



Shared Research Monthly Wrap – December 2014

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TABLE OF CONTENTS

Monthly musings.....	3
Market view from Sendagi	3
New Coverage	7
ZIGExN Co., Ltd. (3679)	7
November 2014 Client Updates	14
3-D Matrix, Ltd. (7777)	14
Accretive Co., Ltd. (8423)	15
AnGes MG, Inc. (4563)	16
Ai Holdings Corp. (3076)	17
Anicom Holdings, Inc. (8715)	19
Anritsu Corp (6754)	20
ArtSpark Holdings Inc. (3663).....	21
Axell Corporation (6730)	22
Bell-Park Co., Ltd. (9441)	23
Canon Marketing Japan Inc. (8060).....	24
Chiyoda Co., Ltd. (8185)	25
Comsys Holdings Corporation (1721).....	27
DIC Corporation (4631).....	28
Digital Garage Inc. (4819).....	30
Don Quijote Co., Ltd. (7532).....	32
Dream Incubator Inc. (4310).....	35
Elecom Co. (6750).....	36
Emergency Assistance Japan Co., Ltd. (6063).....	37
Ferrotec Corp. (6890)	38
Fields Corp. (2767).....	40
FreeBit Co., Ltd. (3843).....	41
Gamecard-Joyco Holdings, Inc. (6249)	42
GCA Savvian Corp. (2174)	43
Grandy House Corp. (8999)	45
Gulliver International Co., Ltd. (7599).....	46
Hakuto Co., Ltd. (7433).....	47
Happinet Corporation (7552)	48
Harmonic Drive Systems (6324).....	49
Hearts United Group Co., Ltd. (3676)	50
Infomart Corp. (2492).....	52
Intelligent Wave Inc. (4847).....	53
J Trust Co Ltd (8508)	54
Japan Best Rescue System Co Ltd (2453)	55
JIN Co., Ltd. (3046)	59
Kenedix, Inc. (4321).....	60
Kenko.com Inc. (3325).....	62
KLab Inc. (3656)	63



MONTHLY WRAP – December 2014



Lasertec Corp (6920)	64
Matsui Securities Co., Ltd. (8628).....	65
Mac-House Co., Ltd. (7603)	66
Medinet Co., Ltd. (2370)	67
NAIGAI TRANS LINE LTD. (9384).....	68
NanoCarrier Co. (4571)	69
Nippon Parking Development (2353)	71
NS TOOL Co., Ltd. (6157).....	73
Onward Holdings Co Ltd (8016)	74
Paris Miki Holdings Inc. (7455)	75
Pigeon Corp. (7956)	76
Resorttrust, Inc. (4681).....	77
Round One Corp. (4680)	78
Ryohin Keikaku Co., Ltd. (7453).....	80
Sanix Incorporated (4651).....	81
Sanrio Co., Ltd. (8136).....	82
SATO Holdings Corp. (6287)	83
SBS Holdings, Inc. (2384)	84
Ship Healthcare Holdings Inc. (3360)	85
SMS Co., Ltd. (2175).....	86
SOURCENEXT Corporation (4344)	87
Star Mica (3230).....	88
Takashimaya Co., Ltd. (8233).....	89
Tamagawa Holdings Co., Ltd. (6838)	90
Verite Co., Ltd. (9904).....	92
WirelessGate Inc (9419).....	94
About Shared Research Inc.	97

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Monthly musings

Market view from Sendagi

Dear readers,

I looked for a catchy quote to start this edition of the Market View, one that would reflect the somewhat high and **unpleasant volatility** of the past few days. Volatility that—among other things—removed much of the hard-earned December gains from my speculative portfolio (not to be confused with the lazy twice-a-year relative-to-the-Topix100 version that you find in the Market View). I think that the dialogue between Dr. Szell and Babe in the Marathon Man is the perfect quote. The scene invokes feelings of **vulnerability, apprehension**, and pain. Please imagine that the conversation is about the future direction of the market.

Szell: Is it safe? Is it safe?

Babe: You're talking to me?

Szell: Is it safe?

Babe: Is what safe?

Szell: Is it safe?

Babe: I don't know what you mean. I can't tell you something's safe or not, unless I know specifically what you're talking about.

Szell: Is it safe?

Babe: Tell me what the "it" refers to.

Szell: Is it safe?

Babe: Yes, it's safe, it's very safe, it's so safe you wouldn't believe it.

Szell: Is it safe?

Babe: No. It's not safe, it's... very dangerous, be careful.

I don't know if it's safe. When world markets react to another **Greek political crisis** with a plunge in values, I feel that it's an **overreaction**. When the broad stock market goes down, allegedly because **oil is getting too cheap**, it doesn't make much sense to me; I thought it was a **good thing**. Not enough inflation as a result of cheap oil sounds like a problem any real economy—except Russia—would want.

When we don't understand something, we feel less safe. Unless it's Santa. My kids don't understand Santa but he makes them feel safe in their assumption that more toys are on the way. Any suggestion that misbehaving could mean being taken off Santa's list is dismissed.

I want to feel safe. Let's all **ask Santa** for a mad rally. Enough worries.

This year I've been worried about many things. In Japan—a potentially disastrous decision to stick with a tax hike, political indecision and lack of reform. Elsewhere—a potential full-blown Russian military operation in Ukraine, Ebola, you name it.

Today, in the spirit of Christmas, **I declare myself worry-free** and invite you to do the same—in Japan, we have just reached a near-perfect set of conditions and the outlook is very bullish for the next six months.

I see bliss.



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Let's look at several simple positive factors.

1) **The tax hike is postponed.** The consumption tax hike is necessary and inevitable. Without it, without more of it—all the way to 15%-20%—the Japanese social security system cannot be sustained in anywhere close to its current form. However, in the short run, all that matters is growing the economy, forming at least some inflationary expectations, and revving up consumers. Japanese consumers have clearly shown that any tax hike without wage growth will make them cut consumption by at least the amount of the hike or more. The government got the message. After a lot of damage done (and time wasted) from the 2014 increase, the next hike has been prudently delayed until 2017.

2) **The BOJ will do whatever it takes.** Long-term risks to the Japanese economy are probably higher as a result of Kuroda's QE. However, these are risks of sinking the ship sooner and more quickly than it would have otherwise—and inevitably—sunk. I believe that the peril of doing nothing dramatically outweighs that of doing too much. In the short run, the commitment to prop asset prices and inflationary expectations is good for the Japanese economy and good for equities.

3) **The yen is heading lower.** Japan is not only pushing its currency lower, it is doing so against the unique backdrop of traditional detractors tacitly supporting the policy. The US doesn't mind a strong dollar because of low oil prices and the overall strength of the economy. Even if it did—and I am somewhat outside of my comfort zone here—it needs a strong Japan, and probably understands that at this junction there is no strong Japan without the weaker yen. The euro is also getting weaker, which makes Germany and others in the Eurozone much less likely to complain about Japan. Japan seems to have a carte blanche to push the yen lower.

How low? In recent weeks, voices suggesting that JPY130-140/USD is what Japan really needs have been getting louder. The logic is simple—at these levels, assuming they are sustainable, at least some Japanese manufacturers will consider going home. Given the instability of Japan's relationship with China and the rising costs there, bringing some manufacturing back to Japan looks appealing. Anecdotal, JPY120/USD is not enough.

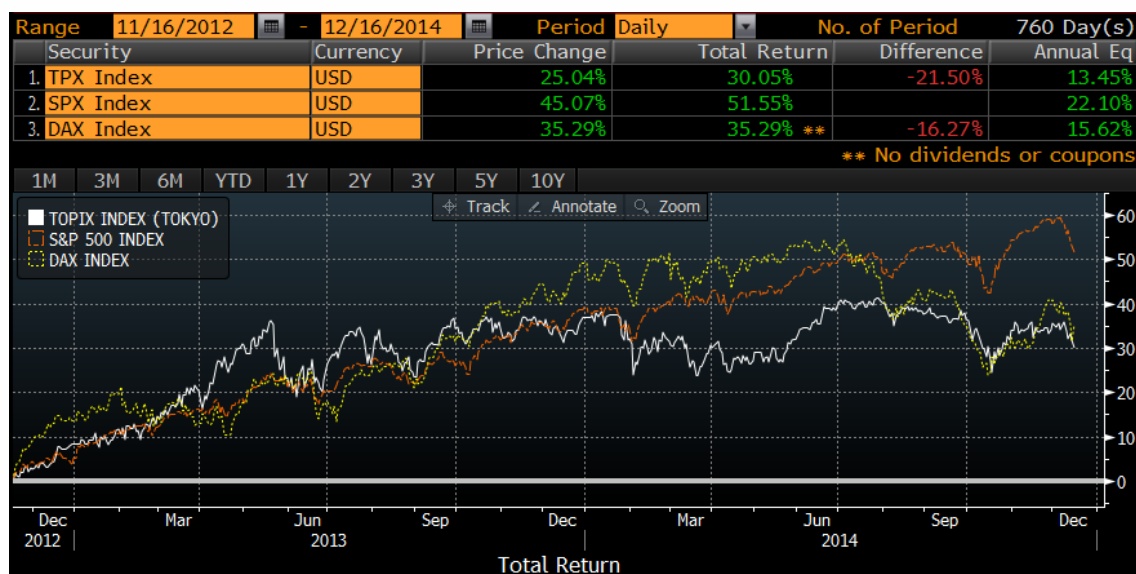


In the short run, the benefits of a lower yen are clear. When Japanese corporations were reporting their Q2 results, most of them appeared to have JPY105/USD as an underlying assumption. Resetting those expectations to JPY115 and possibly JPY120, and then experiencing a move to JPY130-140 in late 2015 and 2016 would be awesome for earnings. In many cases EPS will have to be revised up by 20% or more just on currency. At the same time, memories of the Lehman shock are still too fresh to allow any reckless behavior. If anything, corporate Japan is still quite cautious when it comes to capex.

4) **Corporate governance is improving.** Companies now feel obliged to do more buybacks, raise dividends, and care about ROE. This is already producing positive results. On December 12, 2014, the official draft of the Governance Code was released, calling for all listed companies to have at least two outside directors on their boards, among other things.

5) **The Third Arrow of Abenomics got a new lease on life.** I was extremely concerned that the political maneuvering and backstabbing ahead of the 2016 general election would make any real reform impossible. Now, with the LDP winning the snap election by a landslide against an unprepared and simply pathetic opposition, Abe will neutralize his internal opponents and postpone any serious politicking until 2017, giving him time to do whatever he needs to do. The expectations for the Third Arrow—both among investors and the populace—are so low that any real deregulation or developments (TPP being one crucial example) would represent an upside risk.

Meanwhile, my favorite chart—the stock market performance in the same currency since Abenomics unofficially started on November 16, 2012—suggests that Japan has not been getting any additional credit for Abenomics, Kurodanomics, or the Governance Big Bang for over a year. It even lags behind Germany, which is supposed to be in a world of trouble because of the Greeks and deflation. Yes, the GDP was bad in Q3, but that is in the price, while the positives highlighted above are not.



(Source: Bloomberg)

Happy Holidays!

Yours,

Oleg Zuravljov



MONTHLY WRAP – December 2014



TOPIX100 Portfolio

Return Comparison (%)	
TPX100	14.29
Portfolio	12.65
TPX100 Points	
2014/5/2	781.43
2014/12/16	891.52

Start Date	Current Date
2014/5/2	2014/12/16

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

Ticker	Name	Weight Rel. To TPX100	Total Return (%)	Wgt (%)	Ticker	Name	Weight Rel. To TPX100	Total Return (%)	Wgt (%)
7203 JT Equity	Toyota Motor Corp	OW	29.60	11.0	6326 JT Equity	Kubota Corp	MW	29.09	0.7
8306 JT Equity	Mitsubishi UFJ Financial Group Inc	BOW	16.33	8.0	8750 JT Equity	Dai-ichi Life Insurance Co Ltd/The	MW	17.76	0.7
9984 JT Equity	SoftBank Corp	MW	-8.89	3.7	8725 JT Equity	MS&AD Insurance Group Holdings	OW	19.44	1.0
8316 JT Equity	Sumitomo Mitsui Financial Group Ir	BOW	-0.73	5.9	7974 JT Equity	Nintendo Co Ltd	BOW	13.99	1.3
7267 JT Equity	Honda Motor Co Ltd	MW	-0.17	3.0	2503 JT Equity	Kirin Holdings Co Ltd	UW	5.60	0.0
8411 JT Equity	Mizuho Financial Group Inc	BOW	-1.18	4.9	6594 JT Equity	Nidec Corp	MW	32.96	0.6
9432 JT Equity	Nippon Telegraph & Telephone Co	OW	7.53	3.1	9735 JT Equity	Secom Co Ltd	MW	13.97	0.6
2914 JT Equity	Japan Tobacco Inc	UW	1.84	0.0	6702 JT Equity	Fujitsu Ltd	MW	-0.72	0.6
6954 JT Equity	FANUC Corp	UW	7.73	0.0	2502 JT Equity	Asahi Group Holdings Ltd	UW	29.30	0.0
7751 JT Equity	Canon Inc	MW	18.67	1.8	9983 JT Equity	Fast Retailing Co Ltd	UW	31.15	0.0
4502 JT Equity	Takeda Pharmaceutical Co Ltd	MW	6.16	1.8	9531 JT Equity	Tokyo Gas Co Ltd	MW	15.62	0.6
6501 JT Equity	Hitachi Ltd	UW	15.95	0.0	4578 JT Equity	Otsuka Holdings Co Ltd	OW	23.14	0.9
9433 JT Equity	KDDI Corp	UW	32.54	0.0	4901 JT Equity	FUJIFILM Holdings Corp	OW	39.81	0.9
8802 JT Equity	Mitsubishi Estate Co Ltd	MW	0.35	1.6	5020 JT Equity	JX Holdings Inc	MW	-18.97	0.6
3382 JT Equity	Seven & I Holdings Co Ltd	MW	4.61	1.6	8002 JT Equity	Marubeni Corp	OW	-0.65	0.8
8801 JT Equity	Mitsui Fudosan Co Ltd	MW	-1.63	1.4	8630 JT Equity	NKSJ Holdings Inc	OW	11.35	0.8
8058 JT Equity	Mitsubishi Corp	MW	11.79	1.4	5802 JT Equity	Sumitomo Electric Industries Ltd	MW	2.68	0.5
4503 JT Equity	Astellas Pharma Inc	UW	42.29	0.0	4568 JT Equity	Daichi Sankyo Co Ltd	UW	-0.87	0.0
9020 JT Equity	East Japan Railway Co	MW	17.52	1.3	7269 JT Equity	Suzuki Motor Corp	UW	33.69	0.0
9437 JT Equity	NTT DOCOMO Inc	OW	9.48	1.9	1925 JT Equity	Daewa House Industry Co Ltd	MW	24.28	0.5
8031 JT Equity	Mitsui & Co Ltd	OW	3.09	1.9	8035 JT Equity	Tokyo Electron Ltd	MW	44.01	0.5
6752 JT Equity	Panasonic Corp	MW	27.74	1.2	4523 JT Equity	Eisai Co Ltd	MW	12.89	0.5
8604 JT Equity	Nomura Holdings Inc	BOW	9.81	2.4	3402 JT Equity	Toray Industries Inc	MW	36.44	0.5
7201 JT Equity	Nissan Motor Co Ltd	MW	16.87	1.2	5411 JT Equity	JFE Holdings Inc	OW	32.31	0.7
5108 JT Equity	Bridgestone Corp	MW	11.28	1.2	8308 JT Equity	Resona Holdings Inc	OW	11.68	0.7
6503 JT Equity	Mitsubishi Electric Corp	UW	15.31	0.0	8267 JT Equity	Aeon Co Ltd	BOW	-5.16	0.9
5401 JT Equity	Nippon Steel & Sumitomo Metal Cc	MW	8.79	1.2	3407 JT Equity	Asahi Kasei Corp	OW	50.04	0.6
8766 JT Equity	Tokio Marine Holdings Inc	UW	24.83	0.0	1878 JT Equity	Daito Trust Construction Co Ltd	UW	24.46	0.0
6902 JT Equity	Denso Corp	UW	18.14	0.0	9202 JT Equity	ANA Holdings Inc	MW	30.00	0.4
9022 JT Equity	Central Japan Railway Co	UW	35.37	0.0	4661 JT Equity	Oriental Land Co Ltd/Japan	UW	68.75	0.0
4063 JT Equity	Shin-Etsu Chemical Co Ltd	MW	28.77	1.1	8795 JT Equity	T&D Holdings Inc	OW	11.08	0.6
6301 JT Equity	Komatsu Ltd	MW	19.19	1.1	9064 JT Equity	Yamato Holdings Co Ltd	MW	7.80	0.4
4452 JT Equity	Kao Corp	UW	19.89	0.0	5713 JT Equity	Sumitomo Metal Mining Co Ltd	OW	18.90	0.6
6758 JT Equity	Sony Corp	MW	29.50	1.0	6988 JT Equity	Nitto Denko Corp	MW	39.99	0.4
7011 JT Equity	Mitsubishi Heavy Industries Ltd	MW	18.82	0.9	2802 JT Equity	Ajinomoto Co Inc	UW	51.26	0.0
8830 JT Equity	Sumitomo Realty & Development C	UW	-5.63	0.0	9532 JT Equity	Osaka Gas Co Ltd	UW	16.50	0.0
8591 JT Equity	ORIX Corp	BOW	-5.25	1.8	9502 JT Equity	Chubu Electric Power Co Inc	MW	13.42	0.4
6981 JT Equity	Murata Manufacturing Co Ltd	MW	40.92	0.9	1963 JT Equity	JGC Corp	MW	-30.58	0.4
7270 JT Equity	Fuji Heavy Industries Ltd	UW	52.14	0.0	8113 JT Equity	Unicharm Corp	MW	47.11	0.4
8001 JT Equity	ITOCHU Corp	UW	5.72	0.0	1928 JT Equity	Sekisui House Ltd	UW	21.76	0.0
6861 JT Equity	Keyence Corp	UW	30.09	0.0	9021 JT Equity	West Japan Railway Co	OW	35.26	0.5
8309 JT Equity	Sumitomo Mitsui Trust Holdings Irx	MW	4.04	0.8	9503 JT Equity	Kansai Electric Power Co Inc/The	OW	37.96	0.5
6971 JT Equity	Kyocera Corp	MW	14.39	0.8	7752 JT Equity	Ricoh Co Ltd	BOW	5.77	0.7
6367 JT Equity	Daikin Industries Ltd	MW	25.44	0.8	7202 JT Equity	Isuzu Motors Ltd	MW	15.81	0.3
1605 JT Equity	Indep Corp	OW	-18.92	1.2	4911 JT Equity	Shiseido Co Ltd	MW	-0.76	0.3
6502 JT Equity	Toshiba Corp	MW	25.44	0.8	8332 JT Equity	Bank of Yokohama Ltd/The	BOW	23.04	0.6
8601 JT Equity	Daiwa Securities Group Inc	OW	17.50	1.1	7731 JT Equity	Nikon Corp	BOW	3.66	0.6
8053 JT Equity	Sumitomo Corp	BOW	-9.66	1.4	5201 JT Equity	Asahi Glass Co Ltd	BOW	0.29	0.6
7741 JT Equity	Hoya Corp	MW	29.66	0.7	7912 JT Equity	Dai Nippon Printing Co Ltd	OW	9.36	0.4
6273 JT Equity	SMC Corp/Japan	UW	24.69	0.0	4188 JT Equity	Mitsubishi Chemical Holdings Corp	BOW	43.17	0.5

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



New Coverage

ZIGExN Co., Ltd. (3679)

Comprehensive search aggregator connects users with multiple websites, such as those specializing in job listings. Convenience for users and performance-based fee structure sustain profits and growth.

Core business of providing search engines that allow simultaneous search of multiple specialist search websites

Referring to its search websites as “aggregate media,” metasearch websites powered by ZIGExN’s technology allow for users to conduct searches across multiple websites that specialize in the same content category. The client of a typical specialist search website is a company that wishes to have its information displayed on that particular website. For instance, a website specializing in job listings will receive payment from companies looking to fill employment positions, in exchange for listing the openings in its search results.

Metasearch website: Unlike a traditional search engine, which conducts searches against a proprietary set of data, metasearch websites forward search queries to other (multiple) sources of data, and display an aggregated set of search results. Simply put, a metasearch website is a search engine of search engines. These save users time and provide simplicity by acting as single, unified sources of information.

ZIGExN’s clients are not the companies mentioned above, but the specialist websites. Through its own websites tailored to specific categories (see examples below), the company aggregates information from several major competing websites in the respective genres. By displaying search results from multiple sources all in one place, ZIGExN provides convenience to users and receives referral fees from clients in return.

Since the company’s fee structure is entirely performance-based, there are no upfront costs for client companies. The amount of information contained in ZIGExN’s websites is also more comprehensive than the contents of any single client website, presenting a convenient one stop shop for users to access and apply to listings across a multitude of websites.

Maximizing “lifestyle opportunities” through “life media platforms”

As of July 2014, the company operated aggregation websites in 18 different fields. The company refers to these websites as part of its “life media platform” business.

Segment name	Key business areas and websites	Business content and objective
Life media platform business	Data aggregation media Tenshoku EX, Arubaito EX, Haken EX, Kangoshi Kyujin EX, Yakuzaiishi Kyujin EX, Chintai SMOCCA! -ex, Jyutaku Konyu EX, Jidosha EX, Hikkoshi Mitsumori EX, Provider EX, Taiyoko Hatsuden EX, Konkatsu EX, Ryokou EX	Development and operation of aggregation (EX) websites that provide data from multiple major websites in a given field
	Other new services Ticket checkit ex My fortune teller*	New services that take advantage of expertise gained from existing life media platform businesses. Planning, development, and operation of business with microtransaction revenue generation schemes.

*My fortune teller is a telephone fortune telling service operated by subsidiary 2ZIGExN.
Vietnamese subsidiary ZIGExN VeNtura Co., Ltd. develops new services and assists in system operations of existing media.
Source: Company data, SR Inc. research



Major websites seek users; users seek ease-of-use

The services that provide attempt to bridge the gap between specialized websites that post advertisements and the users who seek their offerings. The company maintains that that markets that require a lot of advertising to acquire customers (users), tend to breed a lot of specialized websites. As a result, information that users desire is spread across multiple sources, lowering the ability of each service provider to attract the customer. From a website (service provider) perspective, the more people visit it, the higher its value. From a user perspective, visiting multiple websites is a waste of time.

The company believes that it provides an optimal solution for both sides—operating as a pay-for-performance aggregator. Through its aggregator web properties, users can find information spread across multiple specialist websites, searching and sending information from a centralized platform. The company's performance-based fee system is attractive for its clients because they only pay for results and don't incur any upfront cost.

Extensive database = high response rates

At a basic level, since the company's websites aggregate information from multiple websites, there is no profound visual difference between ZIGExN's websites and the individual websites from which the information is collected.

However, ZIGExN's websites provide five to ten times more listings than any single source. As a search aggregator, ZIGExN websites can provide a superior number of listings when compared to any single service-provider website. For instance, major players in part-time employment listings such as Recruit Holdings Co., Ltd. (unlisted), Intelligence Ltd. (JASDAQ: 4757), and Mynavi Corporation (unlisted) typically have around 60,000 to 120,000 positions available on their respective websites. In contrast, over 680,000 open part-time positions were listed on ZIGExN's Arubaito EX as of end July 2014.

The size of its database, with extensive filtering options available to enhance usability, allow the company to capture the long tail of the market, e.g. matching job seekers with unusual niche jobs or jobs satisfying job seekers' individual conditions. A query that yields very few matches on any single website may have several matches on an aggregator website operated by ZIGExN.

Typically, users do not start out by visiting specialized search engines, but instead begin looking for information via standard search portals such as Google or Yahoo!. From these search results, users then generally jump to specialized websites that provide more detailed information on the query. According to the company, the more serious a user is about finding information, the more specific he or she is when conducting a search. For instance, a person seriously seeking information on employment will be more discerning concerning employment conditions (such as job function, location, salary, or vacation days) when compared to an individual who is simply "looking for work." As a result, the company claims that its wealth of data and detailed search-filtering options attract serious job seekers. One key detail here is that serious job seekers also tend to dig deeper and go beyond the top entries of a search engine. This means that ZIGExN doesn't need to spend as much money on search engine optimization and advertising—the company simply accepts a secondary search-engine position and waits for serious job seekers who look deeper and want more detail and more choices.

Furthermore, as ZIGExN's aggregator websites attract users that are more motivated to find information than users of a typical matching site, this results in significantly higher response rates. This in turn means higher rates and more favorable position for the company. By leveraging this strength, the company can seek favorable conditions when negotiating fee structures with client companies.



Nimble organization

Competitiveness stemming from website updates via small teams

The company's websites are maintained by small teams composed of a few core members. Each website is assigned to a self-contained team that houses engineering, design, marketing, and sales functions. On average, each of the four functions is handled by one or two persons, for a total team size of between four and eight people. Typically, major websites are operated by teams with a far greater number of people, making updates and improvements to the websites a slow process. ZIGExN's strengths lie in its small teams being able to make quick decisions and implement changes in an agile way.

A unique personnel system is also a source of strength for the company. Age and job title are not considered when forming new project teams, and employees have many opportunities to socialize and be rewarded for their efforts.

Z1GExN Exp0: Unearthing tomorrow's stars

The Z1GExN Exp0, held twice a year, is an event for employees and potential student recruits to receive training in starting new businesses. Project proposals that receive the top awards are granted various benefits. Apart from prizes, members are nominated to lead the business should it move forward pending a feasibility study conducted by a newly formed business group.

Aggressive in seeking outside talent.

In fall 2013, ZIGExN held the ZIGExN TryOut, a forum to discover new personnel. Participants were responsible for making business proposals that were fit for investment, and ZIGExN executives acted as judges in the investment worthiness of the business. The winner was going to be selected as the CEO of a new subsidiary, leading an executive team composed of ZIGExN executives and outside consultants, providing a fast track to business leadership. According to the company, it did not recognise any winning business plans at the last TryOut.



Cost structure with low variable costs

(JPYmn)	FY03/10 Par.	FY03/11 Par.	FY03/12 Cons.	FY03/13 Cons.	FY03/14 Cons.
Sales	229	316	538	1,173	1,927
CoGS	45	65	85	125	127
Gross profit	184	251	454	1,047	1,800
SG&A expenses	122	183	226	456	874
Executive compensation	13	17	20	33	44
Salaries	28	47	73	100	141
Rent	13	10	12	15	27
Communications	7	1	3	4	5
Advertising	30	61	56	178	498
Depreciation and amortization	2	4	3	21	5
Allowance for doubtful accounts	1	0	0	-1	0
Hiring	0	0	14	20	17
Other	28	43	46	86	137
Operating profit	62	68	227	592	926
Margins					
Sales	19.7%	20.6%	15.7%	10.7%	6.6%
Gross profit	80.3%	79.4%	84.3%	89.3%	93.4%
SG&A expenses	53.4%	58.0%	42.0%	38.9%	45.4%
Executive compensation	5.5%	5.3%	3.8%	2.8%	2.3%
Salaries	12.3%	14.9%	13.5%	8.5%	7.3%
Rent	5.8%	3.2%	2.2%	1.3%	1.4%
Communications	3.3%	0.4%	0.5%	0.4%	0.3%
Advertising	13.0%	19.3%	10.4%	15.2%	25.8%
Depreciation and amortization	1.0%	1.1%	0.5%	1.8%	0.3%
Allowance for doubtful accounts	0.3%	0.2%	0.0%	-0.1%	0.0%
Hiring	0.0%	0.0%	2.5%	1.7%	0.9%
Other	12.3%	13.5%	8.6%	7.3%	7.1%
Operating profit	26.9%	21.5%	42.2%	50.4%	48.0%

Source: Company data, SR Inc. research

ZIGEXN's operating profit margin has grown steadily in tandem with an increase in the number of websites, database entries, and users. The company's CoGS ratio has also decreased by 13.1pp during the same period. The primary contributor to CoGS is system development costs, but the proportion that this factor comprises has also gone down as the systems scale to larger levels. SG&A expenses are mostly made up of advertising expenses, and increase as sales rise. The ratio of advertising expenses has gone up as the company enters new business areas. However, other components of SG&A have remained relatively static, and the SG&A ratio has decreased by 9pp over the past five years.

According to the company, it will accelerate entry into new areas in order to maintain stable growth. However, OPM will remain in the 40-50% range despite higher levels of forward investment.



ZIGExN's profitability vs. competitors

	FY03/10	FY03/11	FY03/12	FY03/13	FY03/14
CoGS-to-sales ratio					
ZIGExN	19.7%	20.6%	15.7%	10.7%	6.6%
Kakaku.com	10.0%	8.9%	8.7%	8.3%	7.9%
SG&A-to-sales ratio					
ZIGExN	53.4%	58.0%	42.0%	38.9%	45.4%
Kakaku.com	43.2%	40.8%	42.5%	41.8%	42.9%
Operating profit margin					
ZIGExN	26.9%	21.5%	42.2%	50.4%	48.0%
Kakaku.com	46.8%	50.3%	48.8%	49.9%	49.2%
Recurring profit margin					
ZIGExN	15.5%	12.5%	22.2%	30.4%	27.8%
Kakaku.com	27.3%	29.3%	28.5%	30.5%	30.4%
Equity ratio					
ZIGExN	76.6%	79.2%	60.1%	63.6%	81.0%
Kakaku.com	56.8%	60.7%	63.5%	75.3%	79.5%
ROE					
ZIGExN	22.3%	20.0%	50.6%	84.3%	40.3%
Kakaku.com	37.6%	38.0%	32.3%	38.0%	40.4%

Source: Company data, SR Inc. research

The company's CoGS is mainly system development costs, and SG&A is made mostly of advertising expenses. System development costs rise as the volume of web traffic grows, but it is not an expense that suddenly spikes. Advertising expenses are also rising along with growth in sales, but as the company's brand recognition increases, advertising becomes more efficient. As a result, profitability at ZIGExN has been improving at a rapid pace. Although the company doesn't have peers with the same business model, comparing it with such companies as Kakaku.com (TSE1: 2371) demonstrates that ZIGExN was able to achieve similar levels of profitability in an exceptionally short period of time. In a span of five years, ZIGExN has improved its operating profit margin from one that was significantly lower than competitor Kakaku.com to one that is at the same level.

With low upfront costs and high profit margins, entry by new competitors is a potential risk. However, the company maintains that barriers to entry are high for the following three reasons:

First, negotiations with potential clients for access to their databases is a necessity. Databases house sensitive information, and it typically takes around one year of negotiation to come to an agreement. For a new player with no track record, the hurdle is significantly higher.

Second, users must be presented with constantly updated information in order to keep retention high. To this end, ZIGExN updates over 100,000 listings several times a day, and this requires significant technical expertise. According to the company, there are four essential components to operating its websites:

- § Engineers: Designing search behavior, updating, combining, and organizing data
- § Designers: Designing user interfaces and user experiences
- § Marketers: Marketing to attract serious users with an emphasis on a long tail mix
- § Sales: Seeking higher revenue per user and higher fees per client through emphasis on the company's unique model

All of these functions are handled internally by the company and are closely tied together, yielding high performance in key areas.

Third, the company operates on a performance-based fee structure. Since ZIGExN must expend upfront costs before it can acquire fees from clients, efficiency is of high importance. As a result, it is difficult for new entrants to mimic due to potentially unstable revenue streams. Although the performance-based



model is gaining traction, the majority of revenue generated by the advertising industry is advertisement-based. For potential competitors looking to make the switch, the effects on the existing business model could be challenging as well.

Key clients

ZIGExN operates aggregation websites in many categories, and one company particularly stands out: Recruit Holdings Co., Ltd. (unlisted). Recruit was one of the company's first clients, and ZIGExN works with Recruit on a wide range of offerings. For employment websites in particular—one of the company's main areas of business—ZIGExN also works closely with Intelligence Ltd. (JASDAQ: 4757). As a result, the above two companies represent a large share of the company's sales.

Sales and composition of transactions with major partners

Company	FY03/13		FY03/14	
	Sales (JPYmn)	Comp.	Sales (JPYmn)	Comp.
Recruit Holdings Co., Ltd.	294	25.1%	529	27.4%
Intelligence Ltd.	265	22.6%	511	26.5%

Note: Sales generated by Recruit Holdings are the total of sales generated by its subsidiaries.

Source: Company data, SR Inc. research

On **November 14, 2014**, the company announced 1H FY03/15 earnings results.

Quarterly Performance (JPYmn)	FY03/14 (Cons.)				FY03/15 (Cons.)				FY03/15 (Cons.)	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	458	439	465	565	572	580	-	-	-	-
YoY	121.1%	76.9%	66.8%	28.9%	24.9%	32.1%	-	-	-	-
GP	429	407	431	532	546	538	-	-	-	-
YoY	-	-	-	38.6%	27.2%	32.2%	-	-	-	-
GPM	93.8%	92.8%	92.6%	94.2%	95.5%	92.9%	-	-	-	-
SG&A	194	207	218	255	286	290	-	-	-	-
YoY	-	-	-	47.0%	47.0%	40.3%	-	-	-	-
SG&A / Sales	42.4%	47.1%	46.8%	45.1%	50.0%	50.1%	-	-	-	-
OP	235	200	213	277	260	248	-	-	-	-
YoY	113.7%	60.1%	44.8%	31.8%	10.8%	23.9%	-	-	-	-
OPM	51.4%	45.6%	45.8%	49.1%	45.6%	42.8%	-	-	-	-
RP	236	199	194	278	260	247	-	-	-	-
YoY	-	-	-	32.3%	10.4%	24.5%	-	-	-	-
RPM	51.5%	45.3%	41.7%	49.3%	45.5%	42.6%	-	-	-	-
NI	144	122	93	178	159	141	-	-	-	-
YoY	-	-	-	40.1%	11.0%	16.1%	-	-	-	-
NPM	31.4%	27.8%	20.0%	31.4%	27.9%	24.4%	-	-	-	-
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	458	896	1,362	1,927	572	1,151	-	-	42.4%	2,718
YoY	121.1%	97.0%	85.5%	64.4%	24.9%	28.4%	-	-	-	-
GP	429	836	1,267	1,800	546	1,084	-	-	-	-
YoY	-	-	91.1%	71.9%	27.2%	29.6%	-	-	-	-
GPM	93.8%	93.3%	93.1%	93.4%	95.5%	94.2%	-	-	-	-
SG&A	194	401	619	874	286	576	-	-	-	-
YoY	-	-	119.6%	91.9%	47.0%	43.6%	-	-	-	-
SG&A / Sales	42.4%	44.7%	45.5%	45.4%	50.0%	50.0%	-	-	-	-
OP	235	435	648	926	260	508	-	-	42.4%	1,199
YoY	113.7%	85.2%	70.1%	56.5%	10.8%	16.8%	-	-	-	-
OPM	51.4%	48.5%	47.6%	48.0%	45.6%	44.2%	-	-	-	-
RP	236	434	628	907	260	507	-	-	42.3%	1,199
YoY	-	-	64.9%	53.3%	10.4%	16.8%	-	-	-	-
RPM	51.5%	48.4%	46.1%	47.0%	45.5%	44.1%	-	-	-	-
NI	144	265	359	536	159	301	-	-	47.7%	631
YoY	-	-	55.9%	50.3%	11.0%	13.3%	-	-	-	-
NPM	31.4%	60.5%	77.1%	94.9%	27.9%	51.9%	-	-	-	23.2%

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

Source: Company data, SR Inc.

In the internet business field, the increase in smartphone subscribers and penetration of tablet devices is leading to greater diversity in the way the internet is used along with increasing usage frequency. Such developments are driving growth in market scale. Underpinned by this operating environment, ZIGExN is working to expand its business domain and move into new geographic regions. In addition, the company



MONTHLY WRAP – December 2014

is also pursuing the creation of new businesses and seeking to diversify its business model.

In existing businesses, the company worked to expand its database through the pursuit of alliances with multiple large clients in its core business areas, along with the development of new clients. Reflecting such efforts, in September the number of listings on Chintai SMOCCA!, a rental real estate listings website operated by the company, reached four million. In terms of technology, the company continued to revamp its websites and strove to optimize services to enable it to adapt to changes in market trends. This included the introduction of new advertising methods and strategies on a trial basis. In addition, ZIGExN undertook measures to improve the precision of matching of user needs with the content it offers, enhance site functionality through analysis of user behavior, and other measures aimed at improving usability.

In July, the ZIGExN acquired all of the outstanding shares of Brain Lab, Inc., worked to strengthen services targeting business clients, and began collaboration aimed at leveraging synergies with existing businesses. In September, ZIGExN acquired 100% of the outstanding shares of REJOB Co., Ltd., marking its entry into the beauty and healthcare field. ZIGExN plans to utilize REJOB's sales know-how and customer network, and maximize its earnings.

With regard to progress in new business fields, utilizing strategic Vietnamese subsidiary ZIGExN VeNtura Co., Ltd. as its linchpin, the company further expanded feasibility studies on globally targeted services. Furthermore, in August the company released its new ZIGExN Stamp app, which it intends to use to bolster retention of users acquired through other services. The company also intends to focus on expanding its business model, including through entry into the online-to-offline (O2O) market, which is forecast to grow.

View the [full report](#).



November 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 **November 27, 2014**, 3-D Matrix Ltd. announced the start of comprehensive R&D toward creating a cultivation kit for ReproHepato™—a cellular product manufactured by ReproCELL Incorporated—and PuraMatrix®—manufactured by the company.

The cultivation kit will be the recommended material for use in cultivation of ReproHepato™—liver cells derived from human iPS cells that are manufactured and were first commercialized by ReproCELL Incorporated—when used in conjunction with the company's PuraMatrix® research agent.

Under an exclusive license to use self-assembling peptide technology developed at the Massachusetts Institute of Technology, 3DM globally markets PuraMatrix®, a research agent that enables three-dimensional cell culturing. ReproHepato™ is utilized to test the safety and efficacy in early stages of development. Beginning in 2014, PuraMatrix® was included in standard protocols for cell cultivation of ReproHepato™ because it can significantly increase the metabolism of drugs exposed to ReproHepato™ when used for three-dimensional cell culturing. The company is optimistic that this will raise evaluation efficiency. Use of PuraMatrix® also accelerates experiments, as it requires no prior preparation. The two companies plan to continue capitalizing on the strengths of the respective products as part of comprehensive joint research toward producing a cultivation kit.

On **November 6, 2014**, the company announced the start of clinical use of the locally absorbent hemostatic material PuraStat® in Hong Kong.

Clinical use of PuraStat® began in Europe after the company obtained the CE marking on January 14, 2014. On October 30, 2014, clinical use began at the Pamela Youde Nethersole Eastern Hospital (PYNEH) in Hong Kong. On November 6, 2014, the company received positive feedback from PYNEH.

According to the company, Doctor Chung Ngai Tang, M.D., chief of service at the department of surgery and director of the minimal access surgery training center at PYNEH used PuraStat® to control bleeding during surgery. PYNEH is one of the largest hospitals in Hong Kong, performing over 5,000 surgical procedures per year.

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

On **November 4, 2014**, the company announced the start of clinical use of the locally absorbent hemostatic material PuraStat® in Latin America.

Clinical use of PuraStat® began in Europe after the company obtained the CE marking on January 14, 2014. On October 30, 2014, clinical use began at the Hospital San Borja-Arriaran in Chile. Doctor Christian Baeza, head of the cardiac surgery department at the leading Chilean medical institution Clinica Las Condes and the Hospital San Borja-Arriaran, used PuraStat® to control bleeding during surgery.

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

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MONTHLY WRAP – December 2014



Accretive Co., Ltd. (8423)

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

On **November 17, 2014**, Shared Research updated the report after interviewing management.

Quarterly Performance (JPYmn)	FY03/14				FY03/15				FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Operating Revenue	712	720	759	742	726	821	-	-	49.1%	3,154
YoY	7.1%	6.1%	1.4%	3.6%	2.0%	14.1%	-	-		7.6%
Funding Costs (Interest Expense)	53	52	51	45	43	42	-	-		
YoY	-29.6%	-32.3%	-32.9%	-26.4%	-20.1%	-20.1%	-	-		
GPM	7.5%	7.2%	6.7%	6.0%	5.9%	5.1%	-	-		
SG&A	387	361	367	507	373	414	-	-		
YoY	9.5%	5.0%	-29.9%	37.4%	-3.8%	14.9%	-	-		
SG&A / Sales	54.4%	50.1%	48.4%	68.3%	51.3%	50.5%	-	-		
OP	272	307	341	190	311	365	-	-	53.0%	1,276
YoY	15.3%	18.9%	127.8%	-33.6%	14.5%	19.0%	-	-		15.0%
OPM	38.1%	42.6%	44.9%	25.7%	42.8%	44.5%	-	-		40.5%
RP	274	336	346	187	308	402	-	-	54.6%	1,300
YoY	9.6%	3.4%	123.0%	-25.0%	12.5%	19.6%	-	-		13.8%
RPM	38.5%	46.7%	45.5%	25.3%	42.4%	48.9%	-	-		41.2%
NI	244	374	303	255	270	368	-	-	51.8%	1,232
YoY	5.3%	37.2%	162.2%	9.4%	10.6%	-1.7%	-	-		4.7%
NPM	34.3%	52.0%	39.9%	34.4%	37.2%	44.8%	-	-		39.1%

Source: Company data

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

Transaction volume and operating revenue increased in the medical and nursing care industry due to the contribution of subsidiary Accretive Medical Service Co., Ltd., consolidated in FY03/14. The company also expanded its outsourcing business such as contracts from subsidiary Storecrews Co., Ltd. to provide cash register services. Profits grew year-on-year due to the increase in operating revenue, ongoing controls on SG&A expenses, and lower financing costs as a result of the company's efficient use of a credit line facility.

View the [full report](#).



MONTHLY WRAP – December 2014



AnGes MG, Inc. (4563)

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

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

Quarterly Performance (JPYmn)	FY12/13				FY12/14				FY12/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	126	189	76	100	83	92	107			750 ~ 850
YoY	84.3%	-14.2%	3.8%	21.3%	-34.3%	-51.4%	40.5%			
Operating expenses	454	493	390	517	559	651	1,120			
YoY	-21.7%	-25.5%	-19.3%	2.4%	23.0%	32.0%	187.5%			
OP	-328	-305	-313	-417	-476	-560	-1,013			-2,600 ~ -2,400
YoY	-	-	-	-	-	-	-			
OPM	-	-	-	-	-	-	-			
RP	-337	-292	-317	-437	-437	-562	-1,122			-2,600 ~ -2,400
YoY	-	-	-	-	-	-	-			
RPM	-	-	-	-	-	-	-			
NI	-367	-286	-319	-438	-439	-530	-1,122			-2,600 ~ -2,400
YoY	-	-	-	-	-	-	-			
NPM	-	-	-	-	-	-	-			

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

Source: Company data

Sales were JPY282mn (-28.0% YoY), broken down into product sales of JPY222mn (+18.7%) and R&D sales of JPY60mn (-69.5%). The company received milestone payments from a partner company in Q3 FY12/14. The absence of such payments this quarter meant a year-on-year decline in R&D sales.

Operating expenses were JPY2.3bn (+116.5% YoY). CoGS increased to JPY109mn (+21.2%), in line with higher product sales. R&D expenses rose to JPY1.7bn (+137.1%), owing to international Phase III clinical trials for Collategene, which pushed outsourcing expenses up by JPY633mn, research material expenses up by JPY237mn, and supplies expenses up by JPY95mn. SG&A expenses fell to JPY513mn (-2.7%). Commissions paid were down by JPY31mn, due to a year-on-year fall in business compensation. Fewer employees also meant salary expenses fell by JPY14mn.

As a result of the above, the company booked an operating loss of JPY2.0bn (operating loss of JPY946mn in Q3 FY12/13). Recurring loss was JPY2.1bn (recurring loss of JPY946mn in Q3 FY12/13). The company booked JPY61mn in grant income from the New Energy and Industrial Technology Development Organization (NEDO). The company also reported share issuance expenses of JPY118mn (up JPY96mn) as a non-operating cost, due to the issuance of new shares in a rights offering. The company also booked losses on foreign exchange of JPY13mn. Net loss was JPY2.1bn (net loss of JPY972mn in Q3 FY12/13).

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 **November 25, 2014**, Shared Research updated comments on the company's earnings results for Q1 FY06/15 after interviewing management.

Quarterly Performance (JPYmn)	FY06/14				FY06/15				FY06/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	1H Est.
Sales	8,564	9,249	10,870	8,293	9,501	-	-	-	48.2%	19,700
YoY	1.0%	21.7%	13.9%	22.6%	10.9%	-	-	-		10.6%
Gross Profit	3,673	3,879	4,795	3,449	4,000	-	-	-		
YoY	21.2%	25.5%	29.1%	7.5%	8.9%	-	-	-		
GPM	42.9%	41.9%	44.1%	41.6%	42.1%	-	-	-		
SG&A	2,188	2,356	2,397	2,455	2,399	-	-	-		
YoY	17.3%	22.1%	19.3%	8.4%	9.6%	-	-	-		
SG&A / Sales	25.5%	25.5%	22.1%	29.6%	25.2%	-	-	-		
Operating Profit	1,484	1,523	2,398	994	1,600	-	-	-	50.0%	3,200
YoY	27.3%	31.3%	40.7%	5.3%	7.8%	-	-	-		6.4%
OPM	17.3%	16.5%	22.1%	12.0%	16.8%	-	-	-		16.2%
Recurring Profit	1,513	1,577	2,423	1,040	2,529	-	-	-	61.7%	4,100
YoY	25.8%	27.3%	44.3%	8.4%	67.2%	-	-	-		32.7%
RPM	17.7%	17.1%	22.3%	12.5%	26.6%	-	-	-		20.8%
Net Income	929	994	1,510	610	1,801	-	-	-	63.6%	2,830
YoY	21.4%	76.9%	43.5%	2.5%	93.9%	-	-	-		113.3%
NPM	10.8%	10.7%	13.9%	7.4%	19.0%	-	-	-		14.4%

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

Recurring profit was up as the company booked non-operating profit of JPY927mn in the form of negative goodwill, a result of the inclusion of Nihon Denkei Co., Ltd. as an equity-method affiliate from Q1 FY06/15.

The company announced a revision to its 1H FY06/15 and full-year FY06/15 earnings forecasts on November 11, 2014.

Profits were down in the Measuring and Environmental Testing Devices and Design segments, while sales and profits were up in the mainstay Security Equipment, Card Equipment and Other Office Equipment, and Peripheral Computer Equipment Sales segments, contributing to overall results.

On **November 11, 2014**, the company announced a revision to its 1H FY06/15 and full-year FY06/15 earnings forecasts.

Revised 1H FY06/15 earnings forecast (previous forecast in parentheses)

Sales:	JPY19.7bn	(JPY19.7bn)
Operating profit:	JPY3.2bn	(JPY3.2bn)
Recurring profit:	JPY4.1bn	(JPY3.3bn)
Net income:	JPY2.8bn	(JPY2.1bn)

Revised FY06/15 earnings forecast (previous forecast in parentheses)

Sales:	JPY42.0bn	(JPY42.0bn)
Operating profit:	JPY7.4bn	(JPY7.4bn)
Recurring profit:	JPY8.4bn	(JPY7.5bn)
Net income:	JPY5.6bn	(JPY4.8bn)



MONTHLY WRAP – December 2014

Revision details

Due to the inclusion of Nihon Denkei Co., Ltd. as an equity-method affiliate from Q1 FY06/15, Ai Holdings plans to record non-operating income in the form of JPY927mn in negative goodwill.

View the [full report](#).



MONTHLY WRAP – December 2014

Anicom Holdings, Inc. (8715)

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

On **November 18, 2014**, Shared Research revised the report on Anicom Holdings, Inc.'s 1H FY03/15 results based on interviews with management.

Quarterly Performance (JPYmn)	FY03/13				FY03/14				FY03/15		FY03/15		FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Recurring revenue	3,846	4,093	3,848	4,399	4,394	4,455	4,614	4,903	5,163	5,499	103.5%	10,299	23.3%	22,179
YoY	20.2%	23.3%	8.6%	16.3%	14.2%	8.8%	19.9%	11.5%	17.5%	23.4%		16.4%		20.8%
Underwriting revenue	3,774	4,025	3,771	4,211	4,327	4,389	4,558	4,813	5,012	5,267				
Investment revenue	39	32	38	151	30	20	19	39	98	127				
Interest and dividend income	31	31	32	19	4	6	4	4	51	51				
Gains on the sale of securities	7	1	6	133	26	14	14	35	47	75				
Other recurring revenue	32	37	39	35	36	46	37	52	52	106				
Recurring expenses	3,614	3,826	3,831	4,077	4,280	4,269	4,502	4,582	4,784	5,205				
YoY	10.1%	15.5%	11.3%	17.4%	18.4%	11.6%	17.5%	12.4%	11.8%	21.9%				
Underwriting expenses	2,609	2,869	2,851	3,121	3,208	3,248	3,475	3,517	3,585	3,960				
Investment expenses	-	-	-	-	13	5	-	-	4	2				
Operation and administration expenses	933	886	904	909	1,010	968	983	1,021	1,148	1,193				
Other recurring expenses	71	72	75	46	48	47	44	44	46	50				
Recurring profit	231	267	18	321	113	187	112	321	379	293	276.5%	243	30.8%	1,232
YoY	-	-3,237.5%	-81.6%	2.9%	-51.1%	-30.0%	522.2%	-	235.4%	56.7%		-19.1%		68.1%
RPM	6.0%	6.5%	0.5%	7.3%	2.6%	4.2%	2.4%	6.5%	7.3%	5.3%		2.4%		5.6%
Net profit	183	207	36	214	68	118	65	196	251	206	310.9%	147	30.5%	822
YoY	-	-10,250.0%	-77.4%	-45.5%	-62.8%	-43.0%	80.6%	-8.4%	269.1%	74.6%		-21.0%		83.7%
NPM	4.8%	5.1%	0.9%	4.9%	1.5%	2.6%	1.4%	4.0%	4.9%	3.7%		1.4%		3.7%
	96	-99	108	316	-3	58	246	427	116	26				
Metrics														
Total contracts	408,761	421,197	433,345	446,414	462,343	477,952	491,452	504,969	516,618	526,439				550,000
New contracts	24,777	24,306	24,523	25,898	28,599	27,841	26,024	26,706	26,398	25,249			25.4%	104,000
Pet shops	14,850	14,679	14,955	16,888	19,096	18,433	17,543	18,930	18,682	17,867				74,000
General agents	9,927	9,627	9,568	9,010	9,503	9,408	8,481	7,776	7,716	7,382				30,000
Pet shop & General agents	4,410	4,464	4,530	4,752	4,862	4,892	4,865	4,924	5,009	5,423				
Hospitals accepting anicom	5,176	5,220	5,267	5,349	5,408	5,459	5,506	5,599	5,630	5,650				5,700
YoY														
Total contracts	14.8%	13.9%	13.1%	12.7%	13.1%	13.5%	13.4%	13.1%	11.7%	10.1%				8.9%
New contracts	-6.9%	-1.4%	-1.0%	3.6%	15.4%	14.5%	6.1%	3.1%	-7.7%	-9.3%				-4.7%
Pet shops	-13.2%	-3.1%	-1.3%	11.6%	28.6%	25.6%	17.3%	12.1%	-2.2%	-3.1%				
General agents	4.6%	1.4%	-0.5%	-8.7%	-4.3%	-2.3%	-11.4%	-13.7%	-18.8%	-21.5%				1.8%
Pet shop & General agents	11.8%	9.1%	9.9%	15.9%	10.2%	9.6%	7.4%	3.6%	3.0%	10.9%				
Hospitals accepting anicom	6.7%	4.9%	4.9%	4.6%	4.5%	4.6%	4.5%	4.7%	4.1%	3.5%				
E/I loss ratio	65.5%	73.4%	68.1%	63.1%	69.0%	69.5%	66.3%	62.1%	66.7%	68.9%				65.5%
Operating expenses / earned premiums	31.6%	29.2%	29.1%	29.3%	30.5%	28.3%	27.7%	27.9%	28.7%	28.3%				28.4%
Combined ratio	97.1%	102.6%	97.2%	92.4%	99.5%	97.9%	93.9%	90.1%	95.4%	97.2%				93.9%
Underwriting expenses	2,609	2,869	2,851	3,121	3,208	3,248	3,475	3,517	3,585	3,960				
Net claims paid	2,157	2,398	2,519	2,391	2,427	2,866	2,748	2,652	2,844	3,092				
Loss adjustment expenses	146	143	144	148	156	176	166	162	171	188				
Net commissions and brokerage fees	204	202	213	234	255	252	251	271	296	303				
Provision for reserve for outstanding losses and claims	35	191	-48	-38	232	-83	-7	7	101	100				
Provision for underwriting reserves	65	-276	234	386	136	36	319	425	171	277				
Prepaid premium	201	92	142	251	248	150	174	270	335	363				
Reserve for casualty	-135	-369	92	135	-111	-115	146	153	-163	-86				
Revised earnings (*)	95	-98	107	315	-2	58	245	427	116	26				
YoY	187.9%	-	-282.1%	11.3%	-	-	-129.0%	35.6%	-	-55.2%				

Factors behind the robust performance in 1H FY03/15 are as follows: increased contract volume, quicker-than-expected recovery in the pet insurance underwriting business despite the consumption tax hike affecting the loss and expense ratios, and contribution from investment earnings of JPY225mn, 4.5 times the figure for 1H FY03/14.

View the [full report](#).



MONTHLY WRAP – December 2014



Anritsu Corp (6754)

Recognized global leader in mobile communications testing equipment.

On **November 20, 2014**, Shared Research updated comments on Anritsu Corp.'s earnings results for 1H FY03/15 after interviewing management.

(JPYmn)	FY03/13				FY03/14				FY03/15		FY03/15		FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of FY	Est.	% of FY	Est.
Sales	21,602	24,659	21,393	27,029	22,365	25,687	23,055	30,745	22,172	25,833	44.0%	109,000	45.9%	104,500
YoY	10.1%	-1.6%	-0.6%	-1.4%	3.5%	4.2%	7.8%	13.7%	-0.9%	0.6%		7.0%		2.6%
GP	11,809	13,462	11,164	14,532	11,857	14,208	12,588	16,300	11,836	13,405				
YoY	12.8%	3.8%	-7.8%	6.3%	0.4%	5.5%	12.8%	12.2%	-0.2%	-5.7%				
GPM	54.7%	54.6%	52.2%	53.8%	53.0%	55.3%	54.6%	53.0%	53.4%	51.9%				
Other Income/Expenses	7,843	8,722	8,341	10,349	9,391	10,349	10,026	11,066	10,414	10,202				
YoY	2.2%	5.5%	7.6%	-10.3%	19.7%	18.7%	20.2%	6.9%	10.9%	-1.4%				
SG&A / Sales	36.3%	35.4%	39.0%	38.3%	42.0%	40.3%	43.5%	36.0%	47.0%	39.5%				
OP	3,966	4,740	2,823	4,183	2,466	3,859	2,562	5,234	1,422	3,203	28.9%	16,000	32.8%	14,100
YoY	41.8%	0.6%	-35.2%	95.8%	-37.8%	-18.6%	-9.2%	25.1%	-42.3%	-17.0%		13.3%		-0.1%
OPM	18.4%	19.2%	13.2%	15.5%	11.0%	15.0%	11.1%	17.0%	6.4%	12.4%		14.7%		13.5%
Pre-tax profit	3,543	4,517	3,423	4,655	2,681	3,884	2,725	4,947	1,350	3,661	31.3%	16,000	35.3%	14,200
YoY	43.2%	12.2%	-18.1%	92.8%	-24.3%	-14.0%	-20.4%	6.3%	-49.6%	-5.7%		12.4%		-0.3%
RPM	16.4%	18.3%	16.0%	17.2%	12.0%	15.1%	11.8%	16.1%	6.1%	14.2%		14.7%		13.6%
NI	2,528	4,337	2,479	4,543	1,621	2,674	1,770	3,252	815	2,676	31.7%	11,000	36.7%	9,500
YoY	46.2%	45.7%	41.2%	200.7%	-35.9%	-38.3%	-28.6%	-28.4%	-49.7%	0.1%		18.1%		2.0%
NPM	11.7%	17.6%	11.6%	16.8%	7.2%	10.4%	7.7%	10.6%	3.7%	10.4%		10.1%		9.1%

Source: Company data

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

Company forecasts are based on most recent figures.

During 1H, demand for measuring equipment for the mobile market remained strong, particularly in Asia. However, sales for the network and infrastructure market and the electronics market were weak. The company received orders worth JPY48.9bn (-3.2% YoY). Sales were JPY48.0bn (-0.1% YoY), operating profit was JPY4.6bn (-26.9% YoY), pretax profit was JPY5.0bn (-23.7% YoY), and net income was JPY3.5bn (-18.7% YoY).

On **November 10, 2014**, the company announced that it completed its share buyback program on November 7. The company acquired 5,840,900 shares, at a total acquisition value of JPY5.0bn (JPY856 per share).

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ArtSpark Holdings Inc. (3663)

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

On **November 18, 2014**, ArtSpark Holdings Inc. announced that UI Conductor—a UI development environment developed by wholly owned subsidiary HI Corp.—was chosen by Mazda Motor Corporation to be utilized as the development environment for Mazda’s human machine interface software.

On **November 13, 2014**, Shared Research updated comments on the company’s earnings results for Q3 FY12/14 after interviewing management.

Quarterly Performance (JPYmn)	FY12/13				FY12/14				FY12/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY Est.	FY Est.
Sales	1,152	706	905	921	813	625	904			
YoY	-	-3.8%	-8.7%	1.6%	-29.5%	-11.5%	-0			
GP	562	81	223	281	220	112	238			
GPM	48.8%	11.5%	24.6%	30.5%	27.1%	17.9%	0			
SG&A	327	300	315	269	285	262	341			
YoY	-	-15.6%	-12.3%	-25.9%	-12.9%	-12.5%	0			
OP	236	-218	-98	12	-66	-152	-96			
YoY	-	-	-	-	-	-	-			
OPM	20.5%	-	-	1.3%	-	-	-			
RP	232	-204	-102	5	-74	-156	-107			
YoY	-	-	-	-	-	-	-			
NI	203	-186	-107	133	-64	-163	-115			
YoY	-	-	-	-	-	-	-			
Cumulative Figures	Q1	1H	Q3	2H	Q1	1H	Q3	2H	% of FY Est.	FY Est.
Sales	1,152	1,859	2,764	3,685	813	1,438	2,342		62.0%	3,775
YoY	-	153.1%	60.1%	40.0%	-29.5%	-22.7%	-15.3%			2.4%
GP	562	643	866	1,147	220	332	570			
GPM	48.8%	34.6%	31.3%	31.1%	27.1%	23.1%	24.3%			
SG&A	327	627	942	1,212	285	547	888			
YoY	-	76.4%	31.8%	12.3%	-12.9%	-12.7%	-5.7%			
OP	236	17	-81	-69	-66	-218	-314			63
YoY	-	-	-	-	-	-	-			
OPM	20.5%	0.9%	-	-	-	-	-			
RP	232	28	-74	-68	-74	-230	-337			36
YoY	-	-	-	-	-	-	-			
NI	203	17	-90	43	-64	-227	-342			26
YoY	-	-	-	-	-	-	-			-39.3%

Source: Company data

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

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

Sales were JPY2.3bn (-15.3% YoY). In the UI/UX business, the reporting of high-margin royalties revenues was delayed until Q4. As a result, the company booked an operating loss of JPY314mn (operating loss of JPY81mn in Q3 FY12/13). The company booked a recurring loss of JPY337mn (recurring loss of JPY74mn in Q3 FY12/13), due to interest payments (JPY8mn), losses on forex (JPY3mn), and investment losses on equity in Galat Co., Ltd., an equity-method affiliate (JPY10mn). Net loss was JPY342mn (net income of JPY90mn in Q3 FY12/13), owing to negative goodwill of JPY14mn from the acquisition of HI Corporation Kansai. The company expects to achieve its full-year targets, in view of the fact that some revenues it planned to report in Q3 will now be reported in Q4.

View the [full report](#).



Axell Corporation (6730)

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

On **November 4, 2014**, Shared Research updated the report after interviewing management.

Quarterly Performance (JPYmn)	FY03/14				FY03/15				FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	3,154	2,521	3,265	2,103	3,326	2,610	-	-	55.5%	10,700
YoY	-23.3%	-53.4%	-8.0%	-42.3%	5.5%	3.5%	-	-	-	-3.1%
GP	1,190	1,209	1,696	1,111	1,569	895	-	-	52.4%	4,700
YoY	-41.4%	-25.0%	-6.1%	-6.8%	31.8%	-26.0%	-	-	-	-9.7%
GPM	37.7%	48.0%	51.9%	52.8%	47.2%	34.3%	-	-	-	43.9%
SG&A	668	833	883	884	681	687	-	-	40.8%	3,350
YoY	10.6%	-7.8%	23.0%	-23.6%	1.9%	-17.5%	-	-	-	2.5%
SG&A / Sales	21.2%	33.0%	27.0%	42.0%	20.5%	26.3%	-	-	-	31.3%
R&D	404	578	522	586	415	213	-	-	36.7%	2,300
YoY	20.2%	-1.7%	35.9%	-30.8%	2.7%	-63.1%	-	-	-	10.0%
SG&A / Sales	12.8%	22.9%	16.0%	27.9%	12.5%	8.2%	-	-	-	21.5%
OP	521	377	813	227	888	208	-	-	81.2%	1,350
YoY	-63.5%	-46.8%	-25.3%	530.6%	70.4%	-44.8%	-	-	-	-30.3%
OPM	16.5%	15.0%	24.9%	10.8%	26.7%	8.0%	-	-	-	12.6%
RP	518	378	817	227	890	213	-	-	81.7%	1,350
YoY	-63.8%	-46.8%	-25.4%	548.6%	71.8%	-43.7%	-	-	-	-30.4%
RPM	16.4%	15.0%	25.0%	10.8%	26.8%	8.2%	-	-	-	12.6%
NI	338	234	257	169	634	147	-	-	82.2%	950
YoY	-63.9%	-51.5%	-64.7%	-	87.6%	-37.2%	-	-	-	-4.8%
NPM	10.7%	9.3%	7.9%	8.0%	19.1%	5.6%	-	-	-	8.9%
Unit sales of graphics LSIs ('000)	32	31	48	30	42	19	-	-	-	126

Source: Company data

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

Note: Company forecasts are the most recent figures.

According to the company, the amusement machines market—i.e., pachinko and pachislot machines—struggled as a whole due to tough conditions for amusement halls, although certain popular pachinko and pachislot machines sold well. In the market as a whole, sales of amusement machines were in line with the company's expectations, at 3.3mn units. Sales of pachislot machines have been relatively robust. But the company expects the pachislot machine market to shrink due to changes to production testing and voluntary restrictions introduced in September 2014. According to the company, these regulations will not have a significant impact on the pachislot machine market in 2014, but the market may shrink from 2015 onward.

View the [full report](#).



MONTHLY WRAP – December 2014



Bell-Park Co., Ltd. (9441)

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

On **November 7, 2014**, Bell-Park Co., Ltd. announced earnings results for Q3 FY12/14 and October monthly sales estimates.

Quarterly Performance (JPYmn)	FY12/13				FY12/14				FY12/14	
	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	21,492	-	72.9%	86,400
YoY	15.1%	22.8%	20.9%	0.1%	15.8%	-18.9%	14.0%	-		-
GP	4,520	3,840	3,847	4,287	5,957	3,730	4,109	-		
YoY	16.2%	16.7%	25.5%	17.6%	31.8%	-2.9%	6.8%	-		
GPM	20.0%	20.2%	20.4%	18.0%	22.8%	24.2%	19.1%	-		
SG&A	3,311	3,040	3,305	3,598	4,475	3,648	3,794	-		
YoY	16.1%	15.7%	31.0%	30.0%	35.1%	20.0%	14.8%	-		
SG&A / Sales	14.7%	16.0%	17.5%	15.1%	17.1%	23.7%	17.7%	-		
OP	1,209	800	542	689	1,483	82	314	-	85.0%	2,210
YoY	16.5%	20.7%	-0.1%	-21.7%	22.6%	-89.8%	-42.0%	-		-
OPM	5.4%	4.2%	2.9%	2.9%	5.7%	0.5%	1.5%	-		2.6%
RP	1,285	846	531	764	1,465	72	399	-	88.8%	2,180
YoY	18.5%	33.8%	2.0%	-20.7%	14.0%	-91.5%	-24.8%	-		-
RPM	5.7%	4.5%	2.8%	3.2%	5.6%	0.5%	1.9%	-		2.5%
NP	709	476	283	411	795	-22	262	-	91.6%	1,130
YoY	16.1%	32.8%	-1.9%	-21.8%	12.2%	-	-7.4%	-		-
NPM	3.1%	2.5%	1.5%	1.7%	3.0%	-	1.2%	-		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

Through March 2014, carriers fought to win customers from each other (MNP: mobile number portability) in the cellphone retail market—the company’s main area of business. But the market cooled from April onward, and is showing signs of recovery in both new and replacement units due to the introduction of new models of the iPhone. Bell-Park focused on winning MNP customers, selling handsets, and improving customer satisfaction.

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	36,118	41,293	34,407			397,953
YoY	-15.8%	-4.7%	4.8%	-28.2%	-29.7%	-0.4%	13.5%	7.5%	21.4%	-8.9%			
ex-low ARPU handsets (YoY)	28,160	27,016	57,329	18,514	17,990	16,624	20,118	20,380	26,813	25,316			258,260
Replacement	34,016	31,893	48,944	22,325	23,426	22,687	29,112	28,791	57,084	60,321			358,599
YoY	-8.9%	23.3%	5.7%	-32.4%	-41.9%	-14.4%	0.2%	-4.3%	55.0%	30.8%			
Total	71,537	69,161	133,034	52,636	54,493	52,490	65,187	64,909	98,377	94,728			756,552
YoY	-12.6%	6.4%	5.2%	-30.0%	-35.5%	-7.0%	7.2%	1.9%	38.8%	12.9%			
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 (YoY)	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
Replacement	37,325	25,865	46,305	33,039	40,335	26,499	29,059	30,075	36,832	46,110	49,021	40,700	441,165
YoY	9.0%	9.5%	64.8%	37.4%	63.5%	31.9%	8.4%	25.3%	11.6%	-12.5%	-16.1%	10.6%	
Total	81,886	64,988	126,512	75,227	84,523	56,420	60,831	63,671	70,854	83,876	88,500	76,945	934,233
YoY	12.6%	5.4%	33.4%	13.7%	26.2%	12.2%	-2.6%	15.2%	-0.8%	-15.5%	-17.8%	-1.5%	

Source: Company data, SR Inc. Research

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

Low ARPU handsets: Mimamori Mobile handsets, PhotoVision digital photo frames, and USIM

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MONTHLY WRAP – December 2014



Canon Marketing Japan Inc. (8060)

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

On **November 7, 2014**, Shared Research updated comments on Canon Marketing Japan Inc. (CMJ)'s earnings results for Q3 FY12/14 and full-year earnings forecasts for FY12/14 after interviewing management.

Quarterly Performance (JPYmn)	FY12/13				FY12/14				FY12/14		FY12/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.	% of FY	FY Est.
Sales	150,210	159,222	159,190	188,593	182,697	145,658	150,750	189,295	+71.7%	668,400	+70.7%	677,200
YoY	-7.9%	-0.5%	+3.1%	+3.8%	+21.6%	-8.5%	-5.3%	+0.4%		+1.7%		+3.0%
GP	49,276	53,927	55,215	61,791	61,046	53,667	54,882					
YoY	-8.7%	-1.4%	+5.8%	+3.0%	+23.9%	-0.5%	-0.6%					
GPM	32.8%	33.9%	34.7%	32.8%	33.4%	36.8%	36.4%					
SG&A	48,873	50,263	50,913	53,148	51,814	50,387	51,421					
YoY	-3.1%	-0.3%	+1.6%	+0.1%	+6.0%	+0.2%	+1.0%					
SG&A / Sales	32.5%	31.6%	32.0%	28.2%	28.4%	34.6%	34.1%					
OP	403	3,663	4,302	8,644	9,231	3,280	3,462	8,127	+66.3%	24,100	+70.1%	22,800
YoY	-88.6%	-14.3%	+106.6%	+25.2%	-	-10.5%	-19.5%	-6.0%		+41.7%		+34.0%
OPM	0.3%	2.3%	2.7%	4.6%	5.1%	2.3%	2.3%	4.3%		3.6%		3.4%
RP	536	4,331	4,473	8,870	9,369	4,083	3,686	8,362	+67.2%	25,500	+71.7%	23,900
YoY	-85.4%	-13.7%	+95.8%	+24.4%	-	-5.7%	-17.6%	-5.7%		+40.0%		+31.2%
RPM	0.4%	2.7%	2.8%	4.7%	5.1%	2.8%	2.4%	4.4%		3.8%		3.5%
NI	-35	2,008	2,711	5,483	5,707	2,144	1,851	4,698	+67.4%	14,400	+71.9%	13,500
YoY	-	-26.4%	+143.6%	+14.8%	-	+6.8%	-31.7%	-14.3%		+41.6%		+32.8%
NPM	-	1.3%	1.7%	2.9%	3.1%	1.5%	1.2%	2.5%		2.2%		2.0%

Source: Company data

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

From FY12/13 onward, some sales promotion costs previously booked under SG&A are directly deducted from sales.

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Year-on-year comparisons for FY12/13 have been retroactively adjusted to reflect the change in accounting methods.

Cumulative operating profit rose 90.9% YoY to JPY16.0bn due to an increase in sales of profitable products (operating profit for the three months through September 30 declined 19.5% YoY to JPY3.5bn). The company, revised its full-year operating profit, recurring profit, and net income forecasts upward once again, having previously revised these forecasts on July 23 (sales forecasts, however, have been reduced). The company has left its annual dividend forecast unchanged at JPY30 a share (with the dividend payout ratio falling to 27.0% from 28.8%).

CMJ revised its operating profit forecast upward by JPY1.3bn, owing to outperformance in Q3. But the company also expects slightly weak results in the Imaging Systems segment in Q4. The company revised its sales forecasts downward in all segments, due to lower expectations for multifunctional product (MFP) unit sales in the Business Solutions segment, orders for infrastructure solutions in the IT Solutions segment, and shipments of digital cameras with interchangeable lenses in the Imaging Systems segment.

In the IT Solutions segment, the company changed its product sales forecast from a year-on-year decline to a year-on-year increase, reflecting increased demand for security, 3D, and CAD solutions.

View the [full report](#).



Chiyoda Co., Ltd. (8185)

Retailer specializing in low-price shoes.

On **November 10, 2014**, Shared Research Inc. updated comments on Chiyoda Co., Ltd. after interviewing management.

(JPYmn)	FY02/13				FY02/14				FY02/15		FY02/15		FY02/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	40,237	35,806	37,252	37,028	39,297	35,423	35,856	36,847	39,458	33,964	96.7%	75,941	50.5%	145,530
Shoes	30,506	27,074	27,350	26,734	29,914	26,985	26,978	26,796	30,402	25,656	97.4%	57,541	51.3%	109,230
Apparel	9,730	8,733	9,901	10,294	9,383	8,438	8,878	10,050	9,056	8,308	94.4%	18,400	47.8%	36,300
YoY	2.4%	-4.3%	-4.0%	-4.0%	-2.3%	-1.1%	-3.7%	-0.5%	0.4%	-4.1%		1.6%		-1.3%
Shoes	2.6%	-3.5%	-3.3%	-3.0%	-1.9%	-0.3%	-1.4%	0.2%	1.6%	-4.9%		1.1%		-1.3%
Apparel	1.6%	-6.7%	-5.8%	-6.4%	-3.6%	-3.4%	-10.3%	-2.4%	-3.5%	-1.5%		3.2%		-1.2%
GP	19,847	17,159	18,707	17,728	19,821	17,160	17,773	17,287	19,717	16,115	94.9%	37,744	50.2%	71,311
Consolidated	15,070	13,090	13,741	12,995	15,178	13,219	13,531	13,008	15,336	12,323	96.2%	28,759	51.2%	54,042
Machouse	4,777	4,069	4,966	4,733	4,643	3,941	4,242	4,279	4,381	3,792	91.0%	8,985	47.3%	17,269
YoY	4.8%	-2.2%	-0.6%	-0.3%	-0.1%	0.0%	-5.0%	-2.5%	-0.5%	-6.1%		2.1%		-1.0%
Consolidated	5.0%	-1.7%	-0.1%	0.3%	0.7%	1.0%	-1.5%	0.1%	1.0%	-6.8%		1.3%		-1.6%
Machouse	4.1%	-3.7%	-1.9%	-1.8%	-2.8%	-3.1%	-14.6%	-9.6%	-5.6%	-3.8%		4.7%		1.0%
GPM	49.3%	47.9%	50.2%	47.9%	50.4%	48.4%	49.6%	46.9%	50.0%	47.4%		49.7%		49.0%
Consolidated	37.5%	36.6%	36.9%	35.1%	38.6%	37.3%	37.7%	35.3%	38.9%	36.3%		37.9%		37.1%
Machouse	11.9%	11.4%	13.3%	12.8%	11.8%	11.1%	11.8%	11.6%	11.1%	11.2%		11.8%		11.9%
SG&A	15,608	14,989	15,587	14,940	15,679	15,265	15,624	14,942	15,848	15,170	98.5%	31,484	50.2%	61,814
Consolidated	11,644	11,156	11,461	11,033	11,741	11,388	11,514	10,902	11,571	11,144	98.7%	23,019	50.3%	45,145
Machouse	3,964	3,833	4,126	3,907	3,938	3,877	4,110	4,040	4,277	4,026	98.1%	8,465	49.8%	16,669
YoY	-1.5%	-2.2%	-1.1%	-2.9%	0.5%	1.8%	0.2%	0.0%	1.1%	-0.6%		1.7%		0.5%
Consolidated	-0.2%	-1.7%	-0.3%	-1.4%	0.8%	2.1%	0.5%	-1.2%	-1.4%	-2.1%		-0.5%		-0.9%
Machouse	-5.0%	-3.7%	-3.5%	-7.1%	-0.7%	1.1%	-0.4%	3.4%	8.6%	3.8%		8.3%		4.4%
SG&A/sales	38.8%	41.9%	41.8%	40.3%	39.9%	43.1%	43.6%	40.6%	40.2%	44.7%		41.5%		42.5%
OP	4,238	2,171	3,119	2,788	4,141	1,896	2,149	2,345	3,868	946	76.9%	6,260	50.7%	9,496
Shoes	3,458	1,876	2,276	1,953	3,245	1,939	2,069	2,096	3,765	1,082	84.4%	5,740	54.5%	8,896
Apparel	812	237	839	827	704	64	132	240	103	-232	-	520	-	600
YoY	36.8%	-1.4%	2.4%	16.8%	-2.3%	-12.7%	-31.1%	-15.9%	-6.6%	-50.1%		3.7%		-9.8%
Shoes	29.4%	1.4%	-1.0%	10.3%	-6.2%	3.4%	-9.1%	7.3%	16.0%	-44.2%		10.7%		-4.8%
Apparel	95.2%	-4.0%	6.9%	34.3%	-13.3%	-73.0%	-84.3%	-71.0%	-85.4%	-		-32.3%		-47.4%
OPM	10.5%	6.1%	8.4%	7.5%	10.5%	5.4%	6.0%	6.4%	9.8%	2.8%		8.2%		6.5%
Shoes	8.6%	5.2%	6.1%	5.3%	8.3%	5.5%	5.8%	5.7%	9.5%	3.2%		7.6%		6.1%
Apparel	2.0%	0.7%	2.3%	2.2%	1.8%	0.2%	0.4%	0.7%	0.3%	-		0.7%		0.4%
RP	4,437	2,388	3,308	2,975	4,255	1,978	2,247	2,547	4,001	1,075	78.2%	6,489	50.8%	9,991
YoY	37.3%	0.0%	4.0%	17.1%	-4.1%	-17.2%	-32.1%	-14.4%	-6.0%	-45.7%		4.1%		-9.4%
RPM	11.0%	6.7%	8.9%	8.0%	10.8%	5.6%	6.3%	6.9%	10.1%	3.2%		8.5%		6.9%
NI	2,404	1,391	1,420	1,936	2,221	1,084	1,187	1,355	2,302	463	76.9%	3,595	53.6%	5,156
Quarterly NI	389.6%	13.0%	-21.3%	47.4%	-7.6%	-22.1%	-16.4%	-30.0%	3.6%	-57.3%		8.8%		-11.8%
NPM	6.0%	3.9%	3.8%	5.2%	5.7%	3.1%	3.3%	3.7%	5.8%	1.4%		4.7%		3.5%

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

Source: Company Data

The shoe and apparel operations both missed their fiscal 1H target, forcing the company to lower its full-year earnings forecast. In the shoe business, the company suffered a decline in demand after the consumption tax increase. Customer traffic also fell more than expected after the company reduced the number of low-priced products. In the apparel business, Chiyoda's Mac-House Co., Ltd. unit lowered its earnings forecast due to weak sales of women's clothes and accessories, as well as the effects of the consumption tax increase and unstable weather conditions.



MONTHLY WRAP – December 2014



On **November 4, 2014**, Chiyoda announced monthly sales data for October 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	2.0%	1.4%	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%	1.3%	-6.3%	-9.0%				
Customer count	6.3%	-10.6%	-7.8%	-11.8%	-8.7%	-3.5%	-11.3%	-12.8%				
Spend per customer	8.1%	2.6%	4.8%	3.0%	4.8%	4.9%	5.6%	4.4%				

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%	0.8%	-7.2%	-9.8%				
Customer count	7.2%	-10.5%	-7.7%	-12.4%	-9.6%	-4.1%	-12.3%	-14.0%				
Spend per customer	8.2%	2.8%	5.0%	3.2%	5.0%	5.1%	5.7%	4.9%				

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

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MONTHLY WRAP – December 2014



Cosys Holdings Corporation (1721)

Major telecommunications construction company, with over fifty years of history

On **November 6, 2014**, Cosys Holdings Corporation announced earnings results for 1H FY03/15 and a stock buyback.

Quarterly Performance (JPYmm)	FY03/14				FY03/15				FY03/15		FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.	% of FY	FY Est.
Sales	60,293	80,284	77,787	112,977	66,555	77,732	-	-	96.8%	149,000	41.8%	345,000
YoY	5.7%	6.8%	4.1%	3.5%	10.4%	-3.2%	-	-		6.0%		9.1%
GP	8,032	11,273	11,442	15,023	9,728	11,706	-	-				
YoY	25.6%	16.0%	17.2%	-2.2%	21.1%	3.8%	-	-				
GPM	13.3%	14.0%	14.7%	13.3%	14.6%	15.1%	-	-				
SG&A	4,401	4,278	4,312	5,209	5,208	5,081	-	-				
YoY	-7.5%	-6.5%	5.7%	-1.1%	18.3%	18.8%	-	-				
SG&A / Sales	7.3%	5.3%	5.5%	4.6%	7.8%	6.5%	-	-				
OP	3,630	6,995	7,131	9,814	4,519	6,625	-	-	101.3%	11,000	38.4%	29,000
YoY	122.2%	36.1%	25.5%	-2.8%	24.5%	-5.3%	-	-		3.5%		28.6%
OPM	6.0%	8.7%	9.2%	8.7%	6.8%	8.5%	-	-		7.4%		8.4%
RP	3,793	7,179	7,198	9,908	4,676	6,632	-	-	101.0%	11,200	38.3%	29,500
YoY	102.5%	37.6%	26.6%	-2.3%	23.3%	-7.6%	-	-		2.1%		28.7%
RPM	6.3%	8.9%	9.3%	8.8%	7.0%	8.5%	-	-		7.5%		8.6%
NI	2,386	3,777	4,569	5,657	2,808	4,057	-	-	101.0%	6,800	38.1%	18,000
YoY	125.7%	36.8%	38.4%	-8.2%	17.7%	7.4%	-	-		10.3%		35.5%
NPM	4.0%	4.7%	5.9%	5.0%	4.2%	5.2%	-	-		4.6%		5.2%

Source: Company data

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

Company forecasts are based on the most recent figures.

In the information and communications industry, the company's main area of business, progress continued in feature updates for smartphone and tablet devices, as well as usage of cloud computing services. Investment in mobile communications networks also continued to be robust, with the intent of improving quality and standards in telecommunications services for greater connectivity and transfer speeds (namely, the shift from LTE to LTE-Advanced and VoLTE).

In the public sector, new genres of value added services were created such as the government-backed ICT growth strategy and smart community initiatives. Services in the public works and IT businesses were sought after in areas such as disaster prevention, including recovery from the 2011 earthquake and maintaining regional stability in the area surrounding Japan. Demand was also high in the environmental and energy categories, particularly for green initiatives such as solar power.

Alongside its 1H FY03/15 results, the company also announced a stock buyback. The upper limits will be 4.7mn shares (3.95% of outstanding shares, excluding treasury stock, as of end September 2014) and JPY8.0bn. The buyback will be performed between November 7, 2014 and March 31, 2015.

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MONTHLY WRAP – December 2014



DIC Corporation (4631)

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

On **November 14, 2014**, DIC Corporation announced earnings results for Q3 FY12/14 and revisions to full-year earnings for FY12/14.

Quarterly performance (JPYmn)	FY12/13			FY12/14				FY12/14	
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	% of 1H	1H CE
Sales	186,503	198,452	320,692	201,564	206,821	206,143	-		
YoY	5.9%	14.2%	-	-	-	-	-		
GP	39,535	41,735	66,344	42,041	42,277	42,304	-		
GPM	21.2%	21.0%	20.7%	20.9%	20.4%	20.5%	-		
SG&A	29,164	29,325	48,944	32,644	31,867	32,436	-		
YoY	9.9%	12.8%	-	-	-	-	-		
OP	10,371	12,410	17,400	9,397	10,410	9,868	-		
YoY	7.2%	38.5%	-	-	-	-	-		
OPM	5.6%	6.3%	5.4%	4.7%	5.0%	4.8%	-		
RP	9,710	10,949	16,464	8,410	9,961	10,110	-		
YoY	15.3%	34.8%	-	-	-	-	-		
NI	4,665	6,017	16,089	5,140	5,179	6,119	-		
YoY	-24.5%	14.4%	-	-	-	-	-		
Cumulative	Q1	Q2	Q3	Q1	Q2	Q3	Q4	% of FY	FY CE
Sales	186,503	384,955	705,647	201,564	408,385	614,528	-	73.2%	840,000
YoY	5.9%	10.0%	-	-	-	-	-		
GP	39,535	81,270	147,614	42,041	84,318	126,622	-		
GPM	21.2%	21.1%	20.9%	20.9%	20.6%	20.6%	-		
SG&A	29,164	58,489	107,433	32,644	64,511	96,947	-		
YoY	9.9%	11.4%	-	-	-	-	-		
OP	10,371	22,781	40,181	9,397	19,807	29,675	-	74.2%	40,000
YoY	7.2%	22.3%	-	-	-	-	-		
OPM	5.6%	5.9%	5.7%	4.7%	4.9%	4.8%	-		4.8%
RP	9,710	20,659	37,123	8,410	18,371	28,481	-	75.0%	38,000
YoY	15.3%	24.9%	-	-	-	-	-		
NI	4,665	10,682	26,771	5,140	10,319	16,438	-	74.7%	22,000
YoY	-24.5%	-6.6%	-	-	-	-	-		

Source: Company data

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

DIC revised its earnings forecasts due to the delayed recovery from the pullback following the consumption tax hike in Japan. Materials costs have also risen, and new added-value products underperformed targets. Revisions to forecasts are as follows (previous forecast in parentheses):

§Sales: JPY840.0bn (JPY850bn)
 §Operating profit: JPY40.0bn (JPY50.0bn)
 §Recurring profit: JPY38.0bn (JPY46.0bn)
 §Net income: JPY22.0bn (JPY24.5bn).

The continuing economic recovery became clear in North America and Europe. But there was uncertainty across Asia, with growth slowing in China and Southeast Asia. Demand remained weak in the domestic economy, due to the protracted pullback from the rush to beat the consumption tax hike.

On **the same day**, the company announced its decision to accept Renaissance Inc.'s tender offer for its own shares, and the prepayment of an unsecured deferred interest, callable bond.

The acceptance of Renaissance's tender offer

Reasons for the acceptance

DIC has decided to accept equity-method affiliate Renaissance's tender offer in order to strengthen its



MONTHLY WRAP – December 2014

financial standing and focus management resources on the key strategies of its medium-term plan. Renaissance will remain an equity-method affiliate of DIC, and the relationship between the two companies will be unchanged.

The transfer of shares under the tender offer

Renaissance shares held by DIC prior to the transfer:	10.2mn shares (47.71% stake)
Shares to be transferred:	6.5mn shares (30.21% stake)
Renaissance shares to be held by DIC post-transfer:	3.7mn shares (17.50% stake).

The prepayment of the unsecured deferred interest, callable bond

The company has decided to redeem an unsecured deferred interest, callable bond issued on March 25, 2010 (subordinated; for qualified institutional investors only). The company plans to redeem the bond on March 31, 2015.

Revisions for the prepayment

DIC issued this in bond in March 2010, in order to improve its financial standing, with 50% of the interest and principle treated as equity for credit rating purposes. Of the total amount issued, JPY20.0bn, the company bought back and canceled JPY10.0bn on September 30, 2014, using funds raised from a public offering in June 2014. The company expects multiple one-time payments from the transfer of assets, and decided that using these one-time payments to redeem the remaining amount outstanding of this bond would increase its share price. The company plans to borrow funds from outside if additional funds are needed.

View the [full report](#).



MONTHLY WRAP – December 2014



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

Quarterly results (JPYmn)	FY06/14				FY06/15				FY06/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	7,273	8,350	8,271	9,857	8,127	-	-	-	-	-
YoY	37.0%	-2.2%	27.6%	29.1%	11.7%					
GP	1,393	2,102	1,725	2,997	1,873					
YoY	32.6%	1.9%	28.6%	51.6%	34.5%					
GPM	19.1%	25.2%	20.9%	30.4%	23.0%					
SG&A	1,306	1,376	1,351	1,576	1,475					
YoY	18.6%	-10.6%	13.5%	23.3%	12.9%					
SG&A / Sales	18.0%	16.5%	16.3%	16.0%	18.2%					
OP	87	726	374	1,421	398					
YoY	-	38.5%	147.4%	103.6%	359.4%					
OPM	1.2%	8.7%	4.5%	14.4%	4.9%					
RP	474	1,214	811	1,944	1,174					
YoY	183.4%	21.3%	12.7%	63.1%	147.7%					
RPM	6.5%	14.5%	9.8%	19.7%	14.4%					
NI	389	1,037	447	974	781					
YoY	82.3%	48.0%	-65.5%	92.0%	100.5%					
NPM	5.4%	12.4%	5.4%	9.9%	9.6%					
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	7,273	15,623	23,894	33,752	8,127	-	-	-	20.3%	40,000
YoY	37.0%	12.8%	17.5%	20.7%	11.7%					18.5%
GP	1,393	3,494	5,220	8,217	1,873					
YoY	32.6%	12.2%	17.2%	27.8%	34.5%					
GPM	19.1%	41.9%	63.1%	83.4%	23.0%					
SG&A	1,306	2,682	4,033	5,609	1,475					
YoY	18.6%	1.6%	5.3%	9.8%	12.9%					
SG&A / Sales	18.0%	32.1%	48.8%	56.9%	18.2%					
OP	87	812	1,187	2,608	398				8.8%	4,500
YoY	-	71.8%	90.2%	97.2%	359.4%					72.5%
OPM	1.2%	9.7%	14.3%	26.5%	4.9%					11.3%
RP	474	1,687	2,498	4,442	1,174				17.5%	6,700
YoY	183.4%	44.5%	32.4%	44.3%	147.7%					50.8%
RPM	6.5%	20.2%	30.2%	45.1%	14.4%					16.8%
NI	389	1,426	1,873	2,847	781				19.5%	4,000
YoY	82.3%	56.1%	-15.2%	4.8%	100.5%					40.5%
NPM	5.4%	17.1%	22.6%	28.9%	9.6%					10.0%

Source: Company data

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

Forecasts based on most recently announced figures.

On November 19, 2014, the company announced that it applied to participate in a share buyback program initiated by Kakaku.com, Inc (TSE1: 2371). Prior to the buyback, Digital Garage held 20.86% of outstanding shares in Kakaku.com (21.12% of voting rights). Although dependent on the application status of other parties, even if all shares made available by the company are included in the buyback, Digital Garage will still hold over 20.4% of voting rights in Kakaku.com.

In cooperation with Kakaku.com, the company has started numerous joint efforts, such as a business utilizing the big data made available by Kakaku.com and Tabelog Pay, a restaurant payment settlement system. As such, Kakaku.com is more than an investment target—it is a valuable business partner. Even if all shares proposed to be made available for buyback are sold, there will be no significant change in the percentage of ownership, and Kakaku.com will remain an equity-method affiliate of Digital Garage; it appears that the company is selling part of its stake in order to increase the value of its held assets.

On **November 19, 2014**, Digital Garage Inc. announced that it has applied to participate in a share buyback program initiated by Kakaku.com, Inc (TSE1: 2371).

Kakaku.com, and equity-method affiliate of the company, announced on November 19, 2014 that it would initiate a share buyback program, and Digital Garage intends to make a portion of its holdings available for purchase under the program.



MONTHLY WRAP – December 2014

In 2012, the company acquired a stake in Kakaku.com under its incubation business, and to realize gains from its investment, Digital Garage will sell a portion of this stake back to Kakaku.com. Shares that will not be sold under the buyback program (44.7mn shares; 19.97% of outstanding shares) will continue to be held by the company, and Kakaku.com will remain an equity-method affiliate.

Details of the company's participation

Shares to be sold: 2.0mn shares (0.89% of outstanding shares; tentative)

Buyback period: November 20, 2014 through December 18, 2014

Record date: January 16, 2015

As the actual number of shares to be sold is undetermined at this point, the effect of this transaction on the company's earnings results is unknown. Digital Garage will announce any material effects as soon as information becomes available.

View the [full report](#).



Don Quijote Co., Ltd. (7532)

Innovative and iconoclastic general discount retailer with a nationwide presence.

On **November 17, 2014**, Don Quijote announced that it submitted an application to the Kanto Local Finance Bureau for the issuance of corporate bonds.

Corporate bonds will be issued in the amount of JPY50.0bn during the period between November 25, 2014 and November 24, 2016. Funds are scheduled to be used for capital investment, repayment of debts and corporate bonds, and other investments.

On **November 10, 2014**, the company announced sales figures for October.

(YoY)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Total Stores												
Sales	9.1%	11.2%	12.3%	16.2%								
# of Stores	220	221	220	221								
Comparable Stores												
Sales	1.4%	2.3%	5.0%	8.3%								
# of Customers	1.7%	0.6%	3.5%	5.2%								
Avg. Spend per Customer	-0.2%	1.7%	1.5%	2.9%								
# of Comparable Stores	196	196	196	195								
Electric Appliances	-1.0%	3.1%	14.8%	15.8%								
Household Goods	8.3%	10.7%	13.8%	15.9%								
Foods	21.0%	21.6%	24.0%	25.8%								
Watches & Fashion Merchandise	5.1%	5.4%	7.6%	9.1%								
Sporting & Leisure Goods	3.9%	3.5%	10.0%	12.0%								
Other Products	14.1%	70.0%	-43.7%	13.6%								

(YoY)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
(Fiscal Year Ending)												
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.

On **November 6, 2014**, Shared Research updated the report with comments from the company's earnings results briefing for FY06/15.



MONTHLY WRAP – December 2014

On **November 5, 2014**, the company announced Q1 FY06/15 results and a revision to its 1H FY06/15 earnings forecasts.

Quarterly Performance (JPY mn)	FY06/13				FY06/14				FY06/15			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	140,379	149,265	138,426	140,307	146,514	156,808	158,454	150,648	163,861	-	-	-
YoY	4.1%	5.1%	5.4%	6.3%	4.4%	5.1%	14.5%	7.4%	11.8%	-	-	-
Gross profit	37,010	39,176	36,888	36,733	39,880	41,195	40,627	39,316	44,235	-	-	-
YoY	6.2%	6.0%	10.2%	7.3%	7.8%	5.2%	10.1%	7.0%	10.9%	-	-	-
GPM	26.4%	26.2%	26.6%	26.2%	27.2%	26.3%	25.6%	26.1%	27.0%	-	-	-
SG&A	28,766	28,747	29,423	30,502	29,740	30,831	32,193	33,962	33,779	-	-	-
YoY	6.3%	4.4%	7.2%	8.2%	3.4%	7.2%	9.4%	11.3%	13.6%	-	-	-
SG&A / Sales	20.5%	19.3%	21.3%	21.7%	20.3%	19.7%	20.3%	22.5%	20.6%	-	-	-
OP	8,244	10,429	7,465	6,231	10,140	10,364	8,434	5,354	10,456	-	-	-
YoY	6.0%	10.5%	23.4%	2.9%	23.0%	-0.6%	13.0%	-14.1%	3.1%	-	-	-
OPM	5.9%	7.0%	5.4%	4.4%	6.9%	6.6%	5.3%	3.6%	6.4%	-	-	-
RP	8,366	10,709	7,653	6,473	10,433	10,702	8,681	5,671	10,822	-	-	-
YoY	13.0%	18.4%	20.0%	0.3%	24.7%	-0.1%	13.4%	-12.4%	3.7%	-	-	-
RPM	6.0%	7.2%	5.5%	4.6%	7.1%	6.8%	5.5%	3.8%	6.6%	-	-	-
NP	5,069	6,708	4,556	4,808	6,416	6,608	5,740	2,707	6,141	-	-	-
YoY	-24.0%	27.5%	14.7%	22.1%	26.6%	-1.5%	26.0%	-43.7%	-4.3%	-	-	-
NPM	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.

Segment Performance (JPY mn)	FY06/13				FY06/14				FY06/15			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Retail												
Sales	135,221	143,767	133,043	134,899	141,100	151,223	152,831	144,922	157,999	-	-	-
Electric appliances	13,142	15,901	14,123	12,607	12,816	15,279	14,737	11,637	12,884	-	-	-
Miscellaneous household foods	30,862	33,256	30,204	31,227	32,872	35,990	34,912	32,429	36,011	-	-	-
Foods	39,009	41,430	40,592	40,839	40,998	44,723	47,974	46,924	48,773	-	-	-
Watches & fashion merchandise	31,812	36,013	30,908	31,744	32,632	36,649	32,303	30,810	34,099	-	-	-
Sporting & leisure goods	10,206	7,584	6,885	8,348	10,685	7,982	7,356	8,566	11,208	-	-	-
DIY goods	4,582	4,112	4,458	4,042	4,828	4,212	4,532	4,223	4,626	-	-	-
Overseas	3,113	3,201	3,609	3,808	3,927	4,105	8,703	7,910	7,861	-	-	-
Others	2,495	2,270	2,264	2,284	2,342	2,284	2,314	2,423	2,537	-	-	-
YoY	4.3%	5.0%	5.4%	6.1%	4.3%	5.2%	14.9%	7.4%	12.0%	-	-	-
Electric appliances	-7.4%	3.7%	0.0%	1.6%	-2.5%	-3.9%	4.3%	-7.7%	0.5%	-	-	-
Miscellaneous household foods	4.8%	5.9%	7.3%	9.8%	6.5%	8.2%	15.6%	3.8%	9.5%	-	-	-
Foods	5.1%	4.4%	4.9%	5.0%	5.1%	7.9%	18.2%	14.9%	19.0%	-	-	-
Watches & fashion merchandise	11.2%	9.5%	9.4%	7.7%	2.6%	1.8%	4.5%	-2.9%	4.5%	-	-	-
Sporting & leisure goods	8.4%	3.7%	9.1%	8.5%	4.7%	5.2%	6.8%	2.6%	4.9%	-	-	-
DIY goods	-2.4%	-6.5%	-3.8%	-0.8%	5.4%	2.4%	1.7%	4.5%	-4.2%	-	-	-
Overseas	-0.8%	4.0%	12.4%	8.4%	26.1%	28.2%	141.1%	107.7%	100.2%	-	-	-
Others	-17.9%	-19.7%	-21.1%	-11.8%	-6.1%	0.6%	2.2%	6.1%	8.3%	-	-	-
% of Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-
Electric appliances	9.7%	11.1%	10.6%	9.3%	9.1%	10.1%	9.6%	8.0%	8.2%	-	-	-
Miscellaneous household foods	22.8%	23.1%	22.7%	23.1%	23.3%	23.8%	22.8%	22.4%	22.8%	-	-	-
Foods	28.8%	28.8%	30.5%	30.3%	29.1%	29.6%	31.4%	32.4%	30.9%	-	-	-
Watches & fashion merchandise	23.5%	25.0%	23.2%	23.5%	23.1%	24.2%	21.1%	21.3%	21.6%	-	-	-
Sporting & leisure goods	7.5%	5.3%	5.2%	6.2%	7.6%	5.3%	4.8%	5.9%	7.1%	-	-	-
DIY goods	3.4%	2.9%	3.4%	3.0%	3.4%	2.8%	3.0%	2.9%	2.9%	-	-	-
Overseas	2.3%	2.2%	2.7%	2.8%	2.8%	2.7%	5.7%	5.5%	5.0%	-	-	-
Others	1.8%	1.6%	1.7%	1.7%	1.7%	1.5%	1.5%	1.6%	1.6%	-	-	-
Operating profit	6,331	8,448	5,592	4,957	8,291	8,764	6,039	1,287	6,486	-	-	-
YoY	6.5%	21.1%	28.9%	4.3%	31.0%	3.7%	8.0%	-74.0%	-21.8%	-	-	-
OPM	4.7%	5.9%	4.2%	3.7%	5.9%	5.8%	4.0%	0.9%	4.1%	-	-	-
Rent												
Sales	3,950	4,204	4,076	4,140	4,086	4,262	4,250	4,493	4,448	-	-	-
YoY	-0.7%	7.9%	5.6%	11.2%	3.4%	1.4%	4.3%	8.5%	8.9%	-	-	-
Operating profit	1,338	1,454	1,212	983	1,252	1,320	2,651	1,282	2,853	-	-	-
YoY	3.8%	-29.5%	-16.4%	8.3%	-6.4%	-9.2%	118.7%	30.4%	127.9%	-	-	-
OPM	33.9%	34.6%	29.7%	23.7%	30.6%	31.0%	62.4%	28.5%	64.1%	-	-	-
Others												
Sales	1,208	1,294	1,307	1,269	1,328	1,323	1,373	1,233	1,414	-	-	-
YoY	-4.2%	3.9%	3.6%	11.2%	9.9%	2.2%	5.0%	-2.8%	6.5%	-	-	-
Operating profit	552	513	649	275	566	681	1,254	1,039	1,190	-	-	-
YoY	13.1%	-13.3%	123.0%	-41.7%	2.5%	32.7%	93.2%	277.8%	110.2%	-	-	-
OPM	45.7%	39.6%	49.7%	21.7%	42.6%	51.5%	91.3%	84.3%	84.2%	-	-	-
Adjustments to operating profit	23	14	12	16	31	-401	-1,510	1,746	-73	-	-	-

Source: Company data

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

Three-tier strategy produced results; GMP improved by 0.8pp

Don Quijote was successful in increasing customer count during Q4 FY06/14 through lowering prices on staple products, and during Q1 FY06/15, the company moved to implement a three-tier pricing system to increase customer spend. Aggressive pricing on processed foods and improved product selection for fresh foods were popular initiatives among existing customers and the price-sensitive family customer segment. As a result, gross profit margin for comparable stores was up by 0.8pp quarter-on-quarter, to 27.0%.



MONTHLY WRAP – December 2014

More repeat customers lead to higher year-on-year customer count and customer spend

Under the three-tier product strategy, Don Quijote assembled product portfolios in consisting of products in three distinct pricing brackets. The lowest tier competes based on price, the middle tier provides added value for a slightly higher price, and the highest tier offers significant added value at a significantly higher price. To encourage customers to shift buying into higher tiers, the company worked to improve its product offerings and create attractive merchandising displays. The strategy not only improved gross profit margins, but caused the number of repeat customers to rise as well. Although foot traffic was down due to poor weather conditions, comparable store sales at mainstay Don Quijote stores were up by 2.8% year-on-year (customer count up by 1.9%, customer spend up by 0.9%), and Nagasakiya, which is primarily composed of stores in the MEGA format, demonstrated comparable store sales gains of 4.0%.

Improved store operations key to improved results

On an organizational level, the company made efforts to delegate more responsibilities from headquarters to stores. Through the newly-established Product Information Advancement Department, stores and headquarters shared issues arising from customer feedback and other “inconvenient truths” that had a tendency to be overlooked. As a result, stores are making decisions more quickly, and the company maintains that this is having a positive effect on results.

View the [full report](#).



MONTHLY WRAP – December 2014

Dream Incubator Inc. (4310)

Venture capital and business incubation, and strategy consulting company.

On **November 4, 2014**, Dream Incubator Inc. (DI) announced a strategic partnership with US investment bank The Raine Group (Raine), and an investment in a fund managed by Raine.

Through this partnership and investment, DI aims to strengthen its global operations in the technology, media, and telecommunications fields.

View the [full report](#).



Elecom Co. (6750)

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

On November 25, 2014, Shared Research revised the report on Elecom Co.'s 1H 03/15 earnings results after interviewing management.

Quarterly Performance (JPYmn)	FY03/13				FY03/14				FY03/15		FY03/15		FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	15,289	14,901	17,615	14,836	14,936	15,099	19,391	19,680	17,741	17,925	107.6%	33,152	47.6%	75,000
YoY	5.2%	3.9%	0.1%	-7.6%	-2.3%	1.3%	10.1%	32.6%	18.8%	18.7%		10.4%		8.5%
GP	5,061	4,889	6,005	4,865	5,150	5,101	6,772	5,292	5,850	5,968			48.1%	24,583
YoY	-0.0%	-5.4%	-6.0%	-7.9%	1.8%	4.3%	12.8%	8.8%	13.6%	17.0%				10.2%
GPM	33.1%	32.8%	34.1%	32.8%	34.5%	33.8%	34.9%	26.9%	33.0%	33.3%				32.8%
SG&A	3,761	3,498	3,740	3,756	3,647	3,694	3,926	4,087	4,037	3,975			48.0%	16,683
YoY	6.0%	-5.5%	-3.5%	-5.5%	-3.0%	5.6%	5.0%	8.8%	10.7%	7.6%				8.7%
SG&A / Sales	24.6%	23.5%	21.2%	25.3%	24.4%	24.5%	20.2%	20.8%	22.8%	22.2%				22.2%
OP	1,300	1,391	2,264	1,109	1,503	1,408	2,846	1,205	1,812	1,993	109.8%	3,464	48.2%	7,900
YoY	-14.1%	-5.2%	-9.9%	-15.5%	15.6%	1.2%	25.7%	8.7%	20.6%	41.6%		19.0%		13.5%
OPM	8.5%	9.3%	12.9%	7.5%	10.1%	9.3%	14.7%	6.1%	10.2%	11.1%		10.4%		10.5%
RP	1,289	1,298	1,916	1,004	1,312	1,795	1,975	1,539	1,764	1,546	105.2%	3,145	46.0%	7,200
YoY	-7.7%	-4.4%	-18.2%	-2.6%	1.8%	38.3%	3.1%	53.3%	34.4%	-13.9%		1.2%		8.7%
RPM	8.4%	8.7%	10.9%	6.8%	8.8%	11.9%	10.2%	7.8%	9.9%	8.6%		9.5%		9.6%
NI	510	864	1,112	613	622	1,205	1,188	1,029	949	1,031	117.3%	1,688	48.9%	4,050
YoY	4.9%	75.6%	-3.2%	-48.3%	22.0%	39.4%	6.8%	67.8%	52.5%	-14.4%		-7.6%		0.2%
NPM	3.3%	5.8%	6.3%	4.1%	4.2%	8.0%	6.1%	5.2%	5.3%	5.8%		5.1%		5.4%

In 1H, the company succeeded in expanding its core business areas as its strategy of boosting shares of the markets for peripherals (namely storage, memory, and network) and smartphone accessories. In new business areas, sales of embedded devices increased mainly due to well-performing sales at new subsidiary Hagiwara Solutions Co., Ltd. Although operation of overseas stores expanded, sales stayed at low levels.

As a new sales channel, the company has been working on selling its products via general merchandise stores such as Tokyu Hands Inc. (subsidiary of Tokyu Corporation, TSE1: 9005) and Don Quijote (TSE1: 7532). Sales to both types of retailers have been on an uptrend in 1H, marking a double-digit rise year-on-year in each category.

On November 6, 2014, the company released an increase to its interim dividend.

The company also announced that it would pay a 1H dividend of JPY25 a share, an increase of JPY5 YoY. The company, however, left its year-end dividend forecast unchanged at JPY20 a share, saying that it would determine the amount based on the earnings for the remainder of the fiscal year.

View the [full report](#).



MONTHLY WRAP – December 2014

Emergency Assistance Japan Co., Ltd. (6063)

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

On **November 11, 2014**, en-japan Inc. announced earnings results for 1H FY03/15.

Quarterly Performance (JPYmm)	FY03/13				FY03/14				FY03/15		FY03/15		FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	3,297	3,138	3,801	3,327	3,652	3,835	4,595	4,674	4,590	4,615	101.4%	9,080	47.9%	19,200
YoY	16.0%	-0.8%	10.0%	-0.1%	10.7%	22.2%	20.9%	40.5%	25.7%	20.3%		21.3%		14.6%
GP	2,824	2,687	3,300	2,820	3,219	3,401	4,096	4,118	4,125	4,154			47.7%	17,354
YoY	19.0%	-0.3%	11.2%	0.2%	14.0%	26.5%	24.1%	46.0%	28.1%	22.2%				17.0%
GPM	85.7%	85.6%	86.8%	84.8%	88.2%	88.7%	89.1%	88.1%	89.9%	90.0%				90.4%
SG&A	2,101	2,129	2,265	2,353	2,506	2,497	2,918	3,470	3,144	3,396			48.8%	13,404
YoY	9.6%	7.6%	9.9%	-0.1%	19.3%	17.3%	28.8%	47.5%	25.5%	36.0%				17.7%
SG&A / Sales	63.7%	67.8%	59.6%	70.7%	68.6%	65.1%	63.5%	74.2%	68.5%	73.6%				69.8%
Personnel	1,211	1,256	1,284	1,275	1,434	1,442	1,598	1,570	1,788	1,804			48.6%	7,385
Advertising / Promotional	395	370	464	567	476	472	636	1,051	543	626			41.0%	2,854
Others	494	502	515	511	594	583	683	849	812	967			56.2%	3,164
OP	724	558	1,034	467	713	903	1,177	648	981	758	104.7%	1,660	44.0%	3,950
YoY	58.0%	-22.1%	14.1%	1.5%	-1.4%	61.8%	13.8%	38.6%	37.5%	-16.1%		2.7%		14.8%
OPM	21.9%	17.8%	27.2%	14.0%	19.5%	23.6%	25.6%	13.9%	21.4%	16.4%		18.3%		20.6%
RP	782	576	1,045	437	902	925	1,274	647	1,018	903	114.3%	1,680	48.4%	3,970
YoY	51.9%	3.2%	14.3%	-0.0%	15.3%	60.6%	21.9%	47.9%	12.9%	-2.4%		-8.0%		5.9%
RPM	23.7%	18.4%	27.5%	13.1%	24.7%	24.1%	27.7%	13.8%	22.2%	19.6%		18.5%		20.7%
NI	468	338	653	86	1,771	546	772	-300	597	581	117.8%	1,000	52.6%	2,240
YoY	67.2%	44.3%	31.0%	-	278.6%	61.4%	18.1%	-	-66.3%	6.3%		-56.9%		-19.7%
NPM	14.2%	10.8%	17.2%	2.6%	48.5%	14.2%	16.8%	-6.4%	13.0%	12.6%		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	4,471			49.2%	18,100
GP	2,755	2,631	3,242	2,767	3,111	3,279	3,947	3,962	3,988	4,017				
GPM	86.4%	85.8%	87.0%	85.0%	88.1%	88.5%	88.9%	88.1%	89.8%	89.8%				
OP	745	550	1,022	456	696	876	1,135	601	976	784			47.2%	3,725
OPM	23.4%	17.9%	27.4%	14.0%	19.7%	23.6%	25.6%	13.4%	22.0%	17.5%				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	158			27.6%	1,150
GP	61	53	56	53	111	130	156	168	144	143				
GPM	75.3%	75.7%	76.7%	75.7%	88.1%	89.7%	90.7%	87.0%	90.6%	90.5%				
OP	20	4	11	8	16	28	42	46	4	-26			-9.8%	225
OPM	24.7%	5.7%	15.1%	11.4%	12.7%	19.3%	24.4%	23.8%	2.5%	-16.5%				19.6%
en-japan inc.														
Sales	2,567	2,380	3,001	2,682	2,652	2,802	3,339	3,246	2,960	2,958			44.9%	13,180
YoY	10.8%	-4.3%	3.6%	-1.6%	3.3%	17.7%	11.3%	21.0%	11.6%	5.6%				9.5%
OP	598	434	935	502	625	793	1,083	516	772	600			39.8%	3,450
OPM	23.3%	18.2%	31.2%	18.7%	23.6%	28.3%	32.4%	15.9%	26.1%	20.3%				26.2%
EWJ (en world japan K.K)														
Sales	734	762	807	654	886	859	871	1,037	1,268	1,175			62.3%	3,920
YoY	38.8%	12.6%	43.9%	6.5%	20.7%	12.7%	7.9%	58.6%	43.1%	36.8%				7.3%
OP	166	163	141	7	200	186	104	167	355	192			78.1%	700
OPM	22.6%	21.4%	17.5%	1.1%	22.6%	21.7%	11.9%	16.1%	28.0%	16.3%				17.9%
Overseas subsidiaries														
Sales					81	132	316	306	323	449			45.1%	1,710
OP					-51	-37	41	38	-32	82			40.0%	125
OPM					-63.0%	-28.0%	13.0%	12.4%	-9.9%	18.3%				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 rose year-on-year for all recruitment sites. Results were particularly robust at [en] world Japan (recruitment agency services). Net income declined from a year earlier, when the company posted a JPY2.0bn gain from the sale of investment securities.

View the [full report](#).



MONTHLY WRAP – December 2014



Ferrotec Corp. (6890)

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

On **November 12, 2014**, Ferrotec Corp. announced earnings results for 1H FY03/15.

Quarterly Performance (JPYmn)	FY03/13				FY03/14				FY03/15		FY03/15		FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H 1H Est.	25,500	% of FY Est.	56,000
Sales	9,503	10,545	9,102	9,274	9,538	10,691	11,356	13,160	14,130	15,108	114.7%	25,500	52.2%	56,000
YoY	-49.5%	-37.7%	-35.2%	-10.1%	0.4%	1.4%	24.8%	41.9%	48.1%	41.3%	26.1%		25.2%	
GP	2,023	1,612	1,776	1,566	2,322	2,718	2,585	3,195	3,166	3,512				
YoY	-64.2%	-63.4%	-54.9%	-38.4%	14.8%	68.6%	45.6%	104.1%	36.3%	29.2%				
GPM	21.3%	15.3%	19.5%	16.9%	24.3%	25.4%	22.8%	24.3%	22.4%	23.2%				
SG&A	2,494	3,295	2,269	2,527	2,380	2,501	2,496	2,645	2,575	2,903				
YoY	-23.6%	2.3%	-23.2%	-14.7%	-4.5%	-24.1%	10.0%	4.7%	8.2%	16.1%				
SG&A / Sales	26.2%	31.2%	24.9%	27.2%	25.0%	23.4%	22.0%	20.1%	18.2%	19.2%				
OP	-471	-1,683	-493	-961	-58	217	89	550	591	609	119.9%	1,000	60.0%	2,000
YoY	-	-	-	-	-	-	-	-	-	180.1%	528.7%		150.6%	
OPM	-5.0%	-16.0%	-5.4%	-10.4%	-0.6%	2.0%	0.8%	4.2%	4.2%	4.0%	3.9%		3.6%	
RP	-554	-2,157	-448	-306	480	50	-83	815	190	644	166.8%	500	55.6%	1,500
YoY	-	-	-	-	-	-	-	-	-60.4%	1,179.8%		-5.7%		18.8%
RPM	-5.8%	-20.5%	-4.9%	-3.3%	5.0%	0.5%	-0.7%	6.2%	1.3%	4.3%	2.0%		2.7%	
NI	-664	-5,493	-1,513	1,137	418	276	-134	831	-44	399	101.3%	350	44.3%	800
YoY	-	-	-	-	-	-	-	-26.9%	-	44.6%		-49.6%		-42.5%
NPM	-7.0%	-52.1%	-16.6%	12.3%	4.4%	2.6%	-1.2%	6.3%	-0.3%	2.6%	1.4%		1.4%	

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

Equipment-related segment

Ferrotec expanded its sales channels, mainly in China, Taiwan, and North America. The company received orders for production using its core technologies (vacuum and precision manufacturing) from clients in a range of industries—from the electronics to medical equipment—both at home and abroad.

A steady stream of orders continued for quartz, ceramic products, and other materials used to make semiconductors, due to high utilization rates of smartphone memory and logic manufacturing lines. Vacuum seals, which are used in a range of manufacturing equipment, also performed well, including manufacturing orders, due to ongoing capex demand from semiconductor and flat panel display (FPD) manufacturers. Sales of silicon wafer processing were strong, as demand continued for small diameter wafers.

Photovoltaic segment

The company worked to secure orders as it focused primarily an OEM manufacturing of silicon components for PV cells.

Installations of PV panels increased, but panel prices fell due to fierce competition. As a result, although unit shipments for the company's silicon products increased significantly, per-unit prices struggled due to demands from clients to cut costs. Sales of consumables such as quartz crucibles and square vessels were on par with 1H FY03/14. Despite receiving some inquiries, there were no new orders for silicon crystal manufacturing equipment, and sales were generated by maintenance components.

Electronic device segment

Mainstay thermoelectric modules for heated automotive seats sold well, due to robust automotive sales in the US and China, particularly in high-end vehicles with heated seats. Sales to the private sector and optical communications companies were also robust, as the company booked strong sales of testing equipment and biotechnology equipment. Sales of substrates for powered semiconductor devices grew. On the whole, magnetic fluids performed well, due to their use in 4K televisions and smartphones.



MONTHLY WRAP – December 2014

On **November 7, 2014**, the company announced revisions to 1H and full-year earnings forecasts for FY03/15.

The company revised its forecasts because sales and profits appear likely to outperform initial forecasts, in light of favorable conditions in the industries of the company's clients: the electronics industry and the North American automotive industry. The company also expects recurring profit to increase by more than operating profit, due to smaller losses on foreign exchange.

The company revised its full-year earnings forecasts in light of revisions to earnings forecasts for 1H.

Source: Company data

View the [full report](#).



Fields Corp. (2767)

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

On **November 19, 2014**, Shared Research updated the report after interviewing management.

Quarterly Performance (JPYmn)	FY03/14				FY03/15				FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	5,748	30,637	17,819	60,700	7,459	12,882			20.3%	100,000
YoY	-72.8%	284.3%	-4.3%	0.5%	29.8%	-58.0%				-13.0%
GP	2,027	11,621	5,709	14,455	2,790	4,130				
YoY	-63.6%	256.7%	-8.5%	-20.6%	37.6%	-64.5%				
GPM	35.3%	37.9%	32.0%	23.8%	37.4%	32.1%				
SG&A	5,856	5,615	5,849	6,700	5,300	5,698				
YoY	10.9%	3.9%	5.7%	-0.7%	-9.5%	1.5%				
SG&A / Sales	101.9%	18.3%	32.8%	11.0%	71.1%	44.2%				
OP	-3,829	6,005	-140	7,755	-2,509	-1,568			-	5,000
YoY	-	-	-	-32.4%	-	-				-48.9%
OPM	-	19.6%	-	12.8%	-	-				5.0%
RP	-3,759	5,903	-78	7,699	-2,254	-1,818			-	5,000
YoY	-	-	-	-31.5%	-	-				-48.8%
RPM	-	19.3%	-	12.7%	-	-				5.0%
NI	-2,290	3,724	-207	4,143	-1,502	-1,007			-	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 sold fewer pachinko and pachislot machines year-on-year: in 1H FY03/15, it booked sales of 73,910 pachinko machines (-36,366 YoY) and 28,209 pachislot machines (-33,420). This was due in part to the company offering fewer titles compared to the previous year. Only one pachinko machine title was sold during 1H FY03/15, compared to the previous year, when the company introduced three titles (including the introduction of *Evangelion 8*, manufactured by Bisty Co.). Similarly, the company sold one pachislot title (*Pachislot Sengoku BASARA 3*, manufactured by Enterrise Co.) in 1H—compared to the two types sold the previous year—because sales of the *Salaryman Kintaro: Shusse Kaido-hen* machine type were rescheduled from 1H to 2H FY03/15.

View the [full report](#).



FreeBit Co., Ltd. (3843)

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

On **November 4, 2014**, Freebit Co., Ltd. announced the expected recording of an extraordinary profit.

Second series third party allocation of warrants with the option to revise exercise price for subsidiary Full Speed Inc. were exercised, with September 4, 2014 as the allocation date. As a result, the company is planning for an approximately JPY80mn gain from changes to holdings in subsidiaries, and will book this as an extraordinary profit for FY04/15. Specific effects on overall FY04/15 results are currently under assessment, and should this have any material impact on the company's results, Freebit will make an announcement as appropriate.

View the [full report](#).



Gamecard-Joyco Holdings, Inc. (6249)

Dominant pachinko machine prepaid-card system provider.

On **November 6, 2014**, Gamecard-Joyco Holdings, Inc. announced earnings results for 1H FY03/15.

Quarterly Performance (JPYmn)	FY03/14				FY03/15				FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	8,684	8,645	9,861	7,002	6,127	6,458	-	-	38.6%	30,000
YoY	-14.0%	-13.6%	-10.6%	-16.7%	-29.4%	-25.3%	-	-		-12.3%
GP	2,813	2,836	2,905	2,426	2,456	2,490	-	-		
YoY	-15.3%	-7.3%	-9.9%	6.4%	-12.7%	-12.2%	-	-		
GPM	32.4%	32.8%	29.5%	34.6%	40.1%	38.6%	-	-		
SG&A	1,834	2,076	2,272	3,034	1,855	2,361	-	-		
YoY	-11.6%	-5.2%	1.8%	11.5%	1.1%	13.7%	-	-		
SG&A / Sales	21.1%	24.0%	23.0%	43.3%	30.3%	36.6%	-	-		
OP	979	760	633	-608	601	129	-	-	169.8%	400
YoY	-21.5%	-12.4%	-36.3%	-	-38.6%	-83.0%	-	-		-77.3%
OPM	11.3%	8.8%	6.4%	-	9.8%	2.0%	-	-		1.3%
RP	1,006	777	662	-596	616	134	-	-	187.5%	400
YoY	-20.0%	-9.5%	-32.9%	-	-38.8%	-82.8%	-	-		-78.4%
RPM	11.6%	9.0%	6.7%	-	10.1%	2.1%	-	-		1.3%
NI	616	444	274	-434	352	70	-	-	248.2%	100
YoY	-13.0%	-26.4%	-55.2%	-	-42.9%	-84.2%	-	-		-88.9%
NPM	7.1%	5.1%	2.8%	-	5.7%	1.1%	-	-		0.3%

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

Source: Company data

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

Due to factors such as concern for revenues after the consumption tax hike, pachinko halls are cautious when making capex decisions such as new store openings and remodeling existing stores. This is especially true for new equipment purchases. Among pachinko hall operators, the dominant trend appears to be to pass on the consumption tax hike burden to the customer. During 1H FY03/15, the majority of demand was for equipment to meet this new trend, and unit sales of equipment were significantly lower year-on-year as a result. Competition was fierce among rival companies, as there were fewer contracts to compete for, which led to lower equipment sale prices year-on-year. The competitive environment among pachinko halls led to a lower number of member halls, and this resulted in lower sales from card and system-usage fees.

View the [full report](#).



GCA Savvian Corp. (2174)

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

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

Quarterly Performance (JPYmn)	FY12/13				FY12/14			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
(Fund non-consolidated)								
Sales	1,485	2,110	3,359	2,618	2,190	1,737	5,680	-
YoY	-30.8%	7.7%	24.4%	-4.8%	47.5%	-17.7%	69.1%	-
OP	-68	251	1,119	435	179	168	2,218	-
YoY	-	4.6%	141.2%	9.8%	-	-33.1%	98.2%	-
OPM	-	11.9%	33.3%	16.6%	8.2%	9.7%	39.0%	-
NI	-24	174	683	289	88	82	1,346	-
YoY	-	79.4%	178.8%	-52.3%	-	-52.9%	97.1%	-
NPM	-	8.2%	20.3%	11.0%	4.0%	4.7%	23.7%	-
(Fund consolidated)								
Revenues	10,719	4,739	3,091	3,832	2,190	1,737	5,680	-
YoY	346.4%	118.5%	-5.2%	28.5%	-79.6%	-63.3%	83.8%	-
Gross Profit	3,026	820	1,336	1,056	639	541	2,736	-
YoY	162.7%	-7.6%	-11.6%	-38.8%	-78.9%	-34.0%	104.8%	-
SG&A	443	475	499	633	460	372	518	-
YoY	6.2%	5.3%	-8.9%	-43.2%	3.8%	-21.7%	3.8%	-
OP	2,583	345	836	423	179	168	2,218	-
YoY	251.9%	-20.9%	-13.3%	-30.9%	-93.1%	-51.3%	165.3%	-
RP	2,616	372	838	480	156	166	2,225	-
YoY	231.1%	-11.2%	-12.3%	-23.8%	-94.0%	-55.4%	165.5%	-
NI	5	145	686	289	88	82	1,346	-
YoY	-98.3%	46.5%	173.3%	-52.4%	1660.0%	-43.4%	96.2%	-

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

Source: Company data

Consolidated figures for Q3 FY12/13 include investment business limited partnerships (funds). However, these partnerships are no longer included in consolidated results. When compared on the same base (consolidated, without funds), revenues were up 38.1% YoY. Also, on this base the company achieved YoY growth of 96.4% in operating profit, 86.3% in recurring profit, and 81.3% in net income. The US Advisory business and the Asset Management business were significant contributors to revenues and profits.

On **November 10, 2014**, GCA Savvian announced a strategic business alliance with TC Capital, and the establishment of a subsidiary in Singapore.

In order to strengthen its presence in Southeast Asia, the company entered into a strategic business alliance with TC Capital Pte. Ltd. (TCC), an independent investment bank in Singapore. GCA Savvian and TCC will work together to offer advisory services for cross-border M&A deals between Southeast Asian companies and Japanese companies. The company also established a wholly owned subsidiary in Singapore.

TC Capital (Singapore) is an independent investment bank based in Singapore, founded in 2002. TCC offers advisory services relating to M&A deals and private capital markets in Asia, including Southeast Asia and India. TCC provided advisory services for Sumitomo Life Insurance’s investment in Bao Viet Holdings (Vietnam), Kayaba Industry’s acquisition of Conmat Systems (India), the capital and business alliance between Mizuho Corporate Bank and Viet Comm Bank (one of Vietnam’s largest state-owned commercial banks), and the sale to the DOWA Group of Modern Asia Environmental Holdings (Singapore) by HSBC Private Equity.



Overview of the alliance

GCA Savvian and TCC will work together as strategic partners. The combination of the two companies' specialist M&A knowledge and expertise, local industry conditions, and the companies' long-term, close relationships with clients will provide new opportunities for cross-border M&A deals between Japanese and Southeast Asian clients.

The establishment of a local subsidiary

GCA Savvian will establish a wholly owned subsidiary in Singapore, in order to proceed with this alliance. The exchange of information between this subsidiary and TCC will aid the discovery and successful execution of promising deals. GCA Savvian already has a presence in India and China; the addition of Singapore will provide a further boost to the company's client support in Asia.

The subsidiary

Name:	GCA Savvian Singapore Pte. Ltd. (tentative)
Location:	Singapore
Founding:	December 2014 (tentative)
Capital and paid-in capital:	SGD120,000 (approximately JPY10mn) (tentative)
Relationship with GCA Savvian:	Wholly (100%) owned subsidiary
Business:	M&A advisory services, consulting
Financial year end:	December 31

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Grandy House Corp. (8999)

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

On **November 4, 2014**, Grandy House Corp. announced earnings results for 1H FY03/15.

Quarterly Performance (JPYmn)	FY03/14				FY03/15				FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	9,097	9,327	9,265	9,571	8,041	9,891	-	-	47.2%	38,000
YoY	11.7%	15.4%	15.2%	15.7%	-11.6%	6.0%	-	-	-	16.8%
Gross Profit	1,733	1,781	1,799	1,739	1,429	1,713	-	-	-	-
YoY	11.5%	19.9%	19.4%	15.2%	-17.6%	-3.8%	-	-	-	-
Gross Profit Margin	19.1%	19.1%	19.4%	18.2%	17.8%	17.3%	-	-	-	-
SG&A	973	1,088	1,023	1,036	1,002	1,134	-	-	-	-
YoY	9.4%	11.0%	9.6%	10.6%	3.0%	4.2%	-	-	-	-
SG&A / Sales ratio	10.7%	11.7%	11.0%	10.8%	12.5%	11.5%	-	-	-	-
Operating Profit	759	694	776	703	426	579	-	-	45.7%	2,200
YoY	14.4%	37.1%	35.3%	22.7%	-43.8%	-16.5%	-	-	-	-5.1%
Operating Profit Margin	8.3%	7.4%	8.4%	7.3%	5.3%	5.9%	-	-	-	5.8%
Recurring Profit	789	721	797	727	459	595	-	-	45.1%	2,340
YoY	19.3%	34.9%	32.8%	22.0%	-41.8%	-17.5%	-	-	-	-2.2%
Recurring Profit Margin	8.7%	7.7%	8.6%	7.6%	5.7%	6.0%	-	-	-	6.2%
Net Income	477	447	475	364	272	369	-	-	43.9%	1,460
YoY	24.3%	54.9%	32.2%	10.5%	-43.1%	-17.4%	-	-	-	7.2%
Net Margin	5.2%	4.8%	5.1%	3.8%	3.4%	3.7%	-	-	-	3.8%

Source: Company data

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

Difficult conditions for orders continued. The prolonged impact of the consumption tax hike meant that new housing starts fell year-on-year for seven months in a row until September. This was despite policies easing the financial burden for home buyers, such as expanded tax cuts for mortgages in the face of the consumption tax hike and other financial support.

The company focused on expanding its sales area and taking a greater share of the market. In September, the company sold its 10,000th new home since 1996. Sales of pre-cut parts and renovation contracts were also robust. But despite selling more units in Chiba—a key area for the company—overall new home sales and profits fell year-on-year, as they failed to make up for the slump in Q1. This was due to difficult conditions caused by the consumption tax hike.

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MONTHLY WRAP – December 2014



Gulliver International Co., Ltd. (7599)

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

On **November 12, 2014**, Gulliver International Co., Ltd. announced monthly sales data for October 2014.

Total car sales at directly managed stores (units)

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Total
FY02/11	19,904	15,358	11,992	11,222	11,841	9,602	12,874	12,044	10,829	7,675	11,367	15,100	149,808
YoY	27.5%	31.4%	5.0%	6.0%	-5.8%	-12.4%	9.8%	-19.1%	-14.6%	-11.8%	-7.1%	-3.1%	0.8%
FY02/12	19,156	13,401	10,709	12,284	12,482	9,822	12,344	12,426	10,497	8,987	10,059	14,122	146,289
YoY	-3.8%	-12.7%	-10.7%	9.5%	5.4%	2.3%	-4.1%	3.2%	-3.1%	17.1%	-11.5%	-6.5%	-2.3%
FY02/13	20,685	15,420	10,900	11,670	11,594	11,443	12,220	13,794	13,661	8,285	11,925	17,156	158,753
YoY	8.0%	15.1%	1.8%	-5.0%	-7.1%	16.5%	-1.0%	11.0%	30.1%	-7.8%	18.6%	21.5%	8.5%
FY02/14	23,223	15,921	12,456	12,884	13,123	12,198	13,416	17,181	15,462	10,716	13,258	18,931	178,769
YoY	12.3%	3.2%	14.3%	10.4%	13.2%	6.6%	9.8%	24.6%	13.2%	29.3%	11.2%	10.3%	12.6%
FY02/15	21,580	11,640	9,725	10,374	12,232	13,044	14,136	18,552	-	-	-	-	111,283
YoY	-7.1%	-26.9%	-21.9%	-19.5%	-6.8%	6.9%	5.4%	8.0%	-	-	-	-	-7.6%

Retail sales at directly managed stores (units)

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Total
FY02/11	4,476	2,879	2,840	2,807	3,089	2,751	2,909	3,269	2,837	2,360	1,995	3,468	35,680
YoY	6.7%	2.3%	-14.2%	-11.0%	-23.1%	-10.7%	-6.9%	-24.4%	-9.6%	-15.7%	-17.0%	-15.1%	-11.8%
FY02/12	3,618	3,191	2,160	2,315	2,858	2,150	2,406	3,142	2,560	2,493	2,307	3,891	33,091
YoY	-19.2%	10.8%	-23.9%	-17.5%	-7.5%	-21.8%	-17.3%	-3.9%	-9.8%	5.6%	15.6%	12.2%	-7.3%
FY02/13	5,758	3,642	3,080	3,761	4,123	3,270	3,789	4,422	3,583	2,771	2,717	4,353	45,269
YoY	59.1%	14.1%	42.6%	62.5%	44.3%	52.1%	57.5%	40.7%	40.0%	11.2%	17.8%	11.9%	36.8%
FY02/14	6,593	4,327	3,441	3,804	4,109	3,027	3,937	4,962	4,660	3,661	2,785	5,080	50,386
YoY	14.5%	18.8%	11.7%	1.1%	-0.3%	-7.4%	3.9%	12.2%	30.1%	32.1%	2.5%	16.7%	11.3%
FY02/15	7,006	3,028	2,806	3,695	4,087	4,448	4,249	5,030	-	-	-	-	34,349
YoY	6.3%	-30.0%	-18.5%	-2.9%	-0.5%	46.9%	7.9%	1.4%	-	-	-	-	0.4%

Wholesale sales at directly managed stores (units)

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Total
FY02/11	15,428	12,479	9,152	8,415	8,752	6,851	9,965	8,775	7,992	5,315	9,372	11,632	114,128
YoY	35.2%	40.7%	12.9%	13.2%	2.3%	-13.0%	15.8%	-17.0%	-16.2%	-9.9%	-4.6%	1.2%	5.5%
FY02/12	15,538	10,210	8,549	9,969	9,624	7,672	9,938	9,284	7,937	6,494	7,752	10,231	113,198
YoY	0.7%	-18.2%	-6.6%	18.5%	10.0%	12.0%	-0.3%	5.8%	-0.7%	22.2%	-17.3%	-12.0%	-0.8%
FY02/13	14,927	11,778	7,820	7,909	7,471	8,173	8,431	9,372	10,078	5,514	9,208	12,803	113,484
YoY	-3.9%	15.4%	-8.5%	-20.7%	-22.4%	6.5%	-15.2%	0.9%	27.0%	-15.1%	18.8%	25.1%	0.3%
FY02/14	16,630	11,594	9,015	9,080	9,014	9,171	9,479	12,219	10,802	7,055	10,473	13,851	128,383
YoY	11.4%	-1.6%	15.3%	14.8%	20.7%	12.2%	12.4%	30.4%	7.2%	27.9%	13.7%	8.2%	13.1%
FY02/15	14,574	8,612	6,919	6,679	8,145	8,596	9,887	13,522	-	-	-	-	76,934
YoY	-12.4%	-25.7%	-23.3%	-26.4%	-9.6%	-6.3%	4.3%	10.7%	-	-	-	-	-10.8%

Store count

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Term-end
FY02/11	420	419	418	419	419	423	423	422	419	420	421	421	421
Directly managed	290	288	288	288	287	288	288	288	286	286	286	286	286
Franchisee	130	131	130	131	132	135	135	134	133	134	135	135	135
FY02/12	421	417	416	418	415	415	417	418	419	419	417	415	415
Directly managed	286	284	284	286	287	287	289	288	291	291	289	288	288
Franchisee	135	133	132	132	128	128	128	130	128	128	128	127	127
YoY (directly managed)	-4	-4	-4	-2	±0	-1	+1	±0	+5	+5	+3	+2	+2
FY02/13	415	415	413	416	414	414	413	411	411	413	412	412	412
Directly managed	288	291	290	293	293	293	292	292	292	294	293	294	294
Franchisee	127	124	123	123	121	121	119	119	119	119	119	118	118
YoY (directly managed)	+2	+7	+6	+7	+6	+6	+3	+4	+1	+3	+4	+6	+6
FY02/14	411	412	404	404	404	407	409	411	412	408	413	417	417
Directly managed	294	296	294	294	295	297	298	302	303	298	302	304	304
Franchisee	117	116	110	110	109	110	111	109	109	110	111	113	113
YoY (directly managed)	+6	+5	+4	+1	+2	+4	+6	+10	+11	+4	+9	+10	+10
FY02/15	421	421	421	422	424	426	432	439	-	-	-	-	-
Directly managed	308	308	312	313	315	316	321	332	-	-	-	-	-
Franchisee	113	113	109	109	109	110	111	107	-	-	-	-	-
YoY (directly managed)	+14	+12	+18	+19	+20	+19	+23	+30	-	-	-	-	-

Source: Company data

Note: Total car sales at directly managed stores = Direct customer retail sales and wholesale sales at auctions, etc.

Note: Retail sales at directly managed stores = as mentioned above, units sold directly to customers

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Hakuto Co., Ltd. (7433)

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

On **November 21, 2014**, Shared Research updated comments on Hakuto Co., Ltd.'s earnings results for 1H FY03/15 after interviewing management.

Quarterly Performance (JPYmn)	FY03/14				FY03/15				FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Sales	30,804	32,347	35,152	34,316	29,911	33,702			-	-
YoY	18.8%	19.7%	26.3%	10.5%	-2.9%	4.2%				
GP	4,664	4,761	4,701	4,969	4,439	5,104				
YoY	12.5%	10.0%	12.3%	11.5%	-4.8%	7.2%				
GPM	15.1%	14.7%	13.4%	14.5%	14.8%	15.1%				
SG&A	3,750	3,911	3,908	3,483	3,699	3,743				
YoY	9.2%	10.8%	10.4%	-0.8%	-1.4%	-4.3%				
SG&A / Sales	12.2%	12.1%	11.1%	10.1%	12.4%	11.1%				
OP	914	850	793	1,486	739	1,362			-	-
YoY	28.7%	6.3%	23.0%	57.0%	-19.1%	60.2%				
OPM	3.0%	2.6%	2.3%	4.3%	2.5%	4.0%				
RP	1,039	845	878	1,456	859	1,375			-	-
YoY	27.3%	3.7%	21.7%	34.5%	-17.3%	62.7%				
RPM	3.4%	2.6%	2.5%	4.2%	2.9%	4.1%				
NI	669	529	388	750	913	898			-	-
YoY	10.6%	37.4%	-45.2%	144.6%	36.5%	69.8%				
NPM	2.2%	1.6%	1.1%	2.2%	3.1%	2.7%				

Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	30,804	63,151	98,303	132,619	29,911	63,613			44.8%	142,000
YoY	18.8%	19.3%	21.7%	18.6%	-2.9%	0.7%				7.1%
GP	4,664	9,425	14,126	19,095	4,439	9,543				
YoY	12.5%	11.2%	11.6%	11.6%	-4.8%	1.3%				
GPM	15.1%	14.9%	14.4%	14.4%	14.8%	15.0%				
SG&A	3,750	7,661	11,569	15,052	3,699	7,442				
YoY	9.2%	10.0%	10.1%	7.4%	-1.4%	-2.9%				
SG&A / Sales	12.2%	12.1%	11.8%	11.3%	12.4%	11.7%				
OP	914	1,764	2,557	4,043	739	2,101			50.0%	4,200
YoY	28.7%	16.8%	18.7%	30.4%	-19.1%	19.1%				3.9%
OPM	3.0%	2.8%	2.6%	3.0%	2.5%	3.3%				3.0%
RP	1,039	1,884	2,762	4,218	859	2,234			52.0%	4,300
YoY	27.4%	15.6%	17.5%	22.9%	-17.2%	18.6%				1.9%
RPM	3.4%	3.0%	2.8%	3.2%	2.9%	3.5%				3.0%
NI	669	1,198	1,586	2,336	913	1,811			64.7%	2,800
YoY	10.6%	21.0%	-6.6%	16.5%	36.5%	51.1%				19.9%

Source: Company data

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

Results were poor in Q1, partly due to the consumption tax hike. But overall results for 1H outperformed the previous year, due to a recovery in sales in Q2. Sales of high-margin electrical and electronic devices increased. Subsidiary Microtek, Inc. also began turning an operating profit after a corporate restructure. As a result, operating profit grew by over 1.8x QoQ in Q2.

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Happinet Corporation (7552)

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

On **November 12, 2014**, Happinet Corp. announced 1H FY03/15 earnings results.

Quarterly Performance (JPYmn)	FY03/14				FY03/15				FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	36,172	51,199	78,090	41,406	40,039	53,398			45.2%	21,500
YoY	-2.0%	30.2%	27.0%	6.0%	10.7%	4.3%				-89.6%
Gross Profit	5,020	5,763	8,023	5,233	5,559	6,457				
YoY	-3.5%	15.5%	10.7%	3.4%	10.7%	12.0%				
GPM	13.9%	11.3%	10.3%	12.6%	13.9%	12.1%				
SG&A	4,416	4,815	5,551	5,368	4,728	4,925				
YoY	-0.5%	1.4%	5.2%	5.9%	7.1%	2.3%				
SG&A / Sales	12.2%	9.4%	7.1%	13.0%	11.8%	9.2%				
Operating Profit	604	947	2,472	-135	831	1,531			60.8%	5,000
YoY	-21.1%	292.9%	25.2%	-	37.6%	61.7%				28.6%
OPM	1.7%	1.8%	3.2%	-	2.1%	2.9%				23.3%
Recurring Profit	614	965	2,483	-145	863	1,550			61.6%	5,000
YoY	-23.6%	260.1%	23.9%	-	40.6%	60.6%				27.6%
RPM	1.7%	1.9%	3.2%	-	2.2%	2.9%				23.3%
Net Income	260	1,115	1,248	-157	928	886			73.6%	3,500
YoY	-49.9%	486.8%	-3.0%	-	256.9%	-20.5%				41.9%
NPM	0.7%	2.2%	1.6%	-	2.3%	1.7%				16.3%

Source: Company data

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

Hit products in the toys and amusement businesses contributed to robust sales and profits.

On **November 7, 2014**, the company announced revisions to its 1H FY03/15 and full-year FY03/15 earnings forecasts.

Revised 1H FY03/15 earnings forecast (previous forecast in parentheses)

Sales:	JPY93.0bn	(JPY90.0bn)
Operating profit:	JPY2.4bn	(JPY1.6bn)
Recurring profit:	JPY2.4bn	(JPY1.6bn)
Net income:	JPY1.8bn	(JPY1.1bn)

Revised full-year FY03/15 earnings forecast (previous forecast in parentheses)

Sales:	JPY215.0bn	(JPY210.0bn)
Operating profit:	JPY5.0bn	(JPY4.0bn)
Recurring profit:	JPY5.0bn	(JPY4.0bn)
Net income:	JPY3.5bn	(JPY2.6bn)

Revision details

Although the company booked one-time fees associated with the merger of subsidiaries in the videogame business, sales in the toys and amusement businesses were robust. Major contributors were products featuring Bandai properties Yokai Watch and Kamen Rider Giam. Sales and profits are now forecast to exceed initial company estimates for 1H FY03/15 and the full year.

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MONTHLY WRAP – December 2014



Harmonic Drive Systems (6324)

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

On **November 12, 2014**, Harmonic Drive Systems Inc. (HSDI) announced 1H earnings results for FY03/15.

Quarterly Performance (JPYmn)	FY03/13				FY03/14				FY03/15		FY03/15		FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2(*)	% of 1H	1H Est.	% of FY	FY Est.
Sales	4,957	4,890	4,158	4,126	4,969	5,443	5,475	5,197	6,155	6,545	101.6%	12,500	23.7%	26,000
YoY	-11.8%	-10.9%	-8.0%	-9.0%	0.2%	11.3%	31.7%	26.0%	23.9%	20.2%		20.1%		23.3%
GP	2,119	2,070	1,665	1,515	2,172	2,430	2,436	2,080	2,797	3,237				
YoY	-12.5%	-12.4%	-3.8%	-15.0%	2.5%	17.4%	46.3%	37.3%	28.8%	33.2%				
GPM	42.7%	42.3%	40.1%	36.7%	43.7%	44.6%	44.5%	40.0%	45.4%	49.5%				
SG&A	976	996	1,037	924	1,079	1,118	1,102	1,151	1,189	1,213				
YoY	-4.3%	0.2%	6.7%	-5.6%	10.6%	12.3%	6.3%	24.6%	10.2%	8.4%				
SG&A / Sales	19.7%	20.4%	24.9%	22.4%	21.7%	20.5%	20.1%	22.1%	19.3%	18.5%				
OP	1,143	1,074	628	591	1,093	1,312	1,334	929	1,608	2,025	108.5%	3,350	21.9%	7,350
YoY	-18.4%	-21.6%	-17.2%	-26.5%	-4.3%	22.1%	112.2%	57.3%	47.1%	54.4%		39.3%		57.5%
OPM	23.1%	22.0%	15.1%	14.3%	22.0%	24.1%	24.4%	17.9%	26.1%	30.9%		26.8%		28.3%
RP	1,183	1,025	698	670	1,196	1,362	1,364	902	1,796	2,091	112.6%	3,450	23.2%	7,730
YoY	-20.8%	-28.3%	-22.1%	15.9%	1.0%	32.8%	95.4%	34.7%	50.2%	53.5%		34.9%		60.3%
RPM	23.9%	21.0%	16.8%	16.2%	24.1%	25.0%	24.9%	17.3%	29.2%	31.9%		27.6%		29.7%
NI	722	481	380	378	759	870	843	522	1,113	1,370	110.4%	2,250	22.7%	4,900
YoY	-4.6%	-34.9%	-23.6%	157.4%	5.2%	80.9%	121.8%	37.9%	46.7%	57.5%		38.1%		63.7%
NPM	14.6%	9.8%	9.1%	9.2%	15.3%	16.0%	15.4%	10.0%	18.1%	20.9%		18.0%		18.8%
YoY	-12.3%	-8.3%	6.1%	-4.0%	-0.8%	23.4%	28.9%	45.0%	31.9%	12.9%				
	3,270	2,659	2,582	2,962	3,387	3,321	3,119	4,400	5,224	4,677				

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.

On **the same day**, the company announced a revision to its full-year FY03/15 earnings results and an increase in its dividend, from JPY6 to JPY7 per share. The company issued a 3-for-1 stock split on October 1, 2014.

View the [full report](#).



Hearts United Group Co., Ltd. (3676)

A debugging business established as a holding company of Digital Hearts.

On **November 28, 2014**, Hearts United Group Co., Ltd. announced that subsidiary Digital Hearts will form a business partnership with adish co. ltd.

Through the business partnership, the company will provide a one-stop solution for customers, consisting of debugging services provided by Digital Hearts and customer support services provided by adish.

Adish has provided customer support for over 600 titles, and by integrating the strengths of both companies, HUG will be able to offer a comprehensive service to cover games from the developmental to post-release stages.

Background

The social game market is rapidly changing, and due to enhanced device capabilities and diversification in the userbase, development occurs on an increasingly large scale, thus accelerating the trend to outsource the debugging process. According to adish, over 20% of customer support inquiries concern bugs in the games. As a result, the importance of debugging during the development process is increasing, and strong customer support is required to maintain high user retention. In social games, in-game events and periodic updates continually occur after the initial release, producing a need for a continuous debugging process.

About adish

Adish was established on October 1, 2014 (capital: JPY30mn) as a subsidiary of GaiaX Co. Ltd. (Nagoya Stock Exchange Centrex: 3775) under an internal startup program encouraging entrepreneurship. It is headed by president Hiroki Edo, and has 70 employees (as of October 1, 2014; includes part-time employees).

Adish provides the following services:

1. Social app support (customer support);
2. School guardian (monitoring of unofficial school bulletin board websites and consulting services to educational personnel);
3. Monitoring (monitoring of posts made to social media websites).

On **November 26, 2014**, Shared Research updated comments on the company's earnings results for 1H FY03/15.



MONTHLY WRAP – December 2014



Quarterly Performance (JPYmn)	FY03/12				FY03/13				FY03/14				FY03/15		FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of FY	FY Est.
Sales	914	1,705	1,553	1,215	1,346	1,633	1,953	1,955	2,118	2,541	2,901	2,577	3,103	3,096	41.3%	15,002
Debugging	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	2,251		
Consumer games	385	976	823	524	563	642	849	619	699	903	1,009	768	775	916		
Digital solutions	264	280	306	285	362	447	549	582	618	763	819	809	833	862		
Amusement	264	449	414	404	362	473	413	503	551	611	732	495	674	464		
Media	-	-	-	-	-	-	55	120	124	135	125	99	120	116		
Others	-	1	10	2	60	72	84	130	126	129	217	407	393	415		
													309	323		
YoY																48.0%
Debugging	14.3%	57.4%	38.1%	26.5%	40.7%	-8.4%	17.5%	40.5%	45.3%	45.8%	41.1%	21.5%	22.2%	-1.1%		
Consumer games	-	-	-	-	46.2%	-34.2%	3.1%	18.1%	24.1%	40.6%	18.8%	24.0%	10.8%	1.5%		
Digital solutions	-	-	-	-	36.8%	59.7%	79.4%	104.6%	70.8%	70.6%	49.1%	39.0%	34.8%	13.0%		
Amusement	-	-	-	-	37.3%	5.4%	-0.2%	24.6%	52.1%	29.1%	77.2%	-1.7%	22.4%	-24.0%		
Media	-	-	-	-	-	-	-	-	-	-	125.7%	-17.5%	-3.9%	-14.2%		
Others	-	-	-	-	-	11479.8%	775.3%	5,682.1%	109.0%	80.7%	159.5%	213.2%	145.4%	149.5%		
Gross profit	309	676	566	372	431	565	692	661	733	910	1,066	775	954	938		
GPM	33.8%	39.6%	36.5%	30.6%	32.1%	34.6%	35.4%	33.8%	34.6%	35.8%	36.8%	30.1%	30.7%	30.3%		
SG&A	246	274	274	295	305	339	341	370	403	381	464	457	632	537		
YoY	-6.4%	7.2%	12.6%	23.8%	24.3%	23.5%	24.2%	25.3%	31.9%	12.5%	36.1%	23.3%	57.1%	40.8%		
SG&A/Sales	26.9%	16.1%	17.7%	24.3%	22.7%	20.7%	17.4%	18.9%	19.0%	15.0%	16.0%	17.7%	20.4%	17.3%		
Operating profit	63	402	292	77	126	226	351	291	330	529	603	319	321	402	32.5%	2,223
Debugging	-	-	-	262	324	430	523	465	546	713	874	499	545	572		
Media	-	-	-	-	-	-	18	9	10	20	9	-4	1	-1		
Others	-	-	-	-33	-37	-28	-21	-13	-30	-15	-9	8	9	16		
Eliminations	-	-	-	-152	-161	-175	-169	-171	-196	-186	-275	-184	-111	-101		
YoY	93.6%	120.7%	50.3%	-35.5%	99.2%	-43.7%	20.3%	278.0%	161.5%	133.9%	71.6%	9.8%	-2.6%	-24.1%		24.9%
Debugging	-	-	-	-	-	-	-	-	68.3%	65.9%	66.9%	7.4%	19.3%	-8.6%		
Media	-	-	-	-	-	-	-	-	-	-	-49.1%	-	-92.0%	-		
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
OPM	6.9%	23.6%	18.8%	6.3%	9.4%	13.8%	18.0%	14.9%	15.6%	20.8%	20.8%	12.4%	10.4%	13.0%		14.8%
Debugging	-	-	-	21.6%	25.2%	27.5%	28.9%	27.3%	29.2%	31.3%	34.1%	24.1%	23.9%	25.4%		
Media	-	-	-	-	-	-	33.2%	7.8%	7.7%	15.0%	7.5%	-3.9%	0.6%	-0.6%		
Others	-	-	-	-1,463.6%	-60.8%	-39.7%	-25.5%	-9.9%	-23.7%	-11.6%	-4.0%	1.9%	2.8%	4.9%		
Recurring profit	64	399	270	74	132	224	349	290	328	531	601	328	318	401	32.7%	2,201
YoY	94.0%	120.6%	38.6%	-14.4%	105.7%	-43.7%	29.6%	291.2%	147.9%	136.7%	72.1%	13.0%	-3.0%	-24.5%		23.1%
Net income	35	209	140	57	76	121	196	187	178	324	353	232	135	206	28.2%	1,210
YoY	221.7%	100.3%	25.7%	8.7%	113.1%	-42.1%	40.2%	230.7%	136.0%	167.8%	80.3%	24.1%	-24.1%	-36.4%		11.3%

Source: Company data

The company changed the distribution of costs between segments in FY03/15.

Based on the former method for distributing costs, operating profit fell JPY155mm in the Debugging segment in Q1 FY03/15 and JPY116mm in Q2 FY03/15.

Year-on-year figures for Q1 and Q2 FY03/15 are calculated utilizing retroactively adjusted operating profit of the segment.

Slow progress toward full-year targets, but the company expects to catch up in Q3

HUG achieved 41.3% and 32.5% of its 1H sales and operating profit targets respectively—lower than in past years. This was because projects in the digital solutions unit (Debugging segment) and Creative segment were delayed until Q3. Performance was also weak in the amusement unit due to market conditions.

But the company has maintained its full-year earnings forecasts. It has begun debugging work on large projects, and expects to book sales in 2H. The company expects this will offset poor results in the amusement unit. The company also expects to book an operating profit over the full year in the Creative segment, as it books sales on delayed projects in 2H.

On **November 4, 2014**, the company announced a partnership with ZMP Inc., and the founding of a joint venture to provide testing services for the automotive industry, including debugging and data collection.

View the [full report](#).



Infomart Corp. (2492)

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

On **November 6, 2014**, Shared Research Inc. updated comments on Infomart Corp.'s Q3 FY12/14 earnings results.

Quarterly Performance (JPYmn)	FY12/12				FY12/13				FY12/14 (*)				FY12/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4 Est.	% of FY	FY Est.
Sales	876	918	966	1,024	1,006	1,060	1,110	1,163	1,157	1,207	1,267	1,581	69.7%	5,212
YoY	12.3%	13.4%	14.2%	15.3%	14.9%	15.5%	14.9%	13.6%	15.1%	13.8%	14.1%	36.0%		20.1%
GP	558	593	631	696	679	718	742	710	886	924	979	1,264	68.8%	4,053
YoY	8.9%	11.5%	8.2%	12.7%	21.6%	21.0%	17.7%	2.1%	30.5%	28.8%	31.8%	78.0%		42.3%
GPM	63.8%	64.6%	65.3%	67.9%	67.5%	67.7%	66.9%	61.1%	76.6%	76.6%	77.3%	79.9%		77.8%
SG&A	401	419	429	414	432	434	442	447	463	507	432	615	69.5%	2,017
YoY	5.2%	7.6%	2.4%	2.1%	7.6%	3.5%	3.1%	7.9%	7.2%	16.8%	-2.2%	37.8%		15.0%
SG&A / Sales	45.8%	45.6%	44.4%	40.4%	42.9%	40.9%	39.8%	38.4%	40.0%	42.0%	34.1%	38.9%		38.7%
OP	157	174	202	282	247	284	300	263	424	418	546	647	68.2%	2,035
YoY	19.9%	22.4%	22.9%	33.5%	57.3%	62.9%	48.5%	-6.5%	71.3%	47.1%	81.9%	145.9%		85.9%
OPM	17.9%	19.0%	20.9%	27.5%	24.6%	26.8%	27.1%	22.6%	36.6%	34.6%	43.1%	41.0%		39.0%
RP	159	169	198	289	253	286	297	270	419	415	556	636	68.6%	2,026
YoY	20.6%	21.2%	21.7%	37.2%	58.8%	69.1%	50.0%	-6.4%	65.7%	44.8%	87.1%	135.3%		83.0%
RPM	18.2%	18.4%	20.5%	28.2%	25.2%	27.0%	26.8%	23.2%	36.2%	34.4%	43.9%	40.2%		38.9%
NI	92	88	47	270	155	167	177	133	244	260	344	366	69.8%	1,214
YoY	26.0%	12.3%	-49.8%	133.6%	69.0%	88.5%	278.2%	-50.8%	56.9%	55.9%	94.9%	176.2%		92.4%
NPM	10.5%	9.6%	4.8%	26.3%	15.4%	15.7%	15.9%	11.4%	21.0%	21.5%	27.2%	23.2%		23.3%

Source: Company data

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

Q4 estimates calculated by subtracting cumulative Q3 results from full-year earnings forecasts.

Growing use of the ASP Ordering System and the ASP Food Standards Database Sales meant system usage fees increased. As a result, sales reached JPY3.6bn, an increase of JPY455mn, or 14.3% from a year earlier. Operating profit was JPY1.4bn, an increase of JPY556mn, or 66.9% due to higher sales and a fall in software amortization costs (CoGS). The level of performance seen in Q2 seems to have continued into Q3.

View the [full report](#).



Intelligent Wave Inc. (4847)

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

On **November 5, 2014**, Intelligent Wave Inc. (IWI) announced earnings results for Q1 FY06/15.

Quarterly performance (JPYmn)	FY06/14				FY06/14				FY06/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.
Sales	1,279	1,776	1,983	1,521	1,426	-	-	-	50.9%	2,800
YoY	40.4%	0.6%	9.4%	10.0%	11.5%	-	-	-	-	-8.3%
GP	28	465	453	397	392	-	-	-	-	-
GPM	2.2%	26.2%	22.8%	26.1%	27.5%	-	-	-	-	-
SG&A	298	297	297	304	298	-	-	-	-	-
YoY	-0.5%	4.9%	10.9%	1.1%	-0.2%	-	-	-	-	-
OP	-270	167	156	93	95	-	-	-	126.2%	75
YoY	-	-	83.5%	29.2%	-	-	-	-	-	-
OPM	-21.1%	9.4%	7.9%	6.1%	6.6%	-	-	-	-	2.7%
RP	-268	180	162	110	92	-	-	-	114.8%	80
YoY	-	-	82.8%	-29.4%	-	-	-	-	-	-
NI	-246	174	92	67	61	-	-	-	121.1%	50
YoY	-	-	-1.5%	-83.0%	-	-	-	-	-	-
Cumulative	Q1	1H	Q3	2H	Q1	1H	Q3	2H	% of FY	FY Est.
Sales	1,279	3,055	5,038	6,558	1,426	-	-	-	22.3%	6,400
YoY	40.4%	14.1%	12.2%	11.7%	11.5%	-	-	-	-	-2.4%
GP	28	492	945	1,342	392	-	-	-	-	-
GPM	2.2%	16.1%	18.8%	20.5%	27.5%	-	-	-	-	-
SG&A	298	595	892	1,196	298	-	-	-	-	-
YoY	-0.5%	2.1%	4.9%	3.9%	-0.2%	-	-	-	-	-
OP	-270	-103	53	146	95	-	-	-	24.9%	380
YoY	-	-	-	-	-	-	-	-	-	161.1%
OPM	-	-	1.1%	-	-	-	-	-	-	5.9%
RP	-268	-88	74	184	92	-	-	-	23.0%	400
YoY	-	-	-	-	-	-	-	-	-	117.5%
NI	-246	-72	20	87	61	-	-	-	24.2%	250
YoY	-	-	-	-	-	-	-	-	-	188.2%

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

In the credit card industry (IWI's main business area), electronic money became more common and the range of payment methods increased. There were also efforts to attract tourists from overseas. Amid such conditions, negotiations for new capex projects increased. The company seized upon this opportunity to conduct sales activities, resulting in an increase in sales.

In Q1 FY06/14, IWI booked an operating loss, owing to multiple unprofitable development projects. But there were no such unprofitable projects this year, Q1 FY06/15. Furthermore, the company booked sales of in-house packaged software and hardware, which were expected to be booked in Q2. The result: a significant improvement in operating profit.

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 **November 26, 2014**, J Trust Co., Ltd. announced the settlement of a lawsuit against a subsidiary.

Ginjiro Suzuki, bankruptcy trustee for SF Corporation Co., Ltd., filed a lawsuit against J Trust subsidiary Credia Co., Ltd., on September 3, 2012. Dissatisfied with the ruling of the first instance, Credia appealed to Tokyo High Court on December 27, 2013. A settlement was reached on November 26, 2014.

Details of the settlement

- § Credia shall pay the plaintiff of the first instance JPY2.9bn by May 31, 2015. Credia also accepts that the amount of JPY142mn already received by the plaintiff belongs to the plaintiff.
- § Credia and the plaintiff of the first instance both renounce the right to file additional claims against the other regarding this lawsuit.

In Q3 FY03/14, J Trust booked JPY3.0bn in provisions for losses on litigation, and will not incur additional costs regarding this lawsuit.

On **November 20, 2014**, the company made an announcement regarding the acquisition of shares in PT Bank Mutiara Tbk, an Indonesian commercial bank.

On September 12, 2014, the company announced that it had signed a conditional share sale and purchase agreement to acquire shares in Bank Mutiara. On November 20, 2014, the company acquired a 99.0% stake in Bank Mutiara, making it a consolidated subsidiary.

Overview of Bank Mutiara

Headquarters: Jakarta, Indonesia
Capital: IDR10.2tn (about JPY92.0bn)

IDR/JPY0.009

Seller of the shares

Indonesia Deposit Insurance Corporation

Details

Total holdings prior to the acquisition:	zero
Number of shares acquired:	793tn (99.0% of shares outstanding)
Acquisition value:	JPY39.7bn (common shares)
	JPY620mn (advisory fees; approximate amount)
	Total (approximate amount): JPY40.3bn
	(Forex rate: IDR/JPY0.009 [November 19, 2014])

The company plans to finance the acquisition with JPY40.3bn raised from the exercise of series four subscription rights to new shares.

On **November 13, 2014**, the company announced earnings results for 1H FY03/15.



Quarterly performance (JPYmn)	FY03/14				FY03/15				FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY Est.	FY Est.
Operating Revenue	14,545	14,300	15,172	17,909	15,928	16,051			46.2%	69,291
YoY	47.4%	-2.0%	-6.3%	19.2%	9.5%	12.2%				11.9%
Gross Operating Profit	8,441	7,978	8,237	10,930	8,188	9,348				
YoY	3.2%	-9.0%	-18.4%	39.0%	-3.0%	17.2%				
GPM	58.0%	55.8%	54.3%	61.0%	51.4%	58.2%				
SG&A	6,216	7,971	4,389	3,265	8,546	11,623				
YoY	50.2%	50.0%	-26.9%	-56.1%	37.5%	45.8%				
SG&A / Operating Revenue	42.7%	55.7%	28.9%	18.2%	53.7%	72.4%				
OP	2,225	7	3,847	7,666	-358	-2,274			-	2,656
YoY	-44.9%	-99.8%	-5.9%	1703.8%	-	-				-80.7%
OPM	15.3%	0.0%	25.4%	42.8%	-	-				3.8%
RP	2,262	-601	3,947	7,743	-294	-2,165			-	2,738
YoY	-41.6%	-	-29.4%	1133.0%	-	-				-79.5%
RPM	15.6%	-	26.0%	43.2%	-	-				4.0%
NI	2,005	-861	1,441	8,560	-395	-3,359			-	11,239
YoY	-49.8%	-	-73.5%	1928.4%	-	-				0.8%
NPM	13.8%	-	9.5%	47.8%	-	-				16.2%

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

Operating revenue increased 10.9% YoY to JPY32.0bn. Installment commissions fell due to a decline in the balance of installment advances paid, mainly for cash advances. Collections of accounts receivable were slack, leading to a fall in other financial revenue. The consumption tax hike also resulted in lower sales in the Amusement segment. But in South Korea, operating revenue from the banking business grew because Chinae Savings Bank took over the loans businesses of subsidiaries. In Q1, loan interest at KJI Consumer Finance LLC and HICAPITAL Co., Ltd. also contributed to revenues (in FY03/14, these units were only consolidated on the balance sheet, and did not contribute to group revenues). Revenues were also up in the Real Estate segment because the rush to beat the consumption tax hike meant contracts on some properties were concluded in the previous year but completed and delivered in the current year.

On **November 6, 2014**, the company announced that it had obtained the right to first refusal on the sale of shares in Aju Capital Co., Ltd. (South Korea).

Aju Corporation, Aju Motors, and Mr. Kyu-Young Moon have granted the company the right to first refusal on their sale of shares in Aju Capital (42,652,460 shares; 74.1% of shares outstanding). The company will negotiate the terms of the deal with the sellers.

Overview of Aju Capital Co., Ltd. (KOSE: A033660)

- § Business: auto finance installment payment services and leases, other financial services;
- § Capital: KRW287.7bn (JPY28.7bn as of the end of FY12/13);
- § Established: February 21, 1994.

NRW/JF10.1

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Japan Best Rescue System Co Ltd (2453)

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

On **November 28, 2014**, Japan Best Rescue System Co., Ltd. (JBR) announced the inclusion of a motion concerning the appointment of a new auditor at its shareholders' meeting on December 25, 2014.

New auditor (tentative)



MONTHLY WRAP – December 2014

Name: Tokai & Co.

Location:Nagoya, Naka-ku, Kanayama, 1-12-14

Outgoing auditor

Name: Deloitte Touche Tohmatsu LLC.

Location:Tokyo, Minato-ku, Konan, 2-15-3

Scheduled handover date

December 25, 2014



MONTHLY WRAP – December 2014

On **November 14, 2014**, the company announced earnings results for full-year FY09/14.

Quarterly Performance (JPYmm)	FY09/12				FY09/13				FY09/14				FY09/14		FY09/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H 1H Est.	% of FY Est.	% of FY Est.	% of 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	2,682	104.2%	11,157	63.7%	14,031
Call Center	174	156	157	170	160	147	153	163	166	160	156	168			73.8%	653
Membership Business	468	694	569	543	605	981	811	685	749	1,232	1,058	904			95.2%	3,192
Corporate Tie-Ups Business	829	852	678	734	825	765	683	742	855	851	704	756			70.9%	3,399
Member Shop Business	43	42	41	41	46	45	40	42	36	37	37	35			64.0%	172
Small Amount Short Term Insurance	204	283	367	322	352	476	457	424	442	574	536	499			78.6%	1,976
Environmental Maintenance	-	-	-	-	-	-	505	1,036	249	417	532	264			27.5%	4,364
Car Chintai Business and others	98	39	35	33	30	34	143	155	148	152	184	142			64.4%	750
Others	1	1	-	111	108	101	108	107	104	99	98	100			74.6%	403
Eliminations / Company-wide	-66	-65	-57	-58	-65	-72	-186	-199	-203	-198	-235	-186			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%	-15.0%	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%	3.3%			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%	31.9%			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%	1.8%			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%	-15.7%			-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%	17.8%			15.6%	
Environmental Maintenance	-	-	-	-	-	-	-	-	-	5.4%	-74.6%	-			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%	-8.3%			107.3%	
Others	-29.9%	-27.3%	-100.0%	15,837.9%	15,552.6%	14,778.9%	-	-3.7%	-3.2%	-1.9%	-9.3%	-6.4%			-4.6%	
GP	770	906	820	875	921	1,132	907	708	739	1,072	1,254	922				
GPM	44.0%	45.2%	45.9%	46.1%	44.7%	45.7%	33.4%	22.4%	29.0%	32.2%	40.8%	34.4%				
SG&A	633	644	701	786	774	829	897	978	940	946	893	879				
YoY	-13.6%	-12.5%	7.5%	21.6%	22.3%	28.8%	28.0%	24.5%	21.4%	14.1%	-0.5%	-10.1%				
OP	137	262	119	89	147	303	9	-270	-201	125	362	43	98.9%	333	29.2%	978
Call Center	58	41	21	43	41	30	28	27	35	38	34	48			87.4%	123
Membership Business	97	254	149	120	130	326	192	159	115	296	216	174			70.3%	891
Corporate Tie-Ups Business	51	63	25	41	67	61	44	19	63	97	70	88			127.9%	180
Member Shop Business	-78	-78	-62	-77	-67	-72	-66	-79	-85	-86	-67	-86			66.5%	-356
Small Amount Short Term Insurance	60	43	49	22	35	53	32	12	34	42	39	16			93.1%	124
Environmental Maintenance	-	-	-	-	-	-	-186	-431	-341	-200	102	-107			-675.3%	65
Car Chintai Business and others	12	2	-0	-2	1	-15	46	46	34	16	30	19			40.1%	201
Others	-0	-0	-1	1	-1	-12	-1	11	7	16	11	11			425.2%	8
Eliminations / Company-wide	-63	-64	-63	-57	-60	-68	-80	-35	-65	-93	-74	-119			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%	79.5%			-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%	9.5%			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%	356.4%			-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%	28.3%			-6.5%	
Environmental Maintenance	-	-	-	-	-	-	-	-	-	-	-	-			-110.5%	
Car Chintai Business and others	320.8%	-11.4%	-	-	-92.4%	-	-	-	3,777.3%	-	-34.9%	-58.7%			157.8%	
Others	-	-	-	-	-	-	1,524.6%	-	-	-	-	-4.2%			-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%	1.6%	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%	28.6%			18.8%	
Membership Business	20.7%	36.5%	26.2%	22.1%	21.5%	33.2%	23.7%	23.2%	15.3%	24.0%	20.4%	19.2%			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%	11.6%			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%	-243.4%			-207.0%	
Small Amount Short Term Insurance	29.6%	15.2%	13.4%	6.7%	9.9%	11.2%	7.0%	2.9%	7.8%	7.3%	7.3%	3.1%			6.3%	
Environmental Maintenance	-	-	-	-	-	-	-36.8%	-41.6%	-136.7%	-47.9%	19.1%	-40.8%			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%	13.4%			26.8%	
Others	-9.6%	-21.2%	-	0.6%	-0.6%	-11.8%	-0.6%	10.6%	7.1%	15.9%	11.2%	10.9%			2.0%	
RP	59	324	97	64	127	288	29	-303	-223	10	344	148	136.0%	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%	5.5%			1.8%	
NI	1	190	54	15	130	173	-70	-719	-233	-10	195	78	-	-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.

Sales by Segment (JPYmm)	FY09/12				FY09/13				FY09/14			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Call Center	174	156	157	170	160	147	153	163	166	160	156	168
Lock Replacement	112	108	104	105	108	102	100	98	106	104	98	98
Computer Related	23	22	19	23	23	20	19	22	22	20	18	16
Others	39	26	34	41	29	25	33	43	38	36	41	55
Membership Business	468	694	569	543	605	981	811	685	749	1,232	1,058	904
No Worries Residence Support	258	489	363	341	397	763	576	435	502	873	674	550
Life Depot	141	134	126	122	121	124	127	140	127	139	129	130
Student Dial 110	30	32	40	41	40	43	54	55	55	58	66	66
Others	39	39	40	40	47	51	55	56	65	162	189	158
Corporate Tie-Ups Business	829	852	678	734	825	765	683	742	855	851	704	756
Aquabalance	453	483	333	408	468	420	355	413	477	481	402	452
Asahi Glass Ambulance	190	197	188	166	189	166	151	143	180	173	133	135
Secom Win	19	20	24	15	20	20	18	22	25	19	15	13
Consigned Call Center Operations	166	152	133	146	147	160	159	165	173	179	153	155
Member Shop Business	1,425	1,426	1,425	1,470	1,547	1,522	1,524	1,566	1,602	1,643	1,715	1,801
Francise Stores	441	422	426	440	444	443	464	471	461	481	493	497
Partner Stores	984	1,004	999	1,030	1,103	1,079	1,060	1,095	1,141	1,162	1,222	1,304
Consigned Call Center Operations	175	176	177	185	191	195	200	209	217	218	222	228

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

Sales and operating profit both increased year-on-year. But net income was just JPY31mn, due to expenses related to retroactive corrections to results in previous years (caused by inappropriate accounting for sales at a subsidiary) and corporate income taxes.

On **November 11, 2014**, the company announced that it had received a report on the findings of an investigation by an independent committee.

**Independent committee report details**Investment by individual representative director to Company A and applicability to subsidiaries and affiliates

Although there was evidence that a representative director of the company loaned money to a representative director of Company A on an individual basis, there was no evidence that a representative director of the company loaned money to Company A. There was also no evidence found to relate these transactions to a subsidiary or affiliate.

Scope of interested parties

Concerning one company for which the committee could not conclusively deny involvement, even in the case that it was involved, there was no transaction between JBR and the company in question. As a result, there was no transaction which warranted disclosure, and no need for the transactions to be included in the notes of securities reports during previous years.

There were no other organizations that could be classified as having involvement, and as such, there was no need for these parties to be included in the notes of securities reports during previous years.

Flow of funds loaned by representative director

There was no evidence to confirm the improper use or misappropriation of company funds by the company's representative director.

Participation of representative directors in accounting irregularities at Binos Corporation

There was no evidence to suggest that the company's representative director was aware of or participated in the irregular reporting of sales at Binos Corporation.

View the [full report](#).



MONTHLY WRAP – December 2014

JIN Co., Ltd. (3046)

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

On **November 5, 2014**, JIN Co., Ltd. released monthly sales data for October 2014.

Comparable Stores Sales Growth (YoY)												
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
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%
FY08/15	-23.3%	-21.5%										

Source: Company data, SR Inc. Research

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

Quarterly Earnings (JPYmn)	FY08/12				FY08/13				FY08/14				FY08/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	4,209	5,277	5,614	7,513	7,800	9,861	9,182	9,711	8,169	9,463	9,623	8,895	98.8%	36,600
YoY	41.2%	40.0%	49.6%	84.5%	85.3%	86.9%	63.6%	29.3%	4.7%	-4.0%	4.8%	-8.4%		0.1%
GP	3,222	3,915	4,336	5,543	5,909	7,479	6,943	7,113	5,918	6,770	7,115	6,391		
YoY	47.4%	45.0%	52.9%	86.9%	83.4%	91.0%	60.1%	28.3%	0.1%	-9.5%	2.5%	-10.2%		
GPM	76.5%	74.2%	77.2%	73.8%	75.8%	75.8%	75.6%	73.3%	72.4%	71.5%	73.9%	71.9%		
SG&A	3,040	3,062	3,779	4,500	4,532	4,892	5,868	5,930	5,669	6,047	5,909	5,597		
YoY	27.2%	43.6%	50.4%	75.1%	49.1%	59.8%	55.3%	31.8%	25.1%	23.6%	0.7%	-5.6%		
SG&A / Sales	72.2%	58.0%	67.3%	59.9%	58.1%	49.6%	63.9%	61.1%	69.4%	63.9%	61.4%	62.9%		
OP	182	853	556	1,043	1,378	2,587	1,076	1,183	249	723	1,206	794	118.9%	2,500
YoY	-	50.2%	71.9%	162.9%	658.7%	203.3%	93.3%	13.4%	-81.9%	-72.0%	12.2%	-32.9%		-59.8%
OPM	4.3%	16.2%	9.9%	13.9%	17.7%	26.2%	11.7%	12.2%	3.1%	7.6%	12.5%	8.9%		6.8%
RP	170	819	564	998	1,302	2,405	904	1,258	219	702	1,223	785	117.4%	2,495
YoY	-	45.2%	81.3%	157.6%	664.1%	193.8%	60.1%	26.0%	-83.2%	-70.8%	35.3%	-37.6%		-57.5%
RPM	4.0%	15.5%	10.1%	13.3%	16.7%	24.4%	9.8%	13.0%	2.7%	7.4%	12.7%	8.8%		6.8%
NI	67	352	204	466	766	1,388	502	764	70	316	759	100	101.2%	1,230
YoY	-	15.1%	29.2%	216.8%	1,039.3%	294.2%	146.3%	63.7%	-90.9%	-77.2%	51.3%	-86.9%		-64.0%
NPM	1.6%	6.7%	3.6%	6.2%	9.8%	14.1%	5.5%	7.9%	0.9%	3.3%	7.9%	1.1%		3.4%

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

Source: Company data, SR Inc. Research

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

Versus initial estimates, all profit items exceeded targets. However, when compared to FY08/13, sales were down by 1.1% and operating profit was down by 52.2%.

According to the company, two primary factors contributed to the above. First, a pullback in consumer demand after the consumption tax increase. Second, issues with store operations and product strategy following four years of high-pace growth.

Unit sales for FY08/14 were 5.4mn units, 100,000 units less than sold in FY08/13. Prescription eyewear sales were up by 350,000 units, while nonprescription eyewear sales were down by 450,000. In prescription eyewear, increased sales of non-PC eyewear made up for a decline in PC eyewear, for a total of 4.1mn units. Sales of non-PC eyewear in nonprescription eyewear were up, but unable to fill the void left by lower sales of PC eyewear, to total 1.2mn units sold. The average unit price during FY08/14 was on par with FY08/13, at JPY6,200.

View the [full report](#).

Kenedix, Inc. (4321)

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

On **November 27, 2014**, Shared Research updated the report following interviews with management.

Quarterly Performance (JPYmn)	FY12/13				FY12/14				FY12/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Revenue	4,645	3,444	3,992	10,375	5,141	9,347	5,253	-	79.0%	25,000
YoY	-1.6%	-33.3%	6.6%	41.6%	10.7%	171.4%	31.6%	-	-	11.3%
GP	2,732	2,394	2,580	3,371	3,315	3,729	2,695	-	77.9%	12,500
YoY	19.3%	-22.1%	8.8%	102.3%	21.3%	55.8%	4.5%	-	-	12.8%
GPM	58.8%	69.5%	64.6%	32.5%	64.5%	39.9%	51.3%	-	-	50.0%
SG&A	889	881	961	1,431	1,075	1,203	1,179	-	-	5,100
YoY	1.1%	6.4%	18.8%	36.7%	20.9%	36.5%	22.7%	-	-	22.5%
SG&A / Sales	19.1%	25.6%	24.1%	13.8%	20.9%	12.9%	22.4%	-	-	20.4%
OP	1,843	1,513	1,619	1,939	2,240	2,525	1,516	-	84.9%	7,400
YoY	30.6%	-32.6%	3.6%	213.8%	21.5%	66.9%	-6.4%	-	-	7.0%
OPM	39.7%	43.9%	40.6%	18.7%	43.6%	27.0%	28.9%	-	-	29.6%
RP	1,398	1,235	793	1,452	1,989	1,882	1,391	-	95.7%	5,500
YoY	137.4%	14.1%	56.7%	861.6%	42.3%	52.4%	75.4%	-	-	12.8%
RPM	30.1%	35.9%	19.9%	14.0%	38.7%	20.1%	26.5%	-	-	22.0%
NI	1,148	945	180	-288	3,310	1,594	1,041	-	148.6%	4,000
YoY	-	-	-	-	188.3%	38.9%	10.2%	-	-	101.5%
NPM	24.7%	27.4%	4.5%	-	64.4%	17.1%	19.8%	-	-	16.0%

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

Source: Company data

Since the start of the financial year, Kenedix has been selling properties held under its own account. During Q3 FY12/14, the company continued to do so, using the capital generated from these sales and a public offering in FY12/13 to make new investments for future growth.

On **the same day**, the company also made an announcement regarding its progress toward the targets in its medium-term plan.

Strengthen earnings via AUM growth

The company's target was to achieve AUM of JPY1.4tn in FY12/14. As of October 31, 2014, group AUM stood at JPY1.5tn.

Raise investment returns via joint investments

The company has successfully generated returns from principal investments made in FY12/13. As of October 31, 2014, total cumulative investments for FY12/14 stood at over JPY30.0bn.

Build a structure suitable for strengthening the Asset Management segment and M&A

On October 1, 2013, Kenedix Real Estate Fund Management, Inc. (KFM) began operating. On October 16, 2013, the company acquired Space Design Inc., which mainly manages serviced offices and apartments. In January 2014, the company established Kenedix Property Management, Inc. to manage offices and other buildings. The company intends to grow sales of new real estate services, in a bid to secure stable revenue from the growth of fee-based income, and create opportunities for future growth.

Resuming dividends

Kenedix expects to resume dividend payments in FY12/14, and plans to pay a dividend per share of JPY3.

The company plans to announce its next medium-term plan when it releases full-year earnings results for FY12/14 (expected in February 2015).



MONTHLY WRAP – December 2014

On **November 6, 2014**, the company announced the establishment of a new business in the ASEAN region.

With the objective of expanding its business into the ASEAN region, the company and subsidiary Space Design Inc. plan to establish a management company for extended-stay hotels and residences in the ASEAN region. The two companies will invest a combined JPY300mn in the venture.

Management company details

Name: Aisa Hotel & Residence Pte. Ltd.
Brand name: Aisa Hotel & Residence
Property types: Extended-stay hotels and residences optimized to meet the needs of business travelers and expatriates of Japanese companies
Locations: Indonesia, Vietnam, Malaysia, Thailand, Philippines, and other ASEAN nations

On **the same day**, the company announced a transfer of assets.

Five properties, currently held by subsidiaries of the company, will be transferred to the Kenedix Office Investment Corporation. Details of the transaction were finalized on November 6, 2014.

As a result of this transfer, the company forecasts the booking of JPY2.1bn in extraordinary losses and approximately JPY700mn in gains on the reversal of deferred income taxes during FY12/14. During FY12/15, Kenedix forecasts the transaction to generate JPY688mn in operating profit.

View the [full report](#).



MONTHLY WRAP – December 2014



Kenko.com Inc. (3325)

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

On **November 21, 2014**, Kenko.com announced changes to its shipping services.

For orders placed on or after Saturday, November 22, 2014, Kenko.com will change its shipping policy. Previously the company charged customers JPY470 (tax exclusive) for shipping on select products, regardless of the total amount of the order. However, the company will now provide free shipping for all orders that exceed a total of JPY1,900 (tax exclusive).

On **November 14, 2014**, the company announced earnings results for Q3 FY12/14.

Quarterly Performance (JPYmn)	FY03/13				FY12/13 (9 months)			FY12/14				FY12/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1	Q2	Q3	Q4	% of FY Est.	FY Est.
Sales	4,357	4,400	4,378	4,766	4,653	4,843	4,671	5,360	4,757	5,072	-	-	-
YoY	9.7%	-2.4%	3.8%	6.7%	6.8%	10.1%	6.7%	12.5%	2.2%	4.7%	-	-	-
GP	1,463	1,476	1,449	1,577	1,537	1,619	1,536	1,774	1,595	1,656	-	-	-
GPM	33.6%	33.5%	33.1%	33.1%	33.0%	33.4%	32.9%	33.1%	33.5%	32.7%	-	-	-
SG&A	1,458	1,497	1,510	1,632	1,517	1,595	1,554	1,803	1,722	1,759	-	-	-
YoY	4.9%	-11.7%	4.8%	7.9%	4.1%	6.5%	2.9%	10.5%	13.5%	10.3%	-	-	-
OP	5	-22	-61	-55	19	24	-18	-29	-127	-102	-	-	-
YoY	-	-	-	-	328.4%	-	-	-	-	-	-	-	-
OPM	0.1%	-	-	-	0.4%	0.5%	-	-0.5%	-2.7%	-2.0%	-	-	-
RP	-31	-21	-72	-60	15	28	-17	-28	-124	-100	-	-	-
YoY	-	-	-	-	-	-	-	-	-	-	-	-	-
NI	-47	-20	-79	-310	0	42	-22	-34	-129	-214	-	-	-
YoY	-	-	-	-	-	-	-	-	-	-	-	-	-
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1	Q2	Q3	Q4	% of FY Est.	FY Est.
Sales	4,357	8,758	13,136	17,902	4,653	9,497	14,168	5,360	10,117	15,189	-	69.0%	22,000
YoY	9.7%	3.2%	3.4%	4.3%	6.8%	8.4%	7.9%	12.5%	7.4%	7.2%	-	-	-
GP	1,463	2,938	4,387	5,964	1,537	3,156	4,692	1,774	3,369	5,025	-	-	-
GPM	33.6%	33.6%	33.4%	33.3%	33.0%	33.2%	33.1%	33.1%	33.3%	33.1%	-	-	-
SG&A	1,458	2,955	4,465	6,097	1,517	3,112	4,666	1,803	3,525	5,284	-	-	-
YoY	4.9%	-4.3%	-1.4%	1.0%	4.1%	5.3%	4.5%	10.5%	11.9%	13.2%	-	-	-
OP	5	-17	-78	-133	19	44	26	-29	-156	-258	-	-	10
YoY	-	-	-	-	328.4%	-	-	-	-	-	-	-	-
OPM	0.1%	-	-	-	0.4%	0.5%	0.2%	-0.5%	-1.5%	-1.7%	-	-	-
RP	-31	-52	-125	-184	15	43	26	-28	-153	-253	-	-	-
YoY	-	-	-	-	-	-	-	-	-	-	-	-	-
NI	-47	-67	-146	-456	0	42	20	-34	-163	-377	-	-	-
YoY	-	-	-	-	-	-	-	-	-	-	-	-	-

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

The company focused on such measures as strengthening web-based sales of medications, execution of efficient sales promotion programs, improving profitability through the integration of Kenko.com's operations with Rakuten 24 logistics and system, and generating sales growth. Sales in FY12/14 have faced such difficult circumstances as the impact of the consumption tax hike in April and unseasonal weather. Against this backdrop, robust growth in the Rakuten 24 business has driven year-on-year sales increases. At the profit level, although the company worked to make changes to its shipping policy, improve ROI related to sales promotion programs and logistics, and reduce fixed SG&A expenses, Kenko.com booked losses amid such factors as lower profits accompanying prolonged impact from the rise in consumption tax, and cost increases driven by such developments as higher personnel expenses accompanying revisions to the Pharmaceutical Affairs Law.

View the [full report](#).



KLab Inc. (3656)

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

On **November 13, 2014**, KLab Inc. announced earnings results for Q3 FY12/14.

Quarterly Performance (JPYmn)	FY12/13					FY12/14				FY12/13	
	Q1	Q2	Q3	Q4	Q5	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	3,546	3,573	3,772	4,598	5,504	4,426	5,160	6,355	-	72.7%	21,940
YoY	-	-	-	-	-	-	-	-	-	-	-
GP	990	660	841	1,136	1,207	1,164	1,548	2,279	-	-	-
YoY	-	-	-	-	-	-	-	-	-	-	-
GPM	27.9%	18.5%	22.3%	24.7%	21.9%	26.3%	30.0%	35.9%	-	-	-
SG&A	1,203	1,329	1,039	985	1,503	1,068	948	1,084	-	-	-
YoY	-	-	-	-	-	-	-	-	-	-	-
SG&A / Sales	33.9%	37.2%	27.6%	21.4%	27.3%	24.1%	18.4%	17.1%	-	-	-
OP	-212	-669	-198	152	-296	96	600	1,195	-	86.3%	2,191
YoY	-	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-	3.3%	-	2.2%	11.6%	18.8%	-	-	-
RP	-154	-573	-124	126	-217	106	594	1,300	-	87.0%	2,299
YoY	-	-	-	-	-	-	-	-	-	-	-
RPM	-	-	-	2.7%	-	2.4%	11.5%	20.5%	-	-	-
NI	-160	-438	-173	51	-1,844	51	490	749	-	85.4%	1,511
YoY	-	-	-	-	-	-	-	-	-	-	-
NPM	-	-	-	1.1%	-	1.2%	9.5%	11.8%	-	-	-

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

§Game titles Love Live! School Idol Festival and Celestial Craft Fleet saw robust sales.

§CoGS was JPY4.1bn (+12.8% QoQ) because of a rise in commissions paid and usage fees that accompanied the increase in sales.

§SG&A expenses were up 14.4% QoQ to JPY1.1bn due to the company increasing advertising and testing.

§The company booked JPY96mn in non-operating income from forex gains due to a revaluation of forex rates at the end of Q3.

§The company recorded an extraordinary loss of JPY99mn due to impairment losses from *Kaburin!*, a native app game.

On **November 10, 2014**, the company announced revisions to its Q3 FY12/14 earnings forecasts.

Q3 FY12/14 consolidated earnings forecasts (previous forecasts in parentheses):

Sales: JPY15.9bn (JPY15.6bn)
 Operating profit: JPY1.9bn (JPY1.3bn)
 Recurring profit: JPY2.0bn (JPY1.3bn)
 Net income: JPY1.3bn (JPY1.0bn)

Sales, operating profit, recurring profit and net income all appear likely to outperform previous forecasts because of robust sales of Love Live! School Idol Festival and Celestial Craft Fleet. Net profit increased only slightly compared to the previous forecast because the company booked an extraordinary loss of JPY99mn due to an impairment loss after a reassessment of the profitability of fixed assets in its Game Business.

View the [full report](#).



MONTHLY WRAP – December 2014



Lasertec Corp (6920)

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

On **November 19, 2014**, Shared Research updated the report following interviews with management.

Quarterly Performance (JPYmn)	FY06/13				FY06/14				FY06/15		FY06/15		FY06/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 est.	vs est. 1H est.	vs est. 1H est.	vs est. FY est.	vs est. FY est.
Sales	3,678	2,889	2,381	2,449	971	4,505	1,426	6,705	1,747	3,853	31.2%	5,600	11.6%	15,000
Semiconductor Related Systems	3,231	2,319	1,663	1,874	507	3,597	789	5,584	97	3,233	2.9%	3,330	0.9%	11,340
Others	78	195	320	182	48	374	251	704	1,222	128	90.5%	1,350	65.7%	1,860
Services	370	375	398	393	416	534	387	417	428	492	46.5%	920	23.8%	1,800
YoY	144.0%	-14.8%	-19.0%	-45.6%	-73.6%	56.0%	-40.1%	173.8%	80.0%	-14.5%		2.3%		10.2%
Semiconductor Related Systems	199.7%	-11.7%	5.9%	-46.9%	-84.3%	55.1%	-52.6%	198.0%	-80.8%	-10.1%		-18.9%		8.2%
Others	-65.5%	-57.4%	-67.3%	-71.2%	-38.3%	91.8%	-21.7%	286.4%	2,442.1%	-65.9%		219.7%		35.1%
Services	81.2%	22.2%	2.1%	15.9%	12.4%	42.4%	-2.9%	6.2%	2.9%	-7.8%		-3.1%		2.6%
Orders	2,214	2,015	1,178	3,358	1,393	6,586	2,937	5,274	2,342	7,408	24.0%	9,750	13.8%	17,000
Semiconductor Related Systems	1,681	1,383	585	2,794	790	5,260	2,304	3,532	1,778	4,022	30.7%	5,800	15.2%	11,680
Others	186	230	184	124	196	821	181	1,289	202	2,828	6.7%	3,030	5.7%	3,520
Services	347	402	409	440	406	505	451	453	362	558	39.3%	920	20.1%	1,800
YoY	58.0%	-76.1%	-45.3%	32.8%	-37.1%	226.8%	149.4%	57.1%	68.2%	12.5%		22.2%		5.0%
Semiconductor Related Systems	59.8%	-82.2%	-63.4%	42.5%	-53.0%	280.3%	293.6%	26.4%	125.0%	-23.5%		-4.1%		-1.7%
Others	21.6%	-38.0%	8.0%	-28.5%	5.3%	256.4%	-1.3%	936.3%	3.1%	244.5%		198.0%		41.6%
Services	76.9%	25.0%	5.9%	11.7%	17.1%	25.7%	10.5%	3.1%	-11.0%	10.6%		0.9%		-0.9%
Order Backlog	5,562	4,688	3,485	4,394	4,815	6,896	8,407	6,976	7,571	11,126		11,126		8,976
Semiconductor Related Systems	5,136	4,201	3,123	4,043	4,326	5,989	7,505	5,454	7,135	7,924		7,924		5,794
Others	261	297	160	102	250	697	628	1,212	192	2,892		2,892		2,872
Services	164	191	201	248	239	210	274	310	244	310		310		310
YoY	17.6%	-52.1%	-61.3%	-37.5%	-13.4%	47.1%	141.3%	58.8%	57.2%			-5.0%		-66.9%
Semiconductor Related Systems	65.7%	-48.9%	-62.2%	-39.5%	-15.8%	42.6%	140.3%	34.9%	64.9%			-23.2%		-75.1%
Others	-82.6%	-79.1%	-73.8%	-33.2%	-4.3%	134.9%	291.4%	1,083.0%	-23.4%			205.4%		3.1%
Services	34.6%	40.0%	51.8%	32.9%	45.6%	9.9%	36.3%	25.1%	2.2%			-30.8%		-70.0%
GP	1,889	1,520	1,419	526	269	2,182	722	3,392	953					
YoY	140.1%	-4.4%	-11.3%	-79.5%	-85.8%	43.6%	-49.1%	544.4%	254.4%					
GPM	51.4%	52.6%	59.6%	21.5%	27.7%	48.4%	50.6%	50.6%	54.5%					
SG&A	839	762	806	798	778	827	962	901	866					
YoY	-1.2%	-3.9%	-11.9%	-11.7%	-7.3%	8.5%	19.5%	12.9%	11.4%					
SG&A / Sales	22.8%	26.4%	33.8%	32.6%	80.1%	18.3%	67.5%	13.4%	49.6%					
OP	1,050	758	614	-272	-509	1,355	-240	2,491	87	413	17.4%	500	2.7%	3,200
YoY	-	-4.9%	-10.5%	-	-	78.8%	-	-	-	-69.5%		-40.9%		3.3%
OPM	28.5%	26.2%	25.8%	-11.1%	-52.4%	30.1%	-16.9%	37.2%	5.0%	10.7%		8.9%		21.3%
RP	1,014	938	757	-172	-511	1,434	-284	2,523	132	368	26.4%	500	4.1%	3,200
YoY	-	19.7%	11.4%	-	-	52.9%	-	-	-	-74.3%		-45.8%		1.2%
RPM	27.6%	32.5%	31.8%	-7.0%	-52.7%	31.8%	-19.9%	37.6%	7.6%	9.5%		8.9%		21.3%
NI	646	595	451	-82	-326	935	-248	1,608	82	218	27.5%	300	3.8%	2,150
YoY	-	17.8%	15.1%	-	-	57.2%	-	-	-	-76.7%		-50.8%		9.2%
NPM	17.6%	20.6%	18.9%	-3.3%	-33.6%	20.8%	-17.4%	24.0%	4.7%	5.6%		5.4%		14.3%

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

Source: Company data, SR research

From FY06/14, sales for FPD equipment and laser microscopes are now included under other sales.

Progress toward 1H targets during Q1 was 31% of sales, 24% of orders received, and 17% of operating profit. According to the company, this is not a reason for concern; it is the result of some orders scheduled for Q1 being carried over to Q2, and is within the company's expectations. Although some risks remain regarding the timing of payment from customers and the when such sales are booked, Shared Research understands that it is possible for the company to fulfill its 1H forecasts.

View the [full report](#).

Matsui Securities Co., Ltd. (8628)

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

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

Quarterly performance (JPYmn)	FY03/14				FY03/15			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operating revenues	13,152	9,038	9,173	8,520	7,490	8,819	-	-
YoY	228.9%	137.1%	103.0%	0.6%	-43.1%	-2.4%	-	-
Net operating revenues	12,800	8,799	8,900	8,239	7,238	8,392	-	-
YoY	238.4%	146.1%	106.2%	-0.0%	-43.5%	-4.6%	-	-
Commissions	9,925	6,052	5,977	5,395	4,406	5,349	-	-
YoY	308.8%	164.0%	95.6%	-15.6%	-55.6%	-11.6%	-	-
Net interest income	2,868	2,745	2,919	2,842	2,829	3,040	-	-
YoY	111.8%	114.1%	132.0%	51.5%	-1.4%	10.7%	-	-
SG&A	3,213	2,771	2,825	2,839	2,604	2,718	-	-
YoY	33.5%	22.4%	22.5%	3.5%	-19.0%	-1.9%	-	-
SG&A / Operating revenues	25.1%	31.5%	31.7%	34.5%	36.0%	32.4%	-	-
Operating profit	9,587	6,028	6,075	5,400	4,633	5,675	-	-
YoY	596.7%	359.5%	202.4%	-1.8%	-51.7%	-5.9%	-	-
OPM	74.9%	68.5%	68.3%	65.5%	64.0%	67.6%	-	-
Recurring profit	9,625	6,041	6,106	5,403	4,694	5,682	-	-
YoY	585.1%	358.3%	203.6%	-2.0%	-51.2%	-5.9%	-	-
RPM	75.2%	68.7%	68.6%	65.6%	64.9%	67.7%	-	-
Net income	5,802	3,633	3,682	3,183	2,928	3,541	-	-
YoY	495.7%	345.2%	201.8%	-6.8%	-49.5%	-2.5%	-	-
NPM	45.3%	41.3%	41.4%	38.6%	40.5%	42.2%	-	-

Source: Company data

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

Aggregate equity trading value at the Tokyo and Nagoya stock exchanges fell 24% YoY; total equity trading value by individuals fell 35%. Trading by individuals accounted for 24% of total market transactions, down from 29% a year earlier. Turnover fell owing to a pullback from 1H FY03/14, when anticipation of Prime Minister Abe's economic policies (Abenomics) and the Bank of Japan's monetary easing buoyed stock prices and led to a corresponding increase in turnover.

View the [full report](#).



MONTHLY WRAP – December 2014



Mac-House Co., Ltd. (7603)

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

On **November 4, 2014**, Mac-House Co., Ltd. announced monthly sales data for October 2014.

Comparable Store Sales	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%	9.0%	4.0%				
Cust. count	-2.7%	-3.1%	-0.3%	-0.9%	-1.6%	0.1%	8.8%	0.6%				
Spend / cust.	-1.8%	-3.8%	-1.0%	-0.2%	0.2%	1.1%	0.1%	3.3%				

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%	8.6%	2.8%				
Cust. count	-0.8%	-1.4%	0.3%	-0.7%	-1.9%	-0.1%	9.4%	0.5%				
Spend / cust.	-2.5%	-4.5%	-1.7%	-1.1%	-0.7%	0.3%	-0.7%	2.3%				

Source: Company data

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 **November 13, 2014**, MEDINET Co., Ltd. announced earnings results for full-year FY09/14.

Quarterly Performance (JPYmn)	FY09/13				FY09/14				FY09/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY Est.	FY Est.
Sales	517	508	536	549	527	472	419	426	102.4%	1,800
YoY	-4.8%	-11.1%	-1.1%	2.8%	1.9%	-7.2%	-21.8%	-22.3%		-14.7%
GP	241	240	273	272	265	234	161	166		
YoY	-17.8%	-25.3%	1.3%	1.3%	9.8%	-2.2%	-41.2%	-39.0%		
GPM	46.6%	47.1%	51.0%	49.5%	50.2%	49.7%	38.3%	38.9%		
SG&A	418	484	511	490	552	557	559	565		
YoY	-10.6%	3.7%	3.5%	12.5%	32.1%	15.1%	9.3%	15.2%		
SG&A / Sales	80.8%	95.2%	95.3%	89.4%	104.8%	118.1%	133.3%	132.5%		
OP	-177	-245	-238	-219	-287	-323	-398	-399	-	-1,430
YoY	-	-	-	-	-	-	-	-		-
OPM	-	-	-	-	-	-	-	-		-
RP	-139	-347	-246	-220	-273	-365	-403	-297	-	-1,460
YoY	-	-	-	-	-	-	-	-		-
RPM	-	-	-	-	-	-	-	-		-
NI	-141	254	-235	-227	-283	54	-407	-945	-	-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 FY09/14 increased by JPY141mn (27.1% YoY).

View the [full report](#).



NAIGAI TRANS LINE LTD. (9384)

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

On **November 20, 2014**, Shared Research updated the report following interviews with management.

Quarterly Performance (JPYmn)	FY12/13				FY12/14				FY12/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	3,465	4,034	4,494	4,803	4,604	5,035	5,031		77.2%	19,000
YoY	16.2%	15.1%	33.1%	35.5%	32.8%	24.8%	11.9%			13.1%
GP	1,014	1,215	1,270	1,344	1,242	1,431	1,425			
YoY	6.4%	11.5%	26.2%	26.0%	22.5%	17.8%	12.2%			
GPM	29.3%	30.1%	28.3%	28.0%	27.0%	28.4%	28.3%			
SG&A	837	921	960	961	1,006	1,344	1,061			
YoY	14.2%	11.5%	17.9%	15.4%	20.2%	45.8%	10.5%			
SG&A / Sales	24.1%	22.8%	21.4%	20.0%	21.8%	26.7%	21.1%			
OP	176	293	311	361	235	87	364		62.4%	1,100
YoY	-19.5%	11.5%	62.4%	162.4%	33.4%	-70.3%	17.1%			-3.7%
OPM	5.1%	7.3%	6.9%	7.5%	5.1%	1.7%	7.2%			5.8%
RP	201	308	330	364	233	87	386		64.1%	1,100
YoY	-18.7%	13.0%	66.6%	42.3%	15.9%	-71.9%	16.7%			-8.7%
RPM	5.8%	7.6%	7.3%	7.6%	15.7%	1.7%	7.7%			5.8%
NI	117	191	202	220	125	-533	239		-	100
YoY	-20.8%	14.8%	86.1%	503.3%	6.9%	-	18.0%			-86.3%
NPM	3.4%	4.7%	4.5%	4.6%	2.7%	-	4.7%			0.5%

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

Sales grew to JPY14.7bn (+22.3% YoY). At the parent level, mainstay less-than-container-load (LCL) sales have fallen over the past few years, but this quarter the company booked a year-on-year increase in LCL sales volume and value. Despite high margins on LCL sales, overall gross profit margin grew by 1.0pp, dragged down by rising sales in lower-margin new businesses. Full-container-load (FCL) export and import sales each grew by over 10%, and the company continued booking robust sales growth in new businesses such as forwarding and airfreight.

View the [full report](#).



MONTHLY WRAP – December 2014



NanoCarrier Co. (4571)

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

On **November 11, 2014**, NanoCarrier Co. announced earnings results for 1H FY03/15.

Quarterly Performance (JPYmn)	FY03/14				FY03/15				FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	150	176	119	28	57	254	-	-	55.6%	560
YoY	1430.2%	96.4%	16.7%	-83.9%	-62.0%	44.7%	-	-	-	18.6%
GP	98	125	53	14	27	177	-	-	-	-
YoY	-	209.9%	-14.9%	-51.1%	-72.4%	41.2%	-	-	-	-
GPM	65.2%	71.4%	44.8%	48.9%	47.4%	69.6%	-	-	-	-
SG&A	375	349	336	352	409	303	-	-	-	-
YoY	151.8%	172.2%	114.6%	81.9%	8.9%	-13.3%	-	-	-	-
SG&A / Sales	250.2%	198.7%	283.5%	1266.7%	717.5%	119.1%	-	-	-	-
OP	-277	-224	-283	-339	-382	-126	-	-	-	-1,428
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-	-	-	-	-
RP	-190	-246	-197	-462	-461	312	-	-	-	-1,029
YoY	-	-	-	-	-	-	-	-	-	-
RPM	-	-	-	-	-	122.5%	-	-	-	-
NI	-191	-246	-197	-479	-462	310	-	-	-	-1,070
YoY	-	-	-	-	-	-	-	-	-	-
NPM	-	-	-	-	-	121.9%	-	-	-	-

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

Source: Company data

The company booked sales of JPY311mn (JPY326mn in 1H FY03/14), partly from supplying clinical trial medication and materials for cosmetics.

On **the same day**, the company announced a revision to its FY03/15 earnings forecasts and the booking of non-operating profit.

Revised FY03/15 earnings forecast (previous forecast in parentheses)

Sales:	JPY560mn	(JPY330mn)
Operating loss:	JPY1.4bn	(JPY2.0bn)
Recurring loss:	JPY1.0bn	(JPY1.9bn)
Net loss:	JPY1.1bn	(JPY2.0bn)

Revision details

Sales were initially projected to occur primarily due to the supply of drug products for use in clinical studies based on license and co-development agreements with Kowa Company, Ltd., and from the supply of products for use in cosmetic products and contract payments based on a co-development contract with Albion Co., Ltd. However, sales are expected to exceed initial estimates due to progress with clinical trials of NC-6004 (Nanoplatin®), which is being developed jointly with Orient Europharma Co., Ltd. in Asia for the treatment of pancreatic cancer. NanoCarrier also expects to supply new drug products for use in clinical studies for an additional application (head and neck cancer). In addition, the company may provide more products for use in cosmetic products to Albion Co., Ltd. than initially expected, owing to robust sales of Albion Co., Ltd.'s Eclafutur range of cosmetics products.

As the company conducts clinical trials of NC-6004 and NC-4016, the most important products in its pipeline, in Japan and the United States, it also intends to expand its pipeline of next-generation candidate drugs. Research and development is proceeding as planned on ADCM (Antibody/Drug-Conjugated Micelles), which improve the selective targeting capability of drugs, and ADCM-NanoFect™, a combination of NanoFect™—a delivery technology for nucleic acid drugs such as siRNA—and ADCM. Forecasts for expenses such as clinical trial and development expenses and relocation costs were conservative, but R&D expenses and SG&A expenses appear likely to be lower than initially



MONTHLY WRAP – December 2014

expected. At the same time, gross profit appears likely to exceed initial forecasts due to higher sales. Consequently, NanoCarrier projects operating loss to be smaller than previously forecast.

The company also expects ordinary loss and net loss to be smaller than previously projected due to an expected gain from foreign currency translation (non-operating income), reflecting changes in the value of foreign-currency-denominated deposits in line with foreign exchange rate fluctuations (USD) since the beginning of FY03/15 (based on an assumed foreign exchange rate of JPY110/USD).

Recording of non-operating profit

During Q1 FY03/15, NanoCarrier booked JPY84mn in foreign exchange losses as non-operating expenses. However, JPY431mn in foreign exchange gains were recorded in the July-September quarter of FY03/15, resulting in JPY346mn in foreign exchange gains for 1H FY03/15, which will be recorded under non-operating profit. This gain was primarily the result of the reevaluation of foreign-currency-denominated deposits.

View the [full report](#).



Nippon Parking Development (2353)

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

On **November 27, 2014**, Nippon Parking Development Co., Ltd. announced Q1 earnings results for FY07/15.

Quarterly Performance (JPYmm)	FY07/13				FY07/14				FY07/15		FY 07/15		FY 07/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2(*)	% of FY	FY Est.	% of FY	FY Est.
Sales	2,296	3,929	4,217	2,995	3,064	4,401	4,448	3,206	3,218	5,022	39.1%	8,240	18.8%	17,100
Parking Lot Business	2,258	2,291	2,348	2,504	2,474	2,563	2,524	2,650	2,662				23.0%	11,570
Ski Resort Business	38	1,638	1,869	492	590	1,838	1,924	556	554				10.1%	5,500
YoY	8.2%	35.3%	29.5%	29.7%	33.4%	12.0%	5.5%	7.0%	5.0%			10.4%		13.1%
Parking Lot Business	7.8%	6.7%	6.8%	9.6%	9.6%	11.9%	7.5%	5.8%	7.6%					13.3%
Ski Resort Business	39.0%	116.6%	76.5%	1,891.8%	1,439.4%	12.2%	2.9%	12.9%	-6.0%					12.1%
Gross Profit	807	1,820	2,026	1,105	1,238	2,188	2,063	1,105	1,252					
YoY	4.8%	36.8%	28.7%	28.7%	53.3%	20.2%	1.8%	0.0%	1.1%					
Gross Profit Margin	35.2%	46.3%	48.0%	36.9%	40.4%	49.7%	46.4%	34.5%	38.9%					
SG&A	610	1,099	1,093	935	926	1,295	1,063	974	1,015					
YoY	9.4%	42.1%	46.5%	47.3%	51.8%	17.9%	-2.8%	4.2%	9.7%					
Operating Profit	197	722	932	170	312	892	999	131	236	1,034	18.6%	1,270	8.1%	2,900
Parking Lot Business	536	519	543	571	543	605	564	648	604				30.5%	1,980
Ski Resort Business	-193	383	559	-245	-81	499	619	-313	-175				-18.4%	950
YoY	-7.1%	29.4%	12.6%	-24.0%	58.1%	23.6%	7.2%	-22.8%	-24.3%			5.5%		24.2%
Parking Lot Business	0.1%	-7.0%	-2.4%	-4.0%	1.4%	16.5%	3.8%	13.4%	11.2%					-16.1%
Ski Resort Business	-	147.3%	29.9%	-	-	30.1%	10.8%	-	-					31.1%
Operating Profit Margin	8.6%	18.4%	22.1%	5.7%	10.2%	20.3%	22.5%	4.1%	7.3%			15.4%		17.0%
Parking Lot Business	23.7%	22.7%	23.1%	22.8%	22.0%	23.6%	22.3%	24.4%	22.7%					17.1%
Ski Resort Business	-503.8%	23.4%	29.9%	-49.7%	-13.6%	27.1%	32.2%	-56.3%	-31.5%					17.3%
Recurring Profit	214	819	982	220	354	989	1,058	190	414	856	32.6%	1,270	14.3%	2,900
YoY	6.0%	44.1%	7.7%	-1.6%	65.2%	20.8%	7.7%	-13.6%	16.8%				-5.4%	11.9%
Recurring Profit Margin	9.3%	20.8%	23.3%	7.4%	11.6%	22.5%	23.8%	5.9%	12.9%			15.4%		17.0%
Net Income	115	539	646	79	199	670	656	56	972	568	63.1%	1,540	37.1%	2,620
YoY	21.6%	69.1%	-	-32.6%	73.5%	24.5%	1.6%	-29.5%	387.2%			77.0%		65.7%
Net Income Margin	5.0%	13.7%	15.3%	2.6%	6.5%	15.2%	14.8%	1.7%	30.2%			18.7%		15.3%

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

Parking Lot Business

The number of managed facilities and vehicles showed steady growth under the pillars of increasing occupancy rates at idle parking lots and managing staffed, metered parking lots. The company also focused on providing new and diverse solutions to clients, such as consulting services for parking lot purchasing, refurbishing, and reconstructing. Providing ongoing training to employees was also a priority.

Ski Resort Business

The effects of poor weather, particularly typhoons, caused visitor count to decrease by 18.8% year-on-year, to 149,000 visitors. Sales and profits were also down year-on-year at Spicy Rental (a skiwear rental shop with 10 stores in the Hakuba Valley area), part of the company's new operational structure. Beginning this year, the company is placing greater emphasis on sales to visitors from overseas, and in cooperation with a local public organization, worked to capture visitors from Australia and East Asia, in addition to the ASEAN countries, Europe, and Russia.

On **November 25, 2014**, the company announced the effects of the November 22 earthquake and its aftershocks—which primarily affected the northern section of Nagano Prefecture—on operations at subsidiary Nippon Ski Resort Development Co., Ltd. The earthquake occurred around 10 PM on November 22, and the information released by the company was current as of 8 AM, November 25, 2014.



MONTHLY WRAP – December 2014

Effects on the company's ski resorts

According to the company, ski lifts were closed for maintenance when the earthquake occurred as the fall season had ended. There were no injuries to staff members or visitors. Although there were limited landslides seen at some slopes, repairs are planned to be completed before the resorts open for the winter season, and no significant negative effects are expected at any of the company's resorts.

NPD will conduct a safety audit of each facility, and slopes will open upon completion of inspections and subject to appropriate levels of snowfall. The company maintains that this will not have a material effect on its earnings results.

View the [full report](#).

NS TOOL Co., Ltd. (6157)

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

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

Quarterly Performance (JP Ymn)	FY03/13				FY03/14				FY03/15		FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2(*)	% of FY	FY Est.
Sales	1,570	1,533	1,482	1,413	1,538	1,531	1,632	1,718	1,736	1,813	50.7%	7,000
End Mills (up to 6mm)	1,018	956	905	885	946	932	977	1,038	-	-		
End Mills (over 6mm)	190	185	185	177	194	195	219	217	-	-		
End Mills (Others)	251	278	289	253	291	302	319	352	-	-		
Other Products	108	112	101	96	105	101	114	115	-	-		
Sales (new categories*)												
End Mills (up to 6mm)					1,112	1,093	1,144	1,219	1,214	1,328		
End Mills (over 6mm)					194	195	219	216	218	227		
End Mills (Others)					124	142	152	167	184	141		
Other Products					105	101	114	114	118	115		
YoY (*)	7.7%	5.1%	-0.4%	2.6%	-2.0%	-0.1%	10.1%	21.6%	12.9%	18.4%		9.1%
End Mills (up to 6mm)	12.0%	2.9%	-5.3%	0.2%	-7.1%	-2.5%	8.0%	17.3%	9.2%	21.5%		
End Mills (over 6mm)	-5.5%	0.5%	-5.6%	6.0%	2.1%	5.4%	18.4%	22.6%	12.4%	16.4%		
End Mills (Others)	10.1%	16.8%	27.9%	16.6%	15.9%	8.6%	10.4%	39.1%	48.4%	-0.7%		
Other Products	-7.7%	6.7%	-6.5%	-11.1%	-2.8%	-9.8%	12.9%	19.8%	12.4%	13.9%		
Composition (*)												
End Mills (up to 6mm)	64.9%	62.4%	61.1%	62.6%	61.5%	60.9%	59.9%	60.4%	69.9%	73.3%		
End Mills (over 6mm)	12.1%	12.1%	12.5%	12.5%	12.6%	12.7%	13.4%	12.6%	12.6%	12.5%		
End Mills (Others)	16.0%	18.1%	19.5%	17.9%	18.9%	19.7%	19.6%	20.5%	10.6%	7.8%		
Other Products	6.9%	7.3%	6.8%	6.8%	6.8%	6.6%	7.0%	6.7%	6.8%	6.3%		
Smaller diameter ratio					72.4%	71.4%	70.2%	71.0%	70.0%	73.3%		
Domestic sales	1,255	1,216	1,165	1,112	1,210	1,243	1,329	1,366	1,389	1,391		
Overseas sales	314	316	316	300	327	287	301	353	346	421		
China, Hong Kong, Taiwan	121	131	126	103	107	95	65	129	106	170		
Asia (ex. above)	88	93	91	89	106	90	102	104	112	123		
EU	85	66	76	81	90	73	101	93	93	90		
US, other	18	24	22	25	22	28	32	30	33	37		
YoY	9.3%	3.5%	-5.7%	0.0%	-3.6%	2.2%	14.1%	22.8%	14.8%	11.9%		
Domestic	9.3%	3.5%	-5.7%	0.0%	-3.6%	2.2%	14.1%	22.8%	14.8%	11.9%		
Overseas	1.6%	11.7%	25.9%	13.6%	4.1%	-9.2%	-4.7%	17.7%	5.8%	46.7%		
China, Hong Kong, Taiwan					-11.6%	-27.5%	-48.4%	25.2%	-0.9%	78.9%		
Asia (ex. above)					20.5%	-3.2%	12.1%	16.9%	5.7%	36.7%		
EU					5.9%	10.6%	32.9%	14.8%	3.3%	23.3%		
US, other					22.2%	16.7%	45.5%	20.0%	50.0%	32.1%		
GP	777	716	699	652	722	740	779	836	885	902		
YoY	18.5%	-0.3%	-7.5%	6.8%	-7.1%	3.3%	11.4%	28.2%	22.7%	22.0%		
GPM	49.5%	46.7%	47.1%	46.2%	46.9%	48.3%	47.7%	48.7%	51.0%	49.8%		
SG&A	470	472	529	451	493	488	498	528	502	570		
YoY	10.7%	13.0%	25.7%	-12.4%	4.8%	3.4%	-5.8%	17.1%	1.8%	16.8%		
SG&A / Sales	30.0%	30.8%	35.7%	31.9%	32.0%	31.9%	30.5%	30.7%	28.9%	31.4%		
Personnel	-	-	-	-	275	279	276	333	279	352		
Other	-	-	-	-	217	208	222	194	221	217		
OP	307	244	170	201	229	252	280	308	384	332	55.9%	1,280
YoY	32.6%	-18.8%	-49.3%	109.4%	-25.4%	3.2%	65.2%	53.0%	67.6%	32.0%		19.7%
OPM	19.6%	15.9%	11.4%	14.3%	14.9%	16.4%	17.2%	17.9%	22.1%	18.3%		18.3%
RP	320	248	177	206	247	253	286	321	405	347	56.5%	1,330
YoY	31.2%	-20.4%	-51.0%	78.2%	-22.9%	2.0%	62.0%	55.4%	64.1%	36.9%		20.1%
RPM	20.4%	16.2%	11.9%	14.6%	16.1%	16.5%	17.5%	18.7%	23.3%	19.1%		19.0%
NI	185	146	98	98	142	181	175	196	256	227	58.9%	820
YoY	33.6%	-18.4%	-54.3%	3,648.0%	-23.4%	24.2%	78.5%	100.4%	80.1%	25.4%		18.0%
NPM	11.8%	9.5%	6.6%	6.9%	9.2%	11.8%	10.7%	11.4%	14.7%	12.5%		11.7%

Sales and recurring profit reached a record during 1H, exceeding the level achieved prior to the global financial crisis. Reduced spending after the April 2014 consumption tax hike was a particular concern for the company, but the effects have been relatively limited due to strong demand for parts to be used in new models of automotive and smartphone products. In fact, sales rose 15.6% from a year earlier during 1H.

View the [full report](#)



Onward Holdings Co Ltd (8016)

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

On **November 5, 2014**, Onward Holdings Co Ltd. released October monthly sales data.

Onward Kashiyama Monthly Sales

FY02/15 (YoY)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	FY
Total	10%	-8%	2%	-2%	-6%	3%	1%	-4%					0%
Men's	16%	-7%	6%	-3%	-1%	1%	5%	-2%					2%
Women's	9%	-9%	0%	-1%	-8%	4%	0%	-5%					-1%
Children's	10%	1%	6%	1%	0%	5%	8%	-4%					3%
Kimonos	-17%	-49%	36%	-2%	-11%	-31%	-30%	-50%					-18%
Other	8%	-7%	-7%	3%	-9%	-4%	-5%	2%					-1%
FY02/14 (YoY)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	FY
Total	7%	-2%	4%	7%	3%	8%	2%	-5%	0%	5%	5%	1%	2%
Men's	2%	-8%	1%	1%	-11%	7%	4%	-3%	0%	8%	3%	3%	0%
Women's	10%	1%	6%	10%	0%	8%	2%	-5%	0%	5%	7%	0%	3%
Children's	9%	-7%	-3%	4%	2%	9%	2%	-2%	0%	4%	-1%	0%	1%
Kimonos	-11%	-11%	19%	-12%	-23%	-6%	-14%	-23%	-14%	-17%	-15%	-17%	-12%
Other	-1%	-8%	-9%	2%	0%	11%	-1%	-11%	0%	5%	-1%	-3%	-2%
FY02/13 (YoY)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	FY
Total	24%	4%	6%	7%	-2%	2%	-1%	0%	-1%	9%	0%	0%	4%
Men's	27%	8%	0%	5%	-2%	3%	-2%	-7%	-2%	6%	-6%	-6%	2%
Women's	24%	3%	8%	8%	-2%	3%	0%	5%	0%	10%	3%	1%	5%
Children's	19%	3%	8%	12%	1%	2%	5%	-3%	1%	8%	4%	2%	5%
Kimonos	22%	23%	17%	-6%	2%	-17%	0%	-4%	16%	18%	-1%	-30%	1%
Other	16%	1%	-2%	7%	-3%	2%	-10%	-15%	19%	0%	-7%	-13%	-2%

Source: Company data

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

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 **November 12, 2014**, Paris Miki Holdings announced 1H FY03/15 earnings results.

Quarterly Performance (JPYmn)	FY03/13				FY03/14				FY03/15		FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of FY	FY Est.
Sales	14,452	14,687	13,594	12,686	14,121	15,253	13,910	13,619	13,873	14,359	49.3%	57,258
YoY	-5.2%	-10.1%	-7.2%	-4.7%	-2.3%	3.9%	2.3%	7.4%	-1.8%	-5.9%		0.6%
GP	9,759	10,011	8,888	9,053	9,529	10,250	9,324	9,385	9,547	9,785		
YoY	-5.0%	-9.7%	-7.1%	2.0%	-2.4%	2.4%	4.9%	3.7%	0.2%	-4.5%		
GPM	67.5%	68.2%	65.4%	71.4%	67.5%	67.2%	67.0%	68.9%	68.8%	68.1%		
SG&A	9,319	9,484	9,400	9,080	9,325	9,332	9,314	9,709	9,082	9,330		
YoY	-9.2%	-8.4%	-6.9%	-1.3%	0.1%	-1.6%	-0.9%	6.9%	-2.6%	-0.0%		
SG&A / Sales	64.5%	64.6%	69.1%	71.6%	66.0%	61.2%	67.0%	71.3%	65.5%	65.0%		
OP	440	526	-511	-28	203	919	9	-323	465	455	80.7%	1,140
YoY	4,300.0%	-28.3%	-	-	-53.9%	74.7%	-	-	129.1%	-50.5%		41.1%
OPM	3.0%	3.6%	-3.8%	-0.2%	1.4%	6.0%	0.1%	-2.4%	3.4%	3.2%		2.0%
RP	447	616	-333	336	302	958	67	-292	532	535	95.1%	1,122
YoY	520.8%	-8.9%	-	-	-32.4%	55.5%	-	-	76.2%	-44.2%		8.4%
RPM	3.1%	4.2%	-2.4%	2.6%	2.1%	6.3%	0.5%	-2.1%	3.8%	3.7%		2.0%
NI	96	200	-292	99	263	600	32	-476	227	307	104.9%	509
YoY	-	-51.1%	-	-	174.0%	200.0%	-	-	-13.7%	-48.8%		21.5%
NPM	0.7%	1.4%	-2.1%	0.8%	1.9%	3.9%	0.2%	-3.5%	1.6%	2.1%		0.9%

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

Domestic

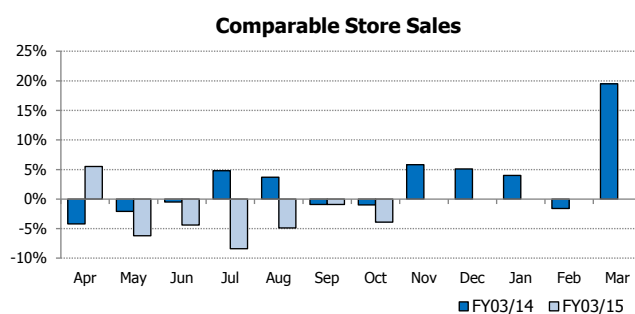
Sales were JPY24.5bn (-4.6% YoY) and segment profit was JPY958mn (-14.8%). Although sales were down slightly, the effects of measures such as reduced spending on advertising were apparent, leading sales up by a significant margin.

Comparable store sales were down by 3.6% YoY, and when including newly opened stores, sales were down by 4.7%. Comparable store sales in Q2 continued the dip into negative territory seen in Q1. However, the company set initial targets of a 2.6% gain in comparable store sales and a 0.3% gain in overall sales for the full year, planning for a recovery over the course of the year.

Overseas

Sales were JPY3.9bn (+0.9% YoY) and segment loss was JPY35mn (compared to a segment loss of JPY0.9mn in 1H FY03/14). Southeast Asian economies were suffering political instability, but local subsidiaries remained profitable. At Chinese subsidiaries, despite lingering unease due to economic conditions, the situation appears to be recovering. The closing of unprofitable stores in Australia showed progress, but overseas operating losses increased overall.

On **November 4, 2014**, the company announced October 2014 sales figures.



Source: Company data, SR Inc. Research

View the [full report](#).



MONTHLY WRAP – December 2014

Pigeon Corp. (7956)

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

On **November 5, 2014**, Pigeon Corp. announced the establishment of the Pigeon Scholarship Foundation.

On October 20, 2014, the company established the Pigeon Scholarship Foundation, with Shigeru Yamashita as its president. The foundation will issue scholarships to medical students studying at universities in Japan, with a focus on students that plan to specialize in neonatology, pediatrics, obstetrics. Through the scholarship, the company hopes to create an environment that will foster students to focus on scholastic achievement and clinical training, ultimately acting as a catalyst to a declining number of medical practitioners. Pigeon also aims to promote advances in the fields of neonatology, pediatrics, and obstetrics, and provide healthy lifestyles for mothers and children.

View the [full report](#).



MONTHLY WRAP – December 2014



Resorttrust, Inc. (4681)

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

On **November 11, 2014**, Resorttrust, Inc. announced earnings results for 1H FY03/15.

Quarterly Performance (JPYmn)	FY03/14				FY03/15				FY03/15		FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.	% of FY	FY Est.
Sales	27,342	30,401	30,787	28,294	27,559	32,044	-	-	100.0%	59,600	51.0%	116,900
YoY	9.1%	10.1%	10.4%	14.2%	0.8%	5.4%	-	-				
GP	22,369	25,059	25,024	22,988	23,269	27,005	-	-				
YoY	9.1%	11.2%	10.1%	17.5%	4.0%	7.8%	-	-				
GPM	81.8%	82.4%	81.3%	81.2%	84.4%	84.3%	-	-				
SG&A	19,301	19,758	19,066	22,196	20,275	20,828	-	-				
YoY	7.5%	9.2%	3.8%	17.7%	5.0%	5.4%	-	-				
SG&A / Sales	70.6%	65.0%	61.9%	78.4%	73.6%	65.0%	-	-				
OP	3,068	5,301	5,957	793	2,993	6,178	-	-	98.6%	9,300	59.2%	15,500
YoY	20.2%	19.3%	36.9%	12.0%	-2.4%	16.5%	-	-				
OPM	11.2%	17.4%	19.3%	2.8%	10.9%	19.3%	-	-				
RP	4,224	5,330	6,159	1,018	3,266	8,267	-	-	99.4%	11,600	64.1%	18,000
YoY	63.2%	14.8%	34.6%	-13.1%	-22.7%	55.1%	-	-				
RPM	15.4%	17.5%	20.0%	3.6%	11.9%	25.8%	-	-				
NI	1,668	3,244	3,754	-61	1,918	5,603	-	-	103.0%	7,300	67.2%	11,200
YoY	20.4%	10.1%	32.3%	-	15.0%	72.7%	-	-				
NPM	6.1%	10.7%	12.2%	-	7.0%	17.5%	-	-				

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

Source: Company data

Resorttrust had anticipated some temporary weakness in performance in the wake of the consumption tax hike, but the effect on its business turned out to be limited. Last year the company also booked expenses related to the openings of new properties, but there were no such expenses during 1H FY03/15. Sales at new properties contributed to results, and revenues from memberships for unopened hotels will be carried over until these hotels open.

View the [full report](#).



MONTHLY WRAP – December 2014



Round One Corp. (4680)

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

On **November 7, 2014**, Round One Corporation announced earnings results for 1H FY03/15, revisions to full-year FY03/15 forecasts and monthly sales data for October 2014.

Quarterly Performance (JPYmm)	FY03/14				FY03/15				FY03/15		FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.	% of FY	FY Est.
Sales	20,165	21,706	18,715	23,686	19,694	22,155	-	-	100.1%	41,800	48.9%	85,500
YoY	-2.8%	-3.7%	-1.9%	0.5%	-2.3%	2.1%	-	-		-3.4%		-0.5%
GP	2,665	3,051	632	5,375	1,559	2,995	-	-				
YoY	1.4%	-26.8%	-40.7%	-1.7%	-41.5%	-1.8%	-	-				
GPM	13.2%	14.1%	3.4%	22.7%	7.9%	13.5%	-	-				
SG&A	409	398	465	362	406	403	-	-				
YoY	-3.3%	-2.5%	1.8%	-23.6%	-0.7%	1.3%	-	-				
SG&A / Sales	2.0%	1.8%	2.5%	1.5%	2.1%	1.8%	-	-				
OP	2,256	2,652	168	5,012	1,152	2,593	-	-	81.4%	4,600	37.5%	8,800
YoY	2.4%	-29.5%	-72.5%	0.4%	-48.9%	-2.2%	-	-		-22.9%		-23.9%
OPM	11.2%	12.2%	0.9%	21.2%	5.8%	11.7%	-	-		11.0%		10.3%
RP	1,642	1,970	-278	4,484	830	2,577	-	-	85.2%	4,000	37.9%	8,000
YoY	63.1%	-29.7%	-	2.4%	-49.5%	30.8%	-	-		5.0%		-2.6%
RPM	8.1%	9.1%	-	18.9%	4.2%	11.6%	-	-		9.6%		9.4%
NI	631	-11,371	-3,681	-5,260	778	1,527	-	-	96.0%	2,400	46.1%	4,500
YoY	43.9%	-	-	-	23.3%	-	-	-		18.9%		-
NPM	3.1%	-	-	-	4.0%	6.9%	-	-		5.7%		5.3%

Source: Company data

Company estimates are the most recent figures.

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

Sales were in line with the target, but profits underperformed initial targets, partly due to rising personnel and utilities costs. As a result, the company maintained its full-year sales forecast, but revised its full-year profit forecasts as follows (previous forecasts in parentheses).

§Sales: JPY85.5bn (JPY85.5bn)

§Operating profit: JPY8.8bn (JPY10.0bn)

§Recurring profit: JPY8.0bn (JPY9.0bn)

§Net income: JPY4.5bn (JPY5.0bn).

The company made use of Disney characters in promotional campaigns and planning, and used the LINE messaging app to attract customers. The company also used popular celebrities in television commercials to advertise a new, better-value pricing structure. In 1H FY03/14, the company booked impairment losses relating to the decision to sell and lease back fixed assets. The absence of such losses this year, 1H FY03/15, resulted in higher net income.

Bowling sales fell; amusement, karaoke, and SPO-CHA sales all increased.



MONTHLY WRAP – December 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	6,321	5,793					
Bowling	2,001	2,064	1,688	1,686	2,649	1,756	1,624					
Game	2,686	3,070	2,652	2,894	3,955	2,898	2,661					
Karaoke	641	711	625	650	927	645	569					
SPO-CHA	878	956	745	700	1,531	805	730					
Other	199	221	201	202	254	216	207					
Total Sales YoY	-3.3%	0.1%	-6.0%	-0.6%	8.4%	-4.4%	3.7%					
Bowling	-13.2%	-14.7%	-20.4%	-12.3%	-2.4%	-16.8%	-9.5%					
Game	3.4%	11.1%	3.2%	6.4%	12.9%	5.2%	11.9%					
Karaoke	1.6%	6.5%	-0.4%	1.8%	10.6%	2.3%	5.7%					
SPO-CHA	1.8%	4.2%	0.9%	4.9%	19.8%	-8.6%	9.3%					
Other	-12.2%	-9.6%	-12.8%	-7.6%	-3.9%	-6.7%	2.0%					
Comparable Store Sales YoY	-3.3%	0.1%	-6.0%	-0.6%	8.4%	-4.4%	2.0%					
Bowling	-13.2%	14.7%	-20.4%	-12.3%	-2.4%	-16.8%	-10.6%					
Game	3.4%	11.1%	3.2%	6.4%	12.9%	5.2%	10.0%					
Karaoke	1.6%	6.5%	-0.4%	1.8%	10.6%	2.3%	4.5%					
SPO-CHA	1.8%	4.2%	0.9%	4.9%	19.8%	-8.6%	5.4%					
Other	-12.2%	-9.6%	-12.8%	-7.6%	-3.9%	-6.7%	1.7%					

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

Source: Company data

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

View the [full report](#).



MONTHLY WRAP – December 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 **November 4, 2014**, Ryohin Keikaku announced monthly sales data for October 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%	1.8%	-2.2%				
Directly managed total	28.4%	2.1%	5.6%	8.2%	6.6%	3.9%	7.0%	4.7%				
Licensed Stores (Inc. Seiyu) (comparable)	20.5%	-2.2%	0.7%	5.0%	-1.3%	-1.5%	1.1%	-3.0%				
Licensed Stores (Inc. Seiyu) total	21.7%	-1.9%	2.0%	3.8%	0.0%	1.3%	0.4%	-3.1%				
Instore (comparable)	21.9%	-2.2%	1.4%	5.0%	1.2%	-0.9%	1.7%	-2.4%				
Instore total	27.0%	1.3%	4.9%	7.3%	5.3%	3.4%	5.8%	3.2%				
Total	30.6%	12.0%	11.0%	13.6%	22.7%	13.2%	18.1%	8.6%				

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

FY02/13	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Directly managed stores (comparable)	14.4%	-1.0%	0.1%	-4.1%	0.5%	2.5%	2.9%	-1.8%	2.6%	-5.5%	-4.9%	1.3%
Directly managed total	18.7%	3.8%	2.9%	-1.8%	3.0%	5.8%	5.8%	1.1%	5.6%	-2.3%	-2.2%	3.7%
Licensed Stores (Inc. Seiyu) (comparable)	4.9%	-2.4%	-1.9%	-5.6%	-2.0%	-3.2%	-0.7%	-5.5%	-0.3%	-5.4%	-2.6%	-0.7%
Licensed Stores (Inc. Seiyu) total	5.5%	-1.4%	-2.2%	-6.8%	-3.3%	-3.7%	2.3%	-3.2%	1.8%	-4.1%	-3.6%	-2.6%
Instore (comparable)	12.1%	-1.3%	-0.3%	-4.4%	0.0%	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%

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%	1.8%	-2.2%				
Apparel	11.4%	6.8%	5.0%	6.5%	5.9%	0.6%	9.5%	-0.2%				
Household Goods	31.8%	-8.7%	-1.9%	3.2%	2.8%	-0.6%	-1.3%	-1.0%				
Food	2.8%	1.9%	6.5%	8.3%	-16.1%	-7.0%	-9.4%	-17.9%				
Customers Traffic	3.0%	-0.3%	3.6%	3.2%	0.9%	0.0%	-2.2%	-6.3%				
Spending per Customer	18.7%	-1.9%	-2.0%	1.7%	0.9%	-0.8%	4.1%	4.3%				

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%
Apparel	23.1%	-3.7%	3.8%	4.9%	-8.0%	1.2%	1.8%	5.8%	6.0%	5.1%	5.7%	1.2%
Household Goods	2.5%	-4.8%	0.2%	3.5%	-4.5%	5.7%	-2.6%	6.1%	7.4%	5.9%	7.7%	4.1%
Food	11.8%	-2.5%	-2.4%	-4.9%	41.0%	17.7%	6.0%	39.0%	30.4%	25.0%	19.1%	5.9%
Customers Traffic	3.9%	-4.8%	-1.8%	-0.9%	0.1%	2.2%	-1.8%	4.7%	6.0%	2.7%	2.6%	-4.6%
Spending per Customer	5.1%	0.7%	3.2%	3.9%	-3.0%	2.5%	1.2%	3.2%	2.1%	4.0%	5.0%	8.1%

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%
Apparel	20.9%	7.1%	9.2%	-1.6%	10.5%	17.9%	5.2%	5.4%	13.4%	-2.4%	-2.4%	15.4%
Household Goods	13.4%	-4.7%	-5.8%	-6.9%	-4.3%	-4.1%	2.1%	-5.8%	-3.3%	-6.7%	-5.7%	-3.1%
Food	3.3%	-7.8%	-2.9%	3.0%	-11.2%	-6.4%	2.0%	-9.9%	-10.8%	-10.4%	-9.0%	-8.1%
Customers Traffic	8.5%	-6.8%	-7.1%	-6.9%	-7.8%	-4.2%	-2.6%	-6.4%	-4.7%	-8.4%	-9.1%	-3.1%
Spending per Customer	5.4%	6.2%	7.8%	3.0%	9.1%	7.1%	5.7%	4.9%	7.6%	3.2%	4.7%	4.6%

Source: Company data, SR Inc. research

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

Comparable stores are considered those open for at least two years.

Licensed stores are wholesale client firms other than FamilyMart and com KIOSK stores.

View the [full report](#).



Sanix Incorporated (4651)

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

On **November 12, 2014**, Sanix Incorporated announced earnings results for 1H FY03/15.

Quarterly Performance (JPYmn)	FY03/14				FY03/15				FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	15,753	15,939	19,841	32,689	21,714	22,294	-	-	37.3%	118,000
YoY	78.6%	70.3%	115.2%	104.8%	37.8%	39.9%	-	-		40.1%
GP	4,631	4,372	5,065	7,353	4,806	4,537	-	-		
YoY	81.3%	32.8%	74.5%	59.1%	3.8%	3.8%	-	-		
GPM	29.4%	27.4%	25.5%	22.5%	22.1%	20.4%	-	-		
SG&A	3,666	3,842	4,140	5,266	5,935	6,125	-	-		
YoY	37.3%	44.8%	27.0%	80.5%	61.9%	59.4%	-	-		
SG&A / Sales	23.3%	24.1%	20.9%	16.1%	27.3%	27.5%	-	-		
OP	966	530	925	2,087	-1,129	-1,588	-	-	-	3,640
YoY	-	-17.2%	-	22.5%	-	-	-	-		-19.3%
OPM	6.1%	3.3%	4.7%	6.4%	-	-	-	-		3.1%
RP	925	518	743	2,124	-1,005	-1,854	-	-	-	3,200
YoY	-	-17.0%	-	24.6%	-	-	-	-		-25.8%
RPM	5.9%	3.3%	3.7%	6.5%	-	-	-	-		2.7%
NI	779	273	249	1,664	-1,222	-1,972	-	-	-	1,300
YoY	-	-50.3%	-	-2.2%	-	-	-	-		-56.2%
NPM	4.9%	1.7%	1.3%	5.1%	-	-	-	-		1.1%

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

Source: Company data

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

The company booked an operating loss in the SE segment because higher sales of PV systems were not enough to absorb fixed costs. This was due to prolonged technical investigations by power companies prior to grid connections. The company was also unable to conduct construction work in most of Kyushu because Kyushu Electric Power Co. put on hold requests by solar-power facilities operators to connect their systems with its power distribution network. Profits fell in the ERD segment due to lower volumes. Sales fell in the HS and ES segments as the company restructured them and made maintenance these segments' core business. As a result, sales and profits fell.

View the [full report](#).



Sanrio Co., Ltd. (8136)

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

On **November 12, 2014**, Shared Research updated comments on Sanrio Co., Ltd. with a summary of the company's earnings briefing session for 1H FY03/15 earnings results.

Earnings results briefed by Managing Director Susumu Emori

1H FY03/15

Sales rose 1.7% YoY, with operating profit falling 13.2% due to the deteriorating performance overseas. Net income rose 3.4% YoY because of an increase in forex gains and a reduction in tax payments.

Overseas operations, theme parks, and expenses incurred at headquarters were behind the decline in overall operating profit even as domestic licensing and product sales businesses posted a profit increase.

A decline in operating profit in Europe and North America has been partly offset by an increase in Asia, where the company's four subsidiaries posted a double-digit profit increase.

Forecast for full-year FY03/15

Sanrio expects sales and operating profit to decline 1.6% and 8.2%, respectively, from a year earlier. Net income may increase 3.1% due to currency gains and a reduction in tax payments.

Overseas operations, theme parks, and expenses incurred at the headquarters may lead to a decline in overall operating profit even as the domestic licensing and product sales businesses are expected to post a profit increase. Domestic businesses may contribute to overall earnings due to events commemorating the 40th anniversary of Hello Kitty, new store openings, and more tourists from overseas. The licensing business is benefitting from the use of Sanrio characters by pharmaceutical, cosmetic, and apparel companies, as well as by café operators. In addition, a new character, Gudetama, is popular among users of social networking sites.

Sanrio forecasts a profit decline in Europe and North America. However, the company's four subsidiaries in Asia may post a double-digit profit increase.

The company paid an annual dividend of JPY80 a share for FY03/14. This payout included a commemorative dividend of JPY20. For FY03/15, the company plans to pay an ordinary annual dividend of JPY80.

Strategy

§Sanrio is compiling a medium-term management plan, which will be released as soon as the company confirms that the operations in Europe and North America are bottoming out. The company expects that the European and North American operations will hit bottom during FY03/16.

§Sanrio is considering various proactive strategic options, such as acquisitions and collaborations with companies that own rights to popular characters.

§Sanrio will create a new management structure within the next two years. The company will delegate various responsibilities to officers in each region and department to assess their capabilities and suitability.

§President Shintaro Tsuji and Managing Director Rehitō Hatoyama are stationed at the US subsidiary. Tsuji and Hatoyama also oversee Asia and Europe, respectively.

View the [full report](#).



SATO Holdings Corp. (6287)

Provider of comprehensive solutions based on auto-ID technology.

On **November 28, 2014**, Shared Research updated comments on SATO Holdings Corp. based on interviews with management.

Quarterly Performance (JPYmn)	FY03/13				FY03/14				FY03/15		FY03/15		FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	21,208	21,458	22,288	22,302	22,619	23,494	24,589	26,071	23,512	24,054	99.1%	48,000	47.6%	100,000
YoY	8.3%	8.9%	8.3%	7.9%	6.7%	9.5%	10.3%	16.9%	3.9%	2.4%	4.1%			
GP	8,829	8,904	9,306	9,371	9,655	9,825	10,403	11,297	10,293	10,289				
YoY	-21.9%	69.0%	6.2%	5.5%	9.4%	10.3%	11.8%	20.6%	6.6%	4.7%				
GPM	41.6%	41.5%	41.8%	42.0%	42.7%	41.8%	42.3%	43.3%	43.8%	42.8%				
SG&A	7,761	7,581	7,912	7,704	8,362	8,171	8,547	9,341	8,757	8,807				
YoY	5.3%	3.4%	9.0%	1.4%	7.7%	7.8%	8.0%	21.2%	4.7%	7.8%				
SG&A / Sales	36.6%	35.3%	35.5%	34.5%	37.0%	34.8%	34.8%	35.8%	37.2%	36.6%				
OP	1,068	1,323	1,394	1,667	1,292	1,655	1,856	1,955	1,536	1,482	83.8%	3,600	37.7%	8,000
YoY	18.1%	37.8%	-8.0%	31.0%	21.0%	25.1%	33.1%	17.3%	18.9%	-10.5%	22.2%		18.4%	
OPM	5.0%	6.2%	6.3%	7.5%	5.7%	7.0%	7.5%	7.5%	6.5%	6.2%	7.5%		8.0%	
RP	714	1,105	1,727	1,883	1,425	1,764	1,984	1,911	1,590	1,581	89.3%	3,550	40.1%	7,900
YoY	-10.5%	124.6%	8.8%	45.6%	99.6%	59.6%	14.9%	1.5%	11.6%	-10.4%	11.3%		11.5%	
RPM	3.4%	5.1%	7.7%	8.4%	6.3%	7.5%	8.1%	7.3%	6.8%	6.6%	7.4%		7.9%	
NI	224	505	868	1,129	845	1,048	1,393	1,009	886	890	80.7%	2,200	35.5%	5,000
YoY	-52.0%	119.6%	198.3%	17.0%	277.2%	107.5%	60.5%	-10.6%	4.9%	-15.1%	16.2%		16.4%	
NPM	1.1%	2.4%	3.9%	5.1%	3.7%	4.5%	5.7%	3.9%	3.8%	3.7%	4.6%		5.0%	

Source: Company data

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

Sales missed the initial target by JPY434mn during 1H due to weak sales in Japan: The result of a pullback in demand from the rush to beat the April 2014 consumption tax hike (which reduced sales by JPY800mn) and an economic slowdown that led to poor sales of supplies (which reduced sales by JPY300mn). Overseas operations, which were in line with targets, partly offset the decline in domestic sales. SATO missed its domestic and overseas operating profit targets by about JPY400mn and JPY200mn, respectively; overall operating profit fell short of forecasts by JPY582mn as a result. Domestic operating profit fell short of targets because sales did not increase as much as expected. Overseas operating profit missed the mark because the company made upfront investments in phase jitter modulation (PJM) technology, and because inventory gains were not booked.

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MONTHLY WRAP – December 2014



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 **November 14, 2014**, SBS Holdings, Inc. announced earnings results for Q3 FY12/14.

Quarterly Performance (JPYmn)	FY12/13				FY12/14				FY12/14	
	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	37,373	-	75.3%	137,000
YoY	-3.7%	0.3%	2.4%	13.9%	8.2%	4.8%	12.8%	-		3.6%
GP	2,312	3,111	3,132	4,904	2,935	3,091	4,476	-		
YoY	-20.8%	-3.3%	2.9%	44.8%	27.0%	-0.6%	42.9%	-		
GPM	7.7%	9.7%	9.5%	13.2%	9.1%	9.2%	12.0%	-		
SG&A	2,375	2,344	2,294	2,306	2,260	2,285	2,668	-		
YoY	-0.5%	-3.0%	-2.7%	-8.0%	-4.8%	-2.5%	16.3%	-		
SG&A / Sales	8.0%	7.3%	6.9%	6.2%	7.0%	6.8%	7.1%	-		
OP	-63	767	838	2,599	674	806	1,808	-	68.5%	4,800
YoY	-	-4.4%	21.9%	194.9%	-	5.1%	115.6%	-		15.9%
OPM	-	2.4%	2.5%	7.0%	2.1%	2.4%	4.8%	-		3.5%
RP	-195	730	743	2,524	570	803	1,560	-	66.7%	4,400
YoY	-	-0.1%	29.0%	227.9%	-	10.1%	110.0%	-		15.8%
RPM	-	2.3%	2.2%	6.8%	1.8%	2.4%	4.2%	-		3.2%
NI	-157	307	418	1,004	390	1,371	740	-	71.5%	3,500
YoY	-	15.6%	199.5%	47.9%	-	347.1%	77.2%	-		122.8%
NPM	-	1.0%	1.3%	2.7%	1.2%	4.1%	2.0%	-		2.6%

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

Source: Company data

Overall sales were up due to rising sales in the logistics and personnel businesses, and the transfer of trust beneficiary rights to a private-placement fund in the real estate business. Costs increased for vehicle-hire and part-time workers, and the company booked costs for the acquisition of an overseas subsidiary. But overall profits were up due to a gain of JPY1.2bn on the transfer of trust beneficiary rights. Net income grew significantly due to rising profits from operations and an extraordinary gain of JPY1.4bn on the sale of fixed assets, including an office building.

View the [full report](#).



MONTHLY WRAP – December 2014



Ship Healthcare Holdings Inc. (3360)

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

On **November 5, 2014**, Ship Healthcare Holdings Inc. announced earnings results for 1H FY03/15.

Quarterly Performance (JPYmm)	FY03/13				FY03/14				FY03/15		FY03/15		FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	51,185	56,624	52,906	63,648	55,330	54,256	58,337	91,266	51,504	73,852	101.1%	124,000	44.8%	280,000
YoY	23.1%	43.2%	11.2%	5.8%	8.1%	-4.2%	10.3%	43.4%	-6.9%	36.1%		13.2%		8.0%
GP	7,484	8,030	6,716	8,731	7,255	6,966	7,549	11,787	6,569	9,711				
YoY	21.5%	40.4%	1.1%	2.0%	-3.1%	-13.3%	12.4%	35.0%	-9.5%	39.4%				
GPM	14.6%	14.2%	12.7%	13.7%	13.1%	12.8%	12.9%	12.9%	12.8%	13.1%				
SG&A	4,361	4,401	4,635	5,020	4,744	4,632	4,924	5,399	5,302	5,197				
YoY	14.5%	17.3%	11.0%	-3.7%	8.8%	5.3%	6.2%	7.6%	11.8%	12.2%				
SG&A / Sales	8.5%	7.8%	8.8%	7.9%	8.6%	8.5%	8.4%	5.9%	10.3%	7.0%				
OP	3,122	3,629	2,081	3,711	2,511	2,333	2,625	6,388	1,267	4,514	115.6%	5,000	39.6%	14,600
YoY	32.9%	84.5%	-15.7%	10.9%	-19.6%	-35.7%	26.1%	72.1%	-49.5%	93.5%				5.4%
OPM	6.1%	6.4%	3.9%	5.8%	4.5%	4.3%	4.5%	7.0%	2.5%	6.1%				5.2%
RP	3,460	3,824	2,282	4,023	2,779	2,534	2,859	6,582	1,538	4,694	115.4%	5,400	41.5%	15,000
YoY	30.9%	66.8%	-15.9%	11.7%	-19.7%	-33.7%	25.3%	63.6%	-44.7%	85.2%				1.7%
RPM	6.8%	6.8%	4.3%	6.3%	5.0%	4.7%	4.9%	7.2%	3.0%	6.4%				5.4%
NI	2,149	2,257	1,390	2,793	1,597	1,377	1,615	3,934	570	2,623	106.4%	3,000	36.3%	8,800
YoY	31.0%	65.1%	-6.4%	10.2%	-25.7%	-39.0%	16.2%	40.8%	-64.3%	90.5%				3.3%
NPM	4.2%	4.0%	2.6%	4.4%	2.9%	2.5%	2.8%	4.3%	1.1%	3.6%				3.1%

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

Total Pack Produce segment

Results were robust, partly because the company completed more large projects than it initially expected to. Overseas, the company established a subsidiary in Myanmar and began offering healthcare services.

Medical Supplies segment

Despite changes to reimbursement prices for medical equipment, this segment performed well because operational methods improved after the company changed its inventory management. Contracts for supply processing and distribution (SPD) facilities won in FY03/14, and new group companies also contributed to earnings.

Healthcare segment

Sales increased due to the opening of the fee-paying elderly care home Green Life Sendai in July, and the development of facilities providing food services. But operating profit was down year-on-year, owing to upfront costs associated with opening new facilities and establishing new branches for day-care services.

View the [full report](#).



SMS Co., Ltd. (2175)

SMS provides recruitment services and managing professional community websites.

On **November 19, 2014**, SMS Co., Ltd. announced the acquisition of shares in Centium Software Sdn. Bhd. (making it a consolidated subsidiary), a share buyback program, and a stock split.

The acquisition of shares in Centium Software Sdn. Bhd.

Subsidiary Senior Marketing System Asia Pte. Ltd. (SMS Singapore) acquired shares in Centium Software Sdn. Bhd. (Centium), making it a consolidated subsidiary.

Reasons for the acquisition

As populations age across Asia, SMS aims to build information infrastructures tailored to different countries. The company has thus established subsidiaries in China, South Korea, Taiwan, Malaysia, Thailand, Singapore, Indonesia, and the Philippines.

Centium develops and sells information systems for hospitals in Malaysia. It also has the expertise necessary to tailor products to healthcare systems and processes in different countries, having delivered hospital information systems in countries across Asia. With this acquisition, SMS plans to grow sales of Centium's hospital information systems by using the network it has built across 12 Asian countries, and taking advantage of synergies with the services SMS offers to hospitals in these countries, such as medical reservation services. SMS also plans to strengthen its relationship with leading healthcare players, including hospitals and clinics.

Overview of Centium Software Sdn. Bhd.

Location: Kuala Lumpur, Malaysia
 Capital: MYR100,000 (about JPY3mn)
 Business: Sales and development of hospital information systems.

Acquisition value and holdings prior to the acquisition

Shares held prior to the acquisition: zero
 Acquisition value: USD500,000 (about JPY58mn)
 Shares held post-acquisition: 104,081 shares (stake: 51%).

Share buyback

Overview

Type of shares: common shares
 Number of shares to be acquired: 155,000 (upper limit; 0.7% of shares outstanding)
 Total acquisition value: JPY400mn (upper limit)
 Acquisition period: November 20–December 31, 2014

Stock split

SMS plans to initiate a 2-for-1 stock split, effective January 1, 2015 (record date: December 31, 2014). Total shares outstanding will increase to 41,887,200, from 20,943,600 prior to the split.

View the [full report](#).



MONTHLY WRAP – December 2014



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 **November 14, 2014**, SOURCENEXT Corporation announced earnings results for 1H FY03/15.

Quarterly Performance (JPYmn)	FY03/14				FY03/15				FY03/15		FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Sales	1,262	1,373	1,778	1,323	1,392	1,363			-	-	-	-
YoY	2.8%	16.8%	10.4%	15.7%	10.3%	-0.7%						
GP	966	979	1,325	966	1,047	1,038						
GPM	76.6%	71.3%	74.5%	73.0%	75.2%	76.2%						
SG&A	691	737	842	721	729	749						
YoY	6.8%	16.9%	9.4%	7.6%	5.5%	1.6%						
OP	276	241	484	245	355	254			-	-	-	-
YoY	104.4%	34.1%	44.5%	99.0%	28.5%	5.1%						
OPM	21.9%	17.6%	27.2%	18.5%	25.5%	18.6%						
RP	262	241	479	243	357	260			-	-	-	-
YoY	92.7%	51.5%	48.8%	118.2%	36.4%	7.5%						
NI	294	282	471	174	368	325			-	-	-	-
YoY	87.8%	69.0%	46.7%	8.2%	25.2%	15.3%						
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H Est.	1H Est.	% of FY Est.	FY Est.
Sales	1,262	2,635	4,413	5,736	1,392	2,756			95.1%	2,899	44.8%	6,153
YoY	2.8%	9.6%	10.0%	11.2%	10.3%	4.6%				10.0%		19.3%
GP	966	1,945	3,270	4,236	1,047	2,086						
GPM	76.6%	73.8%	74.1%	73.9%	75.2%	75.7%						
SG&A	691	1,428	2,269	2,991	729	1,478						
YoY	6.8%	11.8%	10.9%	10.1%	5.5%	3.5%						
OP	276	517	1,001	1,246	355	608			107.5%	566	46.7%	1,303
YoY	104.4%	64.2%	54.0%	61.2%	28.5%	17.6%				9.4%		68.6%
OPM	21.9%	19.6%	22.7%	21.7%	25.5%	22.1%				19.5%		21.2%
RP	262	503	983	1,226	357	617			109.2%	565	47.4%	1,302
YoY	92.7%	70.4%	59.2%	68.2%	36.4%	22.5%				12.3%		78.7%
NI	294	576	1,047	1,221	368	693			134.8%	514	60.8%	1,140
YoY	87.8%	78.1%	62.4%	51.6%	25.2%	20.4%				-10.7%		41.6%

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

Although sales fell short of 1H company forecasts, all profit indicators exceeded expectations. SOURCENEXT cites robust sales of its value-added smartphone apps via channels such as the au Smart Pass and NTT Docomo SUGO-TOKU platforms and reductions in SG&A expenses as primary reasons for strong profitability. Although the company did not change its full-year forecasts, progress toward targets in operating profit, recurring profit, and net income are all ahead of where the company stood at end 1H FY03/14.

On **November 5, 2014**, the company announced the launch of a new "All You Can Use Software" service for corporate computer software.

The company announced that it will provide the "CHOU HOUDAI Business" software service for corporations (announced on October 29, 2014) using software distribution services provided by Nippon Telegraph and Telephone East Corporation (NTT East). The company will offer this "CHOU HOUDAI Business on Flet's" service to corporate clients for JPY980/month (ex. taxes) starting November 5, 2014.

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 **November 17, 2014**, Star Mica Co., Ltd. announced changes to its executive management.

Executive management changes (effective December 1, 2014)

Name	New position	Previous position
Masashi Mizunaga	Chairman	President and CEO
Shoichi Akisawa	President and CEO	Executive Director and Corporate Strategy Head

As the company moves toward FY11/15, it has established steady growth and a firm operational foundation. The company has determined that a change in its management will act as a catalyst for further growth.

Shoichi Akisawa has significant experience in the real estate industry, and has been a core executive member as head of corporate strategy after entering the company in 2011. Masashi Mizunaga will remain with the company as chairman, and will continue to be actively involved in the decision making process at Star Mica. As of May 31, 2014, Mr. Akisawa holds 3,900 shares of the company's stock.

View the [full report](#).



MONTHLY WRAP – December 2014

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 **November 4, 2014**, Takashimaya Co., Ltd. released monthly store sales data for October 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	-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	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	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%	0.1%	-0.3%	-0.3%				
Domestic Department Stores	31.7%	-13.5%	-6.5%	-4.9%	-4.3%	0.0%	-0.4%	-0.4%				
Corporate Business	55.4%	-21.1%	-17.9%	-15.6%	1.2%	-5.3%	-3.6%					
Cross-Media Business	5.4%	-33.8%	-36.0%	-25.2%	-12.8%	-3.4%	-11.7%					

Source: Company data

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

On **the same day**, Shared Research Inc. updated comments on the company's 1H FY02/15 earnings results.

Quarterly Performance (JPYmn)	FY02/13				FY02/14				FY02/15		FY02/15		FY02/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Operating Revenue	207,348	212,482	209,350	241,152	214,007	221,284	212,900	255,989	224,269	217,404	102.0%	433,000	48.2%	916,000
YoY	6.5%	-1.3%	2.3%	-0.9%	3.2%	4.1%	1.7%	6.2%	4.8%	-1.8%		-0.5%		1.3%
Sales	193,702	198,995	195,951	226,739	199,848	206,571	198,598	240,768	209,100	202,393			48.1%	856,000
YoY	6.6%	-1.6%	2.2%	-1.5%	3.2%	3.8%	1.4%	6.2%	4.6%	-2.0%				1.2%
GP	50,813	51,300	50,335	57,252	51,934	52,291	50,729	59,719	53,109	50,907			48.1%	216,100
YoY	7.2%	-1.9%	0.9%	-2.4%	2.2%	1.9%	0.8%	4.3%	2.3%	-2.6%				0.7%
GPM	26.2%	25.8%	25.7%	25.3%	26.0%	25.3%	25.5%	24.8%	25.4%	25.2%				25.2%
SG&A	58,574	60,547	59,482	60,566	59,999	61,941	59,725	62,304	60,743	61,239			50.0%	244,100
YoY	2.9%	1.1%	0.0%	-4.2%	2.4%	2.3%	0.4%	2.9%	1.2%	-1.1%				0.1%
SG&A / Sales	30.2%	30.4%	30.4%	26.7%	30.0%	30.0%	30.1%	25.9%	29.0%	30.3%				28.5%
OP	5,884	4,240	4,251	11,092	6,094	5,062	5,317	12,626	7,535	4,679	104.4%	11,700	38.2%	32,000
YoY	68.7%	-24.0%	28.1%	27.3%	3.6%	19.4%	25.1%	13.8%	23.6%	-7.6%		4.9%		10.0%
OP / Operating Revenue	2.8%	2.0%	2.0%	4.6%	2.8%	2.3%	2.5%	4.9%	3.4%	2.2%		2.7%		3.5%
RP	6,374	5,366	5,445	12,681	7,715	5,777	6,151	13,707	8,552	5,650	109.2%	13,000	40.6%	35,000
YoY	47.0%	-16.8%	36.5%	32.4%	21.0%	7.7%	13.0%	8.1%	10.8%	-2.2%		-3.7%		4.9%
RP / Operating Revenue	3.1%	2.5%	2.6%	5.3%	3.6%	2.6%	2.9%	5.4%	3.8%	2.6%		3.0%		3.8%
NI	3,860	2,744	2,501	7,435	4,016	3,598	2,995	8,107	4,551	5,028	112.7%	8,500	44.6%	21,500
YoY	125.6%	-25.1%	71.3%	83.2%	4.0%	31.1%	19.8%	9.0%	13.3%	39.7%		11.6%		14.9%
NPM	1.9%	1.3%	1.2%	3.1%	1.9%	1.6%	1.4%	3.2%	2.0%	2.3%		2.0%		2.3%

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

Source: Company data

Takashimaya raised its full-year earnings forecast for FY02/15 following robust 1H results. Domestic Department Store operations, the company's mainstay segment, posted an increase in sales and profits year-on-year. Domestic group companies also continued to perform well. As a result, the company's consolidated earnings exceeded its initial forecast and previous year results. Operating revenue rose 1.5% from a year earlier as domestic department stores maintained their robust performance and as major subsidiaries, including Toshin Development and Takashimaya Credit, increased sales. Operating revenue exceeded the company forecast by JPY8.7bn, with domestic department store revenues beating the target by JPY5.3bn, or 1.5%.

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 **November 25, 2014**, Tamagawa Holdings Co., Ltd. announced the establishment of a second-tier overseas subsidiary.

Tamagawa Electronics Co., Ltd., a wholly owned subsidiary of the company, will form a subsidiary in Vietnam on March 31, 2015.

Purpose of establishment

Tamagawa Electronics is engaged primarily in the design, manufacture, and sales of mobile high frequency telecommunications base stations, and other high frequency devices used in television transmission and public wireless infrastructure. Tamagawa Electronics has been a supplier to major domestic telecommunications manufacturers. In recent years, price competition has caused a greater portion of manufacturing and procurement to occur overseas, and in order to meet this demand and further reduce costs, the company has decided to establish a subsidiary in Vietnam with the intent of expanding its sales overseas and providing higher quality products.

Subsidiary details

Name: Tamagawa Electronics Vietnam Co., Ltd.
 Location: Socialist Republic of Vietnam
 Capital: JPY50.0mn
 Owner: Tamagawa Electronics Co., Ltd. (100%)
 Business: Manufacture and sales of telecommunications equipment

On **November 18, 2014**, the company announced progress regarding construction of the solar park in Goto City, Nagasaki Prefecture.

As disclosed on May 29, 2013, the company has acquired land in Goto City for the construction of a solar park, and is continuing preparations to begin operations. Tamagawa has now received approval from Nagasaki Prefecture to develop in a forested area.

As the company continues preparations to begin construction, it has been applying to relevant authorities for permits required to begin work. Approval from Nagasaki Prefecture to develop in a forested area was one such requirement to begin construction of the solar park. The solar park is planned to utilize a 5.5MW extra high voltage system—the first of its type for Tamagawa.

About the Goto City solar park

§Location:	Yoshikugi-cho, Goto City, Nagasaki Prefecture
§Operator:	GP Energy 2 Co., Ltd. (wholly owned subsidiary)
§Area:	10 hectares
§Capacity:	Approx. 5.5MW
§Feed-in tariff:	JPY36/kWh (fixed for 20 years)
§Generation revenue:	JPY250mn/year (tentative)
§First-year generation volume:	Approx. 6,790,566kWh

The company has modified its capacity estimates for this facility from 6.0MW to 5.5MW.



On **November 12, 2014**, the company announced earnings results for 1H FY03/15.

Quarterly Performance (JPYmn)	FY03/14				FY03/15				FY03/15		FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY Est.	1H Est.	% of FY Est.	FY Est.
Sales	914	906	918	1,433	835	1,089			91.9%	2,092	42.4%	4,534
YoY	23.9%	6.3%	-3.4%	26.7%	-8.7%	20.1%				14.9%		23.5%
GP	253	293	301	350	261	356						
YoY	51.0%	24.7%	-9.6%	12.2%	3.0%	21.3%						
GPM	27.7%	32.4%	32.8%	24.4%	31.2%	32.7%						
SG&A	164	167	200	190	204	201						
YoY	10.2%	4.5%	14.1%	-0.7%	24.0%	20.0%						
SG&A / Sales	17.9%	18.5%	21.8%	13.2%	24.4%	18.5%						
OP	89	126	101	161	57	155			105.6%	201	42.0%	506
YoY	371.9%	68.0%	-35.9%	32.5%	-35.8%	23.2%				-6.6%		35.5%
OPM	9.8%	13.9%	11.0%	11.2%	6.9%	14.2%				9.6%		11.2%
RP	95	124	100	159	56	154			107.1%	196	42.9%	489
YoY	847.7%	69.1%	-36.6%	19.1%	-40.8%	24.1%				-10.5%		30.5%
RPM	10.4%	13.7%	10.9%	11.1%	6.8%	14.1%				9.4%		10.8%
NI	90	101	114	131	26	94			94.0%	128	26.7%	450
YoY	939.0%	22.0%	-26.8%	42.6%	-71.1%	-6.6%				-32.9%		32.4%
NPM	9.8%	11.1%	12.5%	9.2%	3.1%	8.7%				6.1%		9.9%

Source: Company data

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

Electronics and Telecoms Equipment

This segment saw delayed capex spending from mobile telecoms companies as construction plans were reevaluated for base stations, while public expenditure for defense facilities and public wireless facilities continued. Orders received totaled JPY1.8bn (+8.3% YoY), sales were JPY1.7bn (+26.0%), and operating profit was JPY257mn (+36.8%).

Solar System Sales

Although the company worked to make sales operations more efficient, there were shipment delays due to construction commencement dates being pushed back. As a result, orders received were JPY152mn (-58.4% YoY), sales were JPY136mn (-67.0%), and operating loss was JPY5mn (operating profit of JPY47mn in 1H FY03/14).

Solar Power Plant Operations

Sales of electricity at the Shimonoseki solar park were strong and proceeded according to plans. For the segment overall, sales were JPY45mn (+93.2% YoY) and operating profit was JPY16mn (operating loss of JPY13mn in 1H FY03/14).

View the [full report](#).



MONTHLY WRAP – December 2014



Verite Co., Ltd. (9904)

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

On **November 13, 2014**, Verite Co. announced earnings results for 1H FY03/15.

Quarterly Performance (JPYmn)	FY03/13				FY03/14				FY03/15				FY03/15	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	2,217	2,392	2,589	3,367	2,251	2,296	2,505	2,726	1,747	2,009			41.7%	9,000
YoY	7.8%	1.3%	-5.1%	-8.5%	1.5%	-4.0%	-3.2%	-19.0%	-22.4%	-12.5%				
GP	1,162	1,257	1,783	1,521	1,127	1,200	1,280	1,270	902	1,022				
YoY	-0.2%	-4.6%	14.7%	0.2%	-3.0%	-4.5%	-28.2%	-16.5%	-20.0%	-14.8%				
GPM	52.4%	52.6%	68.9%	45.2%	50.1%	52.3%	51.1%	46.6%	51.6%	50.9%				
SG&A	1,371	1,333	1,368	1,446	1,169	1,148	1,140	1,198	1,027	861				
YoY	8.6%	-3.8%	-3.6%	1.1%	-14.7%	-13.9%	-16.7%	-17.2%	-12.1%	-25.0%				
SG&A / Sales	61.8%	55.7%	52.8%	42.9%	51.9%	50.0%	45.5%	43.9%	58.8%	42.9%				
OP	-209	-75	414	79	-42	52	140	90	-125	20			-43.8%	240
YoY	-	-	204.4%	2.6%	-	-	-66.2%	13.9%	-	-61.5%				
OPM	-	-	16.0%	2.3%	-	2.3%	5.6%	3.3%	-	1.0%				
RP	-238	-105	378	39	-66	-1	81	6	-151	-3			-154.0%	100
YoY	-	-	220.3%	77.3%	-	-	-78.6%	-84.6%	-	-				
RPM	-	-	14.6%	1.2%	-	-	3.2%	0.2%	-	-				
NI	-254	-202	354	215	-58	-16	69	157	-164	-25			-472.5%	40
YoY	-	-	306.9%	-	-	-	-80.5%	-27.0%	-	-				
NPM	-	-	13.7%	6.4%	-	-	2.8%	5.8%	-	-				

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

Source: Company data

The retail jewelry market faced difficult conditions in 1H, namely due to the pullback in demand after the rush to beat the consumption tax hike and poor weather. In Q1, Verite launched two new brands for sale at exhibition events: the Le Couture collection exclusively for Verite Diamond Club members, and Re Briller, a brand of customized used jewelry. Awareness of these brands is increasing slowly but surely.

The company continued refurbishing existing stores, opening stalls at exhibitions, and holding exhibitions in regional stores.

Sales and gross profit both fell by about 17% YoY in 1H. But the company kept the operating loss down to JPY105mn by controlling SG&A expenses with a focus on cutting personnel costs. In Q1 (April-June), the company booked an operating loss of JPY125mn owing to the significant impact of the pullback after the consumption tax hike. But in Q2 (July-September), the company made an operating profit.



MONTHLY WRAP – December 2014



On **November 7, 2014**, the company announced October 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%	-11.7%	-13.0%						-14.7%	-14.4%
Customer Count	-38.7%	-24.9%	-18.2%	-19.7%	-19.3%	-15.9%	-14.4%						-23.2%	-22.2%
Sales Per Customer	18.0%	13.2%	9.0%	13.2%	3.7%	5.0%	1.6%						11.2%	10.0%
Stores	81	81	81	80	80	80	83						80	83
Comparable Stores														
Sales	-21.8%	-8.6%	-11.1%	-2.3%	-9.7%	-10.6%	-10.7%						-10.3%	-10.4%
Customer Count	-33.6%	-23.9%	-17.4%	-18.1%	-17.4%	-14.9%	-14.9%						-21.0%	-20.3%
Sales Per Customer	17.7%	20.1%	7.7%	19.3%	9.3%	5.1%	4.9%						13.5%	12.4%
Stores	76	79	79	80	79	79	79						79	79
FY03/14	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	1H	FY
All Stores														
Sales	8.5%	-8.7%	-7.4%	-0.8%	-9.8%	-1.9%	-7.0%	4.2%	2.3%	8.4%	-10.8%	-0.3%	-3.8%	-2.0%
Customer Count	17.4%	2.5%	-9.5%	-7.2%	-14.2%	-11.6%	-9.4%	-8.9%	-12.6%	-14.6%	-30.0%	-19.4%	-4.3%	-10.3%
Sales Per Customer	-7.6%	-11.0%	2.4%	6.9%	5.1%	11.0%	2.6%	14.4%	17.0%	26.9%	27.4%	23.7%	0.5%	9.3%
Stores	87	84	83	83	83	82	82	84	84	82	81	80	82	80
Comparable Stores														
Sales	7.7%	-9.0%	6.7%	0.5%	-4.0%	2.4%	-0.2%	12.2%	11.8%	18.7%	-4.1%	0.7%	0.4%	3.6%
Customer Count	18.6%	1.8%	-1.6%	-0.6%	-8.0%	-4.6%	-0.1%	-3.5%	-3.6%	-7.6%	-23.9%	-12.8%	0.6%	-4.1%
Sales Per Customer	-9.2%	-10.7%	8.5%	1.2%	4.4%	7.3%	-0.1%	16.3%	16.0%	28.4%	26.0%	15.5%	-0.2%	8.0%
Stores	81	78	78	77	77	76	77	78	79	79	76	77	76	77
FY03/13	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	1H	FY
All Stores														
Sales	7.4%	8.6%	-12.1%	-7.3%	4.0%	1.1%	-2.0%	-12.7%	-10.9%	-3.9%	0.7%	-7.1%	-0.5%	-3.7%
Customer Count	-4.1%	-6.9%	2.6%	-8.7%	-0.1%	-5.5%	-12.4%	-7.4%	-6.8%	3.4%	3.2%	5.5%	-3.9%	-3.1%
Sales Per Customer	12.0%	16.6%	-14.3%	1.5%	4.1%	7.0%	11.8%	-5.7%	-4.3%	-7.0%	-2.4%	-12.0%	3.5%	-0.6%
Stores	100	100	101	101	101	102	103	104	104	102	99	97	97	97
Comparable Stores														
Sales	6.4%	9.8%	-11.3%	-4.2%	1.3%	-1.5%	-2.2%	-6.1%	-9.1%	-4.2%	2.3%	-2.8%	-0.4%	-2.4%
Customer Count	-2.9%	-3.7%	1.0%	-8.6%	-2.4%	-8.2%	-14.8%	-5.3%	-5.2%	3.1%	6.1%	9.5%	-4.3%	-2.7%
Sales Per Customer	9.6%	14.0%	-12.2%	4.8%	3.8%	7.3%	14.8%	-0.8%	-4.1%	-7.1%	-3.6%	-11.3%	4.0%	0.3%
Stores	81	81	82	84	85	90	92	96	96	95	90	90	90	90

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

View the [full report](#).



WirelessGate Inc (9419)

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

On **November 6, 2014**, WirelessGate Inc. announced earnings results for Q3 FY12/14.

Quarterly Performance (JPYmn)	FY12/13				FY12/14				FY12/14	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	1,617	1,729	1,811	1,898	2,046	2,159	2,369	-	-	-
YoY	31.3%	29.9%	27.3%	25.3%	26.5%	24.8%	30.8%	-	-	-
GP	502	529	564	571	594	603	633	-	-	-
YoY	17.4%	19.0%	21.6%	22.3%	18.2%	14.1%	12.3%	-	-	-
GPM	31.0%	30.6%	31.1%	30.1%	29.0%	27.9%	26.7%	-	-	-
SG&A	326	339	354	361	386	404	457	-	-	-
YoY	18.7%	9.2%	17.5%	13.2%	18.3%	19.1%	29.2%	-	-	-
SG&A / Sales	20.2%	19.6%	19.6%	19.0%	18.9%	18.7%	19.3%	-	-	-
OP	176	190	210	210	208	200	176	-	-	-
YoY	15.1%	41.8%	29.3%	41.9%	18.2%	5.1%	-16.2%	-	-	-
OPM	10.9%	11.0%	11.6%	11.1%	10.2%	9.3%	7.4%	-	-	-
RP	176	190	209	210	207	199	174	-	-	-
YoY	15.1%	44.2%	45.1%	42.4%	17.9%	5.0%	-16.9%	-	-	-
RPM	10.9%	11.0%	11.5%	11.0%	10.1%	9.2%	7.3%	-	-	-
NI	108	117	129	129	127	131	110	-	-	-
YoY	-29.0%	14.5%	53.2%	52.4%	16.8%	12.5%	-15.0%	-	-	-
NPM	6.7%	6.8%	7.1%	6.8%	6.2%	6.1%	4.6%	-	-	-
Cumulative	Q1	1H	Q3	FY	Q1	1H	Q3	FY	% of FY	FY Est.
Sales	1,617	3,346	5,157	7,055	2,046	4,204	6,574	-	77.3%	8,509
YoY	31.3%	30.6%	29.4%	28.3%	26.5%	25.6%	27.5%	-	-	20.6%
GP	502	1,031	1,595	2,165	594	1,197	1,830	-	-	-
YoY	17.4%	18.2%	19.4%	20.1%	18.2%	16.1%	14.8%	-	-	-
GPM	31.0%	30.8%	30.9%	30.7%	29.0%	28.5%	27.8%	-	-	-
SG&A	326	665	1,019	1,380	386	789	1,247	-	-	-
YoY	18.7%	13.6%	14.9%	14.5%	18.3%	18.7%	22.3%	-	-	-
SG&A / Sales	20.2%	19.9%	19.8%	19.6%	18.9%	18.8%	19.0%	-	-	-
OP	176	366	576	786	208	408	583	-	64.8%	900
YoY	15.1%	27.6%	28.2%	31.6%	18.2%	11.4%	1.3%	-	-	14.6%
OPM	10.9%	10.9%	11.2%	11.1%	10.2%	9.7%	8.9%	-	-	10.6%
RP	176	366	575	785	207	407	580	-	64.6%	898
YoY	15.1%	28.6%	34.1%	36.2%	17.9%	11.2%	1.0%	-	-	14.5%
RPM	10.9%	10.9%	11.1%	11.1%	10.1%	9.7%	8.8%	-	-	10.6%
NI	108	225	354	483	127	258	368	-	67.7%	543
YoY	-29.0%	-11.6%	4.5%	14.1%	16.8%	14.6%	3.8%	-	-	12.4%
NPM	6.7%	6.7%	6.9%	6.8%	6.2%	6.1%	5.6%	-	-	6.4%

Source: Company data

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

Sales stayed firm mainly in its key WirelessGate Wi-Fi and WirelessGate Wi-Fi WiMAX services. In terms of profits, there was an unexpected effect of maintenance and operational costs in preparing the launch of LTE SIM cards, the business not planned at the beginning of the term. Though there was a rise in costs for access line procurement and sales promotion on the commencement of the WirelessGate Wi-Fi+LTE SIM card service in September 2014, increases in sales and gross profit led to the YoY rise in operating income.

On **the same day**, the company announced a resolution to apply for a transfer of its stock listing to the main market of the Tokyo Stock Exchange, a comprehensive business alliance with V-cube, Inc., and business partnership with Fon toward the construction of a global WI-Fi network.

**Application to transfer stock listing to the main TSE market**

The company, which had proceeded with preparatory work to apply for a change in the market where its stock is listed, resolved at a Board of Directors meeting on November 6, 2014, to apply to the TSE for a transfer of the stock listing to the main TSE market, namely the first or second TSE section.

Comprehensive business alliance with V-CubePurpose of the alliance

Main clients of V-Cube are entities such as private companies, government organizations, and financial, educational and medical institutions. The company provides those customers with cloud-based services in the visual communication market, including television/web conferences, online seminars, sales assistance, remote education, medical treatment and diagnosis, and video distribution. When V-Cube distributes application services like TV meetings on a multi device basis, the company also provides users with smartphones and tablet terminals. WirelessGate has offered communication services mainly to individual customers. By combining its LTE SIM, Wi-Fi and WiMAX services with V-Cube's visual communication platform, WirelessGate will be able to plan services better matching customer needs. The purpose of the alliance is to increase the corporate value of the two companies by enhancing competitiveness and providing high value-added services through the integration of their knowledge and experience.

Planned business collaboration under the alliance

The two companies aim to develop and provide new services by combining WirelessGate's wireless broadband services and V-Cube's visual communication platform. As the two companies have different customer bases, strengthening their relations and providing new services would enhance their competitiveness and enable them to find new customers. Particularly, a wide range of services will be available in the M2M/IoT field. They also consider providing services for home healthcare and home nursing.

Business partnership with Fon toward building a global Wi-Fi network

The company announced that it will enter business partnership with Fon (based in Spain) and Fon Japan. Fon is a leading Wi-Fi community company in the world, holding more than 12 million Wi-Fi access spots in more than 200 countries.

Purpose of the partnership

Under the planned business tie-up, the two companies aim to build a Wi-Fi network consisting of more than 200,000 access points in Japan, such as commercial facilities in tourism resorts and residences of WirelessGate users, by using Fon's Fonera Mini routers. FoneraMini, Fon's brand-new, advanced router now being globally expanded, will be provided in Japan for the first time.

Planned business tie-up

WirelessGate has supported the operations of the "GinzaFree Wi-Fi," or "G Free," project and achieved various other projects for the comfortable environment to use Wi-Fi, particularly for foreigners visiting Japan, toward the 2020 Tokyo Olympics. By joining hands with Fon, which is renowned globally, WirelessGate will be able to provide the convenient Wi-Fi environment for foreign visitors. Fon is the world's largest Wi-Fi community, holding the biggest number of Wi-Fi spots in such countries as UK, France, Germany and Brazil.

On September 1, 2014, WirelessGate started the Wi-Fi+LTE SIM card service. In a bid to further promote the seamless usage of Wi-Fi by users of the service, the company will distribute Fon routers to the WirelessGate SIM card users, contributing to the expansion of the Fon network. On the other hand, users who receive and install Fon routers will be able to use Fon's worldwide network of more than 12 million Wi-Fi access points.



MONTHLY WRAP – December 2014

Prospect for the future

Though WirelessGate foresees only a slight effect of the planned tie-up on its FY12/14 results, it believes that there will be contribution to improvement of the corporate performance for the medium and long term.

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