a system** that would **attract global talent**, I don't see big changes on the horizon. Neither senior executives nor ordinary Japanese seem to believe that paying hundreds of millions of yen would do their country or their companies much good.

The negative spillover effect from this unique situation is that by and large, the corporate leadership doesn't care that much about their stock performance. They may care more about growing earnings. However, here too, individual monetary incentives are weak to non-existent.

Japanese CEOs are selected by their peers, many of whom joined the firm straight from the college, more or less at the same time. In many cases, the departing CEO decides who his (almost never her) successor will be and outsiders such as independent directors or shareholders have very little say in the process. Traditionally, Japan has had precious few of the former while the latter are silent and passive (that



includes large foreign institutions, probably all too keen to distribute their fund products).

At the same time, the Japanese culture is one of compliance and consensus—just watch people waiting for a green light on a three-meter-wide—and car-free—pedestrian crossing in Tokyo. I believe explicit sets of guidelines and rules spelled out in governance and stewardship codes may provide a **different mechanism to boost corporate governance** and shareholder returns.

If such codes prescribe certain “correct” behavior and procedures, in my experience, Japanese management will likely abide. Therefore, if investors are encouraged—by the stewardship code—to press companies to follow the governance code, and the governance code encourages managements to care about shareholders under supervision of independent directors—then the end result is likely to be a gradual but disciplined march towards better shareholder returns. It means that a lot will depend on **how much substance** Japan’s Governance Code will have.

The only semi-official governance document in Japan is the [Principles of Corporate Governance for Listed Companies](#) by the Tokyo Stock Exchange (last revised in 2009). A triumph of form over substance, the document is vague, generic, and stops far short of setting the ground rules for delivering better value. The devil is in the details, or in case of the TSE’s Principles, the lack thereof.

The document marks a stark contrast with the Corporate Governance Rules of the NYSE or the UK Corporate Governance Code. The Nikkei mentioned in its August 8th issue that the new Japanese governance code will be based on the [OECD Principles of Corporate Governance](#) published in 2004. The article further said that the debate on the governance code issue officially started on August 7, 2014, led by the FSA and TSE. It is expected to produce official recommendations for the Code by June 2015.

The OECD Principles are short on specifics. Even subtle dilution of their intended substance would produce a weak document and yet another disappointment in Japan’s ability to reform.

The main points of contention are the introduction of **multiple outside directors** to Japanese corporate boards and **measures to limit corporate cross shareholdings**. The outside director issue is particularly thorny.

An extreme view on corporate governance in Japan is that most of its companies are effectively hijacked by **managements** who are not accountable to (passive and disorganized) shareholders and whose main **incentives are ensuring their own continuity**. The managements of large companies are organized in a powerful lobby led by Keidanren and are set to oppose any changes that would threaten their dominance.

Managements argue that they strive for continuity of their businesses for the benefit of all stakeholders. In my view, the reality is quite different. The fair treatment of the stakeholders—also prominent in the OECD Principles—is a fig leaf. Behind it is the drive by management of individual companies and groups to self-perpetuate. That leads to suboptimal returns, suboptimal business size and structure, and in the long run—the lower competitiveness of Japanese business.

The next issue of the Market View will explain why this is the case and discuss how the right set of governance rules (ideally, again modeled on the UK Corporate Governance Code) and the enforcement of those rules through transparency and shaming can change how corporate Japan behaves for the better.

Yours truly,

Oleg Zuravljov



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TOPIX100 Portfolio

Return Comparison (%)	
TPX100	1.92
Portfolio	2.00
TPX100 Points	
2014/5/2	781.43
2014/8/8	802.07

Start Date	Current Date
2014/5/2	2014/8/8

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 (%)	Ticker	Name	Weight Rel. To TPX100	Total Return (%)	Wgt (%)
7203 JT Equity	Toyota Motor Corp	OW	4.87	11.0	6326 JT Equity	Kubota Corp	MW	3.33	0.7
8306 JT Equity	Mitsubishi UFJ Financial Group Inc	BOW	1.18	8.0	8750 JT Equity	Dai-ichi Life Insurance Co Ltd/The	MW	-5.07	0.7
9984 JT Equity	SoftBank Corp	MW	-13.02	3.7	8725 JT Equity	MS&AD Insurance Group Holdings	OW	-6.95	1.0
8316 JT Equity	Sumitomo Mitsui Financial Group Ir	BOW	-4.97	5.9	7974 JT Equity	Nintendo Co Ltd	BOW	-1.23	1.3
7267 JT Equity	Honda Motor Co Ltd	MW	-1.16	3.0	2503 JT Equity	Kirin Holdings Co Ltd	UW	-1.93	0.0
8411 JT Equity	Mizuho Financial Group Inc	BOW	-5.05	4.9	6594 JT Equity	Nidec Corp	MW	8.08	0.6
9432 JT Equity	Nippon Telegraph & Telephone Co	OW	15.36	3.1	9735 JT Equity	Secom Co Ltd	MW	6.40	0.6
2914 JT Equity	Japan Tobacco Inc	UW	0.67	0.0	6702 JT Equity	Fujitsu Ltd	MW	8.57	0.6
6954 JT Equity	FANUC Corp	UW	-3.87	0.0	2502 JT Equity	Asahi Group Holdings Ltd	UW	8.47	0.0
7751 JT Equity	Canon Inc	MW	4.28	1.8	9983 JT Equity	Fast Retailing Co Ltd	UW	0.20	0.0
4502 JT Equity	Takeda Pharmaceutical Co Ltd	MW	-2.26	1.8	9531 JT Equity	Tokyo Gas Co Ltd	MW	6.29	0.6
6501 JT Equity	Hitachi Ltd	UW	-1.50	0.0	4578 JT Equity	Otsuka Holdings Co Ltd	OW	7.34	0.9
9433 JT Equity	KDDI Corp	UW	1.36	0.0	4901 JT Equity	FUJIFILM Holdings Corp	OW	14.49	0.9
8802 JT Equity	Mitsubishi Estate Co Ltd	MW	-4.14	1.6	5020 JT Equity	JX Holdings Inc	MW	-4.29	0.6
3382 JT Equity	Seven & I Holdings Co Ltd	MW	2.93	1.6	8002 JT Equity	Marubeni Corp	OW	4.70	0.8
8801 JT Equity	Mitsui Fudosan Co Ltd	MW	0.32	1.4	8630 JT Equity	NKJ Holdings Inc	OW	-10.71	0.8
8058 JT Equity	Mitsubishi Corp	MW	10.16	1.4	5802 JT Equity	Sumitomo Electric Industries Ltd	MW	5.15	0.5
4503 JT Equity	Astellas Pharma Inc	UW	19.31	0.0	4568 JT Equity	Daichi Sankyo Co Ltd	UW	7.26	0.0
9020 JT Equity	East Japan Railway Co	MW	7.77	1.3	7269 JT Equity	Suzuki Motor Corp	UW	22.46	0.0
9437 JT Equity	NTT DOCOMO Inc	OW	7.75	1.9	1925 JT Equity	Daewa House Industry Co Ltd	MW	11.64	0.5
8031 JT Equity	Mitsui & Co Ltd	OW	11.62	1.9	8035 JT Equity	Tokyo Electron Ltd	MW	8.96	0.5
6752 JT Equity	Panasonic Corp	MW	7.65	1.2	4523 JT Equity	Eisai Co Ltd	MW	7.28	0.5
8604 JT Equity	Nomura Holdings Inc	BOW	0.06	2.4	3402 JT Equity	Toray Industries Inc	MW	2.20	0.5
7201 JT Equity	Nissan Motor Co Ltd	MW	9.67	1.2	5411 JT Equity	JFE Holdings Inc	OW	5.99	0.7
5108 JT Equity	Bridgestone Corp	MW	-3.08	1.2	8308 JT Equity	Resona Holdings Inc	OW	1.77	0.7
6503 JT Equity	Mitsubishi Electric Corp	UW	5.02	0.0	8267 JT Equity	Aeon Co Ltd	BOW	-4.38	0.9
5401 JT Equity	Nippon Steel & Sumitomo Metal Co	MW	6.14	1.2	3407 JT Equity	Asahi Kasei Corp	OW	14.96	0.6
8766 JT Equity	Tokio Marine Holdings Inc	UW	-1.41	0.0	1878 JT Equity	Daico Trust Construction Co Ltd	UW	18.42	0.0
6902 JT Equity	Denso Corp	UW	-2.40	0.0	9202 JT Equity	ANA Holdings Inc	MW	7.30	0.4
9022 JT Equity	Central Japan Railway Co	UW	8.46	0.0	4661 JT Equity	Oriental Land Co Ltd/Japan	UW	22.99	0.0
4063 JT Equity	Shin-Etsu Chemical Co Ltd	MW	2.70	1.1	8795 JT Equity	T&D Holdings Inc	OW	-3.39	0.6
6301 JT Equity	Komatsu Ltd	MW	0.25	1.1	9064 JT Equity	Yamato Holdings Co Ltd	MW	-7.19	0.4
4452 JT Equity	Kao Corp	UW	5.03	0.0	5713 JT Equity	Sumitomo Metal Mining Co Ltd	OW	3.55	0.6
6758 JT Equity	Sony Corp	MW	-3.03	1.0	6988 JT Equity	Nitto Denko Corp	MW	1.62	0.4
7011 JT Equity	Mitsubishi Heavy Industries Ltd	MW	12.33	0.9	2802 JT Equity	Ajinomoto Co Inc	UW	7.41	0.0
8830 JT Equity	Sumitomo Realty & Development C	UW	-4.28	0.0	9532 JT Equity	Osaka Gas Co Ltd	UW	8.87	0.0
8591 JT Equity	ORIX Corp	BOW	-1.75	1.8	9502 JT Equity	Chubu Electric Power Co Inc	MW	2.04	0.4
6981 JT Equity	Murata Manufacturing Co Ltd	MW	8.12	0.9	1963 JT Equity	JGC Corp	MW	-13.66	0.4
7270 JT Equity	Fuji Heavy Industries Ltd	UW	4.39	0.0	8113 JT Equity	Unicharm Corp	MW	8.63	0.4
8001 JT Equity	ITOCHU Corp	UW	10.26	0.0	1928 JT Equity	Sekisui House Ltd	UW	3.96	0.0
6861 JT Equity	Keyence Corp	UW	9.71	0.0	9021 JT Equity	West Japan Railway Co	OW	12.27	0.5
8309 JT Equity	Sumitomo Mitsui Trust Holdings Inx	MW	-4.42	0.8	9503 JT Equity	Kansai Electric Power Co Inc/The	OW	5.54	0.5
6971 JT Equity	Kyocera Corp	MW	0.59	0.8	7752 JT Equity	Ricoh Co Ltd	BOW	-6.51	0.7
6367 JT Equity	Daikin Industries Ltd	MW	7.47	0.8	7202 JT Equity	Isuzu Motors Ltd	MW	19.53	0.3
1605 JT Equity	Indep Corp	OW	1.17	1.2	4911 JT Equity	Shiseido Co Ltd	MW	6.78	0.3
6502 JT Equity	Toshiba Corp	MW	11.68	0.8	8332 JT Equity	Bank of Yokohama Ltd/The	BOW	6.00	0.6
8601 JT Equity	Daewa Securities Group Inc	OW	3.90	1.1	7731 JT Equity	Nikon Corp	BOW	-11.50	0.6
8053 JT Equity	Sumitomo Corp	BOW	-0.42	1.4	5201 JT Equity	Asahi Glass Co Ltd	BOW	-3.19	0.6
7741 JT Equity	Hoya Corp	MW	7.10	0.7	7912 JT Equity	Dai Nippon Printing Co Ltd	OW	9.07	0.4
6273 JT Equity	SMC Corp/Japan	UW	7.79	0.0	4188 JT Equity	Mitsubishi Chemical Holdings Corp	BOW	12.65	0.5

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



New Coverage

SOURCENEXT Corporation (4344)

Plans, develops and sells PC software and smartphone apps. An industry forerunner that also handles other companies' software. One of the top three manufacturers of security software in Japan.

Largest retail over-the-counter (OTC) vendor of PC software in Japan.

Strong in security software

SOURCENEXT plans, develops and sells PC software and smartphone apps. The company uses hardware sales to attract users to its e-commerce site, where they can buy software, its earnings mainstay. The company sets itself apart from its competitors with a "commodity strategy"—high sales volume at low unit prices—and the ZERO model—providing renewals to security software at no additional cost to the consumer. In contrast to many companies that only handle a small lineup of in-house developed software, SOURCENEXT also handles other companies' software. The company is an industry forerunner, often offering innovative new services. For example, in 2013 it launched an "All You Can Use Software" plan.

The company's main PC software product is the ZERO line of security software, popular for its lack of annual renewal fees. Overall, security software accounts for around 20-30% of group sales. The company's strategy is to offer a complete software line-up, so it has a number of other popular titles in addition to its ZERO line—such as IKINARI PDF, FUDEOH, and B's Recorder.

In 2013, SOURCENEXT sold more software by volume than any other PC software manufacturer, and held an 18.8% market share (see note below). It was also among the top three major manufacturers in its mainstay product, security software, where it held a 22.7% market share.

The above is based on GfK Marketing Services Japan Ltd data. The data covers sales of software at major electronics retailers throughout Japan, between January and December 2013. Data is provided for nine categories of software: security, business, systems/environment, work, practical, graphics, education, utilities, and other.

Commodity strategy enables SOURCENEXT to leap ahead

The company was established in 1996 for the purpose of planning, developing and selling computer software. Initially, the company released TOKU-UCHI (a computer typing practice software product) and other differentiated products. However, a turning point was the launch in February 2003 of its commodity strategy. Based on this strategy, the company reduced the price of its mainstay products from JPY5,000-10,000 to JPY1,980. This was the start of its high volume, low margin model. This strategy has proven a success, and the company has grown its market share and sales unit volume.

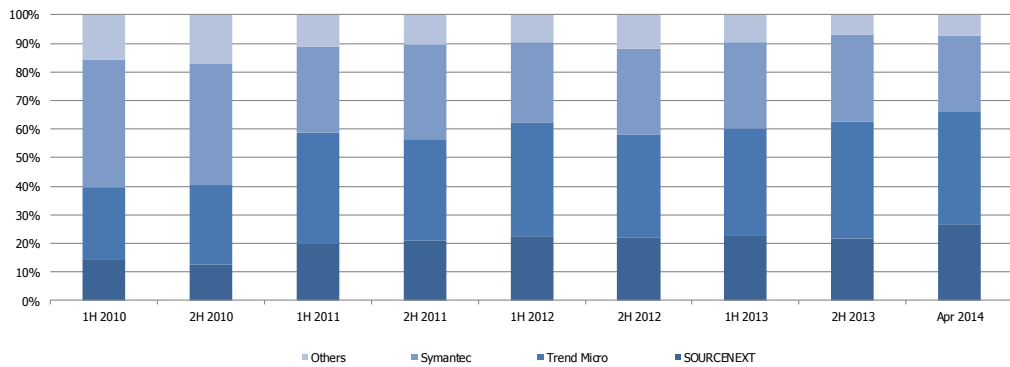
The momentum was further accelerated in July 2006 with the release of its ZERO security software product with no annual renewal fees. This basic commodity strategy adopted for ZERO further refined the company's high volume, low margin model. Not only does it make renewal free (in contrast to its competitors who charge a fee for renewals), it also eliminates the need for troublesome renewals. Since the upfront cost to the consumer is also lower than for competing products, this product was popular and the company became a leader in the security software market. Furthermore, while products with no annual renewal fees pushed up unit sales, they also helped cut support costs on call centers to handle inquiries from customers at renewal times.



There has been a trend toward major PC software manufacturers heavily favoring their own in-house developed software, limiting the number of products that they could handle. However, SOURCENEXT is strong in marketing. The company aims to bring products that meet users’ demands to markets as soon as possible, regardless of whether they were developed in-house or externally. This has also been a factor in its strong unit volume growth.

The company has mainly grown market share by selling products through retailers. However, the global financial crisis that began in 2008 led to problems of excess inventory, and earnings performance took a large, if temporary, hit. In response, the company overhauled its inventory standards and retail channels. This set performance back on a positive track. According to research company GfK, SOURCENEXT had the top ranking in calendar 2013 for retail OTC PC software in the general genre. Of 24 genres, the company ranked number one in five genres.

Software unit sales in the security genre



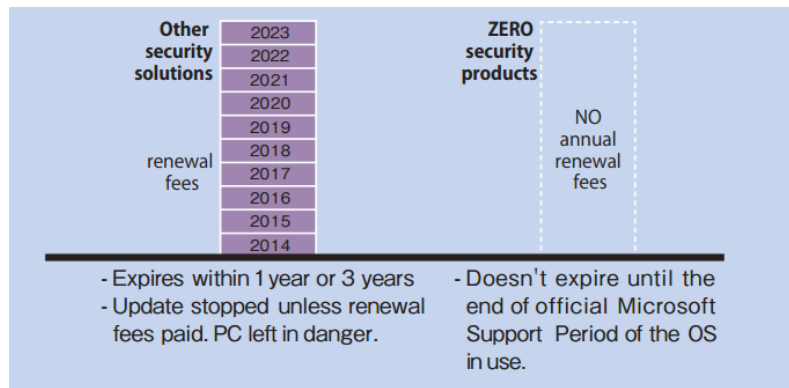
Source: GfK Japan, company data

Overview of free renewal (ZERO) business model

This PC security software product offers annual free renewals. As long as the operating system (OS) software that the product is compatible with is supported, there is no expiry and the product is automatically upgraded to the latest version. Even when the OS is upgraded to a new version, the product renewal for ZERO is free to the user. Within the operating systems covered by the product, users can change to a different OS as long as they delete the entry for their old PC. OS coverage does not include completely new OS software released in the future by manufacturers.



The ZERO fee scheme



Source: Company website

Security software support per OS

OS	Support ends
Windows 8	2023/01/10
Windows 7	2020/01/14
Windows Vista	2017/04/11
Windows Server 2008 Foundation	2019/07/09

Source: Company data

Note: The company's anti-virus software does not require renewal as long as Microsoft Corporation continues to provide security updates. Furthermore, the same software may be transferred to a different OS. However, the software will not support OSs that are unreleased at the time of purchase.

*Microsoft support for Windows XP will end in 2014. Microsoft will continue to provide anti-virus files until end December 2015, but these will not be supported by SOURCENEXT's software.

Initial cost plus renewal fees pricing structure

The costs associated with developing new security software and upgrades are fixed, and do not vary depending on the number of units sold. According to the company, even if the company charged a fee for renewals from the second year onward, the actual renewal rate is only around 50-60% of users. Additional fees and the effort of renewing mean that around 40-50% of users abandon renewals each year, the amount of renewal fees collected is not as great as expected. Furthermore, eliminating renewals also lowers costs on call center support for inquiries from users when renewing. Based on this analysis, the company decided to factor the cost of renewals into the initial product price, and make renewals free. The company went a step further by lowering the upfront price, and switching to a commodity strategy whereby unit volume was the key earnings driver. This led it to offer products at an upfront price of JPY3,780. In July 2006, the company also introduced a zero renewal fee model.

At the time, the average upfront purchase price for competitors' security software was around JPY7,000, and the annual upgrade fee for the second year onward was about 60-70% of the initial price, making it around JPY4,000-5,000. Seen in this light, the company's new pricing strategy was a departure for the market. By introducing the low-cost pricing model, the company's ZERO security software product greatly expanded its user base and the number of stores distributing the product, making it a hit product.



The company's share of the market on a monetary base rose as it increased sales volume, even while expected revenue per user fell to a third that of competitors

Microsoft Corporation's basic product support lifestyle for its Windows OS line is to offer five years of mainstream support (consumer versions) and another five years of extended support (business versions; for a total of 10 years). Assuming then that the average length of time customers will use a particular OS for is five years, the average expected revenue per user would be as shown in the table below.

Average expected revenue per user

(JPY)	Competitors	SOURCENEXT
Initial year	7,000	3,980
Renewal fees		
Second year	2,475 (4,500*55%)	-
Third year	1,361 (4,500*55% ²)	-
Fourth year	748 (4,500*55% ³)	-
Fifth year	411 (4,500*55% ⁴)	-
Total	Approx. 12,000*	3,980

Source: SR

*Note, figures are based on the assumption that between 40 and 50% of all customers will cease to renew each year.

Thus competitors' expected revenue per user is about three times that of the company, at about JPY12,000 (less than JPY4,000 for the company). On the other hand, this means that—assuming security software development costs are the same for the company as its competitors—SOURCENEXT would be able to ensure the same amount of revenue overall were it to secure three times as many users as the other companies. The actual figure is probably less than three times the number of users, because competitors will likely have to pay marketing costs to encourage users to renew.

As of March 2014, the current price of the company's most generic edition of its security software is JPY1,980—half of its former price. Competitors have not made significant attempts to lower the price of their software, which means the company will need to acquire an even greater number of users if it is to get the same revenue. Yet SOURCENEXT's market share (value basis) and number of contracts is increasing at a notable rate along with its reasonable pricing policy.

Zero renewal fee model unique in industry (March 2014)

In October 2010, the company cut the price of its ZERO security software to JPY1,980—half of its former price. This marked an attempt by the company to broaden the appeal of this product line. The following table shows the different security software products. As of March 2014, although the company's two main competitors in this market have introduced fee packages that include two or three years' worth of upgrades, they have not managed to introduce a free-upgrade model. These packages appear to be aimed at appeasing those competitors' existing user bases.



Security software comparison (download versions)

	Trend Micro	SOURCENEXT	Symantec
Product name	Virus Buster	Virus Security ZERO	Norton Internet Security
Price (Vendor's website; JPY)	4,743 (1 year) 8,552 (2 years) 11,238 (3 years)	1,980 (no renewal fees; lasts until the official Windows support period for the OS ends)	6,480 (1 year) 10,980 (2 years) 11,880 (3 years)
Features	Up to three computers	JPY4,980 for the three computer edition (no renewal fees)	Up to three computers

Source: Trend Micro, SOURCENEXT, Symantec data (as of July 11, 2014)

Note: Virus Buster is the Japanese version of Trend Micro Internet Security.




More than 20% share of the new PC market, and more than 8.9mn customers (cumulative basis)

Until 2003 SOURCENEXT bought security software from McAfee Inc (US; a subsidiary of Intel Corporation). After 2003, the company switched its most popular security title to software developed in-house, subcontracting development to K7 Computing Pvt Ltd of India. In the security software category, the company offers three product types, starting from the low-end version and working up to the advanced version, which uses the software engine developed by Bitdefender (developed by the Romanian SOFTWIN Group) and has won the number one ranking for overall performance on the AV-TEST for two years running. Hence, the company's products cater to a range of user needs.

According to the company, it holds over 20% of the security software market. As of January 2014, the registered user base for Virus Security ZERO was more than 8.9mn customers (cumulative basis).



The ZERO Security Software Line

	Super Security ZERO	Cloud Security ZERO	Virus Security ZERO
	Bitdefender Total Security	eScan Internet Suite	K7 Total Security
			
Main characteristics	Premium features and performance*	Great performance at a reasonable price	The most low-cost, lightweight option
Target usage	Anti-theft and encryption software for people who do online banking, shopping, and social networking on their primary computer	Provides a cheap, secure way of deleting important information from computers used mainly for internet access	A lightweight software that is also cheap, for old and secondary computers
Price	For 1 computer: JPY3,800 For 3 computers: JPY7,600	For 1 computer: JPY2,839 For 3 computers: JPY6,648	For 1 computer: JPY1,980 For 3 computers: 4,980
Price on homepage	JPY3,640 (1 computer)	JPY2,780 (1 computer)	JPY1,980 (1 computer)
Basic features	Anti-virus, vulnerability checks, firewall, personal information security, anti-phishing, web filtering, parental controls, anti-spam		
Additional features I	Secure file deletion, performance optimization		-
Additional features II	Money browsing, "virtual" browsing, SNS management, home network management, anti-theft, password management, activity log	-	-
Bundled apps	Android security app (with 3 computer version)	-	-

Source: Company materials

Note: Users may sign up for the company's "Super Discount Download" plan for a cost of JPY2,760 (pretax) per year. This plan allows users to download the latest version of any of the company's software for half the standard price. For example, the one computer version of Super Security ZERO could be purchased for JPY1,900 under this plan.

View the [full report](#).

July 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 **July 18, 2014**, 3-D Matrix Ltd. announced an application to register the locally absorbent hemostatic material TDM-621 as a medical product in Indonesia.

PT. Teguhindo Lestaritama made the application on July 18, 2014. PT. Teguhindo Lestaritama has an exclusive sales agreement in Indonesia with 3-D Matrix Asia Pte. Ltd., the company's Singapore



subsidiary. Indonesia is the second South East Asian country where the company has used the CE Mark to apply to register TDM-621, following the application in Singapore on June 3, 2014.

The company will be able to bring the product to market early if the Indonesian Ministry of Health grants approval. The company aims to begin sales of this product in FY04/15.

On **July 14, 2014**, the company announced commencement of clinical use in the EU for absorbable hemostat "PuraStat®".

The company has been working toward initiating clinical use of absorbable hemostat "PuraStat®" since obtaining CE marking for the product on January 14, 2014. On July 1, 2014, clinical use began at the St. John of God Hospital in Austria.

Doctor Bernhard Dauser of the St. John of God Hospital, Department of Surgery, utilized PuraStat® to control bleeding during a surgical procedure. St. John of God Hospital is a major hospital that conducts more than 4,000 surgical procedures every year

With the beginning of clinical use, the company aims to further promote use of PuraStat® in core European markets, and expand its distribution through exclusive agreements with marketing partners.

On **July 14, 2014**, Shared Research updated the report following interviews with management.

Quarterly Performance (JPYmn)	FY04/13				FY04/14				FY04/14	
	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

Hemostatic agent (TDM-621)

3DM is applying to Japan's Pharmaceuticals and Medical Devices Agency (PMDA) for approval to manufacture and sell this pipeline product in the domestic market. Overseas, the company is in consultations with the Food and Drug Administration, as it looks to begin clinical trials in the US. The company has permission to sell the product in Europe, having been granted the CE mark on January 14, 2014. The company has begun manufacturing TDM-621, and is moving to establish its use in influential medical institutions. The CE mark also means clinical trials are not necessary to manufacture and sell the product in certain countries in Asia, Oceania, and South America.

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.



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

View the [full report](#).

Shared Research



Aeon Delight Co., Ltd. (9787)

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

On **July 18, 2014**, Shared Research updated comments on Aeon Delight Co., Ltd.'s earnings results for Q1 FY02/15 following interviews with management.

(JPYmn)	FY02/13				FY02/14				FY02/15		FY02/15		FY02/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H 1H Est.	% of FY FY Est.	% of 1H 1H Est.	% of FY FY Est.
Sales	58,584	68,187	65,620	56,485	66,711	66,841	61,256	62,435	66,475		49.6%	134,000	24.6%	270,000
YoY	10.6%	19.7%	19.0%	3.2%	13.9%	-2.0%	-6.7%	10.5%	-0.4%		0.3%		5.0%	
GP	6,984	7,998	7,790	7,455	8,173	8,808	7,984	8,749	8,306					
YoY	3.0%	3.5%	10.5%	5.3%	17.0%	10.1%	2.5%	17.4%	1.6%					
GPM	11.9%	11.7%	11.9%	13.2%	12.3%	13.2%	13.0%	14.0%	12.5%					
SG&A	3,890	3,979	4,500	3,957	4,782	4,624	4,589	4,604	4,766					
YoY	5.4%	2.1%	16.8%	15.5%	22.9%	16.2%	2.0%	16.4%	-0.3%					
SG&A / Sales	6.6%	5.8%	6.9%	7.0%	7.2%	6.9%	7.5%	7.4%	7.2%					
OP	3,093	4,020	3,289	3,499	3,390	4,185	3,395	4,145	3,540		46.6%	7,600	22.1%	16,000
YoY	0.2%	5.0%	2.9%	-4.1%	9.6%	4.1%	3.2%	18.5%	4.4%		0.3%		5.9%	
OPM	5.3%	5.9%	5.0%	6.2%	5.1%	6.3%	5.5%	6.6%	5.3%		5.7%		5.9%	
RP	3,102	4,022	3,288	3,480	3,403	4,168	3,411	4,110	3,558		46.8%	7,600	22.2%	16,000
YoY	-1.2%	4.9%	2.4%	-3.3%	9.7%	3.6%	3.7%	18.1%	4.6%		0.4%		6.0%	
RPM	5.3%	5.9%	5.0%	6.2%	5.1%	6.2%	5.6%	6.6%	5.4%		5.7%		5.9%	
NI	1,786	2,158	1,561	2,004	1,858	2,289	1,657	2,357	2,015		48.6%	4,150	23.4%	8,600
YoY	4.8%	7.3%	-1.0%	23.7%	4.0%	6.1%	6.1%	17.6%	8.4%		0.1%		5.4%	
NPM	3.0%	3.2%	2.4%	3.5%	2.8%	3.4%	2.7%	3.8%	3.0%		3.1%		3.2%	

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

Spread of comprehensive FMS

Although results were affected by a rush in demand prior to the consumption tax hike and a pullback afterward, demand for comprehensive facility management services (FMS) proved to be a stabilizing factor, and results were in line with forecasts.

Decrease of 0.4% YoY in sales primarily caused by completion of LED projects

Sales were down 0.4% YoY primarily as a result of LED installations at Aeon Group locations reaching completion in the Construction Work segment. However, other segments showed YoY growth, and operations other than LED installations in the Construction Work segment also had higher sales.

Record quarterly profit through improving productivity and cost controls

Through continued advances in productivity throughout the organization and appropriate cost controls, operating profit was at a record level on a quarterly basis.

Structural reforms to achieve medium term plan results are scheduled to be complete by Q2

A new organizational structure will be in place to begin operation from 2H FY02/15 onward. The company will pay particular attention to strengthening sales activities for solutions to revitalize aging buildings. Aeon Delight has also established an energy conservation system headquarters to concentrate on sales outside of the Aeon group.

View the [full report](#).



Anritsu Corp (6754)

Recognized global leader in mobile communications testing equipment.

On **July 30, 2014**, Anritsu Corp announced Q1 earnings results for FY03/15.

(JPYmn)	FY03/13				FY03/14				FY03/15		FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of FY	Est.
Sales	21,602	24,659	21,393	27,029	22,365	25,687	23,055	30,745	22,172		20.3%	109,000
YoY	10.1%	-1.6%	-0.6%	-1.4%	3.5%	4.2%	7.8%	13.7%	-0.9%			7.0%
GP	11,809	13,462	11,164	14,532	11,857	14,208	12,588	16,300	11,836			
YoY	12.8%	3.8%	-7.8%	6.3%	0.4%	5.5%	12.8%	12.2%	-0.2%			
GPM	54.7%	54.6%	52.2%	53.8%	53.0%	55.3%	54.6%	53.0%	53.4%			
Other Income/Expen	7,843	8,722	8,341	10,349	9,391	10,349	10,026	11,066	10,414			
YoY	2.2%	5.5%	7.6%	-10.3%	19.7%	18.7%	20.2%	6.9%	10.9%			
SG&A / Sales	36.3%	35.4%	39.0%	38.3%	42.0%	40.3%	43.5%	36.0%	47.0%			
OP	3,966	4,740	2,823	4,183	2,466	3,859	2,562	5,234	1,422		8.9%	16,000
YoY	41.8%	0.6%	-35.2%	95.8%	-37.8%	-18.6%	-9.2%	25.1%	-42.3%			13.3%
OPM	18.4%	19.2%	13.2%	15.5%	11.0%	15.0%	11.1%	17.0%	6.4%			14.7%
Pre-tax profit	3,543	4,517	3,423	4,655	2,681	3,884	2,725	4,947	1,350		8.4%	16,000
YoY	43.2%	12.2%	-18.1%	92.8%	-24.3%	-14.0%	-20.4%	6.3%	-49.6%			12.4%
RPM	16.4%	18.3%	16.0%	17.2%	12.0%	15.1%	11.8%	16.1%	6.1%			14.7%
NI	2,528	4,337	2,479	4,543	1,621	2,674	1,770	3,252	815		7.4%	11,000
YoY	46.2%	45.7%	41.2%	200.7%	-35.9%	-38.3%	-28.6%	-28.4%	-49.7%			18.1%
NPM	11.7%	17.6%	11.6%	16.8%	7.2%	10.4%	7.7%	10.6%	3.7%			10.1%

Source: Company data

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

Company forecasts are based on most recent figures.

During Q1, FY03/15, although demand was robust in Asia for test and measurement equipment used in the mobile market, demand for such equipment within Japan was subdued. The company worked to build a strong foundation for business growth via initiatives such as investing in R&D to enhance its solutions offerings, alongside providing superior support to customers. With medium and long term growth as a priority, R&D expenses were at high levels due to an increased number of projects under development (R&D expenses as component of SG&A expenses were JPY3.1bn, compared to JPY2.4bn in Q1 FY03/14). As a result of the above, sales were 22.2bn (-0.9% YoY) and operating profit was JPY1.4bn (-42.3%).

View the [full report](#).



Apamanshop Holdings Co., Ltd. (8889)

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

On **July 28, 2014**, Apamanshop Holding announced earnings results for Q3 FY09/14.

Quarterly Performance (JPYmn)	FY09/13				FY09/14				FY09/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	9,000	9,734	9,105	8,803	8,872	9,962	8,928	-	75.0%	37,000
YoY	-7.2%	-5.3%	-3.9%	-4.0%	-1.4%	2.3%	-1.9%	-		1.0%
GP	2,192	2,583	2,573	2,566	2,199	2,856	2,608	-		
YoY	-10.3%	-3.5%	3.4%	5.8%	0.3%	10.6%	1.4%	-		
GPM	24.4%	26.5%	28.3%	29.1%	24.8%	28.7%	29.2%	-		
SG&A	1,915	1,807	1,963	1,918	1,911	1,967	2,161	-		
YoY	-3.2%	-4.1%	-3.8%	5.7%	-0.2%	8.9%	10.1%	-		
SG&A / Sales	21.3%	18.6%	21.6%	21.8%	21.5%	19.7%	24.2%	-		
OP	276	777	610	647	288	888	447	-	67.6%	2,400
YoY	-40.6%	-1.9%	36.2%	5.9%	4.3%	14.3%	-26.7%	-		3.9%
OPM	3.1%	8.0%	6.7%	7.3%	3.2%	8.9%	5.0%	-		6.5%
RP	-32	677	458	305	126	762	189	-	63.4%	1,700
YoY	-	13.4%	133.7%	-4.4%	-	12.6%	-58.7%	-		20.7%
RPM	-	7.0%	5.0%	3.5%	1.4%	7.6%	2.1%	-		4.6%
NI	-425	1,878	75	685	929	248	-80	-	54.9%	2,000
YoY	-	1576.8%	-58.3%	-32.7%	-	-86.8%	-	-		-9.6%
NPM	-	19.3%	0.8%	7.8%	10.5%	2.5%	-	-		5.4%

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

Source: Company data processed by SR Inc.

During cumulative Q3 FY09/13, the company booked a JPY1.7bn extraordinary gain from changes to its shareholding structure in SystemSoft, an equity-method affiliate. Since a similar gain was not posted during cumulative Q3 FY09/14, the reduction in net income exceeded the reduction in recurring profit.

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ArtSpark Holdings Inc. (3663)

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

On **July 25, 2014**, ArtSpark Holdings Inc. announced earnings results for 1H FY12/14.

Quarterly Performance (JPYmn)	FY12/13				FY12/14				FY12/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY I	FY Est.
Sales	1,152	706	905	921	813	625			94.1%	1,527
YoY	-	-3.8%	-8.7%	1.6%	-29.5%	-11.5%				-17.8%
GP	562	81	223	281	220	109				
GPM	48.8%	11.5%	24.6%	30.5%	27.1%	17.4%				
SG&A	327	300	315	269	285	262				
YoY	-	-15.6%	-12.3%	-25.9%	-12.9%	-12.5%				
OP	236	-218	-98	12	-66	-152			-	-265
YoY	-	-	-	-	-	-			-	-
OPM	20.5%	-	-	1.3%	-	-			-	-
RP	232	-204	-102	5	-74	-156			-	-275
YoY	-	-	-	-	-	-			-	-
NI	203	-186	-107	133	-64	-163			-	-278
YoY	-	-	-	-	-	-			-	-
Cumulative Figures	Q1	1H	Q3	2H					% of FY I	FY Est.
Sales	1,152	1,859	2,764	3,685	813	1,438			38.1%	3,775
YoY	-	153.1%	60.1%	40.0%	-29.5%	-22.7%				2.4%
GP	562	643	866	1,147	220	329				
GPM	48.8%	34.6%	31.3%	31.1%	27.1%	22.9%				
SG&A	327	627	942	1,212	285	547				
YoY	-	76.4%	31.8%	12.3%	-12.9%	-12.7%				
OP	236	17	-81	-69	-66	-218			-	63
YoY	-	-	-	-	-	-			-	-
OPM	20.5%	0.9%	-	-	-	-			-	1.7%
RP	232	28	-74	-68	-74	-230			-	36
YoY	-	-	-	-	-	-			-	-
NI	203	17	-90	43	-64	-227			-	26
YoY	-	-	-	-	-	-			-	-39.3%

Source: Company data, SR

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

The company was formed from a merger of CELSYS, Inc. and HI CORPORATION in April 2012, and thus FY12/12 is a nine month period.

Sales for 1H FY12/14 were JPY1.4bn (-22.7% YoY). Reduced mobile royalties revenue was recorded in the UI/UX business, leading to an operating loss of JPY218mn (operating profit of JPY17mn in 1H FY12/13). Recurring loss was JPY230mn (recurring profit of JPY28mn in 1H FY12/13) due to factors such as booking a JPY3mn foreign exchange loss. Net loss was JPY227mn (net income of JPY17mn in 1H FY12/13), due in part to recording JPY14mn in negative goodwill for the acquisition of HI Corporation Kansai. During FY12/14, ArtSpark is restructuring, and plans call for business results to show improvement during 2H. Although sales for 1H did not meet the company's initial targets, the effects of rationalization resulted in profits exceeding forecasts. The company had not changed its full year earnings forecast.

On **July 24, 2014**, the company announced that wholly-owned subsidiary Celsys Inc. would hold a promotional campaign offering popular illustrator software CLIP STUDIO PAINT free of charge, to the 40mn members of the niconico service.

Dwango Co., Ltd (TSE1: 3715) and Niwango, Inc. (unlisted) manage niconico, including the niconico Seiga service that allows users to upload illustrations and comics. This campaign is aimed at users of these services, and began on July 24, 2014. Niconico members that register on the company's promotional site can enjoy the use of CLIP STUDIO PAINT DEBUT free of charge for one month. Premium members may use the software for three months free of charge.

View the [full report](#).



Axell Corporation (6730)

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

On **July 25, 2014**, Axell Corporation announced results for Q1 FY03/15.

Quarterly Performance (JPYmn)	FY03/14				FY03/15				FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	3,154	2,521	3,265	2,103	3,326	-	-	-	62.8%	5,300
YoY	-23.3%	-53.4%	-8.0%	-42.3%	5.5%	-	-	-	-	-6.6%
GP	1,190	1,209	1,696	1,111	1,569	-	-	-	-	-
YoY	-41.4%	-25.0%	-6.1%	-6.8%	31.8%	-	-	-	-	-
GPM	37.7%	48.0%	51.9%	52.8%	47.2%	-	-	-	-	-
SG&A	668	833	883	884	681	-	-	-	-	-
YoY	10.6%	-7.8%	23.0%	-23.6%	1.9%	-	-	-	-	-
SG&A / Sales	21.2%	33.0%	27.0%	42.0%	20.5%	-	-	-	-	-
OP	521	377	813	227	888	-	-	-	126.9%	700
YoY	-63.5%	-46.8%	-25.3%	530.6%	70.4%	-	-	-	-	-22.0%
OPM	16.5%	15.0%	24.9%	10.8%	26.7%	-	-	-	-	-
RP	518	378	817	227	890	-	-	-	127.1%	700
YoY	-63.8%	-46.8%	-25.4%	548.6%	71.8%	-	-	-	-	-21.9%
RPM	16.4%	15.0%	25.0%	10.8%	26.8%	-	-	-	-	-
NI	338	234	257	169	634	-	-	-	126.8%	500
YoY	-63.9%	-51.5%	-64.7%	-	87.6%	-	-	-	-	-12.6%
NPM	10.7%	9.3%	7.9%	8.0%	19.1%	-	-	-	-	-

Source: Company data, SR.

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

Company forecasts are the most recent figures.

According to the company, various factors have made the amusement machines market—typified by pachinko and pachislot machines—less forgiving. Although sales of select machines that have proved popular in the past have been stable, the environment surrounding amusement halls has remained harsh. When comparing pachinko and pachislot machines, sales of pachinko machines were particularly weak.

Sales by product are as follows:

Sales of LSI devices for amusement machines—such as pachinko and pachislot machines—were JPY3.2bn (+5.6% YoY). Unit sales of Graphic LSIs for the amusement machine market were approximately 420,000 units, up by about 100,000 units YoY. Although reuse of the AG4 component is also beginning to have an effect on sales volume, demand for products made by firms that use the component was strong, providing a boost to sales. Other products for the amusement machine market—such as LED driver LSIs and memory modules—were adversely affected by demand from specific customers, leading to lower sales YoY.

View the [full report](#).



Bell-Park Co., Ltd. (9441)

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

On **July 4, 2014**, Bell-Park announced June monthly sales estimate.

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

View the [full report](#).



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 **July 30, 2014**, Benefit One Inc. announced Q1 earnings results for FY03/15.

Quarterly performance (JPYmn)	FY03/13				FY03/14				FY03/15		FY03/15		FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	3,886	4,290	4,526	4,908	4,552	4,884	5,283	5,637	4,850		46.2%	10,500	20.6%	23,500
YoY	13.4%	17.9%	20.0%	19.2%	17.1%	13.8%	16.7%	14.9%	6.5%			11.3%		15.4%
GP	1,544	1,345	1,855	1,944	1,768	1,526	2,102	2,142	1,936					
GPM	39.7%	31.4%	41.0%	39.6%	38.8%	31.2%	39.8%	38.0%	39.9%					
SG&A	1,075	934	953	994	1,218	1,050	1,005	1,095	1,340					
YoY	11.2%	12.3%	17.8%	21.1%	13.3%	12.4%	5.5%	10.2%	10.0%					
OP	469	411	901	950	549	476	1,097	1,047	596		53.2%	1,120	16.5%	3,620
YoY	27.8%	4.8%	4.6%	11.6%	17.1%	15.8%	21.8%	10.2%	8.6%			9.3%		14.2%
OPM	12.1%	9.6%	19.9%	19.4%	12.1%	9.7%	20.8%	18.6%	12.3%			10.7%		15.4%
RP	470	406	888	950	530	456	1,102	1,057	600		54.5%	1,100	16.7%	3,600
YoY	26.7%	5.2%	2.9%	6.5%	12.8%	12.3%	24.1%	11.3%	13.2%			11.6%		14.5%
RPM	12.1%	9.5%	19.6%	19.4%	11.6%	9.3%	20.9%	18.8%	12.4%			10.5%		15.3%
NI	281	240	541	561	302	263	692	635	368		54.1%	680	16.4%	2,250
YoY	31.9%	8.1%	10.0%	7.9%	7.5%	9.6%	27.9%	13.2%	21.9%			20.4%		18.9%
NPM	7.2%	5.6%	12.0%	11.4%	6.6%	5.4%	13.1%	11.3%	7.6%			6.5%		9.6%

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

Source: Company data

The domestic economy recovered moderately in Q1. In addition to the rush to beat the consumption tax hike and subsequent fallback, the government’s economic policies and the BoJ’s ongoing monetary easing led to an upturn in corporate earnings and employment.

The company took advantage of the service infrastructure it has built up in the benefit segment across multiple businesses. It also focused on overseas development.

Initiatives

Benefit segment

Membership grew in the mainstay benefit segment. The company focused on sales to SMEs and made proposals to private and public bodies for strategies to make management more efficient and increase employee satisfaction.

Incentive segment

In this segment, the company manages incentive point systems. Clients converted accumulated points at a healthy rate.

Personal segment

In this segment, the company works with clients to offer services to individual customers. Membership grew, mainly for key clients.

Healthcare segment

In this segment, the company offers a one-stop service—offering everything from check-up reservation services to specialized healthcare guidance. The company focused on improving its sales structure, including the launching of new services and cross-selling healthcare products to clients from the benefit segment under the banner of “healthy management.”

View the [full report](#).



Canon Marketing Japan Inc. (8060)

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

On **July 29, 2014**, Shared Research updated comments on Canon Marketing Japan Inc.’s (CMJ) Q2 FY12/14 earnings results and the outline of the company’s full-year forecasts following interviews with management.

Quarterly Performance (JPYmn)	FY12/13				FY12/14				FY12/14		FY12/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.	% of FY	FY Est.
Sales	150,210	159,222	159,190	188,593	182,697	145,658			+48.5%	677,200	+48.8%	673,200
YoY	-7.9%	-0.5%	+3.1%	+3.8%	+21.6%	-8.5%				+3.0%		+2.4%
GP	49,276	53,927	55,215	61,791	61,046	53,667						
YoY	-8.7%	-1.4%	+5.8%	+3.0%	+23.9%	-0.5%						
GPM	32.8%	33.9%	34.7%	32.8%	33.4%	36.8%						
SG&A	48,873	50,263	50,913	53,148	51,814	50,387						
YoY	-3.1%	-0.3%	+1.6%	+0.1%	+6.0%	+0.2%						
SG&A / Sales	32.5%	31.6%	32.0%	28.2%	28.4%	34.6%						
OP	403	3,663	4,302	8,644	9,231	3,280			+54.9%	22,800	+66.5%	18,800
YoY	-88.6%	-14.3%	+106.6%	+25.2%	-	-10.5%				+34.0%		+10.5%
OPM	0.3%	2.3%	2.7%	4.6%	5.1%	2.3%				3.4%		2.8%
RP	536	4,331	4,473	8,870	9,369	4,083			+56.3%	23,900	+67.6%	19,900
YoY	-85.4%	-13.7%	+95.8%	+24.4%	-	-5.7%				+31.2%		+9.3%
RPM	0.4%	2.7%	2.8%	4.7%	5.1%	2.8%				3.5%		3.0%
NI	-35	2,008	2,711	5,483	5,707	2,144			+58.2%	13,500	+65.4%	12,000
YoY	-	-26.4%	+143.6%	+14.8%	-	+6.8%				+32.8%		+18.0%
NPM	-	1.3%	1.7%	2.9%	3.1%	1.5%				2.0%		1.8%

Source: Company data

Factors such as the rush to beat the consumption tax hike and subsequent fallback led to some volatility during 1H, but the economy picked up, partly due to increased corporate capex. Some CMJ products suffered from the fallback after the rush to beat the consumption tax hike, but the company’s foresighted sales efforts in Q1 paid off. Profits increased significantly due to higher sales, particularly of high margin products.

The company also announced revisions to its full-year earnings and dividends forecasts.

Revisions to forecasts (JPYmn)	FY12/13		FY12/14		Difference	Vs. previous forecast	YoY
	Act.	Est. (1/28)	Est. (7/23)				
Sales	657,215	673,200	677,200		+4,000	+0.6%	+3.0%
Operating profit	17,012	18,800	22,800		+4,000	+21.3%	+34.0%
Recurring profit	18,210	19,900	23,900		+4,000	+20.1%	+31.2%
Net income	10,167	12,000	13,500		+1,500	+12.5%	+32.8%
EPS	76.7	92.5	104.1		+11.6	+12.5%	+35.8%
DPS	24.0	24.0	30.0		+6.0	+25.0%	+25.0%

Source: Company data

View the [full report](#).



MONTHLY WRAP –August 2014



Chiyoda Co., Ltd. (8185)

Retailer specializing in low-price shoes.

Chiyoda Co., Ltd. announced monthly sales data for June on **July 2, 2014** and for July on **August 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%
Customer count	-7.6%	-2.4%	-0.6%	-4.5%	-4.7%	-5.7%	-2.1%	1.7%	-8.9%	6.3%	1.0%	4.7%
Spend per customer	-1.1%	0.3%	-0.8%	-2.5%	-1.1%	-2.4%	-0.7%	-3.1%	-4.8%	-3.4%	-4.7%	-3.9%
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%
Customer count	-1.2%	-2.1%	-3.6%	-1.8%	-2.1%	-5.7%	-3.5%	1.8%	-4.9%	-4.6%	-2.5%	0.3%
Spend per customer	-5.5%	-4.2%	-4.0%	-2.7%	-2.6%	-3.1%	-4.1%	0.3%	-0.6%	1.5%	2.4%	2.7%
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%
Customer count	-19.6%	1.5%	0.9%	0.6%	5.2%	-0.1%	-0.1%	-1.1%	4.1%	1.9%	-0.7%	0.5%
Spend per customer	2.8%	2.5%	1.5%	1.2%	0.1%	1.0%	1.5%	0.6%	2.0%	1.0%	0.2%	0.9%
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%
Customer count	13.3%	0.7%	-5.3%	-3.2%	-6.5%	-4.4%	-0.3%	-9.1%	-0.5%	-4.9%	-3.0%	-7.7%
Spend per customer	2.0%	1.4%	0.7%	2.6%	2.8%	0.9%	0.1%	0.2%	2.0%	2.1%	1.3%	0.9%
FY02/14	2.8%	-9.5%	-2.1%	1.3%	-8.4%	0.3%	-3.0%	-3.7%	-2.2%	-3.4%	-8.5%	17.3%
Customer count	1.7%	-10.7%	-4.1%	0.3%	-8.1%	-1.7%	-5.7%	-5.6%	-5.1%	-4.1%	-9.6%	14.3%
Spend per customer	1.0%	1.3%	2.0%	1.0%	-0.3%	2.0%	2.8%	1.9%	3.0%	0.7%	1.2%	2.6%
FY02/15	15.0%	-8.3%	-3.3%	-9.1%	-4.3%							
Customer count	6.3%	-10.6%	-7.8%	-11.8%	-8.8%							
Spend per customer	8.1%	2.6%	4.8%	3.0%	4.8%							

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%
Customer count	-6.5%	-0.8%	1.9%	-1.9%	-2.9%	-3.1%	1.2%	5.2%	-5.8%	8.9%	4.1%	8.3%
Spend per customer	0.0%	0.7%	0.2%	-1.8%	-0.5%	-1.8%	0.0%	-2.3%	-4.6%	-3.1%	-4.2%	-3.5%
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%
Customer count	2.8%	1.5%	-0.5%	1.2%	0.5%	-3.3%	-2.1%	2.7%	-4.8%	-4.7%	-2.3%	0.8%
Spend per customer	-5.2%	-4.2%	-3.9%	-2.6%	-2.5%	-2.9%	-4.0%	0.3%	-0.3%	1.8%	2.5%	2.8%
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%
Customer count	-20.9%	-0.8%	-0.7%	-1.0%	3.4%	-1.3%	0.3%	-1.5%	4.8%	1.3%	-1.9%	-0.1%
Spend per customer	2.9%	2.6%	1.6%	1.2%	0.2%	0.9%	1.3%	0.3%	1.9%	0.9%	0.1%	0.8%
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%
Customer count	11.9%	-0.6%	-6.8%	-4.2%	-7.5%	-5.7%	-1.4%	-9.8%	-0.2%	-4.6%	-2.8%	-7.5%
Spend per customer	2.1%	1.4%	0.7%	2.6%	2.8%	0.9%	0.2%	0.4%	2.1%	2.2%	1.3%	1.0%
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%
Customer count	2.5%	-9.6%	-2.6%	2.2%	-6.4%	-0.4%	-4.4%	-4.4%	-4.3%	-3.4%	-8.9%	14.7%
Spend per customer	1.0%	1.5%	2.2%	1.0%	-0.3%	2.2%	3.0%	2.0%	3.3%	0.9%	1.4%	2.8%
FY02/15	16.1%	-8.0%	-3.0%	-9.5%	-5.1%							
Customer count	7.2%	-10.5%	-7.7%	-12.4%	-9.7%							
Spend per customer	8.2%	2.8%	5.0%	3.2%	5.0%							

Source: Company data processed by SR Inc.
Figures may differ from company materials due to differences in rounding methods.
Most recent monthly figures may not be final.



On July 9, 2014, Shared Research updated the report following interviews with management.

(JPYmn)	FY02/13				FY02/14				FY02/15		FY02/15		FY02/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 Est.	% of 1H	1H Est.	% of FY	FY Est.
Sales	40,237	35,806	37,252	37,028	39,297	35,423	35,856	36,847	39,458	36,483	52.0%	75,941	26.3%	150,021
Shoes	30,506	27,074	27,350	26,734	29,914	26,985	26,978	26,796	30,402					
Apparel	9,730	8,733	9,901	10,294	9,383	8,438	8,878	10,050	9,056					
YoY	2.4%	-4.3%	-4.0%	-4.0%	-2.3%	-1.1%	-3.7%	-0.5%	0.4%	3.0%		1.6%		1.8%
Shoes	2.6%	-3.5%	-3.3%	-3.0%	-1.9%	-0.3%	-1.4%	0.2%	1.6%	-				
Apparel	1.6%	-6.7%	-5.8%	-6.4%	-3.6%	-3.4%	-10.3%	-2.4%	-3.5%	-				
GP	19,847	17,159	18,707	17,728	19,821	17,160	17,773	17,287	19,717					
YoY	4.8%	-2.2%	-0.6%	-0.3%	-0.1%	0.0%	-5.0%	-2.5%	-0.5%					
GPM	49.3%	47.9%	50.2%	47.9%	50.4%	48.4%	49.6%	46.9%	50.0%					
SG&A	15,608	14,989	15,587	14,940	15,679	15,265	15,624	14,942	15,848					
YoY	-1.5%	-2.2%	-1.1%	-2.9%	0.5%	1.8%	0.2%	0.0%	1.1%					
SG&A / Sales	38.8%	41.9%	41.8%	40.3%	39.9%	43.1%	43.6%	40.6%	40.2%					
OP	4,238	2,171	3,119	2,788	4,141	1,896	2,149	2,345	3,868	2,392	61.8%	6,260	33.8%	11,434
Shoes	3,458	1,876	2,276	1,953	3,245	1,939	2,069	2,096	3,765					
Apparel	812	237	839	827	704	64	132	240	103					
YoY	36.8%	-1.4%	2.4%	16.8%	-2.3%	-12.7%	-31.1%	-15.9%	-6.6%	26.2%		3.7%		8.6%
Shoes	29.4%	1.4%	-1.0%	10.3%	-6.2%	3.4%	-9.1%	7.3%	16.0%	-				
Apparel	95.2%	-4.0%	6.9%	34.3%	-13.3%	-73.0%	-84.3%	-71.0%	-85.4%	-				
OPM	10.5%	6.1%	8.4%	7.5%	10.5%	5.4%	6.0%	6.4%	9.8%	6.6%		8.2%		7.6%
Shoes	8.6%	5.2%	6.1%	5.3%	8.3%	5.5%	5.8%	5.7%	9.5%	-				
Apparel	2.0%	0.7%	2.3%	2.2%	1.8%	0.2%	0.4%	0.7%	0.3%	-				
RP	4,437	2,388	3,308	2,975	4,255	1,978	2,247	2,547	4,001	2,488	61.7%	6,489	33.5%	11,935
YoY	37.3%	0.0%	4.0%	17.1%	-4.1%	-17.2%	-32.1%	-14.4%	-6.0%	25.8%		4.1%		8.2%
RPM	11.0%	6.7%	8.9%	8.0%	10.8%	5.6%	6.3%	6.9%	10.1%	6.8%		8.5%		8.0%
NI	2,404	1,391	1,420	1,936	2,221	1,084	1,187	1,355	2,302	1,293	64.0%	3,595	35.8%	6,423
YoY	389.6%	13.0%	-21.3%	47.4%	-7.6%	-22.1%	-16.4%	-30.0%	3.6%	19.3%		8.8%		9.9%
NPM	6.0%	3.9%	3.8%	5.2%	5.7%	3.1%	3.3%	3.7%	5.8%	3.5%		4.7%		4.3%

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

Source: Company Data, SR Inc. Research

Q2 FY02/15 estimates are the difference between 1H estimates and 1Q results.

A recovery was seen in the domestic economy due to new economic policies and recoveries in corporate earnings. However, the consumption tax increase and poor performance of overseas economies created a cautious environment, and the future remains uncertain. In the retail shoes and apparel industry—the company's area of business—harsh conditions continue. Contributing factors include a pullback in demand subsequent to the consumption tax hike and the weaker yen leading to higher raw materials and personnel costs at overseas manufacturing facilities.

To deal with these issues, the company worked to implement a multibrand merchandising strategy to more accurately capture customer needs and market trends. Chiyoda focused on providing a more diverse set of product choices in the expanding market for sneakers, and strengthened its position on accessory products. The company also concentrated on repositioning its stores in to match the needs of various regions and shopping centers, and modified store formats and renovated as nec

View the [full report](#).



Creek & River Co Ltd (4763)

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

On **July 14, 2014**, Shared Research updated the report following interviews with management.

(JPYmn)	FY02/14				FY02/15				FY02/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	4,805	5,701	4,780	5,327	6,092	-	-	-	53.0%	11,500
YoY	18.5%	27.1%	3.5%	21.8%	26.8%	-	-	-		34.7%
GP	1,639	1,727	1,491	1,534	2,030	-	-	-		
YoY	25.0%	4.2%	-10.9%	13.6%	23.8%	-	-	-		
GPM	34.1%	30.3%	31.2%	28.8%	33.3%	-	-	-		
SG&A	1,253	1,371	1,344	1,331	1,451	-	-	-		
YoY	9.1%	12.6%	-4.3%	8.2%	15.8%	-	-	-		
SG&A / Sales	26.1%	24.0%	28.1%	25.0%	23.8%	-	-	-		
OP	386	356	147	204	578	-	-	-	72.3%	800
YoY	137.2%	-19.1%	-45.3%	68.5%	49.8%	-	-	-		32.6%
OPM	8.0%	6.2%	3.1%	3.8%	9.5%	-	-	-		7.0%
RP	387	356	148	201	584	-	-	-	73.0%	800
YoY	136.7%	-19.0%	-52.7%	69.4%	50.9%	-	-	-		32.5%
RPM	8.1%	6.3%	3.1%	3.8%	9.6%	-	-	-		7.0%
NI	158	173	63	98	349	-	-	-	99.8%	350
YoY	239.8%	27.4%	-58.8%	20995.7%	121.3%	-	-	-		92.3%
NPM	3.3%	3.0%	1.3%	1.8%	5.7%	-	-	-		3.0%

Source: Company data, SR Inc Research

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

Figures for sales and all profitability indicators posted record highs. The company achieved growth through meeting the unique demands of professionals in their respective fields, such as creators, physicians, engineers, lawyers, accountants, architects, and fashion designers.

View the [full report](#).



Daiseki Co Ltd (9793)

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

On **July 8, 2014**, Shared Research updated comments on Daiseki's earnings results for Q1 FY02/15, following interviews with management.

(JPYmm)	FY02/13				FY02/14				FY02/15				FY02/15					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Q1	Q1 CE	Q2 CE	Q3 CE	Q4 CE	
Sales	9,435	8,782	9,089	8,707	10,123	10,191	10,671	11,115	11,278	103.9%	10,850	11,750	11,350	11,050	7.2%	15.3%	6.4%	-0.6%
YoY	3.4%	-12.5%	-2.1%	8.0%	7.3%	16.0%	17.4%	27.7%	11.4%									
GP	2,866	2,462	2,613	2,334	3,098	3,028	3,183	2,989	3,417	107.1%	3,190	3,260	3,210	2,980	29.4%	27.7%	28.3%	27.0%
GPM	30.4%	28.0%	28.7%	26.8%	30.6%	29.7%	29.8%	26.9%	30.3%									
SG&A	1,218	1,224	1,182	1,246	1,248	1,233	1,228	1,290	1,282	100.2%	1,280	1,300	1,300	1,320	2.6%	5.4%	5.9%	2.3%
YoY	4.6%	2.8%	2.8%	-0.1%	2.5%	0.7%	3.9%	3.5%	2.7%									
OP	1,647	1,238	1,431	1,088	1,849	1,795	1,956	1,698	2,134	111.7%	1,910	1,960	1,910	1,660	3.3%	9.2%	-2.4%	-2.2%
YoY	0.9%	-32.5%	1.7%	24.1%	12.3%	45.0%	36.7%	56.1%	15.4%									
OPM	17.5%	14.1%	15.7%	12.5%	18.3%	17.6%	18.3%	15.3%	18.9%	17.6%	16.7%	16.8%	15.0%					
RP	1,684	1,281	1,465	1,124	1,882	1,835	1,983	1,700	2,155	112.2%	1,920	1,980	1,920	1,690	17.7%	16.9%	16.9%	15.3%
RPM	17.8%	14.6%	16.1%	12.9%	18.6%	18.0%	18.6%	15.3%	19.1%									
NI	915	693	803	613	1,082	1,018	1,039	803	1,183	116.0%	1,020	1,000	1,060	1,000	-5.7%	-1.8%	2.0%	24.5%
YoY	-2.9%	-32.3%	1.9%	39.0%	18.3%	46.9%	29.4%	31.0%	9.3%									
NPM	9.7%	7.9%	8.8%	7.0%	10.7%	10.0%	9.7%	7.2%	10.5%	9.4%	8.5%	9.3%	9.0%					

(JPYmm)	FY02/13				FY02/14				FY02/15				FY2/15					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Q1	Q1 CE	Q2 CE	Q3 CE	Q4 CE	
Daiseki Co.																		
Sales	6,389	6,013	5,928	5,478	6,287	6,371	6,327	6,088	6,822	103.8%	6,571	6,651	6,608	6,286	4.5%	4.4%	4.4%	3.3%
YoY	6.0%	-9.6%	2.3%	-1.0%	-1.6%	6.0%	6.7%	11.1%	8.5%									
GP	2,410	2,064	2,110	1,694	2,326	2,312	2,303	2,001	2,567									
GPM	37.7%	34.3%	35.6%	30.9%	37.0%	36.3%	36.4%	32.9%	37.6%									
SG&A	773	762	753	729	767	761	784	766	767									
OP	1,637	1,302	1,357	965	1,559	1,551	1,519	1,235	1,800	108.8%	1,654	1,658	1,628	1,388	6.1%	6.9%	7.2%	12.4%
YoY	9.8%	-11.3%	-3.6%	-12.7%	-4.8%	19.1%	11.9%	28.0%	15.5%									
OPM	25.6%	21.7%	22.9%	17.6%	24.8%	24.3%	24.0%	20.3%	26.4%	25.2%	24.9%	24.6%	22.1%					
Daiseki Eco. Solution																		
Sales	2,024	1,750	1,935	1,801	2,554	2,253	2,374	3,405	3,095	102.9%	3,007	2,830	3,026	2,947	17.7%	25.6%	27.5%	-13.4%
YoY	12.8%	-17.5%	4.8%	22.9%	26.2%	28.7%	22.7%	89.0%	21.2%									
GP	392	302	344	354	517	456	426	721	616	106.8%	577	525	588	548	19.2%	18.5%	19.4%	18.6%
GPM	19.4%	17.3%	17.8%	19.6%	20.3%	20.3%	18.0%	21.2%	19.9%									
SG&A	188	206	193	213	219	212	171	221	207	99.0%	209	208	206	205				
OP	204	96	151	140	299	245	255	499	409	111.3%	368	317	381	343	23.3%	29.5%	49.4%	-31.3%
YoY	114.9%	-50.6%	39.6%	1,180.0%	46.1%	155.9%	68.8%	255.6%	37.1%									
OPM	10.1%	5.5%	7.8%	7.8%	11.7%	10.9%	10.8%	14.7%	13.2%	12.2%	11.2%	12.6%	11.6%					
Daiseki MCR																		
Sales	611	508	613	1,057	787	756	798	770	687	95.9%	716	968	1,104	1,104	-9.0%	28.0%	38.3%	43.4%
YoY	-29.9%	-42.1%	-15.8%	71.0%	28.8%	48.8%	30.2%	-27.2%	-12.7%									
GP	76	14	87	196	191	149	142	134	112									
GPM	12.4%	2.8%	14.2%	18.5%	24.3%	19.7%	17.8%	17.4%	16.3%									
SG&A	87	86	84	95	92	93	103	89	135									
OP	-11	-71	3	101	99	56	39	45	-23	38.3%	-60	-76	-49	-24	-8.4%	-7.9%	-4.4%	-2.2%
YoY	-	-	-	-	-	-	1,200.0%	-55.4%	-									
OPM	-1.8%	-14.0%	0.5%	9.6%	12.6%	7.4%	4.9%	5.8%	-3.3%									
System Kikou																		
Sales	568	578	651	445	469	810	950	732	594	139.8%	425	1,153	416	506	-9.4%	42.3%	-56.2%	-30.9%
YoY	19.3%	-37.6%	-22.8%	52.4%	-17.4%	40.1%	45.9%	64.5%	26.7%									
GP	1	90	85	103	23	103	233	91	76									
GPM	0.2%	15.6%	13.1%	23.1%	4.9%	12.7%	24.5%	12.4%	12.8%									
SG&A	86	89	74	125	73	71	72	112	72									
OP	-85	1	11	-22	-50	32	161	-21	4	50.0%	8	124	6	16	-	287.5%	-96.3%	-
YoY	-	-99.4%	-35.3%	-	-	3,100.0%	1,363.6%	-	-									
OPM	-15.0%	0.2%	1.7%	-4.9%	-10.7%	4.0%	16.9%	-2.9%	0.7%	1.9%	10.8%	1.4%	3.2%					

Source: Company data

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

Domestic industrial production picked up, meaning orders continued to recover in the mainstay industrial waste disposal and recycling business. Orders from the Kansai region began to recover, after falling in FY02/14 when the electrical industry faltered. Recycled fuel sales were robust; there was strong demand as domestic fuel prices rose due to the weak yen and high oil prices. In response, the company increased volume by expanding waste fuel collection routes outside the manufacturing industry.

View the [full report](#).



MONTHLY WRAP –August 2014



Don Quijote Co., Ltd. (7532)

Innovative and iconoclastic general discount retailer with a nationwide presence.

On **July 10, 2014**, Don Quijote announced sales figures for June.

(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.

View the [full report](#).



Dream Incubator Inc. (4310)

Venture capital and business incubation, and strategy consulting company.

On **July 29, 2014**, Dream Incubator Inc. announced results for Q1 FY03/15.

Quarterly Performance (JPYmn)	FY03/14				FY03/15			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	1,889	2,496	2,120	2,587	2,595	-	-	-
YoY	12.0%	17.4%	19.5%	22.8%	37.4%	-	-	-
GP	912	1,209	1,102	1,588	1,431	-	-	-
YoY	2.5%	17.2%	32.6%	65.8%	56.9%	-	-	-
GPM	48.3%	48.4%	52.0%	61.4%	55.1%	-	-	-
SG&A	780	821	888	1,180	1,142	-	-	-
YoY	7.6%	16.0%	23.5%	49.4%	46.4%	-	-	-
SG&A / Sales	41.3%	32.9%	41.9%	45.6%	44.0%	-	-	-
OP	132	387	214	408	288	-	-	-
YoY	-19.7%	19.1%	91.1%	144.3%	118.2%	-	-	-
OPM	7.0%	15.5%	10.1%	15.8%	11.1%	-	-	-
RP	154	383	228	336	286	-	-	-
YoY	-0.9%	20.1%	103.6%	94.2%	85.7%	-	-	-
RPM	8.2%	15.3%	10.8%	13.0%	11.0%	-	-	-
NI	86	355	160	253	215	-	-	-
YoY	7.8%	47.9%	233.3%	-16.5%	150.0%	-	-	-
NPM	4.6%	14.2%	7.5%	9.8%	8.3%	-	-	-

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

Source: Company data, SR Inc. Research

Consulting

Higher demand for strategic consulting to existing major corporate clients and at overseas branches led to higher sales and profits.

Venture capital incubation

The insurance business saw a healthy stream of new policies for pet insurance for medical expenses. Sales were JPY1.5bn (+22.0% YoY), but operating profit was JPY122mn (-20.8%) as the company focused on advertising activities such as television commercials.

In the venture capital business, of its existing portfolio of target firms, the company focused on investing labor and capital in those with potential for accelerating growth, and liquidated its positions in other areas. As a new investment initiative, the company created investment pipelines and made investments to both domestic and overseas venture firms, primarily in the digital media marketing industry. As a result, sales were JPY350mn (JPY32mn in Q1 FY03/14) and operating profit was JPY201mn (JPY11mn in Q1 FY03/14), both posting significant gains. As of the end of Q1 FY03/15, the company's unrealized gains on its portfolio of listed marketable securities was JPY5.5bn.

View the [full report](#).



MONTHLY WRAP –August 2014

Elecom Co. (6750)

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

On **July 22, 2014**, Elecom Co. announced the signing of a distributor agreement within Japan for computer data storage products manufactured by Seagate Technology PLC (NASDAQ: STX). Product sales to end users will begin in late September 2014.

Elecom has been the exclusive distributor for LaCie branded products within Japan since January 2010, and this arrangement remained unchanged after the August 2012 acquisition of LaCie by Seagate. Through the sale of Seagate products, the company will act as a catalyst for further growth of Seagate in the Japanese market, much in the same way it has done so for LaCie.

As part of a new storage strategy, Elecom will work to meet increasing demand for storage products through sales of both Seagate and LaCie products.

View the [full report](#).



Fields Corp. (2767)

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

On **July 31, 2014**, Fields Corporation announced earnings results for Q1 FY03/15.

Quarterly Performance (JPYmn)	FY03/14				FY03/15				FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	5,748	30,637	17,819	60,700	7,459				7.5%	100,000
YoY	-72.8%	284.3%	-4.3%	0.5%	29.8%					-13.0%
GP	2,027	11,621	5,709	14,455	2,790					
YoY	-63.6%	256.7%	-8.5%	-20.6%	37.6%					
GPM	35.3%	37.9%	32.0%	23.8%	37.4%					
SG&A	5,856	5,615	5,849	6,700	5,300					
YoY	10.9%	3.9%	5.7%	-0.7%	-9.5%					
SG&A / Sales	101.9%	18.3%	32.8%	11.0%	71.1%					
OP	-3,829	6,005	-140	7,755	-2,509				-	5,000
YoY	-	-	-	-32.4%	-					-48.9%
OPM	-	19.6%	-	12.8%	-					5.0%
RP	-3,759	5,903	-78	7,699	-2,254				-	5,000
YoY	-	-	-	-31.5%	-					-48.8%
RPM	-	19.3%	-	12.7%	-					5.0%
NI	-2,290	3,724	-207	4,143	-1,502				-	2,500
YoY	-	-	-	-23.2%	-					-53.4%
NPM	-	12.2%	-	6.8%	-					2.5%

Source: Company data

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

In the pachinko/pachislot business, the total number of machines sold increased year-on-year, with pachinko machines up to 38,000 units (+26,000) and pachislot machines steady at 5,000 units (unchanged). The company only reported sales of one type of machine—Pachinko Onimusha: Dawn of Dreams—but its sales were robust. Results were largely in line with targets, including in other businesses.

On **July 15, 2014**, the company announced the nationwide release of a new pachislot machine from Enterrise Co. "Sengoku BASARA 3". It was expected to be available at pachinko halls from September 2014.

View the [full report](#).



FreeBit Co., Ltd. (3843)

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

On **July 4, 2014**, Shared Research updated comments on Freebit Co., Ltd.'s full-year earnings results for FY04/14 and earnings outlook.

Quarterly Performance (JPYmn)	FY04/13				FY04/14				FY04/14	
	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.

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GCA Savvian Corp. (2174)

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

On **July 30, 2014**, GCA Savvian announced results for 1H FY12/14.

Quarterly Performance (JPYmm)	FY12/13				FY12/14			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenues	10,719	4,739	3,091	3,832	2,190	1,737	-	-
YoY	346.4%	118.5%	-5.2%	28.5%	-79.6%	-63.3%	-	-
Gross Profit	3,026	820	1,336	1,056	639	541	-	-
YoY	162.7%	-7.6%	-11.6%	-38.8%	-78.9%	-34.0%	-	-
SG&A	443	475	499	633	460	372	-	-
YoY	6.2%	5.3%	-8.9%	-43.2%	3.8%	-21.7%	-	-
OP	2,583	345	836	423	179	168	-	-
YoY	251.9%	-20.9%	-13.3%	-30.9%	-93.1%	-51.3%	-	-
RP	2,616	372	838	480	156	166	-	-
YoY	231.1%	-11.2%	-12.3%	-23.8%	-94.0%	-55.4%	-	-
NI	5	145	686	289	88	82	-	-
YoY	-98.3%	46.5%	173.3%	-52.4%	1660.0%	-43.4%	-	-
(Fund non-consolidated)								
Sales	1,485	2,110	3,359	2,618	2,190	1,737	-	-
YoY	-30.8%	7.7%	24.4%	-4.8%	47.5%	-17.7%	-	-
OP	-68	251	1,119	435	179	168	-	-
YoY	-	4.6%	141.2%	9.8%	-	-33.1%	-	-
OPM	-	11.9%	33.3%	16.6%	8.2%	9.7%	-	-
NI	-24	174	683	289	88	82	-	-
YoY	-	79.4%	178.8%	-52.3%	-	-52.9%	-	-
NPM	-	8.2%	20.3%	11.0%	4.0%	4.7%	-	-

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

Source: Company data

Consolidated figures for 1H FY12/13 include investment business limited partnerships (funds). However, these partnerships are no longer included in consolidated results. When compared on the same base (consolidated, without funds), revenues were up 9.2% YoY. Also, on this base the company achieved YoY growth of 89.3% in operating profit, 32.5% in recurring profit, and 13.6% in net income.

In the advisory business, an increase in the number of closed large-scale projects in both Japan and the company's US subsidiary resulted in a 31.6% YoY increase in revenues.

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MONTHLY WRAP –August 2014



Gulliver International Co., Ltd. (7599)

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

On **July 15, 2014**, Shared Research updated the report following interviews with management.

Quarterly Performance (JPYmn)	FY02/13				FY02/14				FY02/15		FY02/15		FY02/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 Est.	% of FY	FY Est.	% of FY	FY Est.
Sales	38,755	32,544	37,870	34,248	45,729	37,672	45,236	40,761	38,845	41,355	48.4%	80,200	22.5%	173,000
YoY	4.3%	-1.9%	14.7%	16.0%	18.0%	15.8%	19.5%	19.0%	-15.1%	9.8%		-3.8%		2.1%
GP	7,736	7,927	8,819	9,407	9,053	8,710	9,494	9,297	9,391	-				
YoY	-17.7%	-4.9%	14.2%	24.9%	17.0%	9.9%	7.7%	-1.2%	3.7%	-				
GPM	20.0%	24.4%	23.3%	27.5%	19.8%	23.1%	21.0%	22.8%	24.2%	-				
SG&A	7,038	7,035	7,090	7,649	7,157	7,049	7,139	8,115	7,915	-				
YoY	8.2%	7.2%	6.3%	9.3%	1.7%	0.2%	0.7%	6.1%	10.6%	-				
SG&A / Sales	18.2%	21.6%	18.7%	22.3%	15.7%	18.7%	15.8%	19.9%	20.4%	-				
OP	697	892	1,730	1,758	1,896	1,661	2,355	1,182	1,476	1,724	46.1%	3,200	17.4%	8,500
YoY	-76.0%	-49.5%	64.6%	231.7%	172.0%	86.2%	36.1%	-32.8%	-22.2%	3.8%		-10.0%		19.8%
OPM	1.8%	2.7%	4.6%	5.1%	4.1%	4.4%	5.2%	2.9%	3.8%	4.2%		4.0%		4.9%
RP	747	971	1,759	1,775	1,913	1,745	2,354	1,189	1,507	1,693	47.1%	3,200	17.7%	8,500
YoY	-74.3%	-45.0%	66.4%	200.3%	156.1%	79.7%	33.8%	-33.0%	-21.2%	-3.0%		-12.5%		18.0%
RPM	1.9%	3.0%	4.6%	5.2%	4.2%	4.6%	5.2%	2.9%	3.9%	4.1%		4.0%		4.9%
NI	348	520	1,084	1,028	1,227	1,071	1,409	653	910	990	47.9%	1,900	17.8%	5,100
YoY	-77.2%	-64.9%	77.7%	519.3%	252.6%	106.0%	30.0%	-36.5%	-25.8%	-7.6%		-17.3%		17.0%
NPM	0.9%	1.6%	2.9%	3.0%	2.7%	2.8%	3.1%	1.6%	2.3%	2.4%		2.4%		2.9%

Source: Company data, SR

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

Q2 FY02/15 estimates are the difference between 1H FY02/15 estimates and Q1 FY02/15 results.

The number of vehicles bought and sold (wholesale and retail combined) across all directly managed stores fell YoY due to a pullback in demand after the consumption tax hike. However, used car purchases bottomed out, and 12 new store openings, consisting of Outlets (five stores during Q1), Liberala (one store), Snap House (one store), and Gulliver (four stores) contributed to an increase in higher retail sales.

On **July 10, 2014**, the company announced monthly sales data for June 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 Dolphinnet 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

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Happinet Corporation (7552)

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

On **July 2, 2014**, Shared Research updated comments on Happinet Corp.'s earnings results for FY03/14 following interviews with management.

Quarterly Performance (JPYmn)	FY03/13				FY03/14				FY03/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	36,895	39,316	61,472	39,074	36,172	51,199	78,090	41,406	99.9%	207,000
YoY	-13.1%	-14.7%	-11.1%	-3.3%	-2.0%	30.2%	27.0%	6.0%		17.1%
Gross Profit	5,202	4,990	7,250	5,059	5,020	5,763	8,023	5,233		
YoY	-7.1%	-20.5%	-7.7%	-4.2%	-3.5%	15.5%	10.7%	3.4%		
GPM	14.1%	12.7%	11.8%	12.9%	13.9%	11.3%	10.3%	12.6%		
SG&A	4,436	4,749	5,275	5,067	4,416	4,815	5,551	5,368		
YoY	-2.0%	-5.6%	-1.2%	-3.6%	-0.5%	1.4%	5.2%	5.9%		
SG&A / Sales	12.0%	12.1%	8.6%	13.0%	12.2%	9.4%	7.1%	13.0%		
Operating Profit	766	241	1,975	-9	604	947	2,472	-135	102.3%	3,800
YoY	-28.5%	-80.6%	-21.5%	-	-21.1%	292.9%	25.2%	-		27.8%
OPM	2.1%	0.6%	3.2%	-	1.7%	1.8%	3.2%	-		1.8%
Recurring Profit	804	268	2,004	5	614	965	2,483	-145	100.4%	3,900
YoY	-29.8%	-79.0%	-21.6%	-90.9%	-23.6%	260.1%	23.9%	-		26.6%
RPM	2.2%	0.7%	3.3%	0.0%	1.7%	1.9%	3.2%	-		1.9%
Net Income	519	190	1,286	16	260	1,115	1,248	-157	102.8%	2,400
YoY	-27.2%	-76.6%	54.6%	-84.0%	-49.9%	486.8%	-3.0%	-		19.3%
NPM	1.4%	0.5%	2.1%	0.0%	0.7%	2.2%	1.6%	-		1.2%

Source: Company data

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

▪ Toys

Sales and profits increased due to hit products such as Kamen Rider Gaim character products by Bandai, along with Zyuden Sentai Kyoryuger and Youkai Watch. High-margin Bandai products accounted for a larger share of total sales, meaning overall margins were up YoY.

▪ Visual and music

Profits and sales fell YoY. Some products were successful hits, such as part-funded Nobou no Shiro and 100% in-house animation Zoids. However, the packaged-product market was weak due to the spread of online distribution. Revenue from some DVD titles fell below the minimum guarantee, resulting in a loss.

▪ Videogames

The packaged-product market stalled, but the company achieved YoY growth in sales as Toys Union Co. Ltd. became a subsidiary. Profits fell owing to valuation losses booked on excess inventory of some videogame titles and accessories (about JPY800mn).

▪ Amusement

Sales were robust for Aikatsu!, Youkai Watch, and Dragon Ball Heroes products for children's card game machines. Sales of Kamen Rider Gaim and Youkai Watch products for toy vending machines were also strong.

Recurring profit was up 27.1%. The increase in net income was 22.6%. The company booked an extraordinary profit of JPY409mn on gains on negative goodwill from the acquisition of Toys Union, but also an extraordinary loss of JPY166mn on withdrawal from the employee pension fund.

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Harmonic Drive Systems (6324)

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

On **July 11, 2014**, Harmonic Drive Systems Inc. released quarterly orders and sales data for Q1 FY03/15 (parent level).

Quarterly sales and orders (parent) (million yen)	FY03/13				FY03/14				FY03/14				
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
Sales	4,442	4,237	3,761	3,717	4,416	4,673	4,853	4,640	5,584				
Semiconductor production equipment	544	417	325	404	483	538	635	572	525				
Flat panel displays	229	201	191	315	462	364	355	318	245				
Industrial robot applications	1,687	1,700	1,220	1,276	1,278	1,629	1,521	1,628	2,606				
Gear heads (for electric motor makers)	331	267	220	261	285	377	350	373	323				
Machine tools	311	277	334	310	304	280	351	350	359				
Oil-Drilling Equipment	243	232	282	86	285	273	255	180	376				
Others	1,095	1,143	1,187	1,063	1,315	1,211	1,383	1,218	1,147				
YoY	-13.4%	-14.0%	-3.2%	-9.9%	-0.6%	10.3%	29.0%	24.8%	26.4%				
Semiconductor production equipment	-18.4%	-28.1%	-30.4%	-30.9%	-11.2%	29.0%	95.4%	41.6%	8.7%				
Flat panel displays	-58.1%	-35.0%	-8.2%	62.4%	101.7%	81.1%	85.9%	1.0%	-47.0%				
Industrial robot applications	-8.5%	-13.7%	-14.6%	-5.6%	-24.2%	-4.2%	24.7%	27.6%	103.9%				
Gear heads (for electric motor makers)	-11.0%	-23.9%	-20.9%	-16.1%	-13.9%	41.2%	59.1%	42.9%	13.3%				
Machine tools	-8.3%	-21.3%	9.2%	-8.0%	-2.3%	1.1%	5.1%	12.9%	18.1%				
Oil-Drilling Equipment	120.9%	77.1%	67.9%	-53.5%	17.3%	17.7%	-9.6%	109.3%	31.9%				
Others	-12.0%	-7.2%	15.6%	-8.5%	20.1%	5.9%	16.5%	14.6%	-12.8%				
Orders	4,732	3,707	3,763	4,077	4,647	4,693	4,537	5,966	6,260				
Semiconductor production equipment	491	351	337	449	510	597	629	565	558				
Flat panel displays	243	183	239	379	471	381	289	276	433				
Industrial robot applications	1,853	1,370	1,349	1,179	1,478	1,609	1,463	2,685	2,854				
Gear heads (for electric motor makers)	335	225	239	241	344	375	354	351	340				
Machine tools	272	304	320	311	271	319	364	334	401				
Oil-Drilling Equipment	354	180	132	377	223	178	174	370	397				
Others	1,181	1,094	1,145	1,137	1,349	1,231	1,261	1,382	1,274				
YoY	-10.0%	-12.8%	9.0%	-6.7%	-1.8%	26.6%	20.6%	46.3%	34.7%				
Semiconductor production equipment	-22.6%	-22.0%	-36.1%	-22.0%	3.9%	70.1%	86.6%	25.8%	9.4%				
Flat panel displays	-48.3%	-27.1%	47.5%	89.5%	93.8%	108.2%	20.9%	-27.2%	-8.1%				
Industrial robot applications	-11.0%	-16.2%	18.5%	-23.8%	-20.2%	17.4%	8.5%	127.7%	93.1%				
Gear heads (for electric motor makers)	-17.9%	-28.8%	-13.7%	-26.1%	2.7%	66.7%	48.1%	45.6%	-1.2%				
Machine tools	-13.7%	-9.5%	1.3%	-5.5%	-0.4%	4.9%	13.8%	7.4%	48.0%				
Oil-Drilling Equipment	200.0%	-10.9%	230.0%	61.8%	-37.0%	-1.1%	31.8%	-1.9%	78.0%				
Others	-3.5%	3.2%	15.8%	-1.7%	14.2%	12.5%	10.1%	21.5%	-5.6%				

Orders by end application

Orders for industrial robots increased significantly (+93.1% YoY) due to robust investment in power saving and automation in the electronics industry. On a QoQ basis, orders for industrial robots (+6.3%) and flat panel display related equipment (+56.9%) increased.

Exports

Overall, exports increased on both a YoY and QoQ basis. Exports to the US decreased YoY, while those to Europe and China increased. On a QoQ basis, exports to Europe fell while those for US and China rose.

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Infomart Corp. (2492)

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

On **July 31, 2014**, Infomart announced earnings results for Q2 FY12/14.

Quarterly Performance (JPYmm)	FY12/12				FY12/13				FY12/14		FY12/14		FY12/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	876	918	966	1,024	1,006	1,060	1,110	1,163	1,157	1,207	99.4%	2,378	45.4%	5,212
YoY	12.3%	13.4%	14.2%	15.3%	14.9%	15.5%	14.9%	13.6%	15.1%	13.8%		15.1%		20.1%
GP	558	593	631	696	679	718	742	710	886	924	99.3%	1,824	44.7%	4,053
YoY	8.9%	11.5%	8.2%	12.7%	21.6%	21.0%	17.7%	2.1%	30.5%	28.8%		30.6%		42.3%
GPM	63.8%	64.6%	65.3%	67.9%	67.5%	67.7%	66.9%	61.1%	76.6%	76.6%		76.7%		77.8%
SG&A	401	419	429	414	432	434	442	447	463	507	97.9%	990	48.1%	2,017
YoY	5.2%	7.6%	2.4%	2.1%	7.6%	3.5%	3.1%	7.9%	7.2%	16.8%		14.4%		15.0%
SG&A / Sales	45.8%	45.6%	44.4%	40.4%	42.9%	40.9%	39.8%	38.4%	40.0%	42.0%		41.6%		38.7%
OP	157	174	202	282	247	284	300	263	424	418	101.1%	832	41.3%	2,035
YoY	19.9%	22.4%	22.9%	33.5%	57.3%	62.9%	48.5%	-6.5%	71.3%	47.1%		56.7%		85.9%
OPM	17.9%	19.0%	20.9%	27.5%	24.6%	26.8%	27.1%	22.6%	36.6%	34.6%		35.0%		39.0%
RP	159	169	198	289	253	286	297	270	419	415	100.6%	829	41.2%	2,026
YoY	20.6%	21.2%	21.7%	37.2%	58.8%	69.1%	50.0%	-6.4%	65.7%	44.8%		53.6%		83.0%
RPM	18.2%	18.4%	20.5%	28.2%	25.2%	27.0%	26.8%	23.2%	36.2%	34.4%		34.9%		38.9%
NI	92	88	47	270	155	167	177	133	244	260	101.7%	495	41.5%	1,214
YoY	26.0%	12.3%	-49.8%	133.6%	69.0%	88.5%	278.2%	-50.8%	56.9%	55.9%		53.8%		92.4%
NPM	10.5%	9.6%	4.8%	26.3%	15.4%	15.7%	15.9%	11.4%	21.0%	21.5%		20.8%		23.3%

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

In 1H, capex increased and yen depreciation stabilized. There was also a spike in demand prior to the consumption tax hike. As a result, the domestic economy grew moderately through March. But the effects of a fallback after the rush of demand became apparent in April. Growth in exports also slowed, leading to uncertainty going forward.

Infomart focused on sustainable growth and driving up earnings. Strategies included strengthening the food industry B2B to make it the industry standard, aiming for profitability at strategic subsidiaries Infomart International and InfoRise, growing B2B sales to other industries, and getting the B2B & Cloud Platform online.

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Ito En, Ltd. (2593)

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

On **July 24, 2014**, Ito En, Ltd. announced the addition of a new representative director.

With August 1, 2014 as the start date, the company is scheduled to add one representative director, with the intent of strengthening its management structure. Shusuke Honjo, who currently holds the post of executive vice president, will also hold the post of representative director beginning on August 1.

As a result of the above, the company will have three representative directors; the other two being chairman Hachiro Honjo and president Daisuke Honjo.

On **July 7, 2014**, the company announced monthly sales data for June 2014.

Monthly Sales (non-consolidated estimates; % change YoY)	FY04/15												Total
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	
Total Sales	-2.7%	0.5%											
Tea Leaf Beverages	-1.4%	1.0%											
	-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												Total
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	
Total Sales	7.2%	6.0%	3.8%	0.3%	-3.0%	4.2%	1.2%	4.4%	6.4%	4.3%	11.7%	-1.6%	3.3%
Tea Leaf Beverages	3.9%	5.5%	8.4%	2.8%	3.1%	8.9%	4.7%	5.4%	9.6%	6.9%	16.0%	1.0%	6.4%
	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 **July 4, 2014**, Shared Research updated its report on the company's FY04/14 earnings and earnings outlook after interviewing management.

Quarterly Performance (JPYmn)	FY04/13				FY04/14				FY04/14	
	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.

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.

The main cause of a decline in parent operating profit was an increase in sales expenses. The company increased sales promotion spending to create demand when the weather was unfavorable. The biggest factor behind higher sales expenses, however, was a temporary cost increase associated with the consumption tax hike. Beverage companies competed for space on the sales floor as demand surged prior to the tax hike. Ito En probably spent JPY500mn to secure sales space for its products. Most of the products that had been in high demand prior to the tax hike were those in two-liter bottles, which require heavy sales promotion costs. As a result, an increase in sales expenses may have reduced the company's profit by about JPY2bn.

View the [full report](#).



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 **July 30, 2014**, J Trust Co., Ltd. announced a business transfer among its subsidiaries.

The company received approval from the Financial Services Commission of South Korea to transfer its loan businesses operated by KJI Consumer Finance LLC, HICAPITAL Co., Ltd., and Neoline Credit, to Chinae Savings Bank. The effective date of the transaction will be August 13, 2014.

Transfer details

J Trust acquired Neoline Credit in 2011. In March 2014, the company also acquired KJI Consumer Finance and HICAPITAL, both operators of loan businesses. In order to sustain operations for the loan businesses, the companies were forced to make use of high-interest financing. Transfer of the businesses will enable J Trust to repay these loans, and utilize relatively low interest rate financing under the umbrella of Chinae Savings Bank. This will provide a significant improvement to the company's overall financial standing. The transfer will also allow Chinae Savings Bank to utilize the broad customer base of the above three companies to expand its loan balance, and realize profits on a much larger scale. It will also create possibilities to offer low interest loans to customers. After the transfer is complete, HICAPITAL, KJI Consumer Finance, and Neoline Credit will specialize in purchasing bad debt and collections activities, and J Trust will consider business restructuring to better suit these new functions.

View the [full report](#).



Japan Best Rescue System Co Ltd (2453)

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

On **July 28, 2014**, Japan Best Rescue (JBR) announced that it had received a report on the findings of an investigation by an independent committee.

The report

The independent committee judged that one director of consolidated subsidiary Binos Corporation, serving concurrently as director of JBR, knew of irregularities in sales reported by Binos. Other directors of Binos also serving as representative directors, managing directors and other directors of JBR were judged not to have had involvement in or knowledge of the irregularities.

Regarding the loans to Japan Power Supply Technology, the independent committee found that the representative directors, managing directors and other directors of JBR had not neglected their duties of due care, and that there was nothing improper about the use of funds from the loans.

JBR's response

In order to prevent a reoccurrence of such events, JBR plans to follow the advice laid out in the findings of this and the previous independent committees, and implement the necessary measures. The company plans to make an announcement at a later date about the exact measures it will take to prevent reoccurrence.

View the [full report](#).



JIN Co., Ltd. (3046)

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

On **July 31, 2014**, JIN Co., Ltd. announced the conclusion of a syndicated loan agreement.

On July 31, 2014, the company concluded a syndicated loan agreement for JPY6.0bn, with the Sumitomo Mitsui Bank as the arranging agent. The commitment period is from September 1, 2014 to August 31, 2017. The company cites the goal for this loan to be to provide a stable source of funding to maintain solid financial footing, and to act as a source of funding for capital investment, such as for new store openings and store renovations.

On **July 30, 2014**, Shared Research updated the report following interviews with management.

Quarterly Earnings (JPYmn)	FY08/12				FY08/13				FY08/14				FY08/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	4,209	5,277	5,614	7,513	7,800	9,861	9,182	9,711	8,169	9,463	9,623	-	74.5%	36,600
YoY	41.2%	40.0%	49.6%	84.5%	85.3%	86.9%	63.6%	29.3%	4.7%	-4.0%	4.8%	-	-	0.1%
GP	3,222	3,915	4,336	5,543	5,909	7,479	6,943	7,113	5,918	6,770	7,115	-	-	-
YoY	47.4%	45.0%	52.9%	86.9%	83.4%	91.0%	60.1%	28.3%	0.1%	-9.5%	2.5%	-	-	-
GPM	76.5%	74.2%	77.2%	73.8%	75.8%	75.8%	75.6%	73.3%	72.4%	71.5%	73.9%	-	-	-
SG&A	3,040	3,062	3,779	4,500	4,532	4,892	5,868	5,930	5,669	6,047	5,909	-	-	-
YoY	27.2%	43.6%	50.4%	75.1%	49.1%	59.8%	55.3%	31.8%	25.1%	23.6%	0.7%	-	-	-
SG&A / Sales	72.2%	58.0%	67.3%	59.9%	58.1%	49.6%	63.9%	61.1%	69.4%	63.9%	61.4%	-	-	-
OP	182	853	556	1,043	1,378	2,587	1,076	1,183	249	723	1,206	-	87.2%	2,500
YoY	-	50.2%	71.9%	162.9%	658.7%	203.3%	93.3%	13.4%	-81.9%	-72.0%	12.2%	-	-	-59.8%
OPM	4.3%	16.2%	9.9%	13.9%	17.7%	26.2%	11.7%	12.2%	3.1%	7.6%	12.5%	-	-	6.8%
RP	170	819	564	998	1,302	2,405	904	1,258	219	702	1,223	-	85.9%	2,495
YoY	-	45.2%	81.3%	157.6%	664.1%	193.8%	60.1%	26.0%	-83.2%	-70.8%	35.3%	-	-	-57.5%
RPM	4.0%	15.5%	10.1%	13.3%	16.7%	24.4%	9.8%	13.0%	2.7%	7.4%	12.7%	-	-	6.8%
NI	67	352	204	466	766	1,388	502	764	70	316	759	-	93.1%	1,230
YoY	-	15.1%	29.2%	216.8%	1,039.3%	294.2%	146.3%	63.7%	-90.9%	-77.2%	51.3%	-	-	-64.0%
NPM	1.6%	6.7%	3.6%	6.2%	9.8%	14.1%	5.5%	7.9%	0.9%	3.3%	7.9%	-	-	3.4%

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

Sales for the March-May quarter of FY08/14 were JPY9.6bn, up 4.8% YoY. According to the company, rush demand prior to the consumption tax hike had a positive effect of about JPY850mn on March sales, and a negative impact of about JPY450mn on April sales. The effects of the pullback continued to have an effect during May and June, as well as the first half of July. Modified product pricing, which involved moving from tax inclusive price displays to tax exclusive price displays (specifically, products were previously priced at JPYX,990 [tax inclusive], where X is 4, 5, 6, or 9; products are now priced at JPYX,900 [tax exclusive]), is yielding positive results.

On **July 4, 2014**, the company released monthly sales data for June 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

View the [full report](#).



Kenedix, Inc. (4321)

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

On **July 8, 2014**, Kenedix Inc. announced the establishment of the Kenedix REIT-able Fund and investment in a silent partnership.

The Kenedix REIT-able Fund will invest in real estate that meets the investment standards of Kenedix's listed J-REITs. Several client investors have signed investment agreements.

The company will also establish G. K. Creek Investment III, a limited liability company (LLC) that will acquire three rental accommodation properties in Tokyo. The Kenedix REIT-able Fund will make a silent partnership investment in this LLC, making it the fund's first holding.

Overview of the fund

- Total assets: maximum of JPY35.0bn (planned);
- Investors: Kenedix, Inc.; several domestic investors;
- Management period: about three years;
- Investment type: silent partnership investment in an LLC;
- Investment targets: real estate that meets the investment standards of Kenedix Office Investment Corporation, Kenedix Residential Investment Corporation, or Japan Logistics Fund (the KDX-sponsored REITs).

Reasons for establishing the fund

- **Increase group assets under management (AUM):** the company will manage the fund's assets, thereby contributing to group AUM. The company also expects the fund to be a stable source of external growth opportunities for the KDX-sponsored REITs. The fund will invest in real estate and receive joint investment from the KDX-sponsored REITs, which will then receive preferential negotiation rights on the sale of assets.
- **Expand client investor base:** the establishment of the fund will create opportunities for joint investment in real estate that meets the investment standards of the KDX-sponsored REITs. The company thinks the continuous provision of investment products that offer midrange returns for midrange risks will attract a wider range of investors. The fund may seek silent partnership investment from new investors if original investors consent.
- **Use of principle investments:** the company plans to make a joint investment in the fund as a silent partner, thus accelerating and diversifying principal investments, mainly via joint investment.

Overview of the silent partnership investment

G. K. Creek Investment III (the SPC) will acquire three rental accommodation properties at a total cost of JPY5.9bn (including expenses), via joint investment by the company, Kenedix Residential Investment Corporation, and some of the fund's investors.

Silent partnership investment

- Kenedix, Inc.: JPY265mn (approx. 18.7% stake)
- Kenedix Residential Investment Corporation: JPY150mn (approx. 10.6%)
- Fund investors (aggregate): JPY1.0bn (approx. 70.7%).

Schedule

- Planned date of investment in the SPC: July 9, 2014
- Planned date of asset purchase via SPC: July 10, 2014.

View the [full report](#).



MONTHLY WRAP –August 2014

Kenko.com Inc. (3325)

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

On **July 16, 2014**, Kenko.com Inc. made announcements regarding its lawsuit for online sales of pharmaceuticals requiring instruction, and an expansion in the Rakuten 24 product range.

The lawsuit for online sales of pharmaceuticals requiring instruction

On July 16, 2014—the third trial date of the lawsuit—the company changed its requests. The company formerly sought an injunction against the newly established designation of pharmaceuticals requiring instruction. However, after the designation came into effect on June 6, 2014, the company changed its requests to a withdrawal of the new designation, and a confirmation of the ability to sell prescription pharmaceuticals online. The next trial is scheduled for October 15, 2014.

Expansion in the Rakuten 24 product range

On July 16, 2014, the company expanded the Rakuten 24 product range from 15,000 items to about 60,000. Rakuten 24 was consolidated in January 2014, and the expanded product range is part of efforts to maximize synergies between it and existing businesses. It appears the company's plan to integrate Rakuten 24 is proceeding smoothly.

View the [full report](#).



Lasertec Corp (6920)

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

On **July 22, 2014**, Lasertec Corp announced a revision to its full-year earnings and dividends forecasts, as shown below.

(JPYmn)	FY06/13	FY06/14 Est.		Vs. previous forecast	YoY
	Actual	As of Aug 2013	As of Jul 2014		
Sales	11,397	13,400	13,607	1.5%	19.4%
Operating profit	2,149	2,250	3,097	37.6%	44.1%
OPM	18.9%	16.8%	22.8%	35.6%	20.7%
Recurring profit	2,537	2,250	3,161	40.5%	24.6%
Net income	1,610	1,450	1,969	35.8%	22.3%
EPS (Yen)	71.4	64.3	87.4	35.8%	22.3%
DPS (Yen)	24.0	20.0	27.0	35.0%	12.5%
Payout ratio	33.6%	31.1%	30.9%	-	-

Source: Company materials, SR Inc. research

Note: The company conducted a 2-for-1 stock split on July 1, 2013. EPS and DPS for FY06/13 are calculated under the assumption that the stock split occurred at the beginning of the year.

Revision details

Operating profit, recurring profit, and net income are all scheduled to exceed previously announced forecasts. The company cites a lower CoGS ratio—stemming from lower raw materials costs—and a delay in booking some R&D expenses until FY06/15—pushing down SG&A expenses—as factors in this change.

View the [full report](#).



MONTHLY WRAP –August 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 June on **July 1, 2014** and for July on **August 1, 2014**.

Comparable Store Sale	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
FY02/09 Sales	3.3%	-13.7%	-7.0%	-11.9%	-6.1%	-6.7%	-1.0%	-8.8%	1.5%	-12.0%	-9.2%	-14.9%
Cust. count	-2.2%	-12.8%	-9.3%	-11.3%	-3.9%	-9.6%	-2.6%	-8.5%	-	-10.3%	-10.2%	-14.3%
Spend / cust.	5.6%	-1.1%	2.5%	-0.7%	-2.3%	3.1%	1.6%	-0.3%	1.4%	-1.9%	1.1%	-0.7%
FY02/10 Sales	-18.2%	-11.0%	-9.6%	-18.6%	-11.4%	-13.2%	-17.6%	-16.8%	-26.2%	-11.8%	-11.7%	-10.9%
Cust. count	-16.7%	-5.4%	-0.8%	-5.6%	-4.4%	-7.8%	-6.1%	-11.4%	-17.3%	-2.3%	-1.4%	-2.9%
Spend / cust.	-1.8%	-5.8%	-8.9%	-13.8%	-7.3%	-5.9%	-12.2%	-6.1%	-10.8%	-9.8%	-10.4%	-8.3%
FY02/11 Sales	-17.5%	-15.3%	-11.9%	-8.3%	-10.1%	-12.1%	-17.3%	-0.9%	-8.0%	-13.7%	-6.3%	1.5%
Cust. count	-8.5%	-11.8%	-8.2%	-6.3%	-7.3%	-9.5%	-11.3%	5.9%	-1.6%	-12.9%	-7.7%	-1.2%
Spend / cust.	-9.9%	-4.0%	-4.1%	-2.2%	-3.1%	-2.8%	-6.7%	-6.4%	-6.6%	-0.9%	1.6%	2.8%
FY02/12 Sales	-18.1%	7.4%	-6.7%	1.9%	-1.4%	-1.6%	7.5%	-0.9%	1.2%	7.5%	-2.1%	-0.9%
Cust. count	-21.0%	1.4%	-12.4%	-9.0%	-8.8%	-7.6%	-5.1%	-12.6%	-8.3%	2.7%	-7.1%	-3.3%
Spend / cust.	3.6%	5.9%	6.5%	11.9%	8.1%	6.5%	13.3%	13.4%	10.3%	4.7%	5.3%	2.4%
FY02/13 Sales	23.2%	3.8%	-1.3%	-2.2%	-4.0%	1.8%	-7.3%	-9.3%	8.4%	-3.2%	-5.8%	-5.3%
Cust. count	14.3%	-0.6%	-4.7%	-6.1%	-8.0%	0.6%	-7.5%	-11.0%	1.1%	-6.7%	-8.7%	-10.8%
Spend / cust.	7.7%	4.4%	3.6%	4.2%	4.4%	1.2%	0.3%	1.9%	7.3%	3.7%	3.2%	6.2%
FY02/14 Sales	5.8%	-11.4%	-2.8%	2.9%	-8.9%	-4.1%	-6.3%	-14.3%	-9.0%	-8.5%	1.8%	10.5%
Cust. count	3.3%	-12.6%	-3.2%	2.2%	-7.8%	-7.1%	-8.2%	-11.8%	-5.9%	-7.2%	7.9%	17.8%
Spend / cust.	2.4%	1.4%	0.4%	0.7%	-1.2%	3.3%	2.1%	-2.9%	-3.3%	-1.4%	-5.7%	-6.2%
FY02/15 Sales	-4.5%	-6.7%	-1.3%	-1.2%	-1.4%							
Cust. count	-2.7%	-3.1%	-0.3%	-0.9%	-1.6%							
Spend / cust.	-1.8%	-3.8%	-1.0%	-0.2%	0.2%							

All Store Sales	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
FY02/09 Sales	10.9%	-8.4%	-2.0%	-5.4%	-0.1%	-0.1%	5.5%	-3.4%	7.9%	-6.4%	-2.6%	-8.4%
Cust. count	6.4%	-6.6%	-3.7%	-3.4%	3.7%	-1.5%	4.8%	-2.2%	7.7%	-3.5%	-2.4%	-6.4%
Spend / cust.	4.3%	-1.9%	1.7%	-2.0%	-3.7%	1.4%	0.7%	-1.2%	0.1%	-3.0%	-0.2%	-2.1%
FY02/10 Sales	-15.4%	-7.6%	-5.0%	-16.4%	-9.7%	-11.6%	-16.2%	-15.2%	-25.9%	-12.6%	-11.9%	-11.9%
Cust. count	-13.0%	-0.9%	5.8%	-2.2%	-1.7%	-5.3%	-3.8%	-8.5%	-16.2%	-2.3%	-1.0%	-3.3%
Spend / cust.	-2.9%	-6.8%	-10.2%	-14.5%	-8.2%	-6.7%	-12.9%	-7.4%	-11.6%	-10.5%	-11.0%	-8.9%
FY02/11 Sales	-18.8%	-17.3%	-14.6%	-10.7%	-12.2%	-14.2%	-19.2%	-5.1%	-12.0%	-17.5%	-10.9%	-3.1%
Cust. count	-11.8%	-13.3%	-10.8%	-8.2%	-8.9%	-11.2%	-13.1%	1.5%	-5.9%	-16.6%	-12.0%	-5.5%
Spend / cust.	-7.9%	-4.5%	-4.2%	-2.7%	-3.7%	-3.4%	-7.1%	-6.4%	-6.5%	-1.1%	1.3%	2.6%
FY02/12 Sales	-21.4%	1.4%	-11.3%	-2.5%	-5.9%	-5.7%	3.1%	-4.8%	-3.1%	3.6%	-6.1%	-5.5%
Cust. count	-24.2%	-4.2%	-16.7%	-12.8%	-12.9%	-11.4%	-8.9%	-15.5%	-11.8%	-0.9%	-10.5%	-7.3%
Spend / cust.	3.6%	5.9%	6.5%	11.9%	8.0%	6.5%	13.2%	12.6%	9.8%	4.5%	4.9%	1.9%
FY02/13 Sales	17.0%	-1.4%	-6.2%	-7.0%	-8.8%	-3.2%	-11.7%	-12.6%	4.9%	-5.3%	-7.9%	-6.9%
Cust. count	9.0%	-5.4%	-9.2%	-10.4%	-12.3%	-4.2%	-12.4%	-14.6%	-2.5%	-9.0%	-11.0%	-12.4%
Spend / cust.	7.4%	4.2%	3.3%	3.8%	4.0%	1.0%	0.8%	2.3%	7.7%	4.0%	3.4%	6.3%
FY02/14 Sales	4.9%	-11.8%	-2.5%	2.9%	-8.8%	-3.9%	-6.0%	-14.2%	-9.1%	-8.2%	0.9%	9.2%
Cust. count	2.5%	-12.9%	-2.9%	2.1%	-7.5%	-6.5%	-7.9%	-11.6%	-5.7%	-6.5%	6.9%	15.9%
Spend / cust.	2.4%	1.3%	0.5%	0.8%	-1.3%	2.9%	2.1%	-3.0%	-3.5%	-1.8%	-5.6%	-5.8%
FY02/15 Sales	-3.3%	-5.8%	-1.4%	-1.8%	-2.6%							
Cust. count	-0.8%	-1.4%	0.3%	-0.7%	-1.9%							
Spend / cust.	-2.5%	-4.5%	-1.7%	-1.1%	-0.7%							

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



MONTHLY WRAP –August 2014



On July 25, 2014, Shared Research updated the report following interviews with management.

Quarterly Performance (JPYmn)	FY02/13				FY02/14				FY02/15		FY02/15		FY02/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 Est.	% of 1H	1H Est.	% of FY	FY Est.
Sales	9,730	8,733	9,901	10,294	9,383	8,438	8,878	10,050	9,056	9,344	49.2%	18,400	23.5%	38,500
YoY	1.6%	-6.7%	-5.8%	-6.4%	-3.6%	-3.4%	-10.3%	-2.4%	-3.5%	10.7%		3.2%		4.8%
GP	4,777	4,069	4,966	4,733	4,643	3,941	4,242	4,279	4,381		48.8%	8,985	23.9%	18,300
YoY	4.1%	-3.8%	-1.9%	-1.8%	-2.8%	-3.1%	-14.6%	-9.6%	-5.6%		4.7%		7.0%	
GPM	49.1%	46.6%	50.2%	46.0%	49.5%	46.7%	47.8%	42.6%	48.4%		48.8%		47.5%	
SG&A	3,964	3,833	4,126	3,907	3,938	3,877	4,110	4,040	4,277		50.5%	8,465	25.2%	17,000
YoY	-5.0%	-3.7%	-3.5%	-7.1%	-0.7%	1.1%	-0.4%	3.4%	8.6%		8.3%		6.5%	
SG&A / Sales	40.7%	43.9%	41.7%	38.0%	42.0%	45.9%	46.3%	40.2%	47.2%		46.0%		44.2%	
OP	812	237	839	827	704	64	132	240	103	417	19.8%	520	7.5%	1,380
YoY	95.0%	-4.0%	6.9%	34.3%	-13.3%	-73.0%	-84.3%	-71.0%	-85.4%	551.6%		-32.3%		21.1%
OPM	8.3%	2.7%	8.5%	8.0%	7.5%	0.8%	1.5%	2.4%	1.1%	4.5%		2.8%		3.6%
RP	858	268	883	893	747	88	140	276	164	386	29.8%	550	11.9%	1,380
YoY	105.4%	-3.6%	9.0%	47.4%	-12.9%	-67.2%	-84.1%	-69.1%	-78.0%	338.6%		-34.1%		10.3%
RPM	8.8%	3.1%	8.9%	8.7%	8.0%	1.0%	1.6%	2.7%	1.8%	4.1%		3.0%		3.6%
NI	528	148	499	1,295	428	20	32	69	45	200	18.4%	245	7.3%	620
YoY	-	-8.1%	-38.6%	11.5%	-19.0%	-86.5%	-93.6%	-94.7%	-89.5%	900.0%		-45.3%		12.9%
NPM	5.4%	1.7%	5.0%	12.6%	4.6%	0.2%	0.4%	0.7%	0.5%	2.1%		1.3%		1.6%

Source: Company data

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

Company estimates for Q2 FY02/15 calculated by subtracting Q1 estimates from 1H estimates.

Amid declining YoY sales, the company's GPM also worsened. SG&A expenses, although in line with initial estimates, were higher compared to the previous year, and operating profit was down 85.3% to JPY103mn. In order to realize growth through increased customer count during 2H, the company plans to proceed with various management initiatives.

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.

On **July 24, 2014**, Matsui Securities Co., Ltd. announced earnings results for Q1 FY03/15.

Quarterly performance (JPYmn)	FY03/14				FY03/15			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operating revenues	13,152	9,038	9,173	8,520	7,490	-	-	-
YoY	228.9%	137.1%	103.0%	0.6%	-43.1%	-	-	-
Net operating revenues	12,800	8,799	8,900	8,239	7,238	-	-	-
YoY	238.4%	146.1%	106.2%	-0.0%	-43.5%	-	-	-
Commissions	9,925	6,052	5,977	5,395	4,406	-	-	-
YoY	308.8%	164.0%	95.6%	-15.6%	-55.6%	-	-	-
Net interest income	2,868	2,745	2,919	2,842	2,829	-	-	-
YoY	111.8%	114.1%	132.0%	51.5%	-1.4%	-	-	-
SG&A	3,213	2,771	2,825	2,839	2,604	-	-	-
YoY	33.5%	22.4%	22.5%	3.5%	-19.0%	-	-	-
SG&A / Operating revenues	25.1%	31.5%	31.7%	34.5%	36.0%	-	-	-
Operating profit	9,587	6,028	6,075	5,400	4,633	-	-	-
YoY	596.7%	359.5%	202.4%	-1.8%	-51.7%	-	-	-
OPM	74.9%	68.5%	68.3%	65.5%	64.0%	-	-	-
Recurring profit	9,625	6,041	6,106	5,403	4,694	-	-	-
YoY	585.1%	358.3%	203.6%	-2.0%	-51.2%	-	-	-
RPM	75.2%	68.7%	68.6%	65.6%	64.9%	-	-	-
Net income	5,802	3,633	3,682	3,183	2,928	-	-	-
YoY	495.7%	345.2%	201.8%	-6.8%	-49.5%	-	-	-
NPM	45.3%	41.3%	41.4%	38.6%	40.5%	-	-	-

Source: Company data

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

Aggregate equity trading value at the Tokyo and Nagoya stock exchanges fell 37% YoY; total equity trading value by individuals fell 52%. Trading by individuals accounted for 22% of total market transactions, down from 29% a year earlier. A slump in the stock market from mid-April onward led to pressure on investors and falling turnover.

Matsui launched the premium short-selling service in the Margin Trading Service for Day-trades in FY03/14. The company focused on making this service more convenient, including upping the number of stocks available for short-selling and maximum position size. This services allows the short-selling of stocks that are generally unavailable for short-selling owing to the difficulty of delivering them for lending. The company also enhanced its services, including improving the smartphone trading tool "KABU touch" and conducting promotional campaigns about listed investment funds. However, total equity trading value at the company fell 41% YoY, in line with the broader fall in the equity trading value of individuals.

View the [full report](#).



Medinet Co., Ltd. (2370)

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

On **July 31, 2014**, MEDINET Co., Ltd. announced revisions to its FY09/14 full-year earnings forecast.

Revised FY09/14 earnings forecast (previous forecast in parentheses)

Sales:	JPY1.8bn (JPY2.3bn)
Operating loss:	JPY1.4bn (JPY965mn)
Recurring loss:	JPY1.5bn (JPY965mn)
Net loss:	JPY1.1bn (JPY975mn)

Sales are expected to be lower due to lower demand for cell processing at contracted medical institutions in the Immuno-Cell Therapy Total Support Service. Concerning profits, lower sales are forecast to reduce gross profit by JPY335mn compared to previous estimates. SG&A expenses are also planned to increase by JPY130mn due to licensing payments to Argos Therapeutics concerning AGS-003, an immuno-cell medical product. Net loss is not planned to widen significantly thanks to a planned JPY440mn booking of extraordinary gains on sales of investment securities.

On **the same day**, the company announced changes to its executive management.

At a board of directors meeting held on July 31, 2014, president Kunihiro Suzuki announced his resignation, effective October 1, 2014, and will remain on the board as a director. Hiroshi Igi, director and head of business development division, will assume the role of president.

On **July 29, 2014**, the company announced that it was granted patents in South Korea and China for a "method for activation treatment of antigen-presenting cell" .

This method uses dendritic cells to enhance the induction of cytotoxic T-lymphocytes (CTLs). In addition to the new patents in Korea and China, the company holds patents in Australia, Japan, the US, and 11 countries in Europe. These patents mean the company has secured exclusive rights to this business in the main markets in Europe, the US, and Asia.

In dendritic cell vaccine therapy, the company anticipates that using dendritic cells to efficiently induct CTLs (tumor antigens) will destroy tumor cells. However, in reality it is extremely difficult to enhance the cultivated dendritic cells and activate this treatment because it uses cells taken from patients themselves, who are in a range of physical conditions.

The company has developed the "method for activation treatment of antigen-presenting cell" and "dendritic cells co-pulsed with bisphosphonate" as a solution to the above issue. With these technologies, it is possible to induce CTLs at up to 100x the rate of previous methods. The technologies are in use at medical institutions where MEDINET provides services and technology.

The company has now secured patents to platform technologies relating to dendritic cell vaccines. It hopes this will contribute significantly to the joint development, manufacture, and sale of cell medicinal products, together with companies in key global markets—including Korea, China, Europe, the US, and other countries in Asia.



On July 23, 2014, Shared Research updated the report following interviews with management.

Quarterly Performance (JPYmn)	FY09/13				FY09/14				FY09/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY Est.	FY Est.
Sales	517	508	536	549	527	472			44.0%	1,800
YoY	-4.8%	-11.1%	-1.1%	2.8%	1.9%	-7.2%				-14.7%
GP	241	240	273	272	265	234				
YoY	-17.8%	-25.3%	1.3%	1.3%	9.8%	-2.2%				
GPM	46.6%	47.1%	51.0%	49.5%	50.2%	49.7%				
SG&A	418	484	511	490	552	557				
YoY	-10.6%	3.7%	3.5%	12.5%	32.1%	15.1%				
SG&A / Sales	80.8%	95.2%	95.3%	89.4%	104.8%	118.1%				
OP	-177	-245	-238	-219	-287	-323			-	-1,430
YoY	-	-	-	-	-	-				-
OPM	-	-	-	-	-	-				-
RP	-139	-347	-246	-220	-273	-365			-	-1,460
YoY	-	-	-	-	-	-				-
RPM	-	-	-	-	-	-				-
NI	-141	254	-235	-227	-283	54			-	-1,060
YoY	-	-	-	-	-	-				-
NPM	-	-	-	-	-	-				-

Source: Company data

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

Consolidated sales for 1H FY09/13 were JPY1.0bn (-2.6% YoY). Although sales in the Immuno-Cell Therapy Total Support Service were higher YoY, sales in contracted research declined.

The company signed a license agreement with Argos Therapeutics in December 2013 concerning AGS-003, an immuno-cell medical product that the US company is developing for metastatic renal cell cancer. Under the agreement, Argos granted MEDINET an exclusive, royalty-free license to develop and manufacture AGS-003 in Japan. MEDINET booked a one-time charge associated with this transaction. Due to costs such as R&D expenses associated with acquiring the development pipeline for AGS-003, overall R&D expenses for 1H FY09/14 increased 52.7% YoY to JPY141mn. As an initiative to support expansion of new businesses, additional optimizations were made in operating activities for existing businesses, leading to a JPY56mn reduction in selling expenses (-30.2% YoY). However, as part of strategic investments toward promoting progress in development of the cell processing and cell medicinal products, general and administrative expenses increased by JPY123mn (+27.3%). As a result of the above, SG&A expenses for 1H FY09/14 were JPY1.1bn, a JPY207mn YoY increase (+23.0%).

Decreased sales, and increased SG&A expenses led to an overall operating loss of JPY610mn (operating loss of JPY421mn in the previous year), recurring loss of JPY638mn (recurring loss of JPY486mn in the previous year), and net loss of JPY229mn (net income of JPY113mn in the previous year).

View the [full report](#).



NAIGAI TRANS LINE LTD. (9384)

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

On **July 30, 2014**, Naigai Trans Line Ltd. announced Q2 FY12/14 results.

Quarterly Performance (JPYmn)	FY12/13				FY12/14				FY12/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	3,465	4,034	4,494	4,803	4,604	5,035			50.7%	19,000
YoY	16.2%	15.1%	33.1%	35.5%	32.8%	24.8%				
GP	1,014	1,215	1,270	1,344	1,242	1,431				
YoY	6.4%	11.5%	26.2%	26.0%	22.5%	17.8%				
GPM	29.3%	30.1%	28.3%	28.0%	27.0%	28.4%				
SG&A	837	921	960	961	1,006	1,344				
YoY	14.2%	11.5%	17.9%	15.4%	20.2%	45.8%				
SG&A / Sales	24.1%	22.8%	21.4%	20.0%	21.8%	26.7%				
OP	176	293	311	361	235	87			29.4%	1,100
YoY	-19.5%	11.5%	62.4%	162.4%	33.4%	-70.3%				
OPM	5.1%	7.3%	6.9%	7.5%	5.1%	1.7%				
RP	201	308	330	364	233	87			29.1%	1,100
YoY	-18.7%	13.0%	66.6%	42.3%	15.9%	-71.9%				
RPM	5.8%	7.6%	7.3%	7.6%	15.7%	1.7%				
NI	117	191	202	220	125	-533			-	100
YoY	-20.8%	14.8%	86.1%	503.3%	6.9%	-				
NPM	3.4%	4.7%	4.5%	4.6%	2.7%	-				

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

Source: Company data

Higher SG&A expenses due to provisions for doubtful accounts

The company posted JPY274mn in provisions for doubtful accounts, due to extended collection periods for accounts receivable at subsidiary NTL-LOGISTICS (INDIA) PRIVATE LIMITED.

Extraordinary losses

- Goodwill amortization at NTL-INDIA: JPY294mn, following deliberation over the possibility of collecting goodwill at NTL-INDIA, in light of the above provisions for doubtful accounts;
- System development fee refund lawsuit: based on conservative assumptions, an allowance for doubtful accounts of JPY84mn and provisions for losses on litigation of JPY82mn;
- Valuation losses on investment securities: JPY102mn.

On **July 15, 2014**, the company announced a revision to its earnings and dividends forecasts, and the recording of an extraordinary loss.

1H FY12/14 earnings forecast

Sales: JPY9.6bn (previous estimate: JPY9.0bn)
 Operating profit: JPY330mn (JPY600mn)
 Recurring profit: JPY330mn (JPY600mn)
 Net loss: JPY400mn (net income of JPY400mn)

Full-year FY12/14 earnings forecast

Sales: JPY19.0bn (previous estimate: JPY18.5bn)
 Operating profit: JPY1.1bn (JPY1.3bn)
 Recurring profit: JPY1.1bn (JPY1.3bn)
 Net income: JPY100mn (JPY850mn)

Revision details

Sales for 1H FY12/14 are forecast to be higher than initial estimates, primarily due to sales beginning to



recover for less-than-container-load shipping, the company's mainstay product. Sales for LCL shipping have been progressing above estimates since the beginning of FY12/14.

Concerning SG&A expenses, the company will record an allowance for doubtful accounts of JPY274mn in connection with delays in recovering receivables at subsidiary NTL Logistics (India), which are scheduled to yield lower operating and recurring profits.

Extraordinary losses are forecast to include impairment of goodwill for subsidiaries (JPY294mn), losses stemming from a system development fee refund lawsuit (JPY172mn), and valuation losses on investment securities (JPY102mn), reducing net income by JPY800mn.

Full-year forecasts also call for strong sales, but SG&A are expected to increase significantly due to the recording of allowances for doubtful accounts at the company's Indian subsidiary. Impairment of goodwill, allowance in connection with the lawsuit, and valuation losses on investment securities are all planned to be booked as extraordinary losses. As a result, estimates for net income have been significantly reduced.

Revision to FY12/14 dividend forecast (per share)

1H dividend: JPY13.00 (previous estimate: JPY12.50)

Year-end dividend: JPY20.00 (JPY20.00)

Full-year dividend: JPY33.00 (JPY32.50)

Dividend revision details

Although profit levels are forecast to decrease temporarily during FY12/14, business results are on firm footing. As a reflection of the company's policy of providing stable returns to shareholders based on long term growth—not yearly fluctuations—the company resolved to increase its dividend.

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 **July 16, 2014**, NanoCarrier announced that it had been granted a substance patent in South Korea for pH-responsive micelles.

According to the company, the substance patent was granted for a pH-responsive micelle agent with the ability to release optimal amounts of medication depending upon pH fluctuation within cells. Substance patents for this technology have now been granted in Japan, the US, Europe, China, Australia, New Zealand, and South Korea. The company now has an effective monopoly for patents on this technology in the Asia and Oceania region.

The patent covers not only Epirubicin Micelle (NC-6300/K-912), for which the company has been proceeding with Phase I clinical trials in tandem with Kowa Co. since September 2013, but is a full-fledged platform that can be applied to a variety of low molecular mass medications. Such medications are produced when micelle polymers and pH-responsive properties are combined. In addition, the patent can be used as a foundation to include pH-responsive capabilities in Antibody / Drug-conjugated Micelles, the company's next generation of drug delivery systems that are currently in development.

- Title: Block copolymer and pharmaceutical composition for composite medications
- Patent application number: 2009-7007877
- Patentee: NanoCarrier Co.

On **July 14, 2014**, the company announced that it had been granted a patent for NC-6004 Nanoplatin® in Australia.

The Australian Patent Office has granted NanoCarrier a patent for NC-6004 Nanoplatin®, which the company has identified as its most important pipeline. Patents have already been granted in the US, Europe, and Taiwan.

- Title: Pharmaceutical Composition and Combined Agent
- Patent application number: 2009208481
- Patentee: NanoCarrier Co.

View the [full report](#).



NS TOOL Co., Ltd. (6157)

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

On **July 31, 2014**, NS Tool announced Q1 earnings results for FY03/15.

Quarterly Performance (JPYmn)	FY03/13				FY03/14				FY03/15		FY03/15		FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H Est.	3,320	% of FY Est.	6,760
Sales	1,570	1,533	1,482	1,413	1,538	1,531	1,632	1,718	1,736					
End Mills (up to 6mm)	1,018	956	905	885	946	932	977	1,038	-					
End Mills (over 6mm)	190	185	185	177	194	195	219	217	-					
End Mills (Others)	251	278	289	253	291	302	319	352	-					
Other Products	108	112	101	96	105	101	114	115	-					
End Mills (up to 6mm)					1,112	1,093	1,144	1,219	1,214					
End Mills (over 6mm)					194	195	219	216	218					
End Mills (Others)					124	142	152	167	184					
Other Products					105	101	114	114	118					
YoY (*)	7.7%	5.1%	-0.4%	2.6%	-2.0%	-0.1%	10.1%	21.6%	12.9%					5.3%
End Mills (up to 6mm)	12.0%	2.9%	-5.3%	0.2%	-7.1%	-2.5%	8.0%	17.3%	9.2%					
End Mills (over 6mm)	-5.5%	0.5%	-5.6%	6.0%	2.1%	5.4%	18.4%	22.6%	12.4%					
End Mills (Others)	10.1%	16.8%	27.9%	16.6%	15.9%	8.6%	10.4%	39.1%	48.4%					
Other Products	-7.7%	6.7%	-6.5%	-11.1%	-2.8%	-9.8%	12.9%	19.8%	12.4%					
Composition (*)														
End Mills (up to 6mm)	64.9%	62.4%	61.1%	62.6%	61.5%	60.9%	59.9%	60.4%	69.9%					
End Mills (over 6mm)	12.1%	12.1%	12.5%	12.5%	12.6%	12.7%	13.4%	12.6%	12.6%					
End Mills (Others)	16.0%	18.1%	19.5%	17.9%	18.9%	19.7%	19.6%	20.5%	10.6%					
Other Products	6.9%	7.3%	6.8%	6.8%	6.8%	6.6%	7.0%	6.7%	6.8%					
					72.4%	71.4%	70.2%	71.0%	70.0%					
	314	316	316	300	327	287	301	353	346				24.4%	1,417
	121	131	126	103	107	95	65	129	106					
	88	93	91	89	106	90	102	104	112					
	85	66	76	81	90	73	101	93	93					
	18	24	22	25	22	28	32	30	33					
YoY	0.0%				-11.6%	-27.5%	-48.4%	25.2%	-0.9%					
	0.0%				20.5%	-3.2%	12.1%	16.9%	5.7%					
	0.0%				5.9%	10.6%	32.9%	14.8%	3.3%					
	0.0%				22.2%	16.7%	45.5%	20.0%	50.0%					
GP	777	716	699	652	722	740	779	836	885					
YoY	18.5%	-0.3%	-7.5%	6.8%	-7.1%	3.3%	11.4%	28.2%	22.7%					
GPM	49.5%	46.7%	47.1%	46.2%	46.9%	48.3%	47.7%	48.7%	51.0%					
SG&A	470	472	529	451	493	488	498	528	502					
YoY	10.7%	13.0%	25.7%	-12.4%	4.8%	3.4%	-5.8%	17.1%	1.8%					
SG&A / Sales	30.0%	30.8%	35.7%	31.9%	32.0%	31.9%	30.5%	30.7%	28.9%					
OP	307	244	170	201	229	252	280	308	384		71.1%	540	34.0%	1,130
YoY	32.6%	-18.8%	-49.3%	109.4%	-25.4%	3.2%	65.2%	53.0%	67.6%					5.7%
OPM	19.6%	15.9%	11.4%	14.3%	14.9%	16.4%	17.2%	17.9%	22.1%					16.7%
RP	320	248	177	206	247	253	286	321	405		72.3%	560	34.9%	1,160
YoY	31.2%	-20.4%	-51.0%	78.2%	-22.9%	2.0%	62.0%	55.4%	64.1%					4.8%
RPM	20.4%	16.2%	11.9%	14.6%	16.1%	16.5%	17.5%	18.7%	23.3%					17.2%
NI	185	146	98	98	142	181	175	196	256		76.3%	335	35.7%	715
YoY	33.6%	-18.4%	-54.3%	3,648.0%	-23.4%	24.2%	78.5%	100.4%	80.1%					2.9%
NPM	11.8%	9.5%	6.6%	6.9%	9.2%	11.8%	10.7%	11.4%	14.7%					10.6%

In Q1 FY03/15, NS Tool achieved record amounts of sales and recurring profit (on a quarterly basis). Although a pullback in demand was seen after the consumption tax hike in April, a moderate economic recovery is continuing. Reduced spending after the tax hike was a particular concern for the company, but the effects have been relatively limited, and demand for tools during Q1 was strong; sales were up 12.9% YoY. Concerning expenses, although variable costs rose due to higher sales, fixed costs increased only slightly, yielding significantly higher operating profit, recurring profit, and net income YoY.

On **July 9, 2014**, the company announced a stock split and dividend forecast revision.

With a record date of September 30, 2014, and an effective date of October 1, 2014, the company will execute a two-for-one stock split. With this, the number of shares outstanding will increase from 3,126,000 to 6,252,000.



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As a result, the company will change its expected dividend payout for FY03/15 from JPY50 per share to JPY25 per share.

View the [full report](#).

Shared Research



Onward Holdings Co Ltd (8016)

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

On **July 28, 2014**, Shared Research updated the report following interviews with management.

(JPYmn)	FY02/13				FY02/14				FY02/14(*)				FY02/15	FY02/15	FY02/15		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	% of 1H	1H Est.	% of FY	FY Est.
Sales	67,581	53,305	70,479	67,004	72,174	60,145	73,122	73,632	72,361	60,358	73,303	73,985	73,561	53.9%	136,500	25.3%	290,700
YoY	10.1%	1.9%	2.5%	11.8%	6.8%	12.8%	3.8%	9.9%	6.8%	12.9%	3.8%	10.0%	1.7%		2.8%		3.8%
GP	33,886	23,863	36,649	30,092	35,561	26,884	36,413	31,101	35,719	27,046	36,571	31,401	36,541	56.3%	64,900	26.6%	137,500
YoY	11.4%	3.2%	1.4%	18.3%	4.9%	12.7%	-0.6%	3.4%	-	-	-	-	2.3%		3.9%		5.8%
GPM	50.1%	44.8%	52.0%	44.9%	49.3%	44.7%	49.8%	42.2%	49.4%	44.8%	49.9%	42.4%	49.7%		47.5%		47.3%
SG&A	27,669	26,923	29,102	29,604	29,170	29,943	29,621	31,803	29,170	29,943	29,621	31,803	30,577	50.2%	60,900	24.4%	125,200
YoY	7.5%	2.8%	10.3%	14.5%	5.4%	11.2%	1.8%	7.4%	5.4%	11.2%	1.8%	7.4%	4.8%		3.0%		-3.7%
SG&A / Sales	40.9%	50.5%	41.3%	44.2%	40.4%	49.8%	40.5%	43.2%	40.3%	49.6%	40.4%	43.0%	41.6%		44.6%		43.1%
OP	6,216	-3,059	7,547	488	6,390	-3,059	6,792	-701	6,548	-2,897	6,950	-401	5,963	149.1%	4,000	48.5%	12,300
YoY	32.9%	-	-22.8%	-	2.8%	-	-10.0%	-	3.3%	-	-	-	-8.9%		9.6%		20.6%
OPM	9.2%	-	-10.7%	0.7%	8.9%	-	9.3%	-	9.0%	-	9.5%	-	8.1%		2.9%		4.2%
RP	6,029	-2,307	8,038	1,645	7,184	-2,413	7,100	340	7,184	-2,413	7,100	340	5,807	121.0%	4,800	42.4%	13,700
YoY	12.2%	-	-17.4%	45.3%	19.2%	-	-11.7%	-79.3%	19.2%	-	-11.7%	-79.3%	-19.2%		0.6%		12.2%
RPM	8.9%	-	-11.4%	2.5%	10.0%	-	9.7%	0.5%	10.0%	-	9.7%	0.5%	7.9%		3.5%		4.7%
NI	2,815	-2,293	4,114	-133	3,841	-2,190	4,106	-1,099	3,841	-2,190	4,106	-1,099	3,528	207.5%	1,700	65.3%	5,400
YoY	30.4%	-	-3.9%	-	36.4%	-	-0.2%	-	36.4%	-	-0.2%	-	-8.1%		3.0%		15.9%
NPM	4.2%	-	5.8%	-	5.3%	-	5.6%	-	5.3%	-	5.6%	-	4.8%		1.2%		1.9%

Recovery from consumption tax hike taking time

In the apparel and fashion industry, rush demand prior to the consumption tax increase was a significant factor in creating demand for luxury products. However, a pullback in demand from April onward and reduced consumer spending have created uncertainty for the immediate future.

Slow recovery in women's products; trend expected to continue

Rush demand during March is estimated to have accounted for a 7-8% increase in sales. The pullback pushed April sales figures down significantly, and the trend has continued through May. Recovery during the months of June and July in Q2 has also lacked momentum. By product, particularly in women's clothing, brands with a focus on career women are struggling.

Domestically, Onward focused on enhancing profitability in key global brands and expanding new logistics channels. Overseas, the company implemented strategies to restructure and consolidate operations in Europe. The company also made investments as necessary into key businesses and brands. Onward worked to expand operations of stable, profitable businesses, while developing new businesses in categories with potential for growth.

Strategic management initiatives implemented in FY02/14 begin to bear fruit for menswear; Gotairiku sales up 14.4% YoY

Due to new initiatives that began in FY02/14, menswear—primarily Gotairiku and J.Press—exhibited strong performance. Of the two, Gotairiku was a model case for the company's new measures yielding results. In 1H FY02/14, the company planned new products to appeal to customers on multiple levels, including pricing. Then, in 2H, Onward conducted a high-impact marketing campaign, which resulted in a 13.6% YoY increase in sales for Q4 FY02/14. The trend carried over into FY02/15, yielding a 14.4% YoY sales increase for Q1.

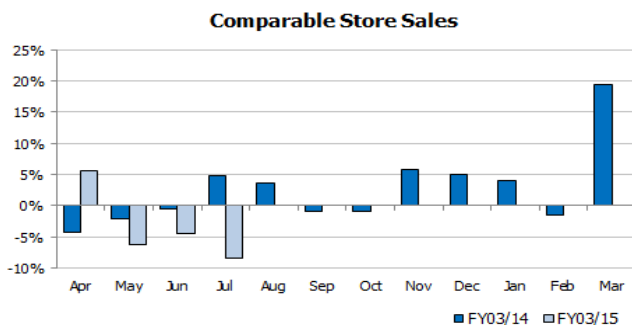
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Paris Miki Holdings Inc. (7455)

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

Paris Miki Holdings announced sales figures for June 2014 On **July 1**, and for July on **August 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](#).



Resorttrust, Inc. (4681)

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

On **July 31, 2014**, Resorttrust Inc. announced the acquisition of The Kahala Hotel & Resort in Hawaii, and an increase in capital at its US subsidiary.

The company entered into a purchase agreement (containing a stop clause) with Kahala Hotel Investors LLC for the purchase of fixed assets in the Kahala district of Honolulu, Hawaii. The right to acquire the assets are planned to be transferred to the company's US wholly-owned subsidiary, Resorttrust Hawaii, LLC, and the transfer is scheduled to take place on September 30, 2014. In order to ensure that the transaction progresses smoothly, the company has also resolved to conduct an increase in capital at Resorttrust Hawaii.

Resorttrust anticipates cash flow (operating profit before depreciation) of approximately JPY1.0bn per annum to be generated by sales in hotel management. The company is also considering selling memberships to the Kahala Hotel & Resort, and thinks that memberships will aid in swift investment recovery and operational stability.

Property details

Property name: The Kahala Hotel & Resort
 Floor area: 13 floors above ground (two buildings), 338 rooms
 Acquisition price: USD300mn (approximately JPY30.6bn)

Acquisition schedule

Contract conclusion date: July 31, 2014
 Scheduled transfer of ownership: September 30, 2014

Capital increase details

Amount and scheduled date of first deposit: USD18mn (approx. JPY1.8bn); Early August 2014
 Amount and scheduled date of second deposit: USD182mn (approx. JPY18.6bn); Late September 2014
 Total capital after transactions are complete: USD200mn (approx. JPY20.4bn)

On **July 15, 2014**, the company announced a revision to the conversion price for its convertible bond maturing in 2018.

Revision details

Conversion price before revision: JPY2,153
 Conversion price after revision: JPY2,082
 Effective date: On or after July 29, 2014

This revision meets the criteria for price revisions pursuant to corporate bond guidelines set forth for the company's convertible bonds.

On **July 1, 2014**, the company announced a tie-up with Inspirato LLC (headquarters: Colorado, the US), operator of a premium members' club.

Inspirato operates 250 premium vacation homes in 60 locations, mainly in North America, and has more members than any other destination club company. This will be its first tie-up with a Japanese company. Inspirato's Signature Residences—premium vacation homes in well-known resort locations—have strict conditions for membership. This tie-up will allow Resorttrust to offer its members a higher standard of



overseas resort, thus providing a new vacation experience. The service is scheduled to start on September 1, 2014.

Destination club companies rent premium vacation homes and rent them out to members.

View the [full report](#).

Shared Research



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Round One Corp. (4680)

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

On **July 10, 2014**, Round One released monthly sales data for June 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

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.

On **July 16, 2014**, Shared Research updated the report following interviews with management.

Quarterly Performance (JPYmn)	FY02/13				FY02/14				FY02/15		FY02/15		FY02/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2CE	% of 1H	1H Est.	% of FY	FY Est.
Sales	49,431	41,948	48,803	48,168	55,076	49,071	58,184	58,289	66,704	54,426	55.1%	121,130	26.4%	252,700
YoY	9.3%	3.3%	5.2%	4.9%	11.4%	17.0%	19.2%	21.0%	21.1%	10.9%		16.3%		14.5%
GP	23,183	19,909	22,901	21,383	25,454	22,958	26,665	26,588	30,848	25,512	54.7%	56,360	25.8%	119,600
YoY	10.7%	8.2%	6.9%	2.7%	9.8%	15.3%	16.4%	24.3%	21.2%	11.1%		16.4%		17.6%
GPM	46.9%	47.5%	46.9%	44.4%	46.2%	46.8%	45.8%	45.6%	46.2%	46.9%		46.5%		47.3%
SG&A	17,372	16,217	17,221	18,214	19,725	18,965	20,192	21,867	24,223	21,187	53.3%	45,410	25.7%	94,100
YoY	6.2%	1.5%	6.0%	3.7%	13.5%	16.9%	17.3%	20.1%	22.8%	11.7%		17.4%		16.5%
SG&A / Sales	35.1%	38.7%	35.3%	37.8%	35.8%	38.6%	34.7%	37.5%	36.3%	38.9%		37.5%		37.2%
OP	5,811	3,692	5,680	3,168	5,728	3,994	6,473	4,721	6,624	4,326	60.5%	10,950	26.0%	25,500
YoY	26.9%	52.2%	9.9%	-3.0%	-1.4%	8.2%	14.0%	49.0%	15.6%	8.3%		12.6%		21.9%
OPM	11.8%	8.8%	11.6%	6.6%	10.4%	8.1%	11.1%	8.1%	9.9%	7.9%		9.0%		10.1%
RP	6,023	3,719	6,042	3,976	6,553	4,093	6,902	5,499	6,644	4,656	58.8%	11,300	26.0%	25,600
YoY	24.3%	50.5%	15.1%	11.5%	8.8%	10.1%	14.2%	38.3%	1.4%	13.8%		6.1%		11.1%
RPM	12.2%	8.9%	12.4%	8.3%	11.9%	8.3%	11.9%	9.4%	10.0%	8.6%		9.3%		10.1%
NI	2,502	2,257	3,530	2,681	3,893	2,619	4,461	6,123	3,655	2,945	55.4%	6,600	23.7%	15,400
YoY	-10.9%	60.1%	20.1%	58.4%	55.6%	16.0%	26.4%	128.4%	-6.1%	12.4%		1.4%		-9.9%
NPM	5.1%	5.4%	7.2%	5.6%	7.1%	5.3%	7.7%	10.5%	5.5%	5.4%		5.4%		6.1%

- Strength in domestic operations. The company was able to maintain margins despite leaving retail prices unchanged after the April consumption tax hike, and exceed sales targets (+19% YoY).
- Overseas deliveries for spring items were delayed due to issues surrounding tag names, hampering growth.
- A one-time increase in expenses of JPY450mn was recorded due to a change in the booking period of royalty expense for the "MUJI" brand at overseas subsidiaries.

Overall, weakness in overseas operations (including royalty-related activities) was offset by strength within the Japanese market.

On **July 2, 2014**, Ryohin Keikaku Co., Ltd. announced monthly sales data for June 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 **July 31, 2014**, Sanrio Co., Ltd. announced Q1 earnings results for FY03/15.

Quarterly Performance (JPYmn)	FY03/14				FY03/15				FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	17,242	17,674	22,373	19,720	17,994	-	-	-	49.4%	36,400
YoY	2.2%	2.6%	4.4%	5.4%	4.4%	-	-	-	-	4.3%
GP	11,957	12,930	15,021	13,451	12,034	-	-	-	-	-
YoY	6.7%	10.3%	9.9%	4.6%	0.6%	-	-	-	-	-
GPM	69.3%	73.2%	67.1%	68.2%	66.9%	-	-	-	-	-
SG&A	7,278	7,851	8,058	9,153	7,717	-	-	-	-	-
YoY	2.6%	7.0%	10.6%	21.4%	6.0%	-	-	-	-	-
SG&A / Sales	42.2%	44.4%	36.0%	46.4%	42.9%	-	-	-	-	-
OP	4,678	5,079	6,964	4,298	4,316	-	-	-	47.4%	9,100
YoY	13.9%	15.7%	9.1%	-19.2%	-7.7%	-	-	-	-	-6.7%
OPM	27.1%	28.7%	31.1%	21.8%	24.0%	-	-	-	-	-
RP	4,133	4,915	6,593	4,539	4,288	-	-	-	46.6%	9,200
YoY	-3.8%	5.9%	14.7%	-8.5%	3.8%	-	-	-	-	1.7%
RPM	24.0%	27.8%	29.5%	23.0%	23.8%	-	-	-	-	-
NI	2,635	3,214	4,295	2,658	2,805	-	-	-	47.5%	5,900
YoY	-9.5%	20.0%	17.3%	-19.0%	6.5%	-	-	-	-	0.9%
NPM	15.3%	18.2%	19.2%	13.5%	15.6%	-	-	-	-	-

*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.

Sales were up thanks to strong performance from the licensing businesses in Asian countries, and special orders and promotions from convenience stores in Japan.

Operating profit was down due to factors such as retirement expenses for domestic personnel, increased advertising expenses for theme parks, and cold weather weighing on profits at the company's US subsidiary.

Recurring profit was up YoY due to a lessened impact from foreign exchange rates, which had an effect of JPY600mn on the company during Q1 FY03/14.

By segment, the overseas segment yielded sales of JPY10.2bn (+3.1% YoY) and operating profit of JPY4.5bn (-5.3%), while the Japanese segment posted sales of JPY11.5bn (+5.2%) and an operating loss of JPY200mn (operating loss of JPY90mn in Q1 FY03/14).

View the [full report](#).



SATO Holdings Corp. (6287)

Provider of comprehensive solutions based on auto-ID technology.

On **July 28, 2014**, Shared Research updated the report.

Quarterly Performance (JPYmn)	FY03/13				FY03/14				FY03/15		FY03/15		FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	21,208	21,458	22,288	22,302	22,619	23,494	24,589	26,071	23,512		49.0%	48,000	23.5%	100,000
YoY	8.3%	8.9%	8.3%	7.9%	6.7%	9.5%	10.3%	16.9%	3.9%		4.1%			3.3%
GP	8,829	8,904	9,306	9,371	9,655	9,825	10,403	11,297	10,293					
YoY	-21.9%	69.0%	6.2%	5.5%	9.4%	10.3%	11.8%	20.6%	6.6%					
GPM	41.6%	41.5%	41.8%	42.0%	42.7%	41.8%	42.3%	43.3%	43.8%					
SG&A	7,761	7,581	7,912	7,704	8,362	8,171	8,547	9,341	8,757					
YoY	5.3%	3.4%	9.0%	1.4%	7.7%	7.8%	8.0%	21.2%	4.7%					
SG&A / Sales	36.6%	35.3%	35.5%	34.5%	37.0%	34.8%	34.8%	35.8%	37.2%					
OP	1,068	1,323	1,394	1,667	1,292	1,655	1,856	1,955	1,536		42.7%	3,600	19.2%	8,000
YoY	18.1%	37.8%	-8.0%	31.0%	21.0%	25.1%	33.1%	17.3%	18.9%			22.2%		18.4%
OPM	5.0%	6.2%	6.3%	7.5%	5.7%	7.0%	7.5%	7.5%	6.5%			7.5%		8.0%
RP	714	1,105	1,727	1,883	1,425	1,764	1,984	1,911	1,590		44.8%	3,550	20.1%	7,900
YoY	-10.5%	124.6%	8.8%	45.6%	99.6%	59.6%	14.9%	1.5%	11.6%			11.3%		11.5%
RPM	3.4%	5.1%	7.7%	8.4%	6.3%	7.5%	8.1%	7.3%	6.8%			7.4%		7.9%
NI	224	505	868	1,129	845	1,048	1,393	1,009	886		40.3%	2,200	17.7%	5,000
YoY	-52.0%	119.6%	198.3%	17.0%	277.2%	107.5%	60.5%	-10.6%	4.9%			16.2%		16.4%
NPM	1.1%	2.4%	3.9%	5.1%	3.7%	4.5%	5.7%	3.9%	3.8%			4.6%		5.0%

Source: Company data

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

SATO's basic strategy—focusing on globalization and customer value—underlies the group midterm plan (FY03/13-FY03/15)'s goals of sustainable growth and building a firm revenue base.

FY03/15 is the final year of the midterm plan. Q1 results were in line with targets—sales and profits grew in Japan and all overseas regions.

View the [full report](#).



SBS Holdings, Inc. (2384)

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

On **July 30, 2014**, SBS Holdings, Inc. announced revisions to earnings forecasts.

1H FY12/14 earnings forecasts (previous forecasts in parentheses)

- Sales: JPY65.0bn (JPY63.0bn)
- Operating profit: JPY1.5bn (JPY1.1bn)
- Recurring profit: JPY1.4bn (JPY900mn)
- Net income: JPY1.8bn (JPY500mn).

FY12/14 full-year earnings forecasts

- Sales: JPY137.0bn (JPY135.0bn)
- Operating profit: JPY4.8bn (JPY4.6bn)
- Recurring profit: JPY4.4bn (JPY4.2bn)
- Net income: JPY3.5bn (JPY2.5bn).

Reasons for the revisions

Revisions to 1H earnings forecasts are based on higher sales in the logistics and personnel businesses.

According to the company, sales grew through March in the logistics segment due to the rush to beat the consumption tax hike in April. The effects of the fallback from April onward were limited, and sales were generally robust. Personnel shortages also provided a boost to sales in the personnel business (other businesses segment).

The company revised its net income forecast due to an extraordinary gain of JPY1.3bn from the sale of an office building in April—part of efforts to reallocate assets—along with increasing profits from core businesses.

The company revised its full-year forecasts to reflect these revisions to 1H forecasts.

On **July 11, 2014**, the company announced the sale of trust beneficiary rights in a logistics center to SBS Logifund No. 1, a logistics facility real estate private placement fund.

SBS Holdings decided at a board meeting on July 11, 2014 that the group will sell its 49% holding in logistics facility trust beneficiary rights of Shinbashi Capital, a special purpose company managed by A-MAX Co., Ltd., a wholly owned subsidiary of SBS, to Logifund No. 1, which Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (MUMSS) created.

Background to transfer

SBS Holdings in December 2013 transferred 51% of its holding in the facility to the fund, whose investors include the Development Bank of Japan, the Industrial & Infrastructure Fund Investment Corporation, and other Japanese institutions.

The company will sell the remaining 49% of the holding to the fund as part of the group's medium-term management plan, SBS Growth 2017, which was released on February 19, 2014. The plan calls for a reallocation of assets.

Asset overview

- Facility: 49% trust beneficiary rights in West Japan Logistics Center
- Address: 55-13 Osumihara, Kyoutanabe City, Kyoto Prefecture



- Transfer price: approximately JPY2.8bn
- Book value: approximately JPY1.6bn
- Gain: approximately JPY1.2bn

Transfer schedule

- Signing of contract: July 29, 2014
- Transfer date: August 1, 2014

The company's real estate segment plans to post a gain of about JPY1.2bn for Q3 FY12/14 after selling the asset for about JPY2.8bn.

On **the same day**, the company also announced the sale of an asset by a consolidated subsidiary.

The company has decided to sell the following asset owned by SBS Logicom Co., Ltd., a consolidated subsidiary, part of a plan to reallocate the group's assets as called for by SBS Growth 2017, a medium-term management plan released on February 19, 2014:

Asset overview

- Name of assets: Rokkakubashi sales branch (building, land)
- Address: 6-916, 2,15,19, Rokkakubashi, Kanagawa-ku, Yokohama City, Kanagawa Prefecture
- Gain: approximately JPY2.2bn

Transfer schedule

- Signing of contract: July 16, 2014
- Transfer date: January 31, 2015

The transfer is scheduled for January 2015. Therefore, the move will not affect the company's consolidated earnings for FY12/14. The company plans to post a gain in Q1 FY12/15.

On **July 7, 2014**, the company announced the acquisition of stock via a subsidiary in Transpole Logistics Pvt. Ltd., an Indian international logistics firm.

According to the company, wholly-owned subsidiary SBS Logistics Holdings Singapore Pte. Ltd. has concluded an agreement with Transpole Logistics Pvt. Ltd. to acquire its stock and consolidate Transpole as a subsidiary. Subsidiary SBS Logistics Holdings Singapore comprehensively manages the company's operations in Asia (excluding Japan).

Acquisition details

Transpole is a company headquartered in India that was established in 2004 as an air and ocean forwarder. After demonstrating steady growth, it received investment from investment funds in 2011 and expanded into regions such as Hong Kong, Singapore, China, and South Korea. From 2010 onward, it has posted yearly sales growth of over 40%. As of July 2014, Transpole has operations in 18 locations in India and 11 locations outside of India. Its superior operational abilities and high level of customer service have earned high marks from electronic equipment, consumer electronics, information technology, and industrial machinery companies, allowing it to achieve high levels of growth. Clients include Hitachi (TSE1: 6501), Toshiba (TSE1: 6502), Mitsubishi Electric (TSE1: 6503), and Denso (TSE1: 6902) in Japan, Samsung Electronics (KRX: 005930) and LG Electronics (KRX: 066570) in South Korea, and ABB (SIX: ABBN), Adidas (FWB: ADS), and Fiat (BIT: F) in Europe.

Subsequent to the stock acquisition, the company will prepare bases in Asia, with Transpole's Asian forwarding business as its focal point. Through creating synergies with Transpole's 3PL expertise, logistics center operations and development, and frozen/chilled transport abilities, the company aims to accelerate its overseas expansion. Specifically, the company aims to establish an international 3PL



business that provides comprehensive support from domestic transportation, warehousing, and logistics within each country to international transport, both for existing Transpole clients and potential customers. Transpole will continue to expand its operations within the bounds of consolidation, and will keep an eye open for a potential IPO in the future.

Method of transfer

SBS Logistics Holdings Singapore is scheduled to acquire a portion of common stock held by the founding members of Transpole, along with the entirety of the common stock and preferred stock held by the investment funds Everstone Capital Limited and Fidelity Growth Partners India. Upon acquisition, SBS Logistics Holdings Singapore will promptly convert preferred stock to common stock, and will hold a stake of 3,417,722 shares in Transpole (66.0% of outstanding shares, after the stock conversion is complete).

Company to acquire stock

Name: Transpole Logistics Pvt. Ltd.
Business: Air forwarding, ocean forwarding, other
Established: August 2004
Capital: JPY4.7bn (As of March 2014)
Sales: JPY14.0bn (As of March 2014)

Number of shares, acquisition price, and stock held after acquisition

Number of shares to acquire: 810,983 common shares (all with voting rights), 2,674,488 preferred shares
Acquisition price: Transpole common and preferred shares, JPY7.5bn; Estimated advisory and other fees, JPY200mn; Estimated total, JPY7.7bn.
Stock held after acquisition: 3,417,722 common shares (all with voting rights, 66.0% of outstanding shares); includes 2,674,488 shares of preferred shares converted to common shares

In line with the acquisition, Transpole is scheduled to become a consolidated subsidiary of the company in Q3 FY12/14.

Funds to be used for the acquisition are planned to be taken from available funds and operating cash flows. Goodwill realized from the transaction is scheduled to be amortized over a 10 year period.

For details about Transpole, please see the following URL:

<http://www.transpolegroup.com/profile.html>

View the [full report](#).



SMS Co., Ltd. (2175)

SMS provides recruitment services and managing professional community websites.

On **July 31, 2014**, SMS Co., Ltd. announced earnings results for Q1 FY03/15.

Quarterly Performance (JPYmn)	FY03/14				FY03/15				FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY Est.	1H Est.
Sales	3,823	2,598	2,300	3,326	4,390	-	-	-	58.2%	7,549
YoY	18.1%	17.9%	17.2%	19.7%	14.8%	-	-	-		38.7%
GP	3,634	2,417	2,071	2,971	4,075	-	-	-		
YoY	18.9%	16.4%	13.5%	17.7%	12.1%	-	-	-		
GPM	95.0%	93.1%	90.1%	89.3%	92.8%	-	-	-		
SG&A	2,300	2,412	2,318	2,333	2,837	-	-	-		
YoY	14.0%	18.6%	16.9%	24.4%	23.3%	-	-	-		
SG&A / Sales	60.2%	92.9%	100.8%	70.1%	64.6%	-	-	-		
OP	1,333	5	-246	638	1,238	-	-	-	147.0%	842
YoY	28.5%	-88.9%	-	-1.5%	-7.2%	-	-	-		-22.1%
OPM	34.9%	0.2%	-	19.2%	28.2%	-	-	-		11.2%
RP	1,552	94	-189	883	1,506	-	-	-	125.2%	1,203
YoY	36.0%	-12.9%	-	8.0%	-2.9%	-	-	-		-3.7%
RPM	40.6%	3.6%	-	26.5%	34.3%	-	-	-		15.9%
NI	1,022	59	-149	448	1,211	-	-	-	150.0%	1,925
YoY	39.2%	-6.7%	-	-7.5%	18.5%	-	-	-		141.3%
NPM	26.7%	2.3%	-	13.5%	27.6%	-	-	-		25.5%

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

Source: Company data

The company acquired more stock in eChannelling PLC and turned it from an equity-method affiliate to a consolidated subsidiary, thus realizing an extraordinary gain on the difference in the price of the stock (between the initial and subsequent acquisitions). The result: net income was up 18.5% at JPY1.2bn.

Costs increased because the company invested in services for small and mid-sized nursing care providers and new businesses. In addition to the existing software for nursing care invoicing, SMS also renewed a comprehensive business support service for small and mid-sized nursing care providers. This service solves management issues, and makes administrative and financial work more efficient.

View the [full report](#).



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 **July 14, 2014**, Shared Research updated the report following interviews with management.

Quarterly Performance (JPYmn)	FY11/13				FY11/14				FY11/14	
	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 June on **July 1, 2014**, and for July on **August 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%	-4.4%							
Domestic Department Stores (18 Stores)	31.7%	-13.5%	-6.5%	-4.9%	-4.3%							
Corporate Business	55.4%	-21.1%	-17.9%	-15.6%								
Cross-Media Business	5.4%	-33.8%	-36.0%	-25.2%								

Source: Company data

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

On **July 16, 2014**, Shared Research updated comments on the company's earnings results for Q1 FY02/15 following interviews with management.

Quarterly Performance (JPYmn)	FY02/14				FY02/15		FY02/15		FY02/15	
	Q1	Q2	Q3	Q4	Q1	Q2	% 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

The prolonged effects of both the rush to beat the consumption tax hike and the fallback
Results outperformed targets in Q1, as the rush to beat the consumption tax overshoot expectations. However, going into Q2 the company anticipates that the fallback may be prolonged.

Aiming to offset higher rents in Singapore (plus JPY1.5bn per year)

Rent may increase by more than expected in Singapore, costing the company an additional JPY1.5bn (JPY1.1bn from department stores; JPY400mn from real estate) in FY02/15 (partly attributable to September-December 2013). Targets do not factor in this additional expense, but according to the



company this will be offset in other areas as profits at the finance business are already JPY150mn above targets.

Higher rents meant a deduction of JPY600-700mn to profits in Q1 (partly attributable to September-December 2013). In the department store business, the spread between group and parent operating profit also narrowed significantly year-on-year, mainly because higher rents drove up expenses by JPY500mn.

View the [full report](#).



Takihyo Co., Ltd. (9982)

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

On **July 11, 2014**, Shared Research updated the report following interviews with management.

Quarterly Performance (JPYmn)	FY02/13				FY02/14				FY02/15		FY02/15		FY02/15	
	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%	-	3.7%	-	3.3%	
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%	-	22.8%	-	9.3%	
OPM	5.6%	2.1%	6.9%	-	1.9%	0.7%	5.7%	0.5%	2.9%	-	1.6%	-	2.6%	
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%	-	14.6%	-	4.5%	
RPM	5.7%	2.1%	7.0%	-	2.3%	0.6%	5.8%	0.5%	3.1%	-	1.7%	-	2.6%	
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%	-	2.6%	-	4.1%	
NPM	3.1%	1.0%	4.2%	-	1.4%	0.4%	3.6%	-	2.2%	-	0.9%	-	1.5%	

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

Versus company estimates

Shared Research thinks that poor weather had an adverse effect on sales, but the company was able to maintain operating profit levels as planned, despite lower sales.

However, it should be noted that as evidenced by the 3.3% YoY planned increase in sales for FY02/15, the company's management has incorporated higher sales as part of its strategy. Shared Research thinks that unit sales are lower than the YoY sales gap since the company has been increasing individual unit prices. Although profits are in line with estimates, the company views lower unit sales with concern.

Effects of FY02/14 initiatives on Q1 FY02/15 results

To deal with a weakening yen during FY02/14, the company made medium-term efforts to shift production to ASEAN countries and capture new customers, while increasing productivity and offering more value added products. Additionally, Takihyo focused on attaining higher sales and revising product pricing to secure profits in the short-term. As a result, although the effects of a weaker yen gained traction during FY02/14, the company was able to minimize the impact to its margins.

Improved GPM during Q1 despite lower sales YoY

Sales during Q1 were lower YoY, owing to the lack of clear fashion trends (flower print bottoms were popular during Q1 FY02/14) and poor weather (heavy snowfall in March). However, GPM improved by 0.1pp YoY, and OPM improved by 1.0pp. This was thanks to measures initiated during FY02/14, primarily modified product pricing and cost reductions such as those in logistics.

Demand by product and customer type

By product, demand was lacking due to clear trendsetting styles. However, performance of apparel for babies and kids was solid, due to some clients moving away from internal manufacturing. Trends in textiles and OEM products were largely in line with those during FY02/14, posting a 5.5% YoY increase.

By customer, sales of the parent toward the Shimamura group—one of the company's main clients—were up 5.3% YoY, to JPY5.9bn, which represented 30.7% of sales during Q1.

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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 **July 22, 2014**, Tamagawa Holdings Co., Ltd. announced the progress of work on its solar park in Minami Shimabara, Nagasaki Prefecture.

The company has completed construction of a 49kW low voltage generator, and is now expanding the facility into a 1MW solar power plant. In a bid to ensure the smooth operation of the new plant, the company also changed the contract from a land lease contract to a contract establishing superficies (surfaces rights) on July 22—thus securing the surface rights necessary to build a 1MW solar power plant. The company has already completed development work on the area required for the expansion, and now plans to begin full-fledged construction work.

Overview of the Minami Shimabara Solar Park

- Location: Nagasaki Prefecture, Minami Shimabara
- Operator: GP Energy 3-A Co., Ltd. (wholly-owned subsidiary)
- Area: 22,112sqm
- Capacity: Approx. 1MW
- Tariff: JPY40/kWh (fixed for 20 years)
- Revenue from the sale of electricity (planned): approx. JPY50mn / year
- Output in the first year (planned): approx. 1.3mn kWh.

On **July 8, 2014**, the company announced the results of preferential negotiations and investigations regarding discussions to transfer biomass power generation operations to the company.

As announced on November 5, 2013, the company had received rights to preferential negotiations to transfer biomass (vegetable oil) power generation operations to the company. However, after considering business potential and other factors, the company has decided to no longer pursue this business.

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 **July 31, 2014**, TOKAI Holdings Corporation announced Q1 earnings results for FY03/15.

Quarterly Performance (JPYmn)	FY03/14				FY03/15				FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	43,038	41,277	48,644	56,028	44,302	-	-	-	50.1%	88,500
YoY	-0.7%	2.5%	2.9%	10.3%	2.9%	-	-	-	-	5.0%
GP	15,842	14,906	17,897	19,696	16,513	-	-	-	-	-
YoY	-3.5%	-3.5%	-0.4%	3.8%	4.2%	-	-	-	-	-
GPM	36.8%	36.1%	36.8%	35.2%	37.3%	-	-	-	-	-
SG&A	15,194	15,143	15,112	15,500	14,855	-	-	-	-	-
YoY	3.4%	3.8%	1.7%	-1.5%	-2.2%	-	-	-	-	-
SG&A / Sales	35.3%	36.7%	31.1%	27.7%	33.5%	-	-	-	-	-
OP	648	-237	2,785	4,196	1,657	-	-	-	230.1%	720
YoY	-62.3%	-	-10.7%	29.3%	155.7%	-	-	-	-	75.2%
OPM	1.5%	-	5.7%	7.5%	3.7%	-	-	-	-	0.8%
RP	549	-246	2,656	4,054	1,547	-	-	-	573.0%	270
YoY	-63.2%	-	-4.9%	30.1%	181.8%	-	-	-	-	-10.9%
RPM	1.3%	-	5.5%	7.2%	3.5%	-	-	-	-	0.3%
NI	149	-503	1,274	1,678	713	-	-	-	-	-670
YoY	-72.7%	-	-11.3%	27.3%	378.5%	-	-	-	-	-
NPM	0.3%	-	2.6%	3.0%	1.6%	-	-	-	-	-
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	43,038	84,315	132,959	188,987	44,302	-	-	-	22.5%	196,900
YoY	-0.7%	0.8%	1.6%	4.0%	2.9%	-	-	-	-	4.2%
GP	15,842	30,748	48,645	68,341	16,513	-	-	-	-	-
YoY	-3.5%	-3.5%	-2.4%	-0.7%	4.2%	-	-	-	-	-
GPM	36.8%	74.5%	100.0%	122.0%	37.3%	-	-	-	-	-
SG&A	15,194	30,337	45,449	60,949	14,855	-	-	-	-	-
YoY	3.4%	3.6%	3.0%	1.8%	-2.2%	-	-	-	-	-
SG&A / Sales	35.3%	73.5%	93.4%	108.8%	33.5%	-	-	-	-	-
OP	648	411	3,196	7,392	1,657	-	-	-	20.2%	8,210
YoY	-62.3%	-84.0%	-43.8%	-17.3%	155.7%	-	-	-	-	11.1%
OPM	1.5%	1.0%	6.6%	13.2%	3.7%	-	-	-	-	4.2%
RP	549	303	2,959	7,013	1,547	-	-	-	21.0%	7,380
YoY	-63.2%	-85.9%	-40.2%	-13.0%	-63.2%	-	-	-	-	5.2%
RPM	1.3%	0.7%	6.1%	12.5%	3.5%	-	-	-	-	3.7%
NI	149	-354	920	2,598	713	-	-	-	22.3%	3,200
YoY	-72.9%	-	-47.9%	-15.8%	378.5%	-	-	-	-	23.2%
NPM	0.3%	-	1.9%	4.6%	1.6%	-	-	-	-	1.6%

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

Source: Company data

Primary factors contributing to higher sales were strong performance in acquiring customers in the aqua and broadband businesses, and a modified pricing structure in the LP gas business. Concerning profits, rationalization such as greater effectiveness in gaining broadband customers via the electronic retailer channel and higher efficiency in the LP gas business led to significant gains. Versus the company's initial plans for 1H, progress during Q1 was 50.1% for sales, and 230.1% for operating profit. According to the company, it plans to further strengthen its promotional activities during Q2, and results are in line with its estimates. As a result, Tokai has not made any changes to its plans.

On **July 3, 2014**, Shared Research updated comments on the company's three-year medium term management plan, Innovation Plan 2016 "Growing," following telephone interviews with the company.

View the [full report](#).



Verite Co., Ltd. (9904)

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

On **July 4, 2014**, Verite Co. announced June 2014 sales figures.

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 **July 7, 2014**, Shared Research updated comments on the company's earnings results for Q1 FY12/14 and earnings outlook following interviews with management.

Quarterly Performance (JPYmn)	FY12/13				FY12/14				FY12/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	1,617	1,729	1,811	1,898	2,046	-	-	-	50.2%	4,077
YoY	31.3%	29.9%	27.3%	25.3%	26.5%	-	-	-		21.8%
GP	502	529	564	571	594	-	-	-		
YoY	17.4%	19.0%	21.6%	22.3%	18.2%	-	-	-		
GPM	31.0%	30.6%	31.1%	30.1%	29.0%	-	-	-		
SG&A	326	339	354	361	386	-	-	-		
YoY	18.7%	9.2%	17.5%	13.2%	18.3%	-	-	-		
SG&A / Sales	20.2%	19.6%	19.6%	19.0%	18.9%	-	-	-		
OP	176	190	210	210	208	-	-	-	50.2%	414
YoY	15.1%	41.8%	29.3%	41.9%	18.2%	-	-	-		13.1%
OPM	10.9%	11.0%	11.6%	11.1%	10.2%	-	-	-		
RP	176	190	209	210	207	-	-	-	50.3%	412
YoY	15.1%	44.2%	45.1%	42.4%	17.9%	-	-	-		12.7%
RPM	10.9%	11.0%	11.5%	11.0%	10.1%	-	-	-		
NI	108	117	129	129	127	-	-	-	49.1%	258
YoY	-29.0%	14.5%	53.2%	52.4%	16.8%	-	-	-		14.6%
NPM	6.7%	6.8%	7.1%	6.8%	6.2%	-	-	-		

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

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

Source: Company data, SR

The fall in gross profit margin (GPM) was mainly because mobile internet service "Wireless Gate Wi-Fi + WiMAX2+"—which has lower margins than public wireless LAN service "Wireless Gate Wi-Fi"—accounted for a larger share of sales. Shared Research thinks the fall in GPM is of little concern, as profits per user are high for mobile internet services, despite low margins.

During Q1 FY12/14, the company focused on acquiring new customers for each of its services, and the number of subscribers was approximately 440,000 members (420,000 at end FY12/13). Higher sales were due partly to more members—particularly for mobile internet services, which have high sales and profits per user. The company also hired additional personnel in March 2014 in order to establish firm footing for expanding sales in the Wi-Fi Environment Enabler business, which began operation in January 2014.

On **July 1, 2014**, the company announced the commencement of sales of LTE SIM cards, a possible partnership with FON, and progress in the Fujisan Free Wi-Fi Project.

Sales of LTE SIM cards begin

The LTE SIM card service allows users access to 40,000 "WirelessGate Wi-Fi" hotspots across Japan and NTT DoCoMo's "Xi" LTE wireless network (tentative). Monthly service fees range from JPY480 to JPY5,490 a month, depending upon the volume and speed of data transfer. Sales are planned to begin on September 1, 2014, and preorders will begin on July 1, 2014 at Yodobashi Camera (unlisted) stores nationwide, and at its yodobashi.com website.

Partnership with FON

With community Wi-Fi becoming the de facto global standard, the company is seeking to aggregate both public and community Wi-Fi through a possible partnership with FON, a pioneer in community Wi-Fi. According to the company, deliberations may not only result in a business alliance, but a capital alliance as well.

View the [full report](#).



Yellow Hat Ltd (9882)

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

On **July 31, 2014**, Yellow Hat announced Q1 results for FY03/15.

Quarterly Performance (JPYmn)	FY03/14				FY03/15				FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	26,430	27,122	39,355	27,764	26,005	-	-	-	44.8%	58,000
Growth YoY (%)	-6.8%	-0.4%	1.6%	19.9%	-1.6%	-	-	-		8.3%
GP	7,805	8,479	10,802	9,918	8,201	-	-	-		
Growth YoY (%)	3.2%	1.1%	9.9%	17.2%	5.1%	-	-	-		
GP Margin (%)	29.5%	31.3%	27.4%	35.7%	31.5%	-	-	-		
SG&A	6,681	6,648	7,140	7,703	7,162	-	-	-		
Growth YoY (%)	-1.1%	0.8%	2.6%	12.6%	7.2%	-	-	-		
SG&A / Sales Ratio (%)	25.3%	24.5%	18.1%	27.7%	27.5%	-	-	-		
OP	1,123	1,832	3,662	2,214	1,038	-	-	-	34.6%	3,000
Growth YoY (%)	40.4%	2.2%	27.7%	37.1%	-7.6%	-	-	-		1.5%
OP Margin (%)	4.2%	6.8%	9.3%	8.0%	4.0%	-	-	-		5.2%
RP	1,435	2,021	3,877	2,587	1,311	-	-	-	37.5%	3,500
Growth YoY (%)	19.0%	1.7%	28.8%	33.1%	-8.6%	-	-	-		1.3%
RP Margin (%)	5.4%	7.5%	9.9%	9.3%	5.0%	-	-	-		6.0%
NI	1,028	1,766	2,383	2,119	1,038	-	-	-	49.4%	2,100
Growth YoY (%)	-66.4%	539.9%	35.2%	119.6%	1.0%	-	-	-		-24.8%
NP Margin (%)	3.9%	6.5%	6.1%	7.6%	4.0%	-	-	-		3.6%

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

Source: Company data, SR Inc. Research

Company forecasts are most recently announced figures.

In the market for automotive accessories, sales for high price items such as tires, aluminum wheels, and satellite navigation systems were down, resulting from a pullback in consumption after the consumption tax hike.

In an effort to increase sales for automotive and motorcycle products, the company worked to expand sales for consumables such as tires, maintenance services such as vehicle inspections and body work, and wholesaling via subsidiary Joyfull Co., Ltd. As part of its initiative to achieve higher sales in motorcycle products, the company opened new stores in cooperation with subsidiary Driver Stand Co., Ltd. through a business partnership. According to Yellow Hat, this partnership with Driver Stand will provide a boost in expansion of operations and increased competitiveness to both companies. To receive even greater benefit from joint operations, the company acquired Will Corporation and made it a subsidiary in May 2014.

Although a pullback in demand was felt after the consumption tax hike, the decrease in sales was held in check, down 1.6% YoY. This was primarily thanks to the acquisition of Will Corporation. Gross profit was up 5.1%, aided by a change in gross profit composition due to sales of satellite navigation systems, and strong sales at subsidiary 2-Rin-Kan. SG&A expenses were up 7.2%, centered on higher personnel expenses as a result of the acquisition of Will Corporation and an increased number of stores.

Key contributors to sales were wholesaling (JPY12.3bn, down 7.7% YoY), and retailing (JPY11.7bn, up 4.2%).

View the [full report](#).



Yumeshin Holdings Co., Ltd. (2362)

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

On **July 31, 2014**, Yumeshin Holdings announced earnings results for Q3 FY09/14 and a revision to its dividend forecast.

Quarterly Performance (JPYmn)	FY09/13				FY09/14				FY09/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	3,006	3,127	3,029	3,376	3,780	4,186	4,148	-	67.3%	18,000
YoY	12.8%	13.0%	11.9%	18.8%	25.8%	33.9%	36.9%	-		63.9%
GP	894	951	754	852	1,004	1,245	1,151	-		
YoY	20.9%	15.7%	-5.4%	6.3%	12.4%	30.9%	52.7%	-		
GPM	29.7%	30.4%	24.9%	25.2%	26.6%	29.7%	27.7%	-		
SG&A	499	573	539	608	699	678	658	-		
YoY	6.3%	15.2%	9.2%	20.9%	40.1%	18.3%	22.0%	-		
SG&A / Sales	16.6%	18.3%	17.8%	18.0%	18.5%	16.2%	15.9%	-		
OP	394	378	215	243	305	567	493	-		
YoY	46.1%	16.5%	-29.1%	-18.3%	-22.7%	50.1%	129.7%	-		
OPM	13.1%	12.1%	7.1%	7.2%	8.1%	13.6%	11.9%	-		-
RP	477	479	268	546	365	1,612	514	-	3,200~4,200	
YoY	68.7%	34.7%	-17.7%	65.1%	-23.4%	236.2%	91.5%	-	80.7%~137.1%	
RPM	15.9%	15.3%	8.9%	16.2%	9.7%	38.5%	12.4%	-		-
NI	311	273	182	622	299	1,119	435	-	2,100~2,600	
YoY	75.0%	26.4%	0.7%	279.6%	-3.9%	310.0%	138.7%	-	51.2%~87.2%	
NPM	10.3%	8.7%	6.0%	18.4%	7.9%	26.7%	10.5%	-		

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

Source: Company data

Construction technician temporary staffing

Increased hiring meant the number of technicians dispatched rose, leading to higher sales. GPM increased because sales grew and utilization rates and average wages picked up after dropping in April-June 2013. Upfront costs grew in Q1 (October-December) due to hiring efforts, but after deliberation the company restricted its efforts to successful policies. As a result, the ratio of SG&A to sales was 15.9%, 3.2pp lower than Q1 (19.1%).

Revision to dividend forecast

In light of earnings results, cash flow, and more efficient use of capital, the company increased its year-end DPS forecast by JPY10.0, to JPY20.0. Together with the midterm dividend of JPY10.0, this means the full-year dividend is expected to be JPY30.0.

On **July 25, 2014**, the company announced the acquisition of a new company formed by divestiture from Iwamotogumi Co., Ltd.

The new company will become a subsidiary following the acquisition.

At the end of May, 2014, Iwamotogumi filed to commence rehabilitation proceedings. Providing the Tokyo District Court grants permission, Iwamotogumi's construction business will be split off and established as a new company. Yumeshin will become a shareholder in the new company (which will be called Iwamotogumi Co., Ltd.; the current Iwamotogumi will operate under a different name).

According to the company, it plans to enter the construction worker staffing business. In doing so it will use its hiring strength while taking advantage of Iwamotogumi's expertise to train and educate personnel both at home and overseas.



The transfer of the subsidiary

- Name: Iwamotogumi Co., Ltd.
- Business: general construction contractor
- Capital: JPY20mn
- Date of establishment: August 12, 2014 (planned)
- Date of transfer: August 12, 2014 (planned).

On **July 7, 2014**, the company released monthly sales and hiring data for June 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.

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