Shared Research Monthly Wrap - October 2014

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TABLE OF CONTENTS

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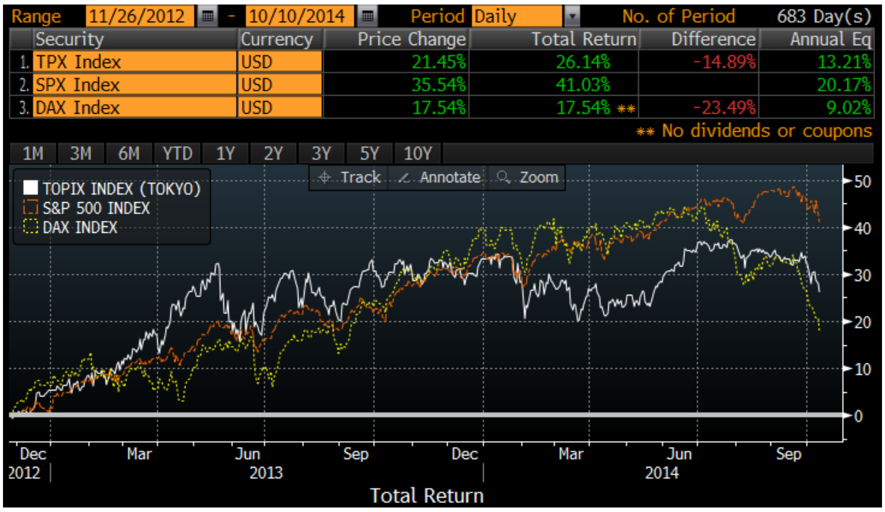
Monthly musings

Market view from Sendagi

Dear readers,

In this issue of the Market View I want to return to the topic of corporate governance in Japan and how is it going to change. As I discussed before, I believe this is one of the most fundamental shifts in Japanese corporate practices in the past 20 years, and possibly since WWII.

As for the market, having dabbled in trading myself over the past few months, I can attest to the fact that when you look at it in short-term chunks, it all starts feeling…confusing. You want good news? From November 16, 2012, the start of the Japanese bull market, **Japan is again outperforming** the Germans, the French, and the Brits—when measured in the same currency. So far Uncle Sam—as often happens—has stayed on top. My favorite chart now looks like this:



(Source: Bloomberg)

If you asked me if it was over, despite my doubts I would answer, "no way!" When I look only at Japan—forgetting about German exports, the Fed, Ebola, and all that jazz—I see **historically attractive valuations, supportive foreign exchange** (a key driver historically and logically), and policies that are changing for the better. So I rest my case; let me stay bullish and return to the tidal shift in Japanese corporate governance.

I have discussed the **Japan's Stewardship Code** in detail before, and also highlighted the importance of the new **Corporate Governance Code** that is being discussed and developed by a panel of experts, to be unveiled in 2015. Given how Japan works, introduction of these documents will have a **profound**—if gradual—**impact** on managements' attitudes.

One of the key documents that is shaping the discussion of Japan's corporate governance and its attitudes towards investors is the Ito Review of Competitiveness and Incentives for Sustainable Growth—Building Favorable Relationships between Companies and Investors (known as the **Ito Review)**. Penned by Kunio Ito, Professor of the Graduate School of Commerce and Management at Hitotsubashi University, this review is an attempt to understand why Japan has underperformed as an economy and market over the past 20 years, and to provide recommendations to address the issues.

Although the Ito Review is **inspired by the Kay Review of UK Equity Markets and Long-Term Decision Making**—a UK document that in 2012 looked at the issues of short-termism among institutional investors and the relationship between investors and public companies—the Japanese counterpart has a different focus and key audience. The Kay Review primarily addresses market participants with a secondary audience of company boards and regulators. The **Ito Review addresses first and foremost Japanese corporations and their managements**, and only then—investors.

The Ito Review was conducted under the auspices of the Ministry of Economy, Trade, and Industry (METI) and supported by a panel of 50 experts, heavy on company representatives and academics. About 10 institutional investors were also present, with notable members such as Scott Callon of Ichigo Asset Management and Atsuto Sawakami of Sawakami Asset Management.

The review starts by saying that "there is no doubt that Japan is of the strongest contenders [as the most innovative country]," and then asks why all this innovation has never—over the past 20 years—produced high returns on capital for Japanese companies or long-term investors in the Japanese stock market.

I disagree with the notion of an innovative Japan. Registering many patents is not an efficient way of looking at innovation; if innovation is "new ways of doing business and delivering value," it is hard to find recent examples of a truly original approach to business or product development anywhere in this country.

However, that is not what the review is about, so let's cut it some slack. Let's simply say that Japan is good at incremental improvements of existing practices. If we define this as "innovation," then Japan would rank very high. Therefore, the question raised in the Ito Review remains valid: **Why** is it that the country in which businesses are **so capable at engineering** has been **so pathetic in translating that success into better returns** for themselves and their shareholders?

There is *plenty* in the review that represents **maxims** which may or may not hold water. The **cost of capital** for Japanese corporates is one such example. The Review states that the cost of equity capital for Japanese corporates is **7%,** and cites a study by Ryohei Yanagi, head of IR at Eisai, who in turn appears to derive that number from other studies and reviews of investor opinions. This may be so, but as many CFOs in Japan will tell you, **why bother with attracting outside equity** capital if it's so costly compared to **debt** capital. The latter can be obtained by a large listed company for **under 1%**.

Indeed, the review appears to ignore the availability of cheap debt, stating for instance that "the average ROE for Japanese companies has been below 5%, despite their cost of capital being far in excess of this level." The first part is undoubtedly true, but the second part refuses to acknowledge that it is the *equity capital cost*, not the overall capital cost, that is being discussed. With debt, the cost of capital is lower. Meanwhile, the equity holders ultimately benefit from the leverage that the debt provides. It seems to me that the **most critical distinction between Japanese** and Western managements is that the former **are not value-maximizers** for reasons of culture and different incentive structures, relative investor power, and relative development level of capital markets.

The "cost of capital" is only a cost when you need capital. Otherwise, it is simply a "**required rate of return.**" If companies do not systematically tap into equity markets because they are not long-term maximizing but instead short-term optimizing—for which their own equity and cheap debt are sufficient—then equity investors can require all they want. In the **absence of corporate control** and investor-friendly courts, **when the music stops, managements are firmly in their chairs,** and the investor is out of the game**.**

I expect the Ito Review's assertion of the super-high cost of capital and similar points—such as the implied assertion that long-term growth and ability to innovate are a function of the availability of capital—will lower its effectiveness. But rather than digress further, let's continue reviewing the review.

The Ito Review identified three core concerns that may be contributing to Japan's underperformance:

- **Short-termism of Japan's managements** leading to failure to attract long-term equity capital that in turn leads to erosion of competitiveness and innovation.

- **Short-termism of investors** that is potentially driving the short-termism of the managements.
- **Insufficient dialogue** among companies and investors; as a result they just sit there and blame each other.

The review states that one of the early problems that later led to underperformance was the "**double standard**" of Japanese management—**pay a lip service to ROE and EVA but ignore such measures in internal investment decisions**, budgeting, and management evaluation. (Below and elsewhere, the italicized text represents direct quotes from the Ito Review.)

> *Unlike until the 1980's, starting in the 1990's the growth and profitability of Japanese companies dramatically declined and the markets started seeing through this "double standard." Furthermore, while Japanese companies regularly disclose mid-term business plans, the actual rate of achievement of these plans is extremely low. One reason behind this may be a* ***fundamental deterioration of Japanese managements' ability to operate businesses****, but it is also a result of* ***management operating towards a different set of goals from those disclosed to the capital markets****.*[1]

In addition, regarding "capital market short-termism," the review mentions historical reliance on bank debt financing and lack of sophistication of investors as sources of trouble, calling for remedies that would allow Japan to "transform itself into an **asset management nation focused on deriving returns from long-term investment.**" I agree, but—without undue cynicism—note the recent write-off by Sumitomo Corp. and the subsequent market reaction as an example of how perilous this long-term investment road can be.

One of the central claims that the Ito Review makes:

> ***The key to increasing long-term corporate value and driving sustainable growth*** *is to create a* ***virtuous cycle in which innovation drives strong profitability and capital efficiency,*** *which in turn attracts support and long-term capital from investors that can be used to drive further innovation.*

What to do to create this virtuous cycle? **Get to 8% ROE**, the review says.

> *Although the actual cost of capital differs between companies, the first step in receiving recognition from global investors is for a company to commit to achieving a minimum ROE of 8%. Needless to say, this 8% ROE is a minimum level and companies should seek to generate higher ROEs.*

One of the most important findings of the Ito Review is that when decomposed into core components of profitability and capital structure, **Japanese** companies' **low ROEs are a function of lower profitability,** not overly conservative capital structure. In that sense, despite its call for high ROEs and even specific nationwide ROE targets, **the main message** to corporate Japan seems to be: **Make better margins!** I couldn't agree more.

The review discusses at a great length issues that are basic in nature, such as why investors don't like it when companies hoard cash, and why such investors deserve to be treated better (because they take risks and deserve to be rewarded). It also highlights basic tenets of corporate governance, such as the need for "balance between internal and external control, with the basic principle being that company management with their superior understanding of internal company dynamics will take the lead in establishing an appropriate control structure."

The document highlights how companies are prevented from properly understanding their financial positions because of the lack of professional CFOs. I would say that this gap in understanding is not an

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1 Kunio Ito, "Ito Review of Competitiveness and Incentives for Sustainable Growth—Building Favorable Relationships between Companies and Investors," August 2014.

issue of CFOs, but rather the lack of a basic financial education: Japan has few robust undergraduate financial programs, and its MBA schools fail to show up in the Top 100 of most global MBA rankings.

The issue of external directors and responsibility of chief executives is discussed rather lightly. I suspect that the presence of a small number of executives from companies known for opposing more power to the boards (such as Toray) on the panel may have something to do with it. Overall, the issue of enforcing governance immediately slides into colorful language about the necessity of dialogue, a tendency very similar to that of the Japan's Stewardship Code for investors—a document that seems to be a copy-and-paste version of the UK code apart from the portion that encourages investors to escalate their actions when companies don't listen.

The Ito Review's main points regarding dialogue between investors and companies are as follows—with my comments attached:

- **Going on overseas IR trips is a good thing.** Maybe, but is there any evidence that it helps?
- **Having internal targets which are different from the public forecast is a bad thing.** Possibly, but investors hate it when companies miss their forecasts, and companies hate seeing their share price pummelled; without a doubt, the conservatism of public promises helps companies manage volatility of their stock.
- **Dialogue is better than simply answering investors' questions.** I couldn't agree more and believe that comprehensive reports such as those by Shared Research are an excellent tool to enable such dialogue. Most investors don't have time for multiple meetings with a single company, and it is difficult for companies to prepare materials from an investor's standpoint. We do just that, providing tools that allow companies and investors to have a dialogue during short face-to-face meetings.
- **Japanese ROEs are lower because Japanese companies have lower margins than their European and US counterparts.** This is not a surprise, given that Japanese CEOs don't maximize for profit but optimize for stakeholders. The latter includes employees and local communities who would suffer from consolidations and divestitures, **and—most important from management's perspective—itself**. A merger between two companies typically means you only need a half of the senior executives, and just one CEO. In Japan, the departing CEO doesn't get a package big enough to buy a Boeing and then move to another company: He disappears into oblivion after getting a one-time payment equivalent to what his Western peers may spend on their second-house refurbishments.
- **Over the 20 years of Japanese underperformance, 200 companies out of 1,600 delivered global levels of returns. The review concludes that this was due to (a) pricing power; (b) staying dominant and thus optimizing the business portfolio; (c) innovation; and (d) ability and willingness to change.** Makes total sense.
- **When compared to its international peers, executive compensation of Japanese companies is low and has minimum alignment with earnings or share price performance.** Yes, as I discussed in the previous issue of the Market View, Japanese managers are not in it for money. Too bad. Encourage second-home buying?
- **Investors care about ROEs, but Japanese companies care much less.** Yes indeed. One of the superficial arguments by the corporates against using ROEs as core metrics is that ROEs can be manipulated, but rely on more debt. Thus, the review emphasizes how Japanese companies need to focus more on core profitability and less on capital structure. It goes on to say, *"Although there is some controversy as to whether companies should maximize ROE, there appears to be a common understanding that at the very least companies should target an ROE that is above their cost of capital."* Again, I think the point here is the tendency to optimize rather than maximize—and incentives are to blame.
- **The cost of capital is a confusing issue. It could be WACC, but is actually "intangible value."** Reading the Ito Review, I felt that when the issue of cost of capital was discussed, the confusion seeped in. In fact, WACC should be good enough. Simplistically, implied required rates of returns can be calculated, and when share prices generate implied returns that are substantially lower compared to historical ones (stock-trading at a premium)—companies should raise capital.

When it's the other way around, they should buy back stock. In this sequence, the dialogue with investors can be seen as a promotional activity by the company to achieve premium, or at least fair valuation. Once again, the problem in Japan is that managements are not terribly incentivized to do so.

- **The average shareholding period in Japanese companies is getting shorter. At least one reason seems to be that investors came to expect price appreciation not to continue in the long run.** I agree, and think that this issue could be caused by the end-of-growth phenomenon in the economy itself. Other contributors are poorly developed capital markets, lack of core domestic investors, and weak corporate governance—particularly in the part where poor management is addressed by the change of the management and/or change of control.
- **"Companies and investors would both agree with the view that corporate value must be increased… However, there appear to be divergent views on how 'corporate value' is defined… This perception gap may hinder effective dialogue between companies and investors."** This is a great point and I believe that in the absence of effective tools such as the active market of corporate control, defining terms such as "value" is key, and in Japan it should be done via quasi-regulatory means. Corporate Japan must be told what the "corporate value" is; then the issue of dialogue will be easier to resolve.

I mentioned how **Shared Research** helps companies and investors develop a constructive and time-efficient dialogue. I want to reiterate how we add value—by providing investors with a comprehensive document summarizing the information necessary to a typical institutional investor. At the same time, we focus on staying neutral while giving a voice to the company: We decode the strategies and messages conveyed by management. This way, investors can focus on asking why—instead of what and how—for a better dialogue. Shared Research coverage in its current form is underwritten by the companies themselves and costs investors nothing. **You, the investors, can benefit** by encouraging companies large and small to employ Shared Research as a tool for company-investor dialogue; the dialogue that is so lacking, as pointed out in the Ito review:

> *With respect to the principle of dialogue and engagement stipulated in Japan's Stewardship Code, given the strong view that **true dialogue is lacking between companies and investors**, there was heavy focus of discussion on this issue. Issues include the current state and content of dialogue… These discussions resulted in … **recognition that some of the dialogue and engagement** … to this point has not necessarily been **focused** on the quality of interaction but rather **on the number of interactions** in and of itself. Furthermore, there is concern that in situations where **investors do not possess adequate capability to assess the sustainable growth** of companies, dialogue with such investors would inadvertently absorb management's time and thus potentially serve as an impediment to growing corporate value.*

Shared Research solves a large part of that problem by answering questions asked by most investors. In my experience, investors ask 80% to 90% of the same questions. We provide answers to those questions so that you—the investor—can focus on the remaining 10%-20%.

The Ito review lists a number of recommendations. I believe that if such recommendations are incorporated into the upcoming Corporate Governance Code and similar official documents, even if such documents are not legally enforced, it will lead to better governance, and ultimately better returns for corporate Japan.

A collection of the more notable Ito Review recommendations:

- "Companies must adopt metrics such as ROE as target performance indicators and commit to managing to such measures… Although the actual cost of capital differs between companies, the first step in receiving recognition from global investors is for a company to commit to achieving a minimum ROE of 8%. Companies should further strive to achieve a higher ROE appropriate to their specific business and that will contribute to sustainable growth."

- "It would be mutually beneficial for companies and investors if company management were to examine their capital policies (dividends, share buybacks, re-investment, etc.) from the perspective of mid/long-term corporate value creation, and explain their views on this issue when engaging in dialogue with investors."
- "It is important … to discuss the role and use of retained earnings in light of mid/long-term business strategies as well as various risk factors. The same applies to discussions on cross-shareholdings and parent-subsidiary listings in that providing adequate explanation as to the purpose and business efficacy of these actions is important for company management to secure investor trust."
- "In order to incorporate capital discipline… into mid/long-term management, reforming business models, management systems and incentive structures is needed. In addition, more precise risk management frameworks must be employed to ensure appropriate risks are taken in the pursuit of increased competitiveness. The presence of a capable CFO is a crucial prerequisite for a CEO to perform the above."
- "It is important for companies to decompose ROE into measures such as profitability and asset turnover ratios so that ROE can be translated into metrics usable at the operational level. To this end, the use of a metric such as ROIC (return on invested capital) can be useful in evaluating business operating units in terms of their specific returns on capital. It is important that ROE be translated into internal goals, and that specific examples of this (e.g. decomposed management goals and logic trees) be provided when expressing management strategy to investors during the course of dialogue."
- "When investors have dialogue with companies, they should not only impose ROE expectations, but should work with companies to decompose ROE into subcomponents that can aid specific decisions such as production lead times, shortening inventory periods, and improving yields."
- "In order to promote sustainable corporate value creation, a forum (e.g. "Management Investor Forum: MIF") should be established... [to] discuss the issues raised in this report such as appropriate disclosure from a long-term perspective and integrated reporting, and the promotion of constructive dialogue between companies and investors."
- "Corporate disclosures should be reformed to provide investors with information that can be used to assess mid/long-term corporate value creation. Integrated reporting is necessary to avoid an over-emphasis on short-term performance..."
- "It should be emphasized that purposeful dialogue and engagement has a much stronger element of bilateral communication compared to the IR activities that have taken place until now. Investors should inform companies of the type of information they require for making investment decisions and how they value companies. Investors should not only seek information from companies, but should also be ready to listen to the opinions and views of companies."
- "Dialogue and engagement is desirable only to the extent that it promotes the mid/long-term creation of corporate value and helps drive sustainable growth. To this end, institutional investors should prepare so that they have a deep understanding of the portfolio company and its surrounding business environment, and should not simply resort to narrow discussions of earnings numbers. Investors should instead be prepared for purposeful dialogue on a range of issues they can constructively discuss with companies, including issues such as governance, business strategy, earnings, capital policy, and risk management."
- "In conducting dialogue, discussion should not focus solely on earnings but should also extend to the balance sheet and cash flows, all from a long-term perspective. It is very important that dialogue also includes capital efficiency issues, including the cost of capital and the use of retained earnings. It is especially important that company management clearly communicate their perspectives on these matters to investors."
- "Companies must ensure that any knowledge and information obtained through dialogue with investors is appropriately shared within management teams and taken advantage of in actual operations to enhance corporate value."
- "…Important to have direct dialogue with institutional investors. If companies move ahead with this type of direct dialogue, then unlike dealing indiscriminately with all investors, they can establish …

relationships with investors that possess a deep understanding and appreciation towards their management policies. If this type of relationship can be developed, then it becomes important for companies to deeply analyze their investor base in order to determine which investors with whom they should engage."

While I broadly agree with most of the recommendations and think they are generally common sense, I think this last one is dangerous. A few investors, even deep-pocketed ones, cannot ensure that the company will be fairly valued. It is critical to reach out to a maximum number of investors through company materials, participation in events such as conferences, or tools such as Shared Research coverage. Acting on the recommendation above, companies will have a tendency to pre-select investors by "prestige" and "friendliness," eventually destroying any notion of a level playing field. The end result of such practices is a deep and fundamental lack of fairness, eventually leading to an erosion of investor base and increased share price volatility. Japan needs to broaden its investor base. If companies follow this recommendation and inevitably focus on "house friends," this will make the Japanese market even less hospitable than it has been over the past 20 years.

The review also has recommendations for investors. While well-intentioned, they demonstrate attitudes similar to the companies themselves; simply put, they are naïve and unrealistic.

While the review gives a nod to short-termism among investors (a fair point), the issue of diversification by investors is less well-addressed. From an investor's perspective, it is obvious. Modern institutional investors tend to have their investments dispersed among many issues and countries. Furthermore, generally portfolio managers and analysts have to study not only the companies they invest in but a broader range of potential candidates. This significantly restricts each company's average "air time." In order to be efficient, dialogue must be both deep and broad.

In my experience, investors and companies often have quite different notions of efficiency. One simple example is when companies hope to meet with investors on a quarterly or semi-annual basis. While many holders will attempt to do so, it requires substantial time commitment, and in most cases, it means large cap companies meet large investors. Meanwhile, small caps remain underserved, as they desperately try to meet investors face-to-face. Furthermore, companies will meet with investors who like them, when in many cases they would learn more from those who don't. That's why, in my view, providing comprehensive information and getting feedback from as many investors as possible is crucial.

While you may think that this installment of the Market View is quite wordy, I still have around 75 pages of the Ito Review to peruse (you were exposed to essential parts squeezed out of the first 50 or so). The next issue will follow up on whatever I find to be worth your attention. Unless the market goes up—then it will be more fun speculating about the next level for Topix.

Meanwhile, have a great investor-company dialogue!

Yours,

Oleg Zuravljov

MONTHLY WRAP –October 2014

TOPIX100 Portfolio

Return Comparison (%)	
TPX100	4.96
Portfolio	4.06
TPX100	Points
2014/5/2	781.43
2014/10/10	820.37

Start Date	Current Date
2014/5/2	2014/10/10

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	10.46	11.0
8306 JT Equity	Mitsubishi UFJ Financial Group Inc	BOW	5.47	8.0
9984 JT Equity	SoftBank Corp	MW	-8.97	3.7
8316 JT Equity	Sumitomo Mitsui Financial Group Ir	BOW	-0.77	5.9
7267 JT Equity	Honda Motor Co Ltd	MW	1.24	3.0
8411 JT Equity	Mizuho Financial Group Inc	BOW	-5.57	4.9
9432 JT Equity	Nippon Telegraph & Telephone Co	OW	11.10	3.1
2914 JT Equity	Japan Tobacco Inc	UW	6.06	0.0
6954 JT Equity	FANUC Corp	UW	1.31	0.0
7751 JT Equity	Canon Inc	MW	5.89	1.8
4502 JT Equity	Takeda Pharmaceutical Co Ltd	MW	0.68	1.8
6501 JT Equity	Hitachi Ltd	UW	3.88	0.0
9433 JT Equity	KDDI Corp	UW	15.81	0.0
8802 JT Equity	Mitsubishi Estate Co Ltd	MW	-8.10	1.6
3382 JT Equity	Seven & I Holdings Co Ltd	MW	1.04	1.6
8801 JT Equity	Mitsui Fudosan Co Ltd	MW	-3.07	1.4
8058 JT Equity	Mitsubishi Corp	MW	13.16	1.4
4503 JT Equity	Astellas Pharma Inc	UW	36.74	0.0
9020 JT Equity	East Japan Railway Co	MW	9.80	1.3
9437 JT Equity	NTT DOCOMO Inc	OW	6.14	1.9
8031 JT Equity	Mitsui & Co Ltd	OW	11.17	1.9
6752 JT Equity	Panasonic Corp	MW	9.16	1.2
8604 JT Equity	Nomura Holdings Inc	BOW	-2.23	2.4
7201 JT Equity	Nissan Motor Co Ltd	MW	11.17	1.2
5108 JT Equity	Bridgestone Corp	MW	-5.65	1.2
6503 JT Equity	Mitsubishi Electric Corp	UW	7.63	0.0
5401 JT Equity	Nippon Steel & Sumitomo Metal Co	MW	-3.76	1.2
8766 JT Equity	Tokio Marine Holdings Inc	UW	7.60	0.0
6902 JT Equity	Denso Corp	UW	2.72	0.0
9022 JT Equity	Central Japan Railway Co	UW	11.97	0.0
4063 JT Equity	Shin-Etsu Chemical Co Ltd	MW	12.61	1.1
6301 JT Equity	Komatsu Ltd	MW	6.98	1.1
4452 JT Equity	Kao Corp	UW	7.55	0.0
6758 JT Equity	Sony Corp	MW	4.56	1.0
7011 JT Equity	Mitsubishi Heavy Industries Ltd	MW	16.95	0.9
8830 JT Equity	Sumitomo Realty & Development (	UW	-11.60	0.0
8591 JT Equity	ORIX Corp	BOW	-9.97	1.8
6981 JT Equity	Murata Manufacturing Co Ltd	MW	26.74	0.9
7270 JT Equity	Fuji Heavy Industries Ltd	UW	21.57	0.0
8001 JT Equity	ITOCHU Corp	UW	6.77	0.0
6861 JT Equity	Keyence Corp	UW	13.85	0.0
8309 JT Equity	Sumitomo Mitsui Trust Holdings Inc	MW	-0.77	0.8
6971 JT Equity	Kyocera Corp	MW	-0.54	0.8
6367 JT Equity	Daikin Industries Ltd	MW	5.06	0.8
1605 JT Equity	Inpex Corp	OW	-9.97	1.2
6502 JT Equity	Toshiba Corp	MW	14.89	0.8
8601 JT Equity	Daiwa Securities Group Inc	OW	0.85	1.1
8053 JT Equity	Sumitomo Corp	BOW	-11.30	1.4
7741 JT Equity	Hoya Corp	MW	10.32	0.7
6273 JT Equity	SMC Corp/Japan	UW	11.99	0.0

Ticker	Name	Weight Rel. To TPX100	Total Return (%)	Wgt (%)
6326 JT Equity	Kubota Corp	MW	13.99	0.7
8750 JT Equity	Dai-ichi Life Insurance Co Ltd/The	MW	1.61	0.7
8725 JT Equity	MS&AD Insurance Group Holdings	OW	-3.99	1.0
7974 JT Equity	Nintendo Co Ltd	BOW	1.96	1.3
2503 JT Equity	Kirin Holdings Co Ltd	UW	2.62	0.0
6594 JT Equity	Nidec Corp	MW	14.95	0.6
9735 JT Equity	Secom Co Ltd	MW	7.40	0.6
6702 JT Equity	Fujitsu Ltd	MW	3.07	0.6
2502 JT Equity	Asahi Group Holdings Ltd	UW	13.54	0.0
9983 JT Equity	Fast Retailing Co Ltd	UW	18.79	0.0
9531 JT Equity	Tokyo Gas Co Ltd	MW	10.08	0.6
4578 JT Equity	Otsuka Holdings Co Ltd	OW	26.54	0.9
4901 JT Equity	FUJIFILM Holdings Corp	OW	27.96	0.9
5020 JT Equity	JX Holdings Inc	MW	-8.49	0.6
8002 JT Equity	Marubeni Corp	OW	1.86	0.8
8630 JT Equity	NKSJ Holdings Inc	OW	-7.06	0.8
5802 JT Equity	Sumitomo Electric Industries Ltd	MW	3.85	0.5
4568 JT Equity	Daiichi Sankyo Co Ltd	UW	-1.91	0.0
7269 JT Equity	Suzuki Motor Corp	UW	21.20	0.0
1925 JT Equity	Daiwa House Industry Co Ltd	MW	12.11	0.5
8035 JT Equity	Tokyo Electron Ltd	MW	16.89	0.5
4523 JT Equity	Eisai Co Ltd	MW	9.02	0.5
3402 JT Equity	Toray Industries Inc	MW	4.91	0.5
5411 JT Equity	JFE Holdings Inc	OW	7.31	0.7
8308 JT Equity	Resona Holdings Inc	OW	11.26	0.7
8267 JT Equity	Aeon Co Ltd	BOW	-6.82	0.9
3407 JT Equity	Asahi Kasei Corp	OW	29.31	0.6
1878 JT Equity	Daito Trust Construction Co Ltd	UW	21.85	0.0
9202 JT Equity	ANA Holdings Inc	MW	7.48	0.4
4661 JT Equity	Oriental Land Co Ltd/Japan	UW	36.70	0.0
8795 JT Equity	T&D Holdings Inc	OW	1.83	0.6
9064 JT Equity	Yamato Holdings Co Ltd	MW	-9.49	0.4
5713 JT Equity	Sumitomo Metal Mining Co Ltd	OW	-4.71	0.6
6988 JT Equity	Nitto Denko Corp	MW	21.39	0.4
2802 JT Equity	Ajinomoto Co Inc	UW	27.18	0.0
9532 JT Equity	Osaka Gas Co Ltd	UW	11.60	0.0
9502 JT Equity	Chubu Electric Power Co Inc	MW	3.62	0.4
1963 JT Equity	JGC Corp	MW	-20.71	0.4
8113 JT Equity	Unicharm Corp	MW	28.24	0.4
1928 JT Equity	Sekisui House Ltd	UW	3.02	0.0
9021 JT Equity	West Japan Railway Co	OW	21.16	0.5
9503 JT Equity	Kansai Electric Power Co Inc/The	OW	5.82	0.5
7752 JT Equity	Ricoh Co Ltd	BOW	-4.44	0.7
7202 JT Equity	Isuzu Motors Ltd	MW	14.79	0.3
4911 JT Equity	Shiseido Co Ltd	MW	-0.92	0.3
8332 JT Equity	Bank of Yokohama Ltd/The	BOW	10.67	0.6
7731 JT Equity	Nikon Corp	BOW	-7.47	0.6
5201 JT Equity	Asahi Glass Co Ltd	BOW	-3.68	0.6
7912 JT Equity	Dai Nippon Printing Co Ltd	OW	10.45	0.4
4188 JT Equity	Mitsubishi Chemical Holdings Corp	BOW	25.78	0.5

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

New Coverage

Hearts United Group Co., Ltd. (3676)

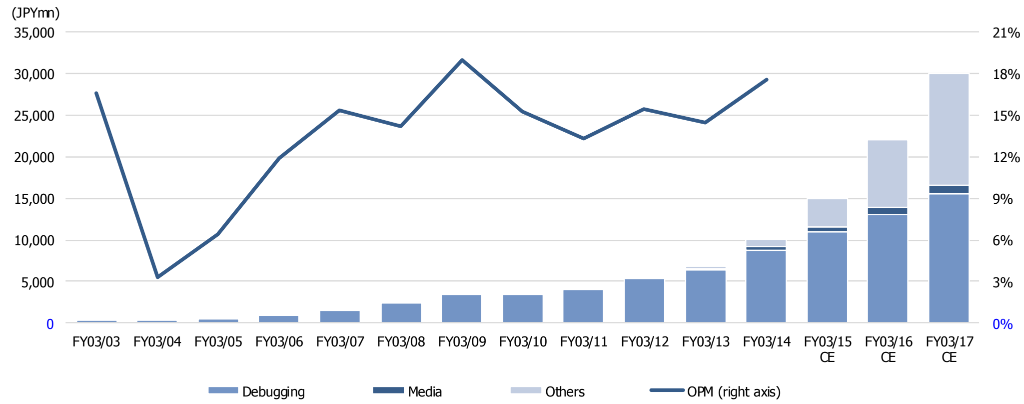
Core business in software debugging, provides testing from both developer's and user's perspectives. Aims to enter new fields and overseas markets through acquisitions.

HUG's main business is debugging services. The company was established as the holding company of Digital Hearts in October, 2013, via simple transfer of shares.

The company has three segments, as follows.
- Debugging
- Media
- Creative.

Businesses not included in the above segments are grouped as "other businesses."

Performance: actual and projected



Source: Company data

Segment performance (JPYmn)	FY03/12 FY	FY03/13 FY	FY03/14 FY	FY03/13 Q1	FY03/13 Q2	FY03/13 Q3	FY03/13 Q4	FY03/14 Q1	FY03/14 Q2	FY03/14 Q3	FY03/14 Q4	FY03/15 Q1
Sales	**5,386**	**6,886**	**10,138**	**1,346**	**1,633**	**1,953**	**1,955**	**2,118**	**2,541**	**2,901**	**2,577**	**3,103**
Debugging	5,374	6,381	8,798	1,287	1,563	1,815	1,716	1,884	2,279	2,562	2,073	2,284
Media		175	484			55	120	124	145	115	99	120
Creative												395
Others	12	346	881	60	72	84	130	126	129	217	408	309
Eliminations		-16	-24	-2	-2	-2	-11	-17	-3	-3	-2	-5
Operating profit	**834**	**994**	**1,781**	**126**	**226**	**351**	**291**	**330**	**529**	**603**	**319**	**321**
Debugging	1,523	1,742	2,631	324	430	523	465	546	713	874	499	545
Media		28	35			18	9	10	20	9	-4	1
Creative												-123
Others	-107	-99	-46	-37	-28	-21	-13	-30	-15	-9	8	9
Eliminations	-582	-676	-840	-161	-175	-169	-171	-196	-186	-275	-184	-111

Source: Company data

The company established the creative segment after Premium Agency became a consolidated subsidiary. The development outsourcing and video production businesses were transferred to the new segment.

Holding company: three businesses, nine companies

The company was established in October 2013 as a holding company. Its predecessor, Digital Hearts, was established in April 2001 and accounts for 87% of sales (FY03/14). Segments are debugging (mainly Digital Hearts), media (Aetas), creative, and other; the debugging business accounts for the bulk of both sales and OP.

Group composition (companies)

Name	Description	Segments				Stake
		Debugging	Media	Creative	Others	
DIGITAL Hearts	Software debugging services	●			●	100.0%
DIGITAL Hearts Korea	Software debugging services	●		●		100.0%
DIGITAL Hearts USA	Software debugging services	●				100.0%
DIGITAL Hearts (Thailand)	Software debugging services	●		●		49.0%
G&D	Contracted development work on consumer games and games for mobile devices			●		100.0%
DIGITAL Hearts Visual	Video production services			●		100.0%
Aetas	Plans and operates 4Gamer.net and others.		●			100.0%
Network 21	Range of system development services, from contents software to core systems				●	66.4%
Premium Agency	Develops 3D CG contents			●		57.2%

Source: Company data

Debugging segment

In this segment, the company checks for bugs in software prior to release and reports the results to the client. It comprises three sub-segments: the consumer games unit, the digital solutions unit, and the amusement unit.

The consumer games unit, which tests consumer game software, accounts for the largest share of sales (excluding intragroup transactions) (33.4% in FY03/14), but the Digital Solutions Unit’s share (29.7%) is growing, due to the burgeoning markets for social network service (SNS) games and native apps. The Amusement Unit (23.5%) posted rapid growth in FY03/14, as new pachinko and pachislot machines became more complex. The company’s client base is diversified across large, mid, and small-cap companies, thus reducing risk.

Sub-segment snapshot and profit trends

Sub-segment	% of FY03/14 sales	Service type	Application
Consumer Games	38.5%	Debugging, other	Consumer games (PS4, Nintendo 3DS etc.), online games, arcade games, etc., localization of consumer games (eg making Japanese version of English games)
Digital Solutions	34.3%	Debugging, other	Mobile OS apps, SNS games etc., operational support for SNS games, testing of web and business systems, consumer electronics testing, app localization
Amusement	27.2%	Debugging, other	Pachinko, pachislot, development support services

Source: Company data

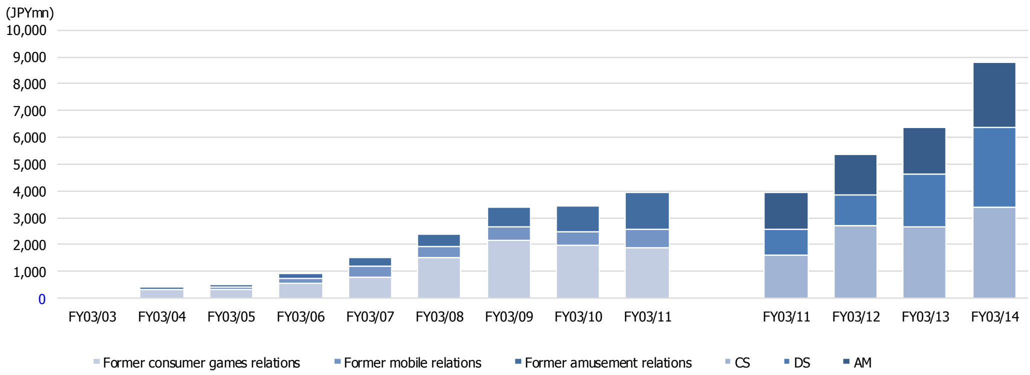
MONTHLY WRAP –October 2014

Unit performance (JPYmn)	FY03/12 FY	FY03/13 FY	FY03/14 FY	FY03/12 Q1	Q2	Q3	Q4	FY03/13 Q1	Q2	Q3	Q4	FY03/14 Q1	Q2	Q3	Q4	FY03/15 Q1
Debugging sales	**5,374**	**6,365**	**8,775**	**914**	**1,704**	**1,543**	**1,213**	**1,286**	**1,561**	**1,814**	**1,704**	**1,868**	**2,276**	**2,560**	**2,071**	**2,282**
CS	2,708	2,673	3,378	385	976	823	524	563	642	849	619	699	903	1,009	768	775
DS	1,135	1,940	3,008	264	280	306	285	362	447	549	582	618	763	819	809	833
AM	1,531	1,752	2,388	264	449	414	404	362	473	413	503	551	611	732	495	674
YoY	**36%**	**18%**	**38%**	**14%**	**57%**	**38%**	**27%**	**41%**	**-8%**	**18%**	**41%**	**45%**	**46%**	**41%**	**22%**	**22%**
CS	68%	-1%	26%	-	-	-	-	46%	-34%	3%	18%	24%	41%	19%	24%	11%
DS	19%	71%	55%	-	-	-	-	37%	60%	79%	105%	71%	71%	49%	39%	35%
AM	10%	14%	36%	-	-	-	-	37%	5%	-0%	25%	52%	29%	77%	-2%	22%
% of total																
CS	50%	42%	38%	42%	57%	53%	43%	44%	41%	47%	36%	37%	40%	39%	37%	34%
DS	21%	30%	34%	29%	16%	20%	23%	28%	29%	30%	34%	33%	34%	32%	39%	36%
AM	28%	28%	27%	29%	26%	27%	33%	28%	30%	23%	30%	29%	27%	29%	24%	30%

Source: Company data

Segment performance

Debugging business: sales per subsegment

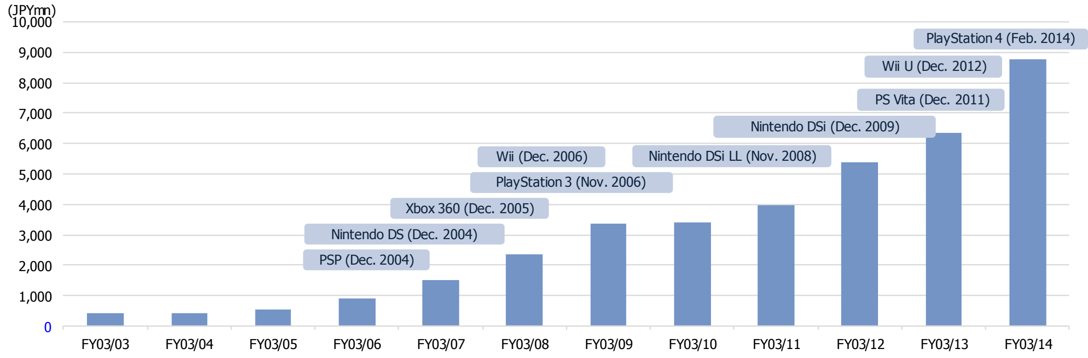


Source: Company data
The company changed reporting segments in FY03/11. Both new and old segments are shown for that year.

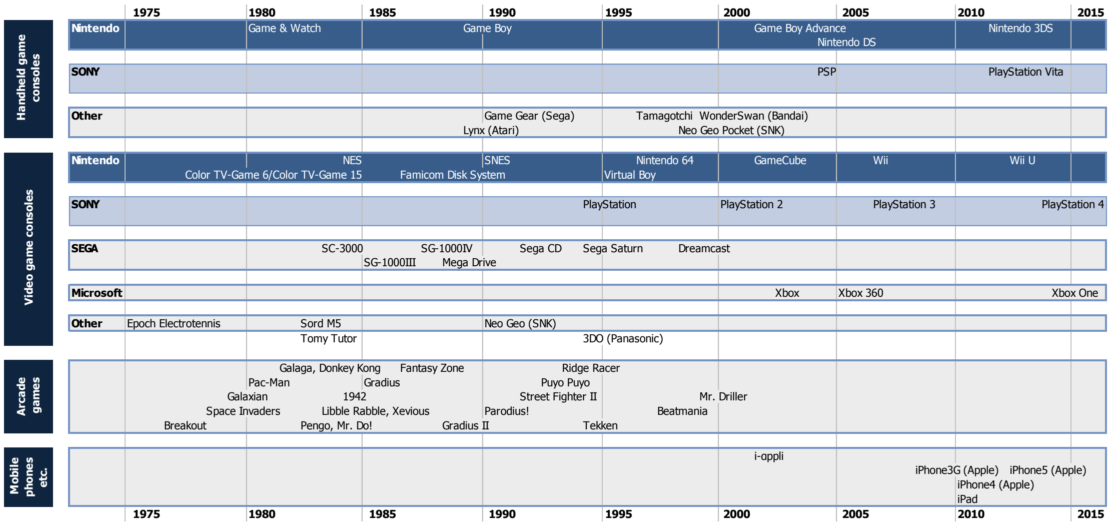
Growth continues as platforms spread
HUG's first business was debugging services for consumer games. Earnings grew rapidly soon after the company's founding, when it was contracted by Microsoft to provide debugging services. At the time, game developers generally conducted pre-release debugging in-house. Although it was a break from industry convention, HUG's debugging work was well received, and it proved the potential cost advantages for developers of outsourcing this type of work.

As HUG built a track record in the industry, developers increasingly turned to contractors for consumer game debugging. A wider range of platforms beyond consumer games also resulted in an expanded scope of operations and growth for the company. This included pachinko and pachislot machines—subject to more development processes—and an increasingly diverse range of mobile contents.

Debugging segment sales and major console releases



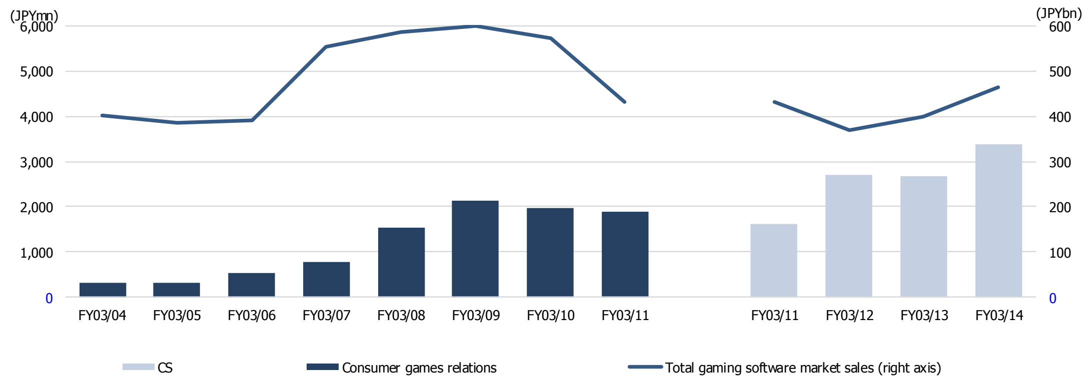
Source: Company data



Source: Various

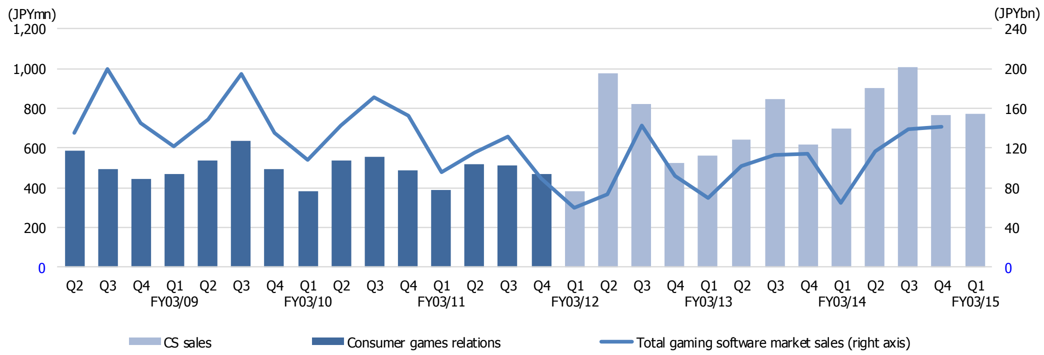
Consumer games unit

Consumer games unit sales and total gaming software market sales



Source: Company data, METI Survey on Selected Service Industries data
The company changed reporting segments in FY03/11. Both new and old segments are shown for that year.

Consumer games unit quarterly sales and total gaming software market sales



Source: Company data, METI Survey on Selected Service Industries data

Tailwinds: developers' focus on core businesses, complex development, multiple platforms

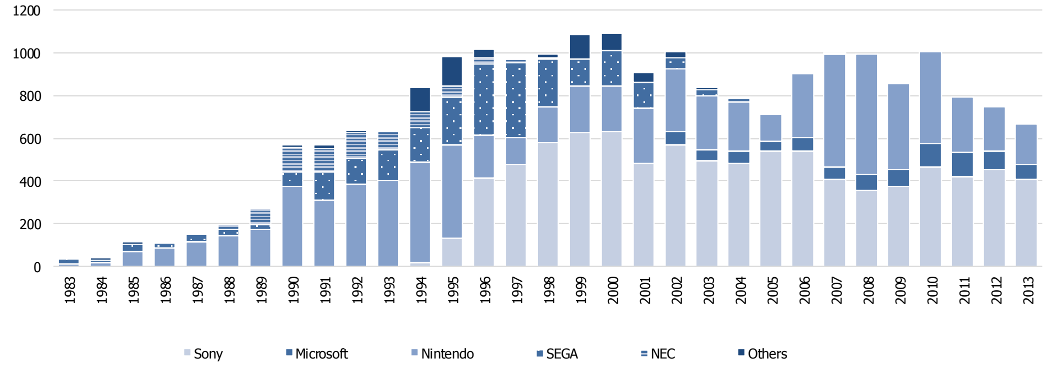
The consumer games unit provides mainly outsourced testing and localization services for the likes of consumer games for PS4 and Nintendo 3DS consoles, online PC games, and arcade games. The increasing cost of developing consumer games and a shift by developers to focus on core businesses has driven outsourcing of software testing.

Debugging work increasing with the shift to multiplatform games

In a rising number of cases, one particular game title will be released on multiple platforms such as Windows, PS3, Wii U and Xbox 360. For game software companies, it is possible to reduce costs and development time by using common elements, rather than releasing individual titles for each platform. More sales opportunities mean lower risk from a management perspective, so multiplatform releases have increased in recent years.

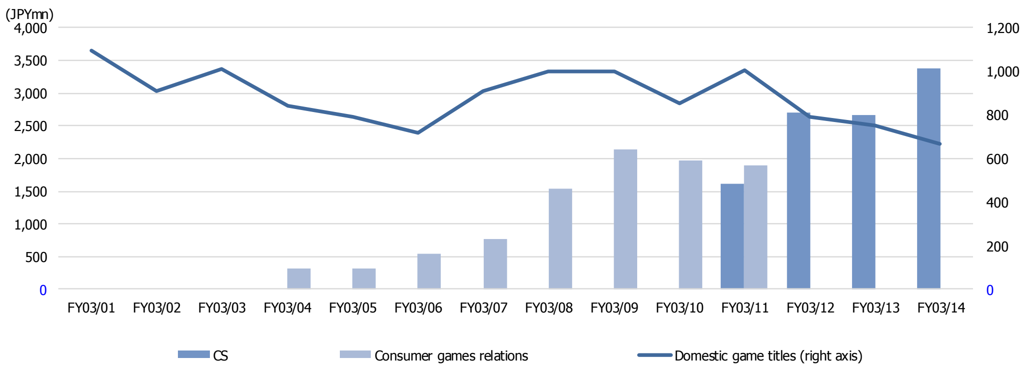
Multiplatform releases require debugging work for each platform, thus driving up the total amount of work. Shared Research thinks this may act as a tailwind, with the move toward multiplatform titles resulting in higher volumes even as the overall number of titles falls.

Number of domestic game titles per calendar year



Source: Various

Sales in the consumer games unit and domestic game titles



Source: Company data, various
The number of domestic game software titles applies to the calendar (e.g. FY04/13 shows figures for 2013).
The company changed reporting segments in FY03/11. Both new and old segments are shown for that year.

The chart above shows that even as the number of new titles released in the domestic market has been declining, sales have been on a rising trend. As explained later, price setting in the debugging business is a function of unit price times hours; there is little variation in prices. Even considering the high ratio of outsourcing and movements in its market share, sales growth is rapid. Considering that time is more or less equal to man-hours, it is apparent from the company's results that testing man-hours are increasing.

Outlook

Next-generation gaming consoles to accelerate trend to multiplatform releases

The trend to multiplatform releases may accelerate during the transition period in 2014 and 2015 from old hardware such as the PS3 and Xbox 360 to new hardware such as the PS4 and Xbox One. For the gaming companies, releasing titles on both the PS4 and PS3 increases sales opportunities and reduces the risk of migration to new hardware. Releasing the title on both PS4 and Xbox One lessens the risk of competition among next-generation consoles. This sort of development is likely to become commonplace as new types of gaming consoles make their debut.

Debugging work from connections between consoles and object tracking cameras

Games consoles have evolved with the years. For example, not only does the PlayStation 4 (PS4) have far more advanced graphics than the likes of the Nintendo Entertainment System (NES), but it also has a range of features that go beyond games—users can download movies from the internet and connect their console to the PS Vita handheld gaming device. Shared Research understands that as consoles become more complex, an increasing amount of active debugging processes—HUG's specialty—may also spur the trend toward outsourcing.

Recent years have seen the emergence of virtual reality headsets, such as Sony Computer Entertainment's Project Morpheus (announced on March 19, 2014) and Oculus VR's Oculus Rift. The trend to add functions that bring added excitement may increase demand for outsourcing complex and diverse testing processes.

Expect debugging man-hours to increase in FY03/15-FY03/16 on next-generation consoles
FY03/15 to FY03/16 will see the debut of several next-generation consoles, such as the PS4. There will be an increase in software for the new consoles, connections with handheld consoles such as the PS Vita, and perhaps the launch of software for Project Morpheus. Even assuming there is no change in the number of consumer game titles released, more debugging man-hours accompanying an increase in interfaces may contribute to profits.

Shared Research also expects greater fusion between the consumer games and digital solutions units in light of developments such as the release of GungHo Online Entertainment, Inc. (JASDAQ: 3765)'s smartphone game, Puzzle & Dragons, on the Nintendo 3DS. Such developments may also lead to increased activity in the consumer games market.

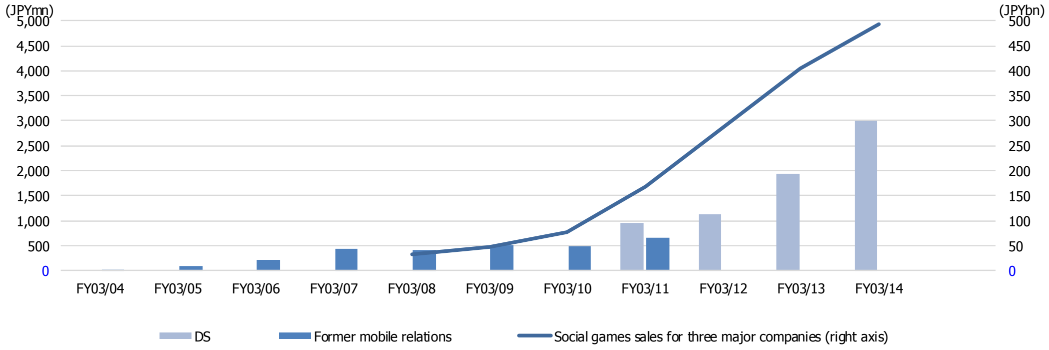
Overseas initiatives
The Hearts United Group also includes local subsidiaries performing debugging work in the US, South Korea, and Thailand. The bulk of work in Korea and Thailand is sent overseas from Japan. The company is developing the US business as a self-sustaining unit. Although its sales remain limited, the company is focusing on sales to local corporations, and expects further growth.

Digital solutions unit

Continued sales growth on rise of social network games and spread of smartphones
The digital solutions unit focuses on providing debugging services for social network games, as well as apps for smartphones and other mobile devices. It also offers system testing and security services for web systems. In FY03/14, game apps accounted for around 70% of sales. The increase in game debugging orders for mobile devices has resulted in ongoing growth.

The digital solutions unit has posted steady growth as the functions and apps used by smartphones and other mobile devices have become increasingly large and sophisticated. The rapid growth of social network games and swift penetration of smartphones is seeing growth accelerate further.

Sales in the digital solutions unit and social games sales



Source: Company data
The company changed reporting segments in FY3/11. Both new and old segments are shown for that year.
The sales of three major producers of socials games are provided in order to indicate trends in the market (GREE, DeNA, GungHo). This is for reference only and does not imply that these companies account for the majority of DS unit sales.

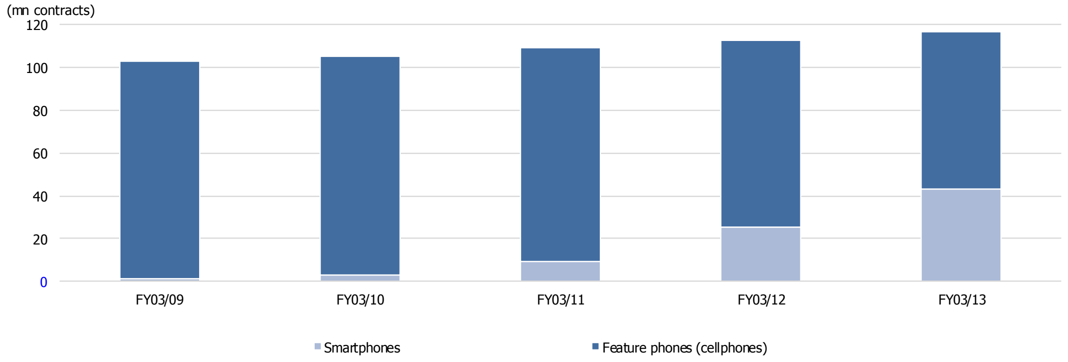
Boom in SNS apps
Social network games made their debut with the widespread adoption of 3G mobile phones—as exemplified by GREE, Inc. (TSE1: 3632)'s eponymous GREE, and Mobage, which is offered by DeNA (TSE1: 2432) on social network services. Browser games playable only on SNS accounts and web browsers (browser games) developed, with the added elements of the lightness of mobile phones and the ability to communicate with or battle other players.

In December 2009, HUG launched a debugging service for Mobage Town apps, and (as mentioned) in February 2011 the company was certified as a GREE partner (support services for social app localization and testing during the development phase). As games evolved the company expanded its SNS operations.

Spread of smartphones accelerates trend to increasing app sophistication and capacity
Smartphones then emerged as a substitute for mobile phones. First was Apple's iPhone (the 3G version was launched in Japan in July 2008), followed by phones using the Android OS (the HTC-03A debuted in July 2009 [by HTC of Taiwan]) offered by a number of companies. In particular, smartphones spread rapidly in the domestic market following the release of the iPhone 4 in June 2010.

HUG possesses a full range of mobile phone models. The company is also able to conduct debugging work on different operating systems for smartphones, even when multiple versions of an OS exist—as in the case of the Android OS.

Domestic mobile phone and smartphone contracts



Source: MM Research Institute

Tailwind: shift from browser games to native apps

As social network games migrated to smartphones, applications became larger due to increased complexity and expressive capability. At the same time games shifted from social network services on browser-based platforms to native apps specialized for global platforms such as the iOS and Android operating systems.

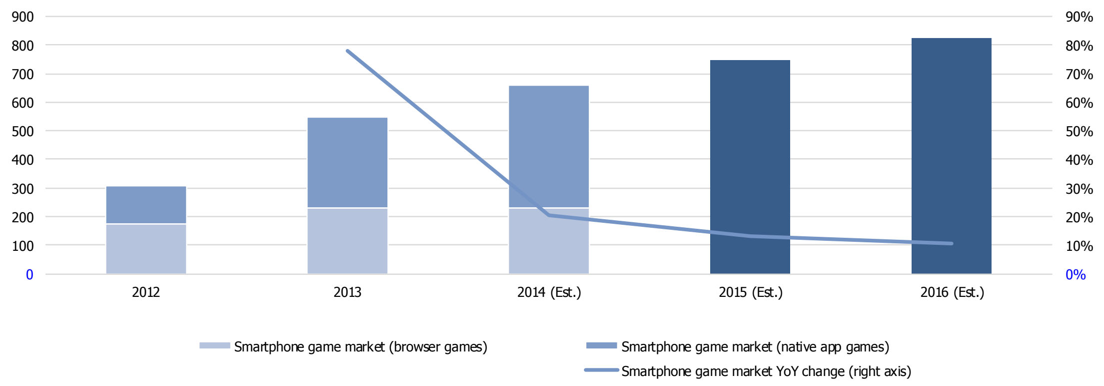
Native apps are installed in the device itself and work on the operating system. Compared with games that run on the browser, operations are superior and more expressive. It is technically difficult to produce browser versions of games like GungHo Online Entertainment's (TSE1: 3765) Puzzle & Dragons, which work over a network and require a high degree of operability,.

Native apps have the advantage that they can be marketed to a wide range of users as they are available for purchase or download through global platforms such as the iOS App Store and Android OS's Google Play and installed in the operating system. One drawback is that 30% of the sales price goes to the owners of platforms such as iOS, reducing the revenue of game software companies. However, there are success stories such as Puzzle & Dragons; game software companies are focusing on native apps in the hope of sudden riches.

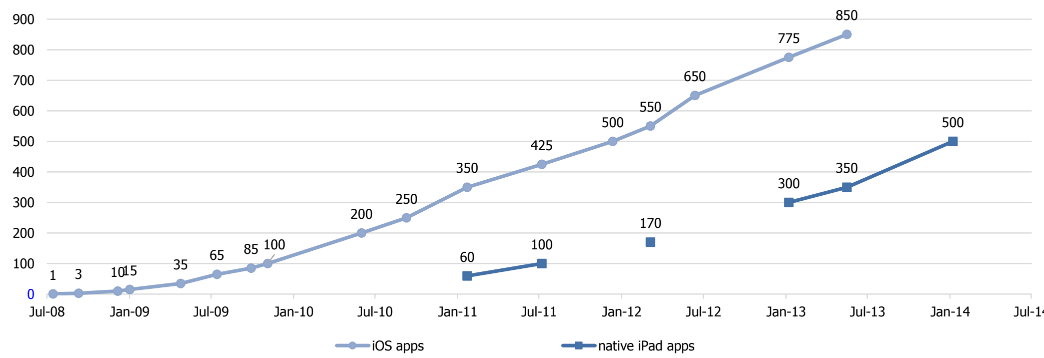
Scope for shift to native apps as SNS games adapted for smartphones

The increasing complexity and capacity of games amid the shift to native apps means more debugging work. Considering the room for more smartphone applications and native app games, as well as further diversity of apps owing to the spread of tablets, the business environment for the Digital Solutions Unit looks bright. The diversity in models and specifications among smartphones using the various Android OS versions is also contributing to more testing work.

Smartphone game market



Source: CyberZ (March 25, 2014)



Mobile content market

(JPYbn)	2008	2009	2010	2011	2012
Mobile content (smartphones) market total				**80.6**	**371.7**
Games, social games				48.1	260.7
Videos, images				-	26.2
Music				-	19.8
Other				32.5	65.0
Mobile content (feature phones) market total	**483.5**	**552.5**	**646.5**	**653.9**	**479.3**
Social games	15.7	44.7	138.9	207.8	188.8
Mobile games	86.9	88.4	82.2	57.0	39.8
Ringtones (audio)	119.0	120.1	113.3	94.2	55.4
e-books	39.5	50.0	51.6	48.9	32.0
Others	28.7	35.4	35.1	39.0	25.5
Ringtones (melodies)	47.3	40.2	33.5	28.7	20.0
Traffic/transport info.	20.6	24.1	26.7	21.7	16.0
Lifestyle	7.7	12.1	17.0	16.8	15.9
Decorative mail	17.1	22.8	24.3	21.3	12.8
Fortune-telling	20.0	19.1	18.5	18.0	12.2
News, weather	7.8	9.7	12.7	14.0	12.0
Wallpaper	22.9	22.6	21.4	17.2	10.8
Celebrity	20.1	24.1	24.2	24.2	10.3
Ringback tones	11.0	11.5	13.0	11.8	9.4
Video	6.2	11.2	16.2	17.6	9.3
Outfit changing	6.4	9.9	11.7	10.3	5.4
Media, information	6.6	6.6	6.2	5.4	3.7
Games, social games market total	**102.6**	**133.1**	**221.1**	**312.9**	**489.3**

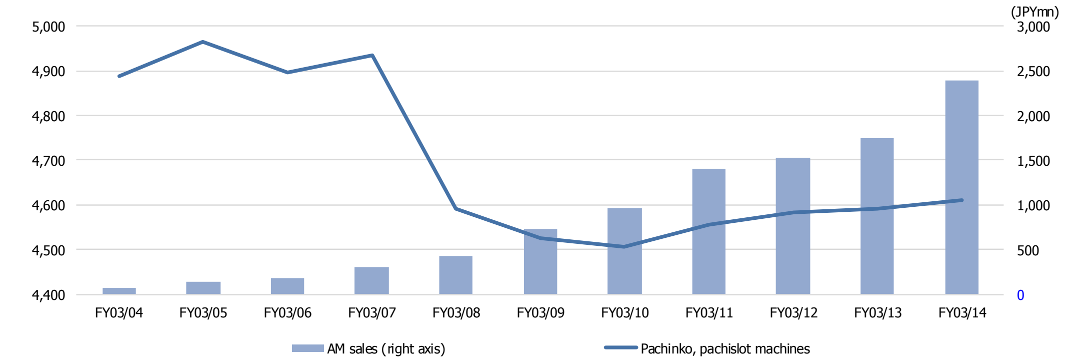
Source: Ministry of Internal Affairs and Communications (Survey on Actual Status of Industrial Structure of Mobile Contents, July 2013)

System testing and security services

The Digital Solutions Unit also tests web systems, business systems and consumer electronics. HUG aims to focus on system testing in the future. The security service, protecting information against cyber-attack, received an order from the Liberal Democratic Party in 2013. While the company has not disclosed details of further deals—due to the sensitive nature of its products in this area—this is a promising business and an area of focus in the medium-term business plan.

Amusement unit

Amusement unit sales



Source: Company data

Amusement machine debugging increasing amid tough climate

The main business of the amusement unit is debugging work for pachinko and pachislot equipment. The outsourcing of debugging work is taking root in the amusement industry. The amusement industry is highly susceptible to legislative changes. HUG's Amusement Unit is thus similarly susceptible. However, debugging work is growing due to a focus on game-playing and entertainment in the machines and accompanying increasing sophistication, complexity, and capacity.

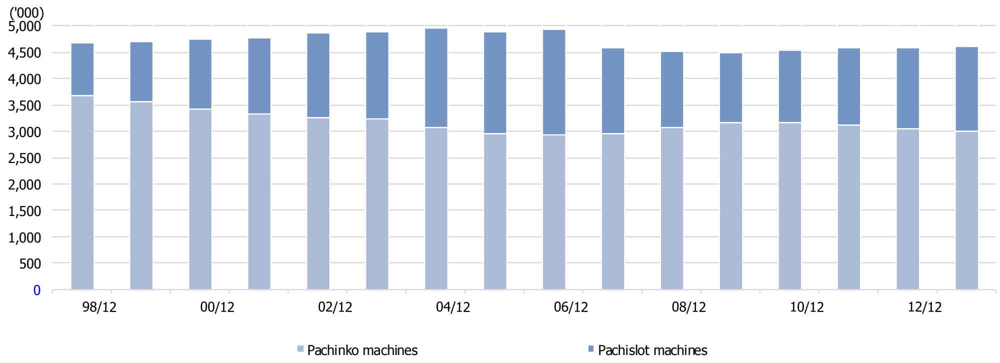
Under revised regulations that took effect in July 2004, amusement equipment (pachinko and pachislot machines) that had been certified before June 2004 had to be removed by September 2007. The aim of the revisions was to increase the game-playing aspect amid an excessive focus on gambling. A couple of factors drove increasing polarization that is seeing the number of small- and medium-sized pachinko halls decline and large halls increase: the fall in the playing population and the withdrawal of the gambling oriented No. 4 type pachislot machines.

Game machine makers had to win fans for both pachinko and pachislot machines, so turned away from the traditional gambling-oriented machines to ones that offered superior entertainment, high specifications and high capacity. The accompanying increase in software capacity and complexity led to an increase in debugging work, an ongoing trend.

Sales up in FY03/14 as machines became more complex and HUG took more of the market

In FY03/14, HUG grew its market share, and sales in the segment grew by 36% YoY. Most of the company's sales in this area come from debugging work for pachinko machines, but sales efforts in the pachislot market are bearing fruit. The company expects to continue taking more of the market as machines become increasingly complex.

Number of installed pachinko and pachislot machines



Source: National Police Agency

View the full report.

September 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 **September 19, 2014**, Shared Research updated comments on 3-D Matrix Ltd.'s earnings results for Q1 FY04/15 after interviewing management.

Quarterly Performance	FY04/14				FY04/15				FY04/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Operating Revenue	48	1	7	51	0	-	-	-	-	10,418
YoY	-	-	-	58.4%	-	-	-	-		-
R&D Expenses	146	136	145	171	141	-	-	-		
YoY	59.7%	50.0%	61.6%	39.1%	-3.7%	-	-	-		
SG&A	222	221	232	349	297	-	-	-		
YoY	65.9%	62.6%	40.7%	73.2%	33.6%	-	-	-		
OP	-321	-356	-372	-470	-438	-	-	-	-	4,483
YoY	-	-	-	-	-	-	-	-		-
OPM	-	-	-	-	-	-	-	-		-
RP	-341	-361	-357	-466	-471	-	-	-	-	4,466
YoY	-	-	-	-	-	-	-	-		-
RPM	-	-	-	-	-	-	-	-		-
NI	-341	-361	-357	-467	-635	-	-	-	-	3,564
YoY	-	-	-	-	-	-	-	-		-
NPM	-	-	-	-	-	-	-	-		-

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

R&D expenses were on par with Q1 FY04/14. However, the company plans to spend more on R&D over the course of the full-year owing to clinical trials of locally absorbent hemostatic agent TDM-621 in the US and Europe. Other SG&A expenses increased as the company stepped up its expansion overseas.

On **September 10, 2014**, the company announced the approval of a patent for a transfection agent (for introducing genes into cells) using peptide technology.

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

This patent covers the method of using surfactant peptide technology as a transfection agent to introduce nucleic acid (genes) into tumor tissue, which has been shown to be effective in suppressing gene expression in cancer cells. Professor Daizo Yoshida (Associate Professor at Nippon Medical School, Department of Neurosurgery) has published articles and spoken at conferences about the results of research into the use of surfactant peptide technology to treat brain tumors. The company is also collaborating with the National Cancer Center (an incorporated administrative agency) to prepare for investigator-initiated trials, with an aim toward clinical application for this technology.

The use of cationic transfection agents—such as cationic polymers and cationic liposomes—to introduce genes into cells is well-established in basic research. However, these agents are known to be cytotoxic. Much research therefore focuses on transfection agents with a high transfection rate and low cytotoxicity, placing less of a burden on patients yet improving the efficacy of tumor treatments. Its low cytotoxicity means the use of surfactant peptides as a transfection agent—as covered by this patent—has the potential to be approved for clinical use to treat various types of solid cancers, including brain tumors.

On **September 9, 2014**, the company announced that it submitted a clinical trial application for endoscopic mucosal resection aid "Submucosal injection material for endoscopy (TDM-641)."

The company submitted an application to the Pharmaceuticals and Medical Devices Agency (PMDA) on September 9, 2014 to conduct a clinical trial for the endoscopic mucosal resection aid "Submucosal injection material for endoscopy (development code: TDM-641)," which is currently under development.

According to the company, TDM-641 is a transparent liquid composed of a peptide made of three types of amino acids. Its property of instantly forming a hydrogel (self-assembled) when injected submucosally improves operability of resecting or separating damaged sites. This is due to its ability to separate and raise the mucosal and muscle layers and maintain this state after being injected into the submucosal layer of damaged sites during endoscopic treatment.

This peptide is manufactured via chemical synthesis, and since this eliminates animal products, there is no risk of infection from agents such as the hepatitis C virus or other foreign substances. TDM-641 is anticipated to reduce risk and burden for healthcare professionals and patients due to its easy administration as an aqueous solution via submucosal injection. It is also able to form a steep protrusion suitable for mucosal resection since TDM-641 promptly turns into a gel after it is injected submucosally. TDM-641 is also able to maintain the mucosal protrusion by forming a gel.

On February 20, 2012, the company entered into an agreement with Fuso Pharmaceutical Industries, Ltd. (TSE1: 4538) granting an exclusive domestic sales license for TDM-641.

On **September 3, 2014**, the company announced that subsidiary 3-D Matrix Asia Pte. Ltd. (Singapore) obtained approval to register locally absorbent hemostatic material PuraStat® as a medical product in Singapore.

The company obtained the CE marking for PuraStat® on January 14, 2014. The CE marking may be used to apply for approval to manufacture and sell products in countries across the globe, including the 28 member states of the EU—where the company already has approval to sell PuraStat®—and countries in Asia, Oceania, and South America. The company will thus be able to sell PuraStat® in these countries once it has completed the necessary application procedures.

Following an application on June 3, 2014, the company obtained approval from Singapore's Health Sciences Authority to register PuraStat® as a medical product in Singapore. The company's use of the CE marking in this application meant it did not need to perform clinical trials.

At the time of writing, 3-D Matrix is preparing for sales of PuraStat® in the EU, and is also applying for approval to register it as a medical product in Indonesia. Henceforth, the company intends to continue preparing to register the product and launch sales in countries where the CE marking may be used to apply for approval.

On **September 1, 2014**, the company announced the establishment of a subsidiary.

The company is currently expanding its medical business utilizing self-assembling peptide technology in Japan, the US, the EU, South America, and Asia. To further global expansion of this business, the company established a subsidiary on August 21, 2014, in Beijing via subsidiary 3-D Matrix Medical Technology Limited (a wholly-owned subsidiary of 3-D Matrix Asia Pte. Ltd).

Subsidiary details

Name: 3-D Matrix Consulting (Beijing) Limited

Business: Promotion of medical products such as hemostatic agents in China

Capital: JPY20mn (tentative)

Shareholders: Subsidiary 3-D Matrix Medical Technology Limited (owns 100%).

View the full report.

AnGes MG, Inc. (4563)

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

On **September 22, 2014**, AnGes MG, Inc. announced progress of global Phase III clinical trials for ischemic disease medication Collategene for critical limb ischemia (CLI).

Clinical trials will be held in 15 countries (excluding Japan). The company had begun preparations to open facilities in the US, where it has received approval from the FDA and SPA. Presently, AnGes MG has completed preparations to begin patient registrations at several treatment facilities across the US. According to the company, preparations to begin patient registrations took more time than initially expected, but they are now ready to begin in a timely manner. Specifically, the company plans to being administering in October 2014, as opposed Q3 FY12/14 as initially expected. Patient registration is scheduled to begin as soon as arrangements are complete in Europe and South America.

These clinical trials will test the efficacy and safety of Collategene on a pool of approximately 500 patients, and collected data will be submitted to regulatory authorities in the US. Trials are planned to be conducted in North America, Europe, and South America. The company expects the trials to take over three years from the first patient registration to final observation of the last patient. As a result, AnGes MG aims to apply for US approval in 2018, followed by approval in Europe.

On **September 4, 2014**, the company announced that it has completed preparations for physician-led domestic clinical trials of its HGF gene therapy drug, and that patient registrations have begun.

The clinical trials will make use of the Japanese advanced medical care B program to conduct trials of the company's HGF gene therapy drug for patients afflicted with critical limb ischemia (CLI). Trials will be led by the medical department of Osaka University Hospital, and will be conducted at multiple facilities over a period of approximately one year.

The company will provide medication and make its own data available for use. In tandem with research conducted during this trial, the company aims to make an application for conditional approval under the fixed-term limited approval system. Assuming progress is made as planned, AnGes MG will make the filing for conditional approval between the end of 2015 and the first half of 2016.

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 **September 8, 2014,** Shared Research updated comments on Ai Holdings Corp. earnings results for full-year FY06/14 after interviewing management.

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

Profits were up year-on-year in all segments. In particular, the Security Equipment, Card Equipment and Other Office Equipment, Peripheral Computer Equipment Sales, and Design segments all contributed to the increase in company operating profit.

View the full report.

Apamanshop Holdings Co., Ltd. (8889)

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

On **September 2, 2014**, Shared Research updated comments on Apamanshop Holding's earnings results for Q3 FY09/14 after interviewing management.

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

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

Operating profit fell by JPY39mn, to JPY1.6bn (-2.4% YoY). Although profits were up in the brokerage and property management businesses, gross profits fell in other businesses and SG&A expenses increased.

Reasons for an increase in profits
- Higher gross profits in the brokerage businesses: plus JPY320mn;
- Higher gross profit in the property management business: plus JPY213mn.

Reasons for a decrease in profits
- Lower gross profits in non-core businesses: minus JPY218mn;
- Higher SG&A expenses: minus JPY353mn.

Recurring profit was JPY1.1bn (-2.4% YoY), but net income fell 28.2% YoY to JPY1.1bn. During cumulative Q3 FY09/13, the company booked a JPY1.7bn extraordinary gain from changes to its shareholding structure in SystemSoft, an equity-method affiliate. Since a similar gain was not posted during cumulative Q3 FY09/14, the reduction in net income exceeded the reduction in recurring profit.

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 **September 4, 2014**, Bell-Park Co., Ltd. announced August monthly sales estimate.

Monthly Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014													
New	37,521	37,268	84,090	30,311	31,067	29,803	36,075	36,181					**322,316**
YoY	-15.8%	-4.7%	4.8%	-28.2%	-29.7%	-0.4%	13.5%	7.7%					
ex-low ARPU handsets	28,160	27,016	57,329	18,514	17,990	16,624	20,118	20,456					**206,207**
(YoY)	24.8%	35.9%	41.8%	-20.2%	-25.2%	-12.8%	-5.1%	-16.5%					
Replacement	34,016	31,893	48,944	22,325	23,426	22,687	29,112	28,832					**241,235**
YoY	-8.9%	23.3%	5.7%	-32.4%	-41.9%	-14.4%	0.2%	-4.1%					
Total	**71,537**	**69,161**	**133,034**	**52,636**	**54,493**	**52,490**	**65,187**	**65,013**					**563,551**
YoY	**-12.6%**	**6.4%**	**5.2%**	**-30.0%**	**-35.5%**	**-7.0%**	**7.2%**	**2.1%**					
2013													
New	44,561	39,123	80,207	42,188	44,188	29,921	31,772	33,596	34,022	37,766	39,479	36,245	**493,068**
YoY	15.8%	2.9%	20.1%	0.3%	4.4%	-0.9%	-10.9%	7.4%	-11.4%	-18.9%	-19.9%	-12.3%	
ex-low ARPU handsets	22,566	19,882	40,417	23,187	24,066	19,059	21,191	24,508	22,890	22,919	25,087	25,944	**291,716**
(YoY)	-23.0%	-32.5%	-22.2%	-27.5%	-23.4%	-5.7%	-12.7%	18.4%	-4.4%	-7.4%	5.8%	18.1%	
Replacement	37,325	25,865	46,305	33,039	40,335	26,499	29,059	30,075	36,832	46,110	49,021	40,700	**441,165**
YoY	9.0%	9.5%	64.8%	37.4%	63.5%	31.9%	8.4%	25.3%	11.6%	-12.5%	-16.1%	10.6%	
Total	**81,886**	**64,988**	**126,512**	**75,227**	**84,523**	**56,420**	**60,831**	**63,671**	**70,854**	**83,876**	**88,500**	**76,945**	**934,233**
YoY	**12.6%**	**5.4%**	**33.4%**	**13.7%**	**26.2%**	**12.2%**	**-2.6%**	**15.2%**	**-0.8%**	**-15.5%**	**-17.8%**	**-1.5%**	

Source: Company data, SR Inc. Research
Figures may differ from company materials due to differences in rounding methods.
Low ARPU handsets: Mimamori Mobile handsets, PhotoVision digital photo frames, and USIM

On **September 3, 2014**, Shared Research updated comments on the company'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 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. As a result, the company revised its full-year earnings forecasts.

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. Until spring 2014, MNP commissions grew due to fierce competition among telecoms carriers to win subscribers, following the launch of the iPhone on NTT DoCoMo in September 2013. However, competition settled after peaking in April 2014, leading to lower commissions and unit sales.

View the full report.

MONTHLY WRAP –October 2014

Chiyoda Co., Ltd. (8185)

Retailer specializing in low-price shoes.

On **September 1, 2014**, Chiyoda Co., Ltd. announced monthly sales data for August 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%	-4.2%	1.1%						
Customer count	6.3%	-10.6%	-7.8%	-11.8%	-8.7%	-3.7%						
Spend per customer	8.1%	2.6%	4.8%	3.0%	4.8%	4.9%						

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%	-5.0%	0.6%						
Customer count	7.2%	-10.5%	-7.7%	-12.4%	-9.6%	-4.2%						
Spend per customer	8.2%	2.8%	5.0%	3.2%	5.0%	5.1%						

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.

View the full report.

Creek & River Co Ltd (4763)

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

On **September 25, 2014**, Creek & River announced changes to its 1H FY02/15 earnings forecasts.

1H FY02/15 earnings forecasts (previous forecasts in parentheses):

Sales:	JPY11.8bn	(JPY11.5bn)
Operating profit:	JPY920mn	(JPY800mn)
Recurring profit:	JPY940mn	(JPY800mn)
Net income:	JPY520mn	(JPY350mn)

FY02/15 full-year earnings forecasts (previous forecasts in parentheses)

Sales:	JPY23.0bn	(JPY23.0bn)
Operating profit:	JPY1.4bn	(JPY1.4bn)
Recurring profit:	JPY1.4bn	(JPY1.4mn)
Net income:	JPY700mn	(JPY650mn)

Revision details

In light of strong performance across the entire group and results posted by all segments that were higher than those in 1H FY02/14, the company has decided to raise its earnings forecasts for 1H FY02/15.

Full-year results were also modified, but the company expects expenses to rise from Q3 FY02/15 onward. Specifically, the company is planning additional investments to deal with higher demand in the construction, fashion, and author agency businesses; expected rise in in-house development costs for the company's games and apps; and additional investments to expand regional offices to deal with a higher volume of orders.

View the full report.

DIC Corporation (4631)

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

On **September 29, 2014**, DIC Corporation announced the merger of a subsidiary with a subsidiary of Toyobo Co., Ltd.

Through the merger of subsidiaries at the respective companies, DIC and Toyobo Co., Ltd. (TSE1: 3101) have reached an agreement to establish a joint venture with 50-50 ownership in the field of non-stretch films. Specifically, DIC Filtec Inc. and Tsuruga Film Co., Ltd. will merge to form Cast Film Japan Co., Ltd. (capital: JPY90.0mn) with January 1, 2015 as the effective date.

Merger details

The domestic market for non-stretch polyolefin films continued to post strong growth in line with heightened demand for food wrapping. However, a declining Japanese population and fierce competition are proving to be obstacles to further expansion. The two companies determined that in order to remain competitive, they should combine operations for added efficiency and profitability. Along with the merger of subsidiaries, the two companies also plan to work closely to capitalize on opportunities to expand overseas.

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

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 segment, 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 **September 18, 2014**, Shared Research updated comments on the company's full-year earnings results for FY06/14 after interviewing management.

Quarterly Performance	FY06/12				FY06/13				FY06/14				FY06/14	
(JPY mn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	**134,863**	**142,076**	**131,353**	**131,963**	**140,379**	**149,265**	**138,426**	**140,307**	**146,514**	**156,808**	**158,454**	**150,648**	**101.2%**	**605,000**
YoY	8.1%	8.6%	3.4%	5.4%	4.1%	5.1%	5.4%	6.3%	4.4%	5.1%	14.5%	7.4%		6.4%
Gross profit	34,837	36,973	33,484	34,249	37,010	39,176	36,888	36,733	39,880	41,195	40,627	39,316	101.1%	159,200
YoY	8.6%	9.4%	6.6%	7.8%	6.2%	6.0%	10.2%	7.3%	7.8%	5.2%	10.1%	7.0%		6.3%
GPM	25.8%	26.0%	25.5%	26.0%	26.4%	26.2%	26.6%	26.2%	27.2%	26.3%	25.6%	26.1%		26.3%
SG&A	27,056	27,536	27,435	28,196	28,766	28,747	29,423	30,502	29,740	30,831	32,193	33,962	101.4%	125,000
YoY	7.3%	4.0%	8.1%	5.7%	6.3%	4.4%	7.2%	8.2%	3.4%	7.2%	9.4%	11.3%		6.4%
SG&A / Sales	20.1%	19.4%	20.9%	21.4%	20.5%	19.3%	21.3%	21.7%	20.3%	19.7%	20.3%	22.5%		20.7%
OP	**7,781**	**9,437**	**6,049**	**6,053**	**8,244**	**10,429**	**7,465**	**6,231**	**10,140**	**10,364**	**8,434**	**5,354**	**100.3%**	**34,200**
YoY	13.1%	29.1%	0.3%	18.4%	6.0%	10.5%	23.4%	2.9%	23.0%	-0.6%	13.0%	-14.1%		5.7%
OPM	5.8%	6.6%	4.6%	4.6%	5.9%	7.0%	5.4%	4.4%	6.9%	6.6%	5.3%	3.6%		5.7%
RP	**7,405**	**9,046**	**6,376**	**6,456**	**8,366**	**10,709**	**7,653**	**6,473**	**10,433**	**10,702**	**8,681**	**5,671**	**101.4%**	**35,000**
YoY	15.3%	18.9%	6.0%	26.8%	13.0%	18.4%	20.0%	0.3%	24.7%	-0.1%	13.4%	-12.4%		5.4%
RPM	5.5%	6.4%	4.9%	4.9%	6.0%	7.2%	5.5%	4.6%	7.1%	6.8%	5.5%	3.8%		5.8%
NP	**6,674**	**5,261**	**3,971**	**3,939**	**5,069**	**6,708**	**4,556**	**4,808**	**6,416**	**6,608**	**5,740**	**2,707**	**96.7%**	**22,200**
YoY	116.3%	17.9%	57.4%	52.0%	-24.0%	27.5%	14.7%	22.1%	26.6%	-1.5%	26.0%	-43.7%		5.0%
NPM	4.9%	3.7%	3.0%	3.0%	3.6%	4.5%	3.3%	3.4%	4.4%	4.2%	3.6%	1.8%		3.7%

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

Competition was fierce following the consumption tax hike, but Don Quijote's sales were bolstered by repeat customers—particularly families—attracted to low prices in areas such as food. Higher sales and efforts to cut costs also meant the company was able to effectively cancel out the increase in costs caused by the consumption tax.

Don Quijote recognizes that there is a tradeoff between customer count, unit sales, and GPM. As a general principle, the company will work to increase unit sales to secure profits, and improve profitability.

On **September 10, 2014**, Don Quijote Holdings Co., Ltd. announced sales figures for August.

(YoY)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Total Stores												
Sales	9.1%	11.2%										
# of Stores	220	221										
Comparable Stores												
Sales	1.4%	2.3%										
# of Customers	1.7%	0.6%										
Avg. Spend per Customer	-0.2%	1.7%										
# of Comparable Stores	196	196										
Electric Appliances	-1.0%	3.1%										
Household Goods	8.3%	10.7%										
Foods	21.0%	21.6%										
Watches & Fashion Merchandise	5.1%	5.4%										
Sporting & Leisure Goods	3.9%	3.5%										
Other Products	14.1%	70.0%										

(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 **September 2, 2014**, Shared Research updated comments on Dream Incubator Inc. (DI)'s earnings results for Q1 FY03/15 after interviewing management.

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

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

DI does not disclose full-year targets due to the effect of the stock market on the venture business. But according to the company, earnings are growing at a healthy rate. Q1 sales growth outpaced targets of 15% and 20% in the consulting and insurance businesses respectively. In the venture business, July 2014 saw the listing of investment target Union Community Co., Ltd., a major developer and seller of fingerprint recognition devices in South Korea. It appears there will be fewer IPOs of investment targets than in FY03/14 (four), although there is the possibility of one or two more IPOs within the year.

DI is focusing on selection and depth in its portfolio of investment targets. The company has cultivated existing investment targets and, from FY03/14, restarted investment in new targets. It plans to develop the investment and consulting businesses in marketing and video technology for digital media, areas where it sees potential for growth.

In FY03/14, the company invested in two such companies—Office Crescendo Inc. and Breaker, Inc. In order to further expand in these areas, the company appointed special advisors in July 2014 who possess track records in the media and entertainment spheres. Going into 2H, it appears the company will continue forming partnerships with companies in these areas, and will offer more investment support for companies both at home and abroad.

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 **September 10, 2014**, Shared Research updated comments on Emergency Assistance Japan (EAJ)'s earnings results for Q2 FY12/14 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	**554**	**435**	**448**	**456**	**548**	**447**	**473**	**515**	**627**	**493**	**97.4%~105.6%**	**1,060~1,150**	**45.5%~50.4%**	**2,220~2,460**
Medical Assistance	469	349	360	364	457	360	386	423	527	390				
Lifestyle Assistance	84	86	88	92	91	87	87	92	100	103				
YoY	-	-	-	-	-1.0%	2.7%	5.7%	12.9%	14.3%	10.3%		6.5%~15.5%		11.9%~24.0%
Medical Assistance					-2.6%	3.2%	7.4%	16.3%	15.2%	8.2%				
Lifestyle Assistance					7.9%	0.6%	-1.1%	-0.2%	9.7%	19.2%				
GP	138	109	122	137	114	88	106	127	105	91				
YoY	-	-	-	-	-17.6%	-18.6%	-13.0%	-7.8%	-7.6%	3.2%				
GPM	24.9%	24.9%	27.2%	30.1%	20.7%	19.8%	22.4%	24.6%	16.8%	18.5%				
SG&A	84	102	93	78	93	96	106	104	109	104				
YoY	-	-	-	-	10.0%	-6.0%	13.3%	33.3%	17.6%	8.0%				
SG&A / Sales	15.2%	23.5%	20.8%	17.2%	16.9%	21.5%	22.3%	20.3%	17.4%	21.0%				
OP	**54**	**6**	**29**	**59**	**21**	**-8**	**0**	**22**	**-4**	**-12**	**-**	**-67~-5**	**-**	**15~110**
Medical Assistance	96	69	83	91	64	48	69	74	50	37				
Lifestyle Assistance	27	24	22	29	30	22	15	25	31	28				
Intragroup/company-level	-70	-86	-77	-61	-74	-78	-83	-77	-85	-77				
YoY					-61.1%	-	-98.7%	-62.4%	-	-				
Medical Assistance					-33.1%	-30.8%	-17.1%	-18.5%	-21.9%	-23.5%				
Lifestyle Assistance					10.4%	-6.3%	-32.8%	-16.0%	2.0%	24.5%				
OPM	9.7%	1.5%	6.4%	12.9%	3.8%	-1.7%	0.1%	4.3%	-0.6%	-2.5%				
Medical Assistance	17.3%	15.9%	18.6%	19.9%	11.7%	10.7%	14.6%	14.4%	8.0%	7.4%				
Lifestyle Assistance	4.9%	5.5%	4.9%	6.4%	5.5%	5.0%	3.1%	4.8%	4.9%	5.6%				
RP	53	-11	25	62	18	-13	-1	21	-6	-16	-	-72~-10	-	8~103
YoY	-	-	-	-	-65.8%	-	-	-65.3%	-	-				
RPM	9.6%	-2.5%	5.6%	13.5%	3.3%	-2.9%	-0.3%	4.2%	-1.0%	-3.3%				
NI	32	-6	15	35	12	-9	1	11	-5	-10	-	-77~-12	-	0~50
YoY	-	-	-	-	-63.6%	-	-93.7%	-67.9%	-	-				
NPM	5.7%	-1.4%	3.4%	7.6%	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

The company booked an operating loss in 1H, but expects large orders in Q3. Operating costs rose as the company hired and trained staff with skills for the global marketplace (in preparation for the additional expected workload), expanded its network of medical institutions, and invested in IT to bolster its infrastructure of assistance centers (including capex on high-performance communications equipment and improvements to core systems). The combination of increased operating costs and the weak yen led 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.

View the full report.

MONTHLY WRAP –October 2014

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 **September 8, 2014**, Shared Research updated comments on en-japan 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	**3,297**	**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.

Sales were up year-on-year for all recruitment sites. Shared Research understands sales are on track to outperform 1H and full-year targets. Results were particularly robust at [en] world Japan (recruitment agency services), driving performance even allowing for the fact that initial targets were conservative. According to the company, some advertising expenses scheduled for Q1 were delayed until Q2, but overall costs for 1H are on track to match the company's plan (JPY1.4bn).

Net income fell year-on-year because the company booked JPY2.0bn in gains on the sale of investment securities last year (Q1 FY03/14).

View the full report.

Fields Corp. (2767)

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

On **August 29, 2014**, Shared Research updated comments on Fields 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 FY	FY Est.
Sales	5,748	30,637	17,819	60,700	7,459				7.5%	100,000
YoY	-72.8%	284.3%	-4.3%	0.5%	29.8%					-13.0%
GP	2,027	11,621	5,709	14,455	2,790					
YoY	-63.6%	256.7%	-8.5%	-20.6%	37.6%					
GPM	35.3%	37.9%	32.0%	23.8%	37.4%					
SG&A	5,856	5,615	5,849	6,700	5,300					
YoY	10.9%	3.9%	5.7%	-0.7%	-9.5%					
SG&A / Sales	101.9%	18.3%	32.8%	11.0%	71.1%					
OP	-3,829	6,005	-140	7,755	-2,509				-	5,000
YoY	-	-	-	-32.4%	-					-48.9%
OPM	-	19.6%	-	12.8%	-					5.0%
RP	-3,759	5,903	-78	7,699	-2,254				-	5,000
YoY	-	-	-	-31.5%	-					-48.8%
RPM	-	19.3%	-	12.7%	-					5.0%
NI	-2,290	3,724	-207	4,143	-1,502				-	2,500
YoY	-	-	-	-23.2%	-					-53.4%
NPM	-	12.2%	-	6.8%	-					2.5%

Source: Company data

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

Fields booked sales of new pachinko machine Pachinko Onimusha: Dawn of Dreams, launched in Q4 FY03/14 (pachinko machines are sold through resellers; the company books sales the month after the machine is sold, when it receives commissions from machine manufacturers [see the Business section for details]). There were no new pachislot launches, and instead sales were centered on machines that were part of a series, such as CR TEKKEN LIGHT VERSION and Pachinko Onimusha: Dawn of Dreams Light Version. Total machines sold were 44,197 (+25,695 YoY).

View the full report.

FreeBit Co., Ltd. (3843)

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

On **September 29, 2014**, Shared Research updated comments on Freebit Co., Ltd.'s Q1 FY04/15 results after interviewing management.

Quarterly Performance	FY04/14				FY04/15				FY04/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	5,253	5,142	4,987	5,283	5,291	-	-	-	23.0%	23,000
YoY	-0.4%	-0.2%	-0.9%	1.5%	0.7%	-	-	-		
GP	1,950	1,982	2,012	2,054	1,960	-	-	-		
YoY	9.5%	5.2%	9.4%	2.6%	0.5%	-	-	-		
GPM	37.1%	38.5%	40.4%	38.9%	37.1%	-	-	-		
SG&A	1,644	1,673	1,720	1,641	1,614	-	-	-		
YoY	0.9%	0.1%	5.4%	0.1%	-1.8%	-	-	-		
SG&A / Sales	31.3%	32.5%	34.5%	31.1%	30.5%	-	-	-		
Operating Profit	307	309	293	412	346	-	-	-	23.1%	1,500
YoY	100.7%	44.8%	40.6%	14.1%	12.7%	-	-	-		
OPM	5.8%	6.0%	5.9%	7.8%	6.5%	-	-	-		
Recurring Profit	276	260	300	384	325	-	-	-	24.1%	1,350
YoY	144.1%	95.3%	561.1%	103.2%	17.6%	-	-	-		
RPM	5.3%	5.1%	6.0%	7.3%	6.1%	-	-	-		
Net Income	-64	115	117	68	540	-	-	-	90.1%	600
YoY	-	-	-	414.5%	-	-	-	-		
NPM	-	2.2%	2.3%	1.3%	10.2%	-	-	-		

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

Operating profit rose due to an expansion of mobile operations (JPY134mn), growth of Internet services for condominiums (JPY54mn), a reduction in fixed-line network expenses (JPY74mn), a withdrawal from unprofitable e-commerce operations (JPY24mn), and the completion of amortization for subsidiary DTI (JPY35mn). These developments were more than enough to offset the following factors that threatened profitability: a decline in the number of fixed-line subscribers (JPY94mn); a strategic shift away from mobile legacy services (JPY32mn); and investments in accordance with the medium-term management plan (JPY156mn, including an investment in freebit mobile).

Sales and profits exceeded the Q1 forecasts. Sales were better than expected because of increasing revenue from freebit mobile, which is expanding its service area. Profits beat the estimate largely due to the newly launched business-to-business MVNO packs and the condominium internet business. Still, FreeBit has left its full-year forecasts unchanged as the company plans investments in mobile operations during 2H.

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 **September 10, 2014**, Gulliver International Co., Ltd. announced monthly sales data for August 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%	6.9%						

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%	46.9%						

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 **September 10, 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 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 of JPY379mn 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.

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MONTHLY WRAP –October 2014

Harmonic Drive Systems (6324)

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

On **September 4, 2014**, Shared Research updated comments on Harmonic Drive Systems Inc. (HDSI) after interviewing management.

Quarterly Performance (JPYmn)	FY03/13 Q1	Q2	Q3	Q4	FY03/14 Q1	Q2	Q3	Q4	FY03/15 Q1	Q2(*)	FY03/15 % of 1H	1H Est.	FY03/15 % 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. HDSI stated that its Q1 results were in line with forecasts and that it will likely achieve its full-year earnings target judging from the current monthly sales and order backlog. The company has left its 1H and full-year forecasts unchanged.

View the full report.

Ito En, Ltd. (2593)

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

On **September 8, 2014**, Shared Research updated comments on Ito En, Ltd.'s earnings results for Q1 FY04/15 after interviewing management

Quarterly Performance	FY04/14				FY04/15				FY04/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	119,193	119,791	94,926	103,845	118,700				49.7%	239,000
YoY	12.2%	8.7%	4.6%	7.4%	-0.4%					0.0%
Gross Profit	55,809	58,135	46,199	51,661	55,616					
YoY	13.4%	11.1%	6.3%	9.7%	-0.3%					
GPM	46.8%	48.5%	48.7%	49.7%	46.9%					
SG&A Expenses	50,240	49,243	45,329	45,892	53,421					
YoY	14.0%	12.5%	9.0%	8.2%	6.3%					
SG&A / Sales	42.2%	41.1%	47.8%	44.2%	45.0%					
Operating Profit	5,568	8,893	870	5,769	2,194				23.8%	9,200
YoY	8.1%	4.1%	-53.4%	22.9%	-60.6%					-36.4%
OPM	4.7%	7.4%	0.9%	5.6%	1.8%					3.8%
Recurring Profit	5,426	8,692	835	5,565	2,082				23.7%	8,800
YoY	11.0%	2.5%	-55.3%	19.0%	-61.6%					-37.7%
RPM	4.6%	7.3%	0.9%	5.4%	1.8%					3.7%
Net Income	2,987	5,338	378	3,393	937				18.7%	5,000
YoY	22.1%	4.6%	-67.1%	33.3%	-68.6%					-39.9%
NM	2.5%	4.5%	0.4%	3.3%	0.8%					2.1%
Cumulative data	**Q1**	**1H**	**Q3**	**FY**	**Q1**	**1H**	**Q3**	**FY**	**% of FY**	**FY Est.**
Sales	119,193	238,984	333,910	437,755	118,700				26.1%	455,500
YoY	12.2%	10.4%	8.7%	8.4%	-0.4%					4.1%
Gross Profit	55,809	113,944	160,143	211,804	55,616				25.3%	220,000
YoY	13.4%	12.2%	10.4%	10.3%	-0.3%					3.9%
GPM	46.8%	95.1%	168.7%	204.0%	46.9%					48.3%
SG&A Expenses	50,240	99,483	144,812	190,704	53,421				27.1%	197,000
YoY	14.0%	13.2%	11.9%	11.0%	6.3%					3.3%
SG&A / Sales	42.2%	83.0%	152.6%	183.6%	45.0%					43.2%
Operating Profit	5,568	14,461	15,331	21,100	2,194				9.5%	23,000
YoY	8.1%	5.6%	-1.4%	4.2%	-60.6%					9.0%
OPM	4.7%	12.1%	16.2%	20.3%	1.8%					5.0%
Recurring Profit	5,426	14,118	14,953	20,518	2,082				9.5%	22,000
YoY	11.0%	5.6%	-1.9%	3.0%	-61.6%					7.2%
RPM	4.6%	11.8%	15.8%	19.8%	1.8%					4.8%
Net Income	2,987	8,325	8,703	12,096	937				7.2%	13,100
YoY	22.1%	10.3%	0.1%	7.6%	-68.6%					8.3%
NPM	2.5%	6.9%	9.2%	11.6%	0.8%					2.9%

Source: Company data

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

The company expected higher sales and lower profits due to promotional expenses—celebrating "30 years since the invention of green tea beverages"—in response to the consumption tax hike of April 1, 2014. However, both sales and profits underperformed targets due to poor weather over the summer. The consumption tax hike had a greater effect than anticipated.

MONTHLY WRAP –October 2014

On **the same day**, the company announced monthly sales data for August 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%	-9.4%									
Tea Leaf	-1.4%	1.0%	-0.3%	-0.8%									
Beverages	-2.7%	0.5%	-4.1%	-9.8%									
Breakdown by Beverage Category													
Japanese Tea Beverages	2.5%	0.2%	-0.9%	-10.2%									
Chinese Tea Beverages	-9.4%	-0.5%	-2.7%	-12.3%									
Vegetable Beverages	-19.9%	-10.9%	-13.0%	-16.2%									
Fruit Beverages	17.9%	18.9%	-10.0%	-13.9%									
Coffee Beverages	9.7%	23.9%	4.8%	16.3%									
Black Tea Beverages	7.1%	2.7%	-5.8%	-7.0%									
Functional Beverages	-32.8%	-15.3%	-14.2%	-16.1%									
Mineral Water	-13.7%	-8.2%	-14.2%	-13.4%									
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 **September 19, 2014**, J Trust Co., Ltd. announced the acquisition of shares in public company LCD Global Investments Ltd. (Singapore).

The company's subsidiary J Trust Asia Pte. Ltd. will acquire shares in LCD Global Investments Ltd. (SGX Mainboard: LCD; executive director: Mr David Lum).

Objective

The company established J Trust Asia on October 7, 2013, with the aim of developing in East Asia. Now the company has decided to become the top shareholder of one of Singapore's leading real estate developers by acquiring a 29.5% stake in LCD Global Investments (LCD). The company will also send directors to LCD, in a bid to build a strategic partnership advising LCD on future business expansion. The company aims to develop a comprehensive real estate business in East Asia and across the globe, with Singapore as one of its operational bases.

Real estate developer LCD generates most of its revenue from hotels. It has well-known hotels and serviced apartments in Thailand, the UK, Vietnam, and Laos. The acquisition of a stake in LCD will allow J Trust to build a global real estate business, while taking full advantage of population and economic growth in the ASEAN region and the rest of the world. LCD also plans to change its name to J Trust International Ltd. in line with this share acquisition.

Overview of the share acquisition

The company plans to acquire 310.5mn shares (29.5% of shares outstanding) at SGD0.3 per share, for a total acquisition value of SGD93mn (about JPY7.8bn, at SGD/JPY83.8). The transfer date is scheduled for September 22, 2014.

LCD FY03/15 performance and balance sheet

▪Net assets: JPY24.3bn
▪Total assets: JPY35.7bn
▪Operating revenue: JPY4.8bn
▪Net income: JPY117mn
(At SGD/JPY83.8; net assets and net income are those attributable to LCD.)

On **September 12, 2014**, the company announced that it had been selected as a bidding candidate in the bidding process for Indonesian commercial bank PT Bank Mutiara Tbk.

The company participated in a public bidding process carried out by the Indonesia Deposit Insurance Corporation (Lembaga Penjamin Simpanan [LPS]) on August 21, 2014, to acquire Bank Mutiara (held by the LPS). J Trust was selected as a bidding candidate, and signed a conditional share purchase agreement on September 16, 2014.

Bank Mutiara is an Indonesian commercial bank with a branch network of 62 branches spread across Indonesia and with total assets of about IDR13tn (JPY120bn; based on an exchange rate of IDR/JPY0.009 as of the end of March 2014). In November 2008, Bank Mutiara came under the control of LPS. Bank Mutiara restructured its operations under LPS' supervision, and LPS began the public bidding process for the sale of all shares in Bank Mutiara in April 2014.

Purpose
Through subsidiary J Trust Asia Pte. Ltd. (Singapore), the company has already begun building expertise in Indonesia and expanding its business there via a strategic business alliance with local banks. The company's selection in this bidding process allows it to increase its presence in the country, and respond to rapidly growing demand for retail finance in line with higher personal incomes.

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 **September 4, 2014**, Shared Research updated comments on Japan Best Rescue (JBR)'s earnings results for Q3 FY09/14.

Quarterly Performance	FY09/12				FY09/13				FY09/14			FY09/14		FY09/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of 1H	1H Est.	% of FY	FY Est.
Sales	**1,750**	**2,003**	**1,788**	**1,897**	**2,059**	**2,477**	**2,715**	**3,154**	**2,546**	**3,323**	**3,071**	**80.1%**	**11,157**	**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%**		**7.2%**		**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**	**85.8%**	**333**	**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%**		**75.7%**		**415.9%**
Call Center	-25.9%	-33.9%	-64.8%	-15.6%	-29.6%	-26.6%	32.8%	-37.1%	-13.7%	24.3%	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%**		**3.0%**		**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**	**64.0%**	**205**	**14.2%**	**924**
YoY	-38.5%	26.8%	-9.9%	-47.6%	115.1%	-11.3%	-69.8%	-	-	-96.5%	1,068.5%		44.4%		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%		1.8%		6.6%
NI	**1**	**190**	**54**	**15**	**130**	**173**	**-70**	**-719**	**-233**	**-10**	**195**	**-**	**-100**	**-9.5%**	**497**
YoY	-97.2%	271.9%	-77.4%	-84.0%	9,105.7%	-8.9%	-	-	-	-	-		-79.4%		-202.2%

Source: Company data

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

A net loss was recorded for the October-June period due to expenses surrounding retroactive corrections to the company's financial reporting caused by inappropriate accounting for sales at a subsidiary. Booking of corporate income taxes also played a role.

Despite the net loss, earnings are picking up. Membership is growing in the mainstay membership segment. The environmental maintenance segment (consolidated subsidiary Binos Corp.) also booked an operating profit in Q3, partly due to the return of provisions for losses on orders received. According to the company, sales may outperform revised targets for FY09/14, announced in June 2014; profits are likely to meet targets.

View the full report.

JIN Co., Ltd. (3046)

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

On **September 5, 2014**, JIN Co., Ltd. released monthly sales data for August 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%	-26.3%

Source: Company data, SR Inc. Research

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 **September 25, 2014**, Kenko.com announced changes to its executive management.

At a board of directors meeting held on September 25, 2014, the board passed a resolution for a new president to be inaugurated on October 30, 2014. Formal approval is scheduled to be attained at an extraordinary shareholder's meeting and subsequent board of directors meeting to be held on October 30, 2014.

Mr. Naohiko Kitsuta, who currently serves as president of Rakuten Mart Co., Ltd., is scheduled to serve as president of Kenko.com. As stated on August 27, 2014, Mr. Genri Goto, the current president, will step down from his post at the conclusion of the extraordinary shareholder meeting scheduled for October 30, 2014.

On **September 18, 2014**, Kenko.com announced that it began sales of medications on its Rakuten 24 website.

Rakuten 24 is an e-commerce website operated by Kenko.com that carries over 60,000 SKUs. In addition to daily necessities and food items, Category II and Category III medications are now available for purchase on Rakuten 24. Choosing from popular products among consumers, about 3,000 SKUs of Category II medications and 1,200 SKUs of Category III medications are planned to be sold on Rakuten 24. Sales for Category I medications are also scheduled to begin as soon as preparations are complete.

View the full report.

MONTHLY WRAP –October 2014

Mac-House Co., Ltd. (7603)

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

On **September 1, 2014**, Mac-House Co., Ltd. announced monthly sales data for August 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%	1.2%						
	Cust. count	-2.7%	-3.1%	-0.3%	-0.9%	-1.6%	0.1%						
	Spend / cust.	-1.8%	-3.8%	-1.0%	-0.2%	0.2%	1.1%						

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%	0.2%						
	Cust. count	-0.8%	-1.4%	0.3%	-0.7%	-1.9%	-0.1%						
	Spend / cust.	-2.5%	-4.5%	-1.7%	-1.1%	-0.7%	0.3%						

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

View the full report.

Medinet Co., Ltd. (2370)

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

On **September 5, 2014**, Shared Research updated the report after interviewing management.

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.

NanoCarrier Co. (4571)

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

On **September 3, 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 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

NanoCarrier booked sales of JPY57mn (JPY150mn in Q1 FY03/14), partly from supplying clinical trial medication and materials for cosmetics.

Sales fell year-on-year because the company did not book revenue from milestone payments (JPY100mn in Q1 FY03/14). The supply of clinical trial medication is also expected to be concentrated in Q2.

SG&A expenses were JPY409mn (+8.9% YoY). R&D expenses fell year-on-year, despite upfront payments of JPY234mn (-7.8% YoY) from Eisai Co. (TSE1: 4523) for the active compound E7974. Other SG&A expenses increased due to office relocation and labor costs.

As a result, the company booked an operating loss of JPY382mn (operating loss of JPY277mn in Q1 FY03/14).

The company booked exchange rate losses—mainly on evaluations of non-yen deposits—of JPY84mn as a non-operating cost. Recurring loss was JPY461mn (recurring loss of JPY190mn in Q1 FY03/14); net loss was JPY462mn (net loss of JPY191mn in Q1 FY03/14).

View the full report.

MONTHLY WRAP –October 2014

Nippon Parking Development (2353)

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

On **September 22, 2014**, Shared Research updated comments on Nippon Parking Development Co., Ltd. (NPD) after interviewing management.

Quarterly Performance	FY07/13				FY07/14				FY 07/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	**2,296**	**3,929**	**4,217**	**2,995**	**3,064**	**4,401**	**4,448**	**3,206**	**100.8%**	**15,000**
Parking Lot Business	2,258	2,291	2,348	2,504	2,474	2,563	2,524	2,650	97.3%	10,500
Ski Resort Business	38	1,638	1,869	492	590	1,838	1,924	556	109.0%	4,500
YoY	8.2%	35.3%	29.5%	29.7%	33.4%	12.0%	5.5%	7.0%		11.6%
Parking Lot Business	7.8%	6.7%	6.8%	9.6%	9.6%	11.9%	7.5%	5.8%		
Ski Resort Business	39.0%	116.6%	76.5%	1,891.8%	1,439.4%	12.2%	2.9%	12.9%		
Gross Profit	807	1,820	2,026	1,105	1,238	2,188	2,063	1,105		
YoY	4.8%	36.8%	28.7%	28.7%	53.3%	20.2%	1.8%	0.0%		
Gross Profit Margin	35.2%	46.3%	48.0%	36.9%	40.4%	49.7%	46.4%	34.5%		
SG&A	610	1,099	1,093	935	926	1,295	1,063	974		
YoY	9.4%	42.1%	46.5%	47.3%	51.8%	17.9%	-2.8%	4.2%		
Operating Profit	**197**	**722**	**932**	**170**	**312**	**892**	**999**	**131**	**97.3%**	**2,400**
Parking Lot Business	536	519	543	571	543	605	564	648		
Ski Resort Business	-193	383	559	-245	-81	499	619	-313	120.8%	600
YoY	-7.1%	29.4%	12.6%	-24.0%	58.1%	23.6%	7.2%	-22.8%		18.7%
Parking Lot Business	0.1%	-7.0%	-2.4%	-4.0%	1.4%	16.5%	3.8%	13.4%		-100.0%
Ski Resort Business	-	147.3%	29.9%	-	-	30.1%	10.8%	-		-56.5%
Operating Profit Margin	8.6%	18.4%	22.1%	5.7%	10.2%	20.3%	22.5%	4.1%		16.0%
Parking Lot Business	23.7%	22.7%	23.1%	22.8%	22.0%	23.6%	22.3%	24.4%		0.0%
Ski Resort Business	-503.8%	23.4%	29.9%	-49.7%	-13.6%	27.1%	32.2%	-56.3%		13.3%
Recurring Profit	**214**	**819**	**982**	**220**	**354**	**989**	**1,058**	**190**	**105.8%**	**2,450**
YoY	6.0%	44.1%	7.7%	-1.6%	65.2%	20.8%	7.7%	-13.6%		9.6%
Recurring Profit Margin	9.3%	20.8%	23.3%	7.4%	11.6%	22.5%	23.8%	5.9%		16.3%
Net Income	**115**	**539**	**646**	**79**	**199**	**670**	**656**	**56**	**105.4%**	**1,500**
YoY	21.6%	69.1%	-	-32.6%	73.5%	24.5%	1.6%	-29.5%		8.8%
Net Income Margin	5.0%	13.7%	15.3%	2.6%	6.5%	15.2%	14.8%	1.7%		10.0%

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

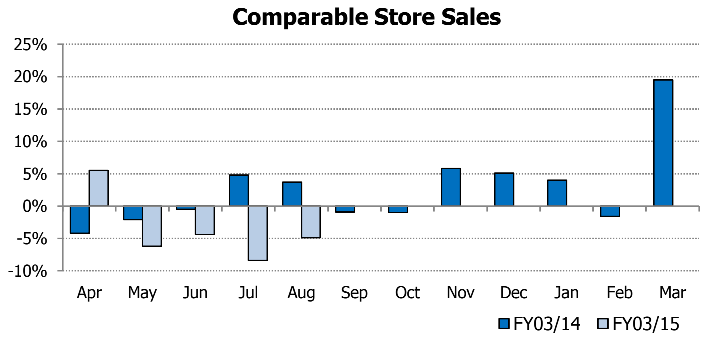
Sales were up 12.5% YoY, meaning the company has posted higher sales every year since it was founded. The company also booked its highest ever operating profit, up 15.5% YoY. This was due to steady growth in the domestic parking lot business, coupled with growing revenues from the ski resort business. The parking lot business in Thailand also moved into the black. The company also booked its highest recurring profit (+15.9% YoY) and net income (+14.7%) to date.

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 **September 1, 2014**, Paris Miki Holdings announced August 2014 sales figures.



Source: Company data, SR Inc. Research

View the full report.

Pigeon Corp. (7956)

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

On **September 17, 2014**, Shared Research updated the report following interviews with management.

Quarterly Performance	FY01/14				FY01/15				FY01/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	16,896	19,726	20,919	19,925	18,859	20,370	-	-	-	-
YoY	*17.8%*	*17.0%*	*24.7%*	*16.6%*	*11.6%*	*3.3%*	-	-		
GP	7,351	8,813	9,483	8,817	8,379	9,323	-	-		
YoY	*20.5%*	*23.3%*	*30.0%*	*22.2%*	*14.0%*	*5.8%*	-	-		
GPM	43.5%	44.7%	45.3%	44.3%	44.4%	45.8%	-	-		
SG&A	5,438	5,912	5,876	6,872	5,696	6,021	-	-		
YoY	*15.9%*	*10.9%*	*15.4%*	*23.6%*	*4.7%*	*1.8%*	-	-		
SG&A / Sales	32.2%	30.0%	28.1%	34.5%	30.2%	29.6%	-	-		
OP	1,913	2,901	3,607	1,944	2,684	3,302	-	-	-	-
YoY	*35.9%*	*59.6%*	*63.6%*	*17.4%*	*40.3%*	*13.8%*	-	-		
OPM	11.3%	14.7%	17.2%	9.8%	14.2%	16.2%	-	-		
RP	2,188	2,974	3,729	2,111	2,660	3,298	-	-	-	-
YoY	*36.1%*	*79.3%*	*65.8%*	*12.6%*	*21.6%*	*10.9%*	-	-		
RPM	12.9%	15.1%	17.8%	10.6%	14.1%	16.2%	-	-		
NI	1,328	1,793	2,517	1,347	1,773	2,302	-	-	-	-
YoY	*26.4%*	*108.5%*	*63.7%*	*19.8%*	*33.5%*	*28.4%*	-	-		
NPM	7.9%	9.1%	12.0%	6.8%	9.4%	11.3%	-	-		
Cumulative	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**% of FY**	**FY Est.**
Sales	16,896	36,622	57,540	77,465	18,859	39,229	-	-	46.4%	84,500
YoY	*17.8%*	*17.3%*	*19.9%*	*19.0%*	*11.6%*	*7.1%*	-	-		*9.1%*
GP	7,351	16,164	25,648	34,464	8,379	17,702	-	-		
YoY	*20.5%*	*22.0%*	*24.8%*	*24.1%*	*14.0%*	*9.5%*	-	-		
GPM	43.5%	44.1%	44.6%	44.5%	44.4%	45.1%	-	-		
SG&A	5,438	11,350	17,226	24,099	5,696	11,716	-	-		
YoY	*15.9%*	*13.3%*	*14.0%*	*16.6%*	*4.7%*	*3.2%*	-	-		
SG&A / Sales	32.2%	31.0%	29.9%	31.1%	30.2%	29.9%	-	-		
OP	1,913	4,814	8,421	10,366	2,684	5,986	-	-	51.6%	11,600
YoY	*35.9%*	*49.3%*	*55.1%*	*46.3%*	*40.3%*	*24.3%*	-	-		*11.9%*
OPM	11.3%	13.1%	14.6%	13.4%	14.2%	15.3%	-	-		13.7%
RP	2,188	5,162	8,891	11,002	2,660	5,958	-	-	50.5%	11,800
YoY	*36.1%*	*58.0%*	*61.2%*	*48.9%*	*21.6%*	*15.4%*	-	-		*7.3%*
RPM	12.9%	14.1%	15.5%	14.2%	14.1%	15.2%	-	-		14.0%
NI	1,328	3,121	5,638	6,986	1,773	4,074	-	-	55.8%	7,300
YoY	*26.4%*	*63.3%*	*63.5%*	*52.7%*	*33.5%*	*30.5%*	-	-		*4.5%*
NPM	7.9%	8.5%	9.8%	9.0%	9.4%	10.4%	-	-		8.6%

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

Sales were up due to improvements in sales overseas. Profits were higher year-on-year due in part to increased sales and higher utilization rates at production facilities; the CoGS ratio improved from 55.9% to 54.9% YoY.

On **September 4, 2014**, Shared Research updated the report following Pigeon Corp.'s 1H FY01/15 earnings presentation.

View the full report.

Resorttrust, Inc. (4681)

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

On **September 9, 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	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 the openings of Hotel Trusty Kanazawa Korinbo and Resorpia Hakone, of about JPY400mn and JPY200mn respectively. This period, there were no such expenses and new hotels contributed to revenues. However, some membership registration revenue was postponed for unopened hotels.

View the full report.

MONTHLY WRAP –October 2014

Round One Corp. (4680)

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

On **September 8, 2014**, Round One Corporation released monthly sales data for August 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**	**9,318**							
Bowling	2,001	2,064	1,688	1,686	2,649							
Game	2,686	3,070	2,652	2,894	3,955							
Karaoke	641	711	625	650	927							
SPO-CHA	878	956	745	700	1,531							
Other	199	221	201	202	254							
Total Sales YoY	**-3.3%**	**0.1%**	**-6.0%**	**-0.6%**	**8.4%**							
Bowling	-13.2%	-14.7%	-20.4%	-12.3%	-2.4%							
Game	3.4%	11.1%	3.2%	6.4%	12.9%							
Karaoke	1.6%	6.5%	-0.4%	1.8%	10.6%							
SPO-CHA	1.8%	4.2%	0.9%	4.9%	19.8%							
Other	-12.2%	-9.6%	-12.8%	-7.6%	-3.9%							
Comparable Store Sales YoY	**-3.3%**	**0.1%**	**-6.0%**	**-0.6%**	**8.4%**							
Bowling	-13.2%	14.7%	-20.4%	-12.3%	-2.4%							
Game	3.4%	11.1%	3.2%	6.4%	12.9%							
Karaoke	1.6%	6.5%	-0.4%	1.8%	10.6%							
SPO-CHA	1.8%	4.2%	0.9%	4.9%	19.8%							
Other	-12.2%	-9.6%	-12.8%	-7.6%	-3.9%							

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 –October 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 **September 2, 2014**, Ryohin Keikaku Co., Ltd. announced monthly sales data for August 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%	-0.8%						
Directly managed total	28.4%	2.1%	5.6%	8.2%	6.6%	3.9%						
Licensed Stores (Inc. Seiyu) (comparable)	20.5%	-2.2%	0.7%	5.0%	-1.3%	-1.5%						
Licensed Stores (Inc. Seiyu) total	21.7%	-1.9%	2.0%	3.8%	-	1.3%						
Instore (comparable)	21.9%	-2.2%	1.4%	5.0%	1.2%	-0.9%						
Instore total	27.0%	1.3%	4.9%	7.3%	5.3%	3.4%						
Total	30.6%	12.0%	11.0%	13.6%	22.7%	13.2%						

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.

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Sanix Incorporated (4651)

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

On **September 25, 2014**, Sanix Incorporated announced its response to Kyushu Electric Power Co.'s decision regarding requests by solar-power facilities operators to connect with its power distribution system.

Kyushu Electric Power announced on September 24 that it would put such requests on hold for "several months" because it had already received too many applications. Operators of solar-power facilities seeking to sell electricity to the regional power company must first connect their distribution systems to the utility.

Requests put on hold
Facilities to be affected: All types of renewable-energy facilities, including solar-power systems
Power voltage: low (above 10kwh), high, extra high
Application type: New applications and those already submitted (applications for prior consultation, consideration, and the signing of contracts)

However, the following applications, if already submitted, are excluded:
▪ Low voltage (projects for which invoices for construction fees have been sent)
▪ High voltage (projects for which system-integration approval has been granted)

Effective date: September 25, 2014
Period of suspension: several months

Response by Sanix
Kyushu Electric Power announced that it would not immediately respond to requests from solar-power operators, except for individual households that have renewable-energy facilities, to connect power distribution systems. The company stated that it would put new or existing applications for consultation, request for consideration, and the signing of contracts on hold for several months.

As a result, Sanix, which has won contracts to build solar-power facilities in an area served by Kyushu Electric Power, may have to abandon most of these projects. The company is considering a number of measures to deal with the situation. For example, the company may reassign employees in the Kyushu area to other locations. The company, which constructs solar facilities nationwide, will also review its plan for hiring, advertising, and store openings. The decision does not affect individual households with power facilities that supply less than 10kWh of electricity.

Sanix stated that it would closely examine the impact of Kyushu Electric's decision, consider a variety of measures to deal with the situation, and come up with a new business plan. The company will then disclose the impact that this development may have on its earnings.

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 **September 3, 2014**, Shared Research updated comments on SBS Holdings, Inc. 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	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

Sales were up due to growth in the logistics and personnel businesses. The rate of increase in recurring profit outpaced that of operating profit because of lower interest payments and an increase in investment earnings from equity-method affiliates. Net income for Q4 surged due to a JPY1.3bn gain related to the sale of fixed assets, including an office building.

On **the same day**, the company announced that AEON Co., Ltd. (TSE1: 8267) had contracted it to provide a same-day shopping delivery service.

AEON contracted consolidated subsidiary SBS Flec Co., Ltd. to deliver products to customers' homes on the day of purchase. The service launched at three stores in Chiba City in August 2014.

SBS Flec Co., Ltd. began offering delivery services to online grocery retailers in 2008. As of September 2014, SBS Flec has 260 vehicles in operation at 70 stores nationwide.

View the full report.

SMS Co., Ltd. (2175)

SMS provides recruitment services and managing professional community websites.

On **September 17, 2014**, SMS Co., Ltd. announced revisions to earnings forecasts for 1H FY03/15.

Revisions to earnings forecasts for 1H FY03/15 (previous forecasts in parentheses)
- Sales: JPY7.5bn (JPY7.6bn)
- Operating profit: JPY1.2bn (JPY842mn)
- Recurring profit: JPY1.6bn (JPY1.2bn)
- Net income: JPY1.3bn (JPY952mn).

Reasons for the revisions
SG&A expenses are on track to fall below company projections, due to delays in hiring and investments. As a result, operating profit, recurring profit, and net income all appear likely to outperform forecasts announced on June 2, 2014.

The company has maintained its full-year earnings forecasts because during the remainder of FY03/15, it intends to carry out hiring and investments that were delayed in 1H.

On **the same day**, the company announced the establishment of a subsidiary via company split (simple incorporation-type split).

The company will spin off some operations from the recruitment services and job information businesses and transfer them to the newly established SMS Career Co., Ltd.

Objective
The company aims to select strategies and operations, and manage human resources in a way most suited to growing the career related business, centered on nurse recruitment services. The company thus made the decision to split the career related businesses, and establish a new company, SMS Career Co., Ltd.

Schedule
Scheduled date of split (effective date): January 1, 2015

Following the split
The company will transfer some operations and related services from the recruitment and job information businesses to the new company. There will be no change to the company's name, headquarters, directors, capital, or accounting periods.

Furthermore, the newly established company will be a wholly-owned subsidiary, meaning the split will have a negligible effect on consolidated results.

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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 **September 12, 2014**, SOURCENEXT Corporation announced a software license agreement with ORIX Rentec Corporation (parent company: Orix Corp. [TSE1: 8591]).

ORIX Rentec rents devices such as electronic measuring equipment and computer servers to corporations. SOURCENEXT will offer the Cloud Security (monthly version) software to ORIX Rentec for a fixed monthly fee. The company aims to grow sales in new markets—such as B2B—by supplying the product at a lower price than before.

On **September 1, 2014**, the company announced that it will be providing apps to Sprint Corporation's App Pass service.

The company will provide six apps for Sprint's new App Pass service for Android smartphones, including the Super Battery app (Japanese: CHOUDENCHI).

Since its launch in the US on August 29, the App Pass service offers a select range of Android apps and games for a monthly fee of USD4.99. The company views the provision of its apps on this service as the start of the full-fledged rollout of its apps overseas.

View the full report.

Star Mica (3230)

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

On **September 30, 2014**, Star Mica Co., Ltd. announced earnings results for Q3 FY11/14.

Quarterly Performance	FY11/13				FY11/14				FY11/14	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	2,602	3,565	4,006	3,371	3,118	3,215	3,523	-	69.2%	14,251
YoY	-18.0%	5.8%	24.9%	8.4%	19.8%	-9.8%	-12.1%	-		5.2%
GP	671	908	908	753	870	892	880	-		
YoY	-3.7%	18.6%	28.5%	24.9%	29.7%	-1.7%	-3.1%	-		
GPM	25.8%	25.5%	22.7%	22.3%	27.9%	27.7%	25.0%	-		
SG&A	304	391	310	430	304	428	408	-		
YoY	5.5%	27.9%	7.3%	24.3%	-0.1%	9.3%	31.7%	-		
SG&A / Sales	11.7%	11.0%	7.7%	12.8%	9.7%	13.3%	11.6%	-		
OP	367	516	598	323	566	464	472	-	77.0%	1,951
YoY	-10.1%	12.4%	43.2%	25.8%	54.5%	-10.1%	-21.1%	-		8.2%
OPM	14.1%	14.5%	14.9%	9.6%	18.2%	14.4%	13.4%	-		13.7%
RP	230	372	449	179	415	326	310	-	79.1%	1,330
YoY	-12.5%	15.2%	59.6%	47.4%	80.4%	-12.3%	-30.9%	-		8.1%
RPM	8.9%	10.4%	11.2%	5.3%	13.3%	10.1%	8.8%	-		9.3%
NI	136	208	292	109	253	192	188	-	79.0%	802
YoY	-8.7%	21.6%	75.3%	107.9%	86.2%	-7.8%	-35.4%	-		7.7%
NPM	5.2%	5.8%	7.3%	3.2%	8.1%	6.0%	5.3%	-		5.6%

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

Source: Company data

Pre-owned condominium business

Rental income increased as the company acquired more properties. However, income from property sales fell due to a pullback after the rush to beat the consumption tax hike.

Investment business

Star Mica continued investing in real estate to generate future revenues, thus acquiring more properties and driving up rental income. However, operating profit was down year-on-year as depreciation costs rose.

Advisory service business

Sales and operating profit increased year-on-year, in line with higher brokerage commissions to clients outside the group.

On **September 19, 2014**, the company announced a revision to its dividend forecast.

The company revised its year-end dividend per share forecast for FY11/14 upward by JPY2 to JPY10, for a full-year dividend forecast of JPY18. This was because the company is likely to perform well against earnings targets due to robust sales of pre-owned condominiums even after the consumption tax hike. This revision means the company has increased its full-year dividend for five consecutive years.

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 **September 1, 2014**, Takashimaya Co., Ltd. released monthly store sales data for August 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%	0.2%						
Domestic Department Stores (18 Stores)	31.7%	-13.5%	-6.5%	-4.9%	-4.3%	0.1%						
Corporate Business	55.4%	-21.1%	-17.9%	-15.6%	1.2%							
Cross-Media Business	5.4%	-33.8%	-36.0%	-25.2%	-12.8%							

Source: Company data

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

View the full report.

MONTHLY WRAP –October 2014

Takihyo Co., Ltd. (9982)

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

On **September 30, 2014**, Takihyo Co., Ltd. announced earnings results for 1H FY02/15.

Quarterly Performance	FY02/13				FY02/14				FY02/15		FY02/15		FY02/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	**18,796**	**16,392**	**21,752**	**17,607**	**19,635**	**17,666**	**23,701**	**18,368**	**19,384**	**16,650**	**93.1%**	**38,700**	**43.9%**	**82,000**
YoY	15.4%	6.2%	6.2%	2.9%	4.5%	7.8%	9.0%	4.3%	-1.3%	-5.8%		3.7%		3.3%
GP	4,695	3,660	5,020	3,424	4,110	3,522	4,897	3,486	4,068	3,270				
YoY	31.6%	17.5%	3.7%	-1.9%	-12.5%	-3.8%	-2.5%	1.8%	-1.0%	-7.2%				
GPM	25.0%	22.3%	23.1%	19.4%	20.9%	19.9%	20.7%	19.0%	21.0%	19.6%				
SG&A	3,650	3,317	3,515	3,573	3,736	3,408	3,550	3,399	3,512	3,247				
YoY	13.2%	6.4%	8.0%	7.3%	2.4%	2.7%	1.0%	-4.9%	-6.0%	-4.7%				
SG&A / Sales	19.4%	20.2%	16.2%	20.3%	19.0%	19.3%	15.0%	18.5%	18.1%	19.5%				
OP	**1,045**	**342**	**1,505**	**-148**	**373**	**115**	**1,347**	**86**	**555**	**23**	**96.3%**	**600**	**27.5%**	**2,100**
YoY	203.9%	-	-5.2%	-	-64.3%	-66.4%	-10.5%	-	48.8%	-80.0%		22.8%		9.3%
OPM	5.6%	2.1%	6.9%	-	1.9%	0.7%	5.7%	0.5%	2.9%	0.1%		1.6%		2.6%
RP	**1,070**	**351**	**1,519**	**-65**	**453**	**105**	**1,367**	**85**	**605**	**61**	**104.1%**	**640**	**31.7%**	**2,100**
YoY	192.0%	-	-4.3%	-	-57.7%	-	-10.0%	-	33.6%	-41.9%		14.6%		4.5%
RPM	5.7%	2.1%	7.0%	-	2.3%	0.6%	5.8%	0.5%	3.1%	0.4%		1.7%		2.6%
NI	**589**	**158**	**907**	**-210**	**271**	**79**	**854**	**-52**	**429**	**15**	**123.3%**	**360**	**37.0%**	**1,200**
YoY	-	-	-3.1%	-	-54.0%	-50.0%	-5.8%	-	58.3%	-81.0%		2.6%		4.1%
NPM	3.1%	1.0%	4.2%	-	1.4%	0.4%	3.6%	-	2.2%	0.1%		0.9%		1.5%
Inventories	**3,494**	**3,675**	**3,953**	**3,950**	**4,238**	**4,381**	**5,131**	**4,152**	**3,705**	**3,967**				
YoY	-11.6%	-4.8%	-6.6%	7.6%	21.3%	19.2%	29.8%	5.1%	-12.6%	-9.4%				
Days in Inventory	23.2	25.7	20.8	25.4	24.1	27.8	23.1	28.4	23.4	26.2				

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

The company adopted a number of measures. First, it raised unit prices by providing customers with high value-added products such as apparel that is made from French linens. Second, the company lowered production costs through cultivating new productions sources in the ASEAN countries and inland China. Third, Takihyo improved efficiency at logistics hubs to reduce logistics costs, which account for approximately 30% of its SG&A expenses.

View the full report.

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 **September 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 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.

Operating profit fell as solar system sales dropped YoY and SG&A expenses increased due to higher costs for strengthening compliance and fundraising.

View the full report.

Verite Co., Ltd. (9904)

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

On **September 5, 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	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

Sales were negatively impacted primarily due to a fallback in consumer spending after the consumption tax hike. Although Verite's gross profit margin improved quarter-on-quarter thanks to higher sales per customer, this was not enough to overcome lower overall sales, leading to an operating loss.

During Q1 FY03/15, Verite focused on promoting store sales, including developing the QIREINI brand. While the number of first-time purchasers of QIREINI products increased, the company is placing priority on boosting the number of repeat clients. To this end, Verite is in the process of revamping its product portfolio and analyzing customer behavior, to provide products and services more in tune with their needs.

On **the same date**, Verite Co. announced August 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%	-16.2%									
Customer Count	-38.7%	-24.9%	-18.2%	-19.7%	-19.3%									
Sales Per Customer	18.0%	13.2%	9.0%	13.2%	3.7%									
Stores	81	81	81	80	80									
Comparable Stores														
Sales	-21.8%	-8.6%	-11.1%	-2.3%	-9.7%									
Customer Count	-33.6%	-23.9%	-17.4%	-18.1%	-17.4%									
Sales Per Customer	17.7%	20.1%	7.7%	19.3%	9.3%									
Stores	76	79	79	80	79									
FY03/14	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	1H	FY
All Stores														
Sales	8.5%	-8.7%	-7.4%	-0.8%	-9.8%	-1.9%	-7.0%	4.2%	2.3%	8.4%	-10.8%	-0.3%	-3.8%	-2.0%
Customer Count	17.4%	2.5%	-9.5%	-7.2%	-14.2%	-11.6%	-9.4%	-8.9%	-12.6%	-14.6%	-30.0%	-19.4%	-4.3%	-10.3%
Sales Per Customer	-7.6%	-11.0%	2.4%	6.9%	5.1%	11.0%	2.6%	14.4%	17.0%	26.9%	27.4%	23.7%	0.5%	9.3%
Stores	87	84	83	83	83	82	82	84	84	82	81	80	82	80
Comparable Stores														
Sales	7.7%	-9.0%	6.7%	0.5%	-4.0%	2.4%	-0.2%	12.2%	11.8%	18.7%	-4.1%	0.7%	0.4%	3.6%
Customer Count	18.6%	1.8%	-1.6%	-0.6%	-8.0%	-4.6%	-0.1%	-3.5%	-3.6%	-7.6%	-23.9%	-12.8%	0.6%	-4.1%
Sales Per Customer	-9.2%	-10.7%	8.5%	1.2%	4.4%	7.3%	-0.1%	16.3%	16.0%	28.4%	26.0%	15.5%	-0.2%	8.0%
Stores	81	78	78	77	77	76	77	78	79	79	76	77	76	77
FY03/13	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	1H	FY
All Stores														
Sales	7.4%	8.6%	-12.1%	-7.3%	4.0%	1.1%	-2.0%	-12.7%	-10.9%	-3.9%	0.7%	-7.1%	-0.5%	-3.7%
Customer Count	-4.1%	-6.9%	2.6%	-8.7%	-0.1%	-5.5%	-12.4%	-7.4%	-6.8%	3.4%	3.2%	5.5%	-3.9%	-3.1%
Sales Per Customer	12.0%	16.6%	-14.3%	1.5%	4.1%	7.0%	11.8%	-5.7%	-4.3%	-7.0%	-2.4%	-12.0%	3.5%	-0.6%
Stores	100	100	101	101	101	102	103	104	104	102	99	97	97	97
Comparable Stores														
Sales	6.4%	9.8%	-11.3%	-4.2%	1.3%	-1.5%	-2.2%	-6.1%	-9.1%	-4.2%	2.3%	-2.8%	-0.4%	-2.4%
Customer Count	-2.9%	-3.7%	1.0%	-8.6%	-2.4%	-8.2%	-14.8%	-5.3%	-5.2%	3.1%	6.1%	9.5%	-4.3%	-2.7%
Sales Per Customer	9.6%	14.0%	-12.2%	4.8%	3.8%	7.3%	14.8%	-0.8%	-4.1%	-7.1%	-3.6%	-11.3%	4.0%	0.3%
Stores	81	81	82	84	85	90	92	96	96	95	90	90	90	90

Source: Company data, SR Inc. Research

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

View the full report.

Yumeshin Holdings Co., Ltd. (2362)

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

On **September 9, 2014**, Yumeshin Holdings released monthly sales and hiring data for August 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**	**1,013**		**10,537**
(YoY)	33.6%	43.5%	40.8%	40.4%	42.2%	53.1%	47.9%	52.0%	47.7%	42.9%	38.2%		
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	101		1,545
(Difference)	-3	4	-41	36	30	43	51	-7	-9	-30	-14		60

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

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ZAPPALLAS, INC. (3770)

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

On **September 29, 2014**, Shared Research updated comments on ZAPPALLAS, INC.'s Q1 earnings results for FY04/15 after interviewing management.

Quarterly Performance	FY04/14				FY04/15				FY04/15	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	1,882	2,017	1,912	2,343	1,678	-	-	-	-	-
YoY	-20.6%	-8.5%	-6.9%	3.6%	-10.8%	-	-	-		
GP	1,295	1,371	1,331	1,398	1,052	-	-	-		
GPM	68.8%	68.0%	69.6%	59.7%	62.7%	-	-	-		
SG&A	1,120	1,275	1,138	1,123	968	-	-	-		
YoY	6.7%	3.7%	1.5%	-14.0%	-13.6%	-	-	-		
OP	175	93	191	263	60	-	-	-	-	-
YoY	-70.9%	-69.7%	-33.9%	17.4%	-65.9%	-	-	-		
OPM	9.3%	4.6%	10.0%	11.2%	3.6%	-	-	-		
RP	152	100	247	253	63	-	-	-	-	-
YoY	-74.9%	-68.1%	-41.1%	-19.7%	-58.4%	-	-	-		
NI	86	72	161	56	52	-	-	-	-	-
YoY	-75.2%	-70.9%	-46.2%	151.2%	-40.3%	-	-	-		
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	1,882	3,899	5,812	8,155	1,678	-	-	-	22.4%	7,500
YoY	-20.6%	-14.8%	-12.3%	-8.3%	-10.8%	-	-	-		-15.6%
GP	1,295	2,666	3,997	5,396	1,052	-	-	-		
GPM	68.8%	68.4%	68.8%	66.2%	62.7%	-	-	-		
SG&A	1,120	2,395	3,533	4,656	968	-	-	-		
YoY	6.7%	5.1%	3.9%	-1.1%	-13.6%	-	-	-		
OP	175	268	459	722	60	-	-	-	-	0
YoY	-70.9%	-70.5%	-61.7%	-49.2%	-65.9%	-	-	-		-100.0%
OPM	9.3%	13.3%	-	30.8%	3.6%	-	-	-		0.0%
RP	152	253	500	752	63	-	-	-	-	0
YoY	-74.9%	-72.6%	-62.7%	-54.5%	-58.4%	-	-	-		-100.0%
NI	86	158	319	376	52	-	-	-	-	-13
YoY	-75.2%	-73.4%	-64.3%	-59.0%	-40.3%	-	-	-		-101.4%

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

Overall sales fell because of a decline in sales at BxE Inc., a subsidiary in the Commerce segment, as well as lower revenue from feature-phone users in the Contents operations. BxE's sales and profits deteriorated because the company did not release any new products in Q1 and also because some products introduced at the end of the previous fiscal year were returned. Sales of high margin products also fell in the Contents segment.

However, the Contents segment exceeded forecasts because revenue from feature-phone users did not decline as much as expected. The Commerce segment missed the mark because of product returns. Even so, consolidated operating profit beat forecasts by a narrow margin as the Contents segment compensated for the performance of the Commerce segment.

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