Shared Research Monthly Wrap - September 2014

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Monthly musings

Market view from Sendagi

涼風の候、皆様には益々ご壮健のこととお慶び申し上げます。

Fall has finally arrived in Japan. It is my favorite season here. While the leaves are still green in Tokyo, the heat has subsided, and walking outside doesn't make you question peculiar Japanese cultural norms such as wearing a suit in the simmering humidity.

Western-style suits are a great if easily ignored example of how Japan changes—and how it doesn't. Western clothes were introduced—by imperial decree—in the 1870s. Since then, traditional Japanese clothing, from formal *kimonos* to comfortable pajama-like *jimbeis*, have been pushed to the side.

The irony of that profound change is that one stubborn tradition has been replaced by another. The business suit, although changing with time—unlike Bolivian bowler hats—has become a **uniform** of Japanese businesspeople. **Incongruence with the country's climate** has been accepted as an unfortunate but inevitable situation—take it like a man and sweat into your jacket from June to September.

Change is happening: It's called "cool biz." Like much fundamental change in Japan, it has been imposed from the top, enthusiastically picked up and implemented as a rule by the majority of the populace, and all that without its central premise ever being challenged or debated.

Cool biz happens when one buys a summer suit (thin fabric and no lining), puts on a white dress shirt but no tie, and either leaves the jacket at home or at the office, or wears/carries it. This new style quickly became standard after its decree in 2006, with the official start and end dates advertised in the lobbies of many a Japanese corporation (to inform visitors about what to expect). When the cool biz period ends, everybody puts back on their jackets and ties.

Cool biz is a good thing. It is also a good example to help investors understand how corporate Japan changes attitudes; **cool biz is the same thing as the 8% ROE target** issue that has appeared between Japanese managements and bemused investors.

The conversation might go like this:

Foreign Investor (a.k.a. Gaijin): Your ROE is too low, it's 6%!
Management: We understand. It is, in fact, a matter of grave concern for us. After careful deliberation and review of our practices, we have recently set up an ROE target of 8% to be achieved over the next three years.
Foreign Investor: Your global peers are buying back almost all of their stock and their ROEs are much higher. Your main competitor, Acme Corp, has 18% ROE.
Management: We understand that many US and European companies have higher ROEs. We are monitoring this situation closely. However, we hope that you appreciate some cultural differences. In Japan, things are not always the same as abroad. Also, please note the fact that the average ROE for listed companies in Japan is 7.3%, so we are aiming for better than average returns.
Foreign Investor: But your industry is different! Why 8%?! You cannot apply the same yardstick to all industries and companies. Look at your balance sheet—you have more cash than Mount Fuji has snow in winter.
Management: (Inwardly) *Go away!* (Outwardly, politely) Thank you very much for this interesting perspective. We will continue to further review our long-term goals of improving shareholder returns.

How is this example similar to cool biz? The proverbial 8% target *is* cool biz.

The Japanese could simply say, "It's hot in the summer, so let us switch to light khakis and collared polo shirts (and shorts and T-shirts for game developers and other cool people)." Indeed, many "new economy" companies did just that. However, in general it would be too drastic a change. Simply changing to casual is a huge decision when taken unilaterally. If your client's employees wear suits and you wear khakis, this can be interpreted as not caring. And every company has clients.

Similarly, a higher than average ROE target smacks of arrogance. It can also be interpreted as bowing to "money game." Sticking out can—and will be—perceived as too aggressive.

The management in the example above is not stupid. It has been hearing calls for higher returns for years. It wants a higher share price—mostly because it is assumed that a higher share price is good. While management doesn't have a particularly strong incentive to please shareholders, it understands and agrees that higher ROEs are generally a good thing. But too much of a good thing too soon can be a bad thing. Being slightly better than peers is good, trying to be vastly better and faster than peers is frowned upon as eccentric and even "un-Japanese."

But let me return to my seasonal theme. Bird migration is typical of fall. In the Japanese financial market, foreign investors are like migratory birds that flock to Tokyo in September to attend investor conferences set up by major brokers. Important-looking people (mostly male, mostly in their 30s and 40s, and mostly tall) wearing suits and ties—clearly unaware of no-tie cool biz—move from one hotel conference room to another in a kaleidoscope of one-on-one meetings.

This year the migrating flocks of **foreign investors** seem to have one thing on their mind—what's up with Abenomics? So far, the anecdotal evidence is that that they are **mildly disappointed**.

I feel that I've said it all before and therefore decided to look for relevant material **in previous issues** of the Market view. I found plenty. I also reminded myself that as my own narrative has recently shifted to governance issues—which I put aside this month—I remain relatively upbeat. However, as 2014 nears its end, it may be time to worry, or at least **be reminded of the risks**. Please see the excerpts, arranged as a timeline (with some current commentary in italics).

The December 2012 Market View listed the first official set of targets for the Abe administration:

> In the long run…real long-term growth becomes all important. [Here is]… the economic strategy of the LDP summarized recently in a brief party document:
>
> **Target nominal GDP growth of 3%** (same tough target as Noda's cabinet plan)
>
> *PASS? As of September 2014, the target stays the same but doubts and concerns mount.*
>
> **Strive to make Japan the easiest country in the world to conduct business**
>
> *FAIL? No concrete successful initiatives spring to mind.*
>
> **Strive to maximize opportunities for individuals to realize their potential, leading to income and employment growth**
>
> *FAIL? Little to show for it (apart from rhetoric about female participation).*
>
> **2% inflation target**
>
> *PASS? The consensus view is that most likely this has been a success so far.*
>
> **Initiate the First Round of Urgent Economic Policies to jumpstart the economy and offset…risks**
>
> *PASS? JPY10.3tn of public spending—primarily on Tohoku disaster recovery and loans to small businesses.*
>
> **Introduce targeted policies to support competitiveness of individual growth industries**
>
> *FAIL? The initiatives are supported by the newly legislated Industrial Competitiveness Enhancement Act and the Act on National Strategic Special Zone. So far, I couldn't find anything related to those documents that would seem likely to enhance growth—unless we're talking about growth in the amount of red tape. If anything, my concern is that doing too much here would simply distort competition.*

Deregulate across the board in "strategic areas"
FAIL? Very little deregulation has been done so far. That includes TPP progress.
Substantially cut corporate taxes
PASS? It looks like we're getting the cuts but the size (to 29% in small increments?) and the period over which those are to be implemented (five years?) are underwhelming.
Continue with "Cool Japan" initiatives
PASS? This is relatively minor, but attracting tourists from abroad has been working well.

Overall, the Market View was consistently bullish last year, although in the March 2013 Market View issue I also made the following comment:

I see three end-of-this-bull-market scenarios:
All tax hikes proceed as planned; the End is December 2013
Unfortunately, this is what happened. The tax hike went through and the capital gain tax was restored back to 20%.
Capital gains tax "return to normal" is delayed but the consumption tax hike happens
The End is March 2014 (I think that the consumption tax itself won't do much harm to consumption but the investor sentiment may not recover)
The consumption tax hike, etc. are delayed
The government turns even more pro-growth-at-any-cost: the End is undetermined, we had a mad rally at the end of 2013 with the Topix at 1,700-1,800 going above 2,000 at some point in 2014 (the yen is around 115?).

In the April 2013 Market View, I focused on the bullish scenario of long-term convergence of returns worldwide, central to my opinion about how Japan should perform. Hoping there would be no consumption tax hike till 2015, I thought the Topix should go to 1,600, but not before a correction.

Last year I felt strongly that **hiking the consumption tax in 2014** would be an unnecessary risk. The **short-term risks outweighed the positives.** As we all know, the tax hike happened. This is what the July 2013 Market View said about the issue:

My concern is that the **BOJ is not analyzing the risks correctly.** The cost of it being wrong on 2014 growth is much more serious that the benefit of being right. Everybody more or less understands that **Abenomics is the last chance for Japan to restart its engine** before things get more serious and potentially spin out of control. Next year [2014] is critical in delivering early results on growth. **Any evidence that the growth is slower** than Kuroda's BOJ predicts may cause a serious **emotional backlash**, a self-fulfilling prophecy similar to Soros' concept of "reflexivity." Simply speaking, people will hear that the economy is not doing well and may adjust their consumption, not only for the amount of the tax hike but rather to reflect their increasingly gloomy outlook on the fate of Abenomics and their country as a whole.

Most likely, never in the history of Japan have quarterly GDP figures been so important in shaping sentiment. **If growth next year is once again anemic**—and people will surely start judging from Q3-Q4 of this fiscal year—then the **likely conclusion will be that Abenomics has failed**. I struggle to see how this will cause healthy inflationary expectations to emerge. The world will be reminded of the entire set of Japan's ills—from declining population to rigidity of its institutions to vanishing global competitiveness and relevance.

…Investors will lose faith overnight anyway if the growth [in 2014] sucks. [I'm now worried that this is exactly what's been happening.]

As far as consistency of creating inflationary expectations and tax hike go, my main concern is that **this entire model may be too scholastic**. Policymakers and observers of Japan seem to consistently forget that Japan's situation is not well described in your average economy textbooks. Declining population and deep changes in the economic behavior of the majority of citizens as they grow older, mean that **any modeling and pronouncements should be reality-checked**. For most Japanese, the amount of money they are likely to have

> over their remaining lifetime is easy to estimate. **Growth in incomes becomes mathematically impossible when you are approaching your pensionable age**. For an average Japanese, other sources of income [than salary or pension] is… irrelevant.
>
> My concern is that inflationary expectations driven not by higher demand but by higher taxes and prices of basic inputs … can cause further declines in overall consumption demand and cause stagflation. This simple thinking makes me very concerned when I realize that the economic policy debate is heavily influenced—if not dominated—by econometricians' view of the economy. If the inflation model is wrong because of wrong assumptions, the consequences can be dire. If the Emperor has no clothes but this is not what the textbook says, do you believe your eyes or your book?"

Then came the announcement that Japan will host the **Olympic Games in 2020**. Most of my concerns went away. I felt that the Games would give Japan and the Abe administration **enough** power and impetus **to push through obstacles**, including the tax hike. The August 2013 Market View concluded:

> In a best case scenario, we have a supply side boost, easy money finding the way to those who need it with more people needing it, deregulation, better asset prices, and most importantly, rising optimism—all this lasting for at least seven years. **Despite short-term worries** and the limited direct impact from the Olympics, **it is time to be bullish again**.

Because of the Olympics surprise, I felt justified to stay bullish even after the government announced the tax hike. The September 2013 Market View said:

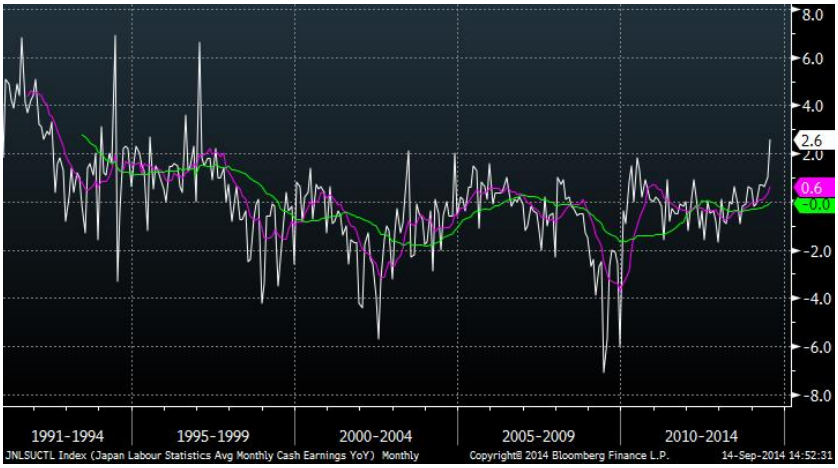
> I'm negative on this decision but believe that winning the Olympic bid offsets it. Generally speaking, hiking the tax is necessary. Tactically, the government should have done it one year later and hike the rate more gradually. But what's done is done. The question is how much will that hurt in 2014?
>
> I mentioned before how damaging the below-target growth can be next year. The government must now do anything it can to boost investment and consumption. The good news is the sense of urgency seems to be there.

Later, my analysis of growth scenarios for 2014 showed the focus shifting to the issue of optimism—and making me less optimistic. However, I also felt that the markets were not actually giving much credit to Abenomics anyway. The Japanese market has been simply moving in unison with—and somewhat underperforming—other major markets. Q3-Q4 of 2014 will be the first time the true progress of Abenomics will be judged, said the December 2013 Market View…

> …This lack of appreciation for Abenomics represents upside risk. Any success is likely to be greeted with a bout of outperformance relative to other markets. At the same time, any confirmatory signs in case of failure should not appear till at least Q3 FY2014. It is probably a close-to-majority view that if GDP growth appears sluggish, or even simply to hedge against a slump in the wake of the tax hike next April, the government—primarily through the BOJ—will stimulate more. We therefore have an Abe put in place till early fall 2014, when the truth—whatever it is—will start coming out.

That particular put has just expired. Meanwhile, concerns are mounting about whether the weak yen is enough (or weak enough) to boost exports and confidence (through higher wages). In January 2014 Market View I followed with bullish market projections, based on the assumption that the yen will weaken (my personal prediction was USD/120 JPY by April 2015) and higher wages and better confidence—both business and consumer—will drive the market substantially higher.

So far, the data has been mixed. There is anecdotal evidence of a strong job market—I hear it from clients of Shared Research. Wages have started to creep up. Basically, we need to see wage increases in excess of 3% for it to have any mathematically positive impact on consumption. In July, labor cash earnings increased by 2.6%, the biggest monthly year-on-year increase in 15 years, as demonstrated below by the chart of average monthly cash earnings:



(Source: Bloomberg)

It is fair to say that this chart may become the most important one. If the next data points can sustain the upward trend, it would be a cause for optimism.

Overall, the time of reckoning is near. Poor economic performance in Q3 will hurt sentiment. Weak GDP in Q4 may kill it. The situation seems very fragile. Let's hope the Abe administration and Kuroda's BOJ understand how important it is to support sentiment. Japan needs higher wages, higher share prices, and higher GDP growth. The government should do everything it can and more to make sure that happens. Time is running out.

Yours,

Oleg Zuravljov

MONTHLY WRAP –September 2014

TOPIX100 Portfolio

Return Comparison (%)	
TPX100	9.99
Portfolio	9.93
TPX100	**Points**
2014/5/2	781.43
2014/9/12	865.35

Start Date	Current Date
2014/5/2	2014/9/12

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

Ticker	Name	Weight Rel. To TPX100	Total Return (%)	Wgt (%)
7203 JT Equity	Toyota Motor Corp	OW	11.93	11.0
8306 JT Equity	Mitsubishi UFJ Financial Group Inc	BOW	9.88	8.0
9984 JT Equity	SoftBank Corp	MW	6.98	3.7
8316 JT Equity	Sumitomo Mitsui Financial Group Ir	BOW	5.13	5.9
7267 JT Equity	Honda Motor Co Ltd	MW	6.85	3.0
8411 JT Equity	Mizuho Financial Group Inc	BOW	0.10	4.9
9432 JT Equity	Nippon Telegraph & Telephone Co	OW	20.54	3.1
2914 JT Equity	Japan Tobacco Inc	UW	10.04	0.0
6954 JT Equity	FANUC Corp	UW	3.99	0.0
7751 JT Equity	Canon Inc	MW	10.28	1.8
4502 JT Equity	Takeda Pharmaceutical Co Ltd	MW	3.57	1.8
6501 JT Equity	Hitachi Ltd	UW	9.04	0.0
9433 JT Equity	KDDI Corp	UW	13.47	0.0
8802 JT Equity	Mitsubishi Estate Co Ltd	MW	-0.80	1.6
3382 JT Equity	Seven & I Holdings Co Ltd	MW	1.25	1.6
8801 JT Equity	Mitsui Fudosan Co Ltd	MW	8.88	1.4
8058 JT Equity	Mitsubishi Corp	MW	20.56	1.4
4503 JT Equity	Astellas Pharma Inc	UW	34.97	0.0
9020 JT Equity	East Japan Railway Co	MW	9.06	1.3
9437 JT Equity	NTT DOCOMO Inc	OW	14.74	1.9
8031 JT Equity	Mitsui & Co Ltd	OW	19.04	1.9
6752 JT Equity	Panasonic Corp	MW	17.44	1.2
8604 JT Equity	Nomura Holdings Inc	BOW	9.81	2.4
7201 JT Equity	Nissan Motor Co Ltd	MW	19.34	1.2
5108 JT Equity	Bridgestone Corp	MW	0.89	1.2
6503 JT Equity	Mitsubishi Electric Corp	UW	14.73	0.0
5401 JT Equity	Nippon Steel & Sumitomo Metal Cc	MW	7.50	1.2
8766 JT Equity	Tokio Marine Holdings Inc	UW	7.14	0.0
6902 JT Equity	Denso Corp	UW	4.16	0.0
9022 JT Equity	Central Japan Railway Co	UW	13.91	0.0
4063 JT Equity	Shin-Etsu Chemical Co Ltd	MW	11.94	1.1
6301 JT Equity	Komatsu Ltd	MW	12.61	1.1
4452 JT Equity	Kao Corp	UW	12.49	0.0
6758 JT Equity	Sony Corp	MW	18.17	1.0
7011 JT Equity	Mitsubishi Heavy Industries Ltd	MW	23.09	0.9
8830 JT Equity	Sumitomo Realty & Development (	UW	-2.07	0.0
8591 JT Equity	ORIX Corp	BOW	-0.39	1.8
6981 JT Equity	Murata Manufacturing Co Ltd	MW	21.41	0.9
7270 JT Equity	Fuji Heavy Industries Ltd	UW	17.51	0.0
8001 JT Equity	ITOCHU Corp	UW	17.73	0.0
6861 JT Equity	Keyence Corp	UW	15.06	0.0
8309 JT Equity	Sumitomo Mitsui Trust Holdings Inc	MW	5.05	0.8
6971 JT Equity	Kyocera Corp	MW	6.80	0.8
6367 JT Equity	Daikin Industries Ltd	MW	18.26	0.8
1605 JT Equity	Inpex Corp	OW	-1.60	1.2
6502 JT Equity	Toshiba Corp	MW	22.03	0.8
8601 JT Equity	Daiwa Securities Group Inc	OW	12.52	1.1
8053 JT Equity	Sumitomo Corp	BOW	4.79	1.4
7741 JT Equity	Hoya Corp	MW	14.10	0.7
6273 JT Equity	SMC Corp/Japan	UW	15.23	0.0

Ticker	Name	Weight Rel. To TPX100	Total Return (%)	Wgt (%)
6326 JT Equity	Kubota Corp	MW	19.90	0.7
8750 JT Equity	Dai-ichi Life Insurance Co Ltd/The	MW	11.53	0.7
8725 JT Equity	MS&AD Insurance Group Holdings	OW	4.33	1.0
7974 JT Equity	Nintendo Co Ltd	BOW	8.66	1.3
2503 JT Equity	Kirin Holdings Co Ltd	UW	4.35	0.0
6594 JT Equity	Nidec Corp	MW	16.87	0.6
9735 JT Equity	Secom Co Ltd	MW	7.62	0.6
6702 JT Equity	Fujitsu Ltd	MW	3.43	0.6
2502 JT Equity	Asahi Group Holdings Ltd	UW	15.92	0.0
9983 JT Equity	Fast Retailing Co Ltd	UW	6.99	0.0
9531 JT Equity	Tokyo Gas Co Ltd	MW	13.93	0.6
4578 JT Equity	Otsuka Holdings Co Ltd	OW	22.57	0.9
4901 JT Equity	FUJIFILM Holdings Corp	OW	26.44	0.9
5020 JT Equity	JX Holdings Inc	MW	-1.50	0.6
8002 JT Equity	Marubeni Corp	OW	13.99	0.8
8630 JT Equity	NKSJ Holdings Inc	OW	-1.53	0.8
5802 JT Equity	Sumitomo Electric Industries Ltd	MW	10.83	0.5
4568 JT Equity	Daiichi Sankyo Co Ltd	UW	8.82	0.0
7269 JT Equity	Suzuki Motor Corp	UW	38.64	0.0
1925 JT Equity	Daiwa House Industry Co Ltd	MW	8.10	0.5
8035 JT Equity	Tokyo Electron Ltd	MW	27.25	0.5
4523 JT Equity	Eisai Co Ltd	MW	10.10	0.5
3402 JT Equity	Toray Industries Inc	MW	8.82	0.5
5411 JT Equity	JFE Holdings Inc	OW	13.54	0.7
8308 JT Equity	Resona Holdings Inc	OW	11.09	0.7
8267 JT Equity	Aeon Co Ltd	BOW	-5.76	0.9
3407 JT Equity	Asahi Kasei Corp	OW	25.23	0.6
1878 JT Equity	Daito Trust Construction Co Ltd	UW	20.71	0.0
9202 JT Equity	ANA Holdings Inc	MW	14.42	0.4
4661 JT Equity	Oriental Land Co Ltd/Japan	UW	27.66	0.0
8795 JT Equity	T&D Holdings Inc	OW	11.48	0.6
9064 JT Equity	Yamato Holdings Co Ltd	MW	-10.79	0.4
5713 JT Equity	Sumitomo Metal Mining Co Ltd	OW	9.12	0.6
6988 JT Equity	Nitto Denko Corp	MW	22.66	0.4
2802 JT Equity	Ajinomoto Co Inc	UW	17.28	0.0
9532 JT Equity	Osaka Gas Co Ltd	UW	16.25	0.0
9502 JT Equity	Chubu Electric Power Co Inc	MW	7.41	0.4
1963 JT Equity	JGC Corp	MW	-12.17	0.4
8113 JT Equity	Unicharm Corp	MW	19.14	0.4
1928 JT Equity	Sekisui House Ltd	UW	3.06	0.0
9021 JT Equity	West Japan Railway Co	OW	18.82	0.5
9503 JT Equity	Kansai Electric Power Co Inc/The	OW	17.97	0.5
7752 JT Equity	Ricoh Co Ltd	BOW	2.37	0.7
7202 JT Equity	Isuzu Motors Ltd	MW	25.35	0.3
4911 JT Equity	Shiseido Co Ltd	MW	4.88	0.3
8332 JT Equity	Bank of Yokohama Ltd/The	BOW	13.94	0.6
7731 JT Equity	Nikon Corp	BOW	-2.53	0.6
5201 JT Equity	Asahi Glass Co Ltd	BOW	1.34	0.6
7912 JT Equity	Dai Nippon Printing Co Ltd	OW	16.44	0.4
4188 JT Equity	Mitsubishi Chemical Holdings Corp	BOW	31.95	0.5

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

New Coverage

AnGes MG, Inc. (4563)

Develops gene therapy medicines, working to develop and commercialize key pipeline drug Collategene.

Established to develop gene-based medicines

AnGes MG was established in 1999 following basic research done at Osaka University. Dr. Ryuichi Morishita, a professor at the Department of Clinical Gene Therapy, Graduate School of Medicine, applied to patent the use of HGF genes (hepatocyte growth factor, see "Collategene for HGF gene therapy") for medical treatment. Since no company existed to develop gene therapy medicines, Dr. Morishita set up a company to do it.

Gene medicines for intractable and rare diseases

AnGes MG hopes to commercialize gene medicines—gene therapy drugs and nucleic acid medicines. It is also developing therapeutic vaccines using DNA plasmids.

Reducing risk through partnerships

The company wants to develop new drugs and cut financial risk by selling rights to sell its drugs. Developing a drug takes a lot of money and time, and there's no guarantee of success. The partnership model, where AnGes MG gets milestone payments, reduces financial risks on the road to potential commercialization.

Ordinary process and periods of developing new drugs

Process	Period	What is done
Basic research	2-3 years	Creation of new substances and decision on candidates for drugs
Preclinical test	3-5 years	Confirmation of efficacy and safety through experiments on animals
Clinical trials	3-7 years	Phase I: Confirmation of safety and pharmacokinetics with a small number of healthy people
		Phase II: Confirmation of efficacy and safety with a small number of patients
		Phase III: Confirmation of efficacy and safety with many patients in comparison to existing drugs
Application and approval	1-2 years	Examination by the Ministry of Health, Labour and Welfare

Source: Company data

CMR International 2013 Pharmaceutical R&D Factbook: in 2006-2008 the success rate by phase of pharmaceutical companies globally was 67% for preclinical, 46% for Phase I, 19% for Phase II, 77% for Phase III and 90% for regulatory review. Pharmaceutical companies quit Phase II trials as early as possible to avoid potential failure of high-cost Phase III trials.

Key sales—milestone payments

The company has posted operating losses every year except for FY12/01, before it began full-scale trials and research. By April 2014 it had no self-developed drug on the market. Sales accrue from upfront payments, development cooperation payments and milestone payments from partner companies.

Separately it posts sales of JPY200mn-300mn per year relating to Naglazyme, a drug for mucopolysaccharidosis VI (MPS VI).

- Upfront payment: conclusion of agreement.
- Development cooperation payment: financial help for R&D.
- Milestone payment: R&D progress at agreed stages.
- Royalty: percentage of sales post product launch.

Key pipeline drug—Collategene

The prime pipeline drug is Collategene for CLI. AnGes MG plans to start a global Phase III trial in the US in Q2 FY12/14. It plans to apply for approval upon completion of the global Phase III trial in 2017-2018 and sell the drug from around 2019. Shared Research thinks that the company may receive peak royalties of JPY30bn-JPY40bn per year after sales begin.

Collategene approval application—previous shelving hit fund raising

Collategene showed substance efficacy during the interim analysis of its Phase III trial in Japan in 2007. As a result in 2008 the company applied for approval. Yet following consultation with the certification body (the Pharmaceuticals and Medical Devices Agency, PMDA), the company decided that more clinical data would be necessary to get approval for the indications as applied by the company. AnGes MG shelved the application in September 2010, impacting sales estimates. This, together with the aftermath of the 2008 global financial crisis, hit fund raising in FY12/11-FY12/12.

Hoping to make money in FY12/18 on Collategene development

The company made an agreement with Mitsubishi Tanabe Pharma in October 2012 on licensing the exclusive right to sell Collategene in the US. With the revised plan for Collategene in Japan in August 2013 and the launch of a global Phase III trial in February 2014, the company aims to make money from FY12/18 and onward.

Main pipeline products

The internal development pipeline includes Collategene and NF-κB decoy oligonucleotide. Main in-licensed drugs include the CIN therapeutic vaccine and Allovectin. The company also imports and sells Naglazyme.

Internal development pipeline

Type	Product/Project	Indications	Area	Development stage	Partner
Medications	Collategene ®	Critical limb ischemia (Arteriosclerosis obliterans & buerger's disease)	Japan	Physician-led clinical trials*	Daiichi Sankyo (licensing marketing rights)
			US	Preparing for international Phase III clinical trials	Mitsubishi Tanabe Pharma (licensing marketing rights)
		Ischemic heart disease (IHD)	Japan	Preparing for clinical tests	Daiichi Sankyo (licensing marketing rights)
			US	Phase I	Available
		Parkinson's disease		preclinical	Available
		Lymphedema	Japan	Phase I/II	Available
	NFκB decoy oligonucleotide	Atopic dermatitis	Japan	Phase II (ointment)	Shionogi (licensing marketing rights)
				Preclinical	
		Disc degeneration	Japan	Preclinical	Nippon Zoki (licensing joint development & marketing rights)
Medical devices	NFκB Decoy Oligo Coated PTA Balloon Catheter	Prevention of vascular restenosis	Japan	Clinical	Medikit (licensing joint development & marketing rights)

*Domestic Phase III clinical trials have been completed. The company is carrying out physician-led clinical trials in order to obtain approval under the conditional approval system.

In-licensed program

Type	Product/project	Indications	Area	Development stage	Partner
Medications	CIN Therapeutic Vaccine	Cervical precancerous lesion	Japan, US, UK China	Researcher-led exploratory clinical trials (Japan)	BioLeaders (South Korea)
	Allovectin	Cancer	Asia		Vical (US)

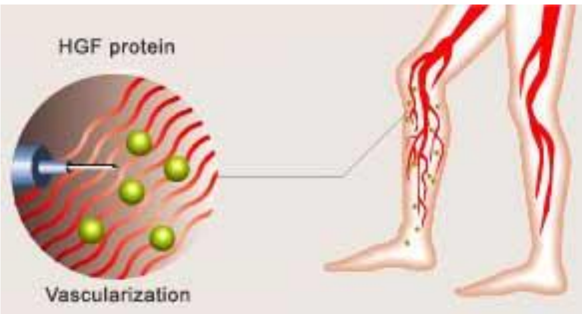
Source: Company data

Gene drugs

Collategene—HGF genetic medication

HGF discovered in Japan (1984)

HGF (Hepatocyte Growth Factor) was discovered in Japan in 1984 as a factor that increases liver cells, the human organ with the highest regenerative capacity. In 1995, a research group led by Dr. Ryuichi Morishita found a method that regenerates blood vessels by medicating HGF genes. HGF genetic medication can be used to treat ischemic diseases, where blood flow is impeded, by regenerating blood vessels. Collategene is the company's HGF gene therapy medicine.



Source: Company materials

Severe cases of ischemic diseases—no completely effective treatment
Ischemic diseases include peripheral vascular diseases (such as arteriosclerosis obliterans and Buerger's disease). These cause blood vessel blockages in human feet and legs on the hardening of arteries, owing to diabetes and other reasons, and ischemic heart diseases (IHD), such as angina and myocardial infarction, due to blood flow problems in coronary arteries. When conditions worsen, patients' limbs become necrotic and may need to be amputated.

Remedies for severe cases include therapeutic drug treatment, endovascular therapy by balloon catheter (vessel recanalization by catheter) and bypass surgery. But these are not always effective. HGF genetic medication can help via a new approach that regenerates vessels. AnGes MG developed the HGF medicine for peripheral vascular diseases and IHDs.

Collategene—interim analysis of Phase III trial in Japan shows efficacy
The company completed Phase I/II trials of Collategene in Japan in 2001-2002. In 2003 it launched a Phase III trial of Collategene for peripheral vascular diseases, targeting arteriosclerosis obliterans with CLI and Buerger's disease as indications. In the Phase III trial, in which a total of 120 cases were initially planned, interim analysis of 40 cases in June 2007 showed efficacy.

In the trial target patients were seriously ill with CLI at the stage III (with rest pain) and stage IV (with ischemic ulcers or gangrene), according to the Fontaine classification (see below). Researchers conducted intramuscular injections of the trial drug into the ischemic parts of the patients' limbs twice, with a four-week intermission. They then observed patients for eight weeks. The main criterion for evaluating efficacy: a substantial rate of improvement of rest pain or ischemic ulcers after 12 weeks following the application of the clinical drug.

The rate of improvement for rest pain or ischemic ulcers after 12 weeks was 70.4% (19/27 cases) with patients who were tested with Collategene. It was 30.8% (4/13 cases) for those given a placebo. The difference between the two groups is statistically significant ($p=0.014$). For patients at Fontaine stage IV, improvement was 100% (11/11 cases) for those given Collategene, and 40.0% (2/5 cases) for those given a placebo ($p=0.018$).

Fontaine classification: used to clinically classify arteriosclerosis obliterans. Stage I-asymptomatic, stage II-intermittent claudication, stage III-rest pain, and stage IV-ischemic ulcers or gangrene. Patients at stages III and IV are seriously ill.

Shelving the application for approval
Upon receiving the results of interim analysis of the Phase III trial, in March 2008 AnGes MG applied for approval of the manufacture and marketing of Collategene for arteriosclerosis obliterans and Buerger's

disease with CLI as indications. However, following consultations with the Pharmaceuticals and Medical Devices Agency (PMDA), it concluded that further clinical data were necessary for approval. The company shelved the application in September 2010, intending to make an application again after conducting additional tests.

US Phase II trial—safety demonstrated
In the US in May 2003 the company started Phase II trial of Collategene. In June 2006 the results were announced. The trial did not show a statistically significant difference of efficacy. However, patients who had been given more than a certain amount of Collategene showed a statistically significant improvement in comparison with patients tested with a placebo in stratified analysis of transcutaneous partial pressure of oxygen ($TcPO_2$), the main way to measure hemodynamic improvements. For ischemic ulcers, the trial did not show a significant difference, but it showed a tendency for patients given Collategene to show improvements, compared with those given a placebo. Between the two groups there was no difference in safety, demonstrating the high degree of safety that Collategene offers. In 2007-2010 AnGes MG prioritized applying for approval of Collategene in Japan. Following the completion of the Phase II trial in the US in 2006, in November 2009 it got only a special protocol assessment (SPA) from the FDA.

Global Phase III trial—plans
As flagged, in September 2010 it received the PMDA's opinion that further collection of clinical data would be necessary for Collategene. Later, with an eye for marketing Colletegene overseas, the company proceeded with preparations for a global Phase III trial in the US and Europe and in September 2010 got fast-track status in the US.

Global clinical trial: clinical trial for worldwide development and approval of a new drug planned by pharmaceutical companies. Medical institutions of several countries participate in a joint trial, which is conducted concurrently based on a common clinical testing plan.

Fast Track designation: designed by the FDA to expedite the review of promising drugs for serious diseases.

In July 2012, AnGes MG made an agreement with Mitsubishi Tanabe Pharma regarding licensing the exclusive right to market Collategene for peripheral vascular diseases in the US. The company plans to launch global Phase III clinical trials of Collategene for CLI and begin administering the drug to patients in Q3 FY12/14.

The global Phase III trial will target some 500 CLI patients in North America, Europe and South America. Comparing patients given Collategene with those given a placebo, the trial will examine whether the probability of death/amputation of legs drops within a certain period. According to the company, the whole period will be three to four years, costing around JPY8bn overall.

Phase II trial in the US did not show efficacy. According to the company, unlike the Phase III trial in Japan, in which the places of injections changed according to the patient's affected parts, in the US Phase II trial the injections were administered to a fixed part (the same part for all patients). The company believes that the Japan way is better and plans to adopt it in the Phase III trial in the US.

Harnessing Japan's conditional approval system
This global Phase III trial will not include Japan. As of September 2010, AnGes MG planned for Japan to participate in the trial. However, the company later decided to undertake a separate development plan using a newly enacted conditional approval system for regenerative medicines under the amended Pharmaceutical Affairs Law of Japan in November 2013.

The company also announced on May 30, 2014 that it is planning for clinical development, to be led by the medical department of Osaka University Hospital. Six new cases of clinical trials will make use of the advanced medical care B program. The trials are scheduled to start in September 2014, with the company looking to apply for conditional approval after about one year, in 2015. The plan is to take the drug to market in 2016.

Conditional approval system: allows conditional approval of regenerative medicines and other products, including genetic medicines, based on partial clinical trial data. Full approval will be given when additional clinical data are obtained after the conditional approval. The new system was included in the amended Pharmaceutical Affairs Law enacted in November 2013, with the aim of promoting early approval of regenerative medicines, and it is expected to be enforced in fall 2014.

Advanced medical care B program: under this program, patients may use advanced medical technologies that have been proven safe and effective alongside treatments provided under health insurance. There are two programs: A and B. B applies to technologies that relate to "medical products or devices used in ways that are unapproved or outside their standard indications."

US market for Collategene estimated at USD5bn
According to the company, there are an estimated 500,000 patients with CLI in the US. Of these patients, those who are candidates for Collategene (no option and poor option patients) are estimated to be approximately 200,000. The company sees potential US sales of USD5bn.

No option patients refer to patients that are not candidates for existing procedures (balloon or external bypass procedures). Poor option patients refer to patients that are not candidates for arterial procedures, and for which external bypass procedures would carry too high of a medical risk.

Shared Research thinks that annual sales have the potential to reach peak levels of about JPY100bn in the US.

Competitor drugs
As of April 2014, other gene therapy drugs for blood vessel regeneration included Neovasculgen—developed in Russia and sold by Human Stem Cells Institute OJSC (MCX: ISKJ)—and VM202-PAD (from South Korea's ViroMed Co Ltd, KRX: 084990). Sanofi S.A. (Euronext: SAN) has stopped research on NV1FGF, its regenerative medicine for blood vessels. NV1FGF (riferminogen pecaplasmid) is a non-viral plasmid-based gene local delivery system for human fibroblast growth factor (FGF-1). FGF-1 promotes angiogenesis and induces the formation of new blood vessels that could improve blood flow in the limbs of CLI patients. Other projects include development of cell therapy using bone marrow-derived stem cells.

- Neovasculgen is a genetic drug for treating of peripheral arterial disease (PAD), including CLI. It was approved in Russia by the Ministry of Health and Social Development in September 2011 and was marketed in September 2012. The drug contains the gene of the Vascular Endothelial Growth Factor (VEGF) embedded in a plasmid vector.
- ViroMed developed the HGF gene therapy drug VM202-PAD. In 2014, ViroMed completed Phase II clinical trials.

Tie-ups with Daiichi Sankyo in Japan and Mitsubishi Tanabe Pharma in US
AnGes MG reached an agreement with Daiichi Sankyo on the exclusive marketing rights for Collategene in Japan and with Mitsubishi Tanabe Pharma on the exclusive marketing right of Collategene in the US. (As of April 2014, the company did not have a partnership in Europe.) The company received upfront payments and will get milestone payments and then royalties.

Further application of Collategene for lymphedema
Other than its indication for CLI, the HGF gene therapy drug is seen as effective for lymphedema, an edema caused by lymphatic blockade due to problems with lymphatic vessels. The disease is classified into primary lymphedema (congenital disorder of the lymph system) and secondary lymphedema (damage to lymphatic vessels due to such reasons as breast cancer surgery). There is no key remedy for lymphedema as of April 2014. As the HGF gene therapy drug can regenerate lymphatic vessels, it could be a remedy.

According to the company, Japan has 3,200 potential patients with primary lymphedema and more than 100,000 potential patients with secondary lymphedema. The rate of incidence of secondary lymphedema after uterine cancer surgery is 28.1% and after breast cancer surgery 21-50.9%. The incidence of the disease, due to aging, is trending north. AnGes MG estimates sales of Collategene for lymphedema to be on par with those for critical limb ischemia. In October 2013, the company launched Phase I/II clinical trials of Collategene for primary lymphedema in Japan. As of April 2014, the company had not found a partner for developing Collategene for lymphedema.

Nucleic acid medicines

Types of genetic medicines: 1) using genes themselves as is the case with HGF non-viral genetic therapy; and 2) using short artificial nucleic acids made by synthesizers to regulate gene expression, known as nucleic acid medicines (includes decoy oligodeoxynucleotide).

NF-κ(kappa)B decoy oligonucleotide

AnGes MG has designed NF-κB decoy oligonucleotide as a specific inhibitor for NF-κB that acts as a switch to a gene cluster involved in the immune inflammatory response in the body. The company has been conducting research and development of NF-κB decoy oligonucleotide as a new pharmaceutical product for immune and inflammatory diseases. AnGes MG is undertaking projects for atopic dermatitis and vascular restenosis after percutaneous transluminal angioplasty (PTA).

As of April 2014, a Phase II clinical trial of ointment of NF-κB decoy oligonucleotide for atopic dermatitis has finished.. The trial showed improvements for dermatitis and efficacy for the body. AnGes MG has also joined hands with Medikit Co Ltd for restenosis after PTA. Development of a next-generation medical device, a PTA balloon catheter coated with NF-κB decoy oligonucleotide, is at a clinical trial stage. The company has also acquired an exclusive domestic license from Nippon Zoki Pharmaceutical Co Ltd for medication that utilizes NF-κB decoy oligonucleotide as a method of treating lumbar disc disorders. The treatment is currently in the pre-clinical trial stage.

Therapeutic vaccines

AnGes MG is developing therapeutic vaccines using gene drugs.

CIN (cervical intraepithelial neoplasia) therapeutic vaccine

Prevent progression of CIN into cervical cancer—vaccine
The company is developing an oral administration of the CIN therapeutic vaccine, which is expected to cause disappearance of the precancerous state of cervical cancer (high-grade dysplasia)—thus preventing progression to cervical cancer. BioLeaders Corporation (South Korea) created the vaccine and GenoLac BL Corporation (Osaka) developed it. In April 2013, AnGes MG got exclusive rights from BioLeaders and GenoLac BL to develop, manufacture, use and market the CIN therapeutic vaccine within Japan and in the US, UK, and China .

According to the company, the CIN therapeutic vaccine is can remove cancer cells by using gut immunity to activate specific cell immunity for the HPV (human papilloma virus) antigen, which attacks HPV-infected cells in the cervix, selectively and effectively. A clinical trial that started at the University of Tokyo Hospital in 2009 confirmed efficacy and safety.

The company estimates potential patients of the later stages (CIN2-3) of cervical precancerous lesion at 100,000-150,000 in the US, 70,000-100,000 in Japan and several hundreds of thousands in China. Physician-led clinical trials are underway at the University of Tokyo Hospital. The company plans to continue clinical tests and search for a marketing partner.

Allovectin

Allovectin: immunotherapy for metastatic cancer
Allovectin is a systemic immunotherapeutic agent with a unique action mechanism. Allovectin is delivered into a single tumor lesion, but elicits a T-cell immune response directed against similar tumor lesions throughout the body, by sharply inducing activation of cytotoxic T cells (activating cellular immunity). Allovectin is expected to be applicable to solid tumors like skin cancer and squamous cell cancer of the head and neck, into which the agent can be directly injected. A clinical trial using more than 900 patients showed a high safety level. In May 2006, it agreed with Vical Inc of the US (Allovectin's developer) to fund a Phase III trial of Allovectin for metastatic melanoma in the US through a series of cash payments and equity investments worth USD22.6mn, half of the amount in equity. It received rights to exclusive marketing rights for Allovectin in Japan and other key Asian countries, along with rights to receive royalties for sales in the US and Europe.

Allovectin's development
In August 2013, Vical announced that the global Allovectin Phase III trial for metastatic melanoma failed to demonstrate a statistically significant improvement for either the primary efficacy endpoint of objective response rate or the secondary endpoint of median overall survival. The company said that it will examine detailed trial data and consider whether it can be used to treat tumors other than melanoma.

Orphan drugs

AnGes MG plans to introduce and develop orphan drugs, used to diagnose, prevent or treat rare diseases. As of April 2014, the company sells Naglazyme to treat mucopolysaccharidosis VI (MPS VI). The company said that orphan drugs have advantages as stated below and it is possible to secure stable sales soon after introduction.

- Orphan drugs already developed and sold overseas are more likely to be get approval for sale in Japan (and more quickly), compared with newly developed pharmaceuticals.
- Companies that introduce orphan drugs can receive government support—development subsidies and preferential approval.
- Though patient numbers may be limited, prices can be high.

> Orphan drugs are aimed at rare diseases with few patients but a serious need for treatment. To promote orphan drug R&D, the Ministry of Health, Labour and Welfare provides orphan drug applicants with such preferential measures as subsidies and priority review for marketing authorization.

The company also plans to introduce in Japan other orphan drugs which have been developed and sold abroad, like Naglazyme.

Naglazyme

Naglazyme, developed by BioMarin Pharmaceutical Inc of the US, is a drug for the treatment of MPS VI, an inherited life-threatening lysosomal storage disorder caused by a deficiency of the lysosomal enzyme arylsulfatase B. Naglazyme provides a recombinant version of this enzyme to individuals diagnosed with MPS VI.

MPS VI is a rare disease with a rate of incidence of around one to 300,000 in the US and Europe. In Japan, fewer than 10 patients have so far been diagnosed with MPS VI. A human body without arylsulfatase B cannot decompose dermatan sulfate and chondroitin sulfate and accumulates the substances. This limits joints movement and bone deformation for around one year post birth. As the disease progresses, various symptoms appear—hepatosplenomegaly, corneal opacity, hearing difficulties and heart valve disorder. It applied for approval of Naglazyme in August 2007, got approval to manufacture and sell the drug in March 2008 and started selling it in April 2008.

View the full report.

Hakuto Co., Ltd. (7433)

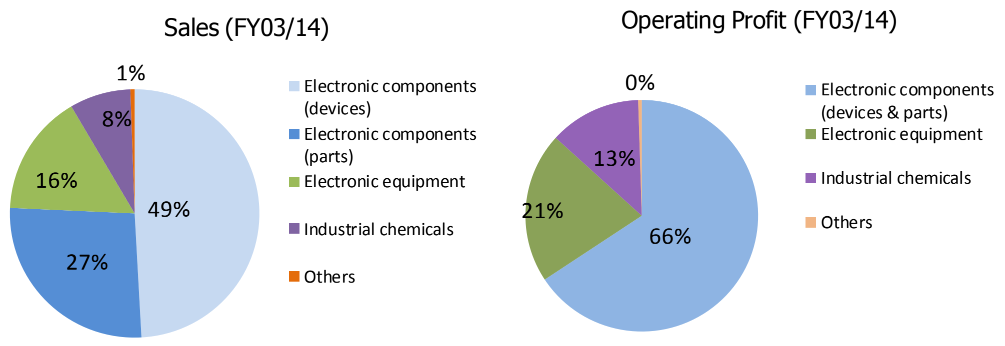
A technology-driven mini-conglomerate centered on electronics trading and industrial chemical manufacturing.

Multi-business firm: from electronics trading to chemical manufacturing

Hakuto is a unique mini-conglomerate. It is both an electronics trading company and an industrial chemical manufacturer.

The company's electronics trading business started as a trading company founded in 1953 to import raw quartz for use in electronic devices. The industrial chemical manufacturing business was started in 1960 to diversifying the company's operations and enhance stability. At present, Hakuto is a conglomerate centered on these two main businesses. Its operations are focused on Japan and the Asia region. The group comprises of 19 companies, including the parent (as of end March, 2014).

Given its manufacturing DNA, Hakuto is a technology-driven company and even its electronics trading business has an engineering division. The trading business provides equipment installation and maintenance services, and employs Field Application Engineers (FAEs) with a high level of technical expertise. Shared Research believes that this focus on technology and synergies between the two seemingly different businesses are sources of Hakuto's strength. While many semiconductor firms tend to post large fluctuations in earnings performance, this company's earnings are relatively stable. Hakuto is medium sized compared to other semiconductor trading companies, but its profit margins match those of the sector leaders (see Profitability snapshot, financial ratios).



Source: Company data
Percentages are totales for each segment.

Business segments

In FY03/14, the electronics trading business accounted for around 90% of sales. Less than 10% were from industrial chemicals. The electronics trading business is comprised of two segments—electronic devices and components, and electronic and electric equipment. Within the electronic devices and components segment are two divisions—semiconductor devices and electronic components. The industrial chemicals segment contains industrial chemical manufacturing.

Segment/company performance	Segment Sales			Segment Profit			Profit Margin	
Business/Company (JPYbn)	FY03/13 Actual	FY03/14 Actual	FY03/14 % of Total	FY03/13 Actual	FY03/14 Actual	FY03/14 % of Total	FY03/13 Actual	FY03/14 Actual
Segment								
Electronic components	84.0	100.9	76%	1.7	2.6	66%	2.0%	2.6%
Devices	55.7	65.5	49%	-	-	-	-	-
Parts	28.3	35.4	27%	-	-	-	-	-
Electronic equipment	18.3	21.1	16%	1.1	0.8	21%	5.8%	4.0%
Industrial chemicals	9.5	10.6	8%	0.3	0.5	13%	3.6%	4.9%
Other	0.7	0.7	1%	0.0	0.0	0%	2.2%	2.7%
Total	112.5	133.3	100%	3.1	4.0	100%	2.8%	3.0%
Company								
Non-consolidated	80.7	99.1	74%	1.8	2.7	67%	2.2%	2.7%
Domestic subsidiaries	8.8	9.9	7%	0.2	-0.0	0%	2.3%	-0.2%
Foreign subsidiaries	37.7	45.6	34%	1.1	1.3	33%	2.9%	2.9%

Source: Company data

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

Figures are before elimination of intersegment transactions.

Electronics trading

The company handles a range of products serving electronics manufacturers, from semiconductors and electronic components to manufacturing equipment. Electronics products are characterized by short development and life cycles, with manufacturers having diverse procurement needs for advanced components. Hakuto employs a sales team with a high level of technical knowledge, allowing it to precisely identify customer needs and then procure and supply high value-added products from around the world. The company's solutions often include a design component. It acts as a development partner, linking its customers to suppliers and contributing to the development of state-of-the-art products matching customers' individual needs.

Although a trading company, Hakuto employs many technical staff, and prides itself on providing comprehensive customer support. Its main customers include large manufacturers, governmental agencies and research organizations.

The company acts not only as an export/import agent but provides customers with development support and equipment maintenance services. Hakuto calls itself a "technology trading company". The company said that although recently there is a trend among trading companies—primarily product distributors—to focus on technical support services as a way to add more value, Hakuto has been doing it ever since its founding in 1953. Hence, the company believes it has a distinct advantage vis-à-vis its peers.

To fuel growth, Hakuto is targeting new areas:

- Smartphones—rapid advances in functionality.
- Photovoltaic systems—set to become an important clean energy source.
- Electronic and electric equipment—used in R&D and production lines for leading-edge products.
- Electronic devices and components for the automotive sector—advances are being made in functional and environmental performance.
- Consumer electronics for emerging economies—rising demand.
- Fiber-optic infrastructure components—meet expanding demand for data communications.

Electronic devices and components (FY03/14: 76% of sales; 66% of operating profit)

This is the company's largest segment. In FY03/14, segment OPM was 2.6%, and although the margin was low compared with other segments, the absolute profit accounted for approximately 66% of the company's overall operating profit. Within the segment are the device and component divisions. Of the company's total sales, the device division accounts for 49% and the components division 27% (FY03/14). The company does not disclose a breakdown of operating profit by division, but it appears that the component division has higher profitability.

Main customers are in the electronics, automotive, and infrastructure sectors. Applications cover a broad spectrum, from research to development and production. In the semiconductor device division, the company supplies these customers with state-of-the-art semiconductors. The electronic component division supplies system solutions comprising multiple components, and electronic substrates. The electronic and electric equipment segment procures and supplies semiconductor manufacturing equipment, and inspection equipment (for research).

Just over 10% of the segment's workforce is made up of field application engineers (FAEs), who not only provide technical support for the semiconductors handled but are also involved in design-related activities, such as proposing specific semiconductors to match a customer's product development needs.

Semiconductor devices (FY03/14: 49% of sales)

Main products: microprocessors, graphics semiconductors, field programmable gate arrays (FPGA), sound generator semiconductors, quartz devices, and other semiconductor devices. Main customer sectors include automotive, mobile phones, and consumer electronics manufacturers.

The semiconductor device division within the electronic devices and components segment provides customers with components needed for the latest electronic products, including semiconductors for flat-screen TVs and LSIs for advanced sound reproduction in mobile phones. Since unit volume is high the sales weighting is large, but intense competition means that profit margins are low compared with other parts of the company's business. At present, the division handles devices for such applications as automobiles, consumer electronics, smartphones, and tablets. Automotive and telecoms-related products, which are seeing a greater level of value added, are performing well.

Major customers include such domestic and overseas semiconductor manufacturers as Asahi Kasei Microdevices Corporation (wholly owned subsidiary of Asahi Kasei Corporation [TSE1: 3407]), Yamaha Corp (TSE1: 7951), ST Microelectronics NV (BIT: STM), IBM (NYSE: IBM), Lattice Semiconductor Corp (NASDAQ: LSCC), ATI Technologies Inc (NYSE: AMD), Marvell Technology Group Ltd (NASDAQ: MRVL) and Seiko Epson Corp (TSE1:6724). Hakuto has recently increased the commercial rights it holds for foreign-branded semiconductors. However, to avoid over-dependence on a small number of products, the company handles a broad range. Consequently, Hakuto handles products from major manufacturers and from many small-scale producers that have original technology and products.

Electronic components (FY03/14: 27% of sales)

Main products: connectors, electrical components and materials, products to prevent electromagnetic interference (EMI), heat sinks, optical components, solar panels, storage batteries.

The electronic components division within the electronic devices and components segment handles products covering a range of fields, from PCs to high-speed railways and PV systems. Main products include connectors and all types of electrical components, and electrical materials. Rather than relying on any particular product, the company handles an extensive lineup to meet customer needs. Although the company does not disclose the division's profit margins, they appear to be higher than in the semiconductor device division.

According to the company, Hakuto began handling products in the optical field—which is expected to see continued rapid growth—around 10 years ago. The company said it now has capabilities in the field far exceeding those of other trading companies. Hakuto is also focusing efforts on alliances with overseas manufacturers to undertake commissioned production. This involves using a solution business model that spans planning, design and production.

The company has also entered the steadily growing solar power generation business. Energy conservation-related businesses and PV in particular are major growth fields in Japan. In the PV field, the company handles products used in a range of installations, from large commercial facilities to household systems. Hakuto provides solutions combining PV panels from Canadian Solar Inc (NASDAQ: CSIQ) and Trina Solar Ltd (NYSE: TSL) with power conditions made by Meidensha Corp (TSE1: 6508). According to the company, although sales include systems bound for solar parks, since October 2012 there has been a rapid rise in shipments for installations at SMEs, shop roofs and other locations suitable for PV systems of up to 50kW capacity. The application procedures for systems of this size are simple. Hakuto has developed a household-use storage battery system in cooperation with JCU Corporation (TSE1: 4975), and has a comprehensive lineup of equipment to meet customer needs.

Electronic and electric equipment (FY03/14: 16% of sales; 21% of OP)

Main products: process equipment solutions for semiconductor manufacture, nanotechnology-related equipment, vacuum equipment, printed circuit board (PCB) manufacturing equipment, physics- and chemistry-related apparatus.

In this segment, the company sources state-of-the-art equipment and analysis systems, and supplies these to manufacturers and research institutes. The segment's FY03/14 OPM was 4.0%. Although the segment's sales weighting is not high, it encompasses maintenance operations, achieving profit margins that are relatively high compared with the electronic devices and components segment.

Around 40% of staff in this segment are technical service staff. The company not only delivers equipment but customizes, installs, calibrates, maintains, and inspects equipment as part of a total support service.

The company develops and manufactures its own brand of PCB production equipment. These products are supplied to domestic and overseas customers for use in R&D and production lines. The company also handles a comprehensive lineup of vacuum products, including Adixen brand. The company's Isehara Technical Center in Kanagawa Prefecture provides maintenance services and offers product demonstrations.

Industrial chemicals (FY03/14: 8% of sales; 13% of OP)

Main products: petroleum refinery and petrochemical: corrosion inhibitor, desalting agent, antifoulant, fluid catalytic cracking (FCC) catalyst.
Pulp and paper: anti-foaming agent, deposit control agent, felt conditioner, pulp cleansing aid.
Automotive: paint overspray detackifier, paint pipe-cleaning agent.
Water treatment and boiler: water treatment additives, ion exchange resin.
Cosmetics: cosmetics base material (Alcasealan), commissioned cosmetics development.

In this segment the company acts both as a manufacturer of original products and a distributor for a number of domestic and overseas manufacturers. In FY03/14, segment OPM was 4.9%. The company handles specialty products, giving this area a profit margin above the company's average. In its specialty chemicals manufacturer capacity, the company aims to help customers enhance productivity as well as improve environmental performance in such fields as petroleum refining, petrochemicals, pulp and paper, and automotive. Hakuto also uses microbial ***polysaccharide*** technology to manufacture and supply materials for cosmetics manufacturers on an OEM basis. Product development is carried out at Hakuto's plant and research laboratory in Yokkaichi, Mie Prefecture.

New partnerships

To maintain sustainable growth, the company continuously reviews and updates its product lineup. The company also collaborates with, and makes investments in, partner companies in fields with strong growth potential. Since FY03/12, the company has established alliances and capital tie-ups with the following partners:

Date	New transaction	Sales target
2014		
5/09	Signed new distributor contract with Compass-EOS (Israel)	JPY100mn for FY03/15, JPY300mn for FY03/16, JPY1bn for FY03/17
5/02	Signed new distributor contract with Ambarella (US)	JPY50mn for FY03/15, JPY300mn for FY03/16, JPY500bmn for FY03/17
4/03	Signed new distributor contract with CYMBET (US)	JPY100mn for FY03/15, JPY300mn for FY03/16, JPY500mn for FY03/17
4/01	Commenced electicity sales at Hakuto Miyazaki Solar Park	
	Began handling new product samples from Aviacomm	
2/03	Signed new distributor contract with Hitachi Consumer Marketing	
1/28	Commenced electicity sales at Hakuto Noboribetsu Solar Park	
2013		
12/18	Commenced electicity sales at Hakuto Fukushima Solar Park	
9/30	Operations started at Hakuto Takigawa Hohoemi Solar Park	
9/06	Operations started at Hakuto Igurazu Solar Park	
9/2	Began sales of Spansion (US) products	JPY3bn for FY03/16
	Signed new distributor contract with Veeco Instruments (US)	JPY4bn for FY03/15, JPY5bn for FY03/16
8/7	Signed new distributor contract with Hittite Microwave (US)	JPY1bn for FY03/15, JPY2bn for FY03/16
6/4	Signed new distributor contract with PLX Technology (US)	JPY1bn for FY03/16
3/26	Groundbreaking ceremony for Hakuto Takikawa Hohoemi Megasolar Power Plant	
3/18	Signed new distributor contract with Aviacomm (US)	JPY1bn for FY03/16
1/31	Signed agreement to construct megasolar power plant in Takikawa City, Hokkaido Prefecture	
1/29	Isehara service center reopened following renovations	
2012		
12/28	Groundbreaking ceremony for Hakuto Igurazu Solar Power Plant	
12/26	Signed new distributor agreement with W. L. Gore & Associates (US)	
12/18	Signed new distributor agreement with Fujitsu Semiconductor	JPY3bn for FY03/16
8/22	Established subsidiary for consumer PV sales after merger	JPY2.6bn for FY03/14
6/22	Established Matsumoto Satellite Office	
6/4	Signed new distributor agreement with LitePoint (US)	JPY1bn for FY03/15
4/23	Signed new distributor agreement with International Rectifier (US)	
2/14	Signed new distributor agreement with Ramtron International	JPY500mn for FY03/16
2/1	Merged operations with subsidiary adixen Japan	
1/20	Signed new distributor agreement with Xingtera (China)	JPY500mn for FY03/15
2011		
12/6	Signed new distributor agreement with Dialog Semiconductor (Germany)	JPY300mn for FY03/13, JPY1.5bn in five years
11/18	Signed new distributor agreement with Energy Micro (Norway)	JPY300mn for FY03/12, JPY1bn in three years
10/31	Inherited Japanese paper chemicals business from BASF	JPY4bn for FY03/13, JPY5bn in three years
10/19	Signed new distributor agreement with Skyworks Solutions (US)	JPY300mn for FY03/12, JPY1bn for FY03/13
10/3	Began sales of adixen products	
8/23	Signed new distributor agreement with Trina Solar Japan	JPY1bn within three years from FY03/12
8/12	Opened Hakuto Singapore-Kuala Lumpur Office	
7/1	Consolidated adixen Japan	
6/30	Began sales of domestic fuel cell system codeveloped with Ebara-Udylite	
6/20	Began sales of fuel cell system provided by BYD (China)	JPY4bn within five years from FY03/12
6/16	Opened Hakuto Shanghai-Dalian Office	JPY340mn for FY03/12
6/14	Signed new distributor agreement with Silicon Microstructures (US)	JPY1bn for FY03/13

Source: Company data

Hakuto's unique sales system underpins low inventory loss rate

Hakuto's trading business uses a sales structure that is different from that of its competitors, one of the sources of the company's strength. Main characteristics:

Unlike other semiconductor trading companies, Hakuto uses "vertically" organized sales teams based on the supplier. The company's competitors typically have marketing staff highly versed in a particular product who are responsible for procurement, and separate sales people who focus on managing a specific customer account. However, at Hakuto, the same individual fulfills both the marketer and account manager roles.

Since the account is handled by a different person depending on the product category, several sales staff may be involved in serving a specific customer, particularly large customers. At first glance, such a system may appear inefficient, but sales persons are in contact not only with the customer's purchasing department, but also with many other divisions. This is advantageous, as it enables Hakuto to build close relationships with customers.

One of the major advantages of having one sales person responsible for each product is the low rate of inventory loss. According to the company, if a sales person makes sales calls to 100 customers, around 30 customers will make sample orders and, on average, this will lead to large-volume orders from around 10 customers. Since Hakuto's competitors typically have several employees involved in each potential sale, additional time is required to coordinate the team. Communication errors with the client can easily arise, which can lead to problems in precision of order fulfillment. In contrast, Hakuto has one person handling both marketing and sales, which makes it easier to monitor market trends, competition and customer needs.

Since responsibility is not split among several people, managing the profitability of each product is also made easier. Hakuto, focusing more on profitability than on growing sales, will place an order with a supplier only after receiving a written purchase pledge from a customer. This aids in keeping inventories to a minimum. According to Hakuto's CEO, other trading companies often place orders with suppliers before receiving a written pledge of purchase, since winning orders is given top priority. However, in the company's case, 80-90% of its inventory already has a purchase pledge from a customer, and the annual inventory loss is less than JPY100mn. For this reason, Hakuto states that the inventory loss rate is lower than the industry average.

The company assigns at least one sales person to manage each product. Even in the cases of newly acquired distribution rights for a start-up company's new product, at least one sales person is assigned to that product as his sole responsibility. However, Hakuto maintains its focus on profitability, even for new products. Although high-volume orders require additional sales people, lowering profitability, the company aims to achieve profitability for a product within three years, and gross profit per sales person of JPY30mn per year. Hakuto manages profit on a departmental basis, and each department is set a profit target that is above the previous year's result. Two to four groups are within each department, and establishment of new groups is left to the discretion of departmental management. Each department must aim for maximum profitability, coordinating newly established groups and maintaining profitable groups.

High level of maintenance capability. According to the company, almost no other distributors in Japan are capable of providing maintenance on machinery that ranges from universal small-scale equipment to large-scale equipment. Hakuto has handled a variety of equipment, beginning with measuring instruments immediately after its founding. Apart from a few exceptions, the company provides clients with comprehensive solutions from installation to maintenance. According to the company, its competitors rarely provide such services, and this gives customers peace of mind when procuring equipment through Hakuto.

To execute the vertically integrated sales method, the company needs to employ many sales people with strong technical knowledge. For this reason, it actively recruits new staff with engineering backgrounds. With regard to maintenance capabilities, Hakuto runs the Isehara Technical Center, where it aims to increase its maintenance knowledge. In both sales and maintenance, accumulating expertise takes time, and it will be difficult for competitors to quickly catch up. Shared Research believes this focus on profitability, combined with its unique sales method, are important sources of Hakuto's strength (see Strengths and weaknesses).

Suppliers and customers

Hakuto has around 600 domestic suppliers and around 4,500 domestic customers (company data). The number has remained stable over the years. The company did not disclose the corresponding number of overseas suppliers and customers but said it is considerably smaller.

The company works with a large number of suppliers and customers to spread the risk and pare dependence on any one partner. According to Hakuto, top suppliers in semiconductor devices are Asahi Kasei Microdevices, ST Microelectronics and Epson (TSE1: 6724). Even for these largest suppliers, the company buys less than JPY10bn from each. The top three customers are Fujitsu Ltd (TSE1: 6702), Panasonic Corp (TSE1: 6752) and Aisin Seiki Co., Ltd. (TSE1:7259) (as of FY03/14). Similarly, sales are in the JPY10-15bn range for each of these customers. According to the company, this has not changed for the past 10 years.

Hakuto emphasizes profitability over the level of sales. According to the company, it sets a GPM target for each product, and conducts sales with this target in mind. The GPM target for devices appears to be around 10%, around 30%for equipment, and around 50%for industrial chemicals (with its high weighting of in-house products).

Hakuto sets its own credit parameters for each customer, and conducts business based on those parameters. Thanks to this systematic approach, the level of doubtful receivables is low, not exceeding several million yen annually. The company says that this level remained relatively stable even during the 2008-09 global financial crisis.

View the full report.

AS ONE Corporation (7476)

Specialist trading company in profitable niche selling laboratory and medical instruments through catalogs. Growth from adding new categories and focusing on all aspects of the value chain.

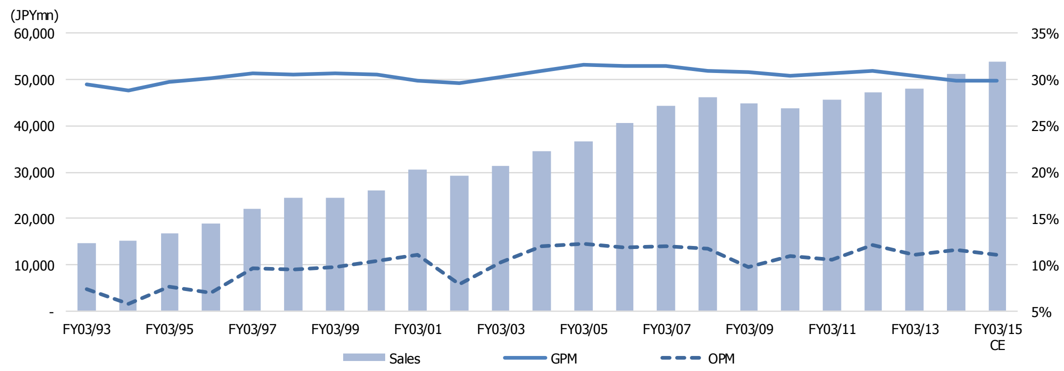
Steady growth with 30% GPM and 10% OPM

AS ONE is a specialist trading company notable for its catalog sales model. Core categories include laboratory instruments (beakers, incubators) and healthcare instruments (stethoscopes, crash carts). The company has grown earnings by focusing on these areas, in addition to niche markets such as biosciences.

AS ONE strives for a competitive edge by supplementing its catalog sales model with three functions: manufacture, wholesale, and retail. Tight management underpins 30% GPM and 10%-plus OPM while growing sales.

At end March 2014, AS ONE had 2,400 suppliers. The company's penetration in its industry is shown by the fact that the majority of laboratory instrument vendors—about 4,100—were clients. The company has a long tail strategy, with about 70,000 products. Same day shipping is available on 95% of orders.

Earnings performance



Source: Company data

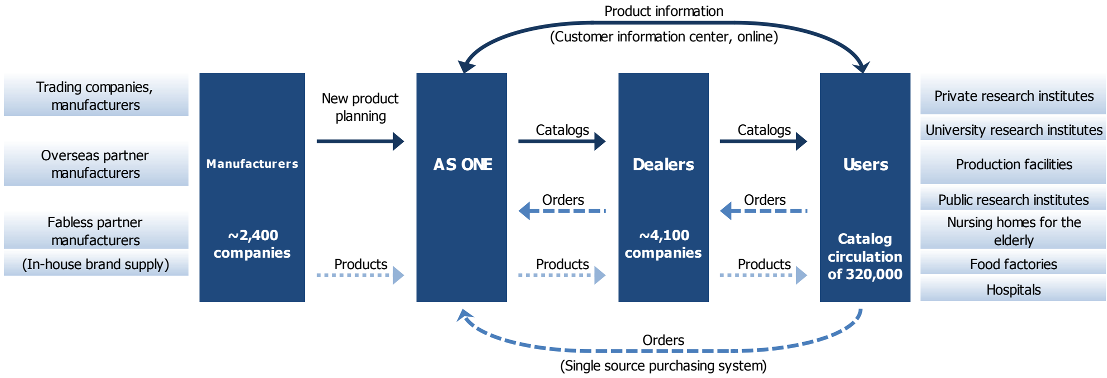
Top selling products (FY03/13)

Rank	Product
1	Gloves
2	Petri dish
3	Dust masks
4	Disposable paper towels
5	Manual transfer stretcher

Source: Company data

AS ONE estimates it has a 10% share of its target JPY300.0bn domestic scientific instrument market (including non-catalog sales), indicating growth potential. As flagged, in 2007, the company entered China, where it is growing earnings using the same model.

Distribution



Source: Company data

Catalog sales model

Dealers provide end users (researchers) with catalogs (marked with the dealer's name). Then the catalogs act as "salespeople" for AS ONE. Users (researchers) select materials and instruments from AS ONE's catalogs and place orders with dealers. In turn the dealer delivers the product and provides after-sales services.

AS ONE has developed the catalog sales model into a robust business model with a range of competitive elements. Most vendors of laboratory instruments are AS ONE dealers, exposing end users to catalogs and paving the way for orders.

AS ONE catalogs

Source: Company data

This image is taken from AS ONE's website. The text reads:
General instruments for research use
First published in 1963, our general catalog for laboratory use features about 9,000 items.
Product categories include:
1. General instruments; 2. measuring instruments; 3. equipment/storage/transport; 4. cultivation/seperation/analysis; 5. containers; 6. experiment products; 7. research institute furnishings; 8. cleaning and sterilization; 9. safety products; 10. clean environment instruments.

Trusted in laboratory instruments market

Strong industry position, presence in most domestic research institutes

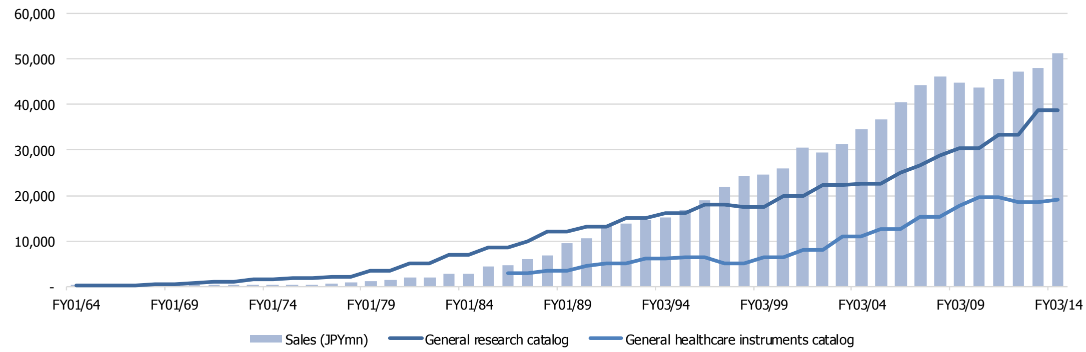
AS ONE issued its first catalog in 1963 with 300 products. The company has since fine-tuned and expanded its business, including:

▪Distribution and service: next-day delivery, loaning out demonstration instruments, and samples.

▪Dealers: charging dealers for catalogs.
▪User demand: expanding product range, producing specialist catalogs.

Catalog circulation of 872,000; 70,000 products
Catalog circulation for FY03/13-FY03/14 overall was 872,000, including 320,000 copies of the general laboratory instruments catalogs (together with the industrial instruments general catalog). Its catalogs can be found in most domestic research institutes (781,000 natural sciences researchers).

Sales and product range



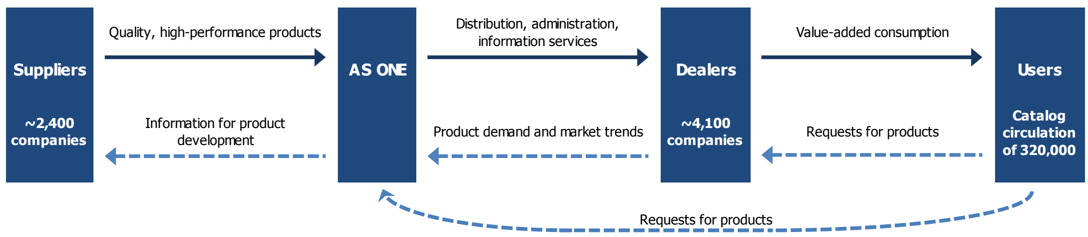
Source: Company data

Sales: one million catalogs at end users' sides

Catalogs as salespeople
AS ONE sends salespeople to dealers and not to end users. Dealers provide end users with catalogs promoting AS ONE's products.

Salespeople are focused on supporting and building relationships with dealers. The aim is to convince dealers that AS ONE is a partner working toward a win-win outcome, rather than one of many suppliers. This includes sending specialists to accompany dealers on sales visits, reflecting customer demands in catalogs, and acting as a hub for suppliers and dealers.

Sales activities: the flow of products and information



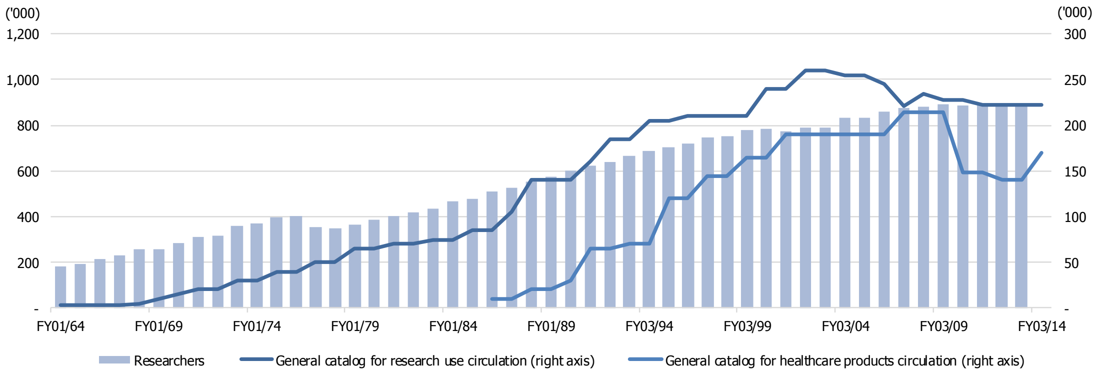
Source: Company data

Focus on catalogs
AS ONE considers catalogs both products and "stores", and ensures that catalogs have a full range products. The catalogs have been full color since 1984 and hardcover from 1987 (increasing production costs by 20%).

Dealers pay for catalogs

Assuming results are in line with company targets, catalog expenses will amount to JPY2.6bn between FY03/10 and FY03/15—less than 1% of sales. But AS ONE charges dealers for catalogs and for collecting and recycling unused catalogs. According to former president Hideo Iuchi, this encourages dealers to promote the catalogs. This is prompting lower costs by curbing excess circulation.

Number of researchers and circulation of the general catalog for research use



Source: Ministry of Education, Culture, Sports, Science and Technology; company data
Financial years refer to AS ONE's reporting period. For financial years ending in January, the number of researchers at end March of that calendar year is shown.
In 2010, circulation of the general catalog for healthcare products fell sharply, as the company span off a separate catalog for clinics with a circulation of 150,000.

Robust sales network

Almost all laboratory instrument vendors stock AS ONE's catalogs. There are 4,100 dealers across over 10,000 locations (10,019 in FY03/13). With just over two stores per dealer, this means there are many small and midsize dealers. According to the company, small companies are the norm.

Customers have strong credit

AS ONE's allowance for doubtful accounts implies that losses on bad debts are small. The main purchasers of laboratory instruments are major corporations with the means to fund research, or universities and other research institutions. End users' strong credit means dealers are similarly dependable.

However, the large size of end users means dealers often have to wait for payment on accounts receivable. AS ONE offers financing to dealers, so the accounts receivable turnover period is over four months.

Cash conversion cycle and allowance for doubtful accounts

	FY03/03	FY03/04	FY03/05	FY03/06	FY03/07	FY03/08
Accounts receivable turnover (months)	4.48	4.53	4.61	4.51	4.53	4.55
Inventory turnover (months)	1.46	1.38	1.47	1.39	1.37	1.37
Accounts payable turnover (months)	4.08	4.05	4.02	3.91	3.74	3.66
Cash conversion cycle (months)	1.86	1.86	2.05	1.99	2.17	2.26
Accounts receivable (JPYmn)	12,215	13,730	14,445	15,940	17,458	17,452
Allowance for doubtful accounts (current assets)	51	65	47	52	33	34

	FY03/09	FY03/10	FY03/11	FY03/12	FY03/13	FY03/14
Accounts receivable turnover (months)	4.47	4.43	4.46	4.49	4.47	4.33
Inventory turnover (months)	1.42	1.42	1.45	1.64	1.66	1.58
Accounts payable turnover (months)	3.37	3.57	3.59	3.67	3.66	3.56
Cash conversion cycle (months)	2.51	2.28	2.32	2.46	2.47	2.36
Accounts receivable (JPYmn)	15,871	16,474	17,399	17,911	17,974	18,984
Allowance for doubtful accounts (current assets)	27	16	22	25	26	22

Source: Company data

Significant benefits for dealers

Small dealers face obstacles to selling products from major and overseas manufacturers. Its catalogs provide small dealers with access to these products. Reasons to choose the company as a supplier:

- Extensive product range (long tail strategy);
- AS ONE handles small orders, including single items;
- Streamlined logistics = next-day delivery;
- Although it is a wholesaler, it offers a complete service including a customer support center for queries on any product.

Product range

With 70,000 products, its range is much larger than that of competitors (its nearest competitor Sansyo Co., Ltd. has about 40,000). AS ONE catalogs are probably the first point of call for researchers looking for laboratory instruments.

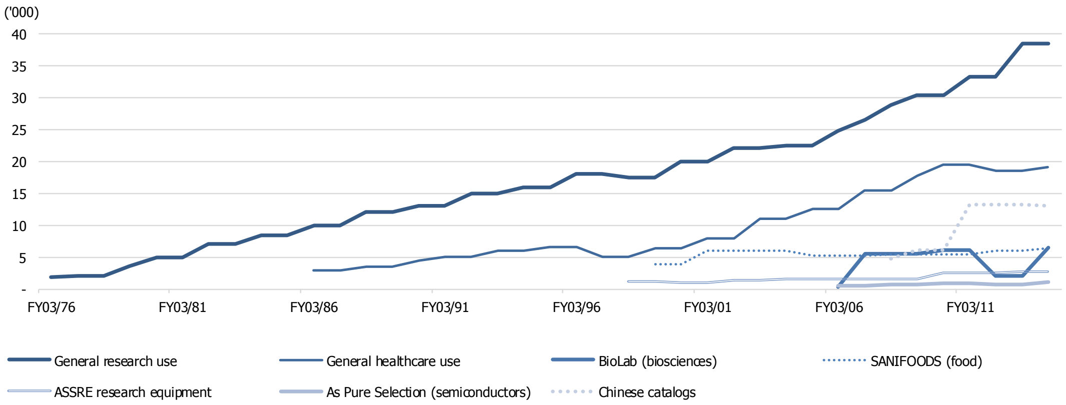
History

AS ONE launched catalog sales with plastic scientific instruments, before expanding to general laboratory instruments. The company began selling industrial instruments in 1982, after a positive response to powder-free cleanroom gloves in the semiconductor industry. The company fully entered the healthcare field in 1985. It expanded its product range and client base, and the healthcare category is now a core business (JPY11.6bn sales in FY03/14; 23% of total).

Specialist areas

AS ONE has expanded into specialist areas, including experiment equipment, analysis and measurement instruments, biosciences instruments, food hygiene instruments, and reagents. Teams in the specialist sales department (sales division) comprise research equipment (ASSRE), SANIFOODS, biosciences (BioLab), and cleanroom products (As Pure). Total sales top JPY8.0bn.

Product range in main catalogs



Source: Company data

Quick delivery: distribution and services focused on next-day delivery

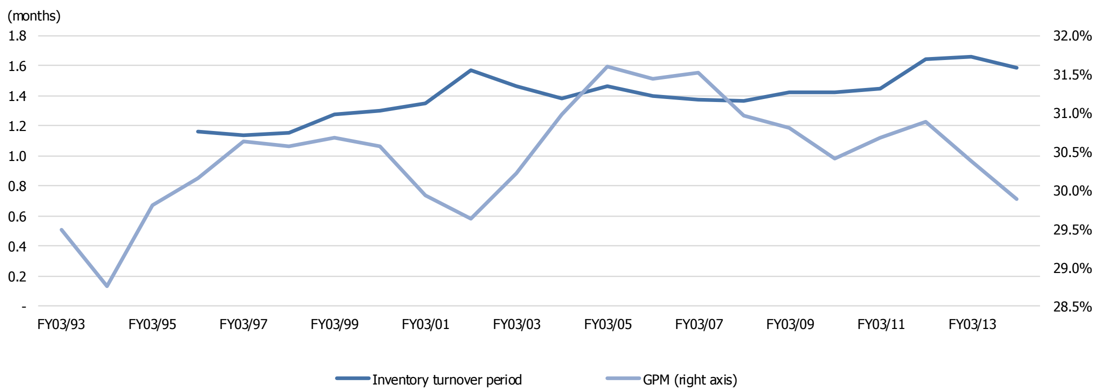
AS ONE ships 95% of orders the same day. This number rises to 99.8% when limited to the 3,000 top-selling products. The company has three logistics centers—Tokyo, Osaka, and Fukuoka.

Quick delivery builds trust with dealers and customers

AS ONE can ship orders within 20 minutes of receiving them from core systems. The company has a dispatch system that handles small orders and printing labels up and running. This efficiency wins the trust of users and dealers.

Significantly larger inventory than competitors
Inventory was JPY4.8bn in FY03/14, significantly larger than that of major competitors at about JPY1.0bn. Yet AS ONE tightly manages inventory turnover and inventory value, as pinpointed by its stable GPM.

Inventory turnover period and GPM



Source: Company data

Competitors

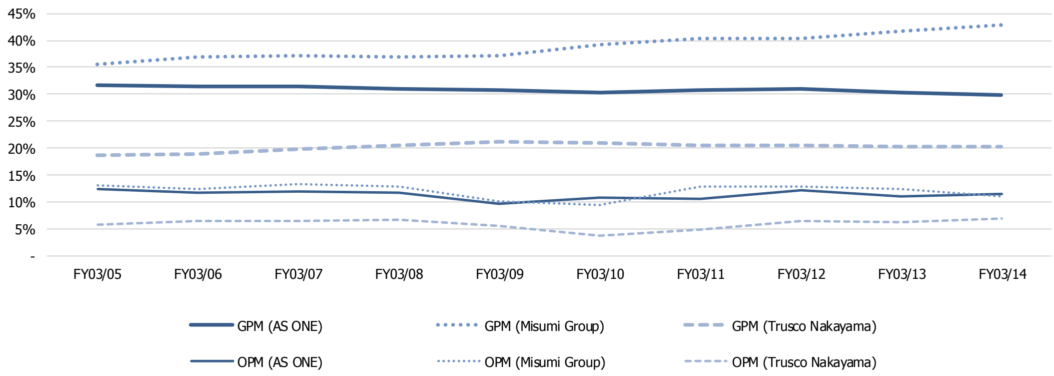
Many public companies specialize in catalog sales. In the manufacturing industry, Trusco Nakayama Corporation (TSE1: 9830) supplies factory tools and Misumi Group Inc. (TSE1: 9962) supplies automated machines and metal components. Askul Corporation (TSE1: 2678) provides office supplies, and Nissen Holdings Co., Ltd. (TSE1: 8248) supplies daily necessities. Clients and business structure differ from AS ONE's.

Overview of AS ONE, Trusco Nakayama, and Misumi Group

Name	Detail	PB ratio	PB GPM	Catalog price	Product range	Registered item numbers	Inventory
AS ONE	Laboratory instruments	30.0%	40.0%	JPY100-999	70,000	700,000	JPY4.8bn
Trusco Nakayama	Factory tools	19.4%	35.5%	JPY7,500	229,000	1.2mn	JPY20.3bn
Misumi Group	Automated machines and metal components	-	-	-	1.9mn	8mn+	JPY16.8bn

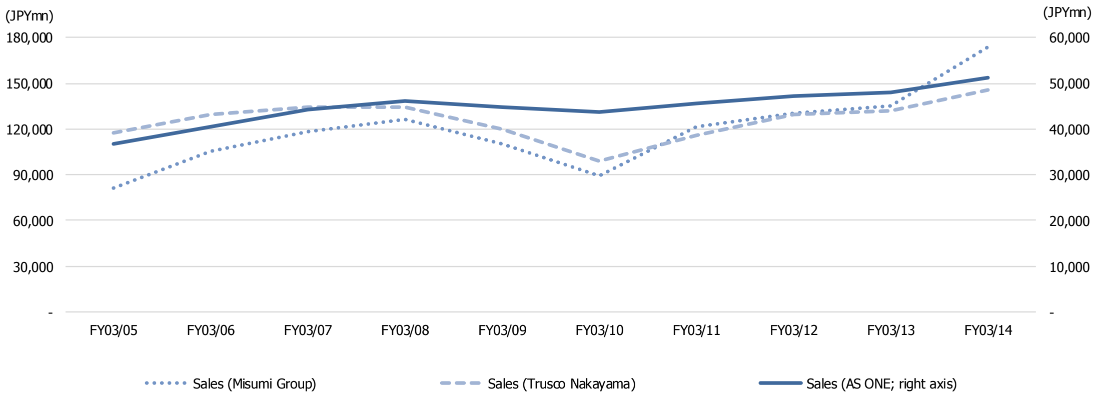
Source: AS ONE, Trusco Nakayama, Misumi Group data
Product range for Misumi Group is the sum of key catalogs.
PB = private brands.

AS ONE, Trusco Nakayama, Misumi Group margins



Source: AS ONE, Trusco Nakayama, Misumi Group data

AS ONE, Trusco Nakayama, Misumi Group sales



Source: AS ONE, Trusco Nakayama, Misumi Group data

Competitors—laboratory instruments

Target market: about JPY300bn

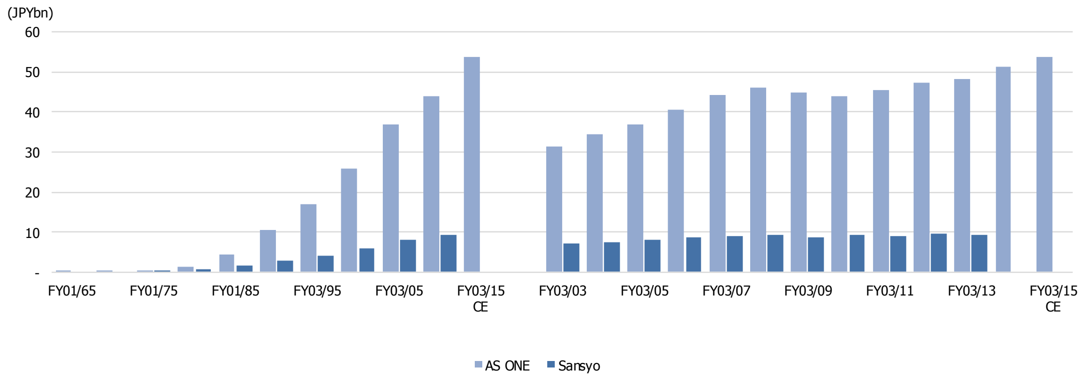
AS ONE estimates the domestic total laboratory instruments market at about JPY1tn (FY03/14), meaning it holds a 3% share (sales of JPY29.8bn). Most of this market comprises direct sales from manufacturers to end users, sales from manufacturers via dealers, and exports from manufacturers. The company views these as potential areas for expansion. Target market estimate: circa JPY300bn.

Three catalog sales competitors

Three competitors focus on catalog sales: Sansyo Co., Ltd. (unlisted; FY08/13 sales: JPY9.4bn; 40,000 items); Masuda Corporation (unlisted); and Tokyo Glass Kikai Co., Ltd. (unlisted; FY08/09 sales: JPY5.8bn). AS ONE and closest competitor Sansyo differ significantly in sales, inventory, product range, and logistics. AS ONE has three logistics centers while Sansyo has one logistics center in Tokyo. AS ONE has higher sales per employee than Sansyo, at JPY143mn (FY03/14; excluding Shanghai subsidiary) versus JPY72mn (FY08/13). Sansyo does not disclose profits.

Comparison with major dealer Ikeda Scientific Co., Ltd. also shows AS ONE's efficiency. Sales and recurring profit are higher per employee (sales of JPY17mn [FY03/14; excluding the Shanghai subsidiary] versus JPY2.7mn [FY03/13] and recurring profit of JPY143mn versus JPY123mn).

AS ONE and Sansyo sales



Source: AS ONE, Sansyo data
Financial years refer to AS ONE data. Sansyo data matched to AS ONE reporting periods.

Competitors—healthcare instruments

AS ONE growing sales despite late start

According to R&D Co., Ltd., the domestic healthcare instruments market stood at JPY2.8tn in 2012. However, this includes products not in AS ONE catalogs, such as endoscopes and catheters, and large instruments including MRI, x-ray, and CT scanners. The company's healthcare instrument and nursing product catalogs focus on equipment and supplies for nurse stations. Since the company went public in November 1995, sales have grown every year except in FY03/11 and stood at JPY11.6bn in FY03/14.

Smaller product range than competitors

Muranaka Medical Instruments Co., Ltd. (FY11/13 sales: JPY36.4bn; recurring profit of just under JPY1bn) and Matsuyoshi & Co., Ltd. are competitors in the healthcare instruments catalog sales market. These competitors' general catalogs list more products than the company's, at 20-30,000 for Muranaka Medical Instruments (January 2013) and 30,200 for Matsuyoshi & Co. (January 2014). AS ONE: 19,100.

View the full report.

August 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 **August 28, 2014**, 3-D Matrix Ltd. announced the start of clinical use of the locally absorbent hemostatic material PuraStat® in Germany.

The company obtained the CE marking for PuraStat® on January 14, 2014. Since then, it has been preparing to initiate clinical use of the product in major European markets.

Doctor Michiel Morshuis, from the Heart and Diabetes Center NRW at the Clinic for Thoracic and Cardiovascular Surgery, used PuraStat® to control bleeding during cardiovascular surgery. The Heart and Diabetes Center NRW is a global leader in cardiovascular surgery, with about 5,000 procedures per year.

The company aims to increase distribution of PuraStat® by further promoting its use in European markets and forming exclusive sales agreements with marketing partners.

On **August 8, 2014**, the company announced the settlement of a lawsuit and the recording of an extraordinary loss.

The company had been named as the defendant in a lawsuit filed by OncoTherapy Science, Inc. (TSE Mothers: 4564) for compensation nonpayment, and the suit was settled on August 8, 2014. 3-D Matrix will incur an extraordinary loss as a result of this settlement.

The lawsuit alleged that 3-D Matrix did not pay a portion of fees that were owed to OncoTherapy as part of a domestic advisory agreement between the two companies. After assessment of the conditions at hand, 3-D Matrix decided to settle with OncoTherapy, under the view that settlement of the issue would contribute more to the medium and long term profitability of the company by absolving it of possible obligations in the future.

As a result of the above, the company plans to book an extraordinary loss of JPY160mn during Q1 FY04/15 in relation to the lawsuit settlement; the effect that this will have on full year results is still under investigation. According to the company, resolution of this lawsuit is likely to yield reduced costs in the medium to long term, and it is also working to determine effects this will have on its medium term plan in FY04/16 onward; results will be disclosed upon completion of the investigation.

View the full report.

Accretive Co., Ltd. (8423)

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

On **August 21, 2014,** Shared Research updated the report following interviews with management.

Quarterly Performance	FY03/14				FY03/15				FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Operating Revenue	712	720	759	742	726	-	-	-	47.9%	1,517
YoY	7.1%	6.1%	1.4%	3.6%	2.0%	-	-	-		5.9%
Funding Costs (Interest Expense)	53	52	51	45	43	-	-	-		
YoY	-29.6%	-32.3%	-32.9%	-26.4%	-20.1%	-	-	-		
GPM	7.5%	7.2%	6.7%	6.0%	5.9%	-	-	-		
SG&A	387	361	367	507	373	-	-	-		
YoY	9.5%	5.0%	-29.9%	37.4%	-3.8%	-	-	-		
SG&A / Sales	54.4%	50.1%	48.4%	68.3%	51.3%	-	-	-		
OP	272	307	341	190	311	-	-	-	53.1%	586
YoY	15.3%	18.9%	127.8%	-33.6%	14.5%	-	-	-		1.3%
OPM	38.1%	42.6%	44.9%	25.7%	42.8%	-	-	-		38.6%
RP	274	336	346	187	308	-	-	-	50.2%	613
YoY	9.6%	3.4%	123.0%	-25.0%	12.5%	-	-	-		0.5%
RPM	38.5%	46.7%	45.5%	25.3%	42.4%	-	-	-		40.4%
NI	244	374	303	255	270	-	-	-	48.3%	560
YoY	5.3%	37.2%	162.2%	9.4%	10.6%	-	-	-		-9.5%
NPM	34.3%	52.0%	39.9%	34.4%	37.2%	-	-	-		36.9%

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

Transaction volume and operating revenue increased in the medical and nursing care industry due to the contribution of subsidiary Accretive Medical Service Co., Ltd., consolidated in FY03/14. Profits also grew year-on-year, owing to higher operating revenue, as well as lower funding costs due to efficient use of a credit line facility and ongoing SG&A cost cutting.

On **August 1, 2014**, the company announced that it would offer a factoring service for nursing care providers jointly with Three-Ten Co., Ltd.

Consolidated subsidiary Accretive Medical Service Co., Ltd. (AMS) will provide the service together with Three-Ten, which plans, develops, and sells nursing care insurance claim software.

The partnership

AMS offers factoring services for medical fees and nursing care payments to medical institutions and nursing care providers. Three-Ten has offered the Nursing Net nursing care insurance claim ASP software to nursing care providers nationwide since the implementation of the Public Nursing Care Insurance Scheme in 2000.

By offering AMS's factoring business to its new and existing clients, Three-Ten will be able to respond to clients' underlying financing needs. Accretive will be able to expand its revenue base and increase brand recognition among nursing care providers.

View the full report.

Ai Holdings Corp. (3076)

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

On **August 19, 2014**, Ai Holdings Corp. announced full-year earnings results for FY06/14.

Quarterly Performance	FY06/13				FY06/14				FY06/14 Est.	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	8,481	7,598	9,546	6,764	8,564	9,249	10,870	8,293	99.9%	37,000
YoY	16.3%	13.8%	15.8%	13.7%	1.0%	21.7%	13.9%	22.6%		14.2%
Gross Profit	3,031	3,090	3,714	3,208	3,673	3,879	4,795	3,449		
YoY	16.6%	19.9%	20.7%	28.4%	21.2%	25.5%	29.1%	7.5%		
GPM	35.7%	40.7%	38.9%	47.4%	42.9%	41.9%	44.1%	41.6%		
SG&A	1,865	1,930	2,010	2,264	2,188	2,356	2,397	2,455		
YoY	8.7%	9.7%	12.7%	15.9%	17.3%	22.1%	19.3%	8.4%		
SG&A / Sales	22.0%	25.4%	21.1%	33.5%	25.5%	25.5%	22.1%	29.6%		
Operating Profit	1,166	1,160	1,704	944	1,484	1,523	2,398	994	100.0%	6,400
YoY	32.0%	41.8%	31.5%	73.2%	27.3%	31.3%	40.7%	5.3%		28.7%
OPM	13.7%	15.3%	17.9%	14.0%	17.3%	16.5%	22.1%	12.0%		17.3%
Recurring Profit	1,203	1,239	1,679	959	1,513	1,577	2,423	1,040	100.8%	6,500
YoY	19.5%	28.3%	18.2%	66.2%	25.8%	27.3%	44.3%	8.4%		28.0%
RPM	14.2%	16.3%	17.6%	14.2%	17.7%	17.1%	22.3%	12.5%		17.6%
Net Income	765	562	1,052	595	929	994	1,510	610	101.1%	4,000
YoY	29.9%	3.1%	8.9%	94.4%	21.4%	76.9%	43.5%	2.5%		34.5%
NPM	9.0%	7.4%	11.0%	8.8%	10.8%	10.7%	13.9%	7.4%		10.8%

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

Security equipment

Sales of new and replacement security system for condominiums were robust.

Card equipment and other office equipment

The company reported strong sales of instant card issuance equipment.

Maintenance service

In April 2014, the company implemented a system for managing security inspections using telecom networks. As a result, costs fell and segment profit grew significantly.

View the full report.

MONTHLY WRAP –September 2014

Anicom Holdings, Inc. (8715)

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

On **August 13, 2014**, Shared Research updated comments on Anicom Holdings, Inc.'s Q1 earnings results after interviewing management.

Quarterly Performance	FY03/13				FY03/14				FY03/15		FY03/15		FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Recurring revenue	**3,846**	**4,093**	**3,848**	**4,399**	**4,394**	**4,455**	**4,614**	**4,903**	**5,163**		**50.1%**	**10,299**	**23.7%**	**21,790**
YoY	20.2%	23.3%	8.6%	16.3%	14.2%	8.8%	19.9%	11.5%	17.5%			16.4%		18.6%
Underwriting revenue	3,774	4,025	3,771	4,211	4,327	4,389	4,558	4,813	5,012					
Investment revenue	39	32	38	151	30	20	19	39	98					
Interest and dividend income	31	31	32	19	4	6	4	4	51					
Gains on the sale of securities	7	1	6	133	26	14	14	35	47					
Other recurring revenue	32	37	39	35	36	46	37	52	52					
Recurring expenses	**3,614**	**3,826**	**3,831**	**4,077**	**4,280**	**4,269**	**4,502**	**4,582**	**4,784**					
YoY	10.1%	15.5%	11.3%	17.4%	18.4%	11.6%	17.5%	12.4%	11.8%					
Underwriting expenses	2,609	2,869	2,851	3,121	3,208	3,248	3,475	3,517	3,585					
Investment expenses	-	-	-	-	13	5	-	-	4					
Operation and administration expenses	933	886	904	909	1,010	968	983	1,021	1,148					
Other recurring expenses	71	72	75	46	48	47	44	44	46					
Recurring profit	**231**	**267**	**18**	**321**	**113**	**187**	**112**	**321**	**379**		**156.0%**	**243**	**47.4%**	**800**
YoY	-	3,237.5%	-81.6%	2.9%	-51.1%	-30.0%	522.2%	-	235.4%			-19.1%		9.2%
RPM	6.0%	6.5%	0.5%	7.3%	2.6%	4.2%	2.4%	6.5%	7.3%			2.4%		3.7%
Net profit	**183**	**207**	**36**	**214**	**68**	**118**	**65**	**196**	**251**		**170.7%**	**147**	**49.3%**	**509**
YoY	-	10,250.0%	-77.4%	-45.5%	-62.8%	-43.0%	80.6%	-8.4%	269.1%			-21.0%		13.8%
NPM	4.8%	5.1%	0.9%	4.9%	1.5%	2.6%	1.4%	4.0%	4.9%			1.4%		2.3%
	96	-99	108	316	-3	58	246	427	116					
Metrics														
Total contracts	408,761	421,197	433,345	446,414	462,343	477,952	491,452	504,969	516,618					555,404
New contracts	24,777	24,306	24,523	25,898	28,599	27,841	26,024	26,706	26,398				24.6%	107,500
Pet shops	14,850	14,679	14,955	16,888	19,096	18,433	17,543	18,930	18,682					
General agents	9,927	9,627	9,568	9,010	9,503	9,408	8,481	7,776	7,716					
Pet shop & General agents	4,410	4,464	4,530	4,752	4,862	4,892	4,865	4,924	5,009					
Hospitals accepting anicom	5,176	5,220	5,267	5,349	5,408	5,459	5,506	5,599	5,630					5,839
YoY														
Total contracts	14.8%	13.9%	13.1%	12.7%	13.1%	13.5%	13.4%	13.1%	11.7%					10.0%
New contracts	-6.9%	-1.4%	-1.0%	3.6%	15.4%	14.5%	6.1%	3.1%	-7.7%					-1.5%
Pet shops	-13.2%	-3.1%	-1.3%	11.6%	28.6%	25.6%	17.3%	12.1%	-2.2%					
General agents	4.6%	1.4%	-0.5%	-8.7%	-4.3%	-2.3%	-11.4%	-13.7%	-18.8%					4.3%
Pet shop & General agents	11.8%	9.1%	9.9%	15.9%	10.2%	9.6%	7.4%	3.6%	3.0%					
Hospitals accepting anicom	6.7%	4.9%	4.9%	4.6%	4.5%	4.6%	4.5%	4.7%	4.1%					
E/I loss ratio	**65.5%**	**73.4%**	**68.1%**	**63.1%**	**69.0%**	**69.5%**	**66.3%**	**62.1%**	**66.7%**					**67.3%**
Operating expenses / earned premiums	31.6%	29.2%	29.1%	29.3%	30.5%	28.3%	27.7%	27.9%	28.7%					28.8%
Combined ratio	**97.1%**	**102.6%**	**97.2%**	**92.4%**	**99.5%**	**97.9%**	**93.9%**	**90.1%**	**95.4%**					**96.1%**
Underwriting expenses	**2,609**	**2,869**	**2,851**	**3,121**	**3,208**	**3,248**	**3,475**	**3,517**	**3,585**					
Net claims paid	2,157	2,398	2,519	2,391	2,427	2,866	2,748	2,652	2,844					
Loss adjustment expenses	146	143	144	148	156	176	166	162	171					
Net commissions and brokerage fees	204	202	213	234	255	252	251	271	296					
Provision for reserve for outstanding losses and claims	35	191	-48	-38	232	-83	-7	7	101					
Provision for underwriting reserves	65	-65	23	386	136	36	319	425	171					
Prepaid premium	201	92	142	251	248	150	174	270	335					
Reserve for casualty	-135	-369	92	135	-111	-115	146	153	-163					
Revised earnings (*)	**95**	**-98**	**107**	**315**	**-2**	**58**	**245**	**427**	**116**					
YoY	187.9%	-	282.1%	11.3%	-	-	129.0%	35.6%	-					

During Q1 FY03/15, the company's revenue structure for the pet insurance underwriting business showed steady improvement. The number of policies for pet insurance posted strong growth, and although the consumption tax hike had an impact on the loss and expense ratios, the recovery was quicker than initial expectations. The company appears to be making steady progress toward its Q2 targets.

View the full report.

Anritsu Corp (6754)

Recognized global leader in mobile communications testing equipment.

On **August 13, 2014**, Shared Research updated comments on Anritsu Corp. based on an interview with management.

	FY03/13				FY03/14				FY03/15		FY03/15	
(JPYmn)	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 measuring 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%). Sales of measuring instruments were within expectation, although domestic sales of the industrial automation segment were somewhat sluggish.

View the full report.

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 **August 28, 2014**, Shared Research updated comments on ArtSpark Holdings Inc.'s earnings results for 1H FY12/14 after interviewing management.

Quarterly Performance	FY12/13				FY12/14				FY12/14	
(JPYmn)	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 for business results to improve 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.

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 **August 15, 2014**, Axell Corporation announced revisions to 1H and full-year earnings forecasts.

Revisions to the 1H FY03/15 company forecasts
Sales: JPY5.9bn (previous forecast JPY5.3bn)
Operating profit: JPY1.1bn (JPY700mn)
Recurring profit: JPY1.1bn (JPY700mn)
Net income: JPY750mn (JPY500mn)

Upward revisions to full-year FY03/15 company forecasts
Sales: JPY10.7bn (previous forecast JPY10.5bn)
Operating profit: JPY1.4bn (JPY1.1bn)
Recurring profit: JPY1.4bn (JPY1.1bn)
Net income: JPY950mn (JPY750mn)

Reasons for the revisions
Sales in 1H appear likely to significantly outperform initial forecasts because of increasing demand for memory modules and LED driver LSIs from some clients in the amusement game market, despite the expectation that sales of mainstay Graphic LSIs for this market will slightly underperform the target. Gross profit margin for graphics LSIs for the amusement machine market has improved, but as relatively low-margin products now appear likely to account for a larger share of sales, overall GPM is expected to fall 1.9pp from initial projections. The company revised SG&A expenses target downward by 13.8%, due to changes to planned R&D spending.

For the full-year forecasts, although the company has maintained its target for unit sales of graphic LSI sales to the amusement machines market (about 1.3mn), due to a change in composition, sales proceeds are expected to fall short of initial forecasts. Demand for memory modules and LED driver LSIs is expected to surpass initial forecasts. The company revised its gross profit target upward by JPY1.0mn (+2.2%) to reflect the expected increase in sales. It also revised its SG&A target downward by JPY200mn (-5.6%) to reflect changes to planned R&D spending.

On **August 4, 2014**, Shared Research updated comments on the company's earnings results for Q1 FY03/15 after interviewing management.

Quarterly Performance	FY03/14				FY03/15				FY03/15		FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.	% of FY	FY Est.
Sales	3,154	2,521	3,265	2,103	3,326	-	-	-	56.4%	5,900	103.2%	10,700
YoY	-23.3%	-53.4%	-8.0%	-42.3%	5.5%	-	-	-		4.0%		-36.0%
GP	1,190	1,209	1,696	1,111	1,569	-	-	-	64.0%	2,450	141.3%	4700
YoY	-41.4%	-25.0%	-6.1%	-6.8%	31.8%	-	-	-		2.1%		
GPM	37.7%	48.0%	51.9%	52.8%	47.2%	-	-	-		41.5%		
SG&A	668	833	883	884	681	-	-	-	49.3%	1,380	101.0%	3350
YoY	10.6%	-7.8%	23.0%	-23.6%	1.9%	-	-	-		-8.1%		
SG&A / Sales	21.2%	33.0%	27.0%	42.0%	20.5%	-	-	-		23.4%		
R&D	404	578	522	586	415							
YoY	20.2%	-1.7%	35.9%	-30.8%	2.7%	-	-	-				
SG&A / Sales	12.8%	22.9%	16.0%	27.9%	12.5%	-	-	-				
OP	521	377	813	227	888	-	-	-	83.0%	1,070	143.6%	1,350
YoY	-63.5%	-46.8%	-25.3%	530.6%	70.4%	-	-	-		19.2%		-58.6%
OPM	16.5%	15.0%	24.9%	10.8%	26.7%	-	-	-		18.1%		19.5%
RP	518	378	817	227	890	-	-	-	83.2%	1,070	143.7%	1,350
YoY	-63.8%	-46.8%	-25.4%	548.6%	71.8%	-	-	-		19.4%		-58.7%
RPM	16.4%	15.0%	25.0%	10.8%	26.8%	-	-	-		18.1%		19.6%
NI	338	234	257	169	634	-	-	-	84.5%	750	105.1%	950
YoY	-63.9%	-51.5%	-64.7%	-	87.6%	-	-	-		31.1%		-54.1%
NPM	10.7%	9.3%	7.9%	8.0%	19.1%	-	-	-		12.7%		12.4%
Unit sales of graphics LSIs (thousands)	320	310	480	300	420							

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

MONTHLY WRAP –September 2014

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. Unit sales for amusement machines were on pace with the company's estimates, with expectations for the overall market size to be between 3.0mn and 3.3mn units for the full year.

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 **August 8, 2014**, Bell-Park announced earnings results for Q2 FY12/14 and revisions to full-year earnings forecasts.

Quarterly Performance	FY12/13				FY12/14				FY12/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	22,553	18,992	18,854	23,828	26,116	15,410	-	-	48.1%	86,400
YoY	15.1%	22.8%	20.9%	0.1%	15.8%	-18.9%	-	-		-
GP	4,520	3,840	3,847	4,287	5,957	3,730	-	-		
YoY	16.2%	16.7%	25.5%	17.6%	31.8%	-2.9%	-	-		
GPM	20.0%	20.2%	20.4%	18.0%	22.8%	24.2%	-	-		
SG&A	3,311	3,040	3,305	3,598	4,475	3,648	-	-		
YoY	16.1%	15.7%	31.0%	30.0%	35.1%	20.0%	-	-		
SG&A / Sales	14.7%	16.0%	17.5%	15.1%	17.1%	23.7%	-	-		
OP	1,209	800	542	689	1,483	82	-	-	70.8%	2,210
YoY	16.5%	20.7%	-0.1%	-21.7%	22.6%	-89.8%	-	-		-
OPM	5.4%	4.2%	2.9%	2.9%	5.7%	0.5%	-	-		*2.6%*
RP	1,285	846	531	764	1,465	72	-	-	70.5%	2,180
YoY	18.5%	33.8%	2.0%	-20.7%	14.0%	-91.5%	-	-		-
RPM	5.7%	4.5%	2.8%	3.2%	5.6%	0.5%	-	-		*2.5%*
NP	709	476	283	411	795	-22	-	-	68.4%	1,130
YoY	16.1%	32.8%	-1.9%	-21.8%	12.2%	-	-	-		-
NPM	3.1%	2.5%	1.5%	1.7%	3.0%	-	-	-		*1.3%*

Source: Company data

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

** The company began reporting consolidated earnings from Q1 FY12/14. Figures shown for FY12/13 are reported on a non-consolidated basis and YoY comparison figures are shown for reference purposes only

Carriers fought to win customers from each other (MNP—mobile number portability) in the cellphone retail market through March. But the market cooled from April onward. Bell-Park focused on winning MNP customers, selling handsets, and improving customer satisfaction. The company's unit sales outperformed targets through March 2014, but underperformed targets from April onward as demand for cashback offers calmed.

Revisions to full-year earnings forecasts for FY12/14

- Sales: JPY86.4bn (previous forecast: JPY96.2bn)
- OP: JPY2.2bn (JPY3.4bn)
- RP: JPY2.2bn (JPY3.4bn)
- NI: JPY1.1bn (JPY1.8bn).

Bell-Park revised its forecasts after reducing its target for total MNP unit sales from 930,000 to 890,000 and lowering MNP commissions, in light of recent sales trends.

On **August 6, 2014**, the company announced July monthly sales estimate.

Quarterly Performance	FY12/13				FY12/14				FY12/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	22,553	18,992	18,854	23,828	26,116	15,410	-	-	48.1%	86,400
YoY	15.1%	22.8%	20.9%	0.1%	15.8%	-18.9%	-	-		-
GP	4,520	3,840	3,847	4,287	5,957	3,730	-	-		
YoY	16.2%	16.7%	25.5%	17.6%	31.8%	-2.9%	-	-		
GPM	20.0%	20.2%	20.4%	18.0%	22.8%	24.2%	-	-		
SG&A	3,311	3,040	3,305	3,598	4,475	3,648	-	-		
YoY	16.1%	15.7%	31.0%	30.0%	35.1%	20.0%	-	-		
SG&A / Sales	14.7%	16.0%	17.5%	15.1%	17.1%	23.7%	-	-		
OP	1,209	800	542	689	1,483	82	-	-	70.8%	2,210
YoY	16.5%	20.7%	-0.1%	-21.7%	22.6%	-89.8%	-	-		-
OPM	5.4%	4.2%	2.9%	2.9%	5.7%	0.5%	-	-		*2.6%*
RP	1,285	846	531	764	1,465	72	-	-	70.5%	2,180
YoY	18.5%	33.8%	2.0%	-20.7%	14.0%	-91.5%	-	-		-
RPM	5.7%	4.5%	2.8%	3.2%	5.6%	0.5%	-	-		*2.5%*
NP	709	476	283	411	795	-22	-	-	68.4%	1,130
YoY	16.1%	32.8%	-1.9%	-21.8%	12.2%	-	-	-		-
NPM	3.1%	2.5%	1.5%	1.7%	3.0%	-	-	-		*1.3%*

Source: Company data

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

** The company began reporting consolidated earnings from Q1 FY12/14. Figures shown for FY12/13 are reported on a non-consolidated basis and YoY comparison figures are shown for reference purposes only

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 **August 12, 2014**, Shared Research updated comments on Benefit One Inc.'s earnings results for Q1 FY03/15 after interviewing management.

Quarterly performance	FY03/13				FY03/14				FY03/15		FY03/15		FY03/15	
(JPYmn)	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.

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.

Chiyoda Co., Ltd. (8185)

Retailer specializing in low-price shoes.

On **August 1, 2014**, Chiyoda Co., Ltd. announced monthly sales data for July 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.

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Comsys Holdings Corporation (1721)

Major telecommunications construction company, with over fifty years of history

On **August 26, 2014**, Shared Research updated comments on Comsys Holdings Corporation's earnings results for Q1 FY03/15 after interviewing management.

Quarterly Performance	FY03/14				FY03/15				FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	60,293	80,284	77,787	112,977	66,555	-	-	-	44.7%	149,000
YoY	5.7%	6.8%	4.1%	3.5%	10.4%	-	-	-		6.0%
GP	8,032	11,273	11,442	15,023	9,728	-	-	-		
YoY	25.6%	16.0%	17.2%	-2.2%	21.1%	-	-	-		
GPM	13.3%	14.0%	14.7%	13.3%	14.6%	-	-	-		
SG&A	4,401	4,278	4,312	5,209	5,208	-	-	-		
YoY	-7.5%	-6.5%	5.7%	-1.1%	18.3%	-	-	-		
SG&A / Sales	7.3%	5.3%	5.5%	4.6%	7.8%	-	-	-		
OP	3,630	6,995	7,131	9,814	4,519	-	-	-	41.1%	11,000
YoY	122.2%	36.1%	25.5%	-2.8%	24.5%	-	-	-		3.5%
OPM	6.0%	8.7%	9.2%	8.7%	6.8%	-	-	-		7.4%
RP	3,793	7,179	7,198	9,908	4,676	-	-	-	41.8%	11,200
YoY	102.5%	37.6%	26.6%	-2.3%	23.3%	-	-	-		2.1%
RPM	6.3%	8.9%	9.3%	8.8%	7.0%	-	-	-		7.5%
NI	2,386	3,777	4,569	5,657	2,808	-	-	-	41.3%	6,800
YoY	125.7%	36.8%	38.4%	-8.2%	17.7%	-	-	-		10.3%
NPM	4.0%	4.7%	5.9%	5.0%	4.2%	-	-	-		4.6%

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

Orders were up mainly due to an increase in mobile-related projects, and an increase in solar power construction projects as part of the COMSYS WAY^{a} ("a" for "advanced") structural reform initiative, which aims to fortify sales. Mobile-related orders from NTT DoCoMo and KDDI Corporation grew as these companies invested in LTE technology. Ecosystem Japan also made a significant contribution to solar power construction projects after being consolidated in May 2014. Comsys' strength lies in large solar power systems, while Ecosystem Japan focuses on small and midrange systems. With this takeover, the company thus aims to benefit from synergies including an expanded product range and greater operational capacity. Higher sales from both mobile (LTE) related construction and solar power construction drove earnings.

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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 **August 12, 2014**, Creek & River announced a share buyback.

Acquisition details
Type of shares to be acquired: Common shares of Creek & River
Number of shares to be acquired: Maximum of 400,000 shares (1.7% of outstanding shares)
Value of acquisition: Maximum of JPY200mn
Acquisition period: August 13–August 22, 2014

The number of outstanding shares (excluding treasury shares) as of August 12, 2014 is 22,609,000 and treasury shares is 1,080,900.

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DIC Corporation (4631)

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

On **August 21,2014**, Shared Research updated comments on DIC Corporation after interviewing management.

Quarterly performance	FY12/13			FY12/14				FY12/14	
(JPYmn)	Q1	Q2	Q3	Q1	Q2	Q3	Q4	% of 1H	1H CE
Sales	186,503	198,452	320,692	201,564	206,821	-	-	99.6%	410,000
YoY	5.9%	14.2%	-	-	-	-	-		-
GP	39,535	41,735	66,344	42,041	42,277	-	-		
GPM	21.2%	21.0%	20.7%	20.9%	20.4%	-	-		
SG&A	29,164	29,325	48,944	32,644	31,867	-	-		
YoY	9.9%	12.8%	-	-	-	-	-		
OP	10,371	12,410	17,400	9,397	10,410	-	-	94.3%	21,000
YoY	7.2%	38.5%	-	-	-	-	-		-
OPM	5.6%	6.3%	5.4%	4.7%	5.0%	-	-		5.1%
RP	9,710	10,949	16,464	8,410	9,961	-	-	96.7%	19,000
YoY	15.3%	34.8%	-	-	-	-	-		-
NI	4,665	6,017	16,089	5,140	5,179	-	-	103.2%	10,000
YoY	-24.5%	14.4%	-	-	404.3%	-	-		-
Cumulative	Q1	Q2	Q3	Q1				% of FY	FY CE
Sales	186,503	384,955	705,647	201,564	408,385	-	-	48.0%	850,000
YoY	5.9%	10.0%	-	-	-	-	-		-
GP	39,535	81,270	147,614	42,041	84,318	-	-		
GPM	21.2%	21.1%	20.9%	20.9%	20.6%	-	-		
SG&A	29,164	58,489	107,433	32,644	64,511	-	-		
YoY	9.9%	11.4%	-	-	-	-	-		
OP	10,371	22,781	40,181	9,397	19,807	-	-	39.6%	50,000
YoY	7.2%	22.3%	-	-	-	-	-		-
OPM	5.6%	5.9%	5.7%	4.7%	4.9%	-	-		5.9%
RP	9,710	20,659	37,123	8,410	18,371	-	-	39.9%	46,000
YoY	15.3%	24.9%	-	-	-	-	-		-
NI	4,665	10,682	26,771	5,140	10,319	-	-	42.1%	24,500
YoY	-24.5%	-6.6%	-	-	-	-	-		-

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

The economic recovery continued in North America and Europe. In Asia, growth slowed in China, and demand faltered in south-east Asia and India. Although the Japanese economy is recovering, the consumption tax hike meant demand was weak.

The company has achieved 94.3% of its JPY21bn 1H operating profit target and 39.6% of its full-year operating profit target. The company stated that it had missed the 1H target primarily due to a larger than expected sales decline following the rush demand prior to the April consumption tax hike. The company was also slow to pass on rising material costs. However, DIC kept its full-year forecast unchanged, saying that the pace of earnings growth will accelerate during 2H.

View the [full report]

Digital Garage Inc. (4819)

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

On **August 13, 2014**, Digital Garage Inc. announced full-year FY06/14 results.

Quarterly results	FY06/13				FY06/14				FY06/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Sales	5,307	8,539	6,482	7,636	7,273	8,350	8,271	9,857	-	-
YoY	55.2%	196.6%	24.6%	124.4%	37.0%	-2.2%	27.6%	29.1%		
GP	1,050	2,063	1,342	1,977	1,393	2,102	1,725	2,997		
YoY	-6.2%	257.1%	-44.4%	318.2%	32.6%	1.9%	28.6%	51.6%		
GPM	19.8%	24.2%	20.7%	25.9%	19.1%	25.2%	20.9%	30.4%		
SG&A	1,101	1,539	1,191	1,278	1,306	1,376	1,351	1,576		
YoY	61.6%	116.0%	68.6%	48.2%	18.6%	-10.6%	13.5%	23.3%		
SG&A / Sales	20.7%	18.0%	18.4%	16.7%	18.0%	16.5%	16.3%	16.0%		
OP	-51	524	151	698	87	726	374	1,421	-	-
YoY	-	-	-91.1%	-	-	38.5%	147.4%	103.6%		
OPM	-	6.1%	2.3%	9.1%	1.2%	8.7%	4.5%	14.4%		
RP	167	1,000	719	1,192	474	1,214	811	1,944	-	-
YoY	-71.9%	1311.1%	-67.2%	-	183.4%	21.3%	12.7%	63.1%		
RPM	3.2%	11.7%	11.1%	15.6%	6.5%	14.5%	9.8%	19.7%		
NI	214	700	1,295	507	389	1,037	447	974	-	-
YoY	-59.9%	799.4%	-25.9%	-	82.3%	48.0%	-65.5%	92.0%		
NPM	4.0%	8.2%	20.0%	6.6%	5.4%	12.4%	5.4%	9.9%		
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	5,307	13,846	20,328	27,964	7,273	15,623	23,894	33,752	100.5%	33,600
YoY	55.2%	119.9%	76.8%	87.6%	37.0%	12.8%	17.5%	20.7%		20.2%
GP	1,050	3,113	4,455	6,432	1,393	3,494	5,220	8,217		
YoY	-6.2%	83.5%	8.4%	40.3%	32.6%	12.2%	17.2%	27.8%		
GPM	19.8%	36.5%	68.7%	84.2%	19.1%	41.9%	63.1%	83.4%		
SG&A	1,101	2,641	3,831	5,110	1,306	2,682	4,033	5,609		
YoY	61.6%	89.4%	82.4%	72.5%	18.6%	1.6%	5.3%	9.8%		
SG&A / Sales	20.7%	30.9%	59.1%	66.9%	18.0%	32.1%	48.8%	56.9%		
OP	-51	473	624	1,322	87	812	1,187	2,608	106.4%	2,450
YoY	-	56.1%	-69.0%	-18.5%	-	71.8%	90.2%	97.2%		85.3%
OPM	-	5.5%	9.6%	17.3%	1.2%	9.7%	14.3%	26.5%		7.3%
RP	167	1,167	1,887	3,079	474	1,687	2,498	4,442	103.3%	4,300
YoY	-71.9%	75.5%	-34.0%	13.6%	183.4%	44.5%	32.4%	44.3%		39.7%
RPM	3.2%	13.7%	29.1%	40.3%	6.5%	20.2%	30.2%	45.1%		12.8%
NI	214	914	2,208	2,716	389	1,426	1,873	2,847	103.5%	2,750
YoY	-59.9%	49.6%	-6.4%	28.9%	82.3%	56.1%	-15.2%	4.8%		1.3%
NPM	4.0%	10.7%	34.1%	35.6%	5.4%	17.1%	22.6%	28.9%		8.2%

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

In the incubation segment, profits from investment and growth in both domestic and foreign venture firms outperformed targets thanks to a positive environment in the IPO market. In marketing, profits in the web marketing business grew, particularly due to strong results from ROI oriented performance ads in affiliate marketing.

View the full report.

Don Quijote Co., Ltd. (7532)

Innovative and iconoclastic general discount retailer with a nationwide presence.

On **August 20, 2014**, Shared Research updated the report with comments from Don Quijote's earnings results briefing for FY06/14.

On **August 18, 2014**, the company announced full-year FY06/14 results.

	FY06/13				FY06/14				FY06/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	**140,379**	**149,265**	**138,426**	**140,307**	**146,514**	**156,808**	**158,454**	**150,648**	**101.2%**	**605,000**
YoY	4.1%	5.1%	5.4%	6.3%	4.4%	5.1%	14.5%	7.4%		6.4%
GP	37,010	39,176	36,888	36,733	39,880	41,195	40,627	39,316	101.1%	159,200
YoY	6.2%	6.0%	10.2%	7.3%	7.8%	5.2%	10.1%	7.0%		6.3%
GPM	26.4%	26.2%	26.6%	26.2%	27.2%	26.3%	25.6%	26.1%		26.3%
SG&A	28,766	28,747	29,423	30,502	29,740	30,831	32,193	33,962	101.4%	125,000
YoY	6.3%	4.4%	7.2%	8.2%	3.4%	7.2%	9.4%	11.3%		6.4%
SG&A / Sales	20.5%	19.3%	21.3%	21.7%	20.3%	19.7%	20.3%	22.5%		20.7%
OP	**8,244**	**10,429**	**7,465**	**6,231**	**10,140**	**10,364**	**8,434**	**5,354**	**100.3%**	**34,200**
YoY	6.0%	10.5%	23.4%	2.9%	23.0%	-0.6%	13.0%	-14.1%		5.7%
OPM	5.9%	7.0%	5.4%	4.4%	6.9%	6.6%	5.3%	3.6%		5.7%
RP	**8,366**	**10,709**	**7,653**	**6,473**	**10,433**	**10,702**	**8,681**	**5,671**	**101.4%**	**35,000**
YoY	13.0%	18.4%	20.0%	0.3%	24.7%	-0.1%	13.4%	-12.4%		5.4%
RPM	6.0%	7.2%	5.5%	4.6%	7.1%	6.8%	5.5%	3.8%		5.8%
NI	**5,069**	**6,708**	**4,556**	**4,808**	**6,416**	**6,608**	**5,740**	**2,707**	**96.7%**	**22,200**
YoY	-24.0%	27.5%	14.7%	22.1%	26.6%	-1.5%	26.0%	-43.7%		5.0%
NPM	3.6%	4.5%	3.3%	3.4%	4.4%	4.2%	3.6%	1.8%		3.7%

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

By merchandise category, electric appliance sales saw strong performance from smartphone accessories and POSA cards, but large audio/visual devices and videogames struggled, sending category sales down by 2.3% YoY overall. In household goods, sales were up by 8.5%, owing to solid sales of consumables such as detergents and shampoos, in addition to kitchen products such as stainless steel bottles, which were focused on high functionality and high added value. Foods sales were up 11.6% YoY due to strong demand during the period surrounding the consumption tax hike. Thanks to popularity of luxury watches and jewelry, watches and fashion merchandise sales were up by 1.5%, despite variable conditions in both forex rates and customer needs.

On **the same date**, the company made an announcement regarding its FY06/14 year-end dividends.

The company will raise its year-end dividend from JPY23 per share (announced on July 7, 2014) to JPY26 per share, an increase of JPY3. Combined with the mid-term dividend of JPY10, this will raise the full year dividend from JPY33 to JPY36 per share.

MONTHLY WRAP –September 2014

On **August 11, 2014**, the company announced sales figures for July.

(YoY)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Total Stores												
Sales	9.1%											
# of Stores	220											
Comparable Stores												
Sales	1.4%											
# of Customers	1.7%											
Avg. Spend per Customer	-0.2%											
# of Comparable Stores	196											
Electric Appliances	-1.0%											
Household Goods	8.3%											
Foods	21.0%											
Watches & Fashion Merchandise	5.1%											
Sporting & Leisure Goods	3.9%											
Other Products	14.1%											

(YoY)

(Fiscal Year Ending)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Stores												
Sales	6.6%											
# of Stores	217											
Comparable Stores												
Sales	0.8%											
# of Customers	0.1%											
Avg. Spend per Customer	0.7%											
# of Comparable Stores	194											
Electric Appliances	-2.7%											
Household Goods	8.8%											
Foods	13.1%											
Watches & Fashion Merchandise	3.4%											
Sporting & Leisure Goods	5.6%											
Other Products	-1.1%											

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 **August 15, 2014**, Dream Incubator Inc. (DI) announced an investment in Me Sa Asia Pacific Trading Services Company Ltd. (MESA), a major wholesaler of daily necessities and consumer products in Vietnam.

DI Asian Industrial Fund (DIAIF)—a joint venture between DI and ORIX Corporation (TSE1: 8591)—invested in the wholesale arm of MESA, which also operates restaurants. MESA transferred its wholesale business to a newly established subsidiary, in which DIAIF holds a 22.6% stake.

The wholesale business accounts for the majority of MESA's sales. It has achieved an average of 15% growth in sales over the past five years, and is among the top wholesalers in Vietnam by sales. The wholesale business posted sales of over JPY11.0bn in FY12/13.

MESA aims to use this opportunity to forge ties with Japanese manufacturers of food and consumer products. DIAIF aims to increase MESA's corporate value by dispatching corporate strategy consultants from DI to help formulate management strategy and assist MESA as it forms partnerships with Japanese manufacturers.

View the full report.

MONTHLY WRAP –September 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 **August 11, 2014**, Shared Research updated comments on Elecom Co.'s earnings results for Q1 FY03/15 after interviewing management.

Quarterly Performance	FY03/13				FY03/14				FY03/15		FY03/15		FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	15,289	14,901	17,615	14,836	14,936	15,099	19,391	19,680	17,741	15,411	53.5%	33,152	23.7%	75,000
YoY	5.2%	3.9%	0.1%	-7.6%	-2.3%	1.3%	10.1%	32.6%	18.8%	2.1%		10.4%		8.5%
GP	5,061	4,889	6,005	4,865	5,150	5,101	6,772	5,292	5,850					
YoY	-0.0%	-5.4%	-6.0%	-7.9%	1.8%	4.3%	12.8%	8.8%	13.6%					
GPM	33.1%	32.8%	34.1%	32.8%	34.5%	33.8%	34.9%	26.9%	33.0%					
SG&A	3,761	3,498	3,740	3,756	3,647	3,694	3,926	4,087	4,037					
YoY	6.0%	-5.5%	-3.5%	-5.5%	-3.0%	5.6%	5.0%	8.8%	10.7%					
SG&A / Sales	24.6%	23.5%	21.2%	25.3%	24.4%	24.5%	20.2%	20.8%	22.8%					
OP	1,300	1,391	2,264	1,109	1,503	1,408	2,846	1,205	1,812	1,652	52.3%	3,464	22.9%	7,900
YoY	-14.1%	-5.2%	-9.9%	-15.5%	15.6%	1.2%	25.7%	8.7%	20.6%	17.3%		19.0%		13.5%
OPM	8.5%	9.3%	12.9%	7.5%	10.1%	9.3%	14.7%	6.1%	10.2%	10.7%		10.4%		10.5%
RP	1,289	1,298	1,916	1,004	1,312	1,795	1,975	1,539	1,764	1,381	56.1%	3,145	24.5%	7,200
YoY	-7.7%	-4.4%	-18.2%	-2.6%	1.8%	38.3%	3.1%	53.3%	34.4%	-23.0%		1.2%		8.7%
RPM	8.4%	8.7%	10.9%	6.8%	8.8%	11.9%	10.2%	7.8%	9.9%	9.0%		9.5%		9.6%
NI	510	864	1,112	613	622	1,205	1,188	1,029	949	739	56.2%	1,688	23.4%	4,050
YoY	4.9%	75.6%	-3.2%	-48.3%	22.0%	39.4%	6.8%	67.8%	52.5%	-38.7%		-7.6%		0.2%
NPM	3.3%	5.8%	6.3%	4.1%	4.2%	8.0%	6.1%	5.2%	5.3%	4.8%		5.1%		5.4%

Quarterly Performance	FY03/13				FY03/14				FY03/15		FY03/15		FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Old segments														
Supply	5,347	5,839	7,378	5,409	6,002	5,578	7,230	5,891						25,362
Storage/Memory	2,737	2,364	2,811	2,368	2,498	2,987	3,923	5,114						17,099
IO Device	1,308	1,210	1,352	1,313	1,217	1,277	1,506	1,769						5,643
Digital Home	3,510	3,180	3,614	3,328	2,970	2,993	4,494	4,550						17,452
Others	2,387	2,305	2,460	2,420	2,247	2,259	2,242	2,352						9,442
YoY														
Supply	12.9%	15.5%	11.5%	1.4%	12.2%	-4.5%	-2.0%	8.9%						2.7%
Storage/Memory	19.1%	-6.0%	-12.2%	-27.5%	-8.7%	26.4%	39.6%	116.0%						17.7%
IO Device	-15.4%	-18.2%	-14.5%	-16.1%	-7.0%	5.5%	11.4%	34.7%						-2.2%
Digital Home	-13.1%	-5.7%	-14.0%	-8.5%	-15.4%	-5.9%	24.3%	36.7%						16.3%
Others	24.6%	19.8%	23.2%	6.9%	-5.9%	-2.0%	-8.9%	-2.8%						3.7%
New segments														
PC accessories	5,661	5,323	6,986	5,685	5,322	5,042	6,763	6,356	5,552				23.3%	23,785
Smartphone-related applications	2,850	3,331	3,690	3,142	3,886	3,950	4,614	3,875	4,401				24.8%	17,739
Peripherals	3,575	3,206	3,609	3,059	3,232	3,794	4,999	6,427	5,361				24.6%	21,751
Others	3,203	3,040	3,329	2,951	2,496	2,312	3,015	3,022	2,425				20.7%	11,725
YoY														
PC accessories					-6.0%	-5.3%	-3.2%	11.8%	4.3%					1.3%
Smartphone-related applications					36.4%	18.6%	25.0%	23.3%	13.3%					8.7%
Peripherals					-9.6%	18.3%	38.5%	110.1%	65.9%					17.9%
Others					-22.1%	-23.9%	-9.4%	2.4%	-2.8%					8.1%

Figures may differ from company materials due to differences in rounding methods
Source: Company data
Q2 FY03/15 figures are the difference between 1H estimates and Q1 results.

Factors affecting results in Q1:

- In existing markets, sales of accessories for smartphones and tablets continued to grow.
- Elecom took a larger share of the peripheral equipment market, where it is focusing on growth.
- The company expanded sales channels and grew sales in the embedded-devices market.

View the full report.

Emergency Assistance Japan Co., Ltd. (6063)

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

On **August 12, 2014**, Emergency Assistance Japan (EAJ) announced earnings results for Q2 FY12/14.

Quarterly Performance	FY12/13				FY12/14		FY12/14		FY12/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	**548**	**447**	**473**	**515**	**627**	**493**	**97.4%~105.6%**	**1,060~1,150**	**45.5%~50.4%**	**2,220~2,460**
YoY	-1.0%	2.7%	5.7%	12.9%	14.3%	10.3%		6.5%~15.5%		11.9%~24.0%
GP	114	88	106	127	105	91				
YoY	-17.6%	-18.6%	-13.0%	-7.8%	-7.6%	3.2%				
GPM	20.7%	19.8%	22.4%	24.6%	16.8%	18.5%				
SG&A	93	96	106	104	109	104				
YoY	10.0%	-6.0%	13.3%	33.3%	17.6%	8.0%				
SG&A / Sales	16.9%	21.5%	22.3%	20.3%	17.4%	21.0%				
OP	**21**	**-8**	**0**	**22**	**-4**	**-12**	**-**	**-67~-5**	**-**	**15~110**
YoY	-61.1%	-	-98.7%	-62.4%	-	-				
OPM	3.8%	-1.7%	0.1%	4.3%	-0.6%	-2.5%				
RP	18	-13	-1	21	-6	-16	-	-72~-10	-	8~103
YoY	-65.8%	-	-	-65.3%	-	-				
RPM	3.3%	-2.9%	-0.3%	4.2%	-1.0%	-3.3%				
NI	12	-9	1	11	-5	-10	-	-77~-12	-	0~50
YoY	-63.6%	-	-93.7%	-67.9%	-	-				
NPM	2.1%	-2.1%	0.2%	2.2%	-0.8%	-2.1%				

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

Amid mixed market conditions, EAJ posted sales of JPY1.1bn (+12.5% YoY). The company hired and trained staff with skills for the global marketplace—in preparation for an increased workload due to large orders in Q3—expanded its network of medical institutions, and invested in IT to bolster its assistance center infrastructure. Operating costs thus rose. The weak yen also meant higher costs in yen, leading to increased expenses overall.

The company continued making upfront investments in the international medical exchange support services business, a future growth area. The company also spent upfront on promotions for corporate security assistance products.

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en–japan Inc. (4849)

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

On **August 11, 2014**, en-japan Inc. announced earnings results for Q1 FY03/15.

Quarterly Performance	FY03/13				FY03/14				FY03/15		FY03/15		FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	**3,297**	**3,138**	**3,801**	**3,327**	**3,652**	**3,835**	**4,595**	**4,674**	**4,590**	**4,490**	**50.6%**	**9,080**	**23.9%**	**19,200**
YoY	16.0%	-0.8%	10.0%	-0.1%	10.7%	22.2%	20.9%	40.5%	25.7%	17.1%		21.3%		14.6%
GP	2,824	2,687	3,300	2,820	3,219	3,401	4,096	4,118	4,125				23.8%	17,354
YoY	19.0%	-0.3%	11.2%	0.2%	14.0%	26.5%	24.1%	46.0%	28.1%					17.0%
GPM	85.7%	85.6%	86.8%	84.8%	88.2%	88.7%	89.1%	88.1%	89.9%					90.4%
SG&A	2,101	2,129	2,265	2,353	2,506	2,497	2,918	3,470	3,144				23.5%	13,404
YoY	9.6%	7.6%	9.9%	-0.1%	19.3%	17.3%	28.8%	47.5%	25.5%					17.7%
SG&A / Sales	63.7%	67.8%	59.6%	70.7%	68.6%	65.1%	63.5%	74.2%	68.5%					69.8%
Personnel	1,211	1,256	1,284	1,275	1,434	1,442	1,598	1,570	1,788					
Advertising / Promotional	395	370	464	567	476	472	636	1,051	543					
Others	494	502	515	511	594	583	683	849	812					
OP	**724**	**558**	**1,034**	**467**	**713**	**903**	**1,177**	**648**	**981**	**679**	**59.1%**	**1,660**	**24.8%**	**3,950**
YoY	58.0%	-22.1%	14.1%	1.5%	-1.4%	61.8%	13.8%	38.6%	37.5%	-24.8%		2.7%		14.8%
OPM	21.9%	17.8%	27.2%	14.0%	19.5%	23.6%	25.6%	13.9%	21.4%	15.1%		18.3%		20.6%
RP	**782**	**576**	**1,045**	**437**	**902**	**925**	**1,274**	**647**	**1,018**	**662**	**60.6%**	**1,680**	**25.6%**	**3,970**
YoY	51.9%	3.2%	14.3%	-0.0%	15.3%	60.6%	21.9%	47.9%	12.9%	-28.5%		-8.0%		5.9%
RPM	23.7%	18.4%	27.5%	13.1%	24.7%	24.1%	27.7%	13.8%	22.2%	14.7%		18.5%		20.7%
NI	**468**	**338**	**653**	**86**	**1,771**	**546**	**772**	**-300**	**597**	**403**	**59.7%**	**1,000**	**26.7%**	**2,240**
YoY	67.2%	44.3%	31.0%	-	278.6%	61.4%	18.1%	-	-66.3%	-26.2%		-56.9%		-19.7%
NPM	14.2%	10.8%	17.2%	2.6%	48.5%	14.2%	16.8%	-6.4%	13.0%	9.0%		11.0%		11.7%
Hiring Business (*)														
Sales	**3,187**	**3,065**	**3,726**	**3,255**	**3,531**	**3,705**	**4,438**	**4,497**	**4,443**				**24.5%**	**18,100**
GP	2,755	2,631	3,242	2,767	3,111	3,279	3,947	3,962	3,988					
GPM	86.4%	85.8%	87.0%	85.0%	88.1%	88.5%	88.9%	88.1%	89.8%					
OP	**745**	**550**	**1,022**	**456**	**696**	**876**	**1,135**	**601**	**976**				**26.2%**	**3,725**
OPM	23.4%	17.9%	27.4%	14.0%	19.7%	23.6%	25.6%	13.4%	22.0%					20.6%
Sales Breakdown														
[en] Career Change Info	977	986	971	919	1,081	1,306	1,309	1,539	1,364				22.2%	6,140
[en] Career Change Consultant	209	214	223	235	243	265	260	246	267				24.3%	1,100
[en] Temporary Placement Info	431	413	445	487	459	484	493	534	506				22.2%	2,280
en world japan K.K	734	762	807	653	886	859	871	1,037	1,268				32.3%	3,920
New Graduate Hiring Business	222	168	776	316	190	133	687	336	197					
Overseas subsidiaries	-	-	-	-	81	132	316	303	323				18.9%	1,710
Others	614	524	510	650	594	532	502	501	526					
YoY														
[en] Career Change Info	-	-	-	-	10.6%	32.5%	34.8%	67.5%	26.2%					17.3%
[en] Career Change Consultant	7.7%	10.9%	13.2%	16.3%	16.3%	23.8%	16.6%	4.7%	9.9%					8.4%
[en] Temporary Placement Info	-2.5%	-9.2%	-1.3%	5.0%	6.5%	17.2%	10.8%	9.7%	10.2%					11.4%
en world japan K.K	-	-	-	-	20.7%	12.7%	7.9%	58.8%	43.1%					7.3%
New Graduate Hiring Business	15.0%	-4.0%	20.9%	-10.0%	-14.4%	-20.8%	-11.5%	6.3%	3.7%					
Overseas subsidiaries	-	-	-	-	-	-	-	-	298.8%					104.1%
Others	-	-	-	-	-3.3%	1.5%	-1.6%	-22.9%	-11.4%					
Education and Evaluation Business (*)														
Sales	**81**	**70**	**73**	**70**	**126**	**145**	**172**	**193**	**159**				**13.8%**	**1,150**
GP	61	53	56	53	111	130	156	168	144					
GPM	75.3%	75.7%	76.7%	75.7%	88.1%	89.7%	90.7%	87.0%	90.6%					
OP	**20**	**4**	**11**	**8**	**16**	**28**	**42**	**46**	**4**				**1.8%**	**225**
OPM	24.7%	5.7%	15.1%	11.4%	12.7%	19.3%	24.4%	23.8%	2.5%					19.6%
en-japan inc.														
Sales	**2,567**	**2,380**	**3,001**	**2,682**	**2,652**	**2,802**	**3,339**	**3,246**	**2,960**				**22.5%**	**13,180**
YoY	10.8%	-4.3%	3.6%	-1.6%	3.3%	17.7%	11.3%	21.0%	11.6%					9.5%
OP	**598**	**434**	**935**	**502**	**625**	**793**	**1,083**	**516**	**772**				**22.4%**	**3,450**
OPM	23.3%	18.2%	31.2%	18.7%	23.6%	28.3%	32.4%	15.9%	26.1%					26.2%
EWJ (en world japan K.K)														
Sales	**734**	**762**	**807**	**654**	**886**	**859**	**871**	**1,037**	**1,268**				**32.3%**	**3,920**
YoY	-	-	-	-	20.7%	12.7%	7.9%	58.6%	43.1%					7.3%
OP	**166**	**163**	**141**	**7**	**200**	**186**	**104**	**167**	**355**				**50.7%**	**700**
OPM	22.6%	21.4%	17.5%	1.1%	22.6%	21.7%	11.9%	16.1%	28.0%					17.9%
Overseas subsidiaries														
Sales	**-**	**-**	**-**	**-**	**81**	**132**	**316**	**306**	**323**				**18.9%**	**1,710**
OP	**-**	**-**	**-**	**-**	**-51**	**-37**	**41**	**38**	**-32**				**-25.6%**	**125**
OPM	-	-	-	-	-63.0%	-28.0%	13.0%	12.4%	-9.9%					7.3%

Source: Company data

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

En-japan changed reporting segments in FY03/15 (the mid-career hiring and new graduate hiring segments have been combined to form the hiring segment). For readers' convenience, Shared Research uses the simple sum of the mid-career hiring and new graduate hiring segments for the hiring segment prior to FY03/14. Data for the education and evaluation segment are unchanged.

A robust recovery continues in the hiring market, with the jobs-to-applicants ratio hitting 1.10 in June 2014—the highest level for 22 years. En-japan focused on mainstay job posting service [en] Career Change Info, plus [en] world Japan (international recruitment) and [en] Agent (brand changed from [en] PARTNER on July 4, 2014), which uses the en-japan database.

Overseas, the company made Indian recruitment company New Era India Consultancy Pvt. Ltd. a subsidiary in June 2014. This marked the company's expansion into its seventh country, mainly in Asia.

View the full report.

Ferrotec Corp. (6890)

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

On **August 15, 2014**, Shared Research updated comments on Ferrotec Corp.'s earnings results for Q1 FY03/15 after interviewing management.

Quarterly Performance	FY03/13				FY03/14				FY03/15		FY03/15		FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2(*)	% of 1H	1H Est.	% of FY	FY Est.
Sales	9,503	10,545	9,102	9,274	9,538	10,691	11,356	13,160	14,130	11,370	55.4%	25,500	28.3%	50,000
YoY	-49.5%	-37.7%	-35.2%	-10.1%	0.4%	1.4%	24.8%	41.9%	48.1%	6.4%		26.1%		11.7%
GP	2,023	1,612	1,776	1,566	2,322	2,718	2,585	3,195	3,166					
YoY	-64.2%	-63.4%	-54.9%	-38.4%	14.8%	68.6%	45.6%	104.1%	36.3%					
GPM	21.3%	15.3%	19.5%	16.9%	24.3%	25.4%	22.8%	24.3%	22.4%					
SG&A	2,494	3,295	2,269	2,527	2,380	2,501	2,496	2,645	2,575					
YoY	-23.6%	2.3%	-23.2%	-14.7%	-4.5%	-24.1%	10.0%	4.7%	8.2%					
SG&A / Sales	26.2%	31.2%	24.9%	27.2%	25.0%	23.4%	22.0%	20.1%	18.2%					
OP	-471	-1,683	-493	-961	-58	217	89	550	591	409	59.1%	1,000	32.8%	1,800
YoY	-	-	-	-	-	-	-	-	-	88.4%		528.7%		125.5%
OPM	-5.0%	-16.0%	-5.4%	-10.4%	-0.6%	2.0%	0.8%	4.2%	4.2%	3.6%		3.9%		3.6%
RP	-554	-2,157	-448	-306	480	50	-83	815	190	310	38.0%	500	19.0%	1,000
YoY	-	-	-	-	-	-	-	-	-60.4%	515.7%		-5.7%		-20.8%
RPM	-5.8%	-20.5%	-4.9%	-3.3%	5.0%	0.5%	-0.7%	6.2%	1.3%	2.7%		2.0%		2.0%
NI	-664	-5,493	-1,513	1,137	418	276	-134	831	-44	394	-12.6%	350	-6.3%	700
YoY	-	-	-	-	-	-	-	-26.9%	-	43.0%		-49.6%		-49.7%
NPM	-7.0%	-52.1%	-16.6%	12.3%	4.4%	2.6%	-1.2%	6.3%	-0.3%	3.5%		1.4%		1.4%

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

Shared Research estimates that sales in all segments outperformed targets, as did operating profit with the exception of the photovoltaic (PV) segment. Results in the electronic device business were particularly robust, as promotional efforts meant the company successfully converted demand into orders.

Expenses related to the sale of a domestic factory resulted in an unexpected increase in costs, leading to falls of JPY290mn in recurring profit and JPY462mn in net income—meaning the company booked a net loss despite the fact that operating profit was up JPY649mn YoY. Initial targets did not take into account the sale of the factory, which resulted in a non-operating loss of JPY50mn and an extraordinary loss of JPY39mn.

View the full report.

Fields Corp. (2767)

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

On **August 8, 2014**, Fields Corporation announced the nationwide release of a new pachinko machine from Bisty Co., "CR ayumi hamasaki 2". It is expected to be available at pachinko halls from October 2014.

View the full report.

Gamecard-Joyco Holdings, Inc. (6249)

Dominant pachinko machine prepaid-card system provider.

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

Quarterly Performance	FY03/14				FY03/15				FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	8,684	8,645	9,861	7,002	6,127	-	-	-	18.8%	30,000
YoY	-14.0%	-13.6%	-10.6%	-16.7%	-29.4%	-	-	-		-12.3%
GP	2,813	2,836	2,905	2,426	2,456	-	-	-		
YoY	-15.3%	-7.3%	-9.9%	6.4%	-12.7%	-	-	-		
GPM	32.4%	32.8%	29.5%	34.6%	40.1%	-	-	-		
SG&A	1,834	2,076	2,272	3,034	1,855	-	-	-		
YoY	-11.6%	-5.2%	1.8%	11.5%	1.1%	-	-	-		
SG&A / Sales	21.1%	24.0%	23.0%	43.3%	30.3%	-	-	-		
OP	979	760	633	-608	601	-	-	-	139.8%	400
YoY	-21.5%	-12.4%	-36.3%	-	-38.6%	-	-	-		-77.3%
OPM	11.3%	8.8%	6.4%	-	9.8%	-	-	-		1.3%
RP	1,006	777	662	-596	616	-	-	-	154.0%	400
YoY	-20.0%	-9.5%	-32.9%	-	-38.8%	-	-	-		-78.4%
RPM	11.6%	9.0%	6.7%	-	10.1%	-	-	-		1.3%
NI	616	444	274	-434	352	-	-	-	207.1%	100
YoY	-13.0%	-26.4%	-55.2%	-	-42.9%	-	-	-		-88.9%
NPM	7.1%	5.1%	2.8%	-	5.7%	-	-	-		0.3%

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

According to the company, the business environment remains difficult for pachinko halls. With increasing sources of entertainment available, the population of young players is declining. Conventional four-yen pachinko is also stalling due to the entrenchment of low-price pachinko.

Due to factors such as concern for revenues after the consumption tax hike, pachinko halls are cautious when making capex decisions such as new store openings and remodeling existing stores. This is especially true for new equipment purchases. Among pachinko hall operators, the dominant trend appears to be to pass on the consumption tax hike burden to the customer. During Q1, the majority of demand was for equipment to meet this new trend, and unit sales of equipment were down YoY as a result. Competition was fierce among rival companies, as there were fewer contracts to compete for, which led to significantly lower equipment sale prices. The competitive environment among pachinko halls led to a lower number of member halls, and this resulted in lower sales from card and system-usage fees.

View the full report.

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 **August 28, 2014**, Shared Research updated the report after interviewing management.

Quarterly Performance	FY12/13				FY12/14			
(JPYmn)	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

Advisory business

In Japan, the company closed five major deals (six in 1H FY12/13), and booked revenues of JPY2.1bn (+9.2% YoY) and operating profit of JPY232mn (+69.3%). In the US, the company closed eight major deals (two in 1H FY12/13). Startups were also actively raising capital. As a result, revenues in the US were JPY1.6bn (+78.5%); operating profit was JPY76mn (operating loss of JPY414mn in 1H FY12/14).

Asset management business

According to the company, returns from investment business limited partnerships (funds) MCo1 and MCo2 have mostly ended, with returns from just one investment remaining at MCo1. Investments are continuing at MCo3.

MCo1, MCo2, and MCo3 are investment business limited partnerships (funds) part-financed by the group. These funds were judged to be effectively under the company's control—as per the Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations (Accounting Standards Board of Japan)—and were included in consolidated results up to FY12/13. However, the company's stake in these funds was just 1%, and investment and returns from the largest of the three, MCo1, have mostly ended. Investment by MCo3 is also well underway, and the company plans to grow the asset management business—including raising funds—at a new company, in which it will have a lower stake. There was a risk that including these funds in consolidated results would mislead stakeholders, so the company removed them from consolidated results from Q1.

View the full report.

Grandy House Corp. (8999)

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

On **August 26, 2014**, Shared Research updated the report after interviewing management.

Quarterly Performance	FY03/14				FY03/15				FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	9,097	9,327	9,265	9,571	8,041	-	-	-	42.3%	19,000
YoY	11.7%	15.4%	15.2%	15.7%	-11.6%	-	-	-		17.1%
Gross Profit	1,733	1,781	1,799	1,739	1,429	-	-	-		
YoY	11.5%	19.9%	19.4%	15.2%	-17.6%	-	-	-		
Gross Profit Margin	19.1%	19.1%	19.4%	18.2%	17.8%	-	-	-		
SG&A	973	1,088	1,023	1,036	1,002	-	-	-		
YoY	9.4%	11.0%	9.6%	10.6%	3.0%	-	-	-		
SG&A / Sales ratio	10.7%	11.7%	11.0%	10.8%	12.5%	-	-	-		
Operating Profit	759	694	776	703	426	-	-	-	29.0%	1,470
YoY	14.4%	37.1%	35.3%	22.7%	-43.8%	-	-	-		25.6%
Operating Profit Margin	8.3%	7.4%	8.4%	7.3%	5.3%	-	-	-		7.7%
Recurring Profit	789	721	797	727	459	-	-	-	30.2%	1,520
YoY	19.3%	34.9%	32.8%	22.0%	-41.8%	-	-	-		27.1%
Recurring Profit Margin	8.7%	7.7%	8.6%	7.6%	5.7%	-	-	-		8.0%
Net Income	477	447	475	364	272	-	-	-	28.9%	940
YoY	24.3%	54.9%	32.2%	10.5%	-43.1%	-	-	-		39.8%
Net Margin	5.2%	4.8%	5.1%	3.8%	3.4%	-	-	-		4.9%

Source: Company data

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

In Q1, difficult conditions hampered orders. The fallback in demand after the rush to beat the consumption tax hike meant that from February 2014, new housing starts fell year-on-year for both privately owned detached houses and condominiums. This was despite policies easing the financial burden for home buyers, such as expanded tax cuts for mortgages in the face of the consumption tax hike and other financial support.

Housing demand held steady, but cautiousness following the consumption tax hike meant Grandy House faced a slowdown in orders.

View the full report.

Gulliver International Co., Ltd. (7599)

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

On **August 12, 2014**, Gulliver International Co., Ltd. announced monthly sales data for July 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%	-6.8%							

Source: Company data, SR

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

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

Retail car sales at directly operated stores

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
FY02/11	6.7%	2.3%	-14.2%	-11.0%	-23.1%	-10.7%	-6.9%	-24.4%	-9.6%	-15.7%	-17.0%	-15.1%
FY02/12	-19.2%	10.8%	-23.9%	-17.5%	-7.5%	-21.8%	-17.3%	-3.9%	-9.8%	5.6%	15.6%	12.2%
FY02/13	59.1%	14.1%	42.6%	62.5%	44.3%	52.1%	57.5%	40.7%	40.0%	11.2%	17.8%	11.9%
FY02/14	14.5%	18.8%	11.7%	1.1%	-0.3%	-7.4%	3.9%	12.2%	30.1%	32.1%	2.5%	16.7%
FY02/15	6.3%	-30.0%	-18.5%	-2.9%	-0.5%							

Source: Company data, SR

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

View the full report.

Happinet Corporation (7552)

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

On **August 11, 2014**, Happinet Corp. announced Q1 FY03/15 earnings results.

Quarterly Performance	FY03/14				FY03/15				FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY Est.	1H Est.
Sales	36,172	51,199	78,090	41,406	40,039				44.5%	90,000
YoY	-2.0%	30.2%	27.0%	6.0%	10.7%					3.0%
Gross Profit	5,020	5,763	8,023	5,233	5,559					
YoY	-3.5%	15.5%	10.7%	3.4%	10.7%					
GPM	13.9%	11.3%	10.3%	12.6%	13.9%					
SG&A	4,416	4,815	5,551	5,368	4,728					
YoY	-0.5%	1.4%	5.2%	5.9%	7.1%					
SG&A / Sales	12.2%	9.4%	7.1%	13.0%	11.8%					
Operating Profit	604	947	2,472	-135	831				51.9%	1,600
YoY	-21.1%	292.9%	25.2%	-	37.6%					3.2%
OPM	1.7%	1.8%	3.2%	-	2.1%					1.8%
Recurring Profit	614	965	2,483	-145	863				53.9%	1,600
YoY	-23.6%	260.1%	23.9%	-	40.6%					1.3%
RPM	1.7%	1.9%	3.2%	-	2.2%					1.8%
Net Income	260	1,115	1,248	-157	928				84.4%	1,100
YoY	-49.9%	486.8%	-3.0%	-	256.9%					-20.0%
NPM	0.7%	2.2%	1.6%	-	2.3%					1.2%

Source: Company data

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

Although one-time expenses were incurred at a subsidiary in the videogame business, the company had hit products in the toys and amusement businesses, leading to strong results in sales, operating profit, and recurring profit. Happinet booked an extraordinary loss related to changes to its retirement benefits system, but also recorded deferred tax assets in relation to the consolidation of a subsidiary on April 1, 2014, which yielded a significant increase in net income.

View the full report.

Harmonic Drive Systems (6324)

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

On **August 27, 2014**, Harmonic Drive Systems Inc. announced investment in additional manufacturing capacity for precision reducers.

The company will invest a total of about JPY2.8bn in additional manufacturing capacity at three locations. According to the company, this capex will allow it to provide a stable supply of precision reducers to meet expected growth in demand, particularly related to industrial robots. It will also provide the company with a competitive edge in terms of quality, delivery times, and manufacturing efficiency.

Specifically, the company will invest about JPY2.0bn in its Hotaka facility, the main production center of Harmonic Drive® strain wave gearing (about JPY1.0bn on equipment; JPY1.0bn on buildings). The company thus plans to increase production capacity at this facility from 10,000 units per month to 50,000. The company also plans to invest about JPY300mn and JPY500mn in subsidiaries Harmonic Precision Inc. (manufactures cross roller bearings) and Harmonic AD Inc. (manufactures planetary gears) respectively. The aim is to increase manufacturing capacity and efficiency at these subsidiaries.

On **August 8, 2014**, the company announced Q1 earnings results for FY03/15.

Quarterly Performance	FY03/13				FY03/14				FY03/15		FY03/15		FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2(*)	% of 1H	1H Est.	% of FY	FY Est.
Sales	**4,957**	**4,890**	**4,158**	**4,126**	**4,969**	**5,443**	**5,475**	**5,197**	**6,155**	**6,345**	**49.2%**	**12,500**	**25.1%**	**24,500**
YoY	-11.8%	-10.9%	-8.0%	-9.0%	0.2%	11.3%	31.7%	26.0%	23.9%	16.6%		20.1%		*16.2%*
GP	**2,119**	**2,070**	**1,665**	**1,515**	**2,172**	**2,430**	**2,436**	**2,080**	**2,797**					
YoY	-12.5%	-12.4%	-3.8%	-15.0%	2.5%	17.4%	46.3%	37.3%	28.8%					
GPM	42.7%	42.3%	40.1%	36.7%	43.7%	44.6%	44.5%	40.0%	45.4%					
SG&A	**976**	**996**	**1,037**	**924**	**1,079**	**1,118**	**1,102**	**1,151**	**1,189**					
YoY	-4.3%	0.2%	6.7%	-5.6%	10.6%	12.3%	6.3%	24.6%	10.2%					
SG&A / Sales	19.7%	20.4%	24.9%	22.4%	21.7%	20.5%	20.1%	22.1%	19.3%					
OP	**1,143**	**1,074**	**628**	**591**	**1,093**	**1,312**	**1,334**	**929**	**1,608**	**1,742**	**48.0%**	**3,350**	**25.1%**	**6,400**
YoY	-18.4%	-21.6%	-17.2%	-26.5%	-4.3%	22.1%	112.2%	57.3%	47.1%	32.8%		39.3%		*37.1%*
OPM	23.1%	22.0%	15.1%	14.3%	22.0%	24.1%	24.4%	17.9%	26.1%	27.4%		26.8%		26.1%
RP	**1,183**	**1,025**	**698**	**670**	**1,196**	**1,362**	**1,364**	**902**	**1,796**	**1,654**	**52.0%**	**3,450**	**27.2%**	**6,600**
YoY	-20.8%	-28.3%	-22.1%	15.9%	1.0%	32.8%	95.4%	34.7%	50.2%	21.5%		34.9%		*36.9%*
RPM	23.9%	21.0%	16.8%	16.2%	24.1%	25.0%	24.9%	17.3%	29.2%	26.1%		27.6%		26.9%
NI	**722**	**481**	**380**	**378**	**759**	**870**	**843**	**522**	**1,113**	**1,137**	**49.5%**	**2,250**	**26.5%**	**4,200**
YoY	-4.6%	-34.9%	-23.6%	157.4%	5.2%	80.9%	121.8%	37.9%	46.7%	30.6%		38.1%		*40.3%*
NPM	14.6%	9.8%	9.1%	9.2%	15.3%	16.0%	15.4%	10.0%	18.1%	17.9%		18.0%		17.1%
	5,361	4,313	4,098	4,414	5,316	5,323	5,282	6,400	7,015					
YoY	-12.3%	-8.3%	6.1%	-4.0%	-0.8%	23.4%	28.9%	45.0%	31.9%					
	3,270	2,659	2,582	2,962	3,387	3,321	3,119	4,400	5,224					

Figures may differ from company materials due to differences in rounding methods.
Source: Company data
Q2 estimates are the difference between 1H estimates and Q1 results.

The market environment was favorable, supported primarily by the electronics sector in Asian countries—primarily China—in which there was active investment in automation and power saving initiatives. The company did not modify its earnings estimates.

View the full report.

Infomart Corp. (2492)

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

On **August 5, 2014**, Shared Research updated comments on Infomart's Q2 FY12/14 earnings results after interviewing management.

Quarterly Performance	FY12/12				FY12/13				FY12/14		FY12/14		FY12/14	
(JPYmn)	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.

Growing domestic use of the ASP Ordering System and the ASP Food Standards Database Sales meant system usage fees increased. As a result, sales were up JPY298mn YoY. The performance of ASP Ordering System, the company's core business, was strong. However, the ASP Sales Promotion & Ordering System and Overseas segments significantly fell short. As a result, overall sales missed the company's forecast (JPY2.364bn vs JPY2.378bn before the figures are rounded).

Operating profit was up JPY310mn YoY due to higher sales and a fall in software amortization costs (CoGS). Operating profit appears to be in line with forecast even though labor costs may have been estimated somewhat too conservatively. SG&A expenses rose by JPY44mn in Q2 from Q1 as the marketing costs for Q1 were delayed until Q2.

View the full report.

MONTHLY WRAP –September 2014

Intelligent Wave Inc. (4847)

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

On **August 26, 2014**, Shared Research updated comments on Intelligent Wave Inc. (IWI) after interviewing management.

Quarterly performance	FY06/13				FY06/14				FY06/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	911	1,766	1,812	1,382	1,279	1,776	1,983	1,521	-	-
YoY	-16.8%	23.1%	35.5%	0.4%	40.4%	0.6%	9.4%	10.0%		
GP	-314	62	353	372	28	465	453	397		
GPM	-	3.5%	19.5%	26.9%	2.2%	26.2%	22.8%	26.1%		
SG&A	300	283	268	301	298	297	297	304		
YoY	-10.2%	-9.1%	-9.0%	-0.9%	-0.5%	4.9%	10.9%	1.1%		
OP	-613	-221	85	72	-270	167	156	93	-	-
YoY	-	-	21.7%	119.2%	-	-	83.5%	29.2%		
OPM	-67.3%	-12.5%	4.7%	5.2%	-21.1%	9.4%	7.9%	6.1%		
RP	-617	-215	89	155	-268	180	162	110	-	-
YoY	-	-	28.9%	197.5%	-	-	82.8%	-29.4%		
NI	-385	-450	94	392	-246	174	92	67	-	-
YoY	-	-	75.9%	827.0%	-	-	-1.5%	-83.0%		
Cumulative	Q1	1H	Q3	2H	Q1	1H	Q3	2H	% of FY	FY Est.
Sales	911	2,677	4,488	5,871	1,279	3,055	5,038	6,558	100.9%	6,500
YoY	-16.8%	5.8%	16.1%	12.0%	40.4%	14.1%	12.2%	11.7%		10.7%
GP	-314	-252	101	473	28	492	945	1,342		
GPM	-34.4%	-9.4%	2.3%	8.1%	2.2%	16.1%	18.8%	20.5%		
SG&A	300	583	851	1,151	298	595	892	1,196		
YoY	-10.2%	-9.6%	-9.4%	-7.4%	-0.5%	2.1%	4.9%	3.9%		
OP	-613	-834	-750	-678	-270	-103	53	146	85.6%	170
YoY	-	-	-	-	-	-	-	-		-
OPM	-	-	-	-	-	-	1.1%	-		2.6%
RP	-617	-831	-742	-587	-268	-88	74	184	96.8%	190
YoY	-	-	-	-	-	-	-	-		-
NI	-385	-835	-741	-349	-246	-72	20	87	96.4%	90
YoY	-	-	-	-	-	-	-	-		-

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

The company booked robust results as capex on systems and hardware renewal increased in the credit card industry, IWI's main area of business. The company also expanded its business, taking on system development orders from new clients as the range of settlement methods for electronic money grew.

Operating profit improved significantly because of a decline in the number of unprofitable projects that made the retail banking online systems segment more profitable. While the company's consolidated operating profit rose by JPY822mn from a year earlier, retail banking online systems operations had a profit increase of JPY982mn.

View the full report.

MONTHLY WRAP –September 2014

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 **August 7, 2014**, Ito En, Ltd. announced monthly sales data for July 2014.

Monthly Sales (non-consolidated estimates; % change YoY)						FY04/15							
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	Total
Total Sales	-2.7%	0.5%	-3.9%										
Tea Leaf	-1.4%	1.0%	-0.3%										
Beverages	-2.7%	0.5%	-4.1%										
Breakdown by Beverage Category													
Japanese Tea Beverages	2.5%	0.2%	-0.9%										
Chinese Tea Beverages	-9.4%	-0.5%	-2.7%										
Vegetable Beverages	-19.9%	-10.9%	-13.0%										
Fruit Beverages	17.9%	18.9%	-10.0%										
Coffee Beverages	9.7%	23.9%	4.8%										
Black Tea Beverages	7.1%	2.7%	-5.8%										
Functional Beverages	-32.8%	-15.3%	-14.2%										
Mineral Water	-13.7%	-8.2%	-14.2%										
Monthly Sales (non-consolidated estimates; % change YoY)						**FY04/14**							
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	Total
Total Sales	7.2%	6.0%	3.8%	0.3%	-3.0%	4.2%	1.2%	4.4%	6.4%	4.3%	11.7%	-1.6%	3.3%
Tea Leaf	3.9%	5.5%	8.4%	2.8%	3.1%	8.9%	4.7%	5.4%	9.6%	6.9%	16.0%	1.0%	6.4%
Beverages	7.8%	6.0%	3.6%	0.2%	-3.3%	3.9%	0.7%	4.2%	6.5%	4.0%	11.2%	-2.0%	3.1%
Breakdown by Beverage Category													
Japanese Tea Beverages	9.4%	11.7%	7.3%	3.6%	-2.7%	8.9%	3.0%	6.7%	11.3%	9.0%	13.7%	0.8%	6.3%
Chinese Tea Beverages	-4.8%	-1.8%	-8.3%	-0.9%	0.1%	-1.6%	-5.6%	-1.9%	-0.7%	-9.5%	14.0%	-7.6%	-3.5%
Vegetable Beverages	6.3%	-1.0%	1.8%	-2.6%	-1.6%	-1.0%	-6.4%	0.2%	-5.9%	-9.6%	9.6%	-16.4%	-1.6%
Fruit Beverages	7.4%	0.0%	6.5%	-7.0%	-23.7%	-7.6%	-6.3%	-1.3%	7.2%	29.8%	9.7%	31.7%	2.4%
Coffee Beverages	11.5%	1.7%	17.0%	-1.7%	12.9%	17.5%	22.2%	14.0%	11.2%	7.5%	21.6%	10.3%	11.7%
Black Tea Beverages	-34.0%	-31.3%	-22.5%	-3.9%	-24.2%	-25.3%	-22.8%	-22.6%	-23.3%	17.5%	-33.1%	-3.1%	-20.5%
Functional Beverages	18.5%	20.5%	11.8%	0.8%	-4.0%	-6.3%	3.1%	10.3%	6.2%	-2.0%	-16.0%	-4.1%	3.3%
Mineral Water	9.5%	25.0%	11.9%	-7.3%	-13.6%	-0.1%	-5.1%	0.2%	6.4%	-11.1%	0.7%	-15.7%	-0.2%

Source: Company data

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 **August 13, 2014**, J Trust Co., Ltd. announced Q1 FY03/15 earnings results.

Quarterly performance	FY03/14				FY03/15				FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY Est.	FY Est.
Operating Revenue	14,545	14,300	15,172	17,909	15,928				23.0%	69,291
YoY	47.4%	-2.0%	-6.3%	19.2%	9.5%					11.9%
Gross Operating Profit	8,441	7,978	8,237	10,930	8,188					
YoY	3.2%	-9.0%	-18.4%	39.0%	-3.0%					
GPM	58.0%	55.8%	54.3%	61.0%	51.4%					
SG&A	6,216	7,971	4,389	3,265	8,546					
YoY	50.2%	50.0%	-26.9%	-56.1%	37.5%					
SG&A / Operating Revenue	42.7%	55.7%	28.9%	18.2%	53.7%					
OP	2,225	7	3,847	7,666	-358				-	2,656
YoY	-44.9%	-99.8%	-5.9%	1703.8%	-					-80.7%
OPM	15.3%	0.0%	25.4%	42.8%	-					3.8%
RP	2,262	-601	3,947	7,743	-294				-	2,738
YoY	-41.6%	-	-29.4%	1133.0%	-					-79.5%
RPM	15.6%	-	26.0%	43.2%	-					4.0%
NI	2,005	-861	1,441	8,560	-395				-	11,239
YoY	-49.8%	-	-73.5%	1928.4%	-					0.8%
NPM	13.8%	-	9.5%	47.8%	-					16.2%

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

Source: Company data

Operating revenue increased 9.5% YoY to JPY15.9bn. Falls in the balances of installment advances paid and loans in the banking business led to declines in installment commissions and operating revenue at banks. Other financial revenue also decreased as collections of accounts receivable remained sluggish. Sales in the amusement business also dropped due to the consumption tax hike in April. Meanwhile, loan interest at KJI Consumer Finance LLC and HICAPITAL Co., Ltd., both of which became consolidated units on the balance sheet in FY03/14, contributed to revenues. Revenues were up in the real estate segment because the rush to beat the consumption tax meant contracts on some properties were concluded in the previous year but completed and delivered in the current year.

On **the same day**, the company announced earnings forecasts for FY03/15.

The company will use FY03/15 to lay the foundation for further growth, tackling structural reforms using M&A and business restructuring activities.

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 **August 22, 2014**, Japan Best Rescue (JBR) announced the submission of a business improvement report to the Tokyo and Nagoya Stock Exchanges, reduced compensation for executive officers, and changes to the executive personnel structure at subsidiary Binos Corporation.

The business improvement report was submitted to the Tokyo and Nagoya Stock Exchanges on August 22, 2014, and contains details regarding errors found in financial reports filed during past periods and guidelines on how such issues can be avoided in the future.

Business improvement report details
After analysis of factors leading to inappropriate financial reporting conducted by Binos Corporation, the company reported the following measures as methods to prevent recurrence:
- Modification of subsidiary management structure
- Establishment and operation of appropriate business procedures
- Maintenance of advance audits and post-launch risk control for new businesses
- Banning of sales techniques that rely on excess entertainment
- Establishment of a board of auditors department and expansion of the internal audit department
- Improved compliance training
- Greater levels of participation from outside directors

Reduced compensation for executive officers
Based upon the contents of the business improvement report, compensation for executive officers will be reduced. Representative directors, directors and management heads, and directors and affiliate support heads will have compensation reduced by 30% for a period of two months. Full-time corporate auditors will also have compensation reduced by 10% for two months on a voluntary basis.

Concerning the employees who are responsible for issues related to Binos Corporation, it has become clear from the contents of the business improvement report that they hold a certain level of responsibility, and Japan Best Rescue reports that they have been disciplined according to company guidelines.

MONTHLY WRAP –September 2014

On **August 12, 2014**, the company announced earnings results for Q3 FY09/14.

Quarterly Performance	FY09/12				FY09/13				FY09/14				FY09/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	**1,750**	**2,003**	**1,788**	**1,897**	**2,059**	**2,477**	**2,715**	**3,154**	**2,546**	**3,323**	**3,071**	**-**	**63.7%**	**14,031**
Call Center	174	156	157	170	160	147	153	163	166	160	156	-	73.8%	653
Membership Business	468	694	569	543	605	981	811	685	749	1,232	1,058	-	95.2%	3,192
Corporate Tie-Ups Business	829	852	678	734	825	765	683	742	855	851	704	-	70.9%	3,399
Member Shop Business	43	42	41	41	46	45	40	42	36	37	37	-	64.0%	172
Small Amount Short Term Insurance	204	283	367	322	352	476	457	424	442	574	536	-	78.6%	1,976
Enviromental Maintenance	-	-	-	-	-	-	505	1,036	249	417	532	-	27.5%	4,364
Car Chintai Business and others	98	39	35	33	30	34	143	155	148	152	184	-	64.4%	750
Others	1	1	-	111	108	101	108	107	104	99	98	-	74.6%	403
Eliminations / Company-wide	-66	-65	-57	-58	-65	-72	-186	-199	-203	-198	-235	-	72.1%	-881
YoY	**-4.7%**	**-2.8%**	**7.9%**	**14.6%**	**17.7%**	**23.7%**	**51.8%**	**66.3%**	**23.6%**	**34.2%**	**13.1%**	**-**		**34.8%**
Call Center	-5.4%	-7.1%	-12.0%	1.5%	-8.2%	-5.9%	-2.5%	-4.0%	3.8%	8.8%	2.5%	-		5.0%
Membership Business	-29.6%	-15.9%	14.9%	20.7%	29.3%	41.3%	42.7%	26.1%	23.8%	25.6%	30.4%	-		3.5%
Corporate Tie-Ups Business	-12.7%	-13.4%	-12.1%	-4.8%	-0.5%	-10.2%	0.8%	1.1%	3.7%	11.3%	3.0%	-		12.7%
Member Shop Business	-21.4%	-23.5%	-23.3%	-13.9%	6.7%	7.3%	-1.9%	0.6%	-20.7%	-18.5%	-7.7%	-		-0.4%
Small Amount Short Term Insurance	24.0%	49.0%	86.4%	72.9%	72.2%	68.2%	24.7%	31.5%	25.8%	20.4%	17.3%	-		15.6%
Enviromental Maintenance	-	-	-	-	-	-	-	-	-	-	5.4%	-		183.1%
Car Chintai Business and others	196.8%	-4.2%	-47.7%	-70.1%	-69.4%	-13.6%	314.5%	367.8%	392.2%	346.3%	28.5%	-		107.3%
Others	-29.9%	-27.3%	-100.0%	15,837.9%	15,552.6%	14,778.9%	-	-3.7%	-3.2%	-1.9%	-9.3%	-		-4.6%
GP	770	906	820	875	921	1,132	907	708	739	1,072	1,254	-		
GPM	44.0%	45.2%	45.9%	46.1%	44.7%	45.7%	33.4%	22.4%	29.0%	32.2%	40.8%	-		
SG&A	633	644	701	786	774	829	897	978	940	946	893	-		
YoY	-13.6%	-12.5%	7.5%	21.6%	22.3%	28.8%	28.0%	24.5%	21.4%	14.1%	-0.5%	-		
OP	**137**	**262**	**119**	**89**	**147**	**303**	**9**	**-270**	**-201**	**125**	**362**	**-**	**29.2%**	**978**
Call Center	58	41	21	43	41	30	28	27	35	38	34	-	87.4%	123
Membership Business	97	254	149	120	130	326	192	159	115	296	216	-	70.3%	891
Corporate Tie-Ups Business	51	63	25	41	67	61	44	19	63	97	70	-	127.9%	180
Member Shop Business	-78	-78	-62	-77	-67	-72	-66	-79	-85	-86	-67	-	66.5%	-356
Small Amount Short Term Insurance	60	43	49	22	35	53	32	12	34	42	39	-	93.1%	124
Enviromental Maintenance	-	-	-	-	-	-	-186	-431	-341	-200	102	-	-675.3%	65
Car Chintai Business and others	12	2	-0	-2	1	-15	46	46	34	16	30	-	40.1%	201
Others	-0	-0	-	1	-1	-12	-1	11	7	16	11	-	425.2%	8
Eliminations / Company-wide	-63	-64	-63	-57	-60	-68	-80	-35	-65	-93	-74	-	89.1%	-261
YoY	**19.8%**	**-3.8%**	**2.4%**	**-32.2%**	**7.4%**	**15.8%**	**-92.3%**	**-**	**-**	**-58.6%**	**3,856.4%**	**-**		**415.9%**
Call Center	-25.9%	-33.9%	-64.8%	-15.6%	-29.6%	-26.6%	32.8%	-37.1%	-13.7%	24.3%	23.4%	-		-2.4%
Membership Business	77.8%	35.1%	74.7%	26.9%	34.7%	28.6%	28.9%	32.4%	-11.9%	-9.3%	12.4%	-		10.4%
Corporate Tie-Ups Business	-50.9%	-47.4%	-70.6%	12.3%	32.4%	-3.7%	76.0%	-52.7%	-6.7%	58.6%	59.8%	-		-6.2%
Member Shop Business	-	-	-	-	-	-	-	-	-	-	-	-		25.2%
Small Amount Short Term Insurance	41.0%	-32.3%	-21.1%	-78.1%	-42.2%	24.0%	-34.6%	-43.2%	-1.3%	-21.8%	22.3%	-		-6.5%
Enviromental Maintenance	-	-	-	-	-	-	-	-	-	-	-	-		-110.5%
Car Chintai Business and others	320.8%	-11.4%	-	-	-92.4%	-	-	-	3,777.3%	-	-34.9%	-		157.8%
Others	-	-	-	-	-	-	-	1,524.6%	-	-	-	-		-512.2%
YoY	**7.8%**	**13.1%**	**6.7%**	**4.7%**	**7.1%**	**12.2%**	**0.3%**	**-8.6%**	**-7.9%**	**3.8%**	**11.8%**	**-**		**7.0%**
Call Center	33.6%	26.5%	13.4%	25.1%	25.7%	20.7%	18.2%	16.4%	21.4%	23.6%	21.9%	-		18.8%
Membership Business	20.7%	36.5%	26.2%	22.1%	21.5%	33.2%	23.7%	23.2%	15.3%	24.0%	20.4%	-		27.9%
Corporate Tie-Ups Business	6.1%	7.4%	3.7%	5.5%	8.2%	8.0%	6.5%	2.6%	7.4%	11.4%	10.0%	-		5.3%
Member Shop Business	-181.0%	-186.2%	-151.1%	-186.3%	-146.7%	-161.2%	-163.7%	-188.8%	-233.0%	-233.4%	-179.8%	-		-207.0%
Small Amount Short Term Insurance	29.6%	15.2%	13.4%	6.7%	9.9%	11.2%	7.0%	2.9%	7.8%	7.3%	7.3%	-		6.3%
Enviromental Maintenance	-	-	-	-	-	-	-36.8%	-41.6%	-136.7%	-47.9%	19.1%	-		1.5%
Car Chintai Business and others	11.8%	5.9%	-1.0%	-6.7%	2.9%	-45.3%	32.4%	29.8%	23.1%	10.6%	16.4%	-		26.8%
Others	-9.6%	-21.2%	-	0.6%	-0.6%	-11.8%	-0.6%	10.6%	7.1%	15.9%	11.2%	-		2.0%
RP	**59**	**324**	**97**	**64**	**127**	**288**	**29**	**-303**	**-223**	**10**	**344**	**-**	**14.2%**	**924**
YoY	-38.5%	26.8%	-9.9%	-47.6%	115.1%	-11.3%	-69.8%	-	-	-96.5%	1,068.5%	-		551.0%
RPM	3.4%	16.2%	5.4%	3.4%	6.2%	11.6%	1.1%	-9.6%	-8.8%	0.3%	11.2%	-		6.6%
NI	**1**	**190**	**54**	**15**	**130**	**173**	**-70**	**-719**	**-233**	**-10**	**195**	**-**	**-9.5%**	**497**
YoY	-97.2%	271.9%	-77.4%	-84.0%	9,105.7%	-8.9%	-	-	-	-	-	-		-202.2%

Source: Company data

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

Call center segment

Although orders were up from internet advertising in areas such as lock replacement, it was not enough to make up for lower orders from yellow page advertisements, leading to a harsh environment. However, renovation and pest control sales were robust, continuing a trend set in motion by the rush to beat the consumption tax hike.

Membership segment

Membership numbers are demonstrating steady growth. Subsidiary NET110, Inc. which was consolidated in December 2013, performed strongly in the internet agency business. Concerning profits, although sales from members were high, expenses associated with increased membership were also higher, sending operating profit down YoY.

View the full report.

JIN Co., Ltd. (3046)

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

On **August 5, 2014**, JIN Co., Ltd. released monthly sales data for July 2014.

Comparable Stores Sales Growth (YoY)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
FY08/08	2.4%	-10.3%	-5.8%	4.0%	-6.6%	-8.8%	0.1%	-8.8%	-10.7%	-7.8%	-5.6%	-7.5%
FY08/09	-20.6%	-11.1%	-1.5%	-13.2%	3.8%	-8.3%	-7.8%	-5.1%	6.0%	2.9%	9.9%	15.9%
FY08/10	33.5%	51.1%	36.1%	40.7%	41.1%	42.5%	35.3%	50.4%	36.1%	29.6%	20.2%	21.2%
FY08/11	9.4%	30.3%	8.4%	15.1%	3.1%	5.7%	1.2%	12.7%	3.3%	5.9%	12.9%	14.7%
FY08/12	31.1%	7.9%	5.9%	3.0%	9.3%	28.1%	33.1%	14.9%	23.2%	70.4%	56.2%	41.7%
FY08/13	54.8%	17.8%	68.3%	69.8%	50.3%	51.9%	41.3%	23.8%	33.7%	6.1%	-3.5%	13.3%
FY08/14	-18.6%	-8.1%	-24.5%	-26.3%	-22.2%	-25.1%	-1.9%	-28.4%	-23.6%	-25.1%	-22.1%	

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 **August 29, 2014**, Shared Research updated the report after interviewing management.

Quarterly Performance	FY12/13				FY12/14				FY12/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Revenue	4,645	3,444	3,992	10,375	5,141	9,347	-	-	69.0%	25,000
YoY	-1.6%	-33.3%	6.6%	41.6%	10.7%	171.4%	-	-		11.3%
GP	2,732	2,394	2,580	3,371	3,315	3,729	-	-	56.4%	12,500
YoY	19.3%	-22.1%	8.8%	102.3%	21.3%	55.8%	-	-		12.8%
GPM	58.8%	69.5%	64.6%	32.5%	64.5%	39.9%	-	-		50.0%
SG&A	889	881	961	1,431	1,075	1,203	-	-		5,100
YoY	1.1%	6.4%	18.8%	36.7%	20.9%	36.5%	-	-		22.5%
SG&A / Sales	19.1%	25.6%	24.1%	13.8%	20.9%	12.9%	-	-		20.4%
OP	1,843	1,513	1,619	1,939	2,240	2,525	-	-	64.4%	7,400
YoY	30.6%	-32.6%	3.6%	213.8%	21.5%	66.9%	-	-		7.0%
OPM	39.7%	43.9%	40.6%	18.7%	43.6%	27.0%	-	-		29.6%
RP	1,398	1,235	793	1,452	1,989	1,882	-	-	70.4%	5,500
YoY	137.4%	14.1%	56.7%	861.6%	42.3%	52.4%	-	-		12.8%
RPM	30.1%	35.9%	19.9%	14.0%	38.7%	20.1%	-	-		22.0%
NI	1,148	945	180	-288	3,310	1,594	-	-	122.6%	4,000
YoY	-	-	-	-	188.3%	38.9%	-	-		101.5%
NPM	24.7%	27.4%	4.5%	-	64.4%	17.1%	-	-		16.0%

Figures may differ from company materials due to differences in rounding methods. Company estimates are the most recently announced figures.
Source: Company data

In accordance with its medium term management plan, Kenedix conducted joint investment in residential and office buildings, and won orders for asset-management services for these properties, aiming to increase AUM.

Additionally, Kenedix Private Investment Corporation (KPI), a private real estate investment trust (REIT), began operations in March 2014. Kenedix Property Management, Inc. (KPM), a specialized property management subsidiary, was also established and began operations. By expanding its fee-based businesses and adding breadth to its operations, Kenedix is establishing a firm business foundation.

On **August 7, 2014**, the company announced a revision to its FY12/14 earnings forecast.

FY12/14 earnings forecast (previous forecast in parentheses)
Sales: JPY25.0bn (JPY21.0bn)
Operating profit: JPY7.4bn (JPY5.2bn)
Recurring profit: JPY5.5bn (JPY4.1bn)
Net income: JPY4.0bn (JPY3.0bn)

Revision details
Operating revenue: Acquisition of assets and higher sale prices for the company's real estate
Operating profit: Increased profits from real estate sales in the real estate investment business due to a market recovery; higher levels of consolidated assets resulting from asset acquisitions.
Recurring profit: Although items such as interest rate adjustments for newly acquired properties are planned to contribute to an additional JPY1.0bn in non-operating expenses, increased operating income is forecast to fill the gap.
Extraordinary gains and losses: In line with a recovery in the real estate market, the company aggressively sold off real estate holdings, and extraordinary income is planned to be JPY4.0bn, from the previous estimate of JPY3.0bn. Extraordinary losses are also planned to increase from JPY2.8bn to JPY4.6bn.

View the full report.

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 **August 28, 2014**, Shared Research updated comments on Kenko.com Inc.'s earnings results for Q2 FY12/14 after interviewing management.

Quarterly Performance	FY03/13				FY12/13 (9 months)			FY12/14				FY12/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of FY Est.	FY Est.
Sales	4,357	4,400	4,378	4,766	4,653	4,843	4,671	5,360	4,757	-	-	- -	
YoY	9.7%	-2.4%	3.8%	6.7%	6.8%	10.1%	6.7%	12.5%	2.2%	-	-		-
GP	1,463	1,476	1,449	1,577	1,537	1,619	1,536	1,774	1,595	-	-		
GPM	33.6%	33.5%	33.1%	33.1%	33.0%	33.4%	32.9%	33.1%	33.5%	-	-		
SG&A	1,458	1,497	1,510	1,632	1,517	1,595	1,554	1,803	1,722	-	-		
YoY	4.9%	-11.7%	4.8%	7.9%	4.1%	6.5%	2.9%	10.5%	13.5%	-	-		
OP	5	-22	-61	-55	19	24	-18	-29	-127	-	-	- -	
YoY	-	-	-	-	328.4%	-	-	-	-	-	-		-
OPM	0.1%	-	-	-	0.4%	0.5%	-	-0.5%	-2.7%	-	-	-	
RP	-31	-21	-72	-60	15	28	-17	-28	-124	-	-		
YoY	-	-	-	-	-	-	-	-	-	-	-		
NI	-47	-20	-79	-310	0	42	-22	-34	-129	-	-		
YoY	-	-	-	-	-	-	-	-	-	-	-		
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of FY Est.	FY Est.
Sales	4,357	8,758	13,136	17,902	4,653	9,497	14,168	5,360	10,117	-	-	46.0%	22,000
YoY	9.7%	3.2%	3.4%	4.3%	6.8%	8.4%	7.9%	12.5%	7.4%	-	-		-
GP	1,463	2,938	4,387	5,964	1,537	3,156	4,692	1,774	3,369	-	-		
GPM	33.6%	33.6%	33.4%	33.3%	33.0%	33.2%	33.1%	33.1%	33.3%	-	-		
SG&A	1,458	2,955	4,465	6,097	1,517	3,112	4,666	1,803	3,525	-	-		
YoY	4.9%	-4.3%	-1.4%	1.0%	4.1%	5.3%	4.5%	10.5%	11.9%	-	-		
OP	5	-17	-78	-133	19	44	26	-29	-156	-	-	-	10
YoY	-	-	-	-	328.4%	-	-	-	-	-	-		-
OPM	0.1%	-	-	-	0.4%	0.5%	0.2%	-0.5%	-1.5%	-	-		0.0%
RP	-31	-52	-125	-184	15	43	26	-28	-153	-	-		
YoY	-	-	-	-	-	-	-	-	-	-	-		
NI	-47	-67	-146	-456	0	42	20	-34	-163	-	-		
YoY	-	-	-	-	-	-	-	-	-	-	-		

Source: Company data
Figures may differ from company materials due to differences in rounding methods.
FY12/13 is an irregular period of nine months due to a change in the company's financial year.
YoY comparisons for FY12/14 are performend against the same calendar period in the previous year.

Although there was strong demand for orders in March 2014 from clients wishing to beat the consumption tax hike, a subsequent pullback was seen in April, after the tax went into effect.

Profits were lower from decreased sales after the tax increase, and personnel expenses were up in order to deal with changes to the Pharmaceutical Affairs Law. However, by modifications to shipping policies (an effective increase in shipping prices for long-tail products), improving margins in sales promotion and logistics, and reducing fixed SG&A costs, the company was profitable, with the exception of the Rakuten 24 business. On a consolidated level, profits in other areas were unable to cover losses in Rakuten 24.

On **August 27, 2014**, the company announced the resignation of a representative director.

According to the company, Mr. Genri Goto (president and CEO) will step down from his post as soon as the next management is decided.

<u>Reasons for resignation</u>
Mr. Goto's decision to step down was made in view of the decision that moving to a new management team would be best for the company. Following the lift on the ban on online sales of pharmaceuticals, the new management team will look to increase corporate value by maximizing synergies with the Rakuten Group, now that the company has integrated Rakuten 24—acquired from Rakuten Inc.—with its existing businesses.

The company will hold an extraordinary shareholders' meeting to elect an executive in late October 2014.

The next director will be announced as soon as the decision is made.
On **the same day**, the company announced an extraordinary loss for Q3 FY12/14 from a loss on retirement of fixed assets.

Since acquiring Rakuten 24 via absorption-type split in January 2014, the company has run Rakuten 24 systems alongside those of existing businesses, while also closing the gap between the two systems. However, in July 2014, the company decided to consolidate the two systems, in order to boost sales and control costs. As a result, the company will no longer use fixed assets of JPY89mn, including software acquired with the absorption-type split, and software in progress being developed by the company. The company thus plans to book an extraordinary loss of JPY89mn on retirement of noncurrent assets in Q3 FY12/14.

The effect on earnings is already accounted for in forecast revisions announced on August 7, 2014. As the company only disclosed forecasts for sales and operating profit, it does not plan to make further revisions to forecasts as a result of the extraordinary loss.

View the full report.

KLab Inc. (3656)

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

On **August 29, 2014**, Shared Research updated the report following interviews with management.

Quarterly Performance			FY12/13				FY12/14		
(JPYmn)	Q1	Q2	Q3	Q4	Q5	Q1	Q2	Q3	Q4
Sales	3,546	3,573	3,772	4,598	5,504	4,426	5,160	-	-
YoY	-	-	-	-	-	-	-	-	-
GP	990	660	841	1,136	1,207	1,164	1,548	-	-
YoY	-	-	-	-	-	-	-	-	-
GPM	27.9%	18.5%	22.3%	24.7%	21.9%	26.3%	30.0%	-	-
SG&A	1,203	1,329	1,039	985	1,503	1,068	948	-	-
YoY	-	-	-	-	-	-	-	-	-
SG&A / Sales	33.9%	37.2%	27.6%	21.4%	27.3%	24.1%	18.4%	-	-
OP	-212	-669	-198	152	-296	96	600	-	-
YoY	-	-	-	-	-	-	-	-	-
OPM	-	-	-	3.3%	-	2.2%	11.6%	-	-
RP	-154	-573	-124	126	-217	106	594	-	-
YoY	-	-	-	-	-	-	-	-	-
RPM	-	-	-	2.7%	-	2.4%	11.5%	-	-
NI	-160	-438	-173	51	-1,844	51	490	-	-
YoY	-	-	-	-	-	-	-	-	-
NPM	-	-	-	1.1%	-	1.2%	9.5%	-	-

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

Reasons for growth in sales:
- Growing domestic sales of Love Live! School Idol Festival—plus the second season of the animated cartoon (April-June)—meant the company booked record sales each month.
- Overseas sales of Love Live! School Idol Festival got off to a strong start.
- Robust sales of Celestial Craft Fleet and Tales of Astaria, released in 2014.

Reasons for growth in profit:
- The company continued cutting fixed costs, and personnel expenses fell by JPY84mn QoQ due to staff downsizing during Q1. Outsourcing expenses were also down by JPY69mn.
- A slump in sales for original title Crystal Casters of KLab America (US) led to the company cutting local employees.
- In addition to returning one of its office floors at the end of December 2013, in Q1 the company returned another of its two remaining floors.

On **August 7, 2014**, the company announced revisions to its Q2 FY12/14 earnings forecasts.

Q2 FY12/14 earnings forecasts (previous forecast in parentheses)

Sales:	JPY9.6bn (JPY8.9bn)
Operating profit:	JPY696mn (JPY216mn)
Recurring profit:	JPY700mn (JPY216mn)
Net income:	JPY541mn (JPY141mn)

Primary reasons for the revision include:
- Sales for Love Live! School Idol Festival in both domestic and foreign markets and Tales of Astaria for the domestic market were higher than initial estimates.

MONTHLY WRAP –September 2014

- Cost reductions in outsourcing and personnel moved forward ahead of plan.
- Cost controls were put into place for game titles that did not meet minimum standards for player retention and ARPU.

View the full report.

MONTHLY WRAP –September 2014

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 **August 15, 2014**, Shared Research updated comments on Lasertec Corp. following interviews with management.

Quarterly Performance	FY06/12				FY06/13				FY06/14			
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	**1,508**	**3,390**	**2,939**	**4,501**	**3,678**	**2,889**	**2,381**	**2,449**	**971**	**4,505**	**1,426**	**6,705**
Semiconductor Related Systems	1,078	2,625	1,570	3,530	3,231	2,319	1,663	1,874	507	3,597	789	5,584
Others	226	458	978	632	78	195	320	182	48	374	251	704
Services	204	307	390	339	370	375	398	393	416	534	387	417
YoY	111.3%	-2.8%	-21.3%	-5.9%	144.0%	-14.8%	-19.0%	-45.6%	-73.6%	56.0%	-40.1%	173.8%
Semiconductor Related Systems	3,033.3%	41.2%	-6.0%	23.1%	199.7%	-11.7%	5.9%	-46.9%	-84.3%	55.1%	-52.6%	198.0%
Others	-46.0%	-65.3%	-44.3%	-61.3%	-65.5%	-57.4%	-67.3%	-71.2%	-38.3%	91.8%	-21.7%	286.4%
Services	-21.9%	-0.9%	26.7%	19.7%	81.2%	22.2%	2.1%	15.9%	12.4%	42.4%	-2.9%	6.2%
Orders	**1,401**	**8,446**	**2,155**	**2,528**	**2,214**	**2,015**	**1,178**	**3,358**	**1,393**	**6,586**	**2,937**	**5,274**
Semiconductor Related Systems	1,052	7,753	1,598	1,961	1,681	1,383	585	2,794	790	5,260	2,304	3,532
Others	153	371	170	174	186	230	184	124	196	821	181	1,289
Services	196	321	386	393	347	402	409	440	406	505	451	453
YoY	-35.4%	80.7%	-27.3%	8.7%	58.0%	-76.1%	-45.3%	32.8%	-37.1%	226.8%	149.4%	57.1%
Semiconductor Related Systems	23.5%	134.8%	-33.1%	7.6%	59.8%	-82.2%	-63.4%	42.5%	-53.0%	280.3%	293.6%	26.4%
Others	-86.0%	-63.6%	-46.1%	-14.2%	21.6%	-38.0%	8.0%	-28.5%	5.3%	256.4%	-1.3%	936.3%
Services	-14.0%	-8.3%	49.3%	31.1%	76.9%	25.0%	5.9%	11.7%	17.1%	25.7%	10.5%	3.1%
Order Backlog	**4,727**	**9,783**	**8,999**	**7,026**	**5,562**	**4,688**	**3,485**	**4,394**	**4,815**	**6,896**	**8,407**	**6,976**
Semiconductor Related Systems	3,099	8,227	8,255	6,686	5,136	4,201	3,123	4,043	4,326	5,989	7,505	5,454
Others	1,506	1,420	611	153	261	297	160	102	250	697	628	1,212
Services	122	136	133	187	164	191	201	248	239	210	274	310
YoY	-31.3%	21.3%	23.4%	45.4%	17.6%	-52.1%	-61.3%	-37.5%	-13.4%	47.1%	141.3%	58.8%
Semiconductor Related Systems	54.2%	138.3%	98.0%	113.9%	65.7%	-48.9%	-62.2%	-39.5%	-15.8%	42.6%	140.3%	34.9%
Others	-68.3%	-68.1%	-79.7%	-90.3%	-82.6%	-79.1%	-73.8%	-33.2%	-4.3%	134.9%	291.4%	1,083.0%
Services	0.4%	-16.0%	17.7%	44.0%	34.6%	40.0%	51.8%	32.9%	45.6%	9.9%	36.3%	25.1%
GP	**787**	**1,590**	**1,600**	**2,573**	**1,889**	**1,520**	**1,419**	**526**	**269**	**2,182**	**722**	**3,392**
YoY	928.3%	2.9%	-11.1%	25.3%	140.1%	-4.4%	-11.3%	-79.5%	-85.8%	43.6%	-49.1%	544.4%
GPM	52.2%	46.9%	54.5%	57.2%	51.4%	52.6%	59.6%	21.5%	27.7%	48.4%	50.6%	50.6%
SG&A	850	793	915	904	839	762	806	798	778	827	962	901
YoY	23.8%	15.1%	11.7%	7.7%	-1.2%	-3.9%	-11.9%	-11.7%	-7.3%	8.5%	19.5%	12.9%
SG&A / Sales	56.4%	23.4%	31.1%	20.1%	22.8%	26.4%	33.8%	32.6%	80.1%	18.3%	67.5%	13.4%
OP	**-63**	**797**	**685**	**1,669**	**1,050**	**758**	**614**	**-272**	**-509**	**1,355**	**-240**	**2,491**
YoY	-	-6.9%	-30.2%	37.5%	-	-4.9%	-10.5%	-	-	78.8%	-	-
OPM	-4.2%	23.5%	23.3%	37.1%	28.5%	26.2%	25.8%	-11.1%	-52.4%	30.1%	-16.9%	37.2%
RP	**-147**	**784**	**680**	**1,658**	**1,014**	**938**	**757**	**-172**	**-511**	**1,434**	**-284**	**2,523**
YoY	-	-4.8%	-29.7%	39.7%	-	19.7%	11.4%	-	-	52.9%	-	-
RPM	-9.8%	23.1%	23.1%	36.8%	27.6%	32.5%	31.8%	-7.0%	-52.7%	31.8%	-19.9%	37.6%
NI	**-81**	**505**	**392**	**982**	**646**	**595**	**451**	**-82**	**-326**	**935**	**-248**	**1,608**
YoY	-	-0.5%	-41.5%	26.7%	-	17.8%	15.1%	-	-	57.2%	-	-
NPM	-5.3%	14.9%	13.3%	21.8%	17.6%	20.6%	18.9%	-3.3%	-33.6%	20.8%	-17.4%	24.0%

Figures may differ from company materials due to differences in rounding methods.
Source: Company data, SR research
From FY06/14, sales for FPD equipment and laser microscopes are now included under other sales.

In the semiconductor industry (the company's main area of business), demand was high for smartphone and tablet devices, and there was active investment to improve both computing power and power consumption of semiconductors.

In other business areas, investment in increasing the resolution of small and medium size displays was a recurring theme in the FPD industry. The second-generation lithium ion battery market posted strong results on demand from the automotive industry. Although demand also grew in the solar power market, oversupply of panels remained an issue, and capex in the solar power industry was weak overall.

Regarding its financial condition, items to note are a capital ratio of 80.4% and the completion of the repayment of syndicated loans in June 2014. The company used the loans to construct a building.

On **August 8, 2014**, the company announced a change to its dividend policy (the company will now aim for payout of 35% of net income; the target was previously 30%).

View the full report.

MONTHLY WRAP –September 2014

Mac-House Co., Ltd. (7603)

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

On **August 1, 2014**, Mac-House Co., Ltd. announced monthly sales data for July 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.

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 **August 26, 2014**, Matsui Securities Co., Ltd. announced that it would implement an interim dividend for FY03/15.

The company holds a fundamental dividend policy of paying out at least 30% of its net income to shareholders each year. Equity trading volume by individuals has maintained strong momentum in FY03/15, and in light of robust business performance, the company plans payment of an interim dividend, in the amount of JPY20 per share. Full year dividends for FY03/14 were JPY50 per share (interim dividend of JPY30 and year-end dividend of JPY20).

On **August 8, 2014**, Shared Research updated the report following interviews with management.

Quarterly performance	FY03/14				FY03/15			
(JPYmn)	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. As of July 24, 2014, the service covered 92 stocks. 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. Matsui's share of total equity trading value grew 2.7pp YoY, to 13.3%, although there was no change quarter-on-quarter.

View the full report.

Medinet Co., Ltd. (2370)

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

On **August 28, 2014**, MEDINET Co., Ltd. announced changes to its executive management.

At a board of directors meeting held on August 28, 2014, the company relieved Kunihiko Suzuki of his duties as president, and Hiroshi Igi, director and head of business development division, will immediately assume the role of president.

According to the company, at the board of directors meeting held on July 31, 2014, a resolution was passed for Hiroshi Igi to assume the role of president on October 1, 2014, and for the current management structure to continue until that date. However on August 22, 2014, Kimura Yoshiji, a director and shareholder of the company, submitted a request to hold an extraordinary general meeting of shareholders and president Kunihiko Suzuki attempted to obstruct the disclosure of proceedings at the board of directors meeting. In light of these events, the board of directors has concluded that further postponement of changes to its management structure will hinder operations at MEDINET, and create confusion in corporate affairs. As a result, the company chose to relieve Kunihiko Suzuki of his duties, and promote Hiroshi Igi to president immediately.

On **August 5, 2014**, the company announced earnings results for Q3 FY09/14.

Quarterly Performance	FY09/13				FY09/14				FY09/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY Est.	FY Est.
Sales	517	508	536	549	527	472	419		78.8%	1,800
YoY	-4.8%	-11.1%	-1.1%	2.8%	1.9%	-7.2%	-21.8%			-14.7%
GP	241	240	273	272	265	234	161			
YoY	-17.8%	-25.3%	1.3%	1.3%	9.8%	-2.2%	-41.2%			
GPM	46.6%	47.1%	51.0%	49.5%	50.2%	49.7%	38.3%			
SG&A	418	484	511	490	552	557	559			
YoY	-10.6%	3.7%	3.5%	12.5%	32.1%	15.1%	9.3%			
SG&A / Sales	80.8%	95.2%	95.3%	89.4%	104.8%	118.1%	133.3%			
OP	-177	-245	-238	-219	-287	-323	-398		-	-1,430
YoY	-	-	-	-	-	-	-			-
OPM	-	-	-	-	-	-	-			-
RP	-139	-347	-246	-220	-273	-365	-403		-	-1,460
YoY	-	-	-	-	-	-	-			-
RPM	-	-	-	-	-	-	-			-
NI	-141	254	-235	-227	-283	54	-407		-	-1,060
YoY	-	-	-	-	-	-	-			-
NPM	-	-	-	-	-	-	-			-

Source: Company data

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

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 Q3 FY09/14 increased 29.1% YoY to JPY115mn.

View the full report.

MIRAIT Holdings Corp. (1417)

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

On **August 25, 2014**, Shared Research updated comments on MIRAIT Holdings Corp. after interviewing management.

Quarterly Performance	FY03/13				FY03/14				FY03/15				FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales (Completed Construction Contracts)	52,263	64,239	62,107	92,409	56,780	62,966	66,072	91,902	56,915	-	-	-	47.4%	120,000
YoY	8.8%	21.2%	18.6%	11.8%	8.6%	-2.0%	6.4%	-0.5%	0.2%	-	-	-		0.2%
GP (Completed Construction Contracts)	5,856	7,024	6,613	9,847	5,574	6,493	7,361	10,548	6811	-	-	-		
YoY	34.3%	30.1%	38.6%	3.5%	-4.8%	-7.6%	11.3%	7.1%	22.2%	-	-	-		
GPM	11.2%	10.9%	10.6%	10.7%	9.8%	10.3%	11.1%	11.5%	12.0%	-	-	-		
SG&A	4,677	4,471	4,622	4,727	4,783	4,509	4,603	4,626	4704	-	-	-		
YoY	-4.6%	-3.9%	1.9%	0.9%	2.3%	0.8%	-0.4%	-2.1%	-1.7%	-	-	-		
SG&A / Sales	8.9%	7.0%	7.4%	5.1%	8.4%	7.2%	7.0%	5.0%	8.3%	-	-	-		
OP	1,179	2,552	1,992	5,119	791	1,983	2,758	5,922	2,106	-	-	-	70.2%	3,000
YoY	-	243.5%	751.3%	6.0%	-32.9%	-22.3%	38.5%	15.7%	166.2%	-	-	-		8.1%
OPM	2.3%	4.0%	3.2%	5.5%	1.4%	3.1%	4.2%	6.4%	3.7%	-	-	-		
RP	1,390	2,836	2,209	5,330	1,010	2,107	3,094	6,056	2,341	-	-	-	70.9%	3,300
YoY	-	214.4%	445.4%	5.1%	-27.3%	-25.7%	40.1%	13.6%	131.8%	-	-	-		5.9%
RPM	2.7%	4.4%	3.6%	5.8%	1.8%	3.3%	4.7%	6.6%	4.1%	-	-	-		
NI	-1,164	1,222	990	3,152	609	1,137	1,647	3,793	1,559	-	-	-	70.9%	2,200
YoY	-	127.1%	-	8.5%	-	-7.0%	66.4%	20.3%	156.0%	-	-	-		26.0%
NPM	-	1.9%	1.6%	3.4%	1.1%	1.8%	2.5%	4.1%	2.7%	-	-	-		

Source: Company data□

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

Fiber-optic construction work fell in the NTT network engineering segment in Q1. But LTE construction increased in the multi-carrier segment. In the environmental and social innovation segment and the ICT solution segment, installations of solar power systems and electric vehicle chargers increased along with large network construction work at companies and universities. Overall, orders and sales were up year-on-year.

View the full report.

mobcast inc. (3664)

Sports game developer and provider for mobile social platforms.

On **August 8, 2014**, Shared Research updated the company's earnings results for Q2 FY12/14 based on interviews with management.

Quarterly Performance	FY12/13 (Cons.)				FY12/14 (Cons.)				FY12/14 (Cons.)	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	1,303	1,297	1,308	1,271	1,107	925	-	-		
YoY	-	-	-	-	-15.0%	-28.7%	-	-		
GP	817	771	702	503	518	385	-	-		
YoY	-	-	-	-	-36.6%	-50.0%	-	-		
GPM	62.7%	59.5%	53.7%	39.5%	46.7%	41.6%	-	-		
SG&A	707	821	908	803	353	338	-	-		
YoY	-	-	-	-	-50.1%	-58.8%	-	-		
SG&A / Sales	54.3%	63.3%	69.4%	63.2%	31.8%	36.6%	-	-		
OP	110	-49	-206	-301	165	47	-	-		
YoY	-	-	-	-	49.8%	-	-	-		
OPM	8.5%	-3.8%	-15.7%	-23.7%	14.9%	5.1%	-	-		
RP	110	-57	-164	-293	150	64	-	-		
YoY	-	-	-	-	35.6%	-	-	-		
RPM	8.5%	-4.4%	-12.6%	-23.1%	13.5%	6.9%	-	-		
NI	46	-44	-138	-521	14	145	-	-		
YoY	-	-	-	-	-70.5%	-	-	-		
NPM	3.5%	-	-	-41.0%	1.2%	15.7%	-	-		
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	1,303	2,600	3,908	5,179	1,107	2,033	-	-	38.3%	5,300
YoY	-	-	-	-	-15.0%	-21.8%	-	-		102.3%
GP	817	1,588	2,290	2,793	518	903	-	-		
YoY	-	-	-	-	-36.6%	-43.2%	-	-		
GPM	62.7%	61.1%	58.6%	53.9%	46.7%	97.6%	-	-		
SG&A	707	1,528	2,435	3,239	353	691	-	-		
YoY	-	-	-	-	-50.1%	-54.8%	-	-		
SG&A / Sales	54.3%	58.8%	62.3%	62.5%	31.8%	34.0%	-	-		
OP	110	61	-145	-445	165	212	-	-	212.1%	100
YoY	-	-	-	-	49.8%	3.5倍	-	-		-
OPM	8.5%	2.3%	-	-	14.9%	10.4%	-	-		1.9%
RP	110	53	-111	-404	150	214	-	-	213.5%	100
YoY	-	-	-	-	35.6%	4.0倍	-	-		-
RPM	8.5%	2.1%	-	-	13.5%	10.5%	-	-		1.9%
NI	46	2	-136	-657	14	159	-	-	158.7%	100
YoY	-	-	-	-	-70.5%	-	-	-		-
NPM	3.5%	0.1%	-	-	1.2%	17.1%	-	-		1.9%

Note: Consolidated data from FY012/13
Figures may differ from company materials due to differences in rounding methods
Source: Company data, SR Inc.

A significant decrease in sales resulted from the sale of the company's domestic and South Korean PC business, as well as reduced sales in Mobapro, which was released four years ago. As it did in Q1, the company moved ahead with reducing costs—particularly in advertising expenses—and SG&A expenses were down 58.8% YoY to JPY338mn as a result. Thanks to these reduced expenses, operating profit was significantly higher YoY.

Although the company secured an operating profit in Q2, the figure was down by JPY118mn compared to Q1. This was due to sales that were JPY182mn lower QoQ, as well as an increase in promotional fees for new titles. According to the company, it launched a new soccer game to coincide with the FIFA World Cup, but it has been struggling to attract new users.

View the full report.

NAIGAI TRANS LINE LTD. (9384)

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

On **August 26, 2014**, Shared Research updated the report after interviewing management.

Quarterly Performance	FY12/13				FY12/14				FY12/14	
(JPYmn)	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 (NTL-INDIA).

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.

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 **August 20, 2014**, NanoCarrier Co. announced that it had succeeded in obtaining substance patents for NC-6004 Nanoplatin® in key global markets.

The US Patent Office granted the company a Notice of Allowance for a patent for NC-6004 Nanoplatin®, one of NanoCarrier's leading pipeline drugs. This means the company has secured patents for NC-6004 in key global markets including Japan, the EU, China, Taiwan, Australia, and now the US.

This patent will play an important role in the company's management of its intellectual property, allowing it to extend the protection period for NC-6004 and securing the exclusivity of this product.

On **August 8, 2014**, the company announced earnings results for Q1 FY03/15.

Quarterly Performance	FY03/14				FY03/15				FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	150	176	119	28	57	-	-	-	17.3%	330
YoY	1430.2%	96.4%	16.7%	-83.9%	-62.0%	-	-	-		-30.1%
GP	98	125	53	14	27	-	-	-		
YoY	-	209.9%	-14.9%	-51.1%	-72.4%	-	-	-		
GPM	65.2%	71.4%	44.8%	48.9%	47.4%	-	-	-		
SG&A	375	349	336	352	409	-	-	-		
YoY	151.8%	172.2%	114.6%	81.9%	8.9%	-	-	-		
SG&A / Sales	250.2%	198.7%	283.5%	1266.7%	717.5%	-	-	-		
OP	-277	-224	-283	-339	-382	-	-	-	-	-1,955
YoY	-	-	-	-	-	-	-	-		-
OPM	-	-	-	-	-	-	-	-		-
RP	-190	-246	-197	-462	-461	-	-	-	-	-1,929
YoY	-	-	-	-	-	-	-	-		-
RPM	-	-	-	-	-	-	-	-		-
NI	-191	-246	-197	-479	-462	-	-	-	-	-1,970
YoY	-	-	-	-	-	-	-	-		-
NPM	-	-	-	-	-	-	-	-		-

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

Source: Company data

Cisplatin Guiding Micelle (NC-6004 Nanoplatin®)

Orient Europharma Co., Ltd. (OEP) is the licensee for the Asia region (ex. Japan, China, and India; including Oceania). Together with OEP, the company is conducting Phase III clinical trials on patients with metastatic and advanced pancreatic cancer in Taiwan, Hong Kong, and Singapore, and has begun administering the drug. The company has decided to go ahead with Phase III clinical trials in mainland China and South Korea. In Korea, the company obtained approval for the trials and expects to begin administering the drug soon. In China, the company is preparing to submit an application for trials.

In Japan and the US, the company is developing the drug in-house. In Japan, Phase I clinical trials on patients with solid tumors have been underway since October 2012. In the US, the company has obtained approval for major clinical trials (Phase Ib/II) for patients with lung cancer (non-small cell lung cancer). Patient registration and drug administration are underway at multiple facilities, including the University of Texas MD Anderson Cancer Center.

View the full report.

Nippon Parking Development (2353)

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

On **August 13, 2014**, Nippon Parking Development Co., Ltd. (NPD) announced an increase in capital and an extraordinary profit at a subsidiary.

In FY07/15, consolidated subsidiary Nippon Ski Resort Development Co., Ltd. will book a gain on change in equity of about JPY700mn, owing to a capital increase via third party share allotment. The transfer date for the funds is August 13, 2014. According to the company, the value of the gain on change in equity depends on its full-year earnings results for FY07/14, scheduled to be announced on September 5, 2014.

The total value of the increase in capital via third party share allotment is JPY1.2bn, and the company's stake in Nippon Ski Resort Development will drop from 93.8% to 84.4%. According to the company, the capital increase will provide funds for future growth through mergers and acquisitions in the ski resort business, and improve its financial standing. There will be no effect on earnings results for FY07/14.

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 **August 6, 2014,** Shared Research updated the report following interviews with management.

Quarterly Performance (JPYmn)	FY03/13 Q1	Q2	Q3	Q4	FY03/14 Q1	Q2	Q3	Q4	FY03/15 Q1	Q2(*)	FY03/15 % of 1	1H Est.	FY03/15 % of F	FY Est.
Sales	**1,570**	**1,533**	**1,482**	**1,413**	**1,538**	**1,531**	**1,632**	**1,718**	**1,736**	**1,584**	**52.3%**	**3,320**	**25.7%**	**6,760**
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**	**156**	**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%	-37.9%		12.3%		5.7%
OPM	19.6%	15.9%	11.4%	14.3%	14.9%	16.4%	17.2%	17.9%	22.1%	9.9%		16.3%		16.7%
RP	**320**	**248**	**177**	**206**	**247**	**253**	**286**	**321**	**405**	**155**	**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%	-38.9%		11.9%		4.8%
RPM	20.4%	16.2%	11.9%	14.6%	16.1%	16.5%	17.5%	18.7%	23.3%	9.8%		16.9%		17.2%
NI	**185**	**146**	**98**	**98**	**142**	**181**	**175**	**196**	**256**	**79**	**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%	-56.2%		3.6%		2.9%
NPM	11.8%	9.5%	6.6%	6.9%	9.2%	11.8%	10.7%	11.4%	14.7%	5.0%		10.1%		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.

View the full report.

Onward Holdings Co Ltd (8016)

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

On **August 4, 2014**, Onward Holdings Co Ltd. released July monthly sales data.

Onward Kashiyama Monthly Sales													
FY02/15 (YoY)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	FY
Total	**10%**	**-8%**	**2%**	**-2%**	**-6%**								**0%**
Men's	16%	-7%	6%	-3%	-1%								2%
Women's	9%	-9%	0%	-1%	-8%								-1%
Children's	10%	1%	6%	1%	0%								4%
Kimonos	-17%	-49%	36%	-2%	-11%								-9%
Other	8%	-7%	-7%	3%	-9%								-1%
FY02/14 (YoY)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	FY
Total	**7%**	**-2%**	**4%**	**7%**	**3%**	**8%**	**2%**	**-5%**	**0%**	**5%**	**5%**	**1%**	**2%**
Men's	2%	-8%	1%	1%	-11%	7%	4%	-3%	0%	8%	3%	3%	0%
Women's	10%	1%	6%	10%	0%	8%	2%	-5%	0%	5%	7%	0%	3%
Children's	9%	-7%	-3%	4%	2%	9%	2%	-2%	0%	4%	-1%	0%	1%
Kimonos	-11%	-11%	19%	-12%	-23%	-6%	-14%	-23%	-14%	-17%	-15%	-17%	-12%
Other	-1%	-8%	-9%	2%	0%	11%	-1%	-11%	0%	5%	-1%	-3%	-2%
FY02/13 (YoY)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	FY
Total	**24%**	**4%**	**6%**	**7%**	**-2%**	**2%**	**-1%**	**0%**	**-1%**	**9%**	**0%**	**0%**	**4%**
Men's	27%	8%	0%	5%	-2%	3%	-2%	-7%	-2%	6%	-6%	-6%	2%
Women's	24%	3%	8%	8%	-2%	3%	0%	5%	0%	10%	3%	1%	5%
Children's	19%	3%	8%	12%	1%	2%	5%	-3%	1%	8%	4%	2%	5%
Kimonos	22%	23%	17%	-6%	2%	-17%	0%	-4%	16%	18%	-1%	-30%	1%
Other	16%	1%	-2%	7%	-3%	2%	-10%	-15%	19%	0%	-7%	-13%	-2%

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

View the full report.

Paris Miki Holdings Inc. (7455)

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

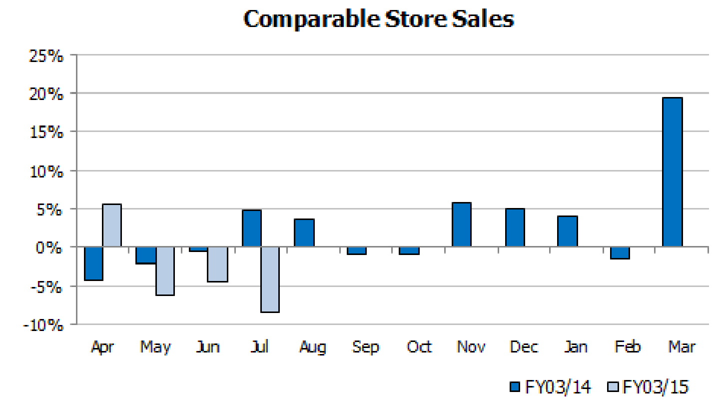
On **August 15, 2014**, Shared Research updated the report following interviews with management.

Quarterly Performance	FY03/13				FY03/14				FY03/15		FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of FY	FY Est.
Sales	14,452	14,687	13,594	12,686	14,121	15,253	13,910	13,619	13,873		24.2%	57,258
YoY	-5.2%	-10.1%	-7.2%	-4.7%	-2.3%	3.9%	2.3%	7.4%	-1.8%			0.6%
GP	9,759	10,011	8,888	9,053	9,529	10,250	9,324	9,385	9,547			
YoY	-5.0%	-9.7%	-7.1%	2.0%	-2.4%	2.4%	4.9%	3.7%	0.2%			
GPM	67.5%	68.2%	65.4%	71.4%	67.5%	67.2%	67.0%	68.9%	68.8%			
SG&A	9,319	9,484	9,400	9,080	9,325	9,332	9,314	9,709	9,082			
YoY	-9.2%	-8.4%	-6.9%	-1.3%	0.1%	-1.6%	-0.9%	6.9%	-2.6%			
SG&A / Sales	64.5%	64.6%	69.1%	71.6%	66.0%	61.2%	67.0%	71.3%	65.5%			
OP	440	526	-511	-28	203	919	9	-323	465		40.8%	1,140
YoY	4,300.0%	-28.3%	-	-	-53.9%	74.7%	-	-	129.1%			41.1%
OPM	3.0%	3.6%	-3.8%	-0.2%	1.4%	6.0%	0.1%	-2.4%	3.4%			2.0%
RP	447	616	-333	336	302	958	67	-292	532		47.4%	1,122
YoY	520.8%	-8.9%	-	-	-32.4%	55.5%	-	-	76.2%			8.4%
RPM	3.1%	4.2%	-2.4%	2.6%	2.1%	6.3%	0.5%	-2.1%	3.8%			2.0%
NI	96	200	-292	99	263	600	32	-476	227		44.6%	509
YoY	-	-51.1%	-	-	174.0%	200.0%	-	-	-13.7%			21.5%
NPM	0.7%	1.4%	-2.1%	0.8%	1.9%	3.9%	0.2%	-3.5%	1.6%			0.9%

As one of its key initiatives for FY03/15, Paris Miki is looking to increase customer count. However, during Q1, customer count was down 6.6% YoY and unit sales were down 3.0%. The company cites poor marketing effectiveness, reduced demand after the consumption tax hike, and inclement weather such as the recent typhoons.

In Q2, the company will aim to improve its marketing initiatives to increase customer count. Plans for store openings and closings, renovations, and expenses such as CoGS and SG&A appear to be in line with initial estimates.

On **August 1, 2014**, the company announced July 2014 sales figures.



Source: Company data, SR Inc. Research

View the full report.

Resorttrust, Inc. (4681)

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

On **August 7, 2014**, Resorttrust, Inc. announced earnings results for Q1 FY03/15.

Quarterly Performance	FY03/14				FY03/15				FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	27,342	30,401	30,787	28,294	27,559	-	-	-	47.0%	58,600
YoY	9.1%	10.1%	10.4%	14.2%	0.8%	-	-	-		
GP	22,369	25,059	25,024	22,988	23,269	-	-	-		
YoY	9.1%	11.2%	10.1%	17.5%	4.0%	-	-	-		
GPM	81.8%	82.4%	81.3%	81.2%	84.4%	-	-	-		
SG&A	19,330	19,729	19,066	22,196	20,275	-	-	-		
YoY	7.7%	9.1%	3.8%	17.7%	4.9%	-	-	-		
SG&A / Sales	70.7%	64.9%	61.9%	78.4%	73.6%	-	-	-		
OP	3,068	5,301	5,957	793	2,993	-	-	-	37.0%	8,100
YoY	20.2%	19.3%	36.9%	12.0%	-2.4%	-	-	-		
OPM	11.2%	17.4%	19.3%	2.8%	10.9%	-	-	-		
RP	4,224	5,330	6,159	1,018	3,266	-	-	-	38.4%	8,500
YoY	63.2%	14.8%	34.6%	-13.1%	-22.7%	-	-	-		
RPM	15.4%	17.5%	20.0%	3.6%	11.9%	-	-	-		
NI	1,668	3,244	3,754	-61	1,918	-	-	-	36.9%	5,200
YoY	20.4%	10.1%	32.3%	-	15.0%	-	-	-		
NPM	6.1%	10.7%	12.2%	-	7.0%	-	-	-		

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

The company had anticipated a slump in consumption following the rush to beat the consumption tax hike, but the effect turned out to be limited. Last year the company also booked expenses related to hotel openings, but there were none this period and new hotels contributed to revenues. However, some membership registration revenue for unopened hotels was postponed until the hotels open.

View the full report.

Round One Corp. (4680)

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

On **August 25, 2014,** Round One Corporation announced that it would sell real estate assets related to its Round One Stadium Mie Kawagoe IC Store and simultaneously lease back the property.

The company opened this store in December 2007. The sale of the property will not materially affect the operation of the store. The company accounted for this transaction during FY03/14, and it will not have any significant effects on earnings results for FY03/15.

On **August 18, 2014,** Shared Research updated comments on the company's earnings results for Q1 FY03/15 after interviewing management.

Quarterly Performance	FY03/14				FY03/15				FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	20,165	21,706	18,715	23,686	19,694	-	-	-	47.1%	41,800
YoY	-2.8%	-3.7%	-1.9%	0.5%	-2.3%	-	-	-		-3.4%
GP	2,665	3,051	632	5,375	1,559	-	-	-		
YoY	1.4%	-26.8%	-40.7%	-1.7%	-41.5%	-	-	-		
GPM	13.2%	14.1%	3.4%	22.7%	7.9%	-	-	-		
SG&A	409	398	465	362	406	-	-	-		
YoY	-3.3%	-2.5%	1.8%	-23.6%	-0.7%	-	-	-		
SG&A / Sales	2.0%	1.8%	2.5%	1.5%	2.1%	-	-	-		
OP	2,256	2,652	168	5,012	1,152	-	-	-	25.0%	4,600
YoY	2.4%	-29.5%	-72.5%	0.4%	-48.9%	-	-	-		-22.9%
OPM	11.2%	12.2%	0.9%	21.2%	5.8%	-	-	-		11.0%
RP	1,642	1,970	-278	4,484	830	-	-	-	20.8%	4,000
YoY	63.1%	-29.7%	-	2.4%	-49.5%	-	-	-		5.0%
RPM	8.1%	9.1%	-	18.9%	4.2%	-	-	-		9.6%
NI	631	-11,371	-3,681	-5,260	778	-	-	-	32.4%	2,400
YoY	43.9%	-	-	-	23.3%	-	-	-		18.9%
NPM	3.1%	-	-	-	4.0%	-	-	-		5.7%

Source: Company data

Company estimates are the most recent figures.

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

The company made use of Disney characters in promotional campaigns and planning, and used the LINE messaging app to attract customers. The company also used popular celebrities in television commercials to advertise a new, better-value pricing structure. However, due to factors such as the consumption tax hike in April, these measures did not lead to a recovery in earnings. In addition to lower gross profit accompanying the decrease in sales, the company continued to post high SG&A costs, especially because of personnel expenses, resulting in a double digit decline YoY in operating profit and recurring profit. However, impairment costs fell because the company sold fixed assets in Q1. As a result, net income was up.

MONTHLY WRAP –September 2014

On **August 6, 2014**, the company announced monthly sales data for July 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**	**6,134**								
Bowling	2,001	2,064	1,688	1,686								
Game	2,686	3,070	2,652	2,894								
Karaoke	641	711	625	650								
SPO-CHA	878	956	745	700								
Other	199	221	201	202								
Total Sales YoY	**-3.3%**	**0.1%**	**-6.0%**	**-0.6%**								
Bowling	-13.2%	-14.7%	-20.4%	-12.3%								
Game	3.4%	11.1%	3.2%	6.4%								
Karaoke	1.6%	6.5%	-0.4%	1.8%								
SPO-CHA	1.8%	4.2%	0.9%	4.9%								
Other	-12.2%	-9.6%	-12.8%	-7.6%								
Comparable Store Sales YoY	**-3.3%**	**0.1%**	**-6.0%**	**-0.6%**								
Bowling	-13.2%	14.7%	-20.4%	-12.3%								
Game	3.4%	11.1%	3.2%	6.4%								
Karaoke	1.6%	6.5%	-0.4%	1.8%								
SPO-CHA	1.8%	4.2%	0.9%	4.9%								
Other	-12.2%	-9.6%	-12.8%	-7.6%								

Monthly Sales Trends FY03/14	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Sales (JPYmn)	**6,625**	**7,015**	**6,291**	**6,168**	**8,597**	**6,611**	**5,586**	**5,522**	**7,284**	**8,596**	**6,146**	**8,548**
Bowling	2,306	2,420	2,122	1,922	2,713	2,110	1,795	1,727	2,237	2,708	1,965	2,908
Game	2,598	2,763	2,571	2,719	3,502	2,756	2,379	2,380	3,145	3,621	2,580	3,239
Karaoke	630	667	627	639	838	631	538	537	816	824	601	812
SPO-CHA	862	918	738	668	1,278	881	668	684	880	1,205	802	1,355
Other	227	245	231	219	264	231	203	192	204	235	197	231
Total Sales YoY	**-2.2%**	**-7.1%**	**0.2%**	**-6.7%**	**-1.9%**	**-5.5%**	**-8.5%**	**-3.1%**	**2.9%**	**0.6%**	**-4.0%**	**2.1%**
Bowling	-4.9%	-7.3%	-3.9%	-12.3%	-7.2%	-12.1%	-10.9%	-7.2%	-7.7%	-13.2%	-14.5%	-7.5%
Game	-4.7%	-11.4%	0.5%	-2.7%	1.7%	-2.0%	-8.6%	-2.9%	9.9%	9.2%	2.5%	11.1%
Karaoke	3.2%	2.5%	3.2%	-5.2%	1.8%	-8.0%	-9.0%	-2.3%	2.0%	3.2%	0.3%	5.3%
SPO-CHA	10.7%	0.4%	10.2%	-6.7%	-1.4%	3.7%	-0.3%	8.9%	16.9%	15.5%	5.9%	6.0%
Other	-3.5%	-4.7%	-2.4%	-7.5%	-4.2%	-7.5%	-8.2%	-8.2%	-13.2%	-11.9%	-15.3%	-11.9%
Comparable Store Sales YoY	**-7.1%**	**-8.9%**	**-2.0%**	**-8.8%**	**-3.7%**	**-7.7%**	**-10.7%**	**-5.5%**	**1.8%**	**0.6%**	**-4.0%**	**2.1%**
Bowling	-8.6%	-8.9%	-5.7%	-14.1%	-8.6%	-14.2%	-13.2%	-9.5%	-9.0%	-13.2%	-14.5%	-7.5%
Game	-10.0%	-13.9%	-2.5%	-5.4%	-0.9%	-4.8%	-11.3%	-5.9%	8.6%	9.2%	2.5%	11.1%
Karaoke	-1.7%	0.4%	1.0%	-7.2%	-0.1%	-10.3%	-11.3%	-4.9%	0.4%	3.2%	0.3%	5.3%
SPO-CHA	-3.9%	0.4%	10.2%	-6.7%	-1.4%	3.7%	-0.3%	8.9%	16.9%	15.5%	5.9%	6.0%
Other	-7.4%	-7.0%	-4.6%	-9.9%	-6.5%	-10.1%	-10.9%	-10.3%	-13.6%	-11.9%	-15.3%	-11.9%

Source: Company data, SR Inc. Research

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

View the full report.

MONTHLY WRAP –September 2014

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 **August 4, 2014**, Ryohin Keikaku Co., Ltd. announced monthly sales data for July 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%	1.9%							
Directly managed total	28.4%	2.1%	5.6%	8.2%	6.6%							
Licensed Stores (Inc. Seiyu) (comparable)	20.5%	-2.2%	0.7%	5.0%	-1.3%							
Licensed Stores (Inc. Seiyu) total	21.7%	-1.9%	2.0%	3.8%	-							
Instore (comparable)	21.9%	-2.2%	1.4%	5.0%	1.2%							
Instore total	27.0%	1.3%	4.9%	7.3%	5.3%							
Total	30.6%	12.0%	11.0%	13.6%	22.7%							

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.

Sanix Incorporated (4651)

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

On **August 29, 2014**, Shared Research updated comments on Sanix Incorporated's earnings results for Q1 FY03/15 after interviewing management.

Quarterly Performance	FY03/14				FY03/15				FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	15,753	15,939	19,841	32,689	21,714	-	-	-	42.4%	51,200
YoY	78.6%	70.3%	115.2%	104.8%	37.8%	-	-	-		61.6%
GP	4,631	4,372	5,065	7,353	4,806	-	-	-		
YoY	81.3%	32.8%	74.5%	59.1%	3.8%	-	-	-		
GPM	29.4%	27.4%	25.5%	22.5%	22.1%	-	-	-		
SG&A	3,666	3,842	4,140	5,266	5,935	-	-	-		
YoY	37.3%	44.8%	27.0%	80.5%	61.9%	-	-	-		
SG&A / Sales	23.3%	24.1%	20.9%	16.1%	27.3%	-	-	-		
OP	966	530	925	2,087	-1,129	-	-	-	-	-1,250
YoY	-	-17.2%	-	22.5%	-	-	-	-		-
OPM	6.1%	3.3%	4.7%	6.4%	-	-	-	-		-
RP	925	518	743	2,124	-1,005	-	-	-	-	-1,140
YoY	-	-17.0%	-	24.6%	-	-	-	-		-
RPM	5.9%	3.3%	3.7%	6.5%	-	-	-	-		-
NI	779	273	249	1,664	-1,222	-	-	-	-	-1,490
YoY	-	-50.3%	-	-2.2%	-	-	-	-		-
NPM	4.9%	1.7%	1.3%	5.1%	-	-	-	-		-

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

Sales of PV systems increased significantly in the SE segment. In the environmental resources development (ERD) segment, electricity sales were up significantly at the Tomakomai Power Plant, but sales of plastic fuel and organic waste processing fell due to lower volumes. The company transferred the PV systems business from the HS and ES segments to the SE segment, resulting in a significant fall in sales for these segments as their main business became sanitation maintenance.

The company booked an operating loss in the SE segment because higher sales of PV systems were not enough to absorb fixed costs. This was due to prolonged technical investigations by power companies prior to grid connections, and lack of growth in the number of installations. Profits fell in the ERD segment due to lower volumes. Sales fell in the HS and ES segments as the company restructured them and made maintenance these segments' core business. As a result, profits fell.

On **August 5, 2014**, the company announced a revision to its Q2 FY03/15 earnings forecast.

<u>Revised Q2 FY03/15 earnings forecast (previous forecast in parentheses):</u>
Sales: JPY51.2bn (JPY62.6bn)
Operating loss: JPY1.3bn (operating profit of JPY3.6bn)
Recurring loss: JPY1.1bn (recurring profit of JPY3.5bn)
Net loss: JPY1.5bn (net income of JPY2.2bn)

<u>Revision details</u>
The primary reason for the downward revision of the Q2 FY03/15 earnings forecast is due to power companies requiring more time to plan for connections to transmission grids than initially expected, leading to delays in beginning construction. According to the company, the main reason that planning for connection is requiring more time is a spike in approval orders for commercial PV facility projects during February and March 2014, putting strain on power companies.

Although conditions regarding the above issue are expected to improve during 2H, the company revised its sales forecasts due to the large effect it will have on Q2 earnings. Concerning profits, since sales are forecast to be below initial estimates, the company also revised its forecasts for operating profit, recurring profit, and net income.

The company did not revise its full year forecasts. In addition to approval orders for the company's commercial PV systems significantly exceeding initial estimates from May 2014 onward, Sanix plans to capture contracts for projects that can begin work in the immediate future. According to the company, these measures will allow for it to make up for lower sales in 1H with high sales in 2H.

View the full report.

Sanrio Co., Ltd. (8136)

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

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

Quarterly Performance	FY03/14				FY03/15				FY03/15	
(JPYmn)	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 **August 14, 2014**, Shared Research updated comments on SATO Holdings Corp.'s earnings results for Q1 FY03/15 after interviewing management.

Quarterly Performance	FY03/13				FY03/14				FY03/15		FY03/15		FY03/15	
(JPYmn)	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. In Q1, sales and profits grew in Japan and all overseas regions. Sales were in line with the target, and OPM outperformed the target due to growth in sales of mechatronic products, which have higher margins than supplies.

View the full report.

Ship Healthcare Holdings Inc. (3360)

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

On **August 11, 2014**, Shared Research updated comments on Ship Healthcare Holdings Inc. Q1 FY03/15 earnings based on an interview with management.

Quarterly Performance	FY03/13				FY03/14				FY03/15		FY03/15		FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	**51,185**	**56,624**	**52,906**	**63,648**	**55,330**	**54,256**	**58,337**	**91,266**	**51,504**		**41.5%**	**124,000**	**18.4%**	**280,000**
YoY	23.1%	43.2%	11.2%	5.8%	8.1%	-4.2%	10.3%	43.4%	-6.9%			13.2%		8.0%
GP	7,484	8,030	6,716	8,731	7,255	6,966	7,549	11,787	6,569					
YoY	21.5%	40.4%	1.1%	2.0%	-3.1%	-13.3%	12.4%	35.0%	-9.5%					
GPM	14.6%	14.2%	12.7%	13.7%	13.1%	12.8%	12.9%	12.9%	12.8%					
SG&A	4,361	4,401	4,635	5,020	4,744	4,632	4,924	5,399	5,302					
YoY	14.5%	17.3%	11.0%	-3.7%	8.8%	5.3%	6.2%	7.6%	11.8%					
SG&A / Sales	8.5%	7.8%	8.8%	7.9%	8.6%	8.5%	8.4%	5.9%	10.3%					
OP	**3,122**	**3,629**	**2,081**	**3,711**	**2,511**	**2,333**	**2,625**	**6,388**	**1,267**		**25.3%**	**5,000**	**8.7%**	**14,600**
YoY	32.9%	84.5%	-15.7%	10.9%	-19.6%	-35.7%	26.1%	72.1%	-49.5%			3.2%		5.4%
OPM	6.1%	6.4%	3.9%	5.8%	4.5%	4.3%	4.5%	7.0%	2.5%			4.0%		5.2%
RP	3,460	3,824	2,282	4,023	2,779	2,534	2,859	6,582	1,538		28.5%	5,400	10.3%	15,000
YoY	30.9%	66.8%	-15.9%	11.7%	-19.7%	-33.7%	25.3%	63.6%	-44.7%			1.6%		1.7%
RPM	6.8%	6.8%	4.3%	6.3%	5.0%	4.7%	4.9%	7.2%	3.0%			4.4%		5.4%
NI	2,149	2,257	1,390	2,793	1,597	1,377	1,615	3,934	570		19.0%	3,000	6.5%	8,800
YoY	31.0%	65.1%	-6.4%	10.2%	-25.7%	-39.0%	16.2%	40.8%	-64.3%			0.9%		3.3%
NPM	4.2%	4.0%	2.6%	4.4%	2.9%	2.5%	2.8%	4.3%	1.1%			2.4%		3.1%

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

Ship acquired a company that sells medical instruments and supplies in FY03/14. This company contributed to results in Q1, but overall earnings were sluggish because:
▪There were few large projects booked in the total pack produce business.
▪The company booked upfront expenses related to new nursing care facilities in the healthcare segment;
▪The dispensing pharmacy segment was hit by changes to government-mandated drug prices and the consumption tax hike.

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 **August 8, 2014**, SBS Holdings, Inc. announced earnings results for Q2 FY12/14.

Quarterly Performance	FY12/13				FY12/14				FY12/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	29,833	31,973	33,138	37,261	32,266	33,511	-	-	48.0%	137,000
YoY	-3.7%	0.3%	2.4%	13.9%	8.2%	4.8%	-	-		3.6%
GP	2,312	3,111	3,132	4,904	2,935	3,091	-	-		
YoY	-20.8%	-3.3%	2.9%	44.8%	27.0%	-0.6%	-	-		
GPM	7.7%	9.7%	9.5%	13.2%	9.1%	9.2%	-	-		
SG&A	2,375	2,344	2,294	2,306	2,260	2,285	-	-		
YoY	-0.5%	-3.0%	-2.7%	-8.0%	-4.8%	-2.5%	-	-		
SG&A / Sales	8.0%	7.3%	6.9%	6.2%	7.0%	6.8%	-	-		
OP	-63	767	838	2,599	674	806	-	-	30.8%	4,800
YoY	-	-4.4%	21.9%	194.9%	-	5.1%	-	-		15.9%
OPM	-	2.4%	2.5%	7.0%	2.1%	2.4%	-	-		
RP	-195	730	743	2,524	570	803	-	-	31.2%	4,400
YoY	-	-0.1%	29.0%	227.9%	-	10.1%	-	-		15.8%
RPM	-	2.3%	2.2%	6.8%	1.8%	2.4%	-	-		
NI	-157	307	418	1,004	390	1,371	-	-	50.3%	3,500
YoY	-	15.6%	199.5%	47.9%	-	347.1%	-	-		122.8%
NPM	-	1.0%	1.3%	2.7%	1.2%	4.1%	-	-		

*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

Despite the fallback after the consumption tax hike, the logistics industry picked up after a long period of sluggishness. Shipments rose and higher prices were negotiated with the owners of freight. But pressing issues remain: rising fuel, vehicle-hire, and part-time labor expenses, plus a growing shortage of drivers.

SBS focused on business and investment strategies, plus strengthening group management as it embarks on its midterm plan SBS Growth 2017, which lasts until FY12/17.

SBS focused on sales proposals, with the aim of securing significant new orders. The company responded to higher demand for warehouse work, delivery trucks, and on-demand transportation through March, in the rush to beat the consumption tax hike. The company began providing 3PL services for major food processing companies. It also operated central logistics facilities for department store mail-order businesses and food delivery services in Tokyo and the surrounding area, plus west Japan and Osaka. Demand is growing in the personnel business; and the company began work on new sales offices and facilities, and focused on hiring and sales activities.

The company combined two local subsidiaries in Singapore in January 2014 to accelerate growth in the ASEAN region. In the same month, the company acquired a local container shipping logistics company and entered the freight business in Singapore (in addition to its existing forwarding business).

On **the same day**, the company announced changes to its corporate structure.

The changes are aimed at creating a stronger management foundation as the group looks to achieve the targets in its medium term management plan, SBS Growth 2017.

Changes to the corporate structure

- **Departmental executive officer system**: in order to make its organization more flexible, the company will stop assigning executive officers responsibilities at the group level, such as planning and general affairs. Instead it will assign executive officers to each department.
- **Consolidating the management of two major subsidiaries at the company**: the company will take on the personnel, general affairs, accounting, and transportation safety work, along with the necessary personnel, of SBS Logicom Co., Ltd. and SBS Flec Co., Ltd. The aim is to share administrative and back office work, making it more efficient and standardized.
- **Restructuring**: the company will move from nine departments to 12.

View the full report.

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.

On **August 26, 2014**, SOURCENEXT Corporation announced a business partnership with Les Trois Elles SAS (France).

Under the new partnership, SOURCENEXT will sell Les Trois Elles' Android app "Montessori 1st Operations" in Japan.

On **August 25, 2014**, Shared Research updated comments on the company's earnings results for Q1 FY03/15 after interviewing management.

Quarterly Performance	FY03/14				FY03/15				FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Sales	1,262	1,373	1,778	1,323	1,392				-	-
YoY	2.8%	16.8%	10.4%	15.7%	10.3%					
GP	966	979	1,325	966	1,047					
GPM	76.6%	71.3%	74.5%	73.0%	75.2%					
SG&A	691	737	842	721	729					
YoY	6.8%	16.9%	9.4%	7.6%	5.5%					
OP	276	241	484	245	355				-	-
YoY	104.4%	34.1%	44.5%	99.0%	28.5%					
OPM	21.9%	17.6%	27.2%	18.5%	25.5%					
RP	262	241	479	243	357				-	-
YoY	92.7%	51.5%	48.8%	118.2%	36.4%					
NI	294	282	471	174	368				-	-
YoY	87.8%	69.0%	46.7%	8.2%	25.2%					
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY Est.	FY Est.
Sales	1,262	2,635	4,413	5,736	1,392				48.0%	2,899
YoY	2.8%	9.6%	10.0%	11.2%	10.3%					10.0%
GP	966	1,945	3,270	4,236	1,047					
GPM	76.6%	73.8%	74.1%	73.9%	75.2%					
SG&A	691	1,428	2,269	2,991	729					
YoY	6.8%	11.8%	10.9%	10.1%	5.5%					
OP	276	517	1,001	1,246	355				62.6%	566
YoY	104.4%	64.2%	54.0%	61.2%	28.5%					9.4%
OPM	21.9%	19.6%	22.7%	21.7%	25.5%					19.5%
RP	262	503	983	1,226	357				63.2%	565
YoY	92.7%	70.4%	59.2%	68.2%	36.4%					12.3%
NI	294	576	1,047	1,221	368				71.6%	514
YoY	87.8%	78.1%	62.4%	51.6%	25.2%					-10.7%

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

PC shipments were up 14.8% YoY, as support for Microsoft's Windows XP ended in April (source: JEITA). Smartphone shipments were also robust, despite falling slightly (-4.4%) between January and March 2014 (source: IDC Japan, July 2014).

Amid these conditions, the company prioritized recurring profit growth. The company continued bolstering its financial footing, in addition to expanding its range of PC software and smartphone apps, particularly for Android devices.

MONTHLY WRAP –September 2014

On **August 18, 2014**, the company announced that it will be providing apps to the new App Pass "All You Can Use Software" service developed by SoftBank Mobile.

The company will provide nine apps, including the CHOUDENCHI battery management app, on the App Pass platform for 4G smartphones, which is scheduled to begin service on SoftBank Mobile (subsidiary of SoftBank Corporation; TSE1: 9984) on August 29, 2014.

SOURCENEXT has focused on development and sales of apps for the Android operating system since September 2011, and has been providing apps to KDDI Corporation (TSE1: 9433)'s au Smart Pass platform since March 2012, as well as NTT Docomo Incorporated (TSE1: 9437)'s SUGO-TOKU Contents platform since May 2013. Through providing apps to SoftBank Mobile, the company will provide apps to all three major mobile providers. Products for subscription-based app services provide a stable source of revenue for the company, and the addition of a new platform is expected to aid sales growth in this area.

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

On **August 1, 2014**, Takashimaya Co., Ltd. released monthly store sales data for July 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.

View the full report.

MONTHLY WRAP –September 2014

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 **August 29, 2014**, Tamagawa Holdings Co., Ltd. announced the acquisition of fixed assets (land for a solar park).

The company purchased the land in Sodegaura, Chiba Prefecture with the intention of building a solar power plant.

Location and other details of the assets

- Location: Hayashi Village, Sodegaura, Chiba Prefecture
- Area: 15,000sqm
- Acquisition price: JPY125mn
- Transfer date: November 2014.

The Sodegaura Solar Park

- Capacity: Approx. 1,300kW
- Planned output: Approx. 1.7mn kWh / year.

The company has already obtained Feed-in Tariff (FIT) certification for this renewable energy generation facility from the Ministry of Economy, Trade and Industry (METI). The price of the electricity will be fixed at JPY36 per kWh (before tax) for 20 years.

On **August 11, 2014**, the company announced Q1 earnings results for FY03/15.

Quarterly Performance	FY03/14				FY03/15				FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY Est.	1H Est.
Sales	914	906	918	1,433	835				39.9%	2,092
YoY	23.9%	6.3%	-3.4%	26.7%	-8.7%					14.9%
GP	253	293	301	350	261					
YoY	51.0%	24.7%	-9.6%	12.2%	3.0%					
GPM	27.7%	32.4%	32.8%	24.4%	31.2%					
SG&A	164	167	200	190	204					
YoY	10.2%	4.5%	14.1%	-0.7%	24.0%					
SG&A / Sales	17.9%	18.5%	21.8%	13.2%	24.4%					
OP	89	126	101	161	57				28.5%	201
YoY	371.9%	68.0%	-35.9%	32.5%	-35.8%					-6.6%
OPM	9.8%	13.9%	11.0%	11.2%	6.9%					9.6%
RP	95	124	100	159	56				28.8%	196
YoY	847.7%	69.1%	-36.6%	19.1%	-40.8%					-10.5%
RPM	10.4%	13.7%	10.9%	11.1%	6.8%					9.4%
NI	90	101	114	131	26				20.3%	128
YoY	939.0%	22.0%	-26.8%	42.6%	-71.1%					-32.9%
NPM	9.8%	11.1%	12.5%	9.2%	3.1%					6.1%

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

Electronics and telecoms equipment

This segment saw delayed capex spending from mobile telecoms companies as construction plans were reevaluated for base stations, while public expenditure for defense facilities and public wireless facilities continued. Orders received totaled JPY779mn (+2.8% YoY), sales were JPY776mn (+12.2%), and operating profit was JPY92mn (+13.7%).

Solar system sales

Although the company worked to make sales operations more efficient, there were shipment delays due to construction commencement dates being pushed back. As a result, orders received were JPY141mn (-21.2% YoY), sales were JPY32mn (-85.2%), and operating profit was JPY10mn (operating profit of JPY25mn in Q1 FY03/14).

Solar power plant operations

Sales of electricity at the Shimonoseki solar park were strong and proceeded according to plans. For the segment overall, sales were JPY25mn (no sales recorded in Q1 FY03/14) and operating profit was JPY10mn (operating loss of JPY7mn in Q1 FY03/14).

On **August 4, 2014**, the company announced the acquisition of fixed assets (land for a solar park).

The company purchased the land in Yokohama, Kanagawa Prefecture with the intention of building a solar power plant. The details are as follows:

Location and other details of the assets

- Location: Asahi Ward, Yokohama, Kanagawa Prefecture
- Area: 13,640sqm
- Acquisition price: JPY120mn
- Seller: Undisclosed
- Transfer date: August 4, 2014.

The Yokohama Solar Park

- Area: Approx. 17,000sqm
- Capacity: Approx. 1,200kW
- Planned output: Approx. 1.3mn kWh / year.

> The company has already obtained Feed-in Tariff (FIT) certification for this renewable energy generation facility from the Ministry of Economy, Trade and Industry (METI). The price of the electricity will be fixed at JPY36 per kWh (before tax) for 20 years.

The company is considering whether to sell the facility in lots or to operate it itself. The company is also in the process of determining any effects on earnings.

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 **August 4, 2014**, Shared Research updated the report following interviews with management.

Quarterly Performance	FY03/14				FY03/15				FY03/15	
(JPYmn)	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, operating profit in all segments came in above initial estimates for Q1. However, progress in containing some expenses was behind schedule. The company forecasts that promotional expenses for CATV and procurement costs for LP gas will rise during Q2, leading to overall 1H results that will be only slightly above current estimates. As a result, Tokai has not made any changes to its earnings forecasts.

View the full report.

Verite Co., Ltd. (9904)

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

On **August 14, 2014**, Verite Co. announced earnings results for Q1 FY03/15.

Quarterly Performance	FY03/14				FY03/15				FY03/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	2,251	2,296	2,505	2,726	1,747				19.4%	9,000
YoY	1.5%	-4.0%	-3.2%	-19.0%	-22.4%					
GP	1,127	1,200	1,280	1,270	902					
YoY	-25.9%	-4.5%	-28.2%	-16.5%	-29.0%					
GPM	50.1%	52.3%	51.1%	46.6%	51.6%					
SG&A	1,169	1,148	1,140	1,198	1,027					
YoY	-19.2%	-13.9%	-16.7%	-17.2%	-14.3%					
SG&A / Sales	51.9%	50.0%	45.5%	43.9%	58.8%					
OP	-42	52	140	90	-125				-	240
YoY	-	-169.3%	-66.2%	13.9%	-					
OPM	-	2.3%	5.6%	3.3%	-					
RP	-66	-1	81	6	-151				-	100
YoY	-	-99.0%	-78.6%	-84.6%	-					
RPM	-	-	3.2%	0.2%	-					
NI	-58	-16	69	157	-164				-	40
YoY	-	-92.1%	-80.5%	-27.0%	-					
NPM	-	-	2.8%	5.8%	-					

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

Source: Company data

Amid these conditions, Verite focused on promoting store sales, including developing the QIREINI brand. It also established two new brands for events. The first is a collection exclusively for Verite Diamond Club members. This is a premium collection aimed at high net worth customers. The second is a custom order service. Under this brand, the company aims to add new value to jewelry by adapting and correcting it—in addition to performing standard adjustments and alterations.

On **August 6, 2014**, the company announced July 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%	-9.1%										
Customer Count	-38.7%	-24.9%	-18.2%	-19.7%										
Sales Per Customer	18.0%	13.2%	9.0%	13.2%										
Stores	81	81	81	80										
Comparable Stores														
Sales	-21.8%	-8.6%	-11.1%	-2.3%										
Customer Count	-33.6%	-23.9%	-17.4%	-18.1%										
Sales Per Customer	17.7%	20.1%	7.7%	19.3%										
Stores	76	79	79	80										
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 **August 27, 2014**, Shared Research updated comments on WirelessGate Inc.'s earnings results for Q2 FY12/14 after interviewing management.

Quarterly Performance	FY12/13				FY12/14				FY12/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	1,617	1,729	1,811	1,898	2,046	2,159	-	-	103.1%	4,077
YoY	31.3%	29.9%	27.3%	25.3%	26.5%	24.8%	-	-		21.8%
GP	502	529	564	571	594	603	-	-		
YoY	17.4%	19.0%	21.6%	22.3%	18.2%	14.1%	-	-		
GPM	31.0%	30.6%	31.1%	30.1%	29.0%	27.9%	-	-		
SG&A	326	339	354	361	386	404	-	-		
YoY	18.7%	9.2%	17.5%	13.2%	18.3%	19.1%	-	-		
SG&A / Sales	20.2%	19.6%	19.6%	19.0%	18.9%	18.7%	-	-		
OP	176	190	210	210	208	200	-	-	98.5%	414
YoY	15.1%	41.8%	29.3%	41.9%	18.2%	5.1%	-	-		13.1%
OPM	10.9%	11.0%	11.6%	11.1%	10.2%	9.3%	-	-		10.2%
RP	176	190	209	210	207	199	-	-	98.7%	412
YoY	15.1%	44.2%	45.1%	42.4%	17.9%	5.0%	-	-		12.7%
RPM	10.9%	11.0%	11.5%	11.0%	10.1%	9.2%	-	-		10.1%
NI	108	117	129	129	127	131	-	-	100.0%	258
YoY	-29.0%	14.5%	53.2%	52.4%	16.8%	12.5%	-	-		14.6%
NPM	6.7%	6.8%	7.1%	6.8%	6.2%	6.1%	-	-		6.3%
Cumulative	Q1	1H	Q3	FY	Q1	1H	Q3	FY	% of FY	FY Est.
Sales	1,617	3,346	5,157	7,055	2,046	4,204	-	-	49.4%	8,509
YoY	31.3%	30.6%	29.4%	28.3%	26.5%	25.6%	-	-		20.6%
GP	502	1,031	1,595	2,165	594	1,197	-	-		
YoY	17.4%	18.2%	19.4%	20.1%	18.2%	16.1%	-	-		
GPM	31.0%	30.8%	30.9%	30.7%	29.0%	28.5%	-	-		
SG&A	326	665	1,019	1,380	386	789	-	-		
YoY	18.7%	13.6%	14.9%	14.5%	18.3%	18.7%	-	-		
SG&A / Sales	20.2%	19.9%	19.8%	19.6%	18.9%	18.8%	-	-		
OP	176	366	576	786	208	408	-	-	45.3%	900
YoY	15.1%	27.6%	28.2%	31.6%	18.2%	11.4%	-	-		14.6%
OPM	10.9%	10.9%	11.2%	11.1%	10.2%	9.7%	-	-		10.6%
RP	176	366	575	785	207	407	-	-	45.3%	898
YoY	15.1%	28.6%	34.1%	36.2%	17.9%	11.2%	-	-		14.5%
RPM	10.9%	10.9%	11.1%	11.1%	10.1%	9.7%	-	-		10.6%
NI	108	225	354	483	127	258	-	-	47.5%	543
YoY	-29.0%	-11.6%	4.5%	14.1%	16.8%	14.6%	-	-		12.4%
NPM	6.7%	6.7%	6.9%	6.8%	6.2%	6.1%	-	-		6.4%

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

The total number of subscribers in FY 12/14 increased to about 460,000 from around 420,000 at end FY12/13, due to efforts to acquire new subscribers in each service. In particular, a boost in subscribers of mobile internet services (with high sales and profits per user) contributed to 1H sales.

On **August 1, 2014**, the company announced the launch of its Cloud-Based Monitoring Service, the first wave of its M2M/IoT LTE solutions.

WirelessGate will team up with bio sync Co., Ltd. and bio silver Co., Ltd. to offer the service. Bio sync provides medical instruments and nursing products that use biological sensors. Bio silver distributes bio sync products.

The service combines sensors, cloud solutions, and communications services for a one-stop service that is easy to implement. Bio sync's proprietary non-contact and non-restrictive mat sensors provide information on the heartbeat, breathing, and movements of users lying on them.

This cloud-based application uses WirelessGate's LTE services. According to the company, it will have a negligible effect on FY12/14 earnings, but may contribute over the medium term.

Key features

- Real-time remote data from sensors;
- Rapid alerts for changes in the user's condition;
- Graphs showing daily data;
- Real-time video monitoring with the Monitoring Camera optional feature.

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 **August 8, 2014**, Yumeshin Holdings released monthly sales and hiring data for July 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**	**1,023**			**9,524**
(YoY)	33.6%	43.5%	40.8%	40.4%	42.2%	53.1%	47.9%	52.0%	47.7%	42.9%			
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	140			1,444
(Difference)	-3	4	-41	36	30	43	51	-7	-9	-30			74

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

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MONTHLY WRAP –September 2014

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